

August Property Newsletter

Welcome to our monthly newsletter for property landlords. We hope you find this informative.

House price affordability

In the largest fall in house prices since 2011, prices decreased by 2.6% in the year to June 2023, meaning the average UK house price fell by £7,500.

This data, taken from the most recent Halifax index, also shows that in June 2023, house prices declined for the third month in a row. Analysts believe that the recent decline was to be expected following the surge in house prices in Summer 2022, which was largely fuelled by the temporary stamp duty cut.

The index also notes that pricing behaviour is shifting, with sellers cutting their asking price in response to the market being under strain from high mortgage costs. Halifax also predict that this strain on peoples' finances will fuel further price decreases in the months ahead.

Mortgage rates

A recent report by real estate firm Hamptons has found that almost 225,000 property owners could lose money on their rental properties when they come to renew their buy-to-let mortgages, the rates of which are approaching 7%.

The report found that 226,930 rental properties (11% of all mortgaged rental properties) will not generate sufficient income to cover costs at the current mortgage interest rates.

Approximately 70% of buy-to-let landlords own a property that is mortgaged. This is a

much higher percentage than for owner-occupiers, which means this sector is more at risk from higher interest rates.

Increasing mortgage rates, together with tax increases such as the withdrawal of higher-rate tax relief on mortgage interest and additional stamp duty on additional homes, mean that even if the average higher-rate taxpayer landlord were to increase annual rents in line with the national average, they would still lose £119 a month.

Renters Reform Bill: Parliamentary progress

The Government has announced all parliamentary business scheduled up to the summer recess, which commences 20 July 2023, and there are no plans for the second reading of the Renters Reform Bill.

The Bill proposes sweeping reforms to the property rental sector, including banning no-fault evictions. It is considered unusual for a Bill to make such slow progress through Parliament and there are concerns that the Government may be having 'second thoughts'.

Parliament returns from summer recess on 4 September, so it is possible that the second reading may take place then, but with the conference recess scheduled to take place between 19 September and 16 October, there will be very little time.



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Wales: Holiday lets licensing plan is not popular

The Welsh Government has published a summary of responses to its consultation on implementing a statutory licensing scheme for all visitor accommodation providers in Wales.

Respondents included local authorities, visitor accommodation providers, tourism representative bodies and residents of Wales.

Of the 1,595 respondents, 65% opposed the proposals, with the main reasons being summarised as:

- The proposed scheme would create unnecessary administrative and financial burden;
- The holiday accommodation market is already highly competitive and thus operates efficiently; and
- General disagreement with any form of statutory licensing.

Large tourism organisations and local authorities were more likely to agree with the proposals, while visitor accommodation providers and residents most often disagreed.

The responses report suggests that the Welsh Government may reconsider its approach before making any legislative changes. It also acknowledges that further consultation with stakeholders is necessary.

Scotland: Potential housing emergency

Public sector membership organisation Solace Scotland, in collaboration with the Association of Local Authority Chief Housing Officers (ALACHO), have published a report 'Housing in Scotland: Current Context and Preparing for the Future' which details their assessment of

the social housing emergency in Scotland and the steps needed to address it.

The report estimates that 125,000 homes are needed to meet the current demand for social housing and says that this current level of pressure on local authority housing is unsustainable.

Key concerns in the report include:

- An emerging affordability crisis across the whole housing system but particularly in rural, island and east central Scotland;
- Record and rising numbers of people in temporary accommodation across most Councils;
- Continuing shortfall in the supply of mainstream social housing lets; and
- An emerging issue with the shrinking private rented sector.

Solace concludes that a fundamental review and whole system transformation of homelessness services and social housing provision are required.