

BELVOIR!

the lettings specialist

February 2013

Rental Index

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Belvoir Rental Index Feb 13: Top 10 Report Highlights

1. Average rents across the UK for February 2013 were £2 more than February rents in 2012 for offices which have traded consistently over the last five years
2. Rents have been fairly static in England and recorded an average of £717 in February 2013 for all offices and £690 for offices trading consistently over the last five years
3. Scottish average rents in 2013 were £547 per month in February versus £549 in January 2013
4. Rents in Wales remain steady with Cardiff averaging £710-715 per month, Swansea £631 per and Wrexham rents at £580 per month.
5. Northern Ireland landlords are securing 8-10% income returns
6. Areas yet to recover to 2008 heights by February 2013 include the East Midlands, North East and East Anglia
7. Areas recovering to 2008 heights include North West and West Midlands
8. Areas where rents have overtaken 2008 heights include Yorkshire, the South West, South East and London
9. London rent rises have now stagnated and in some areas are showing small falls
10. Rents rise on average of 13% from 2008 to 2013 in London but remain 4.5% lower in East Anglia

National Rental Trends

Rents in February rose slightly across our offices which have traded over the last five years. February rents averaged £690 per month, compared to 2012’s annual average of £684 per month and matching rents of £691 per month back in February 2009.

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

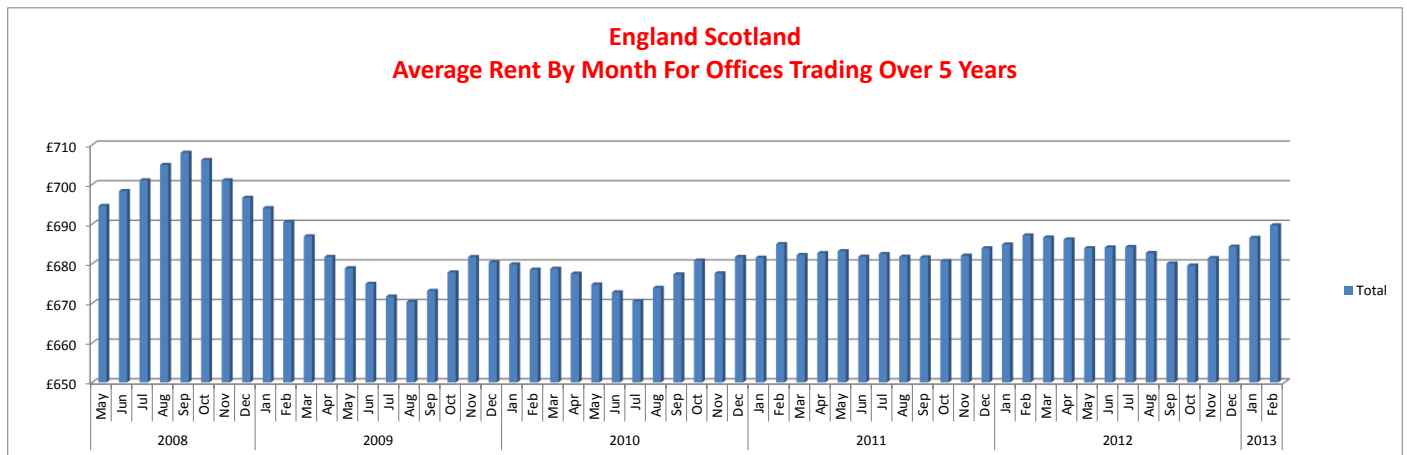
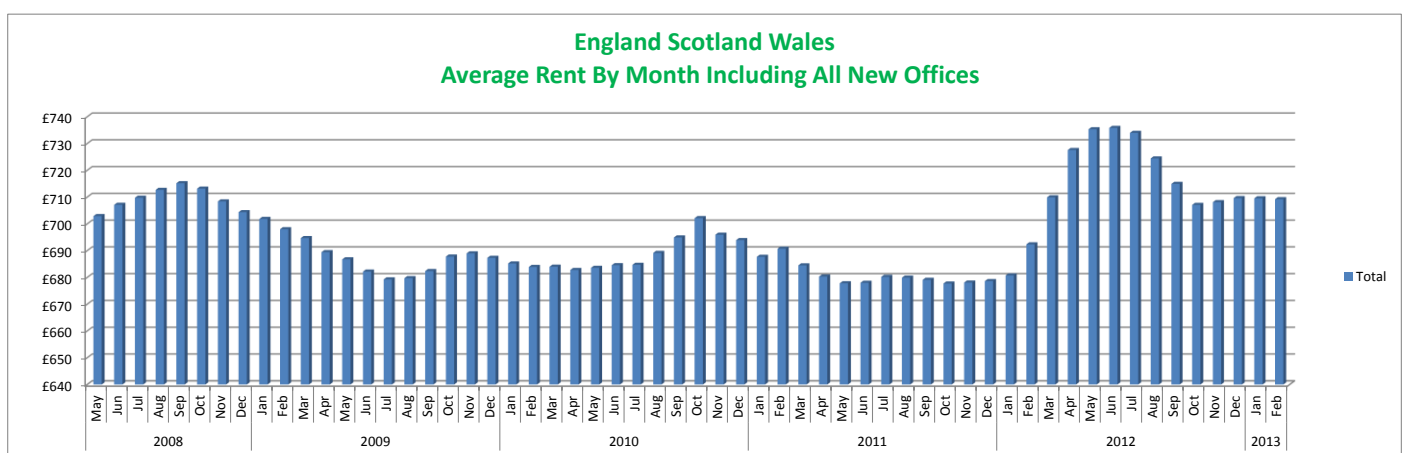


Chart showing the national rental trends for the last five years, including new Belvoir offices

As Belvoir add new offices to their network, rents typically follow a similar pattern to offices trading over the last five years, however this month they held steady versus January rents of £710 at £709 per month. Average rents in February 2013 are also slightly lower than the £715 annual average for 2012.

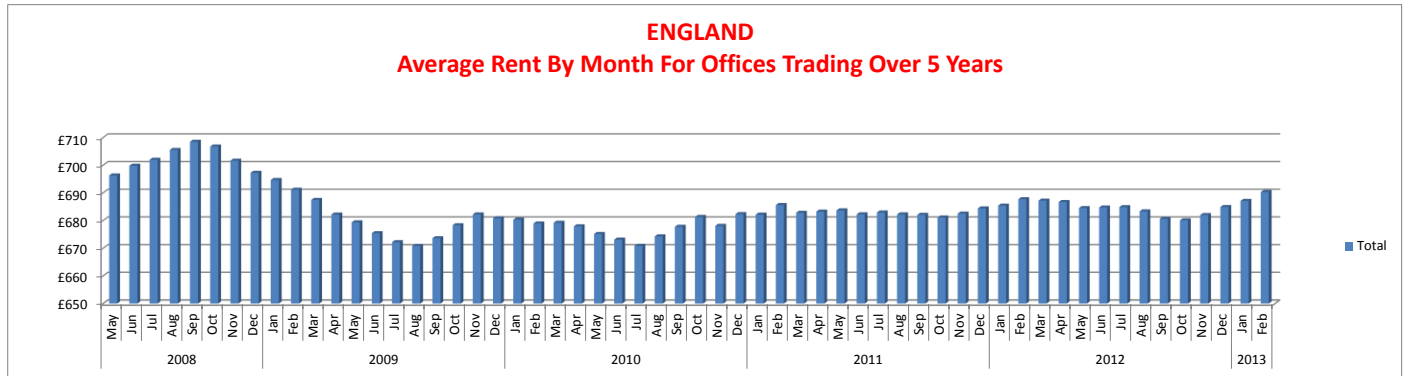
These flat results seem to be caused more by a ‘spring bounce’ seen last year which was caused by the addition of new offices in London with higher than average rents for Belvoir. Comparing Feb 2013 to 2012, rents are actually 2.5% higher.



Dorian Gonsalves, CEO of Belvoir Lettings commented “The reality is despite fears of the private rental sector becoming unaffordable for tenants, both landlords and letting agents understand tenants can only afford increases in rents if wages and disposable income rise. Many of the predictions of private rents rising beyond tenants reach, even in London, do not appear to have not come to fruition.”

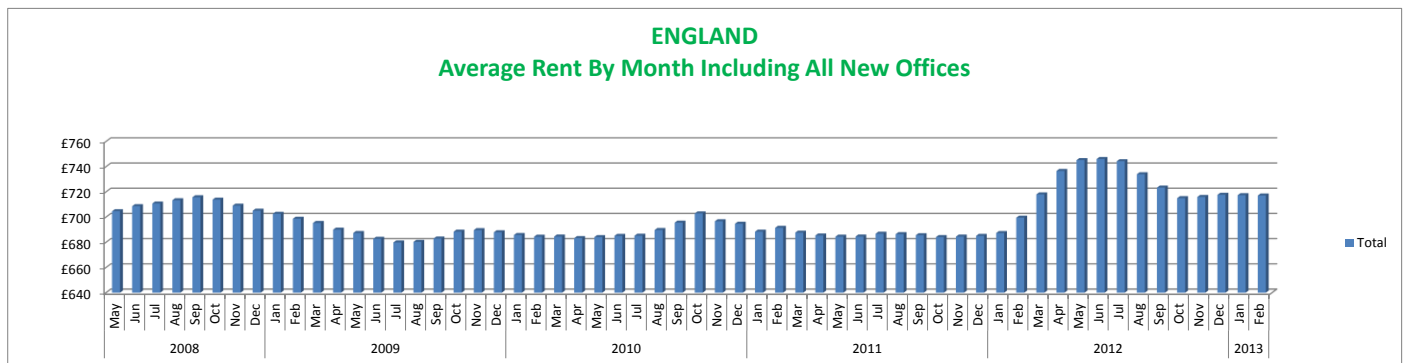
Belvoir Index Area Summary

Summary for England



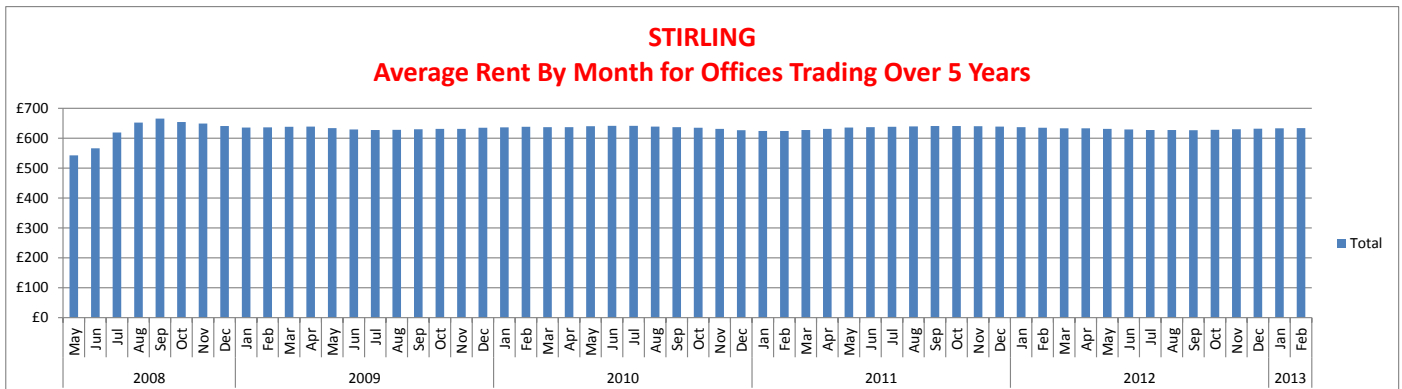
Real disposable incomes are, according to the CBI, due to begin to rise this year and as many landlords haven't increased their rents for some years now, it's likely we will see rents move upwards in areas where wages allow and demand outstrips supply.

Our February rental figures suggest slightly higher rents may be achievable this year as February monthly rents reach £690 this month. On average, rents have risen slightly for four months in a row from a low of £680 per month in October 2012. Although as the chart above shows, rents still have to show a consistent increase of £10 per month to catch up with averages of £700 per month seen back in 2008.



When comparing the Belvoir group rents to those in the past you can see a big increase in 2012, but looking at the individual office statistics, this is mostly due to a temporary hike in rents caused by new offices in London and the South East including the likes of Basildon, Camden, Chichester and Hove. This pushed a long run average of £680 monthly rents up to £740 per month and rents have now settled at around £717 per month.

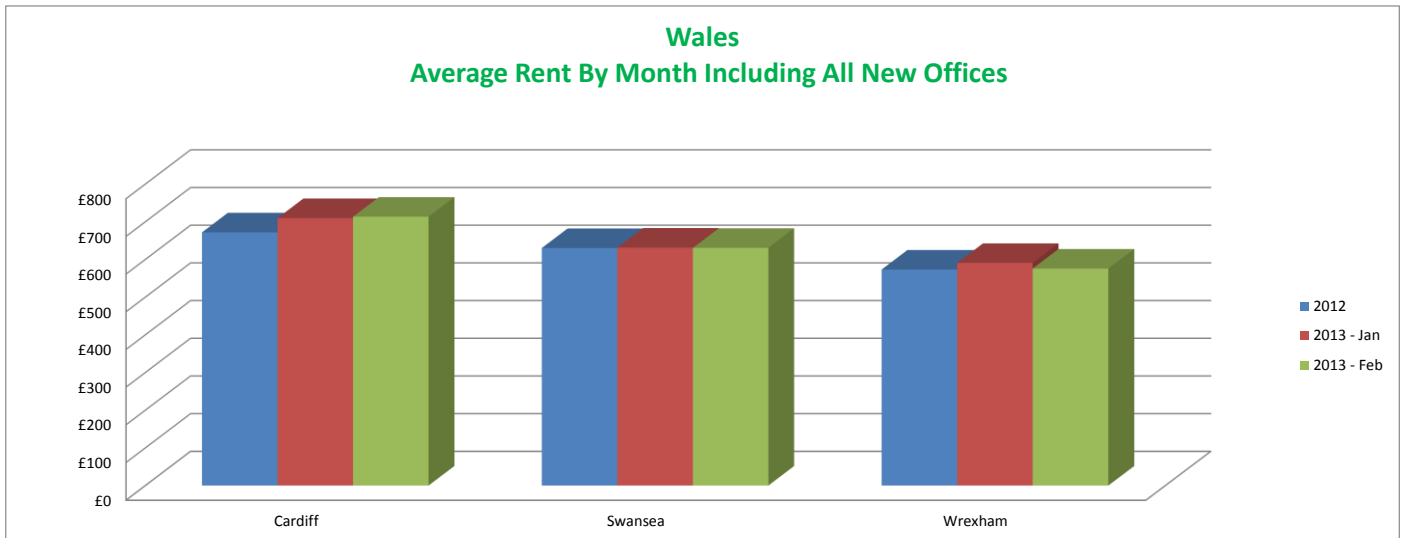
Summary for Scotland



Rents have been pretty steady in this area since the start of the index, fluctuating around £630 per month.

From our local Inverness offices perspective, February was a pretty busy from a rental perspective. We are seeing new trends emerging in the rental market with tenants staying in the same home for longer, partly due to the uncertainty of when a deposit is going to be returned under the new system and if it will be released in time to put down on a new property. From a landlord perspective confidence appears to be returning to the market and we are receiving welcome new enquiries from existing and new landlords about which properties would offer a good investment opportunity.

Summary Wales



Average rents in Wales are pretty steady. 2012 saw average rents of £710-715 per month and £631 per month in Swansea. Wrexham rents are averaging around £580 per month.

Rob Price from Cardiff comments *“We’ve had a terrific start to the year with both tenants hunting for properties and landlords offering more properties to rent. From the start of the year it was definitely a landlord’s market with tenants chasing every property we advertised, towards the end of February however we saw tenant enquiries slow down a little so have ended up with a balanced market. We had twice as many tenants requesting two and three bed houses over flats and for newly rented properties prices are pretty static. Existing tenants who are renewing have seen some small increases.”*

Latest trends suggest tenants are becoming a bit more choosy with properties and if a property isn’t good quality, it’s taking longer to let or landlords are having to reduce rents to secure a tenant.”

Summary Northern Ireland

According to Trevor Burns from Newtownards *“the rental market remains buoyant and properties rent quickly if at a reasonable rate”*.

From a buy-to-let landlord perspective, landlords who over geared themselves, have found their properties repossessed. Other landlords who are renting their properties rather reluctantly are realising property prices aren’t likely to pick up anytime soon and many are now adopting a longer term, investor attitude. For those investor landlords who were always investing for the long term, steady income streams from rents is an ideal scenario as long as, over time, rents to keep up with inflation.

And for those landlords who have remained in the market from an income perspective, rental returns are pretty good. On average, rental returns of 8-10% can be achieved.

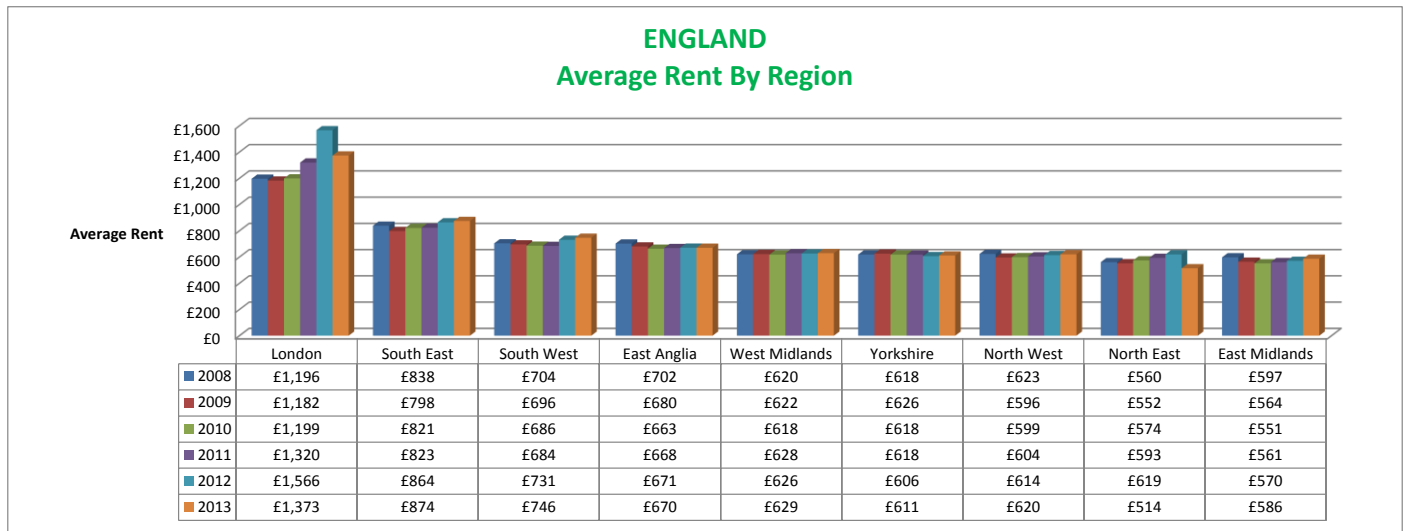
So it’s not a surprise that experienced buy to let investors are considering purchasing more properties while prices stay in the doldrums but rents hold their own.

Belvoir Regional Rental Trends

National rental trends are a useful guide to what's happening across the UK, but they tend to hide the regional highs and lows which vary considerably.

Regionally, rents are highest in London in 2013 at just under £1,400 with the lowest rents across the region of £550-£600 per month across the North East and East Midlands.

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



Since tracking Belvoir rents we have recorded some real highs and lows and currently half of the regions in England have recovered to the heights of 2008. From a recovery perspective, it does look like 2013 may be shaping up to the year where most regional rents rose back or above the rental heights seen in 2008.

Region	2008	2009	2012	2013	2013	2013
	High	Low	December	January	February	February vs 2008 high
North East	£562	£547	£535	£510	£518	-8%
East Anglia	£708	£664	£669	£665	£675	-5%
East Midlands	£604	£553	£577	£585	£588	-3%
North West	£627	£587	£623	£621	£619	-1%
West Midlands	£622	£611	£625	£629	£629	1%
Yorkshire	£603	£577	£597	£607	£615	2%
South East	£850	£785	£873	£874	£875	3%
South West	£714	£687	£755	£751	£742	4%
London	£1,208	£1,119	£1,395	£1,377	£1,369	13%

East Midlands

Rents continue to edge back to the heights of 2008, with February rents averaging at £588, just a few pounds away from the £604 per month heights reached in 2008. This is great news for investors and it is likely as demand continues to grow for rental property in the area faster than a new supply of rental properties, rents will continue to slowly rise.

Tenants though aren't losing out, this means they have had five years of rents at tremendously good value as they haven't risen in line with inflation so are still good value.

East Anglia

Rents across East Anglia are averaging at £675 per month in February 2013 which is higher than January and although still 5% down on the £708 per month height achieved in 2008, rents are recovering albeit at a slow pace and behind inflation.

For tenants a slow recovery of rents while disposable incomes are being squeezed is good news as it keeps down one of their biggest bills.

From a local office perspective, Terry Lucking who runs Cambridge and Peterborough says *"Rents in Peterborough are around now level with December 2008 while Cambridge in comparison is up 10% versus 2009 and despite tenants staying in properties for longer, the market is still busy. Even room rents are attracting longer stays with people staying for more than a year in Cambridge and in Peterborough for nearly two years. Ordinary lets are now just under two year lets. From a landlord perspective, buy to let enquiries are starting to rise quite dramatically, up over 200% versus 2012 so far this year!"*

Yorkshire

Yorkshire is one of the few areas which has recovered, albeit at only 2% above the heights reached in 2008. In February 2013, average rents were £615 per month and although 2012 didn't show much of a change in rental income, rents do seem to be slowly, but surely heading upwards.

Sheffield average rents seem to be doing exceptionally well with 2013 average rents suggesting a large increase in average rents. However, feedback from the local office suggests rents are actually fairly steady and have been for some years. The 'spike' in rents appears to be caused more by a growth in letting of city centre apartments and average property rents rising due to an increase in room rents for students.

Doncaster too is seeing a good increase in their average rents, whereas rather than due to city apartments, this is more due to large rental properties being let in the Bessacar where properties rent for an average of £1,800 per month.

North West

Rents in the North West have shown steady growth since June 2012. They started fairly low in January 2012 at £600 per month, but rose throughout the year, giving an annual average of £614 per month. January and February 2013 rents have shown a steady but strong start to the year with the average reaching £620 per month, recording £619 per month for February 2013.

West Midlands

Rents in the West Midlands have started 2013 on a par with 2012, with average rents of £629 per month for both January and February. And since we have been tracking rents in the West Midlands we have recorded rents rising by just 1% since the heights of 2008.

The Jewellery Quarter in the city centre has been bucking this trend though, seeing consistent growth over and above the region. Rents were recorded at £788 per month in January 2013 and a further jump in February to £811 per month, giving an average so far this year of £799 per month versus 2012's average of £757 per month.

North East

Average rents for the North East don't tend to reflect what is actually happening to rents at individual office or property level. This is especially the case in Newcastle where rents are so diverse across the area, they averages are fairly meaningless.

Sunderland rents in February 2013 were recorded at £541 per month, hardly moving from January's average of £542 per month. This suggests rents in 2013 are likely to retain the steady trend seen in 2012.

Neil Whitfield, owner of Belvoir Sunderland explains *"the stable average rent is due to strong demand for family homes and we are even seeing some signs of rents rises here. Other property types such as city centre flats & apartments are experiencing rent falls due to oversupply"*.

John Redden from Tynedale office says *"Rents in Tynedale remain fairly static but there are signs that they are starting to rise very slowly for the first time in several years, this is because of a shortage of good quality well-presented properties. We are seeing rents increase and properties renting quickly where they are presented in good decorative order, young couples no longer look for short term "cheap" properties, instead they are looking for a somewhere to make a home for several years."*

Typical traditional two bed flats are bringing between £450 and £485 depending on condition, modern apartments £550 to £650, three bedroom properties in good order vary from £550 to £750 depending on condition and location. Tenants can expect to pay £850 plus for four bedrooms and above."

Howard King who runs Newcastle comments *"January to February were fairly good months with tenants chasing a shortage of properties. Despite high demand though rents are pretty static with two bed flats in OK areas between £425 and £525 per month and £575 and £600 for a house. In top areas a smart two bed flat will rent for £900-£1,000 or more. For families looking to rent a larger house, a four bed can be secured for under just £1,000."*

South East

Rents in the South East have started 2013 well with average rents settling at £874 per month versus the 2012 average of £864 per month. This suggests rents have risen slightly higher than inflation in the last year with rents being 3-5% above levels recorded in January and February 2012.

This average rise though hides three different trends in the region. Some offices are seeing good rental increase including Andover, Basingstoke, Bedford, Guildford and Woking. While others such as Hitchin, Milton Keynes, Sidcup are seeing quite changeable rents over the last few months which suggest rents are more likely to be steady to falling.

South West

Rents in the South West have steadied so far in 2013 with an average of £742 rent per month in February versus £751 in January. Although this compares well to 2012's annual average of £731 per month from a landlords perspective, it is reassurance to tenants that rents are still not rising above inflation levels in the area.

London

Rental trends in the London area can change rapidly depending on the supply and demand for property, but so far this year it seems rents are holding around an average of £1,370 per month. Rents in January 2013 were £1,377 and in February were a few pounds lower at £1,369 per month.

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 may 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 August 2008 to August 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 May 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 February 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 may 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.