

## June 2013 summary and analysis of Rental Reports

### Is an upbeat sales market reducing rental supply?

There are various regular reports on the rental sector, some cover the UK and some 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:-

<a href="#">Move with Us</a>	<i>"The average advertised cost of renting a home in Great Britain increased by 0.45% in May to £970 per month. (May 13)"</i>
<a href="#">Belvoir Lettings</a>	<i>"Average rents across the UK for May 2013 were £2 more than May rents in 2012 for offices which have traded consistently over the last five years. (May 13)"</i>
<a href="#">Homelet</a>	<i>"Increasing rents leave London tenants with £250 less this month. (May 13)"</i>
<a href="#">Savills</a>	<i>"Private rented sector will continue to grow by at least 210,000 households per annum over the next three years. (Q2 13)"</i>
<a href="#">ARLA</a>	<i>"Compared with three months ago, the average weighted rental return for houses is unchanged at 5.0% and the average weighted rental return for flats is unchanged at 5.2%. (Q2 13 [mid- March to mid-June])"</i>
<a href="#">Spare Room</a>	<i>"Average rents for rooms are up 7% since last year, to a new high of £115.91, but comparing this month's and last month's indices we can see a more nuanced story emerging. (May 13)"</i>

### Average National 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	Feb-13	Mar-13	Apr-13
Homelet	£736	£738	£764	£768	£760	£768	£789	£806	£808	£795	£773	£782	£777	£777	£774	£793
LSL	£712	£707	£705	£709	£712	£718	£725	£734	£741	£744	£741	£734	£732	£731	£735	£736
Belvoir	£685	£687	£687	£686	£684	£684	£684	£683	£680	£680	£681	£684	£687	£686	£689	£689

### Kate Faulkner comments on Rental Report Headlines

*"Renting remains the hot topic of political comment with landlords and letting agents regularly being lambasted for their charges and pushing up rents. So much so, there is now talk of rent control and agents not being able to charge letting fees to tenants. It's amazing how facts and figures can be twisted to influence policy and make some noise! For example, the headline from Homelet of 'tenants have £250 less per month' is not to do with rises in rents, (they are in line with inflation), it's to do with a decrease in wages – hardly the fault of landlords and letting agents!"*

*The reality is, rents, landlords and indeed agents who belong to schemes such as NALS, typically look after their tenants well as opposed to rogue landlords and agents who don't belong to schemes and yet tend to be featured in all the rental headlines. If rents are controlled, this is likely to push them up far faster than landlords and letting agents can do so, as they rent at a rate people can afford at the time, not just increase in line with inflation. If this had happened over recent years, tenants would be paying far higher rates now than they are! "*

## Regional Rental Price Variations

### Move with Us

*“Overall, the trend of advertised rents not fluctuating by any great significance so far this year has not shifted in May. The biggest growth areas were, as expected, the South East (1.7%) and more surprisingly, the North East where rises from April have continued apace in May, rising by 1.8% to reach an average advertised rent of £677 per month. Despite a fall in advertised rents in some of the country’s regions such as North West and Wales, this has been offset by significant increases in the South East. London rents continued the recovery recorded in April 2013, growing by 0.8% throughout May, although they remain 9% down on the peak experienced in May 2012, before the London Olympics. The following regions show positive increases year on year: Yorkshire and Humber (8.5%), East Midlands (6.75%) and the South East (6.5%)”*

### Belvoir Lettings

*“Rents have been fairly static in England and recorded an average of £717 in May 2013 for all offices and £690 for offices trading consistently over the last five years. Rents in Wales remain steady with Cardiff averaging £710-715 per month, Swansea £631 per and Wrexham rents at £580 per month. Scottish average rents in 2013 were £547 per month in May versus £549 in January 2013. London rent rises have now stagnated and in some areas are showing small falls.”*

### Homelet

*“East Anglia saw the largest annual drop in average rents, after lowering by 6.7% since May 2012 to £685 per month. Despite seeing the largest monthly drop of 2.7% in rents to £639 per month, the average cost of renting a home in the North West is still 4.5% more expensive than the same time last year. After seeing a rise of 7% in average rents in May 2011 (when compared with May 2010), the percentage increase of the cost of renting a home in the West Midlands has consecutively lowered. In May 2012 average rents in the region rose by just 1% (when compared with May 2011), and this month the region’s average monthly rental amount decreased by 2.3% to £601.”*

### RICS

*“Rents are expected to continue rising over the near term, with the rental expectations balance the same. Surveyor respondents expect rents to increase by 1.4% over the next 12 months. This figure has barely changed over the last 6 months. Moreover, it is interesting that while price increases are expected to be greatest in London, rental expectations in the capital are far more aligned to the national average.”*

### Spare Room

*“In recent months rents have been on a steady upward March, but few towns in the UK have seen large rises since our last report. We seem to be entering a period of rent stability, with some areas seeing deflationary rents where perhaps an affordability ceiling has been hit recently? Areas such as Bolton which has seen strong rental growth recently, went into reverse. Earlier this year London was powering the UK’s rising rents but this quarter we’ve seen rents across all parts of London remaining stagnant or falling slightly, except for West End rents which are bucking this trend.”*

### **Kate Faulkner comments on Regional Rent Variations:**

*“Rents don’t vary from one postcode to another quite as much as prices, but there are still regional differences. Areas where rents rise too much above wages tend to slow very quickly the month or two after, and in some cases go into reverse, so it’s important landlord and agents are realistic about what tenants can achieve. With most of the reports suggesting regional falls in rents, policy makers and those requesting rent controls, need to bear in mind they would be forcing rents up unnecessarily – resulting in higher rents than tenants need pay. Is this really in tenants’ interest?”*

## Capital Growth for Landlords

### ARLA

*"The overall average capital asset value of rented houses has risen by 0.5% from mid- March to mid-June., the second increase in succession. This increase has come as a result of increases in the average value of rented houses for those in the rest of the South East (up by 1.0%) and for those in the rest of the UK (up by 3.1%). These increases outweighed a decrease of 0.7% for those managing properties in Prime Central London."*

### **Kate Faulkner comments on Capital Growth:**

*"Securing capital growth which is in line with inflation isn't easy at the moment. Even for Prime Central London prices, properties showed a small fall. Long term investors will be fine, but for those who invested between 2005 and 2007, many are seeing their property capital returns failing unless they built it in from the date it was bought."*

## Demand for Rented Properties

### Belvoir Lettings

Feedback from offices would suggest tenant demand remains strong in most areas, including Wales, however in Northern Ireland, this has dropped back a bit which may be due to potential renters being enticed back into the buying market again.

### Savills

*"Our analysis shows that demand for privately rented homes will continue to rise by at least 210,000 households in the next three years. Most of that demand will continue to be centred on London where property prices are highest and the population is set to exceed nine million by 2018."*

### ARLA

*"Since the last survey (mid-Dec to mid- March], demand in the rented residential property sector has weakened a little in terms of the overall proportion of respondents saying that there are more tenants than properties available for them, with demand falling from 57% to 54%, more than reversing the increase seen then. This overall decline was reflected in all of the broad geographic areas with the demand figure for Prime Central London falling from 35% to 32%, the rest of the South East fell from 69% to 66% and the rest of the UK fell from 58% to 57%."*

### **Kate Faulkner comments on Demand:**

*"As with property prices, rents are to some extent driven by tenant demand, coupled with supply of properties, but one of the critical factors is tenants' ability to pay more rent. High demand and low supply doesn't mean rents rise, as indices show so far, rents seem firmly tied to disposable income. Those suggesting rent controls need to be aware, increasing rents in line with inflation could end up crippling tenants' finances, not improving them! "*

## Supply of Rented Property

### Belvoir Lettings

Feedback from offices suggests the supply of rental properties remains mixed, with some areas, such as Wales, having less properties available for rent due to owners now looking to sell. In other areas, they are receiving an increase in brand new properties from first time investors, particularly from those approaching retirement age or having just retired. In Scotland, there has been an increase in the supply of houses, but less flats as they seem to be over supplied.

### ARLA

*"The proportion of ARLA members who think landlords are currently increasing their net investment in residential property by buying properties has risen sharply, from 30% to 39%, over the last three months. The proportion of ARLA members who think landlords are currently decreasing their net investment is static. As a result, the margin between the proportion of agents saying landlords are buying and the proportion saying they are selling, has widened dramatically in the last three months."*

### Kate Faulkner comments on Supply of Property:

*“As landlords see confidence coming back into property prices and rents still covering their costs, renewed confidence comes into buy to let and less are likely to sell their investments, while others may look to expand. This will hopefully increase the supply of rental properties which is good news for the increasing number of new tenants.”*

## What to do next?

Renting and letting a property is a complicated stuff. Don't get it wrong or fall foul of the law! To help you we have for free set up [Property Checklists which is free for buy to let investors, landlords and tenants](#) to use.

To help get you started or as a reminder of what you need to do and when, download our free checklists:-

- [Buy to Let](#)
- [Renting by the Room](#)
- [Why join a Landlord Association](#)
- [Renting a Property](#)
- [Selling a Property](#)

## For Industry Professionals

If you are you a property professional or journalist who needs up to date, accurate, facts and figures about residential property, subscribe to our [Property Information Portal](#).

## 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](#) [Property Checklists](#)

Email: [kate@designsonproperty.co.uk](mailto:kate@designsonproperty.co.uk)

Telephone: **0845 838 1763**

## 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 and is currently the Telegraph's property club Q&A person.

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

For more information contact Kate Faulkner directly on **07974 750562** or [kate@designsonproperty.co.uk](mailto:kate@designsonproperty.co.uk)