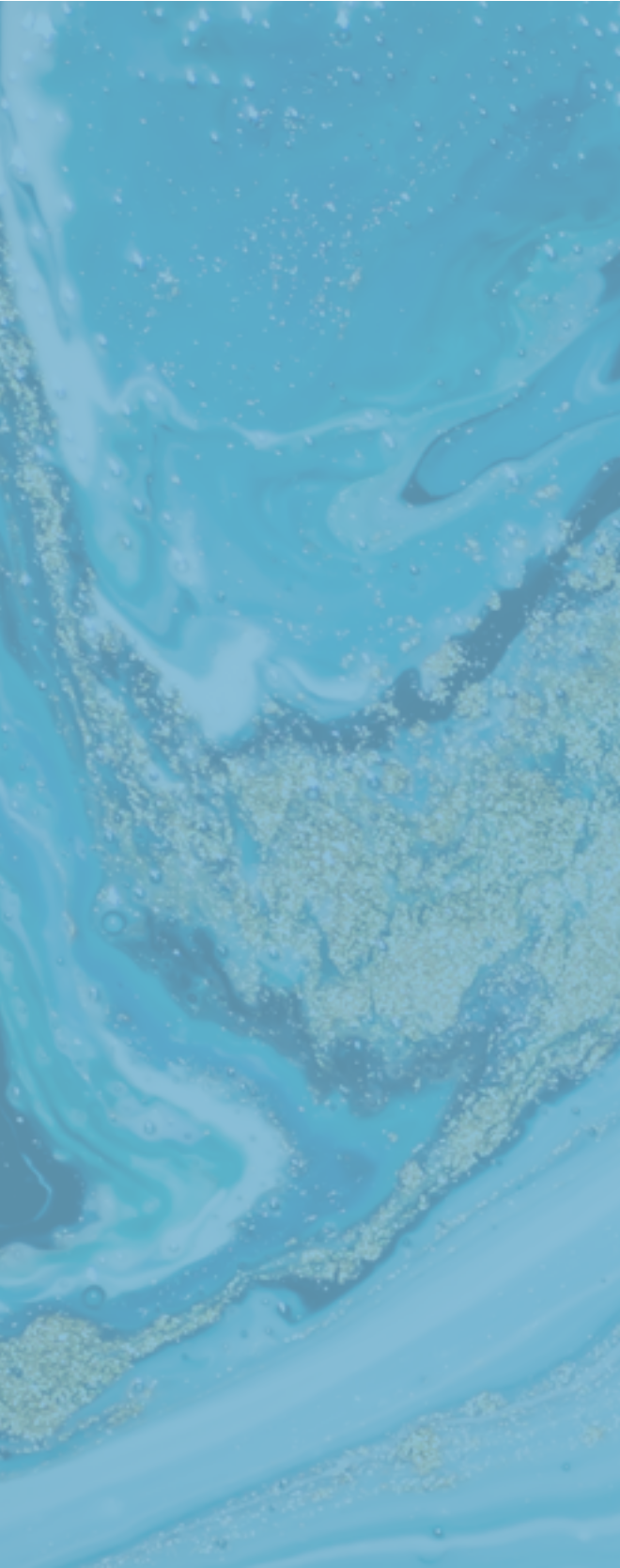




Buy To Let Property: 12 Actionable Tips

The Ultimate Guide to
Buy to Let Investment



If you're wondering how to make money from property, look no further than buy to let. Buy to let investment is one of the most popular and lucrative investment methods out there. By purchasing a buy to let property, investors can generate attractive returns and benefit from ownership of a valuable asset in the UK property market

Before getting started with buy to rent, however, there are certain things you need to know about. If you think you need to brush up on your buy to let property knowledge, take a look at our detailed buy to let guide filled with in-depth buy to let tips and advice to help you get started on your investment journey. Whether you're asking yourself 'what is buy to let property?' or 'is buy to let a good idea for me?', or you want to explore the best place to buy to let UK cities have to offer, you can find all of this and more in our guide to buying property to rent. Keep reading to find out more.

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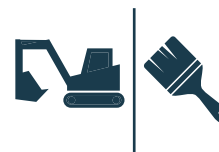
Know What to Look For



Explore the Best Buy to Let Areas



Look at Different Buy to Let Strategies



Choose Between Off-Plan or Refurbished Properties



Choose Between a Hands-On or Hands-Off Investment



Understand the Costs Involved



Get Buy to Let Mortgage Advice



Learn About Buy to Let Taxes



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Ensure Your Investment is Safe & Secure



**1 | Make
Sure you
Understand
the Basics
of Buy to
Let Property
Investment**

You might be an experienced investor who just wants to brush up on their buy to let property knowledge. On the other hand, you could be familiar with property investment, but after starting to look for an opportunity and build a buy to let strategy, you still feel unsure on certain things. You could even be neither of these and have no knowledge of buy to let investment whatsoever!

We all have to start somewhere, and understanding the basics of the buy to let business is one of the most crucial buy to let tips when beginning your property journey. If you're a buy to let first-time buyer, read these following answers to some commonly asked questions about buying a second property to rent out.

What is Buy to Let?

Buy to let is a term, often known as invest to let, is a term that refers to purchasing a property for the purpose of letting it out to a tenant. Buy-to-let investors buy a property and make money from the rent paid by their tenant. When buying a property to let, you can either purchase it outright or with a buy to let mortgage.

When it comes to investments in property, buy to let has been popular since 1996, growing increasingly more prevalent over time. By 2007, there were over a million outstanding buy to let mortgages, increasing from half a million in 2004. As of 2019 and 2020, buy to let property investment is considered one of the best property investment strategies for those who want to make a lucrative income thanks to buy to let returns.





2 | Weigh up the Pros & Cons

After learning more about buy to let property investment, you might be asking yourself – 'should I buy to let? Is buy to let a good investment for me?'

As a first-time buyer, buy to let can seem like a lot of hassle, leading you to wonder 'is buy to let worth it?' There are ways of knowing whether buy to let is the right property venture for you. If you are interested in making an investment but want something more tangible than stocks and shares, property provides a welcome alternative. However, you also need to understand both the pros and cons involved with buying buy to let properties before you decide whether you should invest to let. This is one of the most crucial pieces of buy to let advice, helping you realise whether buying property to rent is the right choice for you.

The Pros of Buy to Let Properties

In the UK, buy to let properties provide an attractive investment option. The UK property market is currently performing at a high level, with rising house prices and increasing rental costs offering investors the chance to make some big returns. These rising rental costs in many parts of the UK are led by the soaring levels of demand for rental properties. Those who invest wisely and look for buy to let properties in high-growth areas with plenty of tenant demand are sure to find success with buy to let investment.

The fact that property prices in the UK are rising on a regular basis, and forecast to increase significantly over the coming years, means that investors have a high likelihood of receiving strong capital growth returns. This leads a lot of investors to weigh up the potential behind a pension or property investment venture when saving for retirement – many of whom opt to invest in buy to let alongside saving for a pension.

The Cons of Buy to Let Properties

As with any investment venture, buying property to let comes with a level of risk. To truly succeed when you invest in buy to let, you need to be willing to tie your money up for a long period of time and understand that property prices can fluctuate. Buy to let isn't for the faint-hearted, and before getting started you need to not just understand, but also accept the risk that comes with BTL.

You could have found the perfect UK property in one of the best buy to let areas and with the best buy to let mortgage to buy it with, but would still be at risk of potential hazards along the way. Some of the most common risks that come with buy to let properties include market changes that could cause your property to decrease in value, and potential void periods. A void period is essentially a period of time where you don't have a tenant in your property, and miss out on rental payments.



3 | Know What to Look For

Before investing in buy to let, you need to know what to look out for when selecting buy to let properties. Everyone buying a property to let will want to make sure they're getting the most out of their investment, and focusing on the following criteria is a good way to increase your chances of success. Before exploring the different areas for buy to let investments and building your buy to let strategy, make sure you know how to identify the best buy to let opportunities.

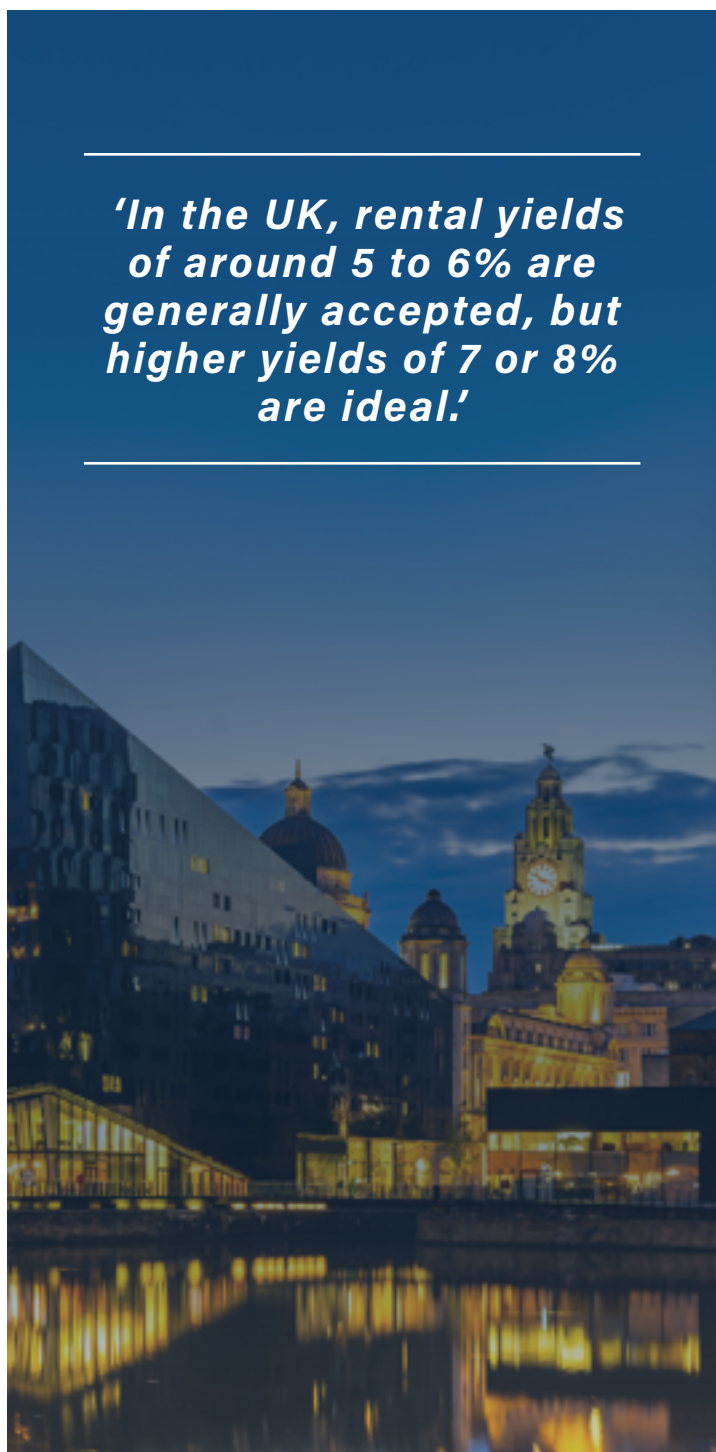
Look for High Rental Yields

We explained rental yields within the first tip of our guide to buy to let, outlining the basics about rental yields and their importance. But do you know how to identify a good yield from a bad one? This is such a key part of buy to let investment, as, without high rental yields, you won't be able to generate the kind of desirable returns you'd like.

As mentioned, the higher the rental yield, the better. In the UK, rental yields of around 5 to 6% are generally accepted, but higher yields of 7 or 8% are ideal. Buy to let investors who can generate yields of an even higher percentage are onto a highly lucrative venture.

A lot of the time, especially when investing through a property company, rental yield percentages for the buy to let property you're interested in will be made clear from the start. These yields are also often assured for a set number of years, meaning that buy to let investors don't have to worry about losing out on income once their investment begins. In other circumstances, such as when buying property to let privately, you'll need to calculate rental yields yourself. This can be done by dividing the expected annual rental income of the property by the property value, and then multiplying this figure by 100.

'In the UK, rental yields of around 5 to 6% are generally accepted, but higher yields of 7 or 8% are ideal.'





4 | Explore the Best Buy to Let Areas

When it comes to the UK investment market, buy to let property investment can be extremely successful and rewarding. That is, however, if you choose the right rental market location. Researching the best buy to let areas to invest in is one of the most crucial steps in knowing how to build a property portfolio that works.

To help you get a better sense of the best areas to invest in buy to let in the UK, this section of our buy to let guide will focus on some of the most popular investment areas in England, Wales, and Scotland.



The Best Buy to Let Areas in England

Over recent years, the North West region has been deemed the best place to buy to let in the UK. The North west, home to Liverpool and Manchester, was voted one of the best places for buy to let 2019, 2018, 2017, and beyond. When looking at the criteria discussed in section three of our guide, it's easy to see why Liverpool and Manchester rank so highly for buy to let investments in England. Liverpool is one of the best cities in the UK for rental yields, taking up six spots in the Totally Money rental yield guide, with the L1 postcode having been hailed the top UK buy to let postcode with yields of 10%. Both Liverpool and Manchester are huge hits with students and young professionals, which means there's always high demand for rental properties. The fact that North West properties are highly affordable means that investors are able to make large savings on their purchase compared to the cost of homes in cities like London.

The North West is the UK's leading region for those who want high capital growth from their buy to let property investment. From July 2017 to July 2018, house prices in the region showed an increase of 5.6%. The UK experienced an average growth of 3.1% during the same period, which shows that the North West is exceeding expectations and leading the way as one of the biggest buy to let property hotspots in this regard. By 2024, the region is set to grow by 24.1% - the highest increase in the country. When you look at house prices in Liverpool and Manchester over the years, it's evident that regeneration in these cities has positively impacted capital growth and led to the city's reputation as one of the best buy to let areas. Examples include MediaCityUK, Manchester's expansive business destination, and Liverpool's vibrant shopping and leisure centre, Liverpool One.



5 | **Look at Different Buy to Let Strategies**

Buy to let comes with a choice of different strategies to consider for your investment. While the most popular option is to rent buy to let investment properties in the form of a house or apartment, there are different strategies you should consider. When buying a property, buy to let strategies will involve both the property type itself and your target tenant. Here are the most popular strategies to consider before buying property to let.



Merchant's Wharf, Manchester

Think About Buying a Residential Apartment

You might not want to rent your buy to let property to students, and wish to find information on how to buy to let your property to alternative tenants. In this case, you should consider residential investments. Residential apartments are perhaps the most popular type of buy to let investment in the UK. This makes a lot of sense when you consider the fact that young professionals make up a large proportion of tenants. Think about it – if you're a young professional looking for a rental property, it's likely that you'd rather rent a city centre apartment instead of a suburban house.

Many young renters are saving for a home of their own or want a chance to experience city life without committing to homeownership, which is why the demand for residential apartments is so high. When you compare buy to let student property with residential property, the main difference tends to be the price.

Residential apartments are usually more costly than student investments, but can still be highly affordable depending on the area. In Liverpool, a buy to let property with RWinvest could cost you from as little as £94,950, complete with rental yields of 7 per cent.

If you do decide to choose a residential apartment for your buy to let venture, remember to factor in the area. Focus on finding properties in up and coming areas, with a lot of potential for growth. Not only will this help you find tenants fast, but it could also improve your chances of long-term capital appreciation. A good example of an area like this is the Baltic Triangle in Liverpool. The Baltic Triangle has become a major buy to let hotspot, labelled one of the UK's trendiest neighbourhoods and set to see millions of pounds worth of regeneration.



6 | Choose Between Off-Plan or Refurbished Properties

The Press, Manchester

Along with choosing whether you want to purchase a student or residential property, you should also ask yourself – should I invest in buy to let in the form of an off-plan or refurbishment property? These are the main two types of buy to let property available, and each comes with their own pros and cons. So what do each of these terms mean?

What is an Off-Plan Property?

An off-plan property is a property which hasn't been completed yet, meaning it is purchased while 'off the plan'. The investor will buy an off-plan buy to let property without seeing the finished outcome. This could mean that the property is still in the planning stages, construction has only just begun, or it may be on the way to completion.



Parliament Square, Liverpool

What is a Refurbishment Property?

A refurbishment property is a property which has been refurbished and updated. These type of projects are usually pursued by those interested in becoming a property developer. With buy to let, this usually means period properties which have been renovated and turned into modern apartments.

What is a New Build Property?

The definition of a new build is in the name – it's a property which has been newly built within the last couple of years. New builds are sometimes defined in different ways, and some people class a new build as a property that's been built in the last one or two years, while others consider a property a new build if you or your tenant is the first to live in it. It's for this reason that off-plan properties and new builds are often grouped together.



**7 | Choose
Between a
Hands-On or
Hands-Off
Investment**

When you invest in a buy to let property, you'll be faced with the choice of either managing the landlord side of the investment yourself or hiring a property management company to help you. This is definitely something you'll want to consider as part of your buy to let investment process and can depend on a number of different factors.



What is a Hands-Off Buy to Let Investment?

A hands-off property investment is when an investor purchases a buy to let property but doesn't get involved in the day-to-day management of the property. This would normally mean that they've hired a property management company to carry out these duties for them.

The opposite of this is a hands-on investment, which those interested in how to become a landlord tend to opt for. With a hands-on buy to let investment, you would be responsible for any landlord duties such as finding tenants, responding to calls and queries, and arranging any repairs or maintenance.



8 | Understand the Costs Involved

As with any financial venture, it's crucial to spend time planning out and fully understanding the costs involved with buy to let investments. Aside from the obvious price of the property itself, whether or not you decide to pay in full or use a buy to let mortgage, there are also other costs to know about when investing in buy to let.

Here are some of the most common costs that buy to let investors need to consider before getting started with buying a flat to rent:

Survey Fees

Solicitor Fees

**Management Costs
& Agent Fees**

Maintenance Costs

Taxes

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9 | **Get Buy to Let Mortgage Advice**

Many people who invest in the UK buy to let market opt to use a buy to let mortgage to help them with the costs of buying a buy to let property. While some circumstances don't allow you to use a buy to let mortgage, many investors find a buy to rent mortgage necessary in order to meet property payments. Whether you plan on using one or not, these types of mortgages make up a big part of many people's investment journey. Find out more with this buy to let mortgage guide.



Parliament Square, Liverpool

What are the Buy to Let Mortgage Rules?

There are usually certain buy to let mortgage rules and criteria that you need to meet. For instance, to get a buy to let mortgage, you need to already own your own home, have a good credit record, and earn over £25,000 a year.

Certain lenders will have different rules, but these are normally the main criteria that are required before a mortgage provider approves you for a buy to let mortgage. This means that if you're a first-time buyer, a buy to let mortgage isn't an option, so you'll need to explore alternative ways to purchase the property.

Some lenders also have age limits for their mortgages, with a typical age limit of between 70 or 75, meaning that your mortgage payments must end by the time you reach this age.

Certain property types, such as off-plan properties, are difficult to purchase with a buy-to-let mortgage. Those who want to obtain a mortgage for a rental property will struggle to do so with off-plan investments. Because mortgage lenders will typically only guarantee the amount they're going to lend for up to six months, they're unlikely to agree to fund an off-plan investment in case the development doesn't complete within this time.

'...if you're a first-time buyer, a buy to let mortgage isn't an option, so you'll need to explore alternative ways to purchase the property.'



10 | **Learn About Buy to Let Taxes**

As mentioned in tip eight, when you purchase a buy to let property, there are certain taxes involved as an added buy to let cost. Tax rates on buy to let property can differ depending on the type of tax involved. The tax implications of buy to let property can sometimes turn people away from the idea of buy to let, which is why it's so important to educate yourself on the potential fees involved before making any big decisions. From stamp duty to capital gains tax, here are some important things you should know.



' As a rule of thumb, you'll pay 3 per cent tax fees on properties up to a value of £125,000, 5 per cent on properties up to £250,000, and 8 per cent on values of up to £925,000.'

Stamp Duty Tax on Buy to Let Property

Since April 2016, it became a law that those purchasing a second home must pay a stamp duty tax, otherwise known as SDLT (stamp duty land tax), on properties worth over £40,000. Therefore, this will apply to you if you currently own your own home and are buying an additional property for buy to let purposes. You also need to pay stamp duty whether you own a freehold or leasehold property. You can use a stamp duty tax cost calculator to work out how much this could cost you for your buy to let investment. As a rule of thumb, you'll pay 3 per cent tax fees on properties up to a value of £125,000, 5 per cent on properties up to £250,000, and 8 per cent on values of up to £925,000.

Capital Gains Tax for Buy to Let Investors


One of the biggest taxes that buy to let investors need to pay is capital gains tax. Capital gains tax is a tax on any profit you make from the sale of an asset. This applies to buy to let, so when selling a buy to let property, capital gains tax should be expected. In fact, the capital gains tax when selling buy to let properties is actually higher for landlords, with tax rates on buy to let property of 18 per cent for basic-rate taxpayers and 28 per cent for additional rate taxpayers. The amount you'll pay for capital gains tax on a buy to let property sale will differ depending on the price of the property.

Tax on Buy to Let Income

The income that investors receive from their buy to rent property is taxable, and investors will need to declare any rent they receive in their Self Assessment Tax Return. The rate of income tax will depend on the amount of income you receive. In 2020, new rules came into force which mean that basic-rate taxpayers will pay 20% tax on any earnings between £12,501 to £50,000. Higher rate taxpayers will pay 40% on any income worth £50,001 to £150,000, while additional rate taxpayers will be taxed 45% on earnings over £150,000.

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11 | **Learn About Buy to Let Rules & Responsibilities**



'One common agreement is that tenants will pay a deposit before they move into the property which they'll get back at the end of the tenancy.'

What Legal Responsibilities Will I Have as a Buy to Let Investor?

Buying to rent comes with certain legal requirements that investors need to follow regarding tenancies. Whenever you find a resident for your buy to let property, you need to create a written tenancy agreement which must be signed before the process moves forward. This is essential as it ensures you have full control of both yours and your tenant's rights, avoiding any issues from arising.

One common agreement is that tenants will pay a deposit before they move into the property which they'll get back at the end of the tenancy. When this happens, the deposit must be stored in a protected Tenancy Deposit Scheme. Your investment property should also be completely safe for tenants to live in, so make sure the gas and electrics are safety compliant.



12 | **Ensure Your
Investment is
Safe & Secure**

While it's crucial for those who invest in buy to let properties to make sure their rental property is safe for the tenants who live there, it's also important that the investor feels safe and secure in their venture. Since you're putting a lot of money into your buy to let investment, and have high hopes for the kind of returns you'll generate, you should take the following steps to ensure your property is protected and you're unlikely to face any major issues.

' Start by researching the developer that's behind the creation of the property you're interested in.'

Parliament Square Construction
Liverpool, October 2020



Use Due Diligence

Due diligence is one of the most important buy to let tips for all investors embarking on a new venture. Using due diligence means to properly research the property itself and the developer behind it. This is particularly crucial when investing in off-plan buy to let property, as you're putting your money into something which is not yet complete.

Start by researching the developer that's behind the creation of the property you're interested in. This means heading to their website to read about their backstory, browsing their recent and current developments, and reading customer reviews. You should also pay attention to their portfolio of completed properties as this will highlight their experience and track record of success. It's also a good idea to do an internet search to see if there's any news coverage of the development company, as this can indicate whether they're an established business with a good reputation. The main things you want to look out for are the level of experience the developer has, what past clients have to say about them, and whether or not they seem like a reliable company who create high-quality investment properties.



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This literature should be treated as general guidance and not construed as investment advice. Prospective purchasers must rely on their own due diligence. All information and details are given in good faith and are believed to be correct but any intending purchasers or lessees should not rely on them as statements or representations of fact but must satisfy themselves by inspection of the correctness.

This guide to house prices after Brexit was last updated in October 2020. Depending on the date you're reading this article, certain details or statistics may have changed since the content was last updated.