

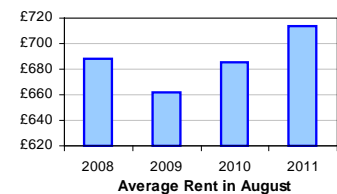
# Buy-to-let index

**Under embargo until 00:01 Friday 16<sup>th</sup> September**

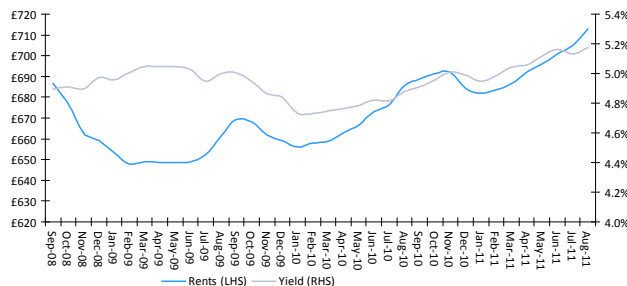
## RENT RISES ACCELERATE IN AUGUST AS SUMMER DEMAND HEATS UP

- Rents rise by their fastest rate in a year, up by 1.2% in August
- Monthly rents hit new high of £713 pcm following seven consecutive months of growth
- Total annual returns increase to 2.6% as capital losses diminish
- Tenants' finances under greater strain by rising rents and holiday spending as arrears grow by 19.5%

Rents recorded their largest monthly increase in a year in August, 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.



In August, the average rent in England and Wales rose by 1.2% to £713 per month, surpassing the previous record high of £705 in July. This is the largest monthly increase since August 2010. With annual inflation at 4%, the average rent is £27 pcm higher than August 2010. The average yield was 5.2% in August.



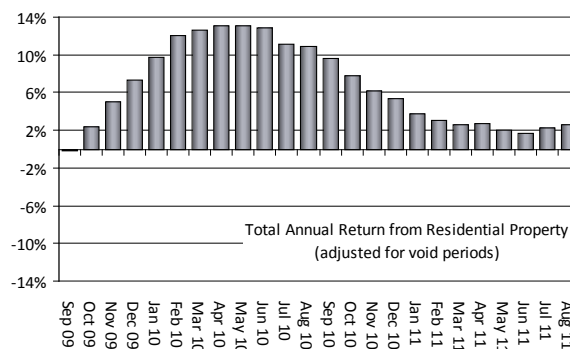
On a monthly basis, rents increased fastest in Wales and the South East, where they rose by 2.1%. The next biggest increases were in London and the South West, where they rose by 1.5% and 1.3% respectively. Rents only declined in the Midlands compared to July, falling by 0.4% in both the West Midlands and the East Midlands.

In the last year, London has seen stronger rental inflation than other regions of England and Wales, with rents hitting a new record high of £1,025 per month in August. This is an annual growth of 6.6% - equivalent to £63 per month. The next biggest annual increases were in the West Midlands, where they rose 6% and the North East, where they increased by 4.3%. In the last year, average rents have risen in all regions except Yorkshire and the Humber, where they have fallen by 0.5%

David Newnes, estate agency managing director of LSL Property Services, owners of Your Move and Reeds Rains comments: "We are in the thick of the busiest time of year for the rental market, and red-hot demand for properties is driving rents up at their fastest monthly pace in the last 12 months. Recent graduates moving for

*their first jobs have further exaggerated the long-term and growing demand from frustrated buyers. In the last two years, average rents have risen by more than £50 a month. With significant improvement in the number of buyers able to secure a mortgage unlikely in the foreseeable future, competition for rental accommodation will not drop and further rent rises remain on the cards.”*

The total annual returns on a rental property improved in August after annual decreases in property prices slowed. The average total annual return in August was the equivalent of £4,336 - £7,626 in rent, with a capital loss of £3,290. If property values maintain the same trend as the last three months, a property investor could expect to make a total annual return of 10.5% over the next 12 months – equivalent to £17,381 per property.<sup>1</sup>



**David Newnes continues:** *“Total annual returns took a turn for the better in August, following an uptick in rental property values in the past few months. However for landlords able to invest in London, the returns are looking even stronger. With house prices in the capital outperforming the rest of the UK, the average London landlord would have made an annual total return of nearly £15,000 in August.*

*“Nevertheless, it is rental income and yields that are tempting new property investors to the market, rather than thoughts of immediate capital gains. In fact, yields on rental properties are much stronger than in many other types of investment. With these fundamentals looking so attractive for long-term investment strategies, a sustained increase in buy-to-let lending would help meet the growing demand from would-be investors - and allow the sector to expand to match the increasing demand from would-be buyers. ”*

However, the news wasn't entirely positive for landlords in August. Tenant arrears increased for the first time since April, with 10.7% of all UK rent unpaid or late by the end of August – up from the 9% of rent unpaid or late in July. Unpaid rent totalled £300m across the UK in August, up 19.5% from the £251m unpaid in the previous month. However, an August rise in arrears is a seasonal phenomenon. Last year, arrears rose from 9.2% in July to 11.3% in August 2010.

**Newnes concludes:** *“The holiday season often takes its toll on tenant arrears, with many households squeezed by summer holiday spending. While we expect arrears to fall back into line in the short-term, the growth is indicative of the mounting pressure facing tenants. With rents rising so quickly, soaring inflation and an uncertain economic outlook, over the long-term we anticipate that rental arrears will become a growing financial problem for landlords.”*

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	Rents August	1 month change	Annual Change	Yields August 2011	Yields August 2010
London	£1,025	1.5%	6.6%	5.1%	4.8%
East of England	£737	0.9%	0.7%	4.8%	4.7%
South West	£645	1.3%	3.1%	3.9%	3.7%
Yorkshire and The Humber	£526	0.1%	-0.5%	6.4%	6.1%
North West	£574	0.9%	3.7%	6.8%	6.3%
Wales	£558	2.1%	3.1%	4.3%	4.1%
South East	£733	2.1%	3.1%	4.9%	4.7%
North East	£522	0.6%	4.3%	5.1%	4.5%
West Midlands	£549	-0.4%	6.0%	5.6%	5.2%
East Midlands	£545	-0.4%	2.9%	5.9%	5.6%
<b>England &amp; Wales</b>	<b>£713</b>	<b>1.2%</b>	<b>4.0%</b>	<b>5.2%</b>	<b>4.9%</b>

#### METHODOLOGY:

The buy-to-let index is based on analysis of over 18,000 properties across the UK each month. Rental values refer to the actual values achieved for each property when let during the month. 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.

<sup>1</sup> Assuming house prices change at the average rate of the last three months and they achieve the average yield of 5.2%.

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