

Britain's Buy to Let landlords feeling the pinch

Research reveals lowest levels of optimism since October 2006

London 16th June: BDRC (www.BDRC.co.uk), a leading specialist market research agency, has just released the latest findings from its Landlords Panel. Since October 2006 the independent research has measured the buy to let (BTL) market in the UK by surveying the opinions, attitudes and expectations of British landlords on a quarterly basis.

The responses recorded the lowest level of optimism about the UK's private rental sector since the survey began in October 2006 with only 41% of landlords expressing optimism about the property sector. Only 26% had a positive outlook on the UK's financial markets. The research highlights some of the reasons underlying their pessimism:

- 51% of landlords had experienced 'void' time when their property didn't generate rent
- As a result of these voids, 17% had missed a mortgage payment in the last 12 months – up from 9% in Q4 2007 and the highest level since the research began
- Rental profitability levels were at their lowest recorded levels
- Over half of landlords had experienced problems with their tenants, with the main issue being damage to their property

500,000 'permission to let' loans could mean more woe for lenders

The research also identified as many as half a million homes in the UK's Private Rental Sector may be being funded on a 'permission to let' basis. Whilst landlords benefit from lower interest rates than those charged by specialist BTL lenders, this trend exposes the mortgage lenders to a greater risk of default as

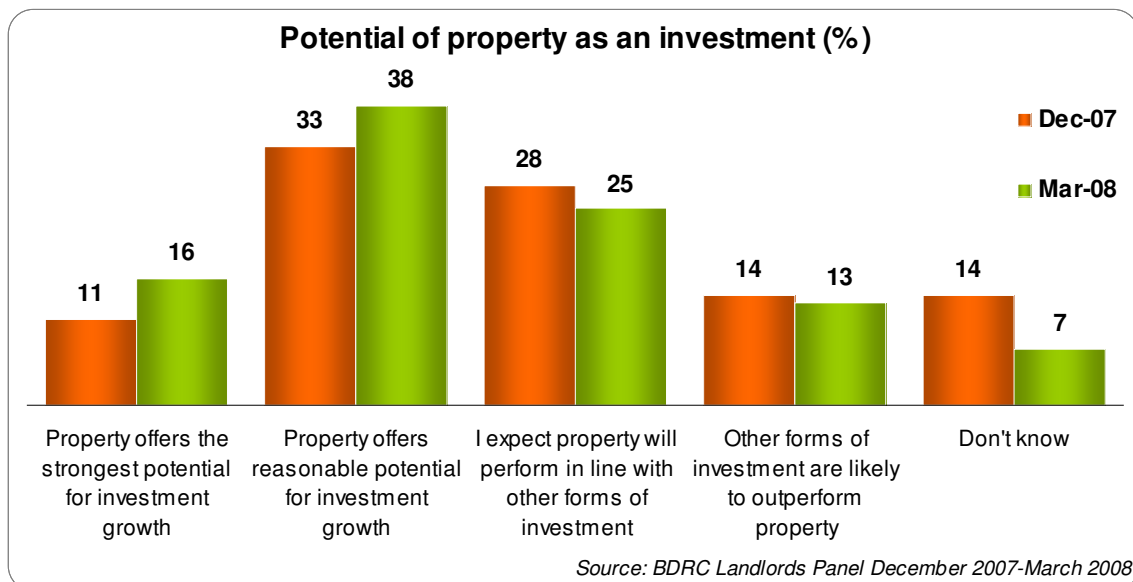
the borrower bypasses the more stringent lending assessments undertaken for BTL loans.

Credit crunch offers opportunities

However, the research shows that for some landlords the fall in house prices and the credit crunch are an opportunity to grow their portfolios and increase rents. 6% of landlords have already bought a repossessed property and a further 65% are interested in buying one. For the first time in this wave of the research BDRC asked about 'sale and rent back' where landlords buy from financially distressed owners and rent the property back to them. 5% of respondents had done this. And with fewer people being able to secure mortgages, almost a quarter of landlords are planning to increase rents in the next three months, at an average rise of 6.8%.

Private landlords believe property is still a viable long-term investment

There is also clear evidence that the majority of landlords have a positive long-term outlook for the property market. Since the last wave of the research in December 2007, the proportion of landlords who think property offers either a strong or reasonable potential for investment growth has risen from 44% to 54% (see chart). 44% of respondents said that whilst letting was not currently their main source of income, they expected it to be in the future.



Before deductions, the average income is £30,140 per annum. The average buy to let portfolio size in our survey was £697,670 with the average mortgage borrowing at £282,950.

Mark Long, Client Services Director at BDRC says “Whilst there is currently pessimism amongst British landlords about the state of UK financial markets, the majority continue to have faith in property as a long-term investment and many are taking advantage of the opportunities presented by the credit crunch to expand their lettings business. We’ll continue to track the market over the next quarters and it will be interesting to see how these attitudes change throughout the year.”

Ends

Note to editors:

The sixth wave of the BDRC Landlords Panel was carried out in March 2008 and consisted of 508 30 minute online interviews with residential property landlords. Participants need to own at least one residential or holiday property in the UK. The majority had residential lets. The participants are measured against data from the Association of Residential Letting Agents (ARLA) to ensure that the sample represents the total UK population of landlords by their letting portfolio. There have been five previous waves of the BDRC Landlords Panel in October 2006, February 2007, May 2007, August 2007 and December 2007. The next waves are scheduled for June and September 2008.

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About BDRC

Founded in 1991, Business Development Research Consultants is a leading full service market research agency. Working primarily for service organisations, the company



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specialises in hotels, finance, travel and tourism and mobile telephony. The acquisition of Continental Research at the beginning of 2008 added media and advertising, public sector and technology research expertise to the portfolio of market sectors covered. Headquartered in London BDRC works internationally and has additional offices in South Africa and Asia.

For more information, please visit www.bdrcc.co.uk.