

UK Rental Market Report

Latest insight on the UK Rental Market based on Zoopla's Rental Index

+9.1%

Annual change in rents, UK
excluding London

+15.7%

Annual change
in rents, London

+11.0%

Annual change
in rents, UK

37%*

Affordability: % of salary to
cover rent, single earner, UK

14 days

Average time to let
a property, UK average

£995

Monthly rent,
UK average

“High levels of demand amid constrained supply is still putting upward pressure on rents, but affordability pressures will mean an easing in rental price growth through the rest of 2022”

Gráinne Gilmore

Head of Research, Zoopla

*new methodology, not directly comparable to reports before Q3 2021

Executive summary

- UK annual rental growth for new lets rises to 11% in Q1 2022 as demand continues to outstrip supply
- Rents have bounced back from a -1% fall a year ago
- Wage growth hit 8.8% last year, and cumulatively, UK rental growth has not kept pace with earnings or inflation since 2016
- Rental demand is particularly acute in city centres as students, office workers and international demand returns
- The rise in rents is pushing up the affordability metrics, to 37% of gross income for a single earner, and 18.5% for sharers
- Tenancy lengths continue to rise, signalling that some renters may be ‘rolling over’ their rental contract with lower rent rises
- Rental growth will start to slow in H2 as the ‘bounce-back’ eases and more challenging economic conditions emerge

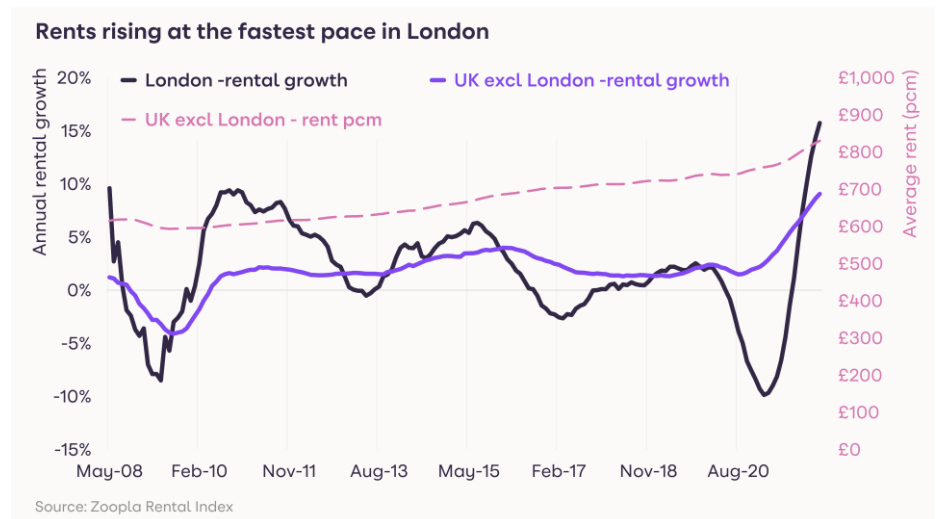
£830

Average monthly rent
UK excl London,
March 2022

UK rental growth at +11%

Rental growth continued to gain momentum in Q1 as high levels of rental demand put upwards pressure on rents.

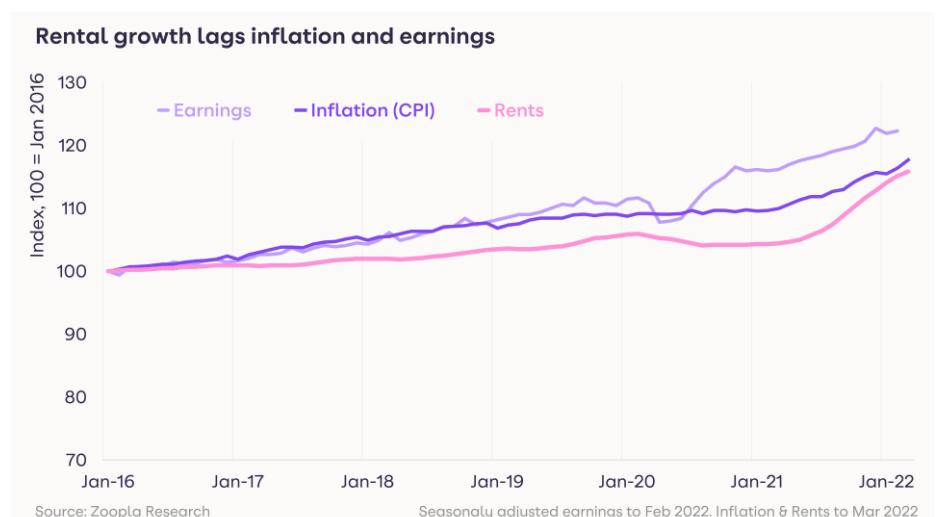
The average monthly rent climbed to £995 from £897 a year ago, taking the annual rate of growth to +11% according to Zoopla index, which is based on new lets agreed.



The rate of rental growth has gained momentum across most markets in the last six months as post-pandemic demand surged back into city centre markets and the supply of properties for rent struggled to keep pace. The rise in asking rents has been particularly acute in the flats market in London.

This sharp growth comes after a period of moderate rental growth in most of the UK however, with growth outside London pegged at between 1% and 4% for much of the last decade, as the purple line above shows.

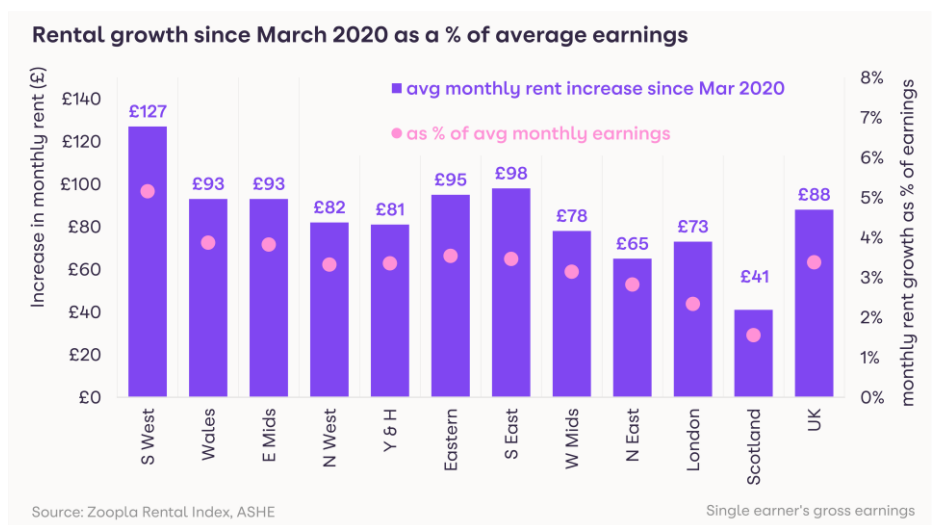
Cumulative UK rental growth since the start of 2016 totals 16%. When compared to average wages and CPI inflation, average UK rents have not kept pace since 2016, as shown in the chart below.



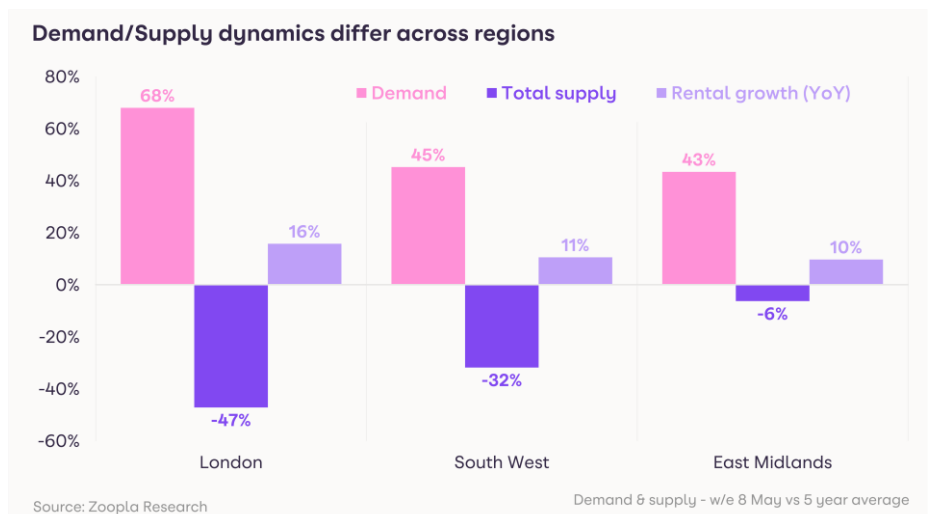
Regional trends

As the map on page 6 illustrates, there has been strong annual rental growth across most regions of the UK, ranging from 15.7% in London to 6% in Scotland.

In the chart below, we have compared how the rental growth registered over the last two years translates in monetary terms. Despite the strong annual rental growth in London over the last year, it is the South West where average rents have risen most, up by £127 a month compared to March 2020. This equates to an additional 5% of average earnings in the region.

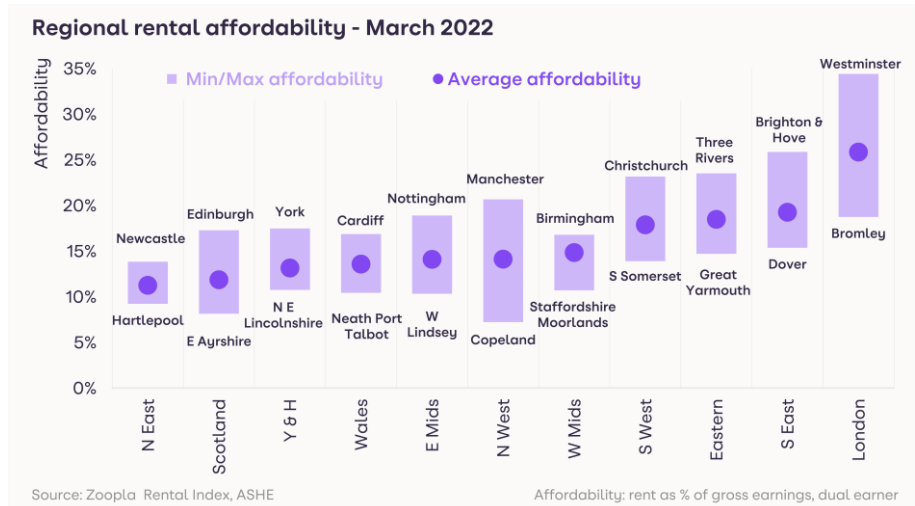


The chart below shows the dynamics in terms of supply and demand across the regions. However, it is notable that there isn't a straight-line relationship when it comes to the gap between supply and demand and rental growth. Even in the East Midlands, where supply constraints are less pronounced than in London and the South West, there is still double-digit rental growth given the strength of demand. But it is likely, as demand levels normalise, the markets with less marked supply constraints will be the first to see a softening of rental growth rates – including the East Midlands, West Midlands and East of England.



Affordability

The sharp rise in rents has stretched affordability metrics, with the average rent now accounting for 37% of gross earnings for a single renter. Around a third of renters are single earners, according to the English Housing Survey. So for the majority of renters who live with partners or share accommodation, the proportion of gross earnings used for rent falls to 18.5% on average



However, as the chart above shows, the rental market is highly localised. While the purple dots show the average proportion of a joint income needed to cover rent in each region, the spread around this average is larger, especially in the North West, and in London.

While rent accounts for 21% of joint income in Manchester, in the local authority of Copeland, which includes the towns of Whitehaven and Cleator Moor, average rent accounts for just 7% of average joint income.

As in the sales market, many renters will be centred in a location due to family, work or school. However, there will be a proportion of renters who are able to move to other markets in order to cut their rental outgoings.

Another way to do this is to stay put in their current rental property, as often tenants in situ can strike alternative rental deals with their landlord, especially landlords keen to avoid a void period on their property. Our data shows that the average tenancy length has been rising since 2017. While this would be expected during the pandemic, when moving was more challenging, there has been a tick up again since the end of the lockdowns.

The average time between rental listings coming to the market has risen by 5 months, from around 1 year in 2017 to 75 weeks in March 2022.

37%

Long-run average, rental affordability, rent as proportion of single earner gross income

Outlook

UK rental growth is being driven by high rental demand and limited supply, trends that are more pronounced in city centres. The surge of post-pandemic pent-up demand will normalise through Q2 and Q3.

At the same time, stretched affordability will also start to put a limit on further rental growth although this may not apply at a similar level across the market. While renters with more disposable income can adjust their property choices in order to limit their rental payments, those at the more economic end of the market have less choice to do this, and are most impacted by rental rises.

However, the lack of supply is a wider structural issue in the Private Rented Sector (PRS) as buy to let landlords are not investing at the same pace as they were before tax changes which have been introduced since 2016. This will put a floor under rental growth.

Even so, in a market which has registered double-digit annual rental growth, landlords in local markets will find increased sensitivity to pricing among renters. Our data shows that, on average, tenants are staying put in their current properties for longer, which may be partly due to not wanting to move into a new rental property where a larger rent increase will be applied.

There is a question around rising interest rates and whether renters will feel the impact of rising mortgage rates for landlords. Most landlords will have fixed-rate mortgage deals, so this will not be happening across the whole market at once, but in these market conditions, local demand will determine whether landlords can pass on this increased cost, especially as living costs are rising.

We expect rents to continue to rise this year, but at a more modest pace, with UK rental growth excluding London at 4.5% by the end of the year, which is in line with independent forecasts for earnings growth for 2022. We forecast London rental growth to be running at around 3.5% by the end of the year.

Rental Highlights

Note: The Zoopla rental market index is repeat transaction index, based on asking rents and adjusted to reflect achieved rents. The index is designed to accurately track the change in rental pricing for UK housing.

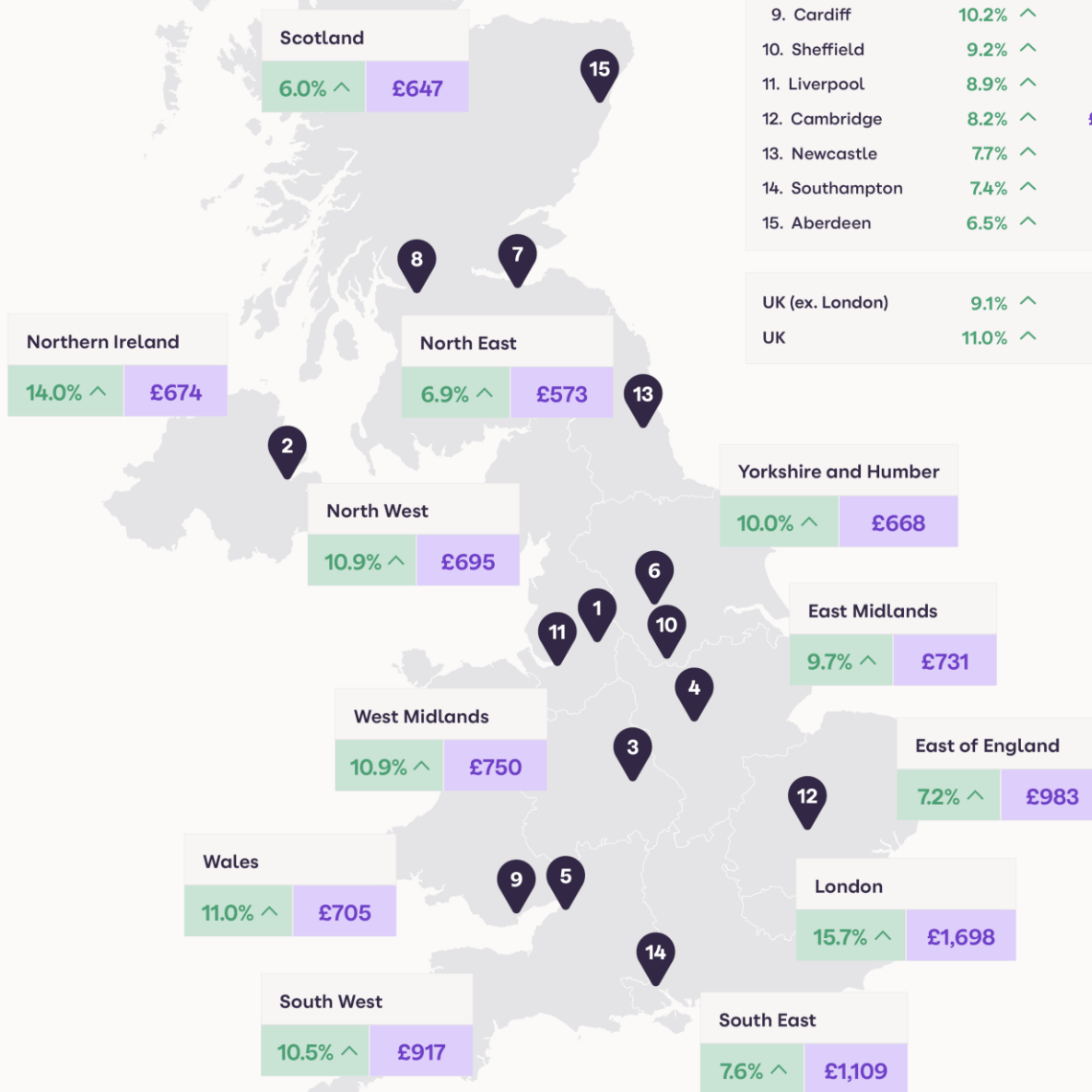
March 2022

(Published May 2022)

Source: Zoopla Rental Market Report

City	
Annual % change in rents	Average rent (pcm) *

City	Annual % change in rents	Average rent (pcm)*
1. Manchester	14.3% ^	£856
2. Belfast	13.7% ^	£679
3. Birmingham	13.0% ^	£767
4. Nottingham	13.0% ^	£797
5. Bristol	12.0% ^	£1,145
6. Leeds	11.5% ^	£792
7. Edinburgh	11.0% ^	£990
8. Glasgow	10.9% ^	£720
9. Cardiff	10.2% ^	£889
10. Sheffield	9.2% ^	£687
11. Liverpool	8.9% ^	£673
12. Cambridge	8.2% ^	£1,296
13. Newcastle	7.7% ^	£659
14. Southampton	7.4% ^	£916
15. Aberdeen	6.5% ^	£595
UK (ex. London)	9.1% ^	£830
UK	11.0% ^	£995



* Average 1-4 bed properties

Rental Market In Detail: March 2022

	Average Rent (PCM)	% YOY (Mar 2022)	% YOY (Mar 2021)	3YR CAGR	Affordability (Single earner)	Time to rent (Mar 2022)
UK	£995	11.0%	-1.2%	3.8%	37.0%	14
UK ex. london	£830	9.1%	2.9%	4.7%	30.8%	14
North East	£573	6.9%	5.5%	4.6%	22.5%	16
North West	£695	10.9%	2.2%	5.0%	28.2%	13
Yorkshire and the H	£668	10.0%	3.4%	5.3%	26.3%	15
East Midlands	£731	9.7%	4.5%	5.7%	28.2%	15
West Midlands	£750	10.9%	0.7%	4.1%	29.7%	16
East of England	£983	7.2%	3.2%	4.2%	37.0%	14
London	£1,698	15.7%	-9.7%	2.0%	51.7%	14
South East	£1,109	7.6%	2.0%	3.8%	38.5%	15
South West	£917	10.5%	5.0%	6.2%	35.7%	12
Northern Ireland	£674	14.0%	4.8%	6.4%	28.7%	14
Scotland	£647	6.0%	0.6%	3.1%	23.7%	12
Wales	£705	11.0%	3.7%	5.9%	27.1%	14
Belfast	£679	13.7%	4.2%	6.2%	28.9%	15
Birmingham	£767	13.0%	-0.5%	4.3%	30.7%	16
Bristol	£1,145	12.0%	3.1%	6.6%	41.5%	12
Cardiff	£889	10.2%	2.5%	5.4%	33.7%	14
Edinburgh	£990	11.0%	-3.5%	3.2%	34.6%	10
Glasgow	£720	10.9%	3.8%	5.6%	25.0%	9
Leeds	£792	11.5%	0.0%	5.0%	29.0%	16
Liverpool	£673	8.9%	3.9%	5.1%	27.4%	12
Manchester	£856	14.3%	-1.0%	4.8%	35.0%	12
Nottingham	£797	13.0%	3.8%	7.1%	30.1%	14
Sheffield	£687	9.2%	4.6%	4.9%	26.5%	15
Southampton	£916	7.4%	2.4%	3.9%	33.5%	14

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