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London Vacation Rental Market Report -2008-



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Phone: +1 (212) 255 8018
Fax: +1 (212) 627 1416
Email: marketreport@nyhabitat.com



Notice To Readers

This report features trends concerning the vacation rental market in London. Data was compiled based on the company’s completed bookings from 2006, 2007 and 2008 and includes statistics from apartment rentals in London.

Prices in this report are quoted as daily for vacation rentals in pounds. Agency fees are not included in any prices quoted in this report. Please note all percentages are rounded to the nearest 1%. Some graphs may not add up to 100%.

Contributors:

Data and Analysis: Brian Lowenberg

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New York Habitat
Attention: Public Relations
307 Seventh Ave. Suite 306
New York, NY 10001 U.S.A

Or

New York Habitat - London Ltd
Coppergate House
16 Brune Street
London E1 7NJ UK

Tel: +1 212-255-8018
Fax: +1 212-627-1416
Email: marketreport@nyhabitat.com

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We hope that you will find this content useful. This information is current as of January 2009. We invite you to visit us at <http://www.nyhabitat.com> for more London vacation rental apartment information.

You will find this report in PDF format as well as future Paris Market Reports at this address:

<http://www.nyhabitat.com/london-furnished-apartment-market-reports.html>

-- New York Habitat Team --

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With London being one of the most expensive cities in the world to travel to, vacation rental apartments have become one of the fastest growing accommodation options in the city. New York Habitat has offered vacation rental apartments in London since 2002 and has collected data about these rentals ever since. We are proud to be able to offer you our 1st London Vacation Rental Market Report detailing the current state of the vacation rental market in London compared to the past two years. Furthermore, the report will attempt to look to the future to predict what trends may occur in 2009 and beyond.

This report will detail the vacation rental market ([click here to search London Vacation Rental Apartments](#)), which includes accommodations available from 3 to 30 days. The report will provide information on apartment pricing, neighborhood statistics, size of apartments rented and average length of stay details. Graphs, charts and tables are provided to illustrate, in detail, the trends affecting the London vacation rental market.

I. London Vacation Rental Apartments



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Section I: London Vacation Rental Apartments

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I. London Vacation Rental Apartments

Introduction

In 2008 the London vacation rental market saw continued growth from the previous years. The number of completed rentals has grown by more than 90% between 2006 and 2008, with the number of requests for apartments growing at a similar rate. On the other hand, average apartment prices have fallen over the past 2 years as the pound has gained value against the U.S. dollar and remained strong compared to the euro. Furthermore, the drop in prices can be attributed to a better mix of apartments across the city with a wider spectrum of prices.

Some of the unique challenges that 2008 brought to the market included:

- Strong currency fluctuations. In the 1st half of 2008, the pound was very strong compared to other major world currencies, making London unusually expensive and causing customers to look for the least expensive apartments. In the last quarter of 2008, the pound lost value against world economies making London significantly less expensive.
- The global financial downturn. With the economy beginning to crumble in the 2nd half of 2008, people became more cautious about discretionary spending on travel.

Despite the difficulties faced in the market in 2008, London vacation rentals remained robust and the number of bookings ended up being the highest on record for New York Habitat. Looking to 2009, we expect similar challenges to 2008, but because vacation rentals remain an economic choice compared with hotel rooms, we expect that demand will remain strong in 2009.



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I. London Vacation Rental Apartments

a. Pricing

The 1st statistics that we look at are about pricing. Owners, renters and other market participants are always concerned with pricing in the vacation rental market. In this section, we will provide details on average, median and mode prices as well as prices by apartment type.

The 1st table shows the average, median and mode prices for London vacation rental accommodations in 2006, 2007 and 2008. The most obvious trend that appears is that average prices have fallen between 2006 and 2007 (6%) and between 2007 and 2008 (3%). Though this may look bad for the market, we see this as a positive trend because we have successfully increased the number of apartments in our inventory which has brought a wider selection of smaller apartments including 1-bedroom and studio accommodations. This shift to smaller apartments, from around 42% of apartments in 2006 to 50% of apartment in 2008, is a major factor in the dropping average price. A further factor is that an unusually strong pound during the end of 2007 and in the 1st 3 quarters of 2008 put downward pressure on prices in London as non Britons found London to be extremely expensive.

Average, Median and Mode
for the full year of 2006, 2007 and 2008

	2006	2007	2008
Average	£127	£120	£116
Median	£107	£100	£100
Mode	£100	£100	£100

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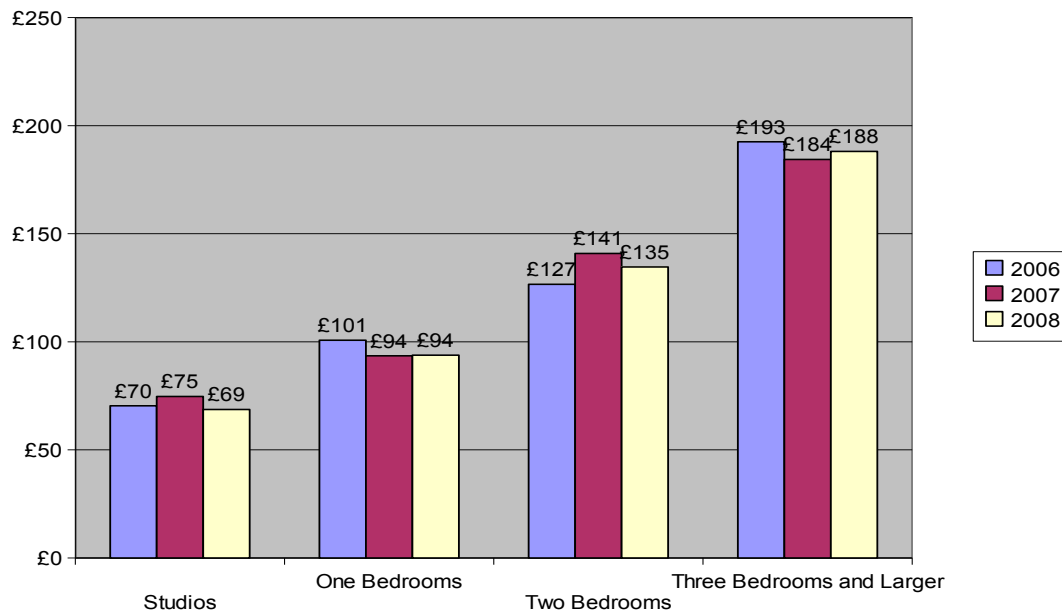
I. London Vacation Rental Apartments

Our next graphs show the average rental price based on apartment type for 2006, 2007 and 2008. Some interesting facts about the price by apartment type include:

- Trends are not consistent between the different apartment types. Though as a whole, prices fell for all types of apartments except 2 bedroom rentals.
- Studio rentals saw a slight drop in prices from 2006 to 2008 - £1 per night (1.5%) but had the highest prices in 2007 before the sharp escalation in the pound at the end of 2007 and into 2008.
- One-bedroom apartments fell by £7 per night (7%), caused by an increased variety of one-bedroom apartments including several that are further from central London and a number of lower budget options.
- Two-bedroom apartments saw a major increase from 2006 to 2007 £14 per night (11%) as demand for this type of apartment was strong as they offer an excellent alternative to multiple hotels rooms. Prices then declined £6 per night (4%) from 2007 to 2008 as the pound gained value and the economic crisis hit the market.
- Three-bedroom and larger apartments saw a drop in prices between 2006 and 2007 but then gained between 2007 and 2008. Large apartments are often difficult to forecast as there are usually less rentals in this category and a few very large renters can skew the average in a certain year.

Overall, we see a slight downward pressure on prices throughout the market but we expect that with the pound falling in the last quarter of 2008 and into 2009, prices will begin to stabilize in 2009.

Average Price of Vacation Rentals by type 2006, 2007 and 2008



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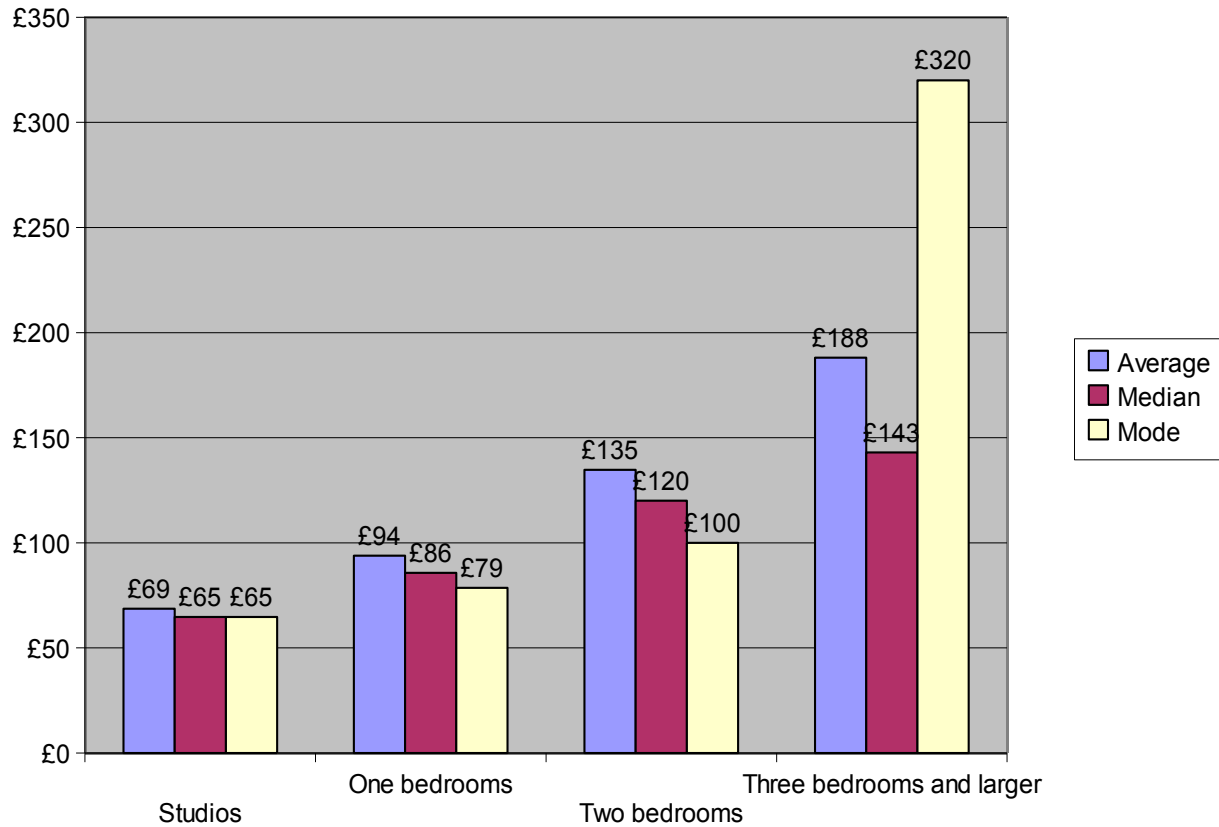
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To look at pricing in more detail, we are including a chart with the average, median and mode prices for London vacation rentals in 2008 by type. This graph gives a more complete picture of the rental market based on other measures than just the average price.

Average, Median and Mode prices for Vacation Rentals in 2008



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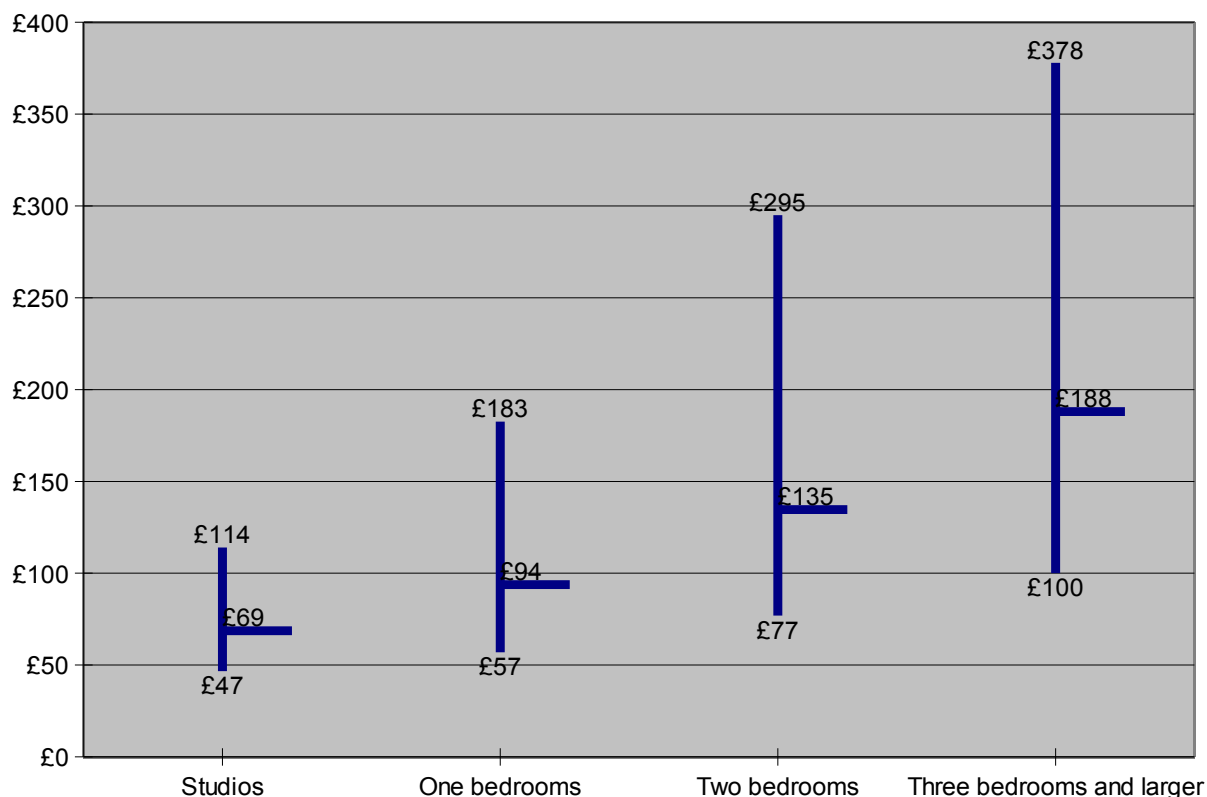
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I. London Vacation Rental Apartments

One of the most interesting charts that we include is the price range of apartments by type. We have provided the price range charts for 2006, 2007 (on the next page) and 2008 (below) for comparison purposes. This chart is useful for owners to determine if there is a likely chance that the price they are setting for their rentals is realistic.

Price Range of Vacation Rentals 2008



Overall, we see that the price range of apartments continued to expand on the high end as we worked to increase our inventory of apartments in all types and neighborhoods. The low end also increased slightly in the 1- and 2-bedroom apartment categories. The studio and 1-bedroom apartment categories tended to have lower high-end ranges in 2008 than they did in 2006 because of less demand for the high end apartments with a strong pound and a weakening economy. The high-end range of prices for 2- and 3-bedroom and larger apartments showed overall increases from 2006 to 2008 though the perk year for prices of 3-bedroom apartments and larger was 2007. We expect the range of apartment prices to continue to expand as we look for a wider selection of apartments in our inventory.

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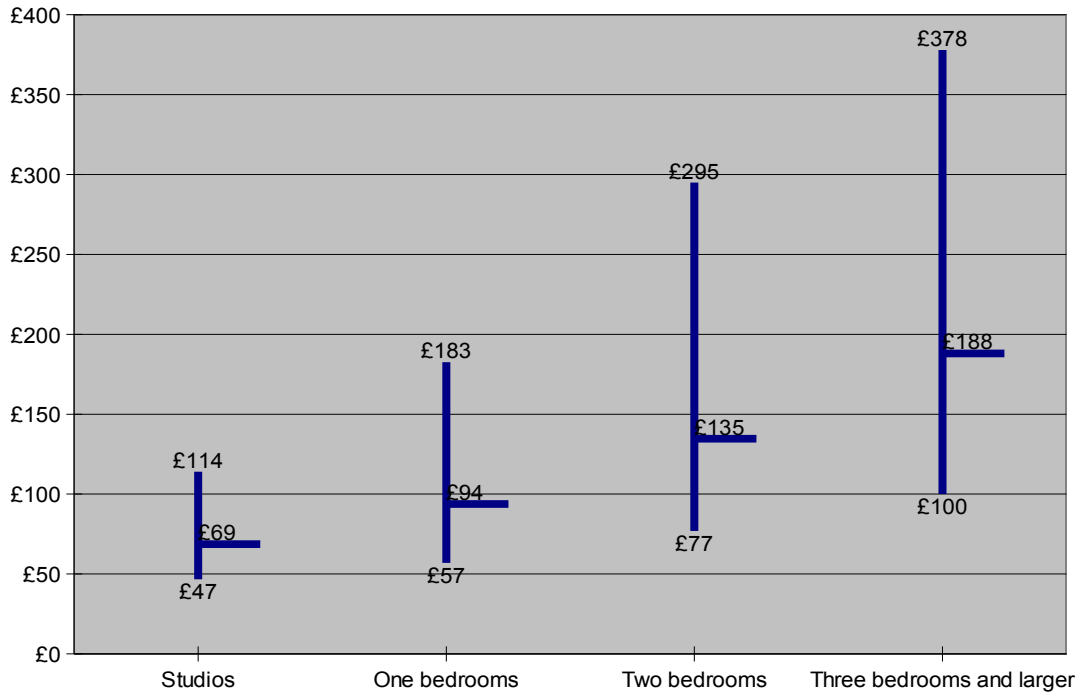
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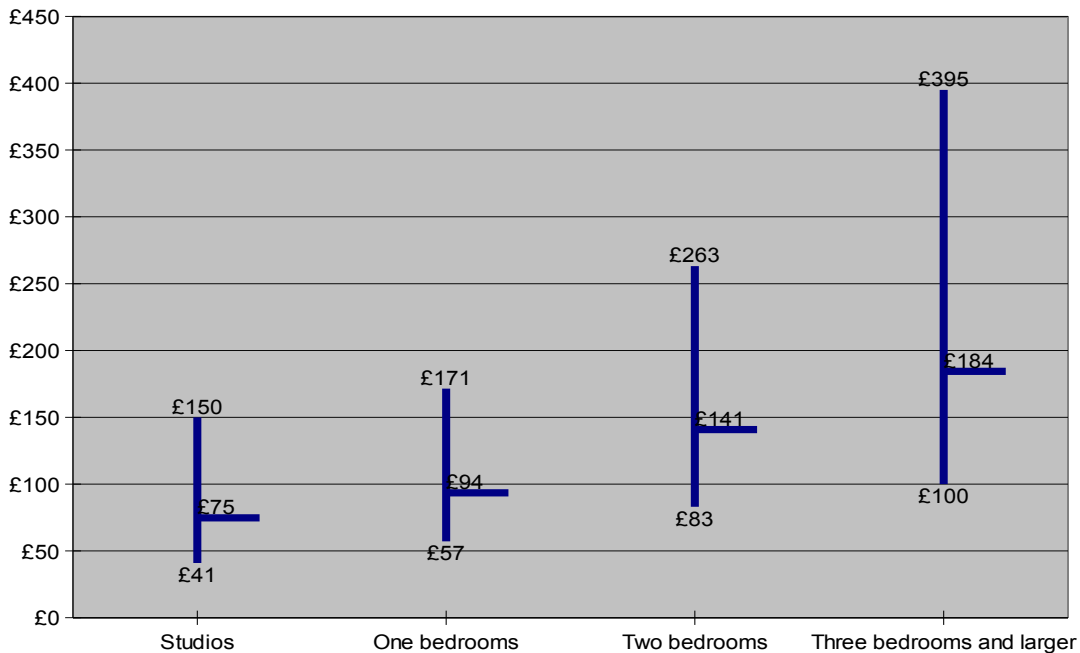
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I. London Vacation Rental Apartments

Price Range of Vacation Rentals 2006



Price Range of Vacation Rentals 2007



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b. Neighborhoods

Neighborhoods are another area in which renters and owners of apartments in London are interested in the details. For neighborhood details we provide several graphs that help to explain the state of the market.

The 1st chart that we include is a three year summary of the percentage of rentals by neighborhood. In London, we breakdown neighborhood data, based on the city's boroughs. We include data for 13 of the central boroughs out of 33 in the city.

Borough	% of Rentals 2006	% of Rentals 2007	% of Rentals 2008
Camden - Brent	5%	5%	3%
City - Islington	2%	9%	8%
Fulham - Hammersmith	2%	0%	1%
Kensington - Chelsea	62%	59%	48%
Lambeth	3%	3%	2%
Richmond - Wandsworth	0%	0%	1%
Southwark	0%	0%	3%
Tower Hamlets - Canary Wharf	2%	2%	2%
Westminster	23%	22%	32%
Hackney	0%	0%	1%
Other Boroughs	0%	0%	1%

Overall, throughout our years in business we have seen a primary concentration of rentals between the City of Westminster and the boroughs of Kensington and Chelsea. In 2006, over 86% of rentals were concentrated in these two areas but by 2008 the percentage of rentals had declined to 78% of all rentals. We expect that this trend will continue as we increase the number of rentals outside of these neighborhoods.

Furthermore, customers looking for better values will find that apartments available in the boroughs of Camden, Islington, Southwark and Lambeth offer centrally located locations and value pricing. Therefore, we have seen gains in several of these neighborhoods with City – Islington showing the strongest gains going from 2% of rentals in 2006 to 8% of rentals in 2008. Customers will continue to look for well-located apartments that are convenient to the tube and offer good value and this will continue to spread out the distribution of rentals in London.

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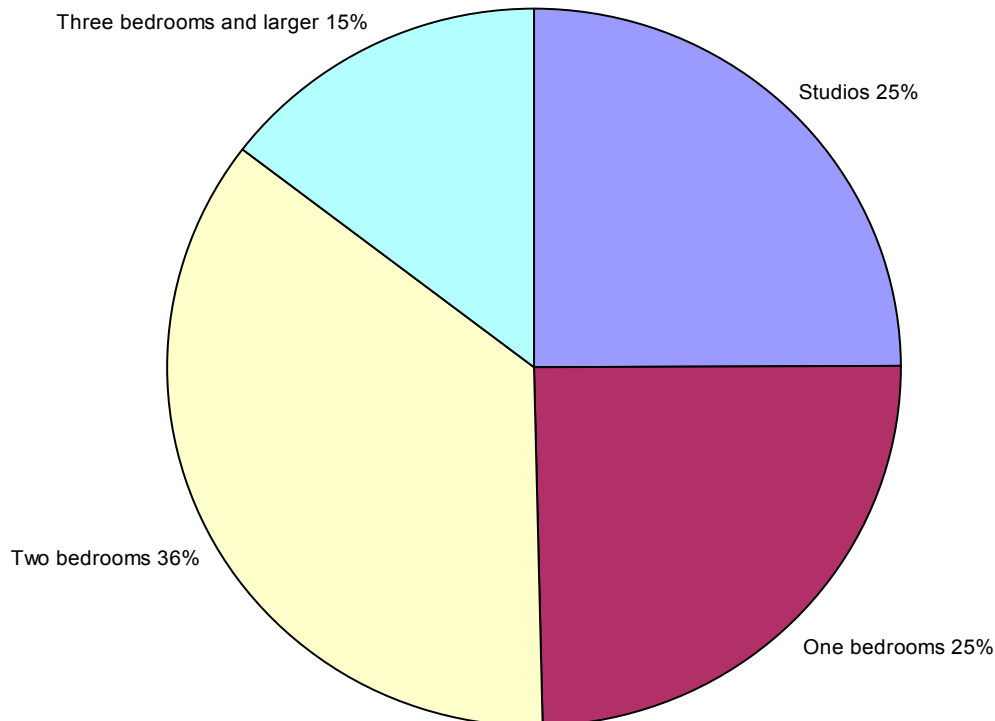
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c. Sizes & Lengths of Stay

Looking at the size of apartment rentals, we see that compared to many cities, the demand for large rentals is significant in London. In 2006, 58% of all rentals were 2 bedroom or larger in size. That fell to 50% of rentals in 2008. One of the advantages of our inventory is that we offer many large apartments which are perfect for larger groups and families. This has helped to drive demand in these markets but we have worked to add more studios and one-bedroom apartments for the smaller groups coming to London and looking for an alternative to hotels.

Size of Vacation Rentals Rented 2008



The average length of stay in London has always been slightly longer than our rental divisions in Paris and New York. In 2006 the average rental length was 8.7 day, in 2007 it climbed to 9.3 days and in 2008 it fell back to 8.8 days. We expect that in 2009 the length of stay will remain in the 7-9 day range, with a higher probability towards the lower end of that range, as people are careful about discretionary spending during the recession.

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II. London Vacation Rental Apartments: Market Summary

2008 ended up being a varied year for the London vacation rentals market. Some key trends that we saw include:

- An increasing number of requests and rentals as people looked for less expensive options compared to hotels and our selection of apartments grew to attract more customers
- Declining prices, as a strong pound in the 1st three quarters of 2008 and a recession in the last quarter forced owners to lower prices to drive demand.

For 2009 we expect the following trends:

- Continued strength in demand for vacation rentals as people look for less expensive accommodation options compared to hotels.
- Stabilization in pricing as the pound has lost significant values compared to world currencies.
- Shorter rentals, as people look to lower their overall trip costs in the recessionary market.



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II. London Vacation Rental Apartments: Conclusion

New York Habitat has witnessed considerable changes within the London housing market and 2008 has been no exception. In fact 2008 has seen some of the biggest changes since New York Habitat - London was created in 2002. A global economic downturn which began in 2007 in the USA has had an effect worldwide. The buoyant housing market of 2006/2007 in the U.K. began to falter and at the time of going to press has not yet started the recovery process. Many people are wondering if it has yet hit the trough or whether it is likely to continue to fall.

Housing prices across the UK have fallen by an average of 15% to date and London has been affected as much as anywhere else. This slowdown initially led to a higher demand for rental properties. However with a sudden increase of properties hitting the market due to the reduced number of property sales, this created a buyers market and rental prices also came down.

The vacation rental market has not remained unaffected and it has been most significantly hit by the reduction in corporate apartment rentals. Financial institutions and large corporations have cut down on the short term staff movements overseas and serviced apartments have been left empty as a result. With the pound being very strong at the beginning of 2008 compared to both the euro and the dollar it looked like the vacation rental market might also be affected. However the subsequent weakening of the pound led to a small resurgence in the market and London, previously one of the most expensive cities in the world, suddenly became far more affordable. With the pound falling to a multi-year low against the dollar and the euro, the vacation rental market received a much needed boost. 2009 looks likely to be a busy year but this is due largely to the weak UK economy rather than anything else. The average length of stay is likely to be shorter, the rent cheaper, but business looks on pace to continue to grow.

Thank you for reading the 2009 London Vacation Rental Market Report. We are happy to provide this data and analysis for your review and encourage you to e-mail us if you have any questions, suggestions, or if you would like to learn more at marketreport@nyhabitat.com. Please check back in the middle of 2009 to find out the current state of the London Vacation Rental Market in the 1st half of 2009 London Vacation Rental Market Report.



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III. New York Habitat - Additional Resources

Below are links to additional information available on New York Habitat’s website.

New York Habitat’s services in London include:

- **Vacation Rentals**
From three nights to one month
- **Corporate Housing**
- **Furnished Rentals**
From one month to indefinitely

New York Habitat Home Page

<http://www.nyhabitat.com>

London Furnished Apartment Market Reports

<http://www.nyhabitat.com/london-furnished-apartment-market-reports.html>

New York Habitat’s Blog: London events, neighborhoods, and market news

<http://www.nyhabitat.com/blog>

The Media Reports: comments about the company by international press

<http://www.nyhabitat.com/media-press.html>

The Company Profile

<http://www.nyhabitat.com/e-doc/company-profile-english.pdf>

The Student Housing Services: Academics

<http://www.nyhabitat.com/student-housing/>

Apartments and Accommodations in London

<http://www.nyhabitat.com/london-apartment.html>

London Corporate Housing and Relocation

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