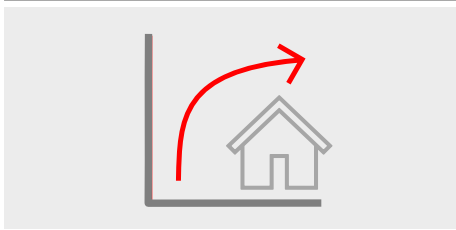


A SOFTENING RENTAL MARKET

FIG 1: LONDON HEAT MAP: Overview of market type for main residential postcodes



A challenging start of the year, but... London's residential rental market has been challenging of late but whilst the market continues to be overwhelmingly a landlord's market, there are clear signs the trend is beginning to shift towards a much more balanced landscape.

Still a Landlord's market

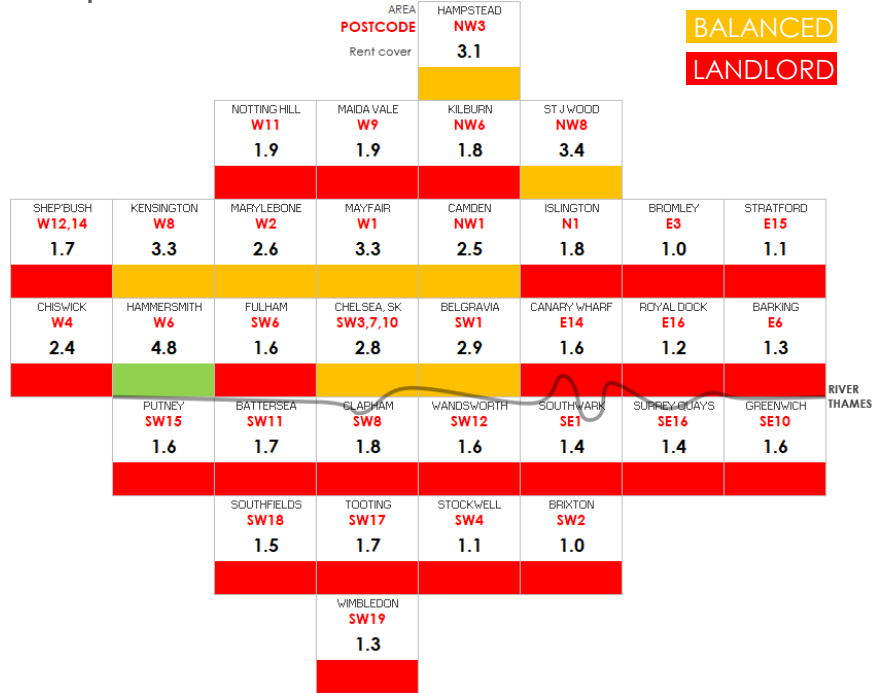
A landlord's market is characterised by low stock and high rents, as a result of periods of sustained levels of high demand and limited availability of properties on the market. In other words, it is a market that tends to favour landlords as opposed to tenants. Back in March 2023, the overwhelming majority of postcodes fell in this category. Additionally, rising interest rates often translate to higher mortgage payments, with landlords more inclined to sell up and avoid the growing risk of tenant arrears caused by the cost-of-living crisis.

But the trend is suggesting a different picture. **Our London heat map (FIG 1)** summarises the current state of the market, in each major residential postcode, in Q3 2023 (top map) against Q1 2023. What we are observing is that, whilst still a landlord's market, there is a softening with a move more towards a balanced position.

R3's Rent Cover Index (RCI)

Our RCI measures the ratio of total properties on the rental market over the number of properties let in a month. A cover of less than 2.5 is

Sep 2023



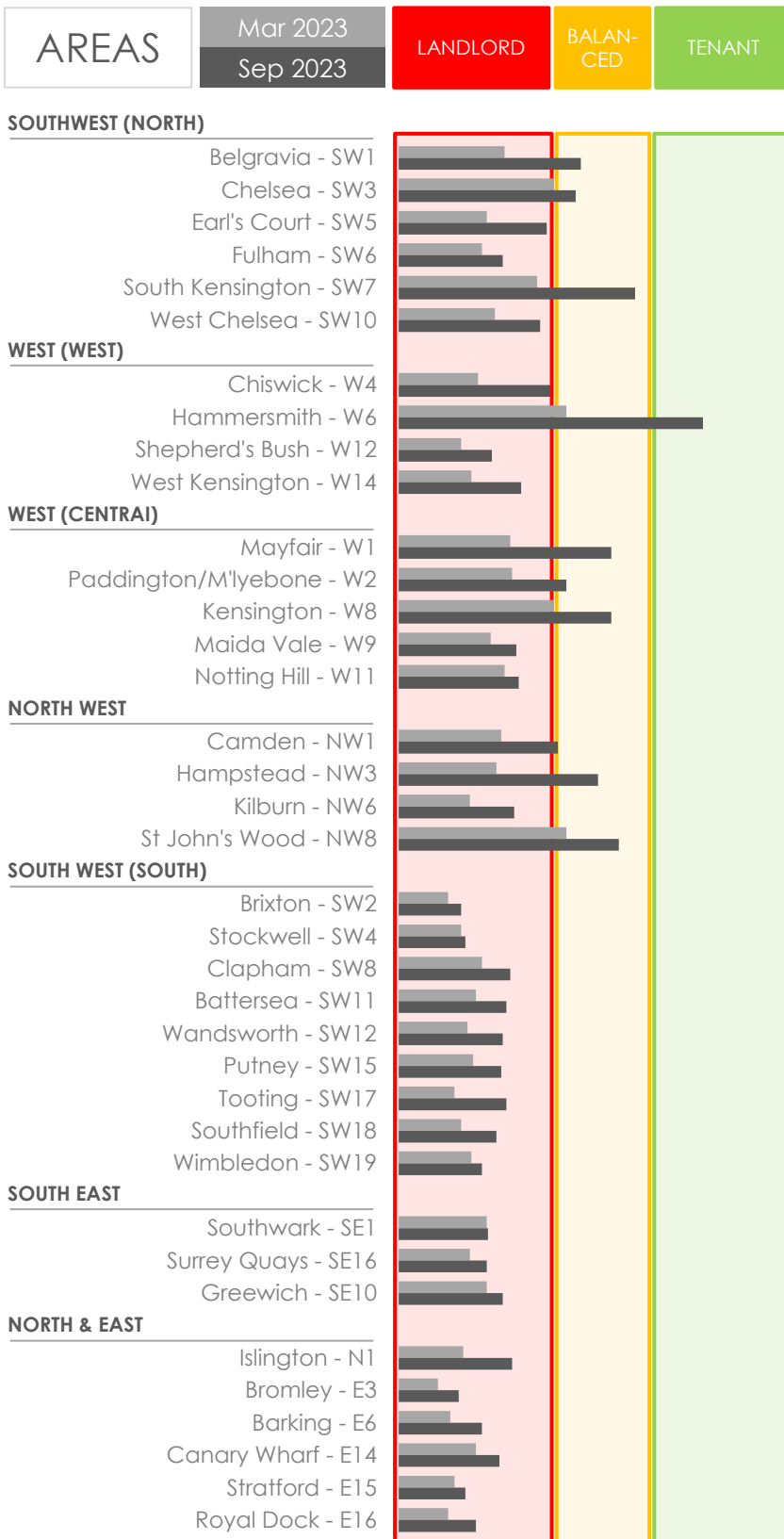
Market Type

- TENANT
- BALANCED
- LANDLORD

Mar 2023

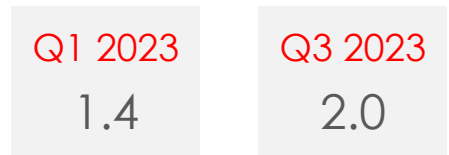


FIG 3: MARKET TYPE: By area and postcode Mar 2023 v Sep 2023



considered low coverage as it indicates a large proportion of available stock is rented in a given period. In March 2023, this figure stood at **1.4** and has increased on average across London, to **2.0**, indicating a softening of the market and a shift towards a more balanced property landscape. See **FIG 2** below.

FIG 2: AVERAGE SCORE: Market type average score across London



All postcodes are shifting

Looking at this trend for individual postcodes, it is clear that the shift is happening across all neighbourhoods in London, with some areas showing a higher rate of change.

FIG 3 – Market type by postcode, illustrates this change by postcode, showing (in light grey) the RCI in March 2023 against (in dark grey) the RCI this month. The market is still challenging, with 74% of postcodes continuing to exhibit landlord market's characteristics. However, this is lower than the 94% in March and there are indications that this trend will continue over the next quarter.

A local expert is essential

If you are interested in knowing more, please don't hesitate to contact us - info@r3location.co.uk.



DIRECTOR

Research,
 Finance,
 Compliance

Marco Previero FCA BFP