



Q3 (July – September 2019)

Thursday 17th October 2019

Landlords plan to reduce portfolios in spite of record asking rents

- A shortage of new stock to choose from, coupled with strong demand from tenants, has led to record asking rents in all areas across Great Britain except Scotland and the North East:
 - Asking rents outside London are at a peak of £828 per calendar month (PCM), seeing the biggest quarterly jump in rents at this time of year since 2015
 - In London, rents are at a record of £2,104 per calendar month (PCM), seeing the biggest quarterly jump at this time of year since we started recording this data
 - These jumps have led to an annual rate of growth of 3.2% outside London, the highest since 2016, and an annual rate of 5.6% in London
- Nationally, the number of available rental properties is 13% under the previous low recorded in Q3 2015, and 24% down in London, as tax changes deter new and existing landlords:
 - New research from Rightmove shows almost a quarter of landlords (24%) are planning to sell at least one property from their current portfolio

NATIONAL AVERAGE ASKING RENT FOR ALL PROPERTY TYPES (EXCLUDING GREATER LONDON)			
Quarter	Avg. asking rent per month	Quarterly change	Annual change
Q3 2019	£828	+1.3%	+3.2%
Q2 2019	£817	+2.7%	+2.7%
GREATER LONDON AVERAGE ASKING RENT FOR ALL PROPERTY TYPES			
Quarter	Avg. asking rent per month	Quarterly change	Annual change
Q3 2019	£2,104	+2.2%	+5.6%
Q2 2019	£2,059	-1.6%	+3.0%

New data from Rightmove reveals record asking rents in all but two regions, amid a shortage of new stock for tenants to choose from. Since 2016, landlords have seen the introduction of a stamp duty surcharge on second homes, a phasing of the reduction in tax relief and more recently the ban on tenant fees which some agents may be passing on in part to landlords. There was a short-term flood of rental properties throughout 2016 and into 2017 caused by landlords who bought before the stamp duty surcharge came in, but that stock has now dissipated and is currently 13% lower than Q3 2015 before any of these changes came in.

New Rightmove research suggests the changes are discouraging landlords from expanding their portfolios. When asked about their future plans, almost a quarter of landlords (24%) say they are planning to sell at least one



property from their current portfolio: this is made up of 13% who say they will be decreasing their portfolio and one in ten (11%) who say they will be selling all of their rental properties. The most common reasons given for selling up are the changes to legislation including the recent tax relief changes and the ban on tenant fees leading to an increase in their costs for some.

The average landlord in the study rents out three properties, with a quarter of them owning just one. Almost a third (30%) are still planning to increase their portfolio, with the majority of those saying that property still delivers better returns than other investments.

Asking rents outside London are now at an all-time high of £828 PCM, pushed up by the biggest quarterly jump at this time of year since 2015, while the annual rate of price change rises to +3.2%, an increase not seen since 2016.

Scotland and the North East are the only regional markets not to have seen record asking rents this quarter. London, meanwhile, has seen the biggest quarterly jump in asking rents since we started recording this data back in 2012, leading to an annual rate of 5.6% and a record average asking rent of £2,104 PCM.

Rightmove's Commercial Director and Housing Market Analyst Miles Shippside said: *"There are a number of forces at play in the current rental market, all leading to record rents for tenants and fewer homes to choose from, yet demand remains strong. Worryingly for tenants there are signs that the stock shortage may worsen if some landlords follow through with their plans to sell up, though an increase in plans for build to rent properties may help to fill some of the gap. The overall feeling among those landlords who are planning to exit the market is one of frustration with many telling us that the tax changes mean it's no longer financially attractive to keep their properties."*

"Early data seems to point to some of the income lost through the removal of tenant fees being passed on to the tenant in higher rents, but it should still work out cheaper than paying the upfront admin fees as long as stock doesn't constrict and rents don't rise too much. What we really need now is more properties available to rent. Rising rents may tempt some landlords back in, but momentum is currently to downsize portfolios in spite of the prospect of increasing yields."

Agents' views

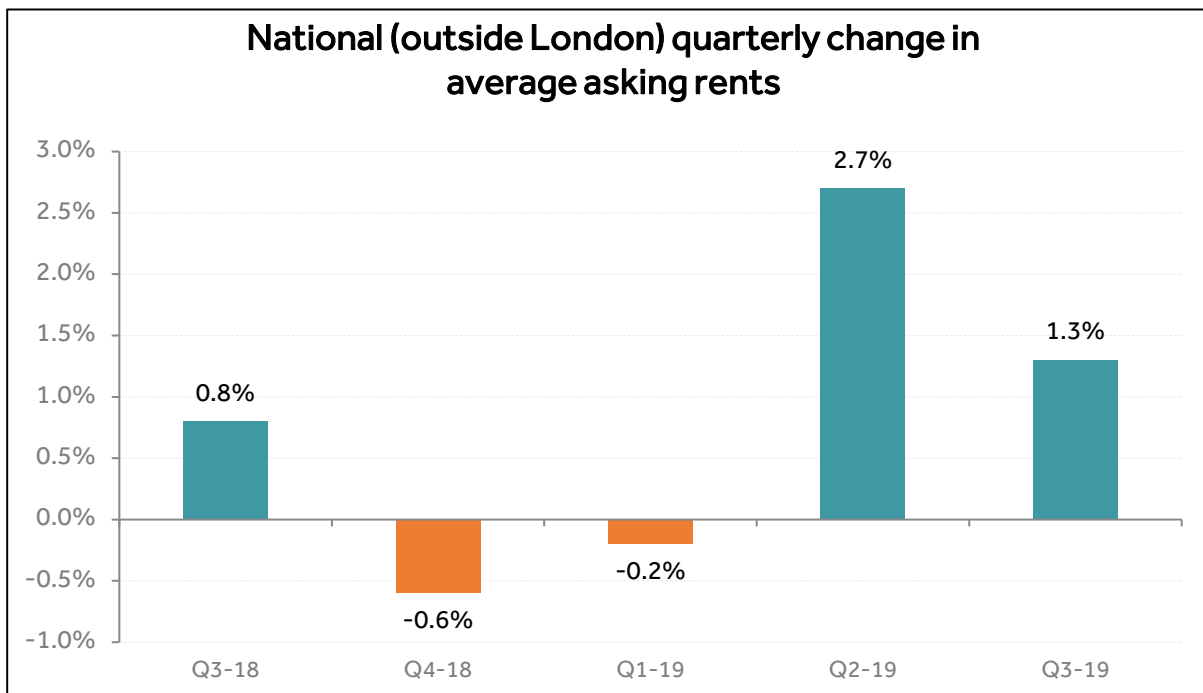
Alex Harrington, Lettings Managing Director at Dexters in London, said: *"With heightened demand overall in London, we have found homes for 19% more tenants this year and achieved significant increases in average*



rents for new tenancies. London's tenants are having to act quickly to secure the best lettings properties with people jumping in wherever they see good location, good value or both. We are noticing particularly high demand from corporate tenants and we are handling over 200 such enquiries every week."

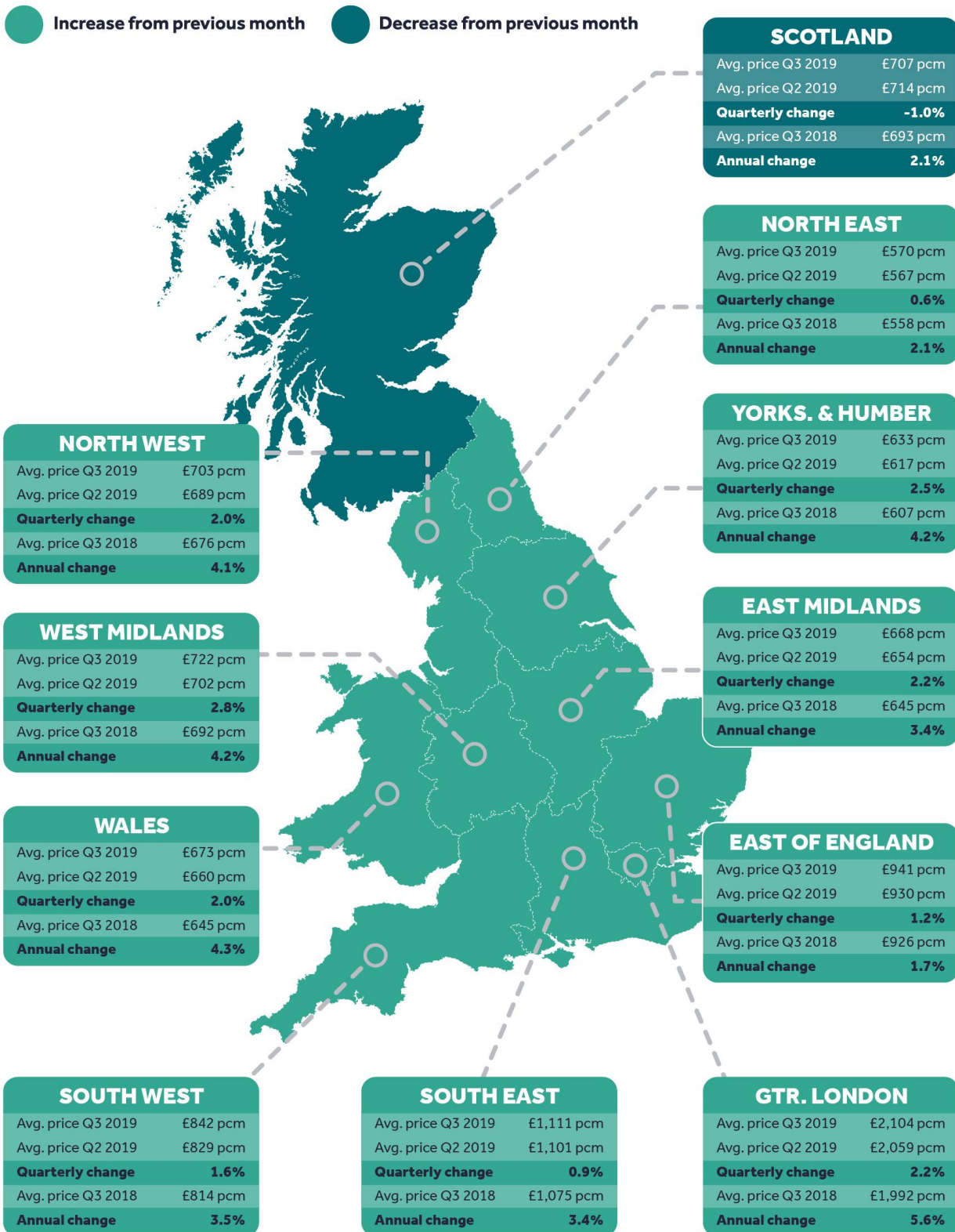
Clynton Nel, Director at JOHNS&CO, commented: "Increases to stamp duty along with ever increasing and more onerous legislation and compliance on buy to let landlords has resulted in many private and accidental landlords exiting the market or looking for cheaper ways to let their property. This has had a knock-on impact on tenants insofar as fewer rental properties means higher rents. Having said that, in the London new build sector, the buy to let market is still active with seasoned investors. We know of some investors who bought just prior to the referendum a few years ago who today are supplementing their investment with their cash each month as it is simply unprofitable right now. They don't wish to exit because they may not yet have the gains they would want, but they see the opportunity in the longer term."

Carrie Alliston, Group Lettings Director of Hunters, said: "Landlords are more discerning if purchasing buy to let property because they have to be, and some have pulled out of the market as finances continue to bite due to various tax implications and the myriad new regulations which affect their bottom line. The current climate means that landlords are increasingly seeking far greater protection from agents. Guaranteed rents, ARLA trained staff, technology advancements and regulatory advice are really important tools for landlords at the moment if they are to continue providing a good service to the housing market."





Regional trends





Top five highest growth areas outside Greater London Q3 2019

Area	Avg. asking rent per month (2 bed) Q3 2018	Avg. asking rent per month (2 bed) Q3 2019	Annual change
Bury	£576	£630	9.4%
Newcastle Upon Tyne	£635	£692	9.1%
Barry	£612	£656	7.3%
Stirling	£659	£705	7.0%
Lytham St. Annes	£584	£623	6.8%

Top five most in-demand areas outside Greater London

Area	Avg. asking rent per month (2 bed) Q3 2019
Ashton-Under-Lyne	£542
Hyde	£569
Oldham	£550
Bootle	£459
Prenton	£535

Top five highest growth areas in Greater London Q3 2019

Area	Avg. asking rent per month (2 bed) – Q3 2018	Avg. asking rent per month (2 bed) – Q3 2019	Annual change
Battersea	£2,243	£2,632	17.4%
Knightsbridge	£4,992	£5,684	13.8%
Elephant and Castle	£1,876	£2,134	13.7%
Southwark	£2,445	£2,775	13.5%
Finsbury	£2,705	£3,022	11.7%

Top five most in-demand areas in Greater London

Area	Avg. asking rent per month (2 bed) - Q3 2019
Camberwell	£1,629
West Norwood	£1,403
Kennington	£2,335
Penge	£1,281
Stoke Newington	£1,737



Editors' notes

Rightmove's Rental Trends Tracker records data since Q4 2011. It is compiled from the asking rents of properties coming onto the market on Rightmove.co.uk. Rather than being a survey of opinions it is produced from factual data of actual asking prices of rental properties currently on the market. Rightmove's Rental Trends Tracker measures prices at the very beginning of the rental process.

Quarterly data: Rightmove measured 309,652 asking rents. The properties were advertised on Rightmove.co.uk by agents from 1st July – 30th September 2019. 13,648 properties have been excluded due to being anomalies. All short lets have been removed. For all areas lower than region the asking prices and % growth are for two bed properties.

Survey source: Rightmove Landlord Survey, September 2019. Sample of 752 landlords.