FOREIGN INVESTMENT IN THE UK:
THE FACTS IN 2021/22

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With Brexit and Covid-19 heavily impacting the UK economy, foreign investment in the UK has become more critical than ever.

Historically, the UK has performed very well, with tonnes of inward foreign direct investment due to international trade and private foreign investments. But is this still the case in 2022? Let's find out by looking at foreign investment in the UK over the past few years.

We'll also be looking at property investment and exploring international property investment and foreign investment in the UK property market.

Read on to find out more.

WHAT IS FOREIGN DIRECT INVESTMENT?

Foreign direct investment, typically abbreviated as FDI, refers to investments from one country into another, where the investor has an effective voice in the management of an enterprise. This typically means a foreign investor will own 10% or more of an enterprise.

There are three main types of inward FDI:

NEW

A foreign investor will start a new business, set up a new office, building, or production.

EXPANSIONS

An existing foreign investor will expand an enterprise's production or operational facilities.

MERGER & ACQUISITIONS

An investor will merge with or buy more than 10% of assets in an established UK company.

CAN A NON-UK RESIDENT INVEST IN THE UK?

Yes, non-UK residents can invest in the UK. In 2015, Chancellor George Osborne said that: "no economy in the world is as open to Chinese investment as the UK", a testament to just how much the UK government promotes UK foreign direct investment.

But while non-UK residents are welcome to invest in UK companies and UK projects, there are some things that foreign companies and private investors need to keep in mind.

01 Non-residents don't need to pay UK tax on bank interest or dividends on UK shares but are liable to pay income tax on rental income earned from property.

02 Tax reporting deadlines for non-UK residents paying capital gains tax or income tax are shorter, with investors typically having until January 31 to report their tax returns.

03 As of April 2021, foreign investors pay an additional 2% stamp duty surcharge when buying UK real estate.



DOES THE UK ALLOW 100% FOREIGN OWNERSHIP?

Yes, the UK allows 100% foreign ownership as there are no laws in place in the UK that limits foreign ownership and inward investment. However, you may need regulatory approval when buying a large asset due to fair financial practices and UK national security.


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FOREIGN INVESTMENT IN THE UK - THE FACTS

To fully understand the extent of the popularity of inward investment in UK cities, you need to know the appropriate facts and figures.

Let's look at some statistics on trends for foreign investment in the UK property market and beyond over recent years.

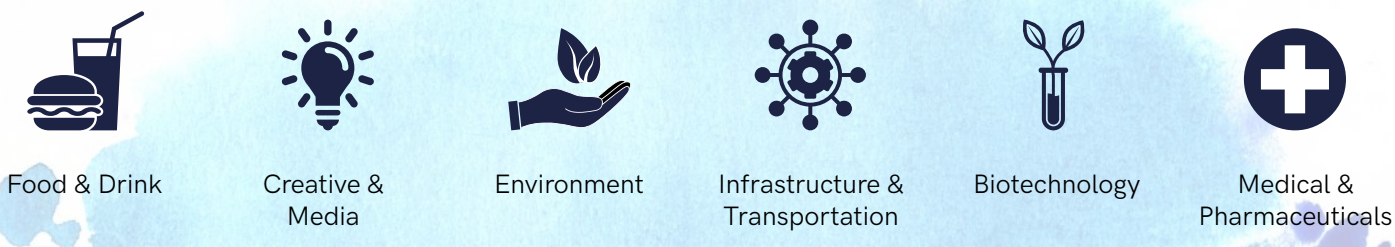
55,000 JOBS BOOST FROM FDI IN 2020/21

This has, naturally, been highly welcomed by the UK government and received massive government support, with the UK still one of the most attractive locations in the world despite the economic struggles caused by Covid-19. In fact, in 2020/21, there were around 1,538 foreign direct investment projects.

There were significant regional variations in the number of jobs created due to foreign investments. In the South West, the number of jobs was up 52% over 2020/21, with the East of England and West Midlands attracting more jobs than pre-pandemic levels.

Scotland also saw a jobs boost, with a 10% rise over the previous financial year, while Wales saw new investment projects increase from 61 to 72 in 2020/21.

The main contributors to this jobs boost were in industries like:

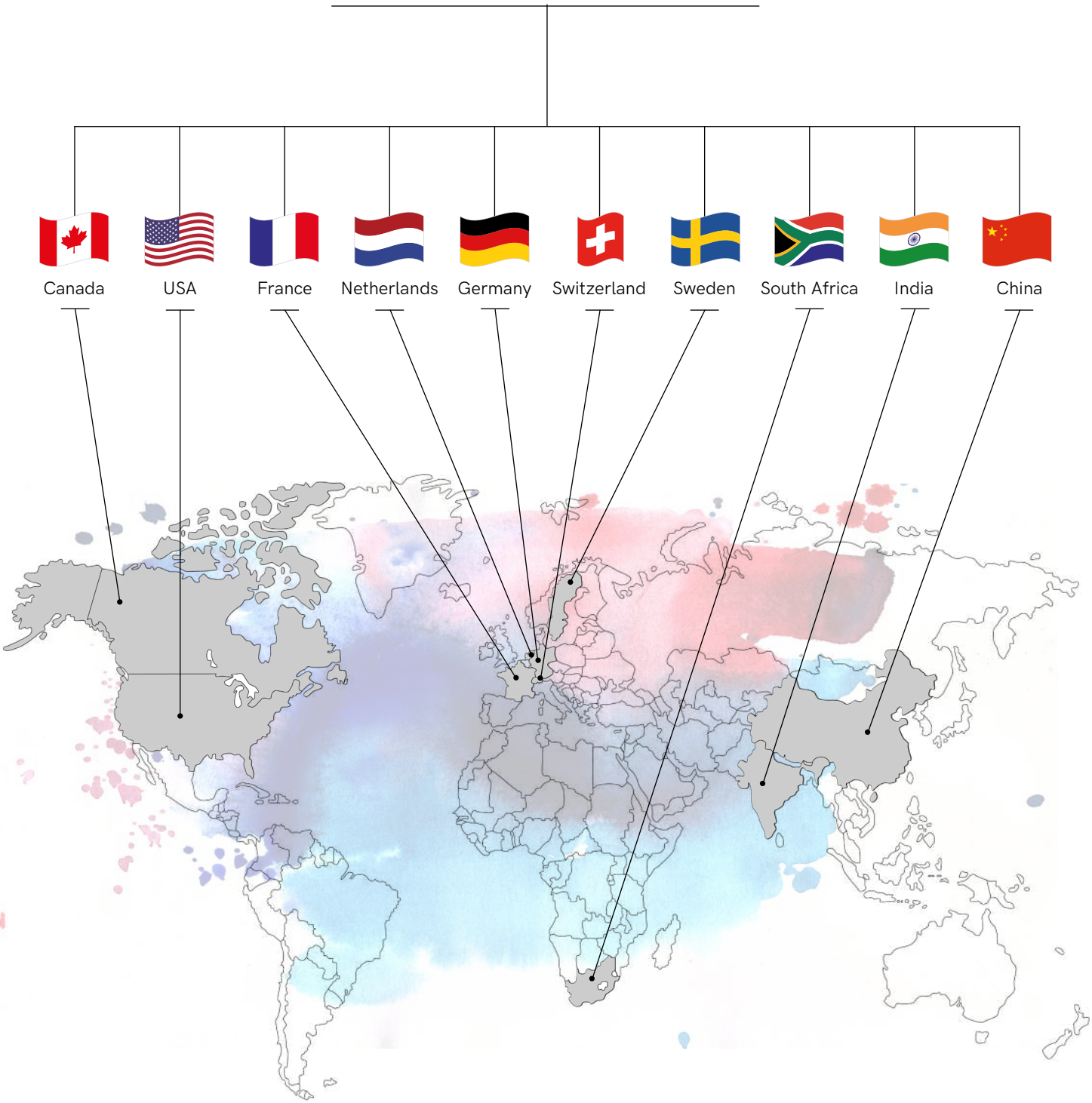


According to the United Nations Conference on Trade and Development analysis, the UK has the second-highest inward FDI Stock, reaching $2.2 trillion in 2020 - up from $2.1 in the previous year.

WHICH COUNTRY INVESTS MOST IN THE UK?

The official government website outlined that the USA is currently the biggest investor behind inward investment in the UK, with India in second place.

The top countries that have substantial levels of foreign investment in the UK, in no order, include:

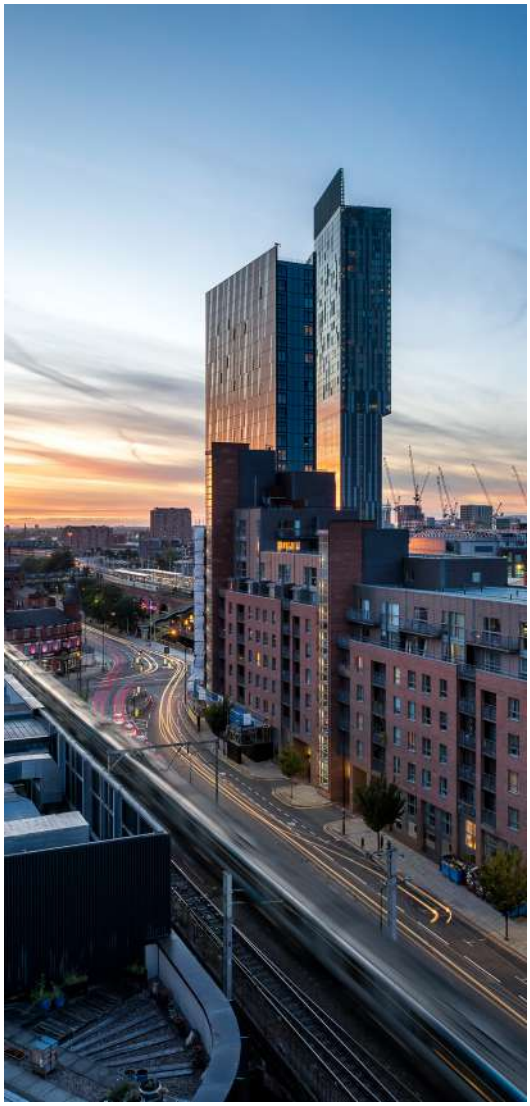


FDI FACTS AND FIGURES 2016 TO 2021

While the levels of foreign investment in the UK are still some of the highest in the world, the numbers show that there's been a steady decline over the past five years, likely linked with the UK leaving the European Union and Covid-19.

Let's look at the official data from the Department for International Trade to see how job creation and the number of FDI projects have changed since 2016.



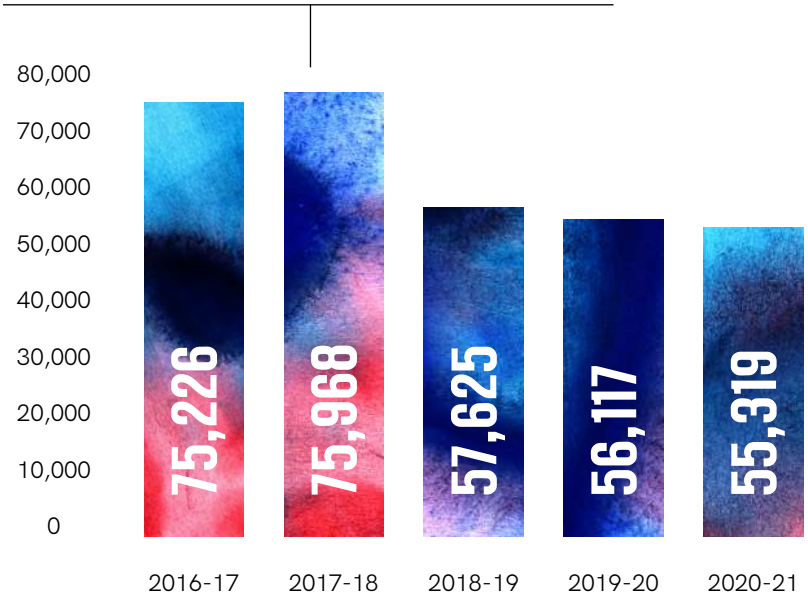


TOTAL NUMBER OF JOBS CREATED IN THE UK FROM FDI

The total number of jobs created due to foreign investment had dropped by 1% since 2019/20 when 56,117 jobs were created.

These figures are also down from 2016 and 2017, which saw 75,266 and 75,968 jobs created.

New Jobs Created in the UK From FDI 2016 to 2021



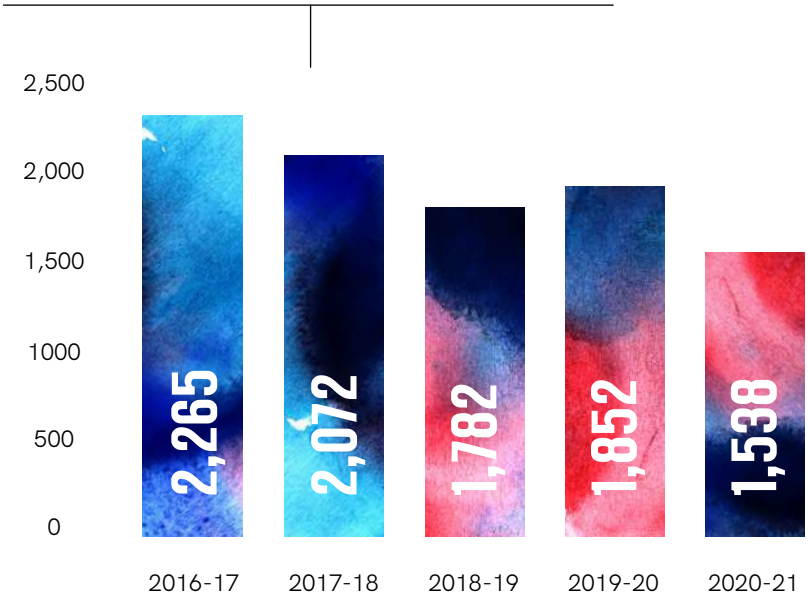


TOTAL NUMBER OF FDI PROJECTS SINCE 2016

Alongside job rates dropping since 2016, FDI projects have also seen a gradual decline.

In 2016 and 2017, there were 2,265 and 2,072 FDI projects in the UK. In 2021, there were around 1,538 projects in the last financial year, a decrease of -32.10% since 2016.

FDI Projects in the UK 2016 to 2021



FDI PROJECTS AND JOBS CREATED BY UK REGION

There are considerable variations amongst the rate of FDI and jobs created in UK regions.

UK REGION	FDI PROJECTS	NEW JOBS CREATED
London	492	13,832
West Midlands	145	4,445
North West	139	4,309
South East	163	2,538
South West	76	2,242
East Midlands	72	2,149
East of England	72	2,066
Yorkshire & The Humber	86	1,412
North East	51	1,373

Currently, the top 3 English regions for job creation are London, the North West and the West Midlands, which has seen the creation of 13,832, 4,309, and 4,443 jobs, respectively.

Likewise, the top English regions for FDI projects were London (492), the South East (163), the West Midlands (145) and the North West (139).

As you can see, these investment hubs attract the most significant investment bill and generate far more UK projects compared to other locations in the country.

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HOW DOES FDI BENEFIT THE UK?

Many cities heavily rely on international trade and inward foreign direct investment.

As shown earlier, FDI has helped create over 55,319 jobs in 2020/21, with London, North West, and the West Midlands seeing the most significant share of this in England.

In general, foreign companies are usually more productive and pay higher wages than domestic companies, helping British people earn more than they usually would.

UK foreign direct investment FDI is also vital in urban regeneration, with the quality of life in many UK cities being heavily boosted due to foreign investment.

For example, Liverpool has received massive investment from the EU, with millions spent on research and development, sustainability, and local businesses.

HOW HAS FOREIGN INVESTMENT IN THE UK IMPACTED THE PROPERTY MARKET?



To find out how much foreign investment in the UK has impacted the country's property market, all you need to do is look at property market statistics over recent years.

According to official Land Registry data, the average UK property price has soared by over 173.93%, increasing from £97,964 in 2001 to £268,349 in 2021. This shows that property prices in the UK have almost tripled over the past 20 years, which is thanks to the increased levels of foreign investment in UK property.

If there hadn't been such a high number of investors buying property in the UK from overseas, the UK average was estimated to have been just £174,000, which would result in a lower value-added to percentage increase.

With UK property prices now standing at around £268,349 and expecting growth of up to 18.8% by 2026, the impact of foreign investment in the UK is set to continue further down the line.





STUDENT MARKET INVESTMENT FROM FOREIGN INVESTORS

Real estate is a hot commodity for many international investors, with UK property offering lower prices and higher rental yields than many other locations like China and Hong Kong.

This is particularly true for the student property market, with many buyers, particularly from China, choosing to buy student accommodation to house their children during their studies.

A report from Savills in 2021 found that over £5.77 billion was spent on purpose-built student accommodation in 2020, which Savills says is a sign of continued confidence in UK real estate to deliver high returns. The same report shows that the number of UCAS applications in 2021 increased by 8.4% over 2020, with non-EU applicants rising by 17.1. This is significant for investors, as international students are more likely to live in PBSA, with Chinese students around 2.2 times more likely to live in PBSA.

Chinese investment in UK property in student cities like Liverpool and Manchester has become increasingly popular, as one in five students in the University of Liverpool is Chinese.

These interests also extend to cities like London, which are huge for commercial property investment projects. In fact, £3.69 billion was spent by Chinese buyers on commercial real estate in London in 2017 alone.

THE IMPACT OF BREXIT ON FOREIGN INVESTMENT IN THE UK

So, what about the impact of Brexit on foreign investment in the UK?

Well, it's been mixed news for the UK following the Brexit vote. The amount of foreign direct investment has undoubtedly decreased since 2016, with the annual rate of job creation and the number of inward investment projects dropping.

However, this may not entirely be due to Brexit, with 2017 seeing the highest levels of FDI job creation of 75,968 jobs - one year on from the Brexit vote.

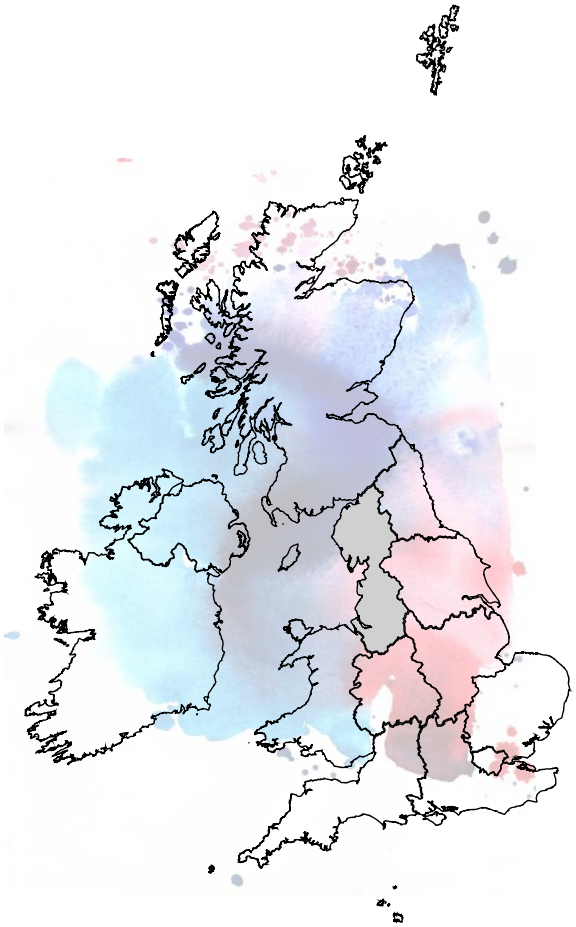
Also, while FDI projects dropped to 1,782 in 2018/19, it increased by 4% by 2019/20 - suggesting that Brexit may not be the cause or that the level of inward UK investment hasn't been as impactful as first thought.







THE BEST AREAS FOR FOREIGN INVESTMENT IN THE UK



If you're a foreign investor who's thinking of buying property in the UK from overseas, you'll likely be wondering what the best areas are for foreign investment in the UK.

As for any investor, overseas investors should focus on finding a property investment opportunity in an area with high yields, vigorous growth, and plenty of demand for rental properties.

The best areas to look towards when buying property in the UK from overseas are typically those in the North West region of the country.

In this region, property prices are affordable, yet capital appreciation is high, and high rental demand has resulted in some of the best yields in the country.

Here's some further information on the benefits of foreign investment in the UK property market within the North West.

UK FOREIGN DIRECT INVESTMENT IN LIVERPOOL

As a city, Liverpool is undoubtedly one of the best places to buy property UK wide.

Sparking huge international property investment and overseas property investment, the Liverpool market offers massive capital growth potential and an ever-rising population of young people.

While there is heavy investment from UK-based investors, Liverpool is a city that's extremely popular with overseas investors. In 2019, it was reported that many investors buying property in the UK from overseas were purchasing Liverpool buy to let.

According to Datscha, £361 million was invested into Liverpool property from foreign investors between November 2018 to November 2019. Out of this total, around £156 million was accounted for by American investors.

This is a considerable growth compared to the recorded figure of £15 million worth of foreign investment in the UK for Liverpool back in 2017. So why is Liverpool property investment so ideal?

The Northwesr Region of England





01 Property prices in Liverpool are some of the most affordable in the country, with average prices around £100k below the UK average.

02 The Merseyside city boasts some of the best UK rental yields, boasting yields as high as 10% in the L1 postcode.

03 Thanks to three massive universities in the city, Liverpool boasts a student population of over 70k, making it a popular choice for prospective property investors.

04 Liverpool is located in the North West, which is predicted to see the joint-highest growth rate by 2026 according to Savills - 18.8% compared to the UK average of 13.1%.

The Northwesr Region of England



UK FOREIGN DIRECT INVESTMENT IN MANCHESTER

As a hotspot for Manchester is another city that has seen high levels of interest from those looking to make foreign investment in the UK property market.

In 2018, a survey revealed that interest in Manchester property from foreign investors had increased by 200% in a year. This was potentially driven by the introduction of direct flights to Manchester from Beijing and Hong Kong, which allowed prospective investors to travel to the area more easily.

Manchester property shares many of the same reasons Liverpool is so ideal and has a distinct advantage over cities like London.

While many overseas investors would typically look towards London for their buy to let purchases, the high costs of property prices in London and low yields mean that foreign investors aren't getting the most of their ventures

With some considerable regeneration projects ongoing throughout the city, such as MediaCityUK, that attracted businesses like the BBC and ITV away from London, there's a spotlight on Manchester and everything it has to offer.

01 Manchester boasts incredible capital growth, seeing house prices rise by over 315% since 2001 - the highest out of any major UK city according to Land Registry data.

02 The city has one of the largest student populations in the world, totalling over 100,000 students.

03 Rental demand in Manchester is massive, with Zoopla finding that the current ratio between supply and demand was 1:5.

04 Like Liverpool, Manchester also enjoys the highest house price growth prediction of 18.8% by 2026, compared to London, which will see a growth of just 5.6%.



WHY SHOULD YOU CONSIDER FOREIGN INVESTMENT IN UK PROPERTY?



So why invest in the UK as a foreign investor?

To summarise, if you're an overseas investor interested in getting involved with foreign investment in UK property, you should explore the available opportunities for UK buy to let.

Rental yields in the UK reach as high as 10% in top cities like Liverpool, while capital growth means you can benefit from high returns from the sale of your investment.

With investment in the UK after Brexit looking promising thanks to market confidence, and property prices set to increase around the country, now is the perfect time to make your property investment purchase.





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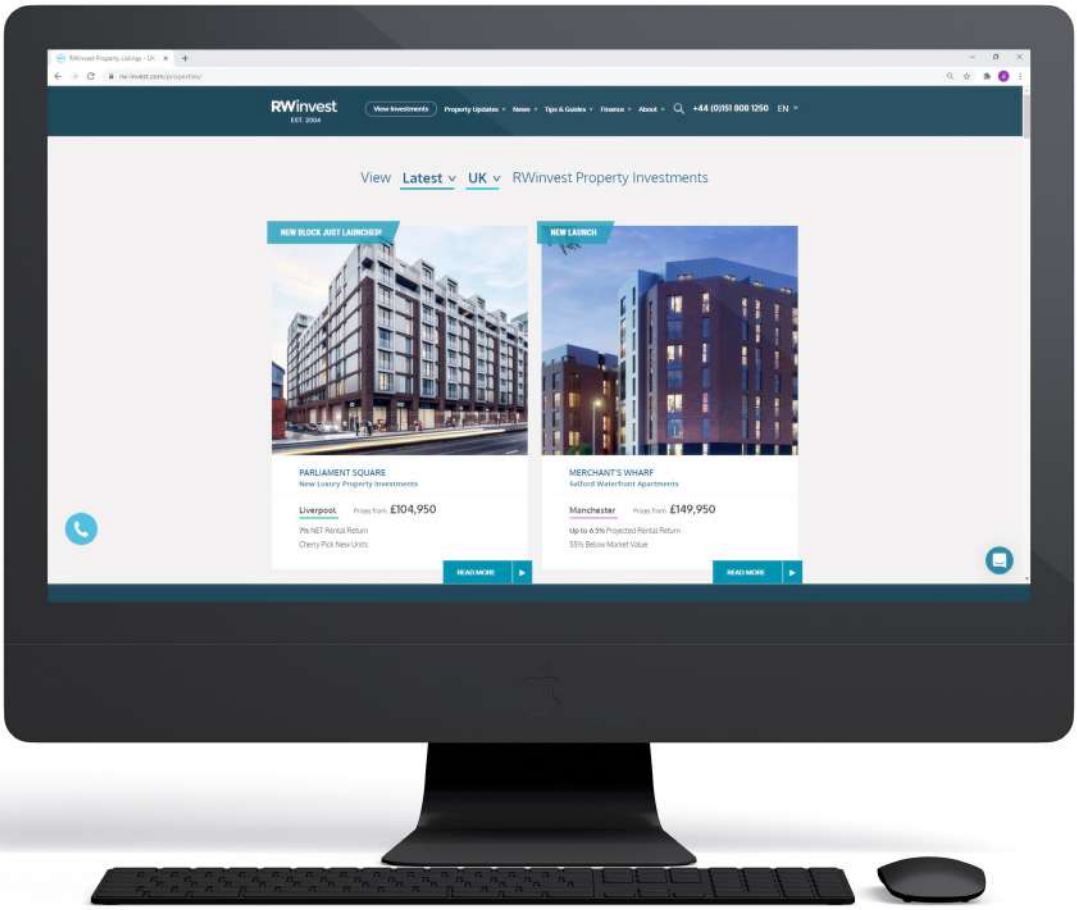
If you're an overseas property investor looking to make a splash in an ideal overseas property market, then be sure to chat to RWinvest today for the perfect foreign investment in UK property.

RWinvest is an award-winning property investment company with over 17 years of experience in residential and student UK property.

Named the North West's Best Property Business in 2020, we can help secure domestic and foreign property investors their dream property from only £38,950 with huge 8% NET returns.

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