

MARCH 2019

This report analyses the performance of single-unit rental properties in the second-hand prime central and prime outer London markets between **£250 and £5,000+ week**. For an analysis of the build-to-rent market and the institutional private rented sector in London and the rest of the UK, please see our Private Rented Sector Update <http://www.knightfrank.co.uk/research>

PRIME CENTRAL LONDON

Prime central London index | **164.2**

Annual rental value change | **1.1%**

Quarterly rental value change | **-0.2%**

PRIME OUTER LONDON

Prime outer London index | **170.6**

Annual rental value change | **0.6%**

Quarterly rental value change | **0%**

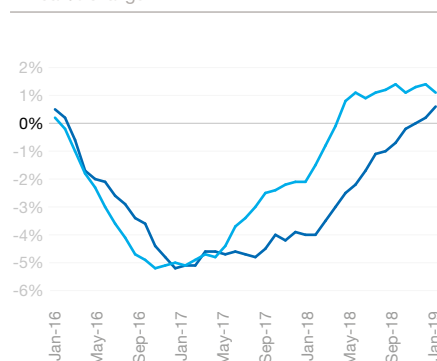
Figure 1 Average rents in PCL rose 1.1% in the year to March, while the increase was 0.6% in POL. Rental values have strengthened as the supply of lettings property has reduced in response to tax changes, including a ban on tenant letting fees, which is due to be introduced in June.

Figure 2 Although the number of new lettings listings in PCL fell 9.2% in the year to February, the rate of decline has moderated. One explanation is that some landlords have re-listed their property to let after failing to sell for the asking price. This contributed to an 8.2% rise in the number of tenancies agreed in the year to February.

Figure 3 The number of new tenancies agreed for homes rented out at less than £1,000 a week increased by 15% in the year to February. Meanwhile, between £1,000 and £5,000 per week, the rise was 7.3%. There was a 2.2% decline for £5,000-plus per week properties as demand begins to strengthen in the higher-value sales market.

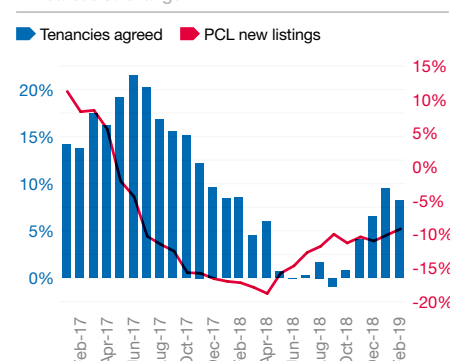
Figure 4 As sales values continue to decline and rental value growth strengthens, yields in PCL and POL have climbed. The spread between the gross yield in PCL and the risk-free rate of a 10-year government bond was 2.14 percentage points in mid-March. The equivalent figure in POL was 2.29.

FIGURE 1
Annual rental value change in PCL and POL
Annual % change



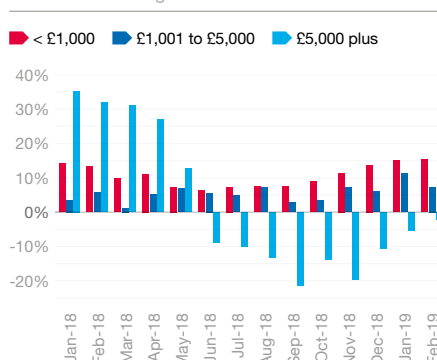
Source: Knight Frank Research

FIGURE 2
Tenancies rise as listings decline moderates
Annualised % change



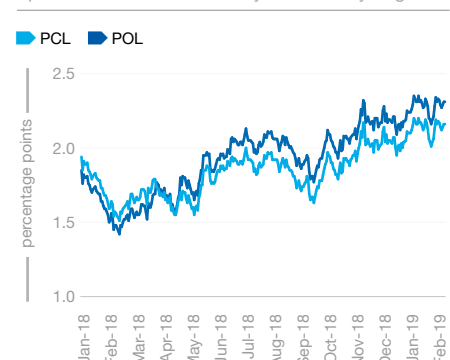
Source: Knight Frank Research / Rightmove

FIGURE 3
Lower-value tenancies register strongest rise
Annualised % change



Source: Knight Frank Research

FIGURE 4
The appeal of property investment rises
Spread between PCL and POL yields and 10-year gilt



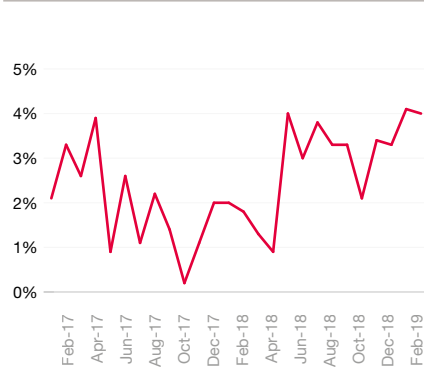
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 Retail sales grew by an annual 4% in February, despite the political uncertainty. Falling inflation, low rates of unemployment and rising wages have boosted consumer spending over the last year. Mortgage demand has been underpinned by low interest rates and a competitive lending environment.

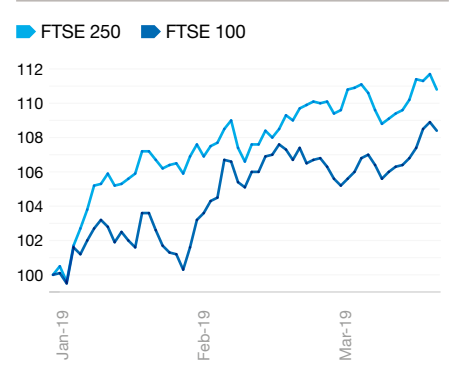
Figure 6 The UK-focused FTSE 250 stock market index has outperformed the FTSE 100 index since the start of the year. Despite the political backdrop, UK shares have benefitted as the risk of a disorderly Brexit fades. As Sterling has strengthened, the more internationally-focused FTSE100 has underperformed.

FIGURE 5
UK retail spending rises
Annual % change



Source: Knight Frank Research

FIGURE 6
UK-focused stocks outperform in 2019
Rebased to 100 at January 2019



Source: Knight Frank Research

FIGURE 7
PRIME CENTRAL LONDON Rental value growth by price band, time period and property type

	£250 - £500 pw	£500 - £750 pw	£750 - £1,000 pw	£1,000 - £1,500 pw	£1,500 - £2,000 pw	£2,000 + pw	Flat	House
1 month	0.2%	0.0%	-0.3%	0.0%	-0.1%	-0.3%	0.0%	-0.4%
3 months	0.7%	0.5%	-0.2%	-0.8%	-0.8%	-0.3%	0.1%	-0.8%
6 months	1.3%	0.1%	-0.3%	-2.3%	-1.4%	-1.6%	-0.6%	-1.4%
1 year	4.3%	1.5%	1.5%	-0.1%	-0.7%	0.5%	1.6%	-0.1%
YTD	0.7%	0.5%	-0.2%	-0.8%	-0.8%	-0.3%	0.1%	-0.8%

FIGURE 8
PRIME OUTER LONDON Rental value growth by price band, time period and property type

	£250 - £500 pw	£500 - £750 pw	£750 - £1,000 pw	£1,000 - £1,500 pw	£1,500 - £2,000 pw	£2,000 + pw	Flat	House
1 month	0.2%	0.1%	-0.1%	-0.1%	-0.2%	0.2%	0.0%	0.1%
3 months	0.2%	-0.2%	0.1%	-0.2%	-0.8%	0.3%	-0.1%	0.1%
6 months	0.3%	-0.6%	-0.5%	-1.2%	-2.1%	-1.5%	-0.3%	-1.2%
1 year	1.4%	0.4%	0.4%	0.5%	-0.8%	1.0%	0.7%	0.5%
YTD	0.2%	-0.2%	0.1%	-0.2%	-0.8%	0.3%	-0.1%	0.1%

DATA DIGEST

The Knight Frank Prime Central London Index, established in 1976, is the longest running and most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks capital values of prime central London residential property.

Prime central London is defined in the index as covering: Aldgate & the City, Belgravia, Chelsea, Hyde Park, Islington, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Riverside, South Kensington, St John's Wood, Tower Bridge and Victoria.

Prime Outer London comprises Barnes, Battersea, Belsize Park, Canary Wharf, Chiswick, Clapham, Dulwich, Fulham, Hampstead, Queen's Park, Richmond, Wandsworth, Wapping and Wimbledon.

RESIDENTIAL RESEARCH



Tom Bill
Head of London Residential Research
+44 20 7861 1492
tom.bill@knightfrank.com



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If you are a landlord or a tenant and would like some help or information, we would love to hear from you



Lucy Jones
Head of Lettings
020 7861 1264
lucy.jones@knightfrank.com