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Foreword - Insuring for success

Tom Cooper, Director of Underwriting, Simple Landlords Insurance

There's no doubt that it's been a time of unprecedented change in the housing market and the private rented sector.

If you were to believe everything you read in the media, you would be forgiven for thinking that it was all doom and gloom, negative equity, and people planning their exit strategies.

Headlines have focused on the onslaught upon landlords – the Section 24 tax increases, Capital Gains Tax, Universal Credit arrears, more licensing rules, increased stamp duty, tougher lending criteria, Right to Rent legislation, the social housing crisis, tenant deposit caps, Brexit uncertainty – the list goes on and on.

But curiously, the landlords we spoke to were not painting quite the same dark picture…

Meeting the challenges

Many landlords were clearly adapting to the new environment, spotting new opportunities, and adapting their investment strategies accordingly.

Change of any sort is to some extent a risk factor, and as insurers we're in the business of risk.

We wanted to find out how landlords were meeting the challenges they face, and protecting themselves for the long term – and how we as insurers could help to support and enable different strategies by mitigating risk and adapting our products.

What we've discovered is that the private rented sector is increasingly polarised – by geography, experience, and above all, the size and composition of landlords' portfolios of investment.

Attitudes split most dramatically between those who own more than one property and those who do not. One man bands, accidental and part-time landlords are being hit the hardest, and feel most negative about their future. This is a large part of the market, and it's perhaps unsurprising their view has therefore skewed broader perceptions – and media coverage – of prevailing market conditions.

Professional landlords on the up

Meanwhile, the bigger the portfolio, the more positive the outlook. And it is the landlords positioned at the larger end of the market – or aspiring to get there – who are least fazed by changes, and best poised to take advantage of increasing demand, bargain stock being sold off, and stable house prices.

Indeed, estate agent Savills estimates mainstream rents in the UK will rise by 19% in the next five years, and house prices by 13%. For those weathering the storm, sitting tight or investing for the long term, things are far from bleak.

But this is certainly the age of the professional landlord. Keeping abreast of legislative changes and market forces is essential, as is researching and sourcing investment opportunities.

Insuring for success

As Simple Landlords we would, of course, also say that protecting yourself and your investments is now more important for growing landlords than ever.

While every penny of profit counts, we strongly believe that high quality insurance, at the right level for your personal risk can help free landlords to diversify their strategies and think differently about how, when and where they invest. We're the safety net that lets YOU take the next leap.

Yet we've found here that not all landlords are taking advantage of specialist landlords insurance – with one in four using home insurance policies instead, which don't cover all your letting risks. Meanwhile, not everyone is looking at quality markers, adapting policies for different properties and tenants, or taking advantage of portfolio discounts or savings from switching providers.

We want to support this emerging community of aspiring and professional landlords to grow their portfolios and profits with our back-up.

This report has therefore become both an insight into those landlords, and a guide to how they can use insurance to their ongoing advantage.

I hope you find it an interesting read.

Foreword - Whether you like it or not, a lack of social housing is an opportunity for landlords

Carl Agar, Founder of the Home Safe Scheme and Managing Director Big Red House

You may be forgiven for believing that the days of making a fortune from property have long gone.

The financial assault on landlords has been widely publicised - tax changes reducing the relief on buy to let mortgage interest, a stamp duty surcharge introduced on second and successive homes, and the fact that landlords are now being targeted for increasing regulation has pretty much dampened the mood of many existing and aspirational landlords.

At present the sector is facing new legislation to regulate letting and managing agents, a ban on letting agent fees, amendments to existing HMO mandatory licensing legislation and an increasing amount of Selective Licensing schemes being introduced all over the country.

The housing crisis

But why is the government making life so difficult for buy-to-let landlords? The short answer is that the UK housing market is in crisis. But rather than attend to the under-supply of housing which has caused this disaster in the first place, the government has in recent years gone for the jugular of buy-to-let landlords.

This has always been a popular vote-catching exercise as there are far more tenant voters than landlord voters and the remaining public voters will always tend to support most initiatives targeting those appearing to prosper at the expense of others. They have, in effect, blamed the inability of 'ordinary families and individuals' to get on the property ladder on buy-to-let landlords purchasing too much of the 'precious housing stock' - without acknowledging that the real driver for this was the reduction in social housing stock that would have typically provided much needed housing for families that are not in a position to buy their home.

The truth is that whilst the social housing provision has been steadily decreasing, the demand for such housing has not.

Demand and supply imbalance

The drive for new homes and the desire to assist first time buyers has seen such buyers channelled into the new build market with such things as the help to buy scheme meaning that the housing stock left in the resale market, that would have typically been for first time buyers, has now been purchased by investors and used to support the tenants that have been left stranded by the reduction in social housing.

Consequently, we have been left with a situation in which inexperienced private landlords are acquiring properties to let to a tenant type that requires lots of guidance and support – and when that doesn't materialise, the result is often disastrous.

This has lead the government to apply forms of regulation to the sector as a whole and introduce financial measures in order to try and professionalise the sector and ultimately deliver a better service. This is a very aspirational approach from the government and a very painful approach for the unsuspecting private landlord.

But hey – **it's not all doom and gloom.** Honest. There is a reality to the challenges we face in this business, but once understood there is also an opportunity to refine your business model, professionalise your approach and come back stronger and more profitable than before.

How landlords can 'beat' the change

Most people fear change and that's a natural reaction. However, if you are prepared to embrace it and understand it then you may well find yourself in a position to really benefit.

The savvy landlord has started to look at their business in depth and make positive changes.

They start by checking they have the right financial structure for their business, taking on board the recent changes to taxation. Once they've done that they get frugal – it's time to maximise rents where possible and iron out waste. They shop around to find less expensive tradesmen to carry out joinery work, plastering, heating maintenance etc. In HMOs they look at increasing the energy efficiency of their buildings in order to decrease the running costs. They look at their current financing and seek to find better mortgage rates.

These are just a few things that the proactive landlord in today's market will be doing.

Diversification or even relocation could be on the horizon

The really smart landlord now starts to look at the other opportunities appearing in the market place and asks the question, is it time to diversify? They look at other areas to those they have traditionally invested in - as well as other investment types such as HMOs, serviced accommodation or even commercial property.

The really shrewd landlord looks at such things as selective licensing as a way to buy more stock at knock down prices from landlords exiting the market through their fear of new legislation.

A more obvious future strategy for many landlords is Build to Rent. The government is encouraging private landlords to invest in property schemes aimed at supplying good quality housing for rent within the private sector. Under the Build to Rent Fund investors could receive a government loan for up to half of the development costs. This has now been replaced by the Home Building Fund which is offering up to £3bn in funds to the likes of small to large-sized builders, custom builders and developers. This is a great opportunity for landlords to literally build their portfolios from the ground up. These properties can be let to the private market or even to a housing association but either way will represent a great return with low running costs.

Like many other professionals today, landlords have been forced to look at new models of working – and as we will no doubt find out in years to come - that's not necessarily a bad thing at all.

Embracing the new market

Times change. Markets change. **But property is still a way to make money if you change too.** The fact is that you will still make more by investing your money in the right property than by leaving it in a savings account. You just have to research and learn what and where the right property for you is.

As this report shows, the emerging landlord is a rather different creature to the one we've all been used to. The stereotypes of the past – the Rigsbys, Fat Cats, Dodgy Wheeler Dealers or Accidentals - either no longer exist, are leaving the market, or won’t be able to survive under the new conditions.

Personally, I look forward to a more professional and more prosperous private rented sector driven forward by landlords and investors committed to playing their part in the provision of housing for this country.

Expert profiles

Carl Agar

Carl Agar is the Founder of the Home Safe Scheme, Managing Director of Big Red House letting agents, and the Yorkshire representative of the National Landlords Association - the UK's largest landlord association, and of course a landlord and investor.

Bindar Dosanjh

Award winning property investor Bindar Dosanjh started out renting a room in her house as a way to make ends meet as a single mum. Now she's got a portfolio worth several million pounds, and mentors others to follow in her footsteps through her company Smart Core Wealth.

Tom Cooper

Tom has spent almost 40 years in Financial Services beginning his career at Midland Bank, and spending time with Lloyds of London, NIG, Dial Direct, BGL and Comparethemarket. He has worked in the investment and life sectors, home and motor, and even set up his own online broker iGO4 Limited which he sold in 2014. He's now Direct Group's Director of Underwriting.

1. Introduction - The buy-to-let market

It is a time of tremendous change for landlords in the UK – and tremendous opportunity. Against the backdrop of regulation, new tax regimes and falling yields, property owners are positioning themselves for growth or exit.

We wanted to find out more about the former – and see who is adapting to the new conditions, and set to survive and thrive in the coming months and years.

Speaking to 500 landlords across the nation, we found a separation amongst two groups of landlords when it came to planning their future.

Many people who became landlords by accident and have only one investment property are maintaining what they have, while a small minority feel prompted to sell.

But those with two or more properties thought that changing external factors would benefit them and are ramping up their investments. Indeed more than a third (38%) of those landlords plan to buy at least one more property in the next year. Undeterred by changes, not one of the landlords with more than five properties that we spoke to plans to shrink their portfolio.

Almost two in three of the 500 landlords we spoke to (66%) saw no impact from external factors — including Capital Gains Tax (CGT), new licensing laws, and increased stamp duty — on their investment strategy.

We found that, the bigger the portfolio, the more positive both the impact of external factors and in turn, the overall outlook. Landlords either positioned at the larger end of the market, or aspiring to get there, seem to be unfazed by perceived market conditions – or are at least building their business to weather them.

Carl Agar

"Around 70% of the market are small, often accidental, landlords. And we're now seeing a huge gulf emerge between them and the professional investors who are making up the rest of the market. There are the people who see themselves as a business, and the people who don't - who are just a 'landlord'.

"The business people are going to thrive, and the small guys probably aren't. Their receptors aren't out, they're not on top of the market or the legislation or the regulations, or what's coming their way. It remains to be seen whether they have the equity to be able to leave the market entirely, but I think those that can almost certainly will.

"That could end up being a good thing for the market, and a good thing for tenants."

Tom Cooper

"It surprised us to see the amount of buoyancy in the private rental sector, and when we dug deeper it was clear that there is a new breed of landlord emerging in what's become a new and very different market. They tend to be bigger, younger, and more ambitious. Learning who they are and how we could support them became the focus of the rest of this report."

2. Landlords' concerns

We listened to landlords' concerns, and found the range of influences on their investment strategies both wide and evenly spread.

Across the market, familiar issues top the list: the increase in stamp duty was the most cited (18%), followed by CGT (17%) and stricter mortgage lending rules (15%).

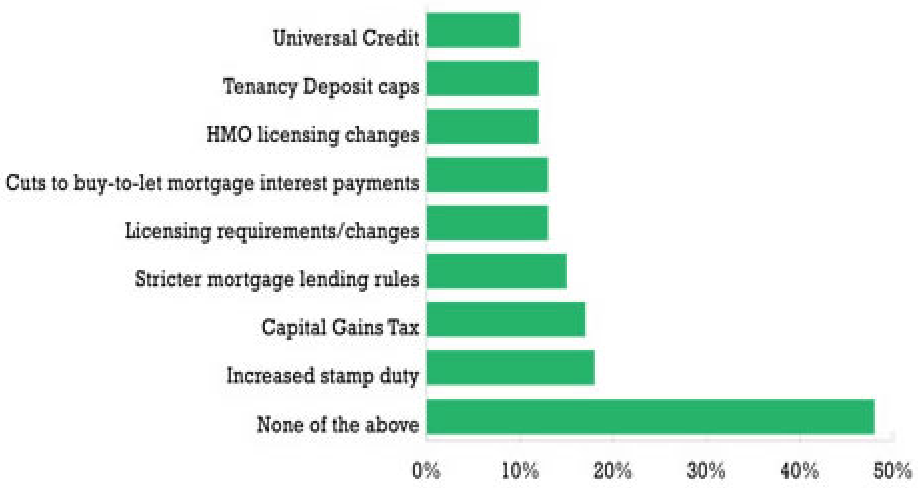
On the other hand, we noted that almost one in two landlords (48%) considered none of our highlighted influences as a concern. External factors have wielded a greater effect on landlords with more than one property, with 70% reporting that these issues had affected their investment strategy.

Breaking out the numbers, increased stamp duty was the top concern for all landlords, but single property landlords were more concerned about stricter mortgage lending rules and multiple-property landlords more pre-occupied by licensing rules and cuts to mortgage interest tax relief.

The very biggest landlords were the most worried, with 29% citing Licensing, HMO licensing and Universal Credit as areas of particular concern.

Looking at all influences, twice as many multi-property landlords noted each factor compared to single property owners.

Which of the following external factors are affecting your investment strategy? - all landlords



Carl Agar

"It's no surprise to me to see the bigger and more professional landlords more informed about the challenges and changes in the market. It's also no surprise that CGT and stamp duty top their lists.

Broadly speaking, the people who are going to survive are the people who are not as highly geared - the ones with less lending. If you don't have a mortgage you're not going to be affected by Section 24, for instance. Meanwhile, those who invested from 2006 onwards are likely to have something like 85% loan to value - or even more. They're going to struggle."

Tom Cooper

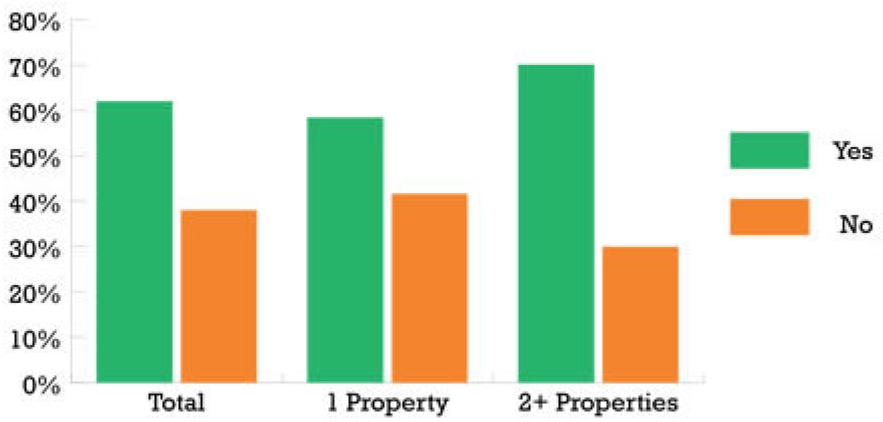
"One of the things we've been following closely at Simple is the impact of the Universal Credit system on both landlords and tenants. It's interesting to see it feature here as a key concern. We know landlords are finding it difficult to see how Universal Credit claimants can continue to be part of their businesses. And we know how concerned some of our

landlords are that existing, reliable, long-term tenants are suddenly finding themselves falling short because of the new system.

The fact is that the private rented sector props up social housing in many local authority areas, and this change in the way benefits are managed is putting that balance – and some very vulnerable people – at risk. But if the successful landlords of the future are the business-oriented ones, they simply cannot continue to lose money renting to tenants on benefits. It's a growing problem the government will have to face.

As insurers, we have to face it, too. This is an issue which affects landlords, and changes risk, and with a limit to the number of professional working tenants in the market, it's something we need to consider in order to support customers in the changing market."

Do you think landlords should be required to be licensed by their local authority?

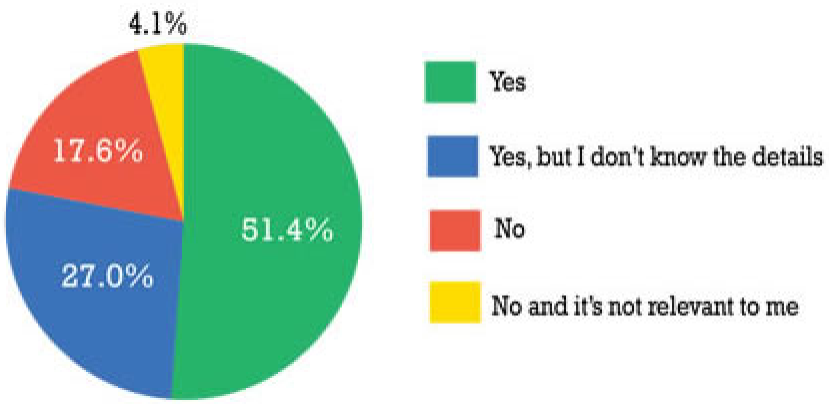


Interestingly, despite the obvious negativity towards government interference in the private rented sector across a number of legislative areas, more than 60% of landlords we spoke to actually supported licensing by their local authority – effectively protecting tenants' rights, and driving standards within the sector. This figure rose to 70% amongst landlords with more than one property.

Tom Cooper
"It's particularly interesting to see the general support for licensing. For me, that indicates that today's landlords are welcoming the professionalisation of the Private Rented Sector - and working it into their strategies. As insurers, we tend to like things that stabilise risk. And that's one way to look at licensing standards."

Carl Agar
"Licensing isn't evil – and it's a great relief to finally see so many landlords come round to the same opinion. Done right, a licensing scheme can improve the private rental sector for landlords, tenants and local authorities alike – and I've seen it work really well – for instance in places like Doncaster and West Lindsey. The trick is not to be scared of selective licensing – be involved. If you push your local authority to prove how they're going to deliver and measure success you might help shape a scheme that actually works for you."

HMO owners: are you aware of the government's plans to expand the mandatory HMO licensing scheme?



However, it wasn't all good news on the licensing front. The survey also revealed that changing licensing legislation was catching some landlords off guard. For the 15% of those in our research who own a house of multiple occupancy (HMO), a fifth (22%) were unaware of – and only half understood (51%) – the government's plan to expand the mandatory HMO licensing scheme.

Similarly, we found that a quarter of landlords were unaware of whether they needed a license from their local authority.

Bindar Dosanjh

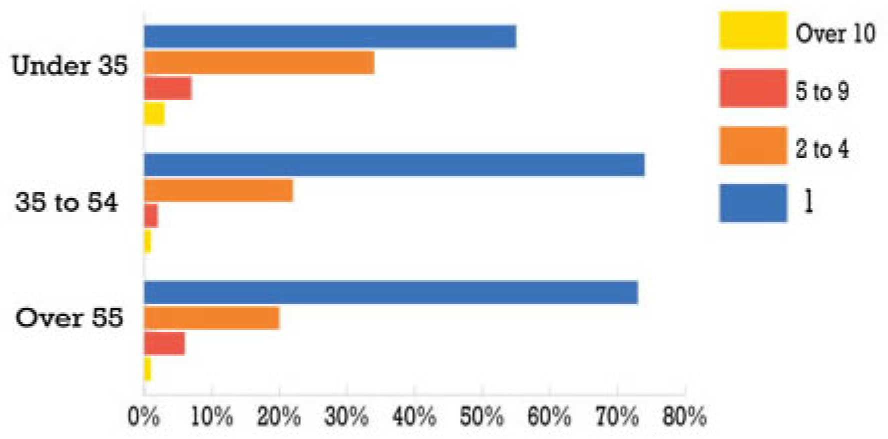
"Understanding legislative change is absolutely key for any landlord – and if you're not on top of it it's your bottom line that will suffer. Too many landlords see this as peripheral to their day job – it's not. It's central – and it should be a daily task to keep yourself up to date on the very latest industry news and views. Get out to property events, network, make use of the contacts you meet and the wealth of information available to you. If you want to be a landlord you have to be a researcher, too – and that's more true today than ever before."

3. Who's winning?

The makeup of the modern landlord is changing, and consequently, so too is their collective attitude. Above all, they are gradually becoming younger, and more expansive.

The majority of landlords are sole property owners. A quarter own between two and four properties, and 6% own five or more. One in five of those have become a landlord in the past 12 months. Fewer of these would appear to be by chance; according to research of our own customers, we found that the number of accidental landlords has fallen from 18% in 2016 to 15% in 2017.

Portfolio size by age



One in 25 landlords is between 18 and 24; around one in four are under 35; and almost one in three is at least 55 – the existing and established landlords.

The age profile is broadly similar for single property landlords, but interestingly skews younger for larger portfolios.

Though comprising only a quarter of the total survey pool, younger (under 35) landlords accounted for 36% of portfolios with more than one property. The average portfolio size based on age falls steadily, from 2.16 for those aged 25-34, to 1.48 between 45-54.

Similarly, the older the profile, the higher the proportion of one man bands, with three in four landlords over 45 owning just a single property. The highest concentration of landlords owning between 2 and 4 properties was in the 25-34 age bracket (34%).

Of the landlords we spoke to, the split between men and women was almost equal, but female landlords are younger still: 56% are less than 45, versus only 39% of men. A landlord under the age of 25 is more than three times more likely to be a woman.

Women generally own fewer properties. Slightly more sole property landlords, (52%), are women. We found that in general the larger the portfolio, the greater the proportion of male ownership. Men have also been landlords for longer. 48% of female landlords have entered the market in the past five years, versus 40% of men.

Carl Agar

"There's a clear difference not just between the big players and the dabblers, but between the old school landlords and the new kids on the block.

Existing landlords are seeing all of these new rules imposed on them and things getting harder and harder. They don't get all the new regulations. They see 9% returns and that's not what they've been used to. Those guys are probably going to get out - because it's not worth it anymore and frankly, they can afford to.

"Meanwhile those new to the market are comparing that 9% to the sort of returns they'd get by putting their money in a bank account – and it's nowhere near. They're seeing all the market changes up front, and their vision is often clearer and more realistic. They're seeing opportunity – and they're building the rules and regulations into their business model.

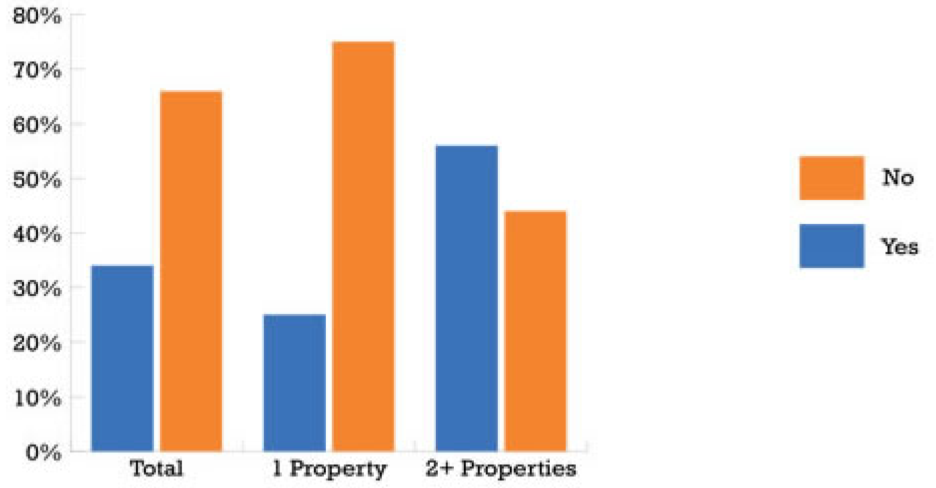
"The fact is that property is still a very good business – it's just very different to the business it was 20 years ago."

Bindar Dosanjh

"It's no surprise to me to see more women coming into the market. That's exactly why the Female Property Alliance was set up, to support women who are using property as a route to financial independence. We see a lot of young women who don't see how their 9 to 5 jobs can secure the lifestyle they want, and often don't see how they can move on or up the property ladder without the alternative income of an investment. Property plays into their existing skill sets, and they're approaching it very much from a business perspective."

4. Who's investing?

Have external factors influenced landlords' investment plans?



Have these external factors changed your investment strategy? (Overall)

One property

2+ properties

More people (11%) see opportunity to expand than reason to sell up (7%) from various tax and legal changes.

Five times as many multi vs. single property landlords (25% vs. 5%) are in acquisition mode because of external factors. Almost half of the latter are neither sellers nor buyers, and do not feel impacted by any changes.

11% of landlords with two to four properties plan to shrink their portfolios; over half of them because of external changes. 22% of landlords between two and four properties, however, intend to expand based on external influences, suggesting the impact on this particular segment is more complex.

By contrast, amongst those who own at least five properties, we note that not one intends to sell -- but over half (51%) intend to buy.

Overall, only 3% of landlords said they were aiming to exit the market in the next 12 months, a marginal increase on the previous year. More landlords intend to increase the size of their portfolios. (67% > 70%).

And despite the government's plans to cut tax relief on buy-to-let mortgage payments, 66% of landlords say it makes no difference to their plans — only a modest decline from 70% in 2016.

Year on year, the proportion of landlords who deliberately entered the market fell slightly from 63.4% to 62.5%. 8% of landlords have less than a years' experience, down from 11% in 2016.

The proportion of landlords hoping to generate return via rental yield fell from 58% to 50%, despite rents remaining steady year on year.

Appetite to invest in buy-to-let as part of a pension fund has also increased year on year, from 82% to 86%.

At the macro level, the prospect of Brexit has had scarcely any impact landlords' on investment appetite. Over four in five of our customers told us it would not impact their strategy –the same figure as in 2016.

Tom Cooper

"It's actually really heartening to see that despite the very real challenges facing the market – from Section 24 to Brexit – landlords are proving to be remarkably constant and resilient. More people are planning to grow than to shrink – and that's got to be a good thing for the sector.

Our year on year results seem to show a small but significant decline in accidental and new landlords – again building the picture of an emerging, professional landlord – and it's those bigger and growing landlords that are driving forwards, and driving the market forwards with them."

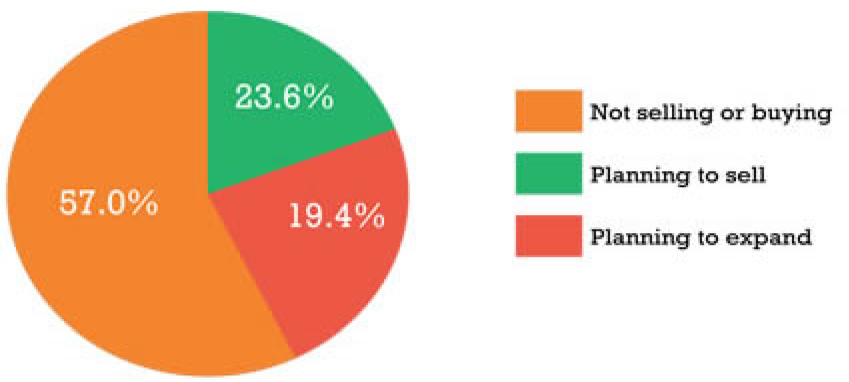
Bindar Dosanjh

"I think landlords are increasingly playing a longer game – and it's almost inevitable that those who do are going to be in it longer-term. Simple's research shows that people are looking less at rental yield and more at investing for their pension and their future. Certainly fewer people that I meet seem to be planning to give up their day job in favour of investment – rather they're seeing property investment as supplementing their income and future-proofing their finances".

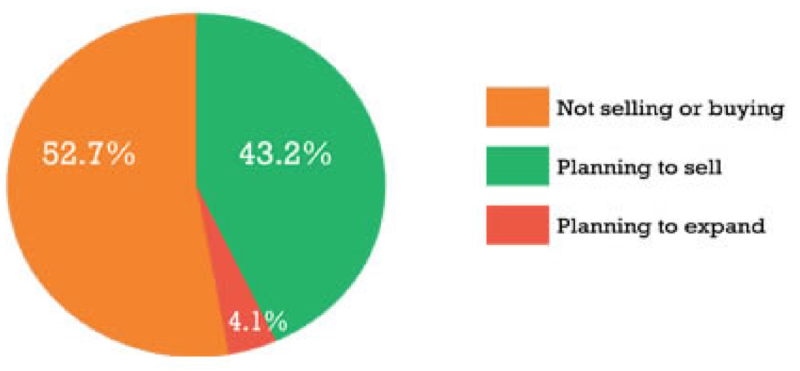
5. Where and how are landlords investing?

We are seeing impressive growth in two specific areas: Holiday Lets, which are showing the highest proportion of new entrants to market, with 22% of these landlords in their first year. This is followed by flats, with 16% new entrants. Flats have also delivered the highest growth in terms of overall entrants and now account for over a third of total investment properties (34%).

Investment plans: all landlords



Investment plans: HMO owners



The impact of external factors on landlords' investment strategies is fluid, particularly depending on either the size or the contents of the portfolio. Optimism is greatest for those owning HMOs, with 35% of such landlords saying they now plan to invest as a result on external factors — three times higher than the market average.

43% of landlords who own HMOs are in buying mode. So too are 31% of flat owners, and 29% of Holiday Let landlords. Only 4% of HMO landlords plan to shrink their portfolios, compared to 26% of those who own houses or bungalows.

Meanwhile, just 11% of single property landlords intend to grow their portfolios, and 30% of them plan to sell. For the rest of the market, who own at least two properties, the picture is the opposite: 38% plan to buy, while just 8% plan to sell.

The larger the portfolio, it seems the larger the appetite to grow.

Carl Agar

"Airbnb has been a big driver of the holiday let and serviced accommodation market. And if done correctly they can be high yielding, successful investments. But you have to invest in the right area, and have the right strategy. Essentially you're letting the rooms on licence like you would if you were staying in a hotel.

It's a very hands on proposition and that takes a great deal of time and effort. Charging by the night means the yield can be high, but it's all about your occupancy level - that's hard work in terms of marketing, and maintenance, and management.

In this country the Lake District is a great investment area, all year round, premium rents. But elsewhere, it can be very *seasonal - especially around the coast. That means you're only occupied for half of the year, and that's going to affect your profits. Often, you're better off with a city property where people are coming all year round for city-style breaks, or working locally on contracts."*

Bindar Dosanjh
"An HMO model can really work. Quite simply, the more renters you have the more profit you can turn. But they are not to be taken lightly. Too often ambitious investors come out of courses and plough into a HMO investment without thinking through the nuances. If you get it wrong, you can end up with a half empty house, struggling to break even. Researching your area, your target audience and your potential investment is key – and advice from a mentor cannot be replaced. You've got to know the legislation inside out, and you've got to be relatively hands-on to troubleshoot and solve problems as they arise."

Tom Cooper
"Diversifying your investments makes good businesses sense, but with any of these strategies, you'll need very specific insurance. That's your back-up, and you need to investigate your options carefully.

For instance, in a block of flats the risk to one flat obviously has an impact on all the others - and that can get very expensive very fast. Even with a single flat, people can fall foul of the insurance rules. With flats in the UK you tend to buy a lease to occupy the property for a period of time – 99 years. But the freeholder is responsible for the insurance of the building and the common areas. As a leaseholder you should be making a contribution towards the cost of that insurance – something many landlords overlook – and which could leave you without cover in the event of a claim.

Even if you rent your flat out unfurnished, you should consider a basic contents policy as this will include an element of liability cover. So if your tenants injure themselves – for instance on a light fitting – you're still covered. Always be aware of the level of cover you have from the freeholder, and what you're not covered for and will need to insure yourself."

Carl Agar

"Another big area I see for investment is actually in mixed use or commercial property. It's an area a lot of people miss – because it doesn't fit in with their idea of being a 'landlord'. That's a mistake. This is after all, what most big investment companies do – they wouldn't touch residential with a barge pole.

I often think of investment as a journey, and generally speaking the more professional a landlord becomes, the closer they end up to migrating to commercial investments.

Big pension companies, for instance, invest in commercial property because they can guarantee the returns. A residential tenancy is protecting in law by the Housing Act (and the rest), and you can't pass away that responsibility. In a commercial property you can. Properties are often leased on a 5, 7 or 10 year basis, and if they don't pay you can get the bailiffs in immediately without a protracted legal battle, and get your property reoccupied asap.

In today's market commercial or mixed properties are actually a really safe option – and as our emerging landlords continue to diversify their portfolios I think we'll see more move into this area."

Tom Cooper

"When we're out and about talking to landlords, we're hearing more and more about Build to Rent. The fact is that there is a housing crisis in the UK, and the government has pledged to create 1 million more homes by 2020. They've got to come from somewhere.

We know there are already Housing Associations out there desperate for stock – and that demand needs to be met. Often the money in this kind of project is in refinancing, and they often require an initial cash investment. Even if someone can afford it, a development project is often a step too far for many landlords. They can become extraordinarily complex and involved and you really have to know what you're doing.

From an insurance perspective there is also a far greater risk, and you'll need a specialist insurer or a financial buffer to account for inevitable hiccups, delays – and disasters. Having said all that though – it's certainly a viable and probably relatively stable option."

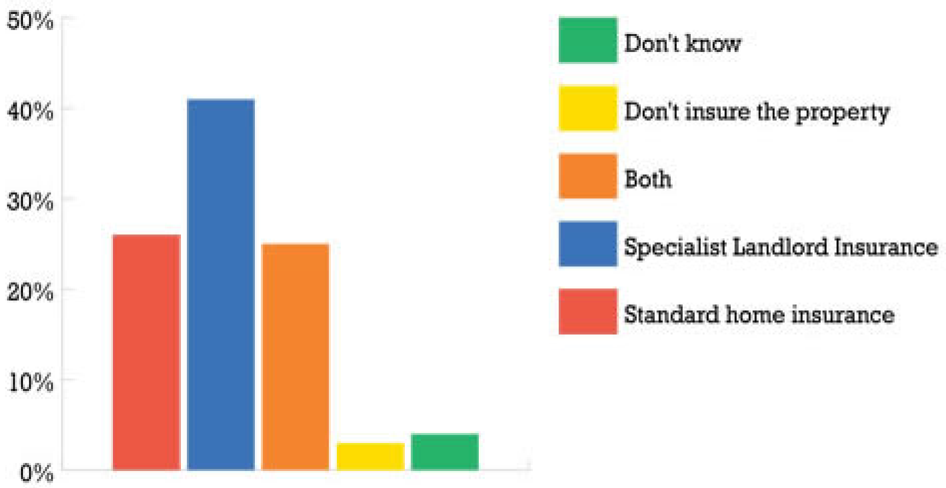
6. How are landlords insuring their investments?

We wanted to understand better how landlords are mitigating their risk in new market conditions, while maximising their profits.

We found room for greater efficiency, with up to a third of landlords having insurance that doesn't fully meet their needs.

One in four have a mix of standard homeowner's buildings and contents rather than specialist landlord policies - but many standard policies don't cover the unique risks that come with being a landlord.

How do you insure your rental property?



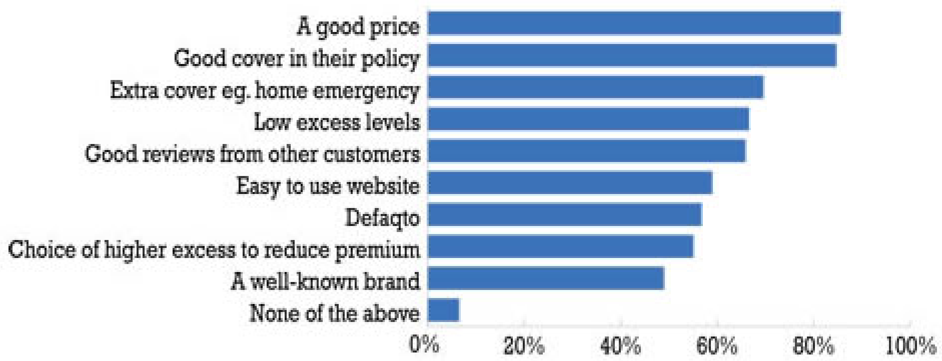
Tom Cooper
"Out of all the stats in this report, the fact that so many landlords don't even have landlords insurance is the one that – perhaps unsurprisingly – concerns me the most! A home insurance policy will not cover you for loss of rent, it will not cover you for legal fees in the event you need to pursue an eviction, and it may altogether void any claims you have to make. Any property is going to be the biggest investment you make – and not protecting that properly could cost you dearly."

3% of the landlords to whom we spoke, and 6% of those who had attempted to claim, said their insurance had not covered them.

7% either did not know the type of insurance they had purchased, or had no insurance at all. However, of this group, 92% were sole property landlords – in keeping with the profile of the amateur rather than professional landlord.

39% of this group also admitted they were not consistently keeping their insurer informed of changes to their property or tenant profile – essential in retaining adequate cover.

What do you look for when choosing an insurer?

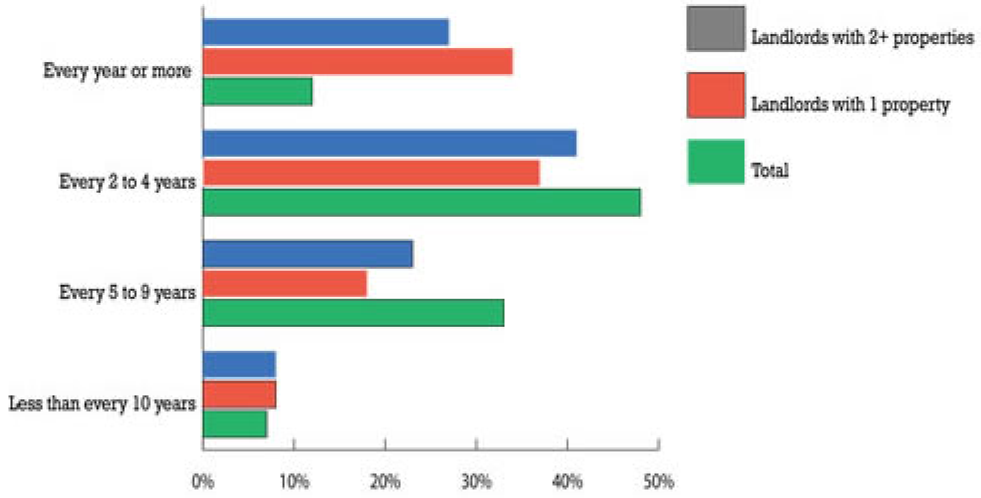


Like consumers in general, we found that price, not quality of cover, tends to drive the purchasing habits of landlords, both large and small. 86% of landlords said price was very important to their decision. Positive reviews from peers were considered less important, at 66%.

There is a slight difference, again, between single property and multi-property landlords, with a larger group of one man bands considering price extremely important (43%) than quality of cover (38%). For larger portfolio owners, the positions reverse, reflecting the additional risk and complexity of owning several properties.

Similarly, landlords do not appear to be switching their insurance, which means missing out on potential savings. In fact, more than half (57%) of landlords we spoke to said they found a lower rate when they switch. We found that saving money was the main reason for switching (77%) – six times a greater motivator than finding a better policy (13%). The median saving for landlords is £35; the average £70.

How often do landlords switch insurance providers?



Despite the opportunities to boost the coffers, only 13% of landlords chose to switch every year. Over half (58%) renew automatically.

Landlords tend to stop switching as their portfolios grow. On average, single property landlords have been with their current insurer for a little over three years (3.22). This jumps by over a year to 4.43 years for landlords who own between 2 and 4 properties and over five years for landlords with ten or more properties.

Why don't landlords switch? Hassle (30%) was flagged as big a reason as loyalty to the current provider (31%).

Two thirds of landlords with more than five properties say they insure all their properties under one policy, because they believe it's both cheaper (79%) and faster (79%).

Tom Cooper

"Whatever the reason, landlords - especially those with growing portfolios - are put off by the complication of moving their insurance. But it's always worth shopping around to get the best deal, and the burden of administration is usually taken on by the insurer.

Even if you're not swapping, you should never accept an unjustified hike in price. Unless something has changed significantly at your property or you've had a major claim, year on year you shouldn't be seeing your premium go up by more than about 5%.

When it comes to landlords insurance smaller isn't necessarily better! You need to look for an insurer you can trust, great reviews, independent quality marks, and policies you can tailor so you're not paying over the odds – and you're not compromising on cover either."

Carl Agar

"A changing environment creates risks, and managing that risk is more important now than ever. Always factor your insurance in up front as part of running your numbers. I've seen people take on 'unique' properties before, who have then found that the insurance premium has wiped out most of their profit – I've done it myself! Anything out of the ordinary, in terms of size, number of bedrooms/bathrooms, age, building materials, etc – could tip your insurer over their risk 'edge'. Look out for the red flags, and don't find that out AFTER you've invested."

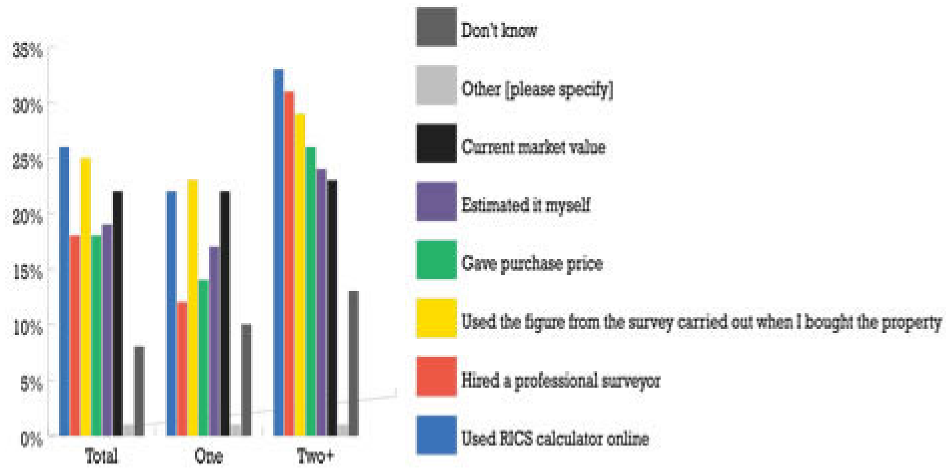
Bindar Dosanjh
“There are still opportunities out there for landlords prepared to diversify. But if you’re taking on more risk, you also need to protect yourself. Every penny counts now, but covering your assets – and your back – is still essential. If you don’t have the right insurance, you can kiss your investment goodbye. Finding the right insurer, the right products, understanding and tailoring your policy is crucial.”

Getting the right cover starts with getting the right quote. When we asked landlords how they calculated the rebuild value of the property for their insurance quote, we received a wide range of responses.

We found that 37% of landlords could be paying too much for their insurance – or risk being underinsured – by using the wrong valuation of their building, based on either a self estimate or the purchase price of the property. More landlords, in fact, opt for the estimation route (19%) than using a surveyor (18%).

Landlords with at least two properties were around three times more likely to opt for a professional evaluation than those with just one. They were also more likely to go down the self-estimation route, due to their higher level of confidence and experience.

When you took out your insurance policy, how did you work out the rebuild value (building sum insured) of your rental property/properties?



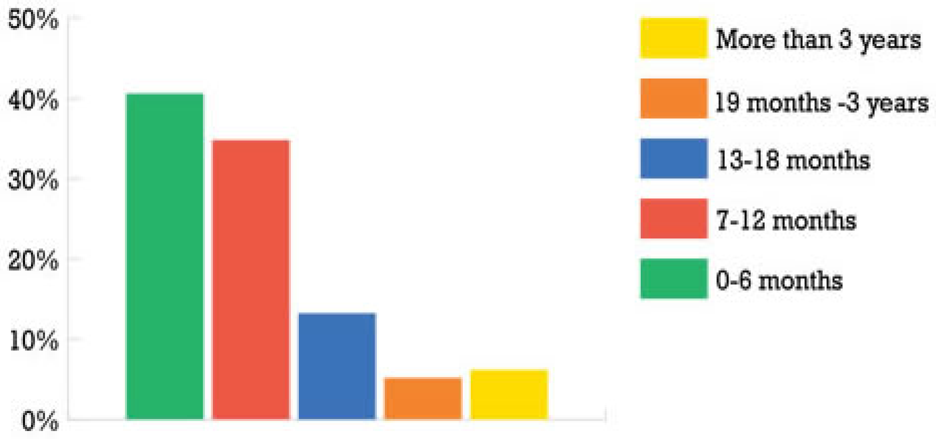
Tom Cooper

"It's incredibly important to make sure your Building Sum Insured figure is accurate - particularly if you've had renovation or building work done. If you're found to be underinsured, your insurance company will consider that you've only been paying a percentage of your premium, and you'll only get the same percentage of any claim."

We also looked at inspection as a key area of risk mitigation. Regular inspections can prevent small issues becoming larger and more expensive problems – but many landlords simply aren't going into their properties.

A quarter (25%) of the landlords we spoke to had not inspected their property in the past year. At the extreme end of the scale, 6% had not carried out an inspection in over three years. There is a particular inspection gap left by landlords with between two and four properties - we found 72% hadn't inspected their properties in the previous six months.

When was the last time you or your agent carried out an inspection of the overall condition of your rental property/properties?



Carl Agar

"Your inspection regime will be driven largely by the type of property and type of tenant. In an HMO, for instance, I'd recommend you begin by inspecting the communal areas every month, and the rooms every 3 months if running on ASTs, and then move to every 6 months if things are going well. I'd also highly recommend a weekly cleaning service, so you've got an ongoing presence in the property and some control about how well it's being kept.

Remember that your tenants have the right to 'peaceful enjoyment of their property' – but that if there are any issues you've got the right to go in more often – with 24 hours written notice."

Tom Cooper

"Check your insurance policy and your buy to let mortgage to make sure inspections aren't actually a condition of your cover/contract. When you do inspect, make sure you keep a record – including pictures – and get your report signed and dated by your tenant."

7. Conclusion - The emerging landlord

Property investment is changing.

As the pace of legislative change picks up, some one-off landlords are concluding that the time or money required to stay on top of things isn't worth it for them. But for the emerging breed of professional landlord, this is a time of adaptation and expansion. The figures show that the bigger the portfolio, the more ambitious the growth plans of its owner.

The good news for the sector and tenants alike is that the emerging landlord is professional, informed, involved, risk-savvy and investing for the long term.

They are also younger, and investing differently, with growth areas including holiday-lets, flats and HMOs.

Understanding the new market and the emerging landlords will be key in developing the financial products and services they need to make a success of their businesses.

Carl Agar
"There is undoubtedly a marked shift in the landlord population. This is no longer something for anybody to do on the side after a quick credit check – it's coming to be the preserve of committed, long-term investors with experience and expertise – or the willingness to gain it.

At the end of the day, it's the professionals who are going to win buy-to-let. Not only is the market a very different place to the one we knew 20 or even 10 years ago, the truth is there are actually 300 very different local markets up and down the *country. The cookie-cutter investor will no longer cut the mustard - because there is no one size fits all solution. If you know your market, if you change with it, you can still come out on top.*

Having said that, I think there really is a limit to how much more the sector can take in terms of change and interference before we start to see significant problems. At this time the very last thing we need is a reduction in rental supply - that's going to put rents up for tenants, put pressure on local authorities, and leave the most vulnerable in pretty dire straights.

The fact is, the UK needs a strong and stable private rented sector. Punishing the PRS is not solving the housing crisis – it's not making housing more abundant, it's not making housing more affordable. I think by working WITH the new and emerging breed of private landlord, the government will achieve more, more quickly, for more people - and therefore more voters."

Bindar Dosanjh

"For me, this ends up being about maths. And the bare facts are that your money – or other people's you use to invest – will still get better returns in property than in a bank, with only marginally more risk if you know what you're doing.

Getting that education is absolutely vital, and so is coming at this from the perspective of an investor rather than a landlord. You don't need to own property to make money from it – sourcing, joint ventures, rent to rent, leasing – these are all avenues we're seeing more and more investors start to explore. All of that is part of the changing market - and part and parcel of this picture of the new, emerging landlord."

Tom Cooper

"The phoenix landlord rising from the ashes of a beleaguered private rental sector is younger, bigger, with an appetite to grow and diversify their strategy. They are well informed, up to date on the latest legislation, unafraid of NEW legislation, savvy about insurance, and see themselves as a business.

In fact many are modelling themselves AS a business, with lenders suggesting 7 in 10 new buy-to-let applications are being made by limited companies. It's one way around Section 24, and clearly an example of how landlords are adapting.

Our job as insurers now is to make sure we develop the products the landlord of the future is going to need in order to continue to invest and thrive in what is very much a new market, while mitigating all of its new risks."

8. Case studies

Case study: Reece Richiardi

Reece Richiardi is 25, and has both his own property portfolio and sources and runs projects for other investors. He started out at just 21.

“I always thought I’d be a professional footballer,” explains Reece. “I was good, but it just didn’t work out and I’m not afraid to say that I was a bit lost for a while afterwards. I’ve tried working a few regular jobs - like in a call centre - but I’m afraid I’m just not cut out for it! I’m dyslexic, I like to be active, and I like making my own choices. I guess I’ve got an entrepreneurial soul!

“My uncle was a big landlord, and I sort of learned a lot from him without realising it. Whenever I wasn’t at school I was labouring at one of his properties, and it was natural to start working with him again. I literally worked my up, became more involved in his projects and set out on my own with my own business and my first property - an HMO (House of Multiple Occupation) in Doncaster - at 21.

“Things were going well for a while, but I made a lot of mistakes, and by 22 I’d lost the lot. But I picked myself back up again, learned from it, and started over.

“One of the biggest lessons for me was about liquidity. I thought I wanted to be a huge landlord with a massive portfolio and hundreds of tenants. It turns out tenants are hard work, and you can’t spend bricks and mortar!

“The fact is it doesn’t matter how much stock you’ve got, how much it’s worth or if you’re a ‘theoretical’ billionaire -

because if it all goes wrong you can't get at the money. Even the big guys can go bankrupt if they don't get the cash flow right.

"Now I work with partners, and I've got 10+ joint properties, mostly in Doncaster and Leeds. But what I do now is first and foremost about investment, and I do more sourcing and project management for other people - spotting the properties in up-and-coming areas, doing the conversions, and selling them on.

"If you can get the financing in place, I've found the bigger the project or deal, the easier it is to run. There's so many people at the small end of the market competing for properties and tenants, and getting bogged down in physical buildings and the idea of being a traditional 'landlord'.

"For me property is just an avenue to make money - you don't have to own it yourself. You do have to know the market, though.

"Up North, it's all about yield. You're not going to get the same appreciation you get down South, and your strategy has to reflect that. It's important to diversify both your portfolio and your business, consider multiple exit strategies before you put your money where your mouth is, and research, research, research.

"Because I've learned all that the hard way, I've also got involved with training - speaking at events and mentoring new landlords. My family came from nothing, I struggled at school, I'm a failed footballer and I've never had a proper job. I figured if I can learn, anyone can, and I can help them on the way. I can tell people not to do what I did - and talk about how to look at property in a different way.

“I’ve found that for the most part, young people are much more ready to see property as a means to an end rather than an end in itself. And I think the way we use technology is also going to revolutionise the market - how we source, build, work, manage, and even learn about property.

“At the moment I’m working with my partners on a big project that’s all about seizing on that opportunity for change and disruption in the sector. They say that change is the only constant, and how you prepare for it and deal with it is the difference between failure and success.

“Property certainly isn’t what I thought is was 4 years ago. It’s actually far more interesting and more exciting!”

Case study: Jasmine Kaur

For Jasmine Kaur, 27, property investment runs in the family. She got her first property at 18, and now has 15+ properties in London and the North West. Most of them are Houses of Multiple Occupancy - and it’s an investment strategy that has paid off for Jasmine so far.

When Jasmine finished her Masters degree she started looking round for a job. With limited options around, she had to find another way to make ends meet.

“I was very young when I first started out in property – about 19,” says Jasmine. “I could see that the job market in London wasn’t what it used to be, and so I looked for an alternative source of income.

“I didn’t have to look that far – my Mum runs a property business and it’s something I’ve sort of grown up with. Going in on my first property was just a natural step. The fact is that living in London is expensive – and it was cheaper for me to pay a mortgage than to pay rent.

"Now I've got a portfolio of 15+ properties and it's how I make my living. But this isn't what I've always wanted to do. I wanted to do charity work – especially with children – and that's something my current property business will eventually fund. For now I'm going to continue to invest, and perhaps take on some development projects.

"I'm very clear about my goals and that this is my work and not my life. This isn't about property for me – it's about income. I'm in it to make money and live the lifestyle I want to live – I don't get involved in tenant dramas, or personally invested in my properties.

"My portfolio consists of HMOs (Houses in Multiple Occupation) and I rent out to students in the North West, and to young professionals in London. While there's a lot of work involved in buying and setting things up, I then use letting agents I trust to run things on a day to day basis.

"It's a strategy that has worked well for me, but you've got to be educated and you've got to know what you're doing. Mistakes can be extremely expensive. I'd definitely say you need some sort of training to make it work – and a good deal of common sense.

"The main issues for me come with local authorities all having different rules and expectations – which makes it difficult to have consistency across my properties. It's something to look out for in HMOs, and more changes are likely to come in soon."

The property market is always changing, and investors have come under increasing pressure over the last few months with tighter lending rules, tax changes, tenant deposit caps and other legislation.

Jasmine continues: "I invest under a company name, so things like Section 24 have had very little impact on me. In London of course things like stamp duty are astronomical, and the buy-to-let market has become very competitive. I'm very careful about how much I buy for, and how much a property is actually worth. My style is to invest slowly but surely – I don't rush into things.

"There is still money to be made in property – and I'd recommend any one under 30 to get onto the property ladder and buy at least one. You'll be so pleased you did because longer term it will give you more options in life. Get educated, spend time around other investors, and just do it."

Case study: Sue Sims

Sue Sims bought her first buy-to-let property at 21 - a shop with a flat over it. She didn't do much with property for the next 16 years. But then she started investing in more properties, getting more education, meeting more people and going in on some joint ventures.

18 years on and she now has 42 properties in and around Birmingham.

Sue, 52, not only runs her own portfolio, but she also mentors new landlords, has her own lettings agency Property Genie (which runs out of her original shop), a specialist HMO management agency, a sourcing business - and has recently set up Partners in Property, a networking group.

"You could say that I started out as a very traditional landlord," says Sue. "Historically I would save up money, buy a property, do it up, refinance it - and at that point take the money out and invest in the next property. But it's a slow process and the margins just aren't there any more.

"The property market has changed, and if you want to make it work for you, you have to change with it. I needed to get better returns or get out altogether, and that led me to start diversifying my portfolio - and the different strands of my property business.

"I now have a cross section of flats, 2-3 bedroom houses, an HMO, and two houses converted into studio flats - which I'm currently re-converting into Serviced Accommodation (SA) units as they become free.

"I also lease some of my properties out to a Housing Association. It means I get a better rental return for a solid 3-5 year period and no voids. It can be a completely hands off strategy, but I like to keep an eye on my assets and I've chosen to keep doing the maintenance."

For Sue, it's the Serviced Accommodation units that are her latest challenge. She continues: "One of the advantages of Service Accommodation is that you can theoretically use capital allowances, and that allows you to minimise your tax bill. It's all about how your property is categorised, and you can get burnt if your SA is really an HMO in disguise.

“These units are 3 miles outside of Birmingham city centre, and that means they’re attracting a mix of contractors, tourists, people training at or visiting the hospitals on a short term basis - a whole host of potential guests.

“Location is so important because with Serviced Accommodation it’s all about occupancy. That also means you’ve got to be on top of the marketing, and that can be a full time job in itself. What’s more, it’s not one most landlords or property investors have the skill set for.

“There’s no pretending that SA is an easy strategy - there’s a lot of work involved. Basically, I always say that if you don’t want to run a bed and breakfast, you don’t want to run Serviced Accommodation. The only difference is that you’re not frying your guests’ an egg in the morning!

“Bed and breakfast has never been my ambition, so I use a specialist agency to market and run the units once I’ve upgraded them to SA standard. They do all the advertising on Airbnb, bookings.com and all the other major sites, co-ordinate the bookings, co-ordinate all the laundry and cleaning, and deal with all the check-ins and check-outs. That leaves me to run the rest of my portfolio and my other businesses.

“In terms of my long term investment goals, it’s quite hard to say where I want to end up. I love property, I love all the different things I get to do, and I’ll keep doing them as long as I’m having fun.

"For me, property is all about building relationships - with partners, contractors, tenants, local authorities, builders, finance brokers and insurers. That bit hasn't changed. You've got to have a great team around you, people you know, like and trust. Whether it's your builder or your mortgage broker, a specialist insurer (which you'll need for SA) or a joint venture partner, you need good, sound advice from people who know more than you do.

"In property you can't stop learning - and I think that's really the secret of the landlords surviving and thriving in the changing property market. Taking the time out to do your research, getting as much knowledge as possible under your belt and meeting as many people as possible to help you along the way, are all absolutely key. That's really where the Partners in Property network meeting came from.

"There is so much knowledge out there and much more willingness to share than you might expect. I've found coaching and mentoring new landlords and investors particularly rewarding - and I think the more expertise there is in the market, the better it will end up being for everyone."

Case study: Andrea Savvidou

When Andrea Savvidou, 27, stood back and looked at her life, she decided she wanted to do something else with it beyond her day job in the city as an actuary. So she took a property course, and took a chance on her first property.

Four years later and she now has 17 rental units, mostly in HMOs, and a supplemental income that's going to give her lots of choices in years to come.

Andrea says: "I really fell in love with the idea of taking a house, doing it up, making it into a home for someone - and making some money in the process.

"I still do my day job, but it's more of a choice. It's not full time, and it gives me the income I need for investment.

"It's in the beginning phase that I'm most hands on – finding the property, designing the property with the architect, having that vision and submitting it to the council for planning approval. By the time my trusted development team comes in, I can let that process happen with regular checkpoints rather than constant supervision.

"Once development is finished, I have a management company that takes cares of the management side of things for me, so I'm hands off from there on. They advertise my properties, find my tenants, do the checks and inspections and organise all the cleaning and maintenance. That leaves me free to start researching the next property."

Andrea specialises in commercial to residential refurbishments, and looks for big spaces which can be converted with en-suites and large communal areas into successful Houses of Multiple Occupation.

She says: "To get the right tenants in your HMO in the right area, your spec needs to be good. The market is very competitive right now, and the details can really matter in terms of your occupation levels.

"I target professional working tenants on a long term basis – 6 months upwards, and most of my properties are in South

Yorkshire and Manchester. They're very different areas, but I've found formulas that seem to work for both.

"I have now built a professional relationship with a commercial agent, but at the beginning I was just sourcing properties from online platforms. My latest project was an office conversion, and it's now an 8 bedroom HMO.

"With commercial to residential, you have to be aware of the planning permissions you'll need and who to talk to in different councils. Don't underestimate how much time that can take, and build it into your schedule! The budget is also very different from your average build – every project is different and in some cases you might end up with works involving the removal of asbestos, sound proofing, installation of new electric and gas meters, re-wiring, replacing windows etc. Everything is so much bigger with a commercial property.

"The good news is that it can also include bigger rewards. One big development can end up creating more units to rent and therefore more return for less initial outlay – and in less time – than lots and lots of smaller developments end to end.

"Going into property you really need to have your eyes open, and know what you're doing. If you're not from a trades background, you might have a steep learning curve. You've also got to get your head round the financing, mortgages and insurance. My background is in numbers so that's the bit that came most easily to me – and the practicalities of building and development I've had to learn along the way. Getting the right team to help you is absolutely key.

"I would describe myself as an investor rather than a landlord. I love what I do. In 10 years time I just see myself doing more of what I do now – more properties, bigger projects, more joint ventures.

“Working in property gives me freedom to do what I want to do both now and in the future, and that’s very important to me.”