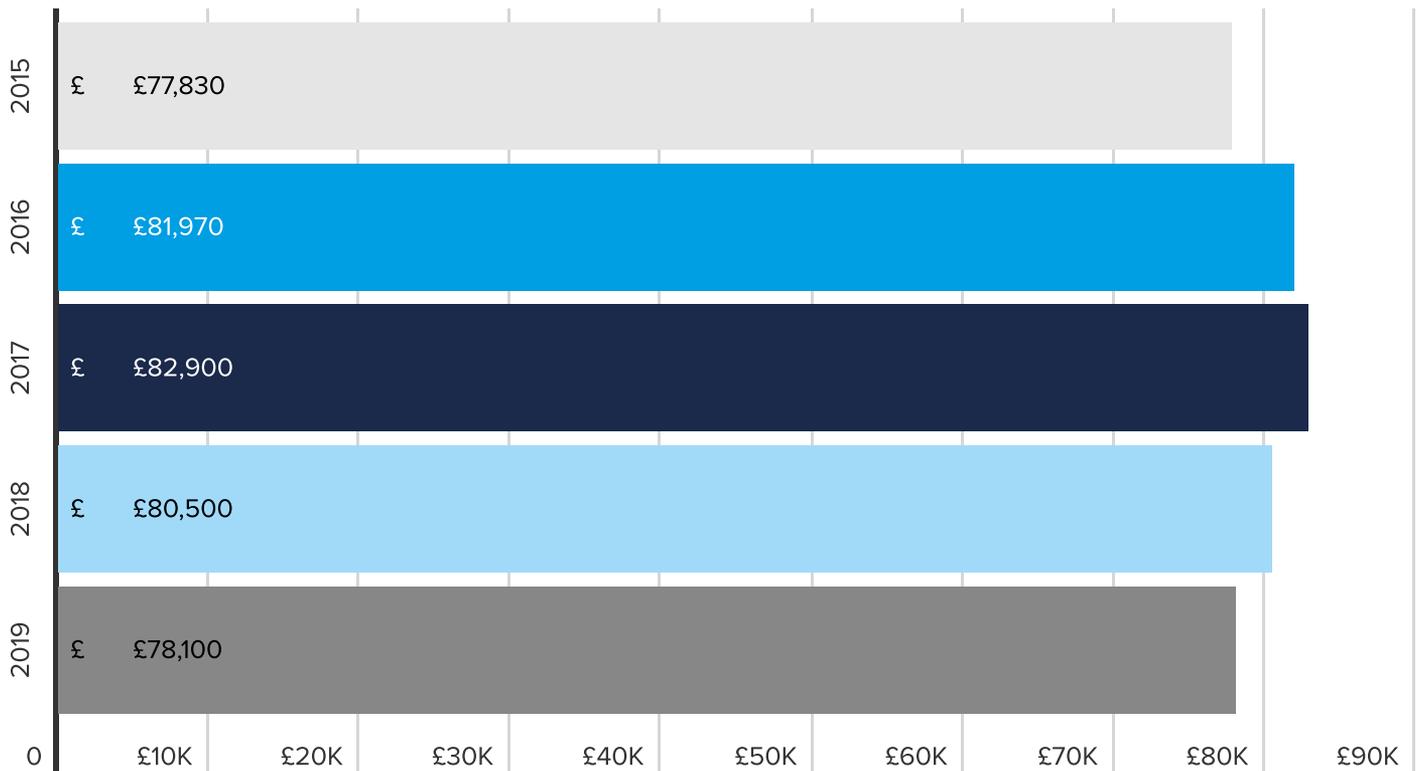


## Average landlord capital gain falls to £78,100 in 2019

Landlords average gross capital gain



Source: Hamptons International & Land Registry

**Capital growth, is we know, important to landlords. While rents provide a regular monthly income stream, a substantial proportion of an investors' overall return comes from the increasing value of the property itself, - realised when they come to sell or re-finance.**

We estimate that last year over 150,000 properties were sold by landlords across England and Wales. Those landlords who choose to sell in 2019 typically owned their property for 9.1 years and on average sold it for £78,100 more than they paid for it.

This equates to a gross gain of 42% on their initial investment. And 84% of landlords who sold in England and Wales last year made a pre-tax profit.

Sellers in London and the South East - where house prices are among the highest in the country - made the most in absolute terms. The average London landlord made a gross gain of £253,580, over 20 times that of a seller in the North East where the average gain was £11,710. The South East followed, with a £104,930 average gross capital gain.



**£253,850**

Average London landlord gross gain - over **20 times** that of a seller in the North East

Source: Hamptons International

The top 15 local authorities where landlords made the biggest gains were all within the M25. Investors selling up in Kensington and Chelsea made the biggest gross gains. On average they sold their buy-to-lets for £924,010 more than they paid for them, having owned them for 9.5 years

London landlords were also most likely to make a profit, with 97% selling their property for more than they paid for it. In contrast landlords selling up in the North East were most likely to make a loss - 45% of landlords who sold up last year sold their property for less than they originally paid for it.

The average gross gain made by a landlord selling up in 2019 fell - in fact for the second consecutive year. The gain is now at its lowest level since 2015. In 2018, the average landlord sold their home for £80,500 more than they paid for it, £2,400 or 3% more than in 2019.

This can in part be explained by historic landlord buying. The average seller in 2018 typically purchased their property in 2009, the bottom of the market. House prices rose 46% between 2009 and 2018, whereas they increased 38% between 2010 and 2019.

### Rental growth on renewed tenancies

Rents on renewed tenancies in Great Britain fell 1.6% in May 2020, the third consecutive monthly fall. London and the South East were the only regions where rents fell annually, down 4.7% and 1.2% year-on-year respectively.

Outside London, rents rose 0.9% year-on-year. Scotland recorded the strongest rental growth in May (3.6%), followed by Wales (3.4%) and the North (2.3%)

### Annual rental growth (May 2020)

	Average Rent (pcm)	Rental growth
Greater London	£1,617	-4.7%
South East	£992	-1.2%
South West	£782	1.0%
East	£934	1.2%
Midlands	£661	0.8%
North	£614	2.3%
Scotland	£655	3.6%
Wales	£630	3.4%
Great Britain	£924	-1.6%
GB exc. London	£752	0.9%

Source:Hamptons International

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



*The profitability of the buy-to-let market has been questioned in recent years and is one of the main reasons why some landlords have chosen to sell up. But one of the biggest bonuses from cashing in comes from the capital gain on a property. Over a third of landlords' total return comes from capital growth rather than rental income in Great Britain.*

*Landlords in the South, where house prices are higher and historic price growth has been stronger, saw the greatest capital gains last year. In fact, the average London landlord gain was over 20 times that of a seller in the North East where landlords are more reliant on rental income. But with house price growth expected to stay lower than in the past, more landlords are having to switch their focus to maximise rental income, rather than rely on capital growth.*

*Despite the rise in demand from tenants looking to move home as the housing market reopened last month, income pressures continued to weigh on rental growth. Rents on renewed tenancies in Great Britain fell 1.6% in May, however this figure masks regional variations.*

*London and the South East, where incomes are most constrained, saw rents fall for the third consecutive month. However outside of the capital, rents continued to rise, which is a reversal of the trends we saw this time last year.*

