

What are the rental reports saying this month? December 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 large month-on-month fluctuations with a pinch of salt.

Large rises and falls

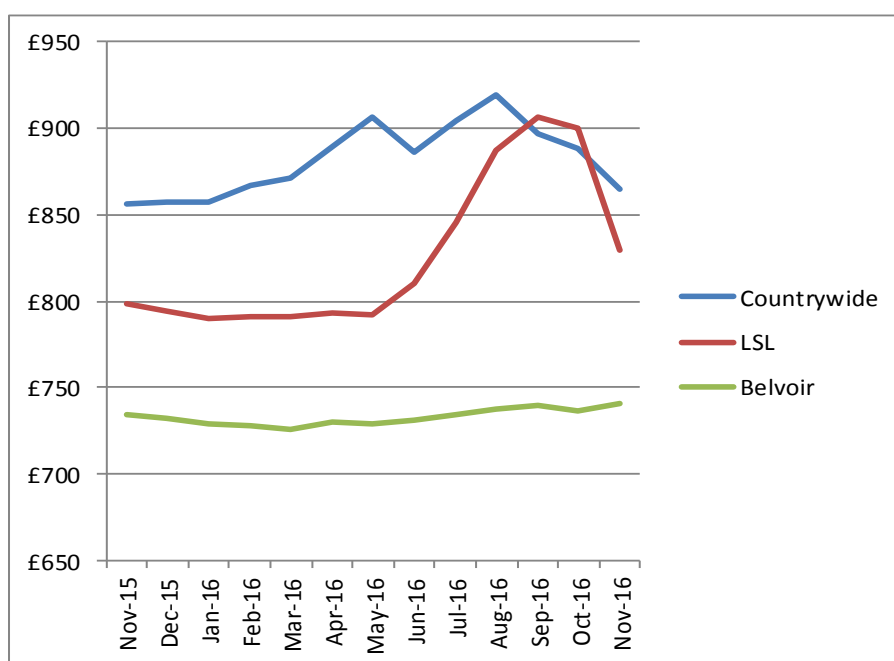
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report headlines

Kate Faulkner comments on rental report headlines:

As usually happens towards the end of the year, there is a seasonal downshift in average monthly rents, making it a great time for tenants to search for a bargain as landlords are desperate not to leave their properties empty over the (often cold) Christmas and New Year period. And this year is no exception, with rents falling to a range of £737 to £900 in October, to a top monthly rent of £865 a month in November. With this normal 'downturn', rents are likely to end up being close to moving in line with inflation year on year – of course that's if you are with a decent agent such as Belvoir, Countrywide, Your Move or Reeds Rains as opposed to a landlord/agent that takes advantage in areas where there are rental shortages. However, with increased costs and reduced profitability for the sector in 2017, it's unlikely rents will stay low.

Average national rents - history



Rental Indices	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	YoY
LSL	£799	£794	£790	£791	£791	£793	£792	£810	£846	£887	£907	£900	£830	+3.9%
Belvoir	£734	£732	£729	£728	£726	£730	£729	£731	£734	£738	£740	£737	£741	+0.9%
Countrywide	£856	£857	£857	£867	£871	£889	£907	£886	£904	£919	£897	£888	£865	+2.8%

Belvoir Lettings

"For England, Scotland and Wales where offices have been trading consistently over the last eight years, the average monthly rent is £741, a year on year increase of just under 1%." (Nov 16 - E, W & S)

LSL

"London rents end the year on all-time high." (Nov 16 - E & W, index started in 2009)

ARLA

"Eight in 10 letting agents expect rents to rise next year." (Nov 16 - UK)

Countrywide

"Gap between London rents and the rest of country narrows." (Nov 16 - E, W & S)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

Unlike the property price indices, regionally we see that rents don't show such diverse performance. The ONS is probably one of the most robust indices and is now showing that rental growth varies monthly, from hardly anything in Scotland through to a pretty reasonable 3.4% in the South East. Considering the huge lack of stock in areas like London it's really interesting to see that again, unlike house prices, rents don't seem to be able to rise much higher than wage increases, on average.

November 2016	LSL Average Monthly Rent Nov-15	LSL Average Monthly Rent Nov-16	LSL % Change YoY	Homelet Average Monthly Rent Nov-15	Homelet Average Monthly Rent Nov-16	Homelet % Change YoY	Belvoir Average Monthly Rent Nov-15	Belvoir Average Monthly Rent Nov-16	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Nov-16
Scotland *	£ 546	£ 558	2.2%	£ 584	£ 610	4.5%	n/a	n/a	n/a	0.1%
Wales	£ 550	£ 584	6.2%	£ 590	£ 604	2.4%	£ 614	£ 642	4.6%	0.3%
North East	£ 520	£ 542	4.2%	£ 510	£ 524	2.7%	n/a	n/a	n/a	1.1%
North West	£ 604	£ 616	2.0%	£ 648	£ 678	4.6%	£ 626	£ 625	-0.2%	1.1%
Yorkshire & The Humber	£ 554	£ 564	1.8%	£ 605	£ 620	2.5%	£ 623	£ 649	4.2%	1.6%
East Midlands	£ 610	£ 630	3.3%	£ 587	£ 596	1.5%	£ 608	£ 629	3.5%	2.5%
West Midlands	£ 591	£ 604	2.2%	£ 634	£ 662	4.4%	£ 720	£ 734	1.9%	2.2%
South West	£ 663	£ 656	-1.1%	£ 767	£ 786	2.5%	£ 706	£ 770	9.1%	2.4%
East Anglia	£ 834	£ 858	2.9%	£ 874	£ 901	3.1%	£ 749	£ 736	-1.7%	3.1%
South East	£ 770	£ 858	11.4%	£ 964	£ 1,009	4.7%	£ 973	£ 962	-1.1%	3.4%
Greater London	£ 1,271	£ 1,295	1.9%	£ 1,497	£ 1,521	1.6%	n/a	n/a	n/a	2.4%

*Note: LSL Scotland refers to Oct 16 vs Oct 15

LSL

"The South East of England saw rents rise faster than anywhere else in the last 12 months. Landlords in this region saw prices grow 13.6% in the last year to reach £875 per month. The rental market in Wales continues to go from strength to strength as prices in the nation have grown 6.2% in the last year. The North East has also seen rents rise faster than the national average increasing by 4.2% year-on-year to reach £542 although this still remains the cheapest place to rent a property in the country. Just one region saw rents decrease on a yearly basis - the South West. Properties here attracted an average of £663 a year ago, and this has fallen to £656 in this survey. In absolute terms, London remains the area with the highest rents. The typical rent in the capital city was £1,295 in November, up 1.9% compared to the same point in 2015 but virtually flat month-on-month." (Nov 16, index started in 2009)

Countrywide

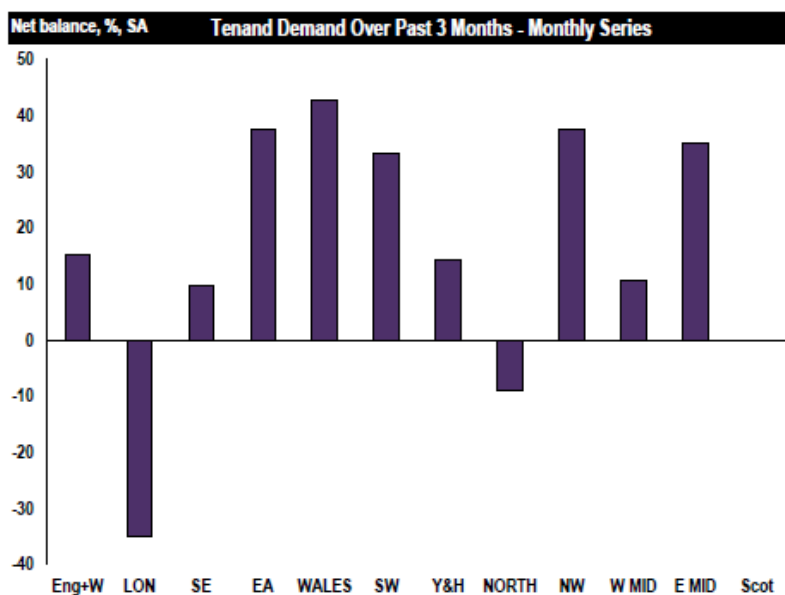
Rental growth has been driven by Northern England; the North East, North West and Yorkshire & Humber. Taking these three regions together, rents have risen faster than in any other part of Great Britain. A quarter (25%) of tenants renewing their contract in Northern England saw their rent increase in November 2016, up from 16% in the same month last year." (Nov 16)

Demand and supply

Kate Faulkner comments on demand and supply:

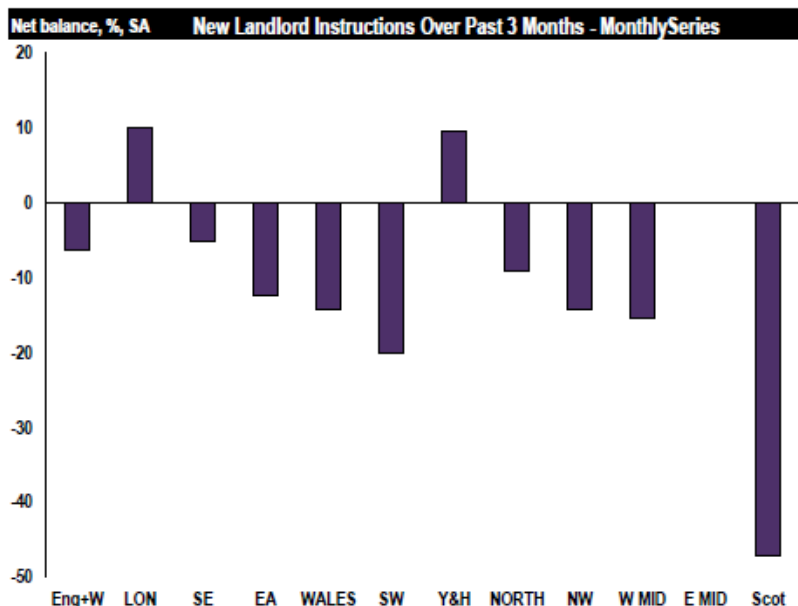
Stock of property for rent is likely to start falling over the next year versus demand, due to property investment now being so heavily taxed compared to financial investment which could put people off investing for the first time, and even existing investors. This is especially the case in areas where it is now pretty difficult to get buy-to-let to stack up financially with prices rising so much faster than rental income, cutting the yields that can be achieved.

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

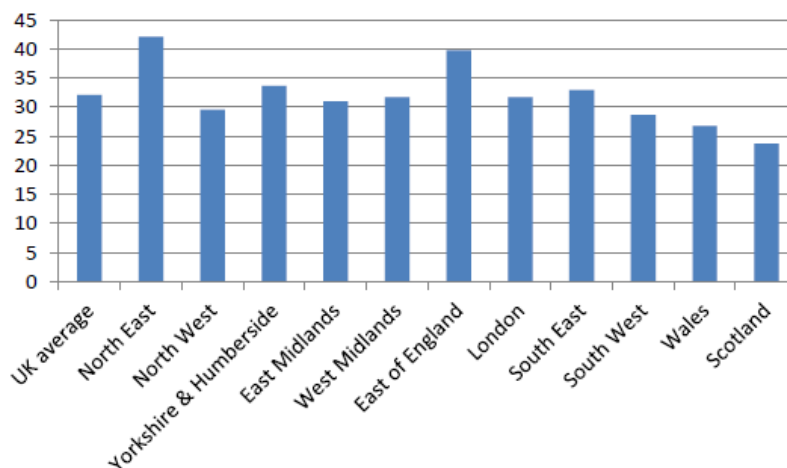
Demand and supply - cont'd

	NEW LISTINGS		PROPERTIES LET	
	SEP -	SEP -	SEP -	SEP -
	NOV 16	NOV 15	NOV 16	NOV 15
NATIONAL	6	6.3	-1	-3.2
Central England	4.4	10.1	0.7	-3.5
East Anglia	0.1	-1.1	-4	-3.6
East Midlands	8.1	15.1	0.3	2.7
London	1.2	3.6	-4.5	-7.7
North East	10.5	0.9	0.5	-2
North West	10.6	7	1.6	0.7
Scotland	4.1	-4.1	2.7	-10.4
South East	15.6	7.7	6.6	0.8
South West	7.9	18.7	-4.4	-4.3
Wales	4	1.4	-3.9	-0.5
West Midlands	4.4	3.4	-0.9	-8.5
Yorks & Humber	3.7	7.8	-2.7	-1.9

Source: [Agency Express](#)

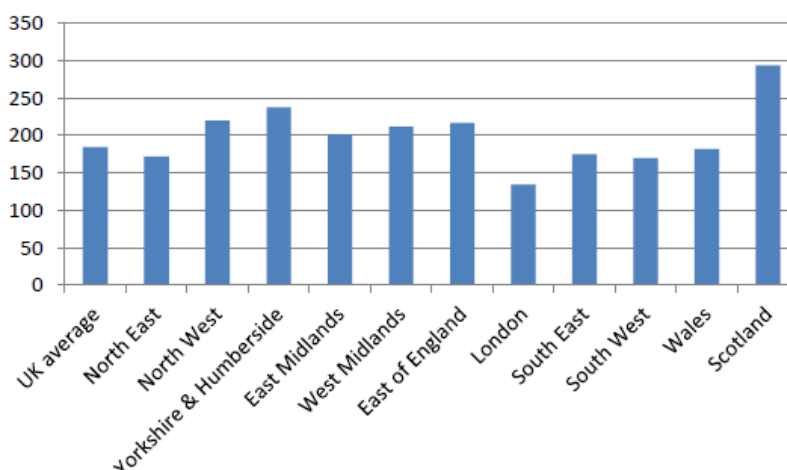
ARLA

"The average number of prospective tenants decreased in November to 32 registered per branch, the lowest recorded since January, when agents reported just 31 per branch."



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

"The average number of properties managed per branch was 185 in November, up from 180 in October. The supply of rental stock was highest in Yorkshire and the Humber, where agents managed an average 238 properties per branch. In London, rental stock was well below average, as agents had just 135 properties registered per branch on average."



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

Yields for landlords

Kate Faulkner comments on yields:

Yields will rise when prices rise at a slower rate than rents and fall when prices rise at a much faster rate – and the latter has been the case for some years now. On average rents tend to rise around 2% each year (ONS) versus the UK HPI index which shows that house prices tend to rise around 6-8% each year. However, this is likely to be reversed this year as rents are expected to grow for the first time much more strongly while price rises are expected to soften. For those still keen to invest and who know what they are doing, it's looking possible that this year there will be bargains to be had – which have been tough to secure over the last few years.

Region	Rents Nov (£) 2016	One month change	Yields Nov 2016
East Midlands	630	1.12%	4.5%
South East	858	-0.46%	3.5%
North East	542	-0.18%	5.3%
London	1,295	0.39%	3.3%
East of England	858	1.9%	4.0%
Yorkshire & The Humber	564	1.07%	4.6%
West Midlands	604	-0.16%	4.2%
South West	656	-3.7%	3.4%
North West	616	0.81%	5.1%
Wales	584	4.5%	4.9%
England & Wales	830	-0.53%	4.7%

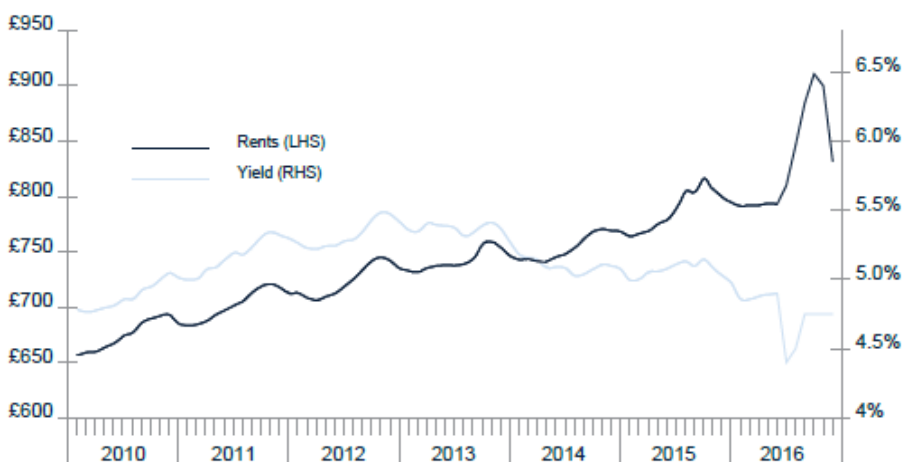
Source: [LSL – Regional Yields](#)

LSL

“With rents generally staying steady between October and November, the average gross rental yield also held firm during the same period. Across England and Wales the typical return was 4.7% in November - down from 5% in November 2015 - but exactly the same as in the previous three months.

“The North East was again home to the best yields in England and Wales with properties in this region returning an average of 5.3% - the same as October but higher than the 5% figure recorded last November. The North West and Wales - also areas with lower than average house prices - saw yields above the national average. In the North West, landlords saw a return of 5.1% while in Wales the figure was 4.9%. At the other end of the scale, London was the region which offered the smallest yields. Properties in the capital returned 3.3% on their investment this month, the same as in October, attributed mainly to the fact that, despite high rents, the large initial investment continues to limit returns.” (Nov 16)

Total annual rent and yield from residential property



[LSL: Yields – England & Wales](#)

Room Rents

SpareRoom

Matt Hutchinson, director of **SpareRoom.co.uk** says: *“This year has seen a slowdown in London rents and, as a result, prices creeping up across the commuter towns of the south east. The effects are now also starting to be felt further north.*

“With heavy investment in the north creating more jobs, demand for housing is on the up and so are rents. However, it’s the neighbouring towns of big cities such as Leeds and Manchester that are feeling the pinch the most, with monthly rents in Bolton and Bradford up by approximately £40 a month – adding nearly £500 to annual rents.

“For the third quarter in a row, London’s rent has stalled almost to a standstill. Rents have now hit an average of £741 per month and, despite high demand, the slowdown in rental growth suggests that tenants are now looking beyond the capital.”

Q3 2016	SpareRoom Average Monthly Rent	SpareRoom Annual Change %
UK *	£ 444	4.0%
Scotland	£ 432	-3.0%
Wales	£ 362	3.0%
Northern Ireland	£ 279	7.0%
Sunderland	£ 329	-2.0%
Manchester	£ 414	7.0%
York	£ 408	9.0%
Leicester	£ 371	7.0%
Birmingham	£ 404	-5.0%
Bristol	£ 475	6.0%
Liverpool	£ 358	3.0%
Reading	£ 551	5.0%
Greater London	£ 741	2.0%

*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](#).