



UK Buy-to-let Property Investment Guide



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Would you like to know more about investing in the UK buy-to-let market?

Buy-to-let has evolved significantly over the past quarter of a century, becoming a viable opportunity for everyday investors to generate additional income or even pursue it as a full-time job.

It is an attractive option for those looking for an alternative to a pension as a way of advancing their retirement security or by diversifying their existing pension and investment portfolios.

Buy-to-let investments have the potential to yield both regular rental income and capital growth, offering more freedom in terms of access to cash flow. As such, it is no surprise that this has become popular choice for investors the world over in modern times.

So what is buy-to-let and how can you get involved?

The average seller sold their home for 52% more than they bought it for

Buy-to-let has gained considerable traction in the past 25 years, transforming from a specialist investment practice for the wealthy to a mainstream financial strategy used by those looking to make additional income.

Many investors appreciate the convenience and relatively low risk of deploying funds into buy-to-let investments. For some, this is an opportunity to secure long-term financial peace of mind in lieu of traditional pension plans.

Over time, it is possible to build a portfolio of properties which can be rented out on an ongoing basis and provide a steady source of income. As such, buy-to-let has become increasingly popular with all types of investors looking for avenues for their funds with the potential for returns.



According to Hamptons the average seller in England and Wales who bought a property within the last 20 years and sold in 2022 make a record gross profit of £108,000.

Who New Renters



Over the last 20 years the private rental market has doubled in size accounting for 1 5th of all households in England since 2013

In addition social renting makes up a further 17% off all households in England. This major shift towards renting shows a marked impact on younger people and is slowly affecting older age groups too.

The same survey reflects how dramatically different modern times have become compared to 15 years ago – specifically showing that 43% of 25-34 year olds are currently renting their homes. This points to an important change in the housing landscape of the UK, but perhaps more importantly suggests just how unaffordable it has become for many to own a home.

10 years ago, renting for older groups was a much less popular option. However, times have changed – the number of 45 to 54 year olds who rent has increased and the number of 55 to 64 year olds renting has also shot upwards. This demographic shift has created an incredibly diverse set of needs and desires among today's renters.

The flip side is that landlords now benefit from having a more consistent pool of tenants who are far less likely to default on the rent. In fact, research shows that rent arrears among rental households have dropped drastically since 2008.

Young professionals, still being the dominant group in the rental sector, tend to look out for specific qualities when searching for homes.

5 steps to locating the perfect buy-to-let property

When deciding the location for your buy-to-let property in the UK, there are several criteria to keep in mind. Research into desired demographics such as tenant incomes, local amenities, public transportation options and school systems can help narrow down what locations will best match a given investment strategy.

Additionally, taxes and rental returns should be taken into consideration as they may drastically affect how beneficial a potential property could be. Deliberate forethought is key to finding an optimal spot for a buy-to-let property that will be both profitable and enjoyable for tenants.

1 Opt for a thriving city

In the UK, there are numerous cities that show great economic success. London is a major economic powerhouse, but there is also promise in the other areas of England too.

Cities like Liverpool, Birmingham and Manchester in the northern part of the country currently stand out for their strong capacities to attract a young, highly talented workforce. This dynamic has had a major impact on renting habits as more people find themselves unable to afford home ownership, but still want a nice place to live.

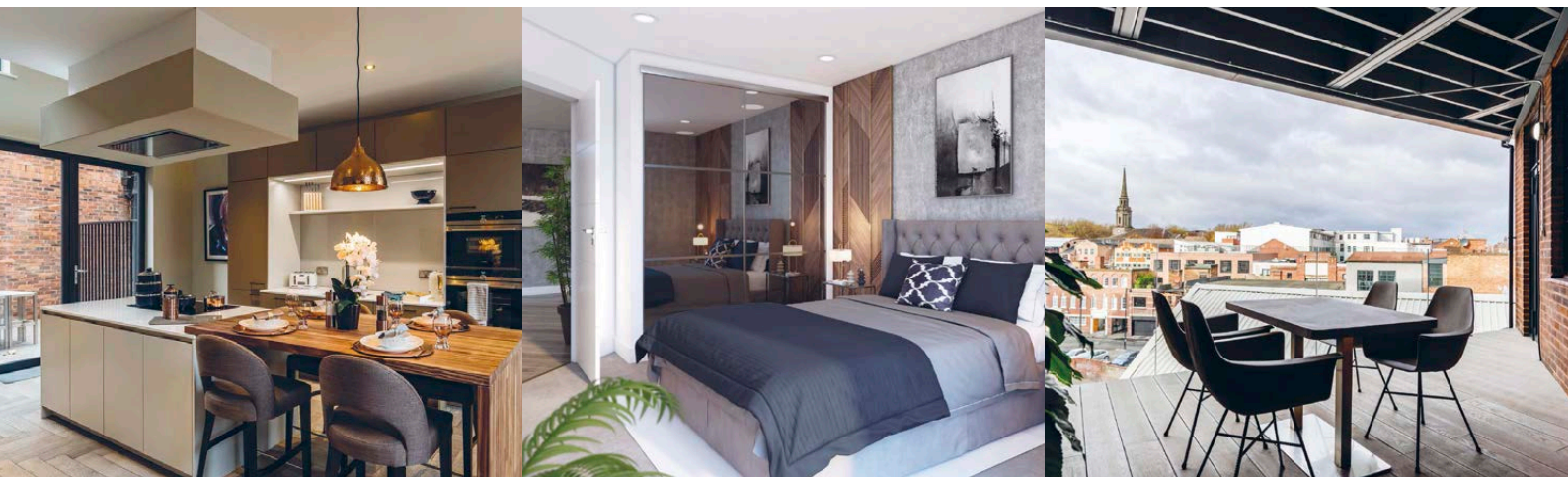
By turning this situation around and taking advantage of the rental market options available, young professionals are looking for higher-end properties that best suit their needs.

2 Amenities

Renting out a property can be lucrative if done well, which is why it's important to take the time to consider liveability when narrowing down your search.

Look for accessible supermarkets, restaurants, pubs and playparks as these facilities attract tenants looking for a comfortable lifestyle. It's also worth noting that city centres are popular areas due to the range of entertainment options they tend to provide – a difference of just a few hundred metres can make all the difference when it comes to assessing return on investment.

Knowing your target tenants' needs will help you find areas which have strong potential when it comes to rental properties.



5 steps to locating the perfect buy-to-let property continued

3 Understand your audience

Knowing who you plan to rent to should be your first priority when investing in a city.

Different renter groups often prefer different areas and have different budgets, so it pays to do some research.

Are you looking for wealthy students, young entrepreneurs or professional families? Each group can offer bigger rewards in certain parts of the city, but their requirements will vary greatly.

Finding out which area fits best with your target demographic is key to making sure you get the most return on your investment.

5 Know your numbers

When looking into buy-to-let investments, it pays to do your research.

The latest data available on rental yields and property prices can help guide you in your decisions and help make sure that you get the best returns possible.

For instance, the North West region is showing an impressive average yield of 4.69%, particularly driven by strong performance in cities such as Manchester (at 6%). However certain postcodes in Manchester and other similar cities can yield as much as 11%.

4 Consult the professionals

It's understandable that most investors will eventually get burned out when it comes to examining buy-to-let properties, researching financial data and looking for the best investment decisions. This is why specialist companies like ours exist – to take care of the influx of information and pick out the perfect property for buyers.

Our team is highly experienced in the due diligence process, ensuring we've found an opportunity with excellent potential before handing it over to an investor. We provide essential insider knowledge that eliminates guesswork and helps clients make sound investments with confidence.

Capital growth forecasts also show positive gains nationally over the next four years at 8% – a great incentive for investing now. But it's not only investors benefiting from renting; the steep rise in tenant demand has seen rents outside London increase at their fastest rate since 2008, yet availability of homes feeding this surge lags behind. Knowing your numbers gives you a huge advantage, so take a look at the facts to find the right location for your buy-to-let investment.

If your primary aim is to make a steady income from your buy-to-let property, then you should focus on yield when making your investment location choice.

Once you have established the price of the property, the amount of rent and any associated mortgages or regular costs, you can accurately calculate the potential yield and decide whether it is right for you. Yield will give you insight into how much money you could potentially be making each month and help to inform your decision about where to invest.

Where Gross yields by city



Liverpool stands out as one of the most attractive cities for investing in buy-to-let properties, offering some of the highest rental yields in the United Kingdom.

In 2020, impressive figures were seen in the city's L1 postcode reaching yields of an impressive 10%, drawing plenty of interest from savvy investors. Credit must be paid to the range of projects that have been invested across Liverpool creating a real buzz around city centre living – none more so than Liverpool Waters, with its £5.5bn investment set to generate 17,000 jobs and further increase rental demand.

With such extensive opportunities organised within the city, it's no surprise that those looking for profitable buy-to-let investments are turning to Liverpool.



Often referred to as the capital of the North, Manchester is a vibrant hub that is growing at an astonishing rate.

With a population of more than 553,230 and an ever-increasing demand for city centre homes, Manchester has one of the largest rental markets in the UK. The city has undergone considerable regeneration over the last ten years which has led to significant increases in property values – 52% in fact, according to Hometrack.

Moreover, with Manchester positioned at the core of the Northern Powerhouse there seems to be no sign of it letting up anytime soon, setting itself up for sustained success far into the future.

Where

Gross yields by city



Birmingham has experienced impressive growth in recent years, where considerable urban redevelopment projects have created a dynamic atmosphere and attracted skilled professionals from both within the city and further afield.

These individuals present an opportunity for investors in Birmingham housing who can enjoy yields of up to 6%. As this population continues to expand, so too does the need for additional housing. By investing in growing areas of the city, developers are likely to benefit from the robust market potential that exists on Birmingham's doorstep.



In recent years, the bustling central London rental market has seen some respite in terms of falling rents.

Meanwhile, the commuter towns which encircle the capital – particularly those more accessible via transportation links – have become more desirable than ever before. This trend is due in part to an increasingly flexible working lifestyle and a 'race for space' among tenants brought on by the pandemic.

As a result, these towns have experienced positive annual rental growth of up to 6.3%, allowing for comparatively higher levels of affordability for renters and greater financial stability for landlords.

How?

When you've arrived at a decision on your ideal property, it's time to move forward with purchasing.

Much like with any other real estate transaction, you have the choice to purchase the property outright or proceed by taking out a mortgage loan. While either option offers its own advantages, it is integral to earnestly consider all available options and do extensive research before making a final decision as it will undoubtedly play a role in your future finances.

Once you've done the necessary research and are confident in your choice, it's time to take the next step and make the purchase of your chosen property. There are a variety of ways to do this, with two of the most common being: buying the property outright or with a mortgage.

The advantage of financing by way of a mortgage is that you are using other people's money to work for you and as such you may be able to buy more than one property and start building your own property portfolio. Make sure to explore all of your options before taking any steps towards making a purchase – this due diligence may help you save money in the long run.

Purchasing a buy-to-let property is a serious endeavour and requires considerable financial planning to ensure success. The deposits for such properties are typically in the range of 25-30% of the purchase price, so it is important that you assess whether or not you have enough capital at your disposal in order to invest in the property you're looking for.

Additionally, due to the complexities involved when purchasing a buy-to-let, it is essential that you employ a vetted solicitor with experience specifically on buy-to-let purchases including those involving off-plan properties. Do so, and you will be setting yourself up well for your big investment.



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Consider setting up a UK limited Company

Tax Planning

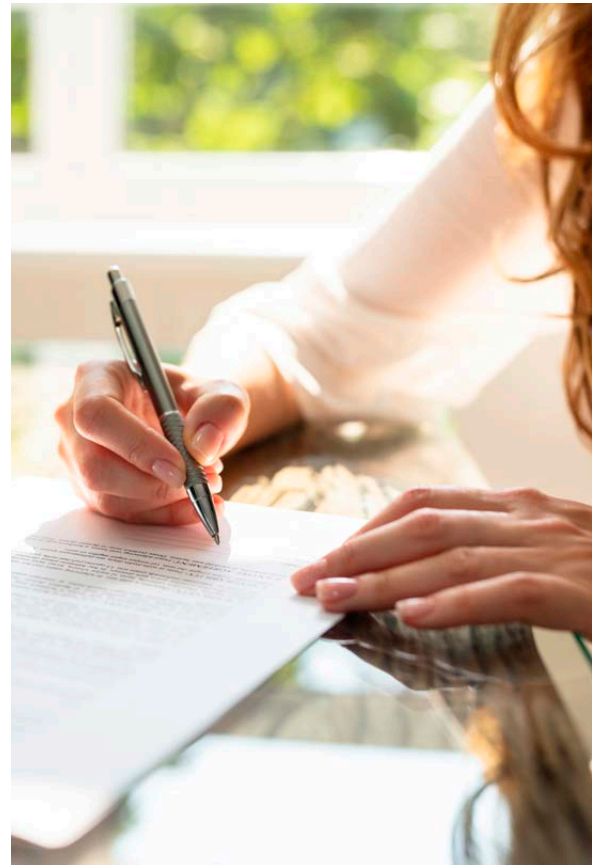
Improved tax efficiencies and planning can be achieved by holding property in a limited company. For higher rate taxpayers, or those considering of owning multiple properties, it offers a significant saving over personal ownership due to the difference between the rates of income and corporation taxes. As a director, you have options for what to do with the profits generated – strengthening your portfolio of property investments, topping up your pension or paying out dividends using a more efficient tax structure. This can be an invaluable tool for personal taxation planning.

Building a Property Portfolio

If you are looking to diversify and expand your property portfolio, retaining profits within the company is a smart move. By holding earnings within the company instead of distributing them, they are protected against income tax while they accrue. This can be incredibly useful for managing debts or gathering sufficient funds to make further purchases. Having those profits unpaid eliminates any personal tax liability that would otherwise slow down expansion goals, allowing for a bigger and more profitable reach sooner than later.

Inheritance Planning

For families who intend to pass on their business assets to future generations, making sure that those assets are properly protected is essential. Fortunately, holding property within a company gives more options when it comes to planning for inheritance tax. Transferring a limited company is much simpler than attempting the same process with a privately held property. Owning the property through company shares may also protect it from certain taxation liabilities including stamp duty and capital gains tax, in addition to inheritance tax. Planning in advance is key to ensure that you make the most of available measures and minimise the burden on your family in the future.



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How?

UK property is one of the most regulated and stable investments in the world and a weak pound is creating even greater opportunities for overseas investors.

With stable income returns from rentals sitting at around 6% and opportunity to see capital appreciation from investing in the right locations, now could be the ideal time to start a property portfolio or expand your existing property investments.

Our team of investment consultants have a wealth of knowledge and experience in the market and are always on hand to discuss the current opportunities and talk you through the investing process.

Tap into the value offered by UK real estate with minimal effort!

Whether you're looking to start investing in property, expand an existing property portfolio, or want to get back on the UK property ladder before returning to the UK, our property investment service makes it easier than ever.

Let our property investment experts do the hard work, so you don't have to. We will research appropriate opportunities to suit your exact requirements.

Once you've decided on a property and are ready to progress, we can help you prepare to let.

From start to finish, we've got you covered

Our team of property experts and partners can:

- Research and advise on all appropriate opportunities
- Find and secure the right mortgage at the best possible rate
- Source and furnish the property to your budget and specifications
- Arrange, set up, and manage letting your property
- Establish an appropriate structure within a limited company so that you can benefit from tax efficiency now and in the future



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Get in touch

With advisers based in the UK, the US, Canada, Europe, Switzerland, and Australia, we provide regulated financial advice, wherever you live in the world.

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