

Q3 2026 : The rental market is shifting

“ The Renters Rights Act 2025 is reshaping London's rental market with higher costs and higher risks for landlords, fewer homes, and rising average rents. Yet Prime and Super Prime markets show resilience.”

NEWSLETTER
OCTOBER 2026

■ info@r3location.co.uk
■ 44 0203 463 9774
■ www.r3location.co.uk

A complex rental market

The Renters Rights Act 2025 has influenced the rental market in slightly different ways across average London housing (typically rents below £1,500 a week), Prime and Super Prime.

Overall, there is no doubt that it has, for Landlords, increased both the cost and risk of renting with investors shifting to different types of investment assets, away from real estate, and some Landlords simply choosing to sell. Fewer homes with similar (if not rising) levels of demand means rents are higher.

This has pushed average rent in London up by 3.3% on average over the last year, but our data shows that the effect has been more subdued in Prime and Super Prime markets both decreasing annually by 3% and 7% respectively, though much of that was recorded in the first two quarters with the last quarter showing some resilience.

Section 13 notice

Section 13 notice is the mandatory legal process for landlords to increase rent for assured periodic tenancies

under the new RRA2025. Landlords can only increase the rent once every 12 months, cannot raise the rent during the first year of a tenancy and must provide at least 2 months' notice before the new rent can take effect.

We are now beginning to see s13 take effect for those assured shorthold tenancies that converted on 1 May. It is not yet clear whether tenants will start to appeal as a matter of course, given the only penalty is the burden of paperwork (and some depletion of the relationship with their landlords presumably). Irrespective of that, when s13 is served, tenants will need to be provided with some evidence of the proposed increase such as recent tenancy agreements for similar properties nearby, independent rental valuations, records of any improvements or repairs made to the property etc.

The jury is still out as to whether we will find a good balance in the market for annual rent increases but we continue to work with prospective tenants to make sure they understand their rights and obligations.

Market Pulse

Tenant Demand



New LL Instructions



3 mth rent expectation



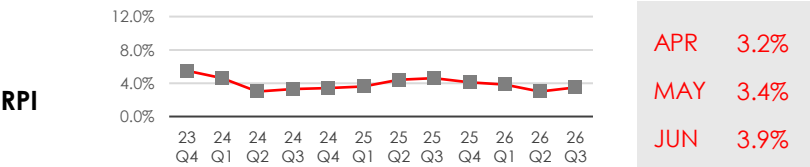
25 Q2 25 Q3 25 Q4 26 Q1 26 Q2 26 Q3

Source: RICS Monthly Market Surveys

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

RICS latest Market Survey gives a clear indication of what we have been observing on the ground. Namely, continued strong demand in London coupled with a sustained low period of new Landlords' instructions. This means general level of stock is declining, and with robust demand, upward pressure on rental value will likely continue over the next quarter.

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



Source: Office of National Statistics – Retail Price Index

RPI All Items: % change over 12 months

RPI is a measure of inflation and it is trending upwards primarily as a result of a surge in global energy and motor fuel costs driven by geopolitical conflict in the Middle East, alongside rising domestic service sector prices and continued wage pressures in the UK economy. Inflation is likely going to continue trending upwards in the next three months.

Rental Price Tracker

As predicted in our last newsletter Rent continues to be up both by quarter and annually, Nationally and in London, as a direct result of legislative changes brought in by the Renters Rights Act 2025 and future additional tax burdens for Landlords. This is tightening supply. Average quarterly change in London overall is at 4.2% quarterly and 3.3% annually.

	AREAS	AVG. PCM	QTR CHANGE	ANNUAL CHANGE
Rental Tracker	National Avg. (NA)	£1,387	2.5%	+3.3 %
	NA exc. London	£1,176	1.6%	+3.1%
	London	£2,272	4.2%	+3.3%

Source: Latest HomeLet Rental Index Report

R3 Prime Index

Index **132.2**



3.4%
Annual



0.2%
Quarter

R3 Super Prime Index

Index **188.3**



7.1%
Annual



0.1%
Quarter

SPOTLIGHT ON...

s13 notice

“Spotlight On” this quarter features the tenant’s perspective on s13 notices

Appealing is time consuming and could damage relationships with your Landlord. So, what considerations should be weighed before doing so?

The tribunal route

Tenants can challenge at the First-tier Tribunal for a negligible fee, with the tribunal setting rent at open-market level (but no higher than the landlord’s proposal)

Evidence required

Tenants should receive comparable tenancy agreements, independent valuations, or repair records.

Practical reality

Weigh up suggested increase, publicly available rent data and liaising with the landlord directly before appealing

R3’s role

R3 can always help to support tenants looking to gather market information to validate proposed increases.



Marco Previero

Director & Research Lead at R3

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 annual rents are down in both Prime and Super Prime, this reflects an adjustment post RRA2025 last year. The broader trend over the last two years for example shows growth in both markets of 1%.

There is no doubt that the Prime and Super Prime markets have shown less sensitivity to the broader trend of rental values across London as a result of the new legislation being implemented from 1 May 2026. We are seeing overall average rents increase by some 3% annually on average in London and securing tenancies becoming slightly more complex.



Between now and December 2026, we expect Prime and Super Prime to outperform as The Renters Rights Act legislation tightens London's wider market. Landlords are increasingly more cautious about tenant selection, and we expect this to be a new feature of the London Market.

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

