From landlord to laptop: the new generation of digital property investors

The lustre of life as a landlord may be wearing thin - and a generation of digital property investors is emerging. Let’s first look at the evidence for why the landlord lifestyle may no longer be the strongest bet.

Temps de lecture : minute

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Average rental yields are down (to 3.8% in December 2020 from a 5.9% high in 2012) and regulation is having a boa constrictor effect on financial gain. It has become harder than ever to remove non-paying tenants due to changes to the Deregulation Act’s eviction rules. And, crucially, the tax relief perks for buy-to-let mortgages have been consigned to history.

A glamorous, lucrative lifestyle where wealthy individuals who built enviable portfolios with a stream of passive income is juddering to a halt. No wonder *a fifth of landlords are contemplating the sale of all - or at least some - of their property portfolios*, according to Nottingham Building Society’s research.

As probable as that life might still be for the extremely wealthy, this is not the case for the majority of landlords who are prone to the whims of the Treasury and housing regulations. What was a safe and profitable investment for retirement is becoming a greater burden on time and money.

This is not exclusively due to the pandemic, although COVID has been exacerbating an issue that has been in the works for a while now. The National Residential Landlords Association (NRLA) found that 60% of landlords had lost rental income as a result. But even before that, the number of *new buy-to-let mortgages has been trending down for a while*. And estate agents Hamptons recently reported inner London house sales to landlords as being 80% lower than 2014 levels.

Take into account the perennial tales of tricky tenants, avaricious agents and leaky roofs, changes to buy-to-let tax relief, the loss of wear and tear allowance, and now add the continued impact of COVID-19 in rental income, and it all makes good sense - being a landlord has simply lost its appeal in 2021. So where should those with savings look next? The *nearly million landlords who plan to review their buy-to-let portfolios over the next two years* might just move on from this fairytale and follow the steps of the new generation of property investors.

Digital property investment is next

The buy-to-let route may no longer be a golden goose, but with the UK property investment set to benefit as a whole from a post-COVID, and arguably post-Brexit bounce, the market is poised for a significant digital disruption. Add to this the opportunity across global real estate and the digital pathway opens up immense opportunities.

Property, as Maddyness' PropTech 3.0 report highlights, is one of the last industries to fully embrace digitisation. Online property services are now addressing the unglamorous side of landlord life, such as conveyancing, contracts, and the energy usage and the carbon footprint of individual properties. And beyond the minutiae, normal people with a little cash to spare are starting to build their property investment portfolios online, with deals becoming more accessible, simple and affordable.

This technological transformation also has the potential to democratise property investment. Until now, institutional-grade real estate investment opportunities in the UK were beyond anyone but the already very wealthy - or institutional funds and family offices. This is particularly the case with investment into property development, which was all but inaccessible for the mainstream investor.

With the mid-market property development sector traditionally suffering from a lack of junior funding partners, proptech is now addressing this void by empowering fractional investment solutions that enable a generation of individual investors to look beyond equity funds and physical property portfolios towards an online alternative generating lucrative returns, together with the excitement of being involved with property development.

As these platforms expand, the minimum investment threshold will lower. This will enable the on-boarding of an ever larger investor base, allowing more projects to be financed in a virtuous 'social capitalist' circle that offers products to suit all risk profiles and where investors are able to build a diversified portfolio, allocating some funds across the investment spectrum.

Many more people are forgoing the stress of getting the plumbers in every few weeks whilst keeping hold of their other jobs - in pursuit of high return property development projects from the comfort of their laptops and smartphones.

The online property investment market is forecast to grow from $15B today to $800B by 2027, driven by a generation of new, often younger, investors - many of whom may not be in a position to buy property outright themselves. Online portfolios show the potential to provide impressive returns and give some glamour back to property investment. So unthinking the tried and tested formulas will likely become the most attractive way ahead for real estate gains.

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