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With the general mood improving, it's worth reflecting on the current state of play in the BTL market. Should we be cheerful or fearful about the outlook for the private rented sector? In my view, I think there is a lot for landlords, brokers and lenders to be positive about, but there are also some challenges ahead.

To set some context, Zephyr Homeloans is a dedicated BTL lender serving the Standard and Specialist sectors of the market. We're part of Computershare Loan Services (CLS), a business which manages around £41bn of residential and BTL mortgages. Computershare also owns The Deposit Protection Service (The DPS), a familiar name to many landlords, letting agents and tenants. Launched in 2007, The DPS is the original Government-approved custodial deposit protection scheme and currently holds over 1.8 million deposits under management.

Together, this huge footprint means we can access a vast amount of useful data about the rental market, and it's great to be able to share our insight with our broker partners at PMS.

Each quarter, The DPS produces a Rent Index report which offers a fascinating glimpse into the latest situation with rental values across the UK – and which has revealed some interesting trends during the pandemic. The latest Rent Index, focusing on Q4 2020 was released in mid-January. This revealed that average UK rental values continued to grow faster than inflation, in part driven by a trend for upsizing to larger homes.

So, in a year that saw us face a complete market shutdown and no-end of other economic and social turmoil, I think we can find solace in the fact that the whole sector has shown such remarkable resilience.

In the Q3 2020 Rent Index, we also saw the emergence of a trend towards increased rental growth for larger detached or semi-detached houses, compared to smaller property types such as flats. This trend continued in Q4, with the sustained increase reinforcing the view that the prevalence of home working and a shift to more flexible working arrangement has altered tenants' property requirements.

This shift will no doubt create opportunities for landlords who are able to capitalise on increased demand for larger rental properties, in areas offering more space. We're already seeing this happen at Zephyr, with an increasing proportion of our recent cases being from professional Limited Company investors who are looking to diversify their portfolios with different property types in higher yield areas.

Clearly certain pockets of the sector may not be as buoyant and we should be mindful that this is a volatile market. With the furlough scheme winding back on 30 April, the Stamp Duty holiday due to end on 30 March and the highly charged issue of property cladding still to be addressed – there are clearly headwinds for us all to face.

Amidst these mixed emotions, at Zephyr we remain committed to the BTL market and look forward to working with brokers in 2021 to make the most of the opportunities that arise.

MIXED EMOTIONS FOR THE BTL MARKET

After an unprecedented 2020 and an ongoing tough lockdown, it's easy to get emotional about the challenges we all continue to face. Thankfully, as we head into Spring, things are starting to look up – with mass vaccinations, falling infection rates and now a clear roadmap for how we can get back to a more normal way of life. What's more, the days are getting longer and my work from home heating bill is coming down, so it certainly feels like time to start feeling more positive about the year ahead.