



**MAY 2018**

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 | **164.1**

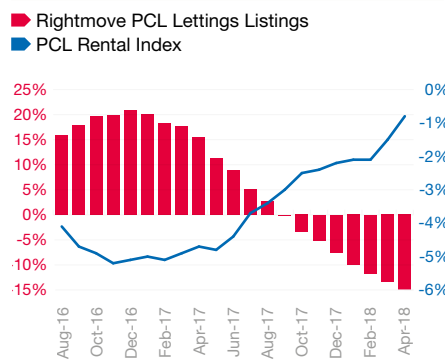
**Figure 1** Rental values approached positive annual growth in May, declining just -0.1%. Knight Frank forecasts 0.5% growth in 2018. It follows a 15% decline in the number of properties listed for rent in the 12 months to April as more landlords explore a sale after tax changes affecting issues like mortgage interest relief and wear and tear allowances.

**Figure 2** The number of tenancies agreed at £5,000+/week rose 24% in the year to April, while below £1,000 the increase was 12%. A 1% rise in the middle price bracket, where demand is typically stronger among senior executives, shows political and economic uncertainty are still impacting demand.

Annual rental value change | **-0.1%**

**FIGURE 1**  
**Rental value growth set to return in PCL**

Listings volumes show annualised % change

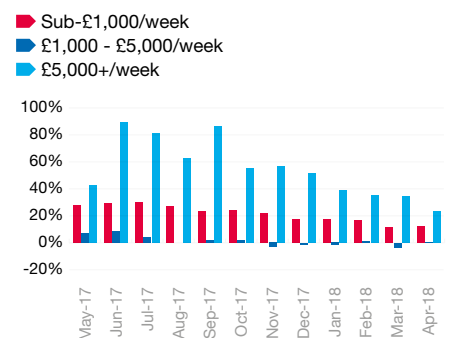


Source: Knight Frank Research / Rightmove

Quarterly rental value change | **1.2%**

**FIGURE 2**  
**Tenancies agreed rise in higher and lower price brackets**

Tenancies agreed, annualised % change



Source: Knight Frank Research

**PRIME OUTER LONDON**

Prime outer London index | **171.4**

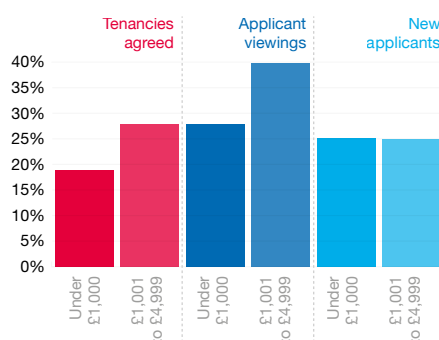
**Figure 3** In prime outer London, the number of tenancies agreed above £1,000/week rose 28% in the year to April compared to a 19% increase below £1,000. It is the opposite trend to PCL and shows demand among price-sensitive corporate tenants is rising in better value-for-money POL locations despite wider political and economic uncertainty.

**Figure 4** Rental values are strengthening in POL as levels of new supply have fallen. There were 13% fewer new listings in the year to April than the previous 12 months while annual rental value growth of -2.7% in May was the strongest since July 2016.

Annual rental value change | **-2.7%**

**FIGURE 3**  
**Higher-value markets strengthen in POL**

Annualised % change, year to April 2018

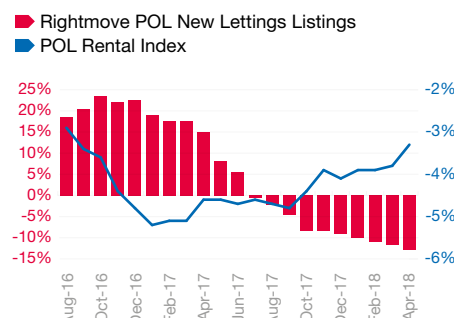


Source: Knight Frank Research

Quarterly rental value change | **-0.5%**

**FIGURE 4**  
**Rental declines ease in POL on lower supply**

New listings show annualised % change



Source: Knight Frank Research / Rightmove

ECONOMIC DATA

**Figure 5** Despite data from Lloyds Bank showing that confidence in the UK economy ticked up in May, uncertainty surrounding post-Brexit trading arrangements and the timing of the next interest rate rise have contributed to sterling weakening against the dollar in recent weeks, reversing gains made this year.

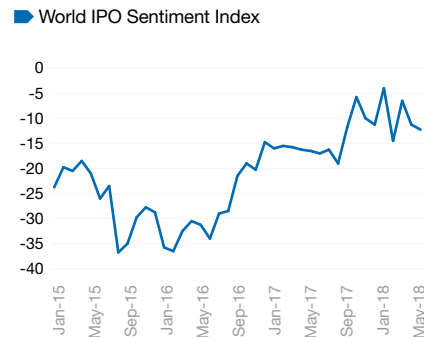
**Figure 6** Strong equity markets, low interest rates and generally robust global economic growth have combined to increase IPO activity on global stock markets over the last 12 months. Financial services remains a key driver of activity in prime sales and lettings markets in London.

FIGURE 5  
**Sterling weakens on Brexit and rate rise uncertainty**



Source: Knight Frank Research

FIGURE 6  
**Appetite for new stock market listings rises**



Source: Knight Frank Research

FIGURE 7  
**PRIME CENTRAL LONDON Price 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%	0.5%	0.6%	0.6%	0.4%	0.6%	0.6%	0.3%
3 months	1.3%	1.0%	0.8%	1.2%	2.2%	1.2%	1.3%	0.9%
6 months	1.6%	0.8%	0.3%	-0.1%	1.4%	0.8%	0.9%	0.3%
1 year	0.5%	0.2%	0.8%	-1.9%	-0.2%	0.1%	0.0%	-0.4%
YTD	1.6%	0.7%	0.4%	0.4%	1.7%	1.0%	1.1%	0.5%

FIGURE 8  
**PRIME OUTER LONDON Price 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	0.3%	0.3%	0.2%	1.1%	0.6%	0.4%	0.4%	0.4%
3 months	0.2%	0.4%	-0.2%	2.3%	0.9%	-0.2%	0.5%	0.6%
6 months	0.0%	0.1%	-1.6%	-0.9%	0.1%	-2.8%	0.1%	-1.6%
1 year	-0.9%	-1.4%	-3.5%	-5.4%	-3.1%	-4.7%	-1.1%	-4.5%
YTD	0.4%	0.5%	-0.1%	0.6%	0.3%	-1.5%	0.7%	-0.4%

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.

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