# UK rental crisis deepens as demand surges 20% amid supply stagnation and Renters’ Rights Bill uncertainties



The UK rental market is on the brink of a significant crisis that could persist well into the next decade, with experts warning of escalating issues surrounding supply and affordability. Grainger, the largest residential landlord in the country, anticipates a 20% surge in rental demand by 2031, which starkly contrasts with stagnant growth in housing supply. The company operates over 10,200 rental properties in England and Wales, with considerable investments in residential assets across Germany, highlighting its pivotal role in the marketplace.

Despite a reported easing in rental inflation since the peak in 2023, the pressing reality remains that as many as 12 prospective tenants are competing for each available rental property. This figure, albeit down 42% from the unprecedented levels observed during the height of the pandemic, signals an ongoing and significant challenge for many renters struggling to secure affordable housing. As rental prices continue to rise—average costs increased by £3,000 annually to £15,400 in March—forecasted increments of 3-4% over the next couple of years reflect a troubling trend for those seeking rental accommodation.

Underlying these issues are broader economic pressures and recent shifts in government policy, which are painting a grim picture for landlords and renters alike. The imminent introduction of the Renters’ Rights Bill is poised to complicate the already intricate landscape of the private rental sector. This new legislation aims to enhance tenant rights and improve housing standards; however, it has sparked grave concerns and hesitancy among landlords. Nathan Emerson, CEO of Propertymark, noted that 88% of landlords lack confidence in the sector due to this Bill, with a substantial fraction considering leaving the rental market entirely. Emerson's observations underline the potential for a further contraction in supply, which could exacerbate the housing crisis.

Notably, Grainger believes that the proposed reforms, while aiming to professionalise the rental market, could actually drive smaller landlords out of the business. The complexities added by these policies may render the private rental sector increasingly untenable for many, which could deepen the ongoing supply constraints that have plagued the market for years. Current rental stock levels have been static at around 5.5 million since 2016, indicating a stagnation that contradicts the rising demands for housing.

To address these challenges, the growth of the build-to-rent sector is frequently positioned as a viable solution. This model focuses on purpose-built, institutionally owned residential properties designed to meet the growing demand for rental homes. While this sector currently accounts for only 2.3% of the total market, there is a significant political will to see it expanded. Grainger has committed £1.3 billion towards developing over 4,500 new homes, reaffirming its belief that dedicated build-to-rent policies could alleviate some of the pressure on the housing market. However, Ian Fletcher from the British Property Federation cautions that meaningful progress hinges on local planning authorities adopting such policies.

Current funding requirements underscore the gravity of the situation, with estimates suggesting that around £300 billion is necessary to meet the future demand for new rental housing. Despite these challenges, key stakeholders in the rental market remain optimistic about the growth potential within the build-to-rent sector. According to Brendan Geraghty, CEO of the Association for Rental Living, raising awareness of this model's capacity to produce homes and attract investment is critical for addressing the housing shortfall.

As the rental crisis looms larger, the interplay between demand, policy reforms, and economic pressures will shape the future landscape of the UK housing market. Without significant shifts in policy and support for new housing initiatives, the outlook for both landlords and tenants could remain bleak, reinforcing the broader dialogue around housing affordability and availability across the nation.

### Reference Map

1. Paragraph 1, 2
2. Paragraph 3, 4, 5, 6
3. Paragraph 7
4. Paragraph 8
5. Paragraph 9
6. Paragraph 10

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.cityam.com/rental-crisis-to-worsen-in-the-next-decade-says-uks-biggest-landlord/> - Please view link - unable to able to access data
2. <https://www.cityam.com/rental-crisis-to-worsen-in-the-next-decade-says-uks-biggest-landlord/> - Grainger, the UK's largest residential landlord, forecasts a 20% increase in rental demand by 2031, outpacing housing supply growth. The company operates over 9,100 rental properties in England and Wales and holds £3 billion in residential assets across the UK and Germany. Despite a slowdown in rental inflation from its 2023 peak, there are still 12 applicants per rental property, indicating ongoing supply constraints. Affordability issues have intensified post-pandemic due to tight supply and higher landlord costs, with average annual rent increasing by £3,000 to £15,400 in March, and rents projected to rise by 3-4% over 2025. Policy reforms, including the Renters’ Rights Bill, are expected to further complicate and increase costs for landlords, potentially leading to an exodus from the sector and exacerbating supply issues. The bill's proposals have caused widespread concern among landlords, with reports indicating that 88% lack confidence in the current private rental sector, and over a third plan to exit the market this year. Grainger also highlights that while the bill aims to professionalize the rental market and raise standards, smaller landlords may find the new regime challenging, potentially accelerating their departure and further constraining supply.
3. <https://www.thisismoney.co.uk/money/markets/article-12779151/Grainger-scores-outstanding-year-rental-home-demand.html> - Grainger, the UK's largest listed residential landlord, reported an 'outstanding year' in 2023, constructing approximately 1,200 new build-to-rent homes and planning an additional 439 by year's end. The company's operational portfolio now exceeds 10,200 private rental homes, with a further 5,634 units valued at £1.6 billion in the pipeline. Occupancy rates reached a record 98.6%, and like-for-like rental growth increased by 8%. Net rental income for the year ending September rose by 12% to £96.5 million, surpassing £100 million on an annual passing basis. Grainger attributes this performance to strong demand for rental accommodation amid limited mortgage availability and affordability, as well as a scarce supply of homes.
4. <https://www.standard.co.uk/business/landlord-grainger-properties-full-rental-supply-crisis-mortgage-rent-prices-flats-homes-b1090398.html> - Grainger, the UK's largest private landlord, reported a record occupancy rate of 98.7% in June 2023, up from previous record levels earlier in the year. The company also reported a 7.1% rental growth for the year to date. CEO Helen Gordon noted that the business is benefiting from rising wages, as low supply in the market forces rents up. The company plans to launch seven new schemes in the remainder of 2023, indicating continued expansion amid the rental supply crisis.
5. <https://www.thisismoney.co.uk/money/markets/article-11726127/Private-landlord-giant-Grainger-applauds-excellent-start-year.html> - Grainger, Britain's largest private landlord, reported a strong start to the financial year, with a 6.1% like-for-like rental growth for the four months ending January. The company's private rented sector property portfolio achieved record occupancy levels of 98.7%, 1.7 percentage points higher than in February 2022. Grainger is investing a record £300 million to deliver 1,640 build-to-rent homes across seven English and Welsh cities, capitalizing on the booming demand for rental accommodation amid weak mortgage availability and affordability, and a scarce supply of homes.
6. <https://www.thisismoney.co.uk/money/markets/article-13055653/Grainger-cheers-exceptionally-high-rental-demand.html> - Grainger, a residential property group, reported record levels of trade amid 'exceptionally high' rental demand, with no signs of slowing. The company saw total like-for-like rental growth of 8.3% to date in its trading year, up from 6.1% at the same time 12 months earlier. Grainger expects rental growth to continue to be 'higher than historic averages' throughout the remainder of its financial year. The company owns and manages over 9,000 rental homes across the UK and is lining up thousands of new build-to-let builds.