

PRESS RELEASE

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Hamptons Monthly Lettings Index – November 2020

LANDLORDS IN £365 MILLION STAMP DUTY RUSH

INVESTORS RACE TO COMPLETE BY 31ST MARCH 2021

- 15% of all sales agreed in November went to landlords, the highest figure for four years (table 1).
- We estimate that investors will pay £365 million in stamp duty on the sales agreed over the last three months, a figure which could rise by 20% or £74 million if they have not completed by April 2021.
- The average landlord who fails to complete by 31st March 2021 will see their stamp duty bill rise from £5,400 to £6,500.
- A month after rents returned to growth nationally, rents in London rose for the first time since March (0.3%) (table 2).

Landlords have joined other buyers in rushing to complete their purchases in the run-up to the end of the stamp duty holiday. In November landlords made up 15% of buyers in Great Britain (table 1), the highest figure since December 2016. A record 51% of these purchases were in cash. Across 2020 investors will buy around 134,000 homes, up slightly from the 133,000 bought in 2019 (chart 1).

The average price paid for a home by a landlord in November was £180,000 (table 1), around £80,000 less than that paid by an owner-occupier. This means a typical investor who still pays a 3% surcharge will incur a stamp duty bill of £5,400 if they complete before the holiday ends. However, if they miss the deadline their bill will rise by £1,100 to £6,500.

Landlords will pay an estimated total of £365 million in stamp duty on the sales they have agreed between September and November if they complete before 31st March 2020. However, this figure has the potential to rise by 20% or £74 million to £440 million if the stamp duty holiday is not extended and they complete after the end of March next year.

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Regionally this rush has been concentrated in the Midlands and the North. 22% of homes sold in the West Midlands were bought by an investor, followed by 18% in both the North East and North West (table 1). In London, the figure stands at 15%, up 2% from three months ago.

At local authority level, Blackpool takes the top spot with 70% of sales agreed in November going to an investor. The seaside town was followed by St Helens (50%), Liverpool (39%), Calderdale (36%) and Nottingham (35%). No London local authority features in the top 10 but Lewisham, with 20% of sales going to an investor in November, takes top spot in the capital.

Rental Growth

There is mounting evidence that rental growth is picking up steam, with rents in Great Britain rising for the second month running since March. Across Great Britain, the annual rate of rental growth more than doubled from 1.4% in October to 3.0% in November (table 2). All nine regions in England saw the rate of rental growth accelerate between October and November, with rents rising in each region. However, rents in Wales fell by 3.4%, the third consecutive month of falls.

A month after rental growth in Great Britain turned positive for the first time since March, rents also began to rise in the capital following eight months of falls. London rents rose annually by 0.3%, the smallest increase anywhere in England. The average rental property in Inner London cost 12.7% less than it did in November 2019, a smaller fall than in recent previous months. However, in Outer London rents are 3.8% higher (table 2).

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

"Just like in the months leading up to the introduction of the 3% second home surcharge back in 2016, landlords have rushed to take advantage of reduced stamp duty bills. But the difference between today and 2016 is that the stamp duty cliff edge is around five times smaller, meaning the financial impact of missing the deadline is reduced.

"With over half of investor purchases made in cash during November, those taking advantage of the holiday are disproportionately larger investors expanding portfolios rather than new investors starting out. And with landlords also making up a rising proportion of sellers, in many cases, larger landlords are buying homes from smaller landlords.

“The rental market has shown signs that it is shaking off its Covid-induced hangover with rents rising in every region of England for the first time since March. With nearly a fifth fewer new rental homes coming onto the market than last year, it has put upward pressure on the recovery in rental growth. It is, however, likely that the homes being bought by landlords now will hit the rental market early next year which could serve to stifle rental growth in 2021.”

Chart 1 – Share of homes bought by landlords in Great Britain



Source: Hamptons

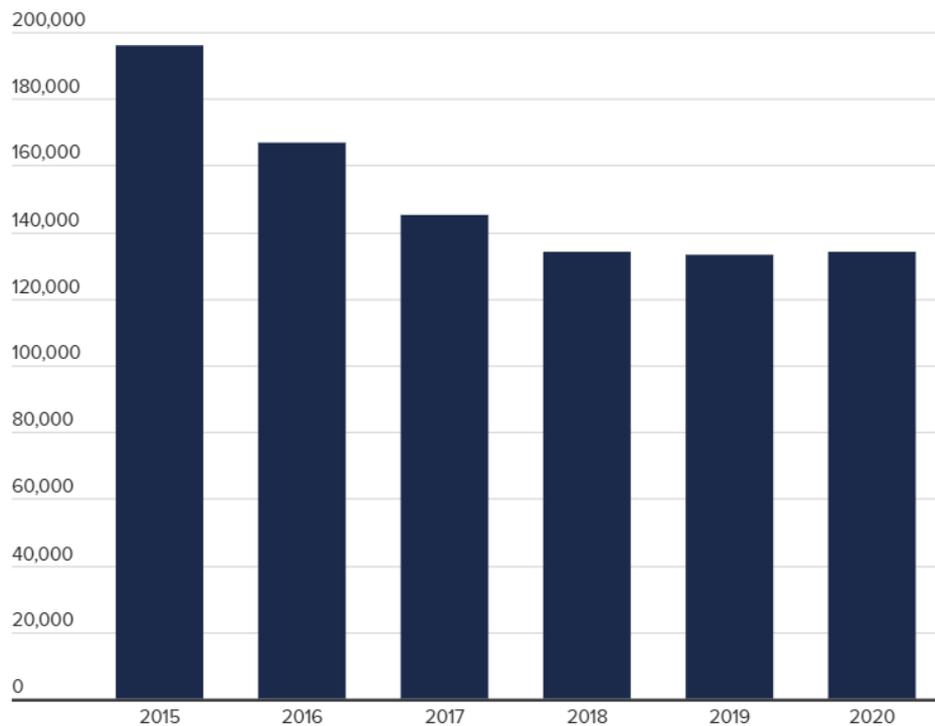
Table 1 – Proportion of homes bought by landlords (November 2020)

	Nov- 20 sales to investors	Percentage point change from 3 months ago	Average price
West Midlands	22%	7%	£174,000
North East	18%	5%	£72,000
North West	18%	6%	£112,000
East Midlands	17%	4%	£144,000
Yorkshire & Humber	16%	3%	£117,000
London	15%	2%	£323,000
Scotland	14%	4%	£102,000
South West	13%	2%	£215,000
East of England	10%	1%	£207,000
South East	10%	1%	£235,000
Wales	9%	1%	£131,000
GB	15%	3%	£180,000

Source: Hamptons

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Chart 2 – Total number of homes bought by landlords annually



Source: Hamptons

Table 2 – Annual rental growth

	Nov-19	Nov-20	YoY change
Greater London	£1,874	£1,879	0.3%
__Inner London	£2,527	£2,207	-12.7%
__Outer London	£1,750	£1,817	3.8%
South East	£1,084	£1,130	4.2%
South West	£829	£896	8.1%
East of England	£970	£1,005	3.6%
Midlands	£704	£728	3.4%
North	£644	£685	6.5%
Wales	£680	£657	-3.4%
Scotland	£672	£700	4.3%
GB	£1,020	£1,051	3.0%
GB (Excluding London)	£812	£838	3.2%

Source: Hamptons

Please note the Hamptons Monthly Lettings Index for December will be issued on Friday 15 January 2021, embargoed for 00.01 hours Monday 18 January 2021.

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About the Hamptons Monthly Lettings Index

The Hamptons Monthly Lettings Index (formerly the Countrywide 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, Great Britain's largest letting agent, to track changes to the cost of renting. The index is based on the 90,000 homes let and managed by Countrywide in 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 Countrywide, the UK's largest estate agency and property services group.