

# The FindaProperty.com RENTAL INDEX

**FEBRUARY 2009**

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**Under embargo for 0001 hours: Thursday 26th February 2009**



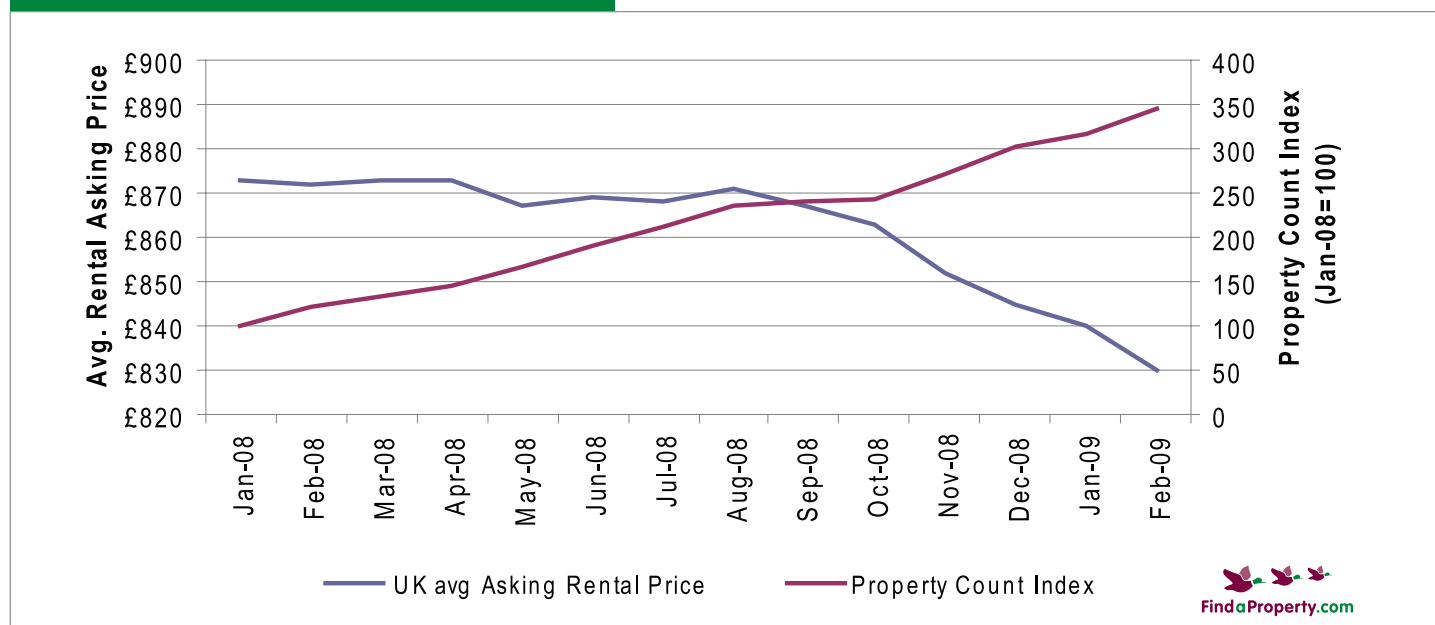
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## Under embargo for 0001 hours: Thursday 26th February 2009

# Soaring Supply Hits Rental Values

- A surge in supply has pushed UK rental asking prices down by 1.2% over the month and 4.8% over the year.
- Average rents in February 2009 were £830pcm compared with £840pcm in January and £872pcm in February 2008.
- Increased tenant activity reduced the average time a property is on the market by one day to 70 days over the month, but time on the market remains up 15 days year-on-year.
- In London, areas that are heavily dependent on City workers as tenants such as City of London, Tower Hamlets and Kensington & Chelsea are experiencing significant rental price falls, in some cases up to 11.7% (=£221). More affordable outer London boroughs are proving much more resilient.
- Excess supply and falling rents is a pattern replicated across most of the UK regions. The North West experienced the worst decline – annual rental prices here are down by 14.3% to £592pcm from £645pcm.
- UK Rental yield remains unchanged at 4.6% for the fourth consecutive month.

### Supply vs Price



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# Overview & Commentary - UK

## UK Rental Market

The clearest and most dramatic trend in the UK rentals market is the significant increase in stock levels – in the past six months the number of rental properties advertised on FindaProperty.com has almost doubled (up 43% between September 2008 and February 2009). Over the past month stock levels have risen by 8%.

This rise in the number of properties on the market has had an inevitable impact on rental prices which were down -1.2% over the month (compared to 0.6% in January) and -4.8% over the year. The average rental price now stands at £830pcm, £10 lower than in January and £42 lower than February 2008.

Economic instability and uncertainty in the UK sales market has led to an increased demand for rental property. Year to date, visitors to FindaProperty.com rental properties are up 22% and enquiries to agents are up 8%. However this rise in demand has been outstripped by the increase in supply and as a consequence properties are taking longer to rent. The average time a property is on the market has risen to 70 days, a 27% rise year-on-year.

On the sales side, asking prices fell by -1.7% in February and are down -6.3% over the year. Rental yields (the percentage of the property's value achieved annually in rent) have remained relatively flat at 4.6% for the fourth consecutive month. However, there are reports of cash investors re-entering the market looking to buy stock at reduced prices in areas where rental prices have held strong and as a result are achieving much more competitive yields.



**Andrew Smith, Head of Research, comments:**

*"The credit crunch and the downturn in the sales market have led to a very significant increase in activity in the rentals market.*

*"This is most dramatically demonstrated by the amount of stock currently available – a trend in part being driven by frustrated vendors listing their properties on the rental market and in part by an increase in turnover as tenants become more willing to move to secure better properties or more affordable rents. As a consequence, supply levels have soared and this has hit rental values, which continue to decline.*

*"Tenants are the real winners in this situation – they have a huge stock of property to choose from, often high-quality owner-occupier stock – and are in a strong position to negotiate on rents and/or services.*

*"According to some of our member agents, tenants are becoming more demanding as the market swings in their favour and landlords are now less likely to receive the uplift in rents at renewal that they might previously have achieved. Some landlords are offering extras such as cable & satellite TV, weekly cleaners or even improving their property to make it more appealing.*

*"Despite falling rents and increased competition, we do not expect investors to abandon the market. Gross yields remain stable and could improve as house prices continue to fall. There is anecdotal evidence that some cash-rich investors are finding bargains in the current market that exceed the average yield by several percentage points. However, this is a more difficult and challenging market for investors, and one in which professionals with considerable capital are better placed and more likely to succeed than amateurs reliant on borrowed money."*

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# Overview & Commentary - Regional & London

## Regional Rental Market

Not surprisingly the rental market has varied significantly across the UK, with most areas having seen asking rents fall by between 2.3% and 6.1% year on year. There are however a few noticeable exceptions. The East Midlands has seen rental prices rise by 2.4% over the past 12 months and the North East of England has seen an increase of 10.6% over the same period – however a large part of this latter rise can be attributed to a significant increase in the number of properties listed in the North East region on FindaProperty.com.

Most significantly rental asking prices have fallen by -14.3% in the North West over the past year, with the speed of fall accelerating in February 2009 with prices plunging -8.2% on the previous month. This fall has been caused by a very significant increase in available stock, especially in the Manchester area, which has seen supply increase by 45.9% over the past year and now accounts for 57.8% of the available rental property in the whole of the North West area.

### Andrew Smith comments:

*“The figures show no clear national picture with each region reacting to local market forces. Most regions have suffered from an annual fall in asking prices - between 2% and 6% - however some areas are now starting to see some moderate rental growth. The notable exception is the North West, which has seen significant falls in rental asking prices caused primarily by a large increase in the volume of stock available. The majority of these properties are in the Manchester area and the data supports the widespread belief that a large number of the new build apartments created in the city centre over the past five years remain empty.”*

## London Rental Market

Asking property rental prices in London have begun to fall, as a glut of new property swamps the market. Areas that have been particularly dependant on tenants working in the financial services sector such as the City of London, Tower Hamlets (incorporating Canary Wharf) and Kensington & Chelsea, have seen the biggest annual falls in asking rents. Some areas such as City of London have seen their average rental asking price come down by up to 11.7% (=£221). In contrast, London's more affordable boroughs have seen their rental asking prices rise by up to 6.7% (=£74). London average monthly rental price now stands at £1,669.

### Andrew Smith comments:

*“The London rental market has been heavily touched by the recent turmoil in the city. Areas that used to historically be populated by city workers either renting by themselves or occupying a corporate let have felt the pinch the most. In contrast, more affordable locations usually situated in London's outer boroughs have benefited from rental growth. We attribute this to tenants willing to expand their area of property search to achieve more affordable rents and these areas to be less reliant on city workers.”*

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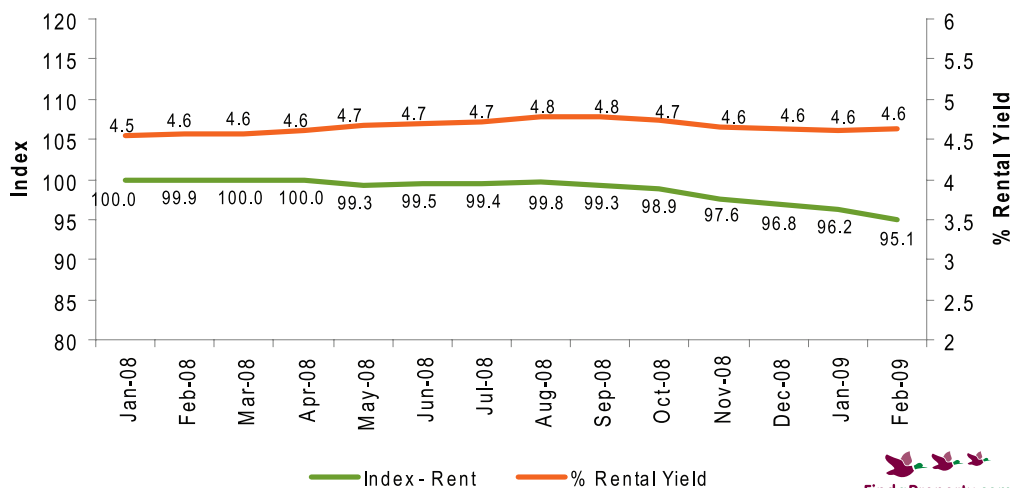
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# UK Rental Index & Regional Breakdown

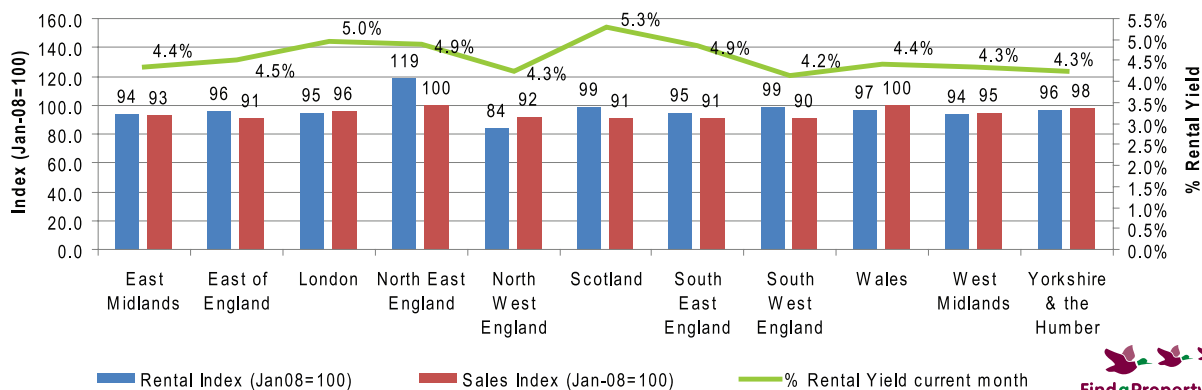
## Rental Index - UK

	January 09	February 09
Average Property Asking Price	£218,784	£215,042
Average Rental Asking Price	£840	£830
UK Average Gross Yield	4.6%	4.6%
% Change in rents in Month	-0.6%	-1.2%
% Change in rents in Past Year	-3.8%	-4.8%

  
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## Regional Breakdown February 09

Region	Rental Index	Sales Index	Rental Yield
East Midlands	93.9	92.8	4.4%
East of England	95.7	91.2	4.5%
London	95.2	96.1	5.0%
North East England	118.8	99.5	4.9%
North West England	84.1	92.3	4.3%
Scotland	98.6	91.3	5.3%
South East England	94.7	91.0	4.9%
South West England	98.5	90.4	4.2%
Wales	96.7	100.1	4.4%
West Midlands	94.3	94.7	4.3%
Yorkshire & the Humber	96.3	97.7	4.3%

  
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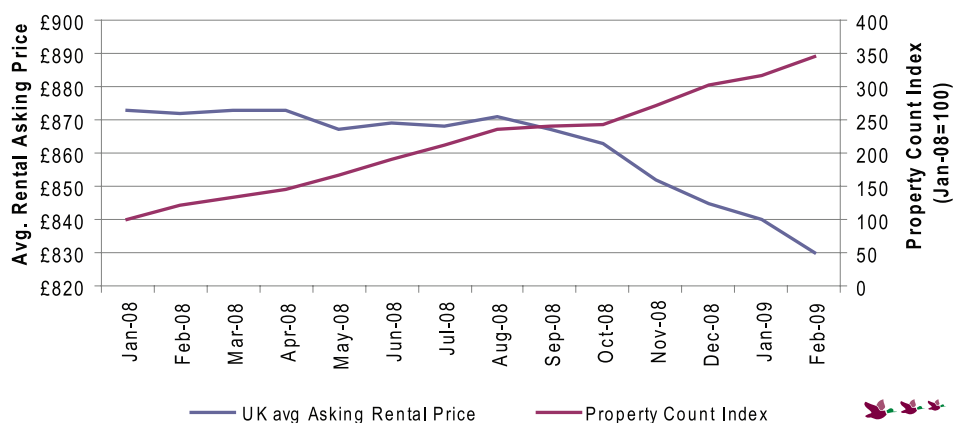
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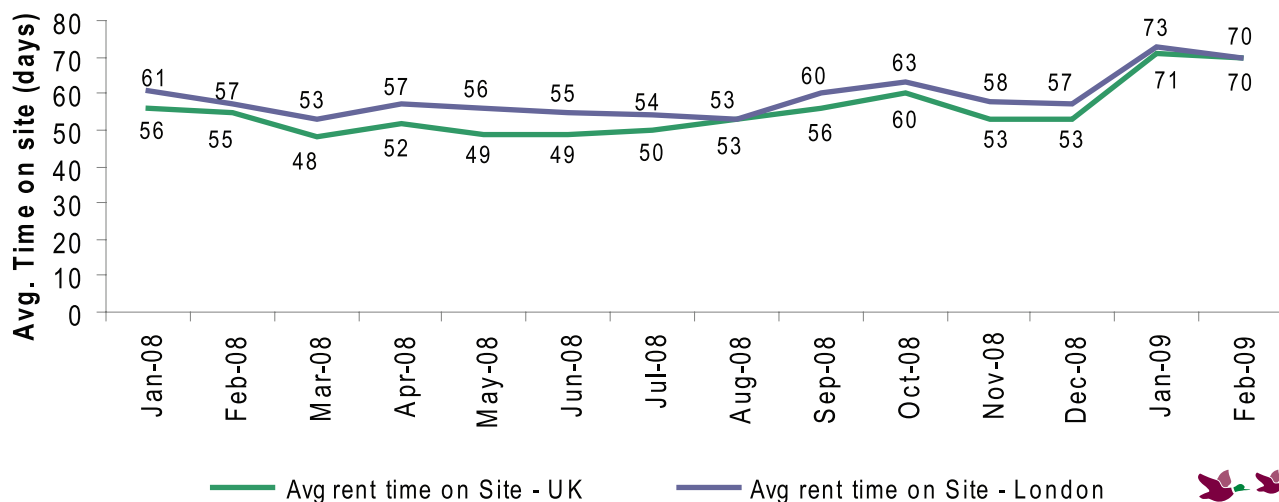
# Supply vs. Asking Price & Average Time On Site

## Supply vs Asking Price

Date	UK avg Asking Rental Price	Property Count Index
Jan-08	£873	100.0
Feb-08	£872	120.3
Mar-08	£873	132.8
Apr-08	£873	145.5
May-08	£867	166.7
Jun-08	£869	189.8
Jul-08	£868	212.8
Aug-08	£871	236.5
Sep-08	£867	240.4
Oct-08	£863	242.7
Nov-08	£852	272.2
Dec-08	£845	302.1
Jan-09	£840	316.9
Feb-09	£830	344.3

  
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## UK & London Rental Average Time on Site

  
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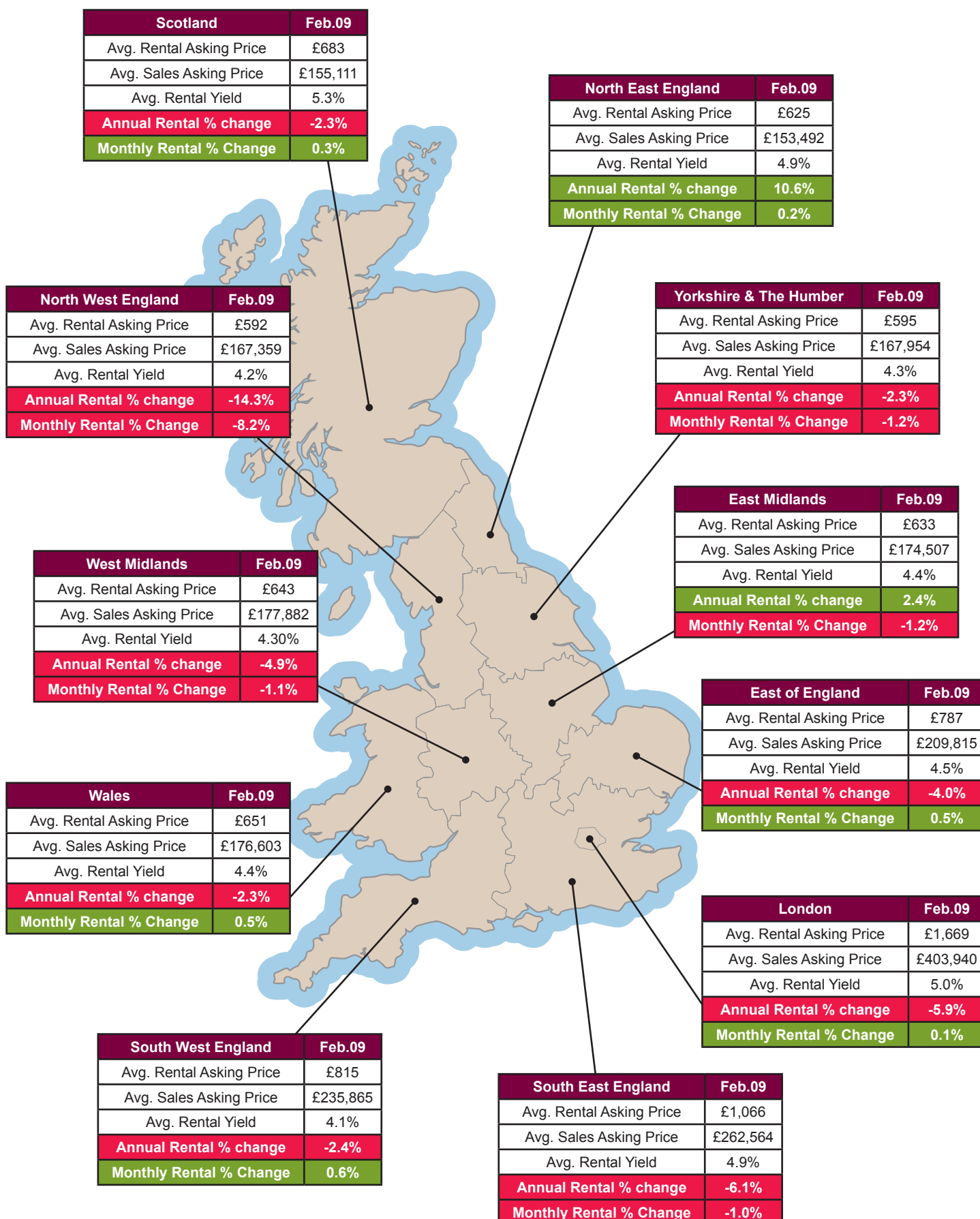
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# Regional Map - Annual & Monthly Change



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# London Boroughs Overview

## London Boroughs

Borough	Avg Rental asking price Feb 09	% monthly change	Avg Rental asking price Feb 08	% yearly change	% Rental Yield
Kensington & Chelsea	£3,242	0.9%	£3,574	-9.3%	4.1%
City of Westminster	£3,029	-0.2%	£3,197	-5.3%	4.3%
Camden	£2,523	0.4%	£2,713	-7.0%	4.9%
Hammersmith & Fulham	£2,274	0.3%	£2,473	-8.0%	4.7%
Barnet	£1,764	-0.4%	£1,833	-3.8%	4.7%
Islington	£1,748	1.2%	£1,900	-8.0%	5.0%
Richmond upon Thames	£1,732	0.5%	£1,744	-0.7%	4.6%
Haringey	£1,690	1.1%	£1,656	2.1%	4.6%
Wandsworth	£1,670	0.4%	£1,850	-9.7%	4.6%
City of London	£1,664	-2.4%	£1,885	-11.7%	4.3%
Merton	£1,616	1.4%	£1,751	-7.7%	5.0%
Tower Hamlets	£1,615	-0.4%	£1,771	-8.8%	5.4%
Ealing	£1,517	-0.3%	£1,646	-7.8%	5.0%
Brent	£1,485	0.4%	£1,492	-0.5%	5.1%
Hackney	£1,482	-1.5%	£1,543	-4.0%	5.7%
Kingston upon Thames	£1,458	-1.4%	£1,578	-7.6%	4.9%
Lambeth	£1,457	-0.9%	£1,545	-5.7%	5.2%
Hounslow	£1,432	-2.6%	£1,602	-10.6%	5.6%
Southwark	£1,409	-0.8%	£1,518	-7.2%	5.3%
Greenwich	£1,301	2.3%	£1,221	6.6%	5.8%
Bromley	£1,268	-1.2%	£1,273	-0.4%	4.7%
Newham	£1,219	-1.7%	£1,256	-2.9%	6.8%
Harrow	£1,211	-1.1%	£1,249	-3.0%	4.7%
Enfield	£1,210	-0.6%	£1,212	-0.2%	4.9%
Lewisham	£1,188	0.3%	£1,282	-7.3%	5.1%
Hillingdon	£1,186	0.0%	£1,112	6.7%	4.9%
Sutton	£1,136	-0.4%	£1,158	-1.9%	5.2%
Redbridge	£1,127	0.3%	£1,113	1.3%	5.0%
Croydon	£1,084	0.7%	£1,106	-2.0%	5.1%
Havering	£1,073	-3.3%	£1,063	0.9%	4.8%
Waltham Forest	£1,041	1.2%	£1,037	0.4%	5.7%
Bexley	£945	-0.6%	£939	0.6%	5.2%
Barking & Dagenham	£901	-0.7%	£907	-0.7%	6.0%
London Average	£1,669	0.1%	£1,773	-5.9%	5.0%

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# London - Best & Worst Performers

## Top 5 Rents

Borough	Avg Rental asking price Feb 09	% monthly change	Avg Rental asking price Feb 08	% yearly change	% Rental Yield
Kensington & Chelsea	£3,242	0.9%	£3,574	-9.3%	4.1%
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## Bottom 5 Rents

Borough	Avg Rental asking price Feb 09	% monthly change	Avg Rental asking price Feb 08	% yearly change	% Rental Yield
Barking & Dagenham	£901	-0.7%	£907	-0.7%	6.0%
Bexley	£945	-0.6%	£939	0.6%	5.2%
Waltham Forest	£1,041	1.2%	£1,037	0.4%	5.7%
Havering	£1,073	-3.3%	£1,063	0.9%	4.8%
Croydon	£1,084	0.7%	£1,106	-2.0%	5.1%

## Top 5 Yields

Borough	Avg Rental asking price Feb 09	% monthly change	Avg Rental asking price Feb 08	% yearly change	% Rental Yield
Newham	£1,219	-1.7%	£1,256	-2.9%	6.8%
Barking & Dagenham	£901	-0.7%	£907	-0.7%	6.0%
Greenwich	£1,301	2.3%	£1,221	6.6%	5.8%
Waltham Forest	£1,041	1.2%	£1,037	0.4%	5.7%
Hackney	£1,482	-1.5%	£1,543	-4.0%	5.7%

## Bottom 5 Yields

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# Regional - City Stats

## City Tables

City	Avg Rental asking price Feb 09	% monthly change	Avg Rental asking price Feb 08	% yearly change	% Rental Yield
Greater Manchester	£582	-12.6%	£712	-18.3%	4.0%
Merseyside	£648	0.8%	£609	6.4%	4.6%
Leeds	£611	-6.7%	£663	-7.8%	4.0%
Nottinghamshire	£601	-3.5%	£595	1.0%	4.2%
Birmingham	£632	-0.8%	£670	-5.7%	5.2%
Bristol	£787	0.4%	£871	-9.6%	4.8%
Cardiff	£743	0.1%	£738	0.7%	4.5%
Southampton	£706	2.6%	£764	-7.6%	5.0%
Brighton	£1,031	-1.1%	£1,041	-1.0%	4.4%
Sheffield	£564	1.8%	£521	8.3%	4.9%

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# About The Methodology

**The FindaProperty.com Rental Index is created using a statistical methodology developed by Calnea Analytics, the company who produce the official Land Registry house price index.**

FindaProperty.com chose Calnea in order to ensure that the data was analysed to the highest possible standards by a company with an outstanding track record in the analysis of house price information.

Calnea brought to the process a degree of statistical sophistication and methodological rigour which we feel is essential to the creation of a reliable price index. Below we offer the most salient points:

The FindaProperty.com Rental Index is an asking prices index which measures:

- Changes in house prices and rental values at UK level, regional level, city level and London borough level.
- A gross rental yield figure calculated using average sale and rental values
- Time on the market (number of days a property is listed)
- Supply levels – the number of properties listed
- Demand levels – based on rental enquiries generated by FindaProperty.com

All data from the FindaProperty.com database is assessed every month, however not all of this data is used in the monthly calculations. A number of exclusions are carried out to ensure that the final figures are not distorted. For example properties tagged as sold or invalid postcodes are not included.

Despite this process of exclusion the index is based on a very large sample of properties - February 2009's index is calculated from a total of over 444,000 sale and rental properties.

The index is calculated using mix-adjusted averages. These are used instead of simple averages to avoid common distortions to the data. For example, if in one month a large number of studio flats were put up for sale/rent, a simple average of prices would look artificially low compared with the previous month.

The mix-adjusted method removes the impact of monthly changes in the stock of property that is on the market and therefore reduces distortions in the data. The data is adjusted by location, property type and bedroom numbers.

## Using the Index

Please feel free to use the FindaProperty.com Rental Index data in your publications, all that we ask is that any online publications retain all links from within the document. Please credit FindaProperty.com as the information source and link to the 'FindaProperty.com Rental Index' (<http://www.findaproperty.com/rental-index.aspx>) when publishing online.

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