The PROPERTY Hub Magazine

Making sense of property investment

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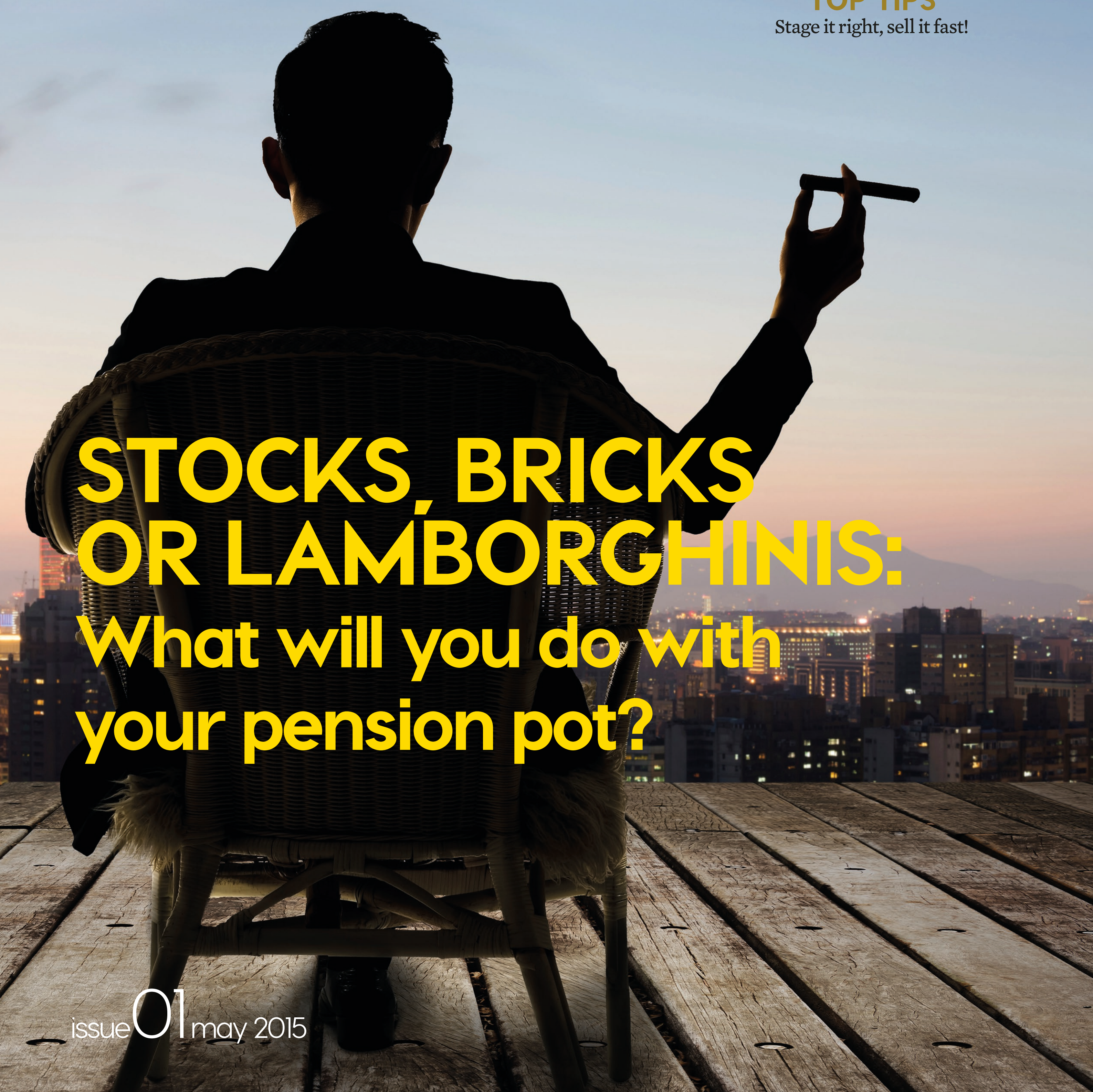

STOCKS, BRICKS OR LAMBORGHINIS:
What will you do with your pension pot?

issue 01 may 2015

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Contents

Regulars

Rob Bence runs RMP Property, a property investment company that sources buy-to-let investments on behalf of clients. He has ten years' experience working in the property sector.

Rob Dix is proud to call himself a complete and utter property geek.

He has written extensively on investment, and his books include Property Investment for Beginners and Beyond the Bricks. He also runs a personal blog, Property Geek.

Welcome

Welcome to Issue 1 of The Property Hub Magazine! WOW are we excited. And petrified. Over the past two years we've started a podcast, built an online community from scratch, collaborated on a best-selling book, and thrown events for hundreds of people but the magazine you're holding in your hands represents by far our most challenging and ambitious venture yet!

Despite our nerves, we're pretty sure you'll love what our talented team of writers, designers and expert contributors have put together for you. From in-depth features and case studies to handy tips and professional advice, it's all in here – helping to make you a better-informed and more successful property investor.

The information and advice alone sets us apart from all the other property magazines out there. But we have yet another edge to be proud of: the quality of writing is top-notch, easy to understand, entertaining and interesting. While we won't promise that you'll laugh at *all* our attempted witticisms – and we wouldn't bet on zero typos – we're confident you'll notice and appreciate the superior difference.

Admittedly, we also got lucky: it's not like we had to dig deep to find non-sleep-inducing angles on the latest property news! For starters, a general election has just taken place. It's an interesting (and nervy) time for investors, so we examine what's likely to lie ahead. We also devote our cover story to pension reform – in far more detail than the papers have room for or the internet has the patience for.

Elsewhere in this issue we profile Rob B's home town in the first of our regular "location focus" pieces. You'll also find in-depth analyses of real projects carried out by members of The Property Hub community, plus news, stats and much more!

Everything in this magazine is for your benefit, so please let us know what works, what doesn't, and what you'd like to see us cover in future issues. Just email hello@thepropertyhub.net with any comments at all – we both read everything we receive.

And before we go off for a much-needed lie down, we want to say a huge "THANK YOU!!!" (so much) for your trust and support. You've taken a chance on us by subscribing to this magazine right from the start, and we're immensely grateful.

If you're willing to do us one more favour, please spread the word to any friends who might be interested in subscribing – just direct them towards thepropertyhub.net/magazine.

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry

News

FIRST-TIME BUYER DEPOSITS ARE AT AN 18-MONTH HIGH

First-time buyers and investors certainly noticed George Osborne's stamp duty overhaul last December: the replacement of the much-deplored "slab tax" with an income-tax style charge has sparked a 15% increase in first-time buyer deposit figures.

Deposits in January 2015 averaged at £29,127 – up almost £4,000 from the same period last year. Before Osborne gets patted on the back with too much enthusiasm though, there might be another reason for the sudden rise. It's called the Mortgage Market Review, and it was outlined in April last year. The review has made it harder for residential buyers with smaller deposits to get a mortgage, which means that the "average" deposit is automatically higher.

"...the Mortgage Market Review ... was outlined in April last year. The review has made it harder for residential buyers with smaller deposits to get a mortgage, which means that the "average" deposit is automatically higher."

RETAIL REGENERATION TO BOOST OXFORD HOUSE PRICES

Plans to redevelop Oxford's 1970s Westgate Centre first surfaced 15 years ago, but now – a year after planning permission was finally granted – construction has finally begun.

The shopping centre will be given an extensive facelift, transforming it into an 800,000 sq ft retail and leisure leviathan. When it's completed, the £440m complex will contain 100 new stores, 25 restaurants and cafes, a cinema, a rooftop dining terrace, oodles of new public space and 61 new residential properties in the heart of Oxford. It's also expected to create an additional 3,400 jobs for Oxford residents.

The Westgate Oxford Alliance (the property company overseeing the project) and new partner Laing O'Rourke have already started demolition work on the shopping centre, with construction expected to finish by autumn 2017 – and it's predicted to have a positive effect on Oxford's already healthy house prices.

Artist's impression of the redeveloped Oxford Westgate Centre.

INTERNATIONAL DEMAND COOLS FOR PRIME CENTRAL LONDON PROPERTY

Until this year, overseas buyers did well out of the London property market – with capital values rising 80% in the past five years. Russian investors in particular benefited from a combination of a strong UK market and the weakening value of the rouble.

But everything's been slowing down of late: international buyers are scooping up our properties with less enthusiasm and less, well, money, than previously. According to property specialists Hometrack, inflated prices on prime central London properties are alienating prospective buyers – particularly those whose domestic currency is under the weather, like Russia's.

Labour's proposed mansion tax has also been blamed for the slowdown: investors claim that they're reluctant to commit to high-end London property for fear of being slapped with an extra charge for anything exceeding £2m in value.

A fall in international demand is certain to cause a dip in value for the most illustrious of properties in the capital, says the Centre for Economics and Business Research, which has predicted a 3.3% reduction in London's house prices.

LICENSING POWERS RESTRICTED AFTER CONTROVERSIAL LIVERPOOL SCHEME

Liverpool City Council has announced a new licensing rule that requires the landlords of all the city's 50,000 rental properties to apply and pay for a licence (one licence per property). The scheme is intended to ensure that landlords are "fit and proper", and sets out a number of conditions which all landlords must abide by.

These conditions include meeting strict electric, gas and fire safety regulations, tackling pest infestations, and dealing with complaints about a tenant's anti-social behaviour.

The blanket scheme has been met with a flurry of criticism – most notably from the Minister for Housing and Planning, MP Brandon Lewis, whose letter to the council pointed to "major drawbacks" in the plan. He attacked the scheme's indiscriminate nature, accusing it of "placing additional burdens on reputable landlords [and] creating additional costs which are generally passed on to tenants".

As a result of the growing feeling that local authorities are taking their licensing powers too far, the government is now insisting that they must seek approval from Mr Lewis before implementing any licensing scheme that would affect more than 20% of their geographical area or homes.

Unfortunately for Liverpudlian landlords, this move comes too late: despite late pressure from the government and the National Landlords Association, every landlord will be legally obliged to have begun the application process by 1 April.

LOCATION, LOCATION, VOCATION

Whatever the state of the housing market, a good estate agent talks the talk and walks the walk. Jane Cameron spent a day tracking Javed Hussain, branch manager of online estate agency, Fish Need Water.

7:00

It's a frenetic start to estate agent Javed Hussain's day. With no time for breakfast, this perky 28-year-old is up, into the suit and out of the house within 30 minutes of his 7am mobile alarm shaking him from slumber.

He drives the company Peugeot 208 from his Bromley home to the East Dulwich head office of four-year-old estate agent, Fish Need Water, where he's been branch manager for six months.

8:45

He arrives at 8.45am and goes straight to the computer for a first check of his emails: did anything happen yesterday that he doesn't know about yet, and what's on the cards for today?

9:30

Nursing a hot drink, Javed joins a daily briefing at 9.30am with the team – director Anthony, sales staff Yinka and Jazz, and property managers David and Ryan. "It's very important we focus as a team and help each other," explains Javed, "We look at the properties on the market and how many viewings we have – about 20 today."

Javed helps out with conducting viewings when his staff – who cover the whole of London – can't manage it. There are fewer staff members than last year – when the market was so buoyant they'd be arranging nearer to 150 viewings a day.

10:00

Back to his desk, he goes through his list of prospective vendors who've expressed an interest in having Fish Need Water market their properties. "It's probably not the most enjoyable part of the job but it has to be done, especially now things are slower than last year. Whenever I have spare time between appointments, that's what I'll be doing.

"I think I'm good at winning business because I keep a positive attitude. You're never going to get a 'yes' there and then, so you try to find an opportunity to meet them face to face. That generally takes place at the property to value it and discuss how to get the best price," he says.

10:50

Next up, a sales viewing at Surrey Quays, south-east London. It takes Javed 20 minutes to get there – arriving, as planned, ten minutes early. He heads straight for the windows and opens the blinds to flood the two-bed property with as much natural light as possible.

11:00

Unsurprisingly, not all homeowners keep their prized properties as spick and span as estate agents might hope. Javed says: "It doesn't happen too often, thankfully, but some sellers do leave last night's dinner things out and their beds unmade, which doesn't look attractive."

Luckily, there's no such faux pas in this neat place, on sale for £600,000. A woman arrives and is suitably impressed – staying for an extensive 20 minutes. "If they're in and out in a few minutes, it doesn't bode well, but I was able to chat with this lady – not just about the property but things like where we're from. It's good to build a rapport. I was aware she has another property to sell so could also become a customer."

Javed thinks the property is overvalued: "It's very frustrating but the owner wants to try for a bit more than my valuation. We show vendors what has been sold in the local area recently, and explain where we think the price should be pitched to maximise interest and achieve the best result but ultimately, we have to let them decide.

11:30

"Our company is different because our fees are performance-based. A lot of agents overvalue to excite the vendor and win the business. We charge a percentage for a certain price but say that if we fail to achieve it, we'll reduce this rate. Similarly, if we exceed it, it will be slightly more. That way, we're motivated to get the higher percentage and not just take the first offer."

12:00

Time to phone to check in on the team. Have the necessary new tenant reference checks been made? Has the deposit money been received?

En route back to the office, Javed grabs a beef goulash soup from Sainsbury's before ploughing on with the mission to bring in more customers.

14:00

Next up is a valuation at a five-bed rental around the corner, where all the "big name" agents have been called to pitch. Armed with comparable local rents, Javed gives a low estimate of the achievable rent and is chuffed to bits when the landlady chooses Fish Need Water a few days later. "She said she liked our honest approach, fee structure, and the fact we're a little bit different from the rest. We rented the house within a week for £3,250 per calendar month," he says.

15:30

Javed elaborates on what else he might say to potential landlords: "I advise people to repaint old walls in bright and neutral colours, replace tired carpets, and de-clutter.

"I have to be upfront: if you aren't going to make those improvements, don't be surprised if you get a lower price than your neighbour. Some people don't like to hear that and I won't hear from them again."

Not hearing from someone again represents the waste of a lot of work in securing and preparing for the appointment. This is a particular challenge for independent agencies like Fish Need Water: Javed converts 25% to 30% of valuations into new business, compared to the 70% to 80% that he used to enjoy when working for established brands such as Winkworth.

17:30

Faced with these grim economics, it's no surprise that many agents are tempted to over-value to win the instruction.

But, as Javed notes: "Winning the instruction is half of the battle, but you still have to sell it. You have to put your money where your mouth is and get the customer to pay the price you've suggested.

19:00

"My favourite part is getting the offer. It's very nice when someone pays the money you thought they should."

With appointments wrapped up and the diary filled up for tomorrow too, it's 7pm. Out of the office and home to the wife who, with any luck, will serve up Javed's favourite steak-and-mash dinner while he watches Arsenal.

We get the measure of a commercial-to-residential pub conversion, in the heart of the West Midlands.

By Neil Cumins

In good spirits

For almost a century, the Loving Lamb was a popular public house along Northfield Road in Dudley. Its doors closed to patrons for the final time in 2002, after 99 years serving the workers and residents of this part-industrial, part-residential Black Country town.

Since its closure, the red-brick corner building has taken on an entirely different role as a series of private dwellings. It's also come to demonstrate what can be achieved with a commercial-to-residential conversion – reflecting a growing national trend for reconfiguring established buildings into new guises.

The Loving Lamb was acquired in 2007 by two locals: brothers Phil and Mark Stewardson. They've been involved in property investment and development for the last 20 years – an interest that started when they bought some two-bedroom terraced villas in Dudley for between £15,000 and £25,000 to refurbish and rent out.

According to Phil, these early projects provided valuable lessons for the considerably trickier challenge of converting commercial buildings into residential use: "We learnt a lot from the house refurbs: planning, budgeting, buying materials as cheaply as possible. Most importantly, we learnt how to deal with tradesmen. To get good tradesmen, you need to be a good client."

To secure a preferential deal on the pub, the Stewardsons approached its owner while it was off-market – a strategy that underpins the majority of their property purchases – and they managed to secure the whole site for £350,000. Having negotiated something of a bargain, they got to work immediately – starting with an application to Dudley Council for permission to undertake a conversion to residential use. "The secret to this project was getting the residential element into the pub," says Phil, "since the previous owner had tried unsuccessfully to get residential consent."

Although planning approval was crucial to the profitability of the Loving Lamb project, the Stewardsons had a couple of contingencies to protect their investment: "We had two fallback positions – demolish the building and use the site for new-build housing, or clear the site and make it a car sales pitch while building two houses on the car park. Both of these would have worked and generated a small profit, but we wanted a better longer-term return.

"This was a huge project, so we knew that if we could get the pub converted, we would see a big uplift in value and get some cash released back to us." Planning approval was obtained through discussions with local councillors and neighbours, accepting recommendations from planning officers on application amendments that would favourably affect the outcome, and whipping up a groundswell of popular support for the conversion plans among locals.

With approval duly granted, the pub conversion illustrates how long-term returns can be maximised with accurate costings and realistic timetables. "We broke the site down into four sub-projects," says Phil, "of which the pub itself was our priority. We obtained planning consent to convert it to six flats, as well as build a new one-bedroom apartment on a flat roof at the rear." Having already created a 16-space gated car park, the potential offered by the pub's remaining corner grounds was also fully exploited: "On half of the beer garden, we obtained planning consent for four two-bedroom houses. On the original pub car park, we obtained consent for two three-bed link-detached houses."

The four two-bedroom plots were swiftly sold onto another developer for £165,000. After paying off part of their bank loan, the £65,000 equity restored the majority of Phil and Mark's original deposit. Planning approval eventually lapsed for the new-builds and the builder hit financial trouble, enabling the Stewardsons to repurchase these plots for just £62,000.

The Loving Lamb prior to redevelopment.


Work in progress: site cleared and ground work underway.

While this represents an exceptional profit margin, the Stewardsons aren't the only ones to have capitalised on such potential: other canny developers have also been able to re-acquire sub-divided plots or outbuildings for less than their original sale price.

To date, the profits from this project have been quite significant, as Phil readily acknowledges: "The conversion, flat construction and car park cost £100,000, but on completion they were valued at £500,000. We then turned to the original car park, and built out the two link-detached three-bed villas to let. The total build cost for these was £150,000, which includes two solar roof installations that each return £1,000 per annum feed-in tariff. On completion, the villas were revalued at £130,000 each, before being let at £575 per month." Minimal void periods further increase the profitability of these build-to-let units, reflecting the consistently high levels of demand for affordable rental homes in Dudley.

As it approaches completion, the Loving Lamb project has been an undoubted success. Yet Phil recognises that the challenges of commercial-to-residential conversions aren't for everyone. The scale of this project represented a particular difficulty: "Building an access route between the roadway and the car park is a full-on civil engineer's job. The creation of seven flats brings massive issues with fire and sound insulation, let alone drainage and provision of power." It's also crucial to prepare for fluctuating finances or negative council planning decisions: "We always say there has to be an angle for us – a way to release hidden value. There also have to be a couple of back-up plans, in case it all goes wrong."

Nonetheless, Phil has encouraging words of wisdom for other investors and developers who are considering a commercial-to-residential development: "The bigger the project looks, the fewer potential buyers there will be. All projects can be broken down into smaller bite-sized chunks. Our advice would be to not be daunted."

THE PROJECT IN NUMBERS

Address: The former "Loving Lamb Public House", Northfield Road, Dudley.

Purchase price: £350,000.

Funded by: 20% cash deposit and bank loan.

Loan provider and interest rate: Lloyds Bank, at 1.25% over BOE base rate.

Ongoing costs: Approximately £1,000 per year, to cover lighting for communal areas, maintenance of electric gates and groundsman.

Profits to date: Annual combined income is £50,000. Outstanding loan will be paid off within five years.

Main building

Pub conversion, landscaping and additional roof-level flat construction: £100,000.

Value on completion: £500,000.

Link-detached properties

Total cost for new-build properties: £75,000 each.

Estimated market value and monthly rental income: £130,000 per property. Currently let at £575pcm each.

Four building plots

Profit on beer garden sale-and-buyback: £105,000 (estimated).

Projected future development costs and income

A large area of flat roof would easily take another new-build flat. The building also has huge cellars that could be converted into two basement flats. Likely costs would be £70,000, after which rent-roll would increase by £15,000 per year.

LOCATION FOCUS

On the Me

In 2004, a study commissioned by the European Union reported that cities receiving its coveted Capital of Culture title were effectively being given "a powerful tool for cultural development" that offered "unprecedented opportunities... as a catalyst for city change". Just four years later, in 2008, Liverpool achieved that highly acclaimed status – securing for itself a bright future full of wealth and possibilities. Or not. Sadly, the small matter of a global recession rather stymied these plans – at least in the short term.

Fast forward to 2015, and concrete (or glass) evidence of the EU's bold assertions can be seen everywhere. Liverpool has shaken off its post-industrial torpor and emerged as one of the UK's most dynamic cities, following in the footsteps of previous ECOC winners like Glasgow and Dublin. Just like its Celtic cousins, Liverpool's riverfront had been at the heart of its decline. And also just like the Clyde and the Liffey, the Mersey has underpinned many of the multi-billion pound masterplans that have driven Liverpool's renaissance forwards.

To determine what opportunities Liverpool offers to property investors, we've crunched the numbers and discovered why investing in Liverpool makes a great deal of sense...

rsey beat

As a proud member of Europe's elite Capital of Culture club, Liverpool's housing market offers great potential for investors.

By Neil Cumins

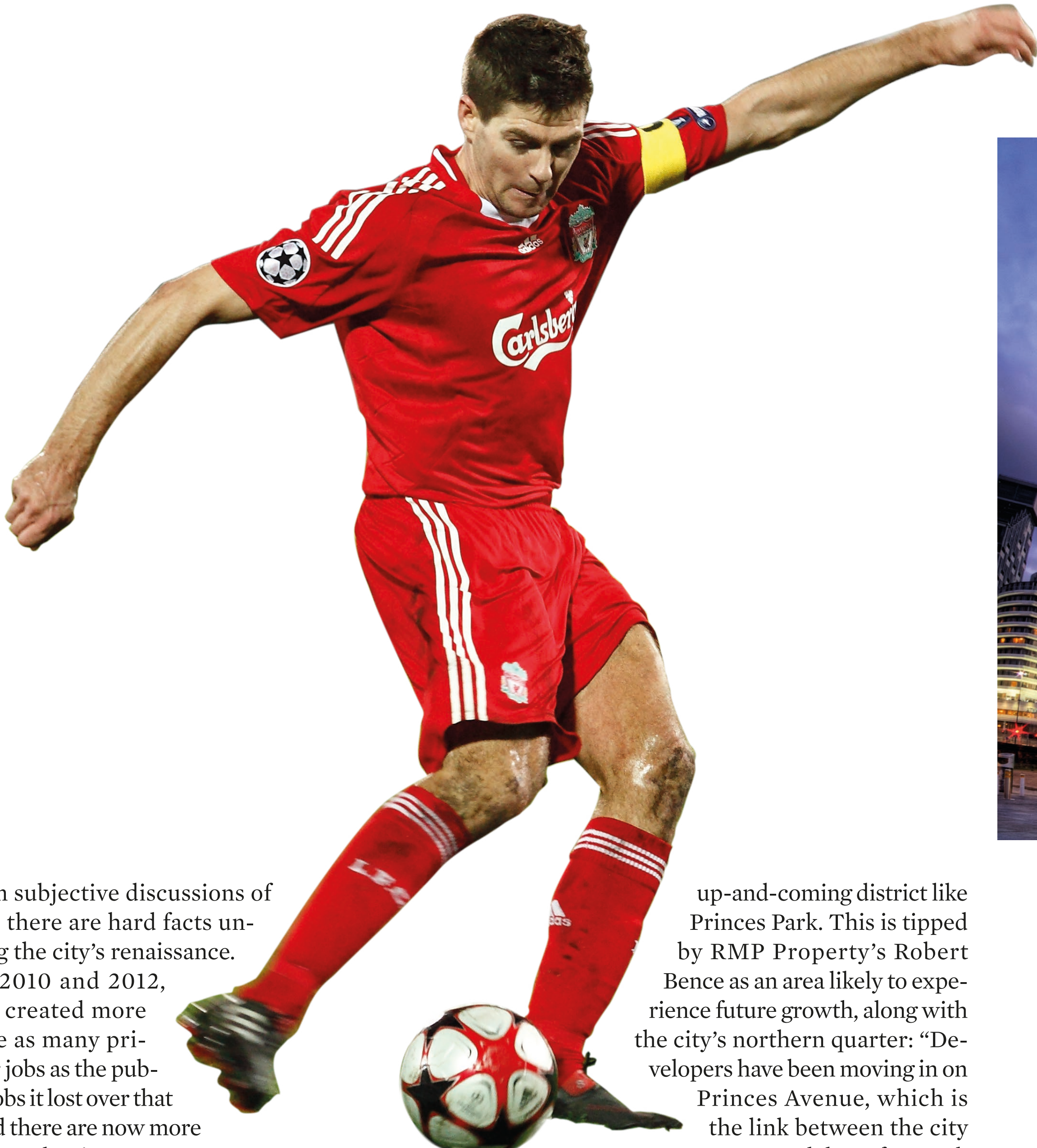
Affordability

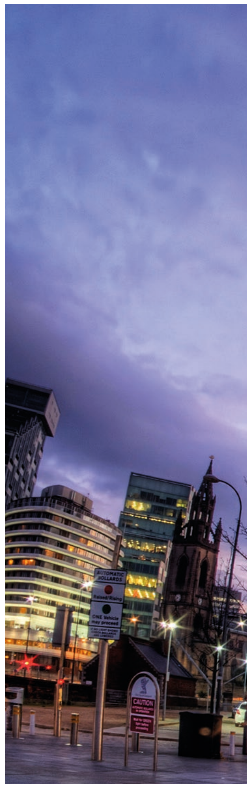
Property in Liverpool remains very affordable for investors. The Land Registry reports that the average selling price across Merseyside in January 2015 was £104,645 – almost 40% below the £179,492 average across England and Wales. And within that average, relatively high unemployment rates and significant volumes of cut-price ex-council house sales mean that pockets of Liverpool have some of the cheapest houses in the country.

However, thanks in part to a severe imbalance between supply and demand, prices are now on an upward curve. Hometrack (a property valuation and market intelligence company) reported in January that prices across the city had climbed by almost five percent during 2014.

Desirability

Cheap housing is all well and good, but there are plenty of affordable areas around the UK that aren't being described as optimal places to develop a property portfolio. So what has Liverpool got going for it that the others haven't? Well, if you wander around the Baltic Triangle's reclaimed shabby-chic warehouses, or past Seel Street's open-all-hours hangouts, it'll become instantly obvious that Liverpool is a city on the up: it's on the crest of a regeneration wave that's washing away any preconceptions that it's a post-industrial "beaten city" in decline.





Away from subjective discussions of ambience, there are hard facts underpinning the city's renaissance. Between 2010 and 2012, Liverpool created more than twice as many private sector jobs as the public sector jobs it lost over that period, and there are now more than 250,000 businesses operating within the city. Liverpool's three universities have a combined student population of almost 55,000, and – despite the large volumes of dedicated student accommodation currently being constructed across the city – the private rental market remains buoyant thanks in part to demand from undergraduates. The city's relatively youthful demographic is also bolstered by the young professionals who've flocked here, often attracted by the flourishing technology and media industries. Liverpool City Council has predicted that the city's population will grow slowly, but steadily, over the next decade, after almost halving between 1931 and 2001.

Investor-friendly areas

It's obvious that Liverpool is a city on the up, but consequently so are its house prices. Wealthy investors can still seek out capital growth among Allerton's coffee shops and Sefton Park's bay-fronted semi-villas, but many landlords would rather bag a bargain in an up-and-coming district like Princes Park. This is tipped by RMP Property's Robert Bence as an area likely to experience future growth, along with the city's northern quarter: "Developers have been moving in on Princes Avenue, which is the link between the city centre and the Sefton Park area – two areas I would happily invest in. The ripple effect may see the surrounding roads lifted too, but that's more one to watch for the future.

"Another one to watch is North Liverpool, where I wouldn't be investing yet, but which could be interesting if the Liverpool Waters project (a proposed £5.5 billion commercial and residential development to Liverpool's historic docks to the north of Pier Head) comes to fruition."

Earlier this year, it was revealed that Anfield and Bootle each contained three of Merseyside's ten cheapest addresses in terms of property selling prices during 2014. Remarkably, the two-bedroom terraced villas along Anfield's Bala Street achieved average prices of just £24,167 last year. The L4 postcode remains unfashionable, with large numbers of its residents claiming benefits, but it represents an opportunity to amass a high-yield portfolio. Landlords can also refer to the excellent Merseyrail links and numerous small parks when advertising properties to let.

The future

Public-private partnerships are forming throughout Liverpool, helping to reassure potential investors that demand for decent rental properties should increase as time goes by. From expanding shopping parks in Speke to plans for 11,000 new homes in Sefton, the city council's planning committee regularly approves proposals that will increase the city's population as well as its appeal and amenities. Thousands of jobs have already been created with flagship projects like the 42-acre Liverpool ONE complex, while Peel's proposed £5 billion Liverpool Waters scheme is anticipated to create five new neighbourhoods across a 60-hectare brownfield site.

Identifying the best areas for long-term property investments is a fine art in any city, but Liverpool often sees marked variations in demand from one street to the next, depending on the immediate surroundings and local amenities. The managing director of Concentric Property Liverpool, Steven Latham, points out that investors looking for high yields will have different priorities from people focused on achieving capital growth: "A good area for one person might not work for others; it all depends on what the investor's requirements are." He also acknowledges the growing popularity of living within the heart of Liverpool: "The city centre market has been very buoyant since the start of the year, and the population is expanding year on year, which might start to impact on surrounding suburbs."

"Identifying the best areas for long-term property investments is a fine art in any city, but Liverpool often sees marked variations in demand from one street to the next, depending on the immediate surroundings and local amenities."

In many respects, Liverpool is perfectly positioned for investors. It offers rising (yet highly affordable) property prices throughout an increasingly fashionable city, whose expanding population is being underpinned by widespread job creation and large-scale redevelopment. Liverpool now boasts the sort of investment potential other major UK cities had at the start of this century – which is an exciting prospect indeed...

Stocks, bric
Lamborghi

Will you splash out on the car of your dreams with your newly liberated pension pot? There may be better options – property is one appealing alternative.

Are hordes of 'granlords' about to shake up the property market? **Neil Cumins** reports on the recent pension reforms.

ks or nis?

“Saving for my retirement has been a recurring problem throughout my life,” says Keith Roberts ruefully. A few months after reaching his 65th birthday, Keith is among the legions of pensioners who feel let down by the retirement options available to him earlier in life: “I lost pretty much my entire investment in stocks and shares during a share-price collapse. My endowments both fell short of the sums I’d been promised, and my state pension is only £116 per week. If I’d been able to invest in something else along the way – like property – I would certainly have considered it.”

The recent changes to pension accessibility may have come too late for Keith, but millions of other people are now being offered an unprecedented level of choice about how they fund their retirement. Following George Osborne’s oft-quoted statement last year that “no one ever needs to buy an annuity again”, people can now dip into their pension fund and reinvest it wherever they wish.

The property option

With general agreement that the small returns generated by annuities no longer represent good value for money, investing in property could provide a better rate of return for the over 55s. After all, interest rates are at an all-time low, and the property market has historically been far less volatile than stock markets. As property generally increases in value over time, it could also provide a healthy inheritance nest egg for the family – Rightmove reported last autumn that house prices in England and Wales will rise by 30% during the rest of this decade.

So should pensioners like Keith Roberts abandon stocks and shares, and sink their entire pension pots into bricks and mortar? Not according to chartered and certified financial planner Pete Matthew (meaningfulmoney.tv), who’s particularly concerned that retirees may end up paying unnecessary tax by withdrawing too much: “If you have a pension fund with a total value of £100,000, and you take it all as a lump sum, then £25,000 will be tax-free. The remaining £75,000 will be added to your income, which will make you at least a 40% taxpayer. There would need to be a seriously compelling reason as to why you’d hand over thousands of pounds in tax to the chancellor.”

A taxing issue

Indeed, the tax consequences of liberating your pension and investing in property are quite significant. The new pension freedoms mean that you can effectively access all of your pension fund, but only 25% of this lump sum will be tax-free. The remaining 75% will be taxed at your marginal rate of tax – the highest rate of tax you pay when combining all your income. This means that most people who choose to access their entire pension pot at once will be subject to tax of at least 40%.

Pete Matthew points out that there are also inheritance tax implications to withdrawing more than a quarter of your pension pot: “If you die, you can pass on any unused part of your pension which is still invested, and you no longer have to pay a 55% death tax. So why would you want to take more than the 25% tax-free cash lump sum, and take your money out of a tax-efficient investment that protects it from income tax and inheritance tax?”

An alternative option would be to take out only the tax-free proportion of your pension and invest this in property. But of course, the proceeds of a property investment are still subject to tax: assuming your other income exceeds £10,500 (in 2015–16), you’ll be taxed on your net rental income – and you'll also have to pay capital gains tax if you eventually sell the property.

Right place, right time

Research by IPSOS MORI has suggested that of the estimated 200,000 people in the UK who will cash in their pension, approximately 32,000 will do so with the purpose of buying property. This might serve to stoke house price rises, according to Michelle Grant, the investment director for Grant Property Investment: "It may have a positive effect on house prices. As competition increases from a sales and rental perspective, it'll be even more important for investors... to ensure they are buying in the right location for the right price." Pete Matthew concurs: "The amount of retirees investing in property will clearly have an effect on the property market. It's likely that property prices will rise even further as demand struggles to keep up with supply. However, it may be some time before this impact can be seen."

Industry observers are in general agreement that any price rises are likely to be in specific segments of the housing market. Joanne Stennett is a property manager with estate agents and chartered surveyors Bell Ingram, and she predicts two specific areas that may see a growth in demand thanks to "buy to retire" landlords: "It's possible that small restoration projects may appeal, if someone wants a project to keep them busy after retiring from work. Alternatively, if someone is trying to make money from their investment and maximise rental income, then city-centre apartments would be the easiest to let."

Investing in the right location is particularly important for people hoping to use rental returns to fund their dotage. As the MD of Beth Alexandra Property Specialists, Beth Roberts believes retirement-fund landlords will concentrate on familiar areas in order to minimise both risk and overheads: "Some will be attracted to property closer to where they live, most likely in areas where they can attract professional working tenants and manage the property themselves." Beth argues that pursuing higher yields elsewhere might actually incur greater costs: "For people who have a main aim of wanting a higher yield and cheaper property, they may have to look outside their area. In this case, they would most likely hand the property over to an agent to manage."

Paying the bills

Although paying 10% of your rental income to a letting agent may not seem an attractive proposition, it's often the safest option for inexperienced landlords. Reputable agencies will vet and credit-check tenants, before managing the tenancies and handling any necessary

"Research by IPSOS MORI has suggested that of the estimated **200,000** people in the UK who will cash in their pension, approximately **32,000** will do so with the purpose of buying property."

"... if someone is trying to make money from their investment and maximise rental income, then city-centre apartments would be the easiest to let."

Experts recommend that a pension pot shouldn't be spent solely on property.

repairs. They will also ensure legal obligations are met; people managing their own properties will have to organise gas safety inspections, handle tenants' deposits correctly, and potentially undertake legal action if rent is late or a tenant needs to be removed .

Agency fees are just one of the costs that new landlords may not anticipate at the outset: many will overlook the fact that renting out a property doesn't guarantee them a steady income stream. Even if rent guarantee insurance is taken out to protect against non-paying tenants, there's no way to avoid lost income during void periods between tenants or the day-to-day property repairs and maintenance that are required in any dwelling.

Spreading the risk

Although it's tempting to use a lump sum to buy a property outright, it may be advisable to build a larger portfolio of homes with modest mortgages – ideally below 75% of the property's value. While many older people will be resistant to the idea of debt after a lifetime of attempting to pay off their own mortgage, it's this "leverage" of borrowed money that makes returns from property so much higher than those from other asset classes.

It also allows for diversification: with more than one property, you won't lose 100% of your income if one tenant fails to pay. And by purchasing a city centre apartment as well as a suburban family home or a seaside cottage, it's possible to avoid relying too heavily on one particular market or demographic.

As a chartered financial planner with cluedupmoney.com, Sean Gilbert recommends taking this concept of spreading investments to minimise risk even further: "If someone has all their money tied up in one asset class, it poses too high a risk. If they had some investments in property, some in stocks and shares and some in bonds, and one area performs badly, the rises and falls might cancel each other out."

Which brings us back to Keith Roberts. He's seen consistently strong house price rises in his former home borough of Leyton, alongside volatile stock markets and erratic pension fund performance: "If I'd known then what I know now, I'd definitely have looked into putting some of my money into property. It might not be for everyone, but along with a few other small investments, it would have been ideal for me." Like many others, Keith will be following the impact of April's pension changes with considerable interest.

FIVE GOLDEN RULES FOR RETIREMENT PROPERTY INVESTMENT

1. Stick to where you know. The better you know an area, the more wisely you can choose suitable properties.
2. Trust the agents. A letting agency will handle the (often complex) administrative and financial aspects of tenancies for you.
3. Spread the risk. Don't sink too much money into one home – use modest deposits to acquire different types of property.
4. Remember the 25% rule. It's only the first quarter of your pension pot that can be withdrawn tax-free. Carefully consider the tax implications of taking out more.
5. Seek expert advice. Financial professionals can offer impartial advice on tax-efficient investments.

HOUSE OF CARDS

What will the result of the general election mean for investors, and which party policies offer the greatest risks and benefits to our industry?

By Neil Cumins

In the frenzied campaigning in the run-up to the general election, housing has been a central issue: from lack of supply to deposit contributions, property hasn't been such a hot political topic since Nye Bevan's post-war plans for mass council housebuilding.

At the time of going to press, election day hadn't yet dawned. While we can't know the result, the likelihood is that the more minor parties will wield significant influence in the days – and maybe years – after polling day.

From an investor's perspective, the short-term uncertainty over Britain's political future is secondary to the long-term impact party policies could have on the housing sector. And given that nobody can be sure where power will lie, it's worth examining the flagship policies of the seven parties who will take centre stage (if not the centre ground) following 7 May.

CONSERVATIVE X

March's Budget speech was particularly notable for the chancellor's introduction of a Help to Buy ISA, which combines tax-free savings with deposit top-ups for first-time buyers.

David Cameron has also announced plans to build 200,000 starter homes for first-time buyers under the age of 40, to be sold at 20% below market value. Less publicised was the announcement of 20 new housing zones (large brownfield sites that have been freed from the usual planning constraints) outside the capital, which doubles the number pledged in the initial announcement last June.

The likely result of these policies, if they materialise? More supply should logically reduce prices, but the net impact on prices might be minimal when combined with the measures to introduce more demand in the form of first-time buyers. More buyers should mean fewer renters, and therefore put a downward pressure on rents: not the best news for landlords, but it's hard to argue that more supply isn't necessary.

Elsewhere in Conservative housing policies, they also plan to further encourage home ownership by extending Right to Buy to Housing Association tenants.

LABOUR

X

Whereas Conservative policies seem more focused on home-buying, members of the Labour party are straining at the leash to tackle what they perceive as a lingering social injustice in the private rental sector. In a speech last May, Ed Miliband lambasted the "insecurity and instability" of the private rental market, promising three-year tenancies as standard, caps in rent rises and bans on letting agencies from charging fees to tenants. A national register of landlords would also be introduced.

In terms of supply, Labour intends to avoid depletion of social housing stock by abolishing the Right to Buy scheme, and to invoke the construction of 200,000 new homes every year by the end of the next parliament. Half of this would come from volume housebuilders, with housing associations and councils building much of the rest.

Remember the much-vaunted mansion tax? It's still part of the Labour plan, and it would involve charging a monthly fee to owners of homes valued at more than £2m. The party is also determined do something about the many empty homes around the country: they want local authorities to be able to double council tax bills on properties that have been uninhabited for more than 12 months.

Richard Lambert, the CEO of The National Landlords Association (NLA), has described Labour's planned default three-year tenancy period as: "unnecessary, poorly thought through and likely to be completely unworkable. The experience of Ireland, where a similar system of six-month introductory tenancies has been running for some years, is that landlords, concerned about the danger of being unable to end a problem tenancy, look to move tenants on after six months rather than find themselves forced into inflexible restrictive tenancies."

LIBERAL DEMOCRATS

X

Last August's Lib Dem "pre-manifesto" included ambitious targets for 300,000 new homes to be built every year by 2020. Many of these would be contained within ten new garden cities around the country, with central government given powers to directly commission housebuilding. The pre-manifesto also contained proposals for a band-based mansion tax, while there are separate plans to increase CGT on second homes to 35% for higher rate taxpayers.

A more unexpected idea from the Lib Dems involves allowing housing associations to subdivide empty properties, creating smaller homes for single people and couples. Another radical plan involves a "Rent to Own" scheme, through which tenants gain ownership of their rental properties after 30 years of payments. These tenants could also "cash out" at any time, releasing any equity buildup to reuse as a deposit.

Little has been said by the party about the private rented sector, but backbench Lib Dem MP Sarah Teather recently brought forward a proposal which had a significant (if indirect) impact on landlords: her Private Member's Bill aimed to prevent "retaliatory evictions" was defeated, but similar proposals ended up becoming law as part of the Deregulation Act. (See the lettings section of this issue for more details.)

UKIP

X

As it battles against a series of PR disasters, UKIP has managed to announce some plans for the property sector which many will find promising. Foremost among these is a focus on encouraging brownfield developments, with no VAT on conversion costs and no stamp duty on the purchase of new-build properties. Bonds and decontamination assessment grants would also encourage the take-up of brownfield sites. At the same time, greenbelt land would be protected, and it would be possible to hold local referendums to quash proposals for new large developments.

And relating to tenancies, UKIP has one proposal that should win the votes of any landlords who rent to tenants on Housing Benefit: they propose to pay Local Housing Allowance directly to landlords rather than to tenants.

GREEN

X

Of all the main parties, the Green Party manifesto is perhaps the most troublesome from an investor's perspective. A fund for building 500,000 new council homes would be paid for in part by scrapping mortgage interest tax allowance for buy-to-let mortgage holders, while Green MP Caroline Lucas has previously demanded a "living rent commission" that would prevent landlords introducing above-inflation rent rises. Assured shorthold tenancies would also be phased out over time.

The party also wants homeowners at risk of repossession to transfer their home to council ownership, effectively becoming council tenants and thus reducing demand within the private rental market.

Unsurprisingly, a central plank of the Green Party property agenda involves improving energy efficiency in new and existing homes alike. Most incurred expenses would be paid directly by property owners and landlords – a potentially significant expense for people with larger portfolios.

Apart from well-publicised opposition to the removal of the spare room subsidy ("bedroom tax"), the SNP has yet to declare its hand in terms of election pledges at the time of writing. There is rumoured financial support towards the cost of housebuilding, but no confirmed details of policies that might positively or negatively affect investors.

PLAID CYMRU

X

Like the SNP, Plaid are remaining coy about concrete policies – merely pledging to help people get onto the housing ladder and "increase the supply of social housing". However, a line on their website does suggest they won't be particularly investor-focused: they state that the private rental sector is somewhere "rents continue to rise with no obvious improvement in quality".

NONE OF THE ABOVE

X

Perhaps the likeliest outcome in the aftermath of the election is that no single party can claim an overall majority, and a coalition has to be formed. As many former Liberal Democrats voters will ruefully attest, the nature of coalition politics can require sacrificing flagship policies in the name of compromise – which means that some of the more radical suggestions listed above may not see the light of day. That could actually be the best outcome for us all, since none of the seven parties are exactly championing property investors as the lifeblood of the housing market.

The politically neutral NLA acknowledges that any coalition could create a period of great uncertainty, although there does appear to be a cross-party consensus on increasing supply rather than tackling existing property issues. In terms of party-specific pledges, the Association's head of policy Chris Norris notes that "if the Conservatives were the leading party, there would likely be more emphasis on decentralising control to local authorities. However if Labour were to lead there would definitely be more changes to the tenure which could be to the detriment of the private rented sector. The Liberal Democrats have long been advocates of landlord registration, and are behind current efforts to introduce a defence against Section 21 possession claims."

If a coalition is formed in the days after the general election, intense negotiations will have to take place before the UK's political future becomes clear. Until then, the nation's landlords and property investors can only cross their fingers and hope for economic policies that support – rather than stymie – the private rental sector.

CASE STUDY

A multi-let in a new city is a brave choice for a first investment – but Silvio Orlando jumped in with both feet...

By Allis Moss

Learning on the job

Being made redundant from the day job as a property manager hadn't been on Silvio Orlando's wish list. But you know what they say about every cloud. And this cloud in particular led the 36-year-old Londoner towards a sterling silver lining: his very first multi-let, which in turn propelled him into a lucrative new property business.

It all began with a lucky break in Liverpool. "My wife's a Scouser, so we'd gone to look at this property as somewhere to live. When we saw it, we thought, wow! It was just a terraced house but the rooms were massive. Three teachers were sharing the house and had just given notice, which gave us the idea to rent it out rather than live there."

The house was an investment opportunity that Silvio hadn't anticipated or been searching for, but something he was able to jump straight into: his lack of employment meant that he and his wife could move up to Liverpool, self-manage and learn the ropes.

The house was in Allerton, south Liverpool – an area full of young professionals and a "pocket of vibrancy", according to Silvio. There was an easy bus route into the city centre, and a good local nightlife to attract the kind of professional tenants he wanted. It ticked all the boxes.

"The only thing left – the thing that was actually the greatest challenge for me – was my fear of committing to the project," he says. But he overcame his fear and took the plunge, making an offer on the property.

His offer of £3,000 off the £155,000 asking price was agreed, and then re-negotiated down further to £148,500 after the survey. "The survey picks up stuff that you and an agent don't," he points out – and he used the surveyor's observations as leverage to secure a further discount.

To find the right buy-to-let mortgage, he consulted a fee-free broker rated by consumer guide Which? and opted for a 73% loan to cover the total cost of the project. "With more leverage – a bigger loan-to-value ratio – I could have had a higher return on my initial outlay. But as a first-time buyer, I didn't want to overstretch myself. I was more comfortable around 75%."He set himself a limit of £50,000 cash to spend on his project. That included the £40,000 deposit, £3,000 for stamp duty, surveyor and legal fees, and £7,000 for a refurb.

"I'm not great at DIY, but I wanted a unique selling point for my property – which I'd decided would be a new kitchen and bathroom and all the walls repainted." He also converted the rear of the property's two reception rooms into another bedroom, which would add £75 per week in rental income.

The refurb only took a fortnight – an impressive achievement that's due in large part to the excellent builder Silvio hired. Silvio's own active involvement in the project also contributed to the speed and quality of the work: his daily presence and expectations of regular progress reports helped to keep everything moving.

Not everything went smoothly, of course. "I was so excited, shopping for tiles – the whole Laurence Llewelyn Bowen bit – that I forgot to test the old boiler [which needed replacing], which was crazy as it would have taken all of one minute. I'd already got the electrician out and knew I needed a gas safety certificate. But I should have made the call earlier, before doing the paintwork and new kitchen, which got messy."

Silvio's learnt his lesson: these days he has a list of everything that needs to be checked on any property he buys, and the boiler is at the top of it. Also on the list? Making sure the fuse board is compliant and that the white goods work, and seeing what cosmetic work is needed to appeal to potential tenants.

With the refurb done, Silvio found four tenants – of whom only two already knew each other. He agreed a single contract with the four of them – which required an element of trust among the tenants as they are all individually liable for the full rent if one of them fails to pay. For Silvio, this was necessary because he would have required a specialist HMO mortgage (which normally have higher rates and stricter criteria) if he'd rented each room separately.

Silvio's multi-let went on to bring in a monthly rental of £1,340. All bills (gas and electric, council tax, buildings insurance, TV licence, and a TV and broadband package) are included in his tenants' rent, and they cost him £360 per month in total. Silvio is also very disciplined about putting 10% of the rental income into a "contingency pot" every month to cover any repairs, purchases or void periods.

FACT BOX (figures rounded up or down)

Purchase price: £148,500

Costs:
Deposit: £40,000
Stamp duty: £1,500
Refurb: £6,350
Survey: £550
Solicitor: £800
Building insurance: £200
Total project cost: £158, 900
Of which cash: £49,400
Of which loans: £109,500

Gross monthly rental income: £1,343
Bedroom 1: £85/week
Bedroom 2: £80/week
Bedroom 3: £75/week
Bedroom 4: £70/week

Breakdown of all monthly costs:
Gas/electric: £150
Council tax: £100
Water: £40
Virgin Media (TV and broadband): £40
Buildings insurance: £18
TV licence: £12
Contingency pot: £134
Monthly mortgage repayment: £320
Interest rate of finance product: 3.54%

Total monthly costs: £814

Net rental profit per month: £530

TOP TIP FROM SILVIO

Check with your local council to see if you need an HMO licence. Each council will have different criteria, such as how many rooms and how many floors. If it needs a licence, you need to comply with legal requirements like fire doors.

That leaves him with a net monthly income of £530. So far he's spent around £100 from his rainy-day pot – on a new vacuum cleaner and washing machine repair call-out.

Silvio says: "For me, it's a choice between leaving my money in the bank and putting it in an investment that I treat like a bank account. When my cash was sitting in the bank it earned £500 a year. With a 13% return, my investment earns more than that a month."

His favourite three letters are ROI: "It's the only thing that matters. I've ignored the terms 'gross yield' or 'net yield' that the newspapers and adverts spout. When I'm looking for a multi-let rental, I ask myself, 'Will it match my net ROI target of 13–15%?' For a single let, my ROI might be 8–10%."

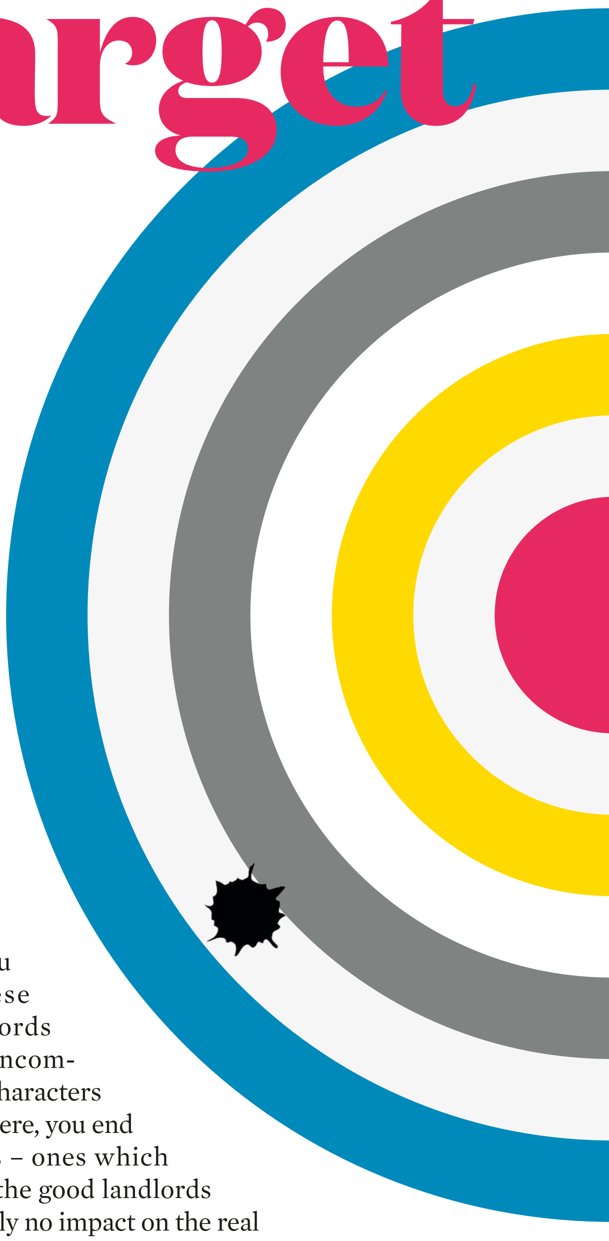
The return on multi-lets is higher but they are harder work, he says. You might have four personalities in a house, so there's more chance for things to go awry – whether that's having to replace a breakage or replace a tenant if one of them leaves after a soured romance or a fall-out inside the house.

Multi-lets aren't for everyone, but Silvio likes them – and he enjoys nurturing the landlord/tenant relationship. For him, it's not just about pulling in the biggest profit. "The tenants are a priority for me like my family or day job. They're not pieces of meat or 'walking wallets'." And he says he's gone out of his way to show that he is an "ethical landlord". "If something breaks, I deal with it straight away. In return, I have rules. This is not a 'party' house!"

Silvio has since bought another three multi-lets. Yet despite his impressively speedy progress, he wishes that he'd started investing earlier: "I now work as a self-employed estate agent, which gives me the flexibility to manage my portfolio. But in an ideal world, I'd be doing this full-time," he says. "In the meantime, this is good for the pension." He intends to bump up that pension further through buying more properties using the rental income and re-mortgaging of his current portfolio.

Plenty of tar, just one brush – and according to **Rob Dix**, picking on landlords does no one any favours.

Bad aim, wrong target



As both a landlord and the co-owner of a letting agency, it's hard for me to open a newspaper without being vilified for something in one or both of my roles. Combine this with the fact that I'm a sore loser, and you have your reason for why I don't do pub quizzes.

It's tempting to write off the anti-landlord headlines as mere cynical vote-garnering rhetoric. But looking at the data – such as the recent English Housing Survey which found that 30% of properties in the private rental sector fail to meet the government's Decent Homes criteria – it's clear that our industry does have real issues to deal with.

What's also clear, though, is that politicians and the media have – for a change – over-simplified matters to the point of being thoroughly unhelpful. Blaming "landlords" as one monolithic, caricatured group for all of society's ills isn't just bad for my self-esteem – it's leading to the wrong actions being taken.

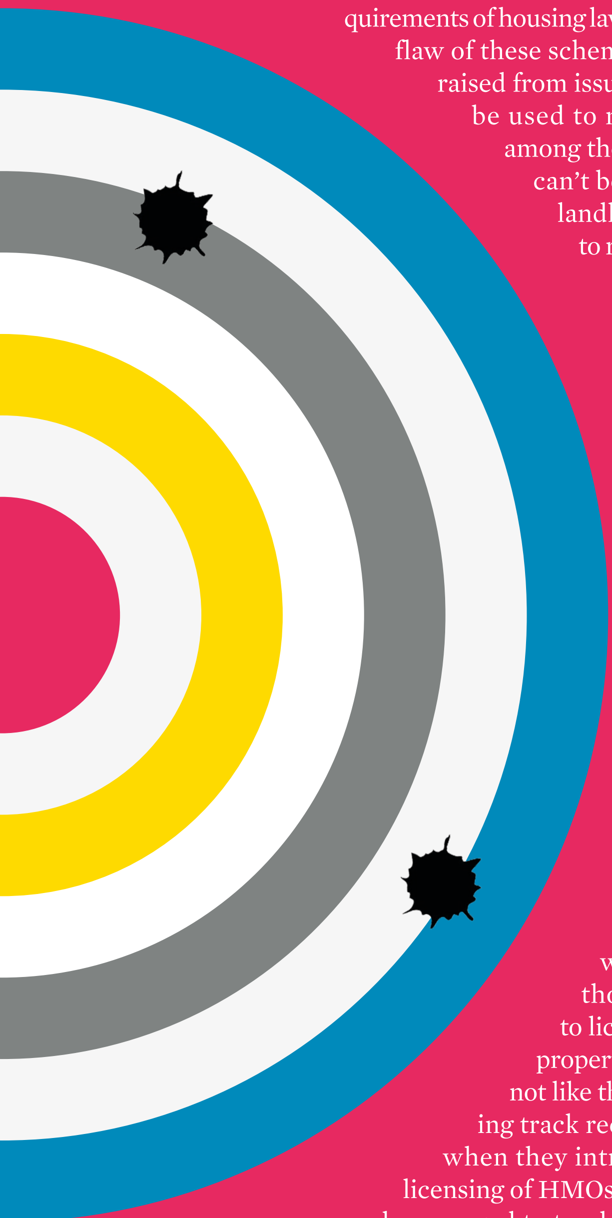
Landlords aren't all the same

I don't have to look past the end of my nose to see that not all landlords are of the money-grabbing, let-them-live-in-a-rat-infested-hovel-and-they-can-blooming-well-be-grateful variety. While I'm unsentimental when it comes to my investments and have limited interest in meeting my tenants for tea and cake, it's important to me that I provide a safe, good-value place to live. I'm in it for the money and the financial freedom, but not at the expense of my tenants' comfort and happiness.

Our landlords at Yellow Lettings are the same: many of them are hands-off to the point of never having set foot inside their properties, but they will still react instantly and gladly spend money where needed to meet a tenant's request.

But when you mentally lump these conscientious landlords in with the greedy, incompetent and criminal characters who clearly are out there, you end up with bad policies – ones which make life harder for the good landlords while having absolutely no impact on the real problem.

> **“Saying “let’s license landlords!” sounds appealing and might win votes, but the result is that the millions of pounds and millions of hours that are being spent on tackling poor living conditions are having an impact on exactly the wrong group of people.”**



Why licensing won’t work

Take landlord licensing, which is the current weapon of choice for many local authorities. Under these licensing schemes, good landlords are forced to pay hundreds of pounds to obtain a licence – the conditions of which (basically, to maintain a safe and comfortable home) are exactly the same as the requirements of housing law anyway. But the fatal flaw of these schemes is that the money raised from issuing licences can only be used to monitor compliance among those who registered: it can’t be used to track down landlords who have failed to register.

The outcome? Good landlords register, and have to deal with the expense and the extra admin. Bad landlords don’t, knowing that they’re exceptionally unlikely to be tracked down. Result? Nothing changes, except possibly good landlords getting fed up and leaving the sector.

The most ludicrous example of this is in Liverpool, where the local authority recently set out to license all 50,000 rental properties in the city. And it’s not like they have an encouraging track record in such matters: when they introduced compulsory licensing of HMOs a few years ago, they only managed to track down 850 of the estimated 1,250 HMOs in operation – and there are no prizes for guessing whether the 400 who haven’t registered are the good landlords or the bad ones. If you’re one of the bad apples hiding among 50,000, how worried would you be about getting caught?

Tenants know the truth

If they thought about it, local authorities could easily discover who the bad landlords are: by asking the tenants who are living in their properties.

A recent change in the law has attempted to make it more likely that tenants will come forward: it’s now the case that if a tenant doesn’t get an adequate response from their landlord about a requested repair and they contact the local housing department about it, the landlord is barred from evicting them in “retaliation”.

But how many tenants will know about this change? How many know that taking a complaint to the local authority is even an option? It wouldn’t surprise me if it’s soon made compulsory to issue information to tenants about their options for recourse right at the start of a tenancy. And that will just add to the administrative burden of proving that the information has been issued (along with the EPC and 20-odd pages of deposit related-bumpf). Plus, of course, hardly anyone will ever read it – last week I literally had a tenant ask “What date do we have the flat until?” the day after signing a new AST.

Wasted efforts

Saying “let’s license landlords!” sounds appealing and might win votes, but the result is that the millions of pounds and millions of hours that are being spent on tackling poor living conditions are having an impact on exactly the wrong group of people.

It’s happening in part because effective enforcement is much harder than being seen to do something, but it’s also happening because the problem is being wrongly framed. If we can recognise that we’re dealing with a criminal minority and refrain from dumping on landlords in general, the natural consequence will be to adopt measures that will allocate resources more effectively towards stamping them out. Plus, I could safely open a newspaper again.

propertygeek.net

Self-employed? Don't despair about getting a buy-to-let mortgage...

By Rosie Wyatt

FUNDING FOR

While many employees crave the idea of lazy lie-ins, swapping the suit for a dressing gown and the ability to watch Wimbledon on something other than a smartphone surreptitiously placed under the desk, the truth is that self-employment comes with its fair share of hassles and problems too. Since the last credit crunch killed off the self-cert mortgage, "getting a loan for a buy-to-let property" has been added to that list of hassles. But while the self-employed will always have to work harder than their salaried-up counterparts to get lending approval, there are steps you can take to boost your chances of getting through the mortgage maze...

Get fully documented

The first step is to make sure you can prove the level of your self-employment income – as the majority of lenders want to see at least of £25,000 of annual income (not including any income from renting out property).

You would have thought that this would mean submitting copies of your tax returns, but in fact lenders want to see a document called an SA302.

As Property Hub member and mortgage specialist Simon Allen (tbfinance.co.uk) explains, "An SA302 is effectively the Revenue's version of your tax return, and although it contains the same information, it's this version that lenders want to see. Just ring up the self-assessment line and they'll be sent out to you – ask for at least the last three years' worth."

By getting your SA302s in advance, you can submit them to your broker or lender whenever they're requested – rather than face the prospect of your application being held up while you wait for them to arrive in the post.

Overcome a short history

What if you can't produce two or three years of records because you've only recently struck out on your own? This is a common challenge, but John Yerou, managing director of Freelancer Financials (freelancerfinancials.uk.com), believes that the lending market is changing in response to the growth of the self-employed sector.

"Increasingly, lenders are willing to look at one year's worth of trading history," he explains. "Halifax is the best on the high street, but more are jumping on board – including Virgin Money and Clydesdale Bank. There's a growing number of specialist lenders out there, too."

The problem, he says, is that while many lenders have adopted a lenient lending policy for the self-employed,

FREELANCERS

this is yet to filter down to the advisers in high street branches. "We've helped thousands of applicants who were turned down by their local branch because they were asked for three years' worth of records" says John. "High-street advisers simply aren't trained in the nuances of every unique situation." In other words, your odds of being accepted could be better if you go through a broker than if you walk into a branch – even with exactly the same lender.

Alternatively, if you have a spouse or partner who is still in employment, you may be able to use their earnings to qualify for loans until you have the requisite trading history. Many lenders only require an annual earned income of £25,000, so if you're buying in joint names in many cases it's not necessary to show both partners' income.

Enjoy tax benefits responsibly

One of the advantages of being self-employed is having a lot more flexibility with tax affairs – but the natural desire to pay little tax as possible needs to be weighed up against access to finance.

For example, the director of a limited company who doesn't have expensive tastes may choose to pay herself an annual salary of just £15,000 per year and no dividends – letting the rest of her profits accumulate within the company.

This would minimise her tax bill, but would also close off the large part of the mortgage market which requires an income of at least £25,000. In this situation she may have been better off taking the tax hit from raising her income, and therefore being able to access more lenders with better rates and lower arrangement fees.

Don't go it alone

As the appetite for lending returns, self-employed applicants are likely to have an easier time of jumping through lenders' hoops – but whatever the state of the mortgage market, using a specialist broker is always advisable. A good broker will be able to identify the most suitable product and remove the stress of the application – leaving you free to enjoy that daytime TV you're definitely not watching...

DEATH, NO TAXES

We all want to leave at least a few traces behind when we die. The odd golden memory, a few sentimental keepsakes, and – of course – some well-earned cash to pass on to our loved ones.

By Oliver Swanson

Unfortunately, pretty much everything but funny stories and fond recollections will be subject to inheritance tax when you die. And we're not talking a puny little "postage and packing" percentage here: we're talking a whacking 40% of the value of your estate over £325,000. That includes property, cars, savings, investments, jewellery... anything.

So if you've built up a total equity base of £1.3m after taking account of the £325,000 allowance, your heirs would be writing HMRC a cheque for £400,000.

Fretting? Don't! For a start, you'll be done and dusted when your descendents find out just how much they don't get to keep. But most importantly, there are many things you can do right now to protect your assets and ensure that they get passed on in their entirety to your children and grandchildren. You'll need to plan in advance though – so make sure you take action soon.

First things first: passing on cash and the family home

Before discussing your investment properties, it's worth taking a moment to talk about any other assets you might have when you shuffle off this mortal coil. For example, you're likely to have some quantity of cash (and maybe shares), as well as the home you live in.

A bit of advance planning can potentially save ridiculous amounts of tax here. If you're going to pass everything on to your children and/or grandchildren anyway, why not start early? HMRC provides you with many opportunities to give away sums of money without any tax implications.

For example, up to £3,000 can be given in each year, as well as "small gifts" of up to £250 whenever you want and up to £5,000 ahead of a child's wedding.

Then there's the family home, which could be the single most valuable asset you own. A commonly attempted wheeze is for people to "gift" the home to the children but continue to live there themselves. This won't have the desired effect though: if you're still enjoying the benefit of living in the property, it still forms part of your estate for inheritance tax purposes. The only exception would be if you were paying the children a commercial level of rent in return for living there.

There are a few other options – like selling up and giving the cash from the sale as a gift instead (which will be exempt from inheritance tax as long as you survive for seven years after making the gift), or taking out additional borrowing against the property to reduce the equity, and using the borrowed funds to buy other assets that can be sheltered from inheritance tax.

Whichever route you go down, it will involve investing time (and money) in careful planning and expert advice.

Passing on investment properties

Time to turn to investment properties – and how to avoid inheritance tax when it comes to passing them on. Of course, if investment properties form part of your estate when you die, the equity in those properties will form part of the value of your estate – meaning that your heirs will have to pay inheritance tax of 40% on any amount over the current threshold of £325,000.

This is far from ideal – not least because if you're passing on little cash but a lot of equity, your heirs might have to sell the properties just to pay the tax bill. That will deprive them of future capital growth and rental income.

Why not just gift the properties during your lifetime, as long as you're confident that you'll survive for seven years so there will be no inheritance tax to pay? You could do that, but this is where capital gains tax comes into the picture: even if you give the property away for nothing, you'll still have to pay capital gains tax on the difference between the price when you bought it and its market value at the point you give it away.

This leaves you with two far-from-ideal options: wait and fret about the amount of money that's going to be lost to HMRC when you're gone, or take a big capital gains tax hit now to avoid your family having a potentially even bigger inheritance tax hit later.

If you hold the property in your own name, that's about the size of it. But if the properties are instead owned within a company, other options become available...

Property in a company

Instead of passing on properties, you could pass on shares in the business that owns the properties.

The flaw here is that "investment" companies – so in our case, one that just holds properties and collects rent – can't claim "business property relief", which normally exempts shares of businesses from inheritance tax. So unfortunately, if you're only in the business of letting properties, inheritance tax will still apply to shares of the business that you pass on.

There are two potential ways around this. One is to steer the company towards an activity that does qualify for business property relief. The HMRC guidelines say that you can't claim business property relief on a business that is "wholly or mainly" involved in making or holding investments... so what if the "main" activity of your company became property development?

The guidelines don't state what "mainly" precisely means, but you could argue that if over 50% of your profits or turnover came from developing property, you've actually got a development company rather than an investment company on your hands – so the whole thing, including the properties you're just quietly holding, qualifies for business property relief.

That's great in theory, but what if you don't want to start up a whole new business activity just to avoid inheritance tax?

In that case, there's the second option: setting up an Employee Ownership Trust. In this scenario, you set up a trust and transfer at least 50% of the company's shares to that trust. Doing so doesn't have any tax implications and doesn't require you to survive for seven years. The shares that are now owned by the Trust have been removed from your estate for inheritance tax purposes, yet you can personally keep complete control over the assets and income of the company – even if the Trust now owns 99% of it.

Handle with care

Trusts, reliefs and companies... it sounds complicated, and it is: this is an area where attempting a DIY job could have major inadvertent tax consequences.

But inheritance tax has been dubbed "the voluntary tax" in certain circles for a reason: it is possible to circumvent or mitigate it with careful planning, so a small investment in professional advice could pay for itself many, many times over.

After all, pondering your own demise isn't anyone's idea of a good time – but if you feel like you've paid your fair share of tax during life and would prefer not to contribute any more after death, a conversation with an expert could be one of the most profitable you'll ever have.

LETTINGS

In each issue, the team from Yellow Lettings takes over the Lettings pages to share the latest news and advice on property management. First up: how are overseas landlords taxed – and what can be done about it?

It's perfectly possible to maintain a property portfolio in the UK while you're living abroad: at Yellow Lettings, we have a high proportion of clients who trust us to manage their properties without ever visiting themselves, and in some cases they've never visited the properties they own.

While it's possible to leave your properties in the hands of a capable and hardworking agent, there's one aspect of being an overseas landlord that you have to contend with – and it relates to tax. Specifically HMRC's Non-Resident Landlord Scheme.

What is the scheme?

Unfortunately, it's a scheme to prematurely part you from your money: it requires that your letting agent deducts the basic rate of tax (currently 20%) from your net rental income before passing it over to you.

For example, say that your rent is £500 per month and the agent charges you 10% including VAT to manage the property. Your rental profit is £450, so the agent has to deduct £90 and pay £360 to you. (Bizarrely, if you don't have an agent then the tenant is required to deduct the tax and pass it to HMRC. We're not sure if this ever actually happens in reality.)

Can it be avoided?

The good news is that if your tax affairs are up-to-date, HMRC will allow you to apply to be paid the rent without any deductions – and you then just pay whatever tax you'd owe as part of your normal tax return.

All you need to do is fill in HMRC form NRL1i, providing them with the details of your managing agent. If HMRC approves your application, they will write to the agent giving them authorisation to pay you the rent without any deductions.

Is it worth doing?

Nobody likes filling in more forms, but this is an easy one: yes. As well as improving your cashflow, it also means that you're able to make any allowable deductions from the rent (like mortgage interest) before calculating what you owe in your tax return – which might in fact be nothing by the time deductions and allowances are taken into account.

WHAT IS A NON-RESIDENT LANDLORD?

HMRC considers a landlord "non-resident" if they spend more than six months of each year outside the UK.

Buying a property with tenants already in place? Here's how to ensure a smooth handover...

Sitting pretty

"Dig your heels in and keep on nagging until you get your answers."

Finding a tenant for a new property can be a time-consuming and expensive process – so buying a property with a tenant already in place can be highly beneficial for investors.

However, it's important to remember that the tenancy agreement that's in place will bind you too – you can't just kick the tenants out after taking ownership, so any problems with the tenants will become your problems on the day of completion.

At Yellow Lettings, we've taken over the management of a high proportion of tenanted properties on behalf of our clients, so it's a process we're very familiar with. Here's how to reap the benefits of buying a tenanted property, without falling victim to any of the pitfalls...

Ask the right questions before buying

In addition to the research you'd do when buying any property, Mark Alexander from Property 118 suggests a few handy questions to ask relating to the tenants themselves:

- How many changes of tenancy have there been in the last five years? If it's more than three, why aren't tenants staying long? It's worth doing some digging to find out.
- How long has the existing tenant been in situ? The longer they've been there already, the more likely they are to remain for a while longer – which could be good or bad news depending on your plans for the property.
- Is the tenant up-to-date with rental payments, and do they pay on time? The answer will always be "yes" unless you ask to see evidence, so make sure you check the rent statements!

These aren't the kinds of questions that the selling estate agent is likely to know the answer to, and it's possible that the vendor won't be particularly forthcoming with answers either – so dig your heels in and keep on nagging until you get your answers.

Use a solicitor who's experienced in the conveyancing of tenanted properties

If you're using a solicitor who's more used to dealing with residential rather than buy-to-let transactions, they might never have dealt with a tenanted property before – and if you don't ask the right questions, they could miss something that causes you major headaches further down the line.

Your solicitor should make sure that you get to see the following before completion:

- The current agreement that governs the tenancy. If it's an assured tenancy or some other form of protected tenancy, you could have major issues with removing the tenant or increasing the rent. Even if it's a standard assured shorthold tenancy, it could give the tenant rights that you're not happy with.
- The certificate that states where the tenancy deposit is registered. If the correct process hasn't been followed, this could have repercussions for you too.
- Rental statements that show that the tenant is up-to-date with their payments.

At completion, the solicitor should make sure that any rent that's already been paid is apportioned to you. For example, if the tenant pays monthly in advance on the first of the month and you complete on the 15th, you should be given the rent that's already been paid from the 15th through to the end of the month as part of the completion transaction.

Follow the correct procedure after completion

Once you're the new owner of the property, you're legally required to write to the tenant informing them that you're their new landlord, and give them an address in England or Wales where they can serve notices. This can be your own address, a "care of" address, or the address of your managing agent.

By default, you and the tenants will continue to be bound by the existing tenancy agreement: you'll just step into the shoes of the previous landlord – which is why it's important to see the agreement in advance so you know what you're signing up for.

You can either continue in this way or offer the tenants a new tenancy agreement that replaces the old one – bearing in mind that they're not obliged to accept it if they don't want to.

If you do offer a new agreement, don't scrimp on the referencing procedure just because they're already in occupation and have a good payment record up until now. At Yellow, our preference is to issue a new tenancy agreement having first thoroughly referenced the tenants with the same procedure that we use for any new tenancy.

Either way, make sure that the tenants change their standing order to direct all future rent payments to you – because if the money continues to go to the former owner, it could be very difficult to recover!

BENEFITS OF BUYING A TENANTED PROPERTY

- Income from Day 1 – no void period
- Time and money saved on the tenant-find process
- Not competing with owner-occupiers for the property, so potentially a lower purchase price than an equivalent vacant property

Don't be forced into staying with the current managing agent

Any agreement that the previous owner had with a managing agent is between them and the agent – it doesn't get transferred along with the property. So if you're told that you need to take over the contract with the managing agent, don't pay any attention because it's not true: you're free to choose a new agent if you want one. If the current managing agent tries to charge you a fee for terminating the contract, don't pay it: it's a matter to be resolved between them and the previous owner.

If it appears that the existing agent has done a good job and you agree with their fees and terms, great – this can save you even more work in appointing your own. But if you do want to self-manage or appoint your own preferred agent, you're absolutely at liberty to do so.

When we're instructed on a tenanted property, we take care of everything with the previous agent – including getting them to hand over over all documentation, communicating the change of ownership to the tenants and arranging a new tenancy agreement with them. It's a lot of work – and agents can be obstructive, as they're losing revenue and have no incentive to help out – but it's critical to start on the right footing with everything in place.

DEPOSIT DILEMMA RESOLVED

Landlords rejoice – deposit rules just received a welcome dose of clarity.

It's not often that a piece of government legislation removes a headache for landlords, so our nomination for Legislative Instrument Of The Year goes to the Deregulation Act 2015 – which became law back in March, and clears up a messy issue relating to tenancy deposits.

The original confusion dates back to 2013, and a case in the Court of Appeal known as Superstrike v Rodrigues. The court ruled that if a tenancy is allowed to continue month-to-month beyond its initial fixed term (known as moving from a fixed term to a statutory periodic tenancy), this is actually creating a new tenancy rather than continuing with an old one.

Not only was it a slightly bizarre interpretation of the situation, but it was actually kind of a big (and annoying) deal. Why? Well, at the start of a tenancy, it's necessary to protect the tenant's deposit in a government-registered scheme and issue prescribed information to the tenant. If a tenancy continuing beyond its fixed term is actually a new tenancy, then all of that needs to be done again!

Essentially, although the implications of the decision were never tested in court, it put thousands of landlords and agents in the position of being in possible breach of the tenancy deposit laws without realising it – and therefore potentially liable to pay compensation to tenants.

It could have all turned into something very messy and problematic indeed, but the Deregulation Act 2015 has now cleared it up: it's now plainly established that the tenant's deposit doesn't need to be re-protected (and prescribed information doesn't need to be reissued) when the initial fixed term ends. Whether the tenancy continues month-to-month or a new fixed term is agreed, there's no need to take any action as long as the deposit continues to be registered with the same scheme.

Relief all round, but the whole fiasco is an important reminder of the need to stay on top of developments in landlord and tenant law: if you're not willing or able to do so yourself, consider instructing an agent who can stay up-to-date on your behalf.

WHAT ARE THE LAWS REGARDING TENANCY DEPOSITS?

- Any deposit taken from a tenant must be registered with an approved government scheme (TDS, DPS or MyDeposits) within 30 days of receiving it (not within 30 days of the tenancy starting).
- Within the same timeframe, tenants must be issued with prescribed information about the protection of their deposit, including the scheme's "information for tenants" leaflet. (At Yellow Lettings, we attach this to the tenancy agreement and require tenants to sign to say that they've received it.)
- At the end of the tenancy, the scheme will arbitrate if there's a disagreement about any deductions that should be made from the deposit. Once agreement has been reached, the funds must be returned to the tenant within ten days.

Having a robust repairs process is more important than ever, thanks to new legislation

Hitting the

The Deregulation Act giveth, and the Deregulation Act taketh away: with issues around deposits straightened out, a new law means that landlords now need to get more organised when it comes to repairs.

Here's the background: when a landlord wants to end a tenancy, they can do so using something called a Section 21 notice (but only at the end or after the end of the fixed tenancy term). It's used in situations where the tenant hasn't done anything wrong, but the landlord wants to get the property back anyway – often to sell it, or just to move in a tenant who's willing and able to pay a higher rent.

The beauty of a Section 21 notice is that as long as the paperwork is filled in properly and the landlord has complied with their obligations, there's no defence against it: if the tenant fails to move out when they're supposed to, the courts will grant possession and bailiffs can be instructed if necessary.

That is, until now. The Deregulation Act means that a Section 21 notice can't be validly served if the local authority has issued an Improvement Notice or an Emergency Remedial Action Notice relating to a repair at the property. In fact, if such a notice is served, a Section 21 notice can't be used within six months of the date of that notice.

The idea of this change is to prevent "revenge evictions", where a landlord will end a tenancy rather than fix a problem. The changes mean that a tenant can be confident about making a complaint through the proper channels, because the landlord then can't end the tenancy for six months after the local authority has recognised that their complaint is valid.

It sounds like a big deal, but is it? We don't think so. That's because a Section 21 notice only becomes invalid if:

1. A tenant makes a complaint about the condition of the property.

2. The landlord or their agent doesn't give an adequate response within 14 days (an "adequate response" means either fixing the issue or providing a firm date by which action will be taken).

3. The local authority visits the property and issues a notice relating to the necessary repair.

So it's not a big deal in the sense that the situation should never arise in the first place: a good landlord or agent would never let an important issue go unresolved for two weeks, and the local authority getting involved is a serious and unusual situation. What's more, there are protections in place to make sure that the landlord isn't penalised if the disrepair is due to a breach of the tenant's obligations in the first place.

trail

However, what this does mean is that it's now especially important to communicate with tenants regarding repairs in writing: otherwise you, as a landlord, will have no evidence that you've made an appropriate response to any requests that are made.

This is already considered good practice: "I consider it prudent for agents to ask for tenant repair requests to be submitted in writing so that there is a clear trail of exactly what was reported and when that report was received," says Christopher Hamer from The Property Ombudsman. But the consequences for not doing so are now potentially more severe.

At Yellow Lettings, we already require that tenants make repair requests in writing – and to make it easy for them to do so, we have a dedicated online system that walks them step-by-step through providing the relevant information we need to take action. The system also gives us an audit trail, which means we can provide evidence of what action was taken – and this evidence will be kept for six years, as required by legislation.

In summary, it's now more important than ever not just to be a good landlord, but to be able to show proof that you are – and steering tenants towards submitting requests in writing (even if it's just over email rather than a dedicated system) is an important step towards doing just that.

"The Government has been distracted from the business of ensuring that existing legislation, intended to protect tenants and landlords from genuine criminals, is enforced properly. At best this is will be a burdensome nuisance for the majority of good landlords. At worst it will further mask the actions of criminals who abuse their tenants, while regulators struggle to differentiate between those in genuine need and vexatious troublemakers."

Chris Norris, NLA Head of Policy

We held our second ever Property Hub Summit earlier this year. Here's the lowdown on how it went and what we'll improve on next time.

Scaling new HEIGHTS

On 15 March 2015, 18 Property Hub members from around the country gathered in the surprisingly lovely conference room of a London hotel. Rob Dix flew in from Valencia for the occasion, while Rob Bence, erm, walked from his office five minutes away.

For the nine and a bit hours that they were together, much of their time was spent eating: there was a lot of incredible food. And when they weren't eating (actually, even when they were), they were discussing property. Not just "property" in the sense of abstract, generic discussions that you might have with the person sitting next to you at a dinner party – "property" in the sense of actionable investment strategies and specific guidance for each person in the room.

If you're interested in attending the next Summit in July, here's an account of the ins and outs of the March event to help you make up your mind...

First things first... what is the Property Hub Summit about, and why is it worth attending?

While The Property Podcast, The Property Hub blog, and the new Property Hub book ("100 Property Investment Tips") give away masses of information, what they can't do is suggest how to apply all this information to your exact situation, or connect you to other investors with similar goals who can motivate you and share their own ideas.

And that's why we created the Summit. It's not about learning new facts: it's about helping you form a personal action plan to make sure you set the right goals and know exactly how to achieve them. It's also about benefiting from the accountability of connecting with others to work on your goals together.

WANT TO ATTEND OUR NEXT PROPERTY HUB SUMMIT?

The next Summit will be held on Saturday 25 July at The Pullman Hotel, London (three minutes from King's Cross and Euston stations).

To find out more and book your place, visit: theproperty hub.net/summit.

> "I left inspired, with a clear strategy going forward and a melting pot of ideas for future investments."

What happened before the event?

The Robs sent out a questionnaire to everyone who was attending, asking them about their current situation, goals, fears, aims for the Summit, and so on. These questions aimed to encourage people to think about where they are now and where they want to be in the future. This event is all about troubleshooting rather than just "general" property information, so it's important that attendees have a sense of what they want to achieve and what the barriers to that are.

The questionnaire responses also gave Rob and Rob a good understanding of everyone's situation, so that they could make sure they had the facts they needed to offer advice. Going through the questionnaires took "an entire weekend plus two short-haul flights, a layover in an airport and a few working lunches", says Rob Dix. If you double that to account for Rob Bence's time, that's a LOT of reading and researching.

How was the day structured?

Tug of war and Jenga-esque team-building exercises most definitely weren't required: when you have a group of friendly, respectful and open-minded people who all listen to the same bloomin' podcast and have similar life aspirations, bonding comes easily.

So the day started much how it continued: around a table together, eating and talking. First up (with pastries), each person had the opportunity to be in the "hotseat" and talk about their own goals and challenges in front of the group (about 20 minutes was spent on each person). Importantly, everyone weighed in on everyone else's issues, providing different experiences and perspectives.

There was also (after a delicious three-course lunch) a dedicated Q&A session, where the Robs blasted through every question submitted in advance that wasn't related to someone's specific situation – questions like: "Is it better to own property personally or through a limited company?", "How do you get mortgages when you have cash but no regular income?" and "How can you source below market value property without buying in bulk?"

And finally (with cake), the day ended with a breakout session: everyone divided up into "mastermind" groups, with the intention of checking in with each other every few weeks to provide peer support and some much-needed accountability. There will also be an official three-month Skype check-in with the Robs.

And? How did it go?

"It was great!" says Rob D. "We had a whole range of experience in the room: complete newbies, people with good-sized portfolios, commercial property experts, people doing HMOs, rent-to-rent, developments and self-builds... You might assume that people at such different stages of such diverse projects wouldn't be able to help or provide useful insights to each other. That couldn't be further from the truth: the different perspectives and experiences is what made the group work so well. We want the same sort of mixture for all future events: it's a winner."

In fact, a few partnerships/joint ventures seem to be on the cards – between people who have money to invest but little time or experience, and others who have development experience but limited funds.

And what do the attendees have to say about the day? The surprising finding from our post-Summit feedback form was just how many people enjoyed and learnt from others' hotseats – almost as much as they benefited from their own. Listening to everyone else's experiences, problems and issues gave them lots of ideas and angles that they'd never previously considered.

Something else everyone remarked on? The food. Of course. Most importantly, every single person said they would recommend the event to a friend!

And were there any challenges? "Time," sighs Rob Bence. "There's just SO much to talk about and get excited by. A few respondents in our post-Summit survey said they'd prefer to have a slightly smaller group – even if it means paying more. For July's Summit, we're reducing the number to 16 attendees."

Some also mentioned that they wanted more "unstructured" time for chatting and networking. Allowing the opportunity for people to get to know each other better and form friendships is clearly important, so will be emphasised at July's Summit.

Summing up the Summit

"The biggest takeaway for us is the reminder that there's no 'right' way to do property," says Rob Dix. "We'd give two people completely opposite advice within minutes of each other, because it's so dependent on personal goals, constraints and circumstances."

And that's why the Summits are so valuable: they're about applying everyone's combined knowledge, experience and learning to specific people with specific circumstances and needs.

PICK OF THE PODCASTS

In each issue, we round up the most popular recent episodes of The Property Podcast. And gosh Rob & Rob have got off to a flying start in 2015...

THE MAGIC OF THINKING BIG (EPISODE 95)

As Donald Trump famously said: "You have to think anyway, so why not think big?" This episode aired back in January – a time when many of us were setting our goals and priorities for the year ahead – so it was the perfect time to give some attention to cultivating lofty aspirations.

But if you haven't listened yet, it's not too late to big-up your thinking for the rest of the year! If you want to rid yourself of excuses, learn some subtle but powerful ways to think big, and find out what it means to "go first class", this is the podcast for you!

Listen: thepropertyhub.net/thinkbig

HOW TO BECOME A PROPERTY INVESTOR (EPISODES 97, 98 & 99)

After nearly two years of The Property Podcast, Rob & Rob had shared a wealth of investing information – and they decided to collate it all into an actionable step-by-step trilogy for anyone who was late to the party.

From getting your mindset right in the first place all the way through to tenanting your first property, this mini-series has it all – and if nothing else, could save you from enduring 96 episodes' worth of bad jokes...

Listen: thepropertyhub.net/howtobecomeapropertyinvestor

BRAINY PROPERTY INVESTORS ASK ROB & ROB QUESTIONS (EPISODE 101)

The first Property Hub Summit was held in January, and attendees were invited to submit in advance any questions they wanted to have answered on the day.

In this episode, Rob & Rob pick out some of those questions to answer on air for everyone else's benefit too. So: what are the ins and outs of bridging finance? Where do you go for finance when your own funds have dried up? And what do you do when property prices are falling? The answers to all those, and more, are within.

Listen: thepropertyhub.net/brainyquestions

THE BEST PLACES TO INVEST IN 2015 (EPISODE 102)

In this hugely popular episode, Rob & Rob unleash their inner dodgy-geezer-down-the-pub and share some hot tips – which hopefully won't fall at the first hurdle.

They discuss why they're bearish on London, and where else in the country they're investing instead. They also tell you what to look for when you're assessing an area's prospects for yourself – and why waitrose.com might be a surprisingly effective property research tool...

Listen: thepropertyhub.net/bestplaces2015

SUBSCRIBE TO THE PROPERTY PODCAST!

A podcast is just a (silly) name for an online radio show. A new episode of The Property Podcast goes up every Thursday at 7am, but you can listen on-demand whenever suits you.

You can follow the links above to listen on The Property Hub website – but it's better to subscribe, because then every episode will be automatically downloaded to your phone or tablet (or to your computer, from where you can transfer it to your MP3 player).

If you have an iPhone or iPad, it couldn't be easier: just open up the iTunes app on your device, search for "The Property Podcast", then click the "Subscribe" button.

If you have an Android device, you'll first need to download a free app called AntennaPod (search for it in the Google Play store). Then, inside the app, paste the link thepropertyhub.net/android.

Our top five Refurb mistakes

IF YOU'RE GETTING YOUR DECOR INSPIRATION FROM TV PROGRAMMES OR GLOSSY MAGAZINES, YOU COULD BE MAKING A FEW COSTLY ERRORS...

1 SPENDING LIKE A KARDASHIAN

A house doesn't need bling to make it sing. Don't splash on unnecessary fixtures and fittings: unless you're aiming for the extreme high end of the market, buyers won't pay a premium for £100 bath taps or natural stone flooring. Shelling out for more than is strictly necessary will give you a poorer ROI, not to mention night sweats about the state of your Farrow & Ball walls.

2 IGNORING THE BORING

We've all seen the TV programmes: refurbs can be done in a weekend, right? Wrong. It's not sexy, but planning ahead is your number one priority. Paint pots and piping might be on your shopping list, but time management and prep work need to be there too. Be systematic: do your research, get quotes for work, focus on finances, measure everything accurately, work in the right order... and you won't overrun or overspend.

3 MAKING IT YOURS NOT THEIRS

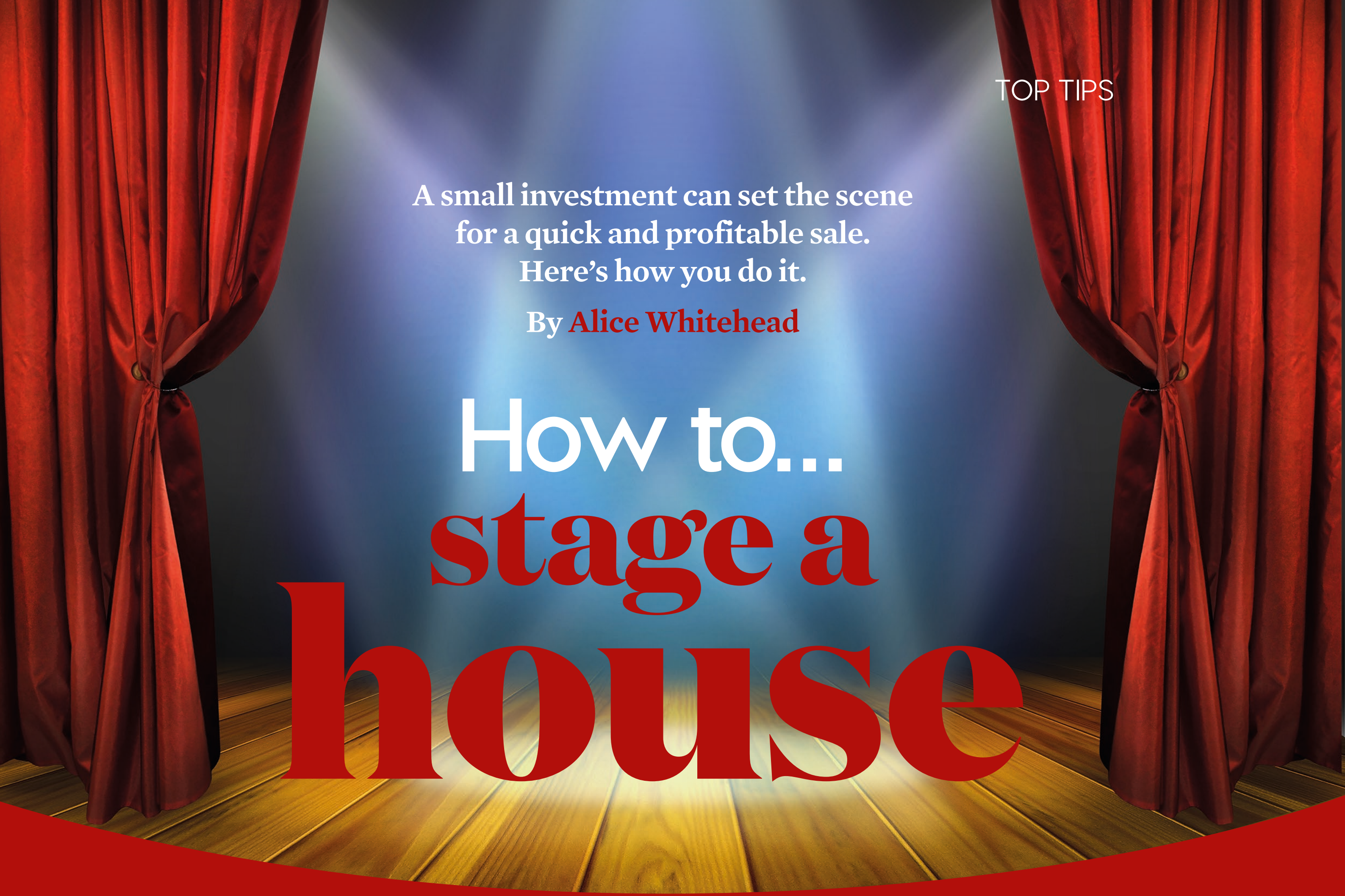
Don't make it personal; get to know your demographic. Just because you like Nordic-style kitchen units or hide-hair sofas doesn't mean everyone will. Ignore your target market and you could find yourself trying to sell a bachelor pad to a family of four.

4 SQUANDERING SPACE

A grand design is all well and good, but if it sacrifices space for style, your property can become more "box room" than bespoke. Accentuate space by re-imagining wasted areas (under stairs/landings, etc.), using mirrors to maximise light, adding doorways to improve flow, buying dual-purpose furniture so there's less clutter, and making small kitchens open-plan to give the impression that they're bigger.

5 HIRING JACK THE LAD OVER BOB THE BUILDER

Get a tricky tradesman or leave your refurb in the hands of inexperienced handymen (looking for quick and easy solutions rather than what's best for the build) and your refurb could double in price. Swap cowboys for knights on horseback by always checking references, being suspicious of too-good-to-be-true estimates, going fixed-price rather than day-rate (so there's less room for manoeuvre) and asking yourself: do they understand the job, have they done work like this before and, most importantly, can I work with them?



A small investment can set the scene for a quick and profitable sale. Here's how you do it.

By Alice Whitehead

How to... stage a house

You'll need to channel Richard Curtis – not Ryder Richardson – when you're staging a house for sale. It's not bricks and mortar designing: it's love, actually. You're setting the scene, selecting the props and writing the script for your buyers' new (improved) life.

There's the table that seats ten for Bridget Jones-style dinner parties, fresh flowers from the garden, and more cushions than comfort requires.

Leave a property empty and you'll be the one left empty-handed, say the experts. "People fall in love with homes, not empties: show them a home and you'll win the game," says Nottingham property consultant Anna Hart (annahartconsultancy.co.uk).

And that game is not about wholesaling, it's about retailing, says Susannah Cole, director of The Good Property Company, Bristol (thegoodpropertycompany.co.uk). "There's not a high street shop around that would sell their products from cardboard boxes," says Cole. "They showcase each one and you need to do the same."

B-movie to blockbuster

While your latest production might look like a set from Notting Hill, it doesn't need to have the price tag of a Hollywood blockbuster. "You could realistically stage a property for under £5,000, and I've furnished a three-bedroom for less that £250," says Hart.

Cole agrees. "We do a mood board once a year and come up with a £3,000 kit (white goods, beds, lighting, cushions, candles, etc.), which can be reused [by vendors] up to five times."

It's all about making smart choices, and the first step is knowing your audience. You wouldn't expect the WI to appreciate the subtle nuances of The Fast & The Furious now, would you?

Don't rely on the estate agent to tell you who your target audience is. "Understand this yourself," says Cole. "The final decision maker is nearly always a woman and she'll be the one you need to woo."

With this in mind, kitchens and bathrooms are the rooms to spend the most time and money on getting right.

"Buyers won't want to have to spend anything on these once they've moved in, so your choices are really important," says Hart. "It's tough to create a kitchen that everyone will love, but you can choose one that most people will like. Stay neutral and keep your colours to easily changeable areas like wall paint and accessories rather than tiles or cabinets."

With more and more women choosing to work and bring up a family, kitchen diners have become all the more important too. "Working parents need a space to cook and socialise, so have a space that ticks both boxes," says Cole.

When it comes to bathrooms, 'white' is the word. "Use a white suite and always have a bath if you're looking to sell to a family," advises Hart.

“With more and more women choosing to work and bring up a family, kitchen diners have become all the more important too.”

“When it comes to bathrooms, ‘white’ is the word. Use a white suite and always have a bath if you’re looking to sell to a family.”

Spoiler alert!

It’s not about offering the complete picture either: like a good director, you don’t want to give away all your plot points in one go. “It’s a glimpse into how your buyers might sleep, eat and socialise,” says Cole. “Not the full lifestyle.”

Hart agrees. “Put the basic furniture into each room – table and chairs into dining areas, proportional sofas and armchairs into living rooms, and bedrooms need beds but not necessarily wardrobes.”

That said, you want your property to be eye-catching. “Don’t paint everything magnolia,” says Hart. “If you want to stand out, you’ll need to put a little more effort in!”

Good staging is about the little touches. “It takes 30 seconds for her to decide against a property, so curb appeal still counts, and this includes internet curb appeal – i.e. professional photography on the website and in the brochure,” says Cole. “Put some wine glasses and a bottle of wine in the kitchen, add a cafetiere and two mugs in the bedroom – it’s aspirational but achievable.”

With an unpretentious budget and a little “lights, camera, action”, it seems you can soon turn a Rotten Tomato into a Palme d’Or.

“I’ve taken on properties that have lounged around on the market empty for months, but within a week of being staged, they’ve sold for the asking price. With staging, you’re much more likely to achieve your price, or above, and get more than one buyer interested – which again has the potential to push your price up or allow you to select the buyer in the best position,” says Hart.

“Leave it to chance and you’re at the mercy of the market – they’ll be the ones who decide what you deserve to be paid for all your hard work and investment.”

QUICK TRICKS

1. Make small rooms appear bigger with good lighting and pale colours. Select furniture you can see through – for example chairs and beds with space underneath them, and bedside tables with thin legs. You’re selling space, not furniture.
2. In rooms with an unattractive feature, give the viewer something else to look at – a fireplace, a striking piece of furniture, or an artwork.
3. Spend at least a third of the budget on cushions – it makes a house look lived-in.
4. Don’t sell white goods as part of the package; have them as part of your “staging kit” that you can move around different properties.
5. Iron and steam everything as if you’re preparing for a fashion shoot.
6. Get a cleaner in the day before viewings – you’re selling love, comfort and care.

VITAL STATISTICS

Let's get out that tape measure and check up on the health of our economy!

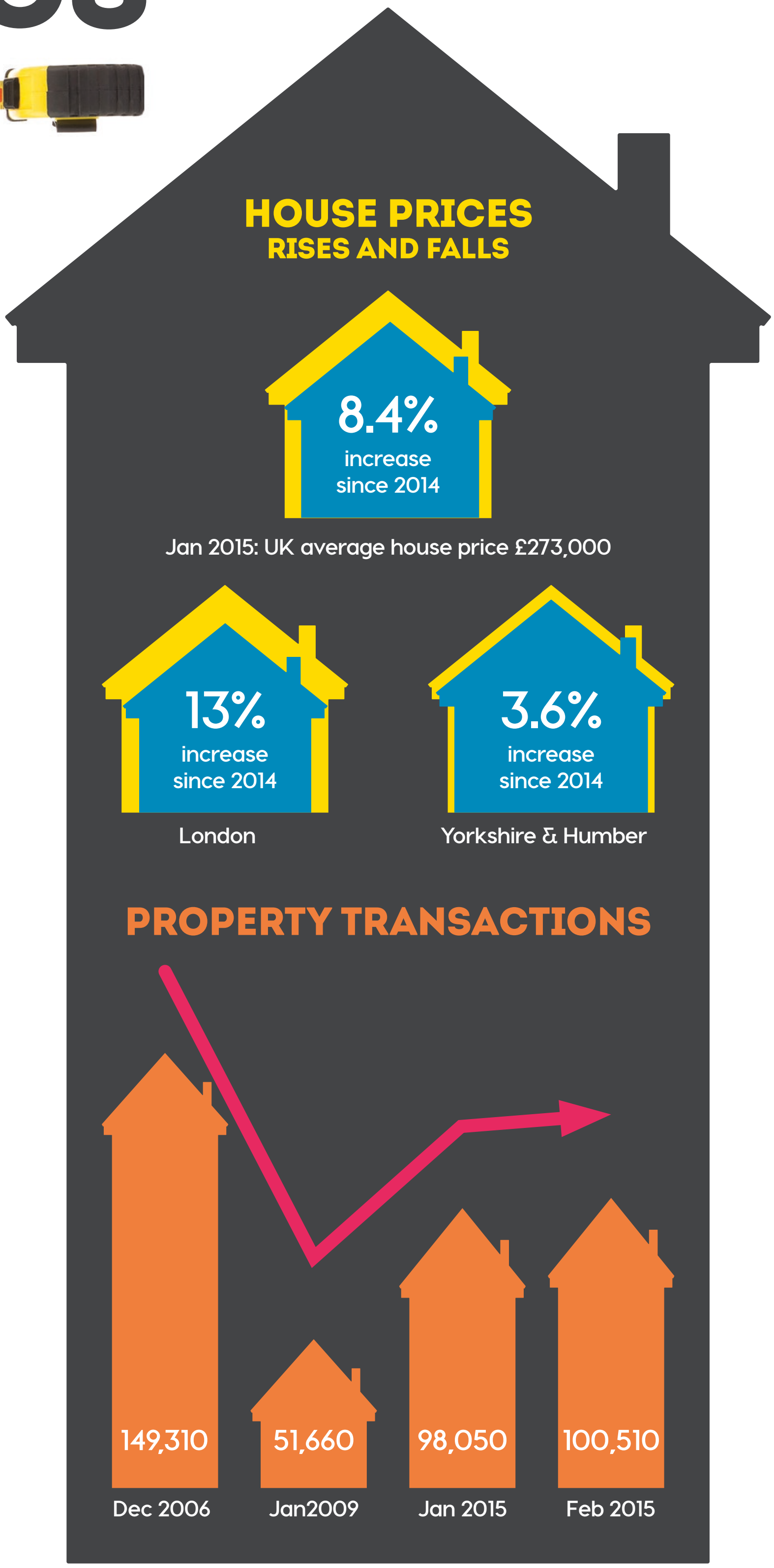
The latest figures are pretty darn positive for property investors: there's been an increase in the number of property transactions, rent prices are up, and mortgage rates are as low as they've ever been. Here are the numbers you need to know:

House prices, rises and falls – January 2015
In January, the UK standardised average house price was £273,000 – an increase of 8.4% over the previous year.

"Average" is the operative word here: separating out the regions shows that these figures are driven in large part by London – where prices increased by 13% and the average house price was £510,000. The lowest growth in January was in Yorkshire and the Humber, where prices increased by just 3.6% over the year. The North East region had the lowest average house price in the UK: £155,000.

Excluding London and the South East, the UK average house price was £208,000 in January – 6% up over a year.
Source: House Price Index, January 2015 (Office for National Statistics)

Number of property transactions (with a value of £40,000 and above) – February 2015
In February 2015, there were 100,510 residential property transaction completions (seasonally adjusted) – slightly up from 98,050 in January. The number of transactions has been increasing steadily from a low point of 51,660 in January 2009, but still has some way to go before reaching the peak number of 149,310 in December 2006.
Source: UK Property Transaction Statistics (HM Revenue & Customs)



RENT PRICES FEB 2015
NEW TENANCIES

9.9% increase since 2014

Average UK rent for new tenancies Feb 2015 was £899pcm, 9.9% higher than Feb 2014 (£818pcm)

5.1% increase since 2014

In Feb 2015, Average LONDON RENT was £1,390pcm – 5.1% higher than Feb 2014 (£1,322pcm)

7.7% increase since 2014

When London excluded, average UK rent in Feb 2015 £724pcm: 7.7% higher than Feb 2014 (£673pcm)

The North East is currently the cheapest place to rent (£550pcm)

Source: HomeLet Rental Index

BEST BROKER MORTGAGES
BUY-TO-LET MORTGAGES

MORTGAGE PROVIDER	INITIAL RATE	SUBSEQUENT RATE	OVERALL COST FOR COMPARISON
NatWest	1.95% – Bank Base Rate plus 1.45% until 30/09/2017 (60%)	4.50% Variable for term	4.50% APR
BM Solutions	2.09% Fixed until 30/06/2017 (60%)	Bank Base Rate plus 4.34% for term	4.5% APR
Principality BS	2.30% Fixed until 31/05/20017 (60%)	4.99% Variable for term	4.70% APR
Leeds BS	2.35% – SVR minus 3.64% for 2 years (60%)	4.99% Variable for term	5.40% APR
Virgin Money	2.59% – Bank Base Rate plus 2.09% until 01/07/2017 (60%	4.99% Variable for term	4.70% APR

Source: John Charcol (charcol.co.uk)

EMPLOYMENT FIGURES JAN 2015
COMPARING 3 MONTHS NOV-JAN 2015 WITH AUG-OCT 2014

2014 30.80m People in employment

2015 30.94m People in employment +143,000

2014 1.96m Unemployed people

2015 1.86m Unemployed people -102,000

2014 9.06m People economically inactive

2015 9.03m People economically inactive -30,000

Aged 16-64

Average weekly earnings were £483 over the same period (Nov – Jan 2015) – up 1.8% compared to previous quarter

Source: HomeLet Rental Index

CLAIMANT COUNT FEB 2015
AGE 18+ JOBSEEKERS

Feb 2015 0.79m

Jan 2015 0.82m

Jan 2015 1.17m

Feb 2015 figure the lowest number since Mar 2008

Labour Market Statistics (Office for National Statistics)

The average fixed-rate BTL mortgage was at the lowest level ever recorded in February: 3.82% – down from 4.22% in February 2014. The average variable-rate BTL fell even further, to 3.63% – down from 4.17% in February 2014.

The number of different BTL mortgage products available rose from 757 to 811 in a single month.

Source: Moneyfacts Best buy-to-let mortgages

TECH CORNER

Geektastic websites, apps, gadgets and gizmos you shouldn't live without.

Apart from when you're viewing properties or reading this fine specimen of a magazine, we bet your eyes spend an awful lot of time glued to a screen. Ours too. So this section is all about optimising that time – and making life more efficient, productive and profitable as a result. For the very first issue of this magazine, we've focused on two big favourites among our fellow Hubbers: Pocket and Noddle.

POCKET

If you're anything like The Property Hub team, you stumble upon a lot of articles on any given day but rarely have the time to read them there and then. How do you deal with it?

Here's what we used to do: we'd keep everything open in various browser tabs for days, which would clutter up our desktops and slow down our computers. More often than not, we'd have to close the tabs or email the links to ourselves to stop everything from grinding to a halt. Messy, suboptimal, and very annoying.

But now we have a solution, in the form of a nifty little (and completely free) web and phone app called Pocket. Once you've installed the app on your phone or tablet and the browser extension on your computer, you'll be able to save articles, videos and pretty much anything else into Pocket. Your app and browser extension will stay in sync with each other, which means you can save an article on your computer, then read it later on your phone. What's more, once the article is in Pocket, you don't need an internet connection to read it.

Pocket is fantastic for property investors: you can save maps, Rightmove pages, Property Hub blog posts and so much more!

There are plenty of other things you can do with Pocket:

- Send articles to other people via email, or – even better – straight to other Pocket users.
- Send articles to other apps that you use, like Evernote.
- Tag articles for easier browsing.

Visit Pocket: getpocket.com

NODDLE

If you want to know how likely it is that you'll be accepted for a credit card, loan or mortgage, you'll need access to your credit report – which you can get from a credit report agency.

Until fairly recently, all three major credit report agencies charged you for this information. They have a statutory duty to provide you with a copy of your report for £2, but they don't like to make it easy – they prefer to offer you a "free trial" of an expensive monthly membership, then charge you after 30 days if you fail to cancel.

But one of those agencies has gone all nice on us! Noddle (the brand name for the agency called Callcredit) now offers you permanently free access to your credit report. And its website is clean, clutter-free and easy to use.

Wondering about the catch? Well... it's not really a catch, but there's something you should be aware of, and it requires an incy bit of background information about credit reports.

Credit reports contain information about your past financial behaviour. Lenders send information to credit report agencies about whether you've kept up with payments, made any credit card applications, and so on – and this information is compiled into a report on you that's updated monthly. Other lenders will look at this report before deciding whether to grant you that credit card, loan or mortgage you've applied for.

And here's what you need to be aware of: not all lenders report your behaviour to Noddle, and not all lenders search its files: they might search and send information to the other two credit report agencies instead. So if you want a complete picture of how you look to potential lenders, you'll have to check those out too. (You might actually be able to find out which credit report agency your potential lender uses.) The other two agencies are called Equifax and Experian.

Visit Noddle: noddle.co.uk