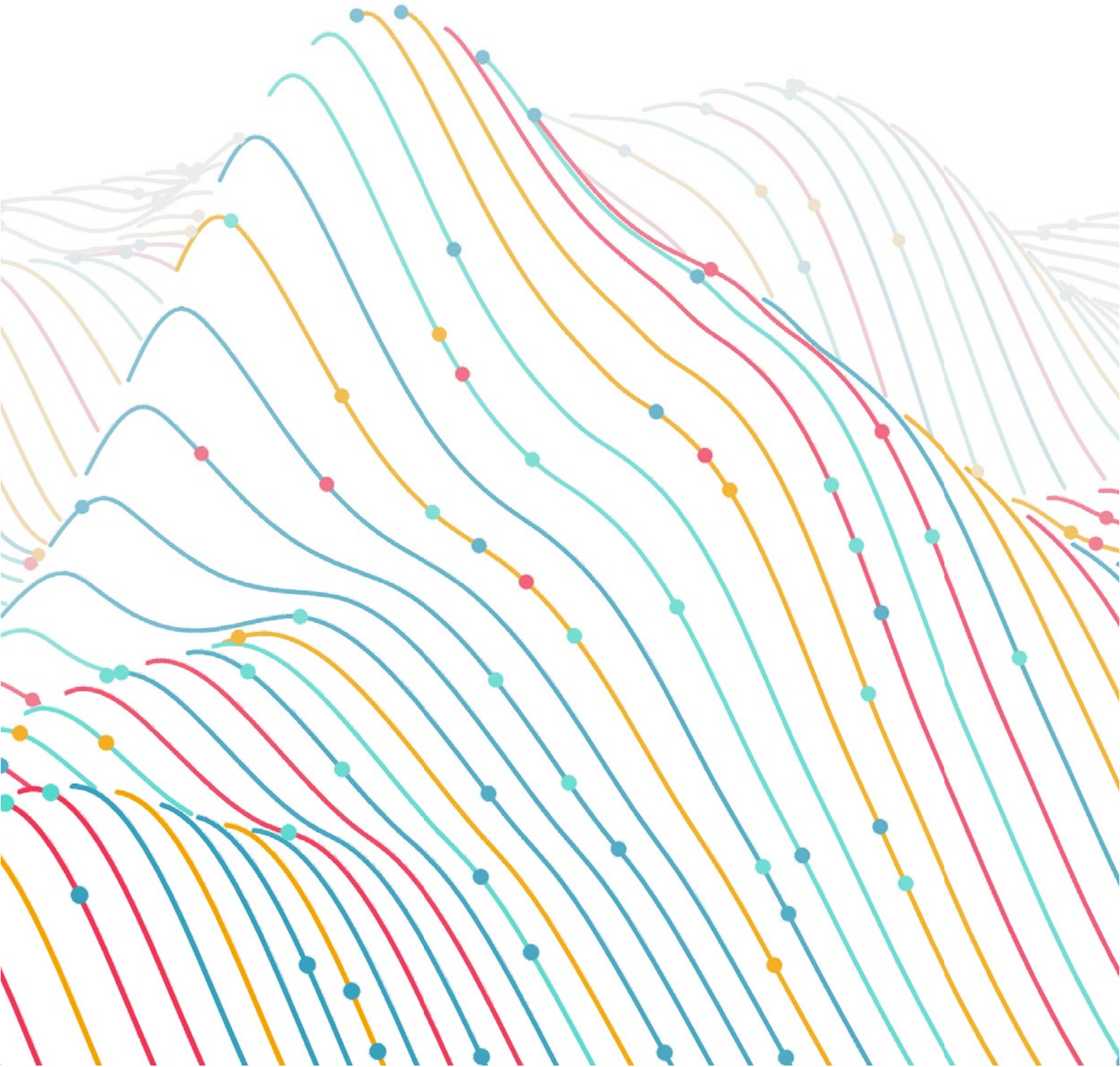


paragon

# PRS Trends

Q3 24

Highlighting the latest trends in the Private Rented Sector



Yields

Rents

Buy-to-let financing

Demand

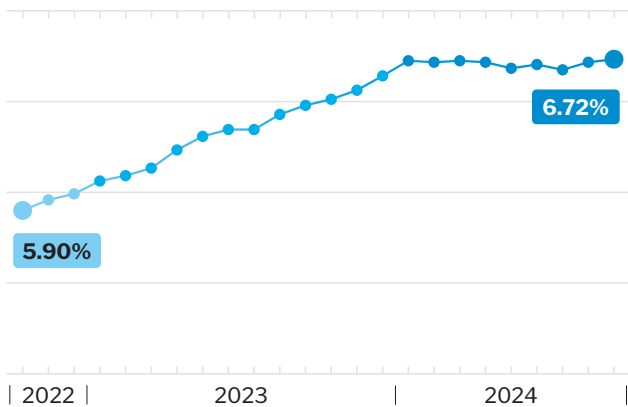
Tax

# PRS Snapshot

We outline the key landlord metrics for Q3 2024

## Yields

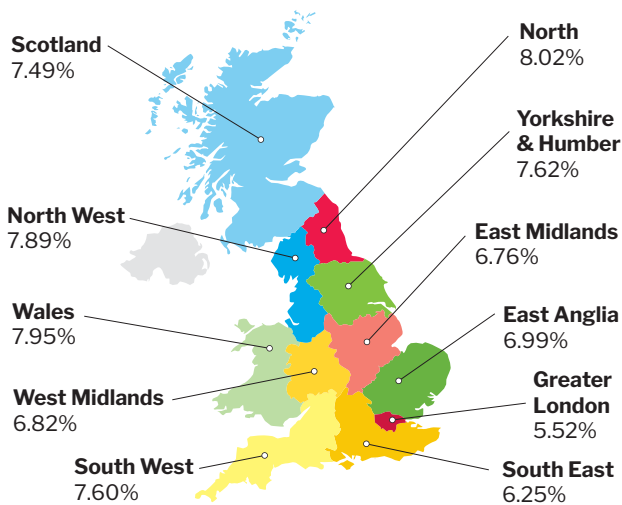
Average rental yields based on new mortgage applications have stabilised in more recent months after strong increases throughout 2023, ending the quarter at 6.72%



Source: Paragon

## Regional yield performance

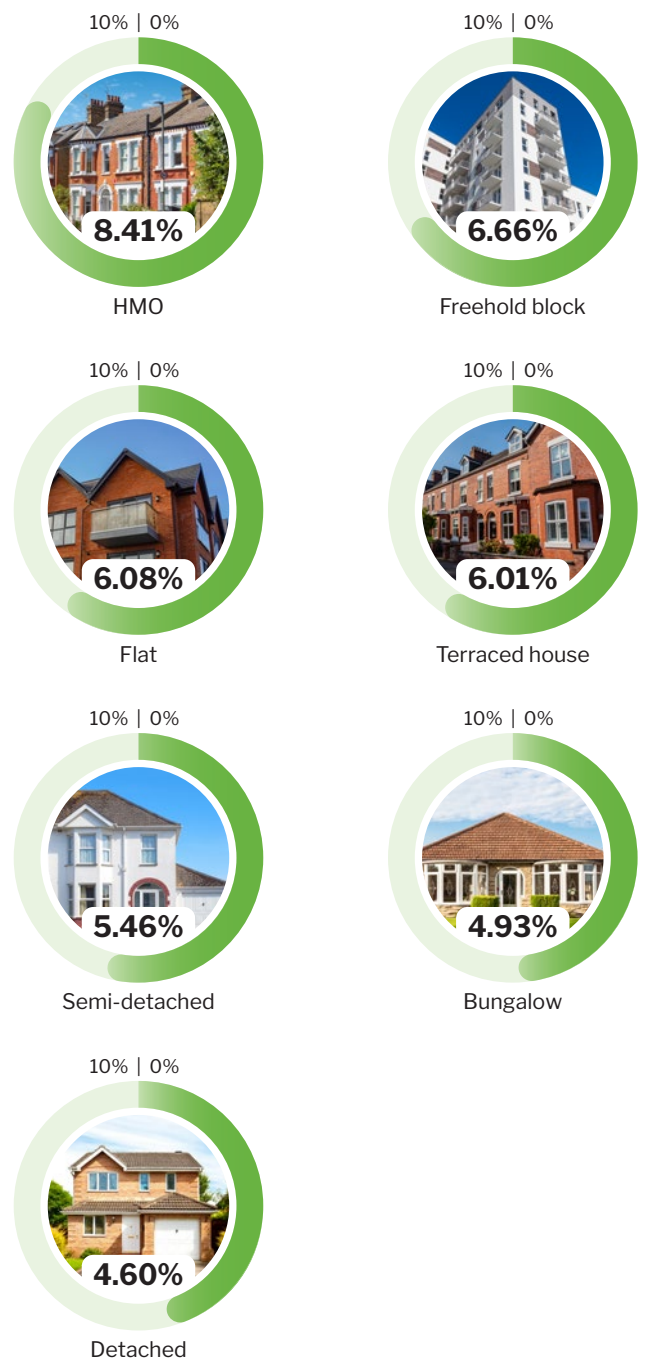
Landlords in the North of England (covering the North East and Cumbria) achieved the highest rental yields, at 8.12%, followed by Wales at 7.95%. Landlords in Greater London achieved the lowest yields at 5.52%



Source: Paragon

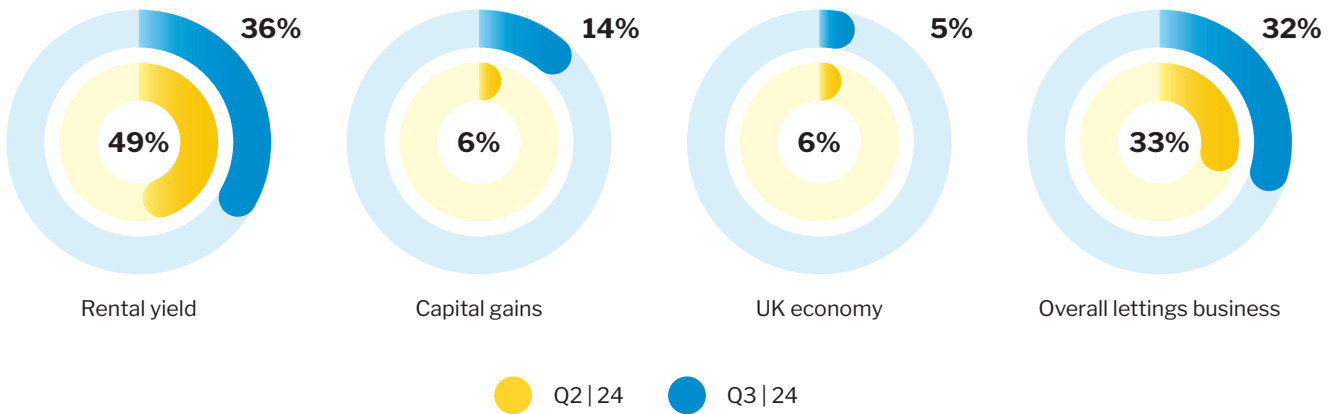
## Yield by property type

Houses in Multiple Occupation (HMO) generated the highest yield by property type during the quarter, at 8.41%, an increase of 0.18 percentage points compared to Q2 and 0.74 percentage points against a year previously. Freehold blocks generated yields of 6.66%, followed by flats at 6.08%

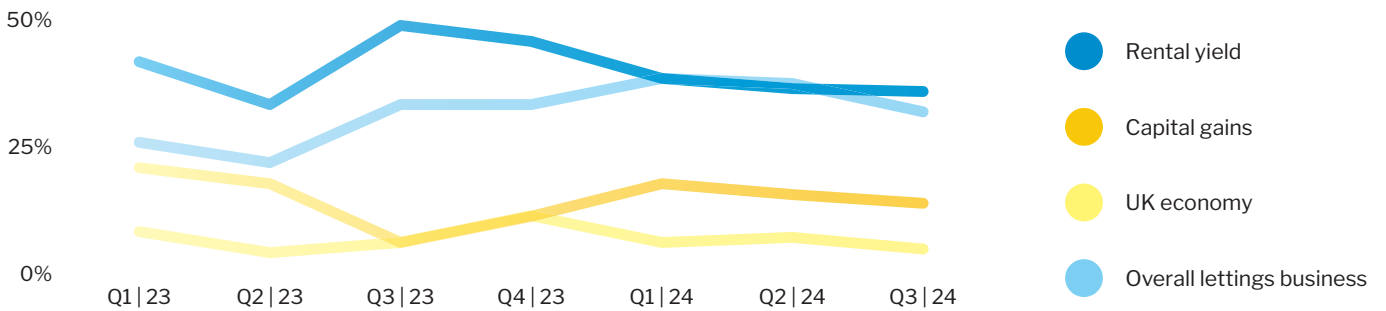


## Confidence

Business expectations for next 3 months (% Good/Very Good)



Landlord confidence took a downwards turn during Q3, driven by Budget and regulatory speculation

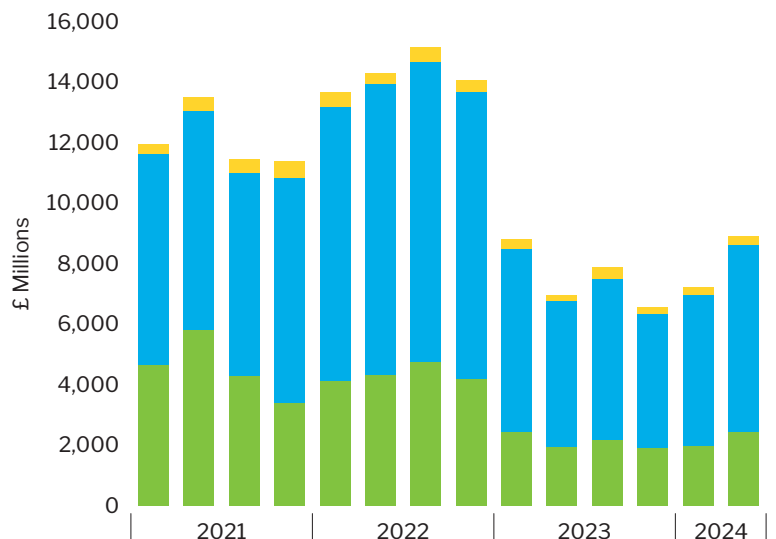
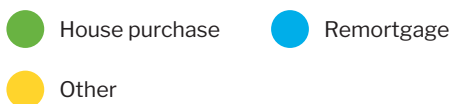


Source: Pegasus

## Landlord financing

Buy-to-let mortgaged house purchases showed strong recovery during Q2, according to the latest published industry figures (UK Finance)

	Latest 2024 Q2	YoY % change
House purchase	£2.4bn	25.8%
Remortgage	£6.2bn	27.7%
Other	£0.3bn	47.0%
<b>Total</b>	<b>£8.9bn</b>	<b>27.7%</b>



Source: UK Finance

# Rents

## The proportion of landlords increasing rents has stabilised, but remains historically high

The long run trend of landlords increasing rents following the re-opening of the economy post-Covid appears to be stabilising, with the same proportion of landlords increasing rents during Q3 as the previous quarter. Despite this, the incidence of landlords levying a recent rent increase remains historically high and at close to three times the level it was at the start of 2020.

The primary drivers for those landlords increasing rents are to cover the increased costs of running a property, cited by 71% of landlords, followed by adjustment for inflation (57%) and tax changes (44%).

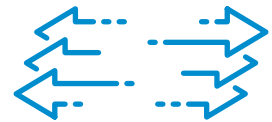
Looking forward, 63% of landlords intend to increase rents over the next 12 months, with a quarter (26%) keeping rents the same. One in 10 are unsure.

# 74%



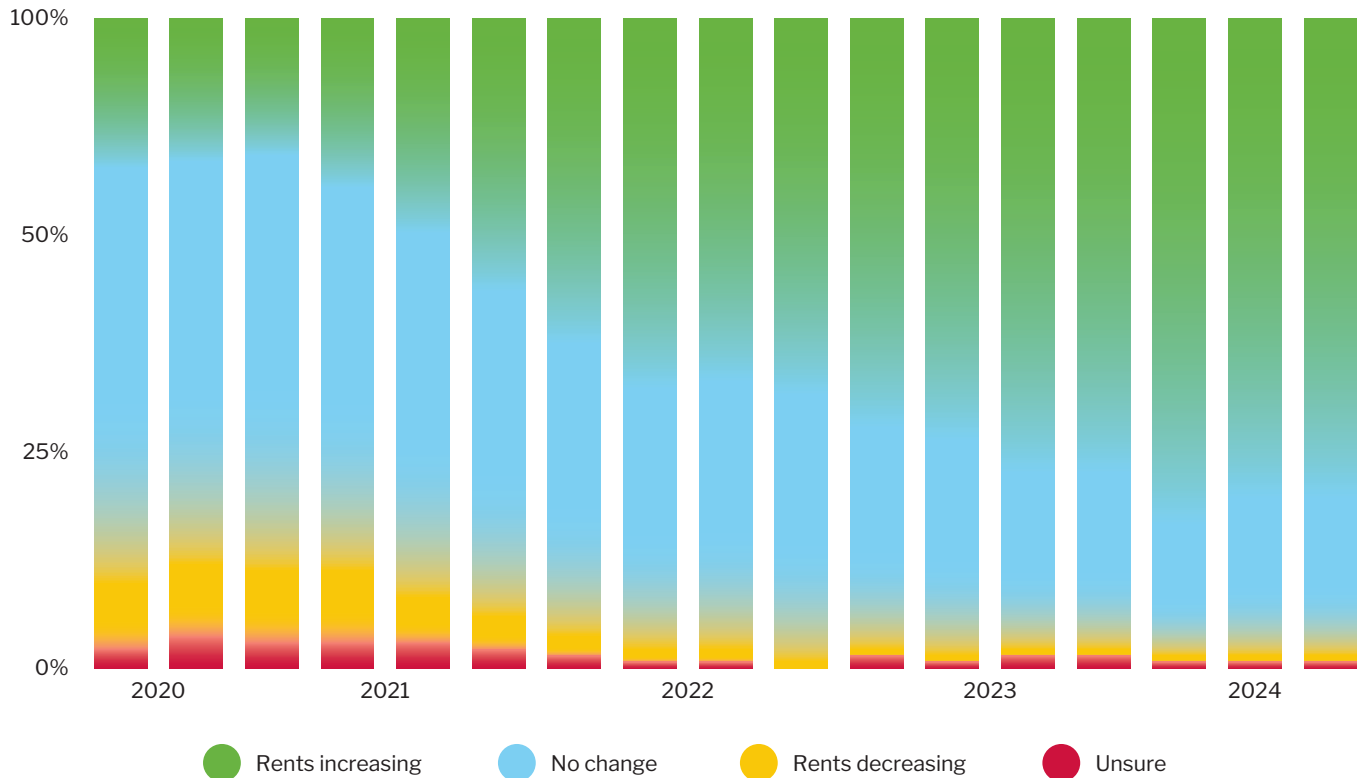
of landlords increased rents during the last 12 months

# 24%



made no change

### Rent inflation



Source: Pegasus

# Buying and selling activity

The proportion of landlords planning to buy in the next 12 months declined in the period, down to 6% from 11% in Q2. Of those seeking to buy, 51% intend to purchase one property, with just over a quarter (28%) expecting to purchase two.

Terraced houses and flats are the prominent property type landlords intending to purchase are targeting, with 49% and 47% respectively targeting these property types.

The proportion of landlords planning to sell widened during the period to 41%, up from 33% during Q2.



Source: Pegasus

## 6%

of landlords plan to buy property in the next 12 months



## 41%

expect to sell



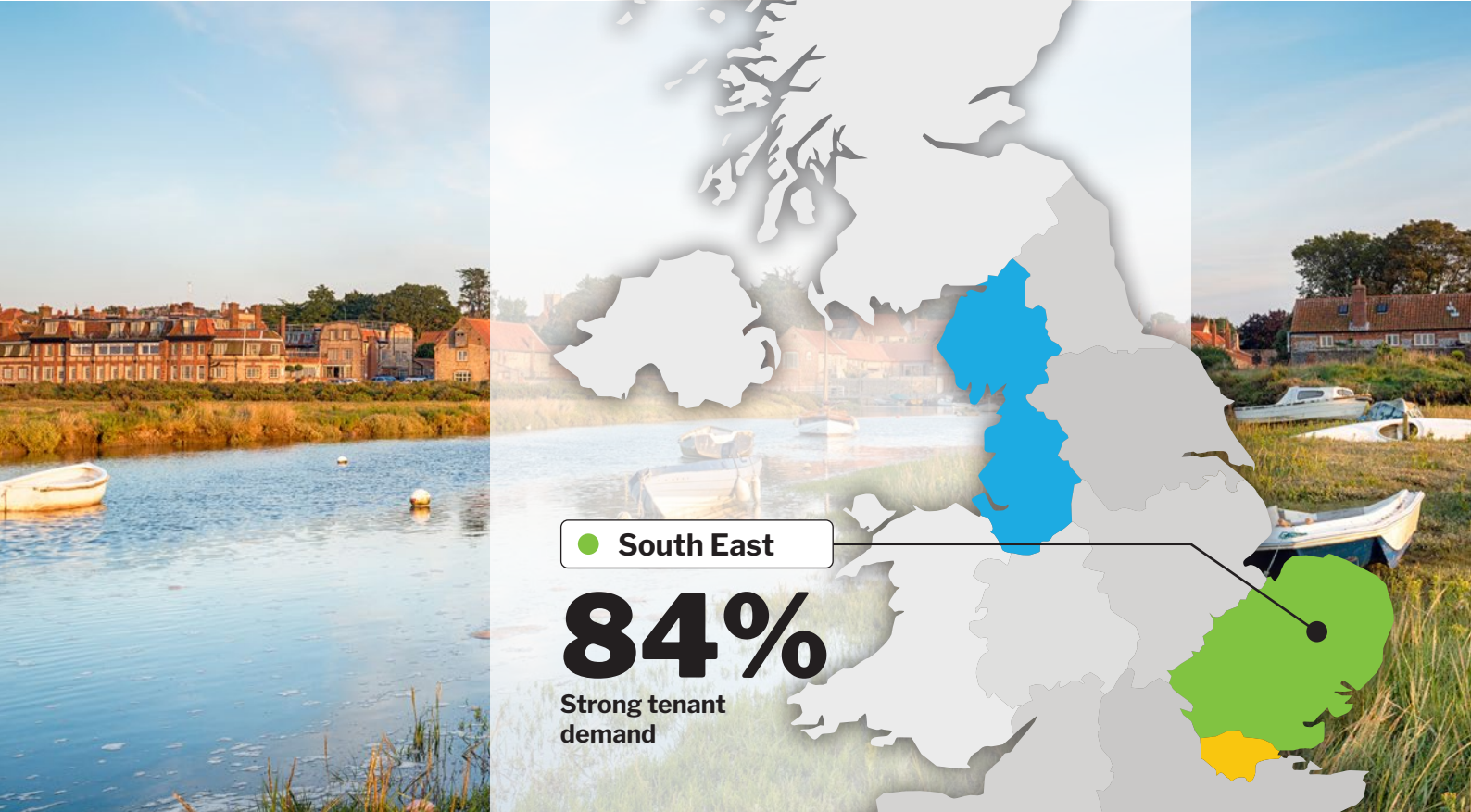
## 49%

of landlords planning to purchase intend to buy a terraced house



# 79%

of landlords reported strong tenant demand in Q3



● South East

# 84%

Strong tenant demand

## Tenant demand

The proportion of landlords reporting strong tenant demand eased slightly during the quarter, down from 82% in Q2 to 79% this period. Four in 10 landlords reported tenant demand as very strong, with 39% classing it as 'quite strong'. Only 2% of landlords reported weak levels of tenant demand.

Regionally, landlords in the South East, North West and Central London reported the strongest levels of tenant demand during the quarter. Conversely, the West Midlands saw the weakest levels of tenant demand, with 60% of landlords reporting demand as strong.

Source: Pegasus

● North West

# 79%

Strong tenant demand

● London

# 71%

Strong tenant demand



# Profitability

Levels of profitability reported by landlords in Q3 hit their highest point since Q1 2022.

Acting as evidence of the market's stabilisation over the past 18 months, overall profitability in Q3 is nine percentage points higher than the same period in 2023, following successive quarterly increases over the past year.

The figure is made up of 17% of landlords who report making a large profit and 70% a small profit, on average. Additionally, the proportion of landlords who made a loss fell during the quarter, down to 4% from 6% in Q2 and 5% during the same period last year. The remaining 7% of landlords broke even.

## Landlord profitability



Source: Pegasus

# 87%

of landlords made a profit in Q3, the highest level since Q1 2022



# IN FOCUS

## A taxing issue

The Government has published the latest figures on the number of unincorporated landlords (those operating outside of a limited company) generating an income from rental property, including residential and commercial.

The figures show the number of individuals declaring tax from property rental income stood at 2.81 million during the 2022/23 tax year, down from 2.83 million the year before.

In total, £44.8 billion from property rental income was declared by individuals, an increase from £43.3 billion in the 2021/22 tax year.

The average income declared stood at £15,900 for individuals, up from £15,300 the year before, whilst the average amount in property expenses declared stood at £8,700, or £22.6 billion for individuals combined.

# 2.81 million

individuals declared income from rental property in 2022/23

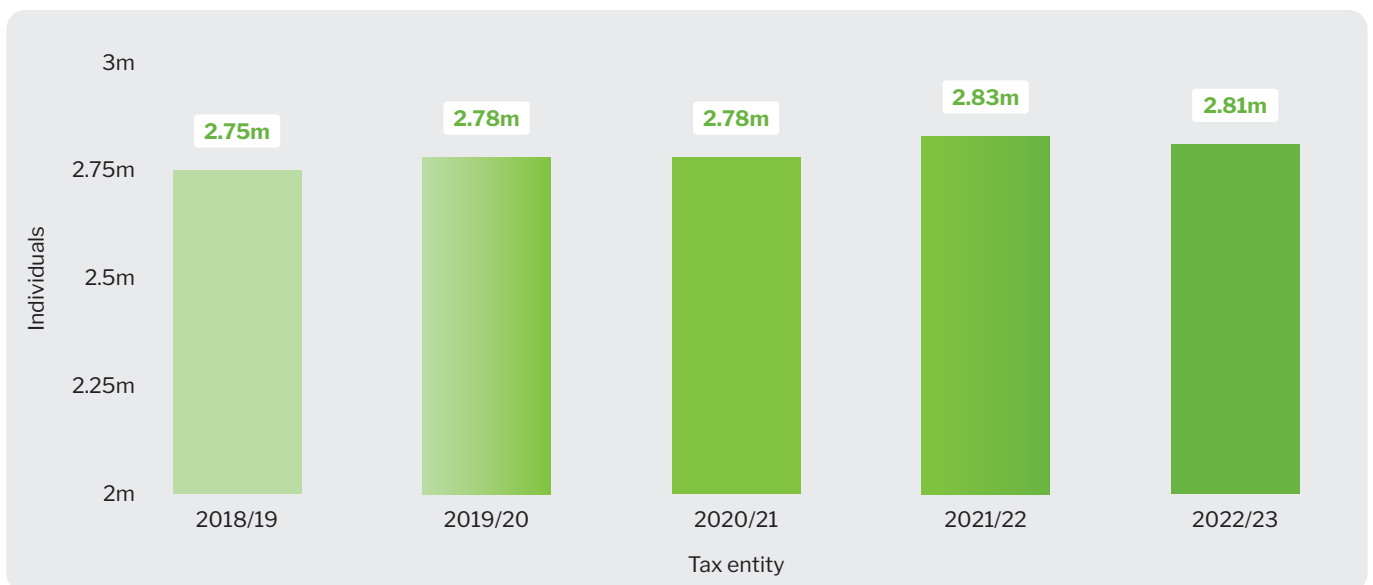
# £44.8 billion

of rental income declared by individuals

# £15,900

average amount declared

### Number of unincorporated landlords declaring rental income from property



Source: HMRC



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The Q3 2024 PRS Trends report was developed following analysis of data gained through interviews with 720 landlords. Research agency Pegasus Insight, in partnership with the National Residential Landlords Association (NRLA), conducted these interviews in September and October 2024.

It also includes data sourced from UK Finance and HMRC, as well as Paragon.