

Note - Market rent valuation for Build to Rent properties

About: This note has been created by senior valuers across leading valuation and advisory agencies operating in the Build to Rent sector. It is intended to serve as an impartial description of the market context, valuation structures, and differentiating factors present for Build to Rent properties, for use by interested parties as part of a Section 13 process.

Introduction

Differentiating between **Build to Rent (BTR)**, **Single Family Housing (SFH)** and the wider **Private Rented Sector (PRS)** is essential to understanding the alternative structures and range of pricing within the UK's rental market.

BTR - large-scale, professionally operated apartment buildings under single ownership - and **SFH** - purpose-built rental homes delivered on traditional housing estates - are distinct "investment-grade" products. By contrast, the **PRS** comprises small-scale individual landlords, with stock varying widely in quality, specification and management.

Unlike institutional models, PRS does not consistently deliver a high-quality, service-led rental experience, making **clear differentiation between these sectors critical when considering Market Rent levels for individual homes.**

Market context

Institutionally-funded residential investment is now vital to the UK housing ecosystem. A growing population means housing supply persistently fails to meet demand. High-quality rental homes are therefore essential to creating a balanced and resilient housing market. Institutional capital is crucial, helping deliver nearly 150,000 new rental homes since 2013, and is one of the few funding sources capable of supporting supply at scale.

Sustainable, predictable rental income sits at the heart of investment decisions in **BTR/SFH** and is a key driver of capital values. Critically needed future growth in **BTR/SFH** supply depends on secure, long-term rental growth aligned with market conditions. Stable and predictable rental growth strengthens capital values and helps support investment decisions and deliver more new homes. Uncertain rent-review processes reduce investment appetite and supply.

Impact of legislation

Since May 2026, the **Renters Rights Act 2025 (RRA 2025)** has sharpened the focus on rent setting. Annual increases will only be possible via a Section 13 Notice, with tenants able to refer proposed rents to the First-Tier Tribunal (FTT) to determine the appropriate market rate. Ensuring Tribunal members have the specialist understanding required to assess these assets accurately is essential.

Additionally, it is fundamental to recognise that **BTR/SFH are not single, uniform product types**. The sectors include a growing range of schemes with varying levels of amenity, service provision, specification and operational models. As this diversity expands, it is essential that **every scheme is assessed on its own merits** to ensure fair rental benchmarking.

Appropriate Valuation Methodology

The RRA 2025 permits landlords to seek an annual rent review to **market rates** via Section 13 notices. The Act defines **market rate** as:

'the average cost of similar properties in the local area'

If a tenant concludes that a proposed rent increase exceeds market rate, they can challenge this at the FTT.

According to the Government, when considering market rates the FTT are required to determine what the '**market rent**' should be. To be consistent with established valuation principles in the UK, they should adopt the definition of **Market Rent** as set out in the **RICS Global Standards, January 2025 ("Red Book")** (VPS 4 and IVS 104):

'the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction, after property marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

To derive an opinion of Market Rent for an asset/unit, the **Market Approach** and further, the **Comparable Transactions Method** as defined under **IVS 103 Valuation Approaches** in the **Red Book** (which also sets out the general principles of valuation with explanatory notes on methodology if required) must be adopted.

Within this context, **Market Approach** is:

'an approach that provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available'.

When calculating **Market Rent**, it is crucial the subject asset/unit is benchmarked against **identical** or **similar BTR/SFH products**, with careful consideration of various factors set out below. Unless a notably similar rental offer, clear differentiation should be made when comparing a BTR/SFH asset against a PRS asset which in most cases will represent a very different product.

Tribunal members should also consider the hierarchy of comparable evidence as set out in the **RICS Professional Standard 'Comparable Evidence in real estate valuation'**:

- 1) **Direct comparable evidence** – direct, recent transactional data. BTR/SFH assets with identical levels of specification, amenity offering, levels of service, in the direct locality to the subject asset;
- 2) **Indirect comparable evidence** – BTR/SFH assets which are similar but not identical, with varying levels of specification, amenity offering, levels of service, and not necessarily in the direct locality to the subject asset;
- 3) **General market data** – from sources such as rental evidence databases, published indices or more historic datapoints;
- 4) **Other sources** – anecdotal/sentiment-driven datapoints from discussions with local letting agents.

Tribunal members should also be aware of the relevant guidance available to valuers when assessing an opinion of Market Rent for BTR/SFH, included in the **RICS Practice Statement 'Valuing residential property purpose-built for renting, RICS 1st Edition, July 2018'**.

Additional Market Factors for the FTT to Consider

1. Primary Evidence and Starting Point

Given the operational characteristics of BTR/SFH schemes, which typically experience regular tenant turnover and continuous letting activity, **achieved rents within the subject property for similar unit types** provide the most reliable starting point when assessing Market Rent.

Operators should provide the Tribunal with a transparent lettings schedule detailing; date, rent, beds, size, bathrooms, outside space, aspect and floor level as a minimum.

2. Nature of the BTR/SFH Rental Proposition

The Tribunal should consider the BTR/SFH property as a holistic rental product. This includes the condition/usability of accommodation, the standard of professional management, the level of customer service and amenity offering. What the tenant receives for their rent—including any inclusive access to shared spaces/services—is relevant to Market Rent and a key differentiator for some BTR/SFH assets – and very different to lettings offered in the wider PRS.

3. Analysis, Adjustments and Incentives

When considering the evidence, the Tribunal should expect **clear reasoning** for any adjustments relating to specification, layout, management model, amenity provision and location. Items such as car parking, storage, broadband and furniture should be identified as inclusions or exclusions. Where incentives are present, e.g. rent-free periods, the Tribunal should consider the net-effective rent and ensure the Market Rent reflects a normalised level.

4. Non-BTR/SFH comparable assessments

Where it is necessary to consider evidence outside of the subject Property, the Tribunal should have regard to:

- (a) Services provided, i.e. ancillary income included or excluded from residential rent – what is included in the rent? E.g. car parking, storage cages, broadband, furniture packs, car charging.
- (b) Resident's amenity offering – low-amenity vs. high-amenity Properties. Are amenities offered free-of-charge or not? Typical amenities could be resident lounges, co-working space, gyms, amongst others.
- (c) BTR/SFH vs. PRS vs. individual lettings/second-hand evidence in other purpose-built residential blocks.
- (d) Local characteristics – near a local transport hub, local amenities (F&B), commuter location?

5. Market Conditions and Valuation Date

The Tribunal should ensure that all evidence is anchored to the valuation date - per the Act, this is either the date of the tenant's application (where the rent is challenged within six months of the tenancy commencing) or the date provided as the beginning of the new period specified in the Section 13 notice (where the landlord is proposing a new rent for an existing tenancy). Supply and demand dynamics, prevalence of incentives and other market conditions should be considered as they existed at that date. Hindsight should be avoided, and any time adjustments should be explicitly reasoned.