



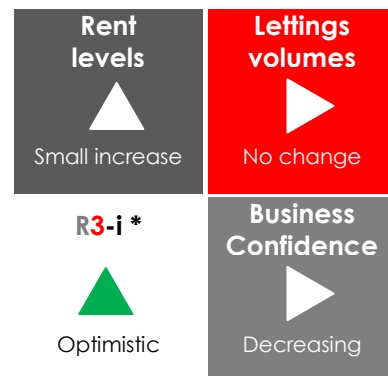
Business confidence remains strong, but... Some visible signs of uncertainties and a downward revision of global growth forecast can be seen.

Central London rents are up, with London's labour market continuing to appear strong. Some signs of uncertainty are creeping in, with the general election being a possible contributor, together with downward revision of global growth forecasts.

Summary tR3nds table

tR3nd	Description
Rent levels	Prime central London rents are continuing to rise, with Landlords increasingly more likely to resist any attempt at negotiating material rental discounts.
Lettings volume	With the recent rise in letting volume, we have seen a levelling off in the current quarter, with volume stabilising from a very busy Q2 period.
Business confidence	Business confidence remains high, but with signs that the recent growth is abating, confidence is lower than at the same time last year.

R3 Dashboard



The London Economy

Despite the OECD revising its forecasts for global growth down, business confidence in the capital remains strong. However, there are signs that this is levelling off and is lower than compared to the same quarter last year [1]. This may be as a result of the stronger than average performance in the last year, or it may be a degree of uncertainty in the market creeping in with less than a year to go before the next general election [2]. UK inflation fell to a five-year low of 1.2% in September from 1.5% the month before. The increase in prices is therefore much lower than expected, but with rents still showing some signs of continued increase, this may have a detrimental effect on the purchasing power of international assignees moving in the capital [3].

Period	RPI
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
2014 Q2	2.5
Jul-14	2.5
Aug-14	2.4
Sep-14	2.3

Retail Price Index (RPI) Table [3]

The Rental Market

Some reports suggest that prime central London rents are continuing to rise, up to 1.6% year on year [4]; For prime and super prime areas, the market has not refreshed as frequently as in the past. This may be an indication of tenants choosing to extend in their current properties, to try and minimise continued pressure on rising rents. In addition, we have seen more properties presented both on the rental and the sales market, with owners trying to hedge against current signs of uncertainty (and much lower rates of growth) on the Sales side. It is the opinion of R3Location that the general positive outlook for London will continue to have a clear impact on rental activity generally, and relocation activity more specifically, with levels in 2015 likely to exceed those seen in 2015.

"Despite average quality of stock, Landlords are increasingly more likely to adopt a more robust stance during lease negotiations, and managing concessions other than rent is becoming more and more important".

Anna Barker, Director at R3Location

References

1. London's Economy Today (GLAEconomics Issue 145)
 2. CBI upgrade forecast – press release www.cbi.org.uk
 3. Office of National Statistics <http://www.ons.gov.uk/>
 4. Knight Frank Residential Research – UK residential market update Oct 2014
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

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