

Summary and Analysis of Rental Reports – June 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 seven years is £704 per month – an increase of 2.3% year on year. (Apr 15 – England, Wales & Scotland)"*

[Acadata/LSL](#) *"Rents rise at fastest rate since 2010 to hit all-time record high. (Apr 15 – England & Wales)"*

[Homelet](#) *"In the three months to April, average rental values for new tenancies in the UK were 10% higher than the same period last year. (Apr 15 – England, Wales & Scotland)"*

[SpareRoom](#) *"The average UK room rent remains steady month on month at £589. (Apr 15 – England, Wales & Scotland)"*

Average National Rents

Rental Indices	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15
Homelet	£824	£848	£846	£862	£900	£921	£918	£878	£874	£867	£889	£889	£902	£935
LSL	£741	£741	£745	£747	£753	£761	£768	£770	£766	£767	£763	£766	£768	£774
Belvoir	£687	£688	£688	£691	£690	£693	£697	£702	£707	£714	£715	£712	£703	£704
Countrywide	£861	£873	£879	£893	£898	£911	£916	£895	£889	£890	£883	£876	£900	n/a

Kate Faulkner comments on Rental Report Headlines:

"Rents are starting to see some real upward movement in 2015 after pretty much 5-6 years of low growth. This is being driven partly by demand being higher than supply, but mostly because wages are now rising above inflation and this is helping tenants to pay more. From a landlord perspective, this is really good news as rents haven't been rising that fast and this will help fund maintenance. The Homelet index continues to show that newly advertised rental inflation is higher than rental growth to existing tenants."

Regional Rental Price Variations

Acadata/LSL

“From March to April, London’s rents increased by 2.3%. The South West came in second, with rents up just 1.1% over the last month, closely followed by the West Midlands with a 1.0% increase between March and April. By contrast, rents in Wales fell 1.8% on a monthly basis. Similarly, rents in both the North West and North East of England fell by 1.4% between March and April. (Apr 15)”

Homelet

“All regions, apart from Wales, saw an increase in average rental values in the 3 months to April, compared to last year. Wales has seen a reduction of 1%. Greater London, South East, South West and West Midlands have seen continuing increase in rental values over the last 12 months. (Apr 15)”

Room Rents

SpareRoom

“Some areas of the UK, like Bradford and Chelmsford, have seen rents stay constant year on year too. Areas that have seen steady annual rent growth of 3% include Epsom, Bristol, Salisbury and Brentwood. Other areas, including St. Albans, Aldershot, Basingstoke and Bromley have seen a 5% annual increase. The data also shows some areas are seeing rent levels falling – Sheffield, Cheltenham and Telford have seen room rents fall 3% year on year. (Apr 15)”

Kate Faulkner comments on Regional Rent Variations:

“Supply and demand definitely influences rents and at a regional level, where there is plenty of rental stock, such as in Wales, the North West and parts of East of England, rents aren’t rising, while London and the South West are seeing rises. They are not though the ‘raw deal’ suggested by the National Housing Federation. Their recent comparison compares an individual landlord who has to pay high prices with corporate landlords who build from scratch, so it is very much apples versus pears. In comparison, rents in the social sector - which are controlled - have risen twice as fast as private rents in the UK, and rents are around a third of wages, just like they are in the UK according to most affordability reports.”

Capital Growth & Yields for Landlords

Acadata/LSL

“The gross rental yield on a typical rental property in England and Wales stands at 5.1% as of April 2015; stable compared to 5.1% in March this year and 5.1% in April 2014. However, total returns have dipped on cooler property price rises. Taking into account changes in property prices and adjusting for void periods between tenants (but before costs such as mortgage repayments or maintenance) total annual returns on an average rental property now stand at 8.9% over the twelve months to April. This compares to 10.2% over the twelve months to March and 11.5% a year ago. 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 £15,503 over the last twelve months. Within this figure rental income makes up £8,247 while the average capital gain amounts to £7,256. (Apr 15)”

RICS

“On the back of tightening market conditions, contributors anticipate rents will rise across all parts of the UK over the next three months, with expectations most elevated in the East Midlands and the South West (although all areas returned solid readings). Over the next twelve months, rents are projected (by survey respondents) to increase by just under 3% on average at the nationwide level. Meanwhile, credit conditions appear to have eased further with the composite measure of ‘perceived’ LTV ratios edging up slightly (now standing a shade over 79%), a trend that has persisted in each of the past three months. (May 15)”

Kate Faulkner comments on Capital Growth & Yields:

“Although property prices are not rising everywhere and prices in most areas are lower than they were in 2007/08, where they are rising, investors have a dilemma. On the one hand they may want more stock to buy, but on the other trying to get a ‘bargain’ and a property deal to stack up income wise isn’t easy, which is why yields are falling. Property price growth however is helping to increase overall returns, reminding us that buy to let investment is mostly a capital growth one, not an income generating one.”

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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