



Latest Summary and Analysis of Rental Reports

There are five regular reports on the rental sector, some cover the UK and some that cover just England and Wales. Here is a summary of the report headlines and latest data together with Kate Faulkner's comments below to help landlords and tenants understand the implications of these reports for them:-

Report headlines:-

Savills

"As the number of households in the UK entering private renting continues apace, the appeal of residential investment in the sector looks set to widen" – (England & Wales)

Homelet

"Greater London has seen a greater annual increase in average rents than anywhere else in the UK. In contrast, our data shows tenants living in the Capital have only seen their income increase by an average of 0.8%. Therefore, when the 6.7% increase in renting a home over the past year is combined with the 2.7% increase in inflation (according to the ONS), the budgets of tenants in the Capital appear to be strained more than ever" – (England, Wales, Scotland & NI)

Acadameetrics/LSL

"Tenant finances recover as rental dip gives breathing space" – (England & Wales)

Average Rents

Rental Indices	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13
Homelet	£736	£738	£764	£768	£760	£768	£789	£806	£808	£795	£773	£782	£777
LSL	£712	£707	£705	£709	£712	£718	£725	£734	£741	£744	£741	£734	£732
Belvoir	£685	£687	£687	£686	£684	£684	£684	£683	£680	£680	£681	£684	£687

Kate Faulkner comments:

"Both Homelet and LSL are showing dips in rents from December 12 to January 13, although rents appear up on the previous year. Belvoir is showing a much steadier picture, with a small rise and the latter seems to reflect what's actually happening on the ground, ie rents haven't changed much in the last 12 months!"

Landlords Buy to Let Yields/Returns

	Period	Yield %	Period	Yield %	Period	Yield %
Savills	Q4 11	5.8%	Q4 12	n/a	Q1 13	5.8% *
RICS	May-Jul 12	5.2%	Jul-Sep 12	5.2%	Oct-Dec 12	n/a
Paragon	Q2 12	6.5%	Q3 12	6.2%	Q4 12	6.5%
ARLA	Q2 12	5.2%	Q3 12	5.2%	Q4 12	5.2%
LSL	Jun-12	5.2%	Dec-12	5.4%	Jan-13	5.3%

* Savills Forecast

Latest Summary and Analysis of Rental Reports – Cont'd

Kate Faulkner comments:

"Buy to let landlord data does suggest yields are pretty steady, currently ranging from just over 5% for all landlords up to 6.5% for professional landlords. These returns remain good versus other investment opportunities, although landlords need to be aware of what happens when mortgage rates rise and what impact on their returns any property price rises or falls have on LTV. For a 15-20 year investment, being able to sustain and improve property cashflow into the future is essential."

Capital Growth for Landlords

LSL

"The total annual return on a rental property stood at 5.7% in January. This represents an average return of £9,369 with rental income of £7,840 and a capital gain of £1,529. Despite the seasonal drop in rents, the average yield on a rental property was 5.3% in January, compared to 5.2% a year ago."

Nationwide

"UK house prices increased by 0.5% in January 2013, though prices were unchanged compared with January 2012"

Kate Faulkner comments:

"Capital growth up until 2007 for buy to let landlords gave such good returns. However, this has eluded most landlords since the credit crunch. Returns for landlords need to be based on capital growth or income. Achieving both in the short term, unless you are a cash buyer, is pretty tricky."

Demand for Rented Properties

Savills

"With increased demand for rental accommodation set against the context of low levels of house building, a simple mismatch between demand and supply has driven rental growth, despite the underlying economic conditions."

Paragon

"Tenant demand remained high in Q4 2012 and 41% of landlords are expecting demand to increase in 2013. There needs to be more investment in the sector in the next year to go some way in meeting the level of tenant demand expected. More people than ever before are living in the PRS, and a greater variety of tenant types."

LSL

"An improving mortgage market in January helped take a little pressure off the limited supply of rental property, at a time when the demand from tenants on the move is far from its seasonal peaks. But the dip in competition is not likely to last long. The pace of the fall in monthly rents has slowed, and we're already seeing tenant activity pick up. The private rented sector is coiled for a spring bounce, and without a sudden widening in the supply of accommodation, rents are likely to resume their climb in fairly short order."

Kate Faulkner comments:

"Tenant demand is likely to continue to climb, although some of the government's new build schemes and funding for lending strategy is helping more first time buyers onto the property ladder. The results of the Building to Rent fund to look for innovative development for rental property is eagerly awaited for both builders and landlords."

Latest Summary and Analysis of Rental Reports – Cont'd

Supply of Rental Properties

Savills

“Rising rental demand has been met by small-scale individual landlords who, in common with most western countries, provide the bulk of market rented accommodation. Since the credit crunch, new private landlords have been those with equity and not the highly geared buy to let investors of the early Noughties. Among them are the ‘accidental landlords’ who have found themselves unable or unwilling to sell at current values so have let their properties instead, sometimes renting the property they then live in. The increasing demand for rental accommodation shows no signs of abating as generations who, in the past, would have swollen the ranks of owner-occupiers are now excluded by lack of deposits.”

ARLA

“The proportion of ARLA members’ offices who believe that they are seeing an increase in rental property coming onto the market because it cannot be sold has risen over the last three months with the figure increasing from 40% to 42%, the second increase in succession. Detached and semi-detached houses continue to be the types of property most likely to be coming onto the market for this reason.”

Paragon

“Landlords continued to add to their portfolios and in Q4 the average property portfolio size was 12.7 properties, compared with 12.5 in Q3. In 12 months’ time landlords are expecting their portfolios to increase further to an average of 13.2 properties.”

Kate Faulkner comments:

“The initial growth in rental property supply came from accidental landlords, and this supply could well be threatened if the recent downgrading of the UK’s investment rating causes a rise in interest, and potentially, mortgage rates. This could take huge numbers of family homes off the market - as would a pick-up in sales activity. Apart from future investment via institutions and large scale landlords, only small scale buy to let investors are adding any stock to the market and rarely at the rate of the number of new homes required.”

For more information, property market commentary for consumers and one-to-one consumer property advice, contact:-

Kate Faulkner, Manager Director, Designs on Property Ltd
Property Market Analyst and Commentator

Websites: [Designs on Property](#); [Property Checklists](#); [Kate Faulkner](#)

Email: kate@designsonproperty.co.uk

Telephone: **07974 750562**

Notes to Editors

Designs on Property Ltd (www.designsonproperty.co.uk) is run by Kate Faulkner, who spends half her time working as a consultant to the residential property industry, and the other half helping people carry out property projects. Kate is uniquely placed to help first time buyers, tenants, people trading up and trading down, renovators, self-builders and would be property investors.

Kate's '[Help me find a house' service](#) offers property hunters a 100+ page property pack which contains how tos, top ten tips, checklists and advice at every step of the way, including a one to one helpline via email or phone.

The six property packs including:-

<u>First Time Buyer</u>	£19.99
<u>Sellers Pack</u>	£19.99
<u>Tenant Pack</u>	£14.99
<u>Renovating a Property</u>	£19.99
<u>Making Money</u>	£24.98
<u>Buy to Let</u>	£59.95

About Kate Faulkner

Kate carries out over 50 speaking engagements every year, highlighting property market issues to the industry and consumers. She has written six property books including four for Which? is a featured property expert on the 4Homes website, regularly presents market issues for BBC Radio Nottingham and has a column in the Nottingham Evening Post.

She has appeared on Daybreak, BBC's Your Money', BBC Radio 4's You and Yours, BBC Radio 5 Live, ITV news and The Big Questions.

For more information contact Kate Faulkner directly on 07974 750562 or kate@designsonproperty.co.uk