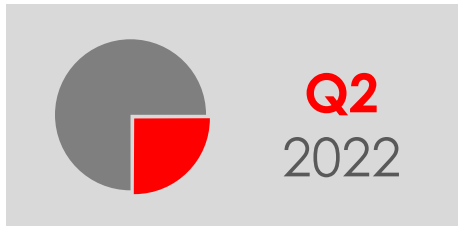


MARKET R3VIEW Q2 2022



Supply / Demand imbalance

Rents have fully recovered

Rent levels are now essentially back at levels not seen since before the pandemic, recording an increase, according to R3's own indices, of 5.6% for London super prime residential areas and 9.4% for London Prime Residential areas. The average asking rent for London is

up nearly 15% against the same period last year, and the national average excluding London following similar trends with an 8.7% uplift.

This is largely due to the fall and subsequent recovery of rents during the pandemic, but the signs show a full recovery of the London market with some worrying signs for prospective tenants, who are now spending (in London), according to a report by Homelet, a third of their income on rent.

Demand / Supply imbalance

Rent increases are largely due to two trends that have developed over the last 12 months. Firstly, tenant demand has increased significantly (and almost two fold according to some reports) as international travel eases and the effect of the pandemic taper out.

Secondly, the number of available properties has declined materially

over the last 12 months as a result of higher seasonal demand, incumbent tenants choosing to extend rather than try their luck on the market, and a buoyant sales market driving the number of so called "accidental landlords" down, preferring to focus on sales rather than rent.

This near-perfect storm of sustained increase in tenant demand, a steady decline of good quality stock, and fewer landlords' instructions, has led to some challenging times for prospective tenants.

The outlook is steady

There are signs that the supply of rental homes will increase in London in particular (according to the latest RICS Residential Market Survey) but we expect rents to continue to rise over the coming months (though at a slower rate) and for Landlords to remain in strong position when it comes to negotiating terms.

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

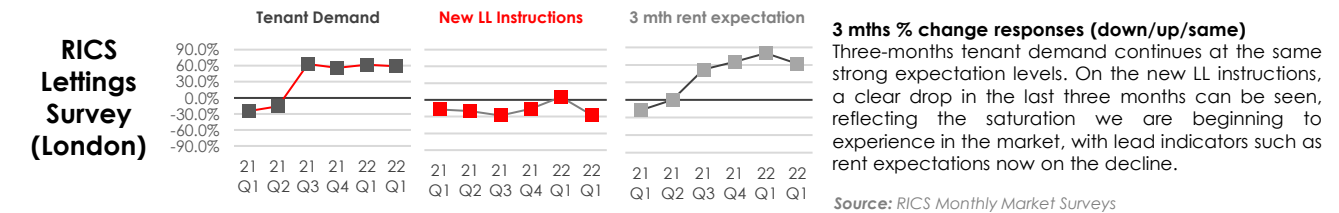
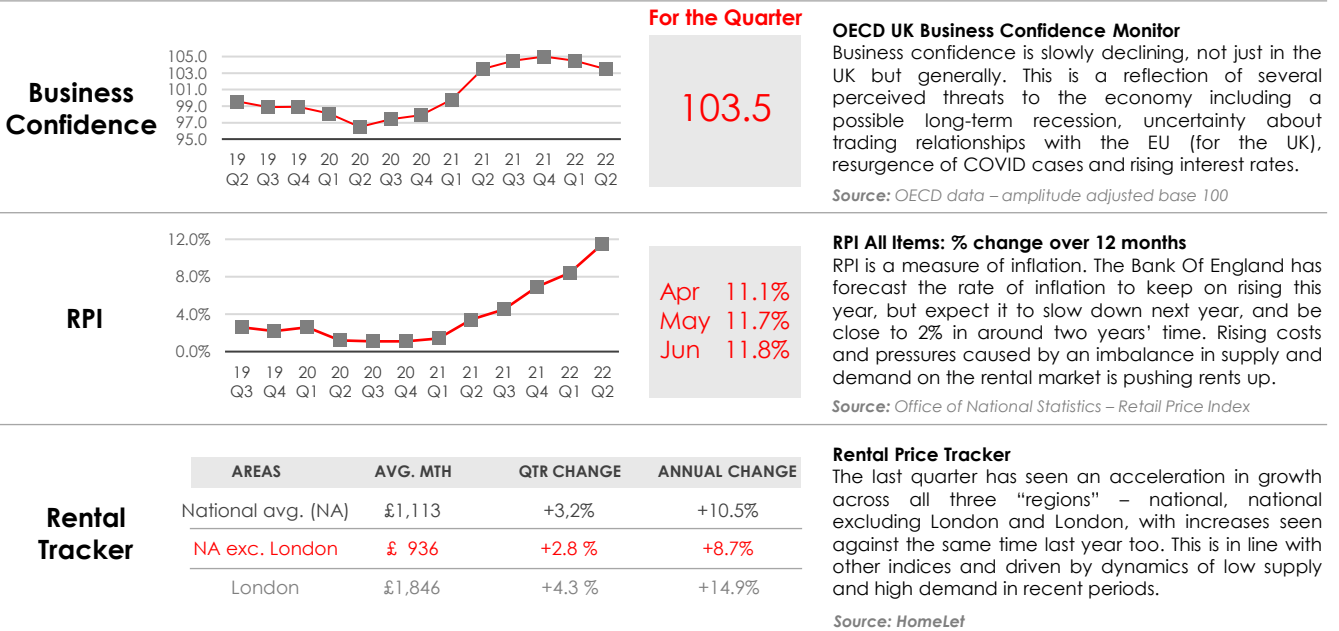
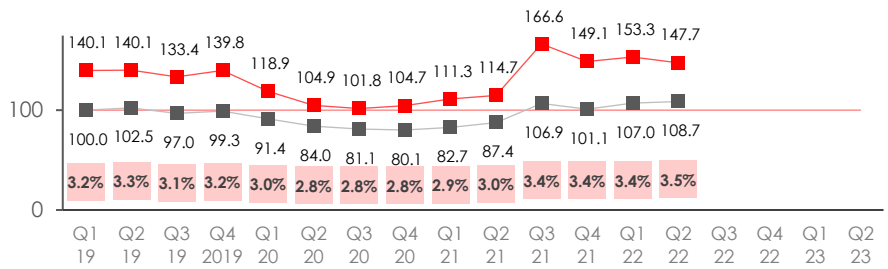


FIGURE 3 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

Demand has continued to outstrip supply and the gap between tenant's demand and available stock has continued to widen. Both R3's indices are now back at just above pre-pandemic levels and the outlook for the rental market in London remains Landlord's biased for the rest of 2022.

FIGURE 3 – R3 RENTAL INDEX & YIELD

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



Source: R3Location Research

■ R3-SP Index Super Prime Index ■ R3-P Index Prime Index ■ R3-Ave. Yield % Prime Yield



Marco Previero

Director and Research Lead at R3

“Rent levels are now essentially back at levels not seen since before the pandemic. Against Q4 2019 (quarter pre-pandemic), they are tracking at 5.6% higher for London super prime residential areas and 9.4% higher for London prime residential areas. With lowering levels of stock, we are very much in a Landlord's dominated market.”

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... Referencing

Every quarter R3 includes a Spotlight On section. This month, the focus is on **typical referencing required when renting in the UK**.

With current market conditions favouring Landlords, it is very important that prospective understand how best to negotiate best terms for tenancies at the offer stage to agree points of principle (called "heads of term") to include in the draft lease.

This includes the type of lease (AST, Common Law), initial terms (usually no less than six months, but market dependent), rent, payment terms deposit, options to break, renewal terms, and specific wish lists prior to the tenancy starting.

FIGURE 5 – SPOTLIGHT ON... REFERENCING

High level view of the type of reference checks and tenancy terms associated with renting

With current market conditions favouring Landlords, it is very important that prospective tenants understand some of the complexities surrounding referencing to secure a UK tenancy

Credit Checks Convictions Affordability Paying late	Right to Rent Legal right of abode	Employer Reference Employment status Affordability
Anti-Money Laundering	Previous Landlord Behaving in tenant-like manner	UP TO THE LANDLORD TO DECIDE