Property Investor Survey

Results & Analysis April 2015

The survey was launched on 4th April 2015 and ran for a little over 2 weeks. It was emailed to our property investor contacts database and advertised on the homepage of our website www.mortgagesforbusiness.co.uk and via social media. In total 175 property investors took part.

Survey Questions and Responses

Number of investment properties owned
The results are broadly similar to the November survey. The largest group are the investors who own 2-5 properties which account for 38% of respondents, down from 41% in November. Interestingly, thee increases have been made in the groups where investors own larger numbers of properties. This reflects the results of previous surveys where more respondents indicated that they intended to expand their portfolios within six months. Only 9% of respondents owned one property.

Distance from home
There was a slight increase in the number of investors who own property within 25 miles of home which now accounts for 75% of respondents, up from 73% in November. This reinforces the common advice which recommends investors purchase investment property in locations they know well. Only 5% of respondents said they owned investment property 51-100 miles from home, although 13% said they owned property more than 100 miles away. Presumably, this group use agents to manage their properties.

Limited company ownership
Just over a quarter (26%) of respondents own property in a limited company, slightly up on November (22%). Some investors find owning property in a limited company capacity more tax efficient; however it is not known which company vehicles are used, i.e. Special Purpose Vehicle limited company, Limited Liability Partnership or trading Limited Company.

Types of property owned
As would be expected, more than nine out of 10 (91%) respondents own vanilla buy to let property which mirrors the results of the previous survey. Properties in the vanilla category tend to be normal 1-3 bedroom houses or flats that are easy to let to families, couples and professionals.

This mainstream part of the market is known in the industry as vanilla buy to let and is where the majority of part-time and novice landlords operate. Professional landlords too tend to have a number of vanilla properties within their portfolio because they are usually easy to let and manage and ensure a greater spread of risk.

Many respondents also said they owned a variety of other property types within their portfolio. The percentage of respondents that own Houses in Multiple Occupation remains the same as in November (27%).; however, the percentage of investors who own Multi-Unit Freehold Blocks (31% up from 27%), Semi-Commercial (16% up from 11%) and Commercial Property (17% up from 16%) has risen compared with November's survey. This suggests that investors are increasingly taking advantage of the higher yields that are usually available on non-standard properties.

Borrowing
There has been little change in the level of borrowing since the November survey. Nearly half of respondents (49%) continue to be geared between 50-74%. Gearing at 75-99% decreased from 16% to 12%. This may be due to landlords reassessing the valuation of their portfolios and consequently recognizing the impact of increasing property values on their average gearing.

Portfolio expansion intensions
The rising popularity of buying to let is reflected in the results which show 65% of respondents now intend to expand their portfolios in the six months, up from 55% in November. Interestingly, another question later on in the survey reveals that as many as 75% of investors are planning to expand their portfolios in the next six months.

Only 8% of respondents intend to sell some properties, up from 7% although reasons are not known.

Mortgage rate preferences
Investors' preference for five year fixed rates has waned for the third survey in a row, even though more investors prefer these rates than any other (30%). The reason for the decline could be that some investors prefer even longer term rates (10 year fixes) or, and possibly more likely, investors are being attracted to very competitively priced variable rates currently on offer in the market. With pre-election worries out of the way and no real sign that Bank Rate will increase any time soon, it looks like investors may be prepared to risk the uncertainties of variable rates in order to get a low rate now.

Interestingly, according to our Buy to Let Mortgage Costs Index Q1 2015 fixed rates are generally cheaper that their equivalent tracker products (except at high LTV). The index found that two year fixed rate mortgages were around 0.5% cheaper than trackers (more at low LTV – less at high LTV) and both three and five year fixed rate mortgages were similarly priced to their trackers counterparts. Therefore it continues to be our opinion that fixed rate mortgages at two, three and five years offer considerably better value than trackers.

Refinancing to raise capital
Nearly half of respondents (47%) will need to refinance in order to raise the necessary capital for portfolio expansion – the same figure as November. However, a growing percentage, 28% (up from 22%) no longer need to refinance although it is not known how they will fund portfolio expansion. A quarter of respondents said they were not planning to expand their portfolios in the next six months.

Purchasing different types of property
Of those looking to expand their portfolios, a smaller number than previously recorded, 61%, said they were considering purchasing vanilla buy to let property down from 83% in November. Surprisingly, this decision appears not to have been made in favour of purchasing other property types. 17% said they were considering purchasing HMOs, down from 18% in November; 10% were considering multi-units, up from 9%; 13% were considering semi-commercial property, up from 10%; and, just 7% were considering purchasing commercial property, down from 9% in the previous survey.

Remortgaging
More than half of investors, 53% said they were intending to remortgage property within the next 3-6 months, broadly the same percentage as November, 54%.

Investors' income
59% of respondents said the earned income in excess of £25,000 each year in addition to any rent from property, which is broadly the same as in November (63%). This question was

asked because the majority of lenders in the mainstream buy to let space prefer borrowers whose primary occupation is NOT property investment.

Forced refinance
In the last six months only 3% of respondents had been asked to refinance their property away from their existing lender, down from 5% in November. Only six lenders were quoted:

1. Bank of Ireland
2. Clydesdale
3. HSBC
4. Mortgage Express
5. NRAM
6. The Mortgage Works

Lenders helping investors
Despite a period of lower rates, increased product numbers and some easing of lending criteria in the last six months, there was an increase in the number of respondents who felt that lenders could be doing more to help property investors – 70% up from 64% in November.

Of the 94 respondents who made suggestions as to how lenders could help property investors, 53% felt that lenders should ease lending criteria in some form or another. The most common gripes were:

- **Upper age restrictions**
  Many respondents felt that their borrowing ambitions were being stifled by lenders' age restrictions. Most lenders insist that borrowers are no more than 75 years old at the end of the mortgage term even though the average life expectancy is now more than 80. There are only a few specialist lenders who offer mortgage to borrowers who are 75-90 years old loan maturity.

- **Non-property related income requirements**
  Many investors feel this is unfair criteria which penalises investors with large portfolios whose income is derived solely from rent.

- **LTV threshold to low/increase the number of products available at higher LTVs**
  Respondents who made this suggestion indicated that these restrictions were inhibiting their ability to both refinance and make further purchases, especially on certain product types such as HMOs, holiday lets and multi-unit freehold blocks.

- **Computer-based lending decisions**
  This is largely the domain of the mainstream buy to let lenders, where a computer based lending decision is taken. Investors would like to see a more human/common sense approach to lending rather than a "computer says no" attitude. Many specialist lenders do offer a more human approach were they look at each case and assess it individually. However, by their very nature human recommendations cost more to underwrite, so rate are often higher in these circumstances.

20% of respondents felt that rates should be reduced despite the fact that rates are at a record low.

Only 3% felt that lenders' fees should be lower. This is despite the fact that flat fees have, in fact risen slightly in the last six months from an average of £1,422 in Q4 2014 to £1,477 in Q1 2015.

Mortgages for Business

Despite the Council of Mortgage Lender's records which show lending has been increasing for the past five years in a row and there being more than 900 buy to let mortgage product on the market now, 17% felt that lenders should be lending more.

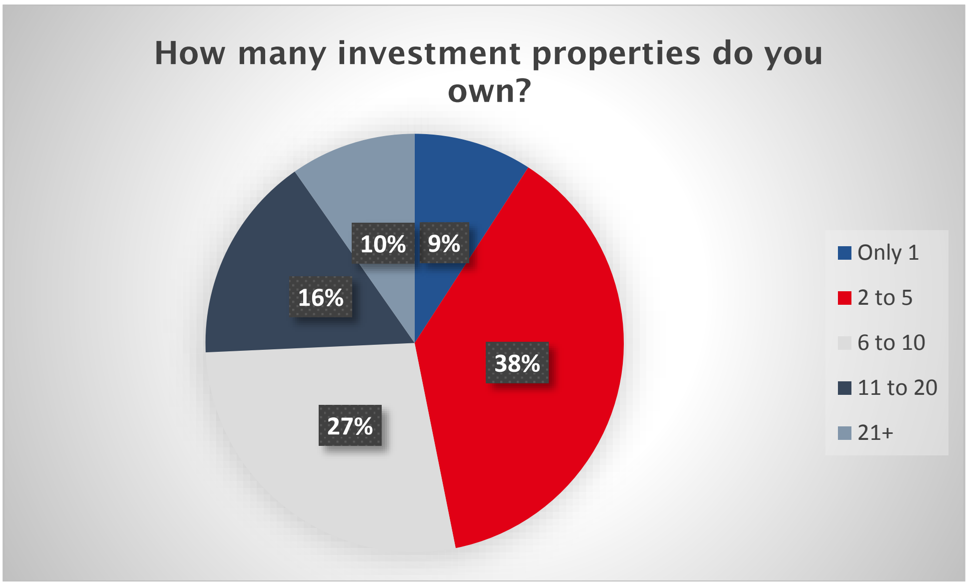
The table below compares these sentiments with the responses of the last two surveys.

What more could lenders be doing to help investors?			
	March 2014	**November 2014**	**April 2015**
Ease criteria	47%	73%	57%
Reduce rates	19%	10%	20%
Reduce fees	20%	12%	3%
Lend more	14%	5%	20%

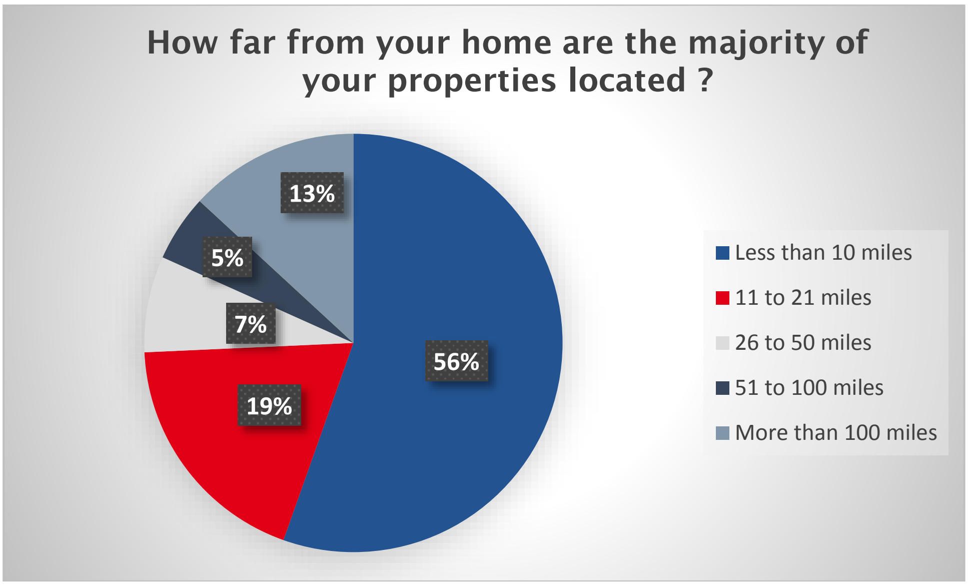
The full survey results are detailed below. The next survey will be issued in the autumn of 2015. For more information please contact: Jenny Barrett, Head of Marketing on 01732 471615.

Results

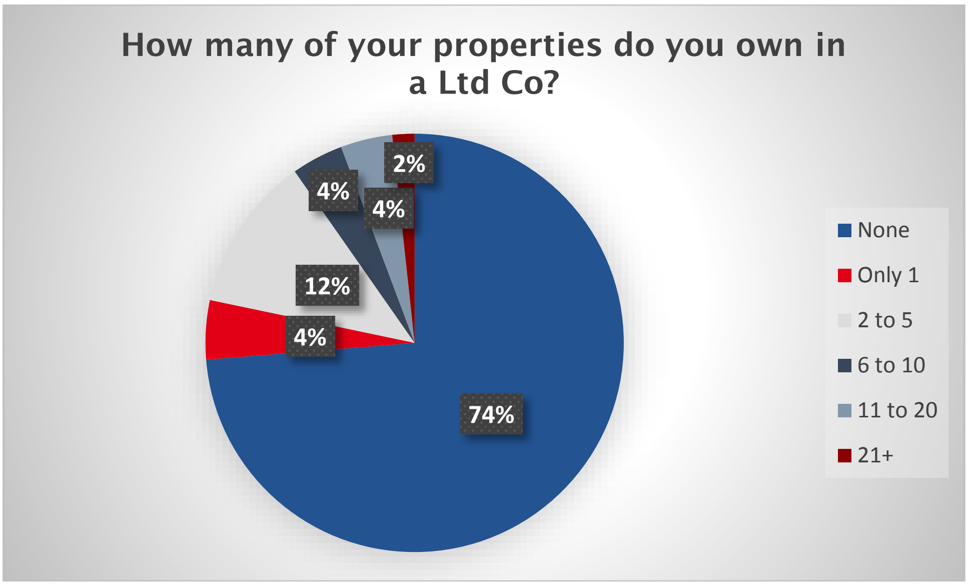
Question 1. How many investment properties do you own?



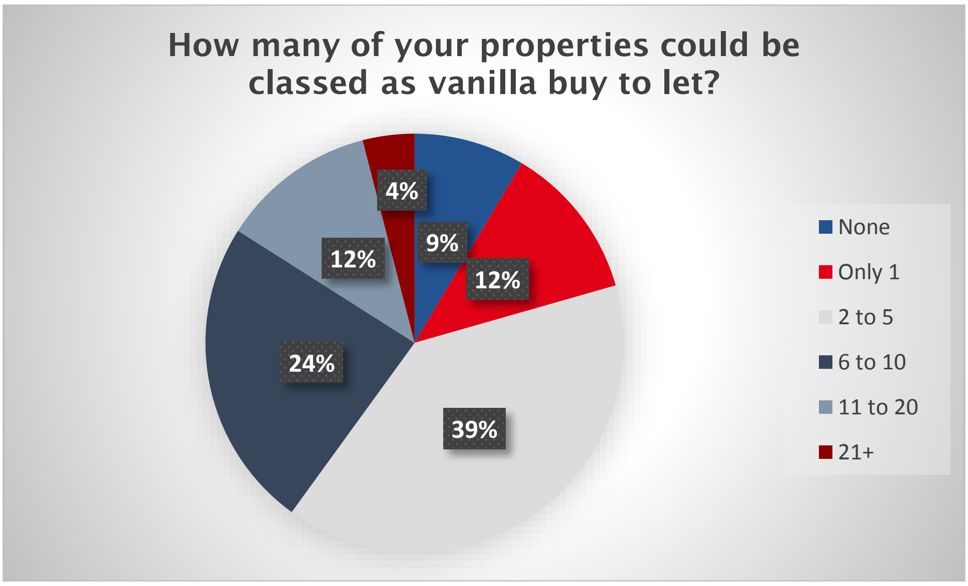
Question 2. How far from home are the majority of your properties located?



Question 3. How many of your properties do you own in a limited company?



Question 4. How many of your properties could be classed as vanilla buy to let?



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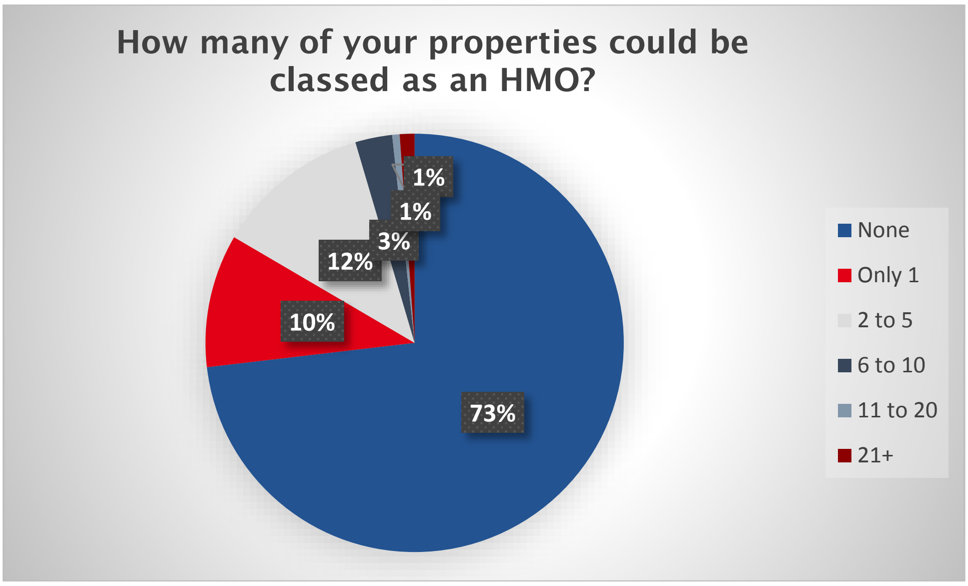
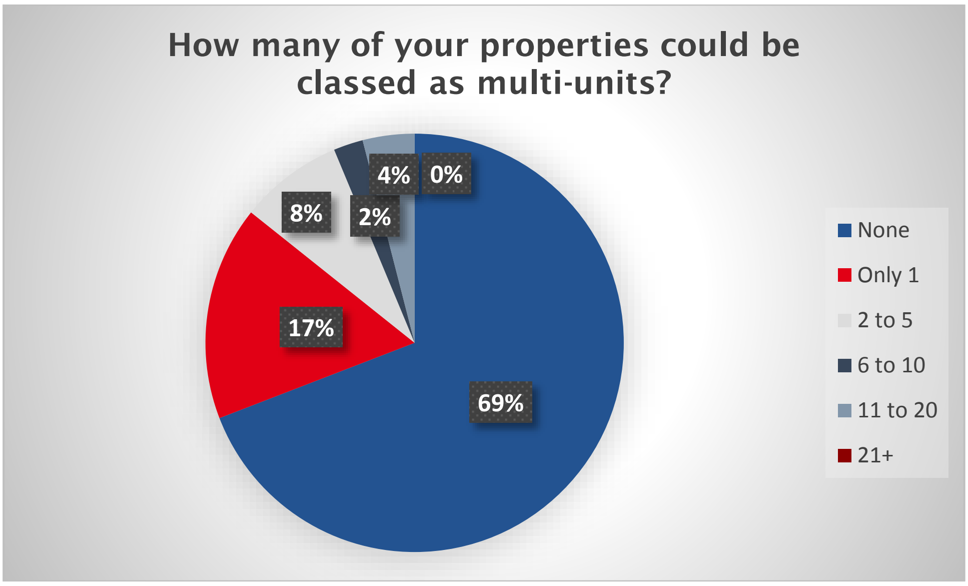
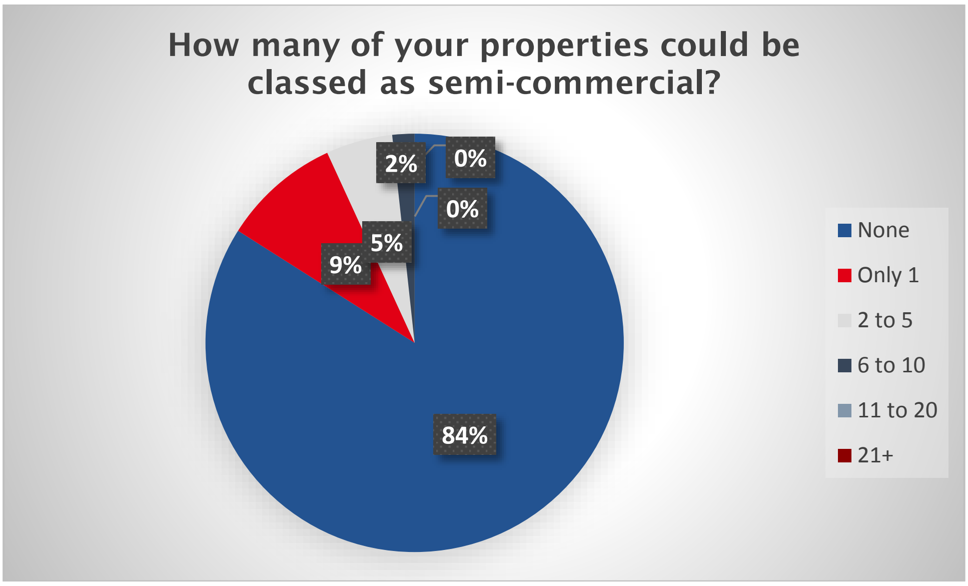
Question 5: How many of your properties could be classed as an HMO?



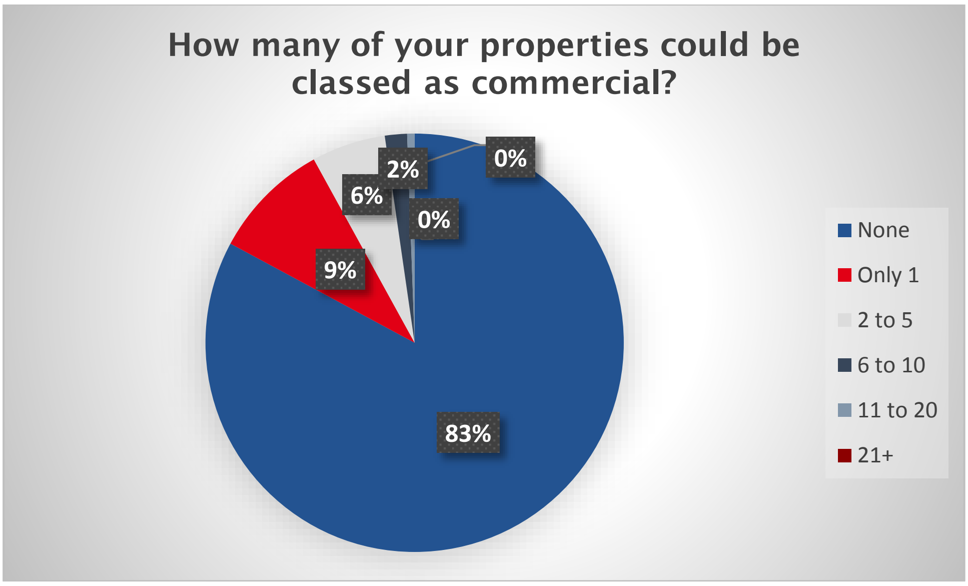
Question 6: How many of your properties could be classed as multi-units?



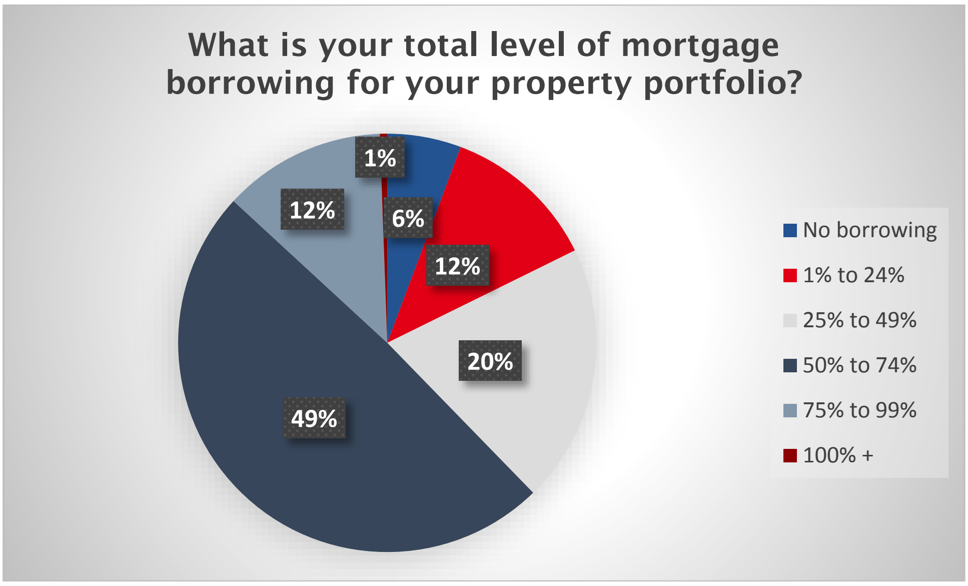
Question 7: How many of your properties could be classed as semi-commercial?



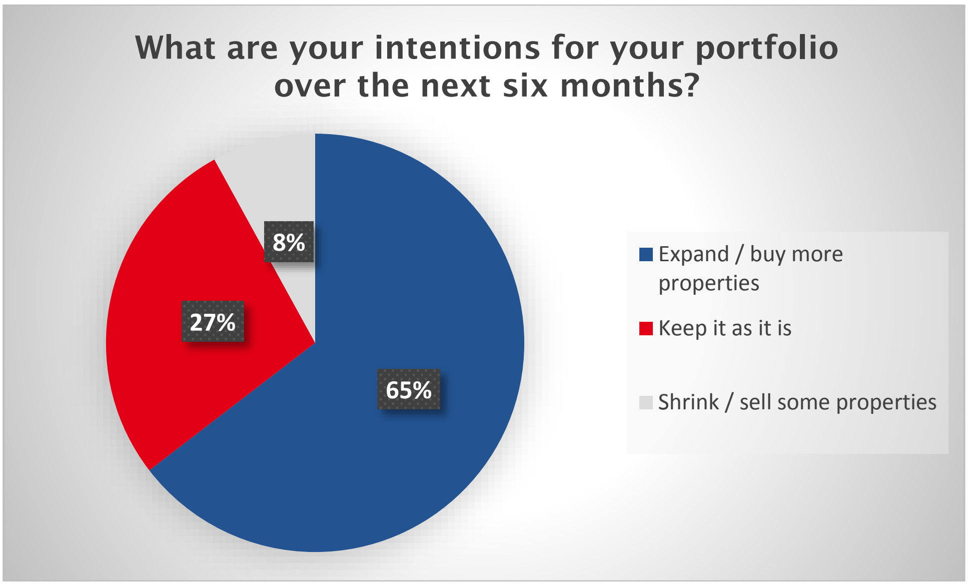
Question 8: How many of your properties could be classed as commercial?



Question 9: What is your total level of mortgage borrowing for your property portfolio?

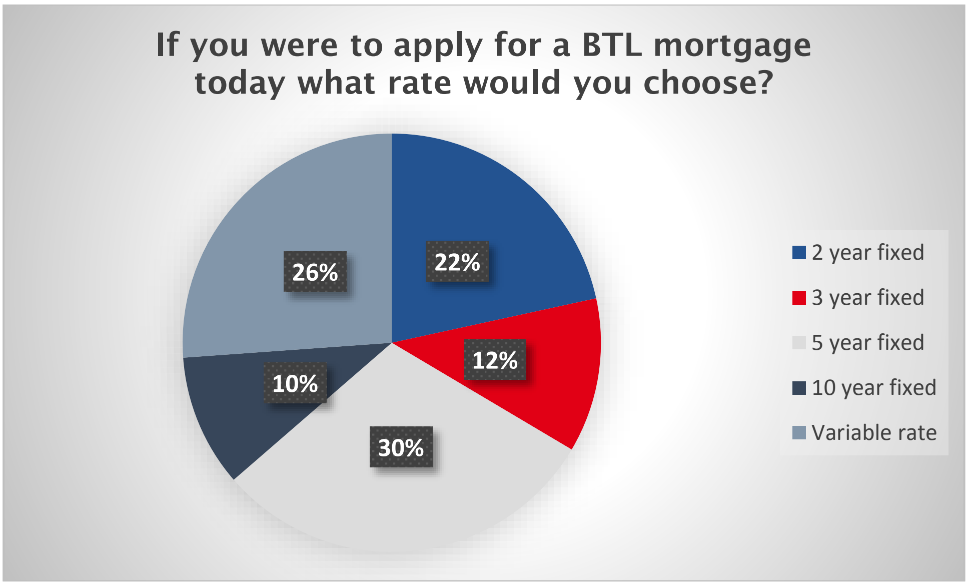


Question 10: What are your intentions for your portfolio over the next six months?

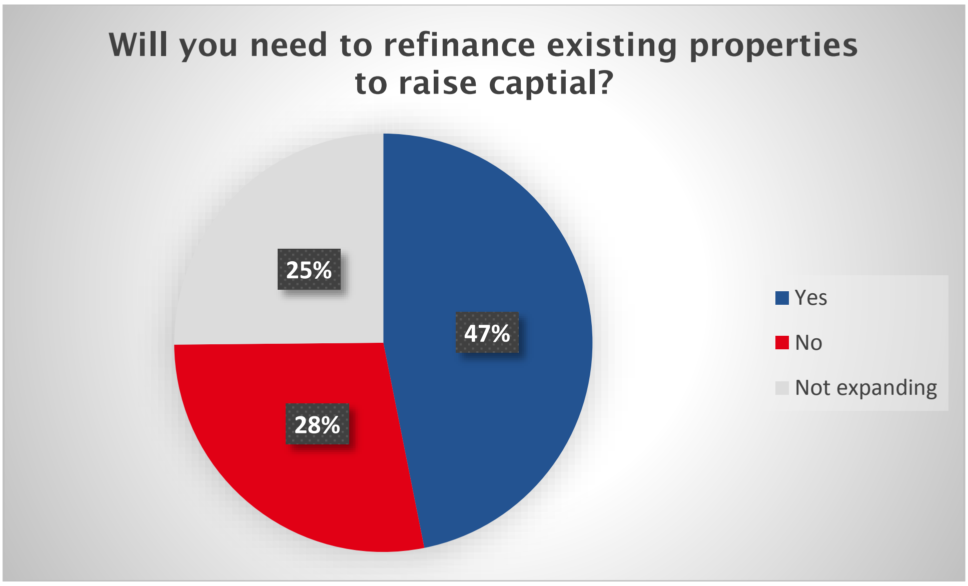


Mortgages for Business

Question 11: If you were to apply for a buy to let mortgage today, what type of rate would you choose?



Question 12: Will you need to refinance existing properties to raise capital?



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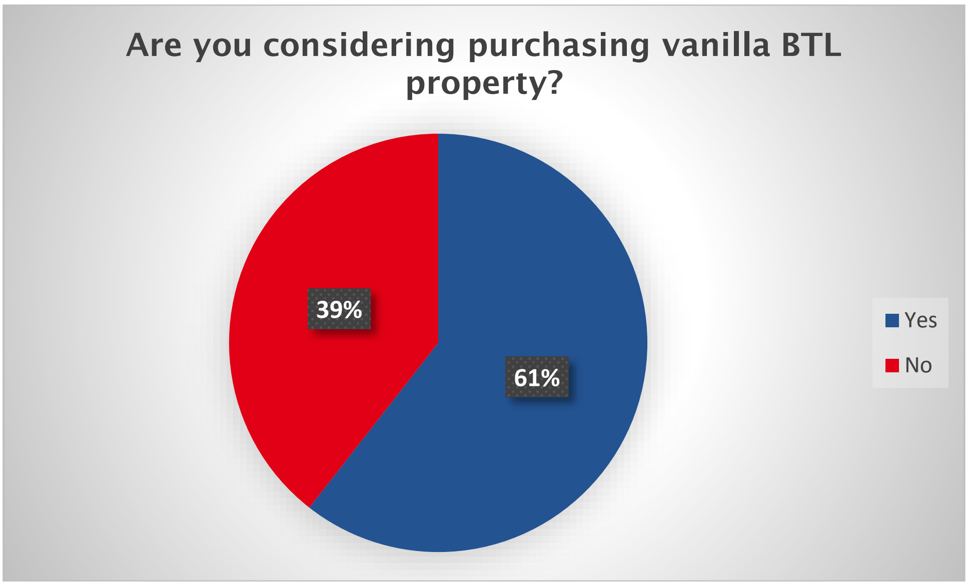
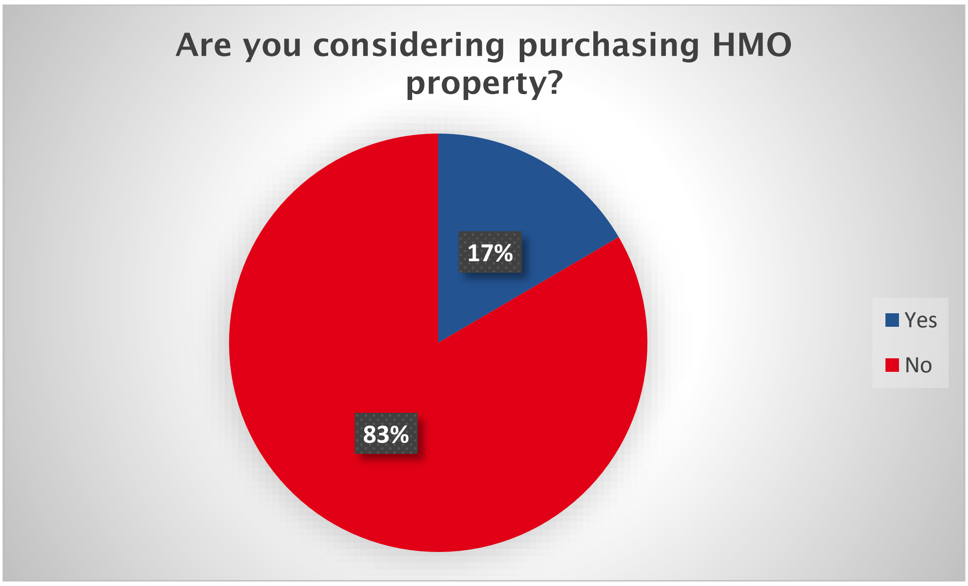
Question 13a: Are you considering purchasing vanilla buy to let property?

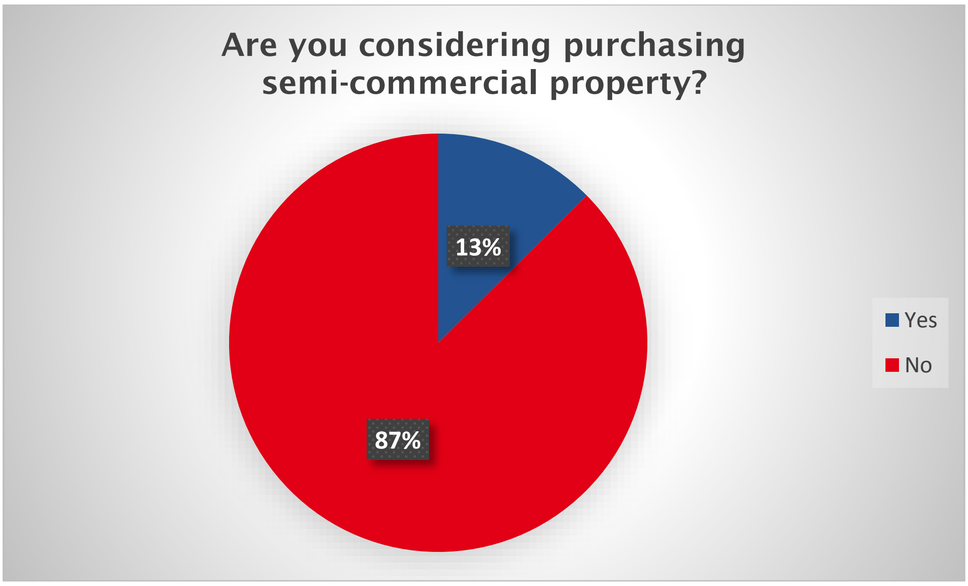


Question 13b: Are you considering purchasing HMO property? (House in Multiple Occupation).

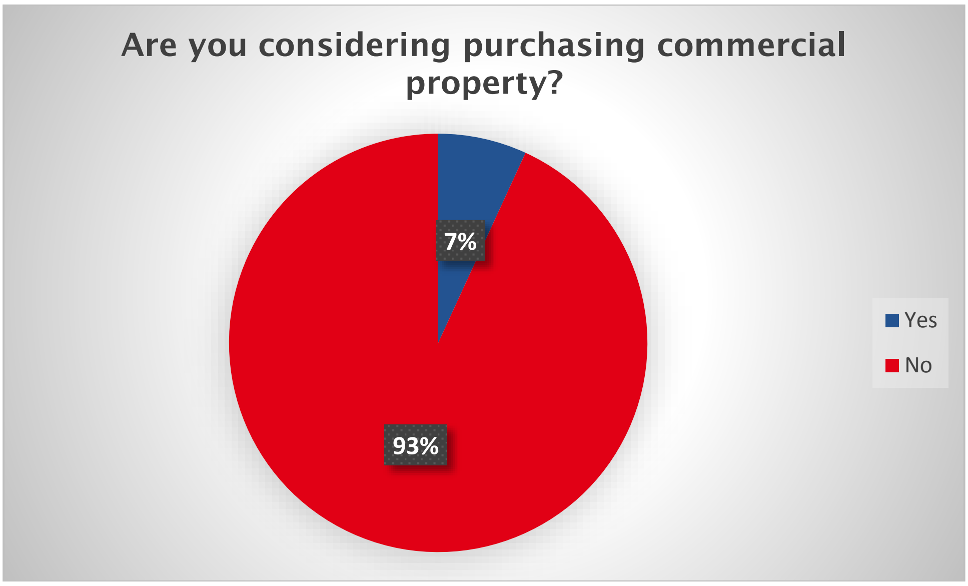


Question 13c: Are you considering purchasing multi-unit property? (Multi-unit blocks owned on a single freehold title)

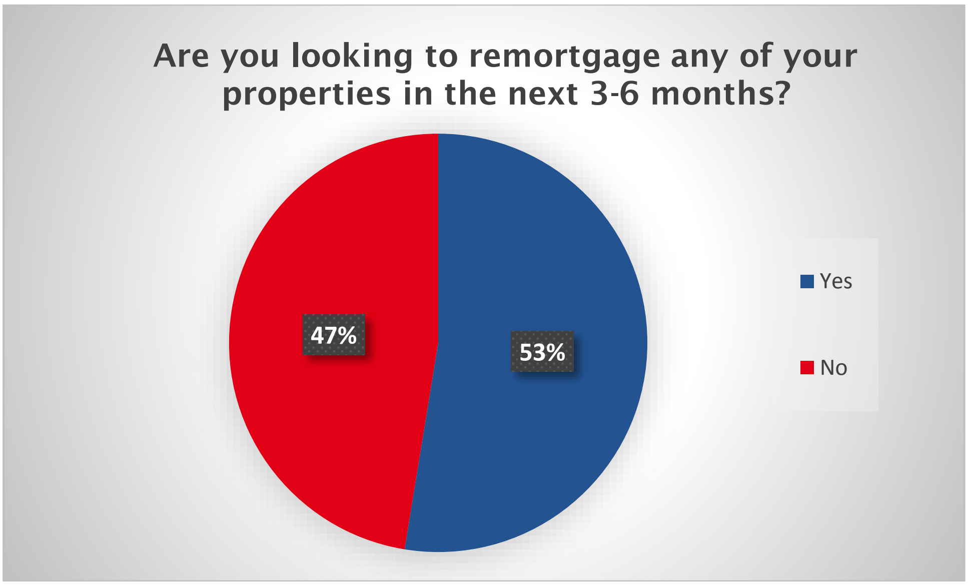
Question 13d: Are you considering purchasing semi-commercial property?



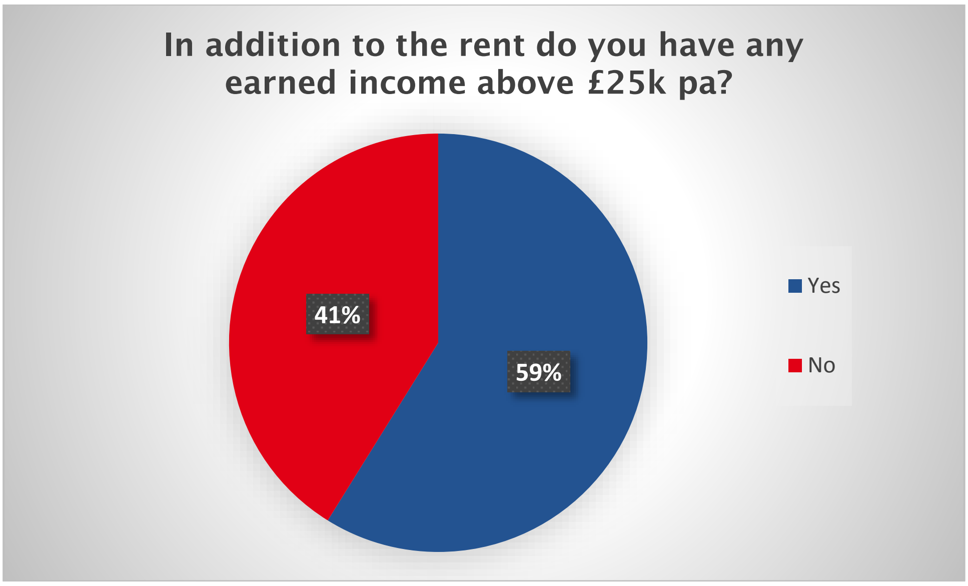
Question 13e: Are you considering purchasing commercial property?



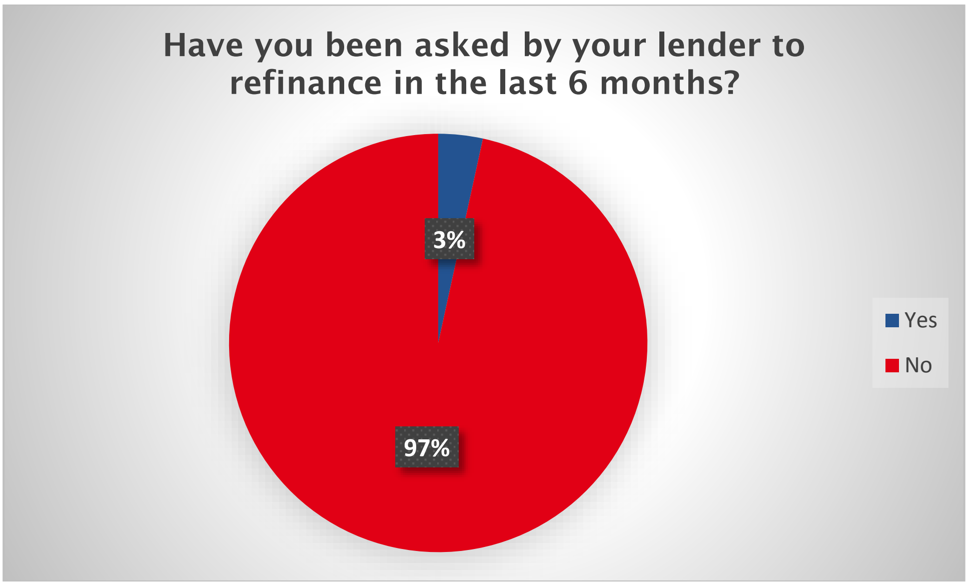
Question 14: Are you looking to remortgage any of your properties in the 3-6?



Question 15: In addition to rent do you have any earned income above £25,000 per year?



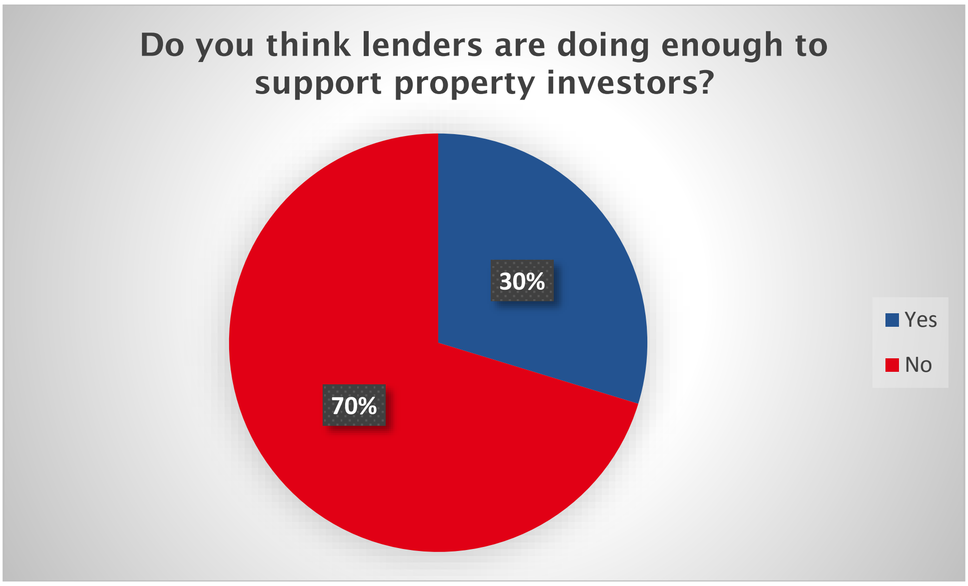
Question 16: In the last six months, has your existing lender asked you to refinance your property/portfolio with other lenders?



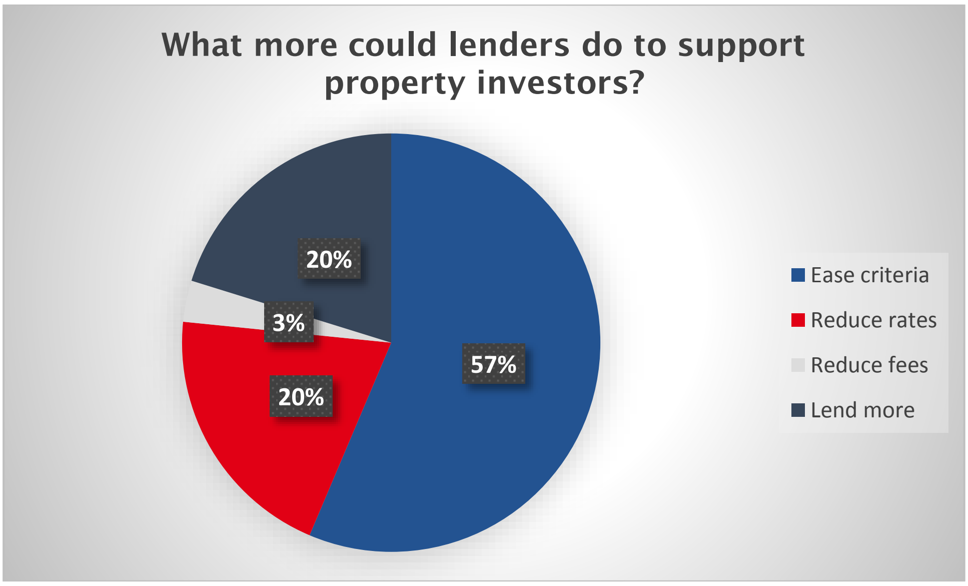
Question 17: Which lenders have asked you to refinance with other lenders?

1. Bank of Ireland
2. Clydesdale
3. HSBC
4. Mortgage Express
5. NRAM
6. The Mortgage Works

Question 18: Do you think that lenders are doing enough to support property investors?



19. What more could lenders do to support property investors?



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