



MAY 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+ per 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 | **164.4**

Annual rental value change | **0.2%**

Quarterly rental value change | **0.0%**

PRIME OUTER LONDON

Prime outer London index | **171.1**

Annual rental value change | **0.1%**

Quarterly rental value change | **0.3%**

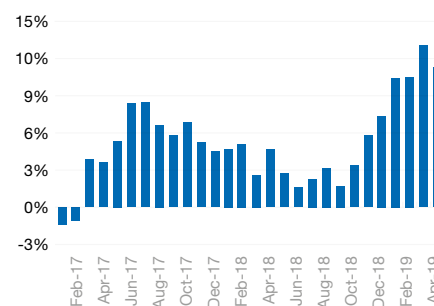
Figure 1 The number of tenancies agreed in PCL and POL increased 11% in the year to April versus the previous 12-month period. This followed a 13% uptick in March, the highest increase in seven years. Demand has risen in recent months as some buyers respond to political uncertainty by renting.

Figure 2 Meanwhile, the higher-value rental market in London, which is traditionally driven by corporate demand, has strengthened over the last year. The total number of deals per Knight Frank office between £1,000 and £4,000 per week was 13% higher in April this year than the same month in 2018 while the equivalent rise in properties rented for less than £1,000 per week was 3%.

Figure 3 Demand is also growing more strongly in the higher-value lettings market. The number of new prospective tenants registering on a budget of between £1,000 and £4,000 per week rose by 2.4% in the year to April compared to the previous 12 months. The equivalent figure below £1,000 was flat.

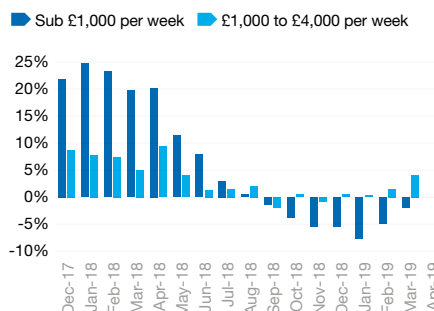
Figure 4 The strongest annual growth in rents in May was also in the highest price bracket in POL of £2,000-plus per week. While average annual rental value growth in POL was 0.3%, it was 1% above £2,000 per week.

FIGURE 1
Number of tenancies agreed increases
 Annualised % change



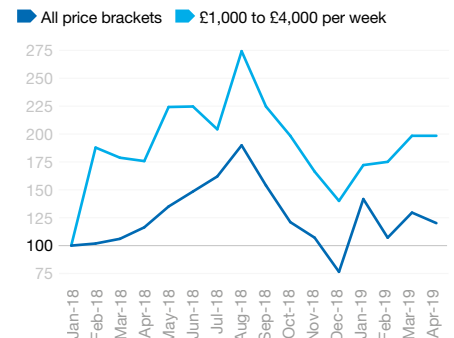
Source: Knight Frank Research

FIGURE 3
Demand rises faster among tenants with bigger budgets
 New prospective tenants, annualised % change



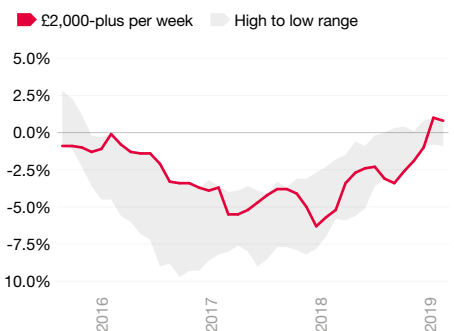
Source: Knight Frank Research

FIGURE 2
Higher-value lettings market strengthens
 Tenancies agreed per office, rebased to 100



Source: Knight Frank Research

FIGURE 4
Rental value growth in POL strongest above £2,000 per week



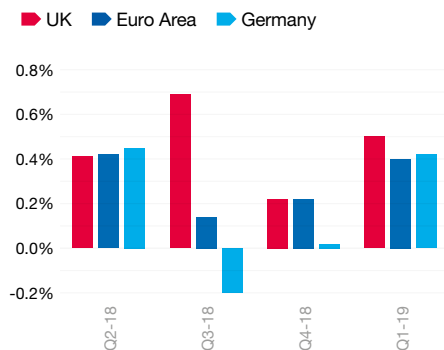
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 The UK economy appears to be largely shrugging off the effects of political uncertainty. GDP grew by 0.5% in the first quarter of 2019, which was stronger than Germany and the euro area. While Brexit-related stockpiling had an impact, there was a strong performance in the IT sector and healthy levels of business investment.

Figure 6 The pound has been volatile in recent weeks in response to Brexit-related uncertainty and speculation surrounding the identity of the next prime minister. During May, the pound eroded the gains it had made versus the dollar since January, making sterling-denominated assets more attractive.

FIGURE 5
UK economy shrugs off Brexit
GDP, quarterly growth



Source: Knight Frank Research

FIGURE 6
The rise and fall of Sterling
£ vs \$USD during 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%	0.5%	0.0%	0.4%	-0.5%	0.2%	0.2%	0.0%
3 months	0.6%	0.6%	-0.2%	0.3%	-0.9%	-0.2%	0.2%	-0.4%
6 months	1.1%	0.9%	-0.4%	-1.4%	-2.0%	-0.6%	-0.1%	-1.0%
1 year	3.4%	1.0%	0.7%	-0.9%	-2.2%	-0.4%	0.7%	-0.9%
YTD	1.1%	1.0%	-0.1%	-0.6%	-1.6%	-0.2%	0.3%	-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	0.3%	0.0%	0.0%	0.0%	0.3%	0.3%	0.1%	0.2%
3 months	0.7%	-0.1%	0.1%	0.3%	0.4%	0.9%	0.2%	0.5%
6 months	0.6%	-0.6%	-0.1%	-0.4%	-0.9%	0.6%	-0.1%	0.0%
1 year	1.5%	-0.2%	0.0%	-1.0%	-1.1%	0.3%	0.4%	-0.2%
YTD	0.7%	-0.4%	0.3%	0.2%	-0.2%	1.0%	0.1%	0.5%

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



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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.

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