



# STATE OF THE MARKET

Q3 | 2023



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This briefing summarises a selection of reports which provide insight into what is happening in the private rental market across the UK, particularly in relation to **affordability and supply pressures**.

# Affordability

## SUMMARY

In the second part of 2023, the cost of rent has continued to increase in all nations of the UK. Some data suggests this is occurring at a slightly slower rate. At a certain point, it will no longer be possible for rents to continue to rise above earnings and the upward pressures on rents may therefore begin to ease. The largest cities however continue to face the highest rates of increase. Data from the IPHRP shows that London has seen the highest rate of increase since 2006.

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

This data set covers both new and existing lets. It shows that the annual growth rate of private rental prices in the UK have continued to increase in the second part of 2023. In the 12 months leading up to August 2023:

- Rental prices for the UK (excluding London) increased by 5.4%. This is slightly higher than the Q2 2023 figure of 5.1%.
- Rental prices increased by 5.5% in England.
- In Wales rental prices increased by 6.5% which is the highest of all countries in GB.
- In Scotland rental prices increased by 6%.
- Private rental prices in London increased by 5.9%, up from an increase of 5.1% in the 12 months to June 2023. This is the highest increase since 2006.

Private rental prices in Northern Ireland increased by 9.1% in the 12 months to June 2023. This has eased slightly since the recent peak of 10% in the 12 months to March 2023. However, it remains higher than the other countries of the UK.



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## TDS CUSTODIAL SCHEME (SEPTEMBER 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 September 2023:

- Rental prices for tenancies in England increased by 5%, which is lower than June 2023 when they increased by 7%.
- In Northern Ireland, they increased by 2%, lower than the previous quarter when it was 6%.
- In Wales rental prices increased by 6%. In the 12 months to June 2023 they increased by 7%.
- In Scotland accurate data is available from August 2022. In the 12 months to September 2023 they increased by 6%.

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## PROPERTYMARK HOUSING INSIGHT REPORT (AUGUST 2023):

This is based on a survey of a sample of member agents. Their data suggests that pressure on rents remains high.

- In August 2023, 69% of responding agents reported that, on average, rent had increased month-on-month at their branch. This remain static from the previous month.





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## HOMELET RENTAL INDEX (AUGUST 2023):

This report is based on new tenancies and agreed lets, rather than asking rents. The data shows that in August 2023, the annual increase in the price of new lets has eased slightly compared to the previous quarter but still remains high.

- There was an annual increase of 9.4% across the UK (excluding London). The average cost of rent outside of London is now £1,051 p/m.
- In Wales the annual increase in prices on new lets was 8.2%. In June 2023 it was 10%.
- In Northern Ireland the annual increase in prices on new lets was 5.8%. In June 2023 it was 7.4%. In Scotland the annual increase on prices on new lets was 14.4%. In June it was 15.8% Rents continue to rise most strongly in Scotland.

These figures are higher than the IPHRP data and TDS custodial data because they do not include existing tenancies. Landlords tend to increase rent when tenancies turn over.

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## ZOOPLA RENTAL MARKET REPORT (SEPTEMBER 2023):

This report is based on advertised new lets. Compared to the previous year, in September 2023:

- The average cost of rent on a new let in the UK increased by 10.5%. Whilst this is lower than last year's figure of 12.2%, rental inflation has been in double digits for 18 months.
- In Wales rental inflation was 9.9%, lower than the previous year's figure of 12.2%.
- In Northern Ireland rental inflation was 4.2%.
- In Scotland the average increase on new lets was 12.7%. The increase is higher in the cities. Rents for new lets in Edinburgh and Dundee increased by 15.6% and by 13.7% in Glasgow.

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## HOME TRACK UK RENTAL MARKET INDEX (SEPTEMBER 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 10.5%.



## RIGHTMOVE (Q3 2023):

- The average advertised rent for new properties hit another national record of £1,278 per calendar month outside of London.
- Average advertised rents are now 10% higher than this time last year.

### RENTAL INFLATION AND THE FREEZE ON HOUSING BENEFIT

The Government has frozen the Local Housing Allowance (LHA) rate since 2020 despite rising rents. This means that housing benefit is too low to pay for even basic properties. Research from the [TDS Charitable Foundation](#) shows that 24% of all private tenants in England and Wales are in receipt of benefits to help with their housing costs.

Due to the significant increase in the cost of rent, for many tenants the LHA rate does not cover the cost of rent.

- [One study](#) by the London School of Economics, found that only 2.3% of London listings on Rightmove were affordable in 2022-23 to those using benefits to pay their rent – falling from 18.9% in 2020-21.
- [Other research](#) by the Institute for Fiscal Studies in June 2023 found that in Q1 2023, just 5% of private rented properties in the UK are affordable for housing benefit recipients.
- [Crisis analysed data from Zoopla](#) and found that just 7% of 1-3 bedroom properties in Scotland were affordable for private renters on housing benefit.



# Supply

## SUMMARY

Whilst there are several data sets across the UK exploring trends in the private rental market, there are also many gaps in what we know, particularly in relation to supply. Whilst there is no clear evidence to suggest that there has been a permanent reduction in the supply of privately rented properties, supply has not kept up with rising demand. This mismatch has now become a familiar feature of the private rented sector across the four nations of the UK.

## PROPERTYMARK REPORT (AUGUST 2023):

Suggests demand remains high whilst supply is insufficient:

- Members agencies reported that on average there are 17 prospective tenants registering for every available property.
- An average of 197 prospective tenants are registered per member branch compared to 149 in July 2022.

## RICS UK RESIDENTIAL MARKET SURVEY (AUGUST 2023):

This is based on the feedback from surveyors. It is opinion based and does not quantify actual changes. Their report suggests that tenant demand continues to increase amidst weakening supply:

- In August 2023, 47% of respondents said demand increased.
- Reported new landlord instructions was -20%.

## ZOOPLA RENTAL MARKET REPORT (SEPTEMBER 2023):

Their data suggests that although demand is slowing down from very high levels, a lack of supply remains:

- Data on number of enquiries per property suggests demand for rented homes is 20% lower than a year ago but still 51% above the 5-year average.



- The number of homes for rent is 20% higher than a year ago but remains 30% below average for this time of year.
- The average letting agent has less than 10 homes to rent compared to a pre-pandemic average of 16.5 homes.

## WHAT IS CONTRIBUTING TO THE LACK OF SUPPLY IN LONDON?

London is home to 2.7 million renters and the private rented sector accounts for 30% of homes (higher than the national average of 20%). [A report from Savills and the London School of Economics](#) published in July 2023 looked at the supply of privately rented properties in London.

The researchers found the availability of properties for rent has been reduced:

- Across 1-4 bed properties the overall reduction in rental listings is 41% down on the 2017 average.
- A lack of supply puts upward pressure on rents. In February 2023 asking rents were almost 20% higher than at the start of the first COVID-19 lockdown in March 2020.

The researchers believed that reduced supply across the rental market was due to the following key factors:

- Contractions in the buy-to-let market in London, with more private landlords reducing rather than growing their portfolios.
- Policy and economic factors increasing landlord costs, which particularly impacts those who are letting at lower rents.
- Tenants are remaining in rented homes for much longer periods, with tenancy lengths broadly doubling, this reduces churn in the sector and means properties are re-let less frequently.



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