Don't invest in UK property before reading this!

Issued by One Touch

3 Apr 2017

Investing overseas can be quite daunting and it is a challenge to find a reliable source of information. One Touch Property has been helping people invest in UK property for the past eight years. Our Investment Director, Arran Kerkvliet, is originally from South Africa and has a degree in economics and property valuation. He shares some of the common things to look out for before investing in UK property sectors.

Analyse the demand and supply in each area

Student property investments

The UK student property sector has been the best-performing sector since 2011. There are several choices when considering an investment in UK student property. To ensure the medium-term sustainability of your investment, it is important to do some research into the supply/demand fundamentals of each area. Global real state consultancies such as Savills conduct annual rankings of the various student property locations.

Cities with the greatest supply/demand imbalances are ranked in Tier 1. These cities have a chronic shortage of purpose-built student property versus demand. Edinburgh student accommodation investment is likely to outperform student properties in cities like Newcastle and Southampton in Tier 3. Investors can purchase a studio in a boutique development of 83 units called Braefoot House from £107,800 with 7.5% net income.

FIGURE 16

Development League Table

FIRST	UPPER SECOND	LOWER SECOND	
Bath →	Belfast →	Aberdeen ↓	A
Birmingham ↑	Cambridge →	Bangor →	C
Brighton →	Canterbury →	Bournemouth ↓	C
Bristol →	Chester →	Buckingham →	C
Edinburgh →	Chichester →	Cardiff ↓	D
Kingston upon Thames →	Coventry →	Durham ↓	D
London →	Exeter →	Egham →	F
Manchester →	Guildford ↑	Falmouth ↑	H
Oxford →	Leeds →	Glasgow ↓	Ir
St Andrews →	Norwich ↑	Hatfield →	L
	Nottingham ↑	Huddersfield →	L
	Plymouth →	Leicester →	L
	Portsmouth →	Liverpool →	L
	Sheffield →	Newcastle upon Tyne →	C
	Winchester →	Northampton →	S
		Reading →	S
		Southampton →	T
		Stirling →	
		Swansea ↑	
		Twickenham →	
		York ↓	

KEY
↑ Up from last year
→ Same as last year
↓ Down from last year

Source: Savills Research

There are a number of other factors that will determine your success: students prefer smaller bespoke development of fewer than 100 units because it cultivates an intimate, community feel. One Touch Property is an award-winning, UK student property broker. Our guide on how to compare student property investments covers a number of aspects to consider before investing.

Buy-to-let property

Manchester is an ideal location to purchase UK buy-to-let opportunities because the city has the highest number of people renting who are 25-29 years old. Many new jobs are being created with infrastructure improvements and new grade 1 office blocks are being developed. Where there are more jobs, rental demand increases and there are subsequent capital growth spinoffs.

Manchester experienced a 22% capital growth in 2015, for example.

Investors make money when they buy

People think they make the most money by timing the market and choosing the right time to sell. The truth is that one has more control over when one buys and it is often said that people make money on property when they *buy* property. There are obviously a lot of reasons to invest in Manchester. Many UK developers are taking advantage of uneducated investors by charging much more than the market comparables. Investors are getting drawn in by glossy brochures and impressive sales events, when it is actually the purchase prices that they should be focusing on.

Your motivations: income or capital growth?

Whether you are looking for capital growth or a good yield, this is all a function of the purchase price. “We recently found that one of our Manchester buy-to-let properties was selling for 15% cheaper than the development next door. South African investors were delighted with their purchase of a riverside one-bedroom apartment in Downtown Manchester for £164,950,” says Arran Kerkvliet.

Making the most of political uncertainties and change

South African investors are in the fortunate situation currently of having a favourable exchange rate relative to the British pound and US dollar. It is an opportune time to be investing overseas. The swift departure of Gordhan or a downgrade of South Africa’s credit rating could rapidly change that.

The UK is facing its own challenges with Brexit. Local authorities have experienced cutbacks as part of the governments saving programme. There is a restriction on capital expenditure on new care homes, for example. For the first time in history, there are more over-65-year-olds than those under the age of 16. The compounding problem is that there will be almost 3.5 million 85-year-olds in the UK by 2040. There is an opportunity to help solve the problem and purchase a care home room investment from £85,000 which is leased back by the care home operator at 10% net income for 10 years.

To discuss various ways to access the UK property market, you can arrange a one-to-one consultation with the UK’s leading property experts, **One Touch Property**, who will be visiting South Africa between 30 March to 10 April 2017.

Article first published on www.biznews.com/.