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The crying game

The dire shortage of top-end homes to buy and to rent in London has led to tantrums and tears, reports Helen Davies

;;nobreak;;The sales market in prime central London may be booming, but behind the closed doors of many of the capital's best addresses, angry cries of frustration are being heard and tears are being shed.

Yes, the market has gone up by 20.6% since January, according to figures from Knight Frank estate agency, but here's the rub: the massive drop in the number of houses for sale (down 45.7% last month compared with July 2005) means dismayed househunters are being forced to pack up and move into rented accommodation.

Yes, strange but true: some of the City's hardest dealmakers are suddenly finding themselves completely at the mercy of landlords.

They may have sold their house in the spring, but they have failed to find another. Now, as well as the hassle of moving house and paying removal costs, they also have to come to terms with the "stigma" of renting.

Traditionally, this isn't that unusual for foreign-born residents, whose London tenure may often be relatively short-term. The top end of the lettings market, where tenants are prepared to pay £1,500-£5,000 per week, is dominated by corporate lets — there is serious fighting over family houses near the American School in St John's Wood and the Lycée Français in South Kensington — and foreign clients looking for a London bolt hole. Now, both groups have new rivals: demand from local residents is rising and lettings agents in exclusive areas such as Mayfair, Kensington, Chelsea and Notting Hill report a surge of activity.

Jane Ingram, head of the lettings department at Savills estate agency, says that in Kensington, where a family home lets from £2,000 a week, rents have risen on average by 7% year on year, and by as much as 10% for a family house.

On her books at the moment, for instance, is a six-bedroom house in Ilchester Place, Kensington. It has three grand reception rooms, a study, staff accommodation, and a garden that backs on to Holland Park. The owners are asking £7,750 a week. Last year it let for £6,600 a week.



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"Prices are being driven up by frustrated buyers who are all looking for the same kind of home to buy and the same kind of house to rent," Ingram says. "Both sales and lettings prices are rising at the same time, which is unusual."

The shortage of top-end lettings is exacerbated by tenants staying put (maybe they can't buy, or have had an employment contract extended) and landlords who have taken advantage of the rising sales market and sold up. Ingram has lost 10% of stock in this way. She estimates that compared to this time last year, the Kensington lettings office has 15% more registered clients looking to rent a smart flat with underground parking or a townhouse with a garden, but only half the amount of stock on offer.

So now it is not just sales agents who are overseeing bidding wars (and raking in the commission) but lettings agents as well.

"It used to happen on about one in 10 tenancies," says Ingram. "Now it is one in every three or four, especially for family houses."

If you are a high-end tenant, forget about making a deal: paying less and demanding more extras is a thing of the past. Last month, three people fought to rent a four-bedroom, four-bathroom, three-reception room house in Chepstow Villas in Notting Hill. The successful bidder started off by trying to cut a deal: he offered 10% below the asking rent, with a promise to move in within a month. To secure the place, he had to agree to the asking price, sign a year's contract and move in the next week.

The tide has well and truly turned. "People are having to offer sweeteners to landlords," says Ingram. "Or pay more."

The Notting Hill office of estate agency Marsh & Parsons had two bids within days on a one-bed flat that came on at £600 a week. The successful tenant is paying £625.

"Rents have increased by an average of 2.2% in the three months to the end of June," says Liam Bailey, the head of residential research at Knight Frank. "It is the highest quarterly increase since March 2001, but prices haven't gone crazy."

But demand is so high in some areas that, for example, the rent for an average three-bed house in Kensington and Chelsea has gone up by an extra £300 a week compared with last year, rising from £1,200 a week to £1,500.

Robert Bailey of Robert Bailey Properties, a buying agency that specialises in sumptuous homes for the super-rich, has a backlog of frustrated clients. "They may be rich," he says. "But they are still homeless."

So this summer, he is also looking for rental properties, because it is just as important to find the right interim home for his clients while he hunts for their dream house.

"I have one client (now renting) who has lost four bids this year," says Bailey. "In one case, the seller just upped the price by £1m."