TOP TPS

JACKSON STEPHEN
ACCOUNTANTS / ADVISERS

Our Senior Tax Manager, Lucy Williams shares her top tips for investing in residential property....

1 RESEARCH THE MARKET

Before you invest, make sure you know what you are investing into and that its right for you. Knowing where, how and when to buy are all important in starting or maintaining a successful property business. Knowledge is key and therefore the more knowledge you have the more research you do, the more likely it is that your investment will pay off. Ask other property investors about their experiences and take their comments on board

2 CHOOSE THE RIGHT AREA

If you can purchase property in an area where your clientele would want to live you put yourself in a strong position from the off. Think about what your tenants would want; i.e. good links to public transport, close to good schools, close to bars and restaurants. It might come natural to look for properties near to where you live. This does have its advantages, such as being able to keep an eye on it, but may not prove to be the best investment. Cast your net further to places with mass appeal.

3 GET THE BEST MORTGAGE AVAILABLE TO YOU

Make sure that you don't just speak to one lender when shopping for a mortgage. Researching into which lenders have the best rates and communicating to each of these to see how they can tailor the mortgage to suit your needs is a must. Speaking to an indpendent broker can really add value to your business. Not only can they highlight what deals are available, they can help you decide on which one is best for you.

4 IDENTIFY YOUR TARGET TENANT

Design the property in a way that would suit your target tenant, not in a way that you might like yourself. Students will want something basic, that is easy to clean and has a desk and young professionals will want something more modern but not overbearing, whereas families will want more of a blank canvas where there is space for all of their own belongings. Allowing for tenants to make their own mark on the property will make them feel more at home which means that they are more likely to stay for longer which is good news for landlords.

5 WEIGH UP YOUR SHORT TERM NEEDS

If it is possible that you might require quick access to the capital used to purchase a buy-to-let property then this may not be the best investment for you. House sales can take months to complete and therefore you should perhaps look at putting your money into a more readily convertible investment. Make sure that you are able to sustain your lifestyle with just the rental income receivable before investing into residential property.

6 CONSIDER YOUR LONG TERM GOALS

The property market is not unfamiliar to fluctation and so if stable growth over a certain period is what you are after, property may not be the right answer for you. Your investment decision should be based on income and not capital growth, even if long-term house price increases may be expected. Therefore, compare potential properties by their expected yields. For example, a property that costs £150,000 and delivers £7,500 in rent has a 5% yield.

7 PAY THE RIGHT PRICE

As a buy-to-let investor you are in a position where you are not in a chain and are not reliant on another sale going through to purchase the property. You need to use this to your advantage in negotiating a price and start with a low offer. Knowing the market and the current owner's situation is key in negotiating a price. For example, family homes are less likely to be sold for less as the family will need the proceeds to purchase a new home where as a retired investor looking to cash in on their investment for retirement would be more likely to opt for a lower price quick sell.

8 BE AWARE OF THE TAX IMPLICATIONS

As of 6 April 2017, individuals will be hit with severe changes in tax legislation which will see mortgage interest relief restricted to the basic rate (20%). Higher and additional rate taxpayers will lose out massively and so incorporation into a Limited Company could be considered. Additionally, an SDLT surcharge of 3% has now been introduced for individuals purchasing a second property. Consider this additional expense before purchasing further properties.

9 DECIDE ON A STRUCTURE

Deciding on a structure which best fits your needs and objectives is vital to getting the most out of your business. There are various options available, from individual or joint ownership to corporate ownership, each having their own benefits and drawbacks which will be specific to you. Evaluate the effect of each option before deciding on any particular plan of action.

10 HOW CAN JACKSON STEPHEN LLP HELP?

Unfortunately there is no 'one size fits all' solution, therefore seek professional advice so that you can help find the best solution for your needs. Jackson Stephen can help you meet your overall objectives whilst mitigating tax, other costs and administration.

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