# Questions & Answers

Most of the questions and Answers relate to the ‘Best Buy’ **Investment Properties**.

**Q- Can any Nationality buy property in the UK?**

Yes. The UK is open for investment and all nationalities can buy.

**Q- As a non-resident could I get a mortgage?**

No - currently non-residents cannot get a mortgage. You would need to borrow from overseas or use your own funds to purchase.

**Q- Can I buy a UK property without visiting the UK?**

Yes – but we recommend that you do visit, meet us and view the properties. If you are visiting later, you can still buy but we will need to get your documents (passport and address ID) attested by a lawyer in your country to the satisfaction of the UK Land Registry. This can be done easily and we will provide full details. Some customers have done this for the low cost investment properties.

**Q- What is the location of these investment properties?**

The investment ‘best buy’ properties are located in the Lancashire towns, just north of Manchester airport. There is very good rental demand here for low cost properties, and rental yields (rent as percentage of property price) are the highest in the UK.

**Q- Are property prices rising in the UK?**

Yes. Property prices fell in the UK from 2007 to 2009. The fall was greater for lower cost properties and for properties outside London. These are the properties that will now jump up the most in price. Prices have started to rise again. Average growth in the UK is around 8.4% (see the chart under UK Property Market), with the lower cost properties growing at an even higher rate of up to 20% per year. The lower cost properties could double in price over next 5 years.

**Q– Why do the 2-bed properties with an average price of £52,995 vary in price from £49,995 to £55,000?**

Within each type of property there are many almost identical units available within a narrow price range depending on the rental yield. The slightly more expensive properties have slightly more rental. With the 2-bed properties, the rent range varies from £3,995 to £4,400 with an average of about £4,240 per year. Properties that cost a bit more have a slightly higher rent.

**Q- Should I consider buying under-construction or off-plan property?**

Take extra care when purchasing an investment property that is yet to be built or is under construction. The risks with such properties remain high. The project could be cancelled and there can be delays in completion and then in renting the properties out. Prices are often inflated by developers, as properties are difficult to compare. For investment, only consider property that is built and already rented out. Further, you should buy from a company that has control over the property and remains responsible to you after the sale.

**Q– Can I get a discount from the prices shown?**

No. For investment properties, the prices shows are the actual final contract prices. You will not be able to purchase at a lower price. The price may be higher if there is a delay between you getting the information and signing the Reservation Agreement. This is because prices in the UK are now rising by about 8-10% per year on average; on the lower cost properties it is a much faster rate of up to 20% per year. The only way to secure the lowest price is to make a decision sooner. Once the Reservation Agreement is signed, the price is fixed and will not increase.

**Q – Do you sell only to overseas buyers?**

No. About 20% of our customers are from the UK. We specialise in, and are very good, at helping overseas buyers for the long term, and our group companies have offices overseas and specialise in international property. However, many UK customers who are looking for a ‘total investment solution’ with minimal involvement also buy from us.

**Q- How do I get to see you at your offices?**

Our customers usually land at London Heathrow or Manchester airport. Some travel from London by train to Preston (2 hours). For qualifying customers, we provide a collection service from the airport, railway station or hotel. Normally we would have meetings at our offices and then show you the agreed properties. We can also take you to meet other professionals, such as the solicitors on the same day (e.g. for formal ID and attestation of documents). After your visit we drop you off.

**Q- How can I view properties?**

Our staff can show you the property; however, you have to follow our procedure and need to provide ID details before visiting the UK. UK regulations specify that we have to identify you *before* we start dealing with you. For investment properties, approx. 40% of our customers view prior to purchase; approx. 40% pay 10% to secure the price *via* the reservation agreement and then view prior to the second (90%) payment; the remaining 20% view when they next visit the UK and use documents that have been attested by a lawyer in their own country.

For ‘own use’ properties, we insist on all customers viewing before any decision and payment.

**Q– What is the biggest purchase issue for overseas buyers?**

The biggest issue for overseas buyers is identification to the satisfaction of your solicitor. For this, the following ID information is required, ideally presented personally by the buyer to the solicitor:

* Passport
* Address ID e.g. driving licence, ID card or utility bill
* Bank statement

You will also need to state the source of funding – normally this is from ‘savings’ or ‘business profits’. If you are not able to visit at present and are not in the UK, we will need attested copies prior to the exchange of contracts. These can be attested by any UK solicitor beforehand (e.g. at the viewing visit) or by a Lawyer in the buyer’s own country, in which case the Land Registry form ID-1 may also need to be completed.

**Q- Can you get cheaper investment properties?**

Yes. For investment properties, prices vary by rental yield. This applies all over the world. In this area we can acquire slightly lower cost properties but the rents on these are lower and they may need additional work before they can be rented out. We do not sell such properties as we have to provide guaranteed rent. So the prices on the investment property page are the lowest prices we can sell for and these prices will go up.

**Q- What are costs of purchase?**

For the ‘best buy’ investment properties the costs are low and fixed – the costs vary from £795 to £995 depending on the property selected and include:

* Solicitor fees
* Local search fees
* 12 month building insurance
* Registration fee for Lands Department
* Stamp duty is not payable for these.

For ‘own use’ properties and high value properties, the costs can be considerable. The fees for each of the above areas will be higher, and there will be fees related to the Mortgage. The biggest cost with the expensive properties is likely to be stamp duty:

 Property under £125,000 NIL

 Property £125,000 to £250,000 1% of price

 Property £250,000 to £500,000 3% of price

 Property £500,000 to £1 million 4% of price

 Property £1million to £2 million 5% of price

 Property £2 million and over 7% of price

**Q- Will you continue to manage the property after the first 2 years?**

Yes. Most owners ask us to continue to manage on their behalf – but you are not tied to us. You can use any other agent or manage yourself if you wish.

**Q- What are the on-going running costs of investment properties?**

You would need to keep the property insured and there will be a management fee payable to us or our partner company for managing the property every year. This is normally a percentage of the rent. We try to maximize the rent. Council tax and utility bills (gas, electric, water, telephone line/internet, cable/satellite TV) are the responsibility of the tenant.

**Q- Can I buy an investment property and immediately use it for myself?**

No; these are already rented out. But after the purchase, you can give notice to the tenant and then use the property yourself if you wished to do this. Usually, our investors do not do this and they leave the properties rented out.

**Q- I may decide to live in the UK in the distant future or my children may study there. What do you recommend?**

You should get multiple lower cost investment properties now. Then, when you or your family move to the UK, re-sell these and get an ‘own use’ property which fulfils your needs at *that* time (your needs **will** change), and is near to your place of work/study or where you want to be. This will allow your money to grow at a faster rate, will be of lower risk, and will provide you with more flexibility. You could also decide to keep your investment properties rented out and use the funds to rent something suitable for yourself – especially if you were only coming to the UK for 1-2 years.

**Q- How and when do I make payments for investment properties?**

Payments are made **after** you have agreed to purchase and have signed the agreement. Property is always priced in sterling pounds (£). Payments can be made in any currency and can be converted to £. Normally payments are made into client accounts in £, USD, Euro or AED. The first payment is normally 10% plus the purchase costs. The remaining 90% is paid prior to completion and title registration. Receipts and statements are issued after each payment.

**Q- How do I choose a specific house for investment?**

You select a type of house from the 3 types of investment homes available. At reservation, you are allocated a specific house provisionally but can switch to any of our other unallocated units at the time of viewing (providing you do this prior to legal exchange of contracts).

**Q- Do you offer larger properties with similar deals?**

No. The rental yield percentages are less for larger properties. Thus, we do not offer such deals on larger semi-detached or detached properties.

**Q- Is there anything better for investment?**

No. We regularly look at other areas to see if we can achieve the same benefits; however, at present, like in other countries, lower cost properties with high rental yields are the best forms of low risk investment. Prices in other areas are higher and rental yields are lower.

**Q- My budget is much larger. Should I buy a more expensive property?**

No. You should buy multiple lower cost properties if your aim is investment. These will grow better in value, give higher rental yield, will be of lower risk and provide more flexibility than one big detached property. However, complete the purchase of *one* property first and then buy more – especially if you have not purchased in the UK before.

**Q. What is the difference between Freehold and Leasehold?**

There are 3 main categories in the UK.

*Category 1 – Freehold and ‘999 years’ Leasehold*: These properties are grouped together, as 999 years is a long time. The market value is the same, and for purchase and sale purposes these are treated in a similar way. All of the investment properties fall into this category – either freehold or ‘999 year leasehold’. Most of the properties in the North West are of this type. This is the best category.

*Category 2 – Leasehold ’99 years’ or ‘125 years’*: These types of properties are popular in London. Almost all apartments/ student flats fall into this category too. The value of such properties is less, especially if they are old with fewer years remaining on the lease. If the lease gets shorter than 60 years, the value can be affected as mortgages can be more difficult to obtain. However, now, under new laws, leases can be extended without excessive penalty.

*Category 3 – Leasehold ‘3 to 20 years’ typically*: Such properties should be considered as long-term rental rather than true purchase.

**Q-Are student flats/pods a good investment?**

These are units built by developers and managed by the student letting companies and sold by agents as investments. However, they have high management costs and service charges, come with shorter leases and cannot be sold to anyone other than an investor. This is the biggest issue as you cannot exit the investment unless you find another investor. Thus, the market value does not rise. Typically, these are sold by aggressive sales agents and we have had many customers who have contacted us wanting to exit such investments. They are also likely to be affected by changes in education policy (e.g. rise in fees; thus, depressing demand). However, there may be some units which offer good value for money. It is best to buy from an existing investor who wishes to exit– not directly from the developer.

**Q- Will I have to pay UK tax?**

Most of our customers e.g. those from Europe or those from countries with Treaties with UK may qualify for an allowance of about £10,000 which means that the first £10,000 per year in the UK is not taxed. Thereafter, for income above the allowance, you will have to pay 20% tax on net rental income after all costs. We can help you with this process and with claiming the allowance.

**Q- Is buying a house better than buying a flat/apartment?**

Apartments are popular in city centres; they are leasehold units so may have high service charges for common facilities. Net rental yields are much lower than terraced houses. Over the past 10 years, many flats were built and these were sold by developers at high prices. Thus, there may be limited capital growth as prices are already too high. However, some good units in city centres, such as Liverpool and Manchester, can be cost effective.

**Q- Is the purchase process secure?**

Yes. When purchasing the investment properties, the reservation agreement clearly lays out the terms. Funds are held in client accounts (where, legally, funds belong to the customer) and your solicitor ensures registration is completed under your name at the UK Land Registry after exchange of contracts and full payment. All of the Solicitors recommended and used in the purchase process are full regulated members of the UK Law Society.

**Q- Does a UK property purchase give me any automatic visa or residency rights?**

No. Purchase of any property in the UK does **not** give you any automatic residency or work rights or any permanent visa in the UK. As an investor, it will be easy for you to get visit visas but you do not get automatic residency or the ability to work in the UK.

**Q- Can I buy a larger or semi or detached property with the same management and guaranteed rent deal?**

No. We limit this offer to the popular and best value low cost properties. Larger properties tend to have lower rental yields and are harder to rent out.

**Q- Can I buy similar properties in other areas of the UK with the same management and guaranteed rent deal?**

No. These properties are located in the North West, including Lancashire, where prices are low and rental demand is high – so these are the best for investment. We do not offer properties in other areas, as the risks are higher for both you and us, due to the lower demand. Also, due to the popularity of these properties, we have our own management teams in the North West and do not have to rely on third parties.

**Q- If I wanted to re-sell my investment property in a few years, could you do this and get it done quickly?**

Yes. We can help you re-sell your property and we can also buy back at the market price. Normally, your solicitor will be involved and the re-sale process will take about 3 months and you should budget for this. If you are looking to re-sell within 1 year, you should not purchase, as you may not make much profit due to purchase and sales costs.

**Q-What is Guaranteed Rent option?**

The Guaranteed Rent option means that you receive the rent if your property should become vacant or if your tenant does not pay the rent. The guaranteed rent is normally paid at 6-7% of the property price per year. The Standard Management option gives you rental at approximately 8% of the property price, but you don’t get rent for any vacant periods if the tenant leaves. 8% is a very good figure for the UK market. You can select to choose either the Standard Management option *or* the Guaranteed Rent option at the beginning of each year, and can fix the guaranteed rent for 2 years on the property purchase if you wish. Guaranteed rent provides additional re-assurance to investors and is popular amongst overseas investors as it gives them certainty of income. You can continue with the guaranteed rent option even after the first 2 years if you wish.

**Q- I am seriously interested. What should I do next?**

Discuss your requirements with us. Provide your full ID information, select the type of investment property needed and get the draft documents and agreements. Thereafter, you can decide to visit if you think you are likely to purchase. You should do your research and make a decision soon. After a period of price drops and stability, prices are now rising in the UK. We cannot guarantee the prices as per website. But once your reservation agreement is signed, the prices are fixed.