Private rented sector report – Q3 2024

The UK's most comprehensive rental market report

Kate's 60-second commentary on the UK rental market

Private rents are still rising ahead of the long-term norm of 2%+ per annum but have slowed to 4-5% pa. This is because wage growth is slowing, limiting tenants' affordability; supply is rising a little, and demand is starting to drop. Although many accuse landlords of driving rental growth, it is increasingly looking like the demand and supply imbalance, mainly caused by a huge increase in net migration, is the key problem.

What are all the rental indices and experts reporting this quarter?

Summary of the rental indices

Rightmove	***Record high rents as landlords brace for budget impact*** *"Average advertised rents outside London hit a 19th consecutive quarterly record of £1,344 per calendar month (pcm), up 5.2% from last year, although this is the slowest rate of growth since 2021."*
Hometrack	***5.4% annual rental inflation for new lets, UK*** *"Rental inflation slows to 5.4%, the lowest for almost 3 years (Sep-21)."*
Homelet	***Average rents continued to rise slightly in September across the UK to £1,331 per month*** *"The annual growth rate of 4.3% per annum is the slowest rate of growth since May 2021."*
Goodlord	***The year-on-year rise continues*** *"2024 rents continue to outpace their year-on-year averages, with September prices up by 5%."*
Propertymark	***Tenant demand increases*** *"Overall, demand continues to outstrip supply, with an average of almost 10 new applicants registered for each available property in August 2024."*
ONS	*"Average UK private rents increased by 8.4% in the 12 months to September 2024 (provisional estimate); this is unchanged from the 12 months to August 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)	Q2 24 (Jun 24)	Q3 24 (Sep 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	£1,314	£1,344	5.2%	Asking rents	E W & S
Hometrack/Zoopla	£923	£943	£968	£969	£995	£1,051	£1,051	£1,078	£1,119	£1,126	£1,163	£1,201	£1,223	£1,226	£1,245	5.4%	Asking & agreed 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	£1,299	£1,331	4.3%	Agreed rents	UK
Goodlord	£916	£960	£1,104	£985	£1,006	£1,050	£1,249	£1,071	£1,091	£1,149	£1,346	£1,147	£1,159	£1,225	£1,417	5.0%	Agreed rents	E

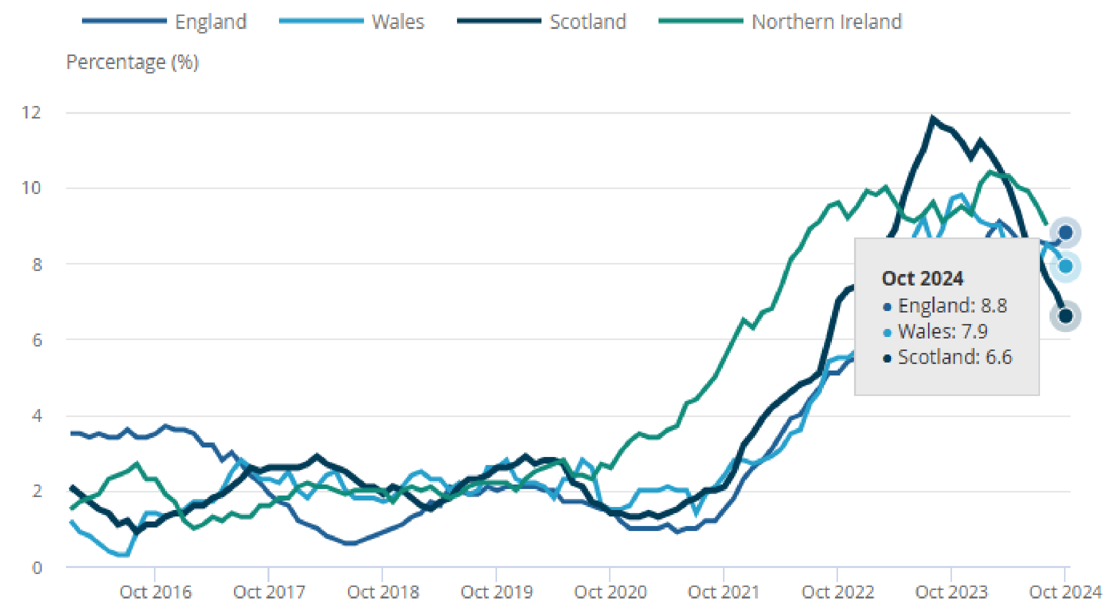
New rental growth across the indices has now started to fall from double digits back toward levels seen in 2022 when the number of people chasing a let grew substantially (vs ONS rent rises).

Rental prices by country

ONS Private Rented Sector Index

Figure 4: Average rent annual inflation eased in Wales, Scotland and Northern Ireland

Private rents annual inflation, UK countries, January 2016 to October 2024



Source: ONS

1. Average rent for England was £1,348 in October 2024, up 8.8% (£109) from a year earlier. This annual rise was higher than in the 12 months to September 2024 (8.5%). This annual growth rate is below the recent record high of 9.1% in March 2024.
2. Average rent for Wales was £766 in October 2024, up 7.9% (£56) from a year earlier. This annual rise was lower than in the 12 months to September 2024 (8.3%). Wales's annual inflation rate has been generally slowing since the record-high annual rise of 9.8% in November 2023.
3. Average rent for Scotland was £976 in October 2024, up 6.6% (£60) from a year earlier. This annual rise was lower than in the 12 months to September 2024 (7.2%). Scotland's annual inflation rate has been generally slowing since the record-high annual rise of 11.8% in August 2023.
4. Northern Ireland data are currently available up to August 2024. Average rent in Northern Ireland increased by 9.0% in the 12 months to August 2024. This was down from 9.5% in the 12 months to July 2024, and below the record-high annual rise of 10.4% in February 2024.

Regional rental prices

Rents across the new lets' indices show that the North East tends to be seeing the strongest rental growth – which isn't a surprise as it's one of the most affordable areas, so it has a better capacity to rise. Rent rises range from 7.7% to over 9% for Hometrack.

In contrast, rents in London are rising at the slowest pace – shown by all the indices. Rightmove and Hometrack report rises of 2.5%, while Homelet is recording a lower rise of 1%. These rises are for new lets, though. According to the ONS, though, London is seeing the highest rise – likely because it covers existing rents, not just new lets.

Rental prices - regions	Rightmove rents pcm Q3 24	Rightmove Year on year change in rents Q3 24	Hometrack rents pcm Q3 24	Hometrack Year on year change in rents Q3 24	Homelet rents pcm Sep-24	Homelet Year on year change in rents Sep-24	ONS Actual rents pcm Oct-24	ONS Actual YoY growth Oct-24
North East	£922	7.7%	£711	9.1%	£720	7.8%	£694	7.7%
North West	£1,180	6.8%	£872	7.4%	£1,068	6.2%	£870	9.7%
Yorkshire & The Humber	£1,049	5.5%	£813	5.6%	£898	3.7%	£801	5.9%
East Midlands	£1,175	5.2%	£873	5.6%	£887	3.3%	£848	9.1%
West Midlands	£1,215	7.3%	£923	6.6%	£1,014	8.7%	£901	8.7%
South West	£1,455	4.2%	£1,089	6.5%	£1,213	6.5%	£1,145	6.2%
East	£1,625	4.9%	£1,196	6.6%	£1,309	8.4%	£1,186	8.0%
South East	£1,869	3.5%	£1,334	6.4%	£1,431	5.3%	£1,336	8.2%
London	£2,694	2.5%	£2,148	2.5%	£2,201	1.0%	£2,172	10.4%

ONS

"London was the English region with the highest rents inflation in the 12 months to October 2024, at 10.4%. This annual rise was higher than in the 12 months to September 2024 (9.8%), but below the record-high annual rise of 11.2% in March 2024.

"Rents annual inflation was lowest in Yorkshire and the Humber, at 5.9% in October 2024. This annual rise was lower than in the 12 months to September 2024 (6.3%).

"In October 2024, the average rent was highest in London (£2,172) and lowest in the North East (£694)."

Goodlord

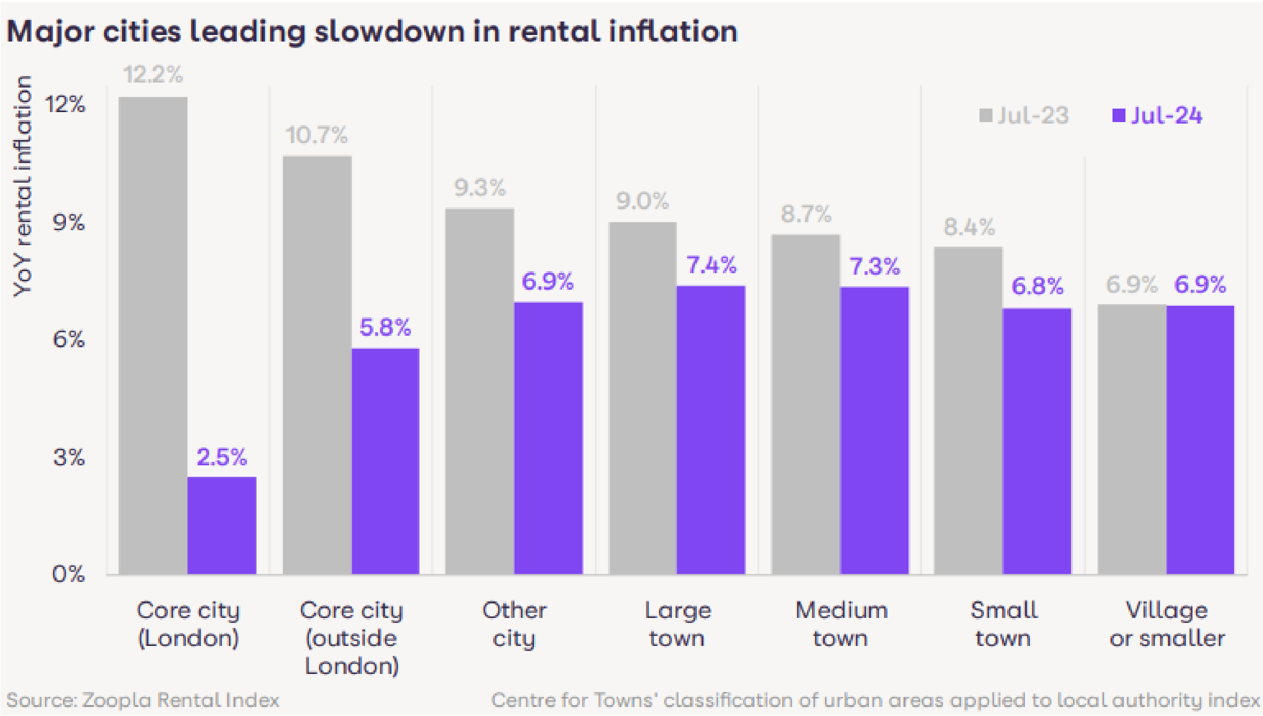
"These figures also vary intensely by region with some areas still recording far higher than average year-on-year rental increases. In the South West, for example, average rents are up by a huge 11% compared to September 2023.

"The smallest year-on-year increases were seen in the North West and the West Midlands, with rents in each of these areas experiencing a rise of 2-3%."

City and town rents

Some great data from Zoopla this month shows the difference in rental inflation between cities and small villages. London is showing the lowest rise this year (+2.5%) but this is post a mega 12.2% rise in 2023. Other 'core cities' outside of London are showing a smaller rise this year of 5.8%, while Large and Medium towns are seeing a 7%+ rise year on year.

What the chart shows is that areas that are seeing lower rises tend to be the ones that saw the highest rises in 2023, which has put pressure on affordability.



Hometrack

Cities recording slower rental growth

"London and other major cities across the UK have been leading the slowdown in rental inflation. The UK's largest cities have recorded some of the greatest gains in average rents, averaging over 10% per year for the last 3 years. This pace of rent rises is unsustainable and means affordability is starting to impact rental growth.

"Segmenting our rental index by type of area2 shows the greatest slowdown has been in London, where rents are rising at just 2.5% - down from over 12% last year. Rental growth is slowing quickly across the Uk's other largest cities, the so-called 'core cities', with rents 5.8% higher over the last year - down from 10.7% a year ago.

"Cities are major hubs of rental supply and together London and these 12 core cities account for 30% of all private rented homes (and just 13% of local authorities). The remaining 70% of rented homes are spread across other cities and towns of different sizes.

"Rental inflation in these non-city areas continues to run at an above-average rate of 6.8% to 7.4% a year. This reflects demand being pushed into more affordable areas, often adjacent to larger cities which are key employment centres."

Strongest and weakest rental markets

"Rental inflation remains in double digits across six postal areas, which are all adjacent to large cities, led by Kilmarnock (KA, 13%) to the south-west of Glasgow and Kirkcaldy (KY, 12%) in the east of Scotland. Rent controls in Scotland have played a part in pushing rents higher. In England, rents continue to rise quickly in Wolverhampton (WV, 12%) ,Oldham (OL, 11%), Darlington (DL, 10%) and Walsall (WS, 10%), which are all adjacent to large cities.

"Rental inflation is less than 2.5% year-on-year in South West London, West London and East London postal areas. Rents in these areas are more than double the national average, with affordability acting as a major constraint on rent rises."

City		Annual % change in rents	Average rent (pcm)*
1	Belfast	10.1%	£813
2	Newcastle	8.8%	£844
3	Liverpool	8.0%	£820
4	Southampton	7.5%	£1,135
5	Edinburgh	7.3%	£1,323
6	Bristol	6.8%	£1,418
7	Cardiff	6.5%	£1,096
8	Manchester	6.3%	£1,088
9	Aberdeen	6.1%	£707
10	Birmingham	5.7%	£958
11	Glasgow	5.3%	£965
12	Cambridge	4.6%	£1,551
13	Leeds	4.3%	£961
14	Sheffield	4.3%	£818
15	Nottingham	3.4%	£941
UK (ex. London)		6.7%	£1,213
UK		5.4%	£1,245

Source: Hometrack

Scotland

Citylets

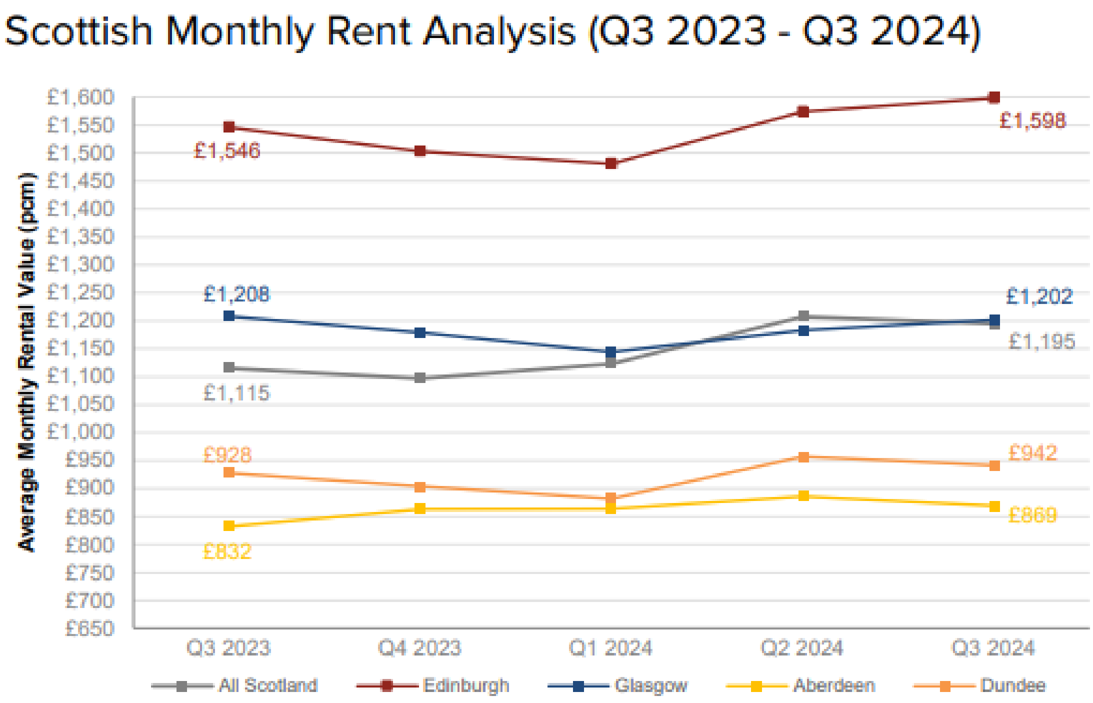
"Overall, markets seem to have stabilised which will be welcome relief for tenants. Agents report a mixed picture on landlord sentiment despite the growth in rents and what is assumed to be the beginning of mortgage rate reductions. Official figures from the Scottish Household Survey and the Landlord Register both point to a shrinking PRS in Scotland as a 13% tenure in 2022, down from peak 15% in 2017."

*"**Edinburgh** - Demand for rental properties at all levels and in all areas remains significantly higher than supply. It's really tough for tenants, especially those looking for more affordable, long-term rental accommodation. Despite the relaxation of rent controls, the removal of the eviction ban and strong rent inflation, there are still almost no investor buyers entering the market. This is despite mortgage rates reducing from their peak last year. The 6% additional dwelling tax levied on any investor buyer in Scotland is only serving to punish the tenant population through a severe lack of new investment."*

*"**Glasgow** - The market has not been as frantic as in previous years, partly due to the reduction in available housing stock. The student market has changed somewhat this year. We found students came to the market as early as July just to ensure they secured accommodation for the academic year. We have taken on some new properties from new landlords, so property is still being seen as a sound investment, but on the flip side several long-standing landlords have decided to end their letting experience. Rents have stabilised but we have noticed a huge increase in the amount of 3-4 adult households looking to take 2 bedroom properties to split the cost of living."*

*"**Aberdeen** - In Q3, the Aberdeen rental market saw gradual rent increases with incremental rises reflecting steady demand. Void periods remain low, highlighting the market's resilience. Time to let continues to be strong with properties moving quickly, especially those in good decorative order. Enquiries are healthy across the board as tenants show preferences to well-maintained homes. Overall, the market remains stable with modest rent growth and sustained interest from prospective renters."*

*"**Dundee** - Q3 saw the long awaited uplift in increased rents finally assisting many landlords who continue to be squeezed by interest rates and this has provided some much needed stability to the market. Long terms rentals remain oversubscribed while the student market has suffered a dip in uptake. Despite being unaffected previously by purpose built student developments, it appears that their impact is finally being felt in Dundee with an abnormally high number of traditional student HMO properties still available with the academic term now underway. It may be that an adjustment to the expected yields from student property needs to be factored into future investments."*



Source: [Citylets]

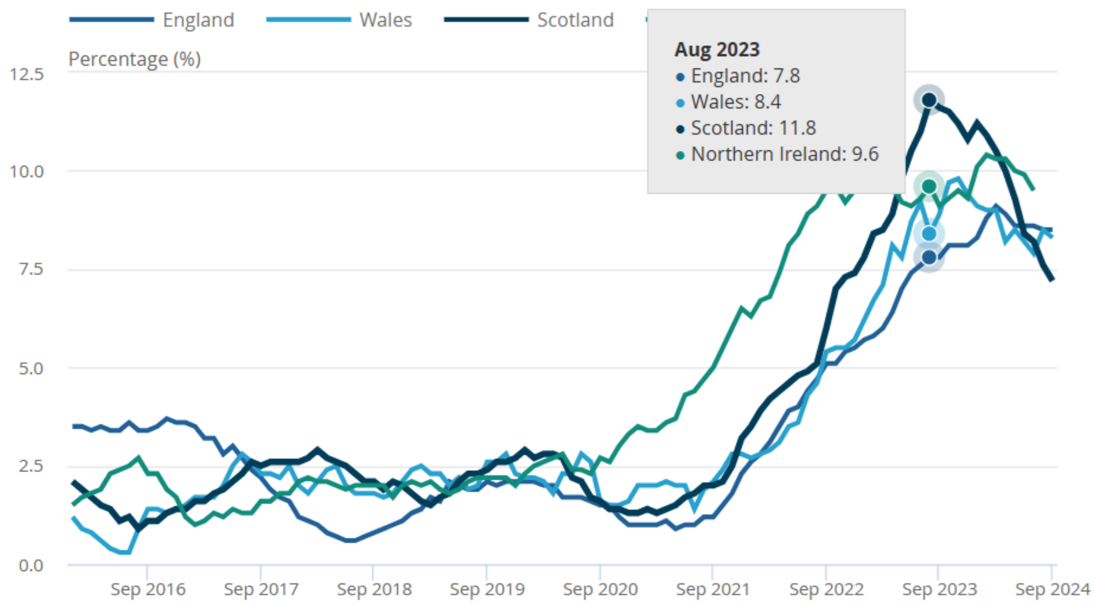
Rental demand and supply

Although rent rises are mainly reported as greedy landlords ‘cashing in’ on tenants' struggles to find a property, it’s clear that rises in rents caused by ‘old fashioned’ economics of restricted supply and rising demand are difficult to hold back artificially.

This is proved by the disastrous rent control introduced in Scotland which has restricted supply, worsened the imbalance and led to higher rent rises than other countries. The emergency rent cap started *“on September 6, 2022 and ended on April 1, 2024”.* As the ONS chart below shows, Scotland experienced the highest rent rises versus England, Wales and Northern Ireland:

Figure 4: Average rent annual inflation continues to ease in Scotland

Private rents annual inflation, UK countries, January 2016 to September 2024



Rightmove
“The balance between supply and demand continues to improve compared with last year, but local letting agents are still very busy with high numbers of tenants looking to move.

“The average number of tenant enquiries for each rental property available has fallen to 15, down from 23 at this time last year, but still nearly double the 8 recorded in 2019. Meanwhile the number of available rental properties is now 13% higher than last year, though still 27% below 2019.”

Propertymark
“Overall, demand continues to outstrip supply, with an average of almost 10 new applicants registered for each available property in August 2024.

“Overall stock levels and the average number of properties available for rent at each member branch, increased in August 2024.”

Figure 22: Average number of properties available to rent per member branch

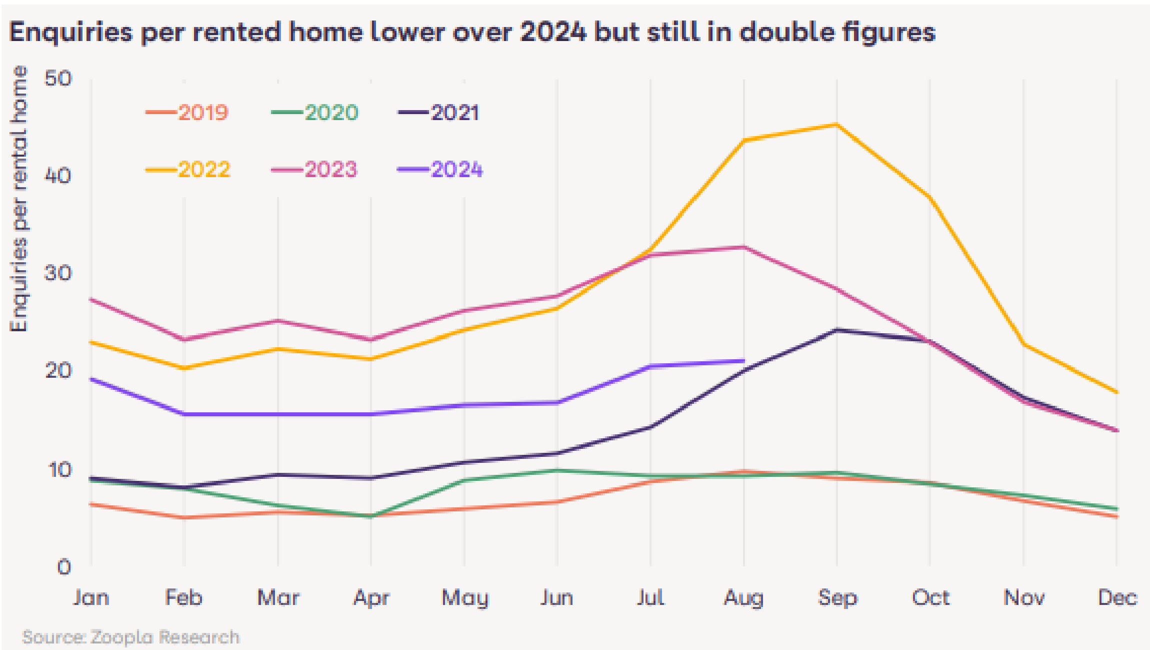
Hometrack

Demand weakening off a very high base

"Demand for renting has cooled over 2024 but remains high by prepandemic standards. The chart below shows the number of enquiries per rented home each month over the last five years.

"The post-pandemic period saw demand for rented homes rising to record high levels, which, together with falling supply, pushed rents higher. Rental demand started to rise quickly over H2 2021 as the economy re-opened. This accelerated over 2022 with a resumption of international travel and changes in visa rules for workers and students at a time when the UK jobs market was also strong. Two years ago, there were over 40 people chasing every home for rent.

"Demand for renting was further compounded by the jump in mortgage rates over H2 2022 and 2023. This made buying more expensive, keeping would-be buyers in the private rented sector and exacerbating demand."



Rental demand to remain above average

"There has been a clear step down in rental demand over 2024 as 'one-off' pandemic factors fall away and lower mortgage rates enable some renters to buy, freeing up homes for rent. Visa rules for students and workers have been tightened and are likely to reduce levels of net migration, although the scale of change is unclear.

"The competition for rented homes is still running at 2x pre-pandemic levels. We expect demand to remain elevated into 2025 despite a softening labour market. The unaffordability of homeownership will continue to support demand for renting, especially across southern England where a sizeable proportion of workers are unable to buy. A lack of a meaningful growth in the supply of affordable housing means the private rented sector will continue to meet demand from those on lower incomes, adding to demand."

Latest on rental yields by England and regions

It's not a huge surprise that the North East is topping the charts for yield – prices are relatively low due to the fact that they haven't kept up with inflation since 2005 and it's showing the lowest house price growth since this time versus other regions. In comparison, rents in this region are growing fast due to affordability.

Areas such as London continue to see the lowest yields, although the gross yields are up (although not net if they have a mortgage) for some properties where rents have risen faster than prices – especially, for example for flats.

Paragon Bank

Northern regions top rental returns table

- *Highest average yields of 8.13% achieved by landlords in the North East.*
- *BTL property in North West and Yorkshire & Humber also generates yields above the 7.17% average.*
- *Northern regions home to most affordable property.*

Investment returns

Region	Average Rental Income	Average Valuation	Average Rental Ratio
North East	£15,160	£186,520	8.13%
Wales	£18,398	£228,068	8.07%
North West	£17,814	£227,209	7.84%
Yorkshire & Humberside	£16,641	£220,667	7.54%
Scotland	£17,518	£234,990	7.45%
South West	£29,935	£402,315	7.44%
East Anglia	£22,526	£313,672	7.18%
West Midlands	£20,559	£301,480	6.82%
East Midlands	£20,271	£300,557	6.74%
South East	£27,095	£433,495	6.25%
Greater London	£41,105	£739,166	5.56%

Region	Average Landlord yield Q3 2024	Annual change in yield
Great Britain excl. London	**6.4%**	**+0.4%**
East Midlands	6.4%	+0.5%
East of England	6.0%	+0.4%
London	5.7%	+0.2%
North East	8.3%	+0.5%
North West	6.9%	+0.3%
Scotland	8.5%	+0.6%
South East	5.9%	+0.3%
South West	6.1%	+0.5%
Wales	6.9%	+0.3%
West Midlands	6.5%	+0.4%
Yorkshire and The Humber	6.9%	+0.3%

Source: Rightmove

Where next for Rents?

Our forecast report from the indices below shows that rents are expected to continue to rise higher than inflation and also higher than property prices over the next year. This is a rare thing – normally prices rise a lot faster than rents.

Rents also tend to rise in line with wages and this trend or 'rule of thumb' continues and, as long as wages rise faster than inflation, unusually for rents, they will continue to rise in excess of the governments target of 2% inflation.

Here are the forecasts from the different indices:
Savills
"Nationally, we expect that the imbalance of demand over supply will continue to override affordability, at least in the short term, as there remains headroom to push spend on rent. This means we anticipate rental growth in the order of 4.0% across the UK in 2025."

JLL
"JLL forecast UK rents will rise 17% over the next five years, with rental growth in the London expected to total 18% over the same period."

Knight Frank
"In both PCL and POL, we expect growth of 3.5% in 2025 rising to 4% in 2027 (up from figures of 3% and 3.5% in August). Meanwhile, our mainstream rental forecasts are largely unchanged."

Hometrack
"We expect rental inflation to slow to 3-4% by the end of 2024 as weakening demand and affordability pressures limit rental growth. Weaker rental growth in cities will lead the slowdown, but there is a large rental market outside cities where there is room for above average growth. This explains the more drawn-out slowdown in rents. Tax and policy change will continue to see some landlords exiting the market, keeping supply constrained. This will keep an upward pressure on rents into 2025."

CBRE
"From 2024 onwards, we expect growth to decelerate because of falling inflation and stretched affordability. Across the five-year period, we forecast a compound rental growth of 17.9% across the UK and 16.9% across London.

"Rental values on new tenancies are forecast to grow by 24.3% across the five-year period, at a faster pace than our whole-market forecast."

About our 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.

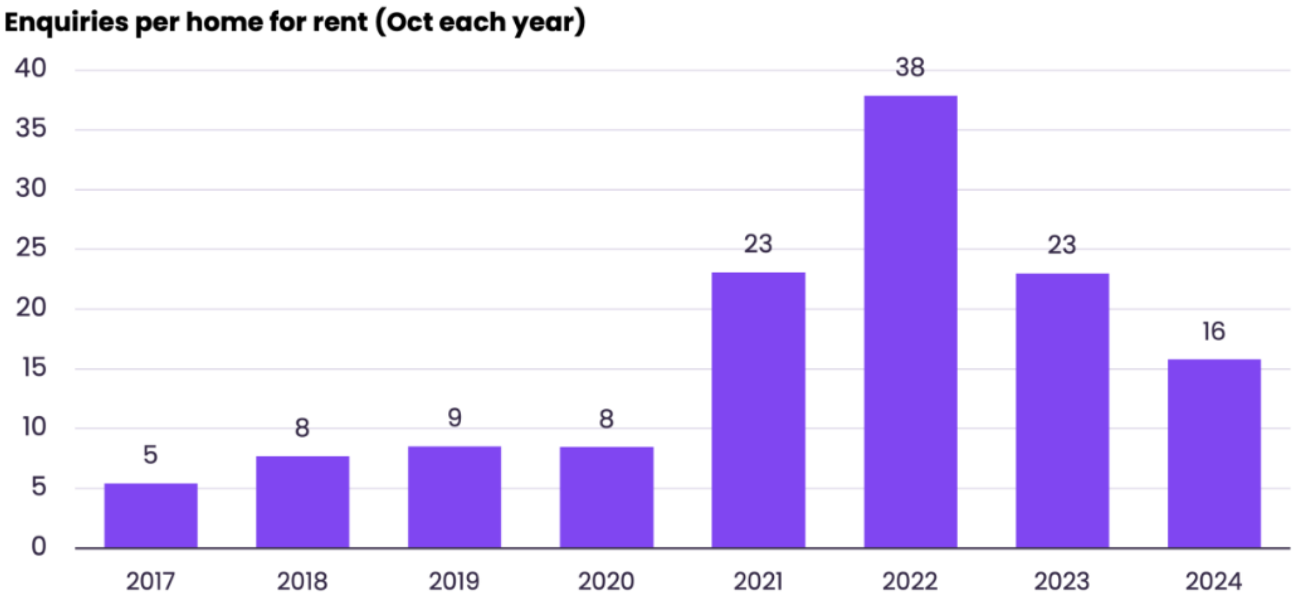
However, this changed in 2022. Newly let rents started to rise into double digits – for the first time since rents have been properly tracked. This is partly due to wages rising 4.8% YoY *(Source: ONS)* and now due to a huge shortage in properties to rent. This has been caused by:

Landlords leaving the market
This is partly because they are retiring and partly because it's tough to meet the 170+ rules and regulations

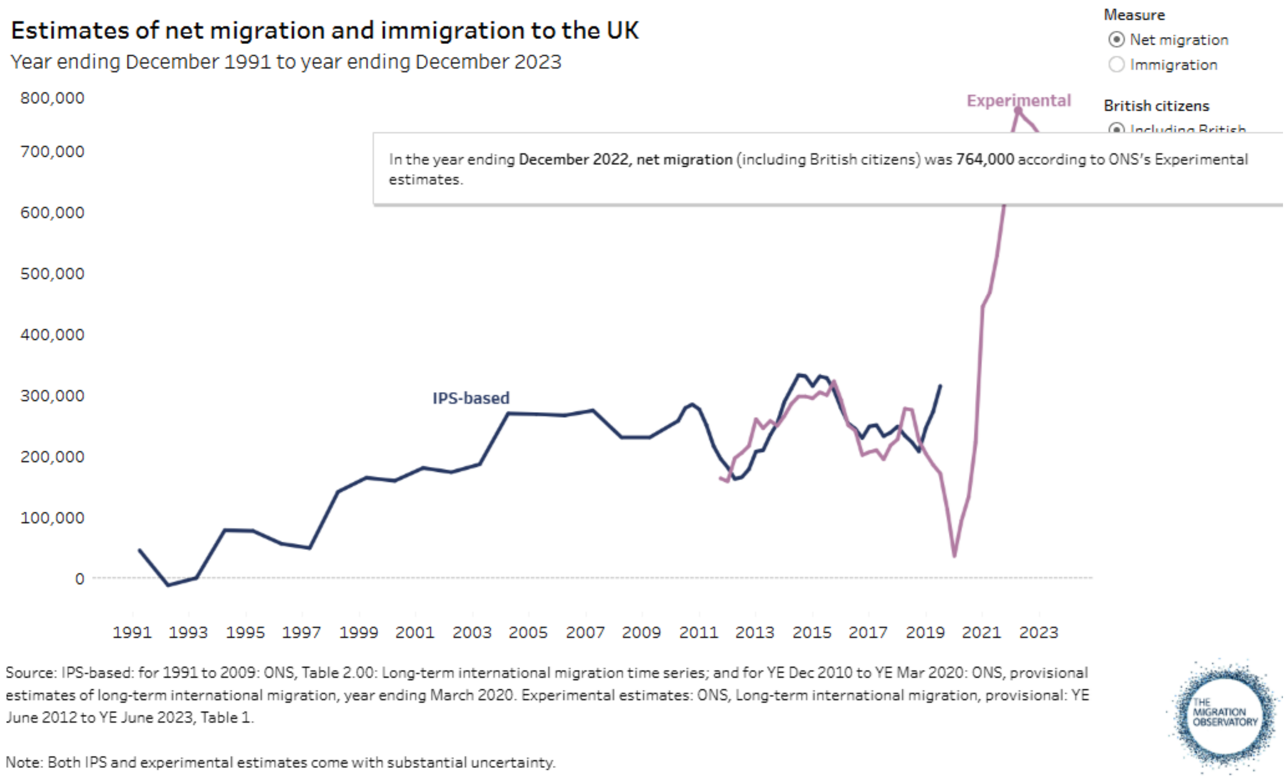
Fewer new investors
This is due to prices rising more than rents (up until the last few years), making it difficult in some areas for investment to work; the loss of S24 – meaning landlords are having to pay tax on turnover if they have a mortgage rather than profit. And finally, due to mortgage rates returning to their long-term norm of 5-6% versus the 2-3% or less since the 2007/8 recession.

Increase demand due to population and migration growth
Since 2022, the population in the UK has risen from 67,602,800 to 68,265,200, a rise of around 662,400 people. According to latest migration statistics, much of this rise is due to net migration with people moving to the UK from abroad. According to the Parliamentary Office of Science and Technology, *"80% of foreign-born migrants resident in the UK for less than five years live in the private rented sector, compared to about 20% of the UK-born population. Migrants with over a decade of residence tend to demonstrate similar levels of owner occupation to the UK-born population. About 20% of migrants live in social rented accommodation, similar to the UK-born population."*

Zoopla have shown vast increases in the number of people competing for a rental property – and this coincides with the huge increases in migration – as shown by the chart on net migration below.



Source: Zoopla



Sources: ONS and Houses of Parliament