



# News Release

## Prime London residential rents fall further

### Headlines - February 2012

- Average prime London rental prices fell by a further 0.2% in February
- Rents have now turned negative on a three-monthly basis, down 0.4%
- Strong growth in mid-2011 contributed to an annual rise of 6.7% to Q4 2011
- Recent rental falls mean that average rents are now close to June 2011 levels

The current round of rental price falls relates to weaker conditions in the central London employment market, argues **Liam Bailey, Knight Frank's Head of Residential Research**.

The rapid rebound in rental levels between mid-2009 and late-2011, when rents rose by 26.9%, was driven by a revival of the central London economy, following the ravages of the credit crunch and global recession.

By October last year, rents had recovered all losses sustained in 2008 and early 2009, and hit an all-time high at 1.8% above their previous peak in March 2008.

Further growth from here was dependent on continued demand-side expansion. But with job losses in the City beginning in Q3 last year, demand began to fall back a little in October.

While employment prospects in central London are still weak, there are some encouraging indicators for landlords. The volume of new tenant registrations rose 23% in the three months to February compared to the same period a year earlier.

While supply has also risen, it has done so at a slower rate. New property instructions are higher by only 13% over the same period.

An additional measure confirms conditions in the market are beginning to improve in favour of landlords, with the ratio of new applicants to new instructions rising from 3.1 to 3.5 over the past year.

Yet again the strongest part of the market remains the lower price ranges, with average rents in the £500 to £1,500 per week bracket down by only 0.1% in the three months to February, compared to a decline of 0.9% in the £1,500+ per week bracket.

Our view is that rental growth will be positive in 2012 as a whole, assuming the early signs of an improvement in the London economy from Q2 this year bear fruit.

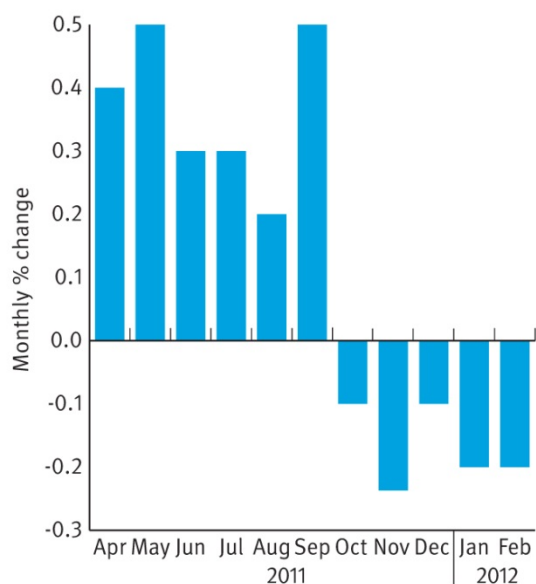


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**Tim Hyatt, Head of Knight Frank residential lettings, comments,** "After such a considerable rise in rents and the Christmas slow down which was endured pre and post-Christmas, it is not surprising that rents have dropped by a marginal amount over the course of the last three months.

"Corporate employment is key to the rental market but it is too early in the year to predict the true picture of what rents will do over the course of the next 6-12 months. We are already seeing demand beginning to pick up and most of our offices are reporting the healthiest instruction book yet. I am sure these properties will let quickly and rents will continue to rise, subject to no further cut backs within the City."

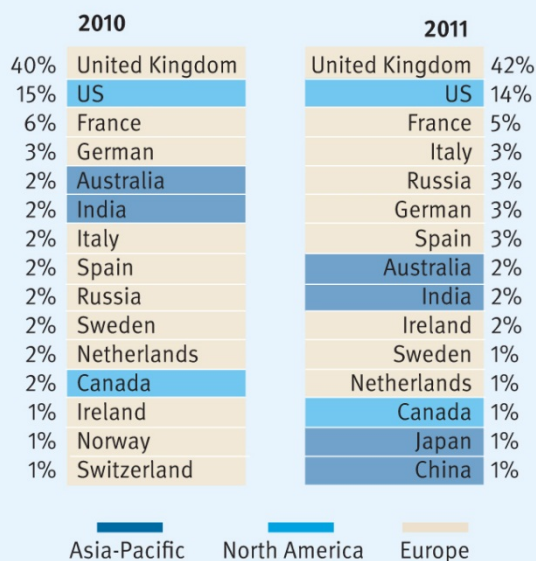
Figure 1  
**Monthly growth**  
Prime central London average residential rental change



Source: Knight Frank Residential Research

## Know your tenant

Top 15 prime London tenant nationalities, 2010 and 2011



Source: Knight Frank Residential Research

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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 April 2011	Apr-11	175.7	n.a.	n.a.	n.a.	0.4%
	May-11	176.6	n.a.	n.a.	n.a.	0.5%
	Jun-11	177.1	15.2%	6.1%	1.1%	0.3%
	Jul-11	177.5	n.a.	n.a.	1.0%	0.3%
	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%

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## Notes to Editors

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