

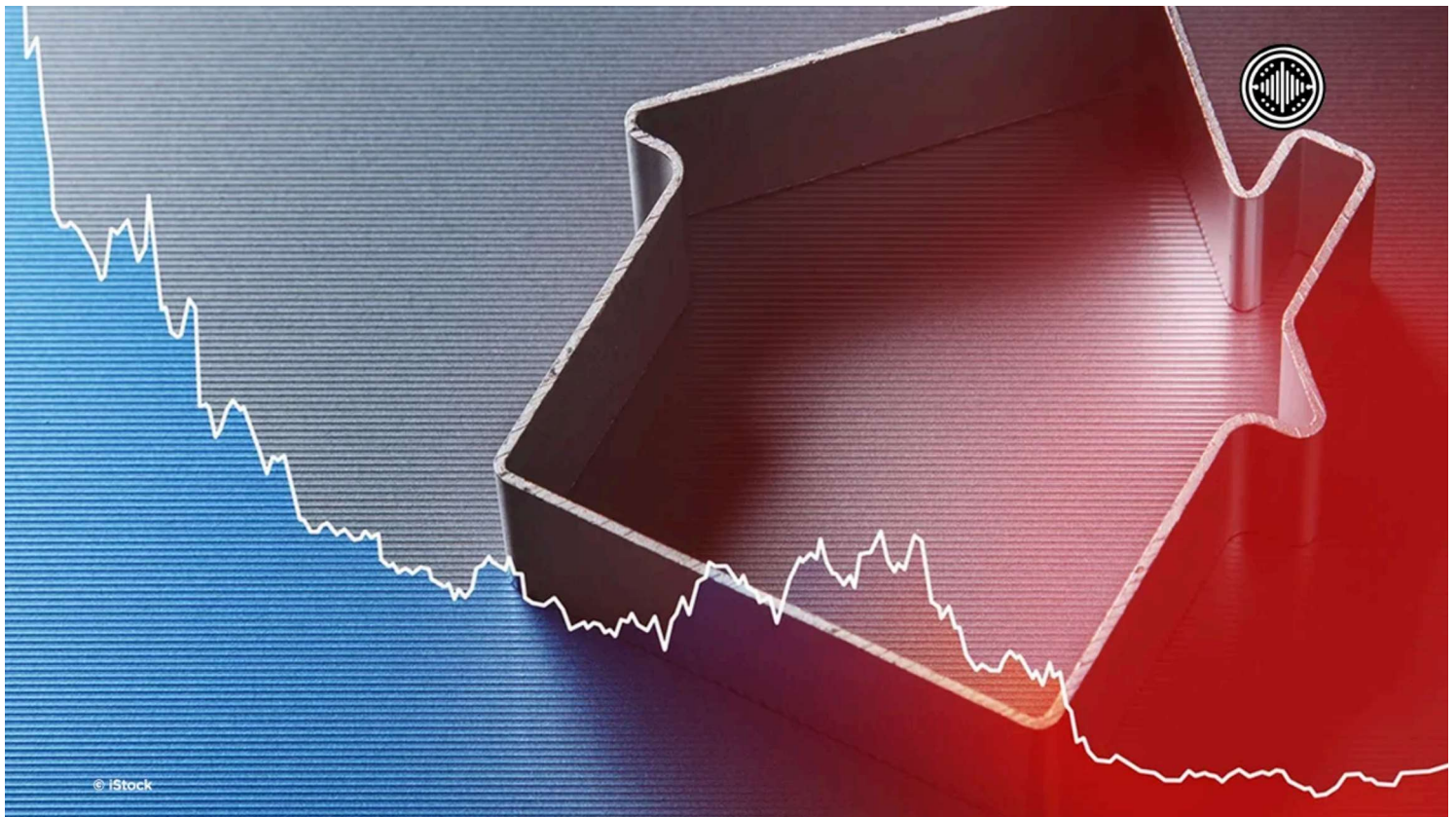
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Sharp Decline in Rental Housing Signals Landlord Retreat Amid Rising Costs

August 5, 2025

— Categories: Real Estate



The number of rental deposits protected under official government-backed schemes has seen only a modest rise over the past year, fuelling fresh concerns over a shrinking private rented sector (PRS) in the UK.

According to new figures released by the Deposit Protection Service (DPS), there were 82,000 additional protected tenancies in the past 12 months. While this does represent growth, it marks only the second time in eight years that the increase has fallen below 100,000, experts suggest, a signal of deeper problems in the rental market.

Matt Trevett, Managing Director of the DPS, pointed to rising pressure on renters and a clear shortage of available homes. “More tenants who want or need to move are staying put, most likely owing to a lack of suitable or affordable properties, at a time when rents for most tenancy holders continue to increase,” he said.

The DPS report, which is based on a survey of both tenants and landlords, found that 36% of tenants expressed a desire to move during the past year, but just 16% actually did. This hesitation to relocate is being linked to fast-rising rents and limited housing options across the country.

For those who did move, rent hikes were significant. The data shows that 46% of movers paid between 11% and 30% more in rent compared to their previous tenancies. An additional 14% paid slightly more, between 0% and 10%. Among all tenants who reported a rent increase in the last 12 months, 45% said they were now paying up to 25% more than before, while 9% claimed their rent had gone up by more than a quarter.

The report also found that the number of tenants who had been renting for between one and five years had dropped by five percentage points since October 2024. This suggests that tenant turnover may be slowing, possibly due to growing uncertainty and affordability concerns.

Age-wise, renters remain fairly consistent with previous reports, with 46% of respondents falling between the ages of 35 and 55, a figure that has remained broadly stable over the last year.

More concerning for the sector’s future, however, is the mounting pressure on landlords. Among those surveyed, 52% said they are considering selling part or all of their property portfolios, an increase of five percentage points since the previous report in October 2024. One in four landlords even admitted they are seriously considering exiting the rental market within the next two years.

The regulatory environment appears to be a key driver in these decisions. Of the landlords planning to sell, 89% blamed changes or proposed changes in legislation or regulation as the main reason, identical to the percentage recorded last year. Furthermore, 74% of respondents stated that tax-adjusted returns no longer made it worthwhile to continue letting properties within the PRS.

With landlords increasingly looking to exit and tenants struggling with affordability, the data points towards a deepening imbalance in the rental housing market. While official figures show some growth in tenancy deposits, the slower pace and wider market signals suggest that fewer homes are becoming available, particularly those that meet tenants' needs and budgets.

The challenges highlighted by this report have intensified calls from within the property sector for a reassessment of current policies and market conditions. Unless key issues such as legislative burden, taxation, and interest rate pressures are addressed, the rental sector may continue to contract, leaving fewer options for a growing number of renters.