

RWinvest

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A GUIDE TO BUYING PROPERTY IN UK FROM OVERSEAS



The UK property market is becoming an increasingly popular prospect for investors from around the globe. With the potential to make huge investment returns through both rental income and capital appreciation, the market is currently filled with savvy investors taking advantage of the latest deals and opportunities. While buying property in the UK as a non-resident is certainly an attractive venture, many overseas investors are left wondering 'can foreigners buy property in the UK?' and 'do you need to be a British citizen to buy a house?'. If you're interested in overseas property investment in the UK and you want to find out more about the the process of doing so, this guide should tell you everything you need to know about buying property in UK cities. Keep reading for some helpful information.



CAN FOREIGNERS BUY PROPERTY IN THE UK?

So, can non-residents buy property in UK cities? The good news is that yes, buying property in the UK from overseas investors is welcomed. Even if you don't live in the UK, you're still able to purchase UK property as an investment. It's worth keeping in mind, however, that if you're a foreigner buying property in the UK, it can often be easier to pay for your investment using cash rather than a buy to let mortgage.

LEVELS OF FOREIGN INVESTMENT IN THE UK PROPERTY MARKET

The UK has seen high levels of interest from those buying property in the UK from overseas for a number of years. Back in 2016, for instance, the UK saw record levels of foreign direct investment, as net flows increased from £25.3 billion to £145.6 billion. During the first three months of 2019, it was also recorded that 6.2% of all searches for UK property had come from overseas investors.

**6.2% OF ALL SEARCHES FOR UK PROPERTY
HAD COME FROM OVERSEAS INVESTORS**

BUYING PROPERTY IN THE UK AS AN OVERSEAS INVESTOR: WHAT ARE THE BENEFITS?

A GROWING PROPERTY MARKET

Back in March 2020, following the UK-wide lockdown imposed due to the Covid-19 outbreak, levels of confidence in the UK property market were dwindling. While the UK property market has been somewhat affected in 2020, market activity has recently started to pick back up. Now, the UK property market and the buy to let market, in particular, is looking more and more attractive to both UK based and overseas property investors.

In 2020, Savills updated its residential property market forecast. As expected, throughout 2020, UK house prices are set to see a decline across the UK, with -7.5% growth across all regions. By 2021, however, property prices in the UK are predicted to rise, with every region set to see a level of growth which will continue up until 2024. While some may view a fall in real estate market growth of any kind as negative, the reality is that now is a great time to secure a UK investment. With property prices at a lower than usual price point, and with many property developers offering huge discounts on their properties, investors can make substantial capital gains once prices grow over the coming years. This is no doubt one of the main reasons why so many people buying property in the UK are taking advantage of the fantastic deals available.

A THRIVING RENTAL MARKET

When it comes to buy to let investment, one of the number one qualities that every investor looks for is high rental yields. Since rental yields represent the amount of rental income an investor can expect to receive, it's common knowledge that the higher yields you can generate, the better.

Along with boasting attractive capital growth rates, the UK property market also offers investors the chance to benefit from some impressive yields. In the latest Totally Money report, which looks at the rental yields on offer in different postcodes across the UK, 25 UK postcodes boast rental yields higher than 6%. Out of all the postcodes in the UK, Liverpool in the North West and Glasgow in Scotland present the highest number of lucrative buy to let postcodes. Liverpool has a total of six postcodes in the Totally Money list while five of Glasgow's postcode areas make the cut. The highest-ranked postcode out of all 25 postcodes is L1 in Liverpool, offering 10% yields. Compare the yields available in cities like Liverpool with those available in other countries such as China, and the popularity of buying a house in the UK for foreigners is clear to see. In Shanghai, for example, the average rental yield stands at just 2 - 4%.



With so many opportunities to make high rental returns in cities like Liverpool, it comes as no surprise that buying property in the UK as a non-resident is an increasingly attractive venture. Recent reports have suggested that the UK rental market is currently thriving, which will most likely lead to an even further boost in potential yields. In a report by Savills, it was found that due to the Covid-19 pandemic, more people are reconsidering what they want from a home, and choosing to rent before committing to a property purchase. With further tenant demand, and already high rental yield figures, the future of the UK rental market certainly looks bright for both local and foreign investment in the UK property market, and focusing on high yielding areas like Liverpool is one of the best property investment tips to consider.



BUYING PROPERTY IN THE UK: 7 STEPS

1. FINDING A PROPERTY

When investing in property, one of the first things you need to do is find the property you wish to invest in. As a foreigner buying property in the UK, the process of finding an investment property may be a little more tricky. This is because foreign investors are not actually living in the country they wish to buy a property in, which can make it more difficult to view potential investments. Instead, investors who aren't prepared or able to travel and view properties in person will need to purchase their buy to let property virtually.

The good news is that by purchasing an investment property with a company like RWinvest, finding a property in the UK from overseas becomes easier and more efficient. Following announcements of the lockdown, which restricted face to face meetings and property viewings, RWinvest, and many other companies put systems in place which made investing virtually a lot easier. With the help of virtual reality and computer-generated imagery, foreign investors are able to take virtual tours of buy to let properties in the UK. So what are the main things overseas investors should look for when finding an investment property?

**WHAT ARE THE BEST PLACES IN THE UK TO INVEST
IN PROPERTY?**

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THINK ABOUT THE PROPERTY TYPE

One of the first things that investors need to think about when looking for the ideal investment opportunity is to consider the type of property they wish to buy. The two main property types that investors purchase in the UK are student and residential buy to let properties. Both these types of property come with a range of benefits and some minor differences.

Residential properties are properties that can be rented by any group of tenants, while student properties are properties that can only be rented by UK students. One of the key differences between these two property types is price. While residential properties can certainly be available to purchase at affordable price points, student properties tend to be cheaper. This is because student properties are often created to be studio apartments, making smaller and more affordable than one or two-bedroom apartments, which is the format you'll typically find with residential flats.

To work out whether you want to invest in a residential or student property, you should think about the tenant group you hope to rent to. If you want to take advantage of the UK's thriving student market as a foreigner buying property in the UK, then pursuing a student investment is best for you. Whereas, if you want to target young professionals living in city centre areas that are looking for a luxury living experience, focusing on residential buy to let apartments is the better choice.



When exploring different property types, another thing we need to think about is whether your property will be leasehold or freehold. In the UK, the majority of buy to let apartments will be leasehold, which means that the investor doesn't own the building or the grounds that the property is based on. For foreign investors looking to buy property in the UK, leasehold tenure is often more beneficial due to the fact that this type of ownership comes with less responsibility. For example, say some water was to leak through the buildings outside walls into the apartment and damage the property, causing mould or damp. Instead of the investor having to pay to repair the damage, the freeholder would need to do so as this would be their responsibility since they own the building itself. For someone involved in overseas property investment, this makes managing a UK based rental property a lot simpler.

WHAT IS THE DIFFERENCE BETWEEN FREEHOLD VS LEASEHOLD?

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2. UNDERSTAND THE IMPORTANCE OF DUE DILIGENCE

One of the most important parts of the investment process in the UK is due diligence. Due diligence is a term which refers to the research and care that is taken before an investment is made. Both the investor and the company selling the investment are expected to undertake due diligence to ensure the venture is successful, and the process runs smoothly. Due diligence is so important to understand if you're a foreigner buying property in the UK, as it helps you prepare and get used to the UK investment process.

Unlike many other countries, the UK has a very strong focus on due diligence, and this is an important part of buying a house in the UK for foreigners to consider. For the property investor, due diligence will involve researching the property market, investigating the company selling the property and the developer behind the project, and obtaining a survey on the property if applicable. Research online for tips on how to find a good property development company, such as reading customer reviews and learning more about the company's experience. From the perspective of the company selling the property, certain checks are required to make sure that the individual looking to buy a property is who they say they are, and able to pay for the investment. This is done through the requesting of certain documents and information that will need to be submitted by the buyer.

**HOW TO IDENTIFY A GOOD
PROPERTY DEVELOPMENT COMPANY?**

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WHAT DOCUMENTS DO I NEED TO BUY A HOUSE IN UK?

To purchase a property in the UK, you should make sure you have certain documentation available which states your proof of identity and proof of address. If you're looking to use a mortgage or buy to let mortgage to pay for your property, you'll also need proof of income.

For your proof of identity and proof of address, documents like a passport, driving license, and statements such as a bank statement or utility bill are usually sufficient. For proof of income, you'll usually need documents like your last three months payslips, and/or a mortgage statement on a current property.



3. EXPLORING FINANCE OPTIONS

If you're a foreign investor making an overseas property purchase in the UK, the best way to purchase property is to use cash. This is because paying with cash makes the process a lot simpler, and can also help you take advantage of certain property deals which are only available to cash buyers. You might wonder how much money do you need to invest in property in the UK and question whether you have enough available cash to do so, but the reality is that with the right research and by seeking out deals, you may be surprised with the property prices you can find.

If you don't have the full amount of cash available, you may be wondering 'can foreigners buy property in the UK using a buy to let mortgage?'. Securing a buy to let mortgage as an overseas investor can sometimes be difficult because there are fewer mortgage lenders that are willing to offer a mortgage to non-uk residents. There are, however, a growing number of mortgage lenders who are willing to do so, so it's still worth exploring this option if you don't have the full amount of cash available for your property purchase. Bear in mind, that if you are a foreign investor buying property in the UK, you may be subject to more rigorous background checks and you may have to meet a higher minimum deposit to secure your property. Make sure you research this in full by seeking expert advice before moving forward.



4. UNDERSTAND THE TAXES INVOLVED

When you invest in UK property, the property price itself is not the only fee you will be expected to pay.

The most significant tax that investors purchasing property in the UK should know about is stamp duty land tax. Stamp duty tax is a tax percentage which is paid when purchasing a property. The tax you will pay is calculated based on the overall price of the property. This tax is required by both UK-based investors and foreign investors buying a property in the UK from overseas.

Buy to let investors normally need to pay 3% tax on a property value of less than £125,000, 5% tax on a property with a value of between £125,000-£250,000, and a tax of 8% on a property worth £250,000-£925,000. More recently, however, following the 2020 announcement of a stamp duty holiday, buy to live and buy to let investors are able to take advantage of some considerable tax discounts. Lasting until March 2021, this new stamp duty holiday enables buy to let investors to save as much as £15,000 in tax, which also applies to foreign investors. This further highlights the fact that right now is one of the best times to buy property in the UK, with a chance to make huge savings.

While stamp duty tax is the only tax which is payable upon the purchase of the property, there are further taxes involved with UK property investment that those buying property in the UK should know about.

Another type of tax which overseas investors need to pay is rental income tax. If you generate rental income in the UK you will be expected to pay tax on the amount you gain. The percentage of income tax that you will pay depends on the amount of money that you generate in rental income. Income tax will normally be paid at the end of the tax year.

Finally, another tax you should know about as a foreign investor buying property in the UK is capital gains tax. Capital gains tax is a tax that is payable upon the sale of your property. Therefore, this may not be something you need to worry about for a while, but it's still worth knowing about before embarking on a property investment venture in the UK. Capital gains tax is calculated based on the amount of gain you generate after selling the property. Basic-rate taxpayers will be required to pay 18% on gains made through selling a property, while higher/additional-rate taxpayers are required to pay 28%.

Tip for Foreigner Buying Property in UK

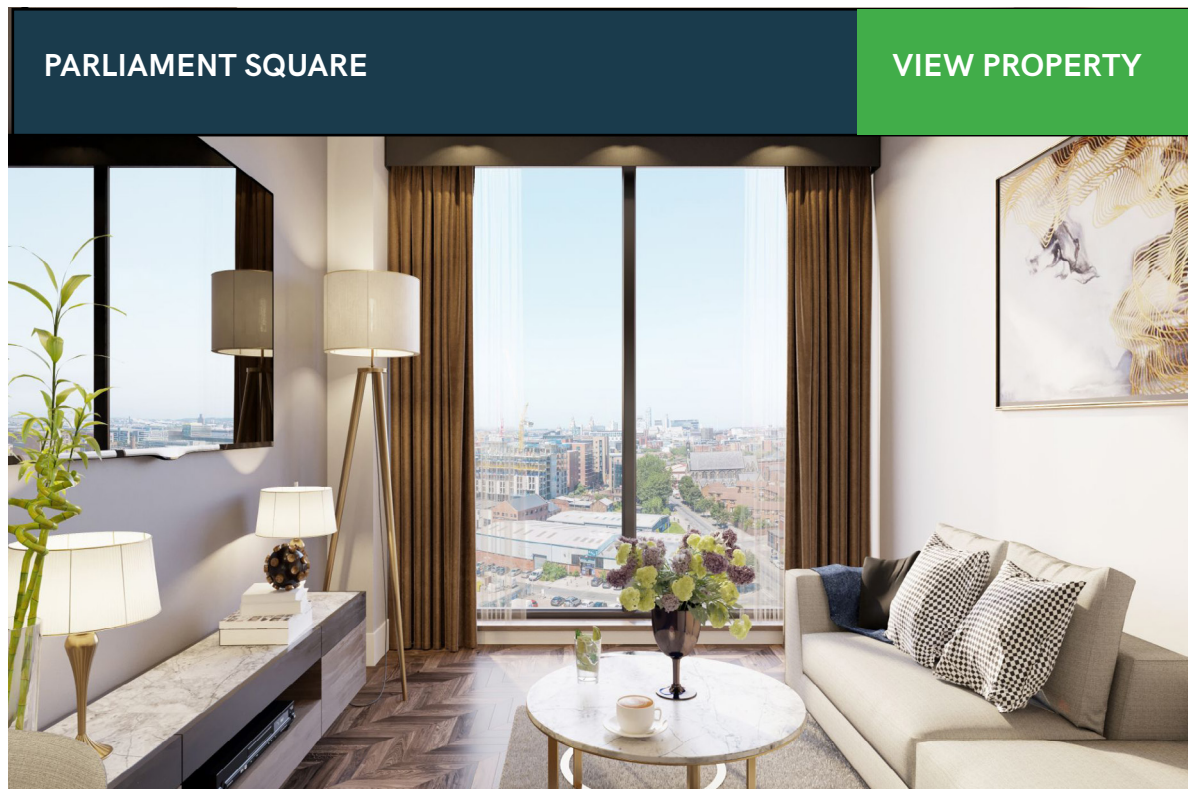
Before buying property in the UK from overseas, it may be worth speaking to a financial advisor who can help you get a better idea of all the costs involved and help you get a better understanding of UK property taxes.



5. CHOOSING AND RESERVING YOUR UNIT

Once you've found a property you're interested in, and you feel comfortable with the UK investment process, you'll need to reserve a unit within your development of choice. This is one of the biggest benefits of purchasing a new build or off-plan property, as you'll often be able to cherry-pick the very best units with the most impressive views and features.

Once you've found a unit you wish to purchase, you'll need to pay a reservation fee/deposit to secure the investment, and complete a reservation form. It's important to pay your reservation fee and send over your reservation form as quickly as possible, as the property can't be taken off the market until this has been completed.



6. GETTING A SOLICITOR

When buying property in the UK from overseas, the next step after finding and reserving a suitable property is to get a solicitor. Having a solicitor is a crucial part of the buying process, as your solicitor will be responsible for assisting you with the legal side of the investment.

A solicitor will help with the due diligence process by researching any legal issues concerning the property and ordering a survey if needed, to make sure everything is structurally sound within the property. Usually, when purchasing a property through a property company like RWinvest, you will be appointed a recommended solicitor who has experience dealing with clients making similar purchases. These solicitors will have been briefed on the development that the property is based in, and therefore have a lot of knowledge on the project which can make the investment process run more smoothly.

The solicitor will request proof of identity documents from those buying property in the UK, in order to comply with Money Laundering Regulations. Once you've supplied the documents and they've been approved, your solicitor will then provide you with your own documents such as a copy of your purchase contract and leasehold agreement. You'll also be provided with a completion statement which details the amount of money that is required from you in order to exchange and/or complete on your property purchase.



7. FINDING A PROPERTY MANAGEMENT COMPANY

Once you've purchased the property and you're ready to start letting it out to tenants, another thing that you may wish to consider is hiring a property management company. Property management companies, also known as rental management companies, are used by investors to manage the day-to-day duties involved with owning a rental property. This includes the typical landlord duties, such as finding tenants, responding to tenants queries, and dealing with any issues within the property.

Foreign investors buying UK property will often hire a management company as this makes managing the property a lot easier. After all, it's difficult to liaise with your tenant from another country. Not only will using a property management company help make the investment process more simple, but it will also keep your tenants happy, which will likely benefit you in the future. Happy tenants tend to stay in a property longer and could even recommend your property to friends or family, which ensures you're constantly generating a consistent rental income and avoiding any void periods.

Using a property management company will incur a small fee, which will normally be a percentage which is taken from your rental income. If you choose to invest with the help of a property investment company, you will often be recommended a property management company to work with. If you instead decide to find a rental management company on your own, you should make sure to research the company in full and check reviews from past clients before committing.

OVERSEAS PROPERTY INVESTMENT IN THE UK WITH RWINVEST

We hope that you've enjoyed our guide to buying property in the UK as a non resident in 2020, and are now feeling more equipped and ready to make your first foreign investment in the UK. If you would like to receive more guidance and information on property investments in the UK, be sure to take a look at our buy to let news section for articles and area guides containing further information and tips. Here you can find information on all things property related, whether that's learning the difference between leasehold vs freehold, comparing UK investment areas, or finding out the best way to invest 50k in property.

If you're feeling ready to move ahead with your UK property investment purchase, make sure you get in touch with RWinvest today. Here at RWinvest, we have many years of experience dealing with overseas investors, and a track record of success with many popular UK developments. Our dedicated property investment team can help and advise you every step of the way and streamline your investment process, offering virtual reality tours of our properties. We also have some of the best property investment opportunities currently on the market, with properties in Liverpool and Manchester offering the best deals and below-market rates. With assured rental yields of up to 8% and considerable capital growth potential, don't miss your chance to make huge returns in the UK today.

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