

What are the rental reports saying this month? March 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

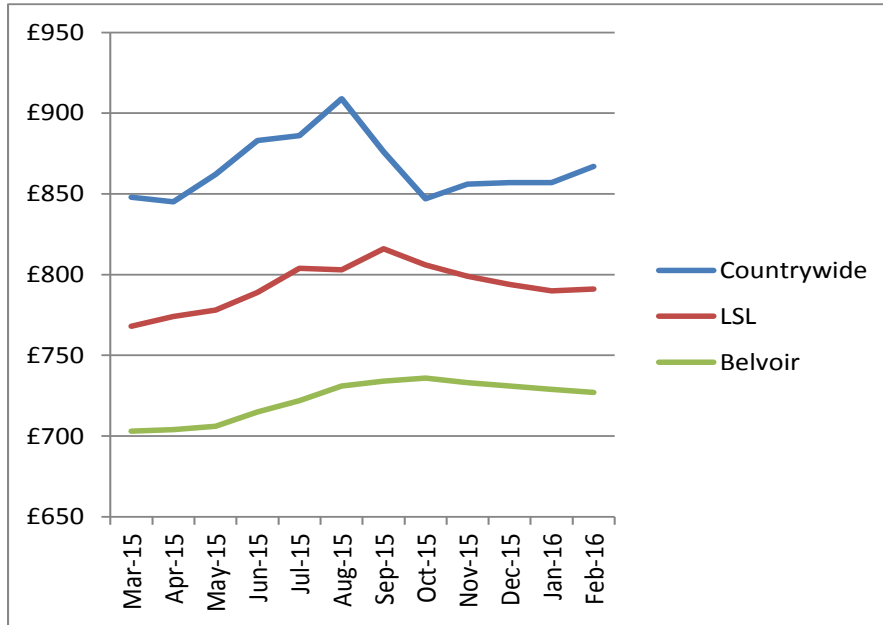
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report Headlines

Kate Faulkner comments on Rental Report Headlines:

Average rent rises remain in line with wage growth at 2-3% year on year across the main lettings indices, with average rents achieving between £727 per month and £867 per month. From an affordability perspective, tenants would need a household salary of £26,000 to £31,000 to spend a third of their salary on rents. This is pretty much in lines with average salaries reported in the UK.

Average National Rents - History



Rental Indices	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	YoY
LSL	£768	£774	£778	£789	£804	£803	£816	£806	£799	£794	£790	£791	3.30%
Belvoir	£703	£704	£706	£715	£722	£731	£734	£736	£733	£731	£729	£727	+2.1%
Countrywide	£848	£845	£862	£883	£886	£909	£876	£847	£856	£857	£857	£867	+3.1%

Belvoir Lettings

"The average rent for offices across the UK which have traded consistently over the last eight years is £727 per month – a year on year increase of just over 2%. (Feb 16 - England, Wales & Scotland)"

LSL

"Spring heat from rental market – as tenants feel first rent rises since September. (Feb 16 - England & Wales, index started in 2009)"

ARLA

"New landlord stamp duty to put brakes on the rental market. (Feb 16 - UK)"

Countrywide

"A fifth of London tenants pay over asking price to secure their home - one in eight tenants offers over asking rent in rest of UK. (Feb 16 - England, Wales & Scotland)"

What's Happening to Rents Regionally?

Kate Faulkner comments on Regional Rent Variations:

As ever in property, there continues to be regional variations with areas such as Wales, the North East and West, Yorkshire and Humber seeing pretty low increases and in some cases falls, while areas such as the Midlands, South and East are seeing rises of up to 5-6%. However, this growth needs to be put in context as the PRS has seen lower than average growth since the credit crunch and only started to see real rises in the last few years. This is likely to be being driven primarily by the increased taxation and cost of delivering rental property to tenants and made possible due to wage growth now rising in excess of inflation.

February 2016	LSL Average Monthly Rent Feb-15	LSL Average Monthly Rent Feb-16	LSL % Change YoY	Homelet Average Monthly Rent Feb-15	Homelet Average Monthly Rent Feb-16	Homelet % Change YoY	Belvoir Average Monthly Rent Feb-15	Belvoir Average Monthly Rent Feb-16	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Feb-16
Scotland	£ 537	£ 548	2.0%	£ 625	£ 649	3.8%	n/a	n/a	n/a	n/a
Wales	£ 566	£ 558	-1.4%	£ 576	£ 596	3.5%	£ 645	£ 648	0.5%	n/a
North East	£ 521	£ 508	-2.5%	£ 533	£ 519	-2.6%	n/a	n/a	n/a	0.9%
North West	£ 581	£ 595	2.4%	£ 657	£ 636	-3.2%	£ 605	£ 632	4.5%	1.0%
Yorkshire & The Humber	£ 544	£ 559	2.8%	£ 613	£ 618	0.8%	£ 605	£ 627	3.6%	1.3%
East Midlands	£ 569	£ 609	7.0%	£ 598	£ 637	6.5%	£ 577	£ 610	5.7%	2.4%
West Midlands	£ 561	£ 596	6.2%	£ 642	£ 659	2.6%	n/a	n/a	n/a	1.8%
South West	£ 663	£ 671	1.2%	£ 832	£ 865	4.0%	£ 737	£ 702	-4.7%	1.4%
East Anglia	£ 787	£ 836	6.2%	£ 760	£ 793	4.3%	£ 697	£ 726	4.2%	3.0%
South East	£ 768	£ 767	-0.1%	£ 881	£ 938	6.5%	£ 938	£ 978	4.3%	2.9%
Greater London	£ 1,181	£ 1,238	4.8%	£ 1,413	£ 1,521	7.6%	£ 1,468	£ 1,335	-9.1%	3.8%

Belvoir Lettings

Joseph Curran of Stirling says "Low property stock coupled with high tenant demand is impacting on rental levels, which are increasing". **Trevor Burns of Newtownards & County Down** says "Rents are creeping upwards, and we are increasing most of the rents as their tenancies are renewed". **Michael Keyword of the Mansfield office** comments "We have seen an increase in rents over the last few months, depending on the type and size of property". **Neil Whitfield of the Sunderland office** reports "Although we have a buoyant market, rents are essentially flat". **Glenn Wakeham of the Guildford office** reports "Rents for student lets have risen about 7-8 % due to high demand from the University of Surrey expanding its numbers and not being able to build enough of their own halls of residence. Overall rents continue to rise as demand outstrips supply. (Jan 16)"

LSL

"On a regional basis rents are led by the Midlands. East Midlands' tenants have seen the fastest annual rent rises, up 7.0% over the last twelve months. This is followed by the West Midlands with 6.3% and the East of England with rents 6.2% higher than in February 2015. These three regions all stand ahead of London on this basis, with rents in the capital 4.8% higher than twelve months ago. As recently as November, London consistently led the field in terms of annual rent rises. Meanwhile, at the other end of the spectrum rents are lower than a year ago in three out of ten regions. These exceptions are led by the North East where the average rent is now 2.5% lower than in February 2015, followed by Wales with rents down 1.5%, and the South East with a marginal 0.1% annual drop. (Feb 16)"

"Edinburgh & the Lothians is leading rent growth across Scotland, with the strongest year-on-year rise in rents, at a record speed of 7.7%. Rents in the South of Scotland are now standing at £515 per month, up from £498 a year ago. In the Highlands & Islands, rents are now 2.5% higher than a year ago, equal to £13. This brings the typical monthly rent across the region to £554. But in the East of Scotland, rents have fallen 2.0% (or £10) year-on-year. Glasgow & Clyde have also seen rents fall compared to a year earlier. The average rent has dropped to £552 – a 0.8% dip. (Feb 16)"

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

Countrywide

“One in five of those renting in London pay more than asked for to secure a home of their choice, far more than those outside of the Capital. This works out at an extra £94 a month over and above the asking rent against a UK average of £44 which, over the course of a typical 17 month tenancy, this equates to an extra £1,578 in rent for the average Londoner. At the other end of the scale just 1 in 12 tenants in Wales end up paying more than the asking rent, by an average of £24 a month.

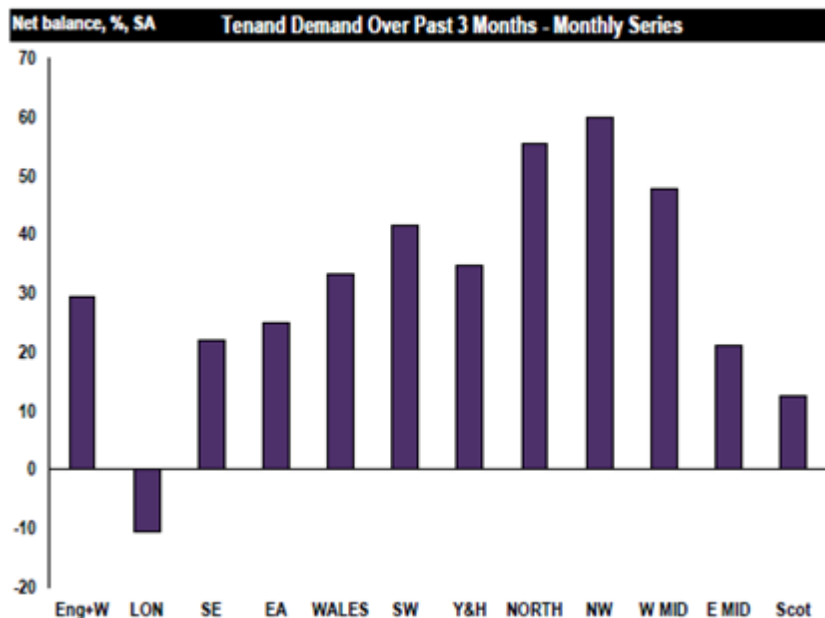
“Rents are growing at the fastest rate across the South of the UK. The South East (5.8%), South West (4.8%) and Greater London (4.2%) all recorded rental growth at above the UK average while the Midlands (1.1%) and the North (3.8%) both saw rents grow more slowly. The slowdown in top end, central London rents continued with the price of a new let falling 8.4% year on year. (Feb 16)”

Demand & Supply

Kate Faulkner comments on Demand & Supply:

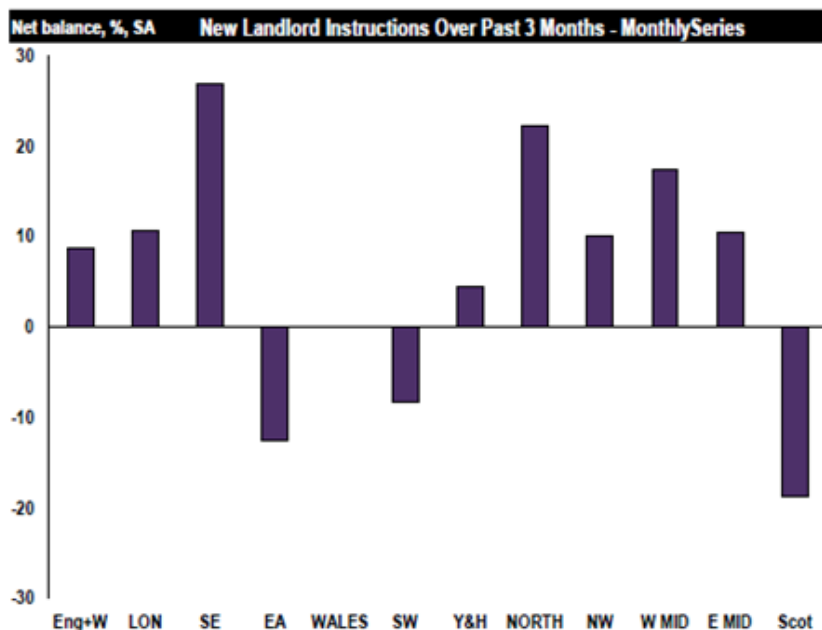
Demand in the sector continues to outstrip supply in many places, helping to push up rents, albeit not much more than wage growth allows. Expectations are that new stock to the market following increased taxation and costs to provide rented properties will start to reduce, worrying considering Savills forecast of a million new homes being required in the sector over the next five years. It will take a few months to see the real impact of the increase in stamp duty – if any – but another year or so before we see how landlords will be affected by the serious issue of the change to the way mortgage interest relief is calculated and the lowering of relief.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months

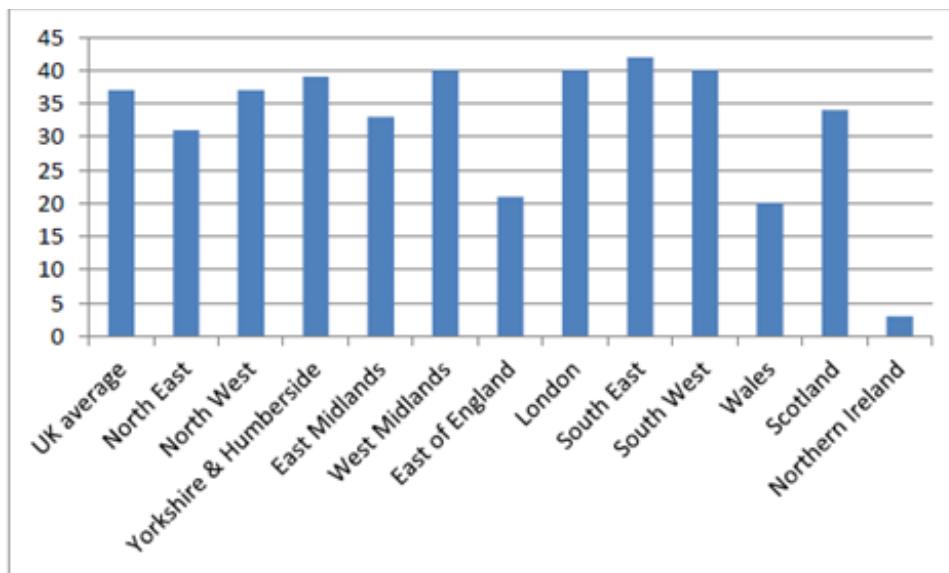


Source: [RICS](#)

Demand & Supply - cont'd

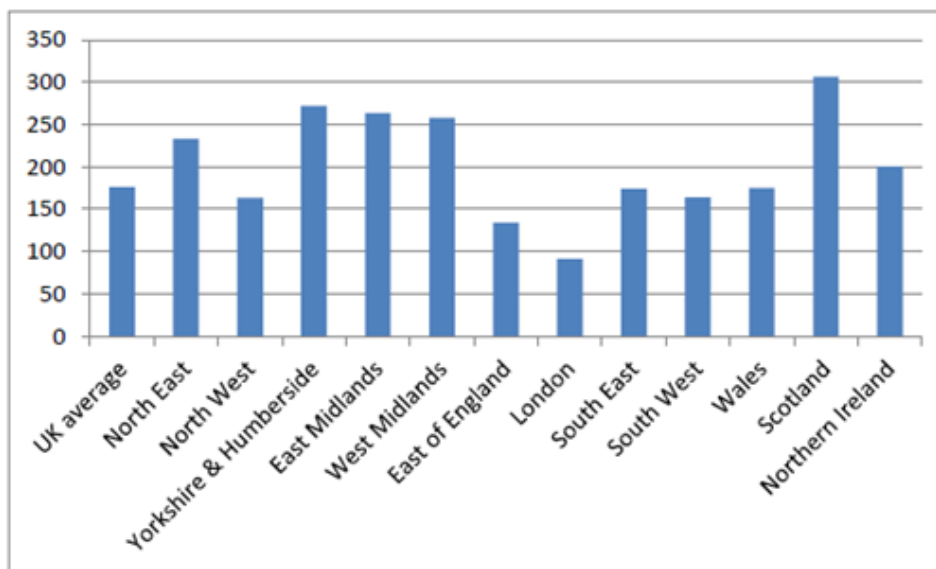
ARLA

“The average number of prospective tenants in February rose to 37 registered per branch. Demand for rental accommodation is beginning to reach the level seen this time last year, with the average number of prospective tenants registered per branch rising to 37. Demand for rental accommodation was the lowest in Northern Ireland, where agents registered an average three tenants at each branch. Competition was equally high in London, West Midlands and South West, where each region had an average of 40 tenants registered per branch.”



ARLA: Average number of new prospective tenants per branch (Feb 16)

“The average number of properties managed per branch was 176 in February, increasing from 172 in January. The supply of rental accommodation was lowest in London, with an average of 91 properties managed per branch, which is almost half of the national average. Those in Scotland experienced much higher supply of properties, with an average 306 properties available per branch.”



ARLA: Average number of properties managed per branch (Feb 16)

Yields for Landlords

Kate Faulkner comments on Yields:

Rental yields in the north of the country remain 50% more than you can achieve in the south, but there is much lower capital growth at this moment in time with double digit figures being achieved while in the north, many areas continue to rise at below their long term average (3-5%) or remain stagnant. As many people are starting to 'look north' for their property investment, it remains to be seen to see if these higher yields will compensate for the lack of capital growth, or if the 'southern boom' will eventually hit these areas as demand increases.

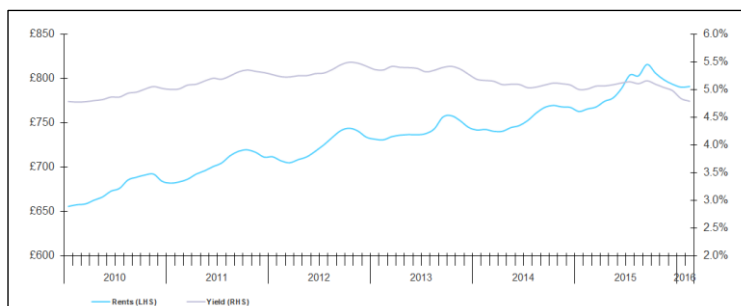
	Rents February 2016	One Month change	12 Month Change	Yields February 2016	Yields February 2015
London	£1,238	-0.3%	4.8%	4.0%	4.3%
East of England	£836	1.1%	6.2%	4.3%	4.4%
South West	£671	-0.2%	1.2%	3.5%	3.7%
Yorkshire & The Humber	£559	0.4%	2.6%	6.4%	6.5%
North West	£595	0.0%	2.5%	6.9%	6.9%
Wales	£558	-0.9%	-1.5%	4.0%	4.3%
South East	£767	0.6%	-0.1%	3.9%	4.4%
North East	£508	-0.7%	-2.5%	5.0%	5.0%
West Midlands	£596	0.4%	6.3%	5.5%	5.6%
East Midlands	£609	0.6%	7.0%	5.8%	5.8%
England & Wales	£791	0.1%	3.3%	4.8%	5.0%

Source: [LSL – Regional Yields](#)

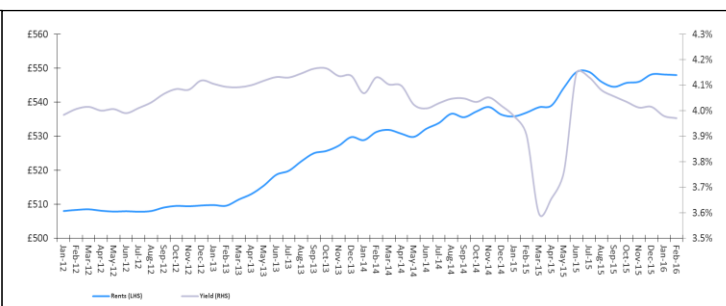
LSL

"Rental yields are proving resistant to rising purchase prices. The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) is steady at 4.8% in February, the same as in January 2016. On an annual basis, this is fractionally lower than the 5.0% gross yield seen a year ago in February 2015. (Feb 16)"

"The average gross yield on a Scottish rental property stands at 4.0% as of February 2016, holding steady month-on-month. Compared to a year ago, gross yields have improved slightly – up from 3.9% in February 2015. (Feb 16)"



[LSL: Yields – England & Wales](#)



[LSL: Yields – Scotland](#)

Room Rents

Kate Faulkner comments on Room Rents:

Room rents remain incredibly affordable and are a growing market for professional landlords who want to earn an income from property into the future. The good news about room rents is that the 'new breed' of landlords has a completely different view of how to treat tenants than the 'old guard'. No longer is renting a room at the 'lower end' of the market with the new boutique, almost hotel room like properties now being refurbished to a very high standard.

For anyone who doubts these landlords exist, it's worth taking a look at the excellent [HMO Official Facebook page](#). Here you will find very proud landlords posting pictures of their latest room rental master pieces and chat in an extremely transparent way about how to make sure they deliver an excellent service and legally let properties to tenants now and in the future.

SpareRoom

"The average room rent for the UK in February was £614, up just over 1% on the previous quarter. In London, the average rent fell £9 on last quarter to £734 per month. Beyond London, Oxford is the most expensive town to rent a room at £537 per month, followed by Hove at £534.

"At the more affordable end of the scale is Rochdale, where rents average £271 per month and Paisley, where rents are £278."

February 2016	SpareRoom Average Monthly Rent	SpareRoom Quarterly Change %
UK	£ 614	1.3%
England	£ 620	1.1%
Scotland	£ 430	-0.2%
Wales	£ 349	-0.3%
Northern Ireland	£ 281	1.1%
Sunderland	£ 324	1.9%
Manchester	£ 402	0.5%
York	£ 393	0.8%
Leicester	£ 355	0.3%
Birmingham	£ 410	-0.9%
Bristol	£ 460	-1.1%
Cambridge	£ 522	0.8%
Reading	£ 549	0.2%
Greater London	£ 734	-1.2%

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](#).