Renters' Rights Act | Estate Agencies Vs Letting Agencies



The Renters' Rights Act represents one of the most significant changes to the private rented sector in a generation; and whilst much of the discussion around the upcoming legislation has focused on landlords and tenants, its impact is also likely to extend into the wider housing market.

Lettings and Estate agencies have always been closely linked through housing supply and demand, meaning changes in one part of the market can influence the other. Therefore, it is understandable that as the new regime approaches, both lettings and estate agents may be wondering how the legislation could affect:

- Housing supply.
- Landlord behaviour.
- Tenant mobility.
- The balance between sales and lettings businesses.

There is an important distinction to consider between what the data suggests may happen and what the industry feels is already happening; and understanding the difference between these two perspectives is vital when it comes to predicting how the market could change.

Estate Agency And Lettings Are More Connected Than They Appear

Although estate agency and lettings are often treated as separate services within agencies, they are fundamentally linked; not least, of course, because a single property can move between the sales and rental markets multiple times during its lifecycle. For example:

- A landlord may sell a rental property.
- A homeowner may become an accidental landlord.
- An investor may purchase a property to rent it out.

Policy changes affecting the private rented sector can have knock-on effects across the wider housing market; after all, if the Renters' Rights Act alters how landlords view property investment, it may influence both:

- The supply of rental homes, and
- the availability of properties for sale.

This means that estate and letting agents often experience changes in the market at the same time, even if the policy itself targets only one part of the sector.



Could The Legislation Encourage Some Landlords To Sell?

One of the most frequently discussed potential impacts of the Renters' Rights Act is whether some landlords will choose to leave the market.

Over the past decade, landlords have already experienced a series of changes including tax reforms, regulatory changes and even greater compliance obligations.

For some landlords, reforms may lead them to reassess their long-term plans. And even if a small proportion of landlords decide to sell their properties, this could increase the number of homes entering the sales market.

However, it is important to recognise that when a landlord decides to exit the market, there is often an assumption that rental supply will immediately shrink. But, the reality is that the outcome depends on who purchases the property.

In reality, three outcomes are possible.

Another landlord purchases the property

In this case, the home remains within the rental sector.

The tenant purchases the property

The property leaves the rental market, but the tenant household transitions into homeownership.

An owner-occupier buys the property

The property leaves the rental sector entirely.



Each of these outcomes affects housing supply differently.

For example, if rental homes are purchased by first-time buyers, the number of rental properties may fall - but then so will rental demand, because those households are no longer renting.

This illustrates why housing market changes could be more balanced than some perceptions may suggest.

Tenant Behaviour Could Also Change

While much of the attention has focused on what landlords will do, the Renters' Rights Act may also influence tenant behaviour.

That is because if the legislation leads to an increase in tenant security and stability, then privately rented households may remain in their homes for longer periods.



Longer tenancies could lead to:

- Reduced tenant turnover.
- Smaller void periods.
- Longer average occupancy periods.

This doesn't necessarily mean the total number of rental homes changes, but it may affect how frequently properties appear on the market; and for letting agents, this could make supply appear tighter, particularly in areas where tenant demand is already strong.

In other words, rental stock may exist, but it may circulate through the market more slowly.

GLOBAL EVENTS AND HOUSING MARKETS

Housing markets aren't only influenced by domestic policy; but also by wider global events.

The recent geopolitical tensions in the Middle East have pushed oil prices higher and have led to increasing concerns about the risk of rising inflation: prompting some mortgage lenders to change deals, and in some cases withdraw mortgage products as financial markets consider the realistic changes to interest rates.

Meanwhile, the Renters' Rights Act is expected to reshape parts of the private rented sector, influencing how landlords manage their properties and how tenants experience longer-term security. History shows what could happen next.

Following the Global Financial Crisis of 2008, tighter mortgage lending pushed many would-be buyers into renting, while some homeowners chose to rent out their own property rather than sell, and decided to rent their next home – becoming both landlord and tenant at the same time.

The result was a significant growth in the private rented sector; illustrating how global economic shocks can shift the balance between homeownership and renting.

What The Numbers Say Versus What The Market Feels

Property markets are influenced by a combination of data, sentiment and local experience. Agents working in certain areas often see changes in landlord behaviour first-hand, which can shape how the market feels.



For example, agents may report that:

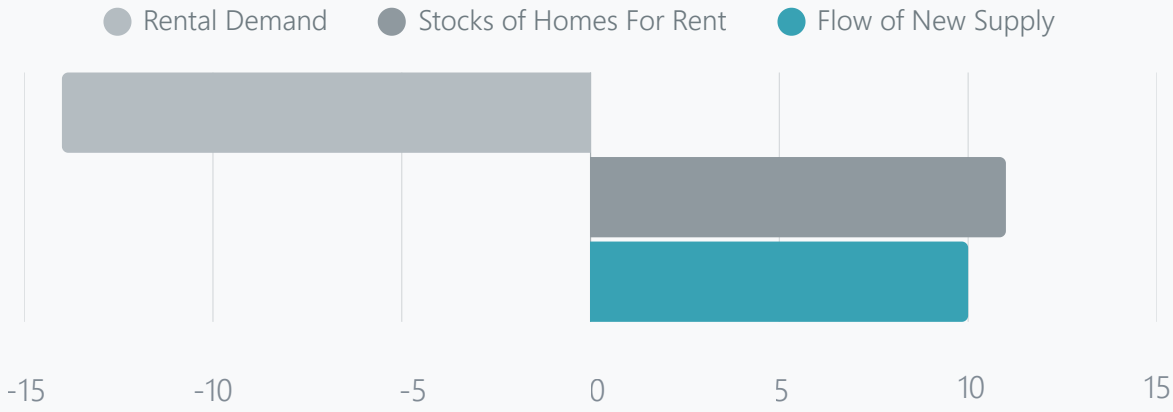
- More landlords are considering selling.
- Rental demand appears stronger than ever.
- Fewer properties are becoming available.

Yet national housing data sometimes shows a more gradual picture.

Regional variation also plays an important role. Some local markets may experience significant shifts, while others remain relatively stable.

RENTER DEMAND WEAKENS AS SUPPLY EXPANDS, SLOWING RENT INFLATION

Recent data from Zoopla shows the national picture is seeing a 10% increase in new supply, and an 11% increase in homes for rent versus the same time last year. But this is not the experience for all, in some areas of the UK.



Data source: https://www.zoopla.co.uk/discover/property-news/rental-market-report/

The difference between local experience and national data can make it difficult to interpret the true scale of change; therefore, it is this local knowledge which becomes critical for agents as they offer advice to their landlords.

What This Means For Estate And Letting Agents

For letting agents, the Renters' Rights Act is going to bring the most direct operational changes, particularly around tenancy management and compliance. However, estate agents may also experience indirect effects.

If some landlords decide to sell, agencies may see:

- Increased listings from investor vendors.
- Opportunities for first-time buyers.
- Changes in local housing supply.

At the same time, if tenants remain in properties longer and rental demand remains strong, letting agents may find that portfolio management becomes even more central to their business model.

Many agencies already rely on lettings portfolios to provide stable recurring revenue, while sales activity delivers growth during stronger housing markets. Therefore, as the legislation is set to reshape parts of the private rented sector, some agencies may review how the two sides of their business work together.

The Renters' Rights Act is likely to influence the private rented sector, but its impact will not happen in isolation. Wider economic forces - including rising mortgage costs and global events affecting inflation and energy prices - are also set to shape the housing market.

For estate and letting agencies, the key challenge will be understanding how these forces interact, and how shifts in one part of the market may ripple across the wider housing landscape.

While the long-term effects of the legislation are yet to be known, one thing is clear: estate and letting agencies must remain adaptable as the housing market continues to evolve.



BOX FROM THE LETTINGS HUB

At The Lettings Hub, we're always here to support you through the ever-changing lettings landscape. With the Renters' Rights Act introducing new regulations, staying updated is crucial. That's why we offer a variety of resources to help you navigate these changes smoothly. From webinars and blogs to tailored guides, our platform is packed with expert insights. Be sure to follow us on LinkedIn and bookmark our Renters' Rights Hub for the latest updates, tips, and advice.

