

PRESS RELEASE

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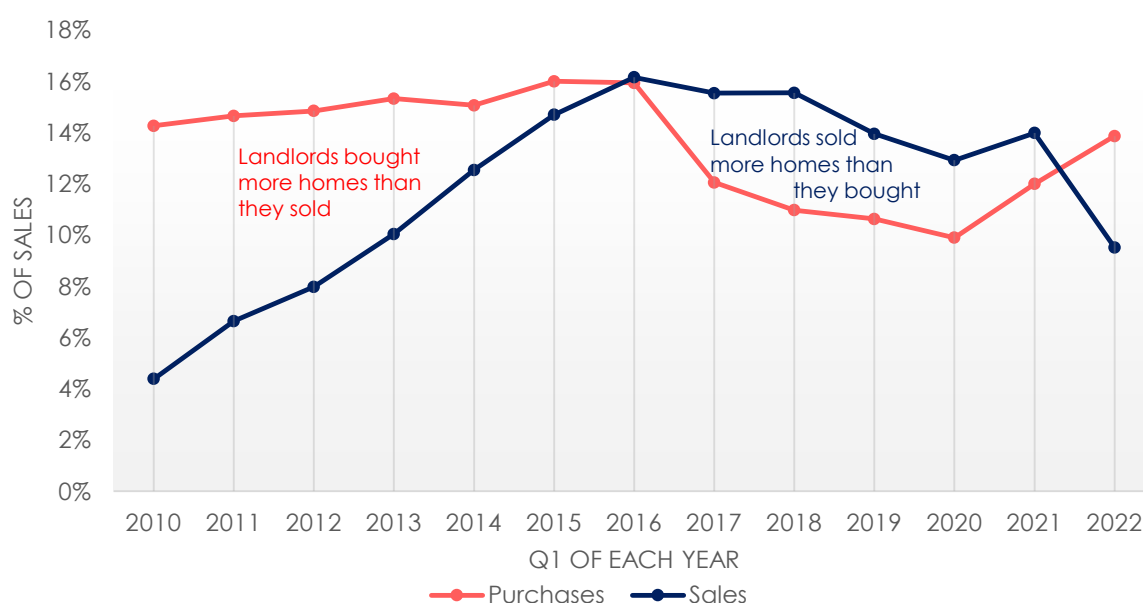
Hamptons Monthly Lettings Index – March 2022

BUY-TO-LET BOUNCES BACK AS LANDLORDS PURCHASE MORE HOMES THAN THEY SELL FOR THE FIRST TIME SINCE Q1 2016

High inflation lures investors back to buy-to-let

- Investors purchased 13.9% of homes sold across Great Britain in Q1 2022, the highest proportion recorded in the first three months of any year since 2016 when landlords rushed to beat the introduction of the 3% stamp duty surcharge on second homes (15.9%) (chart 1).
- The North East saw the biggest year-on-year increase in buy-to-let purchases as investors sought higher-yielding properties. Investors bought 28% of homes sold in the region, more than twice the share bought by first-time buyers (table 1).
- A record 73% of London-based landlords bought buy-to-lets outside the capital in 2022, up from just 24% a decade ago (chart 3).
- The average cost of a new let in Great Britain rose to £1,115 pcm last month, up 9.1% from its 2021 low of £1,022 pcm in March last year (table 3).

Chart 1 – Share of homes bought and sold by investors



Source: Hamptons

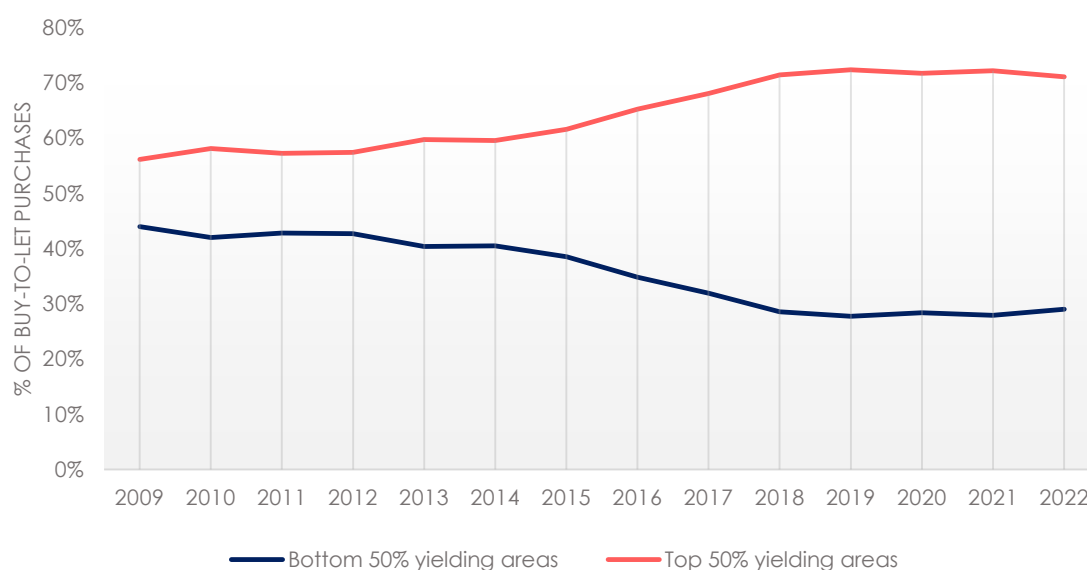
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Appetite to invest in property is on the rise again as the share of homes bought by landlords across Great Britain rose from 12.0% in Q1 2021 to 13.9% in Q1 2022 (chart 1). This year's figure marked the highest proportion recorded in the first quarter of any year since 2016 when investors rushed to beat the 3% stamp duty surcharge on second homes that was introduced in April 2016.

Overall, investors bought 42,980 homes across Great Britain during the first three months of this year, equating to £8.5bn worth of property - nearly twice the figure (£4.6bn) recorded pre-Covid in Q1 2019.

The increase in buy-to-let purchases may help reverse the decline of the private rented sector which shrunk from a peak of 5.3m homes in 2017 to 5.0m in 2021. For the first time since 2016, investors bought more properties than they sold (chart 1). The share of homes sold by investors fell from 14% in 2021 to just 10% in Q1 2022, the lowest proportion in 10 years (chart 1). This meant that there was a net gain of 13,480 rental properties in Great Britain in Q1 2022, compared to a 7,640 net loss in Q1 2021.

Chart 2 – Where investors purchase buy-to-lets

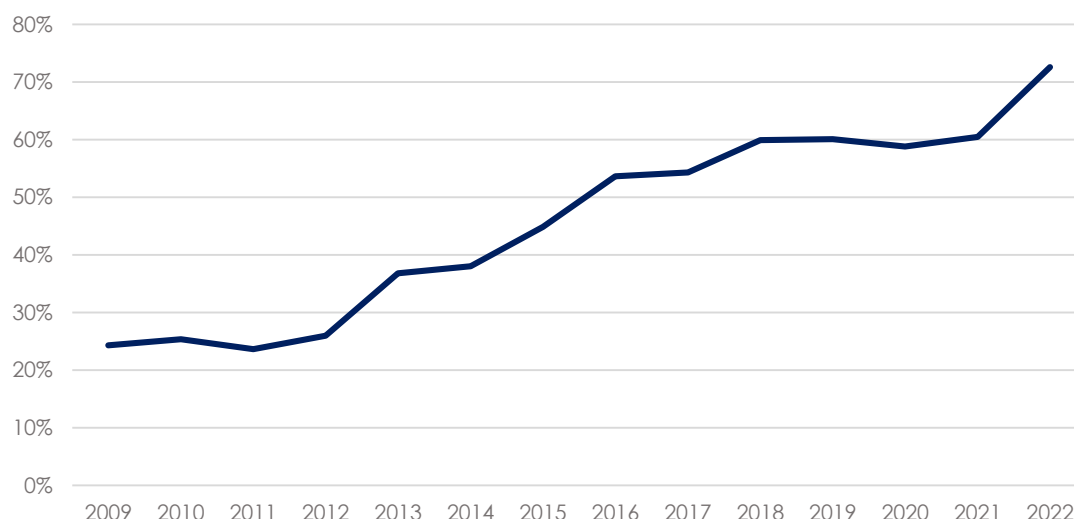


Source: Hamptons

Investors are increasingly looking to the highest yielding areas of the country as a way to maximise their returns and hedge against inflation. So far this year 71% of investors bought in the 50% highest yielding areas of the country, up from 57% a decade ago (chart 2). It's also one of the reasons why nearly three quarters (73%) of London-based landlords bought their buy-to-lets outside the capital this year, where yields tend to be higher, up from less than a quarter (24%) a decade ago (chart 3).

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Chart 3 – Share of London based investors purchasing buy-to-lets outside the capital



Source: Hamptons

The North East is the buy-to-let capital of Great Britain, where investors purchased 27.7% of homes sold in the first three months of this year, more than twice the share bought by first-time buyers (12%) (table 1). It's also the region that saw the biggest year-on-year rise in buy-to-let purchases. This may be unsurprising given that it offers the highest gross yields in the country, averaging 9.0% compared to 6.5% across England & Wales (table 1).

Table 1 - % of homes bought by investors

	Q1 2021	Q1 2022	YoY Change	Average gross yield
North East	20.2%	27.7%	7.5%	9.0%
East Midlands	14.7%	20.2%	5.5%	7.2%
East	7.1%	11.4%	4.3%	6.3%
Wales	9.2%	12.7%	3.5%	7.9%
South East	9.4%	12.1%	2.7%	6.0%
Yorkshire & The Humber	15.3%	17.8%	2.5%	7.7%
South West	14.0%	16.1%	2.1%	6.7%
London	7.9%	9.5%	1.7%	5.0%
West Midlands	16.1%	16.8%	0.8%	6.8%
North West	14.7%	14.4%	-0.3%	7.6%
Scotland	10.0%	7.9%	-2.1%	-
Great Britain	11.9%	13.9%	2.0%	6.5%

Source: Land Registry & Hamptons

Middlesbrough topped the local authority list of buy-to-let hotspots – 58% of homes sold in the area over the last six months were purchased by an investor. With an average gross yield of 8.9%, it's the 13th highest yielding local authority in England and Wales. While Northern areas dominate the buy-to-let purchase list, six Southern areas made it into the top 15, including London's most affordable borough, Barking and Dagenham (table 2).

Table 2 – Top 15 areas with the highest % of properties bought by a landlord (last 6 months)

	Local Authority	Region	% properties bought by a landlord	Average gross yield
1.	Middlesbrough	North East	58%	8.9%
2.	Calderdale	Yorkshire & The Humber	50%	7.7%
3.	East Staffordshire	West Midlands	48%	6.5%
4.	Peterborough	East	43%	6.0%
5.	Boston	East Midlands	39%	8.0%
6.	Swindon	South West	36%	6.1%
7.	Liverpool	North West	34%	7.3%
8.	Nottingham	East Midlands	34%	7.6%
9.	York	Yorkshire & The Humber	31%	5.8%
10.	Plymouth	South West	29%	6.1%
11.	Exeter	South West	29%	5.9%
12.	Barking & Dagenham	London	28%	5.4%
13.	Derby	East Midlands	28%	6.7%
14.	Leicester	East Midlands	28%	6.1%
15.	Portsmouth	South East	26%	5.9%

Source: Hamptons

However, a lack of stock available to buy has meant that investors are increasingly having to pay over the asking price. While landlords are known to negotiate hard, competition from other buyers has meant that so far this year 40% of investors have had to pay over the asking price for their new buy-to-let. For the first time since our records began, the average investor is paying over 100% of the asking price for a buy-to-let in England & Wales.

Rental growth

Last month, the average cost of a new let in Great Britain rose to £1,115 pcm, up 9.1% from its 2021 low of £1,022 pcm in March last year (table 3). While this

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represented a rise in rental growth after six months of cooling, we expect it to slow again in the coming months given how quickly rents picked up pace from April onwards last year.

Rents in Inner London saw the strongest growth as they continued their recovery. Even so, at an average of £2,571 pcm, up 21.3% year-on-year, the average home in Inner London costs £99 or 3.7% less than it did in March 2019. Outside London, the South West recorded the strongest rental growth, at 14.9% (table 3).

Table 3 - Average rents on newly let properties

	Feb-22	YoY Change %	YoY Change £
Greater London	£1,874	10.4%	£178
Inner London	£2,571	21.3%	£452
Outer London	£1,741	7.7%	£125
East of England	£1,093	6.8%	£69
South East	£1,200	5.6%	£64
South West	£1,039	14.9%	£134
Midlands	£799	9.5%	£69
North	£757	9.6%	£67
Wales	£741	5.4%	£38
Scotland	£762	9.5%	£66
Great Britain	£1,115	9.1%	£93
Great Britain (Exc. London)	£920	8.6%	£72

Source: Hamptons

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

"Tax and regulatory changes have weighed heavily on the buy-to-let sector over the last five years causing more landlords to sell up at a time when fewer new entrants were looking to buy. As a result, there are around 300k fewer privately rented homes in Great Britain today than at the peak of the sector in 2017. While we expect investors to continue purchasing at around the same rate over the course of 2022, it's unlikely to be enough to make up for the full loss of rental homes during the last five years.

"A lack of rental homes is one of the reasons why rents have been rising at such pace over the last year. March set a new record for rental growth as rents bounced back from 2021 lockdown lows last March. But as these new buy-to-let purchases begin to feed into the lettings market over the coming months, we expect to see rental growth cool, particularly as the cost of living crisis weighs on affordability too."

Please note the Hamptons Monthly Lettings Index for April will be issued on Friday 13 May, embargoed until 00.01 hours Monday 16 May 2022.

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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 to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide 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.