

**RWinvest**

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# Top 17 Tips for getting started in Property Investment: The First Steps

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# Consider the UK Property Market

'The demand for rental properties in the UK is higher than ever before'



In recent years the buy to let market has taken a few knocks, with changing tax policies and potential price rises. However, the benefits of property investment far outweigh these.

The demand for rental properties in the UK is higher than ever before with a growing need for high-quality rental accommodation ensuring a steady stream of tenants. When it comes to investing in properties, considering the UK buy to let market is one of the most important property tips to find the best property investments in the UK for 2019, 2020, and beyond.

## What is an Investment Property?

An investment property is a property which is purchased in order to generate a return on investment. The two ways people benefit from making an investment in property are with regular rental returns, returns from the future resale of a property that's grown in value, or both.

## What is A Property Investor?

A property investor is somebody who purchases one or several properties for the purpose of renting them out or selling them for a higher cost. The role of a property investor is normally carried out alongside an additional career, but making an investment in property can sometimes become a full-time career in itself.

## Can I invest in Property?

Those interested in investing in properties can do so in a number of ways. Some people choose buy to sell property, while others select buy to let. Buy to let is where you purchase a property with the intention of letting it out to a tenant, and is one of the most popular property investment strategies.

Without considering buy to let, you're missing out on the potential for long-lasting returns rather than just a one-off payment. If you're thinking about how to invest in property, don't ignore your buy to let options.

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## Is it a good Idea to invest in property?

Property investment can be a great idea for those who want to generate additional income. Buy to let property investment can bring an ongoing income in the form of rental returns, along with the potential to gain large returns if your property's value grows over time.

Unlike other investment strategies, buy to let property investment allows investors to receive monthly or quarterly rental returns from tenants. Capital appreciation in property investment can be equally impressive, with certain areas of the UK reporting record house price rises. The popularity of property investment has led many people to question the potential of a property compared to a pension when it comes to saving for retirement. In the great pension vs property debate, many people choose to combine their investment property venture with a pension for maximum returns.

Along with capital growth, if you want to know how to become a successful property investor, you'll need to focus on trends like rental demand. The number of people in the UK living in rental accommodation is higher than ever, with major increases over the last few years. Due to a lack of social housing and the difficulties faced by people wanting to buy their first home, there are a record number of people looking for rental accommodation, leaving more opportunity for buy to let investors.

### BUY TO LET INVESTMENT GUIDE

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## How to get into Property Investment

If you want to get into property investment, you need to ask yourself two questions – what do I need to buy an investment property, and where is the best place to buy an investment property? Research the main elements of property investment, and decide which location offers the best opportunities.

When starting out in property investment, it is important to do your research to find out if investing in properties is right for you, and to look at the UK buy to let market in detail. Resources like our property investment guides are ideal for understanding what makes a good property investment and how to find the best investment for you.

Being well informed on things like rental yields, demand, and capital growth is also important in property investment, ensuring you can make the best and most profitable choices as you begin your buy to let journey. Being clear on these factors and knowing whether or not property investment is right for you is the best way to start investing in property.

## How do I buy an Investment Property?

If you want to purchase a buy to let investment property, you can either do this by paying the property's price in full or with a buy to let mortgage. This will largely depend on the type of property you want to invest in and the property investment company you use.

In recent years the buy to let market has taken a few knocks, with changing tax policies and potential price rises. However, the benefits of property investment far outweigh these. The demand for rental property in the UK is higher than ever before with a growing need for high-quality rental accommodation ensuring a steady stream of tenants.

# Choose Your Property Investment Strategy: Buy to Let vs Buy to Sell

'The most common strategy which comes to mind is buy to let, but it's also a good idea to know about the alternative strategy, buy to sell, before getting started'



With property investment, there are two main types of investment strategy – buy to let and buy to sell. When it comes to **investing in property**, the most common strategy which comes to mind is buy to let, but it's also a good idea to know about the alternative strategy, buy to sell, before getting started. This way, you can work out which option for buying an investment property suits you better.

## What is Buy to Let?

Buy to let is when an investor purchases a property for the purpose of renting it out and receiving a rental income. Buy to let is one of the most common property investment strategies due to the potential to make large amounts of money over a long period of time. The rental market in the UK is thriving, with a high demand for quality rental properties. By owning a rental property, buy to let investors can, therefore, benefit from high rental demand and lucrative returns.

*'An Investor purchases a property for the purpose of renting it out and receiving a rental income'*



## What is Buy to Sell?

Buy to sell is a property investment strategy which involves purchasing a property which may be in need of refurbishment and improvements, and then selling it for an increased price once work has been completed. This is also referred to as property development, as property developers will often buy a house or apartment and completely transform it, boosting the property's value.



*'Purchasing a property which may be in need of refurbishment and improvements, and then selling it for an increased price once work has been completed'*

## Which is the Better Property Investment Strategy: Buy to Let or Buy to Sell?

To work out whether buy to let or buy to sell is the right property investment strategy for you, you should think about your long-term goals and reasons for making an investment in property. Some investors consider getting into property as a way to save for a more lucrative retirement, in which case they may not need to see the full extent of their returns for a number of years. Some investors, on the other hand, would rather generate a lump sum of money more quickly.

For those looking at more long-term growth for their investment, buy to let is the best strategy to focus on as this allows you to make consistent rental income over time, and then make a profit from the sale of the property further down the line. Buy to sell strategies only offer one type of return which is an income generated from the sale of the property, which is beneficial to those who want to earn their maximum returns quickly, but not for those looking to get the most out of their investment over a longer period. It is for this reason that a lot of people consider buy to let the best property investment strategy, allowing investors to make two types of return and maximise their earning potential.

*'For those looking at more long-term growth for their investment, buy to let is the best strategy to focus on as this allows you to make consistent rental income over time'*





# Compare Residential vs Commercial Property Investment

'Commercial property is another route which many investors consider as a way to gain a sizable rental income'



Along with buy to let vs buy to sell as a property investment strategy, investors keen to explore all aspects involved with how to invest in property should also think about whether they wish to invest in residential or commercial property. While residential property is often the first option that comes to mind for many people investing in property, commercial property is another route which many investors consider as a way to gain a sizable rental income. In this section, we'll look at some of the benefits and disadvantages of commercial property investment over residential buy to let.

## Pros of Commercial Investment

- One of the benefits of commercial buy for investment is the fact that stamp duty land tax charges are lower. There is also no 3% surcharge for commercial investment. However, it's worth noting that in-line with updated government laws for a stamp duty tax holiday, those investing in residential buy to let are also able to make large discounts on their investment. Learn more about stamp duty tax in tip number 14 of our property investment guide.
- With commercial rental properties rent is often paid up to 3 months in advance whereas residential buy to let tends only to generate rental income on a monthly basis.
- Due diligence can often be more thorough when securing a tenant on a commercial property, which gives some investors better peace of mind.

## Cons of Commercial Investment

- One of the biggest downsides to investing in commercial property is the fact that when the property becomes vacant, it can often take a long time to find a suitable new tenant. Compared to the demand that comes from residential property investment, investing in commercial buy to let can leave the investor with greater void periods.
- Mortgages are often more costly than for residential properties. There are also a limited number of lenders that will deal with investors looking for a specialist commercial mortgage, so it can be more difficult to obtain a mortgage on a commercial property vs a residential property.
- It can be more difficult to find out the property value of a commercial property compared to a residential property, therefore you will usually need to find experts who can advise you on this along with offering their input on rental value.

## Why Residential Buy to Let is one of the Strongest Property Investment Strategies

While commercial property investments can be a good option for some, the most suitable and profitable option is usually residential buy to let. Here are just a few of the benefits of residential property investment over commercial property.

- Mortgages are much easier and more affordable for residential properties, and there is a wider range of buy to let mortgage lenders available.
- High rental yields and strong capital growth is often more easily achievable with residential properties. The investor renovating the property, property values rising, and increased demand can contribute massively to the success of a residential investment.
- People will always need a place to live, whereas commercial properties can be less reliable in terms of securing long-standing tenants. Take the recent coronavirus outbreak in 2020. With more and more companies choosing to work from home, sometimes permanently, there has been less demand for commercial office spaces.

**HOW TO FIND THE PERFECT  
INVESTMENT OPPORTUNITY  
FOR YOU**

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