



Outlook for London remains positive

Continued business confidence and strong employment starts nudging rents higher.

Prime central London rents continue to rise having been flat over the last four years. Uncertainty on the sales side and increased demand for rentals boosts activity in the sector, but puts further pressure on rent levels and supply of good stock.

Summary tR3nds table

TR3nd	Description
Rent levels	Stable but with increase in demand coupled with shortage of supply will see rents beginning to rise after a flat four year period.
Lettings volume	Lettings volume in prime central and outer London continues to be up quarter on quarter with some of the highest activity recorded recently.
Business confidence	Confidence in the UK continues to rise, with strong employment figures and increased confidence in the Financial Sector – an key business sector for London.

R3 Dashboard

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

The London Economy

In his first speech to the annual Mansion House banquet, the Governor of the Bank of England, Mark Carney, was positive about the outlook for London. [1]. More specifically, confidence in the UK economy is generally rising, and data from two influential surveys suggested that London remains the leading European country for inward investment and highest levels of business confidence on record [2]. This has a direct impact on the job market, with greater job creation and greater need for talent into the Capital. Most agree that London's strong employment growth coupled with improvements in business confidence should result in continued strong economic growth in the long term.

Period	RPI	
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	2.6	
2014 Q1	2.7	
Apr-14	May-14	Jun-14
2.5	2.4	2.6

Retail Price Index (RPI) Table [3]

The Rental Market

The economic optimism described above is perhaps at odds with some of the caution recently perceived, particularly regarding the housing market on the sales side. The uncertainty of the sales market is partly responsible for the increase in demand on the rental side [4]; but it would not account for the last three months having seen some of the highest recorded activity on enquiries for corporate relocations. The strength of the economy, the continued confidence of the financial sector [5], and the general positive outlook for London has now had a clear impact on rental activity generally [6], and relocation activity more specifically. Increased demand puts pressure on the supply of rental properties, and good quality stock is becoming a challenge, even at the higher end of housing allowance spectrum. Families in particular, are more likely to extend their current leases, reducing the turnover of stock in the market and putting further pressure on supply.

"Pressure on the supply of good quality properties is becoming increasingly challenging, reducing the choice for assignees, in particular for those coming over with their families requiring larger accommodation at the higher end of housing allowances".

Fiona Duncan, Account Manager at R3Location

References

1. London's Economy Today (GLAEconomics Issue 142)
 2. Ernst & Young European Attractiveness Survey and UK Business Confidence Monitor Report (grant Thornton/ICAEW Q2)
 3. Office for National Statistics (<http://www.ons.gov.uk>)
 4. Knight Frank Residential Research – Prime Central London Rental Index June 2014
 5. Savills – Spotlight Corporate Lettings 2014
 6. Douglas & Gordon Market Report – July 2014
- 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