Pendle Hill Properties

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The ultimate guide to buying a property for investment

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Introduction

For many, the prospect of investing in property is a dream worth pursuing. With some spare cash or savings, you can turn it into a lucrative venture by investing in bricks and mortar, potentially earning a substantial return.

And that return is two-fold - the monthly income generated by the property through rental and the appreciation of the property as an asset (the increase in value over time).

The ethos behind property investment can be over-complicated, which can be enough to put off would-be investors. And there is no end to property gurus's online promising to share their secrets, spouting tales of how they've made millions from the property and how you can, too. Naturally, they don't share these secrets for free, but there is a course you can buy where they promise to share their closely guarded secrets, usually for the discount price of just £997.

This is not to say that you shouldn't attend the courses or watch the videos online; it is just that you don't need to spend your hard-earned cash on a course.

This guide will help you identify a great investment opportunity, understand how to finance your purchase and know what to do with it once you've bought it. Of course, we are only at the end of the phone if you have any questions—there is no need to spend £997 to find out the answers.

So, you want to get into property? Read on to find out how...

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Why invest in property?

Property investment is an excellent way to invest your savings. Generating an almost pitiful monthly interest in the bank, you can really make those savings work for you if you invest them wisely. There are many alternative investment options that you can explore, but we know property. We are biased, but property is the best and safest of all options to make your savings work for you.

- **Once you have bought a property for investment, you can earn a monthly income from the rental of that property.**

- **Capital growth** - based on the history of growth in property values over generations, the property's value will likely increase over the time you own it. This is, of course, not a guarantee, but property is primarily considered an appreciating asset (i.e., it increases in value) rather than a depreciating asset (one that loses value over time).

Whether looking for a way to supplement your monthly income or investing for the future, property can be a great way to go. Stocks and shares can be an attractive option because they are largely passive, meaning that you do not have to do anything with your portfolio. Property investment involves lots of work from you in managing tenancies or maintenance for the property. But that shouldn't put you off, as there are ways to outsource the management to a letting agent for a monthly fee, keeping your investment safe.

If you pay off any finance borrowed against the property, you will eventually own it fully and can leave it to your family after you've gone.

In a nutshell, you buy a house and receive a monthly return while creating generational wealth for you and your family for years to come.

Sound to good to be true?

While property investment can indeed be a rewarding venture, it's important to acknowledge that it's not without its challenges. The internet may paint a rosy picture, but it's crucial to be aware of the potential drawbacks.

Time is precious: Property investment can generate an income for you, but it is an active rather than passive investment. Not only will you need to invest your time searching and viewing properties, offering and negotiating on them, but you will also need to invest in the legal process, which will involve meetings with solicitors and financial advisors, all before you have even got the keys.

Once you have completed your property purchase, which will likely take a few months, you must consider how you will use the property. Will you opt for long-term or short-term rentals? As with many things in life, both options have pros and cons, so it depends on which option works best for you and your circumstances.

Short-term rentals can be very lucrative but far from a passive income, with bookings and reservations, maintenance and change-over cleans, not to mention the endless laundry and ironing of linens. In contrast, the management of a longer-term rental can be entirely passive if you employ a managing agent to ensure that the property is looked after, the rent is paid, and you, as a landlord, comply with governmental legislation.

Accessible funds: If you buy a property, you will tie up the cash for investment into that property for a long time. There are ways to remortgage in the future and release some of that investment,

Sound to good to be true? (continued)

but you will have money tied up in the property for the duration of your ownership. This is great for the future and your savings, but if you suddenly need to lay your hands on some cash, it is significantly more challenging to access than if you had kept that money in the bank.

Taxes: As Benjamin Franklin famously said, "Nothing is certain except death and taxes". If you are generating revenue from your investment, you will likely be required to pay taxes. It is important to keep this in mind and understand that the top-line figures are not necessarily a true reflection of the income. Everyone's circumstances differ, so you should seek professional advice to fully understand your tax liability.

The unknown: There is simply no way to know every aspect of property investment. This is one of the reasons that people enjoy investing and working in the property industry so much. Every day is different, but you must understand your feelings towards risk and control.

Tenants: For the majority of property investors, there will be a tenant of some sort paying the rent that will generate income. And this can be where most investors start to get cold feet. There is no way to know who your tenant is going to be, and there's no end to nightmare tales of problematic tenants and landlords left with a mess to deal with. But tenants are the key to making your investment work, and if your tenancy is managed correctly, you can be confident that you will have a smooth and hassle-free experience.

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Where to start?

So, now you know about the good, the bad, and the ugly, where do you start?

• **Setting your budget** - You will need to know how much you can spend on a property and your available budget. The best idea is to speak to an independent financial advisor to establish the best options for you.

• **Register your information with us so that we can notify you when a new property in your budget comes on the market.**

• **Identify a property** - you are not buying a property for yourself, so, to a large extent, the property itself is irrelevant. It doesn't matter if you like it or could see yourself living there. The key point to consider when identifying a property for investment is that there is a market for tenants who will want to rent the property from you. Next, you need to establish if the investment stacks up; do the numbers make sense?

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How to spot an investment opportunity

If you identify a property that might work as an investment, it's time to look at the numbers. Our agents can indicate the potential rental income that the property can achieve, and you already know the purchase price. Armed with these two figures, you can calculate the potential yield of the investment.

Multiply the potential monthly rental by 12 to get the annual revenue. Then, divide this figure by the property value and multiply by 100. This figure is the percentage return on your investment.

Of course, this is just a basis from which to work. There are many ways to make this figure more accurate, such as the regular annual costs and expenses, to leave you with a net percentage if you want to go more in-depth. This quick calculation to find the yield is a great way to compare potential properties and help you identify a good investment.

You also need to consider the potential maintenance that may be required at the property to let it. There are standards for renting a property, so you need to make sure that the property meets these standards or that you have factored in the time and costs to bring the property up to standard.

If you've found a suitable property with an excellent market for potential tenants and a solid rate of return, it's time to negotiate an offer and embark on your first step into property investment.

We know it's a lot, but don't worry, we are here to help!

The ongoing tasks involved in managing the tenancy, collecting the rent each month and ensuring compliance to the literally hundreds of pieces of legislation are all handled as part of our comprehensive property management service, ensuring your tenants are happy, the property is looked after, and your rent is paid.

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NEXT STEPS...

For more information about our letting and property management services, **get in touch with our team of property letting experts today.**

www.pendlehillproperties.co.uk