

BELVOIR!

the lettings specialist

January 2013 Rental Index

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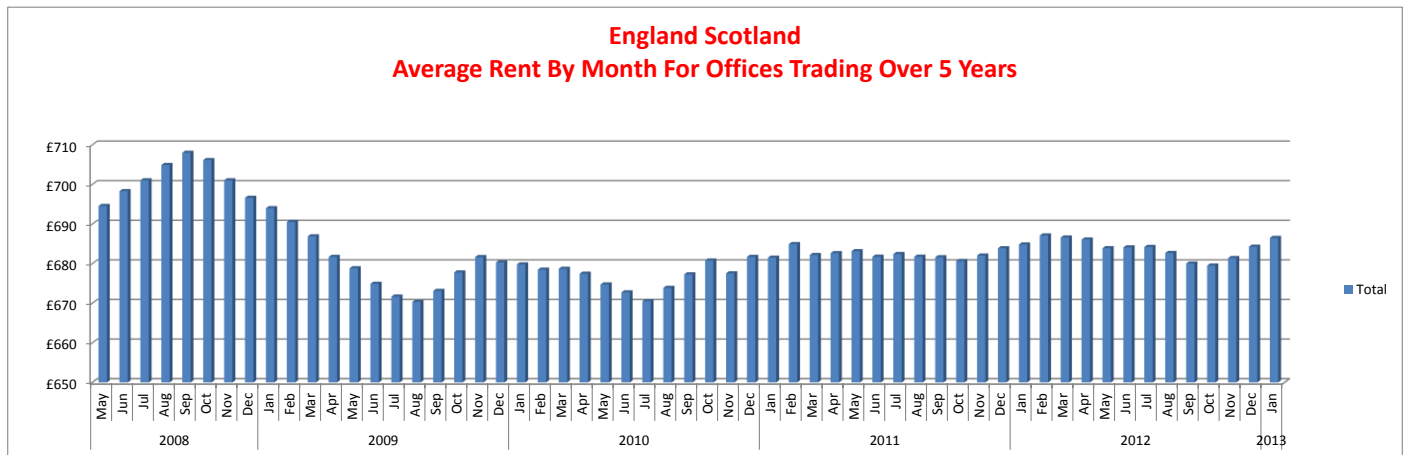
Belvoir Rental Index Jan 13: Top 10 Report Highlights

1. Average rents across the UK for January 2013 were just £1 a month above January rents in 2012 for offices which have traded consistently over the last five years
2. Rents have been fairly static in England for the last 12 months at £717 for all offices, £687 for offices trading consistently over the last five years
3. Scottish average rents are showing small falls in 2012 and into 2013 which recorded average rents of £549 per month
4. Welsh average rents have remained stable in the past 12 months ranging from just over £700 per month for Cardiff, £630 per month for Swansea and £590 per month for Wrexham
5. Northern Ireland has had a mixed start to the year with rents likely to rise in Newtonards but remain the same in Bangor
6. Areas yet to recover to 2008 heights by January 2013 include the East Midlands, North East and West and East Anglia
7. Areas recovering to 2008 heights include Yorkshire, North West and West Midlands
8. Areas where rents have overtaken 2008 heights include 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 by 14% from 2008 to 2013 in London but fall by 6% in East Anglia

National Rental Trends

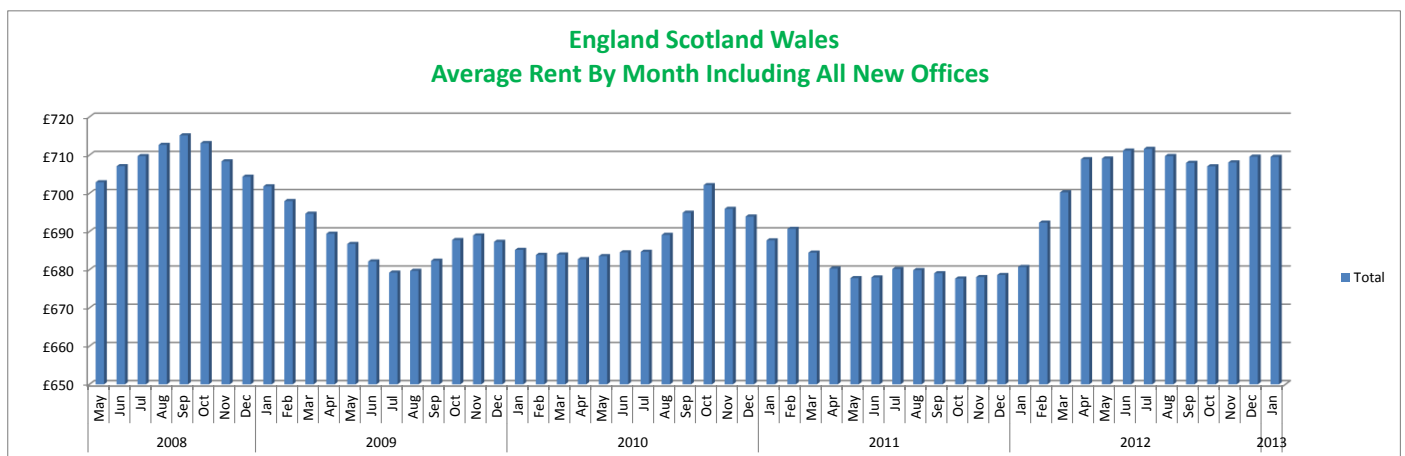
Rents in January saw the usual ‘jump’ as tenants compete for the best properties. Average rents for offices which have traded over the last five years averaged £686 per month, compared to £685 in 2012 and £680 in 2011. This suggests rents are likely to follow a similar pattern to 2012, picking up until around May time then dropping back of the summer and rising again towards the end of the year.

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



As Belvoir add new offices to their network, rents show a similar pattern to offices trading over the last five years. Rents in January 2013 were recorded at £710 per month versus £681 in January 2012; £688 in 2011 and £685 in 2010. Most of the rise recorded in rents between January 2012 and January 2013 are due to offices being opened with higher than average rents for Belvoir as opposed to any actual rise in rents.

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

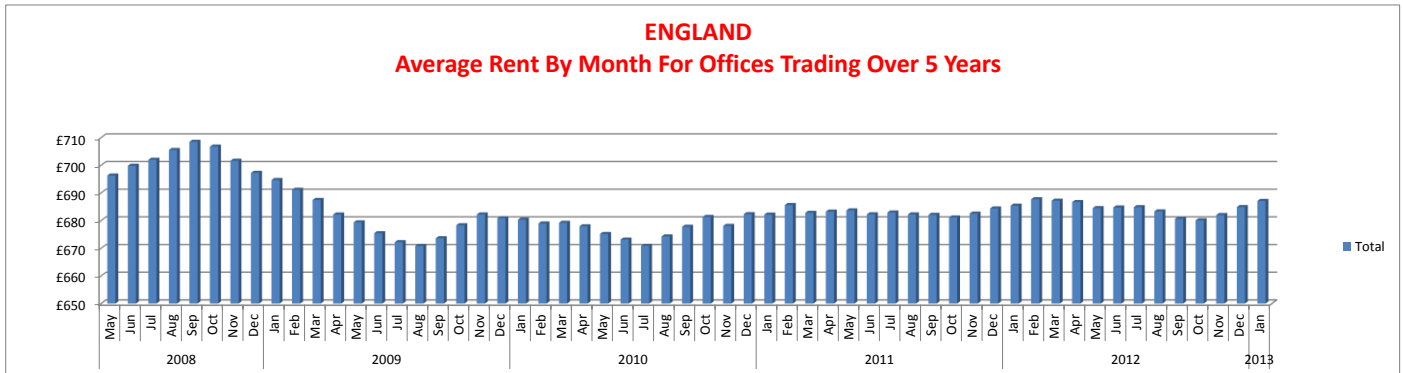


Dorian Gonsalves, CEO of Belvoir Lettings commented “From a business perspective it is great rents are on the rise across the group, but we recognise that many tenants can’t afford much in the way of rent rises In the main, our offices are only recommending inflationary rises going forward, where the market allows. Without an annual rise in rents, it would be difficult for a landlord to carry out any repairs and maintenance so it is important rents are reviewed annually.”

Belvoir Index Area Summary

Belvoir has been established in the England for 15 years; however the expansion into Scotland, Wales and Northern Ireland has been more recent.

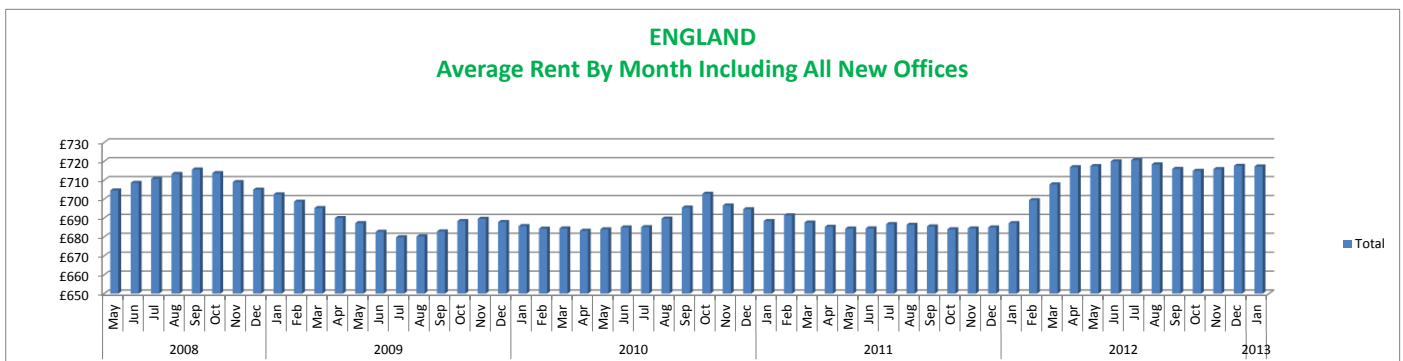
Summary for England



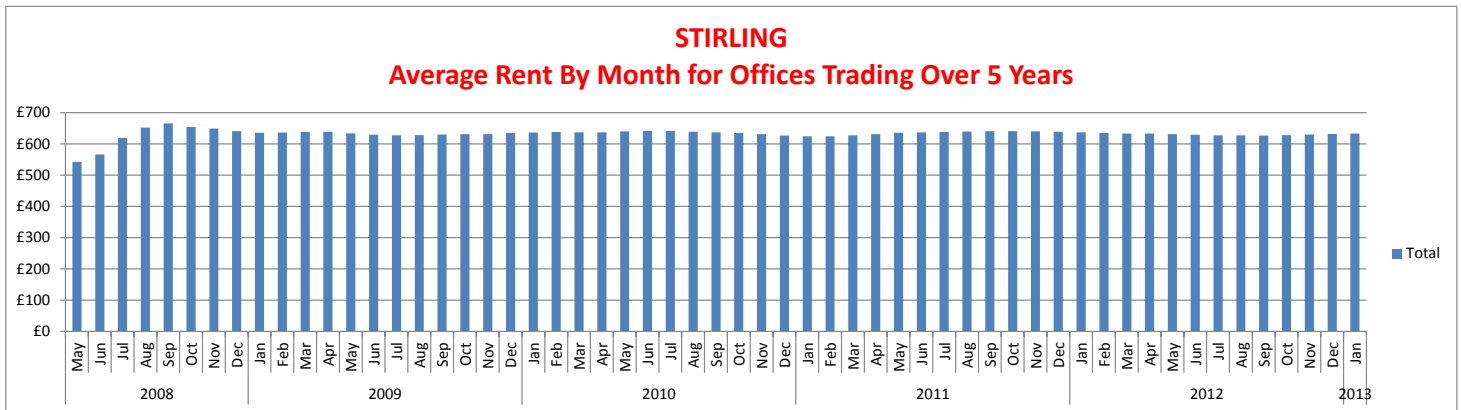
The media and other pundits are now starting to accept and report that rents are not keeping pace with inflation bar London and are dropping the 'scare stories' of rents rising. In England, Belvoir rental averages for consistently trading offices in January were £695 per month in 2009 and £680 in 2010 (-2%). In January 2011 there was a small rise to £682 then to £685 in 2012 and finally £687 in January 2013. This shows that although rents have risen very slightly since 2010, they are still £8 a month behind 2009 levels and even more behind when inflation is taken into consideration. Tenants renting now versus five years ago would save over £100 a year on this basis.

The chart below includes all the new offices in England and this shows rents moving in a similar trend, but the average for the group is much higher: £717 in January 2013 versus £687 in January 2012. This increase though is mostly driven by new offices such as Basildon, Camden, Chichester and Hove.

Overall trends suggest rents are moving slightly upwards since 2010 but in reality have been fairly static in England for the last 12 months.



Summary for Scotland



Stirling is the only office in Scotland which has been trading consistently for the last five years. On average rents fluctuate around £630 per month. However, rents in Scotland outside the main cities such as Edinburgh suggest there is a slight small in rents being achieved.

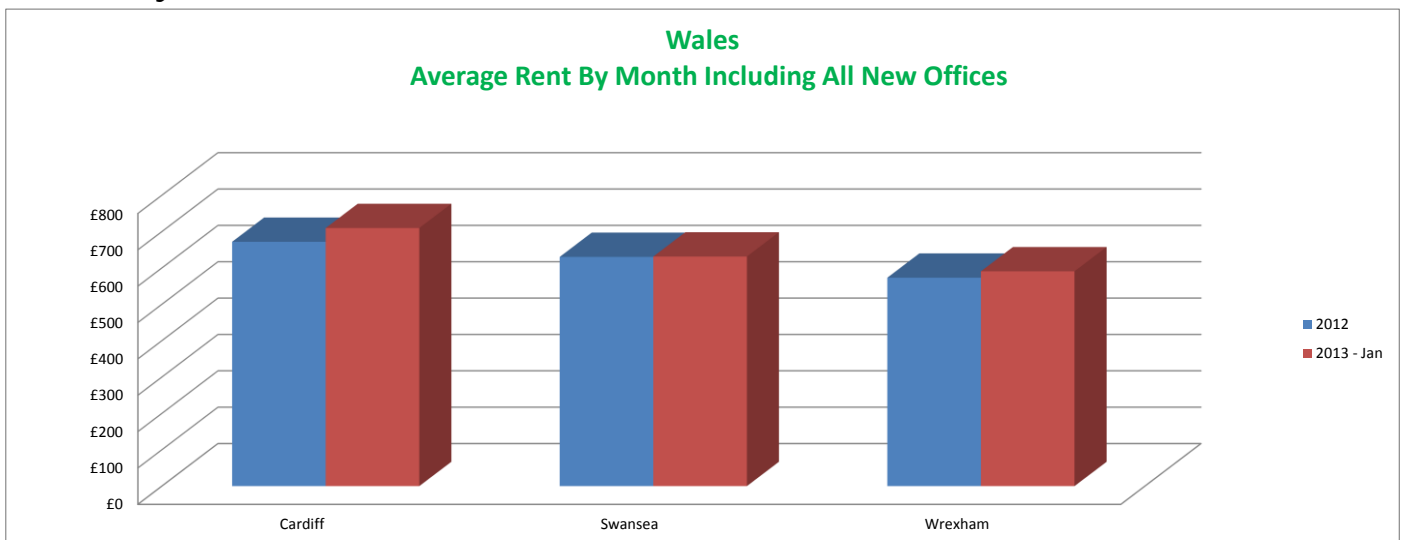
January 2012 recorded rents at £637 per month, whereas January 2013 rents are showing £633 per month, a small fall of just 0.5%, but a fall none the less.

Local offices comment:-

Mike Campbell from Falkirk Scotland commented **“There is clear evidence that rents fell over 2012. Our average rent for occupied properties is around £440 per month. In 2011 a property that would have rented for £450 property, whereas now it would be £425 - a fall of 5.5%”**

Nick Horan from Dundee explained **“Tenant demand is strong. We are doing a lot of re-lets as well as renting to people leaving home for the first time. From a rental perspective, they are either holding or in some areas we are seeing falls. A better property may see a small premium.”**

Summary Wales



Year on year rents for Wales suggest a pretty static picture year on year. Overall rents are £644 per month, but this breaks down into £710 per month in Cardiff, £631 in Swansea and £591 in Wrexham

Summary Northern Ireland

The latest feedback from Northern Ireland suggests 2013 has had a mixed performance so far:-

Trevor Burns from Newtonards explains *“Tenant viewings are pretty similar year on year with landlord appraisals being fewer than we would like. There is an equal split between tenants renting for the first time and those re-renting. From a rental perspective, I can see rents rising slightly this year. Tenants are conscious their money isn’t going as far as they’d like, so where possible they negotiate rents down. If a property is in good condition though, they don’t tend to negotiate.*

We are pleased to see more landlords looking at expanding their portfolios this year, especially due to the super yields which can be earned. Although some landlords are suffering from prices falling, most are in it for the long term and appreciate they need to ride the current downturn. As long as they are getting good yields which cover their costs, they are keen to hang onto their portfolio – which is good news for tenants.”

Jackie Burns runs the Bangor office and although only four miles from Newtonards, the market is very different. *“January was a pretty quiet month this year compared to last which is likely to be due to the poor weather. Early indications suggest though tenant demand is picking up. Although our tenant base is typically young professional couples, we are seeing a new ‘generation rent’ of older tenants. They might be selling the family home, renting and giving their kids inheritance money early.*

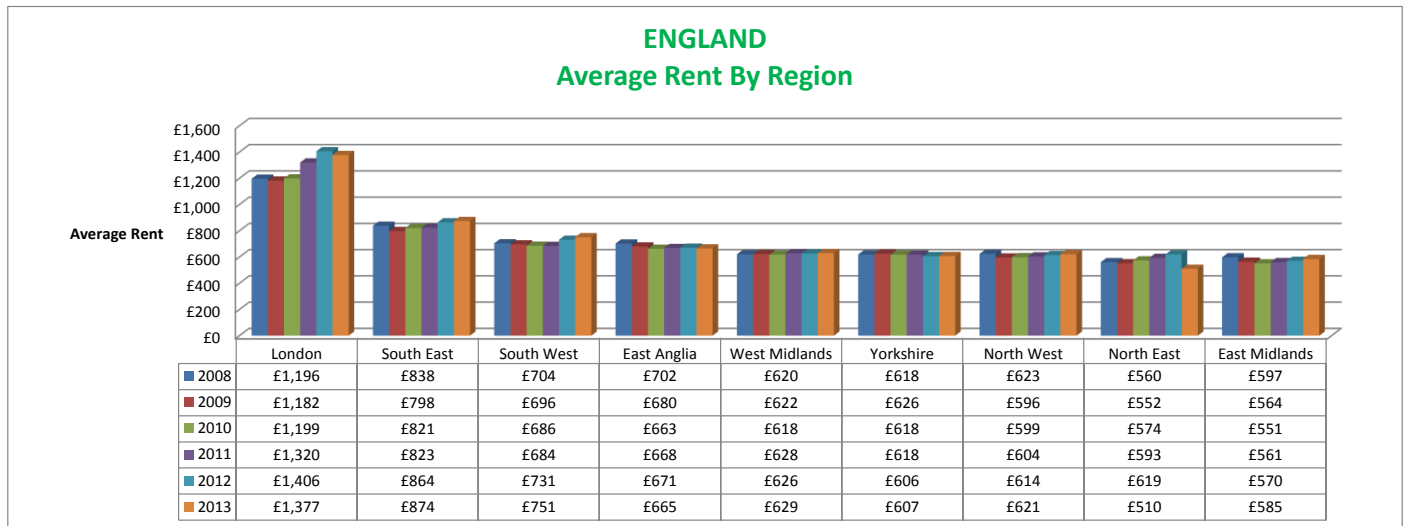
Landlords have had a pretty rough time locally with many being repossessed since prices have fallen. In contrast, long-term experienced landlords are seeing now as a good time to buy, especially at auction.

Overall though, rental demand and supply is pretty matched, so rents are staying the same.”

Belvoir Regional Rental Trends

National rental trends and averages across England, Scotland and Wales are of use to the government, Economists and businesses, but from a tenant and a landlord's perspective, information by region and ideally county and office level is much more useful. Regional data helps landlords to contrast and compare what's happening with their own rental incomes versus the wider market.

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



The table below shows the average rents across each year from 2008. Average rents from 2008 to 2012 are over the year, the 2013 average is for January only. At a glance we can see London, the South East, South West and West Midlands are higher than 2008, while all other areas still have some way to recover.

Private rents are self-regulating – in favour of tenants

Interestingly even in London where rents have typically kept up with inflation, rents have reduced. Tenants can clearly only cope with paying so much extra rent before they say 'no'. This suggests the private rental market is self-regulating in the interest of the tenant (consumer) as opposed to what's best for the landlord.

Requests for Impartial Rental Indices are being met by Belvoir Lettings

Recent calls by the likes of Residential Landlord Association for more balanced and impartial rental data from the government and industry we feel are being met by our Index. We don't 'over hype' for promotional purposes and even though our index values are different to others, it's understanding the trends which is more important. Rents and house prices depend on a property on a street in this day and age. Our data is broken down on a quarterly basis more than others to County level.

As far as trends matching, our analysis shows our index pretty much reflects the movements of most of the others including Acadametrics, VOA and Homelet. There are some monthly discrepancies but this can usually be explained by what's happening at office level. At a regional level eg East Midlands, we find the trends are pretty similar between the indices, suggesting the government is giving accurate data.

Our Index though doesn't completely rely on the accuracy of statistics. We find the most important input into what's happening with rents is from our 150 offices around the country whose expertise is drawn from on a monthly basis to clarify and confirm that the statistics are accurate and explain why rents are going up, down or staying the same and any hidden 'anomalies'.

Regional Trends versus market heights of 2008

The chart below shows average rents from a high and low perspective across the Belvoir Lettings Index over the last five years and compares this to latest rental averages in 2013. This helps us to understand what's actually happening at a regional level and as you can see the picture varies quite substantially.

Region	2008 High	2009 Low	2012 November	2012 December	2013 January	2013 January vs 2008 high
East Anglia	£708	£664	£671	£669	£665	-6%
North East	£562	£547	£564	£535	£510	-9%
East Midlands	£604	£553	£570	£577	£585	-3%
Yorkshire	£603	£577	£599	£597	£607	1%
North West	£627	£587	£623	£623	£621	-1%
West Midlands	£622	£611	£623	£625	£629	1%
South East	£850	£785	£866	£873	£874	3%
South West	£714	£687	£745	£755	£751	5%
London	£1,208	£1,119	£1,397	£1,395	£1,377	14%

East Midlands

Rents in the East Midlands are, slowly but surely recovering to the heights of 2008. Over the last few years, rents in January 2009 was £583, January 2010 £555, January 2011 £558, January 2012 £579 and in our latest data from January 2013 £585, they show rents to be recovering well towards an average of £600 hopefully within the next year.

East Anglia

Rents are either static or showing small falls across East Anglia. January 2009 showed the average rent for the region was £680. Averages fell to £663 per month in 2010. During the year they rose though, reaching £668 in 2011 and an average monthly rent of £671 in 2012. January 2013 showed a small fall to £665.

Yorkshire

Yorkshire is recovering versus 2008 highs and 2009 lows, however, unusually the region's rental heights were achieved from March through to May 2009 at £649 per month. As such although rents are definitely on the up, average rents have some way to go until they fully recover.

Average rents for Yorkshire were in January 2009 were £626 per month, falling to £618 per month in 2010 and 2011. Rents then fell in 2012, but have risen to £607 per month in 2013.

North West

The North West has seen and is retaining good rental recovery versus the start of our Index in 2008. January 2009 shows rents were averaging £596 per month, rising to £599 in 2010, to £604 in 2011 and £614 in 2012. There are over 25 2013 shows rents continue to move forward as they are recording a monthly average of £621, a small rise of nearly 1%. Not enough to keep up with inflation, but a rise none the less.

West Midlands

The West Midlands is showing fairly robust rents since the credit crunch. January 2009 showed average monthly rents in the region to be £622 per month, they fell to £618 per month in 2010 and have then been fairly static since 2011, with rents at £628 per month, then £626 in 2012 and latest January 2013 figures show a high for the month over the years to £629 per month. The exceptions are Jewellery Quarter and Rugby which have shown consistent growth throughout 2012 and January rents suggest this trend will continue with average rents being £788 per month in Jewellery Quarter and £699 per month in Rugby.

North East

Average data for the North East isn't a particularly helpful measure as rents across Newcastle in particular are very diverse so skew the figures.

Sunderland rents were at a high in January 2009 of £552, fell to £547 in 2010, then rose again in 2011 to £549 per month. This rise hasn't been sustained however as rents started to fall in 2012, with an average of £544 per month in January 2012. However, 2013 figures suggest rents may have stabilised again recording rents average £542 per month.

Tynedale rents vary from one area to another, but are fairly steady moving into 2013 with January rents averaging £531 in 2011, rising to £540 in 2012 and £546 in January 2013.

Newcastle rents continue to vary dramatically across the region with January being no exception. Howard King comments ***"There continues to be a high demand for City Centre property with demand outstripping supply, in all other areas demand was strong for good quality properties at realistic rents."***

South East

South East rents have survived the credit crunch pretty well. Rents in January 2009 averaged £812 per month, then as elsewhere in the UK fell to £791 per month. Since then rents have continued to grow every January. 2011 January rents were £817 per month, 2012 £830 per month and 2013 have increased to £874 – a rise of 5%.

However this isn't the picture across all of the 25+ offices. Some such as Andover, Bedford and Bishops Stortford have actually seen rents fall through 2012. Places such as Guildford and Camberley have helped to keep average rents up for the region while others such as Milton Keynes and Watford are seeing little change in average rents.

South West

Rents in the South West for January are recording a height for the month of £751. This compares to £696 in January 2009, falling to £686 and £684 in 2010 and 2011. Rents then started to rise and January 2012 showed rents reached an average of £731 per month. The growth though isn't region wide and is being driven by a few offices including Hove, Plymouth, Christchurch and Devizes. Other offices such as Swindon, Cheltenham and Highcliffe are static while Gloucester shows a small slip in rents.

London

Rents have done well in London by keeping up with inflation. January 2009 showed rents at £1,182, rising slightly to £1,199 in 2010. A larger rise hit in January 2012 to £1,320 and yet again in 2012 to £1,406. However 2012 showed rents had peaked in London and 2013 average rents for January are back down to £1,377, a small but significant fall of 2%. As with other regions this isn't reflective across all offices and Balham rents continue to rise and perform well. Other offices such as Stratford and Wimbledon though show small falls.

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 January 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.