

Research from price comparison site moneysupermarket.com shows there's a widening gap between supply and demand for buy-to-let mortgages.

Enquiries for buy-to-let mortgages increased by nearly 50 per cent since August 2008, whilst available products have diminished by over 70 per cent over the same period.

Furthermore, buy-to-let mortgage rates have not fallen by as much as mainstream mortgage rates following the decreases in the Bank of England Base Rate. Since August last year the average rate for mainstream mortgages has reduced by 1.95 per cent, whilst buy-to-let rates have only fallen by 1.13 per cent.

Hannah-Mercedes Skenfield, mortgage channel manager at moneysupermarket.com said: "New and existing buy-to-let landlords face a difficult task in finding a suitable mortgage. Our figures show nearly ten per cent of those looking for a mortgage are looking for a buy-to-let mortgage, but the number of products has fallen by over two-thirds compared to this time last year. With significantly less products left on the market and high interest rates attached to those available we could potentially have a ticking buy-to-let time bomb on our hands; the need for rental housing is increasing, but there may not be enough landlords available to cater for this demand.

"Because banks are targeting safer borrowers for their limited mortgage funds, they have either abandoned or severely restricted their involvement in the buy-to-let market. Even if you are lucky enough to meet the tighter eligibility criteria and have found a suitable buy-to-let mortgage product, you must watch out for the fees levied on arranging the deal, as these can be extortionate.

"It is still increasingly difficult for first time buyers to get on the ladder as a 25 per cent deposit is the normal requirement. As more people look to rent instead of buying, the demand for buy-to-let housing is likely to increase. We have already seen rent prices rise, and with a lack of buy-to-let mortgages for new properties, existing landlords will take advantage and continue to hike prices."

Source: Mortgage Introducer

