

Lancaster Landlords: 6 Tips For Investing In A Buy- To-Let Property





Investing in a rental property can be a rewarding venture, offering the potential for excellent returns and long-term financial growth.

However, to truly maximize your investment, it's essential to carefully consider several key factors before making a purchase. From choosing the right property to understanding how to boost your rental yield, smart decisions at the outset will set you up for success.

This guide provides practical tips and insights to help you navigate the process, avoid common pitfalls, and ensure your property investment aligns with your goals as a landlord.



1

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.

It is always worth speaking with an independent financial advisor such as PBS in Lancaster who can find the best deal for your circumstances.



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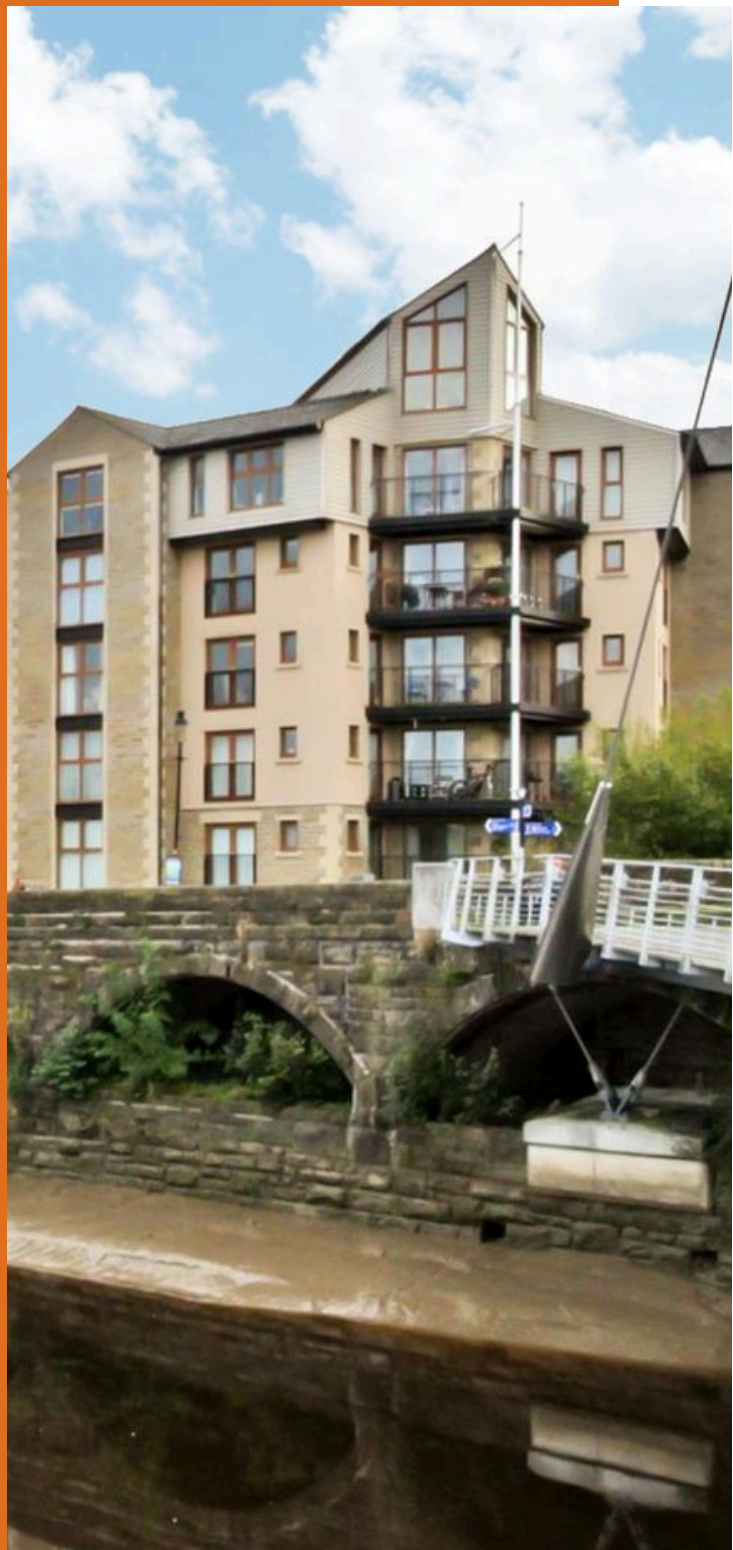
What makes a good investment?

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. Keep an eye on upcoming developments in the local area or research popular features in a district such as schools, green spaces etc.

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 and consider any potential outgoings such as ground rent, insurances etc.

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



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Rental Yield

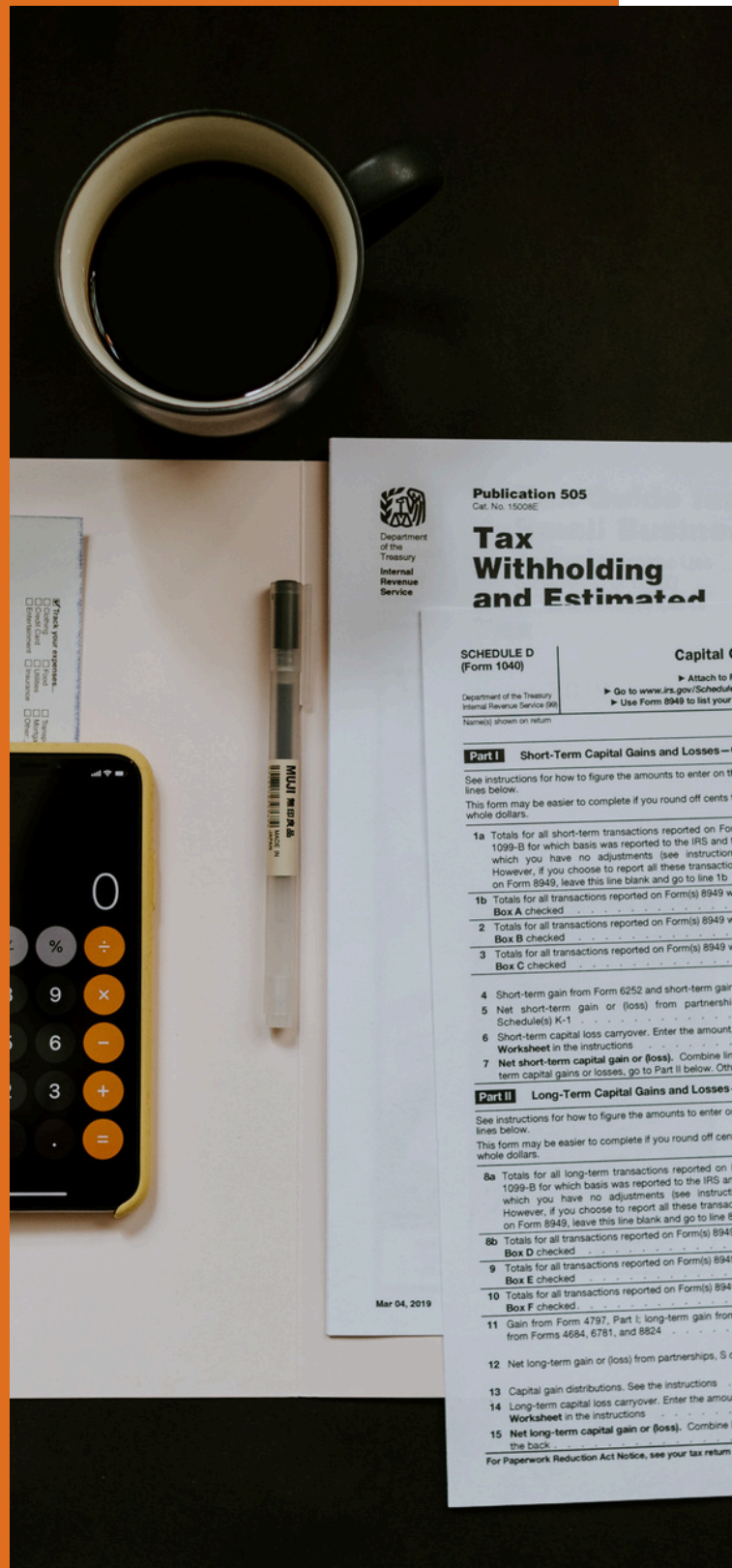
Rental yield is a term you will often see when it comes to investing and it describes your return, or how much you earn from a property investment.

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

Generally, you want to have a rental yield of at least 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 or more. It all comes down to your outgoings.

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

In advertising, agents often refer to the **gross** yield as they don't know what your outgoings are going to be. Bear this in mind when doing your calculations!



4 Tenants

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

Families

Families often seek stability and a long-term rental arrangement. Key considerations include:

- **Location:** Proximity to good schools, parks, and family-friendly amenities is highly desirable.
- **Space:** Properties with multiple bedrooms, ample living space, and a safe outdoor area often appeal to families.
- **Safety Features:** Child-proof fixtures, secure fencing, and low-maintenance flooring are practical upgrades.
- **Community:** Family-friendly neighborhoods with low crime rates can be a significant draw



Students

Student tenants are a common choice in areas near colleges and universities. Consider these factors:

- **Location:** Proximity to campus, public transportation, and affordable dining options is vital.
- **Affordability:** Students often work within tight budgets, so keeping rents reasonable can make your property more attractive.
- **Furnishing:** Offering furnished or partially furnished accommodations can save students upfront costs and increase the property's appeal.
- **Maintenance:** Be prepared for higher wear and tear due to the transient nature of student tenancies.

Professionals

Young professionals and working adults tend to prioritize convenience and modern features. Here's what they look for:

- **Location:** Easy access to workplaces, public transit, and lifestyle amenities like gyms, cafes, and entertainment hubs.
- **Modern Amenities:** Fast internet, contemporary appliances, and stylish interiors are often non-negotiables.
- **Flexibility:** Shorter lease terms may appeal to professionals who are frequently relocated for work.
- **Low Maintenance:** Busy professionals value properties that require minimal upkeep, such as those with modern finishes and no large gardens.



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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.

Take the time to explore an area, first impressions are important and when tenants are looking for a property they will consider the feel of the area.



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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 it quickly and have the best chance of attracting lots of applicants

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 - there are pros and cons of each types of property

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 but attract professionals who need work from home spaces.



And that's it. We hope this guide will help give you some ideas on what you need to consider when finding your next investment. Ultimately, it all starts with your preferences - what type of tenant are you looking for? What long terms goals are you looking to achieve?

If you would like to discuss renting out your home, or buying a property to let, simply give our Lettings Manager, Josh, a call on 01524 843322. We're here to answer any questions you may have about the lettings process.



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