

## February 2014 Summary and Analysis of Rental Reports

There are a number of 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:-

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### Report Headlines:-

[Move with Us](#) *"Average rent in Britain to surpass £1,000 in 2014" (Jan 14 – England, Wales & Scotland)"*

[Belvoir Lettings](#) *"Average rents for all offices trading over the last five years in January 2014 were £685, which is only a £2 increase on December 2013. (Jan 14 – England, Wales & Scotland)"*

[Acadata/LSL](#) *"Returns for London landlords more than double the national average. (Jan 14 – England & Wales)"*

[Homelet](#) *"North/south divide widens in rental market. (Jan 14 – England, Wales & Scotland)"*

[SpareRoom](#) *"Overall, rents are up 1% across the UK, bringing the national average weekly room rent to £117.41. This represents an increase of 4% since last year, when the average was just over £113 a week. (Jan 14 – England, Wales, Scotland & NI)"*

### Average National Rents

Rental Indices	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
Homelet	£777	£777	£774	£793	£787	£811	£826	£851	£854	£815	£806	£813	£800
LSL	£732	£731	£735	£736	£737	£737	£738	£743	£757	£758	£753	£745	£742
Belvoir	£687	£686	£690	£689	£687	£685	£687	£687	£689	£686	£685	£683	£685

#### Kate Faulkner comments on Rental Report Headlines:

*"So, all the report headlines are showing rents are flattening – mostly due to a lack of wage growth, and partly due to a bit less rental demand thanks to the upturn in the buying market. The average rents going over '£1,000' from [Home.co.uk](#) may be statistically correct, but it doesn't show the real picture. In London, rents are around £1,200 on average, while outside of London it ranges from £500-£750, so a big difference – and extremely affordable. Unlike house prices which are zooming up in value in some areas, rents are not following suit."*

## Regional Rental Price Variations

### Move with Us

*"Rents in Greater London have risen by £13 (0.61%) to £2,221 in January, this strong performance contributing to the national increase. Asking rents in the capital remain the most expensive in the country and are almost double that of the second highest performing region, the South East where the average asking rent currently sits at £1,138. Scotland, East Anglia and the South East are the strongest performing regions when measured against January 2013 with increases in advertised rents of £24 (3.5%), £30 (3.5%) and £24 (2%) respectively. The weakest performing regions were Wales with a monthly fall of £6 to £679 and the North East where asking rents reduced by £11 to £695. (Jan 14)"*

### Belvoir Lettings

*"Feedback from the offices suggests that rents remain fairly steady in Yorkshire, with average rents in the West Midlands, South East and South West having recovered. In East Anglia, East Midlands, North East and North West, rents continue to recover. The average monthly rent for London in January was £1,344 - 11% above the 2008 height. (Jan 14)"*

### Acadata/LSL

*"Five out of ten regions saw rents fall on a monthly basis between December and January, in line with a monthly fall across England and Wales as a whole. The sharpest monthly drop was found in the South East, with rents down 1.0%. This was followed by a drop of 0.9% in London, and a 0.7% fall on a monthly basis in Wales. However, the West Midlands and East Midlands experienced monthly rent rises – up by 0.8% and 0.6% respectively since December. (Jan 14)"*

### Homelet

*"The East Midlands was home to five consecutive monthly decreases in average rents. After lowering by 0.5%, it now costs an average of £570 per month to rent a home in this region - the lowest amount since May 2013. It is currently nearly 70% more expensive to rent a home in the south than the north. This figure has increased consecutively every year since January 2008. The average cost of renting a home in Scotland increased by 5% during January to £593 per month. This is the region's first increase since September 2013. It is currently 24% more expensive to rent a home in the North West than in the North East. This month's 1.5% increase in the average cost of renting a home in Greater London - to £1,262 per month - is the first rise since September 2013. (Jan 14)"*

## Room Rents

### SpareRoom

*"Looking at rents on a regional level, we see that the biggest fluctuations have been in the furthest regions from the capital - Wales saw an annual increase of 15% and Scotland's rents have risen by 6% whilst rents in Northern Ireland have shrunk by 5%. However it pays to look at rents on a more local level, where we notice that these changes are not universally applicable to rents across the region. (Jan 14)"*

### **Kate Faulkner comments on Regional Rent Variations:**

*"The private rental sector does differ regionally – but nowhere near as much as prices. And it's not a great surprise that rents are softening while prices start rising. When prices were falling back in 2008, rents rose to begin with, by 10% according to Belvoir. Rents did fall though through to 2009 as sellers switched to letting. Now though, the danger for the rental market is as demand softens, supply plummets. Some agents are starting to see huge numbers of let properties being put back on the market to sell. Any accidental landlords should seek advice from their letting agent prior to deciding to end a tenancy, as it might make better sense to hang onto it for a while."*

## Capital Growth & Yields for Landlords

### Acadata/LSL

*“Across England and Wales, total annual returns on an average rental property have grown dramatically in the past twelve months, to 9% in January, up from nearly 6% in January 2013. In absolute terms this represents an average return of £14,750, with rental income of nearly £8,000 and capital gain of £6,800. Moreover, if rental property prices continue to rise at the same pace as over the last three months, the average buy-to-let investor in England and Wales could expect to make a total annual return of 13.0% over the next 12 months, equivalent to £22,250 per property. Gross yields on a typical rental property stand at 5.2% as of January, down slightly from 5.3% in January 2013. However, total returns have been boosted by capital accumulation and lower void periods between tenants. (Jan 14)”*

### ARLA

*“Compared with three months ago, the average weighted rental return for houses is down from 5.2% to 5.0% and the average weighted rental return for flats is down from 5.4% to 5.2%. These changes do no more than reverse the changes seen three months ago. (Q4 13)”*

### **Kate Faulkner comments on Capital Growth & Yields:**

*“From an investor’s perspective prices starting to stabilise and rise is great news, as it’s where the real money is earned for the majority. However, it should be remembered that according to Hometrack, 80% of areas have still to recover to their 2007 heights – so the capital growth for many investors is not guaranteed and the rumoured rise in interest rates in 18 months’ time could scupper a lot of investment landlords who have made no capital growth and even losses. And investors need to get savvy. 100% cash investments may give good income returns for now, but the real money is to be made from capital growth and that needs gearing – otherwise they may be better off investing their money in other financial investments.”*

## Demand for Rented Property

### Belvoir Lettings

*“Feedback from the offices suggests demand for rented properties in a number of regions during January was strong, including Wales, the North East, Belfast, Shropshire, Cambridge and Peterborough. (Jan 14)”*

### ARLA

*“Since the last survey three months ago, demand in the rented residential property sector has weakened a little in terms of the overall proportion of respondents saying that there are more tenants than there are properties available for them, with the figure falling quite sharply from 52% to 46%, the third fall in succession. This overall decline was reflected in the figures for all the broad geographic areas. (Q4 13)”*

### RICS

*“With the sales market continuing to gain traction, the lettings market has been somewhat flatter of late. However, the latest quarterly seasonally adjusted numbers show tenant demand is continuing to edge upwards and still doing so at a faster rate than new instructions. As a result, the rent expectations series remains in positive territory even if a little less so than in the three months to end October. (Jan 14)”*

### Savills

*“The size of the private rented sector has been increasing rapidly since the early 1990s. There are now 4.14m people renting privately in England. Savills expects the private rented sector to reach 5.7m by 2018. Despite the rise in demand, the supply of homes to rent remains constrained particularly in well-connected city centres where you find the highest concentrations of people renting privately. (Spring 14)”*

### **Kate Faulkner comments on Demand:**

*“So the major news this month, is renting privately is now the No2 tenure, with social housing slipping into third for the first time. This shouldn’t be a surprise though as ever since Ms Maggie T sold off council houses, anyone who may have been able to access social housing in the past, is now being pushed into the private rented sector. Interestingly, albeit some via rogue methods, the rental sector is meeting demand much better than the private sector for buying. Here, private developers and a lack of land has led to gaps in affordability for those who are too well off for the social sector, but not well off enough to buy from existing owners or private developers.”*

## Supply of Rented Property

### Belvoir Lettings

*“Feedback from the offices would indicate that the supply of properties is coming from buy to let investor landlords, who are now looking to increase their portfolios, rather than from the ‘reluctant’ or ‘accidental’ landlords. (Jan 14)”*

### ARLA

*“The proportion of ARLA members who think landlords are currently increasing their net investment in residential property by buying properties rose this quarter from 37% to 43%, taking the figure to its highest level since the question was first asked more than nine years ago. The proportion of respondents who think landlords are currently decreasing their net investment by selling properties is down by 1%. As a result of these changes, the margin between the proportion saying landlords are buying and the proportion saying they are selling is now the widest we have ever seen. The proportion of ARLA members’ offices who believe that they are seeing an increase in rental property coming onto the market because it cannot be sold has fallen yet again over the last three months, this time from 21% to 18%, taking the figure to its lowest level since this question was first asked more than 5 years ago, when it stood at 93%. Detached and semi-detached houses are still the types of property most likely to be coming onto the market for this reason. (Q4 13)”*

### **Kate Faulkner comments on Supply of Property:**

*“Although the ARLA survey suggests accidental landlords aren’t selling properties previously let, many agents I am talking to are finding accidental landlords who let when they couldn’t sell are now selling, so the stock to rent is falling. In addition, there is still a lack of new supply from buy to let landlords coming forward, so net, letting agents are seeing stocks falling. As a result, competition in the market for stock is fierce. Unfortunately this drives landlords to the ‘bad guys’ ie those charging low commission fees and not letting property legally as a result. The government needs to seriously listen to the industry and the likes of Shelter about making sure all agents HAVE to be regulated, rather than just a member of an Ombudsman.”*

## 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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