

BELVOIR!



Rental Index

2008 to 2017



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From boom to bust and back again

Since March 2008 we have been monitoring the average rent, starting with 66 offices and now having an index that monitors more than 140 offices.

In addition to analysing rents at a local level, we survey individual franchise owners each quarter to secure an expert view of the rental market from a statistical and qualitative perspective. This ensures we have one of the most comprehensive rental reports on what's happening in the private rented sector.

Our quarterly rental report covers:

-  Average rents across the UK through to county level
-  Tenant demand
-  Landlord supply and demand for investment property
-  Tenancy length, arrears, voids and evictions

To celebrate 10 years of our rental data, research and Belvoir's franchise owner expertise, we have produced a special report focusing on the 66 offices which we have been consistently collecting rental data from for the last 10 years.

In addition we have asked some questions of 15 key franchise offices to establish how much the market has changed from a tenant, landlord and a letting agent's perspective.

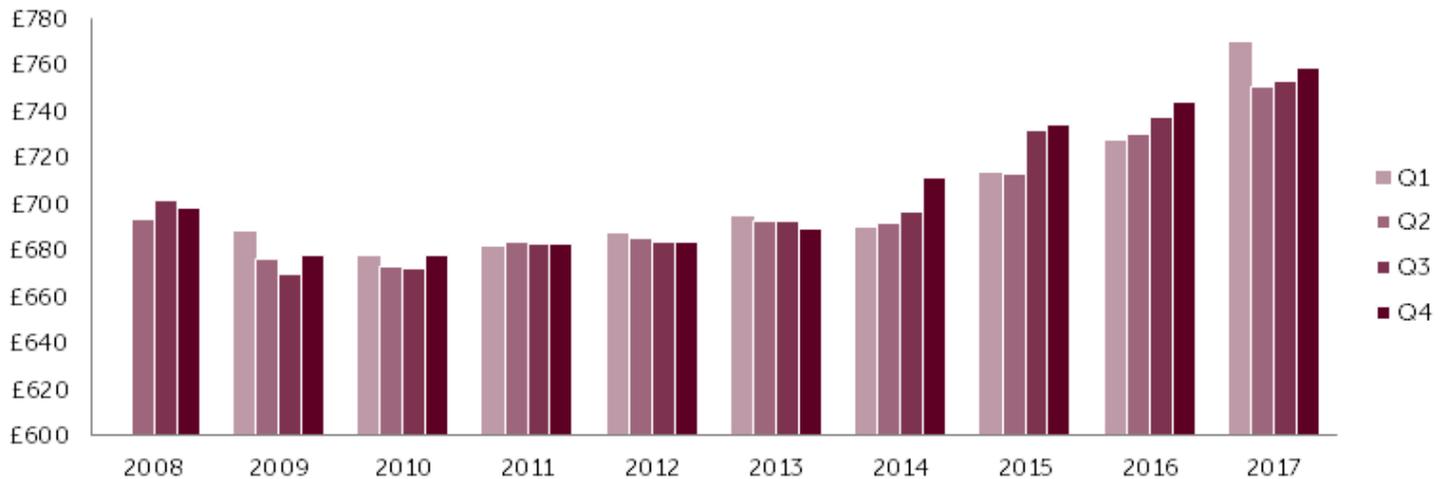




What has happened over the last 10 years?

ENGLAND & SCOTLAND

Average rent by quarter for offices trading over 10 years

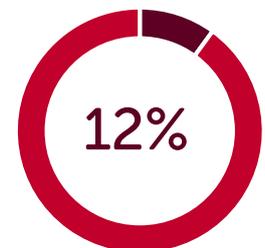


Key points about average rents over the last 10 years

- Rents hit a height during the credit crunch in Q3 2008, peaking at £678 per month
- During this quarter, many would-be sellers decided to let their properties because they couldn't sell them
- This dramatically increased the amount of properties to rent, reducing rents by around 5% in London through to 20% in areas such as Nottingham



Rental peak (Q3 2008)



Increase in advertised rents for all Belvoir offices which have traded consistently over the last 10 years

Decade of data



Belvoir, ONS and other indices

2009 was a significant year for the rental market as rents were at a credit crunch 'low'. This fall in rents was also reflected in the government's ONS data starting in the East Midlands in August 2009.

		North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East of England	London	South East	South West	England
Annual data	Jan 2008	2.9	2.6	3.4	2.1	2.2	2.9	4.9	2.9	4.1	3.6
Monthly data	Jan 2009	2.1	1.8	1.8	1.5	1.9	2.3	4.0	3.2	2.6	3.0
	Feb 2009	2.4	1.6	1.7	1.2	2.1	2.3	4.1	3.1	2.5	2.9
	Mar 2009	2.4	1.6	1.7	1.0	1.9	2.2	3.7	2.8	2.2	2.7
	Apr 2009	2.4	1.6	1.6	0.8	1.7	1.9	3.6	2.7	2.2	2.6
	May 2009	2.2	1.6	1.5	0.7	1.5	1.6	3.3	2.5	2.2	2.4
	Jun 2009	2.2	1.6	1.6	0.2	1.1	1.3	2.8	2.2	2.0	2.1
	Jul 2009	2.2	1.8	1.6	0.0	0.7	1.0	2.3	2.0	1.6	1.7
	Aug 2009	2.3	1.6	1.3	-0.3	0.5	0.5	2.0	1.6	0.9	1.4
	Sep 2009	2.0	1.2	1.3	-0.3	0.2	0.2	1.6	0.9	0.6	1.0
	Oct 2009	1.8	0.9	1.2	-0.4	-0.3	-0.1	0.8	0.4	-0.2	0.5
	Nov 2009	1.5	0.5	1.0	-0.7	-0.8	-0.4	0.0	-0.1	-0.4	0.0
	Dec 2009	1.2	0.4	0.4	-0.7	-1.1	-0.8	-0.5	-0.9	-0.6	-0.5
	Monthly data	Jan 2010	0.9	0.3	0.3	-0.8	-1.3	-1.7	-1.0	-1.5	-0.8
Feb 2010		0.6	0.3	0.3	-1.0	-1.4	-1.9	-1.3	-2.1	-0.9	-1.2
Mar 2010		0.4	0.3	0.3	-1.1	-1.4	-2.0	-1.3	-2.0	-0.9	-1.2
Apr 2010		0.2	0.2	0.3	-1.2	-1.5	-2.1	-1.6	-2.0	-1.3	-1.3
May 2010		0.0	0.2	0.1	-1.3	-1.4	-2.0	-1.4	-1.9	-1.4	-1.3
Jun 2010		0.0	0.2	0.0	-1.1	-1.2	-1.7	-1.4	-1.9	-1.4	-1.2
Jul 2010		-0.1	0.0	0.1	-1.1	-1.1	-1.7	-1.0	-1.8	-1.1	-1.0
Aug 2010		-0.3	0.1	0.2	-0.8	-0.8	-1.5	-0.7	-1.5	-0.7	-0.8
Sep 2010		-0.2	0.4	0.4	-0.9	-0.5	-1.1	-0.4	-1.2	-0.5	-0.5
Oct 2010		0.0	0.6	0.4	-0.9	-0.1	-0.8	0.2	-0.7	-0.1	-0.1
Nov 2010		0.1	0.8	0.7	-0.6	0.2	-0.5	0.7	-0.3	0.1	0.2
Dec 2010		0.4	1.0	0.9	-0.4	0.4	0.0	1.3	0.5	0.3	0.7
Annual data		Jan 2011	0.6	1.2	1.2	-0.2	0.6	0.8	2.0	1.5	0.5
Jan 2012	1.4	1.1	0.8	1.6	1.3	1.7	4.9	2.4	1.9	2.8	
Jan 2013	0.3	0.7	1.2	1.4	1.3	1.6	4.6	2.1	1.7	2.6	
Jan 2014	0.3	0.4	0.7	1.0	1.0	0.8	2.8	1.8	1.3	1.7	
Jan 2015	0.3	0.6	0.4	1.2	1.2	1.8	2.8	2.1	1.6	1.9	
Jan 2016	0.9	1.0	1.2	2.3	1.8	2.9	3.9	2.9	1.3	2.7	
Jan 2017	0.9	1.2	1.5	2.8	2.2	3.0	2.1	3.3	2.8	2.3	
Jan 2018	0.0	1.3	1.3	2.6	1.7	1.9	0.2	1.8	2.1	1.1	

Source: [Office for National Statistics](#)

Why is this important?

Many other rental indices date back to 2010, which means they picked a time to record base rents when they were at an all-time low. This has led to reports of rents rising 'rapidly' or being at their 'highest' when in actual fact they were 'recovering' from falls during 2009 and 2010.

Both the Belvoir rental index and the Office of National Statistics data report that rises in average rents are typically well below inflation and in the main, appear to move more in line with wages than house prices, inflation or landlord cost increases.

This is even starker when we look at what's been happening on a regional basis.



Regional rents over the last 10 years

Over the last 10 years the Belvoir offices which have been operating during this time saw relatively flat rents during the recession due to increased stock levels driven by people renting their property because they couldn't sell.

ENGLAND

Average yearly rent by region



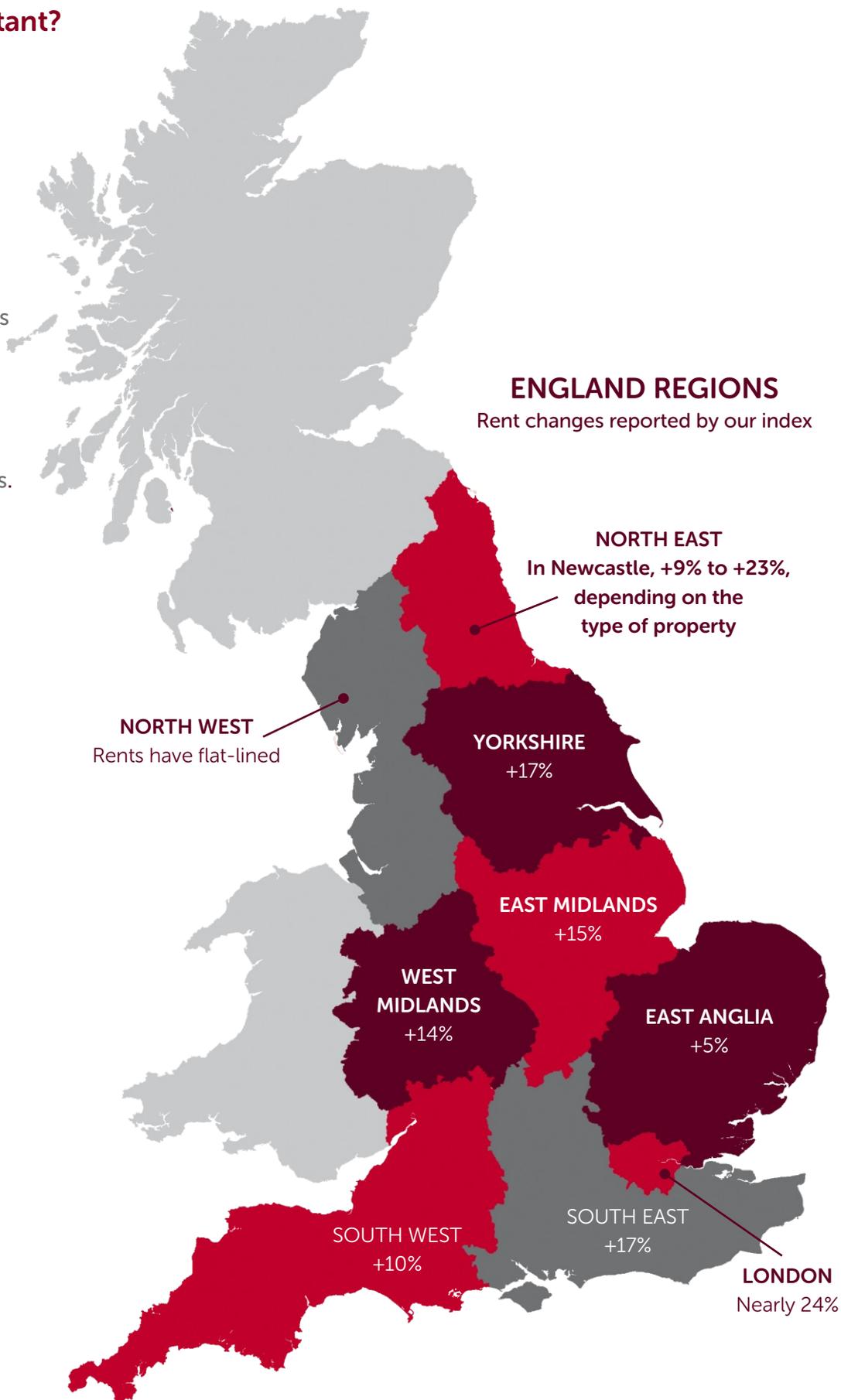
Key points about average regional rents over the last 10 years

- On average, rents didn't increase back to their height of £678 per month until Q3 2014, six years later
- In the West Midlands and Yorkshire rents were recovering to previous heights in 2010, then remained relatively static until 2012
- London rents recovered from their falls relatively quickly, with average rents in 2012 matching rents achieved in 2007/8, remaining static from 2013 through to 2015
- In the South East, West, East Anglia and East Midlands, rents started to recover to 2008 highs six years later in 2014
- In the North East we report on offices individually due to the varied nature of rents and impact of the student population in Newcastle
- In the North West rents have been relatively stable through the last 10 years



Why is this important?

As with house prices, we are finding firstly that there are vast regional differences in rental trends and secondly that rental averages are not always reflective of what is actually happening to individual rents for different property types.





Newcastle

Rents in Newcastle have increased from 9% through to 23%, depending on the type of property.

What's the average rent for the following property types in 2017?						
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	2017 - Four+ bed house	2017 - Room	
500	600	600	650	800	70	
25%	21%	9%	9%	14%	17%	

Tunbridge Wells

Tunbridge Wells office reported growth in rents over the last 10 years as follows:

What's the average rent for the following property types in 2017?					
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	2017 - Four+ bed house	
725	900	1000	1300	1750	
12%	9%	11%	18%	9%	

This data shows how the market in Tunbridge Wells has changed. There has clearly been an 'average' increase in rents for most property types, but three bed homes due to affordability issues and divorce are becoming short in supply versus demand, driving rents up by around +18%.

Skipton

In comparison in Skipton, rents have increased at a similar rate for all property types – at just over 20%.

What's the average rent for the following property types in 2017?				
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	
550	650	575	600	
22%	24%	21%	21%	

Milton Keynes

In Milton Keynes, two bed flats and houses have seen the biggest rises around 30% over the 10 years, while one bed flats, three and four beds are seeing lower rates around 20%.

What's the average rent for the following property types in 2017?					
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	2017 - Four+ bed house	
620	850	875	1000	1200	
19%	33%	29%	21%	20%	

continued...



Sutton Coldfield

In Sutton Coldfield, rents for 4+ bed homes have seen increases of around 10% over 10 years, with small increases for two bed flats and houses as well as three beds, while one bed flats have seen rises of 19%.

What's the average rent for the following property types in 2017?						
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	2017 - Four+ bed house	2017 - Room	
595	650	695	795	1200	500	
19%	8%	7%	6%	10%	11%	

Peterborough

In Peterborough, rents have risen quite substantially, however so has the quality of properties with many new builds coming onto the market and improved accessibility to London.

What's the average rent for the following property types in 2017?						
2017 - One bed	2017 - Two bed	2017 - Two bed house	2017 - Three bed house	2017 - Four+ bed house	2017 - Room	
600	700	750	825	875	450	
50%	40%	30%	22%	17%	50%	

What drives rent rises?

From analysing rental price movements and speaking to franchise owners as well as discussing the market with many landlords over the last 10 years at buy to let seminars, it is apparent that wages are the biggest driver of rent increases.

Unlike house prices, which can carry on rising irrespective of what's happening to wages, rents appear to flat-line when wages rise at less than inflation or at a similar level, and rise when wages are increasing at a faster rate than inflation.

This means that in areas where there is a shortage of supply versus demand, we see rents rise for a few quarters, then they tend to flat-line again, even if demand remains higher than supply as tenants simply can't keep paying more rent than their earnings.

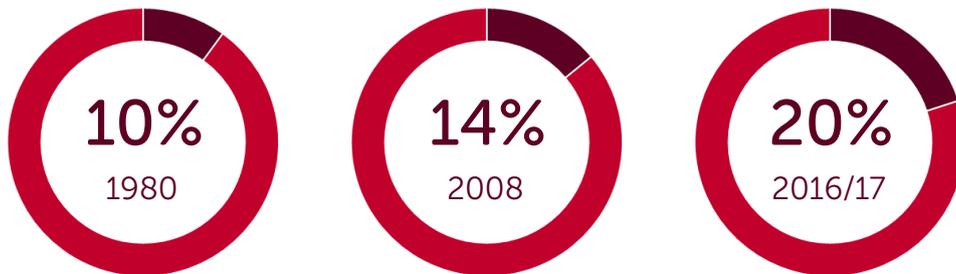
This is also likely to be partly linked to tenant referencing/insurance companies requiring 2.5 to 3 x salary to pass affordability tests so wages/rents can be directly linked.

Decade of Data



What has driven the growth in the PRS over the last 10 years?

In 1980, according to the government's English Housing Survey, the PRS accounted for just over 10% of households. By 2008, this had increased to 14%. In 2016/17 this had risen to 20%.

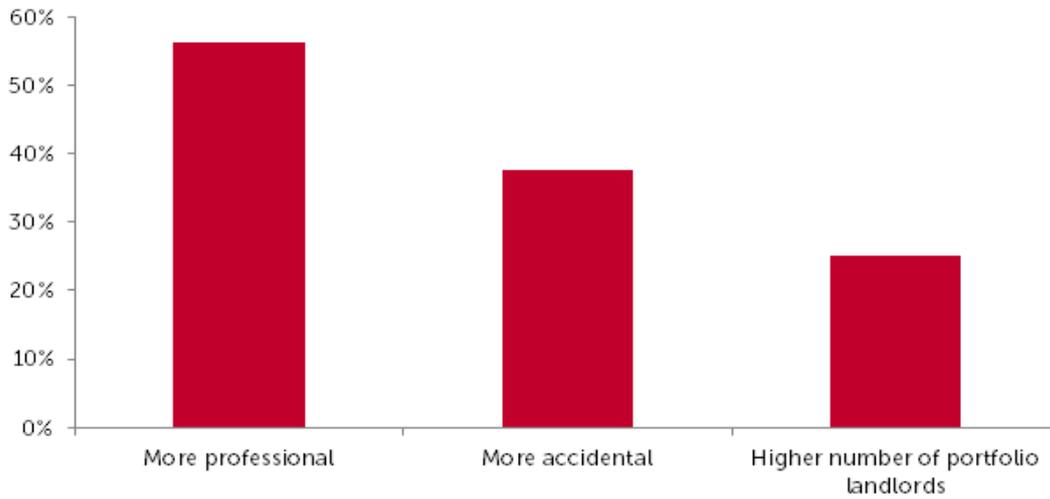


Typically the growth in the PRS is attributed to problems with affordability, however, the feedback we have had from our sample of franchise owners operating over the last 10 years doesn't necessarily conclude this for each office and in fact suggests that there are other reasons why the PRS has grown.

The first reason for the growth in PRS versus home ownership is the sheer number of properties that were rented during the recession because they couldn't be sold. This also explains why offices were reporting a growth in accidental landlords.

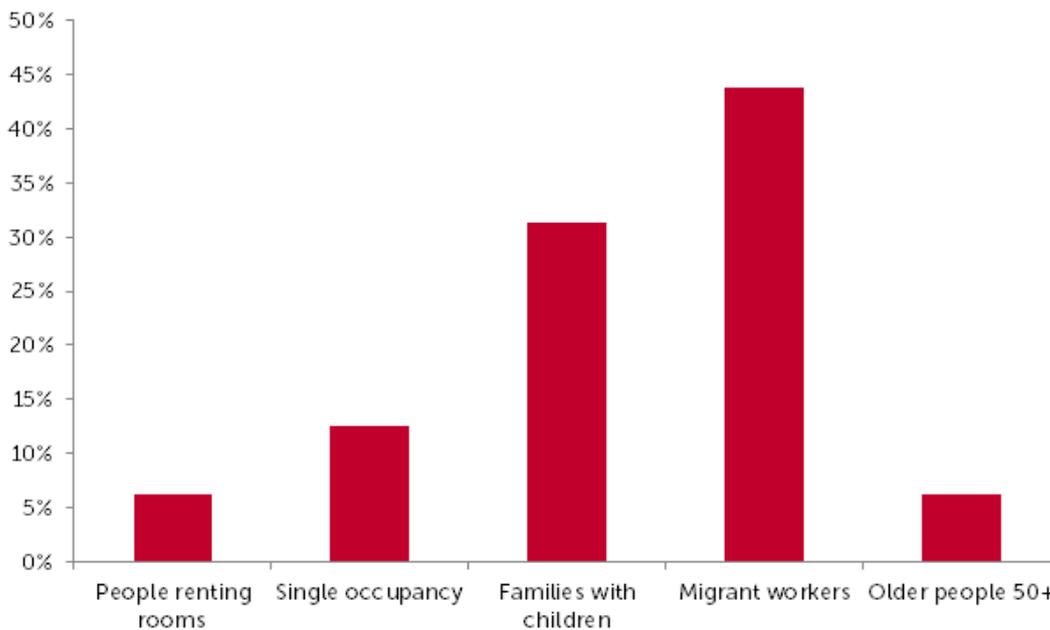


How have landlords changed over the last 10 years?



Source: Belvoir sample survey of 15 offices trading for 10 years.

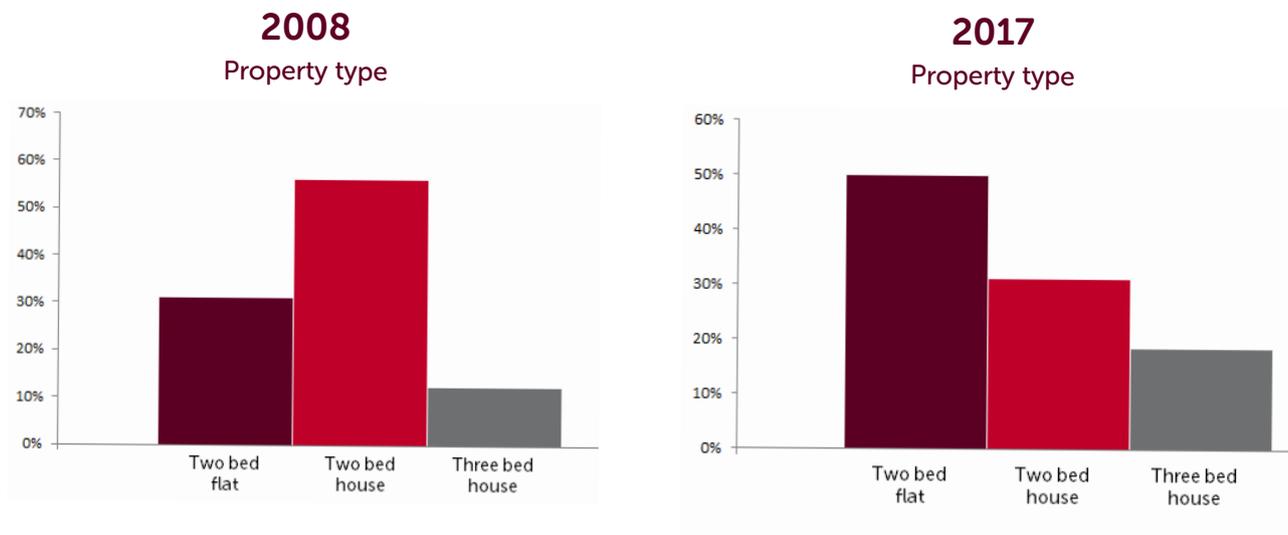
Secondly, according to our sample survey, although some franchise owners have suggested affordability as a reason for more people renting, it is clear that half of the offices attribute the growth in tenants is due to migrant workers who would typically not be able to purchase.





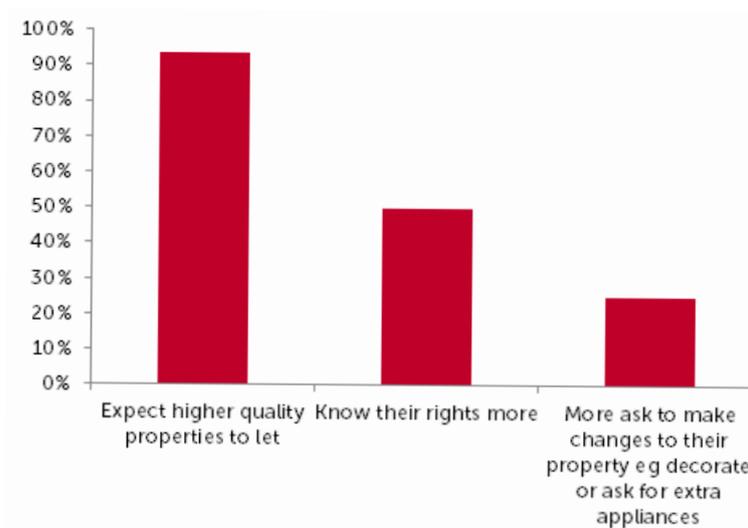
How have tenants changed over the last 10 years?

Demand and supply of property from a rental perspective has definitely changed over the last 10 years with franchise owners reporting a growth in the percentage of two bed flats versus two bed houses, coupled with an increase in three bed houses.



Tenants have changed too, expecting better accommodation and happier to make more demands:

HOW HAVE TENANTS CHANGED OVER THE 10 YEARS?



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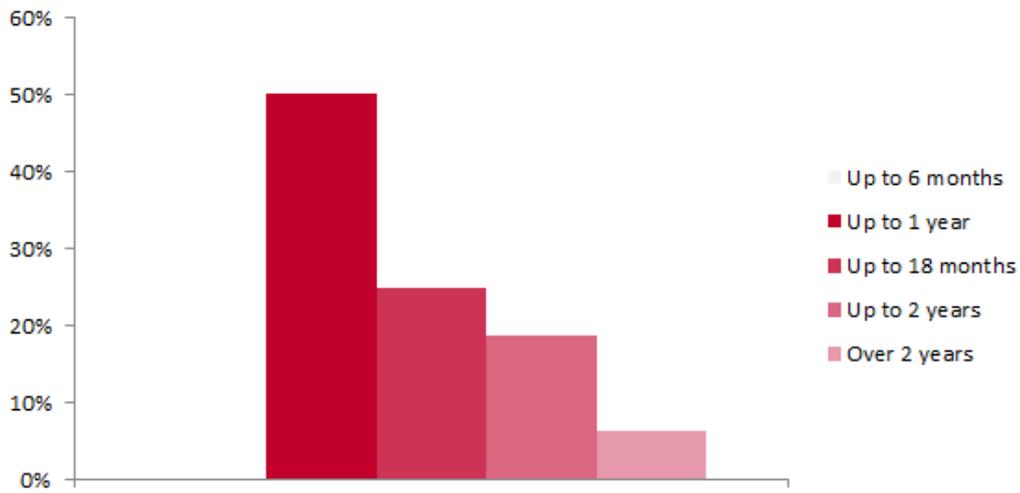


How have tenants changed over the last 10 years?

Tenants are also, naturally choosing and are able to rent for longer, with most renting for over two years in 2017 versus 50% renting for up to a year 12 months ago.

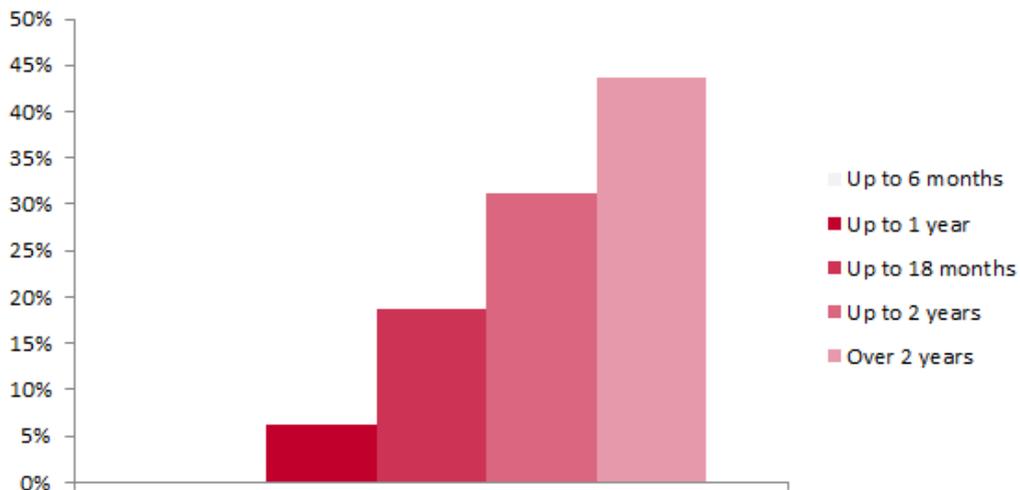
2008

How long do tenants rent for?



2017

How long do tenants rent for?



Source: Belvoir Sample Survey

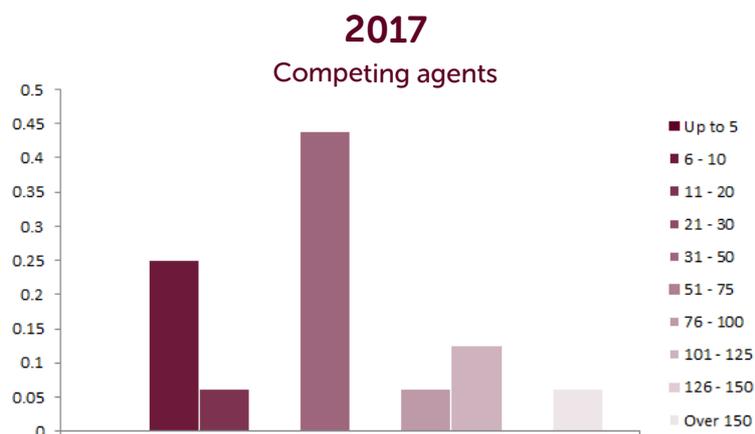
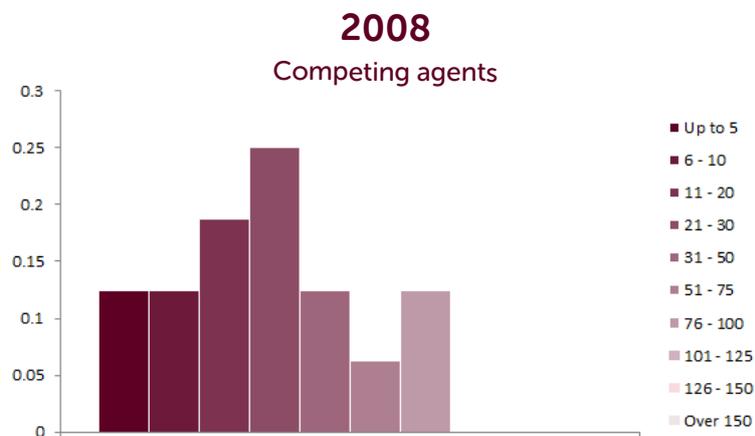


How has the job of the letting agent changed over the last 10 years?

We asked our sample how their job had changed and whether they had more or less competition now versus 10 years ago.

In 2008, 80% of our franchise owners competed against fewer than 30 agents. However, when the property market crashed and property sales fell by 50% during the recession, many estate agents also became letting agents.

This has dramatically increased the competition over 10 years, and now nearly 75% of agents are reporting competing with over 30 agents, with 20% of agents competing with in excess of 100 agents.



The good news though is that this appears to have driven up the quality of agents, with far more reported to self-regulating by being a member of organisations such as ARLA.

Franchise owners report that in the main, the percentage of agents who were members of trade bodies had risen from less than 50% being members to the majority of agents being members.

However, pending regulation should ensure that all agents are trained and operating to a similar standard to Belvoir, which is good news for both tenants and landlords.



How has the job of a letting agent changed over the last 10 years?

The overwhelming feedback from franchise owners was having to deal with more and more regulation and compliance.

In addition, some owners reported that it was much harder to meet tenant's expectations and that from a landlord perspective, currently they found them trying to cost cut where they can.

On the other hand, some felt they had to offer more and more support to both tenants from an 'agony aunt' perspective, while landlords needed more investment guidance.

What would improve the PRS in the next 10 years?

Interestingly, despite reporting that increased regulation was the biggest change in the job over the last 10 years, the majority of agents wanted more regulation and increased policing of rogue landlords and agents.

Not surprisingly, franchise owners were requesting less government interference with regards to landlord taxation and encouraging more landlords into the market.





What information does the Belvoir quarterly data provide?

We produce typically by the start of the following month of each quarter, for example, Q1 2018 Belvoir Rental Index should be available in early May.

We provide two sets of information, the first is analysis and comparisons of rents nationally, by country, regionally, down to county level.

The second is qualitative and is provided via a survey of offices. This data tracks:

-  Tenant demand
-  Tenancy length
-  Property supply
-  Landlord supply and demand
-  Tenant arrears
-  Eviction rates
-  Void periods

We also ask for predictions of tenant and landlord demand, as well as whether agents expect rents to rise or fall by property type.

To see Quarter 4 2017 data, please [download here](#).

Over the page are a selection of some of the data from the Q4 17 index we are tracking and can provide on a quarterly basis.

Regional rental trends



What information does the Belvoir quarterly data provide?

Tenancy length

- 52% prefer a tenancy of 13-18 months
- 23% stay for 19-24 months
- Slightly (1%) fewer tenants choosing to rent for 24+ months vs Q3

Average length of time tenants are renting for	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Less than a year	1.7%	3.7%	2.1%	3.6%	3.3%	8.2%	7.70%
13-18 months	51.7%	46.3%	45.8%	43.6%	45.0%	42.9%	51.90%
19-24 months	25.0%	27.8%	31.3%	29.1%	36.7%	30.6%	23.10%
Over 24 months	16.7%	18.5%	14.6%	18.2%	11.7%	14.3%	13.50%
Other	5.0%	3.70%	6.30%	5.50%	3.30%	4.10%	3.90%

Arrears

- Arrears have fallen again, with 19% (down from 30%) of offices reporting 4-10 tenants in arrears
- Offices reporting fewer than three rent arrears increased from 43% to 46%
- Offices reporting no arrears rose from 14% to 23%

Evictions

- Evictions have fallen this quarter
- Nearly 90% of Belvoir offices carried out no evictions, or just one in Q4 17
- Significant drop in offices - from 20% to 9% - evicting 2-3 tenants
- No offices evicted four or more tenants, the same last quarter

Evictions carried out in the last quarter	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
None	71.7%	55.6%	62.5%	54.6%	61.7%	53.1%	55.80%
One	21.7%	20.4%	31.3%	32.7%	20.0%	26.5%	32.70%
2-3	3.3%	20.4%	4.2%	7.3%	13.3%	20.4%	9.60%
4 or more	1.7%	3.7%	2.1%	3.6%	1.7%	0.0%	0.0%
Other	1.7%	0.0%	0.0%	1.8%	3.30%	0.0%	1.90%



What information does the Belvoir quarterly data provide?

Supply

-  Property supply for tenants is reducing
-  More landlords are selling up with increased offices seeing 6-10 landlords selling, and fewer offices seeing no landlord sales
-  Number of offices seeing landlords buying 3-5 properties is up year on year
-  Number of offices seeing 6-10 property purchases by landlords is down
-  Still no sign yet of the predicted big landlord 'sell-off'

How many landlords have sold properties?	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
None	10.0%	16.7%	16.7%	18.2%	6.7%	4.1%	11.5%
Up to 3	40.0%	53.7%	50.0%	32.7%	36.7%	57.1%	50.0%
4-5	31.7%	20.4%	20.8%	38.2%	36.7%	28.6%	23.1%
6-10	11.7%	5.6%	6.3%	7.3%	15.0%	8.2%	15.4%
11 or more	3.3%	3.7%	6.3%	1.8%	1.7%	0.0%	0.0%
Other	3.3%	0.0%	0.0%	1.8%	3.3%	2.0%	0.0%

What is your average void period?	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Less than 1 week	20.0%	16.7%	6.3%	1.8%	1.7%	6.1%	3.9%
1 week	26.7%	22.2%	25.0%	18.2%	16.7%	10.2%	25.0%
Up to 2 weeks	40.0%	42.6%	47.9%	60.0%	50.0%	55.1%	42.3%
More than 2 weeks	8.3%	18.5%	20.8%	18.2%	28.3%	26.5%	25.0%
Other	5.0%	0.0%	0.0%	1.8%	3.3%	2.0%	3.9%