



Demand continues to outweigh supply as the UK housing market remains subdued.

This issue of UK Market Watch discusses rental market trends in London compared with the rest of the UK and the impact Brexit is having on the residential sales market.

LONDON

Located in the south east of the UK, London is the country's most populous and culturally diverse city. A leader in terms of commerce, education and entertainment, it offers visitors and residents the very best restaurants, cafes, museums, theatres and art galleries. It is also a rather 'green' city by world standards, with large parks and open spaces in nearly all boroughs.

For international assignees, London has a variety of properties and neighbourhoods. The city centre offers high-end luxury apartments and townhouses, whilst larger family homes can be found in the suburbs. Typically, many expatriate families choose to live in the surrounding areas of Middlesex, Essex, Surrey, Kent and Hertfordshire, collectively known as Greater London, which have many larger properties with gardens.

Rental Market Trends

Year-on-year, average rents in London rose by 1.8% in April 2019, according to the HomeLet Rental Index, which reports the current average monthly rent as £1,617. This is over 108% more than the average cost for the rest of the UK.¹ However, at Cartus, we are finding good quality expatriate accommodation is typically more expensive, with monthly rents over £3,000 in Central London and around £2,000 in the Greater London area.

There is little difference in the cost of renting a house or an apartment in London. Price will increase based on the number of rooms, however gardens are a key differentiator, so any property with outside space will be at a premium. Competition in the market means that all property-types are in high demand, but this is especially so for large furnished apartments (three and four bedrooms) and small freestanding houses (one or two bedrooms). To find one of these property-types in a timely manner, assignees should aim to be as flexible as possible in their property criteria.



¹ HomeLet Rental Index, April 2019

Popular Neighbourhoods

There are a number of frequented expatriate neighbourhoods across London and its surrounding areas, with key ones included here:

Angel and Islington are in North London. With many apartment buildings located in the area, it attracts singles, couples and young professionals. Average rents are outlined below:

Bedroom	Rental Rate
1	£1,650
2	£2,100
3	£2,400

**Average rental rates, per calendar month, correct at time of publication.*

Clapham in South West London is an area popular with young professionals. Properties are typically Victorian terraced houses or period conversions. Currently, availability for properties in Clapham is good. Average rents are outlined below:

Bedroom	Rental Rate
1	£1,400
2	£1,800
3	£2,350
4	£3,200

**Average rental rates, per calendar month, correct at time of publication*

Kensington is a high-end neighbourhood in West London. Popular amongst expatriate families, the area includes Victorian cottages and houses, Regency houses, 1930s semi-detached houses and new builds. Properties can be expensive when compared to other areas:

Bedroom	Rental Rate
1	£1,950
2	£2,800
3	£4,450
4	£7,100

**Average rental rates, per calendar month, correct at time of publication*

St Johns Wood & Hampstead is located in the northwest of the city and is home to a large U.S. expatriate contingent. Popular with families, the areas offers large homes, including both period and modern conversions. The average rental rates for properties in the neighbourhood are outlined below:

Bedroom	Rental Rate
1	£1,660
2	£2,600
3	£3,800
4	£5,600

**Average rental rates, per calendar month, correct at time of publication*

West Hampstead is also located in North West London, offering Victorian terraces and detached houses, as well as mansion blocks (generously sized, high-end apartments). The area attracts a lot of young professionals with average rents outlined below:

Bedroom	Rental Rate
1	£1,500
2	£2,100
3	£3,100
4	£4,200

**Average rental rates, per calendar month, correct at time of publication*

Another popular neighbourhood for young professionals is **Clapham**, located in South West London. The neighbourhood offers similar property-types to West Hampstead (Victorian terraces), but is slightly more expensive:

Bedroom	Rental Rate
1	£1,400
2	£1,800
3	£2,350
4	£3,200

**Average rental rates, per calendar month, correct at time of publication*

Cobham in Greater London is a village in the county of Surrey. Only 17 miles southwest of the city, the quiet, affluent area is popular amongst expatriates. There is also a good selection of property-types, with average rents outlined below:

Bedroom	Rental Rate
1	£1,350
2	£1,550
3	£2,150
4	£3,800

**Average rental rates, per calendar month, correct at time of publication*

UK RENTAL MARKET

UK rental rates grew by 2% over the last 12 months, with the average monthly rent now £936. When London is excluded, UK rental prices have actually risen by 1.8% year on year, standing at £775. The rise in annual rental rates would appear to be a consistent trend across the country, with 11 out of the 12 UK regions reporting a rise.²

Affordability for most tenants across the UK is relatively unchanged in recent years, as average rents continue to rise broadly in line with the rate of inflation. This does not apply to London however, where rents have increased above inflation and average wage growth.

When looking at the regional picture, the most significant monthly increases for April were a rather modest 0.5% for the East Midlands and 0.2% for Central London. The South West saw the biggest decline with monthly rental growth falling by 2.4%, and the North East and South East both reported a -1.5% decline in growth month-on-month.

NEW LEGISLATION

A new Tenant Fees Act was introduced on 1 June 2019, which protects tenants in England from unfair letting fees and caps tenancy deposits at five weeks' rent (six weeks if the annual rent is over £50,000). Landlords and letting agents typically position letting fees as costs to cover administrative and referencing tasks, but in recent years, these have been deemed unreasonably high.

The new legislation aims to eradicate any hidden charges, so that prospective tenants know exactly how much it will cost to secure a rental property. It is expected to save renters in England around £240 million a year, or up to £70 per household and may make renting more accessible to those that previously could not afford to enter the rental market.

The Act not only protects tenants at the start of their tenancy, but throughout the time they are in rental accommodation. It states that landlords and letting agents must provide evidence of any reasonably incurred costs that they ask tenants to cover, which will prevent tenants from being charged inflated prices for damaged items. Should a tenant be charged unfairly, the timeframe by which landlords and letting agents must issue a refund would also be shorter under this new legislation.

Companies who cover rental costs for assignees as part of their UK relocation programmes, will save money as they no longer have to pay letting fees or inflated tenancy deposits. However, as landlords will now be expected to pay the fees themselves, it has been suggested that they will find other ways to offset the cost onto tenants e.g., increasing rents.



Assignees who let their property whilst on assignment, should be mindful that they will have to pay the associated fees. This means that for companies who have a policy in place that covers these fees, the new legislation will add additional costs.

RESIDENTIAL SALES

In the residential sales market, the annual rate of house price growth, according to Nationwide Building Society, has 'remained subdued' in 2019. It values the average UK house price at £214,946 and reports a monthly fall of -0.2% and an annual year-on-year increase of 0.6%. This is the sixth consecutive month in which annual house price growth has been below 1%.³

Supply and Demand

Demand continues to outweigh supply, although the number of both buyers and sellers have slowed in recent months. This may be due to the unresolved issue of Brexit, which has led to an uncertain economic outlook and weakened consumer confidence. For now however, demand continues to outweigh supply.

² HomeLet Rental Index, April 2019

³ Nationwide House Price Index, May 2019

According to the latest UK Residential Survey by the Royal Institution of Chartered Surveyors (RICS), buyer enquiries in March recorded the eighth negative reading in a row across the UK, with 27% of respondents seeing a fall in buyer demand.⁴ In the current market, a realistic asking price remains key to selling, with 62% of RICS survey respondents indicating that sales prices have been 'at least level' with asking prices. With this in mind, we recommend that assignees selling a property set a realistic asking price and follow the advice of their local estate agents.

First time buyers are one group that appear to be continuing to look for a home, regardless of market conditions. Whilst house prices remain high, relative to average earnings, low mortgage rates have helped to suppose mortgage affordability. The biggest challenge remains saving for a mortgage deposit. According to research from Halifax, the average deposit put down by those buying their first home in the first half of 2018 was 16%.

Mortgage approvals—a leading indicator of completed house sales—fell by 4.6% in March, to 62,341. This is 3,793 below the average monthly approval rate over the last five years.⁵ Nevertheless, Nationwide suggests that the number of mortgages approved in recent months 'remains broadly stable'.

At Cartus, we have also experienced a somewhat subdued housing market. Although there appeared to be slightly more activity as we entered the spring months, it is still taking more time to sell a property when compared to a year ago.

GOING FORWARD

77% of RICS survey respondents cited 'Brexit uncertainty' as a key factor in holding back sales activity. However, RICS does suggest that a Brexit resolution has the potential to create pent-up demand, which may contribute to future growth in the housing market. For now though, the continued uncertainty around Brexit and the impact it is having on the UK economy and the housing market, means that the current trends such as extended sale periods appear likely to continue for the near term.⁶

Once Brexit has taken place, it is difficult to predict the impact that the process will have on the UK housing market as no country has withdrawn from the EU before. Once more details become known about the 'final deal' and the situation is made clearer, we will publish further information.

WHAT WE DO

As an important part of our Destination Services support, Cartus establishes and maintains relationships with real estate agents in London and other regions of the UK. These long term relationships are key to ensure that assignees have access to all available properties. To help meet requirements, we act as an intermediary between the real estate agent and the prospective tenant. We recommend that assignees keep in regular contact with their Cartus representative throughout their period of relocation.

⁴ Royal Institution of Chartered Surveyors UK Residential Market Survey Report, April 2019

⁵ Halifax House Price Index, April 2019

⁶ Royal Institution of Chartered Surveyors UK Residential Market Survey Report, April 2019

Sources: HM Revenue & Customs, Halifax House Price Index Survey, Nationwide Building Society House Price Index Survey, Royal Institution of Chartered Surveyors, HomeLet, Bank of England.