

# MOVING OUT OF YOUR GEOGRAPHICAL COMFORT ZONE

By **Graham Kinnear**

**T**hree of my clients have mentioned in the last month that they have started to look at property for investment outside their immediate geographical area. Consequently, I thought I would take a look myself to see what various areas have to offer and share some of my findings in this month's article.

Starting with the northernmost of my considerations, let's turn to **Scotland**. In 2012, just **260 landlords** with property in Scotland were registered as living in England. That figure now **stands at 1,400**, demonstrating a huge increase in interest. These figures are easy to obtain given that Scottish deposits need to be registered in a Scottish scheme.

The upturn in interest in Scottish property has come at a time where house prices in England have increased significantly. There has been a squeeze on yields and some legislative changes have meant that the environment "down south" is less appealing than was historically the case. Indeed, a recent survey suggested that capital values were falling in two out of every five London postcodes.

With the **average price of property in England at £226,000** and the **average cost in Scotland at £150,000** you can see that a better yield could be achieved if you were to invest in Scotland.

In Scotland the private rented sector accounts for **just under 15%** of the housing stock, suggesting that there is further room for growth in this sector. Furthermore, Scotland has a more attractive Stamp Duty situation. Called a Land and Buildings Transaction tax, it has a **nil rate up to £145,000** – almost their average house price – whilst portfolio landlords in England would pay 5% Stamp Duty at £145,000.

Other areas that appear to offer a sound location for investment include major conurbations, which should offer a ready pool of professional tenants. The latest LendInvest league table shows **Manchester** as providing average **gross yields of 5.55%**. Despite strong growth over recent years, average house prices are still below the national average at **around £195,000**.

Some of the Midlands towns such as **Leicester** and **Birmingham** are becoming more popular for investors as they seem to provide reasonably strong yield figures and could well benefit from an appreciation in capital values due to current regeneration and the HS2 proposals.

For **London** investors wanting to move just a little way beyond the M25, many commuter towns appear to be doing well. Towns including **Luton** and **Colchester** are still very commutable to the capital and have **average yields of 3.8%**. Not eye-watering, but possibly better than that available nearer the capital and requiring a far smaller financial layout than a central London property.

There is sense in having a portfolio of property that is geographically spread, as arguably it could reduce your risk if an area were to decline. It could also provide an increased chance of capital growth to your portfolio. Set against that, you will need to change your mindset if you are going to scale up from being a landlord who operates in their own neighbourhood and does everything from sourcing the tenant, repairing the broken tap and collecting the rent. You will effectively be an armchair investor having to defer to agents, tradespeople and sourcers in an area of the country you are perhaps currently unfamiliar with.

If you are thinking of investing 'out of area', first of all be specific in terms of whether you are trying to identify an area that will provide you with income or capital growth. Once you have decided this, thoroughly research the areas you are considering. Visit them, walk the streets, talk to agents, attend local networking events and get a real feel for the area and those who operate in it, before you take the plunge. In fact, you may wish to joint venture with someone in the first instance, so you can try the new area whilst sharing the risk and (most usefully) having two of you to undergo the initial due diligence.

Successfully investing in a new area may allow you to better leverage your time as you will be forced to outsource some of the functions you currently undertake yourself, which may, if you are honest with yourself, not be the best use of your time.

Perhaps the next time you trawl the internet to find your next property, you should increase the geographic size of your search.

You might just find that elusive goldmine area.

*Happy investing!*

As usual, I am happy to assist YPN readers with their property questions and can be contacted on **01843 583000** or **graham@grahamkinnear.com**

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