Landlord Survey

Under embargo until 00:01 17th November 2015 | **Q3 2015**

Reduced tax relief is top worry for landlords thinking of selling up

- **Budget squeeze on buy-to-let tax relief is a factor for half (50%) of landlords currently looking to sell**
- **Those currently considering selling represent one-in-ten existing UK landlords**
- **Fundamental supply crunch continues – as 52% see tenant demand rising, up from 41% a year ago**
- **Yet landlords are pessimistic on rent rises, expecting growth to slow to just 1.4% over the next year**

The Government's reduction of landlord buy-to-let tax relief to just the 20% basic rate is a major factor for half (50%) of all landlords currently looking to sell, according to a sentiment survey of more than 1,200 landlords conducted by Your Move and Reeds Rains, the UK's largest network of lettings agents.

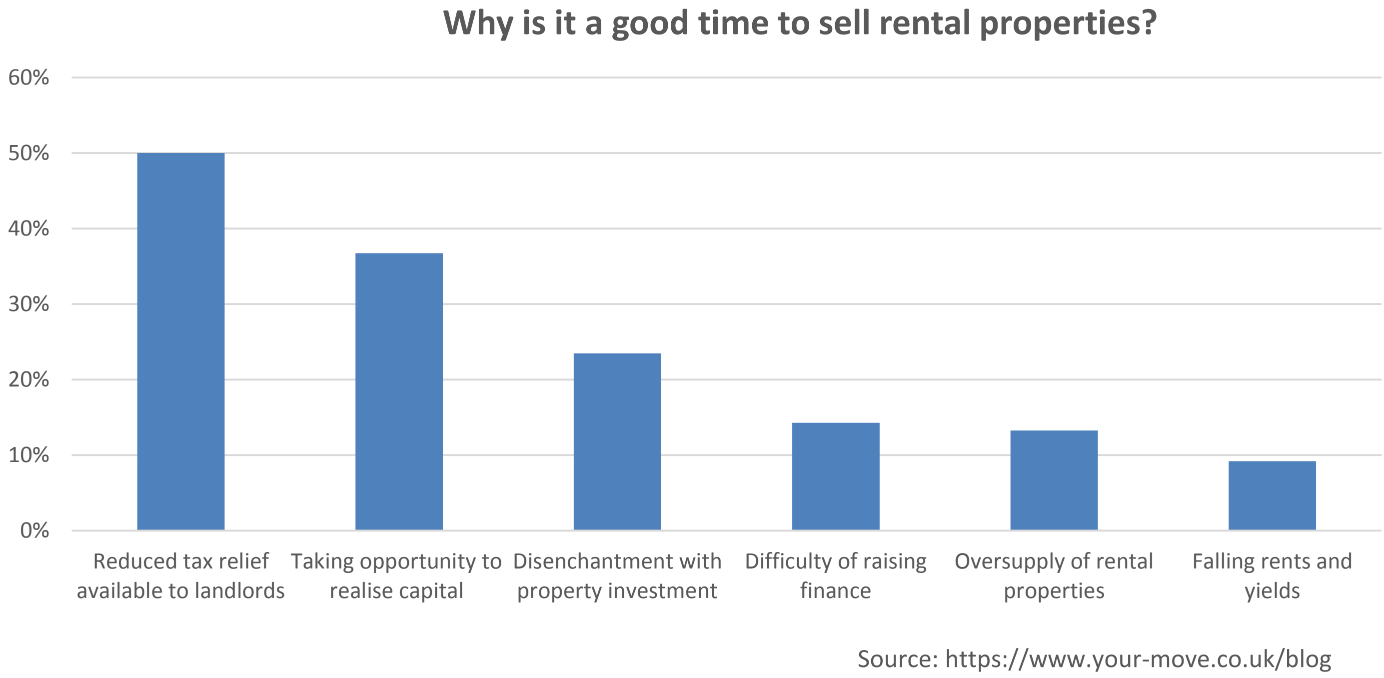
The tax changes, announced as part of the Summer Budget, are proving a major concern for buy-to-let investors. Currently, 9% of landlords think it's a good time to sell up, with the tax reforms influencing their decision more than any other factor. Many fear letting out a property will become far less profitable when the reforms start to come into force in April 2017, and they are now considering leaving the sector as a result.

This loss of enthusiasm is even dampening the optimism of the 31% of landlords who think that now is a good time to buy rental properties. Overall two-fifths of UK landlords (44%) believe investing in buy-to-let property is more complicated than it was six months ago. This is due to more rigorous regulation, also introduced as part of the Budget, which includes requirements for landlords to check their tenants' immigrations status before they let their properties. Almost a fifth of landlords (19%) are daunted by this task, and now feel unequipped to let out their houses without the support of letting agents to manage their investment.

Nearly a quarter of landlords (24%) believe the legislation on letting out properties has become more confusing, with more than one in ten (11%) feeling that they don't fully understand the current regulations. These changes are denting landlord confidence, and general disenchantment with the letting industry was an important factor for 23% of landlords who think now is a good time to sell.

Adrian Gill, director of Your Move and Reeds Rains, comments: *"Landlords could be forgiven for feeling a little deflated at the moment and its worrying to see this may motivate many to reconsider their investment. The Government's tax changes appear to be making investing in buy-to-let less attractive because of the seemingly smaller profits margins on offer in the future. If a tenth of landlords do decide to leave the industry, this would seriously shrink the number of properties available for tenants. At a time when tenant demand is only rising, shorter supply will only* *translate into increased rents. This may mean landlords are underestimating the likely pace of future rent rises.*

"The government need to cut the red-tape involved in providing homes for renters if they hope to maintain a healthy supply of rental properties. With the Bank of England keeping a wary eye on the buy-to-let market, further regulatory interference may only make landlords' and tenants' lives harder. We need landlords to stay in the market and invest further in the sector, in order to match future demand."



N.b. landlords were able to choose more than one option

Supply squeeze set to continue

The current trend of tenant demand outstripping the supply of rental properties looks set to continue. Over half of landlords (52%) have seen an increase in tenant demand during the past six months, up from 41% this time last year. A third of landlords (34%) also believe that if their current tenant chose to leave, they could find new occupants within their notice period.

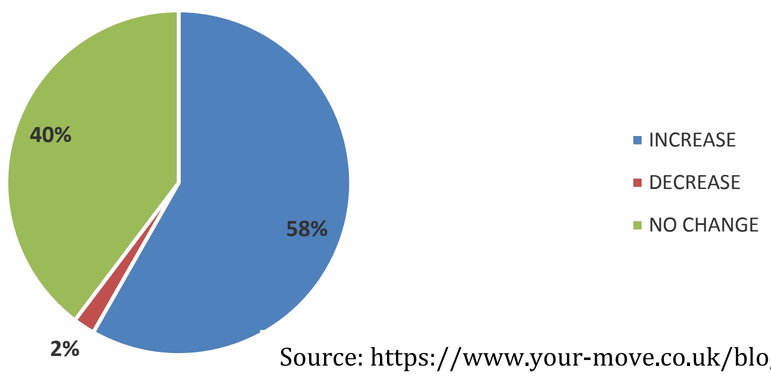
Demand for homes to let is expected to exceed supply even more sharply in future. Over the next six months, 58% of landlords predict that tenant demand will increase further. But only 22% of landlords are planning to grow their portfolio in the next year, putting the already limited supply of rental accommodation under more pressure. More than a third of landlords (35%) say the main reason they will raise their rents next year is due to the strong tenant demand for each available property.

Despite the large potential imbalance between supply and demand, landlords are still unaware of the scale of investment opportunities available to them. More than four out of every five of landlords (84%) are still misinformed about how much demand will grow over the next decade[1]. Of those surveyed, only 16% successfully predicted that a quarter of the UK population would be living in rented accommodation by 2025. This lack of awareness could lead to serious under-investment in the sector, as landlords may fail to invest now, not grasping how much demand will increase in the next ten years.

[1] According to the PWC Housing Report, July 2015

Adrian Gill, director of Your Move and Reeds Rains, comments: *"Demand for rented accommodation will continue to climb in the future, as the population increases. The UK may be becoming more like its European counterparts with lower levels of homeownership and more people living in rental properties into old age. This should be great news for landlords, as the investment opportunities in the sector will continue to improve, despite the regulatory and tax changes."*

How do you expect tenant demand to change over the over the next 6 months?



Source: https://www.your-move.co.uk/blog

Rent rises to slow next year

Despite predicting a growth in tenant demand, landlords expect rents to grow by just 1.4% over the next 12 months, largely tracking the cost of inflation (RPI 1.1%). This is far lower than current 6.3% annual rate of increase recorded in the latest [Buy-to-Let Index] from Your Move and Reeds Rains.

The number of landlords planning to increase rents in the next 12 months has also fallen to just 32%, down from 43% this time last year. The main motivation for raising rents was to cover the cost of inflation (60%). Paying for improvements to their properties was also a major reason behind rent increase, cited by 35% of buy-to-let investors.

However, rent growth is overwhelmingly not the top priority for most landlords, with the vast majority preferring to secure reliable tenants over maximising rental yields. When looking for new tenants the most important factor for 71% of landlords was finding people they could trust to look after their property. Just 3% of landlords said that maximising their yields was the most important factor for them.

Adrian Gill, director of Your Move and Reeds Rains, comments: *"If there is an expected slowdown in the rate of rent rises, this would make life easier for tenants, providing much needed relief after the rapid acceleration seen in previous years. However, if tenant demand continues to grow faster than the supply of properties, any respite for renters may be short-lived.*

"The most important thing for landlords is always finding the right tenants. Most landlords prioritise selecting and keeping good tenants over maximising their short-term profit. When you've invested a lot of money in buying and maintaining a property, you want to know your investment is going to be properly looked after by a reliable tenant."

ENDS

For further information please contact:

Emily Barnes, Instinctif Partners	0207 427 1403
Melanie Cowell, Your Move	01904 698860

METHODOLOGY:

The results are based on the responses of 1,192 landlords surveyed in September 2015.