

Buy-to-let index

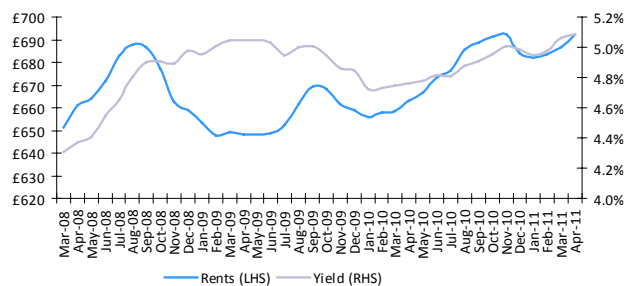
UNDER EMBARGO FOR 00.00 FRIDAY 20TH MAY 2011

STRONGEST APRIL ON RECORD TAKES RENTS BACK TO ALL TIME HIGH

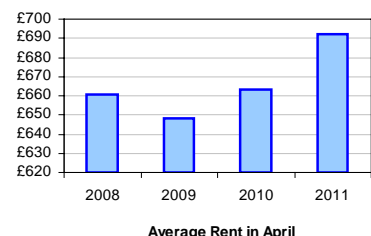
- Rents rise by 0.8% to £692 in April as annual rent inflation increased to 4.4%
- Tenant arrears rise with 11.8% of all UK rent in arrears as bank holiday weekends affect payment
- Total annual returns remain steady at 2.1% as rent rises are balanced by dipping property prices in last three months

Rents reached their previous peak high in April after a spring surge in demand, according to the latest Buy-to-Let Index from LSL Property Services plc, which owns the UK's largest lettings agent network, including national chains Your Move and Reeds Rains.

In April, the average rent in England and Wales rose by 0.8% to £692 per month, matching the record high reached in November 2010. The growth means that rents are now 4.4% higher than a year ago, the highest annual inflation since November 2010. The average yield reached 5.1% in April as rents increased at a faster rate than rental property prices.



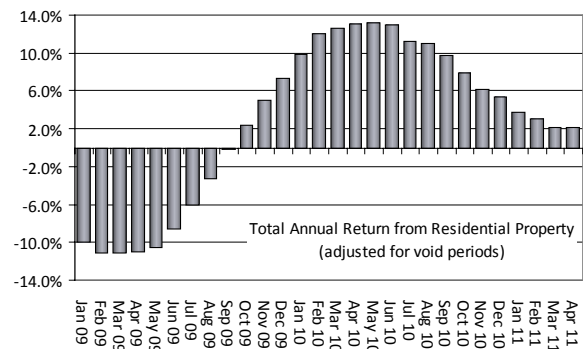
David Newnes, estate agency managing director of LSL Property Services, owners of Your Move and Reeds Rains comments: "The rental market is heating up as thousands of would-be tenants have taken advantage of the weather and long weekends to hunt for new rental homes. Even a slightly stronger supply of property has failed to cool rental inflation as landlords take advantage of the growing number of mortgage products available. Competition is fierce and tenants are paying a premium to secure properties. The average landlord is charging nearly £30 more a month than a year ago, and the rate of increase is unlikely to tail off as lending to first-time buyers remains subdued and demand for rental homes is stronger than ever."



Monthly rents in London have been soaring at the fastest pace in the country over the past year, increasing by 7.9% since April 2010, reaching £988 in April 2011. The second highest rise has been in the South East, which saw monthly rents increase by 5.7% in the past year to £705. Only the East of England has seen rents decline in the past year, falling slightly by 0.8% to £709 per month.

Compared to March, rents increased the most in the South West and the East of England, rising by 1.7% and 1.6%. Rents only declined in three regions – the North East, where they fell by 0.7%, and the South East and East Midlands, where rents fell by 0.1% in both regions.

With rent rises balanced by a slight decline in property prices over the past three months, the total annual return on a property now stands at 2.1%. The total annual return is now the equivalent of £3,509 - £7,955 in rent, with a capital loss of £4,446. However, in areas like London and the South East, where house prices have performed more strongly, annual returns are healthier. In London, landlords have seen a total annual return of 5.1% (£11,981), while property investors in the South East are seeing annual returns of 4% (£7,092).



If property values continue to decline as they have in the last three months, over the next year, a property investor could expect to make a slight annual loss of £61 per rental propertyⁱ - £8,307 in rent, with a capital loss of £8,368.

David Newnes continues: *“Annual returns may have declined in recent months, but for long-term investors not looking to sell immediately, the buy-to-let sector is an attractive proposition. Healthy demand for the limited supply of rental accommodation is driving up rents, and with mortgage finance for buyers still so constrained, this is unlikely to ease off anytime soon.”*

Tenant arrears increased in April, with 11.8% of all UK rent unpaid or late by the end of the month, a strong increase from the 2.4% in the previous month. Unpaid rent totalled £284m across the UK in April, an increase of nearly 27% from the £224m unpaid in March.

Newnes concludes: *“The surge in arrears paints a gloomy portrait on first impression, but these figures are framed by a month which contained consecutive bank holidays. The final bank holiday of the month delayed many rental payments, but on top of this, thousands of tenants took advantage of the opportunity and booked holidays, which has impacted on the timely payment of rent. Nevertheless, despite the short-term factors,*

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landlords need to remain especially vigilant over the medium-term. We are yet to see the true picture emerge from public sector spending cuts, and changing employment situations will hamper many tenants' ability to meet their monthly rent cheque on time."

	Rents April 2011	1 month change	Annual Change	Yields Apr 2011	Yields Apr 2010
London	£988	1.0%	7.9%	5.0%	4.7%
East of England	£709	1.6%	-0.8%	4.6%	4.6%
South West	£629	1.7%	0.5%	3.9%	3.7%
Yorkshire & The Humber	£521	1.4%	3.5%	6.3%	5.8%
North West	£560	0.8%	3.1%	6.5%	6.2%
Wales	£539	0.8%	2.4%	4.3%	4.0%
South East	£705	-0.1%	5.7%	4.7%	4.5%
North East	£508	-0.7%	2.4%	4.9%	4.3%
West Midlands	£548	0.4%	3.8%	5.8%	5.3%
East Midlands	£539	-0.1%	3.3%	6.0%	5.5%
England & Wales	£692	0.8%	4.4%	5.1%	4.8%

ⁱ Assuming house prices change at the average rate of the last three months and they achieve the average yield of 5%.

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