The Expat Guide To Selling UK Residential Property

A comprehensive guide to selling a UK residential property when you live outside of the UK

If you live abroad and you're considering selling a UK property, whether it's an old family home or a buy-to-let property that's no longer meeting its original potential, you automatically have more factors to consider than a UK resident.

At the time of writing this guide in 2023, the uncertainty of market factors including falling property prices and increasing interest rates mean that increasing numbers of expats who own property in the UK are considering selling up and seeking out alternative investments.

In an Experts for Expats survey conducted in 2022, almost **25% of expats revealed they are considering selling their UK properties** as a result of the increasing cost of living, rising mortgage rates and declining property prices.

However, **55% of the expats who answered our survey said they would not or don't know if they would seek expert financial advice** before selling a UK property.

This widespread hesitation or reluctance to seek professional advice was particularly concerning, as **39% of our respondents said they were unaware of how Capital Gains Tax (CGT) might impact them** following the sale of their property.

That's why we've created this guide – to provide anyone living outside of the UK with the essential information they need when it comes to selling their UK property.

We're here to ensure expats don't get caught out by tax, currency exchange issues or other legalities.

What issues can arise when selling UK property from abroad?

39% of our survey respondents said they were **unaware of how Capital Gains Tax (CGT) would impact them** following the sale of their property.

Without careful planning, selling a UK property and realising a significant amount of equity can result in some serious problems.

One of the main risk factors is that if you fail to correctly declare and pay appropriate Capital Gains Tax (CGT) in the required jurisdictions, it can lead to financial penalties or worse.

Issues arising from the sale of UK property which can catch unprepared expats off guard include:

- Knowing whether selling is the best course of action
- Currency exchange issues during the selling process
- Conveyancing communication challenges
- Tax considerations (particularly CGT)
- Managing the sale proceeds after completion

Therefore, being as informed as possible of these issues will help you to deal quickly and effectively with any challenge that arises as a result of your UK property sale.

How do you make the financial decision to sell your UK property?

Currently, there are a lot of negative headlines surrounding UK property ownership. With a combination of rising mortgage payments and declining house prices, it's no wonder that increasing numbers of expats are considering selling residential properties in the UK.

However, selling your property might not always make sense financially. Furthermore, if you do decide to sell your property, do you have a plan to invest any capital from the sale in a way that will work for you in the medium or long term?

It's no secret that the growth in UK property values over the past 20 years, even when taking into consideration financial turmoil, has made property ownership as much of an investment opportunity as a place to live. Not only do UK properties provide a reasonable return on investments, their higher-than-inflation growth makes property a sound investment for the long term.

Therefore, making the decision to sell should not be done without seeking some form of independent financial advice. Despite the immediate cost and potential devaluations, the long-term expectation would still be that your income continues and growth resumes at some point in the future.

Your key considerations when selling a UK property should be around affordability, and whether there is an opportunity cost associated with continued investment in property.

Affordability is only likely to be an issue for people who have mortgages which are now significantly more expensive than pre-pandemic, or if rental yields have decreased (or even ceased) and that income is essential to living abroad.

When making the decision to sell, you should also take into consideration the outlook for the property market beyond the next few years and whether there are alternative investment options available to you which ensure your capital works better.

As a non-UK resident, traditional investments such as ISAs won't be available to you, so seeking independent financial advice will help provide a clear picture of alternative options and whether your property may still be worth keeping for the longer term.

How to find a buyer for your UK property

EXPERT TIP:

"Don't overlook the benefit of working with a local agent with a database of people interested in buying locally."

No matter where you live, the most important step in selling a UK residential property is knowing the best and most efficient ways to find a buyer.

Estate agents

The most common way to sell a UK property is via the open market using a locally-based or online estate agent.

While online estate agents have grown in popularity over recent years due to their convenience and ability to reach a wider audience of buyers, don't overlook the benefit of working with a local agent with a database of people interested in buying locally.

Generally, estate agents will charge you between 0.5% and 1% of the property's sale value, but this will vary depending on several factors. For example, if they are the exclusive agent then they may charge a lower fee.

A key benefit of working with an estate agent is that as their fee is tied to the property price, you can be sure that they will, in most cases, aim to get you the best price for your property as quickly as possible.

An estate agent will provide services to aid you in the sale of your property such as managing listings on online platforms, writing an overview of the property, taking or helping you prepare photos, providing EPC ratings and perhaps even creating an online walkthrough of the property for potential buyers.

Sale by auction

If you're in a rush to sell your UK property, then selling at auction could potentially shorten the sale time – although it's important to highlight that not all properties are guaranteed to be sold during an auction.

While auction fees are significantly higher than estate agent fees, if your property sells at auction then the entire selling process will generally be completed in a matter of weeks rather than months due to legally binding buyer commitments.

The main downside to selling a UK property at auction is planning for an alternative method of sale if your property doesn't sell, which is the case for around 25-30% of properties.

Property buying companies

If you're looking for a quick sale with no hassle – and you're willing to sell at a much-reduced price compared to the market value – then selling to a property buying company will guarantee your property will sell, potentially within as little as seven days.

The major downside to using property-buying companies though, as already mentioned, is that you will likely only realise around 80% of the market value.

We also advise expats to exercise caution when using a property-buying company as they are currently unregulated in the UK, meaning there is potential for them to either be a scam or that the company may not have the cash to buy the property immediately.

EXPERT TIP:

"Exercise caution when using a property-buying company as they are currently unregulated in the UK, meaning there is potential for them to be a scam."

How to avoid fraud when selling a UK property from abroad

EXPERT TIP:

"Find a reputable solicitor for conveyancing. Use Experts for Expats' introduction service or ask someone you trust."

In recent years, there has been an increase in the number of expats falling victim to scammers during the process of selling their UK property.

To protect yourself against fraud, here is our key advice for expats.

Choose a reputable conveyancing solicitor

Make sure you choose a trusted solicitor to deal with the sale. Using Experts for Expats' free introduction service ensures you are connected with one of our trusted conveyancing partners who are specialists in helping expats sell UK properties.

If you find your own solicitor, take recommendations from people you trust, check their credentials and ask them about specific policies they have in place to protect their expat clients.

Don't click on emails you are unsure about

Phishing emails are commonly used to try and scam people who are selling UK properties.

Whenever you receive an email from your solicitor – or from any other expert involved in the process – asking you for financial or other confidential information, check that the email address is legitimate. If you are in any doubt about the legitimacy of any digital communication, call your solicitor immediately.

Get Land Registry property alerts

HM Land Registry's free Property Alert service can help protect you from property fraud. Any time there is significant activity on the property you are monitoring, you will receive an alert outlining the type of activity, the name of the applicant and the date and time the application has been received.

Signing up for these alerts is especially recommended if your property has been or will be left vacant for an extended period of time.

Be cautious about making online payments

If you are required to make any payments online, ensure you confirm account details with your solicitor via your usual, trusted communication methods before sending money.

If you are asked to make a large payment, send a small part payment first and confirm receipt before sending the rest to avoid larger financial losses which you may not be able to recover.

Be extra cautious if you are using a property-buying company

As mentioned previously, property-buying companies are currently unregulated in the UK. There are several ways you can confirm the legitimacy of a property-buying company, such as checking their details and financial reports on Companies House. Legitimate companies are likely to have a multi-million turnover and over a million cash assets in the bank.

What's more, never pay a property-buying company an upfront fee or sign a contract that ties you into using their services. If they ask for this, it is unlikely they are legitimate. Genuine property-buying companies won't charge you any fees, as they will buy your property at a discount and sell it at market value.

EXPERT TIP:

"Never pay a property-buying company an upfront fee or sign a contract that ties you into using their services. If they ask for this, it is unlikely that they are legitimate."

How to protect yourself from currency exchange risk

Embarking on selling a UK property when you live overseas leaves you exposed to constantly fluctuating exchange rates.

Therefore, it is vitally important to consider options that enable you to mitigate the risk of (potentially extreme) financial losses. In a matter of days, exchange rates can change dramatically – a sudden drop of “only 1%” can translate into a loss of thousands from your property sale when it comes to transferring money into and out of the UK.

To put into perspective how volatile currencies can be, in 2022 the exchange rate between GBP and EUR fluctuated between 1.21 and 1.08. In real terms, this meant that the difference in value of a UK property selling for £250,000 could have been up to €32,500.

Given the fact that the UK is expecting more political uncertainty when the next General Election is called – expected in 2024 – anybody considering selling their UK property before the end of 2025 will likely be affected by currency fluctuations.

While we can’t know precisely how a General Election or the potential change in government will affect UK interest rates, inflation and ultimately the value of GBP.

Using service providers such as specialist currency brokers can help you protect yourself against drastic losses as a result of currency fluctuations and market crashes, effectively ‘locking in’ an agreed-upon exchange rate for up to two years.

Currency brokers will be able to advise you on the best time to transfer your funds to achieve the best exchange rate possible. What’s more, exchange rates provided by professional currency transfer providers are often more competitive than those available through your normal bank and will avoid any unnecessary charges.

EXPERT TIP:

“Using service providers such as specialist currency brokers can protect you against drastic losses.”

How to manage conveyancing from outside the UK

Thousands of non-UK residents successfully sell their UK property without being present.

In the cases where you are managing the conveyancing process from abroad, ensuring you are on the same page as all parties involved and understand the most important parts of the process can prevent confusion and drastically reduce stress.

During the conveyancing process, it is crucial to ensure effective and regular communication between all parties.

When carried out entirely in the UK, the conveyancing process would typically involve plenty of telephone calls and deliveries of crucial documents to keep the process progressing.

Due to differing time zones and the slow speed of the postal service, the same methods of communication are often not feasible for overseas parties. Therefore, coming up with consistent, clear online methods of communication involving emails, accessible scanning facilities, online portals or e-signatures for documents is essential to a successful conveyancing process. Some more traditional legal firms may still require or prefer ink signatures, therefore being upfront about communication needs is vital.

Whether you choose a licensed conveyancer or solicitor, be as upfront and clear as possible about your communication expectations from the start. Discuss exactly how you plan to stay involved regularly and what lines of communication work best for you.

It's important to be aware that not every firm of solicitors can expertly assist people living outside of the UK with legal matters covering England and Wales, so it's important to check that your chosen firm has the means and expertise to assist you while you are out of the UK.

EXPERT TIP:

"Check that your chosen solicitors' firm has the means and expertise to assist expats outside the UK."

Common issues that slow down the UK property sales process

Currently, the average time it takes to sell a UK property is around 3-5 months.

Following on from our advice given above, as long as your lines of communication and ability to be involved in the sales process don't suffer due to you being overseas, neither should your timescale.

However, even for those with the best-laid plans, there are things that can interrupt the sales process for you, whether you're overseas or not. Some of the most common issues that can slow down the sales process of UK property are:

- Delays at the fault of the estate agents
- Mortgage lenders (offers on your property being delayed)
- Slow searches
- Slow action from the buyers' solicitor
- Chain of the buyer (if they are selling a house to buy your property)

While all of these have the potential to affect the speed of the UK property sales process, unfortunately, they are largely out of your control.

If you have a specific completion date in mind for the sale of your UK property, you should let your solicitor know as early as possible so that they can do all they can to attempt to meet that particular deadline – although this is not always possible as a result of external factors.

Communication can be notoriously slow between buyers, estate agents and solicitors so you should always be prepared to chase for regular updates to keep the process moving. Never assume that silence is good news as potential sales can fall through if left unchecked.

EXPERT TIP:

"If you have a completion date in mind for the sale of your UK property, let your solicitor know as early as possible."

UK Capital Gains Tax requirements for selling residential properties

Since April 2015, non-UK residents selling a UK residential property have been subject to UK Capital Gains Tax (CGT) on the sale of their property, providing it is not considered their primary residence.

Our 2022 survey found that 39% of expats didn't think CGT would impact them due to not being resident in the UK, but this is not necessarily the case.

The amount of CGT payable is based on the gains made since purchase, or the estimated value of the property on 5th April 2015 if the property was bought before that date. Any gains will also be offset by the annual exemption granted to residents and non-residents alike.

Since 27 October 2021, anyone selling residential properties in the UK that have a CGT bill is required to pay the full amount owed within 60 days from the completion date of the sale.

If you're selling a property that has been your main residence in the past, you will qualify for tax relief for the period you lived in the property over the whole ownership period.

EXPERT TIP:

"Just because you live outside the UK it doesn't mean you are exempt from paying Capital Gains Tax."

What can you do with the proceeds from your UK property sale?

EXPERT TIP:

"Before making any decisions about your finances, always get advice from an independent financial advisor."

Data from the Office for National Statistics (ONS) suggests average UK house price has risen by 73% in the last decade, from £167,716 in January 2013 to £290,000 at the end of January 2023.

Therefore, depending on when you purchase your property, you may end up making a significant profit on completion of the sale.

Once you have paid your Capital Gains Tax bill and any associated fees, it's likely that you will want to invest your money – and this is where seeking expert advice is hugely beneficial.

Here are some of the options that may be available to you as an alternative to UK property investment.

Stock Market

Stock market investing is more of a short-term investment and is often one of the first options considered by people after selling a house.

However, while there is a potential for high returns in stock market investing, there is also extremely high risk as stock prices can fluctuate rapidly hour-to-hour.

Mutual Funds

Mutual funds are a type of investment vehicle made up of a portfolio of stocks, bonds, or other securities. There are various different types including equity funds, fixed-income funds, index funds and exchange-traded funds.

Most investors find index funds easier to invest in than individual stocks, as the stocks are chosen by a professional money manager. Mutual funds are also a good way of diversifying your portfolio, however there can be a lack of transparency in what the fund chooses to invest in.

Money Market Funds

Money market funds allow you to 'park' your money in a low-risk investment, aiming to give you a slightly higher return than cash.

Unlike most funds which invest in bonds or shares, money market funds invest in short-term debt which they buy from governments, banks and companies with strong balance sheets and high credit ratings, then pay a small return as interest.

High Yield Savings Accounts

Savings accounts are the safest place to put money from the sale of your house. Depending on how long you are willing to lock your money away for, higher interest rates currently mean that you are likely to find good rates on longer-term savings accounts.

Always seek independent advice before making any investment

Before making any decisions about your finances, always get advice from an independent financial advisor who can help you consider the full range of options available to you and recommend the most suitable given your personal circumstances and financial objectives in both the short and long term..

An independent financial adviser will work with you to complete a thorough risk profile and consider your specific needs now and in the future before presenting you with recommended investment options.

Not all options are available to everyone and will also be dependent on your country of residence, some may also be taxed more heavily where you live, so it's also important to seek local tax advice to ensure that any investment decisions don't attract unwanted taxes and penalties where you live.

EXPERT TIP:

"Not all options are available to everyone and will also be dependent on your country of residence, some may also be taxed more heavily where you live – so it's important to seek local tax advice."

Predictions for the UK property market in 2023-2024

Mortgage rates

While the Bank of England's goal is to get the UK's rate of inflation down to 2% by 2025, raising interest rates to do so, academics believe that the UK will not hit this target until 2028.

In the meantime, those fortunate enough to have secured a fixed-rate mortgage will be largely protected against interest rises, while many people with tracker mortgages have found their monthly payments become unaffordable.

If your fixed rate is scheduled to come to an end before 2025, you are urged to complete affordability calculations based on what future mortgage payments might rise to using today's rate as your base. It's estimated that average monthly mortgage payments could easily rise by £500 a month, or even more, therefore ensuring you are aware of any future increases is vital.

While experts acknowledge that markets are highly unpredictable, some experts believe rates should stabilise in 2024, with end-of-year forecasts showing rates at around 2% lower than today's levels.

Property prices

As of August 2023, UK house prices have dropped by 5.3% compared to the start of the year, marking the steepest fall since 2009.

In real terms, this means that the average asking price of a UK property has fallen by £7,000 to £364,895 – though average house prices remain 20% higher compared to pre-pandemic levels.

In part, the fall in asking price is likely due to pressure on buyers to sell as a result of rising mortgage rates – but there is evidence that sales are slowing too, as house prices have not fallen sharply enough to compensate for the rise in mortgage rates.

With house prices falling and a slow property market, property website Zoopla has warned sellers that they should be "more realistic" with their expectations around sale value.

With so much uncertainty, whether or not now is the best time for expats to sell a UK property will come down to individual circumstances, which is why we recommend seeking expert advice to assess your personal financial situation.

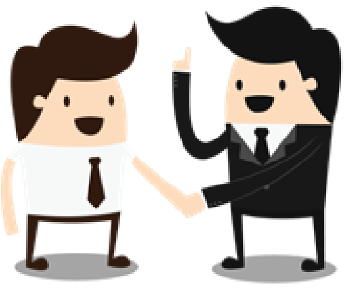
A note on this guide

The information contained within this document should only be taken as a guide to help you understand the steps of this process and must not be taken as direct advice toward any decision-making.

Speaking to a professional is essential to ensure you are taking the correct steps and precautions with your property sale process.

We provide a range of services to help you make the most informed decision and get the trusted support you need.

Visit expertsforexpats.com for more information.



Protect your finances & your future, today.

Get the right advice from a regulated, independent financial adviser who will support you to plan for your future by managing your money well today.

At Experts for Expats, every introduction is dealt with by hand and we only work with people we trust.

All advice is tailored to you and your unique circumstances and our experts will always take the time to get to know you before offering any advice.

Request your free introduction to a fee-based independent financial adviser at **expertsforexpats.com**