



INHERITED PROPERTY: THE FUTURE OF UK HOMEOWNERSHIP

Inherited Property: The Future of UK Homeownership

For many UK homeowners, deciding what to do with their property portfolio in the long-term is a pertinent question, particularly for pensioners and retirees. With many property investors intending to pass on their real estate to family and friends, the transfer of such wealth through inheritance constitutes a significant proportion of property transactions – a recent study by Royal London anticipated that over the coming decade, £400 billion worth of real estate would be passed on from older generations to those aged between 25 and 44.

As an asset class, residential real estate is uniquely positioned to offer investors significant returns, be it through rental income or the resale of the property. This diversity of purpose makes property a persistently popular asset class, with high demand fuelling long-term price growth. Since 2008, the average British house has risen in value by 18%, with London averaging an astounding 80% price growth over the past decade alone. Such robust growth continues to inspire many investors to make property the cornerstone of their investment strategy.

The UK property market currently faces record demand for residential and commercial real estate, with housing emerging as a critical priority for the Government. In response to mounting market demand, both the Conservative and Labour parties committed to supporting the construction of one million new homes by 2021 during the 2017 General Election. While this is an important step in the right direction, it is vital for government and industry bodies to consider the wider implications of property inheritance on the real estate market in both the immediate and long-term.

As previously revealed in MFS' 'New-Build v. Traditional Real Estate: UK Homebuyers Decide', the restoration and refurbishment of empty properties can significantly support efforts to increase the country's existing housing stock. Evidently, properties that have been unoccupied for long periods of time, which are damaged or in need of modernisation, often re-enter the market as a result of inheritance. In such circumstances, bridging loans can provide vital support by enabling investors to access tailored, swift and efficient finance secured against existing properties to undertake much needed restoration.

MFS Uncovers the Nation's Inheritance Plans

To gauge the role inheritance will play in shaping the country's real estate industry over the coming years, MFS commissioned independent nationally-representative research among more than 2,000 UK adults. The research reveals the inheritance trends set to impact UK property, with the expectations of would-be investors made abundantly clear through the survey.

MFS found that more than a third of UK adults (36%) are in line to inherit property in some form – equivalent to 18.64 million people across the country. Furthermore, the expected market value of the property they are due to inherit all or part of comes to an average of £347,500. The findings coincide with the aforementioned research from Royal London, which estimates that £400 billion worth of property will be passed from grandparents to younger generations in the coming decade.

When asked what they intend to do with the property they will be inheriting, 67% of respondents said they have no intention of living in it. For the vast majority of people, this boils down to location; this is particularly true in London, with 70% of people in the capital saying the property they will inherit is located in a different part of the country to where they want to live.

Key Breakdown of Research Statistics

New research among 2,000 UK adults commissioned by MFS has revealed the intentions of those expecting to inherit a property. The survey found that 36% of people across the country will be inheriting a property – equivalent to 18.64 million people.

Of those in line to inherit a property:

- The expected market value of the property they are due to inherit all or part of is £347,500
- 67% will not choose to live in the property they are inheriting, totalling 12.49 million UK adults
 - In the capital, 70% of Londoners will be inheriting a property in a different part of the country from where they want to live
- 55% will sell the property as soon as possible so they can re-invest the money in a different asset of their choosing – equivalent to 10.25 million people across the country
- 32% will be refurbishing their inherited property so that it is in a better condition to sell or rent
- 25% do not know what to do once they inherit a property and will require advice

Faced with the future prospect of owning a property that they would not choose to live in, the research found that over half (55%) of people due to inherit a property will be looking to sell it as soon as possible so they can re-invest the money in a different asset or property of their choosing – amounting to 10.25 million UK adults. However, nearly a third (32%) are looking to take advantage of the long-term returns on offer by undertaking some form of refurbishment so that the house is in a better condition to sell or place on the rental market.

While a significant number of adults already know what they are planning to do with the property they are inheriting, MFS' research also revealed that one in four (25%, or 4.66 million adults) still have no idea what to do with the real estate being passed down to them. For millennials, this number jumps from 25% to 39%, with nearly two fifths of 18-34 year olds requiring advice to help decide what to do with their inherited property.

Promoting Education and Awareness for those Inheriting a Property

Overall, MFS' research presents positive reading for the UK property market, with significant activity likely to unfold over the next few years as UK adults seek to make the most of inherited opportunities. The challenge remains for the property sector to provide clear guidance around the options that exist for those seeking to maximise the potential gains of their real estate inheritance, while at the same time bringing new properties onto the market in improved conditions.

It is therefore critical that the full suite of funding options available to people inheriting property is made widely-known. The research makes it clear that industry leaders must do more to make access to funding for the refurbishment and restoration of inherited properties a less complex process for millions of people across the nation; doing so will enable those in younger generations due to inherit a property to come to a sound decision of whether to keep, sell, rent or refurbish the houses or flats passed down to them.

The Role of the UK Bridging Sector

As a sector uniquely positioned to offer tailored finance to property-inheriting adults, bridging can present numerous attractive opportunities to this segment of the UK population. Moving forward, the sector must double down in its effort to become a household name, catering to the demands of future investors beyond the existing population of professional investors with experience of the sector.

The sector faces considerable pressure to meet record demand for both property ownership and rental real estate. In order to satisfy the demands of the market, the full spectrum of bridging deals will play a vital role in supporting investors in a multitude of ways, such as enabling the refurbishment and restoration of properties or mitigating against mortgage delays.

To support investors seeking to capitalise on the latest refurbishment and restoration opportunities, MFS has launched FlipFinance2017 – an industry-first funding drive. Running until June 2018, the initiative is available to nationwide applicants in the form of bridging loans ranging from £200,000 to £1 million. Since its launch, the initiative has doubled in scale, currently comprising a £40 million funding pot available for such investment projects.





MFS

Berkeley Square House
Berkeley Square
Mayfair
London W1J 6BD
United Kingdom

T: +44 (0) 845 303 8686

F: +44 (0) 845 303 8684

E: info@mfsuk.com