



Press Release

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Hamptons International Monthly Lettings Index – July 2020

Short lets drive up London rental market stock as rents continue to fall

- More than 1 in 10 (12%) homes coming onto the rental market in Zone 1 since May had previously been let on a short-term basis (table 1). 37% of homes in London which had been advertised as a short let are now being offered for long-term occupation.
- The number of homes available to rent in Inner London is up 42% on the same time last year putting downward pressure on rents.
- Of the 20 local authorities which saw the highest proportion of short lets being offered on the long-term rental market, 16 are in the capital. The Vale of White Horse in Oxfordshire is the first local authority outside the capital to appear on the list, with 3.6% of its instructions previously listed as a short let (table 2).
- In July the average cost of a newly let property in Great Britain fell to £1,001 pcm, 0.1% lower than the same month last year (table 3).
- Rents in London fell 4.2% year-on-year in July, sparked by a record rent fall of 8.4% in Inner London (table 3).

The impact of lockdowns across the world on both the number of tourists and corporate relocations into the UK has resulted in some landlords choosing to move their short let properties onto the long-term rental market. This trend has mainly been concentrated in Inner London, and is one of the biggest factors leading to record rent falls in the area.

Between the lifting of lockdown in late May and the end of July, more than one in 10 (12%) homes that came onto the rental market in Zone 1 had previously been let on a short-term basis. Across London as a whole, the figure stood at 5.1% over the same period (table 1). 37% of homes in London which had previously been advertised on a short let basis are now being offered for long-term occupation.

However landlords switching their property from a short to a long-term let are likely to see a significant reduction in rent. On average the change means a 35% reduction in rent, equating to £1,952 a month less (table 1).

Homes previously let on a short-term basis have contributed to the increasing number of overall properties available to rent in the capital. In July there were 26% more rental homes available in

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London than at the same time last year. Indeed London was the only region in Great Britain to record a year-on-year increase in the number of rental homes on the market. Almost all this increase took place in Inner London where the number of homes to rent rose 42% on last year.

The shift from the short let to the long let market is almost exclusively London driven. Of the 20 local authorities with the highest share of short lets being offered on the long-term rental market, 16 were in the capital, suggesting rural and coastal short let markets are performing more strongly.

Lambeth tops the list where nearly one in five (17.2%) homes coming onto the rental market had previously been let on a short-term basis. The Vale of White Horse in Oxfordshire is the first local authority outside of the capital to appear on the list, with 3.6% of instructions previously listed as a short let (table 2).

Rental growth on newly let properties

Rents in Great Britain remained flat in July. Last month, the average cost of a newly let property in Great Britain fell slightly to £1,001 pcm, 0.1% lower than the same month last year (table 3). However this is a slight improvement on the 0.7% year-on-year fall recorded in June.

Once again, rental growth is being dragged down by rent falls in London, the South East and East of England. Rents in London fell -4.2% year-on-year in July, driven by a -8.4% decrease in Inner London. Meanwhile in Outer London, rents fell -2.9% compared with the same period last year, a slight improvement from the -3.6% fall recorded the previous month (table 3).

However outside of London and its immediate neighbouring regions, rents continued to rise. The South West saw the biggest rental increase – average rents here rose 2.8% year-on-year in July. The Midlands followed with 2.3% annual rental growth (table 3).

Commenting Aneisha Beveridge, Head of Research at Hamptons International, said:

“For years there had been a steady stream of landlords moving from the long to the short let market in search of higher returns. However following lockdown and in the two months since late May, this shift has been completely reversed with growing numbers of landlords looking to secure longer-term tenants.

“This is particularly evident in urban tourist and corporate relocation hotspots, nowhere more so than central London. And with three-quarters of landlords who have secured a long-term tenant signing 12 month or longer contracts, they are unlikely to return to the short let market any time soon. However the rising popularity of staycations has meant that rural and coastal areas have kept the short-let market outside of urban areas more buoyant.

“The gap between what’s happening in the rental market in Inner London compared with the rest of the country has widened. While affordability pressures weigh on rental markets across the country, the lack of stock available is softening the blow.

“Across Great Britain there were 7% fewer homes available to rent last month compared with the same period last year. However the opposite is true in Inner London, where the increase in the number of short lets moving to the long-term rental market drove a 42% annual increase in stock levels and consequently led to a record -8.4% fall in rents.”

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Table 1 – Short lets by London zone

	May-July instructions which had been short lets	Monthly difference in rent (£)	Monthly difference in rent (%)
Zone 1	12.0%	-£2,654	-40%
Zone 2	9.3%	-£1,910	-34%
Zone 3	4.6%	-£1,608	-35%
Zone 4	1.3%	-£924	-30%
Zone 5	1.0%	-£829	-35%
Zone 6	0.7%	-£901	-37%
London	5.1%	-£1,952	-35%

Source: Hamptons International

Table 2 – Top 20 areas with the highest share of short-lets

Top 20	Region	May-July instructions which had been short lets
Lambeth	London	17.2%
Hammersmith and Fulham	London	14.5%
Kensington and Chelsea	London	12.9%
Westminster	London	11.1%
Ealing	London	9.5%
Wandsworth	London	6.7%
Merton	London	5.6%
Camden	London	5.6%
Islington	London	5.2%
Newham	London	4.5%
Hounslow	London	4.0%
Hackney	London	3.9%
Vale of White Horse	South East	3.6%
Southwark	London	3.6%
Oxford	South East	3.4%
North Ayrshire	Scotland	3.3%
Kingston upon Thames	London	3.2%
Richmond upon Thames	London	3.2%
Greenwich	London	3.1%
Richmondshire	Yorkshire & the Humber	2.9%

Source: Hamptons International

Table 3 – Average rent of newly let properties (pcm)

Region	Jul-19	Jul-20	YoY
Greater London	£1,832	£1,755	-4.2%
Inner London	£2,553	£2,338	-8.4%
Outer London	£1,695	£1,645	-2.9%
East of England	£957	£949	-0.8%
South East	£1,077	£1,073	-0.4%
South West	£832	£855	2.8%
Midlands	£690	£706	2.3%
North	£673	£678	0.7%
Wales	£669	£682	1.8%
Scotland	£672	£672	0.0%
Great Britain	£1,002	£1,001	-0.1%

Source: Hamptons International

Please note the Hamptons International Monthly Lettings Index for August will be issued on Friday 11 September 2020, embargoed for 00.01 hours Monday 14 September 2020.

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About the Hamptons International Monthly Lettings Index

The Hamptons International Monthly Lettings Index (formerly the Countrywide Lettings Index) has been running since 2012. From May 2018 the index has included an inner and outer London split.

The index is a mix adjusted series, with rent and rental growth figures for each month based on a three-month rolling average. The most expensive decile of homes let are excluded to reduce volatility and the mix includes the most recently published government stock statistics.

The Hamptons International Lettings Index uses data from the Countrywide Group, Great Britain's largest letting agent, to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide in each year, adjusting for their location and type. It is based on achieved rather than advertised rents.

About Hamptons International

Hamptons International is a leading residential estate agent and property services company, operating in London and the South of the UK.

Hamptons International offers a wealth of award-winning services including UK and international Sales, Lettings, Property Management, Corporate Services, Residential Development, Development Land, Valuation Property Finance, and is a subsidiary of Countrywide, the UK's largest estate agency and property services group.