

What are the rental reports saying this month?

June 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.

Index

- | | |
|------------------------------------|---------|
| • Report Headlines | Page: 1 |
| • Average National Rents - History | Page: 2 |
| • Regional Rental Price Variations | Page: 3 |
| • Demand & Supply | Page: 5 |
| • Yields for Landlords | Page: 7 |
| • Room Rents | Page: 8 |

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

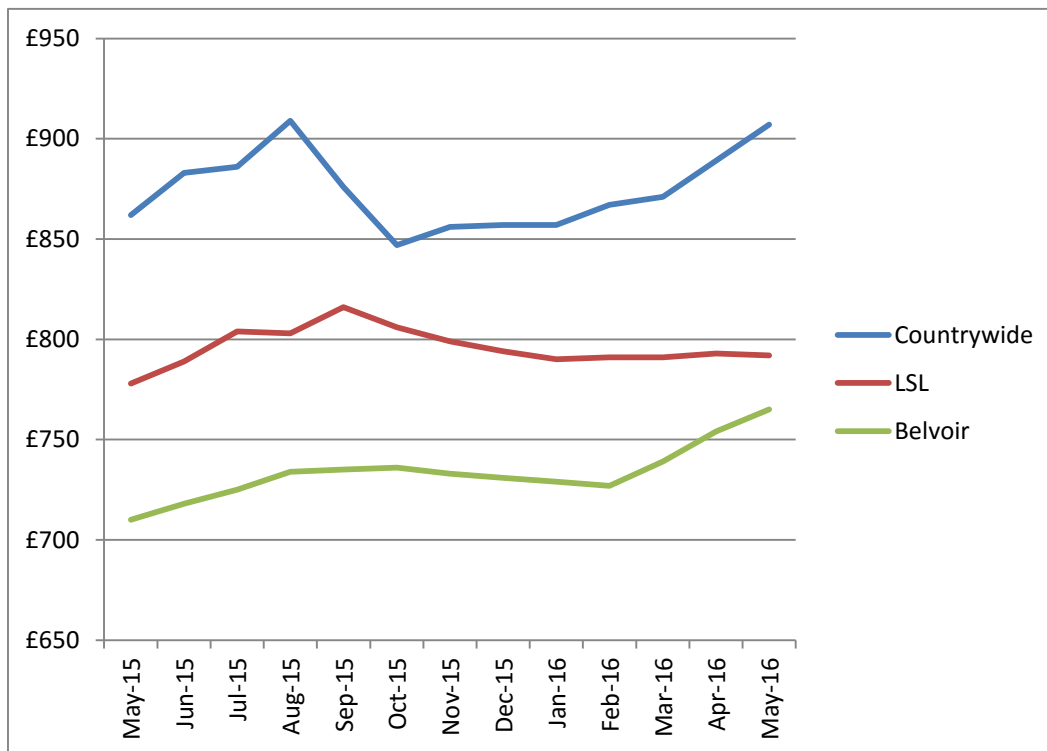
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report Headlines

Kate Faulkner comments on Rental Report Headlines:

Rents are on the increase year on year, but this needs to be put into context as during the recession private rents hardly moved at all. Countrywide's data this month shows that six out of eleven regions have seen renters paying LESS of their income in rent today than they did in 2007, nine years ago, showing again that rents tend to be tied more to wage movement rather than inflation, and certainly proving that the rents landlords are charging cannot be accused of being 'extortionate' or 'sky high'. The only area where rents exceed 50% is London where 57% of wages are being spent on rents - however, this is also an area where landlords' yields are at their lowest, 3.8% versus a national average of 5.1% according to LSL.

Average National Rents - History



| Rental Indices | May-15 | Jun-15 | Jul-15 | Aug-15 | Sep-15 | Oct-15 | Nov-15 | Dec-15 | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | YoY |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| LSL | £778 | £789 | £804 | £803 | £816 | £806 | £799 | £794 | £790 | £791 | £791 | £793 | £792 | +1.8% |
| Belvoir | £710 | £718 | £725 | £734 | £735 | £736 | £733 | £731 | £729 | £727 | £739 | £754 | £765 | +7.7% |
| Countrywide | £862 | £883 | £886 | £909 | £876 | £847 | £856 | £857 | £857 | £867 | £871 | £889 | £907 | +5.2% |

Belvoir Lettings

"The average rent for offices across the UK which have traded consistently over the last eight years is £765 per month – a year on year increase of 7.7%. (May 16 - England, Wales & Scotland)"

LSL

"Rents feel short-term chill of tax changes. (May 16 - England & Wales, index started in 2009)"

ARLA

"Rental market unphased by prospect of Brexit. (May 16 - UK)"

Countrywide

"Across most parts of Great Britain renting relative to incomes is more affordable than 2007. (May 16 - England, Wales & Scotland)"

What's Happening to Rents Regionally?

Kate Faulkner comments on Regional Rent Variations:

Regionally with rents we often see a short term 'bounce' as rents rise, especially in the likes of Homelet's and Belvoir's indices which measure advertised rents as opposed to existing rents, where inflation tends to be much lower, if at all. The regional picture below shows that in the main, most areas are growing at a few percent year on year. Exceptions are the East Midlands, but they saw a drop of rents back in 2008/9 of up to 20% so a lot of this increase is rents recovering, rather than rising, and the Countrywide index shows renters are paying an average of 33% of their income on a one bed flat today - lower than the 36% they were paying in 2007! Areas such as Greater London, the South East and South West do seem to be flattening post some increases, while East Anglia is currently seeing a bit of a rent rise.

| May 2016 | LSL Average Monthly Rent May-15 | LSL Average Monthly Rent May-16 | LSL % Change YoY | Homelet Average Monthly Rent May-15 | Homelet Average Monthly Rent May-16 | Homelet % Change YoY | Belvoir Average Monthly Rent May-15 | Belvoir Average Monthly Rent May-16 | Belvoir % Change YoY | ONS Index of PRS Rental Prices % Change over 12 months May-16 |
|------------------------|---|---|---------------------------|---|---|-------------------------------|---|---|-------------------------------|---|
| Scotland | £ 544 | £ 549 | 0.9% | £ 652 | £ 721 | 10.6% | n/a | n/a | n/a | 0.4% |
| Wales | £ 556 | £ 559 | 0.5% | £ 582 | £ 609 | 4.6% | £ 633 | £ 619 | -2.2% | 0.0% |
| North East | £ 511 | £ 515 | 0.8% | £ 537 | £ 542 | 0.9% | n/a | n/a | n/a | 0.8% |
| North West | £ 589 | £ 595 | 1.0% | £ 666 | £ 653 | -2.0% | £ 608 | £ 627 | 3.2% | 1.2% |
| Yorkshire & The Humber | £ 546 | £ 555 | 1.6% | £ 591 | £ 634 | 7.3% | £ 603 | £ 646 | 7.2% | 1.2% |
| East Midlands | £ 571 | £ 612 | 7.2% | £ 599 | £ 648 | 8.2% | £ 587 | £ 611 | 4.2% | 2.4% |
| West Midlands | £ 571 | £ 602 | 5.4% | £ 648 | £ 671 | 3.5% | n/a | n/a | n/a | 1.7% |
| South West | £ 666 | £ 678 | 1.8% | £ 878 | £ 896 | 2.1% | £ 663 | £ 674 | 1.7% | 1.5% |
| East Anglia | £ 819 | £ 849 | 3.7% | £ 776 | £ 830 | 7.0% | £ 686 | £ 733 | 6.8% | 3.2% |
| South East | £ 780 | £ 784 | 0.5% | £ 940 | £ 969 | 3.1% | £ 952 | £ 970 | 1.9% | 3.4% |
| Greater London | £ 1,207 | £ 1,220 | 1.1% | £ 1,472 | £ 1,563 | 6.2% | £ 1,455 | £ 1,789 | 22.9% | 3.3% |

LSL

"Rent rises in London have slowed to just 1.0% over the twelve months ending May 2016. This compares to a peak seen in September 2015 when rents in London were 11.6% higher than a year before at the time. By contrast, the East Midlands have witnessed rent rises of 7.3% over the twelve months ending May 2016, followed by the West Midlands with 5.5% annual rent rises and the East of England with 3.6%. All ten regions of England & Wales have seen rents in May higher than a year ago. However the joint-slowest annual rent rises have been in Wales and the South East, both seeing rents rise just 0.5% over the last twelve months. (May 16)"

"Rents are only higher in two of Scotland's regions year-on-year. In Edinburgh & the Lothians, rents have soared 11.6% (£69) year-on-year. This is the fastest growth on record powered by the growing proportion of higher paying jobs in the area, compared to the shortage of homes. The South of Scotland has also seen an increase in rents over the year, with a 0.9% upswing. Average rents in the region are £4 higher than May 2015. Glasgow & the Clyde has seen the steepest decline in rents annually. Typical rents in the region have dropped 3.2% (£17) year-on-year. (May 16)"

Countrywide

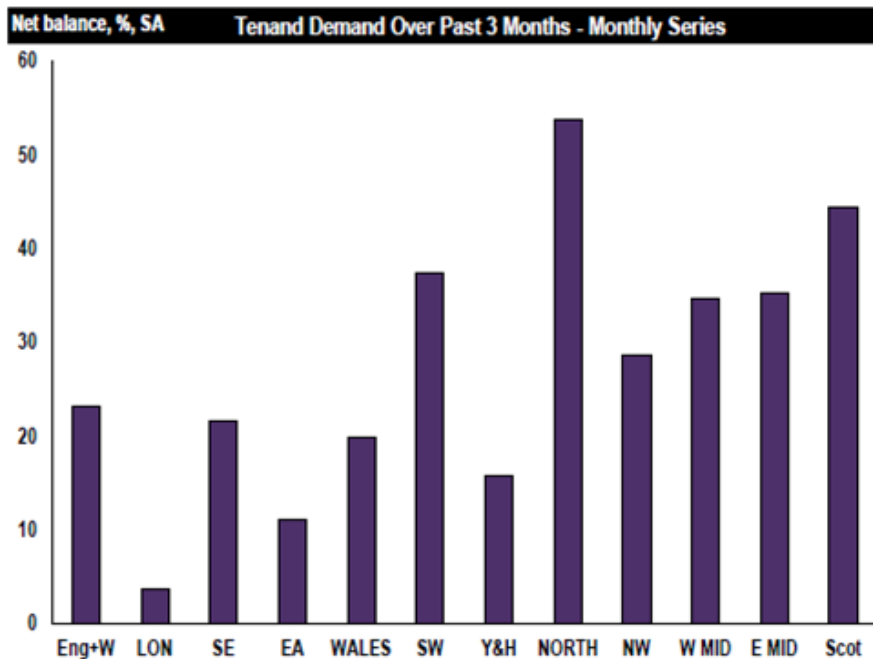
"Overall, average rents in the UK rose to £945 in May, 2% higher than they were last year. The pace of growth remains low compared to last year, when rents were growing at a rate of 5.5%. Scotland and the North saw the highest year-on-year increase in rent, 12% and 4% respectively. (May 16)"

Demand & Supply

Kate Faulkner comments on Demand & Supply:

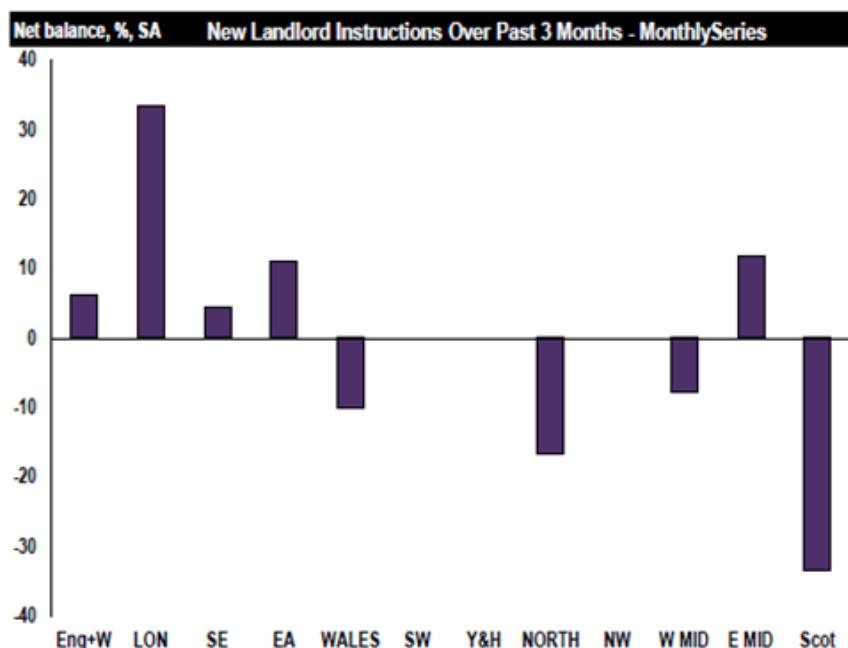
With renting firmly now a chosen, not just a 'forced' form of tenure choice for many, demand has remained strong so far this year, despite good growth in the property market too. The increase in stamp duty at the start of April has meant lots of landlords have 'bought forward' throwing some markets into a better supply than demand last month, but that seems to have waned this month with reports suggesting stock is low once again. Scotland is looking particularly unhealthy from a new stock perspective over the last few months, according to the RICS, which may be reflective of the increased burdens being placed on landlords by one new policy after the other, and time will tell whether increased taxes and legislation have made being a landlord so unattractive there is less stock available ongoing.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

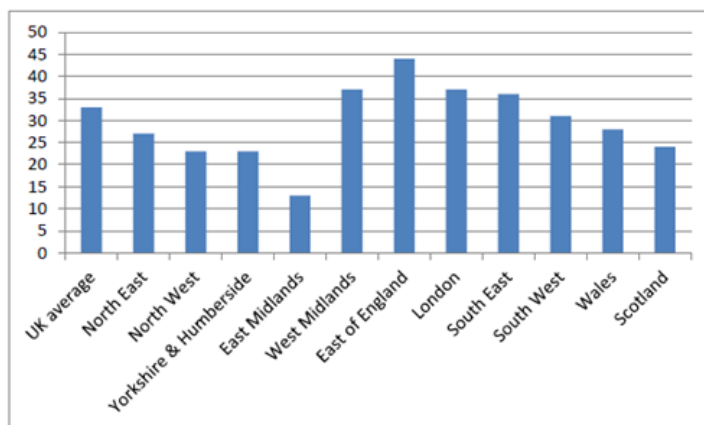
Demand & Supply - cont'd

| | New Listings | | Properties Let | |
|-----------------|--------------|--------|----------------|--------|
| | May 16 | May 15 | May 16 | May 15 |
| NATIONAL | -11.9 | -0.1 | -11.1 | 1.2 |
| Central England | -6.7 | 3.9 | -11.3 | 15.1 |
| East Anglia | -9.7 | -0.9 | -3.7 | -8.3 |
| East Midlands | -29.9 | -10.1 | -10.5 | 14.3 |
| London | -14.2 | 6.6 | -31.8 | 2.2 |
| North East | -13.8 | 3.3 | -10.6 | 13.5 |
| North West | -8.6 | -8.8 | -14.1 | 5.9 |
| Scotland | -4.1 | 12.9 | 4.1 | 4.7 |
| South East | -16.9 | 5.7 | 10.1 | 6.6 |
| South West | -10.6 | 0.8 | -14.3 | -7.5 |
| Wales | -5.2 | -4.7 | -20.7 | 24.6 |
| West Midlands | -4.2 | -7.6 | -14.3 | -4.8 |
| Yorks & Humber | -20.2 | 1.4 | -10.6 | -8.9 |

Source: [Agency Express](#)

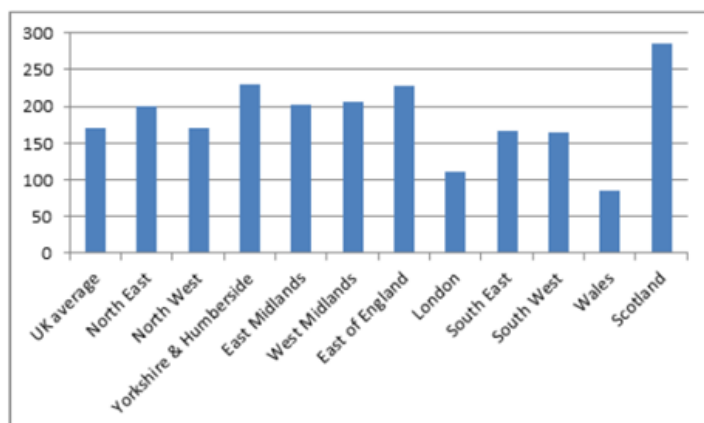
ARLA

“The average number of prospective tenants in May fell to 33 registered per branch. Competition for rental accommodation was highest in East of England, where agents registered an average 44 prospective tenants per branch. Demand was lowest in the East Midlands, which had an average of 13 tenants registered per branch.”



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

“In May, supply of rental accommodation dropped for the first time since January, from 183 in April to 171 in May. However, annually supply fell by four per cent from 179 managed properties per branch in May 2015. This month, supply was lowest in Wales, where agents managed an average 85 properties per member branch, and it was highest in Scotland where there were 285 rental properties registered per branch.”



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

Yields for Landlords

Kate Faulkner comments on Yields:

Overall, with small increases seen so far in property prices and rents being only 1.8% higher than this time last year, according to LSL, there is little change in rental yields, suggesting steady returns ongoing.

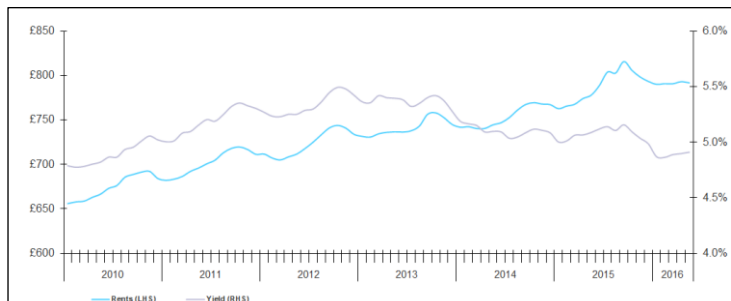
| | Rents May 2016 | One Month change | 12 Month Change | Yields May 2016 | Yields May 2015 |
|------------------------|----------------|------------------|-----------------|-----------------|-----------------|
| London | £1,220 | -0.7% | 1.0% | 3.9% | 4.3% |
| East of England | £849 | 0.1% | 3.6% | 4.3% | 4.5% |
| South West | £678 | 0.0% | 1.8% | 3.6% | 3.7% |
| Yorkshire & The Humber | £555 | -0.3% | 1.6% | 6.6% | 6.4% |
| North West | £595 | 0.0% | 0.9% | 6.8% | 6.9% |
| Wales | £559 | 1.4% | 0.5% | 4.2% | 4.3% |
| South East | £784 | 0.5% | 0.5% | 4.0% | 4.4% |
| North East | £515 | 0.6% | 0.7% | 5.2% | 5.0% |
| West Midlands | £602 | 0.4% | 5.5% | 5.8% | 5.6% |
| East Midlands | £612 | -0.6% | 7.3% | 5.9% | 5.7% |
| England & Wales | £792 | -0.2% | 1.8% | 4.9% | 5.1% |

Source: [LSL – Regional Yields](#)

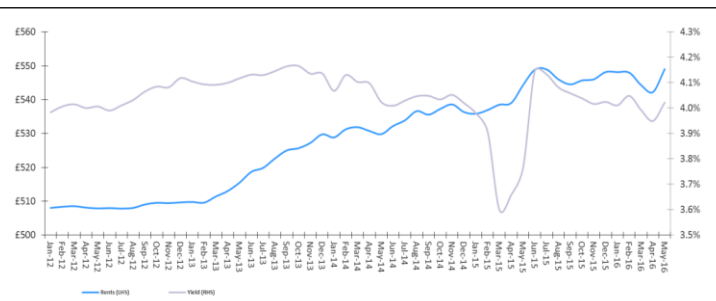
LSL

“Despite rents dipping in May, rental yields are showing resilience thanks to a similar dip in property prices on a monthly basis. 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 May 2016, the same as the 4.9% a month previously in April. (May 16)”

“The average gross yield on a buy-to-let property in Scotland stands at 4.0% in May 2016, a slight 0.1% uptick month-on-month. Compared to a year ago, this marks an improvement from 3.8% in May 2015. (May 16)”



[LSL: Yields – England & Wales](#)



[LSL: Yields – Scotland](#)

Room Rents

SpareRoom

Matt Hutchinson, director of **SpareRoom.co.uk** says *“The UK is in a state of flux at the moment and this seems to be reflected in room rents, with many areas seeing falls in the last three months. Even the areas seeing rent rises, like Bristol, Leicester and Manchester are only seeing comparatively small increases compared to those we’ve seen in previous months. This slow in the rate of rental growth is symptomatic of landlords’ confidence in the market, with recent tax-relief changes and the current political climate rocking the boat. Only time will tell just how much Brexit will impact on the room rental market.”*

| <i>June 2016</i> | SpareRoom Average Monthly Rent | SpareRoom Quarterly Change % |
|------------------|---|---|
| UK | £ 627 | 2.1% |
| England * | £ 428 | 0.2% |
| Scotland | £ 424 | -1.4% |
| Wales | £ 352 | 0.9% |
| Northern Ireland | £ 262 | -6.8% |
| Sunderland | £ 332 | 2.5% |
| Manchester | £ 403 | 0.2% |
| York | £ 396 | 0.8% |
| Leicester | £ 356 | 0.3% |
| Birmingham | £ 403 | -1.7% |
| Bristol | £ 466 | 1.3% |
| Liverpool | £ 356 | -0.8% |
| Reading | £ 540 | -1.6% |
| Greater London | £ 732 | -0.4% |

*Note: * Excludes London*

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](#).