

# MARKET R3VIEW Q4 2024



Here we go again!

### A steady start?

It is difficult to establish whether we have had a steady start or the beginning of a relatively stagnant period in the rental market in London. While supply and demand seem relatively stable, economic indicators, and some Government policies, point to a possible period

of economic uncertainty for the rental market.

Rents have increased, on average, 4% a year (**FIGURE 2: R3 Rental Index**), and pressure is being felt at the top end as high net worth individuals and senior hires consider their options. What felt like a revival in Q3 2024 did not persist in the last three months of the year (See **FIGURE 3: Quarterly rental % change**).

### (Draft) Renters' Rights Bill

Incoming legislation is unlikely to change this. The Renters' Rights Bill, making provisions to change the law for rented homes, will impose further obligations on Landlords, pushing some of them to review their investment, potentially exit the market, and reduce the overall level of stock (paradoxically, pushing rents up – not good for tenants). We summarise the main

provisions in **FIGURE 1** below.

The Bill has now passed its final reading in the House of Commons and is speedily making its way through the House of Lords. The Government is keen to progress this quickly and we expect the Bill to become law by this Summer. We continue to monitor this closely and will post regular updates on progress and implications for tenants.

### Finally...

R3 launched its *Private Client Division* in the last quarter of last year and continues to gather pace and recognition as an industry expert in this area solidifying its reputation as a trusted authority in market research and property acquisition services. To finish this Newsletter on a light note, please do watch our contribution to the Oracle Group Property podcast (Overleaf – **SPOTLIGHT ON** section)

**FIGURE 1** – Property Market Dashboard: Quarterly summary of key performance indicators

## Renters' Rights Bill: high level summary

### 1. Renter's Rights Bill – what is it?

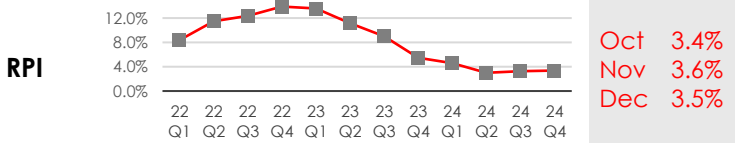
A Bill to make provisions for **changing the law for rented homes**, imposing obligations on landlords and others in relation to rented homes.

### 2. When will it become law?

Currently in the House of Lords, having **recently passed its final reading** in the House of Commons; the government aims to have it implemented by **summer 2025**.

### 3. Main provisions

- All tenancies are periodic - tenants' notice is 2 months at any time;
- Ban s21, "no fault" evictions;
- Limit rent increases
- Limit rent payments to one month



### RPI All Items: % change over 12 months

RPI is a measure of inflation. RPI has stabilised this quarter against the last two quarters around 3.5%, in line with inflation's current trend. The Bank of England maintained its rate at 4.75% during its December meeting, promoting stability. More of the same in the coming months, we feel.

Source: Office of National Statistics – Retail Price Index

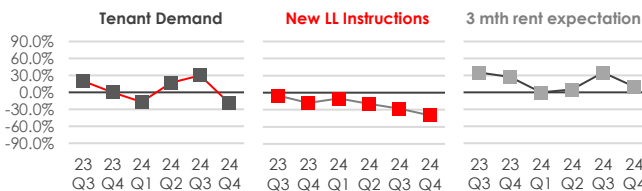
### Rental Price Tracker

Despite some stability in the property market in 2024, downward pressure on rent is evident with quarterly indices all down. Looking forward, the Renters' Rights Bill could reduce long-term rental stock as landlords shift investments to other sectors, potentially pushing rents up. Too early to say, but one to watch.

Source: HomeLet Rental Index Report Sep 24

	AREAS	AVG. PCM	QTR CHANGE	ANNUAL CHANGE
Rental Tracker	National Avg. (NA)	£1,284	-3.5 %	+1.3 %
	NA exc. London	£1,100	-2.1 %	+3.7 %
	London	£2,071	-5.9%	-2.6 %

## RICS Lettings Survey (London)



### 3 mths % change responses (down/up/same)

There is very little ambiguity in the last quarter. Tenant demand in the past three months is down, Landlord instructions in the past three months are down, and expectation on rent level over the next three month is down. Not unusual for the time of year, but one to watch in the coming months.

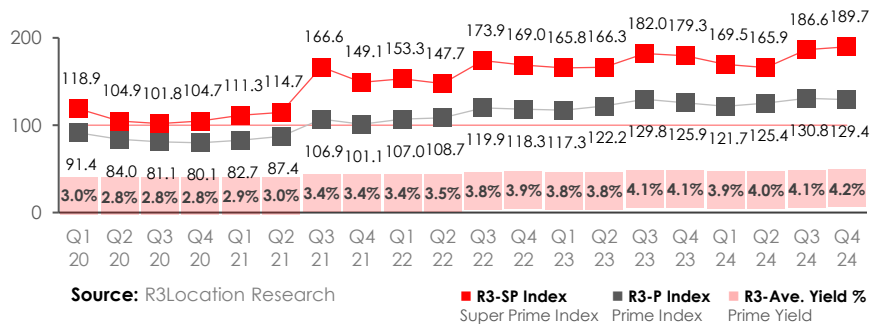
Source: RICS Monthly Market Surveys

**FIGURE 2** Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019.

A relatively flat last quarter, after some upward pressure on rent for both Prime and Super Prime for the three months to end of September 2024. Overall, the London market has remained relatively flat over the last two years, with modest increases in rent, and the early signs suggest this "rent stagnation" is set to continue over the course of 2025.

**FIGURE 2 – R3 RENTAL INDEX & YIELD**

Prime and Super Prime Rental Index & Yield – started Q1 2019, base 100 against Prime.



**FIGURE 3** Quarterly Prime and Super Prime Rents % change since Q2 2019.

What we labelled "revival" at the end of last quarter, may have revealed itself to be a premature title, with the market nudging down slightly in the last three months – and it is beginning to feel like an extended steady state period instead that is set to remain, probably, until the end of 2025 caused by, mainly, global economic uncertainties, and additional local / UK-based legislation impacting the rental market adversely.

**FIGURE 3 – QUARTERLY RENTAL % CHANGE**

Quarterly Prime and Super Prime Rents % change



**Marco Previero**

Director and Research Lead at R3

"The market is difficult to read at the moment. Last quarter's 'revival' now seems premature, as the rental market steadies amidst global uncertainties and UK legislation changes impacting both supply and demand, hinting at a prolonged period of flat rents likely lasting through 2025.

**FIGURE 4 – Spotlight on...**

Every quarter R3 includes a Spotlight on section. This month, the focus is on ... **Memory Lane Property Podcast.**

In this podcast, Marco and Anna share their journey of trust and support as they built their award-winning relocation business, R3Location, while navigating personal challenges.

Marco reflects on the profound impact of his young daughter's brain cancer diagnosis and her journey to recovery, and how it reshaped his view of 'home'. Meanwhile, Anna talks about the home in Streatham where she raised her children in an incredible urban, family orientated community where gates connected all the gardens and the saying 'it takes a village' became a reality.

We hope you enjoy it as much as we enjoyed making it!

**FIGURE 4 – SPOTLIGHT ON... MEMORY LANE PROPERTY PODCAST**

Celebrating a podcast series uncovering what property means to different people



**THANK YOU** to **The Oracle Group** and **De.fine {Creative;}** for inviting us along.

Click to watch