

A HELLO NEIGHBOUR REPORT



LANDLORD

ECONOMICS

No one is getting rich.

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Rising costs, flat rents and the Renters' Rights Act have squeezed UK landlord returns to around or in most cases below cash savings for the average property in the UK. Hello Neighbour has used its data and experience as well as Zoopla's highest yielding buy-to-let hotspots research from September last year to estimate today's likely landlord annual returns across the UK given the significant changes in regulation and the macro environment. We have modelled eight worked examples for London and Manchester, as well as regional averages and letting hotspots from Zoopla. We have looked at mortgaged and unmortgaged, agent-managed and DIY.

We have focused on the yield after all costs that a landlord can achieve on the capital deployed (Return on Equity - ROE) as this is the right comparator for mortgaged and unmortgaged landlords, not gross yield or yield on property value. This is because landlords committed capital (either the value of the whole property if unmortgaged, or the value of the property less the amount of the outstanding mortgage if the property is mortgaged) is what would be earning interest in a savings account if the landlord sold up.

The results for the average property in the UK are sobering and demonstrate landlords are getting a low return on the capital they commit to own a property unless house prices rise significantly more than currently forecast.

As you would expect the top ten hotspots identified by Zoopla produce more attractive returns, especially if a landlord manages the property themselves.

We have also looked at the capital returns a buy-to-let landlord might achieve over the next five years based on Savills' recent forecast of a 2.0% fall in 2026, a 2.5% rise in 2027, a 5.0% rise in 2028, then 6.0% in 2029 and 6.0% in 2030. After costs, annualised returns on equity are 1.0% to 2.5% in our examples. It is important to note that the growth comes predominantly from 2028 onwards.

The answer for all landlords is to focus hard on costs which is of course what many do today. Minimise expensive repairs by simple preventative steps and think hard about do I let and manage the property myself.

Is it all worth it?

There is a great deal said about landlord economics. However, what is clear is that there has been a raft of change over the last few years which has added to landlord costs. Regulatory and tax change has added risk and cost, and repairs and maintenance have seen above-inflation increases. Agent fees remain high despite the move to periodic tenancies and there are more costs coming which haven't been included in this analysis.

It is worth highlighting that we are very focused on Return on Equity as a measure rather than gross yield which doesn't reflect any of the costs. Net yield does not reflect the actual amount of capital that has been deployed as it is on the total value of the property. We are very aware that cash returns are what matter to landlords, as well as what investment is required to deliver those returns. This is particularly relevant in today's environment when the real question is do I sell and invest elsewhere.

With the arrival of the Renters' Rights Act, Hello Neighbour has used its data and operational knowledge to conduct a thorough analysis of letting economics in 2026. We have chosen eight different scenarios to give a broad view of a landlords P&L, as well as looking at Zoopla's regional and "hotspots for letting" analysis published last September. This ensures our analysis is UK wide and a fair representation of what a landlord could make.

To establish a reasonable base line profitability, we have not included the cost of voids in our headline analysis, despite some estimates of an average void period across the UK of 21 days. We have however provided a sensitivity analysis for voids. We also haven't included any cost for ground rents which apply to 40% of properties in the UK. Neither have we included the cost of licenses which now apply to over 400,000 properties in the UK and that number is growing. The cost can reach into the thousands for the most expensive.

Despite those omissions, of the eight specific scenarios we modelled only an average property in Manchester run on a DIY basis, delivers an income return that beats a Cash ISA; a low-risk alternative investment.

Using Zoopla's data on rents and house price by region, the results show that only Scotland and the North East deliver returns above a cash ISA.

Zoopla's ten renting hot spots do deliver good returns above a cash ISA, particularly if landlords manage the property themselves, so there are indeed good places to rent. They are however a very small proportion of the rental market.

Capital gains from any rise in house prices are also part of the landlord equation. These do not look promising, with forecasts for annualised return over the next few years in the low single digits.

However, for the vast majority of landlords who aren't making attractive returns, all is not lost. There are some ways landlords can make it work; DIY letting and managing being a key one, proactive property management being another. Reducing the amount you pay to agents and doing some basic checks on the most likely areas of repair and maintenance cost can save landlords a great deal and make the maths work better.

One thing is clear however: landlords aren't getting rich any time soon. However, with the right approach today it can be worth it with adequate returns whilst landlords wait to benefit from rising house prices.

Research Results summary

In order to provide a credible assessment of the costs landlords face and hence how much landlords can make per property, we have worked through eight different scenarios in detail. These are based on average properties in London and Manchester mortgaged and unmortgaged, using agents and doing it yourself.

We have also used the same cost assumptions to work through regional average properties and the particular renting hotspots identified by Zoopla last year.

This gives a set of results that transparently demonstrate the challenge landlords face in achieving even a minimum return for what is now meaningful risk.

It also highlights how vulnerable landlords are to further issues that may make this situation equation even harder. Whether that is EPC upgrades, National Insurance or rent control.

The table below summarises those results.

Scenario	Capital deployed	Return on Equity
London		
Unmortgaged, agent-managed	£542,000	2.79%
Unmortgaged, DIY	£542,000	3.57%
Mortgaged (75% LTV), agent-managed	£135,500	-0.85%
Mortgaged (75% LTV), DIY	£135,500	2.30%
Manchester		
Unmortgaged, agent-managed	£251,000	3.56%
Unmortgaged, DIY	£251,000	4.26%
Mortgaged (75% LTV), agent-managed	£62,750	2.22%
Mortgaged (75% LTV), DIY	£62,750	5.04%
Easy-access Cash ISA (April 2026)	any	4.31–4.51%

Headline assumptions

London: property value £542,000. Mortgage £406,500 interest-only at 5.0%. Equity £135,500 (capital deployed). Basic rate taxpayer (20%)

Manchester: property value £251,000. Mortgage £188,250 interest-only at 5.0%. Equity £62,750 (capital deployed). Basic-rate taxpayer (20%).

Managing agent fees are assumed as 20.4% in London and 15.0% outside London.

DIY – Hello Neighbour Get Rented at £59 every three years - £20 a year assuming tenants stay for three years.

Annual management costs are assumed to be £1,500 for London and £1,000 for Manchester.

Compliance certificates – EICR, ECP, Gas Certificates are assumed to cost £205 a year.

Renters’ Rights Act cost implications; we believe References and inventory once every three years and Rent Insurance at £250 a year are now essential. Costing £300 a year.

Easy-access Cash ISA, April 2026: 4.31% to 4.51%, tax-free, no risk, no tenants.

The Highest Yielding buy-to-let hotspots – Zoopla research 18 September 2025

To broaden that research, we have taken Zoopla’s average gross rental yields from across the country published in their research (The UK’s highest yielding buy-to-let hotspots – Sept 2025) and run a similar agent managed and do-it-yourself analysis. We have assumed buy-to-let landlords will use a mortgage to buy their property with a 75% LTV and an interest only mortgage at 5.0%.

The first list shows a regional breakdown which shows that with an agent, only Scotland and the North East deliver adequate returns. By managing the property yourself and using a DIY letting platform to find tenants every three years, the returns increase so that the North West, Wales, Yorkshire and the Humber and the West Midlands make a return above a cash ISA.

All of the top ten rental hotspots Zoopla identified make a return above a cash ISA. Of course, this analysis doesn’t include Voids, Licensing or Ground rents and assumes no new Boiler or major expense.

This reinforces the analysis of our eight scenarios which are based on an average property in London and Manchester.

Region	Annual gross rent	Avg. property price	ROE with agent	ROE with DIY
North East	£8,976	£114,098	5.18%	8.90%
Scotland	£10,332	£136,070	5.11%	8.71%
North West	£11,184	£163,559	3.65%	6.90%
Wales	£11,016	£168,859	2.89%	5.99%
Yorkshire and the Humber	£10,140	£156,660	2.53%	5.60%
West Midlands	£11,640	£188,870	2.21%	5.14%
East Midlands	£10,920	£180,817	1.76%	4.63%
Northern Ireland	£9,636	£167,126	1.00%	3.53%
East of England	£14,928	£267,817	1.36%	4.01%
South West	£13,572	£243,806	1.17%	3.81%
South East	£16,656	£300,330	1.48%	4.12%

City	Annual gross rent	Avg. property price	ROE with agent	ROE with DIY
Sunderland	£7,908	£84,924	7.66%	12.05%
Aberdeen	£8,808	£106,170	6.03%	9.95%
Burnley	£7,608	£92,473	5.17%	9.05%
Dundee	£9,708	£119,569	6.06%	9.90%
Middlesbrough	£7,980	£98,697	5.11%	8.93%
Hull	£8,028	£99,819	5.05%	8.85%
Blackburn	£9,072	£114,527	5.34%	9.09%
Glasgow	£12,144	£154,945	6.21%	9.93%
Grimsby	£8,100	£104,837	4.42%	8.07%
Liverpool	£10,440	£136,045	5.33%	8.97%

1. What has changed for landlords

Hello Neighbour manages or supports nearly 1,000 properties, is letting over 3,000 properties a year and has handled around 4,000 repairs on behalf of its landlords in the last year alone. It also processes more than 10,000 viewing enquiries in a typical summer month. It also offers a DIY service to landlords seeking to find a tenant and has let over 1,000 properties so far this year. The data from that operation, published in our 2025 and 2026 insights, points consistently to a number of areas where landlord economics are tightening.

1.1 Property maintenance costs have risen

Hello Neighbour's portfolio data, drawn from circa 4,000 maintenance jobs over the last year, shows the average rental property we manage generates just under five reactive maintenance issues per year, at a median cost of £180 per job. The average annual maintenance and repair cost across the Hello Neighbour portfolio is approximately **£1,000** per property.

Averages mask seasonality and the long tail of larger work. Boiler replacements, mould remediation and major plumbing pull averages well above the median per-job cost. January alone produces 14% of all annual maintenance jobs at an average cost of £250 each; almost three times the volume and four times the cost of June.

Independent data confirms the importance of the problem but largely points to much higher figures for a typical landlord. In May 2025, Towergate Insurance reported that the average UK repair and maintenance costs was **£1,374.07** per property (up 26.24% since 2022). The average repair and maintenance cost in London was **£3,197**.

Pegasus Insight reported property maintenance and repairs account for 31-39% of total expenditure in Jan 2026.

For this analysis, we have taken a conservative view and assumed property repair and maintenance costs in London are only £1,500 and outside London are £1,000.

1.2 The Renters' Rights Act has increased risk and cost

With Section 21 abolished and tenancies moving from fixed term to periodic, every problematic tenancy is now resolved through a Section 8 court process. This brings delay, expense and uncertainty as court timelines will be even slower than they are now.

Getting things right at the start of the tenancy therefore becomes even more important. Three things have moved from optional to essential for any sensible landlord, and we have included these costs in our analysis at Hello Neighbour pricing:

- **Professional referencing** with open-banking-based affordability checks (£24 per person).
- **An independent inventory** at the start and end of every tenancy (assumed every three years) (£95).
- **Rent guarantee and legal expenses insurance** (£250 a year).

For all the examples we have looked at we have assumed that landlords need to find a new tenant every 3 years. Finding a tenant will involve a tenant find fee. This is included in most agents management fees of 20.4% in London property management. Fees for references and inventory every 3 years as well as insurance at £250 annually is likely to be extra. **Total cost £300 per year.**

The risk is now priced into every tenancy

Before May 2026: a Section 21 notice gave landlords a low-cost route out of any difficult tenancy. After May 2026: court is the only route. References, inventories and insurance are, in our view, no longer extras, they are the cost of operating responsibly. Landlords who skip them are not saving money; they are taking an active decision to absorb the increased risk. In our view rental returns are not high enough to do that.

1.3 The cost of letting agents remains as high as ever unless you DIY

The majority of high-street agents charge a percentage fee, with most charging a property-management fee that includes finding a tenant. We have assumed a **fee of 20.4%** (including VAT) for a fully managed service in our examples where an agent is used. We have lowered that to a **fee of 15%** for outside London.

Note: the agent's 20.4% fee covers the agent's service. It usually does not cover the costs of safety certificates, inventory, tenant referencing, rent guarantee insurance or buildings/contents insurance. These are separate costs the landlord pays whether they use an agent or do it themselves. They are therefore itemised separately in the worked examples in section 5.

The alternative, which we have shown for all examples is using a DIY platform to list the property, Hello Neighbour charges £59 to find the tenant and move them in. For the DIY examples we have assumed the landlord manages the property themselves and that they only need to find a tenant every three years. **Total cost £20 per year.**

1.4 Certificates: Gas Safety, EICR, PAT testing, ICO charges and EPC

Gas safety certificates are required every year and cost around £95. EICR is required every five years and costs around £175. PAT testing might add a further £95 every five years. We have assumed an annual cost of £150 to cover this group.

EPCs can cost as little as £70 and are a one-off cost before letting a property. Landlords need to have an EPC from within the last ten years before they let a property. There are significant changes to EPC requirements coming into effect in October 2030 which are likely to require landlord investment to improve energy performance. We have excluded any EPC costs from the analysis.

In addition, there is a £52 annual fee for registration with the Information Commissioner's Office (ICO) as landlords handle tenant data.

There are numerous other potential certificate costs, particularly for HMOs and for other testing. **We have assumed a total compliance cost of £205 in all models to cover certificates.**

1.5 Voids, ground rent and service charge

We have assumed in our headline analysis that there is no period when the property is without a tenant (no voids). This is achievable through fast tenant find, advance marketing and good maintenance scheduling. Many landlords run small voids in practice with each week of void costs landlords around 2% of annual rent, plus continuing council tax, utilities and any service charge.

We have also assumed no ground rent or service charge (freehold). About 60% of UK PRS dwellings are not leasehold (English Housing Survey 2023–24: 40% of PRS homes are leasehold). Landlords with leasehold flats should add their own ground rent and service charge to the cost lines below; in London the median ground rent is £160/year and service charges typically add a further £1,000–£2,500/year for a typical flat.

We have however showed the impact on our three different example groups of a 21 day void once every three years. Only Manchester, mortgaged, DIY of our eight scenarios deliver an above cash ISA return if there is a 21 day void.

Scenario	Capital deployed	Void cost	After-tax cash	ROE incl. void
London				
Unmortgaged, agent-managed	£542,000	£503	£14,605	2.69%
Unmortgaged, DIY	£542,000	£503	£18,872	3.48%
Mortgaged (75% LTV), agent-managed	£135,500	£503	–£1,655	–1.22%
Mortgaged (75% LTV), DIY	£135,500	£503	£2,612	1.93%
Manchester				
Unmortgaged, agent-managed	£251,000	£285	£8,638	3.44%
Unmortgaged, DIY	£251,000	£285	£10,409	4.15%
Mortgaged (75% LTV), agent-managed	£62,750	£285	£1,108	1.77%
Mortgaged (75% LTV), DIY	£62,750	£285	£2,879	4.59%

When we include voids on our analysis of Zoopla’s data the North East and Scotland are the only regions that deliver adequate returns above a cash ISA if landlords use an agent to manage their property. If landlord manages a property themselves the majority of the regions deliver above ISA returns.

Region	Annual gross rent	Avg. property price	ROE with agent	ROE with DIY
North East	£8,976	£114,098	4.57%	8.29%
Scotland	£10,332	£136,070	4.53%	8.13%
North West	£11,184	£163,559	3.13%	6.37%
Wales	£11,016	£168,859	2.39%	5.49%
Yorkshire and the Humber	£10,140	£156,660	2.04%	5.10%
West Midlands	£11,640	£188,870	1.74%	4.67%
East Midlands	£10,920	£180,817	1.30%	4.16%
Northern Ireland	£9,636	£167,126	0.56%	3.09%
East of England	£14,928	£267,817	0.94%	3.59%
South West	£13,572	£243,806	0.74%	3.38%
South East	£16,656	£300,330	1.06%	3.70%

The hotspots deliver much better returns despite the tenant void, as one would expect. This is especially the case if a landlord manages their own property.

City	Annual gross rent	Avg. property price	ROE with agent	ROE with DIY
Sunderland	£7,908	£84,924	6.94%	11.34%
Aberdeen	£8,808	£106,170	5.39%	9.31%
Burnley	£7,608	£92,473	4.54%	8.42%
Dundee	£9,708	£119,569	5.43%	9.28%
Middlesbrough	£7,980	£98,697	4.49%	8.31%
Hull	£8,028	£99,819	4.43%	8.23%
Blackburn	£9,072	£114,527	4.73%	8.48%
Glasgow	£12,144	£154,945	5.61%	9.33%
Grimsby	£8,100	£104,837	3.83%	7.48%
Liverpool	£10,440	£136,045	4.74%	8.38%

2. The UK-wide picture: rents flat, costs up, mortgage relief limited

The broader economic picture adds to the pressure on landlords.

2.1 Rents have flattened

Both major UK rental advertising platforms show the same trends through early 2026:

- **Zoopla (March 2026):** average UK new-let rent £1,319 pcm; annual growth 1.9%, down from 2.8% a year earlier; demand at a six-year low.
- **Rightmove (Q1 2026):** average advertised rent outside London £1,370 pcm, flat at 0.0% quarter-on-quarter, the first time since 2017 there has been no Q4-to-Q1 rise. Annual growth outside London 1.6%.
- **Affordability ceiling:** Zoopla reports rents now consume 33.5% of single-earner gross income outside London.

2.2 Mortgages have re-priced

The Bank of England base rate peaked at 5.25% in August 2023, fell through six cuts to 3.75%, and was held there at the 30 April 2026 MPC meeting. Markets, disrupted by Middle East-driven energy inflation, are now pricing in possible hikes to 4.25% rather than further cuts.

Buy-to-let mortgage rates today vary significantly based on LTV and upfront fees. 75% LTV is the standard ceiling for buy to let mortgages, and portfolio landlords who have built up equity tend to use LTVs of 50-60%.

To maximise the benefits for returns and with a realistic view on the likely interest rate direction we have assumed 75% LTV at 5% interest rates.

The cliff edge: roughly 1.8 million fixed-rate deals were originally set to expire in 2026, many at pandemic-era rates of 1–2%. A typical leveraged landlord is moving from a rate near 2% to a rate near 5%, more than doubling monthly mortgage cost.

2.3 Expectations for house price inflation

In addition to rental income, many landlords hold property to see an appreciation in the value before they sell.

UK house prices have risen sharply over the last decade, with the average property climbing from around £179,917 in May 2015 to £268,652 ten years later; an increase of roughly 49.3%. Regional performance has varied dramatically: the North West led with 61.2% growth while London lagged at just 27.1%. At local-authority level, Salford saw prices nearly double (+99.97%) and Manchester rose 95.7%.

Over a longer horizon, growth has been even more pronounced; UK prices have roughly tripled since the early 2000s, with the most recent surge driven by the pandemic-era boom that peaked at 14% annual growth in July 2022 before cooling sharply. As of early 2026 the market has settled into a more subdued rhythm, with average prices at £267,957 in February 2026, up just 1.2% year-on-year.

Looking ahead, forecasters expect modest growth: Savills predicts cumulative UK growth of around 18.5% between 2026 and 2030 (-2.0% in 2026, 2.5% in 2027, 5.0% in 2028, 6.0% in 2029 and 6.0% in 2030), while Knight Frank expects 1.5% in 2026, 3% in 2027 and 4% in 2028. The North and Midlands are tipped to outperform the South as affordability remains the binding constraint.

To put these forecasts into context, we have modelled a £542,000 London property held for 5 years to end of 2030. Using Savills' updated forecast (a 2.0% decline in 2026, then 2.5% in 2027, 5.0% in 2028, 6.0% in 2029 and 6.0% in 2030, totalling 18.5% across the UK), a new buyer clears only 1.0% to 1.1% annualised return on equity after acquisition costs and capital gains tax, largely because SDLT alone takes £44,200 upfront. An existing owner avoids those costs and earns 2.4% to 2.6% annualised on the same property over the same five years; roughly two-and-a-half times the new buyer's return. Growth in both scenarios comes predominantly from 2028 onwards. Savills' London-specific forecast is lower at 10.6% over the same period, so the figures here are towards the optimistic end for a London property. The full analysis is in Appendix 1.

2.4 The Renters' Rights Act 2025

The Act commences on Friday 1 May 2026. Section 21 is abolished, all tenancies become periodic, advance rent above one month is restricted, and possession claims must use Section 8 grounds. HMRC research already shows the consequence: 24% of landlords intend to reduce portfolios in the next year and 33% over five years, with 56% citing tightening regulation as the driver.

2.5 Most landlords are not wealthy

HMRC's commissioned research (Research Report 804, Ipsos, 20 May 2025), surveying 1,243 landlords across the UK, established what the typical landlord actually looks like:

- 93% own as individuals; only 7% through a company.
- 55% own just one rental property; the average is three.
- 63% earn less than £20,000 in gross annual rental income.
- 52% earn less than £10,000 of profit annually.
- 78% rely on letting as a supplementary income, not their main earnings.
- 40% became landlords accidentally; through inheritance, a former home, or a gift.

HMRC's official Property Rental Income Statistics (2025) confirm the picture from administrative data: 2.86 million unincorporated landlords, average rental income £19,400 per landlord, average expenses £11,500, with 47% declaring property income of £10,000 or less. Total expenses are up 27% in four years.

3. Two business models, two service routes

Strip away the complexity and there are two basic landlord business models; owning the property outright, or owning it with a mortgage. Within each model, a UK landlord today has two practical service routes: pay a high-street agent to find tenants and manage the property, or find a tenant themselves using an online platform like Hello Neighbour and then manage the property themselves.

3.1 The mortgage divide

If a property is owned outright, the landlord earns the full rent minus running costs, and the comparator is the alternative use of that capital; perhaps a savings account, ISA, or investment fund. If a property is mortgaged, the landlord earns rent minus running costs, minus mortgage interest, but on much less capital deployed (the equity, not the property value). A £100,000 equity stake earning £1,500/year is a 1.5% yield on capital.

Yield on capital deployed (Return on Equity - ROE) is the right comparator for mortgaged landlords, not yield on property value, because that committed capital is what would be earning interest in a savings account if the landlord sold up.

3.2 The two service routes

Route A: High-street agent (tenant find and managed)

The traditional UK letting model: the landlord pays the agent to find a tenant and manage the property day-to-day. The advertised cost from the largest letting agents for this service is around 20.4% (including VAT). It can be lower for smaller agents, and Hello Neighbour itself provides a similar managed service for a fixed fee of around 10%, but for the purposes of this analysis we have assumed 20.4% per year in London and 15% outside.

This 20.4% covers the agent's service only. The landlord still usually pays separately for safety certificates, insurance, tenant referencing, rent guarantee insurance and inventory. These are itemised in the worked examples below.

Route B: DIY (online platform plus self-managed compliance)

DIY is now genuinely viable through online platforms, with nearly 20% of landlords letting and managing a property themselves. The letting fee is just £59 with Hello Neighbour Get Rented for a full DIY service including listing on Rightmove, Zoopla and OnTheMarket, contracts and deposit registration and full compliance.

Property Management has no additional cost to the repair and maintenance numbers assumed earlier if a landlord is doing it themselves. The Get Rented fee of £59 is assumed to be paid every 3 years.

4. How the worked examples are calculated

The eight worked examples that follow apply consistent assumptions across London and Manchester, mortgaged and unmortgaged, and present each at both the agent-managed and DIY service routes. The aim is a like-for-like comparison.

Common assumptions

- **London rent: £26,244/year** (Zoopla Mar 2026). Property value £542,000 (ONS Feb 2026).
- **Manchester rent: £14,892 a year** (Zoopla Feb 2026). Property value £251,000 (ONS Feb 2026)
- **Mortgage scenario:** 75% LTV interest-only buy-to-let at 5.0%. London: £406,500 mortgage (**£20,325 interest**), £135,500 equity. Manchester: £188,250 mortgage (**£9,412.5 interest**), £62,750 equity.
- **Unmortgaged scenario:** 100% equity. Capital deployed = property value.
- **Voids: modelled at zero.** Achievable through fast tenant find and good scheduling. Many landlords run small voids in practice; each week is around 2% of annual rent.
- **Repairs and maintenance: £1,500/year** in London and **£1,000** outside London.
- **Renters' Rights Act risk mitigation: £300/year.** We have assumed that post the **Renters' Rights** implementation, **landlords** should as a minimum, use references, an independent inventory and Rent Protection Insurance. Insurance could be higher than the £250 in some postcodes; Alan Boswell 2026 averages are £330 London, £260 Manchester. References and inventory are once every three years. Insurance is annual.
- **Ground rent / service charge: £0** (freehold house assumption). Around 60% of UK PRS dwellings are freehold and pay nothing. Landlords with leasehold flats should add their own to this analysis.
- **Licensing: £0.** Most landlords today don't pay a license fee and we have assumed this for our analysis. However, this assumption is conservative given the increasing number of local authorities using licensing. There are now nearly 400,000 licensed properties in England, with the top 50 councils earning over £320m from license revenue. [A Landlord's Guide to Property Licensing](#)
- **Compliance certificates: £205/year**, annualised cost of gas safety (£95/year), EICR (£175 every 5 years = £35/year), PAT testing (£95 every 5 years = £19/year), ICO registration (£52/year). An EPC is excluded as it is a one-off pre-let cost. DIY landlords pay these directly using Hello Neighbour's published bolt-on prices; agent-managed landlords typically pay the same or higher with a markup. **We have therefore assumed an annual cost of £205.**
- **High-street agent service fee: 20.4% of gross rent.** For the average rent examples we have used, this is **£5,354** in London. We have **assumed** lower fees outside London: **15% of gross rent** which is **£2,234** in Manchester. This usually covers the agent's service only and does not include the certificates, insurance, inventory or rent guarantee. Those are paid separately by the landlord and itemised below.

- **DIY fee: £20/year.** Property management cost is zero as self-managed. The letting fee is assumed to occur once every three years using Hello Neighbour's Get Rented product.
- **Tax:** We have assumed that landlords are basic rate tax payers and that rental profit is subject to a basic-rate income tax of **20%.**

5. Eight worked examples

Each property is modelled twice; once with a high-street agent, once on DIY. The four pairs cover London and Manchester, mortgaged and unmortgaged.

Pair 1: London average rent, unmortgaged

Property value £542,000, owned outright. Rent £2,187 pcm = £26,244/year. Tax at 20%.

Line	Agent (high street)	DIY (HN)
Gross rent	£26,244	£26,244
Mortgage interest	£0	£0
Repairs and maintenance	-£1,500	-£1,500
Renters' Rights cost	-£300	-£300
Compliance certificates (annualised)	-£205	-£205
Service cost (agent / DIY)	-£5,354	-£20
Pre-tax profit	£18,885	£24,219
Tax (basic rate, 20%)	-£3,777	-£4,844
After-tax cash	£15,108	£19,375
Yield on capital deployed	2.79%	3.57%

Pair 1 verdict

The high-street agent costs £5,354/year. DIY costs £20. The £5,334 difference flows to the landlord rather than the agent.

Agent route delivers 2.79% return on equity. DIY delivers 3.57%. Both fall short of an easy-access Cash ISA at 4.31%, which would deliver £23,360 tax-free on £542,000 of capital.

Capital growth in line with Savills recent forecasts over the next five years would deliver overall returns slightly above a cash ISA.

Pair 2: London average rent, mortgaged (75% LTV)

Property £542,000. Mortgage £406,500 interest-only at 5.0%. Equity £135,500 (capital deployed).

Tax at 20%.

Line	Agent (high street)	DIY (HN)
Gross rent	£26,244	£26,244
Mortgage interest	-£20,325	-£20,325
Repairs and maintenance	-£1,500	-£1,500
Renters' Rights cost	-£300	-£300
Compliance certificates (annualised)	-£205	-£205
Service cost (agent / DIY)	-£5,354	-£20
Pre-tax profit	-£1,440	£3,894
Tax (Section 24: 20% credit on mortgage int.)	£288	-£779
After-tax cash	-£1,152	£3,115
Yield on equity (£135,500)	-0.85%	2.30%

Pair 2 verdict

The agent managed route loses £1,152/year. DIY turns that into a profit of £3,115; a £4,267 swing. 20% tax credit back on £20,325 of mortgage interest paid is included. If a landlord is in a higher tax rate it is considerably more punitive as the landlord only gets a 20% tax credit despite paying 45% tax.

£135,500 of equity in a Cash ISA at 4.31% earns £5,840 tax-free, a swing of nearly £6,992/year vs the agent-managed rental position.

This is the textbook business case for selling, or at the very minimum switching to DIY and relying on house price inflation.

Pair 3: Manchester average rent, unmortgaged

Property £251,000, owned outright. Rent £14,892/year. Basic-rate taxpayer (20%).

Line	Agent (high street)	DIY (HN)
Gross rent	£14,892	£14,892
Mortgage interest	£0	£0
Repairs and maintenance	-£1,000	-£1,000
Renters' Rights cost	-£300	-£300
Compliance certificates (annualised)	-£205	-£205
Service cost (agent / DIY)	-£2,234	-£20
Pre-tax profit	£11,153	£13,367
Tax (basic rate, 20%)	-£2,231	-£2,673
After-tax cash	£8,923	£10,694
Yield on capital deployed	3.56%	4.26%

Pair 3 verdict

Agent route: 3.6% return on capital. DIY: 4.3% which equals the easy-access Cash ISA (4.31%) and is one of only two scenarios in this analysis that beat cash ISA returns on income alone.

Manchester has materially better income economics than London because property prices are lower relative to rents and we have assumed a lower repair and maintenance cost and lower agent fees.

Pair 4: Manchester average rent, mortgaged (75% LTV)

Property £251,000. Mortgage £188,250 interest-only at 5.0%. Equity £62,750 (capital deployed).

Basic-rate taxpayer (20%).

Line	Agent (high street)	DIY (HN)
Gross rent	£14,892	£14,892
Mortgage interest	-£9,413	-£9,413
Repairs and maintenance	-£1,000	-£1,000
Renters' Rights cost	-£300	-£300
Compliance certificates (annualised)	-£205	-£205
Service cost (agent / DIY)	-£2,234	-£20
Pre-tax profit	£1,741	£3,955
Tax (basic rate, after 20% mortgage credit)	-£348	-£791
After-tax cash	£1,393	£3,164
Yield on equity (£62,750)	2.22%	5.04%

Pair 4 verdict

DIY here delivers 5.0% on equity which is the highest yield in this analysis, comfortably beating the easy-access Cash ISA (4.31%).

Agent route delivers 2.2%. The difference between the two routes is the agent's fee that the landlord has chosen not to pay by doing it themselves.

Leverage works here because the gross rental yield is higher than the 5% mortgage interest rate, and Section 24 tax relief matches the 20% income tax rate.

A single boiler replacement (£2,500–£3,500 installed) would still wipe out a year of return at this scale, which is why the £1,000 average repair assumption depends on prevention, not luck.

Summary of all eight scenarios

The table below pulls the four pairs together. Only Manchester DIY beats an easy-access Cash ISA on income alone. The leveraged London position loses money on the agent route. Capital growth from the Savills forecast would lift overall returns slightly above a Cash ISA over five years, but the headline income picture remains weak.

Scenario	Capital deployed	After-tax cash	ROE	ISA at 4.31%
London				
Unmortgaged, agent-managed	£542,000	£15,108	2.79%	£23,360
Unmortgaged, DIY	£542,000	£19,375	3.57%	£23,360
Mortgaged (75% LTV), agent-managed	£135,500	-£1,152	-0.85%	£5,840
Mortgaged (75% LTV), DIY	£135,500	£3,115	2.30%	£5,840
Manchester				
Unmortgaged, agent-managed	£251,000	£8,923	3.56%	£10,818
Unmortgaged, DIY	£251,000	£10,694	4.26%	£10,818
Mortgaged (75% LTV), agent-managed	£62,750	£1,393	2.22%	£2,705
Mortgaged (75% LTV), DIY	£62,750	£3,164	5.04%	£2,705

Cash ISA column shows the tax-free return on the same capital at 4.31% (easy-access ISA rate, April 2026). After-tax cash figures exclude voids and any capital growth.

6. What the analysis means

Five things this analysis demonstrates

1. Manchester DIY is the only model that clearly works for income

Of eight scenarios in this analysis, only Manchester mortgaged DIY (5.0%) and Manchester unmortgaged DIY (4.3%) deliver a yield that matches or beats an easy-access Cash ISA. Both rely on operating costs being kept tight with only £1,000 of repair and maintenance costs. Neither relies on rapid capital growth. They are the only scenarios in our detailed scenarios where letting is a sensible income strategy on its own terms.

2. Regional analysis

Using Zoopla's regional breakdown and using the same cost assumptions, shows that with an agent, only Scotland and the North East deliver adequate returns. By managing the property yourself and using a DIY letting platform to find tenants every three years, the returns increase so that the North West, Wales, Yorkshire and the Humber and the West Midlands make a return above a cash ISA.

3. Hotspots analysis

All of the top ten places to let a property earn an above cash ISA return with higher rent levels and lower costs assumed.

4. Managing the property yourself makes a significant difference

The London mortgaged scenario loses £1,152/year if an agent manages the property, but it makes a profit of £3,115/year if the landlord manages the property themselves. The DIY manage route still only delivers a return of 2.3%, so agent fees are not the only thing wrong with the leveraged London picture. Section 24, mortgage interest at 5%, and a lower gross rental yield (~5%) makes the leveraged London scenario unattractive.

In Manchester the yields are 2.2% on the mortgaged agent example and 5.0% with DIY. Capital gains can help increase returns further, but DIY is a useful tool to ensure a basic return while a landlord waits for property values to rise. It has also become very straightforward to do.

5. Operational discipline is now a compounding advantage

The £1,500 repair and maintenance assumption (based on Hello Neighbour's experience) versus the £3,832 industry estimate is a £2,332/year delta. If you don't get property management right, it will quickly remove any profit.

The no-void assumption versus a typical 3-week void is worth around £1,500/year on a London average property and £860/year on a Manchester one. Keeping voids close to zero needs preparation: advance marketing, well-priced listings, prompt maintenance turnaround.

Tips for landlords

- **Manage the property yourself.** On average rents, fully managed fees on multi-year tenancies is an expensive luxury. DIY is now easy and safe to use.
- **Take references, inventory and insurance seriously.** Post-1 May 2026, these are the cost of operating responsibly. Skipping them is uninsuring against Section 8 court exposure, not saving money.
- **Prevent repairs rather than react to them.** Annual boiler service, gutter checks before autumn, planned replacements rather than emergency call-outs. The £1,500 (London) and £1,000 (Manchester) repair and maintenance figure depends on this.
- **Treat voids as the silent killer.** Each week of void is around 2% of annual rent gone, plus continuing costs. The no-void assumption in this analysis is achievable with the right preparation.
- **Educate tenants.** A welcome pack and clear contact protocol prevent a meaningful share of reactive call-outs and stops problems before they grow. Costs nothing.
- **Look for landlord deals.** Mortgage broker every remortgage; insurance shopped at every renewal; make sure you are taking tax advice.

How the maths changes for basic-rate or limited-company landlords

All the examples above assume the typical landlord profile: basic-rate taxpayer in all scenarios and holding the property personally. That is not every landlord. The numbers move materially under two common variants.

Basic-rate taxpayers

Around 53% of UK landlords pay tax at the basic rate (HMRC research). For these landlords, the Section 24 mortgage interest restriction has limited effect with the tax on income ex mortgage costs, equivalent to the tax benefit on mortgage interest of 20%. A basic-rate landlord with the same mortgaged flat earns several thousand pounds more per year than their higher-rate counterpart on either the agent or DIY route.

Limited company landlords

Around 7% of landlords hold property through a company (HMRC research). For these landlords, mortgage interest is fully deductible as a normal business expense before corporation tax (typically 25%). The trade-off is additional running cost: annual statutory accounts, corporation tax return, additional accountancy, and tax on extracting profit through dividends or salary.

Incorporation rescues the leveraged London position from clear loss-making to roughly break-even on the agent route, and to clear profit on DIY. That is one of the reasons why HMRC's research shows the company share of new acquisitions rising. But incorporation has its own friction: stamp duty implications when transferring existing properties, mortgage rate premium on company products, accountancy overhead, and tax on extracting profit. For a single-property basic-rate

landlord, the running cost of a company can outweigh the tax saving. For a leveraged higher-rate landlord with multiple properties, it usually does not.

The implication: the analysis overstates returns for higher tax rate landlords and potentially for company landlords. They are appropriate for the typical landlord but they are not universal. Anyone considering whether to stay in or leave the rental market should run their own numbers using their actual tax position and seek advice.

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APPENDIX 1 – Buy to let Capital Return Analysis

£542,000 London property | 5-year hold to 2030 | Private landlord (non-limited company)

This analysis compares the return on equity for two scenarios over a 5-year hold to end of 2030, using Savills' latest UK mainstream house price forecast (published 1 June 2026): a 2.0% decline in 2026, then 2.5% in 2027, 5.0% in 2028, 6.0% in 2029 and 6.0% in 2030. Total cumulative growth of 18.5%. The same property is modelled in both cases. Scenario 1 covers a new purchase today. Scenario 2 covers a landlord who already owns the property today.

Key assumptions

- Capital growth (Savills UK mainstream forecast, 1 June 2026): a 2.0% decline in 2026, 2.5% in 2027, 5.0% in 2028, 6.0% in 2029, 6.0% in 2030. Total 18.5% over 5 years.
- Sale price end of 2030: £642,318.
- Hold period: 5 years to align with the Savills forecast horizon.
- Cash purchase, no mortgage. Adds clarity to ROE figures.
- Rental income excluded from this calculation. It would add to total return but is not part of capital ROE.
- Estate agent fee assumed at 1.5% inc VAT (mid-range high street).
- CGT rates: 18% basic, 24% higher (residential property, current rates).
- £3,000 annual CGT allowance applied.

Scenario 1: New purchase today, sell end of 2030

Full acquisition costs apply. Around £49,675 of upfront costs sit on top of the property price, with SDLT (£44,200) the largest line by far. With a 5-year hold and 18.5% cumulative growth, both basic and higher rate landlords come out marginally positive after all costs and tax.

Line item	Basic rate (18%)	Higher rate (24%)
Purchase costs		
Property price	£542,000	£542,000
SDLT (with 5% surcharge)	£44,200	£44,200
Conveyancing	£1,600	£1,600
Mortgage arrangement fee	£1,995	£1,995
Broker fee	£500	£500
Survey	£600	£600

Valuation	£350	£350
Searches and disbursements	£400	£400
Bank transfer (CHAPS)	£30	£30
Total purchase costs	£49,675	£49,675
Total cash invested	£591,675	£591,675
Sale (end of 2030)		
Sale price	£642,318	£642,318
Estate agent fee (1.5% inc VAT)	£9,635	£9,635
Conveyancing (sale)	£1,500	£1,500
EPC	£90	£90
Total selling costs (excl. CGT)	£11,225	£11,225
CGT calculation		
Gross gain	£100,318	£100,318
Less allowable costs	£58,375	£58,375
Gain after costs	£41,943	£41,943
Less £3,000 allowance	£3,000	£3,000
Taxable gain	£38,943	£38,943
CGT due	£7,010	£9,346
Return		
Net sale proceeds	£624,084	£621,747
Net profit	£32,409	£30,072
Total ROE (5 years)	5.5%	5.1%
Annualised ROE	1.1%	1.0%

After 5 years of growth totalling 18.5%, the new buyer clears £30,000 to £32,000 in net profit. The first two years are weak (Savills forecasts a 2.0% decline in 2026), so most of the return is generated by the stronger years 2028 to 2030. SDLT remains the largest single cost. Mortgage arrangement and broker fees are not deductible for CGT, which is why allowable costs are lower than total purchase costs.

Scenario 2: Landlord already owns the property today, sells end of 2030

No purchase costs (they're sunk). Capital at work is today's market value of £542,000. CGT is calculated on the gain from today only; any historic latent gain from the original purchase would be taxable on sale regardless of when the landlord sells.

Line item	Basic rate (18%)	Higher rate (24%)
Position today		
Today's market value (capital at work)	£542,000	£542,000
Sale price end of 2030	£642,318	£642,318
Selling costs		
Estate agent (1.5% inc VAT)	£9,635	£9,635
Conveyancing	£1,500	£1,500
EPC	£90	£90
Total selling costs	£11,225	£11,225
CGT on gain from today		
Gain over 5 years	£100,318	£100,318
Less selling costs	£11,225	£11,225
Less £3,000 allowance	£3,000	£3,000
Taxable gain	£86,093	£86,093
CGT due	£15,497	£20,662
Return		
Net sale proceeds	£615,597	£610,431
Net profit vs today's equity	£73,597	£68,431
Total ROE (5 years)	13.6%	12.6%
Annualised ROE	2.6%	2.4%

Side-by-side ROE summary

Scenario	Basic rate (18%)	Higher rate (24%)
Scenario 1: New purchase (total ROE)	5.5%	5.1%
Scenario 1: Annualised	1.1%	1.0%
Scenario 2: Already owns (total ROE)	13.6%	12.6%
Scenario 2: Annualised	2.6%	2.4%

Key takeaways

- An existing owner generates roughly two-and-a-half times the ROE of a new buyer over the same 5-year period (13.6% vs 5.5% for a basic rate taxpayer). Same property, same growth, very different return.
- For a new buyer, 5 years of 18.5% cumulative growth produces only 1.0% to 1.1% annualised ROE after costs and CGT. That's because the £49,675 of acquisition costs (mostly SDLT) absorbs almost half the gross capital gain.
- SDLT alone is £44,200 on this property. The 5% additional dwelling surcharge accounts for £27,100 of that figure.
- Savills now forecasts a 2.0% decline in 2026 before growth resumes. That early dip drags the new buyer's return down further and means the first two years of holding contribute nothing.
- An existing owner avoids SDLT and the first two soft years are sunk costs they've already absorbed. They benefit most from the stronger 2028 to 2030 forecast.

Caveats and what's not modelled

- Growth forecasts are Savills' UK mainstream view (published 1 June 2026), revised down from a previous 22.2% to 18.5% over 5 years. Forecasts are not guarantees: London has historically moved differently from the UK mainstream average, and Savills' latest London-specific forecast is 10.6% over the same 5 years (well below the UK mainstream figure used in this model).
- Cash purchase assumed. With a 75% LTV BTL mortgage, ROE on equity rises because of gearing, but you'd need to deduct mortgage interest from rental income on the other side.
- Rental income is excluded.
- Scenario 2 CGT assumes today's value is the base cost. The actual CGT bill on sale depends on the original purchase price, which would generate a larger gain and a larger CGT liability. That latent liability exists whether the landlord sells today or in 5 years.

- Figures use current SDLT and CGT rates. The £3,000 annual CGT allowance and 18%/24% residential rates could change in future Budgets.