

Embargoed until 00.01 Thursday 28 May

Manchester is the UK's top buy-to-let hotspot

- City has highest rental yield in 2015 (7.93%), up from second place in 2014
- Top three BTL hotspots are in North of England; worst yields in London
- Forest Heath, Suffolk has fastest-growing rental returns; year-on-year growth of 38.70%

Property investors are looking North according to HSBC, as the top three cities with the best rental returns are Manchester, Kingston upon Hull and Blackpool. Last year's top spot, Southampton, dropped to sixth place after a decrease of 18.30% in rental yield.

Manchester had only a small increase in average house prices (up from £104,244 in 2014 to £108,870) but has maintained strong rental demand. Annual rents in Manchester have risen 4% from £8,316 in 2014 to £8,628. It has one of the largest student populations in Europe; and more than a quarter of housing stock is privately rented (26.85%), the largest proportion of all locations.

Both Kingston upon Hull and Blackpool have entered the top three for the first time thanks to low average property prices and strong rental demand. With typical house prices of £69,135 and £79,654 respectively, Hull and Blackpool require the lowest initial investment of all locations researched. HSBC researched the 50 towns and cities with the most private-rental housing stock.

Table 1: Top 20 BTL hotspots by yield

Rank 2015	Location	Rank 2014	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2015 (gross)	% Year-on-Year Yield Growth
1	Manchester	2	26.85%	£108,870	£719	£8,628	7.98%	-0.70%
2	Kingston upon Hull	5	19.02%	£69,135	£450	£5,400	7.81%	4.50%
3	Blackpool	4	24.16%	£79,654	£488	£5,856	7.35%	-3.60%
4	Forest Heath	22	21.80%	£171,322	£1,036	£12,432	7.26%	38.70%
5	Coventry	6	19.02%	£116,946	£702	£8,424	7.20%	1.60%
6	Southampton	1	23.42%	£151,415	£900	£10,800	7.13%	-18.30%
7	Nottingham	3	21.64%	£89,312	£524	£6,288	7.04%	-8.30%
8	Liverpool	9	21.75%	£90,426	£494	£5,928	6.56%	0.80%
9	Cardiff	16	20.32%	£150,892	£802	£9,624	6.38%	6.80%
10	Portsmouth	8	22.28%	£155,696	£825	£9,900	6.36%	-2.20%
11	Slough	11	23.07%	£198,972	£1,050	£12,600	6.33%	-1.80%
12	Cambridge	10	23.91%	£206,019	£1,083	£12,996	6.31%	-2.60%
13	Bournemouth	12	28.21%	£183,600	£950	£11,400	6.21%	-0.30%
14	Oxford	7	26.11%	£277,201	£1,432	£17,184	6.20%	-11.70%
15	Luton	15	21.27%	£144,721	£725	£8,700	6.01%	0.40%
16	Leicester	17	21.28%	£115,860	£550	£6,600	5.70%	-3.00%
17	Brighton and Hove	13	28.04%	£265,858	£1,248	£14,976	5.63%	-8.80%
18	Southend-on-Sea	23	20.72%	£172,024	£776	£9,312	5.41%	4.40%
19	Norwich	25	20.10%	£158,102	£700	£8,400	5.31%	5.40%
20	Newham	14	32.62%	£292,306	£1,266	£15,192	5.20%	-13.40%

Suffolk offers fastest-growing rental returns

Year-on-year growth in rental yield is 38.7% in Forest Heath, Suffolk, where the average house price increased from £158,925 in 2014 to £171,322. Average annual rents rose 49% over the same period. Typical annual rents in Forest Heath have increased from £8,316 to £12,432: a rise of £4,116. There is high rental demand in the area; it was named by the National Housing Federation* as one of the top ten local authorities where rents have risen most in the past ten years.

Thanet has the second-greatest yield increase of 19.70%, while Hastings (7.90%) is in third place. Tower Hamlets is the only London location in the top BTL Hotspots for annual yield growth. The area covers much of the redeveloped Docklands area including Canary Wharf, and is the only London area that has seen positive growth in average rental yields (1.20%). Annual rents in this area have increased by 18% or £3,072, just outpacing a 16% rise in house prices over the same period (from 414,461 to 481,745).

Table 2: Top 10 BTL Hotspots by change in yield

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2015 (Gross)	% Year-on-Year Yield Growth
Forest Heath	21.80%	£171,322	£1,036	£12,432	7.26%	38.70%
Thanet	21.96%	£209,472	£694	£8,328	3.98%	19.70%
Hastings	27.19%	£197,560	£600	£7,200	3.64%	7.90%
Cardiff	20.32%	£150,892	£802	£9,624	6.38%	6.80%
Norwich	20.10%	£158,102	£700	£8,400	5.31%	5.40%
Watford	18.89%	£291,210	£1,196	£14,352	4.93%	4.90%
Kingston upon Hull	19.02%	£69,135	£450	£5,400	7.81%	4.50%
Southend-on-Sea	20.72%	£172,024	£776	£9,312	5.41%	4.40%
Isles of Scilly	20.63%	£186,722	£697	£8,364	4.48%	4.20%
Coventry	19.02%	£116,946	£702	£8,424	7.2%	1.60%
Tower Hamlets	30.84%	£481,745	£1,708	£20,496	4.25%	1.20%

Tracie Pearce, head of mortgages at HSBC, commented:

“Our research shows buy-to-let remains an attractive option for investors, but it’s important they focus on locations where rents have outpaced house prices. This means not just looking at large towns and cities, but also commuter areas and those with high rental demand and concentrated employment such as a hospital or university nearby. Almost a third of areas in our report have seen a year-on-year growth in yield and almost half of the areas have achieved yields above 5%.”

“Buy-to-let is a big investment and shouldn’t be taken lightly; but with the right research landlords can feel confident that they can achieve good returns around the UK.”

Newham is London’s top BTL hotspot, yet rental yields in the capital are falling

Newham is the top BTL hotspot in London, with a rental yield of 5.20%. Despite providing the best rental yields in the capital due to relatively low property prices, average yields fell by 13.4% over the last year. There is a similar trend across London, which has experienced increased house prices paired with very small rises in rents. Newham, Brent and Lewisham are some areas with more than a 10% decline in yield growth.

Six of the ten worst BTL Hotspots are in the capital. Yields have dropped by up to 13.4% in Camden, where rental prices have remained static but average house prices have increased by £110,325. In

Kensington and Chelsea average house prices now exceed £1million. Even with the highest rental prices of all locations, yields are low at just 2.87%.

Table 3: Top 10 BTL Hotspots in London

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2015 (Gross)	% Year-on-Year Yield Growth
Newham	32.62%	£292,306	£1,266	£15,192	5.20%	-13.4%
Southwark	22.22%	£551,962	£2,383	£28,596	5.18%	-6.6%
Brent	28.82%	£427,628	£1,668	£20,016	4.68%	-11.1%
Enfield	21.18%	£322,691	£1,250	£15,000	4.65%	-8.7%
Hounslow	22.23%	£360,018	£1,295	£15,540	4.32%	-5.5%
Kingston upon Thames	21.04%	£419,582	£1,495	£17,940	4.28%	-6.3%
Tower Hamlets	30.84%	£481,745	£1,708	£20,496	4.25%	1.2%
Wandsworth	30.02%	£575,450	£2,015	£24,180	4.20%	-1.6%
Croydon	19.83%	£319,604	£1,101	£13,212	4.13%	-5.1%
Lewisham	22.97%	£384,244	£1,287	£15,444	4.02%	-12.7%

- 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 2015. Median rent for all property types by Local Area from www.home.co.uk

* Home Truths 2014: East of England (National Housing Federation) – [see here](#)

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Top 50 BTL Hotspots

Location	% of Housing Stock Privately Rented	Average House Price	Average Rent (Monthly)	Average Rent (Annual)	Rental Yield 2015 (gross)	% Year-on-Year Yield Growth
Manchester	26.85%	£108,870	£719	£8,628	7.98%	-0.70%
Kingston upon Hull	19.02%	£69,135	£450	£5,400	7.81%	4.50%
Blackpool	24.16%	£79,654	£488	£5,856	7.35%	-3.60%
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Newham	32.62%	£292,306	£1,266	£15,192	5.20%	-13.40%
Southwark	22.22%	£551,962	£2,383	£28,596	5.18%	-6.60%
Watford	18.89%	£291,210	£1,196	£14,352	4.93%	4.90%
Bristol, City of	22.11%	£198,556	£793	£9,516	4.79%	-9.40%
Reading	24.68%	£234,626	£923	£11,076	4.72%	-13.90%
Brent	28.82%	£427,628	£1,668	£20,016	4.68%	-11.10%
Enfield	21.18%	£322,691	£1,250	£15,000	4.65%	-8.70%
Cheltenham	20.15%	£185,813	£693	£8,316	4.48%	-1.00%
Isles of Scilly	20.63%	£186,722	£697	£8,364	4.48%	4.20%
Torbay	21.43%	£148,733	£550	£6,600	4.44%	-9.30%
Exeter	19.56%	£199,299	£725	£8,700	4.37%	0.80%
Hounslow	22.23%	£360,018	£1,295	£15,540	4.32%	-5.50%
Kingston upon Thames	21.04%	£419,582	£1,495	£17,940	4.28%	-6.30%
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Croydon	19.83%	£319,604	£1,101	£13,212	4.13%	-5.10%
Shepway	20.17%	£209,472	£718	£8,616	4.11%	-7.50%
Ipswich	18.75%	£171,322	£576	£6,912	4.03%	-2.10%
Lewisham	22.97%	£384,244	£1,287	£15,444	4.02%	-12.70%
Lincoln	19.36%	£130,163	£433	£5,196	3.99%	-4.10%
Thanet	21.96%	£209,472	£694	£8,328	3.98%	19.70%
Redbridge	21.63%	£361,822	£1,200	£14,400	3.98%	-7.90%
Eastbourne	21.65%	£197,560	£650	£7,800	3.95%	-16.00%
Harrow	20.37%	£380,196	£1,248	£14,976	3.94%	-12.30%
Richmond upon Thames	20.55%	£631,440	£1,950	£23,400	3.71%	-1.80%
Hastings	27.19%	£197,560	£600	£7,200	3.64%	7.90%
Camden	30.46%	£826,156	£2,383	£28,596	3.46%	-13.40%
Haringey	30.33%	£489,291	£1,387	£16,644	3.40%	0.50%
Hammersmith and Fulham	30.05%	£797,170	£2,145	£25,740	3.23%	-7.90%
Westminster	37.56%	£990,898	£2,600	£31,200	3.15%	-9.40%
Kensington and Chelsea	33.97%	£1,310,083	£3,131	£37,572	2.87%	-0.40%