

September 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:-

[Belvoir Lettings](#) *"The average rent for offices across England which have traded consistently over the last five years is £693 per month - a slight year on year increase. (Aug – England, Wales & Scotland)"*

[Acadata/LSL](#) *"Rents ease slowly up to reach all time record high as peak lettings season approaches. (Aug 14 – England & Wales)"*

[Homelet](#) *"In the three months to August, average rental values for new tenancies in the UK were 7.8% higher than the same period last year. (Aug 14 – England, Wales & Scotland)"*

[SpareRoom](#) *"In August the average UK rent was £563, up from £546 last month. (Aug 14 – England, Wales & Scotland)"*

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	Aug-14
Homelet	£826	£851	£854	£815	£806	£813	£800	£818	£824	£848	£846	£862	£900	£921
LSL	£738	£743	£757	£758	£753	£745	£742	£743	£741	£741	£745	£747	£753	£761
Belvoir	£687	£687	£689	£686	£685	£683	£686	£687	£687	£688	£688	£691	£690	£693

Kate Faulkner comments on Rental Report Headlines:

"Currently rents are moving upwards, but in the main it's only in line with inflation. So from a Landlord's perspective, in real terms, they are no better off. Ideally if wages were rising, as they should be, with inflation, neither would tenants be either. However, for many tenants who have been in a property long term, their rents aren't increasing at all. The danger is with Labour's talks of introducing 'rent caps', rather than helping tenants, they could be enhancing the income of individual landlords at the expense of tenants and be scaring off good quality, long time institutional investors who can provide quality long term rents!"

Regional Rental Price Variations

Acadata/LSL

“Rents in seven out of ten regions of England & Wales are higher than a year ago. This is led by the South West, where rents are up 3.5% on an annual basis, followed by the South East at 3.4%, and the North West with a 3.3% annual rise. London was not in the top three, with annual rent rises of only 3.0%.

“Rents in the North East are in fact 1.6% lower than a year ago, while the West Midlands and Wales experienced annual falls of 0.4% and 0.1% respectively.

“On a monthly basis rents in the North East have by contrast matched London, with both seeing a 1.5% increase in rents since July. Only rents in the South East and the South West of England grew faster on a monthly basis, up 1.7% from July.

“In total, three regions are now seeing lower rents than in July. Alongside annual falls, rents in Wales and the West Midlands are lower on a monthly basis by 0.3% and 0.5%. However, the fastest monthly dip was in the East Midlands with rents down 1.1%. (Aug 14)”

Homelet

“Average rents dropped by 1.7% in the North East and 0.8% in the East Midlands, when compared to last year. All other regions saw an increase in average rental values, compared to last year, particularly Greater London (11.4%) and East Anglia (8.4%). (Aug 14)”

Room Rents

SpareRoom

“In August, the average UK rent was £563, up from £546 last month. The highest rents for the month were seen in Central London (£905) and some of the lowest in Halifax (£290). In London, rents ranged from £460 per month in Abbey Wood to £640 in Wimbledon up to £1031 in Chelsea.

“In terms of change, we’ve seen significant rent increases in Southend-on-Sea (7.9%), Stafford (6.3%), Belfast (6.3%) and Bournemouth (5.3%) in the last three months. In contrast, rents have fallen in Swansea (2.2%), Bolton (4.6%), Luton (-4.7%) and Aylesbury (-4.8%).

“The Rental Index also shows particularly strong rental demand in Basingstoke, Dunstable, Inverness and Leicester. Areas with a healthy demand include Hereford, Middlesbrough and Preston. (Aug 14)”

Kate Faulkner comments on Regional Rent Variations:

“The regional rents show the danger of Labour’s rent cap policy. If rents had risen in line with inflation since 2008, they would be over 20% higher now than they were. The reality is rents are just 7% higher. Based on the information about, rents would be rising in areas where they would otherwise have fallen. It’s good to interfere in markets which don’t work, but why interfere in a market when it would mean so much higher rents for tenants?”

Capital Growth & Yields for Landlords

Acadata/LSL

“Gross yields on the typical rental property in England and Wales stand at 5.1%, representing a fall of 0.2 percentage points from one year ago, down from 5.3% in August 13. However, compared to the previous month gross yields are up slightly from the 5.0% seen in July 2014.

“Taking into account price growth and void periods between tenants (but before costs such as mortgage repayments or maintenance), total annual returns on an average rental property stand at 12.7% over the twelve months to August. This is up from 6.4% in the year to August 2013, and an increase of 0.6 percentage points since July, when returns were 12.1%.

“In absolute terms this means the average landlord in England and Wales has seen a return, before deductions such as mortgage payments and maintenance, of £21,239 in the last twelve months. This is made up of rental income of £8,233 and an average capital gain of £13,006.

“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 17.2% over the next year, equivalent to £30,997 per property. (Aug 14)”

Kate Faulkner comments on Capital Growth & Yields:

“Yields for new investors are going to be tough to make ends meet when interest rates rise, so it’s essential BTL investors seek expert mortgage advice and factor in mortgage rates of 5-7% seen before the crash. For long term BTL investors, property price rises are good news as this is the main way to earn money from BTL versus other investments and as they bought some time ago at lower prices, their yield will be unaffected.”

What to do next?

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- [Renting a Property](#)
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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:-

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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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