

August Summary and Analysis of Rental Reports

Wanted: More Landlords!

There are five regular monthly 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:-

Report Headlines:-

[Move with Us](#)

"July has seen a significant stabilising of advertised rents when viewed against previous months in 2013. (July 13)"

[Acadameetrics/LSL](#)

"Rents rise more slowly than inflation. (July 13)"

[Belvoir Lettings](#)

"Average rents across the UK for July 2013 were £687, £7 more per month than 2012. However this was £8 less per month than in July 2008, over five years ago, for offices which have traded consistently over the last five years. (July 13)"

[Homelet](#)

"A record month for the UK's rental market. (July 13)"

[CML](#)

"Buy-to-let lending tops £5 billion in second quarter. (Q2 13)"

Average National Rents

Rental Indices	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13
Homelet	£768	£789	£806	£808	£795	£773	£782	£777	£777	£774	£793	£787	£811	£826
LSL	£718	£725	£734	£741	£744	£741	£734	£732	£731	£735	£736	£737	£737	£738
Belvoir	£684	£684	£683	£680	£680	£681	£684	£687	£686	£690	£689	£687	£685	£687

Kate Faulkner comments on Rental Report Headlines:

"Most rental reports are showing a slowdown in rents – mainly due to very little movement in disposable income. The only report which is showing a hike is Homelet, but over the last few years, we've seen their data tends to overestimate average rental trends."

Regional Rental Price Variations

Move with Us

“Whilst advertised rents across all of the northern regions remain up on those of a year ago, monthly figures are down and in the case of Yorkshire & Humber, the average rent has fallen below the £600 mark for the first time this year. Whilst rents in London are down compared to this time last year, they continue to isolate many tenants who are choosing to live outside of the city. East Anglia and the South East have continued the pattern of growth. Both regions have performed strongly in July with advertised rents increasing by just under 1%”

Acadameetrics/LSL

“Regional variation remains significant. Six out of ten regions saw rents increase in July. Wales and the South East saw the fastest monthly rises, with rents in both regions up by 0.8% since June. Rents in the North West were just behind, 0.7% higher than last month, while London came in fourth place after an insignificant 0.3% monthly rise between June and July. By contrast, rents in the South West fell by 1%, and the North East saw rents drop by just under 1% on a monthly basis. In the West Midlands, rents were cheaper in July for the third month in a row, down by 0.5%.”

Belvoir Lettings

“Rents remain fairly static in England and recorded an average £686 for offices trading consistently over the last five year. Areas in England where rents have overtaken the 2008 heights include Yorkshire, West Midlands, the South West, South East and London. Average rents in Scotland for July were £589 per month. Rents fell very slightly in Wales during July. Average rents in Northern Ireland range from £400 per month for a two bed property up to £800 for a three/four bed depending on the area.”

Homelet

“July has been a record month for the rental market with half of the UK’s regions seeing record-high rental amounts and the overall UK average again reaching a new all-time-high. Greater London remains almost 90% more expensive than the rest of the UK, with tenants in the Capital now paying an average of £1,297 per month to live in a rented home. The average cost of renting a home in Yorkshire and Humberside rose by 3% to £607 per month. It also increased by 8% to £603 in Wales. This is not only the most expensive amount both regions have seen, but also the first time their amounts have reached the £600 mark”

Kate Faulkner comments on Regional Rent Variations:

“In the main, rents are pretty good value for money. Average rents outside of London are around £500 to £600 per month. While in many areas property prices are still not rising, renting continues to be a great way to keep household budgets under control as they are typically rising less than inflation, particularly for long term tenants. While London remains costly to rent – as it does in all capital cities across the globe – access to better rooms to rent and transport changes such as cross rail, should make it easier for tenants to access cheaper ways and places to rent.”

Capital Growth & Yields for Landlords

Acadameetrics/LSL

“Despite slower rent rises, rental yields have held steady for landlords. Gross yields on a typical rental property remained steady in July at 5.3%, up slightly from 5.2% last July. Taking into account void periods between tenants and capital accumulation, total annual returns on an average rental property fell slightly to 5.0% in July, compared to 5.4% in July 2012. In absolute terms this represents an average return of £8,320, with rental income of £8,000 and a capital gain of £320.”

Capital Growth & Yields for Landlords – cont'd

Move with Us

“Landlords clearly need to be open-minded about where to invest and not simply look in their immediate area. A highly localised approach identifying the ultimate combination of in-demand property types, lower capital investment and higher rental prices will deliver good yields and fewer voids, and maximise potential returns. However, whilst gross rental yields can be attractive, it is important for investors to appreciate that changing capital values can radically alter the real investment potential.”

Kate Faulkner comments on Capital Growth & Yields:

“Recent news of increasing house prices could help improve landlords’ returns in areas where over the last few years prices have been static or slightly rising, but not keeping up with inflation. For landlords in areas where rents are static to falling and house prices still sliding, yields will continue to fall this year and landlords need to look at where they can reduce costs, for example, reviewing their mortgages to see if they can get a better deal.”

Demand for Rented Properties

Acadameetrics/LSL

“The number of new tenants in July has grown strongly. Between June and July the number of new tenancies increased by 6.6% across England and Wales. On an annual basis, there were 12.3% more new lettings in July than in July 2012.”

Belvoir Lettings

Feedback from the offices suggests tenant demand continues to be strong in the majority of areas, including Scotland, Wales and Northern Ireland. High demand for properties in London also continues, with new tenants wanting to move to the capital, not just from within London but also from outside of the UK.

Homelet

“These record numbers of high rents are from regions across the whole of the UK, which suggests demand for rented homes is at its highest no matter which region people live in.”

Kate Faulkner comments on Demand:

“The number of lets is definitely on the rise, but as demand grows, stock is still seriously low, so much so it’s threatening the livelihood of letting agents. Without stock to turnover, agents just don’t make the money they need to continue. It’s likely these low levels of rental stock have increased the number of agents who have gone under this year as stock is tight both in the sales and rental market across many areas of the UK.”

Supply of Rented Property

Acadameetrics/LSL

“This summer, the house purchase market has jerked into motion. And everyone is feeling the impact of that sudden change of gear. Buying a first home might only be possible for those with a big enough deposit and sufficient earnings, but the effects are reverberating through the rental market too. The supply of rental accommodation is increasing, while demand has softened slightly because of the improvement in first-time buyer numbers.”

Belvoir Lettings

Feedback from the offices suggests that whilst there are some new investors coming into the market place, there remains a shortage of properties to let in a large number of areas. Some offices are struggling to keep up with demand, plus landlords, particularly accidental landlords, are looking to sell rather than let out their property.

Supply of Rented Property – cont'd

CML *“Both the number of buy-to-let loans and the value of lending, were the highest since the third quarter of 2008. Buy-to-let lending is continuing to recover strongly, but from a low base. The number of loans advanced in the second quarter was 19% higher by volume and 21% higher by value than in preceding three months.”*

Kate Faulkner comments on Supply of Property:

“With the Funding for Lending Scheme substantially reducing the rates for buy to let, and with ‘good news’ about the house price market, more investors are starting to buy. Demand is coming from both new buy to let landlords and established ones who see now as a good opportunity to buy. However, with new households forming daily, it is still pretty difficult for stock levels to keep up with this demand. Interestingly though, despite high demand versus supply, this isn’t translating into higher rents as there is still a ceiling on what tenants can afford versus wages, which currently aren’t rising.”

What to do next?

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For Media Professionals

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

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About Kate Faulkner

Kate carries out over 50 speaking engagements every year, highlighting property market issues to the industry and consumers. She has written six property books including four for Which?, is a featured property expert on the 4Homes website, regularly presents market issues for BBC Radio Nottingham and has a column in the Nottingham Evening Post and is currently the Telegraph’s property club Q&A person.

She has appeared on BBC Breakfast News, Daybreak, ‘Your Money’, Radio 2’s Jeremy Vine Show, Radio 4’s You and Yours, Radio 5 Live, ITV/ITN News and The Big Questions.

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