

What are the rental reports saying this month? October 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 by 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

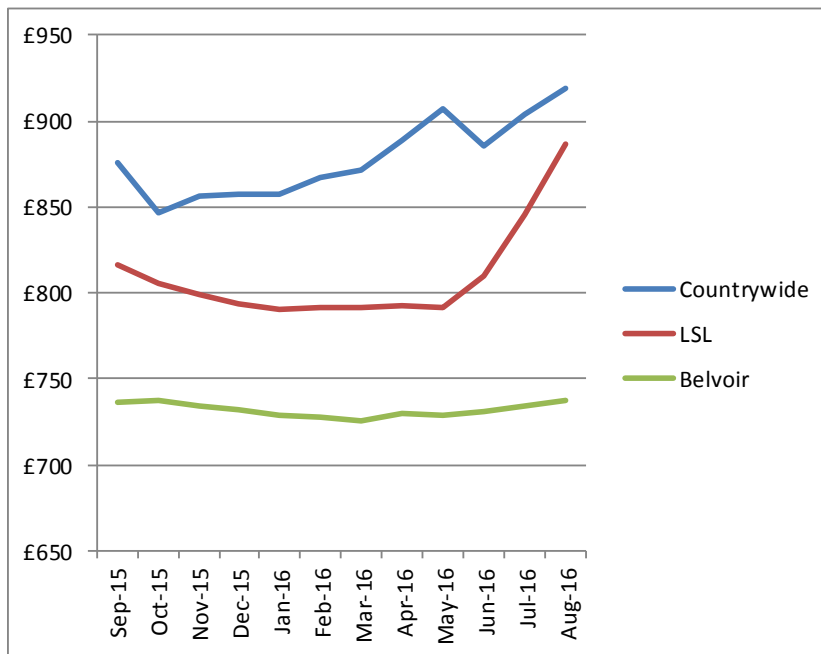
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report headlines

Kate Faulkner comments on rental report headlines:

Irrespective of which index you look at, rents have had a reasonable rise this year, albeit slower than in 2015. They have, as usual, pretty much increased in line with wages. The Belvoir index measures rents on a 'like for like' basis, using offices that have been around since 2008 and have a consistent level of rental income, and their data clearly shows that rents are moving forward, albeit slowly. LSL's index shows more robust growth due to student lets showing an increase of 5.2% vs 2.4% for Countrywide. The key takeaways from the rental data is that rents do not necessarily increase in line with property prices but with wages and, in the main, it is unfair to accuse landlords of charging 'extortionate' rents when, outside of the capital, rents are classed as 'affordable' as they take up a third or less of wages.

Average national rents - history



Rental Indices	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	YoY
LSL	£816	£806	£799	£794	£790	£791	£791	£793	£792	£810	£846	£887	+5.2%
Belvoir	£736	£737	£734	£732	£729	£728	£726	£730	£729	£731	£734	£738	+0.5%
Countrywide	£876	£847	£856	£857	£857	£867	£871	£889	£907	£886	£904	£919	+2.4%

Belvoir Lettings

"For England, Scotland and Wales where offices have been trading consistently over the last eight years, the average monthly rent is £740 – a year-on-year increase of £4." (Sep 16 - England, Wales & Scotland)

LSL

"Student check-ins drive up rents in England and Wales." (Sep 16 - England & Wales, index started in 2009)

ARLA

"Supply of rental housing has increased to an 18-month high." (Sep 16 - UK)

Countrywide

"North-South rental divide narrows by 4.6%." (Sep 16 - England, Wales & Scotland)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

As with property prices, we are seeing a slowdown in growth in the South, while the Midlands and the North are experiencing good growth currently. The ONS index is now produced monthly and provides a robust view of the changes in the rental market and confirms that rents are NOT rising 'exponentially' in any region. According to LSL, the main news is London rent rises have finally slowed, although the South and the rest of the UK is doing well. According to Countrywide, more properties coming onto the market following the large increase in purchases in March to beat the stamp duty is leading to better choice for tenants and as a result a slowing of rental growth. Their data shows that "The proportion of landlords cutting the asking rent has doubled over the last 12 months in cities in Southern England" naming the power houses of Cambridge and London with the largest proportion of homes with rental cuts. For them, Manchester was the big growth area. The ONS data suggests that Scotland, Wales and the North East are not seeing rental growth, while East Anglia and the South East seem to be the top performers.

August 2016	LSL Average Monthly Rent Aug-15	LSL Average Monthly Rent Aug-16	LSL % Change YoY	Homelet Average Monthly Rent Aug-15	Homelet Average Monthly Rent Aug-16	Homelet % Change YoY	Belvoir Average Monthly Rent Aug-15	Belvoir Average Monthly Rent Aug-16	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Aug-16
Scotland	£ 546	£ 576	5.5%	£ 622	£ 629	1.1%	n/a	n/a	n/a	0.0%
Wales	£ 543	£ 605	11.4%	£ 622	£ 654	5.1%	£ 648	£ 637	-1.7%	0.1%
North East	£ 517	£ 583	12.8%	£ 543	£ 535	-1.5%	n/a	n/a	n/a	0.9%
North West	£ 601	£ 632	5.2%	£ 670	£ 699	4.3%	£ 618	£ 635	2.8%	1.1%
Yorkshire & The Humber	£ 549	£ 580	5.6%	£ 632	£ 640	1.3%	£ 650	£ 639	-1.7%	1.3%
East Midlands	£ 596	£ 640	7.4%	£ 615	£ 621	1.0%	£ 604	£ 626	3.6%	2.4%
West Midlands	£ 586	£ 590	0.7%	£ 652	£ 674	3.4%	£ 675	£ 725	7.4%	1.8%
South West	£ 680	£ 706	3.8%	£ 787	£ 799	1.5%	£ 695	£ 714	2.7%	2.0%
East Anglia	£ 843	£ 854	1.3%	£ 864	£ 915	5.9%	£ 708	£ 755	6.6%	3.3%
South East	£ 793	£ 975	23.0%	£ 1,001	£ 1,034	3.3%	£ 976	£ 982	0.6%	3.4%
Greater London	£ 1,278	£ 1,391	8.8%	£ 1,457	£ 1,497	2.7%	£ 1,498	£ 1,607	7.3%	2.6%

LSL

"Rents in the London grew 6.9% in the last 12 months to reached £1,391. However, this performance was bettered by the South East where rents reached £975 per month in August. Data suggested this increase in the South East was buoyed by students moving into new rental properties ahead of the new university year. Other regions to outperform the capital included the North East. This region saw rents up 12.3% in the same time period and properties in this area now let for an average of £583 per month. Yorkshire and the Humber (£580 per month) is the cheapest place to rent in England and is just 42% of the cost of renting in London. (Sep 16). Four out of the five Scottish regions saw a rent increase year on year, reflecting the confidence in the wider housing market. The top performance came in the South of Scotland where average rents have grown from £511 to £590 since August 2015. Glasgow & Clyde was the only area of the country to post a fall in rents. Properties in this region now attract a typical rent of £536, 3.2% lower than a year ago." (Aug 16)

Countrywide

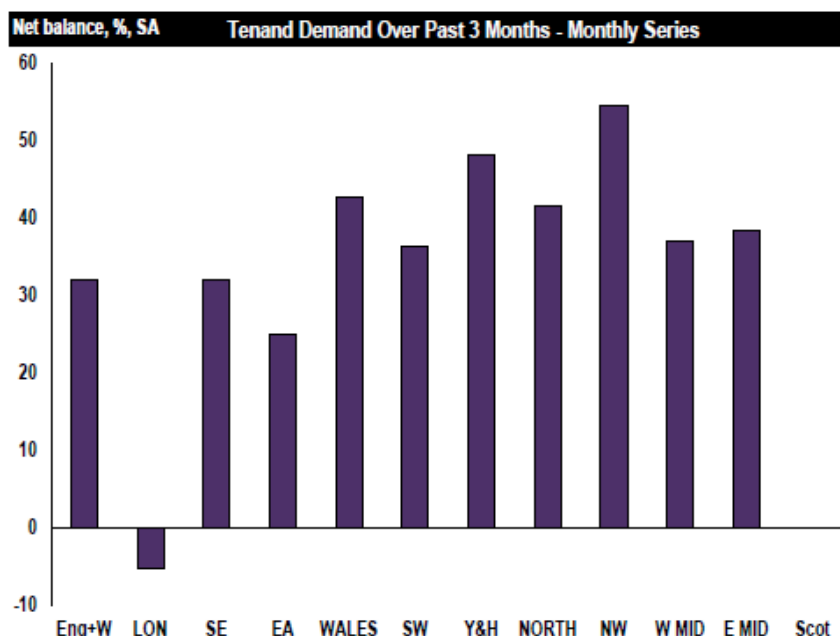
"On a regional basis the rate of rental growth has slowed right across the country, falling from 2.8% in September 2015 to 2.2% this year. Rents are rising more slowly than last year in eight of the 11 regions. Northern England and Wales were the exceptions. With rental growth slowing across the South, the gap between rents in Northern and Southern cities has narrowed by 4.6% (or £31 per month) over the last 12 months. The gap remains 26% wider than it was in 2010 however." (Sep 16)

Demand and supply

Kate Faulkner comments on demand and supply:

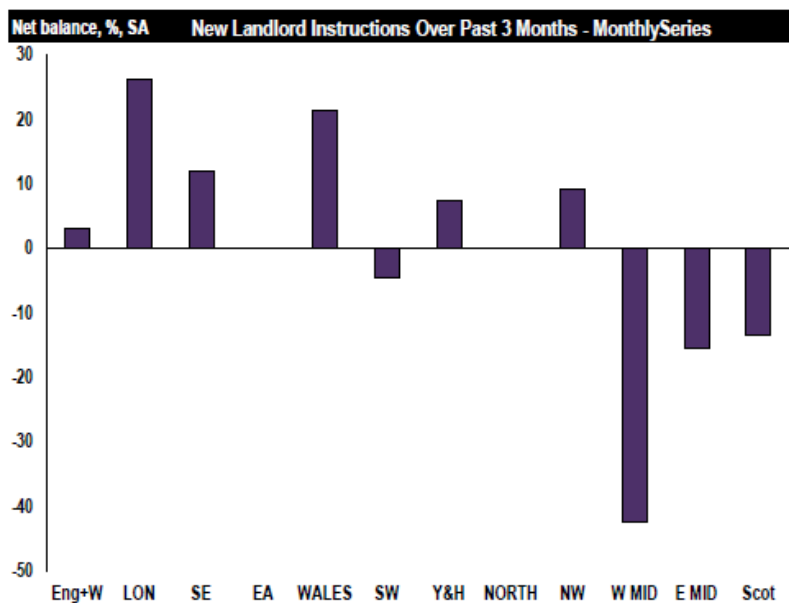
According to ARLA and backed by the RICS, both demand and supply have increased. The RICS believe they have seen the strongest growth in tenant demand in the last 12 months while, from a landlord instruction perspective, interestingly, despite the increase in taxes and the huge 'buying forward' in March, "Landlord instructions were more or less unchanged at the headline level, but did increase notably in London and Wales." Countrywide's statement that we are on track (based on current trends) to let as many properties in 2017 as we sell, hit the headlines and shows the current robust nature of the private rented sector – despite George Osborne's efforts to slow the market in favour of home ownership. At some point MPs need to accept that people who are renting are not just doing so because they can't buy; for many it is sensible and cost-effective way of putting a roof over their heads. If it wasn't, there wouldn't be so many wealthy people choosing to rent.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

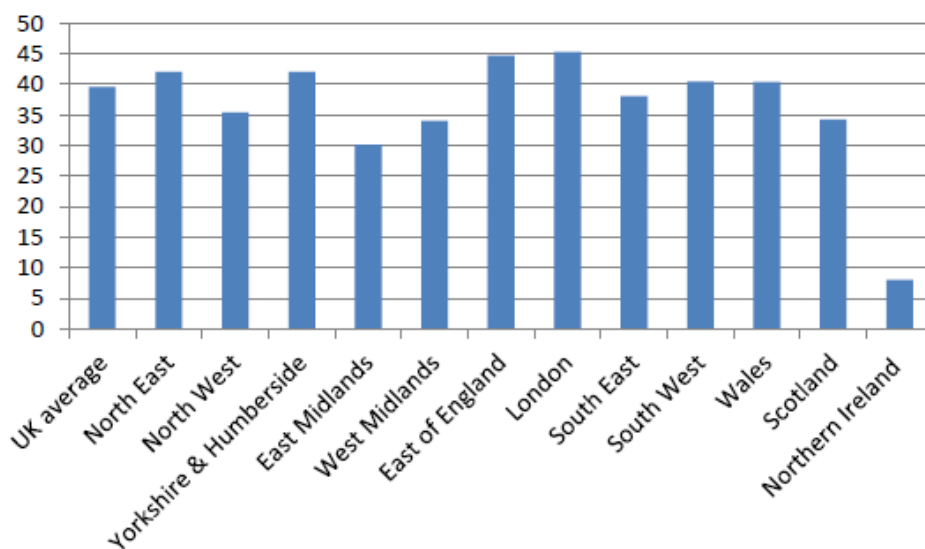
Demand and supply - cont'd

	NEW LISTINGS		PROPERTIES LET	
	SEP 16	SEP 15	SEP 16	SEP 15
NATIONAL	1.3	4.2	4.4	3.7
Central England	7.6	8.2	11.4	-1.5
East Anglia	-11.2	8.1	-1.4	14.5
East Midlands	12.3	9.8	-5.2	19.5
London	6.4	-3.5	3.3	6.9
North East	19.6	10.4	-9.7	15.4
North West	-4.2	11.8	5.4	11.6
Scotland	-4.2	-2.3	-3.3	3.6
South East	-1.9	10.5	10.1	6.5
South West	2.2	5.8	0.4	-3.6
Wales	-10	-7.3	13.8	-7.3
West Midlands	5.8	-6.4	17.7	0.4
Yorks & Humber	12.6	3.2	0.2	-7.3

Source: [Agency Express](#)

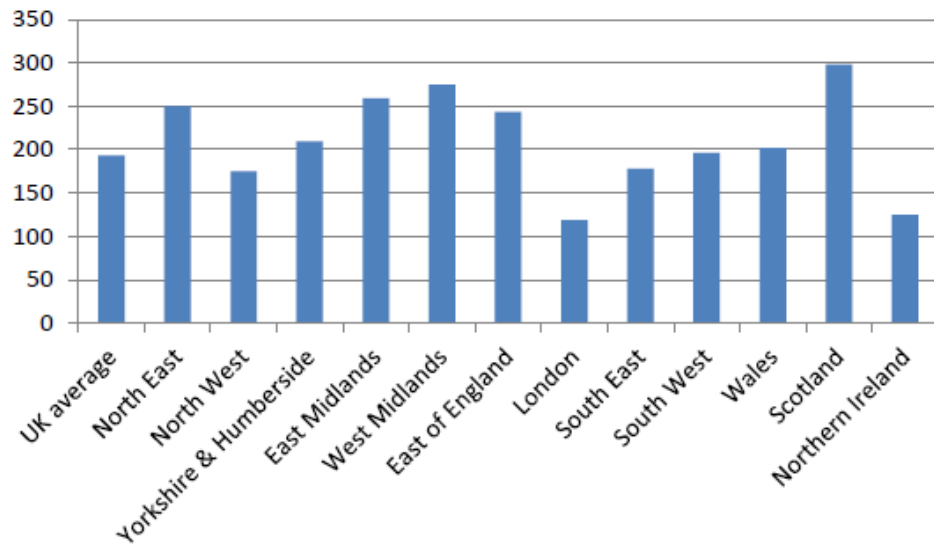
ARLA

“In September, letting agents had 40 prospective tenants registered on average per branch, the highest number since February last year. Demand in the East of England and London sat much higher than the national average, with 45 prospective tenants registered per branch. Compared to the rest of the UK, demand remained the lowest in Northern Ireland.”



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

“In September, the number of properties managed per branch was 193. This was the highest level seen since April 2015, when there were also 193 properties managed per branch. The number of properties registered per branch was lowest in London where agents managed an average of 119 properties per branch. However, this is significantly higher than the 97 reported in London in August. Supply was highest in Scotland, where there were 298 rental properties managed per branch on average, considerably higher than the national average.”



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

Yields for landlords

Kate Faulkner comments on yields:

With price growth slowing and rents rising, we have seen, in the main, a rise in yields for the PRS. However, this measure just looks at landlord 'turnover' and ignores the fact that landlords are facing one of the toughest few years from a profitability perspective. They are having to take on board increased costs to improve health and safety, while also facing increased taxation so, although yields are a useful measure when buying, they won't help landlords to understand the impact of lower profitability levels moving forward. It is essential that landlords who have posted their tax returns now need to take these to a property tax expert to understand the future viability of their investment and know if they are likely to have to put money in. And landlords face further dilemmas moving forward. Although better yields can be secured by buying up north, data shows that since 2004, capital growth returns – crucial to property investment success – have not been forthcoming, meaning landlords who want to succeed need to ensure capital growth is built in when they buy, rather than relying on natural price growth to deliver their returns.

Region	Rents August (£) 2016	One month change	Yields July 2016
East Midlands	640	3%	4.5%
South East	975	5%	3.8%
North East	583	3%	5.6%
London	1,391	9%	3.5%
East of England	854	-0.3%	3.8%
Yorkshire & The Humber	580	2.6%	4.6%
West Midlands	590	-1.5%	4.0%
South West	706	2.9%	3.6%
North West	632	2.4%	5.1%
Wales	605	-2.1%	5.0%
England & Wales	877	3.6%	4.7%

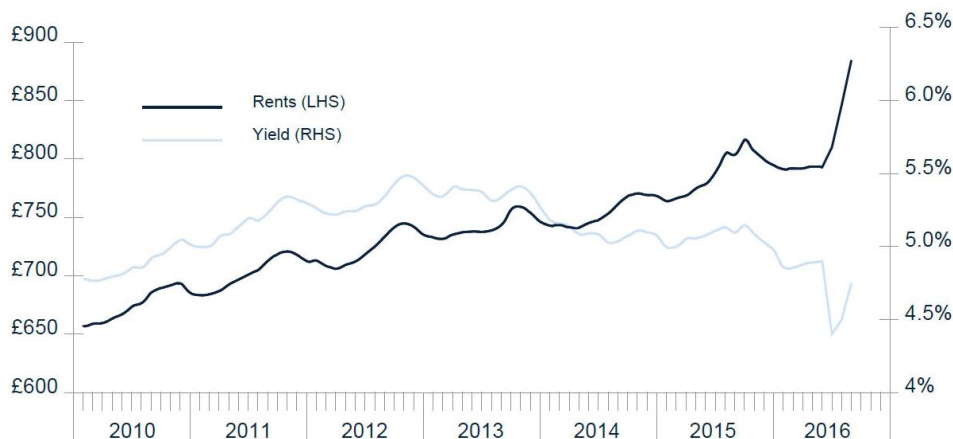
Source: [LSL – Regional Yields](#)

LSL

“The average gross rental yield for properties in England and Wales increased in August, reflecting increased rental income for landlords across the two nations. The typical return during August was 4.7%. This is above both the 4.4% recorded in June and 4.5% seen in July. However, it remains below the 5.1% witnessed in August 2015.

“On a regional basis, the North East continues to be home to the highest yields in this survey. Properties in this area typically returned 5.6% to landlords in August. Other areas with above average yields include the North West (5.1%) and Wales (5%). At the other end of the scale London landlords saw the smallest percentage return on their investment. Properties in the capital returned a yield of 3.5% in August.” (Sep 16)

“The average gross rental yield for properties in Scotland stood at 5.9% in August 2016. Rising house prices and increased demand from tenants have prompted the increase in yields.” (Aug 16)”



[LSL: Yields – England & Wales](#)

Room Rents

SpareRoom

Matt Hutchinson, director of **SpareRoom.co.uk** says: *“We’ve been talking about London rents seemingly forever, but now it’s the rest of UK seeing rents rise, while London renters are getting a reprieve, of sorts.*

“Renters in Swansea will be feeling the pain, with rents up £40 per month year on year – adding just under £500 a year to their rent bill.

“Demand for rooms in commuter towns like Basingstoke, Harlow and Milton Keynes means rents in these areas are up considerably – 6%, 8% and 5% year on year respectively.”

Q2 2016	SpareRoom Average Monthly Rent	SpareRoom Annual Change %
UK *	£ 441	4.0%
Scotland	£ 419	2.0%
Wales	£ 361	7.0%
Northern Ireland	£ 277	3.0%
Sunderland	£ 327	-2.0%
Manchester	£ 414	7.0%
York	£ 400	6.0%
Leicester	£ 368	6.0%
Birmingham	£ 405	-2.0%
Bristol	£ 469	6.0%
Liverpool	£ 358	2.0%
Reading	£ 530	4.0%
Greater London	£ 734	1.0%

*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](#).