

Private Rental Market analysis

Rental growth has been strong in recent years and is forecast to rise by 18.8% over the 5 year period from 2022 – 2026. Historic rental price data from 2006-2022 has shown an average annual increase of 1.8%, with rents falling between 2009-2010, during the financial crash, but otherwise increasing around 2% per annum.

MAINSTREAM RENTAL VALUE FORECAST

	2022	2023	2024	2025	2026	5-year
UK rental growth	5.5%	3.7%	3.2%	3.2%	3.0%	19.9%
London rental growth	6.5%	4.0%	3.5%	3.5%	3.0%	22.2%
UK excluding London rental growth	5.0%	3.5%	3.0%	3.0%	3.0%	18.8%
UK income growth	3.9%	3.5%	3.1%	3.1%	3.0%	17.6%

Source: Savills Research

N.B. These forecasts apply to average rents in the second hand market. New build rental values may not move at the same rate.

Over the same period, CPI rose by an average of 1.5% per annum. There is a strong correlation between wage inflation and private rent inflation. In the 12 months to July 2023 the UK annual private rental price change rose to 5.3%

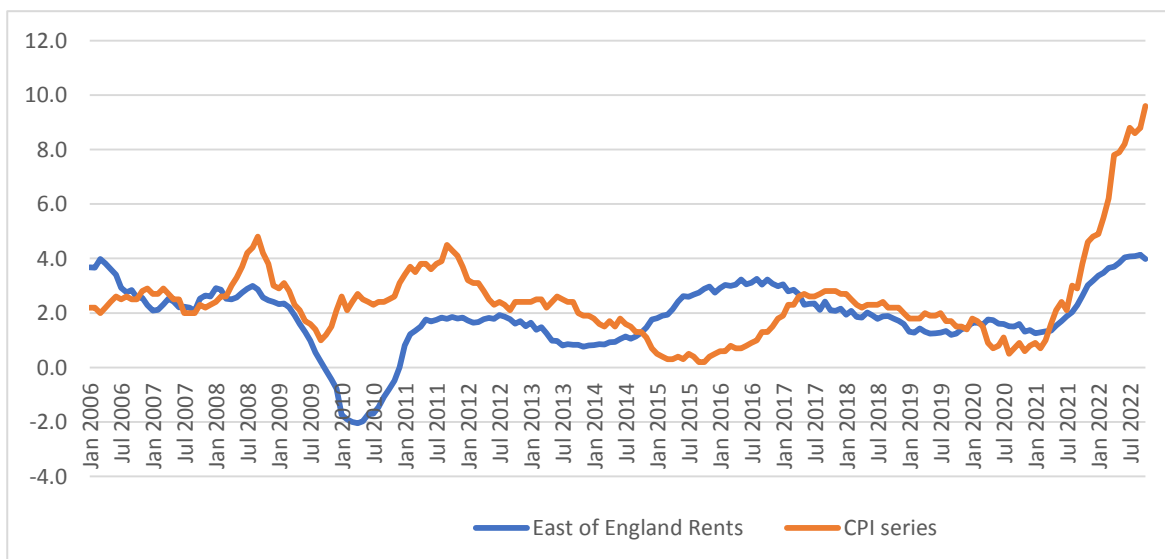
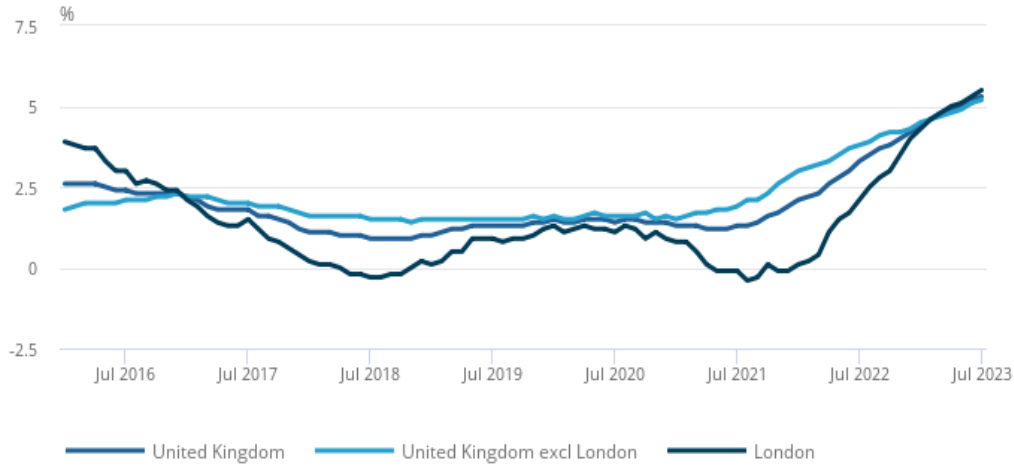


Figure 1: The UK annual private rental price percentage change rose to 5.3% in the 12 months to July 2023

Index of Private Housing Rental Prices percentage change over 12 months, UK and London, January 2016 to July 2023



Source: Index of Private Housing Rental Prices from the Office for National Statistics

Capital values are forecast to increase by 3% over the 5-year period from 2023 to 2027.

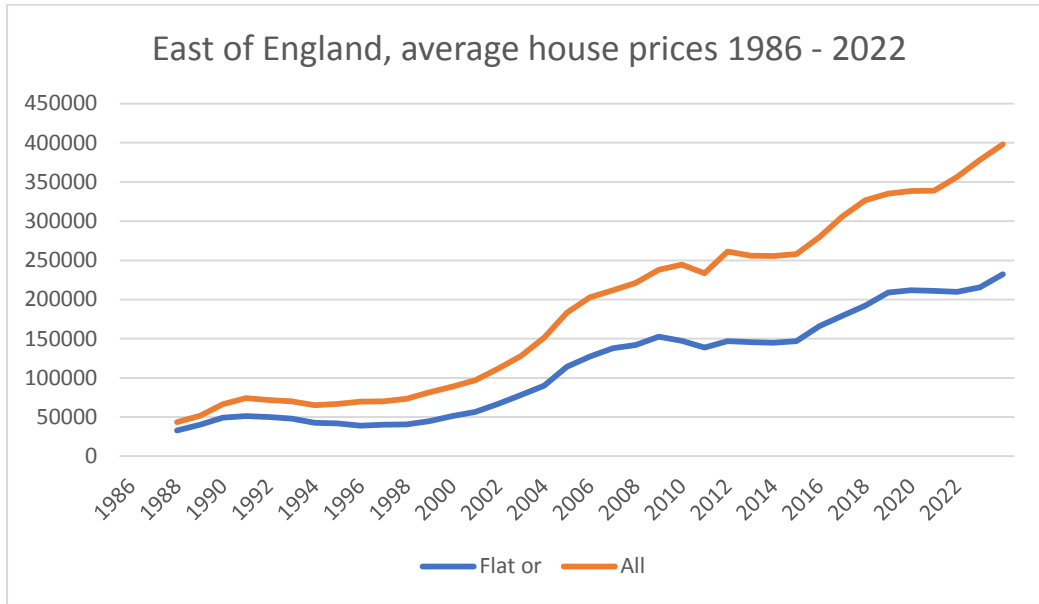
House Price Forecast

	2023	2024	2025	2026	2027	5 years to 2027
UK	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
North West	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
Yorkshire and The Humber	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
North East	-8.5%	2.5%	4.5%	7.5%	6.0%	11.7%
Wales	-8.5%	2.0%	4.5%	7.5%	6.0%	11.1%
Scotland	-9.0%	2.0%	4.0%	7.5%	5.5%	9.5%
East Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	8.9%
West Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	8.9%
South West	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
South East	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
East of England	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
London	-12.5%	-1.0%	2.0%	6.0%	5.0%	-1.7%

Source: Savills Research

Note: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.

Over the period from 1986 – 2022 the average increase in values for flats and apartments in the East of England is 6% per annum¹



Taken together, over a 25-year period, it would be realistic to anticipate rental growth of 2% per annum and capital growth of 3% per annum.

¹ ONS House price simple averages dataset annual tables 20 to 30 (table 26)