

SEPTEMBER 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 | **0.9%**

Quarterly rental value change | **0.8%**

PRIME OUTER LONDON

Prime outer London index | **172.2**

Annual rental value change | **-1.4%**

Quarterly rental value change | **0.5%**

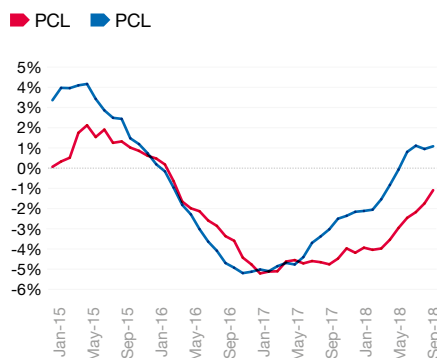
Figure 1 Annual rental value growth has returned to prime central London due to declining supply levels. Some landlords have sold or are trying to sell after recent tax changes and this fall in supply has put upwards pressure on rental values. A figure of 0.9% in September compared to a decline of -3% in the same month last year.

Figure 2 The supply of lettings properties has fallen in both prime central and outer London as more landlords sell or list their property for sale. There were 18% fewer listings in PCL in the year to August compared to the previous 12 months. The equivalent decline in POL was 13%.

Figure 3 The percentage of lettings listings in prime central London in relation to sales trended downwards in 2017 and the first half of 2018 as more landlords removed their properties from the lettings market and some were sold. This trend reversed in the middle of 2018, indicating some landlords have re-listed their property to let after their sale price expectations were not met, which would reduce upwards pressure on rents.

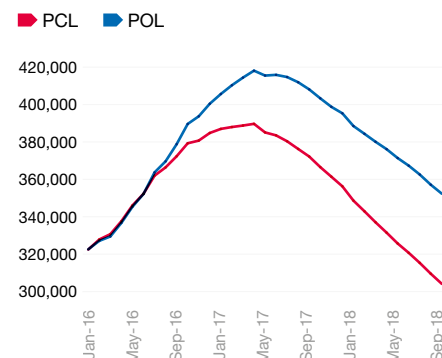
Figure 4 However, broad upwards pressure on rental values looks set to continue in the short to medium-term given the fact that the number of new prospective tenants per new lettings listing has hit a ten-year high.

FIGURE 1
Rental value declines bottom out...
Annual rental value changes in PCL and POL



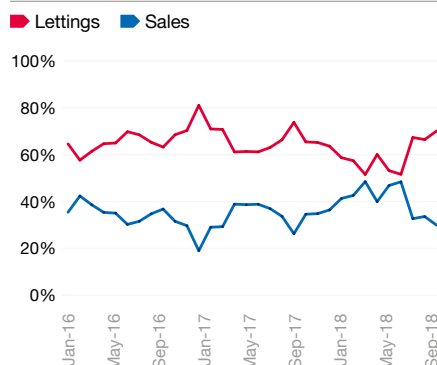
Source: Knight Frank Research

FIGURE 2
... as supply falls
Number of lettings listings, rolling 12-month total



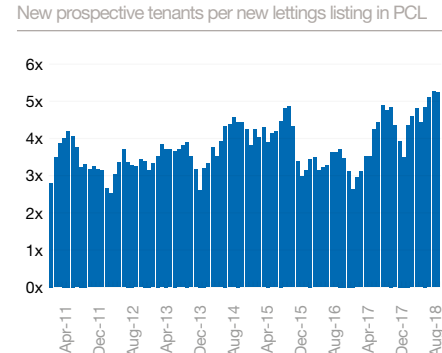
Source: Knight Frank Research / Rightmove

FIGURE 3
Landlords remain indecisive
% split of sales and lettings listings in PCL



Source: Knight Frank Research

FIGURE 4
Demand versus supply strengthens to a ten-year high
New prospective tenants per new lettings listing in PCL



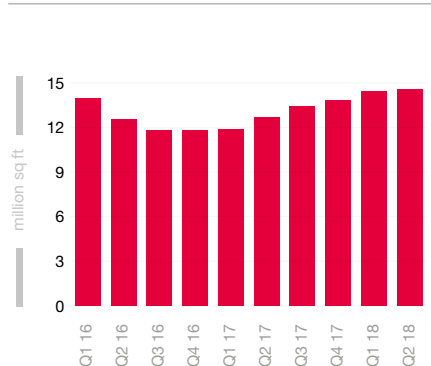
Source: Knight Frank Research

ECONOMIC DATA

Figure 5 In a positive sign for demand in the lettings market, the take-up of new office space in central London is higher than it has been in recent years. The 12-month rolling aggregate increased to 14.6 million square feet in the second quarter of 2018, up 15% from 12 months ago.

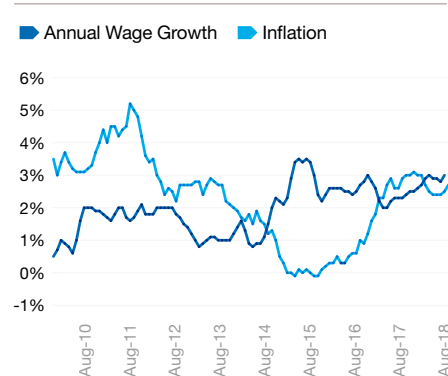
Figure 6 Annual wage growth has exceeded the consumer price index since February this year. Together with low interest rates, record low levels of unemployment and a recent boost to GDP, it demonstrates how overall economic conditions in the UK range from benign to positive.

FIGURE 5
Office take-up in central London grows
Rolling 12-month aggregate



Source: Economic Policy Uncertainty Index

FIGURE 6
Wage growth exceeds inflation
Annual wage growth compared to CPI



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	-0.1%	0.2%	0.1%	0.4%	-0.2%	-0.2%	0.1%	-0.1%
3 months	0.6%	0.0%	0.4%	0.6%	-0.4%	0.0%	0.3%	-0.1%
6 months	3.0%	1.4%	1.8%	2.2%	0.7%	2.2%	2.2%	1.3%
1 year	2.5%	0.5%	1.1%	0.0%	0.4%	1.8%	1.5%	0.1%
YTD	3.4%	1.0%	1.4%	1.6%	1.6%	2.1%	2.1%	1.0%

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	0.3%	0.2%	0.0%	0.0%	0.1%	0.0%	0.1%	0.2%
3 months	0.6%	0.3%	0.1%	-0.3%	0.1%	0.2%	0.2%	0.2%
6 months	1.0%	1.0%	0.9%	1.8%	1.3%	2.5%	1.0%	1.7%
1 year	0.7%	-0.2%	-2.2%	-3.6%	-0.5%	-2.3%	0.1%	-2.6%
YTD	1.1%	0.8%	0.1%	0.2%	0.5%	-0.8%	1.0%	-0.2%

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

If you would like further insight into London residential markets please feel free to get in touch.



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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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