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London rental market in surprising turnaround

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The London rental market has bounced back with rental values rising by more than 4% across most of central and east London, due to the effect of the stamp duty changes, it is claimed.

Healthy gains seen across most of the rest of the capital, continuing last quarter's surprising turnaround, according to the latest figures from Benham & Reeves Residential Lettings.

Analysts say the crippling effect of the new stamp duty rates on the sales market have strengthened the rental market as tenants turn from homeownership to long-term tenancies.

Prime Central London (PCL) saw strong gains last quarter after several quarters of stagnation, and continued to see strong growth this quarter. Many of the tenants are overseas professionals who are opting to rent long term as the cost of renting often represents a saving compared to purchasing a home in high value areas thanks to the 12% top rate of stamp duty.

Marc von Grundherr, Lettings Director at Benham & Reeves Residential Lettings, says, "From an investors' perspective, it is very interesting to observe demographic changes. One of the reasons the rental market tends to remain so strong in areas such as east London is because these areas attract Millennials who are content to rent long term.

"They're simply not willing to scrimp and save for years to afford a deposit but prefer to 'live for the moment'. This concept even extends to where they choose to rent: they'd much rather live somewhere central close to good bars and restaurants than commute in from more affordable areas. For as long as East London remains hip and trendy, it will continue to attract good quality tenants."

The rental market in east London is also very strong but for different reasons. The tenant demographic is typically younger and more likely to be British. However, many of these tenants are deliberately choosing to rent rather than own a property as a lifestyle choice.

Many of the Millennial Generation do not view homeownership as a goal and recognise that they can often afford to rent a much better property than they can afford to buy. Millennials are also a more mobile workforce who change jobs more frequently than previous generations.

North London was one of the few areas to see rental values fall. A number of new developments in north London have seen the property supply increase. Locations on the Northern Underground Line have also fallen as the Central Line interchange at Tottenham Court Road has been suspended for several months while the station is rebuilt for Crossrail.

