

LANDBAY[®]

Rental Index

Powered by MIAC
Results for December 2016

Key Findings

Analysis

Index by Bedroom



Average 1 Bed Rents Outside London vs Disposable Income

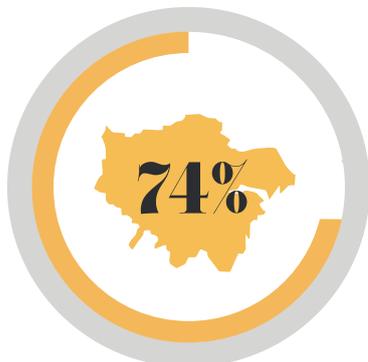


£1,425

- 1 Bed Rents Outside London
- Disposable Income

Average rents for 1 bed properties outside London now account for 42% of tenants' take-home pay.

Average 1 Bed Rents in London vs Disposable Income

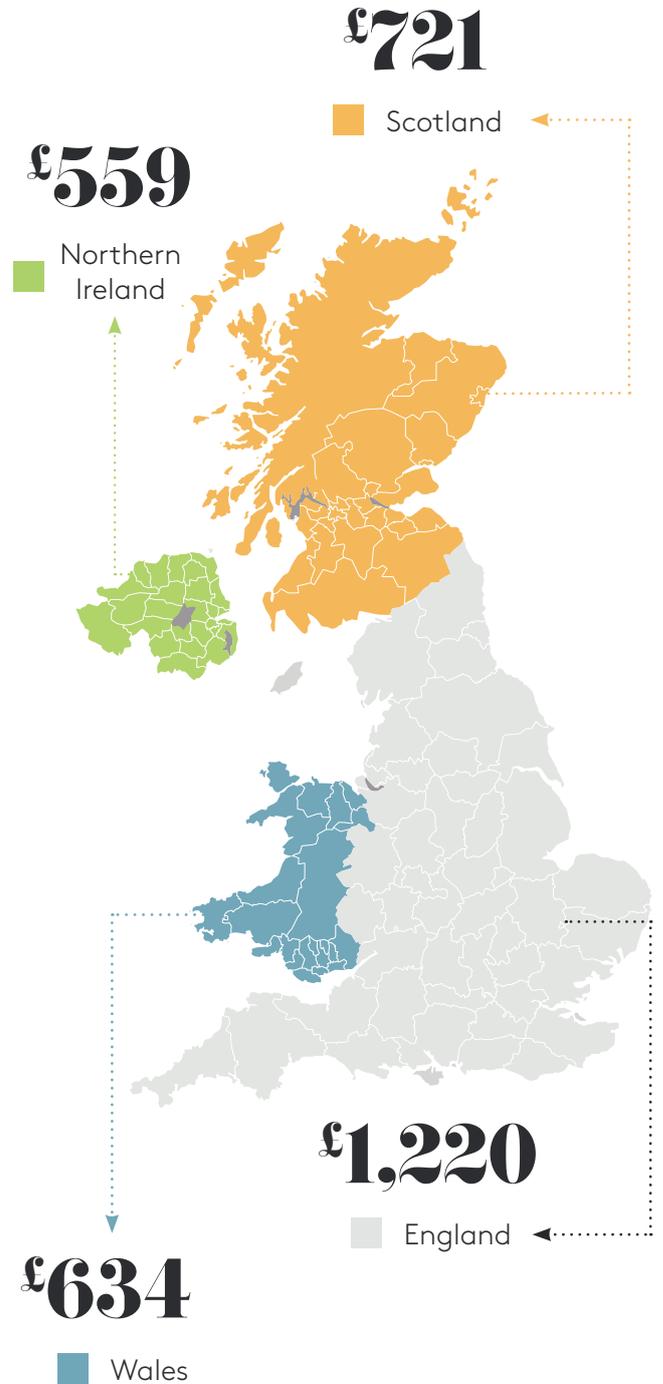


£1,967

- London 1 Bed Rents
- Disposable Income

Tenants occupying one-bed properties in London are now spending an average of 74% of their disposable income on rent.

Overall Rents Rise Across the UK - Year on Year



Since December 2015, average rents in the UK have risen by 1.17%. In England, rents were up 1.15% to £1,220; in Northern Ireland they rose by 0.63% to £559; meanwhile in Scotland rents rose to £721 following annual growth of 1.42%; and in Wales the average rent is up 1.43% to £634.

Rents outside London hit £750 per month

The average rent paid for a residential property in the UK outside London hit £750 in December, rising by 2.04% over 2016, whilst disposable incomes fell by 2% to £1,425 in first three quarters of 2016. Rental payments now account for over half (53%) of the average take-home pay for people living outside the capital (£1,425)¹.

Average rents across all property sizes grew by 2.13% in England (without London), 1.42% in Scotland and 1.43% in Wales in 2016, rising to £755, £721 and £634 respectively by the end of the year. Together, this means the average monthly rent paid for a property in the UK outside London has hit the milestone figure of £750.

Meanwhile, wage growth has failed to keep pace. Disposable income, the take-home pay individuals receive after tax and benefits are accounted for, fell across the UK by -2.3%² in the first three quarters of 2016. Outside London (where average income is significantly lower than in the capital) disposable incomes are approximately £1,425 per month. This means that for an average-sized household with a sole earner, over half of their disposable income is spent on rent. If that individual lives in a one bed property, where rents are a more modest £592 per month, the proportion spent on rent falls to 42% of take-home pay.

Those living in the capital face an even narrower margin. Average rents in London remain more than double the average for the rest of the country at £1,882, despite dipping by -0.13% in December, with average disposable incomes at £1,967. For single-earner households, that means that the average monthly rent for a one-bed is 74% of take-home pay. Accordingly most London households must rely on multiple or high income earners. Naturally, London's property market is subject to higher exposure to international investment, which distorts the ratio, but this nevertheless highlights the pressure for households in London to have multiple income streams to cover rental payments.

With consumer inflation set to rise to 2.7% in 2017³, house prices continuing to climb⁴ and low interest rates restricting the ability to save for a deposit, the findings raise fresh concerns about the affordability of the housing market for aspiring homeowners.

¹ONS Regional gross disposable household income (GDHI): 1997 to 2014:

<https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/bulletins/regionalgrossdisposablehouseholdincomegdhi/2014#main-points>

²ONS Earnings and working hours, average weekly earnings growth rate (total pay):

<http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours>

³Bank of England November Inflation report

<http://www.bankofengland.co.uk/publications/Documents/inflationreport/2016/nov.pdf>

⁴ONS House Price Index: October 2016

<https://www.gov.uk/government/publications/uk-house-price-index-summary-october-2016/uk-house-price-index-summary-october-2016>

Index by Bedroom

All Beds	YoY %	MoM %	Av. £
UK	1.17%	0.04%	1,188
England	1.15%	0.03%	1,220
Scotland	1.42%	0.10%	721
Wales	1.43%	0.19%	634
London	-0.39%	-0.13%	1,882
UK without London	2.04%	0.13%	750
1 bed	YoY %	MoM %	Av. £
UK	1.02%	0.04%	1,011
England	0.96%	0.04%	1,045
Scotland	1.47%	0.06%	545
Wales	2.05%	0.15%	539
London	-0.32%	-0.07%	1,455
UK without London	2.12%	0.13%	592
2 Bed	YoY %	MoM %	Av. £
UK	1.04%	0.01%	1,150
England	1.01%	0.00%	1,185
Scotland	1.39%	0.09%	710
Wales	1.42%	0.22%	686
London	1.42%	-0.17%	650
UK without London	1.95%	0.11%	707
3 Bed	YoY %	MoM %	Av. £
UK	1.42%	0.05%	1,317
England	1.43%	0.04%	1,338
Scotland	1.35%	0.13%	1,106
Wales	1.30%	0.20%	607
London	-0.02%	-0.13%	2,690
UK without London	1.91%	0.11%	814

LANDBAY Rent Check

Rent Check is an online tool that allows tenants and landlords to validate movements in their own rents against others in their area in a fast and user-friendly way.

The postcode search widget harnesses sophisticated UK wide data from Landbay's monthly Rental Index, powered by MIAC. The index maps annual and monthly trends in advertised and actual rents, both geographically and by bedroom number, providing unique and sensitive insight into market movements and social mobility.

To validate your rent change by area and number of bedrooms, please visit rentcheck.landbay.co.uk

The Landbay Rental Index

The Landbay Rental Index includes unique granular level detail, looking at local trends to the county and London Borough level, including further segmentations by number of bedrooms.

The credibility of any index is highly dependent on the breadth and depth of underlying data used, which is why this rental index utilises data from Zoopla, the British property website. Approximately 100,000 properties are analysed each month to form the index.

The rental values are mix adjusted by property type, number of beds and geography to ensure that any change in the composition of the data over time does not skew the results. The changes in rents are calculated based on matched samples of homogenous or identical data points over time. MIAC employs sophisticated smoothing techniques and interpolation to filter 'noise' and optimise the signal from the data.

Landbay and MIAC do not make any declaration regarding the accuracy or completeness of the Rental Index; collectively reserving the right to adjust the methodology and to edit or withdraw any reports or data. Landbay and MIAC shall not be liable for any decisions made or action taken in response to the published data.