



Buy-to-Let Index - England & Wales

STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 21st AUGUST 2015

July 2014

Rents rise above £800 for first time on record

- Record surge in month-on-month increases takes average rent to new peak across England and Wales
- Rents hit highest levels since 2009 in Yorkshire & the Humber, East and West Midlands, and London
- Proportion of rent in arrears improves to 8.4% in July, down from 8.6% in June and 7.3% in July last year
- Landlord gross yields have improved to 5.2%, the first substantial increase seen since March this year

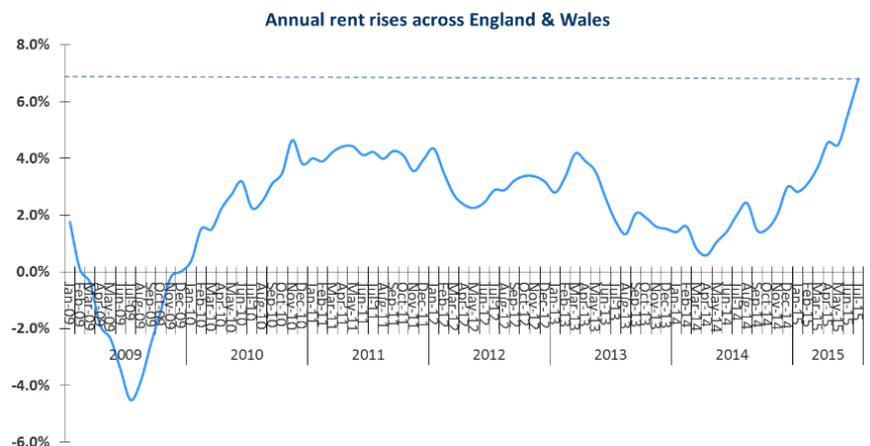
Rents across England and Wales hit yet another record high in July, driven to £804 on the back of the fastest month-on-month price increase seen since 2009, according to the latest Buy-to-Let Index from Your Move and Reeds Rains.

On a monthly basis, rents across England and Wales rose by 1.9% in July, up from £789 the previous month in the fastest monthly rise seen since records began in 2009.

Compared to July 2014, when the average rent in England and Wales stood at £753, tenants in July 2015 are paying 6.8% more – also the largest annual rise on record.

This record-breaking increase has been driven by higher rents in Yorkshire & the Humber as well consistently strong rises across southern regions.

Adrian Gill, director of estate agents Reeds Rains and Your Move, comments: *“Just when you think the rental market is accelerating at full throttle, it finds a way to shift into a higher gear. We’re seeing rent rises manage to hit record-breaking speeds on both monthly and yearly timeframes as far back as our data can go.*



“But rents are just a small part of the larger economic machine. The fact that they’re purring along at higher-than-ever speeds is a sign that the rest of the economy is picking up. An engine can’t use fuel it doesn’t have. These rent rises are a reflection of heavier wage packets being fed back into economy now that the rust from the recession has been cleaned off the cogs.

“But just because a car can break speed limits doesn’t mean it should. We’re faced with a real problem – homes have become a scarce commodity. As house prices and mortgage deposits continue to eat up a larger and larger proportion of wages, appetite for rental properties has begun to outstrip the available stock. This has driven rents up even faster than house prices.

“A clear and concerted effort towards new-build properties is the most sensible way to address this issue. It boils down to supply and demand. However, it’s not the only possible response. The government could also ensure that we’re making the most efficient use of our small supply of homes – for instance by doing more to make it easier for people to downsize their properties when they want to.”

Regional rents: Record-breaking highs for rents in Yorkshire and the Midlands

Four of the ten regions of England and Wales saw record rent peaks in July – London, Yorkshire & the Humber, and the East and West Midlands – while every region saw increases compared to last year.

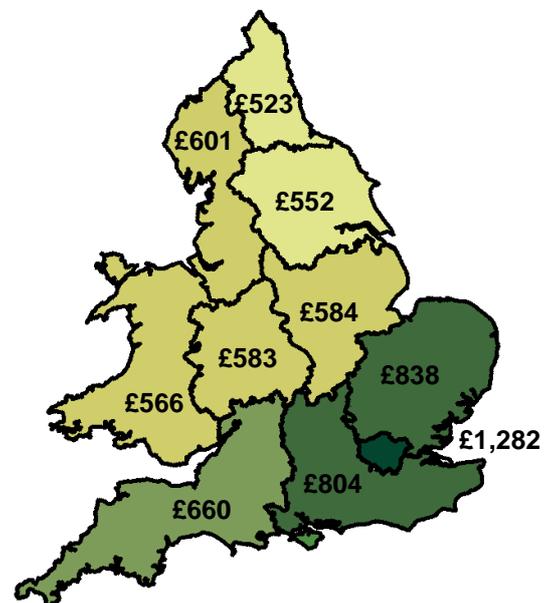
Stronger than usual improvements in the West Midlands saw rents rise 3.6% over the twelve months to July 2015, bringing the average rent in the region up to £583. It’s a similar story in the East Midlands, with a 2.5% annual increase carrying rents up to £584. Yorkshire & the Humber, by comparison, edged its way to a new record with a 2.0% year-on-year increase to £582 on average.

Rents grew 12.0% on an annual basis in the East of England, to stand at £838 in July. Though it’s second only to London (+12.1%) in terms of the speed of the twelve-month improvement, this is actually the first time in fifteen months that the rate of year-on-year rent increases has not accelerated.

Only two regions saw falling rents on a monthly basis: a 0.1% month-on-month drop in Wales and the East of England. Though rents are at a peak, Yorkshire and the Humber saw a modest 0.3% monthly increase.

London took the lead with a 3.3% month-on-month rental increase. However, surprise surges came from the South East (+3.3%), The North West (+1.4%) and the North East (+1.3%), as the rental market in the north starts to build some of the momentum seen down south.

Adrian Gill explains: *“With the East showing accelerating rental growth for well over a year, the area has now paused to let off a little steam. It’s interesting to see that the South East has jumped in to take up the slack, neck and neck with London jostling for pole position in*



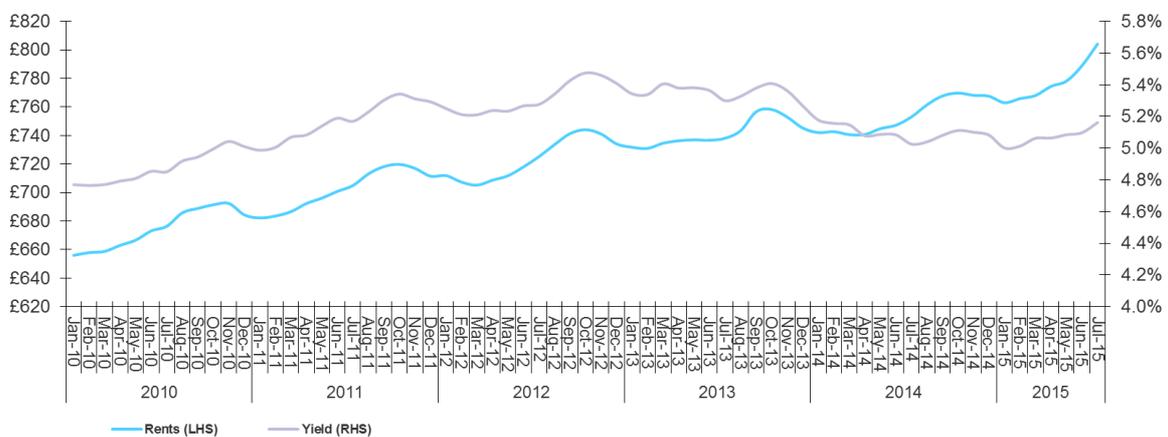
Monthly rents in July: By region

monthly rent rises. It shows the effect that the high-density capital is having on the surrounding areas as people move further out in search of affordable homes.

“The Midlands, too, are starting to show some serious purpose as the workhorse of the East eases back. As investment in the Northern Powerhouse starts to mature, we’re going to see more and more people looking for the flexibility offered by rental accommodation as they move in search of the jobs springing up outside of London – especially in high-growth areas like Yorkshire.”

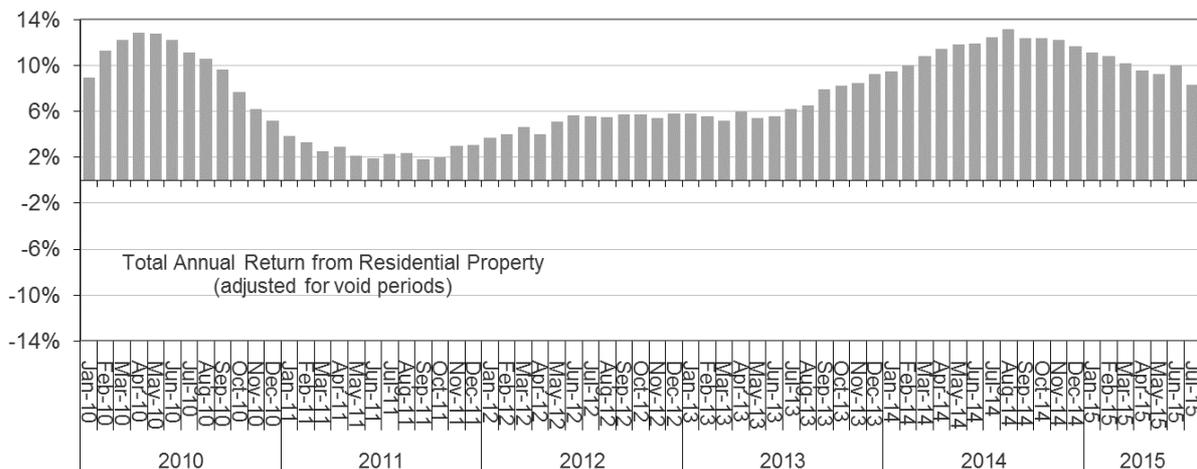
Rental yields perk up, but annual returns cool

The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) rose to 5.2% in July 2015, the first substantial increase seen since March. This compares to 5.1% in June 2015 and 5.0% in July 2014.



However, total annual returns fell in July. On average, landlords in England and Wales have seen returns of 8.7% over the year ending July 2015 – down significantly from 10.0% in June and 12.5% in the year ending July 2014.

This means that the average landlord in England and Wales has seen a return of £15,632 in absolute terms, before deductions such as maintenance and mortgage payments. Of this, the average capital gain contributed £7,188 while rental income made up £8,444 over the twelve months to July.



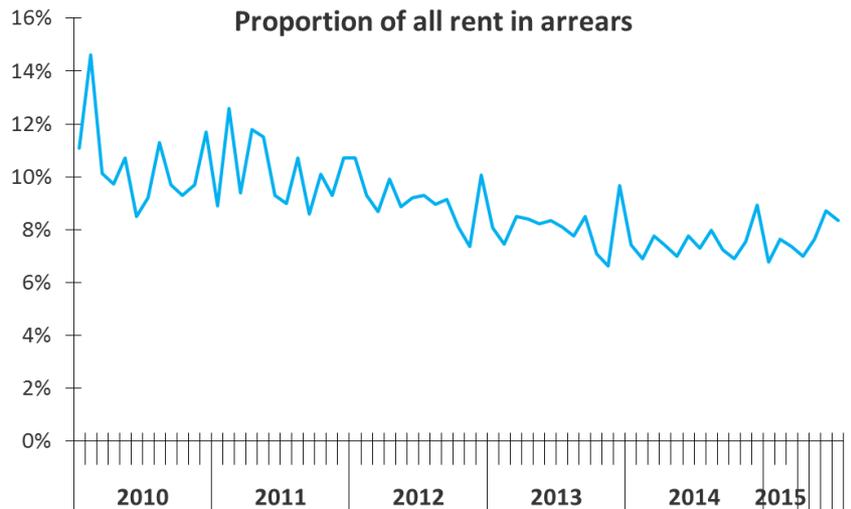
Adrian Gill continues: “House price growth is easing back – and this has had an effect on total annual returns. However, rental yields are perking up to compensate. The mortgage market has stabilized after a post-election bounce, and the current political stability makes for clear sailing in the buy-to-let market despite the chronic housing shortage. With mortgage repayment rates so low and returns still remarkably enticing, there’s rarely been a better time to invest in rental properties.”

Rent arrears improve in July

Tenant arrears made up 8.4% of all rent payable in July 2015, down from 8.7% in June 2015 but still above 7.3% in July 2014.

Adrian Gill concludes: “July has seen us head back down the path towards greater financial security. It’s true that any rise in arrears is a setback, but the greater trend is clearly towards tenants in better control of their finances.

“The question isn’t if we’re able to improve the proportion of rent that falls into arrears, but how quickly we can improve it.”



- ENDS -

REGIONAL BREAKDOWN

	Rents July 2015	1 month change	Annual Change	Yields July 2015	Yields July 2014
London	£1,282	3.3%	12.1%	4.5%	4.3%
East of England	£838	-0.1%	12.0%	4.6%	4.3%
South West	£660	0.3%	3.0%	3.6%	3.7%
Yorkshire & The Humber	£552	0.3%	2.0%	6.5%	6.4%
North West	£601	1.4%	1.3%	7.0%	7.1%
Wales	£566	-0.1%	0.6%	4.3%	4.4%
South East	£804	3.3%	3.8%	4.5%	4.6%
North East	£523	1.3%	3.1%	5.0%	4.9%
West Midlands	£583	1.3%	3.6%	5.7%	5.6%
East Midlands	£584	0.8%	2.5%	5.8%	5.9%
England & Wales	£804	1.9%	6.8%	5.2%	5.0%

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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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