AS LANDLORDS DIVERSIFY, CHOOSING THE RIGHT LENDER MATTERS MORE THAN EVER

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The UK buy-to-let (BTL) market is entering a new phase, with regulatory developments including the Renters Rights Act and Minimum Energy Efficiency Standards (MEES) prompting landlords to reassess how they structure their portfolios and where future investment opportunities lie.

Encouragingly, landlords remain optimistic. Earlier this year, our Buy to Let Barometer found that 84% of limited company landlords expect rental yields to increase over the next 12 months, while almost nine in ten (89%) were confident about the outlook for the rental market. Perhaps most significantly, 95% said they were looking to diversify their portfolios.

This presents an opportunity for brokers, as landlords increasingly explore property types such as Houses in Multiple Occupation (HMOs) and Multi-Unit Blocks (MUBs) to strengthen rental yields and build more resilient portfolios. While HMOs and MUBs can offer attractive investment opportunities, they also introduce additional layers of complexity that make lender selection more important.

Understanding lender differences

One of the key challenges for landlords investing in HMOs and MUBs is that lender risk appetite and criteria can vary significantly.

While many lenders are active in this market, their appetite for different types of HMO and MUB cases can vary considerably depending on factors such as the property's characteristics, the landlord's experience, and the overall complexity of the application. Those differences are reflected in individual lending criteria, with requirements often varying across areas such as the number of bedrooms permitted and whether a property must be readily saleable as a traditional family home.

Understanding a lender's appetite and criteria before submitting an application can have a significant impact on the customer journey. Identifying the right lender from the outset can help avoid unnecessary delays, reduce the likelihood of declined applications, and create a smoother experience for landlords. It can also help brokers set realistic expectations, giving landlords greater confidence that the lender they have chosen is well aligned to both the property and their investment objectives.

Future-proofing property investments

As landlords diversify their portfolios, many are also considering how future regulation could influence the long-term performance of their investments.

The Government's planned changes to Minimum Energy Efficiency Standards (MEES), which would require privately rented homes in England and Wales to meet the equivalent of an EPC rating of C by 1 October 2030, are already shaping investment decisions.

For some properties, achieving a higher EPC rating may require relatively straightforward upgrades. For others, particularly older housing stock, the work – and associated cost – could be considerably more significant.

Considering these factors at the point of purchase can help landlords avoid unexpected expenditure further down the line and ensure investment decisions remain commercially viable over the longer term.

For brokers, this means conversations increasingly extend beyond the mortgage application. Helping clients consider future investment costs, potential refinancing implications, and the long-term suitability of a property has become an important part of delivering informed advice.

Avoiding unnecessary costs

Avoiding unnecessary costs is another important part of delivering good outcomes for landlord clients, particularly when placing more complex HMO and MUB cases.

Where lender criteria differ significantly, there is always the possibility that an application progresses before it becomes apparent that a property sits outside a lender's appetite. In some cases, this can result in landlords incurring valuation or application fees before it becomes clear that an alternative lender is needed.

This is where early engagement with lenders can make a real difference.

Speaking to a Business Development Manager (BDM) before submitting an application can help brokers understand how a lender is likely to assess a case, identify any potential issues early and manage client expectations from the outset. Beyond supporting individual cases, regular conversations with BDMs can also help brokers build a deeper understanding of lenders' evolving risk appetite and criteria, giving them greater confidence when placing future HMO and MUB business.

Some lenders are also taking steps to reduce friction within the process by removing upfront application fees or offering free valuations. While approaches vary across the market, reducing unnecessary costs and uncertainty benefits brokers, lenders, and landlords alike.

A growing opportunity for brokers

Helping landlords diversify is about much more than sourcing a competitive mortgage.
As portfolios become more sophisticated and investment decisions more nuanced, brokers have an increasingly important role to play in helping clients navigate complexity with confidence.

Understanding lender appetite, engaging with lenders early and making full use of BDM expertise can help brokers place cases more effectively while supporting landlords to make informed, long-term investment decisions.

Ultimately, successful diversification isn't just about finding the right property. It's about combining the right investment opportunity with the right lending partner, giving landlords the confidence to build resilient portfolios for the future.

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