

## RISING DEMAND UNDERPINS FURTHER PICK-UP IN ACTIVITY

Activity levels in the prime Home Counties rental market are rising, although rental performance remains mixed.

### Results for Q3 2017

Prime Home Counties rents rose by 1.2% in Q3

The annual change in rental values was -2.6%

The number of tenancies agreed over the course of the quarter was 24% higher year-on-year

Quarterly rental growth for one and two-bedroom flats was 4.8% and 4.5% respectively

Prime rents across the Home Counties rose by 1.2% between July and September, but are still 2.6% lower than they were 12 months ago.

Demand for rental property in the Home Counties is rising, with a sharp year-on-year jump in prospective new tenant registrations and property viewings in the third quarter, as shown in figure 2.

This has translated into an increase in the number of tenancies agreed, with Knight Frank figures showing a 24% rise in the number of deals completed, compared with the same three-month period in 2016.

This pick-up in activity comes as higher costs associated with purchases in the sales market encourage a number of would-be buyers, especially those moving from further afield, to rent before making a purchase.

An increase in corporate enquiries from individuals relocating to the Home Counties for work so far this year has also contributed to rising tenant demand, with an 11% rise in enquiries

from relocation agents so far in 2017, compared with the same period in 2016.

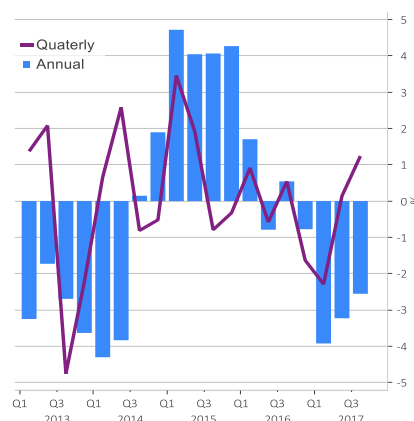
However, while the headline figures point to a marked increase in activity, rental performance remains dependent on price, highlighting the current two-tier nature of the lettings market.

Flats and smaller family houses in the sub-£4,000 per month rental market accounted for 68% of activity over the course of the quarter, and tenancies were agreed faster than for properties in higher price brackets.

Above this price threshold demand is more muted - however, in some cases landlords are willing to be flexible with regards to rents if tenants offer up-front rental payments or are able to commit to longer tenancies.

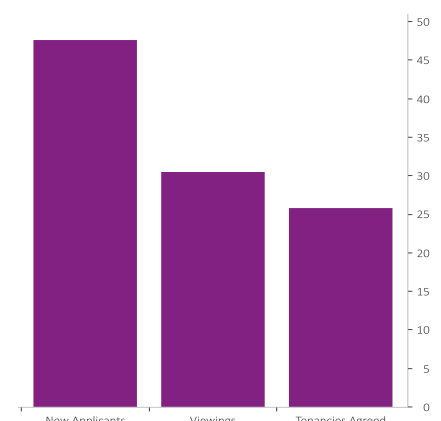
This is reflected by our index, which showed rental growth of 4.8% and 4.5% respectively for one and two-bedroom flats in Q3, compared with average rents declining by 1.7% and 2.5% for larger four and five-bedroom houses between July and September.

FIGURE 1  
Home Counties rental change  
Annual and quarterly, %



Source: Knight Frank Research

FIGURE 2  
Home Counties rental demand  
Q3 2017 v Q3 2016



Source: Knight Frank Research



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## Knight Frank Home Counties Prime Lettings Index results

	Annual % change	Six monthly % change	Quarterly % change
<b>Q3 2013</b>	-2.7%	-2.8%	-4.8%
<b>Q4 2013</b>	-0.4%	-6.9%	-2.2%
<b>Q1 2014</b>	-4.3%	-1.6%	0.7%
<b>Q2 2014</b>	-3.8%	3.3%	2.6%
<b>Q3 2014</b>	0.1%	1.7%	-0.8%
<b>Q4 2014</b>	1.9%	-1.3%	-0.5%
<b>Q1 2015</b>	4.7%	2.9%	3.5%
<b>Q2 2015</b>	4.0%	5.4%	1.9%
<b>Q3 2015</b>	4.1%	1.1%	-0.8%
<b>Q4 2015</b>	4.3%	-1.1%	-0.3%
<b>Q1 2016</b>	1.7%	0.6%	0.9%
<b>Q2 2016</b>	-0.8%	0.3%	-0.6%
<b>Q3 2016</b>	0.5%	0.0%	0.5%
<b>Q4 2016</b>	-0.8%	-1.1%	-1.6%
<b>Q1 2017</b>	-3.9%	-3.9%	-2.3%
<b>Q2 2017</b>	-3.2%	-2.2%	0.1%
<b>Q3 2017</b>	-2.6%	1.4%	1.2%

Source: Knight Frank Research

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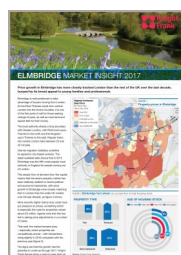
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