

# BELVOIR!

the lettings specialist

## **August 2013 Rental Index**

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## Belvoir Rental Index August 13: Top 10 Report Highlights

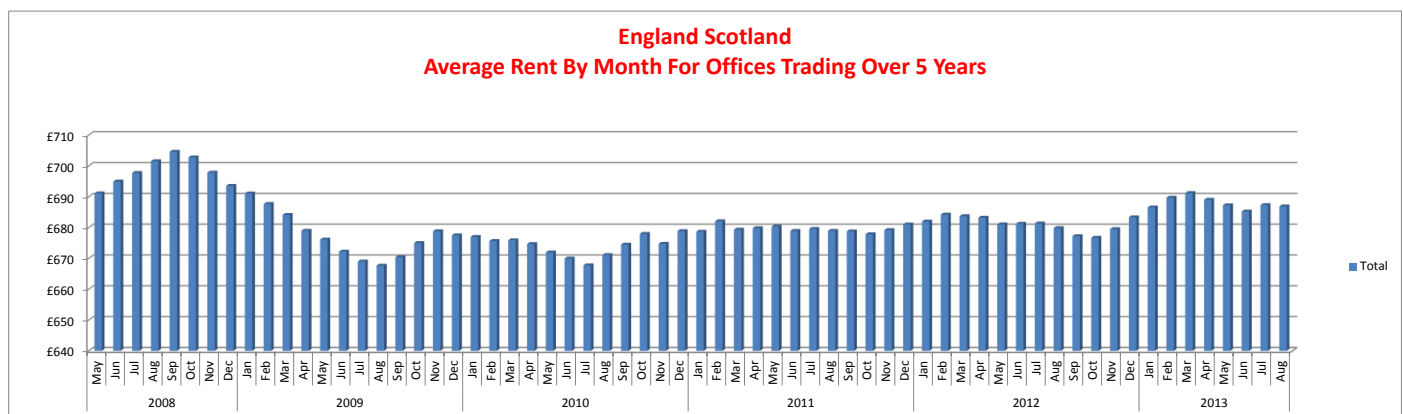
1. Average rents in August 2013 remained the same as July at £687. This was just under a 1% increase year on year.
2. In England Belvoir's average rents rose to £726 per month, but this was due to an expansion of offices of rents in the South East which pushed up averages.
3. Scottish rents showed little change month on month with the average for the offices in the region showing £583 per month.
4. Rents in Wales were little changed with Cardiff averaging £699 per month, Swansea £626 and Wrexham rents at £530 per month.
5. Northern Ireland rents were steady with a 5% growth in Bangor year on year. Tenant demand has increased over the summer, which landlords are responding to by increasing their activity too.
6. Areas yet to recover to 2008 rental heights in August include the East Midlands and the North West.
7. Areas recovering to 2008 rental heights include the North East
8. Areas where rents have increased above 2008 heights include Yorkshire, the South West, South East and London
9. London rents are often reported as 'rising' or at a 'new height'. Our index shows rents fell back in 2012 and have shown steady growth in 2013.
10. Long term rental trends since the start of our index in 2008 show London rents have now risen in line with inflation while other areas still have some way to go, but have pretty much recovered to 2008 heights. In the meantime the East Midlands remains 6% off 2008 heights

## National Rental Trends

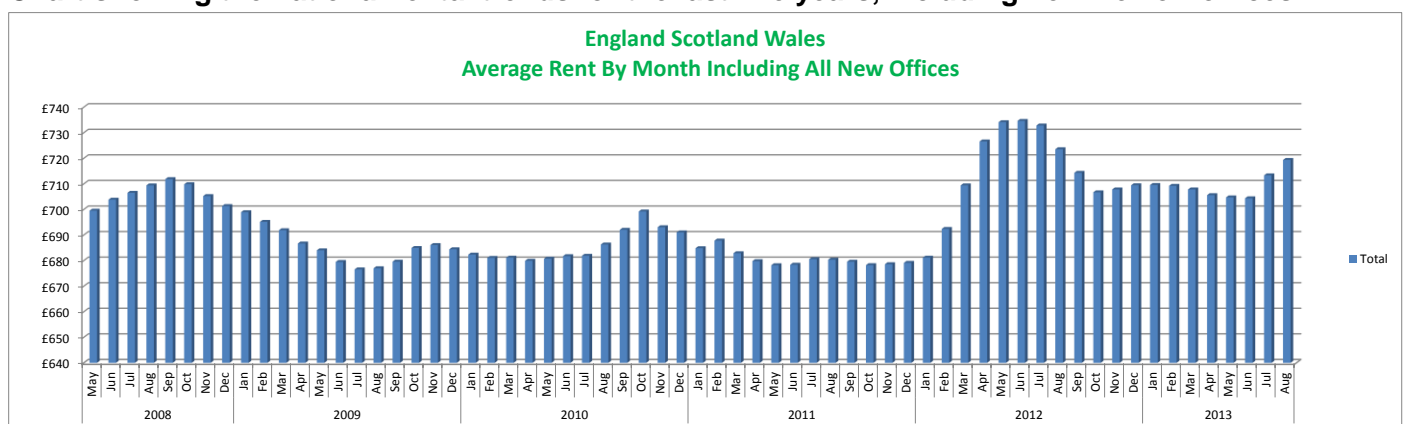
Rents in August 2013 remained on average £687 per month. As the chart shows although there has been an almost insignificant rise year on year of just 1% from 2012's average of £681 per month, rents are still struggling to keep up in line with inflation and continue to react more to what people can actually afford.

Average rents for 2013 are £688 per month which is still lower than 2008's average of £698 per month.

**Chart showing the national rental trends for the last five years over consistently trading offices**



**Chart showing the national rental trends for the last five years, including new Belvoir offices**



Belvoir office numbers have now increased to in excess of 153 with new offices being added mostly in the South of England. Average rents for the group reflect this increase in the average rent with some areas renting at an average of £1,000 per month, almost twice the groups' average since 2008.

As such, August's rental average for the group was £719 per month, but this is clearly driven by new offices as opposed to rises in actual rents.

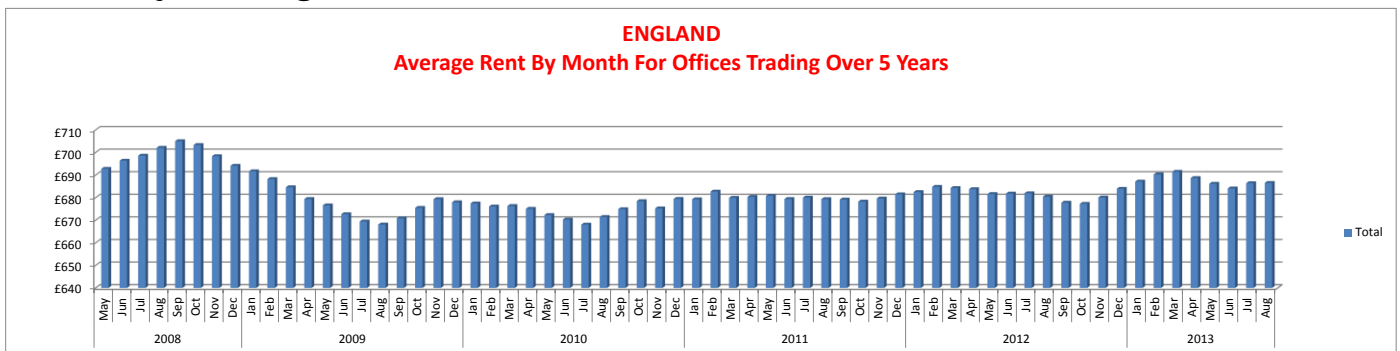
*Dorian Gonsalves, CEO of Belvoir Lettings commented "On the one hand, Landlords are benefiting from the good news about growing confidence in the market, but at a local level, more first time buyers can mean less tenants choosing from increased rental accommodation due to the confidence in buy to let. If landlords haven't reviewed their rental income and investment performance so far this year, I suggest they call or pop into their local Belvoir office to find out how the changing property market might positively or negatively affect their buy to let investment and what can be done to maximise returns and reduce costs."*

## Belvoir Index Area Summary

### Belvoir Lettings Index Summaries for England, Wales and Scotland

Here we compare what's happening across the Belvoir group by region: England, Scotland, Wales and Northern Ireland. Some of this is data from the Index, but as local areas can be extremely diverse, we also report from individual franchise owners outside of England to ensure trends are accurately reported.

#### Summary for England



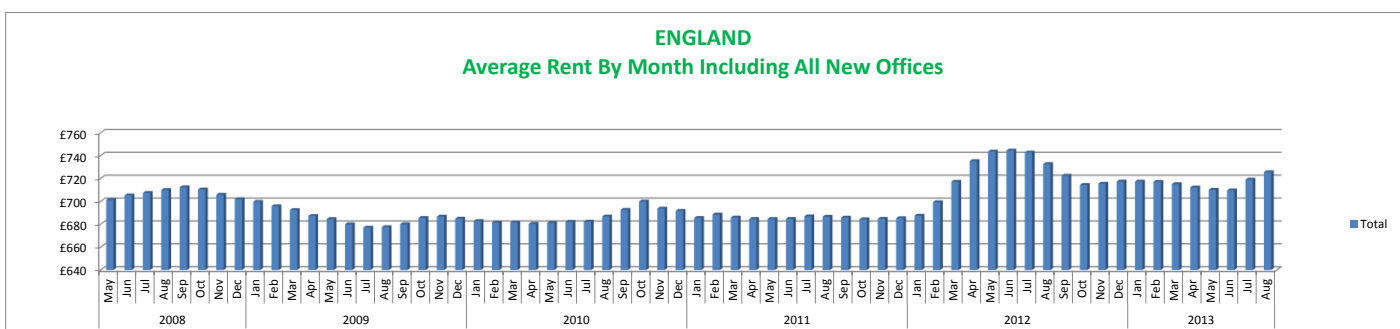
Rents in England over the last five years are showing a positive trend, but it's slow and rent rises haven't yet kept up with inflation. Average rents for August were £686 per month, showing no real change since the start of the year. Versus 2012, average rents are just under 1% higher, although they are still well below the £699 average achieved in 2008 when the index started.

Rents continue to show they tend to keep in line with disposable income, which hasn't fared well during the recession. With the CBI's latest forecast suggesting economic growth is likely to stay and improve in 2014.

The CBI think *"Household spending is expected to slowly strengthen in the second half of 2013 and through 2014, as confidence lifts and credit conditions continue to improve. This will be increasingly supported by improving spending power as inflation gradually falls back and disposable income picks up, against the backdrop of a stable labour market."*

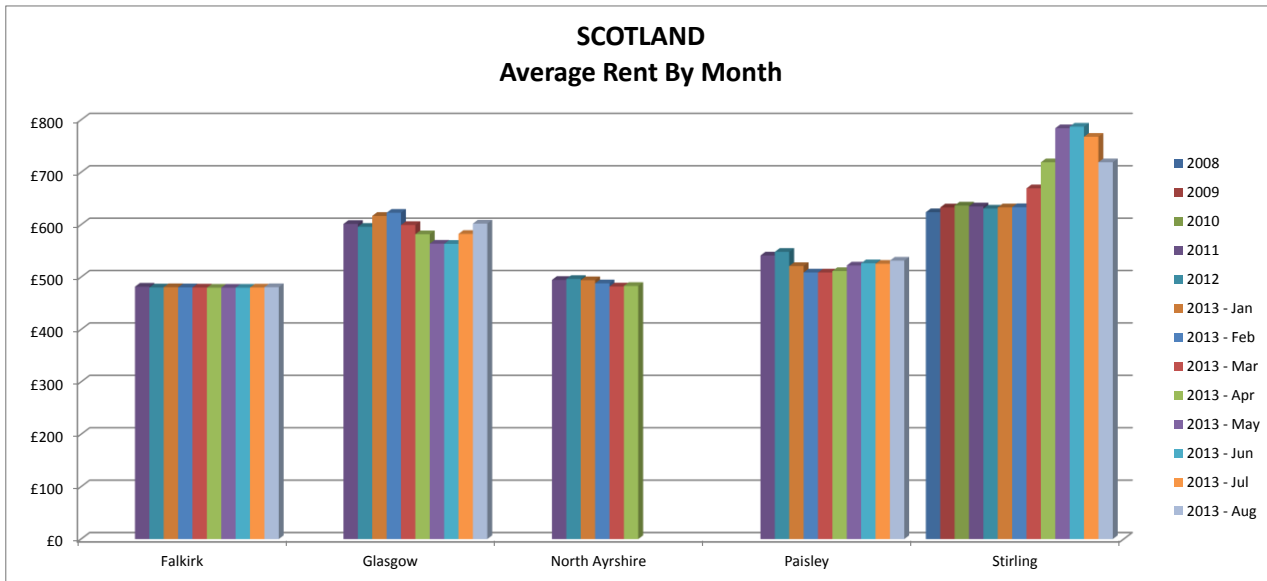
If these forecasts are accurate, landlords can hopefully start to increase rents in 2014 to recover some of the lost value in real rental income over the last five years.

#### Chart showing the England rental trends for the last five years, including new Belvoir offices



Thanks to the addition of new offices in the South of England, August's average rose to a high of £726 per month, beating 2012's average of £723 per month.

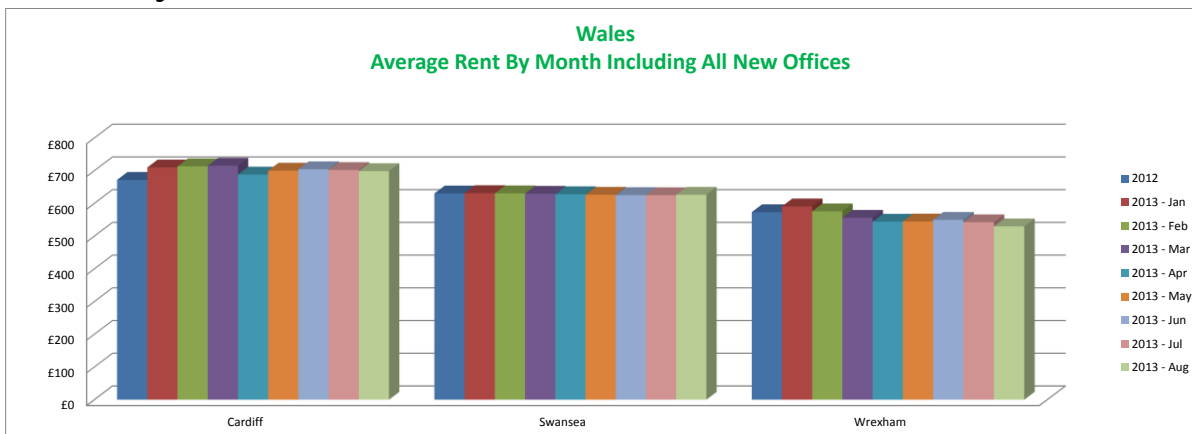
## Summary for Scotland



Although Scotland might be one region, rents vary considerably. **Mike Campbell from Falkirk** comments “Most of the properties we let are two bed flats. On average we achieved approximately £440 per month in August which is similar to the £443 average in July. We also had a good month renting out one bed flats and several three/four bed homes.”

**Sharon Walker from Glasgow** comments “Glasgow averages have seen a jump this month as we have had more larger house to let, but apart from this, rents are pretty static.”

## Summary Wales



Rents in Wales seem pretty steady in 2013. Falls seen in Wrexham seemed to have levelled off now and Cardiff has been the same level of rent now for at least the last five months. Swansea in the meantime has been steady all year.

## **Summary Northern Ireland**

Jackie Burns from Belvoir! Bangor comments on her market “Things are really good at the moment. We are seeing a huge boost in tenant demand and more landlords are coming into the market. Overall, rents are around 5% higher this year – as long as the property is being well maintained.”

Trevor Burns from Newtownards & County Down says “*Generally in our area there is very change. Where we can we are increasing rents, but it’s small and only when a property is vacant or the tenancy needs renewing after two to three years.*”

*“The good news is, we are seeing landlords wanting to buy more properties, giving tenant more choice and we are also finding landlords are tiring of self-managing and coming to us for full management. This has especially been the case since the tenancy deposit scheme has been implemented.”*

*Trevor explains the other recent trend in his area is larger properties coming onto the market, but time will tell if this trend will remain or is a one off!”*

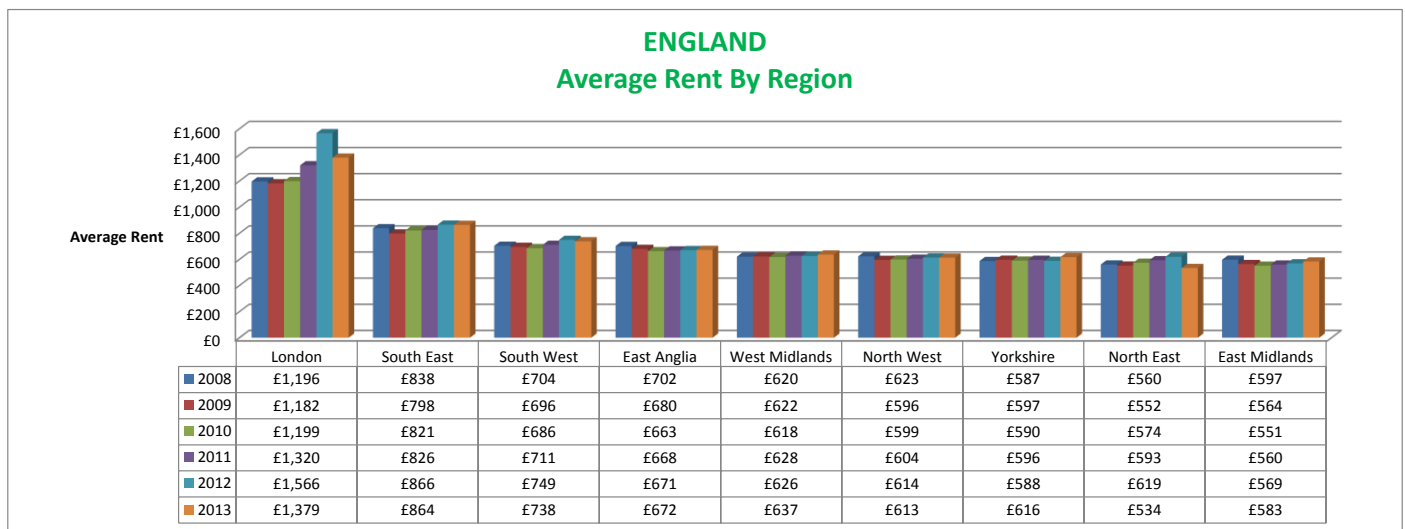
- 1) There has been an increase in the number of larger properties coming onto the market to let. (Possibly a temporary blip. Time will tell. No identifiable reason for this yet either.)

## Belvoir Regional Rental Trends

Ideally as a landlord you will need to know what's happening to rents in your local office and you can do this by visiting or calling your local Belvoir office to chat through latest rental trends. However it is also useful to compare what's happening locally to what's happening in your local region.

Across England, rents year to date for August 2013 varied from £1,379 per month in London to just £534 per month in the North East – almost a third less!

### Chart showing average rents by region 2008 to 2013 for all Belvoir English Offices by Region

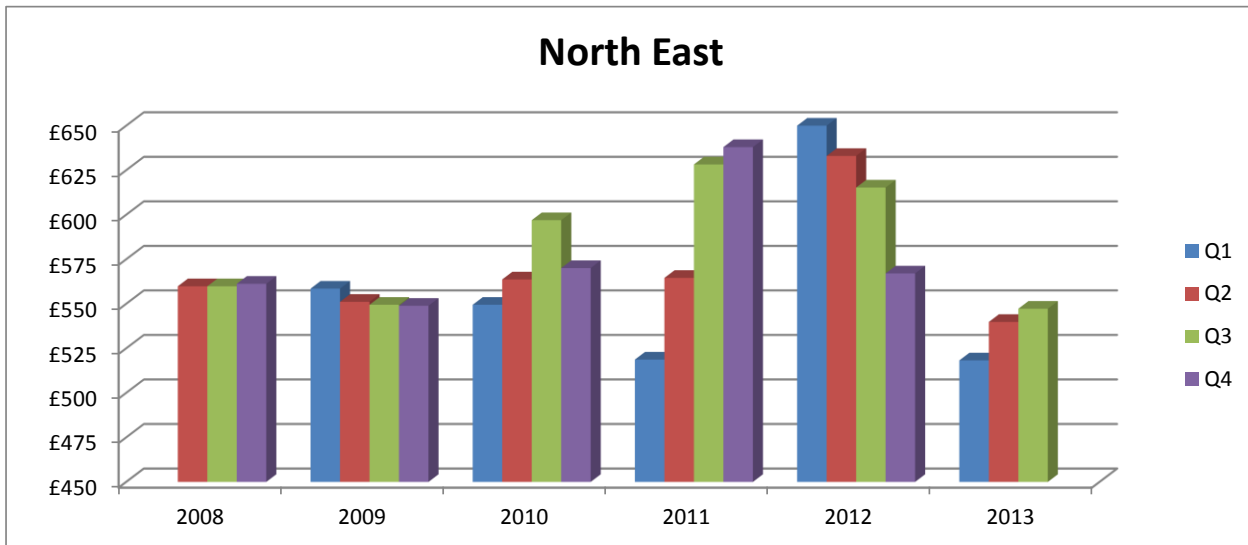


Following some good rental rises from 2010 through to 2012, rental gains during 2013 have slowed. Exceptions to this include Yorkshire and the East Midlands showing further growth year to date. London, although still lower on average for 2013 year to date, averages for August 2013 rents of £1,471 per month show an inflation proof rental growth since 2008 for the first time since 2012.

Region	2008 High	2009 Low	2013 June	2013 July	2013 August	2013 August vs 2008 high
North East	£562	£547	£542	£546	£548	-2%
East Anglia	£708	£664	£666	£663	£680	-4%
East Midlands	£604	£553	£577	£576	£569	-6%
North West	£627	£587	£610	£609	£610	-3%
West Midlands	£622	£611	£634	£645	£655	5%
Yorkshire	£603	£577	£629	£622	£617	2%
South East	£850	£785	£856	£866	£868	2%
South West	£714	£687	£728	£737	£737	3%
London	£1,208	£1,119	£1,328	£1,408	£1,471	22%

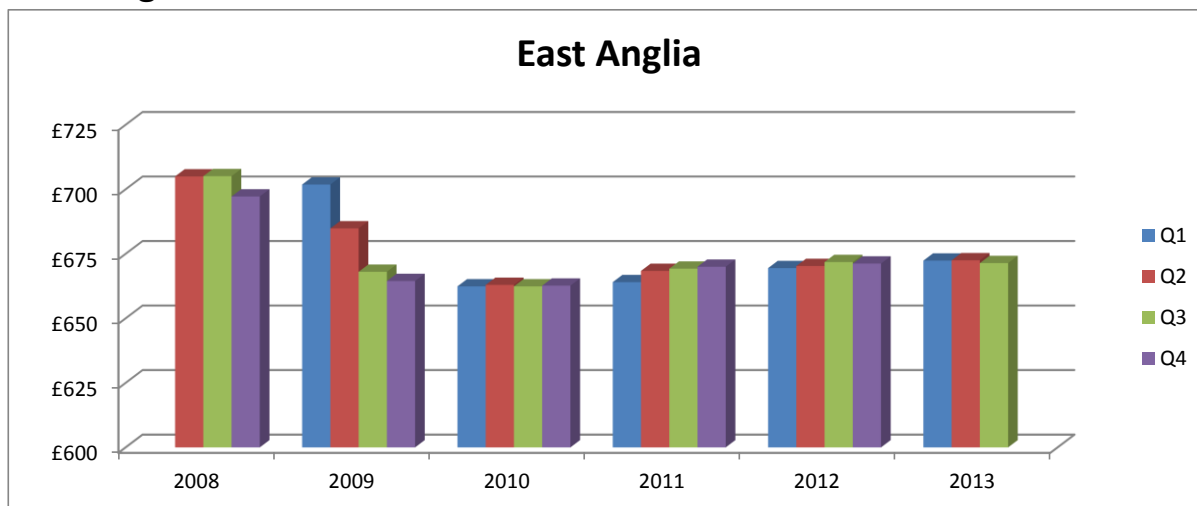


**North East**



Rents in the North East continue to give an average picture which is so erratic, mainly due to diverse rents across Newcastle, where despite rents showing some rises from the city centre, the rest are fairly static or even showing some falls. Rents in Sunderland and Tynedale remain incredibly static during 2013. Average rents in January 2013 for Sunderland were £542 per month and for August 2013 are virtually the same at £541 per month.

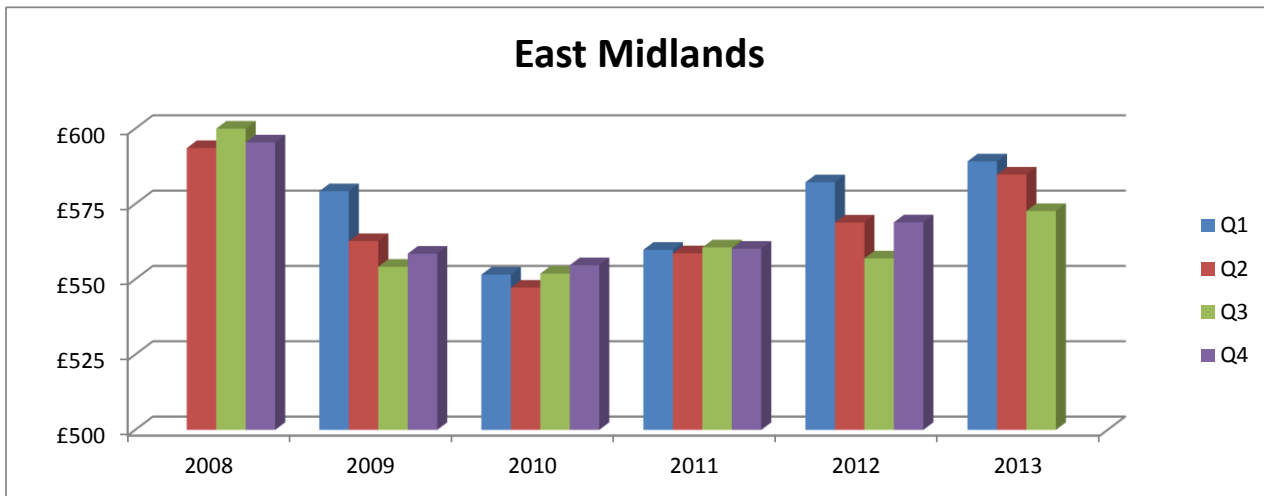
**East Anglia**



On average across the region rents remain pretty static and have done since the start of 2011, three years ago. August's average was £680 per month. Individually, Kings Lynn shows a fall in August from the 2013 average monthly rent of £599 to £568 per month.

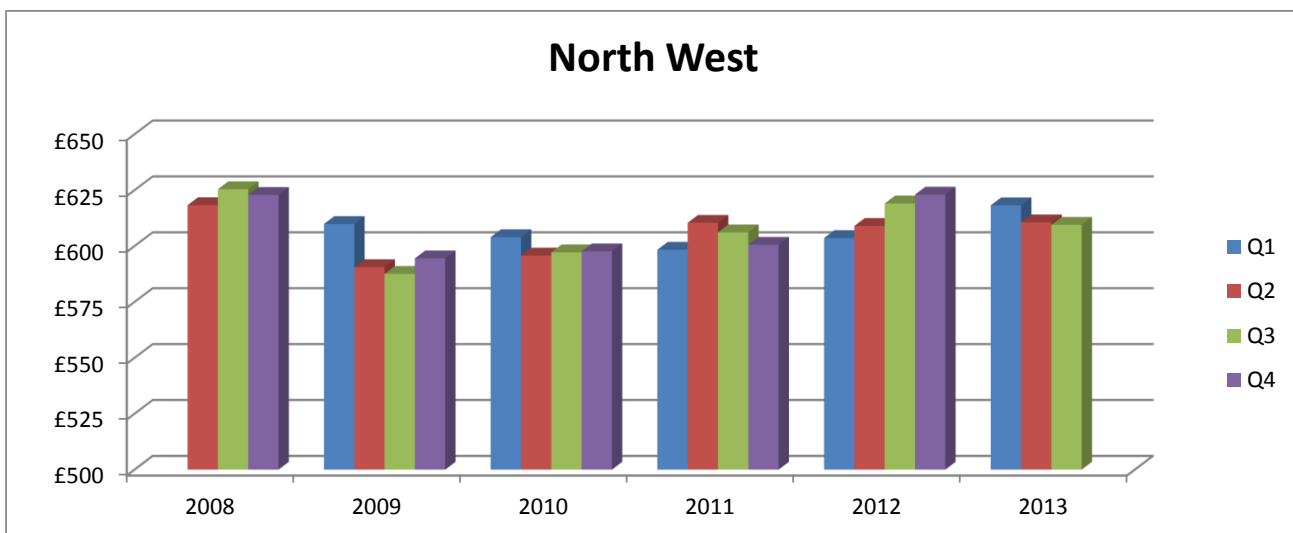
Cambridge on the other hand shows rents have been pretty static around £860 to £880 per month, over the summer months they have average at £883 per month. In Peterborough, room rents are fairly consistent at £300 per month, while average rents for a property are £627 per month, about £10 up year on year.

**East Midlands**



Rents in the region on average continued to hit seasonal lows in August with an average of £569 per month versus the 2013 year to date average of £583 per month. Individual offices showed a mixed picture with half of the offices average rents staying the same, 25% up and the rest slightly down. Average rents across the region vary from an average of £494 in Loughborough to £672 per month in Boston.

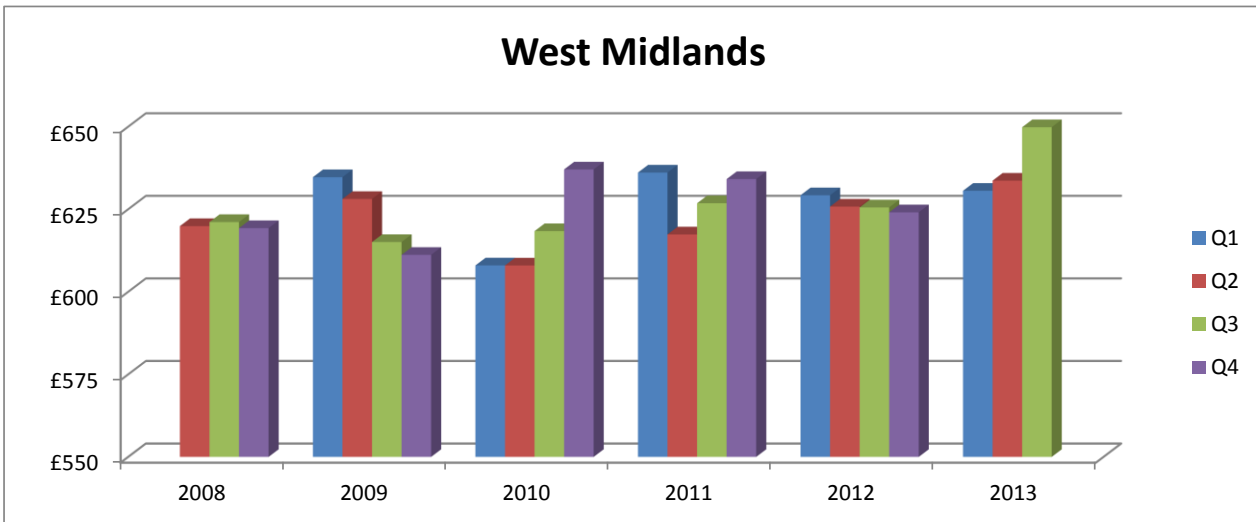
**North West**



Average rents in the North West for August 2013 were £610 per month. This is fairly consistent with the annual year to date average of £613 across the North West region.

Individually, Crew, Manchester Central, West Derby and Bolton showed rises in rents over the summer while Liverpool and Chester showed seasonal falls. Long term, rents in the North West are, on average, 2% lower than the start of the index in 2008.

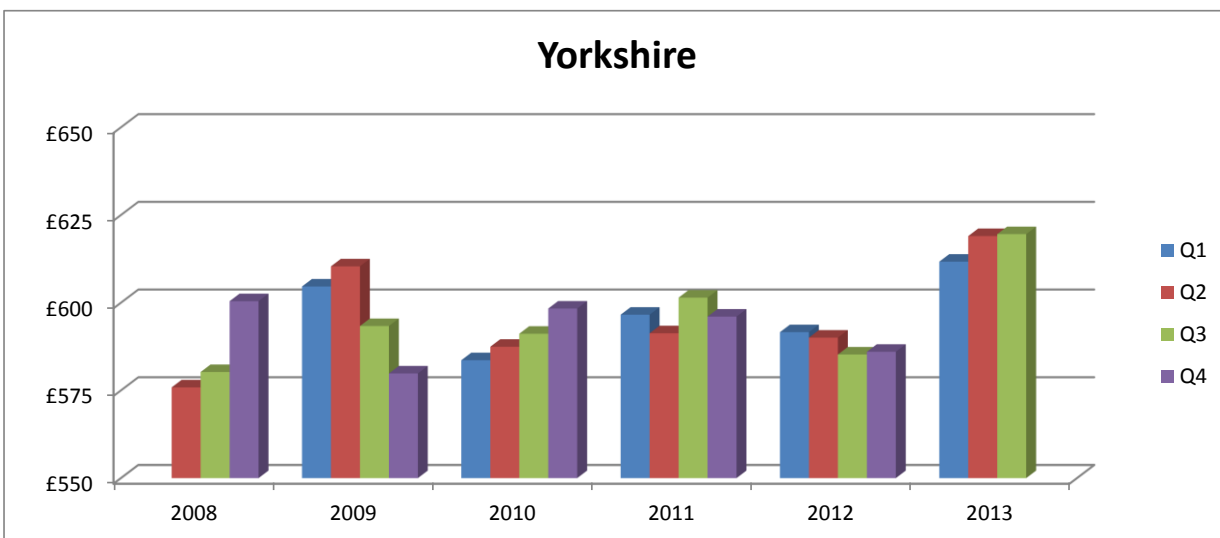
**West Midlands**



Average rents in the region during August were £655 per month versus £645 in July. The apparent rise over the summer period though is mainly due to the addition of the Harborne office whose average rent rose from £1075 per month to £1093 per month. 60% of offices showed average rents were static over the summer while rents rose in 26% of the offices, including Hereford and Jewellery Quarter.

Across the region, average rents vary from £461 per month in Burton on Trent to £1,093 in Harborne.

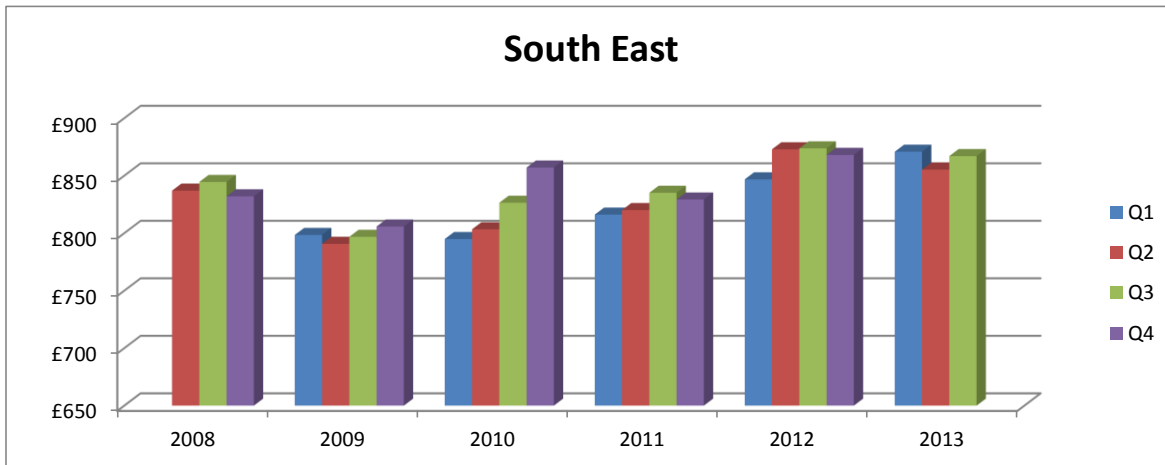
**Yorkshire**



Yorkshire rents have yo-yo' d since the start of the index from an average of £587 per month in 2008 to £597 in 2009, £590 in 2010, £596 in 2011 and £588 in 2012. This year the rental average has climbed to £616 per month, while August latest average rents were £617 per month for Yorkshire, down from July's average of £622 per month.

Individual offices rents in the main were static during the summer, York and Leeds South though saw rent rises while Sheffield and Doncaster showed some small falls. Average rents across the region vary from £422 per month in Hull to £758 in Sheffield.

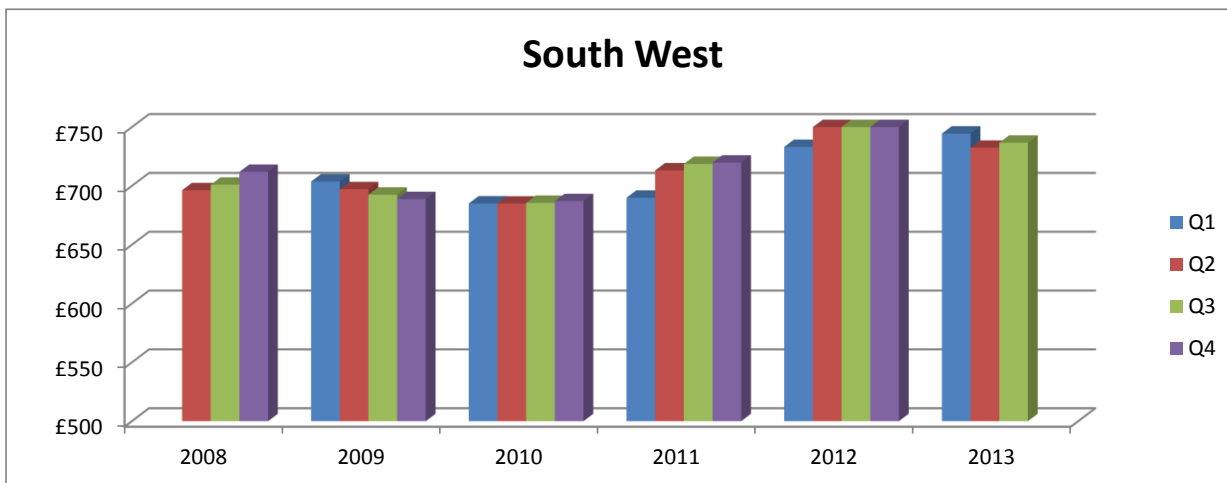
**South East**



Average rents in the South East were £838 per month. They fell during 2009, but have grown consistently each year to £866 per month. Rents for 2013 year to date have stabilised though at around £864 per month although August rents in comparison were slightly £868 per month.

Across the region, average rents vary from £612 per month in Biggleswade to £1,250 per month in Guildford. 14% of offices showed rents fell back in August, while 10% showed an increase and the rest recorded static rents.

**South West**



Average rents in the South West rose in 2008 to an annual average of £704 per month. They then fell back to annual low of £686 in 2010. Since then rents have steadily risen and in August 2013 reached £737 per month, in total this represents a 5% increase over the last five years.

Across the region, rents vary from £566 per month in Swindon through to £899 per month in Westbourne.

## London



London averages tend to vary month to month, mainly due to the diverse property rents in the region. In our index, rents vary from £796 per month in Basildon to just under £2,500 a month in Camden and Stratford.

Rents throughout 2013 have risen following falls in 2012 and in August were £1,471 per month. Rents in Stratford continued to rise from July to August, while the majority of other offices in and around London showed rents stabilised.

## Appendix

### ***Belvoir Rental Index 2008 to 2013***

Over the last five years, Belvoir Lettings, one of the UK's top lettings only franchises has been tracking monthly rental price movements.

This report analyses the ups and downs of the rental market, not just at a national level, but breaking down monthly rental averages into London, the rest of England, Wales and Scotland as well as county level.

The data is created from average advertised rents. This isn't a perfect way of analysing rents, but most Belvoir agents advertised rents are set at levels they know tenants will pay. Worst case, they on occasion be approximately 10% less. This doesn't though appear to prevent the index from identifying rental trends. To help ensure the monthly rents aren't too erratic, and historic and existing trends can be identified, the average rents are calculated as three month simple averages.

In addition, we don't just produce rental statistics. We liaise directly with over 140 franchised offices to better understand the reality of what's driving rents up or down. We check trends the statistics are showing so we understand at ground level, exactly what they mean for landlords and tenants as well as what the statistics can tell us about the future.

The report breaks down the Belvoir Index analysis in two formats:-

**Offices which have consistently traded over the last five years**

This is an analysis of rents across offices which have consistently traded across the five years we have been tracking the index. Effectively, this analysis looks at rents on a 'like by like' basis, much as analysis is carried out when comparing like for like sales in retailing.

1. This data analyses 91 offices from 2008 to 2012.
2. All offices which have traded via the Belvoir brand over the last five years. This analysis looks at rents across all offices. We add an office after it has traded for nine months and can provide a three month simple average over a six month period. This data is particularly useful when analysing regional data as it analyses 139 offices, so increases the number of offices contributing to the data and thus makes the results more robust.

**Level of data analysis**

In this report we produce the following information:-

1. Average rental movements across the UK
2. Average rental movements across England, Wales and Scotland
3. Average rental movements by region: for example, East Midlands, London
4. Average rental movements by county: for example, Nottinghamshire, Shropshire
5. Commentary from Belvoir, the franchisor and local franchisees

### **How we analyse the data**

The data is analysed on a three month simple average:-

Average rent: £500

Average June rent: £525

Average July rent: £515

Total: £1,540 / 3 = £513 will be the average July rental figure

We analyse the information on a month by month basis and a year on year basis. However, we also look at the data from the height of the rental market, the market low and whether the latest monthly data suggests rents are rising, falling or stabilising versus previous highs and lows.

The rents analysed are 'average' rents. In the main, we know that the annualised average rent is fairly accurate when considering the rents for the top two properties, for example, two and three bed houses in small and large conurbations, or one and two bed flats in city centres such as London.

Some of the data flaws happen on a month by month basis. For example, it is possible that some trends are affected by agents listing unusually high priced properties. For example, in Shrewsbury, we know the data accurately picks up trends over time, but tracks average rents at around 10% higher due to large, prestigious properties being rented on a regular basis.

In addition, we know data for some offices can show a rise in rents when the reality is that property stock is tight, so isn't as robust as normal, or a higher level of new build properties rent out at higher levels than second hand or previously lived in properties.

## ***Information about Rental Indices***

It is important to remember from a landlord and tenant perspective, rental reports typically look at data which is currently from properties which are 'on the market' to be rented. If we report rents rising by 10% year on year or 2% month on month, it does not mean all rents across the UK are changing by this much.

For example, if you are a landlord and let a property in August 2012 for £500, irrespective of what happens over the next six months to rental indices, both from a landlord and a tenant perspective, the rent for that individual landlord and tenant usually stays the same for the six months of the contract.

Rents not even change for the average twenty months a tenant rents for, as from a landlord's perspective, keeping rents at the same level and securing a long term tenant is beneficial.

For example, if a tenant stays for two years:-

1. The landlord doesn't experience voids. The average void period is three weeks (ARLA), so if a tenant stays for two years rather than six months, at a rent of £500 per month, the landlord can save two x three week void periods =  $£346 \times 2 = £692$ . This saving is equivalent to a 5.8% increase in the monthly rent.
2. The landlord doesn't incur costs to re-let the property which can add up to several hundred pounds or more.
3. If the tenant is a good one and pays the rent on time, they are valuable to the landlord. The more often tenants change, the higher the risk of a tenant defaulting on payment. As a tenant eviction can take up to six months, keeping a tenant's rent at the same level is a small price to pay versus the risk of renting to a rogue tenant or one who doesn't pay the rent for any reason.
4. A tenant who keeps the property tidy, looks after it and sometimes even carries out work, such as decorating in return for rents not rising, can save the landlord thousands of pounds.
5. Overall, a tenant who stays in a property for two years as opposed to four tenants who stay for six month periods at a time, can save the landlord in excess of £500.

As such, it is important for the government, organisations and tenants/landlords to understand that reported rental index changes only apply to a small percentage of rents on a monthly basis. The data itself is useful from a trending perspective, but rental indices do not report the true 'existing' average changes of **ALL** rental properties across the UK.