

What are the rental reports saying this month? April 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.

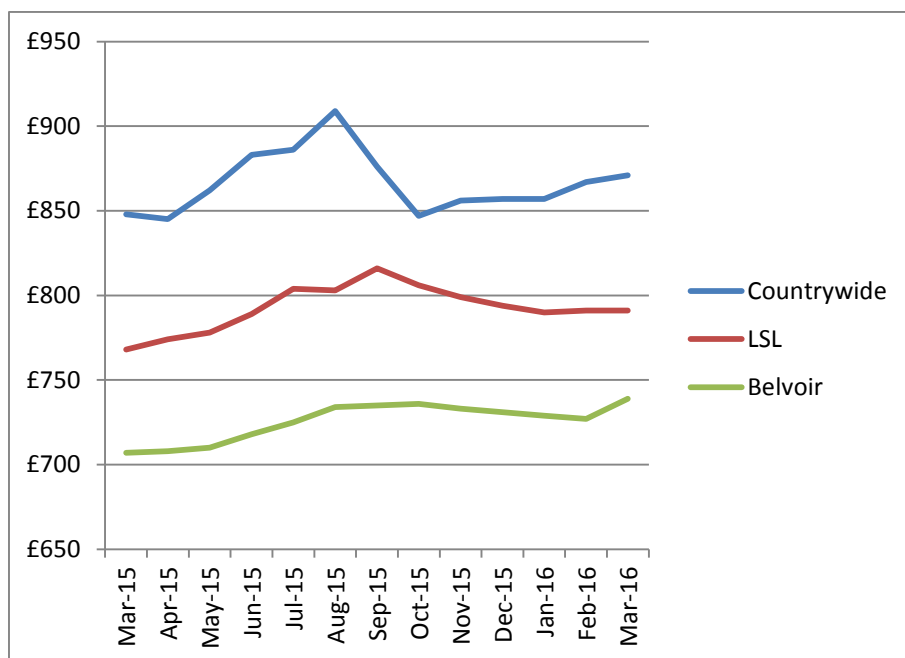
Report Headlines

Kate Faulkner comments on Rental Report Headlines:

We are into such bizarre times when it comes to the rental market. On the one hand Governments in England, Scotland and Wales are rapidly making changes to the way the rental sector works with the new Housing and Planning Bill in England now an Act; Wales aiming to make accreditation a necessity if you manage property from November 2016, and in Scotland, so much change is happening, including the beginnings of rent controls, that landlords are, understandably spooked! So what's the impact of all this and higher taxation? Loads more buy to let investors have piled into the market, almost causing a 'mini buy to let boom' and the increase in 3% stamp duty and rise in legal requirements doesn't seem to have put landlords off at all so far, with huge increases in purchases to the end of March 2016 ([see my property price report](#)).

What effect has this had on rents? Tenants appear to appreciate the difficulties landlords are under and, together with a rise in wages at above inflationary levels, this has meant we are starting to see rents rising at levels way beyond the normal long term average of 2% each year (ONS data).

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	Mar-16	YoY
LSL	£768	£774	£778	£789	£804	£803	£816	£806	£799	£794	£790	£791	£791	+3%
Belvoir	£707	£708	£710	£718	£725	£734	£735	£736	£733	£731	£729	£727	£739	+4.5%
Countrywide	£848	£845	£862	£883	£886	£909	£876	£847	£856	£857	£857	£867	£871	+2.7%

Belvoir Lettings

"The average rent for offices across the UK which have traded consistently over the last eight years is £739 per month – a year on year increase of 5%. (Mar 16 - England, Wales & Scotland)"

LSL

"Landlords on the ladder feel financial boost of buy-to-let tax dash. (Mar 16 - England & Wales, index started in 2009)"

ARLA

"Supply of rental stock nose-dives. (Mar 16 - UK)"

Countrywide

"3% stamp duty deadline floods rental market and landlords letting out new purchases suppresses rental price growth. (Mar 16 - England, Wales & Scotland)"

What's Happening to Rents Regionally?

Kate Faulkner comments on Regional Rent Variations:

And it's not just in each of our countries that the rules and regulations are changing. With new Mayors being elected across the country (and more being introduced to 2017), areas such as London are going to be interesting over the next year or so. Firstly, landlords here have been hit by high taxation such as the 3% stamp duty and the future cut in mortgage interest relief, now they are going to be hit potentially with Labour policies on the rental sector such as rent controls as we have a new Mayor in town!

Overall though, regionally we are seeing a pretty good rise in rents across the board – with the rental market being much more buoyant than the property price market. However, it's important to put these year on year rent increases into context. During the recession when wages were pretty stagnant, rents were too, as landlords appreciated tenants weren't having a great time financially and they wanted to hold onto a good tenant. If someone did want to increase rents, it was only possible if wages allowed.

Landlords needs to check on an annual basis that their rents are rising in line, ideally with inflation, (but they are typically limited by wage growth) over the last 5-10 years as if rents don't, then the landlord is effectively reducing their actual cash income. Check out the [Bank of England inflation calculator](#) to see if your rents are keeping up with inflation or if your tenant may well be due a rise.

March 2016	LSL Average Monthly Rent Mar-15	LSL Average Monthly Rent Mar-16	LSL % Change YoY	Homelet Average Monthly Rent Mar-15	Homelet Average Monthly Rent Mar-16	Homelet % Change YoY	Belvoir Average Monthly Rent Mar-15	Belvoir Average Monthly Rent Mar-16	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Mar-16
Scotland	£ 539		-100.0%	£ 631	£ 677	7.3%	n/a	n/a	n/a	n/a
Wales	£ 564	£ 551	-2.3%	£ 577	£ 596	3.3%	£ 638	£ 651	2.0%	n/a
North East	£ 519	£ 507	-2.3%	£ 520	£ 531	2.1%	n/a	n/a	n/a	0.8%
North West	£ 594	£ 595	0.2%	£ 671	£ 648	-3.4%	£ 609	£ 629	3.3%	1.1%
Yorkshire & The Humber	£ 547	£ 558	2.0%	£ 611	£ 628	2.8%	£ 611	£ 631	3.3%	1.2%
East Midlands	£ 566	£ 613	8.3%	£ 605	£ 646	6.8%	£ 577	£ 607	5.2%	2.7%
West Midlands	£ 560	£ 597	6.6%	£ 643	£ 656	2.0%	n/a	n/a	n/a	1.9%
South West	£ 665	£ 674	1.4%	£ 851	£ 880	3.4%	£ 722	£ 683	-5.4%	1.7%
East Anglia	£ 807	£ 840	4.1%	£ 769	£ 803	4.4%	£ 685	£ 720	5.1%	3.0%
South East	£ 768	£ 773	0.7%	£ 893	£ 950	6.4%	£ 926	£ 972	5.0%	2.9%
Greater London	£ 1,177	£ 1,231	4.6%	£ 1,427	£ 1,536	7.6%	£ 1,452	£ 1,347	-7.2%	3.7%

Belvoir Lettings

Mike Campbell of **Falkirk** reports “Rents in Falkirk are showing modest increases for Q1 year on year, which is a break from the long run trend of relatively low wages holding rents down in a self-regulating market”. **Andrew Jack** of **Belfast** comments: “City centre apartments and good quality professional houses are rising but middle of the road terrace houses are remaining static.” **Ben Davies** of **Swansea** reports “In the main, rents are static year on year”. **Howard King** of **Newcastle upon Tyne** says “Rents saw small rises on good quality properties with the rest holding steady”. **Peter Johnson** of the **Skipton** office says “On the whole, rents are rising year on year” and **Daniel Bourke** of **Dunstable** comments “All rents are rising in Dunstable due to London renters unable to afford the rising London rents”. (Mar 16)

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

LSL

“Leading the whole of England & Wales, rents in the East Midlands now stand 8.5% higher than in March last year, at an all-time record high of £613 per month. This is followed closely by the West Midlands with 6.7% annual rent rises, taking the average rent in the West Midlands region to a separate all-time record of £597 per month. London is in third place in terms of annual rent rises, up 4.6% from the same point last year. However at £1,231 the capital’s average monthly rent remains below the all-time record of £1,301 set six months ago in September 2015. At the other end of the spectrum Wales and the North East are host to annual rent falls, both dropping by 2.2% since March last year. This takes rents in Wales to £551 per month and rents in the North East to £507 per month in March 2016. (Mar 16)”

“Two of the five regions of Scotland have seen rents fall on an annual basis. Edinburgh & the Lothians are continuing to see record annual rent rises, up 8.5% year-on-year in March. Rent growth in the capital has been accelerating steadily since June 2015. After this, rents in the south of Scotland have seen the next fastest annual rise, with rents up 3.2% since March 2015. The Highlands and Islands rounds off the top three, with a healthy 1.6% uptick in rents compared to a year ago. But two regions have seen rents fall compared to a year earlier. Both Glasgow & Clyde and the east of Scotland have witnessed a 2.5% drop in rents across the twelve months to March 2016. (Mar 16)”

Countrywide

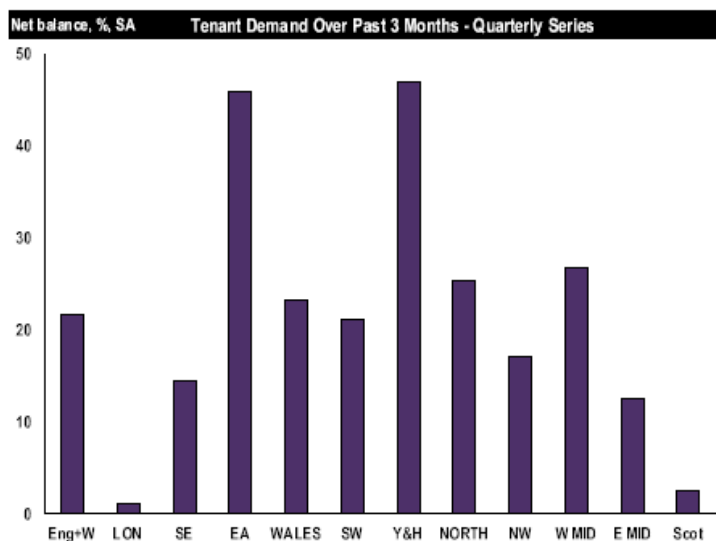
“Rents grew fastest in the East of England, increasing by 8.5% over the year. Growth in the East of England was driven by increasing numbers of new tenants registering in the first three months of the year, up 34% year on year, the highest increase of any region. Rents in Greater London grew 2.9% in March, less than half the 7.4% recorded in 2015. (Mar 16)”

Demand & Supply

Kate Faulkner comments on Demand & Supply:

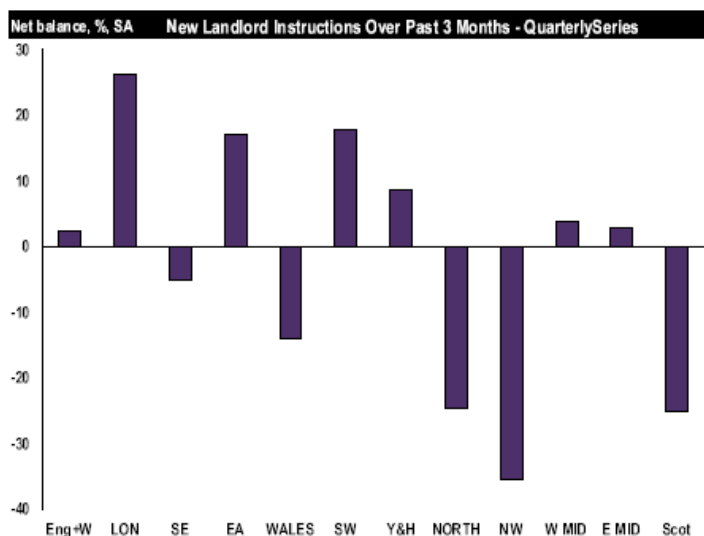
Demand from the market, according to Savills, is supposed to rise by around 1 million new households over the next five years. The big question is, who is now going to supply this? The second question is, will actual supply fall over the coming year, especially in 12-18 months' time when landlords start to realise they aren't earning the returns they were once based on capital growth in areas from the Midlands upwards, and then the lower income for higher rate tax payers, will landlords start to sell up? If this does start happening, then the supply versus demand may well get completely out of sync, ending up with a situation when rental properties effectively are 'auctioned' off to the highest bidder in areas where supply is severely restricted.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

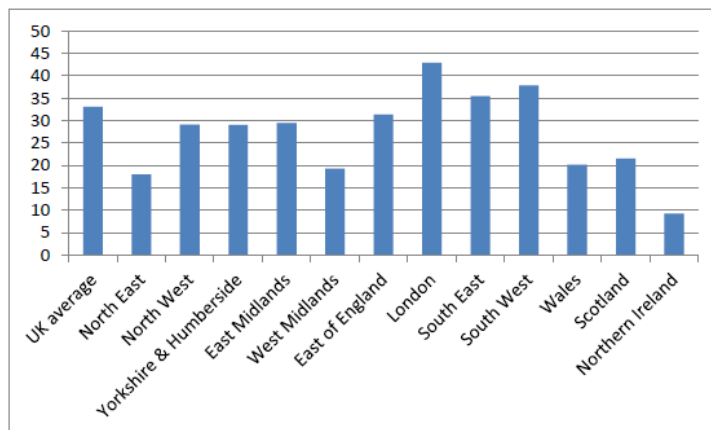
Demand & Supply - cont'd

	New Listings		Properties Let	
	Mar 16	Mar 15	Mar 16	Mar 15
NATIONAL	0.6	3.3	-3.0	1.3
Central England	-6.4	10.6	-4.0	2.3
East Anglia	0.5	-5.4	5.3	4.5
East Midlands	9.3	-0.2	3.0	-4.2
London	-8.8	-0.9	-1.3	-3.7
North East	11.3	0.0	-4.6	21.7
North West	4.3	-2.8	-0.4	-2.1
Scotland	-11.7	28.4	3.7	33.3
South East	1.4	-4.2	-10.9	7.1
South West	9.8	14.0	-17.4	6.7
Wales	5.0	8.0	-14.2	-8.8
West Midlands	-2.6	-3.8	4.8	-8.4
Yorks & Humber	1.6	6.0	10.2	-0.9

Source: [Agency Express](#)

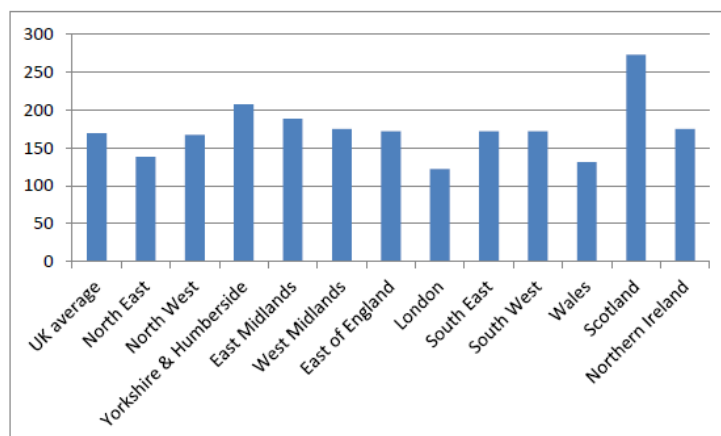
ARLA

“The average number of prospective tenants in March fell to 33 registered per branch. Demand for rental accommodation was lowest in Northern Ireland, where agents registered an average nine prospective tenants per branch. Competition was highest in London, which had an average of 43 tenants registered per branch, up from 40 in February.”



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

“The average number of properties managed per branch was 169 in March, decreasing from 176 in February. The supply of rental accommodation was lowest in London, with an average of 122 properties managed per branch, though this has increased from 91 in February. Those in Scotland experienced much higher supply of properties, with an average 273 properties available per branch.”



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

Yields for Landlords

Kate Faulkner comments on Yields:

Existing landlords, especially those who invested prior to 2004 must be feeling pretty pleased with themselves in the main. Property prices are moving forward and rents are rising, as typically is demand. However, those who bought post this time, unless they bought in rapidly rising areas such as London, Cambridge, Oxford, Bristol and the likes of Brighton, they probably aren't seeing great returns. Rents haven't until the last 12 months delivered increases typically that rise with inflation and in many areas across the country, property prices are still below their 2007 levels. If landlords bought since 2009 however, they are probably seeing better returns. Investing isn't all about market performance, relying on this isn't a way to maximise profits, but it does help.

Any landlord looking to survive under new rental regimes moving forward needs to seriously check their finances and make sure their financial investment in property is delivering the best it can. Especially as recent changes in the budget have made it clear Mr Osborne will give you more tax breaks if you invest in the financial sector as opposed to property (see budget changes affecting the property market).

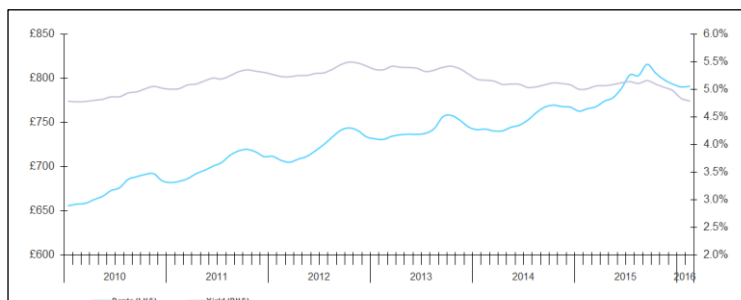
	Rents March 2016	One Month change	12 Month Change	Yields March 2016	Yields March 2015
London	£1,231	-0.5%	4.6%	4.0%	4.3%
East of England	£840	0.6%	4.2%	4.3%	4.5%
South West	£674	0.3%	1.2%	3.5%	3.7%
Yorkshire & The Humber	£558	-0.1%	2.1%	6.3%	6.5%
North West	£595	0.0%	0.2%	6.7%	7.2%
Wales	£551	-1.2%	-2.2%	4.1%	4.4%
South East	£773	0.7%	0.6%	4.0%	4.4%
North East	£507	-0.2%	-2.2%	5.0%	5.1%
West Midlands	£597	0.1%	6.7%	5.6%	5.6%
East Midlands	£613	0.7%	8.5%	5.8%	5.7%
England & Wales	£791	0.0%	3.0%	4.9%	5.1%

Source: [LSL – Regional Yields](#)

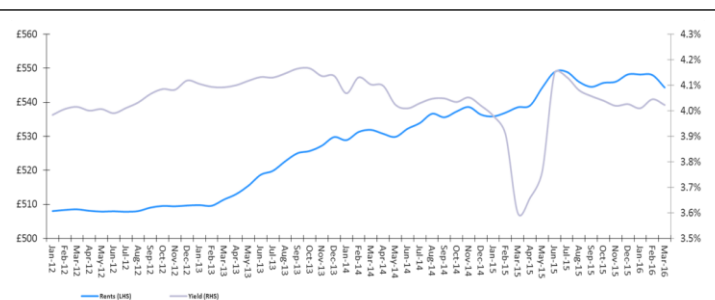
LSL

“While a recent surge in capital values has boosted total returns for existing landlords, the same trend has suppressed rental yields for those aspiring to become landlords, or looking to grow their property portfolio. As rents rise alongside property prices, rental yields are proving relatively resistant to rising purchase prices. However the gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) is now 4.9% as of March 2016, compared to 5.1% in March 2015. (Mar 16)”

“The average gross yield on a buy-to-let property in Scotland stands at 4.0%, consistent with the previous month. On an annual basis, gross yields have risen from 3.6% in March 2015. (Mar 16)”



[LSL: Yields – England & Wales](#)



[LSL: Yields – Scotland](#)

Room Rents

SpareRoom

Matt Hutchinson, director of SpareRoom.co.uk says "Average room rent for the UK in Quarter 1 was £620, or £440 if we take London out of the equation. Rents in Reading (£549 per month) are amongst the highest in the UK, after London, where rents average £747 per month, most probably as a result of the commuter effect – people are looking further afield than London for more reasonable rents.

"In terms of quarterly change, we haven't seen a great deal, which is good news for renters who are feeling the pinch. Looking at annual figures though and we see significant increases with Manchester's rents up 6.5%, Reading up 10.5% and Birmingham up 4.3%."

April 2016	SpareRoom Average Monthly Rent	SpareRoom Quarterly Change %
UK	£ 620	2.8%
England	£ 470	0.4%
Scotland	£ 420	-0.5%
Wales	£ 354	0.6%
Northern Ireland	£ 280	0.0%
Sunderland	£ 320	0.6%
Manchester	£ 401	0.3%
York	£ 390	0.0%
Leicester	£ 356	0.6%
Birmingham	£ 411	-0.7%
Bristol	£ 463	-0.4%
Liverpool	£ 360	0.3%
Reading	£ 549	0.2%
Greater London	£ 747	-1.1%

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:-

Kate Faulkner, Property Market Analyst and Commentator

Websites: [Kate Faulkner](#) [Propertychecklists](#)

Email: kate@designsonproperty.co.uk

Telephone: 01652 641722

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](#).