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## The road to recovery

### **Belvoir Lettings releases five-year rental index report and reveals nationwide impact of credit crunch**

Belvoir Lettings, one of the UK's largest specialist residential lettings agencies, has released a new five-year analysis of rental data, which reveals the full extent of the credit crunch on the Buy to Let (BTL) market at national, regional and county levels.

Belvoir CEO Dorian Gonsalves commissioned property expert Kate Faulkner to undertake an in-depth analysis of average advertised rents from Belvoir offices across the UK. The in-depth Belvoir Lettings report (which can be viewed in full on [www.belvoirlettings.com/belvoir-rental-index](http://www.belvoirlettings.com/belvoir-rental-index)) reveals that since 2008 average UK rents have fallen by almost 2.4%. The report also confirms that from a tenant's perspective, renting a property in the UK represents good value for money, with rents moving in line with wages rather than inflation. However, research shows that landlords who invested in property for additional income and long-term capital growth have been able to benefit from attractively low rates, enabling them to manage the cash flow of investment properties, even though rents have not risen much during the last five years.

"The Belvoir five-year rental index, which analyses advertised rents on a simple three-month average, is an important and definitive study, which crucially and unlike many other studies, has been tracking data prior to the impact of the credit crunch." says Gonsalves. "We have also been able to track rental figures from 139 offices across the UK, and break our analysis down into national, regional and county levels.

"This rental index report is very much aimed at helping landlords and tenants understand the rental market and how it is currently operating right across the UK rather than in pockets of London and the South East. We also hope that the Belvoir rental index, which will be released on a monthly basis during 2013, will assist government bodies in understanding the market and enable them to incorporate this information into their policy and decision making processes.

“Every few months we read media reports of rising rents in different parts of the country, which can raise expectations and be very confusing for those investment landlords whose rents have shown little or no increase since the credit crunch began. Our figures confirm that the rental market is still very much on the road to recovery with UK rents down by around 2.4% compared to the heights of five years ago. However, it also shows that the rental market is working well, with rents keeping in line with affordability.

“Landlords should be aware of how their rental income is tracking versus rents at a local level and whether they are keeping up with inflation. It is important to secure the right balance between investing money to keep properties well maintained and minimise voids, but to also be aware of relevant local market factors and know when to increase rents so that they are in line with inflation. In order for landlords to find out ways to maximise their rental income I strongly urge them to talk to their nearest Belvoir agent and obtain free specialist advice.”

### **National rental trends**

In 2008, rents of £705 per month were being achieved. Research shows that following fall-backs in 2008 and 2009, and some rises through 2011 and 2012, rents are now beginning to stabilise.

During 2012 average monthly UK rents were £682, remaining pretty steady throughout the year, with a slight fall being recorded in September to £678 per month and in October to £677 per month.

### **Report Highlights**

1. Average rents across the UK have actually fallen by nearly 2.4% over the last five years.
2. If rents had risen in line with inflation since 2008, tenants would be paying £113 more per month.
3. Due to the prominence of the ‘accidental landlord’, a substantial amount of rental stock may disappear when the property sales market recovers.
4. Scottish average rents have remained stable at an average of £550 over the last two years.
5. Welsh average rents have remained stable in the past 12 months at around £600 per month.
6. Areas yet to recover to September 2008 levels by September 2012 include the East Midlands, East Anglia, North West and Yorkshire
7. Areas stabilising around 2008 levels include West Midlands and Scotland

8. Areas where rents have recovered to 2008 levels and are rising include the South West, South East, North East and London

### **Dorian Gonsalves reviews rents from a tenant's perspective**

“Since the credit crunch, rents have proved to be good value for money. Few rents have kept pace with inflation as they tend to track wage inflation and although wages have gone up the cost of living has gone up more, leaving people with less disposable income. In 2007, the average median gross wage according to Office of National Statistics was just under £25,000. The latest figures for 2011 were £26,871; representing a 7.5% increase. According to the Bank of England Inflation Calculator goods that cost £100 in 2007 would cost £113.84 in 2011. This is an increase of 13.84%.

“In contrast, on average tenants in London are paying higher rents than the average wage and inflation rise, whereas tenants in all other regions – on average – are paying less than both wage and goods inflation.

So renting has since the credit crunch, on average, delivered good value for money for tenants.

“Overall, considering the falls in property prices since 2007 and reasonable rents, many would be first time buyers have been wise to remain in the private rental sector. Rents are moving in line with wages as opposed to inflation and if something goes wrong with the property, inevitably a landlord picks up the tab, so tenants aren't hit with nasty expenditure surprises as much as a buyer would be. In addition, renting offers better mobility both from a location perspective, but also from a trading up or down perspective in terms of rent commitment, which in this tough job market could be considered a wise move.”

### **Dorian Gonsalves reviews rents from a landlord's perspective**

“Landlords invest in property for two reasons, either to secure additional income or to cover the costs of the property and secure long term capital growth.

“From a landlord perspective, as long as the rent is covering income, most are happy. Many landlords are on good value mortgage rates due to the competitive nature of the market prior to the credit crunch. With the fall in interest rates having a knock on effect particularly on tracker mortgages, many landlords are benefiting from attractively low rates, so are being able to cashflow their properties well, even with rents not rising too much over the last five years.

“However landlords need to make sure their properties have ideally a 75% Loan to Value (LTV) to take advantage of the best rates. Landlords also need to be aware of how their own rental income is tracking versus rents at a local level and whether they are keeping up with inflation. If not, landlords need to be looking at how they can maximise their rental income. One thing which is important is to secure the right

balance between investing money to keep the property well maintained and ensuring voids are kept to a minimum, so rents are maximised as much as possible.”

**To find more information on how to maximise your rental income, call into your local Belvoir office for free specialist advice from experienced Buy to Let advisors and expert property managers.**



**Belvoir Lettings now have more than 140 offices nationwide. To find your nearest Belvoir office, visit their website at [www.belvoirlettings.com](http://www.belvoirlettings.com)**

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### **NOTES TO EDITORS**

- Belvoir was founded in February 1995 by Mike and Stephanie Goddard. Its Central Office is in Grantham, Lincolnshire.
- Mike was chairman of the bfa for three consecutive years and is currently Director of International Affairs. He also sits on the board of the Property Ombudsman.
- Belvoir is recognised as one of the largest specialist lettings agency franchises in the UK, with 140+ franchises nationwide and aims to have 200 franchises in the next three years.
- Belvoir was officially awarded the Best Lettings Agency Franchise – Gold Award at the 2012 Lettings Agency of the Year Awards in association with The Sunday Times & The Times. Belvoir also won the Silver Award in 2011 and Gold in 2010.
- Belvoir won Brand Builder of the Year at the bfa Franchisor of the Year Awards 2011 and Best Marketing Campaign of the Year at the Franchise Marketing Association (FMA) Awards 2011.
- Belvoir is a founder member of the SAFEagent Kitemark scheme, which is fully supported by NALS. SAFEagent promotes client money protection (CMP) and provides consumers with a clear message on those agents they should do business with.
- Belvoir successfully listed on the AIM market of the London Stock Exchange on 21<sup>st</sup> February, 2012.

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