



Under embargo until 00:01 Friday 17th February

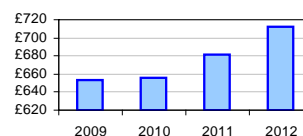
RENTS RISE FOR FIRST TIME IN JANUARY ON RECORD

- Rents rose by 0.1% - the first monthly increase in January on record
- The monthly rise has increased annual rental inflation to 4.3% from 4% in December
- Total annual returns for landlords ease, with average return on property 2.6%
- Tenant arrears remain high, with 10.7% of all rent late or unpaid in January

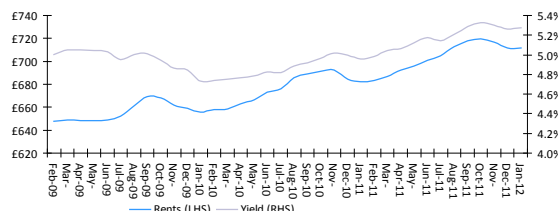
Rents rose in January as the rental market sprung back into life early, according to the latest Buy-to-Let Index from LSL Property Services plc, which owns the UK's largest lettings agent network, including national chains Your Move and Reeds Rains.

In January, the average rent in England and Wales increased by 0.1% to £712 per month, the first time since LSL began compiling the index that rents have risen on a monthly basis in January, and the first monthly rise in three months. As a result, annual rental inflation increased to 4.3% from 4% in December, representing £30 rise in the average monthly rent by in the past year.

Average rent in January



Rents rose the fastest on a monthly basis in the West Midlands and South West, where they increased by 1.8% and 1.5% respectively. Rents rose by 0.8% in London, where they have only fallen once in the past 13 months. However, rents fell in four regions. The biggest declines were in the East of England and Wales, where they fell by 1.7% and 1.5%.



Buy-to-let index



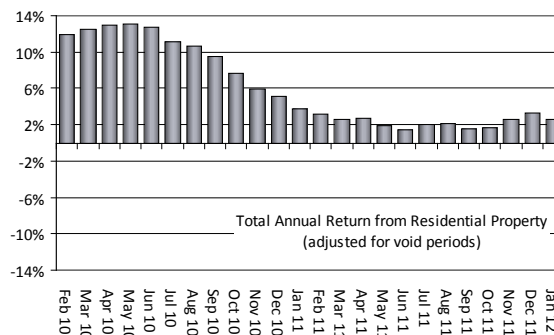
In the last 12 months rents have risen in all regions of England and Wales but one. The largest annual increases were in London where rents rose by 6.3%. The next biggest increase was in the East of England where rents rose by 5%. Rents fell in the North East by 0.7%, although the rate of annual decline slowed from 1.3% in December.

David Newnes, director of LSL Property Services, owners of Your Move and Reeds Rains comments:

“The rental market burst back into life unseasonably early in January, with tenants on the move trying to take advantage of what is usually a quieter period for the rental market. The depth of the underlying demand sustained a higher level of competition for rental property during the Christmas period, preventing more severe falls in rents than we’d normally see during the period. In January, activity has already moved up a gear in many parts of the UK, pushing rents up once more in a small, but significant rise.

“Mortgage lending has shown signs of improving in recent months, but transactions remain at almost half their historic levels, and the increasing dependency on rental accommodation will drive further rent rises over the long-term.”

The average yield remained steady at 5.3%. However with property prices weakening in January, total annual returns dipped to 2.6%, the same level as November 2011. In cash terms, this was an average of £4,298 – equivalent to £7,587 in rent with a capital loss of £3,289.



If property prices maintain the same trend as the last

Buy-to-let index



three months, an average investor in England and Wales could expect to make a total annual return of 4.9% per property over the next 12 months – equivalent to £8,019 per property.¹

David Newnes continues: *“Property investors are currently enjoying a happy marriage of rising rents – with the prospect of further rises - and cheap mortgage finance. Weakened prices means there are bargains available for investors who have done their research, and this is driving demand from new entrants to the sector. With property prices unlikely to shoot up in the face of the current economic malaise, yields will remain strong for the foreseeable future, with rental income the key driving force behind annual returns.”*

It wasn't good news for all landlords across the board. Strong regional disparities remain. For instance, while investors in London saw total annual returns per property of £13,099, in the North East, annual falls in house prices meant that annual returns were -£3,929.

Rental arrears also remained high in January, with 10.7% of all rent late or unpaid at the end of the month. This was largely unchanged from December, but above the average of 10.2% for the previous 12 months. In January, unpaid rent totalled £300.3m, a very slight increase from the £300.2m late or unpaid in December.

Newnes concludes: *“Given the increase in rents in the last year – not to mention the general weakening of the labour market – tenant arrears have not gone through the roof. A shortage of properties on the market for prospective buyers combined with the lack of available mortgage finance has contributed to a higher proportion of financially robust renters, who have coped well with the increasing cost of renting. But the flip-side is that the higher level of arrears is being driven by a small minority of the market. Those who have seen their employment situation change are contributing to a*

¹ Assuming house prices change at the average rate of the last three months and they achieve the



Buy-to-let index



higher proportion of arrears cases. With the CIPD forecasting more severe job-cuts this year, this segment of the market is likely to grow in the short-term.”

	Rents January	1 month change	Annual Change	Yields January 2011	Yields January 2010
London	£1,032	0.8%	6.3%	5.1%	4.9%
East of England	£725	-1.7%	5.9%	4.7%	4.4%
South West	£639	1.5%	0.7%	4.0%	3.8%
Yorkshire and The Humber	£539	0.1%	3.1%	6.7%	6.2%
North West	£563	-1.3%	3.5%	6.8%	6.5%
Wales	£551	-1.5%	4.9%	4.4%	4.0%
South East	£719	-1.1%	4.2%	4.9%	4.6%
North East	£512	1.1%	-0.7%	5.1%	4.7%
West Midlands	£572	1.8%	3.5%	6.1%	5.7%
East Midlands	£547	0.1%	3.0%	6.1%	5.7%
England & Wales	£712	0.1%	4.3%	5.3%	5.0%

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METHODOLOGY:

The buy-to-let index is based on analysis of over 18,000 properties across England and Wales each month. Rental values refer to the actual values achieved for each property when let during the month. Yield figures are unadjusted, and do not take account of void periods or arrears. Annual returns are based on annual rental property price inflation and void-adjusted yield at the point of purchase.

average yield of 5.3%.

