

ACTIVITY RISES ACROSS PRIME HOME COUNTIES RENTAL MARKET

Despite a slight fall in average prime rents across the Home Counties in the third quarter, annual growth remains positive.

Results for Q3 2015

Average prime rents in the Home Counties fell by 0.8% in the third quarter

The annual change in prime rents stands at 4.1%

The number of tenancies agreed across the Home Counties over the three months to September was 54% higher than the previous three-month period

In Ascot, Cobham and Esher, corporate tenancies accounted for 42% of the market in Q3, led by individuals working in the technology sector

Prime rents in the Home Counties declined by 0.8% on average between July and September, despite robust activity levels over the period.

However, while quarterly rental growth declined, the annual change in rental values over the year to September was 4.1%, up slightly from 4% in June.

The prime rental market in the Home Counties tends to be very seasonal and the three months leading up to September are often among the busiest of the year as tenants look to complete moves before the new US and UK school terms start in August or September respectively. This year was no exception, with the number of tenancies agreed in the three months to September 54% higher than over the preceding three month period.

But while activity levels have been robust, rising stock levels across the prime market, as shown in figure 1, have meant that some landlords have been willing to reduce asking rents slightly in order to remain competitive.

As ever, demand from individuals relocating for work continues to form a significant proportion of the market, especially in the prime commuter hotspots of Ascot, Cobham and Esher where corporate tenancies accounted for 42% of all deals agreed over the three-month period.

This corporate demand for rented accommodation has been particularly strong from individuals working in the technology sector. As figure 2 shows, the share price of technology businesses has performed well this year, especially when compared to the banking and oil and gas industries.

The market continues to attract international tenants with some 38% of new renters across the prime Home Counties market coming from outside of the UK between July and September – in Ascot, Cobham and Esher where corporate tenancies are more prevalent this rises to 51%.

Individuals from North America were the most active movers during this time, with the start of the American school term in August likely to have been a factor here.



OLIVER KNIGHT

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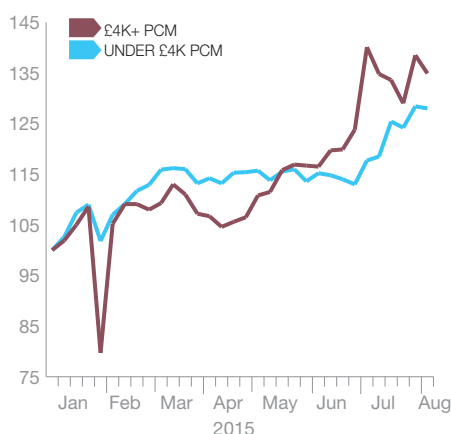
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FIGURE 1

Stock levels rising

Weekly snapshot of available rental stock in the Home Counties 100 = Jan 2015

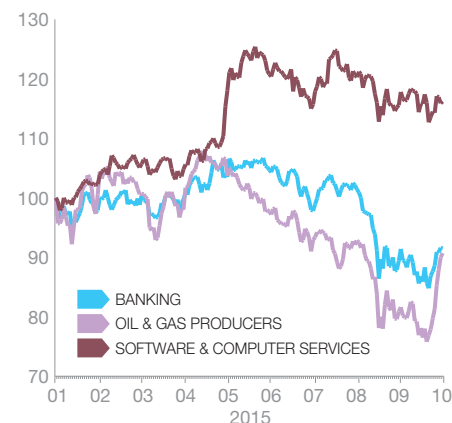


Source: Knight Frank Research

FIGURE 2

Share performance of FTSE 350 by industry sector

100 = Jan 2015



Source: Knight Frank Research

HOME COUNTIES LETTINGS INDEX Q3 2015

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%
Q3 2014	0.1%	1.7%	-0.8%
Q4 2014	1.9%	-1.3%	-0.5%
Q1 2015	4.7%	2.9%	3.5%
Q2 2015	4.0%	5.4%	1.9%
Q3 2015	4.1%	1.1%	-0.8%

Source: Knight Frank Residential Research

“In Ascot, Cobham and Esher some 51% of new tenants in the prime market between July and September were from overseas.”



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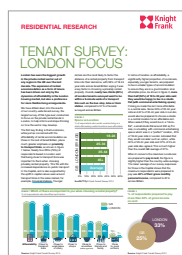
UK Prime Country House Index Q3 2015



Prime Central London Rental Index Sep 2015



Prime Central London Sales Index Sep 2015



The UK Tenant Survey - London Focus



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