

NEWS RELEASE

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LANDLORDS OPTIMISTIC OVER BUY-TO-LET PROSPECTS AS DEMAND SOARS

- 49% of landlords think it is a good time to invest, while just 1% believe now is a good time to reduce their portfolios
- High rents mean rates would need to rise by 3.25% for the cost of average buy-to-let tracker mortgage to exceed current rental income
- 68% of landlords expect tenant demand to grow in next 12 months
- Mortgage finance remains the biggest obstacle for landlords, as 54% find it harder than a year ago although there are signs this is improving

Landlords' are showing increasing optimism about the buy-to-let market, according to the latest landlord sentiment survey conducted by [LSL Property Services plc](http://www.lsl-property.com), which owns the UK's largest lettings agent network, including national chains Your Move and Reeds Rains.

49% of landlords think now is a good time to invest in property, an increase from a year ago (47%). Just 1 in every 100 landlords believes it is now a good time to reduce their portfolios. In fact 86% of landlords polled by LSL Property Services plc are planning to maintain or expand the size of their portfolios over the next twelve months.

Growing demand for rental accommodation is the main reason for the increase in confidence. 185,600 fewer first-time buyers entered the property in the last 12 months compared to the level before the downturn¹ and the vast majority are remaining in the private rental sector instead. As a result, in the past three months, 52% of landlords have seen a rise in tenant demand and 68% expect demand to grow further in the next twelve months.

David Newnes, estate agency managing director for LSL Property Services plc, owners of Your Move and Reeds Rains comments: *"Optimism among landlords is not only buoyant, but increasing. Soaring rents and climbing demand from frustrated first-time buyers are not only making buy-to-let an attractive proposition for new property investors - but are encouraging existing landlords to grow their holdings before property prices increase once more."*

Increasing rental income has improved financial security for long-term investment. The latest LSL Buy-to-Let Index showed that rents now equal their all-time high of £692 per month. As a result, landlords with mortgage finance have an average of £274 in rental income a month after mortgage payments - £3,288 per year². This means that even if interest rates increase by 3.25%, landlords' current rental income would be big enough to absorb the increase in the cost of a tracker mortgage on the average buy-to-let property.

David Newnes continues: *"Following the winter downturn, rising rental incomes are adding an increasing financial buffer for landlords. Landlords are taking a healthy sum once the mortgage has been paid each month. Many are taking the opportunity to either pay down their mortgage or expand their portfolio - or are using the opportunity to build slush funds for rainy days or future higher mortgage costs. With the Bank Rate forecast to remain below 2% until at*

¹ Based on analysis of CML data: mortgage advances to first-time buyers in last 12 months, compared to annual average 2005-2008.

² Based on monthly repayments on a 4.97% interest-only mortgage on a 62% LTV, the average landlord's gearing.

least the end of next year, landlords can expect to see rental payments rise without facing the burden of higher mortgage payments."

However, the principal obstacle to expanding the private rental sector is ongoing mortgage finance constraints. 54% of landlords who have recently attempted to raise mortgage finance think it is more difficult to secure than a year ago. It's no surprise that of landlords who bought property in the past year, 48% were cash buyers.

However, there is some evidence that this situation may be starting to ease, with an increased number of new buy-to-let products on the market in recent weeks. As a result, while just 8% of landlords who recently secured a mortgage believe it is easier to obtain mortgage finance now than a year ago, this is an increase from the 5% of landlords who said the same a year ago.

David Newnes continues: *"The buy-to-let mortgage market is not going to spring back to its pre-downturn level in the foreseeable future, but there are signs that it is picking up slightly for investors. There is still a chronic lack of supply of rental homes, and it is crucial that lending criteria loosen to encourage professional investors into the market to grow the private rental sector."*

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NOTES TO EDITORS

LSL Property Services plc (LSL) owns a mix of residential property companies including estate agents Your Move, Reeds Rains and esurv chartered surveyors. LSL is the largest residential lettings agent in Britain. Following the purchase of 101 branches from a major high street estate agency, LSL is also the UK's second largest estate agency group (584 branches).

- LSL Property Services: <http://www.lslps.co.uk>

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