

RWinvest

EST. 2004



Property Investment

Everything You Need
to Know About In 2023

Welcome!

If you've found your way to this property investment guide, the chances are that you:

- 1 Have heard about how great property investment can be at providing financial freedom.
- 2 Have been thinking about investing in property for a while and are ready to take your first steps.
- 3 Have been considering ways to boost your income and secure your financial future.
- 4 All of the above.

But whatever your reason behind researching property investing, there's a lot you need to know.

Property investment is a potentially lucrative investment strategy but also one that requires a lot of research and planning to get it right. For beginners to buying investment property, this can be confusing to get to grips with.

That's why we've put together this detailed and helpful guide to becoming a property investor, including tips on everything you should know about investing in property.

From how and why you should invest in property to the many considerations that come with buying properties for investment, you'll find it all in our investment property guide.



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What is Property Investment

In simple terms, property investment is an investment strategy where investors buy properties intending to make money from them.

You can make money from property through several different methods, including rental income from tenants and profits from the resale of the property once its value has increased.

What Is an Investment Property?

An investment property is any property owned by someone to make money from it rather than live in it themselves.

They can be owned by individuals, a group or partnership, or a larger business. Investment properties may be rented out for people to live in, commercial space for businesses to use, or hotels for people to stay at.

Read our guide on 'what is an investment property' for more details.

What Is a Property Investor?

In short, a property investor is anyone who owns property with the goal of using it to make money.

Although the majority of property investors already own their own homes before they invest, some purchase investment properties as their first property.

Property investors collect the rental income from their properties if they are buy-to-let, as well as manage their properties to ensure they will get a strong return on their investment.





What are the Different Kinds of Property Investments?

There are multiple different kinds of property investments available on the property market.

You should find out what types of investment are available to you and which route would be best for you.

Some of the most popular property investments in the UK include:

- ✓ Residential buy-to-let properties
- ✓ Student buy-to-let properties
- ✓ Off-plan buy-to-let properties
- ✓ Commercial properties (such as office space or storefronts)
- ✓ Buy-to-sell properties (also known as house flipping)
- ✓ HMO properties (houses of multiple occupancies)
- ✓ Hotels
- ✓ Holiday lets

Alternatively, you could choose to invest in property through other methods, such as REITs (real estate investment trusts). This way, you can invest in the property market without going through the hassle of owning property itself.

To learn more about the different kinds of property investments as well as their pros and cons, read our guide on the different types of property investment.



Should I Invest in Property?

While property investment is a potentially very lucrative investment strategy, it may not be for everyone.

The UK property market is famously stable, and with house prices set to rise by 17.4% by 2026 according to Savills, there is the potential for some major profit from selling properties.

For many potential investors, property offers a great mix between strong returns and a steady market, but you have to make the choice yourself.



Why Invest in Property?

There are several reasons why people choose to invest in property.

There is the potential for a monthly passive income through collecting rental income from tenants in buy-to-let properties. This can be used to supplement your main source of income, or if you have a large enough investment portfolio, you can use the rental income as your main source of money.

Homelet's Rental Index indicates that the average rental payment is £1,159 pcm as of September 2022, up 9.2% from 12 months ago. This shows you can make considerable income from rent, which is set to rise.

With the UK currently seeing a demand for housing outstripping the supply, it will probably not be a hard task to find tenants to occupy your buy-to-let investment property. Many young professionals are looking for new build properties in city centres, which just so happen to be popular buy-to-let investment properties.

You can also benefit from capital appreciation as the market value of your investment properties grows. Property is a physical asset which grows in value over time, so you can find the value of your property increases greatly over time.

Data from the Land Registry's UK House Price Index indicates that house prices have grown by 13.6% in the past 12 months from August 2022, showing that there is room for considerable growth.

For more reasons why you should invest in property, try our guide where we ask the question: why invest in property?

Are Investment Properties Worth It?

Even the most affordable investment properties are a sizeable investment. While you can use a buy-to-let mortgage or payment plan to spread out the cost of investing, you will still need to be able to have a sizeable amount of money available to spend up-front.

This naturally has many asking the question if investing in property is worth the cost, when there are other options for investors that have much lower entry costs such as stocks or cryptocurrency.

Given the combination of increasing capital growth and rental prices, investment properties are by and large worth the higher entry cost.

Some areas of the UK, such as the North-West, are predicted to have house prices increase by up to 24.3% by 2026, according to property experts Savills.

This means that if you buy an investment property in Liverpool for £200,000 now, you could likely be able to sell your property for a profit of over £48,000 in 5 years' time.

In addition to this, the rental income you would collect would also add to your profits. In the past year alone, the average monthly rental payment has risen by 9.2%, with Homelet calculating the average rental payment being £1159 pcm.

If we extrapolate this growth over a 5-year period, this would mean you would potentially be collecting around £72,000 worth of rental income if you started collecting rent in November 2022.

Given that property is a long-term investment, this level of returns through multiple methods over time is something very few investment strategies can compare with if any.

The table below breaks down how much rent would increase at current rates on a monthly and yearly basis.

Year	2022 (starting in November)	2023	2024	2025	2026
Average Monthly Rent (based on Homelet data)	1192	1265	1382	1509	1648
Annual Rent Collected	2384	15180	16584	18108	19776



Is Property the Best Way to Make Money?

When planning an investment strategy, this is naturally a question you need to be asking. With so many options for investors currently out there, you need to ask yourself if property is the best investment option for you.

While other investment options like stocks or cryptocurrencies have the potential for massive returns in a very short time period, they also run the risk of crashing and of you losing your money.

Forbes reported in October 2022 that the CEO of JPMorgan recently issued a 'stark warning' of growing market panic, suggesting values could plummet soon.

If you are looking to invest in property but want a short-term investment, try looking at Real Estate Investment Trusts, or REITs. These operate like stocks and allow you to invest in property for much less than buying a full property.

While other investment options come with higher levels of risk, the UK housing market is famously stable. Due to being a physical asset, it shouldn't decrease in value rapidly.

Add into this the multiple income streams that property can generate for you, and you can see why this is such a popular method of investment for many. You will need to pay income tax on your rental income, but this is not likely to be much.

Thanks to the security and long-term income, many investors believe property is the best way to make money for them, as they can sit back and see the returns coming in without the worry of their investment losing value.



How to Get Started

With the information you've read so far in this property investment guide, you may be wondering how to get started with buying investment properties.

There are multiple investment strategies for those looking to get into property investment, and it is a good idea to plan how you want to go about investing before you spend any of your money.

Top 25 Property Investment Tips to Get Started

To help beginners with property investment, we put together a list of the 25 tips we think every investor should know. These tips range from general advice useful to any investor to ones that you might not think of being that important.

These tips are as follows:

1. Know the Basics of Property Investment
2. Make Sure You're Ready and Aware of the Risks
3. Know How to Make a Lucrative Investment in Property
4. Decide on a Property Investment Strategy
5. Explore Different Property Types
6. Remember That Location Is Key
7. Make Sure You Know Your Tenant
8. Plan a Detailed Investment Budget
9. Research Mortgages
10. Decide How Hands-On You Want to Be
11. Keep Learning About Property Investment
12. Diversify Your Portfolio
13. Understand What Kind of Returns You Want
14. Have an Exit Strategy
15. Seek Advice From Experts
16. Continuously Increase the Value of Your Properties
17. Consider Investing With Partners
18. Network with Tradesmen and Investors
19. Research International Property Markets
20. Consider Other Forms of Investing
21. Keep a Positive Attitude
22. Review Your Financial Situation Regularly
23. Be Cautious When Investing
24. Keep Up to Date with Current Affairs
25. Regularly Assess Your Portfolio

In general, make sure to do your research before you buy a property. The valuation of a property's value may change depending on who is assessing it, and the rental market can change quite fast.





How to Invest in Rental Property as a Beginner

Investing in property can be a challenging journey for beginners, with so many questions that need to be answered and problems to be solved.

How do you work out your budget? What kind of properties are best to invest in? Where in the UK should you look at investing? It is very easy to get overwhelmed, but you should start by determining your goals when investing. Are you looking for a passive income, or to focus on making a larger profit when you resell the property? This way you can understand what you are looking for, and focus on properties that will help you achieve your goal.

You should also set a cautious budget for your investment fund. While the housing market is stable when held up against other investment options, there are still risks. You may not be able to find tenants for your property, or there may be problems with the development if you are purchasing off-plan.

If this happens you want to ensure you have the funds to look after yourself or to correct the issue. You will also want to consider the different financing options available to you when you begin investing in property. While paying the full cost of the property upfront means you can spend the returns as you wish, it may not be affordable for you.

This is when buy-to-let mortgages come into play. Borrowing a buy-to-let mortgage allows you to spread out the cost of investing, by paying off the accrued interest each month as your monthly mortgage repayments.

Another financing option to consider is using a payment plan. This way you do not need the full amount right away, and can still fully own the property yourself by the time it is ready for tenants.



How to Invest After Selling Property

Selling your property after a longer period of time will see you earn a sizeable profit through capital appreciation, as with the way house prices are growing you will likely see the market value of your property rise drastically over time.

Unfortunately, you will not be able to take home all the profit you make from the sale of your investment property, as there are costs that come with selling a property:

- | | |
|----------------------------------|--|
| ✓ Energy Performance Certificate | ✓ Capital Gains Tax |
| ✓ Estate Agent Fees | ✓ Mortgage Exit Fee |
| ✓ Conveyancing Fees | ✓ Early Mortgage Repayment Charge |
| ✓ Removal Costs | ✓ Home improvement before selling to boost fee |

However, you may want to reinvest the profits you make into other investment opportunities, as this way it keeps your money secure and allows you to keep earning a passive income.

You could choose to invest in other properties, as with the profits you have made from the sale of your initial investment you can have a higher budget. This means you may be able to purchase more expensive properties or spread your money to create an investment portfolio.

You could also consider investing your money in other investment strategies. The stock market, mutual investment funds, or cryptocurrency are all valid options.

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How to Manage Your Investment Property

Once you have purchased an investment property, the next step is managing it. This involves several aspects, all of which are important to ensure you will return a profit from your investment.



Finding tenants for your property



Maintaining the property



Drawing up contracts



Resolving any issues your tenants have



Collecting rental income



Understanding and following rules and regulations

This is not an exhaustive list, but as you can see managing a property is a lot of work. While it may be rewarding for some, it may not be what other investors have in mind for their strategy.

It is a good way of understanding your duties as a landlord if your investment goal is to establish a portfolio of properties, but this may not be for you.

If you do not want to manage your investment property, you should probably consider using the services of a property management company. Property management companies take the stresses of managing properties out of your hands and handle the landlord duties in return for a cut of the rental income each month.

This will take some of the profit out of your pocket, but it makes up for it in the time and energy you are able to save and redirect towards other ventures. They will have a professional understanding of the property market and the duties that come with managing a property and will ensure you receive the most rental income possible.

However, this will mean you have less control over your property, and it is an extra outgoing cost in your monthly expenses.





How to Buy Investment Property With a Partner

When looking at investment properties that meet your criteria, you may find a property which is out of your price range. While there are financing options available, you may decide instead to combine your investment budget with a partner and invest in property together.

Investing with a partner is a great way of buying investment properties that you would not be able to afford alone, but it comes with downsides you need to be aware of.

You can combine your skills and expertise to help make your investment profitable, as your investing partner may have knowledge or skills which you lack and vice versa. This way you can work together to benefit both of you.

However, you will need to split the rental income and profits you make from the investment property between you, so you will have a smaller return on your investment than if you were to invest alone.

On top of this, you may have disagreements with your partner or fall out, which would complicate your investment if you are not able to get along.

How to Buy More Than One Investment Property

You may decide your investment strategy is to establish a buy-to-let portfolio and purchase multiple investment properties. This way, you can use the rental income from your property portfolio as your main source of income and treat your investments as a business.

Owning multiple investment properties means more rental income, as well as less risk, as if one property fails to bring the expected returns, you can fall back onto your other properties. This method of buying investment properties allows you to achieve financial freedom sooner.



Buying more than one investment property is an expensive investment though, and it is likely you will not have the funds required to purchase these properties right away.

Instead, this is where you can split your budget and use buy-to-let mortgages to spread out the cost of purchasing multiple properties.

As mentioned earlier, you pay off the accrued interest on buy-to-let mortgages, leaving the borrowed amount untouched during the term of the mortgage. At the end of the term, you can either remortgage the property, sell it or use the income you have made to pay it off.

However, interest rates are rising on mortgages across the UK, meaning you will have to spend more of your rental income to pay off the mortgages.

While you will be able to earn more income from buying more than one investment property, you will also have to have a larger budget or be willing to spend more over time.



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Can You Get a Mortgage for an Investment Property?

The simple answer is yes, but not the same way you would for a residential property.

Buy-to-let mortgages not only charge the accrued interest rates for mortgage payments each month but also require a higher deposit and more rigorous checks. You will likely need to already be a homeowner to borrow one.

However, many BTL mortgages are not regulated by the Financial Conduct Authority, meaning they can be riskier for both the lender and the borrower.

How Long Can You Live in an Investment Property?

If you fully own an investment property, you can live there as long as you need to so long as there are no tenants currently living there. Be aware you will be missing out on the rental income you could be collecting though.

If you bought your investment property using a buy-to-let mortgage, however, you will not be able to live in it as it would breach the terms of your mortgage. This is potentially a criminal offence and has serious consequences.

Lenders would likely make you pay back the mortgage in full, and there may be additional charges or even prison time.

FAQs



Does an Investment Property Count as a First Home?

If you are wondering if you can purchase an investment property as your first step onto the property ladder, then the answer is yes!

There are some great benefits to purchasing your first home to use as an investment property, as you can make the most of the schemes and advantages available to first-time buyers to give you a larger budget to invest with.


You would get reduced rates on stamp duty land tax, but you would find it harder to borrow a BTL mortgage.

Can I Afford an Investment Property?

Investing in property is often more affordable than you might think. There are buy-to-let mortgages and payment plans available to help spread out the cost of buying property.

You could also invest in off-plan property, which is normally sold for below-market-value prices, meaning you could get yourself a bargain. Property development companies will sell properties whilst they are still being built, allowing you to get the best units in developments.

Be aware there are additional taxes such as stamp duty which you will need to pay, in addition to the cost of a property purchase.



FAQs



Invest with RWInvest Today

Interested in beginning your property investment journey, or do you want to expand your buy-to-let portfolio?

Here at RWInvest, we pride ourselves on our ability to look after our clients through every step of investing. With over 17 years of experience, we are one of the premier property investment companies in the UK.

We have a variety of properties available for investors, with a great mix of high rental yields and affordable prices in some of the best areas to invest in property in the UK, such as city centre properties in Liverpool and Manchester.

With a track record of happy customers and strong links with the top developers in the UK, investing with RWInvest is a great way to invest for both beginners and experienced investors.

Contact us today to get more information, and take your first steps into property investment today!

The logo features a central white diamond shape with a dark blue border. This diamond is positioned within a larger dark blue diamond that is rotated 45 degrees. The background is white.

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