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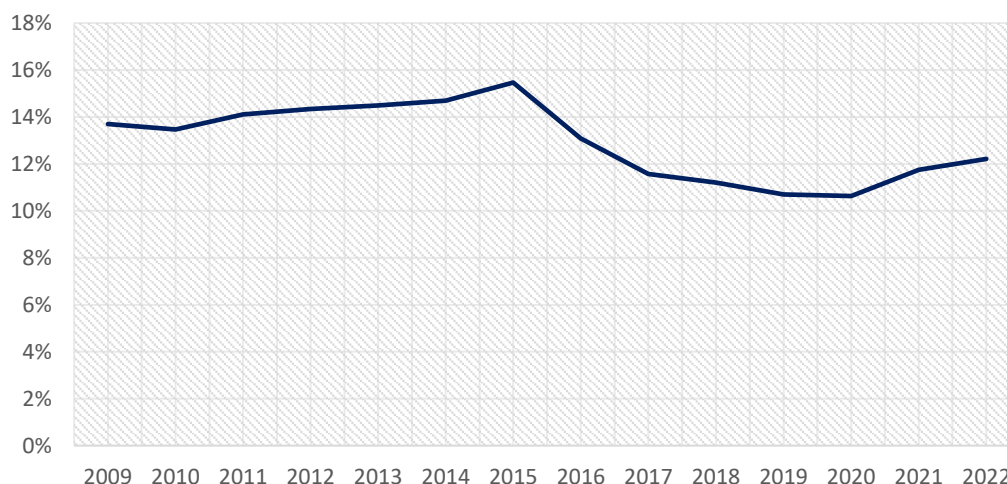
Hamptons Monthly Lettings Index – November 2022

## **INVESTORS EYE UP SLOWING MARKET**

### **Rising rents tempt some landlords to look again**

- 12.2% of homes were bought by an investor this year, the highest share since 2016 and up from 11.7% during 2021 (chart 1).
- 37% of offers made by landlords in November were on properties without any other offers, up from just 14% in January 2022 (chart 2).
- Hartlepool offered new investors the highest average gross yield (9.9%) in 2022 for the second year running. All the top 10 yielding locations were based in Northern England or Wales (table 1).
- Annual rental growth strengthened for the third month running, led by Scotland (12.3%) where rents rose faster than any region in Great Britain or at any time since the Hamptons Lettings Index was launched in 2012 (table 2).

Chart 1 – Share of homes bought by investors (GB)



Source: Hamptons

Landlords will buy a slightly higher proportion of homes in 2022 than they did in 2021. So far this year 12.2% of homes were bought by an investor in Great Britain, the highest level since 2016 and up marginally from the 11.7% recorded during 2021. However, purchases remain below their 15.5% peak in 2015, the year before the 3% stamp duty surcharge was introduced (chart 1).

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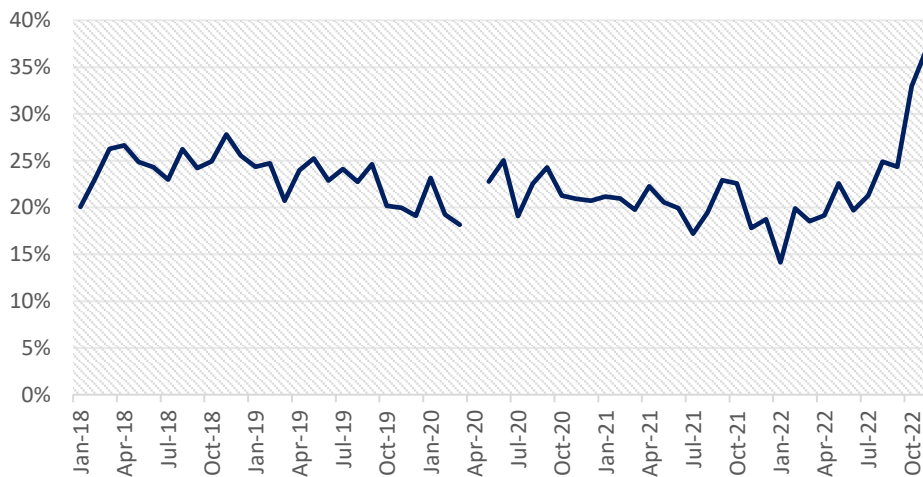
Despite the proportion rising between 2021 and 2022 however, fewer sales overall mean the absolute number of investor purchases will be down by around 30,000 on last year.

The recent reassurance of landlords who had previously been priced out of a heated market has meant the numbers registering in a branch are up 9% on last year despite an overall fall in buyer demand.

Earlier in the year, many landlords struggled to make deals stack up while paying record prices and facing stiff competition from other buyers. Instead, they chose to sit back and wait. The proportion of investors paying over the asking price remained above 40% throughout 2021, before peaking at 48% in April 2022 (alongside the wider market).

However, over the last few months some landlords have re-emerged, turning their attention to homes which have been lingering on the market. In November 37% of offers by landlords were on homes without any competing offers, up from just 14% in January (chart 2). A less competitive market means that in November just 25% of investor purchases were agreed above the asking price, compared to 30% among first-time buyers.

Chart 2 – Offers from landlords on homes without any other offers



Source: Hamptons

It's a similar story when it comes to time on the market, with the average investor purchasing a home which had been on the market for 54 days in November, up from just 33 days in November last year. By comparison, homes bought by first-time buyers last month had been marketed for an average of 40 days, while homes bought by movers (people selling their home to buy another) had been advertised for 50 days.

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Landlords' slow re-emergence has been underpinned by investment in places towards the top of the yield league table. So far this year 56% of new investor purchases have been in places with average yields of 6% and above, a figure which has risen from 40% a decade ago. Meanwhile 85% of homes sold by investors this year were generating a yield of sub 6%.

Hartlepool offered new investors the highest average gross yield (9.9%) in England and Wales for the second year running (table 1). All the top 10 yielding locations were based in Northern England or Wales, with North East Lincolnshire (8.2%) the highest yielding location across the South and Midlands at number 17.

Portsmouth is the highest ranked local authority anywhere in the South of the country, coming in at number 91 with average gross yields of 6.4%. Meanwhile Bexley is the highest yielding London Borough, but with an average gross yield 5.9% the area sits in 139<sup>th</sup> place across the country.

Table 1 – Top 10 yields across England & Wales

	Average 2022 gross yield	2021 rank
<b>Hartlepool</b>	9.9%	1
<b>County Durham</b>	9.2%	4
<b>Middlesbrough</b>	8.9%	9
<b>Blaenau Gwent</b>	8.8%	3
<b>Sunderland</b>	8.7%	6
<b>South Tyneside</b>	8.7%	5
<b>Hyndburn</b>	8.7%	10
<b>Redcar and Cleveland</b>	8.6%	13
<b>Neath Port Talbot</b>	8.6%	18
<b>Burnley</b>	8.6%	7

An interactive map showing yields in every local authority is available [here](#).

Source: Hamptons & Land Registry

## RENTAL GROWTH

Annual rental growth strengthened for the third month running, with average rents up 7.9% across Great Britain on the same time last year. Rental growth was led by Scotland where rents on newly let homes, which are exempt from the price freeze introduced in September, rose by 12.3% over the last year (table 2). This rate is faster than any other region in Great Britain or at any time since the Hamptons Lettings Index was launched in 2012.

In the capital, the average Outer London rent rose 8.9%, passing the £2,000 pcm mark for the first time. Meanwhile the annual pace of Inner London rental growth softened to 20.4% (table 2). Here, the falling pace of growth reflects rents having fully recovered back to where they were before the pandemic, with any further rises pushing rents to record highs. /...

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

*“Rising rents are tempting landlords to dip a toe back into the slowing sales market to try and pick up deals they couldn't have got six months ago. With sellers more open to negotiation and rents rising rapidly, returns for equity rich landlords have been rising. While we're unlikely to see landlords return to buying at pre-stamp duty surcharge numbers, it's possible they may outnumber first-time buyers in some months next year, as was common before 2016.*

*“While house price growth is slowing, rental growth continues to strengthen, offsetting some, but not all, of landlord's increased costs. It's these rising costs which are likely to mean rental growth will remain high for the next few years. In Scotland, where landlords are capped in their ability to pass on higher costs to sitting tenants, rents on newly let properties will likely continue topping the growth charts. When a tenant leaves and a home is re-advertised, the jump back up to market rate is much larger.”*

**Table 2 – Rental growth on newly let properties**

<b>Region</b>	<b>Nov-21</b>	<b>Nov-22</b>	<b>YoY %</b>	<b>YoY £</b>
Greater London	£1,944	£2,160	11.1%	£216
Inner London	£2,329	£2,805	20.4%	£476
Outer London	£1,870	£2,037	8.9%	£167
East of England	£1,104	£1,153	4.4%	£49
South East	£1,262	£1,292	2.4%	£30
South West	£1,027	£1,105	7.6%	£78
Midlands	£775	£852	9.9%	£77
North	£741	£815	9.9%	£74
Wales	£755	£748	-1.0%	-£7
Scotland	£744	£836	12.3%	£92
<b>Great Britain</b>	<b>£1,133</b>	<b>£1,222</b>	<b>7.9%</b>	<b>£89</b>
Great Britain (Excl. London)	£924	£982	6.3%	£58

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for December will be issued on Friday 14 January, embargoed until 00.01 hours Monday 16 December 2023

Ends

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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.

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.