



The 2016 Buy to Let landscape

Key Insights for Landlords by best-selling
Buy to Let author, David Lawrenson

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For many aspiring investors, the world of property can seem very appealing. And in today's volatile markets, Buy to Let property can offer a valuable investment. However, it's not without its pitfalls.

Whether you are a first-time landlord or already have a healthy sized property portfolio, you want to know that your money is invested wisely. But how do you make the most of the opportunities, overcome the challenges and find the hardworking financial solution that suits you or your clients best?



We've commissioned David Lawrenson, founder of private rented sector consultancy, www.LettingFocus.com and author of the UK's highest-selling property book, 'Successful Property Letting – How to Make Money in Buy to Let', to give you his top ten key insights for the rest of the year.

1. Challenges from the Chancellor

The Chancellor's move to scrap tax relief for higher rate income taxpayers over a four-year period from April 2017 and the introduction of a new 3% stamp duty surcharge on Buy to Let properties will lead to some mortgage providers reviewing lending criteria. This could affect things like rental cover and loan-to-value ratios. Alongside these changes, there is also the replacement of the 'wear and tear' allowance and the requirement for capital gains to be paid within 90 days of sale. Landlords have a lot to think about. That's why I recommend that you keep up to date with all the latest information from HMRC.

2. Small and agile is the way forward

Pending a legal challenge, it seems that larger-scale landlords, who often hold their property portfolios in limited companies, will not be subject to the income tax changes. And in recognition of the potentially more significant role larger Buy to Let businesses could play in housing in the UK, the Government is consulting on whether they should be subject to the stamp duty increase. I await the outcome of this exercise with interest. But it's my view that the institutional investors will simply not be able to compete with their smaller private landlord brethren because their operating cost bases are far too high. Plus, the big funds' (largely unfounded) fear of rent controls, combined with their very

long-term horizons and lack of flexibility will act as a further deterrent. So, I think the traditional Buy to Let landlords, who have built this sector over the last 20 years, have little to fear from the 'Tesco-isation' of private rent and the big property funds.

3. Setting up a Special Purpose Vehicle (SPV)

The tax changes could drive a growth in the proportion of lending that will go to limited companies, though Buy to Let folk should be on their guard for future tax changes too. The private rented sector is now definitely 'fair game' for more regulation and tax rises. Seek the advice of a good accountant and IFA and be alive to the fact that in the future there could be changes to the way SPVs are taxed. Tax never stays still, so be careful about setting up new structures. Speak to your adviser about how this could impact your individual circumstances.

4. Putting off 'Mom and Pop'

It is possible that some accidental 'Mom and Pop' landlords, (who, perhaps only planned to let due to difficulties selling a home) may be increasingly deterred from joining the party. That would be a shame because there are still good returns to be made.

5. New powers for the Financial Policy Committee

To add even more complexity into this changing mix, we have the Financial Policy Committee to consider too. This is the Bank of England's new body for reducing risk in the UK's financial system. I think they will use their new powers to intervene in Buy to Let eventually, but some time will be allowed for the impact of the Chancellor's 2015 tax changes to bed in first.

6. Clearer rules around Consumer Buy to Let

The distinction between professional landlords and others will be further gouged out through the Mortgage Credit Directive obliging lenders to distinguish between 'Consumer' Buy to Let and unregulated 'Property Investment Loans'.

7. Watch out for the spikes

There may be a short-term spike in Buy to Let applications and completions to beat the stamp duty surcharge in April, then it will be a little quieter. This spike could even push prices up for lower-priced properties, followed by a lull. This could present opportunities for the nimble landlord.

8. Fixed rates stay popular

I think that fixed rates will be in demand in 2016 and that, given the current state of the still deflationary world economy, it will be some time yet before base rates rise. If you haven't remortgaged, it may be worth

having a conversation with your mortgage broker sooner rather than later.

9. The rise and rise of private landlords

Despite the many changes, the private rented sector will remain an attractive prospect for many investors. Demand for rented properties will continue to increase and is likely to remain high for the foreseeable future, reflecting demographic changes and market dynamics, especially the shortage of housing and, in particular, the shortage of houses rather than flats, in places like London and the South East. And so, the yields landlords can expect to generate on Buy to Let properties, will remain attractive – indeed, even more so if the various tax changes lead to less competition from other landlords.

10. Specialist cases make great opportunities

Opportunities abound in private renting – and the best returns are often not from 'plain vanilla' types of cases. If your income is complex, you are an expat, you are seeking to buy an HMO or you are after a particularly large mortgage, you'll need your intermediary to access the more specialist lenders whose flexible lending criteria and bespoke underwriting approach can meet different needs. Given the growing complexity in the market, the specialist lenders and brokers who can make the experience less painful will be increasingly sought out by smart landlords.

Where can I read more?

We've put together some useful links you may want to visit:

[Will you need to pay stamp duty \(and how much\) on new Buy to Let Purchases?](#)

[Setting up a Special Purpose Vehicle \(a limited company to buy a Buy to Let property through\)](#)

[Do you qualify as 'Consumer Buy to Let' or as a 'Professional Buy to Let Borrower'?](#)

[The new Financial Policy Committee and Buy to Let](#)

If you have any questions about Buy to Let mortgages, or mortgages in general, please contact your mortgage adviser.

Information correct as of February 2016.

Information is subject to change.

Please contact HMRC or seek professional advice for full details.





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