



# Landlord report 2022

Landlords are a vital facet of the UK's housing provision. Through carefully considered investment, supported by buy-to-let mortgage lending, they meet the needs of a diverse mix of people, providing good quality, affordable homes to millions of tenants.





## An introductory note from Richard Rowntree

**W**ith the private rented sector (PRS) the UK's second largest housing tenure, consisting of around 4.5 million households in England alone, it is difficult to deny that private investment is a vital component of the UK's housing provision.

Despite varying levels of investment from successive Governments, social housing supply has been outstripped by demand for decades. More recently, rapidly rising house prices and continued economic uncertainty have pushed homeownership out of reach for many, driving further demand for privately rented homes.

Institutionally funded build-to-rent developments, identified as a possible solution to the UK housing shortage, have proven popular with some tenant groups but have had limited success in meeting the needs of others.

The gap that we see emerge between supply and demand is often filled by the subject of this report – buy-to-let landlords.

Maligned in the media, landlords are often cast as the pantomime villains whose ruthless pursuit of profits and devil may care position on property upkeep leaves tenants living in unsafe, poor-quality dwellings.

In this report we've drawn on in-depth insight of our own customer base and combined it with analysis undertaken by independent researchers. A picture of the UK's landlord population emerges, and it is quite different.

While there are undoubtedly unscrupulous operators within the landlord community, these are the relative minority and, in the main, private property investors are upstanding members of the communities in which they live and provide homes for, which are often the same.

Despite how they are perceived, we see that landlords share our concerns for the environment, feel personally responsible for making a difference and agree that businesses have a wider social responsibility than simply making a profit.

Many landlords and tenants enjoy long and positive relationships, fostered by flexibility and an accommodating approach when things go wrong – the Covid pandemic an obvious example.

And although relationships appear to be more harmonious than the headlines would lead you to believe, private property investment is not without its challenges.

A substantial number of landlords cite increasing regulation and tax burdens as influencing their decision to exit the sector. This increasingly challenging environment has reflected the abandonment of tenure neutral housing policy evident from midway through the previous decade.

It is estimated that PRS supply will have to increase by 227,000 homes a year over the next decade to meet forecasted demand for 1.8 million new households.

This illustrates how the place of landlords is as important as ever.



**Richard Rowntree**  
Managing Director - Mortgages  
Paragon Bank



## Who are the UK landlords

### Estimated to number over two million, private landlords fall into different demographic groups and boast extensive experience in providing homes for people across the UK.

Office for National Statistics (ONS) figures show that the UK private rented sector numbers around 4.5 million households, accounting for 20% of the total. Although a number of different estimates exist on the number of landlords involved in this provision, 2.65 million is considered one of the most accurate figures, found by totalling the number of individuals who declare income from property on their Self-Assessment tax returns.

With such a sizable population, it is to be expected that landlord demography is varied but on analysing data we do see some trends emerge.

Buy-to-let investors are most likely to fall into the 55-64 age bracket, closely followed by the 65+ group.

This means that over half of landlords are aged 55 years or older and the average age of a landlord is 60. It is unsurprising that a third of landlords are retirees, considering this older age profile.

Landlords are also more likely to live in the south of England, with over half operating in the South East, South West or London.

Research carried out by London letting agent Ludlow Thompson found that the gender split of landlords is fairly even, with 48% female and 52% male.

Conversely, ethnic representation is not even amongst the landlord population, with 89% describing themselves as White and the bulk of the remainder made up of people of Asian origin.



**2.65m**  
total number of  
landlords in the UK

Source: HMRC



**88%**  
have children or  
grandchildren

Source: Paragon



**48%**  
Female

Source: Ludlow Thompson



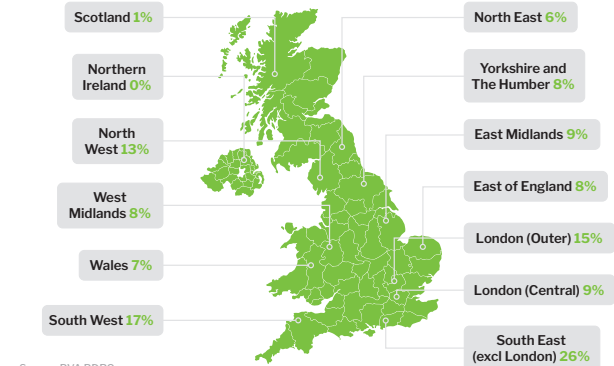
**52%**  
Male



Average  
age of UK  
landlord **60**

Source: ONS

### Where landlords hold property



Source: BVA BDRG

### Landlord levels of experience

Average levels of experience differ amongst non-portfolio landlords – those with fewer than four buy-to-let properties – and portfolio landlords. Across both groups, however, the highest proportion, almost four-in-10, have been operating lettings businesses for between 11-20 years.

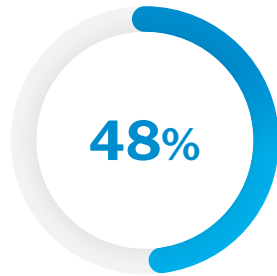
Three in 10 portfolio landlords have been letting properties for between 21-30 years, the same proportion of non-portfolio landlords have provided homes to tenants for between zero and five years.

### How landlords describe themselves

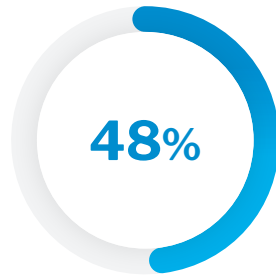
From a set of given statements landlords are most likely to say they are:



**Confident  
taking risks**



**Always putting  
family first**

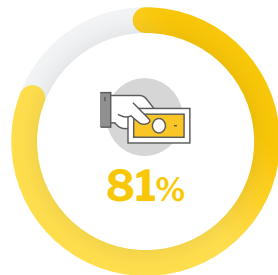


**Open to change**

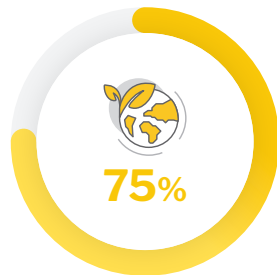
Source: Paragon

### Social responsibility

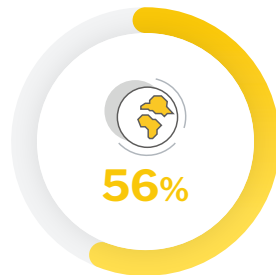
We asked landlords to tell us how much they agree or disagree with the given statements:



**Agree that businesses  
have a wider social  
responsibility than simply  
making a profit**



**Feel that environmental  
issues are really  
important**



**Worry about the state  
of the world and feel  
personally responsible for  
making a difference**

Source: Paragon

### Landlord income

Tax returns for 2019/20 show how the income tax bands of those who declared income from property, indicating levels of landlord income.

Marginal tax rate	Number of individuals
Additional higher rate (45%)	106,000
Higher rate (40%)	560,000
Basic rate (20%)	1,519,000



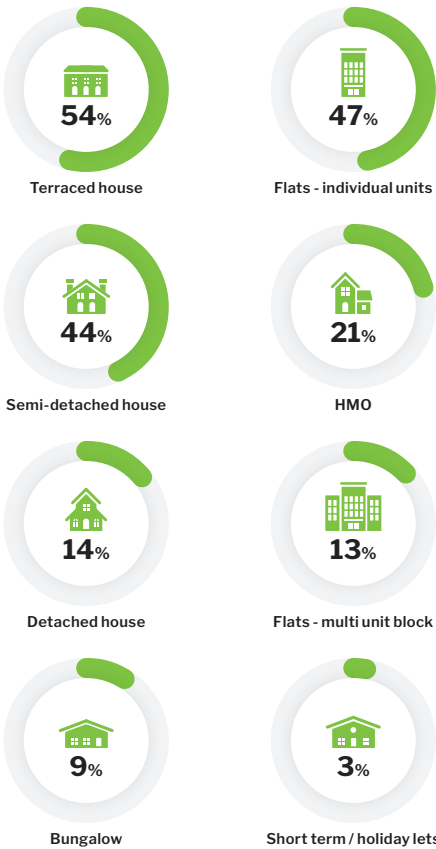


# Property owned by buy-to-let landlords

## What types of property landlords buy

Terraced houses are the most popular type of buy-to-let property, with 54% of landlords having at least one in their portfolios. Flats are owned by 47% of landlords, making them the second most common buy-to-let investment, ahead of semi-detached houses which are purchased by 43%.

Type of property owned (%)



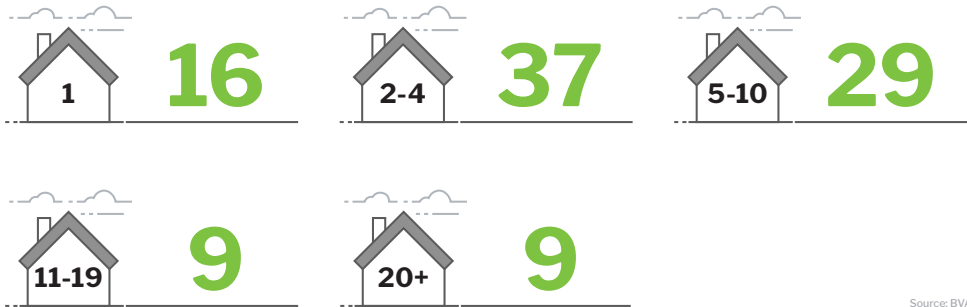
Source: BVA BDRIC



## Portfolios

In Q1 2022, the typical landlord managed a portfolio made up of an average number of 8.0 properties, totaling approximately £1.38 million. Each property, valued at an average of £172, 625, generates £635 per calendar month or £7,625 per year, totalling £61,000 in gross rental income annually.

Number of properties in portfolio (%)



Source: BVA BDRIC

## How landlords are responding to changes in tenant demand

While the profile of portfolios has remained broadly stable over the last five years, changes are evident as landlords respond to shifts in demand.

Industry data highlights how in December 2021 the value of mortgages written for HMO purchase was more than twice as much lent at the same time a year earlier, and almost double the total written in December 2019, before the market was impacted by the pandemic.

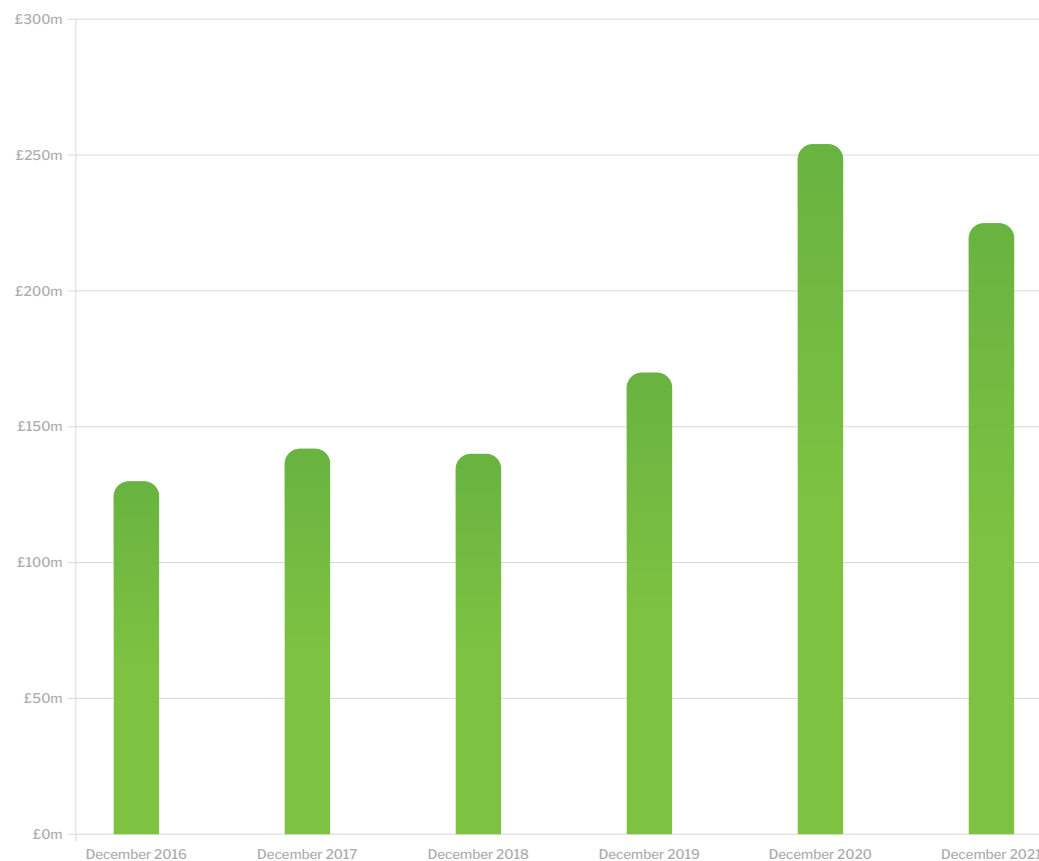
This is likely to be driven by a number of factors. The pandemic had a negative economic impact on people from a range of backgrounds, with young would-be first time buyers particularly affected – an ONS report on personal and economic well-being found that 'the most influenced groups of the population included individuals aged under 30 years who were more likely to report having difficulty meeting their expenses (34%)'.

Compounded by the increased cost of living, this has meant that large numbers of people have had a need for affordable housing, something that HMOs provide.

With shortages of housing stock available to buy, there has also been a growing trend in landlords investing in the properties they already own. The result is an increase in the number of high-end HMO which broadens the appeal of the property type.



Purchase of semi-detached homes



Source: UK Finance

Industry data also reveals an increase in mortgages written for semi-detached homes. Of those landlords looking to purchase new rental property during 2022, 40% said that they intend to purchase semi-detached homes. Although only marginally higher than the 39% of landlords who plan to invest in terraced houses, it highlights the growing popularity of semi-detached houses since the start of the pandemic when 32% of landlords reported that they intend to purchase

one in the next 12 months, a figure that has increased fairly consistently since.

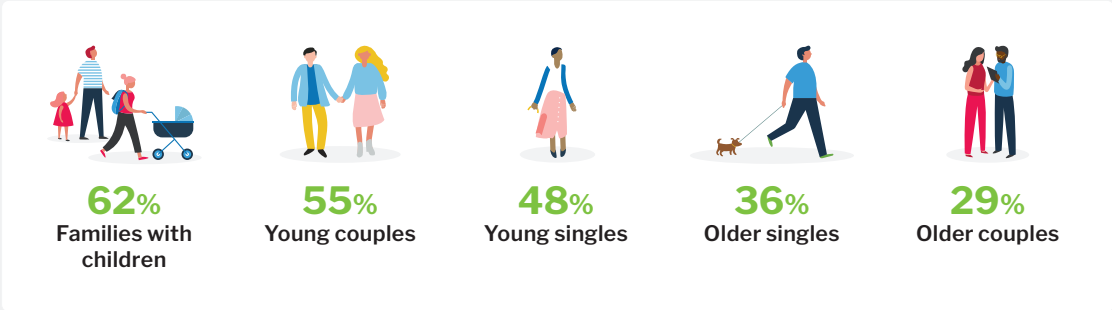
This points to a shift in tenant demand as it is the first time that semi-detached houses have been the most popular acquisition target for landlords since 2017, when research agency BVA BDRC began surveying landlords on their investment strategies.



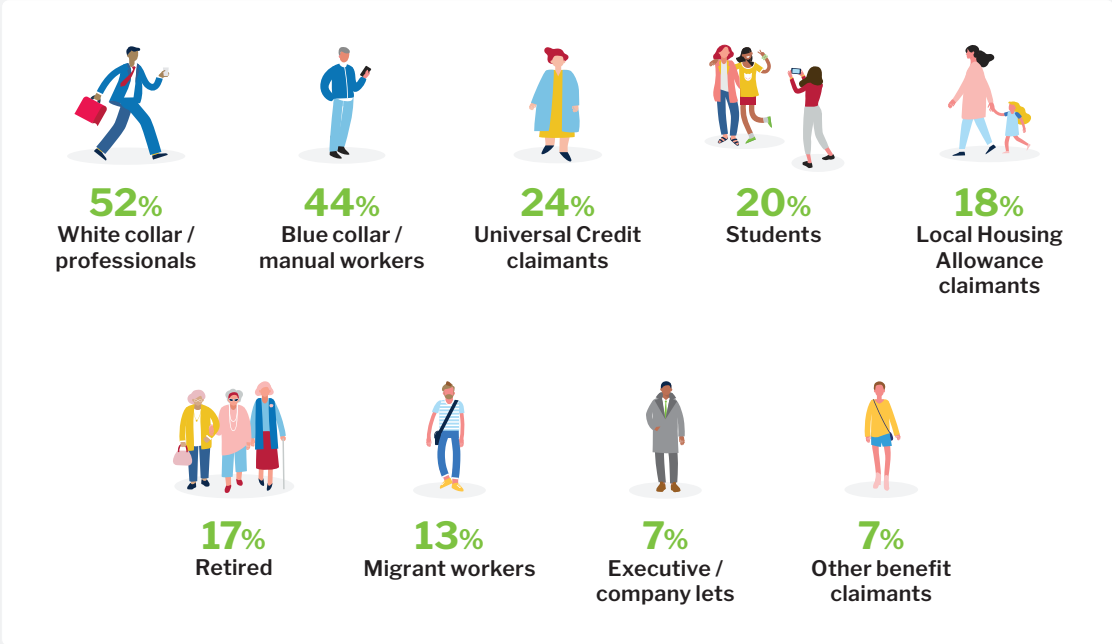
# Landlords and tenants

With the private rented sector home to millions of people, landlords provide homes for a diverse mix of tenants.

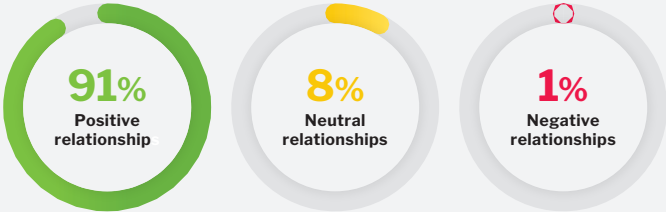
Six-in-ten landlords let homes to families with children, making them the most common tenant type.



We also see that landlords provide homes for people employed in a wide range of professions. The most common is 'white collar' or professionals, with just over half of landlords counting them as tenants.



A large majority of landlords feel that they have a positive relationship with their tenants.

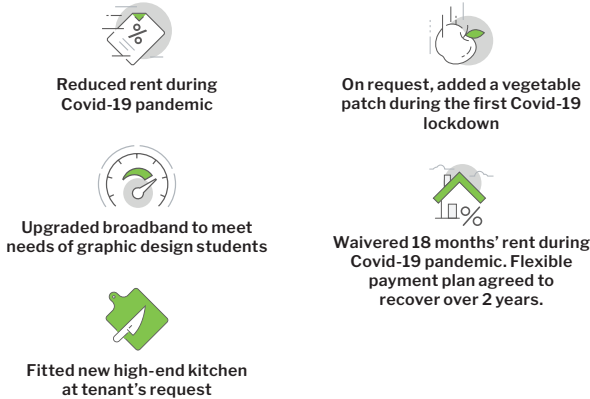


It seems that central to these positive relationships is a willingness by landlords to be flexible with tenant requests and accommodating.

**88%**  
of landlords said that they have been either **'very' or 'extremely' flexible with tenant requests.**

Source: Paragon

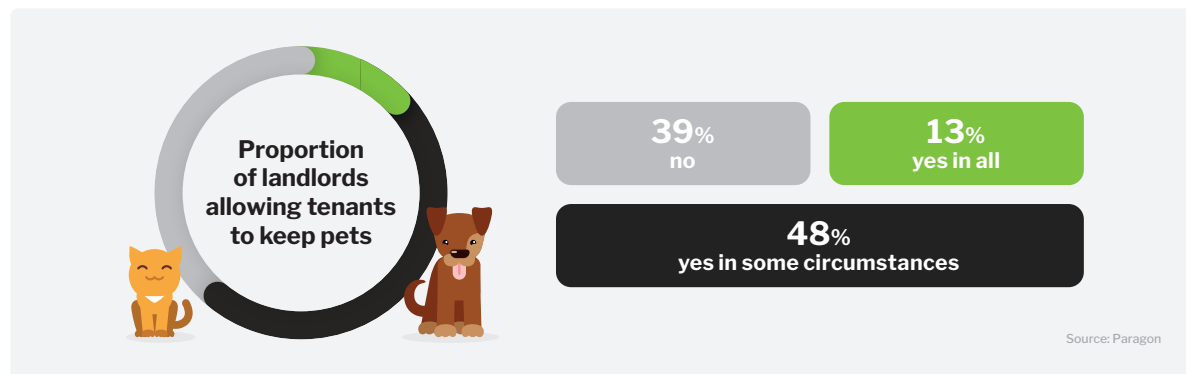
## Examples of how landlords have supported tenants and accommodated their requests



## Renters' contentment

Research for the Social Market Foundation's 'Where next for the private rented sector' report, commissioned by Paragon, found that the majority of private renters express contentment with their situation, 81% saying that they are happy with their current property, and 85% saying that they are satisfied with their landlord.

Primary reasons for this include not having responsibility for repairs or maintenance, or for buildings insurance or ground rent costs.



Six-in-ten landlords allow tenants to have pets in their properties, with just over one-in-ten allowing them in all circumstances and just under half in some circumstances.



## Issues facing landlords



Although the majority of landlords have positive relationships with tenants, some issues do arise.

During the past 12 months, the most frequent issue was rental arrears, experienced by around one in three landlords. Property damage was the second most common problem, experienced by just under a quarter of landlords and a similar number had to withhold at least part of a deposit.



## Landlords and lettings businesses

Although remaining fairly consistent over time, the size, make-up and legal structure of lettings businesses do change, with landlords making considered investments to modify their portfolios in response to tenant demand and market conditions.

### How landlords operate their lettings businesses

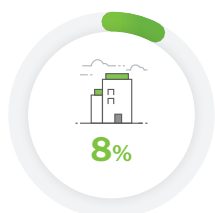
In Q1 2022, 76% of landlords indicated that they currently let their properties as an individual. At least one property is held as part of a company by 21% of landlords. This increases in line with portfolio size as 58% of landlords with 20 or more properties hold some or all in a limited company.



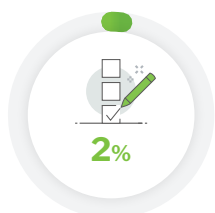
As an individual or group of individuals



Mixed - some held as an individual, some held as part of a company



As part of a company



Other

**Landlords let an average of 8.3 properties as a Ltd company\***

\*Please note: Where the sum of percentages does not total 100, this is due to rounding.

Source: BVA BDRC



Landlords' net profitability trend 2007 - 2021



Figures dating back to the first quarter of 2007 show that landlord profitability has been relatively stable and had a generally upward trajectory.

There have been some notable dips however, and these seem to correlate with events such as the Global Financial Crisis, the introduction of a 3% Stamp Duty surcharge for additional properties, along with the restriction of landlord tax relief, and, more recently, the Covid-19 pandemic.

# Landlord investment strategies and borrowing

We see that landlords are often shrewd investors, carefully considering the factors impacting the market in which they operate and how best to meet the needs of their tenants.

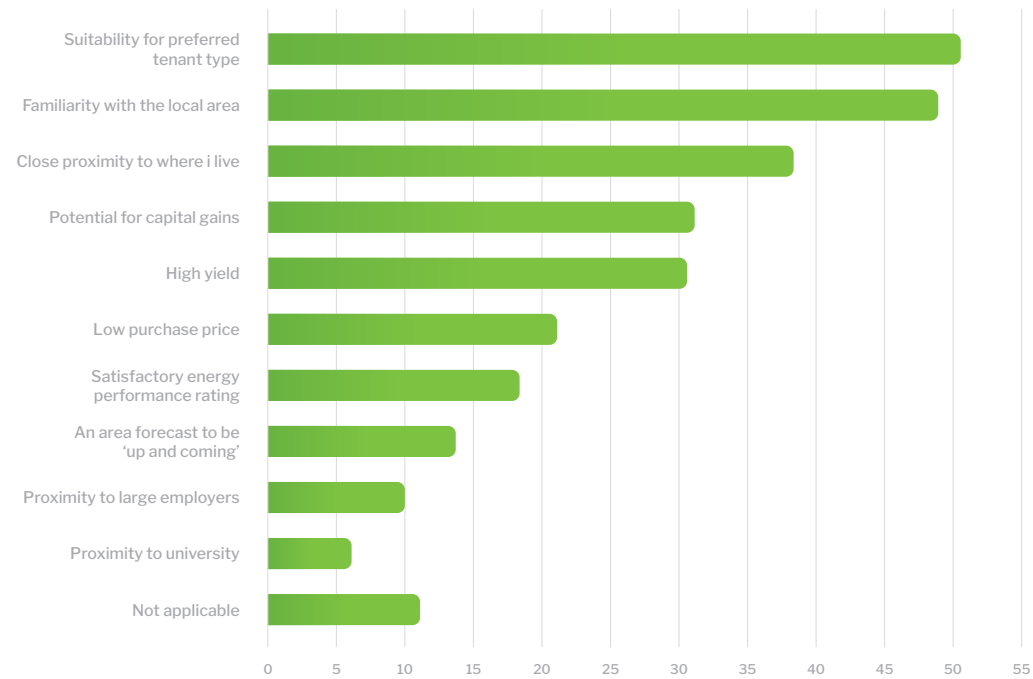
## Landlord investment behaviour

Landlords deploy a wide range of strategies when purchasing rental properties.

Most commonly, landlords want to ensure a property's suitability for their intended tenant segment. Following this, landlords really value local area knowledge and proximity to their own residential property.

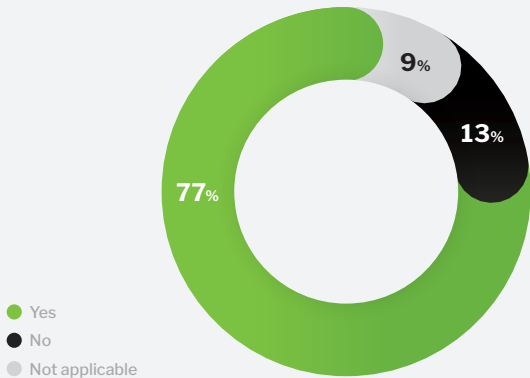
Although the vast majority of landlords have always utilised the same strategy when investing, there is anecdotal evidence of deviation as a result of changes to the affordability of different property types, the impact of legislation or changes in landlords' circumstances.

Main priorities when purchasing rental properties (%)



Source: BVA BDRC

Proportion of landlords who have always followed the same investment strategy



Source: BVA BDRC

\*Please note: Where the sum of percentages does not total 100, this is due to rounding.

Initial strategy was to buy cheap, create accommodation that would appeal to young professionals on low income. Later strategies are to provide quality accommodation for young professionals on higher incomes that is easy to manage and maintain.

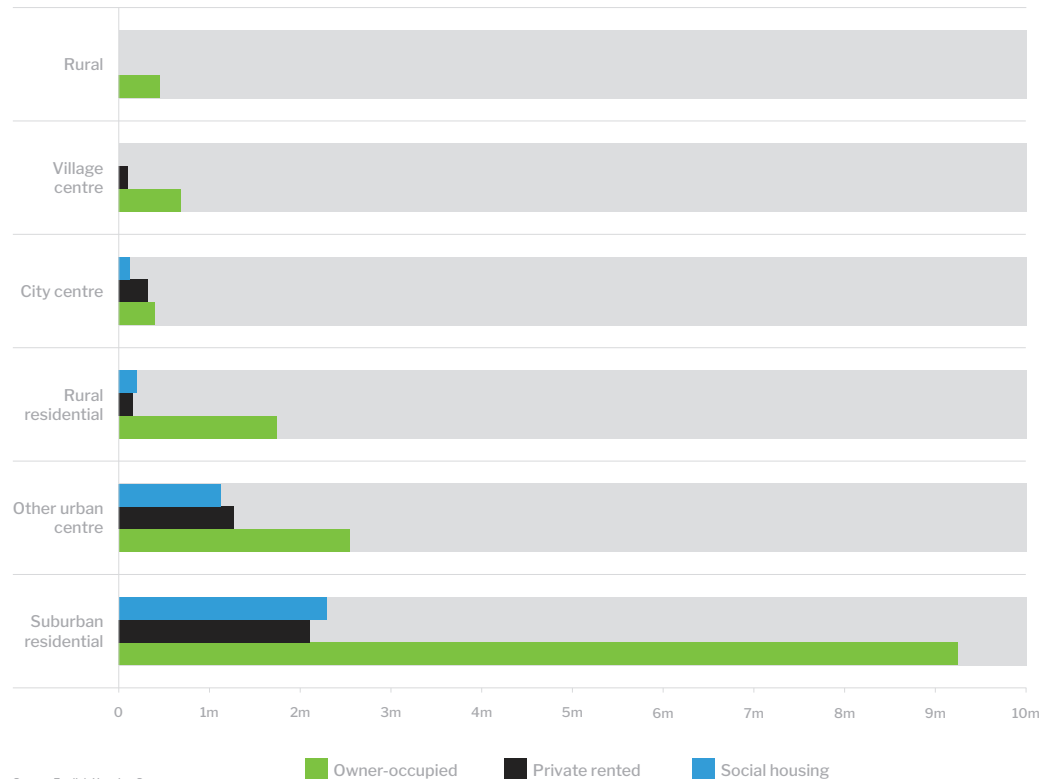
Now we have retired and our financial situation is stable, we wish to “move” our properties to a closer location. We originally bought where we could afford more properties.



## Where landlords invest in property

English Housing Survey data shows that four in every 10 private rented sector properties can be found in city centres or other urban areas. This is approximately 1.7 million properties and indicates how important the urban dwelling market is to the sector. The majority, just over half, of rented properties are located in suburban areas, with rural or village locations home to one-in-ten.

Housing stock by area



Source: English Housing Survey

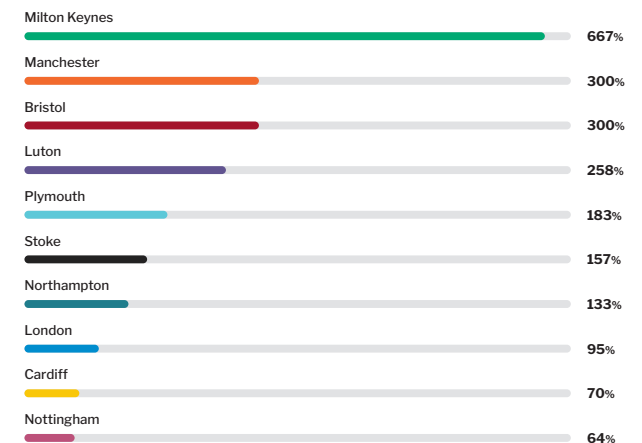
As a result of the Coronavirus pandemic, the first half of 2020 saw some people swap urban life for homes with more space and access to the outdoors. Following the easing of restrictions, many of the things that make urban living attractive have returned and so has demand for centrally located homes.

Paragon analysis shows that in 2021 landlord demand for city centre property was strong, with house purchase completions in urban postcodes increasing by 100% compared to the year before.

Top 10 cities and towns for buy-to-let completion growth 2021



Source: Paragon



With the likes of Birmingham, Liverpool and Leeds absent, the only major cities to make the list of top 10 growth locations were London and Manchester. The remainder was made up of smaller cities or large towns including Cardiff, Luton, Bristol, Northampton, Milton Keynes and Nottingham where double or triple-digit growth in completions was recorded during the year.

## Landlords share their investment strategies

David and his wife Joanne manage a portfolio made up of 20 properties.

The majority are located in Tyne and Wear, approximately 40 minutes' drive from their home in County Durham

Although a property's yield generation potential is important, David says that being within easy reach of the homes he lets is a key factor in deciding if a property presents a good investment opportunity.

**Living close to my portfolio means I can respond quickly to tenant requests for assistance. Buying in a town where I grew up also means that I know street by street where the good properties are, and which areas to avoid.**

Another aspect of the couple's investment strategy aligns to research highlighting how many landlords make improvements to properties prior to letting them, driving up standards in the sector. Joanne said:

**We always look at more tired properties as we can add value through "sweat equity". If we can buy a place that is ready to let for the right price, then we'll leap at the opportunity. In the present market that's extremely difficult to achieve, so we're happy to put in a lot of work. We do whatever we can ourselves to keep costs down but for anything else, we have formed good relationships with several plumbers, roofers, electricians and plasterers.**

Key to the couple's success is not just targeting properties that work for them but also considering how they can meet the needs of their tenants.

David said:

**I attend every letting viewing with the agent in order to meet all prospective tenants to discuss their needs, wants and background on the day. Most of our tenants have children so gardens are a must. As is dedicated parking in front of, or very near the property. I am put off by unclear parking, or houses which are difficult to access, so I suspect that tenants will be too.**

Other characteristics that the couple's tenants value include space for home working with fast broadband and excellent transport links and access to amenities.

Talking about what type of properties are currently in demand, David said:

**There is a "sweet spot" of 3-bedroom properties with good storage space and a second toilet or utility area, these prove exceedingly popular with tenants.**

David and Joanne are content with their lettings business and don't have any plans to modify their portfolio in the foreseeable future. David said:

**We presently have sufficient properties to fuel our income requirements. There is a balance to be struck between income and time and effort spent managing the portfolio. Our portfolio appears presently to be about the correct size and tenant makeup for that.**

Joanne added:

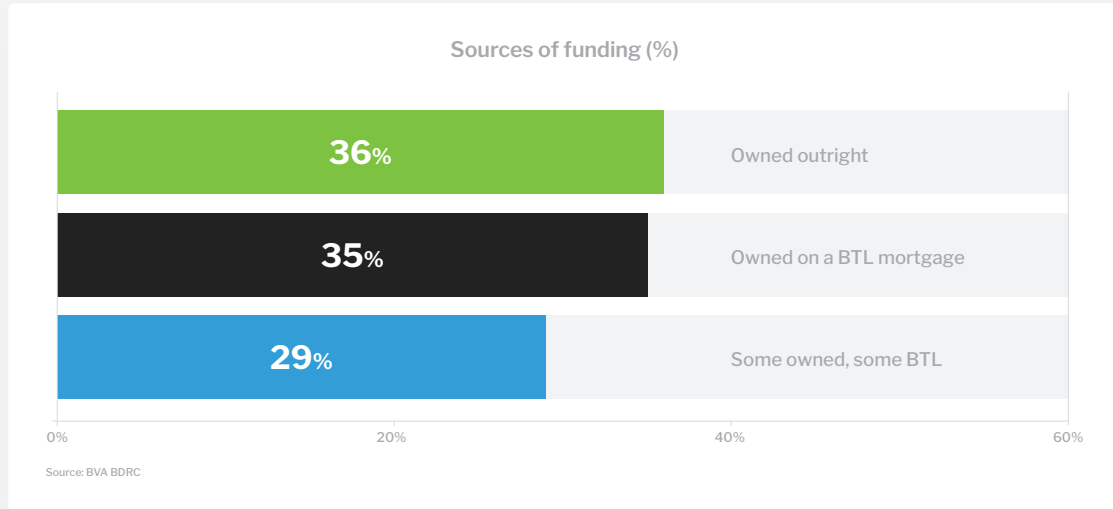
**In the very long term we will reduce the size of the portfolio in order to pay off mortgages, whilst keeping some unencumbered properties for income well into our old age and/or to leave in our will. Having said that, we will not likely consider selling anything for at least another 20 years or so.**



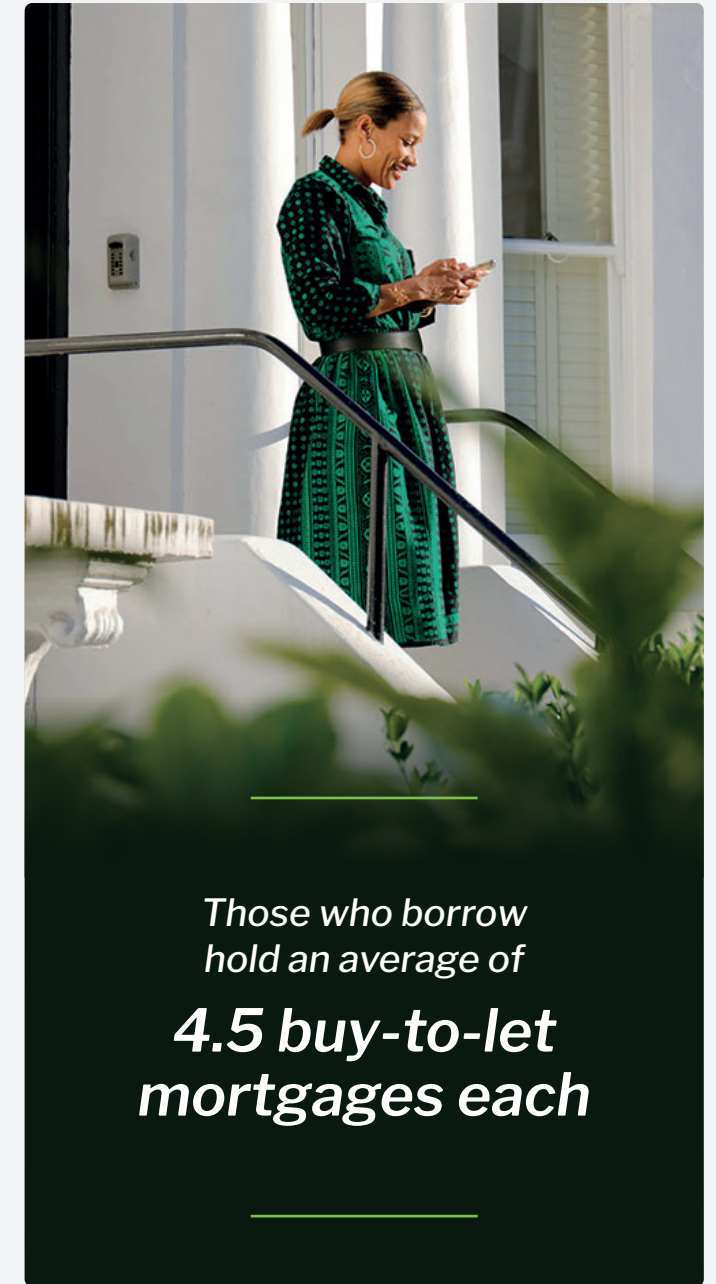


## How landlords fund their property investments

Buy-to-let borrowing is a popular method of funding for property investment with almost two in three landlords financing at least part of their portfolio through it.



Those who borrow hold an average of 4.5 buy-to-let mortgages each, increasing to 11.1 amongst those with 11 or more properties. The average landlord owes £419,000 in buy-to-let borrowing, which incurs annual interest of £18,000.



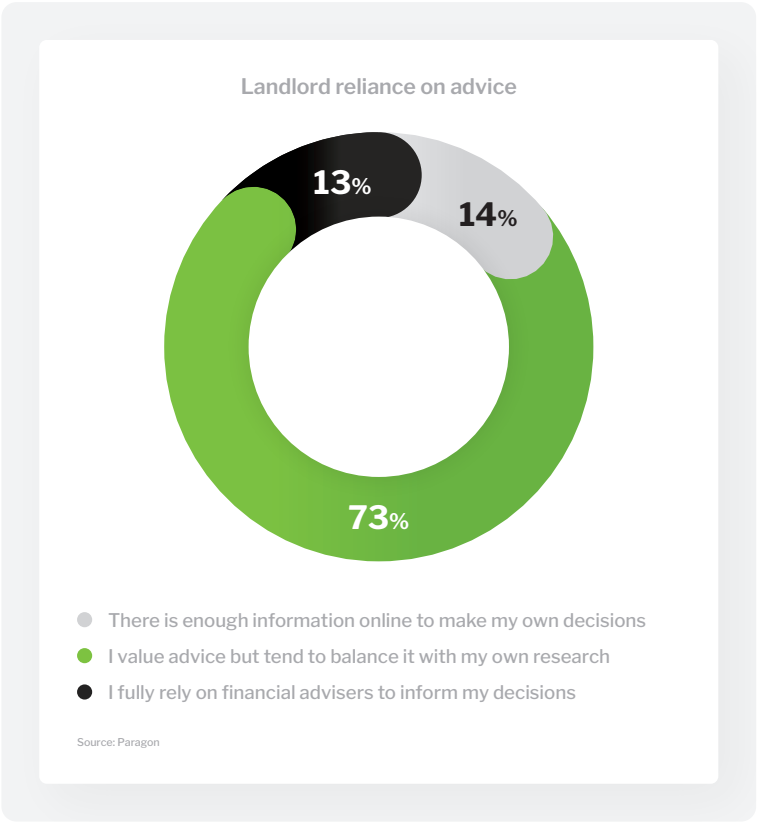
Those who borrow  
hold an average of  
**4.5 buy-to-let  
mortgages each**

# How the industry can support landlords

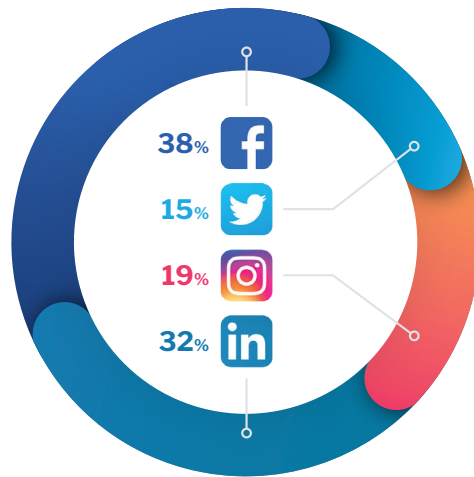
Many landlords are keen followers of current events, through broadcast and social media and value the advice available to them. Faced with a dynamic market and frequently changing regulations and tax requirements, there are many opportunities to support landlords with industry updates and education.

Insight into which factors are most likely to influence landlords’ decision to take their most recent buy-to-let mortgage with Paragon shows that interest rates are the primary influence, but recommendations made by intermediaries helped guide decisions in four-in-10 cases, highlighting how important the role of the broker is.

This is supported by data showing that nearly nine-in-10 landlords take advantage of advice on offer, to some degree, when making investment decisions.



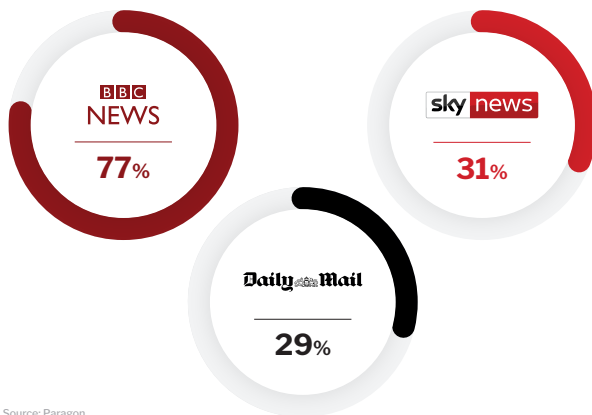
#### Landlord social media use



Source: Paragon

Faced with frequently changing regulatory requirements, landlords could benefit from industry updates and knowledge sharing delivered via social media platforms such as Facebook and LinkedIn.

#### Top news sources for landlords



Source: Paragon

#### Business topics of interest to landlords

Landlords were also asked what business topics they are most interested in reading about.

Tax planning was the most popular response, followed by market condition and trends, with finance and investment making up the top three.



Property refurbishment and regulatory changes were also cited as topics of interest for landlords, highlighting areas where the industry can support landlords with education and updates.







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