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## **How Has the 2012 Government Budget Impacted Landlords?**



## **Contents**

### **1 Introduction**

An overview of what is being explored with this White Paper and the information that can be found within

### **2 Purpose**

The reason for this research and the potential implications of any findings

### **3 Research**

A look into the data we have gathered around UK landlords' views on the 2012 Government budget

#### *a. 2012 Budget*

Information gathered around UK landlords' views on the 2012 Government budget as a whole

#### *b. "Granny Tax"*

Information gathered around UK landlords' views on the new changes to the Pension Allowance or "Granny Tax"

#### *c. Property Market Impact*

Potential impact of landlords views on the property and rental markets in the UK

### **4 Findings**

Findings we have gathered from analysis of information gathered from UK landlords



## **1. Introduction**

This White Paper investigates the impact of the 2012 UK Government budget on landlords, looking at how the budget as a whole will impact landlords and the rental market and also looking specifically at how the changes to the pension allowance, known as the "Granny Tax" will impact UK landlords.

The research and findings within this White Paper are based on a survey of 300 UK based landlords taken in March 2012, who were all asked a variety of questions regarding the 2012 Government budget, the "Granny Tax" and their own property portfolios.

The research and findings within this White Paper are split into 2 sections; firstly, looking at the overall impact of the 2012 Government budget on landlords and secondly, looking specifically at the impact of the "Granny Tax" on UK landlords.

## **2. Purpose**

There are 3 main purposes of this White Paper:

1. To understand UK landlord's opinions of the 2012 budget and see if they believe it will have a positive or negative impact
2. To understand UK landlord's opinions of the "Granny Tax" specifically and see if they believe it will have a positive or negative impact
3. To understand how the views of landlords in the UK with regards to the budget could have an impact on the property and rental markets

The data will also look at different age ranges of landlords within the UK to identify any differences of opinion based on this factor.

From this research it should be clear to see if landlords in the UK believe that the 2012 Government budget will negatively impact them. It should also be clear to see if landlords feel that the changes in pension allowance will impact them negatively and if the same thoughts are shared across different age ranges of UK landlords.

Finally, it should be clear to see if the property and rental markets within the UK are likely to be affected due to the impact of the 2012 budget.

### **3. Research**

This section has been split into 3 parts; the *2012 Budget* section examines the information gathered around UK landlords' views of the Government budget as a whole and how they believe it will impact them as a landlord.

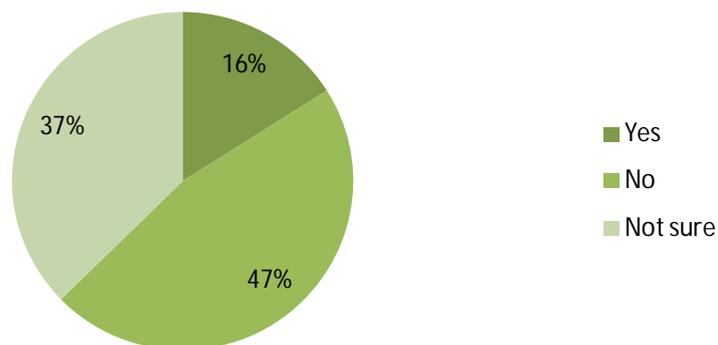
The "*Granny Tax*" section looks more specifically at information gathered around how UK landlords' believe the new changes to the pension allowance will impact them as a landlord.

Finally, the Property Market Impact section will look at the potential impact of the 2012 budget on the property and rental markets in the UK, based on landlord's views.

#### *a. 2012 Budget*

To firstly understand the overriding view of the 2012 Government budget, 300 UK based landlords were asked; Has the 2012 Government budget negatively impacted you as a landlord? And the results were as follows:

### **Has the 2012 Budget Negatively Impacted You?**



The chart shows that of the surveyed landlords, 16% thought that the budget had negatively impacted them and 37% were unsure, meaning that less than half of all landlords surveyed did not think that the budget had negatively impacted them.



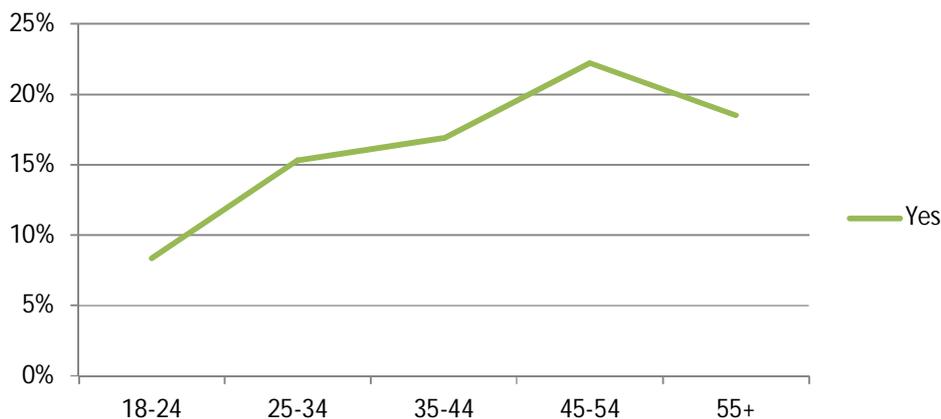
One of the key aspects of this research was to understand the views of landlords from different age ranges, especially as many of the changes within the 2012 budget are in relation to pensions and tax rates for older people. Therefore the data above has also been split out into 5 age ranges, as detailed in the table below:

Has the 2012 Budget Negatively Impacted You?	18-24	25-34	35-44	45-54	55+
Yes	8%	15%	17%	22%	19%
No	58%	48%	47%	39%	33%
Not sure	33%	36%	36%	39%	48%

What this data shows is that there is a much lower percentage of younger landlords that believe the 2012 budget has negatively impacted them and that up to the age of 55 the older the age range the higher percentage of landlords believe the budget has negatively impacted them.

This data has been visualized in the graph below, highlighting that as age increases the percentage of landlords that believe they have been negatively impacted increased, up until the age of 55+ when it begins to dip again:

### Has the 2012 Budget Negatively Impacted You?



As already stated, one key area of change to the 2012 budget is with regards to pension reforms and taxes for older people. What this data seems to show is that the closer to pension age, the more landlords feel that they have been negatively impacted by the budget.

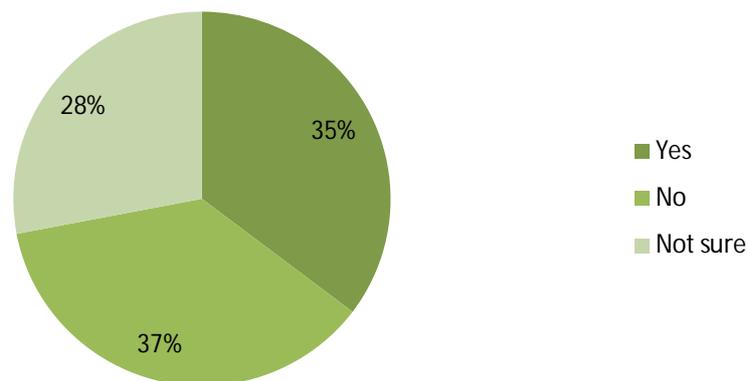
However, this is only true up until the age of 55+ where the level of people who feel negatively impacted decreases. This is most likely due to the fact that many people within this later age range are already retired or are close enough to retirement that the new changes will not affect them.

From this it can be inferred that there is a notable percentage of landlords who feel that they have been negatively impacted by the 2012 UK Government budget and that this opinion is greater in older landlords.

**b. "Granny Tax"**

Looking more specifically at the Governments changes to the pension allowance that consisted of freezing the higher personal allowance for retired people, eliminating the perk worth up to £323 per year for a large number of future pensioners, dubbed the "Granny Tax", the 300 surveyed landlords were asked if they thought the "Granny Tax" would negatively impact them as a landlord. Below are the results:

**Do you think the "Granny Tax" will negatively impact on you as a landlord?**



With the general question of whether or not the budget as a whole had a negative impact, 16% of landlords' believed it did, however, with regards to the "Granny Tax" it



can be seen that over a third of all landlords believe that the new "Granny Tax" will have a negative impact on them as a landlord.

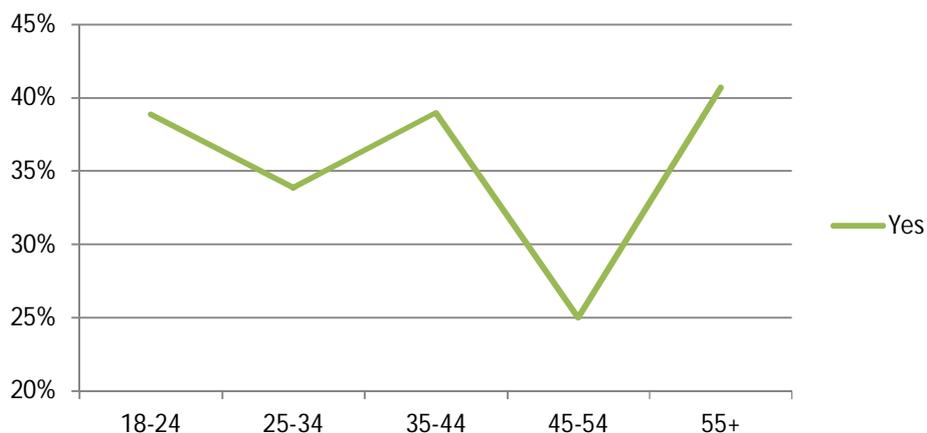
The fact that this single issue seems to strike a larger fear than the budget as a whole could be due to the large amount of publicity the "Granny Tax" has had as an issue separate from the overall 2012 budget.

Splitting the data for this question out by age it can be seen that, unlike the views of the budget as a whole, it is now the oldest age range, the 55+, that has the largest percentage of landlords who feel they will be negatively impacted:

Do you think the "Granny Tax" will negatively impact on you as a landlord?	18-24	25-34	35-44	45-54	55+
Yes	39%	34%	39%	25%	41%
No	39%	43%	27%	44%	22%
Not sure	22%	23%	34%	31%	37%

Visualizing this data as before, it can be seen that the preceding age group of 45-54 year olds has a relatively low percentage compared to the 55+, despite this being the group that had seen the biggest negative impact of the budget as a whole.

### Do you think the "Granny Tax", will negatively impact on you as a landlord?

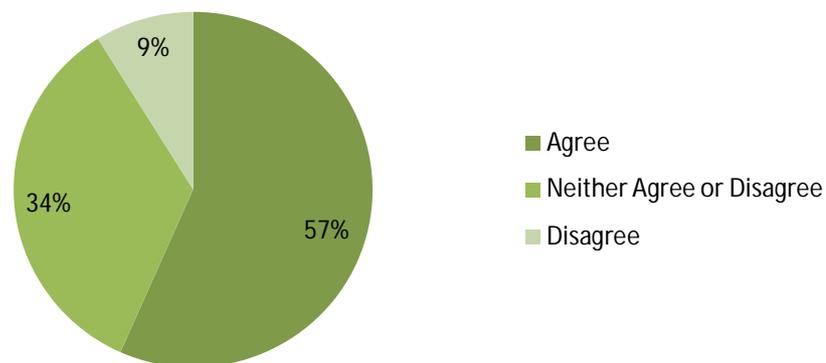


This data also shows younger landlords have a greater fear of the impact of the "Granny Tax" as opposed to the budget as a whole.

This further suggests that the media coverage of the "Granny Tax" specifically has had a strong impact, as landlords as a whole and specifically younger landlords have a worse opinion of the impact of the "Granny Tax" on them as a landlord than the overall 2012 budget.

This idea is also backed up by data from another question posed to UK landlords. Participants of this survey were asked if they agreed with the following statement: 'the "Granny Tax" will make it harder for older landlords to maintain their portfolios' and here are the results:

### The "Granny Tax" will make it harder for older landlords to maintain their portfolios



As the pie chart shows, more than half of all respondents agreed with the statement and only 9% disagreed, clearly showing that there is a belief that the "Granny Tax" will make it harder for older landlords.

It is clear to see then that there is a strong view by UK landlords that the "Granny Tax" will have a negative impact, even more so than the impact of the 2012 Government budget as a whole.

#### *c. Property Market Impact*

Thus far it has been shown that a proportion of landlords in the UK believe that there has been a negative impact from the 2012 budget and that they will be specifically affected by the new "Granny Tax".



However, it is as yet unclear if these beliefs will actually impact landlords decisions and actions and if in turn there will be an impact on the UK renting and property markets.

To better understand the impact of the 2012 budget, we asked UK landlords if they would be increasing their property portfolio in the next year and if they would be increasing their rental yields in the coming year.

Firstly, looking at whether or not landlords will be increasing their rental yields in the next 12 months, 28% said yes they would be whilst 72% said no they wouldn't:

Will you Increase your Rental Yields in the Next Year?	%
Yes	28%
No	72%

This data on its own does not highlight any great impact from the 2012 budget on rental yields. However, when this data is combined with the question of whether or not landlords felt the 2012 budget had negatively impacted them, the results do highlight a notable impact:

Has the 2012 Budget negatively impacted you as a landlord?	Will you Increase your Rental Yields in the Next Year?
No	20%
Not sure	23%
Yes	65%

What the table above shows is that, of the landlords who do not feel the 2012 budget has negatively impacted them, only 20% said they would be increasing their rental yields in the next year, whilst of the landlords who do feel the budget has negatively impacted them 65% will be increasing their rental yields within the next 12 months.

The same trend can be seen if this data is compared to the question of whether or not the "Granny Tax" will have a negative impact.

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Of the landlords who did not feel the "Granny Tax" would have a negative impact 23% said they would be increasing their rental yields within the next year whilst of the landlords who did feel the "Granny Tax" would negatively impact them 38% said they would be increasing their rental yields in the next year:

Will the "Granny Tax" negatively impact you as a landlord?	Increase rental yields in the next year?
No	23%
Not sure	24%
Yes	38%

These 2 sets of data perpetuate the idea that landlords who believe the budget has had a negative impact on them will be looking to charge more rent in order to increase their income from their properties, most likely to make up for the negative impact they have felt or expect to suffer from the budget.

This shows that the 2012 budget could have a big impact on the rental market in the UK as landlords who feel that they are likely to suffer from the "Granny Tax" and the budget as a whole put up their rental yields in order to take in more income from their properties.

As well as this, landlords were also asked if they would be looking to increase their property portfolios in the next year, with over 2 thirds saying no:

Are you looking to increase your property portfolio in the next 12 months?	%
Yes	26%
No	74%

Although this does not highlight any great impact on its own, if as before it is combined with data regarding landlords' views on the impact of the budget it does highlight a specific trend.

Firstly, comparing this data to the answer of whether or not the 2012 budget had has a negative impact, it can be seen in the table below that of the landlords who felt the 2012 budget did not have a negative impact only 19% are looking to increase their



property portfolios, whilst of the landlords who felt there was a negative impact 75% are looking to increase their portfolios:

Has the 2012 Budget negatively impacted you as a landlord?	Are you looking to increase your property portfolio in the next 12 months?
No	19%
Not sure	13%
Yes	75%

Once again a similar trend can be seen when looking specifically at the "Granny Tax", with 24% of those who think there will be no negative impact looking to increase their property portfolios compared to 35% of those who think there will be a negative impact:

Will the "Granny Tax" negatively impact you as a landlord?	Are you looking to increase your property portfolio in the next 12 months?
No	24%
Not sure	17%
Yes	35%

This data suggests that not only will landlords who think they will be badly affected look to increase their rental yields but they will also look to increase their property portfolios, again suggesting that they will look to generate more income to combat the negative impact of the 2012 budget and the "Granny Tax".

From the data gathered and analysed above it can be argued that there is a significant proportion of landlords that feel the 2012 budget, and specifically the "Granny Tax", will have a negative impact on them and because of this impact they will be looking to increase their property portfolios and their rental yields in order to generate more income and combat this negative impact.



#### **4. Findings**

There are a number of key findings from this research:

**Negative Impact of the 2012 Budget** – It can be seen that 16% of UK landlords feel the 2012 budget has had a negative impact on them whilst 47% felt that the budget changes had not had any affect. Furthermore, it was found that the older the landlords, the greater the impact felt until the 55+ age range as 22% of landlords aged from 45-54 stated that the budget had negatively affected them, whilst 19% of the 55+ age range felt the same way. Interestingly, a substantial 58% of landlords aged 18-24 did not think that they had been negatively impacted.

**Negative Impact of the 2012 Budget** – Looking specifically at the “Granny Tax” it can be seen that 35% of UK landlords feel it will have a negative impact on them. In terms of age ranges, it is the 55+ age group that has the highest percentage of landlords at 41% believing that the “Granny Tax” will have a negative impact on them. Meanwhile, 44% of landlords aged from 45-54 felt that the “Granny Tax” would not have a negative impact on them. The highest percentage of landlords that did not know whether they would be negatively affected was the 35-44 age range at 34%.

**Impact on Rental Yields** – The data shows that landlords who believe the 2012 budget and the “Granny Tax” will have a negative impact on them are more likely to increase their rental yields in the next year than those who do not think there has been, or will be, a negative impact. Of those who thought the budget has negatively impacted them, 65% said they would increase their rental yields whilst 38% of those believing the “Granny Tax” will have a negative impact will look to increase their rental yields.

**Impact on the Property Market** – Data has also revealed that on the whole, just 26% of landlords are looking to increase their property portfolios in the next year. Additionally, of those that believe the budget has had a negative impact, a significant 75% are looking to increase their property portfolios, whilst the data also shows that landlords who believe the “Granny Tax” will have a negative impact upon them are more likely to increase their property portfolios with 35% of respondents stating this.

Overall, what the data within this White Paper highlights is that there is a proportion of UK landlords that feel the 2012 budget and the “Granny Tax” will negatively impact them and that of these landlords there is a large proportion who will look to increase their rental yields and property portfolios in order to make more money and combat this negative impact.