



## Strong outlook for 2014 predicted by most





### A strong finish for 2013 hints at continued momentum in the market in the coming year.

A strong finish to the year, and a positive outlook for the UK economy in 2014, suggests that London is set to outperform the rest of the UK again, reinforcing confidence for a favourable outlook.

### Summary tR3nds table

TR3nd	Description
<b>Rent levels</b>	Stable to slight rent decreases with prime central London continuing to decline by a very small amount but set to rise in 2014.
<b>Lettings volume</b>	Rental activity is still lively, in particular within the international relocation market – with good signs of continued increased activity in 2014.
<b>Business confidence</b>	A strong finish to the year has bolstered confidence and expectation of continued positive momentum remains.

### R3 Dashboard

<b>Rent levels</b>  Stable to small decline	<b>Lettings volumes</b>  Tentatively upwards
<b>R3-i *</b>  Optimistic	<b>Business Confidence</b>  Growth revised upwards

### The London Economy

The office for budget responsibility has followed the British Chamber of Commerce in raising its forecast for growth in the UK economy in 2014 to 2.4%, and expects the economy to surpass its peak of 2008 for the first time in the second half of 2014 [1]. In general, economic indicators for London have been significantly stronger than the rest of the UK, and this trend is set to continue for 2014 (this is stark contrast with the weakness in the Eurozone). With positive outlooks now beginning to emerge about the Financial Sector (an important one for London specifically), and banks beginning to hire again, confidence is set to continue into Q1 of 2014. RPI has gone down to 2.6% and is expected to remain stable in December (fig. released mid Jan 14) [2].

Period	RPI
2011 Q1	5.3
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	3.2
2013 Q3	3.2
<b>Oct-13</b>	<b>2.6</b>
<b>Nov-13</b>	<b>2.6</b>
<b>Dec-13</b>	

Retail Price Index (RPI) Table (2)

### The Rental Market

Banks hiring again is likely to have a favourable impact on the London rental market [3], and whilst rents have continued to fall slightly in the later end of 2013 (especially for prime London locations such as Chelsea, Belgravia, Mayfair and Knightsbridge) pick-up in confidence may see a reversal of this trend in the early parts of 2014 [4]. At the same time, easing in credit and improved availability of higher loan to value mortgage may well reduce the cost of renting and promote a more competitive environment in the rental market between international assignees and the local, indigenous population [5].

R3's overall indicator has been revised from flat too optimistic about the rental market and related activity in 2014. A sentiment reflected by most of the research published in the last quarter of 2013.

"We expect the strong trend for demand for the priciest properties to remain strong in the year to come especially in prime locations such as Kensington, Chelsea, Mayfair, Knightsbridge and Notting Hill."

**Marco Previero**, Finance Director

### References

1. London's Economy today – GLA Economics Issue 136
  2. Office for National Statistics (<http://www.ons.gov.uk>)
  3. Knight Frank December 2013 – Prime Central London Rental Index
  4. Knight Frank December 2013 – Residential Market Update
  5. Hometrack December monthly survey press release
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

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