

the mortgage works 

Rental Income Analysis

Q2 2021

Fieldwork took place 20th June – 5th July 2021



For intermediary use only

Gross Rental Income Analysis Q2 2021: Methodology

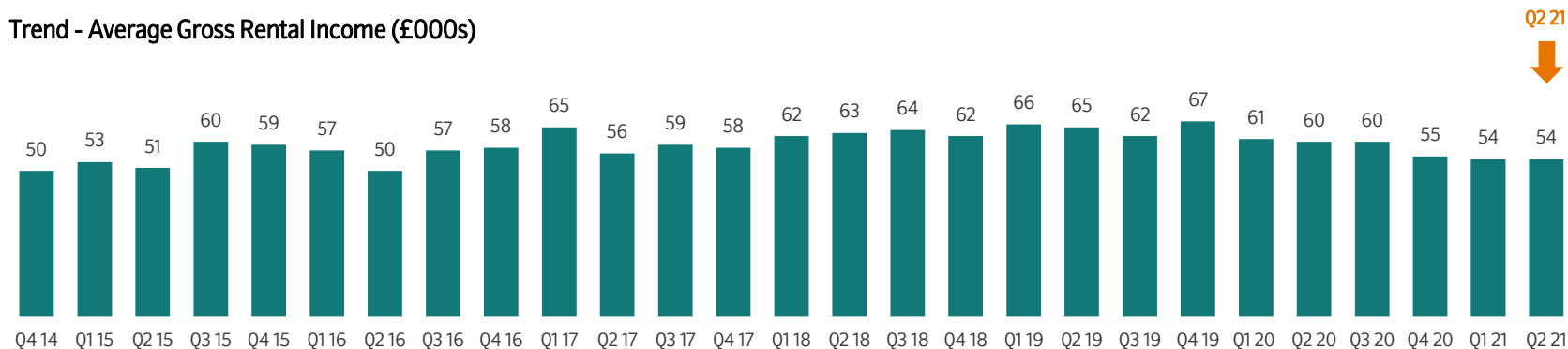
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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 Q2 2021 the average gross rental income achieved by landlords in the last 12 months is **£54,000**, which is unchanged from Q1 2021.

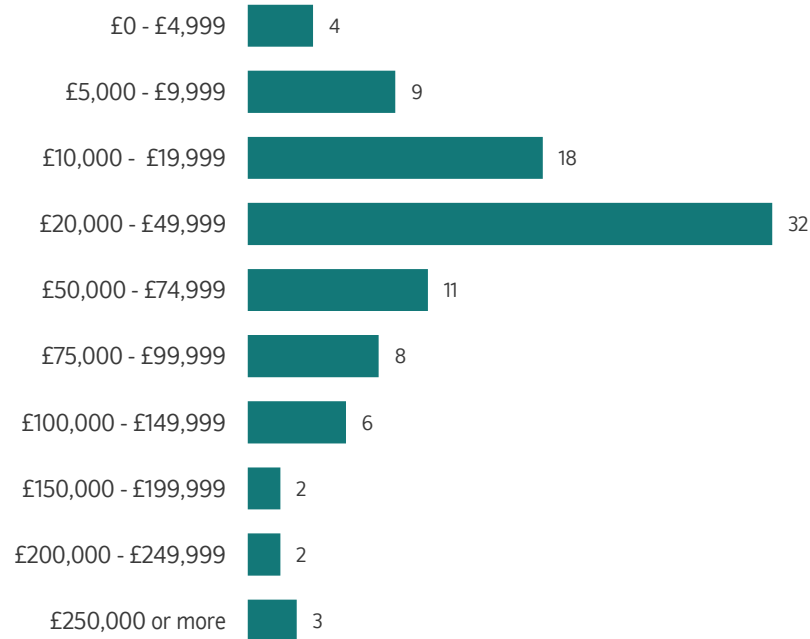
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q2 2021: Overall

Annual Gross Rental Income (%)

Average: £54,000



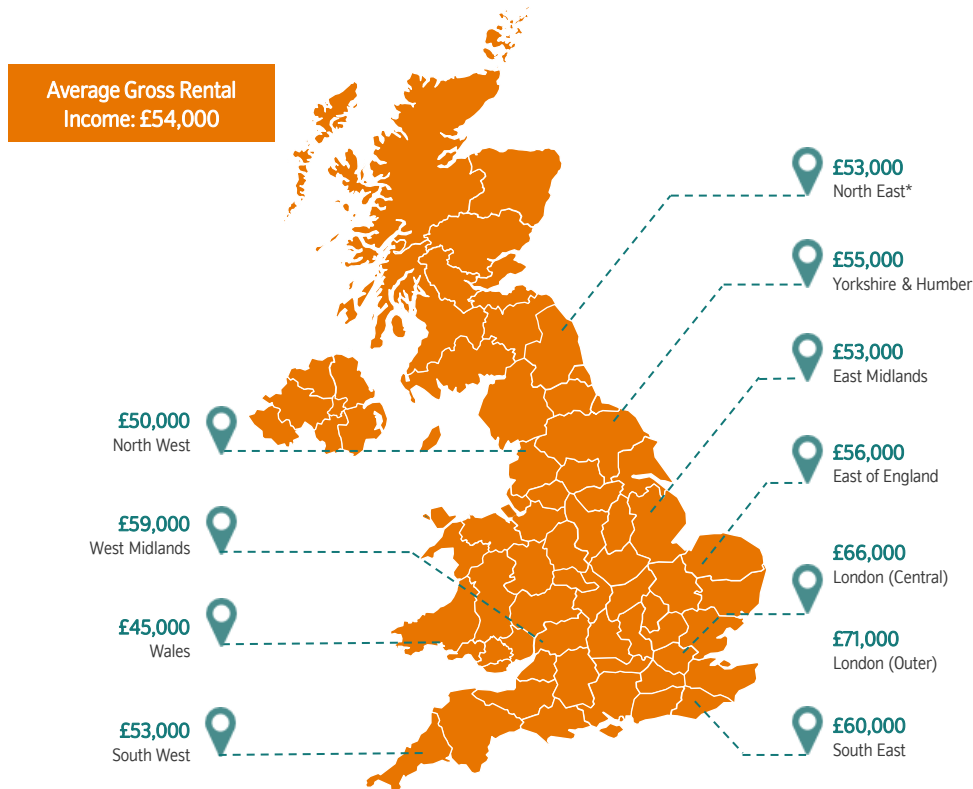
After a period of decline during 2020, the **average gross rental income generated by landlords has now been largely unchanged for 3 consecutive quarters, at £54,000.**

However, due to the size of the typical landlord's portfolio falling over this time period (from 7.8 in Q4 '20, to 6.9 in Q2 '21), the **annual rental income generated per property** has actually increased by over 10%, to **£7,849** (up £799 from Q4' 20).

Compared to last quarter, **more landlords now report that they have increased rents** in the last 12 months (+5%pts to 26%), with the portion who intend to increase rents in the next 6 month also up vs. Q1 (+7%pts to 29%).



Regional Income Analysis



In Q2, 6 of the 11 standard regions in England & Wales achieve a gross rental income above the national average of £54,000 per year

The highest average gross rental income is achieved by landlords with rental property in Outer London (£71,000), followed by those who operate in Central London (£66,000). The other regions achieving above average gross rental incomes in Q2 are Yorks & Humber, West Midlands, East of England and the South East.

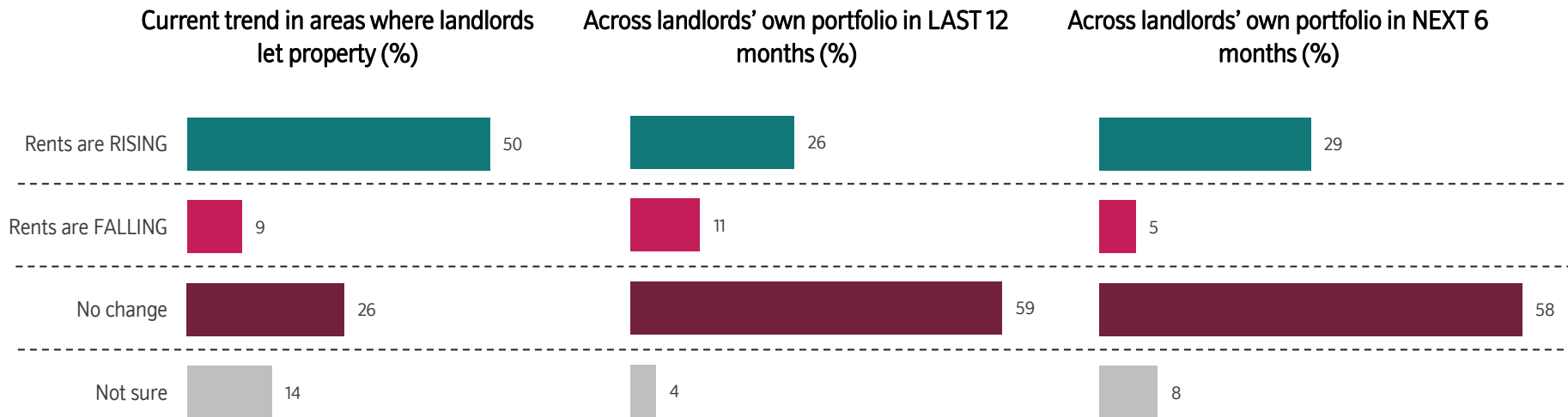
There has been an increase in the number of regions which generate an average gross rental income below the national average (two regions in Q1 vs. five regions in Q2), although most are only marginally lower. These regions are the North West, Wales, South West, North East and East Midlands. Wales has seen the biggest decline in average gross rental income, which is likely linked to the decrease in the average portfolio size in this region (from 14.1 in Q1, to 11.7 in Q2).

NOTE: Base size too small to report Scotland results separately

*Caution: Small Base

Source: BVA BDRCLandlord Panel research Q2 2021
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1644

Rental Trends & Intentions



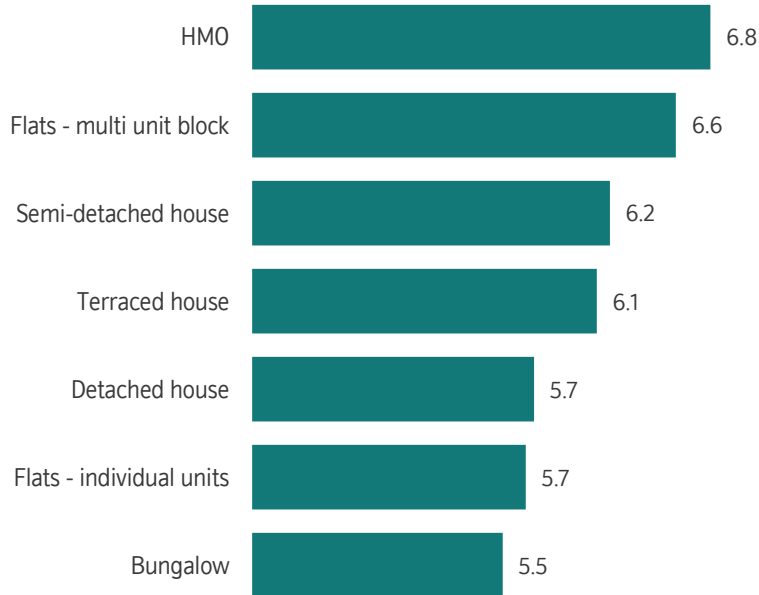
Half of landlords now report that rents are rising in the areas where they let property (up 10%pts from Q1 '21), whilst **around 1 in 4 say that they have increased rents across their own portfolio** in the last 12 months (up 5%pts from Q1 '21).

Compared to Q1, more landlords now intend to levy rent increases across their own portfolios in the next 6 months (29% in Q2 '21 vs. 22% in Q1 '21). This uplift has been largely driven by an increase in the proportion of larger landlords planning to raise their rents; 63% of landlords with 20+ properties now plan to put their rents up in the next 6 months (vs. 45% in Q1 '21). At a regional level, landlords with property in the South West are most likely to be looking to increase their rents in the next 6 months (41%), whilst those in Central London are most likely to be intending to reduce their rents (27%).

Portfolio Analysis

Average Rental Yield by Property Type (%)

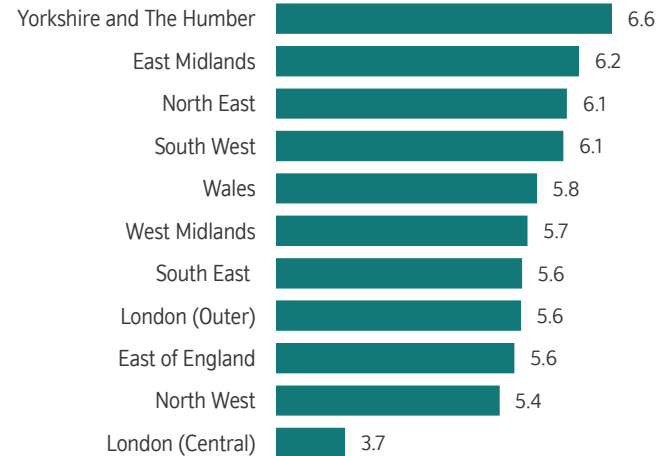
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



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

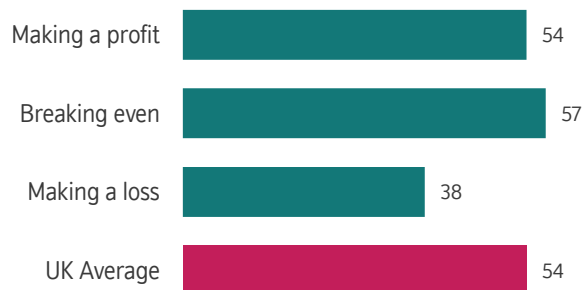


Average Rental Yield by Region (%)

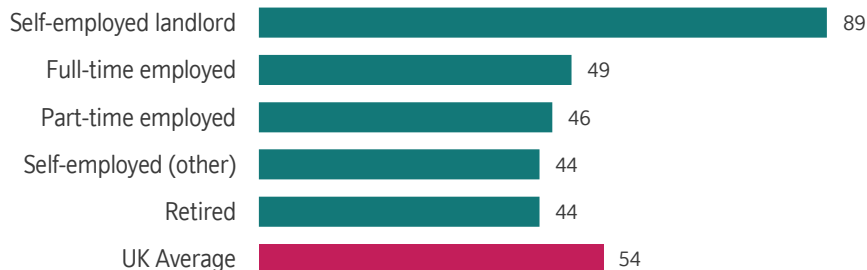


Landlords Financial Analysis

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



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



Landlords who make a profit or break even from their lettings activity tend to achieve gross rental incomes that are broadly in-line with the national average, at £54k and £57k respectively, whilst the typical gross rental income generated by loss making landlords is well below this average, at £38k.

Those who operate as a self-employed landlord generate a significantly higher average gross rental income than other landlords, at £89k per year, whilst those who are self employed (not as a landlord) or retired achieve the lowest gross rental income, both at £44k per year on average.

Landlords with BTL mortgage borrowing also continue to generate a significantly higher gross rental income than those who own their portfolio outright (£61k vs. £44k).

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

