



Buy-to-Let Index – England & Wales

STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 18TH DECEMBER 2015

November 2015

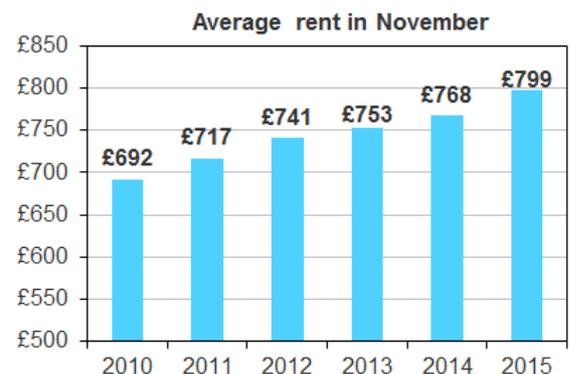
Rents dip below £800 in time for Christmas

- November rents drop 0.9% on a monthly basis, to average £799 per month across England & Wales
- Despite festive dip, annual pace of rent rises stands at 4.0% over the course of last twelve months
- London rents stand 8.9% higher on an annual basis – even as southern regions lead monthly falls
- Tenant finances worsening, with the proportion of all rent payable in arrears rising to 8.2%
- Rising property prices suppress rental yields to 5.0% – but capital gains push total returns to 10.9%

Rents across England and Wales have fallen below the psychologically important £800 mark, according to the latest Buy-to-Let Index from LSL Property Services.

Average rents now stand at £799 per month. This follows a month-on-month fall of 1.2% – down from September's all-time record high of £816.

Despite month-on-month falls, rents have risen considerably over the course of the last twelve months. Across England & Wales annual rent rises stand at 4.0%, comparing November 2015 with November 2014. Taking into account CPI inflation of 0.1%, this leaves real-terms annual rent rises of 3.9%.



Adrian Gill, Executive Director of estate agency, LSL Property Services, comments: “Rents are cooling – and this presents a winter window of opportunity. As Christmas approaches, savvy tenants looking to move are taking the chance to negotiate a better deal in the off-peak lettings market.

“But beneath the surface the private rented sector is still warming. Two and a half years ago we predicted rents breaking through £800 in mid-2015. This became reality in July 2015 when average rents soared through that boundary in a string of new records. Winter will be a pause. But spring is coming.

“Meanwhile, in the space of a few short months, landlords have become fashionable targets for the Government and the Bank of England. This is overdue attention for the sector that provides homes for more than one in five Britons. But negative campaigns and unconstructive policies – designed to attack landlords rather than support tenants – will not make rents lower or provide more homes. The effect will be quite the opposite, forcing rents upwards.”

Records rents in Yorkshire, as southern regions lead descent

Six out of ten regions of England & Wales have seen rents fall on a monthly basis, in line with the overall month-on-month trend. However four individual regions have gone against the grain with rents higher in November than October.

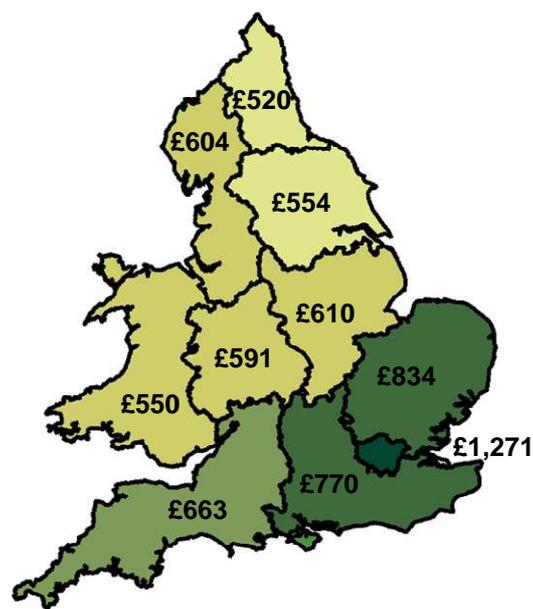
Welsh tenants have seen rents rise 2.9% month-on-month, followed by the East Midlands at 1.0%, the neighbouring West Midlands with 0.4%, and Yorkshire & Humber with 0.2% monthly rent rises.

On the back of this, both Yorkshire & Humber and the East Midlands have seen fresh record rents, standing at £554 and £610 respectively.

By contrast southern regions have led rents downwards. In line with the general trend, the fastest month-on-month fall was witnessed in the South East, down 3.0% since October. Following this rents in the South West are down 2.0% while in London rents have dropped 1.2% between October and November.

However on a twelve month basis, London remains top of the leaderboard. Rents in the capital are 8.9% higher than in November 2014, followed by the East of England with 8.4% annual rent rises. After this, the East Midlands holds third place for annual rent rises, as well as defying the overall monthly trend and reaching a new record level. In the East Midlands rents have risen by 5.1% on an annual basis.

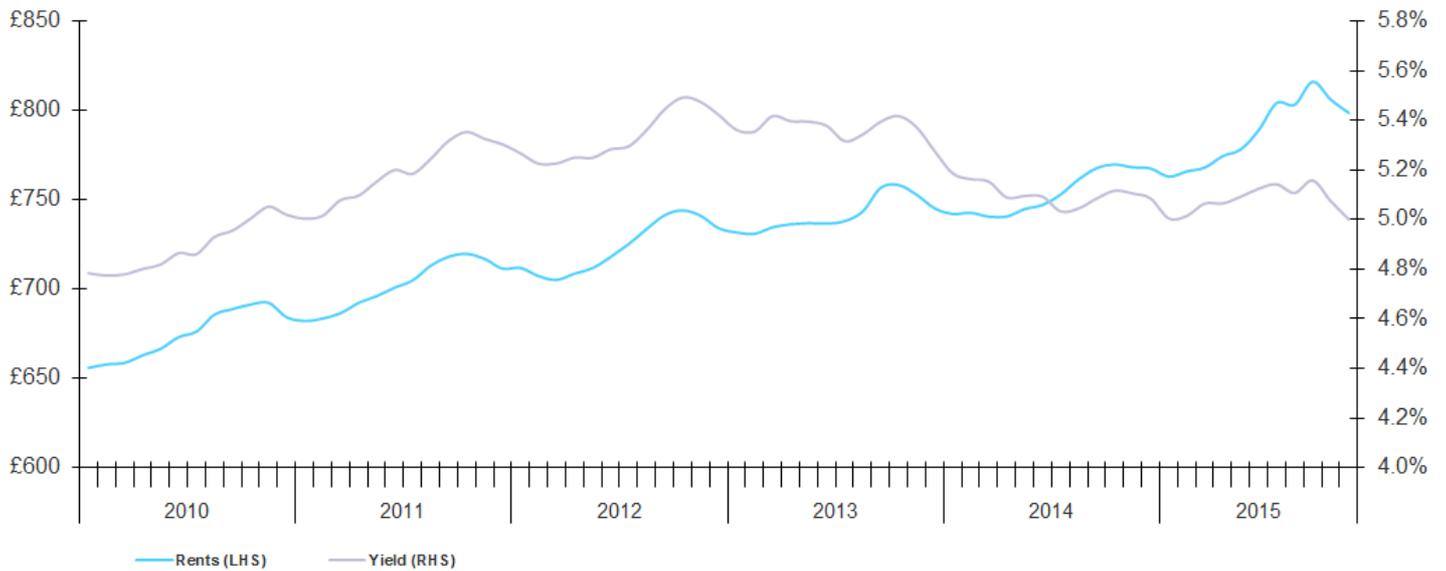
By contrast Wales has seen rents drop 3.8% in the space of twelve months while the South East is home to the second sharpest downward trend, with a 3.5% annual drop in market rents.



Monthly rents in November: By region

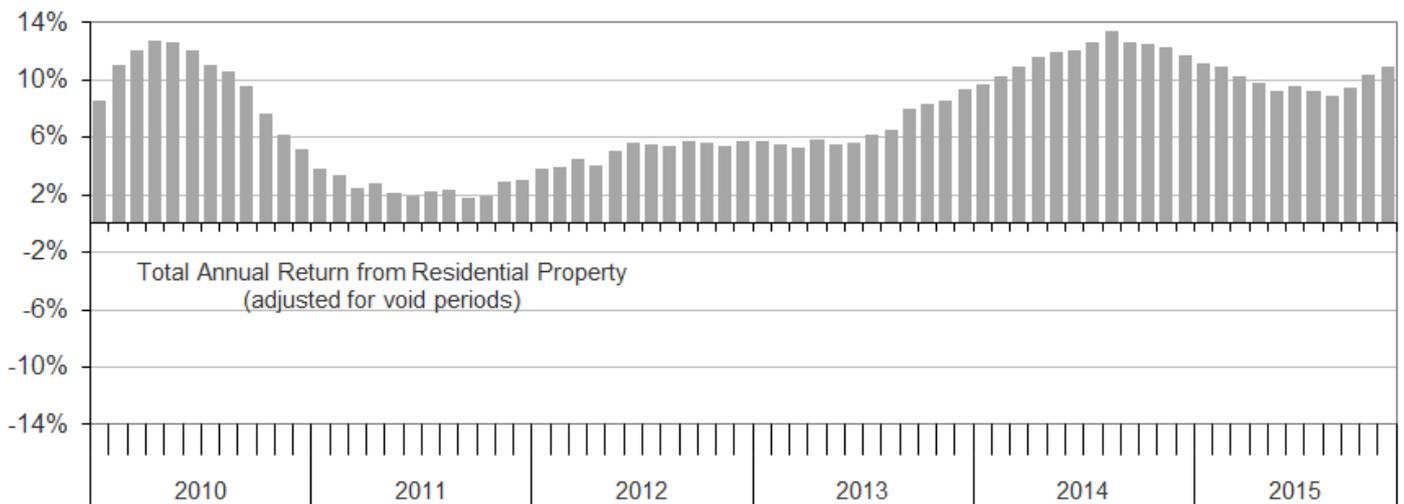
Rental yields drop, but existing landlords benefit from higher prices

The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) has dropped to 5.0% in November, down from 5.1% in October 2015. This is also higher than the 5.1% gross yield seen a year ago in November 2014.



Accelerating property purchase prices have boosted landlords' finances, despite suppressing rental yields. Taking into account both rental income and such capital growth, the average landlord in England and Wales has seen total returns of 10.9% over the twelve months ending November 2015 – up from 10.4% in October 2015.

In absolute terms this means that the average landlord in England and Wales has seen a return of £19,668, before any deductions such as property maintenance and mortgage payments. Of this, the average capital gain contributed £11,057 while rental income made up £8,611 over the twelve months to November.



Despite lower gross yields, which would normally imply that rents will need to rise more rapidly to catch up with property prices, and a generally accepted lack of supply in the face of tenant demand, landlords are nevertheless pessimistic regarding future rent rises, expecting average rent rises of just 1.4% over the next year, according to the [latest Landlord Survey](#) from LSL Property Services.

Adrian Gill continues: *“Just as the Chancellor’s stamp duty changes will favour existing landlords over those aiming to grow their portfolios, rising property prices are having a similar effect. Rental yields are lower mainly as a result of higher prices – while those who already hold property investments are able to mark up the value of their investments.*

“This is a good thing for the financial health of landlords and therefore the resilience of the buy-to-let industry to any unforeseen shocks. But for new entrants, or landlords looking to invest in additional properties to let, market conditions could be a little harder to navigate than six months ago. Choosing the right property in the right area is even more important when looking for the best rental yield on new investments.

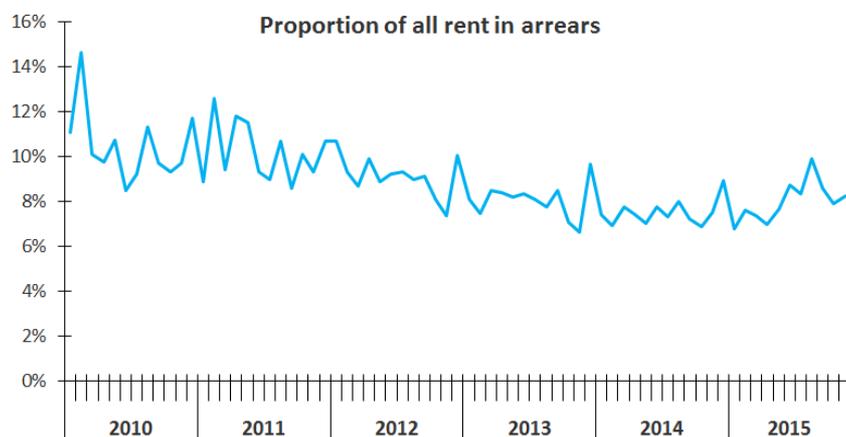
“Partly this is down to enormous competition in the property purchase market – homes are being sold rapidly, whether to landlords or owner occupiers. It is a property seller’s market. Similarly as yields continue to feel the pressure of rising prices, other factors will need to adjust in turn. That means higher rents.

“Most likely this will push rents higher still – and indicates an earlier spring for rent rises in 2016. Combined with the latest attacks on landlords from the government this could propel demand even higher for every single home that landlords do have to offer. A continued shortage of properties to let is the challenge to overcome – and the government needs to think pragmatically about this conundrum rather than looking for political targets.”

Tenant finances worsen in November

Tenant arrears have seen a setback, following two months of successive improvements. After dropping from a previous peak of 9.9% of all rent payable in August, to 7.9% as of October, rent arrears have risen once more to reach 8.2% as of November 2015.

On an annual basis this also represents a worsening, up from 7.5% of all rent due in November 2014.



Adrian Gill concludes: *“Rent arrears depend on a huge variety of issues, including the plethora of factors that feed into family finances every month. Within that, seasonal effects like Christmas and New Year certainly count. But this is now a consistent upwards trend on an annual basis. Landlords should be aware that tenant arrears are higher than they were in November last year, just as we approach the festive period.*

“Over the longer term there have been great improvements in tenant finances. This measure of arrears has almost halved since its peak at nearly 15% at the start of 2010. With earnings rising and the labour market strong, there is a feeling of affordability for many tenants. But not everyone can feel that benefit when there aren't enough homes to go round.

“The answer lies in more investment. Landlords should be aware of the risk of arrears, but it remains manageable with the right checks and good communication. There is no shortage of good tenants. In addition, not all cases of arrears are alike. Within weeks, we will be releasing additional figures on trends in more serious cases of tenant arrears, which have shown a more positive trend over 2015.”

- ENDS -

REGIONAL BREAKDOWN

	Rents November 2015	One Month change	12 Month Change	Yields November 2015	Yields November 2014
London	£1,271	-1.2%	8.9%	4.2%	4.3%
East of England	£834	-0.1%	8.4%	4.4%	4.4%
South West	£663	-2.0%	1.1%	3.6%	3.7%
Yorkshire & The Humber	£554	0.2%	1.8%	6.5%	6.5%
North West	£604	-0.3%	0.5%	6.9%	7.2%
Wales	£550	2.9%	-3.8%	4.1%	4.4%
South East	£770	-3.0%	-3.5%	4.1%	4.6%
North East	£520	-0.2%	0.7%	5.0%	5.1%
West Midlands	£591	0.4%	5.0%	5.6%	5.6%
East Midlands	£610	1.0%	5.1%	5.9%	5.9%
England & Wales	£799	-0.9%	4.0%	5.0%	5.1%

For further information please contact:

Adam Kirby, Instinctif Partners

0207 427 1440

Melanie Cowell, Your Move

01904 698 860

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.

This Buy-to-Let Index has been prepared by Instinctif Partners for Your Move and Reeds Rains. It has been compiled using information extracted from the management information of both Your Move and Reeds Rains lettings networks. The copyright and all other intellectual property rights in this document belong to Your Move and Reeds Rains. Reproduction in whole or part is not permitted unless an acknowledgement to Your Move and Reeds Rains as joint sources is included. No modification is permitted without prior written consent.

Whilst care is taken in the compilation of the Buy-to-Let Index, no representation or assurances are made as to its accuracy or completeness. Your Move and Reeds Rains reserve the right to vary the methodology and to edit or discontinue the Buy-to-Let Index in whole or in part at any time.