

UK Expat Buy-to-Let Mortgage Market Review

Liquid Expat Mortgages takes a look at the top headlines from recent news in the UK expat buy-to-let mortgage market.

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As we move into the second half of June, Liquid Expat Mortgages takes a look at the top headlines from recent news in the UK expat and foreign national mortgage market.

Expat Buy-to-Let Market Remains Strong After Rate Rises.

Activity in the expat buy-to-let and remortgage markets is at a similar level

to the high seen late on in 2021, indicating that [expat business is not being dampened by the consistent interest rate rises](#) coming from the Bank of England. This is, in part, due to increased interest coming from Hong Kong as the political situation continues to evolve there.

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Despite the rises in the base interest rate, interest rates are still relatively low by historic standards and many lenders are not increasing – or increasing only marginally – their rates for expat buyers, as the expat buy-to-let marketplace is particularly lucrative and competitive. Further, there are still many interested buyers as the UK property market remains an attractive investment option offering a relatively stable asset class.

‘Anecdotally, this is something we’ve been seeing’ says Stuart Marshall. ‘The UK expat and foreign national buy-to-

let mortgage market is very busy at the minute. Many UK expat and foreign national investors are benefitting from uncertainty in the domestic marketplace that is being caused by the consistent base rate rises. This is currently acting as a deterrent for domestic buyers and meaning less competition for UK expat and foreign national buyers. This means that properties



The UK expat buy-to-let market creates a busy news cycle. Liquid Expat Mortgages will often pick the most important headlines to break down.

are staying on the market longer and prices are coming down faster. There is also a more competitive rental market since fewer people are graduating to home ownership. This means UK expat and foreign national buy-to-let mortgage holders are seeing higher profits as competition in the rental market pushes up prices.'

Sky High Confidence Indicating a Profitable Marketplace.

In Shawbrook's Changing Face of Buy-to-Let Report, it was revealed that 67% of landlords are confident about buy-to-let in 2022. It also showed that 34% of landlords are planning another buy-to-let property purchase in 2022. This is another indicator that expat buy-to-let is thriving despite the recent rate rises. This is largely due to rising rents contributing to greater profits, slightly dampened house prices in the UK and enticing yields. There is also an increased desire or necessity for those in the rental market to continue renting, with the survey showing that only half of renters expect to leave the rental sector in the next fifteen years, while 13% of renters are committed to long-term renting.

The increasing number of people in the rental market is also shown in a recent report by Zoopla which noted that the number of people looking for rental properties this year is [76% higher than the average number for the same time between 2018 and 2021](#). Aside from the difficult market conditions, this could also be partly due to the number of young people leaving their parents' homes and returning to the city centre post-pandemic.

As noted above, the difficult domestic conditions are creating a fertile investment landscape for those using UK expat and foreign national mortgage products. Consequently, buyer confidence is high among UK expats and foreign nationals. 'This is likely to increase as forced sales start to



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bite in the marketplace too' says Stuart Marshall. 'Smaller salaried homeowners with larger mortgages are in a precarious position with the interest rate rises and are facing the real possibility of negative equity amidst falling house prices. Forced sales are inevitable with the way the market is currently poised. This will only lead to a higher number of properties available in a slower marketplace, meaning that investors will be able to utilise UK expat and foreign national mortgage products to secure a fantastic investment property at a reduced price.'

Another thing to note from Shawbrook's report is that 29% of brokers said that three quarters of the portfolio investors they were dealing with were considering opening limited companies for their buy-to-let ventures. 'This is continuing a trend that has emerged in recent years' says Stuart Marshall. 'With an increasing number of legislative changes for landlords, there are many good incentives for UK expats and foreign nationals to incorporate their investment properties in limited companies. A good broker will be able to help with this.'

Green Buy-to-Let Mortgages at a Record High.

In the ongoing race to get rental properties to an EPC rating of a C or higher, 17% of landlords have already attempted to improve the energy efficiency of their property, while 22% of portfolio investors have begun green renovations. The most popular renovations were new windows and new boilers, with 23%



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and 22% of those improving their property's energy efficiency conducting these renovations respectively.

Stephanie Charman, head of strategic relationships at Sesame Bankhall Group, estimates that the cost of improving the EPC rating of a property will range between £5,900 and £10,400. 'This is obviously a significant cost to landlords' says Stuart Marshall. 'However, discerning investors are talking to expert brokers and finding ways to minimise the cost of these renovations. One such way is to remortgage – which has proven very popular amongst the UK expat and foreign national investor population – and use some equity from the property to finance green renovations, especially with the chancellor's new discount to green technology. This is also a good strategy to take as the number of green mortgage products continues to grow, [with 19% of all buy-to-let products now green mortgage products](#). These products offer discounted rates to UK expat and foreign national investors who commit to green renovations or purchase environmentally friendly properties. This can be an incredibly fruitful strategy in the current marketplace as both environmentally-conscious and cost-conscious consumers are looking to rent properties with higher EPC ratings.'

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