

# BELVOIR!

the lettings specialist

## 2013

## Rental Index

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## **Belvoir Rental Index April 13: Top 10 Report Highlights**

1. Average rents across the UK for April 2013 were £3 more than the average rent for 2012 for offices which have traded consistently over the last five years
2. Rents have been fairly static in England and recorded an average of £714 in April 2013 for all offices and £689 for offices trading consistently over the last five years
3. Scottish average rents in 2013 were £553 per month in April versus £550 for 2012
4. Rents in Wales remain steady with Cardiff averaging £707 year to date, Swansea £630 per and Wrexham rents slightly lower than the start of the year at £567 per month.
5. Northern Ireland landlords are securing 8-10% income returns
6. Areas yet to recover to 2008 heights by April 2013 include the East Midlands, North East and East Anglia
7. Areas recovering to 2008 heights include North West
8. Areas where rents have overtaken 2008 heights include West Midland, Yorkshire, the South West, South East and London
9. London rent rises have now stagnated and in some areas are showing small falls
10. Rents rise on average of 13% from 2008 to 2013 in London but remain 4.0% lower in East Anglia

## National Rental Trends

Rents in April rose slightly across our offices which have traded over the last five years. April rents averaged £689 per month, compared to 2012's annual average of £686 per month and just a little lower than average rents from the start of the index in May 2008 of £695.

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

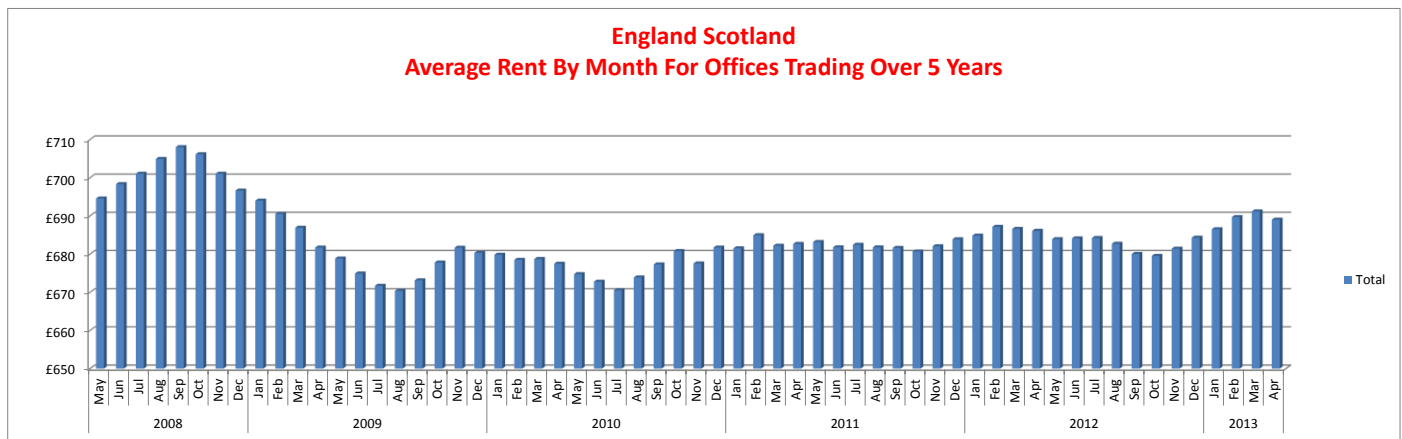
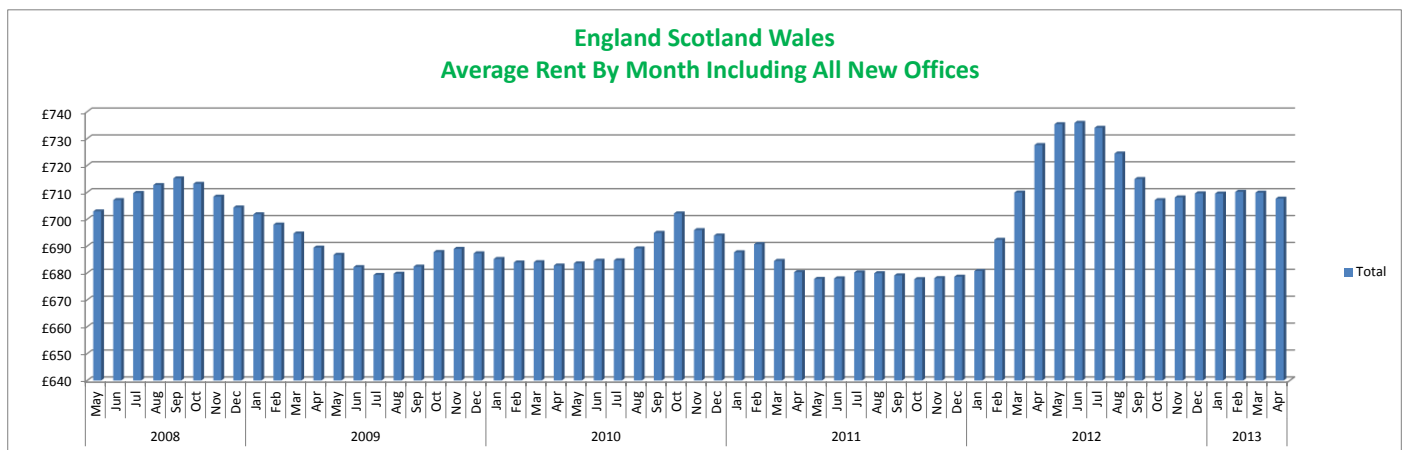


Chart showing the national rental trends for the last five years, including new Belvoir offices

Rents across the whole of Belvoir's network, including new offices, suggest rents are very steady this year with average rents at £710 per month from January to March and a slight fall in April to £708.

Rents across the current network compare well to rents at the start of the index in May 2008 which recorded levels of £703 per month. Rents year on year appear down, but this was more due to a large increase caused by some London offices in 2012 over the Spring period.



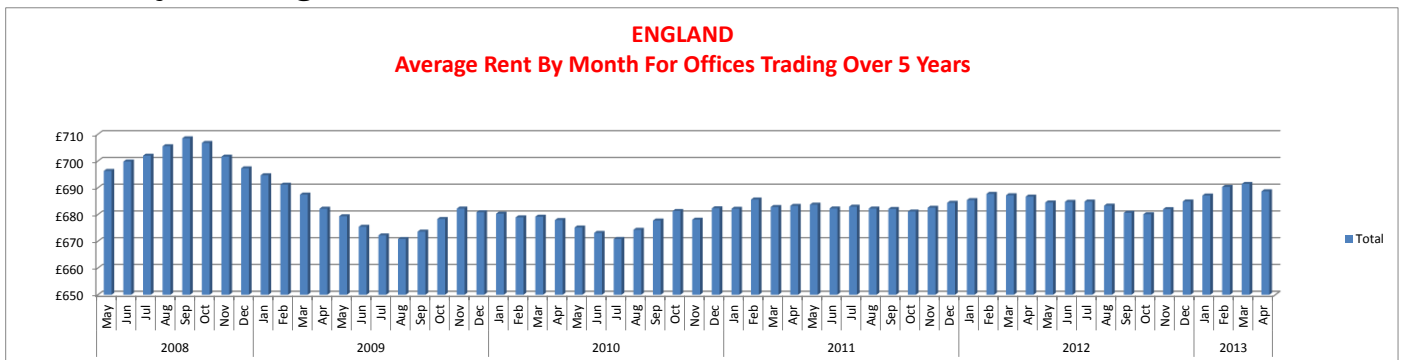
Dorian Gonsalves, CEO of Belvoir Lettings commented "We made some predictions on likely rental changes at the start of the year which were that rents would stay the same or increase, at most, by 5%. Overall our forecasts appear to be quite accurate in seven out of eleven of the areas. In areas where the forecast isn't holding it's mostly due to a lack of rental rises in London and the South."

## Belvoir Index Area Summary

### Belvoir Lettings Index Summaries for England, Wales and Scotland

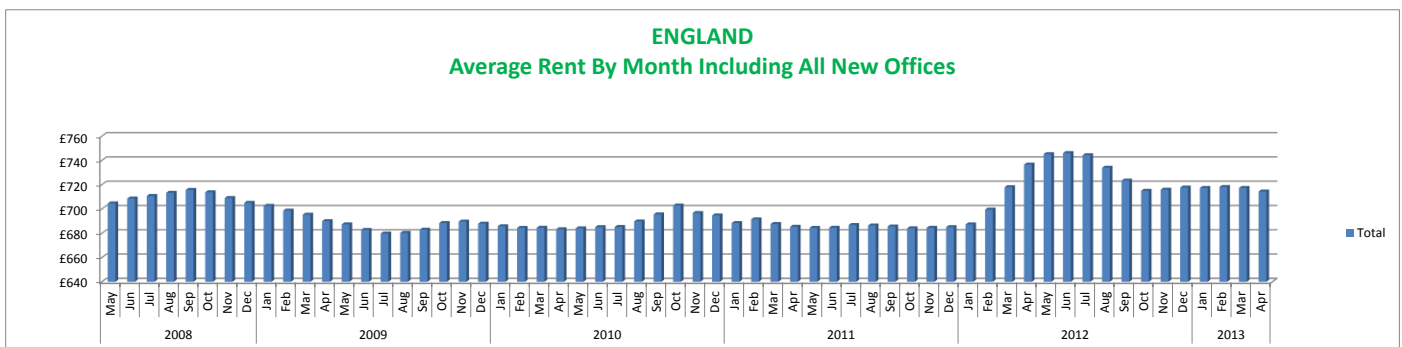
The Belvoir index is one of the longest running comprehensive rental indices and tracks advertised rents by month as far back as May 2008, a five year period. The index tracks rents from the highs of the market in September 2008 a year after the credit crunch hit the UK and tracks the lows of the market in 2009 when many accidental landlords who couldn't sell flooded the market with new rental stock, bringing rents down by up to 20% in some areas and an average fall of 5% across the UK.

#### Summary for England



Rents so far this year across offices which have been trading consistently for five years suggest rents rising with January at £687, February at £690 and March at £691. However April rents suggests a little bit of a slowdown this month with rents dropping back slightly to £689.

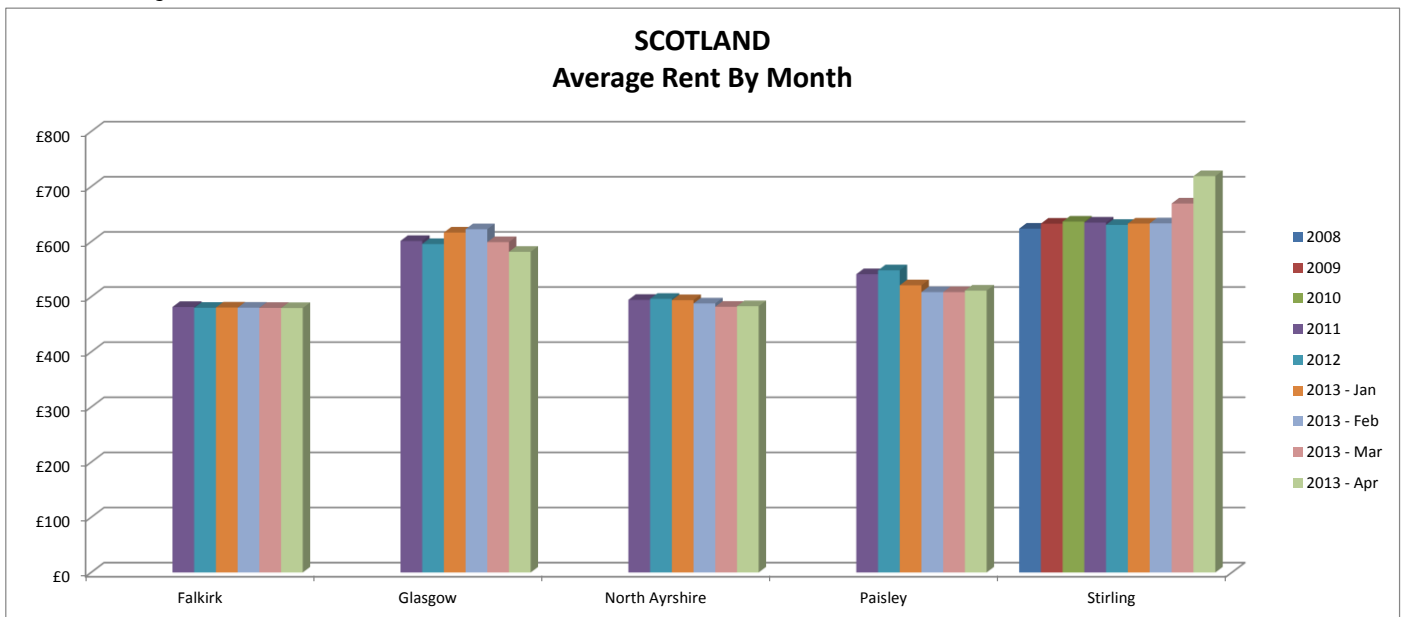
This suggests overall in England rents are steady as opposed to some reports which suggests rises. In fact over the last 12 months, rents have varied by just 1.6%, showing a relatively flat market, driven by a lack of wage growth.



From an all offices perspective, 2012 saw a large increase in rents which was driven by offices which higher than the group average rents such as Camden.

Since this increase over the Spring in 2012, rents have settled down across the group and since October 2012, rents have stabilised at around £710 per year. April figures suggest rents have stalled this month though, and are averaging a little lower at £714.

## Summary for Scotland



Scotland offices are showing different rental performance due to the diversity of the area. Falkirk rents suggest they are flat, averaging at £480 per month and rents in Paisley rents also remain fairly flat this year at £511 per month in April 2013, although this is down versus 2011 and 2012 when rents averaged at £540 per month.

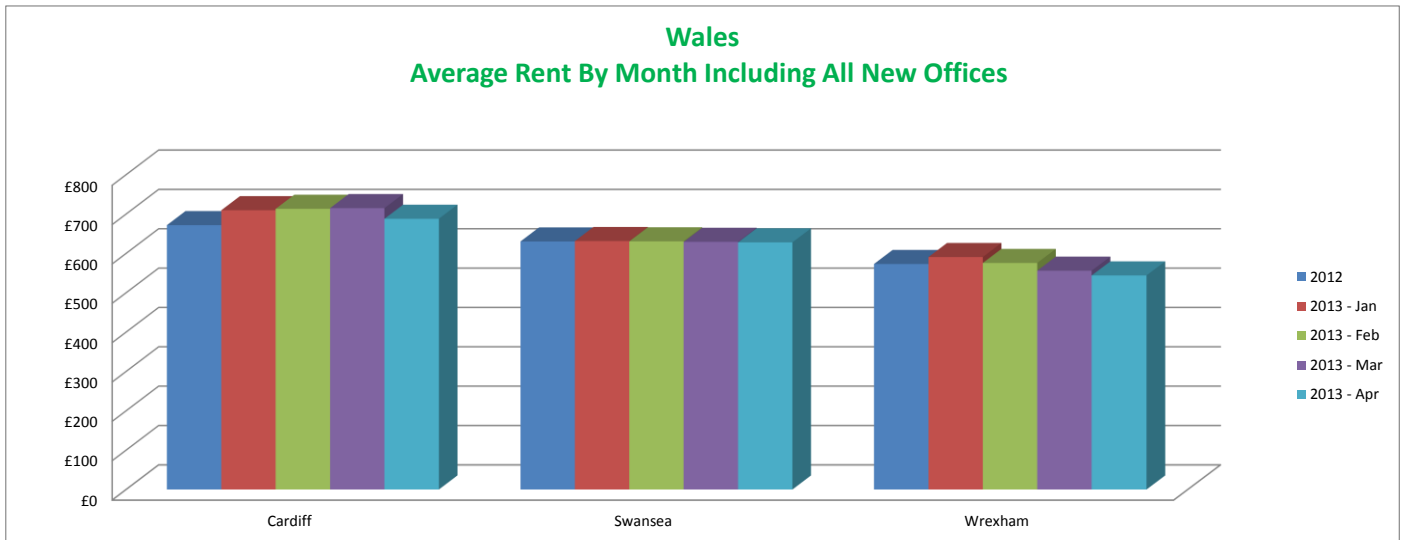
According to Mike Campbell from Falkirk, *“2013 has been an interesting year so far. We have seen peaks and troughs in supply and demand I haven’t seen for five years! Over the last 18 months, rents have been ebbing in Falkirk and this month our average advertised rents are just £425 per month.”*

Stirling figures initially suggest April rents are averaging at just over £719, a leap versus the £630 per month average we have seen for five years. However this rise is due to an increase in the number Homes in Multiple Occupation (HMOs) which are averaging over £1,000 a month.

Both North Ayrshire and Glasgow rents show a downward trend so far this year. Glasgow rents in April averaged at £582 per month versus an average for the year of £605 per month while rents in North Ayrshire averaged at £483 per month in April down from an average of £495 per month.

Our forecast for Scotland this year was static rents. This is the case in three out of five offices, but two are showing slight downward trends.

## Summary Wales



Average rents in Wales remained steady in Swansea but dropped slightly in Wrexham and Cardiff. Average rents for Cardiff in April were recorded at £688 per month, £628 in Swansea and £544 in Wrexham.

For Wales we predicted a static to small rise for 2013, so far it appear rents are actually static or seeing slight falls.

## Summary Northern Ireland

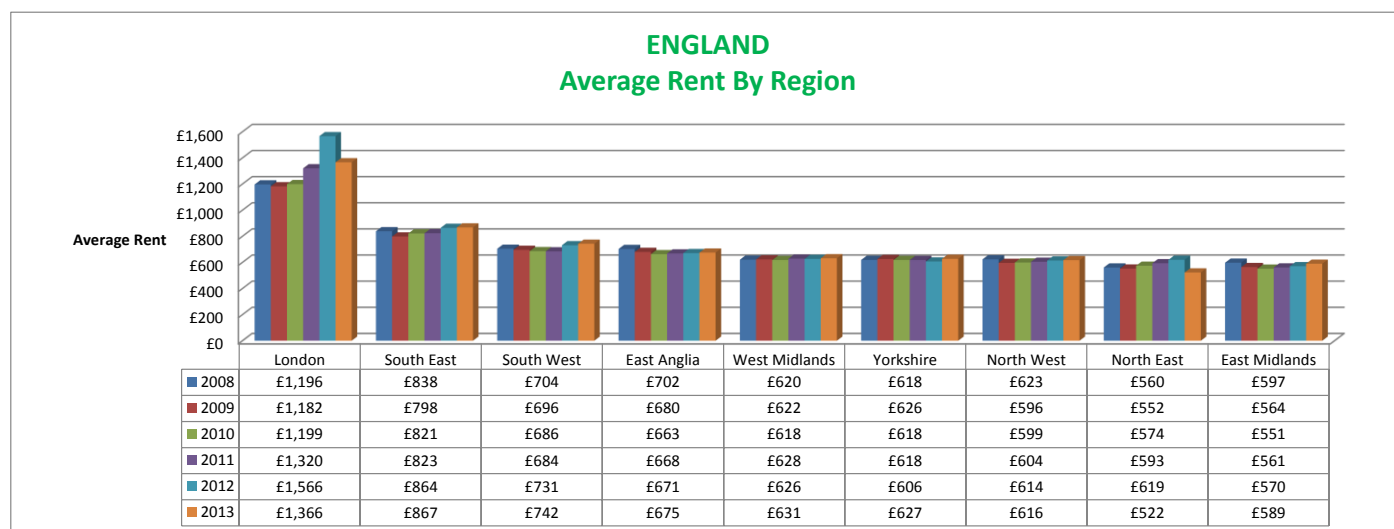
According to Trevor Burns in Newtownards *“Rents are pretty mixed so far this year. A few are stable and some actually on the rise. We have seen a bit of an oversupply of apartments in Newtownards, but this has just meant flats have taken a little longer to rent than houses. Tenant demand is still pretty strong and we have seen quite an increase in Landlord enquiries this year – possible due to the introduction of the new Tenancy Deposit Scheme which came into effect in April.”*

## Belvoir Regional Rental Trends

National trends help us to understand the difference between economic performance, wage rises and property stock and average rents, however, as we have seen with Scotland an average can hide trends at a local level of rises and falls.

Regionally, rents remain the highest in London in 2013 at £1,360 per month in April, a small increase of just a £3 versus March. Lowest rents were recorded in the North East at £535 per month in April, two and half times lower than rents in the Capital.

**Chart showing average rents by region 2008 to 2013 for all Belvoir English Offices by Region**



The chart below puts regional trends in context comparing average rents over the latest three months with the highs of 2008 and the lows of 2009.

The chart shows areas such as London, the South West, South East, Yorkshire and West Midlands have recovered to the heights of 2008 with London up substantially versus other areas. Areas such as East Anglia, East Midlands are recovering steadily. The North West is showing slight signs of stalling rents while the North East shows such diverse rental trends, we only track by office (see below)

Region	2008	2009	2013	2013	2013	2013
	High	Low	February	March	April	April vs 2008 high
North East	£562	£547	£518	£527	£535	-5%
East Anglia	£708	£664	£675	£677	£681	-4%
East Midlands	£604	£553	£588	£595	£590	-2%
North West	£627	£587	£619	£615	£611	-2%
West Midlands	£622	£611	£629	£634	£633	2%
Yorkshire	£603	£577	£626	£637	£636	6%
South East	£850	£785	£875	£864	£856	1%
South West	£714	£687	£742	£741	£736	3%
London	£1,208	£1,119	£1,369	£1,357	£1,360	13%



## ***East Midlands***

Rents continue to edge back to the heights of 2008, with April rents averaging at £590, just 2% away from the heights of 2008.

We forecast rents in the East Midlands to remain static or rise by up to 2%. So far 2013 average rents in the East Midlands versus 2012 averages are up by 3.3%, just above the inflation rate of 2.7%.

## ***East Anglia***

Rents in East Anglia are pretty static at the moment showing an average of £681 per month in April versus £677 per month in March. However rents still need to recover by 4% (or £30 to month) to match rents achieved back at the start of the index in 2008.

We forecast at the start of the year for rents in East Anglia to remain the same in some areas and increase by up to 5% for some offices. So far this year, 60% of offices show rents remaining stable, while Ipswich dropped from £599 average to £582 and rents in Kings Lynn were up by approximately 3%.

## ***Yorkshire***

Average Yorkshire rents have already closed the gap on heights achieved in 2008, with average rents in April being recorded at £636 per month, 6% higher than 2008.

We forecast rents in Yorkshire would stabilise this year and remain relatively static. 2013 averages versus 2012 averages to date suggest rents in the Yorkshire area are up by 3.4%, however in reality, most offices across Yorkshire are reporting rents are static and this increase appears to be driven by higher than average rents for advertised properties in Sheffield and Doncaster.

## ***North West***

Rents in the North West have shown steady growth up until March 2013 however April's figure is slightly down on the £616 average for 2013, recording average rents at £611. This is based on 60% of the offices rents remaining static, while a quarter of offices show falls including Manchester and Liverpool. Some offices such as Macclesfield and Chester are showing some good rental growth.

From a forecasting perspective, we expected rents to remain similar in 2013 versus 2012 through to a rise of 2%. Currently 2013 average rent is recorded at £616 per month versus £614 per month for 2012, suggesting our forecast so far this year is holding.

## **West Midlands**

Rents in the West Midlands for April were £633 per month, slightly above the average for the year so far of £631. Versus 2012, rents are tracking £5 a month higher, suggesting an increase of just under 1%.

In our forecasts we suggested rents in the area would either fall up to 2% or grow up to 2% depending on the area. On average, rents are pretty static currently. However from an individual office perspective, out of 22 offices, nearly half show static rents, while seven show small rises of around 2% and the rest small falls.

## **North East**

With only three offices in the North East all in different areas, we report on each office individually to more accurately reflect what's happening in the local markets.

Sunderland rents in April 2013 remained stable at £541 per month, which is the annual average so far this year. Tynedale rents show a similar trend with rents slightly higher at £546 per month.

Newcastle rents change dramatically month on month due to the mix of stock. However Howard King from Newcastle says "April was quite a quiet month for tenant enquiries, including the student market, although we did see a lot more landlord instructions this month. Rents overall are pretty stable."

From a forecasting perspective, we expected rents to remain static throughout the year and so far this has proved an accurate prediction.

## **South East**

Average rents in the South East in April took a slight downturn to £856 per month versus the annual average to date of £867 per month. Out of 27 offices tracked, we found 17 were static (63%) while two were up and the rest showed rent falls.

Versus our forecast of static to rising by 5%, most are static and the rent rises expected so far this year have yet to materialise. Overall average rents for 2013 versus 2012 are £867 versus £864 per month.

## **South West**

Rents so far this year have shown a slight downward trend with rents achieved of £751 per month in January falling to £736 in April. This appears to be changes in the main to the Devices office this month and Hove in past months. Overall, most offices are showing static rents.

We forecasted for the South West a 2-5% rise in rents for the year, but so far 2013 rents year to date versus 2012 suggest a slightly lower rate of growth of 1.5% with 2012's average being £731 per month and 2013 average of £742 per month.

## **London**

Rents in April showed an average of £1360 per month, just slightly below the annual year to date average of £1366. Most individual offices show a relatively static trend with rents and have been similar since 2012.

We forecast a rise of up to 5% which so far hasn't materialised and rents seem pretty steady for the first four months of the year.

## Appendix

### ***Belvoir Rental Index 2008 to 2013***

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 and Scotland 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**

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 and Scotland
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 April 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.