

the mortgage works 

Rental Income Analysis

Q2 2023

Fieldwork took place 1 July – 21 July 2023



For intermediary use only

Gross Rental Income Analysis Q2 2023: Methodology

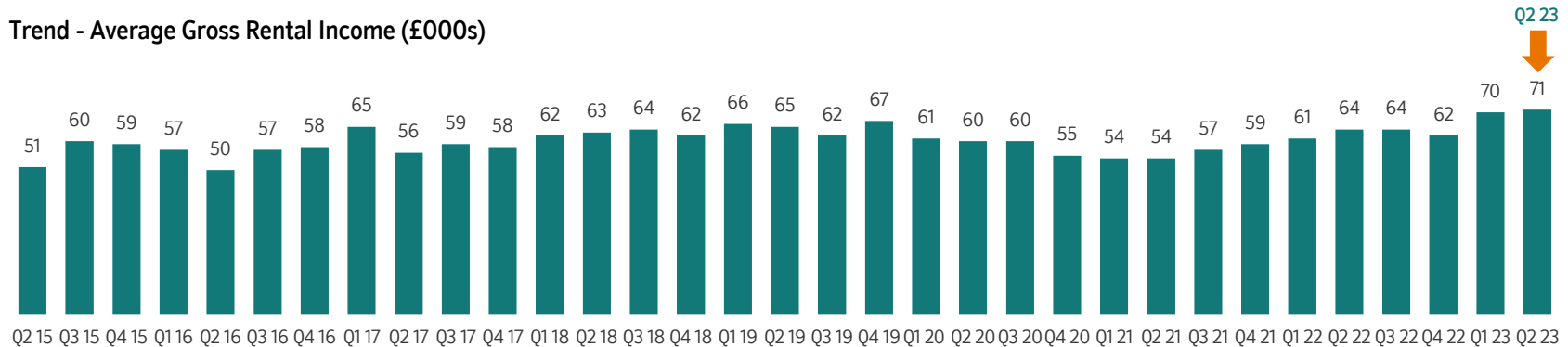
We asked landlords to self-select their annual gross rental income. This report outlines the results along with current rental trends and future rental intentions.

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?

In Q2 2023 the average gross rental income achieved by landlords in the last 12 months increased by £1k since Q1, up £7k vs. a year ago, reaching a new all time high.

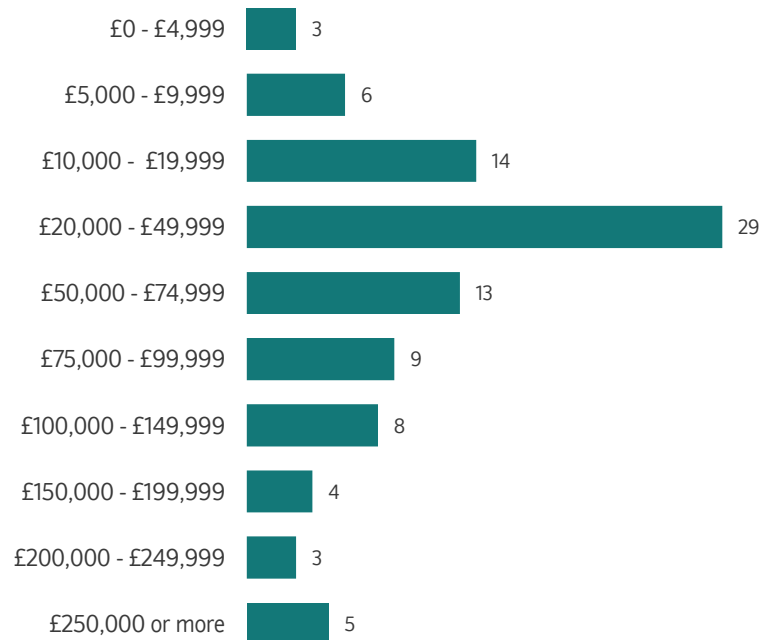
Trend - Average Gross Rental Income (£000s)



Gross Rental Income Analysis Q2 2023: Overall

Annual Gross Rental Income (%)

Average: £71,000



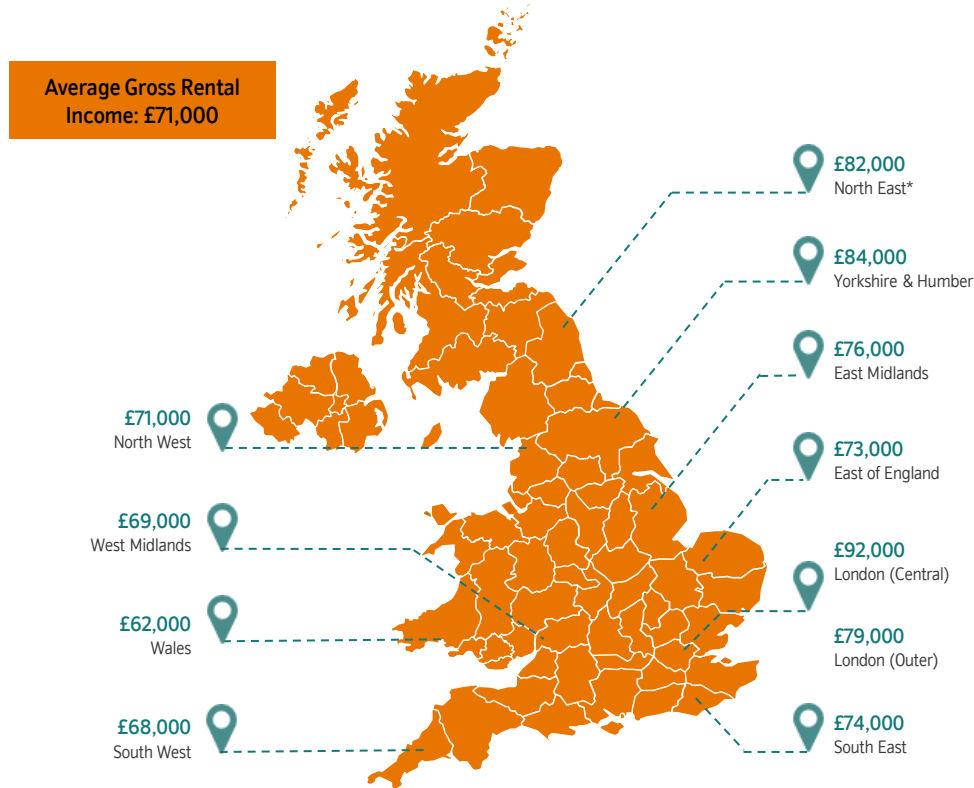
The average gross rental income generated by landlords continues to increase, achieving an all time high of £71k this quarter.

However, the annual rental income generated per property has decreased in Q2, down by approximately £1k since Q1.

The proportion of landlords who have increased their rents in the last year (65%) continues to increase, up by 2% vs Q2. However, landlords who are intending to raise rents in the next 6 months (51%) is down 1% vs. Q1.



Regional Income Analysis



In Q2'23, varying shifts in average gross rental income are evident across several UK regions in comparison to Q1.

Notably, after a substantial increase of £22k in Q1, Central London experiences a decline of £20k in Q2 (yet it retains the highest regional average).

Gross rental income in the North East continues to rise, up by £9k in Q2 (after an increase of £15k in Q1), while Wales rebounds by £13k in Q2 following a £10k drop in Q1.

Currently, three regions fall below the national average. Despite the growth observed in this region, Wales maintains the lowest gross rental income for this quarter.

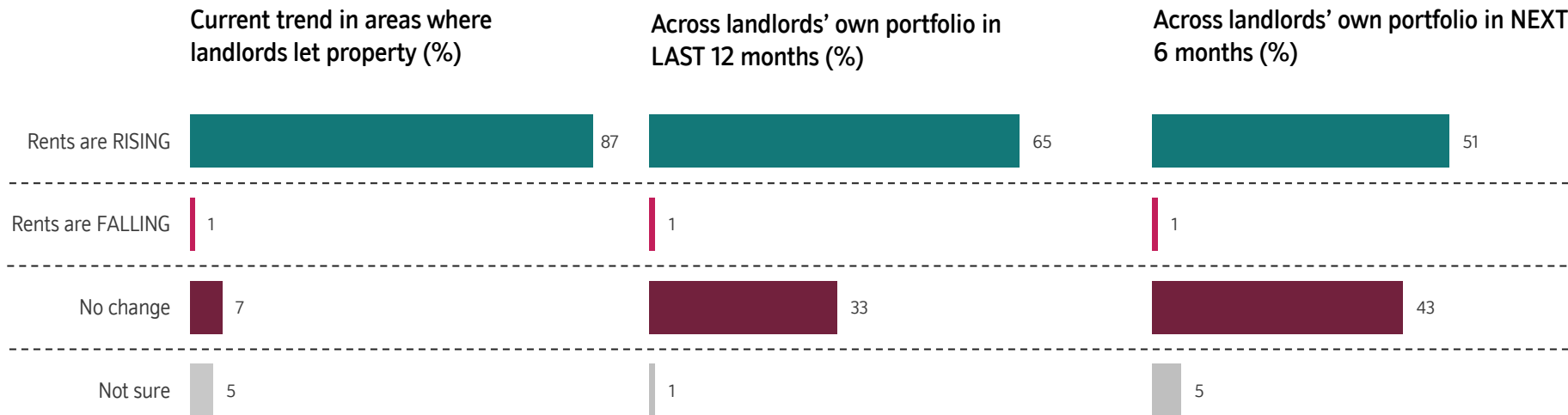
The disparity between regions has decreased, with the gap between Central London and Wales narrowing from £63k to £30k in Q2.

NOTE: Base size too small to report Scotland results separately

*Caution: Small Base

Source: BVA BDRCLandlord Panel research Q2 2023
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Rental Trends & Intentions



The percentage of landlords reporting rent increases in the areas where they have rental properties continued to rise in Q2, reaching 87%, (+2% from Q1 '23).

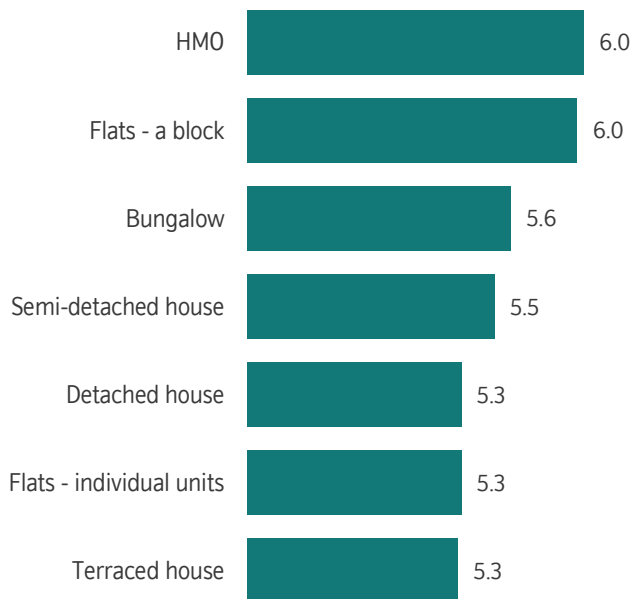
Furthermore, the proportion of landlords who have raised rents across their own portfolio in the last 12 months also saw a further increase this quarter, reaching 65% (up by 2% versus Q1). In contrast, the number of landlords indicating their intention to implement rent hikes across their portfolio in the next 6 months has decreased by 1% since Q1. On the other hand, those stating that they expect no changes in rents has increased 3%.

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, with 69% expressing this intention, whilst those in Central London are least likely (44%).

Portfolio Analysis

Average Rental Yield by Property Type (%)

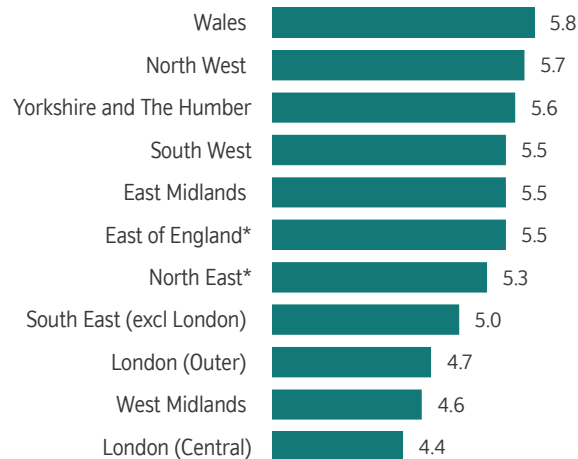
(Landlords were also asked to self-define the overall rental yield they currently receive from their letting portfolio - taking into account current rental income, current portfolio value, any mortgages, maintenance and other running costs)



Average Annual Gross Rental Income by Portfolio Size



Average Rental Yield by Region (%)

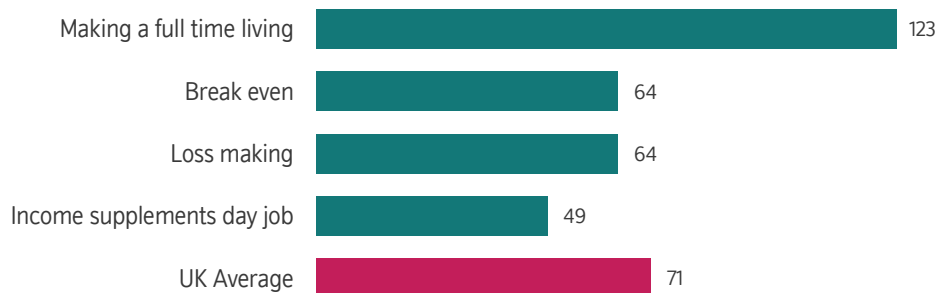


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Landlords Financial Analysis

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

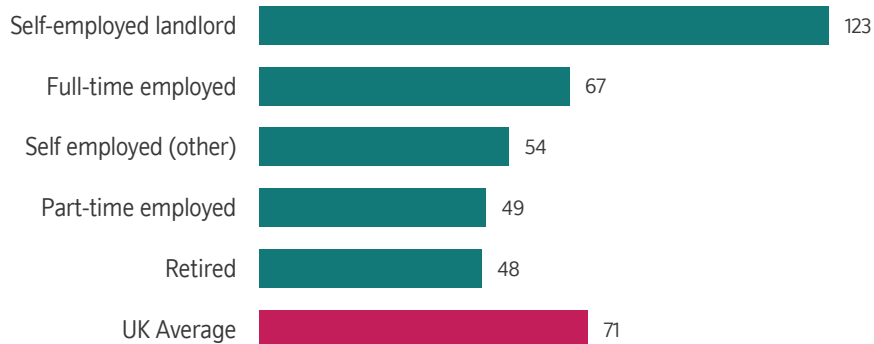


Average Gross Rental Income by BTL Lending (£000's)



Landlords who gain a profitable full-time income from their rental activities experienced a £16k increase in Q2, maintaining a rental income significantly surpassing the national average at £123k. Landlords who break even also observed another rise in their average gross rental income, up by £2k this quarter. Meanwhile, those who earn supplementary income alongside their day jobs through lettings achieved again the lowest average gross rental income at £49k, marking a decrease of £2k from Q1.

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



Notably, only self-employed landlords and those employed full-time saw an uplift in their gross rental income this quarter – self-employed landlords continued to lead with the highest average gross rental income (an increase of £10k compared to Q1). However, other landlords experienced decreases this quarter. Particularly, other self-employed workers saw a decline of £9k compared to Q1. Retired landlords experienced a modest decrease of £5k and maintain the lowest average gross rental income.

In Q2, the increase in average gross rental income was solely among leveraged landlords, who continue to generate substantially higher incomes compared to unleveraged landlords.