

BELVOIR!

the lettings specialist

November 2012

Rental Index

Contents

Belvoir Rental Index Nov 2012: Top 10 Report Highlights	3
National Rental Trends.....	4
Belvoir Index Summary Belvoir Lettings Index Summaries for England, Wales and Scotland.....	5
Summary for England.....	5
Summary for Scotland.....	5
Summary Wales	5
Summary Northern Ireland.....	6
Regional Trends versus market heights of 2008.....	9
East Midlands	9
East Anglia	9
Yorkshire.....	9
North West.....	9
West Midlands	10
North East.....	10
South West.....	10
London	10
Appendix.....	11
Belvoir Rental Index 2008 to 2012	11
Information about Rental Indices	13

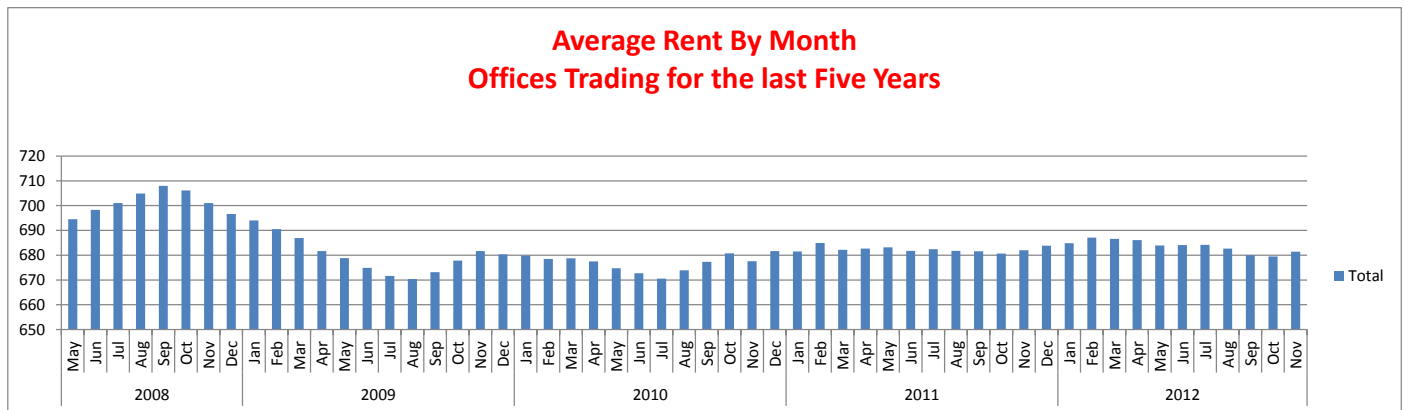
Belvoir Rental Index Nov 2012: Top 10 Report Highlights

1. Average rents across the UK for November 2012 are on a par with November 2011.
2. Rents tend to be at their highest from February to April and lowest during the winter months (Oct to Dec).
3. Scottish rents have remained stable, at an average of £550.
4. Welsh average rents have remained stable in the past 12 months at around £600 per month.
5. Areas yet to recover to 2008 heights by November 2012 include the East Midlands and East Anglia.
6. Areas recovering to 2008 heights include Yorkshire, North West, West Midlands and the North East.
7. Areas where rents have overtaken 2008 heights include the South West, South East and London.
8. Rents are in the main stabilising across the UK, including London.
9. Anecdotally, rents are at their best value in the run up to Christmas.
10. Anecdotally, rents can be best maximised by Landlords, from February to April.

National Rental Trends

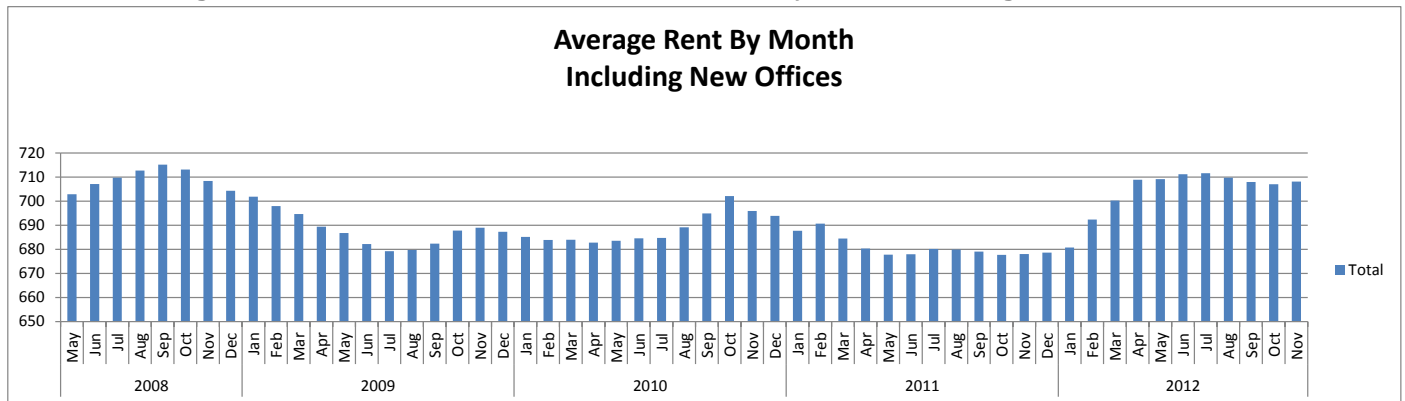
Rents to the end of 2012 across all offices which have traded over the past five years have stabilised over the last few months. On average, rents are running around £680 per month and are currently tracking on a par with November 2011, with rents being just £1 less in November 2012. Versus the height of 2008, November rents are tracking about 4% lower.

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



Taking into consideration the new offices which Belvoir have added to their network, giving an average of £750 per month rent, the overall average rent changes for Belvoir offices for 2012 to £705 per month. For November 2012 rents are averaging slightly higher than the year to date average of £708 per month.

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



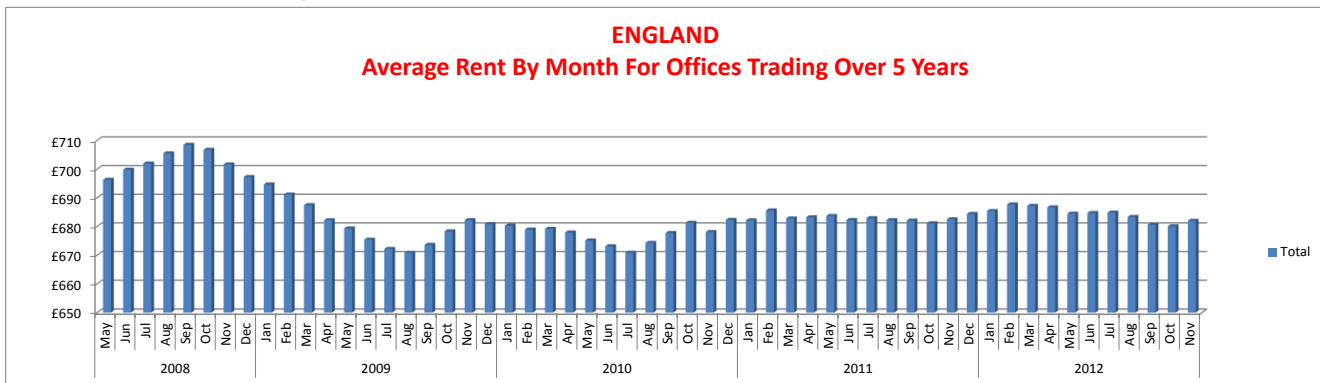
Dorian Gonsalves, CEO of Belvoir Lettings commented “The private rental market has worked very well for tenants during the credit crunch. For tenants, their utility bills are typically the second biggest monthly cost and over the last few years, they have literally gone through the roof. In comparison, private sector landlords and tenants have, outside of London, kept rents in line with what tenants can afford.”

Belvoir Index Area Summary

Belvoir Index Summaries for England, Wales, Scotland and Northern Ireland

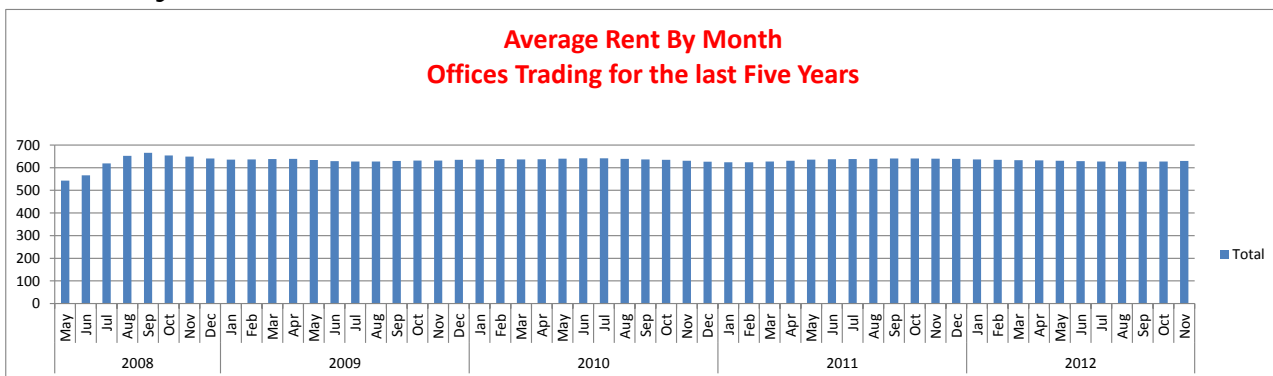
Belvoir has been established in the England for 15 years; however the expansion into Scotland, Wales and Northern Ireland has been more recent.

Summary for England



As the chart above shows, rents haven't kept pace with inflation over the last five years. The last few months have seen a small dip to an average of £680. Anecdotally, falls in rents through to the Xmas period aren't unusual. Our Index shows winter is a good time for tenants to get best value rents. For landlords, rents are typically maximised at the start of the year, as February to April secures the best rental income.

Summary for Scotland



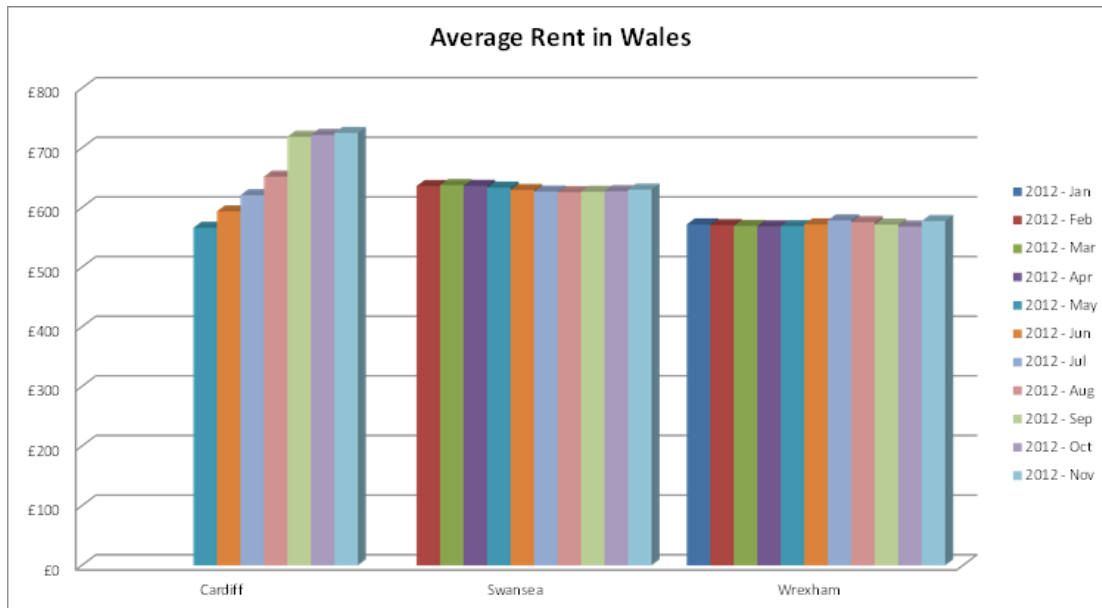
The chart above shows rents for Belvoir's Stirling office have been extremely stable over the last five years and on average hover around £630 per month. Rents began quite high at the start of the year with averages of £637 in January 2012, dropped to £629 per month in July and November's figure is slightly higher at £630 per month.

New offices including Falkirk, Glasgow, North Ayrshire and Paisley and their rents over the last two years are running at an average, which ranges from £480 per month in Falkirk to £630 in Stirling. Overall, rents in Scotland overall are averaging at £550 per month for the year.

“Mike Campbell from Falkirk Scotland commented “Some areas such as Edinburgh and Aberdeen are seeing rising rents where demand is outstripping supply and tenants can afford to pay more. However in most areas of Scotland, rents remain great value for tenants. They either fell in 2012 or

remained stable. This trend is likely to remain until the economic conditions change and wages start to rise.”

Summary for Wales



Belvoir have only just started their expansion into Wales. Offices have now been opened in Wrexham, Swansea and Cardiff.

The chart above shows Wrexham rents to be fairly stable throughout 2012, although we have seen a small boost to rents with November hitting a height of £575 per month.

Rents for Swansea show a very slight downward turn over the last 12 months although November shows a small recovery to £630 per month

Cardiff is now well established in the area with current rents doing well and November’s rent hitting a high of £725 per month.

Rob Price, owner of Belvoir Cardiff explains “Our average advertised rents have increased over the last few months due to taking on larger four bed homes for house shares and some city centre apartments, all which let quickly. Rents on average though are relatively stable as the last few months show.”

Summary Northern Ireland

Northern Ireland has been through a tough time as far as the property market is concerned. As far as the market is concerned, rents suffered in 2009 and 2010 being under downward pressure due to oversupply from reluctant landlords who couldn’t sell flooding the market.

Rents started to turn around in 2011 and in 2012, some properties and areas have seen rent increases when re-let, albeit by small amounts.

Trevor Burns covers the Newtonards area which includes The Ards Peninsular as well as Ballynahinch and Downpatrick. He comments “Rents are around £350 to £400 for one bed properties, £400 to £550 for two beds and £495 to £650 for three beds with four beds renting up to

£795 per month. Rental values for the Ards Peninsular are typically 10-15% below this. Rental demand has been strong throughout 2012 and this has allowed for small increases when lets have come to an end. The good news is that although capital values have fallen, this means yields of 8-9% can be easily achieved.”

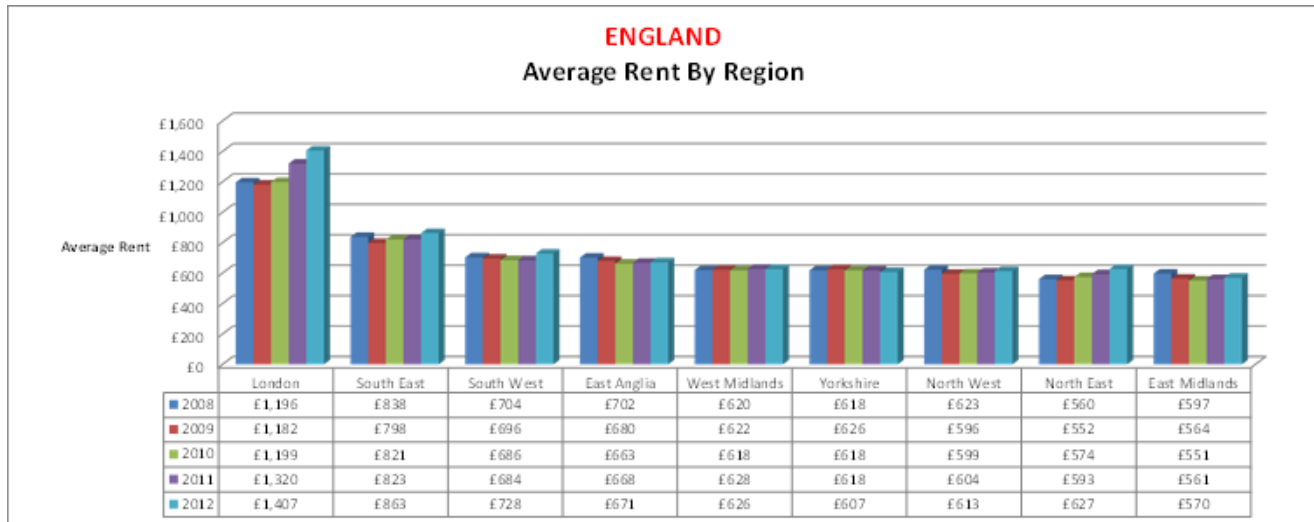
Andrew Jack from Belfast explains “The average rent in Belfast is somewhere around £550-575 for a two bed and £600-£625 for a three bed. Central Belfast commands higher rents with two bed flats renting out at £700 per month. Rents have been pretty stable for the last few months and tenants are prepared to pay more for a house which is well maintained, perhaps up to £50 a month more. Demand is good, but it’s noticeable that new tenants are taking longer to come to market as they spend longer living at home with parents. 2013 is unlikely to bring renewed optimism in the property market, but this means a good supply of tenants will be available maintaining rent levels even if property prices are still vulnerable.”

Jackie Burns runs the Bangor Belvoir office and explains “rents for two beds are around £495 per month and range from £550 to £595 per month for a three bed semi. Overall rents are stable going into 2013.”

Belvoir Regional Rental Trends

National rental trends and averages across England, Scotland and Wales are of use to the government, Economists and businesses, but from a tenant and a landlord's perspective, information by region and ideally county level is much more useful. Regional data helps landlords in particular to contrast and compare their rental changes and earnings to what's happening in the wider market.

Chart showing average rents by region 2008 to 2012 for all Belvoir English Offices by Region



The table below shows the average rents across each year from 2008. 2012 shows average rents year to date, so in this report from January to November 2012.

The chart shows average rents in London are rising each year whereas in most other areas rents are relatively static. Rents versus house prices indicate there is a much more variety across prices than there are rents and suggests rents are pretty good value versus many house prices.

For example, assuming most rental properties are two bed terraces, average house prices in London in October 2012 (according to the Land Registry) for two bed terraces and flats are around £334,000. Giving the average rents for London this suggests yields of 4-5%. In comparison average house prices for terraced homes in the East Midlands are £81,000, giving an average yield of 8%.

So rents in London are 2.5 times East Midlands whereas house prices are on average 4 times higher, suggesting if rents are to reflect house prices at any point, they still have some way to rise into the future in areas outside of London.

Regional Trends versus market heights of 2008

The chart below shows average rents from a high and low perspective across the Belvoir Lettings Index over the last five years and compares this to the latest rents in each region to gauge a sense of the different trends.

	2008	2009	2012	2012	2012	2012
Region	High	Low	September	October	November	November vs 2008 High
East Midlands	604	553	560	562	570	-5.6%
East Anglia	708	664	672	674	671	-5.3%
Yorkshire	603	577	604	603	599	-0.7%
North West	627	587	620	623	623	-0.6%
West Midlands	622	611	626	625	623	0.1%
North East	562	547	607	602	564	0.4%
South East	850	785	863	862	866	1.8%
South West	714	687	732	737	745	4.4%
London	1208	1119	1412	1396	1397	15.7%

East Midlands

This area has seen some of the biggest falls in rents since 2008 with many accidental landlords putting their properties onto the market, increasing the supply of rental property. Best value rents in the region are in Grantham and Derby averaging £500 per month. The highest rents are achieved in Boston, averaging at £646 per month.

In November, although rents have improved over the last few years, they are still 5.6% lower than in 2008.

East Anglia

This area is extremely diverse incorporating cities such as Cambridge through to Watton near Norfolk. Average rents are still 5.3% below 2008 Index heights recording an average of £671 rent per month. Recent rents have been fairly static and November's rent of £671 per month is in line with the year's average. Highest rent averages are £870 per month in Cambridge with Ipswich being the best value for tenants at £576 per month.

Yorkshire

On average, rents in Yorkshire are just starting to catch up with rental heights recorded by the Index of 2008. Rents have changed little over the last few months averaging around £600 per month. Highest rents we record in the area are in Harrogate with an average rent of £750 per month and the best value area for tenants is Huddersfield at £457 per month.

North West

Average rents at the heights our Index recorded were £627 per month and on average, rents have recovered to this level over 2012 and are at £623 per month in October and November 2012. Highest rents recorded in the region are in Cheadle Hulme at £870 per month and best value rents for tenants according to our Index is Burnley averaging £486 in November 2012.

West Midlands

The West Midlands has weathered the credit crunch well and rents are on average £1 higher in November 2012 than the heights achieved in 2008. Average rents for the region are £623 per month with the highest rents being recorded in Leamington Spa at £884 while the best value rents for tenants are £464 per month in Stoke-on-Trent.

North East

Rents in the North East are on average the same in November 2012 as they were in 2008, around £564 per month. However rents are different in Newcastle compared to Tynedale and Sunderland. Newcastle rents are on average running at £605 per month whereas Tynedale and Sunderland are pretty similar at £543 and £544 per month.

South East

The South East is one of the few areas where rents are now starting to track above the heights recorded in our Index in 2008. Average rents for November are £866 per month which is 2% above rents in 2008. Highest rents in the region are in Guildford at just under £1,450 per month while the best value rents in the region can be found in Bedford where you can rent for just over £600 per month.

South West

Rents in this region are starting to rise after small falls back in 2009. Average rents in November are £745 per month which are 4% above 2008 heights. Highest rents are recorded in Hove at just under £1,020 per month while in Swindon, rents are tracking at nearly half this amount: £564 per month.

London

This is one of the few regions where rents have kept up with inflation. However, the region still suffered falls in 2008 and 2009 so versus previous heights, current rents are 16% up. The last few months however show that rent rises even in London have halted and rents are pretty similar month on month. The highest recorded rents Belvoir have for London are based in Camden at just over £2,440 per month while the best value area we have are in Basildon which run at just over £800 per month.

Appendix

Belvoir Rental Index 2008 to 2012

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, Scotland and Northern Ireland, 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 and level of data analysis.

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, Scotland and Northern Ireland
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 January 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.