The UK Buy-to-Let Market for the Rest of 2021

We look at house prices, interest rates, rental yields and where to buy for UK expats and foreign nationals looking to invest in the 2021 UK buy-to-let market.


Manchester is one of the top destinations for students – who are retaining residence in the city after they graduate. Because of the ready pool of graduate talent in the city, infrastructure, businesses, and opportunities are emerging around them.

MANCHESTER, GREATER MANCHESTER, UK, May 11, 2021 /EINPresswire.com/ -- What's Going to Happen to Interest Rates?
The Bank of England's base rate has been historically low for a while now and that's something that seems set to stay. After the Coronavirus has made such a huge impact to the UK's economy, the Bank of England will be more incentivised than ever to keep the interest rate low. 'The bottom line is that people need to get out and spend again' says Stuart Marshall, CEO of Liquid Expat Mortgages. 'Keeping interest rates low will encourage people to do this as having savings sat in a bank will earn nothing. This will push more people toward investment as they look for different ways to capitalise on their growing savings.'

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>
> *Stuart Marshall*

Mortgage interest rates are a little less set in stone. While mortgage interest rates were incredibly low through much of last year, we saw them steadily creeping up as lenders became overwhelmed with demand as a result of the stamp duty holiday. With demand motivated by the stamp duty holiday easing off, rates have started to reduce again and the lowest rates that we're likely to see in 2021 will be up for grabs in the not-too-distant future. 'Our advice remains the same as it did when rates were creeping up' says Stuart Marshall 'if you see a deal that you want, you need to lock it in as quickly as possible as products are constantly changing in a developing marketplace.'

What's Going to Happen to Prices?

Many were predicting a huge drop off in house prices in 2021. However, with the extension of the stamp duty holiday, the furlough scheme and the self-employment income support scheme, the expected fall in house prices has been delayed. 'A lack of housing stock is putting upwards pressure on property prices at the moment. But it's clear for anyone paying attention that prices can't stay this high for too long.' And there's indication that they're levelling off with the prices of those properties taken to market in February 2021 having come down slightly. However, prices haven't fallen in the way that many market analysts predicted. 'While prices have dropped off slightly,' continues Stuart Marshall 'the high numbers of prospective buyers are making sure that there's still high demand for the small numbers of properties available and, in turn, making sure that prices stay high.' In support of this, Rightmove reported that February 2021 saw an 8% increase in new buyers than over the same period in 2020.

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'While prices continue to remain robust, a lot of the overall story for 2021 will depend on how we emerge from lockdown. As mentioned above, the government's support schemes are set to end in September 2021. And with the vaccination rollout having hopefully restored some normality to life, the economic repercussions of the Coronavirus are sure to start bleeding through to the wider public. Analysts are split on how robust the property market will be – some predict that it will be surprisingly resilient and that prices will stay high, while others are predicting swathes of job losses and economic turbulence which will force the hand of some into downsizing or selling up. If the latter is correct and we see a sudden influx of housing stock come into the market, then this is sure to drive prices downwards.'

What's Going to Happen to Rental Yields?

‘Rental yields were incredibly high in 2021 and that trend doesn’t appear to be going away any time soon as they are expected to increase by an average of 5% a year until 2025. There are a number of reasons that rental yields are set to stay high. For one, the turbulence that has come with the Coronavirus is making sure that people stay in the rental market. Prospective buyers have shelved plans to buy properties over fears of rising prices and instability in the job market.’

The usual suspects are exhibiting the highest rental yields too. This includes the Northwest of England, Yorkshire and the Humber, and Scotland (all of which have averages above 4.5%).

Where Should I Buy?
‘Another thing that isn’t likely to change are the best destinations for investment. As you might have guessed from the preceding section, the Northwest, Yorkshire and the Humber and Scotland are all still excellent destinations for investment. Wales too (and especially Cardiff) needs a mention, as the substantial population of 1.1m is predicted to grow a further 20% by 2035. This will be driven by a projected £500 million coastal development.

In the North West, Liverpool and Manchester continue to perform strongly – and for similar reasons, with both attracting many businesses and maintaining a thriving student population which has also decided to stay in the region once they have graduated. The 24% growth predicted in the North West over the next five years is, in no small part, due to the success of these two cities. Liverpool’s ever-growing population (which has seen a 181% rise according to the ONS) is testament to its growing appeal. Meanwhile, Manchester is one of the top destinations for students – who are retaining residence in the city after they graduate. Because of the ready pool of graduate talent in the city, infrastructure, businesses, and opportunities are emerging around them.

Prices for investment properties in these cities are highly affordable compared to other areas of the country and, indeed, when compared to other parts of the world. This makes these cities an excellent choice for UK expat and [foreign national] buyers.

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