



Positive start to 2014 in London

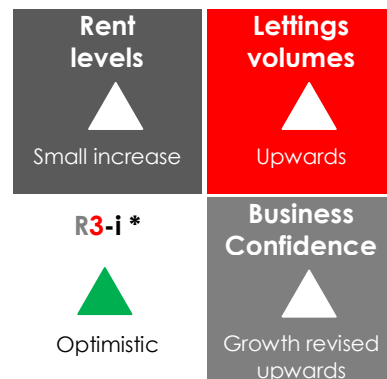
A positive start to 2014 shows long-term rent decline show signs of reversal.

Prime central London rents rose for the first time in 21 months, with activities in the corporate letting market at its highest for some time, driven by optimism and improved health of the Financial Sector.

Summary tR3nds table

TR3nd	Description
Rent levels	General rental declines easing, with prime central London rising for two out of three months this quarter – suggesting slow long-term decline may be reversing.
Lettings volume	Lettings volume in prime central and outer London up significantly from similar period last year.
Business confidence	Strong finish to 2013 carries through in the new year, with business confidence continuing to drive optimism in the economy.

R3 Dashboard



The London Economy

The office for budget responsibility has revised up its forecast from December 2013 for economic growth in the UK this year and next (2.7% in 2014, 2.5% in 2015) [1]. March 2014 also saw The 2014 budget with number of measures impacting London and Londoners in a, probably, positive way including proposal for the Brent Cross regeneration scheme, proposals for extending the Overground rail extension to Barking Riverside, funding provision for a possible new garden city in Ebbsfleet, and a consultation exercise on reforming the planning system [2]. Continue improved business confidence, coupled with an improving economic picture in London (driven by a wider sense of optimism about the health of the financial sector) looks set to remain over 2014.

Period	RPI
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
2013 Q2	3.1
2013 Q3	3.2
2013 Q4	2.7

Jan-14	Feb-14	Mar-14
2.8	2.7	

Retail Price Index (RPI) Table [2]

The Rental Market

The economic optimism described above is beginning to boost corporate lettings activities in areas of prime central London [4]. One piece of research suggesting this reviving demand is also extending to the relocation market with recorded enquiries from relocation agents more than doubling from December and January to reach the highest ever monthly levels [5]. An increase reflected in R3Location's own operational activities. In addition, long-term slow decline in rents is showing signs of reversals, with two of three months this quarter registering a small increase (in prime central London in particular) [6]. With strong demand, some pressure of good quality stock in prime central areas may continue, as noted by R3Location, in particular in Kensington, Chelsea, Mayfair, Knightsbridge and Notting Hill.

"R3Location is seeing more and more activities from its corporate client-base, with assignees continuing to seek value from the rental market in prime central London"

Anna Barker, Operations Director

References

1. Economic and Fiscal Outlook Publication March 2014 (OBR)
 2. GLA Economics London's Economy Today Issue 139 March 2014
 3. Office for National Statistics (<http://www.ons.gov.uk>)
 4. Knight Frank Residential Research – Prime Central London Rental Index March 2014
 5. Knight Frank London Residential Review – Spring 2014
 6. Savills – Market in Minutes Prime Lettings Q1 2014
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

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