



PRIME CENTRAL LONDON LETTINGS REPORT Q3 2020

LCP issues its Q3 lettings report which illustrates the changing state of play since the pandemic hit the shores of the UK.

This report analyses the performance of rental units in LCP's managed portfolio in Prime Central London (PCL).
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PCL RENTAL VALUE CHANGES				AVERAGE VOID PERIOD	
	RENEWALS		RE-LETS		DAYS
QUARTERLY	▼ -1.5%	▼	-13.4%	QUARTERLY	66
ANNUAL	▼ -0.1%	▼	-6.0%	ANNUAL	50

Figure 1: Q3 2020 saw a greater reliance on domestic demand as fewer foreign students and expatriates entered the UK due to global travel restrictions. 42% of new tenants in Q3 were from the UK in comparison to 24% in the same period last year.

Fig. 1 New tenants by nationality, Q3 2020 vs. Q3 2019 (%)

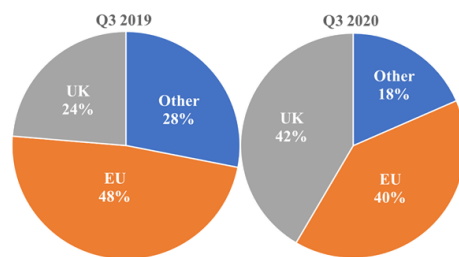


Figure 2: Since the onset of the pandemic, larger flats for multiple occupants have suffered deeper rental discounts on re-lets (c. 14-16%) compared to one bedroom flats (c. 12%).

Fig. 2 Change in agreed rents Q2 & Q3 2020 combined (%)

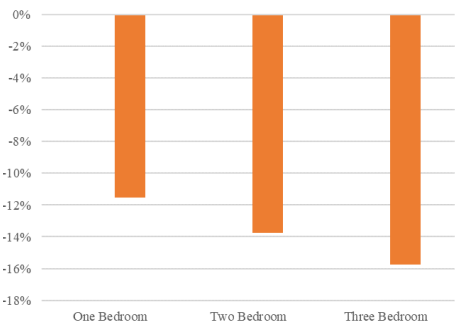


Figure 3: Whilst void periods between tenancies have increased year on year, they appear to have passed their peak. Void days are currently down 7% from the high point of 71.1 days in Q2.

Fig. 3 Average vacant period between tenancies (days)

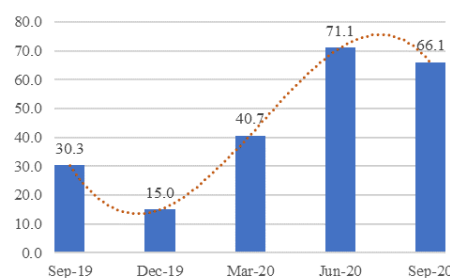


Figure 4: Within its managed portfolio, LCP sources high quality tenants through stringent financial checks. This has resulted in the average tenancy length holding at over 19 months in 2020 despite the impact of the global pandemic.

Fig. 4 Average length of tenancy (months)

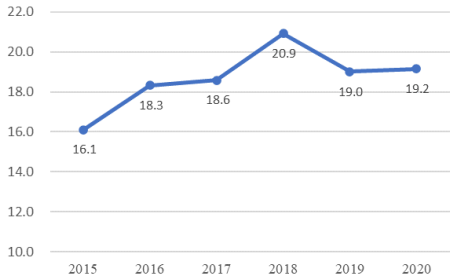


Figure 5: Nearly 80% of the tenants who moved in during Q3 were under 30 years of age. This is in comparison to c. 60% in the same period in 2019. Conversely, move-ins decreased in all older age groups. Approximately half of the tenants in LCP's current portfolio are young adults.

Fig. 5 Tenant profile by age, new and current tenancies (%)

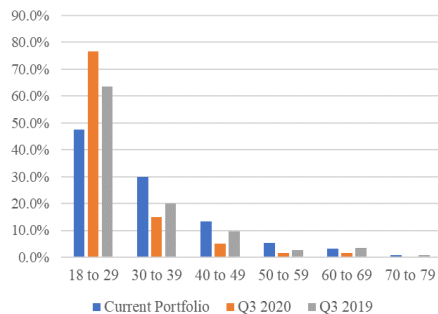
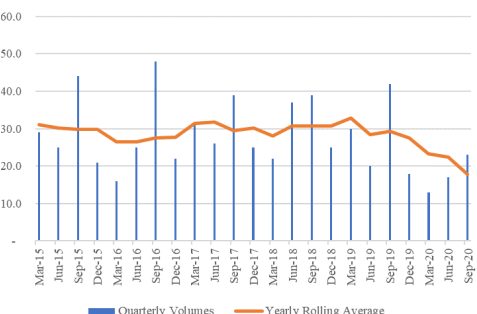


Figure 6: Seasonality has historically been stable with most new lets occurring late Spring and September. However, volumes have reduced this year due to difficulties in conducting physical viewings and a reluctance of tenants to move.

Fig. 6 Number of newly agreed lets



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Figure 7: Before lockdown restrictions were implemented, rent increases were being achieved, albeit at a reduced rate. Since then, rents have been suppressed with most units letting at a lower price than previously. However, the rate of discounts has reduced since our Q2 report, reflecting a return towards more normal conditions.

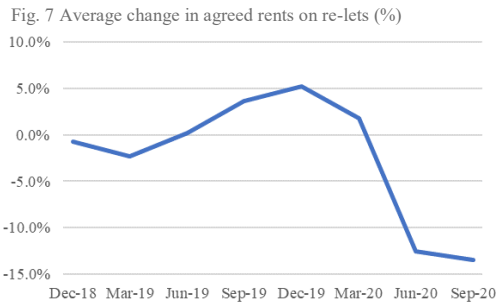
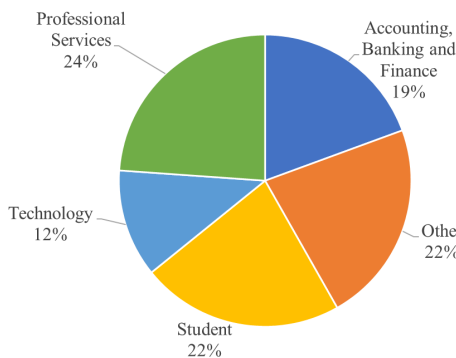


Figure 8: 22% of new tenants in Q3 2020 were students. Typically Q3 sees a higher proportion of new tenancies going to high net worth foreign students entering London for the new academic year. In the prior year, this figure was 32% which evidences the impact of global travel restrictions and overseas students choosing to either defer study or receive a local education.

Fig. 8 Tenant profile by occupation, new tenancies Q3 2020



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MARKET COMMENTARY

ANDREW WEIR, CEO OF LCP, COMMENTS ON THE MARKET

The effect of travel restrictions is now clearly visible as these changes filter through into the profile of our tenant base. It appears that the gap left by a smaller pool of high net worth overseas students has been happily filled by 'home grown' tenants, previously unable to compete. Less demand and reduced rental prices have created a space and means they are now in a position to live within central London. How long this will last is difficult to predict but it currently appears to be set to remain in place until Spring 2021. The British Council has estimated that UK universities will have nearly 14,000 fewer new enrolments from East Asia in 2020-2021 compared to the prior academic year.

There is still a surplus of available apartments which is creating longer void periods than the pre Covid world is accustomed to but these are slowly shrinking. As the increased levels of stock linger, there remains a need to reduce rental price expectations to minimise void periods for vacating tenancies. However, existing tenants do not appear to be actively seeking discounts on renewals; the strength of covenant for those tenants within the LCP managed portfolio has meant that 81% of renewals in the last quarter have been negotiated at passing rents, with minimal discounts requested. This highlights the importance of securing tenants with robust financial credentials, especially in the wake of the Coronavirus Act 2020 which further protected the rights of tenants from eviction.

Anyone worried about the future of city life should take reassurance from the 21% increase in under 30-year olds starting new tenancies compared with the same period prior year. The draw of social interaction and the need to be physically present to build a career and make connections look like as much of an imperative and a preference as it used to be. Perhaps this could be interpreted as a long term vote of confidence in London as the 'go-to' destination by a new generation of city dwellers.

ABOUT LONDON CENTRAL PORTFOLIO

For UK and overseas property investors and homebuyers seeking exclusive Prime London real estate, LCP provides superior access to buying opportunities as well as meticulous project management and creative design solutions, to suit all aspirations and budgets. Using sophisticated financial modelling with a detailed appraisal of every proposed opportunity, LCP will negotiate and secure the property for the best price and as part of its end-to-end service, offer an efficient letting & management service for landlords to enjoy a seamless, hands-off investment.

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