



# Is old property a better investment than new?

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If you are looking to buy a property for your own use, then you will have your own set of preferences for choosing either an established traditional property or a new-build, but if you are buying for investment purposes, then different criteria will apply.

It is nothing to do with enchantment or nostalgia. If you are not moving in yourself and you intend to rent out the property, then you do not need to fall in love with the place or have romantic notions about celebrating special moments in the soft candlelit ambience of home sweet home. There is no room for sentiment when the key aim is to make a return on your investment.

Having said that, is traditional property a better investment than new-build, or vice versa and is buy-to-let a good investment? To answer that, we must look at expectations and the pros and cons. Assuming that you are considering a buy-to-let property as an investment, then purchase price, rental yield and capital growth are the main factors to consider.

According to the Registers of Scotland, since 2004 the average purchase price of new-build property has been consistently higher than the average price for all properties. The same source reports that in 2018 new-build flats cost 75.7% more on average than all flats.

After purchase there is no potential to add value to new-build. For the first few years your premium price will be paying off the developer's margins and marketing costs, which are built into the price, so it can be years before there is capital growth. Conversely with old properties there is growth potential from day one – whether this is by renovation or natural market escalation. In a slow market, old properties are rarely affected by depreciation in the same way as new-build.

Rental yield will be affected by demand, which in turn will be affected by various factors. Location is fundamental to successful lettings. A flat which is close to work, university or amenities, with good transport links, will be highly desirable and therefore easy to let. Traditional apartments are generally inner city whereas new-build flats are often built on brownfield sites mainly on the periphery of cities. And as land is at a premium, they may be closely bunched with further development to come nearby.

Size can be a clincher for tenants too, and traditional properties historically have larger rooms, higher ceilings and more storage space than modern blocks, not to mention thicker walls, better sound-proofing, character and period features, which are also desirable attributes.

Modern facilities are expected nowadays however, so old properties need to be refurbished to bring them up to the expectations of today's tenants.

The way the market performs will have a bearing on rents. Statistics have shown that well established properties are more likely to outperform averages, whereas new-build prices have a tendency to reflect the market more. The student market however is not as affected by political or economic events, thus producing very high occupancy levels and steady rentals.

But it's not just guaranteed rental income which is important, capital growth is imperative to successful investment. Official statistics (Register of Scotland) show that between 2004 and 2018 the market value of property in Scotland has continued an upward trend (but has not reached the heights of 2007 before the financial crisis). In 2018 there was an overall average increase of 3.75% across all local authority areas in Scotland, with Midlothian showing an increase of 8% and Aberdeen showing a decrease of 1.9%. The city of Edinburgh's property prices increased by 6.6% in that time, with Glasgow showing an increase of 5%. However recent figures show that the growth in the month of February this year was less than the growth in the same period last year, but still a growth nonetheless. Recent research by PwC has indicated that house prices in Scotland are going to escalate by 20 per cent in the next 5 years, and I believe that this slowing in February is just a temporary glitch – a snapshot of one winter month. Property values will always go up in the long term.

We never buy new-build for our clients, as refurbished traditional properties with contemporary quality interiors add far more value from the word go and are a safer investment. Clients like to have certainty of their investment and know the risks and returns for their money before parting with it. With new-build that is an unknown quantity as many are bought off-plan, in large blocks, without knowledge of how many other flats may be built around, have no reference point in relation to rents, and with no guarantee that the development won't go bust or have snagging issues. Existing properties and locations, on the other hand, can be tangibly seen and rentals (and future values) can be intelligently calculated.

Of course investors are usually not interested in researching the locations, finding the properties and carrying out the renovations themselves, plus doing the sums to work out the potential yields, which is why our holistic approach covers the whole package, from sourcing, purchasing, refurbishing, managing the lettings and adhering to all the required regulations.

Grant Property has been purchasing, renovating and managing traditional UK property for investors in Britain and 40 overseas countries for 22 years – concentrating on apartments in regional UK cities. In that time property values, rents and yields have risen steadily and, in some cases, drastically, making buy-to-let investment in old property a profitable and shrewd deal.

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