

GUIDE TO BUYING TO LET

For centuries property ownership has always proved to be an excellent vehicle for investment in England and Wales however in recent years the demise of the traditional method of investing to generate a pension upon retirement has resulted in substantially more interest in this area. The stock market is no longer seen to provide the long term guarantee that had been taken for granted and there is no confidence for investment through Life Assurance companies, following the difficulties experienced with the like of Equitable Life – a company that was long seen as the foundation of pension investment.

Buying a property can be a difficult experience – often unfortunately described as one of life's most traumatic experiences after birth, divorce and death. At the very least it has more often than not been the highest value transaction that most of us have conducted during our lifetime generating an accompanying high level of related stress. So, why repeat the experience more often than you have to and on a regular basis ?

In fact, buying property can be an extremely rewarding experience in terms of both monetary return and also pure satisfaction. To start with you must treat your acquisitions as pure investments and avoid the emotional involvement associated with moving house. A commercial approach is absolutely essential – not just in respect of the cost of acquisition but also the subsequent rental arrangements.

Choose a Solicitor who will be ruthless on your behalf in contractual negotiations over purchase price and repairs, allowances and reductions – use a good surveyor to provide the ammunition for you. This is absolutely essential. Avoid conveyor belt services where the professional has no real interest in acting for you again and has no commitment to client retention. You need to appoint professionals who value your custom and want to act for you over years to come.

Seek professional help over finance. All Financial Advisers should have access to the best deals available at the present time, but the best in this field will also have the experience and knowledge of past performance by Lenders both in terms of interest rates and customer service. Bear in mind that there are specialist Lenders who have targeted buy to let investors and in particular those with or intending to build portfolios – a "Ten to Let" product is a particular specialist lending product on the market which will be of interest to the committed property investor.

Be careful as to your choice of property to buy – this goes without saying but is often forgotten about in the heat of the moment. Bargains are few and far between particularly having regard to the current popularity of this type of investment but some still remain – one lesson is certainly not to buy the first property you see, spend some time assessing the market and available properties within your budget, but not too long if it is a volatile and moving market.

Consider the condition of the property very carefully – both internally and externally. Unexpected costs of repair and maintenance can have a heavy impact on cash flow and anticipated capital growth – employ a surveyor.

If you are buying off-plan – before the building is constructed – do your homework. Check on the accommodation and value of similar properties in the same area that you are purchasing. Also check the developers past track record, don't just view the show house, but also try to see property on a development that the developer has already completed. Make sure that the contract contains a "Stop Date" being a date by which the construction must be completed, failing which you can withdraw and insist that the deposit is held by the builder's conveyancer as "stakeholder" and is not held as "agent" permitting payment to the developers account.

When choosing a property give due consideration to your liabilities under Government legislation in respect of gas and electricity safety and fire resistance. An older property may carry bigger burdens in that respect. A new property may be more likely to involve minimal compliance costs, however, if you are buying a flat check the service charge provisions and accounts including the current budget and anticipated future expenditure.

Consider whether you are looking for income, capital growth or a balance between the two – it is unlikely that you will be fortunate to achieve high returns on both fronts at the same time. Bear in mind that income is subject to income tax and capital appreciation is subject to Capital Gains Tax. A good accountant may prove to be a worthwhile investment.

Consider the type of tenant that you wish to attract and the suitability of a particular property for that particular type of person – a highly paid professional may be happy with a one bed roomed apartment in the city centre but may not be interested in a three bed roomed high maintenance cottage in the country far from the office, no matter how desirable the location. Make an honest declaration to yourself as to whether you will have the time and inclination to manage your own property - if not, you can employ a professional to do this. Managing agents will take a fee but they may also be able to obtain and collect a higher net annual rent for you because of their expertise. They may have a list of prospective tenants to call upon and will offer a service that includes taking up references on tenants.

The accepted type of tenancy that you should grant is an Assured Shorthold Tenancy (AST). We can advise you in detail on this and prepare agreements for your use. The main advantage of this type of agreement is the relative speed that you can recover possession of the property through the courts in comparison with other types of tenancies which offer more security to the tenant.

Please feel free to instruct us to act on your behalf in relation to your investment – we have the expertise and are actively seeking more clients in this area.