Liquid Expat Mortgages Reacts to Savills' April Housing Market Update

We unpack the causes of the inflated rental demand and the areas of interest highlighted in Savills' April Housing Market Update.

MANCHESTER, GREATER MANCHESTER, UK, April 25, 2022 /EINPresswire.com/ --
Stuart Marshall, CEO of Liquid Expat Mortgages, looks at some of the key takeaways from [Savills' April Housing Market Update] to unpack the implications for UK expat and foreign nationals investing using [UK expat and foreign national mortgage] products.

Liquid Expat Mortgages: 'Savills rightly notes that much of the spectacular growth has been underpinned by the difference between rental supply and demand.'

The Key Takeaways.
- Rents rose by 10.2% in the 12 months to February, making it the strongest rental growth since 2011.
- The huge rental market growth is underpinned by the mismatch between rental supply and demand.
- There are no signs of rising supply in the rental market, which differs from the sales market.

Growth was strong everywhere but particularly in London, the West Midlands and Wales. Meanwhile Scotland saw the weakest growth.

Regional breakdown of rental growth:
- London, 14.4%
- West Midlands, 10.4%
- South West, 10%
- Wales, 10.3%
- South West, 10%

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>
> *Stuart Marshall*

- Yorkshire and the Humber, 9.7%
- North West, 9.7%
- East Midlands, 9.1%

Rental forecasts for the UK over the next 5 years:
- 2022, 5.5%
- 2023, 3.7%
- 2024, 3.2%
- 2025, 3.2%
- 2026, 3%


Having suffered over the course of the pandemic, London is in the midst of a rental revival as people return to the city to live, socialise, and travel.


Because of the extremely high prices of property and the difficult domestic conditions, prospective first-time buyers are being stopped from getting onto the property ladder, meaning that they are staying in the rental market longer.

What’s Causing the Inflated Demand?
‘It has been a fantastic time for rental growth’ says Stuart Marshall. ‘Savills rightly notes that much of the spectacular growth has been underpinned by the difference between rental supply and demand. Demand for rental property is currently 43% higher than the five-year average. But this demand is the result of a number of distinct factors. One factor is first-time buyers. Because of the extremely high prices of property and the difficult domestic conditions, prospective first-time buyers are being stopped from getting onto the property ladder, meaning that they are staying in the rental market longer. This situation also feeds itself as first-time buyers saving to buy are seeing their savings eroded by the inflated prices of renting property. This is having two implications for UK expat and foreign national investors. One is that rental profits are far higher as the demand for rental properties is pushing up prices; the other is that there is more choice for UK expat and foreign national investors using UK expat and foreign national mortgage products.’

‘Another factor in the soaring rental demand is an increased willingness across all age-groups to rent. More and more, people are living fluidly, with an increased willingness to travel, work in foreign countries, and live in social hubs with lifestyles revolving around bars, restaurants and clubs. This is especially true at the moment, with many feeling that they have been ‘deprived’ of such things over the course of the pandemic. Even older age-groups, who have traditionally been less likely to rent, are gravitating towards rental properties. The number of renters between 55 and 64 has doubled in the last 10 years, with 11% of that age group now in the rental market. The proportion of 45 to 54-year-olds has also grown – from 11% in 2011 to 16% in 2021.'

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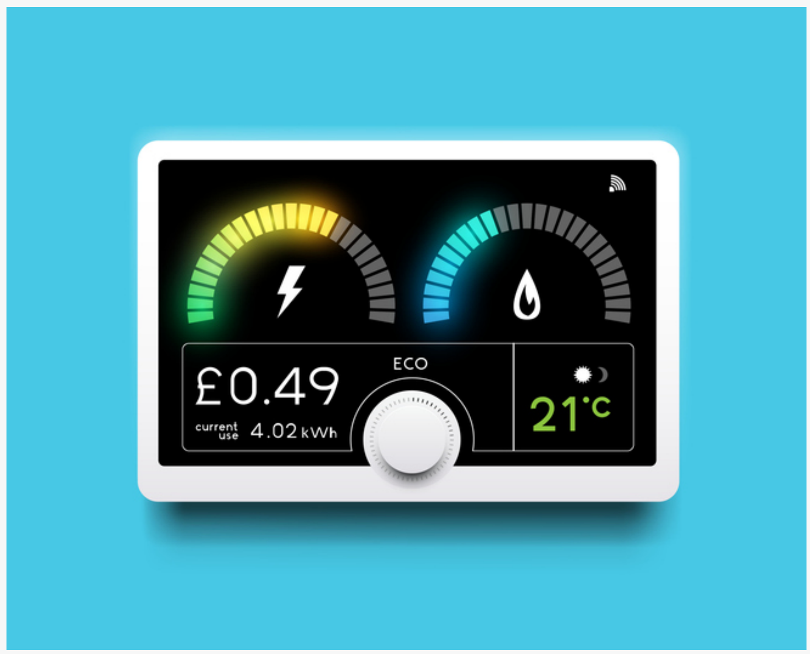
'One final key factor is the number of renters trapped in the rental market after having sold houses. Some have been affected by the difficult conditions which have forced them to continue renting. Others have found the lack of supply of houses in an expensive marketplace to be prohibitive. Regardless, more and more people are renting.'



UK expat and foreign national investors can utilise specialist mortgage products in conjunction with the chancellor's cut to VAT on environmental technology to make their investment property eco-friendlier and future-proof.

'For UK expat and foreign national investors using UK expat and foreign national mortgage products, the opportunities for a profitable buy-to-let investment are rife. Domestic conditions that are hampering both owner-occupiers and UK-based landlords are not hampering UK expats and foreign nationals, largely because they're paid in a different currency and aren't subject to the same extreme rise in energy prices and interest rates etc. There is also, as Savills points out, little opportunity for supply of rental properties to increase, meaning continued upwards pressure on rental prices and, consequently, continued profits. Further, UK expat and foreign national mortgage products are not ramping up interest rates in the same way that domestic buyer products are, meaning that great tools for investment are still available for UK expat and foreign national buyers.'

Why No Rise in Supply?

'As Savills rightly recognises, the supply of rental homes is unlikely to increase, which will continue to drive prices up for UK expat and foreign national investors using UK expat and foreign national mortgage products. But what is the reason for this? One reason is that domestic investors are currently less likely to invest. This is partly due to the increasingly punitive legislation that has been introduced over recent years. In fact, this factor plus the high asking prices have actually caused many investors to sell their rental properties in a bid to 'cash in' on the current marketplace.'

So, there is currently a reluctance to invest in buy-to-let properties, meaning fewer properties moving from the private market to the rental market. But there are also many landlords selling up – and this has been the case for a while during the pandemic too. This means there are far fewer houses available to rent at the moment. 'For many landlords, the incoming legislation surrounding EPC ratings has been the final straw' says Stuart Marshall. 'However, for UK expats and foreign nationals that find the right property, the rewards are huge. Especially when utilising the range of UK expat and foreign national mortgage products available. Without being subject to the difficult domestic conditions, UK expat and foreign national investors can utilise specialist mortgage products in conjunction with the chancellor's cut to VAT on environmental technology to make their investment property eco-friendlier and, consequently, future-proof.'

Taking a Look at the Growth Areas.

Many of the strongest growth figures are in the same hotspots that we've been seeing for a while. The Midlands, the North West, and Yorkshire and the Humber have all performed well for UK expat and foreign national landlords for a while, bringing in strong rental yields and experiencing robust capital growth from affordable investments. Wales and the South West are also experiencing an extra boost at the minute. This is most likely due to a booming holiday let market and the ongoing search for space. For those unable to graduate to home ownership, the paradigm shift in the workplace has created a need for more space and proximity to outdoor spaces. This has bolstered the appeal of the South West and Wales, both of which benefit from proximity to fantastic landscapes. This same proximity is also adding to their appeal as a holiday let. For investors deterred from the long-term let market by punitive tax changes, the holiday let market certainly has some appeal.

London is perhaps the most interesting figure in the list. Having suffered over the course of the pandemic, London is in the midst of a rental revival as people return to the city to live, socialise, and travel. Much of the spectacular rental growth figure is as a result of this bounce-back, as London experienced negative rental growth for a time during the pandemic. The investment prospect for UK expats and foreign nationals in London remains the same as it has been for a long time – the property will be more expensive and is likely to have a lower rental yield as well as lower capital growth than other areas of the UK.

Liquid Expat Mortgages

Ground Floor, 3 Richmond Terrace,
Ewood, Blackburn
BB1 7AT
Phone: 0161 871 1216
www.liquidexpatmortgages.com

Any media enquiries please contact Ulysses Communications.
sergio@ulyssesmarketing.com
+44 161 633 5009

Sergio Pani
Ulysses
+44 7811 326463
email us here
Visit us on social media:
Facebook
Twitter
