A Slowing Housing Market Won't Harm UK Expat and Foreign National Investors

With rumours of a housing market slowdown, we examine various forecaster's predictions and what the impact would be for UK Expat investors.

MANCHESTER, GREATER MANCHESTER, UK, August 23, 2022 / EINPresswire.com/ -- So much of the talk in the mortgage market at the moment is around the inevitability of some sort of downturn. Whether they're predicting a slower housing market or a full-blown housing crash, most of the market analysts are predicting a change in the marketplace.

Some are predicting a crash because of the rate at which prices are rising – which is faster than they were during the last bubble. However, others point to the fact that there are many differences between the current conditions and those at the time of the last crash.

Why are There Rumours of a Housing Crash?

Housing crashes typically follow a housing bubble – the kind that we have seen over the last few years of incredible house price growth. Much of this was, of course, driven by the pandemic. But now, we're starting to see the after-effects as the UK moves into a period of recession as predicted by the Bank of England. Some are predicting a crash because of the rate at which prices are rising – which is faster than they were during the last bubble. However, others point to the fact that there are many differences between the current conditions and those at the time of the last crash.

> Any reduction in prices will be good news for prospective UK expat and foreign national investors as it will make them even more accessible when using UK expat or foreign national mortgage products."
>
> *Stuart Marshall*

While predictors differ on the severity of the incoming impact to the housing market, the idea that the housing market will slow down later this year is unanimous. So, given that there is bound to be some effect on house prices later this year, where does that leave UK expat and foreign national investors?

What Do the Forecasters Say?
[Zoopla does not predict a housing market crash](), pointing to the lower levels of over-valuation when compared with other difficult times, such as in 2007. This means that the market is better equipped to deal with high mortgage rates and the high cost of living, lowering the probability of massive price drops. Further, there are so many more people in the housing market that are actively looking to move. According to Zoopla, 22% of people have an increased desire to move since the pandemic, compared to only a 6% increase in people wanting to stay in their current property. To put this in perspective, only between 4% and 6% of homeowners move each year, so 22% is a huge figure.

According to Zoopla, because of the trend between the number of people working from home and the number of people wanting to move, it's likely that many in the marketplace will still be looking to move.

Record low stock numbers are also playing their part in maintaining house price stability, with stock availability down 40% compared to June 2019.

Zoopla also points out that hybrid working has now cemented itself as a common work paradigm, with the ONS reporting that, as of February 2022, 42% of people plan to work mostly from home. Because of the trend between the number of people working from home and the number of people wanting to move, it's likely that many in the marketplace will still be looking to move.

Morgan Stanley are similarly of the opinion that house price growth will slow but doubt the probability of a housing crash. This is because of the low levels of supply in the housing market, which will serve to support robust prices. While the increasing mortgage rates will curb demand, they will also keep supply of properties low as people avoid moving to stay locked into their lower mortgage rates. However, they also acknowledge that affordability constraints will shut many out of the market and reduce the competition for homes. This will likely lead to sellers reducing prices in a bid to remain attractive to buyers. And, with inflation at its current high, this could mean that real terms property values could begin to fall. This is something mirrored by

Savills prediction that property values will fall by 1% in 2023. While this would not constitute a 'housing crash', it would certainly be welcomed by prospective UK expat and foreign national investors, who could utilise the lower property prices to capitalise on the highly profitable UK rental market.

While all of the forecasters highlight low stock availability as a reason for continued robust prices, forced sales could push up the low levels of supply, meaning that growth continues to slow, and prices could begin to fall.

Rightmove also points out the record low stock numbers and their part in maintaining house price stability, with stock availability down 40% compared to June 2019. However, there are signs that this low stock availability is easing, with the number of new sellers on the market 13% higher than this time last year. Buyer demand is also down by 7% compared to last year, however it remains 26% higher than June 2019. As Rightmove rightly recognises, for those looking to invest in property, there is more choice and less competition. And though high demand and low stock is still supporting robust pricing, Tim Bannister, Rightmove's Director of Property Science, predicts that demand is likely to soften back to normal levels as the rising cost of living and affordability concerns begin to bite.

Liquid's Take.
In addressing the predictions of the various forecasters, Stuart Marshall says that 'while Zoopla rightly identifies that there are large numbers of people that want to move, many of these people will be constrained by affordability, lending constraints, higher interest rates and robust house prices. Even if house prices decrease, they will likely remain much higher than usual because of the extraordinary house price growth over the last couple of years. Further, high rental prices mean that prospective buyers will continue to be hindered by the biggest barrier to homeownership – saving up a deposit. This means that property prices may not be as robust as Zoopla predicts.'

'Any reduction in prices will be good news for prospective UK expat and foreign national investors as it will make them even more accessible when using UK expat or foreign national mortgage products. While hybrid working has become a more common paradigm, there is an increasingly number – particularly among younger workers – who are making moves back to the office in a bid to advance their careers. It is this younger group that are driving the rental market and who would normally exhibit higher demand for property. However, the high house prices, interest rates, and cost of living are currently barring them from home ownership.'

‘While all of the forecasters highlight low stock availability as a reason for continued robust prices, forced sales could push up the low levels of supply, meaning that growth continues to slow, and prices could begin to fall. This is particularly of concern for those with low levels of equity. With higher inflation and a punishing cost of living, some of these homeowners could easily slip into negative equity meaning that forced sales are a real possibility.’

‘Whether the market crashes or cools off, the picture is still positive for UK expat and foreign national investors. Existing UK expat and foreign national investors who have made good investments will have nothing to worry about as their equity will insulate them from any downturn that does happen. Further, they will continue to profit from the incredibly high rental growth, so their month-to-month income will remain unaffected. On a longer-term picture, growth will continue upwards even with a drop in the more immediate future. For example, Savills predicts 5-year growth of 12.29% so longer-term projections are already far more positive, insulating investors from any short-term slow or fall in growth.’

‘If the market only cools off, the increased choice, reduced competition and slower market will also be of welcome news to UK expats and foreign nationals who will be able to more easily utilise the range of UK expat and foreign national mortgage products available at the moment.’

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
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