

What are the rental reports saying this month? May 2017

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 and supply | Page: 4 |
| • Yields for landlords | Page: 6 |
| • Room rents | Page: 7 |

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

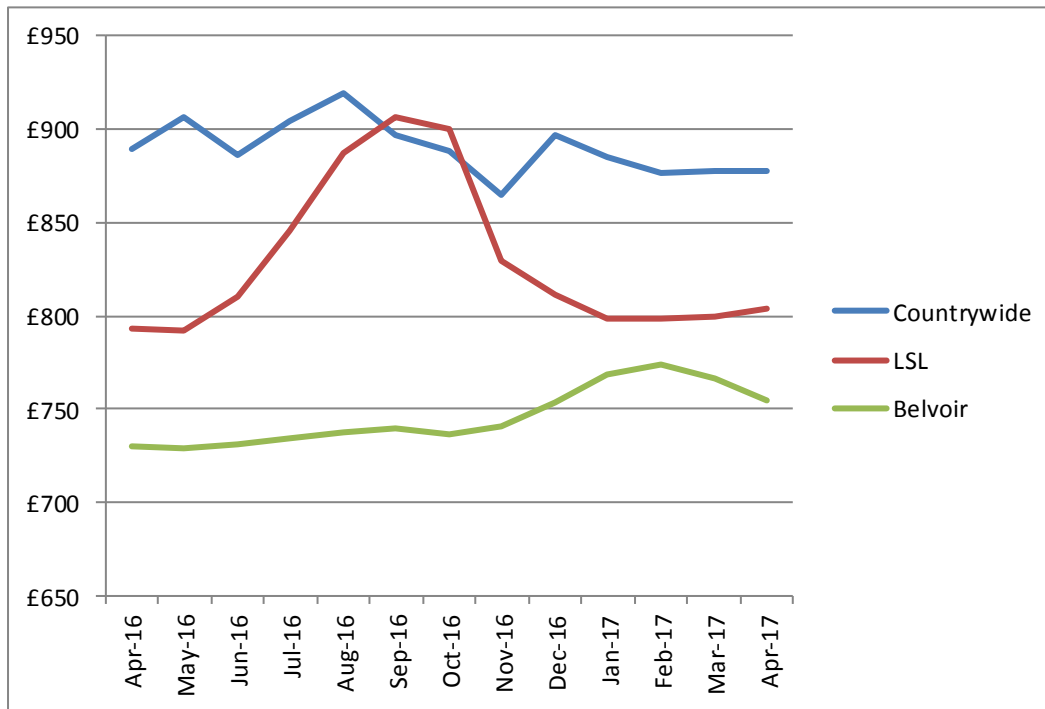
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report headlines

Kate Faulkner comments on rental report headlines:

This is going to be a major year for rents. In theory, they should rise to compensate for the huge tax hikes placed on landlords – especially those in the 40% plus bracket. However, it's clear to see from the data below that so far, they are in fact flat lining or even falling slightly. If this carries on, bearing in mind inflation is nearly reaching 3%, any rental growth that underperforms this growth rate means landlords earnings are being squeezed.

Average national rents - history



Belvoir Lettings

"For England, Scotland and Wales where offices have been trading consistently over the last eight years, the average monthly rent is £755, a year on year increase of 3.4%." (Apr 17 - E, W & S)

LSL

"Stable rental market, with growth moving away from the capital" (May 17 - E & W, index started in 2009)

ARLA Propertymark

"Supply of rental properties in London drops by a third while rest of market plateaus" (Apr 17 - UK)

Countrywide

"More London investors buy outside the capital than ever before." (Apr 17 - E, W & S)

RICS

"17% more respondents nationally expect rents to rise (rather than fall) over the summer and in terms of twelve month expectations, contributors are pencilling in around 2% headline rental growth over the year ahead." (May 17 - E, W & S)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

With regards to 'lead indicators' it is really interesting that London appears to be seeing rental falls, despite the fact that demand is typically higher than supply there and as an economic powerhouse, it normally has the highest wage levels. However, it appears according to Countrywide this is due to an 11% increase in stock coming onto the market – possibly due to the slower sales market. It's interesting to see that Wales is seeing the largest increase from LSLs perspective, as this seems to be fairly unique versus other indices, Countrywide for example shows Welsh rents fell by 2.5%, so the indices seem to be conflicting this month. However, looking at the ONS index it seems relatively clear that in the main, most rents are not rising above inflation across all regions.

April 2017	LSL Average Monthly Rent Apr-16	LSL Average Monthly Rent Apr-17	LSL % Change YoY	Homelet Average Monthly Rent Apr-16	Homelet Average Monthly Rent Apr-17	Homelet % Change YoY	Belvoir Average Monthly Rent Apr-16	Belvoir Average Monthly Rent Apr-17	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Apr-17
Scotland *	£ 548	£ 575	4.9%	£ 618	£ 632	2.3%	n/a	n/a	n/a	0.0%
Wales	£ 555	£ 602	8.5%	£ 597	£ 610	2.2%	£ 631	£ 663	5.1%	0.7%
North East	£ 546	£ 545	-0.1%	£ 514	£ 525	2.1%	n/a	n/a	n/a	0.7%
North West	£ 611	£ 624	2.1%	£ 671	£ 677	0.9%	£ 628	£ 591	-5.9%	1.3%
Yorkshire & The Humber	n/a	£ 567	n/a	£ 614	£ 619	0.8%	£ 644	£ 663	3.0%	1.7%
East Midlands	£ 621	£ 636	2.5%	£ 598	£ 604	1.0%	£ 611	£ 654	7.0%	2.3%
West Midlands	n/a	£ 607	n/a	£ 658	£ 661	0.5%	£ 718	£ 732	1.9%	2.2%
South West **	£ 677	£ 659	-2.7%	£ 787	£ 802	1.9%	£ 671	£ 737	9.8%	2.5%
East Anglia	£ 826	£ 876	6.1%	£ 898	£ 904	0.7%	£ 728	£ 772	6.0%	2.7%
South East	£ 858	£ 881	2.7%	£ 1,007	£ 1,003	-0.4%	£ 988	£ 1,048	6.1%	3.1%
Greater London	£ 1,296	£ 1,273	-1.8%	£ 1,537	£ 1,519	-1.2%	£ 1,346	£ 1,460	8.5%	1.4%

* Scotland figures quoted are for Feb 17 vs Feb 16

** The larger than average increase in Belvoir South West rents is due to the inclusion of the new Bournemouth office where rents average £1,000

Belvoir Lettings

"Although some areas of the South East reported slight falls in rent, other areas, such as the East Midlands and Yorkshire saw increases of over 7% year on year. The latest data analysed shows rents range from £602 in the North West, £655 in the East Midlands, through to £842 in the South West and £1,440 per month in London." (Q1 17)

LSL

"Rents in London fell for the fifth successive month. The average property in London was let for £1,273 in April 2017, 1.8% down on the same point a year ago. Rents in the capital have been trending downwards since November 2016. Wales was home to the biggest rent rises in this survey, with prices increasing by 8.5% in the last year. The typical Welsh rental property is now let for £602 per calendar month. The next best growth was seen in the East of England where prices grew 6.1% year-on-year to stand at £876 per month. Other areas to boast strong performances in the last year were the South East, where rents grew by 2.7% to reach £881 a month. The East Midlands – where prices increased by 2.5% year-on-year – and the North West – which saw 2.1% growth – were the other top performers on a yearly basis.

"Apart from London, only two regions saw the average rent decrease in April – the South West and the North East. In the South West prices dropped 2.7% compared to last year while in the North East rents ticked down 0.1%. The North East remains the cheapest place to rent a property in England and Wales with the average property let for £545." (May 17)

Countrywide

"The average rent of a new let in Great Britain rose to £936 pcm in April, £4 more than the same period last year (£932). However, with 11% more homes on the market compared to the same time last year, rents in London have fallen for the sixth consecutive month, down 3.4% year-on-year. The East (-0.1%) and Scotland (-1.0%) recorded small annual falls for the first time this year. Rents also fell in Wales this month (-2.5%)." (Apr 17)

Demand and supply

Kate Faulkner comments on demand and supply:

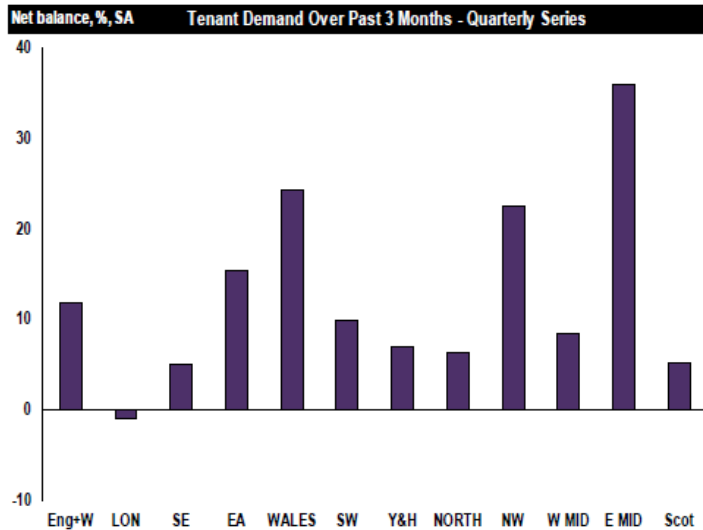
According to the RICS, tenant demand rose only marginally (on a non-seasonally adjusted basis), while new landlord instructions were again broadly flat. From ARLA’s perspective, agents had a few more properties to manage, up to 185 on average, up from 183 in March. We continue to get conflicting information on supply in London in particular with Countrywide saying stock levels are up by 11% and ARLA reporting they have fallen by a third (32 per cent) from 148 in March to 101 in April. Whether stock is higher/lower though, it is clear that rents are certainly not rising at rates seen before. Meanwhile, Agency Express which puts to let and let boards up, suggests that new listings and lets are down year on year, many by over 20%.

Belvoir Lettings

“Belvoir offices are reporting a large rise in areas with low availability of properties – particularly in market towns. This is down to a lack of new landlords bringing new stock to the market, which we believe is directly related to recent tax increases such as the 3% stamp duty on BTL (second homes) and changes to the way mortgage interest tax relief is treated. As a result of this stock shortage, properties are often rented to the highest bidder, typically the wealthier tenant, which is raising rents beyond the traditional +/-4-5% trend.

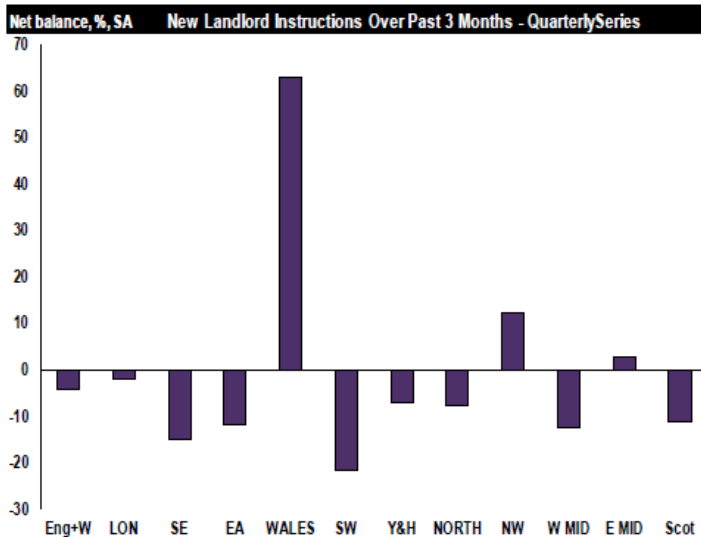
“The Belvoir offices also reported for Q1 17 vs Q4 16, a decrease in the demand for flats, and a fairly static picture when it came to demand for houses and HMOs.” (Q1 17)

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

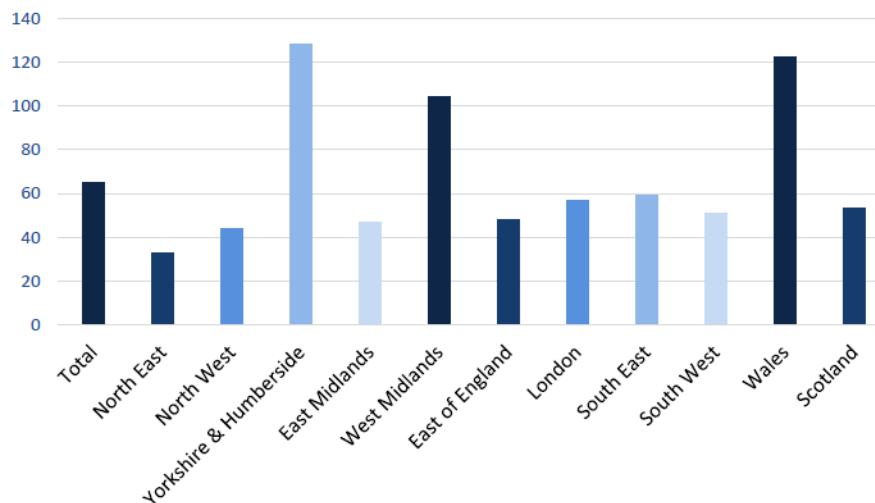
Demand and supply - cont'd

	New Listings		Properties Let	
	Apr 17	Apr 16	Apr 17	Apr 16
NATIONAL	-19.7	12.5	-22.1	8.6
Central England	-22.5	27.6	-21.8	8.3
East Anglia	-16.7	7.2	-25.2	-1.4
East Midlands	-13.5	29.1	-26.9	9.6
London	-24.3	21.1	-26.1	30.4
North East	-20.2	-4.6	-20.6	7.0
North West	-14.1	13.0	-18.2	13.6
Scotland	-18.9	15.1	-2.8	5.5
South East	-24.0	5.4	-25.1	6.4
South West	-19.8	10.8	-26.1	7.7
Wales	-29.2	7.5	-20.0	24.0
West Midlands	-13.4	2.8	-23.0	8.3
Yorks & Humber	-21.0	19.2	-13.3	-3.9

Source: [Agency Express](#)

ARLA Propertymark

“The average number of prospective tenants registered per branch in April was 65. Yorkshire and Humberside reported 128 prospective tenants registered per branch.”



ARLA Propertymark: Average number of prospective tenants per branch (Apr 17)

Yields for landlords

Kate Faulkner comments on yields:

Yields continue to be put under pressure according to LSL. This is partly due to capital growth rising higher than rents, making it more difficult for landlords to drive a good return. However, it depends where you buy. The north/south divide is shining through with “the average property in the capital city returned 3.2% this month”. The South West (3.3% yield) and the South East (3.4%) were close behind. However, for those that are looking for good yields, you can almost double returns in the North East - where the typical property returned 5.2% - and the North West, where the average landlord saw a yield of 5%. The only area which maintained its yields was Wales. Landlords are going to have to work hard to generate good returns into the future, either by adding value or buying at a discount.

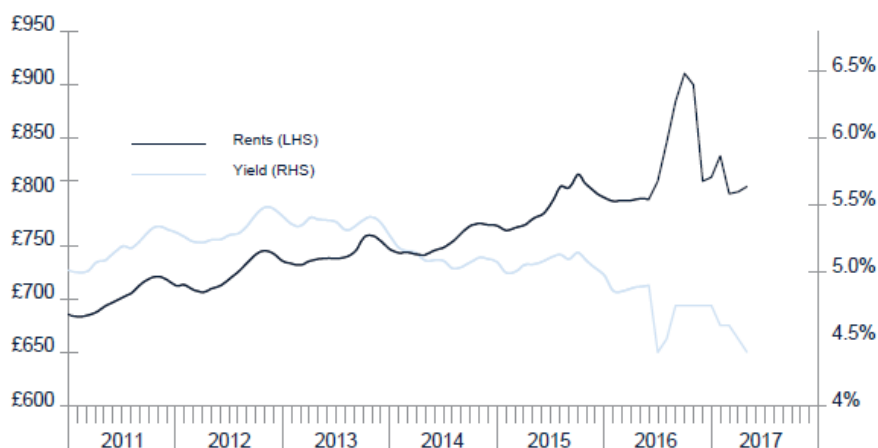
Region	Rents Mar (£) 2017	One month change	Yields Mar 2017
East Midlands	636	0.9%	4.1%
South East	881	4.2%	3.4%
North East	545	3.8%	5.2%
London	1,273	5.8%	3.2%
East of England	876	-0.7%	3.8%
Yorkshire & The Humber	567	0.9%	4.5%
West Midlands	607	-0.3%	4.1%
South West	659	-6.3%	3.3%
North West	624	0%	5.0%
Wales	602	-5.7%	4.8%
England & Wales	804	0.5%	4.4%

Source: [LSL – Regional Yields](#)

LSL

“Landlords and property investors continued to see their yield levels squeezed in April. The average yield across all areas of England and Wales dropped month-on-month, falling to 4.4%. This compares to the 4.5% recorded in March and is further back from the average yield of 5% recorded in April 2016. The main reason for this decline has been a particular pressure on the market in the East Midlands. Here the average yield dropped from 4.4% to 4.1% between March and April, the biggest change recorded by the survey. The East of England was the only other area to see yields drop on a monthly basis, falling from 3.9% to 3.8%. Compared to April 2016, only one region did not see its yield levels deteriorate. This was Wales where the typical rental property returned 4.8% this month – exactly the same as a year ago.” (May 17)

Total annual rent and yield from residential property



[LSL: Yields – England & Wales](#)

Room Rents

SpareRoom

- Wales has seen the biggest growth. Although the average room rents of £374 per month is almost half that of London, this 6% increase has put Wales top of the leader board for UK rental growth.
- A rise of 11% puts West Bromwich at the top of the towns/cities chart for rental growth in Q1 2017. Satellite towns Swindon and Luton are just behind on 10% and 9%, with Luton benefiting from a double boost of growth.
- Channel Islands and South Eastern commuter towns still have the highest rents. Low supply and high rents mean the Channel Islands remain at the top of the chart for the UK's highest (non-London) average rents.
- People in the West Midlands are seeing rents rise, with a 3% increase in the region compared to 1% in the same period last year – that works out as £12 more a month.
- Cardiff is up there with one of the highest rental increases at 6%. Similarly rents are also up in Edinburgh (7%), resulting in £30 extra a month compared to the same period in 2016.
- Belfast, traditionally one of the UK's cheapest cities, is also experiencing a strong increase in rent (3%) and has four applicants per room.
- Aberdeen's property bubble remains well and truly burst, with a decrease of 7% year on year.

<i>Q1 2017</i>	SpareRoom Average Monthly Rent	SpareRoom Annual Change %
UK *	£ 454	3.0%
Scotland	£ 430	2.0%
Wales	£ 374	6.0%
Northern Ireland	£ 288	3.0%
Sunderland	£ 310	3.0%
Manchester	£ 427	4.0%
York	£ 413	3.0%
Leicester	£ 373	3.0%
Birmingham	£ 426	4.0%
Bristol	£ 477	4.0%
Liverpool	£ 359	0.0%
Reading	£ 548	2.0%
Greater London	£ 740	-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](#).