

Is now the time to be a buy-to-let landlord?

By **Lauren Thompson**

STAGNANT house prices and increasing demand from tenants could provide a good opportunity for landlords.

With many potential first-time buyers unable to get on the housing ladder, demand for rented properties is high. So would-be landlords with plenty of capital have the chance to snap up a bargain.

Potential landlords need to understand the risks.

The last housing boom saw more than a million people become landlords as they sought to cash in on rising prices.

Many lost substantial sums when house prices slumped.

Landlords today focus on the regular income they receive from their property rather than the gains of house price rises.

Kate Faulkner, of advice site *www.designsonproperty.co.uk*, says: 'This will be a good year to become a landlord. However, with regional variations on house prices you must choose property carefully.'

'It's important to talk to letting agents about the area and what types of property tenants want.'

Rental income averaged about 4 or 5pc of the property's value last year, according to the National Landlords Association — though this depends on the location and property type. On a £100,000 property the landlord could expect to get about £4,000 to £5,000 a year in rent. Profits, after expenses, are taxable.

If you want to become a buy-to-let landlord, you will need a good deposit. However, competition in the buy-to-let mortgage market has improved recently, with several banks reducing rates and fees.

As ever, the best deals are for those with the biggest deposits or equity. Coventry BS has a five-year fixed rate at 4.99pc, with no arrangement fee, for those with 50pc deposit. This would put monthly repayments at £876 (£624 on an interest-only basis) on a typical £150,000 mortgage.

The Mortgage Works (a subsidiary of Nationwide) offers a two-year fixed rate at 4.99pc for those with a 20pc



SHEILA and Paul King bought their first buy-to-let flat two years ago and are considering making another purchase this year.

The couple (pictured) bought a three-bedroom semi-detached cottage with Paul's brother in Weedon, Northants — ten miles away from their home in Wappenham — for £142,500.

They receive £650 per month in rent — a yield of 5.4pc. They were cash buyers, so do not have a mortgage, but are charged 8pc of income by their letting agent.

Mrs King, a staff manager at a school, says: 'Paul is a self-employed builder, so we see the property as an investment for our pension.'

deposit, but it comes with a huge 3.5pc fee. If you have a 40pc deposit, you could get 3.99pc with Platform, which comes with a 2.5pc fee.

David Hollingworth, of broker London & Country, says: 'Lenders want to ensure your rental income covers 125pc of the mortgage interest payments. There are many other costs to factor in aside from the mortgage such as maintenance, letting agent fees, safety tests and energy performance certificates.'

Ten tips for buy-to-let at *www.thisismoney.co.uk/btl*

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