

## The Rightmove Consumer Confidence Survey

The UK's leading survey of consumers from the UK's leading property website

# Consumer Rental Forecast

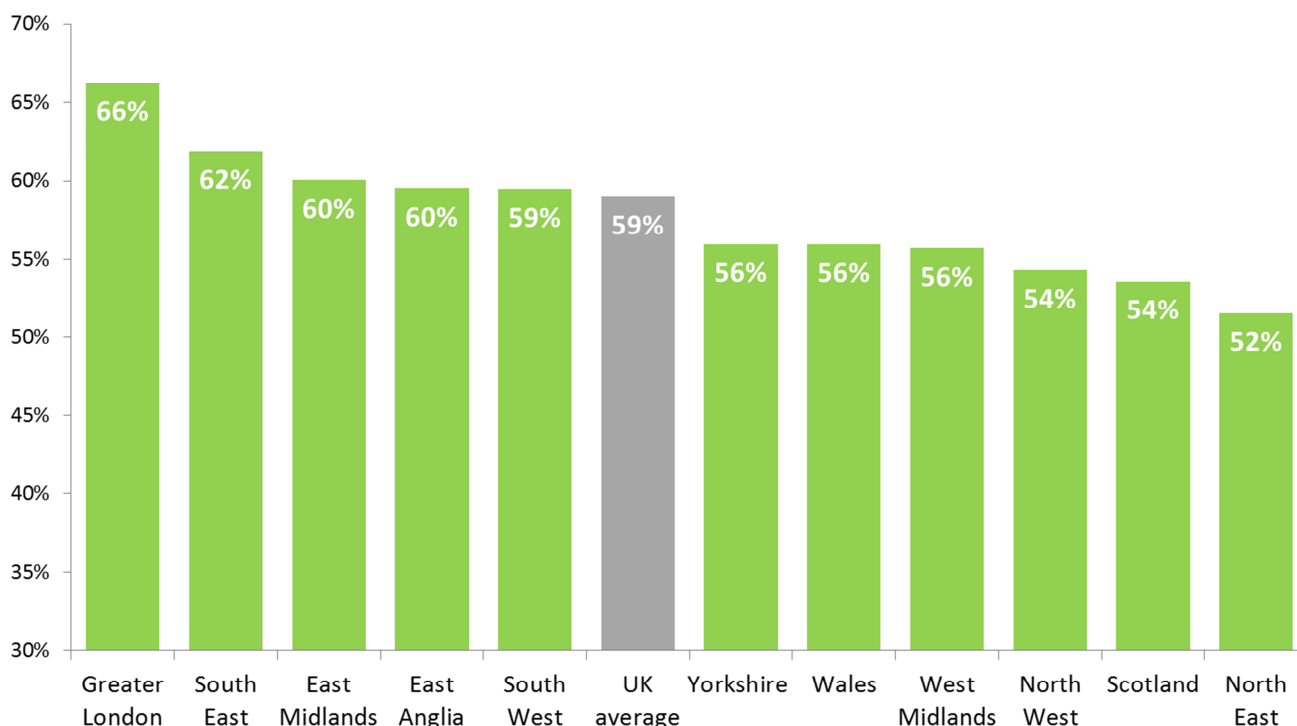
Under embargo until 00:01h Wednesday, 12<sup>th</sup> September 2012

## Rents 'over-heating' in London and the South East, but 'serial landlords' more prevalent up north

- 60% of tenants expect to be paying higher rents in 12 months' time, with the highest proportions anticipating upwards rental pressure in London and South East
- 'Serial landlords' more prevalent in the North East, North West, Scotland and Wales, while further south higher capital values limit portfolio expansion plans from experienced investors
- Rental yield research backs serial landlords activity in the north – average returns typically above 6% in favoured northern regions, with yields in London and the South East below 6%

### % of tenants forecasting higher rents

#### % of current tenants expecting rents to be higher in 12 months' time



The Rightmove Consumer Rental Forecast reports the opinions of 7,176 consumers captured between Monday, 2nd of July and Monday, 16<sup>th</sup> of July 2012

## **60% of tenants expect to be paying higher rents in 12 months' time, with the highest proportions anticipating upwards rental pressure in London and South East**

Rightmove's latest Consumer Rental Forecast finds that six in ten (60%) tenants expect to be paying more for their rented accommodation in 12 months' time, up from 53% a year ago. In a market where the supply of rental properties is failing to keep pace with high demand from tenants across most of the UK, the anticipation of upwards rental pressure is greater among tenants in London and the South East. 66% of tenants in London and 62% in the South East expect to be paying more for rented accommodation in a years' time. This news is likely to be disheartening to tenants in these regions who are already feeling the squeeze on personal incomes more than most. 31% of tenants in the South East and 29% in London are already spending more than 50% of 'take-home' pay on rent, both above the national average of 26%.

Miles Shippside, director and housing market analyst at Rightmove, comments: "The view from the majority of tenants across the country is that rents are only likely to go one way, and that's up. London and the surrounding commuter belt of the South East have the greatest proportion of respondents predicting higher rents, suggesting that these markets are most at risk of 'over-heating' and most in need of further investment from investor-landlords. The continuing heat applied to rents is a double-whammy for the one in two tenants that would like to buy but can't afford to. These 'trapped renters' are faced with the prospect of a downward spiral where spending more income on rent also means saving less for a deposit".

## **'Serial landlords' more prevalent in the North East, North West, Scotland and Wales, while further south higher capital values limit portfolio expansion plans from experienced investors**

The property investors being courted strongly by buy-to-let lenders are those with access to substantial deposit funds and who have identified properties with attractive monthly rental income to monthly repayment ratios. This group, considered 'serial landlords' as they have invested in buy-to-let property more than once before, is critical to helping deliver the level of supply required to satisfy the stock-starved rental sector. Of those intending to buy an investment property in the next 12 months, the highest proportions of 'serial landlords' tend to be in northern regions where capital values are lower. 37% of likely investors in Wales and the North East are serial landlords, as are 35% in the Scotland and 34% in the North West. The really 'hot' lettings markets of London and the South East, where property prices are higher, are regions with the lowest levels of experienced landlords intending to add to their portfolios.

Shippside observes: "Serial landlords seem more active in northern regions, perhaps attracted by lower capital values, and yet it is the London-centric regions that are most in need of supply-side investment. This will potentially give some renters in the north greater choice and take some of the pace out of rent rises, but will be of concern to some London and commuter-belt tenants where upwards pressure on rents is even more extreme."

## **Rental yield research backs serial landlords activity in the north – average returns typically above 6% in favoured northern regions, with yields in London and the South East below 6%**

Rightmove's research shows that an average return for a rental property is currently greater in many of the more northern regions than in London and the South East. The average rental yield in the North East is 6.5%, the highest in the UK ahead of North West (6.4%) and Wales (6.2%). In contrast,

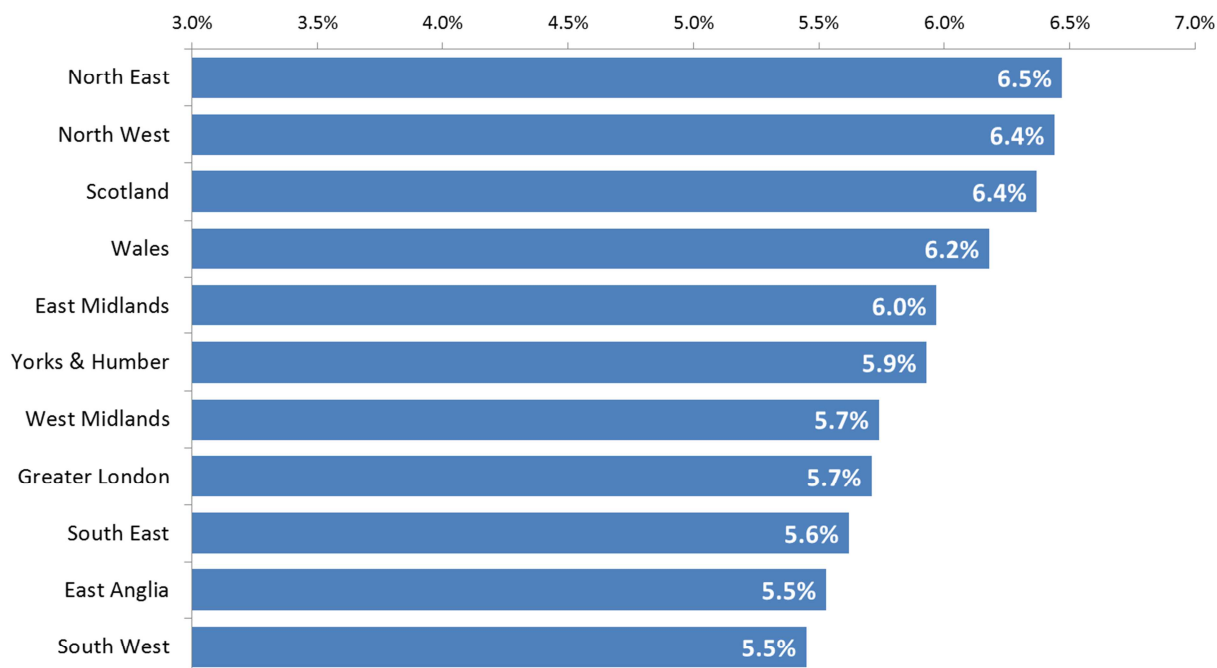
primarily because of the higher capital values in the south, investors in London are seeing an average rental yield of 5.7%, and in the South East 5.6%.

Shipside adds: "For the most attractive and immediate rental returns, the north wins. Investors in London and its surrounds may eventually find that the streets are paved with gold, but they'll have to wait and see what happens to capital values just to find out. The statistics also show that more experienced investors are interested in securing a steady northern-based return now rather than a potential gain some years hence further south. If you need to supplement your pension income stream in the near future, immediate returns for a lower capital outlay have a strong appeal. Lower entry costs further north also mean an investor can buy more property units, spreading the risk rather than perhaps having all their eggs in one basket with a higher value single investment further south".

## Average rental yields

### Average rental yield by region

Source: Rightmove Data Services, September 2012



## Average forecast trend

Year	Quarter	Down more than 10%	Down less than 10%	About the same	Up less than 10%	Up more than 10%	Don't know
2012	3	0.9%	4.7%	27.2%	53.2%	6.1%	7.9%
	2	0.8%	4.9%	25.8%	54.0%	6.6%	7.9%
	1	1.3%	4.0%	25.4%	50.5%	12.3%	6.5%
2011	4	1.9%	3.3%	34.6%	35.7%	17.1%	7.4%
	3	1.6%	4.0%	34.8%	35.7%	17.1%	6.8%
	2	1.8%	4.4%	37.0%	33.8%	14.9%	8.1%
	1	1.2%	3.1%	36.7%	37.1%	15.6%	6.3%
2010	4	2.6%	4.5%	45.1%	31.1%	10.6%	6.1%
	3	3.2%	4.2%	42.0%	31.6%	13.1%	5.9%
	2	1.8%	4.9%	44.1%	29.9%	9.7%	9.6%
	1	2.1%	3.7%	49.6%	28.7%	8.6%	7.3%
2009	4	2.0%	4.9%	50.3%	27.9%	8.7%	6.3%

## About this survey

The data presented as part of this release is taken from the quarterly Rightmove Consumer Confidence Survey. The survey seeks the views and attitudes of home-movers towards a key British obsession – the housing market. Started in early 2009, more than 120,000 people responded to the survey in its first year alone.

The Rightmove Consumer Confidence Survey provides a UK-wide picture of home-mover confidence by collecting opinions on a range of factors affecting the housing market and perceptions of it.

As one of the Top 10 most visited websites in the UK, Rightmove attracts a wide demographic and one that very closely matches the working-age profile of the UK. Rather than purely seeking the views of those currently active in the housing market, Rightmove's database ensures a much wider, more representative sample.

Matthew James, consumer and market insight manager at Rightmove, comments: "The Rightmove Consumer Confidence Surveys provide a fascinating early indicator of the trends that we can expect to see a bit further down the line. The rental market can be difficult to judge but plays a key role in the state of the wider UK property market. Drawing upon the views and expectations of tenants themselves, provides a valuable insight into how the market can be expected to perform."

All responses were completed via an online questionnaire between **Monday, 2<sup>nd</sup> of July and Monday, 16<sup>th</sup> of July 2012**. A total of 7,176 responses were received from respondents who currently rent and who expect to rent over the next 12 months during this time.

Data is weighted using Census data available from the Office for National Statistics to help ensure the results are representative of the UK and its regions.