



# Buy-to-Let Index – England & Wales

STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 19<sup>TH</sup> FEBRUARY 2016

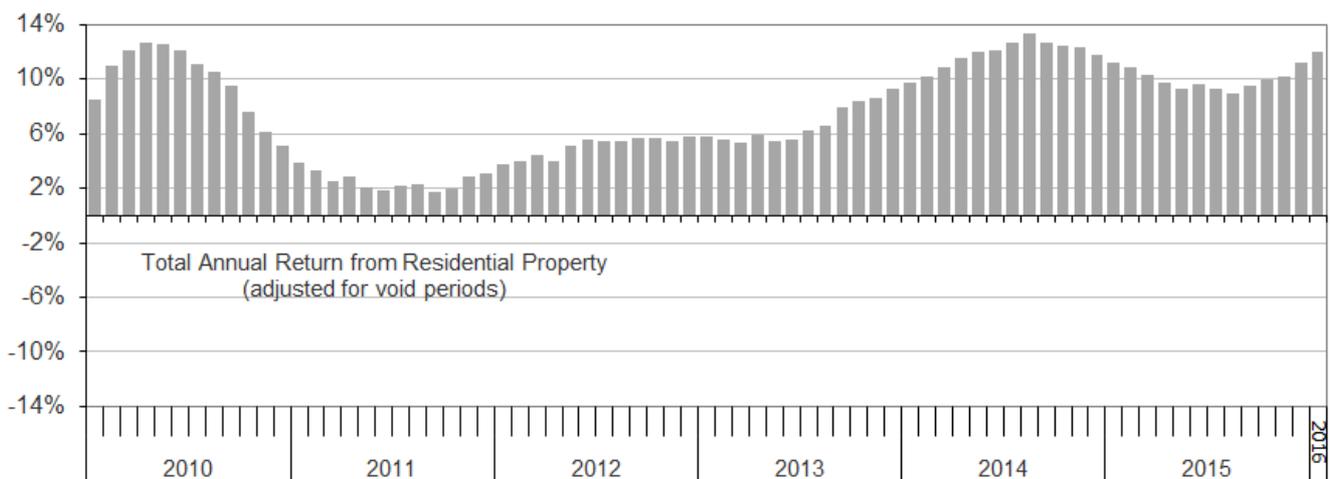
January 2016

## Best buy-to-let returns since 2014

- Landlords see total annual returns reach 12% or £21,988 in absolute terms – greatest since November 2014
- Rents accelerate into 2016, with annual rent rises hitting 3.6% in January, faster than 3.4% in December
- East Midlands and the East of England lead rental growth, up 5.9% and 5.8% – quicker than rents in London
- Tenants fix their finances in January, with proportion of late rent down to 8.2%, from 9.3% in December

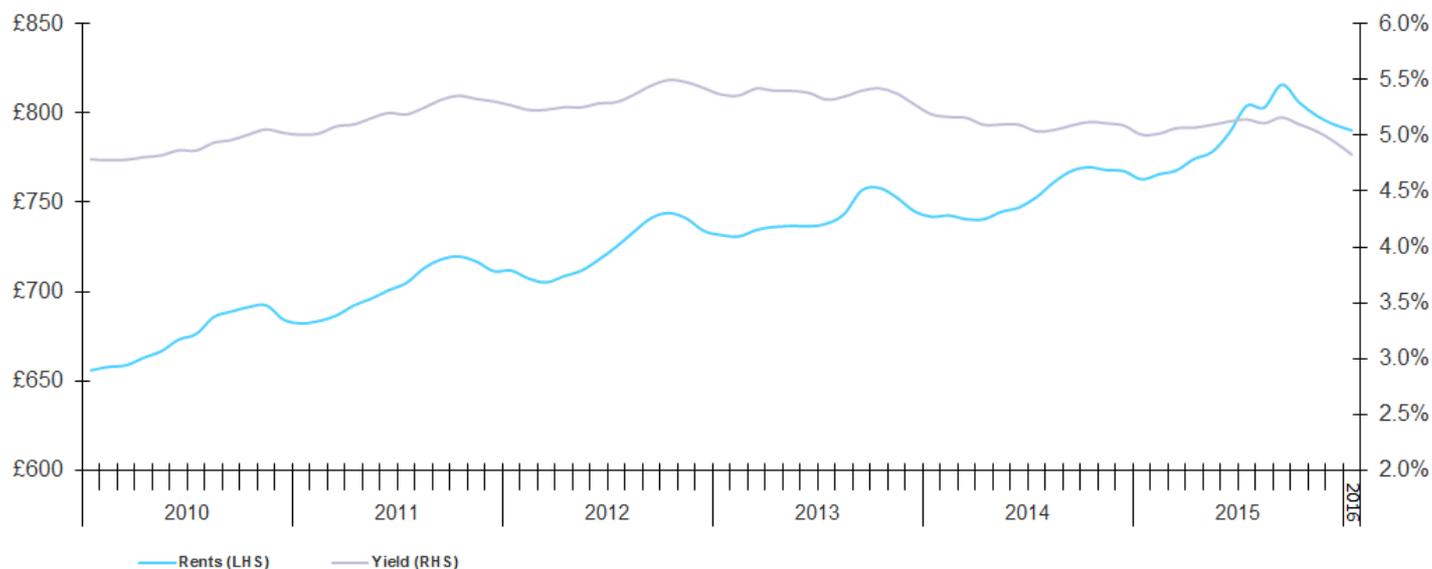
Landlords have seen total returns from buy-to-let properties rise to the highest levels since November 2014, according to the latest Buy-to-Let Index from [Your Move](#) and [Reeds Rains](#).

Taking into account both rental income and capital growth, the average landlord in England and Wales has seen total returns of 12.0% over the twelve months to January. This is up from 11.2% in the twelve months to December – and now also represents a fourteen-month record, since total returns stood at 12.3% in the year to November 2014.



In absolute terms this means that the average landlord in England and Wales has seen a return of £21,988 over the last twelve months, before any deductions such as property maintenance and mortgage payments. Of this, the average capital gain contributed £13,594 while rental income made up £8,394 over the twelve months to January.

Rental yields have so far proved resilient in the face of price rises. The gross yield on a typical rental property in England and Wales (before taking into account factors such as void periods) is steady at 4.9% in January, the same as in December 2015. On an annual basis, this is fractionally lower than the 5.0% gross yield seen a year ago in January 2015.



**Adrian Gill, director of estate agents Reeds Rains and Your Move, comments:** *“Buy-to-let returns are building and property prices are picking up – as the housing shortage across the UK intensifies. Landlords’ balance sheets are looking healthier than at any point since 2014, and property investors are looking at an excellent rate of return from their portfolios. With house prices rising rapidly into the New Year, this acceleration will be a welcome addition to the wealth of landlords on paper, while solid rental yields are underpinning total returns pushing well into the double digits.*

*“Stamp duty premiums on new buy-to-let purchases are the rhino in the room – everyone is talking about the 1<sup>st</sup> April deadline and the extra purchase costs are perceived by some commentators as potentially hazardous. But this is a little simplistic. Landlords are long-term investors and generally take good advice before making a new purchase, while the real changes will come when some landlords see gradual changes to their tax relief on mortgage interest. The rules around UK property are changing – but there is no bull in the buy-to-let china shop.*

*“Right now in 2016 the big shift is likely to be in favour of existing landlords, potentially at the expense of those planning to start up as a landlord for the first time or expand their portfolio. As such, it will be interesting to see how the rental market responds if there is a disruption to investment in supply.*

*“But this is likely to be a short-term effect. Over the longer term there is a consistent and developing lack of housing for across all tenures, for a spiraling population. Owners and renters alike will see the cost of somewhere to live continue to rise, whether expressed in rents or prices. Stamp duty surcharges could funnel more money from the industry to the Treasury, but ultimately will not change the level of demand from tenants.”*

## Rents accelerate into 2016

Average rents across England & Wales have accelerated into the New Year. Compared to the same point a year ago, rents in January 2016 have risen by 3.6%. This is up from 3.4% annual rent rises over the twelve months to December.

This puts average rents at £790 per month, as of January 2016.

An accelerating annual pace of rent rises comes despite recent seasonal month-on-month drops in the latest market rents, dipping by 0.4% between December and January.

While rents have fallen on a monthly basis over the winter period, this trend is beginning to reverse into January, with the 0.4% latest month-on-month drop comparing to a 0.6% fall in December, 0.9% in November and a 1.2% monthly drop into October 2015.



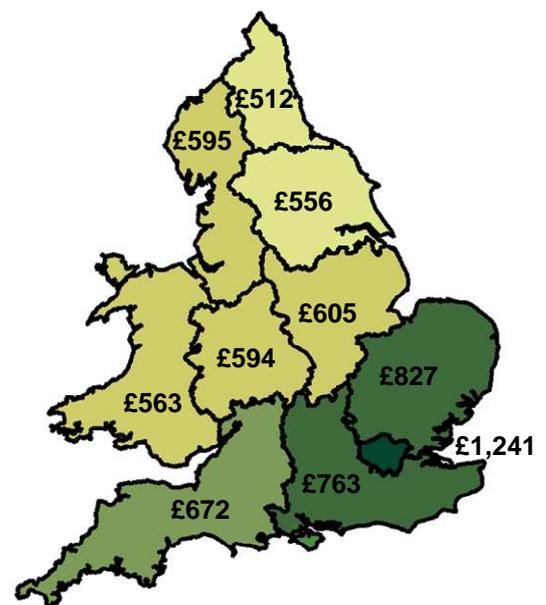
**Adrian Gill continues:** *“Right now, canny tenants are taking advantage of the slightly cooler winter rental market, and securing tenancies with rents a little lower than in the peak autumn market last year. There are good deals to be had. But underneath this seasonality, rents are beginning to accelerate once again on an annual basis.*

*“There is a huge shortage of housing in the UK, particularly compared to an accelerating population and an economy that continues to outpace neighbouring countries. Meanwhile, real wages continue to rise meaning many tenants are able to pay a little more rent if necessary. In a competitive market that is a recipe for rent rises.”*

## Rent rises in East Midlands and East of England overtake London

On a regional basis annual rent rises are now led by the East Midlands and East of England, with rents up 5.9% and 5.8% respectively since January 2015. This pushes London to third place on this measure, with rents in the capital 5.7% higher on an annual basis, marginally slower than 6.3% in the capital in December.

At the other end of the spectrum rents are lower than a year ago in the South East and North East regions, both seeing a 1.0% annual fall. Meanwhile the slowest annual rent rises are in Wales, up just 0.6% since January 2015.



Monthly rents in January: By region

Six out of ten regions have witnessed monthly falls in rents, in line with the overall month-on-month trend across England & Wales. This is led by London, with rents in the capital 0.7% lower than in December.

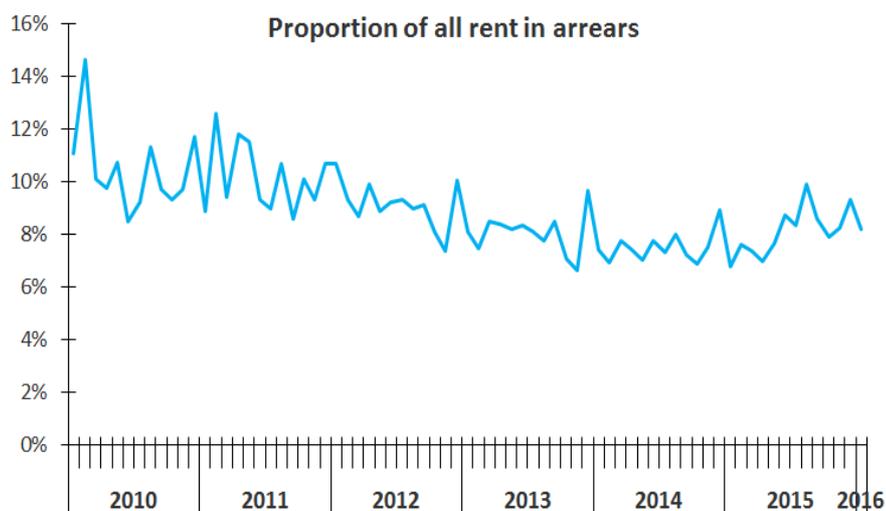
## Tenants mend household finances in the New Year

Tenants in the private rented sector have paid down outstanding rent in January. On average late rent now stands at 8.2% of all rent due, representing an improvement on December's figure of 9.3%.

However, tenant finances remain slightly more difficult to manage than a year ago, with the latest arrears rate of 8.2% comparing with 6.8% in January 2015.

On a longer-term basis late rent remains reasonably steady compared to the all-time high of 14.6% of rent in arrears seen in February 2010.

**Adrian Gill concludes:** *"Some tenants seem to be applying New Year's resolutions to keep up with the bills. But the best news is that they are able to do so and the money is there."*



*"December is the most difficult month for most tenants, a fact which always shows up in all our statistics on late rent. That was no different at the end of last year. But regardless, renters have proven resilient and it's encouraging to start off 2016 with tenants' finances going the right way."*

- ENDS -

## REGIONAL BREAKDOWN

	Rents January 2016	One Month change	12 Month Change	Yields January 2016	Yields January 2015
London	£1,241	-0.7%	5.7%	4.0%	4.3%
East of England	£827	-0.6%	5.8%	4.2%	4.4%
South West	£672	0.5%	3.1%	3.5%	3.7%
Yorkshire & The Humber	£556	0.1%	1.8%	6.3%	6.5%
North West	£595	-0.6%	2.1%	6.7%	6.9%
Wales	£563	0.5%	0.6%	4.2%	4.4%
South East	£763	-0.5%	-1.0%	4.0%	4.4%
North East	£512	-1.0%	-1.0%	5.0%	5.2%
West Midlands	£594	0.1%	6.8%	5.5%	5.6%
East Midlands	£605	-0.5%	5.9%	5.8%	5.8%
<b>England &amp; Wales</b>	<b>£790</b>	<b>-0.4%</b>	<b>3.6%</b>	<b>4.9%</b>	<b>5.0%</b>

**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.