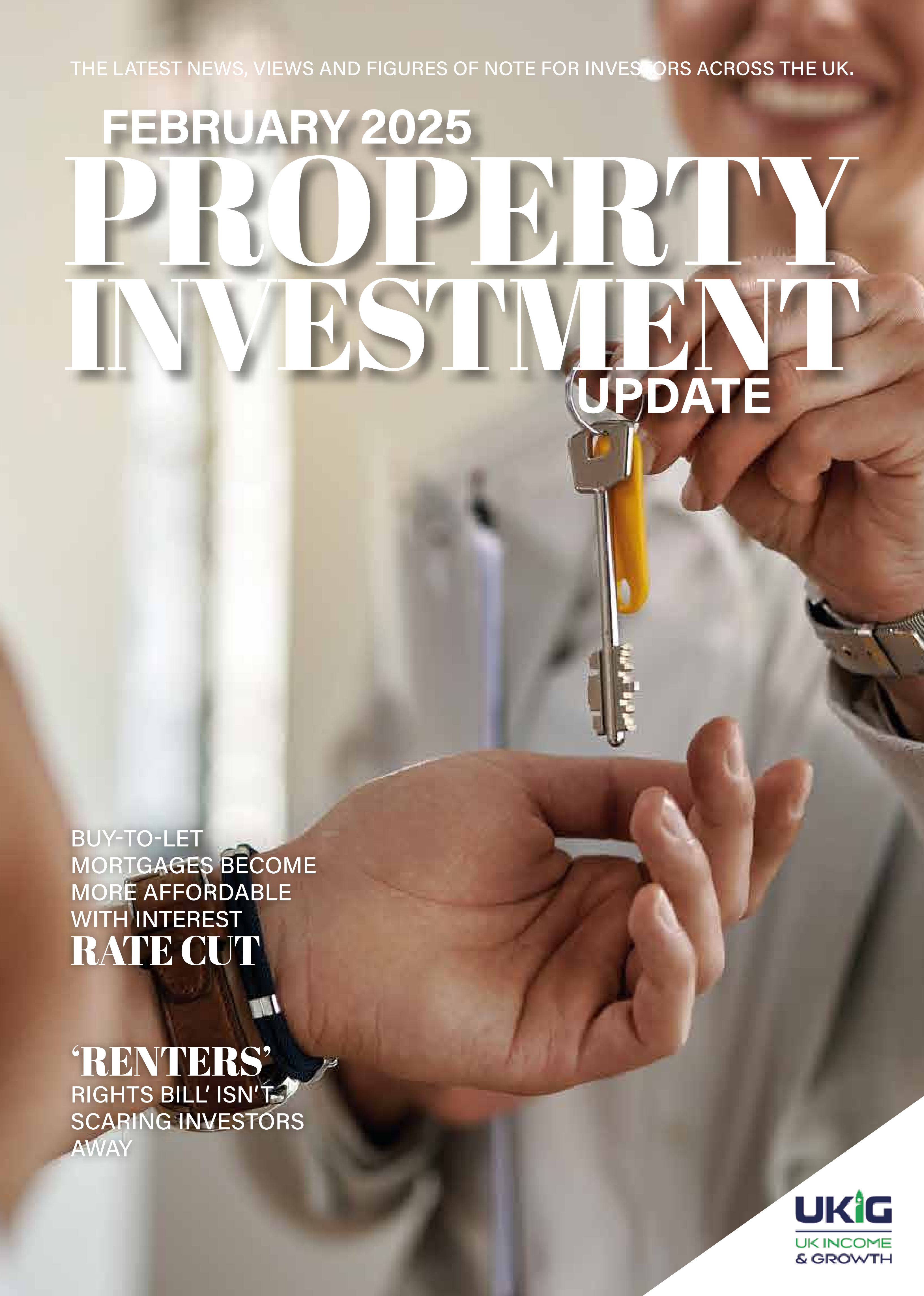
THE LATEST NEWS, VIEWS AND FIGURES OF NOTE FOR INVESTORS ACROSS THE UK.

FEBRUARY 2025

PROPERTY INVESTMENT UPDATE



BUY-TO-LET MORTGAGES BECOME MORE AFFORDABLE WITH INTEREST **RATE CUT**

'RENTERS' RIGHTS BILL' ISN'T SCARING INVESTORS AWAY

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MONTHLY PROPERTY INVESTMENT UPDATE

Welcome to our monthly 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.

Read on to find out what's new this month and where your property portfolio could go next (spoiler alert – the top options are Dubai and Sunderland).

BUY-TO-LET MORTGAGES BECOME MORE AFFORDABLE WITH INTEREST RATE CUT

There's good news if you're hoping to expand your property portfolio in the near future and browsing for borrowing options. That's because the Bank of England's decision to cut interest rates means that buy-to-let mortgages are becoming more affordable as we head deeper into the first quarter of the year. On 06 February, the Bank confirmed that it would cut its base rate. The reduction, from 4.75% to 4.5%, marks the lowest interest rate we have seen since June 20231. There are indications that additional rate cuts could be on the way, with the Bank taking the opportunity to downgrade its UK growth forecast.

The impact of this rate cut is already trickling down to the mortgage market, with some lenders quick to confirm changes to their buy-to-let mortgage products.

Accord Mortgages has cut its two-year fixed rate buy-to-let mortgages at 80% loan-to-value (LTV) by 0.25%, and slashed the five-year fixed rate for the same LTV by 0.20%, for example. It has also introduced a 4.39% fixed-rate buy-to-let mortgage for 60% LTV, along with other new products.

Accord says the new products help investors to capitalise on more favourable market conditions and make buy-to-let property ownership more affordable for more people.

Molo Finance has followed suit, with its cheapest two-year fixed rate buy-to-let mortgage at 3.25%, with a five-year alternative at 4.85%. HSBC meanwhile has increased the rate on some of its mortgages and reduced rates on others.

DUBAI BUY-TO-LET RENTAL INCOMES TICK UP AGAIN – AND IS SET TO GROW FURTHER IN 2025

If you haven't yet expanded your buy-to-let portfolio to include Dubai, now would be an opportune moment to do so. A new report has confirmed that Dubai rents increased by 16%2 overall last year, with strong residential demand and limited

supply creating a bumper 12 months for landlords. This trend is set to continue into 2025, helping to ensure a healthy ROI on new and existing property.

According to Arabian Business, strong demand continues to be seen across the Emirate, with newer areas also becoming popular as infrastructure grows, and additional developments are completed.

More residential housing is expected to come online in 2025, giving landlords and prospective landlords a greater choice of investment options. This is especially key if you're looking to expand your presence in the UAE buy-to-let market, as historically property supply has lagged behind demand.

The report also notes the ongoing popularity of the Emirates as a business destination, noting that office space is also running red hot. With more businesses looking to move into Dubai and set up shop, there will be a corresponding increase in professionals moving to the UAE to take up career opportunities. Those new arrivals will further fuel demand for rental properties.

Rental demand is expected to continue at pace throughout 2025, with some projections calling for short-term rental prices for leases of up to six months duration to increase by 18%, while long-term residential rental income could grow a further 13%[3]. In some areas, the increase could be even higher with growth of up to 25%.

SPANISH GOVERNMENT PROPOSALS COULD SEE DUBAI REPLACING MARBELLA AS A PROPERTY HOT SPOT FOR UK NATIONALS

The Spanish government recently announced it was considering charging non-EU residents a 100% tax on property purchases. Prime Minister Pedro Sanchez is facing growing pressure to act, as big cities like Barcelona and Madrid, along with tourist hot spots like Majorca, face an affordable housing crisis.

The property tax is intended to reduce the number of homes purchased by non-EU citizens and therefore ease pressure on housing, driving down costs and increasing supply for Spanish citizens.

This news is of particular concern for UK buyers, who make up the largest proportion of foreign property owners in Spain. According to the Spanish Notaries' Association, 12,470 properties were bought by British buyers in Spain in 2023. That's 30% more purchases than the second placed Germany buyers who snapped up 9,611 homes4.

While it's not yet certain when (or indeed if) this tax will be applied, property experts suggest that Spain's popularity will begin to wane, with Dubai likely to benefit. It could step in to fill the void, attracting both retirees and property investors who would previously have considered moving to or investing in Spanish property.

Lawyer Seila Sanches Lucas told Yahoo! News, "If adopted, there are many other jurisdictions looking to attract wealthy retirees and investors. For example, Dubai has been called the 'new Marbella.'"

If Spain was on your wish list as an investor, it's worth noting that Dubai offers higher gross rental yields than Spain in both city centre and non-city centre locations5.

THE NEW 'RENTERS' RIGHTS BILL' ISN'T SCARING INVESTORS AWAY FROM BUY-TO-LET

The upcoming Renters' Rights Bill hasn't scared investors away, with just one in five landlords saying they plan to sell their buy-to-let properties ahead of the legal changes being introduced, according to a new survey[6].

The research, carried out by Octane Capital, found that the upcoming legislation had had little impact despite worries that it would lead to a mass exodus of private landlords from the sector. In fact, 90% of investors confirmed that they had maintained their portfolios over the last 12 months.

Just 7% of those surveyed said they have downsized their buy-to-let portfolio. The majority also indicated that they planned to retain their buy-to-let property portfolio in 2025. Around 21% said they planned to sell some of their portfolio in 2025.

SUNDERLAND EMERGES AS THE BEST CHOICE FOR UK BUY-TO-LET INVESTORS IN 2025

Great Britain's thriving buy-to-let property market, driven by exceptional levels of demand for private rented accommodation, is laden with potential. There are numerous hot spots around the country, but new research7 has seen Sunderland emerge as the top choice for property investors right now.

This Northeast port city in Tyne and Wear offers investors an average gross rental yield of 11.2%, on an average monthly rental income of £591. At just over £68,000 for an average property, Sunderland is also an affordable gateway into buy-to-let for new investors seeking to build a property portfolio.

Staying in the north, Newcastle also offers double-digit yields of 10.2%. The average monthly rent is £1,325. The average cost of buying a property is more than double that of Sunderland at £55,867.

Moving to the Northwest, the top pick is Bradford. The UK's 2025 City of Culture, Bradford's average rental yield is 12%, with an average monthly rental cost of £701. Much like Sunderland, property prices are affordable, with the average asking price just £67,806. Brandford is undergoing a huge amount of regeneration, with new homes, office spaces and commercial units being created, making it a thriving city and a good investment choice.

Average rental yields are lower in the Midlands and South of England, but you can still expect to generate around 6-7% on average in cities like Nottingham, Birmingham, Milton Keynes, Southampton and Oxford.

A PLACE IN THE SUN SHARES ITS 10 BEST PLACES TO BUY ABROAD RANKINGS FOR 2025 – WITH DUBAI INCLUDED FOR THE FIRST TIME EVER

The popular TV show A Place in the Sun has shared its top 10 list of best places to buy abroad in 2025 – with Dubai making the annual list for the first time8. The list is compiled based on property searches and requests made to the A Place in the Sun team, with the top 10 reflecting demand over the last 12 months.

Perhaps unsurprisingly, Spain has claimed the top spot (though this could soon change due to the property tax hikes for overseas buyers), with France, Portugal, Cyprus and Greece claiming the remainder of the top 5 spots. Familiar favourite Florida has seen its popularity slide, with the A Place in the Sun team attributing this to an increase in property prices and decline in affordability.

Pushing out Malta, Dubai comes in 10th. "The Dubai market is booming, with an increasing number of people deciding to relocate there (zero income tax, year-round sun and a high standard of living are a pretty tempting trio)," says A Place in the Sun's Liz Rowlinson. It says most enquiries are for the area around Downtown Dubai, with the average buyer budget coming in at £201,043. For this price, most buyers are looking for studio, one or two-bedroom properties.

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+44 203 318 5757
admin@ukincomeandgrowth.co.uk
www.ukincomeandgrowth.co.uk