The PROPERTY Hub Magazine

Making sense of property investment

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BETTER TOGETHER

The complete guide to joint ventures

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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

They say a week is a long time in politics, but three months? That seems like a lifetime. Yes, it's only been 12 weeks since we last wrote to you in our May issue, but goodness, how much has changed!

We've had a snap election – which may or may not have gone to plan depending on which ballot box you ticked. We now have a somewhat controversial arrangement with the Democratic Unionist Party. The former deputy prime minister of the country is no longer even an MP, and the housing minister? Well, he's followed in the footsteps of many of his predecessors (five since 2010 to be exact) in being swiftly replaced.

And while it's all change at Westminster, we have some changes of our own up our sleeve – although we'd like to think they're altogether more exciting than the happenings at Number 10! Check out page 44 for news on our new venture.

Elsewhere in this issue, we take a look at development finance and investing from the ground up. On page 15, Rob Bence shares the trials and tribulations he experienced when buying land, while finance expert Kevin Wright gives us a breakdown of development funding on page 36.

We also explore the topic of letting to local authority tenants – is it a wise move or a risky business? One investor shares his story of converting an HMO back into a family home. And we find out how to create your property dream team.

And finally, if the new government arrangement has got you thinking about partnering up, too, you'll need our ultimate guide to joint ventures, starting on page 18.

Happy reading!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry.

News

BACK TO SCHOOL

According to the latest research from Countrywide, there's been a surge in student accommodation owned by private investors. With Southampton, Leicester and Liverpool seeing the most growth in private landlord-owned student housing, this suggests that investors are now looking to cash in on the cities with the biggest student populations.

Countrywide found that the number of student houses rose by 11,000 between 2011 and 2016, not including halls of residence or purpose-built student blocks. The biggest growth was in Southampton, which saw a rise of 3,428 – while Liverpool and Leicester saw rises of 2,560 and 2,075 respectively.

When it comes to rental potential, Liverpool tops the table. The latest figures from mortgage broker Private Finance show yields of as much as 8% in the city, after mortgage costs have been deducted.

There's been a surge in student accommodation owned by private investors.

THE ROAD TO NOWHERE?

It seems the government has made good on its promise to spend the cash raised from Vehicle Excise Duty on the country's crumbling roads. Transport Secretary Chris Grayling has announced plans for a £1 billion fund to improve or replace A-roads and bypasses across the UK.

According to reports, the move will relieve bottlenecks and provide better connections between towns and cities – a big plus for property investors, given the impact new transport links can have on house prices.

Councils won't be able to access the fund until 2020, however – by which time our government could look very different, if the past few months are anything to go by. Is it a case of too little too late?

RENTAL REVOLUTION

Any concerns over demand for rental properties should surely be put to bed by the latest research from Knight Frank. According to the estate agency's annual UK Tenant Survey, the Private Rented Sector (PRS) will grow considerably over the next four years with almost 5.8 million households expected to be renting by 2021 – that equates to one in four households.

The report states: "The growth of the PRS has been spurred by conditions both in the housing and labour markets. Younger workers especially are taking advantage of the increased flexibility of renting as a tenure which allows moving between locations without any of the costs associated with buying or selling a property. Affordability constraints in the sales market are also curtailing some tenants' plans for house purchase, resulting in a longer stay in the PRS as they save for a deposit. There is also growth in the PRS at the more economic end of the housing scale."

Meanwhile, Knight Frank says landlords are responding to the demand from tenants – and the changing nature of the rental sector – by introducing longer tenancies.

WOOF LUCK

Property investors are used to finding themselves drawing the short straw when housing market reforms are announced. From stamp duty hikes to tax relief changes, a government announcement without some bad news for the property sector would catch us all by surprise. But the group hit hardest by the government's latest assault on the rental sector surely couldn't have seen it coming. The unwitting victims of the most recent change to the private rented sector – the ban on letting fees – may be pets.

Announced in last year's Autumn Statement and confirmed in the Queen's Speech, the ban prohibits agents from charging any fees to tenants. Fees may only be charged to landlords, and deposits must be capped. The Draft Tenants' Fees Bill says security deposits must be no more than one month's rent, holding deposits no more than one week's rent (both of which are refundable), and no fees are to be added.

Tenants with pets would normally be charged a higher deposit in order to cover the risk of pets damaging a property. If deposits are capped and fees disallowed, tenants with furry friends may have a hard time finding anyone willing to risk letting to them.

A spokesman for the NLA said: "While not the intention, the government's plans for imposing this one-month cap on security deposits will reduce landlords' willingness to accept pets by removing their flexibility to take a higher deposit to cover for pet damage.

The NLA showed that almost half (47 per cent) were unwilling to allow pets, with 41 per cent of those citing the reason as potential property damage."

"Tenants with pets would normally be charged a higher deposit in order to cover the risk of pets damaging a property. If deposits are capped and fees disallowed, tenants with furry friends may have a hard time finding anyone willing to risk letting to them."

A DAY IN THE LIFE

MAN WITH A VAN

Mal Gray is a man with both a van and a skillset that Liverpudlian landlords are lucky to have. Jane Cameron finds out what makes the day of the "handyman" go by.

7:30

In a relaxed start to the day, Mal Gray strolls into the back bedroom, opens his laptop and logs into the software run by one of his property management clients: an agency with hundreds of homes on its books. He sees two new issues that he'll need to deal with today: a tenant's front door won't lock properly, and another flat has been left in a "terrible state".

Marking those down on his to-do list, Mal then makes a quick call to one of his other clients – another property management agency – to give them a rundown of outstanding handyman jobs. Fences, doors, wardrobes, gutters, rubbish... whatever the landlord's problem, he'll get in his transit van and fix it. Once, he was asked to deliver 40 koi carp to Anglesey.

With five property management clients in total and a packed daily schedule, 67-year-old Mal clearly isn't thinking of slowing down anytime soon. "I'm not one for sitting around doing nothing," says Mal. "I'm a man with a van and a DIY maniac who likes to put my skills to good use."

9:30

Time for a hearty breakfast. "I don't bother with lunch. I haven't got time. I fill up at breakfast time. My partner has a catering business so I get spoiled in the kitchen," says Mal.

10:30

Into the van and off. First job is to clear the mess left by some tenants: a dismantled bed, damaged table and chairs, empty packaging, a broken washing machine.

"You name it, they leave it. I cart it downstairs and into the van." A registered carrier, Mal can use the big rubbish tips. "It costs £140 per ton plus VAT. If I fill my van up, it's half a ton. So that's £70 charged to the client before I even put my time on – between £12.50 and £20 per hour – just because some tenants left their stuff."

12:30

Next job: tidy up the hole left in a wall after a plumber's visit to fix a leaking pipe. Mal replaces the plasterboard and skims it, planning to return to paint it when it's dry. Along with brickwork, gas jobs and complicated electrical fittings, plastering is something Mal takes on selectively.

"I only do patchwork plastering – I'd never do a whole room. Like bricklaying, it's a skilled job, and you have to know what you're doing. I know my limits, so for bigger jobs, I'll advise them to call a tradesman."

Mal – a salesman for the first 30 years of his working life – might not always have been a handyman, but he's always been handy. He learnt some skills from his father and others from working on his first house. The O-levels he left school with were mainly in hands-on subjects, such as metal and woodwork. "I'm a practical guy," he agrees.

14:00

Time to take a look at the broken front door lock. Mal takes it apart and discovers a piece that's been bent due to an earlier forced entry. He straightens it, reassembles the lock and leaves the tenant happy.

"For landlords looking to save money, I'd suggest not always going for a replacement when you might be able to repair it. Things are made of components, so take them to bits, find what's broken, and mend or replace that instead."

15:00

A garden fence needs repairing, so Mal removes some posts, replaces them and then fits some new panelling. The rainwater gutter on the house has also come adrift, so he climbs his long ladder and secures it.

Mal never has to advertise for work, and he often has more than he can handle. How does he get along with his landlords and agencies?

"Trust is important," explains Mal, "Landlords want to know you're not ripping them off. At the end of the day, they don't want tenants complaining. They want you to get the job done.

"Landlords who are interested in hiring a handyman should get someone to check their work over before they keep using them. Some are out to make a fast buck."

16:15

Home for a wash and a change of clothes, ahead of an evening of property viewing. (Oh yes, he also has a small side business as an estate agent.) "Quite often, I'm out first in my overalls as a handyman; then I'll come back for a wash, put the suit on and be an estate agent. I'm a bit like Mr Benn," he jokes.

18:30

Home again for dinner and a bit more computer catch-up, where Mal logs back into his client's software and provides an update of the status of the jobs he's worked on today.

22:30

Early night, because Mal will be using his van to roadie for a soul band at a gig in Morecambe tomorrow night. A man of many talents, he isn't in a band at the moment but can play acoustic and bass guitar, ukulele and banjo. And he's in the process of building a guitar, with a kit bought by his two sons.

Hasn't he thought of retiring? "No. I enjoy what I do, and I'm free to do what I want. Anyway, the first thing most retired guys do is look for a job!"

LOCATION FOCUS

North exp

ern
osure

Aberdeen's economic fortunes have fluctuated independently of the wider UK property market. Neil Cumins reports on the Granite City's unique challenges and opportunities.

It might surprise you to know that the global recession and financial crisis of 2008 left one corner of the UK unscathed. While economic storms raged across the country, the only thing battering Aberdeen's property sector was the North Sea wind. The Granite City enjoyed rising prices and steady growth throughout the late Noughties and the early years of this decade, with a thriving oil and gas industry supporting the highest average property rental costs outside London. Over 40% of Aberdeen's population had a job connected to the petroleum industry in 2014, when the city centre was awash with designer retailers and high-end restaurants.

Of course, what goes up must come down. And when oil prices fell through the floor in 2015, they took Aberdeen's over-inflated housing market with them. Newspapers and taxi drivers gleefully recount stories of the fallen at the market's lowest ebb – sports cars abandoned in dealership forecourts, and former high-flyers visiting food banks. House prices have dropped by almost 25% in the last two years, with commercial property transactions plummeting by 90% during 2015 and 2016.

Green shoots and property ladders

This might suggest that Aberdeen is an economic basket case, whose decline was inevitable after years of hubris and market-bucking growth. But that's not the whole story. Some observers report green shoots of recovery amid the greyness, with growing predictions that property prices will start to rise later this year. Are falling rental incomes and sale prices simply a long-overdue correction, bringing Aberdeen back into line with other UK cities?

Fiona Gormley thinks so. As Savills' Head of Residential in Aberdeen, she points out that average selling prices in Aberdeen were 20% above the rest of Scotland to begin with. Recent drops have, therefore, brought the market back into line: "The Aberdeen market had its peak in 2014, which made it unique because all other residential markets in Scotland had experienced a downturn from 2008. The oil and gas industry sheltered Aberdeen from the economic crisis, and we continued to have a period of phenomenal growth between 2008 and 2014."

Aberdeen's fall from grace came as a nasty shock after two decades of fossil fuel-powered prosperity. Yet Fiona finds cause for optimism amid the economic gloom: "For people who aren't oil or gas-related, it's actually a welcome side to the market because people suddenly realise they can afford to buy a better type of house. We're faced with the prospect of having a leading teaching hospital at Aberdeen Royal Infirmary, yet we can't recruit people to come to Aberdeen because the cost of housing is so high relative to their salary."

"Of course, what goes up must come down. And when oil prices fell through the floor in 2015, they took Aberdeen's over-inflated housing market with them. Newspapers and taxi drivers gleefully recount stories of the fallen at the market's lowest ebb – sports cars abandoned in dealership forecourts, and former high-flyers visiting food banks."

Flat out

Anyone unfamiliar with the Aberdeen property market may be surprised to learn that almost half the city's housing stock comprises tenements and flats. The former are traditional three or four-storey buildings hewn from granite, while a shortage of mid-range private rented accommodation saw swathes of modern apartments springing up throughout the Nineties and Noughties. Both are now the property type local investors recommend avoiding: a traditional two bedroom tenement flat that might have attracted £750 per month back in 2014 is typically renting for less than £500 now. There are record stock levels of apartments priced below £250,000, as landlords dump their portfolios into a falling and saturated market. The wider property market may even be bottoming out, but further falls in this sector continue to pull the average downwards.

After flats or tenements, semi-detached and terraced houses are the most common property types available. Only one in ten properties within Aberdeen City Council's compact boundaries is detached, since middle-class families often relocate to satellite towns like Kintore and Inverurie in surrounding Aberdeenshire. The city's exclusive enclaves are mostly in its west end, from the bungalows and bay-windowed terraces of Midstocket to the imposing villas of Cults and Milltimber's post-war chalet bungalows.

In with the new

Just outside Aberdeen's enduringly popular west end, the first of two huge residential investment projects is beginning to take shape. Countesswells will comprise 3,000 properties along the A944, with Aberdeen-based housebuilder Stewart Milne investing £800 million in

The facade of His Majesty's Theatre. Aberdeen city centre will benefit from the £825 million City Region Deal investment.

schools and healthcare facilities alongside shops and business space. Yet even this significant undertaking is dwarfed by Chapelton – a £2 billion, 2,000-acre greenbelt site in Aberdeenshire, ten miles south of the city.

Chapelton has been dogged by controversy, but final approval has now been granted for the creation of 8,000 new homes. A similar number of jobs will be supported by a future town centre and industrial facilities. Chapelton will also benefit from the 36-mile Aberdeen Western Peripheral Route, scheduled to open next year. First proposed in 1952, this bypass will alleviate some of the UK's worst urban congestion by channelling traffic around the city. It will also skim past Aberdeen Airport, Dyce, Bridge of Don and the 40-acre Aberdeen International Business Park (AIBP) that's currently under construction.

KEY PROJECTS ABERDEEN INVESTORS SHOULD BE AWARE OF

- **Chapelton.** A 15-year masterplan will see seven pedestrian-friendly neighbourhoods surrounding a town centre and parks. Adopting principles from previous New Towns in Scotland, each neighbourhood will have shops, offices and public transport links.
- **Countesswells.** One of several residential schemes claiming to have the UK's fastest broadband, site works began a year ago on an 800-home complex five miles west of the city centre. Homes range from one-bed duplexes to four-bed detached villas.
- **City centre.** Perhaps surprisingly, much of Aberdeen's £825 million City Region Deal investment will be used to create a more dynamic city centre. Plans are being drawn up to increase the urban population and regenerate tired Victorian tenements.

Homes for the future

Given the collapse in house prices, these ambitious long-term infrastructure projects may seem mistimed. Yet Aberdeen is already looking towards a post-oil future, with the new Aberdeen Exhibition and Conference Centre moving to AIBP. The proximity of Aberdeen Airport is another advantage, with its own £20 million investment plan in place. Plans to consolidate Aberdeen Royal Infirmary's status as a leading teaching hospital will further increase inward migration to a city already renowned for attracting incomers from across the UK and beyond.

Aberdeen has always hosted a large migrant workforce, underpinning a historically buoyant rental market. And despite the recent decline in achievable rents, Aberdeen's average rental in the first quarter of this year was £768 – exactly the same as the average across Scotland. Citylets reported in April that the average time to let in Aberdeen had remained stable over the last year, while letting volumes actually increased. According to Sarah Harley of Margaret Duffus Leasing, "Rents are still very flexible, but sensibly priced. Good-quality properties in popular areas can move quickly."

Those popular areas include suburbs around the historic Aberdeen University and the modern

Robert Gordon University, which underpin strong demand for student accommodation. Despite being five miles apart, their respective positions on Aberdeen's northern and southwestern edges mean most city suburbs hold some appeal to students. That's particularly true with the city centre midway between these sprawling university campuses.

The last word

Fiona Gormley believes that now is a good time to take on an Aberdeen property investment or rental home: "You're buying in when the market is low. There's still a residential market for BTL, but people are now paying rents in line with the rest of Scotland." She also identifies optimism regarding Aberdeen's post-oil economy: "Alongside the regeneration of Aberdeen Airport and the 54-acre ABZ Business Park, there's continued reinvestment in the harbour area and the city centre. When you're looking at more rundown or neglected apartment blocks in these areas, the only way is up for property prices.

The best places to invest in

ABERDEEN

- Best for city workers: **Rubislaw, Rosemount**
- Best for character: **Old Aberdeen**
- Best for high-end homes: **Millitimber, Cults**
- Best for students: **Kittybrewster, Garthdee**
- Best for schools: **Bridge of Don, Hazlehead**
- Best for a bargain: **Torry**
- Best for capital appreciation: **Dyce, city centre**
- Best avoided: **Tillydrone, Northfield**

CASE STUDY

Laying the groundwork

When a buy-to-let expert decides to venture into new build development, he's got a lot to learn about landing the deal. Harvey Jones reports.

Rob Bence, co-founder of The Property Hub and RMP Property's BTL portfolio-building guru, knows a thing or two about property investment. But when he decided to spearhead RMP's first residential development – starting with the land – Rob found himself at the base of a steep learning curve.

"I've brokered buy-to-let deals for hundreds, possibly even thousands, of investors," says Rob, "but this is the next level. It's like moving up from playing checkers to playing chess."

Why take the leap?

In Rob's experience, amateur investors are easily discouraged if their first project doesn't go smoothly, regardless of the outcome. "If they feel let down, they give up," he says, "even if they've made money on the deal."

And when things go awry, it's not the developer who shoulders the blame, Rob acknowledges. While it doesn't happen a lot, sometimes, despite a huge due diligence process, things can go wrong, and if they do clients tend to hold RMP responsible for whatever problems crop up. Any erosion of their fragile confidence can be costly: "I spend a large part of my time fighting to keep developers in line, dealing with contractors who've been too harsh with the client, or sorting out solicitors who no longer speak to each other. It's stressful and a waste of time."

One underlying issue is the differences between developers' and clients' priorities, explains Rob: "Developers' prime motivation is to complete, then move on to the next project. If snagging throws up any problems, such as ill-fitting windows or poor paintwork, they're reluctant to come back and fix them."

Preferring to have full control over the properties he offers investors, Rob's next logical step was to move into land development. "Once we knew we wanted to move into development, our first step was to figure out where in the country we'd actually like – and be able – to buy the land on which to develop," he says.

Land rush

Keen to take advantage of the Northern Powerhouse revival, Rob had set his sights beyond overpriced London to the West Midlands and major northern cities such as Manchester, Liverpool and Leeds, which should get a boost from the planned HS2 train link. But his first attempts to find the right spot met with discouraging results.

Rob explains: "Investing in buy-to-let is relatively straightforward. You search Google, Rightmove and Zoopla, visit a few properties, do some background research, and put in a bid. With land, it's a bit more complicated." The few vendors who advertised on Rightmove were treating it as a last resort, says Rob, when "nobody else would touch the land."

Realising he was out of his depth, Rob sought guidance from others with more experience in the field. This included hiring a full time land buyer in the form of Rob Wiggans. Rob worked for Taylor Wimpey before leaving to join RMP. He was excited by the huge potential and vision that Rob had for the business.

"Buying land is a complicated business," says Rob. "You need to build a network, talk to people who know more than you do, research potential investments carefully, and – above all – take your time. The more research you do, the lower the risks."

A site can look good on paper, but once you do your due diligence, the investment case can quickly fall apart. "The ground may be contaminated, or it might have poor foundations or water under the surface. So much can go wrong."

"Investing in buy-to-let is relatively straightforward. You search Google, Rightmove and Zoopla, visit a few properties, do some background research, and put in a bid. With land, it's a bit more complicated."

Vendors' unrealistic expectations only add to the challenges, says Rob. "They're not developers; they don't understand all the costs and challenges involved in a major building project, so they charge too much." Land sourcers and brokers aren't much help, either. "Time and again, potential sites fell short. As soon as one broker offered us some land on an exclusive basis, another broker would contact us with exactly the same deal."

Landing the deal

RMP finally made progress after investing in a piece of software called Glenigan, which monitors all UK building projects from design through planning to completion, allowing subscribers to search on criteria such as location, value, stage and materials. It wasn't cheap, but the ability to conduct detailed searches on their specific criteria paid off, says Rob. "It costs us over £1,000 a year, but it's worth the money. It's serious software, for serious investors."

Glenigan alerted RMP to a potential development in Crewe. "An architect had bought some land to build a care home, but when that didn't work out, he secured planning permission for 14 houses instead."

With HS2 expected to shorten journey times between Crewe and London Euston to just 50 minutes and between Manchester and Birmingham to less than 30 minutes, Rob was interested. His first move was to hire a land surveyor and quantity surveyor to check for any unpleasant surprises that might be lurking beneath the surface, and – once the surveyors had given their seal of approval – RMP was ready to negotiate. "We knew exactly what the architect had paid for it, which helped us price our bid," adds Rob.

After four months of searching, the right site had been located, the bid had been accepted and work could begin.

The Municipal Buildings, Crewe.

> "Keen to take advantage of the Northern Powerhouse revival, Rob had set his sights beyond overpriced London to the West Midlands and major northern cities such as Manchester, Liverpool and Leeds, which should get a boost from the planned HS2 train link."

Chalking up finance

When it came to raising finance for the build, RMP encountered another frustrating reality. "There's little point in approaching the big banks for funding. Too many brokers say they can get you finance, then fail to deliver."

So what's a would-be land developer to do? Ask knowledgeable land investors for referrals to lenders specialising in development finance, says Rob: "A personal recommendation is vital. Specialist lenders will judge you on the merits of the site and the team you're building."

If you opt to use a finance broker for advice, it's important to make sure you're getting what you pay for, Rob advises. Brokers can earn commission worth up to 2% of the loan, he says. "On a £1 million deal, they could get £20,000. You need to make sure they earn it."

Lather, rinse, repeat?

Whether Rob will choose to repeat the process on future projects remains to be seen: he's still waiting to see how his current project will turn out in the long run. And as he readily admits, "There's still a long road ahead of us." And we'll be following it with updates in the magazine.

If you have an interesting property case study (good or bad!), we'd love to feature your story. Email us with some information and photos, and we'll get right back to you:
hello@thepropertyhub.net

Rock th

Collaborative property investment might seem intimidating, but working together with investment partners can bring otherwise unattainable projects within reach. Neil Cumins investigates the pros and cons of joint venture partnerships.

ejoint

> “It’s safe to assume that nobody enters the property market to realise their dream of going into a joint venture partnership. Even the most confident developer or landlord would feel cautious about surrendering partial control of their next project, or sharing future profits with someone who may never set foot on-site.”

Some people enter the property industry by choice, inspired by those seductive daytime TV shows or tempted by the healthy returns on offer. Others become landlords or developers almost by accident – inheriting land and property from relatives, or stumbling across an opportunity others have missed.

It’s safe to assume that nobody enters the property market to realise their dream of going into a joint venture partnership. Even the most confident developer or landlord would feel cautious about surrendering partial control of their next project, or sharing future profits with someone who may never set foot on-site. Yet as house prices rise, and traditional lending models become less attainable, more and more investors are plunging into the uncharted waters of joint ventures – often with total strangers.

To explore the merits and pitfalls of JVs, we’ve spoken to some of the finest minds in the property industry. From professional developers to finance specialists, these people know what it takes to achieve a successful collaboration. Their opinions might just surprise you...

Put their money where your mouth is

Although a joint venture can theoretically involve collaboration of any form, a typical partnership pairs one person’s property expertise with another person’s financial resources. While an experienced landlord or developer might lack the reserves to take on (or complete) a potentially lucrative opportunity, investors who lack property expertise are constantly looking for respectable yields in an enduringly profitable industry. It’s easy to see the attraction from both sides.

Financial partners come in all shapes and sizes – from private individuals looking to sweat a cash windfall or nest egg, to venture capital firms whose pocket depth is matched only by their profit expectations. Robert Jones, the director of Property Investments UK (which provides training and mentoring for UK property investors), points out that “JVs can be structured in a way where everyone benefits, and the skill share can be valuable alongside the finance/funding aspect.”

Donna Wells, marketing manager at joint venture funding provider Go Develop, looks for specific criteria when finding property partners: “We’re the

perfect JV partner if a developer has experience in new build, has full planning permission in place and is offering good margins that support great returns for us both. The projects we take on are usually up to 24 months in duration, have a gross development value (GDV) of between £2 million and £15 million, are multi-unit residential new builds or conversions, and have competitive selling prices for the postcode."

Many investors are less well-resourced. Short-term finance specialist and Property Hub contributor Kevin Wright describes a typical private investor as "a risk-averse individual. The typical JV partner would be someone who's acquired a sum of money, usually between £100,000 and £500,000, from some event in their life – redundancy, the sale of a business, inheritance, etc."

Choosing a partner

Both types of financial partner offer potential advantages and challenges. While it's harder to reassure a large company that everything's under control when the inevitable delays occur, access to additional funds can keep a refurb or conversion on track if costs begin to spiral. However, there's a stronger prospect of building a long-term relationship with an individual than with a larger firm, where staff leave and corporate priorities shift.

When it comes to levels of involvement, a private investor might try to be more involved than a hands-off corporate partner for whom eventual profit is all that matters. Whether a financial partner's active involvement is helpful – or a matter of too many cooks spoiling the broth – depends on the project and on how much extra help you need to manage it.

Robert describes private investors who embrace and do well with JVs as "primarily investors with funds of over £250,000 to invest, but not much time". To keep your options open, always treat a new partnership as a one-off, in case collaboration doesn't suit either party. You might find the red tape involved in a corporate-funded JV too onerous, or the constant attentions of a private investor too time-consuming.

A meeting of great minds

So how do you determine whether a potential partner is the right match for your project? If you've decided that working with an individual investor is the route for you, Robert suggests looking at "the deal and the individual, as a whole and also separately," prioritising working with individuals you like and trust, who have skills, finance and/or contacts that will benefit all parties. "They're a better choice than individuals who simply have deep pockets or large networks, but a different moral compass or overall ambitions," says Robert, adding that "personality will play a large factor

> **"If one guy wants to sell and the other doesn't, who gets preference? Can I buy the other guy out of the company at market value?"**

in the success of your JVs – so invest time and effort in finding the right partner".

Successful collaboration requires each party to understand where their involvement starts – and where it ends – and larger VC firms are usually well aware of the role they can play to ensure the success of a venture. As the founder and CEO of Spire Ventures, Faisal Butt has grown his business through strategic partnerships and JVs with experts in their respective fields. "As investors, we recognise our strengths and weaknesses," Faisal explains. "What we're good at is identifying outstanding management teams to invest in, and providing them with the capital, strategic support, network and mentorship to grow and scale their business or project.

"What we're admittedly not good at is being the operator. That's why it's paramount for us to partner with the right people and teams, who we back to deliver the business plan. Our approach is defined by partnerships with like-minded management teams, who we believe will create profitable, scalable businesses over time."

Property developer and entrepreneur Del Brown agrees that clearly defined roles are crucial to the success of a joint venture: "JVs can work for all types of developers and individuals, provided there's a clear understanding of the respective roles of each partner. As a developer with expertise of the property business sector, it's ideal to have JV partners who are 'armchair' investors and will leave the building and renovation side of things to us."

Stumbling blocks

One nagging concern among large VC firms is that – while JVs offer incredible opportunities to developers – they have something of a PR problem when it comes to finance. Although Go Develop's business has tripled in recent years, lenders often struggle to manage the complexity and anxiety of JVs, admits Donna.

For individual investors whose contribution represents a personal windfall or nest egg, their level of emotional involvement has the potential to trip up their property partner. "This money is usually irreplaceable," says Kevin, "and sometimes took many years to accumulate. That leads to a high level of caution about where, in what, and with whom they want to invest." Kevin also suggests that – regardless of the type of partnership – developers should always have a dependable backup funding source like bridging or development finance in place, in case the financial partner gets cold feet or finds a better offer elsewhere.

Getting down to business

One way to ensure every party benefits is to create a limited company, with developer and financier as equal shareholders. This is the approach property developer Andre Brink has adopted, as an alternative to making monthly interest payments to financial partners. "They invest their money upfront as working capital, for us to fund deposits and refurbs. If it's a 50/50 share of the business, it entitles them to half of any future profits. The fact it's a 50/50 shareholding within a limited company means it's governed by statutory law. We create a new company with each new joint venture partner, which keeps things simple for each investor."

Because the sudden withdrawal of funds could be disastrous from a developer's perspective, Andre recommends creating a contract "to say what happens if someone needs to sell or take some cash out. If one guy wants to sell and the other doesn't, who gets preference? Can I buy the other guy out of the company at market value?" Kevin Wright concurs, recommending the creation of a legal document at the outset of any project, which defines what's expected from each party.

Reading the fine print

When structuring a joint venture, a number of factors must be considered, including liability. According to Russell Cooke solicitors, "Long-term business partners may be perfectly happy with a partnership structure in which they are jointly and severally liable for partnership debts, but that's unlikely to be appropriate where there are a number of passive investors."

There's a good bit of debate within the industry about whether joint ventures are subject to insufficient

THE DOS AND DON'TS OF DOUBLING UP

Do

- Build rapport with potential partners before entering into an agreement.
- Look for local investors, who understand your region's housing market.
- Speak to a solicitor about the legal protection offered by a 50/50 limited company.
- Look for partners whose contribution complements yours, rather than competes with it.
- Maintain constant channels of communication with your JV partner.

Don't

- Enter into a partnership without a backup source of finance in place.
- Exaggerate profit forecasts to persuade a financier to come onboard.
- Agree anything verbally, in case the JV ends acrimoniously.
- Be tempted to take on a project much larger than anything you've attempted before.
- Assume your next JV will run as smoothly as your last one...

or excessive regulation. Robert has mixed feelings: "I think in many markets, excessive legislation can be too stifling and may impede natural progress. However, in this area, it's important that consumers and investors are able to operate in a secure environment to make decisions, as so much investment, time and resources are at stake. It only takes a handful of bad individuals, deals and stories for it to affect the entire industry, so I see legislation and guidance here as important."

Robert believes existing regulations provide a reasonably secure framework to operate in, providing all parties adhere to it. "From the provision of funds through to the purchase and security of the property asset and the ongoing management or exit, everything can be operated within a secure framework. That's if all parties follow the correct guidance and legislation, and have the right solicitors and paperwork in place."

JV or not JV?

Del Brown believes that joint ventures work best when property developers look at the numbers and take a realistic approach to the project's particular challenges and potential outcomes. "What do the numbers look like, how big is the project and how long will it take? All these are factors that your JV partners will want to know. If your JV partners only want to invest for a certain period of time, then a larger project might not be suitable for them."

Robert agrees, believing that JVs can become a long-term partnership "that can work very well when operated correctly. If you're new to JVs, don't be scared to consider them, but approach them with a long-term mindset, and I would absolutely recommend speaking with a solicitor to make sure you have the right agreements in place for all parties."

If the stars align, the financial freedom of a wealthy backer can open up previously inaccessible development opportunities. Robert points out that developers who are unable to get bank financing, or who don't have large starting pots, welcome creative ways to purchase property without depleting their own limited funds. "JVs provide an opportunity for people to share skills, experience and assets," he says. "The whole is greater than the sum of the parts."

Next steps

- Listen to our recent podcast episode for more about Joint Ventures: http://propmag.uk/jvpod
- Look out for one property developer's experience with joint ventures in the next issue.

CASE STUDY

Home. again

We usually hear how developers turn a profit by converting single lets into HMOs – but in a recent project, Birmingham IT consultant Dal Kumar bucked the trend and did just the opposite. Jane Cameron reports.

Dal Kumar

He began as an "accidental landlord" – refurbishing and renting out the home he grew up in – but took up property development in earnest after a visit to a pensions adviser.

"I had hit 40 and was starting to think about retirement," explains Dal Kumar, now 42. "I had no pension at all. I wasn't that convinced by the adviser: I wasn't keen on the amount I had to part with every month, and there seemed to be ever-moving goalposts. I'm a bit of a control freak by nature, so I thought 'let's look at an alternative'."

Six years later, father-of-two Dal has a portfolio of ten rental properties. He's refurbished all but two of them – which were ready-to-go new builds. All the properties have two or three bedrooms and originally cost between £75,000 and £100,000. They were sourced by a trusted estate agent and financed through family investment and mortgage, with a re-mortgage on a better LTV six months later.

That is, all except for his latest project, which has taken him and his wife, an NHS research coordinator, on a slightly more nerve-racking journey. "When I first mentioned it, my wife said 'Don't you dare buy this!'" recalls Dal.

Asbestos Alert

The property in question was a Victorian, four-household HMO repossession. It had been on the market for two years but had an asbestos roof over the downstairs bathroom and a loft conversion made of decking board. There were students renting it, but student demand was dropping dramatically after the recent closure of a nearby university campus.

Where many others would have walked, Dal saw this ramshackle inner city property as being in a "prime location", so he seized his opportunity.

"Quite often we hear about investors trying to increase capacity," he says, "but we flipped it on its head and decided to convert the HMO to a family home because, in this particular case, it would be more profitable for us."

If you have an interesting property case study (good or bad!), we'd love to feature your story. Email us with some information and photos, and we'll get right back to you: **hello@thepropertyhub.net**

BEFORE & AFTER

Dal first bid £105,000 against the asking price of £115,000. Despite accepting Dal's initial offer, the owner pulled out to take a better offer. When the competitive offer fell through, however, the owner returned to Dal six months later with cap in hand, asking for £100,000.

Eager to push on, Dal applied for a mortgage with Virgin Money, whose surveyor was less enthusiastic and deemed the house "uninhabitable". The mortgage was declined.

"It wasn't a complete shock," says Dal, "but it was the first time we wondered if it was worth it. But, at the end of the day, it was in a fantastic location, and properties on this road hardly ever came up for sale."

Armed with the courage of his convictions, he decided to use equity release on his £165,000 family home to extract £120,000 cash at 2.24% interest. The cash gave him leverage to negotiate a further reduction in house price to £98,000.

Eleven weeks of hard graft followed, using tradesmen for skilled work and relying on family – including his 13 and 17-year-old sons – to carry out straightforward tasks such as clearing garden rubbish and wallpaper stripping. The conversion into a three-bedroom home with two reception rooms and one bathroom necessitated a new kitchen partition, doorway and kitchen suite, a new bathroom, gas boiler and pipework, a total rewire and, of course, the replacement of dodgy ceilings of asbestos or decking.

Out of the ashes

Dal says the estate agent hardly recognised the finished product: "What was putting people off before was that those people didn't have the vision. The house is now beautiful – it's like comparing chalk and cheese, and the agent can't believe it's the same house."

With laminate floor being laid as we go to press, Dal's expecting to get tenants in any time soon – they've never had a property vacant for longer than two weeks – and will charge them £725pcm. This compares to the property's income of £800pcm as an HMO, but that was including bills.

Dal remortgaged onto a buy-to-let mortgage from Virgin Money for £73,500 (75% LTV based on the original purchase price), which should afford him a rental profit after costs of £490 a month.

Going forward, Dal has a few things to think about and is looking to take things a little steadier.

"Our last two years have seen aggressive growth. It would be nice to take stock and get re-energised. It could be we don't buy more, but deleverage with better LTVs, or that we carry on buying a mixture of refurbs and new builds," he says.

THE SUMS

Purchase price: £98,000 cash

Conveyancing: £960

Stamp duty: £2,940

Refurbishment: £16,000

Total spend: £117,900

Equity release: £120,000

Interest: 2.24%

With planned remortgage

Mortgage: £73,500

Interest: 2.29% tracker

Monthly payments: £140

Letting agent fees: £35

Insurance: £10

Maintenance pot: £50

Monthly profit: £490

Family involvement

Dal has one key family investor who's put in £50,000 across four properties on a 50/50 split so far, but several extended family members have shown interest in becoming silent investors.

"Not that we boast about it, but when we mention what we're doing, our family members are keen to get on board," he says. He adds that the April introduction of the Section 24 new tax accounting rules has prompted him to consider becoming a limited company.

So how does Dal feel about the business he got into accidentally? "I wholeheartedly recommend it. What do you do with that bit of money in the bank? It's not earning anything," he points out.

"My wife originally thought we'd be on the streets in two years," confesses Dal, "but it all fell into place."

Next steps

- Read mortgage expert David Cookson's article about equity release loans in Issue 6 of The Property Hub Magazine. You can access digital versions of all back issues via your account at **thepropertyhub.net**

Release me!

Investing in a leasehold property can be a tricky business, with plenty of issues to bear in mind. John Fitzsimons explains.

If you're looking to add a flat to your portfolio, chances are you'll be buying it on a leasehold basis. But before you invest in leasehold property, it's crucial that you understand the significant differences between the rights and responsibilities associated with leasehold and freehold property ownership.

If you buy a freehold property, you own the property outright – including the land it's built on. If you buy a leasehold property, on the other hand, you own just the property (not the land) for only the length of your lease agreement with the freeholder. Before the lease ends you need to extend it, or else ownership returns to the freeholder. Most flats are leasehold, whereas most houses are freehold.

The lease contract

When buying a leasehold flat, you'll receive a contract or leasehold agreement from the freeholder. As with any contract, it's important that you study it properly.

Adam Joseph, chief executive of the Happy Tenant Company, says these are the things you need to look for in the contract:

Who is the freeholder?

Is it a private individual or a company? Do they employ a professional managing agent? If they do you can request the last set of accounts for the property in order to understand where the money made from the service charge is being spent.

"Ideally, landlords would want a managing agent in place. Despite annual fees, it does make it easier when it comes to selling the property on, as new buyers like to see professionally managed blocks," says Joseph.

Ellie Rees, creative director at BrickWorks London, says that it's really important to have a freeholder who is available and communicative, to avoid any future issues surrounding ground rent increases or service charges. She adds: "If the freeholder is the local authority, then a leasehold property can be a really great investment, as you know there are proper systems in place."

You can find out who the freeholder of a property is via the Land Registry.

How long is the lease?

If you have a relatively short lease – say less than 80 years – it can be problematic, for financial reasons and in terms of eventually selling the property on. Mortgage lenders can be unwilling to lend if the length of the lease is deemed too short, and future buyers don't normally want the hassle of having to extend the lease shortly after purchasing.

How much is the ground rent?

Leaseholders (also known as "tenants" in this context) have to pay a ground rent to freeholders (also known as "landlords"), and these rents can be increased – either at set intervals outlined in your leasehold agreement, or in accordance with a formula, such as a percentage of rental value. Be sure to find out exactly how much it is, and when it's due to increase.

Politicians are clearly concerned about the ground rent practices of some freeholders, with the All Party Parliamentary Group on leasehold reform describing it as a "national scandal which dwarfs PPI". It's notable that Taylor Wimpey, which has developed homes with ground rents that double every decade, has promised to end the practice this year.

Are there any covenants in the lease?

Deciding how the building is run is ultimately up to the freeholder, so you need to check the lease for any covenants that may put additional restrictions on leaseholders.

Chris Norris, head of policy, public affairs and research at the National Landlords Association, gives this example: "You need to be certain that you have the consent of the freeholder to subsequently let the property to which you hold the lease. In the same way that some lenders prohibit certain types of tenancy, some freeholders have terms and conditions limiting what a leaseholder can do."

“There’s a risk that the freeholder can go rogue, meaning any repairs that need undertaking can end up taking a while or not getting done at all, which will eventually affect the overall value of your property.”

When freeholders go rogue

Selena Quick, founder of PAD London, points out that while leaseholders have strong legal rights, the service provided by freeholders is unregulated – which can cause problems for leaseholders.

She explains: “There’s nothing to stop the commissioning of work to companies they own, for example. What’s more, some management companies aren’t reputable, and there’s also a risk that the freeholder can go rogue, meaning any repairs that need undertaking can end up taking a while or not getting done at all, which will eventually affect the overall value of your property.”

Getting a mortgage on a leasehold property

Financing a leasehold property is usually straightforward, as long as the length of lease remaining meets lenders’ criteria.

Jonathan Harris, director of mortgage broker Anderson Harris, says that, on the whole, lenders are open to lending on leasehold properties – although the length of the lease can present a problem.

He explains: “This isn’t a problem in the early years of the lease – say with an initial 125-year lease reducing to 100 years – but it starts to become an issue as the remaining lease gets towards 70 years. Mortgage lenders typically look for a minimum period of unexpired lease at the end of the mortgage term. This varies from lender to lender, but some like to see 50 years remaining and others a minimum of 30 years.”

He adds that at this point, investors will need to extend the lease, which can come to many thousands of pounds. It’s worth noting that even if the lease is long enough to please the mortgage lender, once you’ve bought the property, you’ll probably need to extend the lease at some point in the future. It’s essential to do this before the length of time remaining falls below 80 years, or else the cost will be exorbitant.

Chris says that while the process for extending a lease is often relatively straightforward, as it follows a legally prescribed process, there are “numerous pitfalls for the unwary or inexperienced”. He therefore recommends consulting specialist solicitors or valuers at the outset, as well as LEASE, the Leasehold Advisory Service.

Resolving disputes

If you have a dispute with your freeholder in England, you can take your case to the snappily named First-Tier Tribunal (Property Chamber – Residential Property). The tribunal can adjudicate on a number of issues, such as management disputes, problems with service charge increases or recognising a tenants’ association.

Freeholders can also take the leaseholder to the tribunal, most commonly for non-payment of service charges.

The Property Chamber has more powers than the old Leasehold Valuation Tribunal that it replaced. For example, it has the power to impose sanctions if one party fails to follow its procedural directions – and it can also award costs.

If your property is somewhere else in the UK, you'll need to go to a different tribunal: Wales has the Residential Property Tribunal, Scotland has the Housing and Property Chamber, and Northern Ireland has the Rent Assessment Panel.

Buying the freehold

If you find that the life of a leasehold landlord becomes too much hassle, you can either buy the freehold outright or purchase a share of it, depending on the type of property you own.

If it's a flat, you can get together with the other leaseholders and approach the freeholder, informally at first. If that gets you nowhere, you can pursue a purchase through "collective enfranchisement", meaning that the landlord can't refuse as long as over 50% of qualifying tenants participate

If the property is a house, you don't need to join with anyone else: you can pursue a solo purchase (called enfranchisement) under the Leasehold Reform Act 1967.

Purchasing a freehold can be a lengthy and complicated process, so it's definitely worth getting professional advice. Bear in mind that while being a leaseholder has its drawbacks, the life of a freeholder isn't always plain sailing. The freeholder is ultimately accountable for the functioning and maintenance of the site and any structures on it, and can be held liable for allowing all or part of the property to fall into disrepair or become a public nuisance. The obligations of a leaseholder, on the other hand, begin and end with the lease.

The right of first refusal

As part of the Landlord and Tenant Act 1987, if a freeholder wants to sell the freehold, they must first offer it to the tenants before offering it on the open market. Leaseholders must be formally notified and given proper time in which to respond before the freehold can be sold to someone else. Failing to do so is a criminal offence.

One key exception is that right of first refusal only applies to flats – not to leasehold houses, putting some owners of individual leaseholds at risk of having the freehold to their property sold on without their prior knowledge.

What's next for leasehold?

The government is well aware of some of the issues with leasehold property ownership, and included a number of promises to improve the sector in its Housing White Paper, which was published in February.

For example, the white paper promises to improve transparency around leasehold, noting that some purchasers aren't aware of the long-term costs associated with leasehold purchases, while some freeholds and ground rents of leasehold properties are sold on and traded without giving prior notification to the leaseholder.

The white paper also includes promises to consider the equitability of ground rents with short review periods, along with a range of measures to tackle other issues of fairness and abuse among leaseholds.

Undoubtedly, there are additional considerations when investing in a leasehold property, but that shouldn't be enough to rule out adding these properties to your portfolio.

As Jo Eccles, managing director of Source Property, says: "Ultimately, the most important consideration is the property itself; in my opinion, it's much more important to focus on the merits of the property first, rather than the ownership structure. Make sure you're happy with the property, and your solicitor can give you comfort on the ownership structure."

NATIONWIDE CALLS TIME ON UNFAIR LEASEHOLD DEALS

Nationwide has recently introduced measures to combat unfair terms, aiming to take the lead on imposing "fairer and more transparent lending conditions" on new build leasehold properties. Under the new guidelines, it will restrict lending to properties that meet its new criteria. The minimum acceptable lease term on new build flats will be 125 years, and a whopping 250 years for houses.

In addition, the maximum acceptable starting ground rent will be limited to 0.1% of the property's value, with future "unreasonable multipliers" prohibited.

Robert Stevens, Nationwide's head of property risk, data and strategy, explained: "Nationwide is taking a proactive, leading position on this issue to address a significant risk facing our members and to challenge what we believe to be poor practice in the new build market."

Next steps

- Listen to our podcast on the subject of leasehold property: **propmag.uk/leasehold**

“There are some lenders that allow you to remortgage within six months of buying a property. This makes it possible to buy with cash, then refinance later to pull the cash out in order to buy another property with cash.”

In the complex world of mortgage finance, a few common misconceptions can make the funding process all the more bewildering. Mortgage broker David Cookson dispels some of the biggest mortgage myths.

MORTGAGE MYTHS

Despite the doom-and-gloom headlines routinely trying to sound the death knell for buy-to-let, plenty of people manage to see past the news cycle sensationalism and reap the benefits of including property in their investment strategy. Yet other investors shy away from buy-to-let, discouraged by the mythical challenges of mortgage finance.

Here, we set the record straight on the most persistent misconceptions, and offer a few tips for overcoming mortgage finance anxiety.

I can't remortgage my property for six months after I've bought it

In the past, shady investors would buy properties below market value (BMV) in underhanded deals with plans to remortgage shortly after. Mortgages are based on the value of a property as opposed to the price a buyer paid – so if a buyer purchases a property BMV with cash but remortgages within a few days at market value, they'd earn themselves a huge profit. As a result, many lenders amended their criteria to require six months of ownership before a property becomes eligible for refinancing. However, there are some lenders that allow you to remortgage within six months of buying a property, including Shawbrook Bank. This makes it possible to buy with cash (which is often seen as putting you at an advantage compared to other potential buyers), then refinance later to pull the cash out in order to buy another property with cash. Rinse and repeat.

If my property is subject to an early repayment penalty, I can't access any surplus equity without paying the early repayment charge (ERC)

Hefty ERCs can pack a mean wallop when it comes to releasing equity from your investment. If your mortgage has an ERC clause, don't let penalties eat into your equity. Instead, consider keeping the mortgage in place and taking on a second charge mortgage. Given the surge in prominence of the specialist lending sector as a result of Financial Conduct Authority regulation (which came into effect in 2014), many lenders now offer second charge mortgages for buy-to-let, meaning you can take on a second mortgage on a property you let out and use this cash to buy another property. Two of those lenders are called Precise and Together. You'll need to ensure you can make repayments on both the original buy-to-let mortgage and the second charge loan – but if you're confident of a decent rental income on the new rental property (which you took out the loan to purchase), this shouldn't be a problem.

All lenders have a stress test rate of 5.5% and rental coverage requirement of 145%

It's true that – as a result of tighter requirements imposed by the Prudential Regulation Authority – a number of lenders have increased their stress test rate to 5.5% – meaning landlords must prove they can afford the mortgage if interest rates rise to this level. Lenders may also require landlords to be able to achieve 145% of the monthly mortgage repayment via rental income.

However, stress test standards are set by individual lenders, and they're not the same across the board. Fleet Mortgages, for example, only requires investors to achieve 125% of mortgage payments from rental income. It's also worth remembering that these new rules don't apply to limited company mortgages.

I'm too old to get a mortgage

Age limits have always seemed somewhat unwarranted in the buy-to-let marketplace. By their very nature, buy-to-let mortgages are to be repaid via rental income – and so whether or not a landlord is past the age of retirement should be inconsequential.

As lenders have begun to recognise that regular employment income isn't the only way to finance a mortgage – not to mention that people are putting off retirement and remaining in the workforce longer – lenders have begun to relax borrower age restrictions. Some lenders will actually allow borrowers to be centenarians by the time their final mortgage payment becomes due!

Building societies are particularly relaxed when it comes to older borrowers, with the likes of Principality and Mansfield both having age limits of 85, and Dudley and Cambridge societies having no age limit at all. Specialist lender Together also imposes no age limit on buy-to-let.

As a first-time buyer, first-time landlord, I cannot buy a property to rent out

And there it is, the biggest myth of all – the one that's undoubtedly one of the most discouraging factors keeping would-be landlords from entering the market. "I can't invest in buy-to-let because I don't own my own house."

In fact, it is possible to get a buy-to-let mortgage as a first-time buyer. You should be prepared to face higher rates than "experienced" buyers are charged, and you'll need a minimum 25% deposit with most lenders, but it can be done. It's worth noting that, should you decide later to buy property for your own residence, the mortgage lender may want to see evidence of your buy-to-let rental income to ensure you're managing that debt well and not a risky bet for taking on a residential mortgage.

Of course, you can't get a buy-to-let mortgage on a property and then choose to live in it. To move into your own buy-to-let property, you need to notify the mortgage lender and change the mortgage.

Conclusion

We meet investors every day who think there are no options available to them. Once we've looked at their circumstances they're almost always amazed (and pleased!) to find there is actually a way forward.

If you're looking to increase your borrowing or remortgage a property and you're concerned you won't meet criteria, get in touch with an adviser today. Don't let misconceptions or misunderstandings stop you making progress.

CONTACT TC FINANCIAL SOLUTIONS

To discuss your property investment needs and find the right mortgage product for you, contact David Cookson and the team at **0161 959 0166**
tcfinancialsolutions.co.uk

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Investing from the ground up

If you're looking to expand your portfolio with new builds, financing those development projects might be more complicated than you think. Kevin Wright explains.

For many investors, a new build project provides an exciting addition to a property portfolio – and bridging finance can be a useful tool in some cases. But new builds aren't as straightforward as one might expect, even for experienced investors. Why? Primarily because of one key part of the process: sourcing land.

Land can be obtained in two ways: with and without planning permission. If you want to borrow for a new build on land with planning permission, you'll be looking for development finance – not bridging finance – for which you'll need to look to specialist lenders. While self-build mortgages do exist for a main residence, lenders can be sceptical. If they suspect you of borrowing for a self-build mortgage with the intention of developing and selling on, the lender can pull the funding at any point, regardless of what stage the project has reached.

Buying land without planning permission (in anticipation of getting planning approval and selling on for profit) is called "planning gain" – and it can be a successful strategy for some investors. If you're intending to buy a plot of land without planning permission, it's essential that you carry out due diligence

> "Land can be obtained in two ways: with and without planning permission. If you want to borrow for a new build on land with planning permission, you'll be looking for development finance – not bridging finance – for which you'll need to look to specialist lenders."

– although any bridger who'd consider lending on it will be double-checking it.

Bridging lenders aren't really interested in this sort of transaction – so if they do agree to lend, they'll require a much bigger deposit than if you were to invest in developed property. The deposit they'll ask for is usually around 40–50%.

Resourcing your funding

Barriers to entry are high in development finance, although it wasn't always this way: in the years leading up to the credit crunch, the major high street banks were into development finance in a big way. Indeed, prior to the downturn, development finance providers would have lent up to 85% loan-to-value. Those days are gone, however, and most high street banks are no longer in the market for this type of lending.

Specific development lenders (often referred to as "challenger banks" or "challenger lenders") have come in to fill the gap left by the banks, but there aren't many of them – which has created a market that benefits the lenders rather than the borrowers. Typically, challenger banks lend against gross development value (GDV – what the development is expected to be worth when work is completed) to a maximum of around 55% these days. There are always exceptions, and a certain lender may like a particular deal and be willing to lend a bit more, but the deal would have to be exceptional for them to venture beyond 70% GDV.

Do you tick the essential boxes?

Development financing is set up differently from bridging loans. Specialist lenders will fund 100% of the build or conversion costs, but they would usually prefer the borrower to fund the acquisition of the site themselves. To rank as a prime deal, the borrower must either already own the site or be able to purchase it unencumbered (no mortgage or loan).

If the lender approves of the borrower and the project, they may agree to lend 50% of the purchase price AND 100% of the development cost – as long as together they don't total more than around 55% GDV, although this does mean the deal ranks slightly less favourably with them.

When it comes to experience, lenders don't see development finance as an opportunity for "on the job" learning. Almost without exception, borrowers need to have well-documented proof that they've successfully completed at least one comparable project. Development lenders don't want to be cleaning up behind inexperienced investors who screw up.

And you won't get much traction with dissimilar projects. You might've done 20 refurbs, including some structural renovations, but that's not a new build. You must have specific experience with the type and scale of development you want to finance. If your only new build experience is with a single unit, you won't get funding for a 20-unit build – because it's beyond the scope of what you've proven you can handle. However, there are rarely absolutes in this, so a great project may buck the trend and it never hurts to apply for funding.

Recently we've seen a small number of lenders entering the market that will finance 100% of both the purchase and the build, but this comes at an additional cost. The very few lenders who are in this market require a split of the profits from the development, and these deals are only viable where a profit margin of 30–40% of the GDV exists.

The barriers to entry – cash and experience – put aspiring new build investors in a catch-22 situation: If you haven't got either, how do you get started?

The practical solution is to find someone who has the cash or experience you lack, and form a joint venture (JV) with them: this will make you collectively acceptable to a development finance lender. The obvious solution is to partner with a builder, but architects and building project managers are equally valid choices.

The most common way to set up such a collaboration is to create a limited company for the precise purpose of the project, which will be wound up when the profit from the project has been shared out. This is often referred to as a special purpose vehicle (SPV), and an SPV is nothing more complex than a limited company that's set up for the purpose of one project in isolation and ceases to exist once the project is completed.

Development finance lenders typically tend to take a dim view of contractual agreements – a contractor may quit, but a co-director with equity shares won't.

Conclusion

While development finance isn't for the faint-hearted, it can be a valuable addition to your investment portfolio – so long as you carry out due diligence and have a careful plan in place with the right experience and funding resources to make it work.

CONTACT POSITIVE PROPERTY FINANCE

Kevin Wright advises investors how to buy property intelligently using non-standard funding models, through Positive Property Finance he mentors clients through their deals.. He can be contacted on **01206 586586**, or at **inspireme@thinkpositively.co.uk**.

PROPERTY GEEK

Crisis? What crisis?

Housing costs are falling, renting is getting cheaper and the number of new homes is outweighing the number of new households, so what's all the fuss about? **Rob Dix** digs into the UK's purported housing crisis.

Like "long-term economic plan" and "hard-working families", the term "housing crisis" has become part of our everyday political language. It's used so frequently that the conventional wisdom is never questioned: there aren't enough houses, and as a result, housing costs are out of control.

But recently, I've been digging into some data that calls both of those assumptions into question: enough homes are being built, and the costs of renting and owning have been falling. Despite this, though, house prices seem to be increasing – so I set out to find out why...

No shortage of supply

Ian Mulheirn, Director of Consulting at Oxford Economics, and former economist at the Treasury, wrote recently that when people talk about a housing shortage, it's often due to mixing up "new builds" and "new dwellings". For example, if somebody converts a big old house into six flats, a net five new dwellings have been created – but they won't show up in the new build statistics.

So there are more homes than it first appears. What's more, there are also fewer households to occupy them. As Mulheirn notes, talk of "crisis" is based on projected household growth numbers, which are historically flawed: there are actually 1.2 million fewer households now than were projected in 2008.

Take these two observations together, and you see that since 2008 we've been averaging 176,000 new homes per year – which is 24,000 more than the average number of new households.

It's probably fair to assume that the number of new households has been held back in some areas by high house prices: six people in an HMO counts as one household, even if they'd rather be living separately as six different households. Nevertheless, there seems to be no major supply problem in large parts of the country now, and – if our current projections are similarly misleading – there won't be in the future either.

Falling housing costs

In addition to all that, the cost of housing – whether owning or renting – has actually fallen over recent years.

For private renters, the ONS Index of Private Housing Rental Prices shows that costs fell between 2005 and the end of 2014 (and have started rising slightly since then, but are still below their peak). For owner-occupiers, the cost of housing has fallen because mortgage payments – their single biggest cost – have fallen drastically over the last ten years, due to low interest rates.

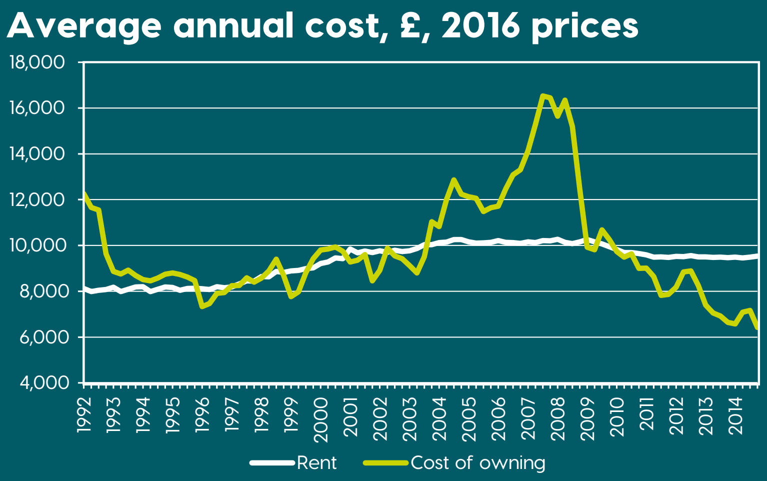
But one thing has undoubtedly increased: average UK house prices. Why has that happened, when – contrary to what you normally hear – it seems that demand for housing hasn't increased that much faster than supply?

Why so expensive?

There seem to be a couple of answers.

One major factor is something we've already touched on: interest rates. Because mortgage payments became so much lower as interest rates fell to their record lows, it became much cheaper to pay a mortgage than to rent an equivalent house. It would therefore make sense for the price of houses to be bidded up until the cost of owning and renting were roughly equal again, as they historically tend to be.

GRAPH 1:



Source: Oxford Economics, Bank of England, HMRC, ONS, Land Registry, Reeds Rains/Your Move

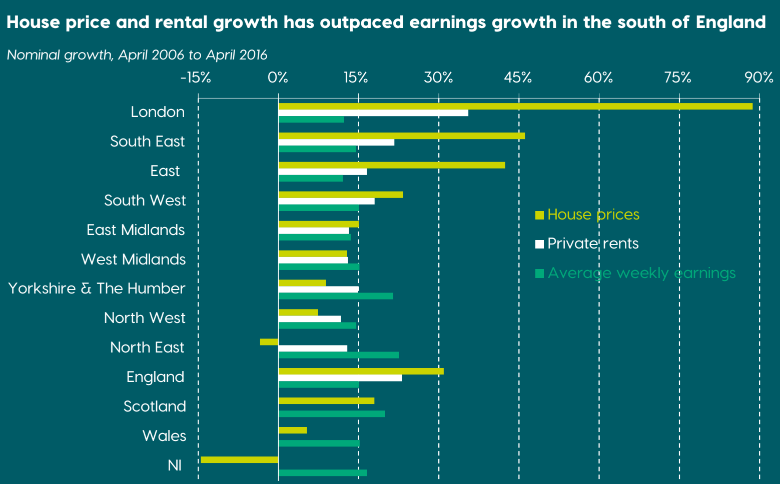
Falling rates also made property a better buy for investors, because their cost of financing the asset fell – making the returns more attractive compared to other assets. Again, this has the effect of bidding up the cost of housing.

Not so expensive after all?

So low interest rates have put upward pressure on house prices – but we should also consider that prices haven't actually grown that much in many regions.

As this graph from the Resolution Foundation shows, in every part of the UK outside the south of England, average incomes have risen faster than house prices over the last decade – meaning that houses have actually become more affordable. (You can also see that incomes have risen more quickly than private rents in all the same areas, meaning that renting has become more affordable too.)

GRAPH 2:



Source: RF analysis of ONS, ASHE, *House Price Index* and *Index of private housing rental prices*

What does this all mean?

From a policy point of view, none of this means that house prices aren't an important social issue: they are, because across the south, the increasing cost of deposits is locking certain groups out of home ownership – even if the monthly payments are affordable. It just tells us that efforts to reduce house prices by building more homes are unlikely to succeed – which is just as well, because government efforts to do so seem pretty puny.

What about for investors? Well, it seems obvious that prices in London and the south can't keep running ahead of incomes and will eventually hit a ceiling. In fact, they may already have done so: one report (by YourMove) found that rents in London are an average of £100 lower than a year ago, and another (from Hometrack) showed that house prices are falling for the most expensive 30% of stock.

Away from the south, Graph 2 suggests that there's no real affordability issue. So as long as interest rates stay relatively low, there's room for price growth – especially since ownership currently represents good value compared to renting. In addition to domestic demand, overseas investment will soon start pouring into regional cities in earnest: between 2014 and 2016, there were ten London boroughs where overseas buyers made up more than 15% of the purchases, and that investment will move as it becomes clearer that London is no longer the best bet.

The other striking observation from the data is how stable rents have remained through an entire cycle, while house prices have soared and plunged. So if you can buy at a price that gives you an ROI and an income stream you're happy with, you can rest easy about what happens to capital values.

This is all just one interpretation of the data. And data, of course, can be selected to prove whatever point you want to make. Whether you agree or disagree, it's important to get behind the headlines, split the personal from the political, and draw your own conclusions.

Rob's latest book, How To Be A Landlord, is available on Amazon now: propertygeek.net/book.

How to conduct a property viewing

Finding the right tenants for your property is about more than just filling a rental void, as Christina Hoghton explains.

When your existing tenants give notice or you buy a new property, you naturally want to get new paying tenants in as quickly as possible. But don't be too hasty: time spent getting your property ready for viewings and assessing potential tenants' suitability could make all the difference between tenancy heaven and tenancy hell.

Timing is everything

Jerry Fynn, owner of south Manchester letting and property management business, Cheshire Land, observes: "It's remarkable how many landlords get notice from their current tenants and immediately start advertising for new ones.

"When a property is first advertised, any potential tenants worth their salt will have set up an alert on the various portals and want to see the property within a day or so. If you can only show them a house full of other people's stuff, with dirty dishes in the kitchen and half the light bulbs not working, you'll lose the first flurry of keen and top-quality potential tenants."

If you currently have tenants living in the property, remember that you're required to give them advance notice of any viewings, which will also give them a chance to tidy up.

Scout the location

Whether your property viewers are locals or from out of town, you need to know the local area and be prepared to answer questions. Familiarise yourself with the neighbourhood and be prepared to provide straightforward directions to the property, including suitable parking for visitors.

Jeremy Leaf, north London estate agent and a former RICS residential chairman, points out: "Prospective tenants want to know what the area is like – such as distance to local shops and public transport – so it's helpful if the landlord is knowledgeable."

Get to know your viewers

It's important to gauge how much viewers actually want to know, says Jerry: "Don't bore them pointing out the great schools and craft bakeries if they already know about them."

Be sure to do your homework on the area and offer plenty of information to the potential tenants, but

“If you can only show them a house full of other people’s stuff, with dirty dishes in the kitchen and half the light bulbs not working, you’ll lose the first flurry of keen and top-quality potential tenants.”

try to follow their lead, and be friendly but not overbearing.

And remember that you’re not just trying to attract tenants: you’re also appraising them, says Jeremy: “‘Find out about the applicant’s employment status and whether they can afford the rent. If they’re currently renting, seek a reference from their landlord. It’s all about getting a bit of background to find out whether they’re suitable.”

Jerry agrees: “Try to find out why they’re moving, details about their lifestyle and whether it’s likely to fit in with the neighbourhood. Students or young sharers may be unsuitable in a quiet residential cul-de-sac, for example.”

You should “never, ever take what potential tenants tell you as gospel”, adds Jerry. Always carry out a credit check and – most importantly – get three months of their personal bank statements. Look out for large amounts spent on loan consolidation or to payday lenders, or a salary payment that’s far below their declared earnings – all of which should ring alarm bells.”

Put it in writing

Chris points out that it’s useful to get documentation sorted before any viewings, especially if you want a tenant to sign on the day. “Order an Energy Performance Certificate (EPC) and the government’s ‘How to Rent Guide’ for potential tenants, as this is a legal requirement,” he says.

“Also provide a proper tenancy agreement, usually an Assured Shorthold Tenancy (AST) agreement, and make sure you have a copy of the gas safety certificate, to demonstrate that the property is safe and in line with necessary regulations,” adds Chris. Be clear about what is and isn’t included.

Preparing a list of questions and answers about the property that tenants can read and digest it in their own time is another good idea.

Set the stage

Be prepared for viewings before the first prospective tenant sets foot across the threshold. Having visitors struggle to reach the front door gets things off to an awkward start, so check ahead of time that the entrance is accessible and the entryway clear. Address all repairs and areas of concern, and make sure the property is scrupulously clean. Spruce it up a bit and give it a lick of paint if necessary.

Take the time to stage the property before visitors arrive. Jerry points out that it’s not just about furnishings: “Dressing bathrooms with towel bales and adding coloured hand soap can improve the homeliness of a property. A strategically positioned piece of artwork can draw the eye away from slightly tired paintwork," he explains. If the property's current occupants have pets, see that Fido or Fifi and their belongings are kept out of sight for viewings.

A few homely touches can make vacant properties feel more cosy and welcoming, says Jeremy: "Brand new properties can be quite sterile, so add some personality, colour and texture".

Light it up – and roll out the welcome mat

Whenever possible, book showings during the day to make the most of natural sunlight. Arrive a bit early to air out stuffy rooms before visitors arrive and warm things up when it's chilly. And for maximum effect, engage all the senses – the aroma of fresh-brewed coffee or a colourful and fragrant bouquet can do wonders to brighten up empty rooms and make visitors feel at home.

Set aside enough time for visitors to explore the property at their own pace, and give some thought to the order in which you'll show the property. Pay particular attention to features you want to highlight, especially the first and last rooms visitors will see. Not only do first impressions count, but ending in a well-lit space with comfortable seating may also encourage friendly discussion and help close the deal.

LETTING AGENT OR GO IT ALONE?

Letting agent fees come off your bottom line, but they can also protect you from costly mistakes when it comes to choosing and vetting tenants.

David Cox, chief executive of ARLA Propertymark, recommends getting expert assistance from letting agents for viewings: "While landlords know their own properties back to front, letting agents manage hundreds of properties, know the local market inside-out, and understand what tenants in the area want from their rental homes."

Jerry agrees that the stakes involved in managing lettings are high: "The legislative burden on today's landlords is enormous, as are the penalties for getting it wrong." But – although he also sees the value of having letting agents help with paperwork – he's not convinced of the need for their assistance with viewings. Visiting local show homes staged by professionals should be enough to figure out how to present your property in its best light, says Jerry.

> "A few homely touches can make vacant properties feel more cosy and welcoming."

Next steps

- Find out more about staging your property for viewings in our feature "How to stage a house" from Issue 1. You can access all back issues from your dashboard at **thepropertyhub.net**
- Find more advice about viewings and all aspects of lettings in Rob D's new book, How To Be A Landlord: **propertygeek.net/book**

Leg up or let-down

Is there a place for social housing in your portfolio?

Leery of the risks, landlords often steer clear of tenants receiving housing assistance. But investors who do their homework may find unexpected rewards in opening their doors to benefit tenants, says John Fitzsimons.

Despite a widening gap between supply and demand for affordable housing, few property investors are keen to take on the stigma and perceived risk of working with housing benefit recipients. But for those who can separate fact from fiction and manage their investments accordingly, finding a niche in such underserved markets offers surprising advantages.

FICTION: There's no profit in low-rent lets.

FACT: Fulfilling unmet demand for affordable housing makes good business sense.

Charles Ryland, director of Essex letting agency WitLet, points out one distinct advantage in letting to housing benefit recipients: "As things stand now, if you put a property on the market and accept social tenants, you'd let it within hours."

But Charles concedes that the difference between housing benefit payments and market rents can be an issue for investors considering a move into social housing: "Housing benefit payments can be significantly lower than the current market rent. As soon as investors hear they may end up earning £1,200 less a year, they lose interest."

On the other hand, housing benefits vary significantly by area. Mark Morris, a landlord based in Salford, Manchester, points out that the right combination of high housing payments and relatively cheap property prices can add up to good returns on social housing investments. "Depending on the tenant type, the rent from letting to local authority tenants can work out higher than what you get from the private market," says Mark.

Other investors' reluctance to deal with benefit tenants can actually work in favour of those willing to give it a try. As Adam Hosker, a social landlord from Yorkshire, explains: "The council lists for housing are often large, and with most landlords saying they don't want local authority tenants, there isn't as much competition. If you accept benefit tenants, you typically have no issue with void periods."

Mark adds that whether rent is paid directly by the local authority to the landlord or via the tenant also matters: "The government line is that they want social tenants to be more responsible, so they pay them, and then the tenant can pass the money on to the landlord. But from my experience, that doesn't really work. I've always insisted on being paid directly, as it means rent arrears are virtually nil."

It's worth noting that whether or not housing benefit can be paid directly to a landlord is a decision made at the local authority's discretion.

FICTION: Lenders won't finance local authority lets.

FACT: Mortgage financing is available – under certain conditions.

While it's true that some lenders are unwilling to lend to landlords who rent to local authority tenants, the ongoing housing crisis has begun to encourage greater flexibility in mortgage finance. For example, Accord recently changed its letting requirements to allow landlords to offer tenancies to people on state benefits.

An Accord spokesperson says the change "will improve rental opportunities for a wider range of people searching for a home, and also increase the choice of potential tenants for landlords".

FICTION: Housing benefit recipients make bad tenants.

FACT: Indigent, affluent or anywhere in between – the best tenants are the ones who've been properly vetted.

Chris Norris, head of policy at the National Landlords Association (NLA), acknowledges the challenges of working with local authority tenants: "Seven in ten landlords who let to housing benefit recipients have experienced rent arrears in the last year, compared to just 36% of those who don't."

When it's done well, though, letting to local authority tenants can provide both sides with a measure of stability. Finding the right tenants is key to making it work.

Success often depends on asking the right questions, says Mark: "I'm always very keen for a reference from the previous landlord" – and learning more about tenants' situations and the reasons they're on benefits can help identify the best candidates for long-term tenancy. "Most benefit tenants appreciate that they have a property, that they have a roof over their heads," he observes. "So once they're in, as long as you look after them and treat them well, there's no reason they shouldn't stay in the property for a while. I've got tenants who've been in residence for seven years."

Chris agrees: "Tenants in receipt of benefits tend to stay for longer compared to other types of tenants, which provides more stability for landlords."

As for the stereotype that housing benefit tenants are more likely to mistreat the property, says Charles: "We have local authority tenants who are fantastic. Honestly: they're some of the best tenants we've got."

FICTION: Benefit tenants are impossible to evict.

FACT: Working closely with local authorities can help prevent lengthy battles with troublesome tenants.

In theory, the process of evicting a social tenant is no different from that of removing a private tenant, in that you still need to issue a Section 21 notice. In practice, though, it hasn't always worked that way.

Charles explains: "If a private tenant receives a notice, they generally won't dig their heels in and try to drag it out. However, we've seen cases where councils were advising social tenants to do just that. It was costing landlords a lot to get bailiffs involved and go to court before the council would step in and actually do something." Last year, though, all chief executives of local authorities were advised by then-housing minister Brandon Lewis that this could not continue.

As with any buy-to-let, there's no overstating the importance of properly vetting prospective tenants. Building strong relationships with councils in advance can also help ensure the cooperation and support of local authorities to resolve problems.

CASE STUDY

When Mark Morris advertised a recently refurbished house in Salford for a family who would qualify for the four-bedroom rate of local housing allowance (LHA), he was approached by "a lovely family who'd been renting with a private landlord for the last five years". The family's former landlord had decided to sell and advised them that their tenancy wouldn't be renewed.

Understanding the nuances of LHA rules served Mark and his tenants well: "The entitlement is based on the composition of the family," explains Mark. "LHA rules allowed this particular family – consisting of a mother, her son and daughter, and the daughter's child – to be split into more than one household, with the mother and son representing one household, and the daughter and her child comprising a separate household. As a result, each family unit is entitled to the two-bedroom rate, which works out to be more than the four-bedroom rate."

Mark chose to waive his requirement of one month's rent upfront and took a guarantor, seeing the arrangement as a win-win situation: "It's my best net cash flow from a single let to date."

Figures:

Purchase price: £83,000

Deposit: £20,750

Solicitor's fees + stamp duty: £3,415

Monthly rent: £1,040

Monthly mortgage: £111

Monthly insurance: £13

Monthly management charge: £83

Net monthly cash flow: £833

Yearly cash flow: £9,996

ROI: 41%

Next steps

- Mark is the leader of The Property Hub's meetup in Manchester. Book your free place at thepropertyhub.net/meetups.
- Listen to our podcast episode about letting to LHA **tenants: propmag.uk/lhapod**

BEHIND THE SCENES WITH ROB & ROB

Every issue, Rob D and Rob B give an insight into what they get up to as investors, publishers and multiple property business owners.

ROB & ROB & THE BEANSTALK

If we gave in to the temptation to start a new business every time we spotted another gaping hole in the market, we'd be too busy starting new projects to run the ones we've already got going. We normally do a pretty good job of restraining ourselves... but last year, we identified a need too great not to meet.

We've been working on it in secrecy all year, and we're nearly ready to reveal all – in fact, we're just about to invite some of our best clients to take the service for a test drive.

For now, though, all we're going to say is that it's called "Beanstalk" – and there might be a clue somewhere in the name. If you want to be the first to know all the details, make sure you're listening to the podcast...

(POD)CASTING A WIDER NET

Last month, we passed an incredible milestone for The Property Podcast: over 500 listener reviews on iTunes. That makes it by far the most-reviewed business podcast in the UK, and it's now been downloaded multiple millions of times – with more tuning in all the time.

These numbers are great for our egos, but what really matters is that we're bringing people information they can't find anywhere else, helping them to make better investing decisions. To enable us do an even better job of exactly that, we've been investing in some big improvements that you'll notice over the coming months.

If you've never listened before, it's easy to get started: just go to thepropertyhub.net/podcast and hit "subscribe" – or watch our short video showing you how.

LOTS TO DISCOVER

In June, we hosted our second Discovery Day – a chance to find out more about our businesses beyond The Property Hub. Two hundred people joined us across two sessions to meet team members from RMP Property and Yellow Lettings, watch our Q & A panel with industry experts, and take advantage of free tea and biscuits.

It's always inspiring to meet people who are working hard at using property to improve their lives, and who are willing to give up part of their weekend to learn more. We're likely to hold another one later this year, so keep an eye on your emails if you'd like to come along.

Discovery Day.

PAR FOR THE COURSE

In the last issue, we mentioned the day we'd spent recording new courses – which have since started to appear on The Property Hub. The first one, called "How to invest in property when you have no time", gives a whole load of actionable tips for addressing an issue that's a major pain point for more than a few investors.

More will be coming very soon – and as you might have come to expect, they're totally free. Just go to thepropertyhub.net/courses to see what's on offer.

Our top five

ways to improve your property for under £500

LOOKING TO IMPROVE YOUR PROPERTY AND BOOST ITS RENTAL POTENTIAL? IT MIGHT NOT COST AS MUCH AS YOU THINK. WE TAKE A LOOK AT FIVE SIMPLE – AND CHEAP – TRICKS FOR SPRUCING UP YOUR PROPERTY.

1 SHELVE IT

We know what you're thinking: no one's ever put "shelves" at the top of their priority list when looking for a home to rent. But you'd be surprised how much impact they can have. As well as giving your tenants extra storage space, installing some shelves allows them to make the property more homely by displaying their things. And if they feel at home, they're more likely to stay.

2 NEW FLOOR, EARN MORE

If you're already a landlord, you may have come to realise that carpets aren't the best option for rental properties. They get dirty quickly (and it's hard to impose a "no shoes in the house" rule when you're letting it out!) and even with a steam clean can look pretty drab. Where possible, put down lino instead: it's cheap (starting from as little as £5.99 / sq m), and it's easy to fit.

3 FIRST IMPRESSIONS

According to research by Zoopla, a person usually makes up their mind about a property within the first 26 minutes. If the first thing they see is an old and worn-out front door and an overgrown front garden, you can probably shave about 25 minutes off that. Make sure the garden is neat and tidy, and – if necessary – invest in a new front door (uPVC front doors generally cost between £250 and £400).

4 THINK PRACTICAL

While en-suite bathrooms and gourmet kitchens may be dream property features, most renters are more interested in practicalities. Most properties will come with a washing machine, but a dryer (from £200) or a dishwasher (from around £170) could give your house that little something extra to attract tenants. Brighten up a small or gloomy kitchen with a little under-cupboard lighting for less than £20.

5 MINOR JOBS, MAJOR RESULTS

Spend some money – and time – on any minor jobs that you may think are inconsequential but can actually have a big impact. If the towel rail is loose, secure it; get rid of any mould in the bathroom; regrout the tiles; and cough up for a few tins of paint to give the property a fresh new look (Dulux Standard Coloured Emulsion costs £14 for 2.5L).

TOP TIPS

HOW TO BUILD YOUR PROPERTY DREAM TEAM

Few of us have the skills and knowledge to single-handedly buy, develop and market properties. Neil Cumins explains how to assemble a dream team of experts and advisers.

We've all watched home improvement TV shows where presenters breeze around a semi-derelict wreck, before returning later in the programme to wax lyrical about its transformation into a celebration of beige. Between before-and-after photo comparisons, developers congratulate themselves on their handiwork, while local valuers offer speculations of monthly rental value. Cut to presenters, flash smiles, roll credits.

Less prominent in these photogenic transformations are the numerous stages between the before and after – those desperate hours waiting for weather to clear and materials to cure, unexpected trips to A&E, and late-night decorating marathons. From number-crunchers who help keep expenses in line and widen profit margins to tradespeople with the tools and sweat equity to turn schematics into habitable structures, the unsung heroes of property development are the intricate networks of

specialists working behind the scenes to turn decrepit into des res.

Team captains

Building a network of trusted experts is one of the most daunting challenges of property investment. Even if you fancy being hands-on and choose to take care of some property improvements yourself, you won't excel at everything – and tenants and buyers will quickly spot the hallmarks of amateurish work.

So unless you're a multitalented, insomniac workaholic with a couple of advanced degrees and a fistful of technical certifications, you're going to need some help...

1. **The financial expert.** Accountants and tax advisers can assist with everything from minimising tax liabilities to advising on the viability of potential investments. They can also recommend good mortgage brokers and IFAs.

2. **The lawyer.** There's no substitute for competent legal counsel when it comes to dealing with planning issues or resolving contract disputes. Just threatening to consult your lawyer may be enough to prevent expensive mistakes and de-escalate conflicts before they get out of hand.

3. **The estate agent.** If you're going to be selling or renting more than one property, a lasting relationship with a reputable local agent can prove invaluable. They'll learn how you like things done (such as tenant vetting and viewing techniques), and they can also provide off-the-record advice on local selling prices or forthcoming registrations.

4. **The property manager.** While it's hard to feel excited about sacrificing a portion of your rental income for property management, having someone handle administrative tasks on your behalf will save you from needing to find tenants, keep up-to-date with legislative changes or organise maintenance and repairs.

5. **The plumber.** Plumbing issues often crop up suddenly and require urgent attention, so having the mobile number of a dependable plumber is invaluable. Don't recruit a rookie – this is one industry where experience pays dividends, particularly when it comes to tracing mysterious leaks or fixing heating issues.

"Electricity has little sympathy for amateur DIYers. Master electricians can be instrumental in modernising wiring, improving lighting and making sure plug sockets are plentiful."

6. **The decorator.** A keen-eyed decorator can update aging interiors and gloss windowsills without dripping paint on the carpet, helping to cast your properties in their best light. If they're also up to installing tiles and flooring, so much the better.

7. **The electrician.** Electricity has little sympathy for amateur DIYers. Master electricians can be instrumental in modernising wiring, improving lighting and making sure plug sockets are plentiful.

8. **The heavy lifter.** Knowing someone with a cargo van and a couple of helping hands to help reposition heavy furnishings or take a load of garden waste to the tip can save your back – and the expense of buying your own transporter.

A keen-eyed decorator can update aging interiors and gloss windowsills without dripping paint on the carpet.

Scouting and vetting

To get to know the pool of talent in your local area, start by attending Property Hub meetups or asking social media contacts for advice. While others may not share your definition of "affordable", "dependable" or "professional", recommendations remain the most reliable way to find specialists you can rely on.

If you're recruiting from adverts or websites, look for membership of industry bodies and/or a lengthy career. Try to avoid firms that don't list a postal address or landline number: they might be fly-by-night rogue traders who request cash up front and then vanish. Don't take glowing social media comments or self-hosted web reviews at face value, as they're relatively easy to fake.

Independent review portals like checkatrade.com or ratedpeople.com are much more credible. Photographic evidence of previous jobs can speak volumes about someone's professionalism, but remember that those, too, can be faked. Ask if you can talk to satisfied customers, and study their facial expressions for signs of panic.

By the numbers

Nobody goes into property investment with a bottomless bank account, but building a team entirely based on cost won't ensure the best ROI. Try to get quotes from at least three sources for a clear indication of cost, and remember that estimates are only advisory. Also bear in mind that someone who's just lost a major contract might price themselves cheaply to attract new work, or chancers may offer premium quotes without delivering services to match.

Itemised formal quotes are far more reliable than prices scribbled on the back of a business card. Detailed estimates provide the most accurate basis for comparison and make it easier to spot potential cost overruns before things get out of hand. If one electrician gives indicative prices for rewiring a two-bedroom flat while another estimates the expense of modernising a three-bed terrace, you can use their detailed quotes to extrapolate the relative costs for comparable projects.

Toeing the line

Check whether the person you're talking to will actually do the work personally: using subcontractors can add layers of complexity that slow progress. Subcontractors' lack of accountability can also make things more difficult, especially if workers are inconsistent or unreliable.

Building a team with good rapport takes time, particularly in the pressure-cooker atmosphere of property refurbishment. One of the best ways to find out how well your team can work together is to see how prospective members perform on a relatively small sample project.

Do they arrive on time with everything required to complete the job in one go? Are they careful to avoid scraping the walls with their gear or tracking mud into a half-finished refurb? Are estate agents trying to disguise inexperience with glossy brochures and slick sales patter?

Staying at the top of your game

Once you've assembled your team, the work's just beginning. You'll still need to keep an eye on things and watch for signs of complacency or corner-cutting. Rookie mistakes and missed appointments could indicate growing indifference, or a focus on other clients.

Even the best players may have no particular loyalty to you, so be prepared to update your dream team as you go along. Periodic spot-checks and reviews can identify professionals who aren't delivering the goods any more, at which point the whole process starts again...

In a town near you *(every month)*

Property Hub Meetups are the UK's biggest FREE network of property events, with 40 held each month. They're open to everyone – from the greenest newbies to the grizzliest tycoons!

These aren't traditional networking events. There are no sales pitches or "upsells" – just a relaxed and informal get-together of likeminded people, with a more friendly and supportive atmosphere than you'll find at any other event. Meetups are held on the **first Thursday of every month**, and they're completely free to attend. All we ask is that you register in advance.

Visit thepropertyhub.net/meetups for full details and registration information.

We currently hold meetups in the following locations:

ABERDEEN
The Village Hotel, Kingswells, AB15 8PJ.
Meetup leaders: Scott Wilson and Dale Williamson

GLASGOW
Dram!, G3 6ND.
Meetup leaders: Tony Ng, Nelson Wan, Luis Guarin

EDINBURGH
The Grosvenor Casino, EH12 8NE.
Meetup leaders: Bill McWilliam and Caryn Simpson

NEWCASTLE UPON TYNE
The Town Wall, NE1 5HX.
Meetup leader: Al Robinson

CHORLEY
The Lock and Quay, PR6 9AE.
Meetup leader: André Simm

LIVERPOOL
The Pumphouse, L3 4AF.
Meetup leader: Silvio Orlando

MANCHESTER
The Kaz Bar at Tiger Tiger, M4 2BS.
Meetup leader: Mark Morris

LEEDS
The Crowd of Favours, LS2 7EA.
Meetup leader: Andy Norman

SHEFFIELD
Ink & Water, S1 4JB.
Meetup leaders: Rhys Jackson and Alice Lacey

DONCASTER
Regent Hotel, DN1 2DS.
Meetup leader: Helen Elworthy

DERBY
The Tap, DE1 2ED.
Meetup leader: Ryan Slater

NOTTINGHAM
The Lion at Basford, NG7 7FQ.
Meetup leader: Jonathan Challis

LEICESTER
Heathley Park – Fayre & Square, LE3 9QE.
Meetup leader: Mark Barnes

STOKE-ON-TRENT
The Exchange, ST1 1HJ.
Meetup leaders: Nick Leatherland and John Colclough

BIRMINGHAM
Cherry Red's Cafe Bar, B1 1PU.
Meetup leader: Kevin Cooper

LEAMINGTON SPA
The Fat Pug, CV32 5BZ.
Meetup leader: Carol Duckfield

MILTON KEYNES
Ye Olde Swan, MK6 3BS.
Meetup leader: Jason Smith

CHELTENHAM
The Swan, GL50 1DX.
Meetup leader: Joanna Surowiec

CARDIFF
Holiday Inn Cardiff North, CF15 7LH.
Meetup leaders: Luise L and Carl Mathews

BRISTOL
Channings Hotel and Bar, BS8 3BB.
Meetup leader: Jon Hulatt

SWINDON
Blunsdon Hotel, SN26 7AS.
Meetup leaders: Yann Guillery and Shirley Hensher

READING
Grosvenor Casino, RG2 0SN.
Meetup leader: Adam Vickers

ST ALBANS
The Beech House, AL1 3EG.
Meetup leader: Chris Ryder

COLCHESTER
The Church Street Tavern, CO1 1NF.
Meetup leaders: Diana Bond-Smith, Andy Johnston, Donna Walker

SOUTH ESSEX
The Paul Pry, Rayleigh, SS6 7AA.
Meetup leaders: Joanne Dron and Larry Solomons

LONDON KING'S CROSS
The Somers Town Coffee House,
NW1 1HS.
Meetup leader: Gavin Lloyd

LONDON WATERLOO
All Bar One, SE1 7PY.
Meetup leader: Matt Newman

LONDON STRATFORD
Coming soon

RICHMOND UPON THAMES
The Cricketers, TW9 1LX.
Meetup leader: Roxane Brazeau

EPSOM
The Albion, KT19 8BT.
Meetup leaders: Justin Richards and Andy Garnett

FARNHAM
The Wheatsheaf, GU9 7DR.
Meetup leaders: Andre and Elise Brink

MAIDSTONE
The Muggleton Inn, ME14 1HJ.
Meetup leaders:
Zoltan Kohary and Kristina Koharyova

BRIGHTON & HOVE
The Poet's Corner, BN3 5BF.
Meetup leader: Phil Leppard

SOUTHAMPTON
The Social, SO15 2EH.
Meetup leader: Sarah Smith

BOURNEMOUTH
Ludo Lounge, BH6 3RS.
Meetup leader: Nic Scudamore

EXETER
The Ley Arms, Kenn, EX6 7UN.
Meetup leader: Tony van Bergen

JERSEY
Coming soon

STOCKHOLM
Melt Bar, Malmskillnadsgaten 45, 111 38.
Meetup leader: Tim Franzén

DUBAI
The Scene, Dubai Marina Mall.
Meetup leader: Chris Battle

HONG KONG
Classified, Exchange Square.
Meetup leader: Emma Bryan

NO GROUP CURRENTLY IN YOUR AREA?

We're always on the lookout for people to establish meetups in different parts of the UK.

Stepping up and leading your local meetup is a fantastic opportunity to build your reputation in your area. As the leader, you'll get to know absolutely everyone who attends your local event – and you'll have a great excuse to reach out to other investors and property professionals locally to invite them along. We'd love to hear from you if you're interested: just email **hello@thepropertyhub.net.**