# HOME COUNTIES LETTINGS INDEX

## Rents fall but demand remains strong

**Home Counties rents fell in 2013 but renewed corporate demand for rented property has kept activity levels high. Oliver Knight examines the latest figures.**

### Results for Q4 2013

Rents for prime property in the Home Counties **fell by 2.2% in Q4 2013**

The annual decline in rents is 3.6%

But demand remains strong, with the number of viewings conducted in 2013 **29.5% higher year-on-year**

...and the number of tenancies agreed in 2013 **was up by 56.2% compared to 2012**

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Rents for prime property in the Home Counties fell by 2.2% in the final quarter of the year, taking the annual decline to 3.6%.

But while headline rents declined over the course of the year, this only tells half the story.

Demand for rented accommodation in the Home Counties during 2013 was strong, with the number of viewings conducted across the market 29.5% higher year-on-year and the number of tenancies agreed up by 56.2% compared to the same period of 2012.

The performance of the Home Counties lettings market is closely aligned to business confidence and demand from staff relocating to work in London, especially in the financial services sector or for one of the blue chip companies based in the Thames Valley, has historically formed a large part of the market.

While corporate demand is not back to the same levels seen before the financial crisis, there has been more positive news from recruitment companies of late. According to the KPMG/Markit Economics Report on Jobs, the number of staff placed in permanent positions by London-based recruitment consultancies rose for a seventh straight month in December.

However, there has been a shift in the demographic of corporate tenants with an increase in the number of relocating executives from the oil and energy sectors during the final few months of 2013.

But the fallout from the financial crisis can still be seen, with corporates more price conscious – a factor which has contributed to the fall in rents. In addition, the strengthening sales market in the area, as price rises begin to ripple out from London, has put pressure on rents.

Indeed, agents have reported that some 'accidental landlords', who joined the lettings market in 2008 as their homes failed to sell, are returning to the sales market as prices start to rise.

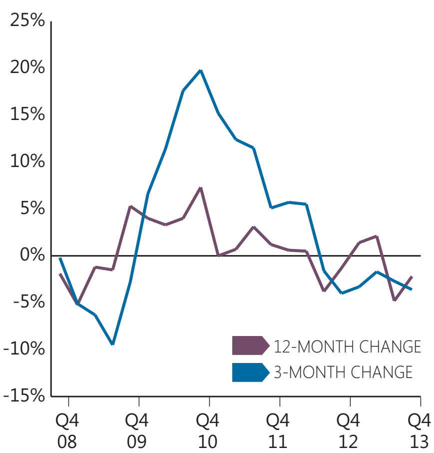
Others, however, are taking a different route and are reinvesting in the Home Counties market to take advantage of the rising demand and higher yields that are available compared to central London.

OLIVER KNIGHT
Residential Research

*"The number of tenancies agreed in the Home Counties in 2013 was up by 56.2% compared to the previous year."*

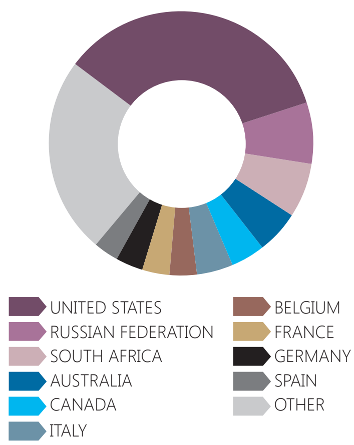
*Follow Oliver at @oliverknightkf*

FIGURE 1
**12 month and 3 month rental change**
Home Counties average residential rental change




**Source:** Knight Frank Residential Research

FIGURE 2
**Nationality of Home Counties tenants (excluding UK)**
Last 12 months




**Source:** Knight Frank Residential Research

RESIDENTIAL RESEARCH

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*"Over the last 12 months, around 47% of tenants in this prime rental market came from overseas."*

Over the last 12 months, around 47% of tenants in this prime rental market came from overseas. In this time, Knight Frank has let properties to international tenants from America, South America, Canada, South Africa, France, Russia and Australia (figure 2).

Rental values fell in most of the Home Counties lettings markets, with the exception of Cobham and Esher where rents were unchanged over the course of the quarter. The biggest decline came in Virginia Water where rents have fallen by more than 6% over the past three months.

**Home Counties lettings**

| | Annual % change | Six monthly % change | Quarterly % change |
|---|---|---|---|
| Q1 2013 | -3.3% | 0.1% | 1.4% |
| Q2 2013 | -1.7% | 3.5% | 2.1% |
| Q3 2013 | -2.7% | -2.8% | -4.8% |
| Q4 2013 | -3.6% | -6.9% | -2.2% |


**RESIDENTIAL RESEARCH**

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