The English Private Landlord Survey (EPLS) 2018

Shane Brownie, Managing Director of Muttonbird Research

Highbury Group, Monday 25th March 2019
Outline

- Background / methodology
- Landlord profile
- Landlord finances
- Why and how became a landlord
- Views on longer term tenancies
- Compliance with legal requirements
- Why tenancies end
- Willingness to let to households
- Past, recent and future investment
- Conclusions / policy implications
- Further research / analysis
Background / methodology (I)

- Aim - understanding of landlord views, characteristics, attitudes and behaviours to inform policy;
- Previous surveys – EHS to access landlords / agents from population of private rented sector households;
- EPLS - accessed landlords via the population of registered landlords / agents with a Tenancy Deposit Protection (TDP) scheme;
- Population data derived from TDPs, sampled, then invites sent out via TDPs;
- TDP population data enabled responses to be weighted to TDP population;
- Pilot followed by main stage field work carried out over March / April 2018
Background / methodology (II)

- TDP population – 390k reg. landlords & agents with 3.4m deposits, rep. 1.2m landlords;
- From EHS - est. around 60% of PRS h/holds rent from TDP registered landlord / agent;
- Many characteristics between all PRS households similar to TDP households, however – more likely to be in (full time) work, on higher (and highest) incomes, couples without children, less likely to be retired and to have lived in property shorter period;
- So some skew in popn / sample toward better off households / properties;
- Response rate very low (7.2% compared to 64% PLS 2010);
- However, achieved 7,823 responses compared to around 1,000 in PLS 2010;
- Enabled a much more in-depth and nuanced insights into diverse population than previously possible (e.g. by region, time as landlord, borrowing, etc);
- Because of different methods – strongly advise against comparing EPLS findings with PLS 2010 – future survey will allow comparisons
Landlord profile (I)

Population dominated by non-professional individuals renting as a side-line

- **Landlords** - 94% individuals, 4% companies and 2% other;
- **Tenancies** – 83% individuals, 13% companies and 4% other;
- 4% individuals view role as a full-time business, 14% part-time business and 13% as “residential landlord” (30% of tenancies);
- 13% self-employed as landlord (30% of tenancies);
- 25% have ever belonged to a rental property organisation;
Landlord profile (II)

Although most owned just one or a small number of properties, significant numbers of tenants are being housed by larger portfolio landlords

- **Landlords** – Almost half (45%) owned just one property, 38% two to four properties and 17% five or more;
- **Tenancies** – 21% with single property landlord, 31% with two to four properties and almost half (48%) with five or more properties
Landlord profile (IV)

Most were approaching or in retirement with the majority of tenancies with long standing landlords

- Avg. age 57yrs old. 59% were 55yrs or older (62% of tenancies), quarter of tenancies with landlords 65yrs or older;
- Avg. time as landlord is 11.5 yrs, with majority (57%) of tenancies with landlords letting for more than 10 years;
- A third (33%) stated they were in retirement
Landlord finances (I)

- Average (median) portfolio value £400,000, and per property value of £261,000;
- 82% landlord portfolios less than £1m
Landlord finances (II)

Significant numbers had no rental debt

- **Landlords** – over half (55%) were Buy to Let landlords, 39% had no debt and 4% a commercial loan;
- **Tenancies** – 61% with BTL landlords, 30% with landlords with no debt and 15% with commercial loan
Landlord finances (III)

Recent landlords less likely to currently have a mortgage and more likely to have personal savings to fund rental properties

- 49% of recent landlords (3yrs or less) had a mortgage, 43% no borrowing;
- 58% of medium term landlords (4-10 yrs) had a mortgage, 35% no borrowing;
- 55% of long standing landlords (> 10yrs) had a mortgage, 42% no borrowing
Landlord finances (IV)

- Avg. loan value £180,000, 81% had less than £500k borrowing;
- Borrowing tended to be higher the longer landlord had been renting
Landlord finances (V)

For those with debt, it was generally found to be modest

- Avg. loan value £180,000;
- Avg. LTV ratio (those in debt) of 50%, only 18% had more than 70% and 3.7% in negative equity

Portfolio LTV ratios for in debt landlords
Why and how became a landlord (I)

Most attracted by higher expected relative returns and as a means for supporting their retirement

- 46% preferred property to other investments, 44% as contribution to pension, 34% to supplement income;
- 47% as investment for rental income, 30% for capital growth;
- 7.4% to provide home relative / friend;
- 6% through inheritance / gift
- 4.1% to let property as a full-time business
Why and how became a landlord (II)

Significant numbers became a landlord after living in the property or are “accidental” landlords who did not intend to let out their first property

- Only 53% acquired 1st property to let out;
- Almost a third (32%) to live in, 8% inheritance / gift and 7% to provide a home for a relative or friend;
- More recent landlords more likely to bought 1st property to live in and to have inherited it
Views on longer term tenancies

Considerable support for longer term tenancies (more than 12 months)

- 40% willing to offer longer tenancies, with another 38% if break-clause to sell or remove problem tenants;
- 48% did not offer them as happy with current arrangements, 42% due to concerns about removing problem tenants;
- 70% would be encouraged to if easier to remove problem tenants.
Compliance with legal requirements (I)

Agents and larger portfolio landlords were more likely to comply with legal requirements, and landlords more likely to not know if they complied

- Right to Rent - 87% agents, 62% landlords;
- “How to Rent” guide – 83% agents, 52% landlords;
- Issued EPC – 95% agents, 84% landlords;
- Landlords more likely to not know:
  - R to Rent – 22% landlords, 7.6% agents;
  - How to Rent – 22% landlords, 6.2% agents;
  - EPC – 7.7% landlords, 2.6% agents
Compliance with legal requirements (II)

Significant numbers not willing to let to people on benefits and those with non-UK passports. Agents were more willing to let to all types than landlords

- 58% not willing let single people 18-21 on UC;
- 48% not willing let single people <35 on HB/LHA;
- 50% not willing let to people on HB/LHA;
- 46% not willing let to people on UC;
- 26% landlords and 9.7% agents not willing let non-UK passport holders;
- 40% agents and 25% landlords were willing to let to all types of tenants
Past, recent and future investment (I)

Landlords more likely to use a mortgage to fund their first purchase than their most recent purchase

- 1st property - 72% mortgage, 37% used personal savings, 8% used an inheritance;
- Most recent – 61% mortgage, 40% personal savings, 11% inheritance

How funded first and most recent property:
- Personal savings
- Mortgage
- Inheritance
- Income from other employment
- Other loan
- Commercial loan
- Drew down pension
- Income from other properties

Percentage:
- First property
- Most recent property

17
Past, recent and future investment (II)

More landlords with more tenancies planned to decrease investment or leave the business than those planning to increase investment

- 53% planned to keep number of properties, 20% not made plans;
- 11% plan to increase (16% tenancies);
- 10% decrease and 5% leave the business (23% of tenancies);
- The main reason for decreasing / leaving was legislative changes (61%), followed by personal (37%) and financial (29%)
Past, recent and future investment (III)

BTL landlords were more likely to plan to decrease investment or leave the business

- 14% BTL planned to decrease, 6.3% to sell all;
- No debt landlords much more likely to keep portfolio the same;
- BTL landlords also more likely to increase portfolios (13%);
- BTL more likely to give legislative changes as reason to divest (70%);
The majority of those planning to divest or leave the business were BTL landlords

- 74% those planning to decrease are BTL landlords;
- 63% of those planning to sell are BTL landlords;
- BTL landlords also much more likely to be aware of recent tax changes than landlords with no debt;
- BTL landlords also more likely to have recently ended a tenancy to sell (14%) Cf. those with no debt (8.8%)
Conclusions

- Population continues to be dominated by individuals, with a single or small portfolios, who are non-professionals and rent as a side-line;
- Most landlords are at or approaching retirement and been renting for more than 10 yrs;
- Finances appeared very sound, with 39% having no debt, and those with debt having an avg. LTV of 50%;
- More recent landlords less likely to have mortgage, more likely to use personal savings;
- Only around half acquired 1st property to let out, significant number of “accidentals” and inheritance / gift / provide home for relative or friend significant;
- Although most used a mortgage to purchase 1st property, less so for most recent property;
- More landlords planned to decrease investment or leave business (23% tenancies) than those planning to increase investment (16% of tenancies);
- BTL landlords more likely to be divesting;
Further analysis

- Survey dataset being made available for analysis;
- Possible that TDP registrant and deposit dataset also made available;
- Much more potential for analysis by:
  - landlord archetypes;
  - housing market types;
  - geography;
  - Dynamic analysis over time;
  - Comparison of landlord cohorts over time
Other information

- Survey reports are available from:
- Survey data will be available from the Data Archive:
  http://data-archive.ac.uk/
- Contact MHCLG EPLS@communities.gov.uk

Contact:
Shane Brownie
Muttonbird Research
shane@muttonbirdresearch.com
Mobile: 07949 633983
Twitter: @shane_brownie