# UK buy-to-let landlords face mass exit amid new rental reforms and rising costs



Nicolette Booth’s experience as a buy-to-let landlord in south London encapsulates the growing disillusionment across the UK’s private rental sector. Having bought her flat over a decade ago for £490,000 with hopes of benefiting from both capital growth and rental income, she now finds the regulatory and financial pressures increasingly burdensome. After attempting to sell at a modest gain earlier this year, she was forced to re-let the property amid market uncertainties. Mrs Booth’s story mirrors that of thousands of landlords facing a perfect storm of tax hikes, red tape, rising costs, and legislative changes set to reshape the rental landscape.

The forthcoming Renters’ Rights Bill, due to take effect by early 2026, stands at the forefront of these challenges. This legislation will ban "no fault" evictions — currently allowed under Section 21 — thereby removing landlords’ ability to evict tenants without valid reasons such as property sale or personal use. Moreover, during the first year of tenancy, evictions will be prohibited even on valid grounds, with a mandatory four-month notice period thereafter. The legislation further limits landlords to one rent increase annually, mandates two months’ notice before hikes, abolishes fixed-term contracts in favour of open-ended periodic tenancies, and outlaws rental bidding practices that allowed tenants to pay above advertised rents. Tenants will also gain the right to challenge rent increases at tribunals and protections against discrimination based on benefit receipt or family status. The bill applies an ombudsman to oversee landlord complaints and introduces a public register, seen by some landlords as a potential source of unjust reputational damage. These reforms aim to enhance tenant security and wellbeing but also impose operational burdens on landlords, especially smaller scale private investors.

Industry experts voice concern that these changes, intended to protect renters, may drive landlords away from the market. Jeremy Leaf, a London estate agent, warns that the Renters’ Rights Bill "is weighted too much towards tenants" and could prompt a significant sell-off of buy-to-let properties, shrinking supply and exacerbating rental affordability problems. This viewpoint gains support amid current trends showing high attrition: nearly a third of landlords have sold some or all properties in the past year, and data from HM Revenue & Customs indicates that the number of landlords paying capital gains tax has more than doubled over seven years, reflecting increased disposals.

This exodus is compounded by escalating costs. Government-imposed stamp duty surcharges now total 5% for landlords, with an investor purchasing a £300,000 property facing around £20,000 in tax alone. Mortgage rates have surged as well, climbing from approximately 3% in early 2022 to an average above 5%, though recent data to September 2025 indicates a slight easing with two-year fixed buy-to-let deals averaging 4.88%, largely driven by lender competition rather than renewed investor enthusiasm. Still, landlords with interest-only mortgages report monthly repayments rising markedly — from around £500 three years ago to £875 today on a typical £200,000 loan. Maintenance costs are escalating too due to skills shortages and material price inflation, often eroding rental yields.

On top of these challenges, landlords face looming requirements to meet demanding energy efficiency standards. The government proposes mandating an Energy Performance Certificate (EPC) rating of C or above for all rental properties by 2030, though this is yet to be legislated. Current figures indicate that about 60% of buy-to-let homes fall below this threshold, highlighting the scale of potential retrofit investment needed.

Taxation developments further cloud the outlook. Rumours persist of a new levy applying National Insurance contributions on rental income, which would be charged atop existing income tax. This could push a landlord with a £30,000 salary and £20,000 rental profit from paying £4,000 in tax to £5,600. Additionally, from April 2026, landlords earning more than £50,000 from self-employment or property rental must submit quarterly tax filings under the Making Tax Digital scheme, increasing administrative burdens.

All these pressures contribute to a contraction in rental supply. The Royal Institution of Chartered Surveyors reports the most severe drop in rental property listings since the onset of the COVID-19 pandemic. This reduction in available homes is forecast to push rents higher, with estate agents estimating a 3% rise in the coming year amid already limited affordability.

Landlords like Lewis Crompton from Lincolnshire embody this shift. Once owning 12 properties, he has downsized to eight, citing razor-thin margins after factoring in tenant turnover costs and repairs. With modest monthly rents in Northern England, unexpected expenses such as boiler replacements often wipe out profits entirely. His strategy now involves moving assets into less administratively intensive commercial properties, social housing leases, or stock market investments, reflecting growing scepticism about buy-to-let viability.

While some established landlords remain, data shows newcomer inflows are insufficient to replace those exiting, threatening long-term market stability. The collective effect of rent reforms, tax increases, cost inflation, and regulatory demands may well mark the end of what was once considered a lucrative investment avenue for many private landlords.

At the same time, the reforms address significant social issues. The abolition of no-fault evictions responds to a stark rise in homelessness linked to such evictions, with charities like Shelter urging government action. The enhanced tenant protections also aim to improve housing quality through enforceable standards akin to social housing’s Decent Homes Standard.

However, as the rental market rebalances, key questions remain on how policymakers will navigate the competing interests of protecting tenants’ rights and sustaining an adequate rental supply without driving investment out of the sector entirely. For landlords and renters alike, the next few years will be pivotal as the sector adapts to a fundamentally altered landscape.

### 📌 Reference Map:

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2. <https://www.ft.com/content/46fc7aed-018d-4400-a5b9-e93b8a3fdea9> - As of September 2025, UK buy-to-let mortgage costs have fallen to their lowest levels in three years, with average rates for two-year fixed deals at 4.88% and five-year deals at 5.21%. This decline is attributed to increased competition among lenders, resulting in a doubling of available buy-to-let mortgage products to 4,597. Despite this, landlords continue to face challenges due to tax changes, proposed regulations like a national insurance levy on non-incorporated landlords, and the forthcoming Renters Reform Bill, which includes banning 'no fault' evictions. Industry experts caution that this trend may not last, with residential mortgage rates potentially rising again. The overall investment appetite remains weak, with new buy-to-let investments at their lowest since 2007, leading many landlords to shrink portfolios or exit the market altogether. This reduction in supply is contributing to increased rental costs. Analysts attribute falling mortgage rates more to competitive pressures among lenders than a resurgence in demand from landlords.
3. <https://www.ft.com/content/cf19ae1f-4f5e-4b80-af92-5e01cc651d9d> - In August 2025, UK rental listings fell sharply, marking the steepest decline since the first COVID-19 lockdown, according to the Royal Institution of Chartered Surveyors (RICS). Its 'landlord instructions' index dropped to -37, indicating a significant contraction in rental property supply. Factors behind this trend include anticipated tax changes, the approaching Renters’ Reform Bill, and high interest rates, prompting many landlords to exit the market. The reform bill, nearing final approval, will ban 'no fault' evictions and enforce stricter housing standards. Speculation around new taxes—such as applying national insurance to rental income and changes to inheritance or property tax—further intensifies landlord concerns. Estate agents warn of a rise in rental costs as supply dwindles, projecting around a 3% increase in rents by next year. Parallel to this, the broader housing market also shows signs of weakening, with consecutive monthly drops in buyer enquiries and house prices. RICS attributes the declining confidence to economic uncertainty, potential fiscal changes, and persistently high inflation affecting both buyer activity and agreed property sales.
4. <https://moneyweek.com/investments/property/landlords-forecast-to-exit-buy-to-let-market> - A growing number of UK landlords are exiting the buy-to-let (BTL) market, driven by rising costs, tighter regulations, and tax changes. Nearly 100,000 BTL landlords are expected to leave the market in 2025 alone, following a drop of 65,000 the prior year. The exodus primarily involves landlords with smaller property portfolios, who are finding the market increasingly challenging. Key reasons include the phased removal of mortgage interest tax relief, increased stamp duty surcharges, and the looming impact of the Renters Reform Bill, which includes ending no-fault evictions. Data from HMRC and independent surveys indicate that the number of landlords paying capital gains tax—a sign of property sales—has more than doubled over the past seven years. Proposed government plans to subject landlords to National Insurance contributions on rental profits may intensify departures and strain the already tight rental supply, potentially pushing rents higher. Despite pressure on landlords, there is some relief as buy-to-let mortgage rates have dropped to their lowest levels since 2022, with a record number of deals available. However, this may not be enough to offset other financial and regulatory challenges. The ongoing changes are causing many landlords to reconsider their future in the sector, with some opting to incorporate their portfolios or exit altogether.
5. <https://www.cushmanwakefield.com/en/united-kingdom/insights/the-renters-rights-bill> - The Renters' Rights Bill, introduced in 2024, aims to transform the private rented sector in England by abolishing fixed-term assured tenancies and assured shorthold tenancies, replacing them with open-ended periodic agreements. This change allows tenants to leave with just two months' notice, while landlords must wait four months before seeking possession and provide their own two-month notice. For institutional landlords, this introduces several challenges, including higher operational costs due to potentially more frequent turnover, valuation and investment risks due to uncertainty over tenancy duration, and financing constraints as lenders may raise borrowing costs to account for the increased risk. The bill also removes Section 21 'no-fault' evictions, requiring landlords to rely on expanded Section 8 grounds for regaining possession, such as for property sales or serious rent arrears. Landlords must provide four months' notice and cannot invoke this right within the first year of tenancy for the former. Additionally, the bill restricts landlords from accepting bids above advertised rents and introduces stricter controls on rent increases, requiring landlords to give a two-month lead time. Tenants also gain the right to challenge rent hikes through tribunals. These measures aim to provide greater security and stability for renters but present significant challenges for landlords, particularly institutional investors managing large portfolios.
6. <https://www.independent.co.uk/news/uk/home-news/renters-rights-bill-tenants-explained-b2626537.html> - The Renters' Rights Bill, introduced in 2024, seeks to address the insecurity and injustice that many renters experience by fundamentally reforming the private rented sector and improving housing quality. Key measures include abolishing Section 21 'no-fault' evictions, which currently allow landlords to evict tenants without providing a reason, and introducing fairer possession grounds to give tenants more time to find new accommodation if the landlord wishes to move in or sell. The bill also aims to protect tenants from backdoor evictions via rent rises by allowing them to appeal above-market rent increases and ending the practice of rental bidding, where tenants offer to pay above the advertised rent. Further protections include making it illegal for landlords to discriminate against potential tenants based on receiving benefits or having children, and strengthening tenants' rights to request pets in the property. Additionally, the bill enforces a Decent Homes Standard on the private sector, similar to the system that governs social housing, ensuring that tenants' living conditions are safe and decent. The bill also extends Awaab’s Law to privately rented homes, requiring landlords to address hazards within a specified timeframe.
7. <https://www.ft.com/content/565880ad-c0d0-4a70-a6b7-189feb41f805> - In 2023, a record number of households in England faced homelessness due to 'no-fault' evictions enforced under Section 21 notices, with 25,180 households impacted, marking a significant increase from 18,750 in 2019. This rise is attributed to landlords evicting tenants often without providing a reason, amidst soaring rents and limited property availability. Charities like Shelter and Crisis are urging the government to abolish such evictions, as debates continue over a proposed renters' reform bill to fulfill a 2019 Tory manifesto pledge. The government has allocated £2.4 billion to tackle homelessness and rough sleeping, but campaigners argue more robust reforms are needed to end no-fault evictions definitively.