



## UK Tenant report

Who are the nation's tenants, what do they feel about renting and what are their ambitions to buy?

# The past two to three years has seen a period of sustained high tenant demand, hitting new records on numerous occasions.

The onset of the coronavirus pandemic has created serious repercussions for those living in or wanting to live in, the UK's private rented sector (PRS).

The pandemic brought about some distinct shifts in the type of property people want to rent, as well as where they want to rent, resulting in significant swings in demand dynamics.

The past two to three years has seen a period of sustained high tenant demand, hitting new records on numerous occasions. First, this focused on the 'race for space' and larger property outside of city centres became more popular. As our cities reopened, this phenomenon reversed, and we saw surging demand for property inside or on the periphery of our major urban conurbations.

This changing dynamic came at a time of two further trends, placing constraints on the supply of privately rented property and subsequently, rental inflation. First, sitting tenants have remained in their property for longer, reducing the turnover of fresh stock to rent. Second, there has been an increase in landlords selling property, primarily at the smaller-scale 'accidental' landlord segment of the market.

In some markets a third trend has been the shift away from property for private rent into the short-term holiday lets market, resulting in localised pressures.

For tenants, competition for property has intensified and choice reduced. We hear of tenants queuing around the block to see property and sealed bids for rented homes. These are symptoms of a dysfunctional market.

We wanted to understand more about the pressures faced by tenants and learn about their experiences of privately renting and commissioned research agency Toluna to garner the views of more than 2,000 renters.

Contrary to the myth about reluctant renters, our research shows that tenants, on the whole, like the property they live in and have a good relationship with their landlord. Of course, many want to buy but there is a disconnect between intention and ability to save for a deposit, and the PRS is there for people who want or need to rent a home.

In order for it to remain so, landlords need to be incentivised to continue to finance the sector, through both a proportionate taxation system and balanced regulatory environment. Tenants are the group that will suffer through a lack of choice and higher rents if supply into the PRS isn't expanded.



**Richard Rowntree**  
Managing Director of Mortgages  
Paragon Bank

# Who are the UK's private rented sector tenants?

The PRS provides a home to a diverse range of tenants, from all ages and backgrounds.



## Age

Paragon's research shows that the PRS provides a home for tenants across a range of ages, defying the stereotype that the sector is a home just for the young. Nearly half of tenants responding to the survey are aged between 18 and 34, with 44% aged between 35 and 54. The remaining 10% are in the 55+ age category.



## Time in current accommodation

A similar correlation exists in how long people have lived in their current rented home. Four in 10 (39%) tenants aged 34 or younger have been in their current rented home for between one and three years, with a quarter living in the property for less than a year. Conversely, 37% of those aged 45+ have lived in their current home for five years or longer. More than one in 10 of this group has lived in their current rented home for more than 15 years.

On average, the highest proportion of tenants have lived in two rented homes (29%), with approximately a fifth of tenants living in either one home (22%) or three homes (23%).



## Employment

The PRS is home to the working population, with approximately 80% in some form of employment – 18% of tenants are in high managerial or professional positions, with 17% in middle-management roles. Of those not in employment, 6% are unemployed, 4% in education and 3% retired.



## Who do they live with?

Nearly half (48%) of tenants live with children, again challenging the stereotype that the PRS is predominantly home to young couples. A similar proportion (46%) live with a partner, with 15% of tenants living on their own, a figure that increases in older tenant groups. This proportion is expected to grow, with Government forecasts showing single person households will be the main driver of future household growth.

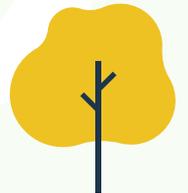
### What type of property do people rent and on what basis?

Tenants typically rent four main types of property – flats, terraced houses, detached and semi-detached homes. There is a smaller incidence of tenants letting bungalows, although that increases with older tenant groups. Over half of tenants (55%) rent directly from their landlord, with a third (35%) organising their property through a letting agent. Meanwhile, a fifth rent directly from a developer in the form of build-to-rent style accommodation, where all of the units in a block or development are for the rental sector and the tenant pays an ‘all-in’ fee, including utilities.

Six in 10 tenants rent a whole property without bills included, with 28% renting a home with bills included. The remaining 12% rent a room.

### Rent

The average rent paid by tenants sat at £841 at the end of the third quarter of 2022, with the amount varying by property type. Those in detached homes pay the highest average rent at £936, with tenants in bungalows (£895) and converted flats (£866) paying above average rents. Terraced homes were the cheapest rent at £787 per calendar month.



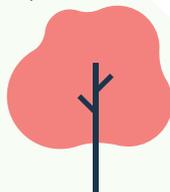
### A home for the long and short-term

The PRS provides a home for those that want to settle and put down roots, as well as those that need more transient accommodation. Nearly 40% of tenants have lived in the sector for over six years, with 44% living in their current home for three years or longer. Nearly a quarter (23%) have lived in the PRS for two years or less.

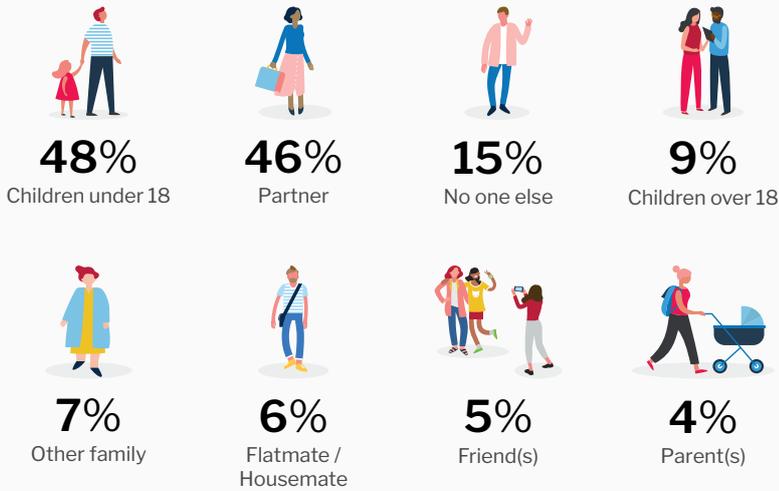
As you’d expect, the length of time that people have lived in the sector increases with age. A quarter of those aged over 45 have lived in the sector for more than 15 years, whilst the same proportion of those aged between 18 and 34 have lived in the sector for between one and two years.

### Household income

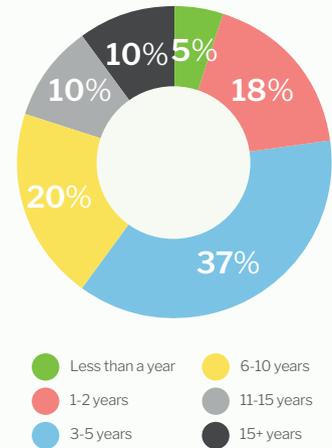
Income in the PRS is polarised. Nearly four in 10 tenants have a household income of less than £25,000 a year. Conversely, 17% have a household income of over £100,000 and nearly a third (29%) earn more than £50,000.



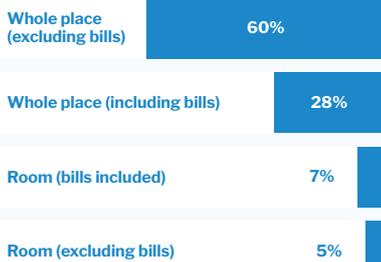
### Who do they live with



### Years lived in privately rented accommodation



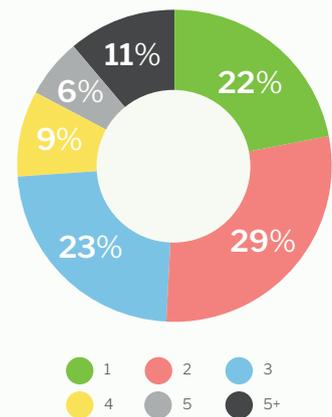
### How they rent



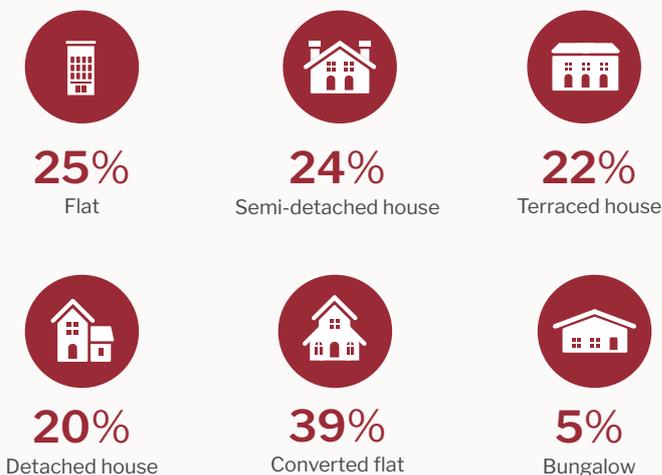
### Rental type



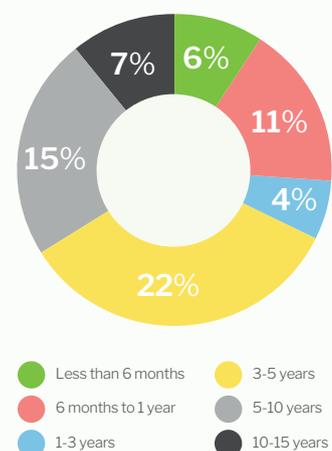
### Number of privately rented properties lived in



### Type of property lived in



### How long they have been renting the current accommodation



# How tenants feel about renting and what they want

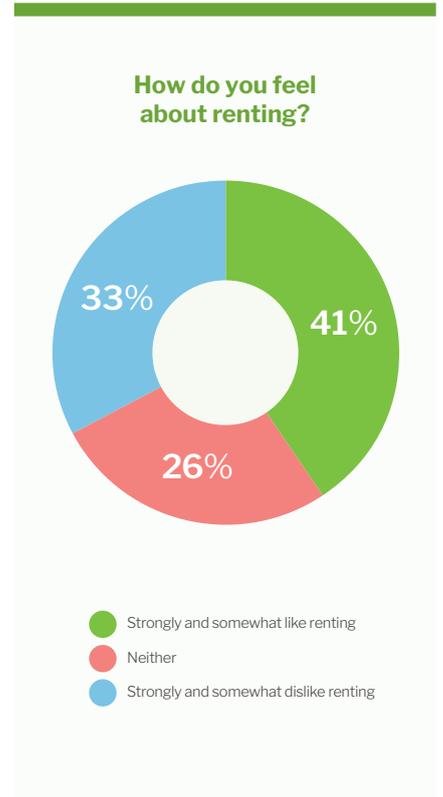
**Contrary to the perception of reluctant renters, the majority of tenants like the property they live in and enjoy a strong relationship with their landlord**

The PRS continues to be dogged by a reputation as the home of ‘reluctant renters’, those people who don’t like their rented home and don’t want to live in the PRS.

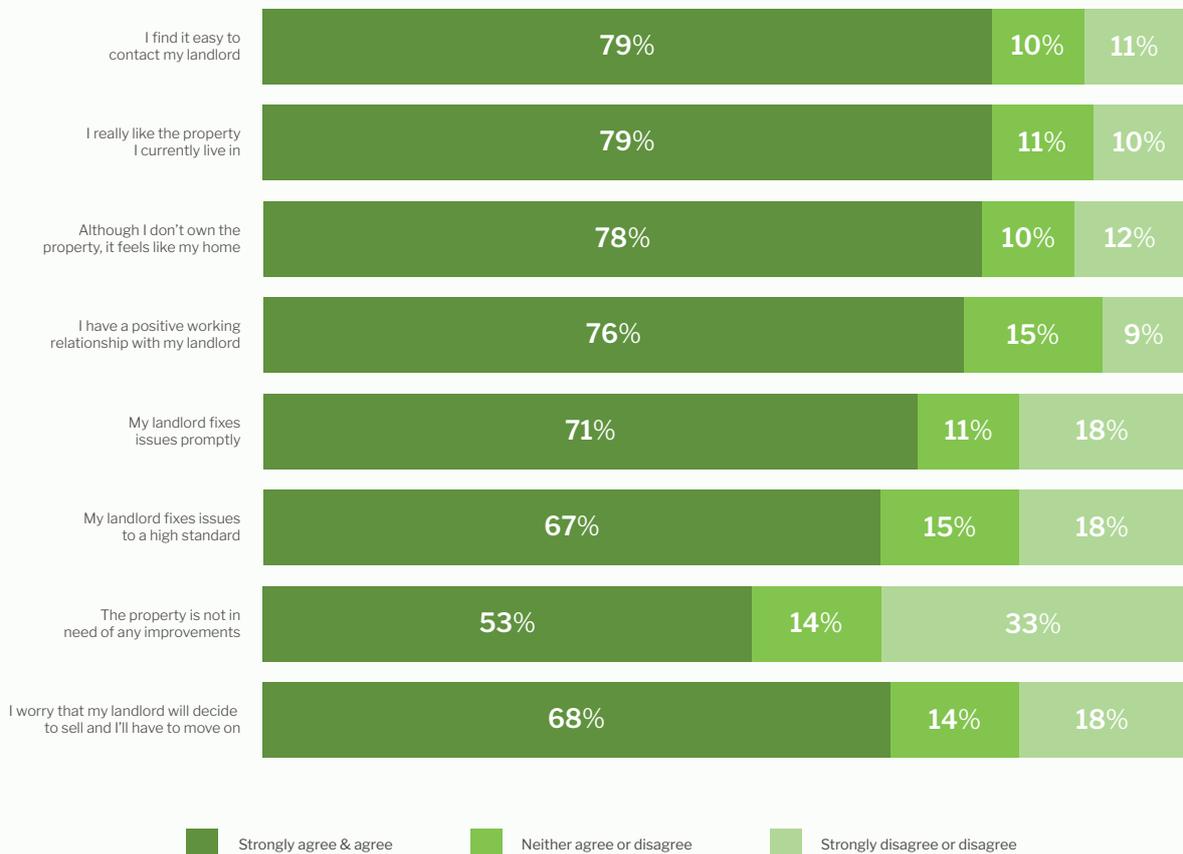
Although there is a high proportion of tenants who say they’d like to buy, a high percentage of tenants like the property they live in (79%), feel like the property is their home (78%) and have a positive relationship with their landlord (76%). Furthermore, 79% of tenants feel their landlord is easy to get hold of and 71% believe their landlord fixes issues promptly.

Overall, 41% of tenants like living in rented property, versus 33% who say they do not. The main reason tenants give for not liking living in the PRS is not the state of the home, but the fact that they would prefer to own a home (41%).

The reasons tenants like to rent include not having to worry about repairs (43%), flexibility (39%), good location (37%) and living in an area that they can’t afford to buy (26%).



## To what extent do you disagree or agree with the following statements?



## What tenants want

Tenants said that when selecting a property to rent, location is the most important factor, cited by 46% of respondents, followed by competitive rent (32%),

Other important factors for tenants included room size (30%), proximity to amenities (28%), outdoor space (23%) and parking (23%).

When asked about what they would improve about their current property, 13% would like the property to be redecorated, 12% want a new kitchen and 10% would like new flooring.

### What are the top 3 things tenants look for in place to rent?



**46%**  
Location



**32%**  
Competitive rent



**30%**  
Room sizes



**28%**  
Proximity to amenities



**23%**  
Outdoor space



**23%**  
Parking

## Concerns

Other than the fact that they'd prefer to own, tenants' main concern centred around security of tenure, with 39% concerned about being asked to move out.

Other concerns included the expense of renting (36%), not being able to decorate as you'd wish (33%), not being able to keep pets (19%) and the property being in a poor state of repair (19%).

### If you could make one improvement to your current rental property, what would it be?



**13%**  
Redecorate



**12%**  
New kitchen



**10%**  
New flooring



**9%**  
New bathroom



**9%**  
Fix damp issues



**7%**  
New windows

# The property shortage strain

## The past two years has been marked by high levels of tenant demand and a shortage of available rental stock

The pandemic exposed a growing issue within the PRS – a shortage of housing stock. Since the Government introduced changes to the way landlords are taxed and a Stamp Duty surcharge in the latter half of the last decade, new rental homes purchased with a mortgage have fallen.

Between 2016 and 2019, the last non-Covid impacted year, the number of house purchases with a buy-to-let mortgage fell by 27%, according to UK Finance numbers. Despite this general decline, the Stamp Duty holiday introduced during the pandemic helped boost purchase numbers to 115,000 last year, the highest level since 2015.

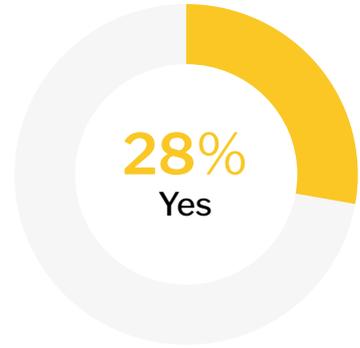
However, even with this influx of new property, Zoopla’s Quarterly Rental Report found that tenant demand was 142% above the five-year average during the third quarter of 2022, with the stock of homes for rent 46% below the five-year average.

That imbalance is leading to rental inflation – up 12.3% on new tenancies according to Zoopla.

Paragon’s research showed that 42% of tenants who had rented in the past six months found it difficult to secure property, with a similar proportion (41%) of those who rented between six months and a year citing difficulty in finding a home. The proportion who found renting a property difficult fell beyond this period, dropping to 28% for those who have found their current home between one and three years ago, and 27% between three and five years.

Just over a quarter (28%) of tenants have been declined for a rental property, with the main reason being competition amongst applications (31%). Other reasons were because of low income (19%) or because the tenant was in receipt of housing benefit (11%).

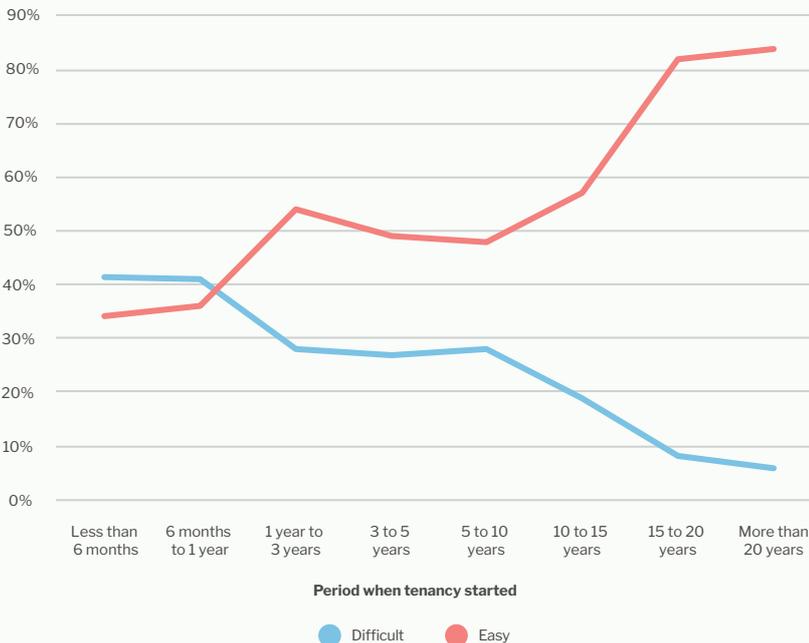
Have you ever been turned down for a rental property?



## Competition and income cited as main reason for rental declines



## Tenants who rented in the past year found finding property more difficult



# The cost-of-living strain

## Despite financial pressures, tenants remain confident in their financial situation

Economic dark clouds have been circling households over the past 12 months, but despite the prevailing feeling of gloom, tenants appear confident in their finances. Over nine in 10 (93%) believe they will still be in employment in the next 12 months and 92% are confident they will be able to pay their rent.

Where tenants could look to cut back on is non-essential luxury or lifestyle purchases; 64% think they will still be able to afford luxury purchases in 12 months' time, but they are already cutting back on non-essential spend.

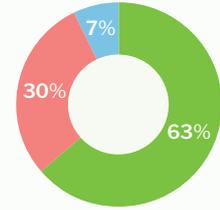
Six in 10 tenants indicated that they have been ordering fewer takeaways due to cost-of-living pressures, with 58% going out to socialise less.

Over half (56%) have been using less gas or electric, whilst a similar proportion have reduced the amount they spend on the weekly shop. Other measures undertaken include cancelling subscriptions to TV streaming services, driving less and taking on another job.

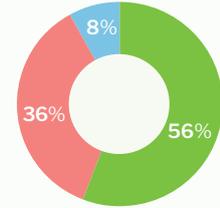
A fifth of tenants said they had rented a cheaper property, whilst a similar proportion said they planned to ask their landlord for a rent reduction.

In terms of priority of payments, 88% of tenants would prioritise rent payment over other bills. This was followed by heating costs (71%) and Council Tax (65%). Other costs further down the list included mobile phone bills and broadband (both 50%).

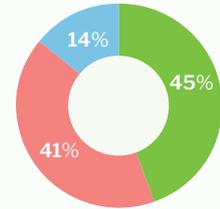
### How do you feel about the following in the next 12 months?



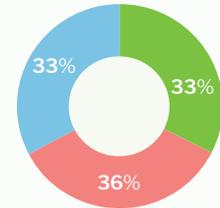
Continuing to have a job



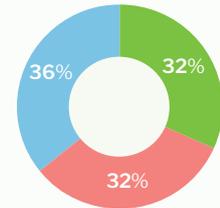
Affording to pay my rent



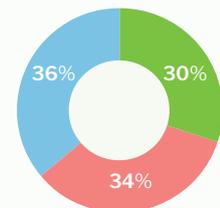
Affording the essentials in life



Saving money (excluding saving for a home deposit)



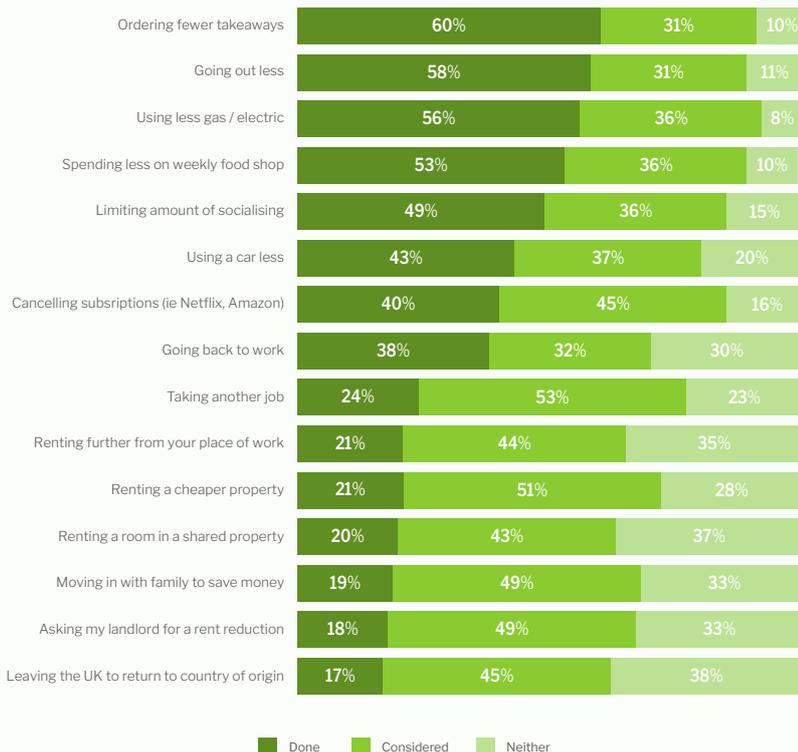
Saving toward a home deposit



Affording the luxuries in life

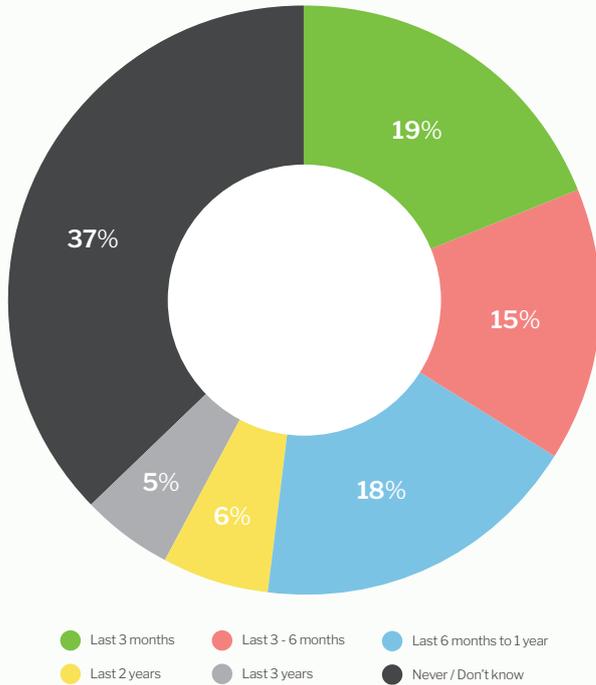
● Completely and fairly confident  
● Somewhat confident  
● Not at all confident

### Have you considered or done any of the following due to the recent cost-of-living pressures?



\*Please note, where the sum of percentages does not total 100%, this is due to rounding

**When was the last time you had a permanent rent increase?**

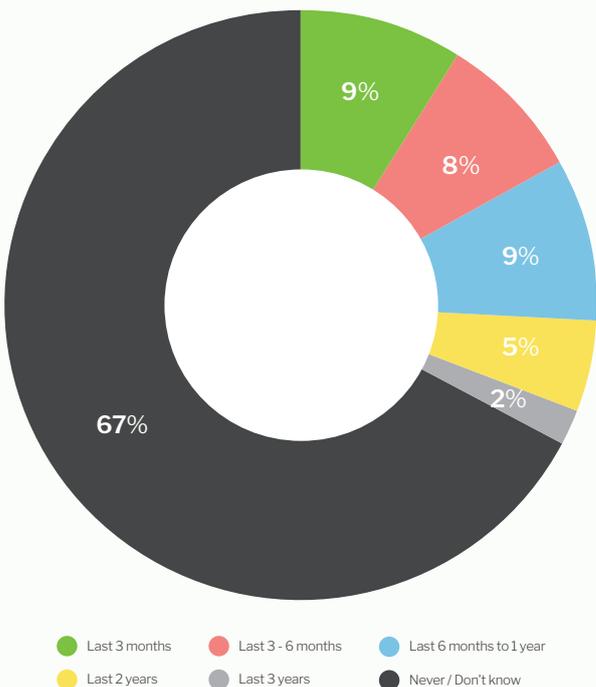


**Rents on the rise**

The narrative during 2022 was that rents soared in the PRS. Whilst new tenancies certainly witnessed sharp inflation, the story for those within tenancies is slightly different. Approximately half of tenants (52%) had a rent increase in the past 12 months, with a high proportion (37%) surprisingly indicating they have never had a rent increase during their tenancy, or weren't sure.

Landlords also appear to be showing a willingness to support tenants, with 26% having a temporary rent reduction to support them through financial difficulties.

**When was the last time you had a temporary rent reduction?**



**If you had to prioritise, which of your monthly bills would you pay first?**



**86%**  
Rent



**71%**  
Electricity



**65%**  
Council tax



**63%**  
Gas



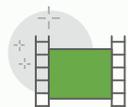
**50%**  
Mobile phone



**50%**  
Broadband



**33%**  
TV cable subscription  
(eg Sky)



**33%**  
Subscriptions  
(eg Netflix)

# The disconnect between desire and ability to buy

**Two third of tenants want to buy their own home, but only a third are actively saving to do so**

Nearly two thirds of tenants would like to own a home, but the ability to do so is being hindered by a lack of active savings. Over a third (35%) of tenants said they were actively saving to buy a home, something that differed significantly between age brackets.

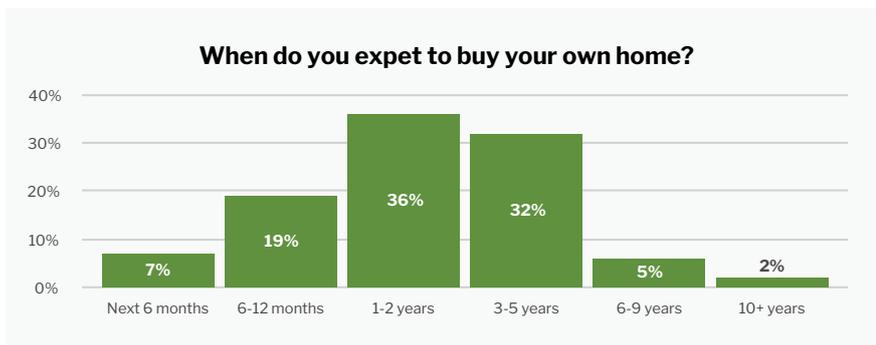
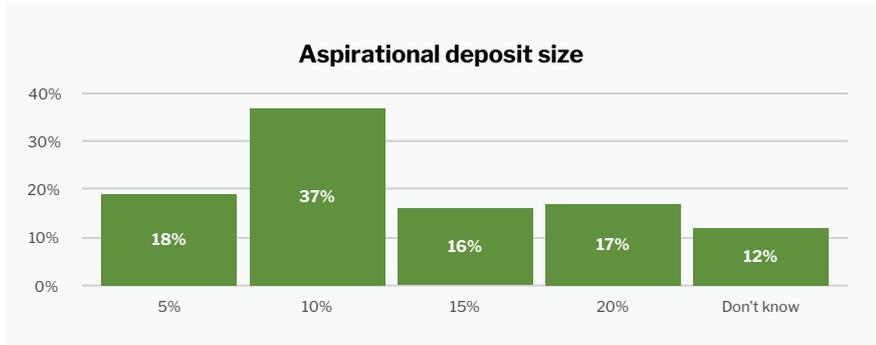
Four in 10 (44%) of those in the 18-34 age group are actively saving, falling to 31% of those aged between 35 and 54 and 11% for those aged over 55. This suggests that the PRS will be a long-term home for those in older age brackets as they don't actively save towards a house deposit.

Of those saving for a deposit, 25% said they have the deposit money and are searching for a property, with 4% already in the process of buying a home.

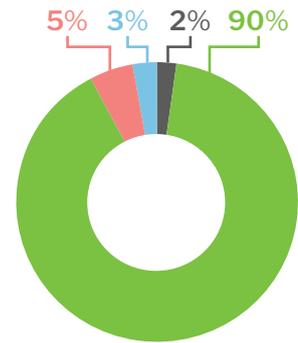
The overwhelming majority (71%) are in the process of saving, with 37% of this group seeking to save a 10% deposit and 33% hoping to save more than that amount.

In terms of readiness to buy, 26% of aspirant first-time buyers expect to purchase within the next 12 months, a third (36%) plan to buy between one and two years, with 32% expecting to buy between three and five years' time. The remaining 7% expect to buy in a period beyond five years.

When considering what types of property tenants are targeting, the most popular choice is semi-detached homes (29%), followed by a detached house (23%), terraced (22%), flat (12%) and bungalow (1%). Tenants favour existing build property (47%) to new build (41%).



The majority of tenants have never owned a home



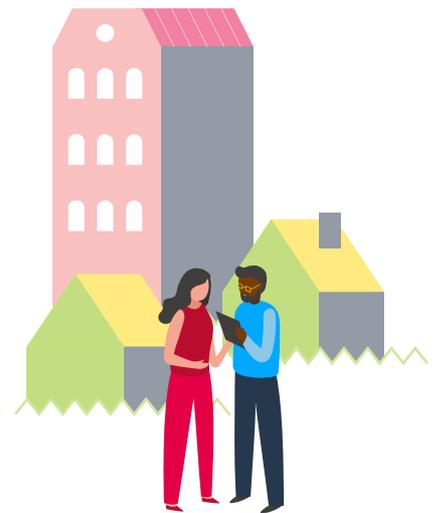
- Aspiring first time buyers
- Boomerang buyers
- Other
- Property owners

## Deposit readiness

**73%** In the process of saving for a deposit

**23%** already have the deposit money

**4%** are in the process of purchasing a property



**65% of tenants would like to own a home, of which 35% are actively saving to do so**

# We believe the PRS should provide a good, safe home to people that want to, or need to, rent a property

## Conclusion

There is a misconception that the PRS is home to a homogenous group of tenants. The sector is stereotyped as being populated by young renters or those on low incomes.

Nothing could be further from the truth. The PRS is home to a myriad of different tenant types from all age groups, from a range of social backgrounds with wide household incomes. Some tenants want to buy a home, but others are happy to be renting and enjoy the flexibility that the PRS offers.

But they share one thing in common – the need for a home.

We believe the PRS should provide a good, safe home to people that want to, or need to, rent a property. The sector has done a good job over the past 25 years, but it is under strain as demand outweighs supply.

To ensure tenants have choice, and rental inflation is kept to sensible levels, there needs to be continued investment in the PRS by private landlords. It's these landlords that have

driven improvements in the quality of rental stock over the past decade and who can react quickly to changing tenant demands and dynamics.

Landlords have adapted to the changes introduced by the Government in recent years, but there is fatigue at the ever-changing regulatory landscape and negative rhetoric coming from policymakers.

To maintain a committed cohort of landlords who care about the homes they provide and the tenants that populate them, fair and proportionate regulation and taxation is required. Government has a role to play; to recognise the differing needs of the UK's tenant population and ensure there are enough homes to satisfy demand.



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