

Market Insights

Understanding the Buy-to-Let Market

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Understanding current market trends in the buy to let market

The buy to let market has been through significant change over the last 10 years, yet activity has proven more resilient than gloomy press headlines suggest.

New lending has stabilised near 2018/19 levels, refinancing continues to build after landlords locked in amid market uncertainty post-COVID, and returns have improved as rents outpace prices. At the same time, higher running costs, tighter regulation and looming energy efficiency requirements are reshaping investor behaviour. This report aims to understand current market trends in the buy-to-let market and to point towards future trends.

Lending activity: steady new advances and a rebuilding remortgage pipeline

New buy to let advances have settled at around 5,000 per month since early 2023. That is below the 2018–2022 average but sits just shy of pre-COVID norms, indicating a floor of underlying demand even after the rate shock. The most visible blip in the series—March 2025—was a classic date effect:

landlords rushed to complete before the SDLT nil rate band was reduced from £250,000 to £125,000. Aside from that spike, the run rate has been remarkably consistent amid cost of living pressure and shifting regulations.

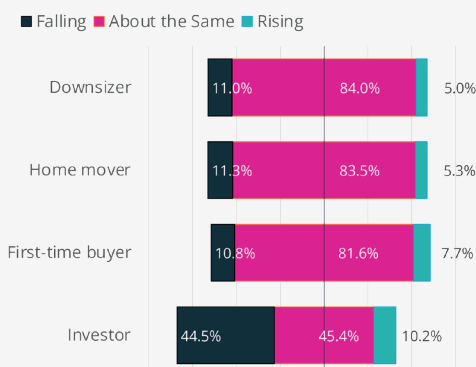
Remortgage activity remains roughly 20% below the 2018–2022 average but has been trending upward for more than a year. Many landlords opted for longer term fixes as the cost of living crisis began and in the run up to the Truss mini Budget, essentially paying for certainty against further rate volatility. The flipside is a staggered wave of refinancing as those fixes roll off, creating opportunities for brokers to re-engage clients who were on the sidelines in 2023 and early 2024. In short, while total volumes are not back to the prior cycle's highs, the pipeline for both purchase and refinance remains in good health.

What surveyors are seeing on the ground

Our monthly sentiment survey of buyer engagement from e.surv surveyors - capturing “on the ladders” local market views - shows a mixed picture. Across the UK, 44.5% report a decline in landlord activity, consistent with tighter cashflows following higher rates. Yet this is not uniform.

Several commuter belt areas around London and regional cities are showing more investor interest, where stock is comparatively affordable, tenant demand is reliable, and travel to work patterns support occupancy. For brokers, that means local knowledge is at a premium: the national headline can hide actionable micro markets.

Activity by Buyer Segment



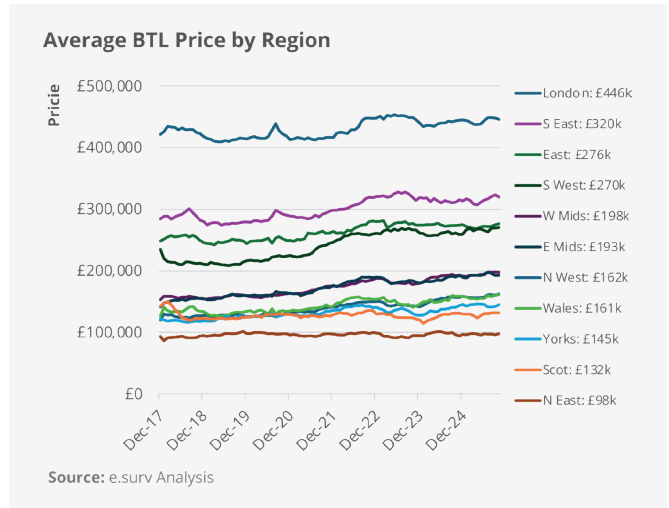
Source: e.surv, September 2025

Property prices: modest growth since 2018, led by more affordable regions

Property prices have recorded modest growth since 2018, with most of the gains coming in the more affordable northern markets. This aligns with the yield led strategies investors have adopted: where entry prices are lower and rents have risen, the income math works more reliably.

London remains the most expensive region for BTL purchases at about £446,000, followed by the South East at £320,000. At the other end of the spectrum, the North East sits at around £98,000, with Scotland at around £132,000 and Yorkshire at £145,000. The differential matters because it drives the leverage achievable under standard stress tests and affects the headroom investors have to absorb future cost increases.

Another notable feature is the compression of prices by number of bedrooms in many local markets. In plain terms, the premium for moving from a two bed to a three bed or larger is not as pronounced as it once was. This can indicate less mature rental markets where a larger share of the rented stock is three bed or above and where tenant demand is often family driven. For brokers, the implication



is two fold: the income may look attractive on paper, but exit strategies and time to let deserve more attention in underwriting conversations, especially outside major cities and university towns.

Investor discounts: the spread versus owner occupiers has widened

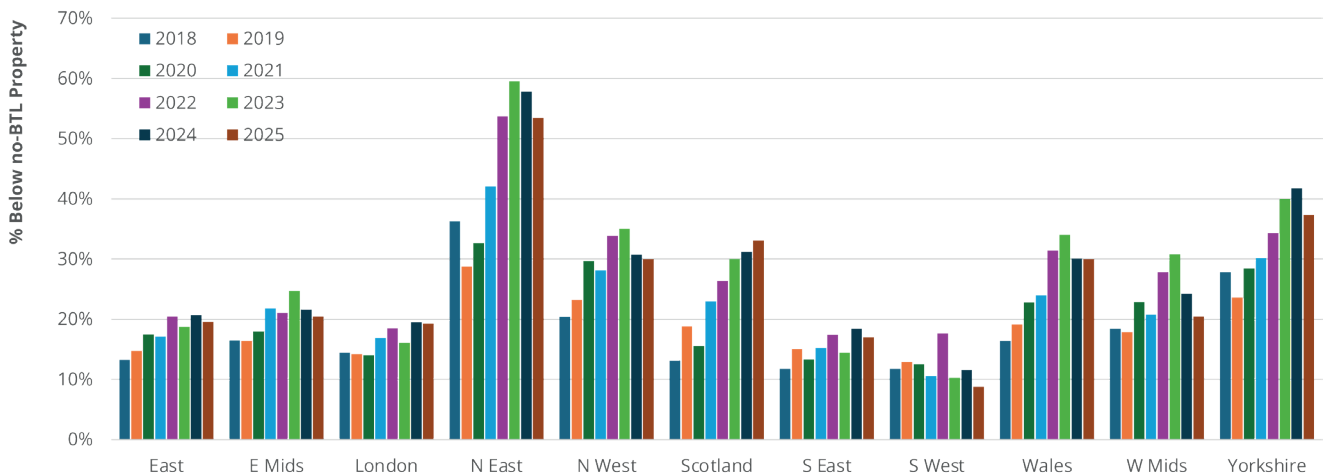
Investors are buying at larger discounts to owner occupiers than they did at the end of the last decade. In 2018, the average discount on BTL purchases was close to 12%. This has widened to roughly 22% in 2025.

The biggest gaps are found in the North East and Scotland, where investor demand is more focused on income. A larger discount is not just an interesting statistic; it is a practical

enabler. It boosts yield on day one and can help investors clear tougher affordability tests without relying on aggressive leverage.

For brokers positioning cases, this growing spread supports an important narrative: yield first strategies up north, and blended growth plus income plays in the south.

% Difference in Capital Value: BTL vs Non - BTL Purchase by Region



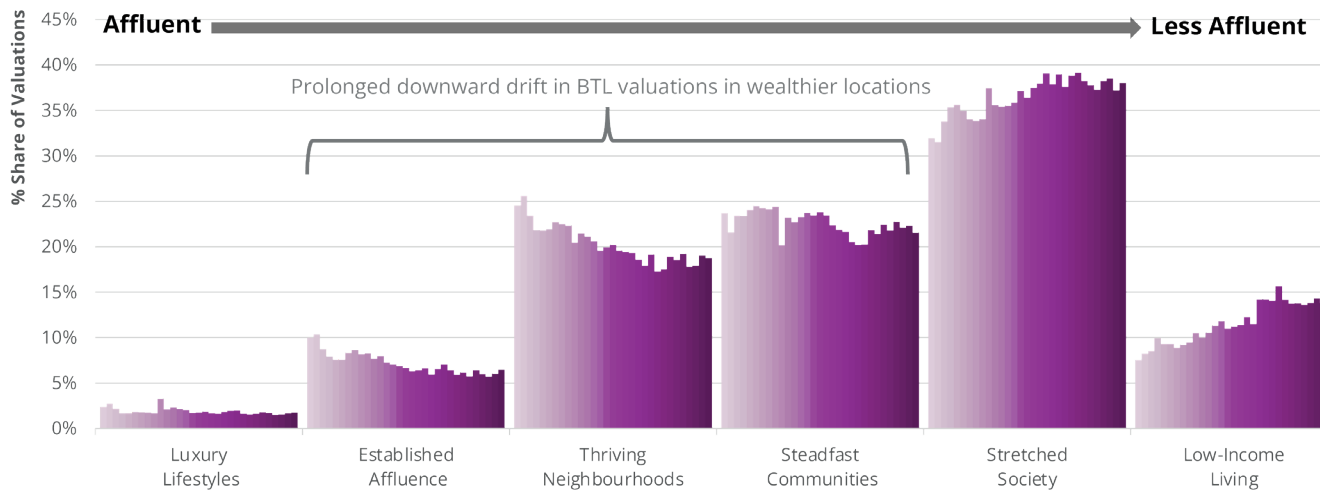
Source: e.surv Analysis

A demographic shift

To understand tenant demand, we profile markets using CACI Acorn, which segments households from most to least affluent based on demographics and consumer behaviour. Over recent years, BTL valuations have gradually shifted away from the most affluent segments on the left of that scale towards the less affluent segments on the right. This

reflects where yields are stronger and where rental demand is most resilient in a constrained supply environment. It also hints at practical considerations for landlords - more price sensitive tenants, tighter affordability checks, and the need for well priced, well managed homes to minimise voids.

Share of Valuations by Demographic Profile (2018-2025, Monthly)



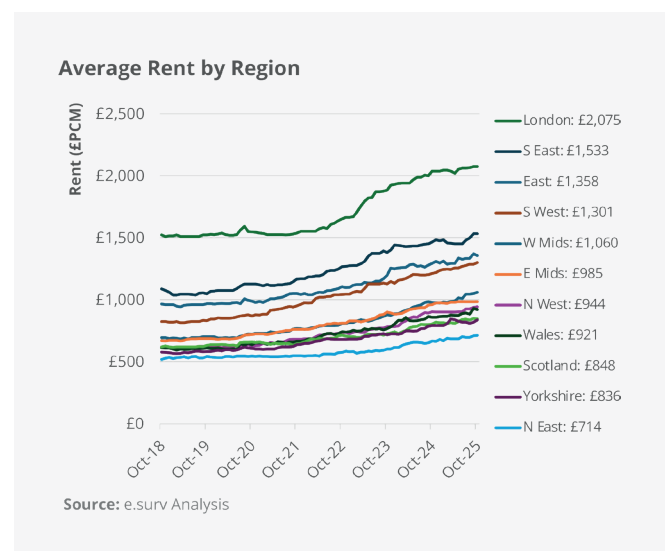
Source: e.surv Analysis, CACI Acorn Profile

Rents: income strength remains the anchor, with signs of moderation ahead

Rents have risen faster than prices over the past two years, underpinned by three forces. First, wage growth has raised tenants' ability to pay, across all regions. Second, many landlords have passed on part of their higher mortgage costs when local market conditions allowed. Third, previously under rented markets have been catching up, particularly in areas with limited new supply and growing household formation.

On today's numbers, London commands an average rent of around £2,075 per month, with the South East near £1,533 - several regions between Wales and the North East cluster between roughly £700 and £1,000 per month. Nationally, our data shows rental growth of around 24% over the last three years.

That said, there have been signs of moderation in 2025. As wage growth slows, the rapid pace of rent increases is likely to cool, especially in sub markets where recent rises have stretched affordability. For brokers and landlords alike, that means future cases should lean on realistic rent reviews rather than assuming the last 24 months' growth repeats.



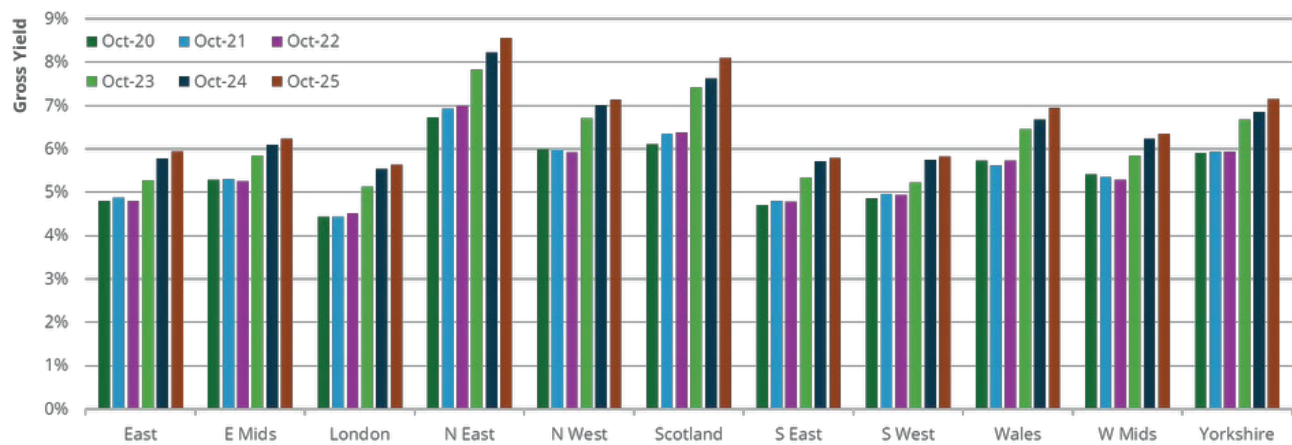
The structural imbalance between demand and supply has not disappeared, but the rate of change is unlikely to stay at peak levels.

Yields: higher across the board, strongest where entry prices are lowest

When you combine softer price growth with stronger rents, the result is straightforward: yields have risen across every region. This effect is most visible in affordable northern markets, where gross yields are approaching 8–9%. The rise is also evident in the Midlands, Wales, and parts of Scotland, while southern markets have improved from a lower base.

For investors, this supports a tactical tilt towards income, at least in the near term. For brokers, the message is to frame product selection around local yield realities—terms and leverage that work in London may be unnecessarily tight in Leeds or Glasgow, and vice versa.

Gross Yield by Region



Source: e.surv Analysis

Affordability and ICR: a genuine improvement as rates ease

Affordability testing has become less of a brick wall as mortgage rates have moved down from their peaks. In our 2024/25 sample, at a current non-stressed rate of 4.8% roughly 98% of valuations pass standard ICR checks at a 125% coverage, and about 89% pass at 145%. At 5.5%, pass rates remain high—around 90% at 125% and 71% at 145%. The picture changes as you step up the stress: at 6.5%, pass

rates fall to about 68% at 125% and 46% at 145%; at 8.0%, they drop further to roughly 38% and 23%, respectively. Improving rates and less strict stress testing materially expand the pool of passable cases compared with 2022/23. Case outcomes remain highly rate sensitive, so timing and product selection can be the difference between a 'pass' or 'fail' in some edge cases.



Regional ICR resilience: the North and Scotland lead

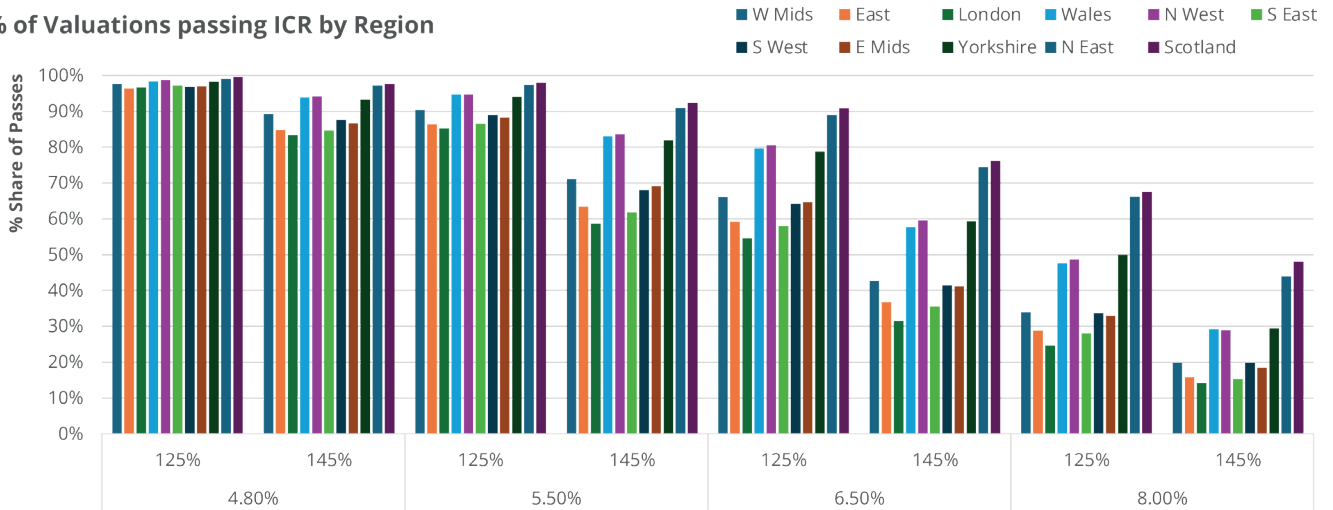
Regional patterns in ICR outcomes mirror the yield landscape. Northern regions and Scotland show the strongest resilience across stress tiers because entry prices are lower and gross yields higher.

Even at tougher stress rates, a larger share of valuations clear ICR in places like the North East, Yorkshire and the North West, as well as Scotland. London and the South East, by contrast, remain more sensitive to stress rate

assumptions due to their higher purchase prices and thinner starting yields.

The practical takeaway is to align structure to geography: in lower yield southern markets, lower gearing, longer terms, and judicious product choices may be necessary to clear ICR; in higher yield markets, there is more headroom to tailor LTV and term without compromising affordability.

% of Valuations passing ICR by Region



Source: e.surv Analysis

Energy efficiency: the EPC 'C' challenge and its market impact

Energy efficiency remains the regulatory wildcard. If a minimum EPC rating of 'C' is required for letting by around 2028, nearly half of private rented dwellings in England and Wales could be non compliant, according to current data, with Scotland only slightly better.

New build stock naturally performs well on EPC, but the share of new build homes with BTL mortgages has fallen as landlords have focused on cheaper, existing properties with higher yields. The move to cheaper, potentially less energy-

efficient properties increases exposure to retrofit costs across landlords' portfolios.

From a lending and valuation perspective, under invested properties will face more questions at refinance—not just on the works required, but also on the landlord's plan, cash buffer, and the feasibility of upgrades in certain property types. Brokers can add real value by bringing EPC planning into the affordability conversation upfront, rather than allowing it to become a hurdle later.

Outlook and implications

The market is increasingly income anchored. Investors are moving down the price curve to secure higher yields, especially in regions where tenant demand is strongest and purchase prices remain accessible. Financing conditions have genuinely improved from their tightest point in 2022/23, evidenced by higher ICR pass rates at today's mortgage rates.

Rental growth continues to support the income case, although the pace is likely to moderate as wage growth slows. At the same time, regulatory pressures are pushing up costs and favouring professionalised landlords who can plan upgrades, manage voids, and handle regulatory headwinds more efficiently.

Three practical threads run through the data. First, match strategy to geography: lower yield southern cases may need more conservative lower LTVs and longer fixes, while higher yield northern and Scottish

cases can often withstand higher leverage at standard stress. Second, re underwrite yesterday's 'no': cases that failed in late 2023 or early 2024 may now clear ICR, particularly where rent reviews have occurred. Third, mainstream EPC planning: treat retrofit requirements like any other material expense—budget them, stage them, and document how they will be funded and delivered, so lenders are comfortable at refinance.

Policy risk sits in the background. Potential changes flagged around National Insurance treatment of rental income, capital gains tax reliefs, inheritance tax, or stamp duty design could nudge investor behaviour one way or another. As ever, the direction and timing of any changes will matter more than the speculation. Our working assumption is that the core investment case will continue to revolve around dependable income in markets with persistent undersupply, with capital growth a bonus rather than the main course.

Data and methodology notes

Unless stated otherwise, the figures in this report draw on e.surv's internal valuation analytics and monthly surveyor sentiment survey.

All data and insights are subject to revision as new evidence arrives.

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