

# PRO SPE CT

*Lettings Market Report*

June 2024

The recent general election has set the stage for transformative reforms in the private rental sector, aimed at creating a fairer and more sustainable market. These changes, while ambitious, present a host of opportunities for proactive landlords.

### Key Reforms and Impacts:

- **Enhanced Tenant Protections:** Labour's commitment to abolishing Section 21 "no-fault" evictions seeks to foster a more stable and secure rental market. This change can lead to longer tenancy durations and reduced turnover costs for landlords.
- **Energy Efficiency Standards:** By 2030, rental properties will need to meet higher energy efficiency standards. This initiative not only benefits the environment but can also increase property values and attract eco-conscious tenants. Landlords can start planning improvements now to spread out the costs and take advantage of any available grants or incentives.
- **Leasehold Reforms:** Labour's plans to replace the outdated leasehold system with commonhold for new builds will simplify block management and potentially reduce long-term costs. Engaging with these reforms early can position landlords as leaders in modern, fair block management.
- **Fair Rental Practices:** Measures to end rental bidding wars and large upfront payments aim to create a more transparent and accessible market. These practices can help landlords attract a wider pool of reliable tenants.

### Proactive Steps for Landlords:

- **Plan for Property Improvements:** Start assessing properties for energy efficiency upgrades. Utilise available resources and grants to mitigate costs. Early action can ensure compliance and enhance property appeal.
- **Understand Legal Changes:** Stay informed about the specific details of the new regulations. Engaging with reputable lettings agents or legal advisors can provide clarity and ensure all requirements are met.
- **Enhance Tenant Relations:** Embrace the new tenant protections by fostering good communication and addressing tenant concerns promptly. Happy tenants are more likely to stay longer and take better care of the property.
- **Stay Competitive:** By aligning with the new standards and promoting eco-friendly and fair rental practices, landlords can differentiate themselves in the market, attracting quality tenants and potentially commanding higher rents.

By adapting to these changes proactively, landlords can not only comply with new regulations but also benefit from increased property value, tenant satisfaction, and market competitiveness.

### Further to the above, notable highlights from June include:

- The average rent achieved in June 2024 was up 4.95% to £1612 compared to May 2024, and 13.8% up compared to June 2023.
- A 1.5% month-on-month decrease in new instructions across the marketplace Prospect covers (May vs. June 2024).
- June saw 8.5 applicants registered for every property we listed.

Essentially, the rents we are achieving are strong, there was a small decrease in the number of properties listed To Let month on month, and demand levels continue to be healthy.



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## KEY MARKET STATS

### Supply & Demand YOY to YTD 2024

	Supply New Instructions YoY	Demand New Tenant Registrations YoY
2020	7.50% ↓	27.90% ↑
2021	3.20% ↓	15.20% ↑
2022	3.50% ↑	17.00% ↑
2023	4.00% ↓	5.60% ↓
<b>YOY 2024</b>	<b>13% ↑</b>	<b>10% ↓</b>

### New Applicant Registrations Per Instruction



May 2024 9.2

June 2024 8.6

↓  
DOWN 6.52%

### Average Rent Achieved



May 2024 £1,536

June 2024 £1,612

↑  
UP 4.95%

### Average Tenant Budget % Spent



May 2024 91.5%

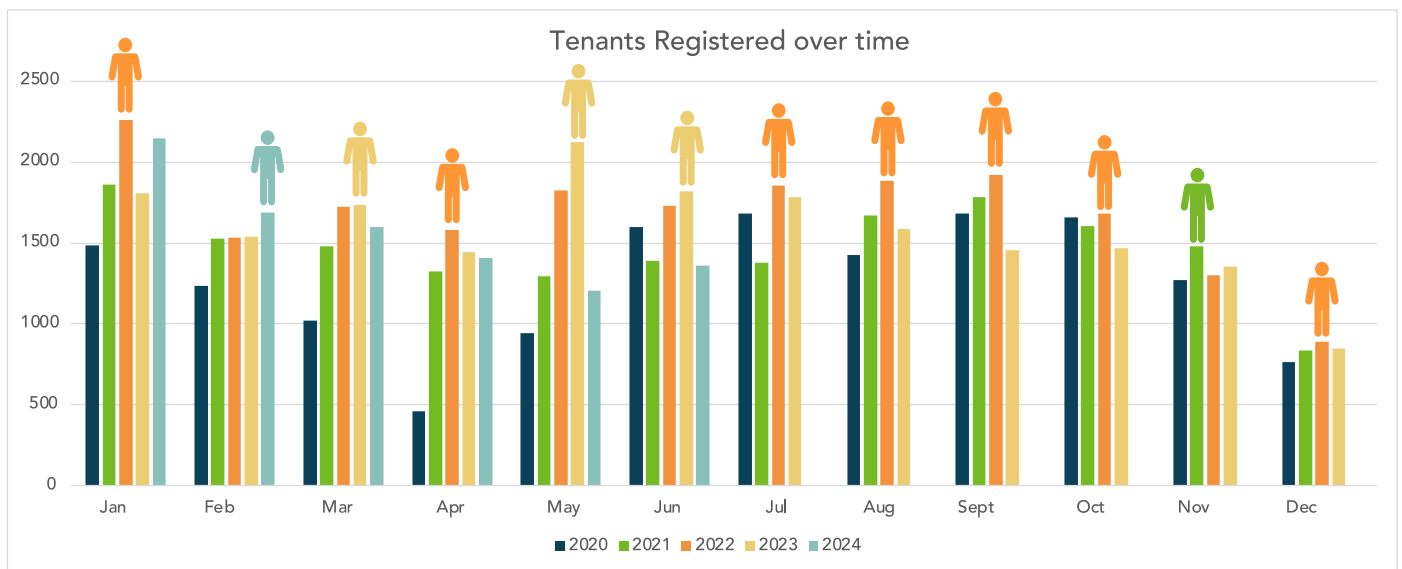
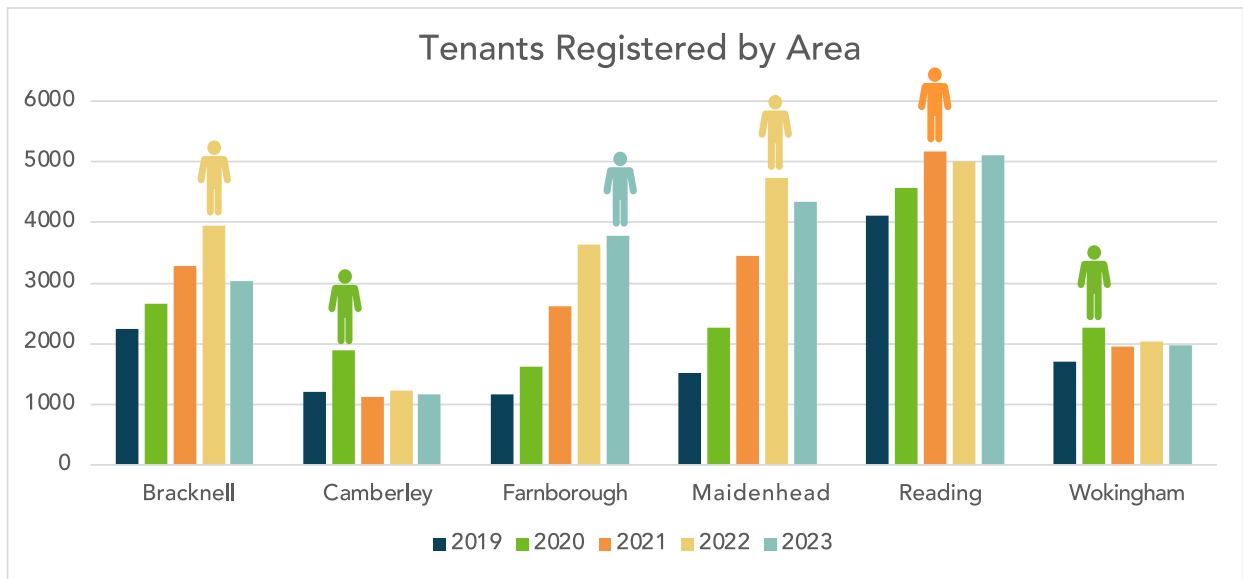
June 2024 99%

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**THE HIGHLIGHTS**

**In June, we registered 8.5 applicants for every property listed**

Our analysis of tenant data indicates a stable marketplace, offering landlords a selection of excellent tenants. Although the number of applicants has decreased by 10% compared to the previous year, demand remains robust. This high demand has led to rent increases for many landlords, even amidst recent cost-of-living challenges. The sustained interest suggests a shift in renter preferences, possibly influenced by evolving work-from-home trends and a desire for more flexible living arrangements.



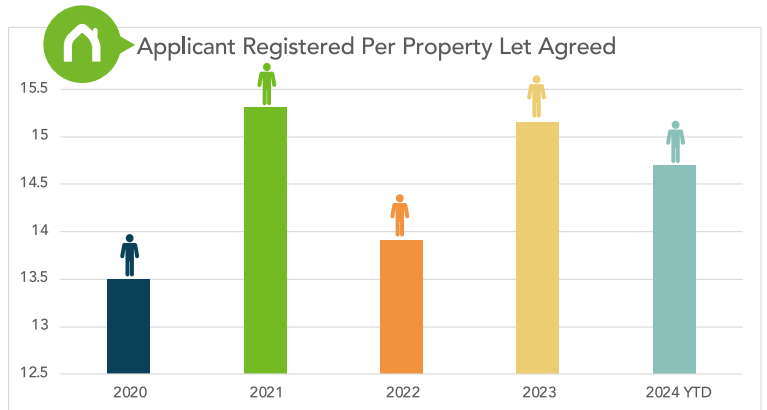
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## SUPPLY & DEMAND

### THE HIGHLIGHTS

14.7 tenants registered per tenancies commenced

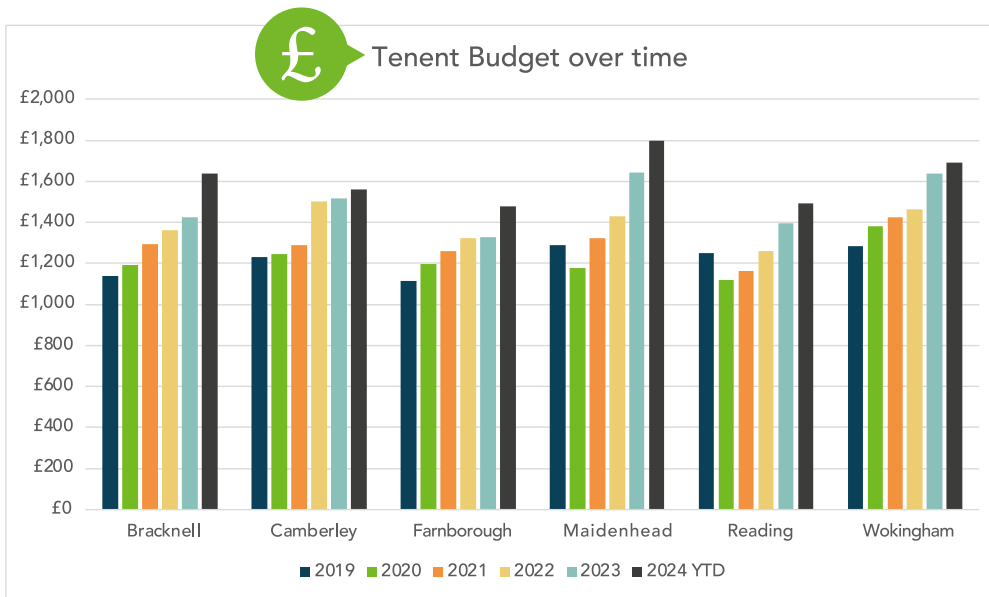
We are currently seeing a ratio of 14.7 tenants registered per tenancy commenced. Despite a decline in applicant registration, this figure remains strong and surpasses the 2022 average of 13.9 tenants per tenancy, which was Prospect Estate Agencies' most successful year for new tenancies. This ongoing high demand emphasizes the importance for landlords to adapt their strategies to effectively meet the needs of the market.



## TENANT BUDGETS

### THE HIGHLIGHTS

Increase of 7.40% in tenant budgets



The data reveals a dynamic landscape and a trend of consistent increase in tenants' average budgets year-on-year. For landlords, this trend presents an excellent opportunity to capitalise on rental increases.

By aligning their offerings with the evolving needs and preferences of tenants, they can position themselves at the forefront of this increasing market, unlocking potential for growth and profitability. Whether through strategic pricing tactics, value-added amenities, or personalised tenancy terms, landlords can leverage this upward trend to attract tenants and secure higher rental yields.



Supply & Demand

Average budget per property type	£&p per month YTD	YOY %	£&p per month YOY
1 bed	£1,201	6.37% ↑	£1,129
2bed	£1,564	3.64% ↑	£1,509
3 bed	£1,912	0.01% ↓	£1,914
4 bed +	£2,690	11.29% ↑	£2,417

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## NEW LISTINGS VS LETS AGREED

The number of new property listings is a critical indicator of market dynamics, reflecting supply levels and landlord activity. Our recent analysis indicates that while there is a minor month-on-month decrease of 1.5% in new listings across all territories covered by Prospect, the market remains relatively stable. However, when comparing year-on-year data from January to June, there has been a notable 13% increase in new listings.

This trend does not align perfectly with the rhythm of lets agreed, which experienced a marginal decrease of 2.74%. This discrepancy suggests a dynamic market where the supply of new listings is increasing at a faster rate than the rate of lets agreed.

### Implications for Landlords:

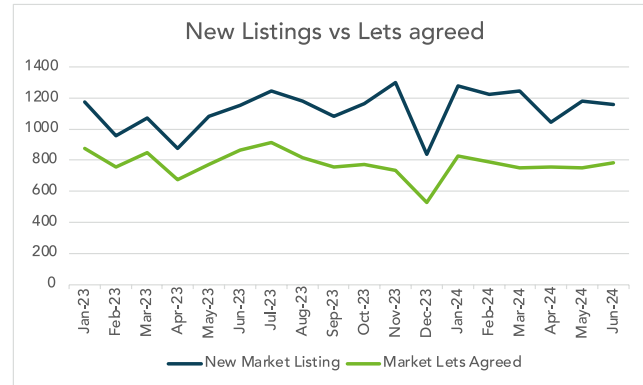
• **Supply and Demand Balance:** The increase in new listings year-on-year indicates a growing supply, which can provide more choices for tenants. However, the slight decrease in lets agreed suggests that demand might not be keeping pace with the increasing supply. Landlords should be mindful of this balance to avoid prolonged vacancies.

• **Competitive Strategies:** With more properties entering the market, landlords may face increased competition. To maximise rental yields and maintain competitiveness, landlords should consider enhancing property appeal through improvements, competitive pricing, and effective marketing.

• **Market Positioning:** Understanding these trends is crucial for landlords aiming to position their properties effectively. The minor month-on-month downturn in new listings suggests a seasonal or short-term fluctuation, while the significant year-on-year increase points to a broader trend of growing supply.

• **Rental Yield Optimisation:** Staying informed about market dynamics allows landlords to make strategic decisions that enhance rental yields. Adjusting rental prices, offering flexible terms, and investing in property upgrades can attract more tenants and reduce vacant periods.

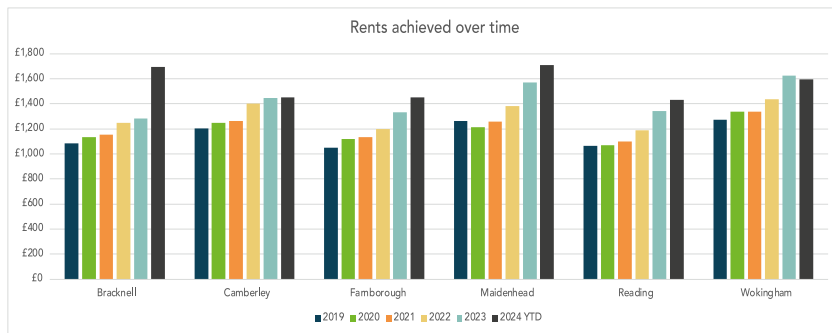
By staying informed with these trends, landlords can better navigate the evolving rental market and ensure they remain competitive and profitable.



## RENTS ACHIEVED OVER TIME

### THE HIGHLIGHTS

**4.95% month on month increase in rents achieved**



Our recent analysis reveals a significant 4.95% month-on-month increase in rents achieved, underscoring the resilience and robustness of the rental marketplace. Year-on-year data also shows an upward trajectory in rental prices, highlighting a sustained trend. For landlords, the rise in rent prices directly translates to higher rental income, enhancing overall profitability and helping to offset rising costs associated with property maintenance, taxes, and other expenses. The consistent increase in rents reflects the growing value and desirability of rental properties, with higher rental yields often correlating with increased property valuations, benefiting landlords through both rental income and capital appreciation. However, as rents rise, some tenants may seek more affordable options, potentially leading to higher turnover rates. To retain tenants, landlords can offer flexible tenancy terms and maintain high property standards. The month-on-month rent increase highlights the rental market's resilience, even amidst broader economic fluctuations, indicating strong demand for rental properties driven by evolving work-from-home preferences and the flexibility of rental living. Understanding these trends is crucial for strategic planning, with landlords needing to consider market conditions when setting rental prices to remain competitive while maximizing yields. Regular market analysis and property assessments can help landlords stay ahead of market changes, better positioning them to capitalize on the robust rental market and ensure sustained profitability and growth.



Average rent achieved per property type, £&p per month YTD

1 bed **£1,110**

3 bed **£1,813**

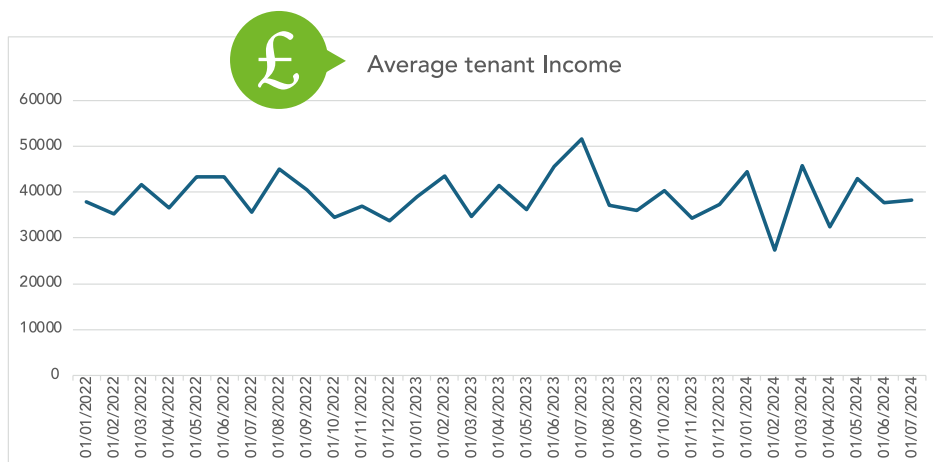
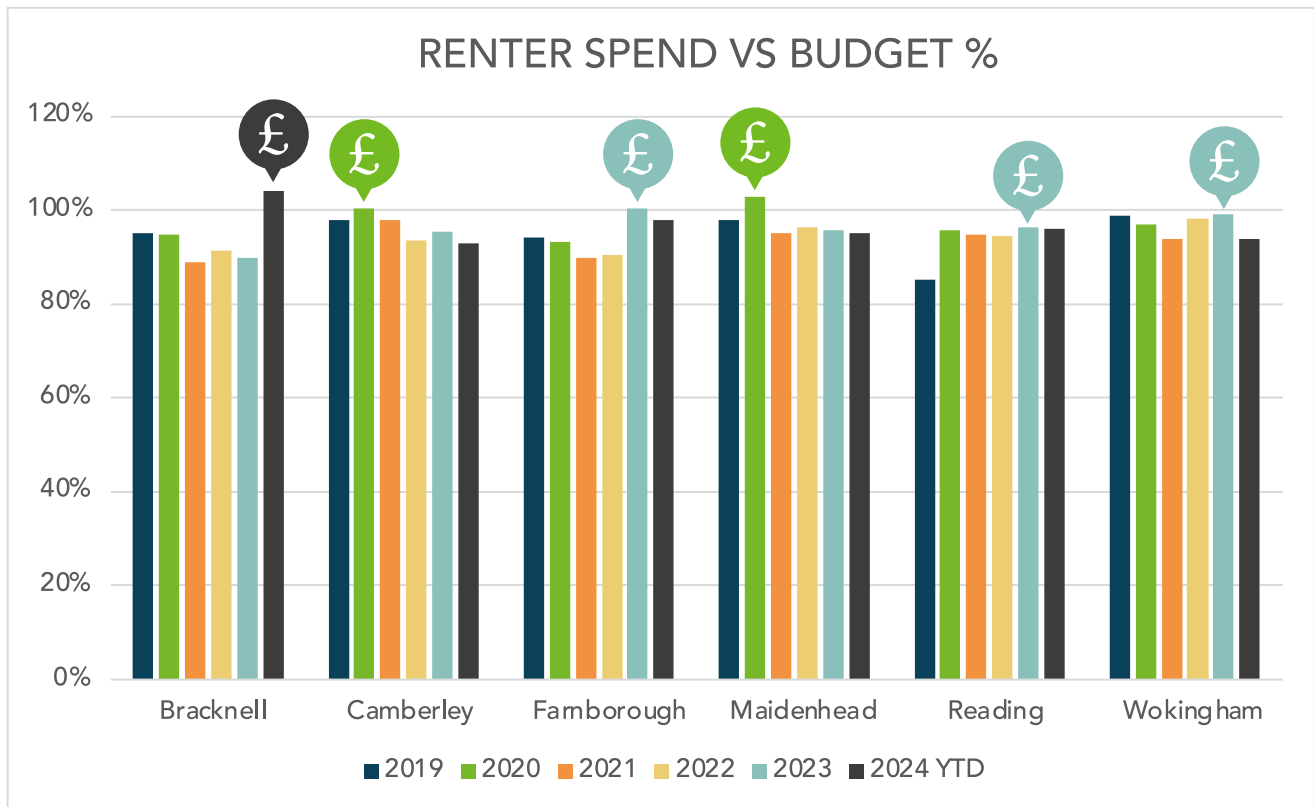
2 bed **£1,474**

4 bed + **£2,392**

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## TENANT SPENDING VS. BUDGET ALLOCATION

In the first half of 2023, tenants spending was at 94% of their budget to rent, indicating careful spending. By the end of the year, this increased to 96%, showing a boost in tenant confidence. In 2024, tenants are now using 99% of their rental budget, indicating a strong preference for quality living spaces. This trend highlights a continued willingness among tenants to invest in comfortable and suitable housing, which could lead to higher rental income for landlords who provide desirable properties. It underscores the necessity for landlords to understand and adapt to tenants' changing preferences to maintain occupancy and maximise rental yields.



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# TENANT DEMOGRAPHICS

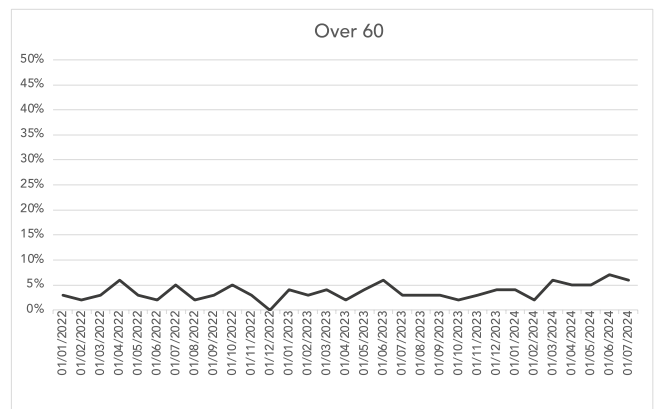
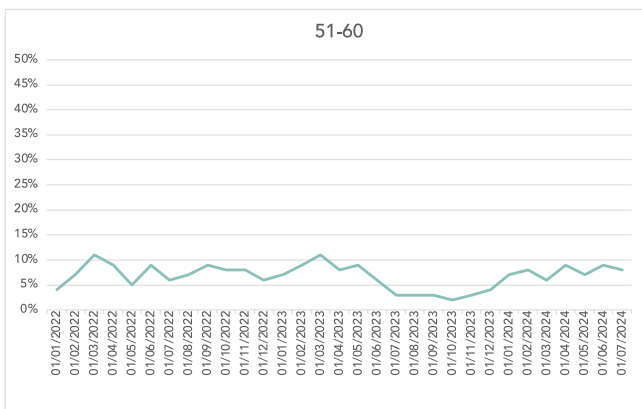
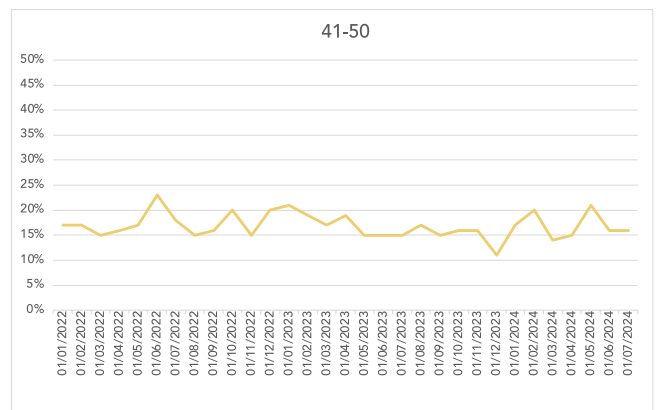
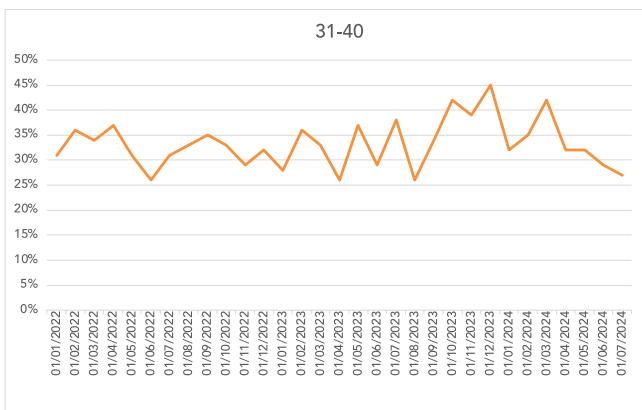
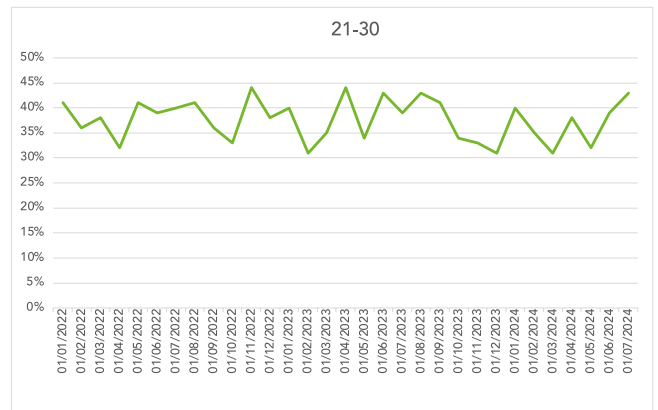
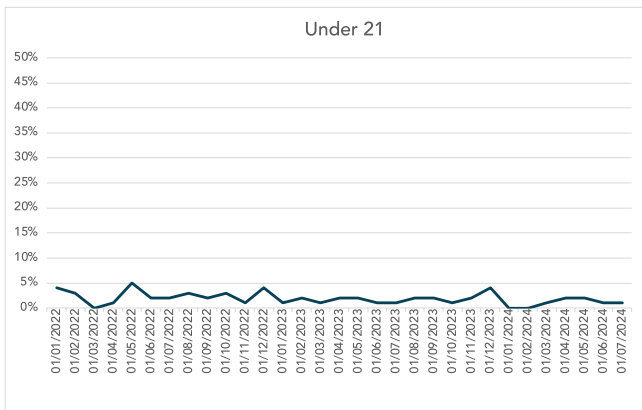
Grasping the nuances of tenant profiles is crucial for successfully navigating the dynamic rental market. As tenant preferences and expectations evolve, landlords must adapt to changes in demographics, lifestyles, and priorities that drive their decisions.

Tenant profiles offer valuable insights into the diverse needs, desires, and behaviours of different tenant groups. Young professionals might prioritise convenience and proximity to work, while families often seek spacious homes with community amenities. Each demographic brings unique preferences and requirements to the rental market.

By understanding these profiles, landlords can tailor their properties to better meet tenant needs. This might include offering flexible tenancy terms, accommodating pets, or enhancing amenities and services. Landlords who invest time in understanding their tenants can create more appealing living environments, fostering long-term satisfaction and tenant retention.

## Tenant age range by %

— Under 21 — 21-30 — 31-40 — 41-50 — 51-60 — Over 60



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## SALES MARKET UPDATE

The first half of 2024 is complete and if we compare this to 2023, then pretty much every measure we look at as a business is up. Does this emphasise how challenging last year was or is the market really on the up? I think we can safely say that it's a bit of both. We are back to a positive more "normal" marketplace with a lot more stability.

We wanted answers to two big questions at the start of the year..... when will the first interest rate cut happen, and when and what outcome would we see in a general election?

We have the political certainty and a new government in place with immediate announcements on housebuilding targets. We look ahead with keen eyes for more policies that help the market for the remainder of the year. One thing we know is that first time buyers are craving more support in order to get on the ladder.

The first Bank of England base rate cut is expected to be seen in August or September, which would be a huge boost for home movers. The positive press this would bring should keep the market in a great place for the last few months of the year.



**Roberto Contreras**  
Head of Residential Sales



### Landlord

Prospect have always been good, I am a landlord and they follow through exceptionally. They keep on top of the paperwork and of what is happening with the tenancy.

**Trustpilot (5 star)**

## LEGISLATION COMMENTS

The Renters Reform initially introduced by Levelling Up and Housing Communities secretary Michael Grove back in 2022 and later published to parliament in May 2023 reached its third reading at the House of Lords and was awaiting its final stage of Royal Assent. pre-election there was lots of speculation as to whether the bill would be shelved with comments such as 'if' it is passed as opposed to 'when' it passed. Sir Kier Starmer promised that if the Labour party won the election, he would impose an immediate ban on Section 21 notices on his first day in office. We are yet to gain clarification on timescales here, however we understand that this is at the top of the agenda. Having said that it could take up to 1 year for Royal Assent to pass the bill and legislate.

The aim of the bill is to provide better protection to tenants from random rent increases and retaliatory eviction through rogue landlords, in turn creating a fairer more secure private rental sector.

For landlords, it is aiming to provide greater powers to evict tenants when there is a breach of tenancy such as non-paid rent or anti-social behaviour

### The changes can we expect to see when the bill is passed are:

- **No Fault Eviction:** Landlords will only be able to evict a tenant under reasonable circumstances determined by the law, such as the need to sell the property or they / family member need to move back in to the property. There will likely be a ruling against the ability to do this for the first 6 months of the tenancy and will not be able to relet the property for a minimum of 3 months.
- **Periodic Tenancies:** Allowing for tenants to have the flexibility to end tenancies, particularly in circumstances where landlords fail to meet their obligations or the property is in poor condition.
- **Double notice period to 2 months for Rent Reviews.**
- **Amendment to Section 8 Housing Act (1988)** which would see notice periods for rent arrears increase from 2 to 4 weeks and for serious acts of antisocial behaviour reduced from 4 to 2 weeks notice.
- **Blanket Ban on discriminating against tenants on benefits or with children** ensuring a fair opportunity for all tenants
- **Pets in tenancies:** A landlord shall be required to be reasonable in approving or declining a request for a pet within 28 days of request and cannot withdraw consent once given.
- **Digital Portal** will be set up via the Government whereby landlords will legally be required to register their properties. This may become responsibility of the managing agent.
- **Introduction of new Ombudsman service** with powers to enforce landlords to comply with legislation, take remedial action where required, authority to enforce action to pay compensation of up to £25,000



**Joanne Kay**  
Head of Property Management

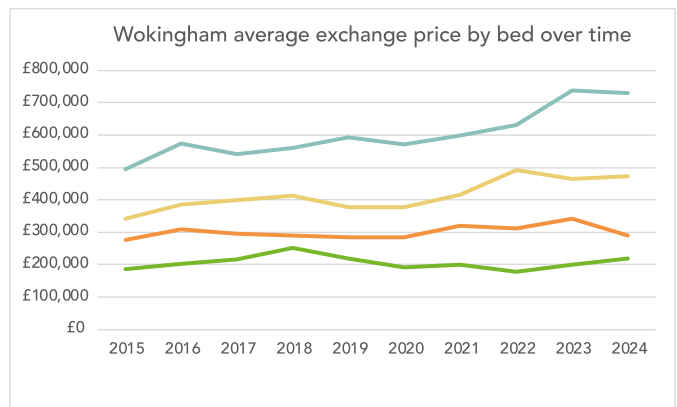
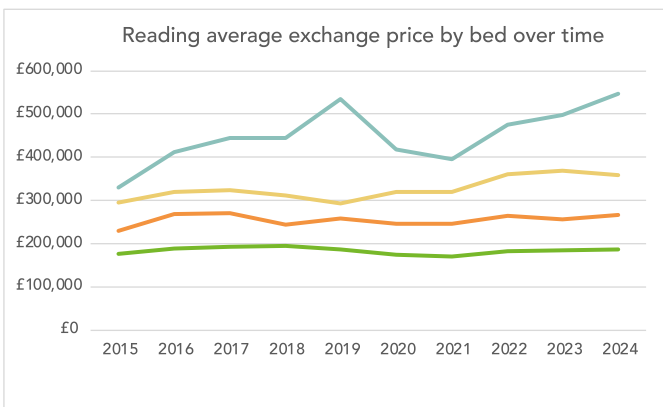
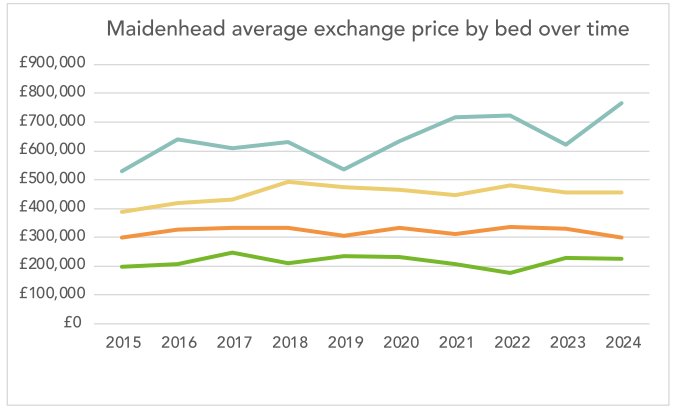
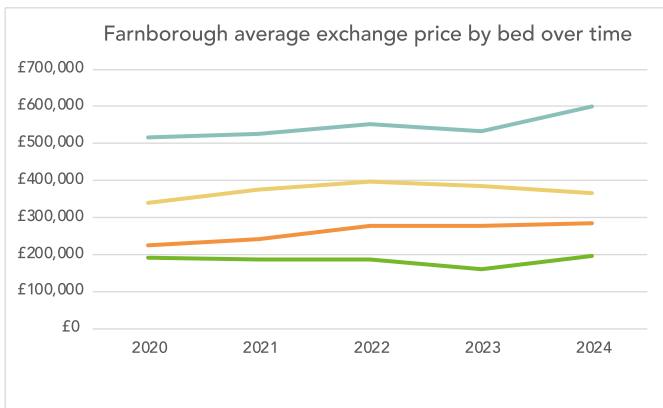
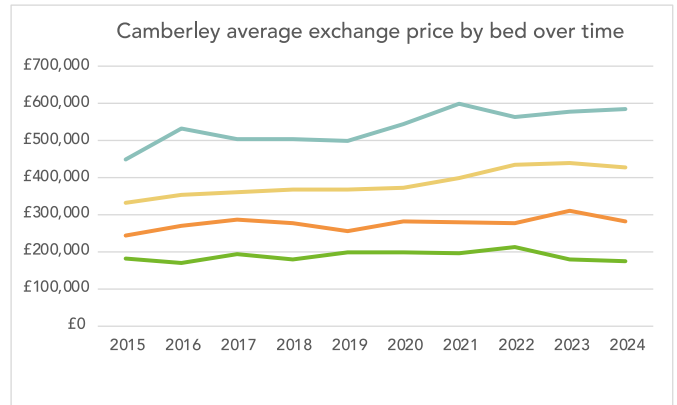
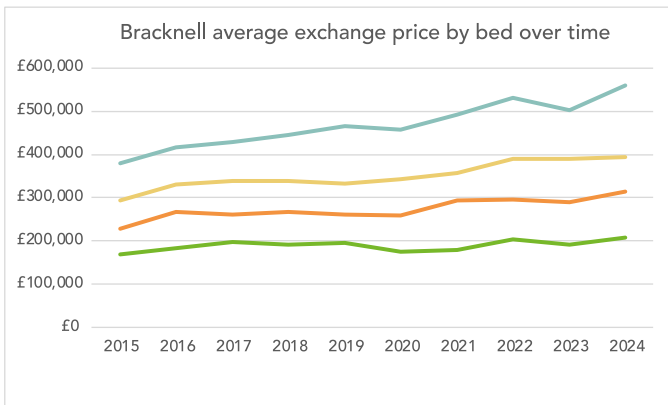
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# SALES AVERAGE EXCHANGE



## Average exchange price by bed over time

1 BED 2 BED 3 BED 4 BED



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