From the Alps to Barbados – the best buy-to-let locations for guaranteed returns

Landlords in Britain are facing the squeeze – but there are attractive alternatives abroad

By Liz Rowlinson

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Rising interest rates, high property prices and growing red tape has decreased the attractiveness of buy-to-let for landlords across Britain.

Legislative changes that have reduced profit margins have hit landlords with just one rental property the hardest – so-called amateur landlords – and around 140,000 landlords sold up and left the market last year, according to research by Hamptons, with 500,000 more expected to sell up over the next five years.

The agent reports that the average gross yield on new buy-to-let purchases in England and Wales last year was 6.2pc. So should landlord investors be looking abroad instead? Buying (and letting) a property in a foreign country brings with it its own set of complications – and a language barrier – yet some owners are trying long-term lets.

France: less hassle than holiday lets?

Most British buyers in France are purchasing property so they can sample the Gallic lifestyle, rather than generating rental returns, yet areas such as the French Alps and Côte d'Azur are popular for buy-to-let investments.

Rachel Holford, from Edinburgh, purchased a two-bedroom apartment in the French Alpine resort of Saint-Gervais-les-Bains eight years ago, with a view to "testing out the area to live". But over the past two years she's rented her €265,000 property to a pilot from New Zealand for €1,100 a month.

Rachel, 55, who works as a management consultant, says: "We like skiing but Saint-Gervais is a lively, year-round town. We hadn't intended to let it out in this way, but the net yield is around 5pc and there's none of the uncertainty and hassle that comes with holiday lets. The income covers running costs."

The French Alps are a popular destination for buy-to-let investments

Andrew Morgan, of the estate agent Leggett, says that French buy-to-let buyers take advantage of "loi pinel" (Pinel law) schemes that are being built in areas with a shortage of rental accommodation.

"Investors purchase an apartment for six, nine or 12 years and rent it out, getting tax relief in the process. They are managed, hands-off investments that are often aimed at students in the big cities," he says.

You can only get the tax breaks if you are a French tax payer – for long-term rentals your tax rate depends on your tax status, but also the level of rental income you receive.

The simplest option for non-residents is to pay the flat rate of tax: 20pc up to a threshold of €26,070 in the current year. Any rental income over this will be taxed at 30pc. Rental income is also subject to social charges – for EU/UK residents this means 7.5pc.

Spain – a new market of digital nomads

With tourism booming in Spain, holiday lets can be good earners for owners, but remote working trends have created a market for medium and long-term lets on the Spanish Costas, too.

Temporary or "medium term" rentals (*Aquileres de Temporada*) are governed by different laws to short or long-term rentals (LTR), says Graham Hunt of agency Valencia Property.

"But there has to be a reason for the rental, such as looking for a permanent rental option, a short-term contract of work, student project etc.

"Unlike LTR, the tenant does not have a right to stay for up to four years after the initial year is up; and there is no requirement for a licence, as with tourist lets."

Remote working has created a market for medium and long-term lets in the Spanish Costas | CREDIT: Lidia Quesada/Mimove Costa Del Sol S.L.

The demand for this type of rental from people planning to move to Spain (it's far easier to apply for the new digital nomad visa if you are doing it from Spain) has prompted Mr Hunt to set up a specialist rental division, Stepping Stone.

"Yields tend to be higher than LTR because the monthly rates are higher, and also better than Airbnb rentals as the costs of changeovers, cleaning and advertising etc reduces their profit," he says.

Christopher, a British buyer, bought a two-bedroom apartment in the La Pobla de Vallbona area of Valencia for €105,000 and is charging €50 per day for a three-month rental period – that's around €1,200 per month when the managing agency fee of 20pc is deducted.

If rented on a long-term basis, the rate is around €700 per month.

"I expect a yield of around 5-9pc typically through two or three rentals per year, compared with 6-7pc typically in the long-term rental market," says Christopher, 45, who also has three LTR lets in the city.

"I can use the property myself, should I wish to, between tenants."

Costa del Sol is attracting high-income earning remote working tenants | CREDIT: Lidia Quesada/Mimove Costa Del Sol S.L.

On the Costa del Sol, the trend for LTR is longer established.

"But there's been an increase in remote working tenants here with comparatively high incomes," says Sarina Garber, of the Rentals division of Panorama Properties.

Owners have to declare income in their tax return: non-resident taxes are 24pc whereas resident and EU owners pay 19pc on net income.

Barbados – long stayers welcome

Barbados was quick out of the blocks to attract the pandemic's new wave of remote workers, and its highly popular "Welcome Stamp" programme (a digital nomad visa) has increased interest in long-term rentals.

"It opened up a new tenant pool, making LTR a more attractive option for property owners," says Chris Parra, MD of agent One Caribbean Estates.


Digital nomads visas offered by Barbados have given a boost to the long-term rental market

He agrees that LTR can offer owners a more predictable income stream than holiday lets, with the lower turnover lowering operational costs. Yields on the West Coast can be around 3-4.5pc – a four-bedroom villa with a pool can typically rent for USD$5,000 a month.

“Additionally, LTR can attract tenants who value a ‘home away from home’ experience, resulting in better care of the property,” he adds.

Some property owners in Barbados opt for a mix of both LTR and STR.

“This allows them to maximise income during peak tourist periods while enjoying the stability of LTR during off-peak times.” Income tax is 15pc.

Becky Sheeran has buy-to-lets in Nottingham, but is hoping for much higher yields from two apartments she has just bought in the Glitter Bay, a managed complex on the west coast.

The one-bedroom apartments cost £450,000 each.


Becky Sheeran expects her property investments in Barbados to pay off

“The worst-case scenario is that I get £200,000 [gross] for a year in total, which would be a yield of 15pc,” says Becky, 35, who founded a media agency and lives between Nottingham and Jersey.

“Digital nomads tend to want a three, six or nine-month let. The pool and services on offer are very appealing.”

Florida: not just Disney World holiday villas

With its theme parks and robust year-round tourism, central Orlando has long been a prized location for holiday rentals, but further fuelling the area’s booming economy are its healthcare, biotech and aerospace sectors.

“We’ve seen an increase in UK buy-to-let buyers this year with many looking to replace a UK property that has been sold, or to add to their current portfolios,” says Alistair Brown, chief executive of Alistair Brown International Real Estate.

“Gross yields at or above 8pc can be achieved here. Unlike the UK, there are [still] significant write-offs and benefits for investors.” Expenses such as mortgage interest and travel costs for property visits can be deducted.

He says that at the Grove Resort & Water Park condo-hotel development close to Walt Disney World a two-bedroom apartment costing $320,000 brought in a gross annual revenue of $60,000 in 2022.


The Grove Resort & Water Park condo-hotel development delivers high rental yields | CREDIT: Christopher Casler

In Sarasota, a vibrant cultural city on Florida's Gulf Coast, British buyers have also been investing in LTR.

"Areas with good schools, employment and beach access are popular, such as South Sarasota, Osprey, Lakewood Ranch," says Patricia Tan of Coldwell Banker Realty.

"Plus Floridian law is heavily biased towards the landlord, not the tenant." Use a rental agent to manage this for you – agent fees for LTR are less labour intensive, so lower than for shorter rents.

A typical investment that nets $20,000 [profit] annually should expect to pay $2,400 per year in income tax," says Stephen Bell of tax specialists Harding Bell International.

"Make sure you are compliant with local, state and federal tax reporting requirements."

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