

BUY TO LET MARKET 2025: WHAT ARE THE CHALLENGES AND OPPORTUNITIES?

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Much like the wider housing and mortgage landscape, the UK's Buy to Let (BTL) market is fast evolving. Financial pressures and regulatory challenges are driving some landlords to exit the market, while others – including many professional investors – are doubling down by expanding and diversifying their portfolios.

Brokers have an important role to play in supporting landlords as they navigate this dynamic environment and seek to capitalise on new opportunities. In this article, we'll examine the key challenges and opportunities in the market today and explore the latest trends in the BTL space.

Economic and regulatory challenges

With profitability front of mind for landlords, rising costs over the past several years have been a key concern.

While the Bank of England base rate has seen gradual decreases since August 2024, rates remain significantly higher than pre-2021 levels. The market has changed significantly in the last few years, and as a result, those landlords who have been on longer-term fixed rate deals will be remortgaging onto considerably higher rates, potentially reducing their profit margins, and either forcing landlords to sell, or driving up their rent prices to cover the shortfall. In addition, operational expenses have been on the rise too, with inflation driving up the cost of maintenance and repairs, as well as increasing landlords' insurance premiums.

Adding to these economic headwinds are recent tax changes impacting landlords. Landlords had already been significantly affected by the implementation in 2020 of Section 24, commonly known as the 'Landlord Tax' or 'Tenant Tax', which removed the right for landlords to deduct the majority of their finance costs, including mortgage interest and arrangement fees, from their rental income before calculating their tax liability – requiring them to pay tax on the gross income from a rental property, squeezing profitability and potentially pushing them up into a higher tax bracket. More recently on 1st April 2025, higher rates of Capital Gains Tax were introduced, alongside increases to the Stamp Duty surcharge.

Impending regulatory changes are also creating an increasingly complex environment for landlords. The Renters' Rights Bill, which is expected to become law later this year or in 2026, will significantly reform England's private rented sector¹. The legislation introduces greater protection for tenants, primarily by abolishing Section 21 'no fault' evictions and requires landlords to cite specific, legally defined grounds for possession.

Amid a wider push for more sustainable housing, significant changes to Energy Performance Certificate (EPC) requirements for privately rented properties are also on the horizon. While plans to introduce new EPC rules for rented properties in 2025 and 2028 were scrapped, a 2030 target is currently being considered.

Together, these financial and regulatory developments are making the BTL space more challenging and are influencing landlords' long-term investment strategies.

A changing landscape – and new opportunities

Despite these challenges, the BTL space remains active. Q4 2024 saw 52,648 new BTL loans advanced in the UK – up 39.2% by number compared with the same quarter in the previous year, worth a total of £9.6 billion².

Over the past decade, landlords have increasingly shifted to operate via limited

companies for tax efficiency, particularly post-Section 24. 2024 saw a record number of new limited companies being set up to hold BTL property, up 23% from 2023 – which had itself been a record year³. The number of new incorporations has risen every year over the last decade, with growth super-charging from 2018 as the so-called 'Landlord Tax' kicked in.

We are also starting to see a new generation of landlords in the UK. While the median age of private landlords remains around 59, there are signs of a growing shift: in 2024, 22% of new BTL mortgages were taken out by landlords aged 18-34, up from 15% in 2014⁴, while a recent study found that a third of UK adults aspire to become BTL landlords in the future⁵.

A number of emerging trends are also creating new opportunities in the private rental sector. Higher living costs and rent increases have pushed more tenants towards shared living solutions, resulting in rising demand for Houses in Multiple Occupation (HMOs) – which can offer landlords higher rental yields than traditional BTL properties.

Meanwhile, as momentum builds around the need for more energy-efficient properties, savvy landlords are exploring developer incentives on new builds, which already meet requirements for the government's forthcoming EPC reforms. This is something we've seen at Kensington since the introduction of our BTL Prime range, and some Mortgage broker firms highly active in New Build are reporting 1 in 4 New Build applications are now for BTL, meaning first time buyers are potentially competing with landlords for new properties.

Future outlook

The UK's BTL market is evolving, but it is not disappearing. While many Brits aspire to home ownership, many are currently not in a position to make that a reality and are instead turning to the rental market. In 2000, 10% of the population privately rented, while 19.5% were in social housing. Fast forward to 2025, and 18% of Brits now privately rent, while 16.4% are in social housing – meaning that renters make up nearly 35% of the total population, an almost 5% increase since the turn of the millennium⁶.

The private rental sector is vital to the UK housing market, and while heightened costs and evolving regulation presents challenges to landlords, there are also clear opportunities.

Even in a complex environment, professional and experienced landlords understand the value of long-term capital growth, are responding to changing market conditions and looking at alternative locations and property types that offer healthier yield and demand dynamics.

Throughout this shift, brokers play a crucial role in helping landlords navigate the regulatory landscape. By providing landlords with their deep understanding of criteria, products and the needs of their clients make them essential to landlords navigating this complex market.

¹ Shelter England. (n.d.) What to expect from the Renters' Rights Act

² UK Finance. (2025) Buy-to-Let Lending quarterly insight, 2024 Q4

³ Hamptons. (2025) Record number of companies set up to hold buy-to-let property in 2024

⁴ Paragon Bank. (2023) The importance of supporting the next generation of landlords

⁵ FTAdviser. (2025). Third of UK adults aspire to be BTL landlord

⁶ Statista. (2024). Percentage of tenants among the population in the United Kingdom from 2006 to 2024



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Adam has over 10 years of sales and relationship management in Financial Services, most recently as Key Relationship Manager at Legal and General.

Prior to this, Adam's experience was with Building Societies, working his way from customer advisor through to branch manager before becoming a BDM, giving him a wholly rounded view of the industry, and gaining key insight into intermediaries and their clients. Joining Kensington, Adam will continue to build and nurture key relationships, underpinning the key values of Kensington as an innovative, solution-led and forward-thinking specialist lender.

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