

Buy-to-Let for Beginners – UK Expat and Foreign National Guide

A buy-to-let property is a great investment for any UK expat or foreign national in 2022. Liquid Expat Mortgages explains what you need to know to get started.

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/EINPresswire.com/ -- An incredibly common new year's resolution for many UK expats and foreign nationals is to buy a UK investment property using a UK expat or foreign national mortgage. Since UK property is a tried and tested investment vehicle and a relatively stable asset class, buying a UK investment property with a UK expat or foreign national mortgage can be an incredibly lucrative venture for prospective investors. But, investing in property can be a daunting task. To help, Liquid Expat Mortgages presents its UK Expat and Foreign Nationals Guide for Beginners' Buy-to-Let!



With a range of mortgage options available for UK expats and foreign nationals, investing in UK property is well within reach for many prospective investors, making it an excellent way to begin building an investment portfolio.

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There is currently a wide range of [mortgage] choice available to UK expats and the roster of lenders that are offering UK expat and foreign national-specific deals is growing all the time.”

Stuart Marshall

Getting Started.

Before getting started, there are a few initial questions to consider:

- What is the purpose of the investment?
- What are the risks and what are the rewards?
- What will the responsibilities be? And can they be met?

What Is the Purpose of the Investment?

When looking to get a UK expat or foreign national mortgage, deciding on the purpose of the investment will massively influence the course of the investment. For example, if the investment is part of a retirement plan, the

property is likely to be a different property than if the goal of the investment were to add extra income to a pay packet. If you are buying an investment property for your retirement, the desired property will probably have a high likelihood of its capital value appreciating by a large sum. That way, when the property is sold, it will generate a large lump sum from the sale to contribute to a pension packet. On the other hand, if the purpose of the investment is to generate more income, the main consideration in looking for a property will be the strength of the rental yield as this will determine how much can be earned on a monthly basis.

Weigh the Risks and Rewards.

Every investment has an inherent risk to it and no asset is totally stable. The Covid-19 pandemic has exemplified just how changeable market conditions are. In this instance, the property market was positively affected – with demand and prices rising massively. However, the converse can just as easily happen, and some analysts are predicting price correction over the next few years.

On the other hand, property investment is typically much safer than other types of investment and property is a more reliable asset class than competing assets, such as stocks. Stocks are prone to fluctuate massively, whereas the housing market is relatively stable and prone to a quicker recovery if prices do radically alter.

Other risks to consider are how income might become adversely affected by differing factors other than fluctuation in the value of the asset. One notable risk would be changes to legislation or tax rules. For example, a recent legislative change to the rules around mortgage interest tax relief has hit many UK expat and foreign national landlords hard, impacting profit margins. Incoming legislation means that from 2025 landlords will not be able to accept new tenants if



The North West is currently leading the pack on capital growth rates, with Savills projecting a 28.8% rise by 2025. Comparatively, London is projected to have the lowest capital growth rate in the UK – just 12.6%.



Residential buy-to-let property is the most popular choice for UK expats and foreign nationals.

their EPC rating is a D or below. This is another example of a legislative change that is bound to be costly to UK expat and foreign national landlords.

Another inevitable cost to factor into any risk assessment before buying a property is void periods. Any property is almost certainly going to have void periods. However, by choosing the right type of property in the right area, void periods can be minimised and profits are kept as high as possible.

When weighing the risks of property investment, it's important to remember that the rewards of property investment can be huge. While a property can deliver a monthly income through rental yields, property investment means that earning also happens through capital growth – the value by which a property appreciates over the duration of the ownership. In this sense, the property serves as a long-term savings vehicle. Property investment can also be highly flexible and there are a wide range of available property types from long-term lets, student properties, holiday lets and off-plan, meaning that investments can be precisely tailored and profitability maximised. With a range of mortgage options available for UK expats and foreign nationals, investing in UK property is well within reach for many prospective investors, making it an excellent way to begin building an investment portfolio.

Responsibilities.

Understanding your responsibilities as a UK expat or foreign national landlord is one of the most important things to be aware of before beginning an investment journey. Finding the right property and having a sufficient deposit isn't the end of the story. Arranging a mortgage with a



Though the capital growth potential with a student rental property is not as high as with a residential buy-to-let, the huge rental demand and usually hands-off nature is still attractive to many UK expat and foreign national investors.



Holiday lets are currently immensely popular with UK expat and foreign national investors using UK expat and foreign national mortgages. This form of let is extremely profitable and investors are likely to see huge returns.

lender can be difficult for UK expats and foreign nationals as many Highstreet lenders in the UK will be reluctant to lend to these customers. Luckily, many specialist lenders are willing to lend to UK expats and foreign nationals. This market is growing constantly meaning there are new mortgage deals available to UK expats and foreign nationals all the time.

Supposing that the mortgage and offer are accepted, UK expat and foreign national investors will need to hire a conveyancer, conduct surveys, exchange contracts, pay the appropriate legal fees including stamp duty land tax, set rent to an appropriate level and make sure the property is 'up to spec'. This will include making sure that the property meets gas, electrical and fire safety standards. Once the property is let to tenants, UK expat or foreign national landlord's responsibilities will only increase. For example, they will be responsible for certain repairs and maintenance on the property. These include any structural issues with the property, the property's plumbing, heating, gas and electrical problems.

The last thing to be aware of is the tenant's rights. These will be important when understanding your responsibilities to the tenant and minimising any issues that might arise. Of course, if a property management company is managing the letting of the investment, then the investment will be more hands off than if it were managed personally. However, using a property management agency will impact profits and this needs to be accounted for to make sure the investment is financially worthwhile.

The property.

Once all the initial considerations outlined above have been made, it's time to start looking at which property to invest in. There will be a number of main things to think about here:

- The location.
- The rental yield.
- The type of property.
- The mortgage and using a mortgage broker.

The Location.

When it comes to an investment property, it's important to look for a location with a high rental demand. This will make sure that the property will let as quickly and efficiently as possible – minimising costly void periods. It will also mean that the property can command a higher price. While measuring rental demand can be difficult, keeping an eye on how quickly properties are selling, population growth, and the rate of increase in house and rent prices will all be strong indicators. Considering the wants and needs of the target tenant will also be important.

Another factor that will dictate the location of the property are the capital growth rates in the area. Higher capital growth rates will mean that the investment stands to make more in the long term. The North West is currently leading the pack on capital growth rates, with Savills projecting a 28.8% rise by 2025. Comparatively, London is projected to have the lowest capital growth rate in the UK – just 12.6%.

[Read more about capital growth rates.](#)

The Rental Yield.

While choosing a property location with high rental demand and strong capital growth potential will point in the right direction, it's important to also consider the rental yields. This figure indicates the return on the investment. Generally, a yield of 5-6% will be considered a very strong rental yield. Looking at data for the average rent and property price in the area will be helpful when calculating the potential rental yield of the property you are looking to secure a UK expat or foreign national mortgage on.

It is important to balance the rental yield of your property with the capital growth potential when deciding on where to invest. Of course, strength in both of these areas will mean a very strong investment. But one may be prioritised more than the other when looking for an investment property. For example, if the purpose of the investment is to help with funding retirement, the property is likely to have high capital growth potential. On the other hand, if the purpose of the investment is to subsidise income, the property should have strong rental yields.

[Learn more about the highest rental yields in the UK.](#)

Type of Property.

Residential property.

The most obvious type of property for UK expats and foreign nationals is the residential property. And it's not surprising that so many UK expat and foreign national investors are keen to get a residential buy-to-let mortgage, with the pros of this type of investment vastly outweighing the cons.

Purchasing a residential buy-to-let property with a UK expat or foreign national mortgage will allow the earning of regular monthly income through rent; earn long-term returns through capital growth; allow for a wide pool of potential renters; offer a relatively simple and accessible tool to get involved in the property investment market; and offer a low-risk investment proposition because of the massive demand for rental properties in the UK market. On the other hand, the cons of buying a residential investment property include the risk of potential void periods (which are of course minimised by choosing the right property), and the fact that it is a longer-term investment strategy and won't offer instant returns.

[Read more about residential buy-to-let.](#)

Student property.

Student property is really seeing a boom in the UK expat and foreign national mortgage market at the moment. This is partly due to the record number of international students attending UK universities at the moment. There is no sign of the student market shrinking either, with estimates that there will be a further 500,000 students studying in the UK by 2030. Many international students are looking for high quality, purpose-built accommodation and new UK

expat and foreign national student mortgages are aiding investors in purchasing these types of property to satisfy the surging demand. The monthly rental returns on student properties are typically higher than with a residential buy-to-let. Though the capital growth potential with a student rental property is not as high as with a residential buy-to-let, the huge rental demand and usually hands-off nature is still attractive to many UK expat and foreign national investors.

Holiday let.

Holiday lets are currently immensely popular with UK expat and foreign national investors using UK expat and foreign national mortgages. This form of let is extremely profitable and investors are likely to see huge returns. While the seasonal nature of this type of investment could potentially discourage some UK expat and foreign national investors, there are many tax benefits to be had – for example, mortgage interest can be claimed as a tax expense. Further, staycations are likely to continue their boom for the foreseeable future as swathes of people continue to be discouraged from foreign travel. Properties in tourist hotspots can also prove to be expensive so investors planning on a holiday let mortgage in a tourist hotspot can expect to need a larger deposit than if they were buying a traditional buy-to-let.

Off-plan.

Off-plan properties are those that are available to buy using a UK expat or foreign national mortgage before they are completed. Off-plan is typically much cheaper than buying a completed property and this allows greater scope for capital growth and a higher rental yield when the property is completed and let. However, buying off-plan will require a great deal more due diligence and research than a traditional property. This is because there are many more risks when buying off-plan. For example, there are no guarantees that the finished product looks like the off-plan property or that the developer will finish the property. While this can seem discouraging, with the right mortgage broker and advice, the likelihood of this is low. Due diligence goes a long way when it comes to off-plan and will be the most important thing if looking to secure an off-plan UK expat or foreign national mortgage.

Mortgage.

UK expat and foreign national mortgages have greatly improved in the last few years. With an increasing marketplace for this type of mortgage, lenders have been steadily creating tailored mortgages to satisfy demand from UK expat and foreign national borrowers. The advent of so many new products has massively improved the accessibility of UK property investment for UK expats and foreign nationals. One of the best things to do when trying to secure a UK expat or foreign national mortgage is to retain the services of a specialist expat mortgage broker.

While many mortgage advisers maintain that it is not possible to get a UK mortgage as a UK expat or foreign national living and working abroad, this is often because they're not familiar with expat and foreign national mortgages. Though it has historically been more difficult to get a UK mortgage from abroad, the advent of specialist expat mortgage brokers, like Liquid Expat Mortgages, has made it far easier as they cater to that specific sector of the market and often have access to exclusive deals not available on the high street. It's also likely that the process of

getting a UK expat mortgage will be far easier, quicker and cheaper with a broker as they will know the lenders that are best for the circumstances.

There is currently a wide range of choice available – ranging from buy-to-let, residential, off-plan, and even green mortgages – to UK expats and the roster of lenders that are offering UK expat and foreign national-specific deals is growing all the time. Increasingly, the UK mortgage market is realising that the UK expat community is an incredibly lucrative sector and they are developing new and innovative products for these consumers all the time.

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