



## Prime central London rents slip, but lettings volumes improve

**Rents fell by 0.8% in prime central London in July, taking the annual decline to a modest -1.1%. However, as Liam Bailey explains, weak performance in headline rents is disguising notable improvements in lettings volumes.**

### Results for July 2012

**Rents fell by 0.8% in July** after no change in June

**Prime central London rents are also down on a quarterly (-1%) and an annual (-1.1%) basis**

**July saw 30% more tenancies agreed** compared to the same month in 2011

**The ratio of new applicants to new instructions stood at 3.0 in July**, down marginally from the 3.3 seen in July 2011

We have noted how rents have been edging down in prime central London (PCL) since October last year. The rate of this decline has been fairly sedate, and while July's 0.8% fall marks the biggest decline since monthly records began in April 2011, rents in PCL are still 25% higher than the trough of the market in the second quarter of 2009.

There is no doubt that the prime rental market has been affected by the downturn in financial sector employment caused by the slowing UK economy and the Eurozone crisis over the last year. Recent figures from the Centre for Economics and Business Research (CEBR) suggested that the number of finance jobs in the City of London had fallen to 255,000 this year, down from 354,000 in 2007.

Despite this unsettled background, July saw a noticeable upturn in the lettings market in terms of volume, with 30% more tenancies agreed compared to the same month in 2011.

July also saw improvements in new applicant and viewing volumes, reversing the weakening trend seen in the first half of 2012. New applicant volumes were higher by 2% in July year-on-year, and viewing volumes were higher by 13%.

The supply of rental properties on the market, which rose earlier in the year, stabilised in the three months to July, with just a 0.7% increase compared to the same period in 2011. The ratio of new applicants to new instructions stood at 3.0 in July, down marginally from the 3.3 seen in July 2011.

Despite the headline rental decline for PCL, some areas are seeing rental growth, with rents in the City of London increasing by an average of 0.6% during July (up 2.1% over the past 12 months), while rental growth in Notting Hill hit 4.5% in the year to July.

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

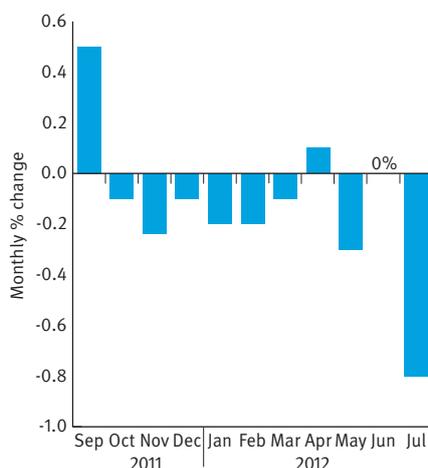
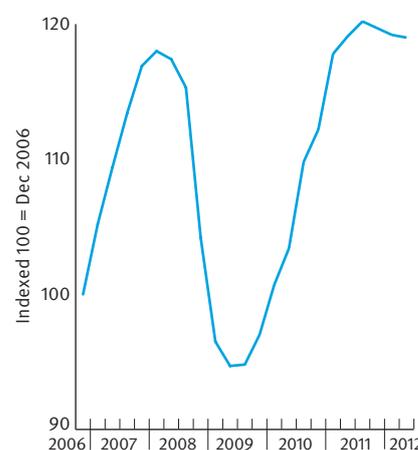


Figure 2  
**Medium-term rental trend in PCL**  
Rental growth (indexed)



“Despite the headline rental decline, some areas are seeing rental growth.”



Liam Bailey, Head of Residential Research

Source: Knight Frank Residential Research

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### 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-month 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 July 2011	Jul-11	177.5	n.a.	n.a.	1.0%
Aug-11		177.9	n.a.	n.a.	0.7%	0.2%
Sep-11		178.7	9.5%	2.1%	0.9%	0.5%
Oct-11		178.5	n.a.	1.6%	0.6%	-0.1%
Nov-11		178.1	n.a.	0.9%	0.1%	-0.2%
Dec-11		178.0	6.7%	0.5%	-0.4%	-0.1%
Jan-12		177.7	n.a.	0.1%	-0.5%	-0.2%
Feb-12		177.3	n.a.	-0.3%	-0.4%	-0.2%
Mar-12		177.3	1.2%	-0.8%	-0.4%	-0.1%
Apr-12		177.3	0.9%	-0.7%	-0.2%	0.1%
May-12		176.9	0.2%	-0.7%	-0.3%	-0.3%
Jun-12		176.8	-0.1%	-0.7%	-0.2%	0.0%
Jul-12		175.6	-1.1%	-1.2%	-1.0%	-0.8%

### 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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