Analytical Report

Rental Market Analysis(July, 2024)

Intelligence Team

Overview

The following report represents information on rental properties in various postcode districts in London.

Key Metrics

- *Total properties for rent:* This value indicates the total number of properties available on the market for rental purposes in a month.
- *Average transaction per month:* The average number of properties rented out per month.
- *Months of inventory:* The amount of time it takes for the said "total properties for rent" to be rented out.
- *Turnover percentage per month:* The proportion of properties that change hands each month.
- *Days on the market:* The average number of days it takes for a property to be rented out.
- *Rating:* This value provides a qualitative assessment of the market type based on certain criteria including demand, rental price etc.
- *Landlords Market:* Market with high demand and less supply.
- *Balanced Market:* Market with approximately equal demand and supply.
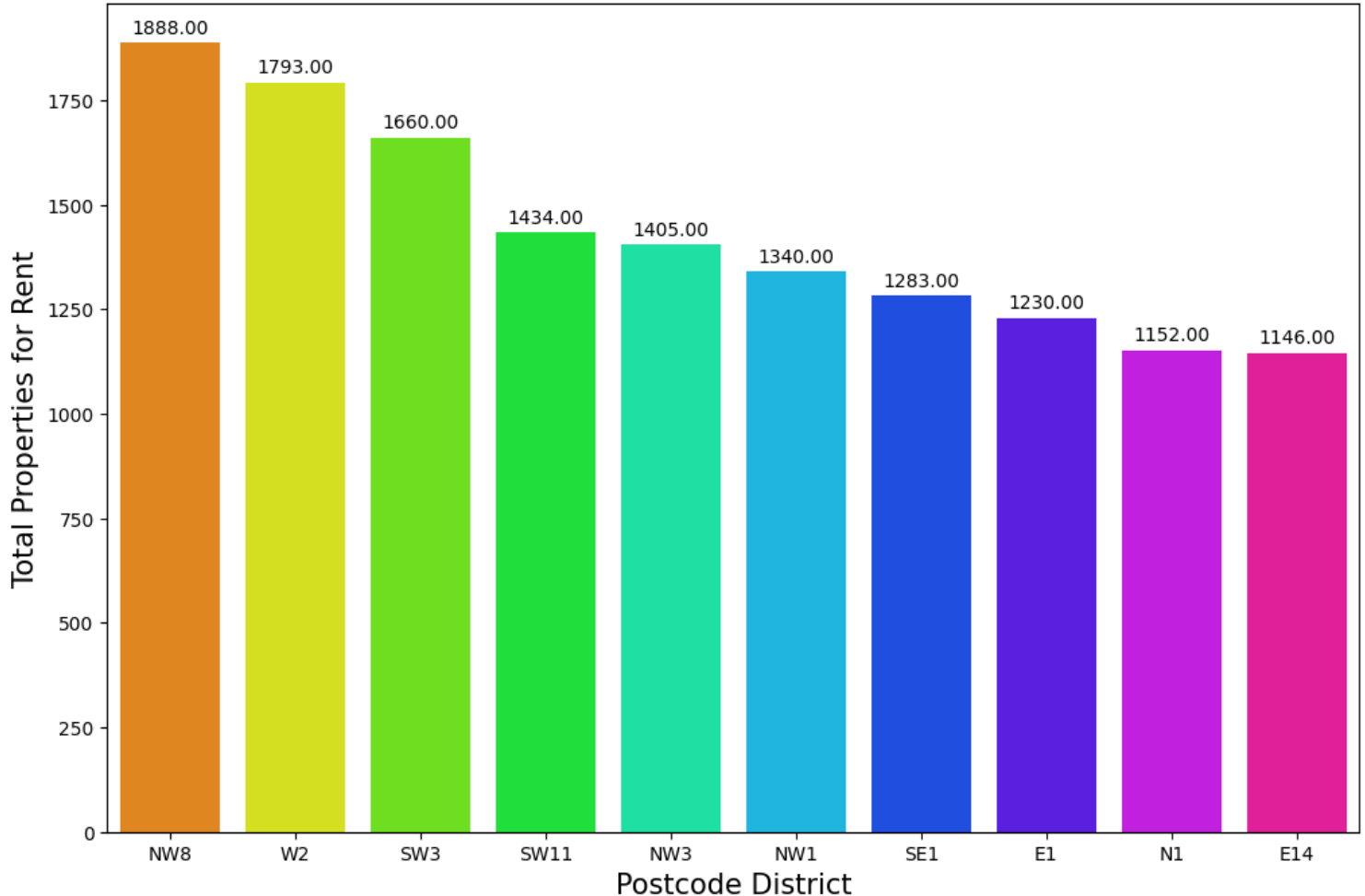- *Tenants Market:* Market with high supply and less demand.

High-level Analysis

The following analysis provides an overview of the rental market in several postcode districts for July 2024.

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Total Properties for Rent in Top 10 Districts - July 2024

| District	Total Properties for Rent
NW8	1888.00
W2	1793.00
SW3	1660.00
SW11	1434.00
NW3	1405.00
NW1	1340.00
SE1	1283.00
E1	1230.00
N1	1152.00
E14	1146.00

The graph highlights a stark contrast between supply and demand in London's top 10 rental districts. Despite NW8 leading in property availability, the overall classification of these areas as a "landlord's market" except SW3 which is a "balanced market" indicates a persistent imbalance favouring landlords. This suggests intense competition among renters for limited housing options across these districts. While NW8 might offer slightly more choice, it's crucial to consider that even with a relatively higher supply, demand likely outstrips availability, driving up rental prices and potentially leading to rapid property turnover. The data underscores the challenges faced by renters in securing accommodation in these sought-after London locations.

Average Transaction per Month in Top 10 Districts - July 2024
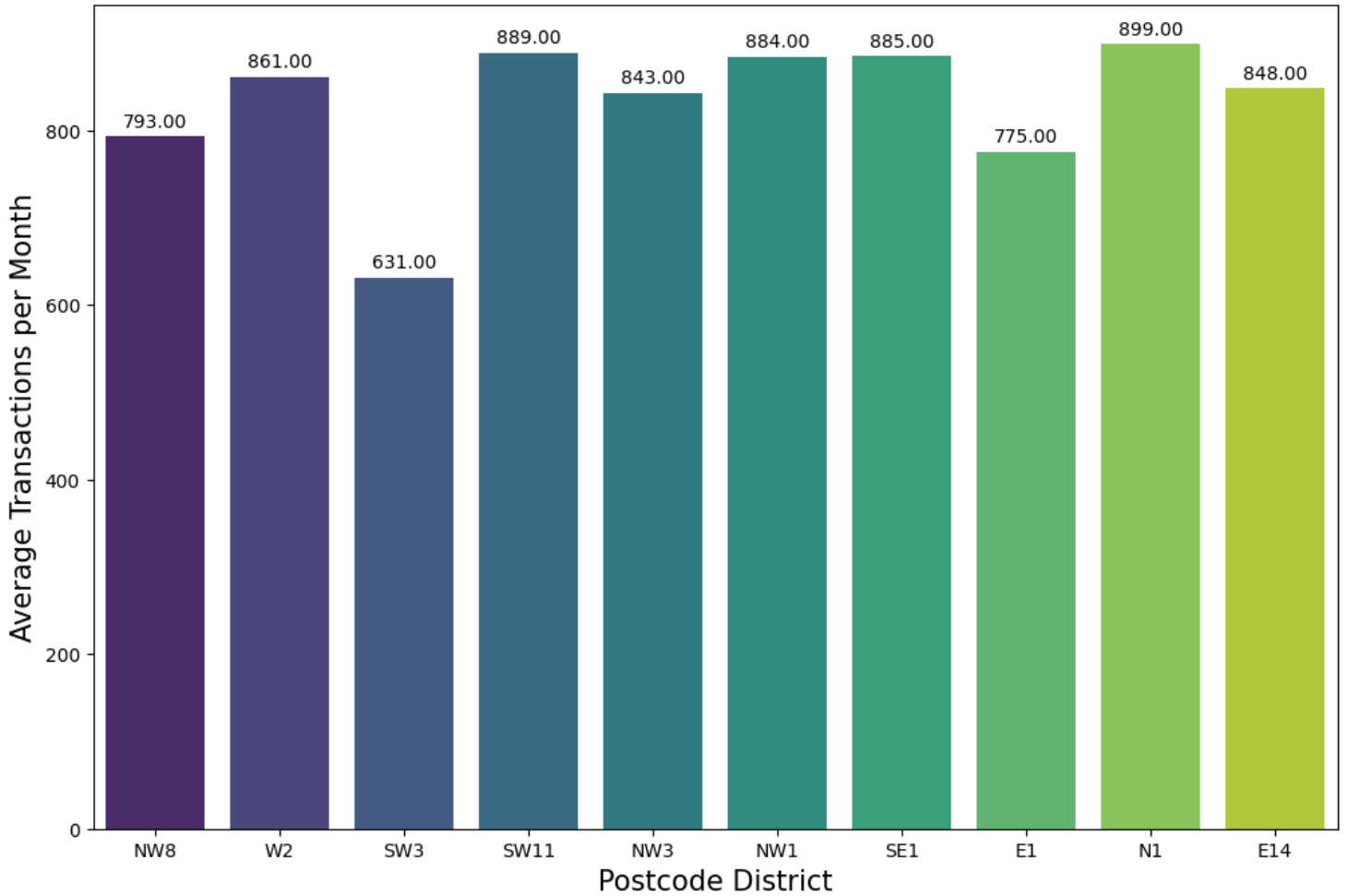
| Index	Postcode District	Turn over(%) per Month
1	NW8	42
2	W2	48
3	SW3	38
4	SW11	62
5	NW3	60
6	NW1	66
7	SE1	69
8	E1	63
9	N1	78
10	E14	74

Average Days on the Market in Top 10 Districts - July 2024
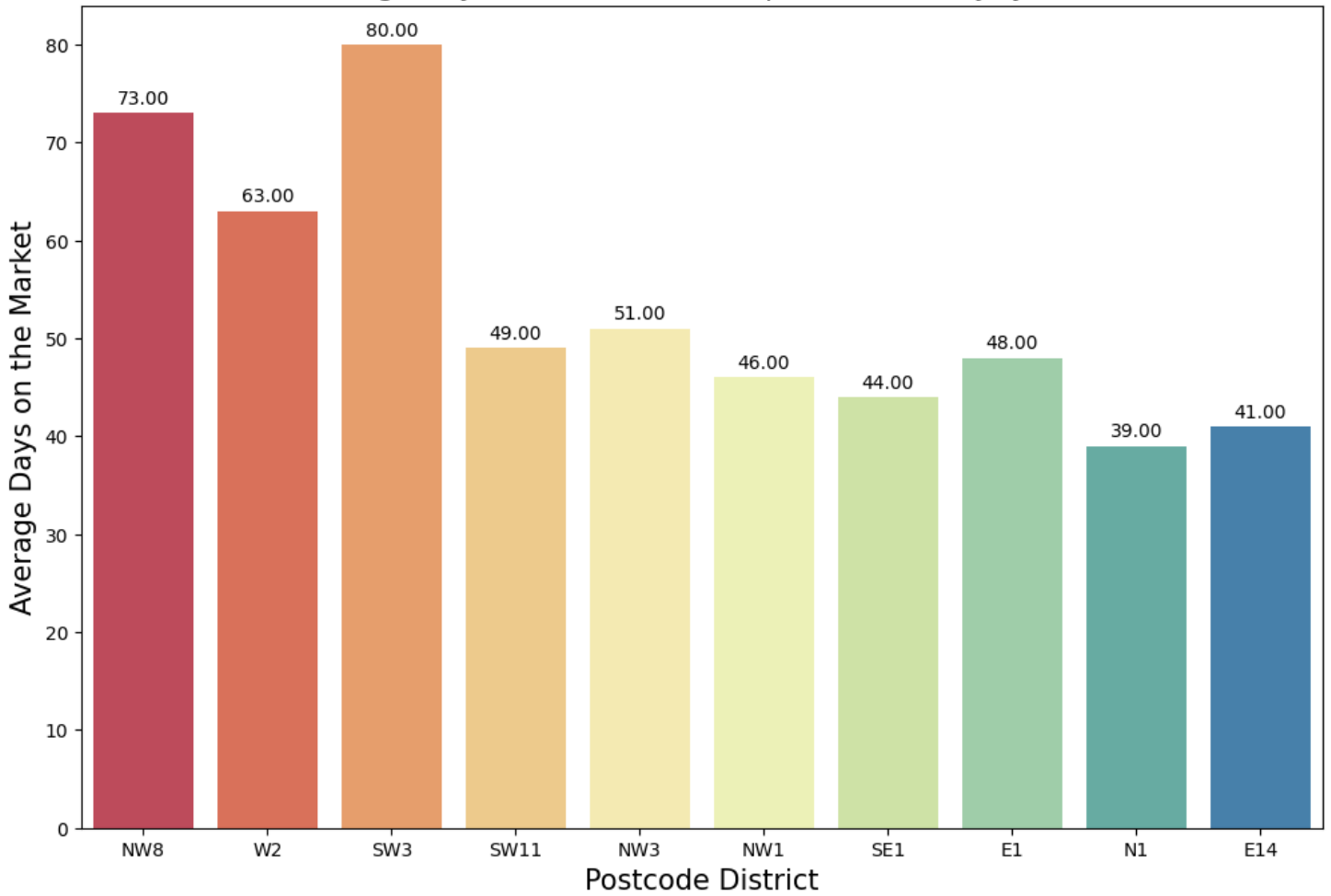
| Index	Postcode District	Months of Inventory
1	NW8	2.4
2	W2	2.1
3	SW3	2.6
4	SW11	1.6
5	NW3	1.7
6	NW1	1.5
7	SE1	1.4
8	E1	1.6
9	N1	1.3
10	E14	1.4

Comparison of data: June vs July, 2024

The bar chart compares the top 10 districts for July with those for June. This side-by-side comparison allows for a visual assessment of any changes or trends in these districts' performance over the two months.

Comparison of Properties for Rent in top 10 districts - June vs July 2024
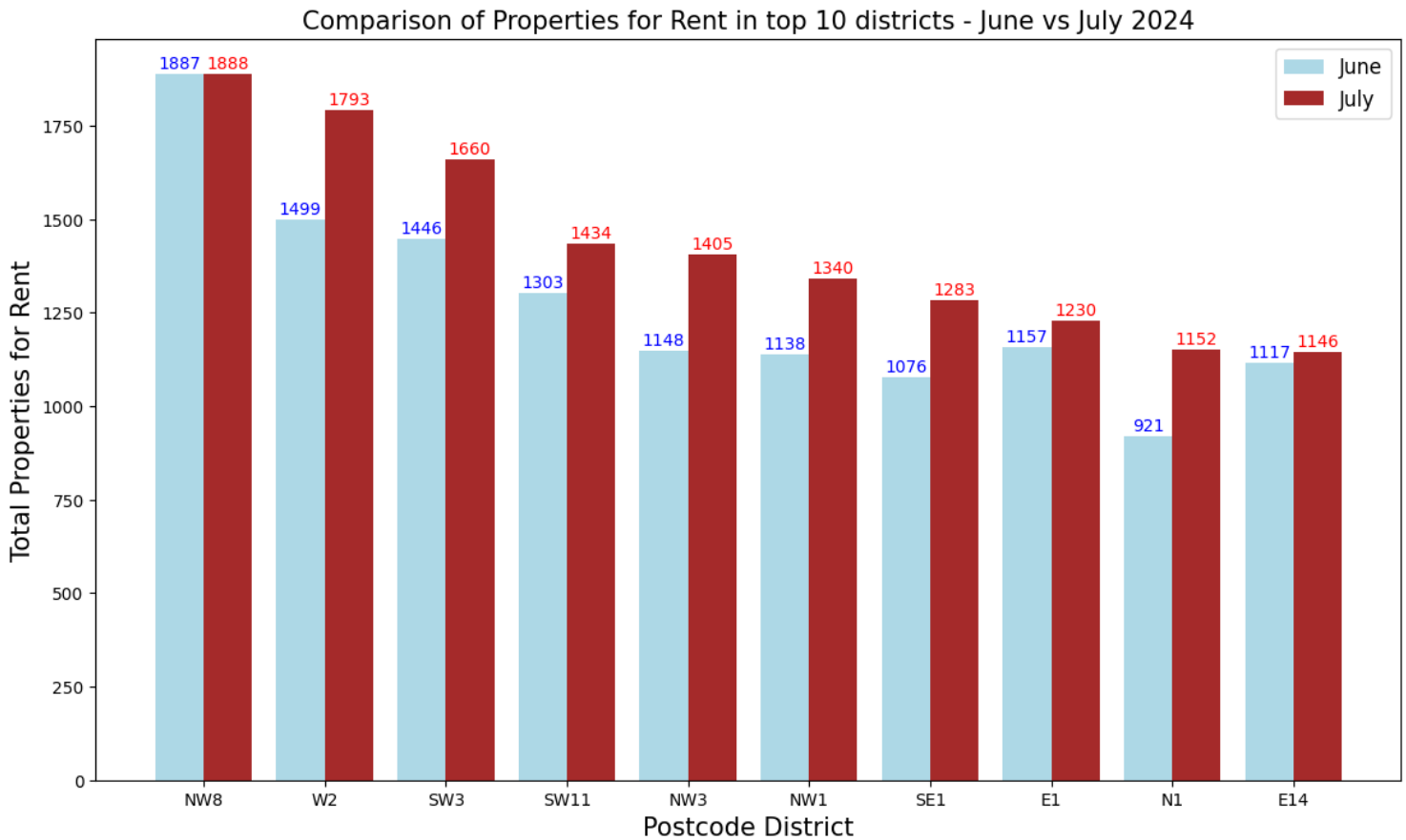
Given that all these districts are landlords' markets except for SW3, which is rated as a balanced market in July, the increase in rental listings across most areas from June to July 2024 highlights a strategic response by landlords to capitalise on high demand. In landlords' markets, property owners often have the upper hand due to limited rental inventory and high tenant competition. The rise in available properties in districts like W2, SW11, and others suggests landlords are positioning themselves to maximise rental income, possibly in anticipation of seasonal demand peaks or other market forces that drive tenant interest. The relatively stable conditions in districts like NW8 and E14 may indicate a balance has been reached between supply and demand, where landlords maintain a steady inventory to preserve rental income levels.

The status of SW3 as a balanced market indicates a more even playing field between landlords and tenants in this area, contrasting with the generally landlord-favourable conditions in other districts. This trend underscores the competitive nature of these rental markets, where tenants may face higher rents and fewer concessions, reinforcing the landlords' advantageous position where applicable.

Comparison of Average Transaction per Month in top 10 districts - June vs July 2024
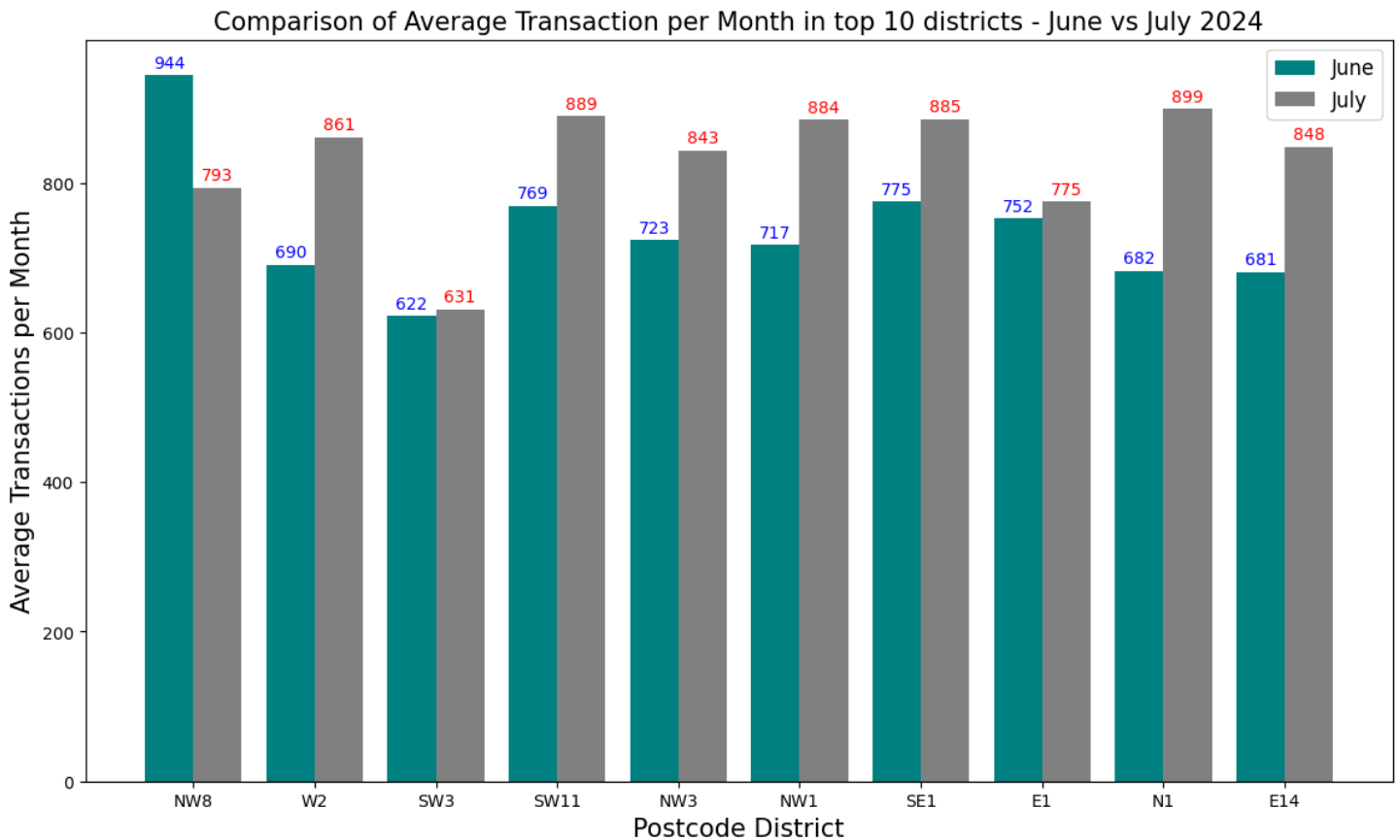
The graph compares the average number of transactions per month in the top 10 postcode districts between June and July 2024. It highlights an overall increase in transaction activity across most districts, which is notable given these areas are already considered landlords' markets, except for SW3. For example, NW8 experienced a decrease in transactions from 944 in June to 793 in July, possibly indicating a temporary saturation or a shift in market dynamics. In contrast, districts like W2, NW3, and NW1 show a significant rise in transactions, suggesting heightened market activity, potentially due to increased tenant mobility or seasonal demand. The relatively stable or slight increases in SW3 and E1 suggest steady demand in these areas, maintaining a robust

transaction rate despite the general trend. This pattern underscores the continued leverage of landlords in these markets, where an increased volume of transactions could reflect competitive bidding for limited rental units, potentially driving up rents and reducing tenant bargaining power. The overall uptick in transactions may also indicate landlords' strategies to quickly fill vacancies and optimise rental income in a competitive environment.

Comparison of Turnover Percentage per Month in top 10 districts - June vs July 2024
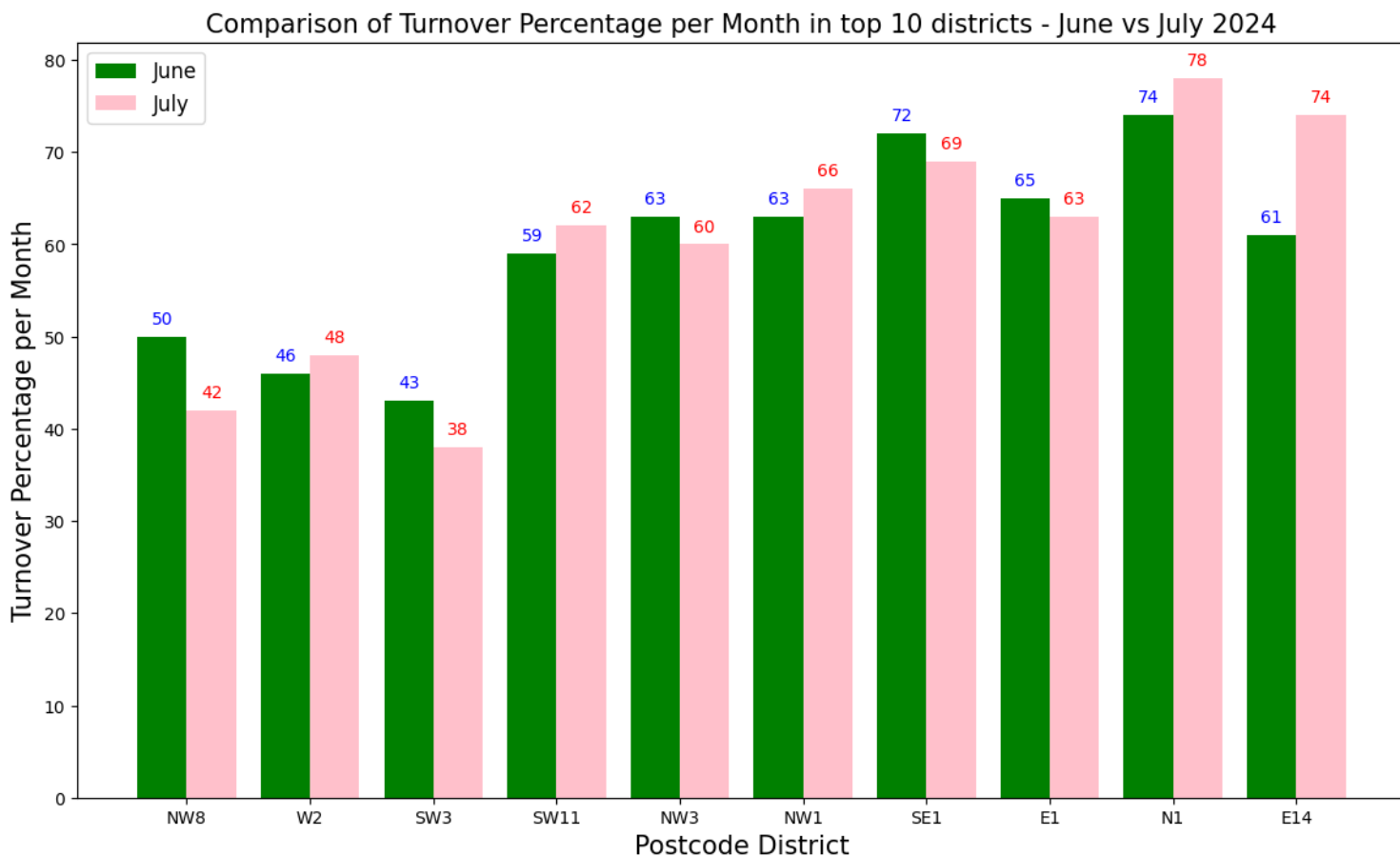
The graph illustrates the turnover percentage per month in the top 10 postcode districts, comparing June and July 2024. Turnover percentage, reflecting the proportion of properties that changed occupancy, varies across districts, with significant changes noted in some areas. In NW8, a decrease from 50% in June to 42% in July suggests a possible stabilisation or reduced tenant movement, potentially due to higher rental rates limiting mobility. Conversely, districts like N1 and E14 show increases in turnover, from 74% to 78% and 61% to 74%, respectively, indicating more dynamic rental markets with higher tenant turnover. This

could be driven by seasonal factors, such as students or temporary workers relocating, or it might reflect broader economic conditions like changes in employment opportunities. The overall data suggests varying levels of stability and fluidity in these markets, with districts like SW3 showing a decrease from 43% to 38%, potentially indicating longer-term tenancies becoming more common. These turnover trends are crucial for landlords as they impact rental income consistency and tenant acquisition costs. The patterns observed may also influence landlords' strategies, such as pricing adjustments or changes in lease terms, to either stabilise or capitalise on market conditions.

Insights - July 2024

- *Market Trends and Dynamics:* All postcode districts, except SW3, show a clear advantage for landlords, indicating a significant dominance of demand over supply for rental properties. The metric of months of inventory, which tends to be low, reinforces this by indicating a scarcity of available properties and thus higher competition among tenants. The average number of transactions per month remains steady across most districts, reflecting consistent demand for rental properties. However, there is noticeable variation in the total number of properties available for rent, suggesting that while demand is steady, supply varies by area. This variation could result from differences in housing development, tenant retention, or local economic conditions, affecting the number of available properties at any given time. The balanced market status of SW3 indicates a more even distribution between supply and demand in this district, contrasting with the generally landlord-favourable conditions elsewhere. Overall, the data suggests a competitive rental market where landlords can maintain higher rental prices and face minimal vacancies, with SW3 being an exception where the market is more balanced.

- *Market Fluctuations and Variability:* The market shows significant fluctuations and variability across different districts, reflecting diverse levels of activity and supply-demand balances. For instance, inventory turnover rates vary widely, indicating that some areas experience higher tenant movement than others. This is seen in the differing time properties spend on the market, with some districts having faster turnover, while others take longer to rent out. Additionally, the months of inventory metric, which measures the number of months it would take to sell the current inventory at the current sales pace, varies significantly. For example, some districts have a lower inventory level, indicating a tighter market with high demand and limited supply, while others have more available properties, suggesting a more balanced or slower-moving market. These variations highlight the localised nature of real estate dynamics, where factors such as economic conditions, availability of new developments, and demographic shifts can significantly impact market behaviour.

- *Market Possibilities and Opportunities:* The market analysis reveals various possibilities and opportunities across different districts. SW3 stands out as the only area rated as a "Balanced market," presenting potential benefits for both landlords and tenants. Districts like N1, E14, and SE1, with high turnover rates and short days on the market, could be advantageous for those seeking frequent, short-term rental opportunities. Investment prospects are promising in areas with a high number of available rental properties and favourable conditions for landlords, such as NW8 and W2. Meanwhile, tenants may find better negotiation opportunities in areas with longer days on the market, like SW3 and NW8.