

# RWinvest

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## BUYING OFF PLAN PROPERTY

THE COMPLETE GUIDE



# BUYING OFF PLAN PROPERTY: THE COMPLETE GUIDE

If you consider yourself clued up on the UK property investment market, chances are you will have heard of off plan property investments. Buying off-plan property means to purchase a property that's not yet completed. This may seem like a confusing concept to some, but with a bit of investment research and understanding, it's easy to see why off plan property in the UK is such an appealing option.

If you're keen to learn more about buying property off plan, make sure you read our complete guide to off plan investment. Here, we offer information on what off-plan property investments involve and the benefits of this property type, along with tips on how to buy off plan property as successfully as possible. To find out why you should add off-plan to your property portfolio, keep reading for our in-depth article.



# ABOUT OFF-PLAN PROPERTY: WHAT IS BUYING OFF-PLAN?

First things first, before understanding why off plan property investment could be beneficial to you, you need to know what this type of investment is and how it works. So what is off plan investment, how does it work, and what are the different options available?

## WHAT IS OFF-PLAN PROPERTY INVESTMENT?

Off-plan property investment is when an investor buys a property while it's still in the planning or construction stages. Unlike other property types, investing in off-plan means that the buyer can only see how the property will look through computer-generated imagery and other technology.



## WHAT DOES OFF-PLAN PROPERTY MEAN?

Off-plan property means that the property hasn't yet been built. The investor who buys it is choosing to purchase the property 'off the plan' and signing a contract without taking a physical tour to see or inspect the finished outcome.

## HOW DOES OFF-PLAN PROPERTY WORK?

Buying property off plan works differently to the process of buying more traditional properties. Those interested in buying off-plan will get to see how a property will look with the help of computer-generated imagery. Some people are put off by being unable to see the property in person, but the benefits of buying apartments off the plan far outweigh any uncertainties.



# WHAT ARE THE DIFFERENT TYPES OF OFF PLAN INVESTMENT?

When buying UK property off plan, there are different property types to consider. With off-plan investment in the UK, properties vary between residential or student, and each come with their own benefits.

## RESIDENTIAL OFF PLAN PROPERTY

Residential properties are one of the most popular options when investing in property off the plan. The type of people who rent a residential property such as a city centre apartment are typically young people and young professionals. Research suggests that millennials are a lot more likely to buy into products or services if they have an eco-friendly quality. Since new-builds are naturally more eco-friendly due to using less energy, investing in an off-plan property will appeal to the environmentally-conscious tenant.

Aside from the eco-friendly aspect of new build properties, many young professionals will also favour this type of rental property due to the convenience that comes with it. If you lead a busy lifestyle, you'll barely have time to decorate your home or stay on top of maintenance such as broken plumbing or structural issues.

## BUYING OFF PLAN PROPERTY

This is why off-plan developments are so perfect as they're already well decorated and up to date, meaning young tenants can simply move in. Because of these busy lifestyles, young professional tenants also tend to avoid renting houses as they struggle to keep up with the housework and maintenance that comes with them, and instead favour a one or two-bedroom flat which is more compact.

Many landlords consider young professionals to be the ideal tenant as they tend to take pride in their rental property. This means that they're likely to stay on top of housework in order to keep the property clean and tidy, especially when friends and family come to visit. This is great when buying apartments off the plan as the tenants you secure are likely to be either the first or one of the first people to live there. Keeping the property in good shape will benefit you as it will ensure the off plan investment is just as attractive in years to come as it was after first being built.

Residential properties are highly in-demand, especially in prime locations surrounded by exciting regeneration and close to workplaces, transport links and top attractions. By buying off the plan for investment, you're catering to this high-demand from young professionals and limiting your risk of void periods by bringing a new and exciting rental opportunity to your demographic.



## STUDENT OFF PLAN PROPERTY

Some of the best off-plan properties for sale in the UK are student properties. When wishing to buy cheap properties off-plan, UK investors should look towards student accommodation which typically comes with a lower purchase price than residential. This is because the majority of new off-plan student properties are studio style, meaning that they're smaller and more compact – and therefore cheaper. This doesn't mean that rental yields have to suffer, however, as student properties in the UK can generate some impressive yields, provided they're in the right location.

One of our off-plan investment properties, Poets Place in Liverpool, is a prime example of the potential behind off the plan student investments. This property is classed as both a student and residential development and comes with net rental returns of 8 per cent. Along with the price and yields, there are some other benefits of buying off-plan student properties, such as high levels of demand.



Like young professional tenants, students are also likely to be drawn to off-plan new build accommodation. In the past, more students would settle with shared student housing, often in a renovated period property. While some tenants love the charm of staying in an older home, these types of properties often encounter issues such as damp, faulty plumbing and electrics, or other structural issues. For students, these problems can be a major inconvenience, which is why living in a newer, more modern property is so appealing.

When you invest in an off-plan property in one of the UK's top buy to let property hotspots, you'll have even higher chances of a lucrative investment due to both demand and capital growth. Exploring student off-plan investment opportunities in top student cities like Liverpool will ensure you consistently secure tenants and have a high chance of making capital gains from your investment.





# WHY BUY OFF PLAN? THE BENEFITS

You wouldn't consider making any investment without first thinking about the benefits. Before you think about buying property off plan, take a look at the benefits of this type of property investment.

## ✓ CHEAPER INVESTMENT BETTER RETURNS

So what are the advantages of buying off-plan property? Buying property off plan can be cheaper and can create better returns than other assets. Investment companies tend to offer off-plan properties at a lower price as a way to entice investors. This way, by the time the property is ready for tenancy, it's likely to have significantly grown in value.

## ✓ BETTER CAPITAL GROWTH

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## **BELOW MARKET RATES**

So we know that off-plan investments allow you to make better gains on the value of your property, but what about price? Buying off-plan property in the UK is often cheaper than buying other investment types such as a refurbishment property because off plan property developers will often offer the property at a discounted sale price.

A lot of people that are just starting out in property investment will buy cheap properties off plan in UK cities as a trusted way to build their portfolio. We offer our off-plan developments at below market value rates for the lowest price, making the investments a lot more affordable while also maximising the potential for growth.

Our Bridgewater Wharf development, for instance, is located in a prime central Manchester location and includes luxury apartments priced from just £134,995. Within proximity to MediaCityUK, this development offers a choice of studios or one, two, or three-bedroom apartments featuring luxury private balconies, communal garden areas, amazing river views and more.

Because of these fantastic amenities, Bridgewater Wharf is likely to attract the most sophisticated of tenants. Similarly, our One Baltic Square development can be purchased from £121,950. This off-plan development is based in Liverpool's Baltic Triangle; an area voted the 'coolest place to live' by the Times.

This makes One Baltic Square an excellent choice if you're keen to make an off-plan Liverpool property investment. Both of these off-plan developments have a high likelihood of increasing in value by the time construction is complete, and offer attractive rental yields of 6 and 7 per cent. You can view our block of flats for sale on both One Baltic Square and Parliament Square.

## ✓ **CONSISTENT RENTAL RETURNS**

Off-plan property investments tend to perform well in terms of attracting rental demand. The majority of tenants appreciate the idea of a new build home as they value being one of the first people to live in a property. Since new-build off-plan properties are completely modern, they also tend to not need any maintenance or repairs prior to tenancy. Buying property off plan for your investment gives you peace of mind that tenants will always be interested in renting your property, ensuring a consistent cash-flow of rental income and lower void periods.

## ✓ **MORE FREEDOM**

One of the final benefits of buying off-plan property is the freedom that comes with this investment type. Because these properties haven't been finalised, investors can pick and choose the best units. For instance, investors can research the different units available and consider whether the dimensions and specifications will be suitable for their investment goals.



## ARE THERE ANY DISADVANTAGES OF OFF PLAN PROPERTY?

While there are some huge advantages that come with buying property off plan in the UK, there are also some aspects of this investment type which can be viewed as downsides. The main disadvantage of off-plan property is the fact that depending on the completion date of the property, you could be waiting a long time until the final development is ready. This can be tricky if you buy an off plan investment which is set to complete a year ahead, but you hope to have your property tenanted instantly. The important thing to keep in mind in this situation is that property investment is called an investment for a reason. You may sometimes need to wait to see a high return on your investment. Once any off plan developments you've invested in are complete, you then have ownership of a valuable and tangible asset which can bring in significant returns for many years to come.

The fact that off plan property investments aren't complete and ready to view before being purchased can also be a downside for some investors. For investors who are set on taking a tour of a property before committing to a purchase, off plan investment can prove difficult since the property may still be in the construction stage or planning stage before a purchase can be made. There are, however, ways around this issue. Here at RWinvest, for instance, we offer our clients the chance to take 'virtual tours' of the property and its grounds by utilising the latest VR and CGI technology. Not only is this useful for those investing in off plan property, but this also makes the investment process a lot easier for overseas investors who don't have the time to travel down to the UK for a viewing.

# HOW TO BUY OFF PLAN PROPERTY — THINGS TO CONSIDER

The process for buying off plan property is very similar to any other buy to let investment. However, there are some aspects of the investment which may be different with off plan compared to more traditional buy to let. Here is a breakdown of the buying process for off plan property and how to get the most out of your investment.



## RESEARCH THE BEST AREAS TO BUY OFF PLAN

To buy off-plan property, you first need to find the right property for you. Look online for developments based in your preferred location and priced within your budget. Certain UK areas are known to offer better investment potential than others, with North West based cities coming out on top for yields and capital growth.

Many investors who opt to explore the UK market may assume that London is the best city to focus on. In actuality, the North has a lot more to offer in terms of getting more for your money. Liverpool, for instance, has some of the top rental yields in the country due to the city's ongoing rental market growth and affordable property prices.

Properties in Liverpool have an average value of around £170,684, which, when compared to London's Zoopla average of £995,733, highlights the affordability of this city. This is the reason why buying off plan in London rather than elsewhere in the UK is often viewed as less attractive for savvy investors. When you look at off plan property in Liverpool, prices become even lower. For example, an upcoming luxury development based in Liverpool's Baltic Triangle, Parliament Square, is available to purchase from as little as £104,950.



## THINK ABOUT YOUR TARGET TENANT

Are you interested in buying residential or student off plan property? The type of property you purchase is important, as before thinking about what property type you're going to invest in, you need to identify your target tenant. With student off plan investments, the tenant you attract is undoubtedly going to be a student. Whereas, with residential off-plan investment, it's more likely that you'll see demand from young professional tenants, especially in more centrally located parts of a city. Think about which tenant group you'd prefer renting your property out to, and this will narrow down your search when buying off-plan.



## EXPLORE FINANCE OPTIONS

Financing an off plan property with a buy to let mortgage is where some investors could encounter issues. In certain cases, it can be more difficult to get a mortgage broker to find you a loan when buying off the plan for investments or residential homeownership. This is usually down to timing issues, with most mortgage agreements only being valid for six months. Therefore, if the development doesn't complete by this time, the buyer will need to re-apply, which can be a time-consuming process.

Many banks, however, are now offering deals with longer offer periods, while some are allowing for extensions to be added on to the initial offer period, which works perfectly when buying off plan property. If you can agree to a buy to let mortgage for your off plan investment, a mortgage lender will normally wish to arrange a valuation of the development specification and plans.





# FREQUENTLY ASKED QUESTIONS:

## IS BUYING A NEW BUILD A GOOD INVESTMENT?

Buying a new build off plan property is definitely a worthwhile investment if you're keen to attract plenty of rental demand, generate high yields, and give yourself a good chance of making strong capital growth returns.

As mentioned in this guide, off plan property in the UK is known to draw in attention from some of the UK rental markets most desirable tenants - young professionals and students. This means that investors who opt to buy off plan property won't have to worry about void periods where they lose income. Provided your rental property has been marketed well, you should see a lot of demand once the development is complete.

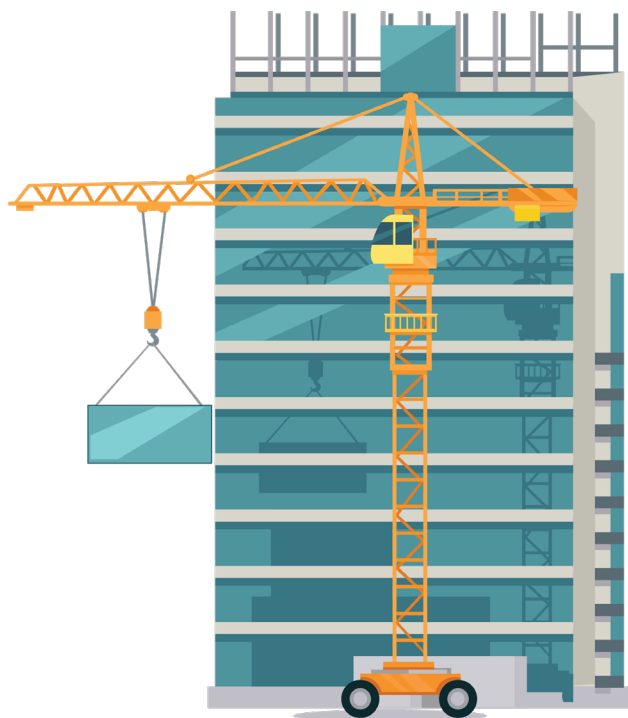
The fresh and modern design of the property also means that a lot of new build properties have a higher rental value than older apartments or houses that are in need of refurbishment. When investing in off plan developments in thriving UK cities, regeneration and ongoing growth mean that your property is likely to see some significant capital appreciation.



# ARE THERE ANY RISKS OF BUYING OFF-PLAN FOR INVESTMENT?

Like with any venture, there are some risks that come with investing in off-plan properties. The main reason some people are put off by off-plan property is the fact that you don't get to see the development before you make your purchase. This means that you could end up disappointed in the outcome of the property.

There are, however, ways around this, such as using technology like VR and CGI to get a good insight into how the property is expected to look. One of the other risks of buying off-plan is that the development might not finish by the time it's expected to. A lot of the time, this is down to factors out of the developers control. Be sure to stay up to date with construction updates to find out about the status of your investment and be more prepared for any delays



# WHAT ARE THE BEST PLACES TO BUY OFF PLAN PROPERTY?

The best locations to buy off-plan property are cities and towns with a lot of capital growth potential. Off-plan properties have a reputation for increasing in value before they're even ready for tenancy. If your off-plan property has been built in a buy to let property hotspot, the chances of this happening are even stronger.

For a long time, when it comes to buying and selling property, London property has held the spotlight for UK property investment. Now, however, the disappointing growth rates and low yields that come with property in London have meant that the attention has shifted to the North for off-plan property investments.

The North West has the highest rate of house price growth compared to any other UK region, with predictions for even further growth over the next five years. Thanks to ongoing regeneration projects that are bringing lots of interest to these two cities and boosting the economy, investors who buy off plan Manchester or Liverpool property are likely to see their property grow in value by the time it's ready for tenancy.

In Liverpool and Manchester, there's a lot of demand for rental properties from young professional tenants, making off plan investment opportunities more promising. If you buy off-plan property in Manchester, you'll want to make sure you appeal to this target tenant to attract as much demand as possible.



# ARE THERE ANY QUESTIONS TO ASK WHEN BUYING PROPERTY OFF PLAN?

Before making an off plan investment, there are certain questions you should ask concerning the off plan property developers behind the project. One of the key questions to ask is whether or not the developer behind this development has a solid portfolio of successfully completed past projects. This can usually be revealed if you research the off plan developments company and look for past project details on their website. You should also seek out reviews and online press which talk positively about the developer, as this can indicate that they're established and experienced in their field.



# HOW CAN I SECURE AN OFF PLAN INVESTMENT WITH RW INVEST

Once you find an off-plan property of ours that you're interested in buying during your property search, we'll provide you with all the details and information needed to make a decision. Although we can't give you a physical tour of the finished property, we can provide you with a look at the planned outcome with the help of virtual reality. By using computer-generated imagery and VR technology, we can let potential investors see how off plan projects are expected to look upon completion, helping you make a more informed decision.

We have experience working with both UK based and overseas investors keen to explore the UK property market, along with a proven track record of due diligence and success. Our property experts are on hand to offer you advice about the best off-plan property for you, guiding you through each part of your real estate investment journey. After you've paid a reservation deposit for the off-plan property of your choice, our sales consultants, client care team and post-sales professionals will guide you through the rest of your journey



# INVESTING IN OFF-PLAN: 5 POINT CHECKLIST

## ✓ 1. DO YOUR RESEARCH

Make sure you properly research off-plan properties and what they involve so that you have a good understanding of the investment. This involves thinking about all financial aspects of off-plan investments, considering any possible risks, and planning how you would deal with any issues that might arise.

## ✓ 2. LOOK FOR THE BEST AREAS

As discussed in this guide, the location you choose to invest in can contribute to the success of your off-plan investment. Make sure to spend some time researching the best areas to buy off plan property in. Once you've decided on a location, you'll be able to narrow down your property search.



### ✓ **3. FIND A TRUSTED PROPERTY COMPANY AND DEVELOPER**

Buying off plan property can sometimes come with a lot of uncertainty due to the fact that the property hasn't yet been developed. This can leave some investors feeling worried about when the development will complete, and to what standard. By using only trusted property investment agents and property developers, you'll feel more secure in your venture and know that you're in good hands. Be sure to research the company/s in-depth, reading any online customer reviews and evidence of a strong track record of successful developments.

### ✓ **4. FIND A TRUSTED SOLICITOR**

Along with using a reliable property investment company and developer, it's also essential to find a trustworthy solicitor for your off-plan investment. If you buy a property through a good property investment agency, they will usually recommend a solicitor for you, but you're free to source your own if you prefer. Make sure the solicitor you choose to work with has experience with off-plan properties and understands everything that's involved.

### ✓ **5. CHECK FOR CONSTRUCTION UPDATES**

Once you've made your off-plan property investment, you should stay on top of the development process by checking for any construction updates. These will normally be available to you through the company you're investing in, and can reassure you that everything is running smoothly.

# FIND YOUR NEXT OFF-PLAN INVESTMENT WITH RWINVEST

If you've enjoyed our off plan investment guide and you're interested in investing in your first off-plan property, or are maybe curious and want to find out more about our available off plan investments for sale, get in touch today. We have experience working with both UK based and overseas investors keen to explore the UK property market. Our property experts are on hand to offer you advice about the best off-plan property for you, guiding you through each part of your real estate investment journey.

If you've enjoyed reading this investment and want to read more of our advice guides, head to our buy to let news page for further reading. Here, you'll find blog advice pieces and in-depth guides on a range of property related topics.





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