LANDLORD CONFIDENCE REMAINS RESILIENT, BUT THE MARKET IS CHANGING

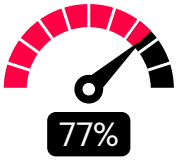
ANDY BICKERS • COMMERCIAL DIRECTOR, KENSINGTON MORTGAGES



The buy to let (BTL) market has experienced considerable change in recent years. Higher borrowing costs, rising operating expenses, and an evolving regulatory environment have all influenced how limited company landlords manage their investments. Yet, despite these pressures, the latest findings from Kensington Mortgages' *BTL Barometer* suggest that confidence in the sector remains robust.

Four in five (80%) limited company landlords feel confident about the outlook for the UK rental market over the next 12 months. That is down from 89% in our previous survey in the spring but still represents a substantial majority. Most also expect rental yields, tenant demand and property prices to rise over the coming year, albeit in smaller proportions than previously.

Despite this moderation in confidence and expectations, the latest research does not paint a picture of landlords losing faith in the sector. Rather, it suggests that expectations are becoming more measured as investors reassess what the market can deliver and how best to position their portfolios.



A more considered approach

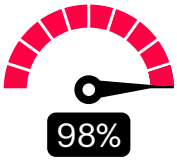
The clearest evidence of this shift comes from landlords' plans for the year ahead. Just 11% intend to expand their portfolios, compared with 38% in the spring. Meanwhile, 77% plan to maintain their current holdings, up from 53%.

These figures mark a notable change in emphasis from acquisition towards consolidation. For established landlords, maintaining the size of a portfolio can still involve significant decisions about which properties to retain, where to invest and how to manage financing arrangements.

Indeed, 99% of respondents said they had made improvements to their properties in the past 12 months, including upgrading fixtures and fittings, undertaking extensions and improving energy efficiency. This suggests that slower portfolio growth should not be confused with a lack of investment.

There are some encouraging signs on costs. The proportion expecting mortgage costs to increase over the next year has fallen from 77% to 59%, while fewer respondents report rising running costs. Nevertheless, financing remains a concern, with only 42% now describing accessing BTL mortgage finance as easy, compared with 74% in the previous survey.

This contrast captures an important feature of today's market. Landlords may feel more positive about the direction of some costs, but securing suitable finance is not necessarily becoming simpler.



Diversification remains on the agenda

Caution about expansion has not diminished interest in changing the composition of portfolios. Almost all respondents (98%) are considering diversification into different property types, with family residential properties attracting the greatest interest.

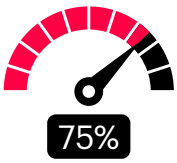
Kensington's own lending data also highlights the continuing importance of houses, which accounted for 71% of limited company BTL lending value in 2026 to date. Meanwhile, the Barometer shows growing

interest in holiday and student lets, with the proportion of landlords holding these property types increasing since the spring.

The continued appetite for diversification is particularly notable given the sharp decline in landlords planning to expand their portfolios. It suggests that while many are reluctant to increase their overall holdings in the near term, they remain interested in exploring different property types and assessing how these might support their longer-term investment objectives.

The limited company structure remains central to many of these strategies. Our survey found that 68% of respondents now hold their entire portfolio through limited companies, up from 53% in the spring. This highlights the importance of considering how property investments are structured alongside decisions about property types and financing.

The differing tax treatment of property ownership structures has also come into sharper focus following the recent Budget. While the announced increases in property income tax will not directly affect rental profits earned through limited companies, landlords holding properties personally will face higher rates from April 2027. This adds another consideration when assessing how best to structure property investments.



Energy efficiency and regulation shape investment decisions

Energy efficiency is also influencing how landlords manage their portfolios. Almost all (96%) say energy efficiency requirements are a factor in their investment decisions, while 43% have made energy efficiency improvements over the past 12 months.

Kensington's own lending data also points to a shift in the EPC profile of properties financed. EPC A-C rated properties accounted for 57% of lending value in 2026 to date, an increase of 1.4 percentage points year-on-year.

More broadly, regulation remains a significant consideration for landlords, with three-quarters (75%) expecting the regulatory environment to become more challenging over the next 12 months. As energy efficiency becomes an increasingly important consideration alongside wider regulatory pressures, landlords will need to carefully assess how best to manage investment in their properties while maintaining sustainable returns.

Ultimately, our latest *BTL Barometer* points to a market in transition rather than retreat. Confidence remains widespread, but landlords are becoming more cautious about expansion while continuing to invest in their existing properties and consider opportunities for diversification. Rather than signalling a withdrawal from the sector, these findings suggest landlords are taking a more considered approach to managing their portfolios.

#KensingtonDifference

Keep up to date with our latest news and updates by following us on LinkedIn

Kensington and Kensington Mortgages are trading names of Kensington Mortgage Company Limited. Registered in England & Wales: Company No. 03049877. Registered address: 2nd Floor, Marlow International, Parkway, Marlow, SL7 1YL. Kensington Mortgage Company Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 310336). Some investment mortgage contracts are not regulated by the FCA.

K.M ART 0098 NOV26