

# Buy-to-Let Index Quarterly Report

September 2017



## Luton holds on to top spot while North continues to challenge South East markets.

- Luton holds off rising Colchester to remain top of LendInvest's BTL Index
- Manchester breaks into Top 3 amidst increasingly strong metrics in Northern markets
- University cities perform well in the Index occupying top 3 spots

## The Top 10 buy-to-let postcodes

	Yield	Capital gains	Rental price growth	Transaction volume growth
Luton	4.51%	10.29%	6.81%	-5.00%
Colchester	4.22%	13.02%	3.34%	-5.05%
Manchester	6.04%	7.39%	6.26%	-6.20%
Rochester	4.45%	8.41%	5.36%	-5.32%
Hull	4.65%	11.12%	2.53%	-6.24%
Stevenage	3.96%	9.54%	4.84%	-7.14%
Romford	4.78%	11.99%	1.01%	-5.98%
Southend-on-Sea	4.19%	10.50%	2.10%	-6.44%
Ipswich	3.98%	10.04%	2.33%	-5.81%
Ilford	4.19%	12.65%	-1.15%	-4.86%

### First Place: Luton

Luton continues to hold the top spot of the LendInvest BTL Index with activity in the local market maintaining the strength in both capital gains and rental growth metrics. The buy-to-let market in Luton is supported by its status as a university town with the student rental market often offering attractive yields.

### Second Place: Colchester

Colchester has continued to climb the LendInvest BTL Index Top 10, (#4 in June 2017) now occupying second place. The rise is thanks largely to the Colchester market recording the highest year-on-year capital gains. With regular transport links to London as well as being home to the main University of Essex campus, there are many factors driving the performance of the market.

### Third Place: Manchester

Manchester was considered one of the markets to watch in the last Index leading the charge for Northern markets in the UK. Manchester's market continues to make great headway climbing five places to #3 (#8 in June 2017). The city's residential property market boasts the most lucrative average yields thanks in no small part to a thriving rental market. Home to three universities, students make up 15% of the city's population, and as such the strength of the rental market may well be driven in part by its status as one of the UK's major university cities.

## New Entrants:

Property markets in the North of England continue to come to the fore, with the UK City of Culture for 2017, Hull, propelling itself up the rankings to sit at #5 (#31 in June 2017). This rise can be attributed to increasing rental value growth, supporting a market where capital gains continue to see very strong growth. Another of the June LendInvest BTL Index Report's markets to watch, Ipswich (#9), enters the Top 10 this time around, (up from #15). Strong year-on-year capital gains continue to underpin the allure of the market.

## Markets to watch:

Beyond the Manchester and Hull markets, the North of England continues to offer attractive alternatives to the South East, particularly where yields are concerned. Leeds continues to see very strong rental growth and Liverpool is offering considerably lucrative yields to buy-to-let investors.

Markets in the Midlands have also made real strides up the BTL Index with Northampton, Nottingham and Birmingham (#11, #12 and #18) all making substantial upward movements. These markets all have relatively attractive yields driven primarily by strong growth in rental prices. Both Birmingham and Nottingham appear in the Top 10 lists that rank yields and rental value growth. Healthy capital gains is a theme across the Midlands, making these markets worth paying close attention to.

## The Bottom 10 buy-to-let postcodes

	Yield	Capital gains	Rental price growth	Transaction volume growth
Sunderland	5.72%	-4.40%	1.11%	-5.63%
Darlington	4.09%	-1.11%	-0.16%	-6.16%
West London	2.92%	2.51%	-3.19%	-4.52%
Cleveland	4.63%	-1.62%	0.71%	-6.46%
North West London	3.70%	3.83%	-3.03%	-6.17%
Crewe	4.15%	0.93%	0.18%	-6.62%
Plymouth	4.16%	2.63%	-1.72%	-5.49%
Preston	4.35%	-0.41%	1.37%	-5.92%
Durham	4.89%	-0.12%	0.95%	-6.64%
Llandudno	4.59%	0.23%	0.39%	-4.44%

## The Top 10 postcodes for capital gains

	Yield	Capital gains	Rental price growth	Transaction volume growth
Colchester	4.22%	13.02%	3.34%	-5.05%
Harrow	3.91%	12.85%	-0.81%	-8.71%
Ilford	4.19%	12.65%	-1.15%	-4.86%
Romford	4.78%	11.99%	1.01%	-5.98%
Slough	3.62%	11.54%	0.02%	-6.02%
Watford	3.77%	11.17%	-0.84%	-7.44%
Hull	4.65%	11.12%	2.53%	-6.24%
St Albans	3.41%	10.58%	1.38%	-4.92%
Southend-on-Sea	4.19%	10.50%	2.10%	-6.44%
Luton	4.51%	10.29%	6.81%	-5.00%

## The Top 10 postcodes for rental price growth

	Yield	Capital gains	Rental price growth	Transaction volume growth
Luton	4.51%	10.29%	6.81%	-5.00%
Manchester	6.04%	7.39%	6.26%	-6.20%
Leeds	4.62%	4.08%	5.57%	-6.29%
Rochester	4.45%	8.41%	5.36%	-5.32%
Newcastle upon Tyne	4.70%	-0.97%	4.99%	-6.05%
Coventry	4.77%	4.88%	4.89%	-6.49%
Stevenage	3.96%	9.54%	4.84%	-7.14%
Cardiff	5.15%	1.19%	4.75%	-5.95%
Nottingham	4.91%	6.47%	4.44%	-5.28%
Birmingham	5.02%	6.13%	4.38%	-5.53%

## Methodology

All postcodes are given a score based on the following metrics: yield, capital gains, rental price growth and transaction volumes. The data used in compiling this report comes from the Land Registry and Zoopla. Data was aggregated on the postcode area level.

## Contact

To find out more about the quarterly LendInvest BTL Index and to request access to underlying data please contact:

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## Special Feature: University Cities/Towns

### The Top 10 postcodes for University cities/towns

	Yield	Capital gains	Rental price growth	Transaction volume growth
<b>Luton</b>	4.51%	10.29%	6.81%	-5.00%
<b>Colchester</b>	4.22%	13.02%	3.34%	-5.05%
<b>Manchester</b>	6.04%	7.39%	6.26%	-6.20%
<b>Hull</b>	4.65%	11.12%	2.53%	-6.24%
<b>Nottingham</b>	4.91%	6.47%	4.44%	-5.28%
<b>Canterbury</b>	4.17%	7.20%	3.89%	-4.37%
<b>Norwich</b>	4.16%	7.68%	3.54%	-4.87%
<b>Bristol</b>	4.38%	7.36%	4.33%	-7.24%
<b>Birmingham</b>	5.02%	6.13%	4.38%	-5.53%
<b>Leeds</b>	4.62%	4.08%	5.57%	-6.29%

September sees the start of a new term at many universities and the towns and cities in which these universities are situated will experience an influx of students at this time of year. Whilst some universities are able to provide campus accommodation to some students, particularly those in their first year, many students are required to look toward the private rented sector (PRS) to find housing.

Demand for rented accommodation in university towns and cities offers opportunities to buy-to-let investors to secure more lucrative yields at a time when yields are compressing in the buy-to-let market.

Four of the Top 5 markets in the Index classify as university towns and cities (Luton, Colchester, Manchester, and Hull) with strong performing rental markets offsetting the capital growth and maintaining attractive yields for investors. In Nottingham and Birmingham, two of our 'markets to watch', are very popular university cities and in these markets, yields rank amongst the highest in the country.