



STATE OF THE MARKET

Q1 | 2023



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Several concerns have been raised regarding the private rented sector, particularly in relation to **affordability and supply pressures**.

This briefing summarises a selection of recent statistics on these issues.

Affordability

SUMMARY

Although the increase in the cost of rent may have eased slightly in recent months, annually rent levels continues to increase and affordability pressures remain high. Data suggests that rents on new lets have been rising, but for existing tenancies they have remained more stable.

THE INDEX OF PRIVATE HOUSING RENTAL PRICES (IPHRP) DATA (MARCH 2023):

This is the most reliable dataset looking at the cost of renting in the private rented sector. It explores price changes for all properties; existing and newly advertised tenancies. The most recent data showed that in 2022 rental prices in the private rented sector increased and this has continued in the first part of 2023. In the 8 months leading up to March 2023:

- Rental prices increased by 4.6% in England, 4.4% in Wales and 5.1% in Scotland, and 9.9% in Northern Ireland.
- Rental prices for the UK (excluding London) increased by 4.9%.
- Private rental prices in London increased by 4.8%. This is the strongest annual percentage change in London since December 2012.



TDS CUSTODIAL SCHEME (MARCH 2023):

Tenancies protected within the TDS custodial schemes also provides an indication of the cost of rents for both existing and new tenancies. In the 12 months to March 2023:

Rental prices for the UK (excluding London) increased by 4.8%.

- Rental prices for tenancies in England increased by 5%.
- In Northern Ireland, they increased by 2.7%.
- In Wales rental prices increased by 4.8%.
- Accurate rental data for Scotland is not yet available.

PROPERTYMARK HOUSING INSIGHT REPORT (FEB 2023):

This is based on a survey of a sample of member agents. Their data suggests that pressure on rents remains high but has eased slightly since the peak of last summer.

- In February 2023, 50% of responding agents reported that on average, rent have increased month-on-month at their branch. In June 2022 this figure was 82%.

HOMELET RENTAL INDEX (MARCH 2023):

This report is based on new tenancies and agreed lets, rather than asking rents. The data shows that in March 2023:

- There was an annual increase of 9% across the UK (excluding London)
- In both Wales and Northern Ireland the annual increase was 11% and in March 2023 rents increased by 1% compared to the previous month.
- In Scotland the annual increase was 10% and in March 2023 rents increased by 1% compared to the previous month.

These figures are higher than the IPHRP data and TDS custodial data because they do not include existing tenancies.



HOME TRACK UK RENTAL MARKET INDEX (MARCH 2023):

This dataset is also based on rents for new lets across the UK. The data suggests that in the last 12 months:

- Average rents for new-lets have increased by 11.1%.
- Rental inflation has slowed slightly from 12.3% in mid-2022 but still remains high.

RIGHTMOVE (Q1 2023 NOT YET PUBLISHED):

This is based on newly listed properties. Data from Q4 2022 suggests that the pace of rent growth is beginning to ease but the annual increase was still high at 9.7% (the previous month it was 11%)

ARE SECTOR RENTS DATA RELIABLE?

- Private rental advertising is mostly done online. Analysis of online adverts from sites such as Rightmove can provide insight into the sector on an ongoing basis.
- Most of this data will, however, relate to new lets and will only cover those that are advertised on certain websites. This means there will always be a gap between advertised properties and those available in a certain area.
- Properties advertised for rent have higher rent than similar properties that have ongoing tenancies as landlords tend to increase rent when tenancies turn over.
- Any one data source is unlikely to cover all the market. Some types of properties and some locations may be unrepresented.
- Sector based rents data is helpful but must be treated with caution. The IPHRP data is the most reliable.
- Like the IPHRP, data from TDS custodial scheme provides rent data on existing and new tenancies. However, it only covers a small part of the market.



Supply

SUMMARY

We lack reliable data on the sector, and much of the data is based on estimates rather than exact figures. We also know very little of what is happening on lower level geographies. The most reliable data sources suggest that the reduction in supply which occurred since 2016 may have now stabilised. However, demand continues to increase. Although sector-based data suggests that demand is easing slightly in recent months, overall, supply has not kept up with demand.

FAMILY RESOURCES SURVEY (MARCH 2023):

One of the more reliable data sources, this survey collects information from a representative sample of private households in the UK. The most recent findings suggest that the reduction in the private rented sector found in the last survey has been reversed.

- In 2021/2022 the percentage of households which are renting privately in the UK increased from 18% to 19%.
- In England the percentage of households renting privately was 20%, in Wales it was 18%, in Scotland it was 14%, and in Northern Ireland it was 17%.

ENGLISH HOUSEHOLD SURVEY 2021-22:

This is one of the more reliable data sources on England trends and widely relied on by the Government and others:

- In 2021-22, from an estimated 23.7 million occupied residential dwellings, 4.3 million (18%) were private rented.
- There was no change in the proportion of private rented households from the previous year (2020-21), suggesting that the reduction in the number of households living in the sector that was reported since 2016 may have stabilised.



CENSUS DATA:

Provides details about all people and households who lived in the private rented sector. Data is available at very low-level geographies. However, it is limited because it is only carried out every 10 years.

- England and Wales: Recently released census data shows that in 2021, 20.3% of households rented their property privately (5 million households).
- Northern Ireland: approximately 150,000 households (19.5% of all households) were living in the PRS. There was no significant change in the proportion of households living in the sector over the previous five years.¹

PROPERTYMARK REPORT (MARCH 2023):

Suggests demand remains high but is lower than this time last year.

- Members agencies reported that in February 2023 on average there are 10 prospective tenants registering for every available property. This is down from 17 in February 2022.

RICS UK RESIDENTIAL MARKET SURVEY (MARCH 2023):

This is based on the feedback from surveyors. It is opinion based and does not quantify actual changes. Their data suggests demand continues to increase.

- In March 2023 46% of respondents said demand increased.
- Reports suggest landlord instructions continue to decline, returning to -21%.

HOME TRACK UK RENTAL MARKET INDEX (MARCH 2023):

Reports on a slight slowdown in landlord sales in the face of a weaker sales market. 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.

¹In 2016 NI House Condition Survey (NIHCS) provided a robust estimate of the overall size of the sector: 18.3% of households were shown to rent privately.



ARE LANDLORDS LEAVING THE SECTOR DUE TO INCREASED REGULATION?

- There is a lack of research on the drivers of landlord behaviour. It cannot be assumed that changes to supply and rents is a direct result of the government's announcements and regulatory changes.
- Many sector-based studies on landlord intent are based on stated plans and we cannot easily get a strong indication of how firm those plans are. Reports of large numbers of landlords leaving the sector due to regulatory changes are mostly anecdotal.
- However, different local housing markets and parts of the sector will be affected differently. Some evidence suggests that regulatory changes may particularly impact the availability of more affordable homes.
- What matters the most is who buys the homes that landlords are selling. Properties sold to another private landlord, local authority or social landlord will still be available for rent. The real problem is when properties move into the short-term rental market.
- Whilst concerns about regulatory changes may be one factor which is impacting on landlords behaviour and therefore supply, trends in supply and demand are the result of a complex interplay of factors such as higher mortgage rates, landlords switching to the holiday rental sector, tenants renewing rather than changing tenancies, a higher number of would be buyers remaining in the sector due to the high costs of deposits and less favourable conditions for first-time buyers, rising immigration and a higher number of international students.

