



WHY RENTING STACKS UP

How affordable is it to rent in
London and across the UK?

Winkworth

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THE RISE OF RENTAL

More of us than ever before are renting our homes. One in five households across England is now within the private rented sector, up from one in eight just a decade ago. Nowhere is the shift from home ownership to renting more prevalent than across London.

While for many it feels as though rental values are soaring, adjusting for inflation official data indicates rents across London have fallen by 2.2% over the past year and have risen just 2% since the start of 2006. Conversely, the average sales price of an apartment has risen by 55%.

One in six tenants pay less than 20% of their gross monthly income on rent, although on average tenants pay 31%, a figure that has remained remarkably consistent over the past five years.

RENTAL RISE

20.3%

OF ENGLISH HOUSEHOLDS
IN PRIVATE RENTED
SECTOR IN 2016/17

Ministry Housing, Communities and Local
Government (2018)

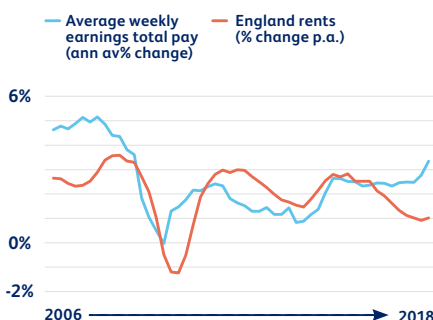
INCREASE IN AVERAGE RENT
VS INCREASE IN AVERAGE
APARTMENT SALE PRICE *



ONS, Land Registry. *Across London since 2006, adjusted for inflation

The parallel relationship

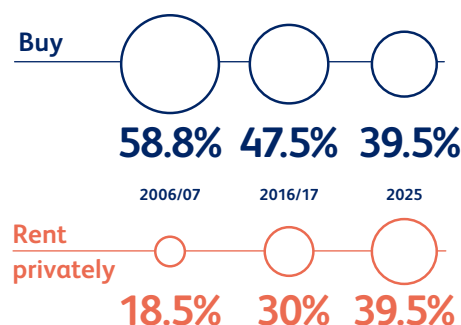
Historically, trends in earnings and rental values have moved in parallel. However, since the start of 2017, rents across England have risen proportionally less than average weekly earnings. In the three months to the end of November, wages rose by 3.3%, on par with October and the highest growth since November 2008. In comparison annual rental growth is currently just 1.0%, across London it is just 0.2%.



dataloft, ONS

Rentals exceed 1 million

A decade ago, proportionally more households across the North West were privately renting than anywhere else across England, with London in second place. Today, over one million households in the capital privately rent, the equivalent of 30%. By 2025 this is anticipated to rise to 39.5%, the same proportion as predicted home ownership levels.



Proportion of London households in privately rented versus home ownership

dataloft, MHCLG, GLA, PwC

Renting versus buying

Nearly half of all new tenancies agreed across London over the past year were for tenants aged 25–34, while 34 is the current average age for a first-time buyer in the capital. For those seeking to purchase, based on current sales prices and a mortgage based on a loan-to-value of 90%, on a monthly basis renting remains more cost effective.



dataloft, Bank of England, Land Registry, MHCLG, based on apartments

FOCUS ON THE CAPITAL

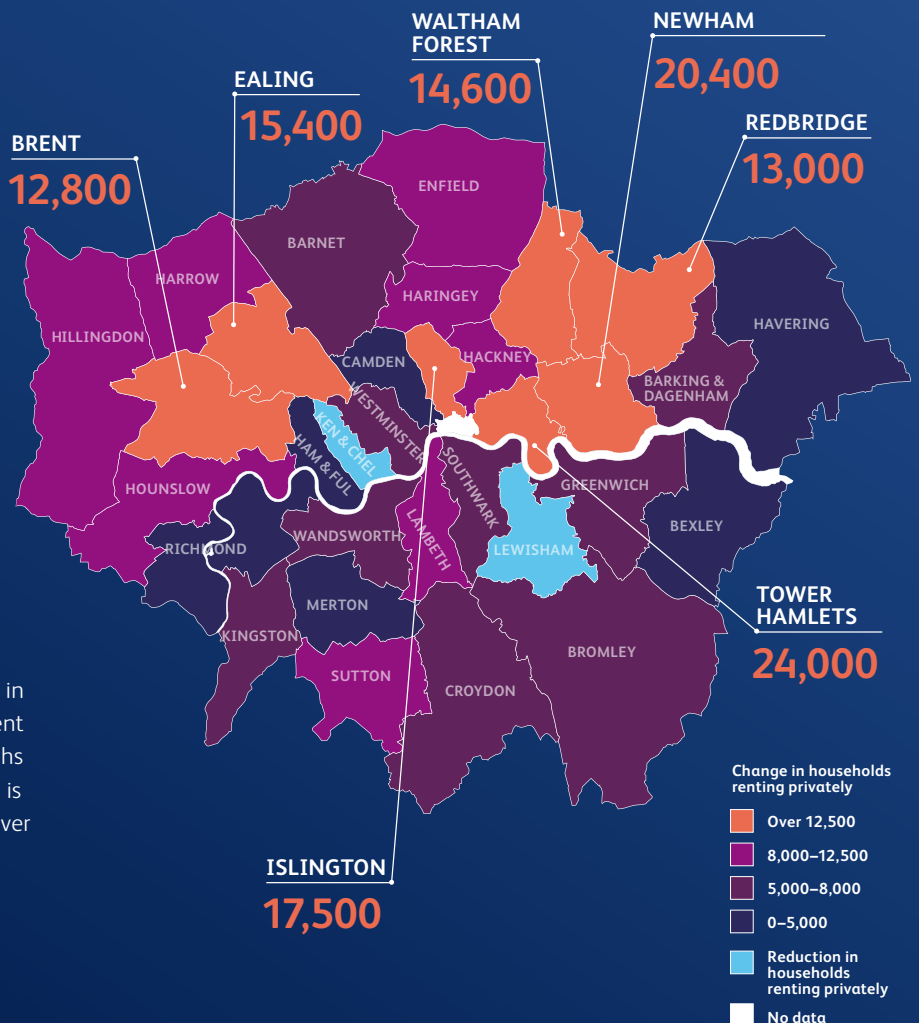
10 year
increase

+272,000

**MORE HOUSEHOLDS IN PRIVATE
RENTING ACROSS THE CAPITAL
THAN A DECADE AGO**

dataloft, ONS(2018), MHCLG

Across London over a quarter of a million more households are in the private rented sector than a decade ago, with all but two boroughs witnessing a rise in the number of households privately renting. Unsurprisingly given London's increasing population, in nearly two-fifths of boroughs the increase is equivalent to over 10,000 households. All but one of the boroughs where the proportion of households privately renting is over 30% are located to the north of the river, with over one third of all households across Newham, Tower Hamlets, Ealing and Brent now privately renting.



What does the future hold?

THE LANDLORD The abolition of mortgage tax relief by April 2020, changes to the wear and tear allowance, a 3% stamp duty surcharge for new additional property and the requirement for an EPC rating of E have all contributed to a fall in buy-to-let lending in recent years. The English Private Landlord Survey, 2018* provides further insight. Today just 45% of landlords own a single property, down from 78% in 2010. In contrast, the number of professional landlords has increased from 5% to 17%, such landlords representing nearly half the market. However, with yields remaining attractive in many areas, 53% of landlords say they plan to keep their portfolio the same over the next year, with 11% planning to increase it.*

*MHCLG, 2019

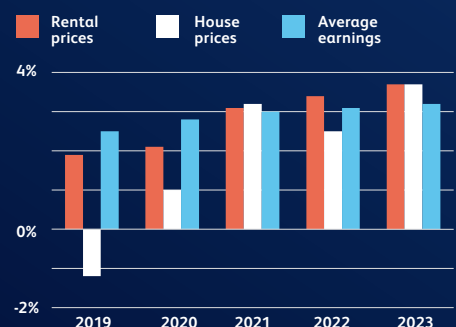
THE TENANT The tenant fee ban, proposals for three-year minimum term tenancies, and a range of new safeguards are all designed to provide greater security for those choosing to rent, although such changes may well result in rental price rises. While younger renters may prefer flexibility, for many families, security over the longer term is valued. Nearly two fifths of renters in London move less than two miles when starting a new tenancy. Jon Hallett, Director at Winkworth Reading, believes “legislative changes will make our industry more customer focused”.

“Tenant expectations continue to rise and landlords must be able to respond”

Carl Burgess Director, Winkworth Shepherd's Bush

Rental value

Increases in average earnings are anticipated to outpace growth in rental prices across London for the next two years, until the anticipated end of the Brexit transition period in 2021. Rental value growth will also outstrip house price growth in four of the next five years.



dataloft, ¹ Average of independent forecasts, ² Office for Budget Responsibility, average of independent forecasts.

THE REGIONAL PICTURE

Similarly to the capital, legislative changes and a more discerning consumer are changing the rental market across the regions. Close to two million households privately rent across our regional office areas, and predictions are that this will edge upwards in future years. Rental value growth has fallen back from its peak of 2.6% two years ago, although falling supply in many areas, in the main due to a drop in buy-to-let investors and increasing demand may well put pressure on prices to rise over the coming year. To date, build-to-rent investment has been concentrated around the main economic hubs of the UK, although signs are that scope is widening with over 11,000 units at varying stages of the development pipeline across our regional office areas.

1.98 million

Households privately renting across our regional office areas, 2015–2018

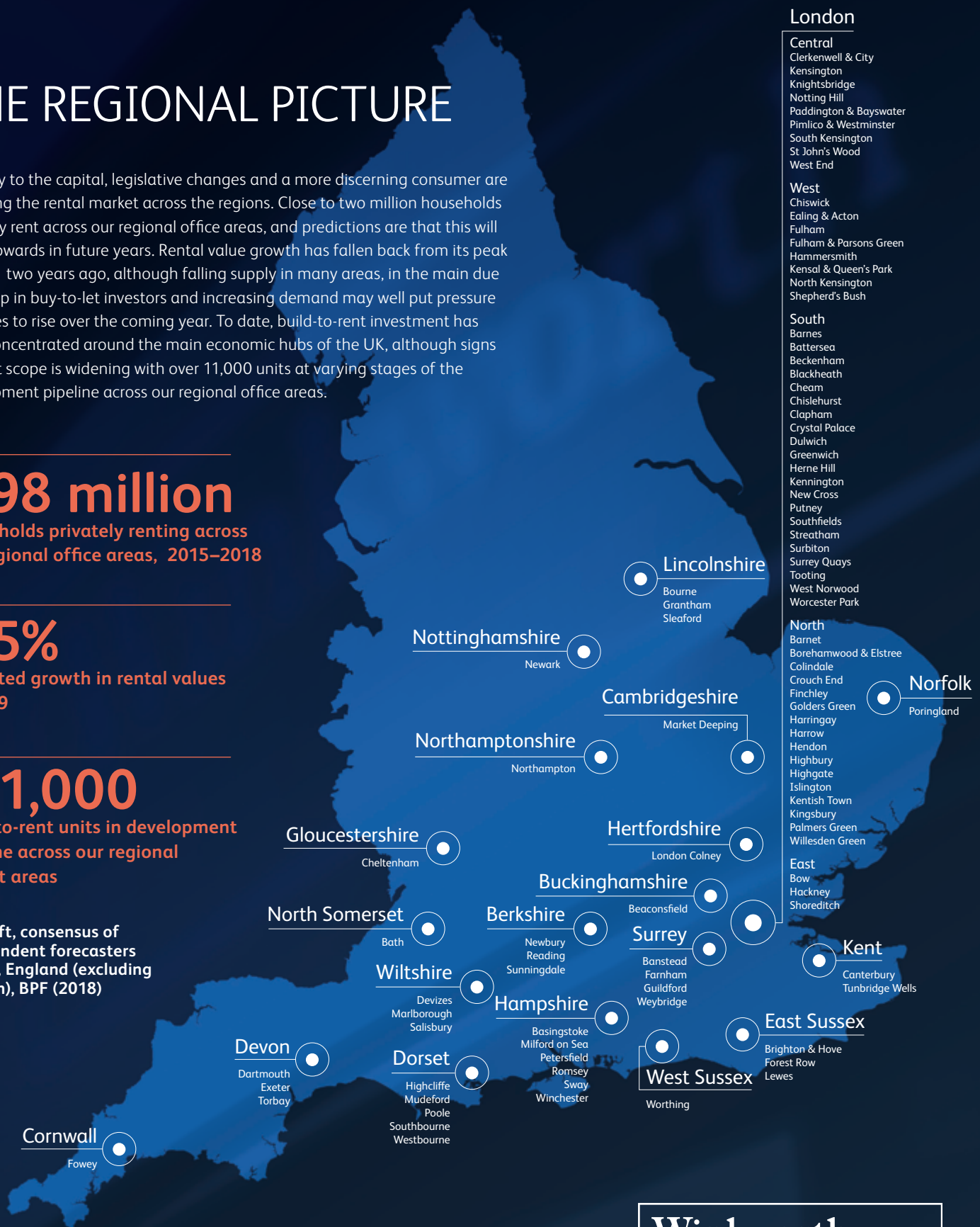
1.5%

Predicted growth in rental values in 2019

+11,000

Build-to-rent units in development pipeline across our regional market areas

dataloft, consensus of independent forecasters (2018), England (excluding London), BPF (2018)



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