Hilltop Property

What is...

Buy-to-Let?

CONTACT US

info@hilltop-property.com
www.hilltop-property.com

What is ... Buy-to-Let?

Buy to let is the act of purchasing a property with the intention of renting it out to tenants. To do this, you will need a specific type of mortgage called a buy to let mortgage. While similar to a regular mortgage, there are certain distinctions to consider since you will not be residing in the property yourself.

Example

An example of a buy-to-let property costing up to £100,000 could be a small one-bedroom apartment in a residential area. Let's assume the property costs £90,000.

Here is a breakdown of the figures for this buy-to-let property:

Purchase price: £90,000
Additional costs (such as legal fees, survey costs, and stamp duty): £5,000
Total initial investment: £95,000
Rental income: £500 per month
Annual rental income: £6,000
Monthly expenses (such as mortgage payments, property management fees, insurance, maintenance costs, and void periods): £200
Annual expenses: £2,400
Net rental income: £3,600
Gross rental yield:
6.7% (£6,000 / £90,000 x 100)
Net rental yield:
3.79% (£3,600 / £95,000 x 100)

This example demonstrates a typical investment scenario for a buy-to-let property up to £100,000. It is essential to conduct thorough research and analysis to ensure the property is a sound investment and to review all costs and potential risks.

Advantages

- Rental Income: Buy to lets provide a steady stream of rental income
- Potential for Appreciation: Over time, the value of the property may increase, leading to potential capital appreciation
- Diversification of Investments: Investing in buy to let property can help diversify your investment portfolio
- Buy-to-lets are also a good supplement pension for retirement

Disadvantages

- Initial costs: Investing in a buy-to-let property requires a significant upfront costs.
- Property management: involves the responsibilities of a landlord, including managing the property and addressing tenant needs.
- Regulatory changes can impact buy-to-let investments and your income potential.