

August 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](#)

Rents in Great Britain increase £62 per month since last summer. *(July 14 – England, Wales & Scotland)*”

[Belvoir Lettings](#)

“The average rent for offices across England which have traded consistently over the last five years is £689 per month - a very slight year on year increase. (July – England, Wales & Scotland)”

[Acadata/LSL](#)

“Rent rises creep above inflation for first time in over a year. (July 14 – England & Wales)”

[Homelet](#)

“In the three months to July, average rental values for new tenancies were 7.6% higher than the same period last year. (July 14 – England, Wales & Scotland)”

[Sequence](#)

“Rents now more than a third of average monthly salary as tenant applications rise 15%. (July 14 – England, Wales & Scotland)”

[Paragon Group](#)

“Market making significant strides in recovery. (Q2 14)”

Average National Rents

Rental Indices	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14
Homelet	£826	£851	£854	£815	£806	£813	£800	£818	£824	£848	£846	£862	£900
LSL	£738	£743	£757	£758	£753	£745	£742	£743	£741	£741	£745	£747	£753
Belvoir	£687	£687	£689	£686	£685	£683	£685	£686	£685	£685	£686	£689	£689

Kate Faulkner comments on Rental Report Headlines:

“The rental reports suggest two stories at the moment. Ones which cover latest advertised rents and moving averages, such as Belvoir and LSL, are showing rents are static to rising up to 2% year on year. Those that are tracking a monthly advertised rental trend only, are suggesting rents are rising more strongly in the second quarter this year. ”

Regional Rental Price Variations

Move with Us

"On average, renting a property in the capital is now £223 (10%) more expensive than July 2013 when rents bottomed out at £2,148. A monthly increase of £9 in the South East means it too is becoming more expensive to rent, with average prices £90 (8%) greater than the same time last year. Asking rents in East Anglia continue to increase, this month by £13. As house prices in Scotland have stalled, the rental market has flourished with the average rents now approximately £60 more than in July 2013 at £737. Other northern regions have only experienced minimal growth or in the instance of the North West, slight decline over the last year. (July 14)"

Acadata/LSL

"Rents in nine out of ten regions are higher than a year ago. The fastest annual increase is in the South East, where the average monthly rent is now 3.8% higher than in July 2013. This is followed by a 3.0% annual increase in the North West, and annual rent rises of 2.3% in London. The North East is the only region where rents have dropped over the last twelve months, falling 3.8%. The South West experienced a 1.0% monthly drop in average rents in July, while in the West Midlands rents were 0.5% lower than in June. (July 14)"

Homelet

"Average rents dropped by 1.4% in the North East when compared to last year, this was the only region to see a decline in average rental values. Average rental values in the Capital rose by 1.2% from June to July, to reach a record £1,429pcm and rents in London were 9.4% higher in July 2014 when compared to last year, when average rents were £1,295pcm. When London is excluded the average UK rental value was £723pcm, this is 3.3% higher than last year (£699pcm). (July 14)"

BM Solutions/Lloyds

"London is the least profitable region for buy-to-let investors. (Q2 14)"

Room Rents

SpareRoom

"July's Rental Index shows average UK room rents remain steady at £546 per month. In London, rents now average £688 per month, up 5.3% year on year. Rents in Birmingham have risen 1.4% since last quarter and 5.5% year on year to £380 per month. Reading has also seen significant annual growth of 6.8% and a quarterly rental rise of 2.6% to £493. In Scotland, both Glasgow and Edinburgh have seen rent increases with Edinburgh rents rising 3.5% annually and 0.9% since last quarter to £442 per month. Glasgow rents are now £435, up 6.1% since last quarter and 13.8% since last year. In Wales, Cardiff's rents remain the same year on year, but have fallen 2.8% since last quarter. (July 14)"

Kate Faulkner comments on Regional Rent Variations:

"Another mixed picture this month with rents across the regions. All eyes are on Scotland to see whether the loss of tenant fees is causing a rise in rents higher than other regions and although there is some indication of this, it's going to take a year or more before anyone could come to this conclusion. Overall, it does appear rents in most areas are on the rise year on year, but as usual in the rental market, they tend to start to fall back towards the winter period."

Capital Growth & Yields for Landlords

Paragon Group

"The average gross yield that landlords reported for Q2 was 6.2% which is up from 6.1% in the first quarter. Yields have been consistent over the last 12 months, only fluctuating very slightly in Q3 2013 to 6.4%. Large-scale landlords reported an average yield of 6.5% in Q2, and small-scale landlords, 5.4%.

"For the majority of landlords (73%) rental income has remained the same during the second quarter. For almost a quarter (23%) rental income has increased between 2% and 10% and for 3%, income has increased by more than 10%. Just 3% of landlords have experienced a decrease in rental income in Q2. (Q2 14)"

BM Solutions/Lloyds

"Research revealed that the average rental yield in Q2 2014 stood at 6.2%, with London commanding rental yields of 5.7%. The North West, North East, West Midlands and Wales were the most profitable regions in Q2 with average rental yields of 6.4%.

"42% of landlords have seen rents increase in the areas where they let over the last 12 months, down 3% from Q1 2014. Following a similar trend, just a quarter (26%) of landlords are planning to increase rents across their portfolio in the next six months, down 2% from the start of the year. More than one in three landlords (35%) have increased rents in the last 12 months, by an average of 3.5%.

"Half of landlords report their prospect for capital gains over the next three months as either 'good' or 'very good', up 50% year-on-year. (Q2 14)"

Acadata/LSL

"The gross yield on a typical rental property in England and Wales for July stands at 5.1%. This represents a fall of 0.2 percentage points since July 2013 when the gross yield on a rental property averaged 5.3%. However, yields are steady on a monthly basis, at 5.1% over the past six months. Taking into account price growth alongside void periods between tenants, total annual returns on an average rental property stands at 10.3% in the twelve months to July. This is up from 6.1% in the year to July 2013, but represents a moderation on a monthly basis, down from 11.3% in the year to June 2014.

"In absolute terms this means the average landlord in England and Wales has seen a return, before any mortgage payments or other deductions, of £17,307 in the last twelve months. This is made up of rental income of £8,168 and an average capital gain of £9,140.

"Looking ahead, 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 8.5% over the next year, equivalent to £15,050 per property. (July 14)"

Kate Faulkner comments on Capital Growth & Yields:

"Capital growth returns are definitely on the up for landlords – albeit mostly at a modest level outside of London. However, what people need to remember is that any capital gains and yields quoted are 'gross' ie it's the business equivalent of turnover as opposed to profit. So they don't include the cost of refurbishment and maintenance or any tax due, such as 20-40% on net rental income. At a 5% yield, with a 75% Loan to Value, net yield before tax would be less than 2% if you were a 20% tax payer. Any profit could be wiped out at this level with a major renovation cost such as a new boiler.

"The good news for tenants in the run up to Xmas is most landlords aren't looking to increase their rents this year."

Demand for Rented Property

Paragon Group

“Almost four in ten landlords surveyed (39%) said that they would currently describe tenant demand as growing or booming. This is a 2% increase on Q1, when 36% of landlords thought that demand from tenants was growing.

“Landlords’ views on tenant demand dropped significantly during mid-2008 and then remained low until the end of 2010 when it started to climb again, and at a fairly rapid rate. The proportion of landlords who feel that tenant demand is growing has remained between 30% and 40% for the past nine quarters.

“In 12 months’ time landlords expect tenant demand to strengthen further, with 48% predicting that demand will grow or boom. Large-scale landlords are a little more positive at 49%, compared with 43% of small scale landlords. (Q2 14)”

BM Solutions/Lloyds

“Over a third of landlords (37%) reported seeing an increase in tenant demand in the areas they let over the past three months, with 10% saying it had risen significantly. Tenant demand is particularly strong in the South East and Scotland where more than two in five perceive it to be rising; whilst it continues to be perceived as weak in the North East. (Q2 14)”

Sequence

“Demand for rental properties across the UK has increased 15% annually in June and by 5% on the month. In London, demand has increased at a greater rate, rising 43% on the year and 11% on the month. (July 14)”

RICS

“Tenant demand accelerated in the three months to July (using the quarterly seasonally adjusted data). (July 14)”

Kate Faulkner comments on Demand:

“All the reports are saying that demand is on the up from a tenant perspective – good news for landlords and potentially good news for newbie buy to let investors. What’s clear though is despite the growth in demand, we aren’t seeing huge rises in rents which we see in the unbalanced property price market.”

Supply of Rented Property

Sequence

“Supply has decreased by 17% annually and has dipped 5% on the month. This has led to six prospective tenants registering for every rental property coming onto the market. Contrary to the national picture, supply in the capital has increased by 5% annually and by 3% since May 2014. (July 14)”

RICS

“New landlord instructions actually fell slightly during July for the first time since autumn 2010. (July 14)”

Kate Faulkner comments on Supply of Property:

“With a lot of a ‘good news’ stories around buy to let at the moment, attractive financing and the prospect of some years of property price growth, existing landlords are expanding their portfolios where they can and new landlords are coming onto the market to benefit from the current upswing in prices. Unfortunately, too many would be landlords and indeed the retail banks (not the buy to let finance specialists) are coming into the market irrespective of whether the landlord will let them legally and whether they meet the investment objectives of the individual.”

What to do next?

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

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- [Why join a Landlord Association](#)
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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 has written six property books including four for the consumer organisation Which? – Buy, Sell and Move House; Renting and Letting; Develop your Property and Property Investment Handbook. Kate presents at a seminar almost every week to landlords, investors, first time buyers and is often asked to present at industry conferences and chair debates.

From a media perspective, Kate's appearances include BBC Breakfast News, Your Money, GMTV, ITN/ITV, Radio 4 You and Yours, The Big Questions and 5Live. In the last 12 months, Kate has carried out over 15 TV and radio interviews, has been quoted every month in major newspapers and magazines and being featured in many local newspapers.

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