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'You Can Touch the Bricks': The Role of Asset Tangibility in Landlord Investment Decision Making

Andrew Robert Watson

Urban Studies, School of Social & Political Studies, University of Glasgow, United Kingdom
Andrew.Watson.2@glasgow.ac.uk
https://orcid.org/0000-0002-9481-0025

Abstract: *For three decades, Private Rented Sector (PRS) growth has been driven by part-time, small-scale, profit-seeking landlords in several Western nations. While the characteristics and motivations of these landlords have been examined in some geographies, far less is known about their investment decision-making, particularly their reasons for choosing the PRS over alternative investment options. This matters because these decisions shape the sector's growth and tenant welfare. The study begins to address this gap by exploring the role of asset tangibility in landlord investment decisions, drawing on research from other investment domains. A mixed methods study was conducted, comprising an online survey of 1,033 Scottish landlords and follow-up interviews with 33 landlords and PRS professionals. Findings suggest that some landlords exhibit a bias towards the 'bricks and mortar' tangibility of PRS investment, which shapes risk perceptions and aspects of their investment decision-making. The findings have several implications. For landlords, there are concerns around investment efficacy; for policymakers, questions about landlord financial literacy; and for tenants, risks to their welfare from landlord decision-making. While the findings are not directly transferable, they are likely to have salience in other nations with established PRSs, including Australia, Canada, the United States, and parts of Europe.*

Keywords: Private rented markets; housing economics; landlord investment behaviours.

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Introduction

A proliferation of part-time, small-scale, profit-seeking, private landlords have driven the expansion of the PRS in several western nations over the past three decades (Gargano and Giacoletti 2022; Hochstenbach 2022; Kadelke 2024; Watson 2025; Witten et al. 2017). Most are individuals or couples, who tend to own a handful of properties.

Despite their pivotal role in housing provision, landlord-focused research remains relatively '*rare*' in many geographies (Ambrose and McCarthy 2019: 166). Even in the UK, where a growing literature explores landlord characteristics and motivations (Evans 2024; MHCLG 2024; Watson 2025), important gaps remain. Research on landlord investment behaviour is limited, particularly regarding behavioural patterns found in other investment domains. For example, Atasoy et al. (2022) report that asset tangibility, framed as a decision-making heuristic and source of cognitive bias, can significantly influence the risk perceptions and choices of individual investors. As PRS investment epitomises tangible asset investment i.e. residential property is visible, physical, and mortgageable, it can be hypothesised that these impacts might extend to PRS investment decisions.

This paper explores whether landlords exhibit tangibility bias in Scottish Private Rented Sector (SPRS) investment, how the bias shapes risk perceptions, and which aspects of tangibility influence decision-making. The research is important as private landlords play a key role in housing provision in Scotland and beyond, and their investment decisions have broad implications for the size, shape and stability of the sector, and the welfare of tenants.

The paper begins with a literature review, focusing first on landlords, then briefly exploring the behavioural finance literature with a focus on tangibility bias. The research design is then described, followed by findings, discussion, and conclusion and recommendations.

The PRS as a Tangible Investment Asset

Watson (2025) summarises key Scottish landlord surveys over the last 30 years (Crook et al. 2009; Evans 2024; Kemp and Rhodes 1997; Watson 2023, 2024), with further insights from UK studies. He finds that the sector has become increasingly 'cottage-like', dominated by small-scale, part-time investor landlords whose Scottish Private Rented Sector (SPRS) investment is intended to provide income, capital growth or both. This picture is echoed to some degree in New Zealand (Bierre et al. 2010), Australia (Wood and Ong 2013), the Netherlands (Hochstenbach 2022), the US (Reosti et al. 2024), and elsewhere (Kadelke 2024).

The housing that constitutes the PRS represents a significant tangible asset investment. Although tangibility is often associated with low perceived risk, in a real estate context, it can also be associated with illiquidity, depreciation, obsolescence and management risk, amongst others (Watson 2022). Existing literature tacitly recognises PRS tangibility through references to landlord management practices (Crook et al. 2012; Kemp and Rhodes 1997; MHCLG 2024; Scanlon and Whitehead 2016). However, there are no specific references to asset tangibility or insights regarding its importance in PRS investment decision-making.

In the traditional finance literature, much of the focus is on intangible investment instruments (e.g., equities) traded within established financial markets. Where investment in tangible assets is discussed, it is generally with reference to fixed asset investment decision-making in firms (García-Posada et al. 2020; Moshirian et al. 2017), or to commercial real estate investment (Giambona et al. 2014). The behavioural finance literature is similarly

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limited, however, this is partially addressed by a recent paper by Atasoy et al. (2022: 1), who frame tangibility as a '*heuristic for evaluating financial risk*', which leads to biased investment risk assessments. Heuristics are rules of thumb that can reduce the complexity of decision-making to simpler 'judgmental operations', whereas biases are cognitive errors that can lead to suboptimal decisions (Tversky and Kahneman 1974). The main contention of Atasoy et al. (2022: 9) is that the tangibility heuristic can inform a '*low perceived market risk for tangible assets*'.

However, it remains unclear whether landlords' investment decision-making processes are similarly informed, or whether they more broadly conform to normative expectations of rational maximisation.

Research Design

The data herein are drawn from a larger study of private rented sector landlords in Scotland (Watson 2023). Couched in pragmatism, the research adopted a mixed methods design comprising an online survey and semi-structured interviews. The online survey was issued to landlords via Scotland's tenancy deposit scheme providers and received 1,033 valid responses, which were weighted to align with the known distribution of SPRS properties. The resultant landlord and landlord investment characteristics were found to be similar to earlier studies. Therefore, limitations primarily relate to participant self-selection. All percentages reported herein come from this survey data.

Landlords were recruited for the semi-structured interviews via the online survey, with 20 selected to align with the survey sample in terms of landlord personal/investment characteristics. 13 PRS professionals were recruited via the author's professional network. All interviews were conducted via Zoom and analysed using NVivo.

Findings

Landlord Tangibility Bias

The online survey asked landlords if they 'prefer bricks-and-mortar investments to investments such as shares and bonds'. The majority (57%) agreed, just 15% disagreed, 26% neither agreed nor disagreed, and 2% did not know. During qualitative interviews, landlords were candid about this bias:

> '*I think myself and other landlords, and I've spoken to other landlords about it, they like the bricks-and-mortar aspect of the investment.*' (James)

The bias appeared deep-rooted. In some cases, it was so strong that landlords selected the SPRS even when they knew they could obtain better returns elsewhere. As James mused:

> '*If I'd have put all my money in the stock market back in say 2000, it would probably be worth more than my property portfolio on a… low to medium risk investment… I prefer bricks-and-mortar investments. It's a tangible thing for me.*'

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Landlord Risk Perceptions

With regard to perceptions of risk, landlords were asked 'how risky' they perceived SPRS investment compared with bonds. Bonds are generally categorised as a low-risk investment, whereas SPRS investment can be viewed as a medium risk investment. While 70% of landlords correctly categorised bonds as low-risk, 39% also categorised the SPRS as low-risk.

The interviews firmly linked asset tangibility with perceived low risk, safety and investment robustness. Terms including 'as *safe as houses*' and '*bricks-and-mortar*' were often used. When asked why he thought the SPRS was a '*safe bet*', Jack simply responded, '*tangibility and capital protection, plain and simple*'. Robert also equated the physicality of the investment to robustness but in comparison to other investments:

> '*I have a good feeling that I have the flat, and it's nice to think about now and again. It's not like figures on a screen that are suddenly going to disappear. I do like the fact that it's a physical thing that's there.*'

Additional Aspects of Tangibility Impacting Landlord Investment Decisions

Besides equating tangibility with low levels of risk, investment safety and robustness, the interviews revealed other wealth-based, project-based, and emotional aspects associated with asset tangibility, which biased landlord investment decision-making.

Wealth-Based Aspects

SPRS asset tangibility proved attractive to some landlords because it afforded a physical recognition of wealth:

> '*I think the main reason that people invest in property is because it is physical. They can see it, they know it exists, they can touch the bricks. With shares on a computer, it's very impersonal… it doesn't feel as if you're rich… I think people feel the need to have some sort of physical recognition of their personal wealth. I think there's a very strong psychological element to that.*' (Stuart)

For others, the tangibility of property offered an extreme hedge against catastrophic loss (either financial or other) thus framing the SPRS as a wealth-based welfare strategy. For example, Joanne viewed her SPRS investment as '*something tangible', 'that you can see and touch and feel*' but relished its physicality as it provided her with the opportunity to live in the property if necessary. Jack expressed a similar motivation:

> '*The tangibility, it's a real asset I can see and touch. If the world turns to shit, I own it, it won't disappear. The value might go down, but I could live in it if I had to.*'

Project Based Aspects

Many interviewees derived satisfaction from the projects made feasible by the tangibility of SPRS investment. Joanne '*enjoyed*' the process of renovating her SPRS property. So did

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Lyndsay, who acknowledged that she got carried away during a refurbishment project spending more time and money than required:

> '*As I say, that first flat… it was good fun because it was furnished, and I had it painted like a flipping rainbow. Every room was a different colour… It's like my Wendy house that I never had, and it was beautiful.*'

Robert was similarly drawn to the project opportunities afforded by SPRS tangibility:

> '*I like going into a place, and making it my own, and spending a bit of time doing it up. That's one of the reasons I went for the flat that I did in the first place because it had a wee bit of scope to improve on it.*'

Robert's point also highlights a further perceived benefit associated with the tangibility of property, the belief that it allows landlords to more directly influence/control SPRS investment outcomes (e.g., by adding value) than would be possible with alternative investments. Paul also pointed to this.

> '*I've always been into a bit of DIY. I mentioned that I've always wanted to improve and increase the value of the properties… I like to get stuck in and do some stuff, which you can't do with other forms of investment.*'

The opportunity to be hands-on with projects had a particular resonance where landlords had a history of working either in housing or a related sector and were able to leverage their skillsets to advance their SPRS investments.

Emotional Aspects

Emotional or sentimental connections, made possible by asset tangibility, were also important to some. Mark suggested that '*a lot of people get emotional about property*', Patrick was '*quite attached'* to his investment property, and Lyndsay observed that:

> '*… there's an emotional thing, an emotional attachment. If it's been your home, you've got that emotional attachment to it and when your life moves on, you still want to hang onto a wee bit of the past.*'

For Stuart, who had lived abroad for quite some time, owning an SPRS property allowed him to retain a connection to Scotland. Similarly, an SPRS property acquired in a less affluent part of a city meant that James, now an affluent suburbanite, could retain a connection to the location in which he was born. Joanne chose a property a considerable distance from her home location partly as she '*had a very good friend*' who lived in its vicinity and liked to visit him. Ben had '*family and architectural ties*' in the city where he had decided to retain his parents' former home.

These connections did not always lead to positive investment outcomes. For example, Ben made the costly decision to retain his late parents' house, when market conditions suggested otherwise. He concluded:

> '*I missed the boat really because of the sentimental attachment.*'

For others, the tangibility of property afforded them the opportunity to assist children/family members or others in an altruistic manner. Jane noted difficulties in obtaining property in her

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hometown and felt that by retaining an inherited property, it had become a '*valuable family asset*' that she could use to both secure an income and assist her children in the future. Linda had rented her property out via a charity '*that seeks to prevent homelessness in young adults*'.

Whilst most of these aspects were known in advance of the landlord's investment decisions, others arose afterwards but influenced the continuing attraction of SPRS investment. For example, Ben, had learnt French from a tenant in one instance and been able to take forest walks while renovating a property during the pandemic in another.

Discussion

The findings of the online survey and semi-structured interviews clearly reveal that landlords have a bias towards the tangibility of 'bricks and mortar' investments. This is a novel insight in the context of SPRS investment and raises questions regarding the impact of the bias on the allocation of assets within landlord investment portfolios. Following Atasoy et al. (2022), it was also found that asset tangibility had skewed landlord perceptions of SPRS investment risk, with a large proportion of landlords perceiving no difference between the level of risk posed by SPRS investment and investment in bonds, thereby incorrectly attributing low levels of risk to their 'bricks and mortar' investments. This raises fundamental questions regarding landlord financial and investment literacy.

The interviews revealed that landlords equated tangibility with the perceived safety and robustness of the investment. There was a strong sense that their capital was somehow locked into and protected by the bricks and mortar. Whilst it could be argued that the SPRS offers a greater degree of capital protection in comparison to some investment alternatives, it remains an inherently risky investment (Watson 2022).

Novelly, and moving beyond the insights afforded by Atasoy et al. (2022), the research identifies additional aspects of asset tangibility that were prized by SPRS landlords. For some, the SPRS offered a physical manifestation of wealth in the sense of landlords having worked hard and having something real to show for it.

For others, asset tangibility afforded the opportunity to apply existing skills and knowledge to projects in a hobbyist manner. This raises questions regarding the competency of landlords to undertake the tasks in which they engage, the extent to which they account for their efforts when calculating returns, and the manner in which they reconcile the part-time nature of the investment with involvement in sometimes large-scale projects. Furthermore, whilst there is some truth to landlord claims that getting 'hands on' affords them the ability to influence or control SPRS investment outcomes, it also carries risks. For example, when Lorna described creating her '*Wendy house',* she spent more time and money than intended, with clear implications for anticipated returns. There are also natural limits to the extent that outcomes can be controlled and therefore, there is a risk that asset tangibility affords a false sense of control, which could further distort risk perception.

For others still, asset tangibility bias was linked to emotions and sentiment, often leading to sub-optimal investment decisions when viewed through a financial lens. However, the impact was offset to some degree where landlords derived non-financial benefits through the tangibility of property.

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The challenge for policymakers seeking to shape the sector and landlords seeking to maximise returns for a given level of risk, is that tangibility bias appears to be deeply rooted. As Peter (financial planner) advised:

> '*The tangibility aspect is something that's very difficult to put somebody off, isn't it? If you can feel and touch something, it does make a big difference.*'

Although the research finds that tangibility plays an important role in SPRS investment decision-making, it is recognised that there are other factors to consider. For example, SPRS investment could be partially motivated by the desire for portfolio optimisation through diversification. It is also likely that other heuristics and biases influence or are influenced by SPRS asset tangibility. For example, the sense of control previously discussed could be interpreted as a form of illusion of control bias (Langer 1975). These are areas that are ripe for further exploration. It would also be interesting to understand the impact of variables such as age, investment experience etc., on landlord susceptibility to tangibility bias. In addition, the findings suggest the need to explore landlord financial and investment literacy in greater depth.

Conclusions and Recommendations

This paper set out to address a gap in the extant PRS literature by identifying if landlords exhibit a bias towards the 'bricks and mortar' tangibility of SPRS investment, to understand how this bias shapes risk perceptions, and to discover aspects of asset tangibility that influence landlord investment decision-making. It has been found that a large proportion of landlords prefer the 'bricks and mortar' tangibility of SPRS investment over alternatives, that many landlords have skewed perceptions of SPRS investment risk, and that there are multiple wealth-based, project-based, and emotional aspects of SPRS investment that influence landlord investment decisions.

Landlords are biased towards the 'bricks and mortar' tangibility of the SPRS for reasons of financial utility and non-financial utility. While this often led to behaviours that diverged from the goal of rational maximisation, such decisions were not necessarily irrational from the perspective of landlords themselves. In some cases, landlords derived utility through non-financial, and sometimes idiosyncratic means (e.g., learning French from a tenant). These social and personal motives, which may benefit both landlords and tenants, can be viewed as having their own rationality, and challenge the pervasive view of landlords as emotionless and ruthless 'Rachman' types. At the same time, the findings raise important questions about the efficacy of the SPRS investments and highlight concerns regarding the financial and investment literacy of landlords.

The findings are novel in the context of individual tangible asset investment and SPRS investment in particular. While the findings are not directly transferable, they are likely to have salience in geographies with similar rental systems, including Australia, Canada, the United States, and parts of Europe. The research presents several opportunities for further research, including a broader exploration of factors that might influence the SPRS investment decision making and the need to better understand financial and investment literacy amongst landlords. Regardless, the findings suggest the need for a landlord-focused educational programme to improve financial literacy, particularly with regard to financial risk awareness and bias awareness.

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