

Super prime lettings demand remains strong but securing the right property in central areas can be a challenge, as Tom Smith tells Tom Bill

Activity in the London super-prime (£5,000 per week-plus) lettings market has continued to strengthen at the start of 2017. There were 42 super prime tenancies agreed in the first four months of the year, up from a figure of 33 in the same period in 2016, LonRes data shows. In the year to April, there were 122 tenancies agreed, which was one fewer than the previous 12-month period.

Demand at this price point remains resilient due to the impact of higher rates of stamp duty and uncertainty over the short-term prospects for price growth in the sales market. Tax changes in recent years included a stamp duty hike for £1 million-plus properties in December 2014, though this cost is increasingly reflected in asking prices, which has stabilised sales volumes.

In the two years following the December 2014 stamp duty rise, there were 231 super-prime lettings deals, which represented a 9.5% increase on the preceding two-year period.

In a sign of strengthening demand in the highest price brackets, there were 30 tenancies agreed above £10,000 per week in year to March 2017, which compares to 20 in the previous year.

“A wider mood of uncertainty has picked up following the snap general election and the start of Brexit talks,” said Tom Smith, Knight Frank’s head of super prime lettings. “At this price point, there are tenants who are able to rent in the short-term and buy when they sense that a greater degree of stability has returned.”

“One reason the number of tenancies agreed is not higher is due to limited stock availability,” added Tom, who said Knight Frank had agreed four tenancies above £20,000 per week between February and June. “It is less of an issue for tenants wanting a family house in, say, north London but large lateral space in prime central London is at somewhat of a premium.”

Flats represented 36% of the overall super prime lettings market in the year to April 2017, which was down from 41% in the preceding year.

Indeed, across the whole market landlords can achieve notable premiums if they are able to respond to high levels of demand by revamping existing stock to the right standard, said Knight Frank regional partner David Mumby. “If a landlord is able to reconfigure their existing space and fit-out the property to the right kind of high specification, it can be the difference between £3,000 and £6,000 per week,” he said.

Recent super prime lets



Eaton Square, Belgravia, £20,000/week



Upper Grosvenor Street, Mayfair, £27,500/week

Super Prime Lettings Team

The Knight Frank Super Prime Lettings team provides a bespoke service to clients with property interests of £5,000-plus per week in prime central London. Led by Tom Smith, the team consists of 12 local specialists with over 130 years of collective experience and has a dominant market share in London. In the year to March 2017, it completed more than twice as many super prime lettings as its two nearest competitors combined, LonRes data shows. The team members are based in Belgravia, Belsize Park, Chelsea, Hampstead, Hyde Park, Kensington, Knightsbridge, Marylebone, Mayfair, Notting Hill, South Kensington and St John’s Wood. Knight Frank’s global real estate network gives the team access to London’s most exclusive properties on and off the market.

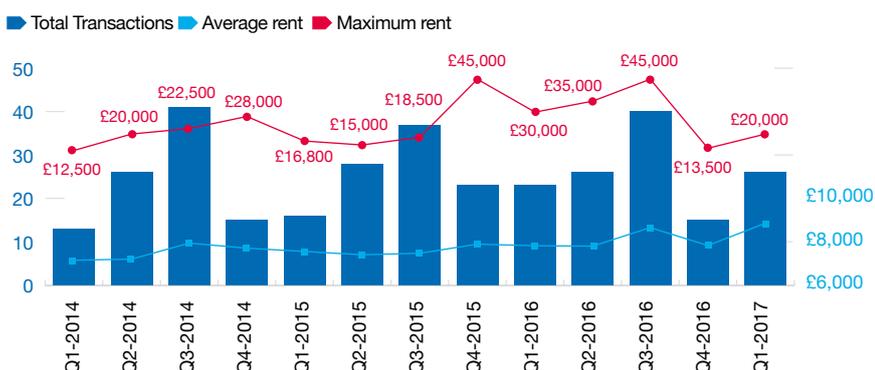


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FIGURE 1

Super prime lettings volumes and rental values

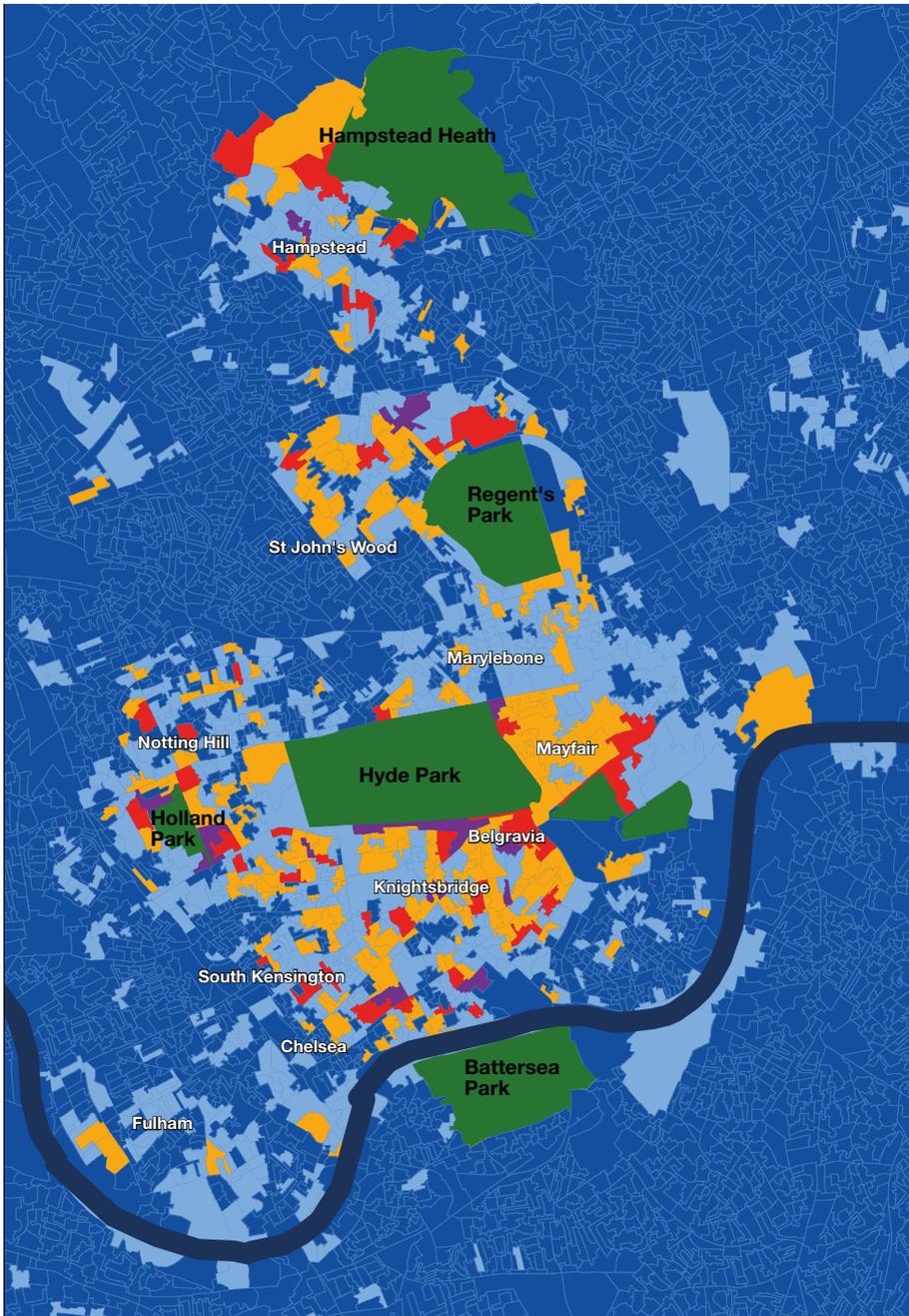


Source: Knight Frank Research / LonRes

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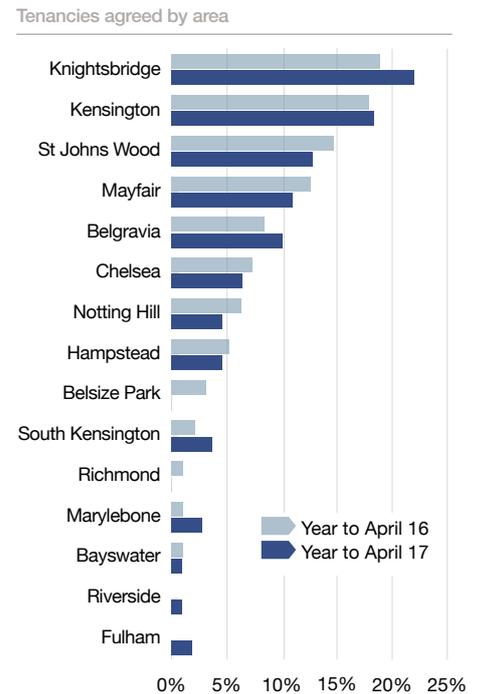
FIGURE 2
Highest achieved weekly rental value 12 months to April 2017

■ N/A / Sub-£1,000 ■ £1,000 to £2,500 ■ £2,500 to £5,000 ■ £5,000 to £10,000 ■ £10,000-plus



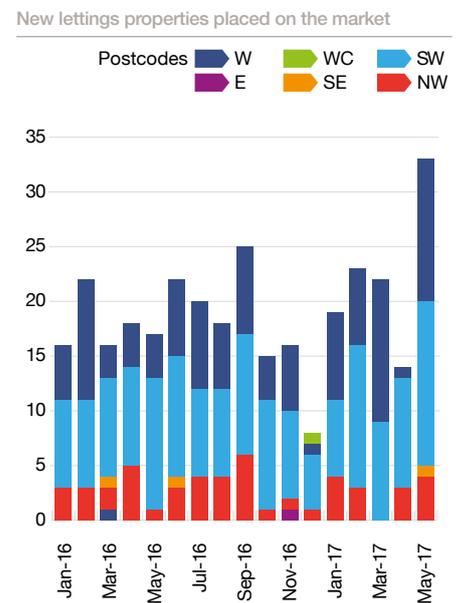
Source: Knight Frank Research / LonRes

FIGURE 3
Super prime lettings market share



Source: Knight Frank Research / LonRes

FIGURE 4
London super prime stock levels



Source: Knight Frank Research / LonRes



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