

HomeLet Rental Index

Key headlines

- The average UK rent for tenancies starting in May 2014 was £846pcm, this is 7.5% higher than May 2013 (£787pcm)
- In the three months to May (March 2014-May 2014) average tenant incomes for new tenancies were 6.1% higher than in the same three months a year earlier
- Average rents in London were 9.4% higher in May 2014 when compared to last year, when average rents were £1,232pcm
- Average rental values for new tenancies in London (£1,348pcm) were £116 more expensive per month when compared to average rental values in May 2013 (£1,232pcm)
- When London is excluded the average UK rental value was £687pcm, this is 2.5% higher than last year (£670pcm)



May 2014 edition

May 2014 commentary

Provided by Martin Totty, Barbon Insurance Group's Chief Executive Officer

"The Private Rental Sector continues to see strong demand with a close correlation in most areas of the country between the increase in average rents and the increase in the average incomes of renters. It is this relationship between rents and incomes that has seen the private rental sector exhibit a steady rate of rental value growth over the last year.

"What we don't know is if it's increasing incomes driving the increase in rents or if the rental market is attracting new renters who may be opting to rent rather than buy, either through preference or, as a result of the recent sharp increase in house prices."

We may begin to see additional rental stock coming on stream, particularly if pension savers take advantage of the annuity reforms and choose to invest in buy-to-let property.

"There is every reason to expect that demand for rental property will continue to rise. The caps on mortgage lending announced by the Bank of

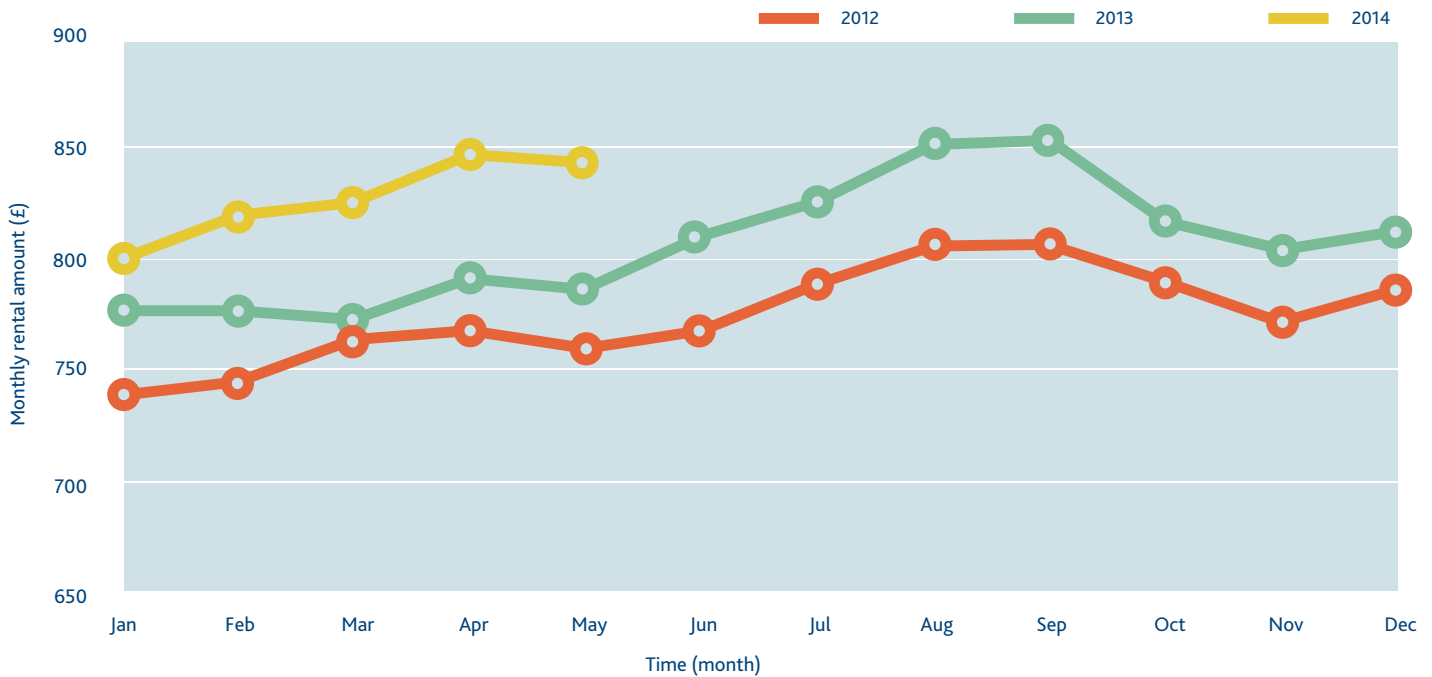
England's Financial Policy Committee in June may mean some would-be homebuyers miss out. The caps underline the rapid rise in house prices in many parts of the UK and could boost demand for rental property.

"The increase in rental values is a positive sign for buy-to-let investors – the steady rental growth that the sector has generated in recent years is in sharp contrast to the peaks and troughs seen in house prices. We may also begin to see additional rental stock coming on stream, particularly if pension savers take advantage of the annuity reforms and choose to invest in buy-to-let property. With demand set to rise, any increases in stock levels would be welcome news for the growing percentage of the population who rely on the Private Rented sector for a home."

The rental market is attracting new renters who may be opting to rent rather than buy, either through preference or, as a result of the recent sharp increase in house prices.

Change in UK rental prices

Monthly change in UK rental prices



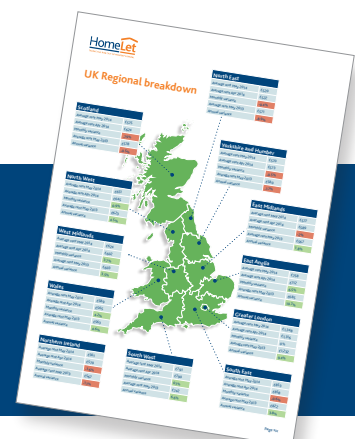
The figures also show...

- The average UK rent for tenancies starting in May 2014 was £846pcm, this is 7.5% higher than May 2013 (£787pcm).
- When London is excluded the average UK rental value was £687pcm, this is 2.5% higher than last year (£670pcm).
- The UK average rental value was 21% higher than 2010 (£698pcm).
- Average rents dropped marginally in Northern Ireland, Yorkshire & Humber and Scotland when compared to last year.
- In the North East average rents in May 2014 (£520pcm) were 8.9% lower than last year (£571pcm).



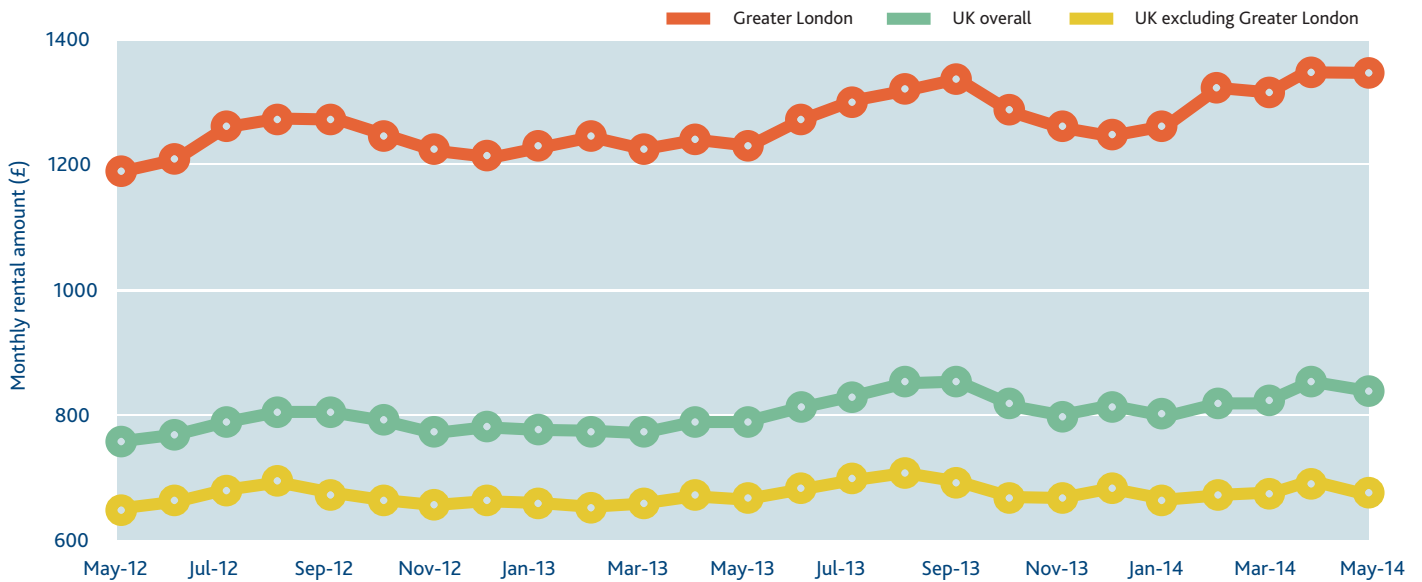
In detail...

The full regional breakdown can be seen on page six

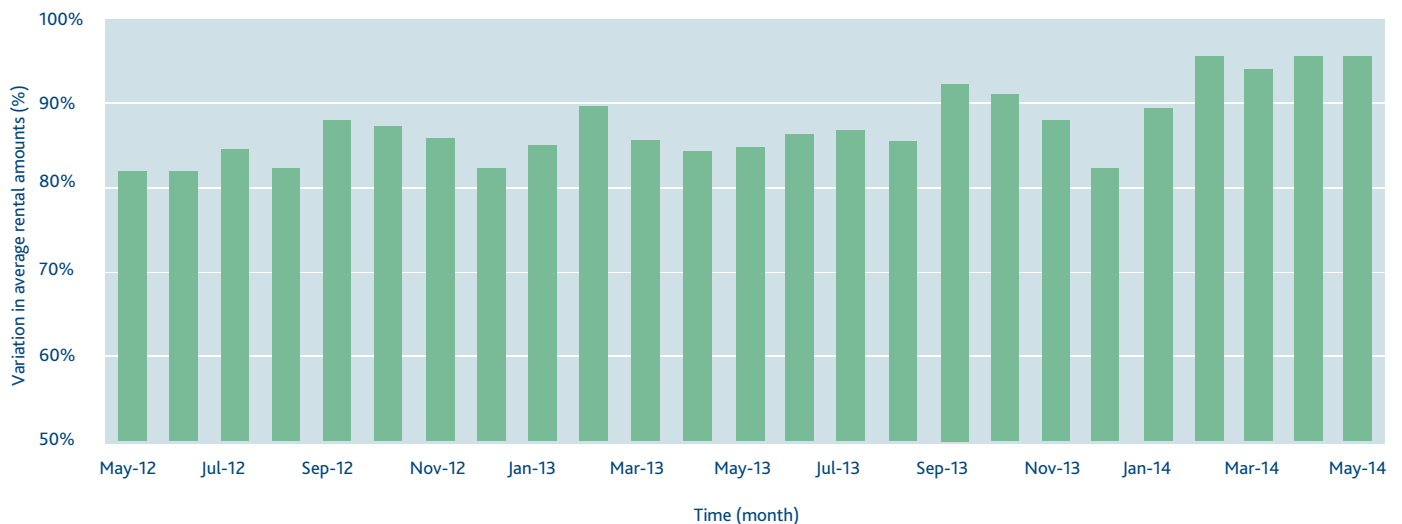


Greater London v the rest of the UK

Difference between Greater London and UK rents



Monthly variation between Greater London rental prices and the UK average (excluding Greater London)

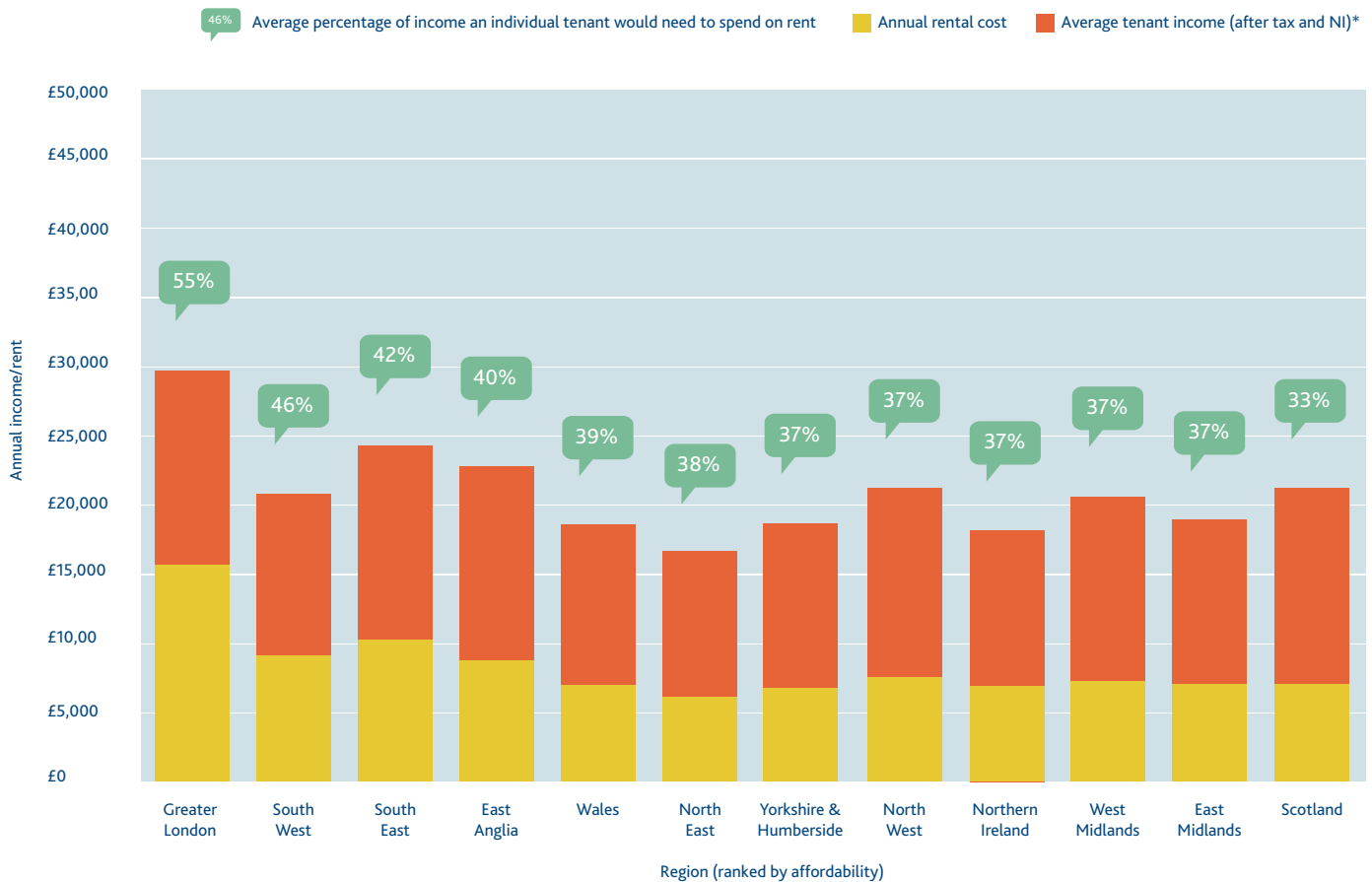


The figures also show...

- Average rental values in the Capital remained unchanged month on month at £1,348pcm.
- Rents in London were 9.4% higher in May 2014 when compared to last year, when average rents were £1,232pcm.
- Average rental values for new tenancies in London (£1,348pcm) were £116 more expensive per month when compared to average rental values in May 2013 (£1,232pcm).

Affordability and average incomes

Graph showing average rents and tenant income by region in May 2014



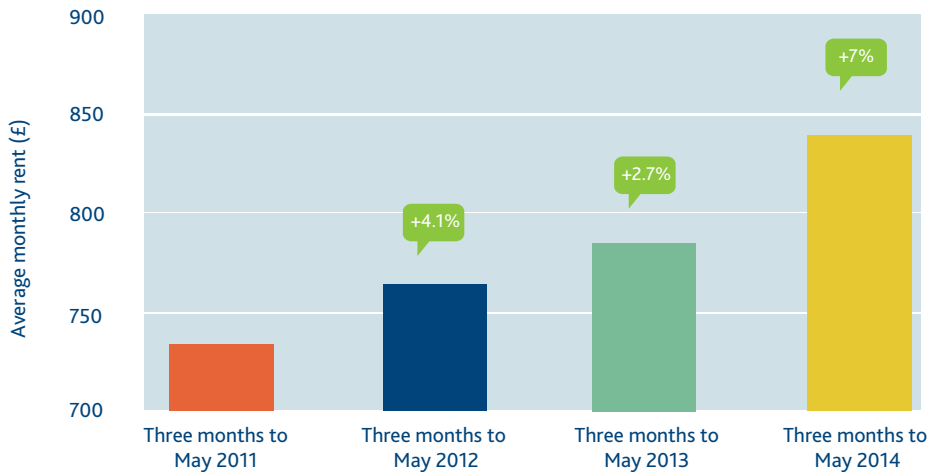
* Data is based on average tenant incomes for new tenancies which started in May 2014. Average tenant income is based on gross average incomes with deductions for Tax and NI at the UK Tax rates for 2014/15.

The figures also show...

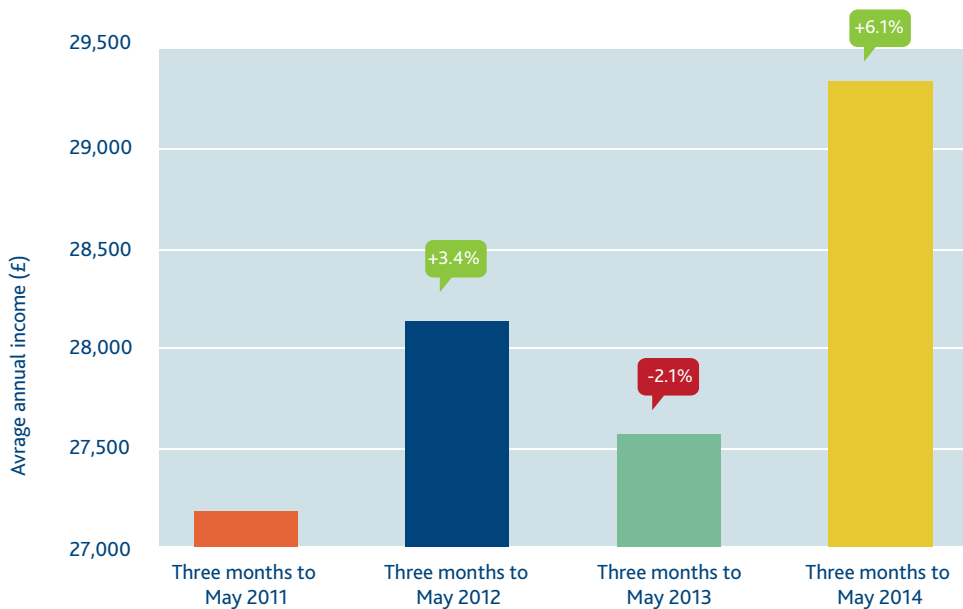
- In May 2014 a tenant with an average wage in London would need to spend 55% of their income to rent a property on their own
- Based on average rental values and income, the most "affordable" region in May was Scotland (33%)
- In many regions it appears that sharing a property is a necessity, in order to make renting an affordable option

Rental values and tenant incomes in the three months to May

Average UK rental amounts over the last three months, with annual comparisons



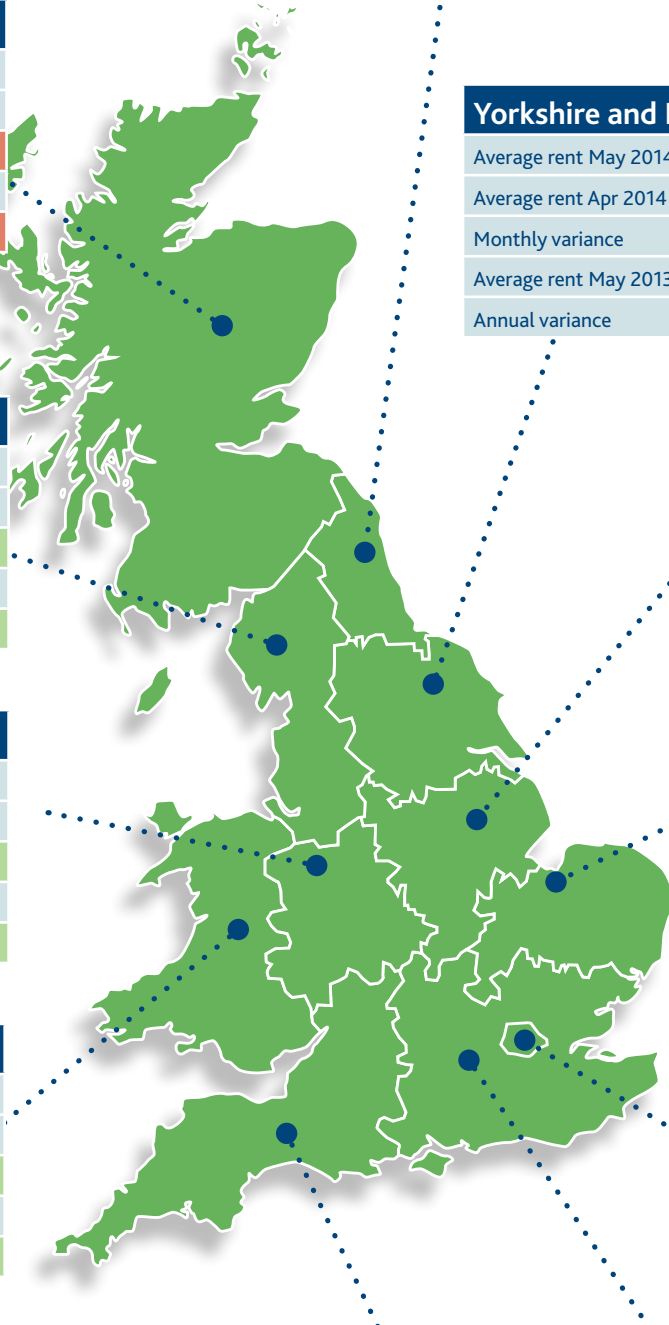
Annual UK tenant income over the last three months, with annual comparisons



The figures also show...

- In the three months to May (March 2014-May 2014) average rental values for new tenancies were 7% higher than in the same three months a year earlier.
- The annual growth in average rental values for the three months to May 2014 (7%) was higher than growth rates seen in than both 2013 (2.7%) and 2012 (4.1%).
- In the three months to May 2014 average tenant incomes were 6.1% higher than 2013.

UK Regional breakdown



North East	
Average rent May 2014	£520
Average rent Apr 2014	£522
Monthly variance	-0.4%
Average rent May 2013	£571
Annual variance	-8.9%

Scotland	
Average rent May 2014	£575
Average rent Apr 2014	£624
Monthly variance	-7.9%
Average rent May 2013	£578
Annual variance	-0.5%

Yorkshire and Humber	
Average rent May 2014	£570
Average rent Apr 2014	£573
Monthly variance	-0.5%
Average rent May 2013	£580
Annual variance	-1.7%

North West	
Average rent May 2014	£651
Average rent Apr 2014	£645
Monthly variance	0.9%
Average rent May 2013	£623
Annual variance	4.5%

East Midlands	
Average rent May 2014	£577
Average rent Apr 2014	£589
Monthly variance	-2%
Average rent May 2013	£567
Annual variance	1.8%

West Midlands	
Average rent May 2014	£624
Average rent Apr 2014	£602
Monthly variance	3.7%
Average rent May 2013	£603
Annual variance	3.5%

East Anglia	
Average rent May 2014	£758
Average rent Apr 2014	£712
Monthly variance	6.5%
Average rent May 2013	£685
Annual variance	10.7%

Wales	
Average rent May 2014	£589
Average rent Apr 2014	£565
Monthly variance	4.2%
Average rent May 2013	£563
Annual variance	4.6%

Greater London	
Average rent May 2014	£1,348
Average rent Apr 2014	£1,348
Monthly variance	0%
Average rent May 2013	£1,232
Annual variance	9.4%

Northern Ireland	
Average rent May 2014	£561
Average rent Apr 2014	£570
Monthly variance	-1.6%
Average rent May 2013	£567
Annual variance	-1.1%

South West	
Average rent May 2014	£791
Average rent Apr 2014	£790
Monthly variance	0.1%
Average rent May 2013	£742
Annual variance	6.6%

South East	
Average rent May 2014	£853
Average rent Apr 2014	£858
Monthly variance	-0.6%
Average rent May 2013	£822
Annual variance	3.8%

About the HomeLet Rental Index

As well as information on rental amounts, the HomeLet Rental Index also provides information on tenant demographics, such as their average age, income, previous residential status and property type they're applying to live in.

In addition, we gather data on how many people share rented properties – so we're able to gain an insight into the lifestyle of tenants, and see how external factors, such as the lack of mortgage availability, plus supply of, and demand for, rented homes are affecting how and where people live.

Data is gathered from our tenant referencing service, and our rental amounts are based on actual achieved rental prices with accurate tenancy start dates in a reported month, rather than advertised costs. We reference up to 1,700 applicants every day – so information in the report is comprehensive, accurate and up to date.

About HomeLet

With more than 20 years in the industry, HomeLet is one of the leading sources of support for the UK's vibrant private rented sector. Part of the Barbon Insurance Group, we're based in Lincoln, with more than 300 members of staff working hard every day to support letting agents, landlords and tenants.

Visit us online:

homelet.co.uk

Media Enquiries: For media enquiries relating to the HomeLet Rental Index please email mediaenquiries@homelet.co.uk

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