

the mortgage works 

# Tenant Demand Report

Q3 2020

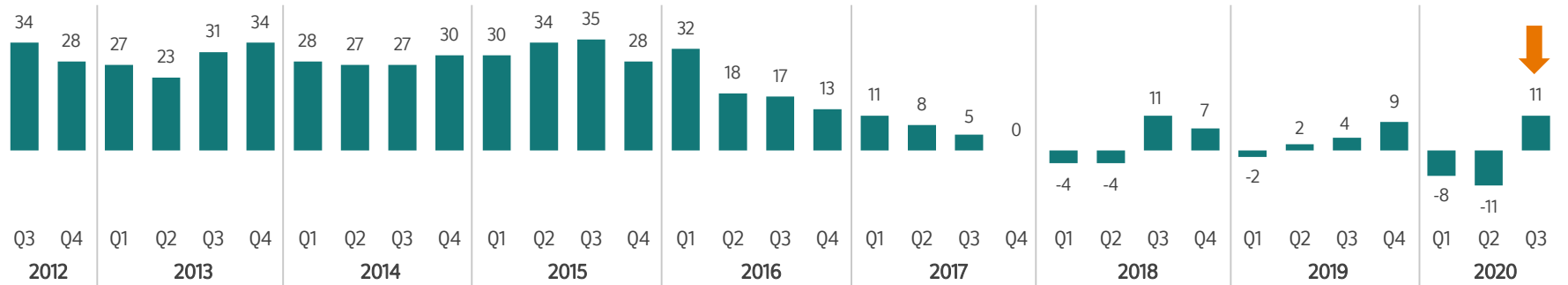
Fieldwork took place 4<sup>th</sup> – 20<sup>th</sup> September 2020



For intermediary use only

# Tenant Demand Report Q3 2020: Methodology

The TMW Tenant Demand Index increased by a significant 22 points from the all time low of -11 recorded in Q2, to +11



For many years, BVA BDRC have surveyed landlords about whether 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 Q3 2020, the results were:

Increased significantly	10%
Increased slightly	19%
No change	31%
Decreased slightly	9%
Decreased significantly	9%
Unsure	22%

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

% landlords reporting tenant demand is growing significantly or slightly = 10 + 19 = 29%

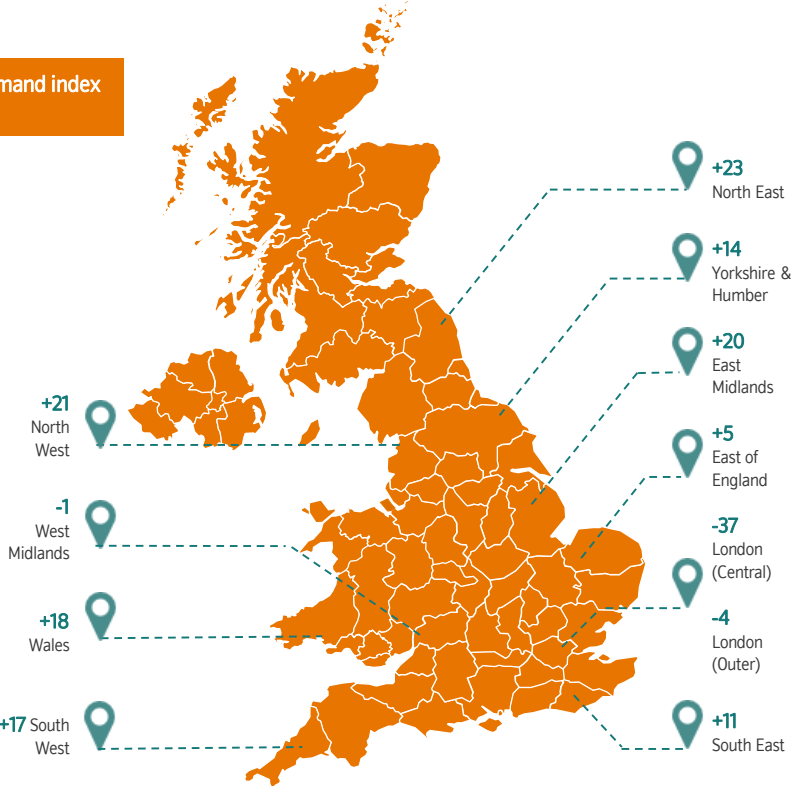
MINUS

% landlords reporting tenant demand is decreasing slightly or significantly = 9 + 9 = 18%

**Q3 2020 Tenant Demand Index = +11**

# Tenant Demand Report Q3 2020: Regional Analysis

UK tenant demand index average: +11



6 of the 11 standard regions in England & Wales achieve a TDI score above the UK average, which has recovered to +11 this quarter (up 22pts from the all time low recorded in Q2).

However, 3 regions continue to have a negative Tenant Demand Index score in Q3 2020; the West Midlands' TDI is at -1, Outer London is at -4 and Central London is significantly below all other regions at -37.

More positively, a number of regions have seen a strong uplift in tenant demand in Q3, with the North East (+23), North West (+21) and East Midlands (+20) currently achieving the highest TDI scores.

Wales (+18), the South West (+17) and Yorks & Humber (+14) also all achieve a TDI score above the UK average, whilst the South East generates a TDI score which is in-line with the national average (+11).

NOTE: Base size too small to report Scotland results separately

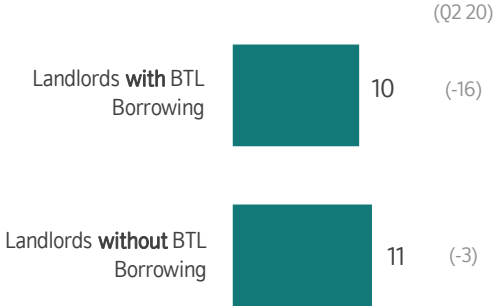
Source: BVA BDRC Landlord Panel research Q3 2020  
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1531

# Tenant Demand Report Q3 2020

Tenant Demand Index calculation:

$$\begin{matrix} \% \text{ landlords reporting tenant demand is} \\ \text{growing significantly or slightly} \end{matrix} \quad \text{MINUS} \quad \begin{matrix} \% \text{ landlords reporting tenant demand is} \\ \text{decreasing slightly or significantly} \end{matrix}$$

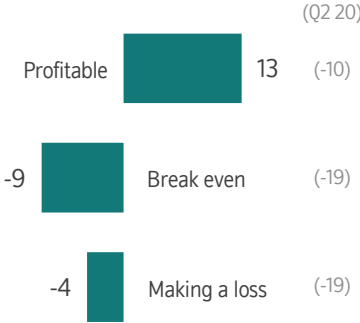
### BTL Borrowing (Q3 TDI Score)



This quarter sees a strong recovery in reported tenant demand among landlords both with and without BTL borrowing (+26%pts and -14%pts vs. Q2 respectively).

Both see their TDI score return to positive territory, with levels of perceived tenant demand now being similar amongst leveraged landlords and those who do not borrow to fund their portfolio.

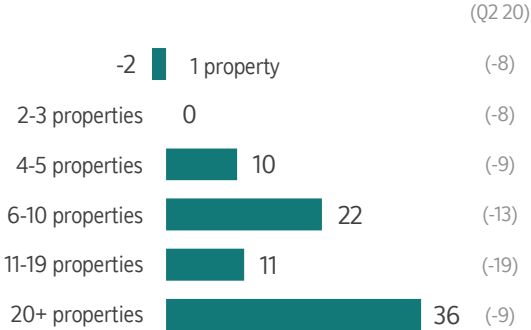
### Profitability (Q3 TDI Score)



Landlords across the profitability spectrum saw a significant increase in TDI scores in Q3, however only landlords who are making a profit have seen a return to positive territory (+13).

Landlords who break even currently achieve the lowest TDI score at -9, whilst the score reported by those making a loss is marginally higher at -4.

### Portfolio Size (Q3 TDI Score)



Following a substantial +45pt increase from Q2, the largest landlords with 20+ properties in their portfolio now achieve the highest TDI score, at +36.

Improvements were also recorded across the rest of the portfolio size spectrum, although landlords with fewer properties (1-3) saw smaller uplifts, leaving them with the lowest TDI scores this quarter.