

Habito Landlord Meetup

February 2020



HABITO



MORTGAGES MADE EASIER

Welcome to our February meetup for landlords!

Agenda

6.45pm: Trends in buy-to-Let mortgages (Will Rhind, Mortgage Lead @ Habito)

7.00pm: Where to invest (Kate Faulkner, property expert @ Property Checklist)

7:45pm: Q&A & networking

8.30pm: Ends (we need to be out of the building by 8.45pm)

+ Our mortgage experts are here to answer all your mortgage questions!

HABITO

Habito needs you!

Everything we do is powered by customer insights.

We'd love to organise a 15 minute call with you to discuss your experiences of being a landlord.

To be in with the chance of winning a £100 Amazon voucher, please enter your contact details on the questionnaire on your seat!

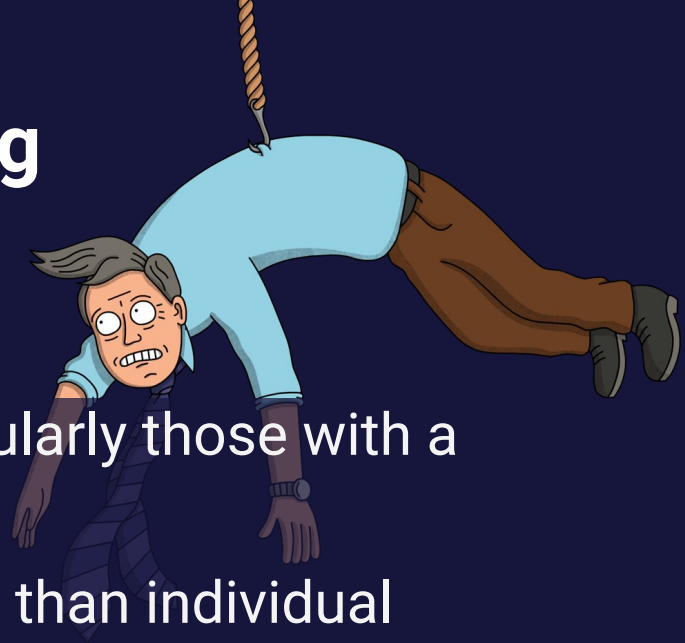
HABITO

Trends in buy-to-let lending

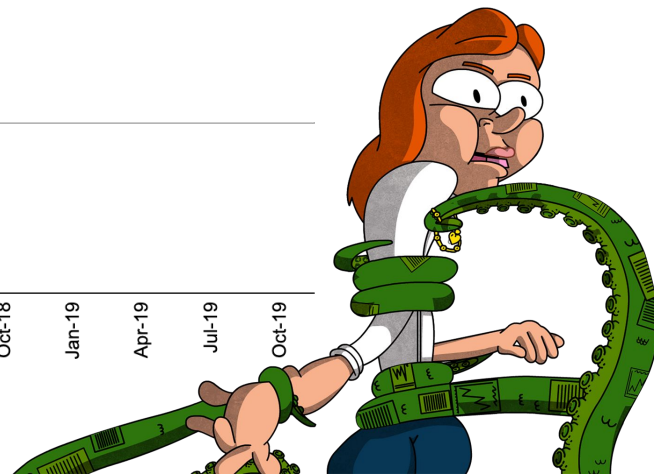
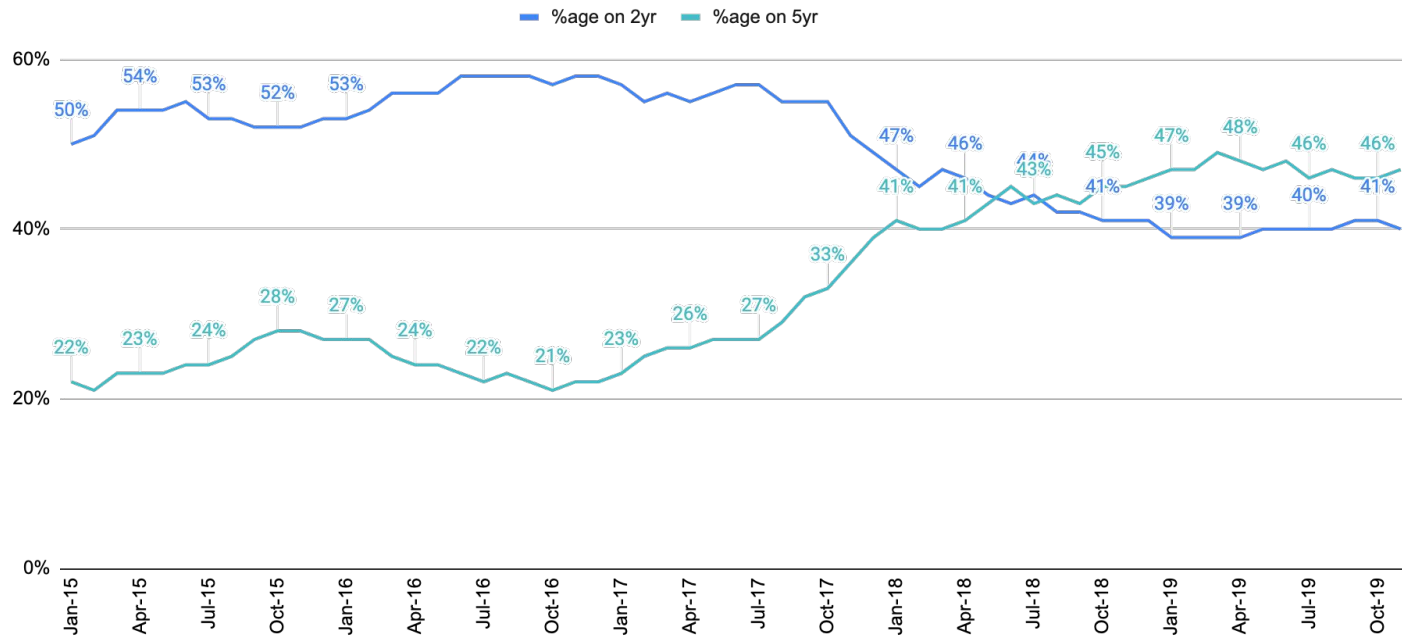


What trends are we seeing in BTL lending?

- Increase in company BTL, particularly those with a portfolio
- Rise in portfolio landlords, rather than individual
- Overall landlords numbers are decreasing
- No. of properties owned by the average landlord is highest since 2009



5 year fixed rates the most popular. Although less common than a year ago





Rise in portfolio landlords, particularly HMO and holiday let

- 1 in 3 intend to purchase HMOs in next 12 months, up from 12% previous quarter (Paragon)
- Higher yield, more complex to manage, higher rates, strict criteria, higher fees, HMO licences
- Brexit; devaluation of GBP; surge in tourism = increase in holiday let demand

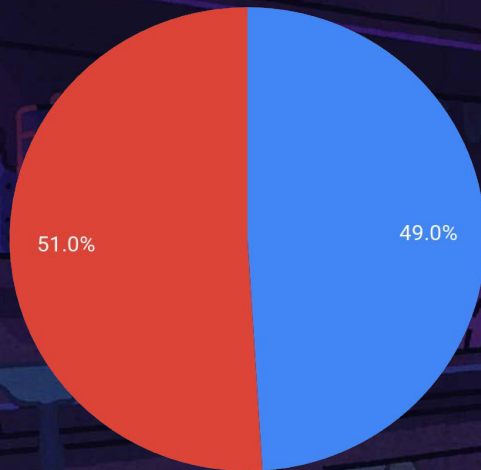


**Why consider a
company BTL?**



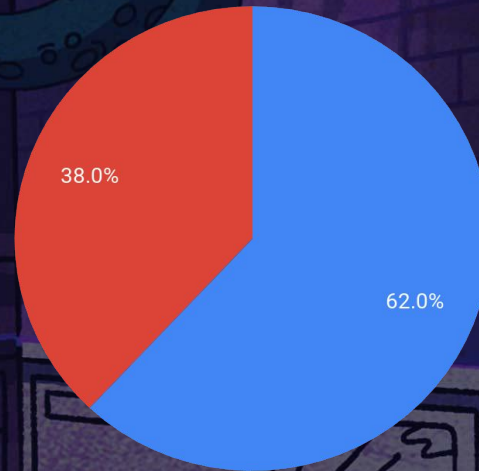
More and more people are using a Company to purchase BTL properties

Nearly 50% of Newly Submitted Applications in Q3 were Company BTL



● Company BTL ● Individual BTL

62% of Landlords Intend to Purchase Through a Company in Next 12 Months



● Company BTL ● Individual BTL

Source:

1. Foundation Home Loans, based on a survey of 888 landlords with up to 10 properties (Nov-19),
2. Mortgages for business Q3 Buy to Let Mortgage Index

What's Changing?

- Since April 2017, tax relief on mortgage interest been phased out.
- By April 2020, no tax relief on mortgage expenses from rental income. Instead, a tax-credit, based on 20% of your mortgage interest payments.
- This is **less generous for higher-rate taxpayers**, who effectively received 40% tax relief on mortgage payments under the old rules.
- The table below shows how this will impact on a higher-rate tax-paying landlord receiving **£950 rent a month** and paying **£600 towards their mortgage**.

Mortgage tax relief for property with £950 rent and £600 mortgage per month				
Tax year	Proportion of mortgage interest deductible under previous system	Proportion of mortgage interest qualifying for 20% tax credit under new system	Tax bill	Post-tax and mortgage rental income
Prior to April 2017	100%	0%	£1,680	£2,520
2017-18	75%	25%	£2,040	£2,160
2018-19	50%	50%	£2,400	£1,800
2019-20	25%	75%	£2,760	£1,440
From April 2020	0%	100%	£3,120	£1,080

Source: Which

Basic or Higher Rate Tax Payer?

Example of a landlord that charges **£950 per month rental income** (£11,400 a year), with **mortgage interest payments of £600 per month** (£7,200 a year).

Annual calculations	Before April 2017	From April 2020
Rental income	£11,400	£11,400
Mortgage interest	£7,200	£7,200
Taxable income	£4,200	£11,400
Tax credit	£0	£1,440 (£7,200 x 20%)
Tax @ basic rate (20%)	£840 (£4,200*20%)	£840 (£11,400*20% less £1,440)
Tax @ higher rate (40%)	£1,680 (£4,200*40%)	£3,120 (£11,400*40% less £1,440)

Company BTL?

Considerations:

- Company BTL rates more expensive?
- Extra Stamp Duty
- Tax more complex? Corporation Tax / Dividend / Capital Gains Tax
- Better cash flow?

Seeking professional tax advice is essential! This will help you determine the most appropriate business structure.

HABITO

Common Blockers

Credit history surprises

Deposit not large enough

Rental income insufficient to cover repayments



HABITO

Who the hell is Habito?



Habito are making mortgage broking easy

- Whole-of-market research, including direct only deals and complex cases
- All online with a dedicated mortgage expert
- 7 days a week; 9am - 9.30pm
- 100% free

A cartoon illustration of a man whose body is composed of various colored papers and documents. He has a shocked expression with wide eyes and an open mouth. He is flying through a dark, cluttered room that appears to be a storage area for papers and files. In the background, there are shelves filled with boxes and papers. In the foreground, a desk is covered with stacks of papers and documents. A large, dark, tentacle-like creature is visible in the background, and a green, tentacle-like creature is in the foreground. The overall scene is dark and chaotic, suggesting a complex and overwhelming process of mortgage broking.

HABITO

And now, as a lender, we're changing the mortgages themselves...

Our new buy-to-let range:

- ✓ Instant decisions
- ✓ Get a mortgage with a deposit as low as 20%
- ✓ Fix your rate for up to 10 years
- ✓ Open to all, including self-employed, first-time, retired and older landlords
- ✓ Portfolio and company buy-to-let now available

Come and chat to one of our experts this evening!



Where to invest?

Kate Faulkner BSc(Econ) MBA
CIM DipM



Agenda

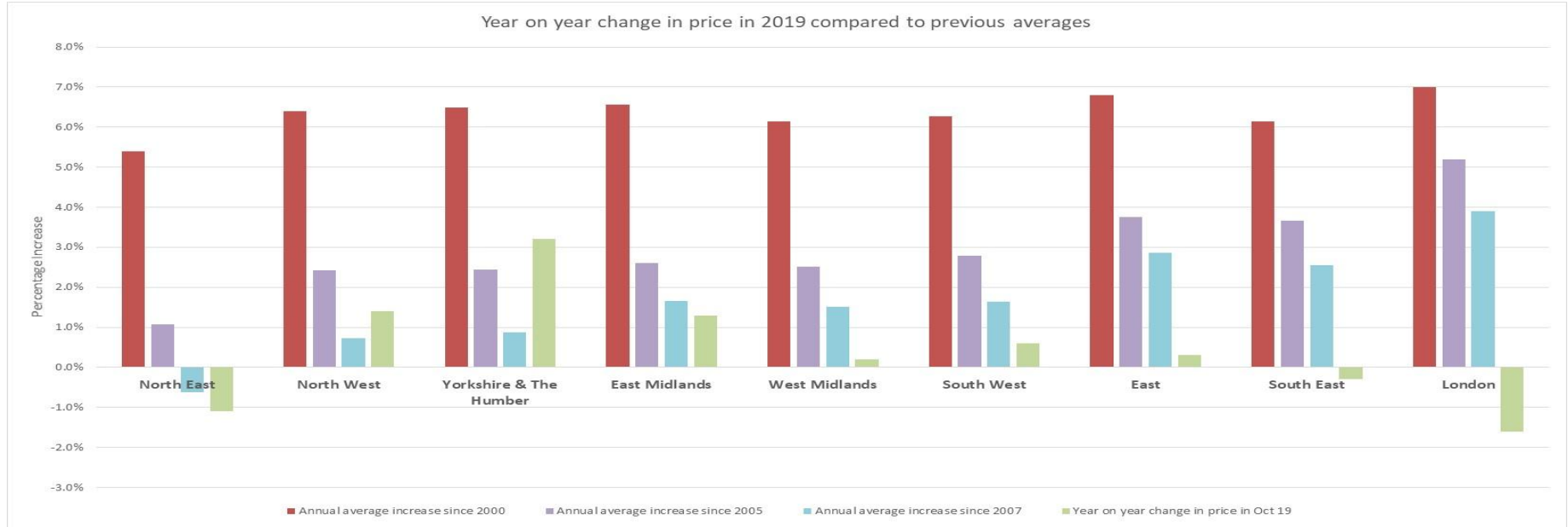
- Local economics
 - Why this influences your investment returns
- How do areas differ?
 - Cambridge vs Nottingham

Local economics influences property investment returns



Re-cap from January

Annual property price growth varied 1% to 5% from 2005



Rental growth varies 0.5% to 2.25%

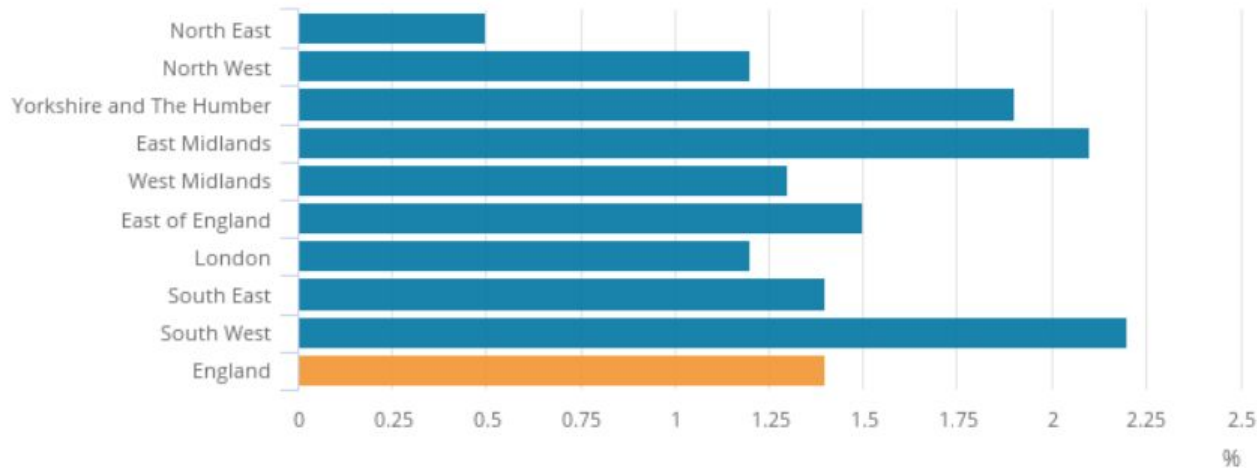
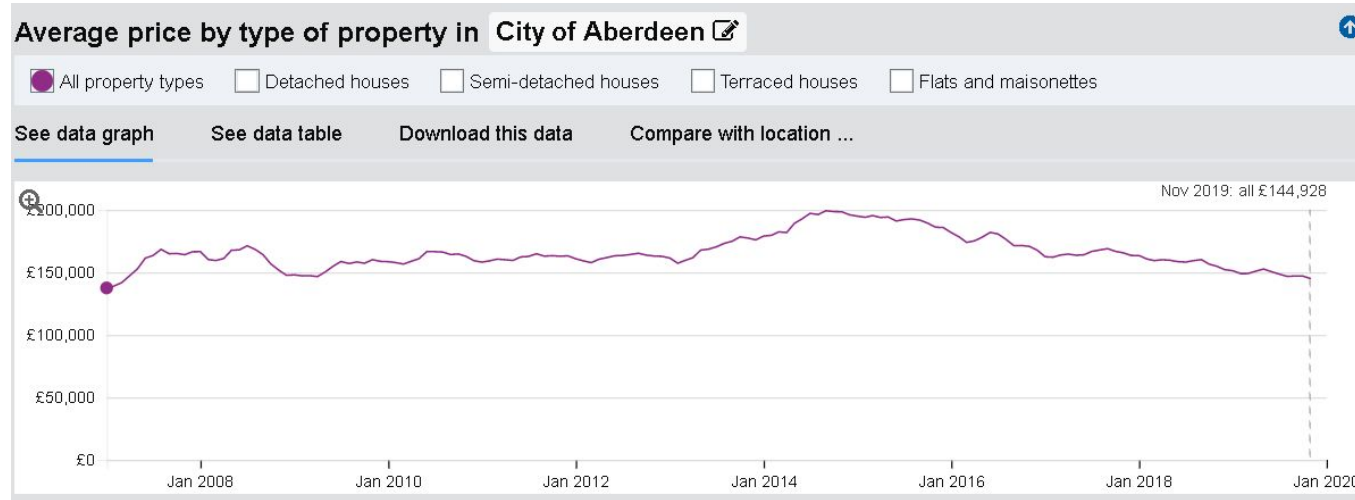


Figure 5: Strongest annual rental price growth in the South West

Index of Private Housing Rental Prices percentage change over the 12 months to December 2019, by English region

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/december2019>

Aberdeen property prices



Property prices have fallen by 6.4% since 2007
26% lower than 2014

<https://landregistry.data.gov.uk/app/ukhp>
i

Aberdeen rents

Beds ▲	Average Rent ⚡	Rent Change 1yr ⚡	Rent Change 5yrs ⚡	Rent Change 10yrs ⚡	Av. TTL (days) ⚡	TTL Change YoY ⚡	Let within a week ⚡	Let within a month ⚡
1 bed	£454	-4.0%	-34.2%	-15.9%	47	5	9%	39%
2 bed	£648	-5.1%	-35.5%	-15.1%	47	1	7%	37%
3 bed	£968	-6.9%	-29.4%	-17.2%	51	2	8%	36%
4 bed	£1,425	-0.8%	-30.0%	-6.5%	52	9	6%	30%
Total	£716	-3.9%	-32.9%	-13.7%	48	3	8%	37%

Average rents have fallen by over 30% in the last 5 years

<https://www.citylets.co.uk/research/reports/property-rental-report-aberdeen-2019-q3/>

Local economy: about supply & demand

Table 1: Estimated and projected population of the UK and constituent countries, mid 2018 to mid 2043

	millions					
	2018	2023	2028	2033	2038	2043
UK	66.4	68.1	69.4	70.5	71.4	72.4
England	56.0	57.6	58.8	59.8	60.8	61.7
Wales	3.1	3.2	3.2	3.1	3.1	3.1
Scotland	5.4	5.5	5.5	5.6	5.6	5.6
Northern Ireland	1.9	1.9	2.0	2.0	2.0	2.0

Source: Office for National Statistics – National population projections

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2018based>

Population detail is important

Figure 4: The number of people of pensionable age is projected to grow the most

UK population by life stage, mid 2018, mid 2028 and mid 2043



Source: Office for National Statistics – National population projections

Cambridge vs Nottingham

- Cambridge
 - The population of Cambridge was 123,900 in 2011
Predicted to be 150,000 by 2031
 - From 2020 to 2033, growth of 5.5% expected
- Nottingham
 - Population of Greater Nottingham was 785,000 in 2011
Predicted to be 863,000 by 2028
 - From 2020 to 2033, growth of 6.4% expected
- England expected to grow at 5.3% (2020 - 2033)

Biggest population growth

- Cambridge
 - Large student population
 - Slightly more people working
 - Young population
- Nottingham
 - Large student population
 - Younger population
 - Has a higher than average rate of people with a limiting long-term illness or disability.
 - High turnover of population
 - 21% of people changed address before 2011

Population = demand

Influences what people buy and rent,
where they buy and rent



Average wages, unemployment, GDP

Area	Wages		Change YoY	Unemployment
Nottingham	£	20,302	3.8	6.9
Cambridge	£	28,600	-3.1	2.3

- Average wages and growth determine rents
- Unemployment levels can influence the type of rent
- Influences need for rent guarantee?

Where do you find this data

- Inward investment
 - <https://cambridgeshireinsight.org.uk>
 - <https://www.nottinghaminsight.org.uk/>
- Local plan
 - <https://www.cambridge.gov.uk/media/6890/local-plan-2018.pdf>
 - <https://www.nottinghamcity.gov.uk/localplan>

Supply of homes: new builds

- Nottingham has 2x as many new builds per head of population as Cambridge

Local authority	2007-08	2008-09	YoY %	2012-13	2013-14	YoY %	2015-16	2016-17	YoY %	2017-18	2018-19	YoY %
Cambridgeshire *	2360	1960	-16.9%	1860	2650	42.5%	2050	2270	10.7%	2520	2810	11.5%
Nottinghamshire	2560	1750	-31.6%	1820	1690	-7.1%	1800	2330	29.4%	2120	2410	13.7%

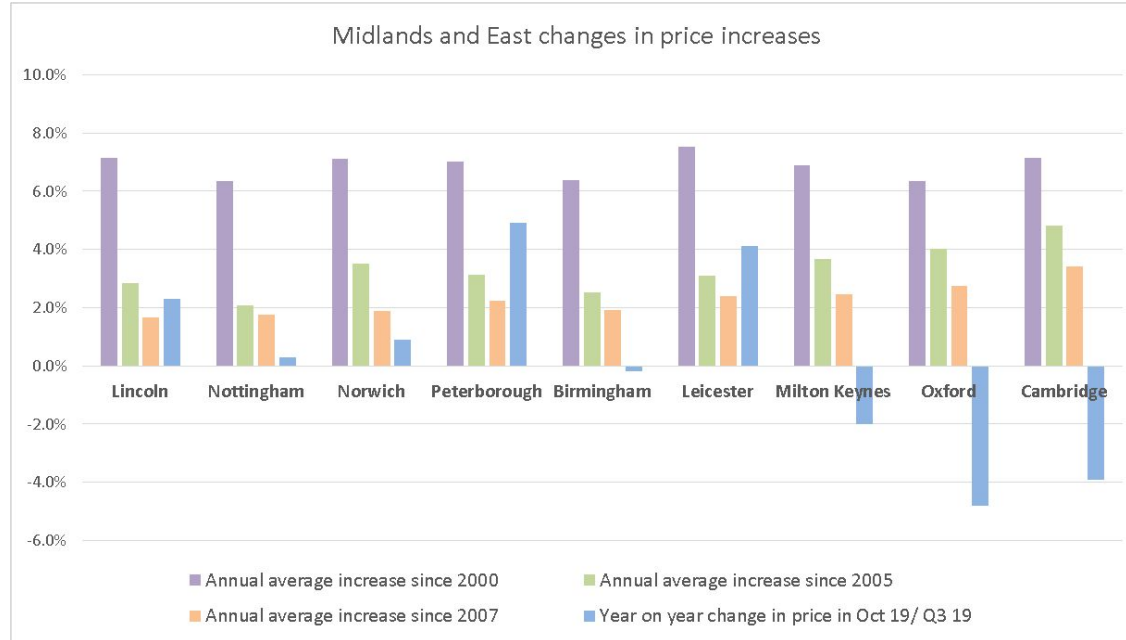
NOTE: * South Cambridgeshire total not available, therefore not included in 2007-08, 2008-09 overall Cambridgeshire figures

<https://www.cambridge.gov.uk/media/7703/greater-cambridge-housing-trajectory-and-five-year-housing-land-supply.pdf>

Property price and rental performance



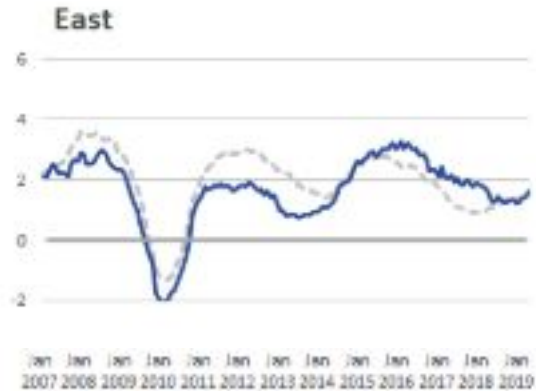
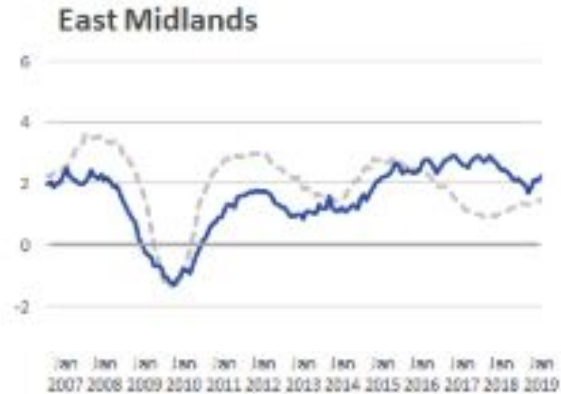
Property price performance



Nottingham: annualised growth of 2% since 2005 and 2007

Cambridge: annualised growth of 5% since 2005 and 3.5% since 2007

Rental performance

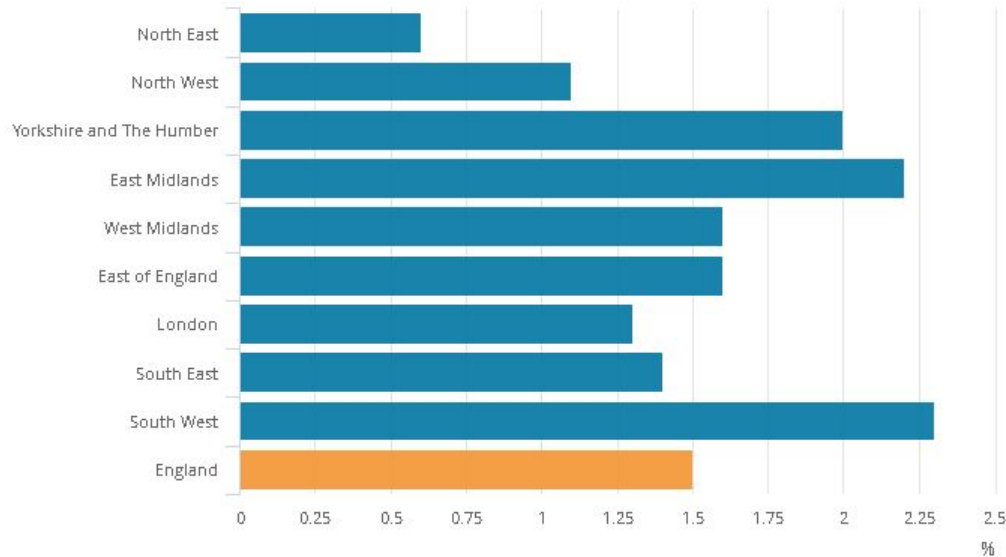


<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/january2020>

Rental performance YoY

Figure 5: The strongest annual rental price growth was in the South West

Index of Private Housing Rental Prices percentage change over the 12 months to January 2020, by English region



Past and current

But what about the future?

Future market?

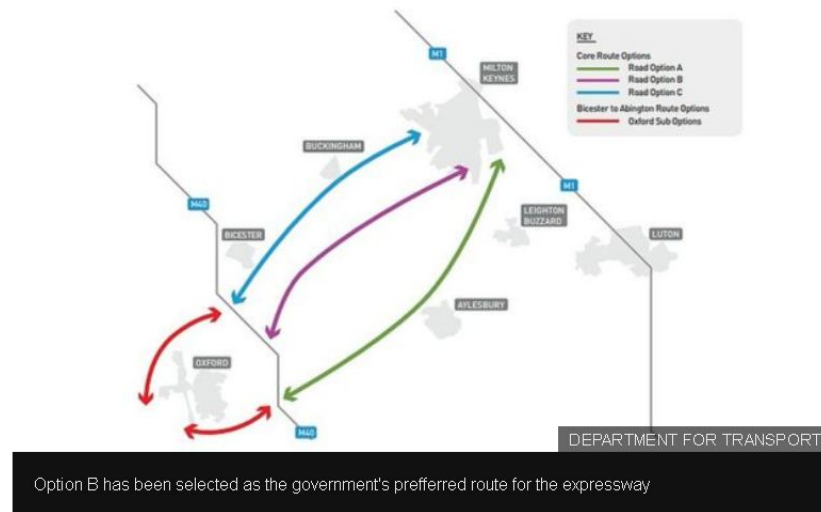
- Population growth
 - 21% increase for Cambridge
 - 10% increase for Nottingham
- Property price forecasts:-
 - East of England: 10.9%
 - East Midlands: 18.2%
- Rental forecasts:-
 - 3% 'out of London'



Infrastructure changes

CAMBRIDGE – MILTON KEYNES - OXFORD

- Recommendations include 1.1 million new jobs
- Re-opening of a railway link ('East West Rail') between Cambridge and Oxford
- Major new road: 'Oxford-Cambridge Expressway'.



https://www.cpre.org.uk/resources/housing-and-planning/planning/item/4986-cambridge-milton-keynes-oxford-corridor-uncertainty-for-countryside?gclid=EAIaIQobChMI6aurs7Tb4AIVzLftCh3nJAI8EAAAYASAAEgZb_D_BwE

Infrastructure changes

- Nottingham
 - Over £1bn of investment planned
 - £250m redevelopment of the 'Southern Gateway' into the city
 - £150 million redevelopment of the Broadmarsh shopping
 - HS2 network to be constructed
 - Toton Innovation Campus will create around 10,000 new jobs

<https://www.cbre.co.uk/research-and-reports/our-cities/camkox-the-cambridge-milton-keynes-oxford-corridor>

Summary of the pros and cons

Cambridge

- Stronger economy
- Strong student/young population
- Commutable to London
- Shortage of homes vs demand
- Great infrastructure
- Requires high investment levels
- Low yields
- Have prices / rents peaked?

Nottingham

- Great infrastructure potential
 - But it's a long way off
- Strong student/young population
- Economic growth restricted
- Supply vs demand for housing strong
- Investment required is low
- Yields are high
- Potentially strong areas
- Room for prices/rents to grow?

Within every area performance will vary – what's the risk?

Apartment 805, Marco Island, Huntingdon Street, Nottingham, City Of Nottingham NG1 1AT

£78,000	Flat, Leasehold, Residential	28 Nov 2019	1 bedroom
£97,750	Flat, Leasehold, Residential (New Build)	14 Dec 2005	



65, Union Lane, Cambridge, Cambridgeshire CB4 1PX

£250,000	Flat, Leasehold, Residential	09 Aug 2019	1 bedroom
£210,000	Flat, Leasehold, Residential	22 Feb 2013	
£169,950	Flat, Leasehold, Residential (New Build)	16 Jun 2005	



Cambridge is higher investment – but has always delivered

97, Vale Road, Colwick, Nottingham, Nottinghamshire NG4 2GN

£127,500	Terraced, Freehold, Residential	26 Nov 2019	2 bedrooms
£87,000	Terraced, Freehold, Residential	25 Oct 2013	
£66,000	Terraced, Freehold, Residential	03 Nov 2006	



212, Lucerne Close, Cambridge, Cambridgeshire CB1 9SB

£280,000	Terraced, Freehold, Residential	15 Nov 2019	2 bedrooms
£276,000	Terraced, Freehold, Residential	04 Dec 2015	
£161,950	Terraced, Freehold, Residential	05 Aug 2004	



Need to know the area you
are investing in like the
back of your hand

Past, present and future



A stylized illustration of a living room. On the left, a tall bookshelf is filled with books. Below it is a fireplace with a white mantel holding two small framed pictures of cats. A large television is mounted on the wall above the fireplace. To the right of the fireplace is another bookshelf. In the center, a light-colored sofa with two yellow cushions sits on a patterned rug. A large window with white frames and blinds is behind the sofa. To the right of the window is a tall floor lamp with a white shade and a small round side table with a vase of pink flowers. A wooden coffee table is in the foreground.

Q&A

Kate Faulkner BSc(Econ) MBA
CIM DipM

Habito Landlord Meetup

February 2020



HABITO



MORTGAGES MADE EASIER