



R3Location - A look ahead at 2016

This month, instead of our usual quarterly market update, looking back at key drivers for relocation rentals, R3Location looks ahead at 2016 to identify head line drivers likely to affect international assignments into the Capital.

Interest Rates remaining stable...

0.5%

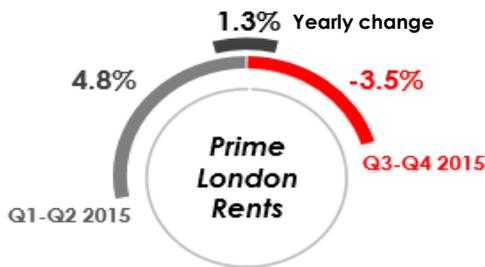
Interest rates were kept at 0.5% in December. **Economists do not expect an upward move**, if any, until later in 2016 following rise in interest rates by the Federal Reserve in the US, and their pledge of a gradual pace of increase.

...may weaken £ against \$



UK interest rates being out of step with US rates will make Stirling comparatively weaker than US Dollars. This in turn **will make UK rent cheaper** for those expats renting in the UK but being paid in USD.

2015 - A game of two halves



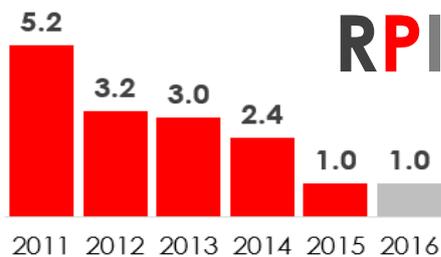
Year on year, London Prime Rental level have gone up by just over 1% but this hides greater fluctuation when comparing the first two quarter with the last two. We expect **more stability in 2016**.

2016 - More stable and progressive



2016 forecasts vary between 1.0% and up to 2.0% for 2016 Prime London Rent, which will continue to yield **strong demand for level above £4,000 a week**, despite some uncertainties in the second half of the year (e.g. **stamp duty** on 2nd homes).

A stable economic environment



London and the South East will continue to lead the recovery, with average growth of around 3% in 2016. While indicator such as RPI/inflation will remain stable, **strong economic outlook will keep upward pressure on rental values** over the next 12 months.

London Mayoral Election



The **market never likes uncertainty**. The period leading up to the Election may impact on businesses either in the form of **inward talent freeze** until results are established, or impact of political rhetoric such as inclusion of **rent control** in manifestos.