

## May 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](#) *"Rental prices hit record levels in the South East. (Apr 14 – England, Wales & Scotland)"*
- [Belvoir Lettings](#) *"Average rents for all offices trading over the last five years in April 2014 were £685, with no change from March 2014. (Apr 14 – England, Wales & Scotland)"*
- [Acadata/LSL](#) *"Rent rises drop to less than half inflation. (Apr 14 – England & Wales)"*
- [Homelet](#) *"Rents in London increase to highest amount on record. (Apr 14 – England, Wales & Scotland)"*
- [SpareRoom](#) *"UK rents rose by 6.3% between last year and this year, picking up since our last report. (Apr 14)"*

### Average National Rents

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

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

*"Looking at the various indices, it appears those that have a generally national presence, so aren't dominated by London, show rents are pretty static just now, despite the rise in property prices. Most people don't realise that price movements and rents often go in the opposite direction, but as prices rise due to higher demand, the future looks bright for renting, as it means renting becomes increasingly affordable versus buying, especially if tenants need to maintain flexibility."*

## Regional Rental Price Variations

### Move with Us

*“The strongest performing region in April was the South East. Rents increased by £19, equivalent to 1.71% and the 12 month comparison shows that the average advertised rent outstrips last year’s by £79 (7.13%). London’s market position remains strong despite the £6 reduction in the average advertised rent this past month. With an average advertised rent of over £2,250, minor fluctuations are to be expected but should not be considered to have any detrimental effect. The general trend for rents in the capital is one of growth. Rents in Yorkshire & Humber fell by £20 in April. This drop follows the national trend as most regions have seen a readjustment following steady increases during the first few months of the years. (Apr 14)”*

### Belvoir Lettings

*“Feedback from the offices suggests that the regions of East Midlands, East Anglia and the North West are still recovering to the rental heights of 2008, rents in the North East and Yorkshire remain level at 1% above the height of 2008. The West Midlands, South East and South West are the areas where rents continue to remain above the 2008 heights. In London, the average rent in April 2014 was £1,424 per month, 18% above the high of 2008. (Apr 14)”*

### Acadata/LSL

*“Rents in six out of ten regions are higher than a year ago. The fastest annual increase is in the South West with rents up 4.3% since April 2013. This is followed by a 3.2% annual rise for the East Midlands and a 2.4% increase in the North West compared to twelve months ago. 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. On a monthly basis, four out of ten regions have seen rents fall. Between March and April the South West has seen rents drop 0.7%. This was followed by a 0.4% dip in London rents, while rents in both the North East and East of England have fallen by 0.1% since March this year. By contrast, Wales has seen the fastest monthly rent rise of 1.1%, followed by a 0.9% monthly increase in both Yorkshire & the Humber and in the West Midlands. (Apr 14)”*

### Homelet

*“Wales was home to a fourth consecutive monthly decrease in average rental amounts. After decreasing by 2.6% during April, it now costs an average of £565 per month to rent a home in the region. Average rental amounts in the West Midlands increased by 1.7% during April to £602 per month – the region’s first rise in rents this year. The South East is the only region to see three consecutive monthly increases in average rental amounts. It now costs an average of £858 per month to rent a home here. Yorkshire and Humberside and the North East are the only two regions to see annual decreases in average rental amounts of 3.4% and 3.5% respectively. (Apr 14)”*

## Room Rents

### SpareRoom

*“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. (Apr 14)”*

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

*“As with house prices, the regional picture is mixed. For those looking to invest in buy to let now, you have to spend some serious time crunching the numbers to make sure a property stacks up financially. BTL investors would be wise to appreciate it’s mainly capital growth over a long time period where BTL often delivers best. To really earn money from income these days, you are likely to consider Homes in Multiple Occupation and then you have to look at the net income – not gross yield. It’s essential to make sure you are clear about how to exit your property portfolio as opposed to just how to buy and let it.”*

## Capital Growth & Yields for Landlords

### Acadata/LSL

*“Gross yields on a typical rental property have held steady at 5.1% in April, the same as in March 2014. Due to higher property values, this is slightly lower than in April 2013, when the average gross yield on a rental property in England and Wales stood at 5.4%. However, taking into account price growth alongside void periods between tenants, total annual returns on the average rental property are considerably higher. Total annual returns are now 10.3% in the twelve months to April, up from 5.8% in the twelve months to April 2013. In absolute terms this means 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. 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 7.8% over the next 12 months, equivalent to £13,600 per property. (Apr 14)”*

### HSBC

*“Rental returns are growing at the fastest rate in Reading and Brighton with yields now respectively 12.8% and 12.6% higher than last year, according to research by HSBC. Average yields in Reading now stand at 5.48%, up from 4.86% last year, while in Brighton average yields now stand at 6.17% up from 5.68%. The average Reading property is currently priced at £207,934 while in Brighton average prices currently stand at £242,535. Average monthly rents are now £950 in Reading and £1,248 in Brighton.*

*“Southampton continues to be the BTL hotspot for investors. Rental yields of 8.73% in the coastal town (up from 7.82% last year) are currently the highest in the country. Manchester, Nottingham, Blackpool and Hull complete the top five locations with the best rental yield at 7.98%, 7.67%, 7.63% and 7.47% respectively. Manchester has climbed to second spot from 4th last year while Nottingham rises to 3rd from 5th as they both benefit from relatively low house prices but strong demand for rental property from large student and young professional populations.*

*“The highest average yield available in London can be found in Newham at 6%, followed by Southwark and Brent at 5.55% and 5.27% respectively. Although yields have been under pressure over the last twelve months as property prices have grown faster than rents, year-on-year yield growth has increased in Hammersmith & Fulham. Returns in Newham, Redbridge and Camden have also improved, rising 1.8%, 0.4% and 0.3% respectively.”*

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

*“What we are seeing in buy to let is the true benefit of the investment – returns on capital growth if you have geared the property. Few properties in the UK deliver great income returns unless they are owned outright, and if prices don’t keep up with inflation, this doesn’t stack up either. Of course, some student and HMO lets deliver great income – at a high cost, but for most buy to let investors, it’s capital growth and making sure the let is cash flow neutral which is the key aim. And with rising prices now across most parts of the UK, this is great news for existing investors.”*

## Demand for Rented Property

### Move with Us

*“Demand for renting in the capital appears to remain strong across a diverse group of people – from young professionals to students. The proportion of people who rent who are drawn from overseas who come to work or study for a period of time, may in part be responsible for the Greater London market behaving very differently to the rest of the UK. (Apr 14)”*

### Belvoir Lettings

*“Feedback from the offices suggests there remained strong demand in a number of areas during April, including, Bangor in Northern Ireland London and Peterborough. (Apr 14)”*

### RICS

*“Tenant demand has grown more slowly over the last three quarters as the sales market has rebounded. However, growth is still positive in all but the North West and East Anglia regions. (Apr 14)”*

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

*“There certainly seems to be a bit of a slowdown from a tenant demand perspective and with Buy to Let growing as an investment, it’s good news for tenants who benefit from stagnant or lower rents. Landlords, existing and new, need to be sure their property is delivering a good return on investment, so analysing portfolios and making sure new properties deliver financially is essential, rather than buying, letting and ‘keeping fingers crossed’.”*

## Supply of Rented Property

### Belvoir Lettings

*“Feedback from the offices indicates that buy to let investors are continuing to expand their portfolios with new investors also coming to market. (Apr 14)”*

### RICS

*“New landlord instructions have remained flat at the headline level since mid-2013 and this has kept the rent expectations series in positive territory. (Apr 14)”*

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

*“Although the RICS index suggests that landlord instructions are flat, other letting agent groups are seeing quite an uplift in many areas across the UK. Judging by the 60+ people who attended my property clinic at the Investor Show a few weeks ago, it’s clear there is still huge amounts of money around from people 40+ years and even retirees keen to invest their money in buy to let.”*

## 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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