

"We all live in a Robbie Fowler House!"

May 11 2009

The recession will likely signal the end for many of Britain's smaller buy-to-let landlords, and poses a grim threat to city-centre new build properties, warn experts at The University of Nottingham.

New research suggests that while the buy-to-let market will survive the recession, a "property neutron bomb" will see the disappearance of many smaller private landlords.

Professor Andrew Leyshon and Dr Shaun French from the School of Geography compiled the report — We all live in a Robbie Fowler House: the buy to let market in retrospect and prospect — and recently presented their findings to the Financial Services Research Forum at Westminster Hall in London.

The research suggests smaller landlords will be simply outmatched by more established players in the market who will be waiting to snap up properties at rock-bottom prices, in order to bolster their portfolios and property empires.

Speaking about the draw to the buy to let market, Professor Leyshon said: "In one sense you can understand why this is quite a seductive way for people to try and make money, because of the historical British attachment to property, and the fact that up until 2003, this was almost a license to print money, given the rapid advance in property prices.

"But since 2003 it's become a more problematic proposition, because interest rates began ticking up from then on. That had an impact on

yields and the fact that people were buying in to an already inflated asset, so housing prices were expensive but also then interest rates were becoming more expensive as well.”

But according to Professor Leyshon the squeeze on access to capital is now the major problem for buy-to-let mortgage holders. “A lot of these BTL mortgages are interest only mortgages, so they’re not actually repaying the principal, and many of them are on rates that need to be rolled over, and it’s not so much that they can’t afford these rates if they have to be rolled over, but do they have sufficient capital?”

Professor Leyshon said these mortgages were originally worth around 75-85% of the value of the property — loans to value (LTV). There were concerns that some valuers were exaggerating the prices of properties at the time, which in effect gave people 100% mortgages.

Professor Leyshon said: “When these mortgages have to be rolled over, it’s a very different proposition, because some lenders have reduced their LTVs to 50% for some types of property so can these people find the capital to fund these mortgages and that’s the problem - interest rates are no longer the issue, but capital is.”

The work is the result of a year-long investigation into the buy-to-let market and its prospects in the current economic climate. It is based on extensive interviews with mortgage lenders, buy to let landlords and estate agents, in Nottingham and nationally.

Professor Leyshon says the report also presents a dark forecast for new-build properties in city centres: “Lenders will be looking for mundane, regular sources of income rather than ‘fictitious’ potential income from as yet unrealised tenants.

“This will put occupied terraced housing on the preferred list over the

new-builds, conversions and over businesses, where the return on investment is not as sure.”

This, the report suggests, points to severe geographical limitations to investors, who will be lured away from the sparkling city-centre apartments to the ordinary suburbs where occupancy is more or less guaranteed.

It will also, Professor Leyshon suggests, reduce the number of ‘passive enrichment’ investors who live outside the area in which they buy properties: “Research strongly indicates that you need local knowledge and active management to make a success out of the market. The days of speculative investment in property you haven’t seen are rapidly coming to an end.”

Source: University of Nottingham ([news](#) : [web](#))

Citation: "We all live in a Robbie Fowler House!" (2009, May 11) retrieved 27 April 2024 from <https://phys.org/news/2009-05-robbie-fowler-house.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--