

BELVOIR!



Rental Index

June 2018 (Q2 18)



National rental trends

Data from offices trading over 10 years

Data including new Belvoir offices

Summary for England

Summary for Scotland

Summary for Wales

Summary for Northern Ireland



3

3

3

4

5

7

8

Regional rental trends

London

South East

South West

East Anglia

East Midlands

West Midlands

Yorkshire

North East

North West

9

9

10

11

12

13

14

15

16

17

Tenant trends

Rent changes reported by Belvoir offices

Tenant demand

Tenancy length

Arrears and evictions

18

18

19

19

20

Landlord trends

Landlords buying and selling properties

21

21

Key research questions

England: three-year tenancies

Scotland: letting agent registration and Private Residential Tenancies

Wales: landlord/agent licensing

Northern Ireland: landlord registration

22

22

23

24

24

Appendix

Belvoir Rental Index 2008 to 2018

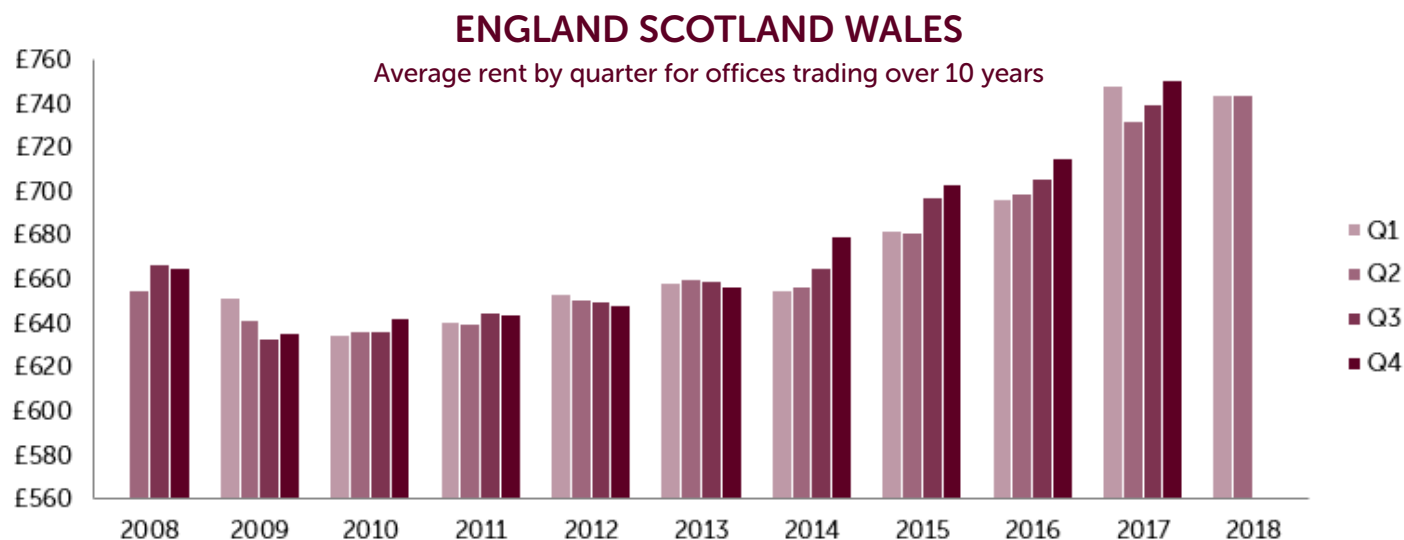
25

25

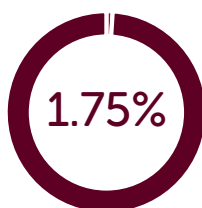
National rental trends



Data from offices trading over 10 years



Average rent
Q2 2018

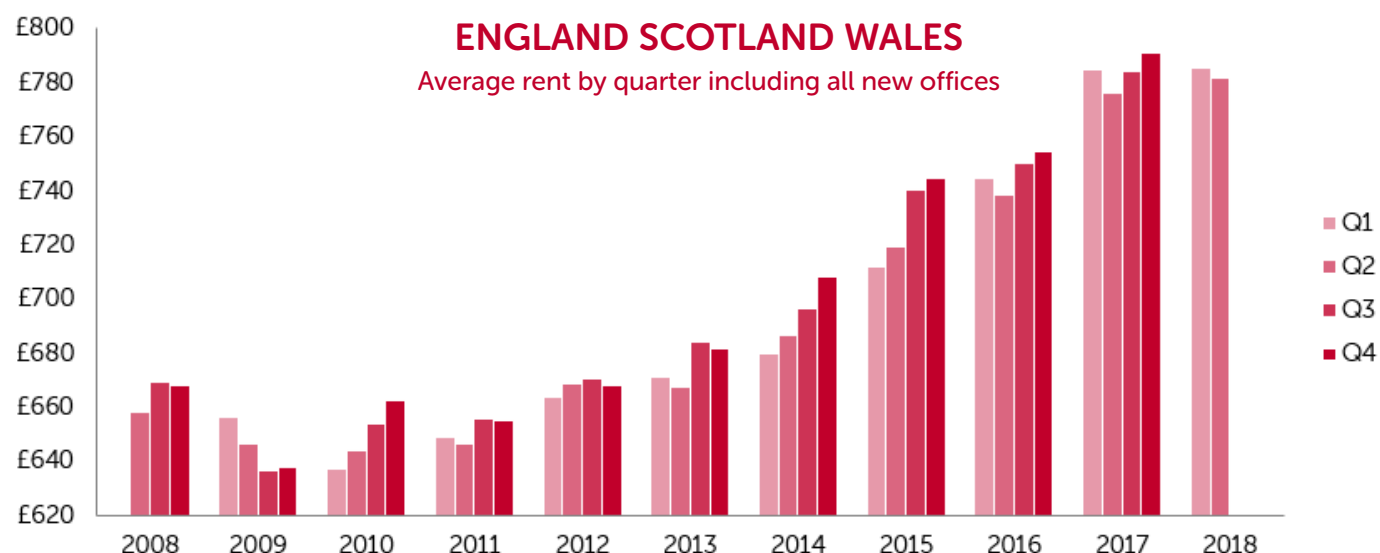


Year on year
increase in
average rents
to Q2 18



Increase from
2017 average
to Q2 18
average rent

Data including new Belvoir offices



Average rent
Q2 2018



Year on year
increase in
average rents
to Q2 18



Decrease from
2017 average
to Q2 18
average rent

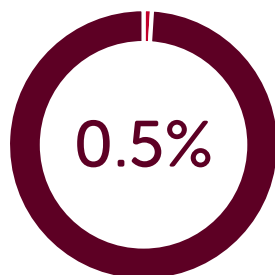
National rental trends



Summary for England



Average rent
Q2 2018



Year on year
increase in average
rents to Q2 18



Decrease from 2017
annual average to
Q2 18 average rent

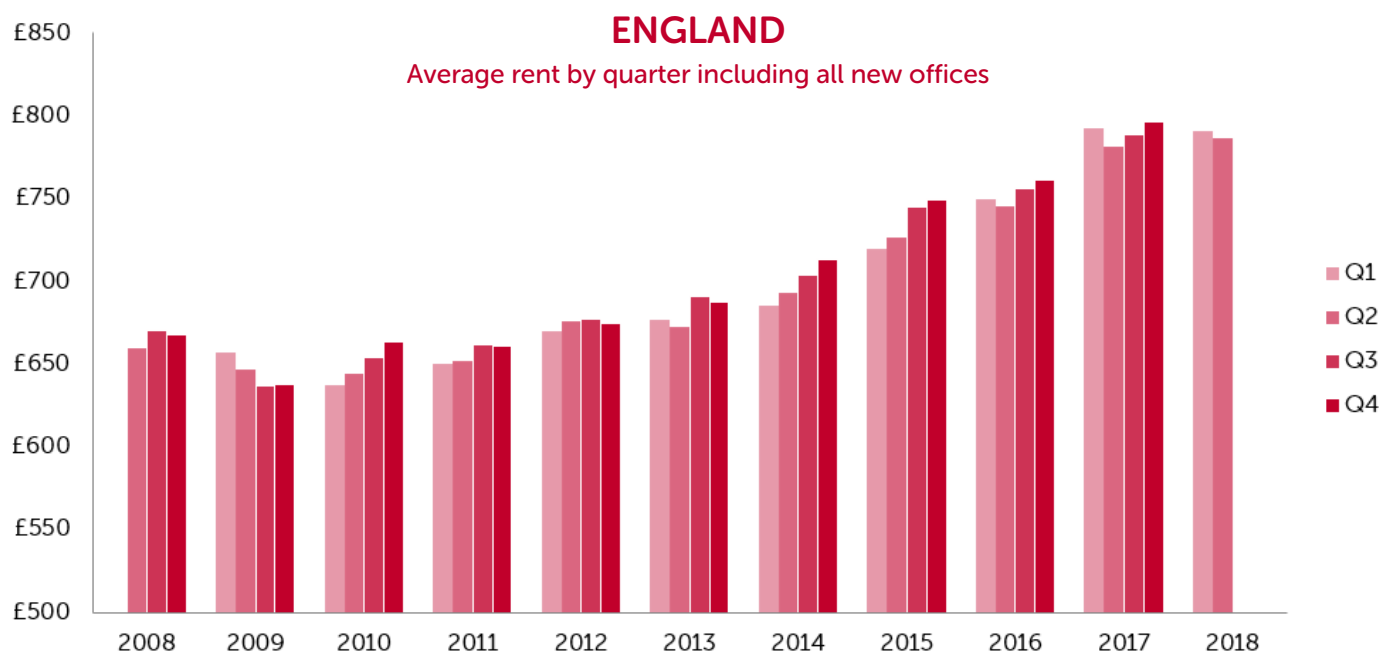


“

Belvoir's Q2 rental index revealed just a slight increase in average rental inflation across the UK, with a similar number reporting static rents, but if landlords continue to sell up because their business model in the PRS is being continually attacked, it will undoubtedly result in a further shortage of properties, and inevitable increases in rents, as predicted in the latest RICS report, which stated that rents are likely to rise by 15% over the next five years.

”

DORIAN GONSALVES, BELVOIR CEO



National rental trends



Summary for Scotland

MORAY



Static rents for all property types with tenant demand increasing for flats/houses.



Both rents and demand are expected to increase over the next quarter.

ANDY CAMPBELL, BELVOIR MORAY



GLASGOW



We have seen small increases for one-bed flats, and higher increases for two-bed flats during Q2 2018. Tenant demand remains unchanged. Both rents and demand are expected to remain stable over the next quarter.



SHARON WALKER, BELVOIR GLASGOW



Average rent
Q2 2018

PERTH



Increasing rents on one to four-bed properties, with the larger increases on houses, and static rents for the five+ bed houses. Tenant demand has increased for both flats and houses. Rents and tenant demand is expected to increase during the next quarter. The market in Perth and Kinross is reported as buoyant and continues to grow.



HARRY COATES, BELVOIR PERTH

continued...



DUNDEE



Two-bed flats have seen some small rental increases, while two to four-bed houses have seen larger increases during Q2 2018.



Rents for studios/one bed flats remained static.



Tenant demand increased for all properties. Both demand and rent levels are expected to rise during the next quarter.



NICK HORAN, BELVOIR DUNDEE

National rental trends



Summary for Wales

SWANSEA



Average rent
Q2 2018



Static rents on all flats, with small increases on two-bed houses, and larger rental increases for three to five+ bed houses.



Tenant demand rose during Q2 2018 for both flats and houses.



Rents are expected to increase across the board with demand remaining static over the next quarter.

BEN DAVIES, BELVOIR SWANSEA AND MUMBLES



WREXHAM



No change to rents for studios through to two-bed houses, with rents increasing on three to five+ bed houses, with the larger increases on the three to five-bed detached homes.



Tenant demand remained static for flats, increased for houses and declined for HMOs during the quarter.



For the next quarter, rents and demand are expected to remain stable for flats and room rents but increase for houses.



Many landlords have decided to sell their properties, with government tax changes frequently mentioned as the reason.



Average rent
Q 2018

VAUGHAN SCHOFIELD, BELVOIR WREXHAM

National rental trends



Summary for Northern Ireland

BELFAST

“ We have seen increasing rents across the board coupled with increasing tenant demand. Rents and demand are, however, expected to remain static during Q3 2018. ”



CRAIG McCracken, BELVOIR BELFAST

NEWTOWNARDS

- ☁ Increasing rents for one to four-bed properties, with the higher increases on three and four-bed houses but static rents for five+ bed detached houses during Q2 2018. A shortage of properties in the local area has caused the increases.
- ☁ Tenant demand remained consistent for flats and houses.
- ☁ Rents are expected to increase over the next quarter, mainly due to shortage in supply.
- ☁ Demand is set to remain static albeit at a high level.

TREVOR BURNS, BELVOIR NEWTOWNARDS

LISBURN

- ☁ Static rents for two to five+ bed properties, with small increases for studio flats.
- ☁ Tenant demand fell for both flats and houses due to an increase in the number of first-time buyers entering the market.
- ☁ Over the next quarter, rents and demand are expected to remain static.

MICHAEL McGRATH, BELVOIR LISBURN

Regional rental trends

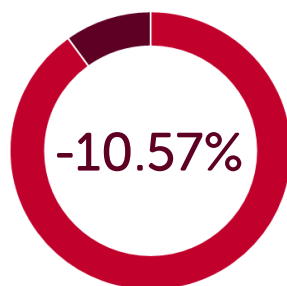


Current rental trends

LONDON



Average rent
Q2 2018



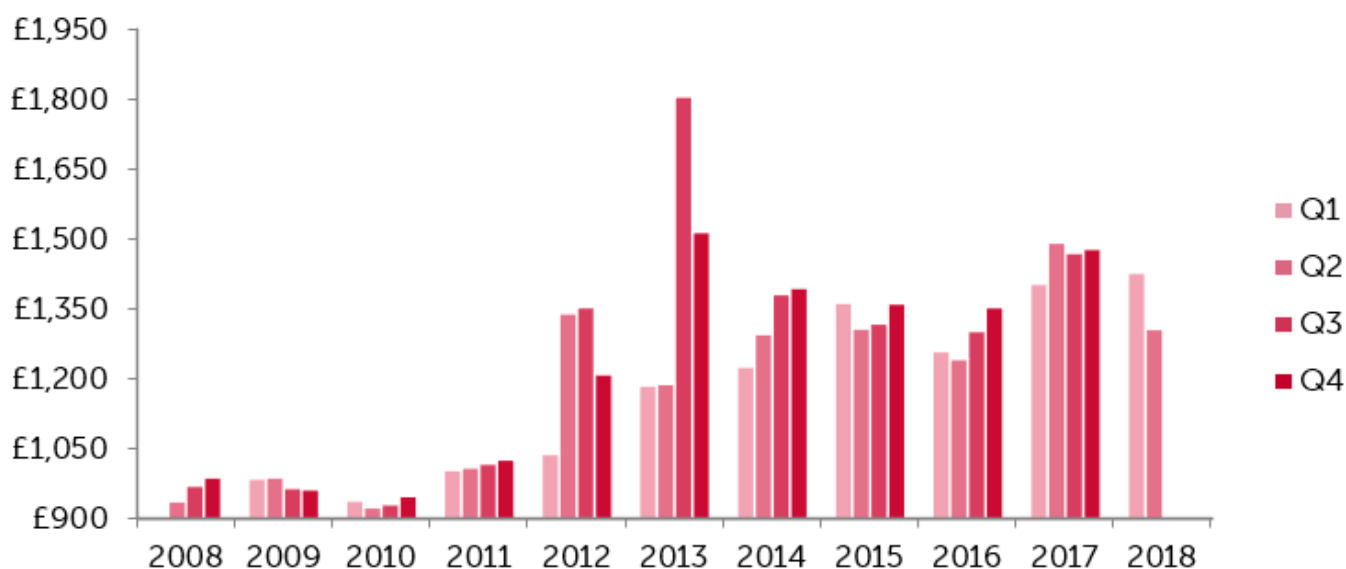
Decrease from 2017
annual average to
Q2 18 average rent



Over the past year London rents on the whole have been static to falling. However, the current stats suggest a larger fall for the region but this is down to individual anomalies at office level.

Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
London	£1,307	£1,492	-12.42%	£1,461	-10.57%	2013Q3 £1,806	2010Q2 £924	2008Q2 £937	10	3.38%

Historic rental trends

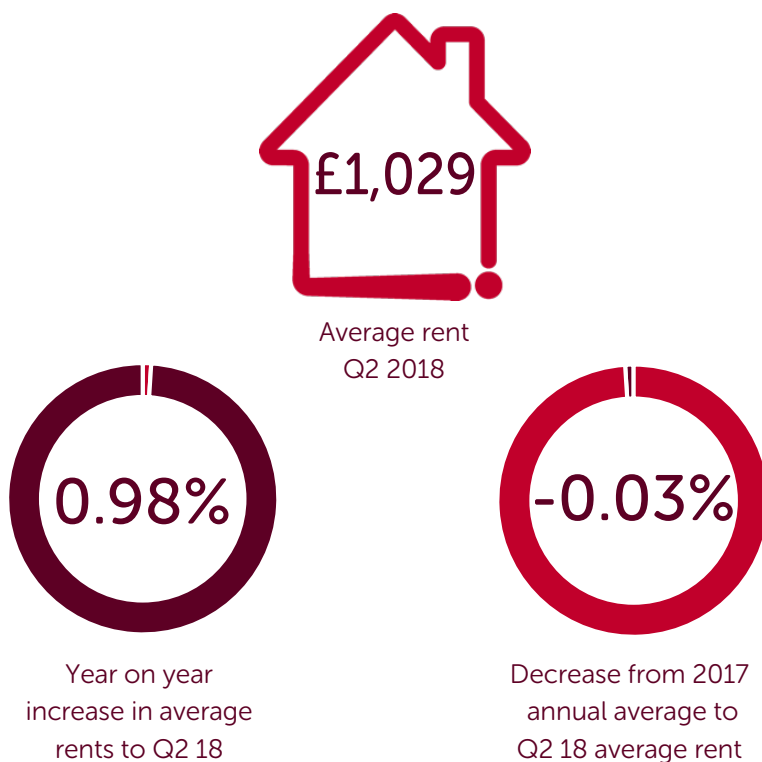


Regional rental trends



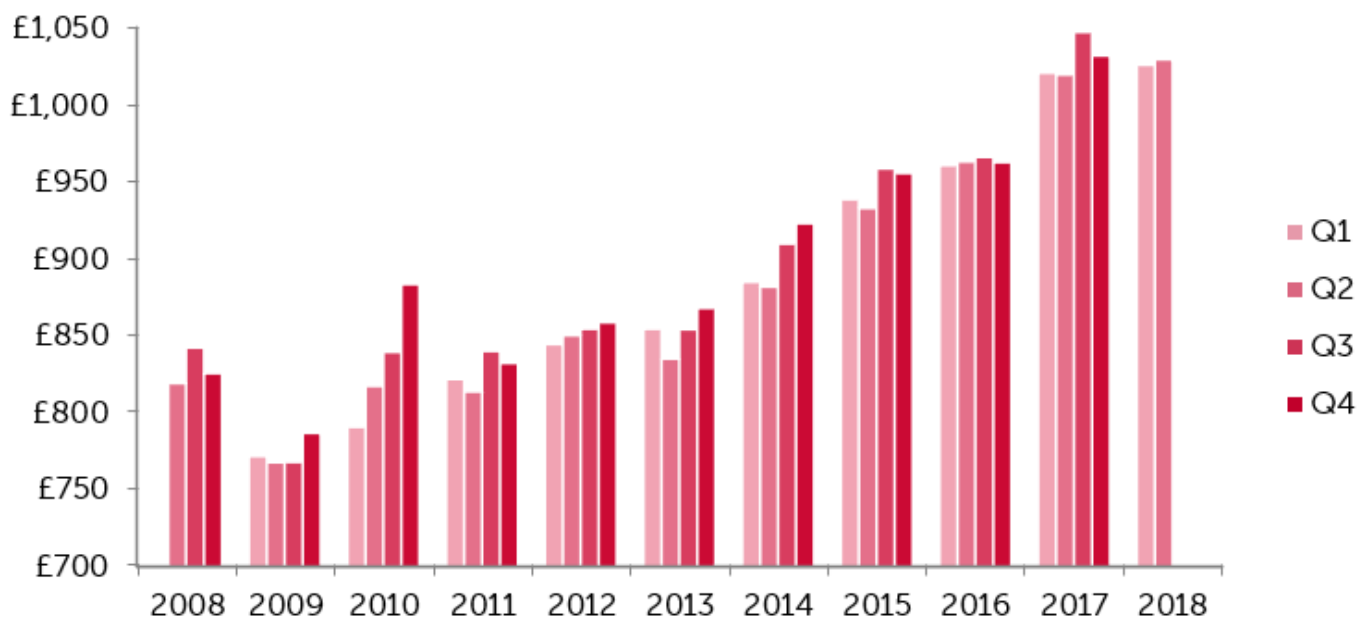
Current rental trends

SOUTH EAST



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
South East	£1,029	£1,019	0.98%	£1,030	-0.03%	2017Q3 £1,047	2009Q2 £768	2008Q2 £819	10	2.31%

Historic rental trends



Regional rental trends

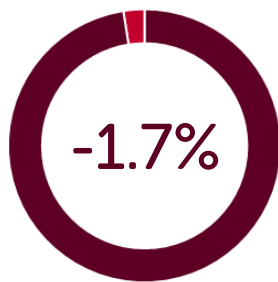


Current rental trends

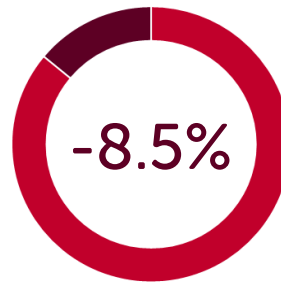
SOUTH WEST



Average rent
Q2 2018



Year on year
decrease in average
rents to Q2 18



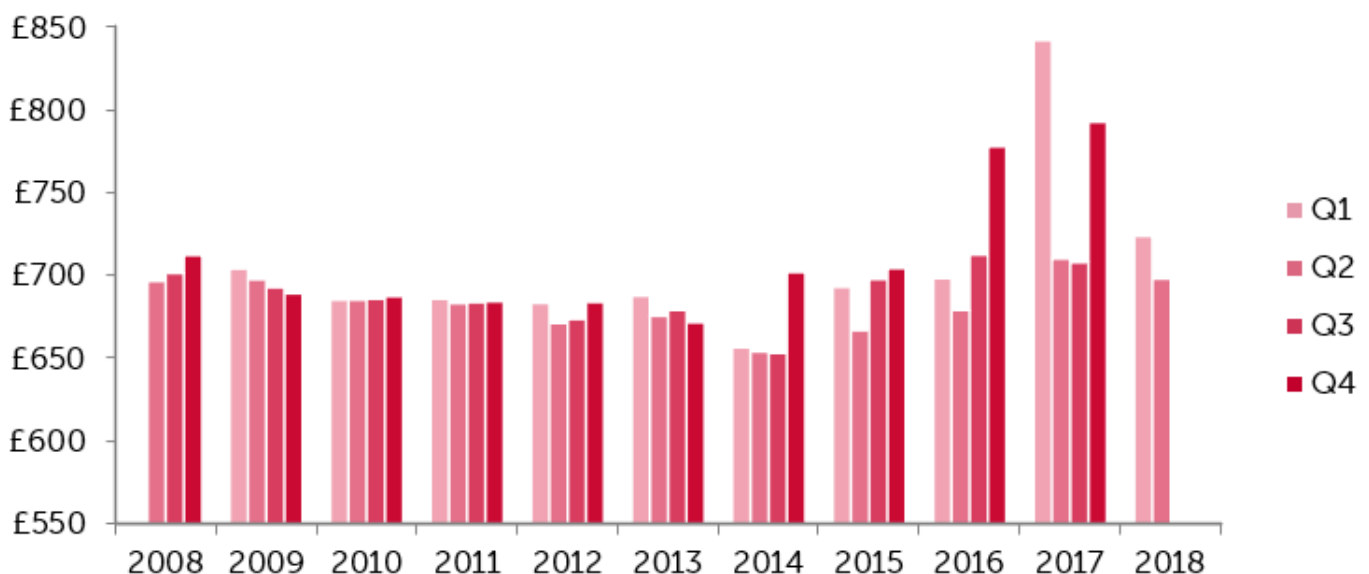
Decrease from 2017
annual average to
Q2 18 average rent



Devon and Dorset rents experienced very high rental averages in Q1 2017 and Q4 2017 (mainly due to the mix of properties and a lack of supply), coupled with the opening of the Bournemouth office in late 2016/early 2017 when asking rents were also at a high level. Bournemouth rents have now settled down.

Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
South West	£698	£710	-1.70%	£763	-8.50%	2017Q1 £842	2014Q3 £653	2008Q2 £696	10	0.02%

Historic rental trends

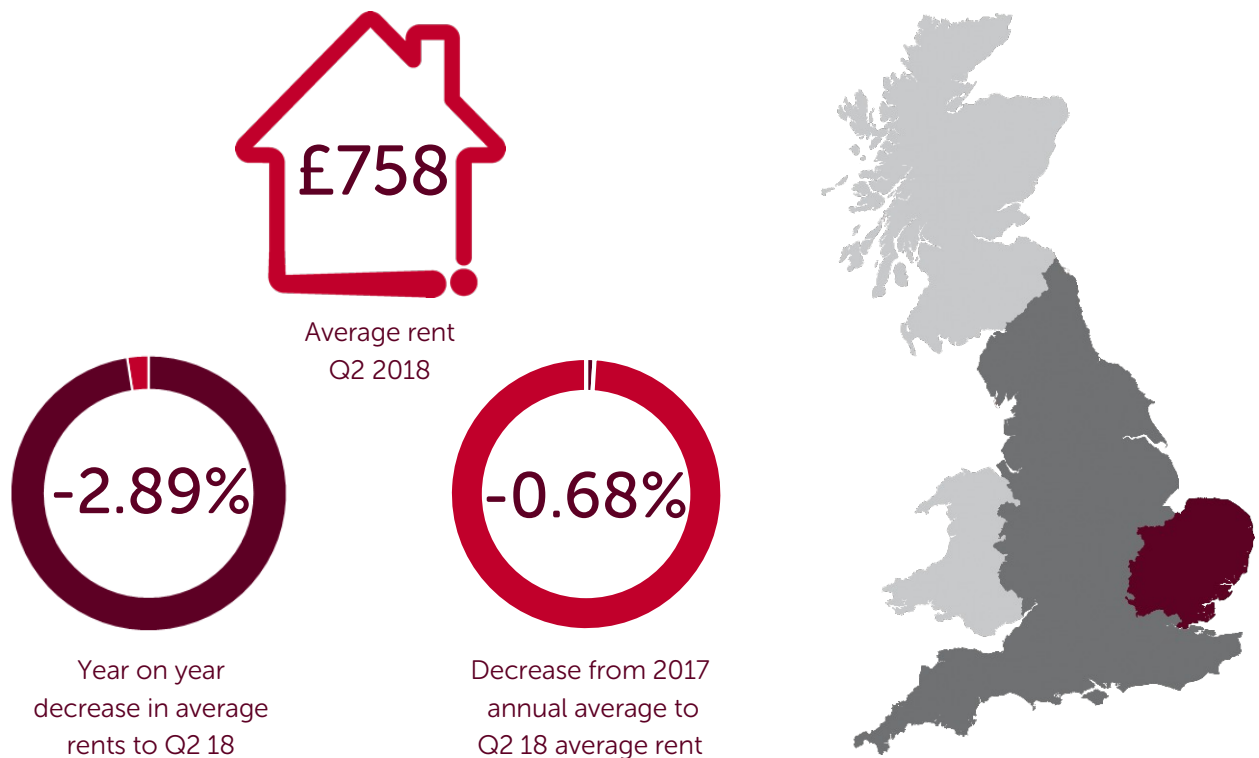


Regional rental trends



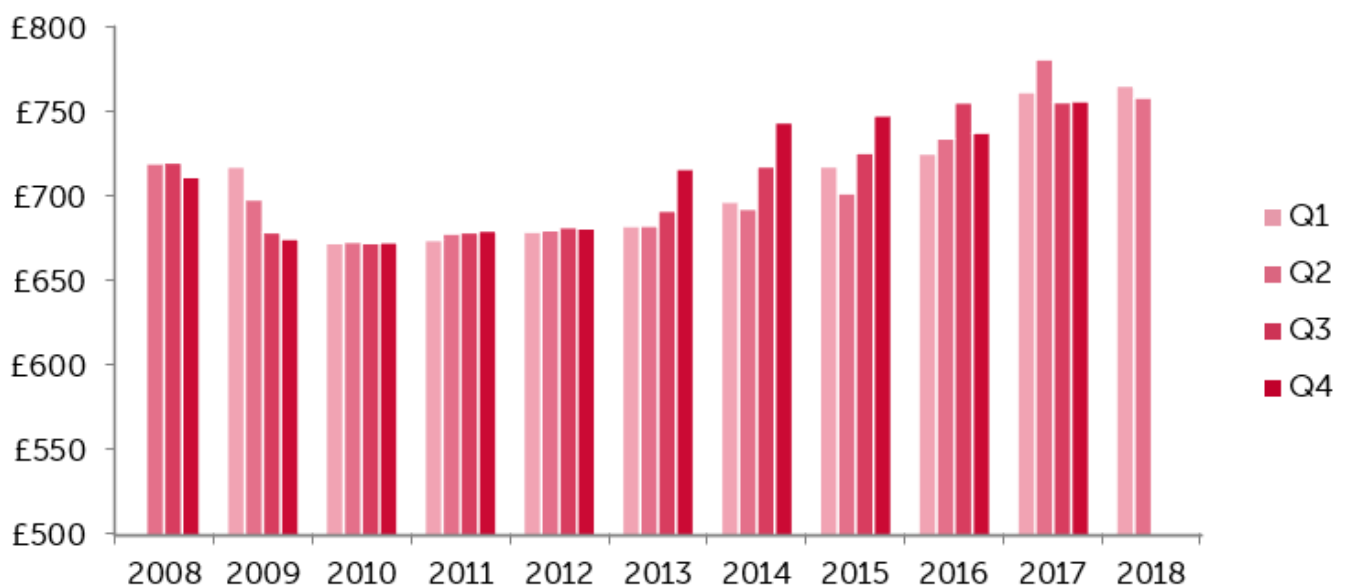
Current rental trends

EAST ANGLIA



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
East Anglia	£758	£781	-2.89%	£763	-0.68%	2017Q2 £781	2010Q3 £672	2008Q2 £719	10	0.53%

Historic rental trends



Regional rental trends

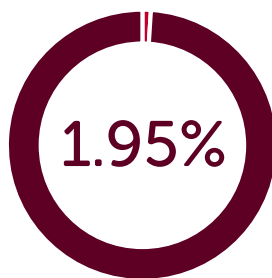


Current rental trends

EAST MIDLANDS



Average rent
Q2 2018



Year on year
increase in average
rents to Q2 18

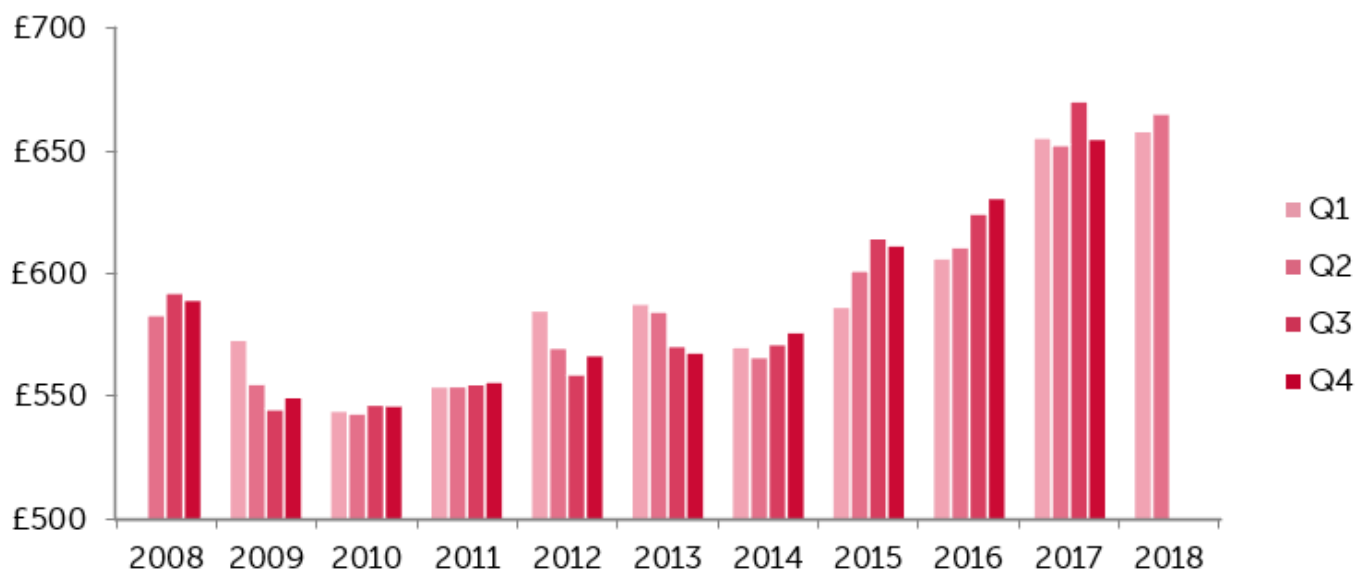


Increase from 2017
annual average to
Q2 18 average rent



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
East Midlands	£665	£652	1.95%	£658	1.05%	2017Q3 £670	2010Q2 £543	2008Q2 £583	10	1.33%

Historic rental trends



Regional rental trends

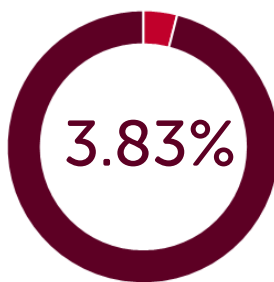


Current rental trends

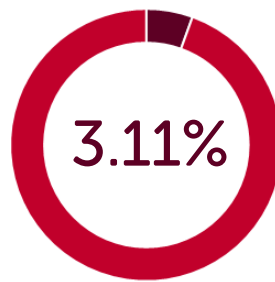
WEST MIDLANDS



Average rent
Q2 2018



Year on year
increase in average
rents to Q2 18

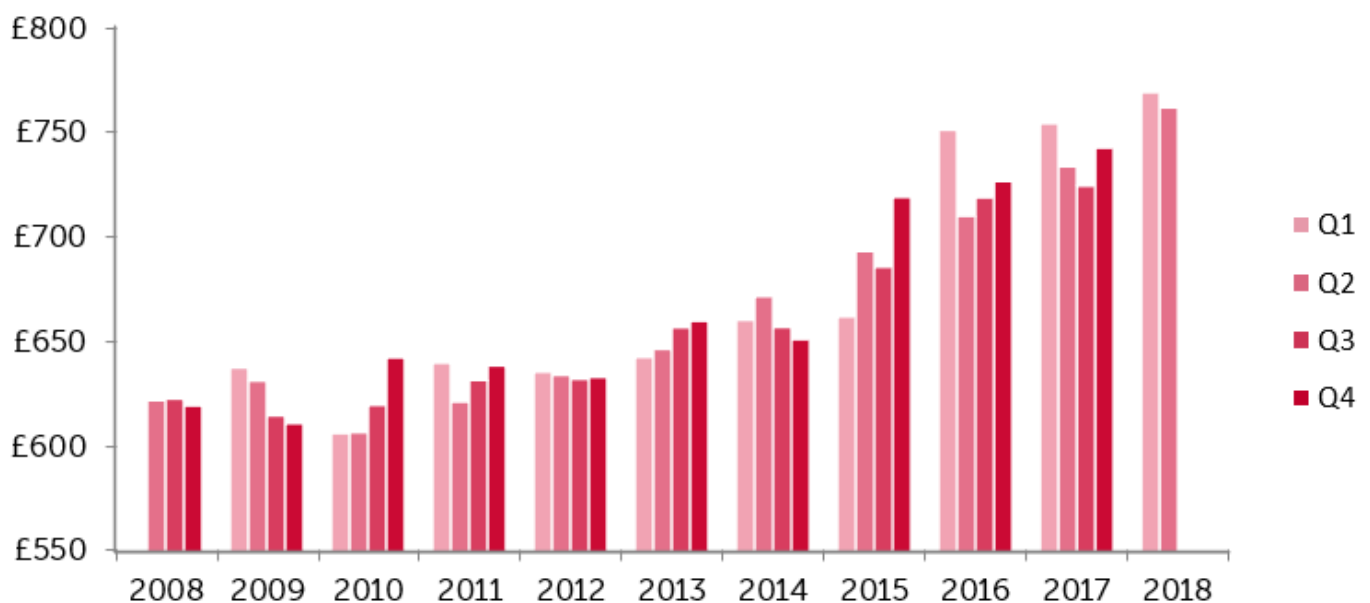


Increase from 2017
annual average to
Q2 18 average rent



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
West Midlands	£762	£733	3.83%	£739	3.11%	2017Q1 £754	2010Q1 £606	2008Q2 £622	10	2.04%

Historic rental trends



Regional rental trends

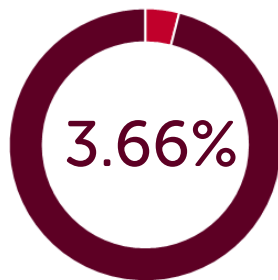


Current rental trends

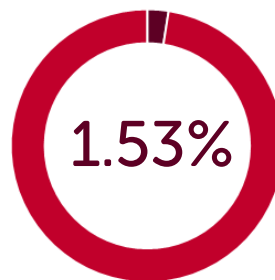
YORKSHIRE



Average rent
Q2 2018



Year on year
increase in average
rents to Q2 18



Increase from 2017
annual average to
Q2 18 average rent



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
Yorkshire	£676	£652	3.66%	£665	1.53%	2017Q4 £691	2009Q4 £585	2008Q2 £587	10	1.42%

Historic rental trends



Regional rental trends



Current rental trends

NORTH EAST

For some years, the statistical data on rental averages in the North East have been inconsistent and on some occasions, erratic, not reflecting the true picture of the local market, so we choose to feed back directly from the specific office owners:



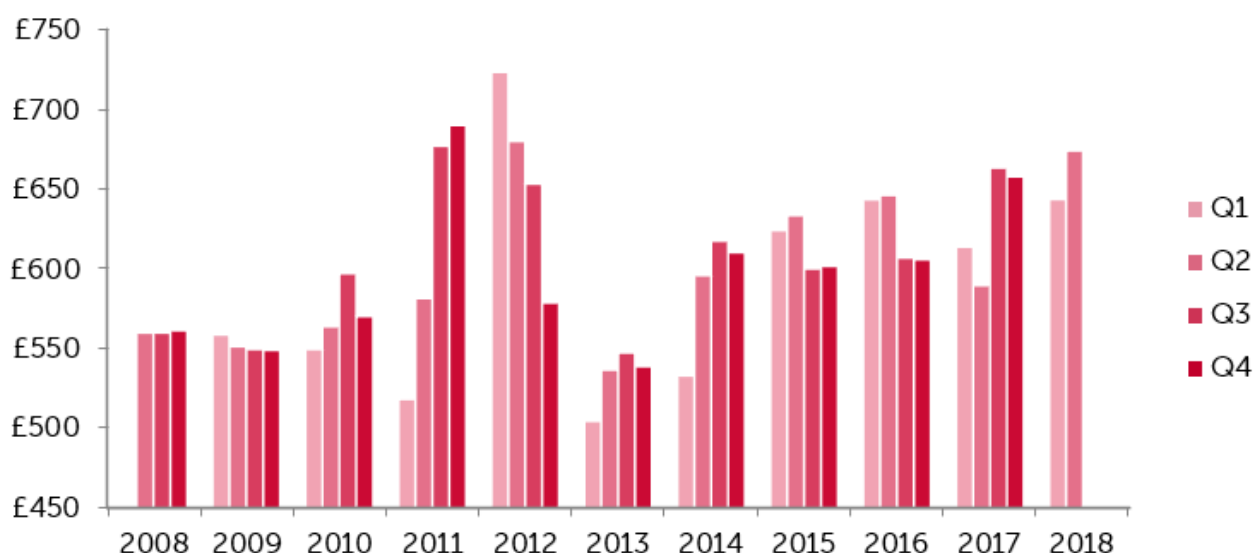
“ Rents were static for all properties, with tenant demand static for houses but decreasing for flats and HMOs. Both rental levels and demand are expected to remain stable for Q3 2018 but decreasing for room rents. ”

HOWARD KING, BELVOIR NEWCASTLE AND SUNDERLAND

“ Studio flat rents remained static during Q2 2018, however rents increased on all other properties, with the highest rises attributed to three to five+ detached houses. There was a huge shortage of three to five-bed properties as landlords are tending to sell these when the property becomes vacant due to the tax changes. Tenant demand increased across the board. Rents have been static for almost 10 years but are slowly moving up now and, as landlords sell, we expect this to accelerate. Demand for family homes is expected to increase during the next quarter, simply because there are fewer available locally due to the tax increases. ”

JOHN REDDEN, BELVOIR TYNEDALE

Historic rental trends

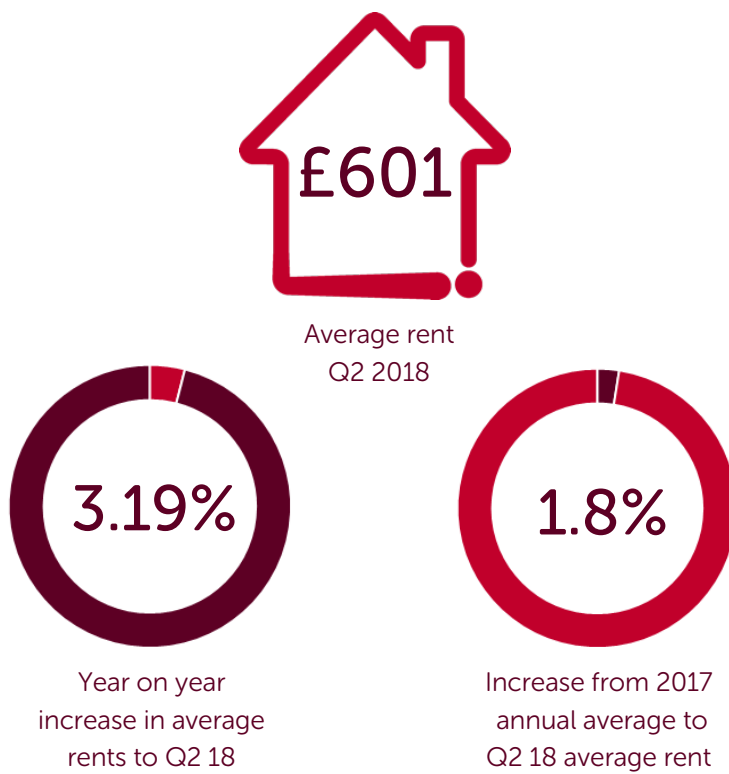


Regional rental trends



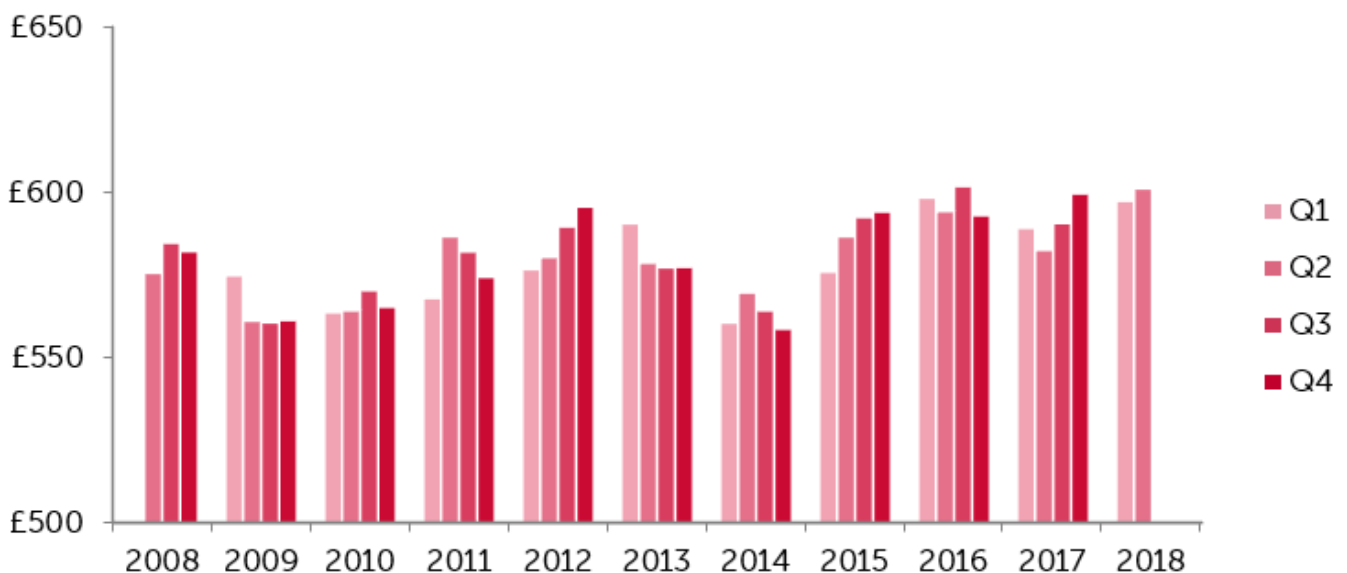
Current rental trends

NORTH WEST



Region	Average latest quarter rent	Average rent in previous year's quarter	% difference	Average annual rent for previous year	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
North West	£601	£583	3.19%	£591	1.80%	2016Q3 £602	2014Q4 £559	2008Q2 £576	10	0.43%

Historic rental trends





Studio flats

75% of offices report static rents

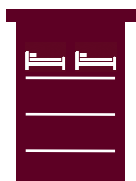
Modest rises of up to £25 a month



One-bed flats

77.5% of offices report static rents

Slightly more increases of up to £25 a month



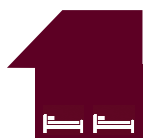
Two-bed flats

62.5% report static rents

More increases up to £25 a month; fewer rises over £25

Inflation on flats continues to be relatively stable.
Majority of rises remain in the £25 bracket, or not at all

HOUSES

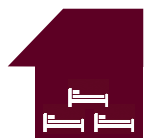


Two-bed houses

57.5% of offices see rents unchanged

A similar number see rises up to £25 a month

Decrease in rises of £25+ a month

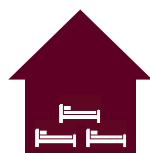


Three-bed semis/terraces

47.5% of offices report static rents, more than last quarter

Similar number see rises of up to £25 a month

Fewer see increases of £25+ a month



Three-bed detached

45% of offices see static rents

Slight fall in increases of up to £25 a month

Small increase in offices seeing rises of £25+ a month



Four and five-bed detached

46% of offices report static rents, an increase on last quarter




As last quarter, most rises are over £25 a month, particularly for four-beds

Inflation on houses very slightly up this quarter, especially on detached properties



Tenant demand and tenancy length





Demand

-  Demand is stronger for houses than flats, with demand for flats static to falling, compared with Q1 2018, and demand for houses increasing. HMO demand is static to slightly increased
-  Tenants continue to be mainly short of three-bed semi/terrace properties and four-bed detached houses, followed by two-bed houses, five+ bed detached, then one/two-bed flats
-  Franchise owners predict tenant demand to increase mainly for family rents and professional lets, and the main demand vs supply pressure to be on houses, as in the previous two quarters

“Property supply and tenant demand is something Belvoir has been tracking closely ever since the government embarked on a flawed policy to try to reduce the number of investment landlords so that more first-time buyers could enter the market. Belvoir has continually warned this policy would not work, as the UK’s rising population requires more homes across all tenures.”

DORIAN GONSALVES, BELVOIR CEO

Tenancy length

-  Tenants are continuing to stay in their properties for longer; one office reported an average stay of 50 months, and another reported an average of 2.5 years (36 months)
-  19-24 months remains the most popular tenancy length, at 40%
-  27% prefer a tenancy of 13-18 months
-  Increase in those renting over 24 months (17%)

Average length of time tenants are renting for	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
Less than a year	1.7%	3.7%	2.1%	3.6%	3.3%	8.2%	7.7%	5.6%	7.7%
13-18 months	51.7%	46.3%	45.8%	43.6%	45.0%	42.9%	51.9%	33.3%	26.9%
19-24 months	25.0%	27.8%	31.3%	29.1%	36.7%	30.6%	23.1%	40.7%	40.4%
Over 24 months	16.7%	18.5%	14.6%	18.2%	11.7%	14.3%	13.5%	16.7%	17.3%
Other	5.0%	3.7%	6.3%	5.5%	3.3%	4.1%	3.9%	3.7%	7.7%



Belvoir offices reporting arrears and evictions

Arrears



23% of offices report 4-10 tenants in rent arrears, a slight increase on the previous quarter



Number of offices with fewer than three rent arrears continues to rise; from 50% to 58%, marking a new high since the start of the survey



A decrease in no arrears from 20% to 13.5%

Evictions



56% of Belvoir offices carried out no evictions; down from 63% in Q1



31% of offices carried out just one eviction; up from 20%



9.5% of offices evicted 2-3 tenants; down from 17%



4% of offices evicted four or more renters – the highest since the start of the survey

Evictions carried out in the last quarter	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
None	71.7%	55.6%	62.5%	54.6%	61.7%	53.1%	55.8%	63.0%	55.8%
One	21.7%	20.4%	31.3%	32.7%	20.0%	26.5%	32.7%	20.4%	30.8%
2-3	3.3%	20.4%	4.2%	7.3%	13.3%	20.4%	9.6%	16.7%	9.6%
4 or more	1.7%	3.7%	2.1%	3.6%	1.7%	0.0%	0.0%	0.0%	3.9%



Landlords buying and selling properties

Supply

- Property supply for tenants is continuing to reduce, with more landlords selling up and fewer offices seeing landlords selling no properties
- Small decrease in landlords selling 11+ properties
- Landlords' main reasons for selling properties are tax changes and constant regulation and legislation changes
- The number of offices seeing landlords buy more properties to let remains very similar versus Q1, but the number of offices seeing landlords buying between 4-5 properties is slightly lower, while the number of offices seeing 6-10 property purchases is slightly higher. No offices reported landlords buying 11+ properties
- There were more offices reporting two-week voids, but fewer seeing longer void periods, and voids of less than a week

How many landlords have sold properties?	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18
None	10.0%	16.7%	16.7%	18.2%	6.7%	4.1%	11.5%	9.3%	3.9%
Up to 3	40.0%	53.7%	50.0%	32.7%	36.7%	57.1%	50.0%	46.3%	48.1%
4-5	31.7%	20.4%	20.8%	38.2%	36.7%	28.6%	23.1%	31.5%	26.9%
6-10	11.7%	5.6%	6.3%	7.3%	15.0%	8.2%	15.4%	7.4%	17.3%
11 or more	3.3%	3.7%	6.3%	1.8%	1.7%	0.0%	0.0%	5.6%	3.9%

“ More landlords are selling up, and fewer are investing in the private rental sector, due to increased legislation and punitive taxation policies. Belvoir is calling for the government to take urgent remedial action in the Autumn Budget to incentivise those landlords who are providing much-needed good quality accommodation for the UK's growing tenant population. ”

DORIAN GONSALVES, BELVOIR CEO

Key research question



ENGLAND: Three-year tenancies



With the government wanting to encourage three-year tenancies, what incentives would your landlords want?



The main incentives suggested were:



Quick and efficient eviction process/be able to gain possession/return the property



Assurance/protection/more rights from non-payment of rent and/or abuse of property/anti-social behaviour



Less tax to pay/tax breaks/incentives/scrapping increased taxes



More rent/rent increases/regular or annual/with market trends



Break clause



What would you need as a letting agent to encourage landlords to offer longer term tenancies?



Security in rent and rent increases/regular or annual/with market trends and higher fees



Less tax to pay/tax breaks/incentives/scrapping increased taxes



Quick and efficient eviction process/being able to gain possession/return property if non-payment of rent and/or abuse of property/anti-social behaviour

Key research question



SCOTLAND: Letting agent registration and Private Residential Tenancies



The letting agent registration and code of practice was introduced in January 2018; do you think it has made any difference?



MORAY: There has been no enforcement of legislation old or new, and the council will not prosecute.



DUNDEE: Probably too early to say yet, particularly as registration is only really just occurring now for many agents. Certainly we haven't seen any impact.



PERTH: Good agencies were already doing everything in the code of practice, poor agencies will not comply and there has, to our knowledge, been no enforcement action.



Do you think the Private Residential Tenancy is making a difference?



MORAY: We've not had one tenant that's been aware of the change in legislation, and tenants in general are surprised that they only have security of tenure for 28 days.



GLASGOW: Few tenants have moved in and then handed in notice after one month.



DUNDEE: It's early days yet, but landlords do not like the fact that a tenant isn't tied to any kind of minimum period eg six months, some think this is a 'scam' thought up by the agents. Also the loss of the 'no fault ground' makes it very hard to deal with anti social tenants.



PERTH: Landlords are very nervous about there being no minimum tenancy period, some are considering selling at the end of current tenancies.

Key research question



WALES: Landlord/agent licensing



Do you think landlord/agent licensing for property management has worked?



SWANSEA: It's a marginal yes! We have increasing numbers of landlords looking for management of their properties, which helps offset the extortionate fees the Welsh Assembly charges agents. So far, it has cost the business close to £5,000 after each member of the team has been trained.



WREXHAM: Unless landlords are reported for not having registered or for not having a licence, the amount of resource they have to investigate non compliance is pitifully low - therefore there are many landlords still operating under the radar.

NORTHERN IRELAND: Landlord registration



Has landlord registration made a difference to the PRS in Northern Ireland?



LISBURN: Many landlords are unaware of registration. There has been a lack of enforcement by local councils.



Over the last 10 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, and worst case, they may on occasions 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 10 years

This is an analysis of rents across offices which have consistently traded across the 10 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 more than 140 offices from 2008 to 2018.
2. All offices which have traded via the Belvoir brand over the last 10 years. This analysis looks at rents across all offices.
3. We add an office after it has traded for 12 months and can provide a three-month simple average.



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 rent:	£500
Average June rent:	£525
Average July rent:	£515
Total:	$\text{£1,540} / 3 = \text{£513}$ 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 urban areas, 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.