

PRO SPE CT

Lettings Market Report

April 2024

The residential lettings market continued to be robust with a healthy level of newly listed properties so far on in 2024, up by 17.7%. However, in April we saw a 16.1% downturn in this area compared to March. Furthermore, Prospect Estate Agency has recorded an increase in tenant registrations in 2024. These numbers also decreased by 12% compared to March. This is not uncommon for this time of year and what we expect from a Home Counties marketplace.

Some notable highlights from April include:

- The average rent achieved compared to March 2024 was up 5.25% to £1582, and 11% up compared to April 2023.
- A 16.1% month-on-month decrease in new instructions across the marketplace Prospect cover (March vs. April 2024).
- April saw 10 applicants registered for every property we listed.

We are thrilled to share some great news for our landlords. According to a recent report, surveying nearly 8000 landlords from Paragon Bank, buy-to-let yields have soared to their highest levels in six years. In the first quarter of 2024, the average gross rental yield reported by landlords climbed to an impressive 6.1%! (A milestone not reached since the second quarter of 2018). This increase over three consecutive quarters demonstrates the resilience and potential of the rental market. This twinned with Inflation dipping to its lowest point in two and a half years, and with interest rates expected to follow. This should give buy-to-let landlords the green light. Furthermore, sales stock is now at a high, increasing competition amongst sellers, which could pause landlords who were tempted to sell.



Michael Gallagher MARLA
Head of Residential Lettings
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Landlord

These Agents are real professionals and at the same time human beings. I bought a property through Prospect in 2016 and was so happy with the service I stayed with them when I eventually moved on to letting the property. There are many other estate agents in the Camberley area but five years later I wouldn't change my allegiance. These guys really work hard, earn their fee and are also willing to think outside of the box and go above and beyond the call of duty to make sure the service is individually tailored to needs. We have built good quality relationships of trust professionalism and flexibility over the years, which I value.

Google (5 star)

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KEY MARKET STATS

Supply & Demand YOY to YTD 2024

| | Supply New Instructions YoY | Demand New Tenant Registrations YoY |
|-----------------|--------------------------------|--|
| 2020 | 7.50% ↓ | 27.90% ↑ |
| 2021 | 3.20% ↓ | 15.20% ↑ |
| 2022 | 3.50% ↑ | 17.00% ↑ |
| 2023 | 4.00% ↓ | 5.60% ↓ |
| YOY 2024 | 17.70% ↑ | 4.9% ↑ |

New Applicant Registrations Per Instruction



March 2024 12.5

April 2024 9.9

↓
DOWN 20.80%

Average Rent Achieved



March 2024 £1,503

April 2024 £1,582

↑
UP 5.25%

Average Tenant Budget % Spent



March 2024 99.6%

April 2024 98.6%

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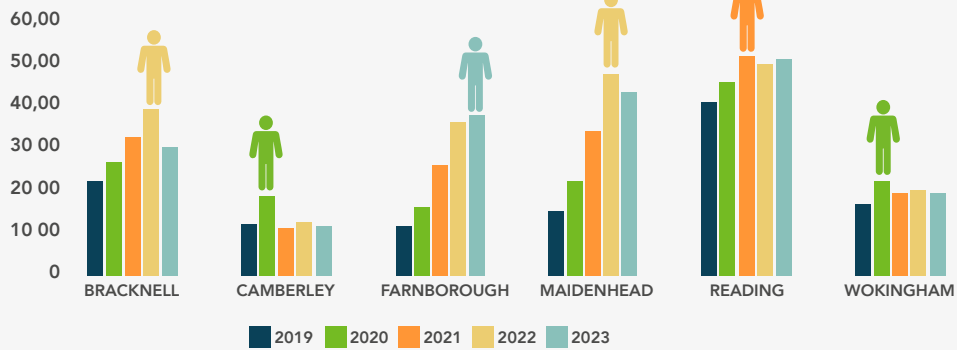
THE HIGHLIGHTS

10 applicants registered for every property we listed in April

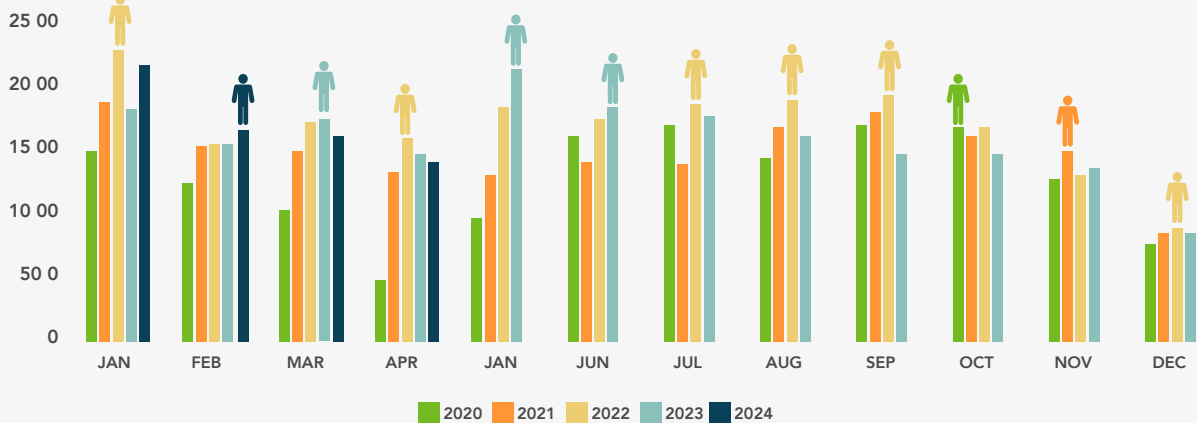
Our analysis of tenant data reveals a stable marketplace which gives landlords a choice of great tenants. In 2024 we have seen a healthy 4.9% increase in applicants registered compared to the previous year.

The up-tick in tenant registrations year to date not only paints a picture of a healthy market but also suggests that, despite recent cost of living challenges, the rental sector presents lucrative opportunities for landlords. This level of demand may, in fact, be indicative of shifting preferences and priorities among renter and possibly influenced by evolving work-from-home trends and a desire for more flexible living arrangements

Tenants Registered Per Area



Tenants Registered Over Time



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SUPPLY & DEMAND

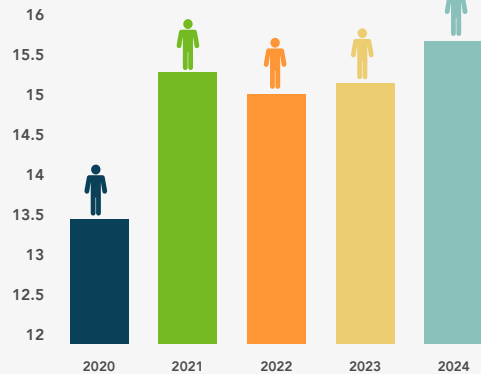
THE HIGHLIGHTS

16 tenants registered per property let agreed

Even with a downturn in applicant registration in April compared to March, we are still seeing a healthy number of tenants registered per property let agreed. In fact, this is still ahead of the curve compared to 2023. (where the typical number of tenants registered per property let agreed averaged at 15). Currently, we are operating at a ratio of 16 tenants registered per property let agreed. This highlights the need for landlords to adapt their strategies to meet this heightened demand.



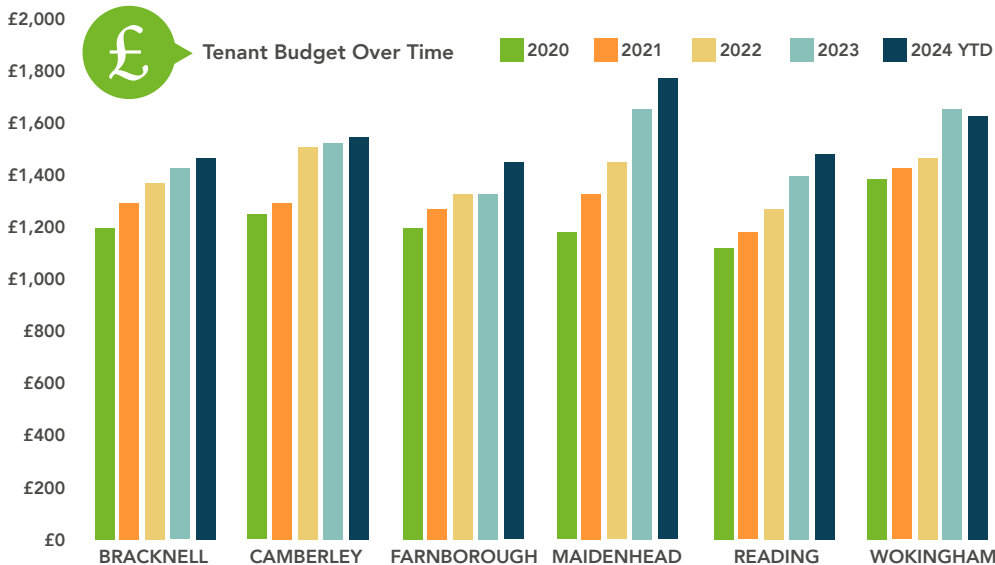
Applicant Registered Per Property Let Agreed



TENANT BUDGETS

THE HIGHLIGHTS

Increase of 10% in tenant budgets



The data reveals a dynamic landscape and a trend of consistent increase in tenants' average budgets year-on-year. For landlords, this trend presents an excellent opportunity to capitalise on rental increases.

By aligning their offerings with the evolving needs and preferences of tenants, they can position themselves at the forefront of this increasing market, unlocking potential for growth and profitability. Whether through strategic pricing tactics, value-added amenities, or personalised tenancy terms, landlords can leverage this upward trend to attract tenants and secure higher rental yields.



Supply & Demand

| Average budget per property type | £&p per month YTD | YOY % | £&p per month YOY |
|----------------------------------|-------------------|---------|-------------------|
| 1 bed | £1,186 | 5.05% ↑ | £1,129 |
| 2bed | £1,550 | 2.72% ↑ | £1,509 |
| 3 bed | £1,884 | 1.57% ↓ | £1,914 |
| 4 bed + | £2,599 | 7.53% ↑ | £2,417 |

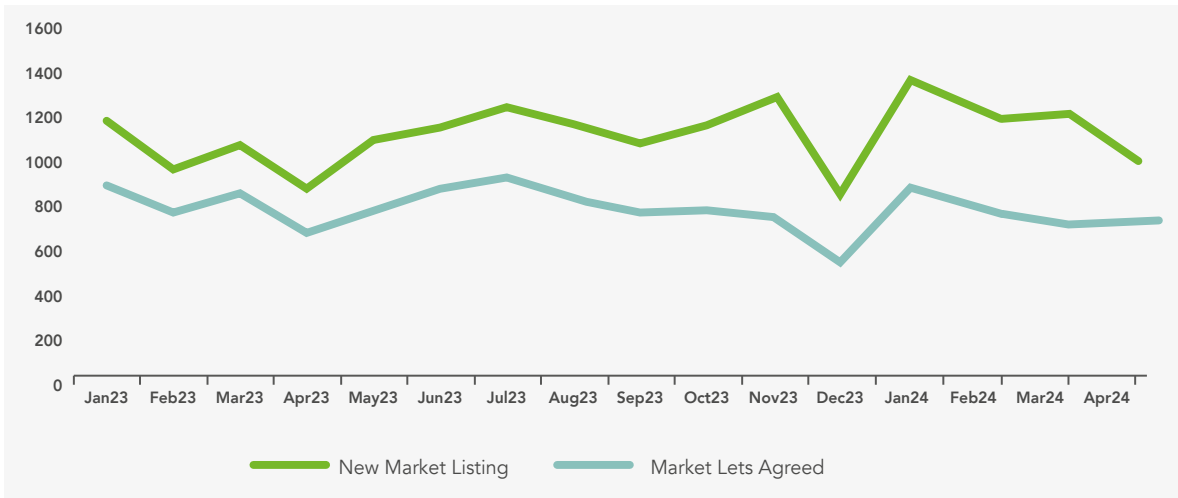
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NEW LISTINGS VS LETS AGREED

THE HIGHLIGHTS

16.1% month-on-month decrease in new listings

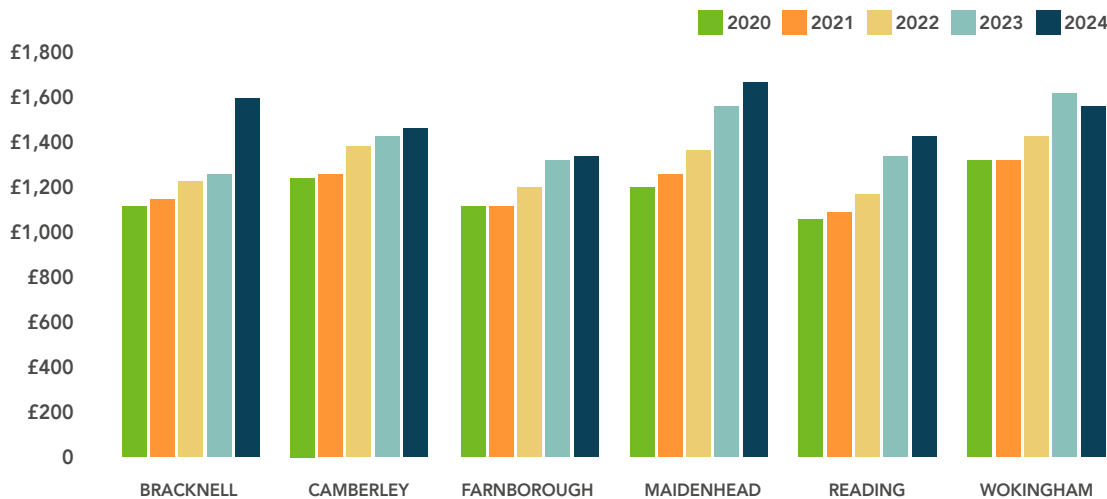
The relationship between new listings and lets agreed stands as a vital indicator of market dynamics. Our analysis reveals a notable 16.1% month-on-month decrease in new listings in the marketplace across all territories covered by Prospect. This trend does not align with the rhythm of lets agreed, which saw a marginal increase of 1%. Understanding this is crucial for landlords seeking to maximise rental yields and maintain competitiveness in the rental market



RENTS ACHIEVED OVER TIME

THE HIGHLIGHTS

5.25% month on month increase in rents achieved



Our analysis underscores a month-on-month and year-on-year increase in rent, highlighting the resilience of the marketplace. This increase reflects the evolving value and desirability of rental properties.



Average rent achieved per property type, £&p per month YTD

1 bed **£1,074**

3 bed **£1,783**

2 bed **£1,465**

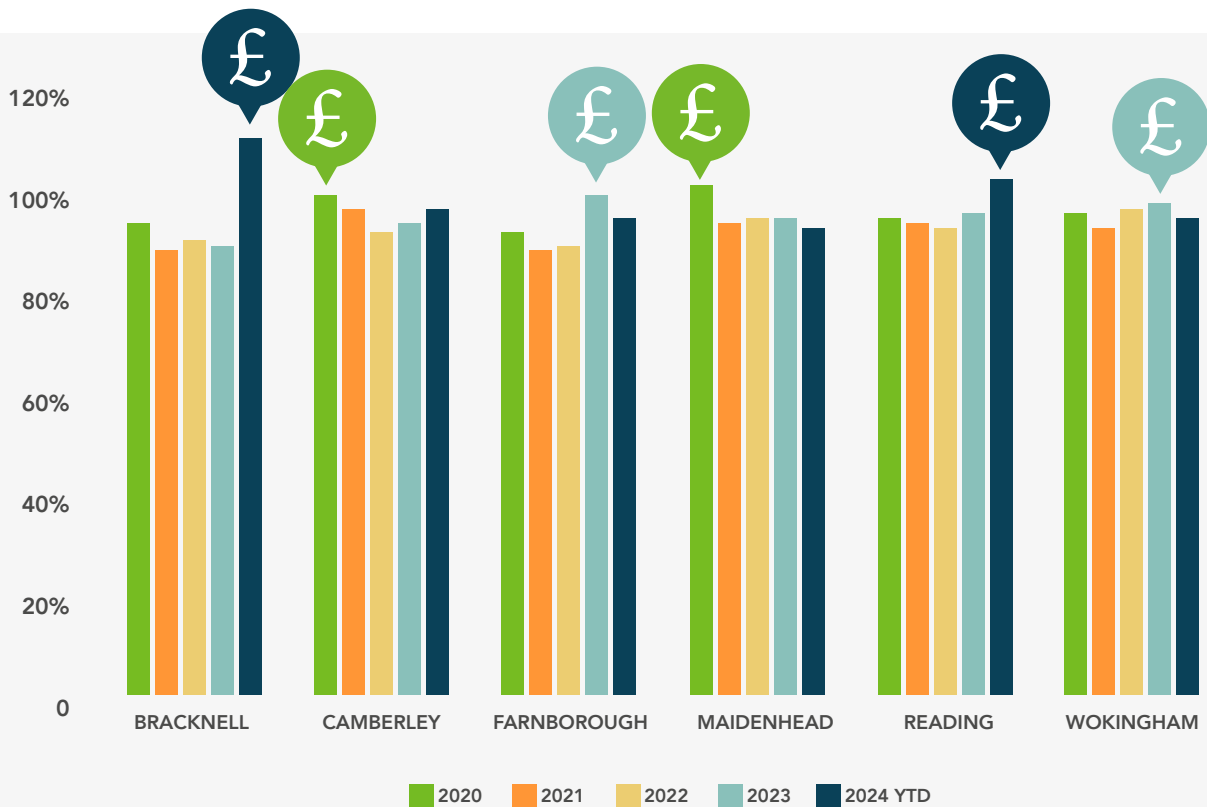
4 bed + **£2,362**

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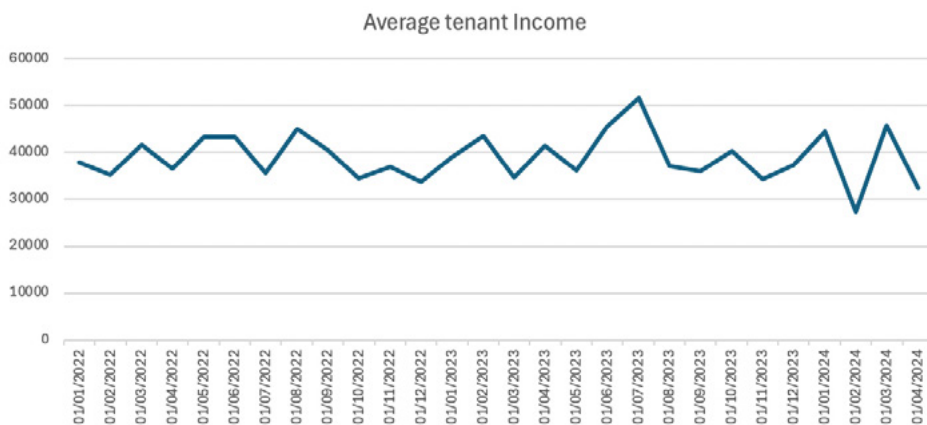
TENANT SPENDING VS. BUDGET ALLOCATION

Throughout the first half of 2023, tenants rented properties at 94% of their budget, indicating a degree of caution in spending habits. By the end of 2023, this figure had incrementally risen to 96%, signalling growing tenant confidence. So far in 2024, tenants notably have spent 99% of the budget they have set for rental property, so demonstrating a powerful desire for quality accommodation.

This showcases increased willingness to prioritise comfort and suitability in their housing choices, potentially leading to higher rental income for landlords who offer properties that meet these needs. It highlights the importance of landlords understanding and catering to tenants' evolving preferences to maintain occupancy and maximise rental yields.



£ Average Tenant Income



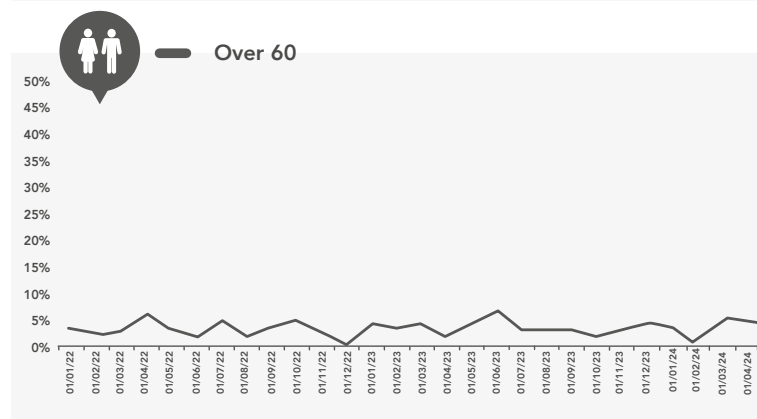
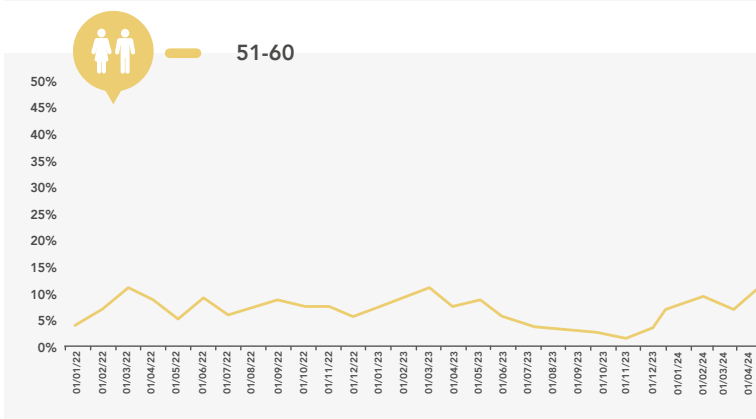
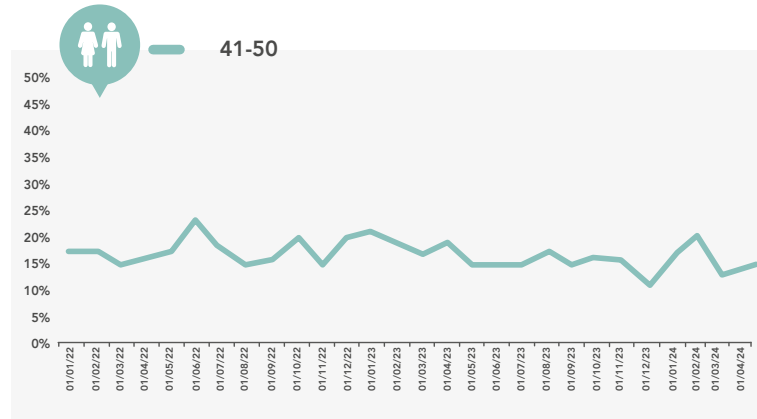
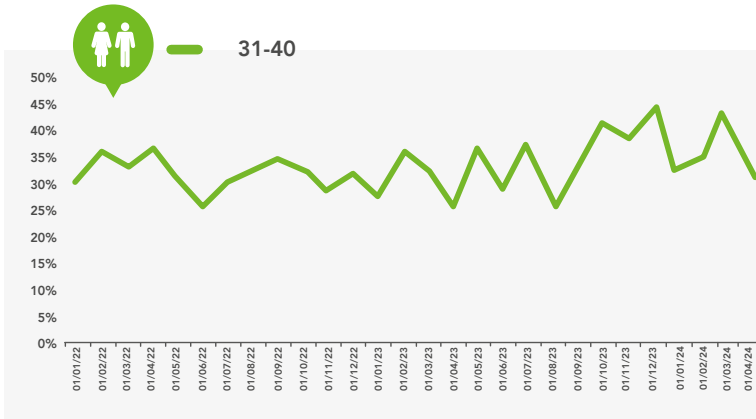
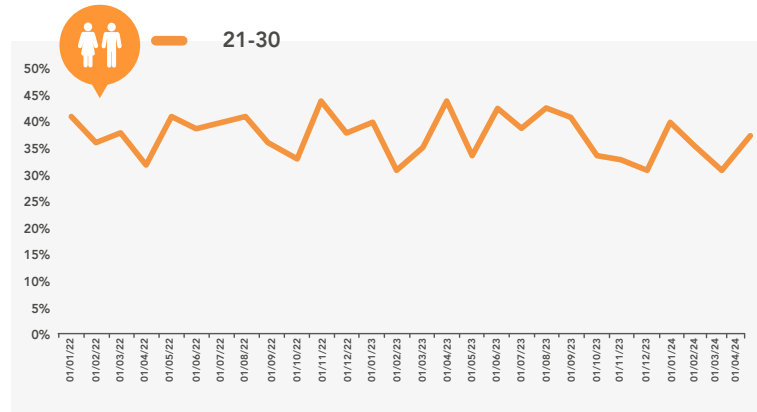
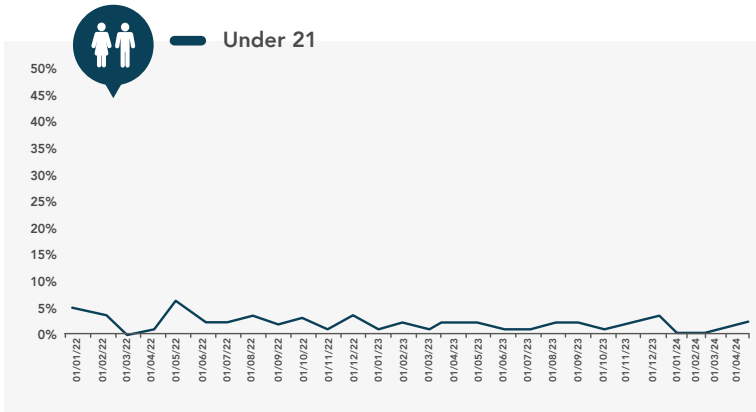
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TENANT DEMOGRAPHICS

Understanding the intricacies of tenant profiles is not just important; it is paramount for navigating the ever-changing rental market landscape successfully. As the preferences and expectations of tenants continue to evolve, landlords must remain adaptable to shifts in demographics, lifestyles, and priorities that influence their decision-making processes.

Tenant profiles provides invaluable insights into the diverse needs, desires, and behaviours of the target audience. From young professionals seeking convenience to families prioritising space and community amenities, each tenant demographic brings its own set of preferences and priorities to the table. Moreover, understanding tenant profiles enables landlords to tailor their offerings to better meet the needs of their tenants. Whether it is offering flexible tenancy terms, being pet-friendly, or providing enhanced amenities and services, landlords who take the time to understand their tenants can create more desirable living experiences that promote long-term satisfaction.

Tenant age range by %



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SALES MARKET UPDATE

The marketplace is undoubtedly positive as we are only weeks away from the halfway point of 2024. The number of sellers entering the market continues to improve on last year, with us now seeing a 12% increase in new listings. Sales agreed follow suit with a 13% increase. It was around this point last year when we saw a subdued spring market, so these positives are very much welcomed!

The higher end of the market, specifically larger homes, is where we have seen a substantial increase in new listings. This was a sector that struggled over the last 18 months, with people upsizing battling and waiting for more choice. Now we have seen an 18% increase in four and five bedroom homes coming to market, which is great news for completing chains and encouraging more listings.

Overall, the market conditions are not far off from mirroring 2019 levels. However, buyer conditions are more challenging on the mortgage front, with the average mortgage rate currently standing at 4.48%, compared to 2.45% in April 2019.

One thing remains, which we have mentioned month by month throughout this year, and that is pricing. Prices are still sensitive, and year-to-date close to 50% of properties that have come to market have reduced their price. Pricing right will only continue to be very important with more competition looming.



Roberto Contreras
Head of Residential Sales

LEGISLATION COMMENTS

The long-discussed Renters Reform was further heard in the House of Lords on the 23rd April for its third hearing, initially introduced into Parliament on the 17th of May 2023. We still have another 5 stages to go before finally reaching Royal Assent and could still have several months before we see any actual legislation changes being enforced upon once the bill has been passed.

If passed, the bill is set to abolish fixed term tenancy agreements and assured shorthold tenancies in favour of Periodic Tenancies, the bill has seen a slight amendment here in that whilst a tenant will be able to serve 2 months' notice they are not able to serve this within the first 4 months of tenancy, meaning a minimum term of 6 months.

The most talked about change has been the abolishment of the Section 21 notice. Currently widely used throughout the industry to end a tenancy with no specific reason, we are somewhat comforted by the argument that until our courts receive the increased resources to support the additional volume of claims likely via the revised Section 8 notice, it would be impossible to retract the Section 21 legislation.

In the meantime, you can rest assured with the peace of mind that our Property Management team are vigilant in ensuring that you and your property are legally compliant, and that you and your tenants are safe and protected.

If you have any questions about how changing legislation may impact you, please feel free to contact me directly by email on jkay@prospect.co.uk or phone DD: 0118 955 9740 Mobile: 0795 7997966



Joanne Kay
Head of Property Management

Landlord

Prospect have always been good, I am a landlord and they follow through exceptionally. They keep on top of the paperwork and of what is happening with the tenancy.

Trustpilot (5 star)

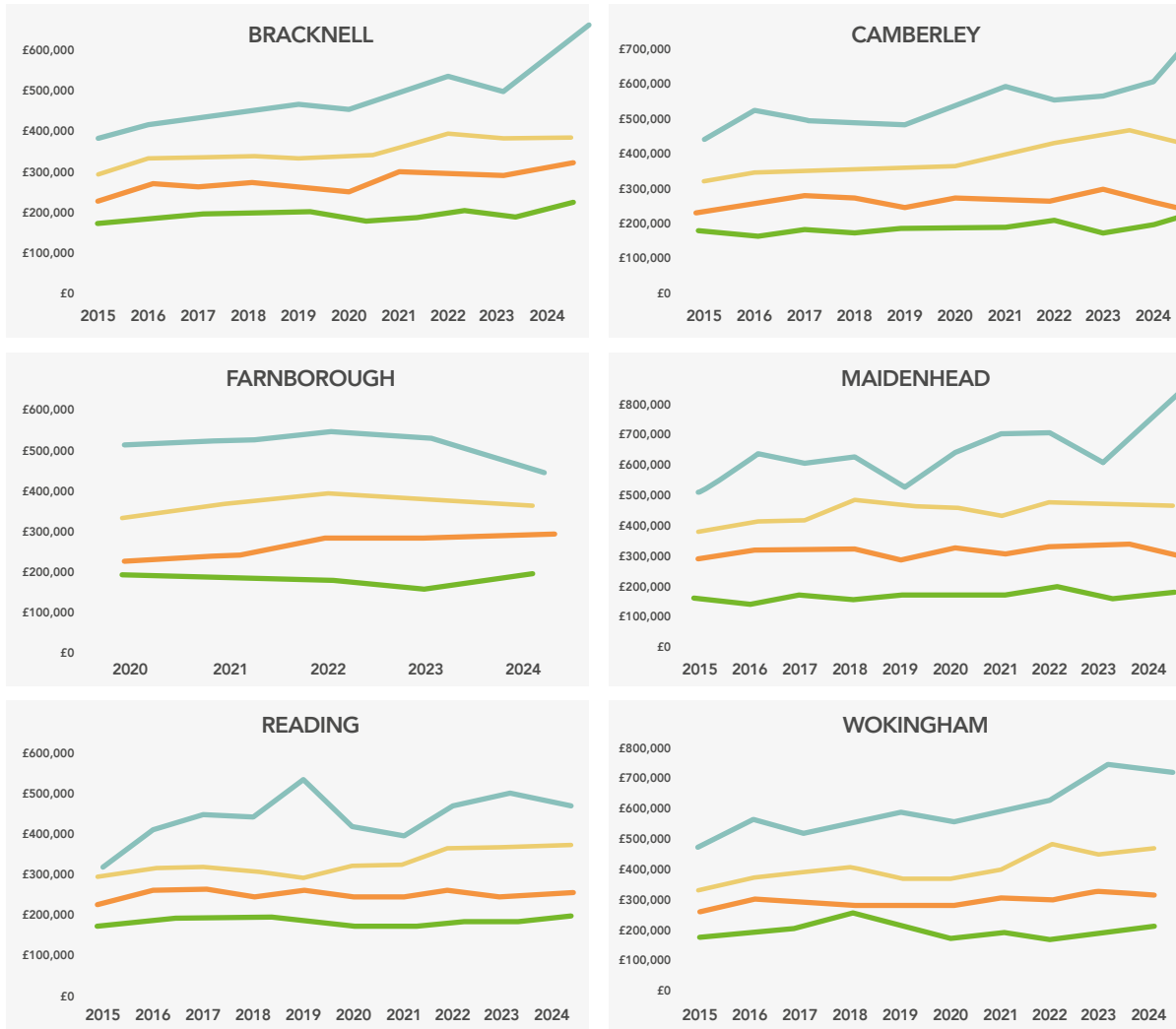
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SALES AVERAGE EXCHANGE



Average exchange price by bed over time

1 BED 2 BED 3 BED 4 BED



Mortgage Update

Overall, we have seen the market bounce back this year with rates now starting to become more 'acceptable' and buyer confidence now coming back to the market. Speculation about Base Rate reductions and a General Election have also sparked a lot more interest and attention from buyers looking to maximise any opportunities these scenarios could offer. The total number of mortgages written over the last 5 months has been steadily increasing, which goes hand in hand with the housing market as a whole showing that buyer confidence has returned as well.

Buy-to-lets have played a key part in the successes we have seen this year, with buy-to-let mortgage numbers following the pattern of the whole market over the last 5 months and steadily increasing. Stress testing is starting to look a lot more favourable than this time 12 months ago. The bigger money is still available on the longer-term fixed rates, but it is safe to say that there is more of an appetite to get the buy to let market stirring again. Ltd company buy-to-lets are also proving more popular, again down to the ways the stress testing is done, and essentially making it more achievable to borrow the money needed which is overall seeing more buyers move in this direction, particularly the higher rate taxpayers. Be wary of this though as sometimes when fees are taken into consideration from the lenders and other variable components, it is not always the best advice.

Simon Fenner
Mortgage Advice Bureau

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