



Buy-to-Let Index

STRICTLY UNDER EMBARGO UNTIL 00:01 FRIDAY 22ND MAY 2015

April 2015

Rents rise at fastest rate since 2010 to hit all-time record high

- Residential rents have grown 4.6% year-on-year – the fastest rate of increase since November 2010
- Average rent across England and Wales hits record high of £774 in April – or a record £1,204 for London
- East of England sees rents up 12.5% in 12 months, faster than new peak of 7.8% annual rises in London
- Levels of late rent improve once again after previous spike – proportion of rent in arrears falls to 7.0%
- Landlords see total returns drop to 8.9% on back of slower capital growth, but yields steady at 5.1%

Rents across England and Wales jumped 4.6% compared to April last year, according to the latest Buy-to-Let Index from Your Move and Reeds Rains.

This represents the fastest annual rise since November 2010.

Rents are also at a new all-time record in absolute terms. As of April, the average rent across England and Wales stands at £774 – the most expensive rental prices on record.

On a monthly basis, rents grew by 0.8% between March to April, the fastest month-on-month growth since September.

Adrian Gill, director of estate agents Reeds Rains and Your Move, comments: “Rents are going skywards and still accelerating. That momentum is fueled by a fundamental shortage of housing and given oxygen by renewed wage growth.”

Average rent in April



Buy-to-Let Index

“Economic progress has brought about a slow but steady stream of household earnings and employment: the most basic requirements for rent rises. Placed in the context of the UK’s pressure-cooker housing shortage, these modest improvements have driven rents up at record speed.

“This should be a loud and clear signal to the authorities that home building is more than just manifesto-fodder. People have more money in their pockets, but we’re in danger of seeing that recovery squandered away on a housing shortage. With the surprise of a relatively strong majority government, there has never been a better time to take the bull by the horns and fix this housing crisis at the root. When you hear a kettle whistle, you take it off the hob.”

Regional rents: East of England powers ahead

In the East of England, rents are not just increasing but accelerating on an annual basis. Compared to April last year, rents grew by 12.5%, up from 12.0% annual growth in March 2015 and 10.2% over the twelve months to February 2015.

London comes in second for annual rent rises with a 7.8% increase since April 2014. Again this represents an acceleration compared to 5.0% annual rent rises in March and 4.9% in February. After London, Yorkshire & the Humber comes in third with a 2.2% annual rent rise.

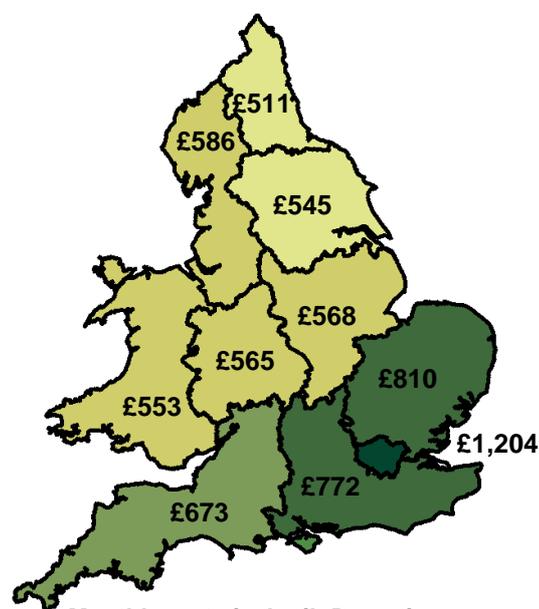
On the other side of the fence, rents in Wales are actually 2.8% lower than they were in April last year. On a similar note, rents in the North East have fallen back 0.8% on last April’s figures while rents in the East Midlands have edged down 0.2% over the last twelve months.

Looking at monthly rent rises, London is dominant. From March to April, London’s rents increased by 2.3%. The South West came in second, with rents up just 1.1% over the last month, closely followed by the West Midlands with a 1.0% increase between March and April.

By contrast, rents in Wales fell 1.8% on a monthly basis. Similarly, rents in both the North West and North East of England fell by 1.4% between March and April.

Adrian Gill explains: *“The East of England has witnessed rapid growth in property purchase prices, and rental prices have taken a similar course, albeit even faster. Away from the East, London is the real figurehead for the housing dilemma. Leading the way for both the positive story of wage growth and the essential challenge of overcrowding makes the capital a potent emblem for the wider issues facing the nation.*

“Rent rises tend to follow wage-growth, so it’s no surprise to see this clustered around the South. However, this could change if demand for jobs and homes in northern England starts to catch up with supply in a similar way. For example, if George Osborne’s commitment to the ‘northern powerhouse’ stimulates more investment in infrastructure and more



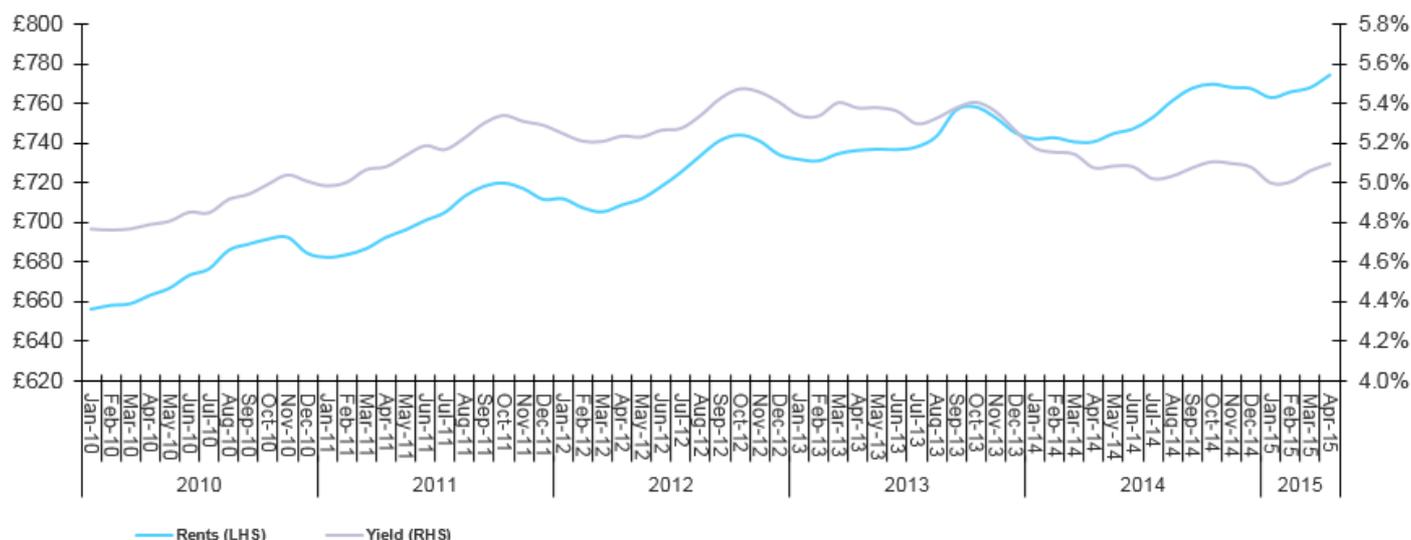
Monthly rents in April: By region

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jobs that will boost the success of places like Manchester – but the housing supply crunch could spread to northern cities if space isn't found for homes too."

Yields stable but total returns dip

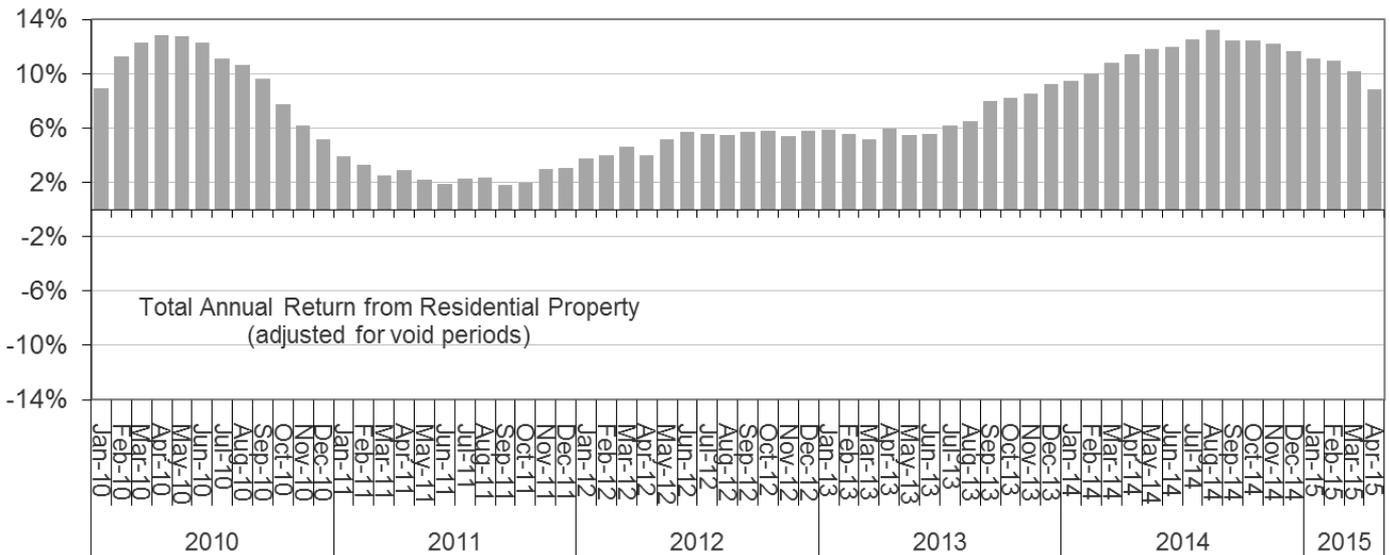
The gross rental yield on a typical rental property in England and Wales stands at 5.1% as of April 2015; stable compared to 5.1% in March this year and 5.1% in April 2014.



However, total returns have dipped on cooler property price rises. Taking into account changes in property prices and adjusting for void periods between tenants (but before costs such as mortgage repayments or maintenance) total annual returns on an average rental property now stand at 8.9% over the twelve months to April. This compares to 10.2% over the twelve months to March and 11.5% a year ago.

In absolute terms this means the average landlord in England and Wales has seen a return, before deductions such as mortgage payments and maintenance, of £15,503 over the last twelve months. Within this figure rental income makes up £8,247 while the average capital gain amounts to £7,256.

Buy-to-Let Index



Looking ahead is particularly difficult this month, but potentially less upbeat. If current trends continue, then over the next twelve months, ending April 2016, the average landlord would see a total return of 3.4%, or £6,256. Of this, rental income would yield £9,292 while capital growth would be negative amounting to an average drop of £3,036, if price trends continue as has been seen over the last three months.

Adrian Gill continues: "Price dips in recent months are unlikely to continue for a long time – which makes predictions for the next year more difficult than usual. However, rising prices should always be seen as a bonus for landlords rather than something to be relied on – and recent cooler price growth underlines that need for caution.

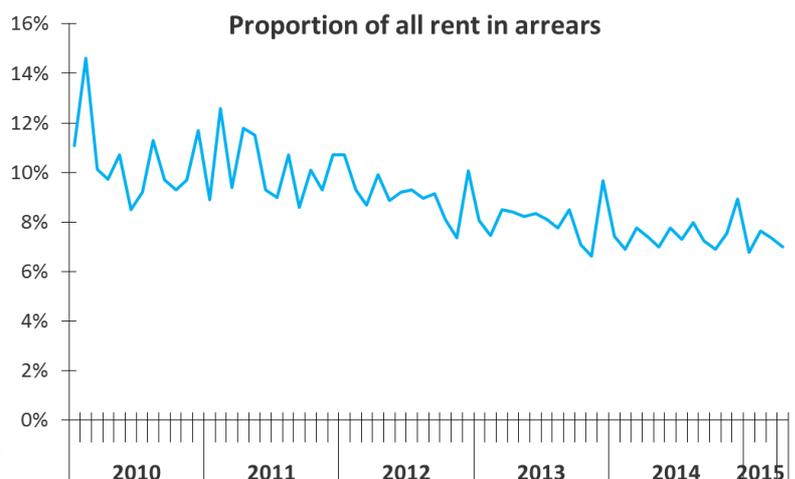
"However, rapid rent rises will matter most to landlords, and in time will put upwards pressure on yields. Rents have now risen faster than prices over the course of twelve months, and that improving prospect of a steady rental income will be the positive deciding factor for those considering new property investments.

"Most encouraging for landlords will be the seeming affordability of the latest rent rises – with arrears falling as a whole. Within that, there is still an overstretched core of tenants who struggle every single month, and a persistent chance of these most hard-pressed households falling more seriously behind on rent. This left-behind minority needs to be tackled somehow, and dealt with sensitively by landlords in the meantime. But the overall trend is clear, and indicates that one factor behind faster rent rises is improving household incomes."

Tenant finances improving

As of April 2015, 7.0% of all rent is now in arrears, down from 7.4% in March 2015 and down from 7.4% of all rent late a year ago in April 2014.

However, the most recent Tenant Arrears Tracker from Your Move and Reeds Rains found an



Buy-to-Let Index

increase in the number of UK tenants in severe arrears in Q1. The number of tenants owing more than two months' rent increased by 2.2% from Q1 2014 to Q1 2015, to reach 70,900 or 1.4% of all tenancies.

Adrian Gill concludes: "On average, the nation's finances are improving as more and more people manage to make their way into rewarding employment – and this appears true for the one in five UK households who now live in privately rented homes.

"But at the same time a smaller minority are still struggling to get their living costs under control – even in the face of the wider recovery. That persistent monthly scramble is reflected in those most seriously behind on rent payments, who still face losing their homes in their thousands. This number has improved too over the longer-term, but it should act as a warning shot against complacency, and a call to action in the struggle to supply more new homes across all tenures."

- ENDS -

SUMMARY REGIONAL BREAKDOWN OVERLEAF

REGIONAL BREAKDOWN

	Rents April 2015	One month change	Annual Change	Yields April 2015	Yields April 2014
London	£1,204	2.3%	7.8%	4.4%	4.4%
East of England	£810	0.4%	12.5%	4.6%	4.3%
South West	£673	1.1%	1.8%	3.8%	3.9%
Yorkshire & The Humber	£545	-0.2%	2.2%	6.5%	6.4%
North West	£586	-1.4%	0.7%	7.1%	7.0%
Wales	£553	-1.8%	-2.8%	4.3%	4.5%
South East	£772	0.5%	3.3%	4.4%	4.6%
North East	£511	-1.4%	-0.8%	5.1%	5.1%
West Midlands	£565	1.0%	1.2%	5.6%	5.6%
East Midlands	£568	0.4%	-0.2%	5.7%	6.0%
England & Wales	£774	0.8%	4.6%	5.1%	5.1%

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METHODOLOGY:

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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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