

Private rented sector report – Q4 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

Record rents but tenant affordability ceiling leads to lowest growth since 2019

“Advertised rents are now 9.2% higher than last year – the lowest annual growth in rents since 2021.”

Hometrack

UK rental growth drops into single digits

“UK rental growth slowed to 9.7% in October 2023, down from 11.9% a year ago but ahead of earnings growth (7.9%1.”

DPS

Average UK rent rises outstripped inflation by more than a third during past year

“Average rents for Q3 2023 now stand at £1,121.46 per month, a rise of £93.79 or 9.13% compared to the same period last year, outstripping the annual September 2022-3 UK CPI inflation rate of 6.70% by more than 36%.”

Homelet

Average UK rent drops by 0.6% to £1,260

“The average rent in the UK is now at £1,260, up 7.5% on the same time last year but down by 0.6% from last month’s figures.”

Goodlord

Rents increase during traditionally quiet period

“After a robust December for the market, January proved no different with rents increasing by 1% during the month. This means the average monthly rent for a property in England is now £1,154 per month - 7% higher year-on-year compared to the £1,076 average recorded in January 2023.”

Propertymark

Tenant demand is down

“The established downward seasonal trend continued into December 2023. The number of new prospective tenants registered per member branch reduced to 63 from 86 in the previous month (Nov 2023).”

ONS

“Private rental prices paid by tenants in the UK rose by 6.2% in the 12 months to January 2024, unchanged for the second consecutive month.” (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) | Q2 23 (Jun 23) | Q3 23 (Sep 23) | Q4 23 (Dec 23) | 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 | 9.2% | 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 | 9.7% | Asking & agreed rents | UK |
| DPS | £800 | £804 | £818 | £834 | £849 | £870 | £889 | £903 | n/a | n/a | £1,121 | 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 | 8.0% | 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 | 7.0% | Agreed rents | E |

History of rental growth

From many years, property prices have risen much higher and much faster than rents. Over time, up until government intervention from the Conservatives in England, SNP in Scotland and Labour in Wales, rental inflation was pretty consistent – around 2% rise per annum, less than the 3% pa for general inflation.

So contrary to much of the rhetoric around rents, historically, they had not ‘sky rocketed’, nor, when you look at the numbers, have they been “extortionate”. This doesn’t mean they feel like a lot of money to tenants, but the reality is rents, on average, used to rise below general inflation.

Why have rents risen by double digits?

However, two things conspired over the last few years which increased rental inflation to double digits.

The first problem was governments in the UK, under political pressure to secure votes from tenants, decided to hold back buy to let property investment. In their minds I am sure they thought that reducing investment in this sector would increase home ownership and somehow ‘magically’ improve the housing crisis.

However, despite warnings from property experts, these policies have backfired for each political party. On the one hand, they were successful – the huge increase in taxes for landlords and property investors, coupled with the rise in mortgage rates meant many investors stopped investing and landlords started to sell up.

So although, the governments were successful in their aim, what they didn’t take into account – or listen to – was the fact that our population has grown and just because more first time buyers were buying, it didn’t mean more properties were becoming available to rent.

The problem is that the demand for social housing and for renting privately has grown due to an increasing population and due to huge housing waiting lists, the only tenure that has successfully absorbed increased demand in the past is the PRS.

So stopping the growth of the PRS has resulted in worsening the housing crisis and a huge increase in demand while properties to rent have stagnated.

Add to this short supply a rise in wages over the last few years and it’s been a recipe for disaster for tenants – rents have doubled as huge numbers of people are queuing up for properties to rent – offering more and more to secure the property over their ‘competitors’ – their fellow tenants.

This crisis of stock has been worse for those on benefits as at the same time, their Local Housing Allowance was also capped. So while rents rose in double digits, the amount they were given to pay for rent was reducing in real terms. As a result, the most vulnerable have found it the hardest over the last few years and will continue to do so. The government policies have worsened the housing crisis and we now have 150,000 households in temporary accommodation and huge housing waiting lists, which few, if any of the governments have a plan to reduce.

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.

This is about to change, but as you can see from the chart below, the rental increases aren't as high as other indices.

The reason for this is that they represent rents from existing and new lets. Again, despite accusations against landlords for constantly increasing rents, many landlords don't increase the rents to existing tenants. As a result, the ONS has clearly shown that, over time and, the increases in private rents over the last few years, have been lower than inflation.

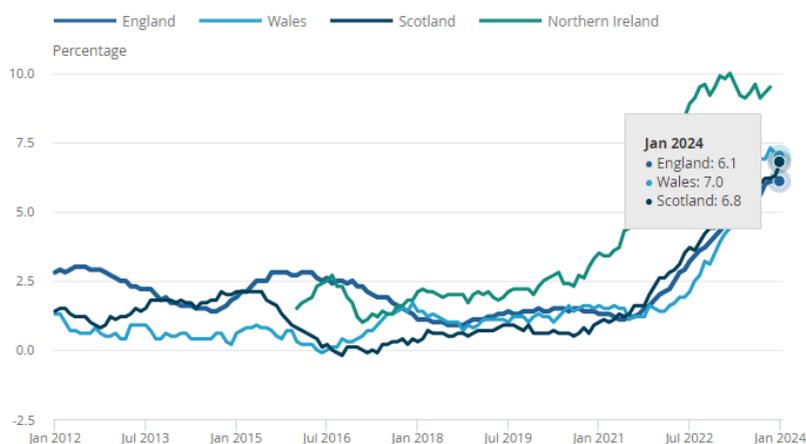
It's the new lets that have driven rental growth at inflationary levels, not existing lets. In contrast, according to a parliamentary briefing, utility prices have increased a lot more, as have mortgage costs:

"Wholesale energy prices increased rapidly from the second half of 2021 and much of 2022. Many consumers were protected, at least initially, by the energy price cap. However, the price cap increased by 54% in April 2022 and Ofgem planned to increase it by a further 80% on 1 October 2022." Source: [UK Parliament](#)

ONS Private Rented Sector Index

Figure 2: Annual rental price inflation was higher in Wales than in England and Scotland

Private rental price percentage change over 12 months for countries of the UK, January 2012 to January 2024



Source: [ONS](#)

1. In England, private rental prices increased by 6.1% in the 12 months to January 2024, unchanged from the increase in the 12 months to December 2023. When London is excluded from England, private rental prices increased by 5.7% in the 12 months to January 2024. The figures are the joint-highest annual percentage changes since these data series began in January 2006.
2. Private rental prices in Wales increased by 7.0% in the 12 months to January 2024. This was the largest annual increase of all the countries in Great Britain, but showed a further slowing from the record high of 7.3% in the 12 months to November 2023.
3. Private rental prices in Scotland increased by 6.8% in the 12 months to January 2024, up from 6.3% in the 12 months to December 2023. This is the highest annual rate since the Scotland data series began in January 2012.
4. Private rental prices in Northern Ireland increased by 9.5% in the 12 months to November 2023, up from 9.3% in the 12 months to October 2023. The annual rate for Northern Ireland remains higher than for other UK countries.

Regional rental prices

Just as with property prices, rental prices differ from one region to another. According to the various indices, the smallest rise was 6.1% in London (Rightmove) and the highest in the North West, by 11.3% - almost double the rise.

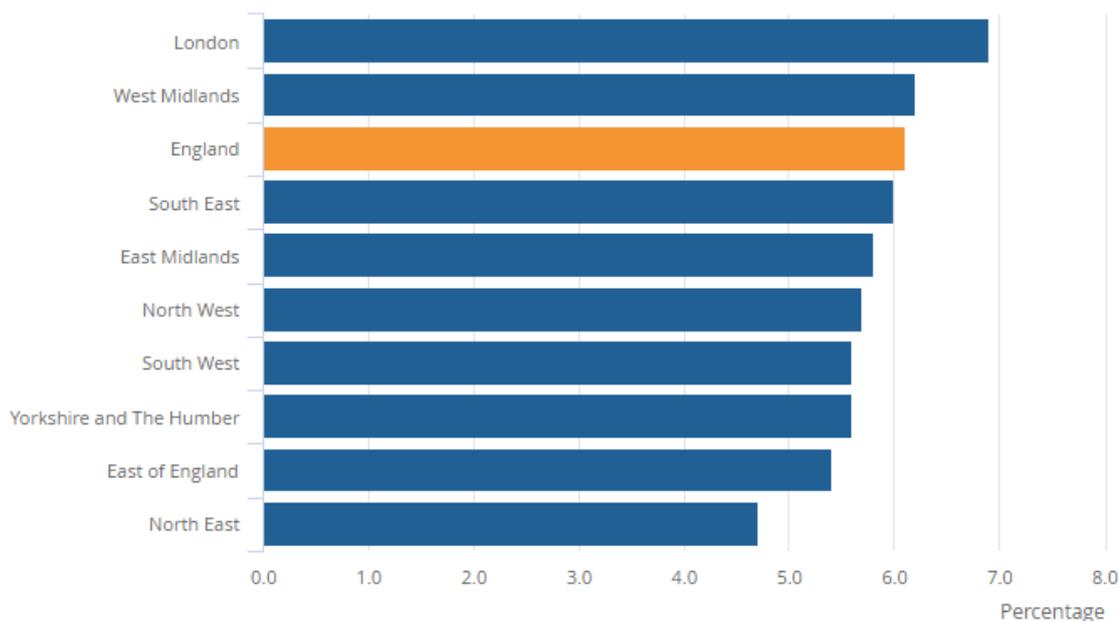
Having said that, the rent rises are fairly consistent between the regions and the different indices. The big difference though is in the monthly rents, with the lowest recorded at £657 per month from Homelet in the North East, to the highest in London at £2,631 per month by Rightmove – although do remember these are ‘advertised’ rents and let ones might be lower as they are from Hometrack and Homelet.

| Rental prices - regions | Rightmove rents pcm Q4 23 | Rightmove Year on year change in rents Q4 23 | Hometrack rents pcm Q4 23 | Hometrack Year on year change in rents Q4 23 | Homelet rents pcm Dec-23 | Homelet Year on year change in rents Dec-23 |
|-------------------------|------------------------------------|---|------------------------------------|---|-----------------------------------|--|
| North East | £865 | 9.6% | £671 | 10.5% | £657 | 6.3% |
| North West | £1,118 | 11.1% | £828 | 11.3% | £1,008 | 7.5% |
| Yorkshire & The Humber | £1,010 | 9.4% | £781 | 7.8% | £855 | 8.2% |
| East Midlands | £1,123 | 9.3% | £845 | 10.5% | £875 | 9.8% |
| West Midlands | £1,143 | 10.6% | £881 | 10.1% | £940 | 7.8% |
| South West | £1,384 | 7.5% | £1,058 | 8.8% | £1,138 | 5.3% |
| East | £1,553 | 9.6% | £1,143 | 10.0% | £1,215 | 9.7% |
| South East | £1,791 | 7.5% | £1,291 | 10.0% | £1,353 | 9.6% |
| London | £2,631 | 6.1% | £2,125 | 9.0% | £2,127 | 6.0% |

In contrast to the above indices, the ONS (which includes existing lets) show London to be rising the most – at 6% while the North East is rising the lowest at just under 5%.

Figure 4: Highest annual rents inflation was in London

Private rental price percentage change over the 12 months to January 2024, by English region



Source: [ONS](#)

DPS

“Across the UK, every region has seen significant annual increases in average monthly rents, outstripping CPI in every region, with only Yorkshire seeing an annual increase close to CPI at 6.73%, Again, are we comparing the annual rent increase in Yorkshire with the monthly inflation or annual inflation figure that ends September? The largest percentage increase regionally was seen in Scotland at 13.56%. The second highest increase of 11.32% being seen in The East. The largest increase in pure value terms was seen in London with average monthly rents up 13.31%.”

Goodlord

“Over the last month, the biggest change in rents was recorded in Greater London. The region saw an almost 2% increase in rents during January, with average prices in the capital now £1,968.

“Between August and October of 2023, rents in London surpassed the £2,000 threshold for three months in a row. Despite dropping below this threshold over the winter, the region remains the most expensive place to rent in England by a sizeable margin.”

Hometrack

“On a regional basis, rental growth has slowed most rapidly in London, down from 17% a year ago to 9% currently. This contrasts with the trends across other regional cities where rental growth is holding up largely due to better affordability than southern England.

“Rental growth in Scotland continues to gain momentum with rents up 12.9%, compared to 11.4% a year ago. Rent controls in Scotland are resulting in landlords and agents pushing rents higher to allow for the fact that rental increases will be capped at 3% a year over the duration of the tenancy. It’s clear evidence of how rent controls can be counter-productive and distort markets.”

Hamptons

“January was the first time that rental growth ran at a single-digit pace during the last six months. Just two regions, the East of England and the West Midlands recorded double-digit rental growth in January, down from a peak of six regions last August.”

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 Edinburgh | 15.2% | £1,259 |
| 2 Glasgow | 13.2% | £930 |
| 3 Manchester | 12.2% | £1,037 |
| 4 Cardiff | 11.8% | £1,065 |
| 5 Newcastle | 11.7% | £793 |
| 6 Nottingham | 11.3% | £932 |
| 7 Southampton | 11.3% | £1,098 |
| 8 Birmingham | 10.3% | £912 |
| 9 Liverpool | 9.5% | £798 |
| 10 Aberdeen | 9.0% | £673 |
| 11 Bristol | 8.8% | £1,374 |
| 12 Cambridge | 8.6% | £1,549 |
| 13 Leeds | 7.8% | £923 |
| 14 Sheffield | 7.6% | £796 |
| 15 Belfast | 3.2% | £762 |
| UK (ex. London) | 10.0% | £980 |
| UK | 9.7% | £1,201 |

Source: [Hometrack](#)

Scotland

[Citylets](#)

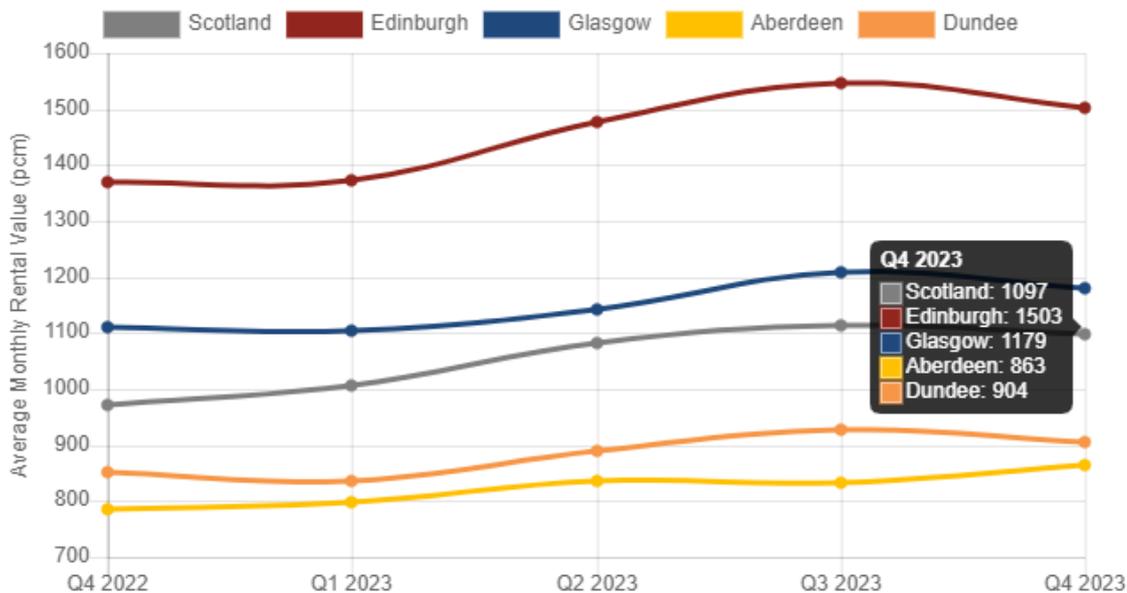
“Whilst rents continued to rise substantively by historic standards, the rate of growth eased considerably in major conurbations which will be welcome news to tenants. Of note perhaps to would-be-legislators, associated Time To Lets (TTLs), often a precursor to further changes in rental values, also lengthened across the board.

*“**Edinburgh** - Tenant demand has slowed as most of the moving activity happened spring through autumn. Rental pricing has to be on point to achieve a let at this time of year. We are also seeing a lot of circumstantial landlords entering the market due to work contracts abroad for 2/3 years. Whilst their entry into the PRS is welcomed, it only offers a shortterm solution to a growing shortage of housing crisis.*

*“**Glasgow** - Demand in the Glasgow rental market remains strong. This is not surprising considering the factors that are impacting upon supply and demand. On supply side, affordable housing providers have built insufficient numbers for decades, the percentage of housing in the private sector has stayed static for over a decade and the past 12 months of government legislation has discouraged new landlords. On demand side, increasing interest rates have discouraged new buyers from starting their home ownership journey and universities need foreign students to augment their incomes. In short, the elements of demand outstripping supply have been compounded by government policy, driving up rents further.*

“Aberdeen - Q4 2023 closed a year that was characterised by consistent rent increase. Although Aberdeen did not experience the large increase in rents that other Scottish cities saw throughout the year, we still closed 2023 with a solid increase YOY.

“Dundee - Q4 has continued to be a trying period for landlords, many of whom await confirmation of what rent controls and limitations will be imposed by the Scottish Government, before deciding whether or not to remain in the PRS or exit the market. While increased rents for new tenancies in the last 12 months have buoyed yields, many are now experiencing financial hardships as continuing higher interest rates can't be eased by rent increases above 3% annually.”



Source: [Citylets](#)

Rental demand and supply

As already mentioned, demand has outstripped supply for several years now due to a lack of stock in the market, mostly caused by government policies from the SNP, Labour and Conservatives.

However, the good news is that the supply versus demand pressure is starting to ease, and as rents tend to rise in line with wages, and as they are now hitting 'affordability' limits, rental growth is expected to reduce over the coming year.

Rightmove

"The trend of supply improving and tenant demand easing continues at the start of 2024:

- *The number of tenants sending enquiries to letting agents to move is 13% lower than the same period last year.*
- *The number of new rental properties coming onto the market is 7% higher than last year.*
- *The average number of enquiries agents are receiving for every available rental property is currently 11, which whilst still much higher than the four at this time of year in 2019, is down from 14 last year."*

Propertymark

"The established downward seasonal trend continued into December 2023. The number of new prospective tenants registered per member branch reduced to 63 from 86 in the previous month (November 2023).

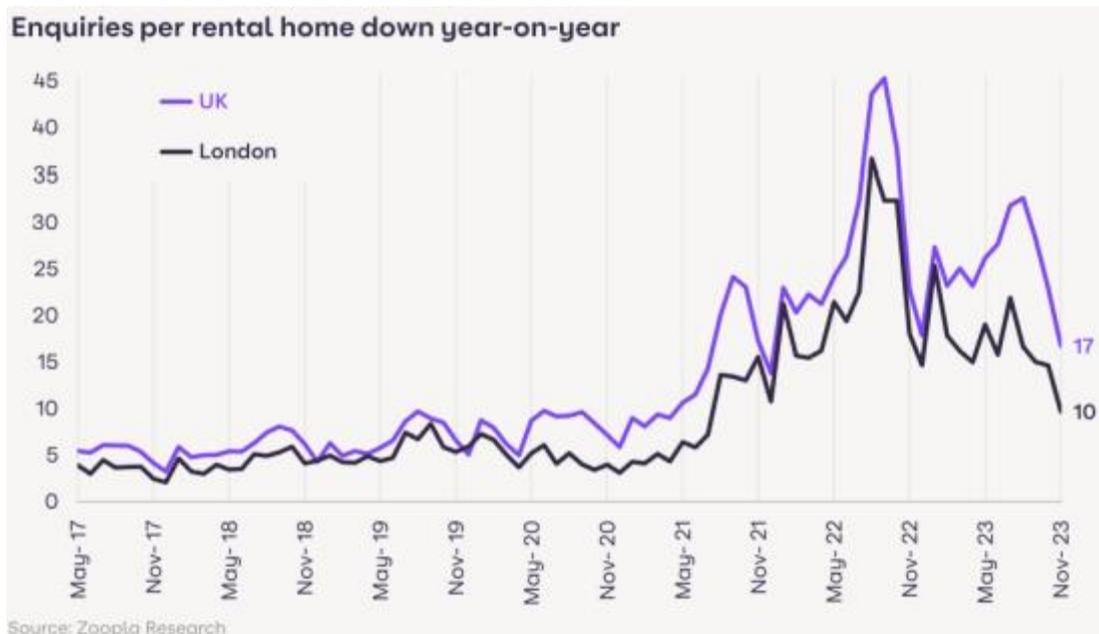
"As with demand, stock levels have followed downward seasonal trends with a marginal reduction in the number of properties available in December when compared to the previous month. It is worth noting that the stock level in December 2023 (around 9) is in line with the December 2022 figure.

"However, demand (in the form of prospective tenant registrations) outstrips these stock levels. On average, there were almost 7 new applicants registered per member branch for each available property."

Hometrack

Rental demand weakening off a high base

"Our data shows that rental demand has been steadily losing momentum over the second half of 2023. This is illustrated by the number of enquiries per home for rent. This measure peaked at over 35 enquiries per property in the summer of 2022. There was a seasonal peak this summer, but to a lesser degree. We are now in the usual seasonal slowdown that will extend into Q1 2024.

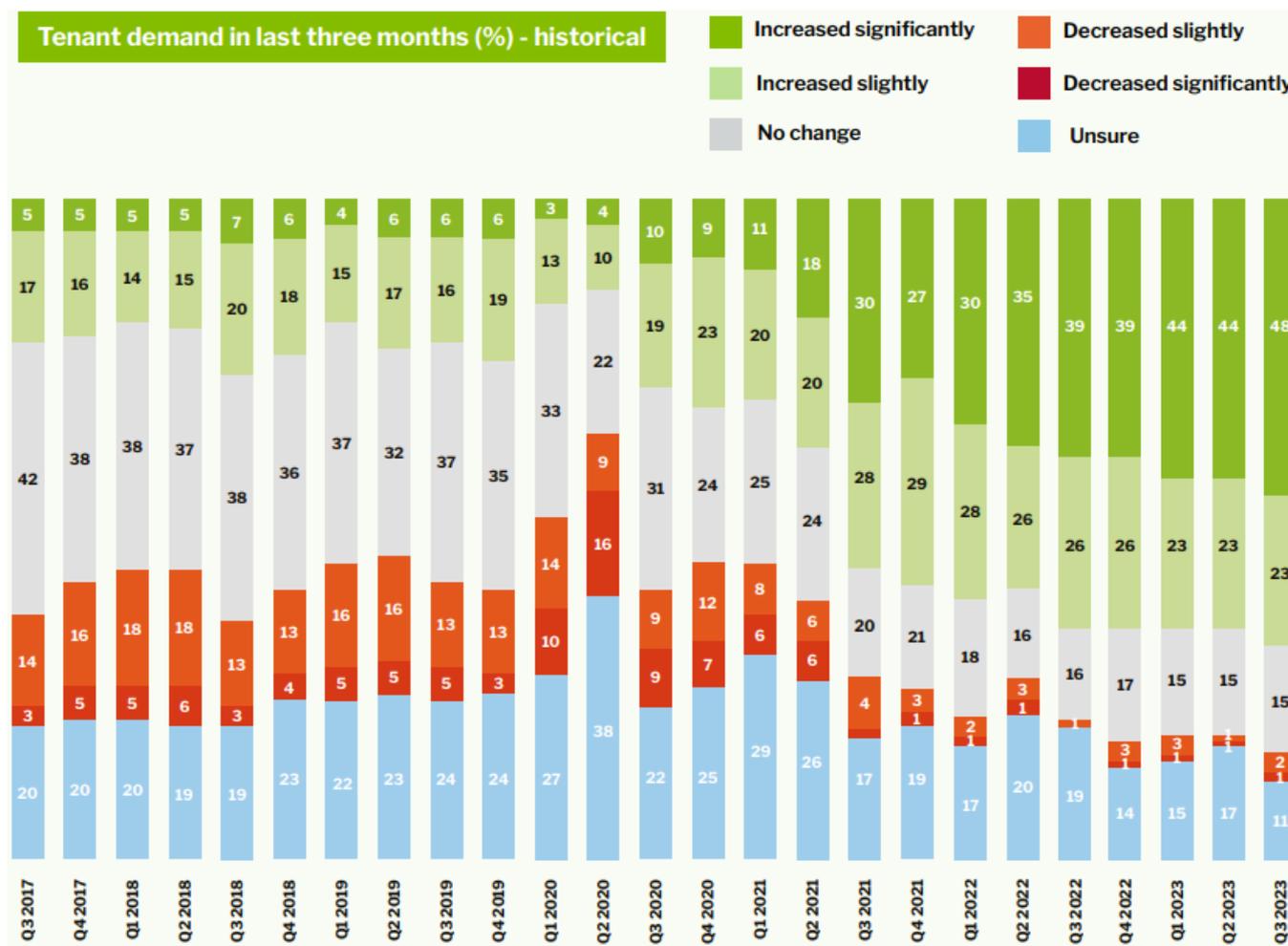


“The softening in demand reflects several factors: 1) the reduction of one-off pandemic impacts, 2) slower growth in employment and early signs of slower incomes growth, 3) high rents and falling mortgage rates are supporting first-time buyer numbers, easing rental demand. It’s important to note that while UK rental demand is 11% lower year-on-year, it remains 32% above the 5-year average. Demand in London is down 20% year-on-year but remains above the 5-year average.

“The supply-demand imbalance in rented housing is not going to disappear in 2024. However, the market is set to move more into balance than it has been over the last 3 years.”

Paragon Bank

“The record level of tenant demand reported by landlords during the first half of the year increased in Q3 to set a new all-time high. This was primarily driven by an increase in the proportion of landlords who reported significant increases in demand, up by 4-percentage points since the previous wave of research.”

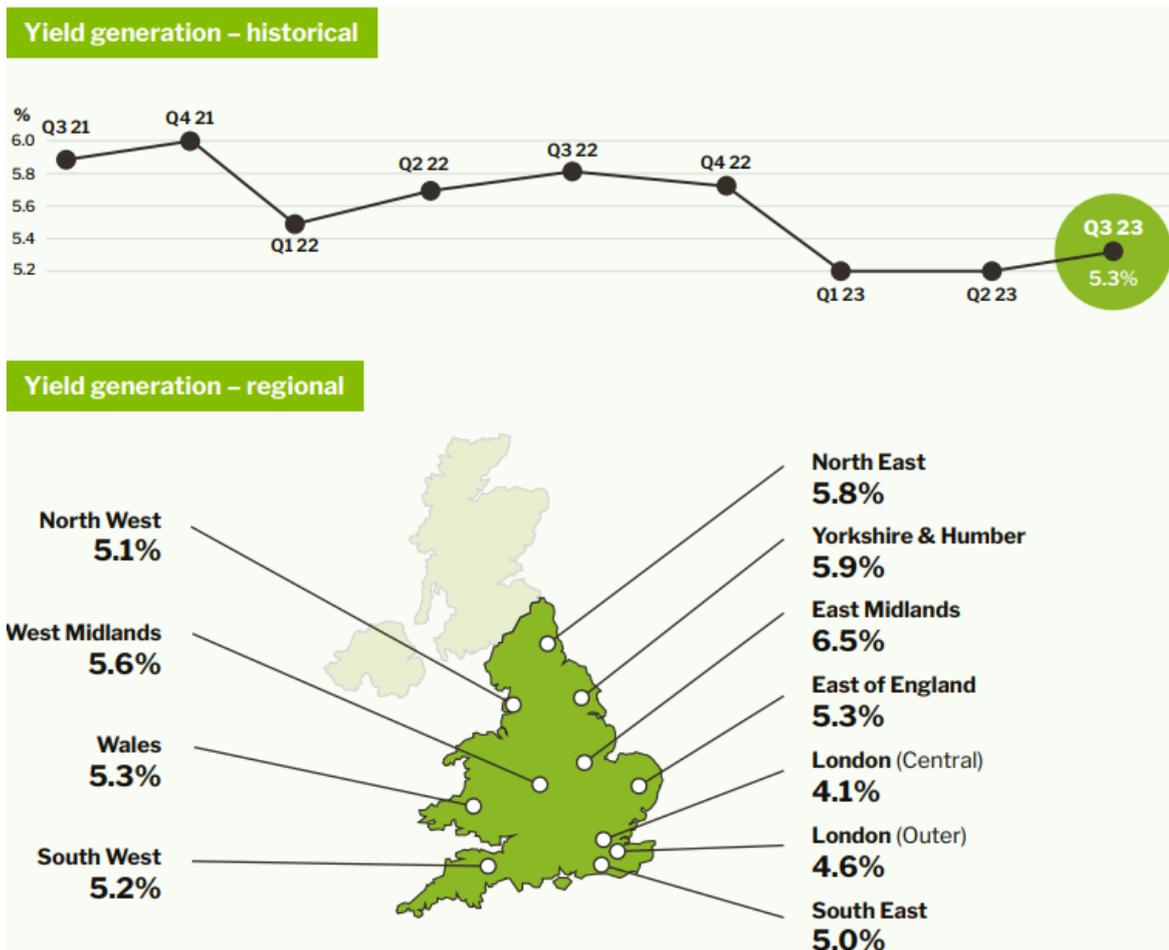


Source: [Paragon Bank](#)

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.



Source: [Paragon Bank](#)

| Region | Average Landlord yield Q4 2023 | Annual change in yield |
|-----------------------------------|--------------------------------|------------------------|
| Great Britain excl. London | 6.4% | +0.5% |
| East Midlands | 6.3% | +0.4% |
| East of England | 5.8% | +0.5% |
| London | 5.4% | +0.4% |
| North East | 8.7% | +0.8% |
| North West | 7.2% | +0.5% |
| Scotland | 8.1% | +0.6% |
| South East | 5.7% | +0.4% |
| South West | 5.9% | +0.4% |
| Wales | 7.7% | +0.6% |
| West Midlands | 6.5% | +0.6% |
| Yorkshire and The Humber | 7.0% | +0.5% |

Source: [Rightmove](#)

Where next for Rents?

The hope for this year – for tenants – is that rental growth has ‘topped out’ and will start to reduce, in line with wage growth falling too. Here’s the view from the property rental experts of ‘what happens next’!

Hometrack

“The rental market is starting to cool, having run hot for the last 3 years. The slowdown in rental growth over 2024 will be kept in check by an ongoing scarcity of supply brought about by low new investment in the face of more regulation and higher mortgage rates.

“London will lead the slowdown in rental growth on slower employment growth and affordability pressures - the average London renter household of 1.25 people spends 40.2% of earnings on rent compared to a UK average of 28.4%.

“We expect rental growth to continue to run ahead of earnings growth in regional housing markets over 2024 with rents rising by 5-8%, largely due to underlying scarcity and headroom in rental affordability for rents to rise further.”

Savills

Mainstream Rental Forecasts

“Strong growth in rents has already stretched the finances of those in the private rental sector (PRS). We estimate that the average PRS household is spending 35.3% of their income on rent, up from 33% in 2021/22. Next year we expect affordability to be stretched further but thereafter rental growth will not exceed income growth as we reach a rental affordability ceiling. Unfortunately, renters will still be left spending a higher proportion of their income on rent than at any point in the last 18 years.”

Knight Frank

UK Rental Market Forecasts: January 2024

“Landlords have left the sector in recent years due to extra red tape and taxes, which has put strong upwards pressure on rental values. However, supply is recovering as demand is gradually being absorbed and more sellers have become landlords in a sales market where price growth has been minimal.

“Rental value growth should be stronger in lower-value markets as the supply/demand distortions are greater. Property owners are typically more discretionary in higher-value markets and have been able to let while price growth has been flat.”

Hamptons

Have we passed peak rental growth?

“We think the rises in rents will slow this year, although they are likely to remain well above the annual increases of 2-3% that were the pre-pandemic norm.

“In future, we forecast that rental growth will stay above its pre-Covid levels, with a return to the near-zero interest rate policy improbable in the foreseeable future. Central banks will continue to seek to bear down on inflation.

“Landlords also face a degree of political risk. The government will be keen to lessen the cost of living squeeze and so may implement measures that further add to landlords’ costs.

“But while such measures may moderate tenants’ outgoings in the short term, they will send rents upwards in the medium-term.