

## PRESS RELEASE

Date Issued: Friday 19 August 2022

Embargoed until 00.01 hrs Monday 22 August 2022

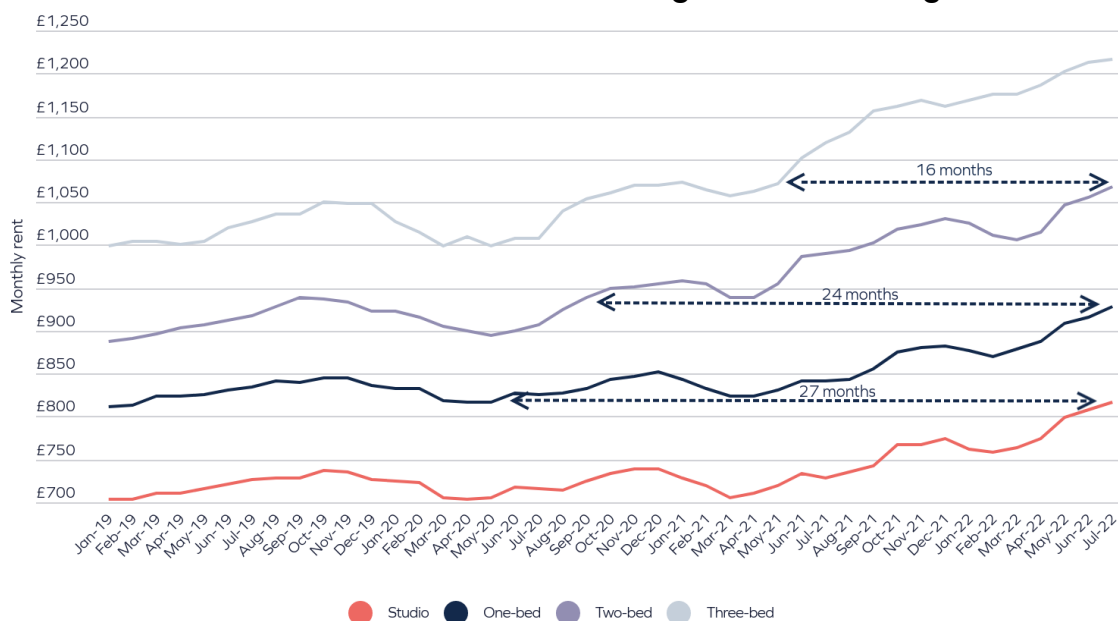
Hamptons Monthly Lettings Index – July 2022

# Tenants lose a bedroom in two years

As rising rents increase the cost of extra space

- Strong rental growth means tenants lose a bedroom to spend the same amount of money on rent as they did in 2020 (chart 1).
- The average two-bed (£1,068pcm) now costs what the average three-bed cost just 16 months ago. While the average one-bed (£929pcm) now costs what the average two-bed cost 24 months ago (chart 1).
- Before this, it took six years (74 months) for average rents to rise by an amount equivalent to the cost of a bedroom.
- Rents across Great Britain rose by an average of 8.3% over the last 12 months, the third consecutive month of rental growth cooling but still the sixth strongest annual increase over the last decade (table 2).

Chart 1- Months between both homes achieving the same average rent



Source: Hamptons

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The two years between July 2020 and July 2022 marked the largest erosion of tenants' buying power over any period since the launch of the Hamptons lettings index in 2013. Strong rental growth has meant that tenants' budgets don't stretch as far as they used to. This means that tenants are having to trade down and lose a bedroom in order to spend the same amount of money on rent as they did in 2020.

Between July 2020 and July 2022, average rents in Great Britain rose by 16.2% or £165 a month (table 1). In July 2022, the average studio (£817pcm) cost the same as an average one-bed 27 months ago; the average one-bed (£929pcm) cost the equivalent of an average two-bed 24 months ago and finally the average two-bed (£1,068pcm) cost what the average three-bed cost 16 months ago (chart 1). This typically means that what the average tenant is paying in rent today, would have bought them an extra bedroom two years ago.

Tenants in the South West have seen what they get for their money fall faster than anywhere else. Here, tenants saw their spending power eroded by the equivalent of a bedroom over just 16 months due to rents rising by 18.7% or £169pcm. Scotland followed over 17 months and the North West over 19 months. At the other end of the scale, it took an average of 30 months for Welsh tenants to see their money shrink by the equivalent of a bedroom (table 1).

Prior to the last 24 months, it had taken six years (or 74 months) for average rents to rise by an amount equivalent to the cost of a bedroom, with the largest increases in Northern England. This means the rent tenants pay today will buy them an average of two fewer bedrooms than eight years ago.

**Table 1 - Months for tenants' spending power to fall by the equivalent of a bedroom**

	Months for tenants' spending power to fall by the equivalent of a bedroom	Rental growth
South West	16	18.7%
Scotland	17	20.2%
North West	19	18.8%
North East	20	17.9%
East of England	21	15.5%
Yorkshire & Humber	22	14.6%
East Midlands	24	16.5%
South East	24	16.1%
West Midlands	25	14.5%
Greater London	27	15.2%
Wales	30	14.3%
<b>Great Britain</b>	<b>24</b>	<b>16.2%</b>

Source: Hamptons

Rents across Great Britain rose by an average of 8.3% over the last 12 months, marking a gradual slowdown from late spring when rental growth peaked at 11.5% (table 2). This means that rents are 15.7% above where they were when Covid struck. Despite the rate of growth slowing for the third month in a row, July's figure still marks the sixth strongest annual increase recorded during the last decade.

Growth has also been driven by a recovery in rents being achieved for smaller urban homes. One-beds rose by an average of 10.4% year-on-year, while four-beds recorded growth of 6.6% annually. This reflects city rents playing catch up following Covid. The average one-bed now costs 13.6% more than pre-Covid times compared to four-beds that are 17.6% above pre-Covid levels.

Inner London continues to record faster rental growth than anywhere else in the country by a significant margin. Here, rents are up 33.6% on the same time last year (table 2). This rapid rate of growth reflects the post-Covid trough it's being compared against. This will work its way through in a couple of months, likely bringing down the year-on-year figure significantly. As such, it leaves average rents only 1.5% above where they were in January 2020 and still on par with July 2016.

The number of homes available to rent continued to fall in July. There were 9% fewer rental properties available in July than at the same time last year and 52% fewer than two years ago. London recorded the sharpest fall in stock anywhere in the country, down 37% year-on-year. Stock levels are now so low that July saw more homes come onto the market than there were homes still on the market from previous months, the first time this has happened since our records began in 2012.

**Table 2 - Average rents on newly let properties**

	July-22	July-21	YoY Change %
Greater London	£2,008	£1,787	12.4%
<i>Inner London</i>	£2,672	£2,001	33.6%
<i>Outer London</i>	£1,885	£1,747	7.9%
South East	£1,249	£1,237	1.0%
South West	£1,074	£983	9.3%
East of England	£1,126	£1,064	5.8%
Midlands	£824	£750	10.0%
North	£782	£719	8.8%
Wales	£750	£739	1.4%
Scotland	£824	£734	12.3%
<b>Great Britain</b>	<b>£1,166</b>	<b>£1,077</b>	<b>8.3%</b>
Great Britain (Exc. London)	£951	£895	6.3%

Source: Hamptons

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

*“After two years of record rental growth, tenants aren't seeing their budgets stretch as far as they used to. And they are likely to be squeezed further still by a mix of investors leaving the market and the landlords left behind looking to pass on their higher mortgage costs. Tenants trying to move are increasingly facing a cost-cliff with market rents rising faster than what they've been paying for their current homes. Often this means they face compromising on what and where they rent next, with some having to trade down.*

*“There are some signs that the rental stock slump is close to bottoming out. But with two-thirds fewer homes on the market than five years ago, there isn't room for them to fall much further. In a reversal of last year, it's city centre markets which have seen the biggest year-on-year falls in the number of homes up for rent, meaning it's here that tenants are still facing double-digit rental growth. Meanwhile suburban and country markets have quietly recorded small rises in stock levels and have seen rental growth soften.”*

Please note the Hamptons Monthly Lettings Index for August will be issued on Friday 9 September, embargoed until 00.01 hours Monday 12 September 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.

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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.