

the mortgage works 

Rental Income Analysis

Q4 2023

Fieldwork took place 9 December – 29 December 2023

Gross Rental Income Analysis Q4 2023: Methodology

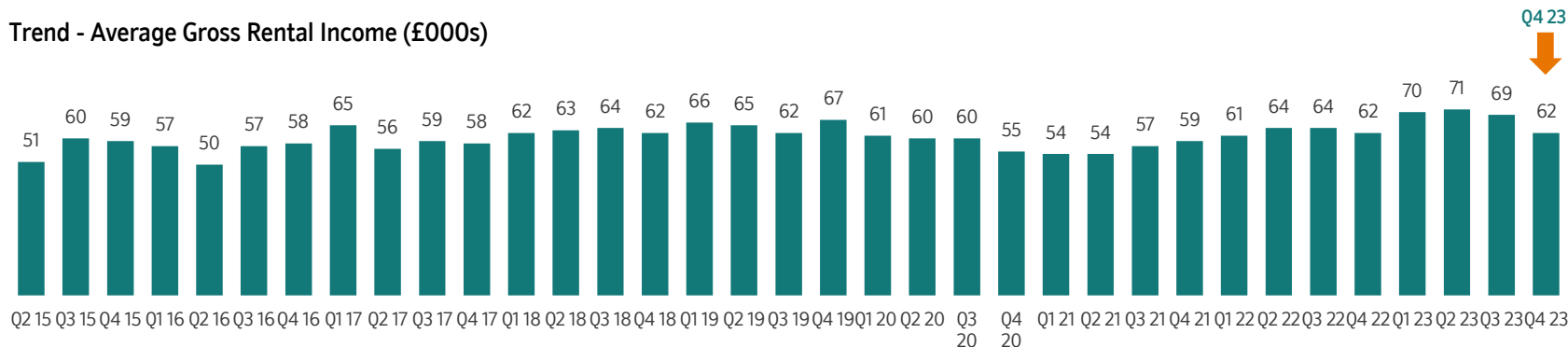
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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?

After three consecutive quarters of recent highs, the average gross rental income achieved by landlords in the last 12 months has dropped back to the level achieved this time last year (£62k), decreasing by £7k since Q3.

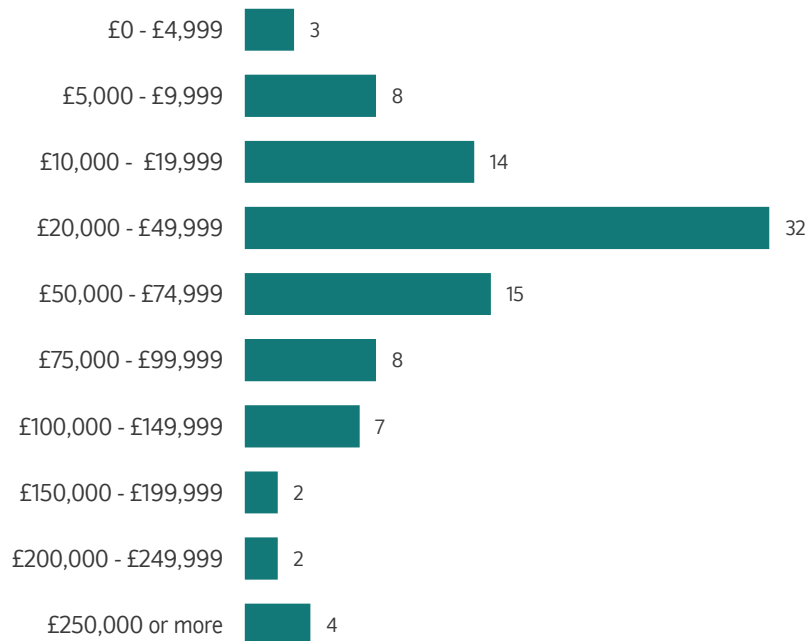
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q4 2023: Overall

Annual Gross Rental Income (%)

Average: £62,000



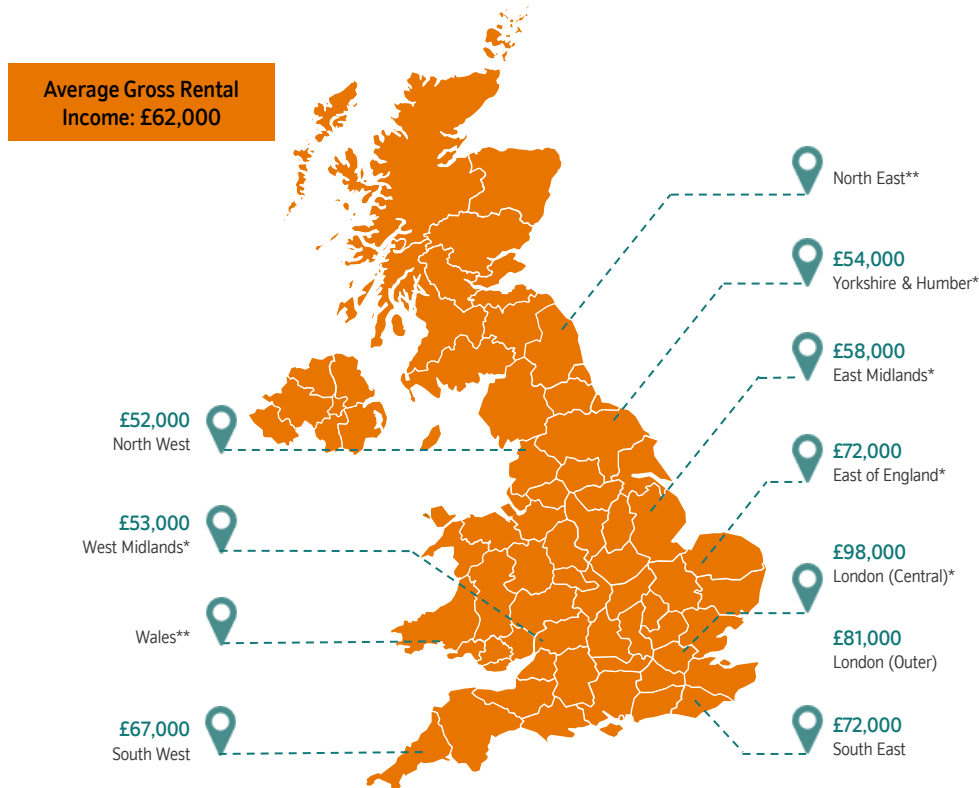
After three consecutive quarters of recent highs, the average gross rental income has decreased by £7k, back to levels generated in Q4'22.

Despite this, the annual rental income generated per property has continued to increase this quarter, up by approximately £277 since Q3.

The proportion of landlords increasing rents in their own portfolio in the last year has remained stable at 70%, whilst the proportion of landlords planning rental increases in the next 6 months has nudged down by 3% vs Q3 to 51%.



Regional Income Analysis



Q4'23 experiences decreases in average gross rental income across the majority of reported UK regions. The most notable drops were seen in the East Midlands (-£19k), the North West (-£18k) and Outer London (-£17k).

Central London also experiences a substantial decrease of £15k, after a significant uplift last quarter (+£21k in Q3 vs Q2). Albeit the region continues to achieve the highest rental income average at £98k by some lead (of £17k).

The North West and the West Midlands achieve the lowest gross rental income this quarter at £52k and £53k respectively.

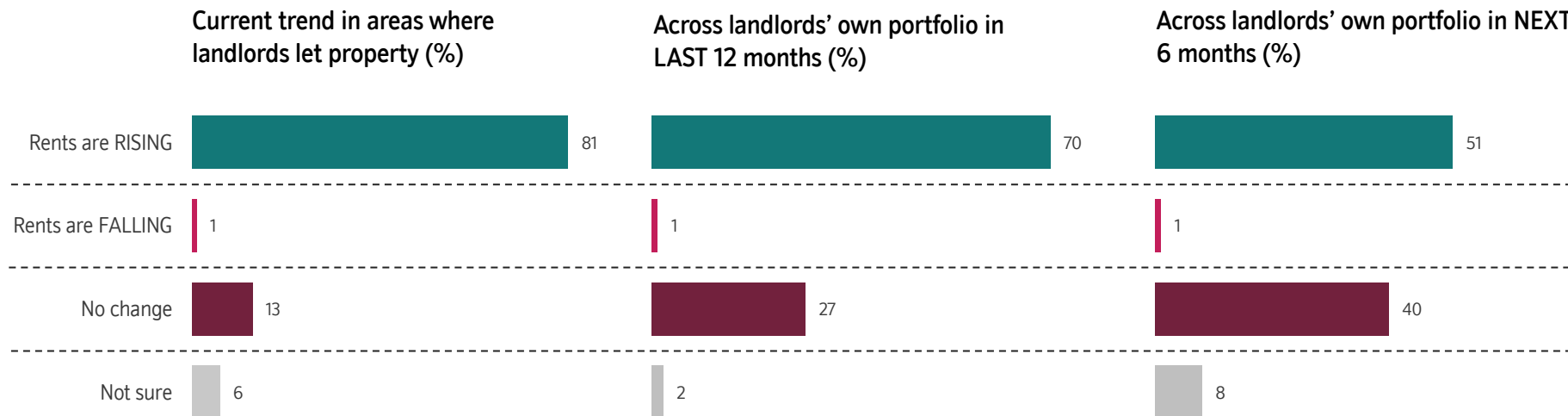
The disparity between the highest and lowest scoring regions (Central London and the North West) sits at £46k this quarter (down £9k since Q3).

NOTE: Base size too small to report Scotland results separately

Source: BVA BDRc Landlord Panel research Q4 2023
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW

*Caution: Small Base (n= less than 50)
 **Base too small to report (n= less than 30)

Rental Trends & Intentions



Although the vast majority of landlords are reporting rental increases in their respective operating areas (at 81%), the proportion has decreased by 6% since last quarter, now sitting at 81%.

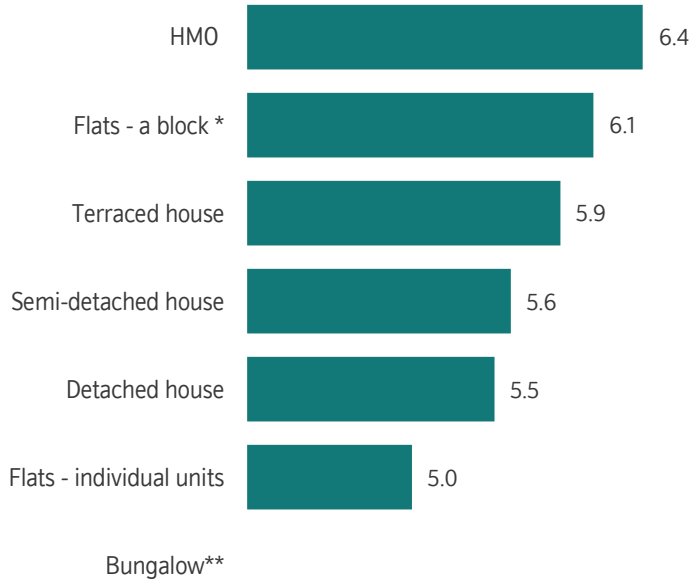
The proportion of landlords increasing rents across their own portfolio in the last 12 months remains stable at 70%, whilst landlords who expect to increase their rents in the next 6 months has nudged down by 3% to 51%.

At a regional level, landlords with property in Yorkshire and the Humber are the most likely to increase their rents in the next 6 months at 74%. Those in the East of England and West Midlands are the least likely (at 43% and 42% respectively).

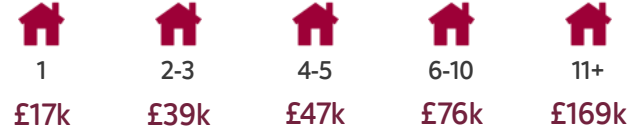
Portfolio Analysis

Average Rental Yield by Property Type (%)

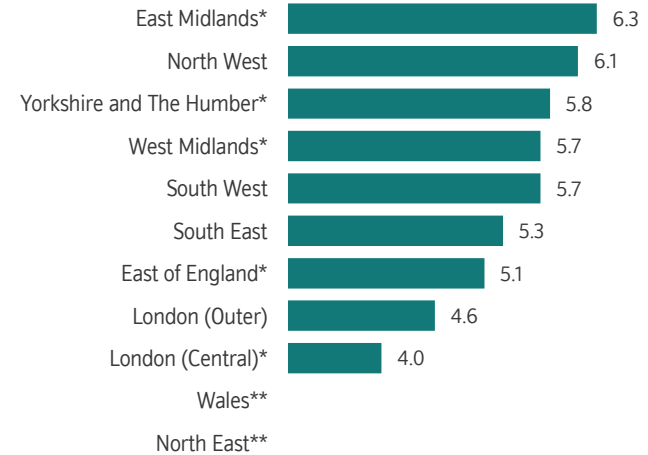
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



Average Annual Gross Rental Income by Portfolio Size

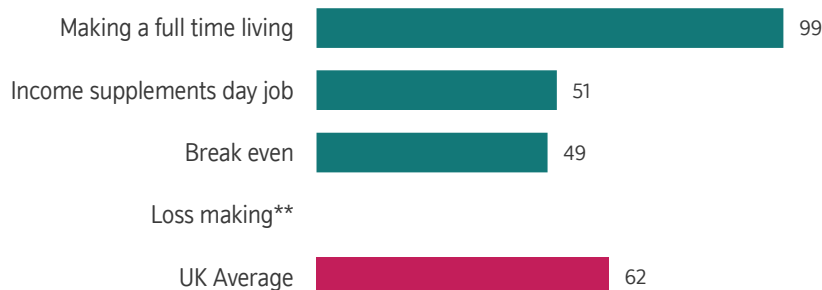


Average Rental Yield by Region (%)

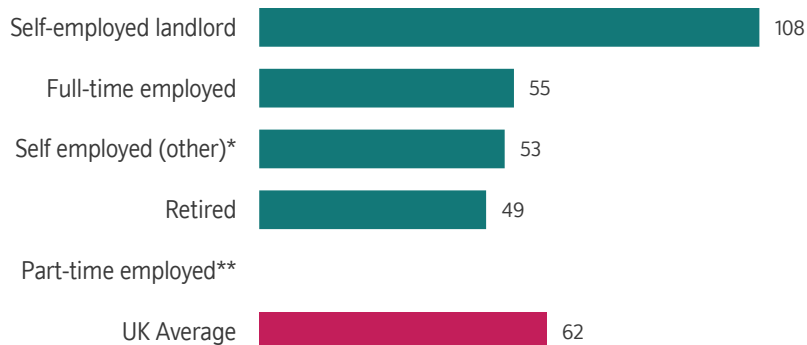


Landlords Financial Analysis

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



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



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



Landlords who make a profitable full-time income from their rental activities have experienced a decrease in Q4 of £19k. Despite this, their average rental income remains substantially higher than other landlord types, and the national average. Additionally, after seeing consecutive increases for the first three quarters this year, landlords who break even have also seen a notable decrease in average rental income (down by £21k vs Q3).

Average gross rental income has also dropped across most employability types this quarter. Self-employed landlords have experienced the most notable decrease of £14k since Q3, albeit this landlord type continues to generate a significantly higher average than other landlords (at £108k). Retired landlords remain fairly stable at £49k this quarter (up a modest £1k since Q3).

Landlords with and without BTL lending have both experienced a decrease in their average income this quarter (by £7k and £5k respectively), with leveraged landlords continuing to generate higher incomes than unleveraged landlords by a substantial margin.