

# Winds of change in the buy-to-let market

Following the financial crash of 2007/08, the mortgage market has proved to be resilient and despite the various headwinds that we are all familiar with, we're now seeing a reasonably healthy funding position with buy-to-let proving to be an attractive focus area for institutional funders. In the noughties, acquiring or setting up a specialist lender was the much favoured approach of institutions such as investment banks, whereas now, investors are happy to provide the funding into both start-up and existing lenders, who'll then do the work to create the new mortgages through their own infrastructure and distribution capability.

Born out of this exact model, Zephyr Homeloans launched in January this year, exclusively through Intermediaries. Operating in the buy-to-let market, Zephyr is the first brand of its type that Computershare has launched. The proposition is focused on both simple, "vanilla" buy-to-let Mortgages as well as providing more specialist mortgage products catering for Limited Company/SPV investors purchasing or remortgaging in order to restructure and grow their portfolios.

## Building a long-term BTL business

Aside from what is no doubt a lengthy to do list, the search for yield is always going to be at the forefront of a landlord's mind. Within CLS and alongside Zephyr, The Deposit Protection Service (DPS) currently provides tenancy deposit protection for 1.6m landlords and letting agents. The DPS reported earlier this year that after a couple of quarters of overall declines in average rents, that in the quarter ending 30 June '19 an increase in rents being paid by tenants was observed. Could this be reflective of recent changes arising from the Tenant Fees Act, working their way into rents paid by tenants or other factors at play? Either way, the DPS Rent Index illustrates that the tick-up in rents was more pronounced in terraced and semi-detached properties



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with a rise of 4.59% and 3.36% respectively in the quarter to 30 June '19. Add to this that properties such as Houses in Multiple Occupation (HMO) are providing potential for higher yields; then it's perhaps no surprise we've noted a trend of landlords based in the South/South East purchasing properties in the North in order to diversify geographically and seek higher yielding opportunities than maybe offered elsewhere.

## Change is the norm

I recently attended an interesting seminar with our trade body, UK Finance, looking at the dynamics of the intermediary mortgage market. I was particularly struck by the amount of change that has impacted the buy-to-let market in recent years - such as the new rules on taxation, stamp duty and underwriting standards. With more change still to come, such as the outcome of the current consultation on Section 21 notices, then I think credit

is due to all stakeholders who have successfully adapted and continued to thrive in this market.

As a result of the scale of recent changes absorbed by the market, there's little doubt that buy-to-let investors need to engage with skilled and knowledgeable professional advisers, with demand for this only going to increase. Demystifying the relatively new tax rules for example, is a particular area where expert advisers can add real value and help avoid their landlord customers getting on the wrong side of the tax man!

And there's still a big job to do to support brokers with understanding the implications of change in order to help them to capitalise on opportunities to grow their businesses. Lenders and distributors (including networks and clubs) have a key role to play here by helping brokers build their knowledge and understanding through organising meetings, events and CPD sessions. Doing so not only helps brokers understand the nuances and pitfalls to avoid in growing their presence with landlords, but also creates an opportunity for lenders and distributors to strengthen relationships with their broker partners. The recent L&G Mortgage Club's Autumn Conference was a great example of a very well run and attended event that was mutually beneficial for all concerned. We certainly found this highly useful and working in partnership with organisations such as L&G is a core part of our growth plan.

It's our focus at Zephyr, whether through collaboration with our various intermediary partners or working closely with colleagues across Computershare, such as within the DPS, to continue to provide that expert support, insight and service in the evolving buy-to-let market. Considering the heavy change agenda and the various headwinds - it's clear that all stakeholders in the sector certainly need to lean on each other!!

