

Prime London rents unchanged in May

Prime London rents were unchanged in May, bucking the downward trend the prime market has seen over the past year. Liam Bailey assesses whether this could mark a return to growth for London's luxury rental market.

Results for May 2013

Prime central London rents were unchanged in May

So far this year **prime central London rents are down by 0.3%**

Rents have risen by **2.6% in Kensington** and by **1.9% in Marylebone** in 2013 to date

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"While the general trend in May was for rents to remain unchanged, there are pockets of outperformance in prime central London."



Liam Bailey, Global Head of Residential Research

In May, prime rents in central London were static, the first month that rents in the capital's best postcodes haven't declined since June 2012.

The annual fall in rents now stands at 2.9%. Underpinning the weaker dynamic over the past year has been the health of financial sector employment market, which continues to bear the brunt of weak economic activity in central London. Job vacancies in the City were 22% lower in April than the same time last year, according to Morgan McKinley's London Employment Monitor.

While the financial sector still has hurdles to overcome, activity levels in London's luxury rental market suggest that here a healthier picture is emerging. The number of new tenancies agreed in prime central London is up by 39% so far this year compared to the first five months of 2012. Additionally, the number of new applicants is up so far this year, by 14%.

The ratio between prospective tenant registrations and newly available properties,

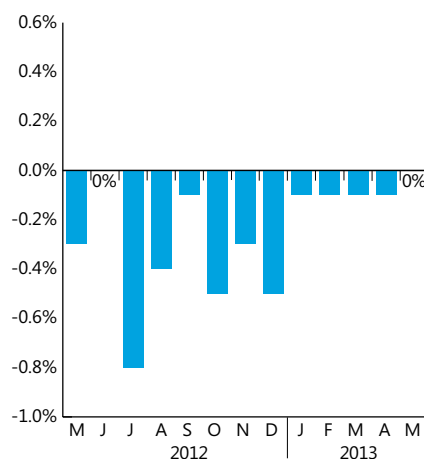
which stood at 3.0 in the first four months of 2012, has widened to 3.8 in the same period of 2013 (figure 2).

The higher levels of activity in May have helped bring an end to ten months of declining rents. But while the general trend was for rents to remain unchanged during the month, there are pockets of rental growth within prime central London. Rents rose by 1.4% in St John's Wood and by 0.1% in Kensington during May.

In the year to date, rents in Kensington and Marylebone have risen by 2.6% and 1.9% respectively. Other markets where average rents have increased in 2013 include Belgravia, by 0.3% and Knightsbridge, by 0.2%.

Our view, informed by a positive outlook for employment and business sentiment, as well as the cost barriers to owning a home, remains that rents in prime central London will increase by 1% this year, before posting stronger growth in 2014 and beyond.

Figure 1
Monthly growth
Prime central London average residential rental change



Source: Knight Frank Residential Research

Figure 2
In demand
Number of new tenant registrations per newly available property (Jan 2013 - May 2013)



Source: Knight Frank Residential Research

RESIDENTIAL RESEARCH PRIME CENTRAL LONDON RENTAL INDEX



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.

	KF Prime Central London Index	12-month change %	6-month change %	3-month change %	Monthly change %
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	176.9	-0.1%	-0.6%	-0.2%	0.0%
Jul-12	175.6	-1.1%	-1.2%	-1.0%	-0.8%
Aug-12	174.9	-1.7%	-1.4%	-1.1%	-0.4%
Sep-12	174.6	-2.3%	-1.5%	-1.3%	-0.1%
Oct-12	173.8	-2.7%	-2.0%	-1.0%	-0.5%
Nov-12	173.2	-2.8%	-2.1%	-1.0%	-0.3%
Dec-12	172.3	-3.2%	-2.6%	-1.3%	-0.5%
Jan-13	172.1	-3.1%	-2.0%	-0.9%	-0.1%
Feb-13	171.9	-3.1%	-1.7%	-0.7%	-0.1%
Mar-13	171.8	-3.1%	-1.6%	-0.3%	-0.1%
Apr-13	171.7	-3.2%	-1.2%	-0.2%	-0.1%
May-13	171.7	-2.9%	-0.8%	-0.1%	0.0%

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