

Buy-to-let market: The number of UK property tycoons set to double by 2010

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For many young Brits the prospect of owning their first home is just plain wishful thinking. But adding insult to injury for these wannabe first time buyers, latest research from MINTEL finds that today as many 2 million UK homeowners (7%) own a second home in the UK or abroad.

At present one million of these real estate moguls (3% of homeowners) are buy-to-let landlords, owning property in the UK that they let out, while the rest simply enjoy the luxury of having more than one place they can call home. Looking to the future, MINTEL's research shows that within the next 3 years, a further one million homeowners (3%) want to have another property in the UK that they can let out, so doubling the total UK buy-to-let market by 2010.

"It is clear that these days, buy-to-let is no longer the exclusive domain of professional portfolio landlords. Increasingly, property owners are seeing the benefits of investing in bricks and mortar and often regard the second homes market as a good alternative means of saving for retirement. As long as these trends continue, future growth in this market should be guaranteed," comments Paul Davies, senior financial analyst at MINTEL.

Building the buy-to-let market

Although not all second property owners will opt for a buy-to-let mortgage, in 2007, the number of new buy-to-let mortgages is expected to reach 361,000, up almost 10% on last year's figures. Similarly, over the past year, gross advances on buy-to-let mortgages - the total amount borrowed - will have also increased by around the same amount (9%), to reach just under Â£42 billion this year. By 2011, MINTEL predicts new sales of buy-to-let mortgages will be more than 550,000 a year, up 53% on 2007 figures, while gross advances will grow at an even faster rate (65%) over the same four year period, reaching nearly Â£69 billion.*

"The buy-to-let mortgage market has experienced meteoric growth since the late 1990s, outperforming the wider mortgage market over the past few years. MINTEL expects the market to continue to grow at a healthy rate over the coming years, driven by the expected expansion in the population and the continuing strong demand for rented accommodation," explains Paul Davies.

Home is where the pension is

MINTEL's research shows that people's faith in property is generally greater than in pensions. Over a third (36%) of homeowners believe it is actually "better" to invest in property than a pension, rising to over two thirds (68%) of second property owners.

What is more, only a very small proportion of homeowners are put off making further purchases because of the risk of further interest rate rises (10%) or a potential housing market crash (8%).

However, on the flip side, almost one in five (20%) homeowners appreciate that there are risks involved and 15% believe that there is an element of luck when it comes to investing in property.

With a little help from my friends

Today, well over half (57%) of homeowners who plan to buy a second property within the next three years, would need to take out a second mortgage, while around a quarter (26%) would release equity from their own home, to help fund the purchase.

Other potential sources of finance include, drawing on their own savings (38%), using the business (10%), inheritance (7%), downsizing (6%) and a pension lump sum (6%). Meanwhile, some 14% - or one in seven - also say they plan to share the funding with someone else.

"Just as in the mainstream mortgage market, where there is a growing tendency for close friends and family to group together to buy a first home, it also seems that this is being mirrored in the buy-to-let market," concludes Paul Davies.

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