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Buying to let will still be a viable option in Market Harborough

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A Harborough estate agent says that despite changes, he expects the buy-to-let market to continue to be important in 2016.

William Naylor is the owner of Naylor's, who specialise in residential, commercial and rental properties across Market Harborough, Leicestershire and Northamptonshire.

He says buying a property to rent out has long been considered one of the safer investments, even in difficult economic times.

Favourable mortgage deals and interest rates combined with a large pool of potential tenants have traditionally ensured a generous return on investment.

Mr Naylor said: "Furthermore, when regulations were relaxed in April 2015 enabling people over 55 to release cash via their pensions, significant numbers choose to invest in property as a means of funding their retirement.

"The 2011 census showed that over 1.5 million people in England and Wales owned at least one additional property.

"Here in the East Midlands, we have one of the most active rental sectors in the UK according to Countrywide, who reported that 16 per cent of their sales in the region this year were to buy-to-let buyers."

However, recent changes announced by the Chancellor have dented confidence.

The most imminent change is a rise in stamp duty which comes into effect as of April 1, 2016.

Properties valued below £40,000 will be exempt.

Houses selling for up to £125,000 will incur three per cent duty.

Duty on properties in the next band (up to £250,000) will rise from two per cent to five per cent.

Properties over £250,000 and up to £925,000 will rise from five per cent to eight per cent.

So, a purchaser could pay £7,500 more in stamp duty on a property costing £250,000 according to Deloitte.

Mr Naylor said: "Unfortu-



William Naylor says buy-to-let changes do not mean it will become unviable

nately, the impact will be proportionately more significant on lower band properties."

The second significant change is the reduction of mortgage tax relief from April 2017 which will inevitably affect profits.

Mr Naylor said: "The Chancellor is also planning to restrict a landlord's ability to reduce taxable profits by claiming wear and tear allowance. Currently claimable for up to 10 per cent of rental income, it will be restricted to actual expenditure only.

"However, there are some exceptions. Owners of furnished holiday lets, caravans, mobile homes and houseboats are exempt from mortgage tax relief changes.

"Furthermore, while details are still to be finalised, it looks as if companies who hold more than 15 properties as well as corporates or funds making 'significant investments' in residential property will also be exempt."

Mr Naylor added: "Despite these changes, I would argue that buy-to-let is still a viable

investment strategy in Market Harborough and the surrounding area.

"The sales and rental markets are thriving with high levels of demand for rental properties and an average growth of three per cent per annum forecast.

"Furthermore, the new measures could create a surge of people looking for buy-to-let properties before the changes come into effect.

"This is good news for vendors as increased demand will almost certainly raise prices.

"It also means that those who are prepared to wait until after April may see a fall in prices and, despite the stamp duty increase, could end up paying less.

"It's worth remembering that stamp duty can be offset against Capital Gains Tax when selling the property. It is also still relatively easy to borrow funds to make a buy-to-let investment and interest rates remain low."

There are some tips for people looking at the buy-to-let market.

Mr Naylor said choosing the right area is key. This may not be the most expensive or the cheapest. It should be a place where people want to live, such as near a train station for commuters or near a good school for families.

Mr Naylor said: "Select your property carefully. The type you choose will determine the kind of tenants you can attract, so decide whether you want to rent to students, young professionals, families etc."

People should also look for a property that they can add value to and talk to their estate agent about the best places to buy and optimum sizes for return on investment.

Mr Naylor said: "Housing has been a challenging and contentious issue for this government and it remains to be seen exactly what the long term effects of these changes will be.

"However, while it's true that profitability will be reduced, buying a property to let is still a credible and attractive investment option."

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