

PRESS RELEASE

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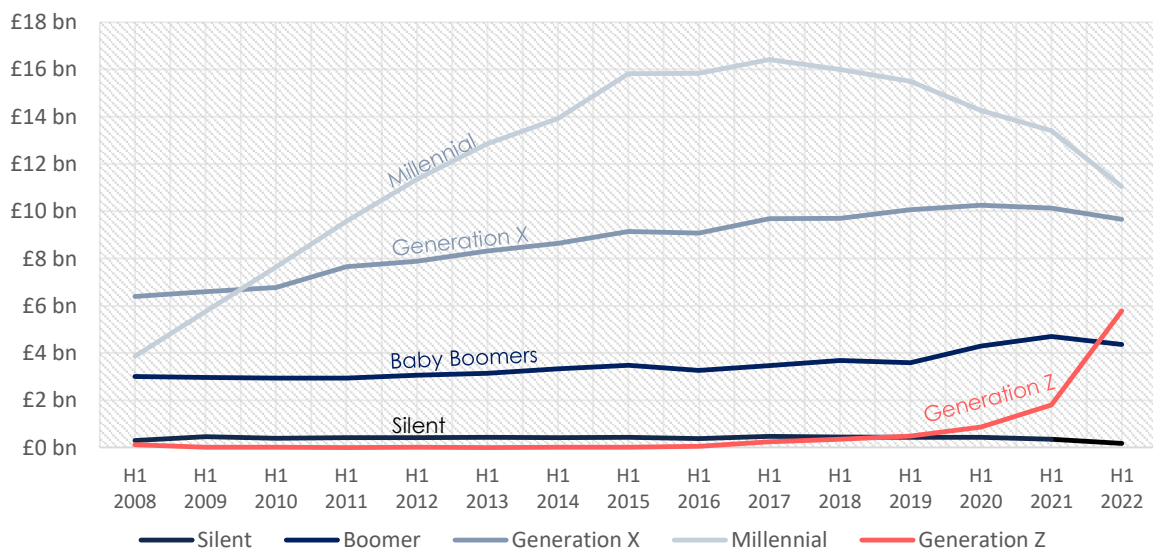
Hamptons Monthly Lettings Index – June 2022

Annual rent bill projected to hit £63.0bn

With Generation Z now paying a fifth of all rent

- The total amount of rent paid by tenants annually is projected to double between 2009 and the end of this year. Tenants across Great Britain paid a total of £31.0bn during the first half of 2022 (table 1).
- As Generation Z (born between 1997-2012) leave home, their rent bill is projected to rise ten-fold compared to three years ago, leaving them paying more than Baby Boomers (born between 1946-1964) (£11.7bn vs £8.9bn in 2022) (table 2).
- Meanwhile Millennials (born between 1981-1996) paid almost half (49%) as much rent as they did in 2017 with more climbing onto the property ladder (chart 1).
- London rents are rising faster than anywhere else, with the average monthly rent passing the £2,000 mark (£2,011) for the first time (table 3).

Chart 1 - Total rent paid by tenants in Great Britain (H1 of each year)



Research by Hamptons shows that tenants in Great Britain paid a total of £31.0bn in rent during the first half of 2022 (H1 2022) (table 1). This means they are set to pay £63.0bn by the end of 2022, a record high, due to strong rental growth. To put this figure into context, first-time buyers spent £84.0bn last year.

Rising rents mean the total amount of rent paid by tenants has more than doubled since 2008 while surpassing the 2017 peak, despite there being around 275,000 fewer private tenants than there were five years ago. During the first half of 2022, tenants paid £750m more in rent than H1 2017, and £17.3bn more than in H1 2008.

Table 1 - Total rent bill in Great Britain (£bn)

	H1 of each year	Full year
2008	£13.7	£27.8
2009	£15.8	£32.1
2010	£17.8	£36.1
2011	£20.6	£41.8
2012	£22.7	£46.2
2013	£24.7	£50.2
2014	£26.3	£53.5
2015	£28.9	£58.6
2016	£28.6	£58.1
2017	£30.3	£61.5
2018	£30.2	£61.3
2019	£30.1	£61.0
2020	£30.1	£61.2
2021	£30.4	£61.7
2022	£31.0	£63.0

Source: Hamptons

The rising rental bill has been driven by Generation Z (born between 1997-2012) flying the nest. Generation Z paid a record £5.8bn during H1 2022 (chart 1), a figure likely to hit £11.7bn over the whole year, meaning for the first time they will pay more rent than Baby Boomers (born between 1946-1964).

Generation Z's rent bill is rising at a faster pace than when the previous generation, Millennials (born between 1981-1996), started to leave home during the 2008 downturn, with far fewer buying their own place. And on their current trajectory, they are likely to be paying more than Millennials within the next three years.

Table 2- Rent paid by the generations

	H1 2022	2022 projected	YoY Change %
Silent (1928-1945)	£0.2 bn	£0.4 bn	-49%
Boomer (1946-1964)	£4.4 bn	£8.9 bn	-7%
Generation X (1965-1980)	£9.7 bn	£19.6 bn	-5%
Millennial (1981-1996)	£11.0 bn	£22.4 bn	-18%
Generation Z (1997-2012)	£5.8 bn	£11.7 bn	222%
Total	£31.0 bn	£63.0 bn	2%

Source: Hamptons

Meanwhile all other generations spent less on rent than last year. Millennials, who make up the current largest generation of tenants, paid £2.4bn or 18% less in rent in H1 2022 than in H1 2021. The Millennial rent bill has fallen by nearly half (49%) from 2017 as many renters between their mid-20s and early 40s bought their first home (table 2). Despite tumbling homeownership rates over the last two decades, it is likely that Millennials collectively will be paying less rent than their predecessors, Generation X (born between 1965-1980) by next year.

But the pace at which the older generations' rental bills have reduced, shows that after around a decade, declines tend to slow. Typically, if someone hasn't bought by the time they are 40-45, they become substantially less likely to buy later in life. This means Generation X renters who have yet to buy, are increasingly less likely to do so. Meanwhile the total amount of rent paid by Millennials is likely to bottom out within the next five years.

Historically the total rent bill of each generation has peaked at around double the last, being driven up by both rising rents and falling homeownership rates. This would suggest that on previous trends Generation Z's rental bill is on course to top out at around £70bn in around six or seven-years' time. However, with homeownership rates remaining relatively stable over the last six years, it is likely that their total rental bill will peak below this figure as more purchase their first home.

Rental growth

Rental growth rates slipped back slightly during the early summer months. Average rents across Great Britain rose 8.8% over the last 12 months, representing a slowing of growth from the 11.5% recorded in May. The average monthly rent now stands at £1,163, up from £1,069 at the same time last year (Table 3).

For the second month running, rents in London grew faster than anywhere else, rising 12.1% over the last 12 months taking the average monthly rent above the £2,000 mark for the first time ever. Inner London rents recorded a record annual growth rate of 35.1% as their strong recovery from the pandemic continued at pace (table 3). Despite record growth, at a monthly average of £2,675, rents in Inner London remain 6.5% below their October 2019 peak and sit just 1.6% above where they were in January 2020.

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Across Great Britain, the number of rental homes on the market remains well down on pre-pandemic levels, with 54% fewer homes on the market than in June 2019. However, stock levels are now slowly rising across Southern England (excluding London) compared to this time last year. And there are 10% more homes to rent in the country than last June, albeit an increase from record lows.

Table 3 - Average rents on newly let properties

	June-22	June-21	YoY Change %
Greater London	£2,011	£1,794	12.1%
Inner London	£2,675	£1,980	35.1%
Outer London	£1,884	£1,759	7.1%
East of England	£1,136	£1,061	7.1%
South East	£1,257	£1,212	3.7%
South West	£1,066	£965	10.4%
Midlands	£818	£750	9.1%
North	£765	£708	8.0%
Wales	£748	£717	4.3%
Scotland	£796	£726	9.6%
Great Britain	£1,163	£1,069	8.8%
Great Britain (Exc. London)	£946	£883	7.1%

Source: Hamptons

Commenting Aneisha Beveridge, Head of Research at Hamptons, said:

“Rapid rental growth will see tenants handing over a record £63bn in rent during 2022, the first big jump for five years. Almost all the rise stems from record-breaking rents which have been driven by a lack of homes available to rent alongside investors passing on higher running costs to tenants. In particular, landlords have been squeezed by rising mortgage rates, alongside more expensive insurance premiums and maintenance costs.

“As Generation Z fly the nest, they’ve seen a tenfold rise in what they pay in rent over the last three years meaning they now hand over a fifth of all rent paid. Generation Z are joining the rental market faster than any previous generation, mostly because fewer are likely to become young homeowners. It will take a significant uplift in homeownership rates over the next five or so years to stop Generation Z paying more in rent than Millennials, which seems unlikely as interest rates and house prices continue to rise.

“Older generations have shown that by the time a tenant hits middle age, they’re increasingly less likely to ever become a homeowner. For many, the deposit remains as much of a barrier to buying as it was in their twenties, while getting a mortgage becomes tougher since lenders are cautious about extending a mortgage deep into retirement age. This typically means the term gets progressively squeezed, pushing up the monthly payments and acts as a barrier to homeownership.”

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Please note the Hamptons Monthly Lettings Index for July will be issued on Friday 12 August, embargoed until 00.01 hours Monday 15 August 2022.

Ends

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About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index has been running since 2012.

The index is a mix adjusted series, with rent and rental growth figures for each month based on a three-month rolling average. The most expensive decile of homes let are excluded to reduce volatility and the mix includes the most recently published government stock statistics.

The Hamptons Lettings Index uses data from the Countrywide Group to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide each year, adjusting for their location and type. It is based on achieved rather than advertised rents.

About Hamptons

Hamptons is a leading residential estate agent and property services company, operating in London and the South of the UK.

Hamptons offers a wealth of award-winning services including UK and international Sales, Lettings, Property Management, Corporate Services, Residential Development, Development Land, Valuation Property Finance, and is a subsidiary of Connells, the UK's largest estate agency and property services group.