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Property Bulletin

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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 look at upcoming changes to Capital Gains Tax on the sale of a home, a growth in first-time buyer demand, research that shows the best place for buy-to-let investments and increase in rental income due to tenant demand.

If you would like to find out more about Grunberg & Co's tax and accountancy services for you and your clients, please get in touch with us by calling **+44 (0) 20 8458 0083** or emailing **alexk@grunberg.co.uk**

First-time buyer demand strong

The latest data from UK Finance has shown that the number of first-time buyers entering the UK property market has grown.

The latest figures from the UK financial services trade body show that 32,640 first-time buyer mortgages were completed in July – an increase of almost 6 per cent on the previous year's numbers.

During the same month, lenders completed 32,710 home mover mortgages, which is an increase of 1.4 per cent on the previous year.

Despite the various changes to taxation which have made property investment less attractive, buy-to-let mortgages were also up by 5.5 per cent. Shepherd Ncube, Chief Executive of estate agents Springbok Properties, said: "Strong buyer demand is continuing to drive the UK property market, and this is being led by our army of aspirational first-time buyers, which is great to see.

"Undeterred by Brexit angst and spurred on by the dream of homeownership, this demand has been fuelled by the continued affordability of mortgage products, a wider slow in the rate of house price growth and a steady uplift in earnings. All of which have combined to create almost ideal conditions to take that first step on the ladder."

During the same period, remortgages fell, with just 20,760 remortgages with additional borrowing completed – a decrease of 7.1 per cent from 2018.

Where no additional borrowing was involved, the rate of remortgages fell even further and were down by 12.9 per cent in July.

The growth in first-time buyers is likely to have a wider impact on the property market, particularly at the lower end where much of the investment activity takes place. To find out how this might affect you, contact us.

Study reveals the best buy-to-let locations in the UK

A new report from lettings platform, Howsy, has looked at where in the UK is currently the best place to invest in a buy-to-let to gain the best return during these uncertain times.

The firm looked at where the home with the highest rental yields were and found that Glasgow is the best spot for a return on a property at 7.5 per cent.

Scotland also accounted for the next best three places for rental yields including Midlothian (6.8 per cent), East Ayshire (6.8 per cent) and West Dunbartonshire (6.7 per cent). Meanwhile, Burnley and Belfast are enjoying current yields of 6.5 per cent.

Despite, many of the locations being located in the far north of England, Scotland and in Northern Ireland, the team behind Howsy have said that with the advent of modern technology and growth of property management services that investment should no longer be area specific.

Calum Brannan, founder and CEO of Howsy, said: "The face of the lettings sector has changed quite considerably with the advent of technology-based solutions to traditional problems, and now even the most amateur of buy-to-let landlords can own a home on the other side of the UK and manage their investment efficiently and effectively.

"More accessibility via digital rental platforms now provides landlords with greater empowerment when managing their property portfolio and they can do so anytime, day or night, with greater peace of mind.

"The new age of letting agent not only provides this greater peace of mind but as they tend to operate on a UK-wide scale, they are better placed to deal with the day to day needs of the buy-to-let sector, whether it's one property at the other end of the country, or a number of properties spread over different regions.

"As a result, landlords are no longer restricted to investing within the local vicinity to keep tabs on their property or forced to pay exuberant fees for an agent to do so, leaving them free to buy in one section of the market and invest in another to maximise their financial gain across the board."

It is intriguing to see where the most gains are being made from rental yields. If you would like help accessing the profitability of your portfolio, please contact us.

Next year sees fundamental changes to taxation on the sale of a home

From April 2020 the rules surrounding capital gains on a main residence are changing and it may mean that you have to pay tax on the sale of your property even if it is your own residence.

After this date, fundamental changes to how Capital Gains Relief is assessed could have a critical impact on the amount you make from the sale of a property – especially if you are a higher rate taxpayer who will pay Capital Gains Tax on a property at a rate of 28 per cent.

Letting Relief

Currently, letting relief allows you to sell a home free of Capital Gains Tax if it has at some point:

- Been used as your only or main residence
- Been wholly or partly let to another person during your ownership

This relief offers an exemption on up to £40,000 of gains per owner during periods that would not typically benefit from the relief.

However, from April next year, this relief will only apply if the property owner is in shared occupancy with another person who is renting, such as a lodger in the room of a house with access to shared areas, at the point of sale.

Where the exemption no longer applies, those on the higher rate of tax could be exposed to an additional £40,000 of taxable gain or £11,200 of tax. For couples, whose joint exemption is £80,000, this would rise to £22,400 of tax.

This change will affect property owners differently depending on their circumstances, particularly 'accidental landlords' who may have let their home for a short period before its sale, so they must seek expert advice at the earliest opportunity.

Principal Residence Relief

The final exemption period for main residence relief will also be reduced from 18 to just nine months from April 2020.

This means that homeowners will be exempt from paying Capital Gains Tax on the gains made in the final nine months of ownership, instead of the final 18 months, as is currently the case.

There are however no changes to the 36 months currently available to the disabled or those in a care home.

Spouses and Civil Partners

Spouses and Civil Partners normally pay no Capital Gains Tax when they transfer property. This is because the receiving party's period of ownership will be the same as that of the transferring spouse.

The receiving party also qualifies for private residence relief for any period before the transfer that the property qualified, so long as the property is the couple's only or main residence at the time of transfer.

However, the changes outlined above will ensure that the relief operated will reflect the reality of the use of the property by either spouse/ civil partner through the entire period of ownership, which may mean that residence relief may not apply for some periods depending on how the transfer is conducted.

These factors combined may mean that if you sell your home after April 2020 you may no longer benefit from capital gains relief. If you are thinking of disposing of your own home you must seek professional advice now.

New 30-day rule

If you are non-resident, you must report a disposal of a property (even where there is no tax to pay) within 30 days of the disposal.

For UK residents, disposals are currently reported via annual self-assessment and tax will have to be paid by 31 January of the year after the end of the tax year.

However, for disposals after 5 April 2020, a 30-day period will apply to UK residents as well. This only applies to properties where tax is due on their disposal. An additional confusion is that the relevant date of disposal for Capital Gains will continue to be the date of exchange of contracts whereas the 30 day payment window runs from the date of completion.

If the property sale is tax-exempt (i.e. main residence) then the old rules will still apply. This is likely to have a significant impact on people disposing of second homes.

We are standing by to help with these changes to the tax regime, so please contact us.

Tenant demand drives record high UK rents

ARLA Propertymark, the trade body for lettings agents, has revealed that the number of tenants experiencing rent rises rose to a record high in August of this year.

According to their latest figures, 64 per cent of agents recorded rent rises during the month, up from 63 per cent in the previous month.

However, year-on-year this figure has almost doubled from 2017 and is up considerably from the 40 per cent recorded last year.

Agents have also recorded that the number of properties managed per branch has risen to 197 up from 184 in July. This equates to a four per cent increase in the supply of rental homes since August 2017.

ARLA also noted an increase in demand from prospective tenants, with the number of tenants registered at each lettings branch rising to 76 on average, up by 3 from the previous month.

David Cox, ARLA Propertymark Chief Executive, said: "Although it's positive to see that supply has risen, it is nowhere near enough to counterbalance the rapid pace of rising rents, which have reached a new record high for the fourth month running.

"Two-thirds of agents reported landlords raising rents last month, which is a significant increase when compared with the two-fifths of agents who witnessed rises in August last year.

"Unfortunately, the impact of the Tenant Fees Act will continue to be felt by tenants, as to keep their heads above water landlords will need to continue increasing rents to cover the additional costs they now have to bear."

Growing rental prices and tenant demand can only be good from a property investment stand point. To find out how you can make the most of these increases, please speak to our team.

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