

MARKET R3VIEW Q1 2021

resurgence. This, and the strong vaccine roll-out in the UK is boosting confidence.

Stock imbalance

Nevertheless, the market needs to redress 12 difficult months which have resulted in an imbalance between property stock and demand.

But things are looking up both as result of the gradual lifting of lockdown restrictions and companies gaining comfort about moving people internationally again. This, in turn, is helping support increased activity within the prime lettings market and should continue to do so over the coming months.

Rents have bottomed out

Whilst many rental indices, including R3's, are showing one of the highest annual average rental falls for quite some time in prime London over the last 12 months, it is clear that rent levels have bottomed out at the beginning of the quarter and this trend is now reversing (**Figure 3** overleaf).

With the continued progressive re-opening of the economy and increased

levels of demand, there will be a longer-term reduction in the number of good housing available in the Capital, further easing downward pressures on rent over the remaining of 2021.

Tenancies are on the up

And the process has already started. Some have even reported that the number of tenancies agreed in Q1 2021 was some 25% higher than the same period last year and even marginally up on Q1 2019.

Looking ahead

Significant progress has been made this quarter, both in terms of the vaccination programme, but also as a result of the continued effort to lift lockdown restrictions. This positive momentum can be seen by the number of international relocations into London clearly on the up again.

However, if the pandemic has taught us anything, it has taught us to remain cautious about the future. It's very possible COVID may continue to shape the prime rental markets in London for the rest of the year.



Signs of resurgence

Progressive ease of restrictions

As we move firmly into spring, with the progressive ease of lockdown measures (see **SPOTLIGHT ON** section overleaf) there is a more positive feel to the rental market in London and an increase in activity on expatriates looking to let in London's prime and super prime residential areas.

Both the rental market and the economy are showing signs of

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

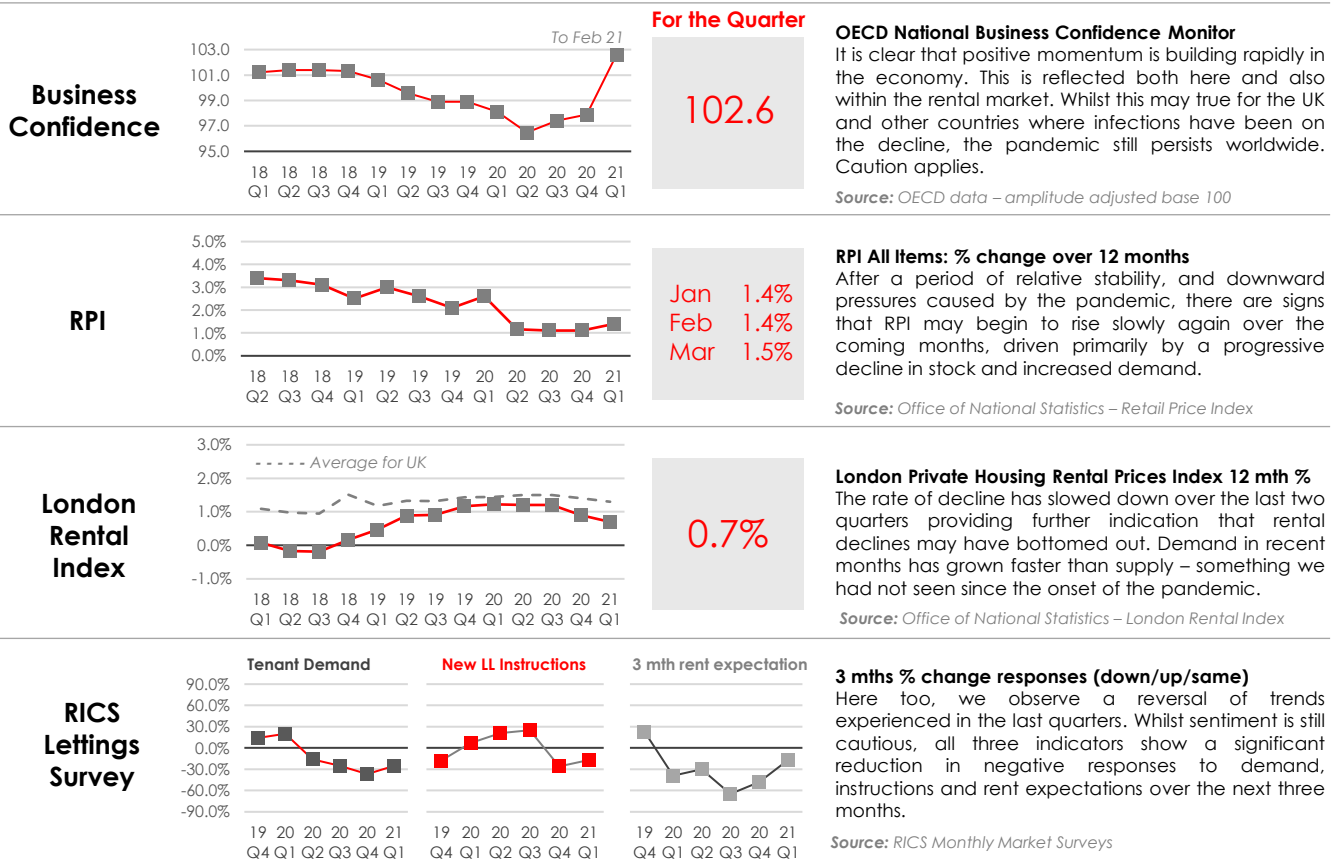


FIGURE 3 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

We identified, at the end of last quarter, that values had bottomed out in London for Prime and Super Prime markets. Q1 2021 sees the beginning of a resurgence in the London housing market on the rental side with rents slowly but surely strengthening as a result of positive COVID outlooks.



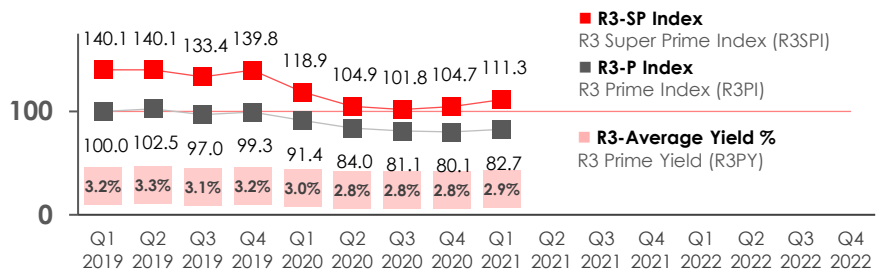
Marco Previero

Director and Research Lead at R3

“Both the number of enquiries and new tenancies started during the first quarter of 2021 were higher than in the same period last year. Clearly, both the easing of COVID restrictions and lower rents have been key drivers behind this trend. But we should keep optimism in check. Uncertainties remain, including long-term effects of Brexit.”

FIGURE 3 – R3 RENTAL INDEX & YIELD

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



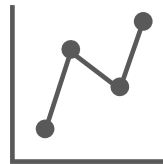
Source: R3Location Research

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 **added** to its AR3A Insights research to include, in addition to London, the lower Thames Valley region. Other areas coming soon.

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... Roadmap out of lockdown

Every quarter R3 includes a Spotlight On section. This month, the focus is on the **governments roadmap to ease lockdown restrictions in England**.

England has lifted some of its restrictions on 12th April and is looking to continue easing its way out of lockdown in the coming months. **FIGURE 5** highlights some of the key steps out of lockdown in the next two months, as well as the more recent easing on 12th April. For a full summary, please refer to government guidelines [here](#).

Moves and house viewings can still take place but restrictions apply for inbound travel, in particular from [red list countries](#).

FIGURE 5 – SPOTLIGHT ON... Roadmap out of lockdown

An overview of the government’s roadmap to ease lockdown restrictions in England.

