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Liquid Expat Mortgages Explains Why Slowing International Purchases Are No Cause for Concern for UK Expat Investors

We examine the real causes behind the fall in international buyer numbers for UK property and why potential investors shouldn't be concerned.

The pandemic has largely barred international travel, and this has prevented many international buyers from buying in the UK capital because they can't travel to the UK.

MANCHESTER, GREATER MANCHESTER, UK, November 30, 2021 /EINPresswire.com/ -- With the incredible fall in international buyers for UK investment property, it's easy for prospective UK expat and foreign national investors to be deterred. But the picture is somewhat misleading and there are still many investment opportunities to be had for UK expat and foreign national investors looking to buy UK property.

Some Background.

> "The depressed London property market is creating a false sense that UK property is in trouble when it comes to foreign investment."
>
> *Stuart Marshall*

It goes without saying that profits from UK investment properties have been slowly eroded by legislative changes over the last few years for UK expats and foreign nationals. There has been the 3% stamp duty surcharge for second homes, the change to rules surrounding mortgage interest tax relief, and the 2% foreign buyer stamp duty surcharge that came in this year. But, despite these changes, international buyers have still remained relatively active in the UK investment property market. 'The reasons for this are clear' says Stuart Marshall. 'UK property is incredibly lucrative for UK expats and foreign nationals. Despite the changes in legislation that have lessened the profitability of such investments, UK property remains a relatively safe asset class that has historically appreciated greatly over time. Further, there are many ways to offset many of the punitive effects of the recent legislation. For example, purchasing property through a limited company or special purchase vehicle. So, why has there been a recent fall in international buyers for UK property?

A Misleading Trend.

'It's very easy for potential UK expat and foreign national investors to see clickbait headlines about a fall in international buyers and be deterred from buying an investment property themselves' says Stuart Marshall. 'However, what these headlines and articles don't appreciate is how that data might be skewed by recent changes in the marketplace and how the pandemic has influenced market behaviours.'


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One obvious factor that is affecting the numbers of international buyers for UK property is the number of international buyer sales in the capital that have been impacted by the pandemic. The pandemic has largely barred international travel, and this has prevented many international buyers from buying in the UK capital because they can't travel to the UK. 'While the numbers of international buyers have fallen generally, the depressed London property market is creating a false sense that UK property is in trouble when it comes to foreign investment' says Stuart Marshall. 'London typically accounts for a large proportion of international business, with around half of purchases in prime London postcodes made by international buyers. However, this year, the number of prime London purchases made by international buyers fell to 27% - the lowest level in a decade.'

The stamp duty holiday is also increasing the perceived impact of the international buyer drop-off. With purchases incentivised so heavily throughout the early part of 2021, the introduction of the overseas buyer surcharge and the tapering of the stamp duty holiday was bound to have some effect on the numbers of international buyers in the marketplace. Coupled with a depressed London rental market – one of the most popular areas for international buyers – these factors have drastically reduced the numbers of international buyers purchasing in the capital.

'The effect the capital has had on the overall picture and narrative is astounding. Anecdotally, we've spoken to a number of clients who are questioning whether or not they should invest because of the picture that's being painted for the viability of international investment in the UK. But there are many areas of the UK where UK expat and foreign national investors can still find great returns from UK property investment.'

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Where to Look as a UK Expat or Foreign National Investor.

The Northern regions of the UK remain consistently popular for UK expat and foreign national buy-to-let investors. 'These areas are delivering on affordability, accessibility (thanks to a good supply of housing stock), strong rental yields and good capital growth. There is also high – and ever-increasing – demand for properties in these areas, meaning that many properties in the North really do tick all the boxes for UK expat and foreign national buy-to-let investors. With so many great financing options and a wide range of mortgage deals available to UK expats and foreign nationals, these areas provide excellent investment opportunities.'

For rental yields, the North East is leading the pack with the average rental yield in the region at 9.1%. This has been bolstered by the incredibly strong performances of areas like Middlesbrough and County Durham which have recently garnered yields of 9.2% and 9.6% respectively.

The North West, however, seems to be leading the pack when it comes to an investment all-rounder. Not only is the North West in incredibly high demand when it comes to rental property, the North West is an area that is growing all the time. While the rental yields are lower than the North East – at 7.8% compared to the North East's 9.1% - this is largely due to the increased affordability of North East properties. Further, the regional growth projected for the North West has been enough to draw investors away from the lure of the high yields in the North East. The North West currently has the highest level of regional growth in the UK, reaching almost 12% (3% higher than in the North East). 'Investing in an 'all-rounder' property is a great decision' says Stuart Marshall. 'Not only will you earn from the rental yields – providing you a monthly wage as well as paying off the capital on the property – you will also earn through the capital growth of the property too. This way, when you come to sell your portfolio, you essentially 'cash in' on the growth of the property. These profits can be used to service longer term financial goals such as saving for retirement, providing an inheritance for your children, or simply just building your wealth for the future.'

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