



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.

Consumer Rental Market Report Index

- National Rental Trends Page : 2

- Regional Rental Trends Page: 4

- Room Rents Page: 6

- What is the impact of the latest Rental trends for:-
 - Landlords and Buy to Let Investors Page: 7
 - Tenants Page: 11

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

Average rents are pretty flat at the moment according to the letting agent indices LSL and Belvoir track and average around £700 per month. The Homelet index is an insurance index and shows prices were pretty steady October 2013 through to February 2014, but are showing increases of around 3.5% - above inflation.

Rental Indices	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
Homelet	£774	£793	£787	£811	£826	£851	£854	£815	£806	£813	£800	£818	£824	£848
LSL	£735	£736	£737	£737	£738	£743	£757	£758	£753	£745	£742	£743	£741	£741
Belvoir	£690	£689	£687	£685	£687	£687	£689	£686	£685	£683	£685	£686	£685	£685

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.

All three indices do separate out London from the rest of the UK, especially Homelet, which is good, as with any property index, London will make the figures look a lot higher than they would be normally.

According to Homelet:-

"Data from the April 2014 Index shows the average cost of renting a home in Greater London reached a new high, after increasing by 9.4% versus April 2013 to £1,348 per month"

From Belvoir's perspective:-

"The average monthly rent recorded for London in April 2014 was £1,424. Compared to April 2013 and an average rent of £1,360 per month, this equates to a rise of around 4.75%, year on year."

LSL report:-

"London, Wales and the South East have all also seen rents rise, though more slowly. Rents are up by just 0.6% in all these regions since April 2013."

Savills' report:-

The rental data looks at all the different markets across London and backs up the Belvoir and LSL data:-

TABLE 1 **Rental value movements to Q1 2014**

	All Prime London	Prime Central London	Prime North West	Prime South West	Prime North	Prime East of City	Prime Commuter Zone
Q on Q	0.1%	1.0%	-1.0%	0.1%	0.6%	1.2%	1.7%
Y on Y	-0.5%	-0.6%	-3.0%	0.1%	1.3%	3.7%	1.2%
Since Peak	-1.5%	-3.8%	-10.1%	1.3%	-3.5%	6.1%	-3.2%
£ per sq ft	£41	£61	£44	£29	£34	£33	£17

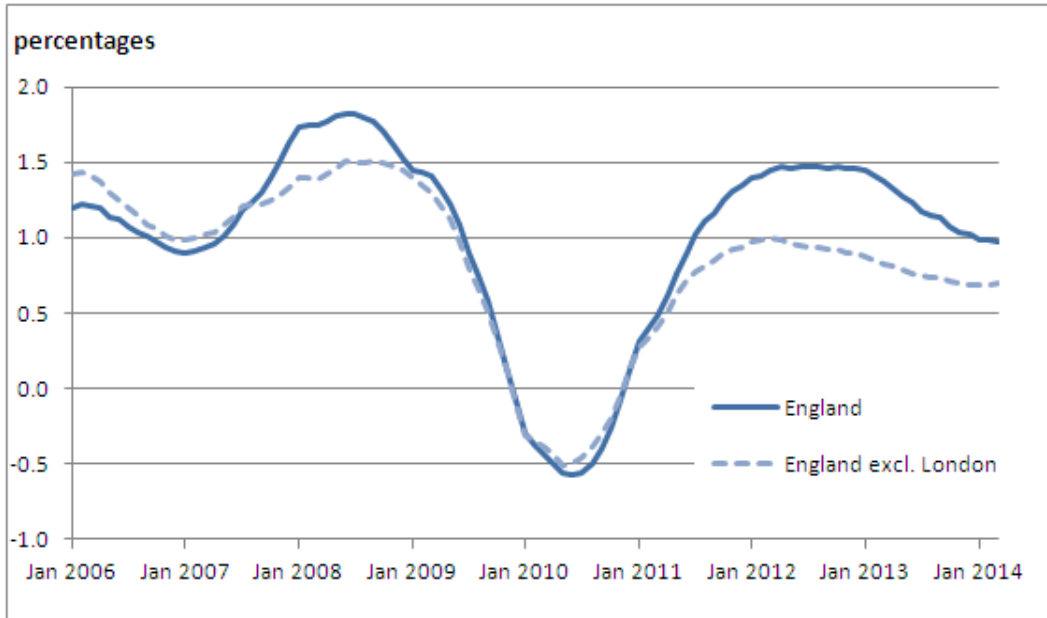
Source: Savills Research

So overall, it looks like the price increases suggested by Homelet are much higher than any other indices, and this coupled with the Savills' detailed market analysis and talking to local agents, does seem to confirm that the Homelet index isn't representative, and even in London, rents are either static or slightly increasing, but less than inflation.

What's happening to National Rental Trends – Cont'd

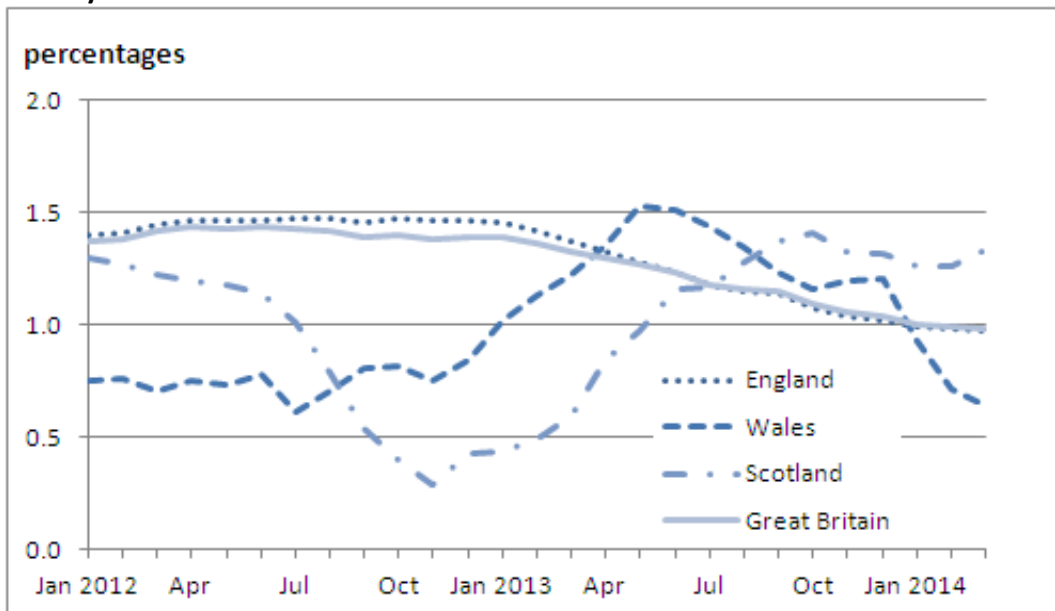
When looking at the government's own measure from [The Office of National Statistics](#), this shows that on average, rents have increased over the last year by just 1% in England, 0.6% in Wales and 1.3% in Scotland.

**Figure 8: IPHRP percentage change over 12 months, England
January 2006 to March 2014**



Source: Office for National Statistics

**Figure 4: IPHRP percentage change over 12 months, Great Britain and its constituent countries
January 2012 to March 2014**



Source: Office for National Statistics

What's happening to Regional Rental Trends

As with national property prices versus regional ones, rental trends vary for each area, even to postcode level, but not as much as property prices. For example, you might have 10 different prices for a two bed flats vs 4 for rents. In the regional indices chart, we include average monthly rents from [LSL](#), [Homelet](#) and [Belvoir](#) for April 14 vs April 13, compared to the [Move with Us](#) average monthly rent for Q1 14 vs Q1 13.

May 2014	LSL Average Monthly Rent Apr-13	LSL Average Monthly Rent Apr-14	LSL % Change YoY	Move with Us Average Monthly Rent Q1 13	Move with Us Average Monthly Rent Q1 14	Move with Us % Change YoY	Homelet Average Monthly Rent Apr-13	Homelet Average Monthly Rent Apr-14	Homelet % Change YoY	Belvoir Average Monthly Rent Apr-13	Belvoir Average Monthly Rent Apr-14	Belvoir % Change YoY
Scotland	n/a	n/a	n/a	£ 678	£ 700	3.2%	£ 599	£ 624	4.2%	£ 566	£ 590	n/a
Wales	£ 566	£ 569	0.5%	£ 656	£ 659	0.5%	£ 547	£ 565	3.3%	£ 620	£ 631	1.8%
North East	£ 532	£ 515	-3.2%	£ 656	£ 652	-0.6%	£ 541	£ 522	-3.5%	£ 535	£ 570	n/a
North West	£ 568	£ 581	2.3%	£ 645	£ 633	-1.9%	£ 641	£ 645	0.6%	£ 611	£ 598	-2.1%
Yorkshire & The Humber	£ 538	£ 534	-0.7%	£ 627	£ 638	1.8%	£ 593	£ 573	-3.4%	£ 636	£ 608	-4.4%
East Midlands	£ 552	£ 569	3.1%	£ 629	£ 633	0.6%	£ 567	£ 589	3.9%	£ 590	£ 572	-3.1%
West Midlands	£ 570	£ 558	-2.1%	£ 654	£ 677	3.5%	£ 598	£ 602	0.7%	£ 633	£ 655	3.5%
South West	£ 634	£ 661	4.3%	£ 799	£ 806	0.9%	£ 741	£ 790	6.6%	£ 736	£ 731	-0.7%
East Anglia	£ 741	£ 720	-2.8%	£ 882	£ 898	1.8%	£ 707	£ 712	0.7%	£ 681	£ 681	0.0%
South East	£ 743	£ 747	0.5%	£ 1,117	£ 1,172	4.9%	£ 831	£ 858	3.2%	£ 856	£ 880	2.8%
Greater London	£ 1,110	£ 1,117	0.6%	£ 2,181	£ 2,263	3.8%	£ 1,232	£ 1,348	9.4%	£ 1,360	£ 1,424	4.7%

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.

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

- In **Wales**, all the indices suggest static to slight increases in rents year on year, with [Move with Us](#) and [LSL](#) showing static rents at 0.5%, and rises from [Belvoir](#) of 1.8% and [Homelet](#) of 3.3%.
- The **Scottish** data from the indices indicate upward movement in rents, with year on year rises from [Move with Us](#) of 3.2%, and [Homelet](#) of 4.2%. The [Belvoir](#) figures also suggest a rise year on year, however, this is an anomaly in the figures due to a change in the mix of advertised properties.

Have Scottish Rents increased due to a lack of tenant fees?

This upward movement in rents in Scotland (bar Belvoir) does suggest that tenant fees being scrapped has, so far lead to an increase in property rents. According to the indices, rents have increased by £22 per month from [Move with Us](#) and £25 per month via [Homelet](#). That's an increase of £264 to £300 per year.

Checking with other Scottish rental indices such as [Citylets](#), "Quarter 1 of 2014 has....the average mix adjusted rent in Scotland now at £699 which is 3.6% greater than last year."

This is an increase of £24 per month, £288 per year.

Although the lack of tenant fees may not have resulted in increased rents outside of Scottish cities, it does look like other indices are showing an average increase of £22-25 per month, or £264 to £300 per year. And it's certainly true that the rises in Scotland appear to be higher than those elsewhere in the country so all in all, a loss of tenant fees do appear, so far, to result in higher rents for tenants.

As to by how much, it appears this would cover average tenant fees for the first 12 months, but after that, the tenant will be overpaying. As, on average, tenants are renting for around 20 months (according to ARLA) that suggests tenants would end up paying almost double.

Rental changes in English regions

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

- The **North East** rental averages can be erratic due to property rents ranging from around £300 to in excess of £2,000 a month. Year on year [Homelet](#) and [LSL](#) registered falls of -3.5% and -3.2% respectively, with [Move with Us](#) recording fairly static rents at -0.6%. [Belvoir's](#) figures would suggest a rise in property rents, however, this is an anomaly in the figures due to a change in the mix of advertised properties and the variable rents in Newcastle.
- The **North West** rental figures vary from year on year falls of -2.1% from [Belvoir](#) and -1.9% from [Move with Us](#), through to static rents of 0.6% from [Homelet](#) and a rise of 2.3% from [LSL](#).
- In **Yorkshire & The Humber**, the [Belvoir](#) and [Homelet](#) figures indicate year on year falls of -4.4% and -3.4% respectively, with [LSL](#) recording little movement and fairly static rents of -0.7% and [Move with Us](#) registering a small rise of 1.8%.
- For the **East Midlands**, [Belvoir's](#) figures show rental falls of -3.1%, [Move with Us](#) showing static rents of 0.6%, with [LSL](#) and [Homelet](#) showing increases year on year of 3.1% and 3.9%, respectively.
- The [LSL](#) figures for the **West Midlands** indicate a small fall of -2.1%, year on year, [Homelet](#) static rents of 0.7%, with both [Belvoir](#) and [Move with Us](#) registering year on year increases of 3.5%.
- In the **South West**, [Belvoir](#) indicate fairly static rents of -0.7% year on year, [Move with Us](#) static to a slight rise of 0.9%, and [LSL](#) and [Homelet](#) show rises of 4.3% and 6.6% respectively.
- The [LSL](#) data shows small falls of -2.8%, year on year, for **East Anglia**, with [Belvoir](#) indicating no year on year movement in rents, [Homelet](#) registered static rents of 0.7% and [Move with Us](#) show a very small rise of 1.8%.
- Average rents for the **South East** region vary from static rents of 0.5% from [LSL](#) to year on year rises of 2.8%, 3.2% and 4.9% respectively, from [Belvoir](#), [Homelet](#) and [Move with Us](#).
- In **Greater London**, the rental indices show quite a variation in year on year rental movements from static rents of 0.6% recorded by [LSL](#), through to increases of 3.8%, 4.7% and 9.4% via [Move with Us](#), [Belvoir](#) and [Homelet](#).

What's happening with Room Rents?

We work closely with [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 from [SpareRoom](#) show:-

"Our April report reveals strong rent rises in Aberdeen and South East London which reflect very high demand in those areas. But rents fell by over 3% in the West End of London, despite eternally high demand for rooms in WC postcodes. South East London now seems to have overtaken East London as the capital's fastest growth area for rents, perhaps reflecting the 'good value' it represents over other parts of the Big Smoke.

"Looking at longer term changes, we note that the fastest growth has been in Northern Ireland, where a 26% increase in year on year rents is in evidence from our data. Wales is the most stable region, with a rise in rents of under 1% since last year."

April 2013 versus April 2014 6.3%

Regional Room Rent Trends

Most of the room rents varied year on year by +/- 2%, with a few areas showing staggering changes year on year. For example, Llandridod Wells room rents were up over 20% year on year while Galashiels fell by a similar amount."

Regional Room Rents

April 2014	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
Edinburgh	£ 98	-1.02%
Belfast	£ 71	0.00%
Cardiff	£ 93	1.08%
Durham	£ 83	2.41%
Manchester	£ 88	1.14%
Leeds	£ 80	-1.25%
Nottingham	£ 81	1.23%
Birmingham	£ 87	0.00%
Swindon	£ 92	1.09%
Peterborough	£ 88	1.14%
Bournemouth	£ 101	2.97%

London Room Rents

April 2014	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
East Central London	£ 211	1.90%
East London	£ 150	3.33%
North London	£ 157	2.55%
North West London	£ 167	-0.60%
South East London	£ 146	4.79%
South West London	£ 164	1.22%
West Central London	£ 214	-3.27%
West London	£ 178	1.12%

Data sourced from [SpareRoom's Room Rental Index \(April 2014\)](#). For more data, visit [SpareRoom.co.uk](#) .

Implications for Landlords on the latest 2014 rental trends

From a landlord's perspective, rents haven't really had much of a dramatic impact on business since 2007. The two longest running indices for the private rental sector are:-

**Office of National Statistics Private Rental Index, for English regions, 2005
Belvoir Lettings Index which runs from March, 2008**

Both of these indices show that from a landlord's perspective, rents are not rising in line with inflation.

On average, according to ONS, private rents have increased by 5%

According to Belvoir, the average rent for England in 2008 was £700 and are now £731, increasing by 4.4%

Landlords and rental income

Normally this would cause landlords an issue. If your turnover isn't keeping up with inflation, it's normally tough to make ends meet. However, landlords have two aims. Firstly to make money from capital growth – so they don't worry so much about making ends meet as long as prices are rising.

For those that do make their money from rental income, the lack of rental growth over the last 10 years would have normally been a major issue. Firstly, rents need to keep up, from an investment perspective, with inflation.

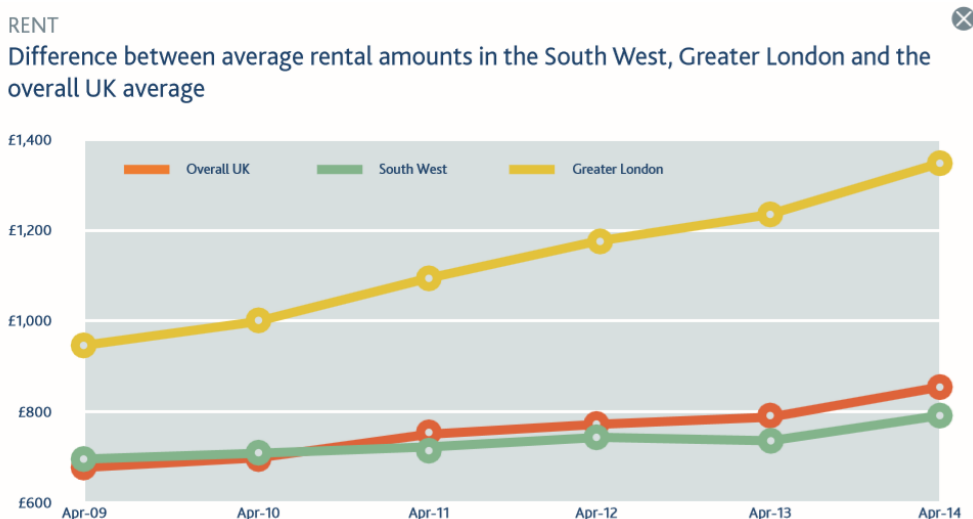
With inflation being, on average, 3.4% per year since 2005, rents needed to rise by 31% to keep up. From 2008, they are 3.1% and needed to rise by 16%.

Clearly with rises of just 5% over the same period, rents are not 'spiralling out of control' as some organisations and political parties are suggesting.

In fact quite the opposite!

On average, rents are extremely good value, over time. So where is the information coming from that suggests rents are at 'record highs'? The issue comes when you look at rents in the short term and many of the new indices started tracking rents during a market low – in 2009/2010.

For example, Homelet was started in April 2009. Since that time, rather than picking up a market which has 'rents at their highest' or 'record levels', this is correct for their own index, but not accurate over time:-

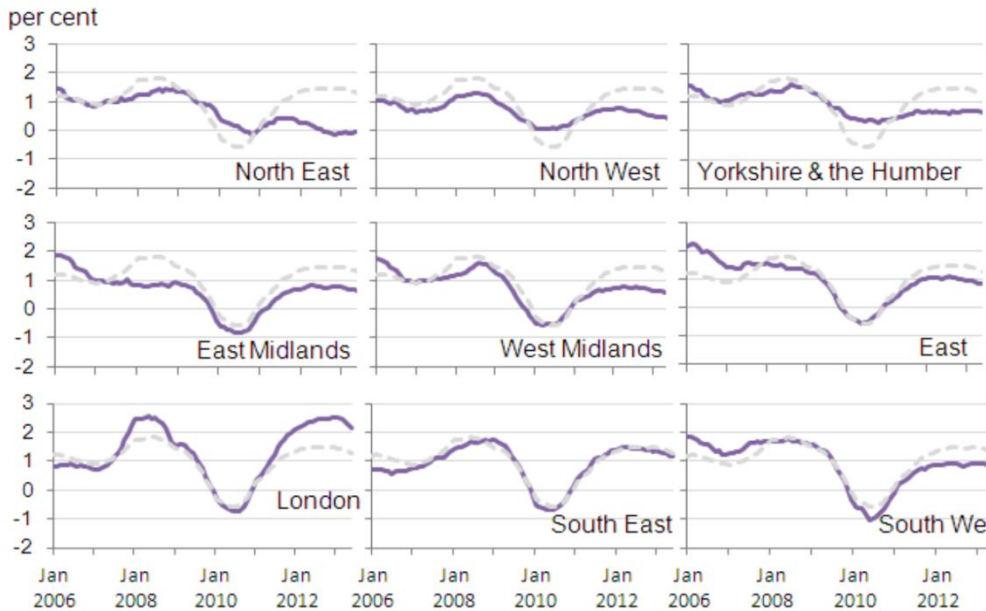


Source: Homelet

Implications for Landlords on the latest 2014 rental trends – cont'd

When you look at the ONS and Belvoir data, it's clear that rents fell quite substantially in 2009:-

January 2006 to May 2013



Source: Office for National Statistics

From Belvoir's perspective the picture is very similar where prices rose during 2008, then from October time started to fall. In cases such as Nottingham, rents fell by up to 20%.



In conclusion, any indices which started tracking rents from 2009/2010 would have recorded rents when they were at an 'all time low'. So the idea that rents are rising mostly translates in reality to rents 'recovering' which is of course a very different trend – and policy makers in particular need to beware of the numbers they are given to persuade them to set policies in the coming year.

Why are landlords still doing well if rents aren't rising much?

In theory, landlords should be in a huge pickle income wise. For example, VAT went up by 2.5%, but this hasn't been recovered by most landlords. What has kept landlords afloat during this period of time is that many will own the properties 100% with cash while most, according to [ARLA](#), own properties 50:50 cash:mortgage.

Implications for Landlords on the latest 2014 rental trends – cont'd

Typically, the biggest cost for most landlords is the mortgage, followed by maintenance costs. So what has kept landlords afloat while rents haven't risen is their highest cost base, ie the mortgage is at an all-time low with cracking rates secured before the credit crunch just above base or even new rates at around 2-3%.

Landlords and capital growth

From a property price perspective, buying properties back in 2005 shows a massive increase – on average. However, from postcode to postcode prices will vary dramatically, much more so than rents, so the returns for landlords will vary from disastrous to delightful!

Working with Terry Lucking from Belvoir Lettings, we tracked property prices and rents over time to give a picture of real returns that landlords were making – as opposed to those advertised by businesses benefitting from buy to let investments!

In Peterborough, the average price of a two bed terrace would be £114,000 with rents at £525, giving a yield of just over 5% in 2005 (including 3 week void). Since then, rents would be around £575 and the property worth about the same. So capital growth wise, no change, but yields for a landlord who bought back in 2005 would now be 5.7%.

In comparison, a flat in Cambridge would have been bought for £128,000 in 2005, renting at £695, giving a yield of 6% in 2005. Since then, rents would be around £825 and the property worth £150,000, so capital growth of £22,000 over 9 years and a yield of 7.3%.

So from a landlord perspective, for those who bought back in 2005, some have seen capital growth rises and some a rise in yield, but the picture isn't 'staggering'. The most returns people have made are for those landlords who bought in the right areas such as Hackney, where property prices have risen substantially and rents have kept pace with inflation.

Overall returns since 2010

From 2010, LSL have been running a useful index which tracks current buy to let returns. Their latest index in April 2014 shows *"In absolute terms the average landlord in England and Wales has seen a return of £16,887 in the last twelve months, with rental income of £8,057 and capital gain of £8,830."*

And the future looks pretty rosy to according to LSL who explain *"If rental property prices continue to rise [in value] 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 7.8% over the next 12 months, equivalent to £13,600 per property."*

However, these returns vary substantially from one landlord to another, depending on when they bought the property and the level of gearing, (ie the ratio of mortgage to cash).

Not all landlords are 'getting rich quick' off the back of property and tenants!

Despite the good news around property at the moment, the picture is not as rosy as it seems - depending on when a landlord invested.

For those who invested in the likes of London, then capital growth is pretty good, while income returns aren't that great – around 4.5%, so tough to secure a decent income unless borrowers put down 50% equity. Returns on income in the South West are as low as 3.8%, and East of England, the South East and Wales are pretty similar.

Although good income returns can be secured from the likes of the North East - around 7% - with Yorkshire and Humber and East Midlands around 6%, in these areas, anyone who invested since 2005 will find 'natural' capital growth virtually non-existent. Indeed, they may find their property is actually worth less than they bought it for.

Implications for Landlords on the latest 2014 rental trends – cont'd

For example, where I am near - Nottingham city centre - a one or two bed flat since 2000 would have been bought for around £114,000. They are now worth just £60,000. A bargain if buying today, giving a 10% yield, but anyone who bought at the height of the market will have to hold on for years before they get their money back. And before that happens, they are likely then to have to pay out more money on major works as the flats are nearly 10 years old.

Others though that have bought in good areas where capital growth is growing beyond the heights of 2007 are likely to be doing well with the upturn, but the threat to them is mortgage rates rising back to their pre-credit crunch norm of 5-7% and also tenants not paying their rent, making it tough to make mortgage payments. For free help on buying to let sign up to [Property Checklists](#):-

- [Buy to Let Quick Guide](#)
- [Pros and cons of letting your property](#)
- [Buy to Let Insurance](#)
- [Inventory checklist](#)
- [Landlords' electrical safety checklist](#)
- [Buy to let storage](#)
- [Why join a Landlord Association](#)
- [How to rent your property through an online agent](#)
- [How to ensure your rental property is safe for tenants](#)
- [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 2014 rental trends

For tenants, rental trends are pretty good just now. While house prices are pretty divorced from income levels, wages aren't - and landlords know it.

For many, tenants who have been renting from a landlord for some years, rents don't appear to have moved at all. The only area, according to [Belvoir](#), that has seen real rental growth is really London, and even though rents are up, they aren't up as much as inflation nor have the private rents increased at the rate social rents have, which are inflation linked.

And, according to [The Office of National Statistics](#), rents over the last 10 years have barely increased by 1% per year – making life for tenants pretty good in the rental market.

Some worry that the money they spend on rental income is 'dead money', but this is only if:-

1. The rent is more than the interest paid to lenders via a mortgage
2. Property prices are going up

And for many renters, prices 'north of the border' haven't seen much price growth since 2006 and with rents pretty stable, anyone paying around 5% of their rental property's value, would pay out as much 'dead money' to the lender as they would to the landlord.

See the example below:-

Property value:	£150,000
Deposit @5%:	£ 7,500
Buying costs:	£ 3,000
Refurbishment:	£ 2,000

Mortgage @95% £ 890 repayment, of which £625 would be interest to the lender @ 5% interest rate.

So if you rent a £150,000 property for £625 per month or less, then you are spending as much 'dead money' with your landlord as you are with your lender. Only property prices going up over time would make it better to buy than rent.

And on top of this, you would have to pay the building insurance and cover the maintenance costs on the property as well as find £12,500 (or half that if buying with someone else). To recoup the money you have invested in the property, prices would need to rise by around 8% in the first year, or just under 4% for the first two years of ownership.

For more property calculations, visit [Kate's Property Calculation Page](#).

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

- [How to rent a property checklist](#)
- [How to avoid rogue landlords checklist](#)
- [Checklist to work out if buying is cheaper than renting for you!](#)
- [Storing your belongings checklist](#)
- [Hiring a van checklist](#)
- [Checklist to work out if buying is cheaper than renting for you!](#)

What to do next?

For more help, from Kate and her team, join [Property Checklists](#) for free.

- [Buying your first home](#)
- [Trading up](#)
- [Buy to Let](#)
- [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](#) [Property Checklists](#)

Email: kate@designsonproperty.co.uk

Telephone: **0845 838 1763** or **07974 750562**

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.

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