



A challenging start to the year

A tough market for tenants

The residential rental market is currently challenging and renters are faced with limited options, high rents and tough choices to make.

The hectic transactional pace of the last two years, since the postpandemic restart, has eased but

Q4 Q1 Q2 Q3 Q4 Q1

Q4 Q1 Q2 Q3 Q4 Q1

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remains relatively high. Moreover, the sustained depletion of stock that has resulted from an ongoing imbalance between supply and demand means that the low number of properties on the rental market endures. Prospective tenants continue to operate in a highly competitive market.

Rents are at historic highs

R3's own research is in alignment with that of most reputable commentors in the market, showing an increase in rents since prepandemic times of 18% across both Prime and Super Prime London (see FIGURE 3 – R3 Rental Index & Yield). Nationally, the increase is greater times for tenants to engage with a since pre-pandemic times.

A look ahead

So what can we expect to see for the remainder of the year?

Historically very low levels of stock excellence both in London and Nationally will provider. take time to replenish. While tenant

FIGURE 1 – Property Market Dashboard: Quarterly summary of key performance indicators linked to the London rental market



demand has stabilised, it will take time for the market to catch up again given the frenetic pace of the last two years.

This means that rents are not going to go down any time soon, but the rate of increase will be lower if not flat, as observed in the last quarter.

Finally, UK's election year is fast approaching and this brings further uncertainties as the agenda will become dominated by politics rather than economics.

Choose the right provider

It is critical during these challenging solid provider like R3, with market expertise and in-house depth & breadth of resources and capabilities (see FIGURE 5 Spotlight On...). More than ever, the focus should be on service with a reputable

For the Quarter **OECD UK Business Confidence Monitor** 105.0 This seems to have stabilised but will come under 103.0 pressure with no growth in GDP and the economy **Business** flatlining. Current unrest with strike actions first from 99.0 100.2 teachers and now NHS staff may have a further drag 97.0 Confidence 95.0 on confidence, as will the general uncertainty from 20 20 20 20 21 21 21 21 22 22 22 22 23 an election year on the horizon. Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Source: OECD data - amplitude adjusted base 100 RPI All Items: % change over 12 months 12.0% RPI is a measure of inflation. Whilst overall, RPI for the last quarter reached 13.6%, in line with easing of Jan 13.4% 8.0% inflation, we are beginning to see RPI plateauing and RPI Feb 13.8% 4.0% possibly reversing back to lower levels over the ----Mar 13.5% 0.0% remainder of the year. RPI rate continues to be more 20 20 20 21 21 21 21 22 22 22 22 23 stubborn than expected however. Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Source: Office of National Statistics - Retail Price Index **Rental Price Tracker** AREAS AVG. PCM QTR CHANGE ANNUAL CHANGE A stable quarter, in line with R3's own research but a clear uplift in rent since the same time last year in National avg. (NA) £1,184 +0.1 % +9.8 % Rental London, and Nationally across the UK at 9.8% and 11.8% respectively. Historically low levels of stocks will Tracker NA exc. London £ 993 +1.6 % +9.1 % continue to make this a challenging market for £1.979 +11.8 % -14% London tenants. Source: HomeLet **Tenant Demand New LL Instructions** 3 mth rent expectation 3 mths % change responses (down/up/same) 90.0% RICS Tenant demand expected to rise slightly over the next 60.0% three months and this will continue to put pressure on Lettings 30.0% rent with stock levels already low, and no signs of that 0.0% Survey easing off. This leads to expected increase in rent -30.0% over the next three months. R3 does not believe it will (London) -60.0% be as marked as suggested by this survey. -90.0% 21 22 22 22 22 23 21 22 22 22 22 23 21 22 22 22 22 23

Q4 Q1 Q2 Q3 Q4 Q1

Source: RICS Monthly Market Surveys

MARKET R3VIEW

FIGURE 3 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own two rental tracking indices in Q1 2019.

Rents have stabilised across Prime and Super Prime areas in London. They are still at historic highs and higher than they were pre-pandemic by some 18%. A declining rate of demand (still high, but not as high as it has been over the last 2 years) and stock levels slowly replenishing should see rents continue to be stable over the next quarter.

Prime and Super Prime Rental Index & Yield – started Q1 2019, base 100 against Prime. 173.9169.0165.8 149.1 153.3 147.7 140.1140.1133.4139.8 118.9 104.9_{101.8}104.7^{111.311} 100 19.9118.3117.3 106.9 101.1 107.0 108.7 91.4 84.0 81.1 80.1 82.7 87.4 3.2% 3.3% 3.1% 3.2% 3.0% 2.8% 2.8% 2.8% 2.9% 3.0% 3.4% 3.4% 3.4% 3.5% 3.8% 3.9% 3.8% \cap Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q1 Q1 Q2 Q3 Q4 Q1 Q3 Q4 Q2 Q3

R3-SP Index

Super Prime Index Prime Index

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Marco Previero

Director and Research Lead at R3

"Rental prices remain historically high, and higher than at pre-pandemic levels. These remain challenging times for tenants and it is critical for clients to use a trusted, specialist destination services company like R3, with depth and breadth of operational resources and expertise to maximise support for their employees moving to the UK"

AR3A INSIGHTS Every quarter, R3Location produces its own research which it publishes on its website and is available to all. The most recent one is now available.

R3 has **published** its latest AR3A Insights research to include London, the lower Thames Valley region, and Birmingham and its commuter belts. We will be adding **one more** shortly, so do look out for it!

You can access these and other valuable (free) research on our <u>website</u>.

FIGURE 5 - Spotlight on...

Every quarter R3 includes a Spotlight On section. This month, the focus is on **the depth and breadth of R3's capabilities.**

R3 is a UK-based Destination Service Provider and relocation expert. In a highly saturated and unregulated industry, R3 leads the way through integrity, competence and accountability; as well and depth and breadth of resources and capabilities.

We are the single largest London-based DSP with offices in Belgravia from which we deliver the highest standards of service excellence for our clients.

We don't pretend to be anything else. DSP is all we do and the only thing we do. As such, we always focus on raising the bar for our clients and their employees. **Why settle for anyone else?** AR<mark>3</mark>A INSIGHTS





Anna Barker



R3-Ave. Yield %

Prime Yield

"Our research efforts are in direct response to clients' needs. They value data that's helpful to their relocating employees. R3 is the only DSP engaging in this activity."

FIGURE 5 – SPOTLIGHT ON... THE R3 IN-HOUSE TEAM We are the largest London-based Destination Service Provider in the UK



"R3 has grown consistently and organically over the years. We are currently adding to the service provisions we offer and are recruiting for a number of roles. If you feel your skill-set can contribute to our development, why not drop us a line – we'd love to hear from you!

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FIGURE 3 – R3 RENTAL INDEX & YIELD

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Source: R3Location Research

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20 20 20

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R3-P Index