

the mortgage works 

Rental Income Analysis

Q4 2020

Fieldwork took place 5th December 2020 – 2nd January 2021



For intermediary use only

Gross Rental Income Analysis Q4 2020: Methodology

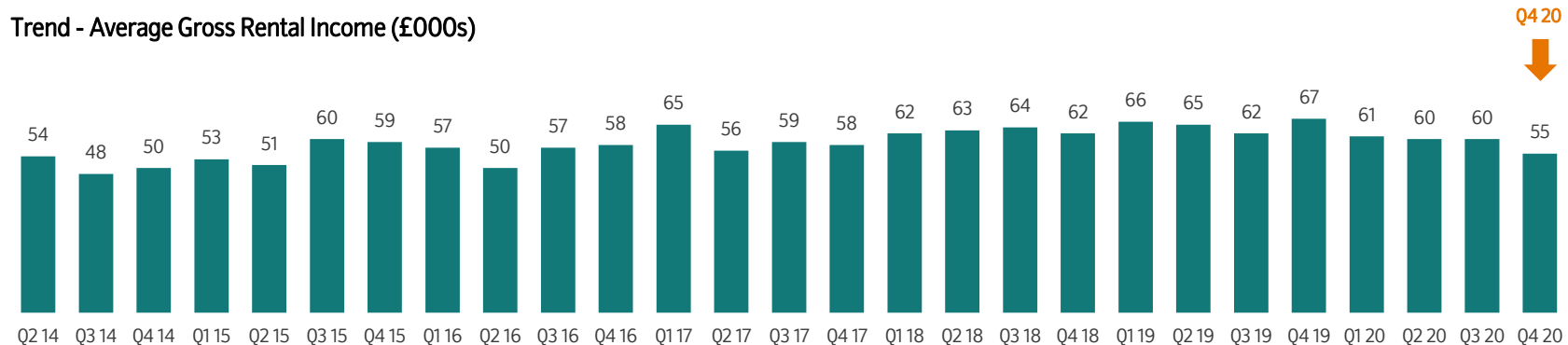
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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 Q4 2020 the average gross rental income achieved by landlords in the last 12 months is **£55,000**, which is down £5,000 from Q3 2020.

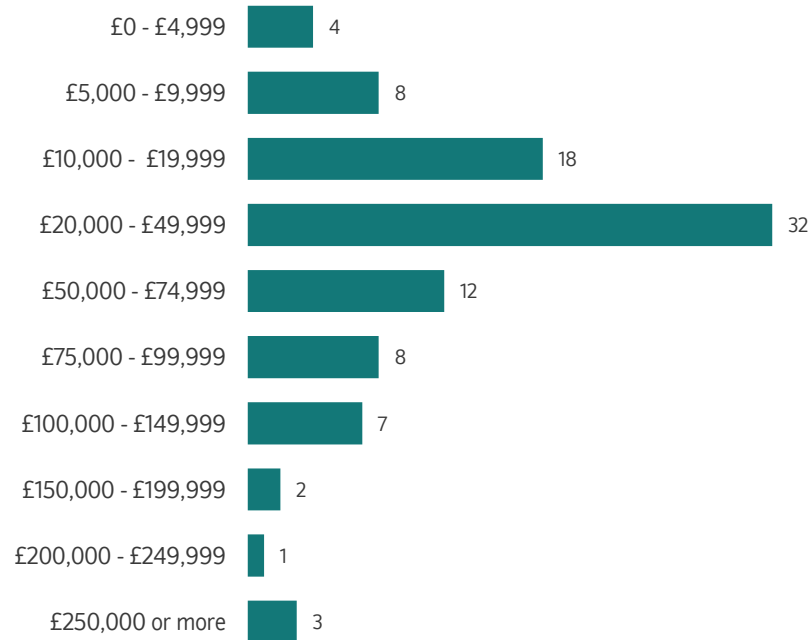
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q4 2020: Overall

Annual Gross Rental Income (%)

Average: £55,000



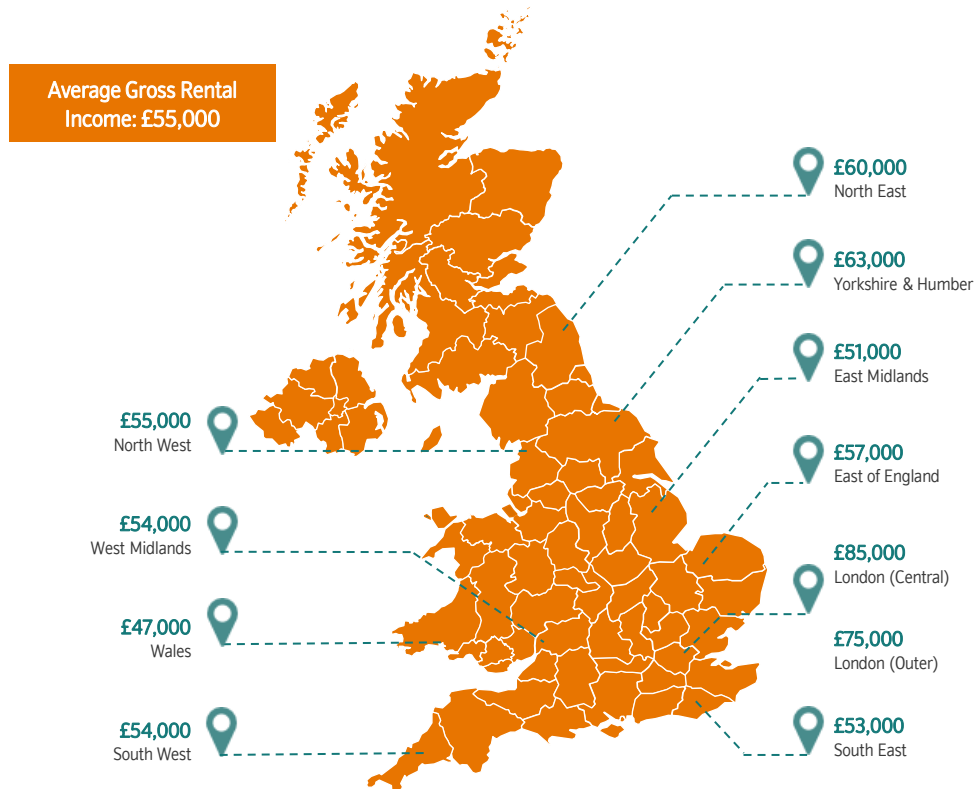
The **average gross rental income generated by landlords has been slowly trending downwards** over the last year, now standing at £55,000 (-£12,000 vs. Q4 2019).

As a result, the average **annual rental income generated per property** has also fallen, to **£7,050** (down from £7,528 a year ago).

In addition, compared to last quarter, **fewer landlords are now reporting that they intend to increase rents** in the next 6 months (-5% to 15%), although the proportion who have increased rents in the last 12 months remains largely unchanged at 22% (vs. 23% in Q3 2020).



Regional Income Analysis



In Q4, 5 of the 11 standard regions in England & Wales achieve a gross rental income above the national average of £55,000 per year.

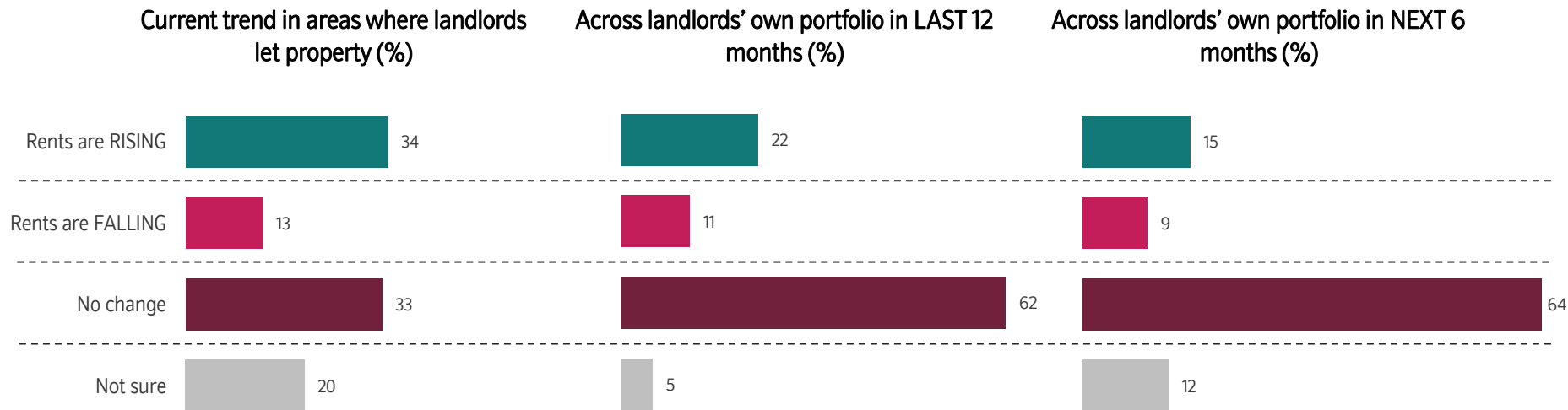
The highest average gross rental income continues to be achieved by those with rental property in London, at £85,000 per year for Central London landlords and £75,000 for Outer London landlords. The other regions achieving above average gross rental incomes in Q4 are the North East, Yorks & Humber and the East of England, whilst the North West achieve a typical gross rental income that is in-line with the national average.

The South East, East of England, East Midlands, South West and West Midlands all generate an average gross rental income that is below the national average, whilst **Wales generates the lowest average income in Q4 at £47,000 per year.**

NOTE: Base size too small to report Scotland results separately

Source: BVA BDRCLandlord Panel research Q4 2020
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1571

Rental Trends & Intentions



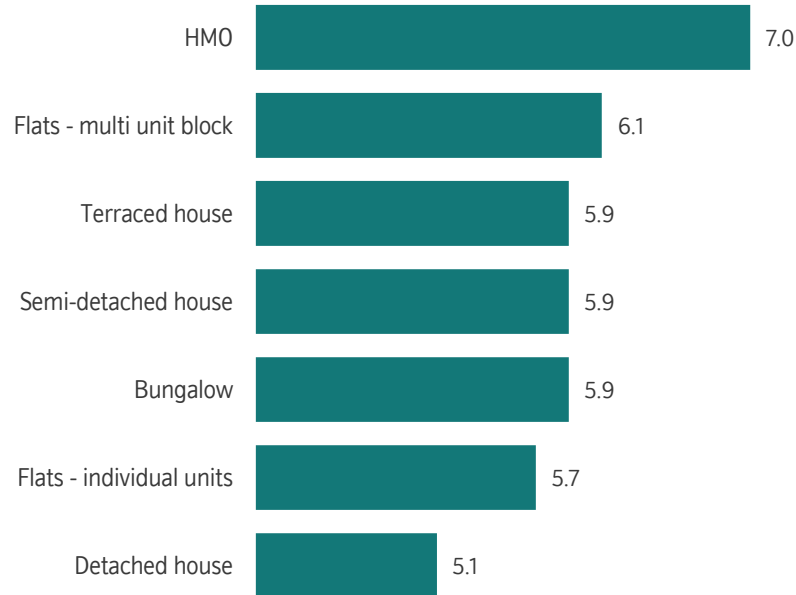
Similarly to Q3, **around 1 in 3 landlords report that rents are rising in the areas where they let property**, whilst **just over 1 in 5 say that they have increased rents across their own portfolio** in the last 12 months.

However, **fewer landlords now intend to implement rent increases across their own portfolios in the next 6 months** (15% in Q4 vs. 20% in Q3). This decline has been largely driven by a fall in the proportion of larger landlords planning to levy increases. At a regional level, landlords with property in the East Midlands and North West are most likely to looking to increase their rents in the next 6 months (both 20%+), whilst those in London are most likely to be intending to reduce their rents (23%).

Portfolio Analysis

Average Rental Yield by Property Type (%)

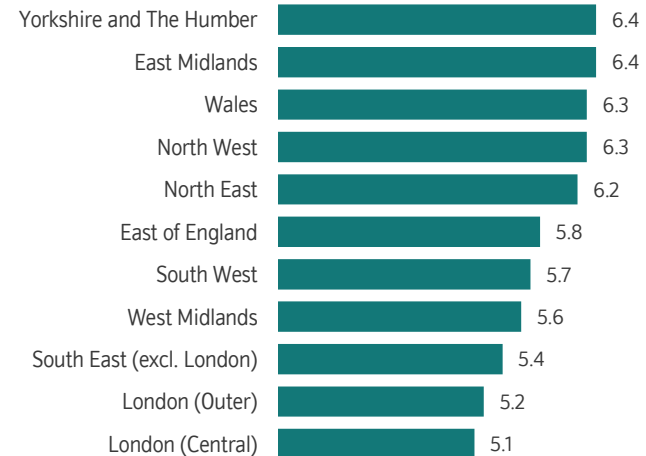
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



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

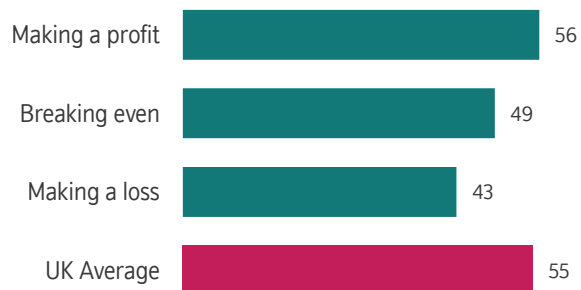


Average Rental Yield by Region (%)

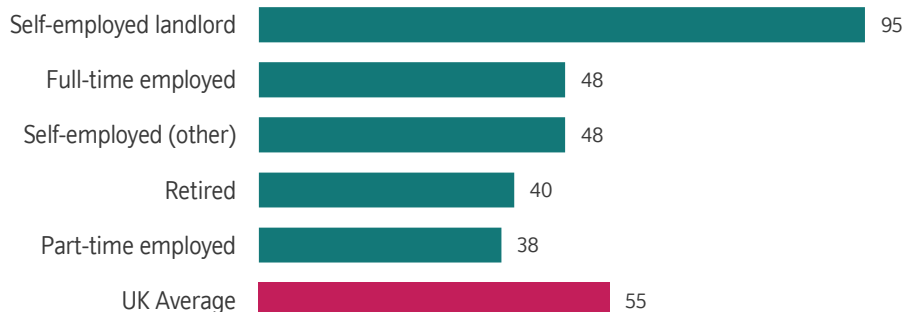


Landlords Financial Analysis

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



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



Despite a fall in Q4, landlords who make a profit from their letting activity continue to achieve the highest average gross rental income of £56k (-£6k vs. Q3 2020). Conversely, loss making landlords continue to generate the lowest average gross rental income, although this has increased by £7k in Q4, to £43k.

Those who operate as a **self-employed landlord generate the highest gross rental income**, averaging £95k per year, whilst those who are employed part-time achieve the lowest amount, at £38k 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 (£66k vs. £39k).

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

