

OCTOBER 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 | **165.4**

Annual rental value change | **1.2%**

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

PRIME OUTER LONDON

Prime outer London index | **171.4**

Annual rental value change | **-1.1%**

Quarterly rental value change | **0.1%**

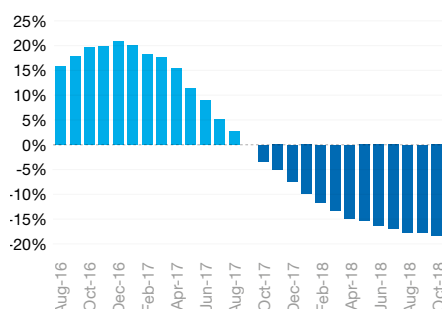
Figure 1 The number of lettings listings in PCL fell 18% in the year to September compared to the previous 12 months, Rightmove data shows. This downwards trend has been prompted by landlords seeking to sell their properties in response to tax changes. More properties could return to the lettings market before Christmas if vendors' price expectations are not met.

Figure 2 Average rental values also continued to rise in PCL in September in response to falling levels of supply. Some landlords have sold after recent tax reforms, which included changes to capital gains tax relief rules in the Budget.

Figure 3 The number of tenancies agreed per Knight Frank office in prime outer London rose by 16.7% in the year to September compared to the previous 12 months. This upwards trend in activity indicates the lettings market in POL has been more immune than the sales market to current political uncertainty.

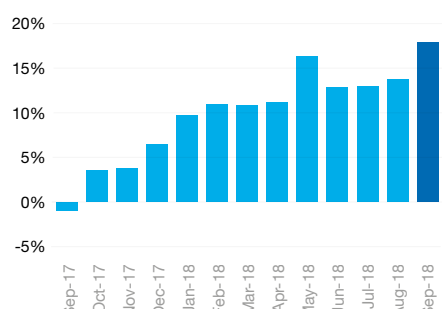
Figure 4 The number of new prospective tenants registering in prime central London has been on an upwards trajectory since the start of the year. Rising demand and falling supply (figure 1) suggests upwards pressure on rental values will be sustained.

FIGURE 1
Rental listings continue to decline
Annualised % change, PCL



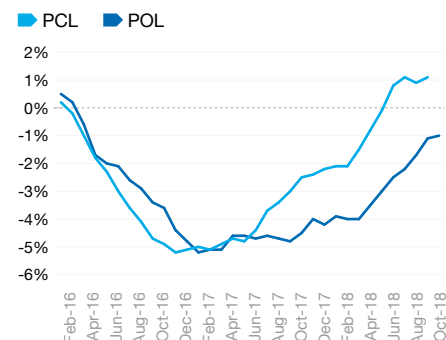
Source: Knight Frank Research / Rightmove

FIGURE 3
Lettings transactions on an upwards trend
Annualised % change in tenancies agreed per office in POL



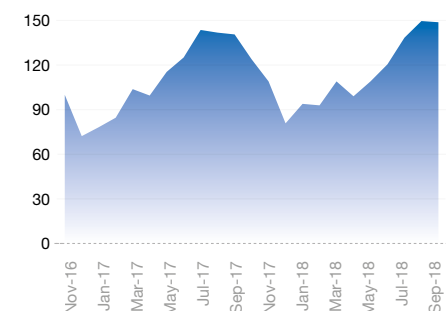
Source: Knight Frank Research

FIGURE 2
Rental values continue to strengthen
Annual % rental value change



Source: Knight Frank Research

FIGURE 4
New prospective tenants on the rise
Rebased to 100, three-month rolling average



Source: Knight Frank Research

PRIME LONDON LETTINGS INDEX

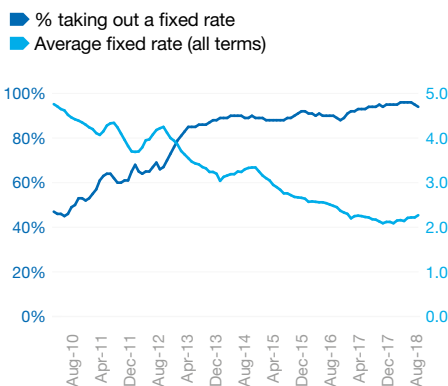
ECONOMIC DATA

Figure 5 Borrowers are still opting to fix their mortgage rates amid the current political uncertainty. While the average fixed-rate deal rose slightly to 2.27% in August from 2.09% in January, rates remain near historic lows.

Figure 6 While total annual returns in prime London markets have declined, residential property has outperformed other asset classes in 2018. Gold dropped 4.4% in the year to October while the FTSE 100 fell 5% over the same period. Global stock markets have declined in recent weeks over concerns about trade tensions.

FIGURE 5

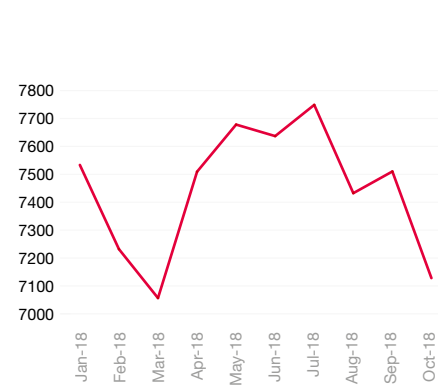
Most borrowers still fix as rates creep up



Source: UK Finance

FIGURE 6

FTSE 100 ups and downs in 2018



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	0.6%	0.2%	0.6%	-0.5%	-0.5%	-0.7%	0.0%	-0.2%
3 months	0.8%	-0.1%	0.8%	0.2%	-1.3%	-1.3%	0.0%	-0.6%
6 months	2.6%	0.9%	2.1%	1.3%	-0.1%	1.0%	1.6%	0.6%
1 year	3.7%	1.0%	1.8%	-0.2%	0.1%	0.8%	1.6%	0.0%
YTD	4.0%	1.2%	2.0%	1.0%	1.1%	1.4%	2.1%	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	-0.1%	-0.1%	0.0%	-0.2%	-0.4%	-0.9%	0.0%	-0.5%
3 months	0.5%	0.5%	0.2%	-0.3%	-0.5%	-0.8%	0.3%	-0.1%
6 months	0.9%	0.8%	0.5%	0.5%	0.5%	1.0%	0.9%	0.5%
1 year	0.4%	0.0%	-1.9%	-2.8%	-0.8%	-3.1%	0.2%	-2.6%
YTD	1.0%	0.7%	0.0%	0.0%	0.1%	-1.7%	1.0%	-0.7%

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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PLEASE GET IN TOUCH

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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