ALESCO

PROPERTY
INVESTOR'S GUIDE

KEY STATS

UK average house prices grow annually by

8.5%

the highest growth increase since 2014.

Mortgage approvals reach highest levels since

2007

Liverpool and Manchester lead the way for property hotspot locations – with year-on-year house prices increasing

6.8% & 6.3%

respectively.

Properties situated in high regeneration areas attract an average of

3.6%

more growth in house prices than homes located in the broader zones.

INVESTING IN PROPERTY IN 2021.

The property investment market offers a unique opportunity to generate an additional income stream and create a sense of financial freedom. It's this appeal that's encouraging more individuals to begin their journey into the world of property investment.

Widely regarded as more stable, it's becoming increasingly preferred as a first-time option, compared to other investment opportunities such as stocks and shares, which are known for their volatility.

Yet, it's crucial to ensure it's the right option for you!

Taking some time to read about the property market and creating a list of questions that you need to find the answers to is a great way to ensure you are ready to begin your journey - with a good understanding of your investment goals.

There's a great selection of property-focused news sites that provide timely updates and reporting on the movements within the market that are worth exploring.

Check out:

Property Investor Today - https://www.propertyinvestortoday.co.uk

Rightmove House Prices - https://www.rightmove.co.uk/house-prices-in-my-area

Alesco Property Blog - https://www.alescoproperty.com/press-news

Totally Money – https://www.totallymoney.com/buy-to-let-yield-map

Hometrack – https://www.hometrack.com

It's also a good idea to speak with an expert who can help you navigate through unfamiliar territory and provide explanations for property specific terminology that you may come across. The more information you gather, the better equipped you'll be in making informed decisions about your first property investment.

Our team of investment consultants have a wealth of knowledge and experience in the market and are always on hand to talk you through the process.

UNDERSTANDING BUY-TO-LET

There are several different types of property options on the market that are available for purchase. For investors, Buy-to-Let properties are the most popular.

Buy-to-Let properties are simply properties purchased to rent out to tenants. You become the landlord for the property instead of living in it yourself. This allows you to generate income from the rent charged to the tenant.

Once acquired, you'll be able to consider long-term or short-term letting options. Many first-time investors have found short-term lettings more profitable, tapping into the UK's extensive tourist trade, overnight stays, and business travel. The rise of Airbnb has generated renewed interest in the sector as people seek an alternative to the hotel industry.

These types of lettings can be self-managed, or you can arrange a short-let management service to handle the process on your behalf so that you can adopt a hands-off approach.

See Page 10 for more details on Letting out your property.

ARRANGING YOUR FINANCES

As with any purchase, it's a good idea to work out your budget in advance. Deciding how much you have to invest will help determine the best property for your budget. If you're a cash buyer, you'll have the ability to move more quickly when securing your preferred unit in a new development. However, with financing options available, it's easier for investors to get their foot in the door without needing a lot of money.

If you're purchasing your property using a mortgage, you'll need to acquire a specific buy-to-let mortgage. It is more expensive than typical mortgages as it requires a deposit of 25% of the property's value, although it can vary between 25% and 40%. However, most buy-to-let mortgages are interest-only, meaning investors only have to pay interest payments each month, not the capital amount.

Working with a buy-to-let specialist investment agent & a mortgage broker (if applicable) is important to ensure you receive the correct information specific to buy-to-let properties.

It's essential to understand all the costs involved with acquiring an investment property and how much cash you'll need upfront to avoid any surprises further down the process. You'll need to consider solicitor fees, reservation fee, deposit, stamp duty and administrative costs.

Once these costs have been budgeted for, you have the freedom to assess each investment opportunity correctly and remove potential risk of making an emotional investment instead of a logical one.

WHERE DO YOU WANT TO INVEST?

Location still champions the market in terms of the most important factor for profitability in real estate investing.

While you may have a particular location in mind, it's always a good idea to be open to the possibility of somewhere different. Make a list of your top five locations and then see if properties in each of those areas are projected to meet your expected goals for investment.

Looking at the local area within each of your chosen cities will help you to gain a clearer understanding of the wider benefits of investing. Well-located transport links and good amenities across the city will provide a more attractive offering when you come to marketing your property for short-term lets. Consider the requirements and appeal of those you're looking to rent to – what might they be looking for? Understanding this will help you make smart choices in securing a property that's going to be filled quickly.

Areas undergoing extensive regeneration and investment are considered 'up and coming'. These areas are where capital gains can be made on Buy-To Let properties.

While some may gravitate towards London due to its perception as the most profitable, the UK has far more financially viable hotspots for property investments that offer better entry price points and higher rental yields.

Since the launch of the Northern Powerhouse Initiative launched in 2015, cities in the north of England have excelled in appeal for investors, due to the projected rise in house prices in the next few years. Currently, 27% of all housing stock in Manchester is on the rental market. At the same time, demand continues to outweigh supply – and this is a trend reflected across much of the Northern region, making buy-to-let property investment a logical choice for investors looking for strong, guaranteed returns.

TOP PERFORMING CITIES

As a result of devolution away from the capital, many of the North's key cities have flourished thanks to significant investment. As a result, new-build developments and high yields have created a robust, attractive property market. With the rental market on the rise, overseas investors can expect to benefit from rental yields that are exceeding the UK average.

Manchester
Property Prices from £128,495
Rental Yields – 5.55%

Liverpool
Property Prices from £85,000
Rental Yields – 8%

Birmingham
Property Prices from £164,995
Rental Yields – 5%

Leeds
Property Prices from £124,995
Rental Yields – 5%

Sheffield
Property Prices from £67,950
Rental Yields – 4.5%

Nottingham
Property Prices from £104,995
Rental Yields – 7%

York
Property Prices from £190,000
Rental Yields 5.5%

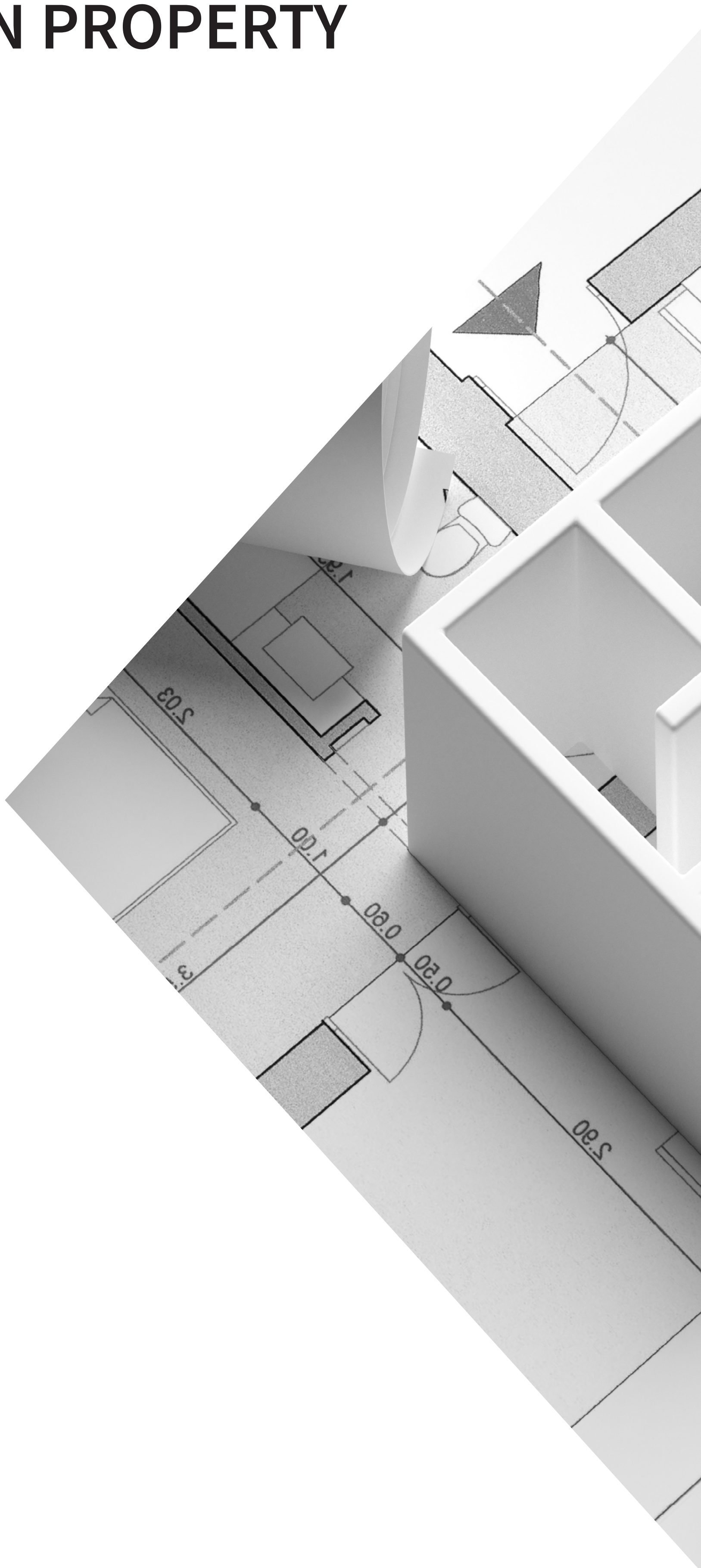
BUYING AN OFF PLAN PROPERTY

Securing the right property for your first investment is going to be key in ensuring you maximise its potential. Buying an off-plan property can offer first-time investors a great entry point into the market.

Buying off-plan essentially means that you purchase the property before the developer has finished construction, and in some cases, before construction has commenced. Consumer association 'Which?' cites one of the advantages of off-plan is that your new property could be worth more than you paid for it by the time it's ready. Other advantages can include the option to choose your preferred unit, reserve with a low deposit and benefit from deposit protection.

When buying off-plan it's important to perform some due diligence on the developer to ensure your investment is going to be in safe hands.

Working with an agent such as Alesco can provide reassurance as we work with a list of reputable investors holding a strong track-record.



YIELDS & CAPITAL GROWTH

One of the most important factors to consider when planning your property investment is the rental yields expected from the property if you opt for short-term lettings. Rental yields indicate the amount of income you can expect to make from your purchase when opening it up to the UK rental market. Expected yields are calculated by dividing the projected annual rental income by the initial investment total. Cities in the North of England are consistently delivering strong yields at an average of 7% or higher and remains the driving factor for relocation from London and interest from international investors.

How to calculate a rental yield for a buy to let property.

- Monthly Rental Price - £600 = £7200 per annum
- Purchase Price - £90,000
- Furniture / Additions - £5,000
- £7200 / (£90,000 + £5000) x 100 = 7.57%
- 7.57% is the expected rental yield for the property.

Before investing, it's worthwhile looking at the average rental yields available for your areas of interest. These are often separated by postcode with some offering much better returns over others.

LETTINGS

As outlined, once you purchase your buy-to-let property, you have two options for how you could handle the management of the lettings process.

The UK offers one of the strongest lettings markets in the world. After acquiring your property, you'll need to decide how you want to fill it and begin making returns on your investment and how you will take your property to market.

You have two options for how you could handle the management of the lettings process.

1. You could manage the lettings process yourself. This would require you to be readily available to meet the day-to-day needs of your guests / tenants including checking in and out, turn-around and administration.
2. The most effective way is through a letting agent. Though a letting agent will charge a fee, they will be able to handle the administration and management of your property, allowing you to take a hands-off approach.

HELPING YOU THROUGH THE ENTIRE PROCESS

Taking the leap into property investment can be both an exciting and a daunting task. Having someone alongside you every step of the way can ensure you get the best results and achieve the goals you set out at the beginning.

The team at Alesco is comprised of experienced investment consultants and client care managers who are dedicated to helping you from the beginning, right through the entire process, to completion.

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