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July 2025 Lettings Report

Inside the 2025 Rental Market

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The private rented sector is under increasing pressure from both regulation and rising costs. For landlords, compliance is now shaping decisions more than traditional factors like tenant demand or return on investment. For tenants, affordability remains the top priority, with many concerned about rent increases and long-term security.

This quarter, we've taken a closer look at flats — often the first step into the market for both landlords and tenants. Flats are typically cheaper to buy and easier to let, making them a popular investment choice. But new building safety rules, rising service charges and limits on what landlords can control are making them less attractive. As this trend continues, there's a risk that the number of affordable rental homes could fall, particularly for those looking to rent their first property.

We surveyed 547 landlords and 384 tenants to explore how expectations are changing in 2025. From the challenges of leasehold ownership to the cost of energy efficiency upgrades, confidence is being tested across the board. Yet within that uncertainty, the findings also highlight what landlords need in order to remain active in the market, where tenants are open to compromise, and which reforms could help bring greater stability to the sector.



"The findings this quarter reflect the reality we're seeing every day: legislation and costs are reshaping the rental market more than ever before. Landlords are adapting, but many are reaching a point where the rules no longer match the reality of letting. Whether it's EPC guidance that's unclear or service charges that spiral without control, it's practical barriers, not lack of intent, that are driving decisions. We need reform that recognises that and keeps good landlords in the market, because that's ultimately what delivers stability for tenants."



Allison Thompson

Allison Thompson
National Lettings Managing
Director of LRG

Leasehold and Flats: Practical Barriers to Investment

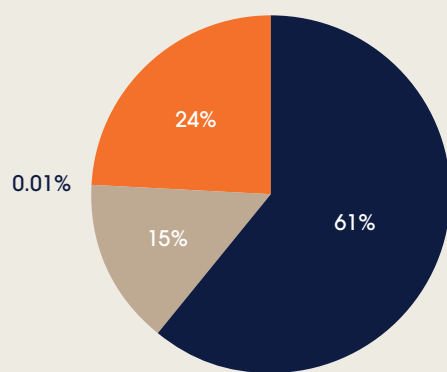
Rethinking Flats: A Growing Concern for Landlords

Flats make up a significant share of rental stock, but they present unique considerations. In our survey, 46% of landlords said they own flats, and three-quarters of those are either leasehold or a share of freehold. This means around one in three rental properties are managed by landlords who do not control the freehold, which can affect how easily improvements and maintenance are arranged.

Flat ownership structures

While most houses are freehold, 61% of flats are leasehold and 15% are held as a share of the freehold. Just one landlord reported owning a flat under commonhold, a structure introduced in 2002 but still not widely adopted.

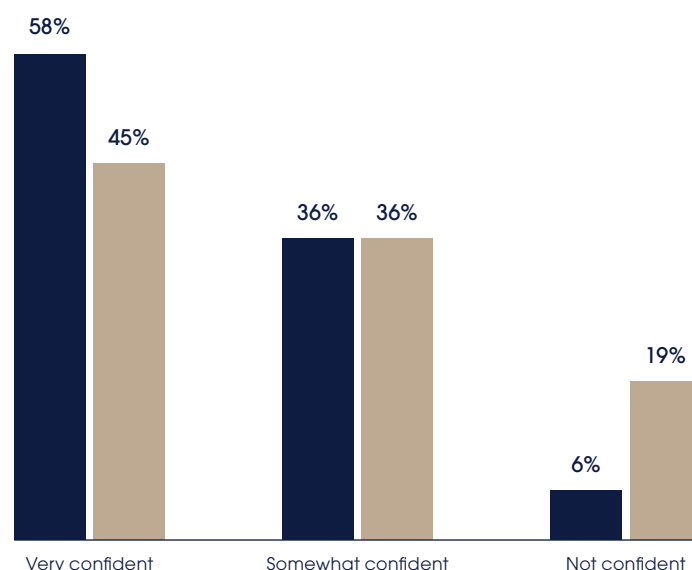
Respondent Property Types



Key: ▶ Leasehold ▶ Share of freehold
▶ Commonhold ▶ Freehold

Most flats in our survey are low-rise. Only 3% are in blocks of seven storeys or more, and around three quarters are in buildings of three storeys or fewer. This matters because regulations such as fire safety vary depending on the height of the building, and taller developments often involve more complex management arrangements.

How confident are you that building issues are being well managed? (In properties where the landlord does not own the freehold)



Key: ▶ Landlords ▶ Tenants

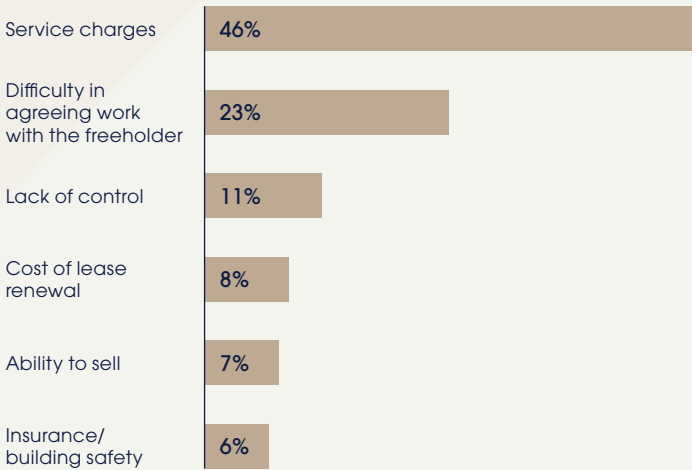
Confidence in building management remains relatively high

Among landlords who own leasehold flats, only 6% said they lack confidence in how their building is managed. Tenant views are slightly more cautious, with just under one in five expressing concerns. However, landlords identified two practical challenges more often than others: the size of service charges and the ability to coordinate repairs and maintenance with freeholders.

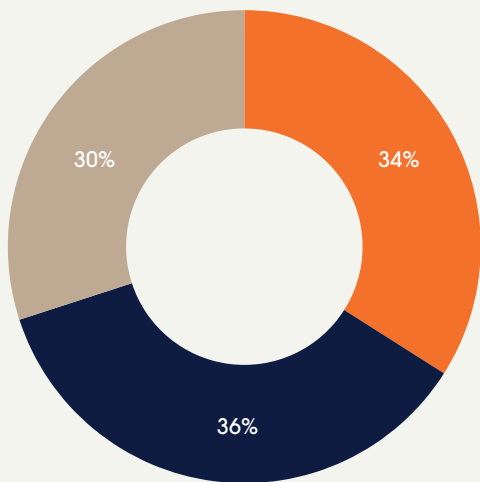
Flats, Freeholders and the Limits of Control

Instead, landlords’ biggest concern is the size of the service charge, with close to half listing it as their biggest concern. This will also concern tenants, given this cost is likely to be passed on. Nearly a quarter of landlords were most concerned with arranging maintenance work with the freeholder, citing delays, differences in priorities and difficulty contacting them.

What is your biggest frustration or concern when dealing with the freeholder(s)?



Have you avoided buying flats to let specifically because of leasehold or building management issues?



Key: ▶ Yes - I avoid leasehold flats ▶ No - I still consider them ▶ Leasehold does not influence my decision



These concerns are shaping investment choices

More than one in three landlords actively avoid leasehold flats because of perceived difficulties with management or shared decision-making. Some who currently own leasehold properties are choosing to sell or shift their focus towards family homes.

Are you looking to change the types of property in your portfolio?

Fewer flats	20%
Different locations	18%
More family homes	18%
Fewer leaseholds	13%
Fewer family homes	11%
Newer properties	10%
More flats	10%

Can Older and Leasehold Homes Keep Up with EPC Demands?



These difficulties are compounded when landlords don't control the structure of the building

For leasehold flats in particular, upgrading insulation, windows, or communal heating systems often requires consent from the freeholder or coordination across multiple owners.

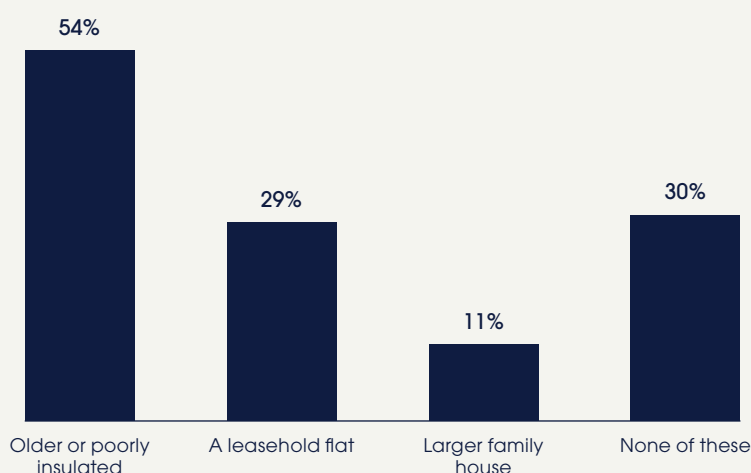
Nearly 70% of landlords believe there should be exemptions or allowances in place for properties where they do not have the authority to carry out required improvements, 50% of tenants agree.

- Should energy performance regulations account for whether the landlord has authority to carry out improvements?

	Tenants	Landlords
Yes - Energy Performance Certificates (EPCs) should reflect control	50%	69%
No - rules should apply equally	50%	31%

This highlights a rare area of alignment between both groups, a recognition that the current model does not always reflect the practical limitations faced by those trying to make improvements.

- Which of these are becoming harder to let or manage due to new regulation or cost pressures?



Older properties are also becoming a growing concern for landlords

When asked about the types of homes that are hardest to let, 54% pointed to older properties - nearly double the number who cited leasehold flats. This reflects the increasing challenge of meeting energy efficiency standards in buildings that were not designed with modern performance in mind.

What landlords say

"My properties are old and poorly insulated. The EPC recommendation is to have cavity wall insulation fitted. However, this has had a lot of negative press and would require the buy-in of all occupants of the building. Some of the properties are inhabited by the homeowner and they have no such pressures to improve energy efficiency. It is an impossible situation."

EPCs in Focus

EPC Compliance and Confidence: The Landlord View

Energy performance remains one of the most complex challenges facing the rental sector. While improving efficiency is a shared goal, the path to compliance is far from straightforward. For landlords, the cost, clarity and credibility of EPC guidance is driving hesitation. For tenants, energy ratings are still poorly understood and rarely a deciding factor. This section explores the disconnect between ambition and reality, and what both groups say they need for change to be possible.

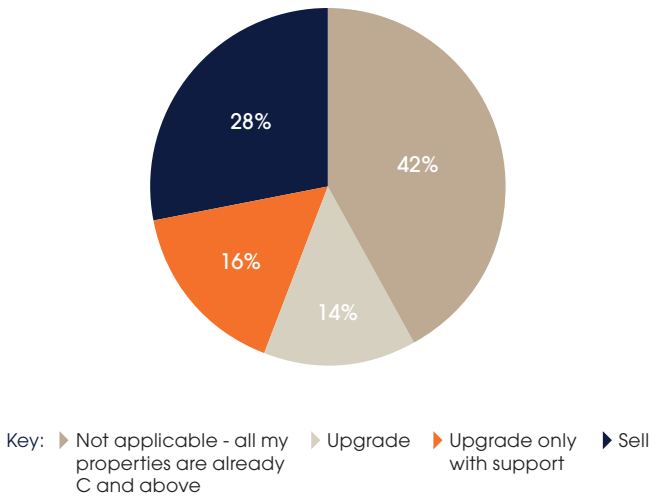
Confidence in EPC accuracy is uneven

While 59% of landlords say they are confident in their current rating, only 16% are very confident. One in four expressed a lack of confidence altogether, and a further 10% said they do not understand how the rating is calculated. This uncertainty undermines trust in the system and makes investment decisions harder to justify.

▶ How confident are you that current EPC ratings accurately reflect the energy performance of your property?



▶ If required to meet Energy Performance Certificate (EPC) Band C by 2030, which action would you be most likely to take for your properties?



Just over two in five landlords already own properties that meet the proposed minimum EPC standard of Band C. For the remaining 58%, the response to future regulation is mixed. While some are prepared to upgrade, 44% said they would either only proceed with support or would sell the property altogether. This poses a real risk to supply. Without clear guidance and financial backing, further regulation could accelerate landlord exits and force tenants to move from otherwise well-managed homes.

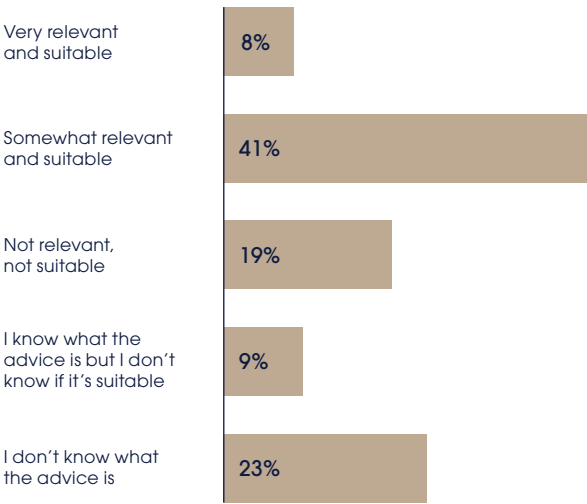
What landlords say

"As a retired building contractor, I would say you cannot meet the C rating on terraced houses without major changes. The cost is prohibitive."



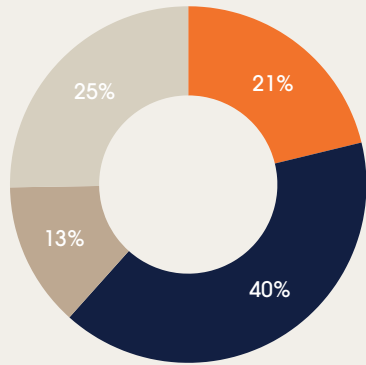


▶ How relevant do you think the advice is in the EPC and is it suitable and appropriate for your property?



Just under half of landlords believe the recommendations in their EPC is suitable, but only 8% feel they are highly relevant. A significant number expressed confusion or concern: 19% said the advice is not appropriate for their property, 9% understand what's required but cannot assess its relevance, and 23% don't know what the advice is at all. These figures reveal a troubling knowledge gap, one that will need to be addressed if landlords are expected to invest with confidence.

▶ Are you confident the advice in the EPC will allow you to upgrade to the required level for the price stated?



Key: ▶ Confident ▶ Not confident ▶ Confident it will not ▶ Don't know if it will

Only 21% of landlords believe the suggested upgrades can be delivered for the price listed in the EPC. More than half (53%) disagreed, while 25% said they weren't sure. When the advice is unclear and the costs appear unrealistic, landlords are understandably hesitant. With tenant appetite for upgrades limited and returns uncertain, the case for large-scale investment becomes difficult to make.

What landlords say

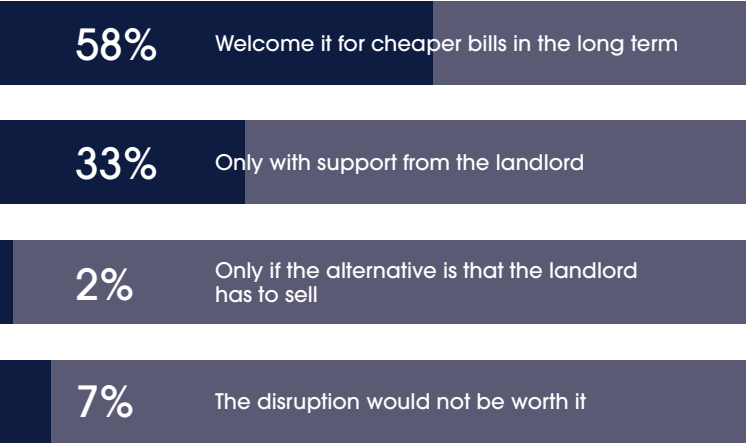
"If my 1940s property was suitable for a heat source pump it would need larger radiators or underfloor heating and still wouldn't get the performance of a gas boiler. Most older properties don't have cavity wall insulation, so do we then have more expense on cladding a house? Then more space would be needed internally for a hot water tank, heat exchanger and other components."

EPCs in Focus

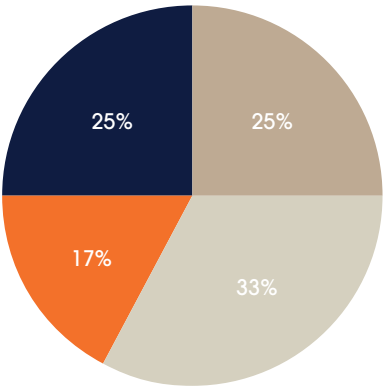
EPC Compliance and Confidence: The Tenant View

Tenants were also asked how they would respond to works that caused disruption, even if they were aimed at improving energy performance. 58% said they would welcome the improvements for the long-term benefit of lower bills. However, 33% said they would only agree if the landlord provided additional support, and a small minority (9%) said the work would not be worth the disruption. This shows that while most tenants are open to upgrades, the way those improvements are delivered still matters.

▶ If your landlord wanted to make energy upgrades that required disruption, how would you respond?

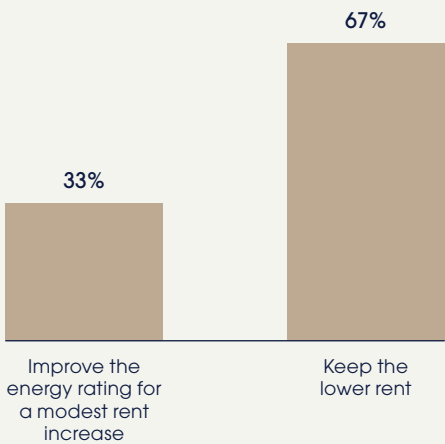


▶ How much do you understand about your EPC rating and what it means for your energy bills?



- Key:
- ▶ Understand the EPC and it influences my decision to rent
 - ▶ Aware of the EPC but it does not influence my decision to rent
 - ▶ Aware of the EPC but don't understand it
 - ▶ Never considered an EPC

▶ If your property had a poor Energy Performance Certificate (EPC) rating but lower rent, which would you choose?



When asked to choose between a lower rent and a better energy rating, tenants were clear in their preference. Two-thirds said they would rather keep the lower rent than pay more for energy improvements. Just 33% said they would accept a modest increase in exchange for a better EPC. This suggests that while energy efficiency may be a long-term benefit, affordability remains the priority for most tenants in the current market.

Awareness of EPC ratings is mixed

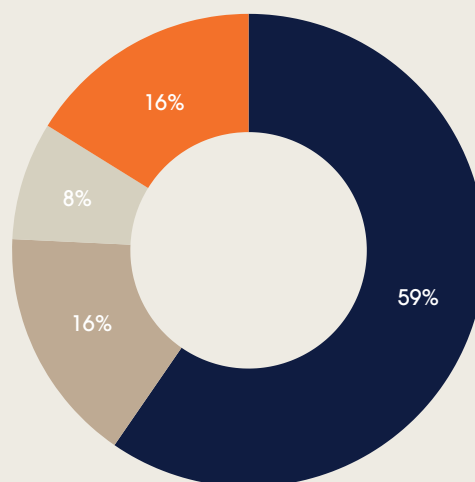
One in four tenants said they understand EPCs and actively consider them when choosing a property. A larger group, 33%, said they are aware of the rating but that it does not influence their decision. 17% are aware but do not understand it, and 25% said they have never considered an EPC. This shows that despite the government's focus on energy standards, many tenants still view EPCs as irrelevant or confusing.



What support do landlords want to improve EPCs?

To understand what type of support would most encourage landlords to make EPC improvements, we asked them to choose from several funding options. A one-off grant was by far the most popular response, selected by 59% of landlords. Tax relief was the next most preferred option (16%), followed by direct financial support through a local agent or council (8%). Notably, 16% of landlords said they would not proceed with any upgrade — even if support was available. These findings reinforce a clear message: if the government wants to drive improvements at scale, the support must be simple, immediate, and cost-effective to implement.

▶ If you were offered support to upgrade your property's energy performance, which would you prefer?



Key: ▶ One-off grant ▶ Tax relief ▶ Financial support via agent or council ▶ I wouldn't upgrade

What's Driving Landlord Decisions in 2025?

Of all the pressures facing the rental sector, increased government involvement is proving the most influential, and the most divisive. Whether it's energy performance targets, tenancy reform or rising operational costs, landlords and tenants may agree on the issues, but legislation and taxation often sit at the centre of the tension. This section explores how those pressures are shaping landlord decisions, what might rebuild confidence, and where capital is going when landlords choose to step back.

What most influences your decisions about the future of your rental properties today?

Landlords pointed clearly to external pressures. Regulation (27%) and taxation (26%) were the two most cited factors, significantly ahead of mortgage rates, tenant demand or personal time commitments. Notably, 16% said they are choosing to make no changes at all, suggesting that uncertainty is also encouraging inaction. With financial and legislative complexity rising, many landlords are now driven more by policy than by market dynamics.

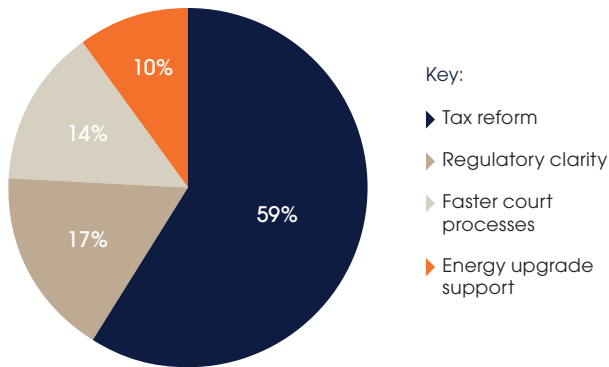
Regulation	27%
Taxation	26%
Not making changes	16%
Mortgage rates	11%
Tenant demand outlook	9%
Time commitment	6%
Other	5%



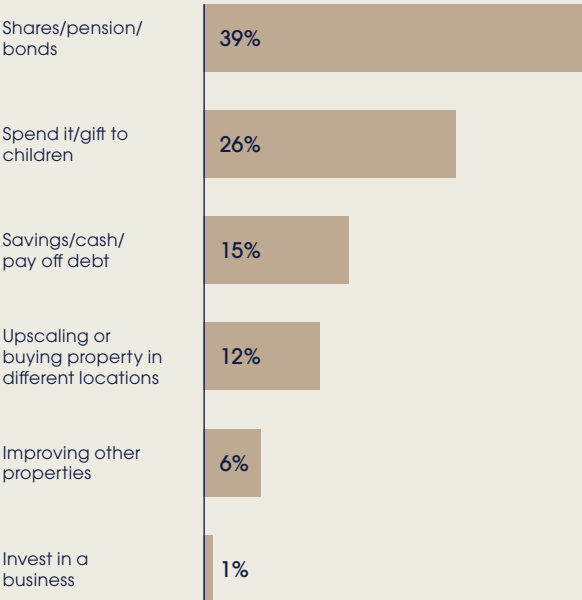
Confidence in future growth is equally policy-led

59% of landlords said tax reform would make the biggest difference to their willingness to invest. Other responses such as regulatory clarity (17%), faster court processes (14%) and support for energy upgrades (10%) were all much lower by comparison. These findings underline that tax is the critical lever when it comes to encouraging landlord confidence and expansion.

Which of the following would give you the most confidence to grow your portfolio in the next two years?



If you reduced your portfolio, where else would you invest?



For landlords who are considering selling, we asked where they would direct the proceeds. 39% said they would invest in shares, pensions or bonds, while 26% would gift the funds or spend them on family. Only 12% said they would reinvest into property, including upscaling, buying abroad, or switching to commercial. Just 6% would use the money to improve other rental properties. The data shows that once capital leaves the sector, it rarely returns.

We also asked landlords whether rising costs were affecting the viability of letting. One in four (25%) said that higher insurance premiums, service charges and mortgage rates have made it unviable to continue. However, 16% said these increases had no impact at all, a reflection that many landlords either own properties outright or have minimal borrowing. This illustrates the growing divide in the sector: while some landlords are resilient, others are nearing a tipping point.



Renters' Rights Bill: A Pulse Check

The Renters' Rights Bill has been a defining policy thread for the private rented sector since its original announcement in 2019. Reworked and reintroduced following delays and political changes, the Bill is now progressing through the House of Lords, currently at the Report Stage at the time of writing. While many of its core proposals, such as the abolition of fixed-term tenancies and Section 21 remain intact, debate continues over implementation, unintended consequences and court capacity. This section captures a snapshot of tenant sentiment in real time, revealing how renters are responding to the proposed changes and what they fear most if the Bill becomes law.



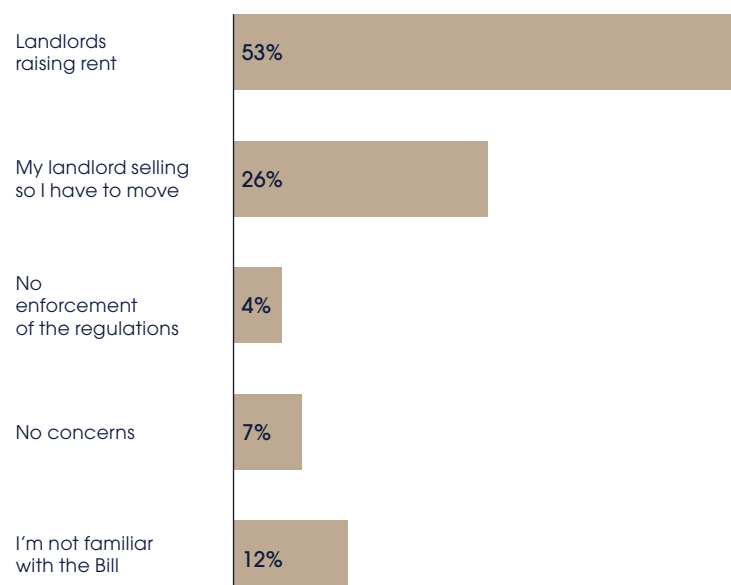
What tenants say

"I am concerned that too many landlords leaving the rental market may mean insufficient suitable housing available to rent. But I am glad to see new housing developments often include properties specifically built for rental."

When tenants were asked about their biggest concern regarding the Renters' Rights Bill, more than half (53%) said they were worried that landlords would raise rents in response. A further 26% feared that their landlord might sell their home, forcing them to move.

These responses suggest that for tenants, the Bill's potential unintended consequences, particularly around affordability and security, outweigh any concerns about whether the new rules will be enforced. Just 4% said they were worried about a lack of enforcement, while 7% reported no concerns at all. Another 12% said they weren't familiar with the Bill, indicating that awareness is still developing among some groups.

What's your biggest worry when it comes to changes proposed in the Renters' Rights Bill?



Rental Values

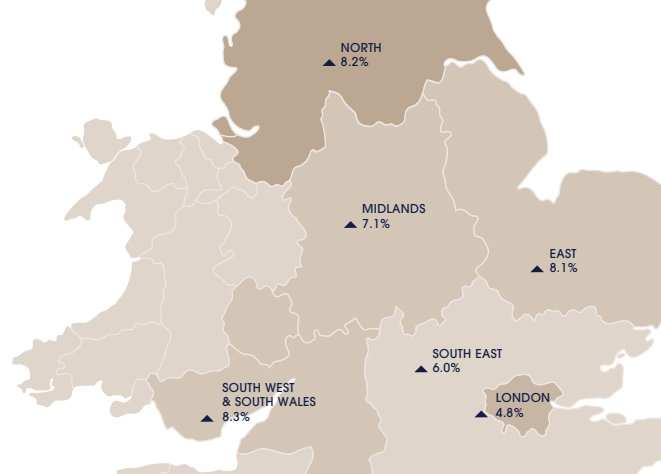
Q2 2025*

Region	Jun 25	May 25	Month Change	Jun 24	Year Change
South East	1,253	1,237	1.3%	1,182	6.0%
South West & Wales	1,119	1,081	3.5%	1,033	8.3%
London	1,769	1,766	0.1%	1,687	4.8%
Midlands	826	818	1.0%	771	7.1%
East	969	954	1.5%	897	8.1%
North	895	898	-0.3%	827	8.2%
Total	1,204	1,184	1.8%	1,129	6.7%

*All Tenancies

Regional View Highest increases by region

Region	Jun 25	May 25	Month Change	Jun 24	Year Change
East					
Norwich	975	959	1.7%	833	17.0%
Spalding	859	837	2.6%	747	15.0%
Lincoln	770	752	2.3%	688	11.8%
Lowestoft	739	722	2.3%	684	8.0%
London					
West Drayton	1,384	1,392	-0.6%	1,278	8.4%
Highbury	2,247	2,216	1.4%	2,079	8.0%
Bromley	1,518	1,503	1.0%	1,414	7.3%
Ilford	1,493	1,463	2.0%	1,396	6.9%
Midlands					
Long Eaton	824	826	-0.2%	751	9.7%
Bromsgrove	910	898	1.4%	833	9.2%
Leicester	987	985	0.3%	916	7.9%
Loughborough	820	814	0.7%	765	7.1%
North					
Liverpool	824	798	3.3%	631	30.5%
Warrington	823	795	3.5%	708	16.3%
Crewe	815	810	0.6%	738	10.4%
St Helens	701	687	2.1%	643	9.1%
South East					
Shanklin	891	870	2.5%	792	12.5%
Eastbourne	1,086	1,061	2.3%	973	11.6%
Southampton	994	987	0.7%	904	10.0%
Luton	1,006	1,003	0.3%	924	8.9%
South West & South Wales					
Cheltenham	970	955	1.6%	871	11.3%
Bournemouth	1,058	1,052	0.6%	958	10.4%
Cirencester	1,174	1,123	4.5%	1,073	9.4%
Swindon	977	986	-0.9%	942	3.7%



What our Regional Directors say

"In Bromsgrove, we are seeing a higher number of landlords wishing to sell, so the applicant per property ratio is higher than previously. In Birmingham, the annual rent increases could be connected to an influx of new build and build-to-rent apartments in the city centre that command higher prices."

Jan Carpenter, Regional Lettings Director in the Midlands

"A shift in demand is translating into higher stock year-on-year and it's clear a buyers' market is taking hold. New build infrastructure, confidence in applicant bases to secure accommodation remotely and interest rate uncertainty are likely factors. Despite this, rental prices are still growing, particularly in markets such as Leicester, Loughborough and Cambridge. Whilst these markets are strongly underpinned by micro student markets they are also supported by consistent investment in local infrastructure and are still becoming more attractive to London commuters. Seasonality will likely support an increase in viewing numbers going into this quarter and consistent growth in rental prices make it a very attractive option for landlords."

Matthew Scott, Regional Lettings Director in the Midlands

Tenant Property Viewings Q2 2025

Region	Month Change (May - Jun 25)	Year Change (Jun 24 - Jun 25)
South East	7.2%	-7.6%
South West & Wales	17.5%	-2.0%
London	2.4%	-6.8%
Midlands	1.5%	-9.9%
East	12.5%	9.0%
North	0.5%	11.4%
Total	5.2%	-6.2%

Regional View Highest increases by region

Region	Month Change (May - Jun 25)	Year Change (Jun 24 - Jun 25)
East		
Woodbridge	95.7%	336.4%
Lowestoft	41.4%	153.0%
Ipswich	60.3%	64.8%
Cambridge	8.0%	30.9%
London		
Walthamstow	-14.6%	80.8%
Lewisham	-1.2%	36.7%
Docklands	56.4%	35.3%
Leyton	1.5%	17.2%
Midlands		
Kings Norton	9.0%	288.9%
Worcester	-16.4%	169.2%
Wolverhampton	45.8%	142.3%
Stamford	10.7%	111.2%
North		
Chester	-5.8%	101.5%
Crewe	41.9%	61.9%
Sheffield	-12.0%	42.5%
Northwich	34.1%	41.8%
South East		
Witham	28.4%	77.9%
Sutton	67.8%	67.2%
Ryde	16.7%	60.0%
Colchester	12.8%	47.7%
South West & South Wales		
Cirencester	-12.5%	53.4%
Cheltenham	27.8%	33.8%
Bournemouth	-16.2%	8.5%
Poole	10.9%	-25.8%



What our Regional Directors say

"The drop in viewing numbers in Bournemouth reflects reduced demand. Although rents appear to be rising on the year due to natural rental growth we are now seeing rent reductions. Month-on-month I think we will now see rents decline for the rest of the year and annual growth will start to really slow down."

Chris Myers, Regional Lettings Director in the South West

"Affordability is the biggest driver currently for tenants. Market conditions have changed in the last year and now there is more stock available, thus more choice and so the sense of urgency to secure a property as soon as it is listed has diminished. Coupled with increases in the cost of living, we are seeing market rents lower than last year. Where listings are receiving no or little engagement, the determination can only be that the rent is too high. Landlords will need to reposition the rent to re-engage prospective tenants if they want to secure a tenancy in a reasonable period of time. Just because a level of rent was achieved in the past, doesn't mean the same rent can be achieved in future. We have to read the market and respond accordingly."

Matthew White, Regional Lettings Director, Hose Rhodes Dickson

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