

## Press Release

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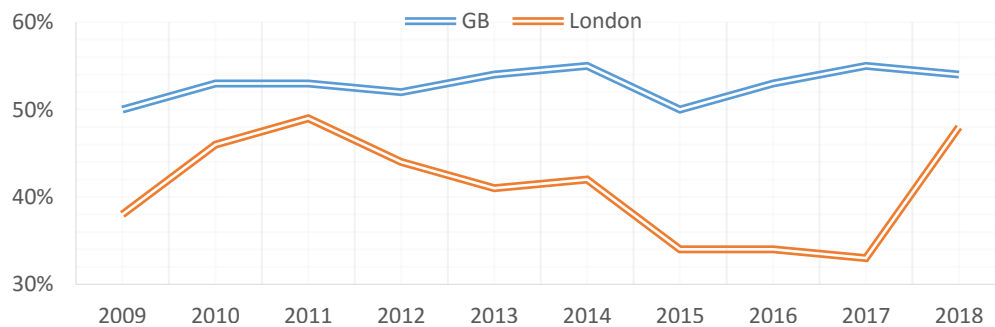
Embargoed until 00.01 hrs Monday 18 March 2019

### Hamptons International Monthly Lettings Index – February 2019

#### 15% jump in the proportion of London landlords buying with cash

- The proportion of landlords buying with cash in London rose from 33% in 2017 to 48% in 2018, a 15% increase.
- However across Great Britain, the proportion of cash landlord purchases fell from 55% in 2017 to 54% in 2018. London and Wales were the only regions to record a rise.
- Rental growth in Great Britain nearly doubled to 1.1% in February 2019, driven by a 2.4% year-on-year rise in London rents.

Graph 1 – The proportion of landlord purchases bought with cash



Source: Hamptons International

The proportion of landlords purchasing buy-to-let homes in London with cash rose from 33% in 2017 to 48% in 2018 – a 15% increase and now the highest level in seven years (table 1). London saw the biggest year-on-year rise in the proportion of cash landlord purchases, but this comes against a backdrop of fewer homes being bought by investors in the capital last year.

Meanwhile across Great Britain, the proportion of cash landlord purchases fell from 55% in 2017 to 54% in 2018. Wales and London were the only regions recording a rise. Scotland saw the biggest fall in cash sales. Here the proportion of buy-to-let homes purchased with cash fell (-7%) to 47% in 2018 (table 1).

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Harsher stress testing on buy-to-let mortgages, combined with the tapering of mortgage interest tax relief\*, has made it more difficult and less appealing for some landlords to get a mortgage. This is particularly true in lower yielding areas such as London where landlords tend to have bigger mortgages. As a result in 2018 a higher proportion of landlords in the capital purchased with cash, often raising the money by re-mortgaging other assets.

Historically, landlords in London were most likely to use a mortgage to purchase their buy-to-lets, but this changed in 2018. Last year landlords in the East became the most likely region to use a mortgage (table 1).

Landlords in Northern England however were most likely to buy with cash. In 2018, 63% of landlords purchasing properties in the North did so using cash rather than a mortgage (table 1).

The average cost of a new let in Great Britain rose to £965 pcm in February. Rental growth nearly doubled between January and February this year, from 0.6% in January to 1.1% in February. London rents drove the increase, rising 2.4% year-on-year. Meanwhile four other regions, the South East (-0.6%), South West (-0.4%), Scotland (-1.2%) and Wales (-0.2%) recorded year-on-year price falls (table 2).

Commenting Aneisha Beveridge, Head of Research at Hamptons International, said:

*“London saw a big rise in the proportion of landlords buying homes with cash in 2018. This comes against a backdrop of fewer homes purchased by investors in the capital last year. Meanwhile across Great Britain there was a slight fall in the proportion of homes bought by cash landlords.”*

*“Much of this cash has come from landlords re-mortgaging to take equity out of homes they already own. By purchasing with cash, these landlords are avoiding the tax burden associated with the tapering of mortgage interest tax relief.”*

*“Rental growth accelerated in Great Britain in February, spurred on by a 2.4% annual rise in London rents. Rental growth in London reached the highest level in the last 12 months, meanwhile three other regions recorded rent falls.”*

Table 1 – Cash landlord purchases by region (2018)

Region	% of landlord purchases with cash	% of landlord purchases with a mortgage	1Y Change in % of landlord purchases with cash
London	48%	52%	15%
Wales	57%	43%	2%
North	63%	37%	-1%
Midlands	52%	48%	-2%
East	46%	54%	-4%
South West	57%	43%	-5%
South East	47%	53%	-6%
Scotland	47%	53%	-7%
Great Britain	54%	46%	-1%

Source: Hamptons International

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Table 2 – New lets (pcm)

	Feb-19	Feb-18	YoY
<b>Greater London</b>	£ 1,727	£ 1,686	2.4%
<b>Inner London</b>	£ 2,625	£ 2,617	0.3%
<b>Outer London</b>	£ 1,556	£ 1,509	3.1%
<b>South East</b>	£ 1,033	£ 1,039	-0.6%
<b>South West</b>	£ 782	£ 786	-0.4%
<b>East</b>	£ 948	£ 926	2.4%
<b>Midlands</b>	£ 673	£ 669	0.6%
<b>North</b>	£ 626	£ 623	0.4%
<b>Wales</b>	£ 650	£ 651	-0.2%
<b>Scotland</b>	£ 623	£ 631	-1.2%
<b>Great Britain</b>	£ 965	£ 954	1.1%
<b>Great Britain (Excluding London)</b>	£ 769	£ 767	0.4%

Source: Hamptons International

*Please note the Hamptons International Monthly Lettings Index for March will be released on Friday 12 April 2019, embargoed for 00.01 hours Monday 15 April 2019.*

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\*Changes to tax relief on buy-to-let mortgages

In the July 2015 Budget the Government announced that buy-to-let landlords faced cuts in the amount of tax relief they could claim on mortgage interest payments. At the time of the announcement, property investors could claim tax relief on 100% of their monthly repayments.

George Osborne, the then Chancellor, said that by 2020 landlords would not be able to claim tax relief on mortgage interest payments and that all rental income will be taxable. Instead, landlords would receive a 20% tax credit for mortgage interest.

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These changes would be tapered in over a four year period from April 2017. For some landlords, particularly higher rate tax payers, the reduction in tax relief means a cut into their overall profits.

<b>Tax year</b>	<b>Proportion of mortgage interest deductible</b>
Prior to April 2017	100%
2017-18	75%
2018-19	50%
2019-20	25%
From April 2020	0%

Source: HMRC

About the Hamptons International Monthly Lettings Index

In May 2018, the Countrywide Lettings Index was re-branded the Hamptons International Monthly Lettings Index. Hamptons International, part of the Countrywide Group, continues to run the index. The methodology and time series remain the same. The index has been running since 2012. From May 2018 the index has included an inner and outer London split.

In June 2017, the methodology was changed to reduce the impact of seasonality and volatility in the rental market. The index is a mix adjusted series, rent and rental growth figures for each month are based on a three month rolling average. The most expensive decile of homes let are excluded to reduce volatility and the mix includes the most recently published government stock statistics.

The Hamptons International Lettings Index uses data from the Countrywide Group, Great Britain's largest letting agent, to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide in each year, adjusting for their location and type. It is based on achieved rather than advertised rents and the published monthly rental figures are an average of the new lets and renewals of tenancies over a rolling three-month period.

About Hamptons International

Hamptons International is a leading residential estate agent and property services company, operating in London and the South of the UK.

Hamptons International offers a wealth of award-winning services including UK and international Sales, Lettings, Property Management, Corporate Services, Residential Development, Development Land, Valuation Property Finance, and is a subsidiary of Countrywide, the UK's largest estate agency and property services group.

Hamptons International celebrates 150<sup>th</sup> Anniversary

In 2019 Hamptons International celebrates its 150<sup>th</sup> birthday. The estate agency business, headed by George Hampton, opened its doors in 1869 with an office in Pall Mall and eight members of staff. 150 years on and Hamptons International has a network of over 90 offices in London and the South of the UK employing over 1,000 members of staff.