



# UK Landlord Report

Simply Business | September 2022

**SB** Simply  
Business



**Alan Thomas**  
Simply Business UK CEO

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As regulation of the rental sector continues against a backdrop of rising costs, it's vital landlords get the necessary government support, education, and clarity to rent out high quality homes that are compliant with the law.

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# Foreword

A combination of financial challenges, eviction bans, and a perceived lack of government support meant the rental market was hit hard by the Covid-19 pandemic – and now landlords and tenants are feeling the effects of rising costs.

Alongside this, our latest research shows many of landlords' biggest concerns and challenges relate to regulation such as rental reforms, rising taxes, and higher energy efficiency standards.

It comes as no surprise that 58 per cent of landlords told us confusing and rapidly changing government legislation is the biggest challenge they currently face. The hurdles of the last few years have led to many of the 2.6m landlords who let out residential properties in the UK reducing the size of their portfolios, or leaving the rental market altogether.

Our study found that almost half of landlords have sold a property in the last year or are planning to do so. This comes as little surprise when you consider the pace of market change, as well as tax disincentives such as Section 24 and the stamp duty surcharge.

A buy-to-let exodus would not only remove rental housing at a time when it's needed more than ever, but it would also significantly reduce the vital £16 billion annual contribution landlords make to the economy.

It's clear landlords want more support from the government – 29 per cent said they'd reconsider selling if more tax relief was introduced, while over a fifth said more clarity on legislation would discourage them from putting their property on the market.

It's also encouraging that despite uncertain conditions, many landlords remain optimistic about the long-term returns and stability offered by buy-to-let. Almost half told us they still think letting property is a worthwhile investment and 37 per cent expect to see their yield increase by up to 10 per cent this year.

Insuring over 300,000 landlords allows us to gain first-hand insight into the significant role they play in providing safe and affordable housing for over 4.4 million households across our towns and cities.

As regulation of the rental sector continues against a backdrop of rising costs, it's vital landlords get the necessary government support, education, and clarity to rent out high quality homes that are compliant with the law.



Alan Thomas  
**Simply Business UK CEO**



# Executive summary

Whether it's tax hikes or rental reforms, landlords find it challenging to keep up. Coupled with continued economic uncertainty and the increasing cost of living, the future of the rental market is unclear.

Exactly half of landlords have told us that they're worried about further regulation of the rental market. Rental reforms mean that many landlords may need to review their existing agreements and listing policies.

Despite all this, 45 per cent of landlords still see property as a worthwhile investment.

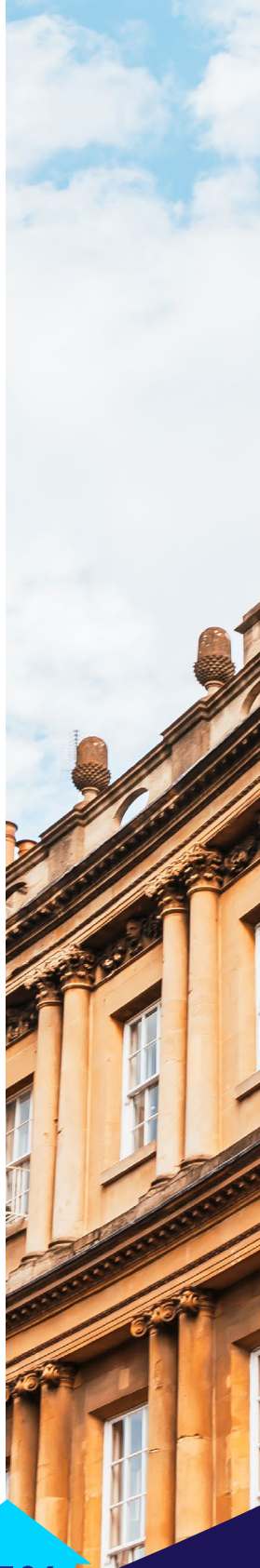
Still, it's true that some landlords have hit pause on adding to their portfolio, with 49 per cent selling (or making plans to sell) a property in the previous year (at the time of the survey).

For those staying in the market, it's important to be savvy – and to navigate the future efficiently. One reason is that property improvements to comply with proposed energy efficiency changes – like insulation, solar panels, and double glazed windows and doors – can improve performance. But they're costly, with one in five saying they expect to spend more than £10,000.

This is even more pronounced considering a third of landlords say their properties are not as profitable due to restriction of buy-to-let mortgage tax relief.

On a final note of optimism, 18 per cent of landlords are optimistic about their ability to generate income – with 37 per cent expecting rental yield to increase by up to 10 per cent.

We surveyed 611 landlords from across the UK to get an in-depth understanding of challenges, emerging trends, and future plans. Data was collected in March 2022 and can be used as an indicator of the health of the buy-to-let market.



are planning to **buy another property in 2022**



think **letting property is still a worthwhile investment**



**49%**

have sold a property in the last year or are planning to sell

**50%**

are worried about further regulation of the rental market

**55%**

need to make improvements to increase the energy efficiency of their property

**58%**

of landlords say confusing and rapidly changing government legislation is the biggest challenge they currently face

# Key findings

# Biggest challenges and threats

Confusing and rapidly changing **government legislation is a major concern for landlords**, with 58 per cent saying it's the biggest challenge they currently face.

With taxes rising, proposals for new energy efficiency rules, and upcoming rental reforms, landlords have been struggling to keep up with their ever-changing responsibilities.

What's more, an **increase in licensing and the prospect of rent controls** is seen as the biggest threat to the rental sector by 19 per cent of landlords.

Landlords are also affected by the **cost of living crisis**, and this is leading to growing concerns. Almost half (45 per cent) of landlords say that rising costs are the most significant threat to the rental market, with 35 per cent describing inflation and rising interest rates as their biggest challenge.



Government legislation is a major concern for landlords



Landlords are also affected by the cost of living crisis



Increase in licensing and the prospect of rent controls is seen as the biggest threat



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Whilst I appreciate that rogue landlords need to be stamped out, the good landlords are being indirectly financially punished for keeping up with legislation.

My appetite to increase my portfolio of additional properties has been quashed as I don't see a fair gain for my investment to purchase and rent further properties.

Simon, Wales  
Surveyed March 2022

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## Rental reforms

The government published the long-awaited rental reform white paper in June, proposing measures such as:

- landlords will need a “good reason” to not let tenants have a pet in their home
- if landlords do refuse pets, tenants can challenge their decision
- the Decent Homes Standard (currently used in social housing) will be extended to private rental homes
- Section 21 evictions will be scrapped – tenancies will only end if a tenant ends it or a landlord has a valid reason, defined in law
- landlords will no longer be able to have a blanket ban on renting to families with children or those who receive benefits

As a result of the proposed reforms, many landlords may need to revise their tenancy agreements or listing policies, while others may need to make improvements to their properties.

The bill will change many aspects of landlords’ rights and responsibilities and this points to an uncertain future for the rental market.





## Here's how landlords feel about rental reforms, which could come into force next year



**50%**

are worried about further regulation of the rental market



**34%**

say rental reforms are the biggest threat to the rental market



**20%**

of those selling up are doing so because of rental reforms



## Are landlords looking to buy or sell?

Increased regulation, rising costs, and tax challenges are just some of the reasons some landlords might be looking to sell their properties.

The rental reform white paper, combined with the rising cost of maintenance and letting a property, is pushing many landlords out of the buy-to-let market.

On the other hand, it's clear some landlords are keen to expand their portfolios further due to the long-term stability of the property market, as well as rental growth and favourable buy-to-let mortgage rates in recent years.

SOLD:

# 49%

sold a property in the last year  
(or are planning to sell)

BUYING:

# 23%

are planning to buy  
another property in 2022

“

I have such a good relationship with the tenants, they were in the property when I purchased it and treat it like it's their house, keeping it well-maintained.

Stephen, East England  
Surveyed March 2022

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# What is affecting landlords' buying and selling plans?



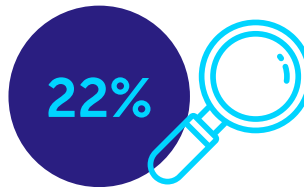
are planning to sell because of the rising cost of being a landlord



expect yields to increase by up to 15% this year



would reconsider selling if the government introduced more tax relief



would reconsider selling their properties if they had more clarity on legislation and regulation from government



I'm an accidental landlord. The rental forms a large part of my retirement income so any legislation that results in further expense affects me greatly. I'm also very concerned about the changes in capital gains tax, should I decide to sell as I get older.

Joyce, North West  
Surveyed March 2022

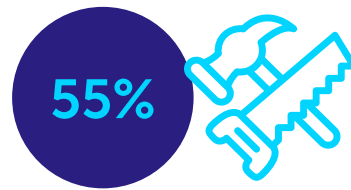


# Energy efficiency rules and proposed changes

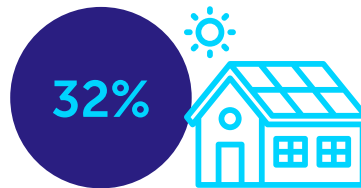
Landlords have had to comply with energy efficiency regulations since 2018, but proposed changes to minimum standards could mean rental properties need further costly improvements.

Draft proposals suggest that the minimum EPC requirement for rental properties could be increased from E to C for new tenancies in 2025 and existing tenancies in 2028.

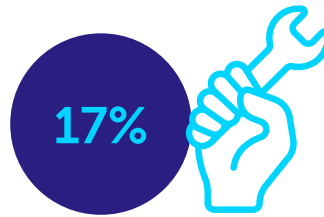
How do landlords feel about energy efficiency improvements?



need to make improvements to their properties to increase their energy efficiency



said making properties energy efficient is a key challenge







said they're worried about their ability to maintain their properties



# How much will this cost landlords?

Installing insulation, solar panels, or double glazed windows and doors can help improve a property's energy performance rating. But how much is this likely to cost landlords?

-  40% think they'd need to spend **between £1,001 and £5,000**
-  27% anticipate spending **between £5,001 and £10,000**
-  19% estimate that they'll have to spend **over £10,000**
-  14% estimate a total spend of **up to £1,000**



# Buy-to-let tax changes five years on

It's been five years since Section 24 – or the restriction of buy-to-let mortgage tax relief – was first introduced.

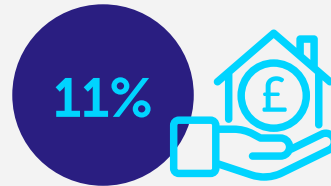
The controversial tax changes put an end to landlords deducting their mortgage expenses from their rental income, which significantly reduced their tax bill. Instead, mortgage interest tax relief was gradually reduced between 2017-2020, and replaced with a 20 per cent tax credit.



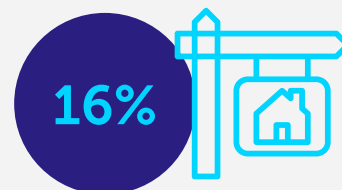
say their properties are not as profitable due to the tax relief restrictions



say rising taxes are a key challenge



have had to pass the additional costs onto their tenants



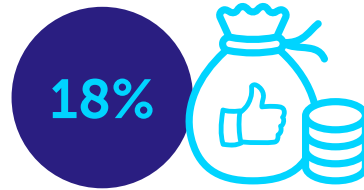
say the tax changes have caused them to sell – or consider selling – property

## Looking ahead

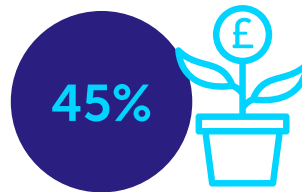
Despite a difficult few years (and the promise of further challenges to come), landlords have faith in the overall benefits of letting a property.

Many landlords still see it as a viable investment, with two thirds expecting their rental yield to increase by up to 10 per cent.

This suggests that landlords are willing to push ahead, in the hope of long-term wealth generation.



are optimistic about their ability to generate income



think letting property is still a worthwhile investment

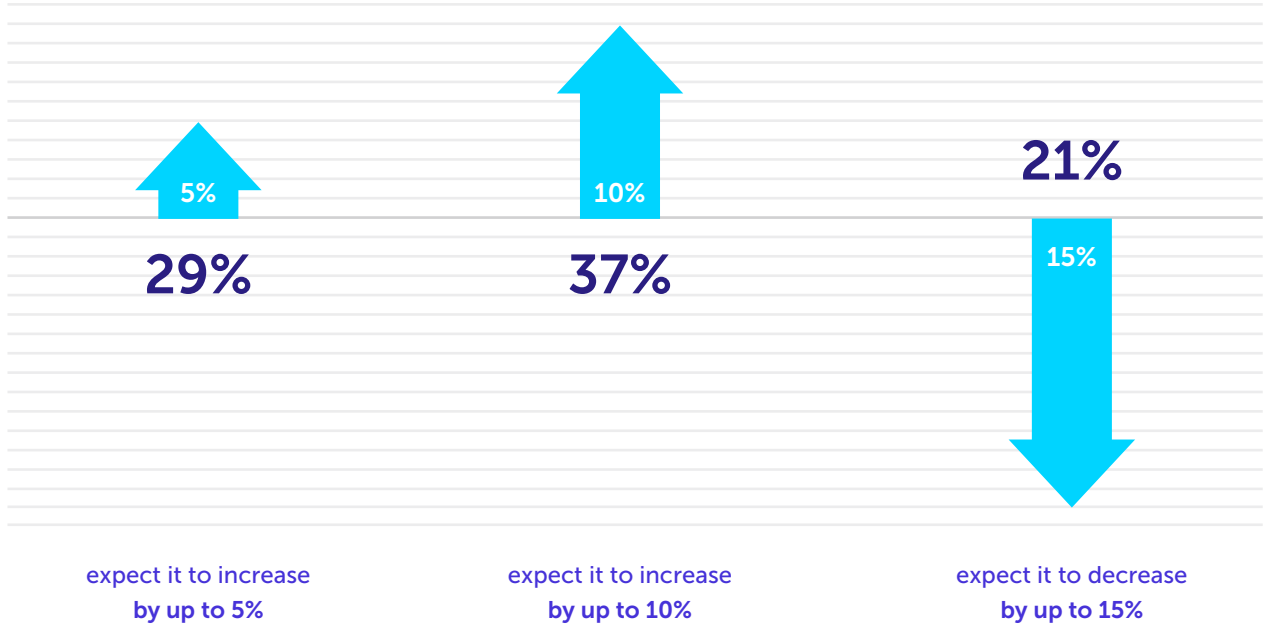
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I am fortunate enough to have long-term tenants that are happy to stay for the foreseeable future and I have a good relationship with all of them.

**Linda, South East England**  
 Surveyed March 2022

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# How do landlords expect rental yield to change?





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Whilst costs are increasing, prices are rising and there is uncertainty going forward, I still see property investment as long-term wealth generation and will continue to pursue this.

Landlord, East Midlands  
Surveyed March 2022

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