

The Perfect Rental Storm Continues for UK Expat and Foreign National Investors

A shortage of rental homes and huge numbers of renters in the market are combining to create the perfect rental storm for UK Expat Investors.

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The 'Perfect Rental Storm' continues for UK expat and foreign national investors in 2023 as a shortage of rental homes combine with huge numbers in the rental market to make for a very profitable rental landscape.

Shortage of Rental Homes.

There are currently [less than half the normal number of homes available](#) to

rent at the moment and this is contributing to fast-rising rents. This equates to the typical estate agent having only 8 available rental properties. The pre-pandemic average was 16, which shows how much rental availability has suffered in recent years.

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In addition to the shortage of rental homes, there are a sky high number of people in the rental market, with the proportion of people in the private rental sector jumping by 28% in the last 10 years.”

Stuart Marshall

The low number of rental homes is being driven by high consumer demand and high mortgage rates, which mean that prospective buyers are struggling to get onto the property ladder and are consequently stuck in the rental market. This situation means that rental prices are rising quickly amidst fierce competition. In practice, the average rents for those starting a new tenancy have risen by 12% in the last year. With cities proving even more popular in the rental market, places like Manchester, Birmingham, and Cardiff have risen as much as 15%. Even renters who are choosing to stay put are facing increases of around 4%.

This is largely because many existing renters are in fixed-period rental contracts and landlords



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aren't looking to increase prices in a bid to maintain tenancies. Because of the much lower price-increases for renters who stay put, many renters are choosing to stay where they are to avoid risking higher rents. According to data from the English Housing Survey, the average length a renter stays in a property has now risen to 4.4 years, which is up from only 2.7 years in 2012. This means that the flow of available homes into the market is very slow and is further exasperating supply constraints.

Sky High Rental Numbers.

In addition to the shortage of rental homes, there are also sky high numbers of people in the rental market, with the proportion of people in the private rental sector [jumping by 28% in the last ten years](#). According to the government's latest housing census, 5 million households are now renting their home in the private sector. This is likely a result of affordability constraints caused by house price growth and lower first-time buyer numbers, as well as many of the factors mentioned above. Crucially, the number of households has also increased, with the number of new properties being built not matching this increase. The huge numbers of households renting at the moment is good news for UK expat and foreign national investors, as the shortage of rental homes is being further exasperated by ever-increasing numbers of renters. These factors will both contribute to constant increases in rental incomes and rental yields, meaning big profits for UK expat and foreign national investors with the right property.

What Does This Mean for UK Expat and Foreign National Investors?

The problem of high rents and low rental availability is unlikely to go anywhere as a huge increase in rental supply will be difficult as a result of higher borrowing costs and regulatory



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changes' says Stuart Marshall, CEO of Liquid Expat Mortgages. 'But for those who do manage to invest in property, the rewards are likely to be huge. The number of households in the rental market has grown massively over the last ten years and it's likely to keep growing, with the number of new homes being built continually falling short. Rental demand is consequently bound to stay high, and this will feed big profits for UK expat and foreign national landlords.'



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'Competition is also lower for UK expat and foreign national landlords who choose to invest in UK property now. This is due to new tax and regulatory changes in the buy-to-let sector which have impacted landlords' bottom lines and contributed to lower levels of investment into the rental sector. In turn, this has contributed to landlords selling their existing rental properties as investors look to cash in on capital growth profits, especially given the massive price rises in the last few years.'

'While there are obvious difficulties for UK expat and foreign national investors to navigate when investing in UK property, things are not as difficult as they once were' says Stuart Marshall. 'The advent of specialist UK expat and foreign national mortgage brokers has been a hugely positive change for many UK expat and foreign national investors as these brokers can help investors to navigate the inherent difficulties of investing in UK property. Not only will they help to smooth the process and make completion as quick as possible, but they can also help to advise UK expat and foreign national investors in the process of choosing a property for their specific investment goals.'

To maximise the quality of the investment, UK expat and foreign national investors should keep abreast of the popular types of property and what is appealing to renters at the moment. In the most recent housing census, it's clear that the popularity of flats has seen a huge increase over the last few years, with 500,000 more households living in flats compared to ten years ago. This demand for flats also lines up with the popular properties for UK expat and foreign national investors at the moment. Namely, energy efficient properties with lower management and running costs because they can assure a stability of rental income. In fact, much of the recent focus for UK expat and foreign national investors is shifting away from capital growth and back to solid rental incomes. This is because the rental market is booming but huge rises in property value over the last few years have contributed to low capital growth potential. [City centres have also become incredibly popular for renters](#), which again favours flats in the rental market. Flats are also highly mortgageable, which is good news for UK expat and foreign national investors, as there are a range of excellent UK expat and foreign national mortgage products available at the

moment.

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