Residential Estates

UNITED KINGDOM PROPERTY INVESTMENT REPORT

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INVESTING IN THE UK POST BREXIT

WHATS THE STORY IN THE UK? ITS ALL ABOUT CHANGE.

The opening line of the David Bowie hit song Changes, goes like this

“I still don’t know what I was waiting for”

So what have we been waiting for? Has anything really changed?

Change is a word we hear a lot from politicians. So, is what we have witnessed a change for the better or a change for the worse?

The UK exiting Europe undoubtedly changed attitudes to investment in the UK. It has created uncertainty among some investors. Yet nobody really knows what to expect or what will happen in the future.

This leaves us with what we do know and can reasonably expect based on what has happened in the recent past and the patterns that help us predict the future direction of the property market in the UK.

There remains immense pressure to increase housing stock and this creates the demand that sustains the market long term.

This guide will tell you everything you need to know about the UK economy, its property market as well as the risks and opportunities.

Brett Tudor - Property Expert

UK property prices have on average doubled more or less every ten years from the time when people started to record house prices aside from certain regional variations. Whatever the outcome of Brexit might be the United Kingdom is a crowded country with a growing population and that is always a key driver of any property market.

Prices, particularly in the north of the UK, not only need to catch up with what they were in 2008, they also need to keep pace with the long term average growth we have come to expect. It’s not all about property prices however.

Selling at a profit is simply the icing on the cake. What the smart investor looks for is long term capital growth that generates wealth over time. This is what you get from strong rental returns and this is a particular strength of the UK property market.

The market is not immune to the ups and downs of global financial markets of course much like any other country. What it does have is a long history of stability and conservatism. We don’t see the political coups or revolutions in the UK which are a constant menace in some countries regarded as high growth markets.

THE OPPORTUNITY

STEADY GROWTH WITHOUT RISKS

With the UK you get steady growth without the risks which is why during the financial crisis of 2008, so many investors ploughed money into property in London. At that time London was the safe haven capital of the world

The opportunity is there to take advantage of some unique conditions in the UK housing market. If you have the funds available to get a mortgage or pay for property in cash then you are already half way to making a good return on property investment in the UK.

The country is gradually being transformed from a nation of homeowners to a nation of renters. The difficulty of obtaining a first mortgage means that people who would normally buy are renting instead or they are forced to consider moving further away from places of work.

We are entering a golden age for buy-to-let investors. Even if you have a little put away to purchase a share in a property, now is the time to make your move.

Those with enough saved for a deposit now have the pick of available property and lower mortgage rates and there are some real opportunities to invest in discounted property.

Add to this a strong demand for student accommodation as more and more young people opt to go to university to compete in a highly competitive jobs market and you have investment opportunities that will bring you more than healthy levels of cash flow.

1. UK PROPERTY MARKET OVERVIEW

Like most countries in the world, the opportunities to invest in property in the UK start in the capital. The cycle of growth always begins in London and ripples out to the rest of the country. This has happened as regular as clockwork since as far back as anyone can remember.

Unfortunately, like most capital cities, this is where property is at its most expensive which can hit rental yields and make them less attractive than those to be found North of the capital.

Returning to that subject of change, something happened to disturb the very existence of the UK for the first time in 300 years - the vote for Scottish independence. Something that was subsequently overshadowed by Brexit.

The push for independence failed – just – but it did achieve one thing.

The price for keeping the UK together was more powers for Scotland but it also had a beneficial impact on what became known as the powerhouse cities of Birmingham, Liverpool and Manchester.

WHAT DO MORE BIG CITY POWERS MEAN FOR THE UK PROPERTY MARKET?

The biggest impact will be in investment. Investment in business, transport and infrastructure. Manchester is already being rapidly transformed with BBC TV moving into Salford and helping to transform a previously rundown area of the city.

Manchester is also home to two of the world's richest football teams. The northern powerhouse cities may even outpace London for capital growth and they also come out clear winners on rental returns.

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The northern powerhouse cities may even outpace London for capital growth and they also come out clear winners on rental returns.

THE NEXT 5 YEARS - 3 BIG FACTORS TO WATCH OUT FOR

1. MORTGAGE INTEREST RATES

The UK has gone through a long period of low interest rates and this has kept mortgage interest rates low. There is a good chance this will change as the Bank of England comes under pressure to raise interest rates to control inflation.

There is no doubt that the aim of the government is to kick start growth in the economy and it can't do this without giving everyone a pay rise.

It has already increased the living wage and this will feed into demands for pay increases amongst higher wage earners.

Rising interest rates in these conditions are not so bad. If inflation is rising then so are property prices as that pressure to purchase before price (and interest rates) rise becomes irresistible. The ingredients are in place for a continuation of the current growth cycle.

2. THE EU

The greatest uncertainty affecting the UK at the moment is its relationship with the EU.

What is clear, is that the largest EU economies, France and Germany in particular, need to keep trade links open.

The big thorn in the side of relations with other EU countries is immigration and a lot will depend on the deal that is struck between both sides.

It is likely that negotiations will reach some kind of compromise deal that suits the EU and the UK to avoid any further seismic economic shocks.

3.SHORTAGE OF SUPPLY

The government will continue to tackle the UK housing shortage, however it is unlikely this will ease problems for first time buyers. London and the UK's other major cities are unlikely to satisfy demand for property within the next five years.

It just isn't possible to build that many houses. So we can expect tenant demand to remain high in cities and the value of property to continue climbing.

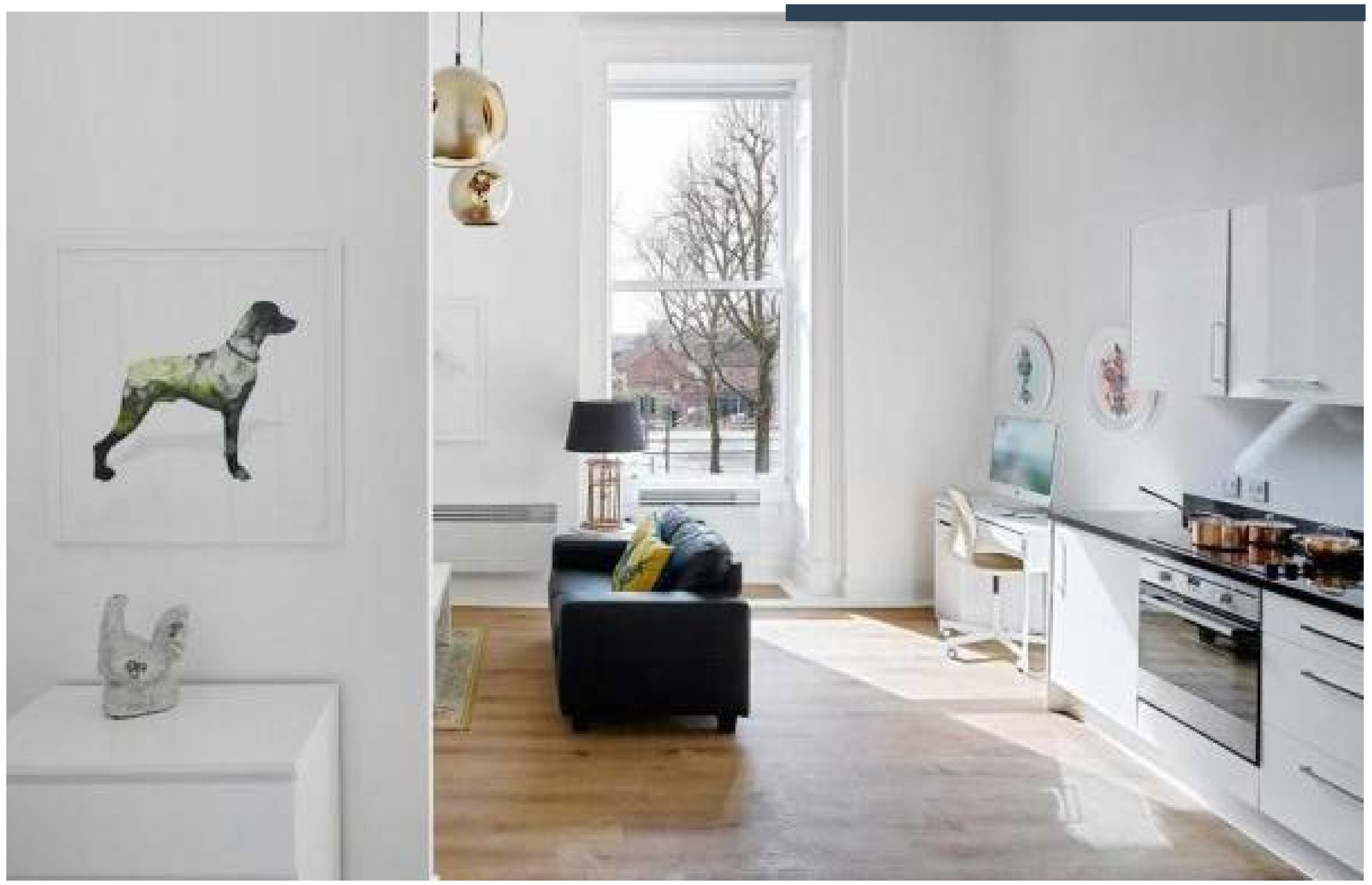
UK HIGHLIGHTS FOR PROPERTY INVESTORS

- The UK is seen as very “flexible” in comparison to other countries when it comes to property investment and financing of assets It is still easy to get financing to invest in property.
- It is an island with a growing population, there is only so much land to build on
- In 2016 just 147,880 houses were built. (Source: Government Statistics)
- The UK has a long standing reputation as a safe haven for investors
- Immigration is high putting even more pressure on housing stock
- The economy has a history of stability even in the worst of times
- The UK needs to build 240,000 houses a year to meet demand.
- The UK has mature, stable property market
- It is the European financial hub

2. THE UK ECONOMY

There is no doubt the UK economy has come through the hard times. Like other countries, it has been forced to find a lot of extra cash to pay off its debts and efforts to reduce the deficit were on target until Brexit presented a new challenge for the government which has put back any hopes that the deficit would be cleared and a surplus achieved within the next five years.

The UK is one of a minority of countries that retain a good credit rating from all the major ratings agencies, which is an important indicator when considering the best places to invest in property. Countries with bad credit ratings face a far more uncertain future. Even so, as the world’s 5th largest economy, the UK is as well-equipped as any country to deal with its problems and there are encouraging signs it is doing just that.



2. THE UK ECONOMY

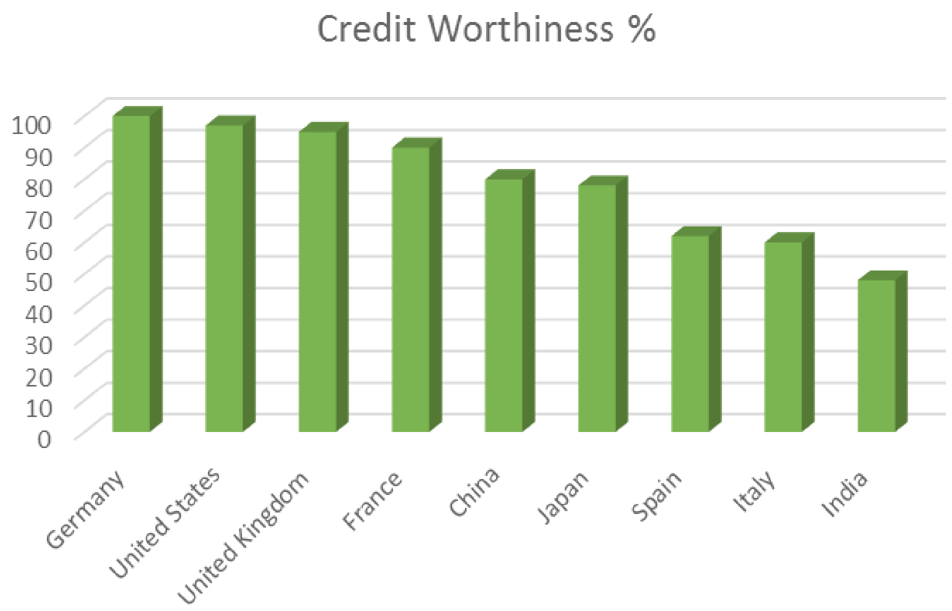
The UK has built a reputation for weathering global economic crises well and its role as the main financial hub of Europe will ensure that its future is secure compared to some European countries.

Employment has risen and has remained broadly stable in the long term. A number of high profile investments have been made by companies like General Motors in recent years.

They see the UK as providing a competitive location to manufacture their products.

Such deals are vital in securing the jobs that will help support local property markets.
If we look at the history of previous recessions and their effect on the UK housing market, we see that any threat to long term capital growth is fairly short-lived. As an investor we must focus on the long term.

The UK has one of the best credit ratings in the world as can be seen in the chart below.

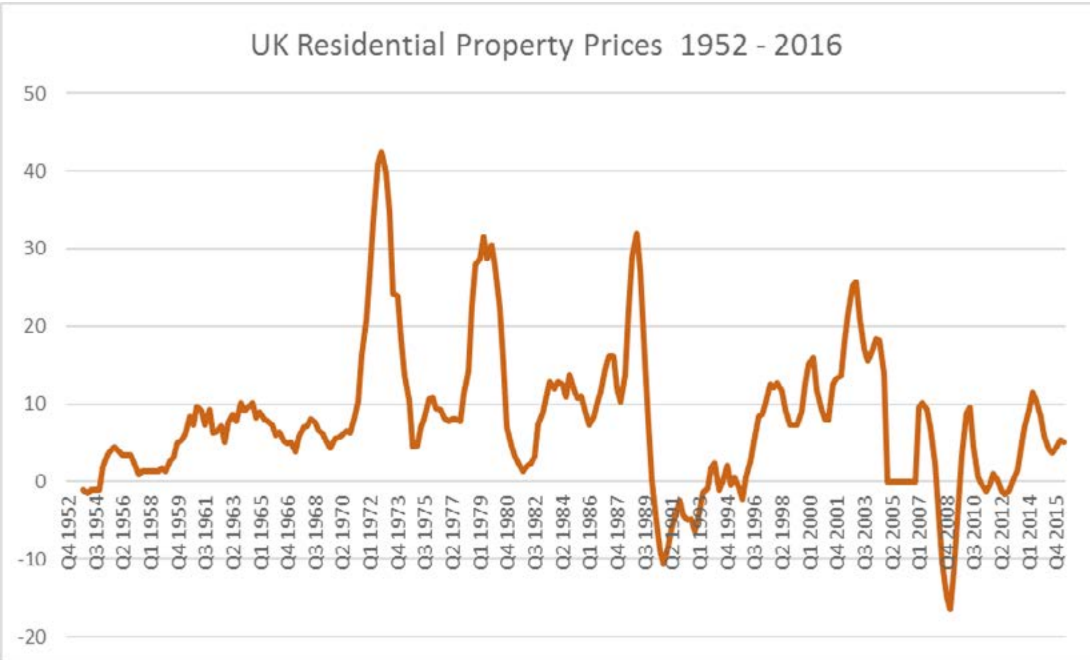


Source: http://www.tradingeconomics.com/united-kingdom/rating

Even though all recessions have different impacts, history tells us that when it comes to property markets, corrections are regular and considerable increases in house prices occur in line with a change in economic fortunes.

The following data charts national growth and decline in UK house prices since 1952. Two major peaks occur in 1988 and 2003. Another peak is almost certainly on the cards in the next five years.

HOUSE PRICES TRENDING UP?



Source: Halifax Historic House Prices Historical Data

If we look at the last recession it took 6 years for national house prices to show meaningful recovery. The current recovery is already well underway.

At the same time we are seeing rental returns rise as a result of many people being priced out of the housing market and choosing to rent instead. As confidence returns and people have more money to spend, expect UK house prices to peak in the coming years.

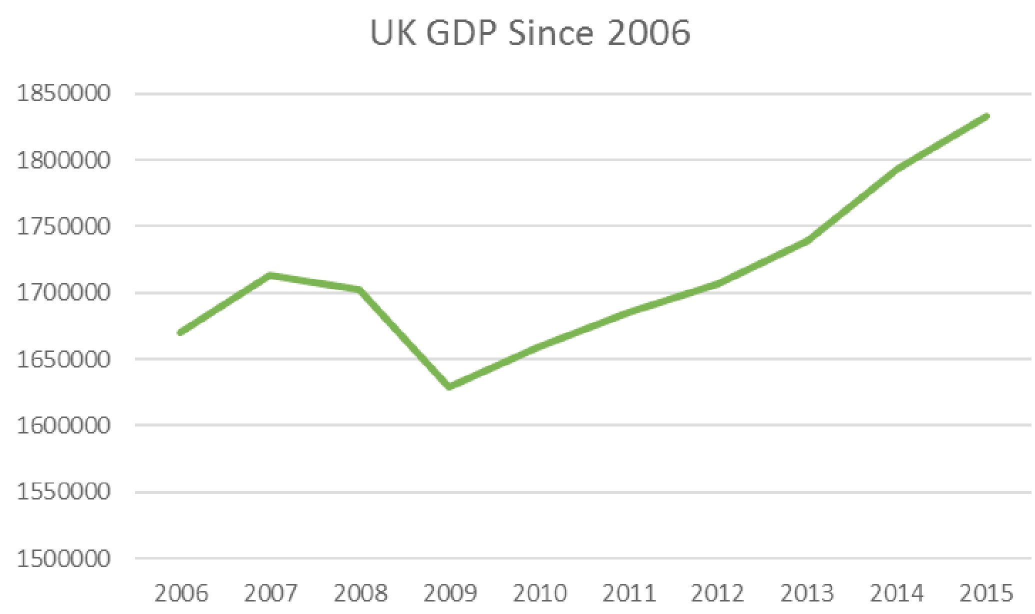
We believe the opportunity is there in the UK to make excellent returns with the bonus of an asset that is likely to be worth significantly more in five years' time.

2.1 ECONOMIC INDICATORS - THE GOOD NEWS FOR PROPERTY INVESTORS

The UK economy actually grew 2.3% on an annual basis according to the latest data released from 2016. GDP growth has exceeded expectations following Brexit and remains largely unaffected by what was expected to be a major economic shock.

Overall the high street has been buoyant and the construction sector has been the sectors slowest to recover, however with consumer spending set to rise an increase housing stock required.

it is likely that both areas of the economy will see improvements.

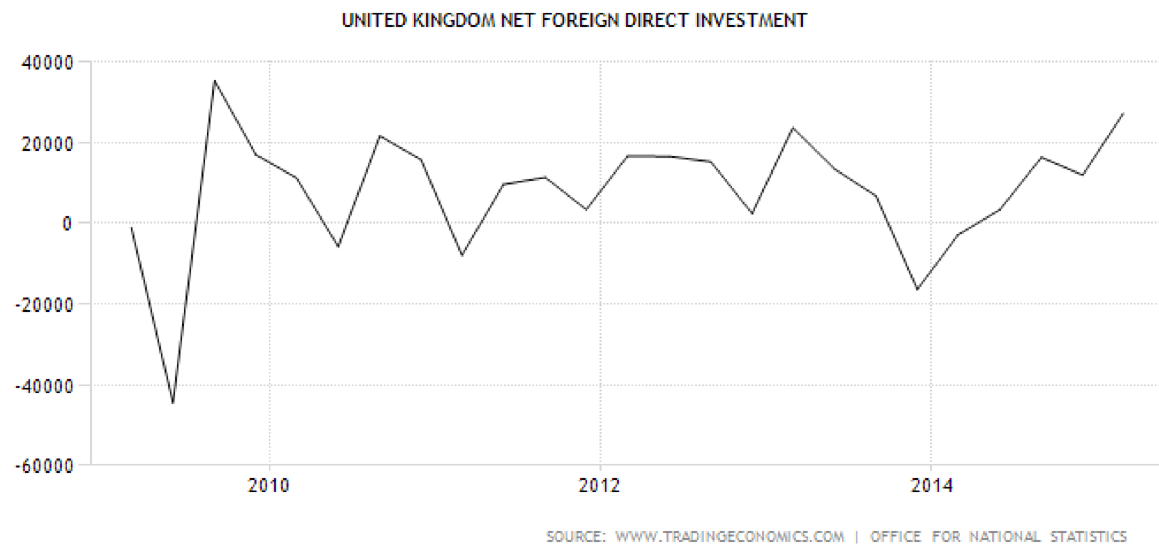


Source: Office for National Statistics

2.2 FOREIGN INVESTMENT IN THE UK

We can safely assume that FDI will continue to flow in at high levels.

Foreign Direct Investment is an important factor to consider when investing in a property market. It gives us a very clear indication of the economic prospects of a country and as the UK is also among the world's largest economies.



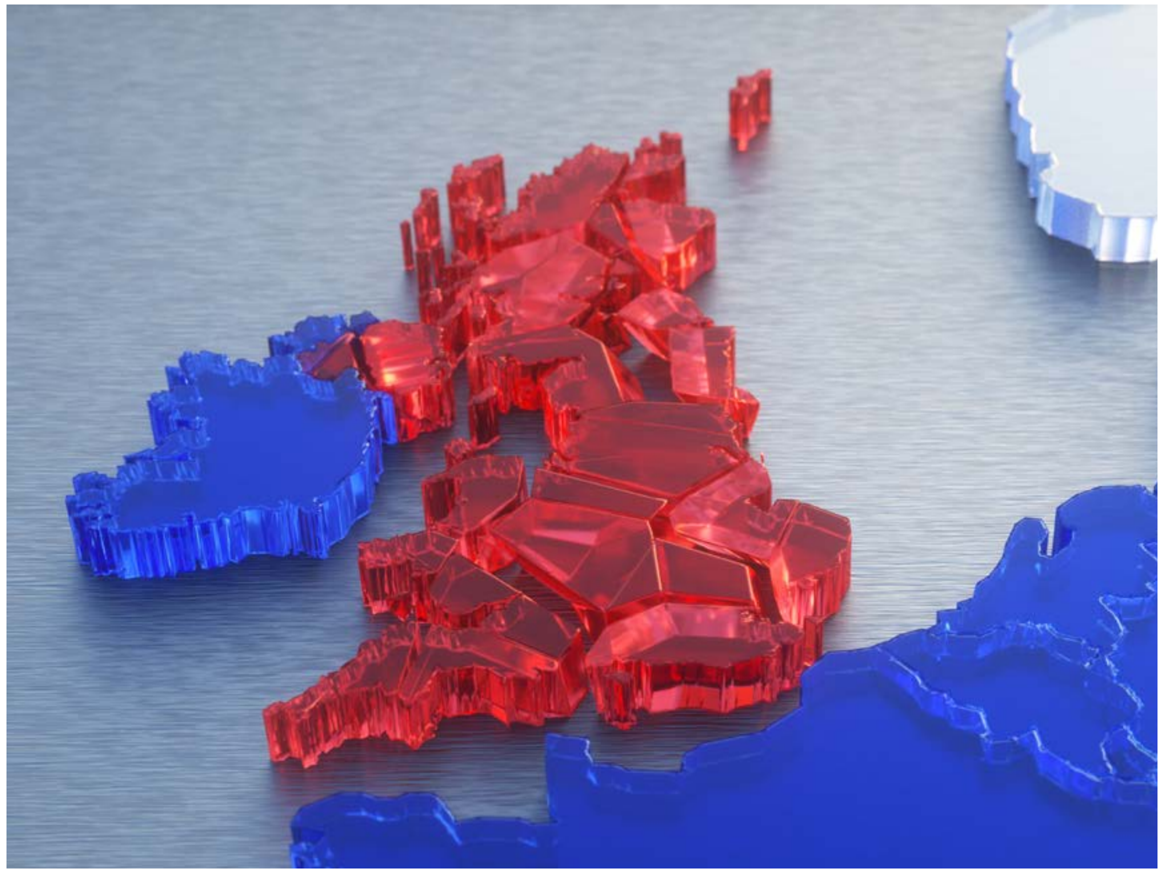
Source: www.tradingeconomics.com | Office for national statistics

FDI inflows or the amount of investment coming into the UK was $52 billion in 2010 rising to $77 billion in 2011 - a growth rate of 49%. This was hugely significant and despite some ups and downs since the trend is once again rising as you will see in the chart above.

2.2 FOREIGN INVESTMENT IN THE UK

Will rising levels of investment continue post-Brexit? Will the UK become a 'beacon of global trade'? If Brexit goes according to plan, then it could open up a world of opportunities.

History has proved that since joining the EU, the UK has been one of its best performing countries. This works both ways. The UK receives nearly 40% of all FDI from the EU, which is why what happens in the EU continues to be so important and why the UK remains just as important to EU trading partners.



The good news about FDI from the point of view of property investors is that it helps create new jobs directly and further down the supply chain. The UK provides EU bases for large firms such as Nissan in Sunderland and General Motors in Ellesmere Port. The US and Netherlands are currently the largest inward investors in the UK.

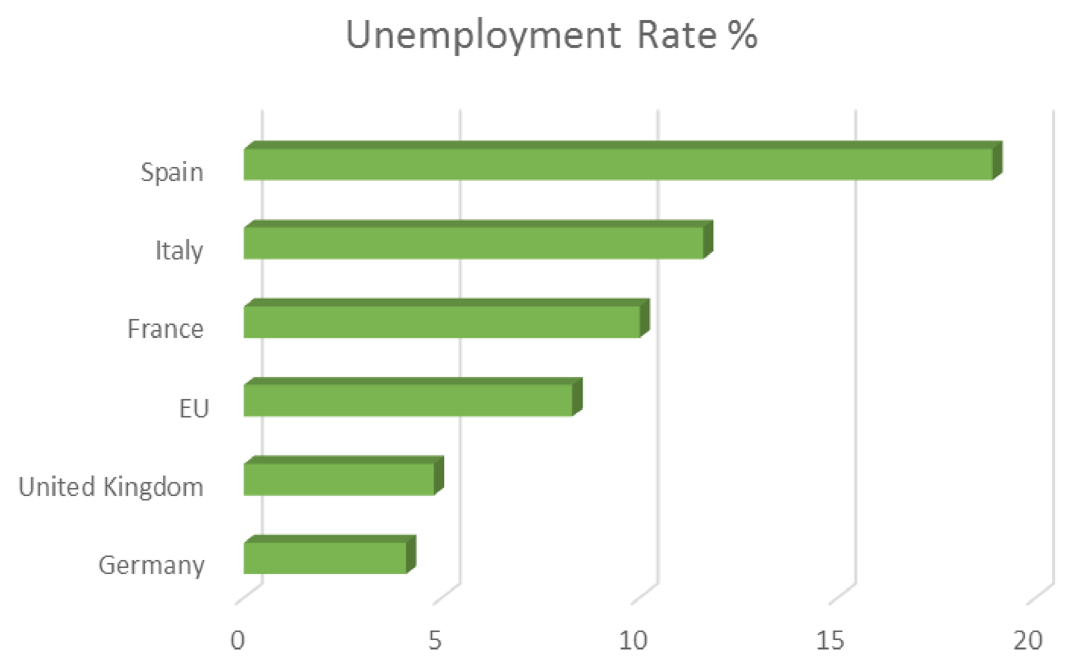
2.3 EMPLOYMENT & UNEMPLOYMENT

Employment has been one of the major success stories for the UK in recent years and there is little doubt that the economy is creating jobs. The unemployment rate recently hit a 7-year low.

Since 2008, unemployment has fallen from more than 8% down to 4.8% today, which means the economy is creating a lot of jobs and when you consider that net migration is at an all-time high creating more competition for jobs, the figures are even more encouraging.

2.3 EMPLOYMENT & UNEMPLOYMENT

Below is a chart that compares UK unemployment rates to those found in other EU economies. The UK currently has some of the lowest unemployment rates in Europe.



Much of what happens in the UK property market will depend on keeping unemployment down and supporting growth in private sector jobs as cuts to public sector services continue.

2.4 THE OUTLOOK- STEADY ECONOMIC GROWTH

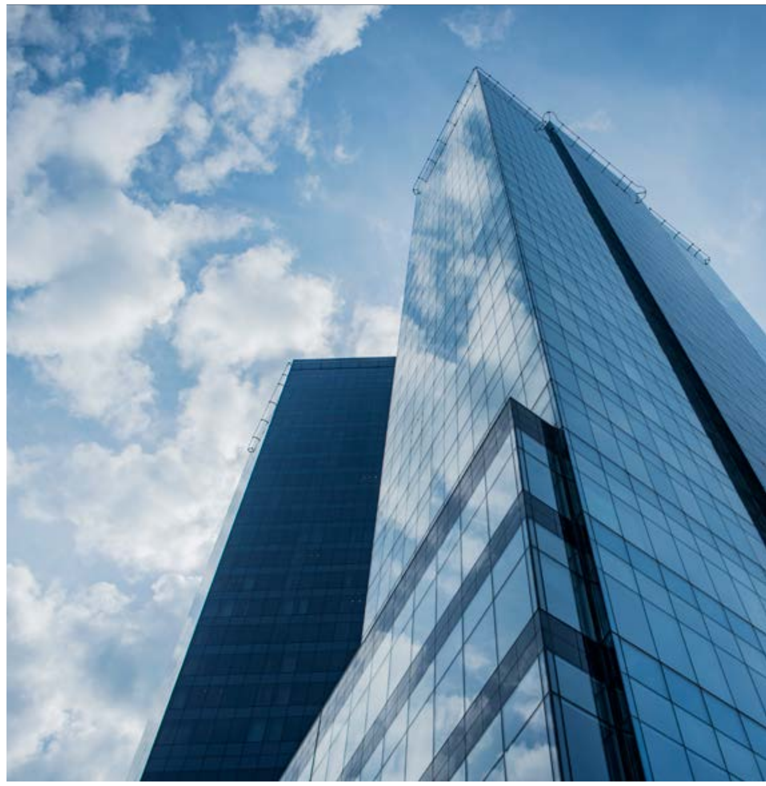
The outlook in the UK, as with most countries in Europe, depends just as much on what happens in the U.S as it does on the EU.

Britain has exceeded GDP expectations and the Indigo index which measures countries' ability to thrive post Brexit rates the UK fifth ahead of (Germany 8th) and (France 12th).

The prospects for continuing economic growth in the UK are uncertain but there are clear signs that Brexit will not have quite the same detrimental impact many were expecting at the time of the vote.

At the time of writing, the economy is continuing to grow steadily and there are calls for austerity programmes, which were designed to reduce the deficit, to be eased and more investment put into boosting the economy rather than holding back growth.

For the UK, the success of export markets and business investment will be vital in the near term according to the British Chambers of Commerce (BCC).



3. PROPERTY INVESTMENT IN THE UK

London aside, the best places to invest in the UK or the "hotspots" may not necessarily be the most famous cities or towns in the UK. This is because with current market conditions it is better to focus on those areas that will give you not only the highest rental returns, but also a clear exit strategy when it is time to sell.

This year has brought good news on property prices across most of the UK.

Even in towns where the recent recovery had yet to arrive, there were real signs that prices will return to levels last seen in 2008. In contrast, property prices have taken a breather in London while commuter towns such as Luton are seeing a surge in demand for property and prices rising rapidly.

3.1 UK HOTSPOTS

In the North and areas of the South East, prices have risen by as much as 12.3% and 7.7% in London despite the market in the latter showing signs of cooling down. The double digit increase in London prices masks the recent fall in demand for property in some central areas of the capital where prices appear to have hit a ceiling.

So when it comes to finding UK property hotspots, the main contenders in 2017 can be found in areas around the capital, as people are pushed into looking outside greater London. The revival of the north of the country also looks to be gathering pace with regional centres seeing a strong recovery in prices.

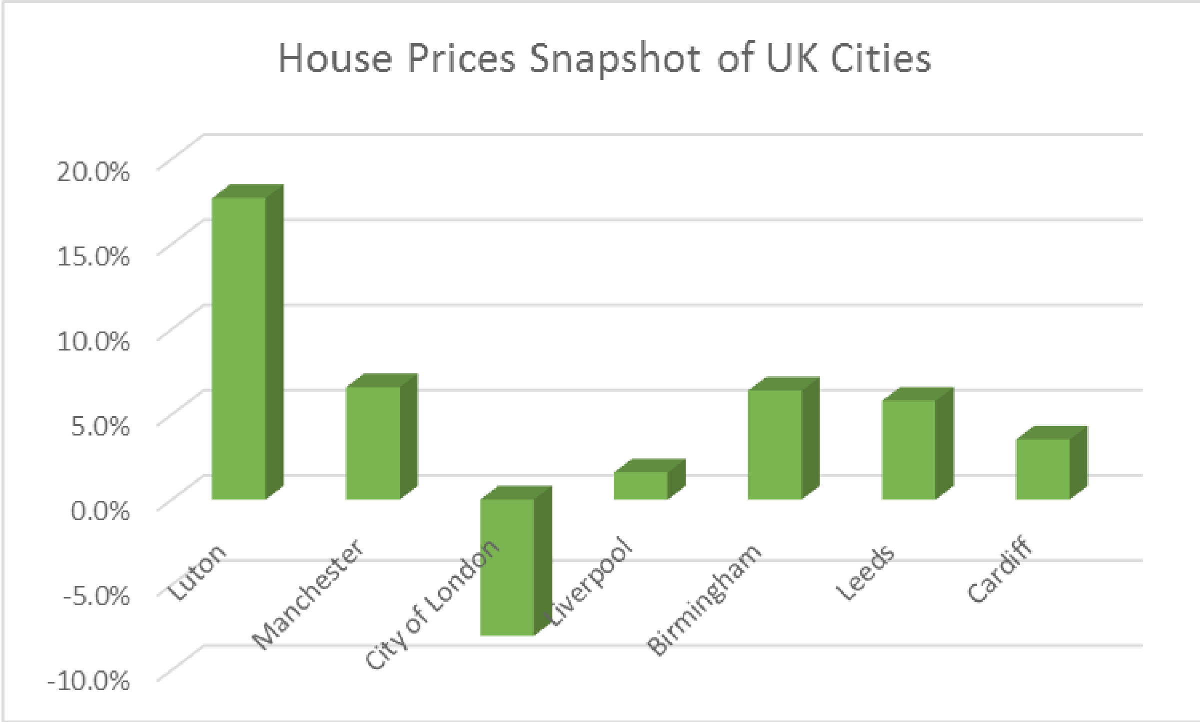
WHAT MAKES A HOTSPOT?

A hotspot for property investors is a market that offers a combination of high rental returns and rising property prices.

The UK hotspots currently offering the best combination of rental returns and property price growth can be found in and around the capital and the UK's larger cities, particularly those cities with large student populations.

The table below reveals a snapshot of UK cities that have been of most interest to investors in 2016. Note that the Central London market has cooled during the past 12 months.

The best potential for capital growth can be found in cities where prices have still to reach their previous peak and have shown signs of significant house price inflation.



The cities in the table below shows how cities have performed since their 2008 peak prices.

LONDON	37.8
MANCHESTER	-4.3
BIRMINGHAM	-3.7
LIVERPOOL	-14
GLASGOW	-11.8
NEWCASTLE	-7.3

Liverpool property prices are still 14% away from reaching their peak of 2008 while the other cities in the chart below still have considerable ground to make up and then reach long term average price growth.

LONDON

"EUROPE'S SAFE HAVEN CAPITAL"

London is a property market that operates in an entirely different universe to the rest of the UK. You can easily devote a complete guide to investing in London property, however for the purposes of this guide, we will provide a summary of the opportunities. When we look at micro markets, London is an excellent example that defies even the harshest of economic conditions and despite some occasional corrections, it just keeps on growing.

Interest from foreign investors in prime London property, including a large proportion from Russia, China and mainland Europe has helped push property prices up more than 50% since 2008. Rents too have continued to rise. The average rent for a property in London has increased by 38% since 2009. The average rent for a one bedroom in Central London is £707 per week.

The only drawback for investors who opt for the London market are the relatively high prices you will pay for properties.

This can put pressure on yields – some of the more expensive areas of London such as Knightsbridge will achieve yields barely above 4%.

This is why London is not necessarily the best place to invest from a rental returns perspective, but when it comes to an exit strategy, there will be no shortage of people happy to pay a good and higher price for your property than you paid.

If you are able to work with a slightly lower net yield and use your investment as a store of wealth, then you are onto a winner when you exit the market place as the growth return is likely to be extremely high.

MANCHESTER

Manchester used to be well known for urban decay, high unemployment and bleak city streets offering little hope for its inhabitants.

This was the case as recently as the 1980s and early 1990s. Much has changed since then with the arrival of investment on a massive scale, the massive commercial growth of its two Premier League football clubs and the arrival of the BBC.

As a result, Manchester is now among the leading cities in the UK for young urbanites looking for jobs in media and creative industries. The new high tech economy is mushrooming with several marketing and other media related companies moving in to the city.

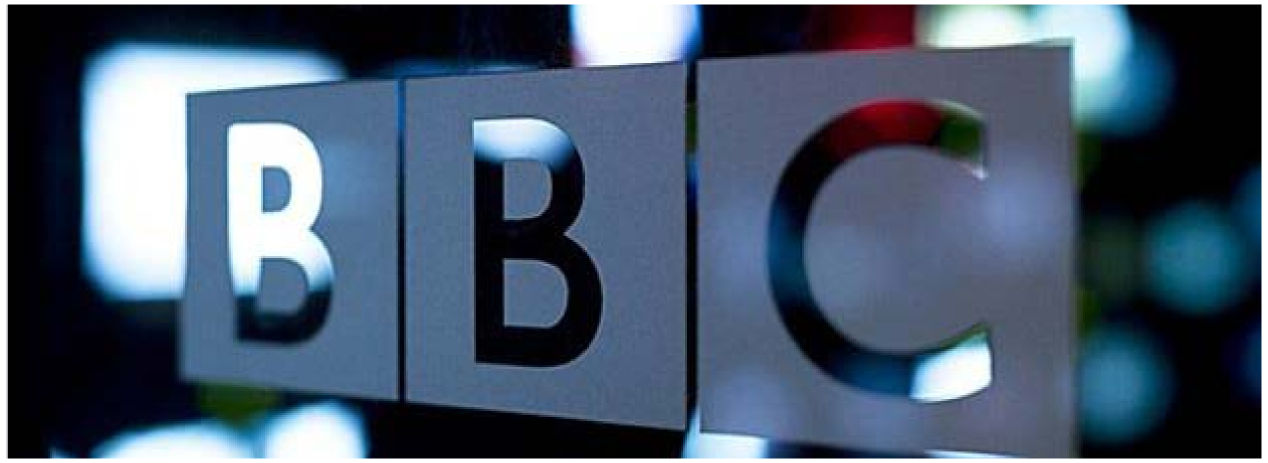
If there is a new revolution comparable to the industrial revolution, then Manchester is one of the cities at the forefront.

So it follows that Manchester is now attracting young property buyers and renters. Its population has risen 19% in the last ten years according to the last census and this trend is set to continue with greater autonomy promised for Northern regions and the extra investment this is likely to attract.

Property prices are rising, with Salford in Manchster one of the fastest growing local markets in the UK recently, such was demand for property close to its media city.

While it was once the case that people commuted into the cities to work, many prefer to stay long term for the convenience of walking to work or taking a short ride on public transport. Buying a property in the most sought after areas of the city is difficult for young people on average salaries looking to climb the career ladder. These people are increasingly renting long term which can only result in making it harder to own property in the future.

Salford is attracting particular attention from investors at the moment due to the arrival of middle class executives in their thousands. These jobs are no ordinary white collar roles because most of them are connected to the BBC which moved much of its programme making to Salford in 2011.



Assuming that the BBC continues making programmes, demand foraccommodation will continue to be high in Salford.

And it's not just BBC workers who are filling the various iconic high rise apartment buildings that have sprung up in Salford since 2006. The UK's first Media City which has been purpose built for the rapidly expanding digital and creative industry could potentially cover 200 acres of land in the future.

According to Zoopla, property prices in Salford increased by 12% in the space of six months in 2014 or an average £14,874 which compared well with some of the hottest property markets in the world.

BIRMINGHAM

Birmingham has been reinvented in the past 2 decades following a long spell of decline as car makers and other manufacturing industries closed. Birmingham may not be as famous around the world as Manchester or Liverpool but it is the UK's second city in terms of population.

It has also just been included on a list of the best UK cities for buy to let and this isn't surprising when you consider that average rents in the city are £766 a month and property prices are still catching up to their peak and rising at nearly 5% a year currently.

The planned High speed rail link to London will enhance Birmingham's status among UK cities and could even see it finally catch up with Manchester as the UK's main city for business investment in the years to come.

For overseas investors, Birmingham already tops the chart for the UK due to the value for money it offers in comparison to other cities such as London. A recent study even ranked it 6th for investment among European cities.

LIVERPOOL

"TOP OF THE LEAGUE - FOR YIELDS"

Liverpool home of the Beatles has recently emerged as one of the best places to invest in buy- to-let property.

The city's world famous football teams, Liverpool and Everton may not finish top of the premier league table anymore but when it comes to buy-to-let, the city is riding high. One of the positive effects of the UK's famous North-South property divide means that higher yields are still available up north and with prices low and demand for rental properties high, Liverpool is a classic buy to let city, which often comes out at or near the top cities with an average yield of 6.6%.

Liverpool has been rejuvenated in the last decade with a number of trendy new apartment developments built along the Mersey River and the city's major new shopping precinct. A number of designer shops have opened in the city as well as several new restaurants, hotels and wine bars.

Liverpool is also a UNESCO World Heritage Site, like the Great Wall of China and the Pyramids of Giza in Egypt. The city actually won this status in 2004 due to its impressive waterfront which, according to UNESCO, is a "supreme example of a commercial port at the time of Britain's greatest global significance."

One particular hot spot area on the outskirts of Liverpool is Bootle, which came top of a survey by home.co.uk as the UK's highest yielding location at an average 7.7%. Average rents in Bootle are £457 a month with prices as low as £69,000 for a 2-bedroom house.

3.2 HOME SALES AND RENTAL OUTLOOK

Not everyone in the UK has been able to take advantage of the latest growth cycle. For cash investors, however, it can be described as a golden age. House prices in virtually every region of the UK are rising again. Yet there are still some areas where properties have yet to recover their 2008 values.

As a result, this is now an excellent time to invest in UK property with prices only likely to move in one direction in the long term. Landlords are currently enjoying a period of strong rental returns and rising property values.

Despite this, there is still a large section of the UK population choosing to rent instead of buy. A supply shortage is steadily pushing up average rents across the country, particularly in the bigger cities.

Cash buyers are finding that residential property investment more than stacks up with positive cash flow achievable from day one.

The opportunity in the UK in the short to medium term is investing in areas where there is high demand for rental property and towns and cities with thriving universities. There has been a major shift in the market towards student property investments, which has been the best performing sector in residential property in recent years.

Confidence has surged among UK landlords recently with 60% now being more confident about the UK buy-to-let market (Source: Reeds Rains, Your Move survey 2015). Better capital returns was one reason given for the increase in optimism.

As one UK landlord explained to us recently:

"I expect to be investing in more properties this year. I can't remember a time when the rental market has been this strong. The tenants I have now are happy to stay in their properties longer – some are asking me if they can stay for more than a year. This was even when I decided to increase the rent by 3% this year!

On the other hand I'm sure they would rather buy their own home and avoid these rental increases, however there is no option unless they can afford the deposits on the kind of homes they are looking for.

Even with the deflation of prices we have seen in recent years, a modest 3-bedroom semi in Cheshire would still cost in the region of £210,000, this would require a deposit of around £40,000 to secure a mortgage."

3.3 A HAVEN FOR HIGH NET WORTH INVESTORS FROM OVERSEAS?

According to recent data obtained by commercial law firm, Pinsent Masons, the UK remains one of the most sought after expat destinations. The number of high net worth investors being issued investor visas to stay in the UK has increased eight-fold since 2008 according to the latest available figures. (Source: Pinsent Masons).

This indicates the confidence investors have in the strength of the UK's property market. The largest number of investor visas were issued to Russian nationals (57% in 2014) followed by Chinese investors (Source: Pinsent Masons). New rules give high net worth individuals the option to apply for residency in the UK if they meet the minimum requirement for investment in the country.

It is not just Russians and Chinese investors who see the UK as a safe option. As the Eurozone has had its struggles bringing order to the chaos that was caused by the debt crisis, the number of wealthy European property buyers in London has also surged.

As one Mayfair estate agent once said;

"There are 3 safe havens in Europe, gold, the Swiss franc and London property."
The arrival of more and more high net worth investors has helped prime central London properties rise in value by more than 50% since March 2009 although growth has since eased.

3.4 WHAT'S NEXT FOR UK PROPERTY?

While the balance of new supply and demand will remain in favour of continued growth in prices in the long term, access to mortgages and growth in household incomes will also play a part. It will remain a good time for investors with the cash to invest and the means to look at other creative options such as the lucrative student property market and short term apartment lettings.

Now is the time to invest to take advantage of current market conditions before we begin to see more buyers return to the market in the long term. More buyers means that prices will begin to increase for available properties so the key is to move early.

The strongest areas for growth according to the latest statistics available indicate that cities close to the London commuter belt and cities in the Midlands and the North will see the strongest growth in house prices as London begins to cool off. (Source: Hometrack).

3.5 7 IMPORTANT TIPS ON INVESTING IN UK PROPERTY

1. Avoid bad tenants

The most important part of your investment will be the type of tenant you are able to attract to rent your property. A bad tenant is someone who thinks they can get away without paying their rent without good reason and (or) they might even cause damage to your property.

It may not be possible in all cases to avoid this type of tenant, however there are certain steps you can take to reduce the risks. Selecting a reputable managing agent to find a tenant for you is one good way and worth paying the extra for.

You might also need to go with your gut instinct and select the tenant you think will be the most likely to be reliable. If you are going it alone, screen your potential tenants carefully as this could either make or break your chances of a successful investment.

2. Avoid high service charges

Service charges are more likely to affect those investing in more modern housing or apartment developments. Some are offered on a leasehold basis that can range from 99 years to 999 years. If you do not own the freehold on the property you invest in, you can end up with a shock further down the line.

As one investor in a development in North Wales explained:

"I chose the apartment because I was able to get a good discount and prices were rising at 10% a year. It was in the town centre and the area, was up and coming at the time.

I felt I couldn't lose. Unfortunately along came the market correction in 2008, this was followed by the building's owners pulling out of the management of the property and handing it to a succession of property management agents. The service charge subsequently doubled within 5 years and this has had a real impact on my cash flow. The one consolation is I can easily rent out the property due to demand in the area, however the exit strategy is uncertain in the medium term."

3. Invest in Cash flow positive opportunities

Finding cash flow properties is unlikely to be easy as most will attract the attention of seasoned portfolio builders.

The most important thing to consider as an investor or someone new to the market is to find property close to major transport links, shops and other local amenities. Research the likely rent you can achieve and then go for the best discount available.
Don't forget to allow for things like service charges and other likely costs of ownership when you work out the potential yield. As long as your mortgage and other costs are lower than the rent, then your property is cash flow positive

4. Letting to benefits claimants

Letting a property to tenants on income support or claiming benefits towards their rent can carry the risk of payments being missed. According to those who operate in this sector, more effort is required to manage the investment and there may also be problems with the credit history of the tenant.

Unless you know the laws and have obtained detailed information from the local authority on any issues you might face it is advisable to steer clear of this type of investment.

5. Choosing a good rental property

As with any other property market, doing the research before you invest is well worth the effort. In the UK, properties close to good schools or universities will rent easily. Often you will find only one or two properties available to rent close to good primary and secondary schools.

However we need to weigh up the above with what it costs to actually buy the property in the first place. If you are lucky enough to find a distressed seller then great, otherwise as a rule of thumb, look for properties close to town or city centres in areas where jobs are in good supply and property prices are not too expensive.

6. New or old developments?

This really depends on your appetite for work and the amount of time you have to put into repairs and refurbishment if you are opting for an older property.

Tenants can be very choosy and you are likely to find a better quality of tenant if the house or apartment you are offering is in a good condition. On the other hand new-builds may end up being costly if the freehold landlord fails to put in place any provision for maintenance of an apartment block or costly repairs that might be needed further down the line.

7. Areas to avoid

Avoid rundown areas. There is little point in guessing which areas will be the next up and coming if it takes decades for the area to get there.

There are no guarantees and even if an area might appear to be in line for a ripple effect when prices start rising again, this area may have a bad reputation for things like crime and anti-social behaviour that holds house prices down. This can be difficult to shake off and these areas are best avoided unless yields are exceptional and you know what you are doing.

FACTS & FIGURES

Population: 64.1 million est.

Language: English

Capital: London

Largest City: London

Economy: 5th largest in the world

Currency: £ Pound Sterling

Credit Rating: AA- (Source: S&P)

GDP (per capita): US$ 41,787.47 (est. 2013)

GDP: 2.3% est. (2016)

Foreign Direct Investment: US$27 billion

Interest Rate: 0.25%

Inflation: 1.2%

Unemployment: 4.8%

Land area: 94,060 sq. mi

Time zone: GMT (UTC+0) Summer (DST) BST (UTC+1)

Labour Force: 31.45 million (2010 est.)

Financial Sector: London's financial centre is the largest in the world

5. SERVICED ACCOMMODATION INVESTMENT

Some investors enjoy being hands on while other prefer to put in the least work possible for maximum profit. Short term accommodation investment has its origins in the U.S. and works just like any normal buy-to-let investment - except the investor buys a room to let out to guests on a short-term basis. If the property proves to be popular with staff hired by blue chip companies, then investors can expect a constant stream of guests and rental returns double that of traditional buy to let investments.

This type of investment is still fairly new in the UK but it offers an excellent way to get the best of both worlds – high yields and low cash investments compared to regular buy to let investments.

London is currently one of the best places to invest in serviced accommodation with huge demand for rooms from those working in the city and needing somewhere to live. It is often less expensive and more convenient to stay in serviced accommodation for those living in the capital.

6. UK STUDENT ACCOMMODATION

Becoming a student is a good long-term investment in the future and so is property investment. Put the two together and factor in undersupply along with high demand and you have a collision that makes student property white hot in the UK. Student property investment has increased roughly in line with the rapid growth of universities in the UK.

The UK's universities have continued to expand their campuses as more young people opt to study for the degrees that have become almost essential to gain employment in middle class professions. Total returns from student property have increases 14% with rental growth of 3.5%. Student accommodation is attractive due to consistently high occupancy rates of 99% and what amounts to undersupply of good quality accommodation.

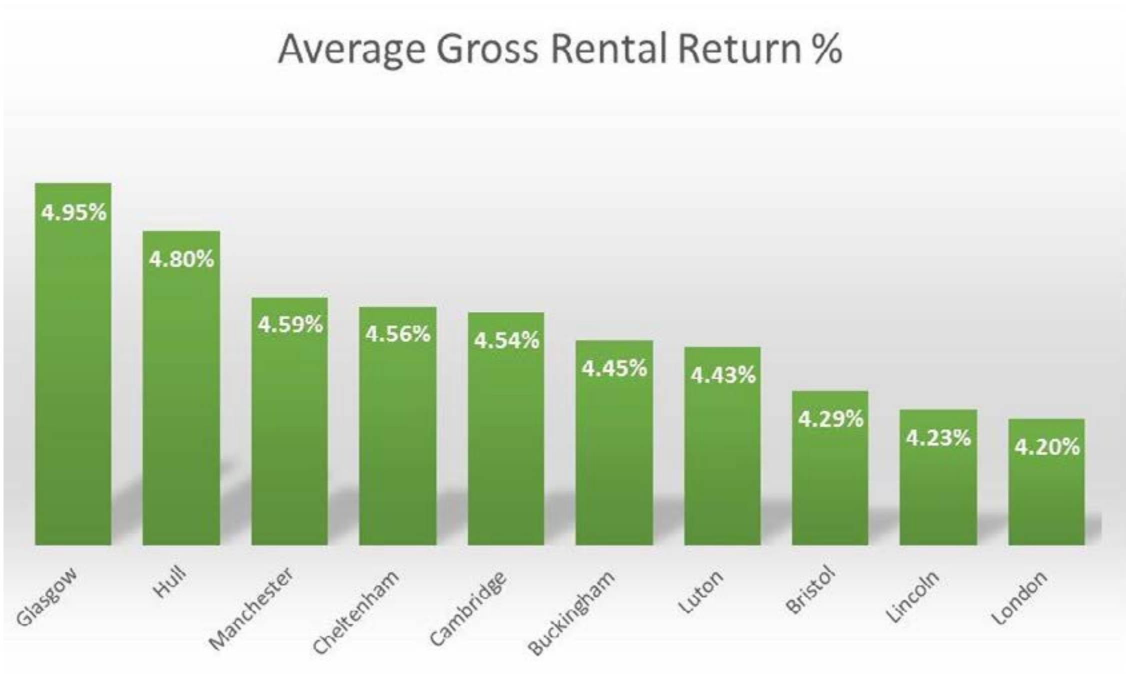
A recent report by Knight Frank on student property concluded: "It (student accommodation) has outperformed every other commercial property class and delivered consistent returns throughout the economic downturn."

As recently as 2015, 4.2 billion was invested in the student housing market according to Saville's report into the sector. This was 70% up on the previous year. Investors are chasing average net yields of 7% or higher on student property in the best UK locations.The student property market is renowned for outperforming the wider rental market – with landlords of student properties generating a higher average income by letting properties on a per-room basis rather than the usual per-property basis.

By leasing property to students on a per-room basis, landlords made an average income of 6.45%, compared to 5.94% from properties rented out to young couples. The West Midlands proved to be a goldmine for those investing in its student property market. Demand for student property shows no signs of slowing down, so it is well worth making an educated decision and adding student property to a portfolio.

6.1 THE BEST PLACES TO INVEST IN UK STUDENT PROPERTY

The chart below reveals the best places to invest in student property by city in the UK for rental returns.



7. THE INVESTMENT OPPORTUNITY

If you want to be a successful property investor you need to invest in properties in locations that are guaranteed to make you a return on investment from the start.

In the UK market this will be properties that generate high rental yields in areas where there is guaranteed to be high demand. Below you will find actual examples of the typical returns you will make when you invest in our carefully selected UK properties.

8. PROPERTY MARKET CYCLES

Timing your entry and exit in a property market is the key to successful investing if you are looking to profit from any increase in the value of property over the short term.

Property investors who rely on prices alone are always looking to invest either at the end of a recession, the bottom, or the recovery stage, whilst looking to realise profits by selling or via the release of equity during the expansion and peak stages.

This approach can be short sighted and there are no guarantees that prices will continue to rise. Predicting the future of prices is not something anyone can do with certainty.

Many experts are saying that the UK property market is still cycle of growth that looks set to continue for now. The real returns will come over the long term as rents continue to climb while people remain frozen out of finance. With prices still to catch up to what they were at the peak of the last cycle outside London and the South East the UK still certainly has room for further increases in average property prices over the next 5 years.

9. UK PROPERTY OWNERSHIP

LEGAL

Foreign Investment in UK Property

It is relatively easy to invest in UK property as a foreign national. Unlike some countries, there are no restrictions or special conditions for foreign investors.

Investors can purchase as individuals or as a company/partnership investment.

LEASES

City apartments are more often than not sold on a leasehold basis with associated terms and conditions the owner must comply with. A leasehold commonly ranges from 99 years to 999 years.

With shorter leases, it will be more difficult to sell if the property is held for more than 10 years. A ground rent will also be payable by the owner to the freeholder. This is usually paid annually or bi-annually. The terms of a lease will include service charges in communal developments and this will be used to contribute towards communal maintenance and building repairs.

TAXATION

The UK tax process is fairly straightforward however there are three main areas of taxation you need to be aware of when investing in property.

TAX ON YOUR INVESTMENT

Unfortunately there is no getting away from stamp duty if you invest in property worth £125,000 and over. The good news is that if you invest in property below this value then it will be free from stamp duty.

BUY TO LET STAMP DUTY TABLE:

VALUE	SDLT RATE
UP TO £125,000	3%
THE NEXT £125,000 (THE PORTION FROM £125,001 TO £250,000)	5%
THE NEXT £675,000 (THE PORTION FROM £250,001 TO £925,000)	8%
THE NEXT £575,000 (THE PORTION FROM £925,001 TO £1.5 MILLION)	15%

TAX ON YOUR RENTAL INCOME

Letting an investment property is treated the same as running a business in the UK and if you invest in and let more than one property in the UK, they'll all be treated as one single business.

Investors are taxed on the overall "net profit." Which is calculated by:

• adding together all your rental income
• adding together all your allowable expenses
• taking the allowable expenses away from the income

If you decide to sell your property and it is worth more than you paid for it then you could be liable for Capital Gains Tax (CGT). A percentage of gains will be tax free currently, however this can vary and it is worth checking regularly.

You can deduct some of the costs of buying, selling and improving the property and if you make a loss on an investment property, you may be able to offset it against other profits from your other investments.

RAISING FINANCE

Buy-to-let finance is available at lower LTVs than for home buyers with typical rates of 75% LTV available from most high street lenders. This means most investments will require a deposit of around 25% of the property value.

INVESTMENT PROCESS

The process of investing in UK is fairly straightforward, though depending on whether or not the property is leasehold or freehold, there may be certain conditions attached.
If the property is leasehold for example, there will be certain restrictions on usage of the property for anything other than residential purposes and other associated charges such as management fees and ground rent to factor into your cash flow forecast.

A foreign national will have the same rights as UK national when it comes to property ownership therefore the process is much the same. Assuming the finance is in place to invest it will just be a matter of locating your property and finding a good solicitor to go through the necessary paperwork.

If you use a good property agent most of this will already be taken care of for a small fee and will include finding tenants for the property and helping to make the process as smooth as possible.

TYPICAL INVESTMENT COSTS

Stamp Duty

Stamp now applies to all property valued at more than £125,000. See stamp duty table
.

Land Registry Fees

These charges relate to the cost of your legal advisor registering your ownership of the property with the land registry. This works out about 0.1% of the cost of the property, however this can vary depending on where you invest in the UK.

Solicitors Fees

The cost of a solicitor will depend on the type of property you are investing in and will be at least £1,000. This will be higher for solicitors in London; however it is sensible to shop around for the best legal services at the lowest cost.

Local Authority Searches

A local authority search will cost from around £85 to £145.00 depending on the area you invest in and the time you have to complete the process.
Survey All finance companies will require a report on the property before they will lend you money to invest in it. A survey can cost anything from £250 for a basic survey to £1,000 for a more comprehensive survey.

Purchasing with Residential Estates

We make it easy for you to purchase UK investment property. Below you will find a list of the services we either supply to investors ourselves or via our specialist partners when you purchase a property from Residential Estates.

We help you process all relevant paperwork

We can arrange management of property on your behalf via our corporate model

We can help you find reliable tenants

We provide property maintenance and refurbishment services via our corporate model

Our currency partners will help you obtain the best rates

We can introduce you to a taxation specialist that can advise on your specific tax situation

We can introduce you to immigration specialists

Our consultants will provide aftercare services

We are one of the few property investment companies able to provide such a comprehensive service.

10. CHOOSING YOUR PROPERTY

Our Property Selection Process

We work with our clients to understand their investment aims and objectives before suggesting suitable property investments. You will be presented with all the facts and figures to review, so that you can be in a strong position to make an informed choice.

11. RENTING AND MANAGEMENT

Typical Running Costs

When you complete the process of investing in your property you should already have some idea of the running costs outlined below:

Mortgage Payments

The first aim when investing in your chosen property should be to cover your mortgage costs. If you have done your calculations properly and you are covering your mortgage costs with the rent the tenant pays, then you are already on the way to becoming a successful property investor.

The best way to boost your profit in the early years is to increase the rent in line with Retail Price Inflation (RPI). This can sometimes be easier said than done as the rent must be competitive to attract new tenants or keep existing ones. Therefore do not bank on future rent rises.

Insurance

The house insurance market is highly competitive in the UK and there are a number of websites that can filter the best deals at the click of a mouse.

Service Charges

Service charges can be a mill stone around the neck of the investor, however they are commonplace in apartment developments.

Make sure the service charge is set at a reasonable level and don't make the mistake many people make of expecting the service charge will remain the same for the term of the investment.

In the worst-case scenarios, it can double in just a few years depending on whether things like heating costs are covered or maintenance has been properly budgeted for.

As a rule of thumb, service charges can be anything from £100 -£250 a month or more depending on the development.

Maintenance

Maintenance costs can vary, however it is generally more expensive to maintain an older property than a property on a new development. If you are furnishing the apartment, beware that you will need to source replacement furniture that can eat into your cash flow. This is why it is often better to let property unfurnished. Other costs such as maintenance of the grounds around a property should be covered by the service charge for those who invest in apartments.

12. EXIT STRATEGY

The UK property market will continue to generate good long term cash flow. There remains a housing shortage in the UK and this puts pressure to increase prices on all sectors of the property market. At the time of writing, this really is a golden age for UK property investors who see good rental yields as their number one focus. We recommend holding for at least the next five years.

To exit earlier may reduce the likely return on investment from high yielding property.

13. OUR EXPERTISE

Our team and partners are a fully licensed and regulated UK property investment company. Our company is based in Chester, which puts us in an ideal position to hear about the best investment opportunities in the north of England.

We also provide expert knowledge on investing in the UK and other cities in the UK we consider to be the best locations for investors to realise an excellent return on investment.
Our team is skilled in all aspects of the investment process from dealing with legal issues, to arranging finance. We appoint a team of independent lawyers to carry out stringent checks on any project we offer to our clients, to make sure that all necessary permits, licences and titles are in place. We have assisted hundreds of investors across the world to successfully invest in the UK, one of the strongest property markets in the world.

16. SUMMARY

The fact that a majority of British people have voted to leave the EU hasn't resulted in the disaster many people expected.

While the UK is not immune to what happens in Europe, it will also be in a position to benefit from new found freedom to pick and choose trading partners and with a population approaching 70 million and the fifth largest economy in the world.

The UK has historically weathered economic storms well and those who were predicting disaster for the UK property market have been proved wrong so far.Price growth is one thing, but as investors we look at yields rather than taking a gamble on price growth and there are few better places to be a property investor in the world than the UK right now.

The UK is in the midst of a Landlord's golden age where the demand that previously went into driving up property prices in the UK has switched to the rental sector instead.

There is no sign at the time of writing that banks will go easier on homebuyers and bring back the days of 110% LTV mortgages and why would they? This leaves many who would have bought homes seeing renting a property as no bad thing.

Of course rents can only rise so far before it becomes more attractive to buy, but outside London there is plenty of room for growth. Until we see the market turn in favour of homebuyers, this will be an investors market.

17. UK PROPERTY - FAQ'S

INVESTING IN UK PROPERTY

1. Why should I invest in UK properties?

Property prices have risen beyond the reach of many people who would normally buy. This means the supply of tenants is rising fast. Property prices are still below their peak value in many locations, which means there is plenty of room for growth and rental returns in key regional cities are now well above levels that should be a green light to investors.
There are few developed markets in the world that can compete with the UK on rental yields right now.

2. What types of properties should I be investing in?

This really depends on your approach to buy-to-let investing. You can either invest in an older property, refurbish to a good standard and let the property, or you can choose a more hands-off investment that will return equally high yields. Property investment sectors to consider in the UK at the moment are serviced apartments, student accommodation and traditional buy to let investments in good areas. All of these sectors have become popular in recent years.

3. Can I get buy-to-let finance as a limited company in the UK?

Yes, however lenders expect that the limited company is formed for the sole purpose of owning and managing properties.

4. How much capital growth can I expect?

The capital return largely depends on where you invest in the UK. In London, capital growth will be higher than elsewhere as there is far more upward pressure on prices. Rental yields tend to be higher in the North and towns within a commutable distance of London that have yet to experience rapid house price inflation.

5. So how do I profit from an investment in UK property and what is the expected time period of return?

There are a number of ways you can be profit from an investment in UK property.
If you invest in prime property in the most popular areas of the UK and London in particular, you are likely to see very good capital growth in a short space of time, however markets can also fall depending on economic conditions so we recommend investing and holding for a minimum of five years to benefit from the high rental yields available.

If you are an investor that is reluctant to commit too much money up front, then by investing in areas with high tenant demand, strong yields and low property prices will make the investment cash flow positive from day one.

6. Can a foreign national legally buy real estate in the UK?

Yes, there are no restrictions on foreign ownership of property in the UK

7. How much tax will I need to pay?

The main taxes that will affect investors are Capital Gains Tax (CGT) and Stamp Duty in addition to tax on any rental income. Investors are required to file their tax return annually and when it comes to the sale of the property, if it is worth more than the original value, some of this gain may be taxable; however this really depends on individual circumstances. It is best to seek the help of tax professionals that specialise in both resident and non-resident tax filings to guide you through the process.

8. How long do you suggest an investor holds on to the property to achieve maximum capital gains?

We suggest holding on to the property for a minimum of 5 to 7 years for maximum appreciation potential.

9. What is the outlook for rental rates in the near future?

Rents are expected to increase, particularly in London and other major cities as people are priced out of buying. People will consider renting as an alternative to buying while they save for deposits.

10. Should I let the property furnished or unfurnished?

If the rental property happens to be a family home it is likely that the tenants will have their own furniture or they will be prepared to buy their own furniture.

Apartments on the other hand often attract younger tenants who will expect the property to at least be part furnished. Many will not have the means to buy expensive furniture items such as sofas and the same will apply to student accommodation.

18. ABOUT RESIDENTIAL ESTATES

WHO WE ARE?

Residential Estates began as an estate agency in Chester and has since expanded its operations to include UK property investments.

We like to keep things simple for our clients, so we have developed a comprehensive corporate model, which is carefully designed with investors in mind.

Our aim is to provide our clients with access to a dynamic portfolio of UK properties that offer a combination of strong growth returns and positive cash flow income.

Investing in positive cash flow properties significantly reduces the risk because the property generates a return regardless of market conditions, employment status or other financial commitments.

We never want you to miss the latest news, product information, tips and special offers. So, if you use Facebook, Instagram or Twitter you can receive information ahead of everyone else.

OUR TEAM

Steve Povall
Managing Director

Mike Holliday
Investments Manager

Natalie Griffiths
Serviced Accommodation Manager

OUR EXPERIENCED INVESTMENT MANAGEMENT TEAM HAVE STRONG RECORDS OF ACHIEVEMENT IN PROPERTY INVESTMENT, WEALTH BUILDING AND FINANCE. THIS IS WHAT KEEPS US AT THE FOREFRONT OF THE MARKET.

Michael Johns
Investment Consultant

Paul Winder
Investment Consultant

Chris Smith
Investment Consultant

Residential Estates

TESTIMONIALS

JEREMY

Paul, thanks so much for all your help with my recent apartment purchase in Manchester. As a first-time investor, it was certainly quite confusing dealing with the considerable number of parties involved. You clearly showed a full appreciation of my circumstances and were always happy to patiently explain things to me when the going got a bit tough. I'm delighted with my purchase and looking forward to my next investment with you already!"

ROBERT SMITH

As a first time buyer of off plan property, I needed quite a lot of guidance and support through the process, to ensure that I secured the right property that suited my requirements. Michael Holliday was on hand to answer any questions that I had. I have been very impressed with the way that Residential Estates (and in particular Michael) have dealt with this purchase and look forward to expanding my portfolio in the future with their help."

AKRAM MALIK

Michael Johns has become a great friend and has been profoundly helpful. He had a full understanding of my requirements and communicated with me regularly. Michael was very responsive to my detailed questions and always reachable. I would certainly recommend him to friends and colleagues."

CONTACT US

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Web:www.re-investments.co.uk

SMALL PRINT

Important Information

The information in this document (including but not limited to, photographs, illustrations, plans, dimensions, descriptions, tables, projections and prices) are for guidance only. While every effort has been made to offer current and accurate information, errors can occur.

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