

December Summary and Analysis of Rental Reports

Early Christmas Present for Tenants?

There are a number of regular monthly rental sector reports. Some cover the UK and some cover just England and Wales. This is a summary of the report headlines and latest data together with Kate Faulkner's commentary on the implications for landlords and tenants:-

Index

- Report Headlines Page: 1
- Regional Rental Price Variations & Room Rents Page: 2
- Capital Growth & Yields for Landlords Page: 3
- Demand for Rented Property Page: 4
- Supply of Rented Property Page: 4

Report Headlines:-

[Move with Us](#)

"Rents in Wales and the North East outperform rest of country. (Nov 13 - England, Wales & Scotland)"

[Belvoir Lettings](#)

"Average rents for all offices trading over the last five years in November 2013 were £685, which is just a £1 less than October 2013. (Nov 13 – England, Wales & Scotland)"

[Acadata/LSL](#)

"Rents rise twice as fast as wages over past year. (Nov 13 – England & Wales)"

[Homelet](#)

"Rents stabilise across the UK. (Nov 13 – England, Wales & Scotland)"

[SpareRoom](#)

"Average room rents have increased by 4% since 2012, with the average double room now costing £116 a week including bills. (Nov 13 – England, Wales, Scotland & NI)"

Average National Rents

Rental Indices	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
Homelet	£808	£795	£773	£782	£777	£777	£774	£793	£787	£811	£826	£851	£854	£815	£806
LSL	£741	£744	£741	£734	£732	£731	£735	£736	£737	£737	£738	£743	£757	£758	£753
Belvoir	£680	£680	£681	£684	£687	£686	£690	£689	£687	£685	£687	£687	£689	£686	£685

Kate Faulkner comments on Rental Report Headlines:

"The rental reports for houses and flats pretty much agree that rents aren't moving forward much and haven't in the last 12 months. Although LSL say rents are rising faster than wages, with very little wage growth – this isn't difficult! And from a landlord's perspective, it's not enough, ideally rents need to rise in line with inflation to retain the net income from rents. As the chart shows above, rents year on year have hardly changed from September 2012."

Regional Rental Price Variations

Move with Us

"Asking rents in the North East and Wales outperformed the rest of the country in November by 10.35% and 7.43% respectively when compared to the previous month. In an improving marketplace, the stronger regions such as Greater London, South East and East Anglia tend to improve first and when their rate of growth slows, the slightly less buoyant markets start to improve and close the gap. This month has been no exception to the rule. As Greater London's growth rate has slowed, Wales and the North East are performing strongly, levelling the playing field. (Nov 13)"

Belvoir Lettings

"Feedback from the offices suggests that rents continue to level out in the South East, South West, Yorkshire and the West Midlands. However, East Anglia, the East Midlands and North West are still experiencing rental recovery. In London, the average monthly rent for November was £1,413, which almost the same as the year to date average of £1,410 per month and is currently 17% above the 2008 height. (Nov 13)"

Acadata/LSL

"Eight out of ten regions saw rents fall on a monthly basis between October and November, in line with a monthly fall across England and Wales as a whole. The sharpest monthly drop was in the West Midlands, with rents down 2.6% since October. This was followed by a fall of 1.8% in the South East and a 1.3% monthly decrease in the East of England. (Nov 13)"

Homelet

"The North West was home to the largest monthly and annual increases of 4.1% and 6.6% respectively. It now costs an average of £658 per month to rent a home in this region. Greater London saw a second consecutive monthly decrease in rental amounts. After lowering by 1.6%, it now costs an average of £1,263 per month to rent a home in the capital. However, the South West experienced rent increases of 1.1% between October and November, while rents in Wales also rose slightly on a monthly basis, up by 0.2%. (Nov 13)"

Room Rents

SpareRoom

"The regions driving the increase are Northern Ireland and Scotland, where room rents have risen by 27% and 8% respectively, since last year. London and the South East saw more tempered rent rises - 4% in the South East, 3% in Outer London and 25 in Inner London. Rents held steady in Wales and rose by less than 2 percent in the rest of the country. (Nov 13)"

Kate Faulkner comments on Regional Rent Variations:

"While most of the rental reports are reporting 'no change', it appears most regions are either a little up or a little down! Downturns in average rents aren't unusual towards Christmas as tenants focus on the holiday season rather than moving and landlords drop prices to ensure their property isn't empty. It's a good time for tenants to secure a below average rent, especially as rents are likely to rise in 2014 by 2% or more. The sooner tenants lock in their rent the lower it is likely to stay over time. Room rents though are doing very well at the moment and this is likely to be reflective of the 'new breed' of landlords who are renting high quality rooms rather than damp and pokey ones!"

Capital Growth & Yields for Landlords

Acadata/LSL

"Gross yields on a typical rental property remained steady at 5.3% in November, consistent with the past three months. However, taking into account capital accumulation and void periods between tenants, total annual returns on an average rental property rose to 8.9% in November. This is up from 8.1% in October – with the increase due to accelerating house price rises. In absolute terms this represents an average return of £14,592, with rental income of £8,243 and capital gain of £6,349. If rental property prices continue to rise at the same pace as over the last three months, the average buy-to-let investor in England and Wales could expect to make a total annual return of 10.5% over the next 12 months, equivalent to £17,294 per property. (Nov 13)"

Paragon Group

"The BDRC Continental Landlords Panel survey, commissioned by specialist buy-to-let lender Paragon Mortgages, revealed that the sample of landlords who took part achieved a 6% yield across their rental portfolios in Q3. This compares to 6.1% in Q2 and 6.7% this time last year. Other findings from the quarterly survey showed that larger rental properties such as HMOs continue to achieve high yields – 7.1% in Q3. Migrant workers and students were the tenant types that generated the healthiest yields during the quarter – 7% and 6.6% respectively."

Kate Faulkner comments on Capital Growth & Yields:

"If you are already a landlord, the potential for capital growth returning in 2014, if not this year, will be a good one. Typically from a long term investment perspective, it's the capital growth that delivers the real returns to investors – not the income. As such, buy to let investors need to be aware that rising prices will reduce yields for future investments, as rents aren't rising at the same rate as house prices – and the latest summaries even suggest some falls."

Demand for Rented Property

Belvoir Lettings

Feedback from the offices suggests there was a 'seasonal' slowdown in demand for rented properties during November in a number of regions, including Northern Ireland. However, there are a few areas where demand remains very strong and these include Cardiff and Paisley. (Nov 13)

Acadata/LSL

"Over twelve months the availability and affordability of buy to let finance has achieved a quiet revolution – with a very real effect on the private rented sector. Demand for homes to rent is still soaring, yet heavy investment by landlords in 2013 has brought rent rises in most areas below inflation. In 2014, one thing will remain certain – demand from new tenants will continue to grow. (Nov 13)"

Homelet

"It appears the surge in people buying homes this year following the introduction of the Help to Buy Scheme has reduced the demand for rental properties and led to the stabilisation of rents across the UK. I believe this is positive for the private rented sector. Rental prices were rising at a very high rate due to high demand and lack of supply – and consequently making costs increasingly unaffordable. However, with Help to Buy now in place, this demand has relaxed, rents have eased and tenants can hopefully look forward to more stable living costs. (Nov 13)"

Kate Faulkner comments on Demand:

"Any reduction in tenant demand at this time of year is a seasonal one. It's got nothing to do with Help to Buy, which is only capturing a few thousand buyers each month, so nowhere near enough to affect demand in the rental market. The figures for January 2014 onwards will bear this out. Any rent changes are typically affected by how much people have in their back pockets to spend, so with rising utility prices, to get the best rent rates, landlords need to seriously consider Green Deal offers or funding from local authorities to help reduce heating costs for tenants."

Supply of Rented Property

Belvoir Lettings

Feedback from the offices suggests that property investor landlords are looking to increase their portfolios over the next couple of months. (Nov 13)

Acadata/LSL

"The supply of new homes to rent will be critical in maintaining relatively affordable annual rent rises, compared to rampant house prices. Private renting has been growing for decades, and new supply will need to cater for the sector for decades to come. (Nov 13)"

RICS

"With momentum in the housing market shifting up a gear in recent months, activity in the rental market has slowed, and quite markedly since the Government's announcement to expedite the second arm of Help to Buy. Indeed, tenant demand and new landlord instructions (on a monthly non-seasonally adjusted basis) at the national level have almost ground to a halt, while in London, both are now falling. (Nov 13)"

Kate Faulkner comments on Supply of Property:

"It's difficult for landlords to increase the supply of rental property when competing against those buying for a home, as they don't have to worry so much about the finances stacking up from a rental perspective. So, increased supply from individual landlords from buy to let will be tough in 2014. In addition, supply may start to fall if the property price forecasts mean reluctant landlords can now afford to sell. The good news though, is hopefully some of the 'build to rent' stock, kick started by the government, will help to bring a more sustainable supply of private rental properties."

What to do next?

For more help, from Kate and her team, join [Property Checklists](#) for FREE.

- [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

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 2's Jeremy Vine Show, 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