



## Quarterly Rental Market Analysis

We analyse property market information from a consumer and industry perspective. Our private rental sector analysis studies recent rental reports and surveys. We use the data to consider emerging trends from studying the statistics but also talking to agents, landlords and tenants. Rather than just producing stats, we look at the implications this has for agents, landlords, property investors and tenants.

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For more commentary on what's happening in the rental market and advice for tenants and landlords, contact **Kate Faulkner** on **07974 750562**.

## What's happening to National Rental Trends

Over the last few months, the headlines would suggest what is happening to national rents varies dramatically at a national level.

We've seen headlines such as "UK rents rise by 8%" (Sequence) through to "Rent rises slow by half over the course of 2013" (LSL). Then some reports talk about "Tenant rent arrears rising" (Money Advice Trust) while on the other hand, the Telegraph recently reported "Landlords profit as tenant arrears fall".

Despite these apparently conflicting headlines, the rental reports are, at the moment, actually showing very similar trends both nationally and even at a regional level, as the chart below shows.

Rental Indices	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
<b>Homelet</b>	£782	£777	£777	£774	£793	£787	£811	£826	£851	£854	£815	£806	£813
<b>LSL</b>	£734	£732	£731	£735	£736	£737	£737	£738	£743	£757	£758	£753	£745
<b>Belvoir</b>	£684	£687	£686	£690	£689	£687	£685	£687	£687	£689	£686	£685	£683

The main indices we track monthly are [Homelet](#), [LSL](#) and [Belvoir](#). [Belvoir](#) and [Homelet](#) are national (ie include Northern Ireland, Wales and Scotland), while [LSL's](#) Buy to Let index covers England and Wales. So although they aren't perfect comparisons, over time, all three are showing that on average, rents haven't changed that much from December 2012 to 2013.

Even the highest 'leap' shown by [Homelet](#) equates to a 3% increase – in other words rents have either stayed the same or risen in line with inflation which, on average since 2000, has run at just over 3% per year.

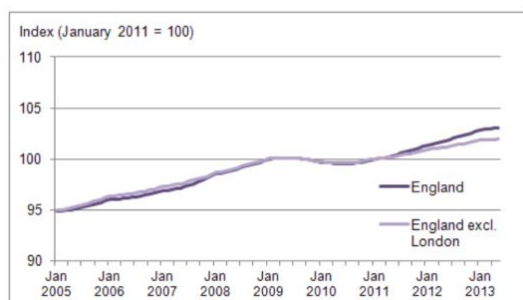
What we do know from working with rental trends is rents rise towards the spring time, then typically drop back towards the last month or two at the end of the year. And this year isn't much different, with both [Homelet](#) and [LSL](#) showing falls back towards January 2013 levels. Since 2010, [LSL's](#) index suggests prices have increased by around 8%, so on average, they suggest rents are growing around 2.8% per year, just behind inflation.

[Belvoir](#) tends to show a very consistent picture throughout the year and this may be as this data is taken from established offices which have been trading consistently since 2008, and represents areas such as Scotland where rents have been stable, if not showing some slight falls.

The [Belvoir](#) data over time shows, on average, rents in the UK have been pretty similar not just over the last 12 months, but since 2009. Average rents for the UK have fluctuated from £674 per month to 2013's average of £687 per month – just a £13 difference over a four year period. The government's data tends to confirm this low growth trend is accurate. The Office of National Statistics shows on average rents have increased in England by 1% every year for the last 10 years.

Figure 7: IPHRP indices, England

January 2005 to May 2013



Source: Office for National Statistics

So, not the most exciting update – but good news for tenants, rents are pretty stable and most of the experts say so!

## What's happening to Regional Rental Trends

As with national property prices versus regional ones, rental trends do vary for each area and even down to postcode level, but no-where near as much as property prices. So you might have 10 different price points for a two bed flat in the area, but around three to four rental averages.

For example, Terry Lucking who runs Belvoir Cambridge and Peterborough knows in Cambridge, property prices vary for a two bed property from around £175,000 which would attract £950 rent per month. In contrast, property prices for two beds could go as high as £1 million, which would rent for around £2,500. So prices vary by four times, while rents vary by just over 2.5 times.

That's why, in traditionally 'expensive' areas, renting can be quite good value for money versus buying.

In the regional indices chart, we include average monthly rents from [LSL](#), [Homelet](#) and [Belvoir](#) for December 13 vs December 12, compared to the [Move with Us](#) average monthly rent for Q4 2013 vs Q4 12 and the [Valuation Office Agency's](#) figures for 1<sup>st</sup> October 2012 - 30<sup>th</sup> September 2013.

January 2014	LSL Average Monthly Rent Dec-12	LSL Average Monthly Rent Dec-13	LSL % Change YoY	Move with Us Average Monthly Rent Q4 12	Move with Us Average Monthly Rent Q4 13	Move with Us % Change YoY	Homelet Average Monthly Rent Dec-12	Homelet Average Monthly Rent Dec-13	Homelet % Change YoY	Belvoir Average Monthly Rent Dec-12	Belvoir Average Monthly Rent Dec-13	Belvoir % Change YoY	VOA Average Monthly Rent 01.10.12 - 30.09.13
Scotland	n/a	n/a	n/a	£ 646	£ 660	2.2%	£ 574	£ 565	-1.6%	£ 551	£ 567	2.9%	n/a
Wales	£ 555	£ 554	-0.2%	£ 678	£ 686	1.2%	£ 562	£ 595	5.9%	£ 633	£ 636	0.5%	n/a
North East	£ 518	£ 525	1.4%	£ 722	£ 706	-2.2%	£ 524	£ 501	-4.4%	£ 535	£ 534	-0.2%	£ 479
North West	£ 579	£ 582	0.5%	£ 634	£ 630	-0.6%	£ 621	£ 676	8.9%	£ 623	£ 606	-2.7%	£ 527
Yorkshire & The Humber	£ 541	£ 530	-2.0%	£ 629	£ 626	-0.5%	£ 582	£ 578	-0.7%	£ 597	£ 610	2.2%	£ 534
East Midlands	£ 540	£ 547	1.3%	£ 638	£ 650	1.9%	£ 555	£ 573	3.2%	£ 577	£ 570	-1.2%	£ 530
West Midlands	£ 565	£ 550	-2.7%	£ 655	£ 668	2.0%	£ 620	£ 628	1.3%	£ 625	£ 645	3.2%	£ 554
South West	£ 642	£ 662	3.1%	£ 809	£ 819	1.2%	£ 741	£ 766	3.4%	£ 755	£ 752	-0.4%	£ 684
East Anglia	£ 750	£ 717	-4.4%	£ 859	£ 895	4.2%	£ 710	£ 746	5.1%	£ 669	£ 690	3.1%	£ 676
South East	£ 756	£ 775	2.5%	£ 1,101	£ 1,123	2.0%	£ 798	£ 832	4.3%	£ 873	£ 873	0.0%	£ 857
Greater London	£ 1,087	£ 1,131	4.0%	£ 2,225	£ 2,208	-0.8%	£ 1,219	£ 1,244	2.1%	£ 1,395	£ 1,337	-4.2%	£ 1,468

It's unlikely that any indices can be directly compared, but what we can do is check whether they are all giving the same trending information – ie going up or down, so we can get a feel for what's actually happening in the market from a variety of sources.

In summary, the December 2013 versus December 2012 and Q4 2013 vs Q4 2012 rental reports by region do vary, but not by much – around 5% at most. Mostly, if one index shows a fall, so do the others, although there are few exceptions which we have highlighted below.

The breakdown for **Scotland and Wales** regions show:-

- In **Wales**, the [LSL](#) figures suggest an insignificant decrease in rents year on year, with [Belvoir](#), [Move with Us](#) and [Homelet](#) indicating rent increases year on year of 0.5%, 1.2% and 5.9% respectively.

Talking to local agents in Wales, the Homelet rise looks like an anomaly, so the real picture is rents are static or at most, seeing some small rises.

The **Scottish** data from the [Belvoir](#) figures suggests a small rise year on year, however, this is an anomaly in the figures due to a change in the mix of advertised properties, the real picture from Scotland shared by most agents 'on the ground' is one of static rents through to some areas showing small falls. This trend is reflected well in the [Homelet](#) data which shows a small decrease of -1.6% year on year, while the [Move with Us](#) index indicating a slight upward movement year on year of 2.2%.

Overall, rents in Scotland, bar regions such as Aberdeen, Edinburgh and Glasgow, are static to falling.

The breakdown for regions in **England** shows:-

- The **North East** rental averages can be quite erratic as property rents can range from around £300 to in excess of £2,000 a month. [LSL](#) recorded a slight increase year on year at 1.4%, [Belvoir](#) rents were static at -0.2%, Move with Us a small fall of -2.2% and [Homelet](#) a fall of -4.4%.

So, all the reports pretty much suggest rents in the North East are static to falling.

- The **North West** figures vary across the three indices, from very little change in year on year rents with [Belvoir](#) showing a small fall of -2.7%, Move with Us a slight fall of -0.6%, [LSL](#) a 0.5% increase and [Homelet](#) are completely on a 'limb' versus everyone else, suggesting a large rise of 8.9%.

North West rental reports are recording static to falling values towards the end of 2013.

- In **Yorkshire & The Humber**, [LSL](#) recorded a small fall of -2% year on year. The figures from [Homelet](#) and Move with Us indicate fairly static rents at -0.7% and -0.5%, with [Belvoir](#) showing a slight increase of 2.2% year on year.

Yorkshire and Humber average rents saw fairly stable rents, on average, at the end of 2013.

- For the **East Midlands**, [Belvoir's](#) figures show a slight fall of -1.2%, with [LSL](#), Move with Us and [Homelet](#) all showing small rental increases year on year of 1.3%, 1.9% and 3.2%, respectively. It does appear versus other indices, Homelet tends to show much higher rises than all the other indices, which in the main agree on trends with each other.

East Midlands' rents remain similar to 2012 at the end of 2013.

- [Belvoir](#) recorded a rise of 3.2% year on year for the **West Midlands**, while Move with Us and [Homelet](#) registered smaller increases of 2% and 1.3%. The [LSL](#) figures indicate small falls of -2.7% year on year.

West Midlands rents are showing trends in rental income of +3% to -3% year on year. Talking to local agents, this is likely to be due to different rental types, the City Centre does well, while the suburbs remain stable.

- In the **South West**, [Homelet](#) and [LSL](#) show small rises of 3.4% and 3.1%, with Move with Us showing a smaller increase of 1.2% and [Belvoir](#) indicating rents are fairly static at -0.4%.

South West rents are static to rising in line with inflation up to 3%.

- The indices of [Homelet](#), Move with Us and [Belvoir](#) all show a small rise year on year in average rents for **East Anglia**, at 5.1%, 4.2% and 3.1% respectively. The [LSL](#) data on the other hand, year on year, shows a fall of -4.4%.

Rental trends suggest a range from -4.4% to +5.1% suggesting quite a variation which seems to be due to location – Cambridge for example is doing well, so more properties in the index from this area will boost the rental rises.

- Average rents for the **South East** region show slight rises of 4.3% from [Homelet](#), 2.5% from [LSL](#) and 2% from Move with Us. According to [Belvoir](#), there is no change to rents year on year.

Rents in the South East are static to rising in line with inflation of around 3%.

- In **Greater London**, the rental indices of [LSL](#) and [Homelet](#) indicate rents rising slightly at 4% and 2.1%. However, [Belvoir](#) shows a fall of -4.2% and Move with Us, a slight decrease of -0.8% year on year.

Greater London does seem to have some good rental average rises over previous years, but in 2013 rent rises have slowed, and in some areas, falls up to 4% are being recorded.

## What's happening with Room Rents?

With younger people needing mobility to survive a difficult job market and because our culture is shifting towards one of 'going out' rather than 'staying in', renting a room is increasingly popular. It may be that more people opt for room rents as the quality is increasing too. The most recent trends which has been spotted in this market though is the rise of so called 'Granlords'.

The reason is older people appear to be finding it tougher to make ends meet as Matt Hutchinson, Communications Director explains. "[SpareRoom.co.uk](http://SpareRoom.co.uk) has seen a 23% rise in people over 65 taking in lodgers in 2013 (compared to 2012). The over 65s - like everyone else - are finding the cost of living increasingly difficult to manage. For many the simplest way to boost their finances is taking in a lodger." And maybe this will help to bring the old and young closer together. "While younger live-in landlords may be quicker to embrace this change - having lived in shared accommodation before - older homeowners might have reservations. That's understandable of course but with the right information and a little planning it can be a fantastic, and flexible, way to bring in some extra cash." Matt concludes.

We work closely with [SpareRoom](http://SpareRoom) who run their own Index to help buy to let landlords and tenants understand the trends in renting a room and they support our [Rent a Room Checklist](#).

### National room rent trends:-

<b>2013 versus 2014</b>	4%
<b>Quarter 4 versus Quarter 3 2013</b>	No change

### Regional Room Rent Trends

As always, even when renting a room, each region differs. Matt talks through the regional differences "Looking at rents on a regional level we see that very few regions had large rent rises, most keeping to one or two percent rises annually. The exceptions are Northern Ireland, which has seen rents jump by 18%, and Scotland, which saw a 6% rise since last year. Outer London room rents rose by 4% since 2012. Our latest index reveals towns where rents have risen the most in the last 3 months: Guernsey, Galashiels, EC and WC London postcodes all rose by more than 6% this quarter. We saw large falls in rent in Llandidrod Wells, which saw a 29% decline in room rents, and Aberdeen, where rents fell by almost 16% this quarter."

<b>Northern Ireland 2013 versus 2012</b>	18%
<b>Scotland</b>	6%

### Regional Room Rents

December 2013	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
Edinburgh	£ 100	0.00%
Belfast	£ 70	1.43%
Cardiff	£ 84	1.19%
Durham	£ 82	-2.44%
Manchester	£ 86	-1.16%
Leeds	£ 81	0.00%
Nottingham	£ 80	0.00%
Birmingham	£ 86	0.00%
Swindon	£ 90	2.22%
Peterborough	£ 87	1.15%
Bournemouth	£ 98	1.02%

### London Room Rents

December 2013	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
East Central London	£ 207	6.28%
East London	£ 146	3.42%
North London	£ 152	1.32%
North West London	£ 170	4.71%
South East London	£ 138	2.17%
South West London	£ 163	4.29%
West Central London	£ 221	6.79%
West London	£ 177	3.95%

Data sourced from [SpareRoom's Room Rental Index \(December 2013\)](#). For more data, visit [SpareRoom.co.uk](http://SpareRoom.co.uk).

## Rental Market Forecasts

With some rents managing to rise with inflation, while others are pretty static or even falling, knowing whether 2014 is going to be the year to recoup lost rent, is important. That's especially the case if you are hoping rental income will help support you in retirement.

Rents not keeping up with inflation can mean it's hard to keep covering rising letting costs and can mean your income is squeezed to a point where you earn very little from rental income. Whether rents can rise seems to depend very much on what happens to wages. The more money people have in their back pocket, the more money they can put towards rent rises.

### So what does the future hold for rents in the UK?

#### Belvoir

*"There are real indications of a recovery in the housing market with property prices predicted to rise, along with a projected 25 per cent increase in buy to let mortgage lending. With this we expect to see the re-emergence of more and more investment minded landlords looking to capitalise on this trend.*

*"We expect to see modest rent rises in 2014, as the needs of tenants continue to push up demand for quality accommodation. But landlord investors still need to do all the correct 'checks and balances' to ensure they realise the best, trouble free, returns from their properties."*

#### Move with Us

*"As asking rents continue to rise, it will not be surprising to see the national average exceed £1,000 during 2014 responding to the sales market and shortage of supply. (Q4 13 - England, Wales & Scotland)"*

#### RICS

*"Notwithstanding the more cautious view on the outlook for rents in the near term, surveyors believe the shortfall in the supply of housing will continue to drive up the cost of shelter looking further out. Over the next five years, rents are projected to post average annual gains of around 4%. The imbalance between demand and supply is even more visible in the sales market, with prices projected to increase by on average 5% in each of the next five years. (Dec 13 – England & Wales)"*

#### Hamptons

*"In the rental market, the fact there is more mortgage finance available will mean that there will be some degree of switching from renting to ownership, reducing demand. On the other hand, accidental landlords are likely to take the opportunity to sell, reducing supply. Affordability has deteriorated in the rental market over the last few years and with more options we expect rental growth to remain subdued in the short term. (Autumn 13 – England & Wales)"*

#### Savills

*"Rent Rises: We forecast rental growth of 21% over the next five years, which will make it harder for tenants to save for a deposit. (Nov 13 – England, Wales & Scotland)"*

#### Savills 5 year rental forecasts

	2014	2015	2016	2017	2018	5 years to end 2018
<b>UK Mainstream</b>	2.0%	2.5%	4.0%	5.5%	5.5%	21.0%
<b>London Mainstream</b>	3.5%	3.5%	4.5%	6.0%	6.0%	25.8%
<b>Prime London</b>	2.5%	3.0%	4.5%	4.5%	4.5%	20.4%

Source: Savills

## Implications for Landlords on the latest 2013 rental trends and forecasts

One of the biggest bonuses for buy to let landlords currently, is that the property market to some extent, is absolutely stacked in your favour. As an existing landlord, as long as you have at least a 25% deposit, you can secure:-

- Interest only mortgages, everyone else has to have repayment
- Access to great mortgages of 2.75%, first time buyers are mostly at 5%.

And with capital growth, either already kicked in or hopefully on its way, that means the 'big bucks' which can be made in property via gearing, could be possible.

However, for some landlords who invested prior to the crash in 2006 and 2007, you are unlikely to be 'feeling' wealthy at the moment. Rents have pretty much been static for five years and have, according to the ONS, only grown by 8% over an eight year period. Prices are still down by anything from 15-30% in some areas, such as Manchester, Leeds and Nottingham. And some properties are selling out for 50% of their value at the height!

For those landlords that bought in growing areas in London or bought before 2005, in the main, your buy to let portfolio should be delivering good returns, especially if geared. If you have used cash, you need to check the rents and prices are at least keeping up with inflation. If they aren't you could actually be losing money.

### Is 2014 the time to invest?

It makes me laugh that at the start of the year all the property investment companies shout "now is the best year to invest" or "don't get left behind". What they really mean is 'spend thousands of pounds training with us making us rich at your expense' or paying them thousands for the 'secrets' of property investment which get you 'below market value'. It's all a load of rubbish – so don't be fooled!

Property price growth and access to cheap finance is a good for buy to let – but it can also cause the disastrous credit crunch and bankrupt investors.

So, if you are buying this year (and yes I am planning to), do so because:-

1. You find the right deal
2. The finances stack up now and if rates double in the future
3. You are clear about whether you want capital growth or income

Use sold property prices from 2009 so you know what your property value could fall to and the risk you take.

The downside is the lack of stock available. This means bargains are unlikely – so building in capital growth from the start will only come through major renovation projects. If you buy at 'market price' and then keep your fingers crossed prices will rise, you aren't investing, you are merely hoping.

That's why so many landlords went bust in 2007 – make sure that doesn't happen to you! For free help on buying to let and letting a property, sign up to [Property Checklists](#):-

- [Steps to analysing a buy to let property checklist](#)
- [Financing a buy to let checklist](#)
- [Choosing a letting agent checklist](#)
- [Renting by the room checklist](#)
- [Buy to let tax checklist](#)

# Implications for Tenants on the latest 2013 rental trends and forecasts

For tenants, a lot of reports have claimed you've had a tough ride through the credit crunch.

And for those who are receiving benefits or renting social housing, you have had a tough time. With the introduction of the aptly named 'bedroom tax' and the 'well' documented cuts in benefits, plus rental increases which are inflation +1%, rent rises in the social sector have risen faster than the private sector.

While the cost of living rises have been in excess of inflation, social renters have suffered twice. Higher bills, less wages, lower benefits and inflationary rises on social rents, plus being hit with the bedroom tax is a tough mix.

On the other hand, for those renting in the private sector, there are benefits, especially if you had planned on buying. Many people who bought at the height of the 2007 market are in negative equity thanks to the crash, so those that rented privately instead, have saved losing themselves potentially tens of thousands of pounds.

And for those private renters who rented from 2009, rents were pretty low and many landlords, partly thanks to the low interest rates, have kept rents the same, so unlike social renters, few have seen inflation busting hikes.

But 2014 is a little different. In some areas, such as Scotland, Northern Ireland, parts of Wales and England, investors continue to pile into buy to let, meaning demand and supply remain well matched. In these areas, rents will remain pretty stable and if there are increases, we are talking a few percent.

Hopefully with an economic recovery on the way, wages will start to rise and this will compensate for any increases landlords need to push through to cover their own cost of living rises.

For those not sure whether to rent or buy, typically, there is as much dead money in renting as there is in buying and paying mortgage interest based on your annual rental income being 5% or less of the property's value.

## **Dead money versus property gains:-**

If your rental income is £5,000 and the property would cost £100,000 to buy, a 95% mortgage to buy this property would cost as much to repay in mortgage interest (dead money) as it would to rent.

This doesn't include the costs of finding a minimum deposit of £5,000 (ie 5%) and the costs of buying which would be around £2,000 for a £100,000 property.

If property prices grow at more than 3% a year though, you would be gaining money over time from the extra equity generated, so with price rise forecasts in some areas of 5-10%, this means you may have to pay a little bit more for a property should you buy in 2015 or beyond than if you buy now.

For more information on whether buying or renting takes up the most dead money, read my article [Renting vs Buying, it's not as much dead money as you think!](#)

If you are renting now or looking at renting in the future, sign up to [Property Checklists](#) for FREE to download our checklists:-

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- [Hiring a van checklist](#)
- [Checklist to work out if buying is cheaper than renting for you!](#)



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## About Kate Faulkner

Kate is MD of Propertychecklists.co.uk and 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 writes weekly for the Telegraph's Property Club.

She has appeared on BBC Breakfast News, Daybreak, 'Your Money', Radio 4's You and Yours, Radio 5 Live, ITV/ITN News and The Big Questions.

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