



**Under embargo until 00:01 Friday 21<sup>st</sup> March 2014**

## RENT RISES ACCELERATE IN FEBRUARY

- Rents across England and Wales rise by 1.6% in twelve months to February
- After first month-on-month rise since October, rents now average £743 per month
- Seven in ten regions see higher rents in February than January
- Second best month on record for tenant finances as proportion of late rent falls to 6.9%
- Landlords earn average annual return of 9.7% (or over £16,000) over last twelve months

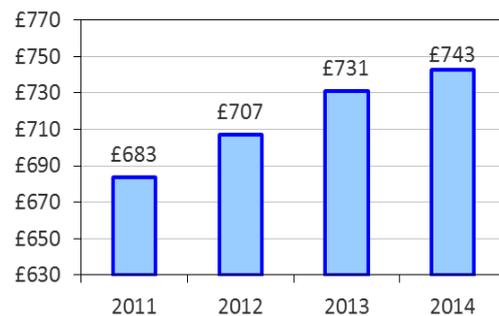
Annual rent rises across England and Wales have accelerated, according to the latest Buy-to-Let Index from LSL Property Services plc, which owns the UK's largest lettings agent network, including national chains Your Move and Reeds Rains.

As of February, the average rent across England and Wales is now 1.6% higher than twelve months ago, currently standing at £743 per month.

This is the fastest annual increase since November 2013, and compares with a year-on-year rise of 1.4% in January this year.

On a monthly basis, rents increased by 0.1% (or approximately £1) between January and February. This represents the first month-on-month increase in residential rents since October 2013.

Average rent in February





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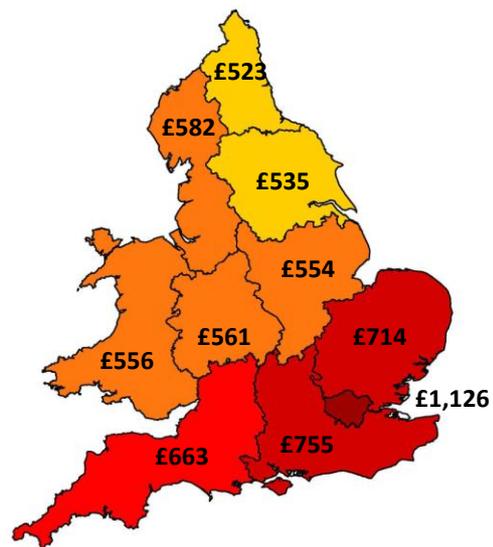
David Brown, commercial director of LSL Property Services, comments: *“Property to rent remains in high demand. Despite great improvements in the prospects of many first-time buyers, there are still millions of households who rely on a healthy private rented sector for their homes.*

*“February’s annual increase remains below the rate of wider inflation. However, this latest uptick and the high level of demand in the lettings market emphasise the importance of ongoing investment. Landlords have invested heavily in expanding their portfolios and need to continue to do so to keep pace with demand from tenants.”*

## Rents by region

Seven out of ten regions saw rents rise on a monthly basis between January and February, in line with the monthly increase across England and Wales as a whole.

The sharpest monthly rises were seen in Yorkshire & the Humber and the West Midlands, where in both regions rents rose by 1.2% on a monthly basis. The next fastest monthly rise was in Wales, with a 1.0% increase, while the East Midlands saw rents rise 0.6% between January and February.



Monthly rents in February: By region

Of the three regions to see a monthly fall in rents, the fastest drop was in the South East, down by 1.5% since January. Meanwhile rents fell by 0.6% on a monthly basis in the East of England, and by 0.1% in the North West.



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A majority of regions also saw higher rents on an annual basis. The South West saw the quickest rise, up 4.7% from February 2013. This was followed by 3.3% in London and annual rent increase of 2.2% in the North West.

By contrast, rents in the East of England now average 3.1% less than a year ago, followed by a 2.3% annual drop for Wales and a 1.9% annual fall in the West Midlands.

David Brown, commercial director of LSL Property Services, comments: *“Across the UK there has always been a huge level of variation between different local markets. But in the last year some of these differences have become more apparent as the property market has witnessed such a rapid shake-up and improvement. Those looking to rent, or to let a property should look into the intricacies of their local market, which can have at least as much bearing on the level of rent as the property itself.”*

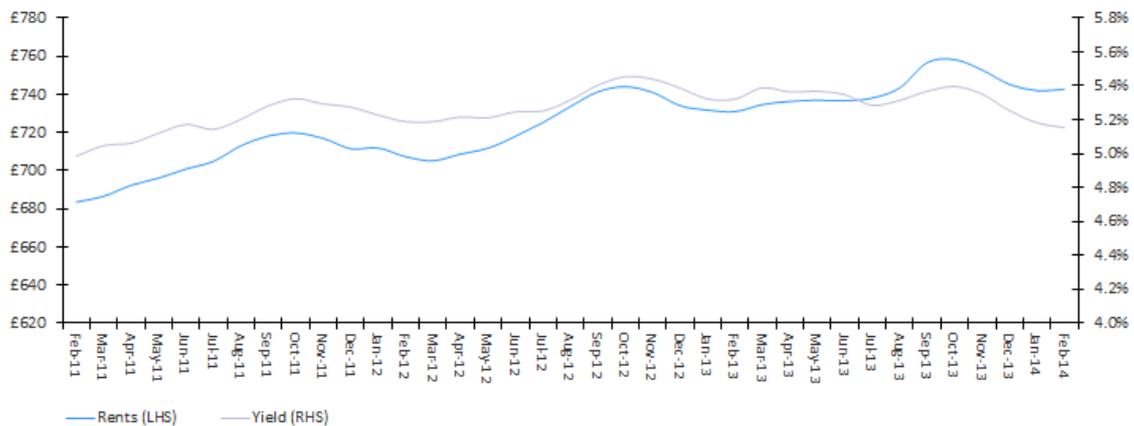
## **Yields and Returns**

Gross yields on a typical rental property remained steady on a monthly basis, standing at 5.2% in February, the same as in January 2014. However, yields have fallen slightly on an annual basis compared to February 2013, when the average gross yield on a rental property in England and Wales stood at 5.3%. This annual fall in yields is due to higher property values.

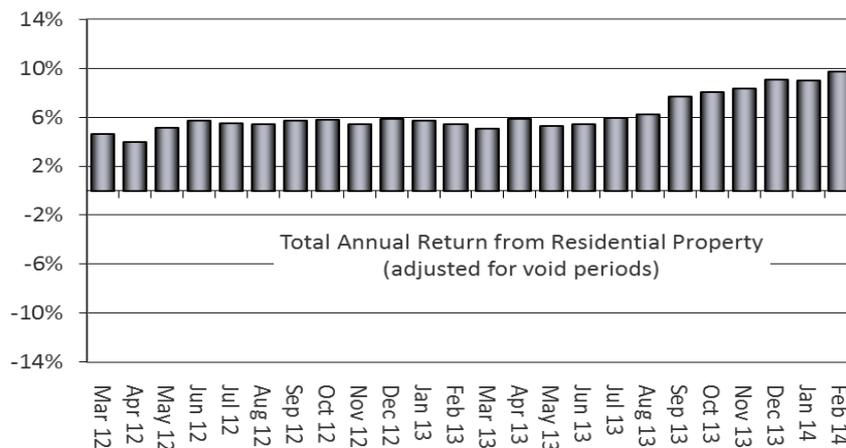
However, taking into account the same strengthening capital accumulation, plus slightly improved void periods between tenants, total annual returns on an average rental property rose to 9.7% in the year to February. This compares to 9.0% in January, and just 5.4% in February 2013, with the difference due to much faster house price increases. In absolute terms this represents an average return of £16,029, with rental income of £7,921 and capital gain of £8,108.



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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 15.3% over the next 12 months, equivalent to £26,400 per property.<sup>1</sup>



<sup>1</sup> Assuming house prices change at the average rate of the last three months and they achieve the average yield of 5.2%.





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David Brown comments: *“Landlords are experiencing a very good mix of total returns. Rents are rising steadily, while property values are growing at a healthy pace. Moreover the cost of finance is at a record low. Even the fundamental shortage of property in the UK may gradually improve in the medium term, as new home starts pick up this year. Looking ahead, the private rented sector is set to enjoy both solid demand from tenants, and the benefits of a new lease of life for the property market as a whole.”*

## Tenant Finances

The financial situation of tenants has seen another month of strong improvements, with the total amount of late rent across England and Wales standing at £235 million, down £17 million since January. As a proportion, such tenant arrears now represent 6.9% of all rent, down from 7.4% in January, and representing the second lowest proportion of rent in arrears on record – only November 2013 was a better month for tenant finances, when just 6.6% of all rent was late.

David Brown concludes: *“After the seasonal effects of December and January, late rent has fallen steadily towards record lows. There will always be some tenants who fall into difficulties, and landlords should always keep in touch and understand any situation that arises as quickly as possible. But the chance of tenants falling into arrears is receding.*

*“Household finances are on the mend. And this year seems set for real progress for the average household – as wages and earnings could finally lift finances faster than inflation.”*

- ENDS -

NB Regional breakdown overleaf





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## REGIONAL BREAKDOWN

	Rents February	1 month change	Annual Change	Yields February 2014	Yields February 2013
London	£1,126	0.5%	3.1%	4.6%	5.1%
East of England	£714	-0.6%	-3.1%	4.4%	4.8%
South West	£663	0.2%	4.7%	3.9%	3.9%
Yorkshire and The Humber	£535	1.2%	0.3%	6.7%	6.6%
North West	£582	-0.1%	2.2%	7.1%	7.0%
Wales	£556	1.0%	-2.3%	4.4%	4.5%
South East	£755	-1.5%	2.0%	4.6%	4.9%
North East	£523	0.4%	-0.2%	5.2%	5.2%
West Midlands	£561	1.2%	-1.9%	5.7%	6.0%
East Midlands	£554	0.6%	1.0%	5.8%	6.1%
<b>England &amp; Wales</b>	<b>£743</b>	<b>0.1%</b>	<b>1.6%</b>	<b>5.2%</b>	<b>5.3%</b>

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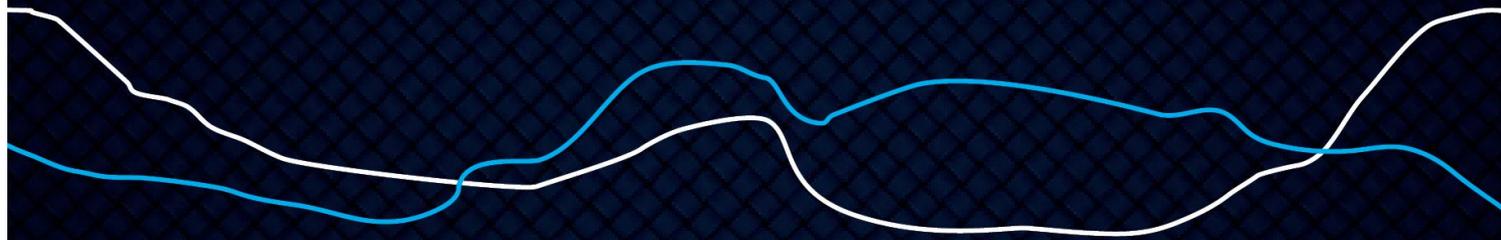
### METHODOLOGY:

The index is based on analysis of approximately 20,000 properties across England and Wales. Rental values refer to the actual values achieved for each property when let. Yield figures are unadjusted, and do not take account of void periods or arrears. Annual returns are based on annual rental property price inflation and void-adjusted yield at the point of purchase. These figures are subject to revision as more data becomes available.





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