

the mortgage works 

Tenant Demand Report

Q4 2023

Fieldwork took place 9 December – 29 December 2023

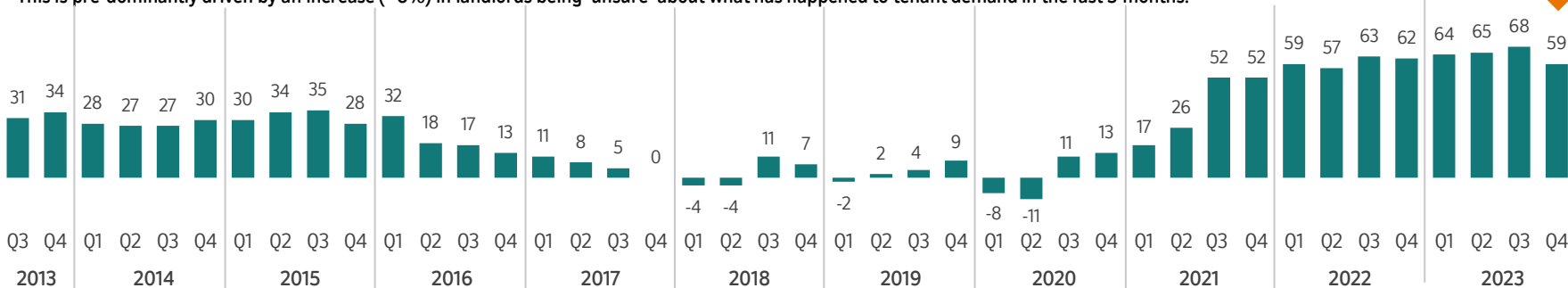


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Tenant Demand Report Q4 2023: Methodology

After three consecutive increases, the TMW Tenant Demand Index (TDI) has dropped down 9% in Q4, back to the level reached in Q1'22 (+59).

This is pre-dominantly driven by an increase (+6%) in landlords being 'unsure' about what has happened to tenant demand in the last 3 months.



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 Q4 2023, the results were:

Increased significantly	37%
Increased slightly	26%
No change	16%
Decreased slightly	4%
Decreased significantly	0%
Unsure	17%

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

% landlords reporting tenant demand is growing significantly or slightly	37 + 26 = 63%

MINUS	

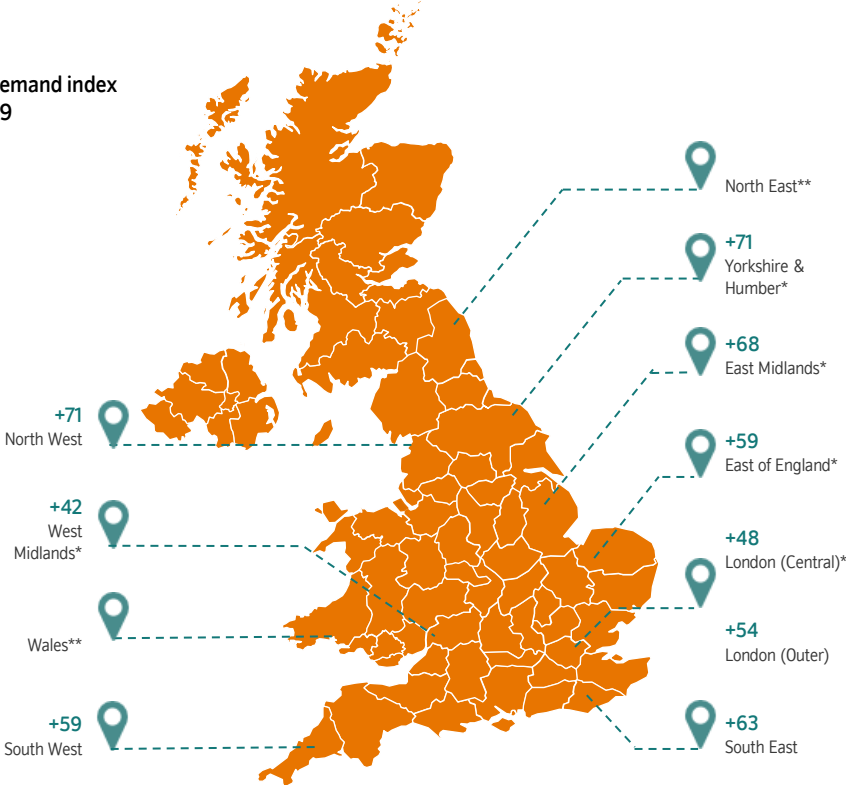
% landlords reporting tenant demand is decreasing slightly or significantly	4 + 0 = 4%

Q4 2023 Tenant Demand Index	= +59

*NOTE: Calculation accounts for rounding

Tenant Demand Report Q4 2023: Regional Analysis

UK tenant demand index average: +59



The majority of regions achieve a score either at or above the UK tenant demand index average (+59), with the exception of Central London (+48), Outer London (+54) and the West Midlands (+42).

The majority of regions saw a decrease in their TDI score this quarter, most substantially for the West Midlands (down by 32pts) Central London (down by 21pts) and Outer London (down by 17pts).

Only 2 regions reported an increase in TDI score this quarter, namely the North West (up by a modest 1pt) and Yorkshire and the Humber (up by 6pts).

The West Midlands considerably fell back down the ranks, after a significant uplift last quarter, to now achieving the lowest score amongst the regions. The highest scoring regions in Q4 were the North West and Yorkshire and the Humber.

NOTE: Base size too small to report Scotland results separately

Source: BVA BDRc Landlord Panel research Q4 2023
 The Mortgage Works (UK) plc is a wholly owned subsidiary of Nationwide Building Society, Nationwide House, Pipers Way, Swindon. SN38 1NW T1972

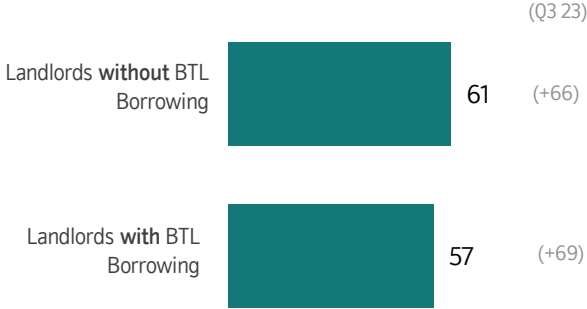
*Caution: Small Base (n= less than 50)
 **Base too small to report (n= less than 30)

Tenant Demand Report Q4 2023

Tenant Demand Index calculation:

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

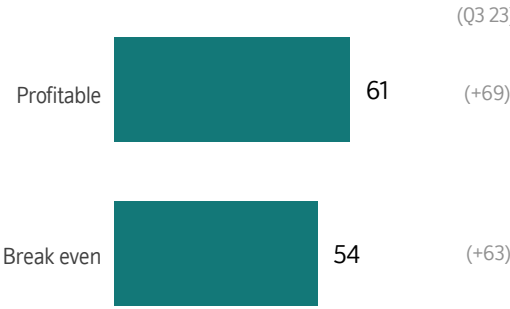
BTL Borrowing (Q4 TDI Score)



Landlords with BTL borrowing experience a substantial decrease in their TDI score this quarter (down by 12 pts since Q3). This is mostly driven by an uptick in leveraged landlords reporting that demand has decreased (at 7%).

Landlords without BTL borrowing also experience a decrease in their TDI score this quarter, albeit a more modest drop of 5pts. Q4 sees unleveraged landlords now surpassing leveraged landlords in achieving a higher TDI score, with a lead of 4pts.

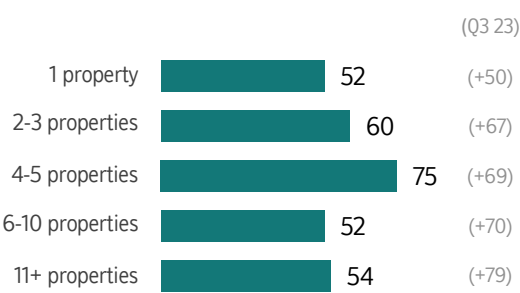
Profitability (Q4 TDI Score)



The TDI scores for both landlords gaining profit and breaking even from their rental activities have dropped by 8pts and 7pts respectively.

The gap between the two landlord types therefore remains fairly stable from Q3 at 7pts (+1pt vs Q3).

Portfolio Size (Q4 TDI Score)



Landlords with the largest portfolio sizes (6-10 and 11+ properties) experience substantial decreases in their TDI scores this quarter, down by 18pts and 25pts.

Larger landlords (with 6+ properties) now generate TDI scores which sit below their smaller counterparts.

Landlords with 4-5 properties experienced an uplift of 6pts vs Q3, now surpassing the larger landlords and achieving the highest TDI score this quarter of +75.