

## June 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 advertised rent for the country exceeds £1,000 for first time. (May 14 – England, Wales & Scotland)”

[Belvoir Lettings](#) “In Q2 2014, the average rent for offices across England which have traded consistently over the last five years is £687 per month - a very slight year on year increase. (Q2 14 – England, Wales & Scotland)”

[Acadata/LSL](#) “Rent rises accelerate in May. (May 14 – England & Wales)”

[Homelet](#) “Latest figures from Homelet Rental Index show rents now rising four times faster than incomes. (May 14 – England, Wales & Scotland)”

[SpareRoom](#) “Rents across the UK are 7% higher than this time last year. (May 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	May-14
Homelet	£774	£793	£787	£811	£826	£851	£854	£815	£806	£813	£800	£818	£824	£848	£846
LSL	£735	£736	£737	£737	£738	£743	£757	£758	£753	£745	£742	£743	£741	£741	£745
Belvoir	£690	£689	£687	£685	£687	£687	£689	£686	£685	£683	£685	£686	£685	£685	£686

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

“In the main, this year rents are pretty static according to the leading indices from Your Move, Reeds Rains and Belvoir. Exceptions to this seem to be room rents which appear to be rising. This could be due to the increase in quality rooms available to rent. Homelet appears to be suggesting much higher increases than all other indices, but this is understood to be because more people are renting higher priced properties rather than existing properties for rent being increased.”

## Regional Rental Price Variations

### Move with Us

*“Rents in the capital have reached £2,300, the highest average outside of the ‘Olympic bubble’ of the summer of 2012. Having already increased £103 in the last 12 months, the London market may again reach peak levels within a year. Outside of the southern boom, Scotland is experiencing its own resurgence, having continually improved since November last year to a record average rent of £726. The market has grown by over £50 since the same period of 2013 and the upward trend looks set to continue, having been one of the most stable regions of the last two years.*”

*“There has been less positive news in the northern markets as the average asking rent in the North West, Yorkshire & Humber and the North East fell slightly in May. The North East has now hit a two year low of £639 but is generally regarded as a difficult market to predict having experienced peaks and troughs since 2012. (May 14)”*

### Belvoir Lettings

*“Rental levels in the North East, East Midlands, East Anglia and North West are yet to recover to the height of 2008. The area that has just recovered to the 2008 heights is Yorkshire. Rents exceed the 2008 height in the South East, South West, West Midlands and London. (May 14)”*

### Acadata/LSL

*“Rents in seven out of ten regions are higher than a year ago. The fastest annual increase is in the South West, where the average monthly rent is now 3.9% higher than in May 2013. This is followed by a 3.8% annual increase in the East Midlands and annual rent rises of 2.3% in the North West. In the South East annual rent rises now stand at just 1.2%, while rents in the capital are now only 1.0% higher than in May 2013. In three regions rents have dropped over the last twelve months. This was led by the North East with a 3.6% fall, followed by an annual fall of 2.3% for rents in the East of England, while rents are now 0.4% lower than a year ago in the West Midlands. (May 14)”*

### Homelet

*“Average rents dropped marginally in Northern Ireland, Yorkshire & Humber and Scotland when compared to last year. Average rental values in the Capital remained unchanged month on month at £1,348pcm. Rents in London were 9.4% higher in May 2014 when compared to last year, when average rents were £1,232pcm. (May 14)”*

## Room Rents

### SpareRoom

*“This month’s figures show an increase in rents in Scotland with an annual rise of 9% bringing the average rent to £99 per week. Both the East and West Midlands saw a 3% rise year on year, bringing rents up to £88 per week. London’s rents remain high but there’s significant variation between areas; the highest rents are found in South Kensington at a whopping £236 per week and the lowest rents are in Abbey Wood at £100 per week. (May 14)”*

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

*“Rental performances reported at a regional level differ quite a bit between the different indices. MoveWithUs seem to show a much bigger average for London than the rest of the indices, which are around the £1,200-£1,400 per month mark. Rental averages for the North East are typically not worth tracking as they vary so much in the region – hence large rises one month and falls the next. It’s clear Scotland, in the main, appears to be showing rent rises which are being blamed on the loss of tenant fees, but time is required for this conclusion to be proven. Overall, rents are static to showing small rises, but most increases are below inflation – good news for tenants, not so good news for landlords who have to cover rising costs. Room rents continue to outperform the rest of the rental market.”*

## Capital Growth & Yields for Landlords

### Acadata/LSL

*"In May gross yields on a typical rental property have steadied at 5.1%, the same as seen in April. Since property values have risen, this is slightly lower than at this point last year. In May 2013 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 have reached a four year high. Total annual returns of 12.2% in the twelve months to May are up from 5.3% in the twelve months to May 2013, and are now at the highest level since June 2010, when total annual returns previously peaked at 12.4%.*

*"In absolute terms this means the average landlord in England and Wales has seen a return of £20,133 in the last twelve months, with rental income of £8,107 and capital gain of £12,026. (May 14)"*

### ARLA

*"Compared with three months ago, the average weighted rental return for houses is down from 5.1% to 4.9% and the average weighted rental return for flats is down from 5.3% to 5.2%. These changes reverse the changes seen three months ago.*

*"The overall average capital asset value of rented houses has risen by 1.3% over the last three months, partially reversing the decrease seen three months ago. This rise comes as a result of increases in the average value of rented houses for those managing properties in Prime Central London (up by 3.5%) and those in the rest of the UK (up by 3.3%). For those in the rest of the South East, average values fell by 2.6%.*

*"Over the same period, the overall average value of rented flats rose by 6.6%. This increase has come as a result of increases in the average values of rented flats for those managing properties in Prime Central London (up by 9.0%), those in the rest of the South East (up by 5.8%) and those in the rest of the UK (up by 0.7%). (Q2 14)"*

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

*"The growth in returns for buy to let investors reminds us that it is typically capital growth where buy to let delivers. The lack of this growth and falls since 2007 mean many landlords are still likely to have not seen great returns unless bought prior to 2005 or own in London. Income returns from property are pretty poor when tax is deducted unless rooms are rented. Buy to let in the main delivers over a 15-20 year period through building up a great capital lump sum. However, investors are warned that it isn't a 'guarantee' to make money from property. Some city centre flats are selling for less than they were bought for in 2000 and others bought at the height of the market are half the value they were in 2006. Investors need to take some quality buy to let advice prior to investing or expanding their portfolio if they want to be successful."*

## Demand for Rented Property

### Belvoir Lettings

*"Feedback from the offices indicates tenant demand remained strong in a number of areas, including, Cardiff, Peterborough, Maidenhead and Northern Ireland. (Q2 14)"*

### ARLA

*"Since the last survey three months ago, demand in the rented residential property sector has strengthened considerably in terms of the overall proportion of respondents saying that there are more tenants than there are properties available for them, with the figure rising substantially from 54% to 59%, its second increase in succession. This overall increase was reflected in the figures for all the broad geographic areas although only marginally in the case of those managing properties in Prime Central London. (Q2 14)"*

### RICS

*"Tenant demand continued to increase at the same rate as the previous month. (June 14)"*

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

*"Such is the population growth and lack of new housing supply that even a surge in first time buyers hasn't dampened demand for rented properties. It is essential that politicians address this imbalance now. We don't have time for continued complacency about tackling council waiting lists which have been allowed to grow uncontrollably and not having real strategies in place for ensuring population growth is matched by a growth in new properties."*

## Supply of Rented Property

### Belvoir Lettings

*"Feedback from the offices suggests that buy to let investors continued to expand their portfolios with new investors also coming to market. (Q2 14)"*

### ARLA

*"The proportion of ARLA members who think landlords are currently increasing their net investment in residential property by buying properties declined quite significantly this quarter, falling from 42% to 35%. Meanwhile, the proportion of respondents who think landlords are currently decreasing their net investment by selling properties is up significantly, from 20% to 27%, its second increase in succession. As a result of these changes, the margin between the proportion saying landlords are buying and the proportion saying they are selling has reduced to its lowest level for two years. (Q2 14)"*

### RICS

*"The number of new landlord instructions remained broadly unchanged. (June 14)"*

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

*"Although it is great that many one property landlords are out there helping to house people young and old across the UK, this sector cannot be relied upon to house the socially vulnerable. The 'experiment' in the 1990s which continued into 2000+ of shifting people from social housing into the private rented sector has been successful for some, but as politicians have failed miserably to regulate this market, socially vulnerable and low paid workers have been placed in the hands of rogue landlords and letting agents."*

## What to do next?

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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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