



## A positive start for London in 2013

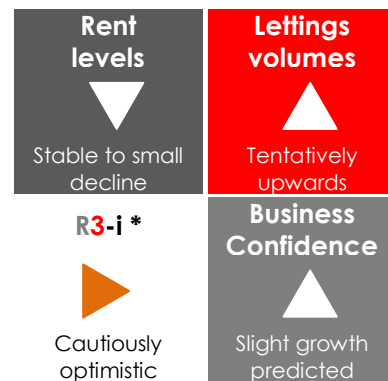
Overall stability on the rental market in London underpins positive outlook for businesses in Q2.

Recent slight rent decreases should not detract from the confidence businesses have in the UK economy over the course of 2013.

### Summary tR3nds table

TR3nd	Description
<b>Rent levels</b>	Slight to stable rent decreases over the last quarter, with good stability to be expected for the remainder of the year; quality of property increasingly a factor [1]
<b>Lettings volume</b>	Trending upwards, with some positive signs that this is set to continue as a result of increased business confidence – some quality shortage at top end.
<b>Business confidence</b>	Continues to rise, with slight growth forecasted. RPI stable, lessening uncertainty over future rental levels and volume.

### R3 Dashboard



### Economy expected to grow in Q2

A recent business survey has suggested that the Economy is expected to grow by 0.6% in Q2 – up from 0.3% in Q1 [2]. Business confidence continues to rise in the Capital, providing further evidence that the economy is strengthening. Price inflation is expected to slow over the next 12 months, but Employee pay growth remains below consumer price inflation. RPI has remained steady over the first quarter of 2013 (see table on the right [3]) and steady housing costs (included as part of the RPI) provide a further possible boost to the rental in the medium term.

Period	RPI	
2011 Q1	5.3	
2011 Q2	5.1	
2011 Q3	5.2	
2011 Q4	5.1	
2012 Q1	3.8	
2012 Q2	3.1	
2012 Q3	2.9	
2012 Q4	3.1	
2013 Q1	3.3	
<b>Jan-13</b>	<b>Feb-13</b>	<b>Mar-13</b>
<b>3.3</b>	<b>3.2</b>	<b>3.3</b>

Retail Price Index (RPI) Table

### The Rental Market

The rental market normally lags behind key business indicators as increased assurance of businesses takes time to trickle down to their workforce. This, with Employee pay remaining subdued, has seen a continuing small decline in average rents in London. The deterioration in rents is, however, minimal and does suggest that overall, there is good stability in the current rental market at present with a healthy balance of both supply and demand. At the top end, properties normally move more slowly and we have observed some shortage of very good quality houses for top level international assignees. The market, in that sense, remains saturated.

Volume, generally, is trending upwards and this is in line with some of the observations made by leading Estate Agents [4, 5] on letting activities in London.

**"We are encouraged by the recent activity in respect of international assignees and we expect renewed confidence in the economy to have a positive impact the level of the workforce"**

**Simon Price**, Commercial Director

### References

1. Winkworth – latest rental news May 2013
  2. Centre for Economics and Business Research (<http://www.cebr.com>)
  3. Office for National Statistics (<http://www.ons.gov.uk>)
  4. Knight Frank - Residential Research: Prime Central London Rental Index Q1
  5. D&G Market Report April 2013
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

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