

Summary and Analysis of Rental Reports – March 2015

There are a number of regular monthly and quarterly rental sector reports. Some cover the UK and some cover just England and Wales. Some measure advertised rents, some new lets and others existing rents, which is why they might fluctuate.

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 the UK which have traded consistently over the last six years is £721 per month – an increase of 5% year on year. (Feb 15 – England, Wales & Scotland)"

[BMM Solutions](#)

"Renters in Yorkshire and the Humber make lowest payments in UK, while Northern landlords enjoy highest yields and lowest deposits. (2014 - England, Wales & Scotland)"

[Homelet](#)

"In the three months to January, average rental values for new tenancies in the UK were 8.9% higher than the same period last year. (Jan 15 – England, Wales & Scotland)"

[SpareRoom](#)

"The average UK room rent was £579, up from £570 in January. (Feb 15 – England, Wales & Scotland)"

Average National Rents

Rental Indices	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Homelet	£800	£818	£824	£848	£846	£862	£900	£921	£918	£878	£874	£867	£889
LSL	£742	£743	£741	£741	£745	£747	£753	£761	£768	£770	£766	£767	£763
Belvoir	£686	£687	£687	£688	£688	£691	£690	£693	£697	£702	£707	£714	£718

Kate Faulkner comments on Rental Report Headlines:

"The latest round of rental reviews are interesting. They show rents for new lets are rising well, but for those who rent to existing tenants or rent the same properties to the same tenants, the inflation figure is a lot lower. This is backed up by the Office of National Statistics Private Rental Index which, following a review, shows rents, on average, rise by around 2% each year - behind the average inflation long term rate of 3%."

Regional Rental Price Variations

BMM Solutions

“Renters in Yorkshire and the Humber pay the lowest rents in the country, at an average monthly rent of £510 pm compared to the national average of £718 per month (pm). Average private rental payments in Yorkshire and the Humber are around a third of the average payment in London at £1,422 which is the highest in the UK (and almost double the national average). Londoners also experienced the biggest increase in monthly rental payments in cash terms, with an average rise of £57pm in 2014. Nationally, average monthly rental payments increased by 1.5% (£11) from £707 pm in the first half of 2014 to £718 pm in the second half of the year.”

Homelet

“Most regions saw an increase in average rental values, compared to last year, particularly Greater London (12.3%), Scotland (10.8%) and South West (7.3%). Greater London, South East and South West have seen continuing increase in rental values over the last 12 months. Regions to see reductions when compared to last year are Wales by 1.4% and North West by 1%. (Jan 15)”

Room Rents

SpareRoom

“Rents in the Isle of White, Northampton, Barry, Sale and Dumfries have stayed constant since last quarter but the Isle of White (2%) and Northampton (1%) have seen steady annual rises. Other areas, including Enfield (4%), Birmingham (5%), Livingston (5%) and Gravesend (6%), have seen more significant rent rises year on year. Areas where room rents have fallen since February 2014 include Durham (1%), Keighley (2%), Glasgow (3%) and Loughborough (3%). (Feb 15)”

Kate Faulkner comments on Regional Rent Variations:

“When it comes to policy setting for the election, residential property decisions are tough. If rent controls are brought in as Labour thinks is a good idea, some Londoners may benefit, but it could well be at the expense of everyone else in the rest of the country. Rent controls will drive up existing rents, which are currently rarely increased from one year to the next. As a result, rents rise at less than inflation and instead have the ‘perfect cap’ of being in line with wages. If rents can’t rise at a rate that landlords can deliver accommodation for from a cost perspective, this could end up with landlords selling and a reduction in properties available to rent - a disaster considering the growth forecast for the tenure. Throughout the recession, rents have proved they work really well for tenants in the private rented sector, in comparison, the controlled rents in the social sector have increased at 3x the rate in the PRS. Unfortunately Labour’s policies for the PRS could sadly, be terrible for the majority of tenants.”

Capital Growth & Yields for Landlords

BMM Solutions

“Despite the 1.5% increase in 2014, average gross rental yields fell slightly from 5.5% in the first half of 2014 to 5.3% in the second half of the year. Again, there is a distinct north/south divide with the highest rental yields found in the north of the country: North (6.8%), followed by the North West (6.4%), Northern Ireland (6.4%), Scotland (6.3%) and Yorkshire and the Humber (6.1%). The lowest rental yields were found in London (4.7%), followed by the South West (4.9%) and the South East (5.0%).”

RICS

“Expectations for rental growth pushed higher with respondents, on average, envisaging rental values rising by 2.6% over the coming twelve months with growth accelerating thereafter to an average of 4.9% per annum over the course of the next five years. (Feb 15)”

Kate Faulkner comments on Capital Growth & Yields:

“Buy to let earns money in two ways, firstly, through capital growth, and secondly, through income. This produces a dilemma for buy to let investors because prices typically go up in excess of rents. This means, although you can make money from capital growth, the more money you make this way, the tougher it is to generate a cash flow positive income from rents when buying new properties to let. Currently, there are many areas down south which with yields at less than 5% are growing in value, but the rents barely cover costs. In the meantime, there are good yields to be secured in the North - but many areas haven't recovered price wise from the recession and aren't seeing any real growth currently either.”

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 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 20 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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