

Millennials spend over a third of take home pay on rent despite price growth beginning to slow

- Young tenants (18-39) spend upwards of a third of monthly take home pay on rent, with those in a three bed property spending 30% and those in a two bed spending 39%. Those attempting to live alone face spending over two thirds (69%) of monthly take home pay
- Despite the pace of growth beginning to slow over the last year and a half, rents have increased by 9% over the past half-decade, with the average rent now costing £1,191 per month
- After food, travel, utilities, and holidays, Generation Rent are left with little to save for a home of their own as rental payments still account for a large proportion of income

4th May 2017 – Cash-strapped millennials renting in the UK are spending upwards of a third of their take home pay of £17,359 on rental payments, according to the latest Landbay Rental Index, powered by MIAC.

For tenants aged between 18-39 and living alone, 69% of a monthly post-tax income of £1,447 is spent on £1,012 of rent. In a shared house of two people, overall rent of £1,152 adds up to 39% of each tenant's income, while those co-habiting in a three-bed property would each spend 30% of their monthly take home pay on a rent of £1,322.

Rents have continued to rise over the last five years, increasing by 9% across the UK since April 2012 and by 8% in London – with monthly payments remaining a huge burden on those struggling to save, despite the pace of rental growth beginning to slow since August 2015, from 2.66% to 0.82%. While rents have begun to fall in prime Central London, outer boroughs popular with millennials, such as Barking and Dagenham, Havering and Bexley have seen rents grow by 26%, 18.9% and 18.2%.

Although rents are beginning to turn a corner, for young people, who are often attempting to juggle the double-edged sword of inflation of over 2%, low interest rates – and in many cases large sums of student debt – spending such a percentage of take home pay on rent leaves little to cover regular monthly living costs and bills, and even less to save towards their future, be that a pension or a deposit for a home of their own.

John Goodall, CEO and founder of Landbay said: “For intermediaries, this generation is the future of their client base, a generation who will face a tough financial journey.”

“Whether these millennial tenants are renting as a stepping stone on the way to home ownership – or in some cases choosing to rent for life – this generation are relying on a well-served buy-to-let market to ensure rental growth doesn't become unbearable. What is now needed is some firm Government commitment to improving standards, affordability and supply of rental properties. Institutional investment and the subsequent growth and professionalisation of the private rental sector are already helping control rental growth and improve living standards for renters, so we hope to see some clear plans outlined in this month's party manifestos ahead of the General Election in June.”

UK Rental Index

APRIL 17	YoY %	MoM %	Av. £
UK	0.82%	0.04%	1,191
England	0.79%	0.04%	1,223
Scotland	1.21%	0.09%	723
Wales	1.30%	0.10%	636
Northern Ireland	-1.01%	-0.37%	552
London	-0.81%	-0.09%	1,878
UK without London	1.72%	0.12%	753

UK Rental Index by number of beds

	One bed			Two bed			Three bed		
	YoY %	MoM %	Av. £	YoY %	MoM %	Av. £	YoY %	MoM %	Av. £
UK	0.55%	0.01%	1,012	0.70%	0.04%	1,153	1.16%	0.07%	1,322
England	0.49%	0.01%	1,046	0.65%	0.04%	1,188	1.13%	0.06%	1,343
Scotland	0.96%	-0.01%	545	1.17%	0.09%	688	1.69%	0.19%	1,116
Wales	1.70%	0.09%	541	1.14%	0.05%	652	1.34%	0.14%	610
Northern Ireland	-3.26%	-0.34%	426	-1.32%	-0.68%	532	0.32%	0.09%	570
London	-0.89%	-0.11%	1,450	-1.04%	-0.11%	1,922	-0.67%	-0.12%	2,682
UK without London	1.72%	0.11%	594	1.60%	0.12%	710	1.79%	0.13%	819

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About Landbay

Landbay is an FCA regulated investment vehicle that harnesses peer-to-peer technology to give investors access to an exciting and robust asset class – UK rental property.

It connects investors with experienced professional buy to let landlords, providing a competitive loan to the landlord, secured against the property, in return for attractive and predictable returns for the investor. By cutting out the banks, both get a better deal.

The company is one of 8 members of the Peer-to-Peer Finance Association and the only peer-to-peer member of the Council of Mortgage Lenders.

As of December 2016, Landbay is fully authorised and regulated by the FCA, but peer-to-peer lending is not covered by the FSCS. Investors' capital is at risk. Investments start at £100, with expected interest rates received up to 3.75%.

Landbay is based in London (UK). More information can be found at www.Landbay.co.uk

About the Landbay Rental Index, powered by MIAC

The Landbay Rental Index includes unique granular level detail, looking at local trends to the county and London Borough level, including further segmentations by number of bedrooms.

The credibility of any index is highly dependent on the breadth and depth of underlying data used, which is why this rental index utilises data from Zoopla, the British property website. Approximately 100,000 properties are analysed each month to form the index.

The rental values are mix adjusted by property type, number of beds and geography to ensure that any change in the composition of the data over time does not skew the results. The changes in rents are calculated based on matched samples of homogenous or identical data points over time. MIAC employs sophisticated smoothing techniques and interpolation to filter 'noise' and optimise the signal from the data.

Landbay and MIAC do not make any declaration regarding the accuracy or completeness of the Rental Index; collectively reserving the right to adjust the methodology and to edit or withdraw any reports or data. Landbay and MIAC shall not be liable for any decisions made or action taken in response to the published data.

About MIAC –

MIAC Acadametrics Ltd offers independent and unrivalled analytical modelling and expertise for the UK and European financial services markets. MIAC is a leader in providing industry participants with state-of-the-art market valuation services on a wide range of mortgage-related and consumer credit-related assets. More than \$4 trillion dollars in US mortgage assets are priced, hedged, and/or accounted for through MIAC's proprietary MIAC Analytics™ data management, cash flow, and hedging software each month.

MIAC Acadametrics is analytically focused, and for the U.K. and Europe in particular, provides a range of services including:

- Stress-testing;
- House price revaluation and wider collateral valuation services including rental valuation;
- Pricing of mortgage books for disposal or economic value;
- Behavioural modelling for all asset types under changing macroeconomic scenarios.

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