Is buy-to-let still worth it in 2024?

Blog

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As we navigate through 2024, with its fluid economic conditions and evolving market dynamics, the question of whether buy-to-let investments are still a sound choice remains a topic of interest. Whether you're a seasoned investor or just starting out, this blog will explore the current state of the buy-to-let market. We clarify common misconceptions and provide a clear, realistic view for anyone considering this investment path.

What is buy-to-let and how does it work?

Buy-to-let involves borrowing funds to purchase a property specifically for renting out to tenants, aiming to generate income through rental payments and potentially benefiting from property appreciation over time. In 2024, newcomers should be aware of recent trends and considerations such as updates in taxation policies, energy efficiency standards and tenant protection laws. These factors can significantly influence the financial feasibility and operational aspects of buy-to-let investments in the current year. The recent transition to a Labour government is likely to bring new or amended regulations, so it's crucial for investors to stay informed and adaptable to potential policy changes affecting the property market. You can read our thoughts of what Labour's property market might look like here.

What are the financial returns and risks associated with buy-to-let?

Assessing the financial viability of buy-to-let in 2024 involves understanding key metrics such as rental yield and capital growth prospects. Given the current economic conditions, potential investors must consider risks such as fluctuations in property values, changes in interest rates, and broader economic factors like inflation. As of now, the Bank of England's interest rate and base rate both stand at 5.00%, with the next Monetary Policy Committee (MPC) meeting results set to be announced on 19 September. Inflation is currently at 2.20%, aligning with the government's target to keep it low and stable, helping everyone plan for the future. After a slow start to 2024, property values have been on a slight upward trajectory, showing an annual rise of 2.20%, compared to the previous year's increase of 0.70%. Investors also should consider any void periods where tenants aren't in the property and receiving rent, as well as any maintenance costs required for upkeep. Local economic downturns might influence rental demand, and increased competition in an oversaturated market can drive down rental prices. Rising insurance premiums can further impact profitability towards buy-to-let properties. These elements collectively impact both rental income and the long-term investment returns from buy-to-let properties.

How have recent regulatory changes impacted the buy-to-let market?

Recent changes in taxation, energy efficiency standards and tenant protections may affect the buy-to-let market landscape. Investors should stay informed about these updates to navigate the buy-to-let market effectively in 2024. For tax or financial advice, investors should seek professional guidance.

Is buy-to-let still a good investment compared to other assets in 2024?

As of mid-2024, the property market presents a mix of cautious optimism and ongoing challenges. Interest rates are currently at 5.00%, with potential adjustments depending on economic signals. There's a growing demand for rental properties, partly due to higher interest rates making home ownership less accessible.

Additionally, buyers and tenants are increasingly prioritising energy-efficient, cost-effective homes, influenced by new regulations and rising utility costs. When comparing buy-to-let with other investments like stocks, bonds, and savings accounts, factors such as return on investment, liquidity, and risk tolerance are key.

Researching through financial news sources, investment platforms, and comparison tools can offer valuable insights. Evaluating historical performance and future projections for different asset classes helps in understanding how buy-to-let stacks up in the current market. But, be careful that past performance and forecasts are not reliable indicators of future results and should not be relied on. It should be used to make informed decisions.

What should new investors consider when entering the buy-to-let market in 2024?

When entering the buy-to-let market in 2024, new investors should be aware of the current economic conditions, such as interest rates and property trends. Key factors to consider include assessing risks like potential vacancies, rising insurance costs, and evolving regulations. Researching areas with strong rental demand, exploring various financing options, and focusing on properties with good energy efficiency are important. Conducting thorough property inspections and implementing effective management practices can help navigate the market's challenges and opportunities. Staying informed and adaptable can offer valuable insights for engaging with the property market.

By understanding the details of buy-to-let and adopting a proactive approach to investment strategies, individuals can position themselves to thrive in the dynamic realm of property investments.

For further guidance, explore our masterclass for investors on TAB U. Alternative investment options such as TAB Property a fractional ownership model, can offer different benefits and may be more suitable depending on your investment goals and risk tolerance. Find out more on TAB Property.

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