



News Release

Central London residential rents rise 16% in 2010

Knight Frank London Lettings Index – Q4 2010 results

Headlines

- Central London residential rents rose a further 2.2% in the final quarter of 2010.
- This rise means that rents have rose by 16% over 2010 as a whole and by 19% since their low point reached in mid 2009 when the market was suffering from significant oversupply.
- Rents are now 5% below the peak level they hit in March 2008 before the impact of the credit crunch was fully reflected in the market.
- Rents in the £1,500 per week segment saw a rise of 21% during 2010, whereas the £500 to £1,500 per week bracket rose by 12.3% over the same period.
- The strongest areas in central London were Knightsbridge and Mayfair – each with annual rental growth in 2010 of above 20%.

Liam Bailey, Knight Frank's head of residential research comments: "The main narrative in the London rental market for the last 18 months has been thin supply meeting strong demand, and this was how the year ended.

"The volume of available rental properties across the year was 20% lower than in 2009, and - even more strikingly - down by 36% compared to 2008. Set against this reduced supply was the fact that the volume of prospective tenants fell only marginally (by 1%) compared to 2009, but actually rose by 10% compared to 2008.

"Why has the rental market seen such demand from tenants? Two reasons stand out. Firstly employment conditions in central London are much healthier than they were in 2009. Morgan McKinley, the City recruiter, noted that the number of new positions advertised in the central London financial and business services sector rose by 9% in November 2010 compared to November 2009.



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“Secondly, in addition to the strength of London’s employment market – the fact that the sales market is still struggling to create stable growth in the number of deals means that many prospective buyers are still locked out of owner-occupation and have to consider rental as the alternative. While central London sales are outperforming the UK market, even there sales volumes in 2010 were 36% lower than in 2007.

“With landlord investments delivering 3.5% yields, together with capital growth of 10.3% in 2010, we should expect more investment buyers to be drawn into the market – indeed, there has been a steady growth of demand for property from investors over the past 18 months. But outside of the new-build sector there are few opportunities for new entrants to convert their interest into purchases.

“The level of rents in London points to the ongoing structural imbalance in London’s housing stock, with limited choice pushing rents close to record levels. Whereas housing costs for owners on variable rate mortgages have reduced by 50% and even more since 2008 due to ultra-low interest rates, for tenants they are only lower by 5% from their March 2008 peak.”

Ends

Knight Frank Prime Central London Rental Index

	KF Prime Central London Rental Index	12 month % change	6 month % change	3 month % change
Dec-07	173.8	16.9%	6.9%	3.06%
Mar-08	175.5	12.2%	4.1%	0.98%
Jun-08	174.5	7.3%	0.4%	-0.54%
Sep-08	171.4	1.7%	-2.3%	-1.76%
Dec-08	155.0	-10.8%	-11.2%	-9.61%
Mar-09	143.5	-18.2%	-16.3%	-7.38%
Jun-09	140.8	-19.3%	-9.2%	-1.91%
Sep-09	140.9	-17.8%	-1.8%	0.08%
Dec-09	144.2	-7.0%	2.4%	2.32%
Mar-10	149.8	4.3%	6.3%	3.88%
Jun-10	153.7	9.2%	6.6%	2.64%
Sep-10	163.2	15.9%	9.0%	6.20%
Dec-10	166.8	15.7%	8.5%	2.20%

Source Knight Frank Residential Research

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Notes to Editors

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