

MARKET R3VIEW Q4 2021

passports have both been dropped this week.

expectation is that the low stock experienced in previous months will carry through into Q1 & Q2 2022.

Demand surges upwards

Demand for rental properties has increased significantly with the reopening of the economy.

Pressure on rents

Falling stock levels against surges in demand continue to maintain a strong upward pressure on rents.

As the Omicron variant threat reduces, and people start returning to the office, tenant demand will continue to push upwards over the coming months. We have already observed demand in the last quarter matching pre-Covid levels and prospective tenants (both private and driven by corporate relocations), at a level much higher than at the same time in 2020; with some early indications that tenants are also returning to London after many left during previous lockdowns.

FIGURE 5 – a spot light on... provides an overview of what "supply" looks like in the capital.

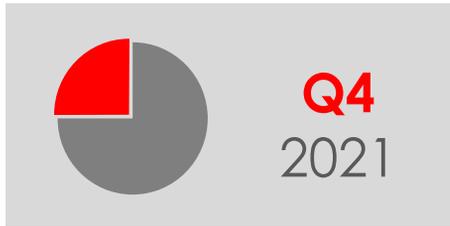
A look ahead

The Omicron variant ended up being far less of a threat than initially feared, and the expectation is that demand will therefore remain strong, if not much greater in 2022 than it was in 2021.

It is important to keep optimism in check, as the COVID pandemic seems to be entering its endgame. If we have learned anything over the last two years, it's to expect the unexpected as far as this virus is concerned. But the signs are certainly positive.

Supply continues to fall

Supply is not catching up with increased levels of demand. New instructions are flat and the



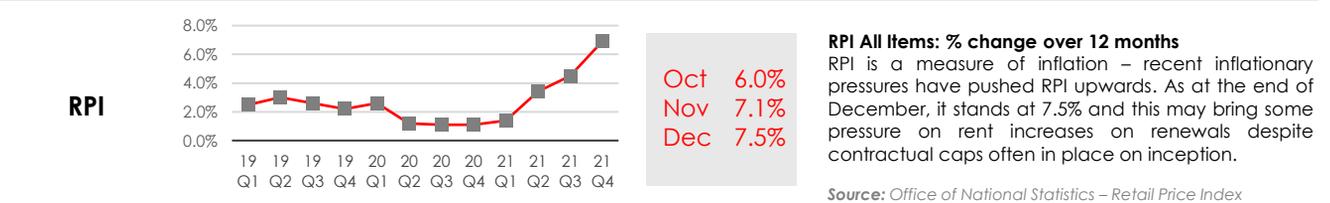
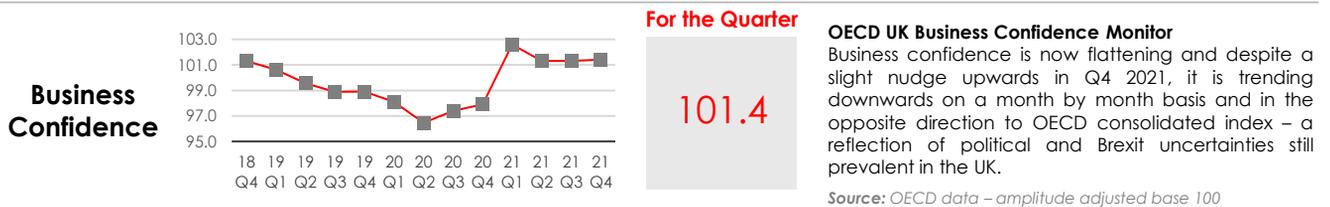
A return to office life

COVID news

The government introduced its Plan B restrictions in December 2021 to battle the Omicron variant, but last week eased them against lowering levels of infections nationally.

Along with the end of working-from-home guidance, requirements in England for face masks and Covid

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



AREAS	AVG. MTH	QTR CHANGE	ANNUAL CHANGE
National avg. (NA)	£1,060	- %	+8.3%
NA exc. London	£ 893	-0.2%	+6.6%
London	£1,752	- %	+12.6%

Rental Price Tracker
 HomeLet Rental Index report is one of the most comprehensive report covering private rentals. R3 will switch its tracker to this rather than Rightmove – as we did last quarter. Not much movement in the last quarter, but a clear trend annually.
 Source: HomeLet

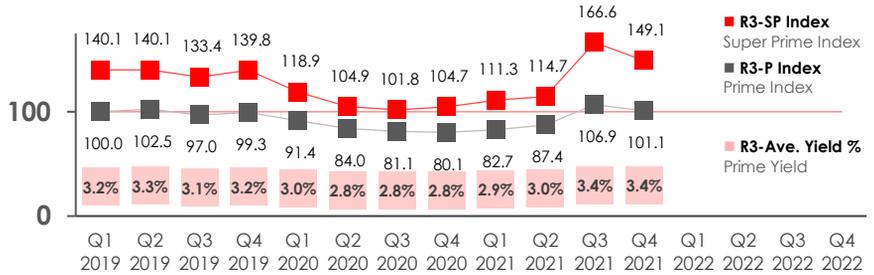


FIGURE 3 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

The mismatch between rising demand and dwindling supply identified last quarter has continued. This has driven rents back to pre-pandemic levels with R3-SP Index at 149.1 (against 139.8 pre-pandemic) and R3-P Index at 101.1 (against 91.4 pre-pandemic). It seems, for the rental market at least, that we are out of the proverbial woods.

FIGURE 3 – R3 RENTAL INDEX & YIELD

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



Source: R3Location Research



Marco Previero

Director and Research Lead at R3

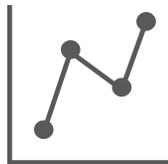
“Despite the latest Omicron variant surge, the rental market in London remains strong. This latest COVID wave wasn’t even a minor set back. Most agree that rent levels are set to stabilise and grow over the coming months, as restrictions begin to lift again – as recent government announcements have confirmed.”

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.

You can access these and other valuable (free) research on our [website](#).

AR3A INSIGHTS



Anna Barker

Director and Operations Lead at R3



“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... London Rental Market

Every quarter R3 includes a Spotlight On section. This month, the focus is on a **high level view of the rental market in London.**

The London rental market is a complex market often best understood at the level of the postcode. There is some data which can be useful to understand some of the challenges inherent within it.

Figure 5 gives a high level perspective of some macro-indicators about the London rental market overall in terms of total available stock, its distribution against “per calendar month” (pcm) rent, availability per property size, and its make-up in terms of flats, houses and rooms.

FIGURE 5 – SPOTLIGHT ON... LONDON RENTAL MARKET

High level view of the rental market in London

