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EXPERIENCE INVEST

UNCOVERING THE UK'S 2019 PROPERTY INVESTMENT HOTSPOTS

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REPORT OVERVIEW

The UK boasts some of the most sought-after properties in the world. London's reputation as a thriving cosmopolitan hub has resulted in a constant flow of investment into the capital's commercial and residential real estate. At the same time, regional cities such as Liverpool and Newcastle are forging post-industrial identities, with targeted initiatives encouraging the construction of new-build properties, better infrastructure and modern facilities.

However, the current political and economic climate is uncertain, and consequently there are question marks surrounding the future of Britain's property industry.

On the one hand, the looming deadline for the country's departure from the European Union (EU) has raised doubts regarding the impact of Brexit on property investment. At the same time, the specific types and locations of properties that are attracting investment – both from domestic and foreign buyers – are constantly evolving, which introduces a challenge for investors when identifying the best real estate to purchase.

Understanding the need for answers to these important questions, Experience Invest has commissioned new research examining how the UK's property investors are planning to manage their portfolios in 2019. Furthermore, the study delivers insight into the most popular regions, cities and types of real estate that investors are considering for the coming 12 months.

The survey was carried out in January 2019 among more than 500 investors, who all own two or more investment properties. By presenting the findings alongside broader industry trends and data, this report provides valuable market intelligence for those considering real estate investment in the year ahead.

PROPERTY INVESTORS REMAIN UNDETERRED

There have been plenty of 'doom and gloom' predictions about the impact Brexit will have on UK property investment, with some foreseeing that investors will be reluctant to pursue new investment opportunities over the next 12 months.

To see if this really was the case, we asked the sample of property investors about their real estate strategy in 2019. The research found:

39% of respondents said they intend to invest in more property this year while holding onto their existing assets

35% do not intend to buy or sell properties this year

15% will invest in more properties while selling one or more existing properties in their portfolio

11% plan to sell some of the real estate they own and do not intend to reinvest into more property

The results reveal that the majority of investors will be considering real estate purchases in 2019. Over half (54%) plan to invest in property, with 39% preparing to do so while holding onto their current assets. This compares to a mere 11% of property investors who intend to downsize their portfolios.

Evidently, Brexit has not dampened investors' desire to seize real estate opportunities when they present themselves. While a degree of hesitancy in the months either side of the Brexit deadline (29 March 2019) is unavoidable, this does not look set to derail people's property buying plans in the medium and long term.

The historical performance of real estate as an investment asset is likely a factor in underpinning the respondents' confidence. According to the Office for National Statistics, over the past ten years average UK house prices have risen from £157,000 to approximately £220,000 – this defied the difficult post-recession period as well as three general elections and the Brexit vote.

WHERE ARE THE UK'S REGIONAL PROPERTY INVESTMENT HOTSPOTS?

According to Halifax's House Price Index, house prices across the country increased by an average of 1.3% in 2018. Amidst political deadlock in Westminster and the prospect of a no-deal Brexit on the horizon, such growth is impressive. Delving into the performances of individual regions, however, there were some clear highlights. Liverpool, Manchester, Birmingham and Nottingham, for instance, all experienced house price growth at around 6%.

House prices are an effective measure of capital growth and are determined by market demand. For this reason, we asked investors which UK region they are considering as part of their property investment strategies for 2019. The results reaffirmed what has been unfolding across all the major house price trackers; namely, while London still holds great appeal, more and more investors are looking outside of the capital for bricks and mortar assets.

WHICH REGIONS ARE INVESTORS CONSIDERING FOR PROPERTY INVESTMENTS IN 2019?

Greater London	37%
North West	30%
Midlands	23%
South East	22%
Yorkshire	21%
North East	18%
South West	17%
Scotland	8%
Wales	5%
East Anglia	4%
Northern Ireland	2%

INVESTORS LOOK TO GREATER LONDON

It might not come as a surprise that Greater London tops the list, with 37% of investors considering buying a property in this region in 2019. Given that house price growth has been stagnating in London's central boroughs, this finding suggests that investors could be looking to take advantage of this plateauing market before the area's forecasted return to growth.

It is important to note that Greater London's place at the top of the list is not only a result of the capital's popularity; there is also a large number of investors looking to the Home Counties and commuter towns, which offer more affordable investment opportunities. These places are attracting waves of London workers and professionals seeking to escape the expensive demands that come with living in the capital.

A report from Knight Frank revealed that in 2017, net outward migration from London reached over 106,000. Moreover, the same report found that Londoners in their 30s were the largest cohort of people leaving the city, with many relocating to commuter belt cities. This is creating pressure for more rental properties, and in turn, the construction of new-build property developments.

TURNING TO THE NORTH

Experience Invest's survey showed that the north of England is also attracting significant interest at present. Trailing close behind Greater London, the North West is proving a popular destination – 30% of property investors are considering a purchase here.

Furthermore, Yorkshire (21%) and the North East (18%) are also on investors' radars. With the Government investing billions of pounds through the Northern Powerhouse strategy to improve transport links and urban facilities in the region, investors could be looking to take advantage of the real estate opportunities on offer in the north.

The findings are also reflective of statistical trends from the past 24 months. Specifically, places like Manchester and Birmingham have consistently ranked highly when it comes to cities delivering the highest rental yields and house price growth. LendInvest's Buy-to-Let Index Report in November 2018 recorded rental yields of 5.29% in Manchester and 4.49% in Birmingham.

WHICH CITIES ARE DRIVING PROPERTY INVESTMENT?

Having uncovered the most popular regions for property investment, Experience Invest also asked investors which city they were specifically looking to in 2019. Again, while London remained at the top of the list, cities in the north of England trailed very closely behind.

THE TOP 10 UK CITIES INVESTORS ARE CONSIDERING FOR PROPERTY INVESTMENTS IN 2019

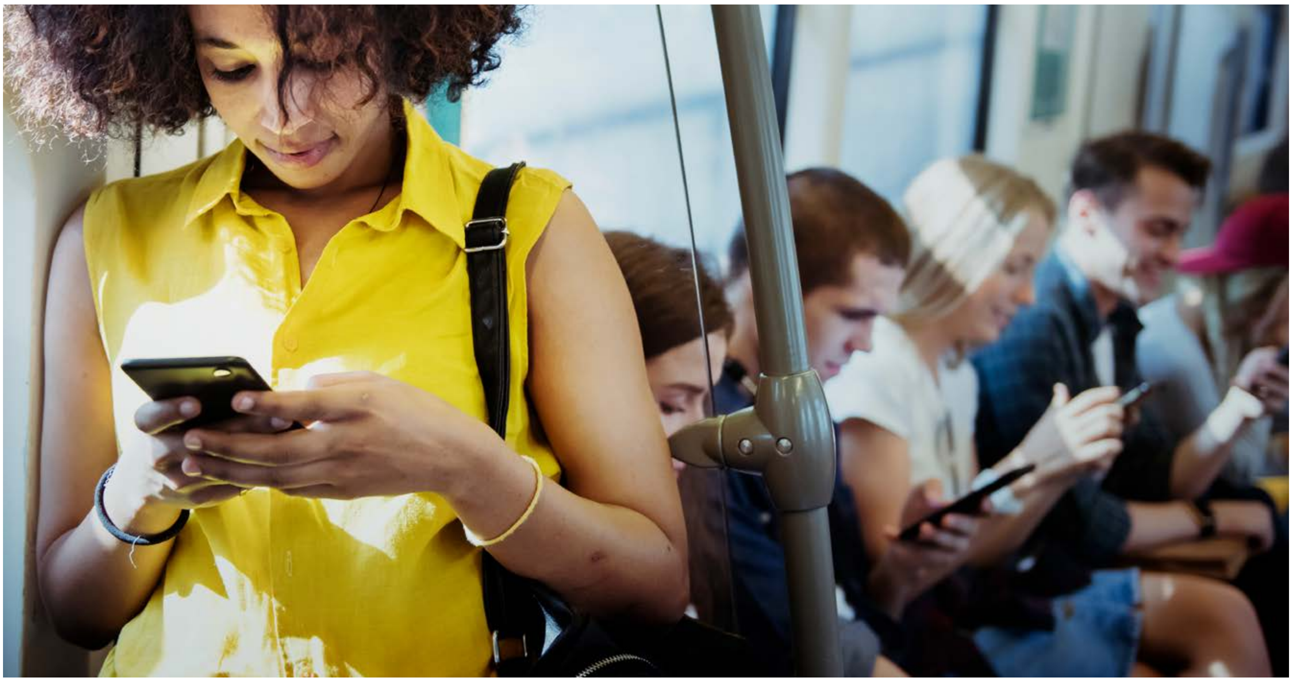
1. London	35%
2. Manchester	33%
3. Liverpool	25%
4. Nottingham	15%
5. Bristol	14%
6. Leeds	13%
7. Birmingham	12%
8. Newcastle	12%
9. Luton	11%
10. Brighton	9%

LIVERPOOL, MANCHESTER AND NEWCASTLE – THE REVIVAL OF ONCE-INDUSTRIAL CITIES

The aforementioned Northern Powerhouse strategy has created new commercial and residential opportunities in once-industrial northern cities.

With the government directing funding into transport and digital infrastructure, more professionals and businesses are relocating to these cities, which is boosting the vibrant university student communities that have already made property investment popular. The proportion of Londoners moving to Northern England or the Midlands tripled between 2008 and 2018. And based on our findings, it is evident that Manchester and Liverpool are attracting strong interest.

Liverpool, for instance, is currently benefitting from an influx of public and private investment. The results are impressive – house prices have grown by nearly 25% over the past five years. And as demand for residential properties and student accommodation continues to rise, Liverpool is expected to experience house price growth of 5% in 2019. Importantly, this projection is despite the immediate impact Brexit could have on real estate.



LUTON – THE RISE OF THE COMMUTER TOWN

Luton's inclusion within the top ten list of most popular cities for property investment is further evidence of the growing demand for real estate in the Greater London area – particularly in established commuter towns.

Quick transport links to London and greater overall affordability has made the commuter belt an attractive investment destination for prospective homebuyers. Luton is a prime example, with over one in ten (11%) investors considering a property investment here over the next year. Indeed, Luton was recently crowned London's number one commuter location by estate agent Jackson-Stops.

Given the £1.5 billion regeneration currently taking place in Luton to upgrade the town centre, including the construction of new-builds, this commuter town is likely to remain a top target for investors.

DECIDING BETWEEN ASSET TYPES

From commercial and semi-commercial developments to new-builds and student accommodation, property investors have a range of choices available to them. Naturally, deciding which type of property to invest in depends on a number of factors, including available capital, the desired length of time they are willing to hold on to the property, and whether it will be used for rental yields or quick capital growth.

By asking investors which type of property they were considering, we found that while houses and flats topped the list, there is also significant interest in new-builds.

WHICH TYPES OF PROPERTIES ARE INVESTORS KEEN TO BUY IN 2019?

Houses	67%
Flats	54%
Residential new-builds	39%
Commercial	34%
Student accommodation	24%
Semi-commercial	21%

Houses and flats taking the top two spots on the list is not surprising, given how broadly encompassing these categories are. Of more interest is the sizeable number of UK property investors who are open to investing in other commercial and residential options.

The number of new-build homes on the market is rising – the National House Building Council (NHBC) found that 43,578 new homes were registered between July and September last year. This was up 15% from the same period last year. And investors are evidently considering such opportunities – 39% of investors said they are looking to residential new-builds over the coming 12 months.

Another popular option is student accommodation. In fact, Knight Frank has estimated that the purpose-built student accommodation (PBSA) sector is on track to reach a total combined value of more than £53 billion by the end of this year – a rise of almost £3 billion on its current value.

The student market can offer investors regular income from a property, particularly due to a predictable student cycle that falls in line with the academic calendar. Students generally sign up for a specified length of time, so returns are often predictable.

The UK also has a sizeable student population, which is projected to rise – the Higher Education Policy Institute anticipates the undergraduate student population in England to rise by 300,000 by the end of 2030. Moreover, student property can deliver significantly high rental yields when compared to other BTL investments. A report last year found that two of Liverpool's most popular postcodes for students (L7 and L6) achieved rental yields close to 12%.

TAKING ADVANTAGE OF PROPERTY INVESTMENTS IN 2019

In light of tighter tax regulations on landlords and on-going Brexit uncertainty, there have been some necessary questions posed about the future of the UK property market from an investor perspective. Nonetheless, Experience Invest's research shows that, as an investment asset, real estate is still hugely popular, with a substantial number of property investors looking to grow their portfolio further in 2019.

It is interesting to see that while London remains the most popular location for property investment, other regions across the UK are very close behind. In particular, the North West has established itself as something of a 'hotspot' for real estate investors, with cities like Liverpool and Manchester providing strong rental yields and healthy capital growth.

Experience Invest has been keeping a keen eye on the property market, supporting developments in places like Luton, Liverpool and Newcastle, which our research shows are high on the list for prospective buyers. Importantly, working with experienced developers that have a proven track record can help deliver promising – and exclusive – investment properties in these regional hubs.

Naturally, the potential impact of Brexit as well as the broader political and economic landscape are key considerations to keep in mind going forward. But given the resilience of the UK property market even in the face of significant challenges, there is no reason why the market for bricks and mortar will not continue to deliver attractive property opportunities in the coming months and years.

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