

# BELVOIR!

the lettings specialist

## **July 2013 Rental Index**

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## Belvoir Rental Index July 13: Top 10 Report Highlights

1. Average rents across the UK for July 2013 were £687, £7 more per month than 2012. However this was £8 less per month than in July 2008, over five years ago, for offices which have traded consistently over the last five years
2. In the UK, the annual average rent for the group in 2013, includes new offices, is £708 per month. July's 2013 average rent is £713 per month, suggests rents are rising month on month.
3. In England, July rents for all offices were £719 per month, while average rents for offices trading consistently over the last five years were £686 per month, which is £10 less than in July 2008.
4. Scottish rents vary with averages per month of £443 in Falkirk, £595 in Glasgow, £800 in Inverness city centre and £560 in Stirling.
5. Rents in Wales for July were averaging £702 per month in Cardiff, £625 in Swansea and £542 in Wrexham, with all areas showing very little change in rental levels over the past few months.
6. Rents in Northern Ireland rose slightly in July, ranging range from £400 per month for a two bed property up to £800 for a three/four bed depending on the area.
7. Areas still to recover to the 2008 rental heights in July 2013 were the North East, East Anglia, East Midlands and the North West.
8. Areas where rents are now slightly above the highs of 2008 include the West Midlands, Yorkshire, South East and South West.
9. London is showing signs of rents starting to rise again, but only slightly.
10. Rents in the West Midlands are 4% up versus the high of 2008. In contrast, East Anglia remains 6% down versus average rents achieved in 2008.

## National Rental Trends

For offices which have traded over the last five years, rents in July 2013 returned to January levels, having dropped back slightly in June and July rents averaged £687 per month. This compares to a 2013 average of £688 per month and 2012's annual average of £681. Over the long term, July 2013 rents of £687 are continuing to run at £8 less per month than they were five years ago in July 2008 at the commencement of our index.

Chart showing the national rental trends for the last five years over consistently trading offices

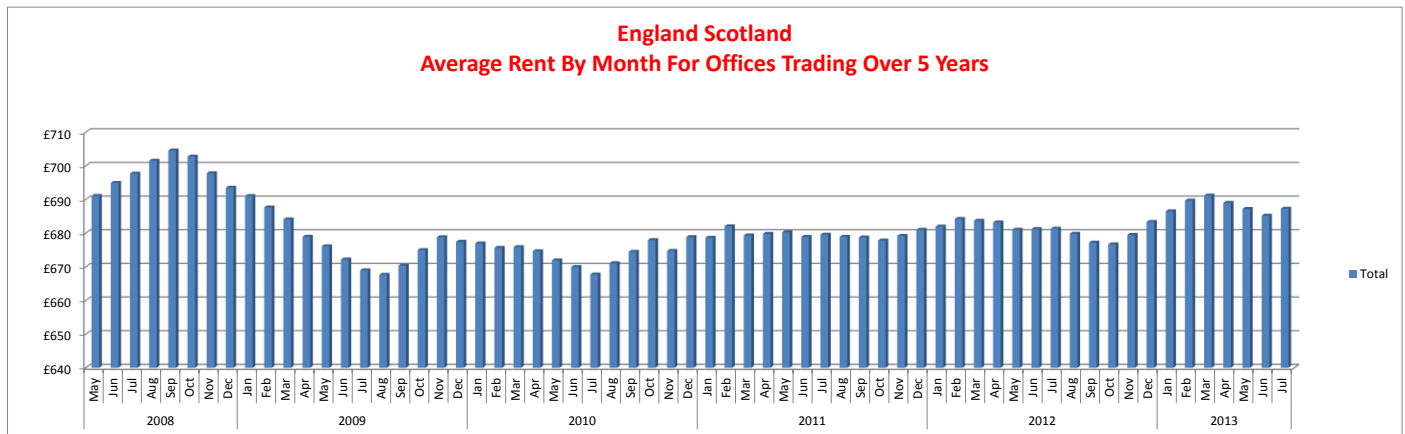
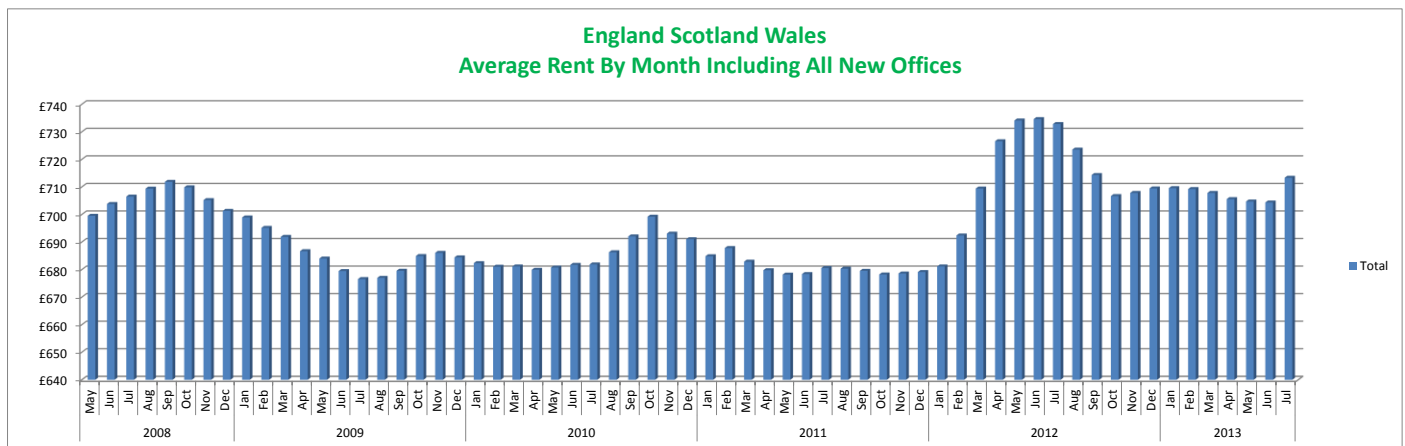


Chart showing the national rental trends for the last five years, including new Belvoir offices



Belvoir now has over 150 offices across the UK and the annual average rent for 2013 for the group, including the new offices, is £708 per month. July's 2013 average rent is £713 per month, which suggests rents are rising month on month. This is £7 a month higher than rents back in July 2008 which were £706 per month. Part of this growth though is less of an increase in existing rents, but more due to the growth in the network. This month we are picking up new offices including: Eastbourne, Westbourne, Maidenhead, Harborne and Hull. These offices, bar Hull, have average rents around £1,000 per month, so will increase the overall group's average rental figure over the coming months.

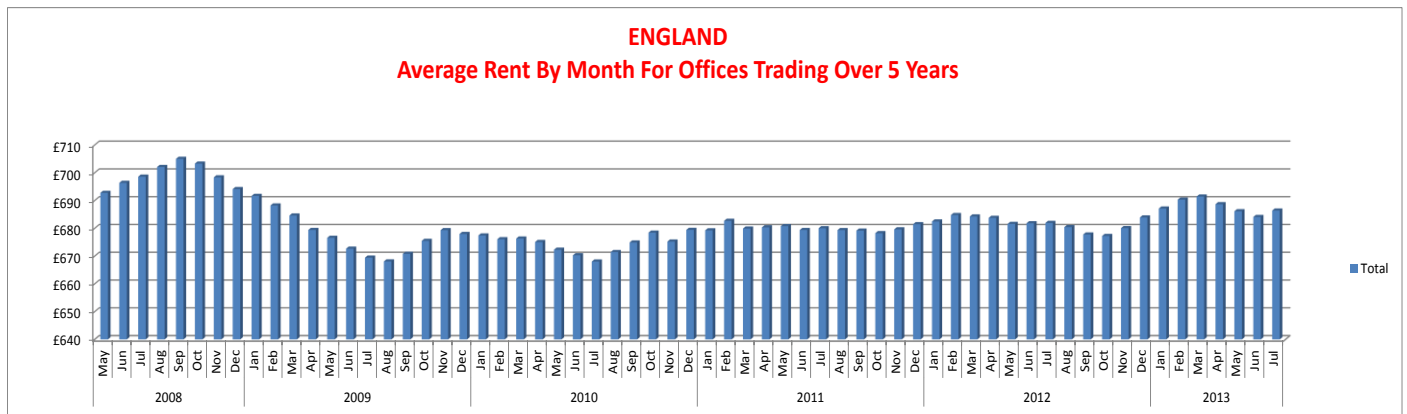
Dorian Gonsalves, CEO of Belvoir Lettings commented "It's great to see such growth in the Belvoir Group as we add offices. Although the average rents for the group show rents are rising, in reality, when looking at rents from offices which have been trading consistently, rents remain great value for money for tenants. Rent is often considered as 'dead money', however, with property prices still flat or falling in areas other than London and rental increases below inflation, renting has been a very cost effective and sensible option for many tenants over the last five to six years."

## Belvoir Index Area Summary

### Belvoir Lettings Index Summaries for England, Wales and Scotland

The private rental sector has expanded dramatically over the last 15 years and Belvoir has benefited from this growth. Now as a national company with franchises across England, Scotland, Wales and Northern Ireland this means we can compare performance across each region.

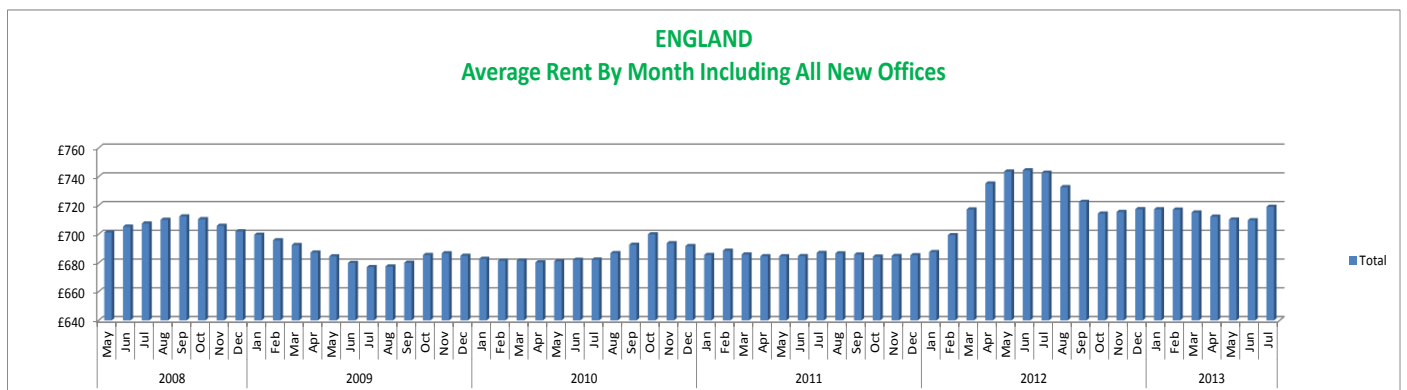
#### Summary for England



Rents in July 2013 hit the lowest so far this year with rents averaging at just £686 per month. This is lower than the 2013 average of £688 per month, but still £4 per month higher than 2012's annual average. Looking at previous year's rental averages, drops over the summer aren't unusual, so we'd consider this to be a seasonal trend and expect rents to pick up again towards the end of the year.

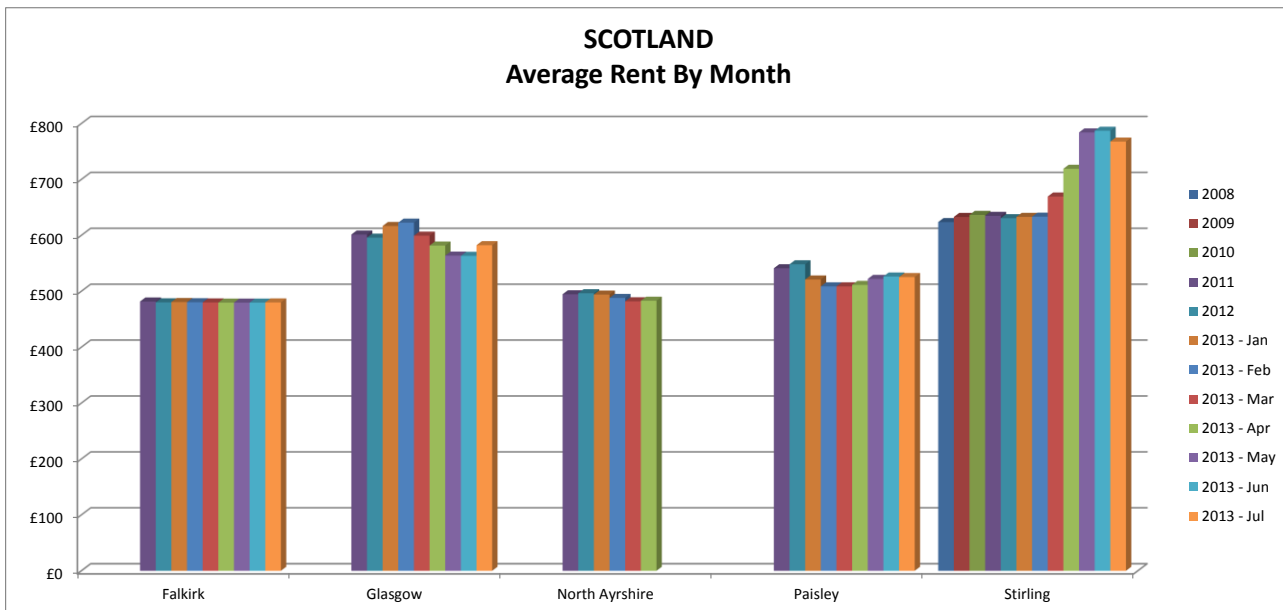
Long term, the July 2013 rents of £686 are running at £10 less per month than they were five years ago in July 2008 at the start of our index so still good value for tenants

#### Chart showing the England rental trends for the last five years, including new Belvoir offices



Belvoir now has 153 offices and with the new offices, the annual average rent for 2013 for the group is £714 per month. July's average rent is £719 per month, which we think is more due to the addition of five new offices to the index, most of which are averaging around £1,000 in monthly rents than actual rent increases.

## Summary for Scotland



Rents can differ widely from one place to another, and this is shown throughout the offices in Scotland. Falkirk, North Ayrshire and Paisley rents suggest average rents in these areas remain fairly static. Stirling rents dropped back towards their steady annual average confirming that increases this year were due to a change in rental stock, as opposed to actual rents rising. The Glasgow average rents indicate a rise.

**Mike Campbell from Falkirk explains** *“Two bedroom flats form the majority of properties let within Scotland. During July, which is a traditionally slow month, the average monthly rent achieved for two bedroom flats in Falkirk was £443.”*

**Joseph Curran, Belvoir Stirling says** *“We are really busy at the moment, with students and professionals alike, but properties are in very short supply and we have very few left to rent out. The current average rent for 1 bed flats in the area is £400-£425, and 2 bed flats are fetching around £560 per month. We also have a number of large houses in Stirling that are let out to students at this time of year, and these rent out for between £900 per month for 3 bedrooms and up to £1,500 for 5 bedrooms.”*

**Sharon Walker from Glasgow comments** *“The rental market is still buoyant in Glasgow with the average monthly rent being £595. The last three months have been very busy and we are finding it hard to keep up with the demand for good quality properties.”*

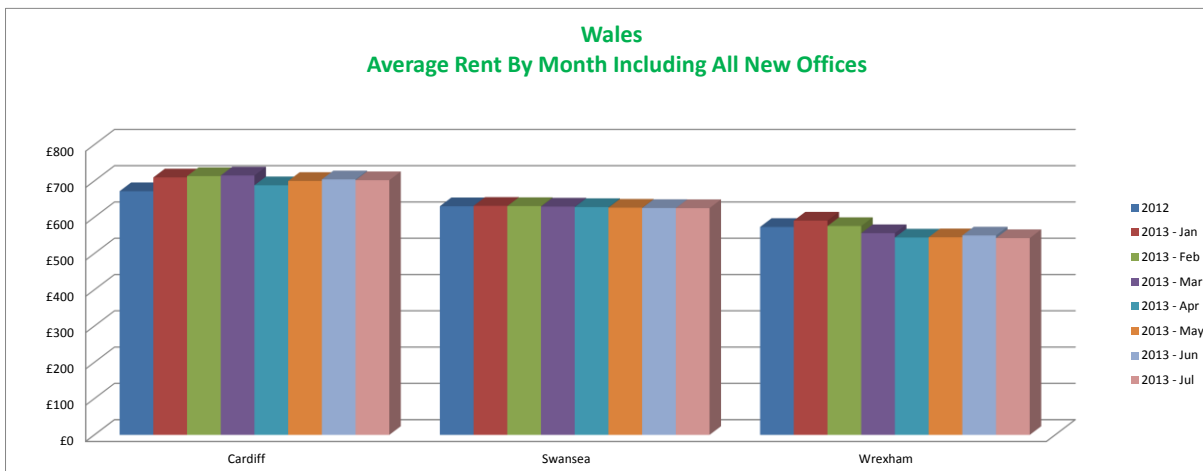
**Amjed Rasul from Inverness explains** *“The rental market in Inverness is very buoyant. We are seeing a very strong swing of DIY landlords looking for assistance from a professional agency and therefore we are benefitting from additional listings.*

*Tenant demand is also very strong and we have good demand for both 1-2 bed flats through to large family homes, rental prices are pushing upwards due to demand and tenants are offering over the advertised prices to secure our properties.*

*This is also the case at the luxury end of the market where there is a healthy demand, we are achieving rentals in the region of £800 pcm for 2 bedroom flats in the City Centre.”*

**Denise Rhodes from Belvoir Paisley comments** *“The rental price of one and two bedroom flats is dropping due to oversupply, with average rents for houses static or slightly rising due to undersupply.”*

## Summary Wales



The different offices in Wales show average rents are remarkably static right across the region. Swansea rents remain unchanged averaging around £625 in July and have hardly changed for the last three months. Cardiff rents are averaging around £702 per month in July and this has been the case pretty much for the last three months. In Wrexham, average rents in July were £542 per month and haven't varied that much since April 2013.

**Vaughan Schofield from Wrexham explains** *"We are very busy with very strong tenant demand but are significantly down on the number of properties available to rent when compared to normal levels. The sales market in the area has recently picked up and there are far fewer properties available to let as people are choosing to sell. Rental price levels have changed very little over the past few months."*

**Rob Price from Cardiff comments** *"This summer is certainly busier than last year, from both a tenant and landlord perspective, with flats continuing to be in very strong demand. However, prospective tenants are taking a little bit more time choosing a house, but this is still a competitive market. There has been no real noticeable change in rental prices in the area for some time."*

**Ben Davies of Swansea comments** *"We are busy at the lower end of the market, for city centre studios/one bed properties and also at the higher end of the market for four/five bedroom properties, particularly with families wanting houses in good school catchment areas. The market is however a little slower for 2-3 bed properties. The supply of properties coming onto the market is currently good. Average rental prices in the Swansea area have remained fairly steady for some time."*

## Summary Northern Ireland

### Belfast City Centre

Belfast older developments: One bed from £500 to £525 and two beds from £550 to £625  
Newer developments: One bed from £600 to £625 and two beds from £600 to £725

**Andrew Jack from Belfast comments** *“The property market in general has definitely been showing signs of recovery over the last six months. For landlords, the key to getting the best tenants and the best rent is to ensure properties are of a good quality and are well presented.”*

### East and South Belfast

*East Belfast:*

<i>Two bed apartment</i>	<i>£525 to £550</i>
<i>Traditional two bed terrace</i>	<i>£450 to £500</i>
<i>Three bed semi-detached</i>	<i>£550 to £600</i>

*South Belfast:*

<i>Two bed apartment</i>	<i>£600 to £625</i>
<i>Traditional two bed terrace</i>	<i>£550 to £600</i>
<i>Three bed semi-detached</i>	<i>£600 to £800</i>

### Newtownards

**Trevor Burns from Newtownards and County Down explains** *“Tenant demand has increased during the summer and property supply is good but not keeping up with the current demand. Tenants are still preferring to rent than buy, as the general sentiment is renting is a cheaper and easier short to mid-term option. As far as rental prices are concerned, I would expect rents to continue to increase over the foreseeable future.”*

*Newtownards:*

<i>Two bed properties</i>	<i>£400 to £500</i>
<i>Three bed properties</i>	<i>£500 to £600*</i>

*(\*With exceptional quality properties fetching above £600pcm)*

### Bangor

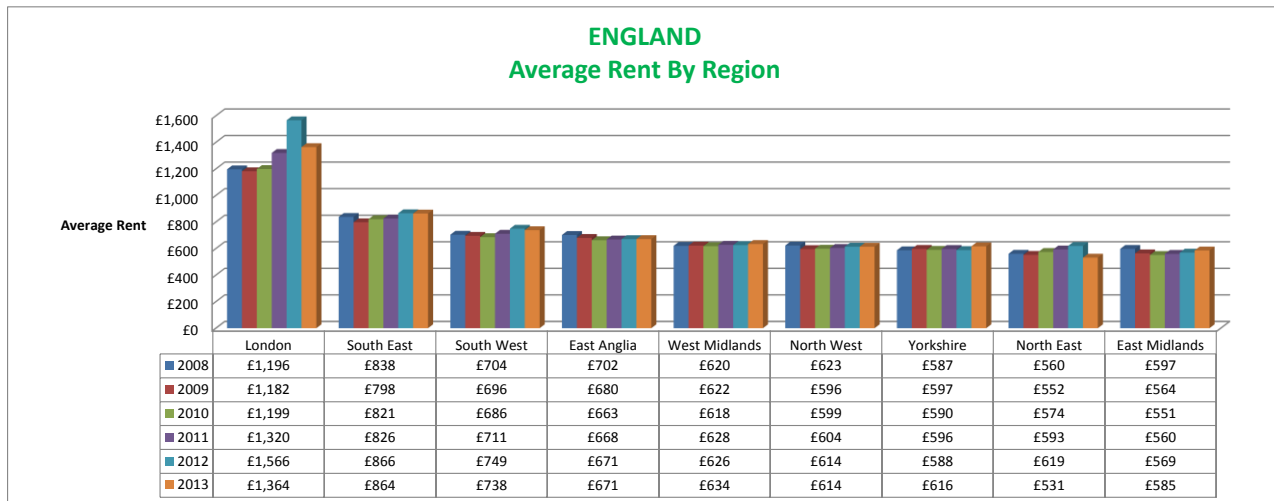
**Jackie Burns says** *“The average rent for two bed terraces range from £450 to 495 per month, with three bedroom properties renting for between £550 and £650 per month, depending on location and condition. The market is currently very buoyant and we are continuing to see uplift in demand, with some properties being let even before they are advertised. We are also seeing an increase in the number of property investors coming to the market.”*



## Belvoir Regional Rental Trends

Although we look at the national trends across the UK, it is equally if not more important to look at the regional rental picture. Across England, average monthly rents range from the lowest at £531 in the North East, through to £1,364 per month in London. However, the average regional figures can hide the more diverse local rental trends.

Chart showing average rents by region 2008 to 2013 for all Belvoir English Offices by Region

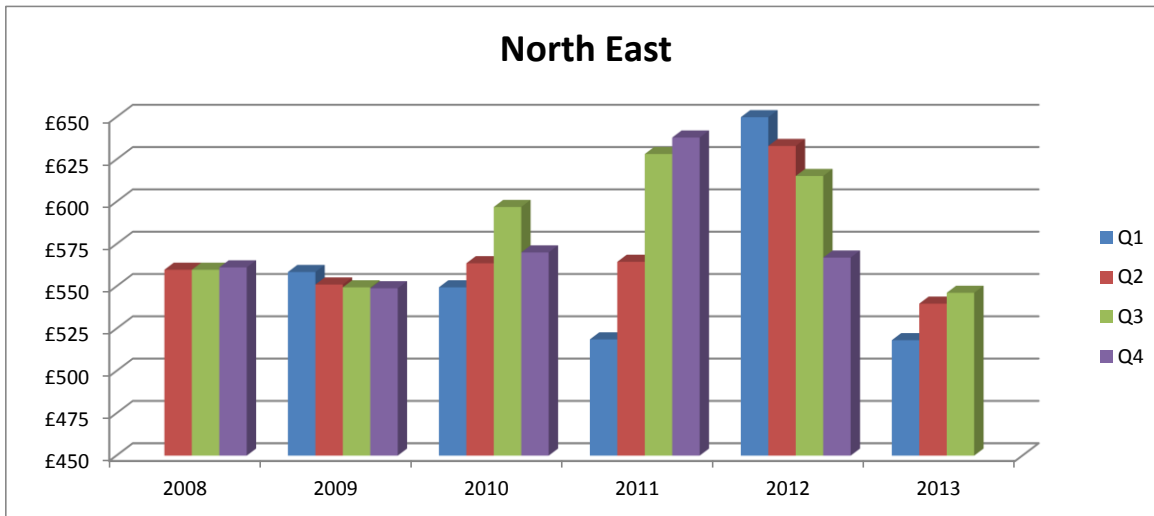


A number of rental indices show a continual rise in rents throughout the regions, however, this is because they don't go back as far as our index. The Belvoir rental index goes back to the 2008 height and records falls of 2009 which many rental indices have missed. As such our longer term analysis is more accurate than more recent indices.

The chart below shows regional rental averages for 2013. This suggests rents are pretty static or showing slight rises in the southern regions and London. From this data we can see that the North East, East Anglia, East Midlands and the North West are still to recover to the 2008 heights. However, in the West Midlands, Yorkshire, South East and South West, rents are now slightly above the highs of 2008. In London, rents do appear now to be increasing almost in line with inflation for the first time. However, this is due to an increase in Stratford rents because of the extremely high demand for properties in this area. In the main, rents are rising again in London, but only slightly.

Region	2008	2009	2013	2013	2013	2013
	High	Low	May	June	July	July vs 2008 high
North East	£562	£547	£542	£542	£546	-3%
East Anglia	£708	£664	£671	£666	£663	-6%
East Midlands	£604	£553	£587	£577	£576	-5%
North West	£627	£587	£610	£610	£609	-3%
West Midlands	£622	£611	£635	£634	£645	4%
Yorkshire	£603	£577	£616	£629	£622	3%
South East	£850	£785	£853	£856	£866	2%
South West	£714	£687	£733	£728	£737	3%
London	£1,208	£1,119	£1,345	£1,328	£1,408	17%

**North East**

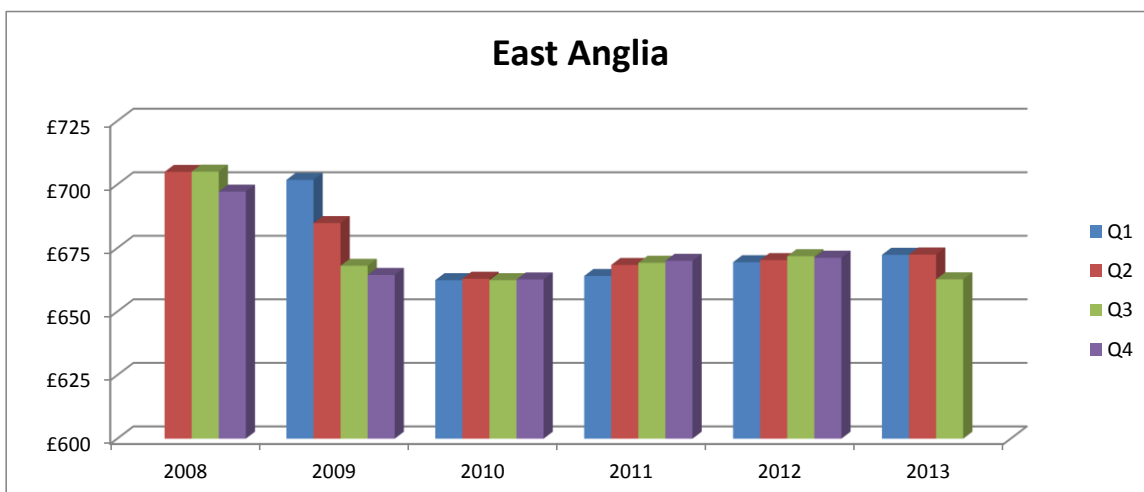


Rents in the North East have a tendency to be pretty erratic, mainly due to the variable rents in Newcastle, so we tend to comment individually by office.

Howard King from Newcastle says *“Rental prices are not going up in the Newcastle area, and in certain suburbs, especially in student areas, there is a downward pressure on rents. The city centre is still buoyant but rents are not really increasing.”*

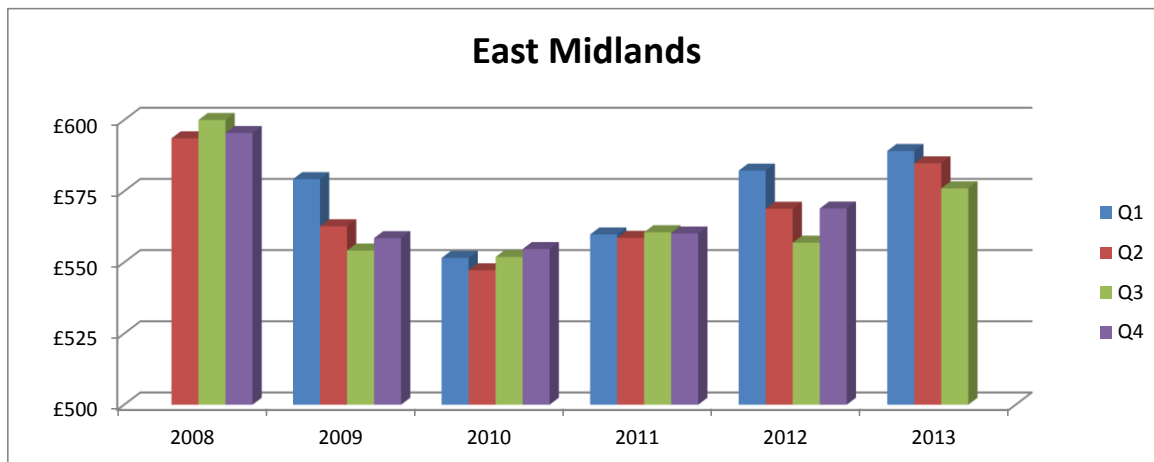
Sunderland and Tynedale have both shown fairly static average monthly rents since January 2013, with July recording £541 and £547 per month respectively.

**East Anglia**



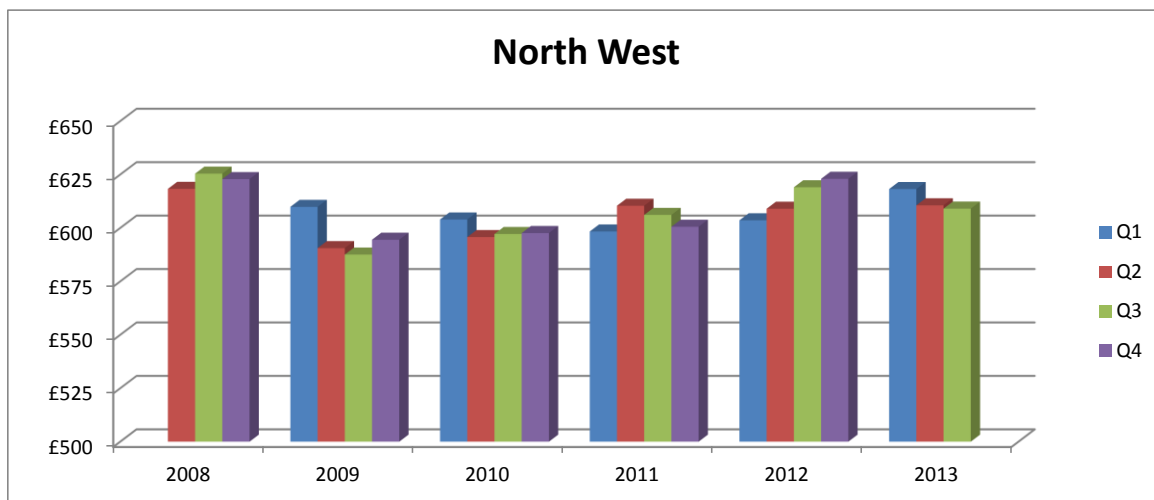
Rents across East Anglia averaged £663 per month in July 2013, which is the lowest average so far this year. Rents are currently still 6% below the 2008 high of £708 per month. Rents for most offices were pretty much static, however Cambridge, Bury St Edmunds and Watton are showing small, but steady rises this year. Peterborough rents are up, but are showing a seasonal fall. Kings Lynn rents peaked in April but have fallen back over the summer.

**East Midlands**



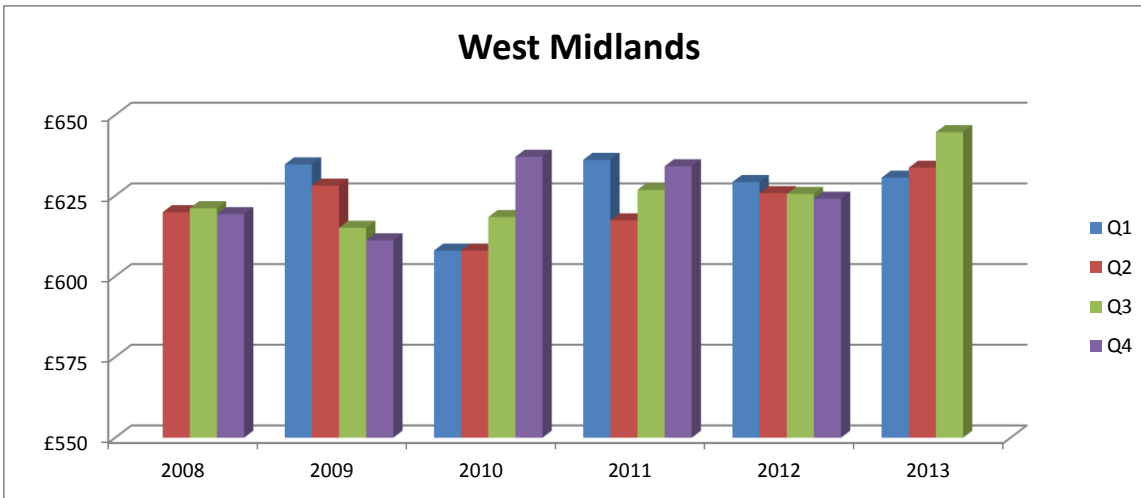
Rents fell back slightly in July to an average of £576 per month, still short of the £604 per month height reached in 2008. Across the region, there is a mixed picture for average rents. Just over a third of offices showed rents staying the same, just under a third showed rents dropping and the rest small rises.

**North West**



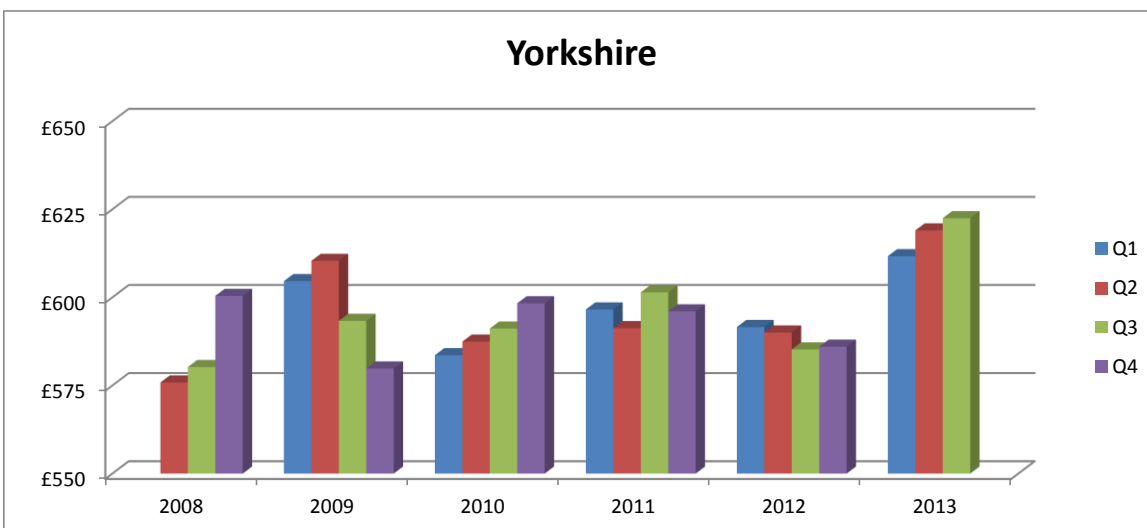
Overall, rents in the North West show a slight downward trend during 2013, with an average rent for July of £609, compared to £621 per month at the start of the year. Over three-quarters of the offices across the North West region suggest rents have remained fairly static during 2013. Crewe and Bolton are showing rents rising slightly while areas such as Burnley, Chester and Liverpool show some falls.

**West Midlands**



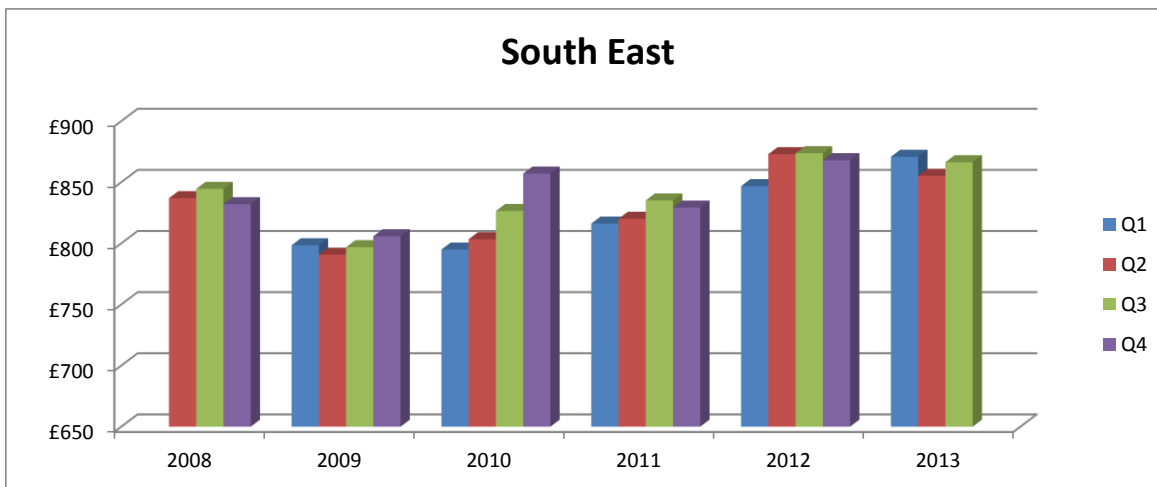
Average rents in the West Midlands during July were £645 per month, which is up from the 2013 year to date average of £634 per month. This rise is influenced by the addition of the Harborne office which shows average rents of £1,000 per month – almost double for the region. Across the West Midlands region, just over half of the areas are showing static rents so far this year. Just over a quarter of offices are showing a rise in rents for July versus June, for example, Shrewsbury, Evesham and Rugby. Offices such as Burton on Trent, Worcester and Tamworth show July rents falling by between -3 and -7% month on month.

**Yorkshire**



Average rents in Yorkshire continue to recover from the falls in 2009, albeit growth up until this year has been a little erratic. Average rent for July is £622 per month, this is slightly lower than the previous month which achieved a high for the year of £629 per month, but this appears to be seasonal. From an individual office perspective, most offices are showing rents are stable to small rises.

**South East**



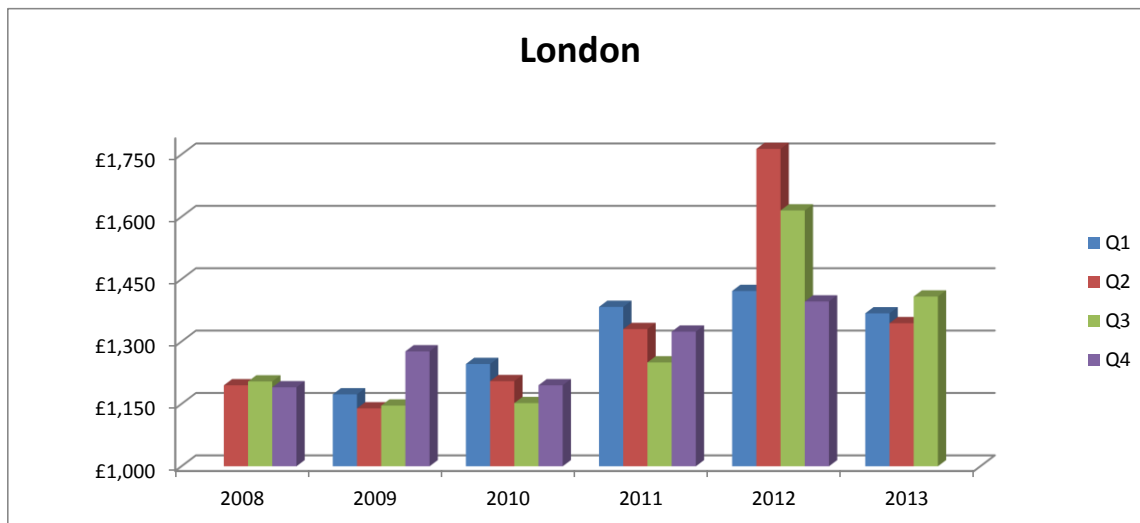
South East average rents year to date are averaging £864 per month. In comparison, July rents are slightly higher at £866 per month. The average though is at a seasonal low from earlier in the year when the highest rents hit £875 per month. From an individual office perspective, rents were mostly static. However, just under a third showed rent rises while Andover and Guildford showed some small falls.

**South West**



Average rents for the year to date in the South West are £738, with July's rents achieving this average at £737 per month. Overall, rents started out at £751 per month in January, fell to a low of £728 in June and have risen slightly in July. Across the South West region, the majority of offices show rents are static. However, rents in Devizes, are showing an increase during July having dropped back during May and June, and in Hove, rents have been steadily falling since the start of the year.

**London**



London average rents for July 2013 were £1,408 per month, which compared to the annual year to date average of £1,364, would suggest rents are rising in the region. However, this increase is from a big rise in average rents in Stratford from £1,247 in June to £1,882 in July. According to Zain Mahal from the Stratford office, rents have shot up this month due to the very short supply of properties and increased demand from within the London area and abroad.

Across the London region, most of the offices show rents are static, with Balham showing a rise on average month on month of 5%.

## Appendix

### **Belvoir Rental Index 2008 to 2013**

Over the last five 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. Worst case, they can on occasion 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 five years**

This is an analysis of rents across offices which have consistently traded across the five 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 91 offices from August 2008 to August 2012.
2. All offices which have traded via the Belvoir brand over the last five years. This analysis looks at rents across all offices. We add an office after it has traded for nine months and can provide a three month simple average over a six month period. This data is particularly useful when analysing regional data as it analyses 139 offices, so increases the number of offices contributing to the data and thus makes the results more robust.

#### **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 conurbations, 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.



## ***Information about Rental Indices***

It is important to remember from a landlord and tenant perspective, rental reports typically look at data which is currently from properties which are 'on the market' to be rented. If we report rents rising by 10% year on year or 2% month on month, it does not mean all rents across the UK are changing by this much.

For example, if you are a landlord and let a property in July 2012 for £500, irrespective of what happens over the next six months to rental indices, both from a landlord and a tenant perspective, the rent for that individual landlord and tenant usually stays the same for the six months of the contract.

Rents not even change for the average twenty months a tenant rents for, as from a landlord's perspective, keeping rents at the same level and securing a long term tenant is beneficial.

For example, if a tenant stays for two years:-

1. The landlord doesn't experience voids. The average void period is three weeks (ARLA), so if a tenant stays for two years rather than six months, at a rent of £500 per month, the landlord can save two x three week void periods =  $£346 \times 2 = £692$ . This saving is equivalent to a 5.8% increase in the monthly rent.
2. The landlord doesn't incur costs to re-let the property which can add up to several hundred pounds or more.
3. If the tenant is a good one and pays the rent on time, they are valuable to the landlord. The more often tenants change, the higher the risk of a tenant defaulting on payment. As a tenant eviction can take up to six months, keeping a tenant's rent at the same level is a small price to pay versus the risk of renting to a rogue tenant or one who doesn't pay the rent for any reason.
4. A tenant who keeps the property tidy, looks after it and sometimes even carries out work, such as decorating in return for rents not rising, can save the landlord thousands of pounds.
5. Overall, a tenant who stays in a property for two years as opposed to four tenants who stay for six month periods at a time, can save the landlord in excess of £500.

As such, it is important for the government, organisations and tenants/landlords to understand that reported rental index changes only apply to a small percentage of rents on a monthly basis. The data itself is useful from a trending perspective, but rental indices do not report the true 'existing' average changes of **ALL** rental properties across the UK.