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A quarter of landlords would consider using a pensions lump sum to invest in property

The latest BM Solutions buy to let quarterly index shows 1 in 4 (26%) of landlords would consider using a lump sum from their pension to invest in property, with a further 24% undecided.

The quarterly BM Solutions / BDRRC Continental Landlord Panel* revealed that while 77% of landlords view their property portfolio as part of their pension provision, 38% are not planning to withdraw a lump sum from their pension to invest in property or don't have enough in their pension to do so. This rises to 48% for landlords with larger portfolios (20+ properties).

Phil Rickards, Head of BM Solutions, comments:

"We expected to see an immediate increase in interest in buy to let after the rule changes allowing access to pension lump sums, but did not believe there would be a stampede and this has proved to be the case. Buy to let is a serious investment of time and money and while good landlords can be very successful, we're not seeing huge numbers of existing landlords shift their pension savings into property."

Market outlook

Year on year, there has been a small increase in landlords' confidence in the UK's financial market during Q1, with 36% rating its prospects for the next 3 months as good / very good compared to 34% who were upbeat in Q1 2014.

However, confidence in the UK private rental sector continues to ease, with 53% reporting positive expectations over the next three months compared to 61% who said this in Q1 2014. As such, the research found almost 1 in 7 landlords purchased a property in Q1 compared to 1 in 5 in Q4, with 3 in 10 intending to do so in 2015. Nevertheless, 3 in 10 landlords are still looking to expand their portfolios in the next 12 months.

Voids and arrears down as demand increases

At the same time, the buy to let market has continued its strong start to the year, with the incidence of rental voids and tenant arrears falling to an all time low, as just 29% of landlords experienced a void period in Q1 and just over a third (35%) having faced tenant arrears in the past year.

Tenant demand remains high in Q1, with 38% of landlords reporting demand had increased whereas only a minority (8%) found tenant demand to have declined.

Tenant demand is reported as being particularly strong in the East of England (48%), the South East (45%), and the West Midlands (45%) where landlords report the highest increase in tenant demands over the last three months. At the other end of the scale, Central London saw the largest drop in landlords reporting increased demand in the last quarter, with the number seeing an increase in tenant demand down nine percentage points on Q4 2014** (see Table 1).

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Table 1: Tenant demand in the last 3 months

Property location	Tenant demand in Q4 2014 (Net increase)	Tenant demand in Q1 2015 (Net increase)	Quarterly change (% point change)
East of England	42%	48%	6%
West Midlands	37%	45%	8%
South East	41%	45%	4%
South West	38%	42%	4%
London (Outer)	43%	41%	-2%
East Midlands	33%	34%	1%
Yorks & Humber	33%	32%	-1%
North West	33%	31%	-2%
Scotland	31%	29%	-2%
London Central***	34%	25%	-9%
Wales	29%	23%	-6%
North East	22%	21%	-1%

Rents and yields

Just under half (46%) of landlords report seeing rents increase in the areas where they let over the last 12 months, with just 5% stating they have noticed rents falling. After rising to 6.4% in Q4 2014, the average rental yield achieved has fallen to its lowest level for five years in Q1 (5.7%).

At a regional level the Wales saw the highest rental yield in Q1 at 6.6%, while London saw the lowest at 5.3% for Central London and 5.2% for Outer London (see Table 2)

Table 2: Average rental yields per region

Property location	%
Wales	6.6
North East	6.6
North West	5.9
West Midlands	5.9
South West	5.8
East of England	5.8
Yorks & Humber	5.7
South East	5.6
East Midlands	5.6
Scotland	5.3
London (Central)	5.3
London (Outer)	5.2

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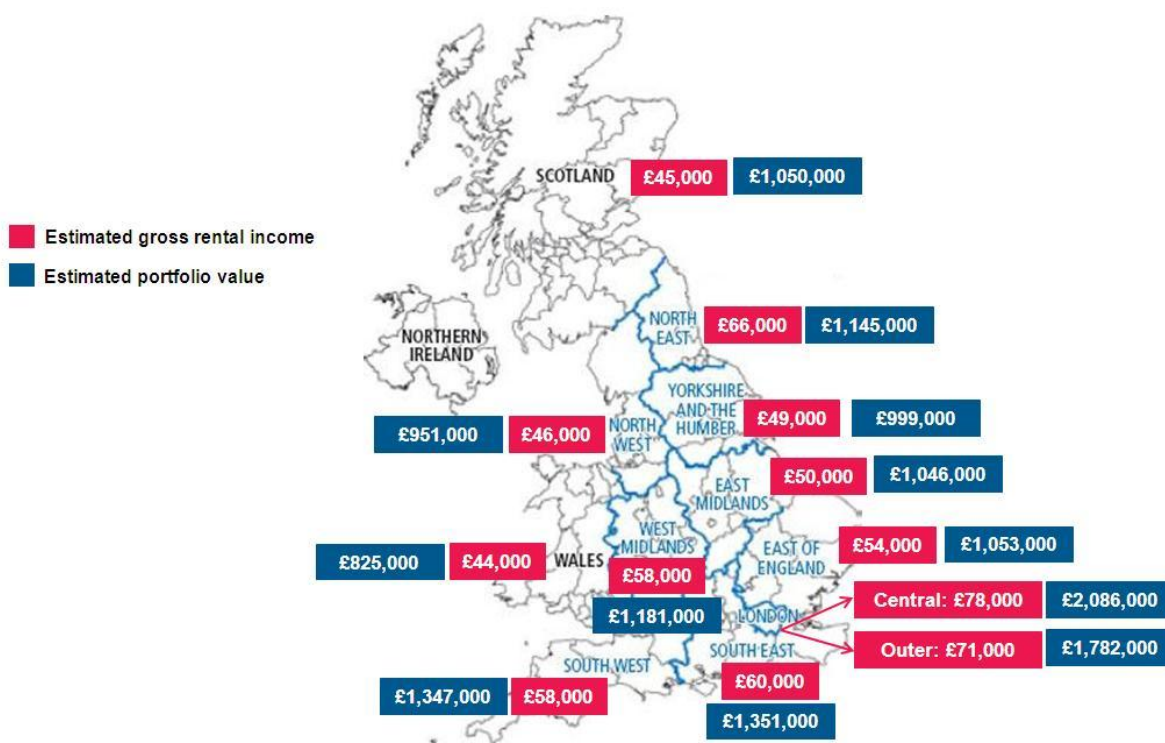
Phil Rickards, adds:

“The outlook for landlords looks strong, with good tenant demand and rental arrears and voids as low as they’ve ever been. As such almost 1 in 7 landlords purchased a property in Q1 and almost 30% report planning to make a new purchase in the next 12 months.”

Rental income

The average buy to let portfolio is now worth £1.2million, and generates a gross rental income of £53k a year. With the average portfolio having 7.9 properties in Q1, this equates to a per property value of £150,000, each generating an average of £6,700 in rental income. Portfolios in Central London generate the highest gross rental income at £78,000, with Wales the lowest at £44,000 (see below).

Gross annual rental income & portfolio value levels by region



ENDS

Notes to the editor

* This report contains a selection of findings from the Q1 2015 Landlords Panel study from BDRG Continental. Interviews were conducted between 13th March 2015 – 25th March 2015. Respondents included 1,070 National Landlords Association [NLA] members

** Net increase is worked out by increase in demand minus decrease in demand

***Central London includes properties in Zone 1 and 2

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