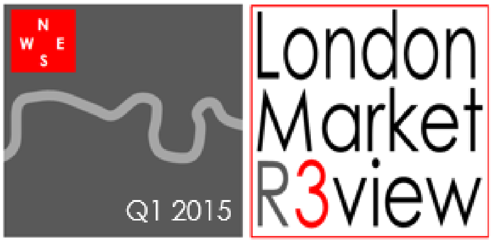

Outlook for London appears positive

Continued business confidence and strong employment counteracts election uncertainties.

Prime central London rents continue to rise slowly but steadily and are set to do so over the next 5 years, with strong business confidence and increased growth forecast for the UK economy set against downwardly trends for global outlook and eurozone.

Summary tR3nds table

TR3nd	Description
Rent levels	Stable, with subtle steady rise and an expectation of average increase of 15% over the next 5 years, despite current inflation rate of 0%.
Lettings volume	Lettings volume in prime central and outer London on the increase, with viewings up by more than 10%.
Business confidence	Confidence in the UK continues to be strong, with robust employment figures and increased confidence in the Financial Sector.

R3 Dashboard

Rent levels	Lettings volumes
▲ Small increase	▲ Upwards
R3-i *	**Business Confidence**
▲ Optimistic	▲ Growth revised upwards

The London Economy

On 18 March, the Chancellor of the Exchequer delivered his final Budget Statement before the General Election. This included forecast for upwardly revised UK growth at 2.5% in contrast to a downwardly revised forecast for the global economy and the Eurozone [**1**]. The outlook for London appears positive with business confidence index for the next three months compared to previous periods on the up. The Labour market continues to perform strongly, including in the financial sector with some reporting an increase in jobs of 17% **[2]** and the combination of both these elements is likely to create additional demand in the lettings market [**3**].

Period	RPI
2012 Q3	**2.9**
2012 Q4	**3.1**
2013 Q1	**3.3**
2013 Q2	**3.1**
2013 Q3	**3.2**
2013 Q4	**2.6**
2014 Q1	**2.7**
2014 Q2	**2.5**
2014 Q3	**2.4**
2014 Q4	**1.9**

Jan-15	**Feb-15**	**Mar-15**
1.6	**1.0**	

Retail Price Index (RPI) Table [**4**]

The Rental Market

The economic optimism described above means that demand in the lettings market remains strong, both for needs based renters but also for renters relocating to London for work reasons. The uncertainty resulting from a general election seems to have naturally affected the sales market more than the rental market, though some are still expecting an upsurge in demand in the letting market after May 7th coupled with a potential reduction in levels of supply of rental stock from 'accidental Landlords' (i.e. those vendors that have become landlords in order to wait out the uncertainties) **[3]**, **[2]**. Most surveys, and indeed R3Location's own data research, seem to suggest that rent continues to rise but very, very slowly (with differing forecasts ranging from 0.2% to 0.7% for the last quarter) and an expectation that rents are due to continue to rise steadily over the next 5 years by some 15%.

"We are currently experiencing a market where Landlords are prepared to take a stronger stance to negotiate terms that are favourable for them. Experience in protecting the tenants' best interest in this environment is becoming increasingly important".

Anna Barker, Director at R3Location

References
1. London's Economy Today (GLAEconomics Issue 151)
2. Knight Frank - Prime Central London Rental Index
3. Savills – Market In Minutes Q1 2015
4. Office for National Statistics (http://www.ons.gov.uk)
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

Contact

- anna.barker@r3location.co.uk
- 44 0 7920 027 658
- www.r3location.co.uk