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## **Crisis sees surge in number of landlords**

By Ed Hammond, Property Correspondent, Financial Times

The pink and grey cards emblazoned across the window of an east London newsagent are the outward signs of a new phenomenon in the UK housing market.

Where once lawnmowers, babysitting and second-hand cars were offered for sale, now the bulk of the exhaust-smudged glass is taken up with advertisements for “room for rent”, “two-bed flat for rent at good rate” and “rent: family house with off-street parking”.

The [number of buy-to-let landlords](#) – a group blamed during the housing market crash for its profligate levels of borrowing – has surged during the financial crisis, buoyed by increasing rents.

In the five years since 2007, private sector landlords have increased their share of the UK housing market by 42 per cent and now account for 19 per cent of the total value of the country’s residential property. At the same time the value of owner-occupied properties has fallen by 2 per cent, according to figures from Savills, the property services group.

It is ironic, then, that the widespread retrenchment of mortgage lending, which it was hoped would discourage irresponsible borrowing, has created a fertile hunting ground for private landlords.

“Buy-to-let is making a comeback in a new guise,” said Lucian Cook, director of research at [Savills](#). “The lack of mortgage finance for first-time buyers and people wanting to buy their second home has dramatically increased the demand for rental accommodation. This, combined with lower transaction levels, has provided a huge opportunity for investors with cash.”

But while the appetite to own investment properties is surging once again, the motives for moving into the own-to-rent market have changed following the financial crisis.

Where once buy-to-let investors were taking a punt on house price growth, now the sector is fuelled by the expectation of rising rents, underpinned by a depressed supply of new stock and the toughest mortgage lending conditions for a generation. There were 155,600 [mortgages made to first time buyers](#) during the 10 months to

November last year, compared to 308,400 for the same period in 2007, according to the Council of Mortgage Lenders.

“The logic for entering the market has see-sawed from capital growth to rental income,” says Tim Hyatt, president of the Association of Residential Lettings Agents.

Mr Hyatt, who is also head of UK lettings at Knight Frank, the property group, goes on to explain that “the average buy-to-let landlord in the UK is in the market for 16 years so the investment can weather almost any storm”.

Another driver for growth in the private rented sector, is the rise of “accidental” landlords.

A slice of those now letting out property are thought to be homeowners who want to move to bigger houses, but cannot afford to bridge the gap towards new mortgages. Instead, they use the funds from letting their existing properties to pay for rent on larger homes.

In an effort to tackle the housing shortage, the property industry is lobbying the government to facilitate more [institutional investment in the residential rented sector](#).

Its proposal replicates a model already popular in Germany and the US, where large institutions hold portfolios of tens of thousands of apartments, rented on long-term, low-cost tenancy agreements. In the UK, however, the difficulty of finding large swaths of houses or apartments in one area has proved a constraint on the sector’s growth.