

## What are the rental reports saying this month? Q2 2018 (August)

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:

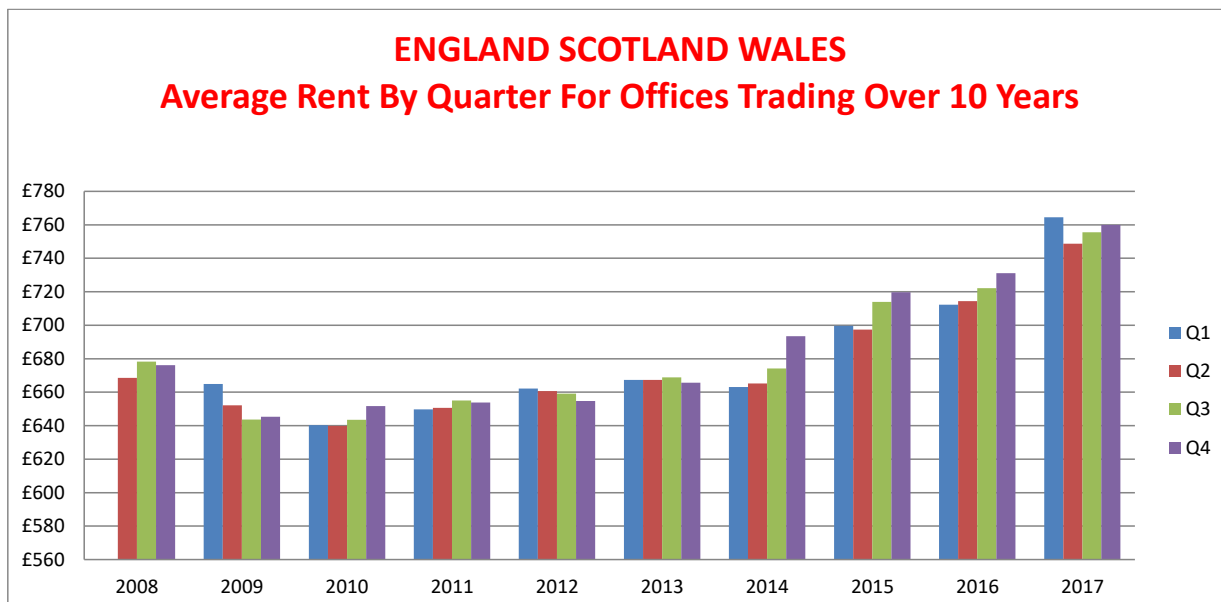
It's clear from the charts below from Belvoir and from the government's own Office of National Statistics that claims of rents being 'extortionate' or 'sky rocketing' are clearly inaccurate. The Belvoir research shows that rents have risen well below inflation over the last decade, they recorded a 12% rise from 2008 to 2017. The ONS data shows that for Great Britain, rents have risen from 2011 to 2018 by 16%, but only 5% in Wales and 8% in Scotland. This is in comparison to inflation rise from 2011 to date of around 16% and utility prices have increased for tenants far more. So if rents aren't rising, nor are they 'expensive'?

Why are newspaper and media headlines reporting differently? Part of the reason I believe is that landlords rarely increase their rents to existing tenants and with average tenancies of 4 years, the general cost of living typically rising by 2.5 to 3%, they should be seeing an increase of around £100 during that time – more if the market and wages 'allow'. So this 'feels' like a big jump, but actually tenants have benefited from lower than normal rents for 3 years, until they go back into the market place.

The reality is, shown by all the rental indices is that rents for most don't 'sky rocket' and they certainly aren't 'extortionate' and the reports that say they are should be seriously scrutinised for their accuracy. For example, a recent report by Shelter accused landlords of increasing rents more than the pay rises they receive. Firstly this may happen 'on average' but we know it doesn't happen in reality as renting affordability, unlike house prices, move in line with wages. And even if they have risen more than the average wage, Shelter should be focusing the blame on companies and the government pay caps - landlords can't influence people's pay and their costs are driven by inflation and the cost of housing, the latter of which has gone up far more than rents in most areas.

We know companies and the government are not increasing pay with inflation and especially other household costs such as utilities. The data below shows landlords are, in the main, increasing rents at below inflation, if wages are growing at an even lower rate, that really isn't something that landlords and agents can be blamed for.

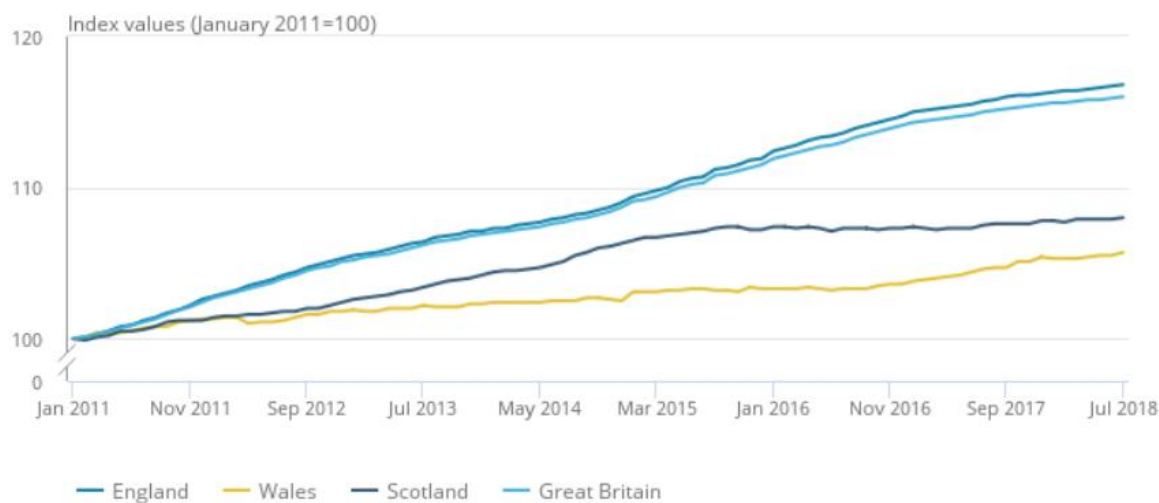
## A decade of rental movements



Source: [Belvoir Lettings](#)

Figure 4: Index of Private Housing Rental Prices indices for Great Britain and its constituent countries, January 2011 to July 2018

Index values



Source: Office for National Statistics

**Belvoir Lettings**

*“For England, Scotland and Wales where offices have been trading consistently over the last ten years, the average monthly rent is £744, a year on year increase of 1.75%.” (Q2 18 - E, W & S)*

**LSL**

*“South West of England see rents rise fastest” (Jul 18 - E & W, index started in 2009)*

**ARLA PropertyMark**

*“Rising rents hits 10 month high” (Jun 18 - UK)*

**RICS**

*“Lettings market data provides further evidence of the impact of tax changes on BLT supply” (Jul 18 - E, W & S)*

**What’s happening to rents regionally?**

**Kate Faulkner comments on regional rent variations:**

Regional variations in the rental market bear little resemblance to rental movements. In some areas such as London we are seeing year on year falls in prices (not all boroughs) while in the likes of Edinburgh prices are increasing year on year by nearly 10%. In comparison all of the indices suggest that rents are being held back by inflationary pressures cancelling out any real wage growth since Brexit was announced and pretty much every region is now growing at less than inflation and some areas are even in negative territory.

This may be a bit of a surprise given that many pundits expected rents to rise with the changes in taxation and loss of landlords, but it doesn’t mean that this won’t happen in the future. Currently we are only just starting to pick up that landlords are making the decision to sell and for now, we haven’t seen the huge droves of landlords leaving the market that was predicted.

My view has always been that whatever happens to landlords costs, they can only increase in the rent if wage rises allow and in the last 18 months we have seen a slowdown in rental inflation purely because Brexit drove down the value of the pound, inflation increased and now wage rises are being swallowed up by an increase in food and other costs, meaning there isn’t much left for people to pay more for their rent.

Q2 2018	LSL Average Monthly Rent Jun-17	LSL Average Monthly Rent Jun-18	LSL % Change YoY	Homelet Average Monthly Rent Jul-17	Homelet Average Monthly Rent Jul-18	Homelet % Change YoY	Belvoir Average Monthly Rent Q2 17	Belvoir Average Monthly Rent Q2 18	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Jul-18
Scotland	£ 569	£ 572	0.5%	£ 630	£ 651	3.3%	£ 730	£ 730	0.0%	0.5%
Wales	£ 599	£ 588	-1.9%	£ 613	£ 611	-0.3%	£ 661	£ 710	7.4%	1.0%
North East	£ 544	£ 535	-1.6%	£ 526	£ 525	-0.2%	N/A	N/A	N/A	0.1%
North West	£ 629	£ 634	0.8%	£ 698	£ 712	2.0%	£ 583	£ 601	3.1%	1.1%
Yorkshire & The Humber	£ 571	£ 579	1.4%	£ 625	£ 635	1.6%	£ 652	£ 676	3.7%	1.4%
East Midlands	£ 638	£ 656	2.8%	£ 620	£ 631	1.8%	£ 626	£ 663	5.9%	2.7%
West Midlands	£ 609	£ 617	1.3%	£ 680	£ 701	3.1%	£ 652	£ 665	2.0%	1.6%
South West	£ 664	£ 686	3.4%	£ 823	£ 818	-0.6%	£ 718	£ 734	2.2%	1.9%
East Anglia	£ 872	£ 890	2.1%	£ 919	£ 909	-1.1%	£ 710	£ 698	-1.7%	1.8%
South East	£ 885	£ 895	1.1%	£ 1,025	£ 1,041	1.6%	£ 1,019	£ 1,029	1.0%	1.5%
Greater London*	£ 1,277	£ 1,271	-0.5%	£ 1,564	£ 1,615	3.3%	£ 1,491	£ 1,307	-12.3%	-0.3%

\*The current stats suggest a larger fall for the region but this is down to individual anomalies at office level

### Belvoir Lettings

*“Belvoir’s Q2 rental index revealed just a slight increase in average rental inflation across the UK, with a similar number reporting static rents.”*

*The latest recorded statistics show monthly rents range from £599 in the North West, £662 in the East Midlands, £711 in the South West, through to £1,028 in the South East and £1,367 in London” (Q2 18)*

### LSL

*“The South West of England was home to the fastest rising rents up by 3.4% in the last year. The average rental price now stands at £686. Prices in the East Midlands grew by 2.8% to hit £656 while in the East of England the average price is £890, following growth of 2% in the last 12 months. . The average rental property in London is now let for £1,271 per calendar month, down 0.5%. Two other regions also saw rents fall in the last 12 months. These were Wales - where the average property lets for £588, 1.9% less than a year ago - and the North East, where prices fell by 1.6% to £535.” (Jul 18)*

## Demand and supply

### Kate Faulkner comments on demand and supply:

Although rents do vary across the country and there are rental inflation differences, when it comes to stock, the reports are fairly clear. Far more people want to rent houses than there are to go around. Work we did for Belvoir over the last decade showed that in areas like Tunbridge, rents on average were rising at an inflationary rate, but when broken down into property types, 3 bed houses were increasing at a much faster rate. This is because renting has become more popular in higher wage brackets and in some areas, more cost effective in the short term than buying a home. Listening to agents and landlords, demand remains very specific to the area, with some properties in short supply (typically houses) and others (flats and room rents) more competitive rents can be achieved where there is, in some cases, more stock available than demand.

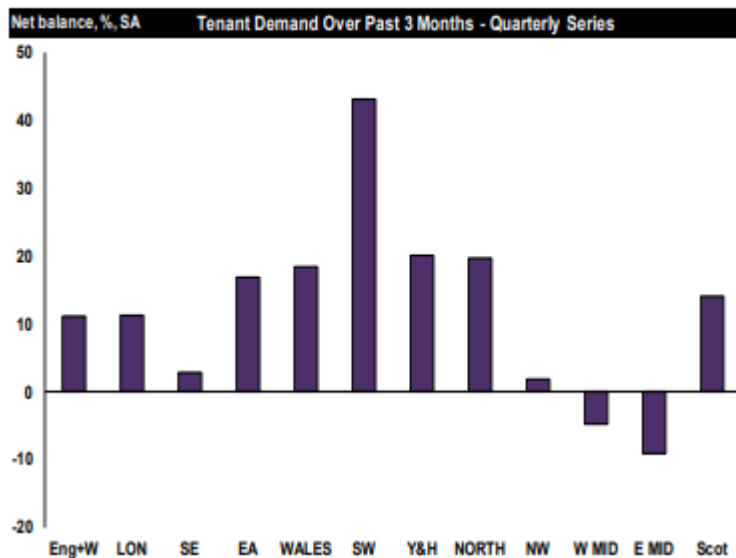
### Belvoir Lettings

*“Demand is stronger for houses than flats, with demand for flats static to falling, compared with Q1 2018, and demand for houses increasing. HMO demand is static to slightly increased. Tenants continue to be mainly short of three-bed semi/terrace properties and four-bed detached houses, followed by two-bed houses, five+ bed detached, then one/two-bed flats” (Q2 18)*

### ARLA PropertyMark

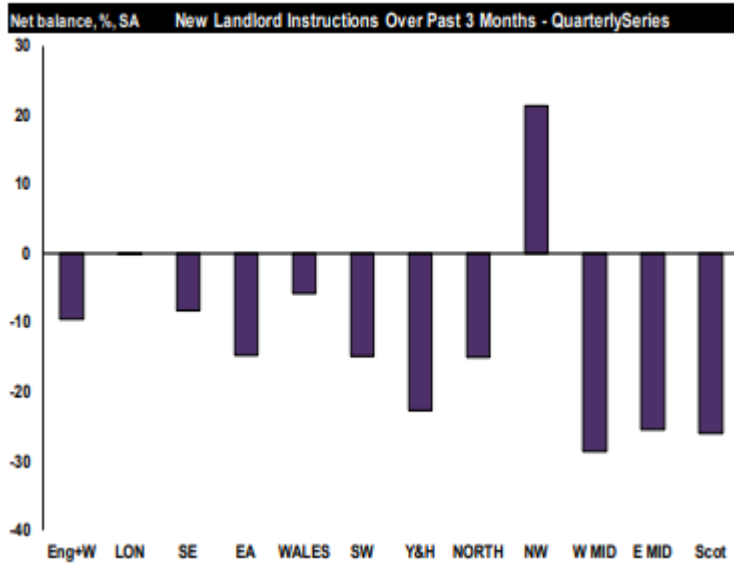
*“Demand for rental properties increased by eighteen per cent in June, with letting agents registering 71 new house-hunters per member branch, compared to 60 in May.” (Jun 18)*

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	
	Jul 18	Jul 17	Jul 18	Jul 17
NATIONAL	-2.7	-9	-1.4	3.6
Central England	-8.9	-23.3	-5.4	-1.4
East Anglia	5.2	3.4	10.2	20.8
East Midlands	-12.6	-12.7	3.1	11.8
London	-13.3	-15.9	-8.3	-13
North East	15.2	5.2	34.2	25.3
North West	4.1	-3.6	16.3	-3.1
Scotland	-8.8	-20.1	1.7	9.3
South East	6	-12.7	-0.5	8.4
South West	-2.3	-3.9	-5.3	0.9
Wales	-2.5	-4.6	-3.7	-6.5
West Midlands	-1.9	-9.7	-1	13.6
Yorks & Humber	-11.8	-8.3	-19.8	-6.8

Source: [Agency Express](#)

## Yields for landlords

### Kate Faulkner comments on yields:

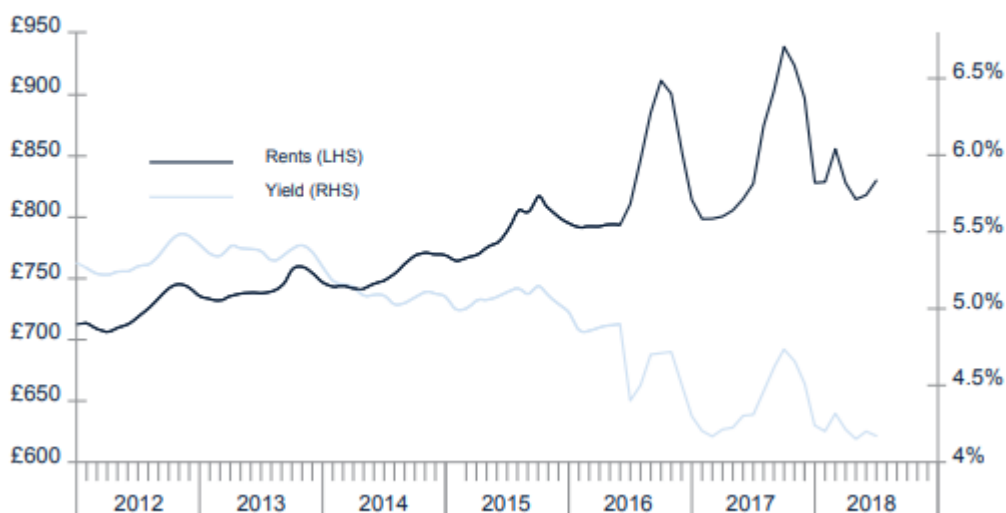
Making a living out of Buy to Let for those who are new to it is going to be much more difficult in the future. Yields in the past were often 6, 7% or more and have dropped significantly. This is mainly due to house prices rising mainly at a much faster rate than rents. That's why high priced growth areas such as London, the South and East Anglia show low rates of 4% yield, while other areas such as the North East can achieve 5%. For landlords who have been in the market a long time, the yields will be very different, but for new landlords, paying a higher price for property, securing, on average, a lower income return and having to pay much higher taxation levels, can mean for some, investing in property isn't as 'safe as houses' and people would be wise to check what their cash can achieve through property versus financial investments.

Region	Rents June (£) 2018	One month change	Yields June 2018
North West	£634	0.09%	4.83%
South East	£895	0.05%	3.33%
East Midlands	£656	0.03%	4.26%
Yorkshire and The Humber	£579	0.28%	4.42%
West Midlands	£617	-0.06%	3.95%
North East	£535	-0.06%	4.99%
Wales	£588	0.08%	4.62%
London	£1,271	-0.15%	3.16%
East of England	£890	-0.27%	3.71%
South West	£686	0.58%	3.28%
England & Wales	£861	0.03%	4.36%

Source: [LSL – Regional Yields](#)

**LSL:** *“Landlords and property investors in northern areas continued to enjoy higher percentage returns than their counterparts in the south. The North East once again delivered the biggest returns, with the average property offering a 5% return to landlords. The North West also had similarly strong returns, offering yields of 4.8% in June. In Wales the typical yield was 4.6%. At the other end of the scale, the average return to London property investors was 3.2%. Across all of England and Wales, landlords enjoyed an average yield of 4.4% in June.” (Jul 18)*

### Total annual rent and yield from residential property



[LSL: Yields – England & Wales](#)

## Room Rents

Q1 2018	SpareRoom Average Monthly Rent	SpareRoom Annual Change %
UK*	£ 462	1.8%
Scotland	£ 439	1.2%
Wales	£ 377	-11.1%
Northern Ireland	£ 306	6.3%
Sunderland	£ 306	-2.9%
Manchester	£ 433	1.9%
York	£ 439	5.3%
Leicester	£ 388	2.9%
Birmingham	£ 414	2.5%
Bristol	£ 486	1.7%
Liverpool	£ 365	-0.5%
Reading	£ 544	-1.4%
Greater London	£ 739	2.4%

*\*Excludes London*

Source: [SpareRoom](#)



# 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](#).