

Fleet
Mortgages

Rental Barometer Q1 2024

INTERMEDIARY USE ONLY



Everything starts with a good conversation.

The Buy-to-Let Mortgage Market

The buy-to-let (BTL) market started the first quarter of 2024 in what feels like a period of renewed optimism, driven by the significant and continued reductions to SWAP rates throughout December, with many lenders starting the year by lowering interest rates, resulting in improved affordability/borrowing potential for landlords.

Additionally, the introduction of alternative product options, including those offering a zero fee, resulted in greater customer choice, particularly for those landlords not wishing to erode equity by adding large product fees to their mortgage balances.

The lower rates give greater options for borrowers to remortgage, however product transfers (PTs) are expected to continue to dominate throughout 2024, equating to around 45% of the market.

With several reductions to the Bank of England Base Rate forecast for the remainder of 2024, renewed market lender competitiveness leading to improved affordability and expected continued innovation, the BTL outlook for 2024 looks positive with activity levels continuing to pick up throughout the course of the year.





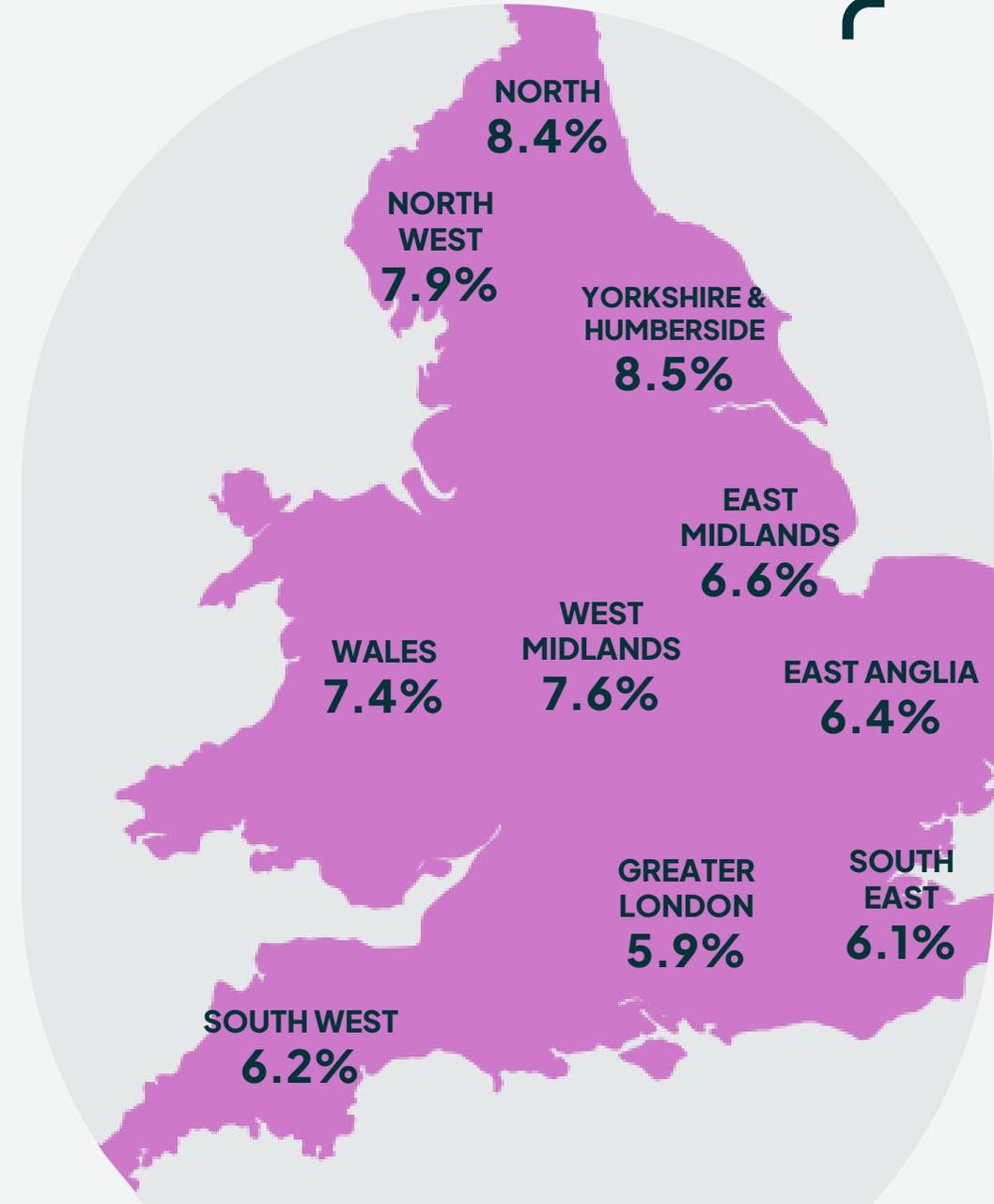
Rental Yields

According to Fleet's data, rental yields across England and Wales averaged 7.1% in Q1 2024, up 0.4% from 6.7% over the same period 12 months ago.

Rental yields within Yorkshire and Humberside have experienced the highest levels of rental yield inflation year-on-year suggesting demand outstrips supply of private rental properties within these regions.

East Anglia and Greater London also appear to be rental hotspots when comparing year-on-year data, with rents within these regions increasing by 0.6%.

Fleet data reveals the highest average monthly rent per property (£2,111) is generated within Greater London, closely followed by the South East at £1,988. Northern regions typically see the most affordable rental stock, commanding a monthly rent of £718.



Average rental yield
by region Q1 2024



Rental Yields

Geographic Region List	Average rental yield by region					
	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	y/y change
Yorkshire and Humberside	7.2%	7.3%	7.4%	7.6%	8.5%	1.3%
North West	7.3%	7.5%	7.6%	8.0%	7.9%	0.6%
West Midlands	7.0%	6.6%	6.4%	7.1%	7.6%	0.6%
East Anglia	5.8%	5.6%	5.8%	6.0%	6.4%	0.6%
Greater London	5.3%	5.3%	5.4%	5.6%	5.9%	0.6%
Wales	7.0%	7.0%	7.0%	7.7%	7.4%	0.4%
South East	5.7%	5.5%	5.5%	5.8%	6.1%	0.4%
East Midlands	6.3%	6.5%	6.4%	6.5%	6.6%	0.3%
South West	6.0%	6.4%	5.9%	6.3%	6.2%	0.2%
North	8.8%	8.5%	8.4%	8.0%	8.4%	(0.4%)



Market Indicators

Average two-year fixed rate BTL products within the Fleet peer market reduced 58 basis points (bps) from 5.92% during Q4 2023 to 5.34% during Q1 2024; rates however remain circa-50bps higher than the same period in 2023.

Average five-year fixed rate BTL products within the Fleet peer market reduced by a similar amount - 52bps - from 5.75% during Q4 2023 to 5.23% during Q1 2024 with rates remaining circa-25bps higher than the same period in Q1 2023.

Indicator	Q4 2023	Q1 2024
Bank Base Rate	5.25%	5.25%
Ave. 2-Year Fixed Rate (peer market)	5.92%	5.34%
Ave. 5-Year Fixed Rate (peer market)	5.75%	5.23%
Ave. Fleet 2-year Fixed Rate	5.63%	5.24%
Ave. Fleet 5-year Fixed Rate	5.70%	5.32%
Ave. Rent Cover at Origination	170%	172%
Ave. Loan Size	£175,000	£183,000
Percentage Purchase Business	33%	33%



Borrowing Entity

The latest Fleet data continues to show the dominance of the limited company landlord, with over 67% of all Q1 2024 completions held in a limited company name, although this is broadly flat year-on-year.

Borrower Type	Q1 2024
Private Investor	33%
Limited Company	67%

Landlord Portfolios

Data for Q1 2024 reveals the average number of properties held within a typical landlord's portfolio has remained constant at 11 properties year-on-year, evidencing that landlords remain committed to the market longer term. While we have observed a 6% reduction in landlords holding 6-14 properties, this is offset by a 2% increase for landlords holding 1-3 properties and landlords holding 15+ properties.

Number of Investment Properties	Q1 2023	Q1 2024
1-3 BTL properties	29%	31%
4-5 BTL properties	6%	7%
6-14 BTL properties	40%	34%
15+ BTL properties	20%	22%
First-time Landlord	5%	6%

Everything starts with a good conversation. Get in touch with the team today



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