

PRESS RELEASE

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Hamptons Monthly Lettings Index – May 2021

PANDEMIC-LED SHIFT LEAVES RENTING CHEAPER THAN BUYING

- As a consequence of the pandemic it is now cheaper to rent a home than buy one - the first time this has happened since December 2014 (chart 1).
- Last month the average tenant in Great Britain spent £71 per month less in rent than if they were servicing the repayments on a 90% loan-to-value mortgage* on the same home (chart 1, table 1).
- But on the eve of the pandemic in March 2020, a buyer with a 10% deposit would have been £102 per month better off buying (chart 1, table 1).
- There are only four regions in Great Britain where it is cheaper to buy than rent – the North East, North West, Yorkshire & Humber and Scotland (table 1).
- Last month annual rental growth in Great Britain accelerated to 7.1%, marking the fastest rate of growth since our records began (table 2).

Research from Hamptons shows that pandemic-led forces mean it is now cheaper to rent than buy a home for the first time since December 2014.

For a first-time buyer with a typical 10% deposit*, it was £71 per month (or 7%) cheaper for them to rent a home in Great Britain in May 2021 than it was to buy it (chart 1, table 1). This means they would have spent a monthly average of £1,054 on rent compared to £1,125 on mortgage repayments.

This is in contrast to March 2020 – the eve of the pandemic - when a purchaser with a 10% deposit would have been £102 per month better off buying than renting (chart 1, table 2).

Despite rents in Great Britain rising 7.1% over the last 12 months, strong house price growth coupled with increases in higher loan-to-value (LTV) mortgage rates have added to the cost of buying and owning a home.

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In early 2020 it was cheaper to buy than rent in every region of the country. However, since the onset of the pandemic, this trend has reversed. In May 2021 it was cheaper to rent than buy in seven of Great Britain's 11 regions. The three northern regions (North East, North West, Yorkshire & Humber) and Scotland bucked the trend and were the only places where it was cheaper to buy (table 1).

Chart 1 – Monthly cost of renting compared to buying with a 10% deposit (GB)



Source: Hamptons, BoE & ONS

London has seen the largest shift since the start of the pandemic. A buyer putting down a 10% deposit on a property in the capital will have gone from being £123 per month better off buying in March 2020, to spending £251 per month less on rent in May 2021.

Falling rents in the capital have made renting cheaper relative to buying by a bigger margin than anywhere else. And with rents still falling, the differential looks set to continue growing.

For buyers with just a 5% deposit, renting becomes even cheaper than buying on a monthly basis. This is in part due to the increase in interest rates on 95% LTV mortgages over the course of the pandemic. A buyer putting down a 5% deposit will on average spend £195 per month (or 19%) more than if they had carried on renting.

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RENTAL GROWTH

Rental growth accelerated in May to reach a new record high. Last month the average cost of a newly let rental home in Great Britain rose to £1,054 pcm, up 7.1% on the same time last year (table 2). This marked the fastest rate of growth since our records began in 2013, surpassing the previous peak of 7.0% in December 2014.

While rents bottomed out in May last year in the middle of the pandemic, the average rental home cost £43 or 4.1% more than it did in May 2019.

Four out of the eight regions recorded record rental growth last month – the South East, South West, Midlands and Scotland. Rents in the South East and South West hit double digits for the second consecutive month, rising 13.0% and 11.5% respectively. Meanwhile London continued to be the only region where rents fell (-0.5% year-on-year) (table 2).

Rents rose faster on larger properties. In May the average rent on a four-bed property in Great Britain increased to £1,805 pcm, up 9.5% on the same month last year. Meanwhile rents on one-bedroom homes remained flat at 0.4% (table 3).

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

“The pandemic has reversed a six-year trend which now makes it cheaper to rent than buy a home. A year ago, lenders were either increasing their rates or withdrawing higher loan-to-value mortgages altogether. For first-time buyers in particular this pushed up the cost of paying a mortgage, if they could get one at all, to well above the cost of renting.

“It is likely the balance will swing back somewhat towards buying, particularly as mortgage rates come down. However this is likely to be partly offset by rising house prices. And while interest rates are falling, they’re still considerably above where they were pre-pandemic on higher loan-to-value loans. Despite this, we expect the gap between renting and buying to close over the remainder of this year, moving back towards longer-term levels in 2022.”

Table 1 – Monthly cost of buying relative to renting with a 10% deposit (GB)

	£ difference		% difference	
	Mar-20	May-21	Mar-20	May-21
London	-£123	£251	-7%	15%
South East	-£75	£54	-7%	5%
South West	-£29	£108	-3%	12%
East	-£56	£117	-6%	11%
East Midlands	-£31	£98	-5%	14%
West Midlands	-£95	£35	-13%	4%
Yorks & Humber	-£137	-£5	-20%	-1%
North West	-£123	-£4	-19%	-1%
North East	-£154	-£72	-27%	-11%
Wales	-£122	£11	-19%	2%
Scotland	-£204	-£130	-30%	-18%
GB	-£102	£71	-10%	7%

Source: Hamptons

Note: A negative figure means it's cheaper to buy than rent, while a positive number means it's cheaper to rent than buy.

Table 2 – Annual rental growth

	May-20	May-21	YoY
Greater London	£1,671	£1,662	-0.5%
Inner London	£2,528	£2,016	-20.3%
Outer London	£1,508	£1,595	5.8%
East of England	£944	£1,030	9.1%
South East	£1,033	£1,167	13.0%
South West	£834	£931	11.5%
Midlands	£707	£748	5.8%
North	£646	£695	7.5%
Wales	£674	£693	2.8%
Scotland	£664	£723	8.8%
Great Britain	£984	£1,054	7.1%
Great Britain (Excluding London)	£835	£923	10.6%

Source: Hamptons

Table 3 – Annual rental growth by number of bedrooms

	Average Rent PCM (May-21)	YoY Change
1 bed	£836	0.4%
2 bed	£963	7.7%
3 bed	£1,089	8.0%
4 bed	£1,805	9.5%

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for June will be issued on Friday 9 July, embargoed until 00.01 hours Monday 12 July 2021.

Ends

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Notes to editors

*The cost comparison between renting and buying a home is based on someone able to put down a 10% deposit and secure a 90% LTV mortgage where the rate is fixed for two years. The average APR stood at 3.32% in May 2021 compared to 1.94% in March 2020.

The cost of servicing this mortgage is then compared against how much it would cost to rent the same home.

About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index has been running since 2012.

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 Lettings Index uses data from the Countrywide Group 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.

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About Hamptons

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

Hamptons 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 Connells, the UK's largest estate agency and property services group.