

Landlord

Report

October 2023



About

Simply Business

Simply Business insures more than 315,000 landlords, from accidental landlords all the way up to professionals with larger portfolios. When it comes to protecting rental properties, we're proud to offer simplicity, choice, and value to landlords across the UK.

At Simply Business, we're serious about putting our customers at the very heart of all we do – whether that's our digital experiences or our advertising. As part of this it's vital to understand what it's like to be a landlord in 2023, from major challenges and threats to future plans and reasons for optimism.

Our in-depth survey gave landlords the opportunity to share their experiences of letting properties, allowing us to gain a unique insight into the current buy-to-let landscape.

We know it's been a tough few years for landlords and with significant changes on the horizon, our annual Landlord Report provides an in-depth analysis of the UK rental market.

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A combination of economic uncertainty, changing regulations, and rising costs means there's no shortage of challenges facing the nation's landlords in 2023. The cost of living crisis has affected all corners of society, and the buy-to-let sector is no different.

Our report shows that landlords see rising costs as the single biggest threat to the rental market. Unfortunately, this has left many landlords with no option but to increase rents to cover their costs. However, it's encouraging to see that almost half (49 per cent) have felt able to keep their rent the same over the last 12 months.

An ongoing theme in recent years has been uncertainty, with two thirds (66 per cent) telling us that constantly changing and confusing government legislation is one of their greatest challenges.

Landlords and tenants still need clarity from the government around the future of energy efficiency rules and more details about the Renters' Reform Bill – which was finally introduced to parliament in May 2023 after a four-year wait.

Although the vast majority of landlords will welcome increased standards across the market, more clarity is needed so they can prepare for the biggest changes to tenancy law in a generation.

As a result of this uncertainty, landlords will be assessing their position in the coming months. It appears that many are planning to sit tight, with just three per cent planning to buy a property in the next 12 months. A quarter are planning to sell in the next 12 months, with the most common reason for this being new legislation.

Considering all this, it's unsurprising that two thirds (66 per cent) of landlords are concerned about the future. That being said, the long-term stability offered by property ownership means that 50 per cent still think buy-to-let is a good investment.

Insuring more than 300,000 landlords allows us to gain first-hand insight into the integral role they play in the housing market, plus the challenges they're facing.

It's important that landlords are given the time and information they need to prepare for significant upheaval in the coming years, so they can continue to provide much-needed housing for almost five million households nationwide.



Alan Thomas
Simply Business UK CEO



Alan Thomas

Foreword

Executive summary

In the past year, the buy-to-let market has been exposed to the volatility of the UK's economy with the cost of living crisis, high inflation, and soaring mortgage rates all contributing to instability. With seismic changes to regulation on the way, landlords are having to juggle their everyday responsibilities while keeping up with ever-changing legislation.

42%

said that the rising cost of being a landlord is the single biggest threat to the rental market

The long-awaited Renters' Reform Bill was published in May 2023, with the end of Section 21 evictions viewed as the most controversial change amongst landlords. Over half (54 per cent) of those surveyed predict that changes to eviction laws will force landlords to sell up and leave the market. Uncertainty around the future of the housing market has left landlords feeling divided.

31%

no longer regard rental property as a good investment

29%

expect their rental yield to increase this year

Key findings



66% say constantly changing and confusing legislation is one of their greatest challenges



50% think that rental property is a good investment



42% say rising costs are the single biggest threat to the rental market



25% plan to sell a rental property in the next 12 months



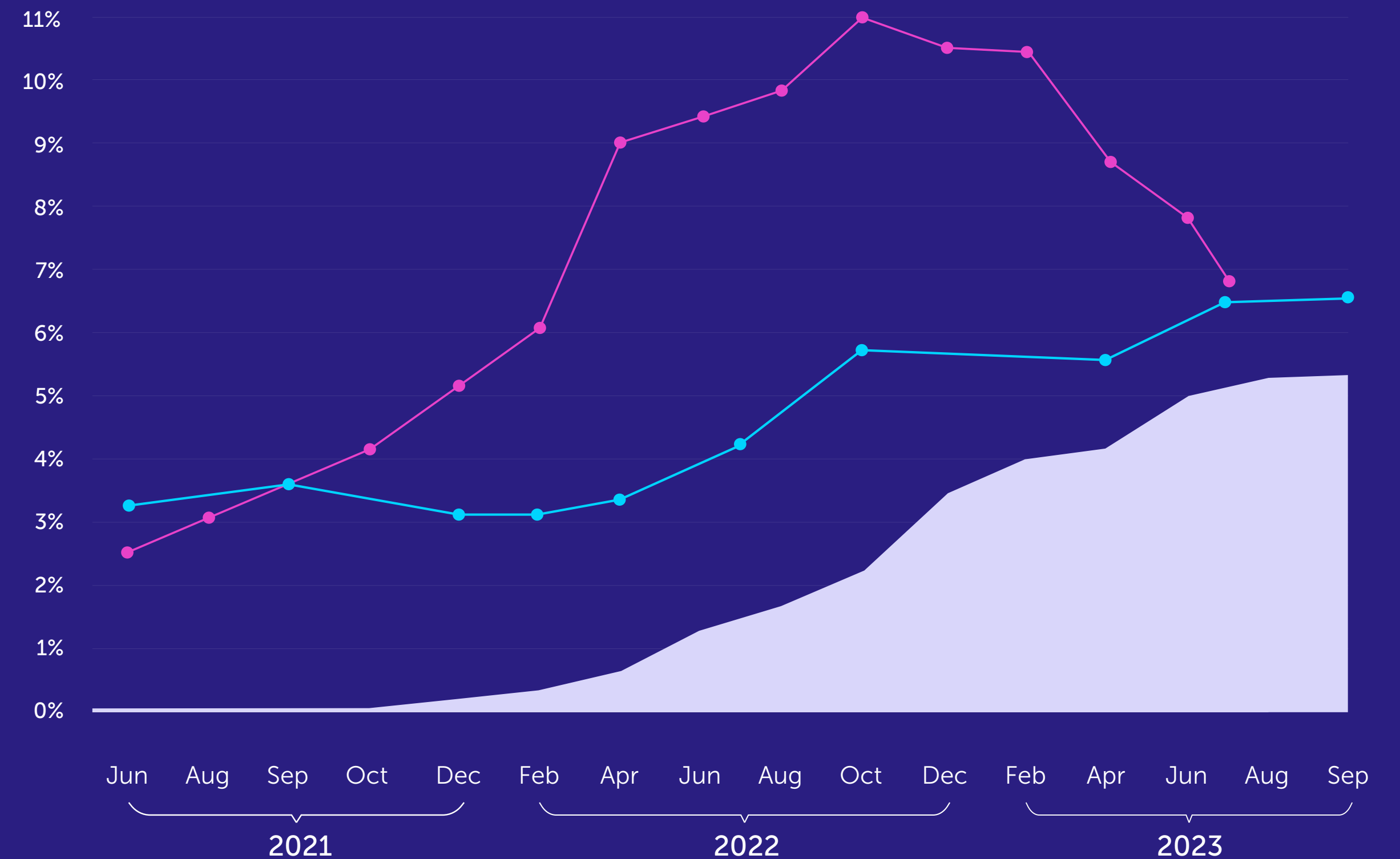
Methodology

We surveyed 1,455 residential landlords based in the UK during August 2023. The dataset includes landlords with one property, all the way up to those with more than 10. The data can be used as an indicator of the current state of the UK's buy-to-let market.

The rental market landscape in 2023

Tricky economic conditions, including rising inflation and high interest rates, have taken their toll on the housing market.

Although inflation has started to fall after peaking at 11 per cent in October 2022, it remained high at 6.8 per cent¹ in July 2023. The Bank of England's base interest rate increased on 14 consecutive occasions between December 2021 and August 2023, reaching 5.25 per cent². These increases have been reflected in average buy-to-let mortgage rates, which reached 6.5 per cent in July 2023, rising from 4.3 per cent in July 2022.



▲ Interest rate timeline
 Source: Bank of England base interest rate

● Average buy-to-let mortgage rates
 Source: Moneyfacts

● Inflation
 Measured by The Consumer Prices Index (CPI)

¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/july2023>

² <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/august-2023>

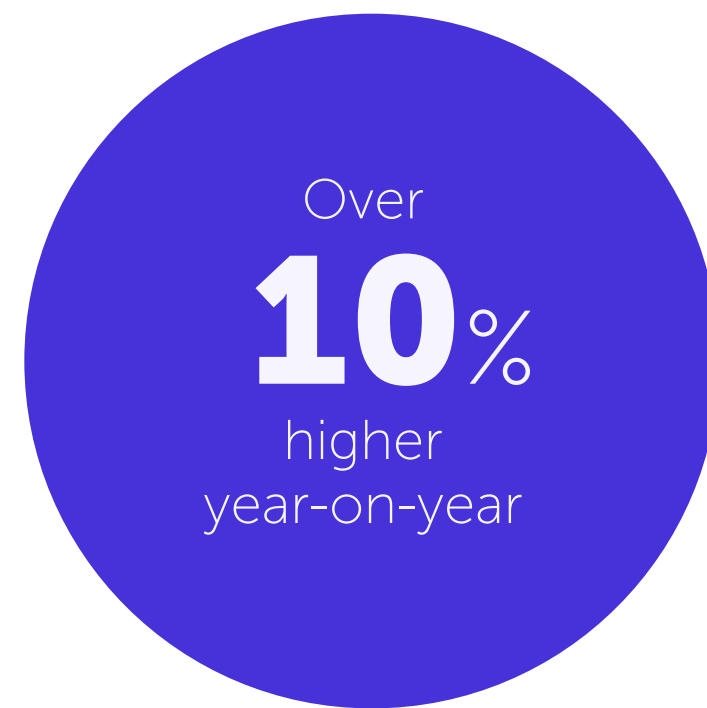
During this period, average property prices have started to dip after a sustained period of growth. Data from Halifax¹ shows that after peaking at £293,835 in September 2022, the average UK house price dropped to £285,044 by July 2023.

According to HomeLet's Rental Index², in July 2023 the average UK rent reached*

£1,243

Compared to the previous month this is a rise of

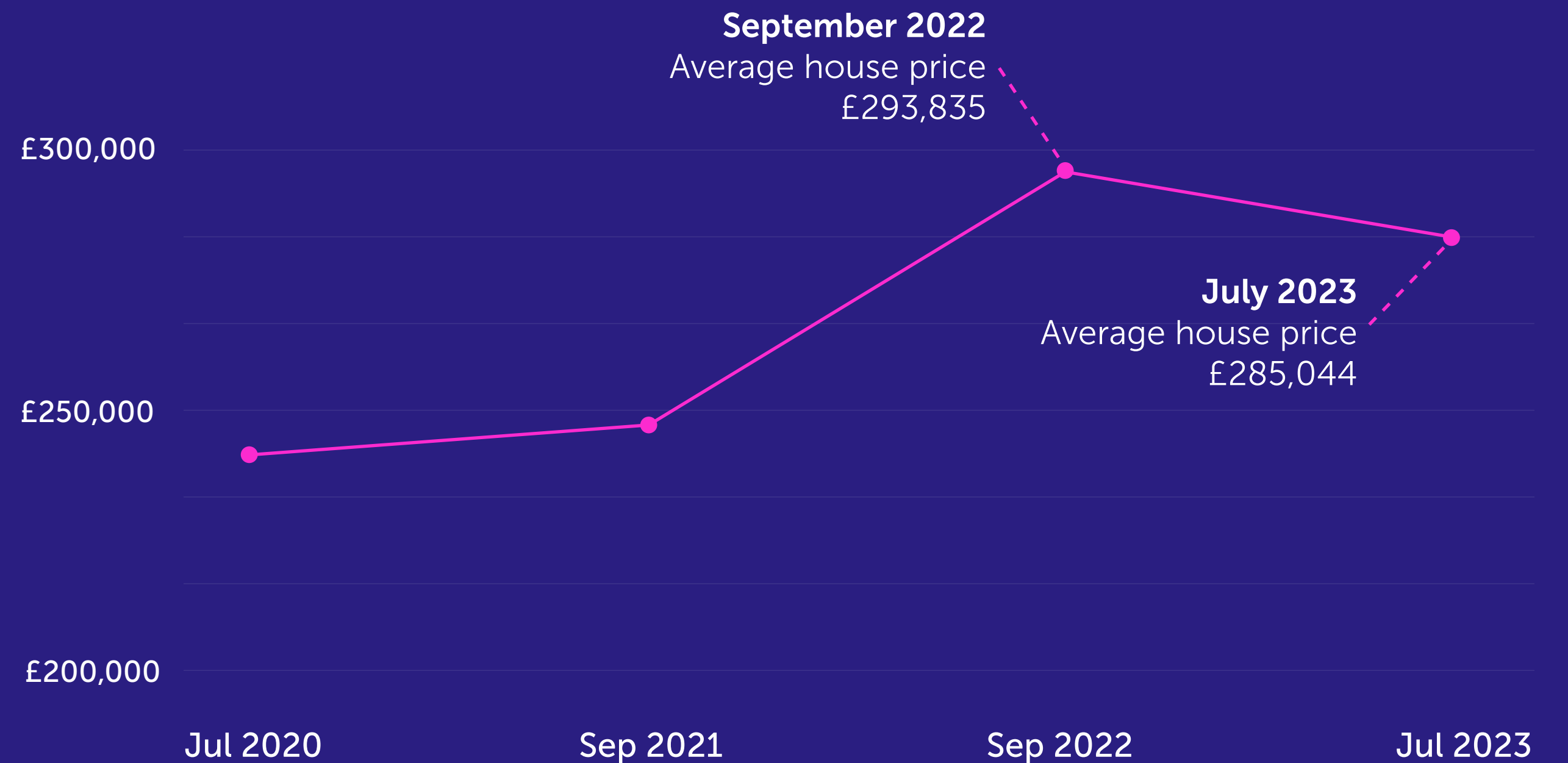
1.1%



¹ <https://www.halifax.co.uk/media-centre/house-price-index.html>

² <https://homelet.co.uk/homelet-rental-index>

Average UK property prices



Source: Halifax's house price index

Economic conditions

impact buy-to-let

mortgages

Like owner-occupiers, landlords with buy-to-let mortgages have started to feel the effect of higher interest rates.

Almost a third have seen their monthly buy-to-let mortgage repayments increase in the past 12 months.

19%

have seen monthly repayments increase by up to £500

7%

have seen monthly repayments increase by between £500 and £1,000

5%

have seen monthly repayments increase by more than £1,000



"I'm in a lucky position where two of my three properties are owned outright so i'm insulated from the mortgage rises. The third property where I have a mortgage, I make no money due to increased mortgage interest rates. If all my properties were owned with a mortgage, I would have had to sell up."

Landlord
East Midlands

What does this mean for tenants' finances?

The cost of living crisis has also put pressure on tenants' finances.

As a result, more than one in 10 have started to ask new tenants for a guarantor, alongside almost two fifths who have always required tenants to provide one.



13%

of landlords reported an increase in rent arrears over the last 12 months



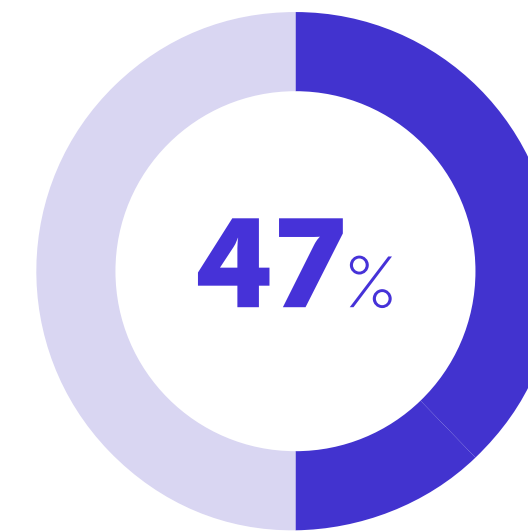


Key challenges and threats facing landlords

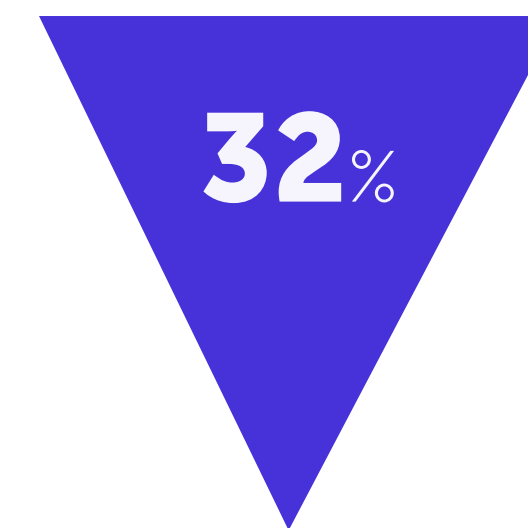
Long seen as a stable investment opportunity, buy-to-let property is now under threat from a series of challenges.

Whilst our data shows that the biggest challenges for landlords are a direct result of government policy and the economy, a small number are struggling with issues caused by tenants – who are also likely to have been affected by the rising cost of living.

Despite a challenging market, 50 per cent of landlords think buy-to-let property remains a good investment, while 15 per cent expect their rental yield to increase by more than five per cent this year.

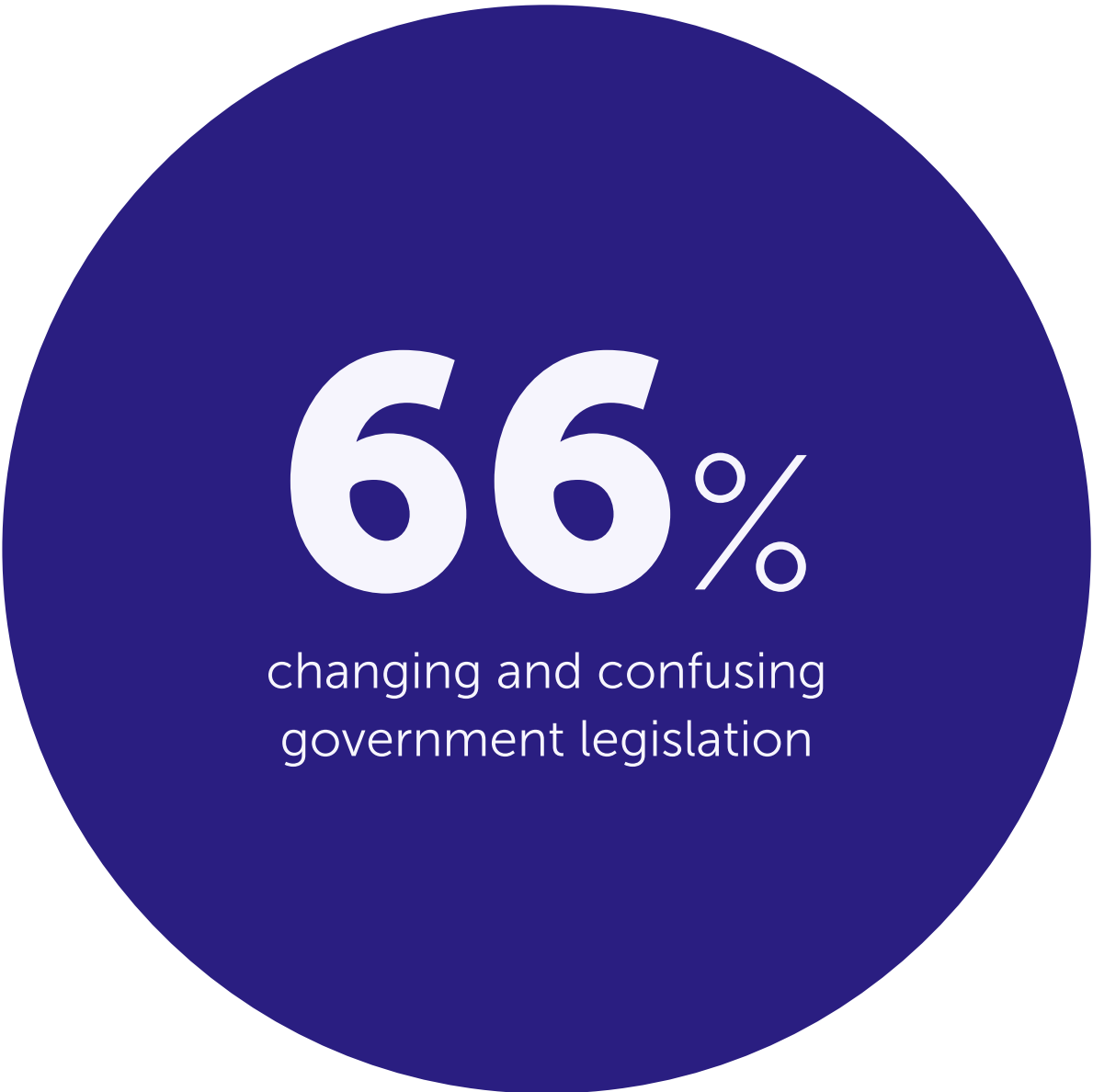
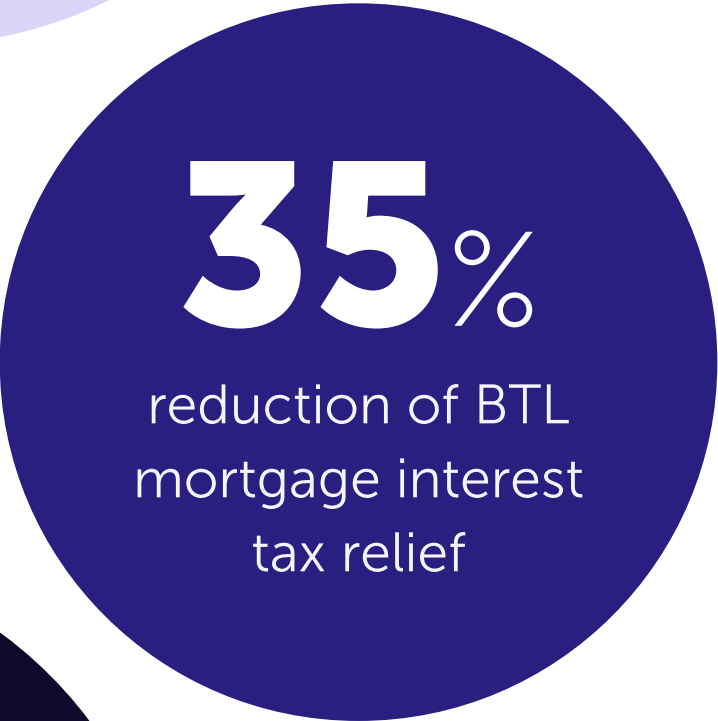
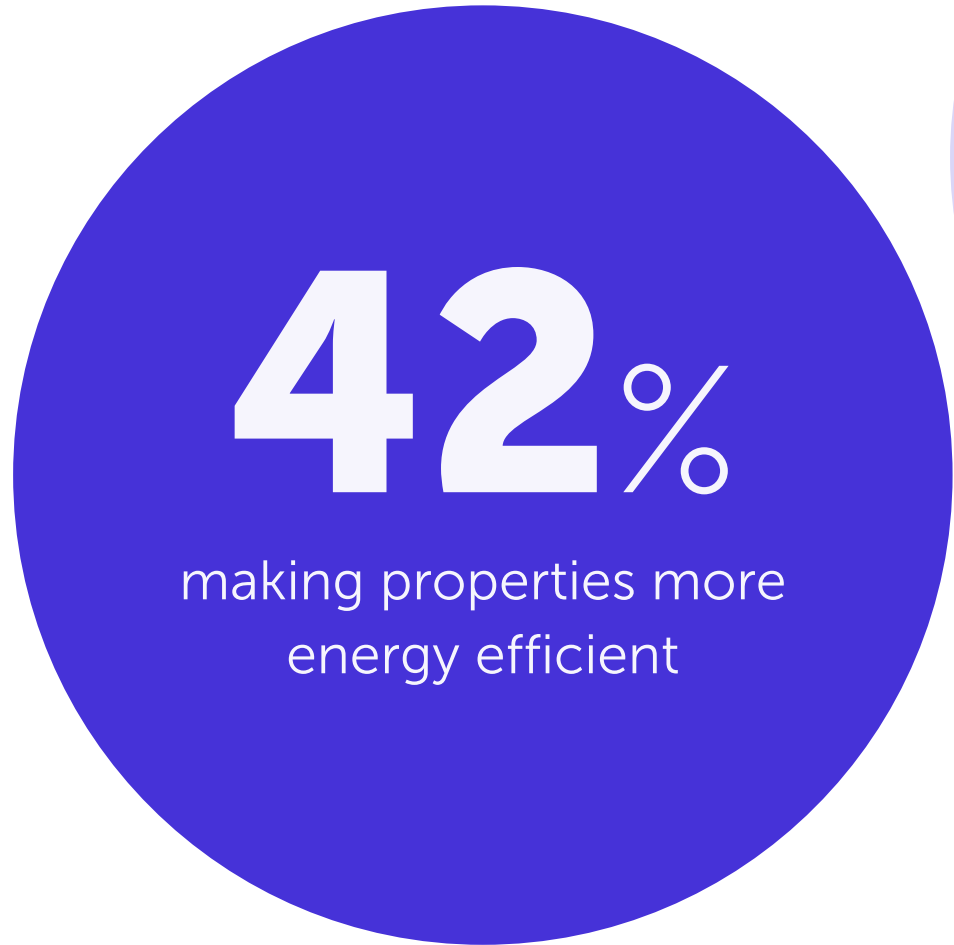


have increased their tenants' rental payments over the last 12 months



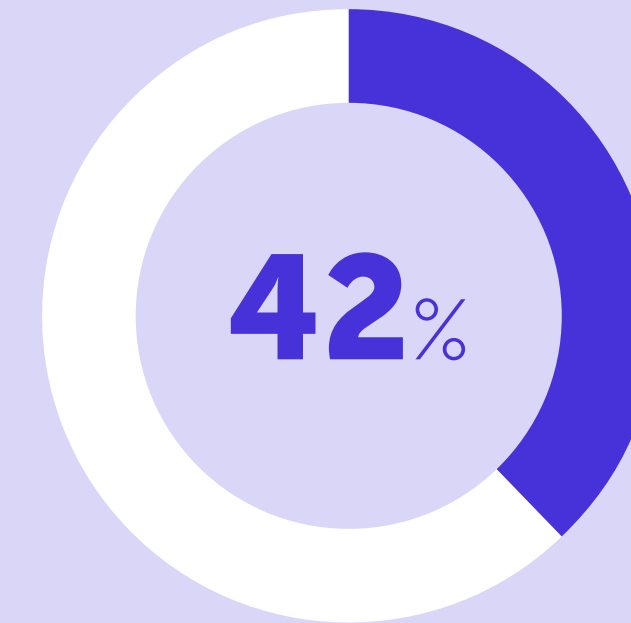
expect their rental yield to decrease this year

**What are landlords'
most significant
challenges in 2023?**

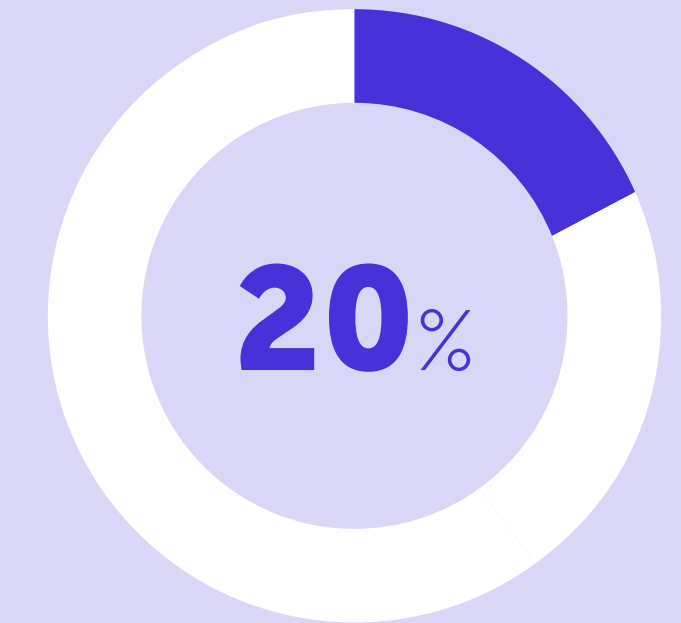


What is the single biggest threat to the buy-to-let market?

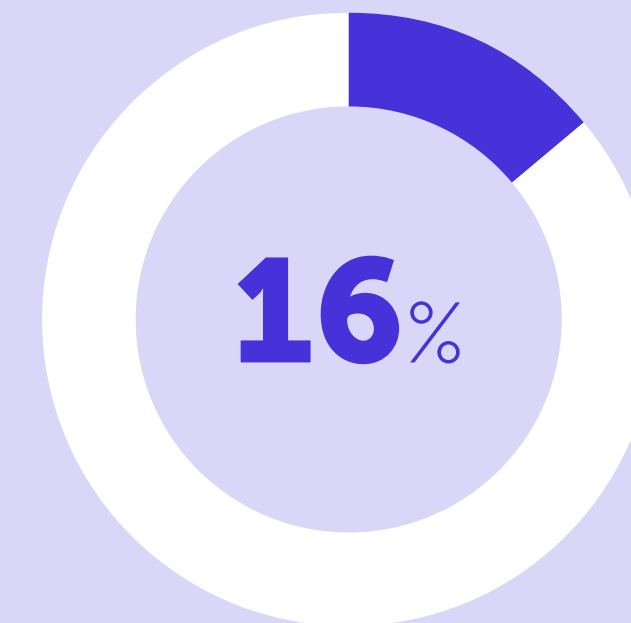
These challenges are reflected in what buy-to-let landlords believe to be the greatest threats to their investment. Rising costs and government regulation continue to dominate the agenda.



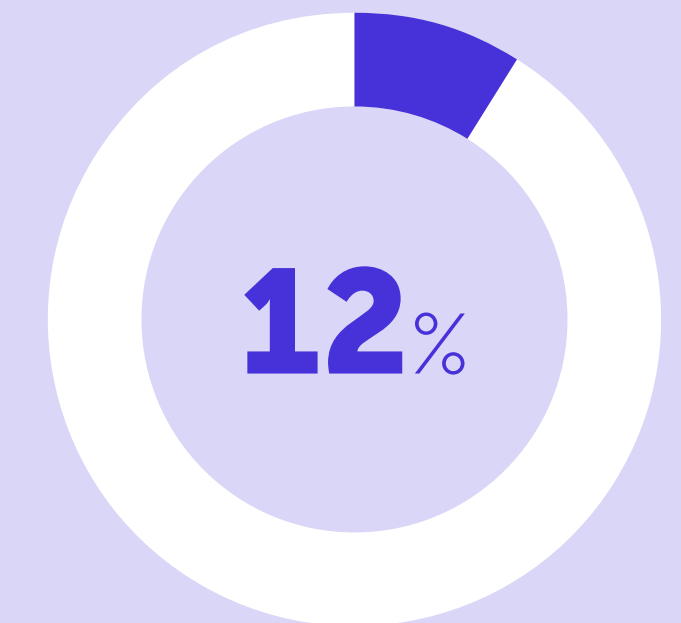
the rising cost of being a landlord



the Renters' Reform Bill



stricter energy efficiency rules



further regulation of the buy-to-let market

Widespread

rental reforms

published

Rental reforms legislation for England was finally published in May 2023, but it's yet to become law. The Renters' Reform Bill is making its way through parliament and changes are likely to come in stages.

What are the proposed reforms?



Applying the Decent Homes Standard

the Decent Homes Standard will be extended to private rental homes



Making it easier for tenants to keep pets

landlords will need to have a "good reason" not to let tenants have a pet in their home



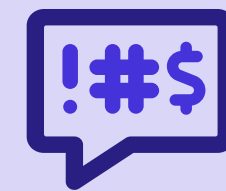
The end of Section 21 evictions

tenancies will only end if a tenant ends it or a landlord has a valid reason, defined in law



No blanket bans on tenant groups

landlords will no longer be able to have a blanket ban on renting to families with children or those who receive benefits



More powers to evict anti-social tenants

landlords will be able to gain possession of their properties from anti-social tenants with reduced notice periods



New portal for landlords and tenants

a new property portal will help landlords understand their obligations and give tenants "performance information"



Increased enforcement powers

councils' enforcement powers will be strengthened with increased requirements to report on enforcement activity

Impact of scrapping Section 21 evictions

Ending Section 21 evictions is the headline measure of the Renters' Reform Bill. We asked landlords how they feel about the draft legislation and how it could impact the evictions process.

54%
expect landlords to sell up
and leave the market

21%
think stronger Section
8 grounds will make
evictions easier

67%
think the evictions process
will become more expensive
and time-consuming

63%
think it will be harder to regain
possession of a property



"The government's agenda has been very negative towards landlords. I understand the need for greater tenant security, but fail to see why landlords do not seem to deserve the same level of protection."

Landlord
South West



Allowing pets in lets

As part of the Renters' Reform Bill, all tenancies will include a clause that allows them to have a pet if they get consent from their landlord. While some landlords already allow pets in their rental property, many have concerns about the potential damage and costs pets could cause.

How do landlords feel?

54%

are concerned about the increased risk of property damage

29%

are concerned about the prospect of increased costs

28%

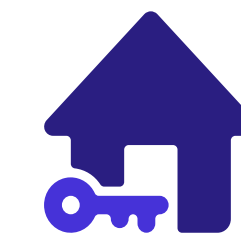
already allow tenants to keep pets

How could legislation on pets impact the rental market?



Higher rents

63% think landlords will increase rents to cover the increased risk of property damage



Selling up

31% think landlords who don't want to accept pets will sell up and leave the market



More inspections

53% think landlords will need to do more inspections and tighten up their tenancy contracts

Energy

efficiency

Rental properties have been subject to energy efficiency regulation since 2018. But with uncertainty around the future of minimum energy efficiency standards, the issue remains front of mind for landlords.

42%

say making their property more energy efficient is their biggest challenge

31%

say the prospect of stricter energy efficiency rules is a key reason why they're planning to sell

16%

believe stricter energy efficiency rules are the biggest threat to the rental market

The government previously published proposals to increase the minimum Energy Performance Certificate (EPC) rating to C in the next few years. However, these plans were recently scrapped by prime minister Rishi Sunak. If the minimum EPC rating is increased in the future, 50 per cent of landlords say they'll need to make changes to their properties.

"I can see the point of changing the minimum EPC rating, but in practice this will mean many landlords, particularly those with older properties, leave the rental market."

Landlord
East of England

How will landlords seek to improve their EPC rating?

48%

plan to increase loft insulation

36%

plan to increase draft proofing

36%

plan to improve their windows



How much do landlords think energy efficiency improvements could cost?

Although plans to increase the minimum EPC rating for rental properties have been scrapped for now, we asked landlords how much they think it would cost to reach an EPC rating of C.

40% of landlords believe it could cost

£1,000 – £5,000

25% of landlords believe it could cost

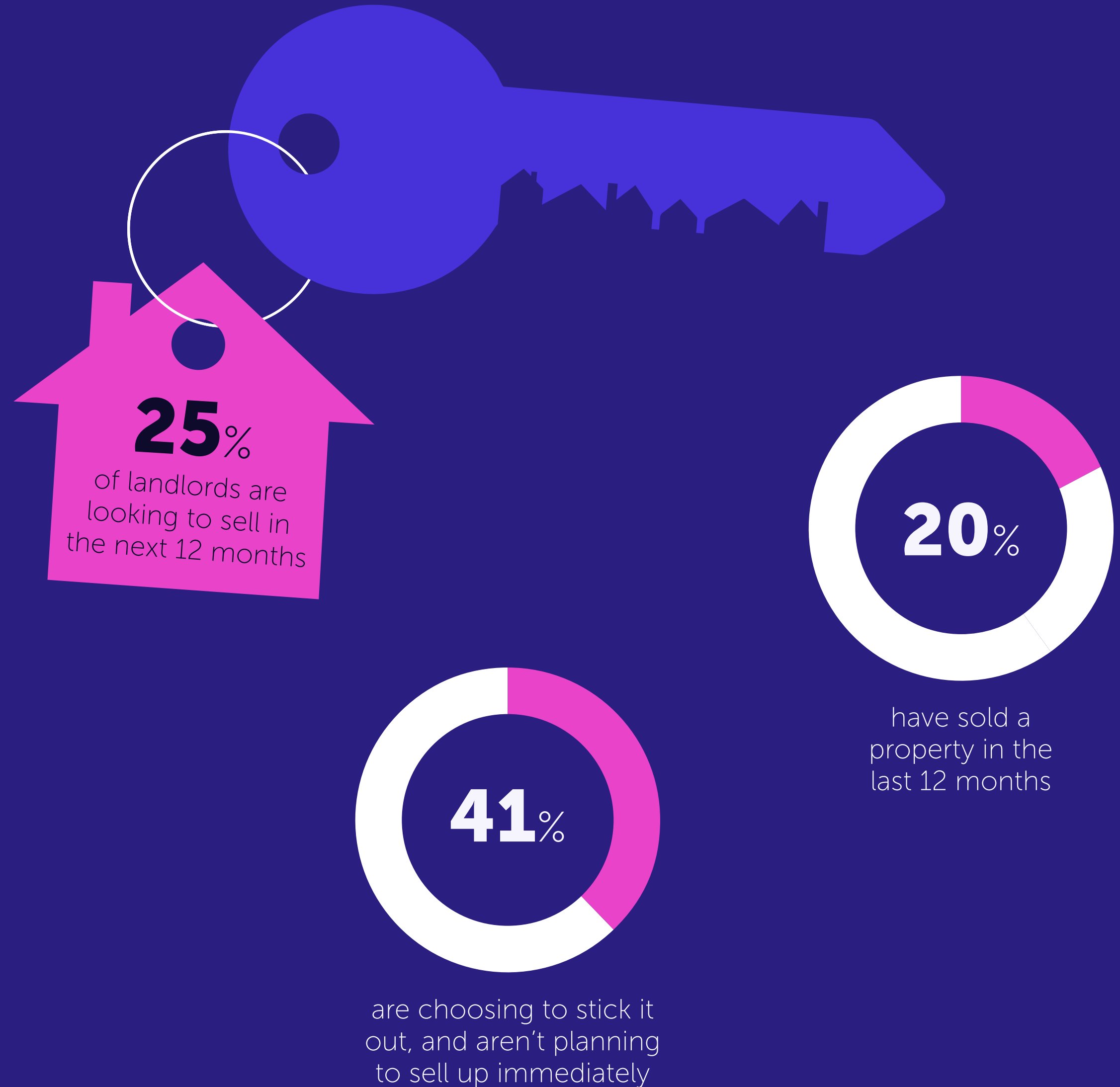
£5,000 – £10,000

18% of landlords believe it could cost

£10,000

Are landlords looking to buy or sell property?

Rising costs and increased regulation may be causing some landlords to think about selling properties. On the other hand, strong rental price growth, high demand, and falling house prices may encourage others to sit tight or even expand their portfolio.



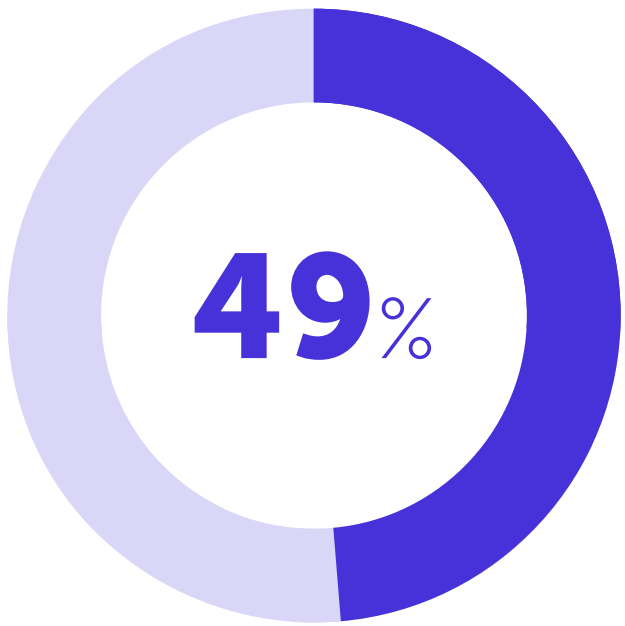
Why are landlords

selling up?

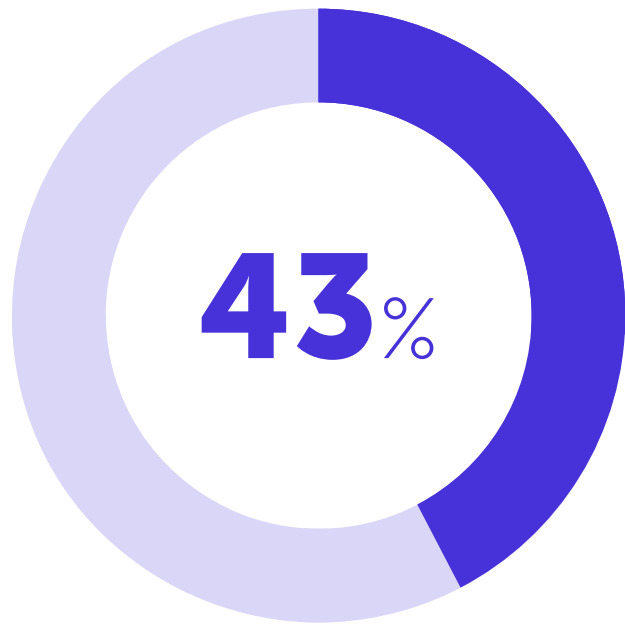


"I am in the process of selling my buy-to-let property. I feel guilty about the fact that this will mean one less property in the pool from which hard-pressed renters can now choose. However, botched government plans/reforms, combined with a massive rise in mortgage payments, has left me with no alternative."

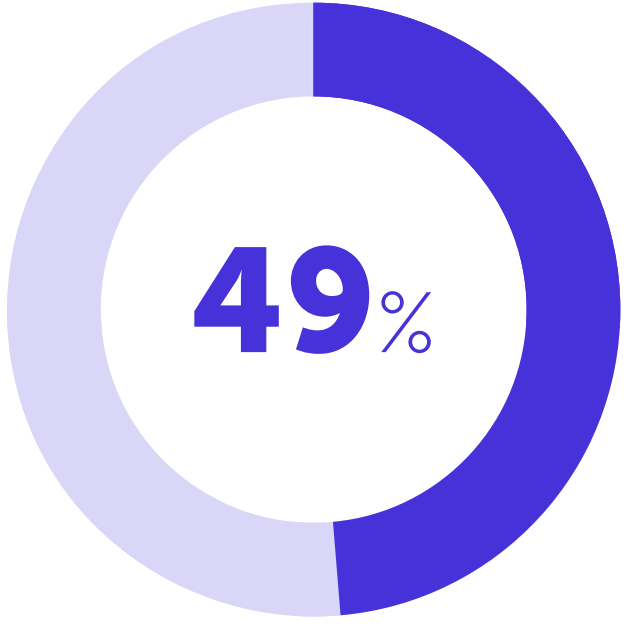
Landlord
South East



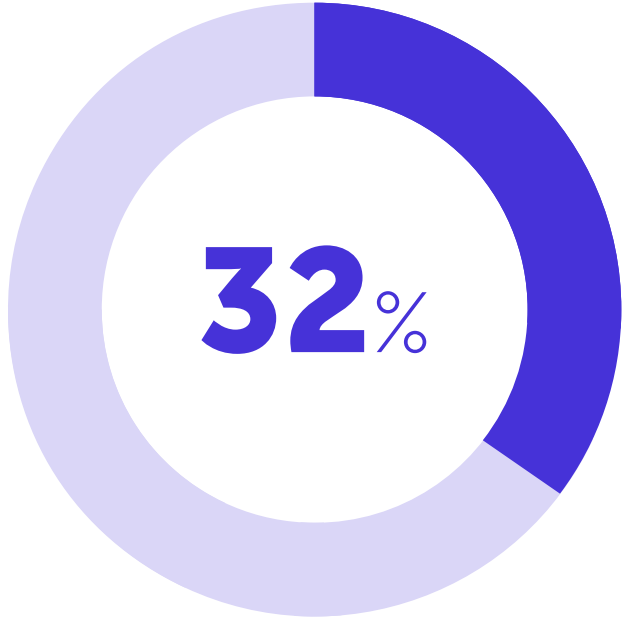
new legislation, such as the Renters' Reform Bill



rising interest rates and mortgage costs



want to leave the buy-to-let market



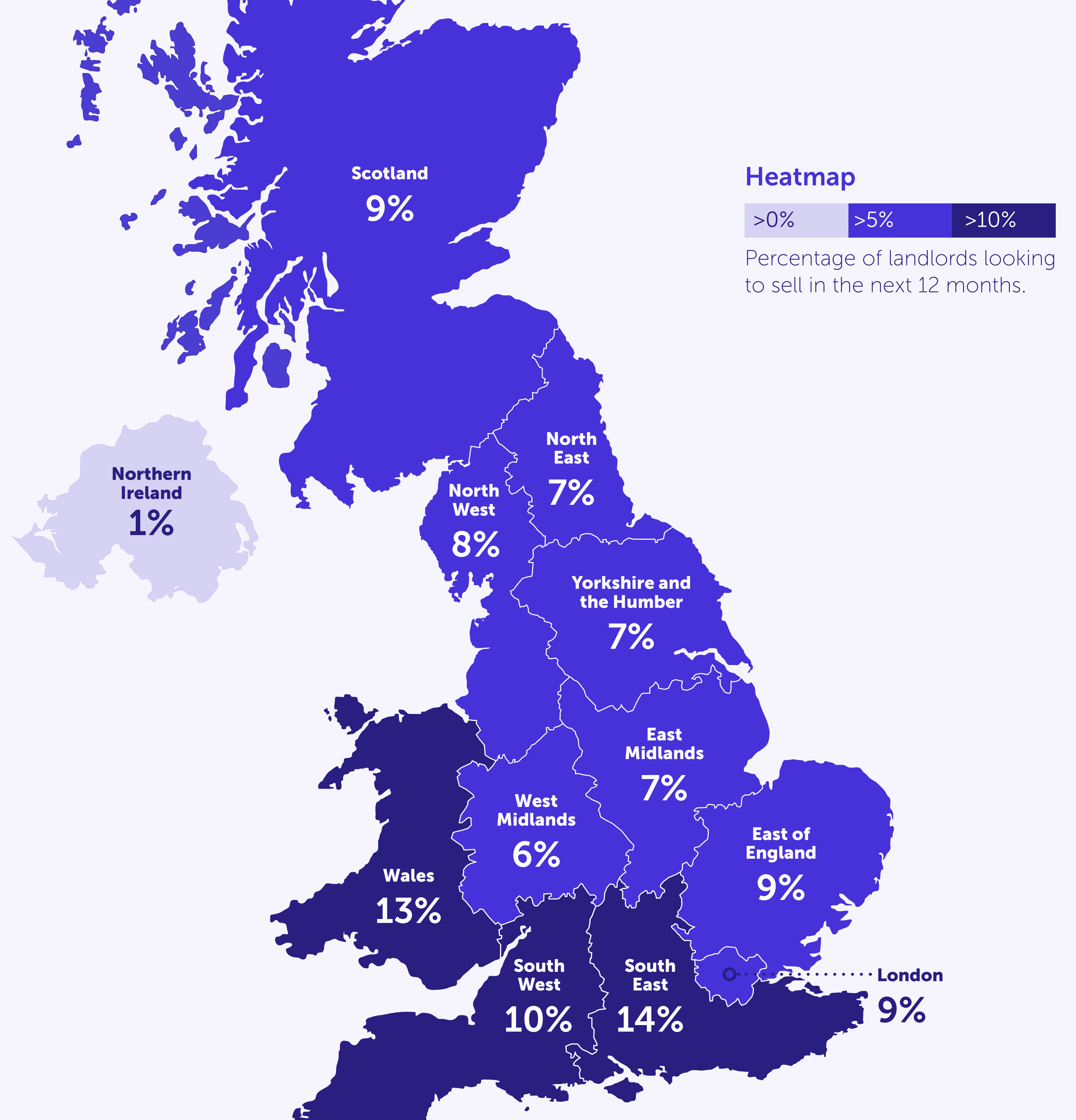
tax increases

Where in the UK

are landlords

selling up?

This map shows a regional breakdown of where landlords own property currently but are planning to sell.





Are landlords looking to buy property?

3%

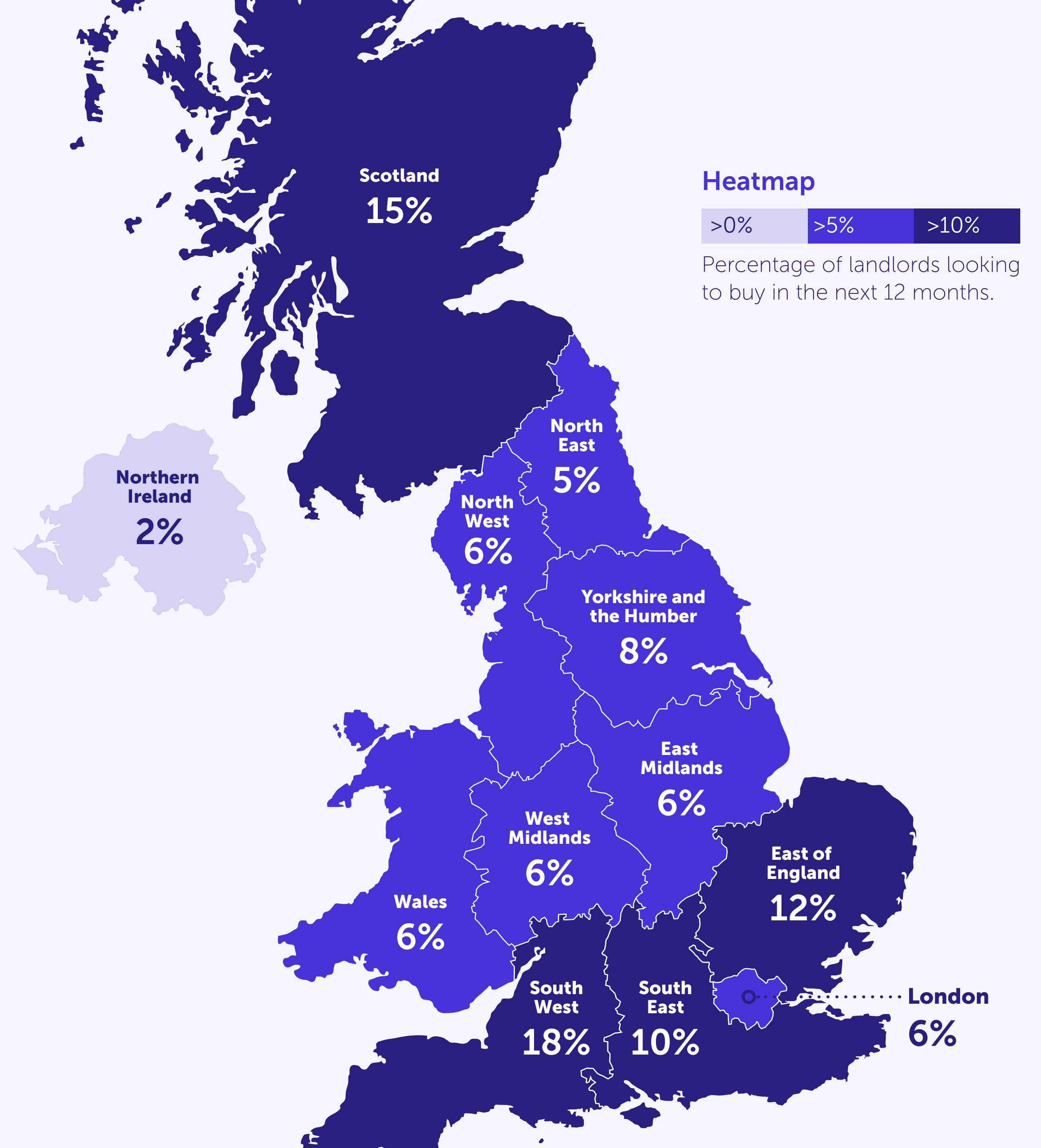
of landlords plan to buy in the next 12 months

88%

of landlords have no plans to buy in the next 12 months

Where in the UK are landlords buying property?

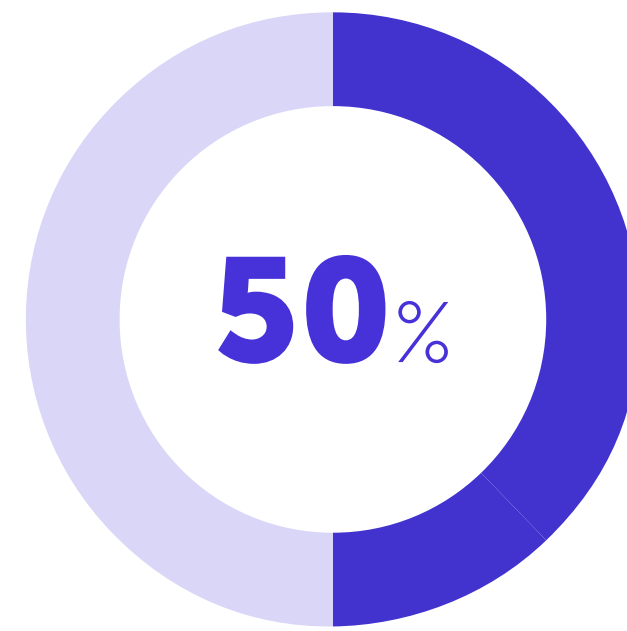
Here's a regional breakdown of where landlords are planning to buy over the next 12 months.



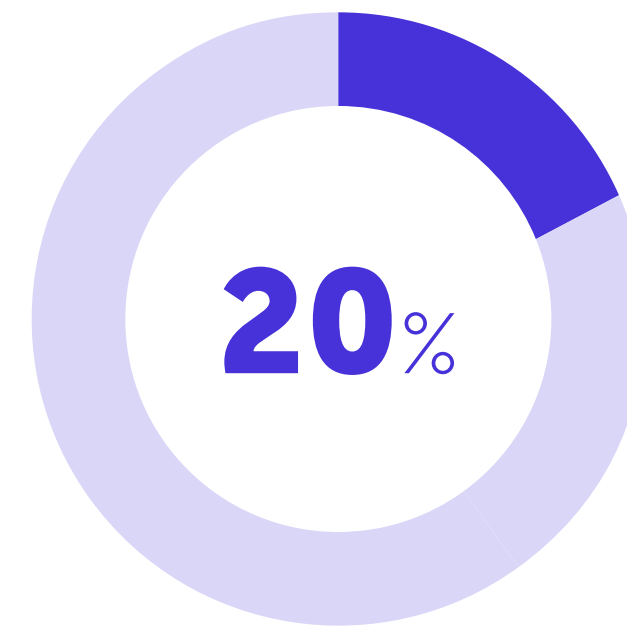
Looking ahead

The future of the private rental sector is complicated and unpredictable. This makes looking ahead difficult for landlords – with many unsure if they should leave the rental market altogether.

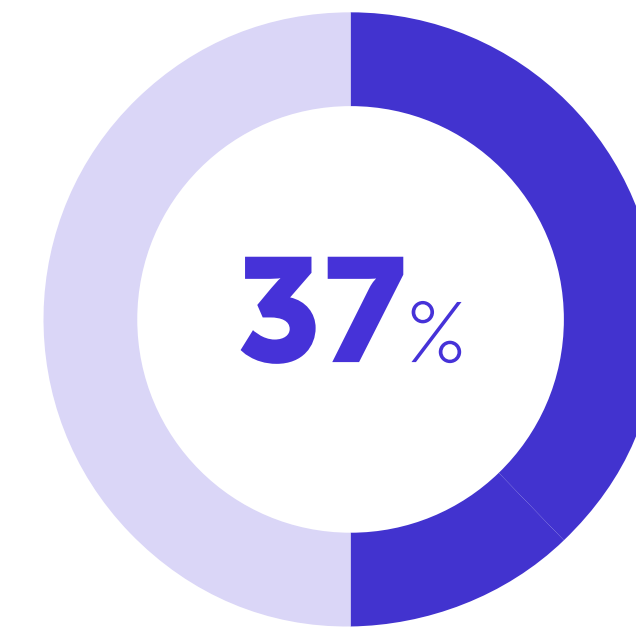
We asked landlords how they're feeling about the future:



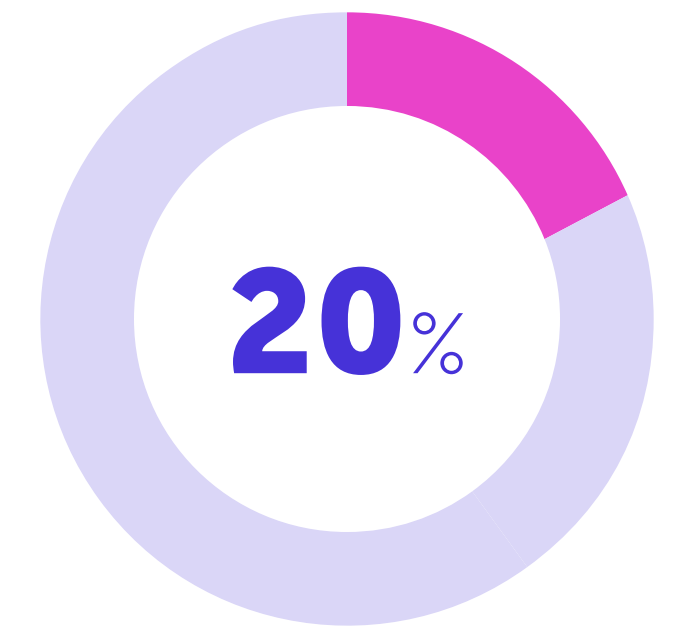
think property is a good investment



think it's not a good investment

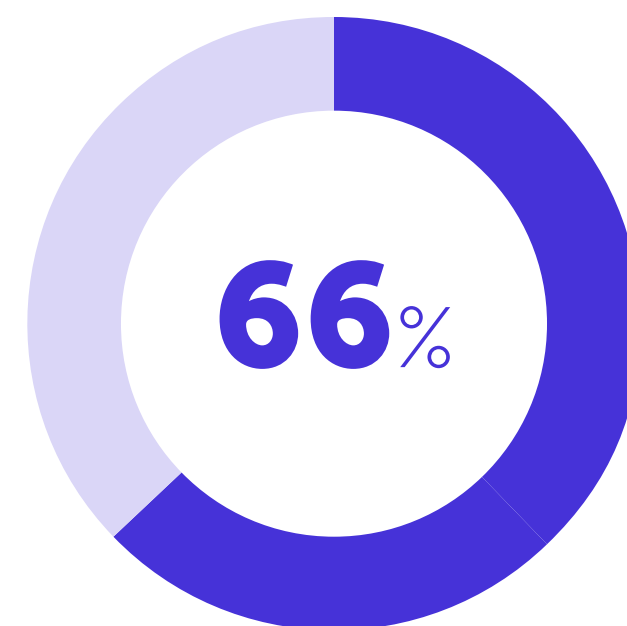


expect their rental yield to increase by up to 20% this year



expect their rental yield to decrease by up to 20% this year

But the prospect of increased regulation continues to cause concern for landlords:



are worried about the future of the buy-to-let market

“Increased regulation impacts responsible landlords, but has little effect on the rogue landlords it’s aimed at. Enforcing existing regulations on rogue landlords is what’s needed, not more regulation.”

Landlord
South West

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simplybusiness.co.uk/knowledge

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