The 10 best places to invest in buy-to-let

Telegraph Money reveals the property hotspots boasting high demand and strong yields

Ruth Bloomfield
4 January 2024 • 1:14pm

Advertisement

The past few years have been hard times for Britain's landlords: ever more complex regulations to work with, spiralling maintenance costs, tax changes and rising interest rates.

Despite the challenges there are many who are unconvinced by cryptocurrency, distrust the stock market, are unimpressed by high street interest rates, and therefore see bricks and mortar as still the safest investment option.

If you fall into this category your key investment decision is where to buy in order to achieve the holy grail of buy-to-let investments – solid yields plus long-term growth potential.

These 10 options, which range from affluent city suburbs, to student enclaves and regeneration hot spots, are where the experts recommend as we head into 2024.

Oxford

Transport links and good schools make Oxford an expensive but worthwhile investment | CREDIT: joe daniel price/Moment RF

The city of dreaming spires is not a budget option – but rental demand is high and potential rewards can be appealing to landlords.

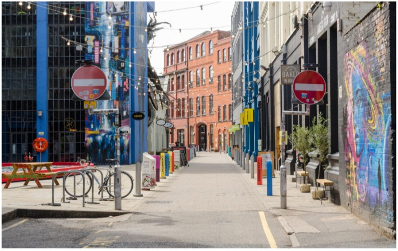
Daniel Parrott, manager of John D Wood & Co estate agents, believes Headington, three miles east of the city centre, is the optimal spot to purchase a buy-to-let. "Its proximity to the John Radcliffe Hospital and Oxford Brookes University creates a robust demand for rental properties," he said.

Mr Parrott suggests landlords avoid flats and opt instead for a three-bedroom freehold house, swerving the extra cost of service charges and making resale easier when the time comes. This type of property will appeal to families and young sharers alike.

A three-bedroom house in Headington will cost between £500,000 and £700,000, and would rent for between £1,700 and £2,500pcm, creating an annual yield of around 4pc.

Mr Parrott believes prices in Headington will grow thanks to its classic combination of convenient transport links and good schools. "The connectivity provided by two train stations and a bus station, facilitating easy access to London and airports, enhances the overall appeal of the area," he said.

Birmingham



The Custard Factory in Gibb Street, Digbeth, is known as the creative quarter and is home to many artists | CREDIT: Nick Maslen / Alamy Stock Photo

Over the next decade high speed rail will cut journeys from Britain's second-largest city to London to 49 minutes. Ever since High Speed 2 was announced investment has been pouring into its city centre.

For landlords the obvious place to investigate is Digbeth, half a mile south-east and within walking distance of the HS2 station.

Once considered rough and ready, Digbeth has blossomed over the past few years, with new homes, shops, cafes and bars.

There's more to come for the city, too. A film studio for *Peaky Blinders* opens this year, street food company Boxpark will open an outlet in 2025, and the new BBC Birmingham headquarters is due to open its doors the following year.

Landlords could buy a two-bedroom flat for £250,000 to £300,000 in Digbeth. Modern flats rent at around £1,200 to £1,400 per month, representing a yield of between 5-6pc.

And since prices are currently lower than in the fashionable Jewellery Quarter – the urban village north-west of the city centre – there is also room for price growth as Digbeth evolves.

Bristol

Bristol landlords benefit from high demand from students | CREDIT: Brian Jannsen / Alamy Stock Photo

Small is beautiful in Bristol, according to Dan Harris, a partner at Knight Frank and head of its south-west new homes department.

He recommends focusing on central one-bedroom flats close to Bristol University's main campus and hospitals, just north-west of the city centre. The BS8 postcode is a hit with students, academics, and medics, and when a compact apartment comes on to the market in this area Harris expects 20 to 30 applicants to view it within a couple of days.

"Apartments will rent immediately, as soon as they become available, such is the level of demand here, and rents are higher in the city centre than any other part of the city," he said.

Many of Harris's tenants for these properties are overseas students, particularly from the United Arab Emirates – sponsored students have their rent paid for them by their government – as well as young professional couples.

A one-bedroom flat close to Bristol University would cost between £250,000 and £300,000. Harris estimates it would rent for between £1,200 and £1,450pcm. This represents a yield of 5-6pc, and Harris is also hopeful that a lack of supply of new homes in this area should keep prices rising.

Glasgow

Landlords can expect yields from 6pc thanks to lower house prices | CREDIT: georgeclerk/iStockphoto

Scotland's comparatively low entry prices means that its landlords enjoy some of the strongest yields in Britain.

In Glasgow Carole Mackie, Savills head of residential development in Scotland, sees signs of opportunity north-west of the city centre, in neighbourhoods around the University of Glasgow. She suggests looking at "emerging" districts like Partick or Whiteinch, a couple of miles north-west of the university, or the already fashionable student favourite West End, with its boutiques and galleries.

Two-bedroom, two-bathroom flats in these areas appeal to students and young professionals alike.

At the newly built Southview Apartments, in Whiteinch, prices range from £165,000 to £210,000.

Rental demand exceeds supply and Ms Mackie estimates these flats would rent for between £900 and £1,295pcm – often going to students or academics, or twenty- and thirty-somethings working for city centre firms such as BAE, Morgan Stanley and Barclays.

On this basis landlords could expect yields north of 6pc.

Ms Mackie believes there is also a case to be made for future price growth in these areas. "Proximity to Glasgow University in West End allows for capital growth and good rental yields, even if it is slightly out of the core area," she said.

Manchester

Homes for young families will appeal to renters in fashionable Didsbury | CREDIT: lowefoto / Alamy Stock Photo

The affluent suburb of Didsbury, five miles south of the city centre, ticks a lot of boxes for Laura Harrison, lettings manager at Gascoigne Halman.

With good transport links, an urban village vibe, and plentiful green space it is a hugely popular place to live, for both young families and young professionals.

She suggests landlords seek out two or three-bedroom flats, with outside space to appeal to the latter category. "Off-road parking is also always a big selling point," added Ms Harrison.

She has recently sold two such properties to landlords – one for £280,000, the other for just under £400,000. They are now rented out for £1,540 and £1,650pcm respectively, representing annual yields of between 5-7pc.

"Rental demand is exceptionally buoyant, even at this time of year," said Ms Harrison. "There are lots of young professionals, often in the medical sector, with Didsbury being so close to The Christie and Wythenshawe Hospital."

Ms Harrison thinks an investment into Didsbury, also a magnet for owner-occupiers thanks to its high-end shops and restaurants and outperforming schools, will pay capital growth dividends in the long term.

Southampton

Regeneration schemes in Southampton, such as at Ocean Village, have propelled the port town to a buy-to-let hotspot | CREDIT: Peter Sterling/iStockphoto

Earlier this year HSBC named this south coast port city as the number one buy-to-let hotspot in England and Wales, with average rental yields coming in at an impressive 7.82pc.

Of 50 towns and cities with the highest concentration of private rental stock Southampton's combination of average property prices of just over £138,000 and average rents of just over £900pcm propelled it to top of the bank's league table.

Helen Asteris, Savills' head of residential development sales in the city, recommends that investors target one or two-bedroom flats, ideally with outside space, in city centre locations, close to the station and university campuses.

Buyers should budget between £175,000 and £250,000 for a one-bedroom flat, which would rent at about £900pcm, or £240,000 to £350,000 for a two-bedroom flat, which would rent for between £1,250 to £1,500pcm.

"There is lots of interest from young professionals, recently employed graduates, couples and singles, key worker staff, plus professional sharers where there are two double bedrooms and two bathrooms," said Ms Asteris.

House prices in Southampton slipped 1.5pc during the past year, according to the latest UK House Price Index, but the slightly down-at-heel city centre is poised to rebound with projects like Southampton Airport's recently-completed runway extension and regeneration schemes like Packaged Living's £200m regeneration plans for a site near the station, including 600 homes, plus shops, restaurants and leisure venues.

Newcastle

Rents are rising fast in north eastern powerhouse Newcastle | CREDIT: joe daniel price/Moment RF

Entry prices in the city on the Tyne are accessible for small-scale investors – homes trade at an average £201,000 according to the latest UK House Price Index, and you can pick up a two-bedroom city centre flat for well under £100,000.

The city's median monthly rent currently stands at £1,050 according to home.co.uk, representing a yield of 6pc on an average home.

And rents are rising, fast. In 2022 the Office of National Statistics reported median rents of £750pcm.

Another reason to be impressed by this north-eastern powerhouse is the way its property market has faced down the cost of living crisis and increasing interest rates. Despite the challenges, average prices increased 3.5pc in the past year, according to the latest UK House Price Index, offering landlords hope of some capital growth.

Newcastle's universities and hospitals offer landlords rental demand from students and staff, and the new 24-acre Newcastle Helix tech quarter, taking shape just under a mile west of the city centre, is promising great things in terms of wealth and job creation.

Major investors are certainly convinced by the rental case for Newcastle. Legal & General is one of the main investors in the Helix scheme. As part of the project it is funding two towers that will contain just over 300 "build to rent" flats.

Leeds

Leeds offers investors strong yields and rising house prices | CREDIT: Richard Klune/The Image Bank RF

Like Newcastle, Leeds' property market has had a comparatively strong 2023 – average prices increased 2.7pc in the past year, according to the UK House Price Index, to an average £246,000.

Luke Gidney, managing director at HOP estate agents, said the city's rental market has also been performing well. "Rents in many areas increased by between 10pc and 12pc in 2023," he said. "We now typically receive between 25 and 30 enquiries for every property we list and will pre-qualify around 10 people for a viewing. Of these, we usually expect three to apply, so it's a very competitive market for tenants."

Homes that rent the best are two or three-bedroom suburban homes, within a mile or two of the city centre and station. Mr Gidney recommends locations like Armley, two miles west of central Leeds, and Kirkstall, around three miles north-west, as well as slightly further-flung Pudsey and Bramley.

"Leeds has an excellent average rental yield of 6.3pc, which means you can get even higher yields in certain pockets of the city," he said. In Pudsey for example, buyers could purchase a three-bedroom property for £180,000, and rent it for around £975pcm, realising a yield of 6.5pc.

In the medium to long-term Mr Gidney also thinks that Leeds' house prices will continue their upward trajectory.

"The city brings together several compelling factors – a growing young population, thriving economy, great value investment and high yields," he said. "With continued investment being pumped into the city with the likes of the exciting new South Bank region and TransPennine Routes upgrades being approved, Leeds isn't putting the brakes on anytime soon."

Nottingham

Properties close to Nottingham's city centre offer the most appeal to renters | CREDIT: JasonBatterham/iStock Editorial

With a student population of more than 65,000, a growing economy, and rising house prices, this East Midlands stronghold paints a compelling picture of investment potential.

According to research by investment company Track Capital the best locations for buy-to-let landlords are close to the city centre.

Studenty Lenton, on the doorstep of the University of Nottingham, is its top tip with average asking prices of £195,705 and average asking rent of £1,354pcm. On this basis landlords are looking at yields of above 8pc.

According to Rightmove sale prices have jumped from an average £154,000 in June 2018 to £278,000 in June 2023, a five-year bounce of more than 80pc. It is, however, worth remembering that the low number of sales made over the past year does render all house price data unreliable.

The city centre is another tempting location. With average prices of £174,064, and average asking rent of £1,204, yields also come in at over 8pc.

Average prices in the NG1 postcode have increased from £157,000 to 210,000 between 2018 and 2023, a jump of 33pc.

The city centre is also notable for the investment which has been pouring into projects like the redevelopment of the Broadmarsh shopping centre and surrounding area.

London Borough of Newham

Newham offers exciting potential for investors with bigger budgets | CREDIT: Imageplotter / Alamy Stock Photo

Many investors have been turned off London because of its sky-high entry prices, but if you do have a London-friendly budget Newham makes a lot of sense. A beneficiary of the Elizabeth Line, this section of east London is positively studded with multi-billion pound regenerations, from Stratford to the Royal Docks.

Fabian Akinola, lettings manager of Foxtons in Stratford suggests landlords take a look at West Ham. Just one Tube stop from more-expensive Stratford, it has great transport links, streets of Victorian terraces, high-performing schools, the massive West Ham Park, and Stratford's amenities within walking distance.

Mr Akinola thinks the smartest buy would be a three to four-bedroom house, which would cost somewhere between £475,000 to £525,000. "Demand is fairly high in the area, we typically have around 40 renters per property," he said.

This sort of house would rent for between £2,500 to £2,700pcm, producing a yield of around 6pc.

And Mr Akinola is hopeful that major regeneration projects like the £1bn-plus, 26-acre TwelveTrees Park, which will create some 4,000 new homes plus shops and leisure facilities, will raise West Ham's profile.

There are also plans to redevelop the moribund Leven Road gasworks with another 3,000 new homes. "With the massive change in the area there will naturally be a ripple effect, which will add value in years to come," said Mr Akinola.

RECOMMENDED
How to build a buy-to-let empire, by the landlords who did it
Read more →

Money newsletter
Sign up for news and tips on property, pensions, investing and tax
Sign up

Related Topics
Birmingham, Nottingham, London property, Glasgow

The Telegraph values your comments but kindly requests all posts are on topic, constructive and respectful. Please review our commenting policy.

Show comments

MORE FROM TELEGRAPH MONEY

NEWS
'Don't pay with QR codes – it might be a scam', banks tell customers

INVESTING
Ten stocks top investors are backing in 2024

PROPERTY
Record numbers put homes on the market as property crash fears fade

KATIE MORLEY
Nothing riles up the middle classes like David Lloyd – so why don't I just leave?

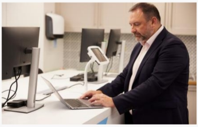
TAX
How much higher-rate taxpayers would save under a £100k threshold

INTERACTIVE TOOL
Are you rich? See how you compare to your neighbours

PROPERTY
The 10 best places to invest in buy-to-let

Sponsored content

'Such a change, just amazing' – how this British firm turbocharged their business



Superdrug is changing the way it operates to improve customer experience

One of Britain's biggest cargo airlines is changing for better

I design offices - here's what works

More from The Telegraph

'I'm 22, earn £35,000 and save all I can – Martin Lewis is my inspiration'

How to outsmart the taxman – and other tips from the Money experts

Electric car drivers face £500 hit as insurance and tax bills rise

SOLD
FOR SALE
For Sale

Record numbers put homes on the market as property crash fears fade

Where to buy a beautiful house in France for less than £100,000

The dangers of buying property for your children – and how to avoid them

Safestore Self Storage

Talk to your local storage experts today and get a quote to suit your needs

Safestore Self Storage
Get quote

Mobile and Broadband Deals

Compare the latest deals on Telegraph Media Group Mobile and Broadband

Broadband deals
Compare TV and broadband deals
What is the fastest broadband in my area?
Mobile phone deals
Sim only deals
Cheap broadband deals

The Telegraph

Follow us on:

Back to top

Help Centre
Branded Content
Terms and Conditions
Betting Offers
The Chelsea Magazine Company

About us
Syndication and Commissioning
Advertising Terms
Modern Slavery
Newsletters

Telegraph Extra
Guidelines
Fantasy Sport
Tax Strategy
Manage Cookies

Reader Prints
Privacy
UK Voucher Codes
Broadband and Mobile Deals

© Telegraph Media Group Limited 2024