

PRESS RELEASE

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Hamptons Monthly Lettings Index – March 2021

LANDLORD SELL-OFF SLOWS TO SEVEN-YEAR LOW

AS AVERAGE CAPITAL GAIN RISES TO £82K IN 2020

- 131,900 properties were sold by landlords in Great Britain in 2020, the smallest number since 2013 (chart 1).
- Having owned for 9.1 years, the average landlord who sold up last year pocketed £82,450 more for their buy-to-let than they paid for it, up from £79,060 in 2019. This marked the first annual rise in more than five years (chart 2, table 1).
- Average rents in Great Britain rose 4.4% in March 2021, led by areas outside of the capital where rents increased 6.8% year-on-year (table 3).

Last year 131,900 properties were sold by landlords in Great Britain, the smallest sell-off since 2013 (105,830) (chart 1). Research from Hamptons reveals that the average landlord who sold up last year in England & Wales sold their buy-to-let for £82,450 or 42% more than they paid for it, having owned the property for 9.1 years on average. The average landlord gross gain increased by £3,390 or 4% to £82k compared to 2019 (£79,060), marking the first annual rise in more than five years (chart 2, table 1).

London landlords made the biggest gains. The average London landlord sold their buy-to-let for £302,200 or 71% more than they originally paid for it, having owned the property for 9.8 years on average (table 1). 2020 reversed the fall in a London landlord's gross profit. Despite the increase, typically landlords who sold in the capital last year made a smaller gross profit than those who sold in 2016 when they made an average gain of £364,960. 2016 marked the high point for landlord profit when many investors, having bought at the bottom of the market following the 2008 financial crash, decided to sell up (chart 2).

The top 10 local authorities where landlords made the biggest gains were all in London. Kensington and Chelsea topped the list. Last year the average Kensington & Chelsea landlord sold their buy-to-let for £784,980 more than they paid for it 10.6

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years earlier. The gain they made was 9.5 times greater than the average in England & Wales. Camden, City of Westminster and Hammersmith & Fulham ranked second and third on the list, with the average landlord gain exceeding £500k (table 2).

Landlords in the North East continued to make the smallest gains. The average landlord who sold up in the North East made £11,310 or 16% capital gain having owned for 8.0 years (table 1). 36% of investors in the region sold their buy-to-let at a loss, compared to just 12% in England & Wales overall.

This means that 37% of investors who sold in the North East last year would have paid capital gains tax (CGT) due to the sum being covered by their £12,300 annual allowance. Across England & Wales, 77% of landlords would have paid CGT on their profit. London landlords, who made the biggest gains, are most likely to have a tax bill to pay with 91% of investors making a gross gain surpassing the annual CGT allowance. Investors can offset costs such as stamp duty and renovation expenses from their capital gains tax bill.

The North East also had the highest share of landlords selling up. Last year 24% of homes sold in the region were sold by a landlord. This equates to around 9,730 homes. Meanwhile 17% or 15,540 homes sold in London were previously rented, down from 19% or 18,920 homes in 2020.

Nearly one in 10 (9%) of rental homes sold in Great Britain last year had been owned by a limited company landlord. Last year, 12,400 buy-to-let companies were dissolved. While the average buy-to-let company had operated for 6.2 years, 75% operated for less than five years.

RENTAL GROWTH

In March, the average rent on a newly let home stood 4.4% higher across Great Britain than at the same time last year. Regions outside London continued to see the highest rates of rental growth with rents increasing by 6.8% annually, the third consecutive month that annual rental growth outside the capital exceeded 5.0%. And apart from London, last month every English region recorded rental growth of at least 4.0%.

Rental growth in London continues to follow a different path, with rents falling 2.1%. This marked the second month in a row that rents have fallen after turning positive between October 2020 and January 2021. Once again, the fall has been led by Inner London where rents dropped 17.1%, the 13th consecutive month that rents have decreased. While in Outer London, rents were 2.6% higher than at the same time last year, with tenants in Zones 3-6 viewing 48% more homes than in March 2020.

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

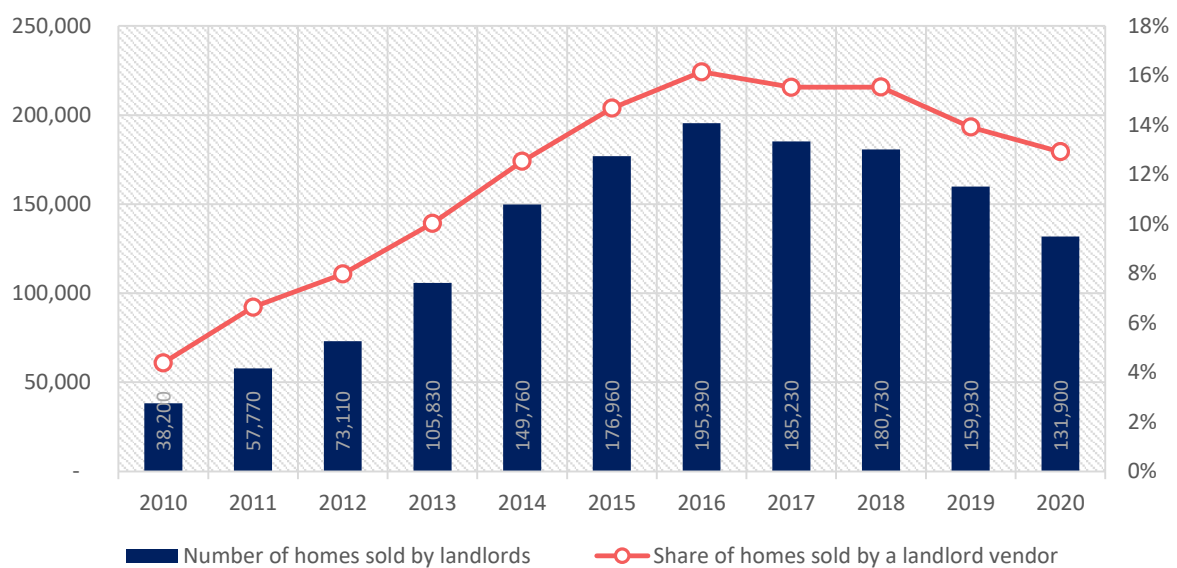
“Last year, the number of homes sold by landlords reached a seven-year low. A pause in the housing market during the first Covid-induced lockdown, which suppressed overall transactions, combined with an eviction ban throughout the remainder of 2020, limited the opportunity for landlords to sell up.

“Landlord sales have been relatively high over the last few years due to tax and regulatory changes that have reduced the profitability for some investors. But given tax relief on mortgage interest will be fully phased out from the 20/21 tax year, it seems as though most landlords who would be hit hardest by these changes have already left the sector.

“Over the last few years, the average capital gain made by a landlord has been shrinking. But despite the pandemic, stronger house price growth seems to have reversed this trend. Landlords who have been in the game for the longest period of time have reaped the largest rewards. The average landlord who owned their buy-to-let for more than 15 years made more than three times more than a landlord who had owned their property for less than five years. Many of whom would have renovated and invested further in their property to add value.”

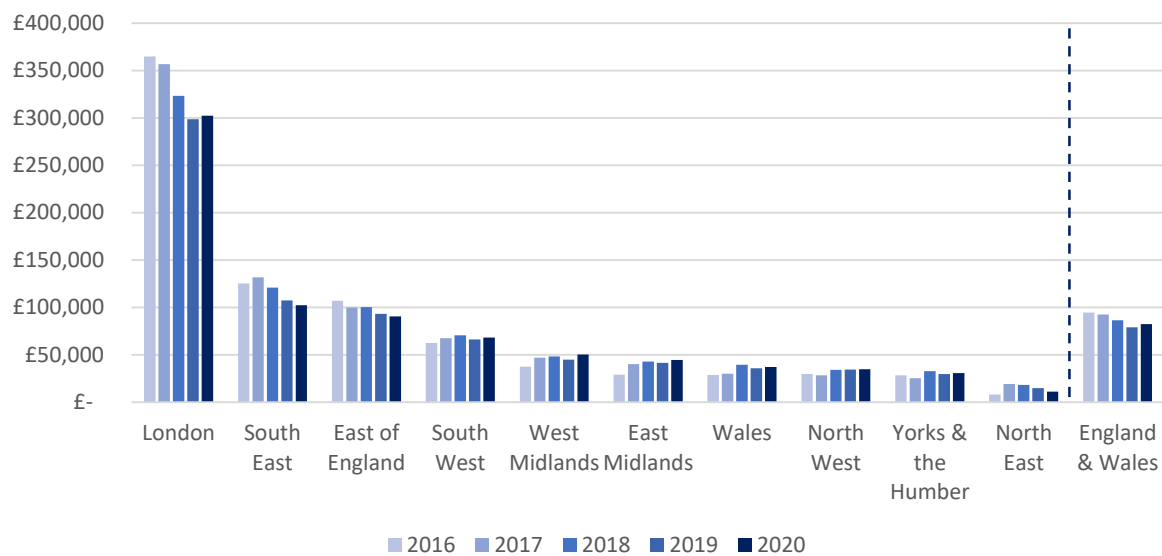
“Despite the gradual easing of lockdown, the London vs rest of the country rental growth divide remains entrenched. Outside the capital would-be tenants are scrabbling over stock before it hits the portals, while in Central London landlords are chasing tenants just as relentlessly. There are however signs of a return to Zone 1, with viewings up 64% year-on-year in March. But record high stock levels mean rents are unlikely to start recovering to pre-pandemic levels until later in the year.”

Chart 1 – Number and proportion of homes sold by landlords in Great Britain



Source: Hamptons & Land Registry / ...

Chart 2 – Average landlord seller gain



Source: Hamptons & Land Registry

Table 1 – Average landlord seller gain by region

Region	Average Landlord Gain	YoY Change £	Average % gain	Average length of ownership (years)
London	£ 302,200	£ 3,760	71%	9.8
South East	£ 102,200	-£ 5,380	45%	9.2
East of England	£ 90,590	-£ 2,630	48%	8.9
South West	£ 68,250	£ 2,160	40%	8.6
West Midlands	£ 50,240	£ 5,220	42%	9.0
East Midlands	£ 44,560	£ 2,960	41%	9.1
Wales	£ 37,120	£ 1,170	38%	9.6
North West	£ 34,780	£ 170	36%	9.0
Yorkshire & the Humber	£ 30,800	£ 940	34%	9.6
North East	£ 11,310	-£ 3,500	16%	8.0
England & Wales	£ 82,450	£ 3,390	42%	9.1

Source: Hamptons & Land Registry

Table 2 – Top 10 local authorities where landlords made the biggest gains

Local Authority	Region	Average landlord gain	Average length of ownership (years)
KENSINGTON AND CHELSEA	London	£784,980	10.6
CAMDEN	London	£735,230	9.8
CITY OF WESTMINSTER	London	£627,040	10.2
HAMMERSMITH AND FULHAM	London	£506,800	9.5
ISLINGTON	London	£473,860	10.2
HACKNEY	London	£392,690	10.2
WANDSWORTH	London	£365,220	9.4
BRENT	London	£355,260	9.6
HARINGEY	London	£354,090	10.2
HOUNSLOW	London	£347,790	10.9

Source: Hamptons & Land Registry

Table 3 – Annual rental growth

	Mar-20	Mar-21	YoY
Greater London	£1,699	£1,663	-2.1%
Inner London	£2,570	£2,131	-17.1%
Outer London	£1,534	£1,574	2.6%
East of England	£967	£1,021	5.5%
South East	£1,050	£1,132	7.8%
South West	£832	£908	9.1%
Midlands	£694	£732	5.4%
North	£644	£688	6.8%
Wales	£654	£700	6.9%
Scotland	£673	£696	3.5%
Great Britain	£982	£1,026	4.4%
Great Britain (Excluding London)	£832	£889	6.8%

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for April will be issued on Friday 14 May, embargoed until 00.01 hours Monday 17 May 2021.

Ends

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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, 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.