

Tuesday May 28th 2014

Reading and Brighton are the fastest growing buy-to-let hotspots

- Rental yields in Reading and Brighton are the fastest growing in the UK as young professionals move out of London
- Southampton remains the BTL hotspot for investors with yields of 8.73%
- The highest yields available in London are found in Newham, Southwark and Brent

Rental returns are growing at the fastest rate in Reading and Brighton with yields now respectively 12.8% and 12.6% higher than last year, according to research by HSBC.

Average yields in Reading now stand at 5.48%, up from 4.86% last year, while in Brighton average yields now stand at 6.17% up from 5.68%. The average Reading property is currently priced at £207,934 while in Brighton average prices currently stand at £242,535. Average monthly rents are now £950 in Reading and £1,248 in Brighton.

Peter Dockar, head of mortgages at HSBC commented,

“Landlords are reaping the benefit as young professionals say goodbye to capital living in favour of more affordable commuter towns. Despite the inevitable increase in commuter costs associated with moving further out, many still feel the move is worthwhile in order to save towards property deposits.

“House prices in these locations – while still out of reach among many first time buyers – are relatively affordable for landlords investing in property and the demand from young professionals has pushed up rents and driven up the returns.”

Table 1:

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2014 (gross)	% Year-on-Year Yield Growth
Reading	24.68%	£207,934	£950	£11,400	5.48%	12.8%
Brighton and Hove	28.04%	£242,535	£1,248	£14,976	6.17%	12.6%
Southampton	23.42%	£143,011	£1,040	£12,480	8.73%	11.6%
Cheltenham	20.15%	£173,030	£652	£7,824	4.52%	7.5%
Bristol, City	22.11%	£179,921	£793	£9,516	5.29%	7.4%

of						
Bournemouth	28.21%	£172,914	£897	£10,764	6.23%	7.2%
Manchester	26.85%	£104,244	£693	£8,316	7.98%	5.0%
Oxford	26.11%	£254,514	£1,489	£17,868	7.02%	4.2%
Eastbourne	21.65%	£184,787	£724	£8,688	4.70%	3.0%
Hammersmith and Fulham	30.05%	£685,797	£2,004	£24,048	3.51%	2.7%

While Reading and Brighton offer the fastest growing yields, Southampton continues to be *the* BTL hotspot for investors. Rental yields of 8.73% in the coastal town (up from 7.82% last year) are currently the highest in the country. The city's landlords benefit from relatively inexpensive house prices as well as strong rental demand driven by its position on the coast for seasonal workers and holidaymakers, together with students attending the city's university.

Manchester, Nottingham, Blackpool and Hull complete the top five locations with the best rental yield at 7.98%, 7.67%, 7.63% and 7.47% respectively. Manchester has climbed to second spot from 4th last year while Nottingham rises to 3rd from 5th as they both benefit from relatively low house prices but strong demand for rental property from large student and young professional populations.

Table 2: Top 10 BTL Hotspots by Rental Yield

Rank 2014	Location	Rank 2013	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2014 (gross)	% Year-on-Year Yield Growth
1	Southampton	1	23.42%	£143,011	£1,040	£12,480	8.73%	11.6%
2	Manchester	4	26.85%	£104,244	£693	£8,316	7.98%	5.0%
3	Nottingham	5	21.64%	£86,000	£550	£6,600	7.67%	1.7%
4	Blackpool	2	24.16%	£77,899	£495	£5,940	7.63%	-2.3%
5	Kingston upon Hull	3	19.02%	£68,243	£425	£5,100	7.47%	-3.8%
6	Coventry	6	19.02%	£110,029	£650	£7,800	7.09%	-0.6%
7	Oxford	8	26.11%	£254,514	£1,489	£17,868	7.02%	4.2%
8	Portsmouth	10	22.28%	£146,709	£795	£9,540	6.50%	-0.7%
9	Liverpool	9	21.75%	£91,175	£494	£5,928	6.50%	-1.0%
10	Cambridge	13	23.91%	£185,414	£1,001	£12,012	6.48%	2.2%

London

London has some of the highest concentration levels of private rental housing, but high property prices put pressure on the returns landlords are able to make. It is the less popular and less high-profile areas within the capital which offer the greatest returns. The combination of cheaper property relative to many neighbouring areas, and high demand among private renters unable to get on the housing ladder has helped boost yields in these locations.

The highest average yield available in London can be found in Newham at 6%, followed by Southwark and Brent at 5.55% and 5.27% respectively. Although yields have been under pressure over the last twelve months as property prices have grown faster than rents, year-on-year yield growth has increased in Hammersmith & Fulham. It leads the way with a 2.7% growth, one of the few areas in London where yields have increased. Returns in Newham, Redbridge and Camden have also improved, rising 1.8%, 0.4% and 0.3% respectively.

Table 3: London Top 10

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2014 (gross)
Newham	32.62%	£239,942	£1,200	£14,400	6.00%
Southwark	22.22%	£468,943	£2,167	£26,004	5.55%
Brent	28.82%	£370,207	£1,625	£19,500	5.27%
Enfield	21.18%	£281,992	£1,196	£14,352	5.09%
Lewisham	22.97%	£325,412	£1,248	£14,976	4.60%
Hounslow	22.23%	£315,201	£1,200	£14,400	4.57%
Kingston upon Thames	21.04%	£368,113	£1,400	£16,800	4.56%
Croydon	19.83%	£275,684	£1,001	£12,012	4.36%
Redbridge	21.63%	£313,063	£1,127	£13,524	4.32%
Wandsworth	30.02%	£505,979	£1,801	£21,612	4.27%

Peter Dockar commented,

“London is often seen as the haven of property investment with many believing the streets are paved with gold. However, while the highest rents in the country are an attractive draw for landlords, high house prices in the capital squeeze yields and limit the returns available. As a result, returns can often be far more attractive in other areas so it certainly pays for landlords to do their research.”

ENDS

Data Sources:

Housing Tenure data from ONS 2011 Census: Tenure, a local authorities in England and Wales
 Average House Price by Local Area from Land Registry Housing Report February 2013
 Median rent for all property types by Local Area from www.home.co.uk

For further information please contact:

HSBC : Melissa Jobson – 020 7992 1433 – Melissa.Jobson@hsbc.com

For the latest updates, visit the **UK Press Office social media newsroom:**

<http://www.hsbc.co.uk/newsroom>
http://twitter.com/hsbc_uk_press

Notes to Editor:

Top 50 BTL Hotspots

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2014 (gross)	% Year-on-Year Yield Growth
Southampton	23.42%	£143,011	£1,040	£12,480	8.73%	11.6%
Manchester	26.85%	£104,244	£693	£8,316	7.98%	5.0%
Nottingham	21.64%	£86,000	£550	£6,600	7.67%	1.7%
Blackpool	24.16%	£77,899	£495	£5,940	7.63%	-2.3%
Kingston upon Hull	19.02%	£68,243	£425	£5,100	7.47%	-3.8%
Coventry	19.02%	£110,029	£650	£7,800	7.09%	-0.6%
Oxford	26.11%	£254,514	£1,489	£17,868	7.02%	4.2%
Portsmouth	22.28%	£146,709	£795	£9,540	6.50%	-0.7%
Liverpool	21.75%	£91,175	£494	£5,928	6.50%	-1.0%
Cambridge	23.91%	£185,414	£1,001	£12,012	6.48%	2.2%
Slough	23.07%	£176,564	£949	£11,388	6.45%	-5.4%
Bournemouth	28.21%	£172,914	£897	£10,764	6.23%	7.2%
Brighton and Hove	28.04%	£242,535	£1,248	£14,976	6.17%	12.6%
Newham	32.62%	£239,942	£1,200	£14,400	6.00%	1.8%
Luton	21.27%	£130,290	£650	£7,800	5.99%	-2.2%
Cardiff	20.32%	£145,438	£724	£8,688	5.97%	-6.5%
Leicester	21.28%	£112,391	£550	£6,600	5.87%	-0.1%
Southwark	22.22%	£468,943	£2,167	£26,004	5.55%	-9.9%
Reading	24.68%	£207,934	£950	£11,400	5.48%	12.8%
Bristol, City of	22.11%	£179,921	£793	£9,516	5.29%	7.4%
Brent	28.82%	£370,207	£1,625	£19,500	5.27%	-2.3%
Forest Heath	21.80%	£158,925	£693	£8,316	5.23%	-1.4%
Southend-on-Sea	20.72%	£160,356	£693	£8,316	5.19%	1.2%
Enfield	21.18%	£281,992	£1,196	£14,352	5.09%	-7.7%
Norwich	20.10%	£148,557	£624	£7,488	5.04%	0.4%
Torbay	21.43%	£145,747	£594	£7,128	4.89%	-5.2%
Eastbourne	21.65%	£184,787	£724	£8,688	4.70%	3.0%
Watford	18.89%	£255,642	£1,001	£12,012	4.70%	-5.6%
Lewisham	22.97%	£325,412	£1,248	£14,976	4.60%	-1.4%
Hounslow	22.23%	£315,201	£1,200	£14,400	4.57%	-5.2%
Kingston upon Thames	21.04%	£368,113	£1,400	£16,800	4.56%	-7.0%
Cheltenham	20.15%	£173,030	£652	£7,824	4.52%	7.5%
Harrow	20.37%	£320,778	£1,200	£14,400	4.49%	-0.2%
Shepway	20.17%	£189,362	£702	£8,424	4.45%	-3.2%
Croydon	19.83%	£275,684	£1,001	£12,012	4.36%	-2.6%
Exeter	19.56%	£191,991	£693	£8,316	4.33%	-2.2%
Redbridge	21.63%	£313,063	£1,127	£13,524	4.32%	0.4%
Isles of Scilly	20.63%	£181,513	£650	£7,800	4.30%	-1.3%
Wandsworth	30.02%	£505,979	£1,801	£21,612	4.27%	-9.9%

Tower Hamlets	30.84%	£414,461	£1,452	£17,424	4.20%	-8.0%
Lincoln	19.36%	£124,789	£433	£5,196	4.16%	-3.7%
Ipswich	18.75%	£158,925	£546	£6,552	4.12%	0.4%
Camden	30.46%	£715,831	£2,383	£28,596	3.99%	0.3%
Richmond upon Thames	20.55%	£540,379	£1,699	£20,388	3.77%	-7.3%
Hammersmith and Fulham	30.05%	£685,797	£2,004	£24,048	3.51%	2.7%
Westminster	37.56%	£890,272	£2,578	£30,936	3.47%	-13.8%
Haringey	30.33%	£425,541	£1,200	£14,400	3.38%	-8.6%
Hastings	27.19%	£184,787	£520	£6,240	3.38%	-9.2%
Thanet	21.96%	£189,362	£524	£6,288	3.32%	-4.2%
Kensington and Chelsea	33.97%	£1,236,605	£2,968	£35,616	2.88%	-13.7%

HSBC Bank plc

HSBC serves 16.1 million customers in the UK and employs approximately 47,000 people. In the UK, HSBC offers a complete range of personal, premier and private banking services including [bank accounts](#) and [mortgages](#). It also provides commercial banking for small to medium businesses and corporate and institutional banking services. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc.

The HSBC Group

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 6,600 offices in 80 countries and territories in Europe, Hong Kong, Rest of Asia-Pacific, North and Latin America, and the Middle East and North Africa. With assets of US\$2,723bn at 30 September 2013, the HSBC Group is one of the world's largest banking and financial services organisations.