

# Buy-to-let

## YouGov Survey report



### Foreword

From Right to Buy in 1980, the introduction of buy-to-let mortgages in 1996 and latterly the Help to Buy schemes, the property market is unrecognisable to where it was several decades ago. The 1988 housing reforms that introduced rules to strengthen the rights of private landlords means we now have a Private Rented Sector that accounts for

one-in-five properties. Projections from the Department for Communities and Local Government (DCLG) show that this number is likely to grow to one-in-three properties by 2032. There are around two million buy-to-let investors in the UK, and this year, total housing wealth owned by UK landlords has overtaken that held by mortgaged owner-occupiers.

2016 sees the 20th anniversary of buy-to-let's conception, and housing has become a hot political issue: in 2010, just five per cent of voters ranked housing as the most important issue facing the country, with that number tripling around the General Election in 2015. With the Government introducing measures placing further stamp duty on the purchase of additional property and restricting tax relief for landlords, the privileges of buy-to-let investors in recent decades could well be fading.

We asked landlords their thoughts on the changes including whether they believed it would affect them and their future plans for expansion, and the research gives an interesting picture to what the landlords on the ground are thinking too.

The layering of recent announcements shows that while the new changes have given landlords pause for thought, but the survey indicates that the majority of landlords are investing in a modest way for their future. 70 per cent of investors think tenant demand will increase, a case definitely supported by the current shortage of new build properties, increasing population, and the difficulties many prospective buyers face in raising a deposit.

Whilst the tax changes for interest costs bite mainly on high rate payers, the bulk of landlords will not be radically impacted, as borne out by our research, which shows that over half of landlords think changes will have no real effect on them. There has been understandable uncertainty, but far from the end of buy-to-let, the future still seems bright.

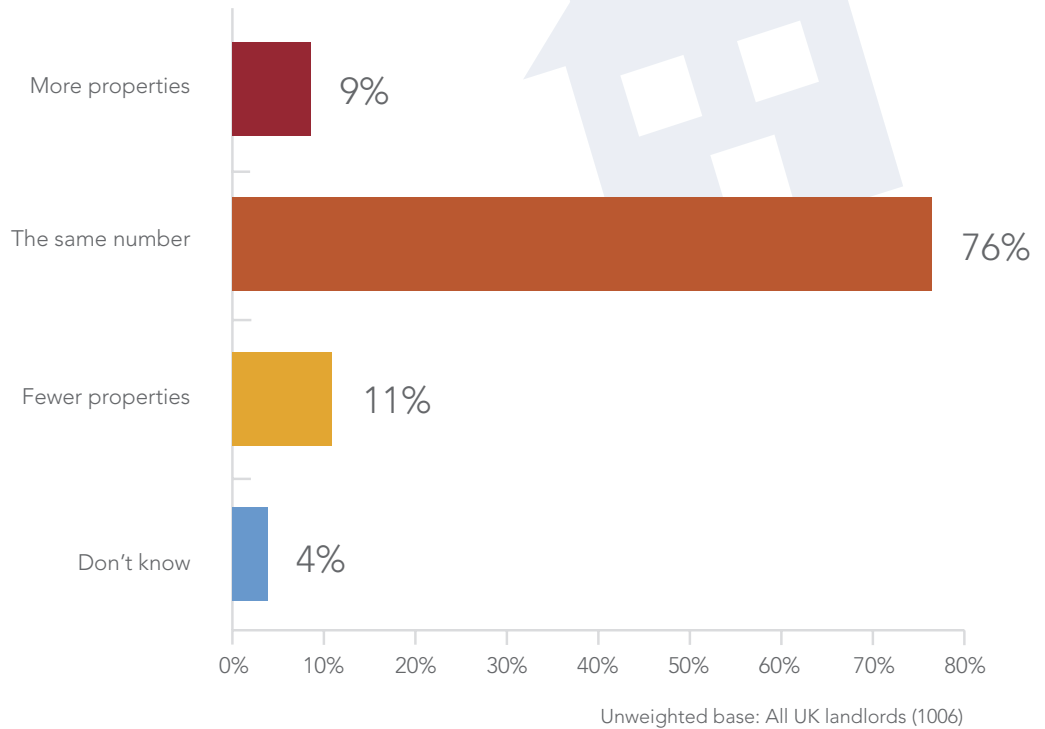
**Charles Haresnape**  
Group Managing Director, Mortgages

# Research

The majority of landlords (63%) in the UK own one property that they rent out to other people. Just under a fifth (19%) own two properties, while a further eight per cent own three properties. Overall, 95 per cent of respondents own five or fewer properties. This reflects the wider trends that we have seen in recent years, where landlords have bought a property as an investment, in addition to those called 'accidental landlords', who have not intentionally bought a buy-to-let property.

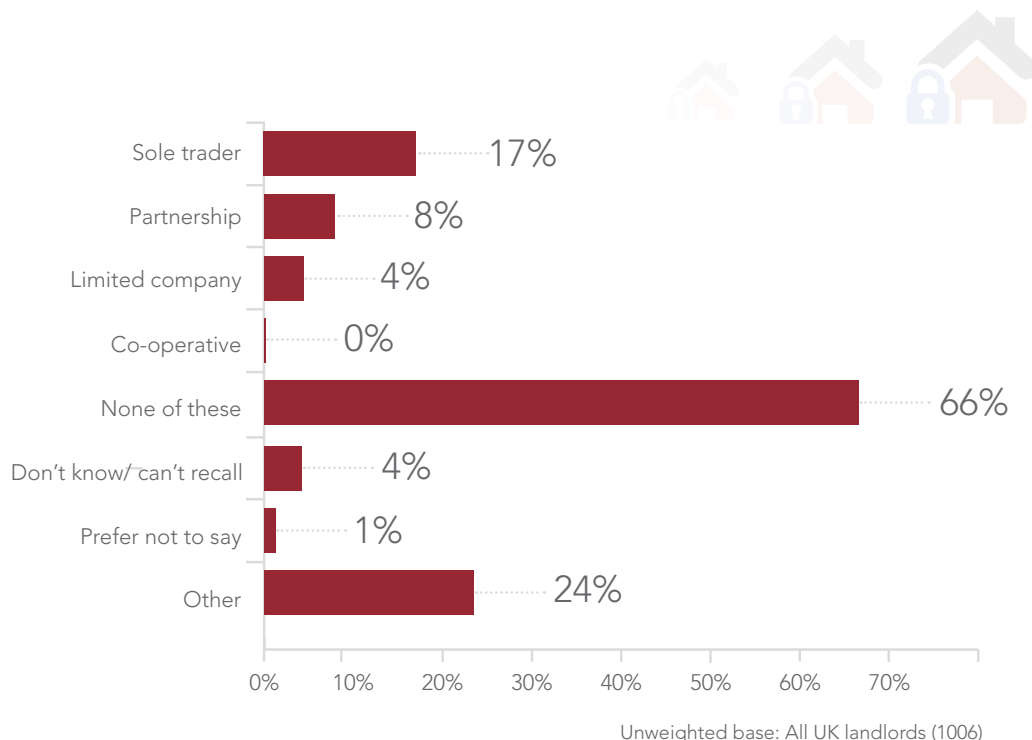
## Own More or Less in 12 Months

In 12 months' time, do you expect to own more, fewer, or the same number of properties in Great Britain that you rent out to other people?



Asked whether they expected to own, more, fewer or the same number of properties in 12 months' time, more than three-quarters (76%) say they will own the same number, with only nine per cent saying they intend to purchase more and a further 11 per cent who will reduce the number of properties they own. This answer is strong across all age groups and regions in the UK.

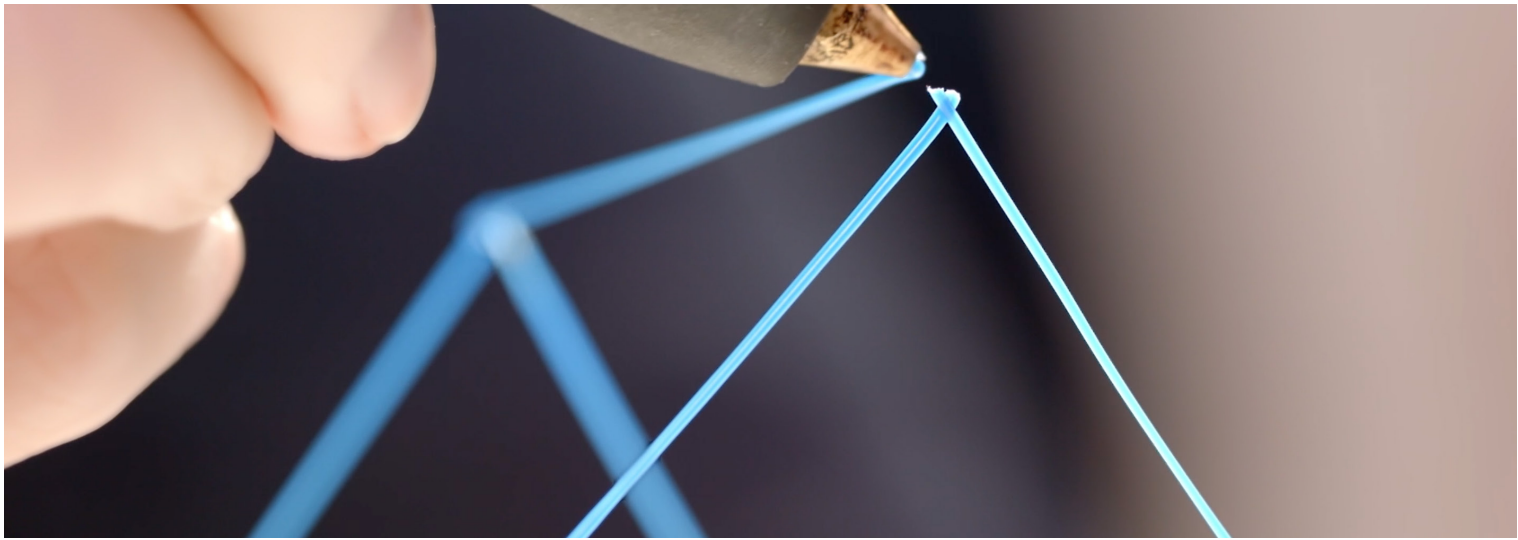
Nearly half of all landlords (45 per cent) have previously lived in at least one of their buy-to-let properties. This number increases to almost three fifths (58%) of landlords aged under 55, compared to only 36 per cent of landlords aged over 55. While it doesn't cover the entire market, the research suggests that older landlords, who are less likely to have lived in their property, have bought the property as an investment for their retirement. New pension freedoms, the large variety of products on offer and the relative yields that buy-to-let has offered in recent years compared to other asset classes will most likely have contributed to the decision to invest in buy-to-let properties.



## Property Set-up

Are your British rental property interest's set-up in any of the following ways? (Please select all that apply)



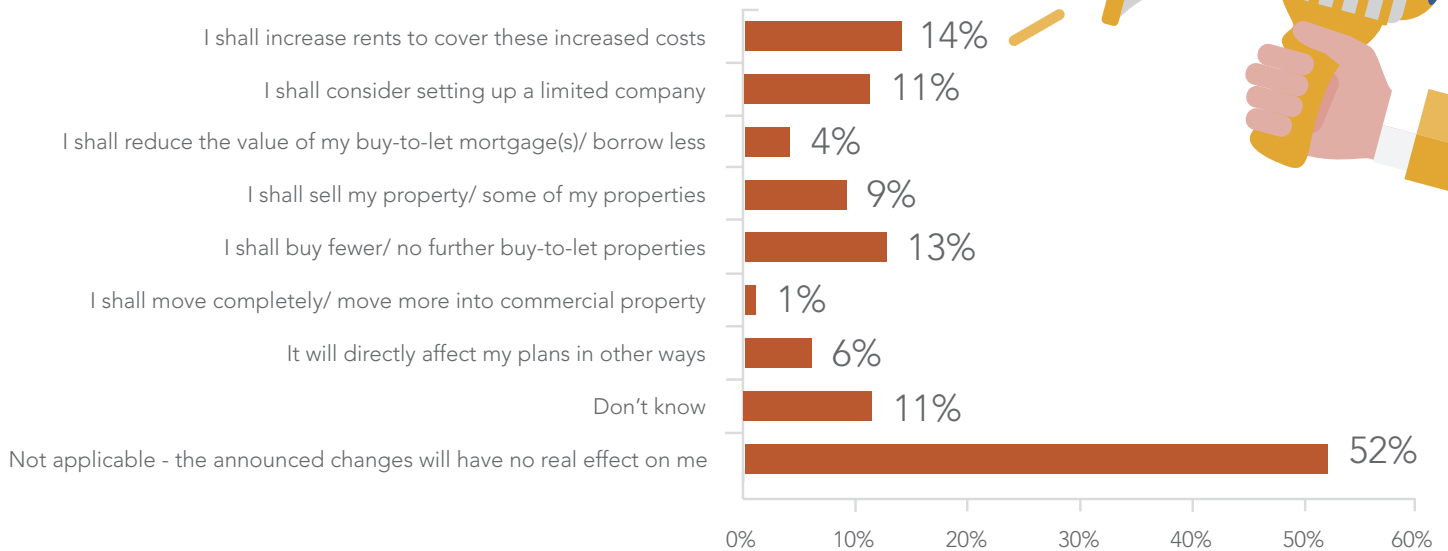


Many landlords do not consider themselves to be investors. As the majority of landlords own one property that they rent out, it may not come as a surprise that only four per cent currently hold their properties within a limited company. For many landlords, the admin or legal arrangements may not be worth the perceived hassle. Two-thirds of landlords (66%) say they do not hold their property in a business arrangement. Almost a fifth (17%) identifying themselves as sole traders.

In the Chancellor's 2015 Budget, he said that mortgage interest tax relief for landlords would be restricted over four years to the basic rate of income tax of 20 per cent by 2020. Additionally, in December's Autumn Statement, it was announced from 1 April 2016, landlords purchasing buy-to-let properties and second homes would face an additional three per cent stamp duty charge.

## Effect of Government Announcement

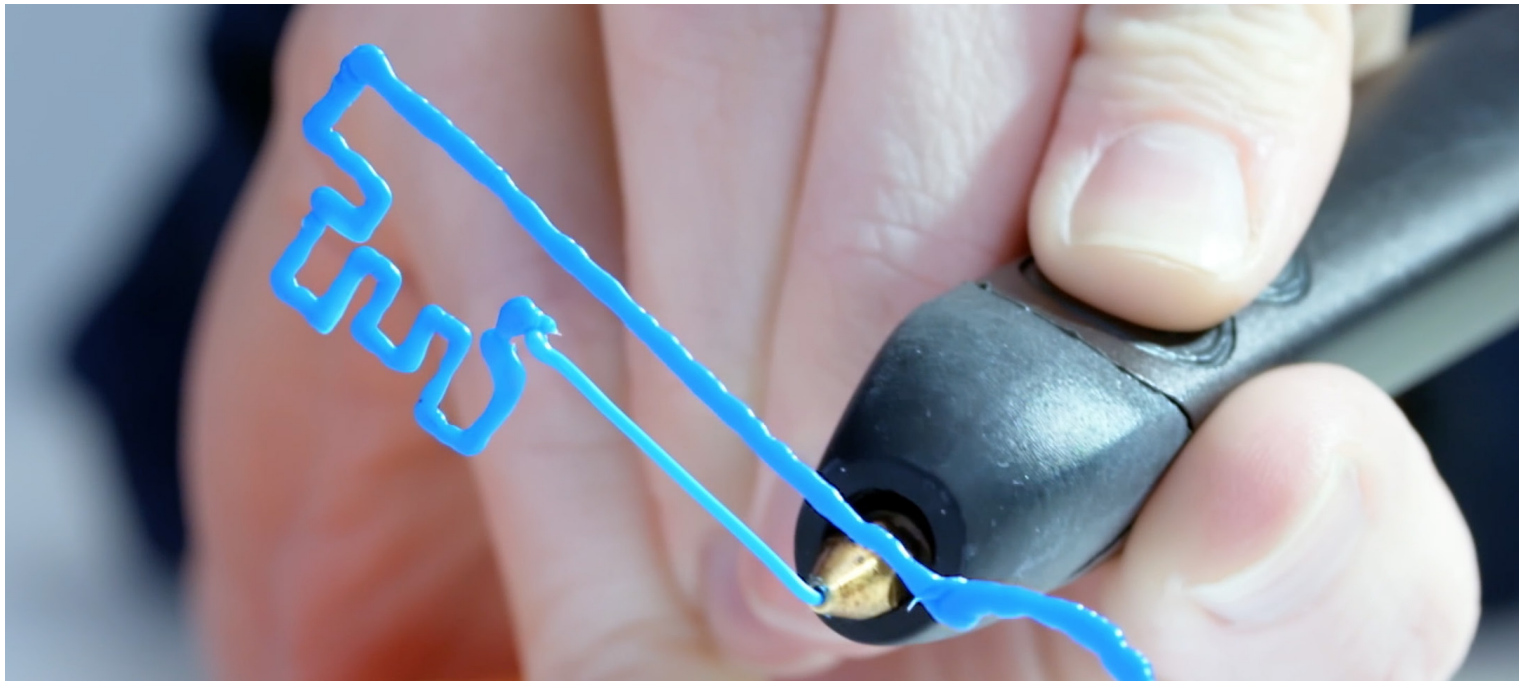
In which, if any, of the following ways will these announced changes directly affect plans that you may have regarding the property/ properties in the UK that you rent out?



Unweighted base: All UK landlords (1006)

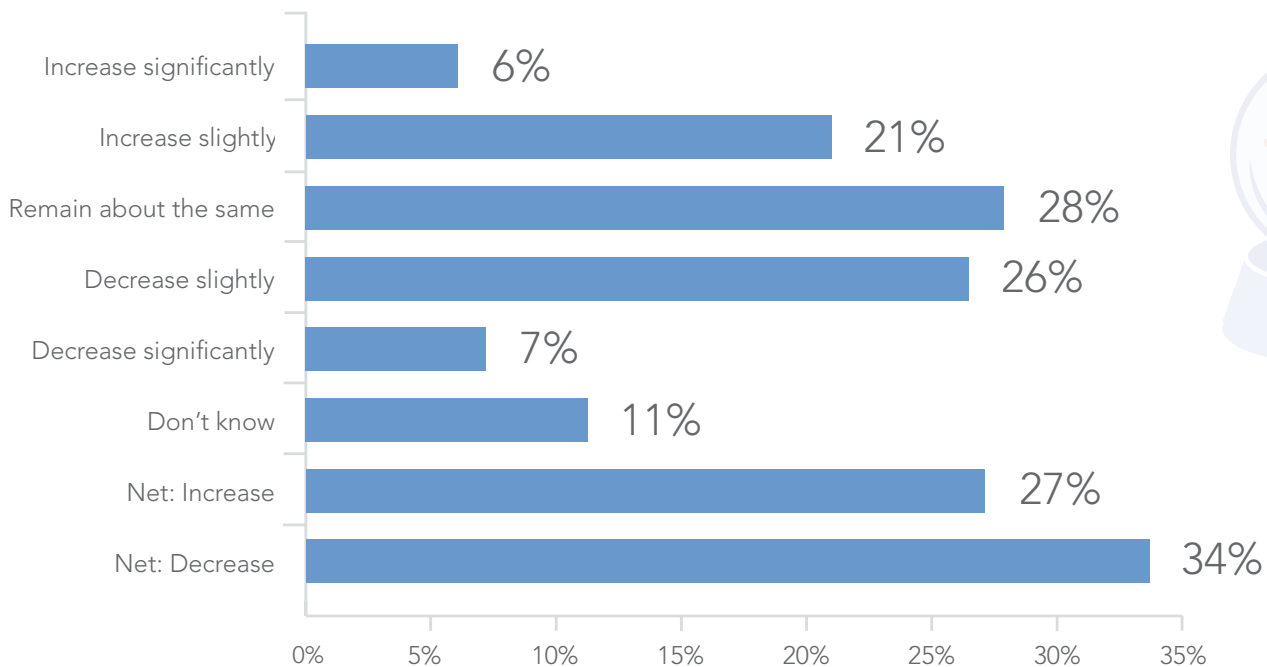
We next asked landlords how the following changes may directly affect plans that they may have for their properties. More than half (52%) said that the changes would have no real effect on them. This increases to 61 per cent for landlords aged 55+ compared to 36 per cent of those under 55. If landlords have no intention to purchase any future properties they will not be affected by the increase in stamp duty. Many landlords do not currently believe the changes will affect them. Landlords under 55 were twice as likely to have answered 'don't know' in response to the effects of the changes (17% vs 8%). While the data does not ask directly, it is possible that many landlords believe that while the changes may affect them in the short-term, taking into consideration the long term benefits of being a landlord, they do not see the new rules as either positive or negative.

14 per cent of landlords said that they would increase rents to cover costs, the most common action respondents said they would undertake, while 13 per cent said that they wouldn't buy any further properties. Another 11 per cent did not know how the changes would affect them - this number was marked higher among 35-44 year olds, with three-in-ten (30%) unsure of the effects.



## Value of Buy-to-Let Property Market in Future

Overall, do you think the total value of the UK 'buy-to-let' property market will increase or decrease over the next 12 months, or do you think it will remain about the same?



Unweighted base: All UK landlords (1006)



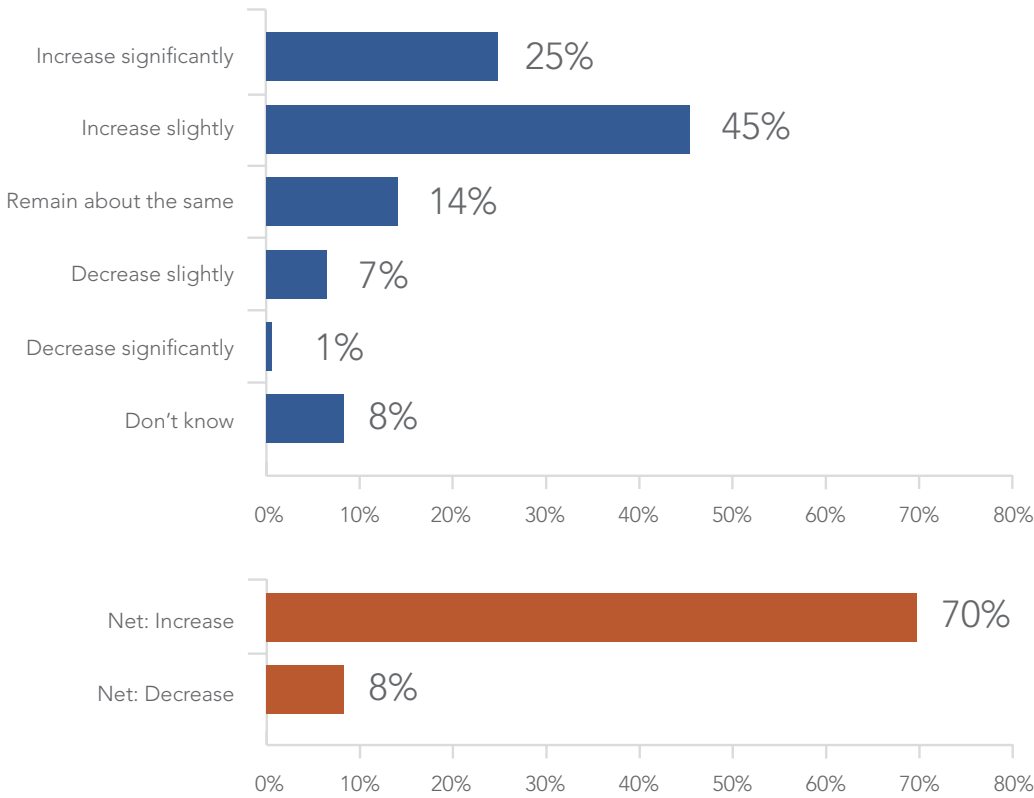
There remains indifference to how these changes will affect the value of the wider buy-to-let market in the UK. Almost three-in-ten landlords (28%) believe it will remain the same with just over a quarter (26%) saying it will decrease slightly. Just over a fifth (21%) said it was likely to increase, with older landlords being more optimistic.

Landlords are relatively positive on the types of homes that may experience relative growth in rental value in 12 months' time. Family homes (32%), one-bed flats (32%) and two-bed flats (38%) came out on top. Recent headlines surrounding London's high end market are reflected in the figures as only 13 per cent of landlords see luxury homes likely to rise. Just over one-in-ten (12%) see company rentals likely to rise too.

Finally, asked whether they believed the number of tenants in the British private rental sector (PRS) would increase or decrease over the next five years to 2021, the numbers were quite striking. Seven-in-ten (70%) say the number will increase, while only 8 per cent believe there will be a decrease in numbers. These numbers are consistent across England, Scotland and Wales and show that landlords anticipate that the PRS will continue to play an important role in the UK housing market.

## Number of Tenants in Future

In 5 years' time, do you think the number of tenants in the British private rental sector will have increased or decreased compared to now, or do you think it will have remained about the same?



Unweighted base: All UK landlords (1006)



## Contact

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### Methodological note:

All figures, unless otherwise stated, are from YouGov. Total sample size was 1006 landlords. Fieldwork was undertaken between 16th - 29th February 2016. The survey was carried out online. The figures have been weighted and are representative of landlords (according to demographic profile for UK landlords from National Landlords Association).

# Key Findings

New research published today by Aldermore shows that over half the UK's buy-to-let landlords (**52%**) expect changes to stamp duty and buy-to-let mortgage tax relief to have no real impact on them.



While **52 per cent** of landlords overall expect the changes to have no impact, older landlords (**over the age of 55**) are even less worried, with **61 per cent** expecting to see little impact.



Only **13 per cent** of landlords plan to buy no further properties.



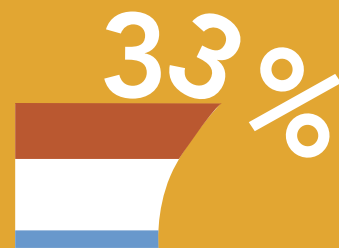
Overall, **14 per cent** said they would increase rents to cover costs.



Landlords believe that two-bed flats will experience the highest growth in rental value over the next **12 months (38%)**, followed by family homes and one-bed flats (**both at 32%**).



The majority of landlords (**63%**) in Britain own only one property that they rent out, with **95 per cent** of respondents owning five or fewer properties.



Seven-in-ten respondents expect the number of tenants in the private rented sector to increase over the next five years, but a third (**33%**) of landlords feel the overall value of the buy-to-let market will decrease over the next **12 months**.

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