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Power of Buy-to-Let Mortgages Shines Through in Landlord Buying Habits

The buy-to-let market is undergoing a huge change – from cash buyers to buy-to-let mortgages and from landlords with one property to portfolio investors.

Cash purchases are down in almost every region of the UK in favour of buy-to-let mortgages.

MANCHESTER, GREATER MANCHESTER, UK, April 16, 2021 /EINPresswire.com/ -- What's Happening with Cash Buyers in the Buy-to-Let Market?

Fewer landlords are purchasing buy-to-let property with cash. Instead, more and more landlords are looking to utilise buy-to-let mortgages. In 2017, 62% of landlords buying rental properties bought with cash. Since then, this percentage has been steadily falling. In 2017, 62% of buy-to-let purchases were through cash. However, in 2020, only 52% of buy-to-let purchases were through cash – the rest were purchased through buy-to-let mortgages.

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>
> *Stuart Marshall*

'This is a trend that we've been seeing for a number of years now' says Stuart Marshall, CEO of Liquid Expat Mortgages. 'The cash buying landlord high of 2017 has now fallen to a much lower percentage in 2020. And there is evidence that this trend will continue as the last half of 2020 saw only 50% of landlords buying with cash. The rest were turning towards buy-to-let mortgages. For those that know the potential of buy-to-let mortgages, it's not surprising. After all, buy-to-let mortgages increase the accessibility of rental properties and facilitate saving for retirement or the building of an investment portfolio.'

Cash purchases are down in almost every region of the UK in favour of buy-to-let mortgages. The areas where this trend is most concentrated are the more expensive parts of the country with

London leading the pack, where the percentage of cash buyers has fallen 6% between 2019 and 2020 leading to only 52% of buy-to-let purchasers buying with cash.

The only area of the UK bucking this trend is Wales which saw a 2% rise in the numbers of cash buy-to-let purchases. This is most likely due to the sheer affordability of property in Wales.

Buy-to-let mortgages can be gained through a limited company which will increase the flexibility of your purchase.


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Why Buy-to-Let: Building an Investment Portfolio.
Purchasing a rental property with a buy-to-let mortgage is a great way to build a larger investment portfolio. Instead of purchasing just one property with cash, this sum can be split into a set of deposits that facilitate a number of buy-to-let purchases. If buying in some of the more affordable areas of the country, this can go a long way and mean that you could quickly build a portfolio in some of the most profitable areas of the country. For example, if you buy a number of properties in the North West, rental yields are likely to be high across all of these properties and property prices are projected to grow by 24% in the next five years. This will allow you to profit a number of times from your invested sum, rather than just once if you were to buy through cash.

‘When talking to our clients, many express a desire to build an investment portfolio as an alternative to a pension fund or to gift to their children so that they can build their wealth. This is a great idea and we usually advise that the best way to do this is through buy-to-let mortgages. Expats working abroad often benefit from preferential tax rates – if, for example, they work in Hong Kong or the UAE as many UK expats do – and strong exchange rates compared to sterling. This often gives them the upper hand when buying in the UK, especially if they retain a UK residential property or a UK credit rating. Using buy-to-let mortgages is a great way to quickly

expand an investment portfolio and capitalise on the great current conditions for UK expat buyers.'

Why Buy-to-Let: Flexibility.
'The mortgage market is incredible at the moment. The range of choice available and record low interest rates are making the market very attractive, with property portal Zoopla reporting that mortgage choice is at an 11-year high. This means that the ball is really in the buyers' court when it comes to finding the buy-to-let mortgage that suits them.'

Further, buy-to-let mortgages can also be gained through a limited company which will increase the flexibility of your purchase even more. Not only will you be subject to a lower tax rate by buying through a limited company than if you were to buy as a landlord but you are also allowed to claim mortgage interest as an expense (something you are not allowed to do if buying as a landlord). As well as this, having a buy-to-let mortgage within a limited company can mitigate the effects of inheritance tax, increase your potential to re-invest and increase the flexibility of your investment too.

Disclaimer: Please note that Liquid Expat Mortgages has no direct control over the timescales relating to either the processing of mortgage applications or mortgage offers being issued by lenders. Liquid Expat Mortgages has no control of the legal process and CANNOT accept any responsibility nor liability should your application not be processed prior to current Stamp Duty Land Tax rules expiring on 30th September 2021 or any extension of that date.

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