

# Get a life, don't get a mortgage

Will institutional investment in the Private Rented Sector increase the supply of housing to sustainable levels?

savills



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[savills.com](http://savills.com)



## The naked truth

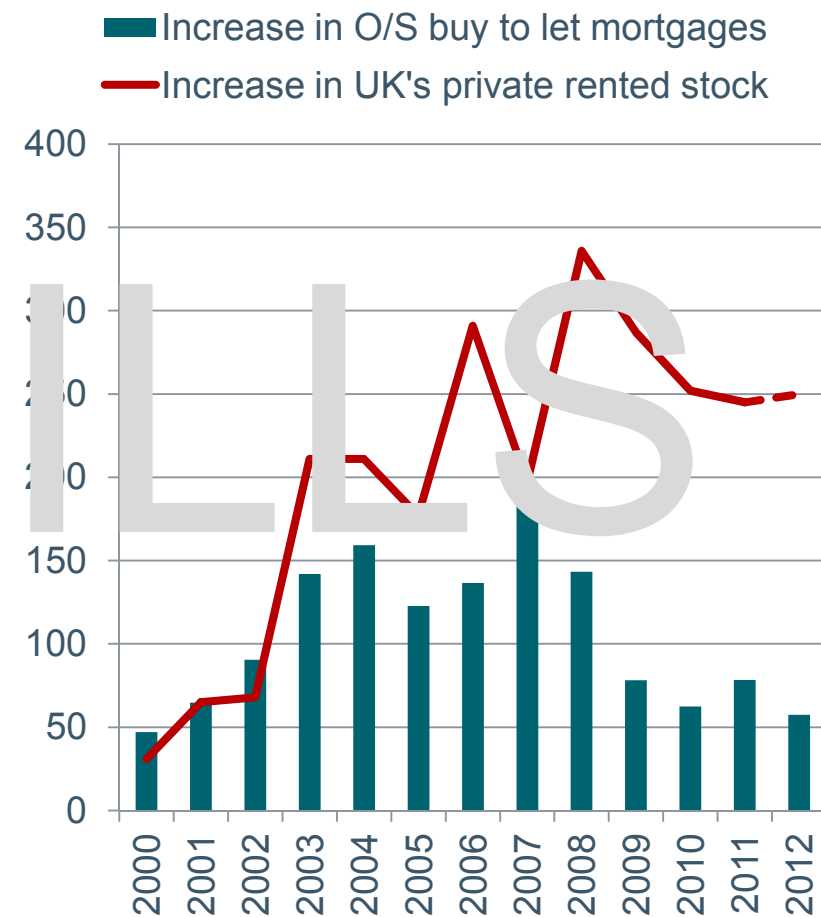
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- In the past 10 years levels of home ownership amongst the under 35s have fallen by 33%.
- In the past 10 years the number of households in the private rented sector have risen from 3.0m to 4.8m.
  - London +65%
  - Birmingham +75%
  - Bristol +76%
  - Manchester +75%
- The average deposit for a first time buyer in the UK is currently £26,000.
- In London it is £60,000.
- Despite the fact that interest rates are low, the cost of capital repayments mean that it is still cheaper to rent than buy for most prospective first time buyers.



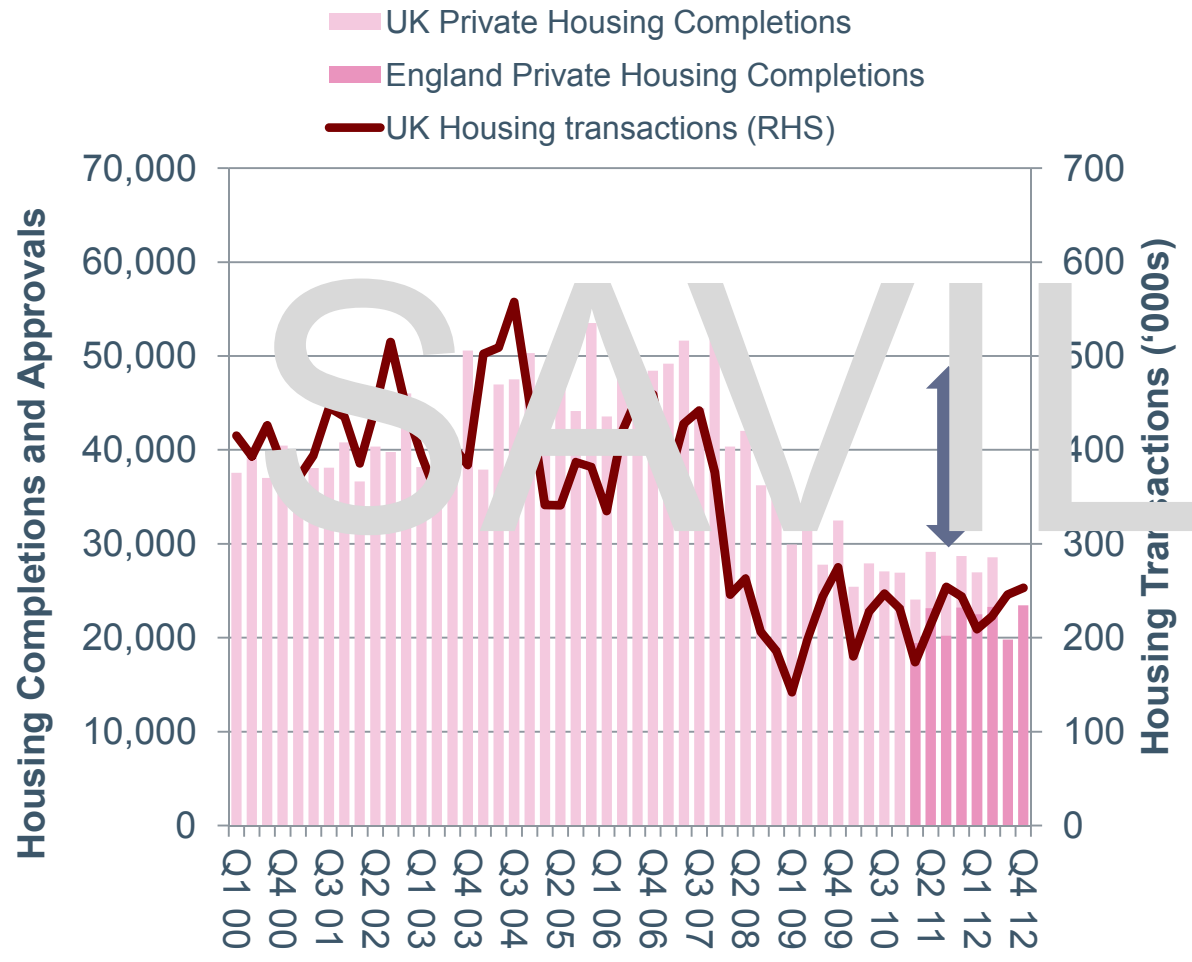
## Meeting the demand

- £380 billion was invested in the market rented sector in the 10 years to the end of 2011.
- £140 billion came from 'buy-to-let' mortgage finance.
- In 2007 the number of outstanding 'buy-to-let' mortgages increased by 189,000.
- In 2012 that figure was 57,500.
- Since the credit crunch, the number of private housing completions have fallen by 46%.



Source: CML, CLG, Savills

# Development constrained by market capacity



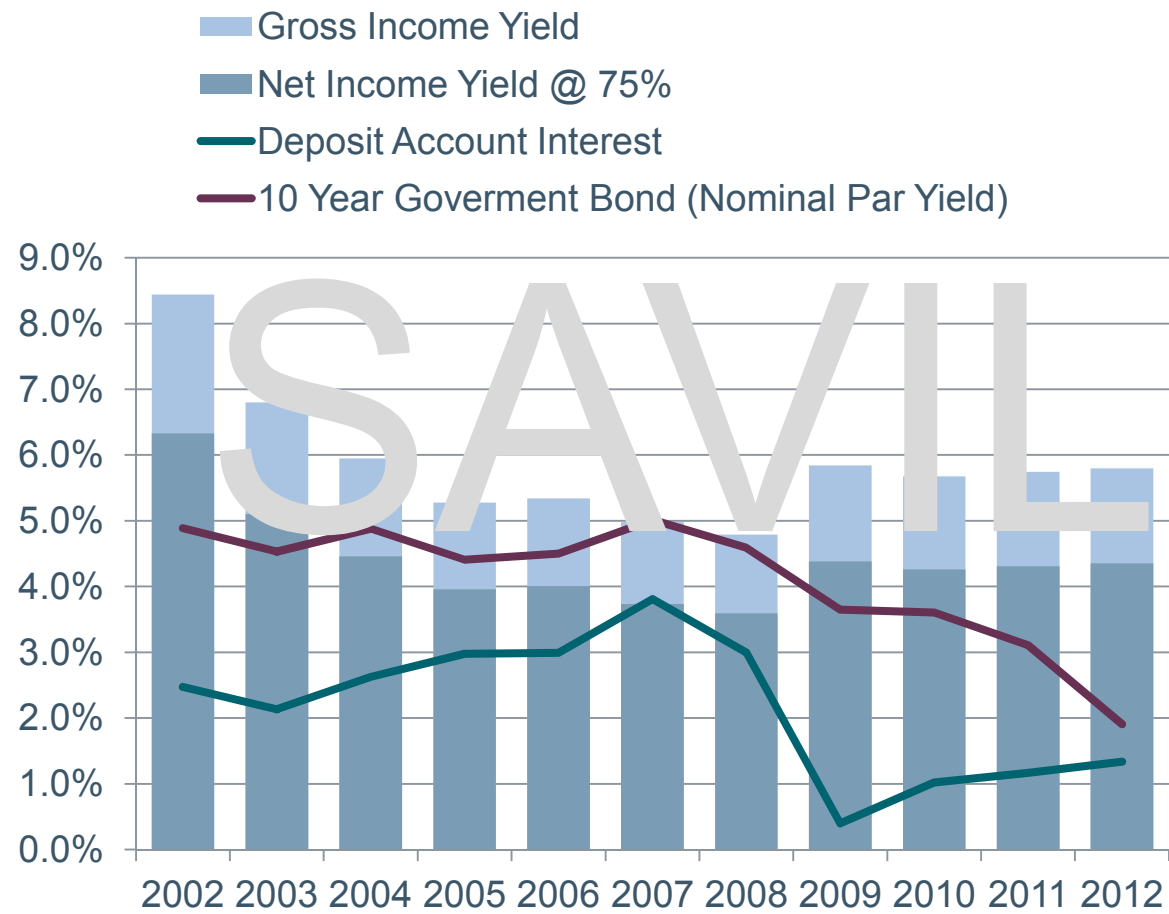
Development Industry

Wants to

1. Increase volumes of house building
2. Forward fund larger stalled sites

Source: DCLG

# The investment barrier



**Investment Market**

Wants:

- 1. Low risk investment
- 2. Competitive IRRs

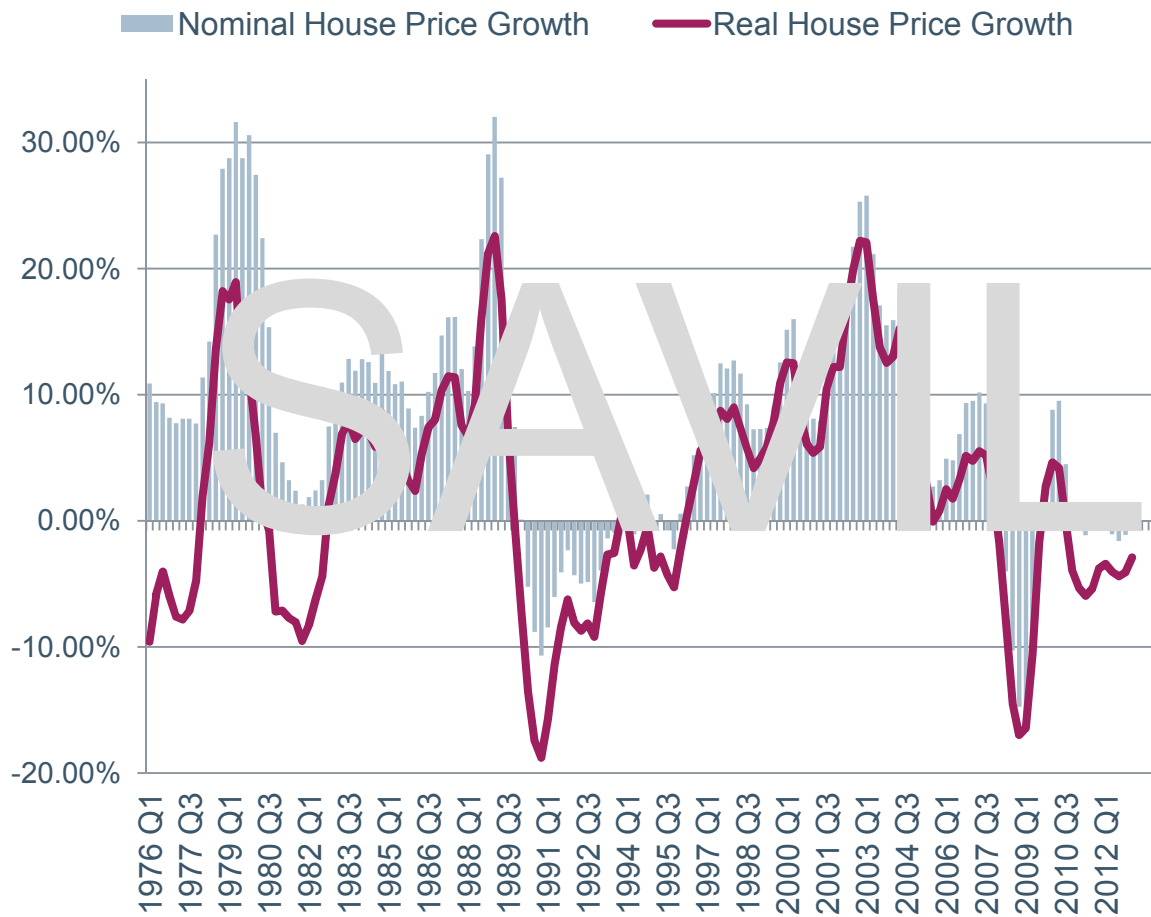
Needs:

- 1. Improved income yield
- 2. Scale
- 3. Management

Source: Savills; Bank of England



# Capital growth

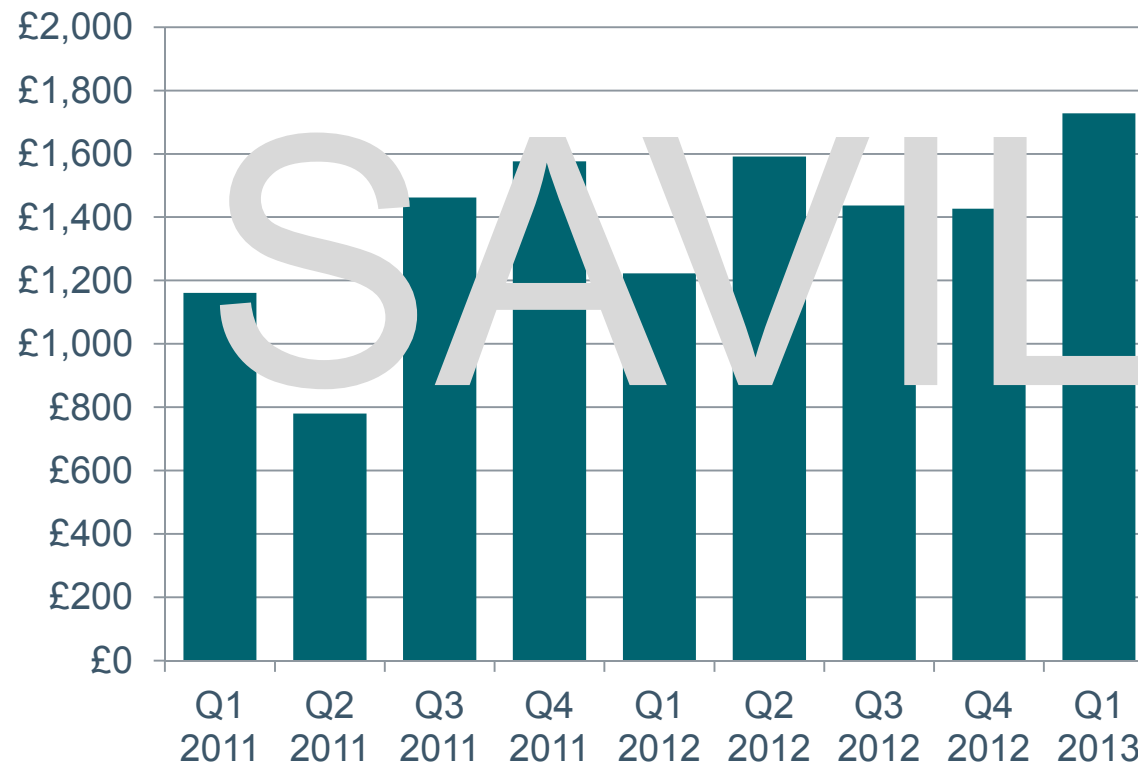


	Real House Price Growth	Annualised
5 year	-22%	-4.9%
10 year	17%	-0.1%
15 year	30%	3.5%
20 year	35%	3.1%
25 year	52%	1.7%
30 year	108%	2.5%
35 year	130%	2.4%

Source: Savills, Nationwide

# Size of the investment market

## Residential Portfolio Investment £m (Annual)




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# Build to let - the silver bullet?

