

Property Investor Survey

Results & Analysis November 2015

The survey was launched on 13th November 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 326 property investors took part.

Survey Questions and Responses

Number of investment properties owned

Interestingly the largest increase was seen in the group where investors own over 21 properties – this has jumped from 10% to 15% since April 2015. In light of the recent Stamp Duty announcement we predict that the groups where investors own larger portfolios will rise again by next spring. At present there are no set in stone plans for changes to stamp duty, but it is likely that those purchasing property in bulk (15+ properties) will be exempt from the surcharge. Only 8% of respondents owned one buy to let property.

Distance from home

There was an increase in the number of investors who own property within 25 miles of their home which now accounts for 77% of respondents, up from 73% this time last year. This again reinforces the knowledge which recommends investors purchase investment property in locations they know well. Although the majority of investors own rental property close to home, 11% said they owned property more than 100 miles away.

Limited company ownership

According to transactional data taken from Mortgages for Business' Limited Company Buy to Let Index 18% of cases at Mortgages for Business were made by limited companies in the past 12 months.

With the planned reduction in mortgage interest relief for higher tax paying landlords announced in the summer a new question was added to the Property Investor Survey aimed at those looking to expand their buy to let portfolio.

“How do you intend to purchase buy to let property in the future?”

51% of respondents said they would be borrowing via a limited company in the future, with 30% still undecided. According to transactional data from Mortgages for Business Limited company transactions rose sharply in Q4 2015, with limited company applications accounting for just over 38% of all BTL applications.

Types of property owned

As expected almost nine out of 10 (89%) respondents own vanilla buy to let property, down marginally on the previous two surveys (91%). Properties in the vanilla category tend to be standard 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 own a variety of other property types within their portfolio, however numbers have dropped quite considerably compared with previous results. The percentage of investors who own Houses in Multiple Occupation has dropped to 21% from 27% in April; Multi-Unit Freehold Blocks also down (12% from 31%), Semi-Commercial (10% down from 16%) and commercial property (9% down from 17%).

Borrowing

Once again there has been little change in the level of borrowing amongst property investors. Just under half of the respondents (46%) are geared between 50 – 74% down marginally on the previous two surveys (49%). Gearing from 75% - 99% has gone back up from 12% in April to 17%.

Portfolio expansion intentions

Respondents were asked whether or not they thought they would be affected by the Government's proposed reduction in tax relief on buy to let mortgage interest. Over half (60%) think that they will be affected, which is way above HMRC's prediction of 20%. Just over a quarter (26%) don't think they will be affected and the remaining respondents are unsure.

With this in mind it is no surprise that the number of investors looking to expand their portfolio in the next six months has decreased (from 65%) now standing at 46%, with 36% keeping their portfolio as is. The good news is there is still only a small proportion of landlords looking to sell some property (18%).

Mortgage rate preferences

Once again investors' preference for five year fixed rates has waned for the fourth survey in a row, even though these rates are still favoured by more than any other (26%). One reason for the decline could be due to the fact investors are being attracted to very competitively priced variable rates currently on offer in the market. Another reason for the decline could be down to the uncertainty amongst investors at the moment – many are not comfortable with the proposed Government changes, so don't want to make a long term commitment to the buy to let market until they are more sure on what is going on.

Refinancing to raise capital

Over half (58%) of respondents up from 47% in April who are looking to expand their portfolio will need to refinance in order to raise the necessary capital to do so.

Purchasing different types of property

Of those looking to expand their portfolios, 83% said they were considering purchasing vanilla buy to let property up from 61% in April. 23% said they were considering purchasing HMOs, up from 17% in April; 15% were considering purchasing multi-units, up from 10%; 19% were considering semi-commercial property, up from 13%, 13% were considering commercial property, up from 7%. It is no surprise that an increased number of investors are considering purchasing complex property types, as yields tend to perform better than vanilla buy to let. It is expected that the number of those looking to purchase semi-commercial property will rise in the next survey, as these property types will be exempt from the 3% stamp duty surcharge.

Remortgaging

41% of investors down from 53% in April said they were intending to remortgage property within the next three to six months.

Investors' income

Again there hasn't been much change in the number of investors (58%) who earn in excess of £25,000 each year in addition to any rent from property, down marginally from 59%. This

question was asked because the majority of mainstream buy to let lenders prefer borrowers whose primary occupation is not property investment.

Lenders helping investors

Despite product numbers continuing to rise again there was an increase in the number of respondents who felt that lenders could be doing more to help property investors – 74% up from 70% in November.

Of the 241 respondents who made suggestions as to how lenders could help property investors, 49% felt that lenders should ease lending criteria in some form or another. The most common gripes were:

- **Limited company lending**
A request that hasn't featured highly in previous Property Investor Survey's but one that has taken the spotlight since the recent tax announcements – increase lending options for limited companies. Even though there are options available to those looking to borrow via a limited company, many respondents feel as though there are not enough at present. Some respondents also think that lenders should make it easier to switch from personal to limited company borrowing – something that some lenders are already working on.
- **Lobby the Government**
It is unlikely that lenders will have any sway over the Government's decisions, however many respondents believe lenders could be doing more to stand up for landlords.
- **Upper age restrictions**
Many respondents still feel that most lenders are discriminating against older landlords by insisting borrowers are no more than 75 years at the end of the mortgage term. With the average life expectancy in the UK constantly rising, now into the 80's many of you see this limit as unfair. At present there are only a few specialist lenders who offer mortgages to borrowers who are 75 – 90 years old at the end of the loan.
- **Computer-based lending decisions**
Something that is still bothering investors is how lending decisions are 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 where they look at each case and assess it individually, but this is not something that is generally seen amongst the mainstream lenders.

29% of respondents felt that rates should be reduced even though they are still at a record low. Average pricing is at a similar level to that recorded in April 2015.

Those investors who think that lenders should lower fees has risen dramatically to 47% - from 3% in April 2015.

Mirroring the results from the last Property Investor Survey 17% of respondents felt that lenders should be lending more.

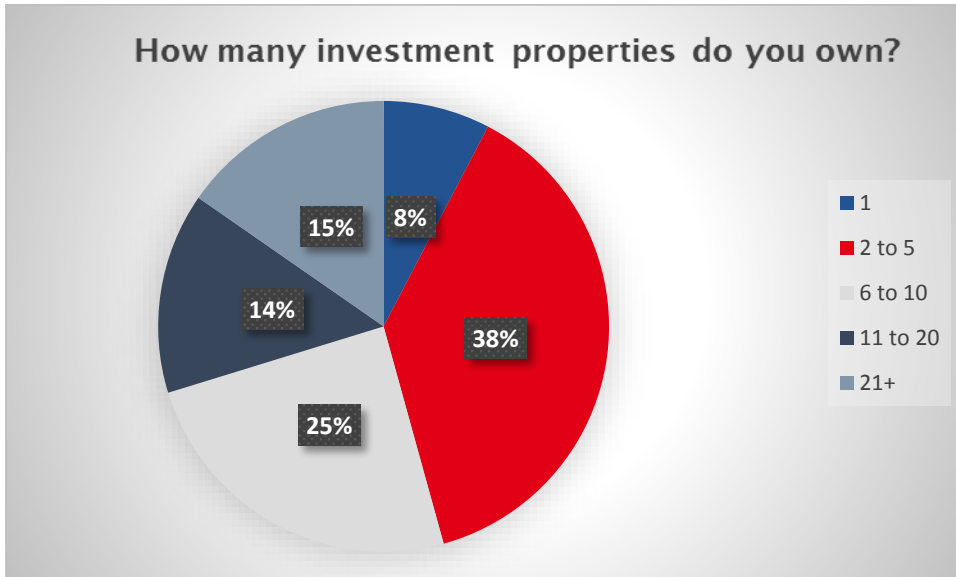
The table below compares these sentiments with the responses of the last two surveys.

What more could lenders be doing to help investors?			
	November 2014	April 2015	November 2015
Ease criteria	73%	57%	48%
Reduce rates	10%	20%	28%
Reduce fees	12%	3%	46%
Lend more	5%	20%	17%
More Ltd Co products	-	-	21%

The full survey results are detailed below. The next survey will be issued in the spring of 2016. For more information please contact: Jenny Barrett, Head of Marketing on 01732 471615.

Results

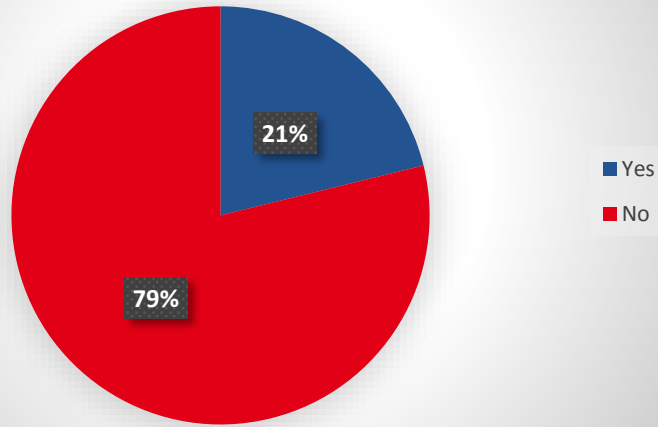
1. How many investment properties do you own? (please include both residential and commercial property)



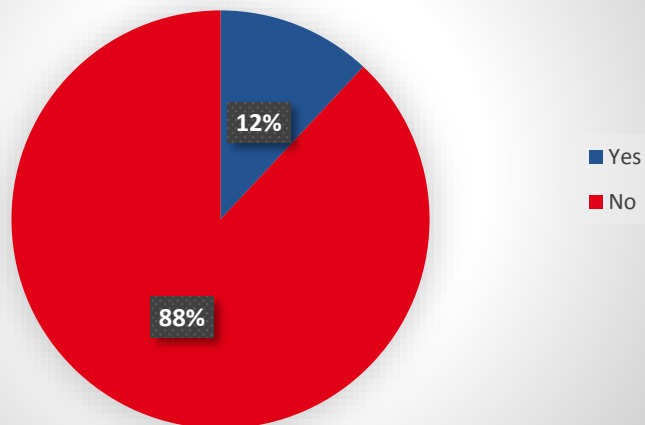
2. What types of investment property do you own?



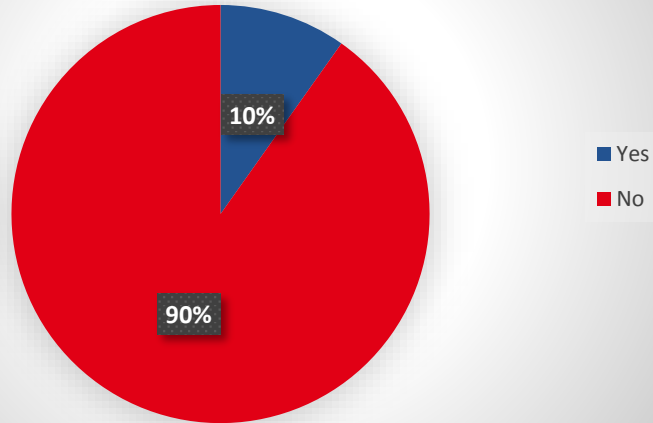
Do you own HMO properties in your portfolio?



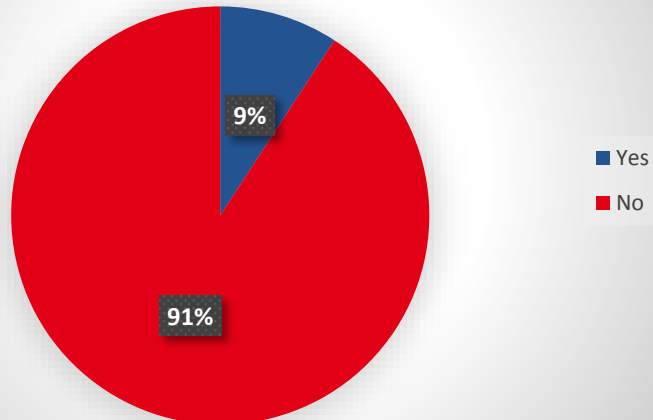
Do you own multi-unit properties in your portfolio?



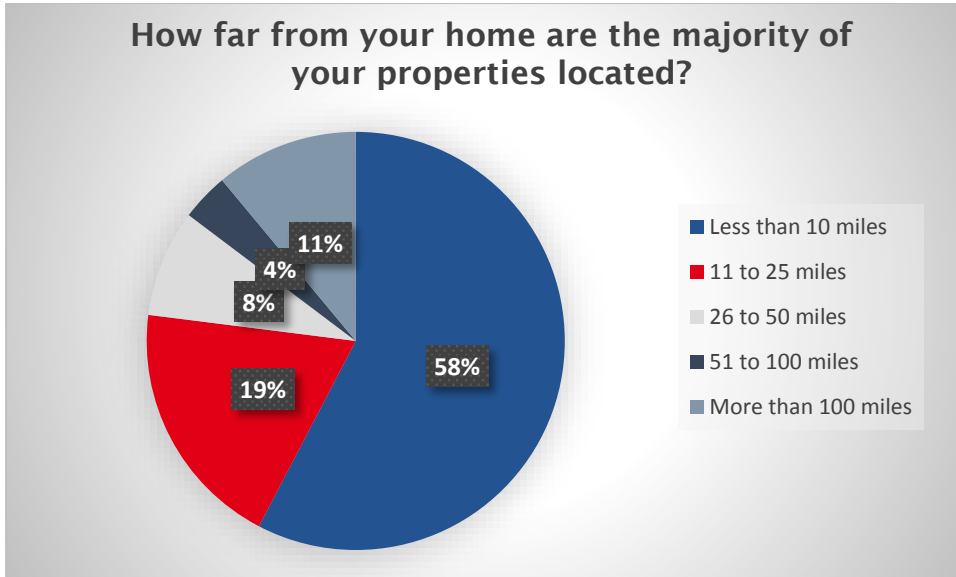
Do you own any semi-commercial properties in your portfolio?



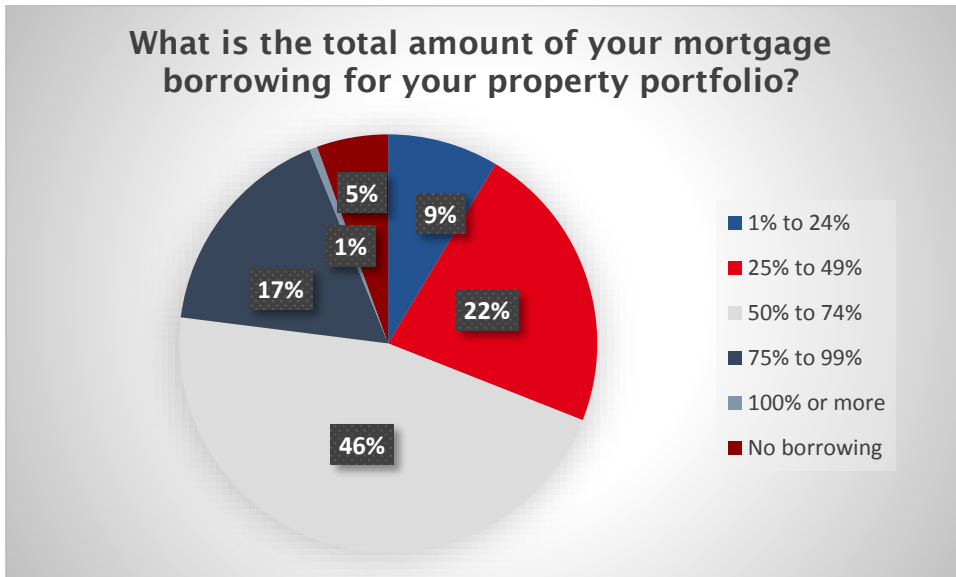
Do you own any commercial properties in your portfolio?



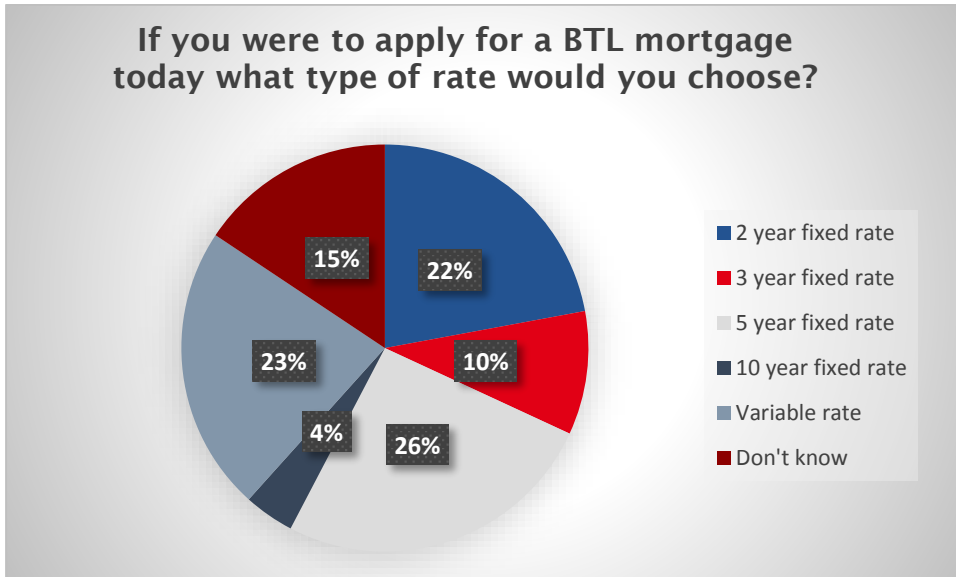
3. How far from your home are the majority of your properties located?



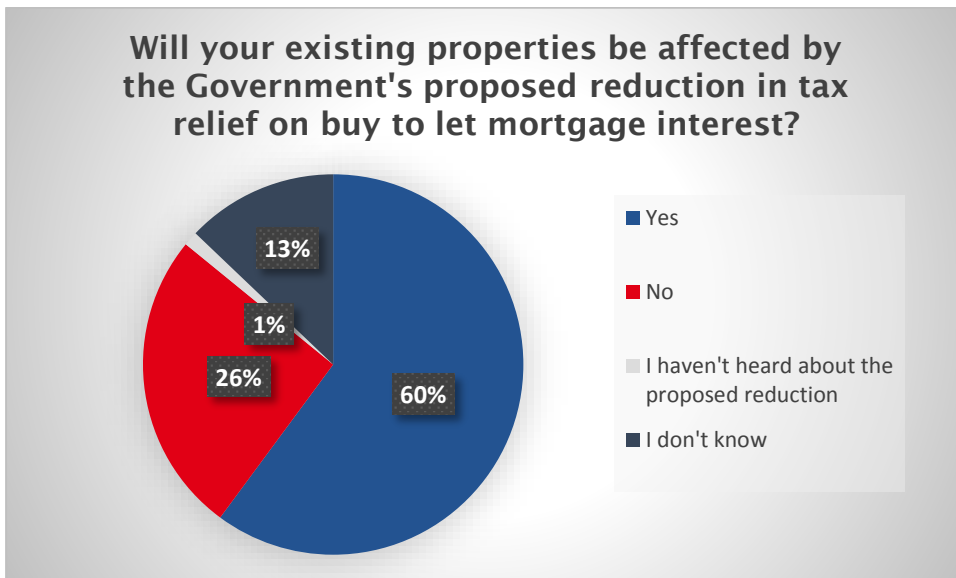
4. What is the total amount of your mortgage borrowing for your portfolio?



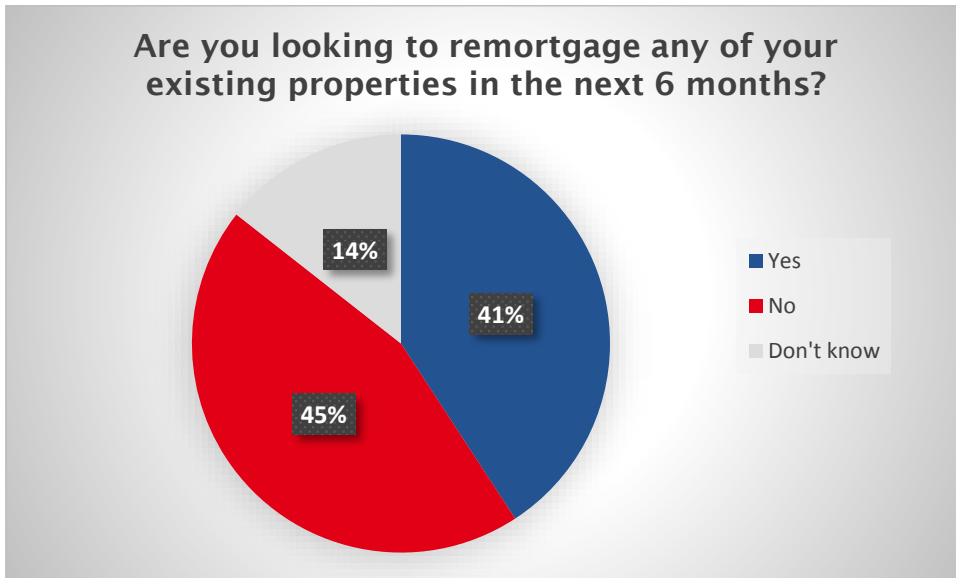
5. If you were to apply for a buy to let mortgage today what type of rate would you choose?



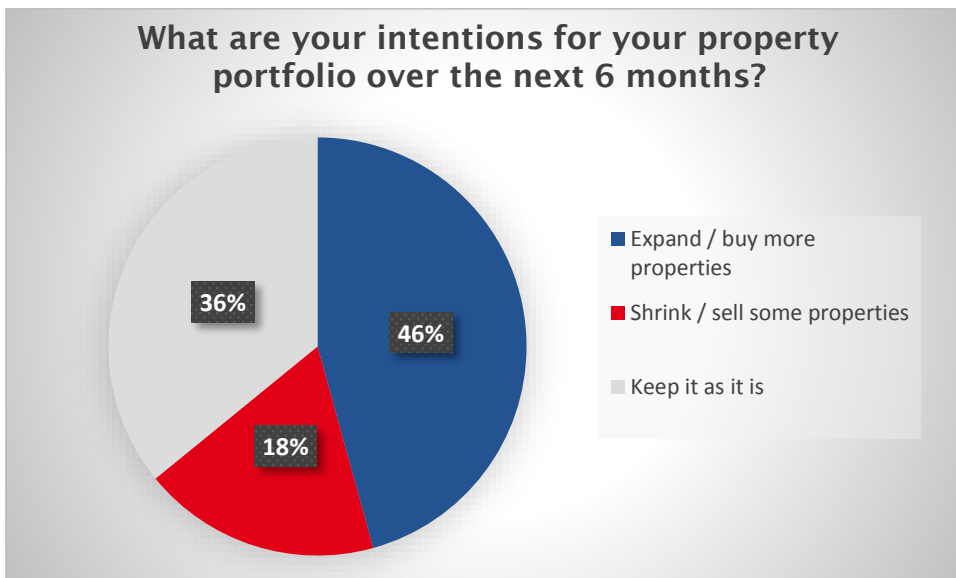
6. Will your existing properties be affected by the Government's proposed reduction in tax relief on buy to let mortgage interest?



7. Are you looking to remortgage any of your existing properties in the next 6 months?



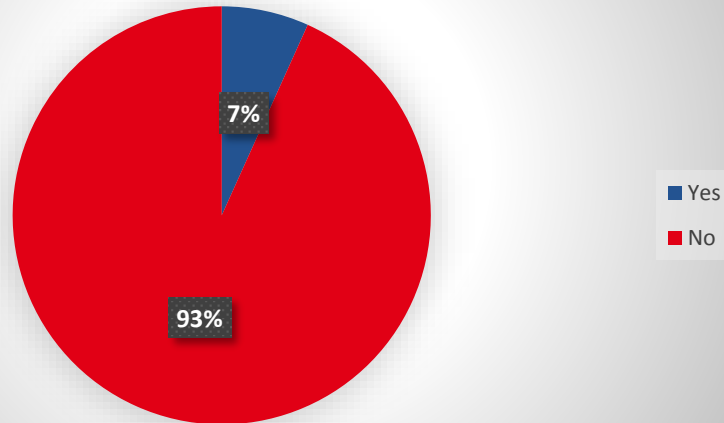
8. What are your intentions for your property portfolio over the next 6 months?



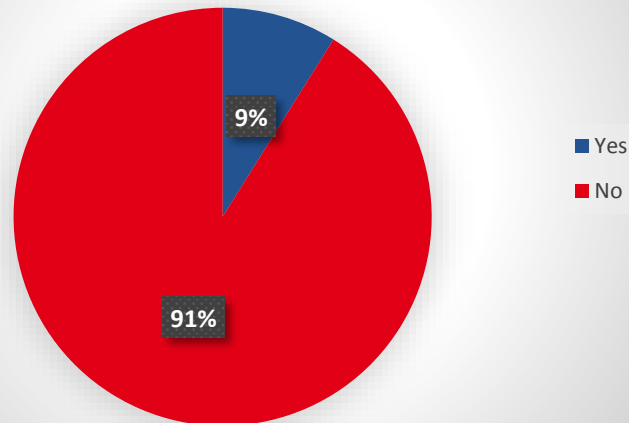
9. What types of property are you considering purchasing in the next 6 months?



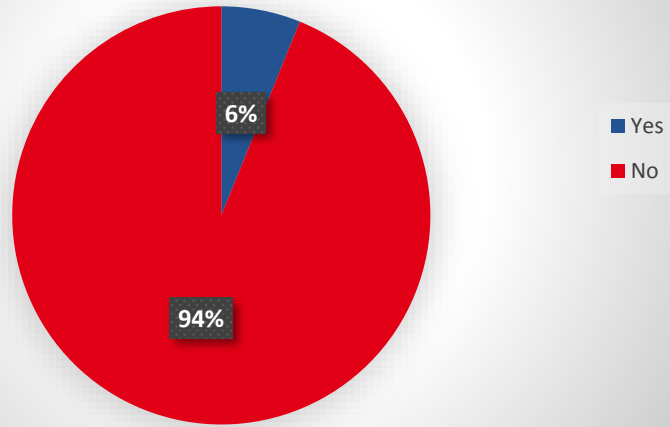
Are you considering purchasing multi-unit properties in the next 6 months?



Are you considering purchasing semi-commercial properties in the next 6 months?

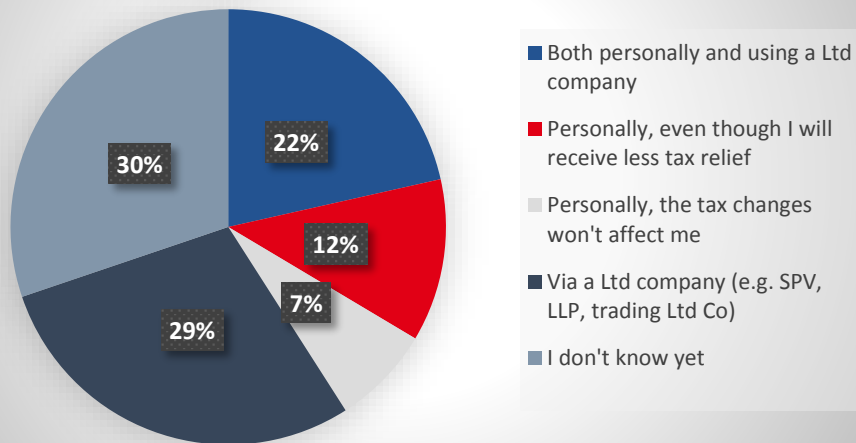


Are you considering purchasing commercial properties in the next 6 months?

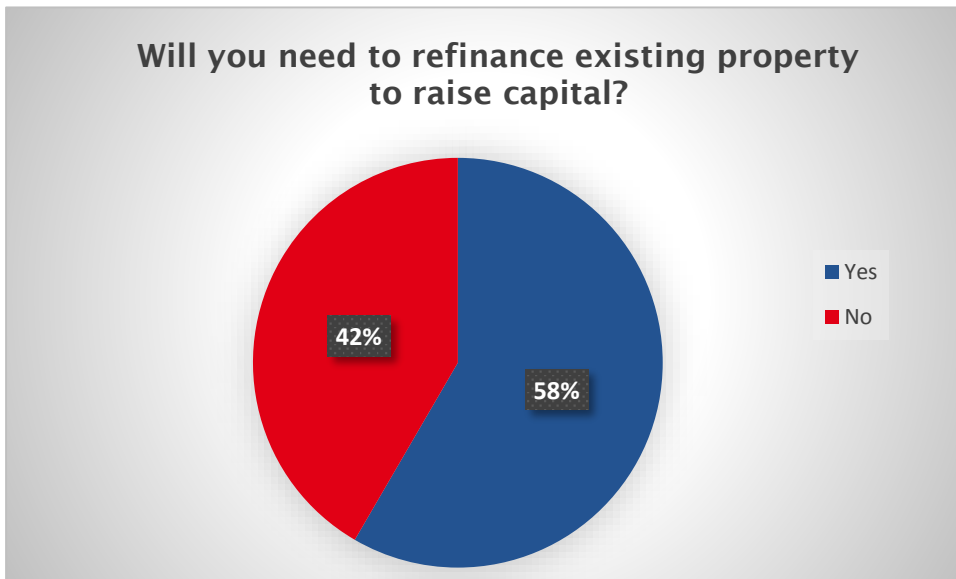


10. How do you intend to purchase buy to let property in future?

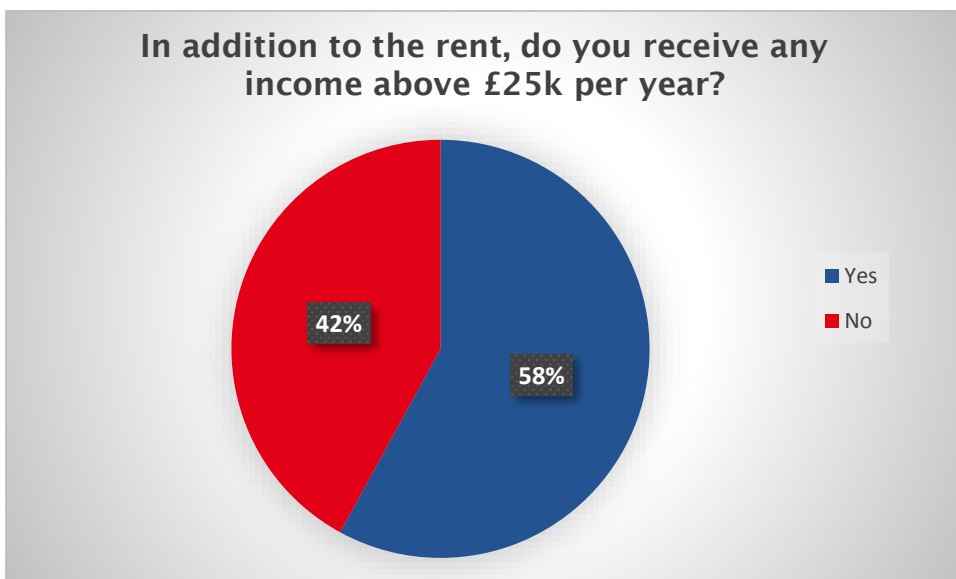
How do you intend to purchase buy to let property in the future?



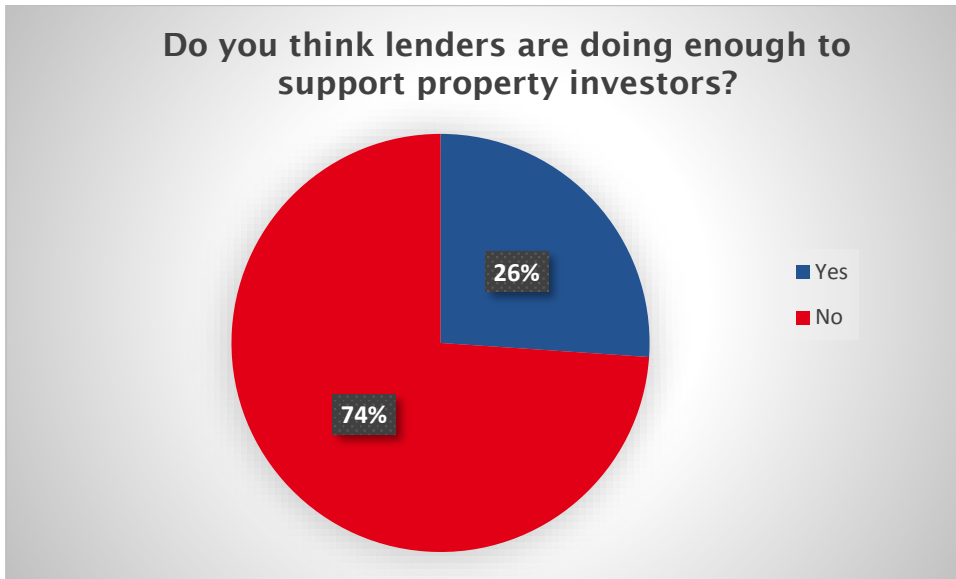
11. Will you need to refinance existing property to raise capital?



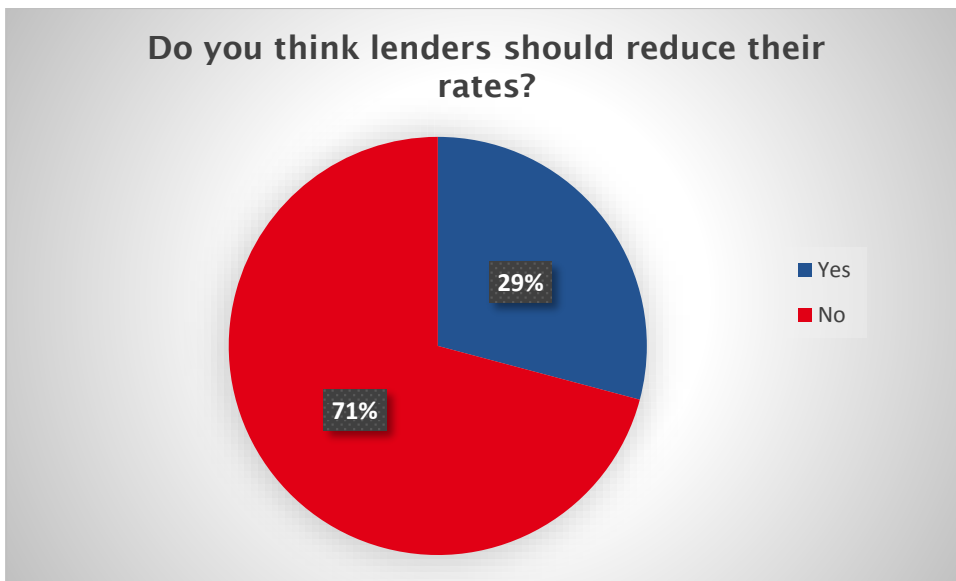
12. In addition to the rent, do you receive any income above £25k or more per year?



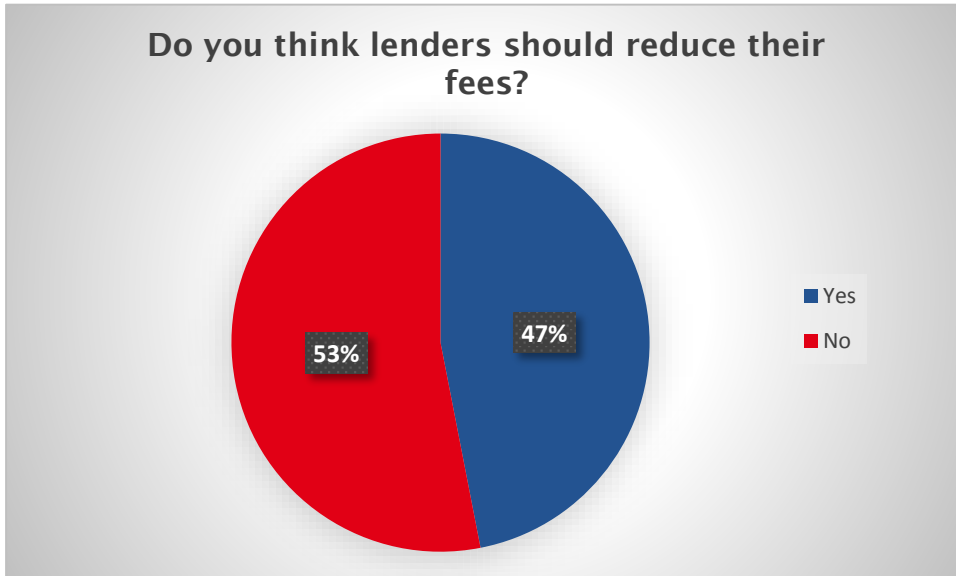
13. Do you think lenders are doing enough to support property investors?



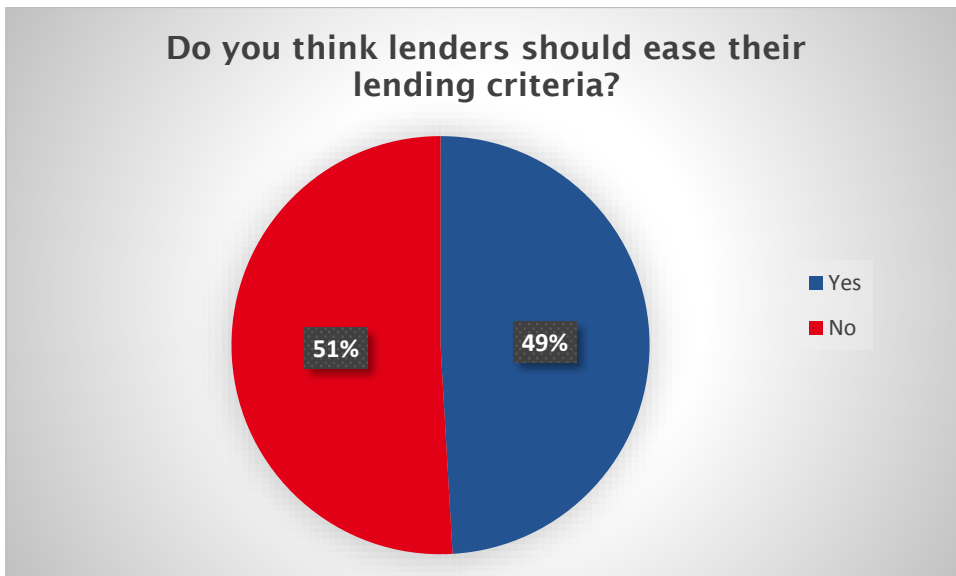
14. A) Do you think lenders should reduce their rates?



14. B) Do you think lenders should reduce their fees?



14. C) Do you think lenders should ease their lending criteria?



14. D) Do you think lenders should lend more?

