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R3Location
Reliability Reputation Relationships

MARKET R3VIEW Q3 2021

Q3
2021

What a difference a quarter makes…

A Landlord's Market

In just three months, London has shifted from being a tenant's market to being a landlord's market across almost all postcode areas – see **FIGURE 5 – SPOTLIGHT ON** on page 2 overleaf.

What might have caused this?

Demand is accelerating

With the reopening of the economy and the continued easing of travel rules, and in particular those related to international travel, London and much of the rest of the UK has experienced high demand for rentals over the last quarter.

This has been driven both by the effect of the pandemic easing and the pent-up demand created by months of lockdown, but also the desire for more space and larger properties for much the same reasons.

Supply is tightening

In turn, supply is some two-third lower than at the same time last year.

A resurgent sales market has reduced the number of accidental landlords – those landlords opting to rent when the sales market is underperforming – combined with high levels of demand in the last few months.

Pressure on rents

Summer is always a busy time for the relocation market, with holidays coming to an end and families wanting to be settled before schools re-start.

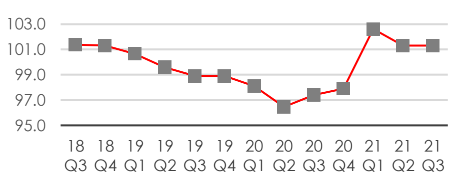
This seasonal high has come on top of low supply and high demand, driving rents further upward – now back at, if not slightly higher than, pre-pandemic levels. Competition is high with some prospective tenants going in at more than the asking price to secure good properties.

While the rush for houses is likely to lessen in the coming quarter, supply looks to remain low for the foreseeable future with a prominent property data sourcing company reporting 15% fewer new listings compared with 2020 and 27% fewer than the five-year January to September average.

If COVID doesn't spoil it again, 2022 promises to be another busy year.

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

Business Confidence



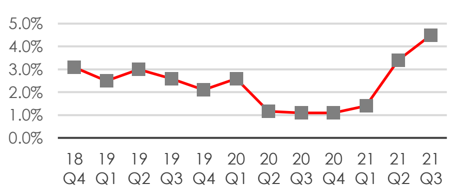
For the Quarter

101.3

OECD UK Business Confidence Monitor
After a long period where positive momentum was building in the economy, business confidence looks to have flattened over the last two quarters. It is possible that high level of COVID infections still prevalent in the UK is injecting caution on how businesses look at the next three to six months.

Source: *OECD data – amplitude adjusted base 100*

RPI



Jul 3.8%
Aug 4.8%
Sep 4.9%

RPI All Items: % change over 12 months
RPI is a measure of inflation – and as such, has been affected by recent inflationary pressures as economies ease out of lockdown. As of September, RPI stands at 4.8% and may be indicative of CPI eventually rising too over the next three months.

Source: *Office of National Statistics – Retail Price Index*

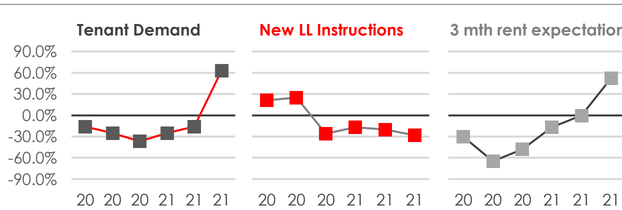
Rental Tracker

AREAS	AVG. MTH	QTR CHANGE	ANNUAL CHANGE
National avg.	£1,047	+3.9%	+8.6%
Inner London	£2,348	+5.6%	+2.6%
Outer London	£1,777	+1.7%	+2.7%

Rental Price Tracker
A new tracker for R3 to provide visibility of online data. Rightmove reports high demand and properties being let out quickly, leading to rents outside London rising at the fastest rate ever recorded. It notes that London starts to recover too, with rents up annually for the first time since the pandemic started.

Source: Rightmove

RICS Lettings Survey



3 mths % change responses (down/up/same)
In line with expectation, many have seen demand increase significantly over the last three months, but supply remains tight with landlord instructions still down. Expectation is that rents will continue to rise over the coming quarter.

Source: *RICS Monthly Market Surveys*

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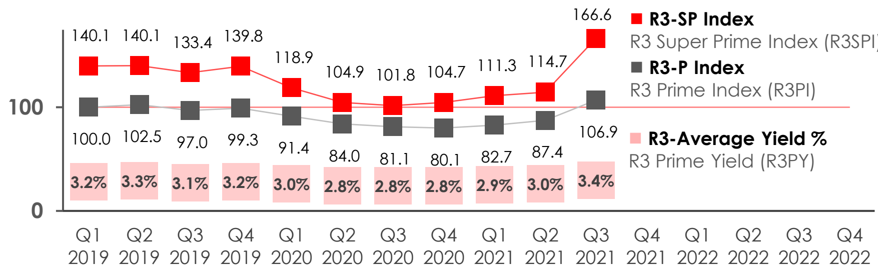
FIGURE 3 *Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own* ***two rental tracking indices*** *in Q1 2019.*

Tightening stock levels and high demand has reaffirmed the upward pressure on rent which started in Q1 2021. R3 is now seeing rent set at above pre-pandemic levels with significant spikes in super-prime market where low supply and high demand has an even greater effect on rents (it's a smaller market with low stock to start with).

FIGURE 3 – R3 RENTAL INDEX & YIELD

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



Source: R3Location Research

Marco Previero

Director and Research Lead at R3

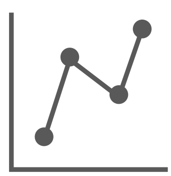
"The prime residential lettings market in London is in full flow – we are seeing unprecedented pressure on rent driven by a return to normal times and a drive towards a scarcer type of stock: larger, more spacious properties with outside space."

AR3A INSIGHTS *Every quarter, R3Location produces its own research which it publishes on its website and is available to all. The most recent one is now available.*

R3 has **published** its latest AR3A Insights research to include London, the lower Thames Valley region, and Birmingham and its commuter belts.

You can access these and other valuable (free) research on our **website**.

AR3A INSIGHTS



Anna Barker

Director and Operations Lead at R3

"Our research efforts are in direct response to clients' needs. They value data that's helpful to their relocating employees. R3 is the only DSP engaging in this activity."

FIGURE 5 – Spotlight on… Market Indicators

Every quarter R3 includes a Spotlight On section. This month, the focus is on ***the type of Indicators that can provide some guidance on the nature of the lettings market.***

Many popular residential areas of London have shifted from being a tenant's market (good levels of stock, average to low demand) where rents tend to fall, to being a landlord's market (tightening supply, high levels of demand) where upwards pressure on rent prevails.

The average time a property stays on the market in London is 37 days and even shorter, at 29 days, across the UK as a whole. R3 does not see this trend shifting in the coming quarter.

FIGURE 5 – SPOTLIGHT ON… MARKET INDICATORS

Description

AVERAGE TIME TO LET

Average time to let a property in the area highlighted, in days

TYPE OF MARKET

Is it a Landlord's "**L**" (rent may rise) or a tenant's "**T**"(rent may fall) market? Or is it neutral "**N**"?

Area	Average time to let	Type of market
UK WIDE	29 days	L
NW	65 days	T
N & E	28 days	N
LONDON WIDE	37 days	N
W (west)	32 days	N
W (central)	55 days	T
SW (south)	27 days	L
SW (North)	52 days	T
SE	28 days	L