



Guide

On

6 Tips For

Investing In A Buy-
To-Let Property

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Whether you have experience in property or not, chances are you already own your own home. But buying a property with the intention of letting is very different to buying for yourself. You need to think about rental yield, finding good tenants with the property, there are many things to consider when making your decision! Lets go through some of those things!

A rectangular sign with a white background and a red border is mounted on a stone wall. The sign features the words "TO LET" in large, bold, red capital letters. The sign is positioned in front of a stone building with a window and a roofline visible in the background. The sign is mounted on a stone wall, and the background shows a stone wall with several chimneys in the distance.

TO LET

BUDGET

Investing in a buy-to-let property requires you to put down a significant deposit. And unless you are in the financial position to go down a different route, it will also require you to take out a mortgage. So create a cost assessment and find out how much you can truly afford.

Remember that buy-to-let mortgages are more expensive and they normally require a minimum deposit of 25%. Don't forget to factor in arrangement fees as well.

Then calculate the rent that you're planning on earning from the property, financial institutions normally want this to cover at least 125% of your mortgage payments but even up to 145% at times.





Remember to also set money aside for maintenance and periods of time when the property might be empty and you will have to make these payments yourself.

WHAT MAKES A GOOD INVESTMENT?

This depends on your own personal reasoning.

If you're focused on long term growth, or improving a property to sell in future, you'll need to buy in an area with growth potential.

Chances are you want a passive stream of income while you own the property so then you will need to choose a property with the highest potential rental yield.

You need to assess your goals and then each property that you are viewing and decide how well they correlate





RENTAL YIELD

Rental yield is your return, or how much you earn from a property investment.

They are calculated as a percentage of the value of your property.

Generally, you want to have a rental yield of 5%. This isn't always achievable due to the area and its rental costs like London, whereas other investment hotspots have shown a 7% rental yield could be possible.

Example; rental income of £10,000 per year on a property that cost you £200,000 gives you a 5% yield.



TENANTS

Consider who you want to rent to, families, students or young professionals?

Think from their perspective and imagine what their needs and wants would be.

Families might want a garden, students might want to be close to entertainment areas and young professionals might want a very modern space.

Whoever you rent to remember the legal requirements such as a lease and placing the tenants' deposit in a deposit protection scheme.

WHERE TO START

Decide on a few areas of where you might want to buy. You might want to stay closer to home since you know the area well, or if you're going to have an agent manage the property for you then you can look further away in areas that might be more lucrative.

Look for particular roads to buy property on that are near the types of amenities that would attract your ideal tenant, like roads near a very good school if you're attracting families, or general areas that have a high average price or is up and coming or that other areas are expanding into.





TYPE OF PROPERTY

The right property will most likely be different from the property you would choose for yourself. You generally want a property with a broad appeal so that you can let quickly

Do you want to buy a house or flat? What type of tenant is attracted to either of these?

Do you want a new property or old? Consider that old properties require much more maintenance but will have much more character but might be harder to let.

Layout is important. Does it have large communal spaces that families and students could make use of? Or are there many separate rooms that might deter families?

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