

MARKET R3VIEW Q1 2024

Stock levels have been slowly replenishing over the last four months following the end of sustained high numbers of prospective tenants towards a more moderate level of demand.

Rent Reform Bill

While there is still a long way to go before the Bill becomes Law (and some uncertainty as to whether a Labour Government might decide to postpone it altogether should it not clear the final stages before an election), the bill is expected to return for its third reading shortly.

March, and to a certain extent April, is seeing an uplift in activity but sentiment remains cautious, with many Agents continuing to view rent level expectations decline over the coming months.

It now includes proposed amendments that will make it slightly more "landlord-friendly" than initially anticipated, including a minimum six month period for tenants (rather than 2 months as initially anticipated) but nothing that R3 is overly concerned about.

A brand new indicator for our Newsletter

In order to continue to focus on the property market, we have decided to remove our Business Confidence KPI as part of **Figure 1** and replace it with three indicators for the London rental market.

Finally...

R3 is off to EuRA in Vilamoura and we have been particularly proud this year to be able to support the conference by sponsoring its official App (see **FIGURE Spotlight On...** overleaf). We look forward to seeing many of you soon!

We are confident this will provide additional insights to our readers about the nature of the rental market in London.

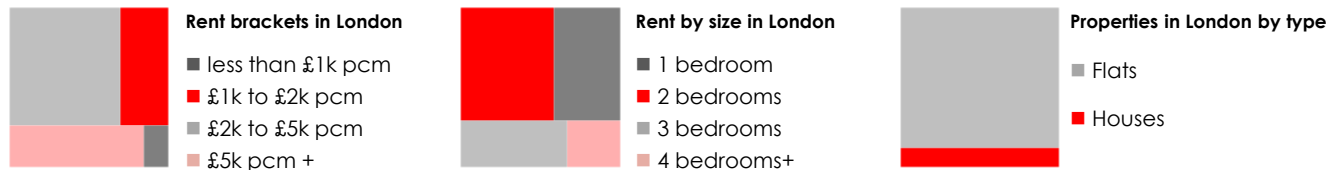


A return to a more balanced rental market

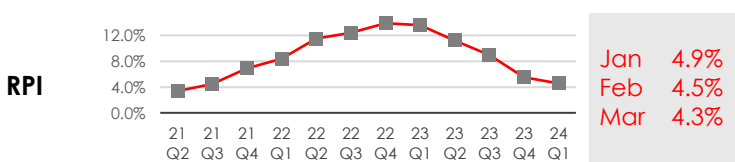
Rent levels have peaked

Rent levels softened by just over 3% in London and continued to stagnate on average nationally, bringing to an end the competitive environment experienced in London in particular over the last 2 years.

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



Source: home.co.uk (leading property data site) – focusing on relative proportion linked to the London property market by rent bracket, size of property and type



RPI All Items: % change over 12 months

RPI is a measure of inflation. RPI for the last quarter has continued its downward trend and now stands at its lowest since Q2 2021. Pressures on inflation and cost of living are easing and levels are slowly moving towards the Government target of 2% which will alleviate anxieties on rent increases on renewals.

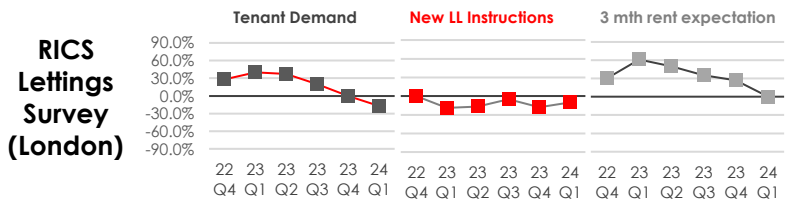
Source: Office of National Statistics – Retail Price Index

	AREAS	AVG. PCM	QTR CHANGE	ANNUAL CHANGE
Rental Tracker	National Avg. (NA)	£1,273	+0.5 %	+7.5 %
	NA exc. London	£1,070	+0.1 %	+7.7 %
	London	£2,102	-3.5 %	+6.2 %

Rental Price Tracker

Quarterly change in rents has stabilised with greater pressure in London than the rest of the UK where rents are down 3.5% against last quarter following relatively subdued demand over the last 4 months. R3 remains cautious about predicting further decline here, with some signs of revival in tenant demand since March.

Source: HomeLet Rental Index Report Mar 24



3 mths % change responses (down/up/same)

Tenant demand has continued to decline against a more steady ongoing supply of properties replenishing the market of much needed stock. Lower demand and increasing supply inevitably brings pressure on rents with an expectations from Agents that rent levels will continue to slowly decline.

Source: RICS Monthly Market Surveys

FIGURE 2 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

Pressure on rent levels has eased further this quarter bringing to an end a very competitive two years for tenants on the rental market. Rents for Prime and Super Prime are down 3.3% in the quarter and down 6.2% since the end of 2023 with a slowdown in demand over the last six months. It is worth noting that rents are still tracking some 21% above pre-COVID levels.

FIGURE 2 – R3 RENTAL INDEX & YIELD

Prime and Super Prime Rental Index & Yield – started Q1 2019, base 100 against Prime.

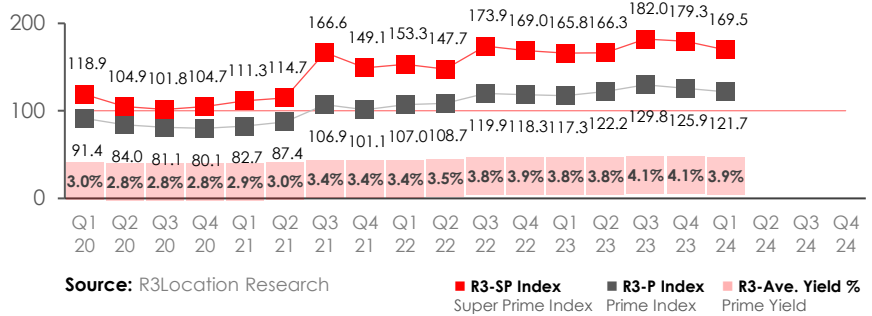
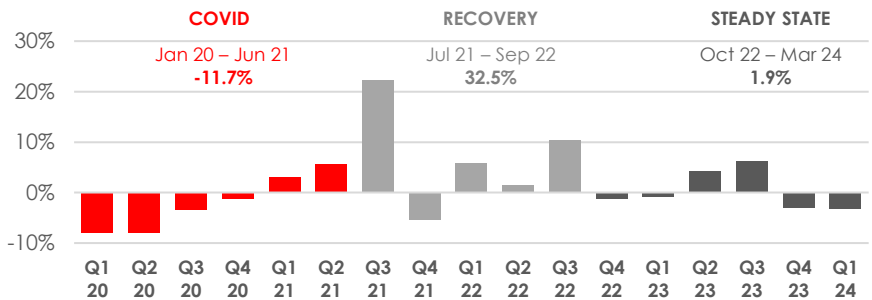


FIGURE 3 Quarterly Prime and Super Prime Rents % change since Q2 2019.

Rent levels in Prime and Super Prime rental markets in London decreased by a further 3.3% in the last quarter as a result of easing pressure on demand, with fewer prospective tenants coming to market over the last six months and a steadily increasing level of stock. Higher demand in March and April will slow this rate of decline and we estimate still that rents overall should nudge upwards by a few percentage points in 2024.

FIGURE 3 – QUARTERLY RENTAL % CHANGE

Quarterly Prime and Super Prime Rents % change



Marco Previero

Director and Research Lead at R3

“We have seen a return to more traditional seasonal activity in the relocation market. After a relatively subdued winter period, level of activity has increased sharply in March and April, and should continue to be strong as we head towards the summer. We remain cautious about 2024, especially in the context of an election year in the UK.

FIGURE 4 – Spotlight on...

Every quarter R3 includes a Spotlight On section. This month, the focus is on the **EuRA Vilamoura**.

We are thrilled to be going to EuRA in Vilamoura this year.

As part of our commitment to the industry, and ongoing growth as one of the leading Destination Services Companies in Europe, we are delighted to have been able to contribute to the conference by sponsoring the official EuRA App.

We always welcome the opportunity to connect in person and very much look forward to seeing you all in Portugal on 29 April!

We feel incredibly lucky to be part of this wonderful industry, and wish you all a very successful EuRA Conference.

FIGURE 4 – SPOTLIGHT ON... EuRA VILAMOURA

R3 is delighted to have been able to contribute to this year's conference as the App Sponsor



We are thrilled to be going to EuRA in Vilamoura and very much look forward to seeing you all soon!

Marco & Anna