



Through it all, the buy-to-let market remains robust...why?

Hikes in interest rates over the last 12 months have seriously dented the margin between yield return and borrowing costs. Consequently, the gap between these two factors is eye wateringly tight. Couple this with rising property values and the result means that investors' deposits are by necessity significant, when buying at open market value (OMV).

Are existing/serious investors still buying? Too right they are! Why?... because they are snapping up properties at below market value. Known in the trade as BMV (not W!); this enables them to either significantly reduce the amount of their own cash they put into the investment or, in some cases, use none of their own cash at all.

Other factors still driving this market sector on:

- A well-gearred property is still one of the strongest investment vehicles available.
- A robust rental market exists in most UK areas.
- Property supply is still far short of demand.
- Continued diversification away from pensions and traditional investments.
- Purchasers are "nest egging" for the future.

BMV properties generally offer a minimum of 10% off the OMV and typically 15%. Investors aren't the only ones catching on to BMV purchase and its advantages:

- First time buyers can use the discount as a deposit and so don't have to find the cash for the deposit.
- Parents and even grandparents, are buying for younger family members, to facilitate their foothold on the property ladder.

Here's an example of a new-build (£150,000) apartment, valued by a RICS surveyor. One purchaser

buys at its current value, the other at a discount of 15%:

	OMV Purchaser	BMV Purchaser
Purchase price	£150,000	£127,500
85% mortgage	£127,500	£127,500 <small>(based on OMV)</small>
Deposit paid	£22,500	£0

How does BMV work?

Buying a property at BMV can work in two different ways and it's the buyer's choice to decide the best way for them.

Option One – No deposit – small outlay...

The developer provides a discount which is utilised as a deposit.

Advantage -

Investment property is gained with minimal personal capital outlay. Personal funds achieve more, enabling multiple purchases and increased capital growth.

Disadvantages –

Rental coverage assessment for mortgage purposes can be tight.

Stamp duty must be paid on the gross purchase price.

Option Two – Deposit paid...

The investor pays a deposit of 15% of the net price.

Advantages –

The investor ends up with 30% equity in a property, for only 15% outlay.

Stamp duty paid on the net price is sometimes avoided.

Rental coverage for mortgage assessment purposes is good.

Disadvantage –

Greater personal capital input is needed, limiting investment growth.

An MMG client turned £25,000 cash into three properties using developer discounts...

Golborne (Wigan)

£110,000 purchase price.
11% developer discount = £12,100 immediate equity.
£97,000 mortgage obtained at 5.39%.
£440 per month [interest only] mortgage repayment.
£450 per month rental income achieved.
Free valuation and legal fees with mortgage product.
No stamp duty to pay.
£1,000 [reservation fee payable] **Cost to invest.**
Net equity £11,100.

Stockport

£165,000 purchase price.
15% developer discount = £24,750 immediate equity.
£140,250 mortgage obtained.
£631 per month [interest only] mortgage repayment.
£650 per month rental income.
£350 valuation fee.
£2,050 legal fees and stamp duty.
£1,600 Deposit Bond [used in lieu of cash deposit on exchange].
£1,000 reservation fee.
£1,650 finder's fee 1%.
£6,650 Cost to invest.
Net equity £18,100.

Macclesfield

£169,950 purchase price.
£144,457 mortgage obtained at 5.5%
£665 per month [interest only] mortgage repayment.
£695 per month rental prediction.
15% developer discount = £24,492 immediate equity.
£350 valuation fee.
£2,100 legal fees and stamp duty.
£1,700 Deposit Bond [used in lieu of cash deposit on exchange].
£1,000 reservation fee.
£3,399 finder's fee 2%.
£8,549 Cost to invest.
Net equity £15,943.

Total cost to invest in 3 properties was **£16,199**
Total net equity achieved on the 3 was **£45,143**
Client has £8,800 remaining for a 4th purchase!

Current Opportunities:

Park Green & Waterside Mill – 'Gradus', Macclesfield

A stylish development of 1 & 2 bed apartments, in the popular 'Gradus' development in Macclesfield, Cheshire. The development is located in the highly sought after re-generation area of the town and comprises 8 apartments, which are divided into four areas. The apartments on offer are in the Park Green and Waterside Mill areas. Adjacent to the town centre, the development is also in close proximity to Macclesfield train and bus stations, with Crewe just 30 minutes drive away and Stoke-on-Trent 45 minutes, making this an excellent location for students and professionals alike.

Crescent Road, Clapham, London

This stunning, off-plan development of 9 residential apartments and a commercial unit, is located in one of the most up-and-coming locations in London. Units will be finished to a high specification (spec sheet available on request). The site is on the border of Clapham and Brixton, an area becoming increasingly popular with first time buyers and young professionals looking to rent. Being just 800m from Clapham North, or Clapham Common tube stations (Northern Line), the development is just a short commute to the centre of London.

To find out more and/or to register your interest in current and future investment opportunities, please email Amanda Carroll - ajc@mmg-uk.com.