



MARKETBEAT BUILD TO RENT

Q3 2025

Better never settles

BTR INVESTMENT ACTIVITY

Despite a strong investment case and continued confidence in the fundamentals of the sector, the BTR sector continues to face subdued activity. Interest rates being held coupled with wider economic and geopolitical uncertainty hasn't helped the sector move forward, but arguably the biggest barrier has been a late Autumn Budget. Persistent rumours and speculation have made it nearly impossible for investors to formulate coherent strategies. Uncertainty combined with a narrow spread between BTR yields and the risk-free rate has held back investment.

The nascent nature of the sector also presents challenges. Operational stock remains limited, despite this being precisely what many investors seek, given the long-term durable income stream BTR offers. Where stock does come to market, often from developer-traders or those at the end of a business plan, owners are still pricing at yields 50-75bps keener than what the market can realistically absorb today. With a clear understanding of the long-term value of these assets, many owners are choosing to hold, particularly given current challenges around exits such as building safety and fire remediation concerns.

On a more positive note, the development route to market is improving. Development lending is now at its highest level since tracking began in 2011. As financing becomes both more readily available and more competitively priced, we are seeing equity investors increasingly pivot towards debt strategies. This improved funding environment is enabling more schemes to be brought forward.

In London, the recent announcements to boost housing delivery are predominantly focused on the for sale market, however, the package outlines that BTR schemes which meet the criteria in London Plan H11 can provide affordable housing that is intermediate rent, with 30% at or below London Living Rent levels and 70% at a range of genuinely affordable rents. BTR may also benefit from CIL relief. For those who can act quickly on the recent announcements, viability could be improved.

With a lack of completions coming forward and more development finance available, those developers or investors who can mobilise now will have 'first restarter' advantage. If they can get ahead of the development slump and deliver multifamily into a shrinking new homes market, they will be the ones that exceed.



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KEY TAKEAWAYS



£0.95bn was invested in UK BTR in Q3 2025, with Single Family Housing accounting for 38% of deal volumes.



UK rental growth averaged 0.9% in the year to September, down from 4.3% last year. London rents fell 0.1%, a smaller decline than in previous months, with signs of recovery emerging.



The gap between supply and demand has narrowed due to softer demand, although new rental supply is at the lowest level since May 2020.



UK renters' affordability saw a modest improvement in September, from an average spend of 32% of their gross income on rent, down from 32.6%.



Landlords continue to withdraw from the BTL market, with capital gains receipts for the 2024/2025 tax year reporting 183,000 residential property disposals, a 28% increase from the 2023/2024 tax year.

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
-1% Tenant Demand	▼	▲
-38% Landlord Instructions	▼	▼
5,140 Q2 BTR Completions	▲	▬
51,200 Q2 BTR Under Construction	▲	▼
0.9% Rental Growth, YOY*	▼	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.8% Weekly earnings growth	▬	▬
32% *Rent to income ratio	▼	▼

Sources: Cushman & Wakefield Research, RICS, Homelet, BPF, ONS.

RENTAL PERFORMANCE

In September 2025, the average UK rent reached £1,343, marking a 1.1% increase on the previous month. This brings annual rental growth to 0.9%, a modest rise from 0.2% in August 2025, but still significantly below the 4.3% recorded in the same month last year.

Rental performance varied across the UK. Northern Ireland saw the highest annual growth at 7.4%, followed by Yorkshire and the Humber (3.8%) and the East Midlands (3.4%). In contrast, the North East (-1.9%), South West (-0.3%), and Greater London (-0.1%) recorded the weakest performance and were the only regions to experience negative annual rental growth in September.

AFFORDABILITY

As of September, the average UK renter was spending 32% of their gross income on rent, a slight improvement on last year when affordability was 32.6%. In the short-term we expect renters' affordability to continue to improve given annual earnings growth overtook annual rental growth in 2024. As of August 2025 annual growth in employees' average earnings was 4.8%. However, the longer-term picture is very much dependent on the delivery of new rental homes, easing the supply demand imbalance and reducing pressure on future rental growth.

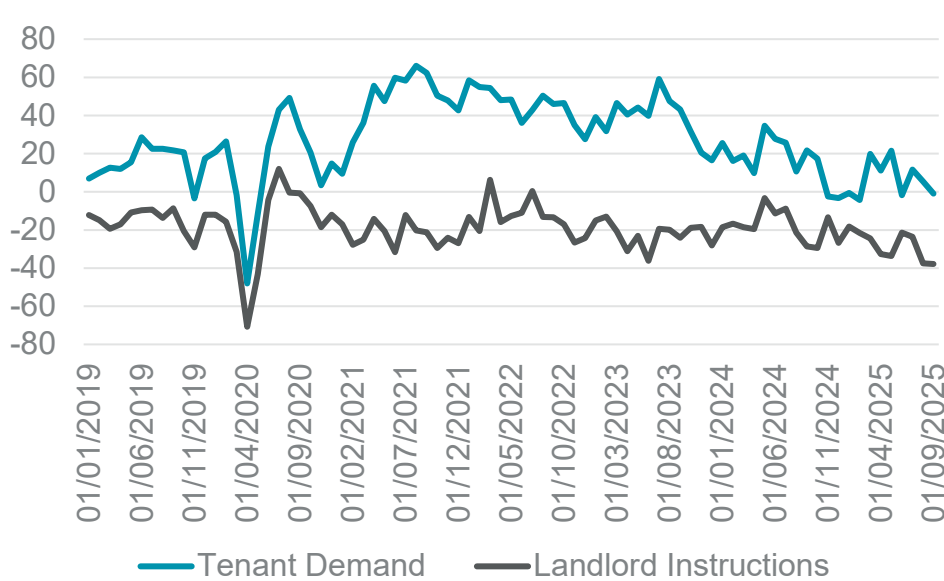
SUPPLY DEMAND IMBALANCE

The supply-demand imbalance is now becoming more balanced, with a slowdown in tenant demand. The RICS residential survey for September 2025 showed respondents citing tenant demand remaining flat, with a net balance of -1%, down from 5% last month. On the other hand, respondents cited landlord instructions moving deeper into negative territory with a net balance of -38%, the most negative reading since May 2020.

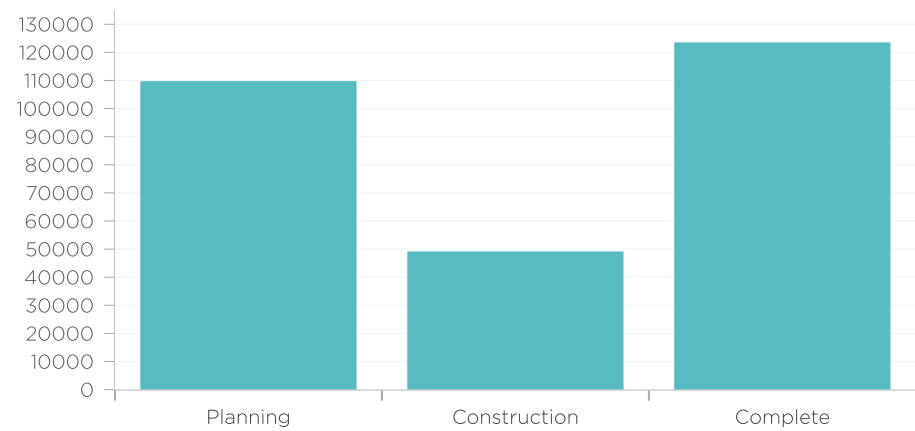
UK ANNUAL RENTAL GROWTH



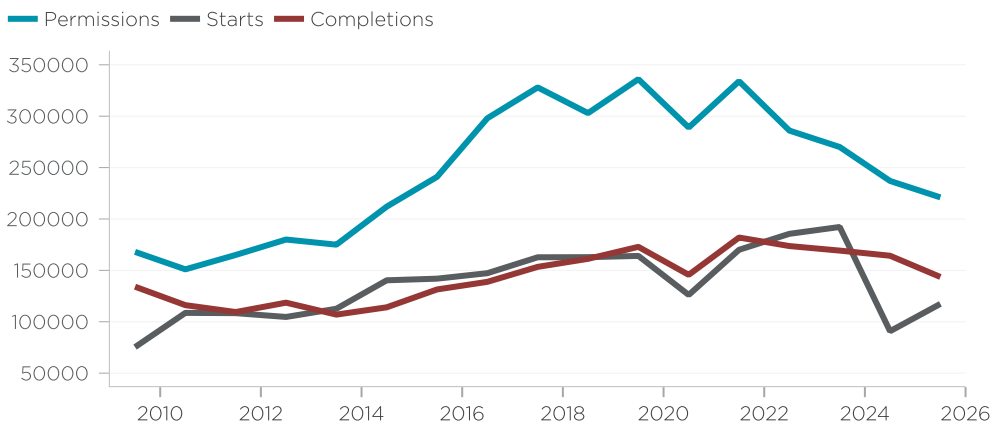
TENANT DEMAND VS LANDLORD INSTRUCTIONS



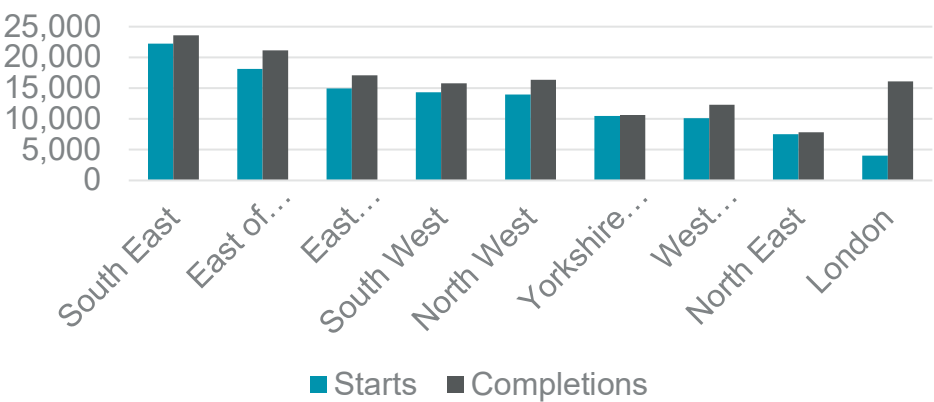
BUILT TO RENT PIPELINE



ENGLAND NEW BUILD (ALL TENURES) STARTS, COMPLETIONS AND PLANNING PERMISSIONS



REGIONAL CONSTRUCTION STARTS & COMPLETIONS



Sources: Cushman & Wakefield Research, GOV.UK, BPF

SUPPLY DEMAND IMBALANCE CONTINUED

An increase in first-time buyers has eased some pressure from the private rented sector, particularly the boost in Q1 2025 when many rushed to meet the stamp duty deadline. We have also seen visa rules impact demand in the private rented sector, with long-term net migration down almost 50% in the year ending 2024 (ONS). Longer term affordability trends have also impacted tenant demand, with 28% of people aged 20 to 34 years old now living with their parents, up from 25.6% in 2014 (ONS). Overall, we have seen a slowdown in tenant demand, but we are still expecting demand to increase given the long-term affordability pressures first-time buyers face, which will be worsened by the chronic shortage of new homes delivery.

As for supply, regulation is playing an increasingly influential role in shaping the market, with recent tax changes, rumoured upcoming tax changes in the Autumn budget, energy performance standards, and the Renters Right Act, all likely to continue to push some landlords out of the market. There has been a reduction in the overall number of BTL homes, with capital gains receipts for the 2024/2025 tax year reporting 183,000 residential property disposals, a 28% increase from the 2023/2024 tax year. To put this into context, a greater number of buy-to-let homes exited the market in 2024/2025 than the total number of complete BTR homes.

Multifamily is going to play an increasingly important role in the delivery of rental homes. As of Q2 2025 there were 132,000 complete BTR units in the UK, up 12% on the same time last year. However, we have seen a slowdown in construction starts with a total of 51,000 in Q2 2025, down 10% on last year. There are 110,000 units currently in planning, but viability challenges mean a lot of these won't be brought forward immediately.

NEW HOMES DELIVERY

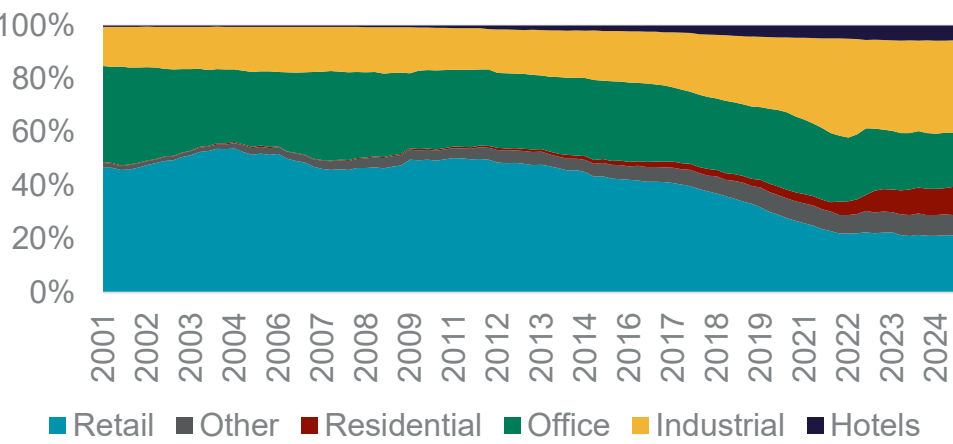
Digging into the wider new homes market, the longer-term outlook for new homes delivery remains poor. The number of homes granted planning permission saw a 7% decline in the year to Q2 2025, with a total of 221,000 approved.

In the year to Q2 2025, there were 117,390 construction starts, up 29% on the previous year and up 6% over the last quarter, but this varies across the regions. West Midlands experienced the greatest quarterly increase in starts with 17% growth. London saw the greatest quarterly decrease with a 27% fall in starts. In fact, between Q1 and Q3 2023, Molior reported 3,248 construction starts, that is just 4.9% of the government's target.

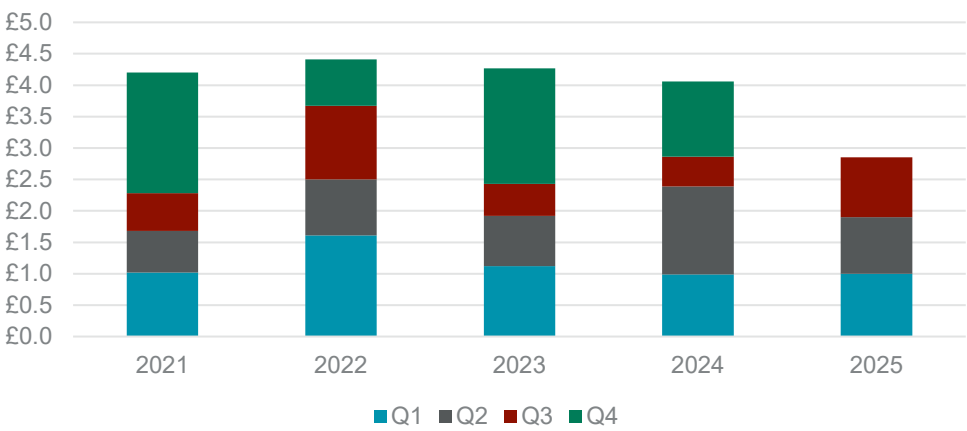
In the year to Q2 2025 there were 143,570 completions, 13% decline on the previous year but 11% greater than the previous quarter. Yorkshire and the Humber saw the greatest quarterly increase in completions with 52% growth. On the other hand, London saw the greatest decrease with a 9% fall in completions.

The UK new homes outlook is weak with supply likely to be severally hit in the coming years. There however is some optimism with the new announcements to boost housing delivery in London, albeit focused on the for-sale market ([more detail here](#)), pending tax changes which could boost construction starts and a change in regime around Gateway 2 with a new regulator in charge and a more programmatic approach.

UK MSCI UNIVERSE



BTR INVESTMENT VOLUMES (£ BILLIONS)



BTR YIELDS

	August 2025	September 2025	October 2025	12 Month Movement
Prime London	4.00%	4.00%	4.00%	0bps
Greater London	4.50%	4.50%	4.50%	0bps
Prime Regional	4.75%	4.75%	4.75%	0bps

BTR INVESTMENT VOLUMES

In Q3 2025 £954 million was invested in the BTR sector, almost double the same quarter last year.

We estimate that around 38% of investment in Q3 was Single Family Housing, a trend which has played out over the last few quarters. Single Family Housing offers a more straightforward and faster route to deployment, typically 6-9 months compared to 2-4 years for multifamily BTR schemes, making it an increasingly attractive option.

A number of deals in Q3 were joint ventures, becoming more common than traditional forward funding models, helping share the risk and unlock new opportunities.

So far in 2025 there has been £2.85bn invested into BTR, we expect investment volumes to hit £4bn by the end of the year, continuing the trend we have seen over the last few years.

BTR YIELDS

A narrow spread between BTR yields and the risk-free rate continues to hold back investment. BTR yields continue to remain stable, with no movement over the last 12 months.

KEY DEALS



Barking Wharf

Buyer - Greystar

Seller - Invesco

Price - c.£170m

Comment - Greystar purchased Barking Wharf from Invesco, with a business plan around efficiency in place to drive NOI.



Start Living Portfolio

Buyer - Lloyds Living

Vendor - TPG and Gatehouse Investment Management

Price - c.£200m

Comments - The portfolio was made up of 578 homes and 32 low-rise apartments located across the West Midlands, Nottinghamshire, Lincolnshire and Merseyside.

Sources: Cushman & Wakefield Research, MSCI, RCA



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