LANDBAY®

The National Rent Review

December 2017

Foreword

By John Goodall, CEO and Co-Founder, Landbay

Welcome to the second edition of the Landbay National Rent Review – a detailed annual report evaluating the highs and lows of the UK private rental market, based on nationwide rental data developed by mortgage market analysts MIAC.

This report provides an overview of the rental market in 2017, reveals what has happened to rental prices across the nation and explores some of the factors driving these changes from a macro, micro and regulatory perspective. We review the data through a geographic lens, as well as on a property level, via our focus on rental value by bedroom numbers. In this edition, we also hone in on how well the rental market is serving millennials. Crucially, we interpret what this means for landlords and investors up and down the country, as they endeavour to stay one step ahead of the market.

There has been a renewed focus on the buy to let sector in 2017, and this report provides an opportunity to reflect on what we have experienced this year as well as look ahead to 2018 as the sector continues to adapt to significant change.

As co-founder of Landbay, I saw the unique opportunity afforded by the buy to let mortgage market when delivered via a peer-to-peer platform. Since then thousands of investors and borrowers have used the platform to capitalise on one of the UK's most resilient and well-loved asset classes – residential property.

Next year will undoubtedly bring more changes to the national rental market and with it new challenges for all involved. But with the right expertise and insight, it will equally bring great opportunities.

John Goodall

2017: The Driving Forces

The year has been punctuated by new government legislation and market regulation, affecting almost every corner of the rental market. From the introduction of new PRA underwriting standards for buy to let mortgages in January and October, to a gradual reduction in mortgage tax relief from April, not forgetting 2016's sharp rise in stamp duty for second properties, the reforms have played their respective parts in shaping the year and guiding an outline for the year ahead.

As well as a more uniform approach to mortgage stress testing, the PRA's new underwriting rules were designed to encourage more responsible lending by focussing on affordability for all borrower applications. For some lenders, it has meant dramatically changing business operations to conform to the new rules. In particular, the introduction of more rigorous checks for portfolio landlords (those with four or more mortgaged properties) in October has meant that many landlords and their brokers have had to put far more work into loan applications to ensure they are disclosing all the information they may not readily have to hand. Lenders have had to up their game to support the market through any confusion, while brokers have had an important part to play in educating their clients on the latest requirements.

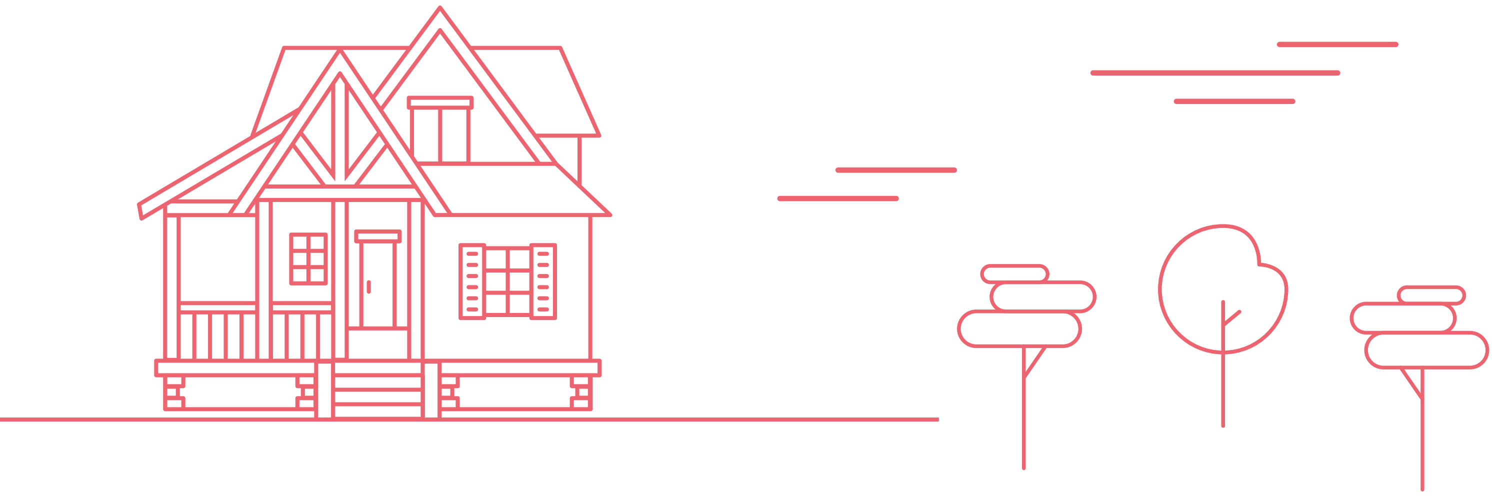
Some portfolio landlords have no doubt been rescued from the difficult possibility of being financially compromised due to over-exposure. Overall, the PRA has set the wheels in motion for a more professionalised buy to let sector, run by responsible landlords – something which in turn benefits the growing rental population in the UK.

While regulation endeavours to professionalise the sector, government reforms, such as the stamp duty surcharge and removal of mortgage tax relief, have pushed up costs for landlords, and served to squeeze some out of the market altogether.

The 3% stamp duty surcharge has now been around long enough for us to understand its impact. First introduced in April 2016, in an apparent effort to promote homeownership and combat the relentless surge in house prices, it has done little to curb house price inflation, and may have even pushed up rents in places where landlords have had little choice but to pass the costs on to their tenants.

It has also deterred many new landlords from entering the buy to let market. Indeed, the number of buy to let mortgages taken out for the purchase of new properties averaged 6,200 per month over the course of 2017. In comparison, in 2015, the year before the change in stamp duty, 9,500 buy to let monthly mortgage applications were made, a fall of 35%.[1] Part of this will have been a hangover from the rush to complete transactions before the change came into play, but the sizeable increase in tax payable for landlords as a result of this change, especially in the most expensive areas of the country (London and the South-East), has undoubtedly turned many away from making new applications.

This slowdown in mortgage activity may also be a result of the newly reduced mortgage tax relief benefit, first announced by George Osbourne in his 2015 Spring Budget, but implemented in April this year. Between 2017 and 2020, mortgage tax relief will gradually be cut back to align with the basic rate of 20%. It is another costly blow for landlords and means that some highly leveraged individuals could struggle to make a profit in the future.



1. www.cml.org.uk/industry-data/industry-data-tables/

2017: The Driving Forces

As with the PRA changes, the reduction in mortgage tax relief has encouraged greater professionalisation of the sector and many landlords have taken steps to limit tax exposure by setting up as limited companies. This professionalisation may be good news for the future security and sustainability of the buy to let market, but rents are expected to rise faster through 2018, as many landlords pass on added financial burden to tenants. Mortgage rates hit record lows in 2017, and this cheap borrowing will have cushioned the financial blow for landlords. But with November seeing the first interest rate rise in over a decade, mortgage rates are beginning to climb, and landlords are likely to pass these costs on to tenants when they come to re-mortgage.

For tenants, the increased competition for rental accommodation is indicative of the fact that rental demand continues to outweigh supply. Approximately 5 million or 21% of UK households are currently living in private rented accommodation[2], with this number expected to rise by another 1.8 million by 2025.[3] Moreover, despite ongoing Brexit negotiations casting a shadow over the UK's future, net migration is still positive (+246,000 in the year ending March 2017).[4] The private rental sector remains essential for housing our growing population. Especially for millennials, for whom living in London is often an aspiration, there is a constant battle between lifestyle and cost of living. With many graduates spending upwards of 45% of their take-home pay on rent, affordability is key.

For aspiring homeowners, despite the offer of schemes such as Help to Buy, shared ownership, and the removal of stamp duty for thousands of first-time buyers across the UK, many remain hard-pressed to save for a deposit and finally get a foot onto the property ladder. Even more so in recent months, as inflation has risen to 3%, the highest rate since March 2012. The cost of living has increased without a matching pay-rise for most people, making saving for a deposit even harder.

Overall, 2017 has been a year of transition for the buy to let market, albeit underlined by the relative stability of the UK rental population. Tenant demand shows no sign of letting up, and buying a home remains a pipe dream for most young people, suggesting that the rental market can only grow in importance over the coming months and years.

2. kfcontent.blob.core.windows.net/research/707/documents/en/the-uk-tenant-survey-2017-4743.pdf
3. www.pwc.co.uk/assets/pdf/ukeo-section3-housing-market-july-2015.pdf
4. www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/august2017#main-points

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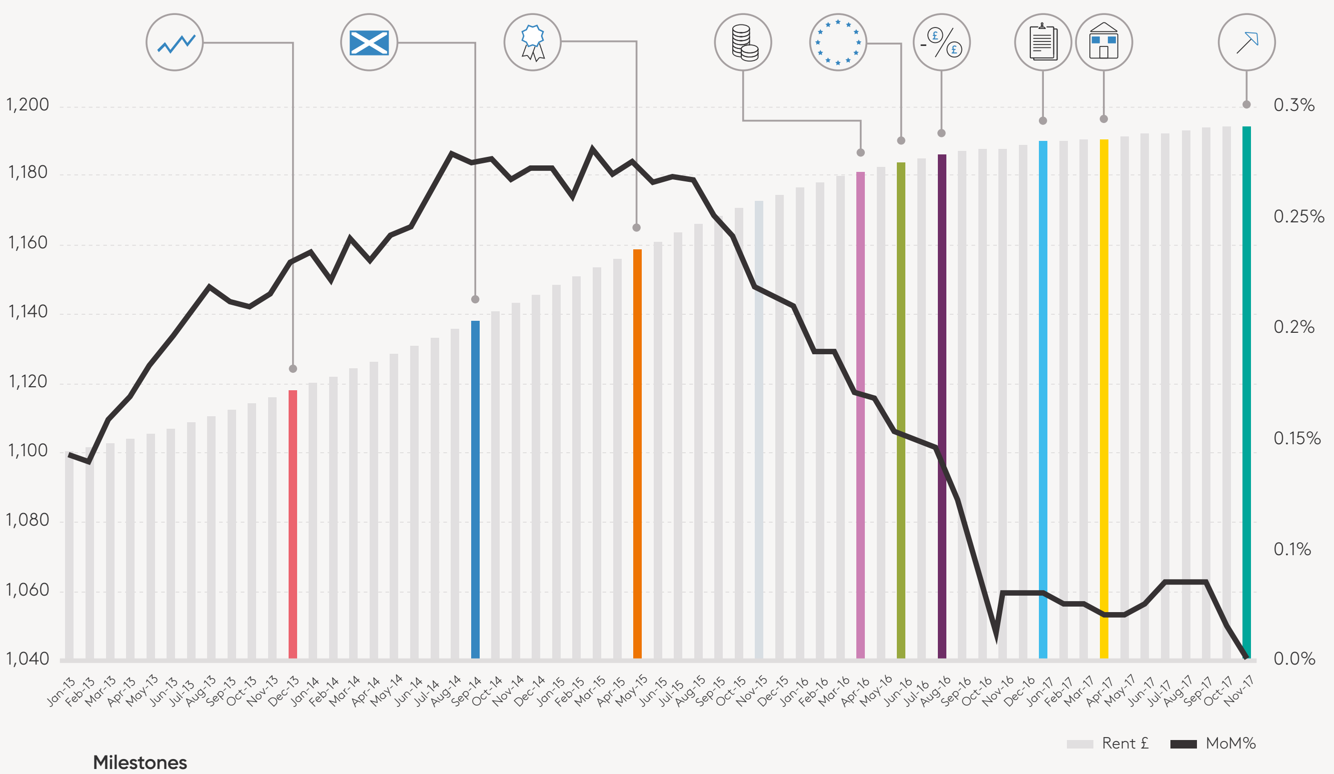
An introduction to the data, with a look back to 2012

The findings of the following chapters are based on data from The Landbay Rental Index, powered by MIAC. A unique and granular index of rental movements across the UK, down to borough level, and segmented by number of bedrooms. Approximately 100,000 properties are analysed every month, using advertised and agreed rents from property website Zoopla, and accompanied by results of the ONS Index of Private Housing Rental Prices (IPHRP). The rental index starts from January 2012, so while this report focuses on rental movements in 2017, the wider story will reach back six years.

Average UK Rent and MoM Rental Growth



Milestones

- Government revises growth forecast for 2014 from 1.8% to 2.4%, as Britain pulls out of recession – Dec 2013
- Scottish referendum – Sep 2014
- Conservatives win majority – May 2015
- Stamp duty surcharge of 3% on second properties – Apr 2016
- Brexit vote – Jun 2016
- Interest rate cut – Aug 2016
- New underwriting standards from the PRA – Jan 2017
- BTL mortgage tax relief begins to be phased out – Apr 2017
- Interest rate rise – Nov 2017

The Rental Market Review

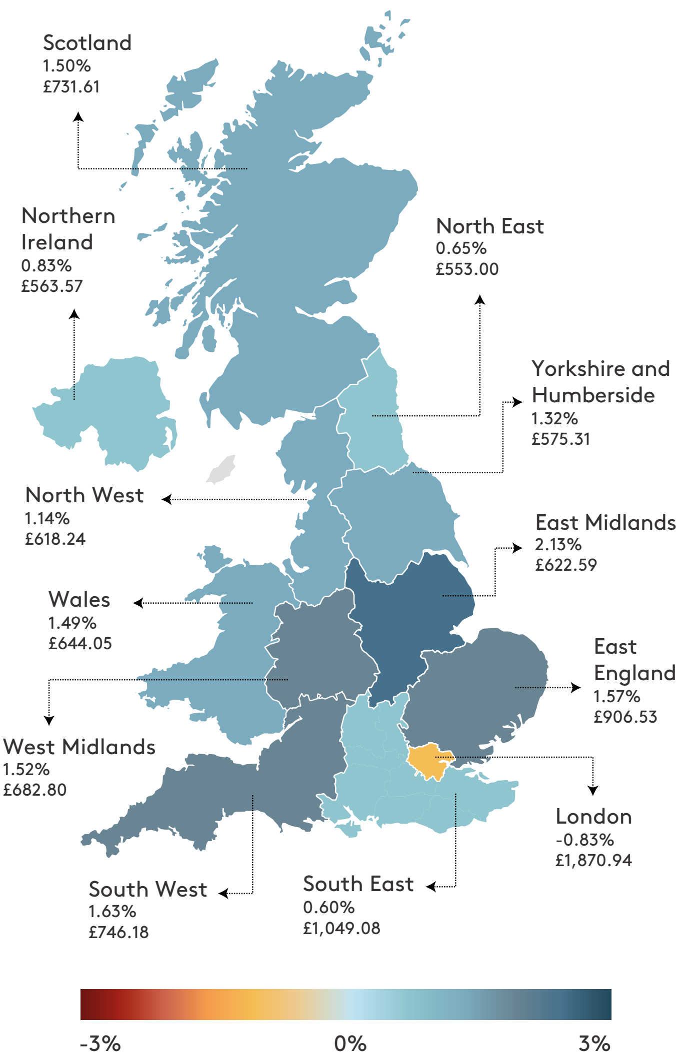
The National Picture

UK rents begin to shrink towards the end of 2017, as a year of falling rents in London drags down the UK average

- UK rents fell by -0.01% in November 2017, the first time rental growth has entered negative territory in at least half a decade
- Overall, UK rents grew by 0.53% in 2017 (year to date), half the 1.22% growth by this point in 2016, and a quarter of the 2.3% growth by November 2015
- East Midlands (2.13%), South West (1.63%) and East England (1.57%) have all seen the most substantial growth in 2017
- London leads the slowdown with rents shrinking by -0.83%, compared to growth of 1.27% across the rest of the UK

Rents across the UK have now begun to shrink, falling by -0.01% in November, the first month on month decline in at least the last half decade*. The average UK rent has now plateaued at a record £1,196, up from £1,190 at the turn of year. Removing London from the equation puts average rents at £759, up from £750 at the turn of the year, an extra £9 per calendar month or £109 per year. The capital on the other hand has seen average rents fall by 0.83% this year, settling at £1,871 by the end of November.

All Beds: Rental growth heat map of UK since Jan 2017



Top 10 Rental Price Changes 2017 YTD / All Beds

Geography	Region	YTD % Change
Edinburgh City	Scotland	4.71%
Clackmannanshire	Scotland	4.33%
Leicester	East Midlands	3.40%
Isle of Anglesey	Wales	3.32%
East Lothian	Scotland	3.30%
Stirling	Scotland	3.09%
Bristol	South West	2.69%
Glasgow City	Scotland	2.66%
Northamptonshire	East Midlands	2.55%
Peterborough	East England	2.45%

Bottom 10 Rental Price Changes 2017 YTD / All Beds

Geography	Region	YTD % Change
Aberdeen City	Scotland	-6.05%
Aberdeenshire	Scotland	-4.77%
Kingston upon Thames	London	-1.86%
Ealing	London	-1.82%
Windsor and Maidenhead	South East	-1.73%
Hackney	London	-1.58%
Westminster	London	-1.58%
Richmond upon Thames	London	-1.57%
Kensington and Chelsea	London	-1.30%
Tower Hamlets	London	-1.19%

* Figures based on data available since 2012

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Tighter government regulation and higher tax obligations have put extra pressure on landlords to increase rents in 2017, but two key factors have allowed them to shoulder these rapidly rising costs. The Bank of England's enduring Term Funding Scheme (TFS), which has injected a significant sum of cheap capital into banks, together with record low interest rates, which have also kept borrowing costs low, have both helped landlords keep a lid on rent rises across their portfolios. But with interest rates rising, and the TFS nearing its end, upward rental pressure is likely to be just around the corner.

The slowdown in rental growth has not been consistent across the country. The East Midlands (2.13%), South West (1.63%) and East England (1.57%) have all experienced the most substantial growth in 2017 and are expected to climb further as we head into 2018. The North East has also seen rents grow at a faster rate in 2017 than at any other time in the past five years (0.65%).

It is London that has seen the greatest reversal of rental growth, with November marking 18 months since rent changes in the capital first entered negative territory. The capital continues to be the main source of the UK's slowdown. Rents have fallen by -0.83% year to date in 2017, compared to a growth of 1.27% elsewhere in the UK. Despite the closing gap, London rents remain, on average, 2.5 times greater than those across the rest of the UK (£1,871 vs £759).

Rents shrunk in 26 of the 33 London boroughs in 2017, with prime locations seeing the greatest decline. Kingston upon Thames (-1.86%), Ealing (-1.82%), Hackney (-1.58%), Westminster (-1.58%), Richmond upon Thames (-1.57%) and Kensington and Chelsea (-1.30%) saw the greatest decline. The eastern fringe of the city is proving to be more popular with tenants as they look for somewhere more affordable. Rents in Bexley (1.09%) and Havering (1.19%) experienced the greatest increase in 2017.

Top 10 Rental Price Changes 2017 YTD – London / All Beds

London Borough	YTD % Change
Havering	1.19%
Bexley	1.09%
Waltham Forest	0.60%
Redbridge	0.27%
Barking and Dagenham	0.24%
Enfield	0.17%
Lambeth	0.10%
Bromley	-0.08%
Southwark	-0.14%
Croydon	-0.20%

Bottom 10 Rental Price Changes 2017 YTD – London / All Beds

London Borough	YTD % Change
Kingston upon Thames	-1.86%
Ealing	-1.82%
Hackney	-1.58%
Westminster	-1.58%
Richmond upon Thames	-1.57%
Kensington and Chelsea	-1.30%
Tower Hamlets	-1.19%
Wandsworth	-1.09%
City of London	-1.08%
Barnet	-1.03%

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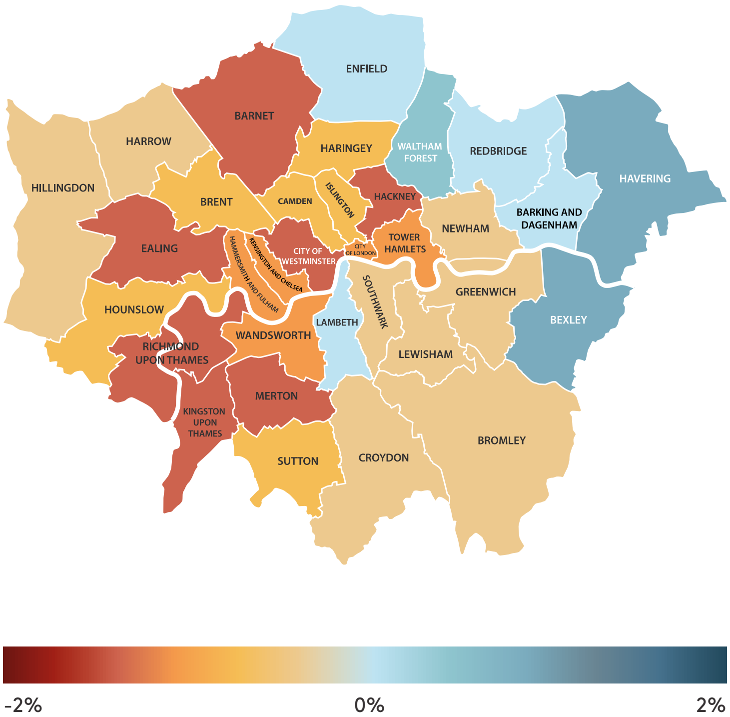
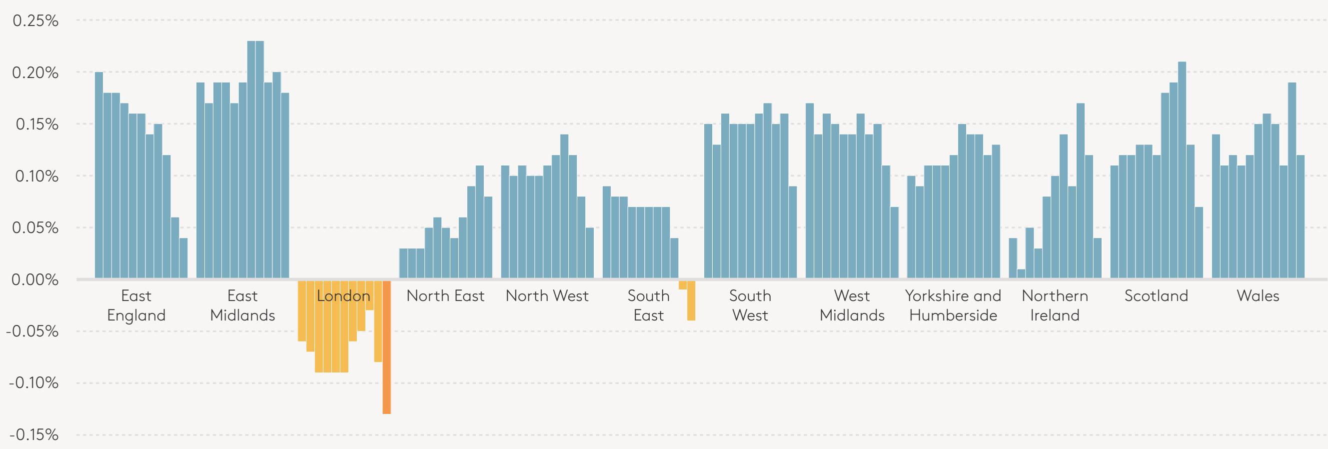
All Beds: London Rental Growth since 2016

Region	Growth YTD	Average Rent Nov 2016
Barking and Dagenham	0.24%	£1,196.12
Barnet	-1.03%	£1,478.39
Bexley	1.09%	£1,003.71
Brent	-0.50%	£1,441.08
Bromley	-0.08%	£1,173.84
Camden	-0.91%	£2,211.83
City of London	-1.08%	£2,090.50
Croydon	-0.20%	£1,123.12
Ealing	-1.82%	£1,454.73
Enfield	0.17%	£1,248.89
Greenwich	-0.30%	£1,307.65
Hackney	-1.58%	£ 1,716.20
Hammersmith and Fulham	-1.01%	£1,889.41
Haringey	-0.92%	£1,388.28
Harrow	-0.45%	£ 1,319.98
Havering	1.19%	£1,076.59
Hillingdon	-0.40%	£ 1,185.51
Hounslow	-0.81%	£1,385.33
Islington	-0.59%	£1,845.54
Kensington and Chelsea	-1.30%	£3,042.77
Kingston upon Thames	-1.86%	£1,264.47
Lambeth	0.10%	£1,652.24
Lewisham	-0.36%	£1,232.37
Merton	-0.82%	£1,466.81
Newham	-0.21%	£1,480.95
Redbridge	0.27%	£1,244.92
Richmond upon Thames	-1.57%	£1,559.79
Southwark	-0.14%	£1,690.28
Sutton	-0.56%	£1,049.86
Tower Hamlets	-1.19%	£1,725.26
Waltham Forest	0.60%	£1,250.25
Wandsworth	-1.09%	£1,722.33
Westminster	-1.58%	£2,893.58



Monthly Growth from January to November 2017



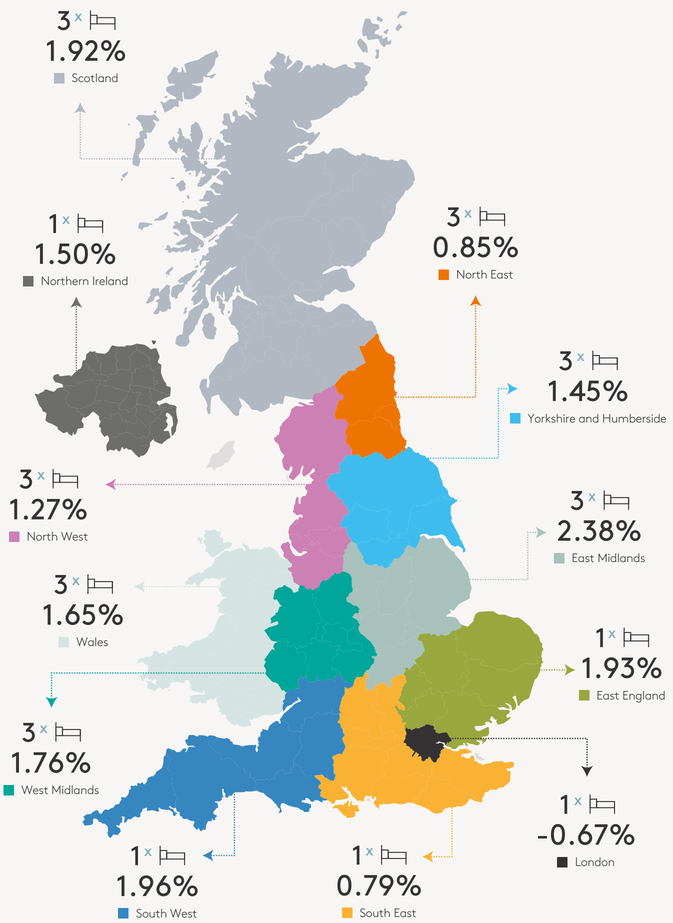
The Bedroom Barometer

Three-bed properties see the greatest rental growth across UK, as the number of families relying on the private rental sector continues to rise

- UK three-bed rents grow significantly faster than one and two bedroom properties in 2017
- Over the last decade, the number of families in the private rented sector with children has increased from 30% to 36%[5]
- Incremental uplift in rent between property sizes is greatest in Scotland, followed by London

Average rents for one-bed, two-bed and three-bed properties continued to grow in 2017. At 0.82%, three-bed properties experienced the most growth, significantly more than two-bed properties at 0.46% and double the rate of one-bed properties at 0.4%. The average rent for a one-bed now stands at £1,016, two-bed at £1,157, and three-bed at £1,330.

Bedroom Type with Greatest Growth by Region



5. www.gov.uk/government/uploads/system/uploads/attachment_data/file/658478/2015-16_EHS_Headline_Report.pdf

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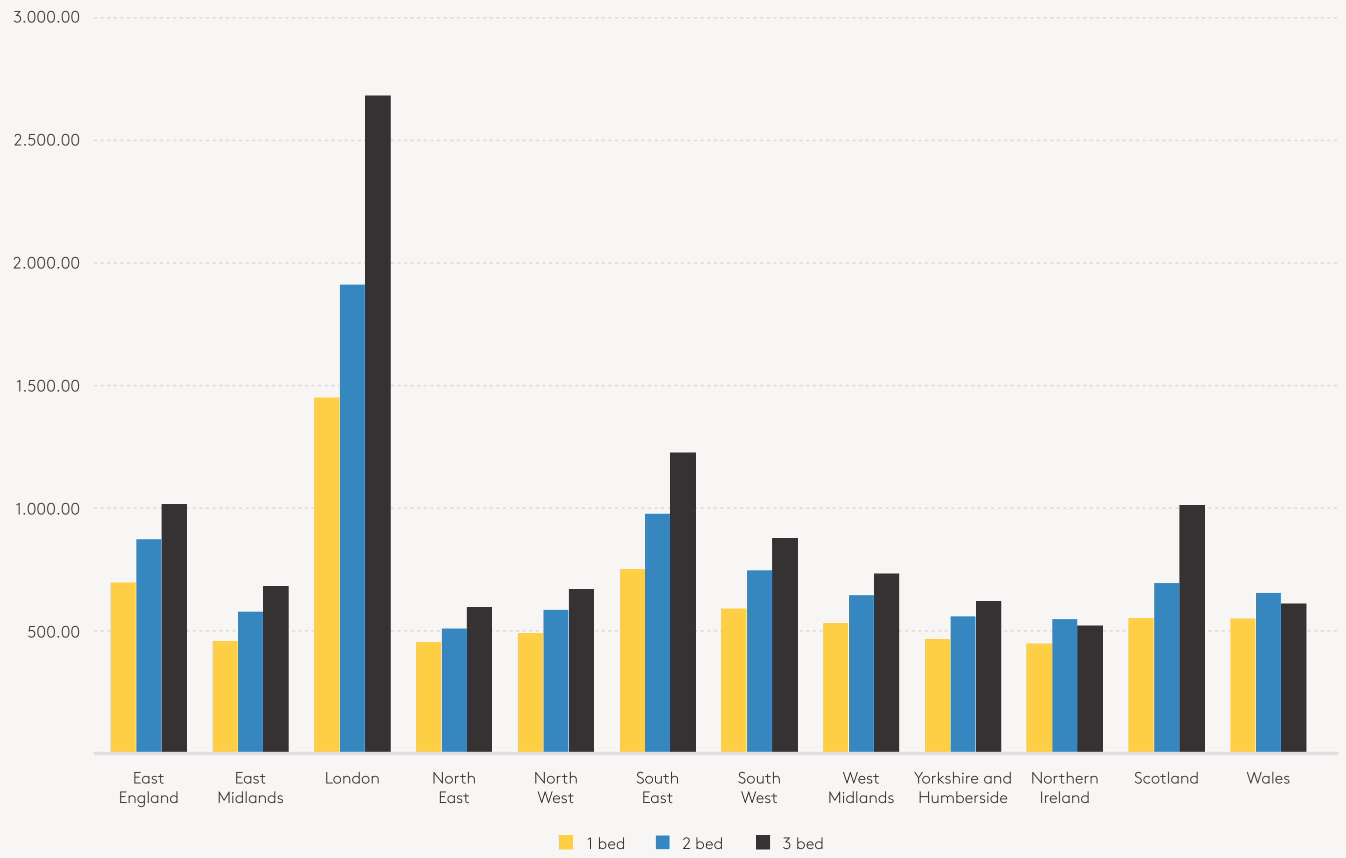
Competition for three-bed properties has grown across the UK, as the number of families relying on the buy to let market continues to rise. Over the last decade, the proportion of households with children in the private rented sector has increased from 30% to 36%.[5] Given the sizeable growth in the overall number of private renters over this period, this six percentage-point increase equates to about 945,000 more private rented households containing children, driving up pressure on rents for larger properties.

The incremental rent uplift between one and two-bed properties is 14%, or 15% between two-bed and three-bed properties. However, it's a different story in Scotland where average rents for one-bed and two-bed properties jump by 25%, from £554 to £694. Furthermore, the difference between two and three-bed properties is a staggering 63%, a jump from £694 to £1,131. This would suggest that there is a particular supply deficit of three-beds in Scotland, leading to greater tenant competition for these larger properties.

Meanwhile for landlords in the capital, the opportunity cost of offering a three-bed property in a market saturated with smaller properties is clear. On average, the rent difference between one-bed and two-bed properties is 32% and between two-bed and three-bed properties this jumps to 39%; both more than double the national average. However, London currently has the fastest falling rents in the country, and all property sizes in the capital have ended the year in negative territory, falling by -0.67% for one-beds, -0.79% for two-beds and -1.04% for three-beds.

UK Regional Average Rent for 1, 2 and 3 Bed Properties



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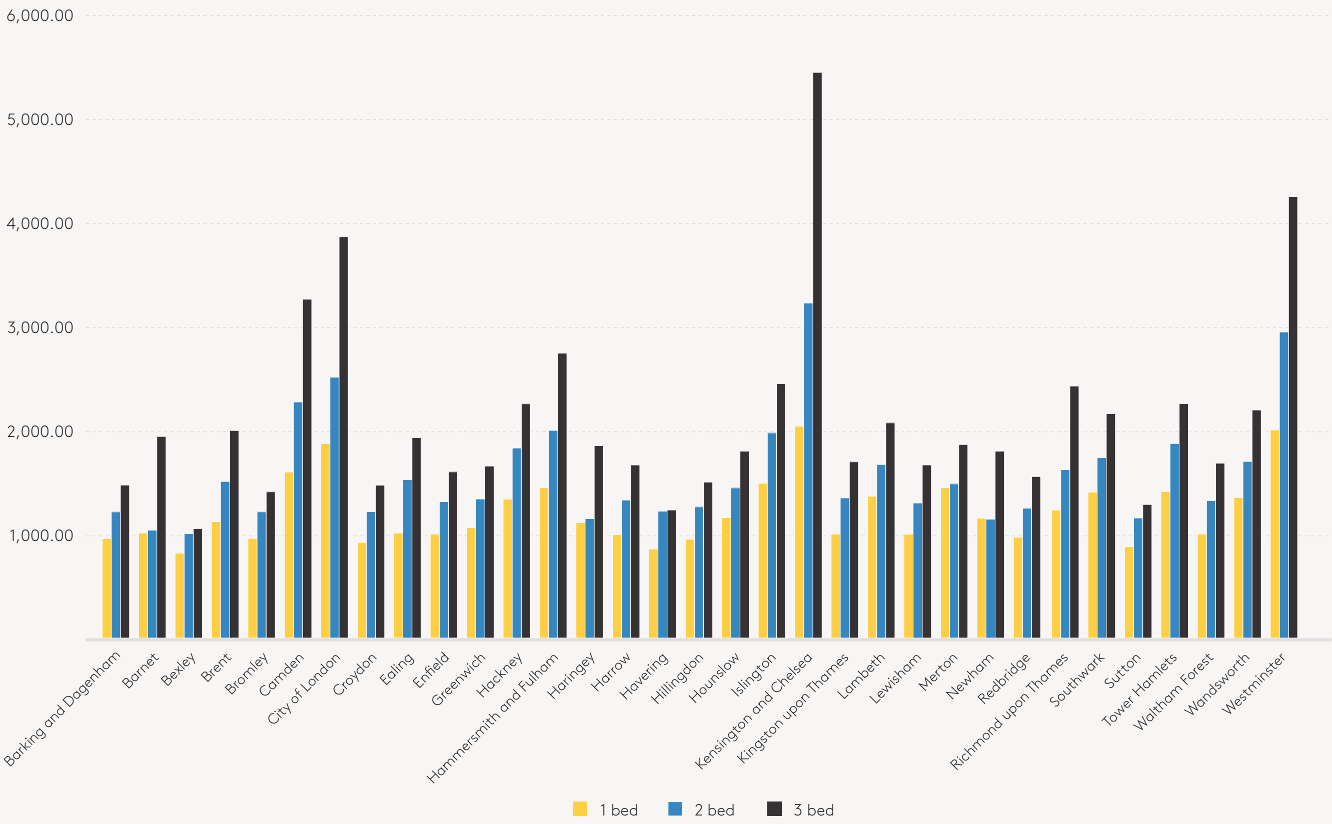
London Average Rent for 1, 2 and 3 Bed Properties



How Much Millennials Spend on Rent

Millennials renting a property from age 21 will on average spend £110,800 on rent by the time they buy a house, or £1.1million if they become a lifetime renter

- Millennials renting a property outside the capital from age 21 will on average spend £110,830 on rent before buying a house, or £273,210 if living in London
- 41% don't expect to ever buy a home of their own, becoming lifetime renters, spending an average of £1.1m on rent as a household over their lifetime
- Millennials outside London will have spent 34% of household disposable income on rent by the time they buy at 32, or 44% of household income if renting for life*

Millennials renting an average size property outside of London, who begin their tenancy at age 21, will spend an average of £110,830 in rental payments before buying their first property at the average first-time buyer age of 32.[6] For those living in the capital, where property prices and rents are significantly higher, the average household will have spent £273,210 on rent by the time they take their first step on the property ladder.

However, as it stands today, 41% of millennials don't expect to ever own a home of their own[7], relying instead on the private rental sector to support them into old age. For this emerging generation of lifetime renters, the total amount they will spend on rent in their lifetime will be an average of £1.1million* if living outside of London. Again, those choosing to live in the capital will spend 2.5 times this figure; a total of £2.6million.

For the fortunate millennials that are able to buy their first house at the age of 32, they will have spent 34% of their household post-tax income (£330,235) on rent (£110,830) throughout their 20s and early 30s. Meanwhile, those renting for life, and retiring at the future state pension age of 68, will have to save for 15 years of rental payments in retirement, and will therefore spend a greater proportion, some 44%, of their household disposable income (£2.4m) on rent (£1.1m) by the time they reach the average life expectancy of 82.

While younger people have always been overrepresented in the private rented sector, over the last decade there has been a marked increase in the proportion of younger households relying on the buy to let market. In 2005-06, 24% of those aged 25-34 lived in the private rented sector, but by 2015-16 this had increased to 46%.[8] Over the same period, the proportion of 25-34 year olds taking out a mortgage for a property decreased from 53% to 35%.[9]

Whether millennials are renting while saving up for a house, or increasingly, decide not to buy and rent indefinitely, this generation is counting on a well-stocked buy to let market to ensure rental growth doesn't become unsustainable. The government is giving off strong signals that it is ready to tackle the supply shortages gripping the nation, while also improving standards, affordability and the institutional supply of rental properties in particular. This can only be good news if it becomes reality, but with so many of the issues being systemic, only time will tell if it is able to fulfill its promises.

Average household rent between 21 and 32, and over a lifetime

Rent between 21 and 32

	UK	London	UK without London
All bed	£174,618	£273,212	£110,833
1 bed	£148,309	£211,301	£87,516
2 bed	£168,908	£279,855	£104,327
3 bed	£194,182	£389,693	£120,734

Rent over a lifetime

	UK	London	UK without London
All bed	£1,683,697	£2,634,351	£1,068,665
1 bed	£1,430,021	£2,037,393	£843,839
2 bed	£1,628,633	£2,698,408	£1,005,936
3 bed	£1,872,332	£3,757,476	£1,164,134

* Assuming 2% annual rental growth in line with the Bank of England's inflation target
6-9. www.gov.uk/government/uploads/system/uploads/attachment_data/file/658478/2015-16_EHS_Headline_Report.pdf

Millennial Top-Spots in the UK

Job-seekers in the UK may assume London is the best place to work, but a recent report from Glassdoor[10] suggests that the UK's capital is declining in popularity. It is nowhere to be seen on the list of the top 25 best towns and cities to work in 2017, based on job openings, job satisfaction, base salary and living costs. For millennials looking to reduce their rent burden and have any hope of one day saving up for a deposit for a home of their own one day, it might be worth considering the following towns and cities outside London. Not only are the rents more affordable but they also appear to offer a better working life.

Leading the list as the most affordable area to rent, based on the cities featuring in Glassdoor's job market analysis, is Hull. With an average rent of £436 it came in at 24th on Glassdoor's top 25 towns to work in. This is followed by Stoke on Trent (£466/ ranks 5th), Blackpool (£473/ ranks 23rd), Dundee City (£527/ ranks 20th) and Derby (543/ ranks 12th).

Although high up on Glassdoor's ranking, Oxford (£1,589/ ranks 10th), Cambridge (£1,202/ ranks 3rd), Reading (£1,018/ ranks 6th), Coventry (£968/ ranks 11th) and Slough (£964/ ranks 1st) are much less affordable. Despite this, average rents in these parts of the country still come in far below the London average of £1,871 per month.

Some of the UK's major cities, including Manchester, Birmingham and Leeds, are also far more affordable than London, known to hold onto millennials after having lived in the cities as university students. They all boast average rents at less than half of the average paid in the UK capital: £924, £774 and £826 respectively.

However, for those with their heart set on living in London, there are ways to manage the rental burden and simultaneously make the most of everything the city has to offer. While boroughs on the outskirts of the city are not typically seen as the most desirable places to live, it may be worth taking a slightly longer commute to the office to reduce the rental burden. The most affordable average residential rents of properties are found in Bexley (£1,001), Sutton (£1,051), Havering (£1,076), Croydon (£1,124) and Bromley (£1,176).

All Zones across London's tube map have seen a drop in rents in 2017. Properties in Zone 5 have been least affected, with a reduction of only -0.19% in 2017. While Zones 1, 2 and 3 have become more affordable, falling by -0.88%, -0.95% and -0.7%, respectively. While rents of properties in Zone 1 (£2,791) remain more than double those of properties in Zone 6 (£1,335), the change suggests that these desirable central boroughs, once popular rental areas, are now experiencing less demand as average prices exceed the limits of tenant affordability.

10. www.glassdoor.co.uk/List/Best-Cities-for-Jobs-UK-LST_KQ0,23.htm

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Average rents in top 25 cities to work in

Region	Town or City	Best city to work in[10]	Average Rent Nov 2017
Yorkshire and Humberside	Hull	24	436
West Midlands	Stoke on Trent	5	466
North West	Blackpool	23	473
Scotland	Dundee City	20	527
East Midlands	Derby	12	543
North West	Bolton	9	576
Scotland	Aberdeen City	18	615
East England	Peterborough	25	633
Northern Ireland	Belfast	16	648
East Midlands	Nottingham	13	653
East England	Ipswich	15	675
South West	Swindon	4	703
South East	Southampton	17	763
North East	Newcastle upon Tyne	21	774
West Midlands	Birmingham	14	774
East England	Luton	19	780
Yorkshire and Humberside	Leeds	7	826
South West	Bristol	22	916
North West	Manchester	2	924
South East	Milton Keynes	8	931
South East	Slough	1	964
West Midlands	Coventry	11	968
South East	Reading	6	1,018
East England	Cambridge	3	1,202
South East	Oxford	10	1,589

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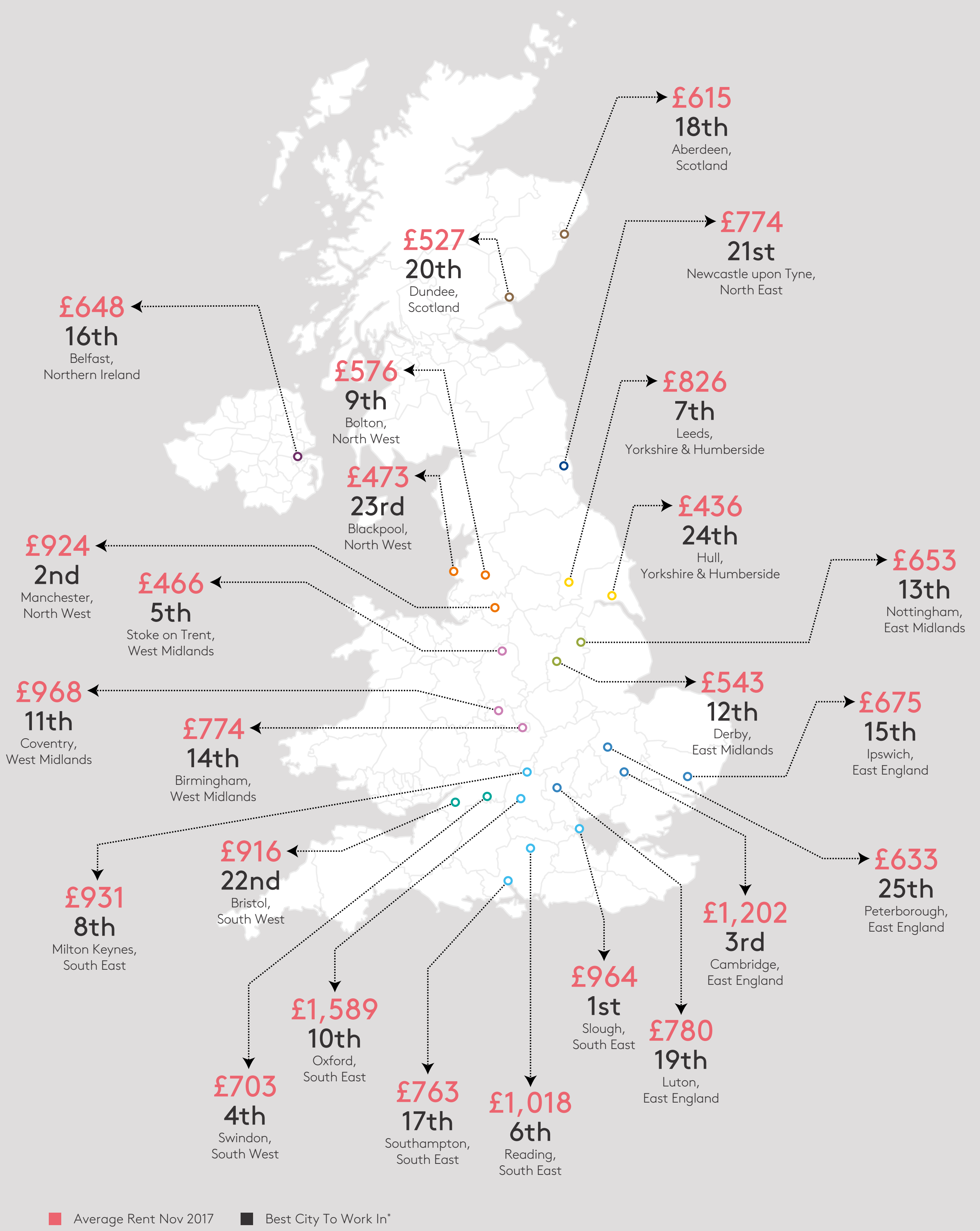
Average rents in the top 25 cities to work in



*According to Glassdoor job openings, job satisfaction, median base salary and median home value

Outlook for 2018

If 2017 was a year of transition, 2018 will be the year of realisation. We will see the true impact of the regulatory and legislative changes introduced this year, landlords will file their first tax return with a reduced mortgage tax relief and with rising mortgage rates, rents are expected to rise.

Chancellor Philip Hammond's recent Autumn Budget brought some good news for first-time buyers and tenants. The headline grabber was the abolition of stamp duty for first-time buyers purchasing properties of up to £300k, or on the first £300k of any property up to £500k. This is helpful for the current community of 45,000 UK residents[11] who are living with their parents and finding it difficult to get a foot onto the property ladder, and should result in a greater number of homeowners next year, but is only likely to benefit those about to purchase a home. For those some way away, higher demand will push up house prices and so increase the size of deposit needed.

Meanwhile, for tenants, alongside the pledge to build five new garden towns along the Cambridge, Milton Keynes, and Oxford corridor, complete with 1 million new homes, the government has promised to seriously consider the prospect of longer-term leases. This would be a particular advantage for the 1 million renting families with children, who typically favour more housing stability.

This snippet of updates from the Autumn Budget show that the government does acknowledge the need to encourage a strong, professional private rental sector. For landlords however, the political updates have not been without their sharp blows, the effects of which are sure to play out into 2018.

While news of the reduction in mortgage tax relief has already prepared landlords for the gradual decline in their profits, they will not feel the pinch until they file their returns in Q1 of 2018. Similarly, the Bank of England base rate rise from 0.25% to 0.5%, announced on 2nd November, was too late to make any significant difference in 2017, but the market will be getting ready to tackle its impact throughout early 2018, with landlords preparing for an increase in mortgage costs.

Since the summer of 2016, the Bank of England's Term Funding Scheme has injected a significant sum of cheap capital into banks, encouraging them to lend. The scheme comes to an end in February 2018, and with it an inevitable increase in the cost of funding for banks, and therefore more expensive buy to let mortgages. In this way, costs will remain an issue for landlords already feeling pressured by the reduction in tax relief and other legislation, such as the stamp duty surcharge.

To offset costs and take advantage of the increased demand for accommodation, we expect rents in the areas outside London to increase as we head into 2018. Particularly, across the eastern region of the UK, rents have already shown promise and are set to pick up in line with the trend of greater tenant interest in the London commuter counties, alongside a reduced rental interest in the capital as it becomes an increasingly unaffordable place to live.

According to Knight Frank, 24% of UK households will be in private rented accommodation in 5 years' time.[12] Improving diets and medicine mean people are living longer, and net migration is still firmly in positive territory, meaning that the pressure on the rental market is far from dwindling.

2018 will begin as a year of waiting and watching, as the new legislation and regulations of 2017 have an impact. The details of the Autumn Budget indicate that the government is attempting to give young tenants a small directional push onto the housing ladder, so as to release some of the pressure from the rental market. For example, the elimination of stamp duty for first-time buyers is likely to increase the numbers of new homeowners. Whether tenants are renting on their way to home ownership or, increasingly, renting for life, they will continue to rely on the buy to let market to ensure rental growth doesn't dampen their purchasing power. Many of the changes implemented this year will ultimately lead to better outcomes for tenants, landlords and investors, although the market is expected to contact slightly as it adjusts to the new normal.

11. www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents
12. kfcontent.blob.core.windows.net/research/707/documents/en/the-uk-tenant-survey-2017-4743.pdf

Methodology:

The Landbay Rental Index includes unique granular level detail, looking at local trends to the county and London Borough level, including further segmentations by number of bedrooms.

The credibility of any index is highly dependent on the breadth and depth of underlying data used, which is why this rental index utilises data from Zoopla, the British property website. Approximately 100,000 properties are analysed each month to form the index.

The rental values are mix adjusted by property type, number of beds and geography to ensure that any change in the composition of the data over time does not skew the results. The changes in rents are calculated based on matched samples of homogenous or identical data points over time. MIAC employs sophisticated smoothing techniques and interpolation to filter 'noise' and optimise the signal from the data.

The calculations in the millennial chapter use average rents as at November 2017, with future increases of 2% per annum to be in line with the Bank of England's target inflation rate. Unless otherwise stated, all household rent figures are for all-bed properties, so for younger households with multiple rent payers, the proportion of household income spent on rent will be lower than stated, but are on the whole balanced against household level income so are reflective of the average, at household level. Income figures are derived from the ONS household disposable income statistics, using average annual incomes for individuals between age 20-29 for those buying a house at 32, and lifetime average household income figures for those not purchasing a house. Again future income growth is based on 2% growth per annum, in line with the BoE inflation target.

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