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**HAS THE PROPERTY INVESTING BUY TO LET BUBBLE BURST?**

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**Nick Carlile, Founding Partner of Platinum Property Partners**

The buy-to-let market in the UK has grown at a phenomenal rate over the last decade and the number of buy-to let mortgages has increased over 10-fold since 1999. Many investors believe that capital growth is guaranteed simply because the property market has doubled in value, on average, every seven years since 1950. Can this really continue, and are investors wise to rely solely on the passage of time to create wealth from property investing? This seems more akin to gambling than investing! Incidentally, the independent and highly regarded economic analysis team at Oxford Economics have recently predicted 40 per cent growth in the UK housing market over the next five years.



What many investors are not aware of is that while property prices have increased on average in the UK by 89.5 per cent between 2000 and 2006 (according to Land Registry Residential Property Price Data), this does not apply to all types of property. Take new build property for instance. These have seen average increases of just 5.3 per cent over the same period. Discounted new build property is where many investors/gamblers put their money assuming the capital growth will secure them significant wealth.

The truth is that no-one can really predict the future of property prices. Just take the headlines of the Daily Mail and Daily Express on the 31st May 2007. One spelled doom and gloom with news of an imminent crash while the other predicted ongoing growth.

So how can savvy investors still make money in today's climate? By having a strategy that is 'cash-flow positive' in the first instance, with capital growth as an additional bonus, rather than the only benefit. Such a high yielding cash-flow positive strategy is being employed by a small number of very savvy investors. This can be extremely lucrative with properties generally producing a minimum of £725 profit per month AFTER the mortgage interest and the associated bills have been paid. That equates to £8,700 more than the mortgage and direct costs per individual property every year.

The truth is that maximising the rental yield and cashflow is a more complex strategy. To understand such a strategy fully you need a complete, tried, tested and proven system that is already operating successfully in lots of other locations. One which teaches investors the whole process every step of the way. The rewards are far in excess of those achieved from any other residential buy-to-let strategy in the current climate. Over a five year period, using the figures above, a £2 million portfolio would generate a gross profit (after direct operating costs) of £69,600 per annum and rise in value by £800,000 (using the Oxford Economics forecast). Not a bad result for five years' part-time effort!

So to answer the initial question and to quell some of the debate, for savvy investors, the buy-to-let bubble will continue to be fully inflated, with many investors making more money than ever!

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