# London rental market shifts as rents decline and landlords hold back sales amid regulatory headwinds



London tenants are now benefiting from a notable fall in rents, with recent data showing they are paying approximately £179 less per month compared to October 2024. According to estate agent Hamptons, the average monthly rent for new lets in inner London dropped to £2,752 in August 2025, marking a 5.8 per cent decrease year-on-year—the steepest decline since May 2021. Outer London rents also declined, albeit more modestly, with new lets averaging £2,311 per month, down 0.6 per cent over the same period. Nationally, rents fell by a lesser 0.4 per cent. This shift is contrasting with previous trends of rapid rental growth, reflecting a changing market characterised by softer demand and stretched tenant affordability. Aneisha Beveridge, head of research at Hamptons, noted that after years of increases, the rental market is finally adjusting to more challenging economic conditions and weaker tenant demand.

The downward pressure on rents in London comes amid a backdrop of significant landlord activity, with many reportedly attempting to sell their properties ahead of the Renters' Rights Bill, which is expected to become law in early 2026. This legislation introduces tighter restrictions on landlords' ability to evict tenants and raise rents, sparking concerns among landlords. However, many sellers are struggling to find buyers. Marc von Grundherr, director of Benham and Reeves estate agents, described the current London housing market as subdued, where landlords keen to exit are “dipping a toe” but often find the market unwelcoming. When sales prove challenging or offers remain low, landlords tend to hold onto their properties and continue renting them out to maintain income until market conditions improve.

This reluctance to sell is echoed by industry voices such as Sam Humphries from Dwelly, who advises landlords to hold off sales where possible due to an imbalance of high supply but limited buyer demand, leading to price cuts and longer sales processes. Such market dynamics result in a dilemma: landlords must choose between accepting lower sale prices now or continuing to rent out properties under the new regulatory regime, maintaining steady rental income while waiting for better sales conditions.

Landlord decisions to remain active in the rental market coincide with a modest increase in rental housing supply and declining tenant registrations. Data from Foxtons highlights an 11 per cent rise in available rental properties in London year-to-date versus 2024, alongside a 7 per cent drop in tenant interest. This softened demand may be attributed to various factors, including tenants choosing to stay put to avoid the costs of moving and some landlords permanently exiting the market. The extra supply and weaker demand reinforce the pressure on landlords to offer more competitive rents, aligning with the ongoing falls observed in average rents.

Outside London, the rental landscape differs somewhat. Earlier in 2025, Rightmove reported a historic moment with average private rents dropping for the first time since before the pandemic, declining slightly by 0.2 per cent to £1,341 per month in the final quarter of 2024. This contrasts with London rents, which in early 2025 continued to record modest increases—though more recent data indicates this growth has now reversed. The government has acknowledged the broader housing shortage, which has contributed to earlier rent hikes and house price rises, and is considering easing planning restrictions to stimulate new construction and potentially increase housing supply.

Despite these trends, other reports highlight ongoing challenges in London's rental sector. The Evening Standard recently pointed to a significant reduction in the total number of private rental homes in London, reporting a 6 per cent decrease from 1.14 million to 1.07 million properties between 2023 and 2024. This contraction in supply has historically contributed to rent rises and reduced options for tenants, particularly those on lower incomes. The National Residential Landlords Association (NRLA) has called for policy changes to encourage landlords to bring long-term empty homes back into the rental market, including scrapping certain stamp duty surcharges and reforming eviction processes to ensure efficiency and fairness following the abolition of no-fault repossession powers.

In prime areas of London, landlords face additional selling difficulties. Knight Frank reported that average prices in prime central London fell by 2.5 per cent over the year to June 2025, reflecting both political uncertainty and increased regulatory burdens. Higher supply levels and competition among landlords looking to sell have intensified pressure on prices, leaving some owners caught between the desire to sell and the need to retain properties for rental income.

Overall, the rental market in London is navigating a period of significant transition. While tenants are benefiting from easing rents, landlords are adjusting to a less favourable sales environment and increased regulatory constraints set to come into force. This evolving dynamic is reshaping the capital’s housing landscape, with supply and demand balancing in new ways as both tenants and landlords respond to changing economic and legislative conditions.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.mortgagesolutions.co.uk/news/2025/09/15/rents-on-new-tenancies-fall-0-4-yoy/)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://www.knightfrank.co.uk/research/article/2025/7/landlords-in-prime-london-face-selling-challenge)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[6]](https://www.knightfrank.co.uk/research/article/2025/7/landlords-in-prime-london-face-selling-challenge)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[5]](https://www.mortgagesolutions.co.uk/news/2025/09/15/rents-on-new-tenancies-fall-0-4-yoy/)
* Paragraph 5 – [[2]](https://www.reuters.com/world/uk/uk-rents-outside-london-fall-first-time-since-pandemic-rightmove-says-2025-01-28/), [[3]](https://www.theguardian.com/money/2025/jan/28/private-rents-great-britain-fall-outside-london-rightmove)
* Paragraph 6 – [[4]](https://www.standard.co.uk/business/landlords-tenant-rents-london-homes-b1238523.html)
* Paragraph 7 – [[6]](https://www.knightfrank.co.uk/research/article/2025/7/landlords-in-prime-london-face-selling-challenge), [[1]](https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)

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## Bibliography

1. <https://www.dailymail.co.uk/money/galleries/article-15130411/Data-Rents-fall-London-landlords-fail-sell.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.reuters.com/world/uk/uk-rents-outside-london-fall-first-time-since-pandemic-rightmove-says-2025-01-28/> - In January 2025, Rightmove reported that advertised rents outside London fell by 0.2% to £1,341 per month in the final quarter of 2024, marking the first decline since 2019. In contrast, London rents rose by 0.1% to £2,695 per month. The overall rise in rents and house prices across the UK has been driven by a shortage of available properties, prompting the government to consider easing planning restrictions for new construction. Additionally, the market saw a 13% rise in available rental properties and a 16% reduction in the number of prospective tenants. This decrease in demand is partly due to some tenants opting to stay put to avoid moving costs and some landlords exiting the market. Falling mortgage rates and increased wages are also enabling more tenants to purchase their first home.
3. <https://www.theguardian.com/money/2025/jan/28/private-rents-great-britain-fall-outside-london-rightmove> - In January 2025, Rightmove reported that average private rents in Great Britain fell for the first time since before the pandemic. The typical advertised rent outside London dipped £3 to £1,341 a month in the final quarter of 2024. However, rents in London continued to rise, reaching a record £2,695 a month. The rise in rents and house prices across the UK has been driven by a shortage of available properties. The government plans to address this by easing planning restrictions for new construction. Additionally, the market saw a 13% rise in available rental properties and a 16% reduction in the number of prospective tenants. This decrease in demand is partly due to some tenants opting to stay put to avoid moving costs and some landlords exiting the market. Falling mortgage rates and increased wages are also enabling more tenants to purchase their first home.
4. <https://www.standard.co.uk/business/landlords-tenant-rents-london-homes-b1238523.html> - In July 2025, The Standard reported that landlords in London are warning of higher rents due to a significant decrease in the number of homes available for rent. Government data showed that the number of homes in the private sector in London fell by 6% from 1.14 million to 1.07 million between 2023 and 2024, despite growing demand. This decline in supply is driving up rents and reducing tenant choice, particularly for low-income renters. The National Residential Landlords Association (NRLA) is calling for tax reform to encourage the supply of new homes to rent that add to London’s overall housing stock, including scrapping the 5% stamp duty surcharge on homes to rent where a landlord brings one of the over 38,000 long-term empty homes in the capital back into use. The NRLA also wants a quicker justice system so that when Section 21 ‘no explanation’ repossessions are abolished, responsible landlords need assurance that the courts will process, and enforce, legitimate possession cases more swiftly than at present. Official data shows it takes an average of over six months from the point a legitimate possession claim by a private landlord is accepted for consideration by the courts through to it being enforced. This includes cases related to serious rent arrears or tenant anti-social behaviour causing misery for neighbours and fellow tenants alike.
5. <https://www.mortgagesolutions.co.uk/news/2025/09/15/rents-on-new-tenancies-fall-0-4-yoy/> - In September 2025, Mortgage Solutions reported that rents on new tenancies fell by 0.4% year-on-year to £1,387, marking the second-largest annual decline since Hamptons’ index began in March 2011. This decline indicates that the rental market is responding to wider economic pressures. London led the regional declines, with inner London rents down 5.8% year-on-year. However, this recent slowdown comes after a prolonged period of rapid rental growth. Over the last five years, the cost of a newly agreed let in Great Britain has risen by 31%. Aneisha Beveridge, head of research at Hamptons, stated that after several years of rapid rental growth, the tide is finally turning. With affordability stretched and demand softening, landlords are having to adjust to attract tenants.
6. <https://www.knightfrank.co.uk/research/article/2025/7/landlords-in-prime-london-face-selling-challenge> - In July 2025, Knight Frank reported that landlords in prime London are facing challenges in selling properties due to downward pressure on prices. More landlords are exploring sales due to the tougher regulatory environment, including the forthcoming Renters' Rights Bill, which could make it more onerous to regain possession of a property and raises the risk of void periods. However, achieving their asking price is not guaranteed. Average prices in prime central London fell by 2.5% in the year to June, the second-largest fall since March 2021, partly due to the political climate. Prices in prime outer London are under pressure due to higher levels of supply and competition from other landlords also trying to sell. As a result, some owners are caught in a limbo between selling and renting out their property.