MARKET R3VIEW

Q2 2026 : The Renters' Rights Effect…

> *"Policy-driven supply constraints are pushing prime London rents up, but super-prime faces some headwinds. Unfortunately, political ideology, not economics, is now driving the rental market and this is set to continue"*

R3Location
Reliability Reputation Relationships

NEWSLETTER
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Resilience in Prime London

The UK rental market in Q2 2026 presents a picture of regional divergence, with prime London showing notable resilience while the national picture is more subdued. Official figures from the Office for National Statistics show UK private rents rose by 3.3% in the 12 months to May (June figures not yet available), a slowdown from previous quarters.

However, this headline figure hides significant local variation, ranging from 2.0% in London to 5.9% in the North-East for example.

The Legislative and tax burden

A key theme emerging across all market analyses is the impact of the Renters' Rights Act (RRA), which came into force on 1st May. While designed to tip the balance of power toward tenants, the legislation has, inevitably, backfired by pushing rents upwards.

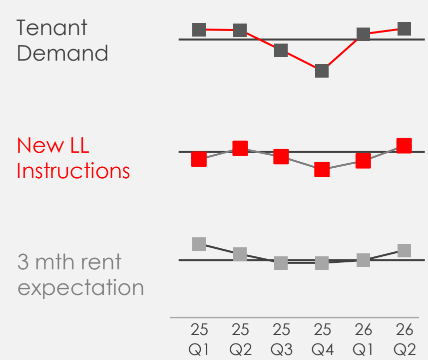
Landlords exiting the market have tightened supply, with Zoopla estimating 20-25% fewer rental homes available than pre-pandemic. Hamptons warns this could prevent up to 100,000 homes from returning to the rental sector. Knight Frank confirms this dynamic, noting that the RRA has pushed supply lower and rents higher, with annual growth of 3.3% in prime outer London, the highest since June 2024 . This is a clear example of the perverse effects of poorly thought-out policy, rooted in political rather than economic drivers.

Outlook: further rent increases

Our Q2 data shows a rental market defined by increased legislative and tax burden on landlords, where policy-driven supply constraints in prime London is pushing rents upwards. Looking ahead to the next six months, we expect this trend to persist. Prime outer London should continue to see some rental appreciation, supported by a tightening of stock. Super-prime central London, however, is facing clear headwinds from a hesitant high-net-worth demographic and potential wealth tax changes in the Autumn Budget (again, driven by political ideology rather than commerce).

For more information on all our research, please do refer to our website: **Link**.

Market Pulse



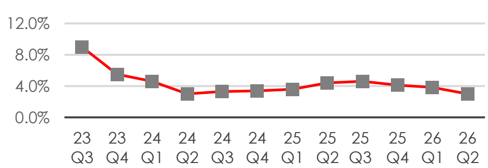
Source: *RICS Monthly Market Surveys*

3 mths % change responses (down/up/same)

Tenant Demand continues its positive trend following a subdued 2025. New instructions from landlords now also switching to positive value, despite new legislation and additional tax burdens on the horizon. All this, of course, can only translate into upward pressure on rents, with 3 months expectation now markedly on the rise.

FIGURE 1 – Property Market Dashboard: Quarterly summary of key performance indicators

RPI



APR	3.0%
MAY	3.1%
JUN	3.0%

Source: *Office of National Statistics – Retail Price Index*

RPI All Items: % change over 12 months

RPI is a measure of inflation. A slight decline from Q1 signaling inflationary pressures easing, likely driven by lower energy and food costs. Future movements will depend on wage growth, services inflation, and geopolitical factors, including what the new Government might come up in the coming months. But we could see further gradual softening.

Rental Tracker

AREAS	AVG. PCM	QTR CHANGE	ANNUAL CHANGE
National Avg. (NA)	£1,353	3.2%	+3.4 %
NA exc. London	£1,157	2.8%	+2.7%
London	£2,181	4.0%	+5.0%

Source: *Latest HomeLet Rental Index Report*

Rental Price Tracker

Average quarterly change in London overall is at 4% quarterly and 5% annually. Rent generally is up both by quarter and annually Nationally and in London as a direct result of legislative changes brought in by Renters Rights Act and future additional tax burden for Landlords tightening supply. We expect this trend to continue for the rest of the year.

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Q1 2026

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R3 Prime Index

Index **129.7**

2.2% Annual

0.7% Quarter

R3 Super Prime Index

Index **174.7**

1.0% Annual

4.9% Quarter

Marco Previero

Director & Research Lead at R3

“Despite flat values in the quarter to end of June, yearly rental growth of 1% to 2.5% shows resilience. We expect that the combination of Section 21 ending, further tax and legislative burden on landlords and sustained demand will continue to shrink supply and add pressure on rents.

R3 Indices

Frustrated with the lack of open and reliable consolidated rental data in London, R3 started its own **two rental tracking indices** in Q1 2019 for Prime and Super Prime London at 100 and 140 base

While quarterly indices show flat or declining values, in particular in the super-prime segment, yearly rental values are up at 2.2% for Prime and 1% for Super Prime. This underscores market resilience through a period of economic uncertainty and regulatory changes.

Enduring demand, increased legislative and tax burden on Landlords, and a stagnant if not declining sales market, will continue to tighten supply on the rental side, and maintain price pressure for rents in London, particularly for best-in-class properties.

SPOTLIGHT ON…

Search & Acquisition

“Spotlight On” this quarter features our Search & Acquisition Division:

Did you know we help people buy? For more info see LINK. Here’s why you should consider using a Buying Agent when looking for your next property.

Expertise	Extensive knowledge of the property market, helping to secure the best deal
Time-Saving	Saving on research time, more focused search, scheduling viewings, managing the process
Off-market	Access to off-market properties, being those that are not publicly listed, giving you a competitive advantage
Financial Savings	Negotiating effectively; identifying the true market value with access to key market intelligence
Best Interest	It makes sense to use a trusted expert that works for you in the context of a complex financial investment

FIGURE 2 – QUARTERLY RENTAL % CHANGE Quarterly Prime and Super Prime Rents % change