



Private Landlords are not ‘cashing in’ on tenants

Q2 2014 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

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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?

According to the LSL letting agent indices, rents continue to remain fairly steady, together with Belvoir, whose rents have been tracking at around £690 per month for the last year. The Homelet index is an insurance index and shows rental prices were fairly steady from October 2013 through to February 2014, but are now showing much larger increases, currently above inflation. This appears to be due to higher value rental properties, not necessarily increased rents.

Rental Indices	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14
Homelet	£811	£826	£851	£854	£815	£806	£813	£800	£818	£824	£848	£846	£862
LSL	£737	£738	£743	£757	£758	£753	£745	£742	£743	£741	£741	£745	£747
Belvoir	£685	£687	£687	£689	£686	£685	£683	£685	£686	£685	£685	£686	£689

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 LSL, *"The average residential rent across England and Wales is now 1.4% higher than in June 2013. In absolute terms, this amounts to £747 per month, up from £737 per month in June 2013"* so not really much of an increase at all.

LSL do explain that *"While the latest annual rental increase is below the rate of inflation (CPI of 1.9%) for the thirteenth month in a row, this means rent rises have doubled the pace of average pay growth."*

This has been 'jumped on' by some of the media claiming landlords are 'cashing in' on tenants. This may make a great headline, but it's hardly true. The reality is, rents are rising at less than inflation, so in real terms the landlord is worse off than they were last year. And it also means rents are rising less than other goods and services - so a bit of a harsh criticism. This is especially true when social rents rise annually with an inflation plus model - at least private rents have to take wage changes into account, whereas social landlords don't.

Overall, social rents have gone up by 28% since the recession started, private rents in comparison have increased by 7%.

Even though a 7% rise is higher than wages (on average), the problem isn't 'greedy' landlords it's about companies not increasing wages. This means it is tough for a landlord to increase their rents and in turn that means it is tough for them to put money aside for repairs and upgrades.

It's about time the headlines started to investigate why companies, when many are making healthy profits, aren't increasing wages at least in line with inflation.

From an affordability perspective, Homelet suggest tenants should be earning 2.5 times the cost of their rent. And from a general affordability, rents are doing well nationally with the average wage being 2.8 times the cost of the rent. In the main, the most affordable rents are in Wales, Northern Ireland and the North East, each of which suggests tenants earn over 3.5 times their rent.

The most unaffordable areas are no surprise, London dips below the affordability at 2.23 times rent and the South West just hits 2.55 times. Of course, both of these will be heavily skewed by high rents in some areas.

Overall, rents are pretty affordable across the country, even where prices make it tough for people to buy.

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 four for rent. In the regional indices chart, we include average monthly rents from [LSL](#), [Homelet](#) and [Belvoir](#) for June 14 vs June 13, compared to the [Move with Us](#) average monthly rent for Q2 14 vs Q2 13 and the Valuation Office Agency's figures for 1st April 2013 – 31st March 2014.

June 2014	LSL Average Monthly Rent Jun-13	LSL Average Monthly Rent Jun-14	LSL % Change YoY	Move with Us Average Monthly Rent Q2 13	Move with Us Average Monthly Rent Q2 14	Move with Us % Change YoY	Homelet Average Monthly Rent Jun-13	Homelet Average Monthly Rent Jun-14	Homelet % Change YoY	Belvoir Average Monthly Rent Jun-13	Belvoir Average Monthly Rent Jun-14	Belvoir % Change YoY	VOA Average Monthly Rent 01.04.13 - 31.03.14
Scotland	n/a	n/a	n/a	£ 678	£ 734	8.3%	£ 601	£ 578	-3.8%	n/a	n/a	n/a	n/a
Wales	£ 551	£ 560	1.6%	£ 636	£ 661	3.9%	£ 558	£ 584	4.7%	£ 626	£ 613	-2.1%	n/a
North East	£ 531	£ 507	-4.5%	£ 668	£ 649	-2.8%	£ 519	£ 507	-2.3%	n/a	n/a	n/a	£ 482
North West	£ 572	£ 584	2.1%	£ 633	£ 619	-2.2%	£ 646	£ 665	2.9%	£ 610	£ 601	-1.5%	£ 532
Yorkshire & The Humber	£ 533	£ 539	1.1%	£ 603	£ 615	2.0%	£ 588	£ 600	2.0%	£ 629	£ 604	-4.0%	£ 535
East Midlands	£ 558	£ 570	2.2%	£ 622	£ 635	2.1%	£ 578	£ 579	0.2%	£ 577	£ 563	-2.4%	£ 537
West Midlands	£ 565	£ 566	0.2%	£ 656	£ 692	5.5%	£ 599	£ 625	4.3%	£ 634	£ 669	5.5%	£ 567
South West	£ 636	£ 647	1.7%	£ 790	£ 816	3.3%	£ 777	£ 813	4.6%	£ 728	£ 734	0.8%	£ 693
East Anglia	£ 743	£ 738	-0.7%	£ 892	£ 935	4.8%	£ 734	£ 781	6.4%	£ 666	£ 686	3.0%	£ 690
South East	£ 741	£ 762	2.8%	£ 1,147	£ 1,236	7.8%	£ 827	£ 863	4.4%	£ 856	£ 884	3.3%	£ 864
Greater London	£ 1,114	£ 1,132	1.6%	£ 2,162	£ 2,334	8.0%	£ 1,270	£ 1,412	11.2%	£ 1,328	£ 1,452	9.3%	£ 1,461

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**, the [Belvoir](#) index suggests a slight fall of -2.1% year on year, with [LSL](#), [Move with Us](#) and [Homelet](#) all showing small year on year rises of 1.6%, 3.9% and 4.7% respectively.
- For **Scotland**, data from the [Move with Us](#) indices indicates a year on year rental increase of 8.3%, with [Homelet](#) indicating small falls of -3.8%, year on year.

Rental changes in English regions

The breakdown for the **English** regions shows:-

- In 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](#), [Move with Us](#) and [LSL](#) all registered falls of -2.3%, -2.8% and -4.5% respectively, suggesting that rents, overall are down year on year. Looking at [Belvoir's](#) individual offices, rents appear a little more stable.
- For the **North West**, rental figures vary from year on year falls of -2.2% from [Move with Us](#) and -1.5% from [Belvoir](#), through to a rise in rents of 2.1% from [LSL](#) and 2.9% from [Homelet](#). This suggests rental changes vary from -2% to +2% year on year.
- The [Belvoir](#) figures for **Yorkshire & The Humber** show a monthly year on year fall of -4%, however, quarter on quarter, rents were static, with [LSL](#) recording static to slight rises of 1.1%, and both [Move with Us](#) and [Homelet](#) registering a slight increase of 2%, suggesting rents in the area are static.
- In the **East Midlands**, the year on year figures from [Belvoir](#) indicate small rental falls of -2.4%, [Homelet](#) static rents at 0.2%, and [Move with Us](#) and [LSL](#) showing small increases of 2.1% and 2.2% respectively. Rents in the region seem to vary from -2.4% to +2.2%.
- The data from [LSL](#) for the **West Midlands** would indicate static rents of 0.2%, year on year, however [Homelet](#) registered a rise of 4.3% and both [Belvoir](#) and [Move with Us](#) registered increases of 5.5%. Suggesting overall, rents in the region are on the rise, especially newly let properties.
- For the **South West** region, [Belvoir](#) indicate fairly static rents of 0.8% year on year, [LSL](#) slight rises of 1.7%, [Move with Us](#) a rise of 3.3%, and [Homelet](#) an increase of 4.6%.
- The [LSL](#) data shows fairly static rents of -0.7%, year on year, for **East Anglia**, with [Belvoir](#) indicating a 3% increase, [Move with Us](#) an increase of 4.8% and [Homelet](#) registering the largest increase in year on year rents of 6.4%. This suggests existing rents aren't changing that much but newly let properties are seeing higher rents year on year.
- Average rents in the **South East** region vary from rises of 2.8% from [LSL](#), to year on year rises of 3.3%, 4.4% and 7.8% respectively, from [Belvoir](#), [Homelet](#) and [Move with Us](#).
- The rental indices date for **Greater London** show significant variations in year on year rental movements, ranging from slight increases in rents of 1.6% recorded by [LSL](#), through to increases of 8%, 9.3% and 11.2% via [Move with Us](#), [Belvoir](#) and [Homelet](#). This does suggest newly let properties are on the rise in London, but due to its varied nature of rental properties, this could just be being driven by higher value property rents, especially as the 'existing' rents from [LSL](#) are only up by just under 2%.

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:-

This month's index shows a big increase of 7% year on year. As with rents in London this could be due to the increasing quality in this sector, where landlords have realised professionals are quite happy to rent a room if the quality is good enough. It helps them to keep costs down post student days, retain the 'student living' element of sharing and helps them potentially save towards a deposit for their own home.

Interestingly, rents in London don't appear to have increased that much and in fact some have fallen.

June 2014 versus June 2013 7%

Regional Room Rent Trends

The quarterly percentage change for the majority of room rents varied by +/- 2.5%, with a few areas showing more significant quarterly changes, including Glasgow up 7% and the Isle of Man up just over 8%, whilst Galashiels fell by around 15%.

Regional Room Rents

June 2014	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
Edinburgh	£ 100	2.00%
Belfast	£ 72	4.17%
Cardiff	£ 83	-1.20%
Durham	£ 85	3.53%
Manchester	£ 89	1.12%
Leeds	£ 81	1.23%
Nottingham	£ 82	1.22%
Birmingham	£ 89	2.25%
Swindon	£ 91	0.00%
Peterborough	£ 87	-1.15%
Bournemouth	£ 103	2.91%

London Room Rents

June 2014	SpareRoom Average Weekly Rent	SpareRoom Quarterly Change
East Central London	£ 212	0.47%
East London	£ 151	2.65%
North London	£ 156	-0.64%
North West London	£ 169	1.18%
South East London	£ 142	-1.41%
South West London	£ 165	1.82%
West Central London	£ 212	-1.89%
West London	£ 178	0.56%

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

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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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