

BEYOND BUY TO LET

Where next for the UK private rented sector



The Private Rented Sector (PRS) is evolving. Institutional landlords are professionalising the sector by delivering new high-quality homes as stock is being lost from the Buy to Let market.

The PRS was the fastest-growing tenure over the past two decades and rental demand remains at an all time high.

Since the turn of the century, most investment into the PRS has come through Buy to Let (BTL) landlords. BTL mortgage finance enabled 3 million PRS households to form between the 2001 and 2021 Censuses. This is changing. The PRS is undergoing a structural change as the market consolidates and professionalises. There is an increasing amount of new supply coming from large, portfolio landlords and institutional investors in the form of new Build to Rent (BtR) homes as small landlords leave the market.

Today, the PRS is home to a fifth of households in England (4.7 million) and meets housing need for people across a wide range of socio-economic backgrounds.

This briefing note summarises the changes taking place in the PRS and highlights the importance of encouraging investment into the sector to meet Government housebuilding targets and help replace stock that is being sold by small individual landlords

KEY FINDINGS



Rising Capital Gains Tax receipts and a reduction in outstanding BTL mortgages indicate BTL property is trading.



It is difficult to secure homes in the PRS because demand is high, people are moving less often and there's less stock to rent.



Landlord sales out of the rental market are happening 5x times faster than new purchases.



290,000 homes needed to replace lost BTL stock in addition to the 60,000 PRS homes needed per year under new Labour housebuilding targets.



31% fewer homes to rent in suburban rental markets compared to 2018-19. This is a greater loss than in urban markets.



The UK BtR sector has delivered 130,000 homes for rent with 160,000 homes in the pipeline.

Heading for the exit

It's becoming clear, from a growing number of indicators, that individual BTL landlords are selling properties at a faster rate than they are buying.

Rising Capital Gains Tax (CGT) receipts point to increased landlord sales. We estimate around 170,000 sales were subject to CGT in 2023-24, up from just under 76,000 a decade ago.

The total number of outstanding BTL mortgages reduced by nearly 115,000 mortgages between the 2022 'Mini-Budget' and March 2025 (-5.6%) as the rate of BTL mortgage redemptions has outpaced new lending.

Now, new analysis from Savills shows that homes are being sold out of the rental market at a much faster rate than they are being bought. Using listings data from a property portal in combination with HM Land Registry sales data, we identified that in 2024, 5.4 homes were sold from landlords to owner occupiers for every one home bought by landlords from owner occupiers, a 5:1 ratio. This is a much faster rate than in 2021, where the ratio was around 1:1.

Available evidence strongly suggests that small individual landlords in the PRS are selling their rental properties.

Source: HMRC, UK Finance, HM Land Registry, listings data



Capital Gain Tax Receipts
2013-14: 76,000
2023-24: 170,000



Total outstanding Buy to Let mortgages (November)
2022: 2.06m
March 2025: 1.94m



Ratio of sales out of the rental market vs in (June)
2021: 1:1
April 2025: 5:1

290,000 properties have been sold by small individual landlords while the Build to Rent market has delivered 130,000 new rental homes.

Sustained reduction in the PRS in England

Using sales and rental listings from a multiple listings service (MLS) website in combination with sales data from HM Land Registry, we have identified that landlords are selling homes to owner occupiers faster than they are buying from them.

This dataset provides strong evidence of a trend in the market even though it's limited by the fact that it's a sample of the rental market. It indicates that between October 2021 to October 2024, 290,000 rental properties were sold out of the rental market. This accounts for 6% of the PRS in England and Wales.

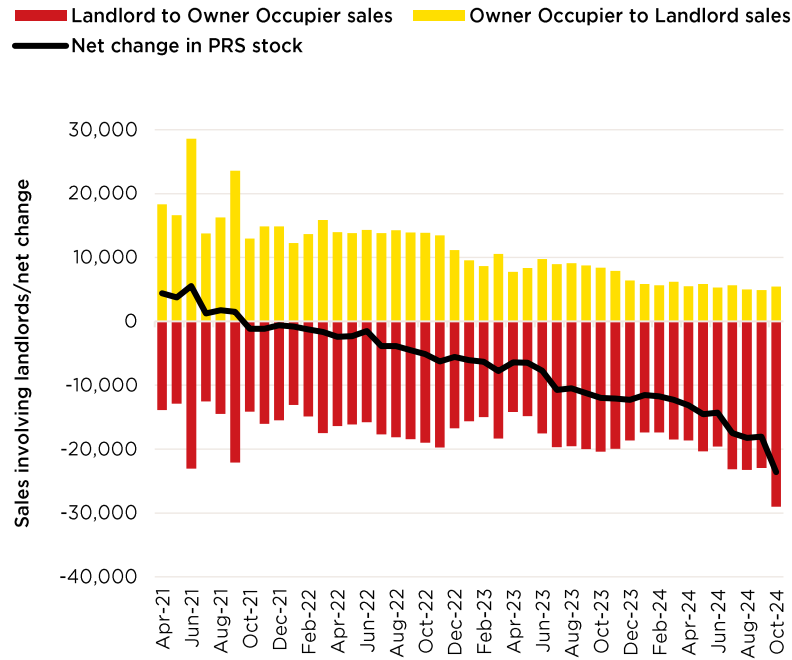
New investment through the BtR market has gone some way to add new supply to the rental market. But delivery cannot happen fast enough to replace lost supply and meet high levels of rental demand.

More landlords looking to sell than buy

Survey data from industry bodies such as the National Residential Landlords Association (NRLA) and the English Private Landlord Survey (EPLS) show a growing inclination to reduce portfolios rather than increase investment in the PRS. A record 26% of landlords sold at least one property in 2024 while just 8% of landlords bought according to the NRLA's latest landlord survey.

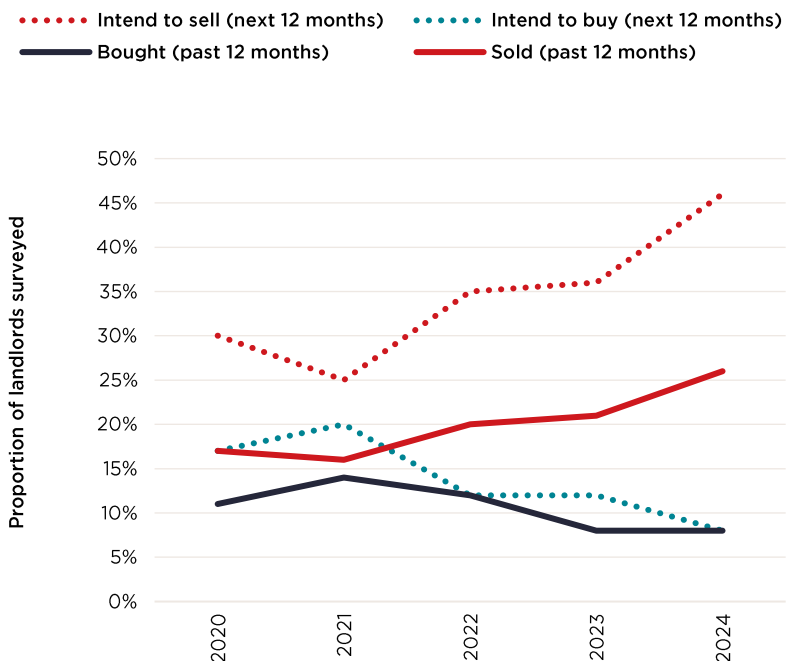
The 2024 English Private Landlord Survey (EPLS) suggests more sales to come based on the profile of landlords. The median age of a landlord is 59 and more than half (53%) have been landlords for over 11 years. The most cited reason for being a landlord is long-term investment to supplement pensions, and many landlords have enjoyed substantial capital appreciation while invested. Some are now looking to realise these gains as they approach retirement.

Figure 1 net change in PRS stock



Source Savills using HM Land Registry and listings data

Figure 2 greater selling activity than buying among Buy to Let landlords



Source: NRLA

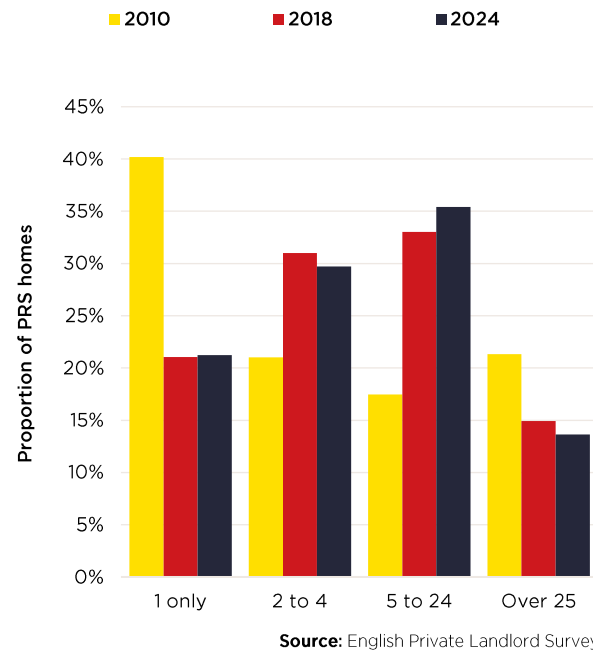
The PRS is restructuring with an increasing share of new investment coming from large, portfolio landlords using company structures.

Consolidation in the rental market

Our analysis shows that there has been a loss of rental homes from the market. This comes amid a growing trend of small landlords selling out of the market and large, professional landlords growing their share.

This is not a new trend. From 2010 to 2018, the share of homes owned by landlords with just one property halved (40% to 20%) while those with 2 to 4, 5 to 9 and 10 to 24 homes all grew their share considerably, according to the EPLS. The market continued to consolidate from 2018 to 2024, as landlords owning between 5 and 24 properties increased their share of the market from 33.0% to 35.4%, an extra 153,700 homes. A shift to larger portfolio sizes is also evident in mortgage data. Between 2018 and 2024, the average number of properties per mortgaged landlord grew from 3.2 to 4.5, according to UK Finance.

Figure 3 Fewer landlords own just one property compared to 2010

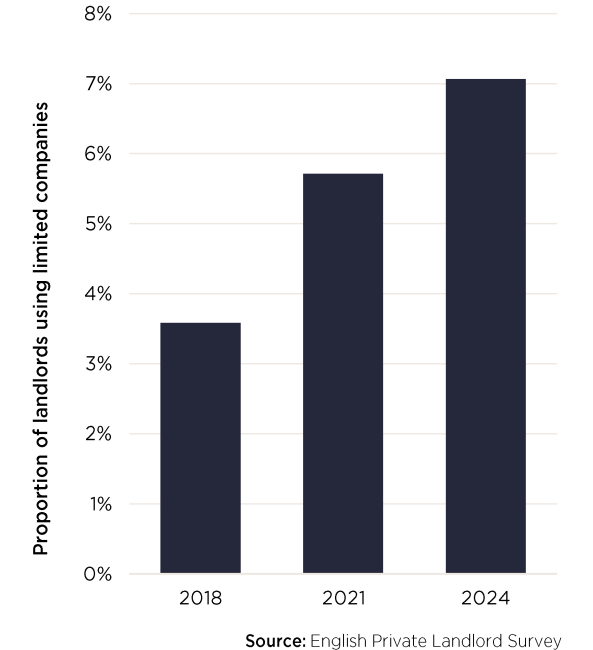


A switch to company structures

As portfolios have grown, so too has the prevalence of limited companies, with taxation a key driver of the shift. Buying through a limited company structure means landlords can deduct mortgage interest from company income and pay tax at corporation tax rates, rather than an individual landlord's personal income tax rate. This can amount to substantial savings across a whole portfolio.

The EPLS shows that the share of landlords using limited companies has nearly doubled between 2018 and 2024. This looks set to grow further. A recent survey from Paragon Bank, a specialist Buy to Let lender, found that in 2023 73% of landlords intended to purchase their next property within a limited company structure.

Figure 4 More landlords are holding properties in Limited Companies





26% of landlords say they sold a property in 2024



46% of landlords plan to sell a property in 2025



20% of PRS homes owned by landlords with just 1 property (40% in 2018)



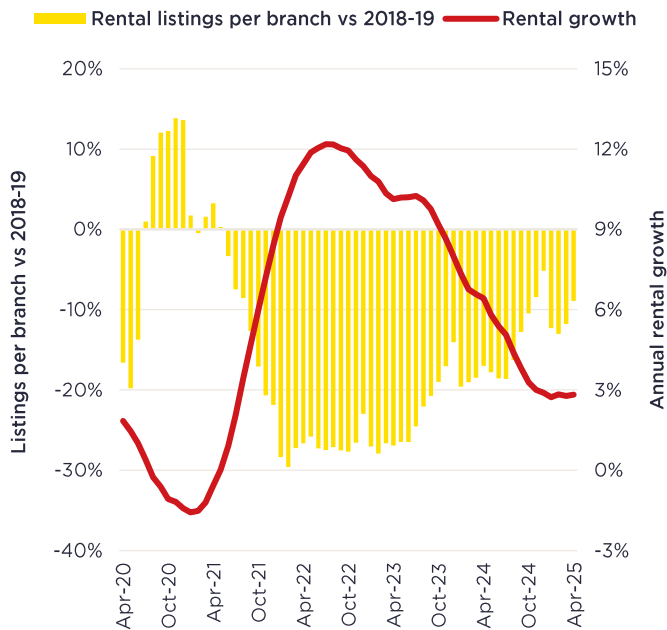
Twice as many landlords hold properties in limited companies now vs 2018



73% of landlords plan to use a limited company to buy their next property

High demand, less supply and reduced new Buy to Let lending means tenants are finding it increasingly difficult to find a home in the PRS.

Figure 5 Fewer homes to rent means more rental growth



Source: Savills analysis of listings data, Zoopla Rental Index – powered by Hometrack

Loss of rental supply has far-reaching consequences for the housing market. Demand for rented homes is high because the PRS provides homes for a very broad range of people.

First and foremost, the PRS is the tenure of choice for young people. This includes those studying at University, in the early stages of their career or those who need to move often for work. But the PRS also represents the ‘squeezed middle’ of housing tenures: making up for the lack of delivery of Affordable homes and meeting housing need from those priced out of home ownership.

With a lack of supply and elevated demand, the inevitable consequence is high rents that are growing strongly. At no time was this more evident than the years following the pandemic when demand surged across England and there were fewer properties available to rent on property portals.

This peaked in February 2022 when there were 30% fewer listings per letting branch compared to the 2018-19 average. This led to a corresponding increase in average rents, which grew at a peak rate of 12.2% in the 12 months to July 2022.

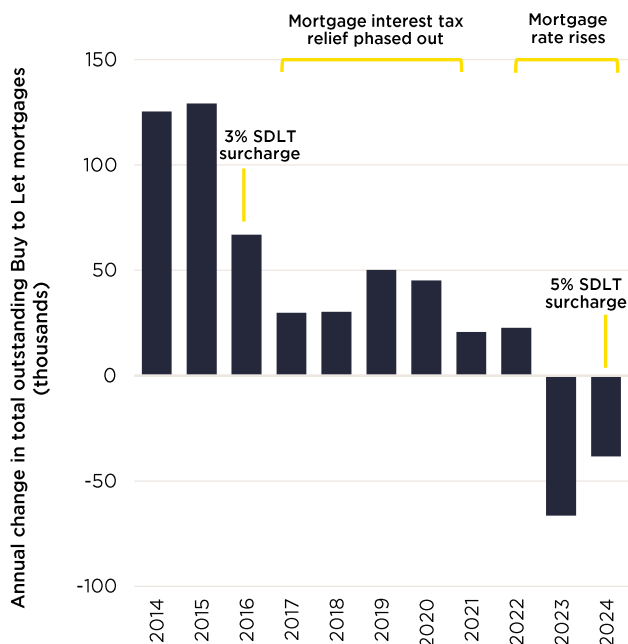
The past decade has seen a consistent reduction in new BTL lending alongside growing divestment. A raft of tax measures since 2016 have made mortgaged BTL less attractive.

In April 2016, a 3% Stamp Duty Land Tax (SDLT) surcharge was levied on the purchase of additional properties. This resulted in higher transaction costs and reduced demand for new purchases. Existing landlords have also been squeezed, particularly by the phasing out of mortgage interest tax relief between 2017 and 2020. Previously, a landlord could deduct mortgage interest payments from their rental income before paying tax.

Further headwinds arrived in late 2022 as mortgage rates rose sharply. The loss of tax efficiency, alongside rising debt costs has impacted the profits of many landlords nationwide. This has been sufficient to cause a net loss of 115,000 outstanding BTL mortgages across the UK.

A second increase in SDLT on additional properties to 5% in Autumn 2024 is likely to weigh further on demand for new BTL lending.

Figure 6 Mortgaged Buy to Let is contracting



Source: Savills analysis of UK Finance

Suburban markets have been hardest hit - the sustained reduction in rental listings has been greater for houses than apartments.

One of the knock-on impacts of low supply and high rental growth is reduced turnover.

Rising rents act as a disincentive for tenants to move as rents nearly always grow more quickly for new lets over renewals. This causes the rental market to become very sticky as tenants are met with fewer alternative options.

The obvious solution is adding more supply, at a wide range of price points, to encourage greater mobility. This also helps to regulate rental growth.

Prior to the pandemic, around 30% of the rental market turned over each year but between April 2022 and 2025, this has hovered around 23%.

Supply remains more constrained in suburban markets, particularly when compared to urban areas.

The number of rental listings available per active letting branch in April 2025 remained 31% lower than the 2018-19 average in suburban markets.

Urban markets have seen a greater recovery in available supply compared to the same period, with 19% fewer listings.

Growing unaffordability of rents has weighed on demand in some towns and cities allowing supply levels to recover, while this is yet to play out in suburban markets.

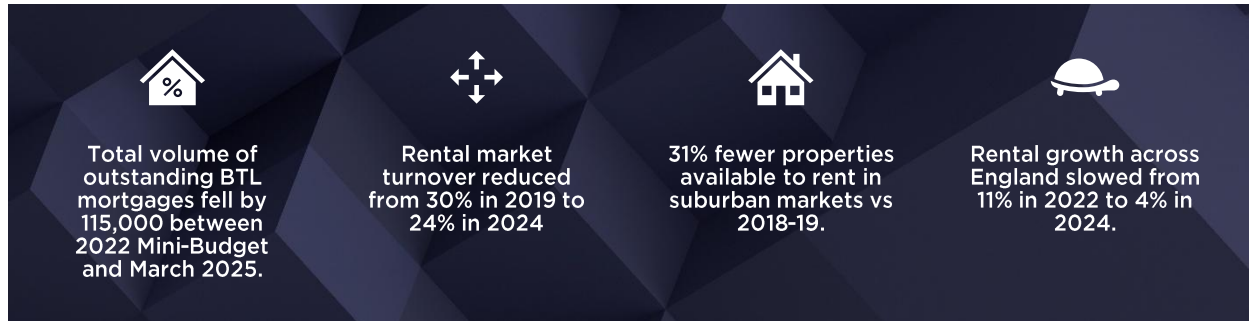
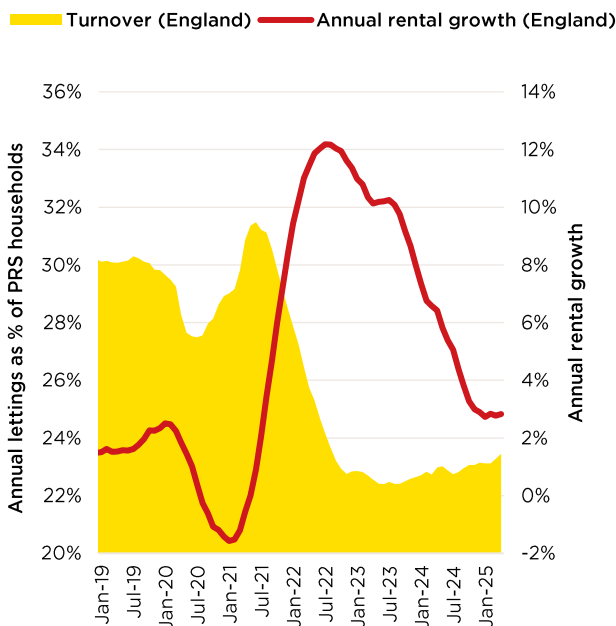
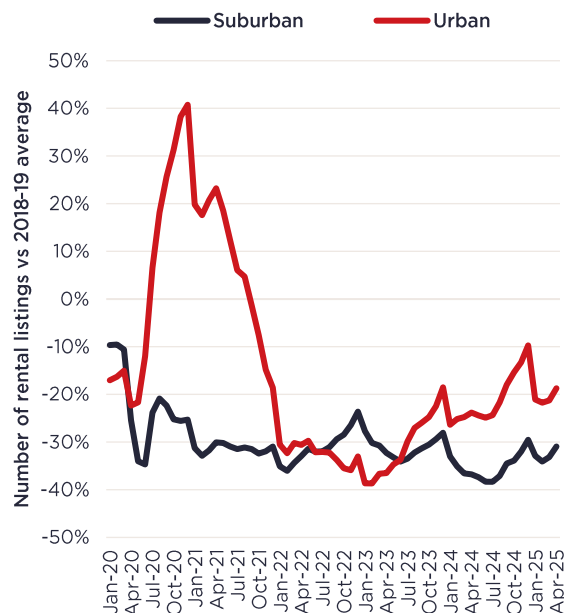


Figure 7 Reduced turnover amid rising rents



Source: Savills analysis of listings data, Zoopla Rental Index - powered by Hometrack

Figure 8 Sustained reduction in listings



Source: Savills analysis of listings data

The Build to Rent market needs to grow at a much faster pace to meet rising demand and replace homes lost from the Buy to Let market.

Where might new supply come from?

Government's regulatory policy and tax regime have disproportionately impacted small individual landlords because landlords with larger portfolios have been able to restructure their businesses.

As the PRS restructures, it is important that new avenues of rental supply are supported to prevent a sustained loss of rental stock from the UK housing market.

Rental supply has fallen across all types of properties, but suburban housing markets have been hit harder than urban apartment markets. Landlords selling houses to owner occupiers is a good outcome for people seeking to own their own home but, without replacement, it means that rental households are being displaced and finding it increasingly difficult to secure rental homes.

The delivery of BtR is one way to improve rental supply locally. The policy environment needs to encourage investors to develop more high-quality rental homes. Given the lag between new institutional supply and small landlord sales, it's clear that more needs to be done to encourage new investment.

Local authorities should consider the need for rented stock and plan for its delivery in Local Plans to improve the level of supply available and to avoid escalating rents.

150 local authorities have seen delivery so far, which will grow to 211 when the pipeline of homes is delivered. BtR delivers new homes specifically for private rent and offers the potential to attract new sources of funding into the housing market to supplement other sources of funding. Over £35bn has been invested into the PRS by institutions to date across a wide range of locations.

While the growth trajectory has been positive, the rate at which homes are being sold from the PRS is much faster.

Since October 2021 290,000 homes have been sold and 50,000 Build to Rent homes have been added across the country during that time.

While this has gone some way to replacing lost supply, it hasn't been enough. Investor appetite for BtR remains strong and that is certainly something that the government needs to carefully consider in the context of its forthcoming housing strategy.

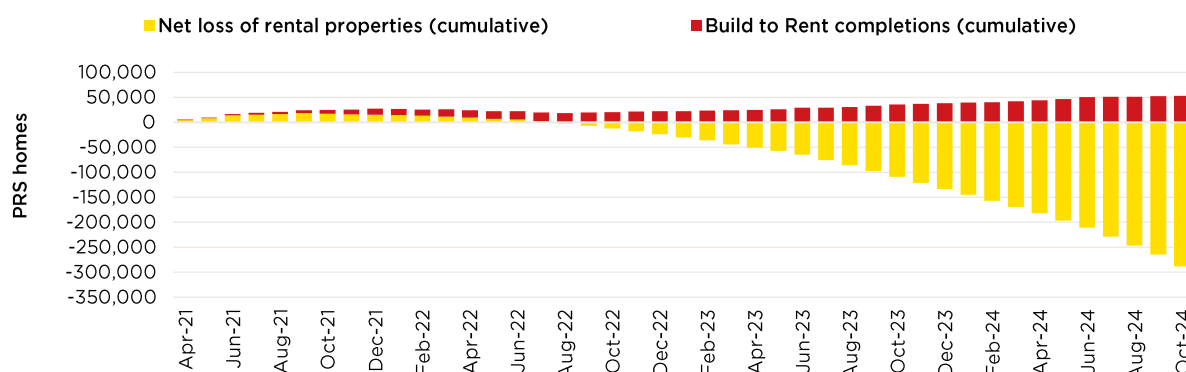
The PRS appeals to institutional investors because it offers a secure long term income stream which rises with inflation and creates social value by providing a much-needed source of new housing. This comes as investors are allocating more capital to living sectors given weaker performance of commercial property and the rise in ESG strategies.

Housing has the potential to play a major role in institutional investors strategies.

With the pool of renters expected to widen, there are opportunities for investors to deliver BtR in both urban apartment markets and suburban family housing markets. The degree to which the BtR sector grows in influence will depend on how easily schemes can get funding in a challenging debt market and get planning consent in an arguably even more challenging planning environment.

If the BTR market matures to become home to 30% of the PRS, which is more in line with other international markets, at current rates of delivery it will take 70 years. Increasing delivery to 60,000 homes per year would reduce this to around 20 years.

Figure 9 New Build to Rent delivery is not keeping pace with lost rental supply



Source: Savills using HM Land Registry and listings data, British Property Federation, Molior



In association
with



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