

THE R3NT ILLUSION

Why headline figures don't tell the full story

“ When we actually adjust for inflation, we can see that average prime central London rents since 2018 have remained largely flat and aligned with average affordability.

What's in a headline?

If you follow property news and Estate Agents' rent predictions, it always feels rents are on an ever increasing, relentless trend. While that may be true for nominal rent values, say, looking at the last seven years, this only really tells half the story.

Adjusting for inflation

A more insightful analysis, which adjusts for inflation, reveals a surprising and often overlooked trend: the real cost of renting in London has, for many, remained largely **flat**, aligned with average increase in salaries, and proportionately less than many other costs of living (see **box inset** on the right).

R3's rental index

Over the last seven years, R3 has been tracking its own prime residential rental index (which it publishes quarterly as part of its **Market R3views**). When we apply an adjustment to take into account real prices to this – as we have in **FIGURE 1** below – you will see the rent levels have effectively stayed the same. It's just that rent has, in large part, simply been keeping pace with the rising cost of everything else (i.e. inflation...).

Future renters beware!

This context is important when reviewing market reports and forecasts. The analysis often focuses on year-on-year nominal changes, which can often create the illusion of perpetual growth. This approach is useful when considering immediate cash-flow pressure on tenants, but it can be misleading in the long-term when assessing **affordability** (salaries have gone up by broadly the same rates over the last seven years for example).

A truer picture

This is not to dismiss the genuine affordability challenges in London in particular, where rent makes up a disproportionate share of income. But recognising that real term rents have been relatively stable is also crucial when making decisions such as moving to the capital.

Housing allowances?

Why not also start relying on experts like R3, to help you look beyond the headlines, and ensure your policy keeps up with the local subtleties of the market? We'd be happy to have an initial complimentary call to discuss how we can help ensure your policy is fit for purpose.

Key highlights

In line with inflation

Rent has simply, broadly, kept up with inflation and average salaries.

We have taken the average costs of popular items and calculated their nominal increase over the last seven years.

Our analysis of other items reveals that, actually, rents, on average, have increased proportionately less than many other goods and services as the list below illustrates.

Housing allowances?

What about your housing allowance? Which position would it occupy on the list below...?

Averages for London taken where possible

2018
2025
Nominal increase

R3
Rental
Index



100
127
27%

Branded
medium
Latte



£2.60
£3.40
30%

Loaf of
bread



£1.06
£1.40
32%

Popular
high-street
sandwich



£2.99
£4.25
42%

Pint
of
lager



£4.20
£6.10
45%

FIGURE 1 – RENTERS' RIGHTS BILL MAIN PROVISIONS

