

PRESS RELEASE

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Hamptons Monthly Lettings Index – January 2021

CASH LOSES ITS CROWN

As small landlords drive stamp duty holiday sales bounce

- The proportion of landlords purchasing in cash fell to 52% in 2020, the lowest figure on record (chart 1).
- First-time landlords taking advantage of the stamp duty holiday meant that just half (50%) of investor purchases were in cash during H2 2020.
- In 2020 cash landlords spent £11.7bn on new buy-to-let purchases, £1.5bn less than in 2019 and down from a peak of £19.8bn in 2015.
- Falling Central London rents mean it is just 24% more expensive to rent in Inner London than in Outer London, down from 100% in 2013 (chart 2).

As house prices have risen and with interest rates at record lows, fewer landlords in Great Britain are relying solely on cash to purchase properties. The share of buy-to-lets bought with cash peaked at 62% in 2017, but the proportion has fallen in each subsequent year since then.

The latest research from Hamptons shows that the stamp duty holiday has accelerated this trend with just 52% of landlords purchasing with cash in 2020, the lowest figure on record. Small and first-time landlords are most likely to take advantage of the holiday, typically those who rely on mortgage finance to fund their purchases.

Back in 2017 62% of landlord purchases were in cash, a figure which fell to 60% in 2018, 58% in 2019 and 52% in 2020 (chart 1). As a consequence of the stamp duty holiday which came into effect on 8 July, the last six months of 2020 saw the proportion of cash buying landlords fall to just 50% - a record low - as new investors took advantage of the holiday savings. /...

Across 2020 as a whole cash landlords spent a total of £11.7bn on new buy-to-let purchases, £1.5bn less than in 2019 and down from a record £19.8bn in 2015. To put this figure into context, first-time buyers bought £65bn worth of property last year.

Landlords buying in Great Britain's least expensive regions remained most likely to fund property purchases in cash during 2020. Almost two-thirds (65%) of buy-to-let purchases in Wales were in cash. They were followed by investors from the North West (64%) and the North East (61%) (table 1). The proportion of landlord cash purchases fell in 10 out of 11 regions in Great Britain between 2019 and 2020.

In contrast, investors in the most expensive regions of the country were most likely to rely on mortgage finance. Just 39% of London landlords and 45% of those in the South East paid cash for their buy-to-let last year (table 1).

Rental Growth

Nationally the rate of rental growth picked up for the sixth month running. Across Great Britain rents rose 4.3% in January 2021, up from 4.1% in December. The South East topped the rental growth stakes, recording a 10.0% increase in rents over the last 12 months (table 2). This marked the first time a region outside London recorded double-digit rental growth since Hamptons records began in 2012.

This growth has been driven by falling numbers of rental homes on the market, with 14% fewer rental properties available to rent than in January 2020. With the exception of London, every region recorded double-digit falls in the number of rental homes on the market between January 2020 and January 2021.

Rental growth in London remained positive for the fourth straight month, rising 1.0% compared to January 2020. However, this growth masks an Inner-Outer divide with Inner London rents falling 15.9% year-on-year and Outer London rents rising 6.2%. This pandemic-induced divide means Inner London rents stand just 24% higher than Outer London rents, down from a differential of 100% in April 2013 (chart 2).

Given the average home in Inner London cost £2,213 per month in January, rents in London's inner zones now cost 17% less than they did eight years ago in January 2013 when the index began.

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

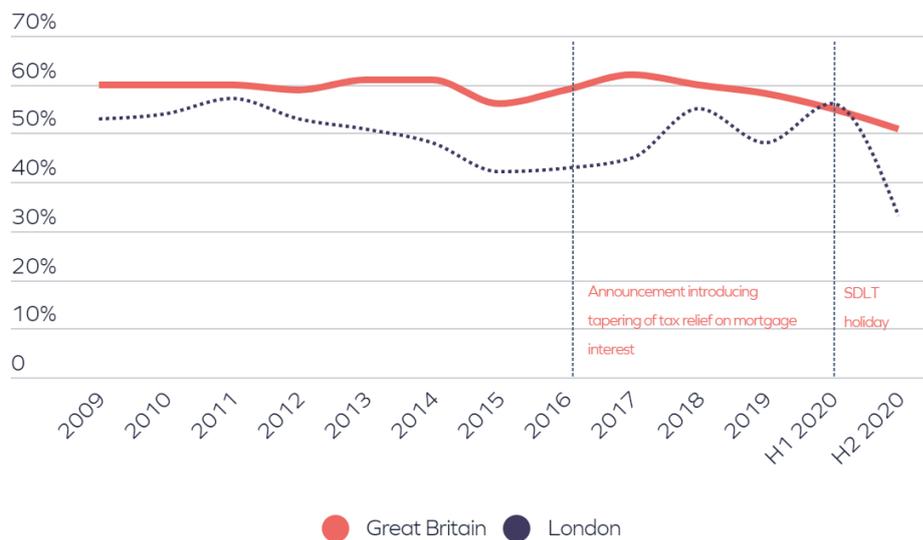
“While investor purchases remain low compared with pre-2016 levels, the stamp duty holiday has tempted more small and first-time landlords back into buy-to-let, reversing a shift towards portfolio investors. Most of these new entrants are relying on a mortgage to fund their purchase, despite the changes to mortgage interest tax relief eating into the profitability of the sector for some.

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“Since 2016 the rental sector has been buffeted by tax and regulatory changes, resulting in 250,000 fewer rental homes in England since the sector’s peak in 2017. But record-low interest rates on cash in the bank combined with the lure of a stamp duty holiday has enticed a new generation of investor, many of whom had no previous landlord experience.

“Rental growth outside the capital continues to strengthen, running at a five-year high. A shortage of stock outside city centres has seen landlords push rents to above what they were achieving pre-COVID. In January more than two-thirds of landlords letting a home in Great Britain achieved a higher rent than they had previously let it for, and by an average of £60 per month.”

Chart 1 – Proportion of buy-to-lets bought with cash



Source: Hamptons

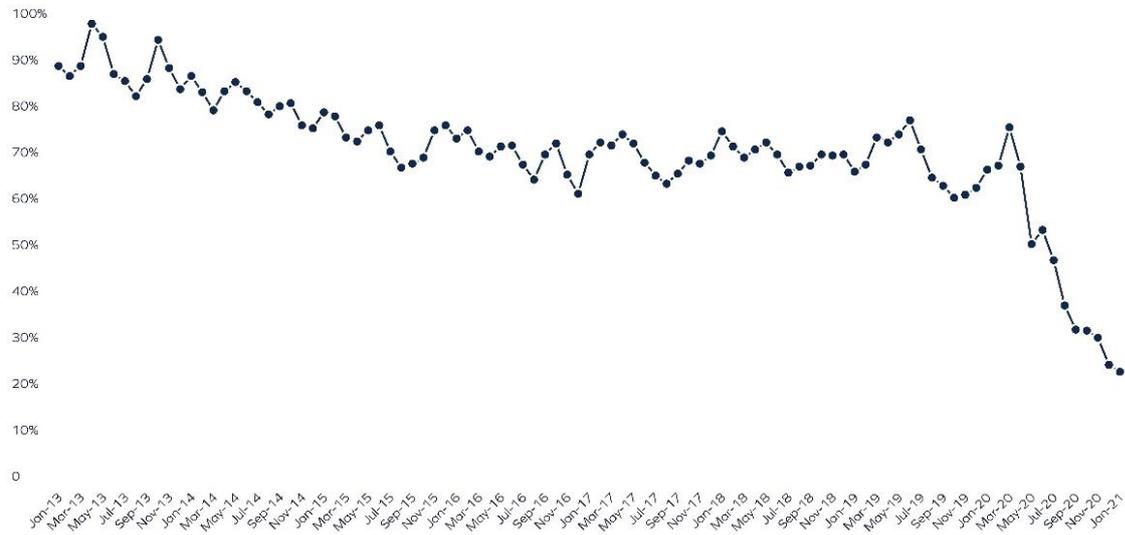
Table 1 – Cash landlord purchases by region

	2019	2020	2020 v 2019
Wales	63%	65%	2%
North West	68%	64%	-5%
North East	70%	61%	-10%
South West	62%	60%	-3%
Scotland	63%	55%	-8%
Yorkshire and The Humber	65%	54%	-10%
East Midlands	53%	49%	-3%
East of England	52%	48%	-4%
South East	48%	45%	-3%
West Midlands	48%	40%	-8%
London	48%	39%	-9%
Great Britain	58%	52%	-6%

Source: Hamptons

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Chart 2 – Differential between Inner and Outer London rents



Source: Hamptons

Table 2 – Annual rental growth

	Jan-20	Jan-21	YoY
Greater London	£1,774	£1,791	1.0%
__Inner London	£2,632	£2,213	-15.9%
__Outer London	£1,611	£1,711	6.2%
South East	£1,070	£1,177	10.0%
South West	£835	£901	8.0%
Midlands	£696	£721	3.5%
North	£643	£685	6.5%
Wales	£659	£682	3.4%
Scotland	£653	£682	4.4%
Great Britain	£1,012	£1,056	4.3%
Great Britain (Ex London)	£852	£897	5.3%

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for February will be issued on Friday 12 March 2021, embargoed for 00.01 hours Monday 15 March 2021.

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About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index (formerly the Countrywide 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, 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.

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