

CORPORATE DEMAND BOOSTS HOME COUNTIES LETTINGS MARKET

Prime rents across the Home Counties increased for the second consecutive quarter in Q2 2014, as demand for rented accommodation picked up. Oliver Knight examines the latest figures.

Results for Q2 2014

Home Counties rents rose by 2.6% between April and June 2014

In the year to June 2014, rents have fallen by 3.8%

The number of tenancies agreed was 50% higher in Q2 2014 year-on-year

Demand from corporate tenants was strong during the quarter

The number of tenancies agreed across the Home Counties rental market between April and June was 50% higher year-on-year, driven by an increase in demand from corporate tenants working in London.

In the first half of 2014, nearly 40% of all tenancies agreed were to international tenants, led by individuals from North America. Tenants relocating from the US are often present during the first half of the year, with many wanting to move before the new American school term starts in August.

Not only have activity levels risen in Q2, but there are indications that there could be a further pick up in the coming months with the number of potential tenants registering with Knight Frank lettings agents over the three months to June rising by 49%, compared to the same period last year.

Prime rents in the Home Counties increased by 2.6% in the second quarter of 2014, a marked improvement on the 0.7% growth in the first quarter of the year.

The recent strong performance of the Home Counties lettings market has come as global economies return to health, and business confidence in the UK grows,

prompting companies to expand and increase corporate relocations.

In fact, the latest ICAEW/Grant Thornton UK Business Confidence Monitor shows that business confidence was at a record high level in Q2 2014.

Corporate demand for rental accommodation has come from a range of industries including the oil and gas, tech and mining sectors.

Despite two consecutive quarters of rental growth, over the 12 months to June 2014, rents are still 3.8% lower.

Looking at supply, the number of new instructions – a good indicator on the level of stock coming onto the market – was 14% higher across the Home Counties between April and June compared to the same period last year, although the rise varied depending on location.

The strong prime sales market in Beaconsfield, for example, where prices rose by 5.4% over the year to June 2014, has resulted in some landlords deciding that now is a good time to sell. This has resulted in a fall in the number of available properties to rent and could serve to underpin further rent rises in the area.



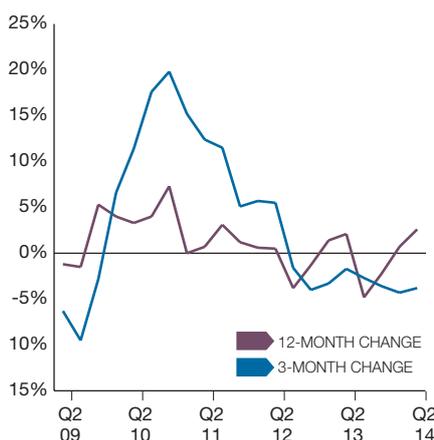
OLIVER KNIGHT
Residential Research

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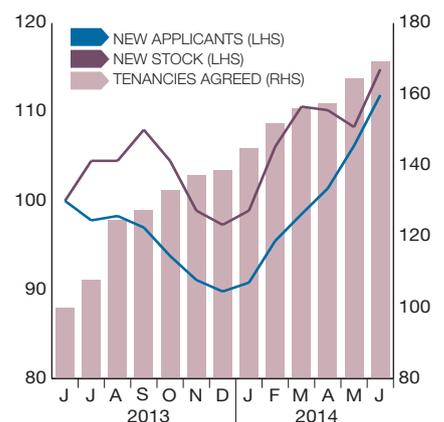
FIGURE 1
12 month and 3 month rental change
Prime Home Counties residential rental change



Source: Knight Frank Residential Research

FIGURE 2
Demand drivers

Annual change in applicants, instructions and tenancies agreed (indexed to 100 in Jun 2013)



Source: Knight Frank Residential Research

HOME COUNTIES LETTINGS INDEX

Knight Frank Home Counties Prime Lettings Index results

	Annual % change	Six monthly % change	Quarterly % change
Q1 2013	-3.3%	0.1%	1.4%
Q2 2013	-1.7%	3.5%	2.1%
Q3 2013	-2.7%	-2.8%	-4.8%
Q4 2013	-0.4%	-6.9%	-2.2%
Q1 2014	-4.3%	-1.6%	0.7%
Q2 2014	-3.8%	3.3%	2.6%

Source: Knight Frank Residential Research

“In the first half of 2014, nearly 40% of all tenancies agreed were to international tenants.”

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