

UK Rental Market Index

+2.4%

Annual rental inflation
for new lets, UK

-24%

Rental demand
(YoY change)

+19%

Rental supply
(YoY change)

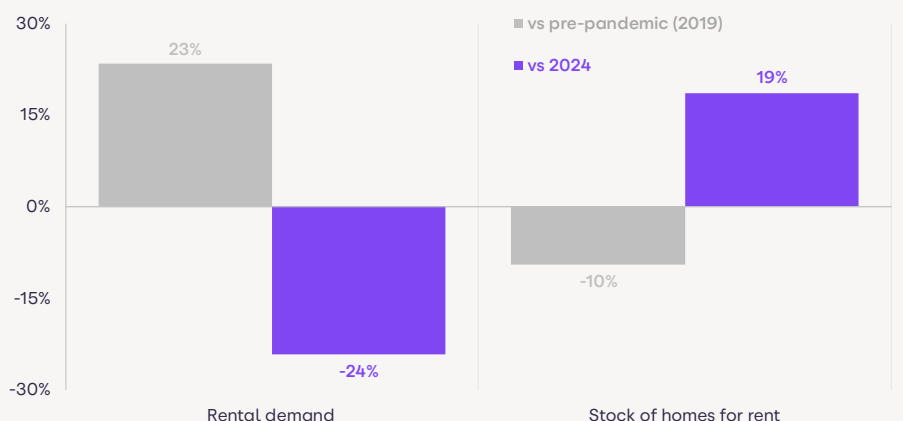
Executive summary

- Rental market conditions are the softest for 5 years
- Demand is 24% lower than last year on the back of lower migration levels and improved mortgage availability for first-time buyers
- Number of homes for rent has expanded by almost a fifth as new investment increases and some homes for sale are listed as rentals
- Growth in supply is higher across all areas, less so in London
- UK rents for new lets are 2.4% higher - lowest annual rate since 2020
- Rents in Leeds and Bristol post modest falls as individual markets adjust to shifting supply/demand dynamics
- Rents on track to be 2-3% higher over 2025

“Rental market conditions are starting to normalise as supply and demand rebalance. The affordability of renting remains a key constraint on the pace of future rental inflation.”

Richard Donnell
Executive Director

Rental supply and demand coming back to balance



Source: Zoopla Research

% change - 4 weeks to 2 Sept 2025 compared to the same period in 2024 and 2019

60%

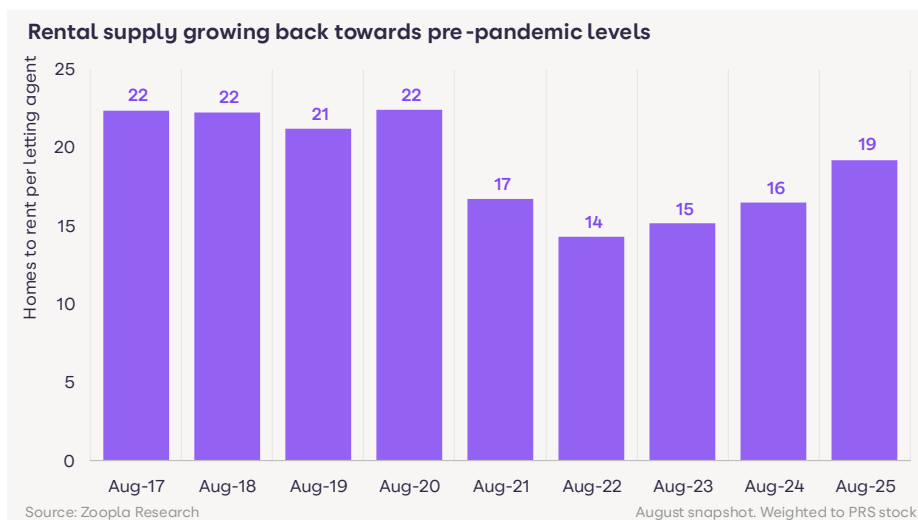
Increase in buy-to-let mortgages used to buy rented homes in year to 2025 Q1

Softest rental market for 5 years cools rental inflation

Rental market conditions are the weakest for 5 years. Letting agents are getting 24% fewer enquiries to rent¹ homes than a year ago. This is the lowest level for the month of August since 2020 as migration levels fall and mortgage availability improves for first-time buyers.

The number of homes for rent is steadily rising, at almost a fifth higher than a year ago. Homes are staying on the market for slightly longer as demand cools, with a current average of 16 days to find a tenant compared to 12 days in 2023 and 20 days pre-pandemic.

More homes for rent and weaker demand has stalled the growth in rents, which are just 2.4% higher than July 2024. This is the slowest pace of rental inflation for four years (July 2021) and less than half the annual rate recorded a year ago (5.1%). The average UK rent is £1,300 a month, with rents posting small falls in some markets as weaker demand and higher supply impact rent levels.



More investment by landlords boosting rental supply

The average letting agent has 19 homes for rent, up from a low of 14 in 2022. A lack of rental supply and strong demand has led to a 36% jump in rents since 2020, while house prices are 20% higher. This has boosted gross yields² available to landlords, which average 6% at a UK level, rising to over 7.5% in the North East and Scotland.

Higher rental yields and more stable mortgage rates have led to an increase in new investment by landlords. New buy-to-let loans for home purchase were up 60% over the year to 2025 Q1³.

This is one factor supporting the growth in homes for rent. The improvement of conditions in the mortgage market is supporting more renters to transition to first-time home ownership, freeing up homes for rent as a result. Record numbers of homes for sale, and a slowing sales market may see more sellers list homes for rent, adding to the rental supply.

1. 4 weeks to 2 September 2025 compared to the same period in 2024

2. The gross yield is the annual rental income, before costs, as a percentage of the capital value of private rented homes

3. UK Finance 2025 Q1 - www.ukfinance.org.uk/data-and-research/data/buy-to-let-lending

36%

Increase in number of homes for rent in the South West v last year

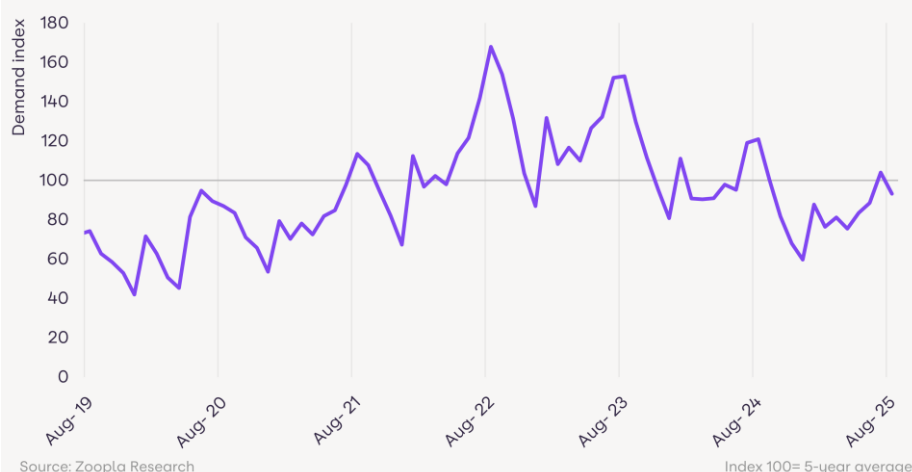
Rental supply up across all areas except London

The number of homes for rent is higher across all regions than a year ago by over a third (36%) in the South West and 31% higher in East Midlands⁴. The South West has also seen many more homes listed for sale. It's likely some sellers who cannot sell will opt to list homes for rent, adding to rent supply. For renters, more supply is boosting choice and reducing the upward pressure on rent levels.

London bucks the national trend with rental supply just 6% higher than a year ago. Levels of new investment in London are lower as yields are more modest (5%) and landlords using mortgages to buy property for rent need to put down a larger deposit (£187,000 in London vs £29,000 in the North East⁵).

London also has the largest share of landlords still looking to sell homes (31% of all homes for sale), which limits the growth in the number of homes available to rent in the capital.

Rental demand in August the weakest since 2020



Rental demand weakest for 5 years

Demand for rented homes exploded over the post-pandemic years as the economy re-opened and migration into the UK for work and study grew rapidly, peaking in mid-2023. A trebling in average mortgage rates over 2022 and into 2023 hit demand in the sales market, which boosted demand further in the rental market.

Tighter visa rules have led to levels of migration almost halving over 2024, while greater stability in mortgage rates and rising incomes have boosted demand among renters to buy homes, easing some of the excess pressure on the rental market.

In Q1 2025 there were changes to the way the affordability of mortgages are assessed, which delivered a 20% boost to borrowing capacity for first-time buyers (FTBs). This explains a 30% jump in FTB mortgages⁶ over the last year, which is one reason why demand for renting is weakening and more rental supply is being released.

4. 4-weeks to 7 September vs same period in 2024

5. Assumes a higher rate taxpayer buying a typical rented home and the needs to meet lenders interest cover ratio of 145%

6. Zoopla Research analysis of the UK Finance FTB mortgages data – H1 2025 vs H1 2024

£80

Increase in average weekly rental cost over last 5 years

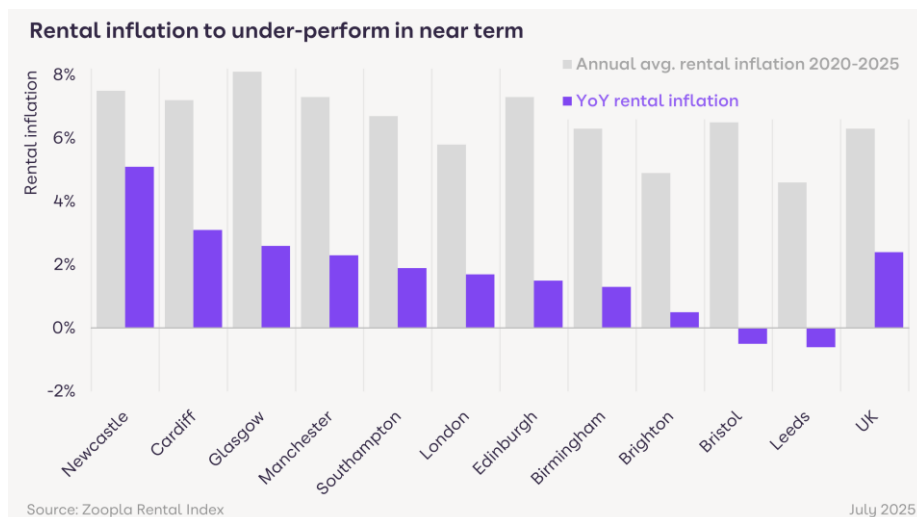
Affordability impacts demand and rental inflation

The affordability of renting is a growing challenge for renters and is holding back rental inflation. The average UK rent has increased by just under £80 a week over the last 5 years (£4,100 more a year), compounding the cost-of-living pressures on renting households.

Many private renters are on below-average household incomes. Almost a third rely on housing benefit to support rental costs, where the allowance has not kept pace with rental increases.

This means affordability is a growing constraint on renters that impacts the pace of rent inflation, which has slowed sharply across much of the country over the last year. At a regional level, annual rent inflation ranges from less than 2% in London, Scotland and Yorkshire and Humberside to 4.6% in the North East.

At a localised level, rents are falling across cities including Bristol (-0.5%) and Leeds (-0.6%). Rental inflation has also slowed across all cities compared to the typical growth rates over the last 5 years.



Rental market outlook

Rental market conditions are starting to normalise after a frantic few years characterised by many renters chasing too few homes as landlords held back from investing, which pushed rents higher.

Supply and demand are coming back into balance, but the unaffordability of home ownership is trapping people in private renting, which is keeping rental demand above pre-pandemic levels.

It's positive that the number of homes for rent is steadily recovering. However, we don't expect a surge of new investment activity by landlords to accelerate the supply of homes for rent.

Rental inflation remains on track to be 3% over 2025. Encouraging new investment and growing the supply of homes for rent is the only long-term solution to easing the pressure on renters across Britain.

Rental Highlights

Note: The Zoopla rental market index is a 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.

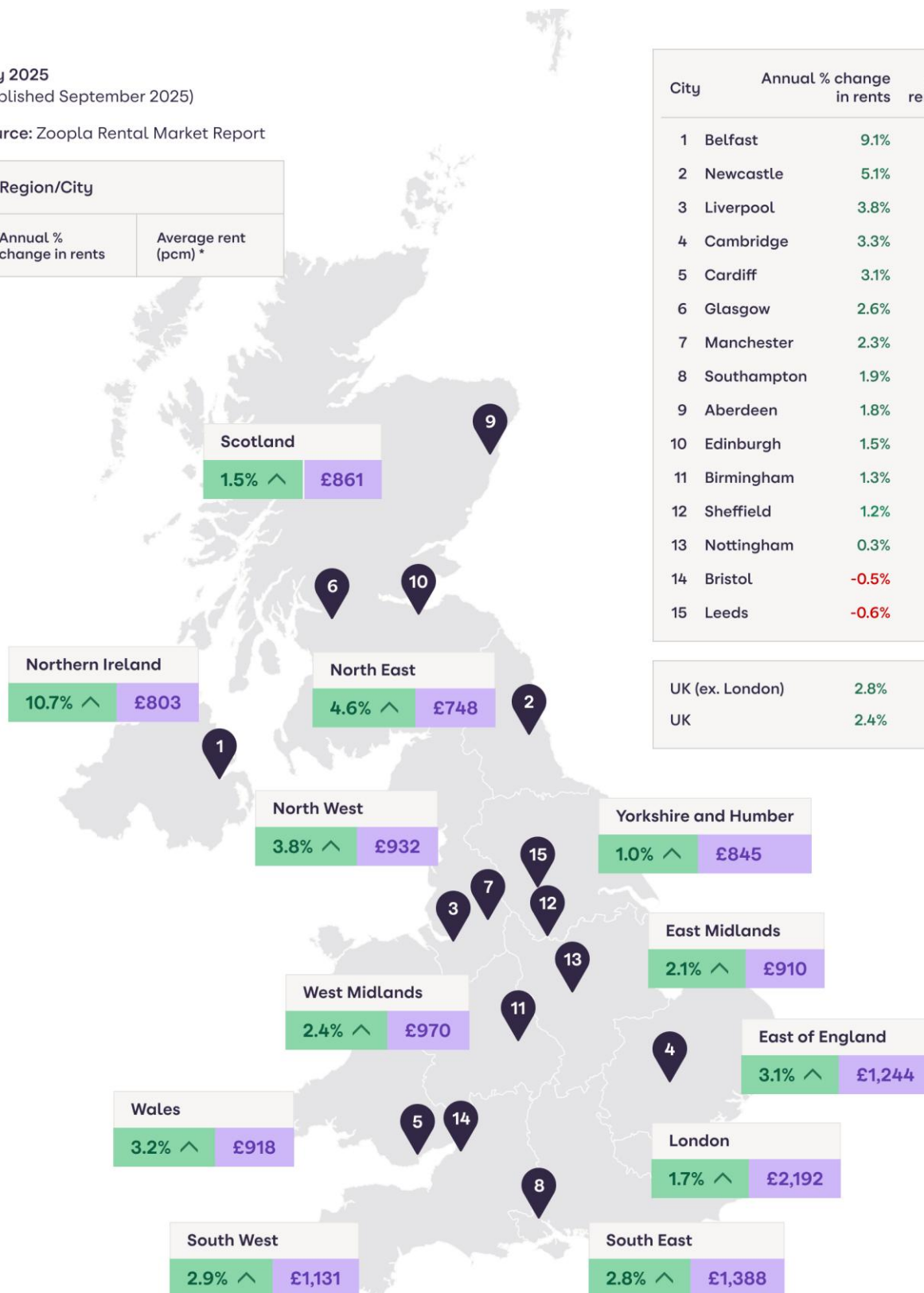
July 2025

(Published September 2025)

Source: Zoopla Rental Market Report

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

City	Annual % change in rents	Average rent (pcm)*
1 Belfast	9.1%	£820
2 Newcastle	5.1%	£895
3 Liverpool	3.8%	£870
4 Cambridge	3.3%	£1,600
5 Cardiff	3.1%	£1,147
6 Glasgow	2.6%	£1,012
7 Manchester	2.3%	£1,144
8 Southampton	1.9%	£1,180
9 Aberdeen	1.8%	£734
10 Edinburgh	1.5%	£1,352
11 Birmingham	1.3%	£1,005
12 Sheffield	1.2%	£849
13 Nottingham	0.3%	£965
14 Bristol	-0.5%	£1,394
15 Leeds	-0.6%	£968
UK (ex. London)	2.8%	£1,039
UK	2.4%	£1,301



*Average 1-4 bed properties

Rental Market Snapshot: July 2025

	Average Rent (PCM)	% YOY (Jul 2025)	% YOY (Jul 2024)	3YR CAGR
UK	£1,301	2.4%	5.1%	5.9%
UK ex London	£1,039	2.8%	6.2%	6.1%
East Midlands	£910	2.1%	5.3%	5.4%
East of England	£1,244	3.1%	6.4%	6.3%
London	£2,192	1.7%	2.5%	5.4%
North East	£748	4.6%	8.6%	7.4%
North West	£932	3.8%	6.8%	7.1%
Northern Ireland	£803	10.7%	6.3%	6.7%
Scotland	£861	1.5%	7.6%	7.2%
South East	£1,388	2.8%	6.0%	5.9%
South West	£1,131	2.9%	6.1%	5.5%
Wales	£918	3.2%	5.8%	6.2%
West Midlands	£970	2.4%	6.1%	5.9%
Yorkshire and the Humber	£845	1.0%	5.0%	4.7%
Belfast	£820	9.1%	8.1%	7.0%
Birmingham	£1,005	1.3%	5.2%	5.4%
Bristol	£1,394	-0.5%	6.1%	4.7%
Cardiff	£1,147	3.1%	6.1%	6.5%
Edinburgh	£1,352	1.5%	7.1%	7.9%
Glasgow	£1,012	2.6%	5.3%	7.1%
Leeds	£968	-0.6%	3.9%	3.9%
Liverpool	£870	3.8%	7.9%	6.7%
Manchester	£1,144	2.3%	5.7%	6.8%
Nottingham	£965	0.3%	2.8%	4.0%
Sheffield	£849	1.2%	3.8%	4.1%
Southampton	£1,180	1.9%	6.8%	6.4%

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