

# GUIDE TO BUY TO LET



BESPOKE BRIDGING LOANS MADE SIMPLE

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# GUIDE TO BUY TO LET



There are many reasons why people rent, and equally there are many reasons why people let. When it comes to investing in buy-to-let property, there are several elements' landlords need to decide upon before purchasing a property – *but where do you start?*

To help you find the best buy-to-let fit, we have put together our **GUIDE TO BUY TO LET**. This guide pulls together all of the important aspects you may need to consider before taking the plunge into being a landlord.

A BTL investment is when either an individual buyer, or a company, purchases residential investment assets with the intention to 'let' them out to selected people. These people are then called tenants. Renting can be a way for tenants to gain independence without having to fork out thousands for a deposit on a house and with UK property prices rising, saving for a deposit can be incredibly difficult.

Buy to let (BTL) is steadily increasing in popularity as a way to provide mostly passive income, whilst having always been of interest to those looking to make healthy returns on their investments. BTL properties are often flats or house shares generally found close to city centres, where property prices are high but rent is often affordable and in walking distance to an employment epicentre.

**There are 4 key types of BTL properties that you can purchase.  
These will reflect the type of tenant you wish to let to:**



**Studio Apartments**



**Flats**



**Houses**



**HMOs**

For those looking to invest in a buy to let property, it's important to ask yourself if being a landlord is for you, and whether you can deliver the type of property that tenants are looking for.

# ADVANTAGES OF A BUY TO LET



## Regular income

Letting out a property can provide a steady income for landlords, as rent is often paid in monthly advances. With so many tenants in the market – and demand remaining at a constant high – it minimises the chance for landlords to hit empty property periods, meaning they could receive a healthy and regular income from these types of property investments.

## Capital growth

Average rent for England is currently at its highest price ever, at £725 per month, according to the Office for National Statistics, collected between 1st October 2019 – 30th September 2020. This is an increase on the previous year by **3.57%**. With demand increasing, rental prices have been rising, providing an attractive yield for prospective landlords.



## Meet Loan Repayments

If you're looking to purchase an additional property to your home of residency, for the purpose of receiving capital gain, letting out a buy-to-let can a great way can be a great way to achieve this. This is done by using the monthly income from your tenants to repay the buy-to-let mortgage over time.



However, you need to examine the mortgage lender's criteria before purchasing the property. Some mainstream lenders may need income evidence, that proves your monthly yield will be substantial to cover the upcoming mortgage payments. Purchasing the property using alternative finance, such as a bridge loan, can allow the landlord to purchase the property quickly, enabling tenants can move in. Over the following months, you will then be able to gather the necessary income evidence.

**As our bespoke loans have no early exit fees, once you have organised your long-term payment plan, you can repay the bridging loan at a time that best suits you.**

# IS NOW A GOOD TIME TO INVEST IN BTL?

Property prices are rising.



= **£251,697**

According to Halifax, from February the UK average house price stands at **£251,697**.

Whilst there has been concern about a potential drop in property value at the end of the stamp duty holiday, the continuing rise of average property price rise shows a unchanging confidence in the market. Investing in UK property gives the potential for good capital gains in **the next five years alone**.

*The predictions above do not include new build rentals, they relate only to the second hand market and reflect the prospective average rents over the next 5 years; by Savills.*

With the vaccine roll out set to have the UK fully vaccinated by September 2021, and the first ease of the lockdown now set into motion – city life is likely to make a strong comeback and therefore push value back up for city properties.

## Estimations by Knight Knox:

- 50% of people under 40 will be renting by 2025
- 5.9% Average NET Yields 3

The latest monthly rent changes from the Office of National Statistics show that over the last 6 years, from January 2015, rental prices have risen by 10.2%.

Over the past 12 months leading up to February 2021, the UK saw a 1.4% increase in private rental prices paid by tenants.

- **1.3% England (inc. London)**
- **1.6% England (exc. London)**
- **1.5% Wales**
- **1.1% Scotland**
- **3.3% Northern Ireland**

**Competition in the market can be seen, as the number of buy-to-let landlords has risen to 2.7 million, a 49% increase over the past 5 years. Will this overcrowd the market?**

Whilst the market remains competitive, this growth should not be mistaken for an overcrowding issue.

The increase in property prices have been the key reason why many people are remaining as renters for longer, instead of becoming homeowners. More people are continuing to rent well into their mid 30-40s. This means that while there may be more landlords are entering the private rental scene, less tenants are choosing – or are able – to leave the rental sector.

There has been a rapid increase in two age brackets between 1993 and 2017.

The figures have risen dramatically for both brackets over the past 24 years, but the sharpest increase has been with in the 35 – 44-year-old tenants which has been witness to an increase of 236%.

Office of National Statistics

## Past Property Trends

### Rental Cost

Studying the annual percentage changes in rental price growth, you can see that all areas have seen a continuous rise of rental prices over the past 3 years. However, there is an underlying migration pattern running from the South to the North of England, giving the appearance that people are beginning to move to the northerly regions of the country; where prices are cheaper.

Below is a collection of the percentage change over 12 months leading up to the corresponding dates from the Office of National Statistics Index of Private Housing Rental Prices; ranging from 2018 – 2021. This shows a positive change in rental prices, year on year, with the latest strongest annual rental price growths showing in the **South West**, **East Midlands** and the **North West** regions.

Rental Cost	Feb 2018	Feb 2019	Feb 2020	Feb 2021
England	1.1%	1.1%	1.4%	1.3%
North East	0%	0.3%	0.7%	1.4%
North West	1.3%	1.1%	1.0%	1.9%
Yorkshire & The Humber	1.4%	1.8%	1.9%	1.6%
East Midlands	2.5%	2.4%	2.2%	2.2%
West Midlands	1.7%	1.8%	1.5%	1.9%
East of England	2.1%	1.3%	1.6%	1.3%
London	0.1%	0.2%	1.1%	0.8%
South East	1.7%	1.6%	1.2%	1.0%
South West	2.1%	1.8%	2.3%	2.3%

Whilst rent may be cheaper up North – making it more attractive for tenants – it also holds a long-term benefit for property investors.

## Property Price increases

Property prices and their capacity to fluctuate should also be considered when investing in buy to let assets. As mentioned earlier, capital growth is a key advantage to property investments and letting a property in an area likely to increase in value over time can be a way to secure additional capital later down the line.

Below shows figures from the UK House Price Index by the Office of National Statistics. It marks the percentage changes over the course of 12 months, leading up to the mentioned months. You can see evidence of the 2020 property boom over the course of the pandemic – from pent up buyers and the announcement of the stamp duty holiday – and how areas in the North have been greatly impacted. With cheaper prices and more countryside properties, this rise can be noted as an after effect of the Coronavirus pandemic.

Rental Cost	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021
North East	3.6%	-1.0%	1.8%	9.2%	8.5%
North West	5.9%	3.5%	2.0%	11.2%	12.0%
Yorkshire & The Humber	2.8%	4.2%	3.9%	10.4%	8.9%
East Midlands	6.3%	4.2%	2.8%	10.6%	7.6%
West Midlands	6.3%	5.2%	1.4%	9.4%	4.7%
East of England	5.2%	0.2%	2.4%	7.0%	7.5%
London	2.5%	-0.6%	2.3%	3.5%	5.3%
South East	4.2%	1.2%	1.2%	6.1%	6.4%
South West	7.5%	2.9%	2.2%	10.2%	6.7%

*Please be reminded that latest statistics under Jan 2021, will also include elements from December 2020, as the percentage is taken from the 12 months leading up to the titled dates.*

## UK Buy to Let Hotspot Cities

The pandemic has brought about a desire for spacious properties, away from the crowded city streets.

The love for Prime Central London property will never die but the pandemic has momentarily decreased its growth rate. Although the end of lockdown 3 is underway and the vaccine is being rolled out at a rapid rate, both city-working tenants and buyers

are still considering increasing their travel time to make their money go further, by investing in commuter towns over central city locations.

Investment into regional regeneration, infrastructure and transport links are also increasing the attractiveness of commuter towns for buyers and renters alike.

## What to consider before purchasing

### 1) What property type / tenants will work for you?

- Studio Apartment: 16-24, 25-34
- Flats/Apartments: 25-34, 35-44
- Semi-detached or detached properties: 25-34, 35+
- HMOs: 18-24

### 2) What area are you looking to buy in?

- As with any investment opportunity, you need to make sure you do your background research on the market in your chosen area
- You should research rental properties online to see what the competitive rates are for properties similar to yours and what quality they provide for their tenants
- Websites such as Zoopla and Rightmove often show images for an array of different properties and rental styles, so these are good places to start

### 3) Arrange finance beforehand!

- Arranging a mortgage can be a long process, and property investments regularly present themselves with only a small window of opportunity
- We offer fast and flexible bridging loans, that can see funds in your account in as little as 3 days. Our process consists of six simple steps and a dedicated underwriter will be on hand to guide you through, every step of the way.

## Finance for BTL Properties

With house prices set to rise in the coming months, BTL properties remain a popular option for those considering different investment assets. And with the Stamp Duty Land Tax holiday extended until the end of June, those looking for a new BTL investment opportunity should act quickly.

Alternative finance can offer flexible bridging loans that can ensure funds can be with you in a matter of days. A fast completion is something that BTL mortgages can not normally provide. A bridge-to-let loan can help finance a property investment opportunity with a swift and simple process.

*A record number of property transactions (26%) throughout January 2021 witnessed an increase in time (from the moment of the offer being accepted to exchanging contracts), having taken over 17 weeks.*

*NAEA Propertymark: Housing Report, February 2021*

When arranging long term finance, you'll want to make sure that you organise a buy to let mortgage. As buy to let assets are viewed as a higher risk, you will need to pay a larger deposit on your property often between 20% -40%. On average this tends to be 25%.

Fees are often higher, as buy to let mortgages are usually interest only, meaning monthly payments are cheaper. The capital will often be required to be paid back in full.

Our team can provide more information about what bridging finance options are available with our buy to let product.

**Whether you're in need of a standard buy to let loan  
Looking for finance to help with a buy to let refurbishment project  
Or looking to convert your property into flats.**

[Get in touch today:](#)

## The Future of Buy to Let

The pandemic has changed what tenants currently want from a rental property. The ability to work from home means that some tenants are considering less expensive properties outside of urban areas which offer additional space, both indoors and outdoors.

Landlords are adapting to these needs caused by COVID-19. As lockdown restrictions are lifting, commentators are confident demand for rental properties will continue to increase. There are also new property investment hotspots that prospective landlords need to be aware of.

Growing demand for BTL properties located just outside cities in recent years is a great example of this. They are popular locations as tenants can commute to London and other major cities when required but benefit from cheaper rent and living costs. MFS recently identified the top five commuter towns that buy to let landlords investing in property should have on their radar in 2021.

### **St. Albans, Hertfordshire**

21 miles outside of London  
Average property price: £582,357

### **Watford, Hertfordshire**

25.4 miles outside of London  
Average property price: £428,628

### **Luton, Bedfordshire**

29.05 miles outside of London  
Average property price: £256,654

### **Royal Tunbridge Wells, Kent**

31 miles outside of London  
Average property price: £515,308

### **Woking, Surrey**

31.5 miles outside of London  
Average property price: £520,533

### **Bedford, Bedfordshire**

- 46 miles outside of London
- Average property price: £311,881

### **Aylesbury, Buckinghamshire**

- 50.9 miles outside of London
- Average property price: £357,723

### **Peterborough, Cambridgeshire**

- 74 miles outside of London
- Average property price: £210,946

*Zoopla Average Property Price March 2021*

# A HELPING HAND

## LANDLORD RESPONSIBILITIES



### Fire & safety

- Each storey must have a smoke alarm
- Every room with a fuel burning appliance will need a carbon monoxide alarm
- Make sure all furnishings supplied are fire safe
- Large HMO owners are required to supply fire alarms and extinguishers for their tenants

### Electrical Safety

- Ensure all appliances are safe for use
- Ensuring that the electrical system and communal sockets and light fittings are safe for use
- The deadline for Electrical Safety Compliance on the **1st April 2021** may require landlords to upgrade some of their current regulations, so make sure you get this checked ahead of time



### Tenants



- As a binding legal document, a tenancy agreement is a good way to safeguard yourself as a landlord. Should a tenant decide to exit their tenancy earlier than agreed, then the agreement then the agreement will outline the aftereffects. *Examples include:*
  - 1) The tenant will continue to pay rent until a suitable replacement is found
  - 2) They must give advanced warning within an agreed period – often 1-3 months' notice – to provide the landlord sufficient time to advertise the property and find another tenant.
- Organising property inspections are normal and should be encouraged if you're feeling unsure about how your tenants are treating the property. Legally, you will need to provide your tenants with a minimum notice period of 24 hours.

*Statistics show that the private rental sector is still highly favoured by young professionals. 67.8% of the sector in 2017 consisted of renters aged between 16 -24 and was closely followed by those aged between 25 - 34 who took up 43.7% of the market in 2017.*

# A HELPING HAND

## LANDLORD RESPONSIBILITIES



### New HMO regulations

- Refurbishment loans are ideal for landlords looking to renovate their property. Here at MFS, there's rising interest for this type of bridging loan. This is due to new House in Multiple Occupancy (HMO) regulations.
- Landlords must ensure their rental properties meet the minimal HMO standards set by the Government. These standards include minimal room sizes for occupants as well as ensuring all rooms and communal spaces are "fit for human habitation".

### Insurance

- Organising insurance is of paramount importance. Buy to let landlord insurance will cover not only your property, but also any unexpected damage caused by your tenants and their visitors, that could otherwise cost you a small fortune.
- When looking for the right buy to let landlord insurance for you, there are three key elements you'll want to make sure you're covered for:
  - Building
  - Contents
  - Landlord liability



**As a landlord, you are legally obligated to rent your property at a certain standard and ensure the property meets specific housing requirements.**

**You can find out more information about your responsibilities as a landlord on the gov.uk website by clicking [here](#)**

Contact us today to arrange your fast,  
bespoke bridging loan:

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## Market Financial Solutions

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