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Hamptons Monthly Lettings Index – October 2022

RENTS PASS £1,200 PCM FOR THE FIRST TIME

Meaning tenants now spend a record share of their income on rent

- The average rent on a newly let home in Great Britain rose to £1,204 pcm in October, up £80 pcm or 7.1% year-on-year, costing the average tenant an extra £960 each year (table 1, chart 1).
- Rents in five regions have nudged into the next £100 price band this year, with the most recent being London where rents passed £2,100 pcm for the first time in October. This was driven by rents in Inner London reaching a new record high of £2,863 pcm, meaning rents in every part of the country have now surpassed pre-Covid levels (table 1).
- Since the eve of Covid (Jan-2020) rents have risen 19% across Great Britain, equating to an extra £2,351 a year for tenants (table 1). There's been more rental growth since the beginning of Covid than in at least eight years prior.
- The average privately rented household in Great Britain now spends 44.0% of their post-tax income on rent, up from 41.6% in October 2020 and 39.2% 10 years ago.

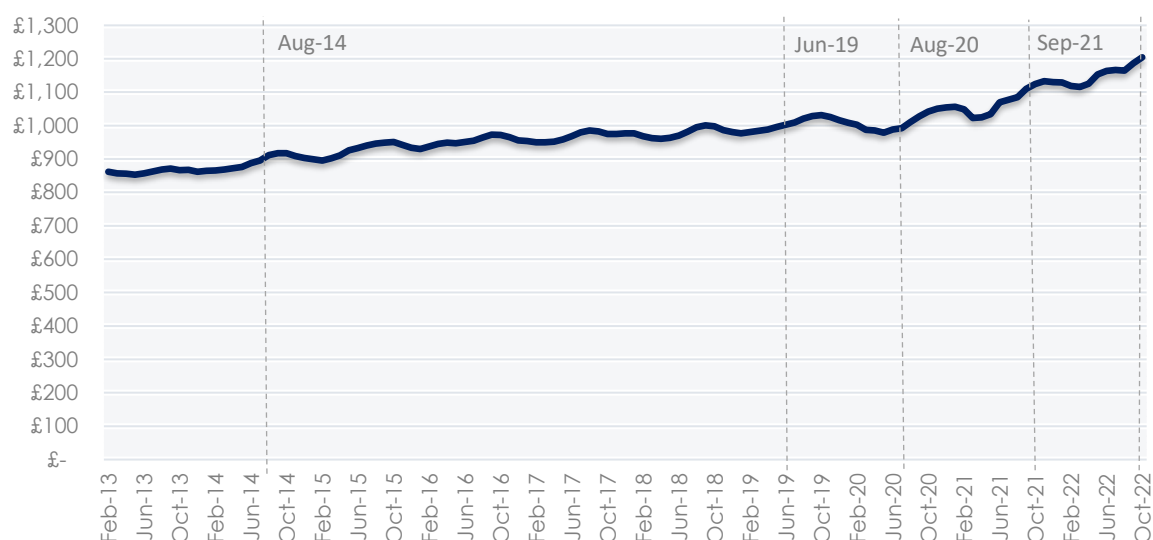
In October, the average rent on a newly let home in Great Britain rose to £1,204 pcm, passing the £1,200 mark for the first time (table 1, chart 1). This has cost the average tenant an extra £960 per year in rent compared to last year.

Average rents passed the £1,100 mark back in September 2021, just 14 months ago. Meanwhile rents first crossed the £1k milestone back in June 2019, before dipping during Covid and re-passing that point again in August 2020, 15 months later (chart 1).

So far this year, average rents in five regions have moved into a new £100 price bracket. Greater London was the latest, with rents passing £2,100 pcm for the first time in October 2022 (table 1). This was driven by rents in Inner London reaching a new record high of £2,863 pcm in October, £1 pcm more than when rents in London's priciest postcodes previously peaked (in October 2019). This now means that rents in every area of the country are above where they were at the beginning of Covid (table 1).

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Chart 1 – When the average monthly rent on a newly let home in Great Britain passed a £100 mark



Source: Hamptons

Since the eve of Covid (Jan-2020) rents have risen 19% across Great Britain, equating to an additional £2,351 a year in rent. We've seen more rental growth since the beginning of Covid than we did in at least eight years prior. While nationally rents recovered to their January 2020 levels within eight months, in Inner London it took 30 months to bounce back.

In October, the average Inner London home cost 9% more to rent than it did in January 2020. Meanwhile the South West has seen the strongest growth since then, with rents up 32% or £265 per month (table 1).

Table 1 – Rental growth on newly let properties

Region	Last £100 pcm band passed		Average Rent Oct-22	YoY %	YoY £	Growth since Jan-20
Greater London	£2,100	Oct-22	£ 2,111	11.0%	£ 209	15%
Inner London	£2,800	Sep-19	£ 2,863	27.0%	£ 609	9%
Outer London	£1,900	Sep-22	£ 1,973	7.5%	£ 138	17%
East of England	£1,100	Apr-22	£ 1,144	3.4%	£ 37	15%
South East	£1,200	Jun-21	£ 1,249	0.5%	£ 6	18%
South West	£1,000	Sep-21	£ 1,097	6.9%	£ 72	32%
Midlands	£800	Mar-22	£ 851	9.5%	£ 74	22%
North	£800	Sep-22	£ 815	8.0%	£ 61	27%
Wales	£700	Mar-21	£ 756	1.5%	£ 11	14%
Scotland	£800	Jul-22	£ 822	8.8%	£ 67	26%
Great Britain	£1,200	Oct-22	£ 1,204	7.1%	£ 80	19%
Great Britain (Exc. London)	£900	Aug-21	£ 972	5.2%	£ 48	22%

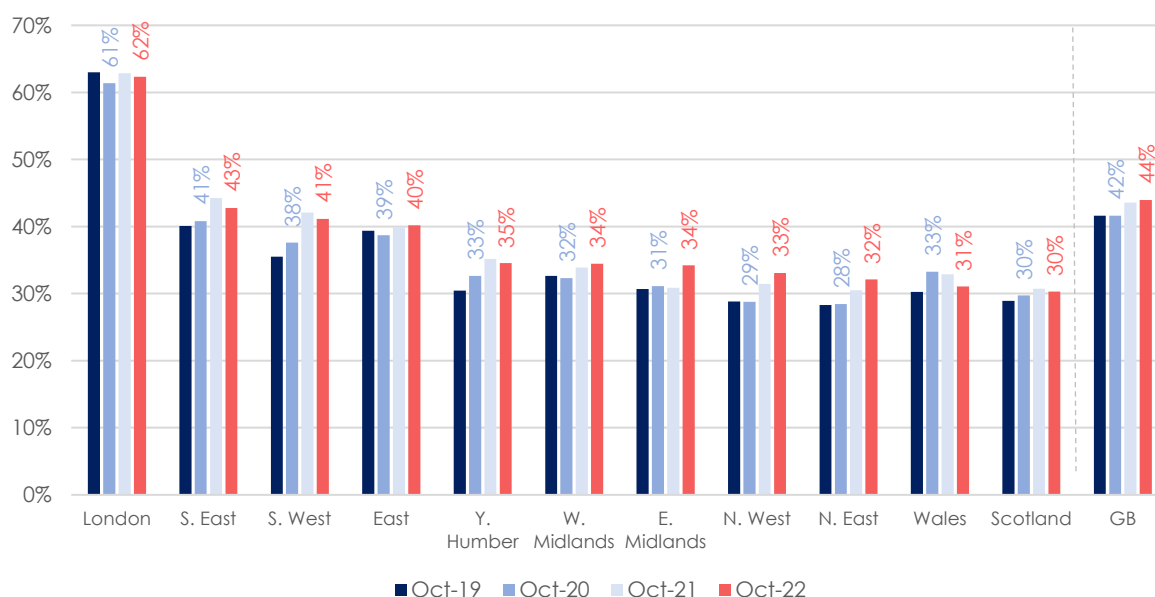
Source: Hamptons

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Rapid rental growth over the last few years means that the average privately rented household in Great Britain is now spending 44.0% of their post-tax income on rent, the highest share since our records began in 2010 (chart 2). Two years ago, the average tenants spent 41.6% on rent, up from 39.2% in October 2012.

London remains the least affordable region, with the average rent taking up 62% of the average renting household's post-tax income. However, weaker rental growth in the capital means that this has increased by just 1% since October 2020, the third smallest rise in the country (chart 2).

Chart 2 – Proportion of tenant households' post-tax income spent on rent



Source: ONS & Hamptons

The pace of rental growth across Great Britain has stabilised in recent months, with rents up 7.1% year-on-year in October (table 1). This marked the fifth consecutive month of single-digit increases after annual rental growth peaked at 11.5% in May 2022.

Stock levels crept up for a second consecutive month, meaning there were 15% more homes available to rent in October 2022 than in October 2021. However, this increase compares to a period when stock levels were at record lows and there are still 47% fewer homes available than two-years ago.

London is now the only region where there were fewer homes available to rent than last year. This coincides with a 11.0% year-on-year increase in rents, driven by Inner London's recovery where rents rose 27.0% year-on-year.

Commenting Aneisha Beveridge, Head of Research at Hamptons, said:

"Strong rental growth has pushed average rents into another £100 price bracket for the third time in just over two years. However, the good news for tenants is that rental growth has slowed from its summer double-digit peak and looks likely to settle around the 5-6% mark by the end of the year. This will be welcome news for many households who are seeing other costs spiral as inflation peaks. And it also means that, unlike at the beginning of the year, rents are more closely tracking income growth which should soften the cost of living squeeze for tenants.

"While the risks are mounting for future house price growth, these same risks are likely to bolster rental growth in the short-term. High mortgage rates will keep more would-be buyers in the rental market for longer, which is partly why demand is up 5% on last year's record levels. The cost of servicing a 90% LTV mortgage has risen 65% over the last year, meaning tenants are now spending a similar proportion of their income on rent (44%) as they would on a mortgage (36%). Landlords' costs are also rising, which they'll likely seek to pass onto tenants in the form of higher rents or sell up if they are unable to cover costs. This is why we think rents are still likely to rise 5.0% in 2023."

Please note the Hamptons Monthly Lettings Index for November will be issued on Friday 9 December, embargoed until 00.01 hours Monday 12 December 2022.

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About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index has been running since 2012.

The index is a mix adjusted series, with rent and rental growth figures for each month based on a three-month rolling average. The most expensive decile of homes let are excluded to reduce volatility and the mix includes the most recently published government stock statistics.

The Hamptons Lettings Index uses data from the Countrywide Group to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide each year, adjusting for their location and type. It is based on achieved rather than advertised rents.

About Hamptons

Hamptons is a leading residential estate agent and property services company, operating in London and the South of the UK.

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Hamptons offers a wealth of award-winning services including UK and international Sales, Lettings, Property Management, Corporate Services, Residential Development, Development Land, Valuation Property Finance, and is a subsidiary of Connells, the UK's largest estate agency and property services group.