

# BELVOIR!

the lettings specialist

**May 2013**  
**Rental Index**

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## Belvoir Rental Index May 13: Top 10 Report Highlights

1. Average rents across the UK for May 2013 were £687, just £3 more than May 2012 and £8 **LESS** per month than May 2008 rents for offices which have traded consistently over the last five years
2. In England rents fell back slightly in May from £717 to £711 per month for all offices. Offices which trading consistently over the last five years average rents fell from £690 to £686 per month.
3. Scottish rents varied with averages of £430 per month in Falkirk and Dundee, £564 per month in Glasgow, £483 per month in Inverness and £522 in Paisley and £784 in Stirling
4. Rents in Wales were slightly down from April with Cardiff averaging £700 per month, Swansea £626 and Wrexham rents steady at £545 per month.
5. Northern Ireland rents are fairly steady ranging from £400 per month for a two bed to £750 for a three/four bed. Tenants now look for high quality accommodation to rent for the long term.
6. Areas yet to recover to 2008 rental heights in May 2013 include the East Midlands, North East and East Anglia and North East
7. Areas recovering to 2008 rental heights include the South East and West Midlands
8. Areas where rents have overtaken 2008 heights include Yorkshire, the South West and London
9. London has hit the headlines for large rent rises, but our index suggests rents are stagnating.
10. Rent rises overtime have, on average, fallen back a little this month versus May 2008, with London rents only up 11% in five years versus 17% inflation. In contrast, East Anglia averages are still 5% less than the average rent achieved five years ago.

## National Rental Trends

Rents in May 2013 fell back to January levels for across our offices which have traded over the last five years. May rents averaged £687 per month, compared to a 2013 average of £689 per month and 2012's annual average of £684. Long term, May 2013 rents of £687 are running at £8 less per month than they were five years ago in May 2008 at the start of our index.

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

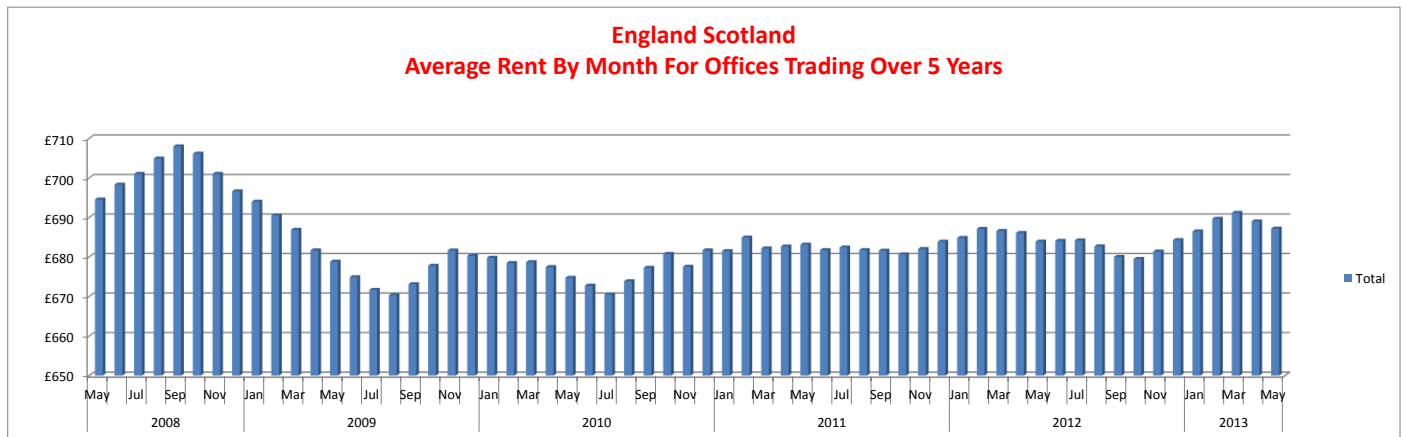
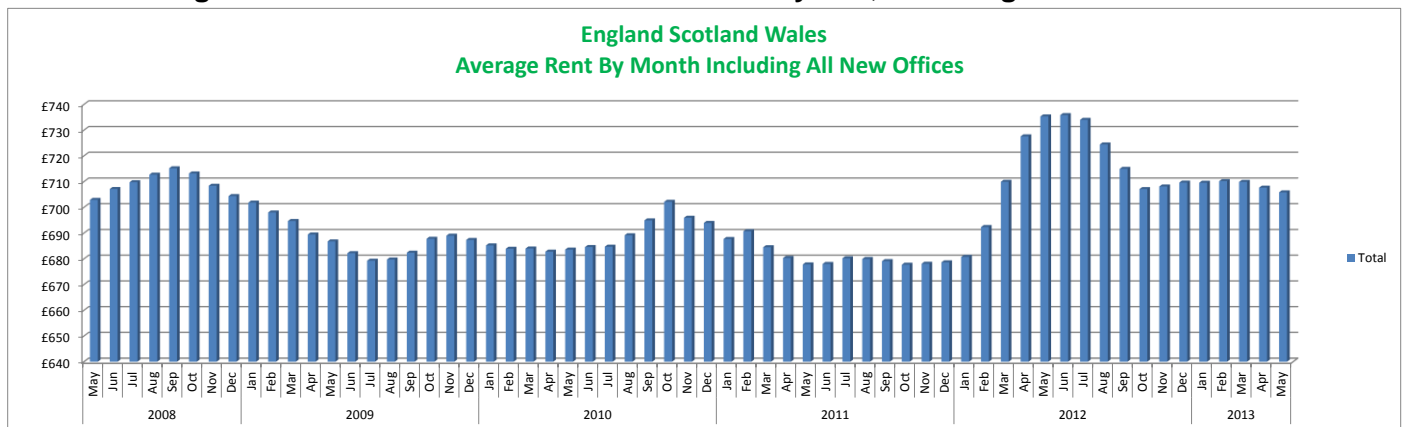


Chart showing the national rental trends for the last five years, including new Belvoir offices



Belvoir have just hit a milestone of 150 offices and with the new offices, the annual average rent for 2013 for the group is £709 per month. May's average rent is £706 per month, suggesting rents are falling month on month. However this is still £3 a month higher than May's rents back in 2008 which were £703 per month, suggesting the average rent from Belvoir's network is increasing by adding more offices.

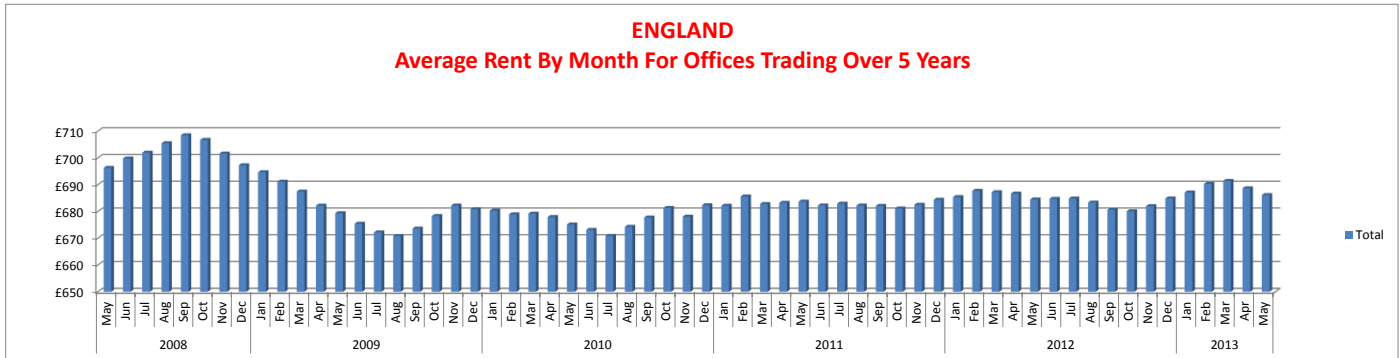
*Dorian Gonsalves, CEO of Belvoir Lettings commented "We are delighted that the Belvoir group is adding new offices to our network but that average rental increases for the group isn't a burden for tenants who have had great value for money from the private rental sector over the last five years. Rent is often considered as 'dead money', however with property prices still flat or falling in areas other than London, renting has been a very cost effective and sensible option for many tenants."*

## Belvoir Index Area Summary

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

The private rental sector has expanded dramatically over the last 15 years and Belvoir has benefited from this growth. Now as a national company with franchises across England, Scotland, Wales and Northern Ireland this means we can compare performance across each region.

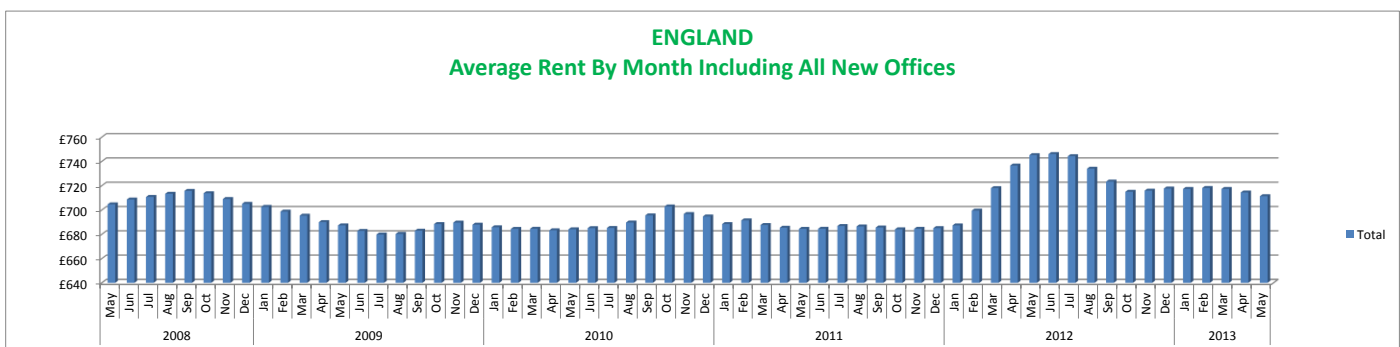
#### Summary for England



Despite the CBI's prediction of real disposable income growing this year, a new report from the OECD suggests that tenants continue to really suffer financially. This latest report suggests from a disposable income we have fallen from fifth (2005) to twelfth place (in 2011) within the OECD over the last six years. As rents tend to track income, this helps to explain why private rents have struggled to keep pace with inflation and why they remain such good value for tenants.

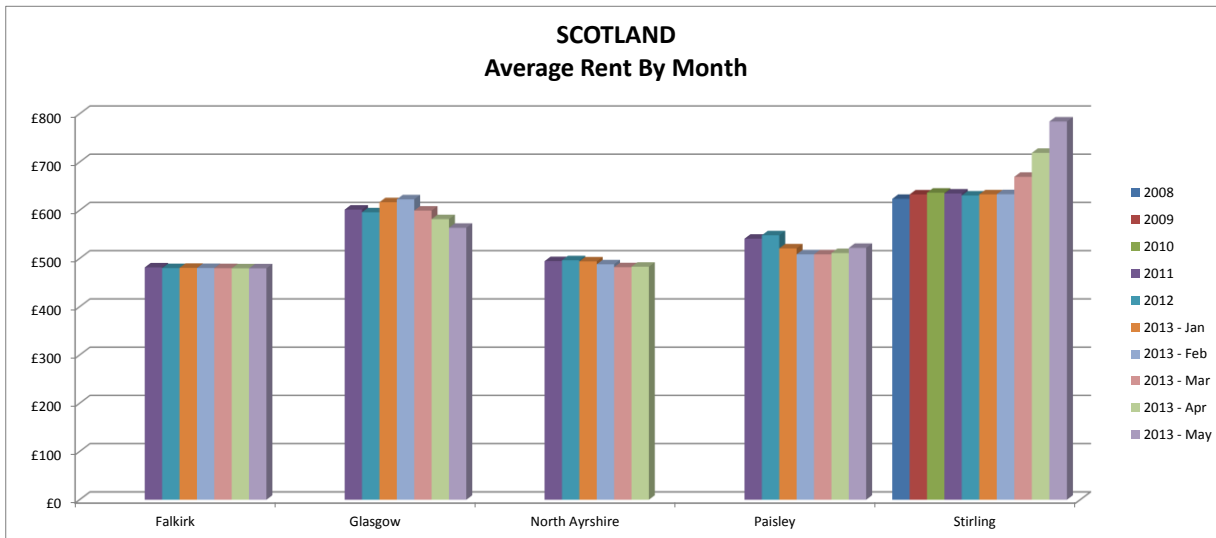
Rents in May 2013 fell back to January levels for across our offices which have traded over the last five years. May rents averaged £686 per month, compared to a 2013 average of £689 per month and 2012's annual average of £684. Long term, May 2013 rents of £686 are running at £10 less per month than they were five years ago in May 2008 at the start of our index.

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



Belvoir have just hit a milestone of 150 offices and with the new offices, the annual average rent for 2013 for the group is £716 per month. May's average rent is £711 per month, suggesting rents are falling month on month. However this is still higher than May's rents back in May 2008 which were £705 per month, suggesting the average rent from Belvoir's network has increased by adding new offices.

## Summary for Scotland



The offices in Scotland show how different rents can be from one place to another. Falkirk and North Ayrshire rents suggest average rents are fairly static while Glasgow average rents show a fall. Paisley suggest rents are slightly higher in May while Stirling rents, for the first time in five years, are showing rises, but this is more due to an increase in HMO rents rather than average rents increasing.

**Mike Campbell from Falkirk and Nick Horan from Dundee explains** *“It is clear that for some time that there is a growing disconnect between what’s happening to rents in most of our Scottish cities and what’s happening to rents in ‘small town Scotland’. In cities, rents are generally up but elsewhere they are static or falling – so any averages are meaningful. On average from a property perspective, rents have held up better for houses than for flats. Overall, actual monthly rents are around £430 per month.”*

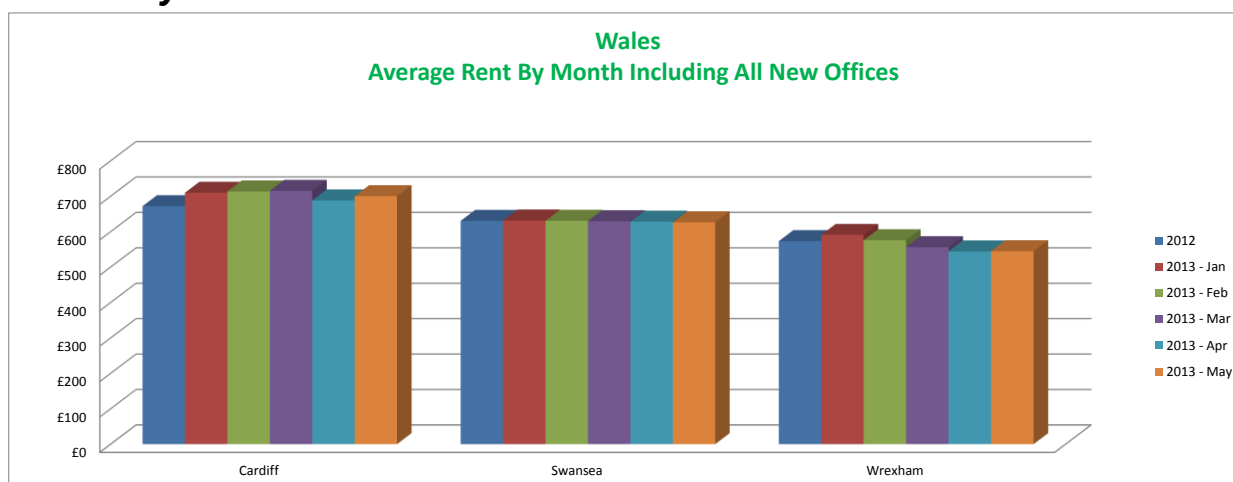
**Sharon Walker from Glasgow comments** *“Despite the averages showing a slight fall, in most cases our rents have remained the same. We have seen falls in advertised rents in some less popular areas where demand has slipped versus supply of rental properties.”*

**Amjed Rasul from Inverness explains** *“The rental market is very buoyant locally and the surrounding region, rental prices are continuing to rise. There is not enough of the properties people desire to rent versus the number of prospective tenants. To help accommodate tenant demand we have been block booking multiple viewings!*

*In our area, tenant demand for high quality fully furnished properties is being increased thanks to improving employment prospects with the growth of off shore/renewable energy, education and health science/medical industries.”*

**Denise Rhodes from Belvoir Paisley explains** *“In the main the rental increases are from renting houses which are very popular, the only area where average rents aren’t doing so well is due to an over-supply of flats as in Falkirk and Dundee.”*

## Summary Wales



Rents in Wales across the different offices are fairly static. Cardiff rents are averaging around £700 per month in May which is a little lower than the year to date average of £705 per month. For Swansea, average rents in May were £626 per month versus a year to date average of £629 and in Wrexham rents are fairly unchanged at £545 per month.

Vaughan Schofield from Wrexham explains *“April this year was pretty poor from a tenant demand perspective, but May is much more buoyant and activity is higher than our normal average. Generally in the local market, sales as well as rents have picked up and ‘reluctant’ landlords who couldn’t sell in the past are putting their properties back on the market to sell and achieving the price they wanted.*

*From an LHA tenant perspective we are noticing the new bedroom tax rules are influencing what they rent, while low budget working people rent a typical three bed terrace close to the town centre.*

*Losing good rental properties to the sales sector means average rents have fallen slightly purely because good quality rentals have now been sold. A lack of stock to rent locally has meant a bit of a price war has broken out fee wise, but it’s quality of service which is key to letting successfully rather so this isn’t affecting us too much.”*

For Rob Price who looks after Cardiff, *“We are finding too that estate agents seem to be selling more, especially at the mid to lower end of the market. This renewed confidence in the sales market is impacting on the supply of good properties, especially at the higher end where sellers are confident they will find a buyer, so renting isn’t as much as a popular option as it has been in the past.*

*Where we have had a surge in stock though is new developments such as the Copper Quarter where a lot of people who are approaching or reached retirement are investing for the first time.*

*From a tenant demand perspective, we have just had our busiest month ever for move-ins and taking on properties since we opened. We are noticing “up and coming” areas such as the Uplands are now competing with locations such as the SA1 Marina Development. In the past, The Uplands was a well-known student area, but is now increasingly popular with young professionals, driving good returns for landlords. Three storey houses which normally have been rented out as student properties are now being converted into individual high spec apartments. A similar switch is happening in the Marina area where rents are falling slightly as landlords switch to local young professionals as opposed to previously high paying foreign students who would pay six to twelve months upfront but unfortunately not leave the property in a good condition.”*

## Summary Northern Ireland

### Belfast city centre

Belfast older developments: One bed from £500 to £550 and two beds from £550 to £650\*

Newer developments: One bed from £550 to £625 and two beds from £650 to £750\*

\*Parking can add another £80 to £100 per month

According to Andrew Jack from Belfast, "Average rent for city centre apartments/flats are complicated by the fact that apartment blocks are pretty much split into two distinct groups. The first is those built the turn of the century (1998-2002) which are now starting to show their age and as a result rents tend to rent for less than the second group, newer apartments built between 2006-2009. These are typically built to a higher standard, better decorated and furnished, so more desirable. The older blocks appeal to more traditional tenants while the newer blocks to young professionals, especially as many of them work with the TV/Film production companies operating in Belfast currently."

With regards to renting houses, the most important aspect is modern neutral décor and up to date kitchen and bathrooms. More recently we have noticed a new trend where tenants are looking for gas as opposed to oil heating. The main reason being gas is easy to budget for via a top up card, whereas oil has to be bought and paid for in advance which is tough on a tenant's cash flow. Most landlords are adjusting to the increased requirements requested from tenants, those that don't will find it much more difficult to let.

### East and South Belfast

From a location perspective, we are seeing a pull towards South Belfast versus East Belfast, unless the property and street is top notch.

East Belfast:	Two bed apartment	£450 to £525
	Traditional two bed terrace	£400 to £475
	Three bed semi-detached	£525 to £600
South Belfast:	Two bed apartment	£550 to £650
	Traditional two bed terrace	£450 to £500
	Three bed semi-detached	£600 to £700

### Newtownards

Trevor Burns from Newtownards and County Down explains rents haven't really changed that much over the last two to three months.

Newtownards:	Two bed properties	£400 to £495*
	Three bed properties	£500 to £600*

\*includes an amount for the Rent payment which the landlord would typically pay

We are seeing a movement in sales though under the £150,000 price tag. This has caused a loss of some stock as reluctant landlords are selling properties rather than continue to rent them out. A few tenants have also made the decision to purchase instead, so tenant demand and supply has slightly reduced.

### Bangor

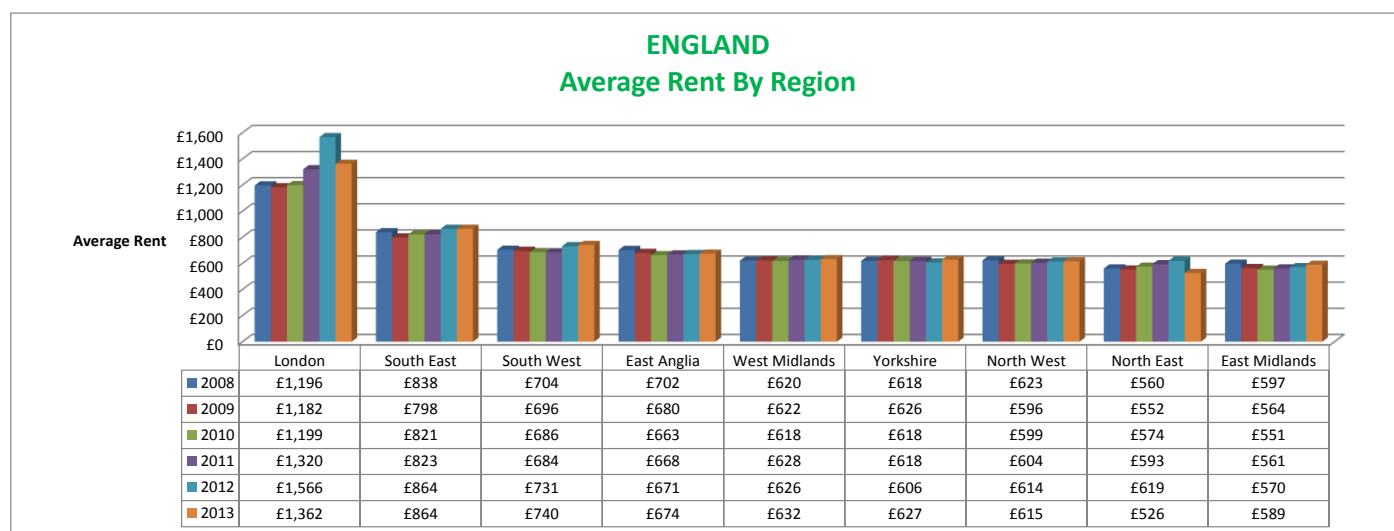
Jackie Burns comments "the average price for a two bed terrace ranges from £450 to 495 per month, with three beds renting for £575 per month to £625 if they are in great condition. We too are seeing an increase in sales around the £100 to £150k range, which is a mix of first time buyers and investors and we are seeing a pick-up in enquiries and advice from new investment landlords. The biggest trend we see is most tenants are now looking for at least one year's tenancy and frequently asking for more, so short lets seem a thing of the past.



## Belvoir Regional Rental Trends

National trends give a good snapshot of what's happening to rents across the UK and in each area, but the regional and local variations vary dramatically. In the regions across England, rents vary from £1,362 per month in London down to £526 per month in the North East region.

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



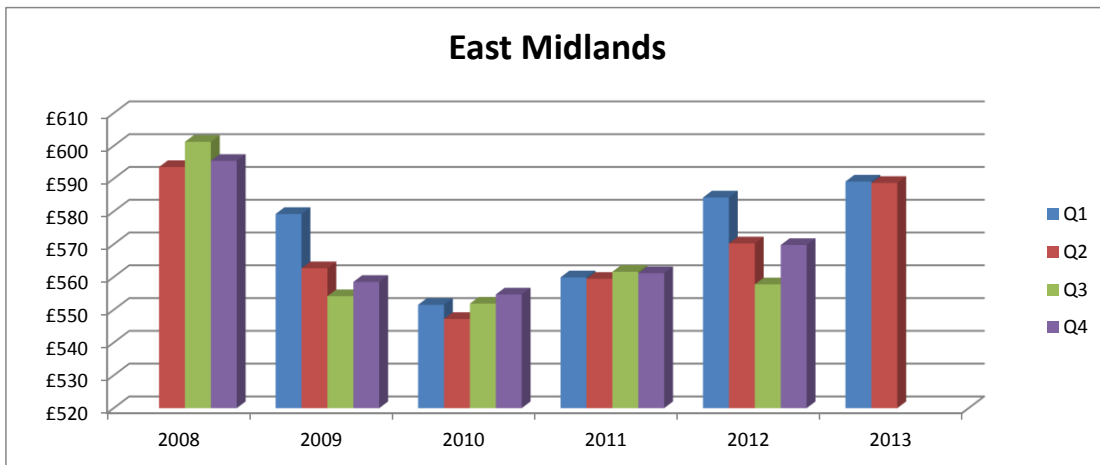
Although many rental indices are showing rents 'rapidly rising' our rental index goes back to 2008 where rents reached a height in September and then fell throughout 2009. Our index records rents in every region being at their lowest in this year.

Other indices which have started since 2009 are recording 'record highs', but these record 'highs' are in our view referring to a recovery to record highs in September 2008 from record lows in 2009. This is a very different story to the PR about rents rising rapidly. What it actually means is, rents have remained pretty static since 2008 and rental increases have, over time, kept below inflation rates.

For 2013, rents averages suggest they are pretty static if not showing some falls this year.

Region	2008	2009	2013	2013	2013	2013
	High	Low	March	April	May	May vs 2008 high
North East	£562	£547	£527	£535	£542	-4%
East Anglia	£708	£664	£677	£681	£671	-5%
East Midlands	£604	£553	£595	£590	£587	-3%
North West	£627	£587	£615	£611	£610	-3%
West Midlands	£622	£611	£634	£633	£635	2%
Yorkshire	£603	£577	£637	£636	£630	4%
South East	£850	£785	£864	£856	£853	0%
South West	£714	£687	£741	£736	£733	3%
London	£1,208	£1,119	£1,357	£1,360	£1,345	11%

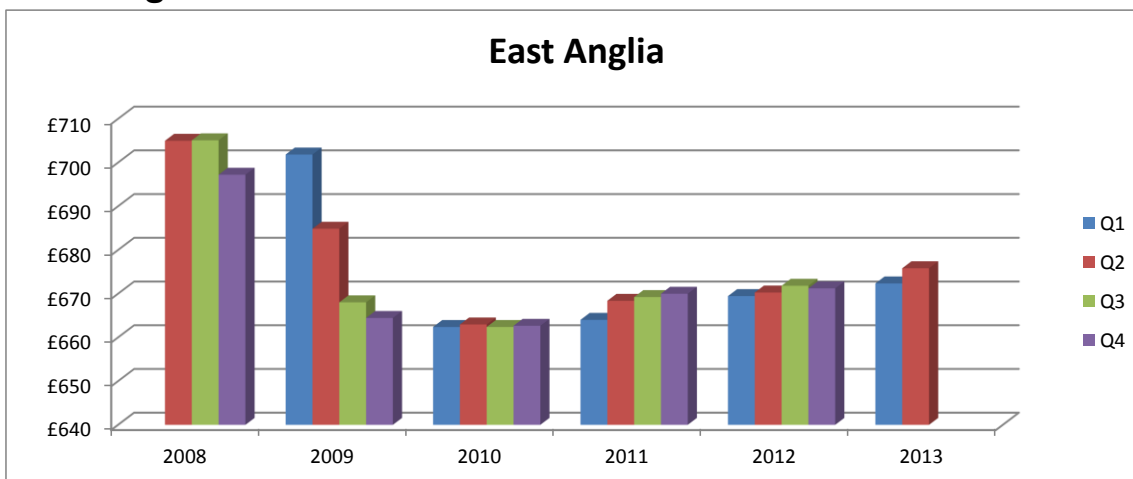
**East Midlands**



Rents continue to edge back to the heights of 2008, with May rents averaging at £587, just a few pounds away from the £604 per month heights reached in 2008. Across the region, in over half the areas rents remained the same, with just under 25% dropping slightly and just over 25% rising slightly.

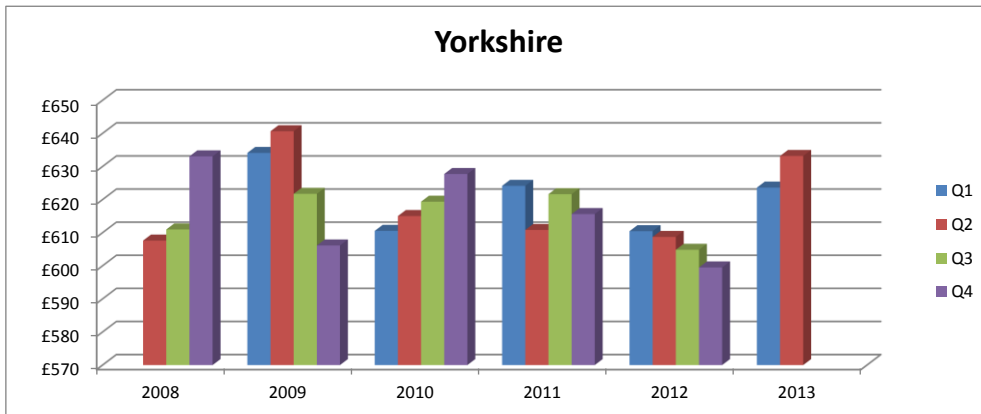
However, from a tenant perspective, rents still need to rise by £17 per month before they reach the heights of 2008.

**East Anglia**



Rents across East Anglia are averaging at £671 per month in May 2013 which is higher than January, although still 5% below the £708 per month height achieved in 2008. Across the region, as many office areas are going up, staying the same or falling – so to really understand your local market, it's essential as a landlord or tenant to visit your local office to chat through renting and buy to let options.

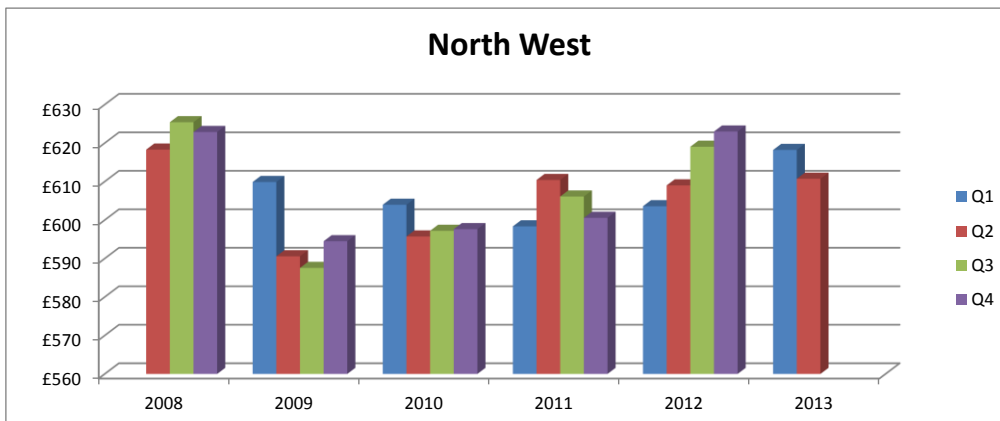
## Yorkshire



Yorkshire rents have recovered well from the falls in 2009 and overtime are now 4% above the highs of 2008. However, when looking at individual areas, it appears most rents across the region are static and have been for some years. The areas driving average rental growth are Sheffield and Doncaster, however on further investigation of their averages, it looks like this growth is more due to higher value properties such as HMOs being advertised as opposed to real rent rises.

On average it appears rents in the region are and remain pretty static.

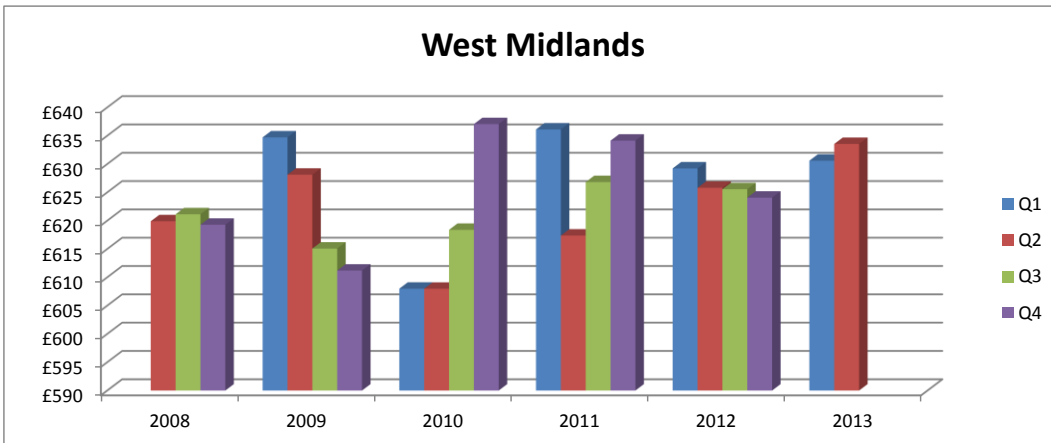
## North West



Rents in the North West are showing a downward trend in 2013. Average rents for the year to date are £615 per month with May's rents showing a fall to £610 per month. Across the areas around 40% suggest rents have fallen while another 40% suggest they are static and just 20% are up during 2013.

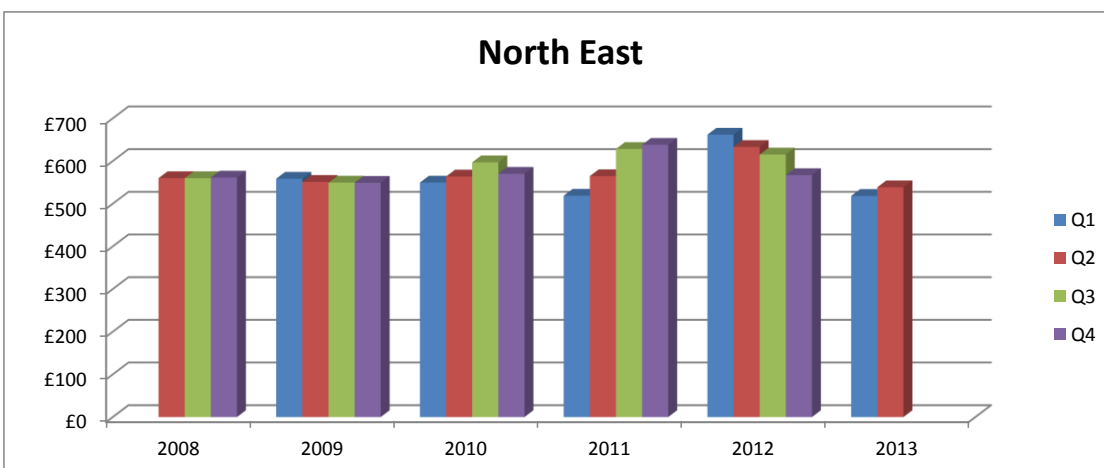
For areas across the North west it is vital to contact your local Belvoir office to find out what's happening to rents in your local area from a tenant and/or landlord perspective.

**West Midlands**



Rents in the West Midlands during May were, on average, were up from the year to date average of £632 per month to £635 rent per month. Across the region, just over 30% of the areas are showing rents rising slightly this year, while in 50% rents are static and in 20% they are falling.

**North East**



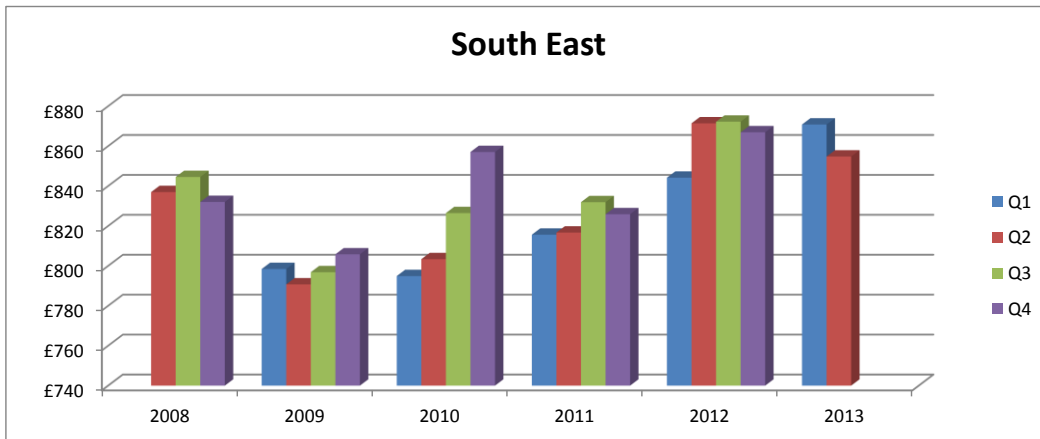
As you can see from the charge above, rents in the North East tend to be pretty erratic and this is mainly due to the variable rents in Newcastle.

Howard King from Newcastle comments *“May has seen rental income be fairly stable. We’ve had lots of tenant instructions and have been busy with landlord enquiries and instructions too. The only quiet area this month is student viewings.”*

Sunderland rents in May 2013 were recorded at £542 per month and since the start of the year have only varied between £541 and £542 on average.

Rents in Tynedale also show a fairly static picture for 2013 with rents consistently being recorded at £546 per month.

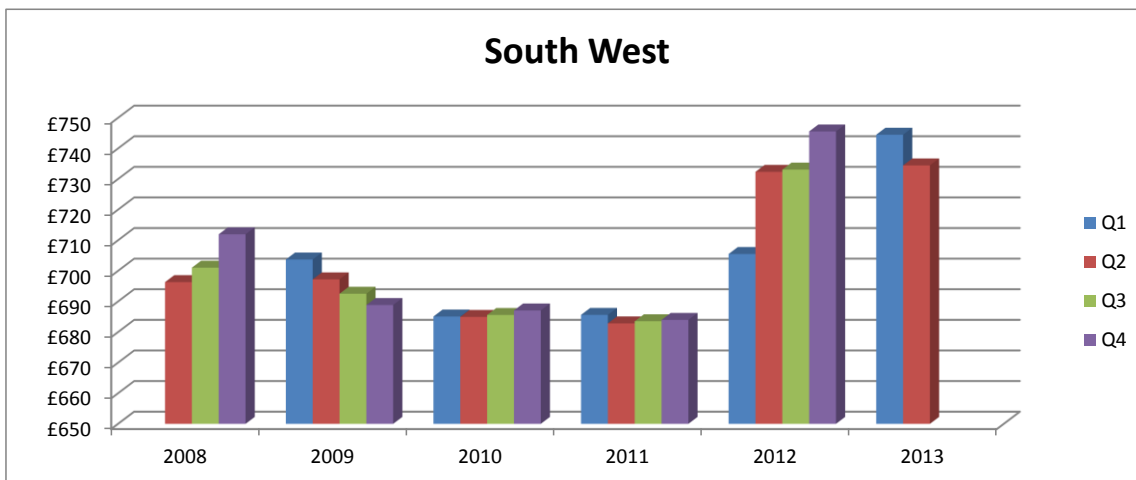
**South East**



Rents in the South East have dipped a little during 2013. Rents for the year to date are averaging at £864 per month, while May rents were just £853 per month – down from £875 per month at the start of the year.

Over the region, in 50% of areas, rents have been static for the year, with just under 20% going up and the rest falling.

**South West**



Rents in the South West have been fairly steady since the start of the year, but with an average year to date of £740 per month and May’s rents of £733 per month, it shows rents are slightly slipping. Across the region most area rents are static, with 20% showing some rents rising and 20% showing rents falling.

## London



Average rents in London for May 2013 were £1,345 per month, which versus an annual year to date average of £1,362 suggests rents are static and falling in the region. Across the region, most areas are showing rents are static or 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 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 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 May 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 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.