

the mortgage works 

Rental Income Analysis

Q3 2020

Fieldwork took place 4th – 20th September 2020



For intermediary use only

Gross Rental Income Analysis Q3 2020: Methodology

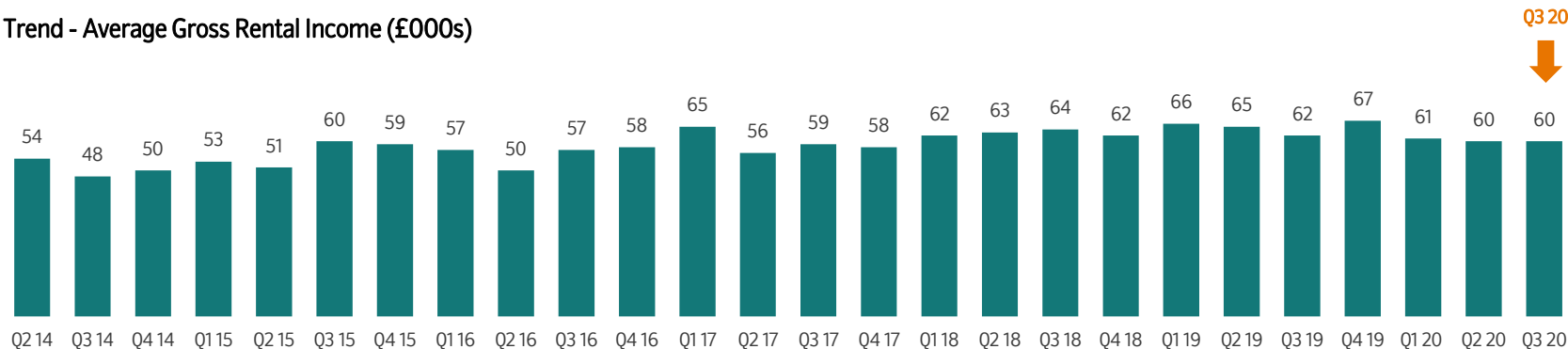
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

The basis for the analysis in this report is derived from the following question:

Over the last 12 months, in which band is the gross rental income you receive from your residential letting portfolio?

In Q3 2020 the average gross rental income achieved by landlords in the last 12 months is **£60,000**, which is unchanged from Q2 2020.

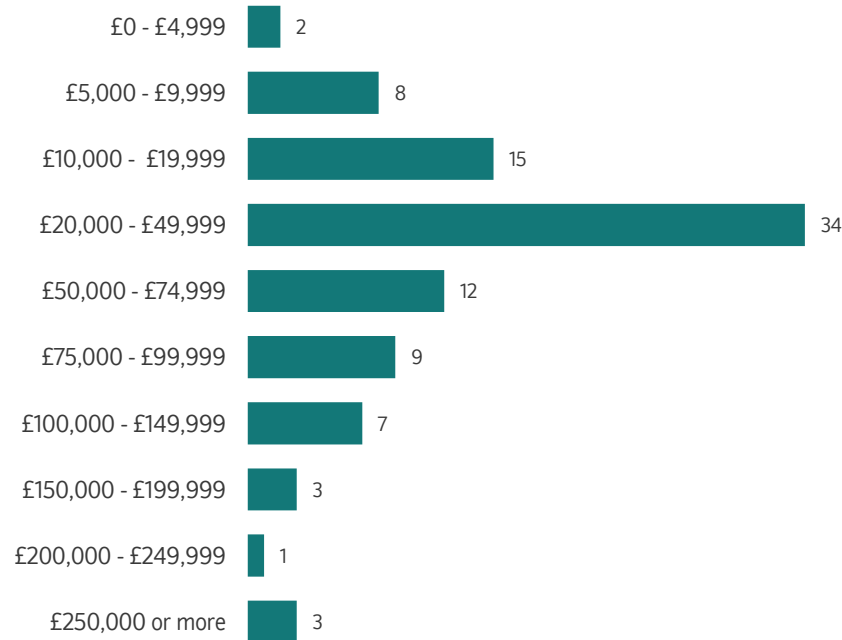
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q3 2020: Overall

Annual Gross Rental Income (%)

Average: £60,000



In Q3, the typical landlord reported generating **£60,000** per year in gross rental income from their portfolio, which is the same as the average rental income achieved last quarter.

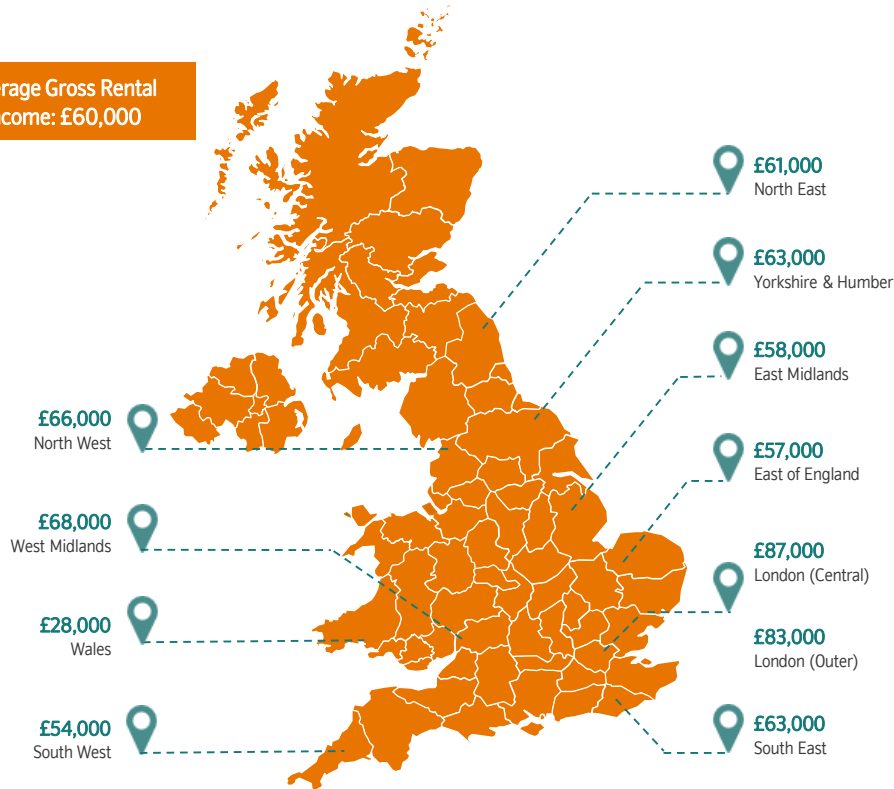
Despite the overall gross rental income remaining unchanged, due to larger portfolio sizes in Q3, the average **annual rental income generated per property** fell to **£7,407** (down from £8,571 in Q2 20).

Compared to Q2, more landlords now intend to implement rent increases in the next 6 months (20% vs. 13% in Q2). In addition, the proportion of landlords who reported that they had increased rents across their own portfolio in the last 12 months edged up slightly, with 23% saying this was the case vs. 21% in Q2 (-2%pts).



Regional Income Analysis

Average Gross Rental
Income: £60,000



7 of the 11 standard regions in England & Wales achieve a gross rental income above the national average of £60,000 per year.

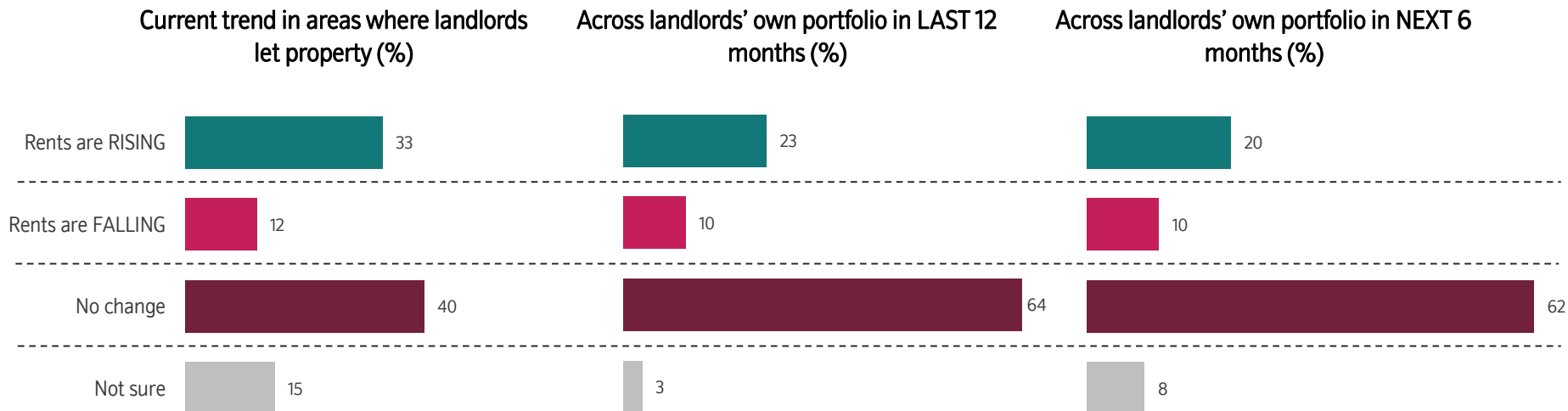
The highest average gross rental income continues to be achieved by those with rental property in London, at £87,000 per year for Central London landlords and £83,000 for Outer London landlords. The other regions achieving above average gross rental incomes in Q3 are the West Midlands, North West, South East, Yorks & Humber and the North East.

The East of England, East Midlands and South West all generate an average gross rental income that is below the national average, whilst Wales generate the lowest average income in Q3 at £28,000 per year.

NOTE: Base size too small to report Scotland results separately

Source: BVA BDRCLandlord Panel research Q3 2020
The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1530

Rental Trends & Intentions



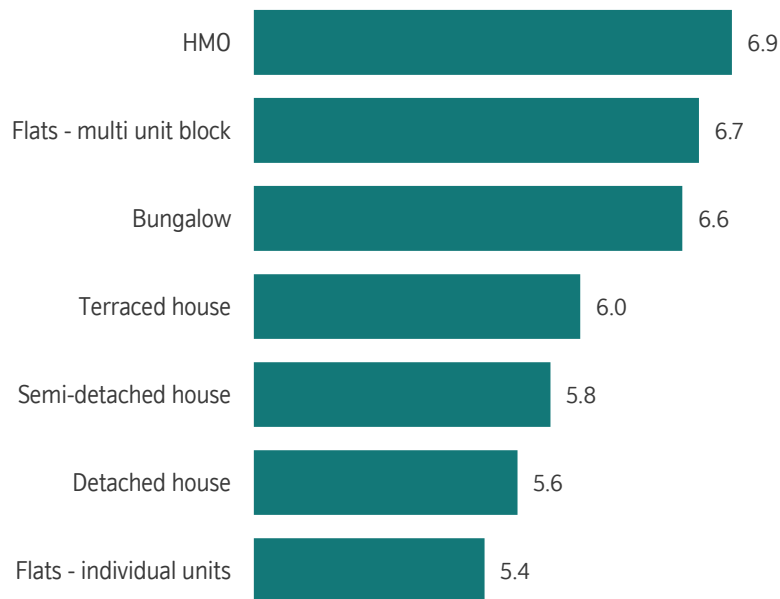
The initial impact of the Covid-19 pandemic on rents seems to be reducing, with Q3 seeing an increase in landlords reporting rising rents in the areas they let property (+13% vs. Q2), and more now intending to put rents up across their own portfolio in the next 6 months (20% vs. 13% in Q2). The incidence of landlords raising rents across their own portfolio in the last 12 months has however remained more stable, with only a slight increase in the proportion who had raised rents this quarter (+2%, to 23%).

Future intentions vary significantly by region, **landlords operating in Yorks & Humber are most likely to intend to put their rents up in the next 6 months (25%)**, whilst **Central London landlords are most likely to reduce their rents (40%)**. Compared to their smaller counterparts, **landlords with larger portfolios continue to be more likely to be looking to increase rents in the next 6 months**, with 36% of 11+ property landlords planning to raise rents compared to just 16% of landlords with 1 – 10 properties.

Portfolio Analysis

Average Rental Yield by Property Type (%)

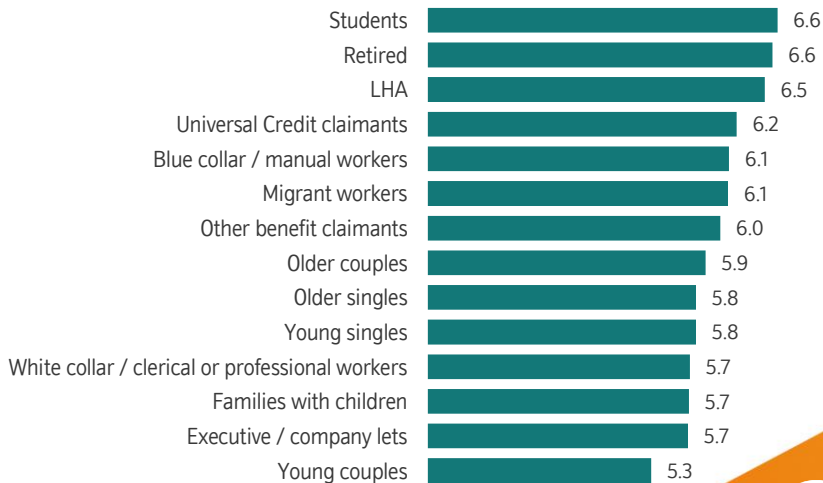
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



Average Gross Rental Income by Portfolio Size (£000s)

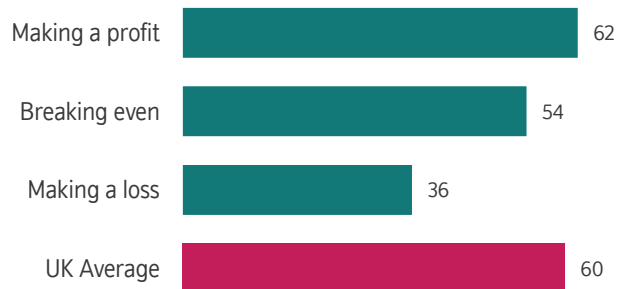


Average Rental Yield by Tenant Type (%)



Landlords Financial Analysis

Average Gross Rental Income by Profitability (£000's)

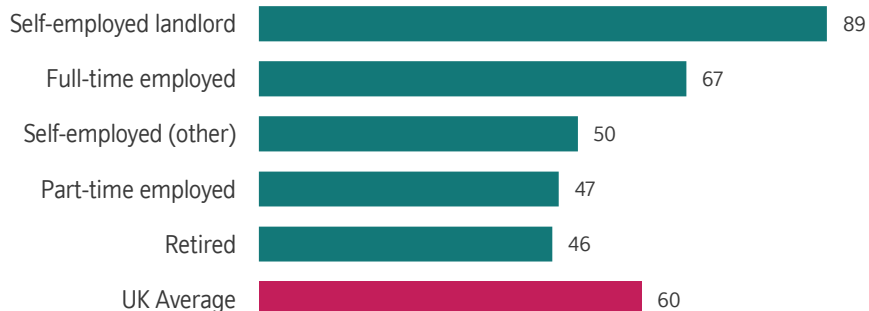


In Q3, landlords who make a profit from their letting activity achieve the highest average gross rental income of **£62k** (+£1k vs. Q2 2020). Loss making landlords typically achieve around £26,000 less than this per year, at £36k.

Those who operate as a **self-employed landlord generate the highest gross rental income**, averaging £89k per year, whilst those who are retired achieve the lowest amount, at £46k per year on average.

Landlords with BTL mortgage borrowing continue to generate a significantly higher gross rental income than those who own their portfolio outright (£70k vs. £45k).

Average Gross Rental Income by Employment Status (£000's)



Average Gross Rental Income by BTL Lending (£000's)

