Colliers INTERNATIONAL

UNITED KINGDOM

RESIDENTIAL DATASHOT

AUGUST | 2018

MARKET COMMENTARY

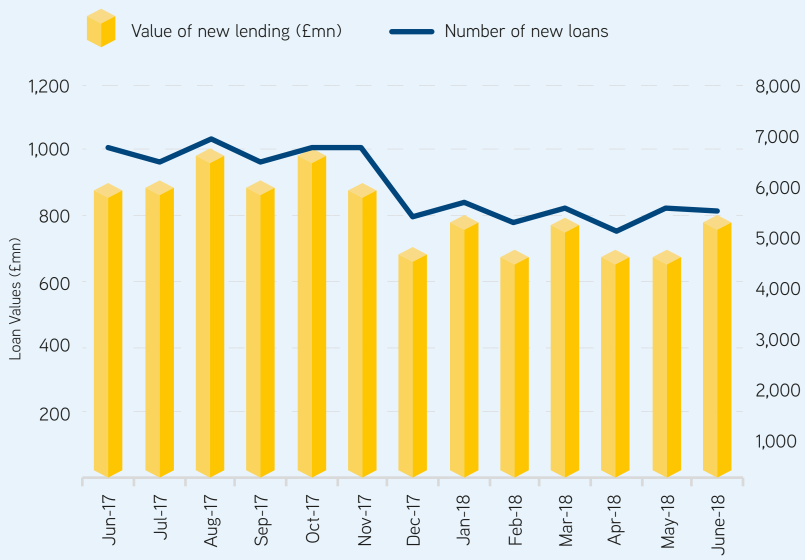
It was a controversial move, back in April 2016, when the government launched an additional 3% SDLT surcharge on buy-to-let properties and second home purchases. The latest figures show that there were 19% less buy-to-let transactions in the year to June 2018. This appears to coincide with anecdotal evidence that there was a decline in buy-to-let sales during 2017. There were 5,400 new buy-to-let (BTL) home purchase mortgages completed in June 2018, which was £800 million by value during the same year, 11% lower year-on-year.

What appears to be happening in the market is that the casual buy-to-let landlords are selling up to avoid the increased taxation resulting from a change in the system of calculating tax and rental income. By April 2020, buy-to-let landlords will be unable to deduct mortgage expenses from rental income to reduce taxation, making buy-to-let investment less attractive. Recent increases in the interest rate, albeit by small increments, have also made being a buy-to-let landlord less appealing as an investment. Larger or more corporate buy-to-let landlords are seizing the opportunities left by those smaller landlords who have already pulled out of the market.

The prohibitive surcharge on SDLT is also starting to show that the value of tax receipts has declined substantially since Q3 2017. The latest statistics from the HMRC on SDLT tax receipts show that there was a substantial increase in SDLT tax receipts collected between Q1 2016 to the peak in Q3 2017 (52%), indicating that the introduction of the SDLT surcharge has been very lucrative for the Treasury. Since the peak in Q3 2017, when £2.6bn was collected, the value of receipts has fallen by 25% and in Q2 2018 the Treasury collected £1.9bn from SDLT tax receipts. This is still a substantial sum and there is little incentive for the government to end the additional SDLT surcharge.

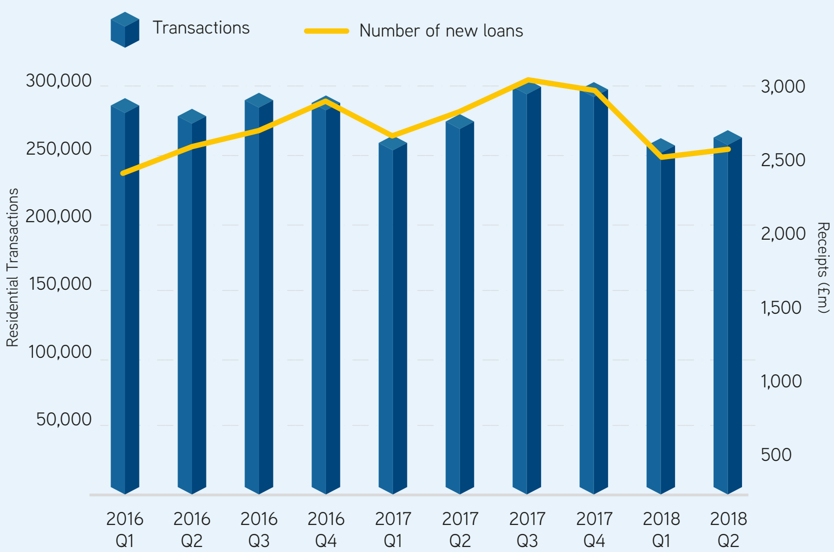
Many believe that the decline in the number of buy-to-let mortgages is a temporary blip as buy-to-let landlords with larger portfolios take advantage of opportunities in the market.

BUY-TO-LET MORTGAGES



Source: UK Finance Mortgage Trends Update June 2018

HMRC SDLT TAX RECEIPTS



Source: HMRC

INDICATOR	LATEST DATA MAY	 JUNE	 JULY	TREND	COLLIERS INTERNATIONAL COMMENT
Nationwide House Price Growth	-0.3%	0.7%	0.6%	▲	House price growth increased to 0.6% between June and July.
Halifax House Price Growth	1.7%	0.9%	1.4%	▲	House price growth picked up in July to 1.4%. According to the Halifax House Price Growth Index, the annual rate of growth increased from 1.8% in June to 3.3% in July, the largest increase since last November.
Rightmove Asking Price Growth	0.8%	0.4%	-0.1%	▼	Asking prices slowed down in July resulting in a virtual price standstill. Rightmove indicates that the percentage of sellers already on the market that reduced their asking prices is the highest at this time of year since 2011, which is an indication of over-optimism on the part of new sellers in the market.
Bank of England Mortgage Approval Rate	64,684	65,619	N/A	▲	Mortgage approval rates increased marginally between May and June of this year.
Bank of England Base Rate	0.50%	0.50%	0.50%	▬	The Bank of England base rate remained at 0.50% in July; however, in August the Bank of England Monetary Committee voted unanimously to increase rates to 0.75%.
Bank of England Average Rate on Two Year Fix (75% LTV)	1.74%	1.73%	1.76%	▲	The average rate on a two-year fixed mortgage was at 1.76% in July, which is the highest this year. Since April this year, the average rate has been around 1.73%
RICS Price Expectations Survey	-9%	0%	-0.5%	▼	RICS price expectations show a marginal decline, with the net balance at -0.5%.
RICS Sales-to-Stock Ratio	34%	34%	34%	▬	The sales-to-stock ratio remained unchanged.
HMRC Property Transactions	99,400	100,060	99,270	▼	The number of residential property transactions decreased by 0.8% between June 2018 and July 2018. This month's transactions figure is 3.2% lower than the same month last year.

FOR MORE INFORMATION

RESIDENTIAL

Ashley Osbourne
+44 20 7344 6762
ashley.osborne@colliers.com

RESEARCH & FORECASTING

Lisa Dean
+44 20 7487 1961
lisa.dean@colliers.com

Colliers International | UK
50 George Street
London W1U 7GA

Colliers INTERNATIONAL

www.colliers.com/en-gb/uk/insights