



# Property Investment

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# INTRODUCTION

- Director of the Alan Boswell Group
- Vice-Chairman of the Eastern Landlords Association
- Landlord and property investor for over 10 years

# OVERVIEW

- Fundamentals of property investment
- United Kingdom properties
- New build properties
- Second-hand properties
- Houses or flats/apartments
- Overseas properties
- Established or emerging markets
- Properties in Switzerland
- Summary

# FUNDAMENTALS OF PROPERTY OWNERSHIP

- Tenants are your customers treat them as such
- Pay for professional management, do not use relatives or friends
- Present the property well, you are in competition
- Keep it simple, do not indulge your own tastes
- Don't invite maintenance issues, they cost money
- Keep funds aside for unexpected costs, e.g. a new boiler
- Expect a month a year void even in the best properties
- Beware of off plan properties, completion dates can slip
- Engage a good solicitor, you get what you pay for
- Arrange proper insurance, protect you assets

# UK BASED PROPERTIES

- Can be seen and touched regularly
- Familiar legal system and language
- Proven record of growth
- Known tenant demand
- Prices may have peaked for now
- Current yields low due to latest prices
- Few genuine off plan opportunities
- Rising interest rates may dampen the market
- Buy to let still a very popular proposition
- More accessible and lower risk than stocks and shares

# NEW PROPERTIES (PROS AND CONS)

- New properties tend to have a price premium
- You may be buying into an investor 'ghetto' If so, you may experience rental competition
- Initial capital growth may be modest
- Yields are also likely to be low initially
- Maintenance costs should be negligible for the first few years
- Security of ten year guarantee on building defects
- New properties often appeal to tenants
- Properties will benefit from the latest building regulations
- They will be well insulated with lower utility bills

# SECOND-HAND PROPERTIES (PROS AND CONS)

- Should represent good value for money compared to new builds
- Will not have new property 'teething' problems
- May have ongoing maintenance issues, e.g. damp
- May require updating, e.g. new kitchens and bathrooms, etc
- Should have a larger plot and bigger living areas than new builds
- More likely to have off road parking
- Less likely to be in a trendy area for young professionals
- More likely to be in a real community with established shops, etc
- More likely to be nearer schools and community facilities
- May be favoured by students depending on the area

# HOUSES OR FLATS

- Houses better for families, more space and privacy
- Flats appeal to younger tenants, more trendy
- Flats carry service charges that eat into rents
- Flats are more sensitive to market fluctuations in value
- Houses are usually freehold, flats are normally leasehold
- Possible backlash against the number of flats built recently
- Flats utilise brown field sites better with higher densities
- Long term capital growth likely to be better for houses
- Flats more likely to be in trendy city centre locations



# OVERSEAS PROPERTY

- Why buy? Own use, investment, holiday or long term lets
- Off plan purchase: significant capital tied up, completion dates can slip, your circumstances can change during the build period, ensure bank guarantees are in place, competition for sales/rental at completion, high potential profit at maturity
- Resale value: you see the finished property, new build hassles are avoided, e.g. connecting utilities, some 'forced sale' bargains available, older properties may need updating, check planning permission in place, is location still fashionable?
- Check title: multiple ownerships, land disputes (e.g. Northern Cyprus), lack of building permissions, future nearby developments
- Future values: may be dependent on UK economy, will location remain popular, completion date for whole development (e.g. is there an unfinished golf course, etc), future site management

# EMERGING MARKETS

- Low prices, higher risk (lack of bank guarantees, etc)
- Untried locations
- Possible glut of properties at completion
- Mostly off plan so little to see now
- Brave early investors make most money
- Is there local mortgage finance available?
- Long term maturity, will it keep looking good?

# ESTABLISHED MARKETS

- Proven record of sales and rental
- Established infra-structure and flights, etc
- Mature financial system for mortgage borrowing
- Bank guarantees are common place
- Good long term resale prospects
- Consider 'emerging' parts of established countries

# SWISS PROPERTY (AN 'EXCLUSIVE' OPPORTUNITY)

- Very stable financial and political system
- Excellent capital growth due to restricted supply
- Not as expensive as often thought (cheapest petrol in Euro zone)
- Non residents are allowed to buy in certain specified areas
- Second home owners are allowed to let properties short term
- Overlooked by most buyers and sellers due to perceived difficulties
- Exclusive and upmarket ambiance

# SUMMARY

- Buy to let is the best performing investment so far this century
- Average home values increased from £84,293 to £196,525 from early 2000 to date, a gain of 133%
- True returns are much higher for buy to let investors due to gearing, i.e. growth is measured against capital employed rather than property's total value
- Tax relief given on all loan interest
- Loan effectively paid by tenant out of rents
- Remember, property can be a short term speculation but it's a long term investment