

Property Bulletin

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House price growth on the rise

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PLUS:

- Study finds that the buy-to-let market contributes £16.1 billion a year to the UK economy
- Who made the most money from UK property?
- New rules affecting landlords come into effect



Welcome to the latest Grunberg & Co Property Bulletin, our publication to keep you up-to-date with news from the property sector and the accounting and financial services that our firm can offer you and your clients.

In this edition, we will explore how the buy-to-let market contributes £16.1 billion a year to the UK economy, who has made the most from the UK property market, take a look at recent house price growth and finish by examining some of the new rules for landlords.

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House price growth on the rise

House prices between December 2018 and February 2019 were 2.8 per cent above the levels seen in the same period a year earlier, according to new data prepared by the Halifax.

By contrast, the equivalent figure for the three months to January was 0.8 per cent. House prices rose 1.8 per cent higher in the quarter to February 2019 compared to the previous quarter, meaning that the average UK house price is now £236,800.

At the same time, UK sales have remained relatively steady, with 101,170 sales in January, close to the five-year average of 101,291.

More than 100,000 homes have been sold in each of the last five months.

Speaking to Mortgage Strategy, Mortgage Advice Bureau Head of Lending, Brian Murphy, said: "Anecdotal reports from across our network in terms of activity last month corroborate with this and suggest that February was one of the busiest for the market that we have seen for some time in most areas of the country.

"However, there is a possibility that the current lack of stock in some regions is providing support for pricing, and therefore whilst today's numbers make for an

encouraging 'feel good' factor, as and when more sellers decide to list their homes in the coming months, it is possible that we may see pricing stabilise again."

It is good to see that house prices in the UK are increasing. However, any increase in house prices could have a substantial effect on the purchase of your next property, including inflating your Stamp Duty Land Tax bill. If you are looking to purchase a new property for your portfolio, please contact us.

New rules affecting landlords come into effect

Legislation intended to ensure decent living conditions for tenants has come into effect in the form of the Homes (Fitness for Human Habitation) Act 2018.

Since 20 March 2019, all landlords and letting agents in England have been subject to the new rules from the beginning or renewal of a tenancy.

The measure includes a requirement on landlords to ensure that properties are fit for human habitation throughout a tenancy.

Tenants will be able to take legal action for breach of contract where a property is not fit for habitation.

The National Landlords Association said: "The NLA welcomes the Act and has supported its passage through Parliament. Most landlords should have nothing to worry about in respect of the new Act. A reasonably maintained property should not be deemed unfit.

“Only landlords of properties suffering serious disrepair issues should be affected, and these should be resolved irrespective of new legislation.”

Managing costs within a property business is essential and these new requirements are likely to force some landlords to spend more on property improvement. To find out how this could have a wider impact on your income, contact our property specialists today.



Who made the most money from UK property?

People who purchased a house in 2009, during the financial crisis, made more profit if they sold last year than those who purchased in any of the previous 14 years, a new study has found.

An investigation by estate agency Savills examined who had benefited from property in the last 15 years.

The study highlighted factors such as the importance of market timing for determining profits from a property sale and the impact location had on sales.

Lucian Cook, Savills' Residential Research Director, said: "Over the last 15 years it really has made a difference as to when and where you bought in terms of the profits you've made. It reinforces that it's not a one-size-fits-all market."

The estate agent calculated profits (or losses) by year of purchase and region by examining

the Land Registry data on sellers in England and Wales in 2018.

It found that purchasers in 2009 were taking advantage of the chaos of the financial crisis when house prices were falling across many parts of the country.

According to the data, purchasers in 2009 made a typical £93,378 profit from a 2018 sale.

Mr Cook added: "The mortgage markets were locked up, but I also suspect some of this is about whether people were brave enough to do it and whether some people in 2009 had enough accumulated equity at that point to be able to make the move."

40 per cent of people who had bought property in London and the south of England over the past 15 years made more than £100,000 when selling last year, yet only six per cent did so in the north of England.

The highly localised nature of the property market in England and Wales is underscored by stark variations in the profits to be made in different regions.

Selling a property can result in a substantial tax bill depending on your circumstances, which is why it makes sense to seek professional advice before the disposal of property. To find out how we can help you with the sale of your next property, please speak to our team.

Study finds that the buy-to-let market contributes £16.1 billion a year to the UK economy

A new report has revealed that landlords in the UK's buy-to-let market contribute around £16.1 billion to the nation's economy in pre-tax spending.

The study, conducted by specialist lender Kent Reliance, says that this figure is twice as much as the sector contributed a decade ago, which highlights its growth.

The 'Buy to Let Britain' report showed that the average spend per property, before tax or mortgage interest, is £3,571 per year.

However, due to the changes in taxation in recent years and new legal requirements for landlords, 36 per cent of respondents said that they were now looking to cut their annual spending.

When it came to spending, property maintenance was the biggest source of

expenditure, with 46 per cent of landlords identifying it as a key area for cost-cutting.

Around 29 per cent of landlords also hope to cut their mortgage interest payments, while nearly one in four intend to save money on letting fees.

One of the most significant increases to costs in the near future is likely to be the Tenant Fees Bill, which is due to come into effect on 1 June 2019. This will prevent letting agencies from charging excessive fees to tenants or holding large deposits, which may mean that landlords are required to contribute more to fees.

In response to this, one in five landlords plan to increase rents to cover the higher costs they face instead of cutting their costs.

For more information on property expenditure and tax planning, please speak to our team.

