

What are the rental reports saying this month? December 2015

Every month we are bombarded with a host of rental reports which cover what's happening in the market, both nationally and regionally.

Some reports are produced monthly and others quarterly. Some cover the UK, while others cover just England and Wales. From working with rental indices, we know there are three levels of rental inflation:-

- **New lets** – these purely look at rents for new properties on the rental market and show the highest rental inflation. They may include new builds or newly refurbished properties.
- **Advertised rents** – these are a mix of existing and brand new properties and give an indication of the latest trends in rents.
- **Existing rents** – these are renewed lets of properties to existing tenants and have the lowest increases.

The rental reports give us an insight into what is happening in the market and we comment on whether this is a general trend, something which is an anomaly or 'one-off' and particularly highlight the enormous regional differences.

This report is for the media, industry and for landlords and tenants.

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We take a lot of time and effort to understand the strengths and weaknesses of the different indices and to make sure that when they give conflicting information or abnormally high increases and decreases, we attempt to explain why these large changes exist. For example:-

Rental data from the North East

Having studied rents for many years not just via the indices but also talking to local letting agents, we know rents for the region of the North East can fluctuate dramatically as monthly rents vary from just £300 per month to in excess of £3,000 a month. In addition, there is a large student influx, so a large proportion are HMOs, raising the average rents at different times of the year. As such, we tend to report, where possible, on individual areas and take with a pinch of salt large month on month fluctuations.

Large rises and falls

We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report Headlines

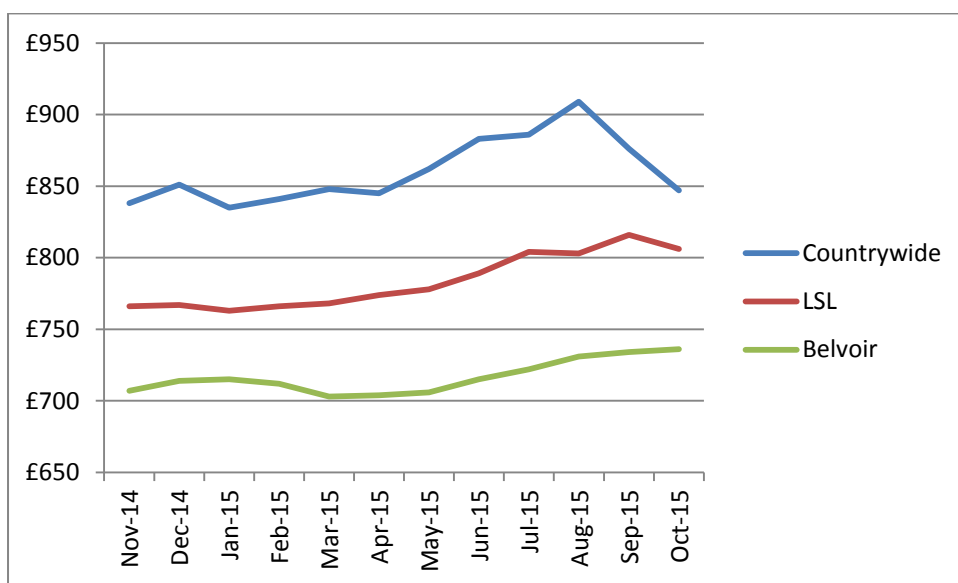
Kate Faulkner comments on Rental Report Headlines:

"Rents have seen a good performance year on year, in line with wage growth increasing above inflation almost for the first time since the start of the credit crunch. The LSL and Belvoir index show the highest increases as they cover advertised ie latest rental trends, while the Countrywide index shows that for existing tenants, they are seeing some increase in rents, but at a much lower rate than those tenants who are new to the market.

The indices also show that typically to get the best deal as a tenant, renting towards Xmas or at the start of the year is a better time than the Spring months; whilst if you are a landlord, to maximise your rental income Spring tends to be the best time to let a property for the highest rent.

This shows that statements claiming rents are 'extortionate' or landlords are 'exploiting' tenants with large increases, is not an accurate reflection of what is actually happening in the self-regulated rental market, and a misrepresentation of overall rental movements to both tenants and landlords."

Average National Rents - History



Rental Indices	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	YoY
LSL	£766	£767	£763	£766	£768	£774	£778	£789	£804	£803	£816	£806	+4.7%
Belvoir	£707	£714	£715	£712	£703	£704	£706	£715	£722	£731	£734	£736	+5.0%
Countrywide	£838	£851	£835	£841	£848	£845	£862	£883	£886	£909	£876	£847	+2.0%

Belvoir Lettings

"The average rent for offices across the UK which have traded consistently over the last seven years is £736 per month – a year on year increase of 4.8%. (Oct 15 - England, Wales & Scotland)"

LSL

"Rental reprieve in October – but property prices boost landlord returns. (Oct 15 - England & Wales, index started in 2009)"

ARLA

"Landlords put the brakes on rent hikes. (Oct 15 - UK)"

Countrywide

"Two million homes change tenure since 2005. (Oct 15 - England, Wales & Scotland)"

Landbay

"Seasonal slowdown hits rental market as UK enters festive season. (Nov 15 - UK)"

What's Happening to Rents Regionally?

Kate Faulkner comments on Regional Rent Variations:

"At a regional level, property prices range, according to the ONS, from London's £531,000 average versus the North East lowest average house price of £158,000, a difference of 3.36 times. According to the indices below, the highest average rent is £1,442 per month in London from Belvoir and the lowest they record is £609 per month in the East Midlands, ie just over double. This shows that rents don't vary at the same rate as prices, and when you look at the indices below, although there are some large increases year on year of 8-10%, these are mostly for newly advertised properties shown in the Belvoir and LSL indices. The Countrywide index shows that existing tenants (the majority) are benefiting from private landlords hardly increasing rents at all.

It is also important to put these rental rises into context. Since the credit crunch, PRS rents fell by between 5% (London) and 20% (Nottingham) in 2008/9 due to a glut of properties which couldn't be sold. Since that time, many rent rises have been reported as 'increases' when in fact they were, in reality, just 'recovering'. Areas such as the East Midlands, although seeing a year on year rise of 6-8% for new tenants (or nothing for existing tenants), today's rents are actually only just recovering to previous heights seen in 2008, seven years ago.

Bearing in mind rents should, ideally, rise in line with inflation, this very much means over the years, landlords, especially to existing tenants are giving themselves a 'pay cut'. Bearing in mind many are looking to rental income to deliver pension income, this means that most private landlords are actually reducing their own potential pension earnings and existing tenants have benefited.

With the changes in mortgage tax relief and increase in stamp duty, as soon as interest rates start to rise, it is likely that landlords will be forced to increase rents over the coming year in line with inflation+ – which has been a practice of large, institutional landlords, including housing associations (until the government cap) for many years."

October 15	LSL Average Monthly Rent Oct-14	LSL Average Monthly Rent Oct-15	LSL % Change YoY	Belvoir Average Monthly Rent Oct-14	Belvoir Average Monthly Rent Oct-15	Belvoir % Change YoY	Countrywide Average Monthly Rent Oct-14	Countrywide Average Monthly Rent Oct-15	Countrywide % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Sep-15
Scotland	£ 537	£ 546	1.7%	n/a	n/a	n/a	£ 626	£ 633	1.1%	n/a
Wales	£ 573	£ 535	-6.6%	£ 633	£ 615	-2.8%	£ 590	£ 629	6.6%	n/a
North East	£ 520	£ 521	0.2%		n/a	n/a	£ 592	£ 615	3.9%	0.5%
North West	£ 608	£ 606	-0.3%	£ 593	£ 626	5.6%	£ 597	£ 605	1.3%	0.7%
Yorkshire & The Humber	£ 545	£ 552	1.3%	£ 600	£ 635	5.8%	£ 620	£ 620	0.0%	0.9%
East Midlands	£ 571	£ 604	5.8%	£ 564	£ 609	8.0%	£ 582	£ 585	0.5%	2.1%
West Midlands	£ 563	£ 589	4.6%	£ 655	£ 707	7.9%	£ 660	£ 649	-1.7%	1.9%
South West	£ 655	£ 677	3.4%	£ 768	£ 704	-8.3%	£ 729	£ 769	5.5%	1.8%
East Anglia	£ 767	£ 835	8.9%	£ 722	£ 754	4.4%	£ 841	£ 859	2.1%	2.7%
South East	£ 816	£ 794	-2.7%	£ 902	£ 963	6.8%	£ 992	£ 1,027	3.5%	2.7%
Greater London	£ 1,162	£ 1,287	10.8%	£ 1,512	£ 1,442	-4.6%	£ 1,091	£ 1,128	3.4%	4.1%

What's Happening to Rents Regionally? - cont'd

LSL

“Four out of ten regions in England & Wales have seen local rents defy the more general monthly slowdown. In the lead, the East of England has seen rents rise by 0.7% between September and October. Following this, rents are up 0.4% on a monthly basis in the North East, up 0.3% in the neighbouring Yorkshire & Humber region, and rents in the East Midlands have seen 0.1% month-on-month growth. On the back of these rises, rents in the East Midlands are now at the highest level on record, at £604 per month, while Yorkshire & Humber has also witnessed a new all-time record, with rents reaching £552.

“By contrast, rents in the South East lead the generally downwards monthly trend, dropping by 2.5% between September and October. This is followed by the South West with a 2.1% monthly dip and by London where rents are 1.1% lower than in September. On an annual basis, London still leads the field with rents now 10.7% higher than in October last year, followed by annual rises of 8.9% in the East of England and 5.7% in the East Midlands. At the other end of the spectrum, recent falls take Welsh rents to levels 6.7% lower than a year ago.

Kate's comments: *“Please note that LSL's index started in 2009 when rents were at a low and had fallen by up to 20%, so this is the 'highest level on record' versus 2009 for their indices, but not versus the highs seen in other indices in previous years.”*

“Rents are higher year-on-year in every region of Scotland except Glasgow & Clyde in October. Scotland's second city has seen a 0.9% drop in rents since October 2014, equivalent to £5. This means the typical rent in the area now stands at £560, down from a record of £575 in the summer of 2014. Compared to a year ago, the Highlands & Islands has experienced the biggest increase in rents - up 5.7%, or £31 in twelve months. Annual rent growth in Edinburgh & the Lothians has accelerated from 2.0% in September to 2.5% in October, meaning that rents are now £15 more expensive than a year ago in Scotland's capital city. Standing at £630 per month, this is a new record for rent prices in the region, and 15% higher than the average rent in Scotland overall. The East of Scotland has experienced a more modest 1.0% uptick in rent prices in the past twelve months, with monthly rents rising by £5 to £522. (Oct 15)”

ONS

“Rental prices increased in all the English regions over the year to September 2015, with rental prices increasing the most in London. Excluding London, England showed an increase of 1.9% for the same period. In the 12 months to September 2015, private rental prices increased in each of the nine English regions. The largest annual rental price increases were in London (4.1%) followed by the South East (2.7%) and the East (2.7%). Rental price increases have been stronger in London than the rest of England since November 2010. (Oct 15)”

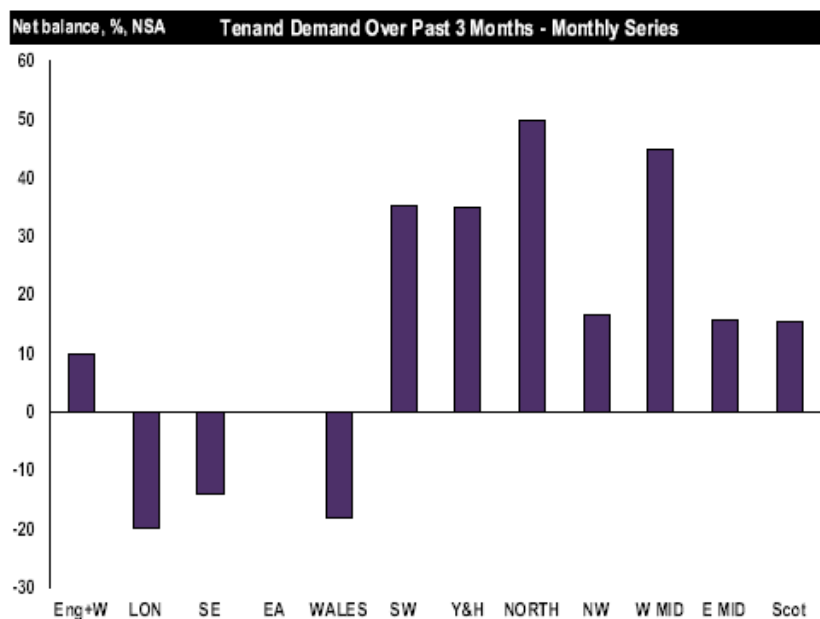
Demand & Supply

Kate Faulkner comments on Demand & Supply:

"We know that the biggest property problem we have in the UK is a lack of stock in many places, both to rent and to buy, but this isn't an issue for all regions. The RICS survey shows that tenant demand has increased in most areas, but in London, the South East and Wales, we have seen a fall in demand and some of this is reflected by the indices in falls in rents year on year too. From a supply side, the biggest increases seen are in areas such as the West Midlands and the North where prices are low and rental income tends to be higher than areas such as London and the South."

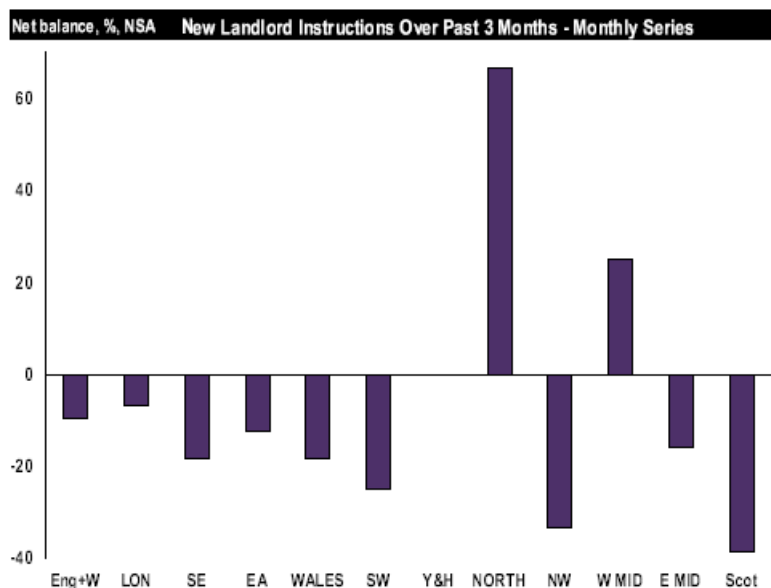
The ARLA survey contradicts demand in London falling and says the number of tenants are on the increase. They comment that supply in the East of England and the South West remained relatively high versus other areas. What is interesting about the ARLA data is an insight into the number of lets a typical agent has, with London looking after an average of 100 properties while areas such as the East Midlands and Scotland handling over 250 each."

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months

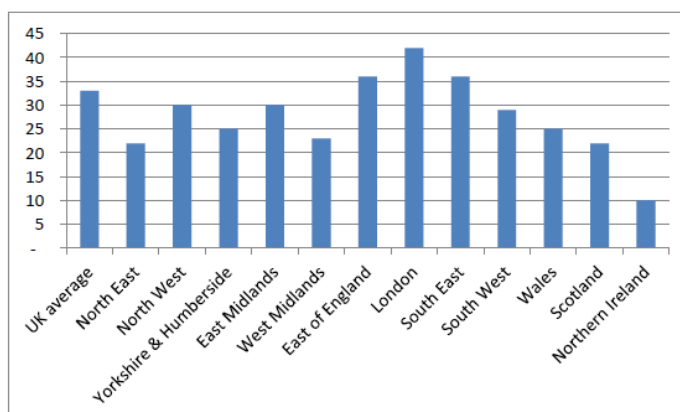


Source: [RICS](#)

Demand & Supply - cont'd

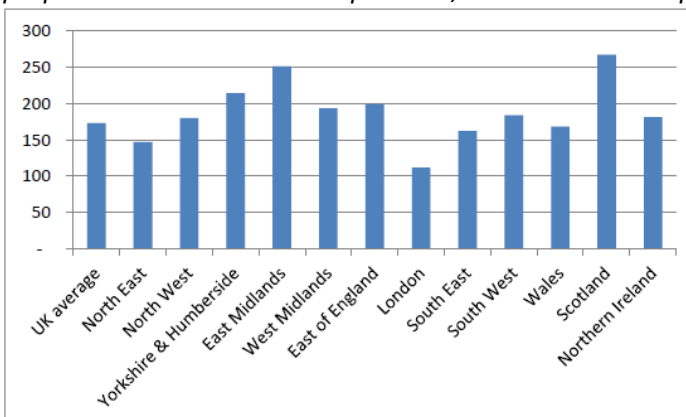
ARLA

“The UK average number of new prospective tenants fell in October to 33 per branch, compared to 36 in September. However, the London rental market bucked this trend. Demand for rental housing in London continued to increase in October - with an average of 42 prospective tenants registered per branch, up from 39 in September - an eight per cent increase.”



ARLA: Average number of new prospective tenants per branch

“The average number of properties managed across the UK in October fell by five per cent from September - a seasonal trend that we’d expect to see. However, supply in the East of England and the South West remained relatively high; agents in those regions managed more properties in October than September, with 199 and 184 properties managed respectively.”



ARLA: Average number of properties managed per branch

“The number of landlords selling their buy-to-let investment properties remained the same this month, with an average of three for sale per branch. (Oct 15)”

Yields for Landlords

Kate Faulkner comments on Yields:

“The earnings from buy to let are capital growth and rental income. The 5% ‘average’ yield recorded by LSL is significant as it means for those wanting to buy a property in today’s market at this level, once interest rates rise and the full impact of mortgage tax relief is felt, it will actually be very difficult, if not impossible, to cash flow a property investment positively, ie have money left at the end of each month if it is being let legally and the landlord/investor is hoping to buy with a 75% deposit.

In London and the South West where yields are much lower, 3.7% to 4.3%, landlords need to invest around 50% deposit on a property to make sure the property doesn’t lose income on a monthly basis, meaning they have to invest over £100,000 in cash to enter the buy to let market in these areas.”

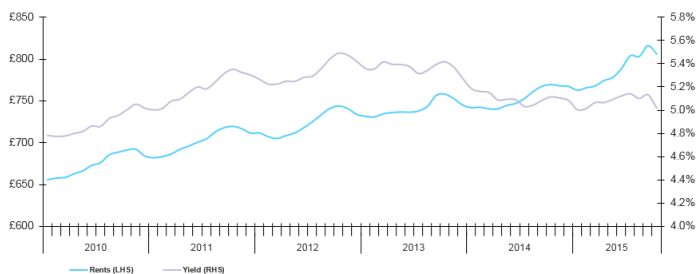
	Rents October 2015	One Month change	12 Month Change	Yields October 2015	Yields October 2014
London	£1,287	-1.1%	10.7%	4.3%	4.3%
East of England	£835	0.7%	8.9%	4.4%	4.4%
South West	£677	-2.1%	3.3%	3.6%	3.7%
Yorkshire & The Humber	£552	0.3%	1.5%	6.3%	6.5%
North West	£606	-0.1%	-0.3%	6.9%	7.3%
Wales	£535	-0.3%	-6.7%	4.1%	4.5%
South East	£794	-2.5%	-2.7%	4.2%	4.7%
North East	£521	0.4%	0.3%	5.1%	5.2%
West Midlands	£589	-0.6%	4.5%	5.6%	5.6%
East Midlands	£604	0.1%	5.7%	5.9%	5.8%
England & Wales	£806	-1.2%	4.7%	5.0%	5.1%

Source: [LSL – Regional Yields](#)

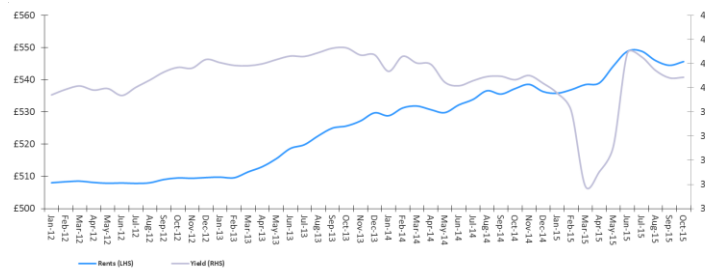
LSL

“The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) has dropped to 5.0% in October, down from 5.1% in September 2015. This is also higher than the 5.1% gross yield seen a year ago in October 2014.”

“In Scotland, the average gross yield for October on a Scottish rental property stands at 4.0%, consistent with the previous month. Compared to a year ago, gross yields are also holding steady with October 2014, but there has been significant volatility within these twelve months, as a result of house price distortions surrounding the implementation of the new Land and Buildings Transactions Tax. (Oct 15)”



[LSL: Yields – England & Wales](#)



[LSL: Yields – Scotland](#)

Room Rents

Kate Faulkner comments on Room Rents:

“With the enormous growth in student numbers and more tenants wanting to save money and keep a good social life going, more are renting individual rooms. This is helping to provide a much needed income for many investors, who are currently struggling to make ends meet renting whole homes and are instead renting individual rooms to provide a good income.

The SpareRoom index shows there has been little change in rents in this market. This is likely seasonal and in addition because more and more investors are renting in this way. This is a ‘good news’ story in that it’s led to the growth of much higher quality ‘boutique’ room rents, raising the overall standard of room rents with en-suites, gardeners and cleaners being provided in better quality areas and giving more options to tenants.”

SpareRoom

“November and December are the months when the room rental market begins to slow. Despite this, rents are still rising steadily - 2% in the last quarter on average to an average of £603 across the UK.

“London and Manchester saw some of the largest increases over the last three months, rising 5% to £745 and 4% to £394 respectively. At the other end of the scale, Sunderland saw a slight fall in average rents, down 1% to £331 per month.

“It’ll be interesting to see what happens to rents in the New Year, one of the busiest times for people looking for rooms.”

<i>November 15</i>	SpareRoom Average Monthly Rent	SpareRoom Quarterly Change %
UK	£ 603	2%
England	£ 610	2%
Scotland	£ 431	0%
Wales	£ 348	2%
Northern Ireland	£ 276	0%
Sunderland	£ 331	-1%
Manchester	£ 394	4%
York	£ 390	3%
Leicester	£ 348	2%
Birmingham	£ 417	0%
Bristol	£ 463	4%
Cambridge	£ 522	1%
Reading	£ 546	3%
Greater London	£ 745	5%

How can Kate Faulkner and Propertychecklists.co.uk help you?

For Media Professionals

If you need Kate to appear on TV, radio or for general comment, please contact directly:-

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For Landlords and Buy to Let Investors

If you are a landlord or looking to enter the buy to let market, please don't do so without seeking independent advice and information which we can provide.

Here are some links to the current information we have which will help you at every stage of your purchase and let. Do sign up to [Propertychecklists](#) for FREE independent market reports and advice:-

- [How to analyse a buy to let deal](#)
- [Funding an House in Multiple Occupation](#)
- [How to choose a letting agent or rent a room](#)
- [Why you should join a landlord association](#)
- [How to evict a tenant](#)

For Tenants

Renting a property isn't about putting a postcode into an on-line property portal, you need to do your own research as unfortunately successive governments refuse to fully regulate this market to protect you from rogue landlords and letting agents.

As such it is important to understand:-

- [Costs of renting a property from professionals as opposed to rogues \(this can save you thousands of pounds\)](#)
- [How to avoid rogue landlords](#)
- [What checks to make on a rental property before you sign on the dotted line](#)
- [How to rent a room](#)
- [Checking in and out of a rental property legally](#)

For Industry Professionals

If you are you a property professional or journalist who needs up to date, accurate, facts and figures about residential property and want to know and contribute to government consultations and updates, please subscribe to our [Property Information Portal](#).