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South West Leads UK in Buy-to-Let Yield Growth, Paragon Finds

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The South West of England has recorded the strongest growth in rental yields for buy-to-let (BTL) properties over the past year, new figures from Paragon Bank revealed.

In its latest quarterly BTL (buy-to-let) yield report, the bank revealed that landlords in the region saw average returns climb from 7.27% in the second quarter (Q2) of 2024 to 8.06% in Q2 2025. This marks a 0.79 per centage point increase, the highest growth rate across all England, Scotland, and Wales regions.

The improvement is driven by high-performing cities like Plymouth and Taunton, which have seen a steady rise in demand and rental returns. Plymouth topped the city-level rankings with a yield of 9.51%, while Taunton also made it into the top 20 with 8.36%.

Regional Rental Gains

Paragon's director of mortgages, Louisa Sedgwick, welcomed the figures as a positive sign for landlords. "It's encouraging to see that most regions across England, Scotland, and Wales have seen a steady increase in the average yields over the past year," she said. "Additionally, potential returns remain near the record high level we reported earlier in the year."

She added that the continued strength in rental yields highlights the lasting value of investing in BTL property. "Alongside long-term capital gains, this illustrates the enduring appeal of buy-to-let investment."

The South West was not the only area showing solid growth. The East Midlands came in second, with yields rising from 6.71% to 7.48%, representing a 0.77 per centage point gain. East Anglia followed closely behind with a 0.67 point increase, while the West Midlands also performed well with a 0.52 point rise.

Despite the general upward trend, Scotland was the only part of the UK to see a slight decline in average yields. Returns there slipped from 7.56% to 7.48%, making it the outlier in what has otherwise been a year of broad improvement.

Nationally, the average yield across England, Scotland, and Wales increased from 6.70% to 7.11% over the 12-month period. This puts the UK's rental returns close to the record levels previously seen, highlighting the continued strength of the private rented sector.

Wales came out on top in the overall regional rankings, delivering the highest average yields at 8.59%. The South West followed in second place at 8.06%, while the North West secured third at 7.92%.

Greater London remained the lowest-yielding area at the other end of the scale, with landlords seeing average returns of just 5.73%. This reflects the capital's high property prices, which tend to compress rental yield despite strong tenant demand.

Among individual cities, Plymouth has emerged as a key hotspot for investors. According to Paragon's buy-to-let hotspots index, the city's PL4 postcode saw the second-highest volume of property purchases in the year to June 30, 2025, second only to Cardiff's CF24 area.

This local activity has translated into some of the highest yields in the country, suggesting that savvy landlords are increasingly targeting regional centres where the cost of entry is lower and returns are higher.

Paragon's figures suggest that the UK rental market remains resilient despite broader economic headwinds, with investors continuing to benefit from strong tenant demand and steady income growth. With housing supply struggling to meet demand in many regions, rental yields could remain elevated in the months ahead.