



**STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 15<sup>TH</sup> AUGUST 2014**

## **RENT RISES CREEP ABOVE INFLATION FOR FIRST TIME IN OVER A YEAR**

- Annual rent rises increase to 2.0%, fastest since September – but still only 0.1% after inflation
- Rents return to levels last seen in November 2013, standing at £753 per month in July 2014
- Tenant finances improve with 7.3% of rent in arrears, down from 7.8% in June and 8.1% last July
- Landlords see total returns moderate, down to 10.3% per annum as property price rises cool

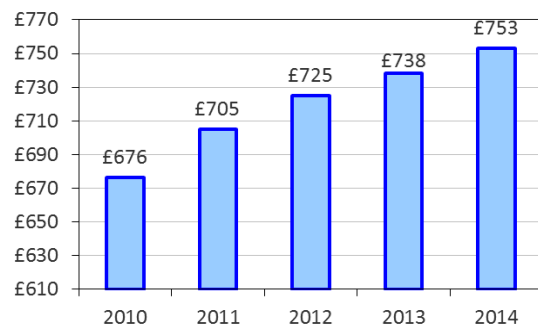
Rents have risen in real terms for the first time in fourteen months, according to the latest Buy-to-Let Index from LSL Property Services plc, which owns the UK's largest lettings agent network, including national chains Your Move and Reeds Rains.

The average residential rent across England and Wales is now 2.0% higher than in July 2013, currently standing at £753 per month. This is the same absolute level as in November 2013, and is up from an average of £738 per month in July 2013.

Rents are just 0.1% higher than a year ago after consumer price inflation of 1.9% – the first real-terms increase since September.

**David Brown, commercial director of LSL Property Services, comments:** *“As the summer turns to early autumn, the rental market is approaching its busiest period – yet rent rises remain modest.*

Average rent in July





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*“Tenants looking to rent a new property this month still need to budget the same as they would have in November. At a time when the UK is facing a serious shortage of homes, and with purchase prices rising steadily, that is an immense achievement for the private rented sector.”*

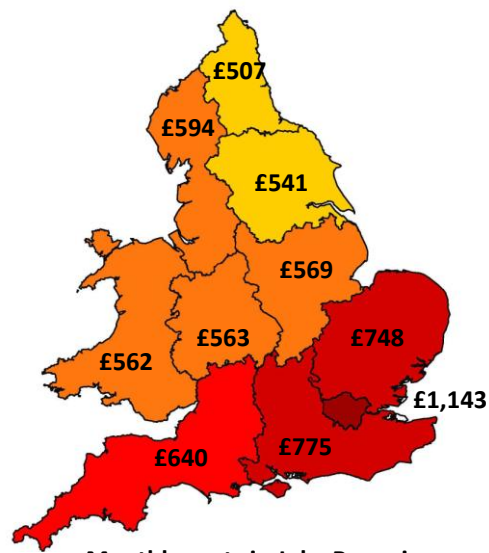
*“Rents have tracked inflation for many years – and as of July remain down 0.2% in real terms since the start of 2010. This is testament to serious improvements in the supply of new homes to let, thanks to investment by landlords. If that investment keeps flowing, and the right incentives for new landlords remain, this positive trend should continue.”*

## Rents by region

Rents in nine out of ten regions are higher than a year ago. The fastest annual increase is in the South East, where the average monthly rent is now 3.8% higher than in July 2013.

This is followed by a 3.0% annual increase in the North West, and annual rent rises of 2.3% in London.

The North East is the only region where rents have dropped over the last twelve months, falling 3.8%.



Monthly rents in July: By region

On a monthly basis, eight out of ten regions have seen rents rise in July. The fastest month-on-month increases are in the South East and North West, with rents respectively 1.7% and 1.6% higher than in June. Coming a close third is the East of England, where rents are up 1.5% over the past month.







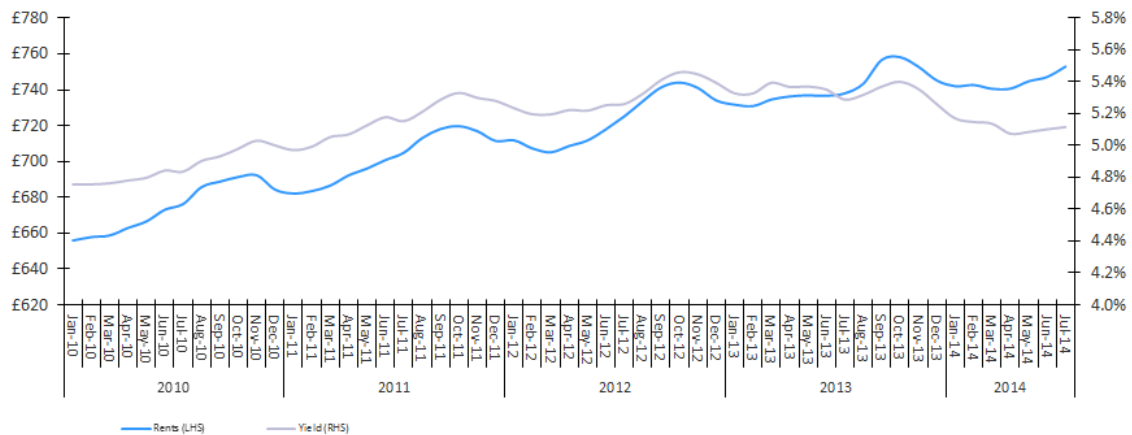
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Only two regions have seen rents fall on a monthly basis. The South West experienced a 1.0% monthly drop in average rents in July, while in the West Midlands rents were 0.5% lower than in June.

### Yields and Returns

As of July the gross yield on a typical rental property in England and Wales stands at 5.1%. This represents a fall of 0.2 percentage points since July 2013 when the gross yield on a rental property averaged 5.3%. However, yields are steady on a monthly basis, at 5.1% over the past six months.



Taking into account price growth alongside void periods between tenants, total annual returns on an average rental property stand at 10.3% in the twelve months to July. This is up from 6.1% in the year to July 2013, but represents a moderation on a monthly basis, down from 11.3% in the year to June 2014.

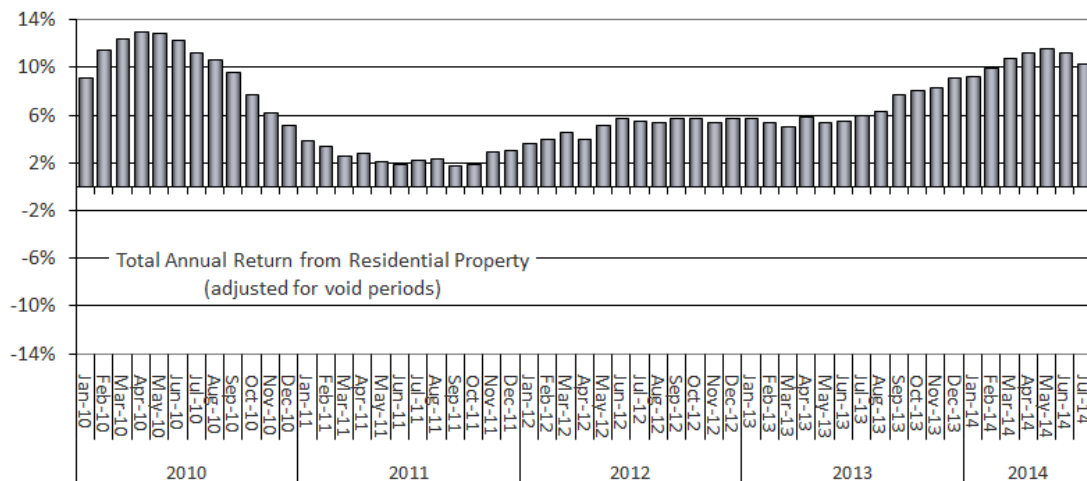
In absolute terms this means the average landlord in England and Wales has seen a return, before any mortgage payments or other deductions, of £17,307 in the last twelve months. This is made up of rental income of £8,168 and an average capital gain of £9,140.



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Looking ahead, if rental property prices continue to rise at the same pace as over the last three months, the average buy-to-let investor in England and Wales could expect to make a total annual return of 8.5% over the next year, equivalent to £15,050 per property.<sup>1</sup>



**David Brown comments:** “Steadier price growth is good news for landlords aiming to minimise volatility in the value of their properties, while hoping for gradual and sustainable rises. Such capital accumulation will vary alongside the purchase market.

“Most encouraging for landlords considering future investments will be the stability of rental yields over the last six months. The second half of 2013 saw yields dip back from record highs towards the long-run average of 5%. But so far this year we’ve witnessed an astounding consistency from gross yields. This indicates a healthy relationship between property values and rental income – though landlords must always pay attention to the all-important local factors that lie beneath this average.

<sup>1</sup> Assuming house prices change at the average rate of the last three months and they achieve the average yield of 5.1%.





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*“Looking ahead, the biggest risk for the health of the private rented sector is unconstructive government regulation. If this successful industry becomes a political football in the run-up to a general election then landlords will be frightened away from the market, and tenants would be worse off. However if political ideals can work in tandem with practical considerations, then the future is bright.”*

## **Tenant Finances**

Tenant finances have improved on the previous month. The proportion of late rent is down from 7.8% in June to the current level of 7.3% in July. In absolute terms this represents a drop of £14 million owed in late rent within the space of one month.

Tenants’ finances are also healthier on an annual basis in July. The total amount of late rent across England and Wales now stands at £252 million as of July 2014, down from £273 million in July 2013. Tenant arrears now represent just 7.3% of all rent compared to 8.1% a year ago. Measured by the proportion of late rent, July 2014 is the best month of July on record for tenant finances.

**David Brown concludes:** *“Unemployment is by far the greatest threat when it comes to tenant arrears. So a string of positive surprises on this aspect of the labour market have helped to drive enormous improvements in levels of late rent since 2009. Weak earnings do matter too, but are less devastating for household finances than losing out on the chance of any wage at all.*

*“Despite this, with the economic recovery on track, some sign of life from household earnings would be very welcome news for the thousands still feeling the pinch. Things are looking up economically, and this is certainly set to happen at some point – but serious wage growth is urgently needed.”*

- ENDS -





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## REGIONAL BREAKDOWN

	Rents July	1 month change	Annual Change	Yields July 2014	Yields July 2013
London	£1,143	1.0%	2.3%	4.4%	4.9%
East of England	£748	1.5%	0.7%	4.4%	4.7%
South West	£640	-1.0%	1.8%	3.7%	3.8%
Yorkshire and The Humber	£541	0.3%	1.3%	6.5%	6.7%
North West	£594	1.6%	3.0%	7.2%	7.2%
Wales	£562	0.3%	1.2%	4.4%	4.4%
South East	£775	1.7%	3.8%	4.7%	4.8%
North East	£507	0.1%	-3.8%	5.0%	5.2%
West Midlands	£563	-0.5%	0.3%	5.6%	5.8%
East Midlands	£569	0.0%	2.2%	5.9%	6.1%
<b>England &amp; Wales</b>	<b>£753</b>	<b>0.8%</b>	<b>2.0%</b>	<b>5.1%</b>	<b>5.3%</b>

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**METHODOLOGY:**

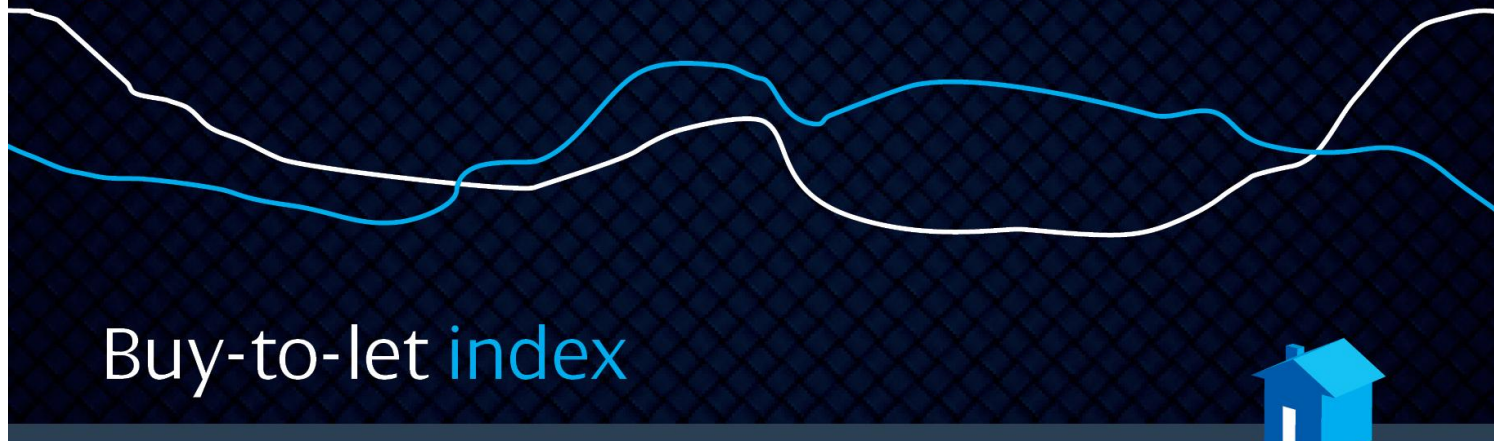
The index is based on analysis of approximately 20,000 properties across England and Wales. Rental values refer to the actual values achieved for each property when let. Yield figures are unadjusted, and do not take account of void periods or arrears. Annual returns are based on annual rental property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







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