

BELVOIR!



Rental Index

September 2017 (Q3 17)



National rental trends

Data from offices trading over nine years

Data including new Belvoir offices

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Summary for Scotland

Summary for Wales



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Regional rental trends

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Belvoir Rental Index 2008 to 2017

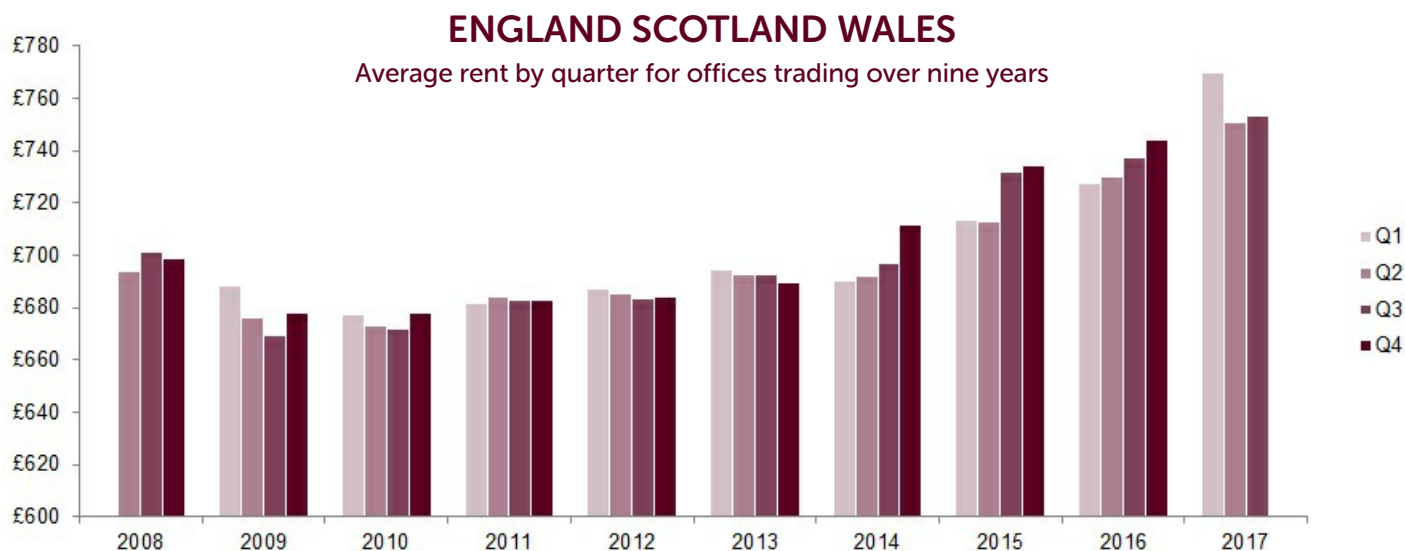
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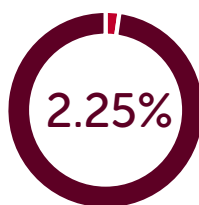
National rental trends



Data from offices trading over nine years



Average rent
Q3 2017

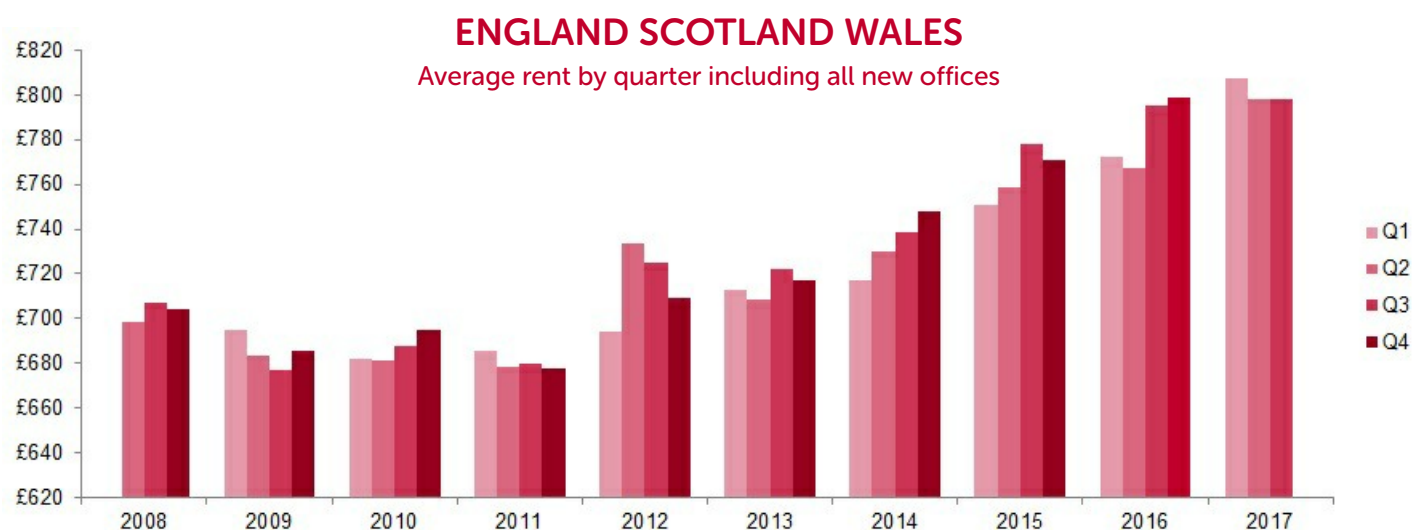


Year on year
increase in
average rents
to Q3 17



Increase from
2016 average
to Q3 17
average rent

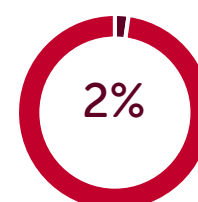
Data including new Belvoir offices



Average rent
Q3 2017



Year on year
increase in
average rents
to Q3 17



Increase from
2016 average
to Q3 17
average rent

National rental trends



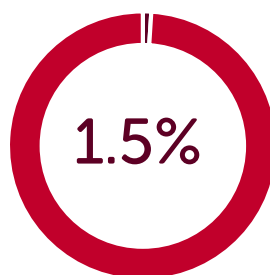
Summary for England



Average rent
Q3 2017



Year on year
increase in average
rents to Q3 17



Increase from 2016
annual average to
Q3 17 average rent

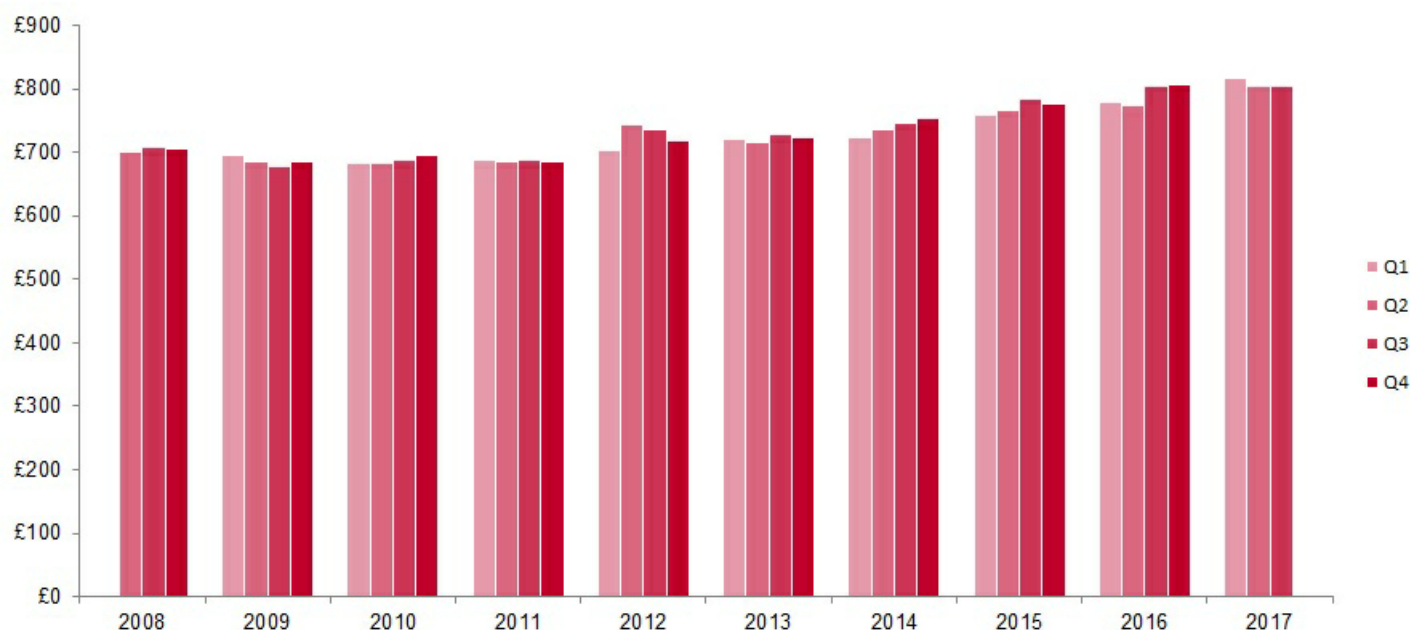


“ Our rental index shows that in terms of rental inflation the market is much more settled than recent media reports would suggest.”

DORIAN GONSALVES, BELVOIR CEO

ENGLAND

Average rent by quarter including all new offices



National rental trends



Summary for Scotland

FALKIRK



Average rent
Q3 2017



Year on year
decrease in average
rents to Q3 17



Decrease from 2016
annual average to
Q3 17 average rent



CITY OF GLASGOW



Average rent
Q3 2017



Increase from 2016
annual average to
Q3 17 average rent

“ A number of landlords are selling due to housing prices in Glasgow increasing. As a result, rents have been increasing in the popular West End and City Centre. ”

SHARON WALKER, BELVOIR GLASGOW

PERTH

Static rents with decreased tenant demand for Q3 2017.

DUNDEE

Increasing rents across most property sizes and types, with largest increases for 5+ bed houses. Tenant demand also increasing.

National rental trends



Summary for Wales

The Wrexham office reports rental increases for two to four bed houses, with larger increases on three/four bed detached houses, but static rents on all flats and 5+ bed houses. Tenant demand has increased across the board.

BELVOIR WREXHAM



SWANSEA



Average rent
Q3 2017

CARDIFF



Average rent
Q3 2017

WREXHAM



Average rent
Q3 2017

The average monthly rent recorded in Swansea for Q3 2017 is £869, suggesting a very large increase of 29% versus Q3 2016 and the 2016 annual average. However, although the Swansea and Mumbles office report rental increases for a good proportion of property sizes and types, the unusually high increase is statistical and chiefly down to a change in the mix of properties let, coupled with a number of premium properties having been advertised during the last quarter.

BELVOIR SWANSEA

Regional rental trends

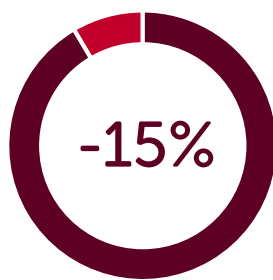


Current rental trends

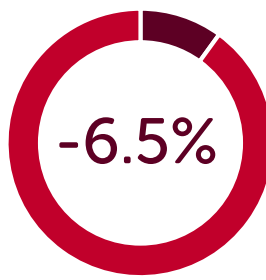
LONDON



Average rent
Q3 2017



Year on year
decrease in average
rents to Q3 17



Decrease from 2016
annual average to
Q3 17 average rent

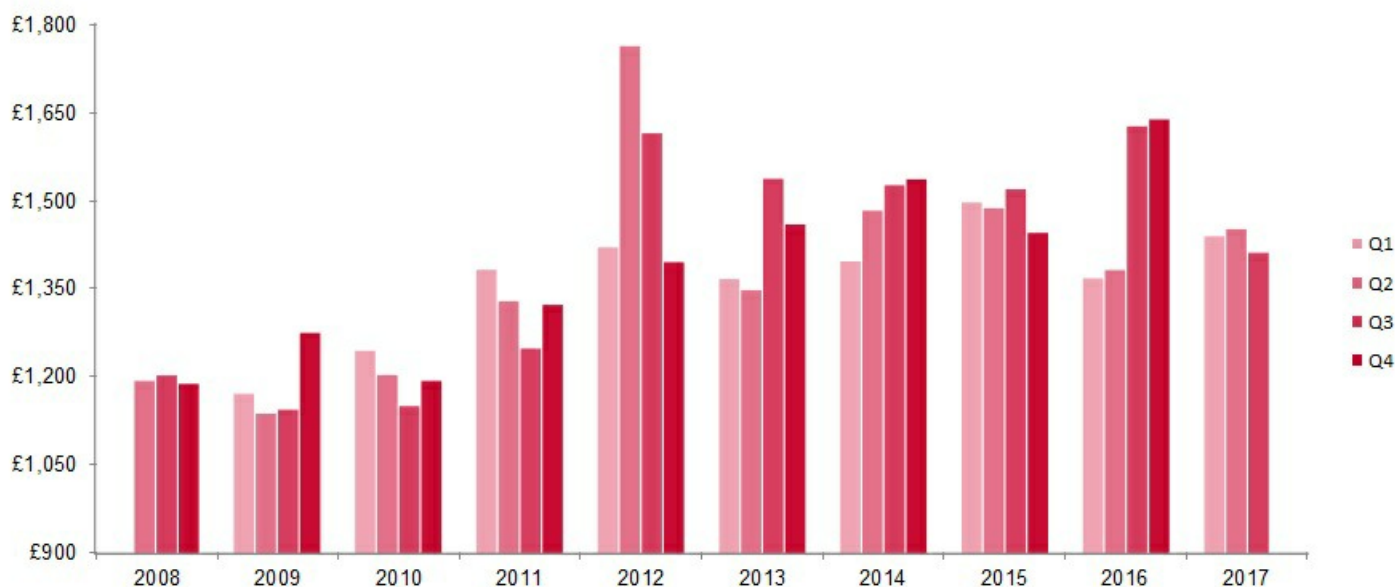


London rental averages have remained fairly static since the start of 2017, and these rents are being compared to a different office mix in the last two quarters of 2016. The Uxbridge office reports static rents and tenant demand for all property types and sizes, and expects rental levels and demand to remain stable for the final quarter of 2017.



Half of Belvoir offices experienced slight falls in rents in Q3 17, with the other half recording slight increases

Historic rental trends



Regional rental trends

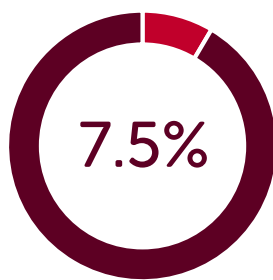


Current rental trends

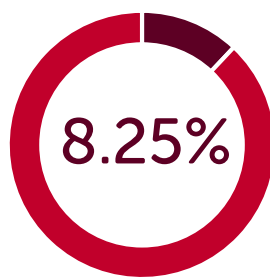
SOUTH EAST



Average rent
Q3 2017



Year on year
increase in average
rents to Q3 17



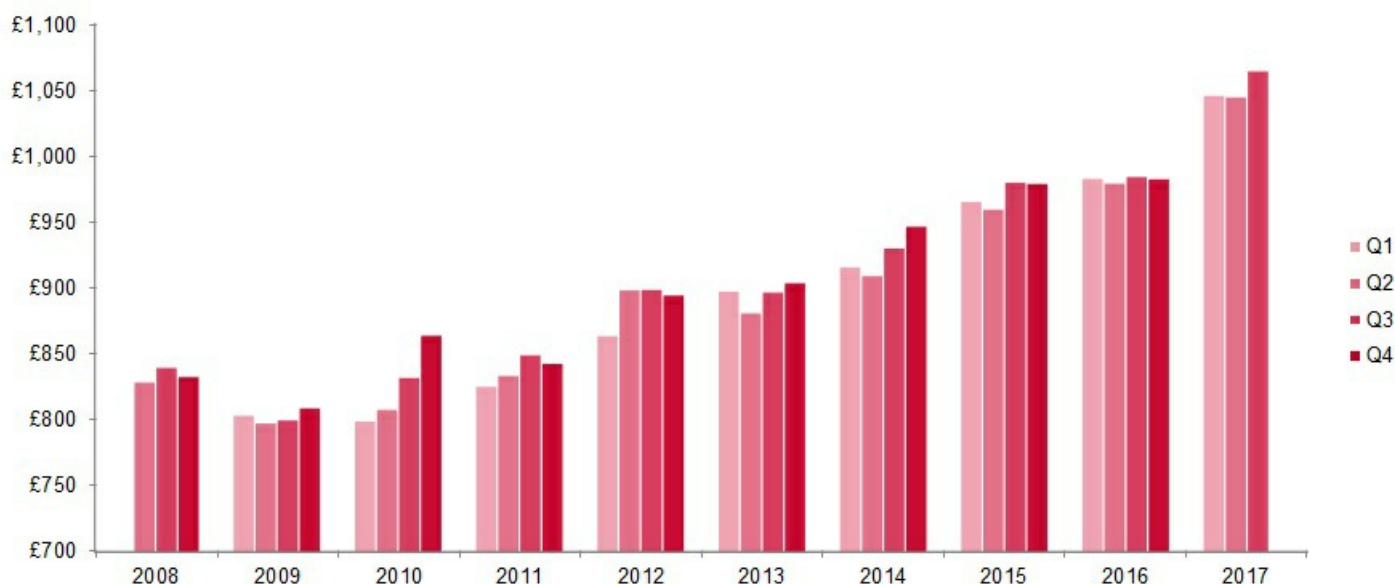
Increase from 2016
annual average to
Q3 17 average rent



Around half of South East offices, including Basingstoke, showed small declines, with just over a quarter, including Margate, experiencing some increases. The remaining offices experienced static rents.



Historic rental trends



Regional rental trends



Current rental trends

SOUTH WEST



Average rent
Q3 2017



Year on year
increase in average
rents to Q3 17



Decrease from 2016
annual average to
Q3 17 average rent



Just over half of offices in the South West recorded small decreases in rent, with the remaining offices experiencing slight increases, including Cheltenham.



Historic rental trends



Regional rental trends

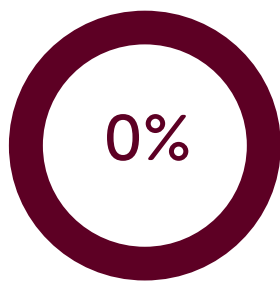


Current rental trends

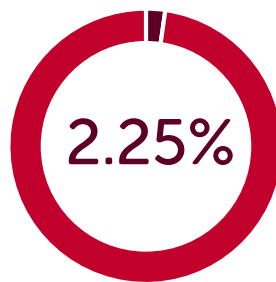
EAST ANGLIA



Average rent
Q3 2017



No year on year
change in average
rents to Q3 17

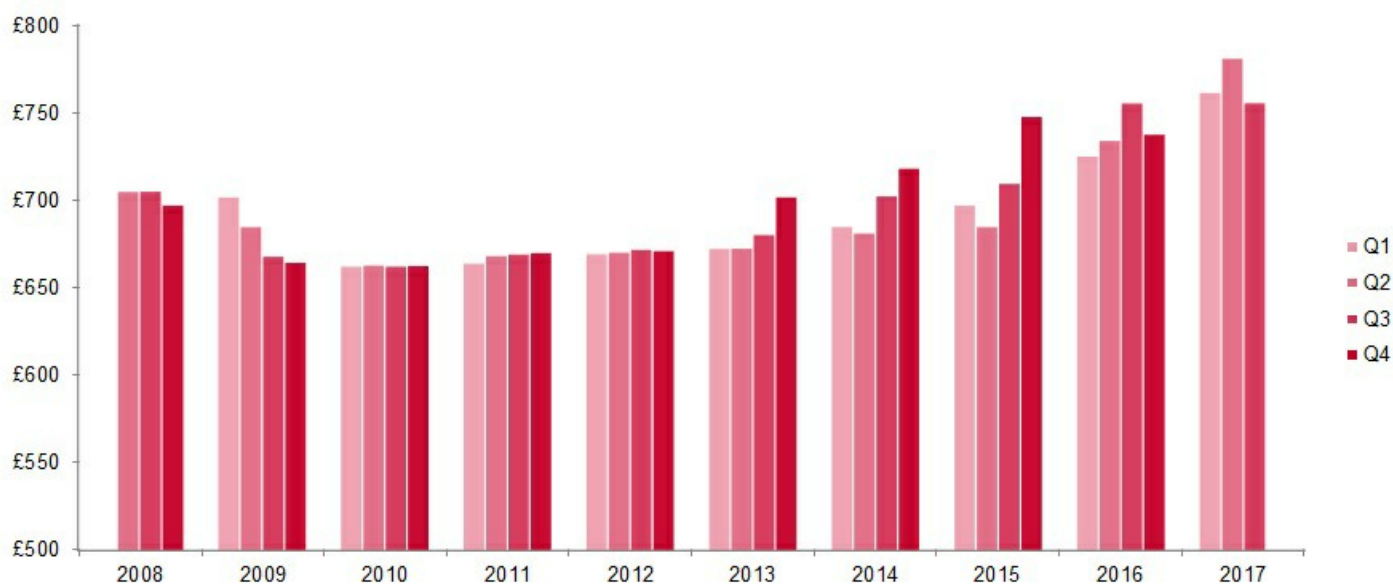


Increase from 2016
annual average to
Q3 17 average rent



Two thirds of offices experienced small falls
during Q3 2017, including Cambridge, with the
remaining third recording slight increases.

Historic rental trends



Regional rental trends

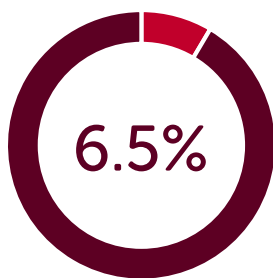


Current rental trends

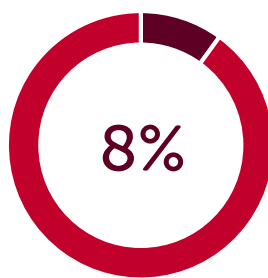
EAST MIDLANDS



Average rent
Q3 2017



Year on year
increase in average
rents to Q3 17



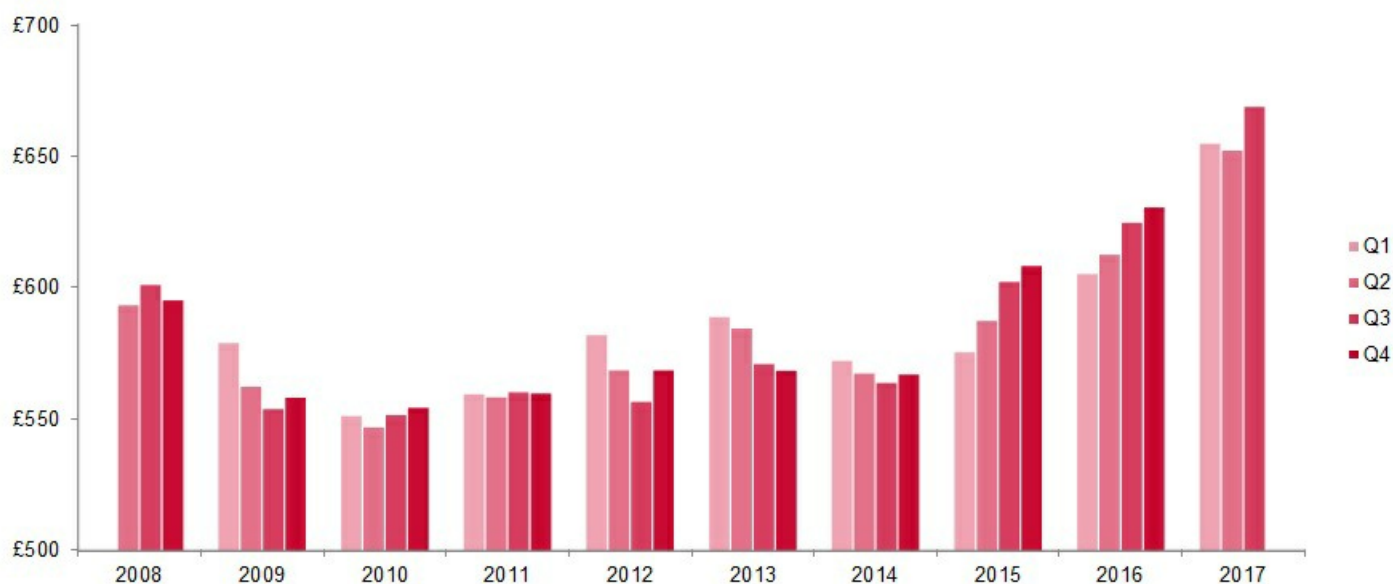
Increase from 2016
annual average to
Q3 17 average rent



The majority of offices in the East Midlands were evenly split between rising rents, including Nottingham South West, and small falls, including Mansfield, with just two offices experiencing static rents.



Historic rental trends



Regional rental trends

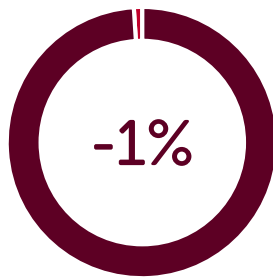


Current rental trends

WEST MIDLANDS



Average rent
Q3 2017



Year on year
decrease in average
rents to Q3 17



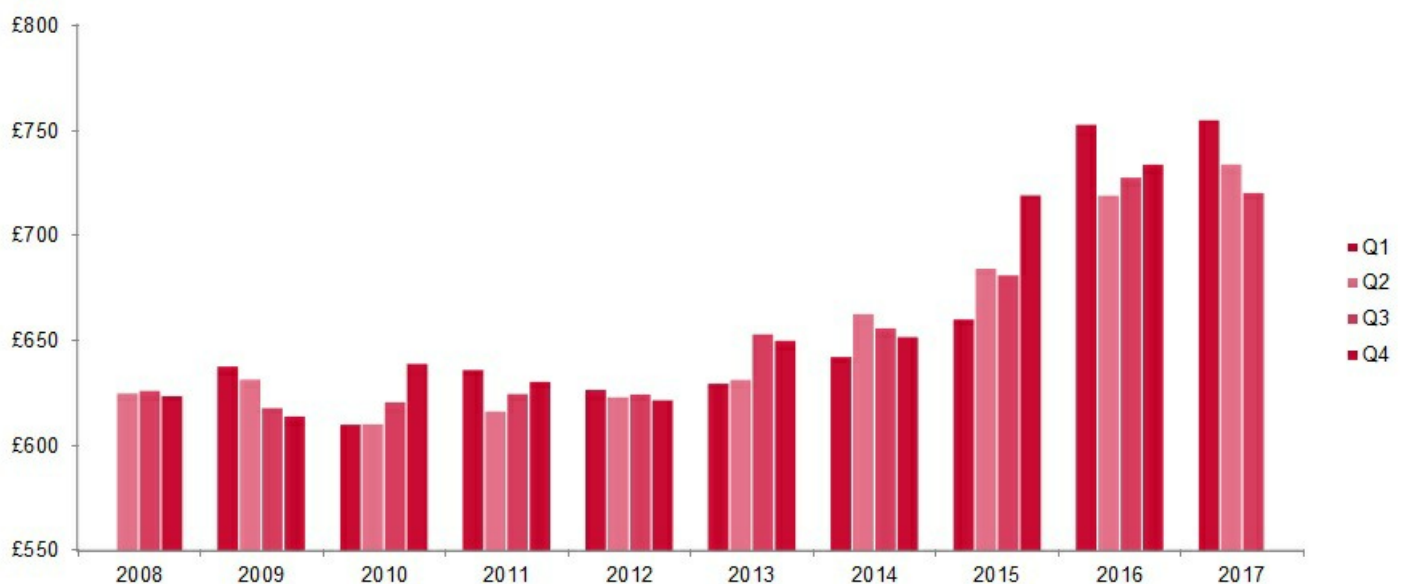
Decrease from 2016
annual average to
Q3 17 average rent



Just over half of offices in the West Midlands saw falling rents, including Burton. Just over a quarter experienced slight rises, including Leamington Spa, with static rents for the remaining offices.



Historic rental trends



Regional rental trends



Current rental trends

YORKSHIRE



Average rent
Q3 2017



Year on year
decrease in average
rents to Q3 17



Decrease from 2016
annual average to
Q3 17 average rent



Just over half of offices showed small falls, including Sheffield, with the remaining offices experiencing slight increases, including Leeds South.



Historic rental trends



Regional rental trends



Current rental trends

NORTH EAST

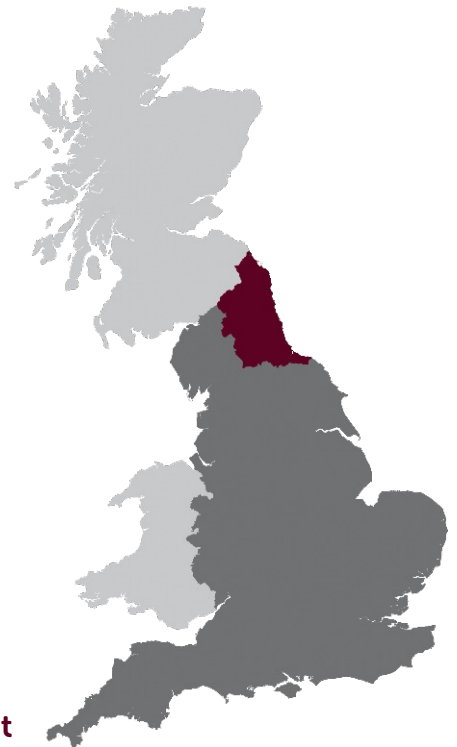
In our experience statistics on rents in the North East are often too volatile to reflect what's actually happening in the local market, so we prefer to feed back directly from the office owners:

“ Rents have risen for all property sizes, with the exception of three bed flats, which remain stable. Tenant demand remains unchanged. ”

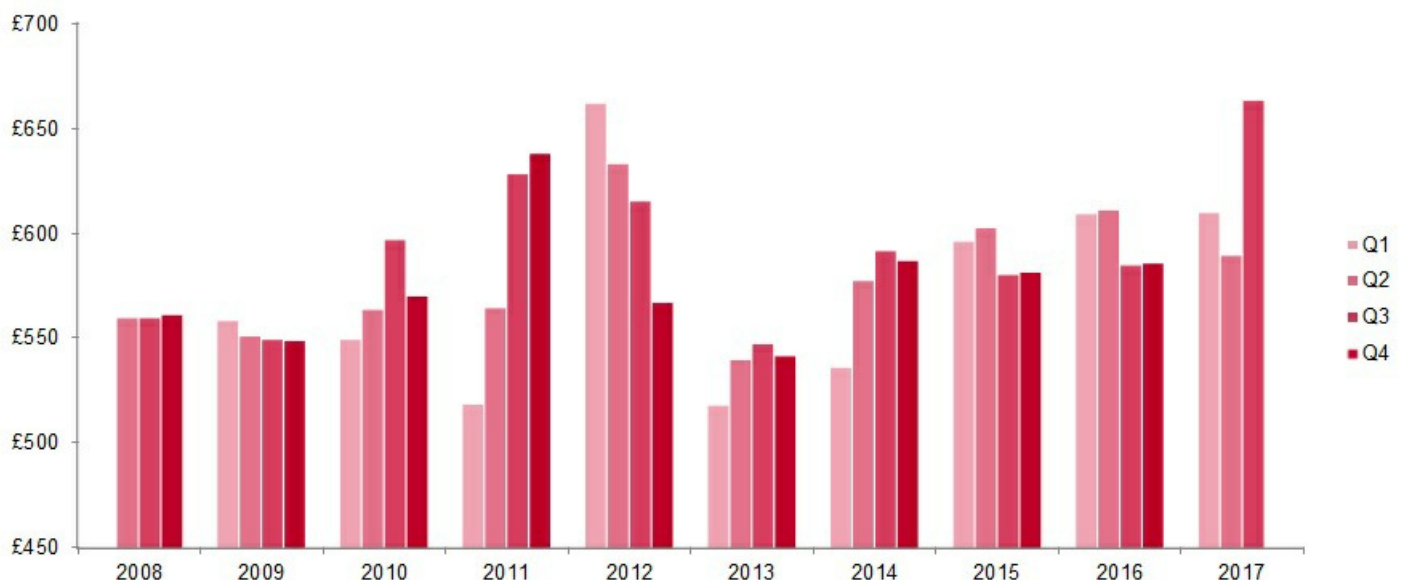
HOWARD KING, BELVOIR NEWCASTLE

“ We have experienced static rents and decreased tenant demand for all property types and sizes and expect rents to remain stable for the final quarter of 2017. ”

JOHN REDDEN, BELVOIR TYNEDALE



Historic rental trends



Regional rental trends

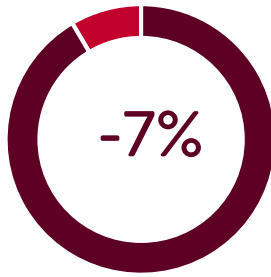


Current rental trends

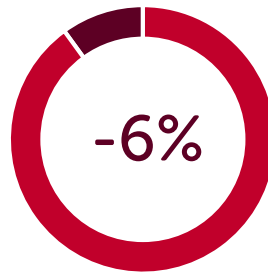
NORTH WEST



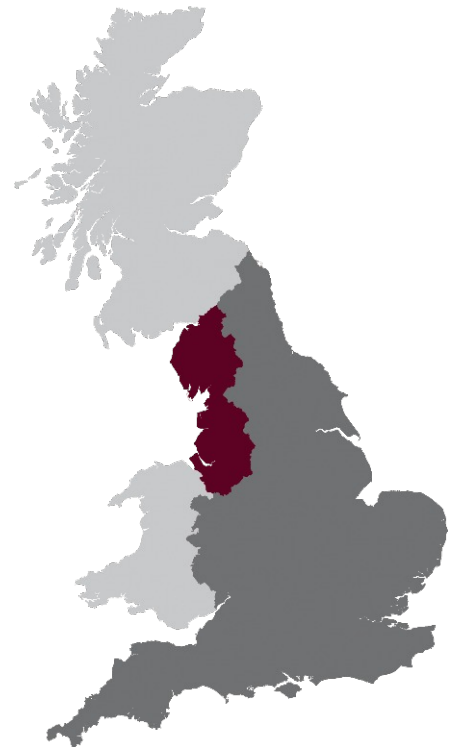
Average rent
Q3 2017



Year on year
decrease in average
rents to Q3 17



Decrease from 2016
annual average to
Q3 17 average rent

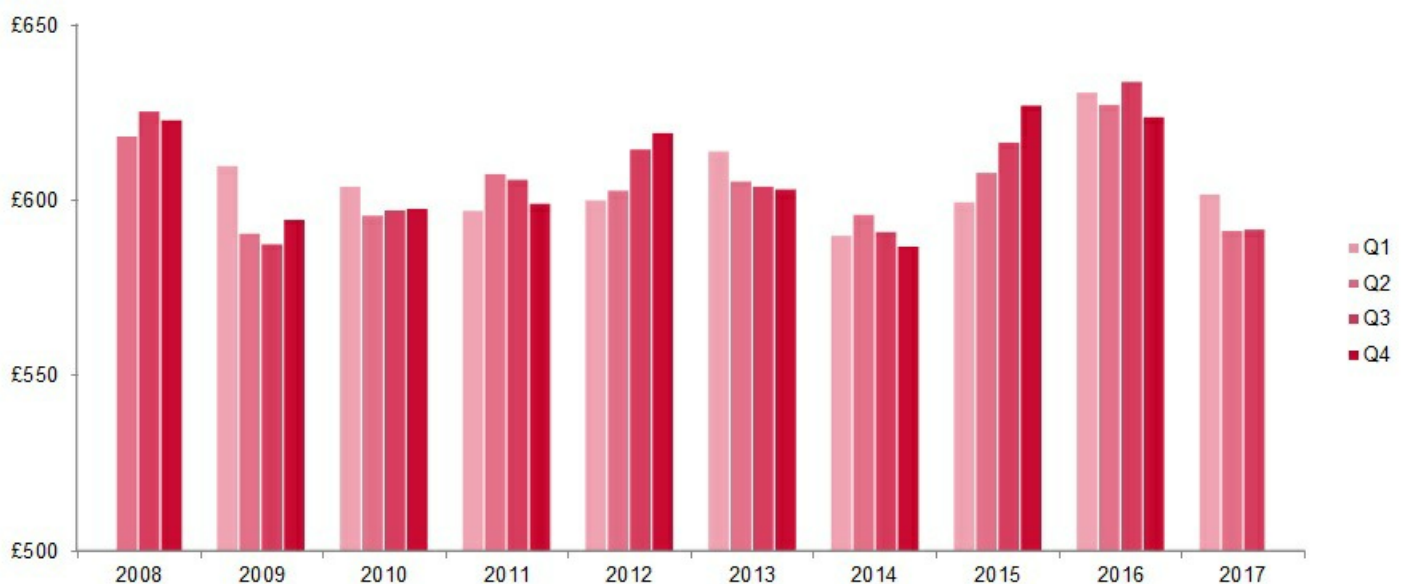


It should be noted that rents in the North West have remained fairly stable since the start of 2017.

During Q3 2017, just under half of offices in the region recorded slight rental increases, including Bury, with the majority of the remainder experiencing small falls, including Chester. Just a couple of offices showed static rents, including Northwich.



Historic rental trends





Studio flats

80% of offices report static rents
Small rises of up to £25 a month



One-bed flats

65% of offices report static rents
Some increases of up to £25 a month



Two-bed flats

65% report rises of £25 a month
The remainder report static rents



Three-bed flats

77% of offices report static rents
Small growth of up to £25

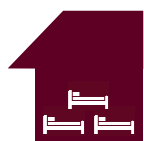
Inflation on flats remained fairly static Q3 vs Q2

HOUSES



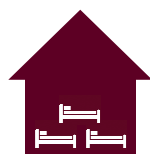
Two-bed houses

53% of offices report static rents
Some rises of £25-£50 a month



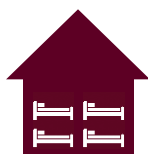
Three-bed semis/terraces

52% of offices report static rents
Some still rising, by £25-£50 or more



Three-bed detached

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



Four and five-bed detached

60% report static rents
Small numbers report rises of £25-£50

Inflation on houses reduced, with most offices reporting static rents

“We looked at trends for different types of properties, and 80% of offices reported that the majority of rents for flats remained static and any rises that were seen were small – up to £25 a month. There was a similar picture with houses, and 53% of Belvoir offices reported that rents were unchanged. The majority of Belvoir agents are predicting that there will be very little change in rents in Q4, especially for flats and houses.”

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.

“ When we looked at tenant demand for Q3 compared to Q2 it was noted that demand for flats was static to falling, and although demand for houses remains strong, more offices are reporting a decrease in demand. This could be linked to the fact that the majority of tenants are staying in their properties for longer with 42% opting to remain for 13-18 months and over 30% staying for 19-24 months with 14% choosing to stay for over two years. ”

DORIAN GONSALVES, BELVOIR CEO

Tenancy length



42% prefer a tenancy of 13-18 months



More than 30% stay for 19-24 months



Tenants choosing to rent for 24+ months rises to 14%

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



Belvoir offices reporting arrears and evictions

Arrears



Arrears have fallen, with nearly 30% (down from 41%) of offices reporting 4-10 tenants in arrears



43% of offices report fewer than three rent arrears (increased from 35%)

Evictions



Evictions are on the rise due to rent arrears and landlords selling up



More than 80% of Belvoir offices carried out no evictions, or just one, in Q3 2017, same as Q2



There has been an increase in offices evicting 2-3 tenants, although this is the same as Q3 2016



No offices evicted four or more tenants, for the first time since Q2 2016

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

“







Tenant arrears fell to 30% in Q3 and over 80% of Belvoir offices carried out either no or just one eviction in Q3 2017. This is a good indication of the viability of our referencing systems, which ensure that tenants are able to afford properties from day one.

”

DORIAN GONSALVES, BELVOIR CEO



Supply

-  Property supply for tenants is reducing
-  More landlords are selling up; an increased number of offices see 6-10 landlords selling, while fewer see no landlord sales
-  The number of offices seeing landlords buy more properties to let remains similar Q2 vs Q1
-  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
-  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	Q2 17
None	10.0%	16.7%	16.7%	18.2%	6.7%	4.1%
Up to 3	40.0%	53.7%	50.0%	32.7%	36.7%	57.1%
4-5	31.7%	20.4%	20.8%	38.2%	36.7%	28.6%
6-10	11.7%	5.6%	6.3%	7.3%	15.0%	8.2%
11 or more	3.3%	3.7%	6.30%	1.80%	1.70%	0.00%
Other	3.30%	0.00%	0.00%	1.80%	3.30%	2.00%

“During Q3 more landlords were exiting the market, and less investors were buying. An increased number of offices reported that 6 to 10 landlords were selling up, which in turn is reducing supply. Interestingly, most offices reported a decrease in demand for HMOs and we will be tracking this trend, along with others over the following year.”

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:	$£1,540 / 3 = £513$ 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 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.