



A look ahead at 2015

Stability is the name of the game, as we look forward to another steady year

This month, instead of our usual quarterly market update, looking back at key drivers for relocation rentals, R3Location looks ahead at 2015 to identify head line drivers likely to affect international assignments into the Capital.

Rent Levels

2014 saw a period of largely stagnant rental prices in prime Central London, with rent up by slightly less than 2%. The RPI 12 month rate at the end of December stood at 1.6% (the lowest since the end of 2008) and with interest rates likely to remain low, and probably remain at the same level, it is our view that rental increase will continue to grow very slowly over the course of 2015 in prime central London and by no more than 2%. *"The primary pre-occupation with Landlords will remain to maximise the yield on their investment by minimising refurbishments between tenancies and adopting an aggressive stance of high anchoring when setting weekly rental levels"*, says **Marco Previero**, R3Location's Finance Director. This also slows down transactional volume with properties remaining on the market for longer.



Lettings volumes

Supply of good quality rental properties, in particular within Prime Central London continues to be a challenge, with the market relatively stable in this area, in particular over the last quarter of 2014. The outlook for corporate relocations into London in 2015 remains strong and short supply may well limit the choice assignees have when relocating to the Capital. **Anna Barker**, R3Location's Operations Director says *"a good knowledge of London, and the provision of good alternative choice to more traditional neighbourhoods will become increasingly important"*. Paradoxically, Landlords are becoming less flexible with regards to concessions and more willing to hold out for longer, more lucrative deals at the risk of losing good tenants.



Other rental considerations

Other drivers are likely to have some impact to the supply of good rental stock in 2015. The number of assignees relocating into London has increased year on year and we believe this trend will carry on in 2015, with London continuing to attract talent. The general election will act to stimulate the market both on the sales and rental side, removing much uncertainty and drawing a line under any hesitation relating to Mansion Tax or indeed any regulatory changes to tenancy fees under a new government that may put artificial upward pressure on rents. It is critical that landlords are not driven out of the market by unnecessary layers of legislation, over-complicated referencing practice and onerous compliance requirements.



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