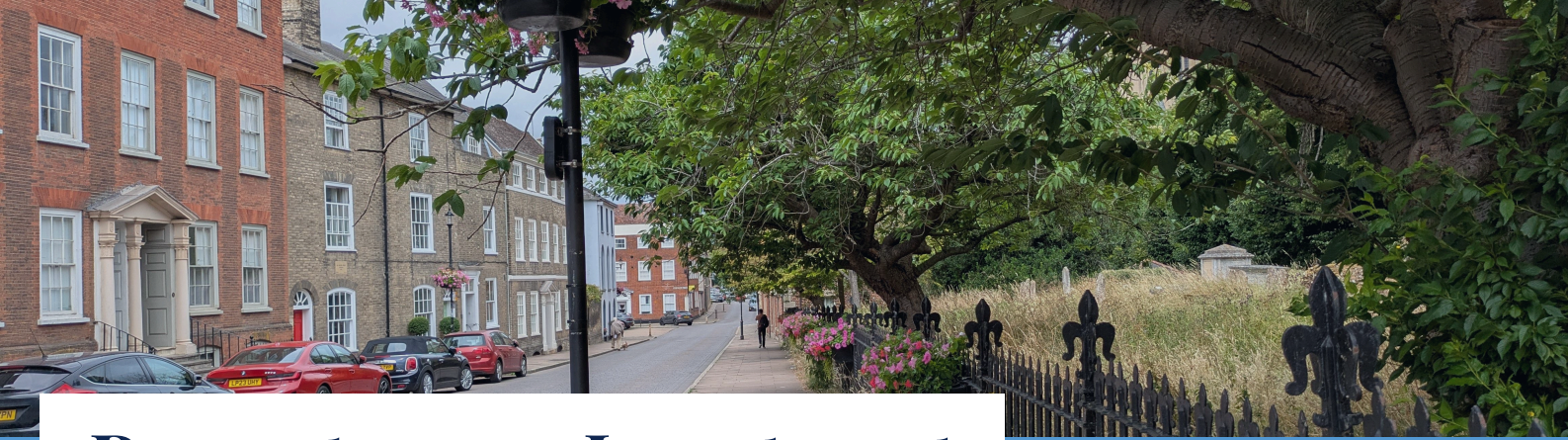


Property as an Investment

How property fits into your wider financial plan

This guide contains 14 pages and will take approximately 12 minutes to read



Property as an Investment

A clear, practical look at how property fits into your wider financial plan: the returns it can offer, the real costs involved, and where it sits alongside your pensions and savings.

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Why invest in property

Property has long been one of the most popular ways to build wealth in the UK. Bought as an investment, it can do two jobs at once, and that combination is much of its appeal.

The income it pays

Let to tenants, an investment property produces rent: a regular income that, once costs are met, can supplement your earnings now or your pension later. Few other assets hand you money month after month in quite the same way.

The growth it can build

Over the long term, property values have tended to rise, so the asset itself can grow in worth alongside the income it pays. Neither return is guaranteed, and both come after costs and tax, but together they are why so many people are drawn to bricks and mortar.



A different question from your own home

Owning the home you live in is wealth of a different kind, and we cover that elsewhere. This guide is about property bought purely to invest, judged on the income and growth it delivers after costs and tax.

Ways to invest in property

Property is not all or nothing. There are several ways in, with very different demands on your money, your time and your appetite for risk.

Buy-to-let

The classic route: you own a property and let it to tenants for income and, you hope, long-term growth. It is the most hands-on, and the most costly to enter.

HMOs and short lets

Letting by the room or by the night can lift the income, but it brings more management, more regulation and more risk. Not a gentle starting point.

New-build and off-plan

Buying a property before or as it is completed, sometimes at a discount. The trade-off is completion risk and relying on the developer to deliver.

No building required

You can also own property indirectly, through Real Estate Investment Trusts (REITs) and property funds. You buy a share of a portfolio rather than a building. There is nothing to manage, you can start with small amounts, and it can sit inside your ISA or pension, alongside your other investments.

How property makes money

Investment property pays you in two ways. Understanding both, and the difference between them, is the key to judging whether a deal is worth doing.

£270,000

Average UK house price, around mid-2026

5-6%

Typical gross rental yield

Two

Ways property pays: income and growth

The two returns

Income, the rent.

The headline measure is the gross yield: a year's rent as a percentage of the property's value. A £250,000 flat let at £1,150 a month produces £13,800 a year, a gross yield of about 5.5 per cent.

Growth, the value.

Over the long term, property values have tended to rise, though in fits and starts rather than smoothly. UK house prices have roughly doubled every twenty years or so, but the path is bumpy: they fell by around 20 per cent from peak to trough in 2008. Growth is never guaranteed.

A worked example

Here is how the income works for a typical leasehold flat. Figures are illustrative.

BTL

A £250,000 buy-to-let flat

Let at £1,150 a month, regional location

The aim: Steady income Long-term growth

A tangible asset

Flat price	£250,000
Annual rent	£13,800
Gross yield	5.5%

From gross rent to net income

Annual rent (£1,150 a month)	£13,800
Service charge (leasehold flat)	- £2,400
Management, maintenance, insurance and voids	- £4,400
Net income before mortgage and tax	= £7,000

About a 2.8 per cent net yield on the £250,000 price.

WHAT THE NUMBERS REALLY SHOW

Once all the costs are counted, the flat returns about 2.8 per cent a year in income, not the 5.5 per cent headline. With a mortgage, the rent barely covers the interest, so the return then leans on the property rising in value.

The mortgage multiplier

Most investment property is bought with a mortgage. Borrowing can boost your returns, but it works in both directions, and it is where many new investors come unstuck.

Leverage cuts both ways

Put down £62,500 on a £250,000 flat and you control a £250,000 asset with £62,500 of your own money. If it rises 5 per cent, that is a £12,500 gain on your stake, not on the full price. The same maths magnifies a fall, and you still owe the whole loan.

Today's rates change the sums

Buy-to-let mortgages are usually interest-only, need around a 25 per cent deposit, and in mid-2026 charge around 5 per cent, with the Bank of England base rate at 3.75 per cent. On our flat that is close to £9,400 a year in interest, which would absorb almost all of the £7,000 rental surplus. Lenders also stress-test the rent against higher rates before they lend.

The tax sting: Section 24

Since 2020, individual landlords can no longer deduct mortgage interest from rental profit. Instead you get a 20 per cent tax credit. For a higher-rate taxpayer this can mean paying tax on income you did not really keep, which is why many investors now buy through a limited company. We can model which route suits you.

Key figures

~25%

Typical deposit needed for a buy-to-let

~5%

Representative buy-to-let mortgage rate in mid-2026

20%

The only tax credit for mortgage interest (Section 24)

Costs and taxes to expect

The headline yield is only the start. These are the main costs and taxes that turn a gross figure into what you actually keep.

Cost or tax	Roughly	What to know
Stamp duty (extra property)	£15,000	On a £250,000 purchase, including the 5% surcharge on additional homes
Letting and management	10 to 15% of rent	For full management, or your own time if you self-manage
Service charge (flats)	~£2,400 a year	Leasehold flats only, and it can rise sharply
Income tax on rent	20 to 45%	Mortgage interest gets only a 20% tax credit (Section 24)
Capital Gains Tax	18% or 24%	On the gain when you sell; your own home is exempt

Rates differ across the UK

Stamp duty works differently in Scotland (LBTT) and Wales (LTT), where the surcharge on additional property is higher. We will check the figures for your situation.

Knowing what it's worth

Whether you are buying, selling or simply keeping an eye on your wealth, it helps to understand how a property's value is judged.

Price per square foot

A useful yardstick is the price per square foot: the value divided by the internal floor area. A £400,000 home of 1,600 square feet works out at £250 per square foot, which you can compare with similar local properties. Condition, outside space and property type all move the figure, so treat it as a guide rather than a verdict.

The energy certificate, and your duties

Every property sold or let needs an Energy Performance Certificate, rating it from A to G, which shapes running costs and what you are allowed to let. Letting also brings legal duties: protecting your tenant's deposit, annual gas and regular electrical safety checks, and a licence in some areas. These are part of the job, not optional extras.



Did you know?

Privately rented homes in England and Wales must usually reach EPC band E or better, and tighter standards have been proposed for the years ahead. It is worth checking the rating before you buy.

Property vs other ways to invest

Property is one option among several. It is not better or worse than the alternatives, just different. The right mix depends on you.

Property

- ✓ A tangible asset you can see and touch
- ✓ Income plus potential for growth
- ✓ Borrowing can amplify your returns
- ✗ Quick to sell if you need the cash
- ✗ Hands-off and low maintenance
- ✗ Tax advantages built in

BEST FOR
Those wanting a tangible, income-producing asset for the long term

Pensions and ISAs

- ✓ Generous tax advantages built in
- ✓ Easy to spread risk across many assets
- ✓ Flexible, with quick access to ISAs
- ✓ Largely hands-off once set up
- ✓ You can start with small amounts
- ✗ No physical asset to hold

BEST FOR
Those wanting tax efficiency, flexibility and diversification

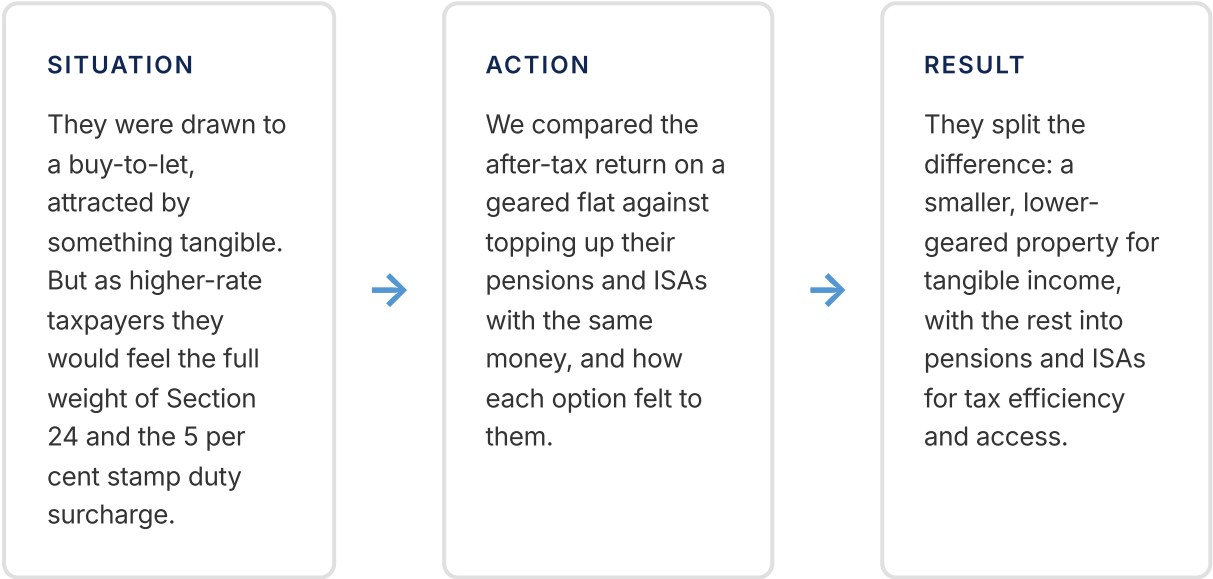
Property as part of the plan

Here is how property might sit within a wider plan. This example is for illustration only.

David & Maya, 52 ● Peak earning

DM Higher-rate taxpayers with a mortgage-free home, workplace pensions and £90,000 in savings.

Retire at 60 Income they understand Help their daughter buy



WHAT THIS MEANT FOR THEM

David and Maya kept the bricks and mortar they liked, without putting all their eggs in one basket. What if they had put everything into the flat instead? They would have paid more tax, tied up their cash, and leaned entirely on house prices rising. A balanced plan let them sleep at night.

Questions worth asking before you invest

Whether property is right for you depends on your wider plan. These questions are a good place to start, and we are happy to work through them with you.

1 What is it for? Income now, growth for later, or both? Your goal shapes everything else.	2 What does it really yield? Work out the net figure after all costs, not the headline gross.
3 How would a mortgage change it? Check the sums at today's rates, and stress-test for higher ones.	4 What is the tax position? Stamp duty, income tax, Section 24 and Capital Gains Tax all bite.
5 Could you cope with a void? Budget for empty months and unexpected repairs.	6 How does it fit the rest? Weigh it against your pensions, ISAs and cash, not in isolation.
7 How concentrated are you? Be wary of too much of your wealth in one asset, or one street.	8 What is your exit? Property is slow to sell. Know how and when you would get out.
9 Is the location right? Steady rental demand and the right tenants matter more than a bargain price.	10 Have you stress-tested it? Check the numbers still work if rates rise or the property sits empty.

Your next steps

Property can be a valuable part of your financial plan, when it is the right fit and the numbers stack up. Here is how to move forward with confidence.

1

Talk to us first

30 MINS

Before you commit to anything, let us look at how property fits alongside your pensions, savings and goals.

2

Map the real numbers

1 HOUR

We will model the after-tax return, at today's rates, so you can compare property fairly with the alternatives.

3

Decide with a plan

If property is right for you, we will help you structure it well. If it is not, we will show you what works better.

Where does property fit in your plans?

Call us on **0121 554 4444** or email enquiries@interface-ifa.co.uk to start the conversation.

Make property part of the bigger picture

Your property is often your largest asset. It deserves a place in your financial plan, not a footnote at the end of it. We help you see how it all fits together.

Where does property fit in your plans?

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