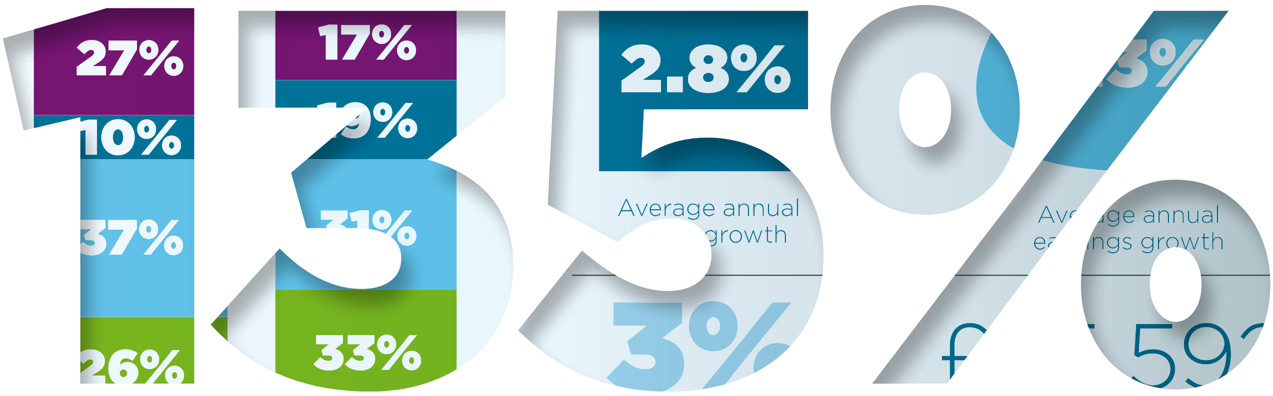
Market Intelligence



increase in privately rented households
over past 30 years

SOURCE: ENGLISH HOUSING SURVEY

2016 marks 30 years since Martin & Co let its first property in the UK. In this special anniversary edition **"30 Years in the Private Rented Sector",** we take a look back at how the UK lettings market has changed over the past three decades, as well as all of the latest trends in the property market.

NATIONAL

MARTIN&CO
Letting • Sales • Investment

The lettings market: our view

The UK housing market is one of the most valuable in the world. Prices are kept high by the limited supply of building land.

We foresee the private rented sector continuing to grow over the next 30 years and surpassing 30% of households renting from a private landlord.

Margaret Thatcher, whose Conservative Government introduced the legislative changes that paved the way for the private rented sector to grow, had a vision for the average person to own stocks and shares.

In fact, it's the growth of property assets in the hands of private investors that is the most remarkable change in the landscape.

Ian Wilson
Chief Executive Officer **Martin & Co**

LETTINGS OVERVIEW

Tenant demand levels rose during 2015 and momentum has continued into the start of 2016. Martin & Co saw a 36.7% increase in tenant applications in January 2016 compared with January 2015, and a 13.3% increase in actual lettings.

At the same time, tenants have limited choice and demand outstrips supply. We registered more than 10 prospective tenants for every property we were instructed to let in 2015.

Tenants are therefore staying longer in their current rental homes. The average length of residence for properties let by Martin & Co has increased by 4.5% over the past year to 445 days.

The increase in demand boosted rental values during 2015, up from £721 per month in the first half of the year.

Positive signs
for the lettings market

Rent paid in second half of 2015 was

£751 PER MONTH

4.1% higher than in the first half of the year

Buy-to-let lending rose by 39% in 2015 to the highest level since 2008 and the third highest year on record

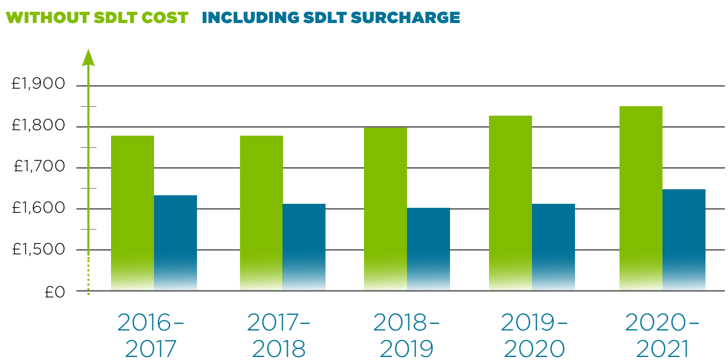
SOURCE: MARTIN & CO, COUNCIL OF MORTGAGE LENDERS

OUR VIEW ON TAX AND STAMP DUTY LAND TAX (SDLT) CHANGES

From April 2017 there will be a staged reduction in mortgage tax relief on buy-to-let mortgages. By 2020, landlords will pay tax at the basic rate of 20% but our figures suggest that many landlords will be unaffected by the tax relief changes. Our landlords are set to continue to make positive returns on rental properties. A current income after tax of £1,789 per annum would fall to £894 if rents remain unchanged. However, a 5% per annum increase in rents would take income (after tax) to £1,858 per annum in 2020*.

Adding on the full stamp duty costs (including the 3% stamp duty surcharge) to the cost of a mortgage still results in a profit by 2020/21. Based on this, the annual income would be £676 in five years with no rental growth (currently £1,625) or £1,640 in five years assuming 5% per annum rise in rents*. Additional stamp duty can be offset against capital gains at point of sale. If the market is affected and landlords pull out, leading to lower rental stock levels, rental values will be pushed up. This will make the monthly yield figures more attractive to existing landlords and encourage investors to return to the market.

Income from rent
assuming 5% per annum rental growth



SOURCE: MARTIN & CO
*Assumptions: Average price of England and Wales property of £186,325, loan to value (LTV) ratio of 60%, gross yield of 4%, interest rate on debt of 4%, annual rental growth of 5% (Royal Institute of Chartered Surveyors forecast) and with costs of purchase not included. Stamp duty analysis assumes costs of stamp duty (including 3% surcharge) are added onto mortgage, taking LTV ratio to 64%.

Rental market: the longer-term view

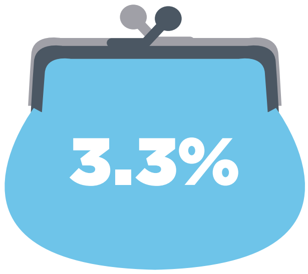
Significant increase in the private rented sector over last 30 years

SOCIAL RENTED PRIVATE RENTED OWNED WITH MORTGAGE OWNED OUTRIGHT

SOURCE: ENGLISH HOUSING SURVEY

Rental growth has almost matched earnings growth over last 20 years

Average annual rental growth



Average annual earnings growth

3%

Earnings growth forecast this year

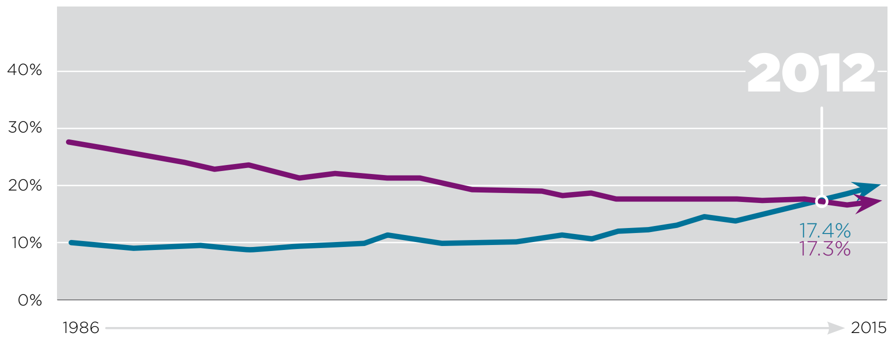
SOURCE: OFFICE FOR NATIONAL STATISTICS

£25,592

Average income of Martin & Co tenant

The private rented sector overtook the social rented sector in 2012

PRIVATE RENTED SOCIAL RENTED



SOURCE: ENGLISH HOUSING SURVEY, DATA IS FOR ENGLAND ONLY

346%

Increase in number of households aged 35–44 in private rented accommodation over 30 years

SOURCE: ENGLISH HOUSING SURVEY

71%

households aged 16-24 living in private rented sector, **up from 32%** 30 years ago

SOURCE: ENGLISH HOUSING SURVEY

£338bn

mortgage loans advanced on buy-to-let properties since late 1990s

SOURCE: COUNCIL OF MORTGAGE LENDERS

9%

households in private rented sector aged 65+, down from 30% three decades ago

SOURCE: ENGLISH HOUSING SURVEY

The sales market: our view

The first phase of buy-to-let investment was driven by owner-occupiers unable to sell in the property crash of the early 1990s and renting out their home as a short-term solution.

The second phase was the development of city centre two bedroom apartments. These were often built with buy-to-let investors in mind, and many units were sold "off-plan" with a view to capital appreciation.

More recently investors have been looking for rental returns in a landscape of low interest rates for savings on deposit.

Given the increase in larger families renting homes, we predict investors will diversify their portfolios by buying larger properties in less affluent areas, for instance three or four bedroom houses with parking and gardens.

Michael Stoop
Managing Director **Martin & Co**

SALES OVERVIEW

Many factors have helped boost demand for residential properties across the UK. These include improved economic conditions, an increase in wages and employment levels and government schemes to boost home ownership. We have seen increased activity across the market from investors rushing to complete before April's stamp duty levy. Mortgage lending levels have increased and are likely to continue to do so over the coming year, especially given the likelihood that interest rates will stay the same for the rest of 2016.

While demand levels are rising, the market is restricted by low levels of stock. The Royal Institute of Chartered Surveyors reported in January that there was an average of 46 properties to sell per branch*, down 21% on a year ago. While this is generally restricting transaction numbers, Martin & Co actually saw a 7.1% increase in sales agreed in January 2016 compared to January 2015.

Continued price growth is supported by low stock and high demand. Across the UK, average sales prices rose by 6.7% in 2015 (ONS).

30 years ago interest rates were high (11.7%) but house prices were more affordable relative to earnings (house prices were 2.9 times annual earnings).

Now interest rates are historically low (current 0.5%) but house prices are more expensive relative to earnings (house prices are 5.1 times annual earnings)

*The Royal Institute of Chartered Surveyors surveyed agents.

Martin & Co 30 years

Sales market: the longer-term view

The sales market has seen a staggering amount of growth in the last 30 years, easily outperforming other asset classes.

House price growth outperforms other investments over 30 years

768% — 7% P.A. — UK house prices

342% — 5% P.A. — UK shares FTSE 100

222% — 4% P.A. — Gold

124% — 3% P.A. — Inflation

SOURCE: BANK OF ENGLAND, OFFICE FOR NATIONAL STATISTICS, FT

Market indicators

£13,000
AVERAGE RECORDED INCOME OF BORROWERS IN 1986

£60,000
AVERAGE RECORDED INCOME OF BORROWERS NOW

£4,000
THE AVERAGE FIRST TIME BUYER **DEPOSIT IN 1986**

£50,000
THE AVERAGE FIRST TIME BUYER **DEPOSIT NOW**

SOURCE: ONS

30 years in the private rental sector

In the last 30 years, the number of households in the private rented sector (PRS) has doubled. Growth has been particularly pronounced in the last 10 years, with a staggering two million new households entering the PRS across England alone. The growth in the sector has been for a number of reasons.

Thirty years ago, there were more households in social rented accommodation than in private rented. In 2012, the PRS overtook the social housing sector. Home ownership levels have also been declining as a result of increased costs for first time buyers. Because of this, the average age of first time buyers has been rising, which means they spend longer renting before they buy.

Over the last 10 years net migration into the UK has averaged an extra 250,000 people a year. This has been even higher over the last two years with 300,000 people a year entering the UK. The private rented sector is generally their first choice. Another growing source of demand has been students, who are heavily reliant on the PRS. There are now 2.5 million UK students, an increase of 31% since 1995.

The introduction of buy-to-let mortgages in the mid-1990s significantly changed the PRS. Buy-to-let mortgages and re-mortgages have grown rapidly, now accounting for 18% of the total mortgage market.

Attitudes towards renting have also changed, and it has become a lifestyle choice for many. We are beginning to see large-scale investors entering the market offering secure, long-term tenancies with a strong focus on customer service (for instance offering broadband and utilities as pre-arranged options). This sector looks set to play an increasingly large part in the UK housing story.

LOOKING AHEAD

Many of the reasons why we have seen such significant growth in the sector still stand true today. There are some hurdles to overcome, namely the introduction of the 3% stamp duty for additional homes and the reduction of tax relief on buy-to-let mortgage interest. However, while these factors may restrict supply, they won't alter the long-term demand for rental property.

Government forecasts continue to predict strong growth in household numbers across the UK (2.5 million additional households). In addition, there is likely to be further decline in the social rented sector. Although first-time buyers are benefiting from a raft of government policies to help them onto the ladder, the reality is that home ownership still remains expensive (the average deposit is now equivalent to a year and a half gross income). Renters are therefore likely to stay in the sector for longer.

Adding these factors together, we believe there is demand for the PRS sector to grow by at least 100,000 new rental households a year over the next 5 years and possibly as much as 200,000. The PRS sector will continue to grow in size and importance.

30 years ago		**Today**
£33,000	AVERAGE UK HOUSE PRICE	£285,000
11.7% ⇧	BANK OF ENGLAND INTEREST RATE	⇧ 0.5%
37%	AFFORDABILITY % of take home pay to meet mortgage payments	34%
10%	HOMES IN PRIVATE RENTED SECTOR*	19%
27%	HOMES IN SOCIAL RENTED SECTOR*	17%
220,000	NUMBER OF NEW HOMES BUILT (PER YEAR)	152,000
2.9 £	HOUSE PRICE TO EARNINGS RATIO	5.1 £

SOURCE: OFFICE OF NATIONAL STATISTICS, COUNCIL OF MORTGAGE LENDERS, ENGLISH HOUSING SURVEY, DEPARTMENT OF COMMUNITIES AND LOCAL GOVERNMENT. To understand long-term trends we have used the most timely data available. *Data for England from the English Housing Survey data for 1985 and 2014/15.

Dramatic growth in the private rental sector over the last 30 years

MAPS SHOW PROPORTION OF HOUSEHOLDS
IN THE PRIVATE RENTAL SECTOR

UP TO 10% **10–15%** **15+%**

The dramatic increase in the scale of the private rented sector (PRS) is visually represented in these maps. Thirty years ago only 20 local authorities and districts across the UK had more than 15% of households in the PRS (represented in darker blue in the maps). Now 169 local authorities have more than 15% of households renting privately.

The highest proportion of PRS is currently in the London Borough of Westminster (40% of households). Outside of London the highest proportion is in Brighton & Hove and Bournemouth (both 30%).

Dramatic rise in areas with **more than 15% PRS**

NUMBER OF LOCAL AUTHORITIES / DISTRICTS ACROSS THE UK	1981	2011
UNDER 10% PRS	**307**	**25**
10–15% PRS pale blue on maps	**76**	**186**
OVER 15% PRS dark blue on maps	**20**	**169**

SOURCE: CENSUS. Totals differ due to local authority boundary changes.

Top 5 locations for PRS outside of London

	30 years ago	Now
Brighton and Hove	**22%**	**30%**
Bournemouth	**21%**	**30%**
Hastings	**21%**	**29%**
Oxford	**16%**	**28%**
Southend-on-Sea	**15%**	**28%**

SOURCE: CENSUS 1981 AND 2011

MAPS SHOW PROPORTION OF HOUSEHOLDS IN THE PRIVATE RENTAL SECTOR

UP TO 10% **10–15%** **15+%**

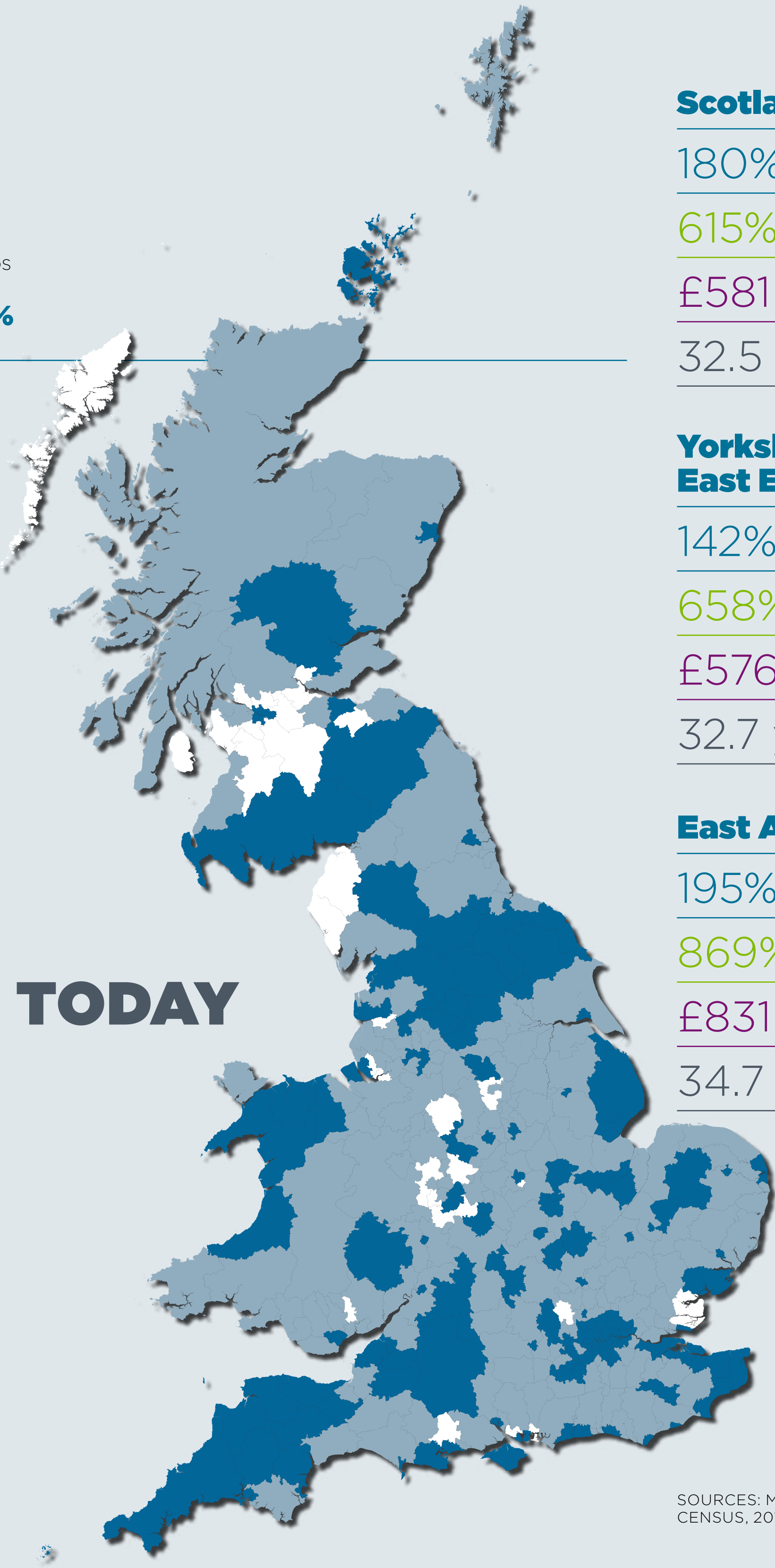
REGIONAL TABLE FIGURES

% change in households renting privately over past 30 years

30 year growth in house prices

Average rent paid per month by Martin & Co tenants in 2015

Average age Martin & Co tenant in 2015



SOURCES: MARTIN & CO, 1981 CENSUS, 2011 CENSUS, ONS.

Scotland

180%

615%

£581

32.5 years

Yorkshire & North East England

142%

658%

£576

32.7 years

East Anglia

195%

869%

£831

34.7 years

North West & North Wales

148%

639%

£582

33.2 years

East Midlands & West Midlands

172%

691%

£599

33.4 years

Thames Valley, West of England & South Wales

160%

674%

£721

33.1 years

Southern England

154%

730%

£861

34 years

Southern Home Counties

150%

787%

£862

33.9 years

London

116%

1084%

£1,399

34.5 years

Martin & Co is part of the MartinCo Plc Group of Companies. The Group manages 45,000 tenanted properties (equivalent to a town the size of Winchester) across the UK, from Falmouth to Inverness and the Chelsea Embankment.

Martin & Co is the Group's only national brand with **192 offices** and growing, but the Group has almost 300 offices in total across five property brands.

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 • Leamington Spa • Leicester • Lincoln • Loughborough • Mansfield • Mountsorrel • Newark • Newcastle under Lyme • Northampton • 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 • Islington • Kingston Upon Thames • London Bridge • London Riverside • Loughton • Romford • Ruislip • Stratford • Sutton • Twickenham • Walton on Thames • Wandsworth • 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

Southern Region

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

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 • Exeter • Falmouth • Gloucester • Merthyr Tydfil • Newport • Oxford • Plymouth • Swindon • Taunton • Truro • Westbury • Witney • Yeovil

Yorkshire & North East England

Beverley • Doncaster • Guisborough • Harrogate • Huddersfield • Hull • Leeds City • Leeds Garforth • Leeds Horsforth • Pontefract • Rotherham • Saltaire • Sheffield City • Sheffield Hillsborough • Sunderland • Wakefield • Whitley Bay • York

ARLA, PROPERTY OMBUDSMAN

Date of publication: March 2016

dataloft
PROPERTY MARKET INTELLIGENCE AND DESIGN.

Compiled by Dataloft,
www.dataloft.co.uk

MARTIN&CO
Letting • Sales • Investment

2,014
Average number of properties let per month in 2015

10,587
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