Belvoir Lettings Predicts Increased Landlord Investment In 2014

Friday 10 January, 2014

The UK continues to edge ever closer to its European neighbours by becoming a nation of 'renters', reports Dorian Gonsalves, CEO of Belvoir Lettings.

As home ownership follows a downward trend[1], there has been rapid growth in residential lettings, with over 15% of all UK homes (3.2m) now in the Private Rented Sector (PRS).

Some Government estimates predict a further rise of 33% in the residential rental market over the next eight years – taking private rented property to 20% of all UK homes by 2021.

“Over the past year the PRS has remained on a firm footing and despite Government 'pump priming' initiatives such as the 'Help To Buy' scheme there has been no real impact on the continued demand for rental property,” says Dorian.

“Belvoir predicts that in 2014, the number of people choosing to rent will continue to drive up demand. There are real indications of a recovery in the housing market with property prices predicted to rise, along with a projected 25% increase in Buy to Let (BTL) mortgage lending.[2] With this we expect to see the re-emergence of more and more investment minded landlords looking to capitalise on this trend.”

A considerable number of landlords entering the sector over the last five years have been 'accidental landlords'. In 2014 some of these are expected to take advantage of rising prices in order to make modest gains and exit the market.

“We now anticipate that over the next few years, new rented housing stock will come from different directions, partially from institutional investors returning to the market to provide much needed funding,” says Dorian.

“It is pre-2008 since landlords sought out an increase in capital growth on top of rental returns and this strategy is likely to be adopted again in 2014, as more landlords look for real capital gains over the next three to five years, or even longer.

“With bank and building society interest rates still currently at a very low level Belvoir offices are also dealing with more and more enquiries from first time 'novice' investors who are seeking a better return on cash.

“We predict that BTL will become increasingly attractive and accessible for smaller investors who want to add another asset class alongside their existing savings and pension portfolios.”

The extra housing supply coming on stream via new investment sources should also provide a further boost for landlords.

Despite media headlines to the contrary, UK-wide residential rental incomes have not kept pace with inflation, year on year. In some parts of the country they only increased by around 1 and 2% in 2013. Tough economic conditions and relatively high unemployment meant that many landlords were unable to raise rents, but they did benefit from tenants who occupied properties for longer periods.

“Belvoir offices are noting that a growing number of people are taking the conscious decision to rent because it offers very good value,“ says Dorian. “Tenants are secure in the knowledge that they can live in well managed and maintained property that is both flexible and easy to budget for.

“Whilst landlords always need to ensure they invest in the right property and be aware of local market rents, they must also remember that a good tenant who looks after a property well will actually be worth more to them, by taking out longer tenancies and reducing potential 'void' periods. It's a win, win situation.”

Although increasing property prices will be good news for existing landlords, for those new to BTL investment, or looking to expand their current portfolio, it could be tough to find the right deals in 2014.

Most areas across the UK are reporting a lack of property for sale, making it increasingly difficult to find a

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property that 'stacks up' financially.

“If anyone is considering BTL as an investment in 2014 it is essential that they seek independent advice, not just from lettings professionals such as Belvoir, but also from financial advisors and tax experts who can assess the impact of adding property investment to individual investment plans,” advises Dorian.

“At Belvoir we anticipate modest rent increases in 2014, as the needs of tenants continue to push up demand for quality accommodation. However landlord investors still need to do all the correct 'checks and balances' to ensure they realise the best, trouble-free returns from their properties.”

In 2014 the PRS will also see the introduction of a key development that will provide much higher levels of consumer protection for those looking to rent a property through UK lettings agents.

This year all lettings agents in England and Wales will be required to belong to a 'consumer redress' scheme such as the one run by The Property Ombudsman (TPO), which provides a free, fair and independent service for dealing with unresolved disputes.

Dorian Gonsalves was appointed a Board Director of TPO in 2013 and says: “This new, obligatory, measure will help drive up professional standards in our industry. All tenants who let property through an agent rather than private landlords will be afforded higher levels of protection and direct access to the Ombudsman service.

“Belvoir has been a voluntary member of this scheme for many years and I very much welcome this new initiative, since it points to a much tighter regulated PRS in the future, that will benefit landlords and tenants alike.

“2014 promises to be another year of growth in our sector and all of these anticipated moves and changes are good news for the local rental market.”

• Belvoir Lettings now have 160 offices nationwide. To find your nearest Belvoir office, visit their website at www.belvoirlettings.com

[1] Owner occupation has fallen to its lowest level since 1988. The UK's owner occupation rate peaked at 67% in 2002, falling to a current 64.7% (Department for Communities and Local Government)

[2] Buy to let lending will reach £25billion by the end of 2014 - a 25% increase on 2013, according to forecasts by specialist broker, Mortgages for Business.

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NOTES TO EDITORS

Belvoir was founded in February 1995 by Mike and Stephanie Goddard. Its Central Office is in Grantham, Lincolnshire.

Mike was chairman of the bfa for three consecutive years and is currently Director of International Affairs.

Belvoir is recognised as one of the largest specialist lettings agency franchises in the UK, with 150+ offices nationwide and aims to have 200 franchises in the next three years.

Belvoir was officially awarded the Best Lettings Agency Franchise – Gold Award at the 2013, 2012 and 2010 Lettings Agency of the Year Awards in association with The Sunday Times & The Times. Belvoir also won the Silver Award in 2011.

Belvoir was voted Best Large Lettings Chain at the Estate & Letting Agent Awards (ESTAs) 2013, which was hosted by Phil Spencer, along with six franchisees winning awards for customer service. Belvoir has won Brand Builder of the Year at the bfa Franchisor of the Year Awards 2011 and Best Marketing Campaign of the Year at the Franchise Marketing Association (FMA) Awards 2011.

Belvoir is a founder member of the SAFEagent Kitemark scheme, which is fully supported by NALS. SAFEagent promotes client money protection (CMP) and provides consumers with a clear message on those agents they should do business with.

Belvoir successfully listed on the AIM market of the London Stock Exchange on 21st February, 2012.
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