

Private rented sector report – Q1 2023

The UK's most comprehensive rental market report

Introduction to the rental market

Every month we are bombarded with a host of rental reports which cover what's happening in the market, both nationally and regionally.

Some reports are produced monthly and others quarterly. Some cover the UK, while others cover just England and Wales. From working with rental indices, we know there are three levels of rental inflation:

- **New lets** – these purely look at rents for new properties on the rental market and show the highest rental inflation. They may include new builds or newly refurbished properties.
- **Advertised rents** – these are a mix of existing and brand new properties and give an indication of the latest trends in rents.
- **Existing rents** – these are renewed lets of properties to existing tenants and have the lowest increases.

The rental reports give us an insight into what is happening in the market and we comment on whether this is a general trend, something which is an anomaly or 'one-off' and particularly highlight the enormous regional differences.

We take a lot of time and effort to understand the strengths and weaknesses of the different indices and to make sure that when they give conflicting information or abnormally high increases and decreases, we attempt to explain why these large changes exist. For example:

Rental data from the North East

Having studied rents for many years not just via the indices but also by talking to local letting agents, we know rents for the region of the North East can fluctuate dramatically as monthly rents vary from just £300 per month to in excess of £3,000 a month. In addition, there is a large student influx, so a large proportion are HMOs, raising the average rents at different times of the year. As such, we tend to report, where possible, on individual areas and take large month-on-month fluctuations with a pinch of salt.

Large rises and falls

Typically, we know rents don't fluctuate much from one month to the next and are capped by wage growth. As such, in the past, whenever we see large fluctuations, we investigate what's causing it in case it's a stats anomaly.

However, this changed in 2022. Newly let rents have been rising at double digits. This is partly due to wage rises of 6.5% YoY ([Source: ONS](#)) and now due to a huge shortage in properties to rent. This has been caused by landlords leaving the market, few new investors, especially due to the mortgage hikes and because of government policies. In contrast though, all rents, including existing rents from the ONS, show that overall rents are rising below inflation at 4.8% according to the ONS.

Summary of rental reports

Rightmove

Rents rise again to new record but growth continues to slow

“Average asking rents for new tenants outside of London rise to yet another new record of £1,190 pcm. This marks 13 consecutive three-month periods where asking rents on new properties to let have risen, a run which stretches back to the end of 2019.”

Hometrack

Rental market running very hot

“Average rents for new-lets have increased by 11.1% in the last 12 months while earnings had increased by 6.7%. Rental inflation has slowed slightly from 12.3% in mid-2022 but there is no sign of any imminent slowdown.”

DPS

UK rental values continued to accelerate during 2022 – Q4 2022

“Despite a cost-of-living crisis leaving many tenants struggling with their finances, the cost of renting continues to rise, with average rent in the UK now standing at £903, up 8.27% from £834 in Q4 2021.”

Homelet

Rental prices continue to rise across the board

“Average rents across the UK continue to break new records. Rents in April reached their highest ever level, and outside of London broke through the £1,000 threshold for the first time.”

Goodlord

Rents rise in majority of regions

“Rents have now risen for five consecutive months. And prices are now at their highest level recorded since September 2022.”

Propertymark

Demand continues to rise

“The mismatch between supply and demand has risen 35 per cent since April 2022.”

ONS

“Private rental prices paid by tenants in the UK rose by 4.8% in the 12 months to April 2023, up from 4.7% in the 12 months to March 2023.” (Includes existing and new tenancies)

National rental prices

	Q1 21 (Mar 21)	Q2 21 (Jun 21)	Q3 21 (Sep 21)	Q4 21 (Dec 21)	Q1 22 (Mar 22)	Q2 22 (Jun 22)	Q3 22 (Sep 22)	Q4 22 (Dec 22)	Q1 23 (Mar 23)	Annual Change		
Rightmove	£982	£1,007	£1,047	£1,068	£1,088	£1,126	£1,162	£1,172	£1,190	9.4%	Asking rents	E W & S
Hometrack/Zoopla	£923	£943	£968	£969	£995	£1,051	£1,051	£1,078	£1,119	11.1%	Asking and agreed rents	UK
DPS	£800	£804	£818	£834	£849	£870	£889	£903	n/a	8.3%	Asking rents	UK
Homelet	£992	£1,007	£1,061	£1,060	£1,078	£1,113	£1,159	£1,174	£1,184	9.8%	Agreed rents	UK
Goodlord	£916	£960	£1,104	£985	£1,006	£1,050	£1,249	£1,071	£1,091	8.0%	Agreed rents	E

It's clear that government policies – from Wales, Scotland, Northern Ireland and England have resulted in a drastic reduction in the number of properties available over the last 18 months.

This is being caused by three things:

1. More landlords leaving and less entering the market due to a lack of financials stacking up, eg due to loss of Section 24 – a landlord's ability to deduct the financial costs from their rent (turnover), rise in utility bills for HMOs. In addition, more landlords are converting existing properties to serviced lets to ensure their financials do stack up and this is taking stock away from the long term rental market.
2. More landlords are leaving the market due to retirement. BTL mortgages were introduced in 1997 and the market grew rapidly from early 2000, so 20+ years later, they are reaping the rewards of their investment.
3. Anti landlord policies and sentiment are causing landlords who have been in the market for a long time to sell up, especially after the boost to property prices during the pandemic.

The result is that all governments have exacerbated the housing crisis as the PRS was the one sector that was delivering more roofs over people's heads via the likes of HMOs, converting larger properties to smaller ones and upgrading poor quality homes.

Now we have a shortage of up to 1.5 million homes in the social sector. This has resulted in 1mn+ households on benefits renting in the PRS, taking homes away from first time buyers and private renters.

Having 'papered over the cracks' of the housing market over the last 20 years, successive governments, MPs, mayors, local authorities and planners are now the main cause of rapidly rising rents and affordability in the private sector – it's not private developers and it's not private landlords.

As a measure of the problem in the rental market, even though things are getting a bit better, according to Rightmove's latest figures:

"Supply is still very constrained, however it is showing slow signs of improvement this year:

**The number of available properties to rent is currently 6% higher than last year, and across the first three months of the year has improved by 8% compared with the same period last year.*

**However, the number of available properties to rent is still 46% below 2019's level."*

Rental prices by country

The Office of National Statistics produces some fab long-term data, but it only gives 'percentage' changes, not rental averages and these tend to be lower than most rental indices as they include existing rents, not just new lets.

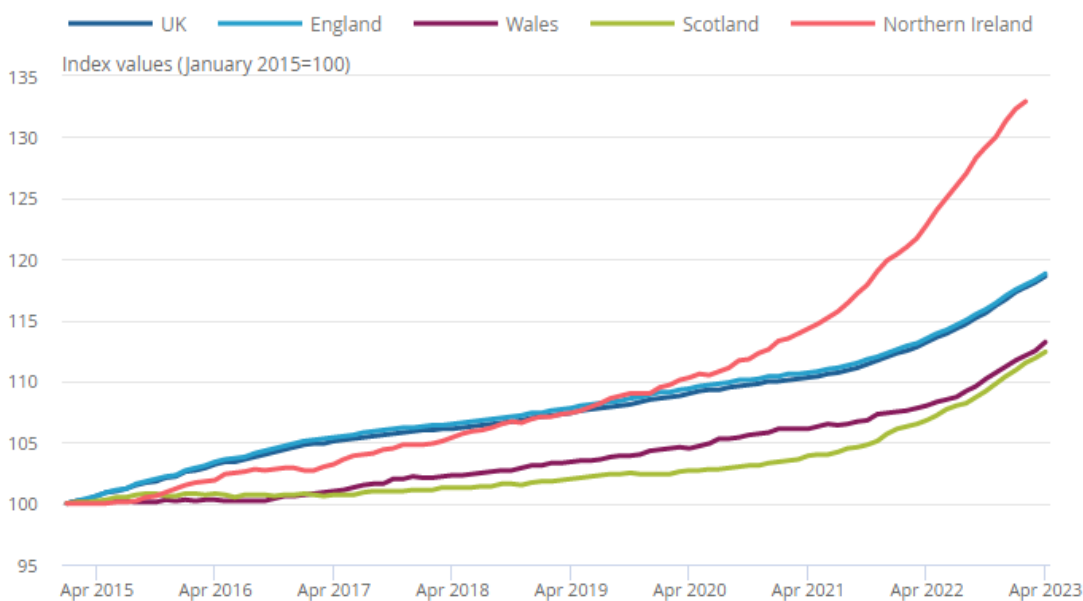
What this data shows is the effect of different government policies on the different countries. Northern Ireland is seeing the largest hike of 9.8% year on year, while Scotland, which has seen the harshest changes for landlords, including a 3% cap on rent rises: 5.2%+. Wales, which had the most recent, dramatic changes to the rental sector, is up 4.8%, while England lags slightly behind at 4.7% (4.6% excluding London).

The effect of the policies is clear – without harsher tax, rules and regulations, rents only went up by 2-3% each year in each country.

ONS Private Rented Sector Index

Figure 3: Rental prices have increased more in England and Northern Ireland than in Wales and Scotland since 2015

Index of Private Housing Rental Prices indices for countries of the UK,
January 2015 to April 2023



Source: [ONS](#)

1. In England, private rental prices increased by 4.7% in the 12 months to April 2023. When London is excluded from England, private rental prices increased by 4.6% in the 12 months to April 2023. The figures are the highest annual percentage changes since these series began in January 2006.
2. Private rental prices in Wales increased by 4.8% in the 12 months to April 2023. This is up from an increase of 4.4% in March 2023, and is the highest annual percentage change since the Wales series began in January 2010.
3. Private rental prices in Scotland increased by 5.2% in the 12 months to April 2023. This is up from an increase of 5.1% in March 2023, and is the highest annual percentage change since the Scotland series began in January 2012.
4. Private rental prices in Northern Ireland increased by 9.8% in the 12 months to February 2023, higher than other countries of the UK. Northern Ireland data lags behind the rest of the UK and will be updated in our next Index of Private Housing Rental Prices, UK bulletin, to be published on 21 June 2023.

Regional rental prices

On a regional basis, rents had been lagging behind in London, but have now started to catch up and are showing some of the largest rises, ranging between 11 and 14% according to the different indices below.

Overall, the lowest rises appear to be in the South West, but rents are still rising fast at 7.5% to 8%. Most other regions are seeing consistent rises of 9-10% year on year.

The largest annual rental price percentage change in the 12 months to April 2023 was in London and Yorkshire and The Humber at 5.0%, closely followed by the East Midlands at 4.9% and the North West at 4.8%.

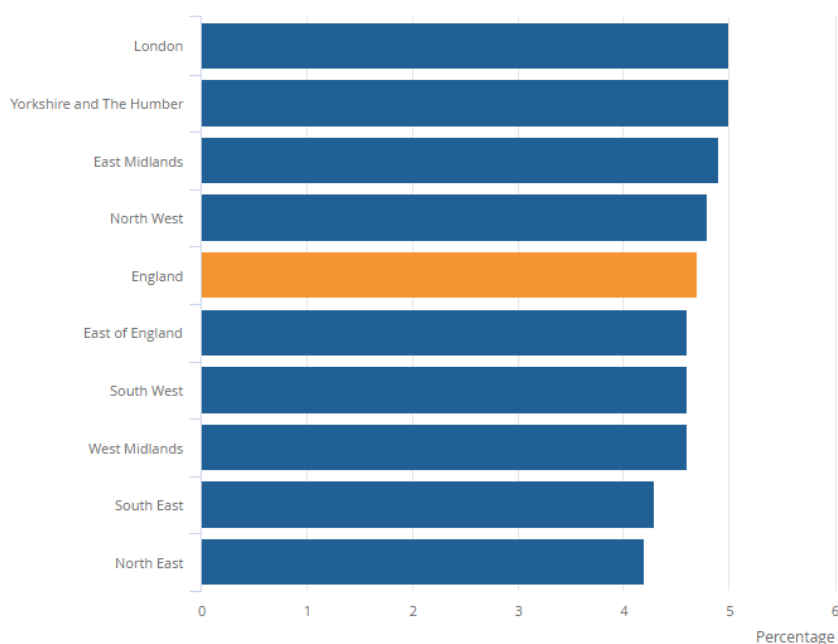
As the data above from the ONS shows, it's unprecedented to see rises of this level and to do so over such a sustained period of time. We know rents though only rise in line with wages over time, so partly why these rises are happening is because wages have been rising at a faster rate than ever before too.

According to latest data from ONS, wages rises are up by 6.5%.

Rental prices - regions	Rightmove rents pcm Q1 23	Rightmove Year on year change in rents Q1 23	Hometrack rents pcm Q1 23	Hometrack Year on year change in rents Q1 23	Homelet rents pcm Apr-23	Homelet Year on year change in rents Apr-23
North East	£803	9.7%	£631	8.4%	£645	8.6%
North West	£1,025	9.3%	£778	11.1%	£958	9.1%
Yorkshire & The Humber	£940	10.8%	£743	9.0%	£813	8.5%
East Midlands	£1,048	9.8%	£803	9.4%	£824	9.1%
West Midlands	£1,052	9.2%	£831	9.6%	£886	9.0%
South West	£1,293	7.5%	£1,008	8.0%	£1,113	7.5%
East	£1,446	8.7%	£1,070	8.7%	£1,150	9.0%
South East	£1,676	9.2%	£1,229	8.9%	£1,277	9.7%
London	£2,501	14.0%	£1,978	15.2%	£2,003	11.0%

Figure 4: Highest annual rental price percentage change is in London and Yorkshire and The Humber

Index of Private Housing Rental Prices percentage change over the 12 months to April 2023, by English region



Source: [ONS](#)

DPS

“Across the UK, all regions have seen significant annual rental growth, with London and Scotland recording double digit percentage rises that outstrip inflation (currently 10.50%). Average rent in London now stands at £1,541, up £160 (11.59%) from Q4 2021, the highest rise by value seen by any region. The highest rise as a percentage of average rent was seen in Scotland, up £79 (12.02%) to £736, also the second highest regional rise by value after London.

“Only three regions experienced annual growth under 6%. Yorkshire saw the smallest percentage increase, up £32 (5.50%) to £614, closely followed by the South East up £53 (5.52%) to £1,014.”

Goodlord

Rents rise in majority of regions

“Six of the eight regions monitored by Goodlord saw rents rise over the course of May. The average cost of rent per property in England is now £1,111. This is up from £1,103 in April, a 1% increase.

“Rents have now risen for five consecutive months. And prices are now at their highest level recorded since September 2022. The biggest shift in prices during May was recorded in the South West, where rents were up by nearly 3% - rising from £1,062 to £1,092.

“Only two regions recorded a decline in the cost of rent, albeit negligible. The East Midlands saw costs drop by 0.47% and the North East by -0.19%.”

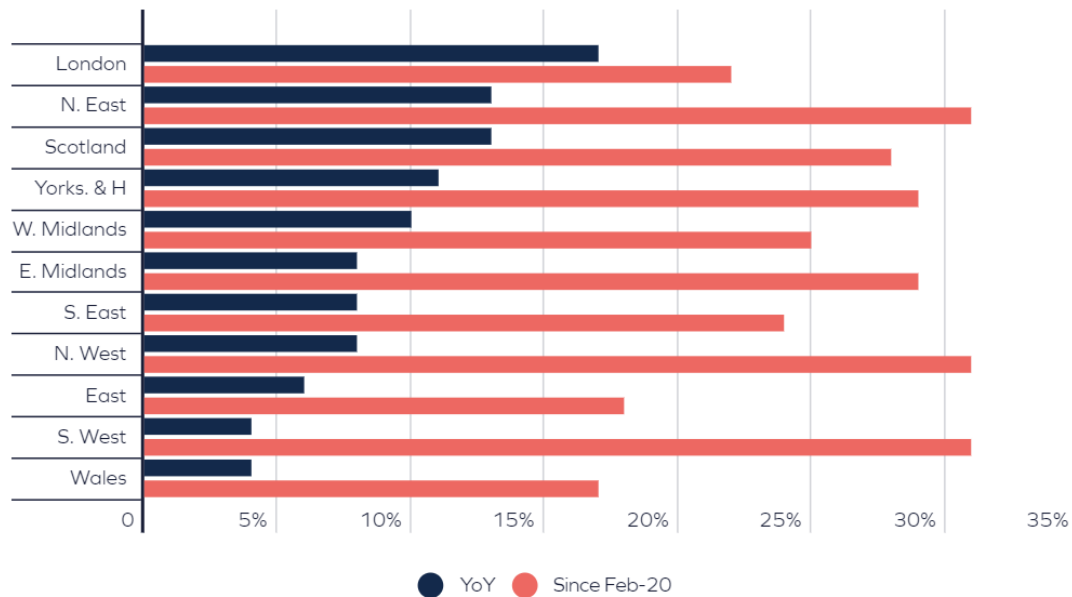
Hamptons

“London continues to fuel rental growth. In April 2023, the average rent for a newly let property in Greater London reached £2,210 pcm - 17.2% higher than the same month the previous year.

“Outer London also experienced significant growth, with rents increasing by 15.1% year-on-year in April. This follows the region's average rent surpassing £2,000 pcm for the first time in November 2022. However, rental growth in London since the pandemic has lagged behind the rest of the country. Inner London has seen a 21% increase since February 2020, while Outer London has experienced 22% growth. In contrast, the South West, North West, and North East have recorded the strongest growth, with rents up 31% since Covid began.

“In April 2023, average rents reached new records in seven out of Great Britain's 11 regions. Wales, the South West, and the North East were the only regions where average rents remained slightly below their peak. Scotland, like London, also saw double-digit rental growth (12.8%) in April for properties where a new tenant moved in.”

RENTAL GROWTH ON NEWLY LET PROPERTIES BY REGION



Source: Hamptons

City and town rents

There isn't a huge amount of rental information on local data for towns and cities, except from Hometrack and the truly fantastic data provided in Scotland by Citylets – if only we had this kind of detail for England, Wales and Northern Ireland!

City	Annual % change in rents	Average rent (pcm)*
1 Manchester	14.4%	£978
2 Edinburgh	12.7%	£1,133
3 Glasgow	12.2%	£844
4 Nottingham	10.9%	£902
5 Birmingham	10.9%	£849
6 Aberdeen	10.9%	£636
7 Cardiff	10.9%	£1,043
8 Bristol	10.5%	£1,298
9 Cambridge	10.1%	£1,440
10 Sheffield	10.0%	£747
11 Newcastle	9.5%	£745
12 Leeds	9.4%	£916
13 Southampton	9.1%	£1,035
14 Liverpool	9.1%	£758
15 Belfast	6.4%	£702
UK (ex. London)	11.1%	£1,119
UK	9.4%	£923

Source: [Hometrack](#)

Scotland

Citylets

“Average rents in Scotland rose 12.4% (YOY) in the first quarter of 2023 to average £1,007 per month with properties taking just 21 days to let. Keen competition for property to rent around the country persists evidenced by widespread double digit growth in rents and low time to lets. Aberdeen recorded growth above 10% for the second consecutive quarter seeing rents starting to head back to parity with Citylets Index 2008 base, however adjusted for inflation rents remain significantly lower in real terms.

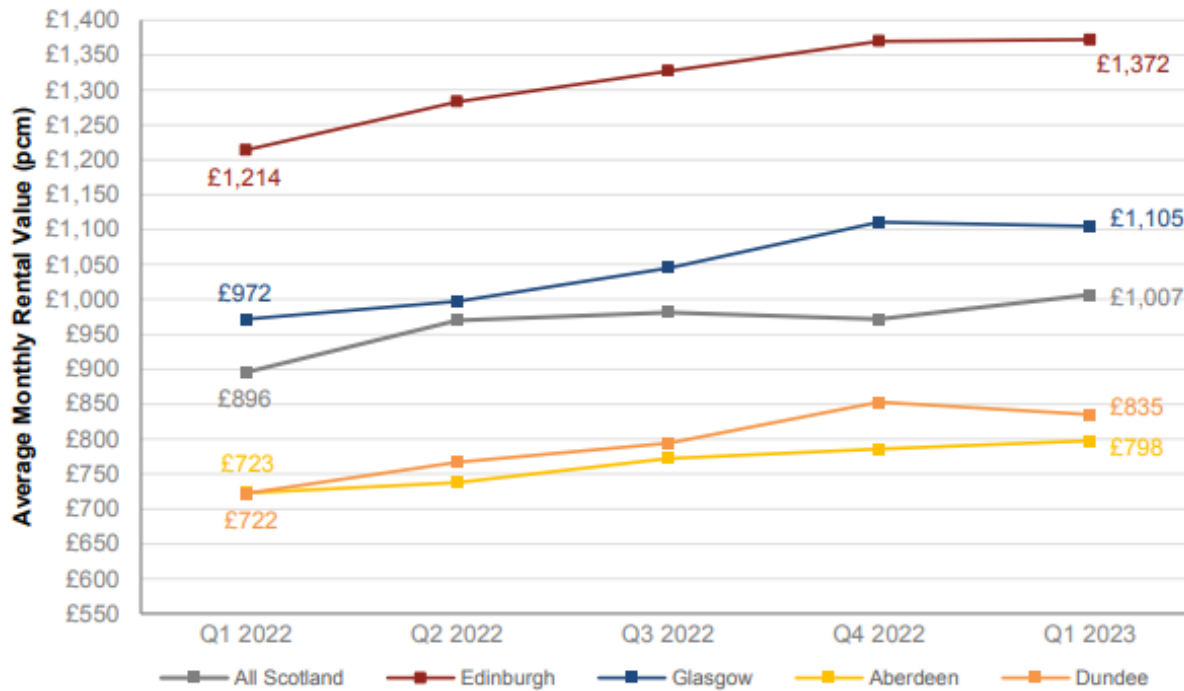
“Edinburgh - The start of 2023 has continued as 2022 left off and is still very busy with new landlords looking to add to their rental portfolios. Whilst stock levels remain low across the market, the demand for good quality properties is strong.

“Glasgow - There was little change to the market in Q1, with no improvement in the supply and demand shortage we saw at the tail end of last year.

“Aberdeen - Rents are rising in Aberdeen and with some landlords looking to get out of the market due to their own rising costs, the pressure on tenants is going to continue. The rent freeze coming to an end in March will see a rise for a lot of existing tenants coming into effect by July, but the cap has meant that some tenants are not only forced to move, but will pay a higher rent on the open market.

“Dundee - Q1 of 2023 saw an unprecedented upsurge in the asking prices for rents in Dundee, directly influenced by a continued demand for good quality property outstripping available market supply.”

Scottish Monthly Rent Analysis (Q1 2022 - Q1 2023)



Source: [Citylets](#)

Rental demand and supply

This is very much the cause of the problem. During the pandemic, the buying and selling market had the biggest shortage of supply and demand and experienced double digit growth (well for houses anyway, [read our latest price report here](#)), now however, for the first time I can remember, supply and demand is tighter in the rental market and with wage growth up, rents are rising more and for longer than they have before.

The problem the government has now is that the rise in mortgage rates means getting the financials to stack up for the rental market is pretty difficult. Average yields at best are 5-6%, so with 5% mortgage rates or more, it's going to be very hard to see how the current or future government is going to solve the housing crisis without building more homes at a rate never seen before.

Rightmove

"Supply remains very constrained in the rental market, however it is showing slow signs of improvement this year. The number of available properties is currently 6% higher than the near-record low levels of this time last year, while across the opening three months of this year, the number of available rental properties is up by 8%. However, supply is still historically very low, with the number of available rental properties now 46% below 2019's level.

"The gap between supply and demand, or competition between tenants for the homes available, has improved slightly compared to last year however there remains a significant imbalance, with the number of tenants enquiring to move greatly outweighing the number of homes to rent.

"Competition between tenants has eased by 2% compared to last year, though it is still more than double (+173%) the level it was back in 2019.

"The gap between supply and demand is exacerbated by the number of tenants looking to move continuing to exceed even last year's frenetic level. The number of tenants enquiring to move is now 4% higher than this time last year, and 48% higher than 2019.

"Terraced Houses have the biggest gap between supply and demand, with more than four times as many tenants enquiring as there are properties of this type available to rent, while flats are currently finding a tenant the quickest."

Propertymark

"The number of new prospective tenants registering per member branch rose slightly to 118 in April. This figure is up from the December low of just 64. It is also 24% higher than April 2022.

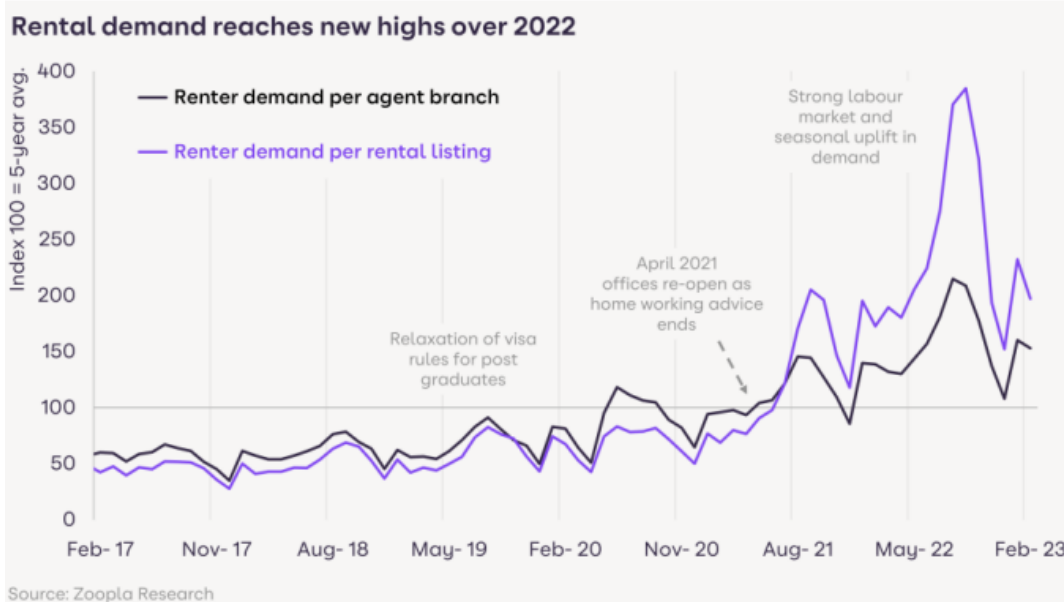
"The number of properties available to rent per member branch remained stubbornly low at 9 in April. This is the same level of stock as April 2022."

Hometrack

Rental demand accelerates from mid 2021

"Demand for rented homes, and rental inflation, took off as the economy reopened in the spring of 2021 and new visa rules attracted a major inflow of students and others for work. Our core measure of rental demand - enquiries received per estate agency branch - peaked in summer 2022 at double the 5-year average. However, with a third fewer homes available for rent than normal, demand per available rental home spiked even higher last year by 250% above the 5-year average.

"Demand for rented homes remains 10% higher than this time last year. Rents will continue to rise ahead of incomes unless we see a sustained increase in rental supply or a material weakening in demand, both of which appears unlikely at this stage."



Supply of private rented homes remains broadly static

“While demand has increased, the number of privately rented homes remains largely static. In 2021, there were 5.5m private rented homes in Great Britain - slightly more than the 5.4m total in 2016. This follows a doubling in the number of private rented homes between 2002 and 2015, driven by landlords using buy-to-let mortgages.”

“In simple terms, a static supply of rented housing means new investment that adds to supply is offset by property leaving the sector, as landlords dispose of rented homes as part of ongoing portfolio rationalisation or exit the rental market altogether.”

“We are registering a slight slowdown in landlord sales in the face of a weaker sales market. Some 11% of homes listed for sale on Zoopla in early 2023 were formerly rented. This is a reduction from over 13% last year but levels remains above average. Tax changes, growing regulation and higher borrowing costs are leading many private landlords to review their portfolios and the pros and cons of investing in housing.”

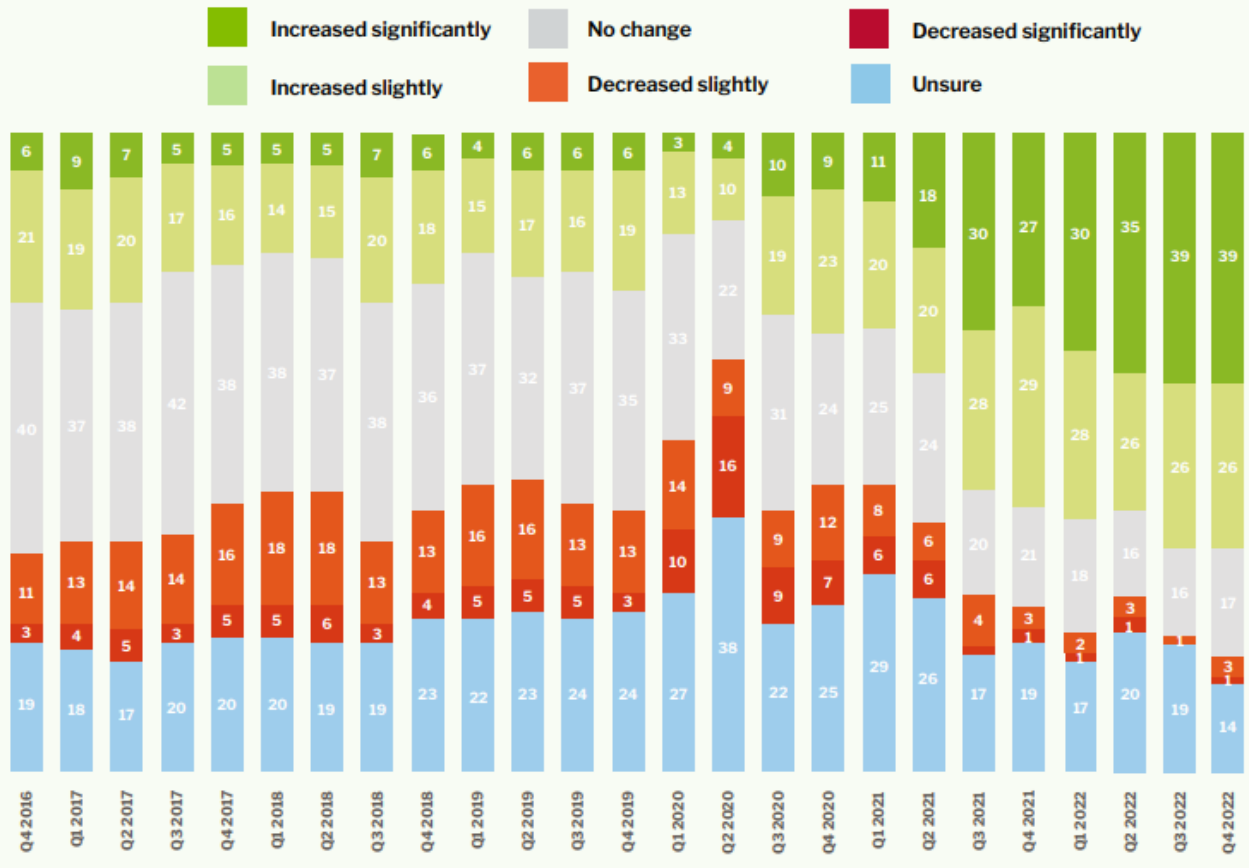
Paragon Bank

“The all-time high in tenant demand seen in the last quarter continued into Q4 2022, with 65% of landlords again reported an increase over the previous three months.”

“The strongest levels of tenant demand were seen in Central London, where nine in 10 (90%) landlords recorded an increase during the previous three months, up from 79% in Q3 2022. When compared to the 12% of Central London landlords who reported increased demand in the second quarter of 2020, the height of the Covid pandemic, this acts as evidence of returning interest in rented homes that are centrally located in the capital.”

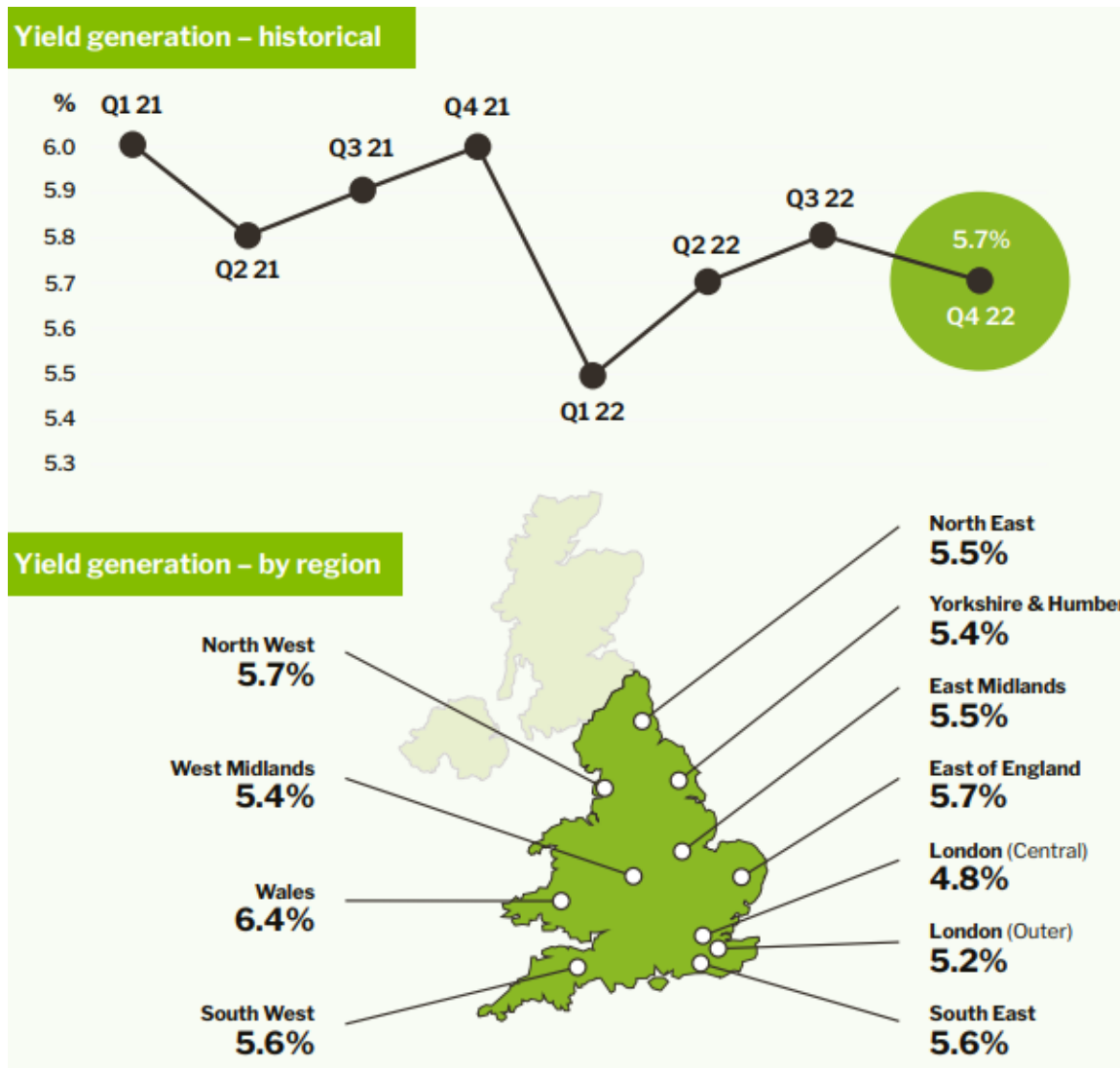
“Other regions seeing strong levels of tenant demand across the previous three months include the North East and South East of England, where it was reported by 82% and 81% of landlords respectively.”

Tenant demand in last three months (%) - Historical



Source: [Paragon Bank](#)

Rental yields by England and regions



Source: [Paragon Bank](#)

Region	Average Landlord yield Q1 2023	Annual change in yield
Great Britain	5.8%	+0.2%
North East	7.9%	-0.1%
Scotland	7.8%	+0.6%
Wales	6.9%	+0.1%
North West	6.7%	+0.0%
Yorkshire and The Humber	6.7%	+0.1%
West Midlands	6.0%	+0.0%
East Midlands	5.9%	+0.0%
South West	5.5%	-0.2%
East of England	5.4%	+0.1%
South East	5.3%	+0.1%
London	5.1%	+0.4%

Source: [Rightmove](#)

Where next for Rents?

The only good news for tenants over the rest of the year is that rental growth will abate, but unlike property prices, it's not likely to go into reverse anytime soon. And just as many homeowners are about to come off fixed rate mortgages to higher rates, any tenant that is keen to move is going to have a big shock of the new market rents they will have to pay.

Hometrack

Outlook will start to be shaped by affordability

"We expect a continued scarcity of homes for rent over 2023 given the weaker economics for investors. Ongoing completions of build to rent schemes will be one bright spot, adding supply at the mid to upper end of the market across UK cities. One additional area of potential supply could come from sellers renting out homes they can't sell due to a weak sales market, but conditions aren't sufficiently challenging at this stage for this to impact the outlook.

"Rental demand is unlikely to be quite as strong as last year given weaker economic growth, but we expect it to remain above the 5-year average. Much depends on trends in employment, especially across UK cities where rented homes and jobs are concentrated.

"In terms of affordability, average rents expressed as a percentage of earnings are now at or close to ten-year highs in all regions except London. This will start to impact the pace of rental growth over 2023 which we expect to slow to 4-5% by the year end.

"A faster slowdown in rents in inner London and some inner-city areas could develop later this year as stretched affordability combines with localised increases in supply and slower jobs growth."

Savills

Prospects of continued under-supply

"Modelling undertaken by Capital Economics on behalf of the National Residential Landlords Association has produced some headline grabbing statistics regarding the number of private rented properties that could be taken out of the sector in a higher interest rate environment.

"However, the impact for individual landlords will depend on the legal structure in which the property is held, the level of equity which they have accumulated in their assets, and the ability to diversify some of the property specific risks across their portfolio.

"While smaller more indebted landlords are likely to be at the sharp end of these pressures, some larger, equity-rich landlords will be eyeing an opportunity to expand their portfolio, particularly if they hold their property in a corporate structure. Those landlords will have a keen eye on the state of the wider UK housing market."

Knight Frank: revised rental forecasts (March 23)

"For now, our forecasts for prime London markets remain unchanged from October. We have revised up our forecasts for Greater London in 2024 (to 4% from 3%) and in 2025 (to 3.5% from 3%)."

Rental market forecast						
2023-2027						
	2023	2024	2025	2026	2027	5 year Cumulative
UK	4.0%	4.0%	3.5%	3.0%	2.5%	18.2%
Greater London	5.0%	4.0%	3.5%	3.0%	3.0%	19.9%
PCL	6.0%	3.5%	3.0%	3.0%	3.0%	19.9%
POL	6.0%	3.5%	3.0%	3.0%	3.0%	19.9%

Source: Knight Frank
Forecasts relate to average rents in the PRS. New build rents, such as those in the BTR sector, may not move at the same rate



“The relative strength of the sales market means there could be fewer accidental landlords this year, which means supply could remain frustratingly tight in many areas. Across the UK, there is little sign of the supply/demand imbalance ending in the short-term, with affordability challenges in the sales market likely to underpin demand for rental properties.

“Meanwhile, the higher cost of buy-to-let mortgages, recent tax changes and the prospect of further legislative obligations may lead some individual private landlords to sell up, increasing upwards pressure on rents. This, along with expectations for relatively robust wage growth over the next five years, support our strong outlook for rental growth.”

Hamptons: Autumn Forecasts 2022

RENTAL GROWTH FORECAST

Source: Hamptons

	2022	2023	2024	2025
London	+10%	+6%	+5%	+5%
South	+7%	+6%	+5%	+5%
Midlands	+6%	+4%	+5%	+3%
North	+5%	+4%	+5%	+3%
GB	+6%	+5%	+5%	+4%

Source: [Hamptons](#)