

BELVOIR!



Rental Index

December 2017 (Q4 17)



National rental trends

Data from offices trading over nine years

Data including new Belvoir offices

Summary for England

Summary for Scotland

Summary for Wales



3

3

3

4

5

7

Regional rental trends

London

South East

South West

East Anglia

East Midlands

West Midlands

Yorkshire

North East

North West

8

8

9

10

11

12

13

14

15

16

Tenant trends

Rent changes reported by Belvoir offices

Tenant demand

Tenancy length

Arrears and evictions

17

17

18

18

19

Landlord trends

Landlords buying and selling properties

20

20

Appendix

Belvoir Rental Index 2008 to 2017

22

22

National rental trends



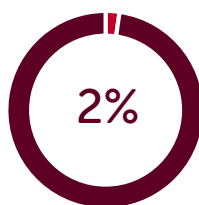
Data from offices trading over nine years

ENGLAND SCOTLAND WALES

Average rent by quarter for offices trading over nine years



Average rent
Q4 2017



Year on year
increase in
average rents
to Q4 17

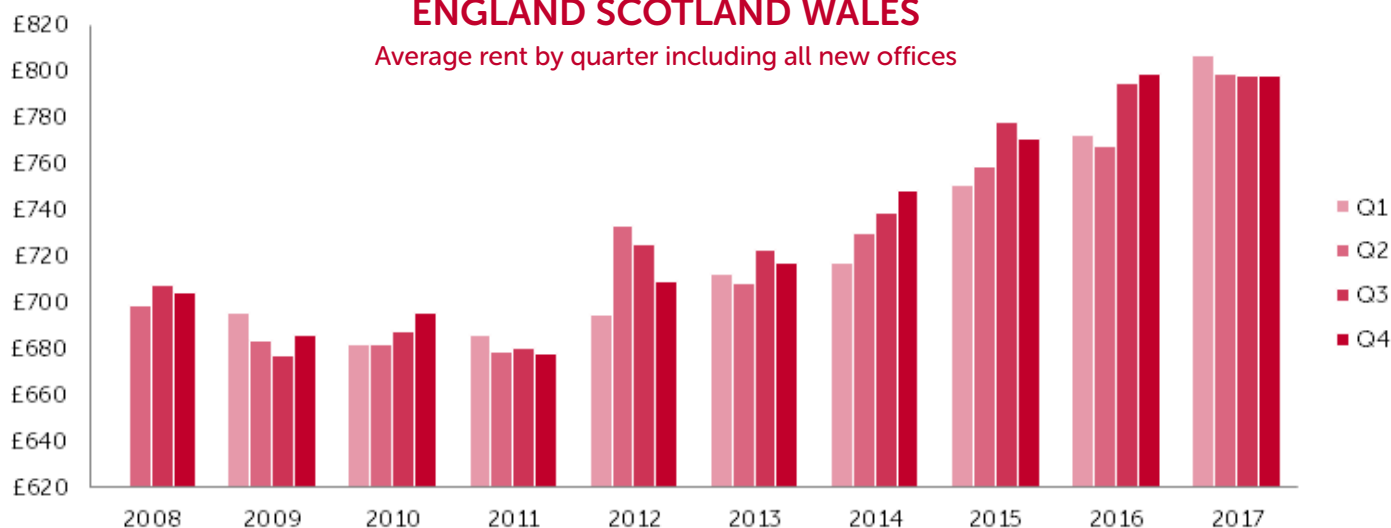


Increase from
2016 average
to Q4 17
average rent

Data including new Belvoir offices

ENGLAND SCOTLAND WALES

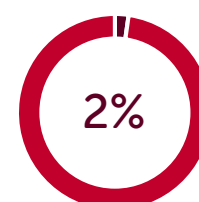
Average rent by quarter including all new offices



Average rent
Q4 2017



Year on year
increase in
average rents
to Q4 17



Increase from
2016 average
to Q4 17
average rent

National rental trends



Summary for England



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



Increase from 2016
annual average to
Q4 17 average rent

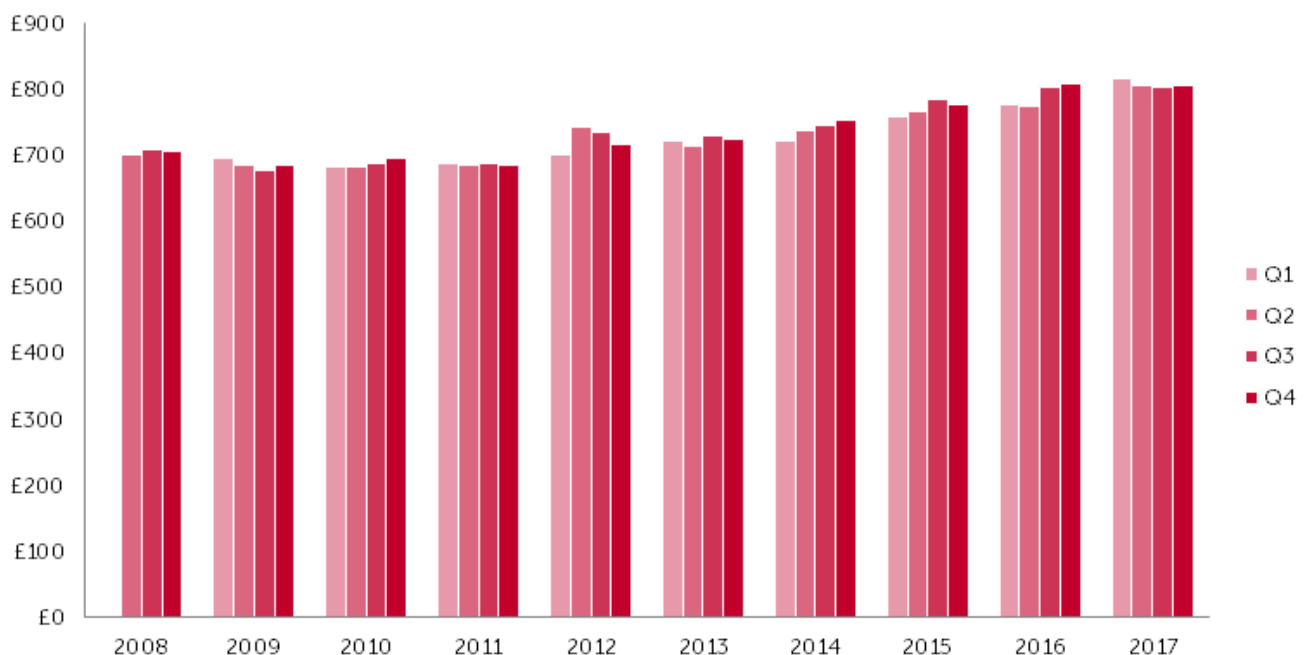


“ During Q4 rents remained fairly static. This is due to the fact that that rents and inflation have caught up with each other, with contributing factors being Brexit and a fall in sterling. In London we even saw rents dropping slightly. ”

DORIAN GONSALVES, BELVOIR CEO

ENGLAND

Average rent by quarter including all new offices



National rental trends



Summary for Scotland

EDINBURGH

“ Rents rose in Edinburgh by over 3% but fell by 0.7% across Scotland as a whole, pulled down by sluggish rents across the central belt. In the meantime, average rents in Glasgow reached a significant moment in the modern PRS era when for the first time they exceeded that of Scotland. ”

MIKE CAMPBELL, BELVOIR EDINBURGH



CITY OF GLASGOW

- ☁ Increasing rents for all properties except studio flats, which remained static.
- ☁ Greater increases for three bed flats/houses, and four bed houses.
- ☁ An increase in rents is expected for houses and student lets, but remaining stable for flats during Q1 2018.
- ☁ No change to tenant demand which is anticipated to remain static for the next quarter.



Average rent
Q4 2017

SHARON WALKER, BELVOIR GLASGOW

continued...

National rental trends



Summary for Scotland

FALKIRK

- Static rents for studio, one and three bed flats.
- Rents increased for all other properties, the highest increases being for four and five bed detached houses.
- Rents are expected to remain stable during Q1 2018.
- Tenant demand increased for flats and houses and is anticipated to continue rising during the next quarter.



AMANDA CAMPBELL, BELVOIR FALKIRK

MORAY

- No change to rental levels for all property types/sizes.
- Tenant demand increasing for houses, but falling back for flats.
- Rents expected to remain static during Q1 2018.

ANDY CAMPBELL, BELVOIR MORAY

DUNDEE

- Increasing rents across most property types and sizes.
- Largest increases for three and five bed detached houses.
- Rents anticipated to continue to grow during the next quarter.
- Tenant demand decreased, but only to the usual level expected for the end of the year.

NICK HORAN, BELVOIR DUNDEE

National rental trends

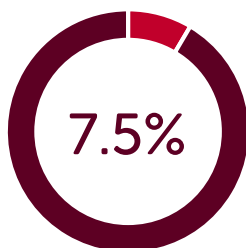


Summary for Wales

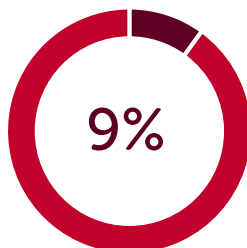
CARDIFF



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



Increase from 2016
annual average to
Q4 17 average rent



Rental increases for all sizes and types of property, with larger increases for three and four bed detached houses.



Rents expected to increase for flats and houses, but no change to rents for student lets and room rents during the next quarter.



Tenant demand remained static.

ROB PRICE, BELVOIR CARDIFF

SWANSEA



Rental increases continued for the majority of properties



Largest increases on three, four and five bed houses.



Tenant demand also increased and rents and demand are expected to rise further during Q1 2018.



Average rent
Q4 2017

WREXHAM



Rents static for studios, one and three bed flats.



Increases for all other properties, the largest for five or more bed houses.



Demand up for houses, static for flats, and down for HMOs.



Increases anticipated for houses, while remaining stable for flats during Q1 18.



Average rent
Q4 2017

BEN DAVIES, BELVOIR SWANSEA AND MUMBLES

VAUGHAN SCHOFIELD, BELVOIR WREXHAM

Regional rental trends

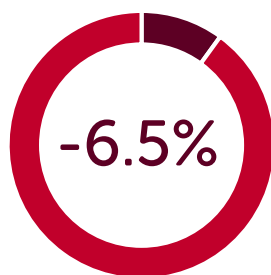


Current rental trends

LONDON



Average rent
Q4 2017



Decrease from 2016
annual average to
Q4 17 average rent

Averages in London have remained pretty stable for the whole of 2017, in addition to which, these rents are being compared to a different office mix in the second half of 2016.

The London offices were equally split with half recording slight falls and the other half small increases in rents in Q4 2017.



Half of Belvoir offices experienced slight falls in rents in Q4 17, with the other half recording small increases

Historic rental trends



Regional rental trends

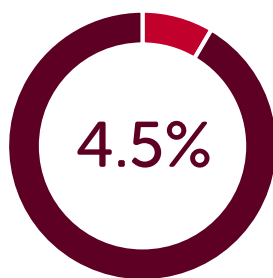


Current rental trends

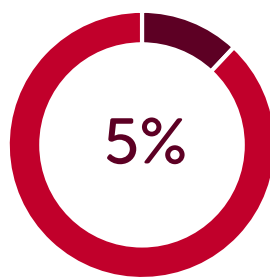
SOUTH EAST



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



Increase from 2016
annual average to
Q4 17 average rent

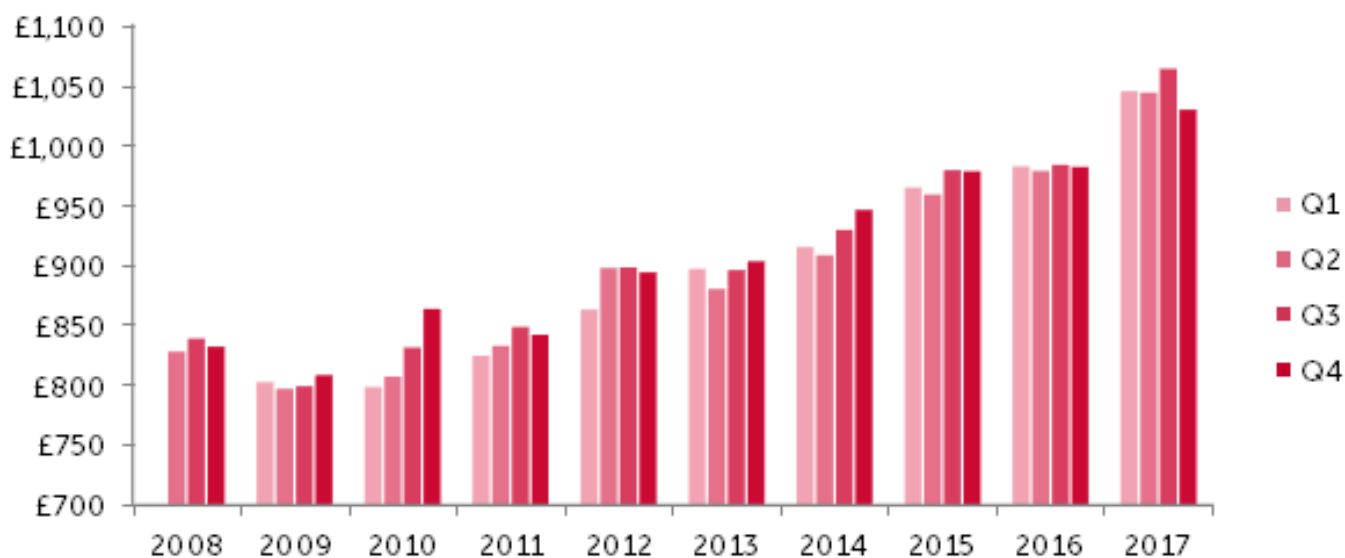


The average rent recorded for the South East during Q4 2017 is £1,030, which is an increase of around 4.5%, year on year, versus Q4 2016. The Q4 2017 average compared to the 2016 annual average shows an increase of just under 5%.

Just over half of offices in the South East experienced slight rental decreases, with just under half of offices showing slight increases for Q4 2017.



Historic rental trends



Regional rental trends

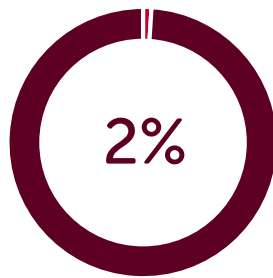


Current rental trends

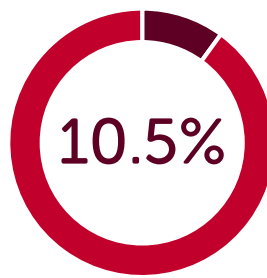
SOUTH WEST



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



Increase from 2016
annual average to
Q4 17 average rent

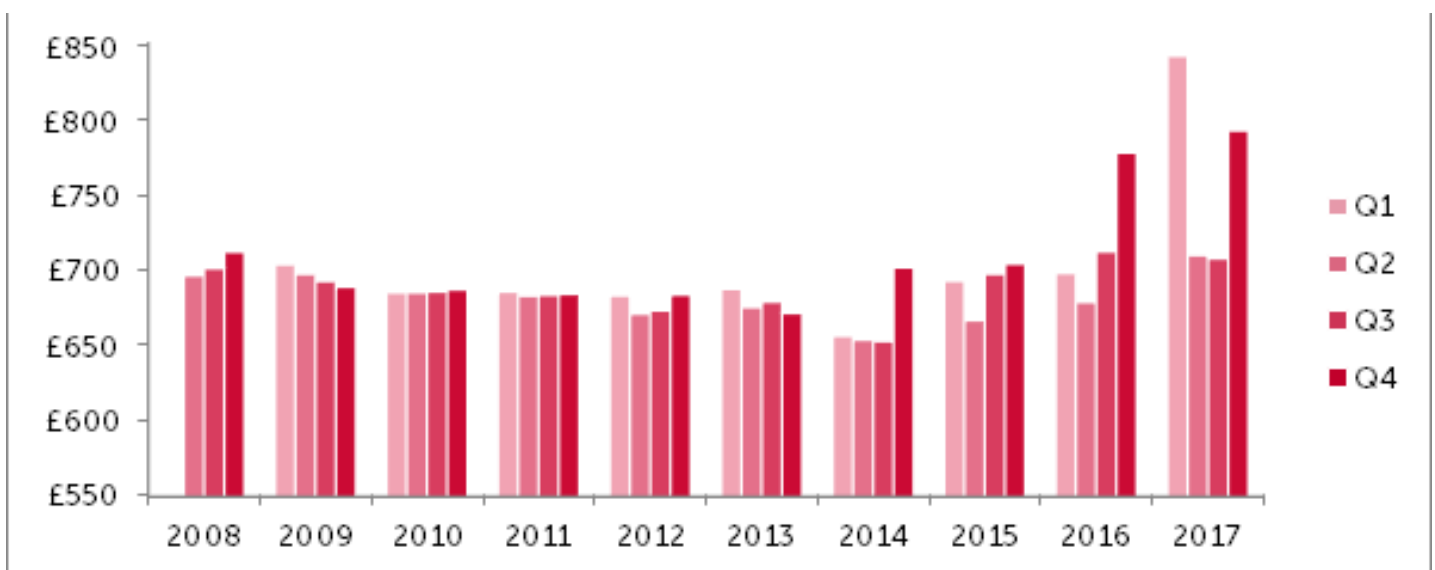


Q4 2017 versus the 2016 annual average shows a larger increase of 10.5%. However, this is due to the addition of the Bournemouth office this year.

Two thirds of the offices in the South West showed rent rises, including Christchurch, with the remaining third recording slight falls.



Historic rental trends



Regional rental trends

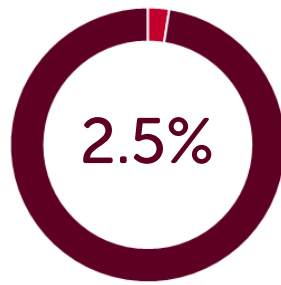


Current rental trends

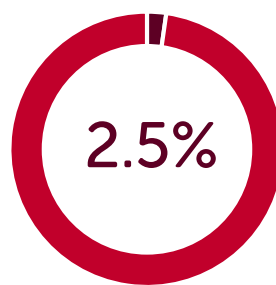
EAST ANGLIA



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



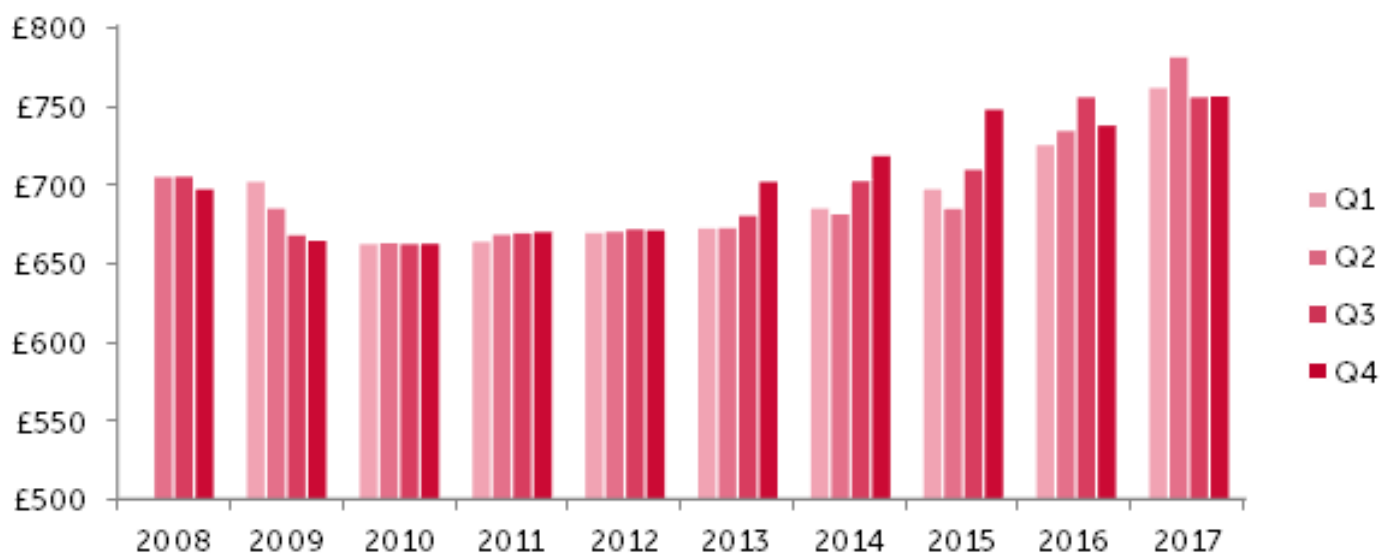
Increase from 2016
annual average to
Q4 17 average rent



In East Anglia, just over half of the offices recorded slight rental decreases, including Ipswich, with the remaining offices showing small increases.



Historic rental trends



Regional rental trends

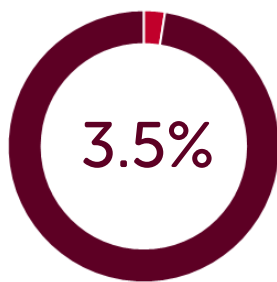


Current rental trends

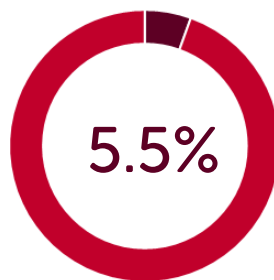
EAST MIDLANDS



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



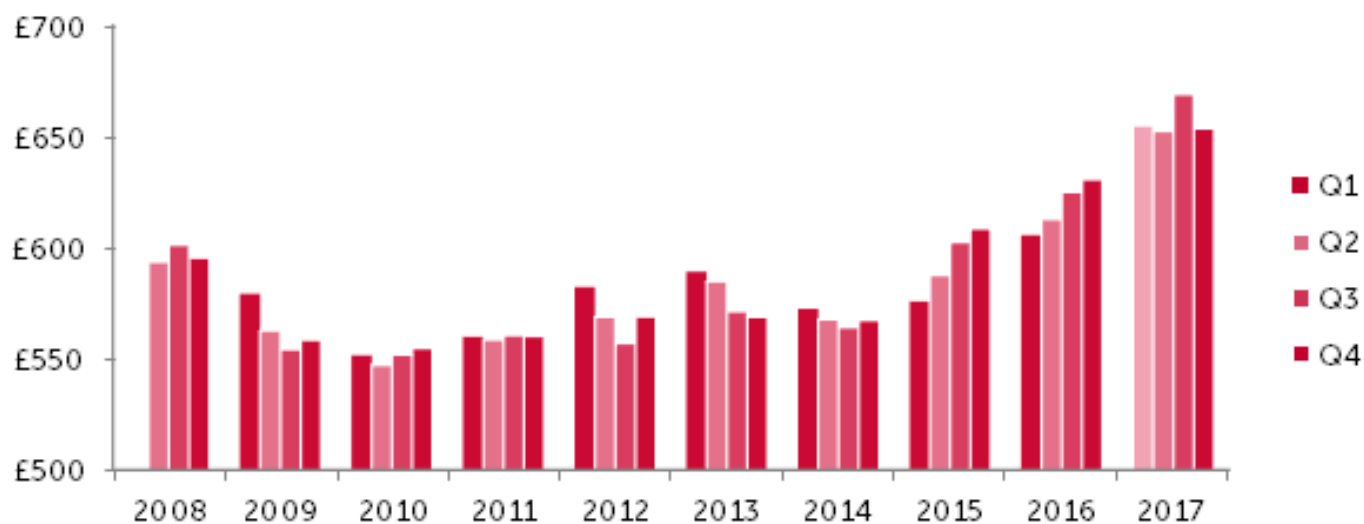
Increase from 2016
annual average to
Q4 17 average rent



During Q4 2017, just over half of offices in the East Midlands experienced slight falls, with just under half recording slight increases, including West Bridgford.



Historic rental trends



Regional rental trends

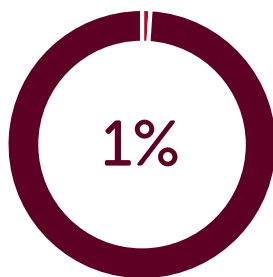


Current rental trends

WEST MIDLANDS



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



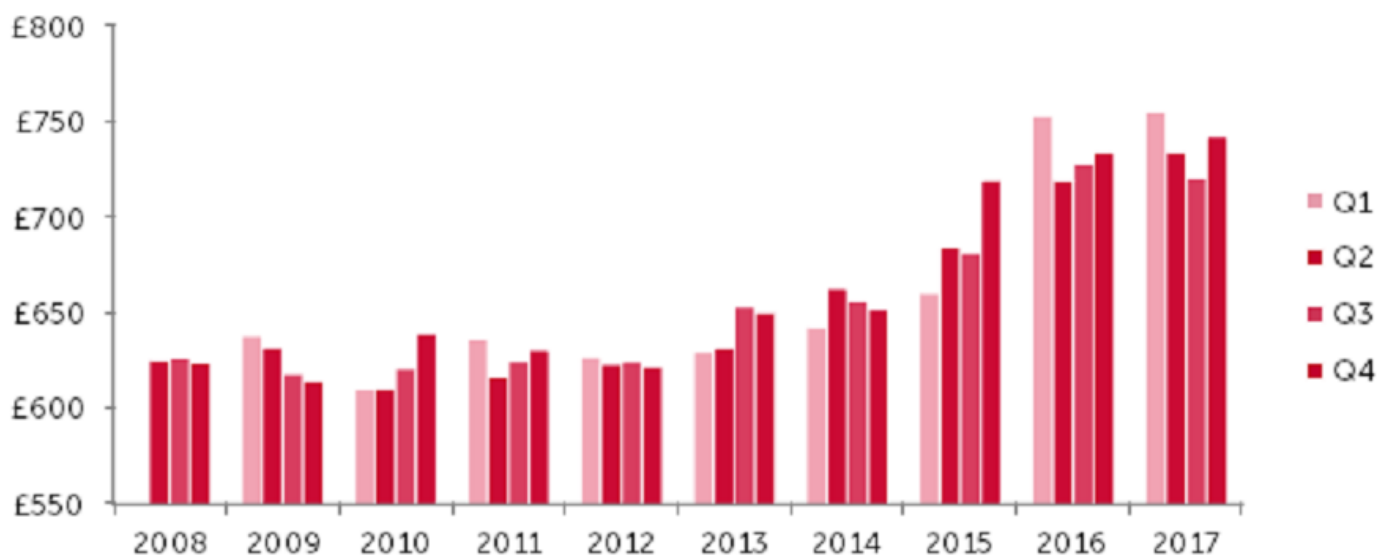
Increase from 2016
annual average to
Q4 17 average rent



Two thirds of West Midlands' offices experienced slight rental increases, including Leamington Spa, with the remaining third split between static rents and small falls during Q4 2017.



Historic rental trends



Regional rental trends

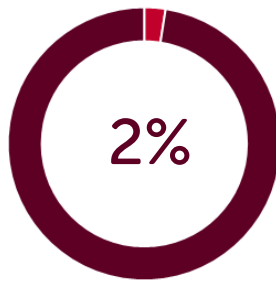


Current rental trends

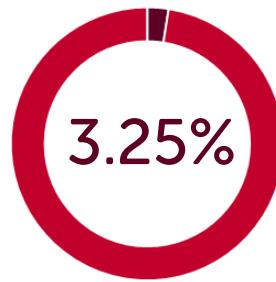
YORKSHIRE



Average rent
Q4 2017



Year on year
increase in average
rents to Q4 17



Increase from 2016
annual average to
Q4 17 average rent



For Q4 2017, just over half of offices in Yorkshire recorded slight increases, just under half showed slight falls, and for the remaining offices, including Skipton, rents remained static.



Historic rental trends



Regional rental trends



Current rental trends

NORTH EAST

In our experience statistics on rents in the North East are often too volatile to reflect what's actually happening in the local market, so we prefer to feed back directly from the office owners:

“ Rents were static during Q4 2017 across the board, with tenant demand also remaining stable, except for HMOs, which decreased. Rents are expected to remain stable during Q1 2018. ”

HOWARD KING, BELVOIR NEWCASTLE

“ John Redden of the Tynedale office reported no change in rents for studio, one and two bed flats, but increasing rents for three bed flats, and all houses for Q4 2017. Rents are expected to remain static for flats but increasing for houses over the next quarter. ”

JOHN REDDEN, BELVOIR TYNEDALE

Historic rental trends



Regional rental trends

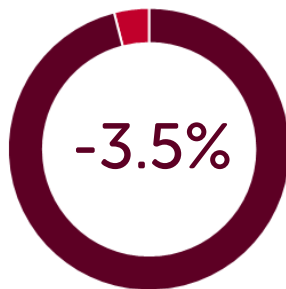


Current rental trends

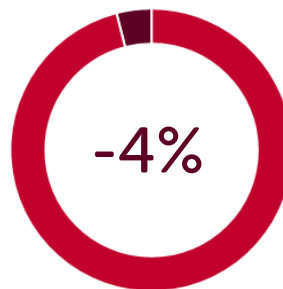
NORTH WEST



Average rent
Q4 2017



Year on year
decrease in average
rents to Q4 17



Decrease from 2016
annual average to
Q4 17 average rent



Overall, North West rents have remained fairly stable throughout 2017.

In the North West, the offices were pretty evenly split between small rises, including Manchester Central, and slight falls, with a couple of offices recording static rents during Q4 2017.



Historic rental trends



Tenant trends



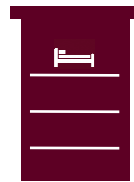
Rent changes reported by Belvoir offices

FLATS



Studio flats

88% of offices report static rents
Small rises of up to £25 a month



One-bed flats

78% of offices report static rents
More increases of up to £25 a month



Two-bed flats

72% report rises of £25 a month
The remainder report static rents

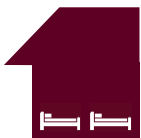


Three-bed flats

66% of offices report static rents
Small growth of up to £25

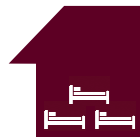
Inflation on flats remained fairly static Q4 vs Q3

HOUSES



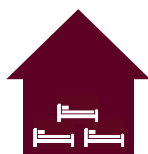
Two-bed houses

54% of offices report static rents
Most rises are of £25 a month
Few rises of £50 a month



Three-bed semis/terraces

47% of offices report static rents
Slight rise in inflation of rents, from £25 a month and over £50 a month



Three-bed detached

Mixed performance
47% report no change
The rest report £25-£50+ increases



Four and five-bed detached

47% report static rents
Rises tend to be £50+, although this is likely due to initial rent

Inflation on houses slightly up this quarter, especially on larger properties

“

Inflation on flats remained fairly static in Q4 versus Q3, and any rises tended to be quite small – up to £25 a month, if at all. Inflation on houses was slightly up this quarter versus last, especially on larger properties.




”

DORIAN GONSALVES, BELVOIR CEO



Tenant demand and tenancy length




Demand

-  Tenant demand for flats reporting static to falling
-  Although demand for houses remains strong, more offices are reporting a decrease in demand.
-  Last quarter most offices reported a decrease in demand for HMOs/room rents but feedback suggests this has stabilised

“...even when tenants have the option for longer tenancies they are not taking it up, but choosing to move on and questions the necessity for mandatory longer tenancies..”

DORIAN GONSALVES, BELVOIR CEO

Tenancy length

-  52% prefer a tenancy of 13-18 months
-  23% stay for 19-24 months
-  Slightly (1%) fewer tenants choosing to rent for 24+ months vs Q3

Average length of time tenants are renting for	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Less than a year	1.7%	3.7%	2.1%	3.6%	3.3%	8.2%	7.70%
13-18 months	51.7%	46.3%	45.8%	43.6%	45.0%	42.9%	51.90%
19-24 months	25.0%	27.8%	31.3%	29.1%	36.7%	30.6%	23.10%
Over 24 months	16.7%	18.5%	14.6%	18.2%	11.7%	14.3%	13.50%
Other	5.0%	3.70%	6.30%	5.50%	3.30%	4.10%	3.90%



Belvoir offices reporting arrears and evictions

Arrears



Arrears have fallen again, with 19% (down from 30%) of offices reporting 4-10 tenants in arrears



Offices reporting fewer than three rent arrears increased from 43% to 46%



Offices reporting no arrears rose from 14% to 23%

Evictions



Evictions have fallen this quarter



Nearly 90% of Belvoir offices carried out no evictions, or just one in Q4 17



Significant drop in offices - from 20% to 9% - evicting 2-3 tenants



No offices evicted four or more tenants, the same last quarter

Evictions carried out in the last quarter	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
None	71.7%	55.6%	62.5%	54.6%	61.7%	53.1%	55.80%
One	21.7%	20.4%	31.3%	32.7%	20.0%	26.5%	32.70%
2-3	3.3%	20.4%	4.2%	7.3%	13.3%	20.4%	9.60%
4 or more	1.7%	3.7%	2.1%	3.6%	1.7%	0.0%	0.0%
Other	1.7%	0.0%	0.0%	1.8%	3.30%	0.0%	1.90%

“

Despite the time of year, tenant arrears and evictions fell back in Q4, with nearly 90% of Belvoir offices carrying no or just one eviction in Q4 2017 – a fantastic achievement which proves that when a tenant works with a self-regulating agent there are hardly ever any evictions because the referencing process works so well.

”

DORIAN GONSALVES, BELVOIR CEO



Supply



Property supply for tenants is reducing



More landlords are selling up with increased offices seeing 6-10 landlords selling, and fewer offices seeing no landlord sales



Number of offices seeing landlords buying 3-5 properties is up year on year



Number of offices seeing 6-10 property purchases by landlords is down



Still no sign yet of the predicted big landlord 'sell-off'

How many landlords have sold properties?	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
None	10.0%	16.7%	16.7%	18.2%	6.7%	4.1%	11.5%
Up to 3	40.0%	53.7%	50.0%	32.7%	36.7%	57.1%	50.0%
4-5	31.7%	20.4%	20.8%	38.2%	36.7%	28.6%	23.1%
6-10	11.7%	5.6%	6.3%	7.3%	15.0%	8.2%	15.4%
11 or more	3.3%	3.7%	6.3%	1.8%	1.7%	0.0%	0.0%
Other	3.3%	0.0%	0.0%	1.8%	3.3%	2.0%	0.0%

“

Although we are not seeing any evidence of a big landlord sell-off, it must be taken into account that landlords have only just completed their tax returns, and this will be the first time since mortgage relief rates were partially reduced. This being the case, we are not expecting to see anything definitive until Q3 of this year.

”

DORIAN GONSALVES, BELVOIR CEO

Key research question



Safety of rental homes



If the Government's legislation on the safety of rental homes comes into force, do you think tenants will take landlords to court or move when their agreement ends?



In the main, most offices believe tenants will move rather than take a landlord to court



Of the sector that might be most affected, students were mentioned as most likely to take action



Many offices pointed out that from their perspective, properties wouldn't come under this scrutiny as let legally and safely



Less than 10% thought tenants would take any action



In the main, less than 10% of Belvoir franchisees thought that less than 10% of tenants would take any action and students would be the most likely to do so. However, it should be pointed out that due to the high standard of Belvoir stock, most properties would not come under this scrutiny as they are let legally and safely.



DORIAN GONSALVES, BELVOIR CEO



Over the last nine 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 nine years

This is an analysis of rents across offices which have consistently traded across the nine 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. This data analyses more than 140 offices from 2008 to 2017.

All offices which have traded via the Belvoir brand, including new offices

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 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 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.