

BELVOIR!



Rental Index

September 2018 (Q3 18)



National rental trends

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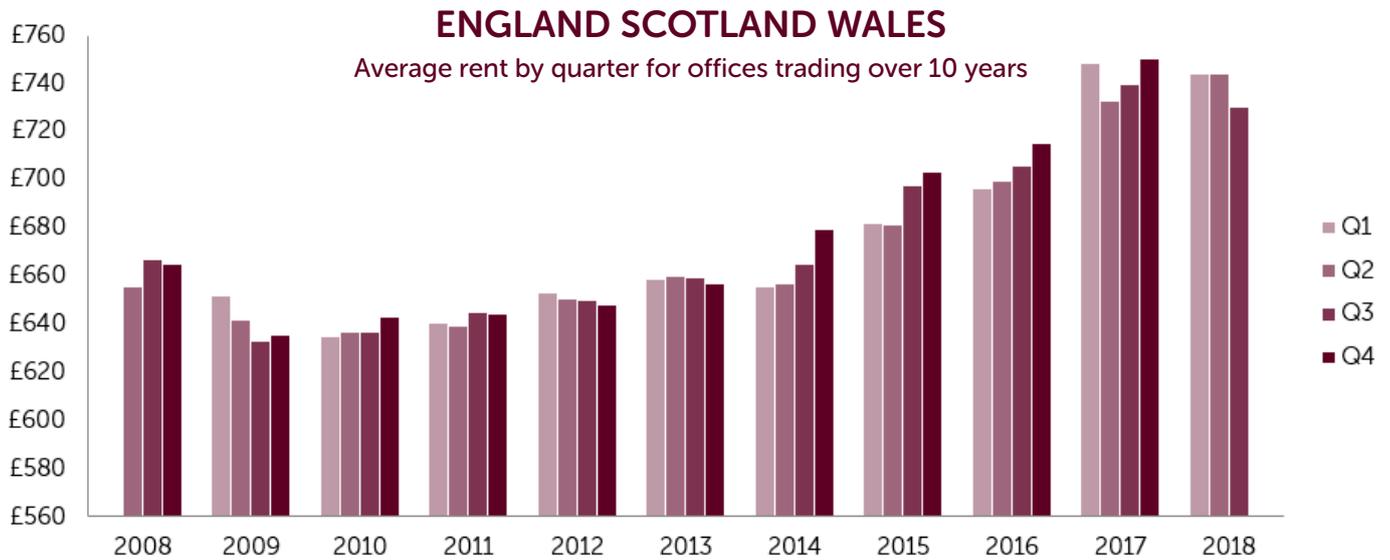
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National rental trends



Data from offices trading over 10 years



Average rent Q3 2018

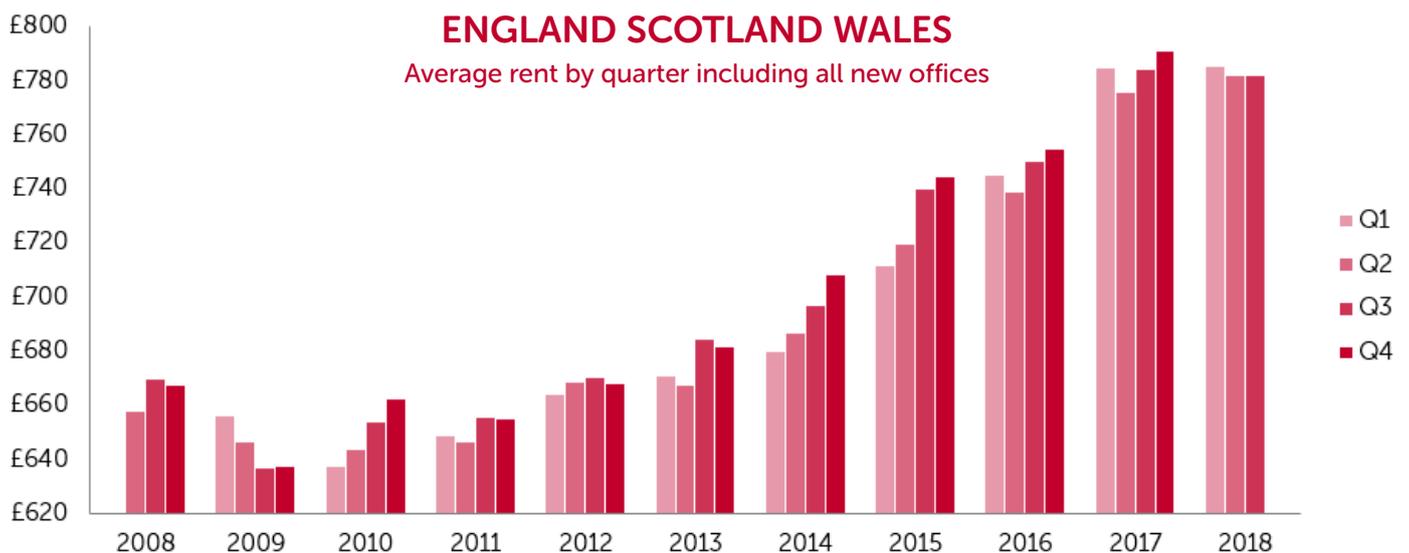


Year on year decrease in average rents to Q3 18



Decrease from 2017 average to Q3 18 average rent

Data including new Belvoir offices



Average rent Q3 2018



Year on year decrease in average rents to Q3 18



Decrease from 2017 average to Q3 18 average rent

National rental trends



Summary for England



Average rent
Q3 2018



Year on year
decrease in average
rents to Q3 18



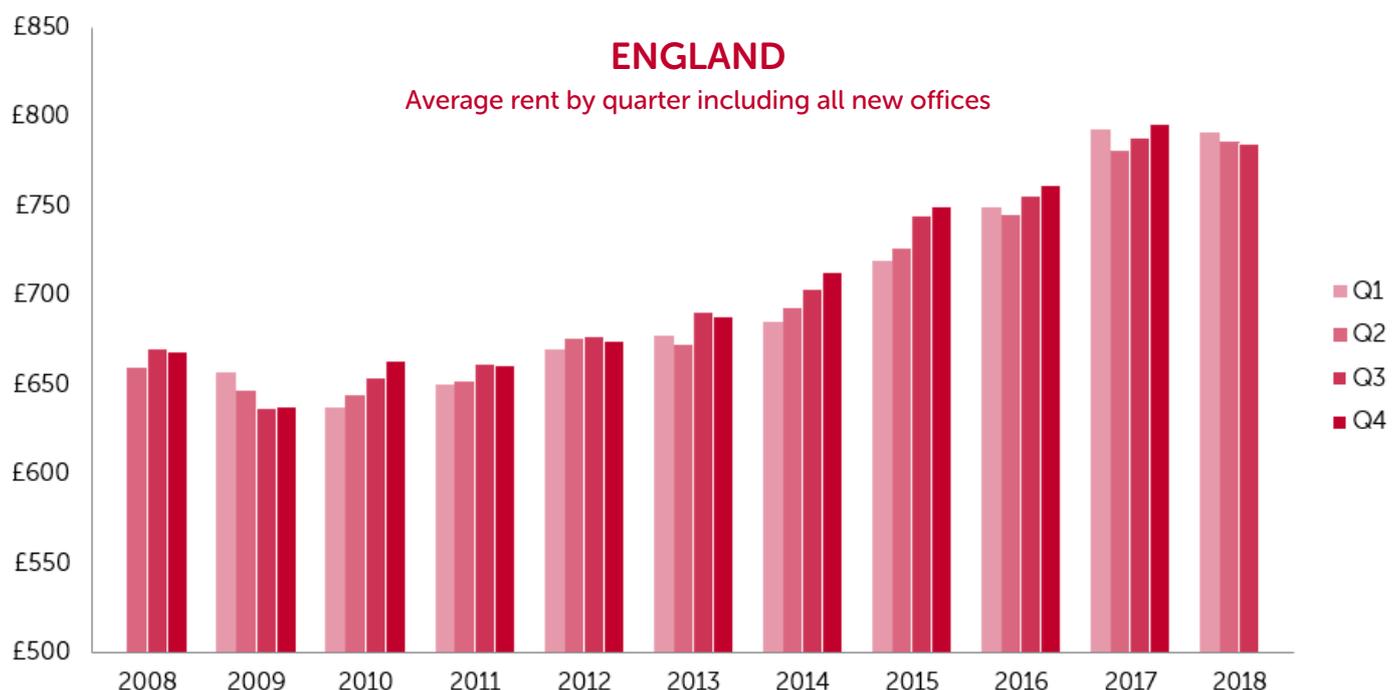
Decrease from 2017
annual average to
Q3 18 average rent



The Belvoir rental index, which is now in its 10th year, produced some interesting results. Earlier this year I forecast that rents would remain pretty flat throughout 2018 and the Q3 rental index confirms this with a slight decrease in rent of -1.25% year-on-year versus Q3 2017, and a monthly rental average of £730. This decrease seems to be due to a combination of lower rents/rises for larger properties, which traditionally have driven average rents upwards.



DORIAN GONSALVES, BELVOIR CEO





CITY OF GLASGOW

- ☁ Small rental increases for one and two-bed flats during Q3 2018.
- ☁ Tenant demand remains static.
- ☁ Rents and demand expected to remain stable during Q4 2018.

SHARON WALKER, BELVOIR GLASGOW

FALKIRK

- ☁ Static rents and tenant demand across the board during Q3 18.
- ☁ Rents expected to remain stable over the next quarter, with tenant demand decreasing.

AMANDA CAMPBELL, BELVOIR FALKIRK

ABERDEEN

- ☁ Increasing rents on one and two-bed flats, three-bed semi/terraced houses and four-bed detached during Q3 2018.
- ☁ Increased tenant demand, which is seasonal and due to students and young renters.
- ☁ Traditionally, both rents and demand decrease during the final quarter of the year.

LEWIS STUART, BELVOIR ABERDEEN

PAISLEY

- ☁ Rents increased tenant for all types of property and tenant demand also increased across the board.
- ☁ Rents for flats are expected to remain static over the next quarter, with an increase for houses and tenant demand remaining stable.

DENISE RHODES, BELVOIR PAISLEY

continued...



PERTH

“ There was no change to rents for studios, two-bed houses, three-bed semi/terraced and four/five-bed detached, with slight increases on one/two-bed flats and three-bed detached houses. Tenant demand increased during Q3 2018 for both flats and houses. Both rents and demand are expected to increase during the next quarter. We experienced a very buoyant market which is likely to continue due to the shortage of social housing in the area. ”

HARRY COATES, BELVOIR PERTH



DUNDEE

-  Small rental increases on all properties.
-  Increased tenant demand for both flats and houses. This is due to this quarter usually being the busiest of the year.
-  Rents and demand are expected to decrease during Q4 2018.

NICK HORAN, BELVOIR DUNDEE

National rental trends



Summary for Wales

SWANSEA

-  Slight rental increases on flats and two-bed houses, with larger increases on three-bed properties.
-  Falling rents on four/five-bed detached houses.
-  Tenant demand increased across the board.
-  Rents expected to remain static during Q4 2018 with demand decreasing.



Average rent
Q3 2018



BEN DAVIES, BELVOIR SWANSEA AND MUMBLES

WREXHAM



Average rent
Q3 2018



Year on year
increase in average
rents to Q3 18



Decrease from 2017
annual average to
Q3 18 average rent



BANGOR

“ We have seen static rents for one and two-bed properties, small increases on three/four-bed properties, with higher increases on larger/five-bed houses. Tenant demand remained static during Q3 2018. Both demand and rents are expected to remain static during the next quarter. We are also seeing a shortage of all property types/sizes due to landlords not buying properties and tenants not moving due to the shortage in supply.



”

JACKIE BURNS, BELVOIR BANGOR

NEWTOWNARDS

-  Rents were static for one-bed flats and three-bed semis/terraced houses.
-  Rents increased slightly on two-bed flats/houses and three/four-bed detached houses.
-  Larger rent increases on five-bed detached due to low supply and good tenant demand.
-  Tenant demand remained static.
-  Rents are expected to increase for both flats and houses, with demand remaining unchanged.
-  There is a shortage in supply of most property types and sizes.

TREVOR BURNS, BELVOIR NEWTOWNARDS

Regional rental trends

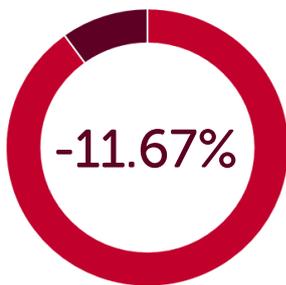


Current rental trends

LONDON



Average rent
Q3 2018



Decrease from 2017
annual average to
Q3 18 average rent



From the chart below, London rents have been predominantly static to falling over the last year. The current data, however, suggests a larger fall for the region, but this is due to individual variances at office level.

Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
London	£1,299	£1,470	-11.67%	£1,461	-11.14%	2013Q3 £1,806	2010Q2 £924	2008Q2 £937	10	3.32%

Historic rental trends



Regional rental trends



Current rental trends

SOUTH EAST



Average rent Q3 2018



Year on year decrease in average rents to Q3 18

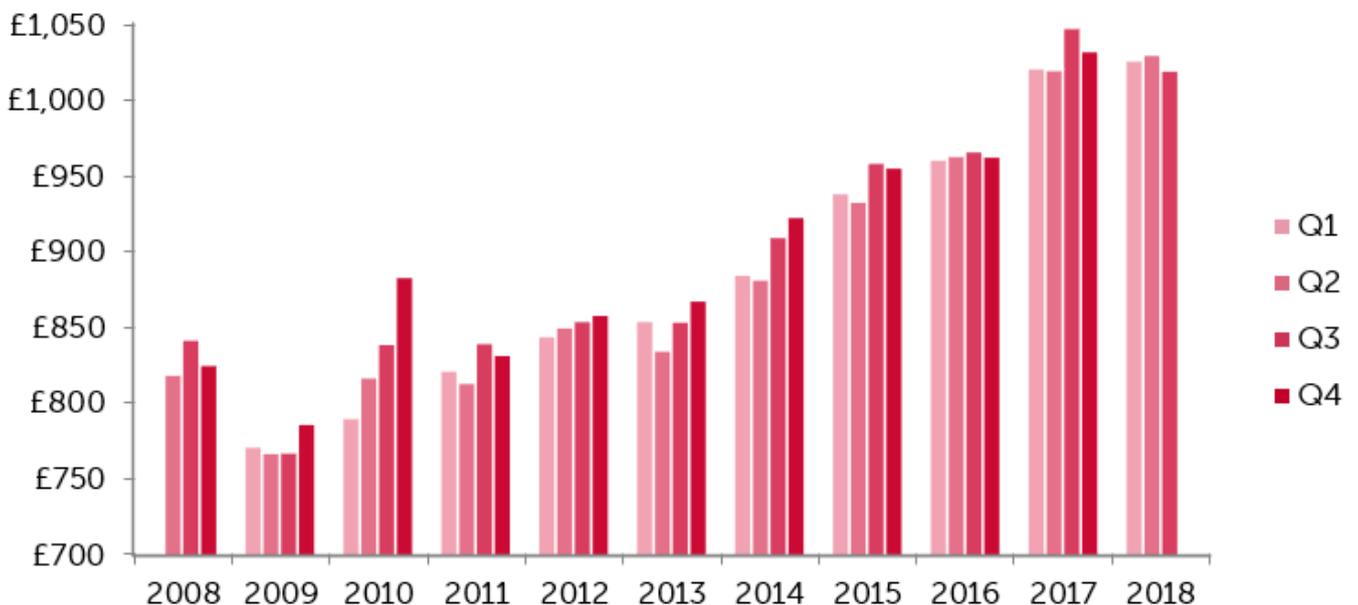


Decrease from 2017 annual average to Q3 18 average rent



Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
South East	£1,019	£1,047	-2.69%	£1,030	-1.04%	2017Q3 £1,047	2009Q2 £768	2008Q2 £819	10	2.21%

Historic rental trends



Regional rental trends



Current rental trends

SOUTH WEST



Average rent Q3 2018



Year on year increase in average rents to Q3 18



Decrease from 2017 annual average to Q3 18 average rent



Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
South West	£745	£708	5.30%	£763	-2.28%	2017Q1 £842	2014Q3 £653	2008Q2 £696	10	0.68%

Historic rental trends



Regional rental trends



Current rental trends

EAST ANGLIA



Average rent
Q3 2018



Year on year
increase in average
rents to Q3 18

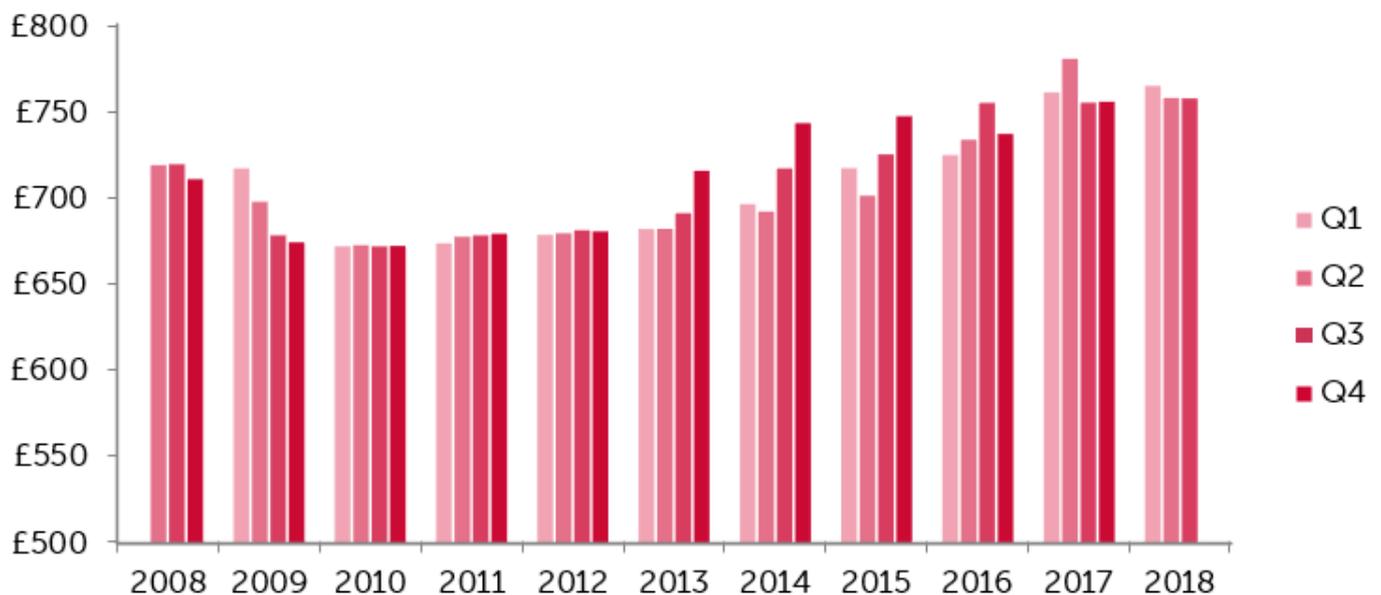


Decrease from 2017
annual average to
Q3 18 average rent



Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
East Anglia	£758	£755	0.33%	£763	-0.72%	2017Q2 £781	2010Q3 £672	2008Q2 £719	10	0.53%

Historic rental trends



Regional rental trends



Current rental trends

EAST MIDLANDS



Average rent
Q3 2018



Year on year
increase in average
rents to Q3 18

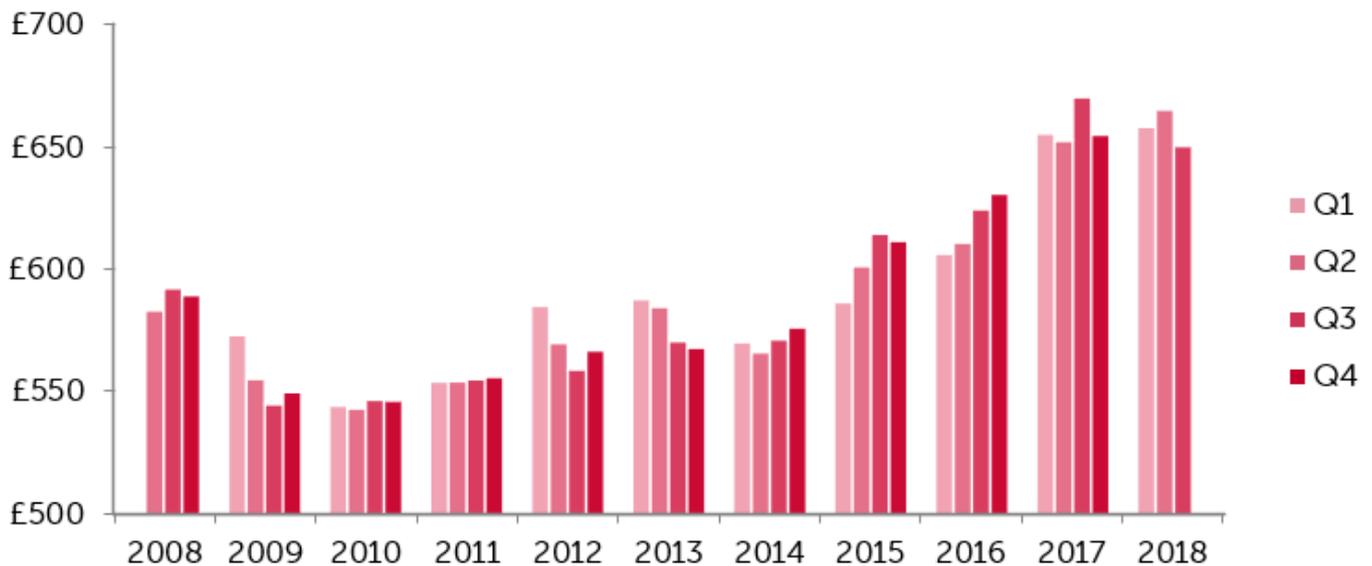


Increase from 2017
annual average to
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Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
East Midlands	£650	£670	-2.98%	£658	-1.21%	2017Q3 £670	2010Q2 £543	2008Q2 £583	10	1.10%

Historic rental trends



Regional rental trends

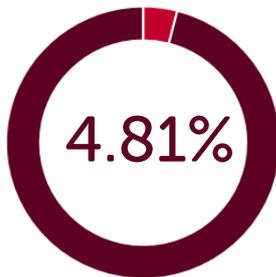


Current rental trends

WEST MIDLANDS



Average rent
Q3 2018



Year on year
increase in average
rents to Q3 18

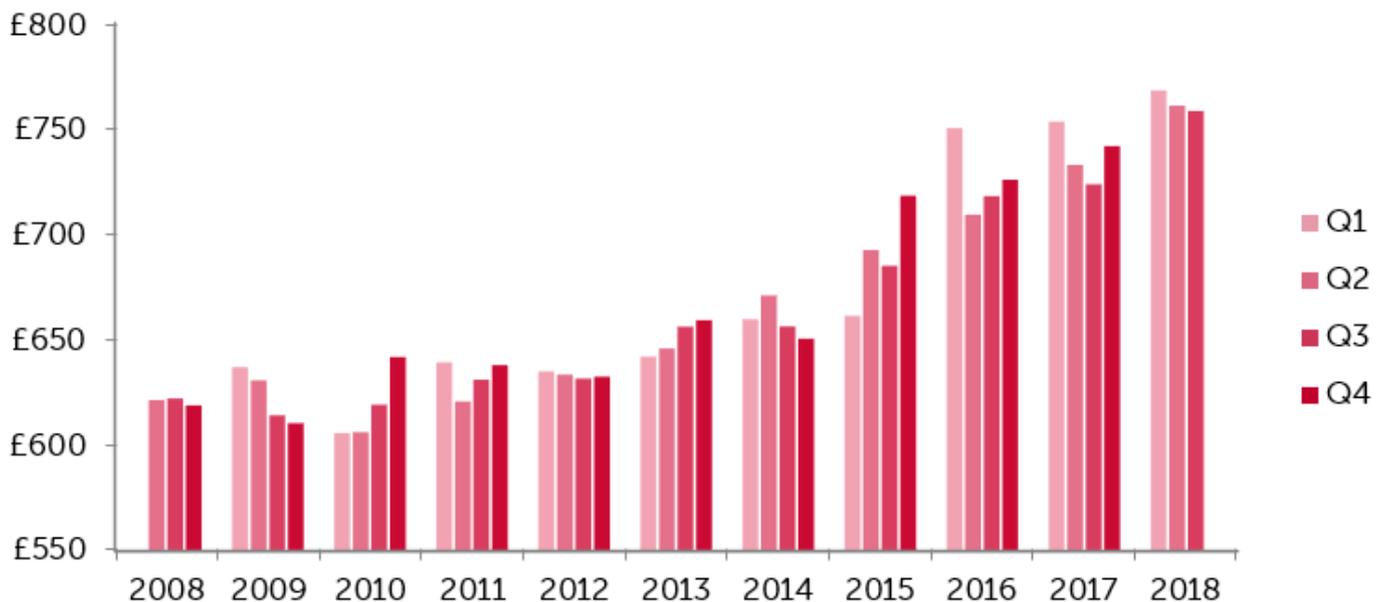


Increase from 2017
annual average to
Q3 18 average rent



Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
West Midlands	£759	£724	4.81%	£739	2.78%	2017Q1 £754	2010Q1 £606	2008Q2 £622	10	2.01%

Historic rental trends



Regional rental trends



Current rental trends

YORKSHIRE



Average rent
Q3 2018



Year on year
increase in average
rents to Q3 18



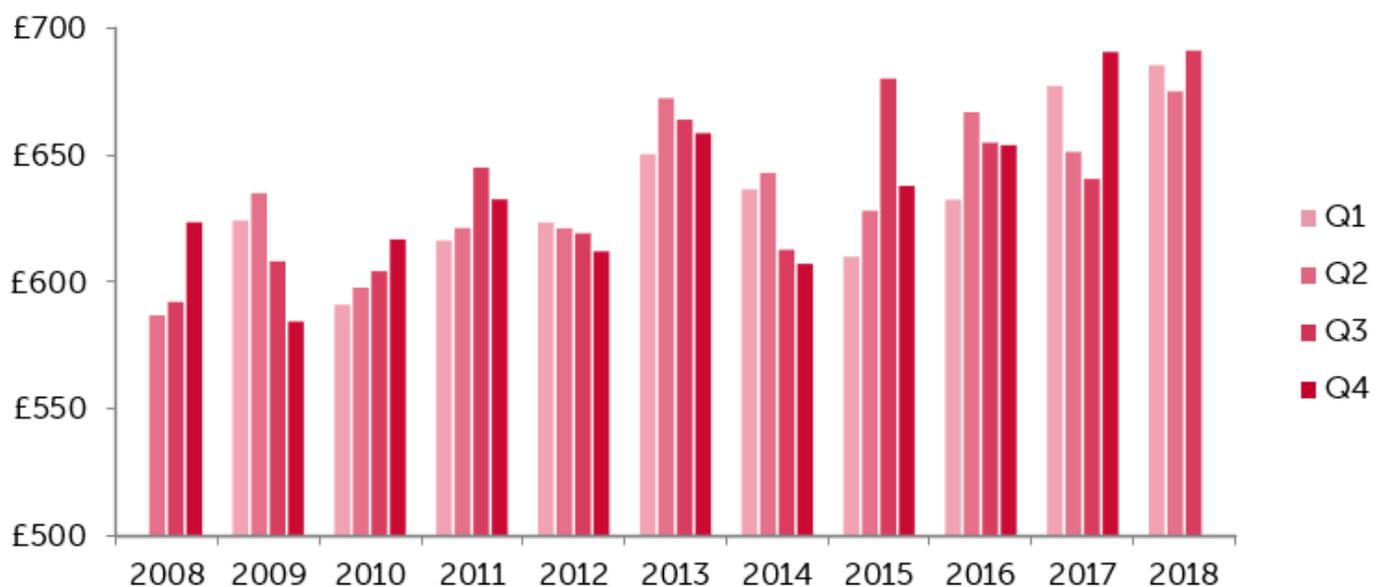
Increase from 2017
annual average to
Q3 18 average rent



Although the chart suggests Yorkshire rents are a little higher this quarter, feedback from individual offices confirms static rents for flats with small increases for houses in Skipton and Doncaster. Leeds North West reported static rents for one, two and three bed properties, with Harrogate recording no change to rental levels for studios, three, four and five bed properties, with falling rents for one and two bed properties during Q3 2018.

Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
Yorkshire	£692	£641	7.89%	£665	3.94%	2017Q4 £691	2009Q4 £585	2008Q2 £587	10	1.65%

Historic rental trends



Regional rental trends



Current rental trends

NORTH EAST

For some years, the statistical data on rental averages in the North East have been inconsistent and on some occasions, erratic, not reflecting the true picture of the local market, so we choose to feed back directly from the specific office owners:



“ Both rents and tenant demand remained static for all properties during Q3 2018 and are expected to remain stable over the next quarter. ”

HOWARD KING, BELVOIR NEWCASTLE

“ We have seen small rental increases for one/two bed flats and two to four bed houses during Q3 2018, with tenant demand remaining static for flats, but increasing for houses. For the next quarter, rents on flats are expected to remain static but increase for houses, with demand stable for all properties. Good properties rent extremely quickly, but tenants will not accept bad properties even if they are cheap. ”

JOHN REDDEN, BELVOIR TYNEDALE

Historic rental trends



Regional rental trends



Current rental trends

NORTH WEST



Average rent Q3 2018



Year on year increase in average rents to Q3 18



Increase from 2017 annual average to Q3 18 average rent



Region	Average latest quarter rent Q3 2018	Average rent in previous year's quarter Q3 2017	% difference Q3 2018 vs Q3 2017	Average annual rent for previous year 2017	Latest quarter vs previous year's average	Highest historical average quarter	Lowest historical average quarter	First quarter recorded rent	No of years	Annual average increase since existence
North West	£605	£591	2.49%	£591	2.51%	2016Q3 £602	2014Q4 £559	2008Q2 £576	10	0.50%

Historic rental trends





Studio flats

75% of offices report static rents
Modest rises of up to £25 a month



One-bed flats

57% of offices report static rents
Slightly more increases of up to £25 a month



Two-bed flats

63% of offices report static rents
Slightly fewer report increases of up to £25 a month
Similar number of offices report increases of over £25 a month

Inflation on flats continues to be comparatively stable versus Q2 18.
Majority of rises remain in the up to £25 bracket, or not at all



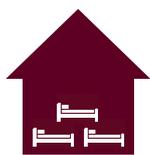
Two-bed houses

Inflation increasing slightly
43% of offices see rents unchanged
Similar number see rises of up to and over £25 a month



Three-bed semis/terraces

53% of offices report static rents, an increase on last quarter
Fewer offices see rises of up to and over £25 a month



Three-bed detached

54% of offices see static rents, an increase on last quarter
Slight increase in offices seeing rises of up to £25 a month
Fewer offices see increases rises of £25+ a month



Four-bed detached

48% of offices report static rents, a slight increase on last quarter
More offices see rises of up to £25, but fewer see rises of over £25 a month



Five-bed detached

45% of offices report static rents, similar to last quarter
Similar number see rises of up to £25 but fewer see rises over £25

Inflation on houses more static this quarter than last



Tenant demand and tenancy length

Demand

-  Demand remains stronger for houses than flats, with demand for flats static to falling and demand for houses remaining similar to last quarter. HMO demand is static to slightly increased
-  Tenants continue to be mainly short of three-bed semi/terrace and detached houses, and two-bed houses
-  Tenant choice remains considerably better for studios and one/two-bed flats
-  Main demand vs supply pressure will continue to be on houses, as per the last three quarters

Tenancy length

-  Fewer tenants are staying for less than a year.
-  41% prefer a tenancy of 13-18 months, an increase on last quarter, while 40% are staying for 19-24 months, the same as the previous quarter
-  14% rent for over 24 months, slightly fewer than the previous quarter
-  One office reported an average tenancy of 50 months; another reported an average of 30

Average length of time tenants are renting for	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
Less than a year	1.7%	3.7%	2.1%	3.6%	3.3%	8.2%	7.7%	5.6%	7.7%	1.7%
13-18 months	51.7%	46.3%	45.8%	43.6%	45.0%	42.9%	51.9%	33.3%	26.9%	41.4%
19-24 months	25.0%	27.8%	31.3%	29.1%	36.7%	30.6%	23.1%	40.7%	40.4%	39.7%
Over 24 months	16.7%	18.5%	14.6%	18.2%	11.7%	14.3%	13.5%	16.7%	17.3%	13.8%
Other	5.0%	3.7%	6.3%	5.5%	3.3%	4.1%	3.9%	3.7%	7.7%	3.5%

“ Our research shows that tenants tend to stay in their rental accommodation for the length of time that suits them. At the start of the index in 2008, most offices reported that the majority of people stayed for 13-18 months. This year we have, until this latest quarter, seen an increase in those renting for 19-24 months, suggesting two-year tenancy agreements are probably more likely to be what tenants would prefer, rather than the three-year agreements that were being discussed by policy makers earlier this year. ”

DORIAN GONSALVES, BELVOIR CEO



Belvoir offices reporting arrears and evictions

Arrears

-  Number of offices reporting 4-10 tenants in rent arrears is down on previous quarter, to 17%
-  Number of offices with fewer than three rent arrears decreased from 58% in Q2 to 54% in Q3
-  12% of offices report 11 or more tenants in arrears; an increase from 6% in the last quarter
-  Offices reporting no arrears rises from 14% to 17%

Evictions

-  54% of Belvoir offices carried out no evictions; down from 56% in Q2
-  26% of offices carried out just one eviction; down from 31%
-  Increase in number of offices evicting 2-3 tenants; up from 10% to 14%
-  7% of offices carried out four or more evictions, the highest since the start of the survey

“ Eviction rates remain extremely low, with over 50% of Belvoir offices carrying out zero evictions in Q3. The number of offices evicting four or more tenants is on the rise, but key reasons cited are non-payment of rent or landlords selling their properties, which cannot be legislated against. ”

DORIAN GONSALVES, BELVOIR CEO

Evictions carried out in the last quarter	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
None	71.7%	55.6%	62.5%	54.6%	61.7%	53.1%	55.8%	63.0%	55.8%	53.5%
One	21.7%	20.4%	31.3%	32.7%	20.0%	26.5%	32.7%	20.4%	30.8%	25.9%
2-3	3.3%	20.4%	4.2%	7.3%	13.3%	20.4%	9.6%	16.7%	9.6%	13.8%
4 or more	1.7%	3.7%	2.1%	3.6%	1.7%	0.0%	0.0%	0.0%	3.9%	6.9%



Landlords buying and selling properties

Supply

-  Property supply for tenants continues downwards, with a similar number of landlords to last quarter selling up
-  However, a slightly higher number of offices are seeing landlords buy 4-5 properties, although there are falls in offices seeing landlords buying up to 3 and 6-10 properties
-  Slightly higher number of offices see landlords selling no properties
-  Slight increase in landlords selling up to 3 properties; similar number selling 4-5 properties in Q3; decrease in offices seeing landlords selling 6-10 properties from 17% to 12%
-  Reasons for selling are still cited as changes to tax, regulation and legislation, along with lower returns and landlords moving back in to their properties
-  Increase in one-week voids and voids of 2+ weeks, but a decrease in those in between. Reasons are cited as allowing time for changeover and choosing to refurbish

How many landlords have sold properties?	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18	Q2 18	Q3 18
None	10.0%	16.7%	16.7%	18.2%	6.7%	4.1%	11.5%	9.3%	3.9%	5.2%
Up to 3	40.0%	53.7%	50.0%	32.7%	36.7%	57.1%	50.0%	46.3%	48.1%	51.7%
4-5	31.7%	20.4%	20.8%	38.2%	36.7%	28.6%	23.1%	31.5%	26.9%	27.6%
6-10	11.7%	5.6%	6.3%	7.3%	15.0%	8.2%	15.4%	7.4%	17.3%	12.1%
11 or more	3.3%	3.7%	6.3%	1.8%	1.7%	0.0%	0.0%	5.6%	3.9%	3.5%

“ Overall, our conclusion is that the number of landlords selling properties is increasing, albeit not at the rate that some research has suggested. When selling properties, only 19% of offices reported properties being sold to first time buyers as the government hoped, however, according to our survey, 33% of offices reported properties are being sold to other landlords and 23% are general sales. This suggests the government’s plan to increase home ownership by reducing the attractiveness of Buy to Let isn’t necessarily working. ”

DORIAN GONSALVES, BELVOIR CEO

Key research question



Who are landlords selling to?



If any of your landlords have sold properties in the last 12 months due to tax/legislation changes, who are they selling their properties to?

The main answers were:



First-time buyers



A mix of investors and first-time buyers



Other landlords



The general market



Is buy-to-let still a good investment in your area?

The results were a resounding 'yes' from 88% of franchise owners. Looking ahead to 2019, Belvoir predicts that property will remain a good long-term investment for the following reasons:



In a market with falling residential property transactions more people are likely to rent.



Property values are still low in many areas and rental income is likely to increase in 2019.



Rental yields remain good, ranging from 4.5% to 12% in some areas.



Good quality rental properties are still in high demand.



BTL remains a good, solid long-term investment.



Interest rates remain low, allowing investors to lock in low-cost financing, helping to support a stable long-term investment.



Mortgage-free cash buyers are able to pick up some fantastic investment properties, including HMOs with higher yields.



Over the last 10 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 10 years

This is an analysis of rents across offices which have consistently traded across the 10 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.

1. This data analyses more than 140 offices from 2008 to 2018.
2. All offices which have traded via the Belvoir brand over the last 10 years. This analysis looks at rents across all offices.
3. We add an office after it has traded for 12 months and can provide a three-month simple average.



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.