

Summary and Analysis of Rental Reports – February 2015

There are a number of regular monthly and quarterly rental sector reports. Some cover the UK and some cover just England and Wales. This is a summary of the report headlines and latest data together with Kate Faulkner's commentary on the implications for landlords and tenants:-

Index

- Report Headlines Page: 1
- Regional Rental Price Variations & Room Rents Page: 2
- Capital Growth & Yields for Landlords Page: 2

Report Headlines:-

[Belvoir Lettings](#) *"The average rent for offices across the UK which have traded consistently over the last five years is £718 per month – an increase of 5% year on year. (Jan 15 – England, Wales & Scotland)"*

[Countrywide](#) *"Rents increase as demand for quality rental accommodation outstrips supply. (Jan 15 – England, Wales & Scotland)"*

[Acadata/LSL](#) *"Rents 2.8% higher than in 2014. (Jan 15 – England & Wales)"*

[Paragon Group](#) *"2014 spells a healthy improvement for buy-to-let. (Q4 14 - England, Wales & Scotland)"*

[SpareRoom](#) *"January's average room rent was £570, up from £561 in December 2014. (Jan 15 – England, Wales & Scotland)"*

Average National Rents

Rental Indices	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Homelet	£800	£818	£824	£848	£846	£862	£900	£921	£918	£878	£874	£867	n/a
LSL	£742	£743	£741	£741	£745	£747	£753	£761	£768	£770	£766	£767	£763
Belvoir	£686	£687	£687	£688	£688	£691	£690	£693	£697	£702	£707	£714	£718

Kate Faulkner comments on Rental Report Headlines:

"In the last quarter of 2014 and at the start of 2015, we have seen higher increases in rents than we have seen since 2008 – when rents fell due to oversupply in the market in 2009. It cannot be any coincidence, that over the last few months, for the first time, wages have also grown at a higher level than inflation. Of course, this is mainly due to inflation falling so dramatically and we are expected to even go into deflation this year, boosting the amount of money people feel they have in their back pocket. This can only be good news for the many landlords who have not increased their rents for five or more years and as a result, in real terms, are renting their properties for up to 20% less than they were back in 2008."

Regional Rental Price Variations

Countrywide

“All UK regions see an increase in average rent year-on-year, with Greater London seeing the largest increase, up 4.4% year-on-year to £1,137pcm, Wales up 2.4% to £641pcm and the South East up 2.1% to £984pcm. (Jan 15)”

Acadata/LSL

“Rents in almost every region are higher in January 2015 than they were in January 2014. On an annual basis, rents are now up by 8.8% in the East of England, the largest year-on-year increase of any region, followed by London (4.8%) and the East Midlands (3.8%). The only two regions to see rents lower than a year ago are the North East and the South West, with 0.8% and 1.4% annual falls. (Jan 15)”

Room Rents

SpareRoom

“East London saw a particularly sharp rent rise in 2014, rising 14% year on year. Areas with more moderate annual rises include Birmingham (2%), Newport (2.5%) and Ilford (3.6%). In other areas, including Hull, Plymouth and Harrow, rents remained relatively constant year on year. (Jan 15)”

Kate Faulkner comments on Regional Rent Variations:

“Regional rents tend to follow a trend of 2-4% increase in the main throughout all the indices. Where we see ‘sharp rises’ such as East of England +8.8%, this is either due to previous falls we have seen or because there is a lot of new builds in the area being let, which typically commands a 10% premium versus existing lets.”

Capital Growth & Yields for Landlords

Acadata/LSL

“The gross rental yield on a typical rental property in England and Wales now stands at 5.0% as of January 2015, a 0.1 percentage point drop since December and a 0.2 percentage point drop from a year before – yields in January 2014 stood at 5.2%. Taking into account price growth and void periods between tenants (but before costs such as mortgage repayments or maintenance) total gross annual returns on an average rental property now stand at 11.7% over the twelve months to January. This compares to 11.8% over the twelve months ending December 2014. In absolute terms this means the average landlord in England and Wales has seen a return, before deductions such as mortgage payments and maintenance, of £20,072 over the last twelve months. Within this figure rental income makes up £8,021 while the average capital gain amounts to £12,051. (Jan 15)”

Paragon Group

“On average, rental income over the past 12 months remained the same for 68% of landlords. Q4 2013 and Q2 2014 reported the largest peak (73%) in the proportion of landlords’ rental income remaining the same, whereas Q1 2014 reported the lowest at 64%. The overall average gross yield for the year is 6.3%. The lowest quarterly average was in Q1 2014 at 6.1%, and the yearly peak in Q3 at 6.6%. (Q4 14)”

Kate Faulkner comments on Capital Growth & Yields:

“Although on the ‘surface’ the returns do look great, when you start taking into account landlords’ real returns, they are not as fantastic as the gross figures suggest. With gross yields of 5-6%, that means most landlords will be struggling to make ends meet if they borrow 75% loan to value, albeit they may be making good returns from capital growth. What’s also interesting from these figures is Paragon is confirming what many of the indices are saying – little growth in rental income. This is why bringing in rental controls is so potentially damaging, as it will help to prompt a nation of buy to let landlords wanting to increase rents annually, whereas currently they prefer to keep the tenant.”

What to do next?

For more help, from Kate and her team, join [Propertychecklists](#) for FREE.

- [Buy to Let](#)
- [Renting by the Room](#)
- [Why join a Landlord Association](#)
- [Renting a Property](#)
- [Selling a Property](#)

For Industry Professionals

If you are you a property professional or journalist who needs up to date, accurate, facts and figures about residential property, subscribe to our [Property Information Portal](#).

For Media Professionals

If you need Kate to appear on TV, radio or for general comment, please contact directly:-

Kate Faulkner, Property Market Analyst and Commentator

Websites: [Kate Faulkner](#) [Propertychecklists](#)

Email: kate@designsonproperty.co.uk

Telephone: **01652 641722**

About Kate Faulkner

Kate has written six property books including four for the consumer organisation Which? – Buy, Sell and Move House; Renting and Letting; Develop your Property and Property Investment Handbook. Kate presents at a seminar almost every week to landlords, investors, first time buyers and is often asked to present at industry conferences and chair debates.

From a media perspective, Kate's appearances include BBC Breakfast News, Your Money, GMTV, ITN/ITV, Radio 4 You and Yours, The Big Questions and 5Live. In the last 12 months, Kate has carried out over 20 TV and radio interviews, has been quoted every month in major newspapers and magazines and being featured in many local newspapers.

For more information contact Kate Faulkner directly on **07974 750562** or kate@designsonproperty.co.uk