



# Investing in...

## Property as an Investment in the UK

The forecast for growth for the UK property market for 2004 is 15%, the same growth as was achieved in 2003, and whilst there are predictions of a slowing market, overall property remains a good, low risk opportunity for the mid to longer term investment.

The key drivers of this growth are;

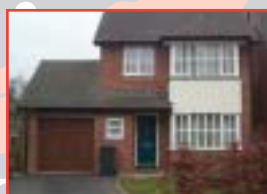
- Continued decrease in First Time buyers, now at the lowest level now for more than 20 years.
- Continued decrease in unemployment figures, now at the lowest level for 28 years.
- Increased demand for rental properties.
- Shortage of properties available to purchase in the UK.
- Continued low interest rates – estimated to rise to 4.75 by the end of 2004.
- Increased flexibility in mortgage packages offered.

## Returns on Investment

In 2003, the overall rate of return for rented properties was 11.5% against a capital appreciation of 7.2% overall. This is lower than the returns gained from equities, but ahead of both bonds and commercial property and, over a three year average, residential property has been the best performing UK asset.

The projected annual rate on return over five years on a cash purchase of Buy to Let property is 11.7% and for an investment geared with a mortgage it is 23.21%. These figures are based on current rental returns and average price inflation over the past twenty years of 8.55% and include both rental yields and capital appreciation.

These are just a few examples of the properties that Personal Homefinders clients have purchased over the years as investments.



**Winchester**  
 4 bedrooms  
 Purchased August 2000 £95,000  
 Value January 2004 £175,000  
 Monthly rental £1,120

**Southampton**  
 4 bedrooms  
 Purchased August 1997 £140,000  
 Valued January 2004 £349,950  
 Monthly rental £1,200



**Southampton**  
 4/5 bedrooms  
 Purchased October 1995 £80,000  
 Valued January 2004 £195,000  
 Monthly rental £1,400

**Winchester**  
 4/5 bedrooms  
 Purchased October 1997 £119,000  
 Sold October 2003 £232,500  
 Monthly rental £1,400



## Guide to Buying Investment Properties

### Step 1

The first step is to decide how much money to invest. In addition to the deposit, you also need to allow for the following purchase costs;

- Stamp duty
- Solicitor fees
- Search fees
- Survey fees
- Mortgage arrangement fees
- Agency fees
- Furnishings
- Maintenance / Refurbishment

These costs can differ greatly and an investment expert can help to plan and budget for these.

### Step 2

Secondly, forecast the monthly cash flow to ensure it is manageable. This also needs to allow for ongoing maintenance costs and also for voids - periods when it may not be let, for example during changeover periods between tenants. The average void period is 31 days per year.

e.g.

Purchase price	£180,000	
Deposit	£45,000	(25%)
Mortgage	£135,000	(75%)
Repayments p.m. @ 5%p.a	£562.50	
Gross rental	£900.00	
Agency fee @ 15% +VAT p.m.	£158.63	
Net rental income	£741.37	
Buildings insurance (est.)	£30.00	
<b>Surplus income per month</b>	<b>£148.87</b>	

### Step 3

Find the property.

This is where the local expertise can play an important role as it is essential to buy a property for the rental market that meets the local demand – it is not the same as buying a property for yourself. Decide on the target market and buy and furnish to meet their needs.

Also, ensure all the landlord obligations are fulfilled in terms of the property and furnishings provided, as well as all legal documentation.



## Step 4

Finally, find reliable tenants and ensure you protect your investment ongoing. Ensure tenants are reference checked, deposits against damages collected up front and rent is collected ongoing. It is also important to ensure that a Tenancy Agreement is signed, inventories recorded and all maintenance issues dealt with as they arise.

## Renting Your Current Property

If you are a current homeowner you may be thinking of renting your current property for a number of reasons

- Moving away temporarily
- Keeping it as an investment
- Inheriting additional property
- Working abroad

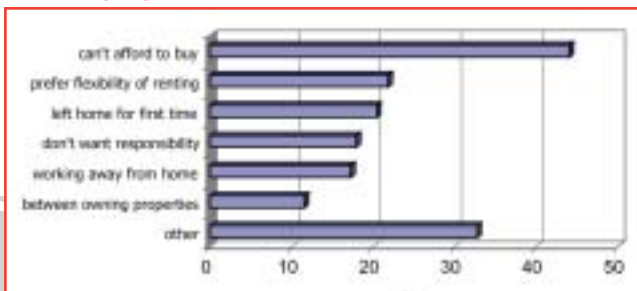
With the increase in demand in rental properties this can be a good investment and you should research the potential market carefully .

## Who Rents? Find Your Target Market

c. 13% of properties in the UK are rented and this is forecast to increase to 15% over the next two to three years

People rent for different reasons, but tend to fall into several categories. Their needs in terms of location and specification of property and furnishings will differ and this needs to be researched before deciding who to attract with your property.

### Reasons people rent



### House Purchasers

Increasingly as people move to a new area they will rent temporarily as they get to know which areas will suit their needs and also sell their own property. This can also include people who currently live in the area but want to change house, often they will sell first and rent to buy time and improve their status as a cash / no chain buyer. They want high quality, unfurnished properties.

### First Time Buyers

The average age of a first time buyer is now 33, driven by soaring house prices and also changing lifestyles. These are often young professionals and are attracted to modern, city centre properties near the bars & restaurants.

## Families

They generally need space, including external parking and also child friendly décor and furnishings. They will be more attracted to areas with other families and also school catchment areas.

## Students

In major towns with colleges there is always a high demand for student properties. These should generally offer a larger number of bedrooms and be either close to the college or the city centre.

## Releasing Your Current Equity

Property prices have increased by 378% since 1983 and there is a great opportunity now to release some of the equity in current property owned in order to increase your investment portfolio.

This property was purchased in 1994.



It has been re-mortgaged this year, releasing a total equity for reinvestment of £250,000, which would allow for a minimum of a further three properties to be purchased.

Flexibility in current mortgage terms and conditions as well make it easier to release this equity without selling the original property.

## Interested in investing in property?

Then why not contact Personal Homefinders to discuss in more detail.

We are a specialist Property Investment and Management agency, focusing on providing impartial, expert advice on all aspects of investment, including recommendations on the best areas and types of houses to purchase, furnishings, landlord obligations, finding tenants and managing the ongoing rental, in terms of collecting rent and arranging maintenance.

If you would like to discuss your own plans or current portfolio please contact us at any of our offices for information, advice and a personalised investment illustration.

