

# Private rented sector report – Q1 2024

## 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 6.0% 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 now rising above inflation at 8.9% according to the ONS.

## Summary of rental reports

### Rightmove

#### **50,000 rental properties needed to bring supply back to pre-pandemic levels**

*“Average advertised rents outside of London rise to a new record of £1,291 per calendar month (pcm), though the pace of rent growth continues to slow, with average rents now 8.5% higher than last year.”*

### Hometrack

#### **UK rental inflation lowest for 2 years**

*“UK rental inflation slows to +7.8%, a 2-year low.”*

### Homelet

#### **Average monthly UK rent increases by 1.6%**

*“April 2024 saw another pick-up in rental growth, pushing average rents to a new high of £1,294 per month.”*

### Goodlord

#### **April brings higher rents as year-on-year rises continues**

*“April 2024 rents up 6% year on year while void periods remain steady.”*

### Propertymark

#### **Tenant demand decreases**

*“The average number of new prospective tenants registered per member branch provides an indication of market demand. Registrations decreased from 89 in February 2024 to 82 in March 2024 suggesting that demand is slowing.”*

### ONS

*“Average UK private rents increased by 8.9% in the 12 months to April 2024 (provisional estimate), down from 9.2% in the 12 months to March 2024.”*

## 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)	Q2 23 (Jun 23)	Q3 23 (Sep 23)	Q4 23 (Dec 23)	Q1 24 (Mar 24)	Annual Change		
Rightmove	£982	£1,007	£1,047	£1,068	£1,088	£1,126	£1,162	£1,172	£1,190	£1,231	£1,278	£1,280	£1,291	8.5%	Asking rents	EW & S
Hometrack/Zoopla	£923	£943	£968	£969	£995	£1,051	£1,051	£1,078	£1,119	£1,126	£1,163	£1,201	£1,223	7.8%	Asking & agreed rents	UK
DPS	£800	£804	£818	£834	£849	£870	£889	£903	n/a	n/a	£1,121	n/a	n/a	9.1%	Asking rents	UK
Homelet	£992	£1,007	£1,061	£1,060	£1,078	£1,113	£1,159	£1,174	£1,184	£1,229	£1,276	£1,268	£1,273	7.5%	Agreed rents	UK
Goodlord	£916	£960	£1,104	£985	£1,006	£1,050	£1,249	£1,071	£1,091	£1,148	£1,346	£1,147	£1,159	6.2%	Agreed rents	E

Tracking rents over the last few years has been very unusual. Historically, rents rise at around 2% per annum, but since the Pandemic, wages have risen and stock shortages are very tight in the rental sector, we have seen double digit rises in rents. Although, up until September last year, the increases were still in line with inflation rises, since then, inflation has come down, while rent rises have remained high.

Although they have fallen from double digit increases, they are still rising at historically high levels, even in excess of inflation and wage growth – the two typical influences on rents.

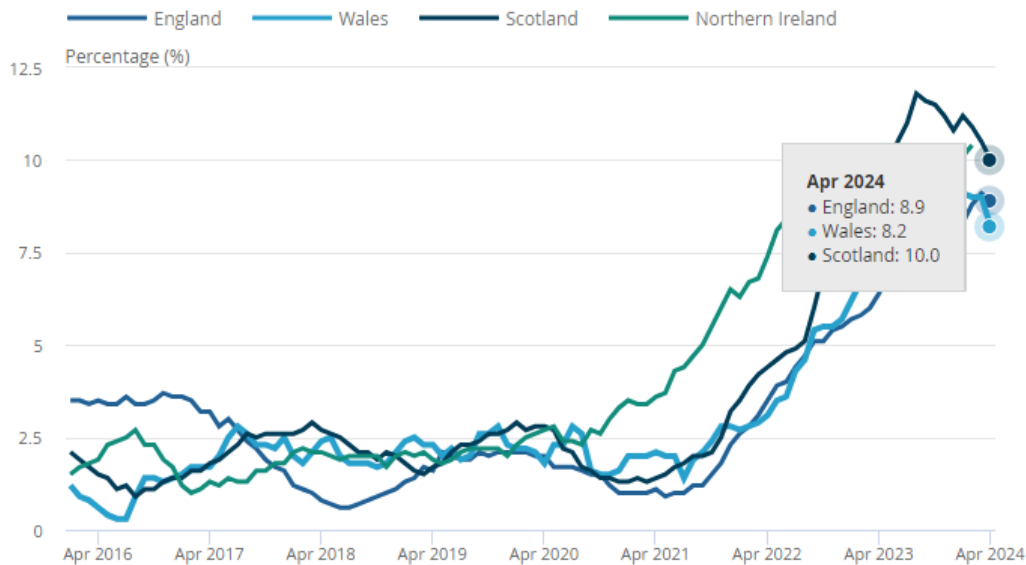
# Rental prices by country

## ONS Private Rented Sector Index

Figure 3: Average rent annual inflation eases in all Great Britain's countries

Private rent price annual inflation, UK countries, January 2016 to April

2024



Source: [ONS](#)

1. Average rent for England was £1,293 in April 2024, up 8.9% (£106) from a year earlier. This annual rise was lower than in the 12 months to March 2024 (9.1%), which was the highest annual rise since this series began in 2006.
2. Average rent for Wales was £730 in April 2024, up 8.2% (£55) from a year earlier. This annual rise was lower than in the 12 months to March 2024 (9.0%). Wales's annual inflation rate has been generally slowing since the record-high annual rise of 9.8% in November 2023, which was the highest annual rise since this series began in 2010.
3. Average rent for Scotland was £952 in April 2024, up 10.0% (£87) from a year earlier. This annual rise was lower than in the 12 months to March 2024 (10.5%). Scotland's annual inflation rate has been generally slowing since the record-high annual rise of 11.8% in August 2023, which was the highest annual rise since this series began in 2012.
4. Northern Ireland data are currently available up to February 2024. Average rent in Northern Ireland increased by 10.4% in the 12 months to February 2024, up from 10.1% in January 2024. This is the highest annual rise since this series began in 2016.

## Regional rental prices

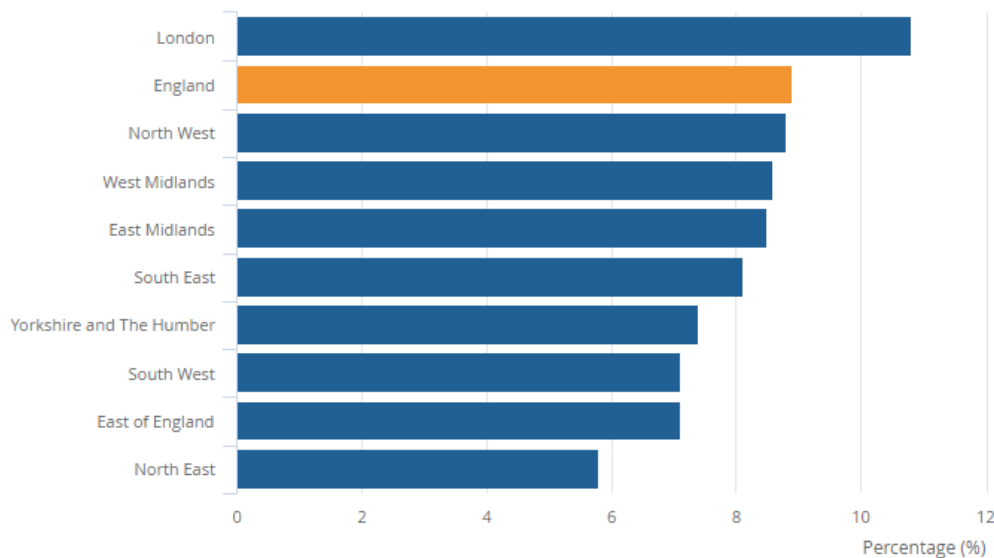
Regional rent rises appear to be at their highest in the West Midlands, while London is showing the slowest growth, likely to be due to ‘caps’ on wage growth. Having said that, the data is conflicting as according to the government’s ONS data, London is seeing the largest rise.

Rental prices - regions	Rightmove rents pcm Q1 24	Rightmove Year on year change in rents Q1 24	Hometrack rents pcm Q1 24	Hometrack Year on year change in rents Q1 24	Homelet rents pcm Apr-24	Homelet Year on year change in rents Apr-24
North East	£882	9.8%	£695	9.9%	£699	8.4%
North West	£1,127	9.9%	£848	9.8%	£1,047	9.3%
Yorkshire & The Humber	£1,018	8.3%	£799	7.6%	£886	9.0%
East Midlands	£1,140	8.7%	£860	8.7%	£884	7.3%
West Midlands	£1,160	10.3%	£905	8.6%	£975	10.0%
South West	£1,390	7.5%	£1,077	8.0%	£1,176	5.7%
East	£1,562	8.0%	£1,163	9.3%	£1,235	7.4%
South East	£1,803	7.6%	£1,325	8.9%	£1,359	6.4%
London	£2,633	5.3%	£2,121	5.1%	£2,167	8.2%

## 4. Private rents by English region

**Figure 4: Average rents annual inflation continues to be highest in London**

Private rent price annual inflation, English regions, April 2024



Source: [ONS](#)

London was the English region with the highest rents inflation in the 12 months to April 2024, at 10.8%. This was down from the record-high annual rise of 11.2% in March 2024, which was the highest annual inflation since this series began in January 2006. London’s annual inflation rate slowed because average rent prices rose more slowly in April 2024 than they did a year earlier.

Rents annual inflation was lowest in the North East, at 5.8% in April 2024. This was down from the joint record-high annual rise of 6.1% in March 2024.

## Goodlord

“The most significant month-on-month shift was recorded in the East Midlands, where rents were up by nearly 3% compared to March.

“Only two regions recorded a reduction in rents. With prices down by 1% in the West Midlands, and 0.15% in Great London.

“The highest rents are currently found in Greater London, at £1,951, and the lowest in the North East, at £863 per month.”

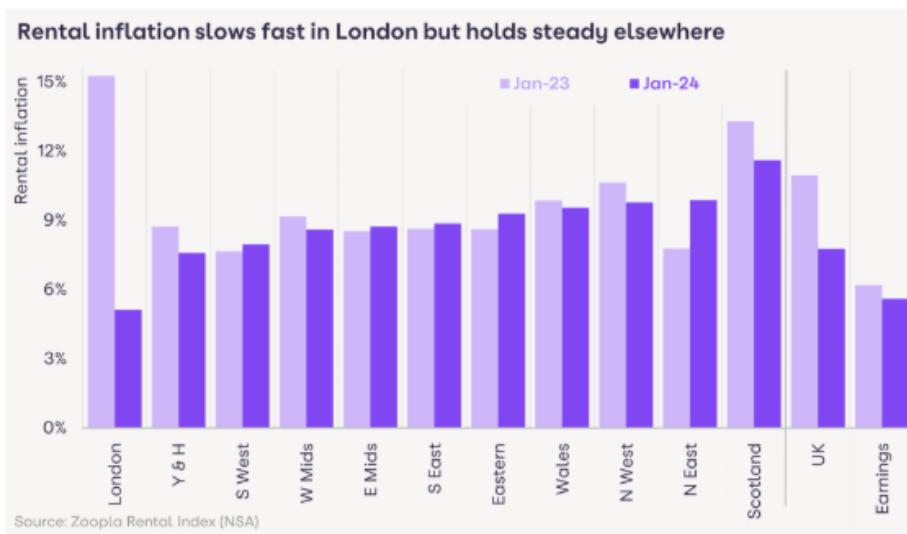
## Hometrack

### London leads the rent inflation slowdown

“London has recorded a sharp slowdown in rental inflation to just 5.1%, down from 15.3% a year ago. The balance between supply and demand has narrowed the most in London, with demand 30% lower than a year ago and available supply increasing by the same amount. High rents in London mean affordability constraints are compounding the scale of the slowdown in rent inflation.

“Across the rest of the UK, rental inflation is broadly in line with a year ago despite weaker demand. Rental inflation is starting to slow across all major cities but to a lesser degree than London.

“Rents continue to rise the fastest in Scotland (11.6%) - the only area where rental inflation remains in double digits. The rate of inflation has slowed modestly on cooler demand, mainly due to seasonal factors, but lower rents are less of a constraint on rental growth.”



## 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 data provided in Scotland by Citylets, but it's still important to speak to local agents about the reality of rental trends as they are the only ones 'on the ground' that really know what's happening.

City	Annual % change in rents	Average rent (pcm)*
1 Edinburgh	11.5%	£1,263
2 Glasgow	10.9%	£951
3 Newcastle	10.6%	£833
4 Southampton	10.0%	£1,121
5 Manchester	9.6%	£1,070
6 Cardiff	9.2%	£1,119
7 Birmingham	8.6%	£934
8 Liverpool	8.3%	£801
9 Bristol	7.6%	£1,389
10 Nottingham	7.4%	£947
11 Leeds	7.2%	£969
12 Aberdeen	7.1%	£689
13 Sheffield	7.0%	£809
14 Cambridge	6.4%	£1,527
15 Belfast	5.4%	£751
UK (ex. London)	9.0%	£995
UK	7.8%	£1,223

Source: [Hometrack](#)

## Scotland

### [Citylets](#)

*"The name may have changed, but the story in Scotland's PRS remains very much the same at the end of Q1 2024. Rent controls remain, albeit for within tenancies and not the open market. For now. Emergency legislation for capping rents gave way to temporary legislation to achieve same but with more leeway than before with allowable rises of up to 12% and with the eviction moratorium at an end.*

*"However for those seeking new lets, conditions improved for many in the first quarter of 2024. The rate of annual growth, having eased last quarter in many key locations falling back to single digits, continued to move downwards in Scotland's cities with associated Time To Lets (TTLs) significantly lengthened. Should this continue into next quarter we may well see growth figures reminiscent of long term averages after what may transpire to have been post pandemic market distortion aggravated by emergency legislation."*

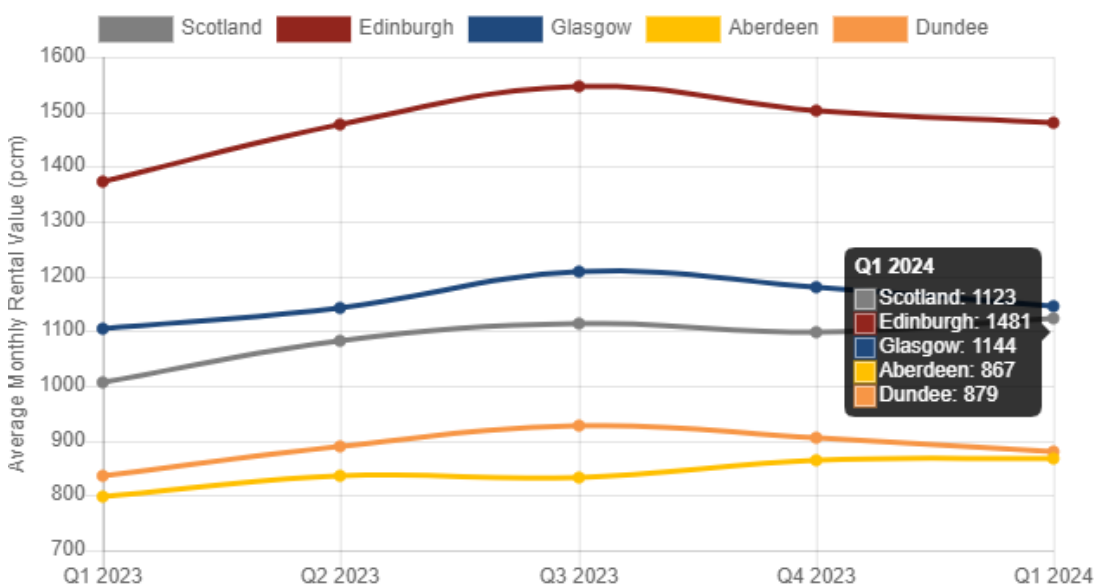
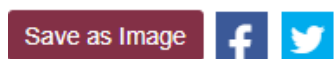
**“Edinburgh** - Q1 has been a period of steadiness following an erratic 2023 market. Rents have steadied for 1 and 2 bedroom flats with Time To Lets still being very low. Landlords have remained resilient despite economic and political headwinds, with very few actively looking to exit. The end of rent controls on 1st April is welcomed, but our proposed rent increases will be sensibly set, evidencing that controls weren’t necessary, and have only damaged supply. HMO rents remain strong, with Uni’s advising student tenants to expect rents of £550 – 750 per room this year, depending on location and quality. Interest rates gradually easing over 2024/25 will help landlords and tenants alike.”

**“Glasgow** - The last quarter has seen significant increase in landlords issuing tenants notice to leave. For them, the prolonged eviction ban and rent freeze has forced their hand and they have had no option but to sell. Of all check-outs we conducted in Q1, over a third were initiated by landlords. We have taken on some new instructions but not yet enough to balance the loss. Rents have definitely peaked and available properties are not quite reaching the high figures achieved in 2023. The next quarter will be interesting as the COLA comes to an end and landlords are seeking to increase rents.”

**“Aberdeen** - January was quieter than last year with the UK Government’s immigration changes coming into effect, meaning there were less international students with families coming to Aberdeen and the Universities perhaps realising there is an under provision of private accommodation available. Things have gradually gathered pace through February and March with new, good quality properties coming to the market, as things gear up for the typically busy Q2. There has been steady interest from relocation agents and oil and gas executives, and even students looking to try to secure a property now for the summer.”

**“Dundee** - Q1 of 2024 has continued to demonstrate a real shortage of available property in the PRS with viewings being capped for most properties advertised and tenants left frustrated in trying to secure tenancies. As the 1st of April approaches and landlords and agents gear up to review passing rents, it is hoped that the end of the temporary rent cap and the newly revised procedures to review and increase rents for existing tenancies may bring some stability to the sector, and install a renewed sense of confidence in the investment market for would be landlords.”

### Scottish Monthly Rent Analysis Q1 2023-Q1 2024



Source: [Citylets](https://www.citylets.com)



## Rental demand and supply

The reality is although we talk a lot about a 'housing crisis' no-one really defines exactly what that crisis is. For me, it's very much the failure to build social homes that defines the housing crisis. There are over 1 million households in the PRS that are renting on benefits, and it's likely many of them are eligible for a social home. Due to the sale of nearly 2mn social homes, many who are on waiting lists have to rent in the PRS, some having to make up the difference between the rent they pay and the amount they are allowed to claim via Local Housing Allowance.

If those who were eligible for a social home had one, that would put back approximately 1mn homes into the PRS and the buying/selling sector.

So the current crisis in stock in the PRS is very much one driven by government policies, but interestingly, it's a problem caused in Wales by a Labour led government, in England, by the Conservatives and in Scotland by the SNP.

### Rightmove

*"The rental market is still extremely busy, with nearly 50,000 rental properties needed to bring the supply of rental homes back to pre-pandemic levels:*

- *The number of available rental properties is 11% higher than last year, but 26% below 2019.*
- *The number of people looking for a rental home is 17% lower than last year, but 54% above 2019.*
- *The average number of enquiries each home is getting is now 13, down from 19 at this time last year, but still nearly triple the 5 in March 2019."*

### Propertymark

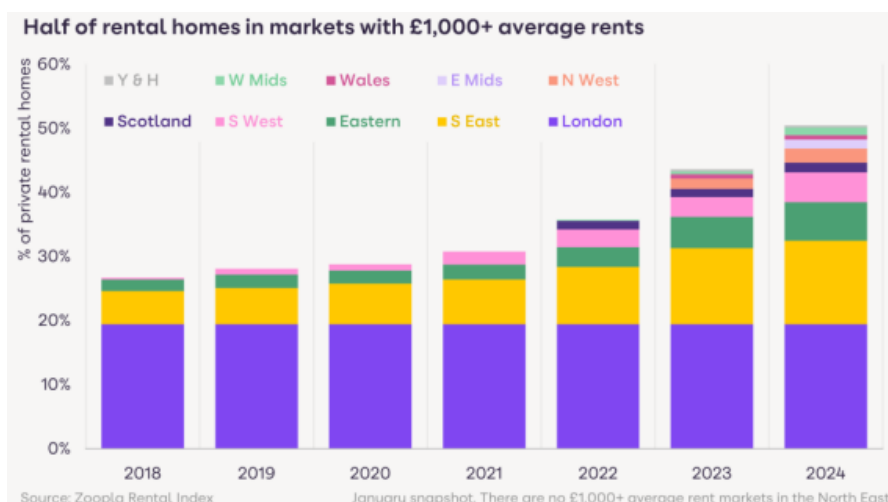
*"The average number of new prospective tenants registered per member branch provides an indication of market demand. Registrations decreased from 89 in February 2024 to 82 in March 2024 suggesting that demand is slowing. It is possible that ongoing legislative uncertainty and relatively high rents are contributing factors. Stock levels reflect the average number of properties that are available for rent at each member branch. Stock levels tend to fluctuate month on month, and although they increased in March 2024, they remain within established Parameters."*

### Hometrack

#### **'Build to rent' creates new city centre rental markets**

*"The growth in £1,000pcm areas is now expanding in regional markets outside the south of England as new city centre rental markets emerge. The rise of corporate and institutional investment in rented homes has led to the delivery of over 90,000 new 'build to rent' homes across the UK in recent years with more to come.*

*"House builders are also starting to sell homes to corporate landlords. We find that a fifth of rented homes in Scotland, the North West, East Midlands and West Midlands are now in areas over £1,000 pcm. No local markets had rents over £1,000pcm outside the south of England just 3 years ago. The North East is the only area with no markets over this level, while Yorkshire and the Humber has just 4%."*



## Latest on rental yields by England and regions

Rental yields really need to be calculated by property type and by property let as yields for HMOs versus ASTs are very different.

However, these yield averages can be quite useful to compare your own investment properties too, and they are also useful to track whether they are going up or down, and finally, what yield to look for if you are thinking about purchasing a new buy to let in a specific region.

### Paragon Bank

#### **Average rental yields hit six-year high**

- Average gross rental yields increase for third successive quarter.
- Average gross rental yield of 6.1% highest since Q2 2018.
- Highest yields of 7.0% achieved by landlords in the North East and also those with HMOs.

Region	Average yield (%)
North East	7.0
Yorkshire & The Humber	6.6
East Midlands	6.5
North West	6.3
East of England	6.2
South East (excluding London)	6.0
West Midlands	6.0
South West	5.8
London (Central)	5.7
Wales	5.6
London (Outer)	5.2

Region	Average Landlord yield Q1 2024	Annual change in yield
Great Britain excl. London	6.2%	+0.5%
East Midlands	6.1%	+0.5%
East of England	5.9%	+0.6%
London	5.5%	+0.4%
North East	8.1%	+0.6%
North West	6.8%	+0.5%
Scotland	8.1%	+0.5%
South East	5.8%	+0.5%
South West	5.9%	+0.6%
Wales	6.8%	+0.6%
West Midlands	6.2%	+0.6%
Yorkshire and The Humber	6.8%	+0.5%

Source: [Rightmove](#)

## Aldermore's Buy to Let City Tracker Top 10 cities:

Ranking	2023	+/- change	2022 ranking	2021 ranking
1	Bristol	+2	Manchester	Bristol
2	Manchester	-1	London	Oxford
3	Coventry	+7	Bristol	Cambridge
4	Brighton	+10	Cambridge	Manchester
5	London	-3	Peterborough	Luton
6	Cambridge	-2	Milton Keynes	London
7	Portsmouth	+16	Luton	Northampton
8	Glasgow	+9	Reading	Brighton
9	Basildon	+3	Southend	Reading
10	Milton Keynes	-4	Coventry	Norwich

Source: [Aldermore](#)

## Where next for Rents?

The forecasts for rents is that they are unlikely to reduce anytime soon. The long term average rent rises are driven typically by wage growth. Currently, rents are rising higher than wages, so this can't carry on for much longer and it's likely they will fall back to 4-5% rises and then back to match wage growth.

### Hometrack

#### **Grow rental supply to improve rental affordability**

*"Looking ahead, we projected UK rental inflation would halve over 2024 to 5%. The consensus among economic forecasters is that the average earnings growth will slow to just below 4%. It means no immediate prospect that rental affordability will improve over 2024.*

*"A sustained expansion in available supply would drive a faster slowdown in rental inflation than we might expect. It's likely to result in rents falling in some city centre locations. This may well happen in 2024 but not on a scale that would impact the headline growth rate. Ongoing low levels of net new investment means below average levels of rental supply are set to persist, supporting headline rental inflation.*

*"The clear conclusion is that the best way to improve affordability is to boost rental supply. More supply will continue to come from the new build sector, but the big needle mover would be more investment by private landlords. This is currently looking unlikely and further rationalization of landlord portfolios in the face of higher mortgage rates and growing regulation will offset any increase new investment in rental supply."*

### Knight Frank

*"In the lettings market, the normalisation of supply and demand has happened more quickly than we expected in January, which means we have cut our 2024 forecasts for prime London rents.*

*"We now expect average rental value growth to be 2% in prime central London this year (versus 5.5% in January) and 2.5% in prime outer London (versus 4.5%).*

*"Our rental forecasts between 2025 and 2028 have stayed largely the same or been increased slightly, which is also due to rising political uncertainty.*

*"Some form of Renters Reform Bill is likely to happen in the short-term, tipping the balance of power towards tenants. That is likely to keep supply in check and upwards pressure on rental values.*

*"Our lettings forecasts have also increased marginally for the UK and Greater London.*

*"Strong rental growth has been underpinned by a structural undersupply of rental housing, as well as a competitive jobs market, high immigration, and rising mortgage costs.*

*"At the same time supply levels, while showing some signs of improvement, remain tight. The latest RICS survey confirms that the gap between demand and supply in the rental market is still significant.*

*"It is unlikely that rental supply will increase in the next few years at a level that will materially impact headline rental growth," said Oliver Knight, head of residential development research at Knight Frank. "Private landlords in the buy to let sector continue to feel the pinch from higher interest rates and changes to taxation which have resulted in some exiting the sector. Build to rent supply is increasing, but not fast enough to replace the BTL homes lost."*

*"In the absence of meaningful government support for first-time buyers, higher interest rates will also keep tenants renting for longer, keeping overall rental demand high."*

	UK	Greater London	PCL	POL
2024	6.0%	5.5%	2.0%	2.5%
2025	4.0%	3.5%	3.0%	3.0%
2026	3.5%	3.0%	3.5%	3.5%
2027	3.0%	3.0%	3.5%	3.5%
2028	2.5%	3.0%	3.0%	3.0%
<b>5 Year Cumulative</b>	<b>20.5%</b>	<b>19.3%</b>	<b>15.9%</b>	<b>16.5%</b>