

PRESS RELEASE

Date Issued: Friday 14 January 2022

Embargoed until 00.01 hrs Monday 17 January 2022

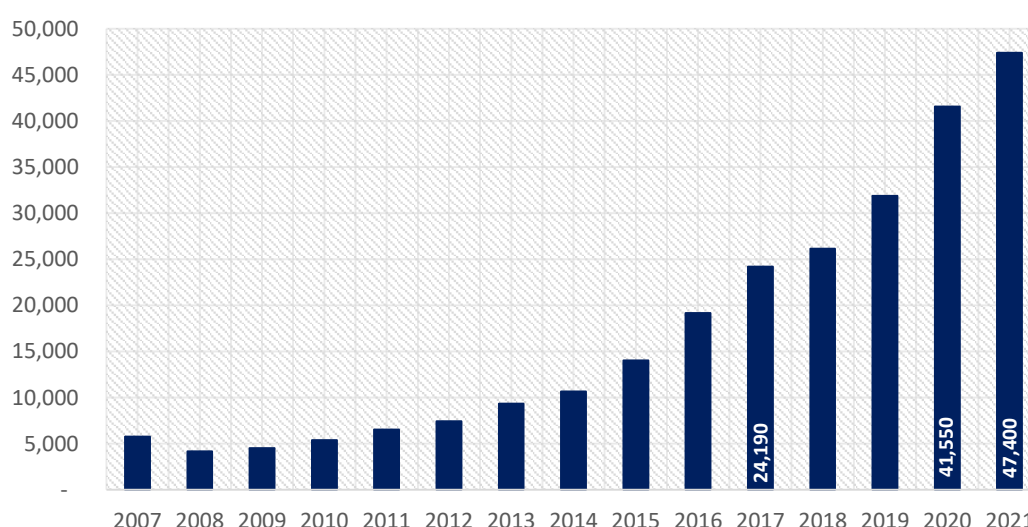
Hamptons Monthly Lettings Index – December 2021

RECORD 47,400 NEW BUY-TO-LET COMPANIES SET UP IN 2021

61% of the 269,300 current companies have been incorporated since April 2017

- 2021 saw more buy-to-let companies set up than in any previous year (chart 1). Numbers were 14% up on 2020, although the rate of growth has slowed.
- Over the last year, 50% of new buy-to-let mortgages were taken out by a company. This means that companies now account for 29% of outstanding buy-to-let mortgages.
- Companies set up in London and the South East account for the bulk (45%) of new incorporations, with numbers down year-on-year in the North East (-6%) (table 1).
- Rents in all four regions of Southern England (London, SE, SW and E) surpassed £1,000 per month for the first time in December as rents rose 7.2% nationally over the last 12 months (table 2).

Chart 1 – Number of new buy-to-let companies set up each year



Source: Companies House & Hamptons

/...

Last year saw a record number of companies set up to hold buy-to-let property. In total there were 47,400 new buy-to-let companies incorporated in 2021 across the UK according to Companies House data (chart 1).

This is nearly twice the number that were set up in 2017 when it was announced that investors with properties in their personal names would no longer be able to claim mortgage interest as an expense. While individual landlords are effectively taxed on turnover, company landlords are taxed on profit. This has meant that for some landlords – particularly those who are higher rate taxpayers – it has become more profitable to move their buy-to let(s) into a company.

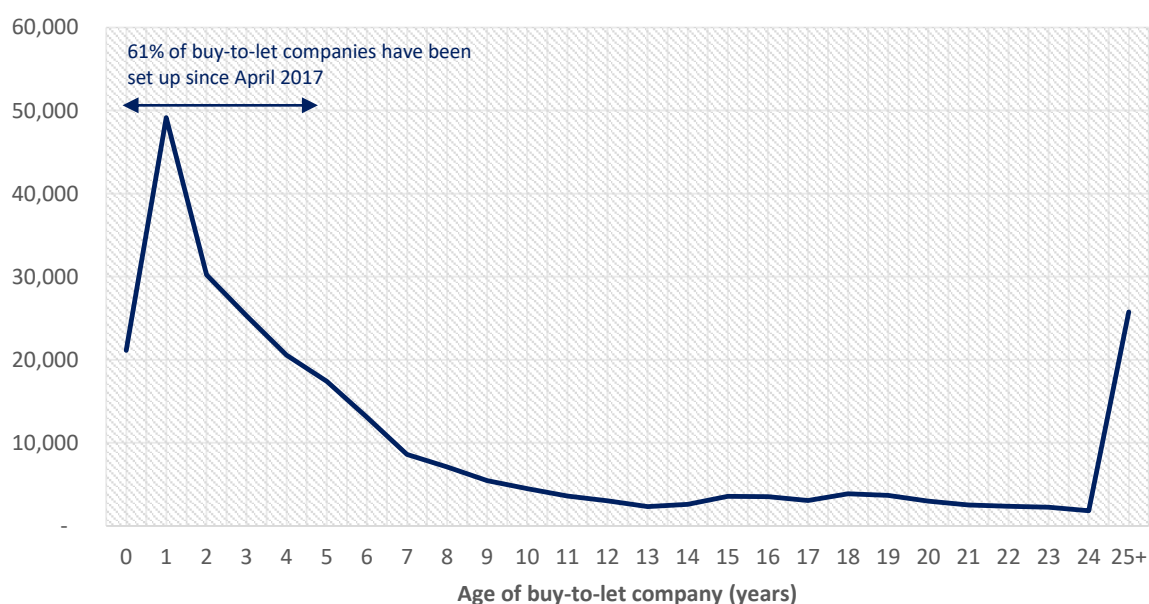
However, the rate of growth in new incorporations fell compared to previous years, with a 14% increase recorded between 2020 and 2021, down from a 30% increase recorded between 2019 and 2020.

While the number of buy-to-let companies up and running in the UK passed through the 200,000 mark as the country emerged from the first lockdown, by 2021 this figure rose to a new total of 269,300. 61% of these companies have been set up since the withdrawal of mortgage interest relief which began in April 2017 (chart 2).

The average buy-to-let company has been operating for 9.2 years, a figure which has fallen amid the rising number of new incorporations over the last five years. At the other end of the scale, 7,900 or 3% of companies have been running for more than 50 years, while 440 have been going for more than a century.

Chart 2 - Most of the UK's buy-to-let businesses are still fairly new

(How many years buy-to-let companies have been operating)



Source: Companies House & Hamptons

/...

50% of new buy-to-let mortgages in 2021 were taken out by a company rather than someone buying in their personal name, meaning we estimate that around half of all new landlord purchases last year used a company to hold their buy-to-let. 40% of these new purchases went into a company which was less than a year old (chart 2), suggesting newer landlords still account for a sizable proportion of growth.

Buy-to-let companies currently hold a total of 583,000 mortgaged properties, accounting for around 29% of all existing buy-to-let mortgages nationally. This figure has increased from 26% over the last 12 months.

The bulk of new buy-to-let companies set up in 2021 were in London and the South East, with the two regions together accounting for 45% of all new incorporations. These two regions have long led the incorporation charge given higher rents mean the tax advantages from incorporation are generally larger. Only the North East, the cheapest region in the country, saw fewer (-6%) buy-to-let companies set up in 2021 than in 2020 (table 1).

Northern Ireland (36%) has seen the biggest annual increase in the number of new buy-to-let companies set up, albeit from a low base.

While the number of buy-to-let incorporations has continued to grow, around 25,100 have closed their doors since the onset of the pandemic. 15,200 companies closed in 2021 which equates to around 6% of all buy-to-let companies up and running today. The average company closed down after 5.8 years, a figure which has fallen steadily in recent years as the number of incorporations has increased.

RENTAL GROWTH

Despite rental growth across Great Britain peaking over the summer months, an annual growth figure of 7.2% recorded in December 2021 means that rents were rising at around twice the rate recorded in December 2020 (table 2). This compares to a peak of 8.7% in July 2021 and 7.9% in November 2021.

For the sixth month running, rents grew faster in the South West (12.8%) than in any other region. This growth means that average rents have now surpassed £1,000 per month in all four Southern regions of Great Britain: London before our records began in 2012, the South East in July 2016, East of England in December 2020 and the South West in December 2021.

Rental growth continued to strengthen in Greater London on the back of a recovery in Inner London. Inner London rents rose 8.6% over the last 12 months, the fastest rate since March 2016 (table 2). This leaves the average rent here just 2.0% below where it was on the eve of the pandemic in January 2020.

Rental growth (3.7%) in Outer London has remained considerably more stable, returning to its pre-pandemic trajectory (table 2).

Commenting Aneisha Beveridge, Head of Research at Hamptons, said:

"The way buy-to-let investors hold property has changed, with the impact of the tax changes made five years ago still shaping landlord buying behaviour today. But despite record numbers of rental homes being held in companies, the growth in buy-to-let businesses has come from smaller landlords rather than larger institutions who made up most buy-to-let company owners pre-2016. Today, only 20% of buy-to-let businesses hold more than three mortgaged properties, a similar profile to landlords who hold homes in their personal name.

"The number of new buy-to-let incorporations in 2021 is probably close to its peak, with fewer likely to be set up in 2022. This is partly a product of last years' stamp duty holiday which served to slow the fall in new investor numbers. Additionally, many investors who have wanted to make tax savings by transferring properties from a personal to a company name have had five years to do so.

"With average rents in all four Southern regions now surpassing £1,000 per month, the North-South divide in the rental market has never been wider. The recent recovery in London rents, coupled with strong ongoing growth across Southern England has seen the gap in rents between Northern and Southern England grow from 35% or £200 per month to 50% or £350 per month over the last decade."

Table 1 – Number of new buy-to-let company incorporations

	BTL Incorporations	YoY Changes
London	15,200	24%
South East	5,810	10%
West Midlands	5,030	6%
North West	4,310	4%
East of England	4,300	13%
Yorkshire and The Humber	2,710	13%
South West	2,600	9%
East Midlands	2,500	14%
Scotland	2,040	23%
North East	1,200	-6%
Wales	1,190	15%
Northern Ireland	420	36%
UK	47,400	14%

Source: Companies House & Hamptons

Table 2 – Average rent on a new let

	Dec-20	Dec-21	YoY Change (%)	YoY Change (£)
Greater London	£1,862	£1,948	4.6%	£86
Inner London	£2,185	£2,372	8.6%	£187
Outer London	£1,801	£1,867	3.7%	£66
South East	£1,158	£1,250	7.9%	£92
South West	£902	£1,017	12.8%	£115
East of England	£1,034	£1,094	5.8%	£60
Midlands	£720	£774	7.4%	£54
North	£684	£739	8.2%	£55
Wales	£681	£740	8.6%	£59
Scotland	£694	£747	7.6%	£53
Great Britain	£1,054	£1,129	7.2%	£75
Great Britain (Ex London)	£846	£918	8.5%	£72

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for January will be issued on Friday 11 February, embargoed until 00.01 hours Monday 14 February 2022.

Ends

For further information, please contact:

Alison Blease

Head of Research PR, Hamptons

Tel: +44 (0) 776 96 77 825

Email: bleasea@hamptons.co.uk

About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index has been running since 2012.

The index is a mix adjusted series, with rent and rental growth figures for each month based on a three-month rolling average. The most expensive decile of homes let are excluded to reduce volatility and the mix includes the most recently published government stock statistics.

The Hamptons Lettings Index uses data from the Countrywide Group to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide each year, adjusting for their location and type. It is based on achieved rather than advertised rents.

About Hamptons

Hamptons is a leading residential estate agent and property services company, operating in London and the South of the UK.

Hamptons offers a wealth of award-winning services including UK and international Sales, Lettings, Property Management, Corporate Services, Residential Development, Development Land, Valuation Property Finance, and is a subsidiary of Connells, the UK's largest estate agency and property services group.