



Bristol Buy To Let Market Update

Introduction

In this update we turn to the broad question of housing affordability and by the same token the affordability of rents for tenants. First a summary of the sectors available for Buy to Let investors in Bristol.

The Bristol Property Market By Sector

The growth in population and the strong economy in Bristol have generated a high level of demand for housing and new accommodation in the city. In broad terms this consists of three sub sectors:

1. **The student market** where specialist developers are getting involved with high specification accommodation. A recent report from real estate advisor Savills, highlights Bristol as one of the 15 towns and cities rated as first class investment areas for student accommodation.
2. **The market for new waterfront and city centre developments** has continued to grow with the new mixed use development at Wapping Wharf and conversion of former office blocks at 28 Baldwin Street, Number One Bristol at Lewins Mead and Beacon Tower in Fishponds. In addition there is a planning application for the regeneration and redevelopment of older industrial buildings in the Redcliffe Street area of the city centre.
3. **Private sector housing** where the demand for rented accommodation continues to be strong. This is the sector that most Buy to Let investors are interested in with growth continuing to be strong. According to the 2011 census the private rented sector increased from 12.2% of accommodation in Bristol to 24%.



Housing and Rent Affordability In Bristol

The strength of the Bristol economy has an impact on both house prices and rents. Cities that have a strong economy tend to have higher house prices. This can be measured through the affordability ratio – the ratio between average house prices and average gross local earnings. According to the Affordable Cities Review published by Lloyds Bank this ratio in Bristol is relatively high at 7.8 compared with the UK average of 6.6. However, the strong local economy will also increase average earnings and rents.

A recent report on rents published by insurance company Homelet found that the monthly rent for new tenancies in Bristol was £904 in 2015 compared with £767 in 2014, an increase of around 18%. (Note: Because this excludes existing tenancies the overall average is likely to be less than 18%)

City of the Moment

In January 2016 The Times Property Supplement described Bristol as “City of the Moment” citing an average increase in house prices over the past year of 12.8% placing Bristol third in the league table of English cities behind Cambridge and London, at 14.4% and 13.8% respectively. The average rental yield (rents divided by house prices) in Bristol is around 5%. This is comparatively low compared with the top performing cities for rental yield such as Liverpool, Glasgow and Manchester. **However, Bristol landlords have the benefit of a higher growth in property prices than most other cities.**

Comparison with the UK Average

A recent report from the Royal Institution of Chartered Surveyors (RICS) found that on average **house prices will rise by 4.7% per year over the next five years and rents will outstrip wage increases rising by 5% a year.** The RICS report concludes that “should house prices continue to rise faster than average incomes, aspiring first-time buyers will find it even tougher to get on the property ladder in the new year.”

Conclusions

1. Rents and house prices in Bristol will continue to increase above the UK average because of the growing population, the strong economy and the under supply of new housing.
2. Bristol Buy to Let investors have a wide range of investment opportunities available – the student market, new developments and the existing stock of privately owned housing.
3. A key question for Buy to Let investors is whether the money available for rents will continue to drive the recent high rent increases for future years. Some analysts are already asking if a correction in house prices is due to happen and if so when? **In these respects, Bristol Buy to Let landlords are better placed than most other cities in the UK.**