



## Post-Election dust settles

**Continued UK business confidence and strong employment counteracts market uncertainties.**

Prime Central London outlook remains strong despite short-term uncertainties relating to recent Greek crisis and Chinese stock market and currency volatility.

### Summary tR3nds table

| TR3nd                      | Description   |
|----------------------------|---|
| <b>Rent levels</b>         | Stable but subdued in Q3 with average rents rising broadly in line with index, if at all.               |
| <b>Lettings volume</b>     | Subdued corporate activity over the summer with lower volume of activity in prime central London        |
| <b>Business confidence</b> | Bank of England remains relatively upbeat on the state of the UK economy with revised growth forecasts. |

### R3 Dashboard



### The London Economy

The Bank of England remains relatively upbeat on the state of the UK economy with its central forecast for productivity growth upgraded for the next three years [1]. Despite stock markets across the world stumbling sharply at the end of August, as a lack of confidence in the strength of the Chinese economy intensified, the majority of indicators suggest respectable growth for the UK and London in particular [2,3]. A sense of stability, following the UK general election, has also been prevalent in London, and the RPI figures continue to reflect an even outlook, being as they have been at around the 1% mark for much of 2015 [4].

| Period  | RPI |
|---------|-----|
| 2013 Q1 | 3.3 |
| 2013 Q2 | 3.1 |
| 2013 Q3 | 3.2 |
| 2013 Q4 | 2.6 |
| 2014 Q1 | 2.7 |
| 2014 Q2 | 2.5 |
| 2014 Q3 | 2.4 |
| 2014 Q4 | 1.9 |
| 2015 Q1 | 1.0 |
| 2015 Q2 | 1.0 |
| Jul-15  | 1.1 |
| Aug-15  | 1.2 |
| Sep-15  |     |

Retail Price Index (RPI) Table [4]

### The Rental Market

This economic optimism has perhaps been at odds with the rental market over the summer with general subdued activity in the relocation market for large corporates moving people into London. Annual rental value growth in August is probably only just keeping abreast of the inflationary indices [5]. A stagnant three month from a demand perspective has been reflected on the supply side for prime London property, with Stock moving very slowly and not renewing materially over the summer. R3Location expects greater activity from corporates over the coming months as short-term uncertainties dissipates. Optimism from the financial sector always plays an important part in demand for property, but some expect the expansion in other sectors, such as technology and telecommunication to play a role as the London economy continue to strengthen [6].

"The rental market both on the demand and supply side has been generally subdued over the summer, in particular in Prime London locations such as Notting Hill and Kensington. We expect activity to increase in the coming months".

**Marco Previero**, Director at R3Location

### References

1. London's Economy Today (GLAEconomics Issue 156)
  2. Q3 ICAEW UK Business Confidence monitor, Grant Thornton
  3. CBI economic forecast [www.cbi.org.uk](http://www.cbi.org.uk)
  4. Office for National Statistics (<http://www.ons.gov.uk>)
  5. Knight Frank – The London Review Autumn 2015
  6. Savills – Spotlight Prime Rental Market July 2015
- R3 Indicator – our overall assessment of the market in London relating to expatriate rentals

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