



Buy to let – a tale in two parts....

These last few months we have seen more of one particular type of customer at the Society. These are people looking for mortgages on houses they plan to let. I hesitate to call this group buy to let landlords as they could not be more different from those followers of hyped up schemes launched by high energy presenters in hotels up and down the country in 2004-7. That group had little of their own cash and operated on the basis of growing large portfolios of properties (often newly built) by using the rental streams to service ever larger loans. The desired end game was a portfolio rising in value to outstrip the debt. In fact, for some, as prices stalled and poor property selection meant rental streams didn't match spreadsheet models, the result was less happy. It is a great example of the kind debt fuelled "growth" Greece has demonstrated.

In 2011 the customers we are seeing have very different motivations. Generally, they are more mature and, having paid down the mortgage on their main home, are looking at a second property. They plan to let this for the medium term and, later, gift it to their children or trade down to occupy it themselves.

As a lender, Market Harborough Building Society welcomes this trend as the lending proposition is well thought through by those customers. That means they have established the letting prospects for the house, understood the need for quality and can afford to carry on if unexpected repairs or rental "voids" arise. Consequently mortgage rates are keenly priced (around 3.85% for a 70% loan).

In November, estate agents Countrywide reported that "demand for rental property remains at a record high across the UK." The number of viewings was 8% higher than a year earlier, and tenants were agreeing more quickly to rent a property once they had viewed it. Longer term however investors need to be careful about assuming this trend will continue. It's clear though that renting is here to stay and its worth considering becoming a landlord once the implications in terms of tax (see www.direct.gov.uk), ease of exit, time commitment and costs are well understood. Just be wary of the glitzy presentations.

Mark Robinson
Chief Executive
Market Harborough Building Society
mrobinson@mhbs.co.uk