



Buy-to-Let Index – England & Wales

STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 22nd JANUARY 2016

December 2015

Fastest year for rent rises since 2011

- At £794 per month, rents rise by 3.4% during 2015 – the fastest year-end annual growth rate since 2011
- In the East of England rents rise at twice the wider annual pace, up 7.8%, followed by London at 6.3%
- Yorkshire & Humber and West Midlands both witness new all-time record high rents in December
- Tenants feel the financial pressure over the Christmas period, with arrears rising to 9.3% of all rent due
- Accelerating property prices suppress yields, but boost total annual returns to 11.3% – a 12 month high

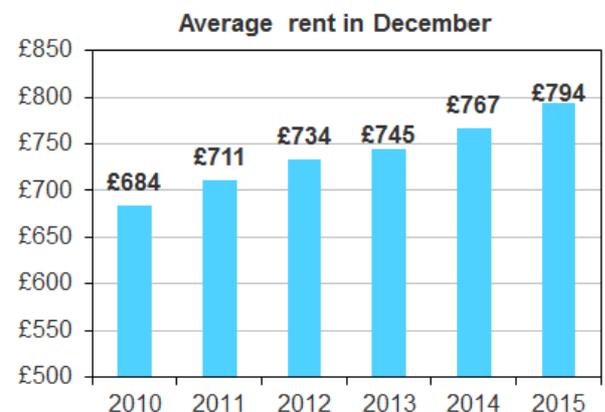
Rents across England and Wales have risen by 3.4% over the course of 2015, according to the latest Buy-to-Let Index from LSL Property Services plc, with data from [Your Move](#) and [Reeds Rains](#).

This represents the fastest full calendar year for rent rises since 2011, when rents rose by 4.0% over twelve months. It follows a significant slowdown in rent rises, reversed more recently even as general CPI inflation has stabilised around zero.

Significant rent rises over the course of 2015 also come despite a month-on-month drop in the latest market rents, falling 0.6% between November and December.

This puts average rents at £794 per month, as of December 2015.

Adrian Gill, Executive Director of Estate Agency, LSL Property Services plc, comments: “Rents reacted strongly in 2015, powered by welcome warmth from household earnings, and growing pressure from supply – the more troubling lack of housing



in the UK. The combined force is skywards for rents.

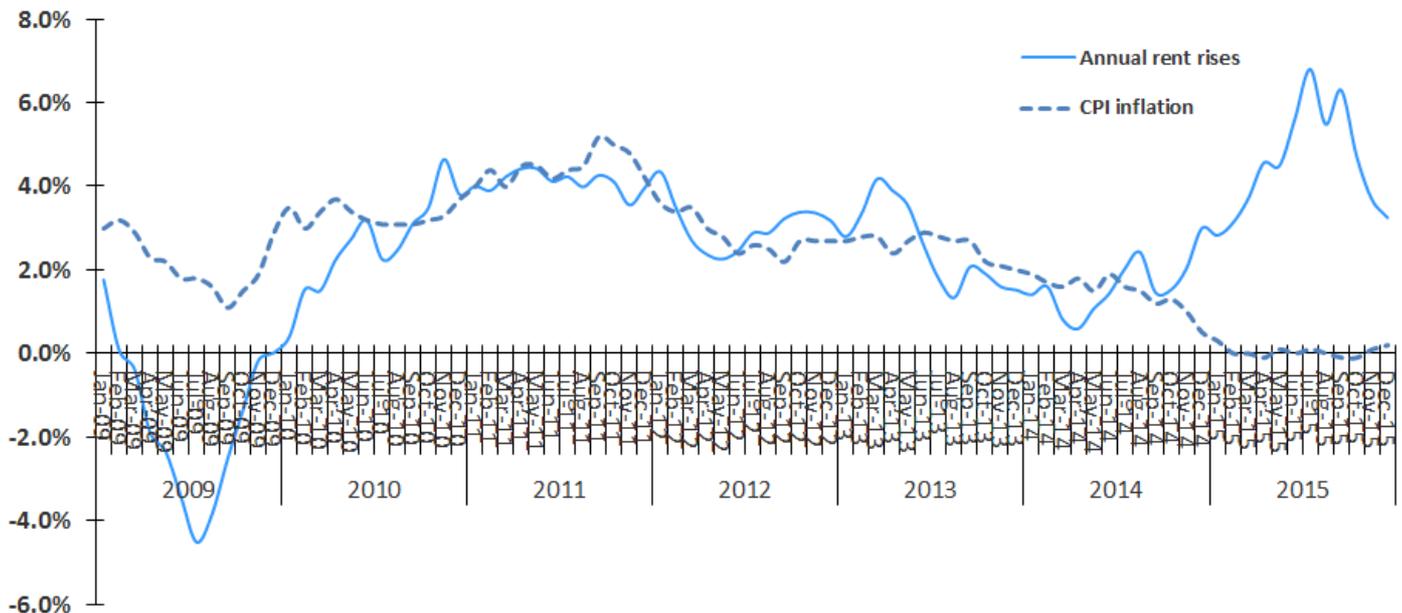
“Such growth in rents is a mixed bag. The fact that the majority of tenants can afford higher rents is certainly good news, and should be seen as a positive indicator as we enter 2016. Yet over the longer-term, higher rents also raise a serious challenge for the future affordability of housing in this country. Everything else will need to keep up.

“Back in 2013 [we predicted that rents would hit £800 in mid-2015](#) – unless there was some form of dramatic shift in the supply of homes to rent. And right on cue, last summer average rents across England and Wales pushed through that mark to reach £804 in July 2015 – before topping £816 in September’s peak market. This indicates that very little has structurally changed in the rental market since 2013, aside from the same steady growth of volumes – led by demand.

“Last year also demonstrated how the cost of renting a home has begun to diverge from the wider cost of everyday living, as measured by standard rates of inflation. Again this demonstrated that maintaining the success and the current affordability of private renting will depend on the main issue at hand – getting more properties onto the market.

“Into 2016, all layers of government, regulators and lenders should be taking every opportunity to help the flow of much-needed investment in buy to let – far from some of the recent political moves to discourage landlords.”

Annual rent rises and CPI inflation



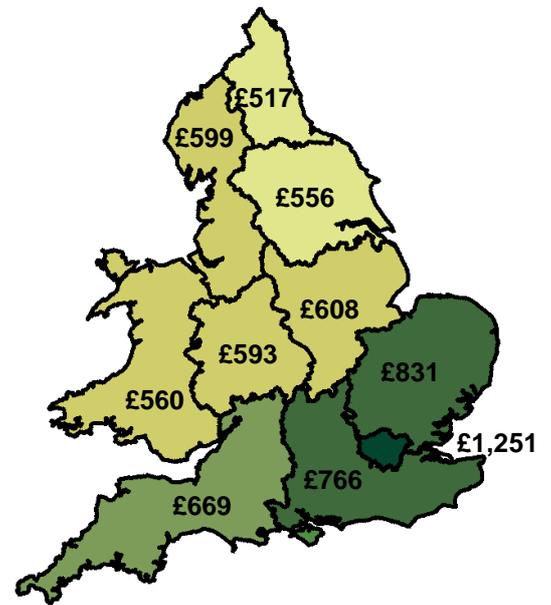
Record rents in Yorkshire & Humber, West Midlands

In December, six out of ten regions saw monthly falls in rents, in line with the overall month-on-month drop across England & Wales. This is led by London, with rents in December 1.6% lower in the capital compared with November. The North West saw a 0.9% month-on-month drop, while rents in the North East fell by 0.6% in December.

Against this trend, four regions have seen rents rise on a monthly basis in December, led by Wales at 1.8%, followed the South West where rents rose by 0.9% between November and December. Yorkshire & Humber and the West Midlands come joint-third on this measure, with rents 0.3% higher on a monthly basis.

However this more modest rise has taken rents in both Yorkshire & Humber and the West Midlands to all-time record highs – at £556 and £593 per month respectively.

Compared to the same point a year ago, eight-in-ten regions have seen rents rise. In the lead, rents in the East of England are 7.8% higher as of December 2015, compared to December 2014. This puts London in second place, with rents in the capital 6.3% higher at the end of 2015 compared a year before. In third place, the neighbouring East Midlands has witnessed 4.7% annual rent rises.

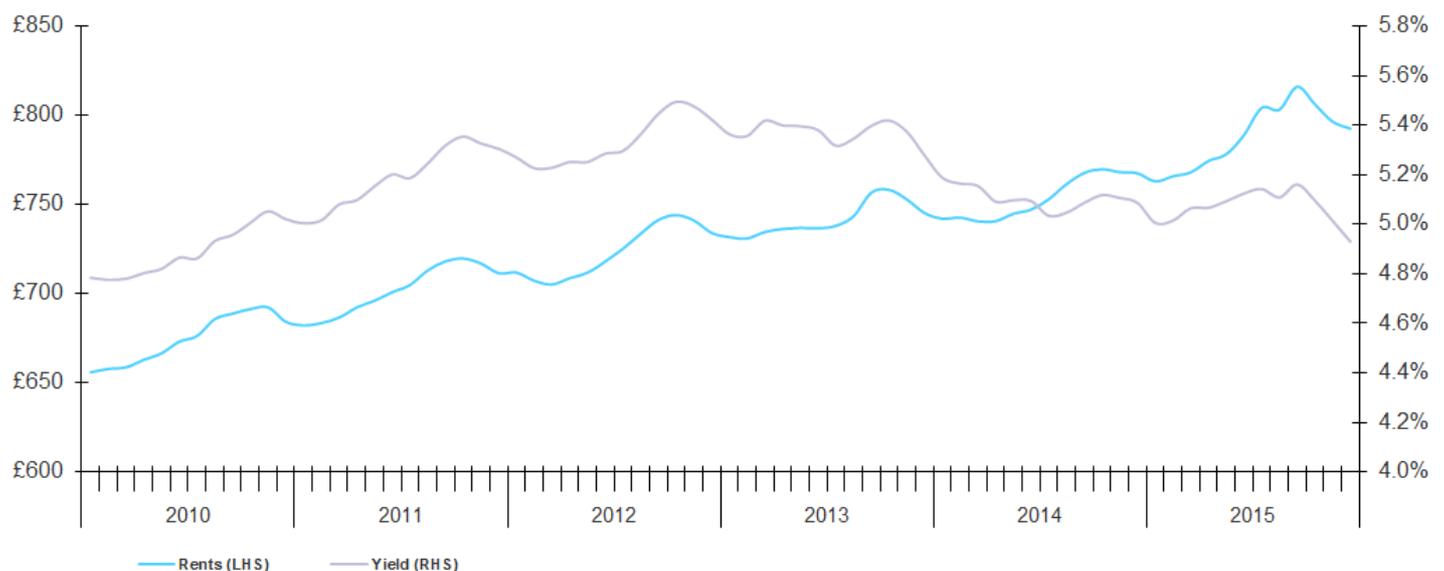


Monthly rents in December: By region

At the other end of the spectrum, Welsh rents are 1.0% lower than a year ago, while the South East has seen rents drop by 2.6% over the last twelve months.

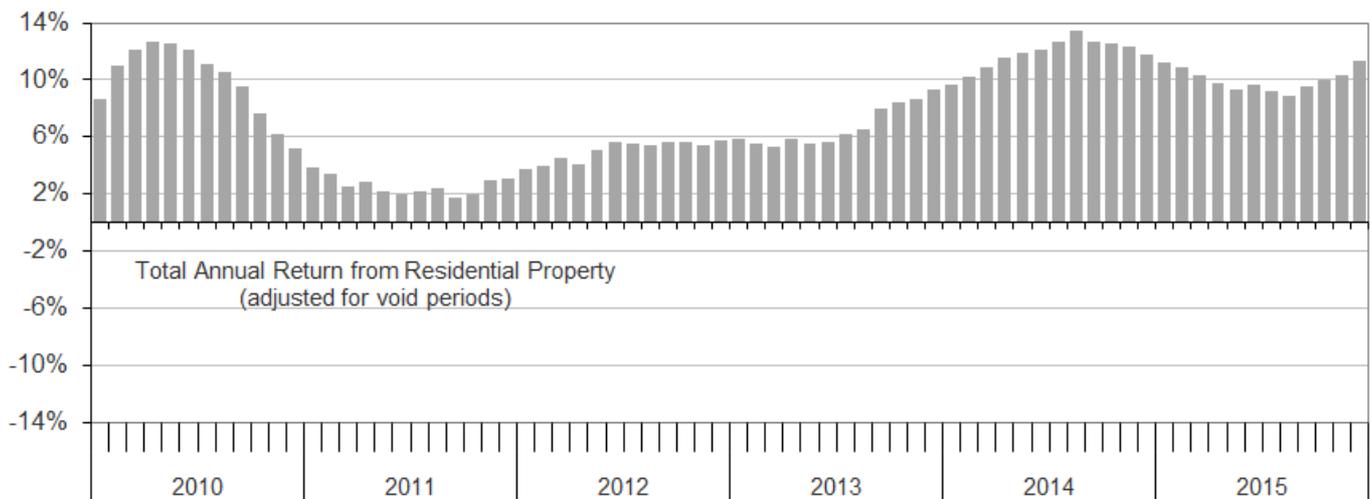
Price rises suppress rental yields – but boost total returns to 11.3%

The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) has dropped to 4.9% in November, down from 5.0% in November 2015. On an annual basis, this is fractionally lower than the 5.1% gross yield seen a year ago in December 2014.



Generally seen as good news for landlords, accelerating property purchase prices are responsible for suppressing rental yields, but have also boosted landlords' total returns. Taking into account both rental income and such capital growth, the average landlord in England and Wales has seen total returns of 11.3% over the course of 2015. This is up from 10.4% in the twelve months to November 2015 – and the highest for a year, since standing at 11.8% in December 2014.

In absolute terms this means that the average landlord in England and Wales has seen a return of £21,110 during 2015, before any deductions such as property maintenance and mortgage payments. Of this, the average capital gain contributed £12,438 while rental income made up £8,672 over the twelve months to December.



Adrian Gill continues: *“Existing property investors are seeing the paper value of their portfolios rise considerably, as purchase prices accelerate. Rents are rising too, but not yet at the same pace as the purchase market – inevitably pushing yields down a little. This means that landlords considering new investments will have a marginally more careful job to do of balancing their rental income with all of their expenses – including a potentially larger mortgage as prices rise. So higher purchase prices will be another factor on top of the much-discussed tax changes of the last six months.*

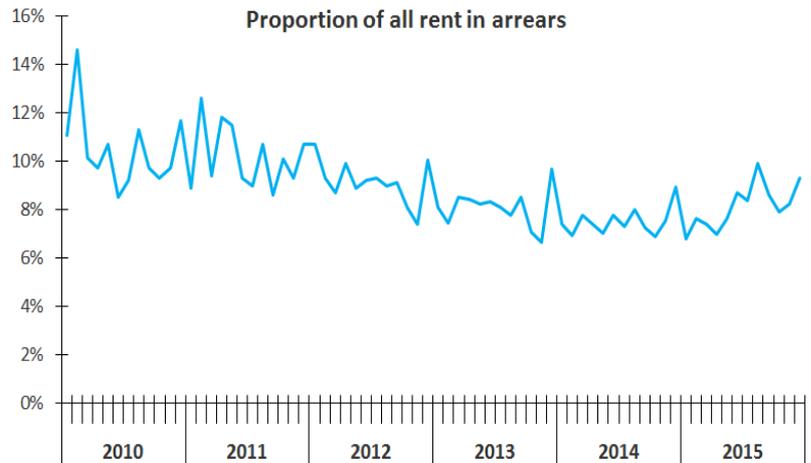
“However, this is also an indication that rents have capacity to rise faster. Gross yields have not been this low for more than five years. In the next couple of months, there will likely be a surge of investment ahead of the April deadline to beat the Chancellor’s new buy to let stamp duty surcharge – but beyond that and into the rest of 2016, lower yields may cool investment from landlords. Slower growth in homes to let beyond April, in the face of a steady march of new demand from tenants, is likely to continue to push rents higher.

“There is some potential short-term benefit to rising property prices. Conceivably, this might help some existing landlords to grow their portfolio, remortgaging to unlock fresh capital and continue to make use of low interest rates. But over any period of time one thing is fundamental – higher property prices will ultimately be expressed in higher rents – both of which demonstrate a shortage of housing in the UK. Landlords are part of the solution, as are millions of new homes.”

Tenant finances squeezed in December

Paying the rent became harder for some tenants in December – with the total amount of rent in arrears, as a proportion of all outstanding rent, reaching 9.3% as of December 2015.

This compares to 8.2% of all rent in arrears just one month before in November 2015. Moreover, while the festive season often sees a temporary spike in rent arrears, December 2015 was marginally worse in this respect than December 2014, when the same measure peaked at 8.9%.



Adrian Gill concludes: *“It seems easy to believe the cost of living issues that previously plagued the UK are over. In terms of the weekly shop that might be true – some forms of inflation have been tamed for the time-being. But the greatest expense in household finances is often housing, and most measures of housing costs are not just rising but now accelerating. For homeowners low interest rates offer a buffer from bad economic times, but tenants just don’t have the same luxury – rents are simply what they are, every month.*”

“Most tenants pay their rent on time, and affordability does act as one of the major restraints on average rents. But what feels affordable for the bulk of the rental market will not be an easy monthly expense for everyone. Ultimately there is a mismatch between supply and demand, and that means rents are likely to exclude some tenants from the realms of easy affordability. In these cases, communication is key – and there are signs that tolerance from landlords is proving crucial.”

“Private renting is working incredibly well, given its ability to house millions of extra households in just a few years – one in five now rents from a private landlord. But that growth in capacity is not easy to maintain every single year.”

- ENDS -

REGIONAL BREAKDOWN OVERLEAF

REGIONAL BREAKDOWN

	Rents December 2015	One Month change	12 Month Change	Yields December 2015	Yields December 2014
London	£1,251	-1.6%	6.3%	4.1%	4.4%
East of England	£831	-0.3%	7.8%	4.3%	4.4%
South West	£669	0.9%	2.2%	3.6%	3.7%
Yorkshire & The Humber	£556	0.3%	1.5%	6.4%	6.5%
North West	£599	-0.9%	1.0%	6.8%	7.2%
Wales	£560	1.8%	-1.0%	4.2%	4.4%
South East	£766	-0.5%	-2.6%	4.0%	4.5%
North East	£517	-0.6%	0.7%	5.0%	5.1%
West Midlands	£593	0.3%	6.0%	5.6%	5.5%
East Midlands	£608	-0.3%	4.7%	5.9%	5.9%
England & Wales	£794	-0.6%	3.4%	4.9%	5.1%

For further information please contact:

Henry Conner / Adam Kirby, Instinctif Partners

0207 427 1440

Melanie Cowell, Your Move

01904 698 860

METHODOLOGY:

The index is based on analysis of approximately 20,000 properties across England and Wales. Rental values refer to the actual values achieved for each property when let. Yield figures are unadjusted, and do not take account of void periods or arrears. Annual returns are based on annual rental property price inflation and void-adjusted yield at the point of purchase. These figures are subject to revision as more data becomes available.

This Buy-to-Let Index has been prepared by Instinctif Partners for Your Move and Reeds Rains. It has been compiled using information extracted from the management information of both Your Move and Reeds Rains lettings networks. The copyright and all other intellectual property rights in this document belong to Your Move and Reeds Rains. Reproduction in whole or part is not permitted unless an acknowledgement to Your Move and Reeds Rains as joint sources is included. No modification is permitted without prior written consent.

Whilst care is taken in the compilation of the Buy-to-Let Index, no representation or assurances are made as to its accuracy or completeness. Your Move and Reeds Rains reserve the right to vary the methodology and to edit or discontinue the Buy-to-Let Index in whole or in part at any time.