

# How to Diversify a Property Portfolio as a UK Expat or Foreign National Investor

*The need to diversify a UK Expat Property Portfolio is important for UK Expat or Foreign National Investors. We explain why, and how to do it!*

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/EINPresswire.com/ -- It's 2023 and with the new year comes new goals and a renewed desire to make important moves for the future. For many UK expats and foreign nationals, buying a UK investment property is one such goal. For those UK expat and foreign national investors who are looking to both add to their income and build for their futures, building a property portfolio is one of the most effective ways to achieve these two goals. Owning a property portfolio is a great method for investment as it's very tangible for investors - they can control the investment and it is a safe and secure investment tactic. But, it's important to manage this portfolio correctly and make sure that the portfolio is as diverse as possible.



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## Why Diversify?

Diversifying a property portfolio is an important practice for any UK expat or foreign national investor who owns a number of properties. In short, diversification is the process of spreading money between different investments to reduce the risk of the overall investment portfolio.

'While UK expat and foreign national investors could diversify their portfolio by investing in a different sector - for example, the commercial property sector - we often advise our clients to focus mainly on the residential sector, as it is a very stable sector for investment' says Stuart Marshall. 'The reason for this is that supply is always constrained, as the number of people outnumbers the number of properties available, while demand is always strong, as everyone

needs somewhere to live. For the purpose of diversifying an investment property portfolio, there is enough diversification to be had within the residential sector. This comes from a range of sub-sectors, including private rental housing, social housing, and student accommodation. This can also come from the [location of the investment, the type of property, or the type of tenant.](#)'



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### Diversifying with Location.

Diversifying the location of an investment is one way for UK expat and foreign national investors to reduce risk. While some areas might be performing strongly, an investor who buys all their properties in this area will have their entire portfolio suffer if something happens in that area or there's a change in the local market. For example, a major employer leaving an area is likely to affect the tenant demand for that area.

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*Stuart Marshall*

In practice, diversifying the location of an investment portfolio can also function as an investment strategy in itself, rather than working just to minimise risk exposure. For example, a UK expat or foreign national investor who buys a property in London could use that same deposit to buy multiple, more affordable properties in another area. While this is diversifying the portfolio (in as much as the investor has purchased a number of diverse properties rather than one in a single area), it is also an investment strategy in itself as the UK expat or foreign national investor will be paying down the capital value of two

properties simultaneously, while also seeing two lots of rental earnings.

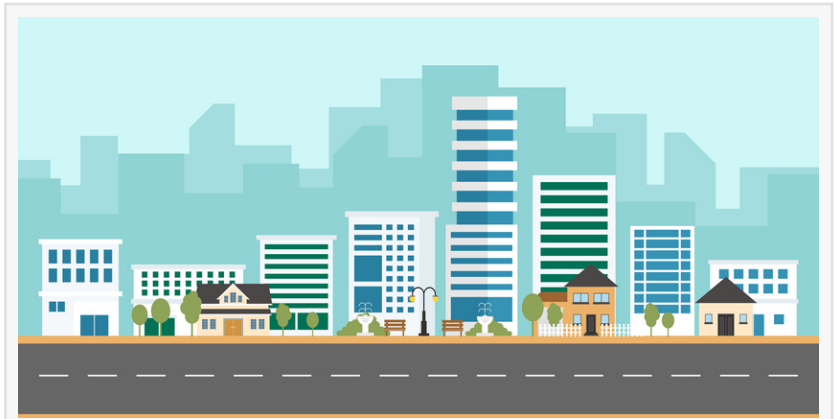
At the moment, [city centre areas are proving to be the most popular locations](#) for investment, with tenants wanting close proximity to social venues like bars, clubs and restaurants, while also maintaining a close distance to employment centres. While London and Manchester might be the obvious choices for UK expat and foreign national investors, there are so many excellent city-centre locations that are growing in popularity for tenants and investors. For example, Leeds, Sheffield, Birmingham, Liverpool and Nottingham have all proved hugely popular and promise both excellent rental yields and strong capital growth projections for the future. There has been a recent rise in tenant demand in affordable urban areas outside of the city centre. These areas

often have good employment opportunities as well as great commuter links to big cities. For this reason, Bradford, Crewe and Coventry currently have some of the highest levels of demand in the UK (60.7%, 47.3% and 46.8% respectively). An expert UK expat or foreign national mortgage broker can help to identify some areas which might be of interest for the specific investment goals of a UK expat or foreign national investor.

### Diversifying the Property Type and Tenant Type.

Different types of property will have different strengths for every UK expat or foreign national investor, while also inevitably appealing to different types of tenant. Diversifying the type of property in a portfolio will be beneficial as it means that UK expat and foreign national investors are somewhat insulated from a big shift in consumer preferences. 'In recent times, we've seen a number of changes that illustrate exactly this sudden shift in consumer preference. For example, prior to the events of the Coronavirus pandemic, family homes with gardens were not considered to be desirable rental properties. However, the effect of multiple lockdowns drove a desire for outdoor space and bigger properties, meaning flats fell out of favour and larger properties with gardens were the hot ticket. There was also a reduced need to be near social or professional hubs, which meant that properties outside of urban areas were more realistic. Post-pandemic, high energy prices and a desire to return to the city centre for both work and social reasons have meant that flats are back in favour. This highlights the importance of diversifying the type of property for UK expat and foreign national investors, as different types of property will be more or less popular at different times.'

Diversifying the type of tenant is also a good idea, as it will insulate UK expat and foreign national investors from issues affecting a particular type of tenant. However, the tenant type is usually a good way to dictate the type of property, as the ideal tenant will determine certain



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attributes of the property. Alternatively, if a UK expat or foreign national investor has a particular type of property that they are looking to invest in, then this can inform the type of tenant they are likely to attract. 'Typically, we talk to our customers about the way in which they want to diversify and this will determine other things about the property they need to purchase. At the moment, for example, if a UK expat or foreign national wants to attract a young professional tenant, they will be better off investing in a city centre flat. This is good news for many UK expat and foreign national investors as these types of property are incredibly mortgage-friendly and allow investors to utilise the range of quality UK expat and foreign national mortgage products available at the moment.'

#### Diversifying the Sub-Sector.

Property type can also be diversified by choosing a different sub-sector for the investment. The most popular types of sub-sector in recent times have been private, long-term lets; student accommodation; and holiday lets. 'Long-term lets are a tried-and-tested investment and are the most popular choice for UK expat and foreign national investors. It's for this reason that we usually suggest that UK expat and foreign national investors start here. However, holiday lets have also grown in popularity over recent years and are a great way to diversify a property portfolio that already contains some long-term lets. 2023 is looking like a great time to get a holiday let as the UK's rural and coastal hotspots are set to have the biggest price drops amidst cooling demand for properties in these areas. While price growth has been slowing generally, the greatest slowdown in demand and sales has been in rural and coastal areas such as the Lake District, Wales, and East Kent. Holiday lets can also prove to be less pressured than conventional long-term lets as they typically make big sums in a relatively short window, namely during the spring and summer seasons. This can reduce the pressure on UK expat and foreign national landlords.'

Student accommodation is another excellent way to diversify a portfolio. It is often affordable and highly mortgageable, which is good news for UK expat and foreign national investors who want to add to the diversity of a portfolio while being conservative with their spending. There is also a guaranteed pool of renters in the student sector, as the UK's student population is growing massively all the time, with 1.75 million full-time undergraduate students in the UK in 2022. The demand for property from the student population can't be satisfied by universities, meaning that private sector investors have to make up the shortfall. The high prices that can be commanded for student rentals mean that UK expat and foreign national investors consistently achieve yields above 8% for these properties.

While diversifying the sub-sector the property is an important strategy for a successful portfolio, UK expat and foreign national investors are always wise to consult the advice of an expert UK expat or foreign national mortgage broker who can help to navigate some of the pitfalls to securing a mortgage with their specific purposes in mind.

#### Putting Portfolio Diversification Into Practice.

'While diversifying a portfolio might seem like a daunting task, it's actually far easier for UK expat



and foreign national investors to accomplish now than it was when we started Liquid Expat Mortgages' says Stuart Marshall. 'The advent of [specialist UK expat and foreign national brokers](#) has been a real game changer and made the process of investing in multiple properties far easier for UK expats and foreign nationals. An expert UK expat or foreign national mortgage broker can work with an investor to decipher their goals and help them to find the properties that best satisfy these. They are also able to unlock access to specialist products, deals, and rates which can improve the overall profitability of the investment, as well as helping with the process of finding a suitable way of managing the portfolio and minimising risk.'

'For existing UK expat and foreign national investors who want to re-structure their portfolio to be more diverse, re-mortgages have been an incredibly powerful tool in recent years. Re-mortgages allow UK expat and foreign national investors to use the existing equity in their investment property to buy other properties. For UK expat and foreign national investors with an existing portfolio, re-mortgaging one or more properties is a good way to make further investments and add to the diversity of a portfolio. Even for UK expat and foreign national investors with one property, a re-mortgage can be an excellent way to use the equity they already have to start a diverse property portfolio which will pay dividends both now, and long into their future.'

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