



## Prime London residential rents have risen 27% since June 2009

**We shouldn't be surprised about the speed and scale of recent rental growth in the prime London market, however a moderation is looming argues Liam Bailey.**

### Results for September 2011

**Prime London residential rents rose in Q3 2011**, the ninth successive quarterly rise

**Rental growth equated to 0.5% in September**, and 0.9% over Q3 as a whole

**Rents have now risen by 27%** since the post-crash low in June 2009

**The most recent rise means prime London rents have hit an all time high**, 2% higher than the level reached in March 2008

**Stock volume has begun to rise**, with annual growth in new instructions running at 47%

**Demand for accommodation is rising**, with new tenant registrations and viewings up by 9% and 14% respectively

The strength of London's prime rental sector over the past 18 months, with rapid rental growth and growing demand requirements, can be attributed to central London's economic revival since 2009.

With that revival being tested by redundancies in several areas of the financial sector, it might be expected that signs of weakness would be emerging in the rental sector. The evidence to date is that the sector is continuing to deliver healthy returns for landlords, and at the same time tenants are having to act quickly in order to secure properties.

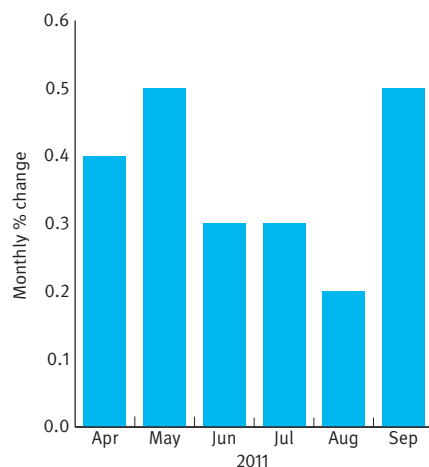
The 27% rise in rents over the past two years is perhaps not overly surprising, given that rents had fallen 20% in the 12 months to June 2009, a rebound was almost guaranteed once the economy had shifted out of recession.

At the current time rents are still rising and demand is outpacing supply. A close reading of the data suggests a slowing in these very positive numbers is likely to develop. New supply is beginning to rise, partially stemming from a revival in new-build completions in central London. Demand is also up but, over the last two months, is beginning to be outpaced by supply growth.

Our view is that there is scope for future ongoing rental growth, but that the current steep rise in rents will come to an end during the final quarter of 2011.

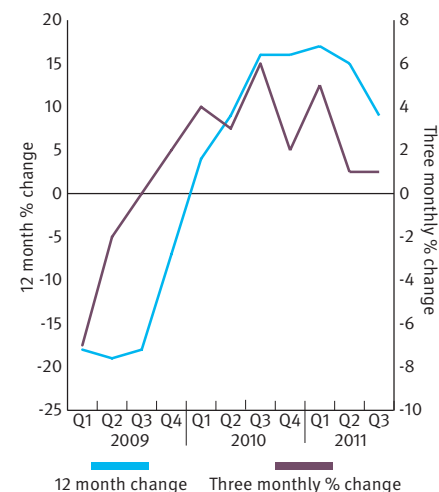
A growth rate of 4% to 5% per annum, much closer to annual earnings growth, is more realistic and sustainable for the medium to long term, and forms the basis of our outlook for the prime London rental sector.

Figure 1  
**Monthly price change**  
Prime central London average residential rental change



Source: Knight Frank Residential Research

Figure 2  
**12 month and 3 month price change**  
Prime central London average residential rental change



Source: Knight Frank Residential Research



**Liam Bailey**  
Head of Residential Research  
+44 (0)20 7861 5133  
liam.bailey@knightfrank.com

# RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX



## Know your tenant

Top 15 prime London tenant nationalities, 2010 and 2011

2010		2011	
40%	United Kingdom	42%	United Kingdom
15%	US	14%	US
6%	France	5%	France
3%	German	3%	Italy
2%	Australia	3%	Russia
2%	India	3%	German
2%	Italy	3%	Spain
2%	Spain	2%	Australia
2%	Russia	2%	India
2%	Sweden	2%	Ireland
2%	Netherlands	1%	Sweden
2%	Canada	1%	Netherlands
1%	Ireland	1%	Canada
1%	Norway	1%	Japan
1%	Switzerland	1%	China

Asia-Pacific North America Europe

Source: Knight Frank Residential Research

## Key market metrics

Prime central London rental market activity, 3 months to September 2011 compared to same period last year

<b>Demand</b>	New tenant registrations	9% ▲
	Property viewings	14% ▲
<b>Supply</b>	New property instructions	47% ▲
<b>Activity</b>	Tenancies commenced	15% ▲

## Data digest

The Knight Frank Prime Central London Rental Index, established in 1995 is the most comprehensive index covering the prime central London residential marketplace. The index is based on a repeat valuation methodology that tracks rental values of prime central London residential property. 'Prime central London' is defined in the index as covering: Belgravia, Chelsea, The City of London, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, Hyde Park, South Kensington and St John's Wood. 'Prime London' comprises all areas in prime central London, and in addition Canary Wharf, Fulham, Hampstead, Richmond, Wandsworth, Wapping and Wimbledon.

### Knight Frank Prime Central London Rental Index

	KF Prime Central London Index	12 month change %	6 month change %	3 monthly change %	monthly change %		
Index quarterly to the end of Q1 2011	Q1 2009	143.5	-18.2%	-16.3%	-7.4%	n.a.	
	Q2 2009	140.8	-19.3%	-9.2%	-1.9%	n.a.	
	Q3 2009	140.9	-17.8%	-1.8%	0.1%	n.a.	
	Q4 2009	144.2	-7.0%	2.4%	2.3%	n.a.	
	Q1 2010	149.8	4.3%	6.3%	3.9%	n.a.	
	Q2 2010	153.7	9.2%	6.6%	2.6%	n.a.	
	Q3 2010	163.2	15.9%	9.0%	6.2%	n.a.	
	Q4 2010	166.8	15.7%	8.5%	2.2%	n.a.	
	Q1 2011	175.1	16.9%	7.3%	5.0%	n.a.	
	Index monthly from April 2011	Apr-11	175.7	n.a.	n.a.	n.a.	0.4%
		May-11	176.6	n.a.	n.a.	n.a.	0.5%
		Jun-11	177.1	15.2%	6.1%	1.1%	0.3%
Jul-11		177.5	n.a.	n.a.	1.0%	0.3%	
Aug-11		177.9	n.a.	n.a.	0.7%	0.2%	
Sept-11		178.9	9.5%	2.1%	0.9%	0.5%	

## Residential Research

Liam Bailey

Head of Residential Research

+44(0)20 7861 5133

liam.bailey@knightfrank.com

Press Office

Daisy Ziegler

+44 (0)20 7861 1031

daisy.ziegler@knightfrank.com

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