

What are the rental reports saying this month? November 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

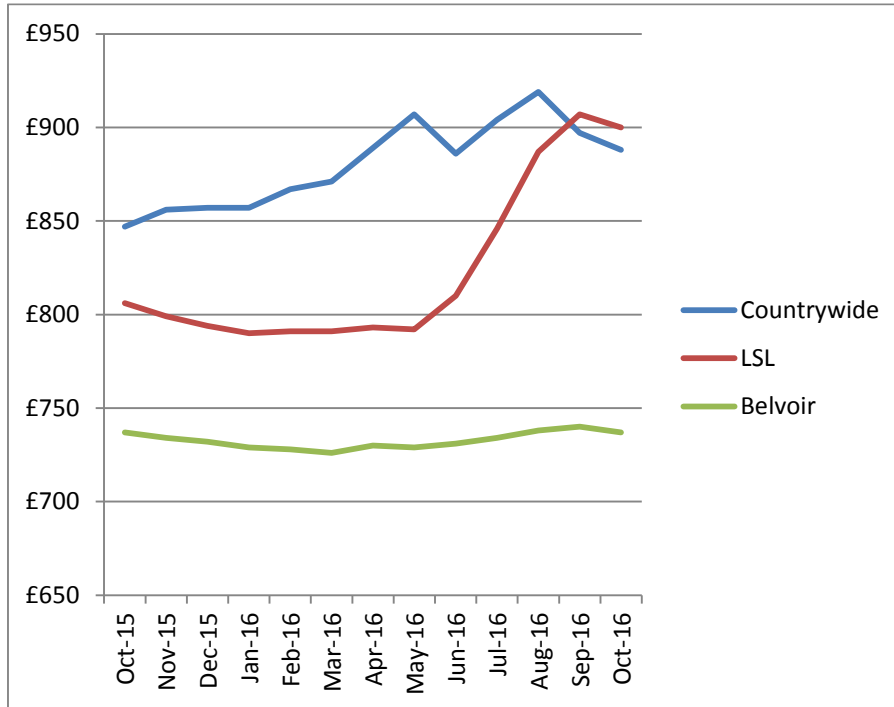
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report headlines

Kate Faulkner comments on rental report headlines:

LSL are showing the biggest rental rises year on year with 11.7% increase; Countrywide show 4.8%. Belvoir's inflation tends to be different to others as it measures rent increases for offices which have traded consistently over time, as opposed to measuring rents from a varying office base which can be increasing/decreasing. Overall, rents are pretty flat to rising just above wages, on average.

Average national rents - history



Rental Indices	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	YoY
LSL	£806	£799	£794	£790	£791	£791	£793	£792	£810	£846	£887	£907	£900	+11.7%
Belvoir	£737	£734	£732	£729	£728	£726	£730	£729	£731	£734	£738	£740	£737	0%
Countrywide	£847	£856	£857	£857	£867	£871	£889	£907	£886	£904	£919	£897	£888	+4.8%

Belvoir Lettings

"For England, Scotland and Wales where offices have been trading consistently over the last eight years, the average monthly rent is £737, which is the same as October 2015." (Oct 16 - E, W & S)

LSL

"Rents in England and Wales hit second highest peak ever recorded by Your Move." (Oct 16 - E & W, index started in 2009)

ARLA

"Tenant rent hikes finally start to slow, as chancellor triggers country-wide increases." (Oct 16 - UK)

Countrywide

"Number of tenants with a spare bedroom halves as affordability bites." (Oct 16 - E, W & S)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

Regional variations are starting to dissipate, especially shown by the ONS index where they are measuring rental changes from a -0.2% fall in Scotland through to a 3.4% rise in the South East. Overall, from their index, rents are rising either at a similar rate to wages, or less, so good news from a tenant's perspective. Individual rental indices from LSL and Homelet are showing similar changes to those from Belvoir offices while, in the main, Homelet and LSL measures suggest that rental inflation is running slightly higher in areas such as the South East and West Midlands.

October 2016	LSL Average Monthly Rent Oct-15	LSL Average Monthly Rent Oct-16	LSL % Change YoY	Homelet Average Monthly Rent Oct-15	Homelet Average Monthly Rent Oct-16	Homelet % Change YoY	Belvoir Average Monthly Rent Oct-15	Belvoir Average Monthly Rent Oct-16	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Oct-16
Scotland	n/a	n/a	n/a	£ 608	£ 606	-0.3%	n/a	n/a	n/a	-0.2%
Wales	£ 535	£ 559	4.5%	£ 586	£ 609	3.9%	£ 615	£ 632	2.8%	0.4%
North East	£ 521	£ 543	4.2%	£ 519	£ 525	1.2%	n/a	n/a	n/a	1.1%
North West	£ 606	£ 611	0.8%	£ 648	£ 676	4.3%	£ 626	£ 629	0.5%	1.3%
Yorkshire & The Humber	£ 552	£ 558	1.1%	£ 605	£ 619	2.3%	£ 635	£ 649	2.2%	1.5%
East Midlands	£ 604	£ 623	3.1%	£ 583	£ 601	3.1%	£ 609	£ 627	3.0%	2.4%
West Midlands	£ 589	£ 605	2.7%	£ 631	£ 663	5.1%	£ 703	£ 728	3.6%	2.1%
South West	£ 677	£ 681	0.6%	£ 772	£ 787	1.9%	£ 704	£ 715	1.6%	2.4%
East Anglia	£ 835	£ 842	0.8%	£ 871	£ 904	3.8%	£ 754	£ 746	-1.1%	3.2%
South East	£ 794	£ 862	8.6%	£ 973	£ 999	2.7%	£ 963	£ 973	1.0%	3.4%
Greater London	£ 1,287	£ 1,290	0.2%	£ 1,504	£ 1,542	2.5%	n/a	n/a	n/a	2.6%

LSL

"Wales was the location with the fastest growth in the last year as rents in the nation went up by 8%. Other areas to boast strong growth include the East Midlands and the East of England. Both of these regions saw average rents increase by 6% in the last year. London remains home to the highest rents in this survey, although growth has slowed in recent months. The average rent in the capital is 1% higher than a year ago but remains below the levels recorded in the spring months of 2016. At the other end of the scale, the North East of England was the only place to see rents fall compared to last year. Properties in this area were 1% lower this month than in October 2015. The only other region which showed no growth in the last 12 months was the South West." (Oct 16, index started in 2009)

Countrywide

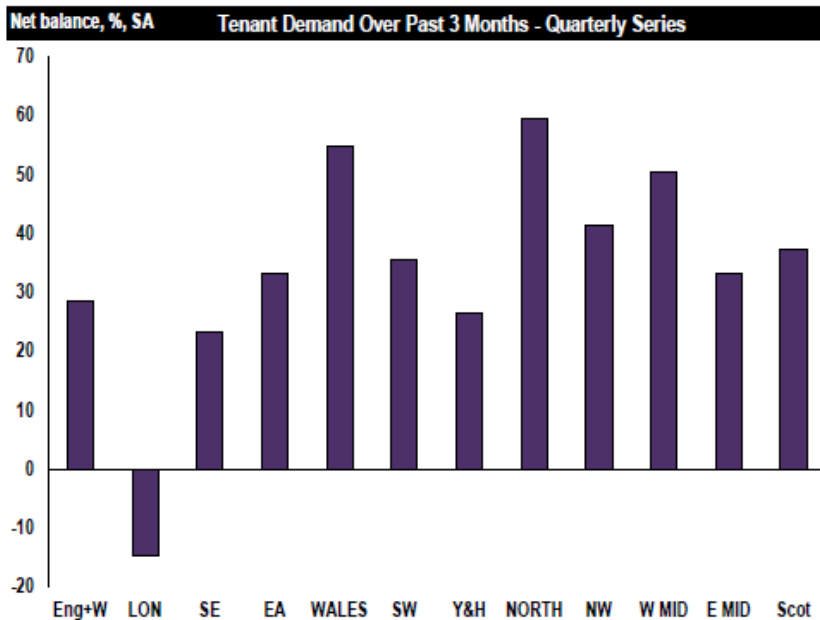
"Rental growth continues to slow across Great Britain, driven by the South of England, year-on-year average rents increase by 1% nationally. London and the South East continue to bear the brunt of the slowdown with rents in the capital up just 0.2% over the last 12 months while in the South East they fell 3.0% year-on-year. In October 2016, the average monthly London rent stood at £1,302 compared to £1,300 last year. The Midlands, North and Scotland saw rents up by more than 2.0%." (Oct 16)

Demand and supply

Kate Faulkner comments on demand and supply:

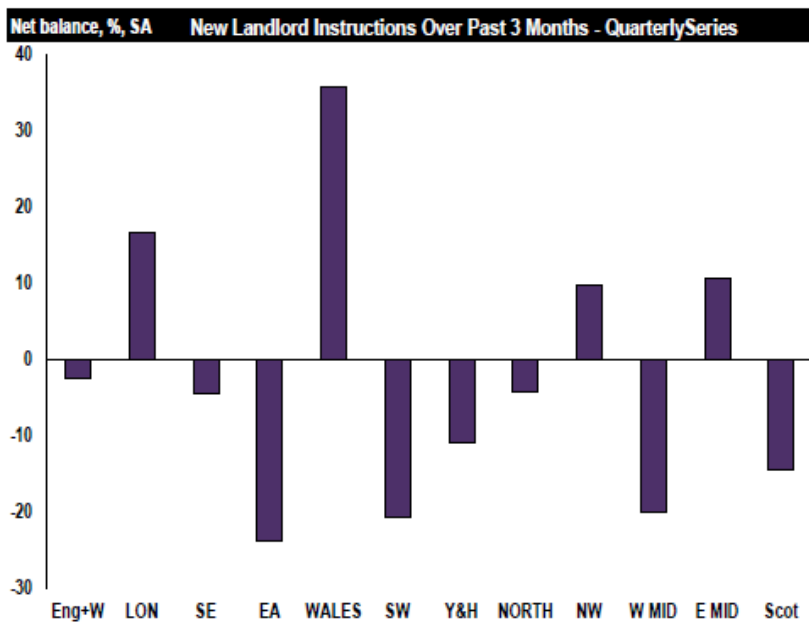
The problem for the PRS is likely to start hitting hard over the next few years and that's because tenant demand, in the main, is increasing; in my view, this is more through cultural and political change rather than an affordability issue. The problem that is starting to show now is that demand is rising faster than supply and, according to the RICS, "Demand continues to outpace new supply in a trend that dates back almost two years." With fewer landlords coming onto the market and not enough of the demand increase likely to be taken up by institutional landlords any time soon, tenants are going to really start feeling the pinch due to a lack of stock and are likely to see increased rents as a result.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

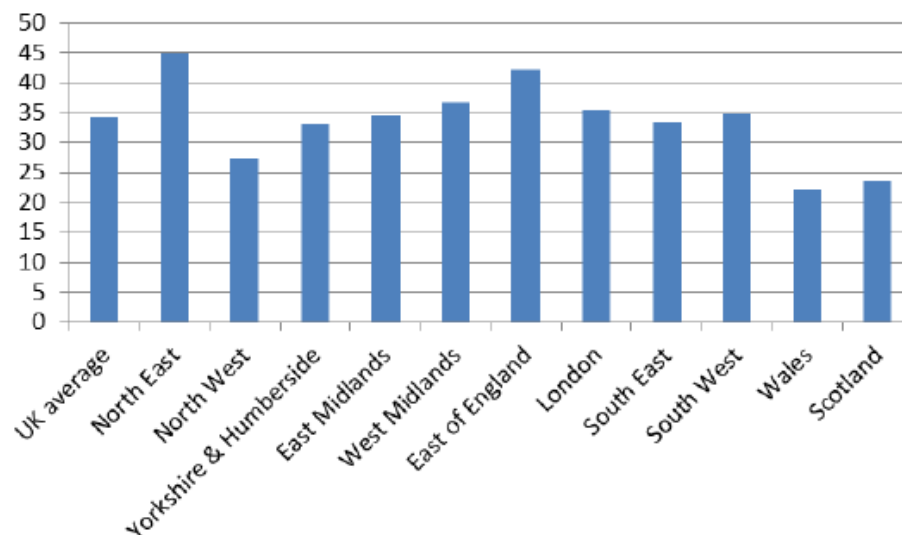
Demand and supply - cont'd

	NEW LISTINGS		PROPERTIES LET	
	AUG - OCT 16	AUG - OCT 15	AUG - OCT 16	AUG - OCT 15
NATIONAL	-0.1	0.3	-1.4	-4.4
Central England	0.5	5.8	-0.1	-3.7
East Anglia	-3.3	-2.7	-3.8	-5.6
East Midlands	6	13.2	-4.9	-0.5
London	-0.7	-9.4	0.9	-7.5
North East	1.4	4.4	5.2	0.2
North West	0.2	2.4	-1.5	-0.9
Scotland	-1.7	-8.3	-1.6	-11.8
South East	0.6	0.4	5.7	-3.6
South West	-0.7	-4.1	-0.3	-6.8
Wales	2	11.9	-4.9	-3.5
West Midlands	1.3	-1.1	-2.7	-3.8
Yorks & Humber	-1.2	1.6	-6.5	-2.2

Source: [Agency Express](#)

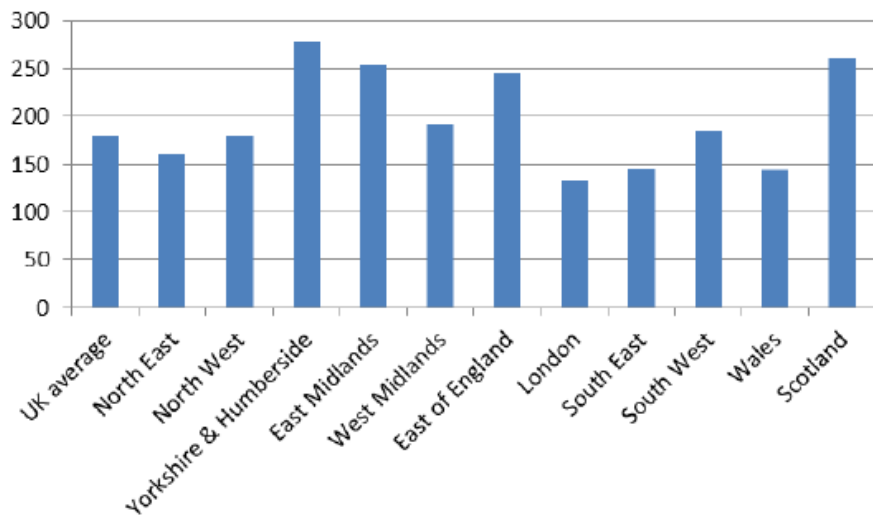
ARLA

"In October, letting agents had 34 prospective tenants registered on average per branch, the lowest level since May. Demand in the North East was much higher than the national average, with 45 prospective tenants registered per branch."



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

"In October, the number of properties managed per branch was 180. This was the lowest number since June this year, when there were 176 properties managed per branch. Supply of rental stock was lowest in London where agents managed an average of 132 properties per branch. However this was an increase from the 119 registered per branch last month. The number of properties registered per branch was highest in Yorkshire, where there were 278 on agents' books on average, considerably higher than the national average."



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

Yields for landlords

Kate Faulkner comments on yields:

Gross yields can be helpful in comparing one property investment to another, but that's where the usefulness ends with the changes in taxation and continued increase in costs through rising safety and legal requirements. Now landlords need to be looking at the bottom line, capital growth and cash income left at the end of each year, post the new taxation regime which will be fully implemented by 2020.

Regional Breakdown

Region	Rents Oct (£) 2016	One month change	Yields Oct 2016
East Midlands	623	0.53%	4.5%
South East	862	0.71%	3.5%
North East	543	0.45%	5.3%
London	1,290	1.36%	3.3%
East of England	842	0.07%	4.1%
Yorkshire & The Humber	558	0.30%	4.6%
West Midlands	605	0.40%	4.2%
South West	681	-2.47%	3.5%
North West	611	0.39%	5.1%
Wales	559	1.98%	5.0%
England & Wales	877	-0.77%	4.7%

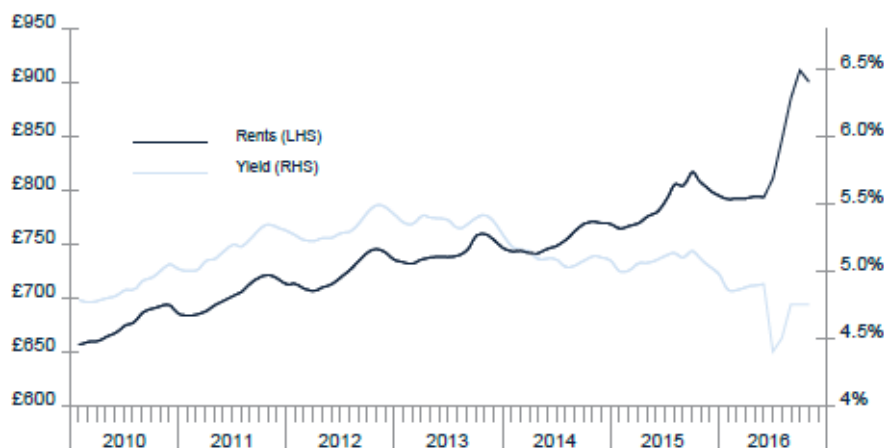
Source: [LSL – Regional Yields](#)

LSL

“The average gross rental yield for properties in England and Wales continued to hold firm in October, despite falling average rents. The typical return during October was 4.7%, exactly the same as in the past two months. However, it is down compared to the 5.1% recorded in October 2015.

“As in recent months, the North East was home to the highest yields in England and Wales. Properties in this region typically returned 5.3% during October, exactly the same as both the previous month and the same point a year ago. Elsewhere, property investors in the North West and Wales both saw higher yields than the national average. In the North West a typical property returned 5.1% - flat month-on-month – while homes in Wales saw a yield of 5%, up from 4.9% in September. Wales was the only area to boast higher yields than the previous month. Eight of the other nine regions were flat compared to September, while in the South West yields fell slightly to 3.5%. The lowest yields this month continued to be found in areas with the highest house prices. London landlords saw a return of 3.3%, well below the national average. The South East and South West both saw average yields of 3.5% in October, the next smallest in England and Wales.” (Oct 16)

Total annual rent and yield from residential property



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 online 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](#).