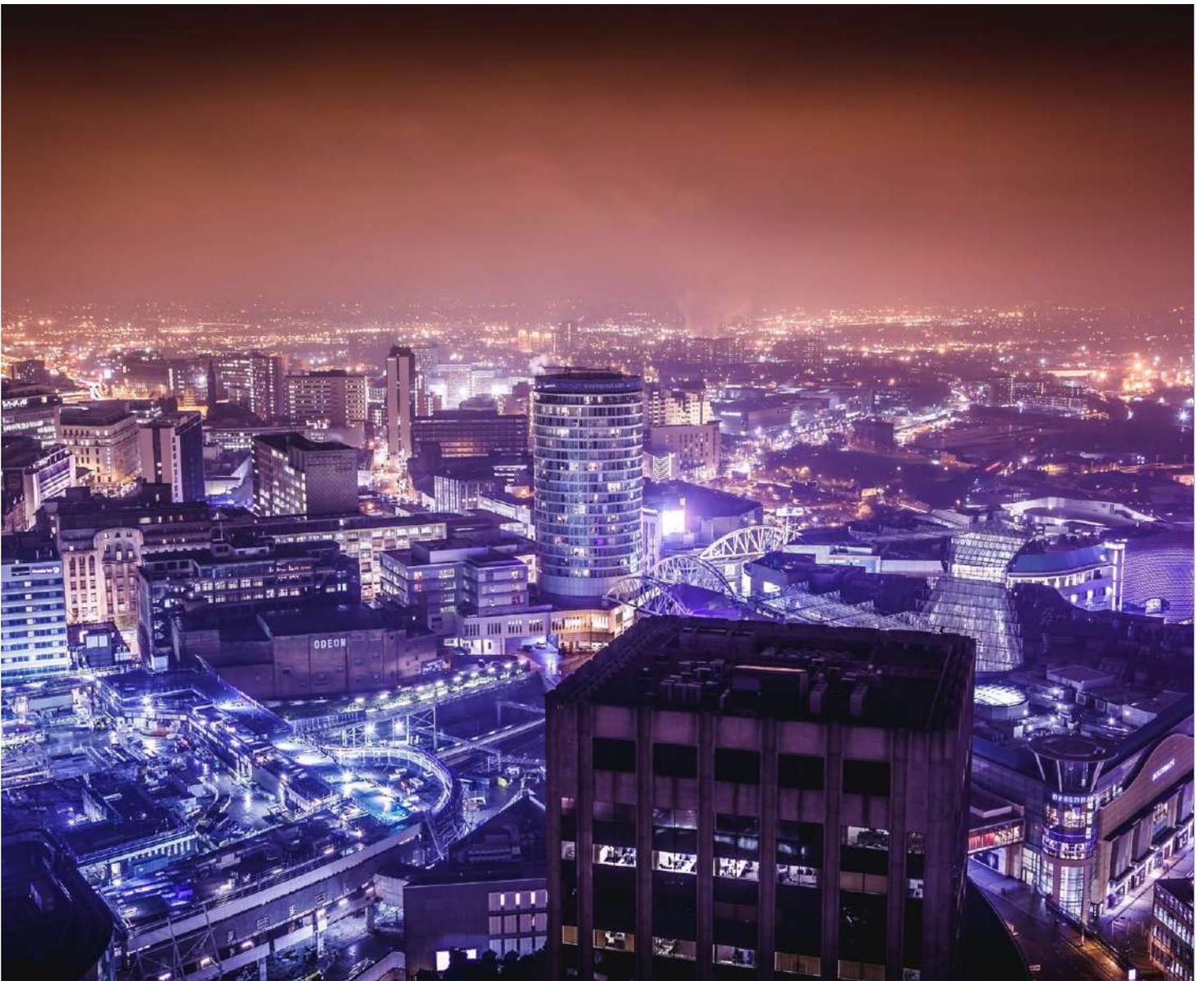
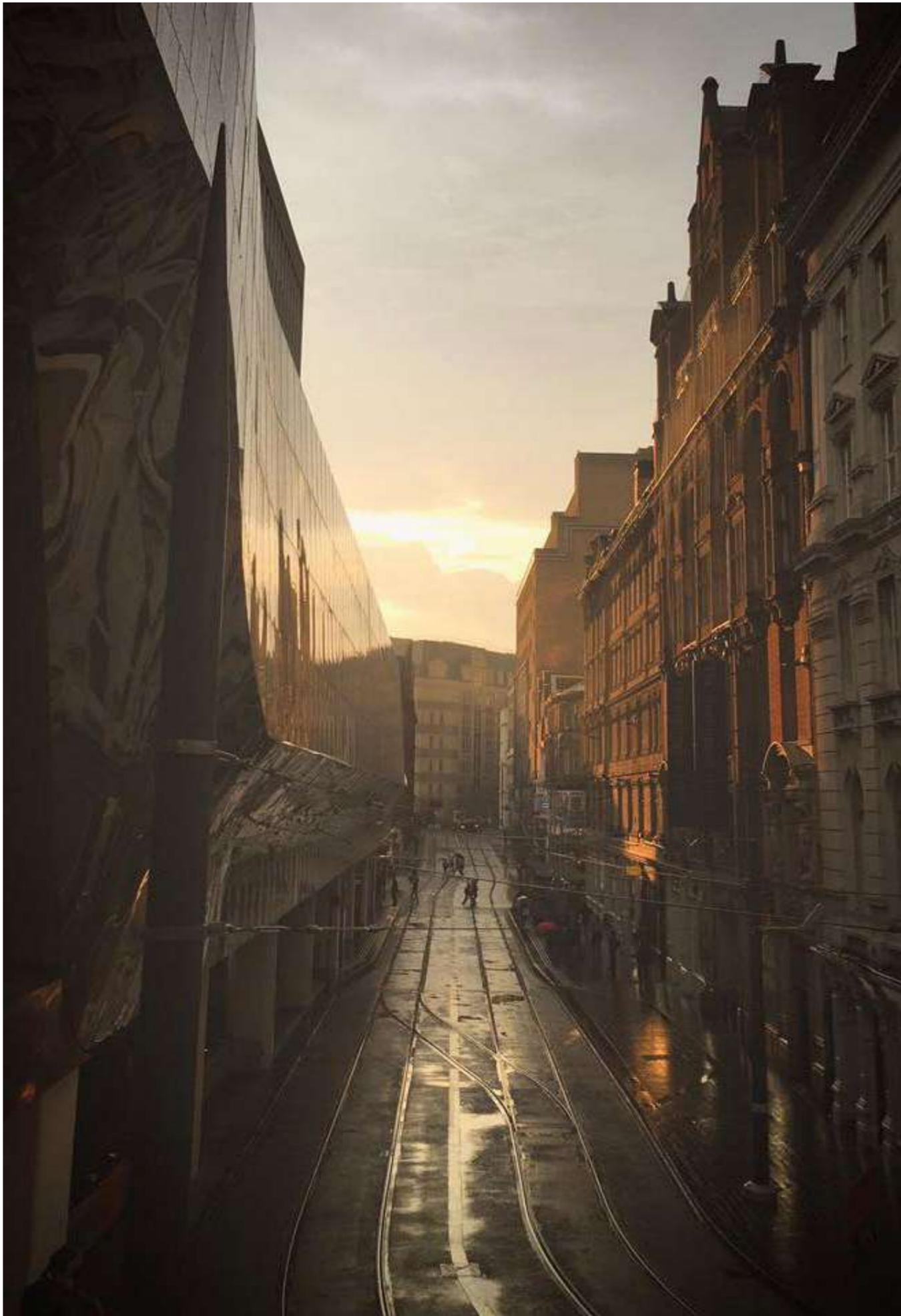




A GUIDE TO BUYING PROPERTY IN THE UK FROM OVERSEAS



A guide to UK property investment for overseas investors.



A GUIDE TO BUYING PROPERTY IN UK FROM OVERSEAS

The UK property market presents some of the best opportunities for both UK and overseas investors.

In our overseas investors guide you'll find detailed information on the current appeal of overseas investment in the UK.



The UK has always been an appealing investment location for overseas property investors due to projected capital growth, attractive city centre yields and constant regeneration.

The UK also has highly regarded law's, legal structure and land registry as well as a stable political landscape offering buyers one of the safest and most secure countries in the world for investment.

Many expats also find the idea of investing back at home appealing because A) they have familiarity with the area, and B) it

helps to build security for their future and can be used to augment their income in retirement.

At Prosperity, we provide an array of investment opportunities across the UK, and as a result have attracted clients with varied portfolios from all over the world.

If you're considering investing in British bricks and mortar, then look no further. We've put together this comprehensive guide that tells you all you need to know about investing in UK property from overseas.

WHY INVEST IN UK PROPERTY?

Property should form part of a balanced financial plan for any investor. The dual income potential of capital appreciation (rising property prices) and rental income, combined with the security and stability of 'bricks and mortar' assets makes property a low risk staple of your portfolio. Property also offers the unique advantage of allowing retail investors to 'leverage' their capital by borrowing via a mortgage.

The UK is one of the most stable countries and economies in the world, making it a very attractive destination to store wealth. The UK property market also features distinctive fundamentals which have resulted in rising property prices and increasing rental demand.

The growing population and restrictions on new housing supply means that the UK has been one

of the best performing global property markets for the past two decades, with upward trends set to continue.

In addition, the UK legal system and the professional infrastructure associated with UK property investment is exceptionally secure and well-established. The legal protections in place for property owners again offer stability and security.

The British property industry is also heavily regulated - including architects, engineers, construction firms, to solicitors, estate agents and mortgage providers.

International investors benefit from the transparency and professionalism of a well regulated system, which is the envy of all economies worldwide



1

A GROWING PROPERTY MARKET

Annual UK house price growth has jumped to 13.4%, the highest year-on-year appreciation since November 2004.

2

A THRIVING RENTAL MARKET

During 2022, JLL predicts that the average rental prices for a UK investment could rise by 2% over the year, contributing to an 8.5% increase over the next five years.

3

REGENERATION HOTSPOTS

UK Government is investing £100 billion in 2022 on roads, cities, transport and general infrastructure improvement.

4

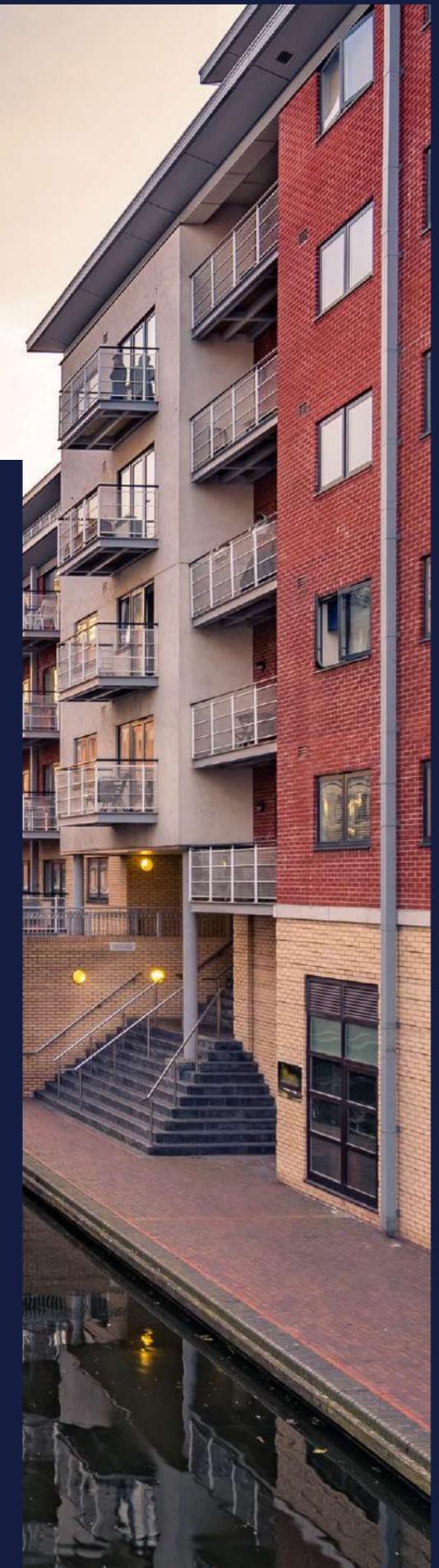
UK POPULATION INCREASING

The UK population is expected to reach 74 million people in the next 20 years – this can be linked to demand growing within the UK rental market.

5

HIGH LEVELS OF FOREIGN INVESTMENT

The UK has consistently achieved a 5% increase in inbound FDI projects year on year since 2018.



CHOOSING HOW AND WHERE TO INVEST

Property Investment returns are comprised of two parts - capital appreciation and yield.

Capital appreciation refers to an increase in the market price of an investment. Yield relates to the income achieved through the rental of the property. When choosing where and how to invest in UK property the aim is naturally to maximise both of these returns.

There are essentially three means of securing capital appreciation:

1

Buy a property and add value through refurbishment, renovation, reconfiguration etc.

2

Buy a property in a period of, or a location with, rising market prices.

3

Buy a property below market value - either off-plan or marketed by a motivated vendor.

Whilst refurbishing a property can be rewarding, it is not an enterprise to be entered into lightly. Complications and unexpected costs can arise, and Project Managing from afar can be challenging.

We believe the optimum route for International Investors is to secure a property in a location with rising market prices, whilst buying at a discount to market value. Whilst average property prices are rising across the UK, we encourage investors to seek out locations in key regional towns and cities that demonstrate the Growth Drivers detailed on the right. This will enable buyers to maximise their returns and achieve above average gains.

Concluding always try to maximise the opportunities created by macro economic

TYPICAL GROWTH DRIVERS

1

REGENERATION

Improvements to the local area and the built environment, this is usually local government led.

2

GENTRIFICATION

An increase in the desirability of an area due to an influx in upwardly mobile residents and the economic opportunities they bring to a location.

3

POPULATION GROWTH

Some towns and cities are growing rapidly, this is being fuelled by broader population growth and changing lifestyles.

4

INFRASTRUCTURE PROJECTS

Improved amenities and transport links can transform an area and positively impact on house prices.

5

RISING EMPLOYMENT

Growth centres establish a momentum that draws in talent and potential customers, employers gravitate towards these locations and create new job opportunities positively impacting house prices.



EXAMPLE: BIRMINGHAM



We believe Birmingham represents one of the best city specific property investment opportunities in the country.

It features strong markers of all of the traits detailed above. The city centre is undergoing a 'Once In A Century' regeneration as vast swathes are modernised and connected. The Population is rising rapidly, growing over 10% in the past decade. It is also set to benefit from one of the largest infrastructure projects in Europe - the new High Speed 2 Train Link to London. This improved connectivity is attracting international businesses such as HSBC, Goldman Sachs and PWC to relocate tens of thousands of staff to the city, creating new jobs and improving the local economy.

JLL price forecasts for Birmingham annual growth:



19.5% CAPITAL APPRECIATION

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1

AREA CENTRAL

A major investment and regeneration scheme for the city centre, 2.3m sq ft mixed use, £400 million investment in the project.

2

METRO EXTENSION

A 2.15km expansion of the West Midlands Metro in Birmingham, which is being developed with an investment of £149.2m.

3

PARADISE CENTRAL

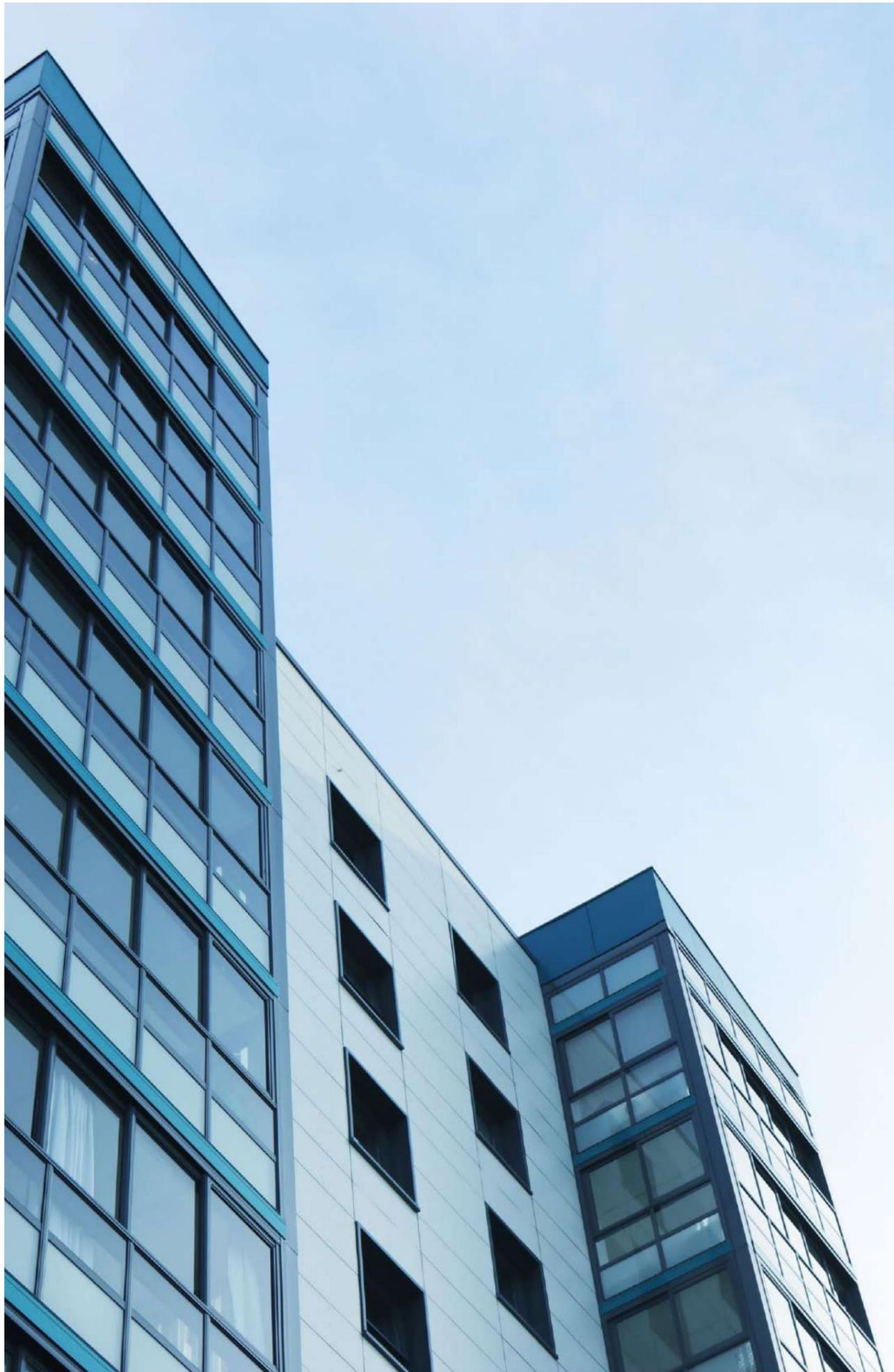
1.8 million sq ft mixed use development in central Birmingham backed with a £700 million government investment.

4

SMITHFIELD MASTERPLAN

17 hectare mixed use development in the city centre which creates 'a sustainable, green and inclusive place that puts people at the heart of the development' supported by a £1.5 billion investment.





FIND THE RIGHT RENTAL YIELD

Many International Investors purchase UK properties with the aim of generating long term income to support their lifestyles and plan for retirement

This income is generated by the Rental (also known as Letting) of the property to Tenants. The rental income can also be utilised to pay for buy-to-let mortgage servicing costs, meaning a UK property investment can pay for itself. economy.

In the current climate of persistent ultra-low interest rates the income returns generated by property investment are highly coveted when compared to interest accrued by savings

in retail banks. This is without consideration for the 3-5% per annum potential capital growth created by rising property prices!

The simple yield calculation above also serves to highlight how the yield % can be impacted by changes to the input variables. The higher the rental income relative to property purchase price, the higher the yield. The higher the property price relative to rental

income, the lower the yield. Rapidly rising prices are good for property owners but can pose a challenge to those seeking buy-to-let investment opportunities, as prices rise yields are compressed.

This is why it is important to get into growth markets early, and to secure an asset that is both desirable on the local rental market and yet purchased at a price that generates a good yield.

HOW TO CALCULATE RENTAL YIELD:

Annual Rental Income / Property Purchase Price

=

Yield (multiply by 100 to view as %)

Example:

**Annual Rental Income of £12,600 /
Property Purchase Price of £239,995**

=

0.0525 * 100

5.25%

TAX CONSIDERATIONS

The UK property market is still a popular choice with overseas investors, boosted by all the points in this document, alongside its reputation as a country with a stable investment market promising strong returns. This means that for many investor, it's important to understand how the tax system impacts those living overseas.

The key taxes to look for are:

1 INCOME TAX

This is a compulsory tax paid on all of the rental returns you make from a property based in the UK. It's charged at a basic rate of 20%, which can rise to 45% depending on the amount you receive.

2 STAMP DUTY

Compulsory tax paid on the purchase of your property. It can differ, however you can expect to at least be charged 5% if you're an overseas Buy-to-Let investor.

3 CAPITAL GAINS

Again, this is compulsory tax paid on the sale of your property and is based on the amount of profit you make from the sale of your property.

4 INHERITANCE TAX

If someone dies, the value of their UK property will be subject to IHT at 40%. Property held in a trust whether directly or indirectly is exposed to IHT.



FUNDING YOUR UK PROPERTY INVESTMENT



There are two common ways of investing in the UK for overseas investors – buying a property in cash or using a specialist Buy-to-Let mortgage.

As of 2021, there are a record number of mortgage offers available on the market, with specialist offerings tailored to both none UK residents and expats. When it comes to securing your finance option, it pays to shop around. There is a wide choice of different products with varying rates, so speaking to an expert can help you find the ideal product for you.

We offer two unique payment plans providing International Investors flexibility and security, whilst making property investment more convenient and affordable for you:

PAY MONTHLY DEPOSIT BUILDER

When buying any off-plan investment property you will be required to place a 'Deposit'. This forms your Equity in that property.

At Prosperity, clients place a total Deposit of 35% of the property value. This is divided into 5% of the purchase price paid upon Reservation, and 30% paid during the Construction Phase - typically 24 months. The 30% is divided into 24 affordable monthly installments. This means that you don't have to have a lump sum on hand to secure market leading property opportunities. Instead, you can build your deposit month by month, akin to a Savings Plan.

When the property is ready we can help you in securing a buy-to-let mortgage. The 35% Deposit you have established will provide you with an excellent range of mortgage options. Alternatively you could complete your purchase with cash.

DEVELOPER FINANCE/VARIABLE

This payment plan sees buyers place a total Deposit of 70% of the property value during the build period.

This 70% is divided into 5% paid upon Reservation, and 65% paid in affordable monthly installments. The 30% balance is then effectively 'financed' by the Developer at 0% interest. This outstanding 30% is paid off by the rental income of the property - all fully managed by Prosperity. The balance is typically paid off in less than five years, after which you will own the property 100%!

This payment plan is ideal for investors who do not want to wait a 25 year mortgage term before enjoying net rental income - those nearing retirement for example. It also suits buyers that may not wish to apply for a mortgage - as no application is required for this financing option. Finally, this plan is unique in allowing cash buyers the opportunity to leverage at zero % interest.



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