THE LATEST NEWS, VIEWS AND FIGURES OF NOTE FOR INVESTORS ACROSS THE UK.

AUGUST/SEPTEMBER 2024

# PROPERTY INVESTMENT UPDATE

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UKiG
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# AUGUST/SEPTEMBER 2024 PROPERTY INVESTMENT UPDATE

***Welcome to our bimonthly property investment update, bringing together the latest news, views and figures of note for investors across the UK. We've studied a wide range of data points and explored markets at home and overseas to bring you the most compelling new trends and developments of note.***

## RENTAL GROWTH HAS SLOWED IN THE UK

***but rents continue to rise in these regions***

If you're plotting your next move as a buy-to-let investor, it pays to be informed as the rental market is being buffeted by seemingly contradictory forces. The headlines say that double-digital rental growth is slowing as tenants reach their maximum affordability ceiling thanks to a continuing cost of living crisis.

At the same time, mortgage rates have fallen, leading some analysts to suggest that would-be tenants have opted for home ownership status rather than continuing to rent.

However, if we delve deeper, it becomes clear that this is a time of opportunity for informed property investors. In addition to mortgages becoming more affordable for those looking to expand their portfolio, there are also nuggets of opportunity hidden around the country.

# SEEKING OUT AREAS OF GROWTH

It was inevitable that double-digit growth would ease. But this doesn't mean that rent increases are a thing of the past. On the contrary, Zoopla's latest data confirms a 5.7% growth in rents for new lets over the 12 months to June 2024. It projects a steady annual growth of 3-4% on average for 2024[1].

What's more, rents continue to increase at a much higher rate in certain areas.

The key for property investors is to be strategic about choice of location to ensure continual strong returns.

Zoopla research shows that the areas where rents continue to increase above the national average are in neighbourhoods closer to big cities. The good news is that they can be found in both the north and south of the country.

Rent prices increased by 6.9% in Rochdale during the first half of 2024 for example, way above the annual average. Doncaster in South Yorkshire and Southend in Essex both recorded 5% increases, while Sunderland and Telford also showed growth of 4.4% and 4.3% respectively.

# THESE 10 LOCATIONS BOAST THE GREATEST VOLUME OF RENTAL DEMAND AND YIELDS

Finding the ideal combination of rental demand and yields is the ultimate sweet spot for any property investor. Luckily, new research has taken much of the head scratching guesswork out of the equation, with 10 UK hot spots identified as the best profit making towns for buy-to-let investors.

The Warwickshire market town of Rugby is presently the most in-demand location in the country, with more than 20 prospective tenant applications per rental property. It's ideally situated close to Coventry and earlier this year was found to be one of the cheapest home bases4 for those who need to commute to London for work.

# RENTAL DEMAND

Stroud in the Southwest also has healthy levels of rental demand, with 19.5 applications for every property. It was named the best place to live in the UK by the Sunday Times Guide earlier this year, meaning demand could escalate still further as more people look to relocate.

| Local Authority | Region | Applications Per Property |
|---|---|---|
| Rugby | West Midlands | 20.2 |
| Stroud | South West | 19.5 |
| Surrey Heath | South East | 18.8 |
| Eastbourne | South East | 17.5 |
| St Albans | East of England | 16.5 |
| Slough | South East | 15.2 |
| Exeter | South West | 15.2 |
| Maidstone | South East | 14.9 |
| Ealing | London | 14.9 |
| Central Bedfordshire | East of England | 14.3 |

Surrey, Eastbourne and St Albans round out the top five for rental demand.

# RENTAL YIELD

Many of the towns and cities exhibiting the highest level of rental demand are located in the top 10 regions for rental yields per area. Buy in the West or East Midlands, and you can expect gross yields to exceed 7% per year. Yields are highest in the North East with a 9.7% return on average, while Yorkshire and the Humber offers a healthy 8.2% yield on average.

| Region | Applications per property | Average property price | 5-year price change | Gross yield |
|---|---|---|---|---|
| London | 8.0 | £503,730.00 | 8.0% | 5.7% |
| South West | 8.0 | £315,480.00 | 24.3% | 6.6% |
| West Midlands | 7.3 | £230,090.00 | 25.0% | 7.0% |
| East of England | 7.3 | £337,180.00 | 17.0% | 6.6% |
| South East | 7.1 | £372,090.00 | 16.7% | 6.4% |
| North West | 6.9 | £215,120.00 | 33.1% | 8.4% |
| East Midlands | 6.6 | £241,250.00 | 26.3% | 7.3% |
| Yorkshire and the Humber | 6.5 | £204,810.00 | 27.5% | 8.2% |
| North East | 6.2 | £158,120.00 | 25.5% | 9.7% |
| Wales | 5.8 | £211,010.00 | 31.8% | 8.8% |
| Scotland | 5.7 | £188,070.00 | 26.1% | - |
| Great Britain | 6.9 | £283,350.00 | 22.9% | 7.2% |

It pays to also investigate breakout areas. Milton Keynes for example isn't yet one of the top 10 places for rental demand, but it could benefit from a new train line which would connect the city with nearby Oxford and Cambridge, increasing its appeal for commuters and therefore, investors.

Stockport, which is adjacent to Manchester, remains very affordable (for now) but has excellent transport links and commuting prospects, making it a very attractive proposition for tenants and investors alike.

*Destination spotlight:*

# DUBAI

***Dubai is a strategic choice for property investors seeking to diversify their portfolio in 2024. While much of Europe and North America has battled inflation, high interest rates and flatlining economies post-Covid, Dubai is booming.***

# WHAT MAKES DUBAI AN ATTRACTIVE INVESTMENT PROSPECT?

**ECONOMY:** Dubai has a robust and diverse economy with GDB exceeding AED 115 billion in Q1 of 2024. The economy grew 3.2% year-on-year in the same quarter. Official figures issued by the Government of Dubai in July reveal growth across multiple sectors, including real estate growth of 3.7%, transportation and storage growth of 5.6% and information and communications growth of 3.9%7.

**LIVEABILITY:** The emirate is routinely recognised as one of the safest and most liveable cities in the world, which welcomes ex-pats with open arms. Residents enjoy tax-free benefits and have easy access to high-quality education and healthcare services. There's also a comprehensive, extremely modern transport infrastructure.

**TALENT AND INVESTMENT:** Dubai attracts an influx of top talent from around the world. Skilled workers flock to take up opportunities at the numerous international businesses which pour billions in investment into the region.

**GROWTH:** As if that wasn't reason enough to consider property investment in the jewel of the UAE, the government's Quality of Life Strategy 2033 promises to create even more reasons to live and work in Dubai8. The ambitious D33 Economic Agenda promises to establish Dubai as one of the world's top three economies9, creating more employment and investment opportunities.

**RETURN ON INVESTMENT:** Thanks to its status as a global commercial, technological and transport hub, there's no shortage of demand for property in Dubai. Investors can expect robust rental yields which compare very favourably with other countries.

For example, if you choose to invest in the USA, you can expect typical rental yields of around 2-4% and an annual growth rate of 3-4%. In contrast, Dubai landlords can achieve 5-7% yields and 7% annual growth.

# RENTAL YIELD COMPARISON

| City | Rental Yield (%) |
| --- | --- |
| Dubai | 5-7% |
| New York | 2-3% |
| London | 2-4% |
| Los Angeles | 3-4% |
| Sydney | 2.5-3.5% |

## FAVOURABLE TAX STATUS:

It's not just residents who benefit from Dubai's favourable tax environment. As a property investor, you can expect a very generous fiscal system with no property tax, income tax or capital gain tax to pay. This means that whether you're collecting rental payments or selling, you'll retain the proceeds. The lack of property tax also makes property ownership more affordable and accessible.

## STABLE CURRENCY:

The AED is considered a 'reserve' currency and is one of the most stable in the world. It's pegged to the US dollar and plays a key role in international trade.

# BANK OF ENGLAND (BOE) CUTS INTEREST RATES FOR FIRST TIME IN FOUR YEARS

The Bank of England announced its first interest rate cut in four years in August. The base rate cut has sparked a 19% increase in buyer demand according to RightMove data. There's also been a small decline in the average house price as is common for August, with new properties entering the market for sale 1.5% lower on average than July. That means the average house price is now £367,785 (a reduction of -£5,708).

This could be quite significant if you're planning to expand your portfolio, as the rate cut and increase in demand has led Rightmove to revise its property price forecast up for the remainder of the year. It had previously expected a 1% decline for 2024 but has amended its forecast to now show a 1% increase on 2023 prices.

# SCOTTISH PROPERTY INVESTMENT SURGES

New figures from property advisor JLL have confirmed a six-month spike in the Scottish property market, with new investment totalling £770m. That amount is 30%

higher than the same January-June period in 2023, and 4% above the 10-year average.

This upswell of investment in Scotland comes as property investment in the UK as a whole fell 25% below the 10-year average, although figures remain consistent with last year.

The analysis of investment in the year to date also confirm a healthy level of interest from overseas investors. For the third successive quarter, the greatest level of investment was directed at the residential market, including student accommodation and retirement homes.

# MANCHESTER NOW THE TOP ENGLISH CITY FOR PROPERTY INVESTMENT

If your property portfolio doesn’t yet include Manchester, Edinburgh or Glasgow, now is the time to rectify that omission. Those three cities top the latest Colliers’ UK residential investment cities report.

Edinburgh came out top for property investors in 2024, followed by Glasgow and then Manchester – which now sits ahead of London.

Explaining why Manchester is now the leading choice for property investors above traditional favourite London, Colliers’ head of UK residential and international properties, Andrew White said, “Manchester has gone through a significant transformation including redevelopment in recent years across the housing tenure mix.

*“We’ve witnessed lots of large corporations and government bodies moving their headquarters to the city in the last five years, such as JP Morgan, Octopus Energy and Rolls Royce, which has naturally resulted in increased demand for homes, and bolstered significant house price growth in the city.*

*Furthermore, Manchester’s economic and residential growth highlights the need for strategic expansion to meet housing demand.”*

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UPDATE

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