

What are the rental reports saying this month? Q3 2018 (November)

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: 2 |
| • Average national rents - history | Page: 2 |
| • Regional rental price variations | Page: 4 |
| • Demand and supply | Page: 6 |
| • Yields for landlords | Page: 8 |
| • Build to Rent | Page: 9 |

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

Belvoir Lettings

“In England, Wales and Scotland for all the offices that have been trading consistently for the last ten years, the data shows an average monthly rent of £730 for Q3 2018, which is a small year on year decrease of just under -1.25% versus Q3 2017.” (Q3 18 - E, W & S)

LSL

“New academic year keeps rental market ticking over” (Oct 18 - E & W, index started in 2009)

ARLA PropertyMark

“Rate of rent increases continues to rise year-on-year” (Sep 18 - UK)

RICS

“Rents are expected to rise slightly over the next three months” (Oct 18 - E, W & S)

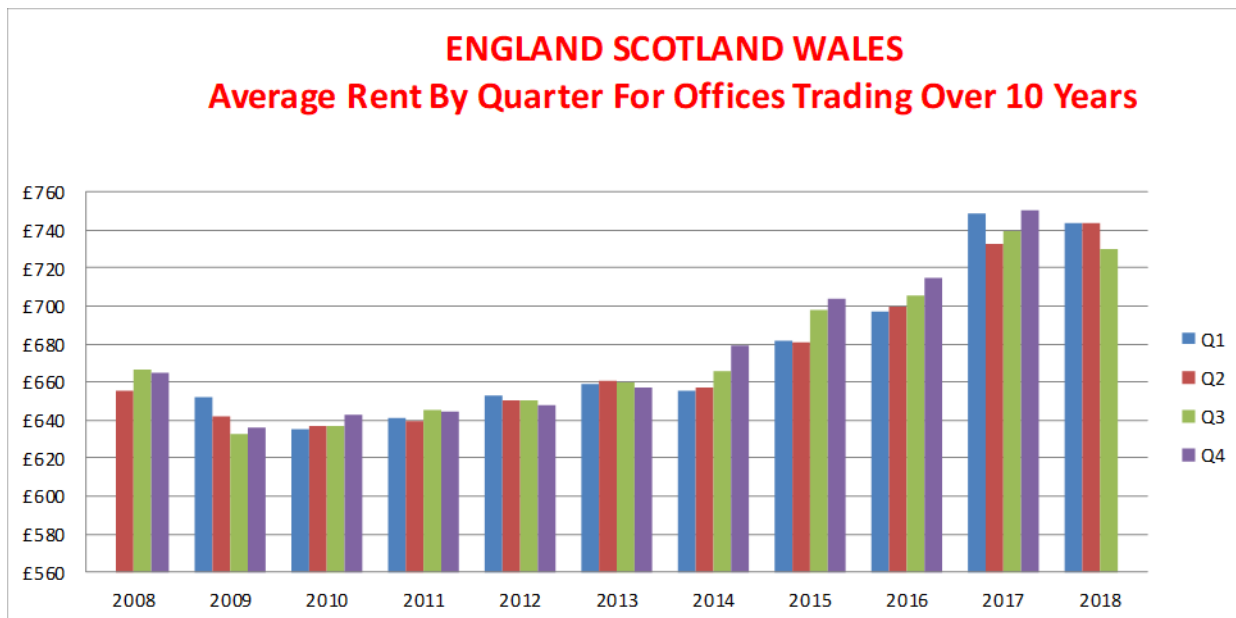
Rightmove

“Drop in available rental properties pushes asking rents to record high” (Q3 18)

Kate Faulkner comments on rental report headlines:

There is a mixed picture on average nationally, with Rightmove saying rents are moving to a ‘record high’ while the long running Belvoir Index shows the high was last year and while wages have struggled to remain ahead of inflation, rents have dropped back again. Meanwhile, the Government’s own ONS data shows that any rent rises that do exist remain well below the general rise in the cost of living ie less than inflation. The ONS is one of the biggest rental indices and their data shows: “Private rental prices paid by tenants in the UK rose by 0.9% in the 12 months to October 2018, unchanged from the 12 months to September 2018. In England, private rental prices grew by 0.9%, Wales experienced growth of 0.7%, while in Scotland private rental prices increased by 0.6% in the 12 months to October 2018.”.

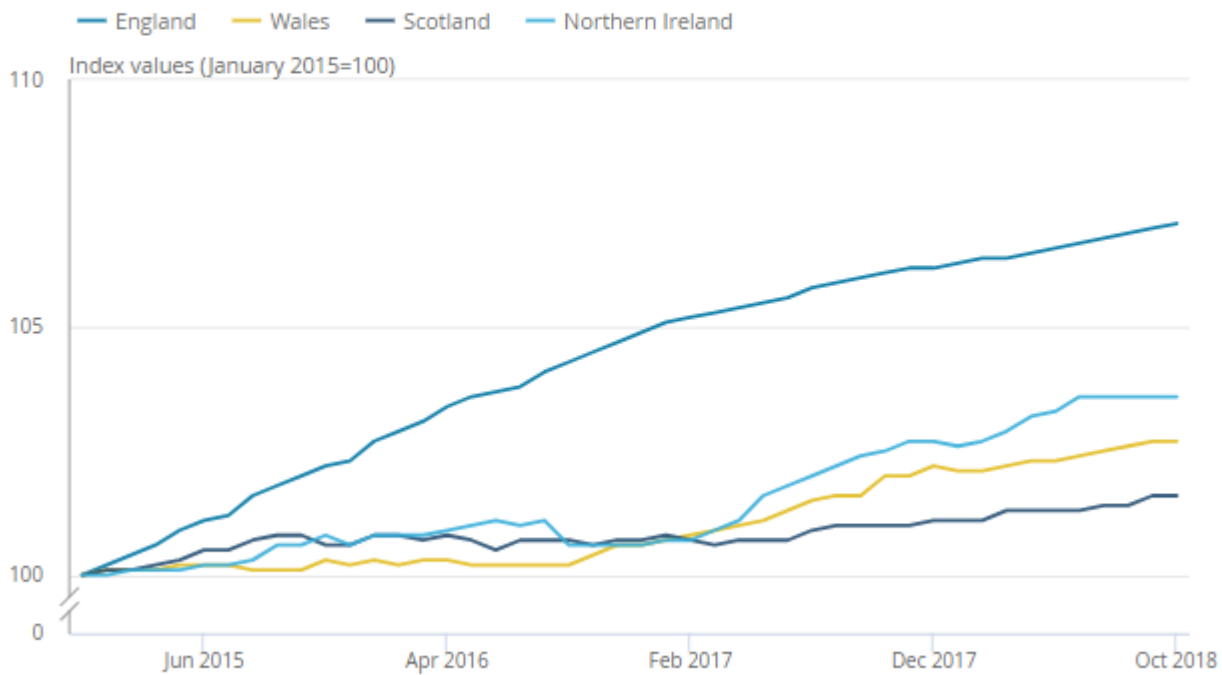
A decade of rental movements



Source: Belvoir Lettings

Figure 4: Index of Private Housing Rental Prices indices for countries of the UK, January 2015 to October 2018

Index values



Source: Office for National Statistics

NATIONAL AVERAGE ASKING RENT FOR ALL PROPERTY TYPES (EXCLUDING GREATER LONDON)			
Quarter	Avg. asking rent per month	Quarterly change	Annual change
Q3 2018	£802	+0.8%	+1.7%
Q2 2018	£796	+2.7%	+0.7%
GREATER LONDON AVERAGE ASKING RENT FOR ALL PROPERTY TYPES			
Quarter	Avg. asking rent per month	Quarterly change	Annual change
Q3 2018	£1,992	-0.4%	+3.7%
Q2 2018	£2,000	+3.4%	+3.4%

Source: [Rightmove](#)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

As with house prices, rents vary from one area and property to another, but interestingly 'on the ground' they don't vary anywhere near as much as house prices. This I think is due to the fact that people can only afford what their wages/benefits allow – unlike when buying a property which can be inflated through equity gain and gifting from the likes of Bank of Mum and Dad.

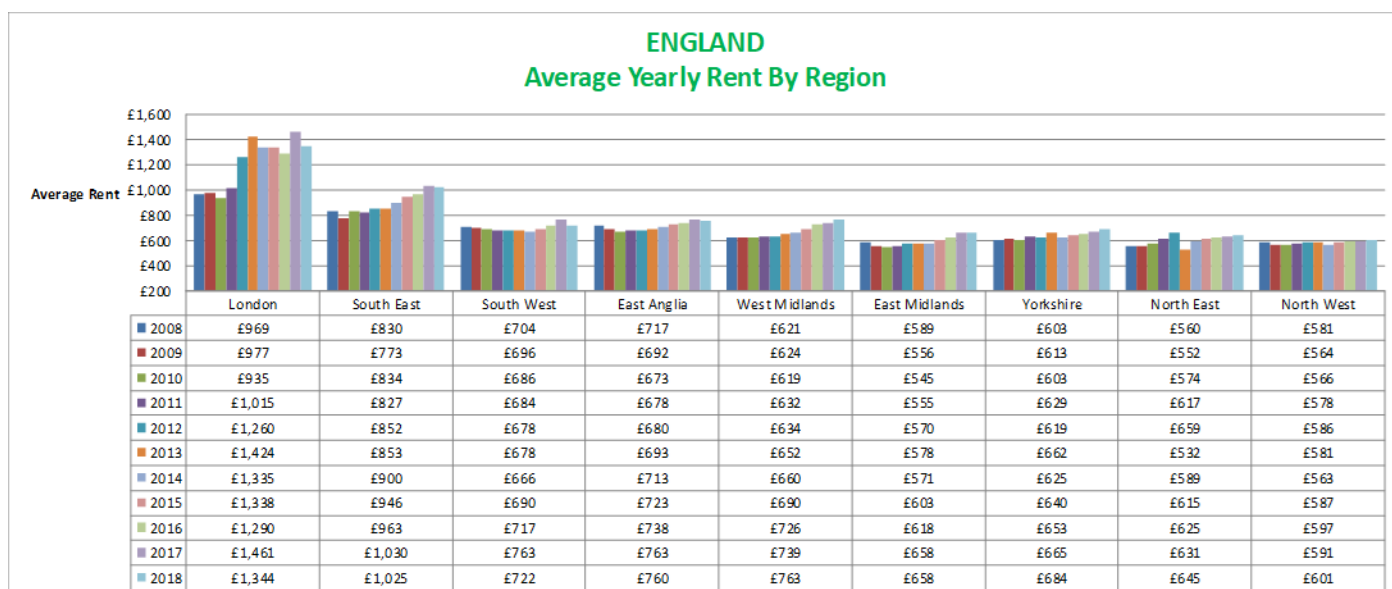
London landlords are often accused of charging 'extortionate rents' and in a meeting a few months ago someone said 'they never go down', but the stats this quarter suggest they do. London has experienced rent rises, mainly due to a huge squeeze in supply but it's now reported that because properties are being 'maxed out' as far as transferring to room rents, now that wages aren't rising in real terms for many renters this means just like property prices they are hitting their 'affordability buffer' so are rents. Hence some indices are reporting falls, while others are reporting very low, insignificant rises.

On a regional basis, there is little action in most areas, despite the fact that prices have increased most in the Midlands – at 6% increase year on year, rents are just rising by a few percent in most areas and this is ultimately why rents are becoming better value than buying as they just don't rise at the same rate.

Q3 2018	LSL Average Monthly Rent Sep-17	LSL Average Monthly Rent Sep-18	LSL % Change YoY	Homelet Average Monthly Rent Oct-17	Homelet Average Monthly Rent Oct-18	Homelet % Change YoY	Belvoir Average Monthly Rent Q3 17	Belvoir Average Monthly Rent Q3 18	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Oct-18
Scotland	£ 571	£ 572	0.1%	£ 621	£ 647	4.2%	£ 730	£ 770	5.5%	0.6%
Wales	£ 586	£ 588	0.3%	£ 612	£ 614	0.3%	£ 713	£ 708	-0.7%	0.7%
North East	£ 534	£ 535	0.2%	£ 528	£ 515	-2.5%	N/A	N/A	N/A	0.3%
North West	N/A	£ 634	N/A	£ 692	£ 697	0.7%	£ 591	£ 605	2.4%	1.0%
Yorkshire & The Humber*	N/A	£ 579	N/A	£ 628	£ 631	0.5%	£ 641	£ 692	8.0%	1.5%
East Midlands	£ 641	£ 656	2.4%	£ 618	£ 628	1.6%	£ 670	£ 650	-3.0%	2.7%
West Midlands	N/A	£ 617	N/A	£ 683	£ 693	1.5%	£ 724	£ 759	4.8%	1.8%
South West	£ 658	£ 686	4.3%	£ 790	£ 811	2.7%	£ 708	£ 745	5.2%	1.8%
East Anglia	£ 884	£ 890	0.7%	£ 901	£ 908	0.8%	£ 755	£ 758	0.4%	1.8%
South East	£ 879	£ 895	1.8%	£ 977	£ 1,010	3.4%	£ 1,047	£ 1,019	-2.7%	1.8%
Greater London**	£ 1,288	£ 1,271	-1.3%	£ 1,556	£ 1,619	4.0%	£ 1,470	£ 1,299	-11.6%	0.2%

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

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



Source: [Belvoir Lettings](#)

What's happening to rents regionally? – cont'd

Belvoir Lettings

“The latest recorded statistics show monthly rents range from £601 in the North West, £722 in the South West, £763 in the West Midlands, through to £1,025 in the South East and £1,344 in London.” (Q3 18)

LSL

“The strongest annual growth came in the South West, where prices have risen by 4.3% to it £686 a month. The next fastest price rise was in the East Midlands, where the average property is now worth £656 after growth of 2.4% in the last year. Rounding out the top three was the South East. In this region rental prices increased by 1.8% to hit £895 in the year to September. Last month, both the North East and Wales recorded annual rent falls. However, both markets have returned to growth this month. In Wales, prices grew by 0.3% to reach £588.” (Oct 18)

Rightmove

“Scotland performed best for price growth in Q3, with a 2.8% increase in asking rents leading to an annual rate of 3.8%. Both Stirling and Hamilton made it into the top five areas around Great Britain with the highest tenant demand, alongside three areas in the North West: Ashton-Under-Lyne, Oldham, and Bootle. Glasgow made the top five for the highest growth in asking rents, now running at 5.1% higher than this time last year.”

Demand and supply

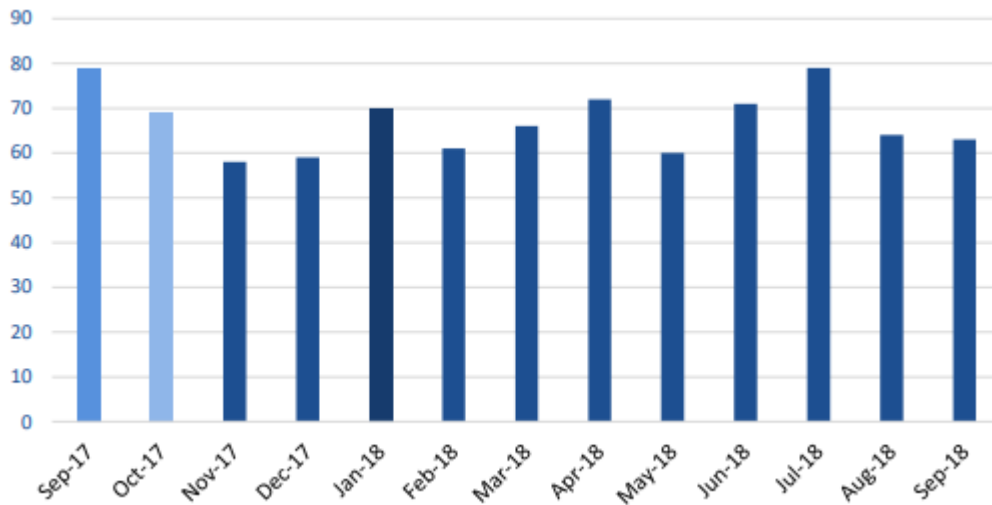
Kate Faulkner comments on demand and supply:

What's stark about the supply and demand figures is demand is definitely waning – at a time when first time buyers are now ahead of the numbers prior to the credit crunch. What's also true though is that supply is starting to wane following the Government tax hikes on landlords, forcing some to decide to sell up while others are just simply moving back into what was their home. The RICS chart shows the lack of new supply coming forward with only the East Midlands being in positive territory.

ARLA Propertymark

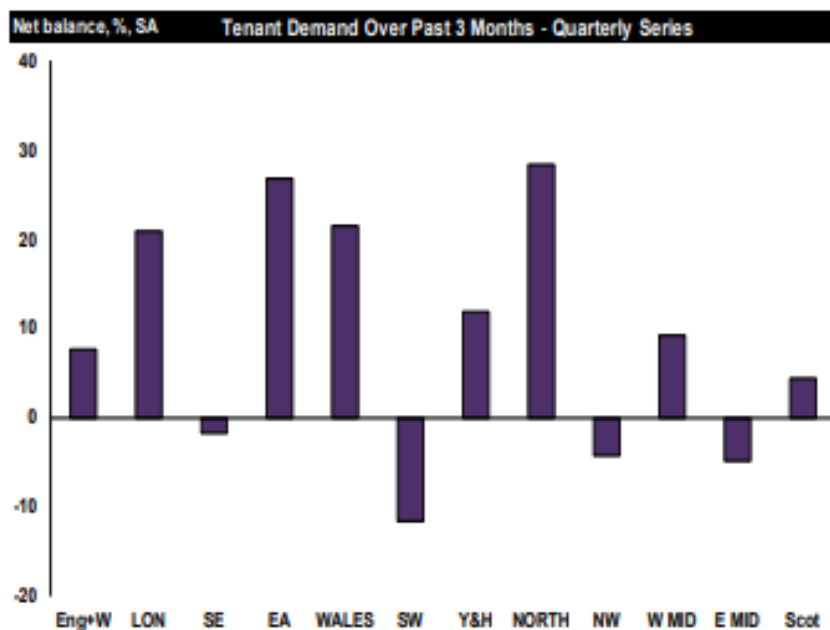
“Demand from prospective tenants fell marginally in September, with the number of house-hunters registered per branch dropping in 63 on average, compared to 64 in August. Year on year, this is down 20 per cent as there were 79 prospective tenants registered per letting agent branch in September 2017. It was highest in Yorkshire and Humberside where agents registered 92 new prospective tenants, and lowest in Wales (36 per branch).” (Sep 18)

Average number of prospective tenants registered



Source: [ARLA Propertymark](#)

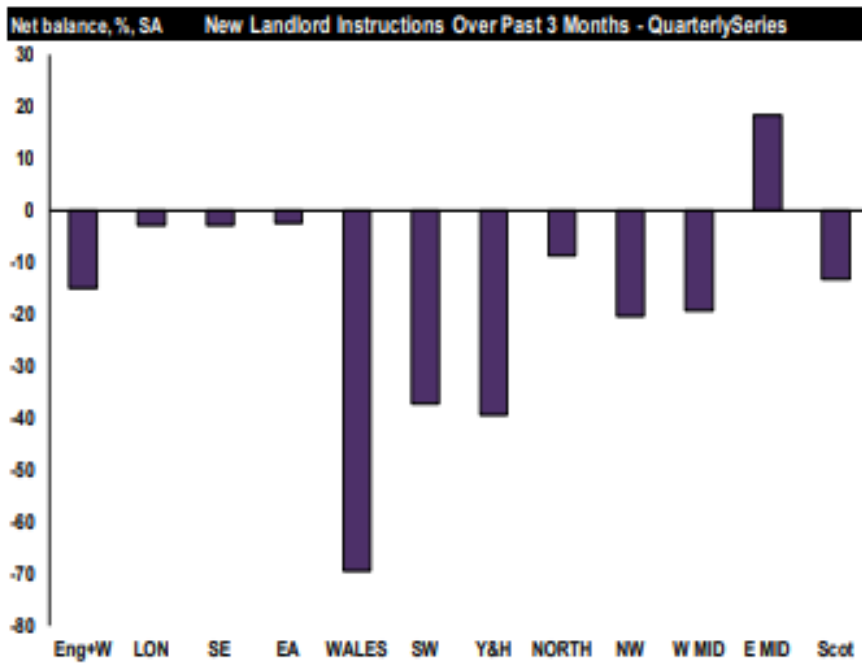
Regional Tenant Demand - Past three months



Source: [RICS](#)

Demand and supply – cont'd

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

	New Listings		Properties Let	
	Aug 18	Aug 17	Aug 18	Aug 17
NATIONAL	-3.2	3	-1.9	-4.4
Central England	-4.5	4.5	-10	1.7
East Anglia	-5.2	-5.8	-8	-14.7
East Midlands	19.6	5.6	7	-18.4
London	-3.7	3.1	-7.4	15
North East	-7.1	0.7	-8.7	-13.1
North West	-4.1	1.3	4.2	7.8
Scotland	13.1	15.5	11.3	-13.7
South East	-13.6	5.1	-5.4	-14.7
South West	-3.4	-4.3	-1.4	-5.2
Wales	4.7	9.5	8	-11.9
West Midlands	-11.8	8.5	-5.4	-5.8
Yorks & Humber	2.8	6.7	7.9	12.8

Source: [Agency Express](#)

Yields for landlords

Kate Faulkner comments on yields:

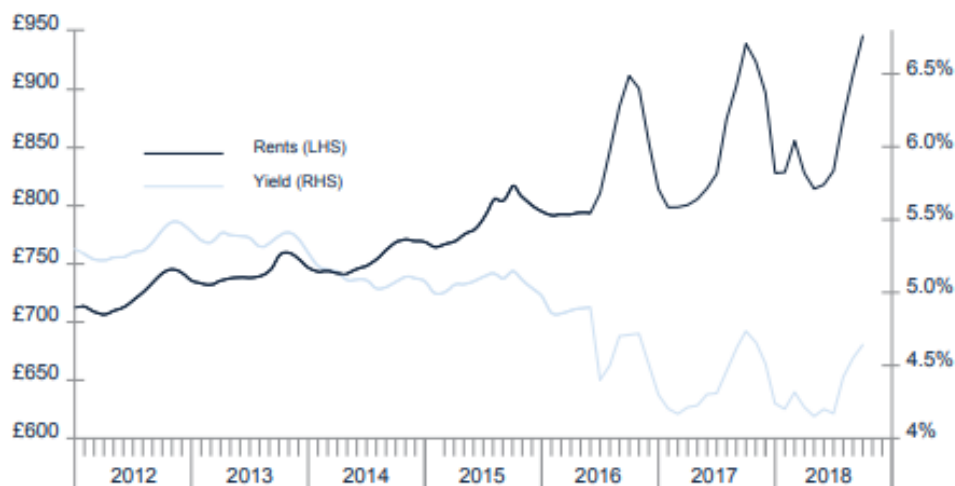
With rents not seeing much of a rise while property prices in some areas have increased, it's not a surprise yields are struggling for new property purchases. What this snapshot of yields shows is that landlords today shouldn't expect 'instant' returns in income unless they have built in better capital value growth than investors will see naturally. Buy to let is very much a return over the long term and all landlords need to make sure they seek tax advice prior to investing as this is a complex and individual area which can throw up unpleasant surprises if not checked beforehand with an expert.

Region	Rents Sept (£) 2018	One month change	Yields Sept 2018
North West	£634	0.22%	4.83%
South East	£895	0.06%	3.33%
East Midlands	£656	0.31%	4.26%
Yorkshire and The Humber	£579	0.12%	4.42%
West Midlands	£617	0.38%	3.95%
North East	£535	0.31%	4.99%
Wales	£588	-0.12%	4.62%
London	£1,271	-0.11%	3.16%
East of England	£890	-0.17%	3.71%
South West	£686	0.41%	3.28%
England & Wales	£861	0.06%	4.36%

Source: [LSL – Regional Yields](#)

LSL: “The returns delivered to landlords and property investors remained competitive in September. Each of the 10 regions surveyed offered the same level of yield to investors this month as they did in the previous survey. As is typical, properties located in northern regions earned higher percentage returns than those located in southern areas. The average investor in the North East enjoyed an annual yield of 5% in the year to September while in the North West this figure was 4.8%. London investors once again had the smallest percentage returns, recording 3.2% during the month. However, when all properties in England and Wales are considered, the average yield remained at 4.4%.” (Oct 18)

Total annual rent and yield from residential property



[LSL: Yields – England & Wales](#)

Special feature – Build to Rent

Kate Faulkner comments on build to rent:

I am a big supporter of Build to Rent. It adds much needed rental stock for the growing number of tenants. It also adds quality, brand new stock and means the institutional landlords are likely to rent to tenants within the law. Better still as a dog lover, some Build to Rent owners have a 'yes to pets' policy (as long as they are well behaved!).

Over time, I believe it will raise tenant expectations and the quality delivery by individual landlords. So, everyone wins. However, Savills point out the main problem which is:

“However, while BTR is gathering pace, it isn't yet delivering enough homes to counter the flight of buy to let investors. From Q1 2017 to Q2 2018, there were just under 10,000 build to rent completions. In the same period, 72,000 buy to let landlords redeemed their mortgages.”

And in addition, the shortage of rental stock we have is for those on benefits and who are vulnerable, sadly this isn't the market they tend to target – it's more the professional market - which currently tends to be more easily affordable. You only have to look at the student market to see where Build to Rent will fit into the PRS. A report from the NUS some years ago showed the stock from institutional investment was, in the main, but not always, better quality than the PRS, it was also more expensive.

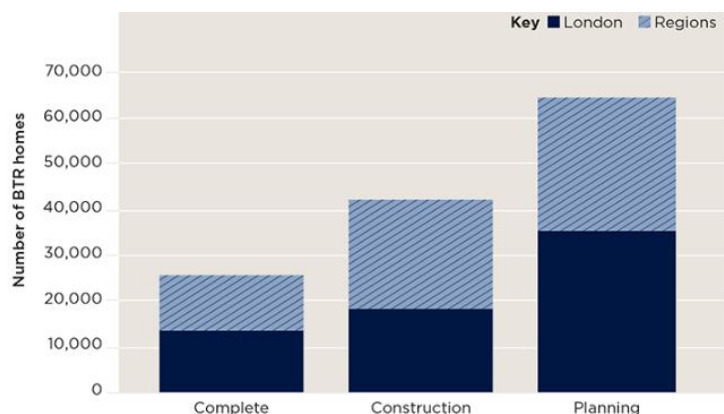
So although a good move, it's not the panacea to the real problems suffered by tenants in the PRS.

Savills

“Changes to tax relief on buy to let mortgage interest payments have made many private investors take a second look at their portfolios. With less tax relief and rising interest rates, many have chosen to consolidate or leave the sector. Depending on how policy evolves on longer-term tenancies and rent regulations, the pace of flight may accelerate further. While putting pressure on buy to let, the Government has shown growing support for the institutional build to rent sector (BTR). Purpose-built rental blocks that are managed by professional landlords could help raise standards across the rental market and increase the supply of rented properties in areas of high demand. BTR is already gaining momentum, making up 8.7% of new housing starts in 2016/17. However, while BTR is gathering pace, it isn't yet delivering enough homes to counter the flight of buy to let investors. From Q1 2017 to Q2 2018, there were just under 10,000 build to rent completions. In the same period, 72,000 buy to let landlords redeemed their mortgages.”

JLL

“It has been a long journey, but Build to Rent has finally arrived in the UK. For years we have been anticipating the emergence of an institutionally-backed, purpose built and managed private rental sector. Now, with 125,000 units either completed, under construction or with planning, there is a clear pathway towards critical mass in the nascent sector. Our analysis found the 7 BTR schemes achieved an average rental premium of 9.3% when compared with the rental markets within 1km of each location.”



| Build to rent New properties as of September 2018

Source: Savills

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:

Kate Faulkner, Property Market Analyst and Commentator

Websites: [Kate Faulkner](#) [Propertychecklists](#)

Email: kate@designsonproperty.co.uk

Telephone: 01652 641722

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](#).