UK BTR market update

Q2 2025

Knight Frank's quarterly review of the key investment themes in the UK Build to Rent (BTR) market covering co-living, multifamily (MFH) and single family housing (SFH)

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Significant milestone passed as the total number of complete, under construction and consented BTR homes climbs above 300,000.

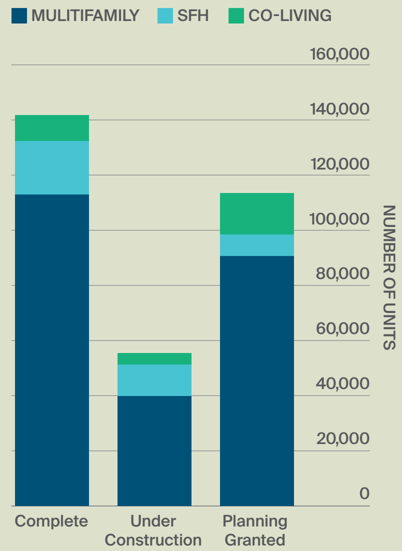
BTR pipeline passes 300k

The total pipeline of Build to Rent homes complete, under construction or with full planning permission surpassed 300,000 homes in Q2 2025, a significant milestone for the sector. Of this, there are 141,839 operational units, with 55,361 under construction, taking the total number of units built or soon to be complete to just over 197,000. A further 113,400 have full planning granted. Nearly two thirds of local authorities across the UK (59%) have at least one BTR scheme either operational or under construction, confirming the key role that BTR is playing in UK housing delivery. The continued growth of the Single Family Housing (SFH) market has played a central role in this expansion with 30,854 rental houses currently complete or under construction.

Papering over the cracks

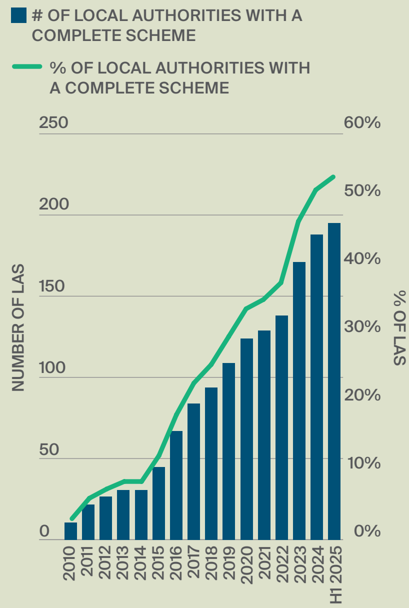
While the headline figure paints a positive picture, it still only represents a tiny fraction of the overall private rental market. It also masks the challenges which exist to future supply, particularly when it comes to turning a growing pipeline of consents into new housing starts. The total number of BTR homes under construction is 11% lower year-on-year, with the biggest drop coming in multifamily units at -15%. So far in 2025 an additional 8,763 BTR units have completed, representing just 30% of the full-year 2024 total and indicating that annual delivery is on course to drop year-on-year. Indeed, analysis of expected completion dates for schemes currently under construction suggests completions will end 2025 11% down compared with 2024 and will decline further in 2026.

Fig 1: More than 300k BTR homes complete, under construction or with planning



Source: Knight Frank Research

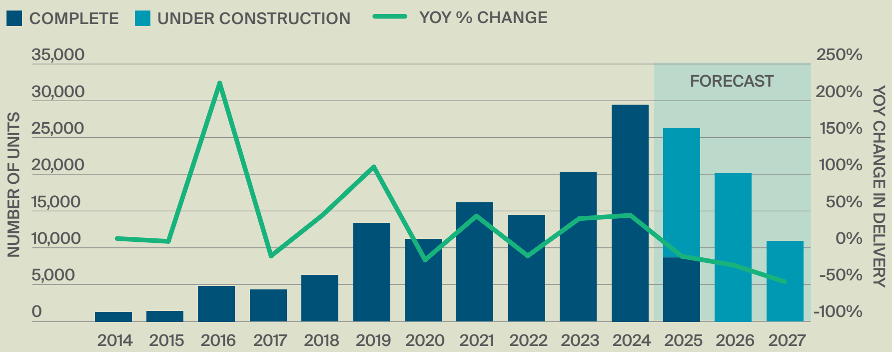
Fig 2: BTR delivery becomes more widespread



Source: Knight Frank Research

Fig 3: Future BTR delivery set to fall

Number of units by completion year



Source: Knight Frank Research

Significant delays at the Building Safety Regulator (BSR) are currently blocking schemes across the country, while concerns over development viability, driven by build cost inflation and the economic climate, are contributing to a cautious market. Taken together, these factors are slowing down delivery, as projects aren't proceeding from planning through to construction and delivery. This represents a threat to delivery of housing of all tenures, particularly in urban areas. However, as build and financing costs ease and as government reforms to the BSR – which include the introduction of a new fast track process to speed up decisions – take hold, we expect new starts will recover, supporting future delivery.

Things can only get better?

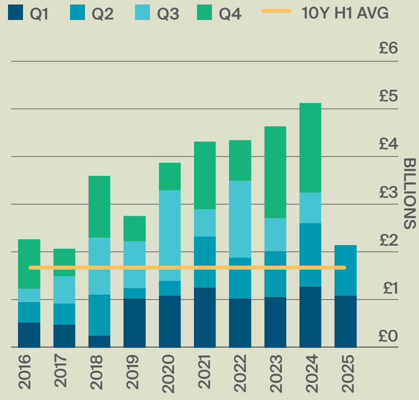
The outlook for the remainder of the Parliament also looks more positive, with specific mention for BTR in the Government's long-term housing strategy. The Planning Reform Working Paper also favours a multi-tenure approach to delivery on large sites noting that BTR sites can "build out up to 60% faster than conventional models". Tackling backlogs and delays at the Building Safety Regulator, combined with planning reforms starting to bed in, could help provide more certainty around delivery. There's no doubt that the sector's ability to rapidly deliver high-quality, professionally managed homes will remain a vital part of the UK's housing mix and the Government's ambitious 1.5 million homes target.

UK BTR investment tops £2 billion in H1

Investment into the UK Build-to-Rent sector exceeded £1 billion in Q2, bringing total spend for the first half of 2025 to £2.2 billion. While this represents a decline compared to the same period last year - both on a quarterly and half-yearly basis – it reflects the ongoing growth in Single Family Housing, where deals typically involve smaller lot sizes. Over £730 million was invested in SFH across 17 transactions during Q2, with strong interest from both domestic and international capital. SFH has accounted for 49% of total BTR investment so far this year, with an average deal size of £40 million. In addition, investors continue to deploy capital in the multifamily market. In Q2, five multifamily deals were completed, with a combined value of £280 million. Once again, the driving force behind UK BTR investment has been deals funding future development. In 2025 to date, 83% of transactions have been for the development of new homes.

Fig 4: Total UK BTR investment volumes

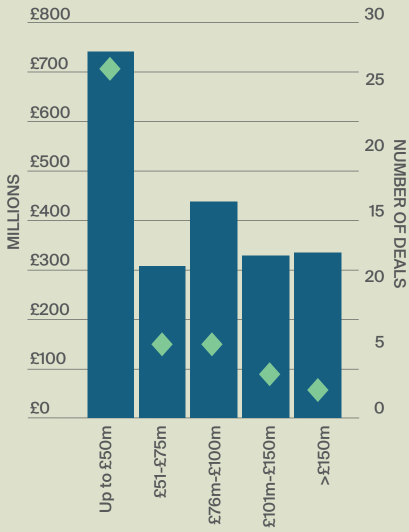
£ billions



Source: Knight Frank Research

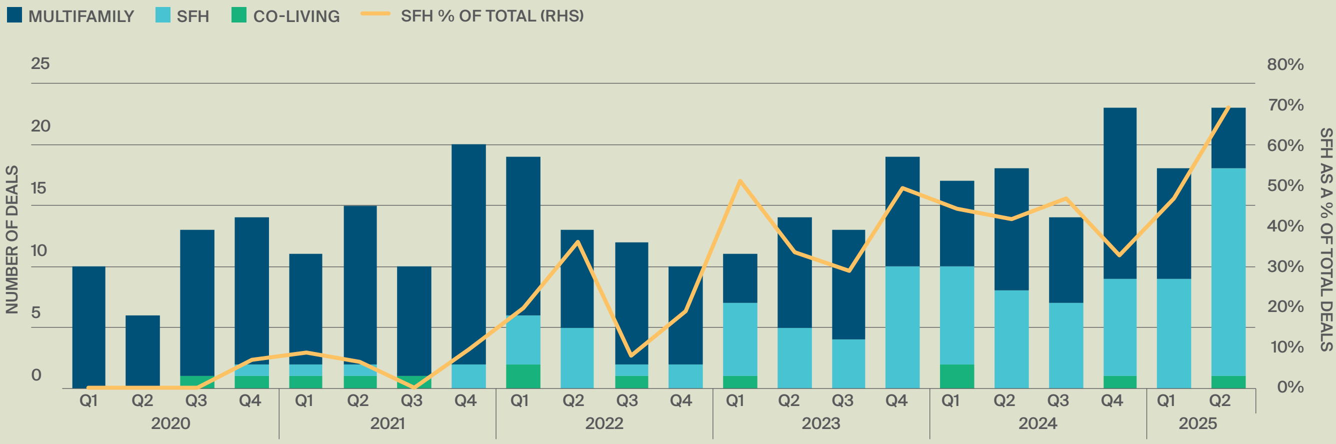
Fig 5: Smaller deals dominate

Value and volume of deals completed in H1 2025



Source: Knight Frank Research

Fig 6: BTR transaction volumes by sub-sector



Source: Knight Frank Research

Jump in deal volumes

Although overall investment value trails the record-breaking first half of 2024, deal volumes have increased, up by 28% on Q2 2024 and by 17% compared with H1 pointing to an active investment market. Key transactions in Q2 included the operational multifamily assets Slate Yard in Manchester and Solasta Riverside in Glasgow, L&G's first BTR disposal. On the SFH side, Newhall in Harlow and Whitehouse in Milton Keynes completed. Knight Frank advised on all four deals.

Demand for rental homes is high...

Our analysis of time on the market shows that the median time to let a BTR home across the UK in the second quarter of 2025 was just 17 days, highlighting the ongoing strong demand from tenants for purpose-built professionally managed rental accommodation. While demand remains strong, average time on the market has ticked up when compared to the frenzied rental market seen post-pandemic, reflecting a return to a more seasonal lettings environment. A slight increase in the average time taken to let a property also reflects the fact that the acute nature of the supply and demand imbalance is easing. There are 18% more rental homes on the market than this time last year, but that's still a quarter lower than in 2019.

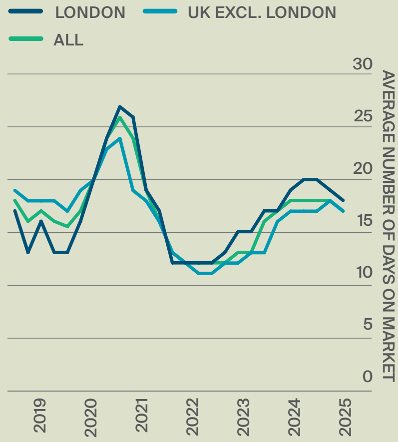
...but rental inflation is easing

Further evidence of a market returning to pre-pandemic levels can been seen when looking at rental inflation, which all the major indices suggest is moderating from recent highs. In some markets, the easing can be attributed to the increase in supply over the past year which is currently being absorbed. Our expectation is that rents across the UK PRS sector will grow by 4% over 2025, though there is room for outperformance in more affordable areas close to large cities.

Not all markets are equal

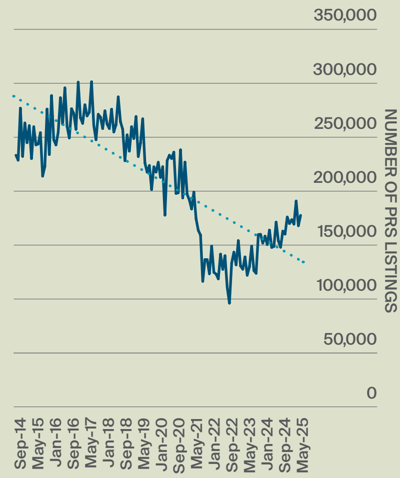
Our analysis of the UK private rented sector indicates that the recent moderation in rental inflation is being led by the top end of the market. Price segmentation reveals that the sharpest slowdown is occurring in the most expensive areas, while rental growth in more affordable areas remains more resilient. For BTR investors, this trend underscores the relative outperformance of schemes targeting the mid and core markets. Looking ahead, we expect growing investor interest in mid-market BTR opportunities, which align with a broader demand base. These schemes also offer the potential for more efficient development economics, with lower build costs achievable through reduced amenity offering and more mid-market specification.

Fig 7: Tenant demand for BTR remains strong



Source: Knight Frank Research, Rightmove

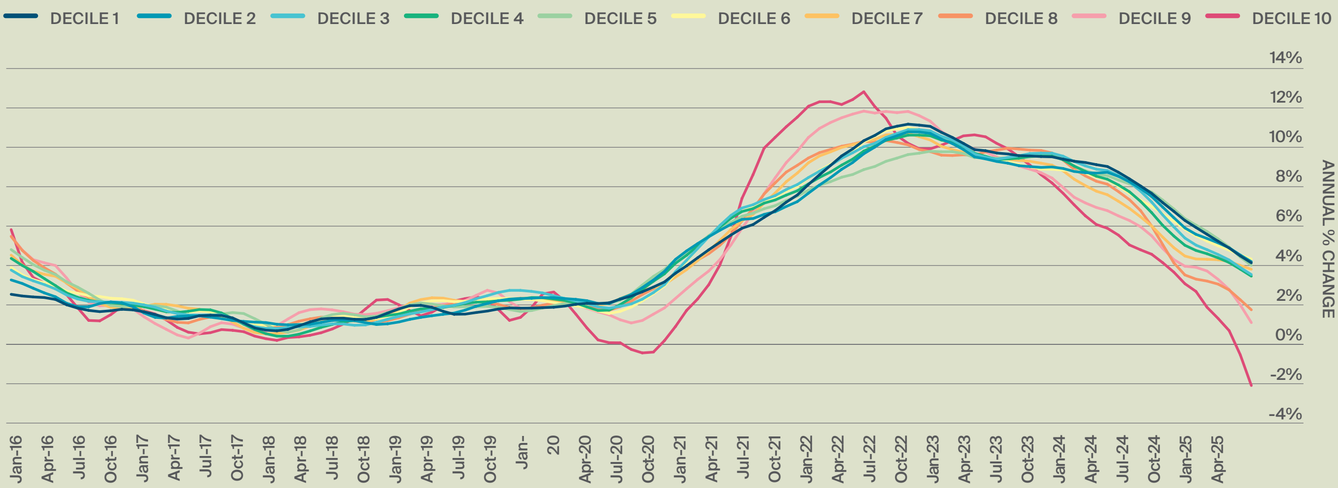
Fig 8: Short term growth in supply can't mask long-term drop



Source: Knight Frank Research, Rightmove

Fig 9: More moderation at the top end of the rental market

Annual % change in rents by value (decile 10 = most expensive)



Source: Knight Frank Research

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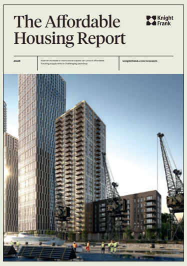

The Affordable Housing Report 2024

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