

the mortgage works 

Rental Income Analysis

Q3 2022

Fieldwork took place 22nd August – 12th September 2022



For intermediary use only

Gross Rental Income Analysis Q3 2022: Methodology

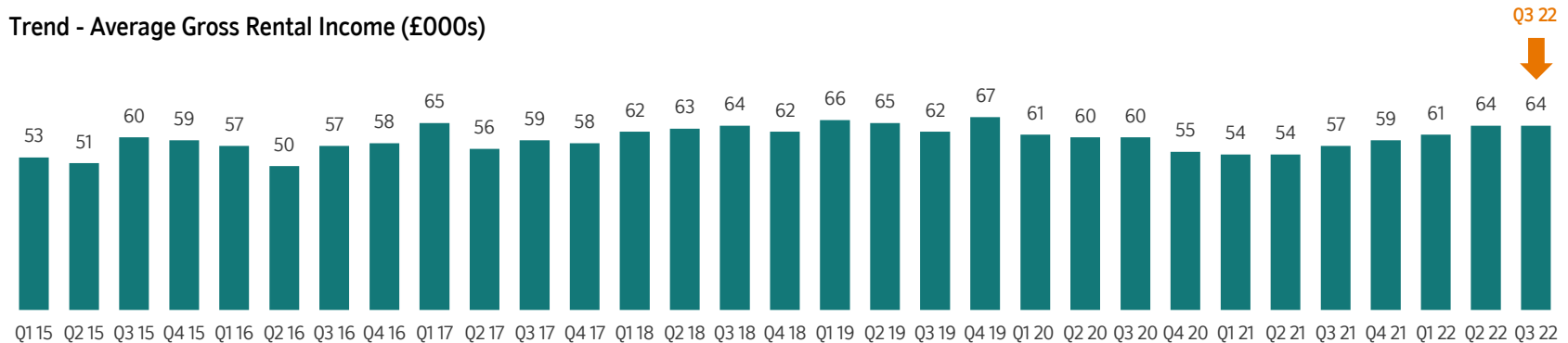
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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 Q3 2022 the average gross rental income achieved by landlords in the last 12 months remains unchanged from Q2 '22 at **£64,000**, but is up by £7,000 vs. a year ago.

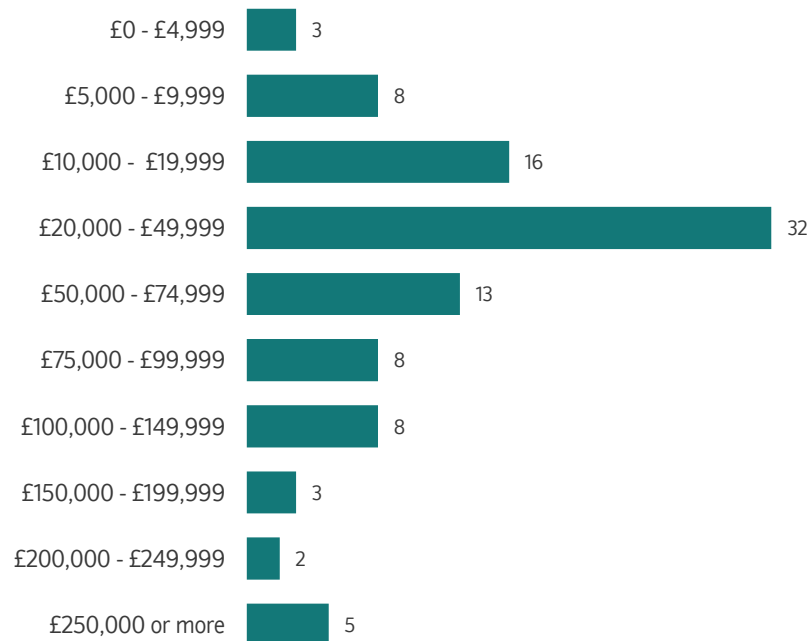
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q2 2022: Overall

Annual Gross Rental Income (%)

Average: £64,000



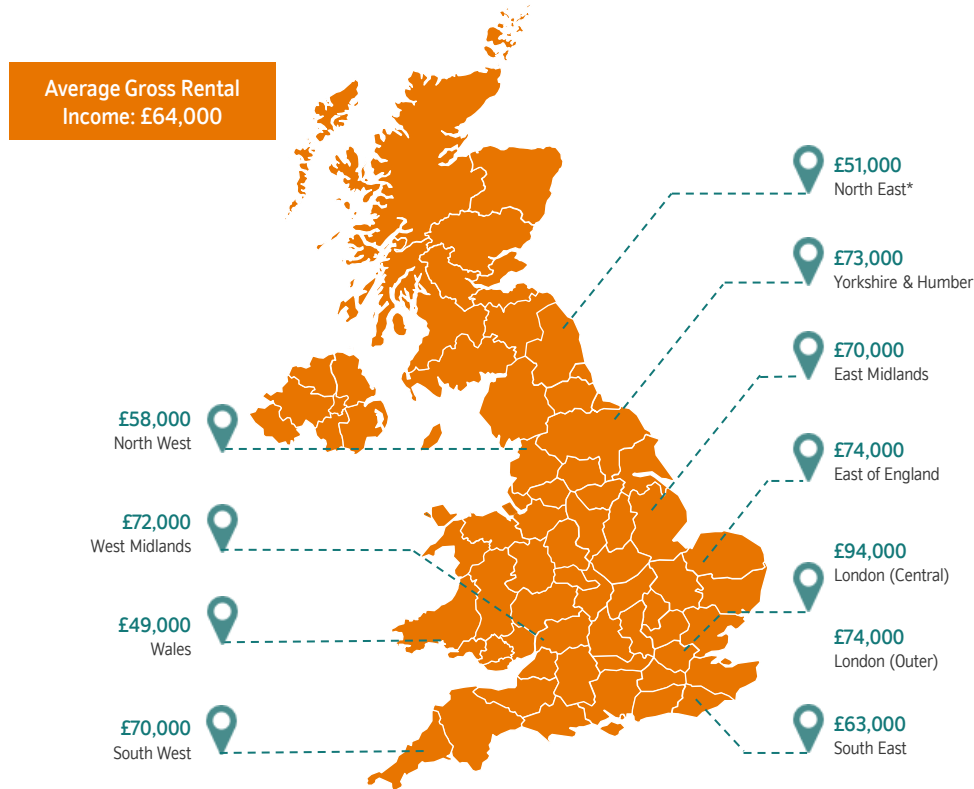
Following a period of growth, the average gross rental income generated by landlords stabilises in Q3 '22, at £64,000.

The annual rental income generated per property has also remained largely unchanged this quarter, up by just £79 to £7,980 vs. Q2.

The proportion of landlords who have increased their rents in the last year (56%), and landlords who are intending to raise rents in the next 6 months (43%) are also consistent with the levels recorded in Q2 '22.



Regional Income Analysis



In Q3 '22, 7 of the 11 standard regions in England & Wales achieve a gross rental income above the national average of £64,000 per year.

Central London retains its position as the highest grossing region this quarter with an average gross rental income of £94,000, which is substantially higher than all other regions.

The other regions achieving an above average gross rental income are Outer London, the East of England, Yorks & Humber, West Midlands, East Midlands and South West. All these regions report generating an average gross rental income in excess of £70,000.

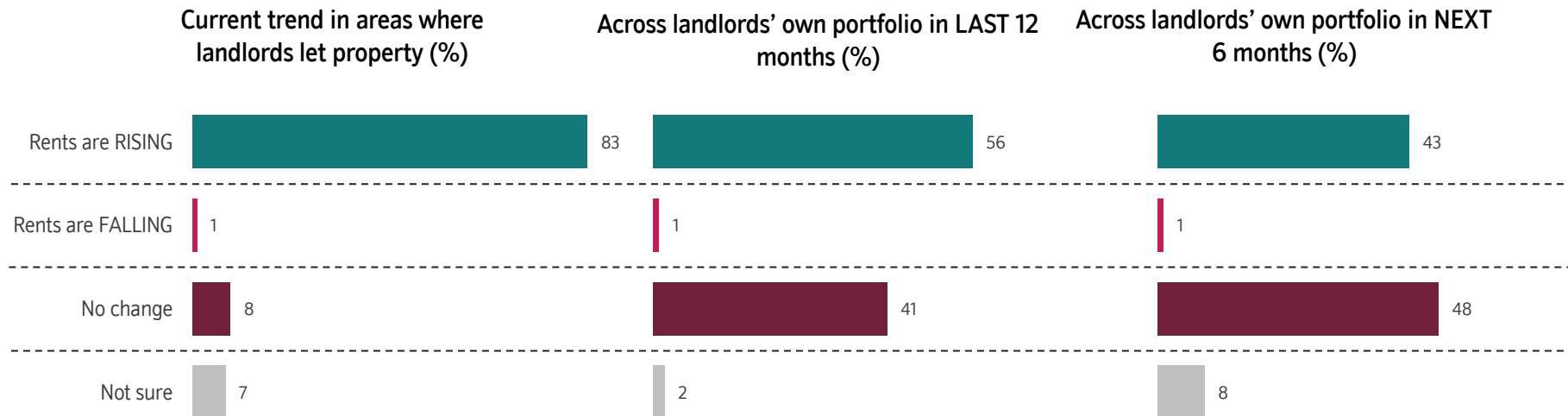
4 regions currently fall below the national average for achieved gross rental income, most notably Wales (£49,000) and the North East (£51,000) with both regions seeing a decrease in the income generated vs. Q2 '22, by £4k and £10k respectively.

NOTE: Base size too small to report Scotland results separately

*Caution: Small Base

Source: BVA BDRCLandlord Panel research Q3 2022
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Rental Trends & Intentions



The proportion of landlords who report that rents are rising in the areas where they let property continues to increase, now standing at 83%, up 4%pts from Q2 '22 and 23%pts from a year ago.

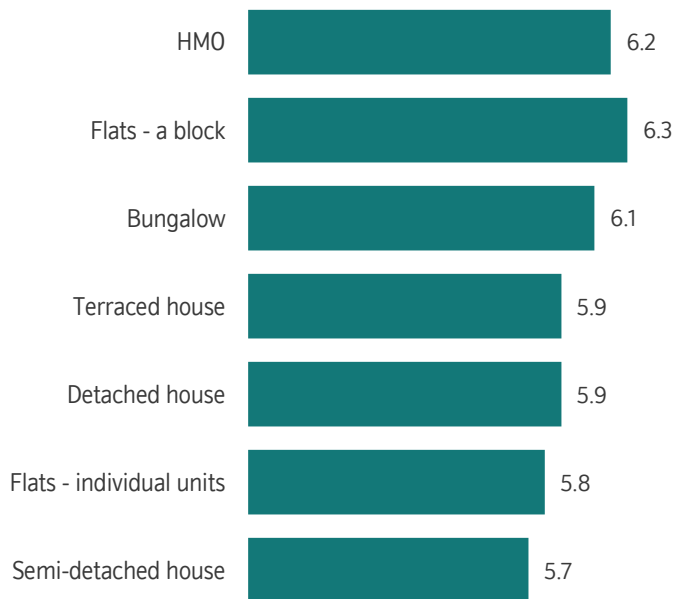
The proportion of landlords who have increased rents across their own portfolio in the last 12 months remains largely stable this quarter at 57%, although this is up by 23%pts from a year ago. Similarly, the incidence of landlords who now say they intend to levy rent increases across their own portfolio in the next 6 months has remained unchanged from Q2 at 43%, but is up 10%pts from this time last year.

At a regional level, landlords with property in the East Midlands are the most likely to be looking to increase their rents in the next 6 months (55%), whilst those in the North East and Central London are least likely (both 37%). The West Midlands record the most significant uplift in those planning to increase rents in the next 6 months from Q2 '22, up by +15%pts to 51%.

Portfolio Analysis

Average Rental Yield by Property Type (%)

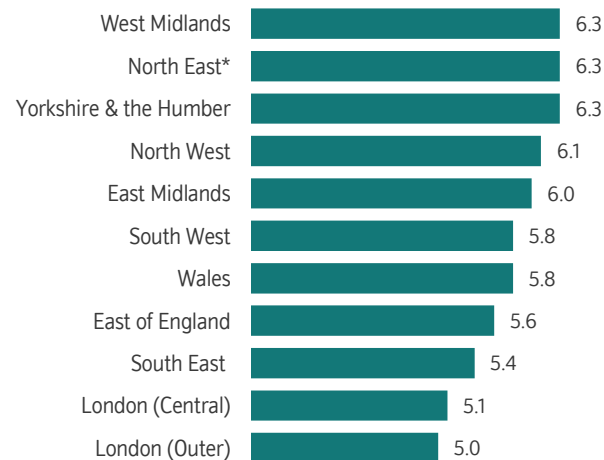
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



Average Annual Gross Rental Income by Portfolio Size



Average Rental Yield by Region (%)

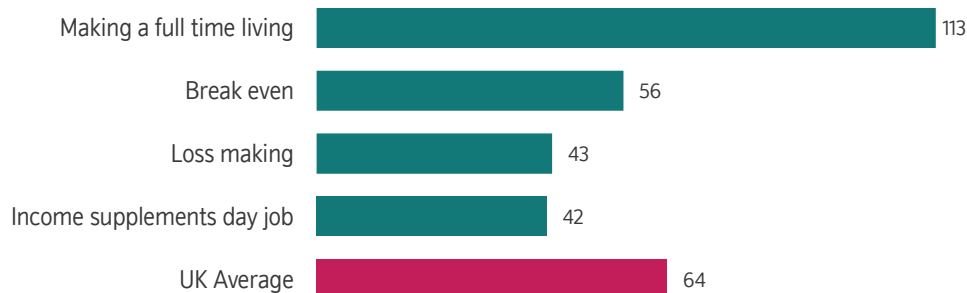


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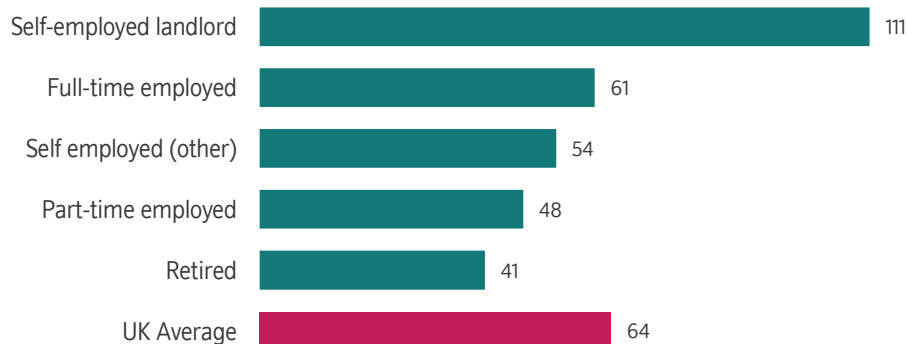
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Landlords Financial Analysis

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 living from their lettings activity continue to achieve a rental income significantly higher than the national average at £113k, which is up £9k this quarter. Conversely, landlords who break even (£56k), make a loss (£43k) or generate an income that supplements their day job earnings (£42k) all achieve average gross rental incomes below the UK average.

It also remains the case that those who operate as a self-employed landlord generate a significantly higher average gross rental income than other landlords, at £111k per year. Those who are part-time employed or retired continue to achieve the lowest gross rental incomes on average, at £48k and £41k respectively.

Landlords with BTL mortgage borrowing continue to generate an average gross rental income that is significantly higher than those who own their portfolio outright (£77k vs. £46k). The gap in average annual rental income between those with BTL borrowing and those without continues to increase from £23k in Q2 '22 to £31k this quarter.