Weak Pound Encouraging Overseas Investors to Buy UK Property

A weak pound is encouraging overseas investors to buy UK property for comparatively cheaper prices as domestic buyer competition wanes.

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MANCHESTER, GREATER MANCHESTER, UK, November 14, 2022 /EINPresswire.com/ -- Economic and political turbulence has continually contributed to a weaker pound in recent times. When the mini-budget tanked the pound to record lows against the dollar, overseas buyers again began circling UK property in increasing numbers. And though the turbulence seems to be stabilising somewhat, international buyers are still keen to purchase UK property. Here's why it's important for UK expat and foreign national investors.

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>
> *Stuart Marshall*

What Does a Weak Pound Mean for Overseas Investors?
Overseas investors continue to benefit from the weakening pound. For those foreign nationals paying in US Dollars, the average UK home now costs 14.8% less, with the average London property costing 16.5% less. 'This is the kind of difference that currency fluctuations can make' says Stuart Marshall of Liquid Expat Mortgages. 'While domestic buyers will feel the effects of a weak pound across the board on any imported item them buy, a weak pound is leaving property comparatively cheaper despite house price growth. For example, in London, prices have risen by 4.9% so far in 2022. However, foreign nationals buying in US dollars are paying a sixth less than at the start of 2022. Buyers in the UAE are benefitting to almost the same degree saving 14.5% on the average UK property and 16.2% on the average

London property, while Hong Kong buyers are saving 13.9% and 15.6% in their native currency.'

What Does a Weak Pound Mean for Domestic Buyers?
Domestic investors will be forced to watch on as house prices continue to climb while the weakening pound is presenting excellent investment opportunities for UK expat and foreign national investors. While many overseas investors are better off when buying UK property compared to the start of 2022, the same is not true for domestic buyers who are contending with a number of difficulties including energy prices, high inflation, heightened interest rates and low confidence in the economy and housing market.

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Domestic buyers will see their buying power reduced further, as their day to day lives become more expensive since the weak pound will mean that imports cost more. This, in turn, pushes up inflation and is likely to cause interest rates to be raised again in an effort to curb soaring inflation.

The Bigger Picture.
'Of course, currency rates are not the be-all-end-all, but they are certainly a big win for UK expat and foreign national investors. However, the huge savings they are making because of a weak pound are doing a great deal to offset the rising mortgage rates. And while the higher mortgage rates are adding to the cost of investment, rental profits are also incredibly high due to the large numbers in the rental market. In fact, each property available to rent currently has 11 prospective renters trying to secure tenancy on the property. This competition is pushing up rental prices and rental profits for discerning investors and these higher yields are also lessening the effects of the higher mortgage rates.'

‘Because of the dampened domestic market, UK expat and foreign national investors are also finding it easier to pick up a bargain as the number of properties on the market has been growing over the spring and summer, leading to greater choice, slower sales, and an increased number of price reductions. Further, though house price appreciation over the pandemic is translating to affordability constraints now for domestic buyers, the types of properties that are popular for UK expat and foreign national investors are quite different. Namely, many UK expats and foreign nationals have been opting to invest in city centre flats, as these properties are particularly popular in the rental market. This is good news, considering the fact that the average house price has grown five times more than the average cost of a flat since 2020.’

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‘Lastly, it’s worth mentioning that UK expat and foreign national investors will be shopping in a different mortgage market than domestic investors. While domestic buyers saw a third of all mortgage products removed from the market after the mini-budget, the UK expat and foreign national mortgage market is constantly trying to introduce new products to meet specific customer demand. With the weak pound lending strength to overseas buyers, it’s likely that lenders will be trying to introduce new products to entice business from this lucrative sector. This means that UK expat and foreign national investors will frequently see lower rates and better deals, compared to domestic investors.’

‘Investing in UK property is one of the best financial decisions that UK expat and foreign national investors can make – and the enduring popularity of this form of investment is testament to this. The weak pound is only making this proposition more inviting and, along with a competitive UK expat and foreign national mortgage market, is doing a lot to offset the damage done by house prices and mortgage rates. For canny UK expat and foreign national investors, it’s important to keep track of the market developments as things are changing every day, and the turbulent political scene is influencing a lot. For example, the recently announced stamp duty break is good news for first-time UK expat and foreign national investors and will further add fuel to the investment fire. A specialist UK expat or foreign national mortgage broker can help their clients to keep abreast of this situation and invest at the perfect time for them.’

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