

MARKET R3VIEW Q4 2024

2023 saw rental increases of some 6% in Central London and nearly 9% nationally (excluding London).

continue on a stable course for much of 2024.

Supply has also been helped by a subdued Sales Market with minimal growth and more sellers becoming Landlords as a result.

January blues or business as usual?

There is little doubt the industry is experiencing a slowdown compared to the last two years, but R3 believes this is less reflective of a possible downturn and more aligned to a return to business as usual. Prior to the pandemic, the relocation industry followed a cyclical pattern, and what we might be witnessing is simply a return to normalcy after two turbulent years.

As such, many Estate Agents are now revising estimates downwards indicating that pressure on rents will soften and may see increases of 3%-5% over the next 12 months.

An election year

Election years often yield uncertainties that make companies more nervous about investing or moving people until the landscape settles.

Finally...

This month, we were delighted to welcome over 35 guests to our London offices for the launch of our BR3akfast Forums (see **FIGURE Spotlight On...** overleaf). The feedback was overwhelmingly positive and we will definitely continue to hold these breakfasts in the future. So watch this space!

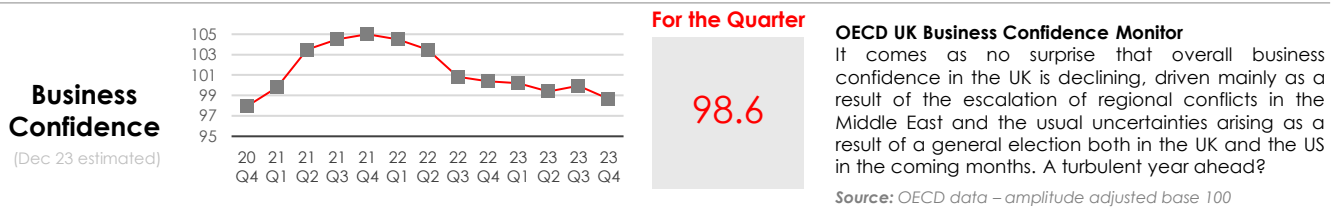
It would seem likely that a Labour victory is on the cards. With the introduction of rent controls and possible wealth tax no longer on the agenda (for now), it certainly looks like the rental market may

Is the rental market finally stabilising?

Have rents finally peaked?

Following two years of sustained high demand and the resulting strain on limited stock availability leading to rent increases of up to 27% since pre-COVID times, the market is stabilising with lower levels of prospective tenants and enquiries over the last three months.

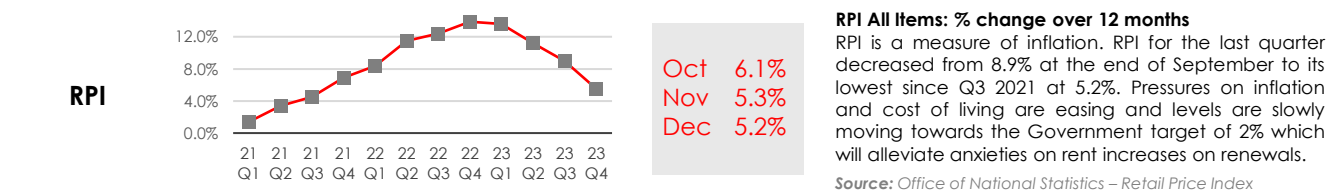
FIGURE 1 – Property Market Dashboard: Quarterly summary of key performance indicators linked to the London rental market



OECD UK Business Confidence Monitor

It comes as no surprise that overall business confidence in the UK is declining, driven mainly as a result of the escalation of regional conflicts in the Middle East and the usual uncertainties arising as a result of a general election both in the UK and the US in the coming months. A turbulent year ahead?

Source: OECD data – amplitude adjusted base 100



RPI All Items: % change over 12 months

RPI is a measure of inflation. RPI for the last quarter decreased from 8.9% at the end of September to its lowest since Q3 2021 at 5.2%. Pressures on inflation and cost of living are easing and levels are slowly moving towards the Government target of 2% which will alleviate anxieties on rent increases on renewals.

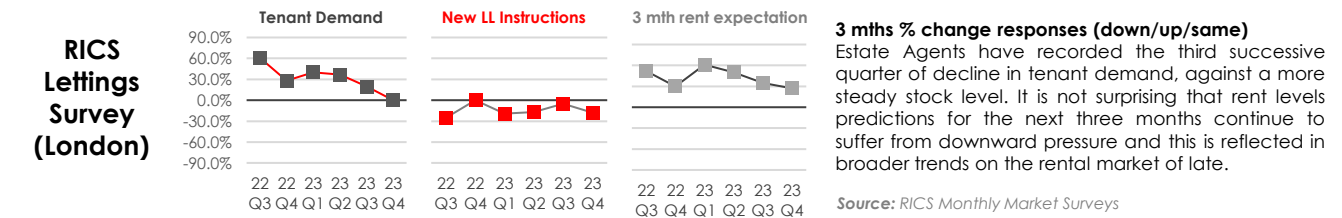
Source: Office of National Statistics – Retail Price Index

	AREAS	AVG. PCM	QTR CHANGE	ANNUAL CHANGE
Rental Tracker	National Avg. (NA)	£1,268	-0.1 %	+8.0 %
	NA exc. London	£1,061	+0.0 %	+8.6 %
	London	£2,179	-0.2 %	+6.0 %

Rental Price Tracker

Following a prolonged period, quarterly change in rents has nudged downwards, a reflection of lower demand and increasing levels of stock on the market. Nevertheless, we should be cautious about reading too much into this and R3 still expects rent to experience upward pressures of up to 5% in 2024.

Source: HomeLet Rental Index Report Dec 23



3 mths % change responses (down/up/same)

Estate Agents have recorded the third successive quarter of decline in tenant demand, against a more steady stock level. It is not surprising that rent levels predictions for the next three months continue to suffer from downward pressure and this is reflected in broader trends on the rental market of late.

Source: RICS Monthly Market Surveys

FIGURE 2 Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

Pressure on rent levels is beginning to ease, with a downward adjustment since the end of Q3 of approximately 3% as a result of lower demand in the quarter and stock levels slowly replenishing. It is worth noting, however, that rent levels are still tracking 27% higher than the period just prior to COVID and will continue to be resilient to uncertainties in the market.

FIGURE 2 – R3 RENTAL INDEX & YIELD

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

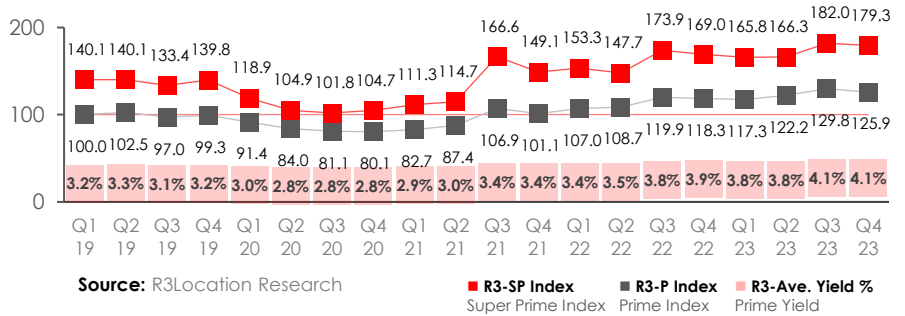
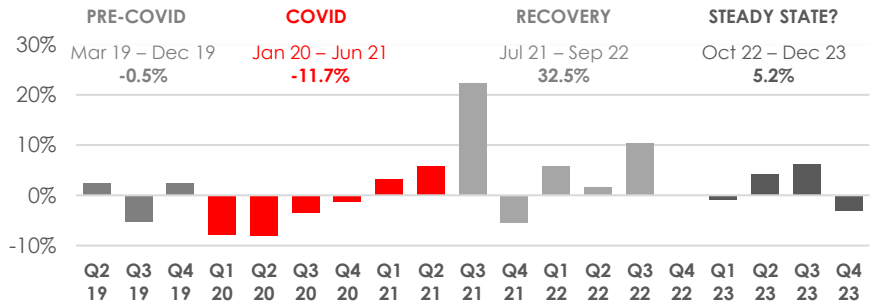


FIGURE 3 Quarterly Prime and Super Prime Rents % change since Q2 2019.

Rent levels in Prime and Super Prime rental markets in London decreased by 3% in the last quarter, the largest decrease in a single quarter since Q4 2021. This was set against an annual increase in 2023 of 6.5%. It is difficult to predict the market in the current economic environment, but it is unlikely that 2024 will see the same rise in rent. We estimate this to be somewhere between 3% and 5%.

FIGURE 3 – QUARTERLY RENTAL % CHANGE

Quarterly Prime and Super Prime Rents % change



Marco Previero

Director and Research Lead at R3

"The industry is experiencing a slowdown compared to the last two years, but this is less reflective of a possible downturn and more aligned to a return to business as usual. We were frequently cyclical pre-COVID, and what we may be experiencing is nothing more than a return to normal after two uncharacteristic years".

FIGURE 4 – Spotlight on...

Every quarter R3 includes a Spotlight On section. This month, the focus is on the **R3 BR3akfast Forums**.

A new initiative launched by R3Location in 2024 to provide fellow relocation professionals with an opportunity to network, hear insights about the property market, and listen to updates from leading industry experts. The first one, held at our offices in Belgravia, Central London, saw over 35 people gather for a legal and property update. We were delighted to welcome our guest speaker **Thom Wilkinson** from Bishop & Sewell, who provided insights into the Rental (Reform) bill and possible consequences on the rental market.

Thank you also for your post-event feedback. The response was overwhelmingly positive, and we plan to continue hosting these breakfast forums in the future.

FIGURE 4 – SPOTLIGHT ON... R3 BR3AKFAST FORUM

R3 has hosted its first of a series of breakfasts for the benefit of the industry as a whole



Feedback

4.7 ★ Overall rating



4.8 ★ Relevance



4.8 ★ Networking quality



4.9 ★ Future attendance

