

the mortgage works 

# Rental Income Analysis

Q1 2022

Fieldwork took place 6<sup>th</sup> – 24<sup>th</sup> March 2022



For intermediary use only

# Gross Rental Income Analysis Q1 2022: Methodology

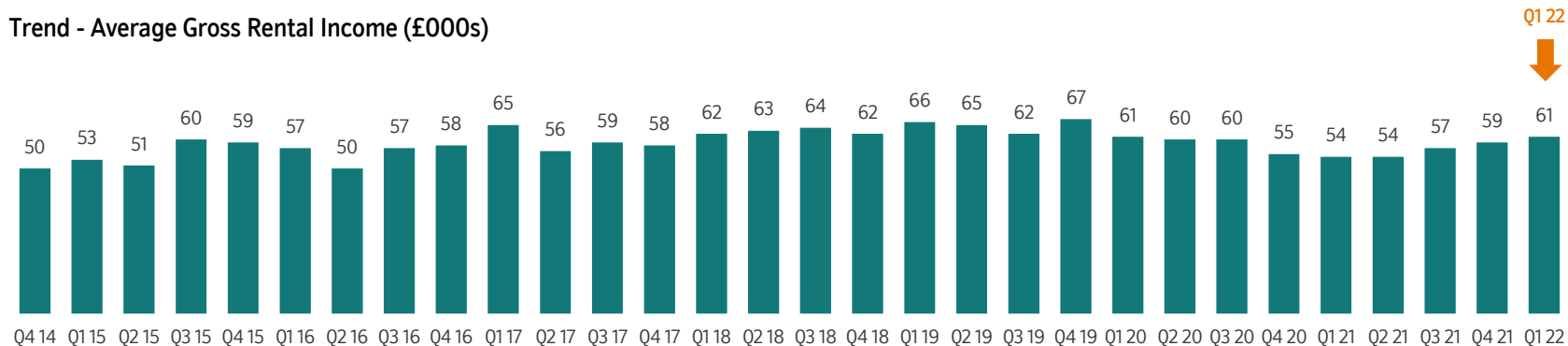
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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 Q1 2022 the average gross rental income achieved by landlords in the last 12 months was **£61,000**, which is £2,000 higher than Q4 2021 and up £7,000 vs. Q1 2021.

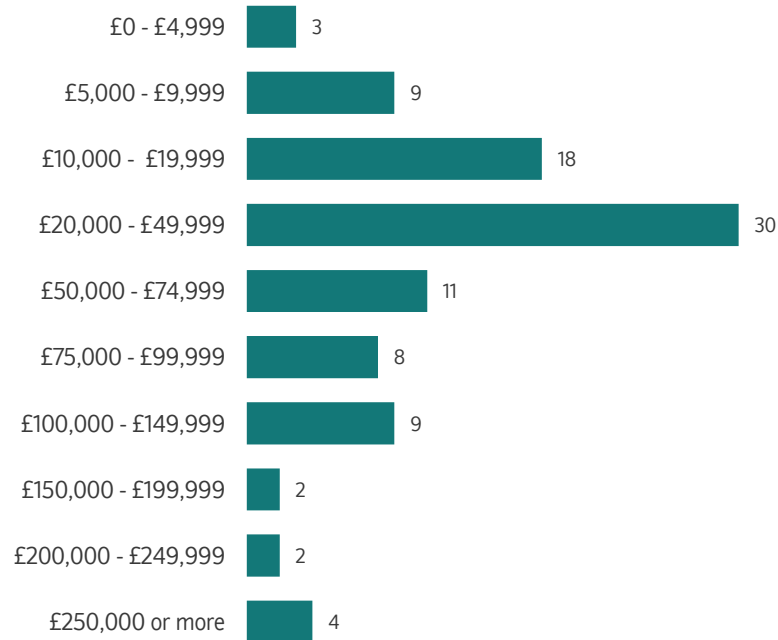
Trend - Average Gross Rental Income (£000s)



# Gross Rental Income Analysis Q1 2022: Overall

## Annual Gross Rental Income (%)

Average: £61,000



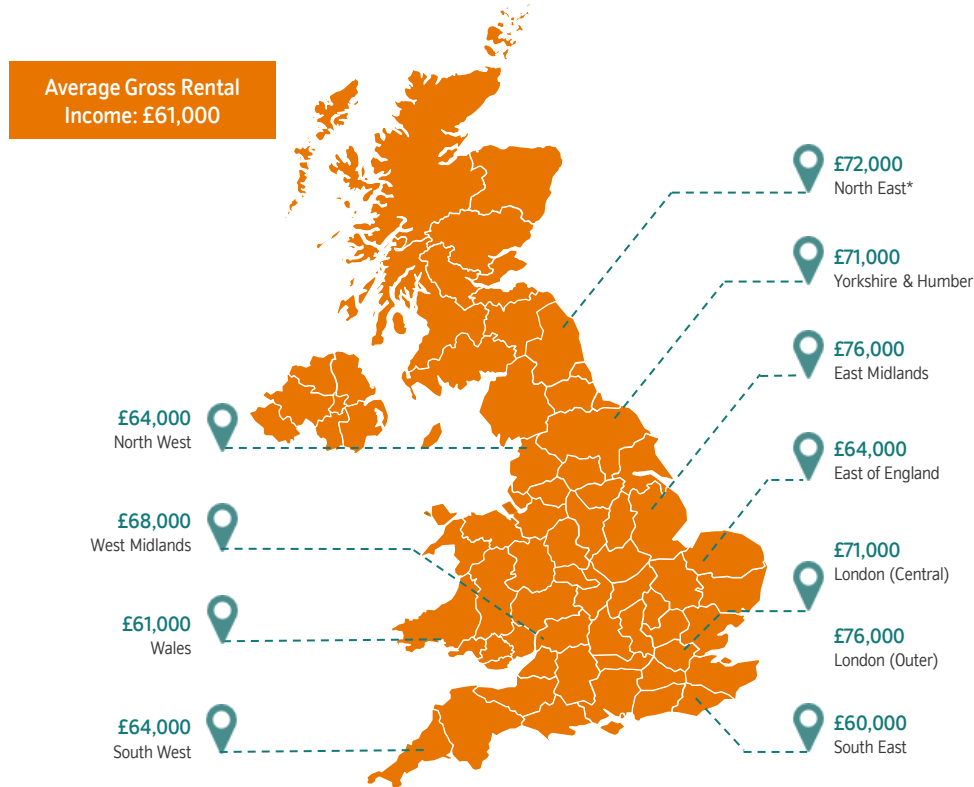
The average gross rental income generated by landlords has continued to steadily increase, with an uplift of £2,000 in Q1 '22 to £61,000.

However, due to larger average portfolio sizes in Q1 '22, the **annual rental income generated per property** has actually reduced to **£7,625** (down £925 from Q4 '21), this represents a 11% decrease from the previous quarter.

It remains the case that more landlords are now increasing their rents, with 50% saying they have done so in the last 12 months (+8%pts vs. Q4 '21), with those intending to raise rents in the next 6 months also up vs. Q4 (+3%pts to 42%).



# Regional Income Analysis



In Q1 '22, 9 of the 11 standard regions in England & Wales achieve a gross rental income above the national average of £61,000 per year.

The highest average gross rental income is currently achieved by landlords with rental property in Outer London and the East Midlands, with both generating £76,000 annually. Landlords with property in the North East, Yorks & Humber and Central London all also achieve an average annual gross rental income that is in excess of £70,000.

The South East is the only region that currently falls slightly below the national average for rental income generation at £60,000, whilst landlords operating in Wales achieve a typical annual gross rental income which is in-line with the national average.

NOTE: Base size too small to report Scotland results separately

\*Caution: Small Base

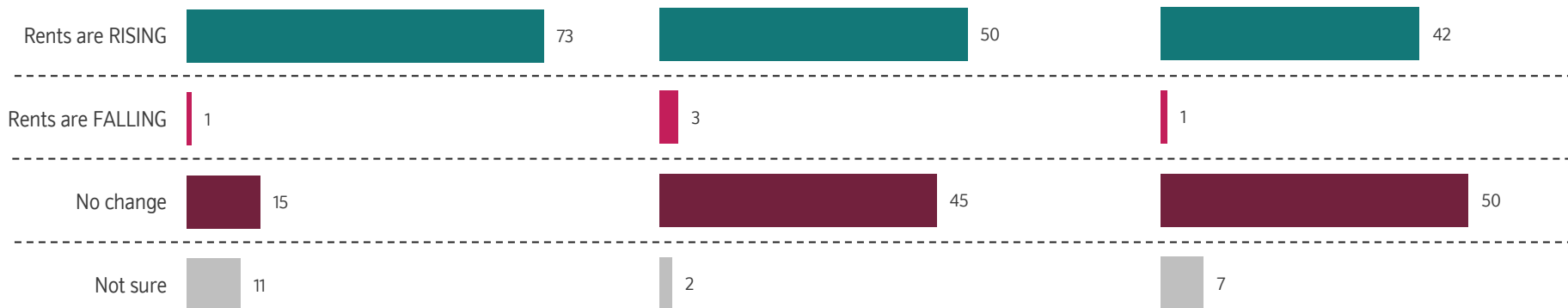
Source: BVA BDRC Landlord Panel research Q1 2022  
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1813

# Rental Trends & Intentions

Current trend in areas where landlords let property (%)

Across landlords' own portfolio in LAST 12 months (%)

Across landlords' own portfolio in NEXT 6 months (%)



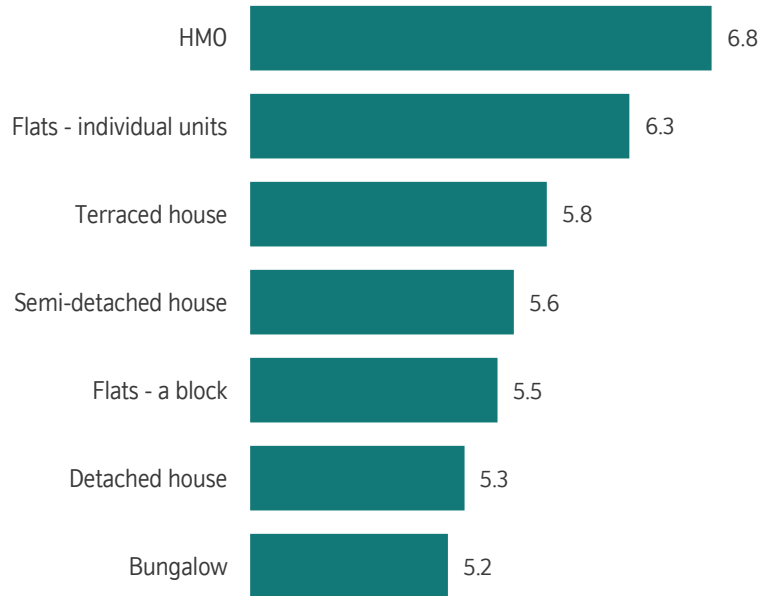
This proportion of landlords who report that rents are rising in the areas where they let property has increased significantly over the last year to 73% (up 7%pts from Q4 '21 and 33%pts from a year ago), whilst 50% have increased rents across their own portfolio in the last 12 months (up 8%pts from Q4 '21 and 29%pts from a year ago).

42% of landlords also now say they intend to levy rent increases across their own portfolio in the next 6 months, almost double the proportion who said this was the case a year ago. At a regional level, landlords with property in the North West are the most likely to be looking to increase their rents in the next 6 months (55%), whilst those in the West Midlands are the least likely (33%). The North West is also the region that records the most significant uplift in those planning to increase rents from Q4 '21, with 55% now looking to put their rents up (+12%pts vs. Q4 '21), and fewer intending to make 'no change' (-9%pts to 42%).

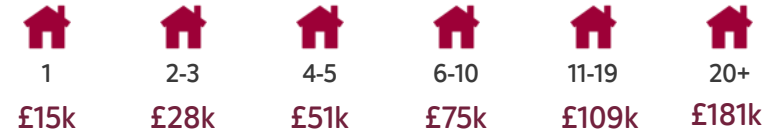
# Portfolio Analysis

## Average Rental Yield by Property Type (%)

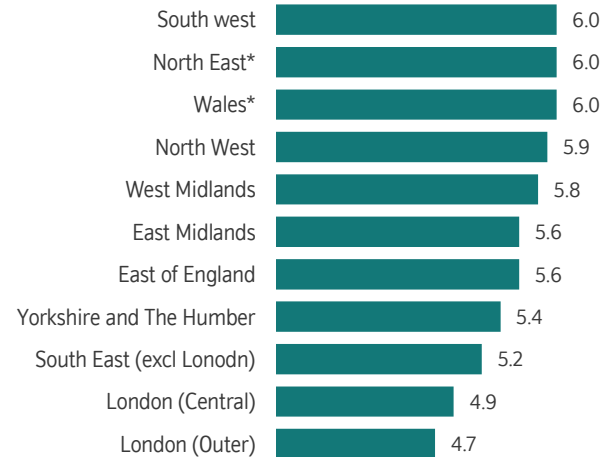
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



## Average Annual Gross Rental Income by Portfolio Size



## Average Rental Yield by Region (%)

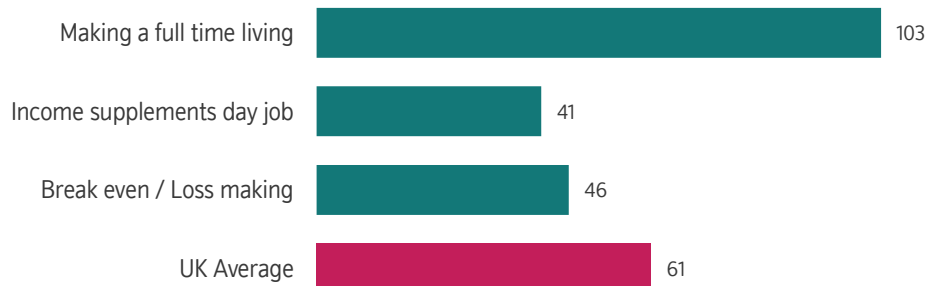


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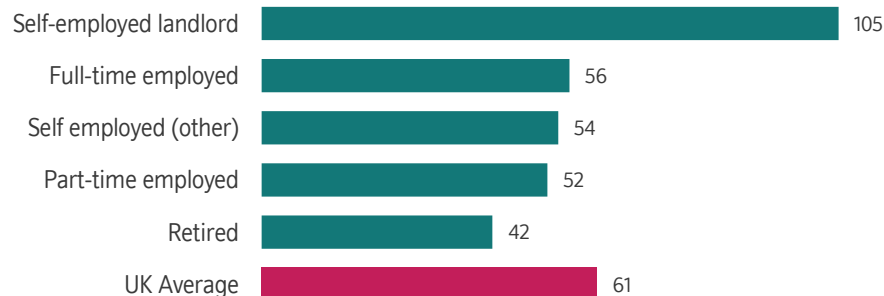
\*Caution: Small Base

# 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)



The rental income achieved by landlords who make a profitable full time living from their lettings activity is significantly above the national average at £103k. Conversely, landlords who generate an income that supplements their day job earnings and those who break even / make a loss from their lettings achieve average gross rental incomes that sits below the UK average at £41k and £46k respectively.

Those who operate as a self-employed landlord continue to generate a significantly higher average gross rental income than other landlords, at £105k per year, whilst those who are part-time employed (£52k) or retired (£42k) achieve the lowest gross rental incomes on average.

It also remains the case that landlords with BTL mortgage borrowing achieve an average gross rental income that is significantly higher than those who own their portfolio outright (£67k vs. £51k). However, the gap in average annual rental income achieved by those with BTL borrowing and those without continues to decrease from £27k in Q4 '21 to £16k in this quarter.