

# Buy to let economics

## What *does* the future hold?

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[www.propertychecklists.co.uk](http://www.propertychecklists.co.uk)

[www.designsonproperty.co.uk](http://www.designsonproperty.co.uk)

# Agenda

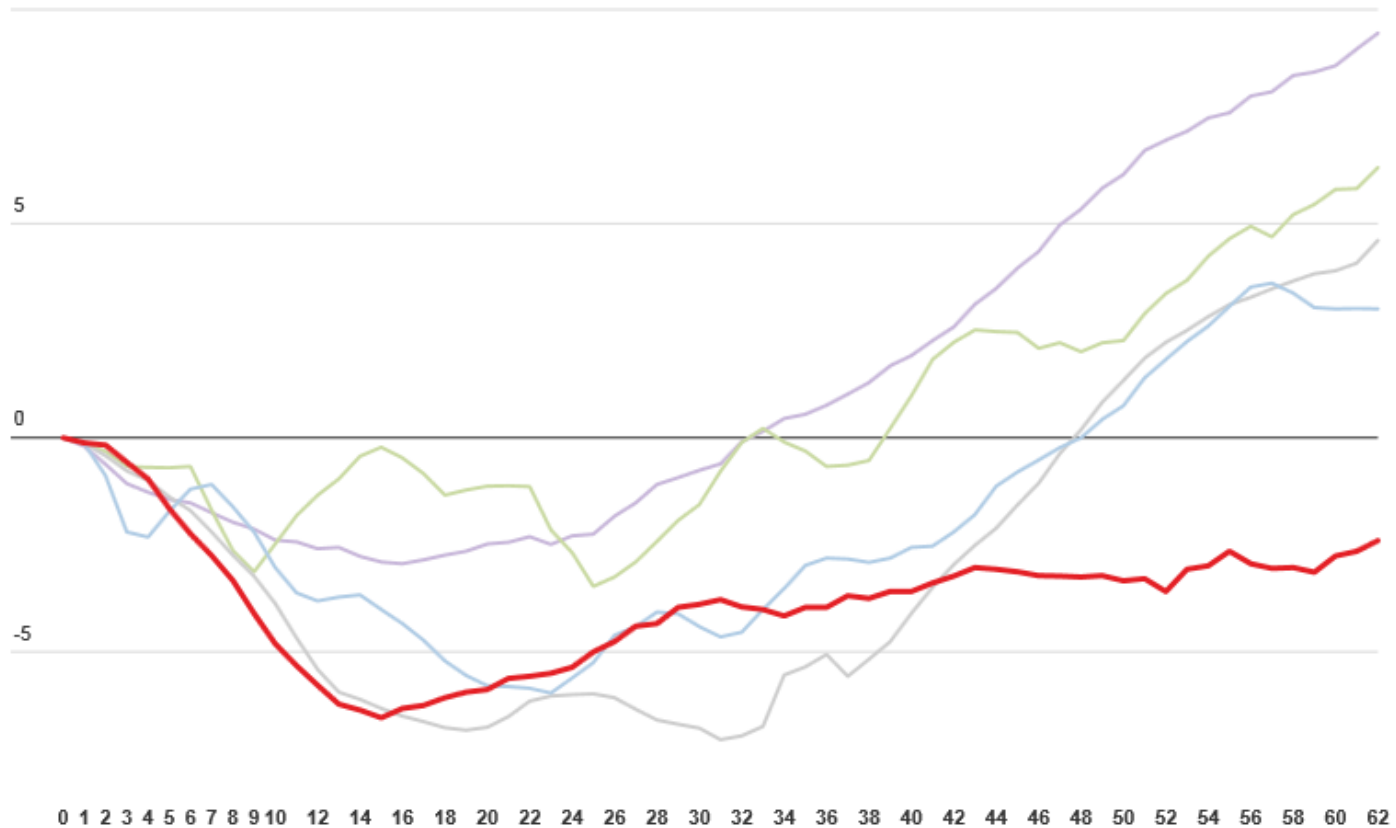
- What's happening in the UK economy at the moment?
- How does the UK and your local economy affect buy to let?
- What's happening now in the UK and your local economy?
- What's likely to happen to future?
- Considering your objectives when investing in Bury

# Guardian Recession Tracker

The recovery is the slowest since 1930

% change in GDP each month since beginning of recession

1990-1993    1973-1976    1930-1934    1979-1983    2008-



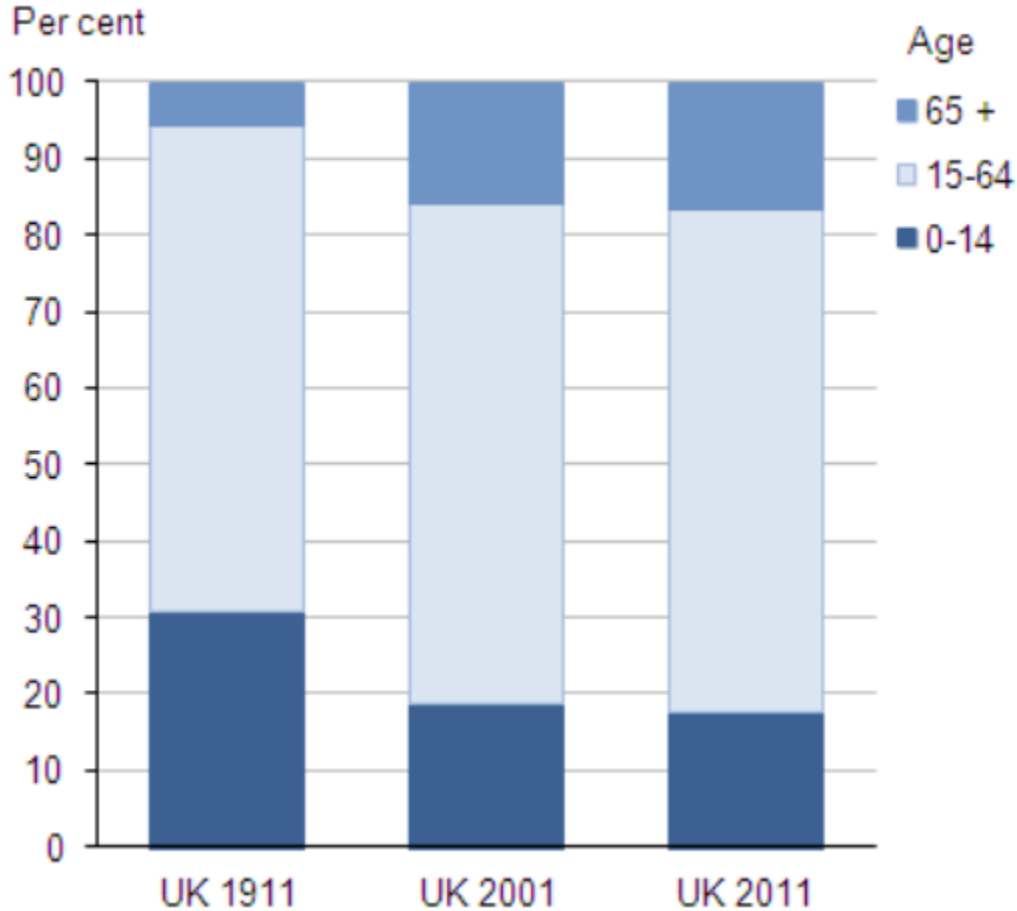
How does the economy affect  
property returns?

People = tenants

# Population

Figure 4: UK population by broad age group

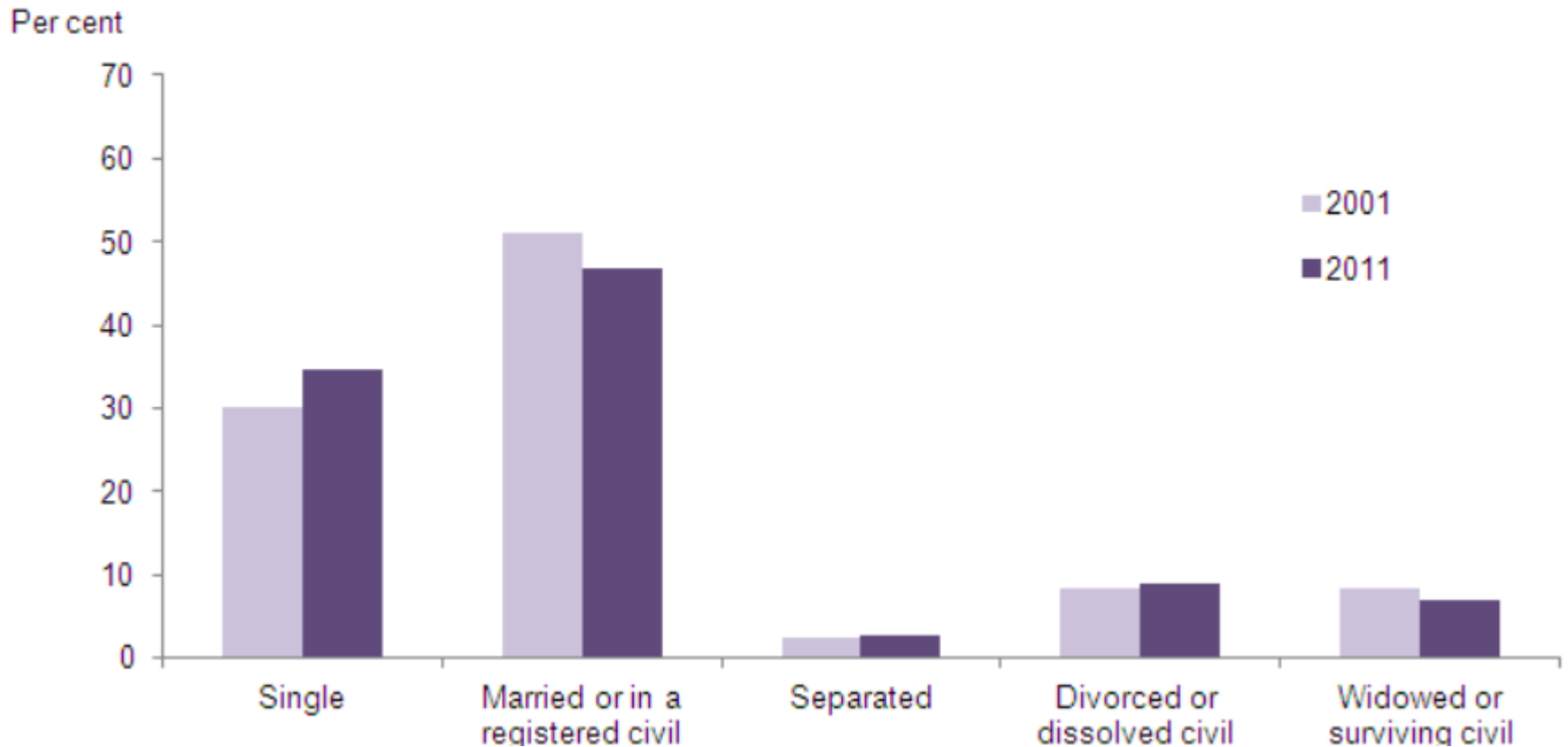
1911, 2001 and 2011



- 63 million on census night, 2011
- 50:50 men, women
- +7% 2001 and 2011

# More people living alone

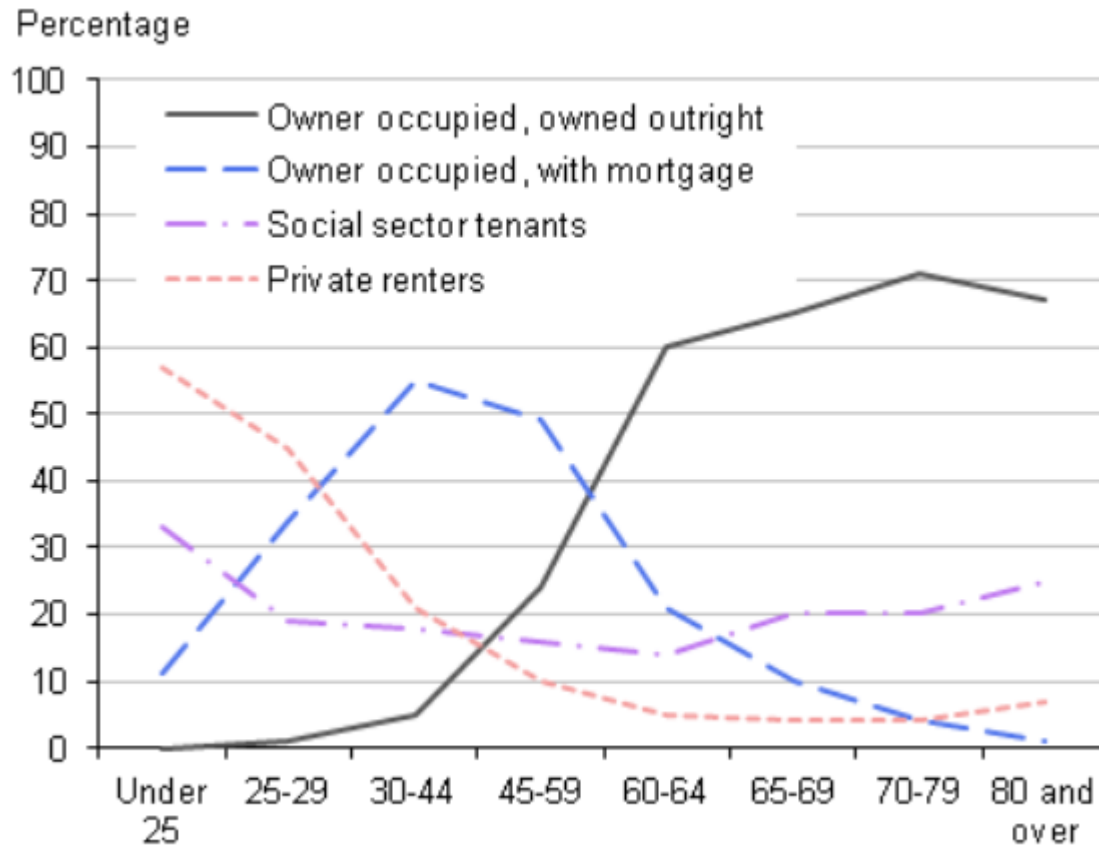
Figure 1: Marital and civil partnership status of the resident adult population in England and Wales, 2001 and 2011



# How people live in homes

Figure 4.1: Tenure by age of household reference person, 2011 <1>

Great Britain



Age of private renters:-

25 year olds 57%

26-29 45%

30-44 21%

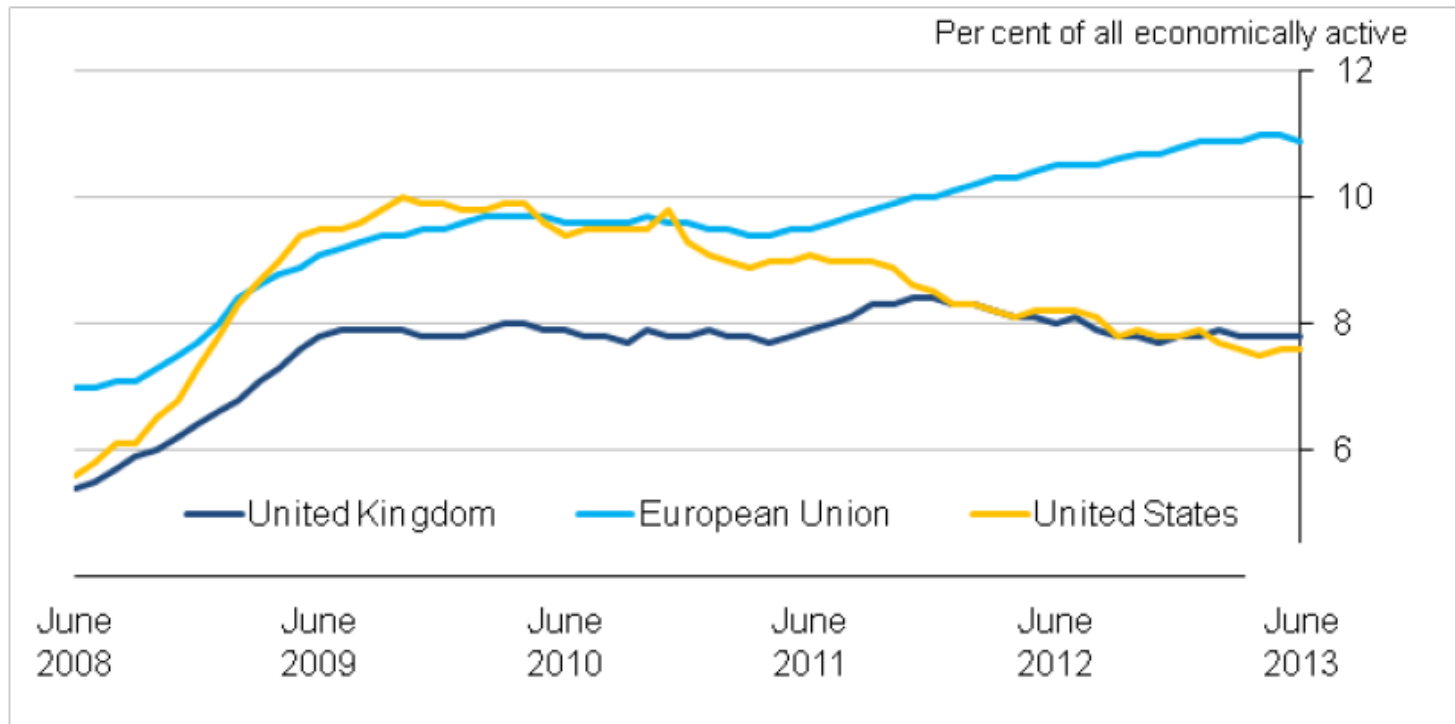
Source: General Lifestyle Survey - Office for National Statistics



Jobs = ability to pay rent

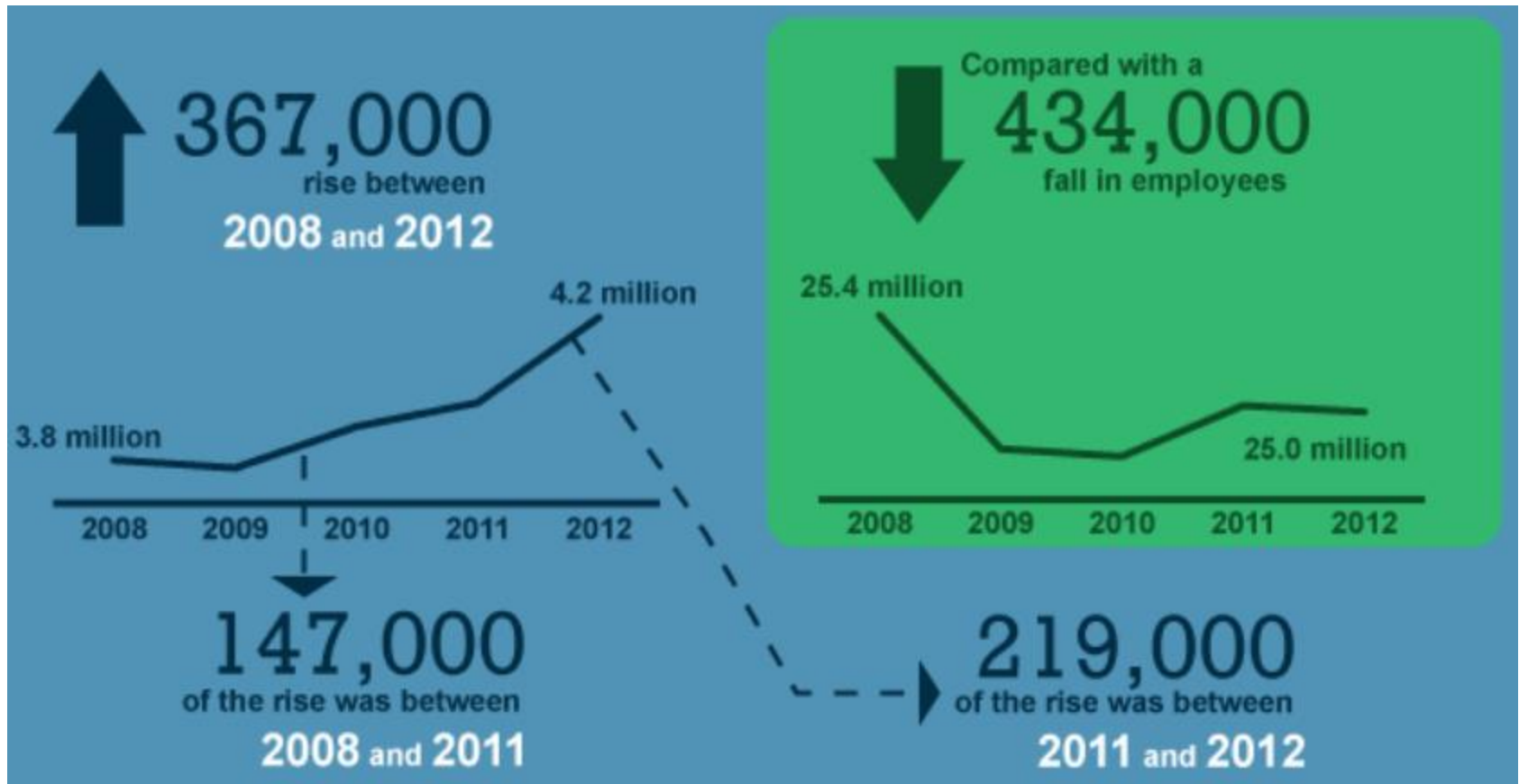
# Unemployment

**Chart 14: Unemployment rates for the United Kingdom, United States and the European Union, seasonally adjusted**



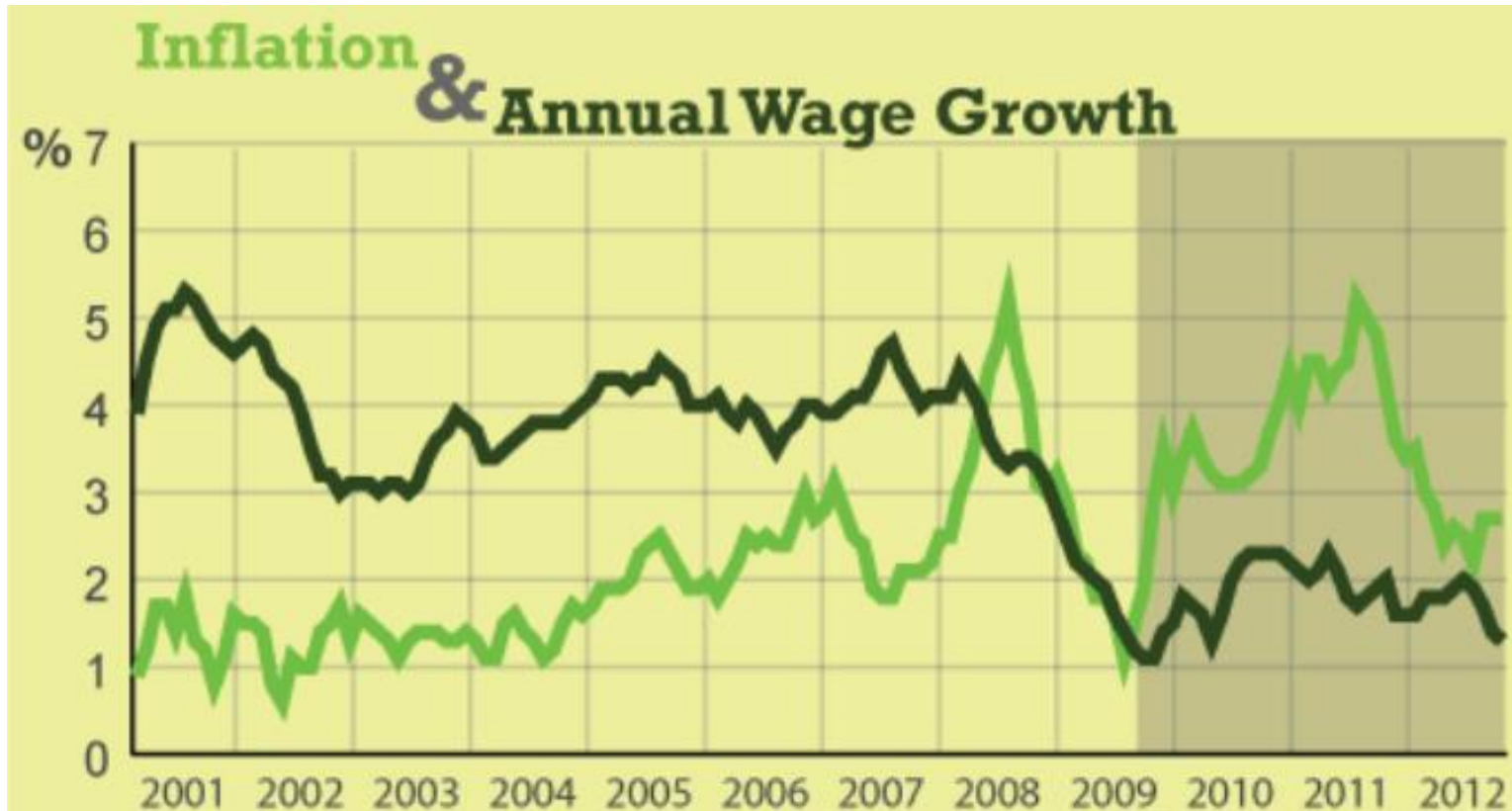
Source: Labour Force Survey - Office for National Statistics, Eurostat

# Self employment on the up



38% work from home

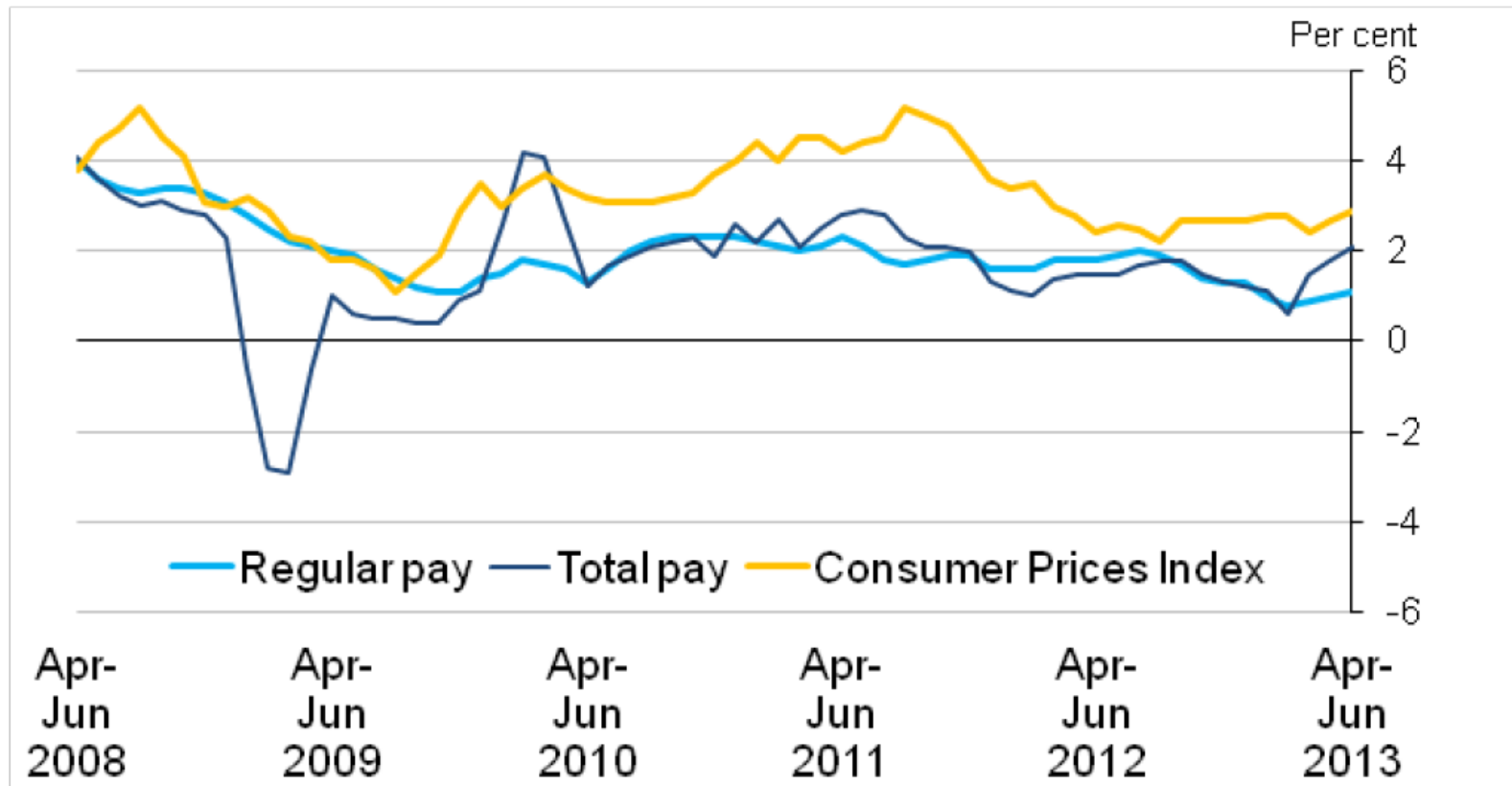
# Disposable income



Prices have risen faster than wages since 2009  
Growth in wages: +1.3% Q4, CPI +2.7%

# Latest figures show earnings just starting to rise

Chart 9: Average earnings and consumer prices annual growth rates



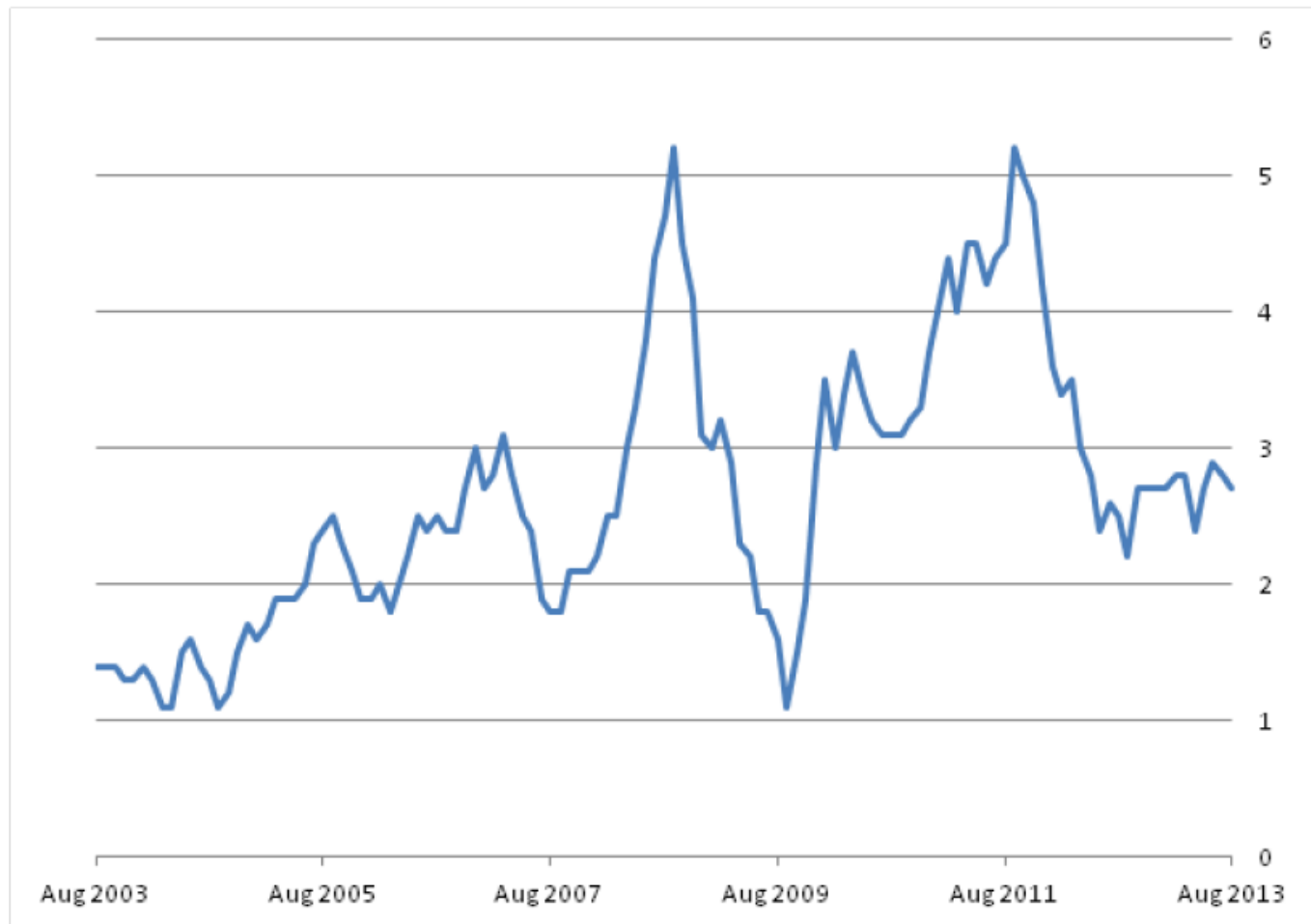
Source: Office for National Statistics

Buy to Let Threat

# Inflation

**Figure A: CPI 12-month inflation rate for the last 10 years: August 2003 to August 2013**

United Kingdom

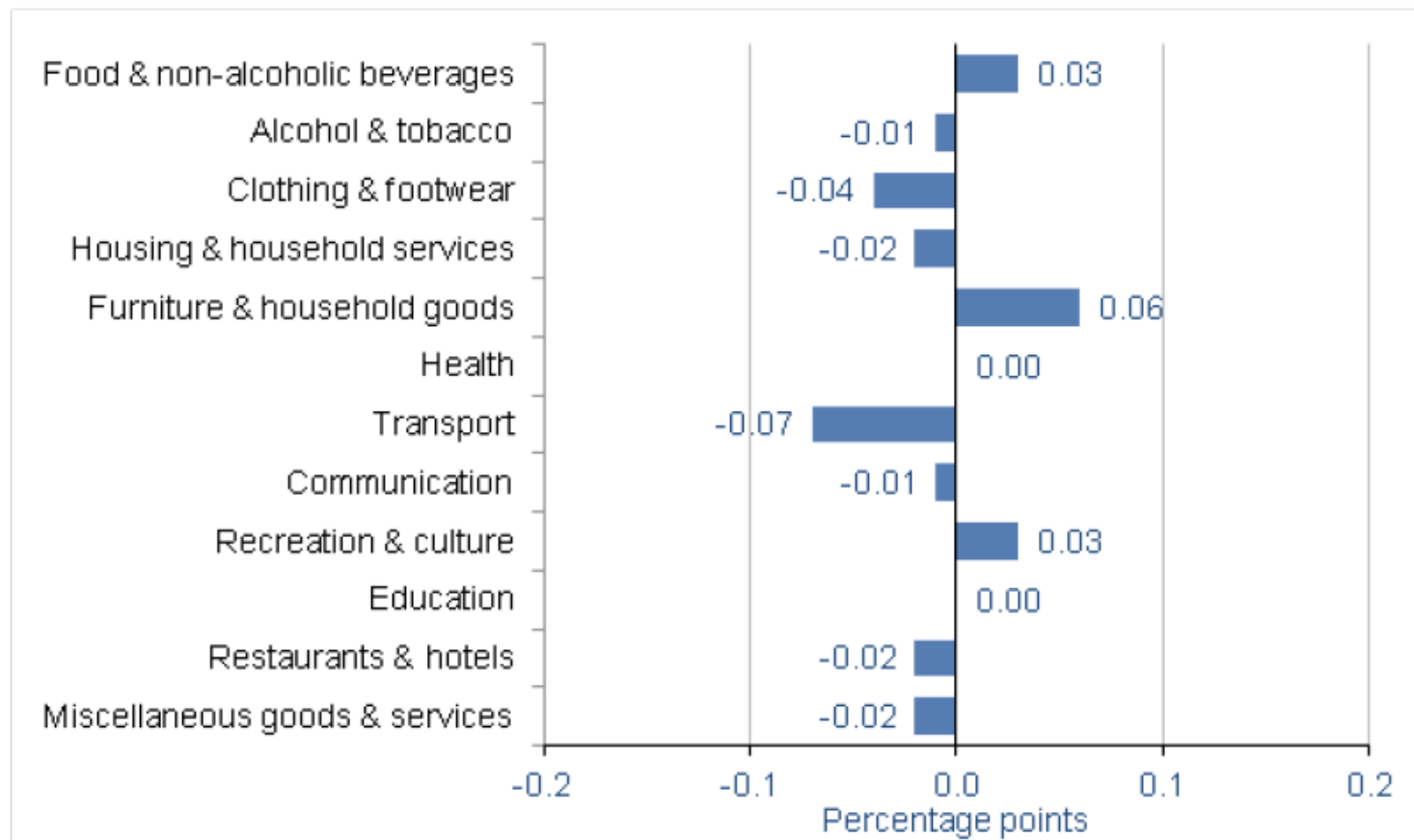


Source: Office for National Statistics

# Inflation

**Figure B: Contributions to the change in the CPI 12-month rate: August 2013**

United Kingdom

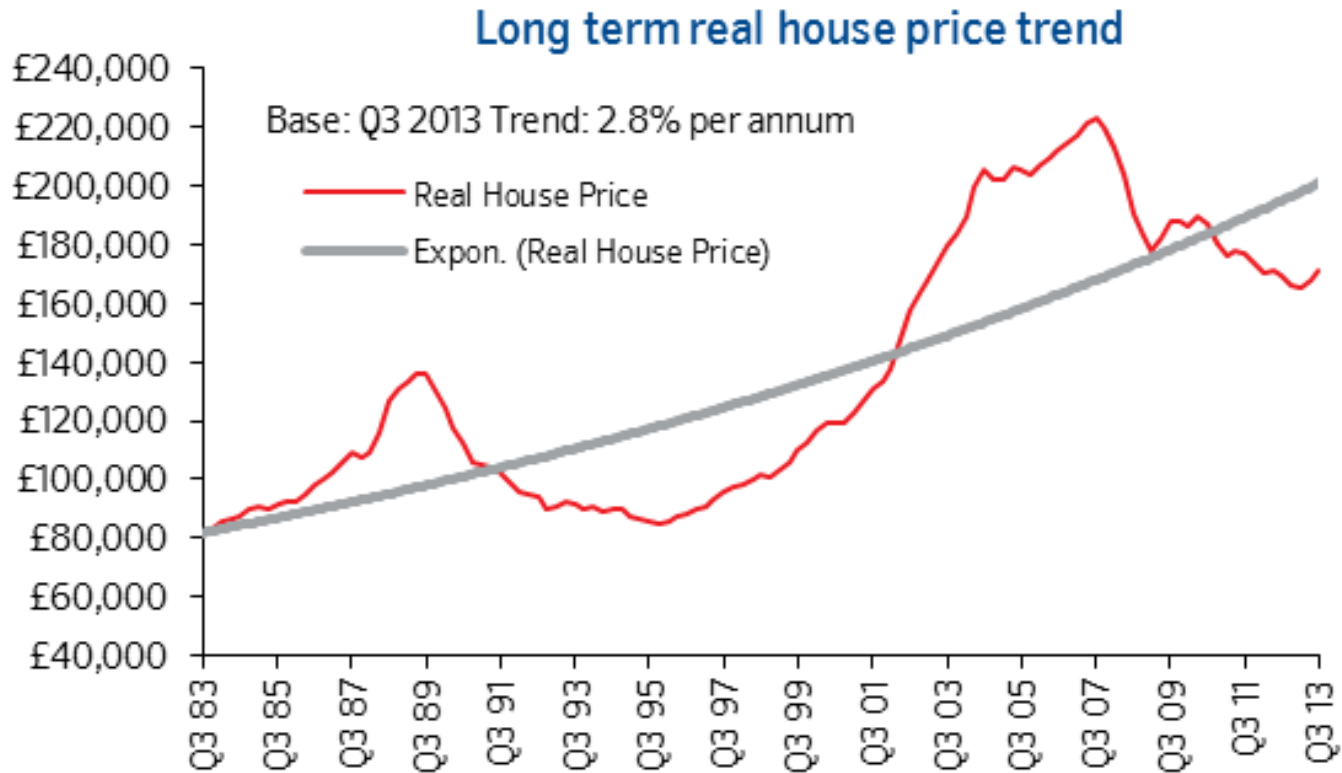


Source: Office for National Statistics



# Impact of the economy on property

# When would you buy and sell with hindsight of the past 30 years?



Property deals are typically best when prices are falling

# Buy to let economics matter

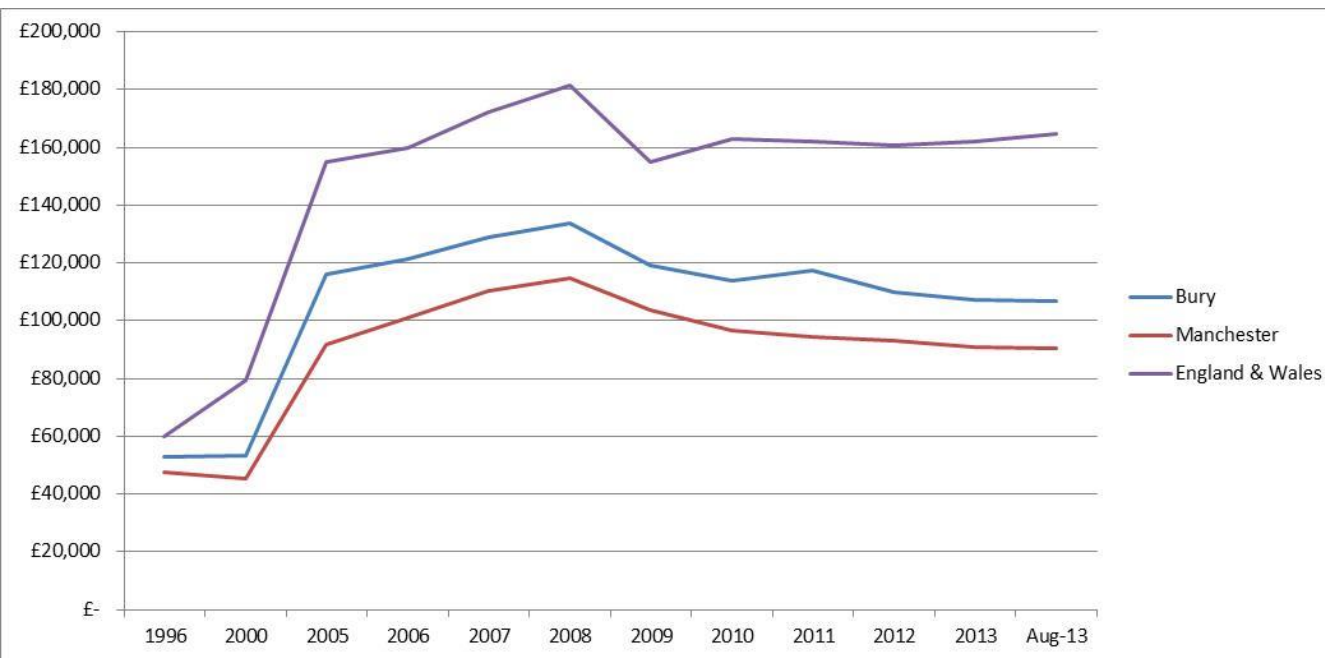
- What's happening economy
  - Make or break your property investment
- Since credit crunch house price values fallen

## National Picture v's Bury

<i>Land Registry data</i>	07/08 High	Date	09 Low	Date	Aug-13	Monthly Change	Annual Change	% Change v's 07/08 High
<b>Bury</b>	£ 133,860	Dec-07	£ 110,809	Jul-09	£ 106,709	-0.3%	-1.3%	-20.3%
<b>Manchester</b>	£ 119,979	Apr-08	£ 92,067	Jun-09	£ 90,569	-1.8%	-1.7%	-24.5%
<b>England &amp; Wales</b>	£ 181,902	Nov-07	£ 150,886	Apr-09	£ 164,654	0.1%	1.3%	-9.5%

# National Performance vs Bury & Manchester

- Typical life of a BTL investment 15 to 20 years
- Land Registry Data



**England**  
1996 to 2013 +175%

**Manchester**  
1996 to 2013 +91%

**Bury**  
1996 to 2013 +102%

# All about individual investments

## • Bolton Road, Bury

- Bought in July 2002: £47,500
- Sold in June 2013: £118,000
- 148% increase versus Bury 55.8%

## • Bury Old Road, Heap, Bury

- Bought in August 2000: £37,000
- Sold in August 2013: £96,500
- 161% increase versus Bury 97.9%

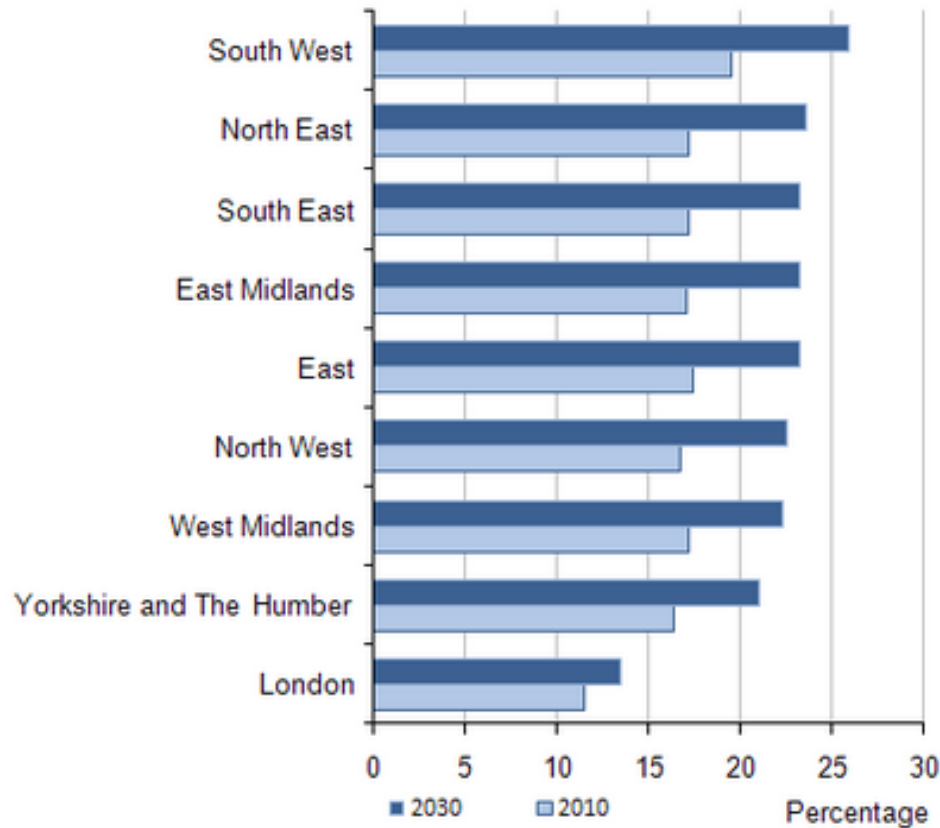
# The future of buy to let in Bury

People = tenants

# Population = demand for property

Percentage of population aged 65 and over, 2010 and 2030

England



Source: Office for National Statistics

## Bury

Between 2001 - 2011  
Population grown by +3%  
(all ages)

Predicted population growth by  
2020: 2.7%  
2033: 9% (16,000)

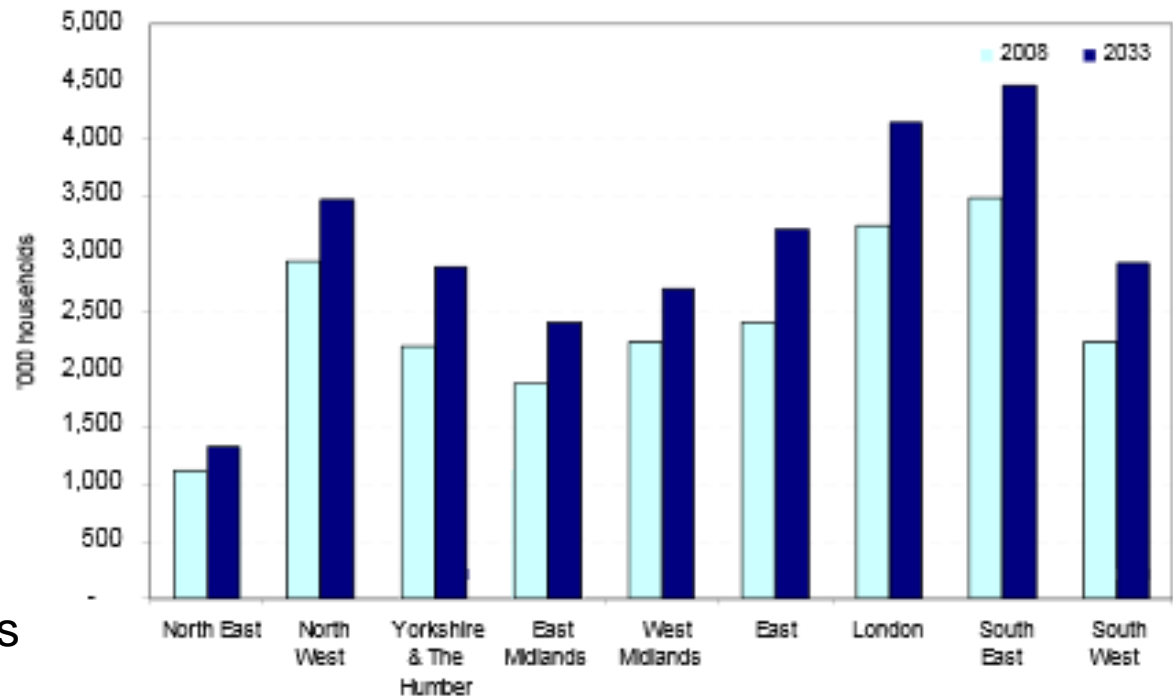
3-4% growth in under 29s

Number of 65+  
is to grow by 96%!



# Household growth

Figure 2: Household projections by region, 2008 and 2033, thousands



England +27%  
Estimated growth in one person households

Bury + 11%  
Council aims to see 500 homes built per year 2011-2028

Aiming for 4 and 2 bed  
Oversupplied with 3 beds

Expected shortfall in private rental sector

Jobs = earnings = rent

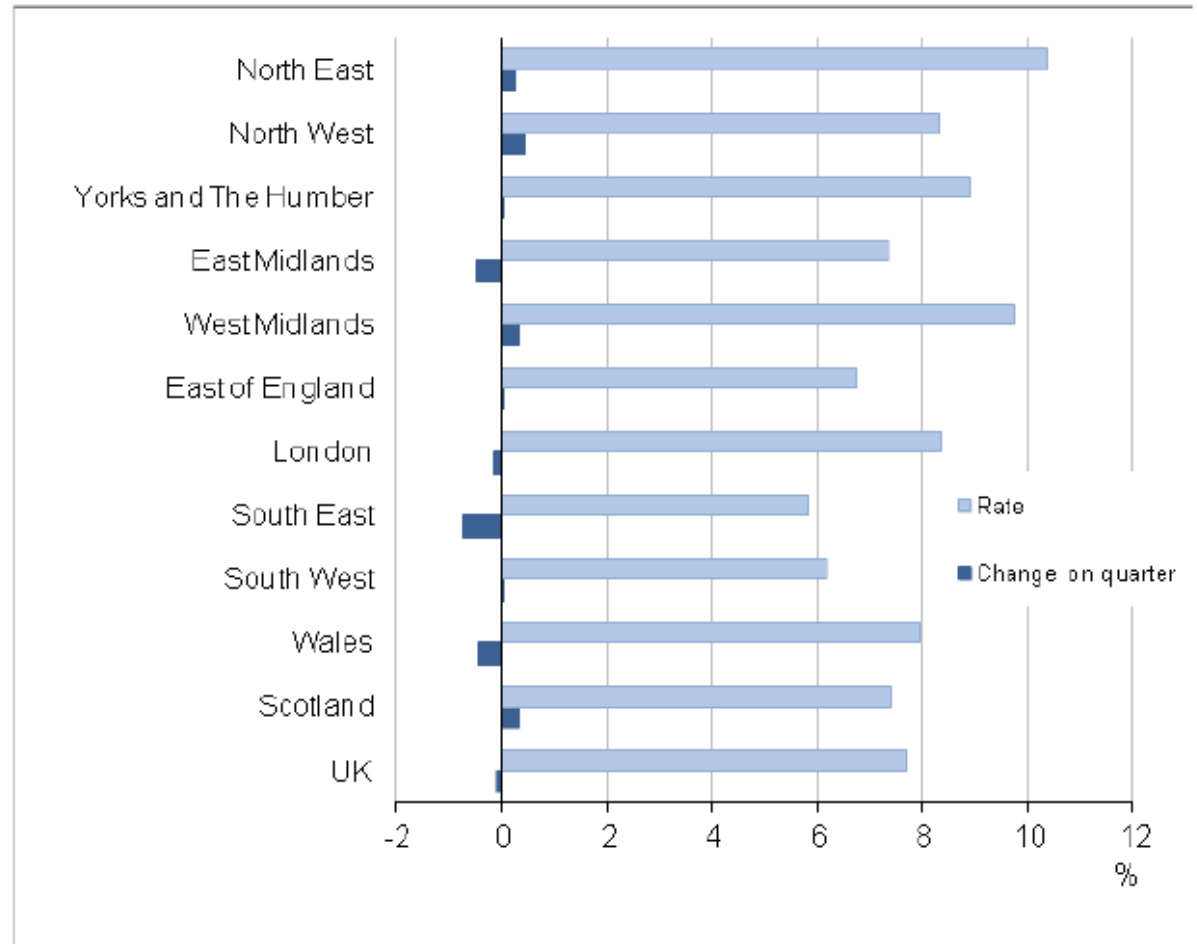
# Unemployment/Employment

Figure 2: Unemployment Rates, May to July 2013, Seasonally Adjusted

## Unemployment Rates

England 7.7%

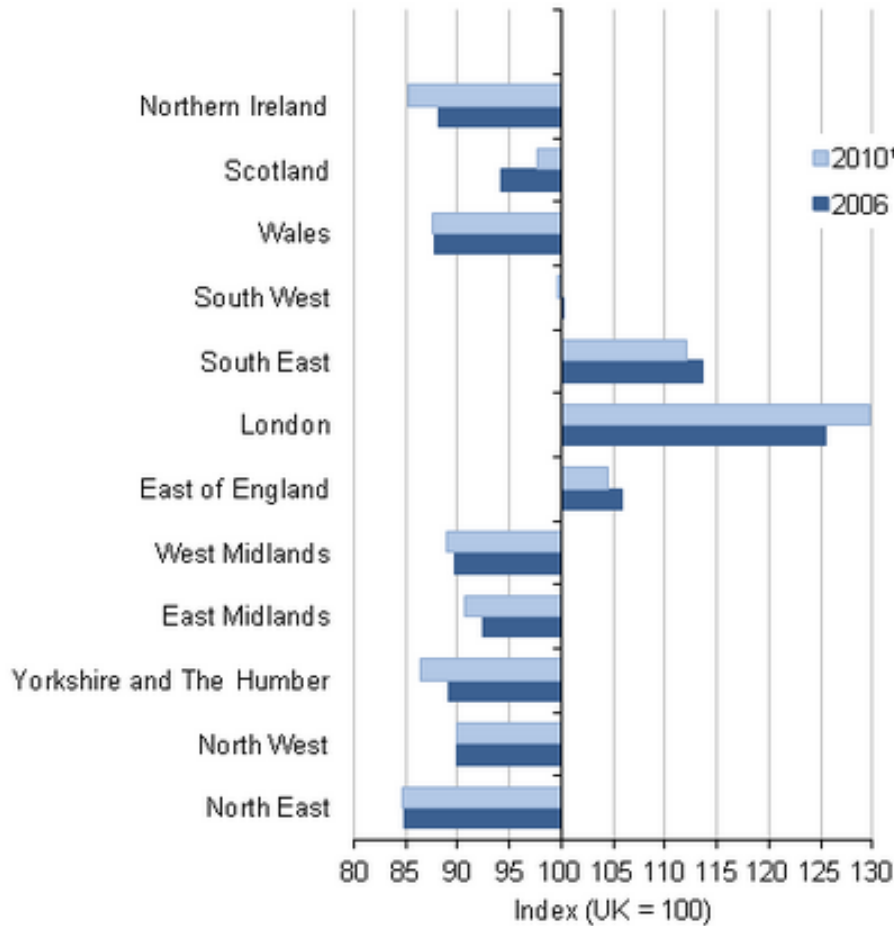
North West 8.2%



Source: Labour Force Survey - Office for National Statistics

# Wages

Figure 13: Gross disposable household income (GDHI) per head



## Average Annual Earnings

England £25,520

Bury  
Average income in the rental  
market £17k to £24k

When, what and where  
to buy in Bury

Month	Index	Average price (£)	Monthly average	Yearly average	Volume
July 2012	204.36	109,173	-0.3	1.5	186
August 2012	202.33	108,088	-1	0.8	179
September 2012	203.49	108,708	0.6	1.4	122
October 2012	208.11	111,179	2.3	1.6	179
November 2012	209.4	111,868	0.6	1.6	182
December 2012	210.69	112,555	0.6	1.1	133
January 2013	201.09	107,427	-4.6	-2.2	122
February 2013	195.3	104,336	-2.9	-3.7	125
March 2013	192.2	102,676	-1.6	-4.7	156
April 2013	191.81	102,467	-0.2	-5.2	134
May 2013	203.01	108,454	5.8	-1.2	180
June 2013	200.11	106,905	-1.4	-2.4	194
July 2013	200.38	107,049	0.1	-1.9	-
August 2013	199.75	106,709	-0.3	-1.3	-

Land Registry Data

# Bury Area Prices and Yields

- Yields can always be improved by securing a bargain
  - If you buy a property with 10% discount, yield can rise by ½ - 1%
  - Beware of flats, incur surcharges, £1,000 charge on a one bed
    - Reduces the yield from 8.5% to 6.8%

<b>Property Type</b>	<b>Bury</b>	<b>Rent</b>	<b>Yield</b>
<b>One Bed Flat</b>	£ 60,000	£350	7.00%
<b>Two Bed Flat</b>	£ 70,000	£425	7.29%
<b>Two Bed House</b>	£ 80,000	£495	7.43%
<b>Three Bed House</b>	£ 130,000	£595	5.49%
<b>Four Bed House</b>	£ 160,000	£695	5.21%

# Example of properties for yield

- **Around Warmasley/Pimhole**

- Access to town centre
- Easy access to employment
- Walk to metro

2 bedroom terraced house for sale  
Birley Street, Bury

£75,000



£75k  
£495 p mth  
7-8% yield

- **What to Buy eg of what to look for**

- Two bed homes
  - Quieter streets
  - Refurbishment opportunities
  - Energy efficient, end of terrace

2 bedroom terraced house for sale  
Parsonage Street, Bury, Greater Manchester

Guide Price £35,000



£45k + £10k  
£495 p mth  
10% yield

- **Possibly opposite Riverbank**

- Two bed homes
  - Good sized family home
  - Semi detached
  - Same area as Riverbank, just the 'other side of the road'

2 bedroom semi-detached house for sale  
Lichfield Drive, Bury, Lancashire

Offers in Excess of £75,000



£75k  
£495 p mth  
7-8% yield

**May not grow in value as much as other properties/areas**



# Example of properties for potential Capital Growth

- **Around Burs**

- Easy access to town centre/metro
- Close to the Country Park
- Finite supply, high demand



£102k  
£575 p mth  
6% yield

- **What to Buy**

- Two bed semi / bungalow
- Secure below market value
  - 10% off the real value
- Property needs something ‘extra’
  - Corner plot
  - End of cul-de-sac
  - High energy efficiency

2 bedroom semi-detached house for sale  
6 Orwell Close, Bury, BL8 1UU

£124,950



£100k  
£550 p mth  
6.5% yield

# Example of Capital Growth & Yield

- **Possibly around Walshaw/Elton/Tottington**

- Access to town centre
- On the borders of the 'good areas'
- Good access to schools

3 bedroom house for sale  
Wood Street, Bury, BL8 £106,500



£106k  
£550 p mth  
6% yield

- **What to Buy eg of what to look for**

- Two bed homes
  - Opportunities to add value
    - Refurbishment opportunities
    - Quick purchase
    - End of terrace

2 bedroom semi-detached house for sale  
Scholes Street, Elton, Bury, Greater Manchester £98,500



£98k  
£525 p mth  
6-7% yield

# A big punt!

## Build to let



### FOR SALE, VICTORIA MILL - DEVELOPMENT OPPORTUNITY Bury

Over 3 floors, Victoria Mill fronts onto High St in Walshaw Cross, Bury. The site has the potential for conversion into 16 no. 1 and 2 bedroom apartments (Subject to Planning).

### FOR SALE, VICTORIA MILL - DEVELOPMENT OPPORTUNITY

HIGH ST, WALSHAW CROSS, BURY, BL8 3AG

0.470 acres



# What you need to consider

- About spotting trends and finding investment gaps
  - Tough to get deals
    - By 2014 more people will own their own home than have a mortgage
    - Average time to live in a property: 25 years versus 8 years in 1980s
  - Potential new rental market over 65s
- Be aware of the impact of Government and local authorities
  - Increase in new build
    - Better deals for current renters through Help to Buy
    - Institutional investment in Build to Rent
  - Implications of energy efficiency improvements eg Green Deal
  - Increased taxes on property investors?
  - Increased licensing?

# Summary

- UK economy will take years to recover
- This will impact on your buy to let returns
- Need to protect your buy to let investment from:-
  - Inflation
  - Low capital growth or yields
  - Rising taxes
- There are always opportunities in property to make money
  - You just need the right independent and expert advice