

London's private rental homes

Understanding changes in supply

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Establish the causal factors driving the reduction in availability of PRS accommodation in London

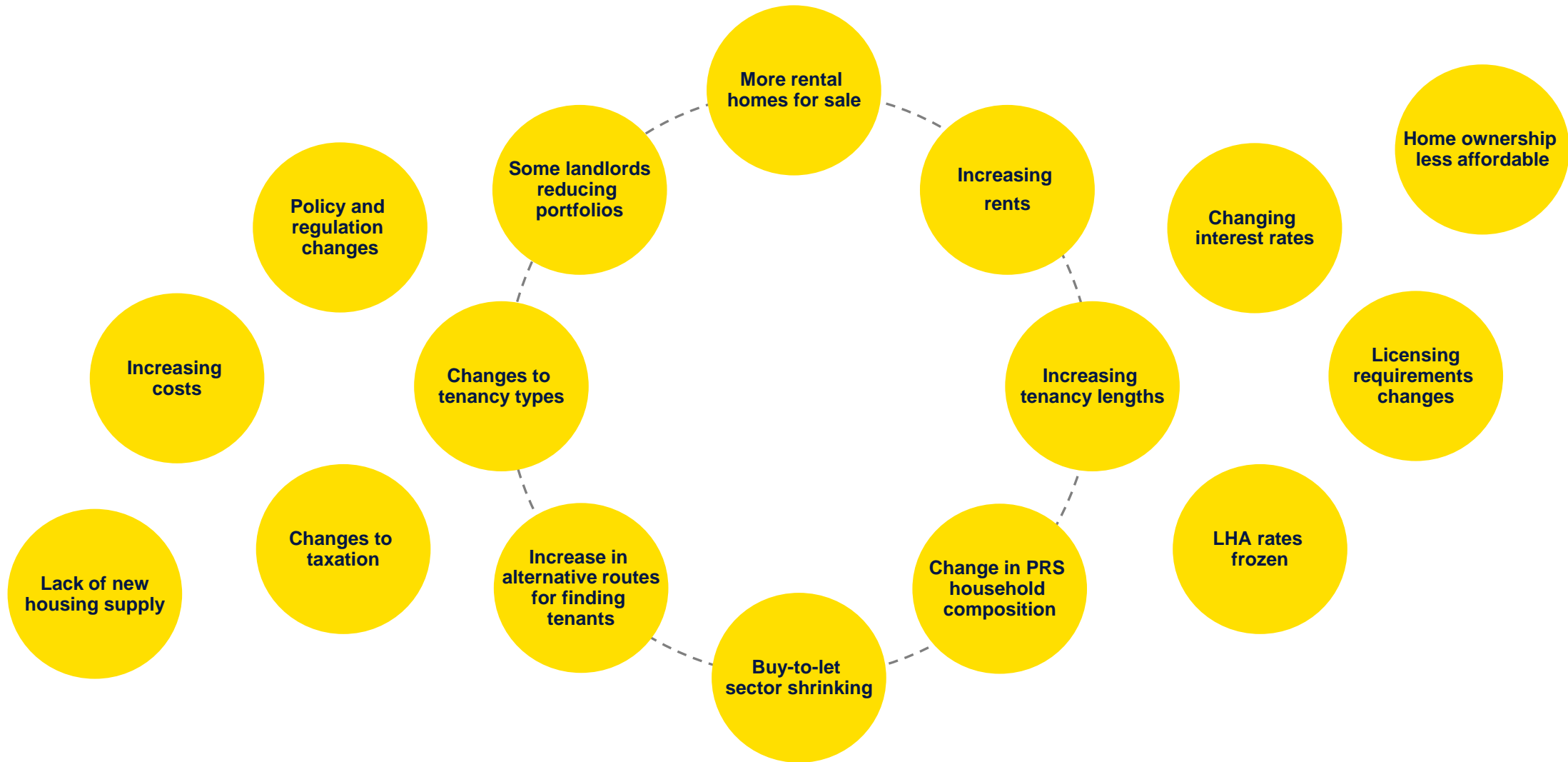
Suggest some possible responses to this

Cover the whole mainstream London PRS

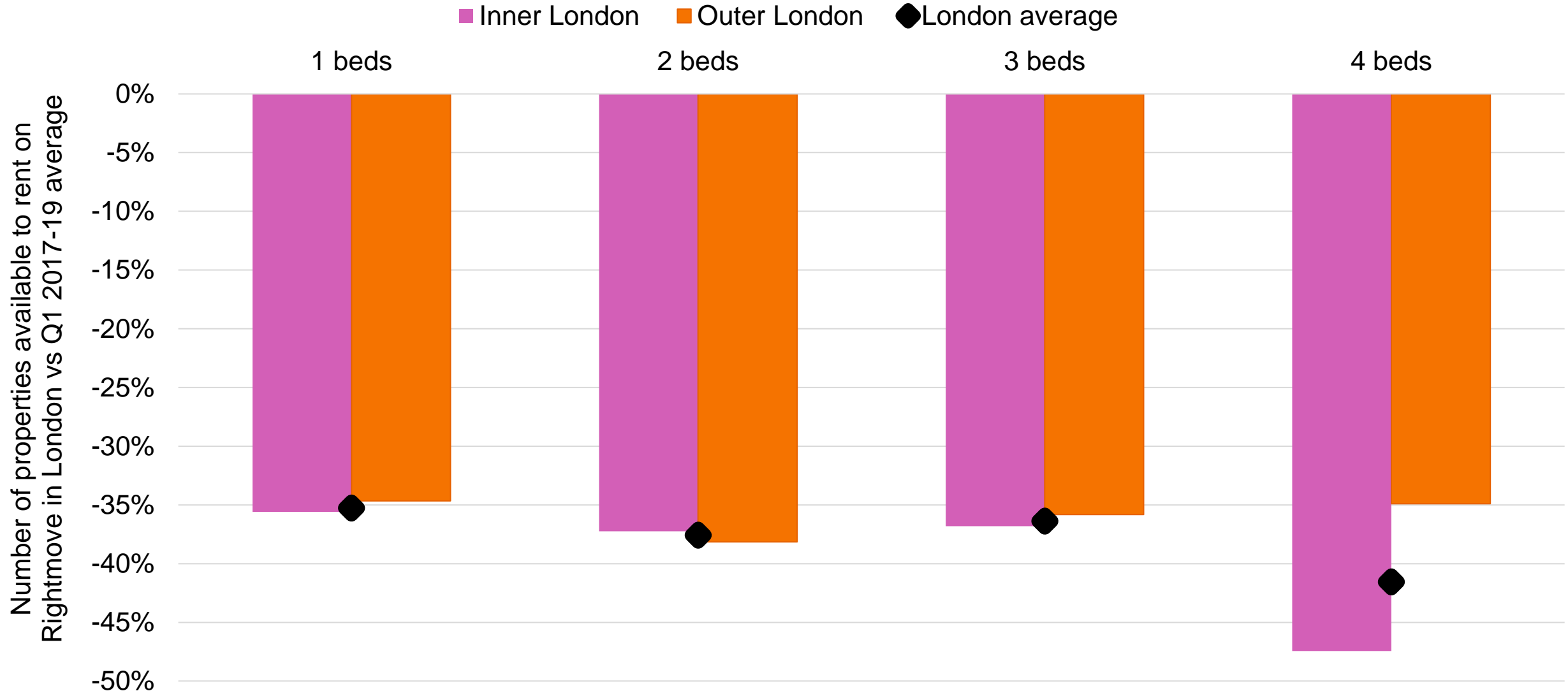
Focus particularly on what is happening in the most affordable section of the market



A complex picture – multiple factors driving reduction in availability

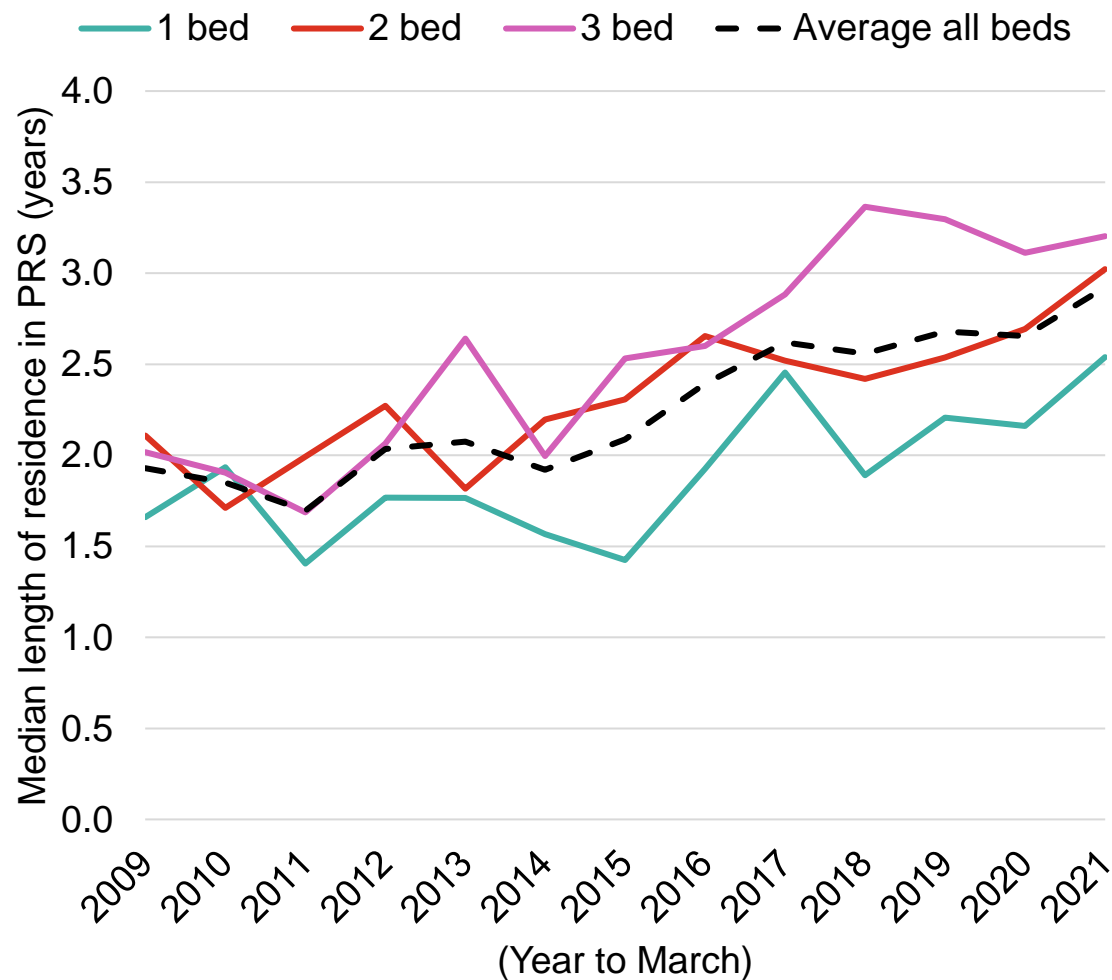


Rental listings (advertised supply) have fallen

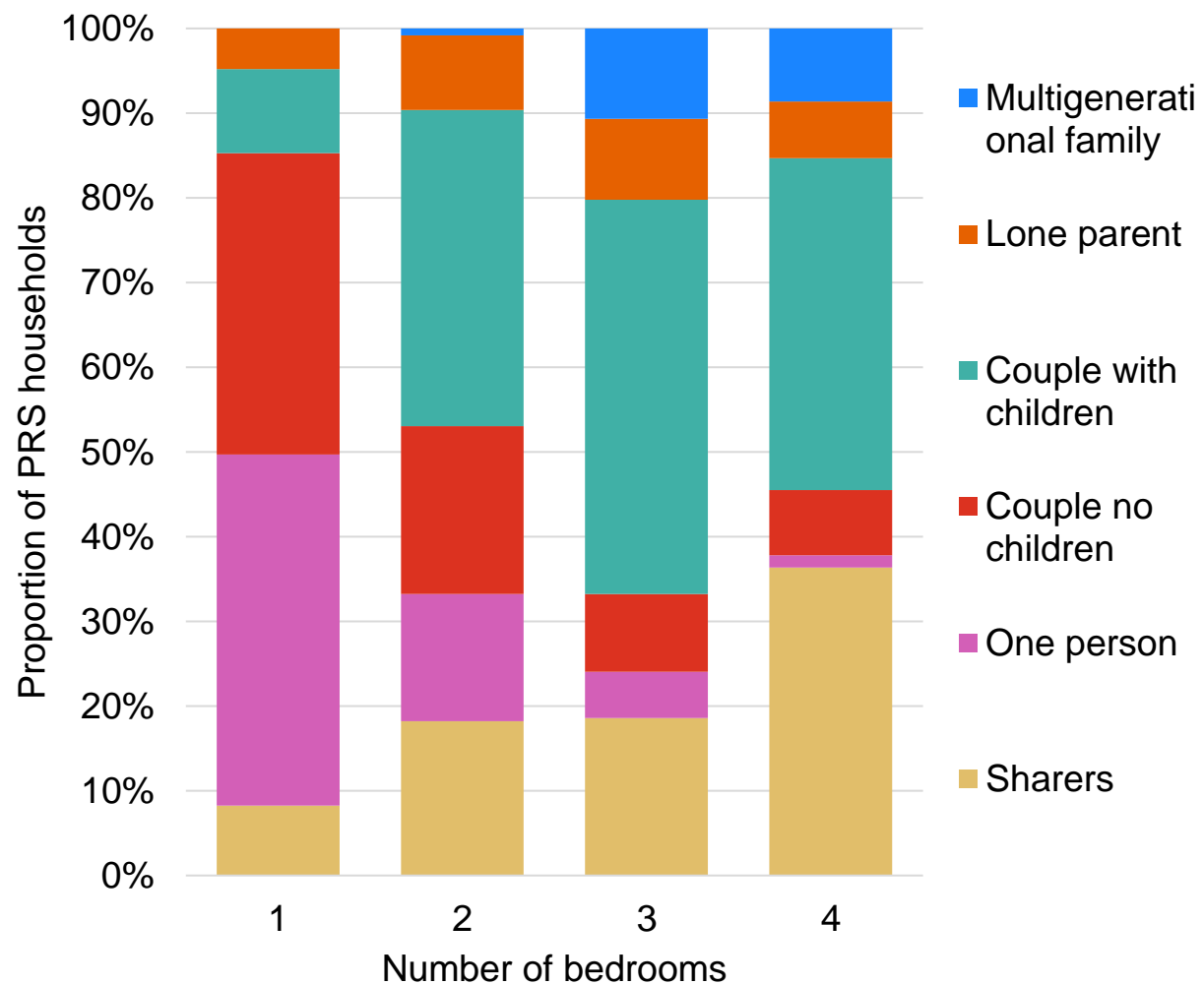


Rental turnover is decreasing

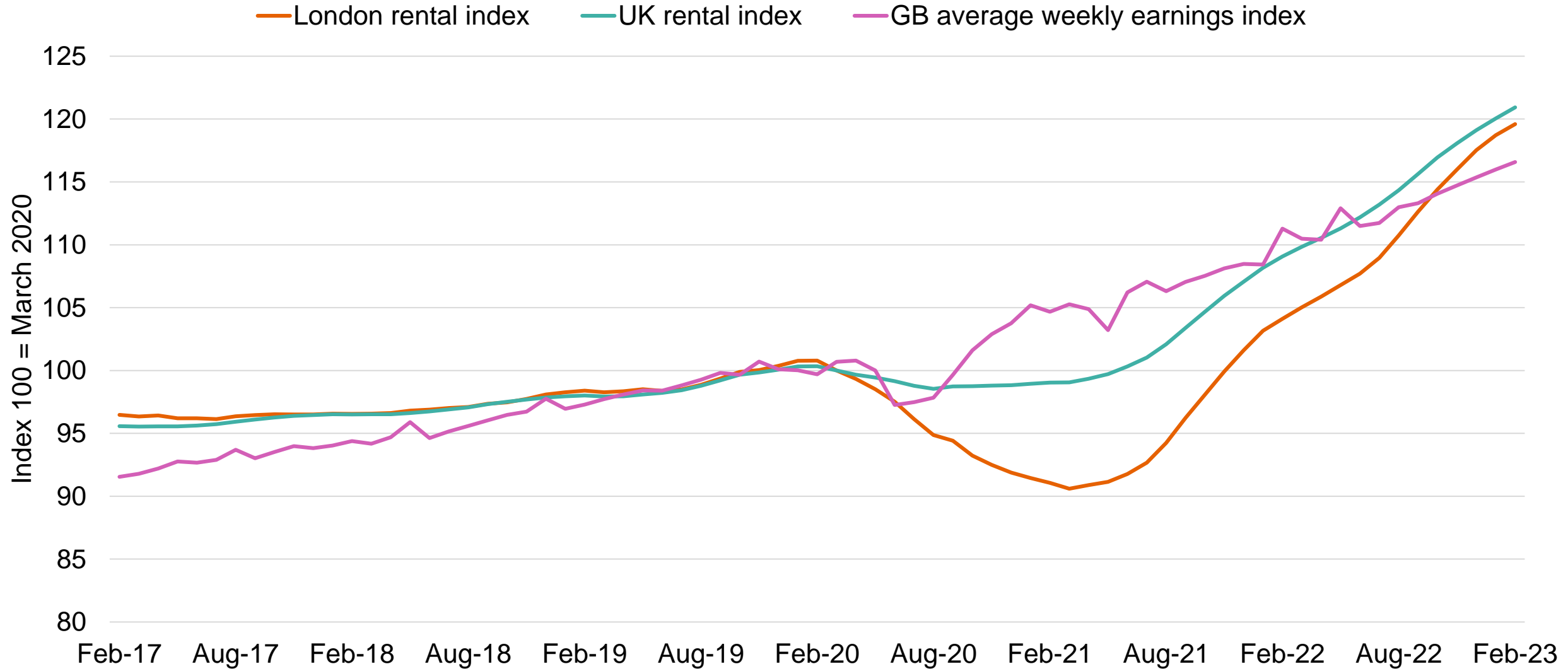
Median length of residence (years) in the PRS in London



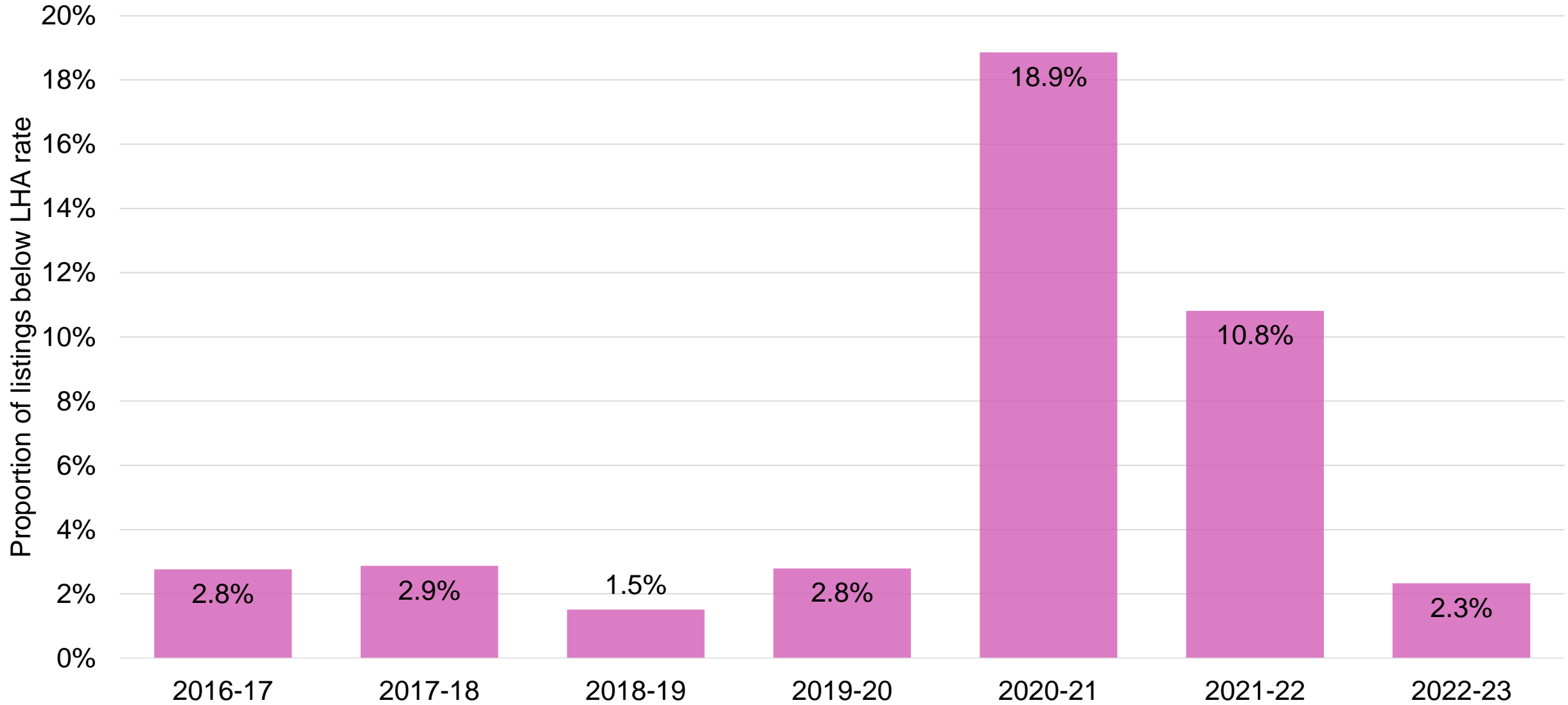
Household composition by number of bedrooms in London 2019-20



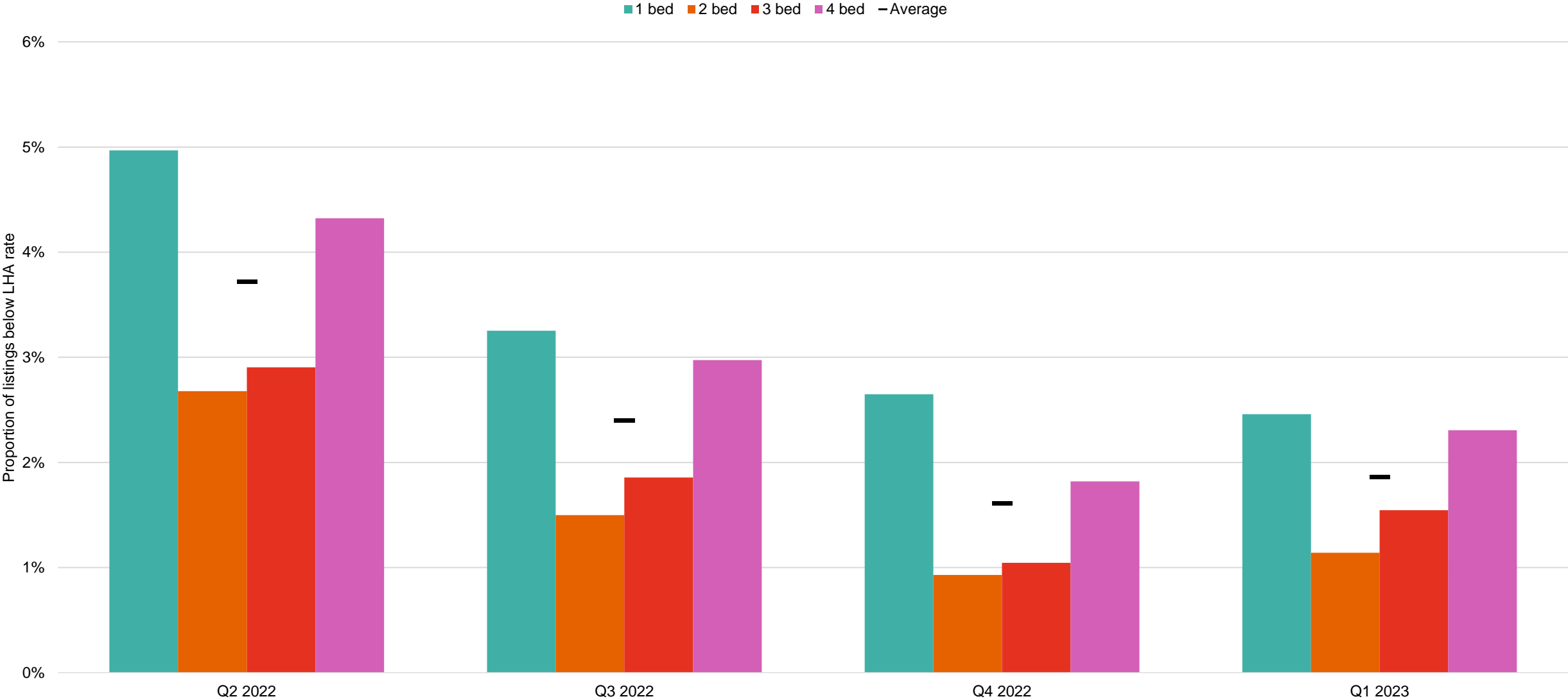
Asking rents are increasing above earnings growth



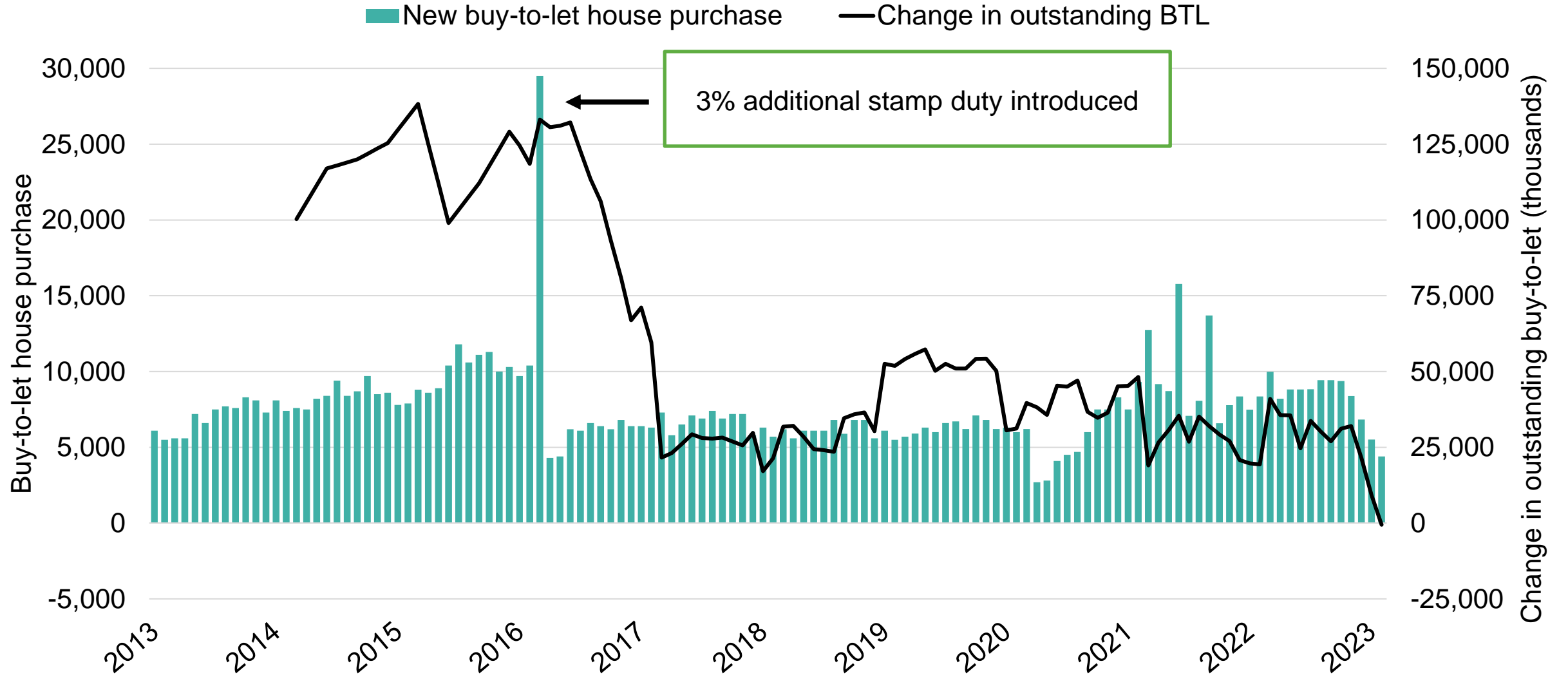
2.3% of listings were affordable to LHA claimants in 2022-2023



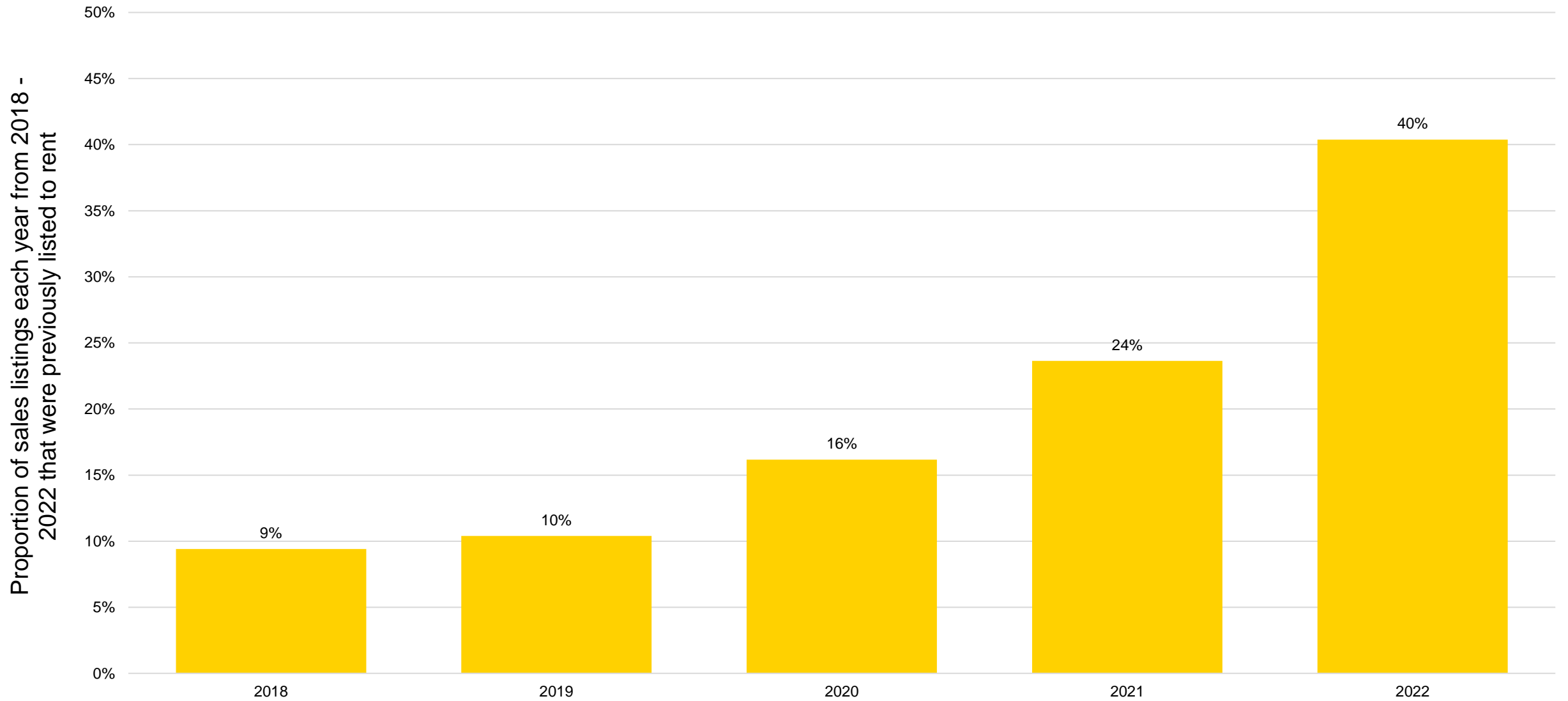
1.9% of listings were affordable to LHA claimants in Q1 2023



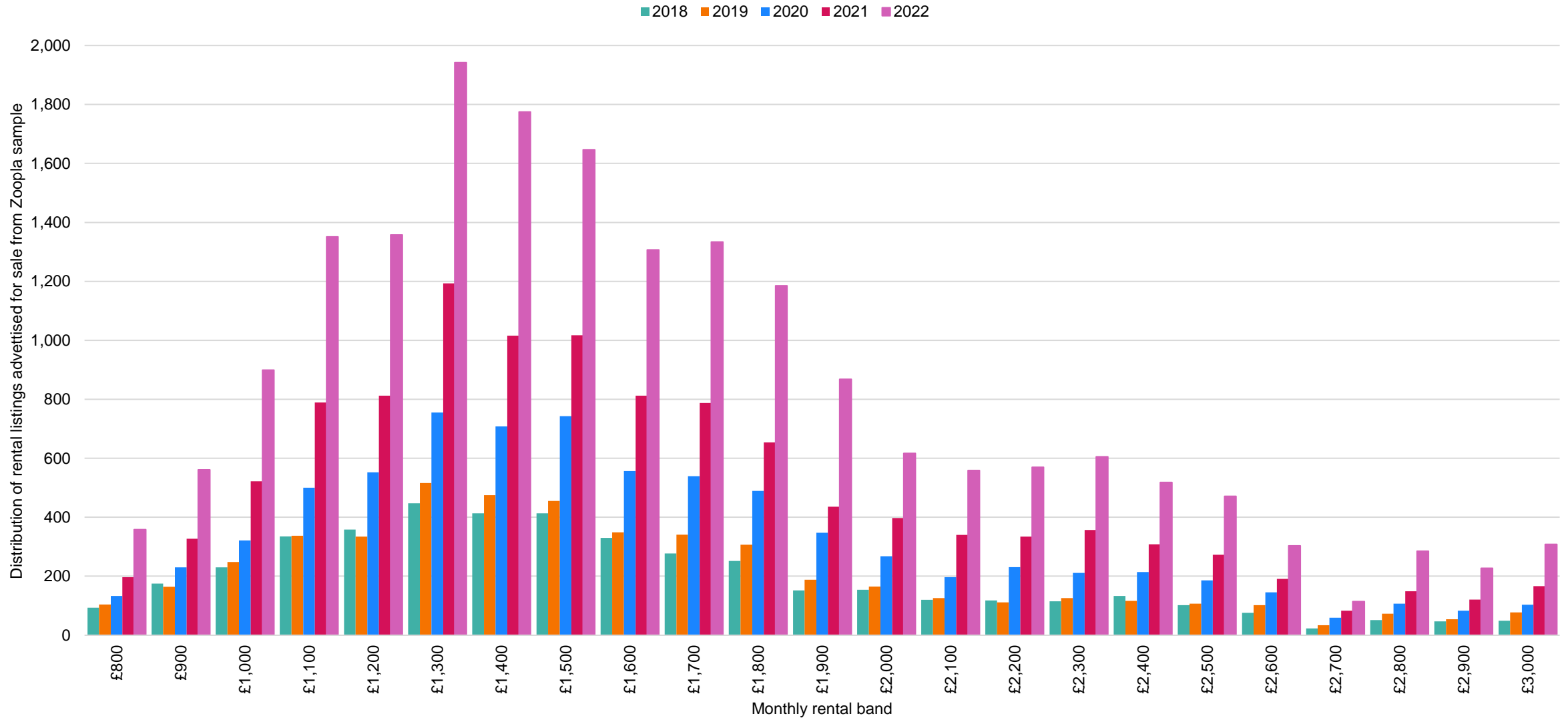
The buy-to-let mortgage market is contracting



More rental homes are being listed for sale...



... And there is a discernible sales trend at the lower end of the market



More landlords are reducing their portfolios than growing

More landlords are reducing holdings than increasing

Four times more plan to sell than to acquire next year

Recent decisions not a long term plan

Shifting investment to other sectors

Portfolio landlords more likely to remain in the sector



Landlords are moving away from TA and homelessness prevention



40% letting fewer properties to low income households

38% letting fewer properties through local authorities

Most still owned and let out the relevant properties

Increasing demand from other bodies looking to procure accommodation

Drivers of landlord behaviour

Increasing costs impact landlords letting at lower rents

Concerns about tenant reliability & benefits system

Changing regulatory/fiscal context

Negative sentiment causes anxiety



No clear data on shift in tenure type (to date)



Landlords do not intentionally seek to sell to other landlords

Tenanted sales uncommon

Limited landlord knowledge of what happens to sold property

Cannot conclusively demonstrate or disprove (yet) that the London PRS is shrinking

Turbulence

Turbulence may be interpreted as decline

Recent changes are experienced as very disruptive

Reduction in availability of private rental property is evident

Turbulence is evidenced and unprecedented

Impacts directly on people who need to access lower cost PRS homes



Influencers of turnover and landlord behaviours are unlikely to change soon



Rental growth and higher mortgage rates will continue in the short term

Strong influence on tenant turnover

Strong influence on landlord acquisition and sale behaviours

There are long term trends as well as short term impacts

Effects felt across London

Particularly affects local authorities and benefit-claiming households



Urgent cross-departmental review of PRS supply and long-term strategy

Assess impact of recent policy and economic factors to ensure sufficient provision while raising standards



Improve purchasing power of lower income households and for TA

Increase LHA rates, taking into account mitigating factors such as Benefit Cap and existing calculation methodology



Develop fiscal incentives for landlords to participate in the lower end of the market

National and local level schemes in exchange for long term letting



Enable public acquisition of properties leaving the LHA/TA subsectors

Through grants or capital funding provided by central government or GLA



Actively seek to address landlord anxiety

Communication and support on matters that have a direct bearing on landlords perceptions and decisions



Improve landlords' investment management decisions

Provide factual insights into profitability and income so decisions to shift lettings to a different cohort are more informed



Improve understanding of how regulatory costs fall on different types of landlord

Smooth out risk and reward without easing up on quality expectations



Mitigate the risk of rent arrears, ASB and property damage

Explore existing schemes that give landlords confidence



Reduce competition between public sector bodies

So they do not skew the market and drive up prices through procurement practices

Summary of key findings

1 **Complex picture**
Changes in the many drivers may influence patterns

2 **Rental listings fallen**
Reduced supply across all bed sizes

3 **Rental turnover decreasing**
Availability, cost and access to home ownership are drivers

4 **Asking rents increasing above earnings growth**
Competition drives actual rents higher

5 **2.3% of listings affordable to LHA claimants**
Expected to fall further if rates remain frozen

6 **Mortgaged buy-to-let market contracting**
Maturation of loans present opportunity to leave sector

7 **More rental homes for sale**
And the proportion is rising

8 **More landlords reducing portfolios than growing**
Smaller landlords more likely to leave market

9 **Landlords moving away from TA & homelessness prevention**
Based on short-term decisions

10 **Fears of non-payment and damage to property**
Driving preparedness to let at lower end of the market

11 **Increasing costs impact landlords letting at lower rents**
Driven by policy and economic factors

12 **Changing regulatory/fiscal context and public narrative causes anxiety**
Strong effect particularly on smaller landlords

13 **No clear shift in tenure to date**
Lack of recent data to demonstrate or disprove PRS decline

14 **Turbulence may be interpreted as decline**
Change is disruptive & availability is reduced

15 **Turbulence is evidenced & unprecedented**
Multiple changed behaviours in the market

16 **Influencers of behaviour unlikely to change soon**
Rental & mortgage rate growth will continue in short term



Thank you