

Latest Summary and Analysis of Rental Reports

There are five 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:-

- [Acadameetrics/LSL](#) *"Rents rise once again in April but pace of increase slows"*
- [Move with Us](#) *"London rents on the rise"*
- [Belvoir Lettings](#) *"Average rents across the UK for April 2013 were £3 more than the average rent for 2012 for offices which have traded consistently over the last five years"*
- [Homelet](#) *"Rate of increase in the Capital's rents slows down by almost half"*

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	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 Average Rents:

"There is far too much misinformation on what's happening to rents across the UK. In the main, rents haven't kept up with inflation at all. Unfortunately, what most rental indexes are missing is that rents fell dramatically in 2008 so reports of 'rents rising' from 2009/10 are, in the main, rents recovering to heights previously achieved in 2008."

Capital Growth for Landlords

- [LSL](#) *"The total annual return on a rental property rose to 5.9% in April. This represents an average return of £9,679 with rental income of £7,807 and a capital gain of £1,872. The average yield on a rental property was 5.3% in April, compared to 5.2% in the same month last year. (April)"*
- [ARLA](#) *"The overall average capital asset value of rented houses has risen by 4.9% over the last three months, largely reversing the fall seen then. This increase has come as a result of increases in the average value of rented houses for those managing properties in Prime Central London (up by 6.7%) and for those in the rest of the South East (up by 8.1%). These increases outweighed a decrease of 6.9% for the rest of the UK. (Q1 13)"*

Kate Faulkner comments on Capital Growth:

"The capital growth figures from both LSL and ARLA just show how London centric our housing recovery is. Buy to let can deliver good capital growth, but this is restricted to only a few areas around the UK and, in the main, as an investment asset over the last five years, it has underperformed versus inflation. This is a critical issue to be aware of for those who are investing for their pension – the big question is will buy to let returns beat inflation in the next five or ten years?"

Demand for Rented Properties

ARLA *“During the last three months, demand in the rented residential property sector has [been strengthened with the] overall proportion of respondents saying there are more tenants than properties available for them, with the figure rising from 55% to 57%. This overall increase was largely accounted for by a quite sharp increase for the rest of the UK (up from 52% to 58%). The figures for Prime Central London showed a much smaller increase (up from 34% to 35%) whilst those for the rest of the South East showed a small decline (down from 70% to 69%). (Q1 13)”*

RICS *“Tenant demand remains robust and is continuing to outstrip new landlord instructions. (April)”*

Belvoir Lettings Feedback from offices suggests overall demand from tenants remains buoyant for both young professionals and families. Tenants are typically staying longer in their properties. In some areas such as York, properties are being let within a week.

Paragon *“Tenant demand continues to remain high and in Q1 35% of landlords said that demand was growing or booming, with just 6% thinking it was declining. In the next 12 months 41% of landlords expect demand to continue to grow; 44% think that it will stabilise. (Q1 13)”*

Kate Faulkner comments on Demand:

“Tenant demand will of course remain strong as in most areas of the UK new households are forming, but most are either not keen to commit to buying or struggle to save for the deposit levels. What will be interesting moving forward is whether then Help to Buy Scheme will take the edge off demand for rental properties while helping people onto the housing ladder.”

Supply of Rental Properties

ARLA *“The proportion of ARLA members who think landlords are currently increasing their net investment in residential property by buying properties has again risen quite sharply from 26% to 30% over the last three months. However, the proportion who think they are currently decreasing their net investment by selling properties is also up quite sharply from 10% to 15% and as a result, the margin between the proportion saying landlords are buying and those who say they are selling has closed a little in the last three months. 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 fallen quite dramatically over the last three months with the figure dropping from 42% to 29%. Detached and semi-detached houses continue to be the types of property most likely to be coming onto the market for this reason. (Q1 13)”*

Belvoir Lettings Feedback from offices suggests rental stock is in flux at the moment. In some areas, rental stock is increasing through ‘reluctant landlords’ who can’t sell, while in others, investors are expanding their portfolios by taking advantage of low mortgage rates. In areas where the market is picking up, people are starting to see if they can sell their properties and in a buoyant housing market, some landlords are finding it tough to get deals which stack up.

Kate Faulkner comments on Supply:

“The supply of rental properties for the rest of the year is vital to watch. In some areas we could see a huge fall in stock as house prices recover and reluctant landlords have their first opportunity to sell. However, for those landlords who are reliant on their rent to fund their property, they are finding it a tricky decision. Do they let their tenants go and borrow money to pay the costs in the hope they will sell or do they just carry on renting?”

What to do next?

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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

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.

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