



One Touch
Property Investment

One Touch UK BUY-TO-LET GUIDE

AREAS COVERED IN THE GUIDE

	Buy to let market
	Leasehold and freehold explained
	Costs of buying a property and the cost associated with running a property; ground rent, service charge, mortgage costs.
	Taxes
	Bank lending
	Property sourcing
	Purchase process – conveyancing + Costs

THE BUY TO LET MARKET FUNDAMENTALS IN THE UK

SHORTAGE OF SUPPLY DRIVES UP PRICES AS DEMAND INCREASES

The UK has a stable buy to let market, with rising prices due to the lack of housing. House building has long trailed behind the requirement for accommodation. According to conveyancing search provider Search Acumen, who used official figures from the UK government and Office for National Statistics, England has struggled to build an adequate number of homes for

- The UK is considered a safe haven
- It has a moderate, liberal, respectful government and is considered politically stable
- The UK is a relatively safe country with a diverse culture, generally accepting and allowing people to follow their beliefs (in particular London)
- There is a shortage of homes and according to the Barker Review 250,000 new homes need to be built each year
- Supply of new housing is not meeting demand
- Net inward migration is on the increase and could further exacerbate the housing crisis
- In 2002, when the Barker Housing Review was conducted, the net inward migration was only 260,000. That has skyrocketed to 491,100 in 2014.

at least a decade now.

Between 2005 and 2016 there has been a cumulative shortfall of 532,998 new dwellings that were needed, the need exacerbated not only by more people being born than dying, but also a reduction in the size of the average household from 2.78 people in 1976 to 2.34 people in 2016, resulting in an increased requirement for housing.

These fundamentals are good for investors who wish to achieve good amounts of capital growth, or decent rental yields. With more competition for housing stock, the prices increase exponentially. Also, an increasing number of people are choosing to rent instead of buying

UK house building

Homes completed, financial years 1970/1-2013/14



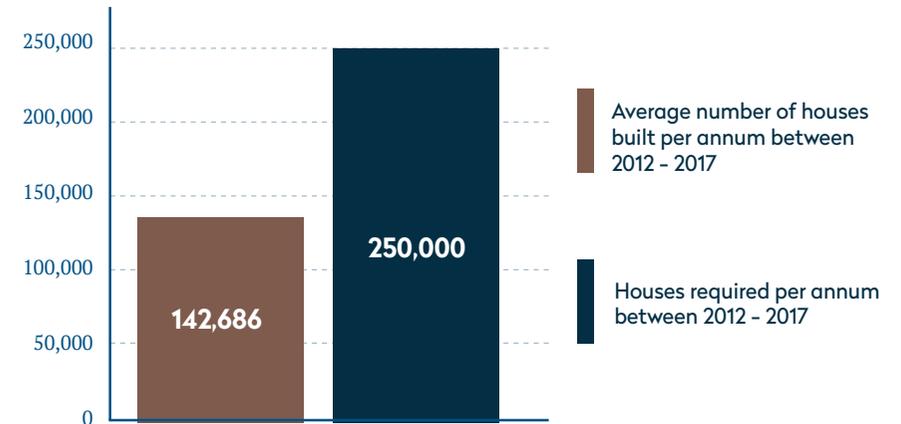
Source: Dept Communities & Local Government

LACK OF SUPPLY CORRELATES WITH HOUSE PRICE INCREASE

HOUSE PRICES SOAR WHERE THERE IS A LACK OF SUPPLY

A lack of supply coupled with an increase in demand has caused house prices to soar in many areas. House prices in cities such as Bristol, London and Oxford have increased by 8.9%, 8.6% and 7.4% respectively over the past five years. Their popularity is due to the variety of employment options available, number of students who continue to live in the city once they finish their studies and pleasant living environments (Bristol and Oxford are consistently rated as two of the best places to live in the UK). Combined with a lack of supply due to planning restrictions and the government failing to prioritise house building has caused increased competition for existing stock and thus has pushed up the prices.

Houses Built vs Required



For many investors, purchasing houses in either Bristol, London or Oxford may be out of reach as the cost has increased greatly over the past few years. One Touch Property has pinpointed areas that have experienced regeneration and have potential to offer capital growth such as Birmingham or Manchester, where year-on-year growth to April 2018 has been 6.7% and 7.7% - well above the national average of 4.9% for UK cities.

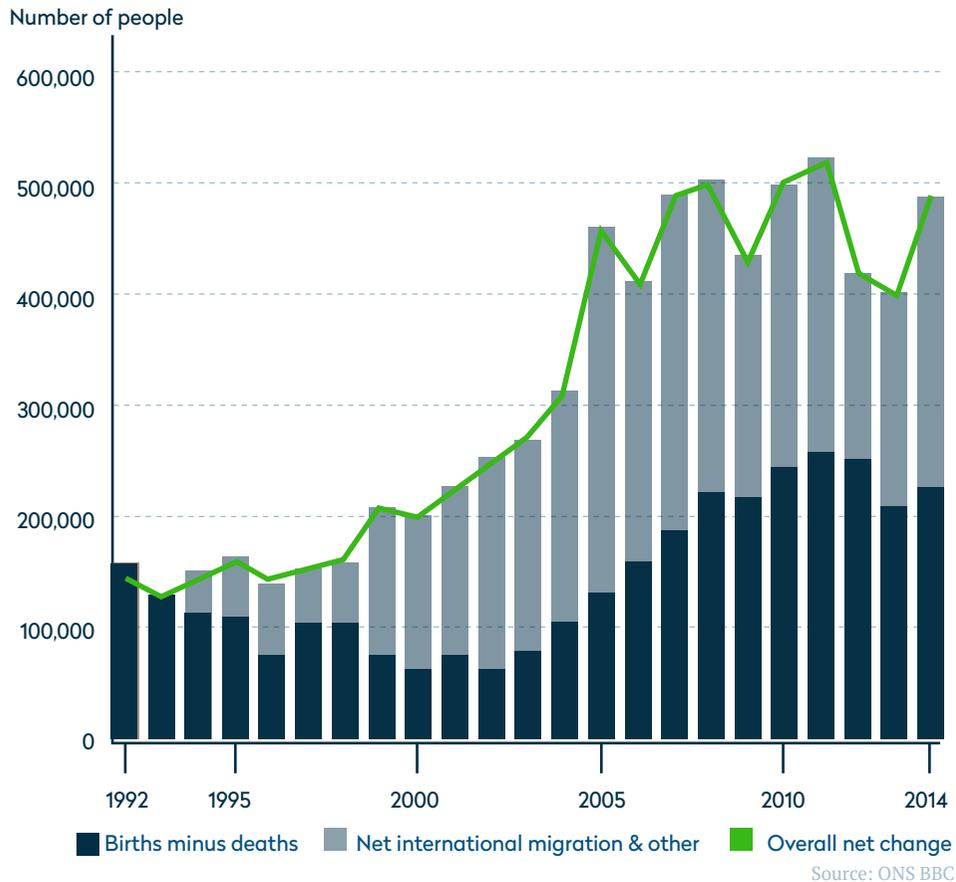
RECOVERY AND GROWTH



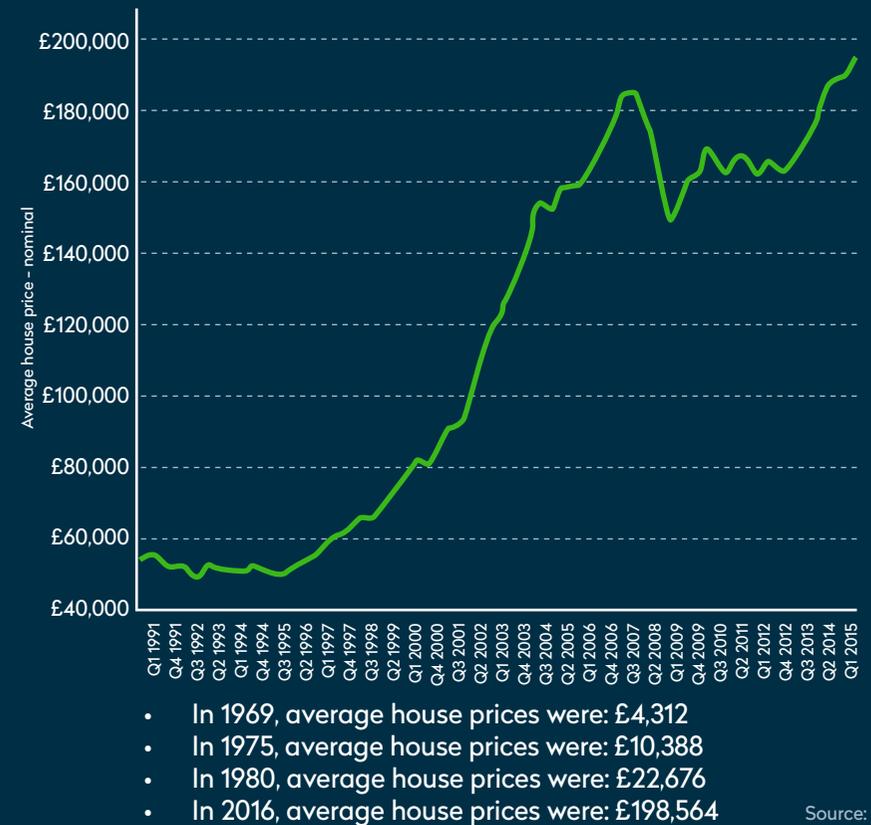
THE LINK BETWEEN POPULATION GROWTH AND HOUSE PRICES

In 2002, one of the members of the Bank of England's monetary policy committee, an economist named Kate Barker, conducted a housing market review. Her report concluded that 250,000 new homes should be built each year. Back in 2002, the net inward migration was 260,000 where as it peaked in at 336,000 in 2015. When new births and deaths are factored in, the net annual population growth is hovering around 500,000 per annum. It is easy to see the correlation between the house price growth and population growth graphs.

Annual population change



UK House prices in past few decades



The graphs only date to 2014 but the trend is remarkably similar.

LOOK TO THE NORTH WEST FOR A GOOD RETURN ON INVESTMENT

Here at One Touch Property we source high yield properties in areas of good capital growth. For buy to let we focus mainly on property in the north west, that is typically priced below the average house price but in an area experiencing vast amounts of regeneration. Average property prices in Liverpool for example, are £152,684 according to Rightmove, compared to a national average in the UK of £310,003.



LEASEHOLD V FREEHOLD - EXPLAINED

In England and Wales, a freehold generally means outright owning the land and the dwelling that sits on it. Most houses in England and Wales are owned on a freehold basis. A leasehold refers to someone who may own the property but not the land it sits on. It could be the case that someone who owns the freehold of the land grants temporary permissions for a leaseholder to occupy the land.



If this is the case, the lease will be lengthy, and an agreement will be drafted based on property and contractual law between the freehold owner (Lessor) and the tenant (Lessee). Historically, these were typically 99 years, although it is not uncommon nowadays for the lease to be 125, 250 or even 999 years. The leaseholder usually pays a small fee to the freeholder for occupying the land (typically between £50 – £250).

THE COSTS OF BUYING A PROPERTY

MORTGAGE COSTS

Many mortgages come with additional costs for arranging the loan; such as valuations, conveyancing fees, below details the true cost of buying a property. There are also booking fees, arrangement fees and mortgage valuation fees.



the mortgage works 

BM BIRMINGHAM
MIDSHIRES



THE COSTS OF BUYING A PROPERTY

DEPOSIT

Most mortgage lenders require individuals to put down at least 10% of the property's value, however to access better interest rates, a deposit of 25% or more is required. As of December 2017, the average house price was £226,756, so a deposit of at least £22,675 is required, or £56,689 to access better interest rates.

DEPOSIT REQUIRED FROM MORTGAGE LENDERS



VALUATION FEE

Once you have found a property you like, and the offer has been accepted, your mortgage lender will conduct a valuation of the house to ensure it is worth as much as the lender has planned to loan. The cost of the valuation will typically be dependent on the value of the property. Typically £350.



WHO ARE RICS

ROYAL INSTITUTE OF CHARTERED SURVEYORS

We're the global professional body promoting and enforcing the highest international standards in the valuation, management and development of land, real estate, construction and infrastructure.

THE COSTS OF BUYING A PROPERTY

SURVEYOR'S FEE

It is vital before you buy a property to get it checked by a surveyor. A surveyor will highlight any problems with the property that you should be aware of. Basic home condition surveys cost £250 and more in depth full structural surveys start from £600.

LEGAL FEES

You will need to employ the expertise of a solicitor to undertake all the legal work which typically amounts to £850 – £1500 inclusive of 20% VAT. They can also carry out local searches that cost between £150 – £300 to check whether there are any problems.

If you have the funds already and do not require a mortgage, consider that you may still need to pay Stamp Duty and legal fees.



TAXES

STAMP DUTY

Stamp duty is a government tax paid on property that costs over £125,001. First time buyers will be exempt from paying stamp duty on the first £300,000 of a property worth up to £500,000.

If someone is buying a second residential property over £40,000 an extra 3% increase on existing rates applies as of April 2016.



Buy-to-let and second home Stamp Duty tax bands

Brackets	Standard rate	Buy-to-let/second home rate (April 2016)
Up to £125,000	0%	3%
£125,001 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1.5m	10%	13%
over £1.5m	12%	15%

Property or lease premium or transfer value	SDLT rate
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

TAXES

SECTION 24

Since April 2017 the government has been restricting the amount of money that buy-to-let landlords can make on their property. They are beginning to phase out mortgage interest tax relief. Prior to April 2017 landlords could claim 100% tax relief for all their mortgage interest payments, and from April 2017 landlords could only claim tax relief for 75% of their mortgage interest costs. This will reduce to 50% in April 2018 and down again to 25% by April 2019. This means that by April 2020, all the landlord's rental income will be subject to basic tax rates.

The changes will only affect private buy to let landlords. Investors who buy and sell property through a limited company will not be impacted by the changes. It costs between £17 – £100 to set up a limited company, and further details on how to do it can be found on the Gov.uk website. Extra costs may be incurred if you wish to seek the advice of an accountant. In the UK, the corporation tax rate for company profits is 19%.



PERSONAL ALLOWANCE

In the 2020/21 tax year personal allowance will remain at £12,500.

For example, if you purchased two properties valued at £75,000 with 10% net income:

£15,000 INCOME

£12,500	ALLOWANCE
£2,500	TAXABLE AT 20%
= £500	TAX

TAXES

PERSONAL ALLOWANCE FOR OVERSEAS INVESTORS

You will get a tax-free personal allowance if you are a citizen of a European Economic Area country, or you have worked for the British Government at any time during that tax year.

You may also get a tax-free personal allowance if you reside in a country that is included in the double-taxation agreement. More details on countries that are in the double-taxation agreement can be found [here](#).

TAX ADVICE

We have partnered with Matthew Tyerman, a U.K tax expert, with year of experience. He charges £150 for an initial consultation.

The advice provided is for the UK implications of renting a property and does not cover the tax liabilities you may face in your own country of residence, domicile or citizenship. It covers owning the property personally and does not cover more complicated arrangements involving corporate bodies or trusts. Although, he can also provide advice in that regard.



Please start your enquiry by emailing Matthew.tyerman@taxreporting.co.uk or telephone +44(0)1892 853262 / +44(0) 7445 941096 between 8am and 6pm Monday to Friday UK time.

BANK LENDING

LOAN TO VALUE

Loan to value relates to how much of a mortgage you can receive compared to the value of your home. It usually constitutes a percentage figure that reflects the percentage of the property that is mortgaged, and the percentage of the property that you own.

To put it into context, if you own a home that is worth £200,000 and have a mortgage of £150,000 on the property, you have a loan to value of 75%, and the remaining £50,000 is your equity.

Over the years, after making repayments the loan to value will obviously decrease, but problems can arise if your house decreases in price, as then you would essentially be losing equity.

Typically, commercial properties such as care homes and student property do not qualify for mortgages, because residential lenders do not provide loans for commercial property, and commercial lenders would generally only consider larger purchases of £500,000 or more.

Mortgages are not available on residential properties under £150,000 to overseas landlords. There is no finance on commercial properties such as student properties and care home investments.



ONE TOUCH PROPERTY INVESTMENT

PROPERTY SOURCING

PRINCIPLES OF GOOD PROPERTY SOURCING

- Find areas of supply shortage versus demand
- Source undervalued properties
- Choose properties close to amenities and transport links
- Infrastructure changes and early stage regeneration
- Where legislation can disrupt or secure position
- Reliable developers with good quality builds

Our head of property sourcing follows a top down approach of selecting cities that have the most favorable supply versus demand fundamentals. The reason for that is because the cities with the greatest demand and most limited supply will have the lowest vacancy rate and the have the greatest chance of increased rental growth.

KEY DRIVERS OF DEMAND FOR RENTAL PROPERTY

JOB PROSPECTS

Areas where businesses are moving their offices too come with the promise that employees will follow. These employees will be looking for accommodation within the locale of their workplace.

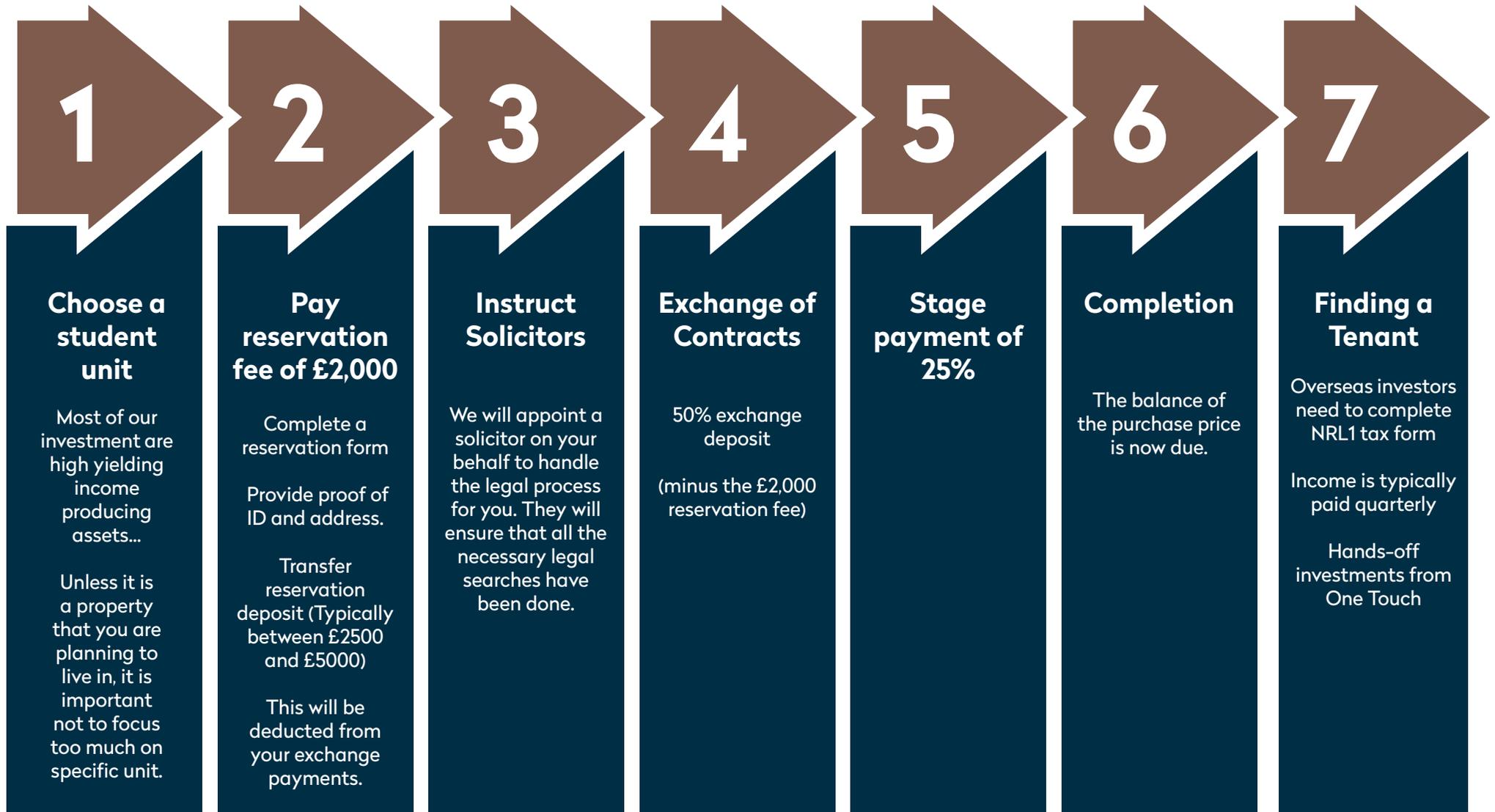
INFRASTRUCTURE CHANGES - I.E. NEW ROAD OR RAIL LINKS

Allowing people to easily access their workplace, surrounding towns and cities and the city centre will always make an area more attractive to reside in. Areas with poor transport connections will typically command lower house prices, but these will increase as transport links improve.

REGENERATION

Undiscovered areas will not command high house prices, but once the area starts experiencing regeneration and investment with improved housing and surroundings, house prices will soar as the demand to live there increases. This provides investors the perfect opportunity to buy at a lower price, and receive good capital growth on their property.

THE PURCHASE PROCESS EXPLAINED



PURCHASE PROCESS

WORK OUT YOUR BUDGET

Work out how much you can afford and account for stamp duty, legal and conveyancing fees. Remember that if you require a mortgage, you will generally need a deposit of at least 10% of the property's value.

RESEARCH AREAS

You will need to research areas to ensure that property prices there are affordable. You will also want to work out whether on top of fees and other repayments, the rental income will be substantial enough for you to make a profit.

CHOOSE YOUR PREFERRED UNIT

This is important if you are going to occupy the property yourself, as you may have a preference in terms of lighting or the direction the unit faces. If you are not planning to live there though, it is not important to focus too much on one apartment.

PAY A RESERVATION FEE OF BETWEEN £2500 - £5000

Once you have decided on a unit, you will be required to complete a reservation form and send it off along with proof of ID and address. You will then need to transfer a reservation deposit which will typically be between £2500 - £5000.

BEGIN THE CONVEYANCING PROCESS

Once you have made an offer and it has been accepted, you will need to instruct a solicitor who will begin the process of transferring the property into your name.

If you have taken out a mortgage on the property, the lender will typically want a valuation survey completed to ensure that it is worth what they are willing to loan you. If the valuation discovers any problems, you may want to reduce your offer to account for the repair work that has to be undertaken.

EXCHANGE CONTRACTS (MINUS THE RESERVATION FEE)

Your solicitor should let you know once they have completed all the relevant searches and investigations. Once your mortgage lender has provided you with a firm offer, you are ready to exchange contracts. At this point, you are committed to buying the property.

STAGE PAYMENT OF 25%

COMPLETION

Completion involves handing over the funds to buy the property. Usually this is managed by the solicitor on your behalf. You will generally be charged a small telegraphic fee to transfer the funds by your mortgage lender and will have around 30 days to pay any Stamp Duty owed.

RECEIVE YOUR INCOME

Rental income will generally be paid quarterly, but overseas investors will be required to complete an Nrl1 tax form. Property investment opportunities offered by One Touch are hands-off, meaning that investors will not have to worry about carrying out maintenance work or advertising for potential tenants.

STUDENT PROPERTY SOURCING

We make use of the student property market reports that are compiled by the large property consultancies such as Knight Frank, CBRE, and Savills as well as objective reports from the National Union of students and UCAS to obtain a balanced view of the market the student accommodation market.

We look for situations where changes in legislation could have a positive impact on the supply versus demand fundamentals such as in Nottingham, Leicester and Newcastle where the Article 4 Direction has been adopted. The Article 4 Direction essentially requires special planning permission for the conversion of single-family homes into accommodation of three or more unrelated occupants, thereby limiting supply. With demand growing, it presents a good opportunity for investors.

We choose student accommodation that is close to the most popular university as well as local amenities. Students tend to like to be close to the city centre as many of them have part time jobs and like the convenience of a good location – this often has a positive impact on the price that they are willing to pay for rent.

We study the rental projections provided by the developer and compare them with equivalent properties currently available for rent on Rightmove Student Property portal as well as to see if the figures “stack up”. The purchase prices should be in line with comparable properties that we have previously sold in similar locations across the country.

PROPERTY INVESTMENT DUE DILIGENCE

We realise that our investors are looking for investments that provide a good return on investment and capital protection. However, it is even more important that our clients do not experience capital losses with developments that do not take place. No one wants to see their hard-earned cash wasted on poor investments.



WE RUN EXTENSIVE BACKGROUND CHECKS ON NEW DEVELOPERS

When we choose to work with a new developer; we conduct a background check on the company directors and track record of the business by making use of Companies House records and National Federation of builders to see if they have any defaults or negative feedback.

WE CONDUCT SITE VISITS OF PAST AND CURRENT PROJECTS

Once the developer has passed the first stage of our property sourcing process, we will arrange a visit to the site location. It is vital that we visit each project site to understand if it is the type of property or investment that we would be comfortable in recommending to our prospective clients. Upon the site visit, we meet with the project management team and major contractors to establish if the time lines that the developer has mentioned can be implemented within according to plan and budget.

Ideally, we aim to also visit previous projects of the quality of finish that we could expect.

PROPERTY INVESTMENT DUE DILIGENCE

**WE ASK INDEPENDENT SOLICITORS TO
REVIEW ALL LEGAL DOCUMENTATION TO
ENSURE THERE IS NO CLAUSE INCLUDED THAT
COULD BE TO OUR CLIENT'S DETRIMENT**

After meeting the developer, we get in touch with our independent solicitors for them to review the proposed purchase agreement to establish if there is anything in the fine print that could be to our client's detriment.

We do not move ahead with advertising any project if we do not feel positively about the development team, or the suitability of the investment.

The panel of solicitors that we currently work with are:



T: 0203 058 3365



This firm is authorised and regulated by the SRA, www.sra.org.uk. The following is a link to the EU ODR platform, ec.europa.eu/consumers/odr. Our VAT number is 445717436.

SRA ID: 554585 | LLP number : OC360125

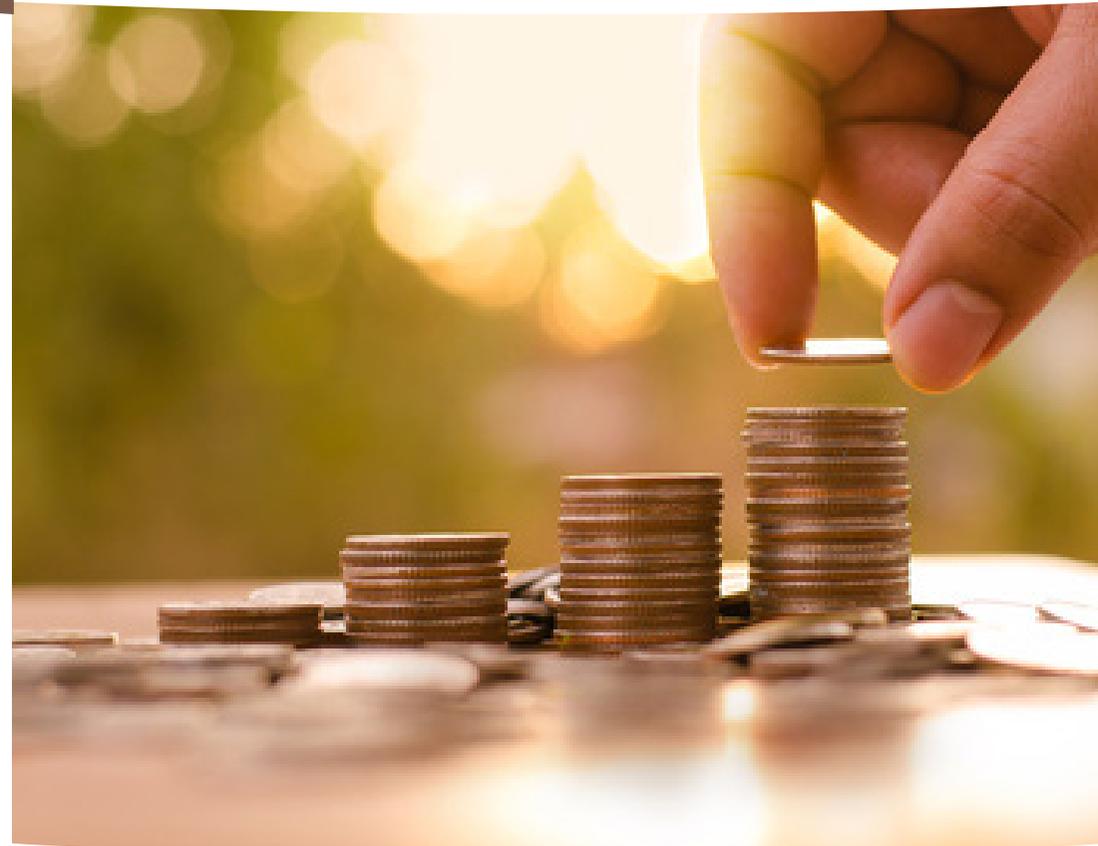
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www.onetouchinvestment.co.uk



WHERE ARE SOME GOOD AREAS FOR BUY-TO-LET INVESTMENTS?

As inner London becomes increasingly more unaffordable, young professionals are beginning to move to towns within commutable distance of the capital. With regards to property investment, will 2018 be the year of the commuter town?

We think so, and we regard places such as Slough and Stevenage will grow increasingly popular with those working in London who are priced out of the capital. Our predictions for the best places to buy to let in 2018 would be Slough and Stevenage, which boast excellent and ever-improving transport links to the capital and low house prices.

Stevenage benefits from easy access to London and beyond. One Touch have sourced a property development which offers commuters city living within the town centre, just a few minutes' walk from the mainline railway station and direct trains in under 20 minutes to King's Cross station in Central London.



STEVENAGE BUY-TO-LET DEVELOPMENT

King's Cross has recently emerged as not only one of the best-connected places in London but a vibrant rejuvenated neighbourhood. Positioned as an important hub for technology and innovation continuously attracting new companies to the area, Stevenage is reaping the benefits of the King's Cross regeneration scheme thanks to the superior transport links and easy access. Google GBP 1 Billion head office located in King's Cross.

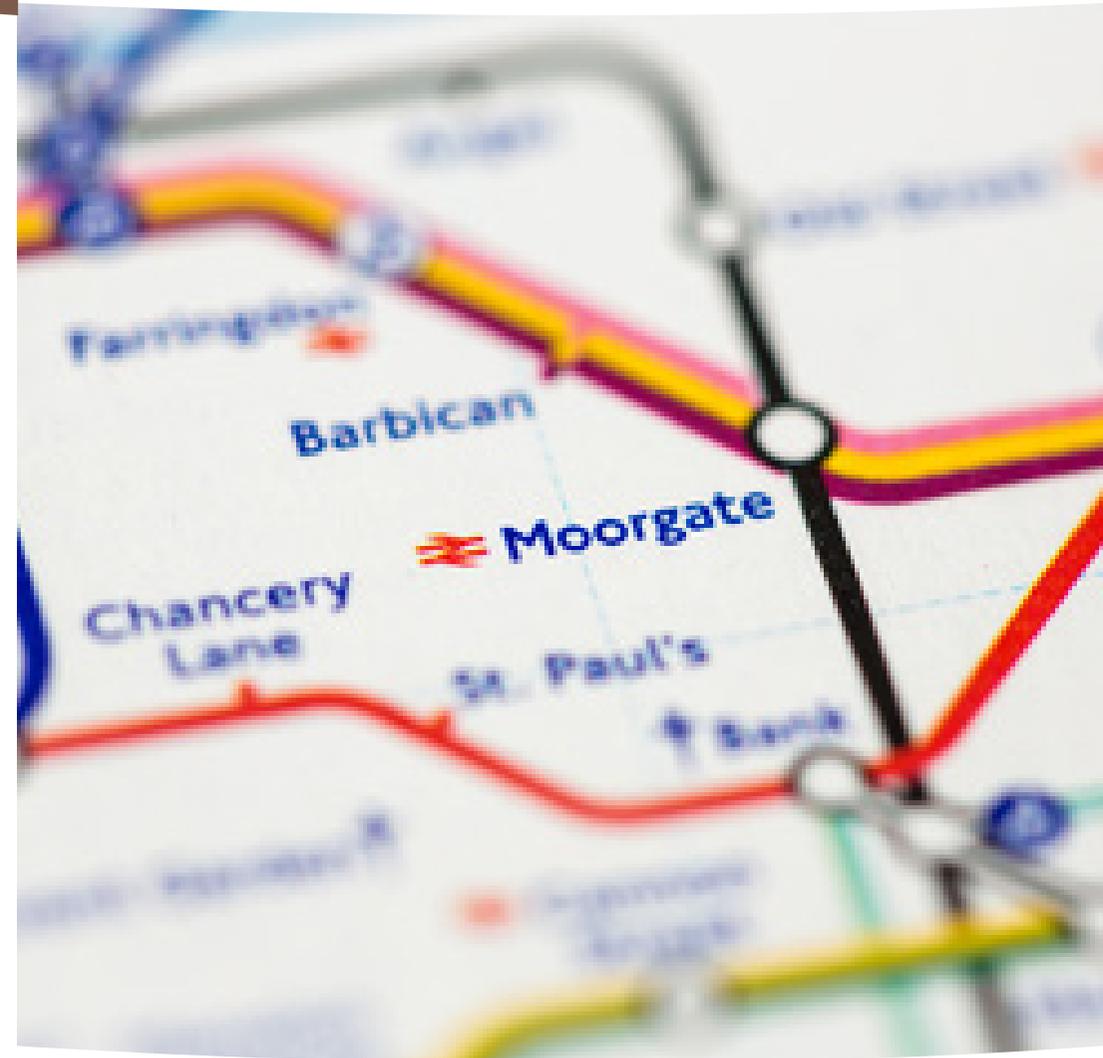
WHERE ARE SOME GOOD AREAS FOR BUY-TO-LET INVESTMENTS?

COMMUTE LONDON'S FINANCIAL DISTRICT

13:06 - 13:45

39 mins

-  **Stevenage Rail Station at 13:06**
Great Northern to Finsbury Park
19 min
-  **Finsbury Park Rail Station at 13:31**
Great Northern to Moorgate
14 min [View stops](#)
-  **Moorgate Station at 13:45**



Moorgate is in the heart of the financial district and London's Tech City where digital companies are located.

<http://www.techcitymap.com/index.html#/>

<http://www.techcityuk.com/>

We also think large cities that are receiving lots of regeneration and interest from businesses will prove to be good investments, so we also recommend investors consider Birmingham, Manchester and Nottingham as high numbers of young people reside in these cities.

See our best places to invest in property UK 2018 for the full list of areas we think are worth investing in. If you are ready to start investing, why not have a look at our buy to let checklist.

IMPACT OF BREXIT ON PROPERTY MARKET

At this point in time, many people are worried about the impact Brexit will have on the property market. As the UK struggles to agree upon a concise trade deal with the EU it has experienced currency fluctuations which has caused some hesitation amongst investors.

Even with the uncertainty of Brexit, several large institutions still have confidence in Britain's housing sector as the supply and demand imbalance is not likely to be addressed anytime soon. Greystar Real Estate Partners has joined forces with Allianz Real Estate to invest £350m in student property and PRS REIT has bought several sites in Wales, Yorkshire, the North West and the Midlands.

These large institutions still see potential in the UK housing market and this further confirms One Touch Property's position that UK property can still be profitable. We analyse the fundamentals of key cities and choose the best investment classes to allow for good yields and capital growth.

