THE RETURN OF JET TO LET?

Property forums and meetings are awash with tales of investors who have invested in off-plan and other opportunities in overseas countries with often disappointing results. Indeed, many of the overseas real estate firms have adapted their marketing away from the investment market and focused solely on the holiday-home-hunter.

I wonder whether that position could be changing.

It appears to me that there is a mild exodus starting from BTL in the UK as a result of tax changes, an ageing landlord population and a reduced level of happiness by landlords of the environment in which they have to operate.

Furthermore, potential new entrants as well as existing landlords are deterred by more onerous mortgage conditions and higher pricing, which means a significantly reduced yield from what was historically achievable.

By way of example, my first BTL, a two-bedroom ex-local authority apartment, yielded 14% when I bought it in 1997. That same flat if bought today would yield just 5%. Given that I would no longer be able to offset all of the mortgage costs, it's hardly the deal it was all those years ago.

Set against that, there appears to be an enormous growth in the numbers undertaking serviced accommodation and the use of platforms such as Airbnb, Cottages.com and the like.

Many have converted existing properties to suit this new strategy whilst others are looking to purchase property solely for use as serviced accommodation. Surely some of them will consider investing abroad?

Clearly, the attraction for an overseas investment is that you would be able to use the place for your own holidays as well as the property earning you an income for the remainder of the year.

Presumably these people will always retain their interest in property despite reducing their UK holdings, and indeed may need a property investment to prop up any other pension requirements. Does it therefore make sense that they may buy abroad?

In a recent survey in the first quarter of 2017, only 41% of landlords were positive over the prospects of their portfolio, a rather steep drop from the 67% who were confident three years ago. Indeed, during the first quarter of 2017, 8% of landlords reduced their property holdings in the UK and over the next three months 19% plan to reduce their portfolios.

The changes planned for October, which will alter the way larger portfolio landlords are treated, and the general increase in costs (it is reported that the running costs of a BTL property have increased by a quarter since 2007) may mean that alternative investments get serious consideration.

Spain, on the other hand, which I have picked solely because I have some knowledge of the country and its property market, has capital values which are growing but still, in some areas, 30% below the market peak, so the "glass half full" amongst us can probably see some growth there. Add to that a tenant demand level growing at up to 20% per annum in some areas.

Set against that are reports that 60% of tenanted properties are being sold when they become available as the prices have recovered. This means there is unlikely to be an oversupply of rentalproperty either for year-round tenants or for serviced accommodation.


GRAHAM KINNEAR

If Spain is farther afield than you are comfortable with, then you may wish to consider somewhere closer to home. In November, research by World First found that the average rental yield on property in Ireland rose to 6.5% from 5.3% earlier in 2016 – which, in this report was better than anywhere else in Europe. Ireland has become the second most expensive place to rent in Europe, though the average property price is not much higher than other European countries.

A fast-growing economy, home to top employers like Google and Facebook, Ireland may soon look as attractive to UK landlords as it does to multinational companies. And while the fall in sterling will make property abroad more expensive to buy, rental incomes paid in Euros will be higher when converted back into pounds.

Clearly, an overseas investment will require significant due diligence and an understanding of the legal and cultural framework of the area that you are considering, but those efforts could be rewarded with a good gross yield and a growing level of demand. Perhaps now is the time to take an overseas trip and see what is there for you.

For UK Investors, BTL isn't dead, it's merely taken a holiday!

I am, as always, happy to provide readers with further information on SAP assessments and the process involved with building regulation compliance. Contact me on **0844 414 8659** or at **graham@grahamkinnear.com**

Graham is author of
THE PROPERTY TRIANGLE