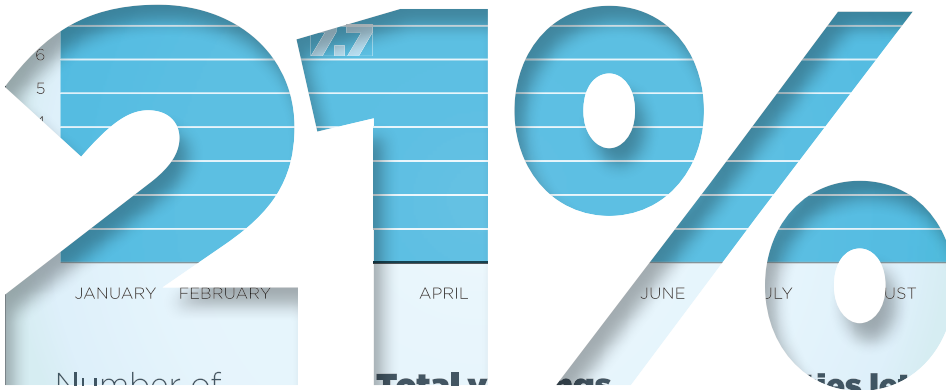


# Market Intelligence



## **increase in tenant demand** since January 2015

Welcome to our Autumn/Winter 2015 market report, where we look at the latest lettings and sales trends and highlight some of the UK's property investment hotspots.

# The lettings market: our view

Over the years, the rental market has evolved remarkably and we are now seeing a new environment emerge. It is becoming much more acceptable to rent a home and we find that many more clients are happy to pay a little more to rent a really desirable property.

The fundamentals of the rental market have never been stronger and there is a great deal of focus on this sector – from government to institutional

investors and developers. There is a genuine push to highlight renting as a first choice for housing needs.

There has been a significant increase in the number of tenants who want to rent, and we are actively seeking new rental properties to meet that demand.

**Michael Stoop**  
Group Managing Director **Martin & Co**

## LETTINGS OVERVIEW

A revival of the lettings market is big news this year. Tenant demand is building and the Martin & Co network has seen a 21% increase in the number of tenants on our books since the start of 2015. Huge increases have been seen, in particular, in the Midlands, London and Scotland.

Even regions which have not recorded such strong growth in tenant demand this year have seen levels holding steady. A consistent demand level is good news for current landlords and those seeking to invest in an area.

There is now a real need for good quality rental stock to meet the needs of the growing number of applicants, because stock levels are failing to keep up with demand. By August we had 13.8 tenants chasing each new property listed, up from 9.4 in January. Meanwhile, tenant profiles are changing. Now, tenants are much more likely to be families with children than they were ten years ago, as shown in the chart below.

## RENTAL VALUES ON THE RISE

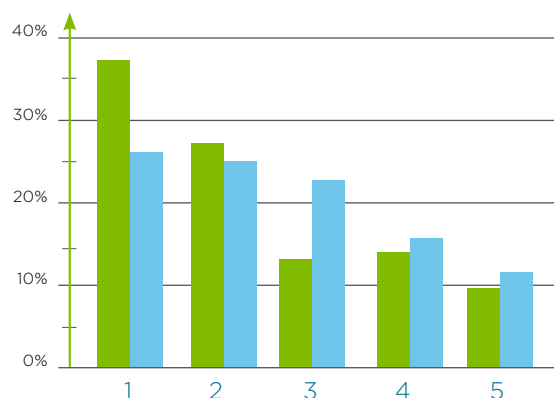
With demand levels outstripping supply, average rental values are increasing. The average rent on properties let by Martin & Co rose by 5.4% over the third quarter of 2015. On an annual basis, rents are now 2.2% higher than Q3 2014. Highest growth has been in the eastern region where average rents are now 8.5% higher than Q3 2014. Furthermore, the Royal Institute of Chartered Surveyors (RICS) anticipates that the rate of increase will be 4.5% per annum over the next five years.

Investor interest in the rental market has grown markedly during 2015, with landlords being encouraged to invest by the heightened demand, increased rental values, strong returns from property investments, and pension reforms allowing the over 55s to choose where to invest their money.

The Council of Mortgage Lenders reports that buy-to-let lending in the second quarter was at its highest level since Q2 2008, with around £8.8 billion borrowed. This tallies with our own findings. Martin & Co's landlord survey of August 2015 showed the appetite for property investment remains largely unchanged, despite new tax rules for landlords being gradually phased in.

### Change in tenant profile over last decade

2003/04 2013/14

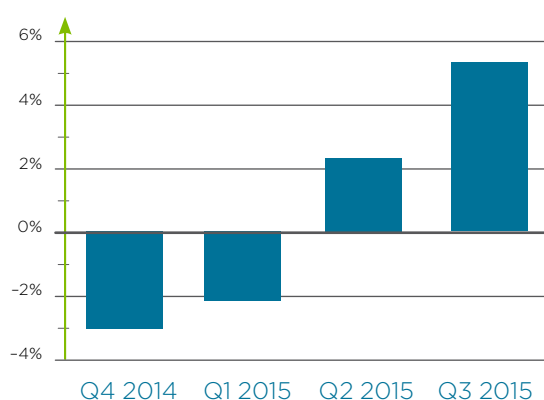


23.1% of renting households are couples with children, up from 13.9% a decade ago.

- 1 ONE PERSON
- 2 COUPLE, NO DEPENDENT CHILDREN
- 3 COUPLE, DEPENDENT CHILDREN
- 4 OTHER MULTI-PERSON HOUSEHOLD
- 5 LONE PARENT, DEPENDENT CHILDREN

SOURCE: SURVEY OF ENGLISH HOUSING

### Quarterly change in average rent paid by Martin & Co tenants

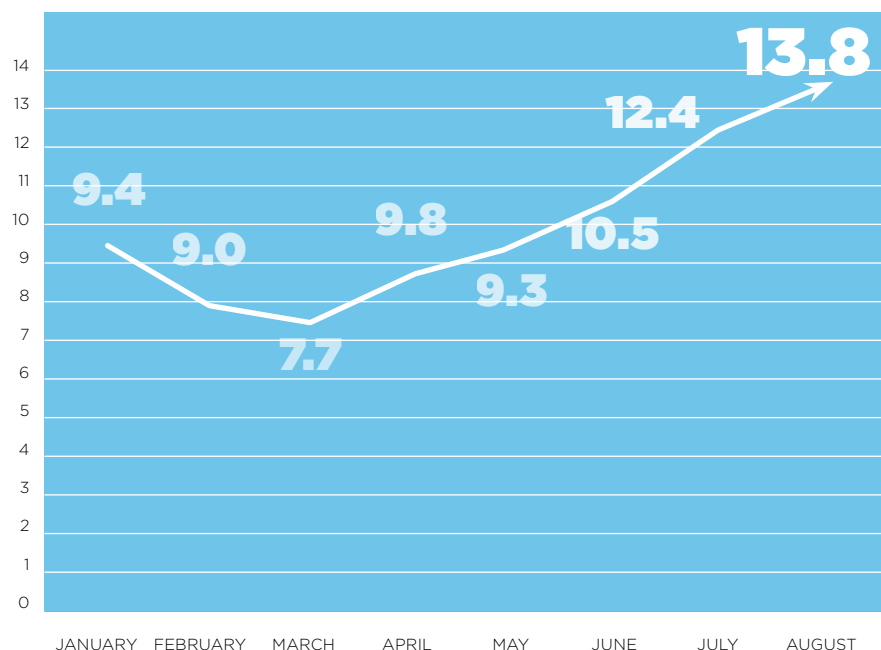


SOURCE: MARTIN & CO

## Martin & Co in numbers

### Total applicants per available property in 2015

In August we had **13.8** tenants chasing each new property, as shown here.



## Market indicators

**91,000**

**RENTAL PROPERTY VIEWINGS**  
UNDERTAKEN BY MARTIN & CO

**16,000+**

**PROPERTIES LET**

**177**

**PROPERTIES CURRENTLY**  
**BEING MANAGED**  
PER MARTIN & CO BRANCH

**33**

**AVERAGE AGE OF A**  
**MARTIN & CO TENANT**

**£738**

**AVERAGE MONTHLY RENT** OF  
MARTIN & CO PROPERTIES LET  
IN 2015

SOURCE: MARTIN & CO January–August 2015

### Total viewings

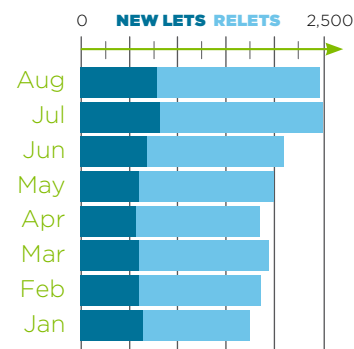
IN 2015



SOURCE: MARTIN & CO

### Properties let

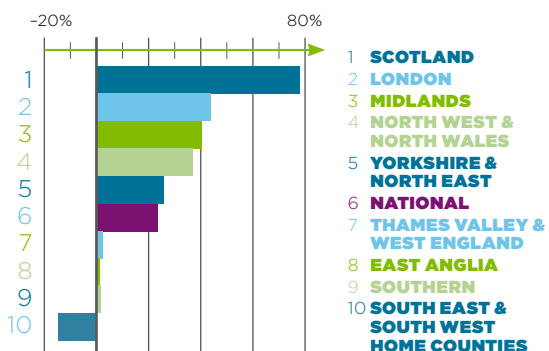
IN 2015



SOURCE: MARTIN & CO  
Relets are where tenants renew the tenancy on their existing agreement.

### Change in tenant demand

OVER 2015



SOURCE: MARTIN & CO

**26%**

Of tenants live in one-person households, down from 36% ten years ago

SOURCE: SURVEY OF ENGLISH HOUSING

**2.2%**

Annual increase in rents

SOURCE: MARTIN & CO

**44%**

Of private tenants do not expect to buy in the longer term

SOURCE: SURVEY OF ENGLISH HOUSING 2013–14

# The sales market: our view

A year in the property market is often a tale of two halves. This year, the first half was dominated by the election and stamp duty changes. Although the second half is still to play out, conditions remain strong in the UK's residential market.

With steady levels of demand, we expect reasonable single digit growth this year and next. Interest rates look set to remain stable for some time to come and the mortgage market is opening up again.

We have a number of committed buyers ready to move quickly and a shortage of stock leaves vendors in a strong position. It is worth bearing in mind the average time it takes to sell a house; what used to be three months is now more like four.

**Michael Stoop**  
Group Managing Director **Martin & Co**

## SALES OVERVIEW

Activity in the UK housing market gained momentum throughout 2015, recovering quickly from a period of hesitation in the run-up to the general election. Demand for properties continues to be boosted by favourable mortgage rates, rising household incomes and a strengthening economy.

The Council of Mortgage Lenders reported that gross mortgage lending was 12% higher in August 2015 than August 2014. With interest rates set to remain at their current historic low for the foreseeable future, and revised GDP forecasts for 2015 expecting growth of 2.8%, it's a good time for house buyers.

The rate of house price growth has slowed slightly since the beginning of the year but is still at a healthy level. Average sales prices across England and Wales are currently rising at an annual rate of 4.2%, down from 6.5% in January.

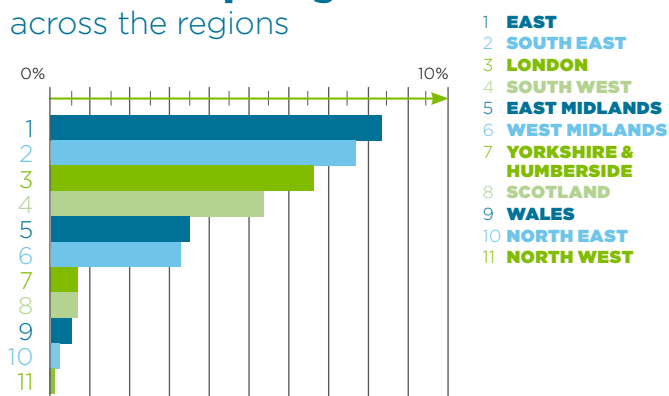
## STOCK NEEDED TO MEET DEMAND

Although price growth has slowed, average values across the country are still rising. In fact, across England and Wales they are at their highest recorded level. However, there are still some regions that appear undervalued compared to previous highs. Looking across the country we see that it is only in the east, south east, south west and London where values have peaked. Transaction levels were fairly subdued earlier in the year due to pre-election uncertainty. According to HMRC data however, by July 2015 transactions were level with sales figures recorded during the same period in 2014.

Given increased interest in the market and higher mortgage lending, we would expect the remainder of the year to show a further increase in transaction levels across the UK. A significant uplift in sales could be restrained, however, by the low supply of properties available to buy across the market.

RICS reported that the average stock of properties per surveyor fell to a record low in August. Low supply is likely to fuel house price growth, although we would caution vendors not to push up asking prices since experience shows that overpricing can suffocate demand. With our growing sales business across the Martin & Co network, we are bucking the trend and expanding our stock of properties.

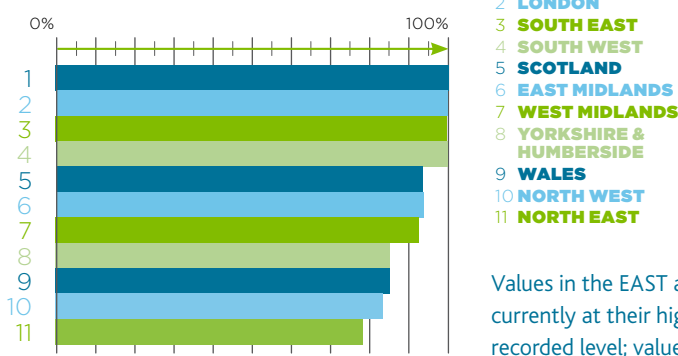
### Annual sales price growth across the regions



SOURCE: LAND REGISTRY AND REGISTERS OF SCOTLAND

### Current average values

AS A PERCENTAGE OF THEIR HIGHEST LEVEL RECORDED



SOURCE: LAND REGISTRY AND REGISTERS OF SCOTLAND, AUGUST 2015

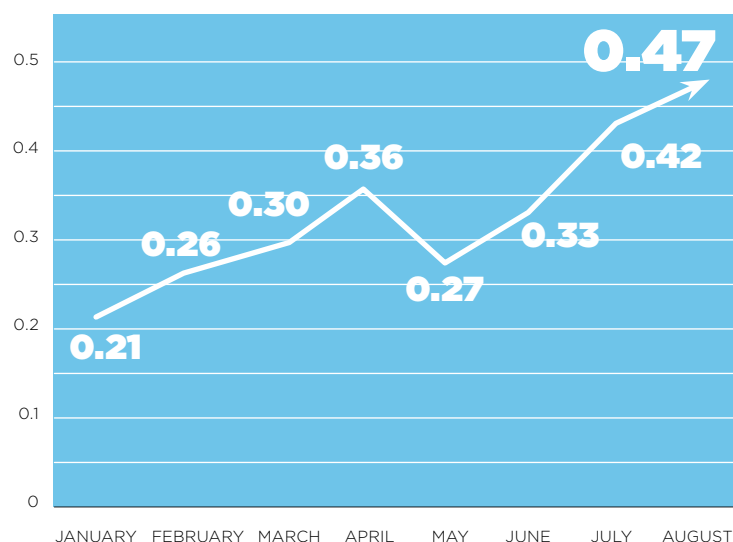
Values in the EAST are currently at their highest recorded level; values in the NORTH EAST are at 79% of their previous peak.

## Martin & Co in numbers

# Martin & Co bucks trends

Martin & Co listed 5% more properties to sell over the summer months than during the first three months of the year, despite the traditional summer slowdown and contrary to national trends. We oversaw a 12% rise in property sales too.

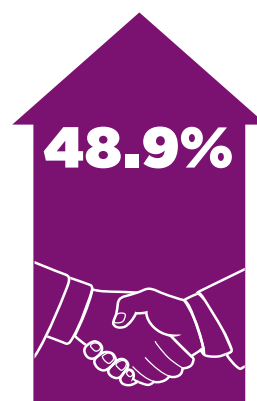
## Properties sold per instruction in 2015



SOURCE: MARTIN & CO

The upward trend in our sales per instruction shows the returning confidence in the market, especially since May's general election.

## Martin & Co since the election



EXCHANGES



NEW INSTRUCTIONS

This chart compares the second four months of the year (May–August) to the first four months of the year (January–April).

SOURCE: MARTIN & CO

# 12%

Rise in mortgage lending in August 2015 compared to August 2014

SOURCE: COUNCIL OF MORTGAGE LENDERS

# 2.9%

Increase in average earnings between May and July compared to same period in 2014

SOURCE: OFFICE FOR NATIONAL STATISTICS

# 8.4%

House price growth in eastern England: the strongest performing region and twice the **national average of 4.2%**

SOURCE: LAND REGISTRY

# £184,682

Average sales price in England and Wales

SOURCE: LAND REGISTRY (AUGUST 2015)

# £126 bn

Spent on properties across England and Wales between January and August 2015

SOURCE: LAND REGISTRY

# INVESTOR MARKET:

## WHERE TO INVEST OR BUY?

As an investment market, residential property remains immature. Our Landlord Survey found that many investors own just one property and even those with a portfolio have grown it via a series of ad hoc purchases in a familiar locality, rather than based on an investment strategy.

For this research, we analysed yields on rental investments in almost 200 towns and cities covered by the Martin & Co network. To calculate yields, we used average asking rents divided by average asking prices from the Zoopla online database and based our analysis on two-bedroom flats and four-bedroom houses.

We grouped all the towns and cities into five types: university, seaside, commuter, northern powerhouse and tech growth. Our research reveals a significant range of yields within each location type and plenty of scope to look for high-yielding investments.

As the residential investment market matures, no doubt yields will become more predictable, especially if institutional investors get involved in the private rental sector (PRS). In the meantime, the sheer diversity of returns throws up some very attractive opportunities for the informed investor to secure high initial yields and/or the prospect of future capital growth, while building a balanced investment portfolio for the long term. This analysis can help highlight locations with potential for growth, although the performance of any individual portfolio will inevitably rest on stock selection.

### Martin & Co: our investment hotspot sectors



**Northern powerhouse**  
Places within the government's growth area: West Yorkshire combined authority, Sheffield combined authority, North East combined authority, Manchester City region, Hull City region, Liverpool City region.



**Commuter**  
Places with established commuter populations travelling to work in London, likely to attract higher demand as price pressure squeezes households out of city centres.



**Seaside**  
Seaside towns and resorts: likely to attract retired people who wish to rent fully serviced, convenient one or two-bedroom apartments while testing out a new lifestyle.

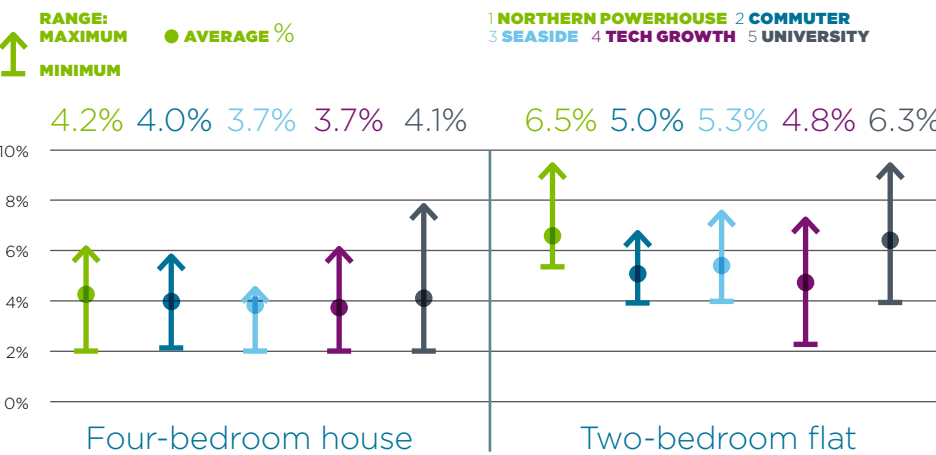


**Tech growth**  
Clusters of technology activity and above average growth in new digital companies incorporated between 2010 and 2013, based on rankings produced by Tech City UK. Attract young tech workers, who prefer access to entertainment and on-site amenities.



**University**  
Towns or cities that are home to at least one university or centre of academic excellence, with a large and dynamic rental market dominated by young, cost-sensitive sharers.

### Range of average yields compared with average yield



These charts show that average yields were relatively consistent across all five location types at around 4% for a four-bedroom house and 5%–6% for a two-bedroom flat. However, we found a surprisingly wide range of yields within each group. For instance, yields on four-bedroom houses in university towns and cities differ by as much as six percentage points.

# Martin & Co: the hotspots in our chosen sectors

This map shows a range of high-yielding investments across the country, based on a selection of products and location criteria. Behind the detail there are significant other opportunities for investors

depending on different types of investment properties, the area required and investor motives. We encourage potential landlords to speak to our experts across the country.



## Northern powerhouse

- 1 York **9.3%**
- 2 Leeds **7.7%**
- 3 Huddersfield **7.4%**
- 4 Widnes **7.1%**
- 5 Pontefract **7.1%**
- 6 Manchester **6.9%**
- 7 Sheffield **6.5%**
- 8 Chesterfield **6.5%**
- 9 Shipley **6.4%**
- 10 South Shields **6.3%**

### TWO-BEDROOM FLAT YIELD

The government is committed to boosting economic growth here by attracting infrastructure spend, devolved powers and financial incentives. New employment opportunities will help fuel demand for rental property.



## Commuter

- 1 Walton-on-Thames **5.8%**
- 2 Tonbridge **5.1%**
- 3 Chelmsford **4.9%**
- 4 Caterham **4.8%**
- 5 Stevenage **4.7%**
- 6 Slough **4.7%**
- 7 Beckenham **4.4%**
- 8 Maidstone **4.3%**
- 9 Woking **4.3%**
- 10 Canterbury **4.3%**

### FOUR-BEDROOM HOUSE YIELD

Population growth and housing shortages in London drive up prices and encourage people to look for homes inside the commuter belt, where tenants can get more for their money.



## Seaside

- 1 Ayr **7.6%**
- 2 Blackpool **6.4%**
- 3 South Shields **6.3%**
- 4 Whitley Bay **6.2%**
- 5 Bognor Regis **5.7%**

### TWO-BEDROOM FLAT YIELD

Two-bedroom flats in seaside towns produced some of the highest yields in our survey. They also offer the potential for seasonal or weekend letting to holiday-makers.



## Tech growth

- 1 Cwmbran **7.1%**
- 2 Manchester **6.9%**
- 3 Romford **6.2%**
- 4 Leith Edinburgh **5.8%**
- 5 Cardiff **5.5%**
- 6 Liverpool **5.3%**
- 7 Bristol **5.3%**
- 8 Bournemouth **5.1%**
- 9 Bath **5.0%**
- 10 Loughton **5.0%**

### TWO-BEDROOM FLAT YIELD

The tech sector is a major source of economic activity, with a flourishing entrepreneurial start-up culture. Tech towns attract a young, footloose population and support a thriving rental market.



## University

- 1 Coventry **7.7%**
- 2 Aberdeen **5.8%**
- 3 Dundee **5.3%**
- 4 Glasgow **5.2%**
- 5 Sheffield **5.0%**

### FOUR-BEDROOM HOUSE YIELD

University towns represent a well-established market for buy-to-let investors. Parents buy properties for their student-age offspring and often keep them as investments after the younger generations have moved on.



Martin & Co is part of The Property Franchise Group, contributing **195 offices** to a network of nearly 300, spanning five property brands – this makes The Property Franchise Group the fourth largest estate agency business in the UK by number of offices.

Martin & Co has a combined portfolio of over 30,000 properties, with 45,000 across the Group. As such we have a nationwide reputation as a lettings specialist.

We bring a wealth of knowledge and expertise to the table, and this is on offer to all of our clients. We keep our finger on the pulse of the local property market, with offices throughout the UK ready to help you let or rent a property, or buy or sell a home.

As a current or potential landlord, you can rest assured that we know what keeps you awake at night and that our service is built around keeping properties fully let, minimising the risk of rental arrears through state-of-the-art credit checking, and using independent first-class local tradesmen to keep a lid on maintenance costs. We reject 'call centre' culture – all of our offices are based where your property is located so we can keep a close eye on things, just like you would if you had the time.

## East Midlands & West Midlands

Beeston • Birmingham  
Harborne • Birmingham Kings  
Heath • Birmingham  
Longbridge • Chesterfield •  
Coalville • Coventry • Derby •  
Gainsborough • Grantham •  
Hinckley • Ilkeston •  
Leamington Spa • Leicester •  
Lincoln • Loughborough •  
Mansfield • Mountsorrel •  
Newark • Newcastle under  
Lyme • Nottingham City •  
Nottingham Hucknall • Rugby •  
Shrewsbury • Solihull • Stamford •  
Sutton Coldfield • Tamworth •  
Telford • Wolverhampton •  
Worcester • Worksop

## East Anglian Region

Bedford • Bury St Edmunds •  
Cambridge • Chelmsford •  
Colchester • Diss • Ely • Harlow •  
High Wycombe • Ipswich •  
Milton Keynes • Norwich •  
Northampton • St Albans •  
Southend-on-Sea • Stevenage •  
Stowmarket • Welwyn

## London

Balham • Battersea Reach •  
Beckenham • Brentford •  
Camden • Caterham • Chelsea •  
Croydon • Crystal Palace •  
Ealing • Enfield • Fitzrovia •  
Islington • Kingston Upon  
Thames • London Bridge •  
London Riverside • Loughton •  
Romford • Ruislip • Stratford •  
Sutton • Twickenham • Walton  
on Thames • Wanstead •  
Wimbledon

## North West & North Wales

Biddulph • Blackpool • Chester •  
Crewe • Guisborough •  
Lancaster • Liverpool South •  
Macclesfield • Manchester  
Central • Manchester Chorlton •  
Manchester Prestwich •  
Nantwich • Preston • Rochdale •  
Stafford • Stockport • Stoke  
on Trent • Widnes • Wilmslow •  
Wirral Bebington • Wirral  
Moreton

## South East Home Counties (Kent and East Sussex) & South West Home Counties (Surrey and West Sussex)

Ashford • Bognor Regis •  
Brighton • Burgess Hill •  
Canterbury • Crawley • Dover •  
Eastbourne • Folkestone •  
Leatherhead • Littlehampton •  
Maidstone • Medway • Reigate •  
Tonbridge, Tunbridge Wells •  
Uckfield • Worthing

## Southern Region

Aldershot • Andover •  
Basingstoke • Bognor Regis •  
Bournemouth • Camberley •  
Chichester • Gosport •  
Guildford • Maidenhead •  
New Milton • Petersfield •  
Poole • Portsmouth • Reading •  
Reading Caversham •  
Ringwood • Salisbury • Slough •  
Southampton City •  
Southampton Woolston •  
Staines • Weymouth •  
Winchester • Woking

## Scotland

Aberdeen • Ayr • Bathgate •  
Cupar • Dundee • Dunfermline •  
Glasgow City • Glasgow  
Shawlands • Glasgow West  
End • Inverness • Kinross •  
Kirkcaldy • Leith • Paisley •  
Stirling

## Thames Valley & West of England & South Wales

Abingdon • Banbury • Bath •  
Bristol Kingswood • Cardiff •  
Cheltenham • Chippenham •  
Cirencester • Cwmbran •  
Exeter • Falmouth •  
Gloucester • Merthyr Tydfil •  
Newport • Oxford • Plymouth •  
Swindon • Taunton • Truro •  
Westbury • Witney • Yeovil

## Yorkshire & North East England

Beverley • Doncaster •  
Guisborough • Harrogate •  
Huddersfield • Leeds City •  
Leeds Garforth • Leeds  
Horsforth • Newcastle upon  
Tyne • Pontefract •  
Rotherham • Saltaire •  
Sheffield City • Sheffield  
Hillsborough • South Shields •  
Sunderland • Wakefield •  
Whitley Bay • York



ARLA, PROPERTY OMBUDSMAN

Disclaimer: This report has been prepared in good faith on the basis of calculations that rely on a set of assumptions that will vary considerably between geographical regions and over time. They illustrate hypothetical examples of returns that may be possible under the given set of assumptions, however no warranty is given as to the accuracy or completeness of information contained in this report. Accordingly, this report is for general information purposes only and no liability is accepted by Martin & Co (UK) Ltd, its associates, employees, directors and representatives for any negligence in relation to the information, forecasts, figures or conclusions contained in this Report or for any loss, damage, or consequence whatsoever, arising from any action taken based on its content. This report does not constitute and must not be treated as investment advice or guidance and users should always obtain independent professional advice before making any investment decision. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without the express prior written permission of Martin & Co (UK) Ltd.

Date of publication: November 2015

**dataloft**  
PROPERTY MARKET INTELLIGENCE AND DESIGN.

Compiled by Dataloft,  
www.dataloft.co.uk

**2,029**

Average number of  
properties let per  
month in 2015

**11,339**

Average viewings  
of rental properties  
per month in 2015

**95%**

Of our customers  
said they would  
recommend us

**7 minutes**

We sell or let a  
property every  
7 minutes in the UK

**MARTIN&CO**  
Letting • Sales • Investment