

Broxbourne Landlords Forum – Welcome!

Richard Blanco – Chair & NRLA Representative

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# Tonight's Agenda 6-7.30pm

- **Staying Afloat – Hard Choices Ahead**
  - With Richard Blanco, NRLA Representative
- **Simple Lets**
  - With Lauren Clark, Senior Simple Lets Officer
- **Dealing With Damp & Mould**
  - Nadine Szawatkowski, Environmental Health Technical Officer
- **Shared Anti-Fraud Service (SAFS)**
  - Nick Jennings, SAFS Head of Service



Staying Afloat – Hard Choices Ahead  
Richard Blanco – NRLA Representative

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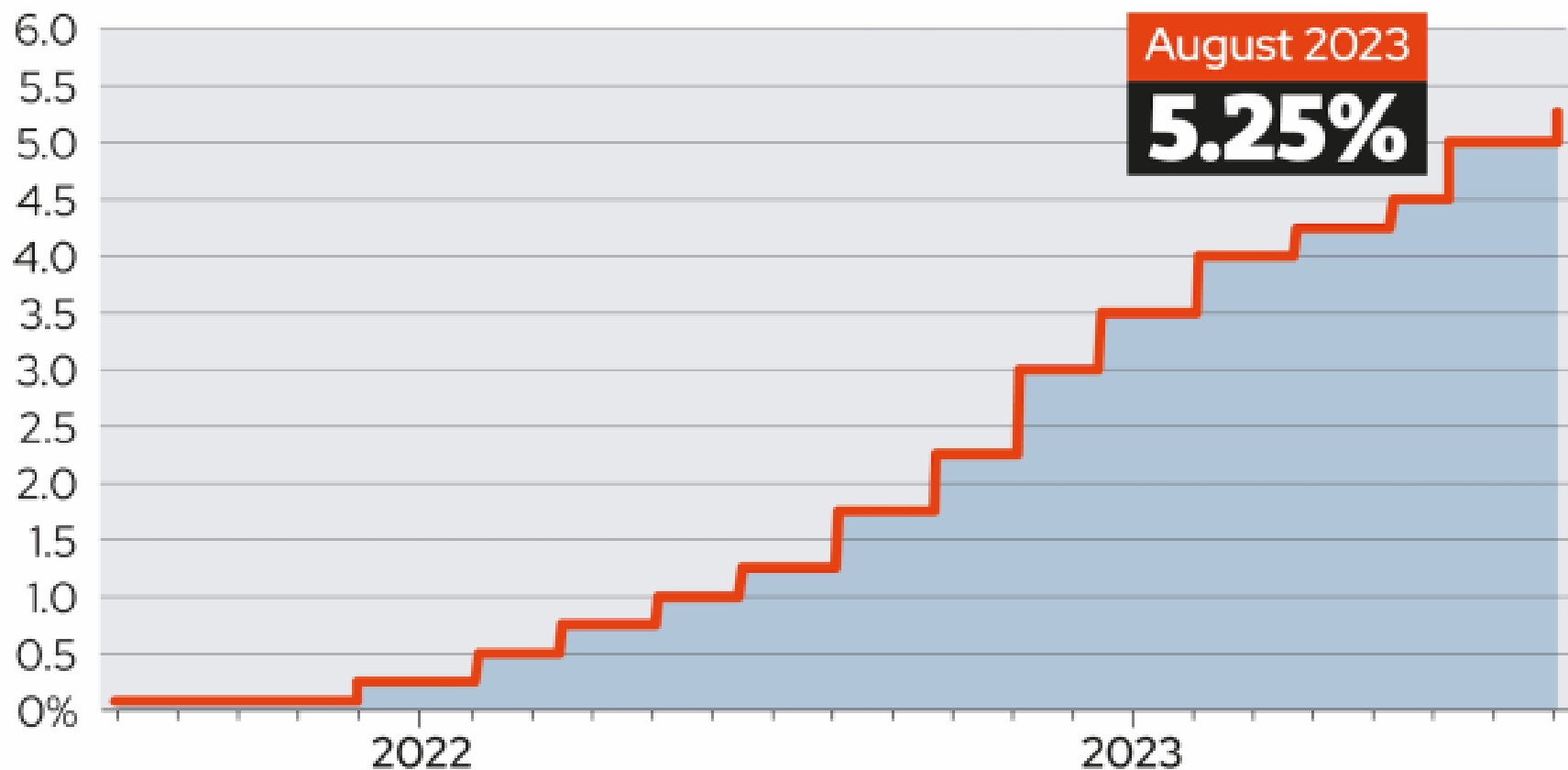
# In this presentation...

- Interest Rate Cycle
  - Taking Stock – how did we get here
  - What are commentators/markets saying
  - Hold tight – modelling your way forward
- How is this affecting borrowing?
  - Shifts in the lending market
- Housing Market
  - Where are we in the cycle?
- The Supply Crisis & You – resetting your rents – rent strategy
- The Challenges of Selling – the tax piece & timing
- The Opportunities of Holding Firm
- Buying Into Future Uncertainty
  - Politics, regulation & structure



# 14 rate rises....

## Official Bank Rate



SOURCE: BANK OF ENGLAND



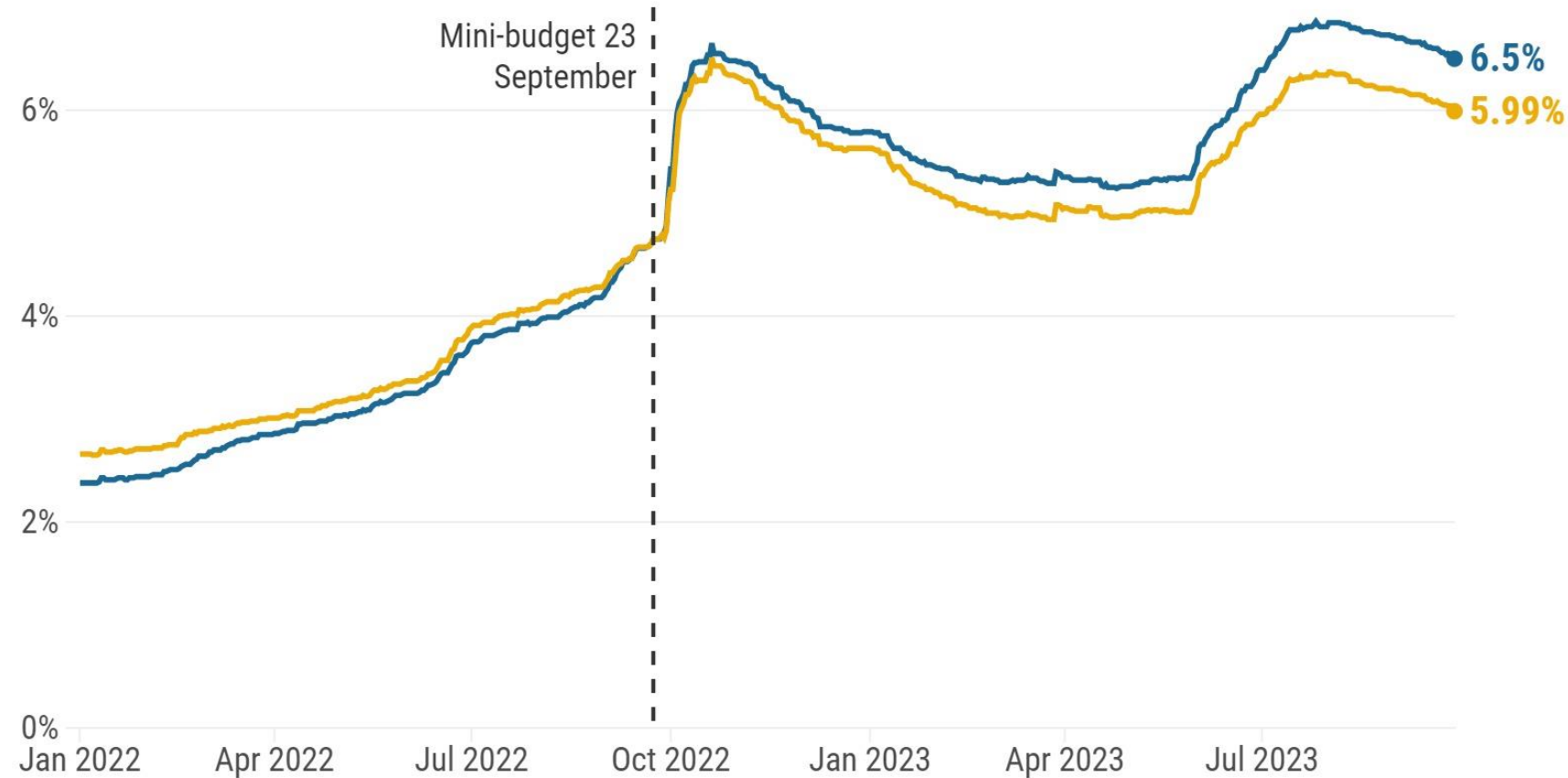
# Interest Rate Cycle

- Taking stock – how did we get here?
  - 14 rises from Dec 2021 to Sep 2023: 0.1% to 5.25% (peak of 3.5% expected)
  - After 13 years of low rates – generation of landlords/investors accustomed
  - Prior to PRA changes in 2017 – hefty loans – later restricted
- 1.5 million people coming off fixed rates below 2% to above 5%
- Causes
  - Post pandemic disruption to supply chains, War in Ukraine, Brexit (?)
  - Inflation – acute in construction and sticky in other sectors
  - Labour shortages
  - UK Population bulge in 2000s



# Average five-year fixed mortgage rate falls below 6% for first time in months

Average **two-year** and **five-year** fixed mortgage rates



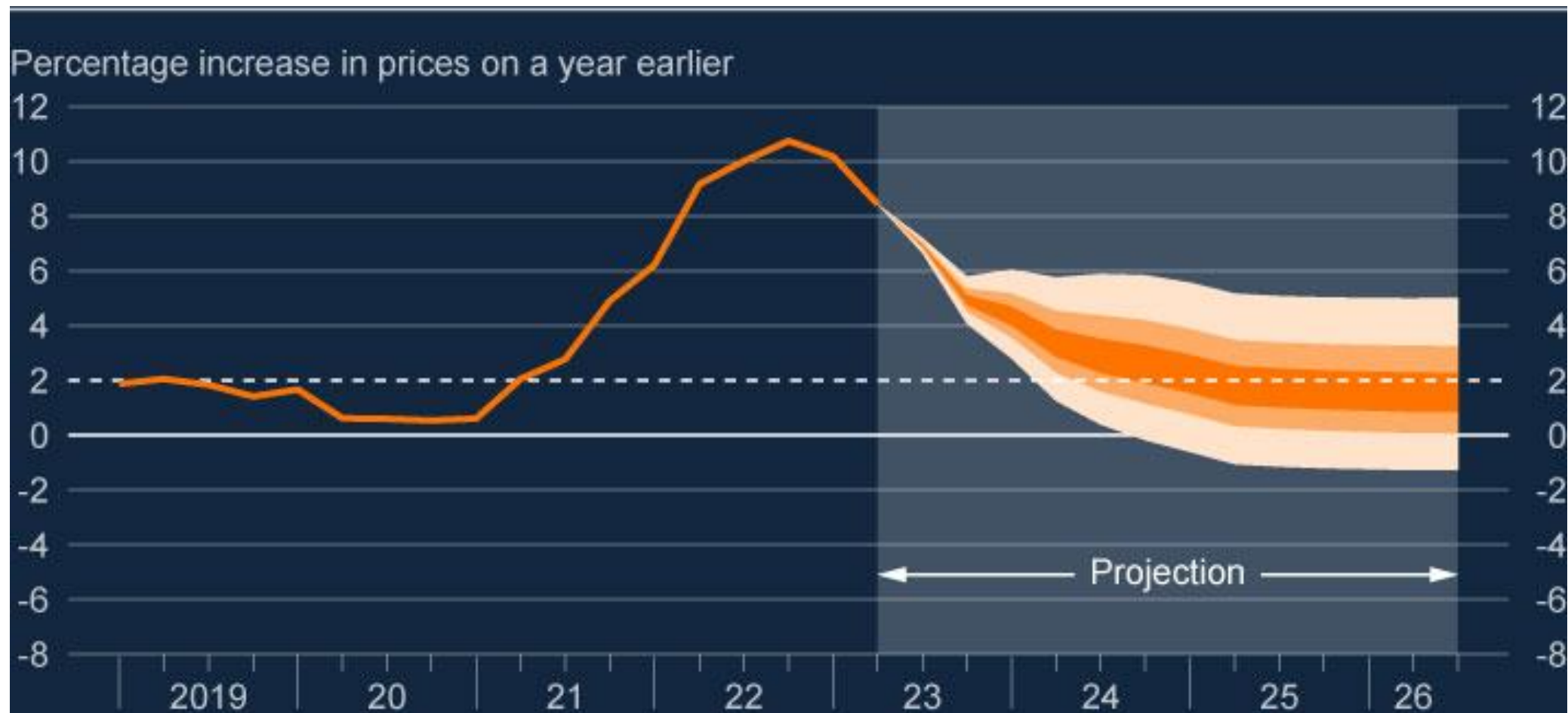
# Interest Rate Cycle – Where Next?

- Criticism of Bank of England acting too late
  - Query efficacy of interest rate rises as only 15% have variable rate mortgages
  - Guilty of being too confident about inflation falling?
  - Later using fear instead of (or as well as) actual rises
- Commentators predicted peak of 6%
  - 5.25% now looks likely
  - Stay high under end of 2024?





# Inflation Projection (Bank of England)



# Interest Rates – Market Implied Path



# Modelling Your Way Forward

- Seek advice from a regulated mortgage adviser, thoughts/questions from me....
- Remortgage or Product Switch?
- Tracker or Fix (appetite for risk)
- Gap between BBR & Payrate will widen
- 2 year or 5 year (why?)
- Gap between BBR and 2 year fixes will narrow/become negative
- How far does BBR need to fall before your profitability is restored



# Example of Best Case

Bank of England MPC Meeting	Inflation	Bank Base Rate	Tracker* BBR + 0.35%	2 Year Fix*
22 Sept 2023	6.7%	5.25%	5.60%	5.72%
21 March 2024	3-4%	5.25%	5.60%	
9 May 2024		5%	5.35%	
20 June 2024		4.75%	5.10%	
1 Aug 2024		4.5%	4.85%	
19 Sept 2024		4.25%	4.60%	4%?
7 Nov 2024		4%	4.35%	
19 Dec 2024	2.5%	3.75%	4.10%	
Mid 2025		3%	3.35%	
End 2025	2%	2.5%	2.85%	3%?

\*Example products are Coventry Building Society, 65% LTV



# Example of Worst Case

Bank of England MPC Meeting	Inflation	Bank Base Rate	Tracker* BBR + 0.65%	2 Year Fix*
22 Sept 2023	6.7%	5.25%	5.60%	5.72%
21 March 2024	4-5%	5.25%	5.60%	
9 May 2024				
20 June 2024	3%			
1 Aug 2024		5%	5.35%	
19 Sept 2024				
7 Nov 2024		4.75%	5.10%	4.75-5%?
19 Dec 2024	2.5%			
Mid 2025		4%	4.35%	
End 2025	2%	3.5%	3.85%	3.5-4%

\*Example products are Coventry Building Society, 65% LTV



# Shifts in the lending market



- Tough time for buy to let lenders
- Tightening of stress tests (making new business difficult)
- Increased arrangement fees, but lower product rates
  - e.g. 6.69% 2yr fix with 2.5% fee, 75% LTV, stress test of 140% x 8.24%
- Emphasis on keeping business with product switches
  - Move to six month ahead and can change your mind
- Opening up to different business
  - Holiday let, limited company, HMOs

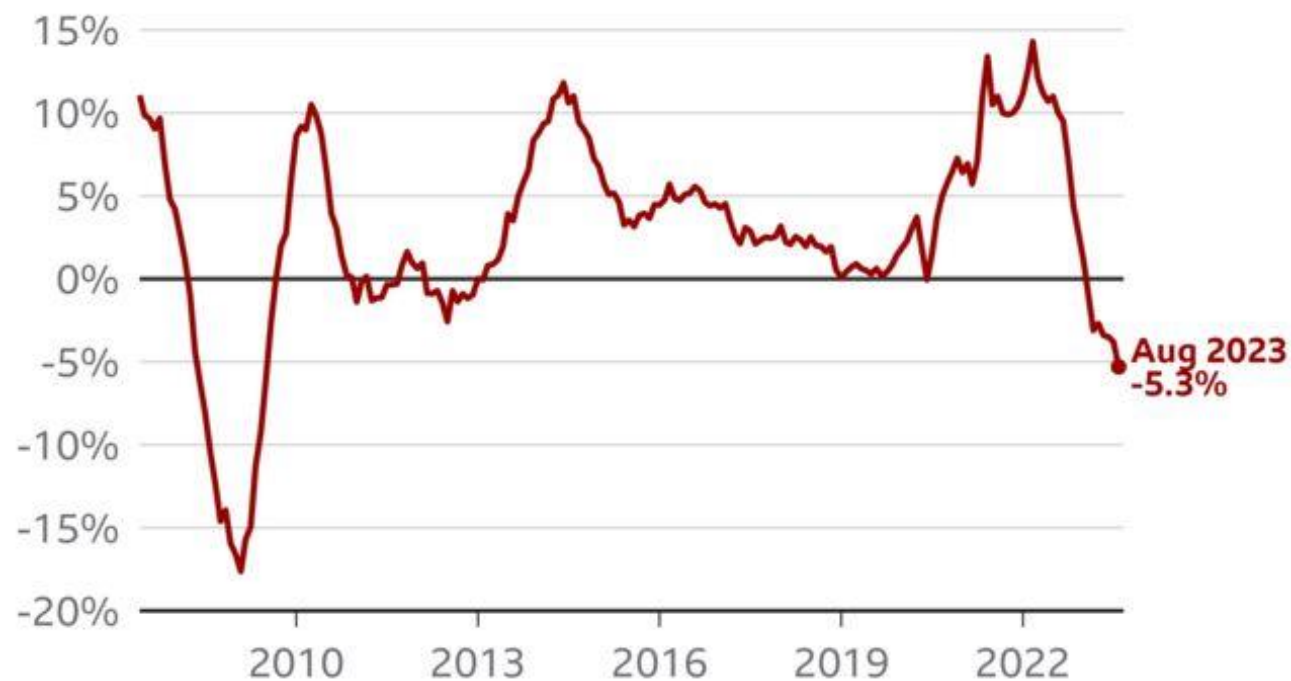


# Housing market

- Where are we in the cycle?
  - Nationwide 5.3% down 12 months to September
  - Prediction 10% peak to trough – middle of next year?
  - How much pent up demand?
  - Continued shortage of supply
  - Political uncertainty and general election

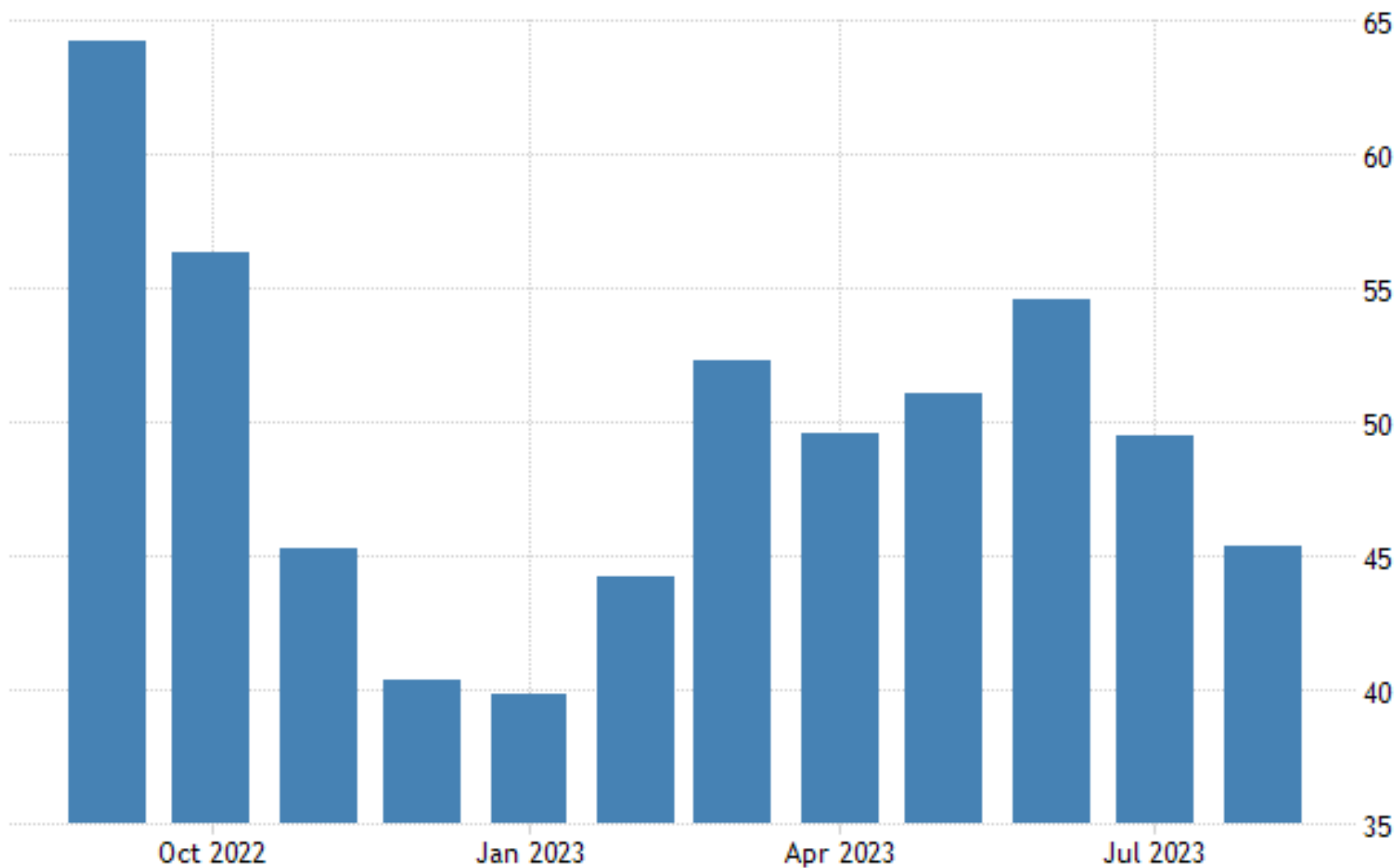
## UK house prices

Year-on-year percentage change



Source: Nationwide

# UK Mortgage Approvals (BoE)



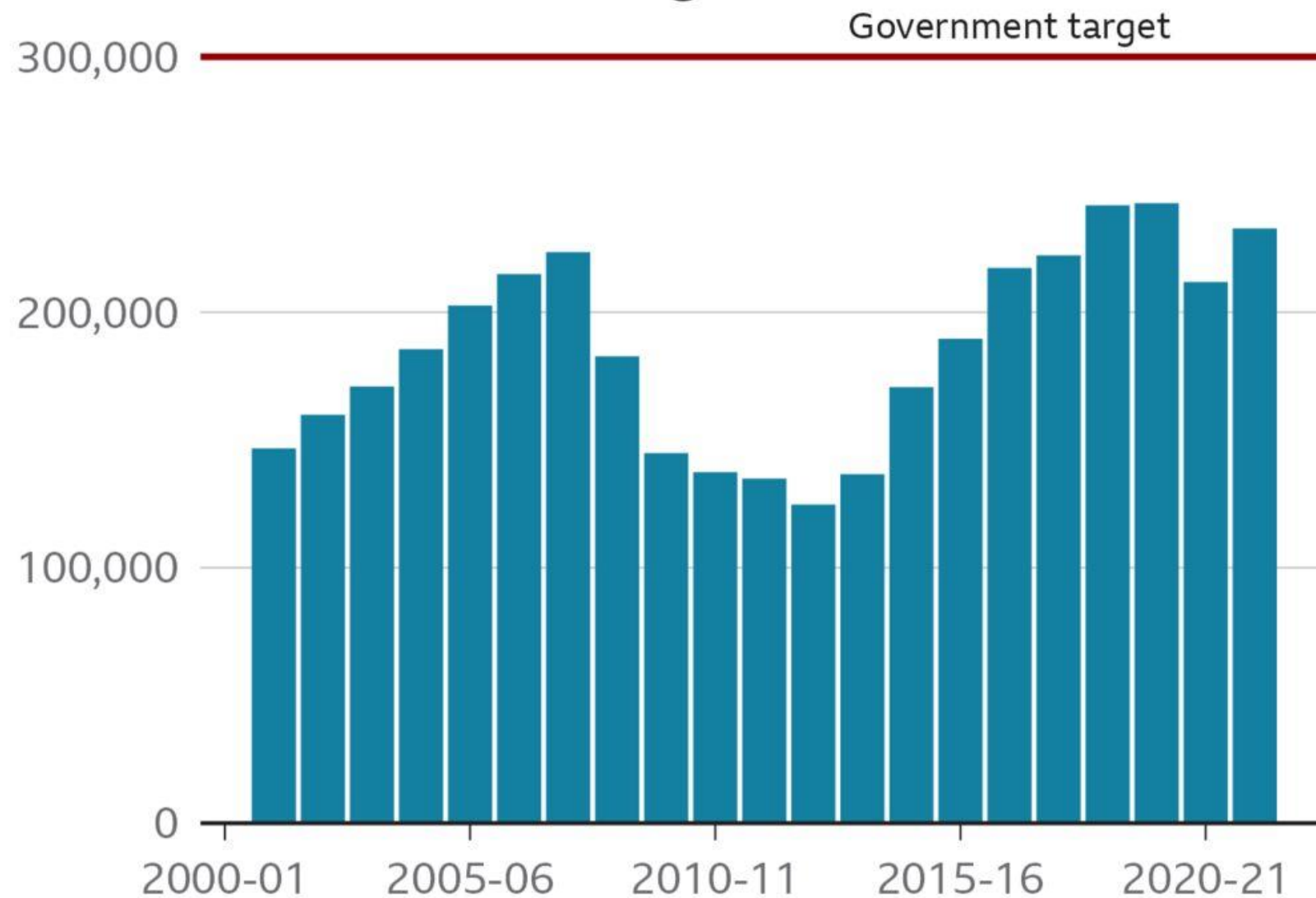


# how long does it take to secure a buyer in London?



- Was average of 60 days this time last year
- Compares to National average of 65 days
- Data from Rightmove

# Net additional dwellings



Source: Department for Levelling Up, Housing and Communities

**B B C**



# The Supply Crisis & You

- Stats on supply crisis
  - 37% landlords are plan to sell in next 12 months, 8% are buying
  - 12% actually sold in Q2 2023, 5% actually purchased
  - RICS says tenant demand rose firmly, landlord instructions declined Q2 2023
  - CBRE says 400,000 PRS properties have been lost since 2016
- Perfect storm for landlords
  - Renters Reform Bill plus Licensing & Article 4 Directions (and MEES)
  - Rising interest Rates
  - Punitive taxation (s24, SDLT, CGT)
  - 1990s Generation of Landlords retiring



# The Lettings Market

- Raising rents fairly & legally
  - Rents up by 5.5% in 12 months to August (ONS), Zoopla 10.4% (new lets)
  - 5.9% ONS figures for London
  - Dilemmas with long term tenants (refurb vs low rent)
  - Use of section 13 or negotiate new contract
  - Give tenants longer notice
  - Firm, fair, realistic
- Goodbye agents, hello cheap online portals?
  - 6-10% agent finder fees only justified if location, time & knowledge are issues
- Reset rents to market rates at tenant changeovers
- Plan ahead with a rent strategy



# The Challenges Of Selling

- Tax Planning
  - Use of limited company to mitigate s24
  - Capital Gains Tax is main challenge for selling
  - Own properties in a partnership
- Timing
  - Are we at the right point in housing market cycle?
  - Mortgage pressures, loss of profitability
  - Concerns about regulation
  - No longer enjoy being in the business





# Opportunities Of Holding Firm

- Government must do something about supply crisis
  - MEES has gone, what could be next?
  - What would a Labour Renters Reform Bill look like?
- Being part of a professionalised PRS
  - Tenant selection
  - Property Portal opportunities
  - High demand, rising rents



# Buying Into Future Uncertainty

- What is unknown
  - Next government (1992 or 1997?)
  - Survival of renters reform bill: abolition of s21 looks likely
  - Taxation (especially s24) & other regulation
- What is known
  - 8% of landlords are planning to buy in next 12 months
  - Supply Crisis - not building enough
  - Hostility towards landlords
  - Housing crisis caused by political failure
  - Labour likely to prioritise social housing if elected, no increases to CGT
  - No rent control in England (but Sadiq Khan wants rent control)
  - Changes to short term lets
- Opportunities in Niche Markets
  - Benefits, HMO, Holiday Lets



# If You Are Buying - Focus On Structure

- Buying In A Limited Company
  - 19-25% corporation tax, tax on dividend withdrawals 8.75%, 33.75%, 39.35%
  - Full relief on mortgage interest, but higher product rates
  - ATED if you ever move into it
- Own personally
  - Manage business through a limited company?
  - Personal mortgages are cheaper, but only 20% relief on interest
- Re-Structure via LLP/Incorporation
  - Examples of providers: Less Tax4Landlords or Property 118
  - Set up and ongoing costs
  - Some question is it foolproof?
- Your Own Spreadsheet & Tax Advice





# Podcast, Webinars & NRLA Membership

## Listen to NRLA Podcast & Watch Webinars

- Google 'Listen Up Landlords'
- Google 'Inside Property' for legacy NLA editions
- Webinar recordings at [www.nrla.org.uk](http://www.nrla.org.uk)

## Join The NRLA

- Google 'Join the NRLA'
- £85 per year by direct debit
  - Discount code – 59 (becomes £70)



# Future London Meetings & Webinars

## [www.nrla.org.uk/events](http://www.nrla.org.uk/events)

- 6.30-8.30pm on Thu 26<sup>th</sup> October
  - Three Rivers District Council Landlords Forum (in person, council offices)
- 2-5pm on Thu 2<sup>nd</sup> November
  - Tower Hamlets Landlord Open Day (in person, town hall)
- 7-9pm on Tue 5<sup>th</sup> December
  - Barking & Dagenham Landlords Forum (webinar)
- Coffee & Chats in West London hosted by Yvonne
  - 10.30-12 on Tue 31<sup>st</sup> Oct at Greenford Quay Starbucks
  - 10-12 on Tue 21<sup>st</sup> Nov at John Lewis, Brent Cross
  - 10.30-12 on Wed 29<sup>th</sup> Nov at MyDeposits, Elstree



# NRLA Advice Line 0300 131 6400

## Your NRLA London Reps

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