

Benham
& Reeves



**Step by Step Guide
to Buying Property in the UK**



STEP BY STEP GUIDE TO BUYING PROPERTY IN THE UK

Buying property can be complicated and we have put together this guide to provide buyers with basic information about the process involved when purchasing a property in the UK.

Unlike some other places in the world, buying a property in the UK is relatively straightforward. The opportunity is open to anyone and no-one is discriminated against. UK residents and overseas investors are equally able to buy and sell any property and most nationalities are eligible for loans.

We are the ideal partner for investors and overseas landlords offering expertise at each point of the cycle of residential investment in the UK. This starts with guidance on what to purchase, assistance with loans and lawyers, managing the handover from the developer, preparing the property for letting and furnishing and refurbishment services. We then follow through providing assistance with lettings and property management, including advice on tax matters then any eventual sale of the property.



STEP

1
Arrange
finance
(mortgage)

We recommend you arrange your finances so you know how much money you can borrow and how much you will need in cash, before you start looking at properties.

We work with several independent mortgage brokers who specialise in both UK and overseas buyers in obtaining the best terms.

A loan can be agreed in principal with a lender which will typically last for three to six months, giving enough time to find a property. However some overseas banks make loan offers 1-3 years in advance of completion, but it's important for you to always check.

In terms of LTV (Loan to Value) ie how much you can borrow, where the intention is to let the property, we would recommend you take no more than 60-65% as a loan. With average yields currently running at 3-5% in London, by taking 60-65%, your rental income should cover all your outgoings.

STEP

2
Check your
budget

Once you know how much you can borrow from the bank, you need to take note of the extra costs involved when buying a property in the UK:

- Stamp Duty Land Tax (we have a chart showing the different bands)
- Legal fees, including local authority searches etc.
- Surveyor/ Valuation charge
- Mortgage broker fees
- Mortgage arrangement fees
- Furnishing costs.

STEP

3
Narrow
down what
you're
looking for

We will of course guide you to the best property for your requirements. But you need to drill down your requirements:

- **Area** Firstly you need to identify which area you want to buy in? As London is a large place and while it may be a single word it is made up of 32 different boroughs
- **Bedrooms** How many bedrooms and bathrooms you want? Note for investment if buying two bedrooms, we highly recommend your property has two bathrooms to appeal to the most tenants
- **Facilities** What facilities do you require (eg concierge, pool, gym)? Bear in mind these facilities are charged through the service charge which you pay and cannot be recovered from the tenant, if you let the property out
- **Type** Do you want a house or an apartment?
- **Parking** Do you need parking? Clearly having parking is an excellent selling point but may not be so important to tenants of one bedroom flats. Be aware that in most new developments if you don't buy a parking space it is unlikely there will be anywhere to park as generally councils do not offer resident permits to new build properties
- **New or Old** Do you want an older property, a brand new property off plan (which completes in the future) or a property which recently has completed but resides within a new development?

Once you've told us your requirements, we can start the process of identifying properties which match your criteria.

What is Leasehold? Much of the property in London is leasehold. In general terms, the reason property is leasehold is that there is an area of communality where various people effectively live under the same roof and as such need to contribute towards the costs of repairing the structure of the building, the roof and any communal areas or facilities. Lease terms vary but today most new leases seem to be granted for 125 or 999 years. It is important to check the remaining term of the lease you are buying as shorter leases can affect finance options, although recent legislation has increased the rights of leaseholders, enabling them to extend their lease.

STEP

4
Search for a
property

Once we've identified properties you want to view, we will send them to you and if you are in London and wish to view them, we can chauffeur you to view them. We will accompany you at all times to answer any questions.

In the circumstance where an overseas client is unable to view a property in person, we are able to provide photographs to help.



STEP

5
Making
an offer

Once you've selected a property you want to buy, we will discuss the offer you wish to make and then present your offer to the seller. You may need to demonstrate that you are able to proceed by providing proof of the deposit monies.

Note there are no legal obligations on either side until contracts are signed.

Should I buy **Brand new off-plan**?

There are many advantages of buying a brand new property off-plan from the developer:

- **Choice** - unlike in completed buildings, you are able to select the ideal unit to suit your needs, tastes and budget
- **Certainty and no seller chain** – you don't have to worry about the seller changing their mind nor selling to someone else for more money. Similarly you are not dependant on the seller having to complete on the purchase of another property in order to sell theirs
- **10-year warranty** - which will cover any structural defects with the building, so if any problems do arise, the builder (for the first two years) or the NHBC (for eight years after that) will cover the cost of putting it right. There is also often additional warranties covering white goods, such as fridges
- **Energy efficiency** – modern properties tend to be very energy efficient with good insulation and high-efficiency central heating, so heating bills will be lower as well as reducing your impact on the environment. Note that it is obligatory for anyone selling a property, to provide the buyer with an Energy Performance Certificate (EPC).
- **Rise in value** - purchasing a property before it's completed can feel risky, however, sometimes by buying in advance the value of the property can increase significantly by the time it's built.
- **Staged payment** - by buying off-plan you are able to make staged payments. Although the structure may vary, a typical example is shown below
 - £1-10,000 reservation fee
 - 10% on exchange (deduct the reservation fee)
 - additional 5% after 6 months
 - another 5% after another 6 months
 - balance of 80% on completion

When making an offer on a Brand New Property the process is more straightforward. You would pay a Reservation Fee to the developer to reserve the unit of typically £1,000-10,000. This can be paid by card or transfer and once payment is processed, the property is then taken off the market and typically, you have 21 days to exchange contracts.

This sum is then deducted from the 10% payable on exchange of contracts.

STEP

6
Instruct a
solicitor

Using an efficient and experienced solicitor is the key to a quick purchase. We work with several independent lawyers, some of whom speak Chinese or Arabic to assist both UK and overseas buyers.

STEP

7
Offer agreed

Once your offer is accepted we will prepare a Memorandum of Sale which sets out the terms of the offer including the price which is then circulated to all parties including the lawyers for both buyer and seller.

You will now need to instruct your solicitor to proceed with the conveyancing process and your mortgage broker to proceed with your application.

STEP

8
Conveyancing
Process

Conveyancing is the term used in the UK for the process of the buyer's solicitor and the seller's solicitor agreeing on all the legal paperwork and for your solicitor to check everything for you which will include checking that the seller has the right to sell the property.

This process generally involves:

- The seller's solicitor provides your solicitor with a copy of the seller's title
- Your solicitor raises enquiries on the title and all other matters checking everything is as it should be and if there are any restrictions on the lease
- Your solicitor requests a list of any fixtures and fittings so that you know exactly what is included in the sale
- Your solicitor requests local searches
- Finally your solicitor agrees on a date for exchange of contracts.

We will assist your solicitor and negotiate throughout the process for you.

If you are buying the property with another person, whether a friend or family member, then there are two ways to own the property – either as

- 'Tenants in Common' where each owns a set share - this can either be half each, or a defined percentage and when one dies it is passed as set in their will; or
- 'Joint Tenants', then if one partner dies, the other automatically becomes the sole owner of the home – this is generally what married couples do.

STEP

9

Valuation/ Survey and Mortgage Offer

If you are getting a loan or mortgage your bank will instruct their own surveyor to do a valuation. If you are buying a completed property, you may consider getting a survey done to check the property is structurally sound – we can assist with introducing a surveyor.

After the survey/valuation is received, your bank will usually issue a formal mortgage offer to you and your solicitor which you will need to sign before it is returned.

STEP

10

Exchange of contracts

This is when the sale becomes binding - once contracts are exchanged then neither party can withdraw. Up until this time, all works have been part of the pre-exchange of contracts, where neither the seller nor the buyer is committed in any way and either party can still withdraw from the transaction.

Exchange of contracts occurs when all enquiries have been confirmed and agreed.

You will now need to transfer 10% of the purchase price to your solicitor, as once the contract has been signed by both parties, this deposit will be transferred by your solicitor to the seller's solicitor.

The completion date is then set by mutual agreement, but is usually one month after exchange.

With off-plan properties, completion can be in several years' time and there will usually be staged payments as stated above.

STEP

11

Snagging Inspection

For off-plan properties where you will be the first owner, it is vital someone attends the property to check it over prior to completion, this visit is generally called a **Pre-occupation** or **Snagging inspection**.

This meeting is generally done with the developer and a Snag List is produced, which is a fully comprehensive list of items that the developer or contractor hasn't completed satisfactorily or defective works that need to be repaired. The list can cover anything from cosmetics such as paint splashes to incorrectly hung doors to leaks.

The list is given to the developer to action and it's important that you follow up and ensure that they have been addressed and resolved properly.

We work with several independent snagging companies who specialise in snagging properties.

STEP

12

Stamp Duty

On purchase you will be required to pay a percentage of the property as stamp duty. This will be calculated by your solicitors who will also prepare the stamp duty land tax return. The current rates of stamp duty payable to 31 March 2021 are noted below. The rates after that date can be found by visiting the Gov.uk website <https://www.gov.uk/stamp-duty-land-tax>. Please note that it has been proposed that a surcharge of 2% will be applied to non UK residents from 1 April 2020.

Property Value	Thresholds	SDLT rate	Additional properties
Under £500,000	From £0 to £500,000	0%	3%
The next £425,000	from £500,001 - £925,000	5%	8%
The next £575,000	from £925,001 - £1,500,000	10%	13%
The remaining amount	Above £1,500,000	12%	15%
Company Purchase	Above £500,000 for non-natural persons where the property is not intended to be rented	15%	

STEP

13

Completion

Completion is when the balance of the monies is transferred by your solicitor to the seller's solicitor's account.

Keys will be available to you once the funds have cleared in the seller's account.

Congratulations, you are now the legal owner of your new property!

STEP

14

Warranties, when buying brand new off-plan

Your new property will come with a lot of warranties, not only those protecting the construction and building itself, but also appliances and installations. It's vital you check what is under warranty and how long those warranties last. Make sure you understand how you will get the warranties; will they be at the property on completion; will they be sent to you; and is there anything that invalidates them.

All new homes in the UK are covered by a 10-year home warranty and insurance guarantee which is free to the purchaser. This provides comprehensive protection against a range of eventualities, including problems with the home's construction. When you buy a new home your warranty means you are protected in a number of ways:

- If you have reserved a home off-plan your deposit is protected if the builder goes out of business before the work is complete. Either the deposit will be paid back or – depending on the stage of construction – the home completed
- Then, for the first year in most cases, any problems picked up in a new home that do not meet the warranty provider's technical requirements must be rectified by the builder at no cost to the investor or homeowner
- During years two to ten of the cover, the warranty protects against a range of structural defects and for issues with items such as the double-glazing, internal plastering and staircases.

NHBC is the UK's main warranty and insurance provider, with its Buildmark guarantee covering 80% of new homes. Other schemes are operated by companies such as Build-Zone, Checkmate, LABC and Premier Guarantee.

STEP

15 Handover & Key collection

The process doesn't finish there; its important, especially in brand new, completed properties, that a handover takes place. At the handover the Snag List should be checked that all issues are now resolved and in addition, you should obtain certification, registrations and everything required to ensure the property is ready to be lived in or let including obtaining the appropriate certificates for installations, such as the Gas Safety certificate and registration of warranty and guarantees for any fixtures and fittings like washing machines. Handover will also cover taking meter readings and collection of the keys.

STEP

16 Next Steps

Congratulations on your new property, but now you need to think about:

- **Furnishing and Refurbishment** – InStyle Direct offer a complete furnishing and interior design service to furnish properties both for investment (using high end designs but at low cost to appeal to tenants) and for own use (full interior design service). InStyle Direct also provide refurbishment services from re-painting to changing a bathroom or kitchen to a total upgrade. All handled by their own in-house team
- **Letting** – we offer a complete one-stop letting service to source and find the best calibre tenants at the highest rent. With 18 offices throughout London we cover all areas investors tend to buy in
- **Management** – we collect the rent and pay it into your account, deal with any maintenance issues and ensure the tenant looks after your property
- **Paying Bills** – we pay service charges, ground rent and utility bills
- **Accounting & Tax Service** – Landlords not resident in the UK must register with HMRC (UK Tax Authority) to get the optimum tax benefit from letting a property. It is the Law in the UK that every investor must submit a tax return for their UK income, whether there is tax to pay or not
If the property is owned by a company or similar structure and is valued at over £500,000 then an annual tax on enveloped dwellings (ATED) return will be required, whether it is let out or not
Tax rules change regularly so it is vital to employ an expert to ensure you don't pay tax unnecessarily.

We help with every step of the way and each part of the investment process.



Benham & Reeves

London

Canary Wharf
City
Colindale
Ealing
Fulham
Hammersmith

Hampstead
Highgate
Hyde Park
Kensington
Kew
Knightsbridge

Nine Elms
Shoreditch
Surrey Quays
Wapping
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Woolwich

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