

TMW Tenant Demand Report

the mortgage works 

Q4 2017



Tenant Demand Report Q4 2017 - Methodology

For intermediary use only

For many years, BDRC have surveyed landlords about how they see rental demand increasing, decreasing or staying the same in the areas that they let properties.

Landlords are asked the following question:

In your opinion what has happened to tenant demand in the last 3 months?

In Q4, the results were:

Increased significantly	5%
Increased slightly	16%
No change	38%
Decreased slightly	16%
Decreased significantly	5%
Unsure	20%

The **TMW Tenant Demand Index** is then based on a simple calculation:

% landlords reporting tenant demand is *growing* significantly or slightly
MINUS

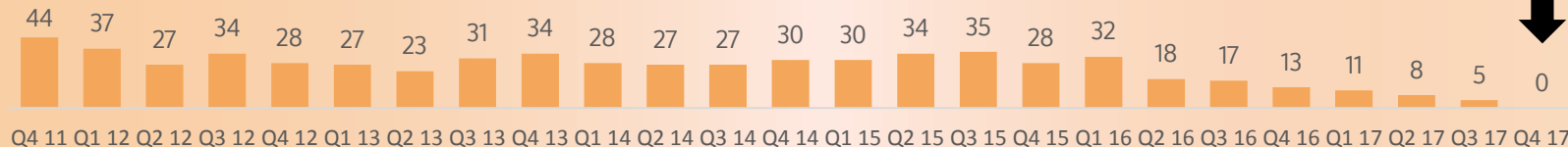
% landlords reporting tenant demand is *decreasing* slightly or significantly

Specifically, the results for Q4 2017 are:

% landlords reporting tenant demand is <i>growing</i> significantly or slightly	5 + 16 = 21%
MINUS	
% landlords reporting tenant demand is <i>decreasing</i> slightly or significantly	16 + 5 = 21%
Tenant Demand Index	= 0

The figures shown on the following slides are all derived from this calculation

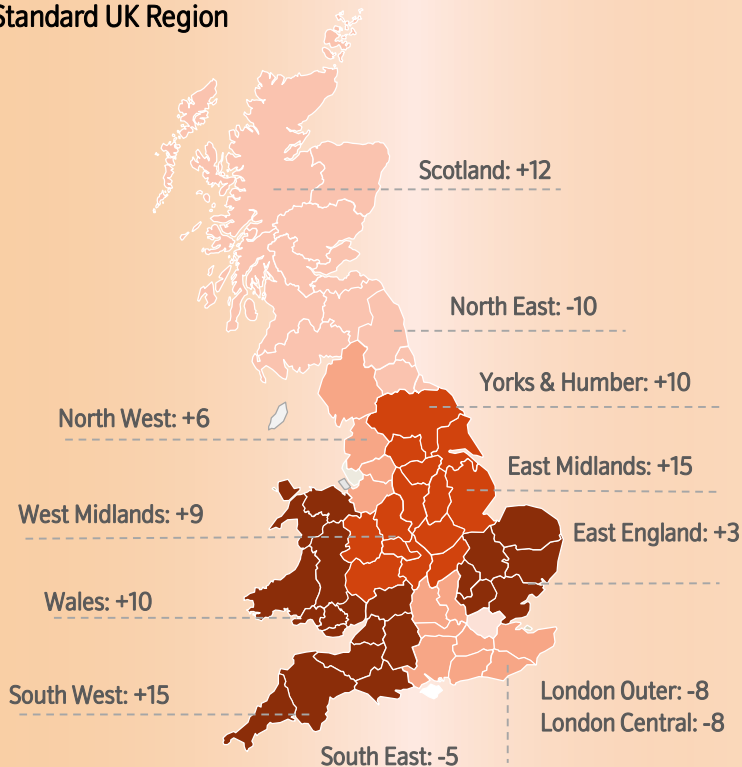
The TMW Tenant Demand Index **continues to decline**, down by a **further 5pts** in Q4 2017 to **0**, the lowest score recorded in over 6 years.



Tenant Demand Report Q4 2017 - Regions

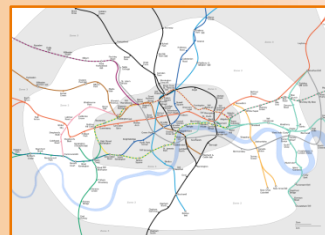
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Standard UK Region



- Landlords operating in the **East Midlands** and **South West** are most likely to perceive growing tenant demand, with over 1 in 4 reporting increasing demand in the last 3 months.
- 8 of the 11 standard UK regions achieve a Tenant Demand Index above the UK average.
- The 3 regions below the average are the **North East**, **South East** and **London**, where the TDI score ranges between -5 and -8.
- These low TDI scores are driven by a higher proportion of landlords reporting that tenant demand is falling; a quarter of landlords say this is the case in **Central London** and the **South East**, rising to over 3 in 10 for landlords with BTL properties in **Outer London** and the **North East**.

Spotlight on London



- London Zone 1-2: Index **-15**
- London Zone 3-6: Index **-17**

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- Landlords with BTL borrowing are less likely to report increasing rental demand (Fig.1).
- Perceptions of tenant demand are broadly linked to profitability, with those making a loss having the lowest TDI index score of -18 (Fig. 2). Over 1 in 3 of landlords who are making a loss report rental demand has declined in the last 3 months.
- No clear trend for perceptions of tenant demand based on a landlords portfolio size, although it tends to be those with smaller portfolios who are more positive (Fig. 3). Landlords with 11-19 properties most commonly report falling tenant demand, at 37%.

Fig. 1: BTL Borrowing

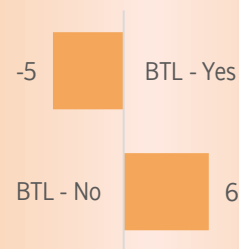


Fig. 2: Profitability

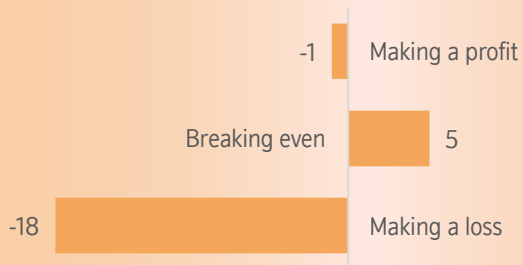


Fig. 3: Portfolio size

