

PRESS RELEASE

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Hamptons Monthly Lettings Index – April 2021

FIFTH ANNIVERSARY OF 2016 TAX CHANGES

250,000 FEWER HOMES BOUGHT BY LANDLORDS IN LAST FIVE YEARS

- In the five years since April 2016 landlords purchased 700,100 homes across Great Britain, 249,800 or 26% fewer than if the 3% surcharge and tapering of mortgage interest relief hadn't been introduced (table 1).
- Southern regions, particularly London, have been hardest hit. Landlords purchased 61,300 homes in the capital since April 2016, but this would have been more than two-thirds (69%) higher without the changes (table 2).
- Fewer landlord purchases have meant there were 4.91m privately rented homes in Great Britain in 20/21, equivalent to 17.5% of households. Without the tax changes, we calculate 18.4% of households would be renting today.
- Average rents in Great Britain rose 5.9% in April 2021, the fastest rate of growth since January 2015 (table 4).

The 1 April 2021 marked the five-year anniversary since the 3% stamp duty surcharge was introduced on second home purchases in Great Britain*. This, coupled with the tapering of mortgage interest tax relief on buy-to-lets (beginning in the 17/18 tax year), has meant that landlords have bought fewer homes and the private rental sector has shrunk.

Between April 2016 and the end of March 2021 landlords purchased 700,100 homes across Great Britain. However, our latest research shows that without the tax changes, landlords would have bought an extra 249,800 or 36% more homes (chart 1, table 2).

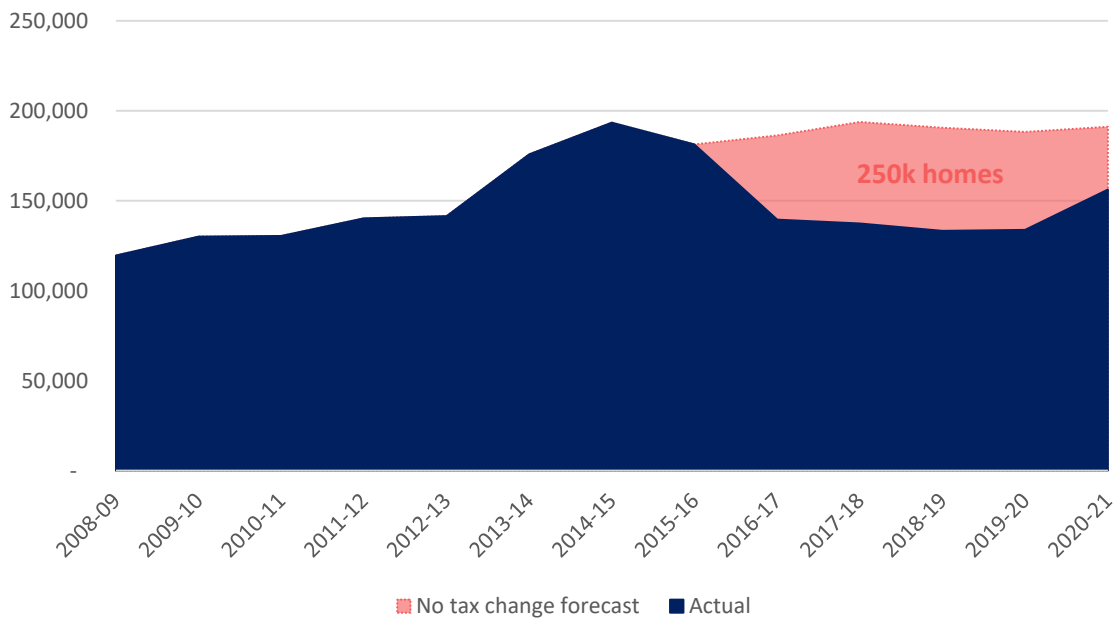
Fewer landlord purchases have meant there were 4.91m privately rented homes in Great Britain in 20/21 accounting for 17.5% of households – 381,990 fewer than the sectors peak in 16/17. Had these tax changes not been introduced we calculate there would have been 5.16m rented homes in Great Britain today making up 18.4% of households – still 132,270 fewer than the sector's peak. /...

This has been driven by the proportion of homes bought by landlords falling since 2015. Back in 2015 landlords purchased 16% of homes in Great Britain, but by 2018 this figure fell to a low of 11%. Over the last year the lure of a stamp duty holiday in England has seen landlord purchases pick up marginally, to 13% of sales (table 1). However, 72% of all rental homes in Great Britain today were bought before April 2016 (table 3).

Southern regions, where properties are more expensive, have been hit hardest by the tax changes. In London, the share of homes bought by landlords fell from a high of 20% in 2015 to 11% during Q1 2021. As a result, landlords have purchased 61,300 homes in London since 2016. However, this number would have risen to 103,300 or 69% more homes had the tax changes not been introduced (table 2).

This drop-off in new investment means 81% of all rental homes in the capital today were bought before April 2016, compared to just 65% in the North West where landlord purchases have remained more resilient (table 3). Higher yields and lower entry costs mean just 14% or 14,800 more homes would have been bought by investors in the North West without the tax changes (table 2).

Chart 1 – Number of homes bought by landlords in Great Britain



Source: Hamptons & HMRC

RENTAL GROWTH

Across Great Britain rents rose 5.9% annually in April, the fastest rate since January 2015. Growth remains driven by regions beyond the capital, with rents outside London up 10.4% on the same time in 2020 (table 4). This is the first time since the index began in 2012 that average growth rates outside of London have hit double digits, partly driven by the drop in rents in April 2020 (-2.2%). Over the last 24 months, rents rose 8.0% outside London.

The South West saw faster rental growth than anywhere else in the country, with prices up 11.3% on the same time last year. Rental growth in the South East also surpassed 10% last month (table 4).

Rental growth remains linked to an unprecedented fall in the number of rental homes on the market. There were 45% fewer homes available to let in April 2021 than in April 2019, with half of regions recording falls of 50% or more.

As with rental growth, the South West topped the stock shortage league with 62% fewer homes to rent than at the same time in 2019. London recorded the smallest fall of 20%. Rental stock in cities was down 24% over the same period, while in country locations it fell by 65%.

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

"The tax changes introduced from 2016 onwards have undoubtedly taken the heat out of the buy-to-let market. Landlord purchases have dropped and consequently the rental sector is 7% smaller than it was at its peak in 2017.

"Even without the tax changes, we still think the rental sector would be slightly smaller today than it was in 2017. Growth in the sector was slowing in the lead up to 2015 and the lure of government support measures such as Help to Buy and the removal of stamp duty have seen more first-time buyers (would-be tenants) become homeowners.

"But the longer-term impact of fewer rental homes is driving rental growth now, with rents rising six times faster than inflation. Tenants face half the choice they had two years ago and each new instruction has brought a deluge of enquiries within hours of homes going onto the market. While the current stamp duty holiday has boosted investor purchases a little, we are yet to see these flow into new instructions and improve choice for tenants."

Table 1 – Number of homes bought by landlords in Great Britain

	% of homes bought by landlords	No. homes bought by landlords	No. homes bought by landlords if no tax changes
2008-09	15%	119,500	119,500
2009-10	15%	130,000	130,000
2010-11	15%	130,400	130,400
2011-12	15%	140,200	140,200
2012-13	16%	141,500	141,500
2013-14	16%	175,800	175,800
2014-15	16%	193,300	193,300
2015-16	14%	181,200	181,200
2016-17	12%	139,500	186,200
2017-18	12%	137,400	193,800
2018-19	11%	133,200	190,600
2019-20	12%	133,900	188,200
2020-21	13%	156,100	191,100
Total since 2015	-	700,100	949,900

Source: Hamptons & HMRC

Table 2 – Number of homes bought by landlords by region (1 April 2016 – 31 March 2021)

	Actual number of homes bought by landlords	Estimated number of homes without tax change	Difference	% Difference
London	61,300	103,300	42,000	69%
East of England	53,300	89,400	36,100	68%
South East	78,400	127,400	49,000	63%
Wales	28,100	43,200	15,100	54%
South West	65,500	89,600	24,100	37%
West Midlands	79,900	104,900	25,000	31%
East Midlands	66,000	84,900	18,900	29%
Scotland	55,800	71,000	15,200	27%
Yorks & The Humber	67,800	78,700	10,900	16%
North East	52,700	60,800	8,100	15%
North West	106,200	121,000	14,800	14%
Great Britain	700,100	949,900	249,800	36%

Source: Hamptons & HMRC

Table 3 – Existing rental homes bought before the 3% surcharge introduction (Apr-16)

London	81%
South East	77%
Eastern	74%
South West	73%
Yorkshire & Humber	70%
East Midlands	68%
Wales	68%
North East	68%
West Midlands	68%
North West	65%
England & Wales	72%

Source: Hamptons & Land Registry

Table 4 – Annual rental growth

	Apr-20	Apr-21	YoY
Greater London	£1,690	£1,646	-2.6%
Inner London	£2,643	£2,103	-20.4%
Outer London	£1,509	£1,560	3.4%
East of England	£968	£1,024	5.8%
South East	£1,039	£1,146	10.3%
South West	£824	£917	11.3%
Midlands	£704	£740	5.0%
North	£647	£695	7.5%
Wales	£678	£696	2.7%
Scotland	£664	£712	7.2%
Great Britain	£981	£1,039	5.9%
Great Britain (Excluding London)	£827	£913	10.4%

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for May will be issued on Friday 11 June, embargoed until 00.01 hours Monday 14 June 2021.

Ends

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Notes to editors

*Stamp Duty

From 1 April 2016 a 3% stamp duty surcharge was introduced on all second homes bought in Great Britain.

In England, second home buyers currently save on their stamp duty bill due to the holiday which was introduced in July 2020. Second home buyers still pay the 3% surcharge on purchases, but can save up to £15k. From 1 July 2021 the stamp duty threshold will then be reduced to £250k until the end of September when rates are set to return to normal.

On 22 December 2020 the surcharge in Wales increased to 4%.

Tapering Mortgage Interest Tax Relief

In 2015 it was announced that the amount of mortgage interest tax relief buy-to-let landlords could claim would be reduced to the 20% basic rate of income tax. The changes were phased in from April 2017 as follows:

Tax Year	Proportion of mortgage interest deductible under previous system	Proportion of mortgage interest qualifying for 20% tax credit under new system
Prior to April 2017	100%	0%
2017/18	75%	25%
2018/19	50%	50%
2019/20	25%	75%
From April 2020	0%	100%

About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index has been running since 2012.

The index is a mix adjusted series, with rent and rental growth figures for each month 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 Lettings Index uses data from the Countrywide Group 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.

About Hamptons

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

Hamptons 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 Connells, the UK's largest estate agency and property services group.