JUNE 7 2019

The changing world of buy-to-let

CONTRIBUTOR | FEATURES, IFISA, JOINT VENTURES AND PROMOTED CONTENT | KUFLINK, NARINDER KHATTOARE |

The buy-to-let market is undergoing some big changes. Narinder Khattoare, chief executive of Kuflink, explains the opportunities and challenges that these changes present…

BUY-TO-LET (BTL) property has been a popular investment for decades. However, recent regulatory changes have threatened the profitability of these properties.

BTL investors can no longer offset their mortgage interest against their profits, meaning that tax bills have risen substantially – particularly for higher-rate tax payers.

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Narinder Khattoare, chief executive of property peer-to-peer platform Kuflink, has warned that some people could find their BTL profits dwindling by 2020, when they are unable to keep as much of their profit from the income they receive from the property. As a result, a lot of BTL entrepreneurs have opted to put their property portfolios through a corporate structure, which is more tax efficient and should help to sustain profitability through the upcoming period of regulatory change.

loan schemes

“I think has there been a slight downfall in terms of BTL purchases,” says Khattoare. “But there are a lot of people in the BTL market who are selling up because in the short term it’s not generating enough income.

“But long term there’s always going to be capital growth on properties in high-demand areas. And for the people who don’t need the income now but are looking for long-term capital growth, there’s always going to be a margin for it in a BTL portfolio. Right now there’s a lot of movement in purchases happening in a corporate structure.”

Kuflink’s property lending platform offers BTL loans alongside property development loans and commercial projects. But it is the BTL offerings that offer the highest target returns.

According to Khattoare, this is purely down to the fact that the platform is earning a higher return on these properties.

“If we’re making a margin there, we’re offering that margin back to investors,” he says. “Some BTL deals come to us with very tight completion dates, so we may charge a little more out to the clients if the in-house team really has to push to achieve that.

“The loan-to-value (LTV) may also be a little higher so there may be a little bit more risk involved with that type of transaction because potentially you could be working with a borrower who is going into their first deal. They might not yet know the market very well, so you’ve got to price that kind of product accordingly.”

Knowing the market is what Kuflink does best. Khattoare has assembled an experienced team with diverse expertise. Each member of the team has the ability to see risk in a new way, which means that Kuflink can make the best decisions about a range of prospective properties.

"Everyone comes from a different background, so ultimately as a team you can work together and catch something that another person might miss," says Khattoare. "That's why it's crucial to have a full team on your side when you are making a decision. When there's only one or two people involved in it, it's bound to be more risky."

For Kuflink's lenders, the expertise of a large team of experts means that they know that they are only investing in BTL properties which have been fully vetted and managed. Kuflink has recorded no losses to date, either through its residential, commercial, development or BTL portfolios. With a steady flow of new deals and an interest-seeking customer base, the platform is in a great position.

This article featured in the June issue of Peer2Peer Finance News, now available to read online.

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