Bank Rate Holds Steady – What it Means for UK Expat and Foreign National Investors

The bank rate remains unchanged at 5.25% which continues to create opportunities for UK expat and foreign national investors.

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The Bank of England sets the Bank Rate of interest to try and control inflation and maintain its target rate of 2%.

Bank Rate Remains Unchanged.
The Bank Rate has remained unchanged again – making it the 6th time in a row that the rate has held steady. The rate has now been [stuck at 5.25% since August 2023]. The reason for this is that the Bank of England uses interest rates to control inflation, so they have kept interest rates high to try and bring down skyrocketing inflation. In positive news, the Consumer Prices Index (CPI), which is a key measure of inflation, has now fallen to 3.2% - a massive reduction from its high of 11.1% in October 2022. The state of UK inflation seems good, but the Bank of England argues that they need to see more evidence that inflation will remain low before they cut the Bank Rate.

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> *Stuart Marshall*

What Does It Mean for Borrowers?
'It's impossible to talk about how the bank rate holding will affect UK expat and foreign national investors without first talking about how the domestic market will be affected too' says Stuart Marshall of Liquid Expat Mortgages. 'Of course, the way the property market is affected also has an impact on the rental market, so it will be essential for UK expat and foreign national investors to keep track of the domestic property market.' The immediate consequence of the decision to keep the Bank Rate the same is that two- and five- year fixed mortgage deals have increased for the first time in six months. While they haven't risen, standard variable rate mortgages are those that have fared

worse from the high interest rates, with the least movement, hovering around 8.2%. For borrowers coming off fixed-rate mortgages, the change to their SVR is a huge change and will be felt in household wallets.

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Annual mortgage repayments for the average buyer are 61% higher than they were three years ago – from this statistic alone, it’s clear to see why domestic buyers are struggling so much in the UK. This is even without the added impact of rising household costs, sky-high rents and rising house prices, which are also posing added hindrances for would-be homeowners. This coalescence of factors has made it very difficult for UK buyers to get onto the ladder which has, in turn, made the rental market very busy. With fewer private rentals available, the extreme demand has also pushed up prices quite significantly. Accordingly, the first thing UK expat and foreign national investors should note is that this situation is unlikely to change with the Bank Rate staying the same. First-time buyers will likely have a continued struggle on their hands in buying a home and getting onto the ladder. Even if, as is anticipated, the Bank Rate edges down a hair to 5% in June or August, it’s unlikely to do much to aid first-time and struggling would-be movers in the UK, with mortgage rates remaining stubbornly high. This will mean sustained pressure in the rental market and high profits for UK expat and foreign national investors.

‘Meanwhile, UK expat and foreign national investors are able to utilise their strong buying positions and access to quality mortgage products via specialist brokers to negotiate both good prices from sellers and favourable mortgage rates. For those who can get into the lucrative rental market at the moment, it’s likely that rates will be much lower when any fixed-term ends so it’s a good idea to buy while the rental market is booming and investors can pay down as much capital as possible, to get a better deal on their re-mortgage.’

House Prices Also Respond.
‘The other thing UK expat and foreign national investors need to keep an eye on is how house prices are affected by the Bank Rate. The Bank Rate’s diminishing effect on buyer activity also factors into house prices. House prices have been falling in recent times as buyer demand has been much lower, allowing supply of homes to increase and meaning sellers have to wait longer in order to secure a sale. These factors have created a buyer’s market – where buyers have more choice and sellers are pressured to price competitively and accept discounts in order to secure a sale. In general, the pace of house falls is slowing across the UK, but the picture really is localised. The South of England is suffering most from the reduction in house prices, with five regions of the South registering house price falls. Other markets are faring better with every Northern region and Wales increasing in price.’

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‘For UK expat and foreign national investors with a specific reason for investing in the South, it seems like a good time with rents high but sellers having to be flexible to achieve a sale in a difficult market. For those looking in the North, house prices are rising slightly but they’re doing so slowly. Further, availability is high meaning there’s a good deal of choice for would-be investors. Prices are likely to tick up more as rates improve and as buyers adjust to the ‘new normal’ of higher borrowing costs. Talking to an expert UK expat or foreign national mortgage broker will help investors to decide where to put their money for their specific goals and interests. They will also help buyers to secure the best possible mortgage deal in a competitive marketplace.’

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