

What are the rental reports saying this month? October 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.

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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

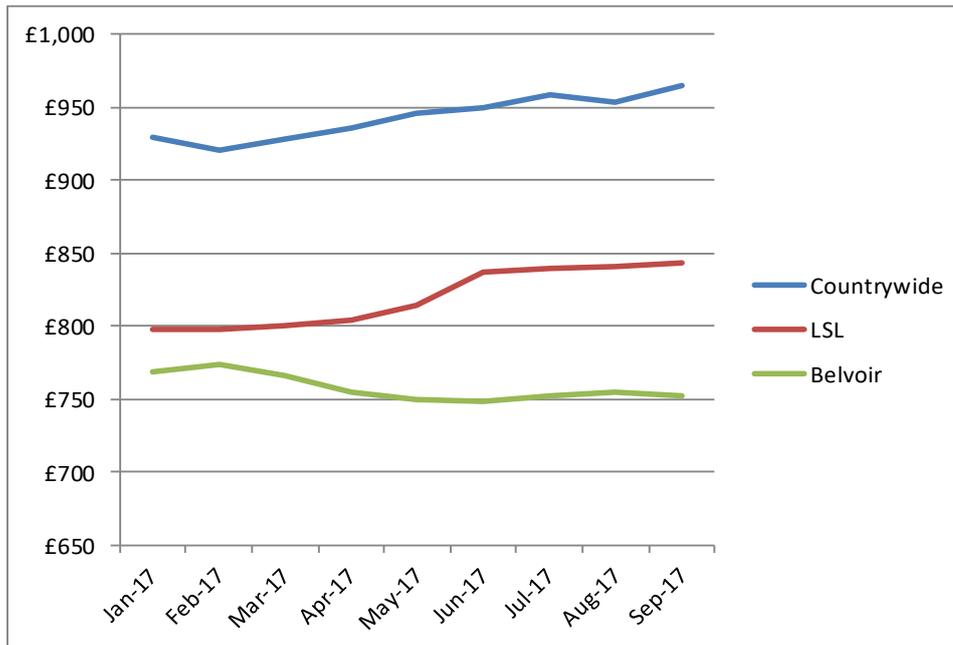
We also know rents don't tend to fluctuate much from one month to the next and are typically capped by wage growth. As such, we always seek to explain large fluctuations which don't tend to happen 'at a local level' even though they may be reported by the statistics as they tend to be anomalies.

Report headlines

Kate Faulkner comments on rental report headlines:

Having run and reviewed rental indices since 2008, we know a lot about rental trends. Typically they rise when wages increase in excess of inflation and flatline or even fall when wages are stagnant. We do see rents rise for short periods of time when demand is particularly high versus stock levels but, unlike house prices – which can rise for several years – we don't see rents do this for more than a few months. But despite the increase in landlords' costs and taxes threatening to increase rents for tenants, this doesn't appear to be happening so far. Latest research on the rental market from the respected Hometrack team states that "rents have tracked earnings over the long run. Rental affordability is worst in London while it is the best for a decade in regions outside southern England".

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 £752, a year on year increase of 1.6%." (Sep 17 - E, W & S)

LSL

"The North West is home to fastest rising rents in the UK" (Oct 17 - E & W, index started in 2009)

ARLA PropertyMark

"Surge of rent increases subsides" (Sep 17 - UK)

Countrywide

"London tenants fuel rental growth across Southern England." (Oct 17 - E, W & S)

RICS

"Rental expectations are somewhat subdued in the near term, with contributors anticipating only a marginal rise on a UK-wide basis." (Sep 17 - E, W & S)

What's happening to rents regionally?

Kate Faulkner comments on regional rent variations:

Although we can't compare the rental indices below on a 'like for like' basis, we can look to see if the different indices are seeing similar trends to get a more localised idea of what's happening. What's interesting this quarter is the amount of 'red' figures, suggesting that rental inflation has abated. This is likely to be caused by wages and inflation matching, restricting what people can pay for properties to rent. This is happening even in areas where demand is higher than supply, such as London where rents are not seeing the rises they have in the past. Additional information from Hometrack shows the diversity by region of rental performance, with their analysis suggesting "residential rental growth over the last decade has ranged from +45% (London) to -7% (N.West) across regions. The variance is largely explained by local economic factors."

September 2017	LSL Average Monthly Rent Sep-16	LSL Average Monthly Rent Sep-17	LSL % Change YoY	Homelet Average Monthly Rent Sep-16	Homelet Average Monthly Rent Sep-17	Homelet % Change YoY	Belvoir Average Monthly Rent Sep-16	Belvoir Average Monthly Rent Sep-17	Belvoir % Change YoY	ONS Index of PRS Rental Prices % Change over 12 months Sep-17
Scotland	£ 575	£ 574	-0.2%	£ 613	£ 628	2.4%	n/a	n/a	n/a	0.3%
Wales **	n/a	£ 590	n/a	£ 606	£ 617	1.8%	£ 635	£ 742	16.9%	1.4%
North East	£ 538	£ 536	-0.3%	£ 519	£ 529	1.9%	n/a	n/a	n/a	0.4%
North West	£ 611	£ 633	3.6%	£ 683	£ 697	2.0%	£ 634	£ 593	-6.5%	1.3%
Yorkshire & The Humber	n/a	£ 573	n/a	£ 616	£ 630	2.3%	£ 645	£ 631	-2.2%	1.6%
East Midlands	£ 625	£ 646	3.4%	£ 598	£ 620	3.7%	£ 626	£ 663	5.9%	2.9%
West Midlands	n/a	£ 616	n/a	£ 666	£ 692	3.9%	£ 731	£ 704	-3.7%	1.9%
South West	£ 684	£ 669	-2.2%	£ 787	£ 814	3.4%	£ 718	£ 734	2.2%	2.1%
East Anglia	£ 855	£ 880	2.9%	£ 898	£ 914	1.8%	£ 764	£ 744	-2.6%	2.4%
South East	n/a	£ 879	n/a	£ 1,002	£ 1,001	-0.1%	£ 990	£ 1,060	7.1%	2.5%
Greater London *	n/a	£ 1,280	n/a	£ 1,563	£ 1,593	1.9%	£ 1,666	£ 1,415	-15.1%	0.9%

* Belvoir - the large reduction in rents for Greater London is chiefly due to the loss of a number of London based offices, including Hampstead Heath, Chelsea and Fulham and Balham, where rents averaged £3,775, £2,000 and £1,500 respectively.

** Belvoir - the large year on year increase in Welsh rents is statistical and mainly down to a change in the mix of properties let, coupled with a number of premium properties having been advertised in Swansea/Mumbles.

Belvoir Lettings

"Although some areas of East Anglia reported slight falls in rent, other areas, such as the East Midlands and the South East saw year on year increases of 7.5 and 6.5% respectively. The latest data analysed shows rents range from £593 in the North West, £663 in the East Midlands, through to £1,060 in the South East and £1,415 per month in London." (Q2 17)

LSL

"On a yearly basis, rents increased in the North West by 3.6% to reach an average of £633. This made it the fastest growing area surveyed. Close behind was the East Midlands where prices have grown by 3.4% compared to last year. The East of England rounded off the top three with prices having increased by 2.9% in the 12 months to September. By contrast, prices in the South West have fallen by 2.2% and in the North East they have dropped by 0.3%. These were the only two regions to post a year-on-year fall. London rents are the highest in the country, with an average of £1,280 recorded during September. However, this headline figure continues to mask vast differences across the capital." (Oct 17)

Countrywide

"Over the last 12 months rents grew faster in southern regions than those in the north. More homes coming on to the rental market in Northern England has slowed rental growth. In September there were 12% more rental properties on the market across the three regions of Northern England (North East, North West and Yorkshire & Humber) with one in ten owned by a London landlord." (Oct 17)

Hometrack Insight report 'Rental growth and affordability':

<https://www.hometrack.com/media/441085/hometrack-insight-rental-growth-and-affordability-july2017.pdf>

The typical claims by politicians and organisations wanting rent controls that landlords are 'greedy' and rents are 'out of control' are debunked in this excellent report. These claims are revealed to be pure rhetoric and are not backed up by the research from Hometrack, nor from government figures such as ONS.

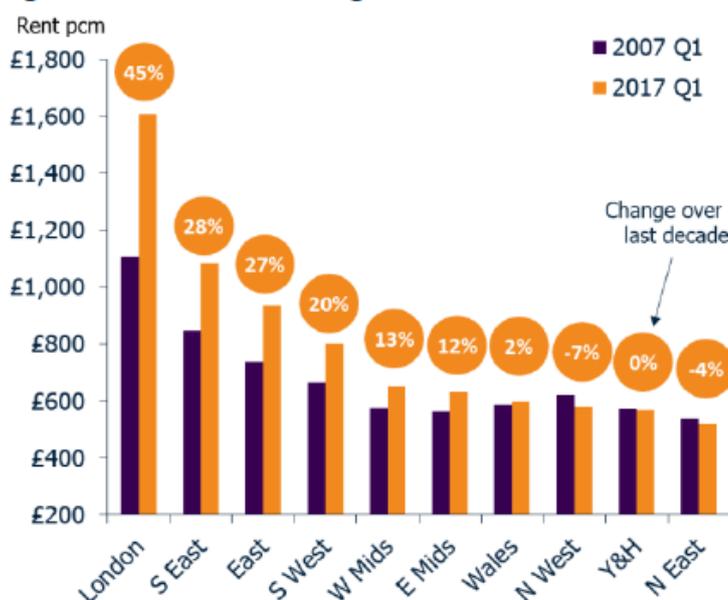
Figure 1 below clearly shows that in the main, rents have a 'natural cap' of moving in line with earnings. It is clear, however, that London has a more acute problem, driven by the wealth gap and lack of supply of properties at rents people can afford – namely social homes.

Fig. 1 – Growth in rents and earnings



Source: Hometrack

Fig. 2 – Rents and rental growth over last decade



Source: Hometrack

What's interesting about the Hometrack assessment of rental growth is how this compares to general inflation of 27.3%. That means the only areas which have actually seen rental growth higher than other costs of living are the East, S. East (and only just) and London, the only area to really exceed it. This means many landlords – unfairly

dubbed as 'greedy' – have actually given themselves some enormous pay cuts, unless of course they have managed to keep costs down through low mortgage rates.

Housing crisis hitting young Scots and PRS tenants more than most:

It's interesting that despite Scotland making more changes than any other country in the UK to help support tenants, including banning letting fees, Shelter are now stating:

“Young people and private renters are disproportionately affected by a ‘terrible shortage’ of affordable homes in Scotland, according to a new report. Figures from Shelter Scotland’s ‘Impact Report’ have highlighted that a shortage of affordable homes, welfare reform and stagnant wages have seen tenants struggling to afford housing costs.”

It is perhaps worth noting that although the rest of the country is now looking to follow Scotland with banning of letting fees and agent regulation, unfortunately so far it's not making a great deal of difference to tenants, even according to Shelter's own analysis.

To me this makes it clearer than ever what is really required to help vulnerable tenants in the PRS is to build the social homes they need and get the 1 million people off the council waiting lists, rather than focus on trying to 'force' the private sector to deliver what only social investment can afford to do.

Link to article

<http://www.scottishhousingnews.com/16550/housing-crisis-hitting-young-scots-and-prs-tenants-more-than-most/#>

Link to actual report

https://gallery.mailchimp.com/91cb73bca688114fefed773f2/files/4dab84ad-5d9a-40a9-b874-794f10758477/Shelter_Scotland_Impact_Report_July2017_screensmall.pdf

Demand and supply

Kate Faulkner comments on demand and supply:

What is stark about the figures for this quarter, both from Belvoir and from RICs, is that the idea people rent just because they can't afford to buy. In fact, people are now wanting houses as opposed to the cheapest properties they can get their hands on (eg flats), suggesting renting is more about a lifestyle choice.

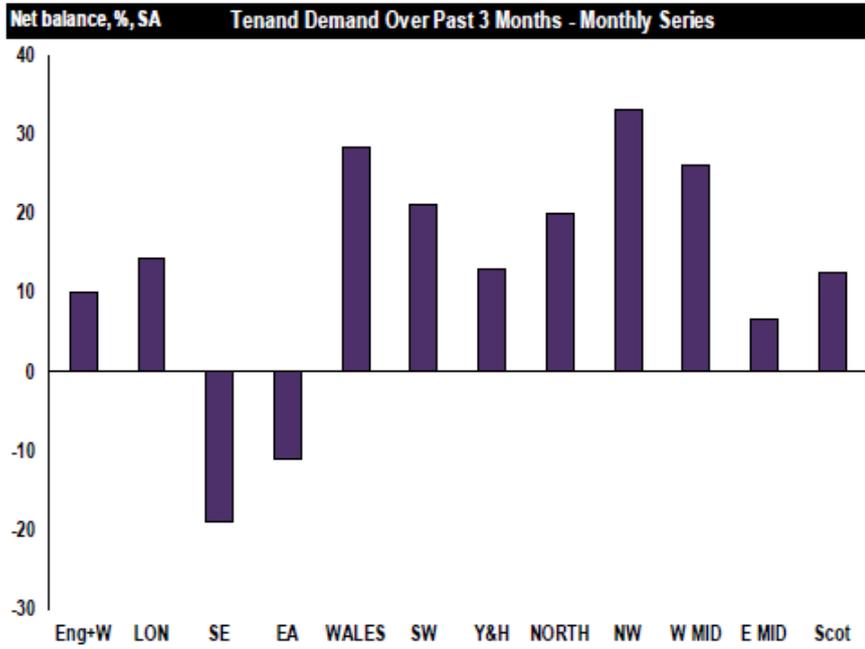
And we perhaps have the first indication that landlords are not coming into the market, as government policy was designed to achieve. However, the government's grand plans that this would magically help tenants to buy has not come to fruition as demand for rental properties – apart from in the South East and East Anglia – has continued to increase.

What the government is likely to find out over the next year or so is that there are good reasons why people rent rather than buy – which are partly financial and partly a lifestyle choice. The question is: how long it will take them to backtrack on measures introduced to curb demand and change policy to attract landlords once more?

Belvoir Lettings

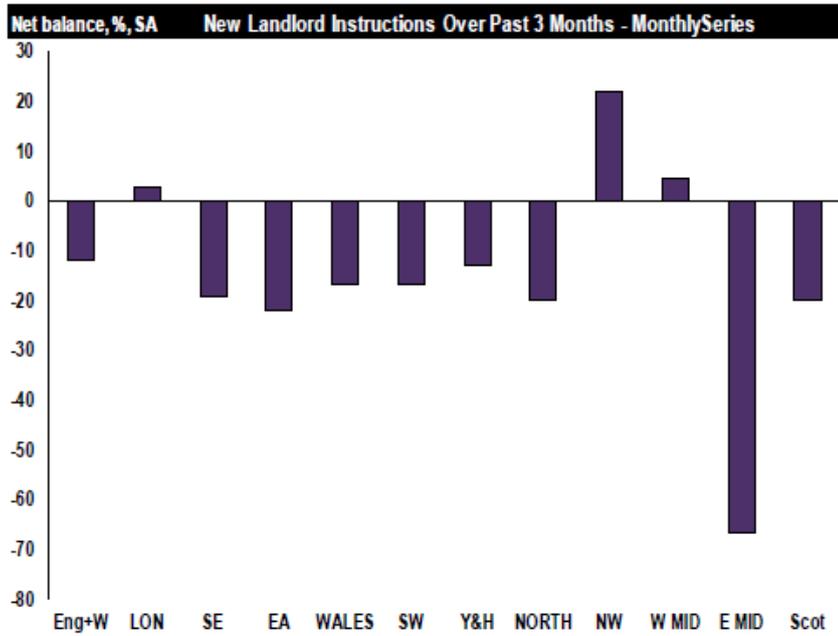
“The Belvoir offices reported a decrease in demand for flats, with a slight increase in demand for houses for Q3 17 versus Q2 17, with three bed semi-detached or terraced houses being reported as the most in short supply” (Q3 17)

Regional Tenant Demand - Past three months



Source: [RICS](#)

Regional New Landlord Instructions - Past three months



Source: [RICS](#)

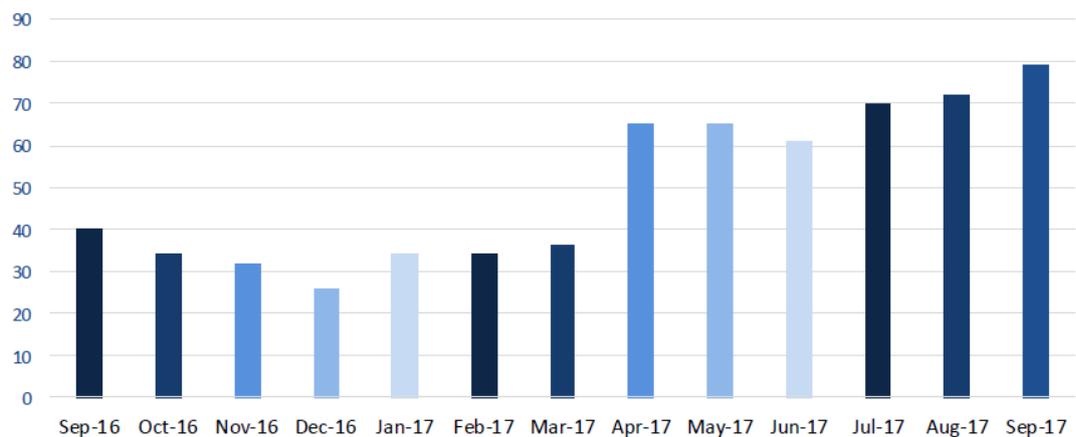
Demand and supply - cont'd

	New Listings		Properties Let	
	Sep 17	Sep 16	Sep 17	Sep 16
NATIONAL	0.9	1.3	-2.8	4.4
Central England	0.6	7.6	-7.3	11.4
East Anglia	4.4	-11.2	9.2	-1.4
East Midlands	6.4	12.3	1.7	-5.2
London	-0.3	6.4	-7.3	3.3
North East	17.8	19.6	20.9	-9.7
North West	7.1	-4.2	-7.6	5.4
Scotland	-17.9	-4.2	-16.2	-3.3
South East	-6.1	-1.9	-10.6	10.1
South West	8.4	2.2	-1.6	0.4
Wales	4.3	-10	18.6	13.8
West Midlands	-5.2	5.8	1.7	17.7
Yorks & Humber	-3.1	12.6	-12.8	0.2

Source: [Agency Express](#)

[ARLA Propertymark](#)

"The average number of prospective tenants registered per branch in September was 79."



[ARLA Propertymark](#): Average number of prospective tenants per branch (Sep 17)

Yields for landlords

Kate Faulkner comments on yields:

Again, despite constant accusations that landlords and indeed letting agents are being 'greedy', what the yields show is that in the main, it's the cost of buying and delivering housing that is high, while rents are pretty reasonable. As a 'back of fag packet' analysis, any tenant paying rent which is at a 5% or lower yield, is likely to be renting a property at a cheaper rate than they could buy. Today's landlord needs to be extremely savvy when buying to let, making sure the deal stacks up both now and into the future.

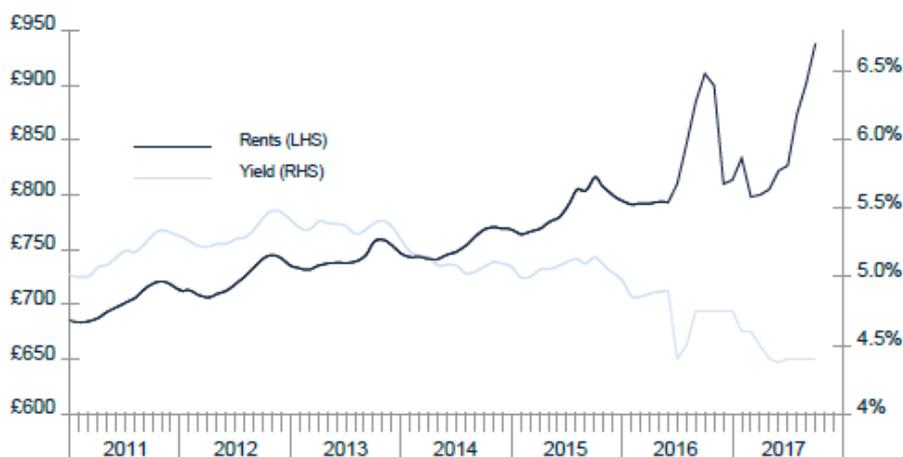
Region	Rents Sept (£) 2017	One month change	Yields Sept 2017
North West	£633	0.38%	5.0%
South East	£879	0.29%	3.3%
East Midlands	£646	0.14%	4.0%
Yorkshire and The Humber	£573	0.40%	4.5%
West Midlands	£616	0.04%	4.1%
North East	£536	-0.05%	5.1%
Wales	£590	-0.49%	4.7%
London	£1,280	0.23%	3.2%
East of England	£880	-0.46%	3.8%
South West	£669	0.49%	3.3%
England & Wales	£843	0.22%	4.4%

Source: [LSL – Regional Yields](#)

LSL

"The yields achieved by property investors across England and Wales in September remained broadly similar to last month. The South East was the only region to see returns fall month on month, with the average landlord here getting a return of 3.3% in September versus 3.4% a month ago. All other regions offered the same yields as in August but are down compared to last year. Across all surveyed areas, the average yield in England and Wales remained at 4.4% for a sixth successive month. But despite this stability, yields are still lower than a year ago. In September 2016 the average return was 4.8%. Properties in northern areas continue to offer better returns than other areas. This month the average property in the North East had a yield of 5.1%, higher than any other area in the country. The North West was the only other region to post a similar return, it had a yield rate of 5% this month." (Oct 17)

Total annual rent and yield from residential property



[LSL: Yields – England & Wales](#)

Room Rents

Q2 2017	SpareRoom Average Monthly Rent	SpareRoom Annual Change %
UK *	£ 454	3.0%
Scotland	£ 434	4.0%
Wales **	£ 424	17.0%
Northern Ireland	£ 288	5.0%
Sunderland	£ 315	-7.0%
Manchester	£ 425	3.0%
York	£ 417	4.0%
Leicester	£ 377	3.0%
Birmingham	£ 404	0.0%
Bristol	£ 478	2.0%
Liverpool	£ 367	2.0%
Reading	£ 552	5.0%
Greater London	£ 722	-2.0%

* Excludes London

** Rents in Cardiff were artificially inflated over Q2 2017 due to high demand for accommodation around the Champions' League final. We saw many advertisers renting rooms out at much higher rates (and for shorter terms) than usual. If we exclude these anomalies the average rent for Cardiff in Q2 2017 would be £388, (up 8% from Q2 2016) and the average for Wales would be £379 (up 4% from Q2 2016).

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](#).