

What are the rental reports saying this month? January 2016

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

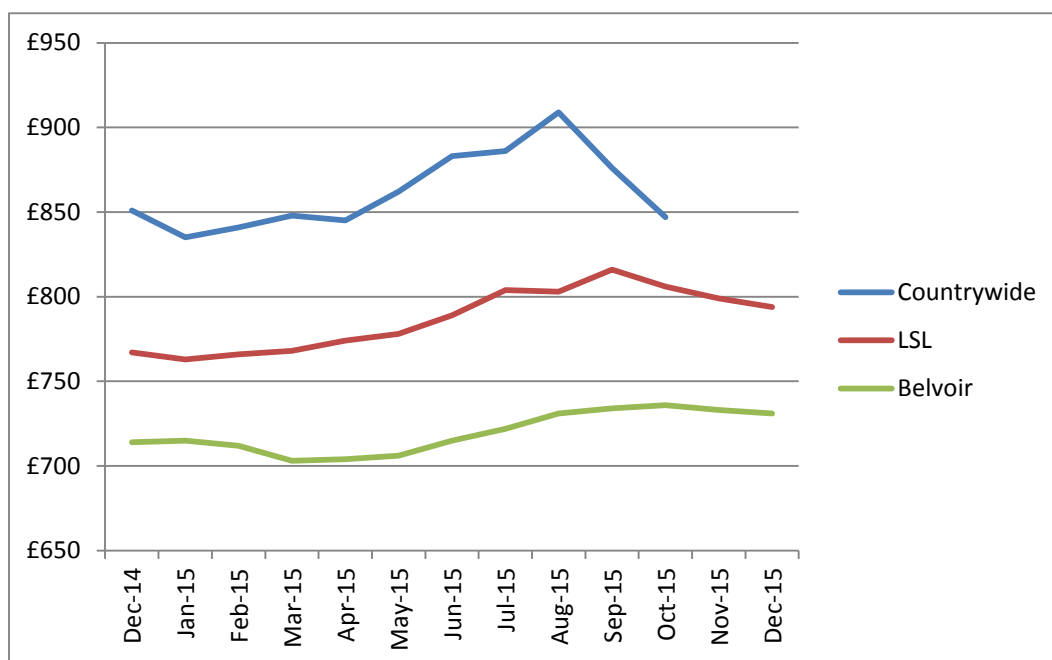
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report Headlines

Kate Faulkner comments on Rental Report Headlines:

“Despite landlords being hit with extra tax costs and a seemingly unending increase in legal compliance, rents have only risen by 2-3% year on year. Although inflation was at 0% for most of 2015, this is one of the first years when rents have risen over and above inflation since the recession, when rents fell by 5-20% in 2008/9. Rental increases are in line with wage growth though; according to the ONS: “average weekly earnings for employees in Great Britain increased by 2.0%” in 2015. When you consider rents before then have been relatively flat for some years in many areas, this means landlords will need to consider continuing to increase rents throughout 2016 to compensate for rising costs.”

Average National Rents - History



Rental Indices	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	YoY
LSL	£767	£763	£766	£768	£774	£778	£789	£804	£803	£816	£806	£799	£794	3.5%
Belvoir	£714	£715	£712	£703	£704	£706	£715	£722	£731	£734	£736	£733	£731	+2.4%
Countrywide	£851	£835	£841	£848	£845	£862	£883	£886	£909	£876	£847	n/a	n/a	+2.0%

Belvoir Lettings

“The average rent for offices across the UK which have traded consistently over the last seven years is £731 per month – a year on year increase of 2.4%. (Dec 15 - England, Wales & Scotland)”

LSL

“Fastest year for rent rises since 2011. (Dec 15 - England & Wales, index started in 2009)”

ARLA

“Calm before the buy to let storm as supply and demand drops. (Dec 15 - UK)”

Countrywide

“Rents for newly let homes grew by 3.1% in 2015. (Dec 15 - England, Wales & Scotland)”

What's Happening to Rents Regionally?

Kate Faulkner comments on Regional Rent Variations:

“Regionally, rents are pretty flat in Scotland following above average hikes due to the loss of tenant fees. Wales is seeing rents flat to falling and the North East and West, Yorkshire and Humber are fairly flat, bar some areas such as Sheffield. Areas where rents are seeing strong growth are East Anglia, the East Midlands and South East. According to LSL, eight out of ten regions are showing rises. However, within each region, rents are rising, falling and static, so it's essential landlords and tenants talk to local agents to know what's happening.”

December 2015	LSL Average Monthly Rent Dec-14	LSL Average Monthly Rent Dec-15	LSL % Change YoY	Belvoir Average Monthly Rent Dec-14	Belvoir Average Monthly Rent Dec-15	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Sep-15
Scotland *	£ 539	£ 546	1.3%	n/a	n/a	n/a	n/a
Wales	£ 566	£ 560	-1.1%	£ 648	£ 616	-4.9%	n/a
North East	£ 514	£ 517	0.6%	n/a	n/a	n/a	0.5%
North West	£ 593	£ 599	1.0%	£ 594	£ 627	5.6%	0.7%
Yorkshire & The Humber	£ 548	£ 556	1.5%	£ 604	£ 629	4.1%	0.9%
East Midlands	£ 581	£ 608	4.6%	£ 567	£ 609	7.4%	2.1%
West Midlands**	£ 559	£ 593	6.1%	£ 654	£ 724	10.7%	1.9%
South West	£ 655	£ 669	2.1%	£ 740	£ 704	-4.9%	1.8%
East Anglia	£ 771	£ 831	7.8%	£ 718	£ 748	4.2%	2.7%
South East	£ 787	£ 766	-2.7%	£ 919	£ 972	5.8%	2.7%
Greater London	£ 1,177	£ 1,251	6.3%	£ 1,500	£ 1,414	-5.7%	4.1%

* Data for Nov 2014 and 15

**Belvoir West Midlands: Please note this increase is exacerbated by a change in offices.
2015 vs 2014 rise is actually 5.75% in line with LSL

Belvoir Lettings

“The average monthly rent for 2015 in London is £1,460 - only £7 more compared to the 2014 annual average of £1,453. In the South East, the 2015 average monthly rent is £948, which is around a 5.25% increase versus the annual average for 2014 of £900. The South West average rent for 2015 is £720 per month, an increase of just over 1% on the 2014 annual average of £712. In East Anglia, the average monthly rent for 2015 is £708, which is 1.5% up on the 2014 annual average. For the East Midlands, the 2015 average recorded rent is £593 - up 4.5% compared to the 2014 annual average of £568. The average monthly rent in the West Midlands for 2015 is £693, an increase of around 5.75% versus the 2014 average of £655 per month. In Yorkshire, the 2015 annual average is £622, which is around 2.7% up on the 2014 average. The annual average rent in 2015 for the North West is £615 per month, which is a 3% increase versus the 2014 average of £597. (Dec 15)”

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

LSL

“Four regions have seen rents rise on a monthly basis in December, led by Wales at 1.8%, followed the South West where rents rose by 0.9% between November and December. Yorkshire & Humber and the West Midlands come joint-third on this measure, with rents 0.3% higher on a monthly basis.

“However this more modest rise has taken rents in both Yorkshire & Humber and the West Midlands to all-time record highs - at £556 and £593 per month respectively.

“Compared to the same point a year ago, eight-in-ten regions have seen rents rise. In the lead, rents in the East of England are 7.8% higher as of December 2015, compared to December 2014. This puts London in second place, with rents in the capital 6.3% higher at the end of 2015 compared a year before. In third place, the neighbouring East Midlands has witnessed 4.7% annual rent rises. At the other end of the spectrum, Welsh rents are 1.0% lower than a year ago, while the South East has seen rents drop by 2.6% over the last twelve months. (Dec 15)”

“Only three of the five regions of Scotland seeing rents increase in the past year. The Highlands & Islands have witnessed the fastest year-on-year rise, with rents up 5.8% since November 2014. This has boosted the average monthly rent by £31 in the last twelve months, to stand at £569 in November 2015. The next strongest annual increase took place in the South of Scotland, following a 3.1% boost in rent prices in the year to November. In Edinburgh & the Lothians, typical rents are now 2.9% higher than in November 2014, a rise of £18 in cash terms. Compared to a year ago, Glasgow & Clyde has experienced the biggest drop in rents – down 1.3% in twelve months. After this, average rents in the East of Scotland are just 0.1% lower than a year ago. (Nov 15)”

Countrywide

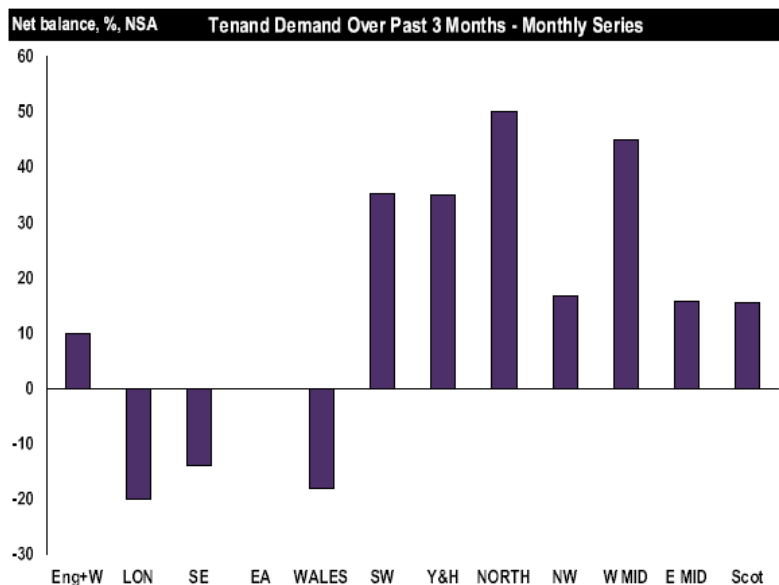
“Rents rose in all regions of the country with the East of England seeing the highest growth, up 6.5%, and the Central London market seeing the lowest with a 0.5% growth. (Dec 15)”

Demand & Supply

Kate Faulkner comments on Demand & Supply:

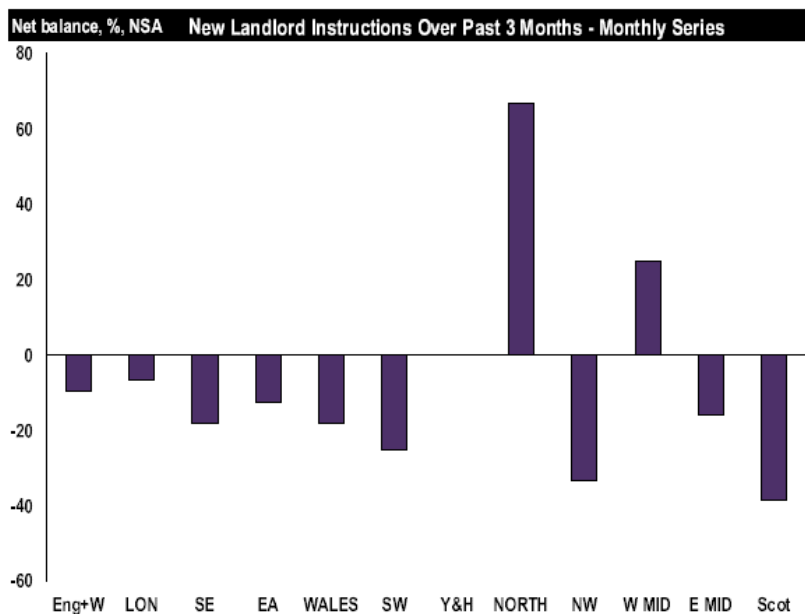
“Not unusually, rental demand from tenants fell in most places bar London because most people don’t choose to move around Christmas. Interestingly, instructions-wise – ie new landlord stock – was only positive in the North and West Midlands, likely due to the lower requirements for stamp duty and higher yields. This means it’s likely stock will be tight for the first quarter of 2016 from a tenant perspective, pushing up rents where wages allow. However, if landlords compete for stock to avoid the stamp duty increase in April this year, then this may lead to more properties coming on the market from April onwards.”

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months

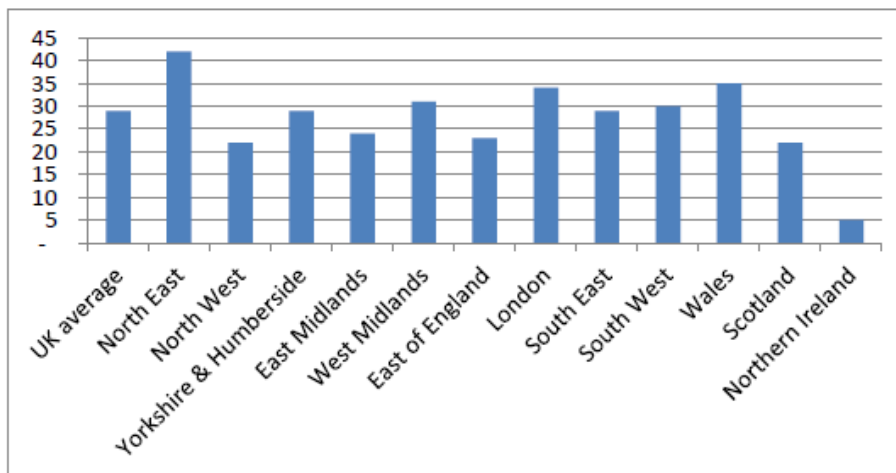


Source: [RICS](#)

Demand & Supply - cont'd

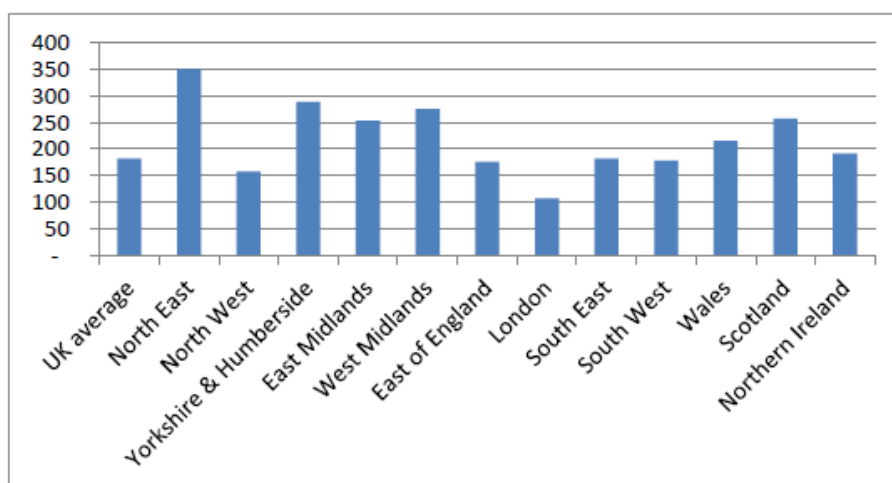
ARLA

“The UK average number of prospective tenants fell in December to 29 per branch, compared to 34 in November. Demand for rental accommodation was lowest in the North West and Scotland, where agents registered an average 22 tenants at each branch. Competition was fierce in London where 34 tenants were registered per branch.”



ARLA: Average number of new prospective tenants per branch

“The average number of properties managed across the UK in December fell to 182 from 189 in November. The supply of rental accommodation was lowest in London, with an average of 108 properties managed per branch, 43% less than the national average.”



ARLA: Average number of properties managed per branch

Yields for Landlords

Kate Faulkner comments on Yields:

“The yields for landlords have declined when comparing this year to last year, however, this is partly because price growth has been strong and rents don’t typically rise as fast as property price inflation. So overall, this can be good for landlords in that capital growth tends to be the big ‘winner’ when it comes to returns as opposed to rental income, unless investors are specialising in HMOs. As we’ve seen in the past, rental income returns remain healthy in the North, but price growth is less, while we see higher capital growth returns and incomes often only just covering costs if mortgaged with LTVs around 50-60%.”

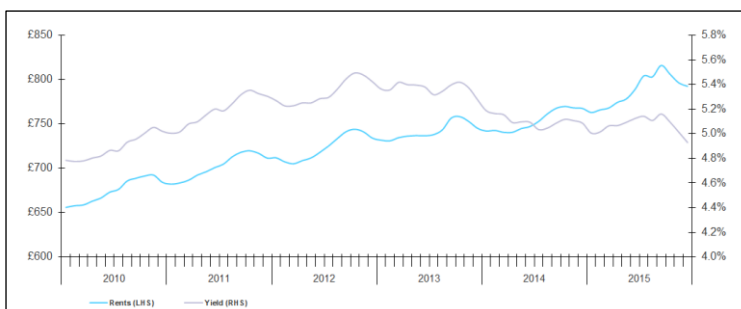
	Rents December 2015	One Month change	12 Month Change	Yields December 2015	Yields December 2014
London	£1,251	-1.6%	6.3%	4.1%	4.4%
East of England	£831	-0.3%	7.8%	4.3%	4.4%
South West	£669	0.9%	2.2%	3.6%	3.7%
Yorkshire & The Humber	£556	0.3%	1.5%	6.4%	6.5%
North West	£599	-0.9%	1.0%	6.8%	7.2%
Wales	£560	1.8%	-1.0%	4.2%	4.4%
South East	£766	-0.5%	-2.6%	4.0%	4.5%
North East	£517	-0.6%	0.7%	5.0%	5.1%
West Midlands	£593	0.3%	6.0%	5.6%	5.5%
East Midlands	£608	-0.3%	4.7%	5.9%	5.9%
England & Wales	£794	-0.6%	3.4%	4.9%	5.1%

Source: [LSL – Regional Yields](#)

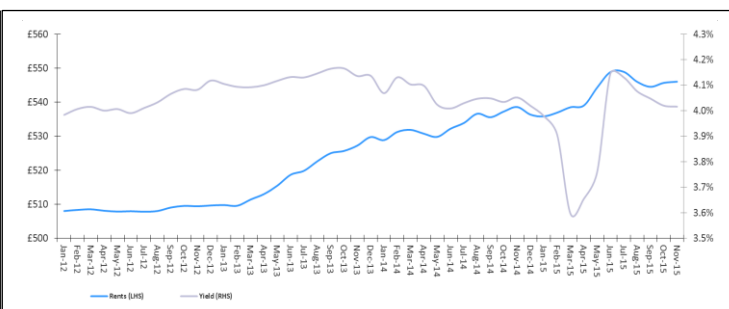
LSL

“Price rises suppress rental yields – but boost total returns to 11.3%. The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) has dropped to 4.9% in November, down from 5.0% in November 2015. On an annual basis, this is fractionally lower than the 5.1% gross yield seen a year ago in December 2014. (Dec 15)”

“The average gross yield on a Scottish rental property stands at 4.0% as of November 2015, in line with October. However this has dipped from 4.1% in November 2014, and a high of 4.2% in June 2015. (Nov 15)”



[LSL: Yields – England & Wales](#)



[LSL: Yields – Scotland](#)

Room Rents

Kate Faulkner comments on Room Rents:

“Room rents offer great advantages to any tenant wanting to save for a deposit or wanting freedom from home without paying too much - often halving their housing costs. This is especially true as utility costs, council tax and other bills are all shared amongst several people rather than having to pay for it all with one or two incomes. With many more landlords offering high quality room rental accommodation and the option to earn £7,500 a year tax free from renting a room in your own home, it’s likely the supply of rooms will grow in 2016, helping to keep rents stable.”

SpareRoom

“The average room rent for the UK in December 2015 was £606 per month, up 2.2% on the previous quarter. In London, the average rent was up 3.1% on last quarter to £743 per month.

“The most expensive towns outside London are towns within an easy commute to the capital; Esher (£641), Twickenham (£637), Kingston Upon Thames (£621), Barnet (£592) and Epsom (£590). At the other end of the scale are Dewsbury (£256) and Galashiels (£269).

“When it comes to demand, outside of London, Harlow had nine people competing for every room, followed by Edinburgh (eight) and Manchester (six).”

<i>December 15</i>	SpareRoom Average Monthly Rent	SpareRoom Quarterly Change %
UK	£ 606	2.2%
England	£ 613	2.3%
Scotland	£ 431	-0.7%
Wales	£ 350	2.3%
Northern Ireland	£ 278	6.1%
Sunderland	£ 318	-3.3%
Manchester	£ 400	3.6%
York	£ 390	3.7%
Leicester	£ 354	2.9%
Birmingham	£ 414	-1.1%
Bristol	£ 465	3.6%
Cambridge	£ 518	-0.9%
Reading	£ 548	2.6%
Greater London	£ 743	3.1%

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 a 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](#).