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Property Investment Advice for Professionals

Buying to Let – Safe as Houses?

A house is only as strong as its foundations!

With so many people investing in property these days, the media so enthusiastically giving us all the confidence to believe that we have all become architects, builders and interior designers overnight and the stories of returns in the 100% + region on your investment buy to let is a guaranteed low risk easy option to make money. Or is it?

Massive investment returns

There is no denying that a well thought out business approach, the right research, strong negotiation and buoyant market conditions have led to many fabulous returns over the last decade of property investment. However, a lot of these returns have been based upon the good fortune of a rising housing market or to put it more succinctly, luck.

Buying to let is potentially a high risk investment and in a more stable property market requires a good deal of research and a well thought out business plan to succeed. But with the right planning and approach excellent returns can still be achieved.

Know your limitations

Some of the decisions to be made with regard to your investment require specialist knowledge and understanding. Think for a moment about your everyday job- could a bystander walk in and fill your role without any training? Would they make mistakes?

Some of the areas that you may not have come across before when investing in property may be: tax implications (capital gains tax and income tax may be liable on your investment), book keeping (if your tax planning is to be successful you need records), negotiating (with estate and lettings agents, tenants, property agents and developers), legal disputes and requirements (tenants don't always pay the rent!). If you are not confident in an area find someone who is and use their services. Make sure that you are confident that the advisor is a specialist in his field – most mortgage brokers are not experienced in this field!

Research makes profit

There is a small fortune to be made from advising on how to make money from property investment – you will probably be able to find 20 books on the subject in any bookshop, and magazines in every newsagent. The advice may be conflicting and varied but it shows the need for information. As a very brief guide if you are to have a highly profitable investment you will need to be aware of:

Your objective – are you investing short term or long term, for capital growth or income?

Your finances – how much capital do you have available to you, can you afford untenanted properties, how does your personal credit score affect your investment, how do rent and income effect lending, what is your tax status and residency?.....the list goes on and on.

Your rental market – If you like a nice 4 bed detached property with the prospect of capital growth, will it rent? The rental market can be limited in larger properties – there will always be a demand for small properties and this demand is likely to increase.

Your properties – a successful portfolio needs to be managed. Ensure you are happy with your letting agent – shop around until you are happy and negotiate on charges. You will need to ensure adequate insurance and that legal tenancies are in place.

How to and what to buy – you don't have to like the property! This is not an emotional decision – if you like 'character' so what, if it makes you money then buy if not then don't!! Always listen out for circumstances that may require a quick sale – a builder's conversion, a divorce settlement, company relocations, repossessions etc. This information can be used in your favour negotiating purchase price down.

Does the property fit in with your investment plan? Don't be distracted by 'instant property' equity schemes unless that's your plan. Remember that an untenanted or unsold property can be a high cost.

Buy to Let is a business – don't forget this is a business, treat it as such – **fail to plan and you plan to fail!**

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