

## **Longer-term fixes provide mortgage payment certainty for landlord borrowers**

The very nature of the buy-to-let/private rental sectors requires a long-term commitment from its participants, without which – and I hesitate to say this – the situation for tenants would be even more difficult than it appears right now.

We're all acutely aware of the supply shortages within the PRS, and therefore it's imperative that we provide landlord borrowers with long-term mortgage solutions that allow them to keep these properties within the PRS, and to provide tenants who wish to live there for longer periods with that security.



**Steve Cox, Chief Commercial Officer,  
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It also shouldn't be underestimated just how much of a premium many landlord borrowers will place on mortgage payment certainty for the years ahead, especially in an environment where there are so many unknowns to contend with.

For instance, while product rates have come off their post-'Mini Budget' highs we've just seen the Bank of England increase Bank Base Rate, and while it hopes that falling inflation means the need to keep increasing BBR is dampened, the markets are still pricing in an increase to 4.5% this year, before it (hopefully) begins to move in the other direction.

But, there are no guarantees and inflation could remain stubbornly high for some time, even if there are forecasts suggesting it can be brought back to the Bank's 2% target by the end of next year. That seems optimistic but we shall wait and see.

As we have stated so many times, property investment is a long-term 'play' in which landlord borrowers will have time horizons which could be five/10/15/20 years. Therefore, having that knowledge and certainty around what a property's mortgage payment will be for that timeframe can help them plan for a long-term future.

So, while there is a growing interest in shorter-term tracker and discount products, because, let's be frank, they appear cheaper at the moment and do give landlords a shorter play if the wind shifts in their direction, there is also a groundswell of interest in longer-term fixes. These fixed rate products are very competitively priced and deliver a cast-iron guarantee of what the monthly payment will be.

Indeed, as a market where portfolio and professional landlords continue to dominate, it may well be that landlords can entertain different product solutions for different properties. For example, if you've just renovated one buy-to-let then you might be more inclined to opt for a longer-term fix or you envisage a time period when your rents will continue to increase for a property and you'll be able to secure ongoing extra income, knowing full well your mortgage costs are fixed for a longer period.

Recent history tells us that landlords have been more inclined to opt for five-year fixes – certainly that was the case even more when rates were considerably lower and landlords were able to secure the larger loans they needed.

That said, landlords are now more willing to look beyond five years if their needs warrant, and we've seen a growing increase in our seven-year fixes, especially against a backdrop where, for example, swap rates have been much lower for five/seven/10 years, than they have for two.

We recently cut the prices on all our seven-year fixed-rate products, because of the continued drop in swaps but also because of our funding arrangements, and in response to a landlord borrower demographic much more willing to lock in for the longer term.

There's no doubting the market still has some distance left to run in terms of providing shorter-term fixes – it is still in recovery mode after the 'Mini Budget' – and that will come, but it may take some time to get right and to look anywhere near as competitive as they once did.

In the meantime, the longer-term fixed-rate option continues to track, pricing-wise, in the right direction, and a more competitive set of buy-to-let products from the likes of Fleet and others, should provide both you as advisers and your landlord borrowers, with options that can satisfy an array of wants and needs.

We need landlords to keep invested and mortgage payment certainty over a longer period can undoubtedly help in that regard.

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