The PROPERTY Hub Magazine

Making sense of property investment

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BIDDING BUSINESS
Making the most of property auctions

CASE STUDY
One investor's unconventional property journey

LOCATION
Sheffield: What does the steel city have to offer?

LETTINGS
How to kit out a rental property

FAR AND AWAY

Is remote investing a good idea?

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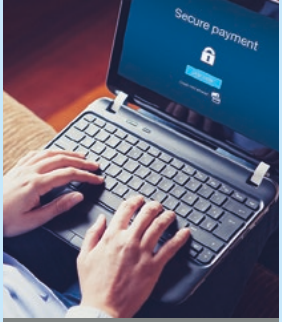

Regulars

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

Hello!

Ever since The Property Hub magazine launched back in 2015, it's been our goal to make sure every issue is jam-packed with useful advice and insight. We'd like to think we've achieved our aims (and hopefully you agree!), but we think we've surpassed ourselves in this issue. Whatever stage of property investment you're at, and whatever type of landlord you want to be, this issue features something for you.

Our cover story this month (p19) looks at the highs and lows of remote investing, outlining the steps you need to take if you're planning on purchasing a property in an unfamiliar location.

If you've got your sights set on the north, our location focus should give you lots to think about as we delve into the delights of Sheffield (p10).

New landlords who are unsure how to kit out their rental properties will find everything they need to know in our feature on page 39.

Hands-off investors who want security and a steady income (without any of the hassle involved in letting a property) should find our feature on guaranteed rent schemes an interesting read on page 42.

Meanwhile, if you're keen to get involved in the exciting (and challenging!) world of land buying, Rob B shares his tips about the people you need on your side on page 45.

And if all that isn't enough, we also introduce you to our Podcast Property Stars (p15). These investors are all at different stages of their property journey, ready to share their stories – and their updates – right here and on The Property Podcast.

Told you it was a good 'un!

Enjoy!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry.

News

CANADA SQUARED

A £4 billion regeneration scheme was unveiled a few weeks ago for the huge Canada Water site in East London, encompassing the Surrey Quays shopping centre and Canada Water Underground station. Hailed by developer British Land as the largest single-owned development anywhere in London, a five-stage masterplan has been lodged with planners to bring swathes of brownfield land back into use and regenerate this rather tired neighbourhood.

While £4 billion doesn't buy you a huge amount in a prime location within one of the world's most expensive cities, British Land has unveiled a comprehensive plan for this Docklands site. A series of Grade II-listed buildings will be retained near the 1980s Surrey Quays shopping centre, which will be demolished and replaced with a new high street between Canada Water and Surrey Quays stations.

The centrepiece of the Canada Water masterplan will be a 13.7-acre site that was formerly home to the Daily Mail's printworks. This will become a new urban centre, incorporating everything from offices and retail units to leisure and public spaces. An estimated 3,000 homes will be constructed, with a landmark 40-storey tower acting as a centrepiece. British Land's masterplan is expected to take 15 years to complete, and work is scheduled to begin next year.

UNFIT FOR PROPER PERSONS?

The controversial landlord licensing scheme is set to undergo a government review into how well it's working. The Department of Housing, Communities and Local Government says it will look at how the selective licensing scheme is used, and whether or not it's effective.

The scheme, which has come under fire from many landlord groups, forces landlords to apply for a licence if they want to rent out a property. The council can then check whether they are a "fit and proper person" to be a landlord, as well as make other stipulations concerning management of the property and appropriate safety measures.

As part of the review, independent commissioners will gather evidence from local authorities and bodies representing landlords, tenants and housing professionals. Its findings will be reported in spring 2019, and for many in the sector, the review is not before time. Landlords in Great Yarmouth recently became the latest investors to oppose the scheme. According to reports, Great Yarmouth Borough Council's plans to set up a five-year selective licensing scheme have been opposed by the Eastern Landlords Association. They claim the extra costs will be burdened by "lawful and responsible landlords", while "criminal operators" will simply ignore the rules.

Canada Water. Site of a new £4billion develeopment.

Millport, Isle of Cumbrae, Scotland.

FEES BESIDE THE SEASIDE

Thinking of investing in a little slice of paradise now summer is here? Unless you've got a hefty chunk of cash to spare, you may want to look away from the millionaire's playground of Sandbanks.

According to the latest research from Halifax, this pretty Poole coastal resort is Britain's most expensive seaside town for the third year running. Despite average house prices falling by over £37,000 in the last year, homes on this south coast peninsula will still set you back £626,553 on average. In the second most expensive seaside town, Salcombe in South Devon, you'll be looking at average prices of £577,591.

Since 2008, the average house price in Britain's seaside towns has risen by 21%, from £193,859 to £234,654. Of the 20 seaside towns with the biggest house price growth over the last ten years, most are situated in the South East of England. However, it's still possible to bag a seaside bargain, providing you're willing to look north. The Halifax study shows nine of the ten least expensive seaside towns in the UK are in Scotland. Situated on the island of Cumbrae, just off the Ayrshire coast, Millport is the cheapest with an average price of £81,233. Meanwhile, England's least expensive seaside town is Newbiggin-by-the-Sea in Northumberland, where homes sell for an average of £94,385.

MANY HAPPY RETURNS

The national media might have you believe buy-to-let is dead and buried, but market data paints a different picture. According to new figures from comparison site TotallyMoney, buy-to-let returns continue to outperform many other investments. Better still, they have remained strong in recent months, despite gloomy press reports over the same period.

Unsurprisingly, the study found property investors in the north of England are benefiting from higher yields, thanks to lower property values and strong demand for rental properties. Liverpool, Manchester, Middlesbrough, Newcastle, and Edinburgh were the top-performing cities.

Meanwhile, research from Pantheon Macroeconomics suggests landlords are now making larger profits than they were two years ago. Despite changes in tax relief and stamp duty, economists say the reduction in mortgage rates over the last two years means most landlords are better off than they were. Pantheon's chief UK economist Samuel Tombs says: "A buy-to-let investor refinancing a two-year fixed mortgage that they obtained in May 2016 will save £1,400 a year in interest payments, assuming they purchased a property of average value."

Find out why you should take press coverage of the property market with a pinch of salt in Rob Dix's Property Geek column, on page 36.

A DAY IN THE LIFE

ONE FOR ALL

Landlord Paul Briggs reveals his first student house of multiple and international occupants has been a breeze. Jane Cameron spent a day with him, and discovered how the property plan is working out.

07:00

In a fairly leisurely start to the day, Paul Briggs, the former head of procurement at a major utility company, has breakfast before leaving his Manchester home and driving to Wrexham. This is where Paul and his business partner and friend of 30 years, Stuart Oldbury, are realising their ambition to build a portfolio of HMOs under the name PS Smart Living Ltd.

Paul, 57, has only been in property full-time for two years, but he already says it's done him the world of good: he feels "full of life". He owns two family houses in Manchester, plus a flat and two houses in Oldham. The latter two were bought consecutively at auction for £45,000 and £65,000. Having been smartened up to increase value, they now bring in £450 to £475 a month in rent respectively.

Paul had been guided and inspired by books such as Rich Dad, Poor Dad by Robert Kiyosaki and How To Be A Landlord by our very own Rob Dix: "I'd always wanted to do it, but never would have got round to it if I had not had the opportunity to take early retirement. I find it massively satisfying – not financially rewarding yet, but we're getting there." His newfound knowledge and an inheritance received by Stuart, an optical technician, led the pair to buy their first HMO in May last year. It cost £120,000, for which they borrowed £73,500. The property came complete with furniture, plus five students finishing their academic year.

09:30

Arrive at the HMO in Wrexham, having warned this year's batch of tenants that he's visiting. They hail from the Ukraine, Germany, Romania... and Wales. "It's like the House of Nations," jokes Paul, but he believes the overseas students have made great tenants. Aside from needing to "have a chat" about late-night noise with one student, and a leaking shower that set off the fire alarm, the three-single, one-double HMO has gone without a hitch and is kept clean and tidy.

Payment can be a bit complicated, explains Paul, though it's not a problem: "I was expecting payment monthly or per term, but it's a mixed bag. I agreed that one student could pay cash weekly until her funding came through. When it did, she paid the whole lot in one go. We try to work it out with them. They've done well to get here, and we judge who to take by meeting and talking to them."

He says the attraction of this property was its proximity to Wrexham Glyndwr University, which runs a student accommodation website where it's cheap to advertise. For about £80 a year, PS Smart Living has been able to fill its rooms without using an agent.

The purpose of Paul's visit is to show a group of four prospective tenants around for the next academic year, as well as to get a joiner in for a quote to install new fire doors. This is in order to apply for a new and upgraded licence – for mixed rental of students and working people – the next stage in the plan.

11:00

Collect keys from the estate agent for one of the two HMOs Paul and Stuart are in the process of buying. Although they haven't completed on this £78,000 house, they've been given "controlled access" to allow them to prepare for planned changes. It's the need to increase rental income to make up for the loss of his salary that has led Paul to seek "higher return and rental quality".

Paul lets in an electrician to quote for a new fire safety system: the upgraded licence will require smoke sensors to be fitted in all bedrooms in addition to the kitchen / common areas. The rationale is that working tenants are less likely to know fellow tenants, and therefore less likely to alert them to a fire.

Paul and Stuart are also intending to change the layout of the new house, turning three single bedrooms into two singles and a double – something there's good demand for. This will require the removal of a partition and corridor, and Wrexham County Borough Council requires a detailed plan with the licence application. Paul is here to measure and map everything, from fire exits to sockets, and his quantity surveyor skills come into play: "Being a quantity surveyor has been a massive help, not only for tasks like these but also for working out refurbishment costs and project management. Profit and loss, costing up the refurb – I love doing it all."

12:30

Grab a sandwich in Wrexham, before heading to Oldham.

14:00

Paul heads over to one of his Oldham rentals to measure up for some decking, so he can order timber supplies. He's agreed to do it on the condition that the tenant stayed through the summer. He estimates it will take a day, and cost around £200.

"I'm fulfilling that promise as they've stayed six months through the winter and have every intention of staying," he says. "My perspective is that it will increase the value of the house by considerably more than £200. And yes, I think of everything in terms of its impact on valuation when I do anything. If there's no gain, I would think twice. It's a business."

15:30

Back to the home office for calls and emails with tradesmen, brokers and a seller's agent. It was difficult to negotiate the "delayed completion" on the HMO he visited this morning, and the seller is getting restless. In order to get their 75% mortgage with Keystone, Paul and Stuart agreed to lick the property into lettable shape in a six-week period between exchange and completion.

"It's difficult to get a mortgage on an HMO for less than £100,000, and there's virtually no chance below £75,000. There are seemingly only two lenders in the market, and at first we were told we couldn't have the mortgage because it wasn't ready to let. Without our previous experience, we wouldn't have got this mortgage. You have to work your way up, and it's difficult to jump to the next level. It's been frustrating, but we have achieved so much in the last two months."

16:30

Paul still relishes the freedom of being his own boss, and knocks off for the day. "I didn't get into this to work longer hours than before! I had reached the end of doing 8am to 5pm every day. I wanted to do something for me, and I love the flexibility."

LOCATION FOCUS

Bri s

Sheffield's history was forged in steelmaking, but this vibrant South Yorkshire city has plenty of other strengths, as Neil Cumins discovers.

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A tale of two cities

Sheffield is arguably best known for football, foundries and the Full Monty. Yet none of these (fully deserved) associations really tell the tale of a city whose transformation from industrial powerhouse to high-rise hotspot deserves celebration. Like the once-notorious Park Hill flats that dominate its skyline, Sheffield has grown up, with swathes of new city centre towers scheduled for construction. This is a city confidently asserting itself as one of the country's top investment locations – and with some justification.

Potential energy

In 2017, Sheffield was ranked the sixth best UK city in terms of investment potential. It recorded an average buy-to-let yield of 5.92%, placing it ahead of other property hotspots like Birmingham and Glasgow. (As a point of reference, the lowest-performing towns in this survey – Bromley and Watford – had averages of around 2.5%.) The local housing market is buoyant, with an impressive 6,748 properties sold in Sheffield last year and selling prices rising by 7.7%. Properties sold during 2017 ranged from million-pound mansions in Dore to £50,000 city centre studio flats beside the River Don.

Like many northern cities, the affordable end of the Sheffield property market could make London investors weep into their skinny lattes. It's possible to buy an on-street mid-terrace amid the narrow avenues of Grimesthorpe for £60,000 – a sum that will also secure you an ex-council flat in the sprawling (yet impressively well-spaced) Gleadless estate. And looming over the local market – literally and figuratively – is the Grade II-listed Park Hill scheme. Mondrian-style cladding distinguishes each newly gentrified block, with their pop-up art studios and hipster residents. Yet much of this Brutalist deck-access estate remains derelict, awaiting a third phase of redevelopment that will target private sale and mid-market renters.

As the director of Nicholas Humphreys Estate Agents, Nicholas Lambrou says demand is far outstripping supply in terms of rental properties for young professionals: "Sheffield is typically geared towards the student market, which makes professional lettings highly sought after. As demand is high and supply for good-quality professional lets is low, rental prices have increased. The most dramatic increase we saw recently was for a one-bedroom apartment on the city fringe, where the monthly rental went up by £105!"

Bright sparks

With two universities educating 60,000 undergraduates and postgrads, there are good reasons why Sheffield's rental stock is focused on students. Sheffield Hallam is the eleventh largest university in the UK, while the University of Sheffield has been ranked as one of the world's top 100 institutions. With their main campuses situated less than a mile apart on opposite sides of the city centre, these historic institutes exert a gravitational pull on the property market either side of the A61 ring road. Unsurprisingly, regeneration agency Urban Splash plans to create specialist student accommodation at Park Hill (almost within sight of Sheffield Hallam's main campus), developing four to eight-bedroom shared units for the 2020/21 academic year.

"Sheffield is highly geared to cater for student accommodation", says Nicholas Lambrou. "The suburbs of Broomhill, Crookes, the city centre and properties within 15 minutes' walking distance to the University of Sheffield or Sheffield Hallam's City and Collegiate campuses are all highly sought-after areas." There are distinctions, however: "The city centre attracts more foreign students, who have the means to pay higher rents – and more often than not, they pay their rent in advance. In return, they expect premium fixtures and fittings, as well as an 'all bills included' option."

In recent years, there has been a gradual tightening of HMO regulations, including an Article 4 direction extending from the city centre out to affluent Fulwood on the western edge of Sheffield. Even so, Nicholas says the rental market for larger properties remains favourable: "This year in particular, we have seen a surge in demand for three- and four-bedroom properties." As a result, rental incomes are rising: "A typical five-bedroom student home will now yield an additional £520 – £780 over a twelve-month tenancy – for the 2018/19 academic year. Of course, demand for studios and one/two-bedroom properties in or near the city centre is also consistent. We recently let 25 studio apartments in the city centre in just two weeks."

Investors seeking maximum return on their investment should look at the S2 postcode, which is recording yields of over 8% on properties costing an average of £104,376. The north-east suburbs of S9 performed similarly well with almost identical asking prices, while S3 immediately north of the city centre recorded a figure of 7.2%. Yet in affluent Dore and Totley, typical yields stand at just over 1%.

Build it and they will come?

The robust student market has helped Sheffield to absorb a post-Millennial explosion of urban apartment buildings. Unlike many UK cities, the creation of new-build flats throughout the city centre hasn't led to softening prices. Yields remain strong in newer or premium developments, but local agents recommend focusing on quality and location rather than affordability. "There is already a lot of competition out there in terms of properties available to rent," says Nicholas.

"Landlords who continue to invest in their properties by improving them – modernising and adding new quality fixtures and fittings, or offering rooms of consistent size throughout the property – will fare well." Professional singles and couples also favour new-build city centre apartments: "We are constantly asked for two-bedroom apartments for couples with no children, who want to live in or near the city centre."

Away from the urban core, suburban Sheffield is home to many three- and four-bedroom houses beloved by families. The Crookes and Hillsborough areas are especially popular, with strong links to public transport, schools and local amenities. According to Maz Adam Iqbal, a director at Sheffield Residential, tenant demand is being supported by positive economic conditions: "There is a low unemployment rate of 5.6% in Sheffield, which helped maintain a decent level of demand for property last year. The number of properties for sale at any given moment has remained limited."

Bargain hunters

Maz also cites consistently low mortgage rates as another factor supporting buyer demand. Yet despite these favourable market conditions, house prices in Sheffield have risen by less than 25% since 2010. As a result, savvy buyers can still bag a bargain: "Information from Rightmove suggests that over a third of Sheffield properties listed on the site last autumn had their asking prices reduced – the highest percentage in the last five years. Still, a lot of that could have been sellers being overly optimistic in their initial pricing." Maz predicts that property prices in Sheffield will rise by a maximum of 1.5% during 2018, as the cooling London and Home Counties markets start to dampen market confidence across the country and slow northern price growth. Even so, Sheffield's future looks brighter than it has done for many years.

SITES FOR SORE EYES

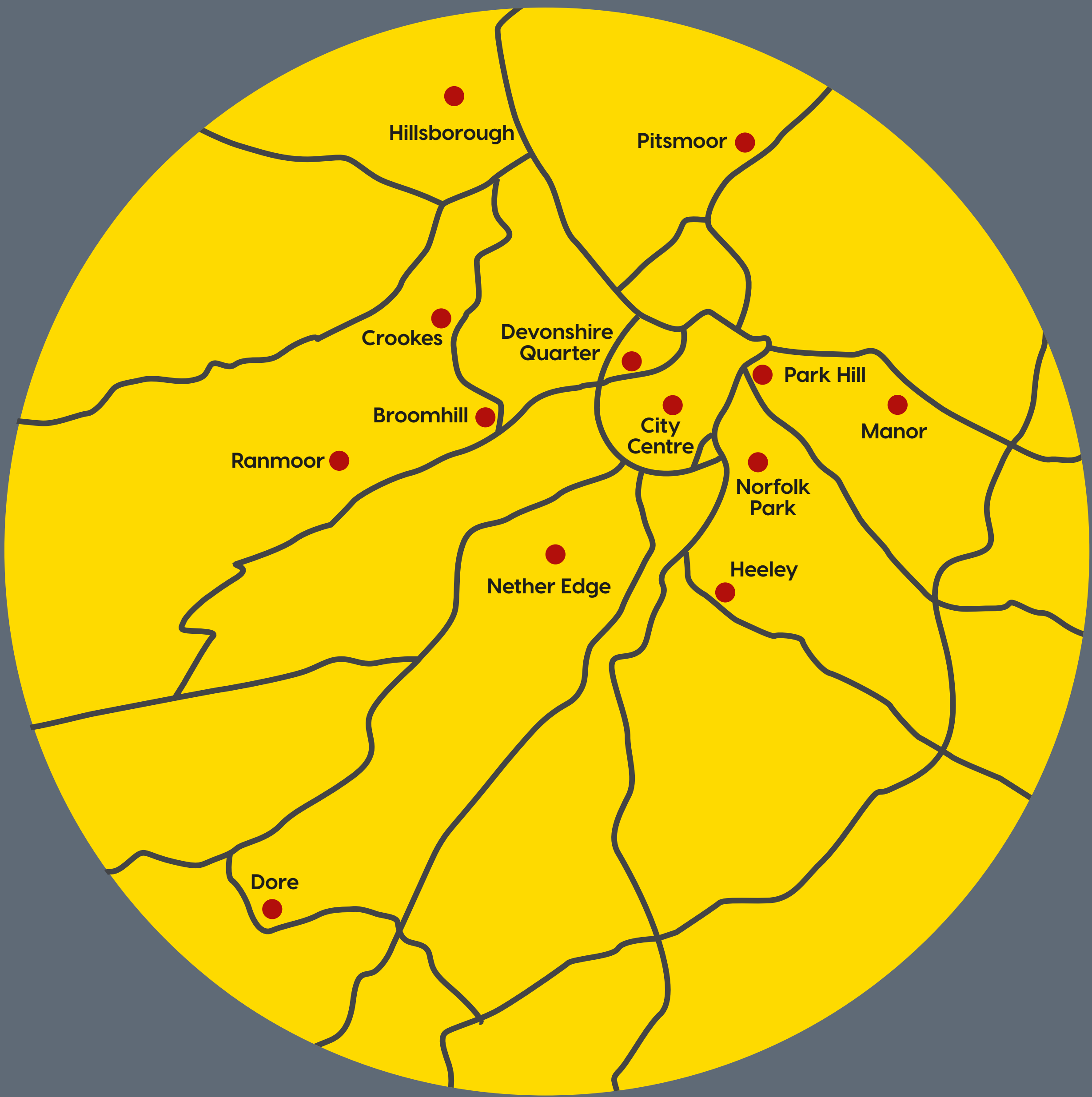
Investment is pouring into Sheffield, with high-rise developments planned throughout the city's urban core. These are some of the high-profile developments investors might want to be aware of:

- **Heart of the City II**
  A £470m, 139,000sq m masterplan will create new homes, hotels, shops and public spaces west of Pinstone Street in the city centre. Scheduled for completion in 2024, the first phase includes a new office for HSBC.
- **Hoyle Street**
  HSBC's old offices will be replaced with accommodation for 658 students in studios and shared apartments and townhouses, plus 247 private homes. This as-yet-unnamed scheme is expected to be worth £120m on completion.
- **Sheaf Square**
  Amid a swathe of plans for high-rise buildings of up to 20 storeys, Sheffield Hallam has proposed a 37-storey tower. The centrepiece of a 15-year campus masterplan, it'll include 200 flats, a 120-room hotel, roof gardens and bars.
- **Eyewitness Works**
  A £25m scheme will transform a Grade II-listed cutlery works into residential accommodation, in the heart of the trendy Devonshire Quarter urban village. Developers are proposing 100 townhouses and loft apartments.

The best places to invest in

Sheffield

- Best for city workers: **Nether Edge, city centre**
- Best for high-end homes: **Dore, Ranmoor**
- Best for students: **City centre, Broomhill**
- Best for families: **Crookes, Hillsborough**
- Best for yields: **Heeley, Norfolk Park**
- Best for capital appreciation: **Park Hill, Devonshire Quarter**
- Best avoided: **Pitsmoor, Manor**



Introducing our podcast property stars

Spend a few minutes on Facebook or Instagram, and you'll scroll past endless tales of property success: six-figure profits, perfect "after" photos, and smiling investors living the elusive "passive income" dream.

What you tend not to see is the 5am starts, inevitable setbacks and moments of panic that underpin any success that a property investor has. If you're struggling to get started or you've been at it for a few years and still can't break free of the day job, it's easy to think you're doing something wrong.

To mark the sixth year of The Property Podcast, we wanted to showcase the real experience of being a property investor – by spending a year accompanying some of our listeners on their respective journeys. We'll follow the highs and lows of a group who are all following different paths but pursuing the same aim: to better their lives through property investment.

Let's meet them...

FIRST-TIME FLIP: SARAH FERRIS

Sarah Ferris has always had a an interest in property but it wasn't until she faced a life-changing health issue that she decided to indulge her passion and turn it into a career.

"Last year, I had treatment for breast cancer and it made us realise you only live once, we want to maximise life," says Sarah. "It prompted me to start doing something I love."

The New Zealand native who has has lived in the London suburb of Teddington for seven years, and currently has two buy-to-let properties – a three-bedroom semi in Teddington and a two-bedroom flat in Godalming. The latter was acquired with sitting tenants, providing Sarah with a natural way to test the waters of being a landlord.

However, these UK properties weren't Sarah's first foray into property investment: "My husband and I purchased our first house aged 23 in New Zealand, and we left it as a rental property when we moved to the UK. We realised it was quite a good way of letting the capital gains build up. We bought a flat in Queen's Park when we moved to London, but then we decided to sell it and go back to New Zealand to have kids. Back home, we kept our original property as a rental and bought a new one."

Last year, Sarah set up a development company. "I employed a project manager and started looking at property in Sheffield to flip," she says. Indeed, since recording her Property Hub podcast, Sarah has completed the renovation of her first Sheffield property. "We purchased the property for £141,000 and sold it for £196,000. We spent £25,000 on the refurbishment, with additional finance costs on top."

Sarah and her partner are now pushing through the sale to exchange and completion, having already had an offer accepted on a second property in the city: "We're in the middle of organising finance and conveyancing on that one. It's a two-bedroom semi-detached house in Sheffield, which we intend to extend by adding a third bedroom. It's a bigger project than the first one, and it'll take longer to complete."

Sarah says her long-term goal is to create a passive income from a property portfolio, and to have more freedom as a result.

Sarah Ferris

Kitchen before conversion.

Kitchen after conversion.

MAKING IT WITH MULTIPLES: IAIN LARGE

Earlier this year, Iain Large took the bold step of moving into property investment full-time. The 36-year-old from Chelmsford in Essex has also recently started a construction company with his business partner: “We currently have a nine-bedroom HMO and two three-bed houses,” he says. “We’re also building a new two-bedroom property.”

Iain’s interest in property was sparked in his early twenties, when he and his future business partner house-sat for a family who owned a large home in the centre of Chelmsford. “We were living in a house inches from the town centre,” he recalls, “and it was party central. We had a wonderful six months there, and decided to buy somewhere together. We knew a mortgage adviser through our drinking circle, who helped us buy a three-bed property together. Back in the day, the monthly repayments were £400 on a three-bed house, split between two of us.”

Iain and his partner had caught the property bug, and soon bought a former doctor’s surgery that they turned into a seven-bedroom HMO. “We were 24 years old, renting out rooms to young guys from Slovakia and partying with them day and night,” he says. Even so, Iain admits the interpersonal problems that come with HMOs represent a big challenge:

Iain Large

“People locking themselves out at night means having to drive over at midnight to take the door apart. I even had one tenant attempting to poison another one! The HMO has definitely had its challenges!”

Since the podcast aired, Iain has finished work on the two-bedroom house and obtained planning permission to turn the HMO into three individual homes: “Eviction notices have been served, and the deadline to vacate is the 18th of July. We hope to have started work by then.” His business partner has also had an unwitting impact on future plans: “He’s moving from Dubai to Ireland, and needs cash to buy a house. So the £100,000 profit we’ll be taking from the two-bed property will be going to Ireland, along with another £100,000 he’s put into the project.”

In the meantime, fundraising continues closer to home: “I’m now looking to refinance my own home,” Iain says, “to try and bring another £70,000 to the table. That way, we can continue to grow the portfolio while the construction projects are underway.”

Site before the build.

Nearing completion.

ACCIDENTAL INVESTOR: IAN BRIERLEY

"Property was always a job for me," says Manchester-based Ian Brierley. "In 2007, a friend of mine was struggling financially and wanted to move. I bought his house off him, and became a landlord. I then got permission to build two properties in the garden." And so began his property journey.

After graduating from Leeds University, Ian's career has always revolved around property. He worked for several national contractors including Bovis and Balfour Beatty before going it alone and spending the last decade running his own construction business. He has recently refurbished and sold a bungalow: "The couple who are buying it live on the same street, and tried to buy the last three houses on this street that came up for sale. They knocked on my door and asked if I was selling. Even though I was originally going to refinance and rent, I said they could have first refusal." Ian has also bought a property to redevelop, acquiring planning permission for another house in the garden: "I've started stripping out the existing house and it's now basically just a shell."

The biggest challenge for Ian is staying positive: "Because I've been involved in construction, it's difficult to keep motivated. Staying focused in light of all the negative news is one of the biggest challenges. All you can control is how you react to what happens."

Garden before conversion. .

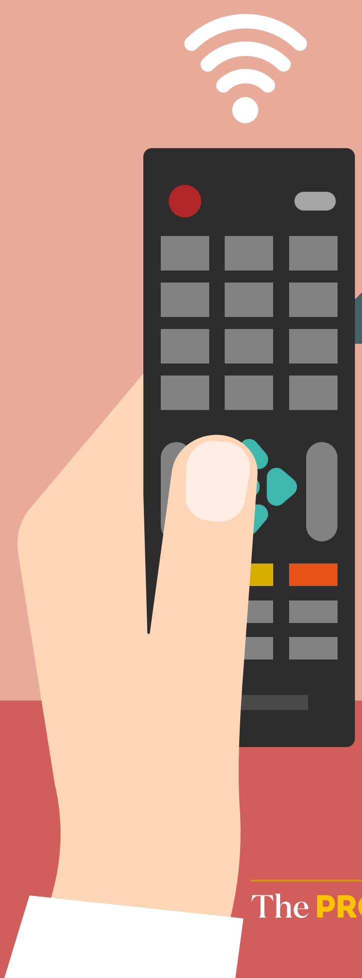
Garden after conversion. .

Bathroon before conversion.

Bathroon after conversion.

Find out what happens to Sarah, Iain and Ian next by subscribing to The Property Podcast: **thepropertyhub.net/podcast**

Remote control



When you're willing to look beyond your local area, you get the pick of the property investment hotspots. But, as Leah Milner explains, remote investing isn't without its challenges...

When taking your first steps into property investment, local knowledge is often invaluable: an instinctive understanding of property styles and market forces lets you focus on other challenges like acquiring finance or assembling a support network.

As your portfolio expands and your confidence grows, it's natural to start looking for bargains further afield. Networking might reveal opportunities in other parts of the country, while property portals and auction houses are constantly adding new listings. And although buying property in unfamiliar locations poses some unique challenges, planning and support can make all the difference. To show you how to spread your wings, we've spoken to veteran landlords and serial property investors across the UK. They've shared their experiences about the issues to consider when looking for investment opportunities away from home.

Don't be tempted to play it safe

Property Hub co-founder Rob Bence is also the founder of RMP Property, which sources buy-to-let investments for hundreds of clients a year. He believes that in order to thrive as a landlord, you need to be willing to look beyond your comfort zone and consider opportunities further afield: "The reason investors should consider investing elsewhere is because the chances of their local area being the best place to invest in the whole of the UK are slim. They're probably costing themselves money, sacrificing yields or capital growth potential by limiting themselves to their local area.

"It's understandable why people do it, because it's a lot easier to invest somewhere you know really well. But while restricting yourself feels safe, it's really costing you money. The best areas change over time – if you invested in certain parts of London that have already experienced growth, they're actually a pretty poor place to invest right now. If you carried on the same track, you would be making poor investments."

Expats may be better investing in the UK

Other fans of remote investment are British expats. They'll often buy up UK properties while living somewhere sunnier, due to the UK's relatively stable property market and/or the tax treatment of foreign property owners where they live.

"Expats may not be emotionally attached to a certain area," Rob explains. "They still know the UK is a safe haven, and they're used to investing here. It feels familiar and they know the process. Some investors come from countries that are currently stable, but there may be concerns over the longer-term forecast. By putting money into property in the UK, it's like putting it into gold. The UK's legal system and its Land Registry are centuries old, which is reassuring."

"The reason investors should consider investing elsewhere is because the chances of their local area being the best place to invest in the whole of the UK are slim. They're probably costing themselves money, sacrificing yields or capital growth potential by limiting themselves to their local area."

Even though the tax treatment of buy-to-let investments has shifted dramatically, Rob says expats are often more interested in storing wealth over the long term than chasing yields. "Even if they are making a bit less on rent each month, that's not really going to change their lives. They're more interested in keeping their wealth safe and secure, and looking for some growth."

Starting the process of investing remotely

The practicalities of remote property investments require considerable planning. For instance, conducting due diligence on a potential new investment area is vital. "There is a time cost involved in getting familiar with a new area," says Rob. "But you are far more likely to do better from a capital growth and rental point of view by investing elsewhere. The tradeoff for that is you have to spend more time researching those areas, and building your confidence up to take that step."

There is plenty you can do to familiarise yourself with an area. "The first thing you should do is connect with local letting agents," Rob says, "because they're used to working with investors. They can tell you about the market as well as recommending local tradespeople. So, if you're looking to refurbish a property and then let it out, they may be able to recommend people to you. I would contact several agents and see which ones seem the most professional and responsive. Then I'd suggest going to property networking meetings there. Go and meet people who are local to the area and who are already investing. They will share their knowledge quite freely with you, because people like to talk about a subject they know about." Researching a new area and networking with like-minded property investors will also give you greater confidence about your choice of location.

Rob also recommends looking for areas that tick one or more of the following boxes:

- Areas that are easily commutable by train or car.
- Places you lived in the past that you know well.
- Locations where you have friends or family; you will benefit from their local knowledge and connections, and you may be a regular visitor.
- Hotspots where you can mirror a fellow investor's successful strategy.
- Places with a particularly strong investment case, due to infrastructure projects or other positive local developments.

If your investment portfolio is spread across different locations that you can't easily travel to, you'll need to ensure you have professionals on the ground who can step in to deal with tenant issues or emergencies. Expats living abroad will have no choice but to outsource the management of their properties, but Rob argues it's essential to use a letting agent if you're investing away from home, even while living in the UK.

Above and beyond

This is a sentiment echoed by Property Podcast producer and part-time developer Dan Riedo. His property portfolio is outlined in the "Expert advice" section below, and it's been assembled with the help of an "outstanding" letting agent: "They arrange everything for me, from finding and vetting tenants to maintenance and safety checks. I don't even hold the keys to these houses.

"I have no doubt that a good letting agent is the most important person you'll work with," Dan says. He recounts a story about a tenant who suddenly vanished: "To our surprise, this reliable tenant who'd lived at the property for three years had simply packed up and disappeared. They seemed to think popping the keys through the letterbox as they left was sufficient notice. Because the property sat empty for so long before we noticed anything unusual, it had been broken into and all the metal in the property had been stolen. This was obviously a big job to fix, but the agent took care of all repairs and the insurance covered the bill. Without the agent's involvement, this would have been a horrible and stressful experience. It might even have turned me off investing in property long-term."

The restoration plan

While Dan's property needed refitting after the tenant moved out, many investors actively seek out properties in need of repair or renovation. This can be especially challenging if they're not on-hand to supervise works or arrange access. One solution involves appointing a project manager on a short-term contract, to organise local tradespeople and act as a keyholder. You're unlikely to find suitable candidates on conventional job boards, so reach out to property professionals in your new area. Property Hub members are a friendly bunch, and they'll often be able to recommend people based on personal experiences.

Your appointed PM can provide as much feedback as you want, from daily Skype tours of the building to occasional email updates. Remember he or she is working on your behalf – you need to sign off on any significant expenses or remedial works that crop up mid-project.

Regional variations

Appointing a freelance PM can be a significant expense, but the potential returns achievable in unfamiliar areas often justify any outlay. That's particularly true for investors in the super-heated London and Home Counties markets, who are often amazed by the relative affordability of homes elsewhere. Even so, it's crucial to understand local supply and demand trends before bidding on a six-bedroom villa in the Scottish Highlands. Speaking of which, the four home nations have significant variations in their property laws – and every local council can impose different licensing conditions – so it's worth getting advice from a local expert before investing in property in a different part of the UK.

Expert advice from seasoned investors

To showcase the risks and benefits of investing beyond your home county, we sat down with four established property professionals to discuss their experiences of long-distance investments...

Claire Norwood

As the investment director at Spacecraft Properties, Claire lives in London but has property projects underway in Plymouth. "The main reason for choosing Plymouth is that I met my business partner who is based down there," she says. "He noticed that there were excellent opportunities, which we both agreed were lacking in London. We invest together, but we also involve outside investors for small commercial-to-residential projects.

"Plymouth is very interesting because it is slightly out of the way. It isn't reachable by motorway, so it hasn't picked up quickly in the way Bristol and Exeter have. We found there's a lot of competition in places like that, whereas Plymouth has far less competition. There are lots of small guys who've watched Homes Under the Hammer, and there are two or three very large companies. But in that middle ground of around five to twenty units, we are finding really good opportunities and we're not having to fight too hard to get them."

Claire says that partnering up has been the perfect solution because her fellow investor Steve is on the ground in Plymouth. He can spot new opportunities and manage the project day-to-day, while she's in London connecting with new investors. "It's a really good partnership, because we've got complementary skills. If we were both down there, we would struggle to find the money. I go down and I spend a week there every month, but I don't need to be living there."

Dan Riedo

Despite living in London, Dan's property portfolio includes three houses in Nottingham and two in Stockport: "I initially started looking in Nottingham for properties circa 2010, as London was already out my grasp in terms of price. Manchester became of interest a few years after that, as I had to visit the city from time to time and I began to get to know it. I was also starting to educate myself with things like The Property Podcast. Capital gtrowth wasn't something I had particularly enjoyed in Nottingham yet, so the potential for yield and higher gains Up North took me there.

"The biggest challenge for me was removing the mental roadblocks," Dan admits. "Saying 'I want to buy a run-down property at the opposite end of the country, refurb it and get it rented' sounds great, but also daunting. I found breaking everything down into bite-sized steps made it more manageable. It sounds difficult to buy somewhere far away. But once you actually take a trip and do some viewings, you can do it again, and it'll be easier. The time after that, it'll be even easier still, until it'll become almost like your daily commute to work."

Eesha Mohindra

Writer Eesha has a couple of properties in Manchester, despite living in Slough. Why Manchester? “I ran the numbers to see which areas were growing, where I could make my money go as far as possible for the best return on investment,” she says. “London wasn’t really an option. To test rental values in Manchester, I looked at the ‘let agreed’ properties on Rightmove and spoke to letting agents to find out about local demand.”

Despite living far away, Eesha visits Manchester at least once a month and has built up a strong network of contacts in the area. “I get up there as regularly as possible, and talk face-to-face with people. The more you go up there, the more of a rapport you can build. I also go to networking events and meet others who invest in that area. Often when people have come through the journey and are where they want to be, they become more willing to share their knowledge.”

Eesha warns anyone who is considering managing a property remotely to consider how much their time is worth. “You need your local team to be there for the everyday issues. If something minor happens in one of the properties, you’re not going to want to travel for hours to fix it.”

Leon Emirali

New investor Leon bought his first two buy-to-lets this year, following an extensive research period. Although he lives in North Hertfordshire, he chose to buy his first two investment properties in the London suburb of Sutton, to appeal to young professionals working in the capital.

His research strategy involved checking Ofsted reports and local crime statistics, studying house price fluctuations, and even searching for data on noise complaints to help him pinpoint desirable homes for renters. After studying Google reviews and speaking to multiple companies, he settled on a local letting agent in Sutton to rent out and manage his properties for him.

While considering where to make his next investments, Leon says he doesn’t want to be constrained by proximity to home: “I’m looking at areas far away from where I live, like Norwich and the Midlands. The reason for that is when you trawl through the data, you start to see patterns emerging. These are the areas that seem to be good investment locations, and both have thriving university communities. Student numbers are steadily rising, and it’s often the case that you might want to begin your career in the area you studied in. There is demand from young professionals and graduates.”

“You need your local team to be there for the everyday issues. If something minor happens in one of the properties, you’re not going to want to travel for hours to fix it.”

It's hammer time

There's nothing like the adrenaline rush of securing a property at auction, as the hammer drops on a bargain buy. But these public free-for-alls are only profitable if you know what you're doing in the build-up to the big day, as Emma Lunn reports.

If you've never been to a property auction before, you're missing out on something rather special. These lively, fast-paced events are ideal for snapping up below market value (BMV) deals, and come with the added bonus of completing in a fraction of the time conveyancing normally takes.

But there's a lot more to property auctions than just turning up and outbidding your rivals. Failing to do due diligence (or not fully understanding how the process works) can turn a visit to the auction room into an expensive mistake. Knowing how the process works – and which pitfalls to watch out for – can make all the difference when auction day arrives and homes start going under the hammer...

A win-win scenario?

According to the auction portal Essential Information Group (EIG), more than 35,000 properties come to auction every year throughout the UK. Auctions are often the preferred method of sale for repossessions, properties proving difficult to sell, or buildings with development potential. There's also the chance to pick up quirky buildings such as former public lavatories or water towers, which would be unlikely to appear on Rightmove.

Many homes are uninhabitable, unmortgageable or both, presenting opportunities for people with time and money to invest. Almost anything will sell at auction, assuming the reserve price is realistic. Difficult homes are marketed at auctions because lots of landlords, developers and property investors usually attend – people who tend to have the time, money and expertise to make properties habitable or mortgageable. They also love a bargain.

From the seller's perspective, a key advantage of selling at auction is that contracts are exchanged when the gavel falls: there will be no further negotiation on either the price or completion date. If a property has several interested buyers, selling it at auction may result in a better price than the seller would get through conventional selling methods.

A benefit for buyers is that at auctions, you can't get gazumped. (You also can't back out – which is another reason why sellers like them.) Completion is normally within 28 days, or 20 working days.

Lots to think about

A couple of weeks before the auction date, the process kicks off with the auction house publishing a catalogue of "lots". You can subscribe to catalogue mailing lists from the big auction groups such as Allsop, Auction House, Barnard Marcus, Countrywide, Savills and Strettons. Catalogues are published online as well.

The Essential Information Group website hosts a database of most UK property auctions. You can see which dwellings are going to auction, study each property's history, and research comparable buildings and what they were sold for. Email info@eigroup.co.uk and mention Property Hub to receive two weeks' free access.

Each property will be listed with a guide price. Contrary to popular opinion, this is not the figure at which the lot is expected to sell, but an indication of the seller's minimum expectation. Most sellers also agree a confidential reserve price with the auctioneer – this is the minimum they will accept. According to Savills' auctions director Russell Taylor, "Most buyers will have a rough budget in mind, so searching for lots in the relevant price range will identify potential purchases. From here, it's wise to focus on lots in affordable areas or districts tipped to be on the rise."

Rooms with a viewing

Once the auction catalogue has been published, the auctioneer will hold open viewings where potential buyers can turn up on the appropriate day for a look around. If the property is clearly in a state of disrepair, it's also a good idea to ask relevant tradesmen to the open viewing, or take photographs to ask for quotes on bringing it up to standard. While you're at the property, check out the surrounding area and speak to local letting agents or estate agents (depending on whether you're planning to let it out or renovate and sell on). Ask these experts whether your projected rental or sale price is realistic.

If the numbers are adding up, it's advisable to get a survey done in case the building has any structural issues. This is one of the downsides of buying at an auction: you need to spend money before you know if you'll purchase the property. In Scotland, Home Reports are required before any residential property can be marketed. They're paid for by the seller, and available for prospective purchasers to view. A full structural survey may still be advisable, however.

At least each auction lot will have a legal pack. Compiled by the seller's solicitor, this will contain copies of the title deeds, special conditions of sale, Land Registry searches, and leases/tenancy contracts if applicable. This is effectively a truncated version of a standard conveyancing process, where all the relevant purchasing paperwork is available for inspection at the outset. The property becomes yours when the hammer drops, so having this material available in advance is crucial for factoring potential repairs and upgrading into your bidding budget.

As Essential Information Group's founder, David Sandeman says it's especially important to look at the special conditions of sale: "Can you let the property? Do you have to pay a percentage of the vendor's legal fees? Can you extend the property? Is there a

PREPARING FOR AUCTION DAY

- Call the auctioneer and check that the property you're interested in hasn't been withdrawn or sold.
- Get there early – some auction rooms require bidders to register on arrival.
- Take two forms of ID (one with your photograph on, and the other your address), your solicitor's details, and an acceptable way of paying the 10% deposit.
- If you can't attend the auction, arrange to bid by proxy or by phone.
- Use your hand or catalogue to attract the auctioneer's attention when you want to bid. A member of staff will bid on behalf of telephone bidders.
- The auctioneer will warn you when the bid is about to be closed, usually three times: "For the first time, for the second time, for the third and final time – sold!"
- If you win, you'll be asked to complete a purchaser's slip, provide identification and then pay the deposit and buyer's fee.
- Auction staff will prepare a memorandum of sale.

covenant that states single occupation? If there is, you won't be able to convert the property into flats."

If you're buying a leasehold property, find out the ground rent, service charges and any upcoming major works bills. All of these will affect how much money you make. Covenants may apply to both leasehold and freehold properties, potentially affecting what you can do to the property in terms of alterations or extensions. Get a conveyancer to go through the legal pack before you bid – he or she may pick up on something you've missed.

The price is right

Once you've seen the property and gone through the legal pack, you need to work out your budget. Comparable evidence is the most important factor when deciding what to pay for a particular property. "If there's a low guide price, look at similar properties nearby and check the Essential Information Group sold database," says David. "Has the property been up for auction before? If it has but didn't sell, why not?"

Your overall budget should cover fees for the auction house, surveyor, solicitor and Land Registry. There'll be stamp duty and buildings insurance costs as well – you'll be responsible for insuring the property as soon as the gavel falls. By the time auction day arrives, you should have a pretty good idea what a reasonable price for your chosen lot would be. Although being outbid will be disappointing, it's much more palatable than overpaying for a deal.

Here's what you could have won

Winning bidders at traditional auctions need to pay 10% of the purchase price on the day, and then complete the purchase within the next 20 working days. If you fail to complete on time you'll usually lose the 10%, and you may have to cover the costs of re-selling the property plus any shortfall between the price you agreed and the final selling price. You'll need cleared funds to pay the 10% deposit, so payment by bank transfer, banker's draft or debit card will be required. Cash is never accepted in auction houses, due to anti-money-laundering regulations.

You should never consider buying at auction if you haven't got the full purchase price amount at your disposal, or if you don't have finance arranged. A mainstream mortgage will rarely be a good option due to tight timescales (plus the lender would require the property to be habitable with a functional kitchen and bathroom).

AN AUCTION SUCCESS STORY

In 2015, Stuart Horwood bought a studio flat in Herne Bay, Kent, for £47,000 at auction. Between spotting the property in the auction catalogue and the auction day itself, Stuart went through the legal pack and spoke to local estate agents about rental demand in the area. Crucially, he also visited the property. As a result, he arrived at the auction armed with all the facts, a realistic estimate of the cost of renovating the property, and a price he was willing to pay.

"The day of the auction was pretty nerve-wracking," Stuart recalls. "My game plan was to see who else was interested and not bid too early. The guide price was £35,000, but the bidding jumped up to £42,000 pretty quickly – then I started bidding. I tried to slow it down by bidding in £500 increments, not thousands. I got it for £47,000 in the end, a bit under the £50,000 I had in mind, so I was happy with that."

Unfortunately, Stuart had missed a clause in the "special conditions of sale" document that accompanies each auction lot. It stipulated he was obliged to pay 2% of the purchase price towards the seller's fees (£940). "The good news was that after the auction, the seller said he'd knock £2,000 off the price if we could complete quickly. I signed up with a solicitor on the day and we completed in 18 days."

"Bridging finance is one option, as it can be arranged quickly and secured against a property that's not currently liveable," says Mark Harris, chief executive of mortgage broker SPF Private Clients. "The idea is that you then do up the property and get it into a state where it is liveable, before exiting the bridging loan by taking out a buy-to-let mortgage or similar."

Specialist bridging lenders such as Together or Bridging Finance Solutions can make funds available extremely quickly, with loans secured against the property being purchased or other property assets. But buying with cash funds – with no third party involved at all – will be the best option for many investors.

Best laid plans

There are several potential pitfalls to the auction process. Firstly, if you get outbid on the day, all your preparation will have been for nothing. This is the position Alex Owolade found himself in. He spotted a house in Hastings, and discovered from Essential Information Group data that the property had been up for auction before but hadn't sold. Interest piqued, Alex visited the property before spending £250 on a survey and reading the legal pack. But things didn't go his way on auction day.

"I was outbid," says Alex. "In my opinion, the woman who won the auction paid too much for it, because it needed a lot of work. Even doing the work myself, I would have made a loss at that price. It's pot luck as to how it goes – you might be the only bidder, or there might be several." Less diligent buyers may find themselves in the opposite situation to Alex: they win the bidding, but pay too much for the property. Others may end up purchasing a property with structural or legal problems, or somewhere that's difficult to let due to crime or other local issues.

Bargain hunting

A property auction provides a brilliant opportunity to pick up a bargain, but forewarned is forearmed. Do a dry run before going to an auction intending to bid, and go in with your eyes open. Don't get caught up in the moment and pay over the odds for a property that won't make you money. Even if you come away empty handed, an auction can be an exciting day out – and it's a great chance to mingle with other property investors.

JARGON BUSTER

Administration fee: a fee paid by the buyer to cover the auctioneer's costs.

Buyer's premium: a fee paid by the buyer to the auction room at the time of exchange.

Conditional auction: the winner secures a period of exclusivity (normally four weeks) in which to exchange contracts and fix a completion date.

Deposit: amount payable immediately after the hammer falls – usually 10% of the sale price.

Gavel: the auctioneer's hammer, used to close the bidding.

Legal pack: documentation prepared by the seller's solicitor.

Open house viewing: a chance for potential buyers to attend, look around and fully inspect a property before the auction.

Unconditional (traditional) auction: contracts are exchanged with the highest bidder on the day.

> **"If the property is clearly in a state of disrepair, it's a good idea to ask relevant tradesmen to the open viewing, or take photographs to ask for quotes on bringing it up to standard."**

Sumanta Barua

From collapsing walls to thirty year-old food tins, Sumanta Barua's property journey has been far from conventional, as Neil Cumins explains.

An accidental developer

We all enter the property industry in different ways, but few of us become developers to avoid living on the streets. Yet in 2010, PhD student Sumanta Barua and his wife were told to declare themselves homeless by Cardiff Council's housing department, after the property they'd been renting was suddenly placed up for sale. With minimal savings and no property expertise, this young couple found themselves struggling to keep a roof over their heads.

"We had saved some money from the part-time job I was doing," Sumanta recalls, "but that pushed us into buying a small flat, even though the market was still subdued. We both looked very young, and I don't think people were taking us seriously! We went to an estate agent and they said they had one property they could show us. We managed to purchase it for £58,000, but it was in a very bad state. We didn't have a lot of money and our families aren't into developing properties – I didn't know about the concept of property development at that time. We moved in and had to do it all by ourselves – sourcing materials, managing the project, finding builders and electricians, and so on."

Making the first move

Once the flat was refurbished, the couple stayed put for two years before family commitments led them to put it on the market. "We thought it'd be on the market for six months," says Sumanta, "but it was gone in five days! That made us think 'this is interesting'. The next house we bought was equally rundown – we had to take all the ceilings down, hack off the render outside, and so on. That's when we came across the concept of property development, and started taking it seriously."

Carlisle Street following renovation.

BEFORE


Kitchen before renovation.


Bathroom before renovation.


Garden before renovation.

AFTER


Kitchen renovation.


Bathroom after renovation.


Garden after renovation.

The death of a local resident was the unlikely catalyst for a highly eventful renovation project: "We wanted to buy a house at that time, and we decided to write a letter and pop it through the deceased man's letterbox, offering to buy the property. My wife was worried the family would be grieving, but I felt it could be a problem for them to have to deal with a property in a bad state. A fortnight later, the brother of the deceased man knocked on my door. He wanted to get rid of it, because his mother was ill and he needed to cover her expenses."

Fast finance

Sumanta's new purchase was an elegant-looking mid-terraced villa, situated along Carlisle Street in the popular Cardiff suburb of Splott. Because the property was effectively uninhabitable when it was purchased, a standard buy-to-let mortgage wasn't an option. Instead, Sumanta turned to bridging finance: "Bridging was the only option that looked feasible. By then, I was listening to The Property Podcast, and I knew Rob Dix had started LendSwift, so I didn't look anywhere else. It was quite straightforward and the communication seemed very trustworthy."

Although the application process was completed rapidly, Sumanta had to maintain detailed records about the project's progress: "We had to update LendSwift every week, so I kept weekly charts on progress. Even so, overall, it was a very quick and easy process, which is why I'm using LendSwift again for a new project that has come up. They're very easy to work with."

Collapsing confidence

The property's former owner had been ill for many years, and the house was in dreadful condition, according to Sumanta: "We found cans of baked beans from the 1980s in the kitchen! The walls were crumbling, so we had to hack down the render to the bare bricks. We needed to bring the ceilings down because they were all weak, take out some of the floorboards and joists to do a treatment for woodworm..." In went a new boiler and plumbing, a new kitchen, new flooring and central heating.

Like many neighbouring properties, this traditional terrace had a single-storey rear extension. "There was a single skin brick wall forming the bathroom," Sumanta says. "As we took the tiles out, we noticed the entire wall had become very loose because of poor maintenance. One day when the builder went to repair it, the entire wall collapsed! We found out there was no footing in place to hold it up. That very day, I sourced two builders who dug out a footing. Within three days, we had rebuilt the entire outside bathroom wall."

THE CARLISLE STREET RENOVATION IN NUMBERS

Original purchase price: £85,000

Purchase completed: November 2016

Total development costs for tradespeople, materials, etc: £30,000

Total legal costs: £2,350

Amount borrowed on bridging finance: £59,000 for purchase, plus £29,000 for work

Interest rate of bridging finance: 1.25% per month

Mortgage acquired in 2017: £146,250 (75% of £195,000 market value)

Profit on development: £55,245 after all charges, fees, etc

Monthly rental income: £1,300pcm

Estimated market value today: £210,000 (based on local selling prices)

When less is more

With all work completed, the Carlisle Street villa is now being rented jointly to two families, albeit at a lower rate than neighbouring homes. "We charge £1,300 per month," Sumanta says. "I know we could get £1,400, because I'm renting out another property on the same street for the higher figure. The reason we're charging £1,300 is because the tenants have been there for a long time and we value their retention. They're very good tenants – four individuals in a joint tenancy agreement. We had to apply for that, because the entire Cardiff area requires planning permission for two or more households."

With three properties in his portfolio, and a fourth currently being purchased with LendSwift's assistance, Sumanta is enthusiastic about his new career: "So far, we've concentrated on homes where we can do work and add some value to the property. We prefer projects where lots of work needs to be done, because we really enjoy doing them up." The worse a property's condition, the more it appeals to this self-taught developer.

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**

Smart strategies for property finance

Our finance expert Kevin Wright explains how bridging finance can help you become a smarter property investor.

Most property investors look at buy-to-let (BTL) mortgages as the first port of call when it comes to financing. This is great if you're building a property portfolio, or if you intend to have a mortgage for a long period and pay it off over time.

Some investors, however, use a buy-to-sell strategy – or they buy properties to convert them to alternative uses. These might include converting a house into an HMO, or turning a commercial property into flats or serviced accommodation. Standard BTL mortgages don't work for any of these, but fortunately there are other options for the savvy property investor.

Inspired funding

When you really want to take your property investment up a level, you need to get familiar with bridging finance. Don't think of it as a "mortgage" – see it as "funding my project".

You couldn't describe bridging rates as "cheap", since they are three or four times the interest rate that you'd expect to pay on a BTL mortgage. But when a standard BTL mortgage isn't available for your project, bridging offers an excellent way to move it on and make a substantial profit – more than compensating for the increased interest rate you'll pay.

So why use bridging finance?

1. You can buy property faster. With the right solicitor on board, you can complete a property transaction in less than 28 days – unlike the 6–12 weeks that a BTL mortgage will take.
2. You can buy properties even if your credit record isn't perfect. If you have a weak credit record or even CCJs, you may still be able to access bridging finance.
3. You can buy properties with modest deposits. It's possible to finance your deal with significantly smaller deposits than the usual 25%.
4. You can borrow against the value of the property. That's true even if you've negotiated a much lower purchase price, though you do need to know the right lenders to do this. Buy-to-let mortgages can only be borrowed against a property's price, rather than its market value.
5. You can buy property at auction. Even though auctions expect completion in 28 days (sometimes less), you can arrive at the auction knowing your finance is ready to go.
6. You can buy repossessions. Not from the distressed seller who is under threat of repossession, but from mortgage lenders who have already repossessed a property. These may be placed with an estate agent, or put up for auction. Most repossession sales are looking for completion in 28 days or less.
7. You can buy unmortgageable properties. There are many reasons why a property could be unmortgageable – and therefore only available to cash buyers and people with bridging finance. Most of these reasons don't make a property a bad deal, but they might result in you being able to negotiate a much lower purchase price.
8. You can either sell or mortgage the property immediately. If you take out a mortgage, you generally can't remortgage for six months.Early redemption of a mortgage won't do your credit record any good, either – and if you do it repeatedly, you'll soon find mortgage lenders don't want to know. Bridging finance gives you the freedom to turn around short-term projects without damaging your credit score.
9. You can operate like a cash buyer. The nature of bridging finance means you can turn a property deal around as quickly as someone with the full purchase price sitting in their bank account.

You can see there are lots of good reasons to explore bridging finance as a means of doing more deals more quickly, and consequently making more profit. Whether you use bridging finance to refurb properties to increase their value and then remortgage, or to buy challenging or non-standard properties to resell at a higher rate, your potential profit is much more than it would be when getting a BTL mortgage and then remortgaging.

The downside

Most bridging lenders have provisos. BTL mortgages tend to come from the bigger lenders, who have set rates that apply nationwide. For example, if Halifax offer a two-year fixed rate of 2.9%, that rate will apply irrespective of where a property is. Bridging lenders, on the other hand, are picky over the area they will lend in. Some only lend on properties in London, some only in the Home Counties, etc.

You also need the right lender for your project. Some lenders won't finance conversions, others refuse to lend on commercial properties, and so on. This means you need to know your bridgers – and there are dozens of them. They're all different, their fees are all different, the structure of the deals can be different... it's a minefield for the untutored investor. That shouldn't put you off, however: what you need is a good broker with the right kind of experience.

Bridging or development finance?

Bridging finance will cover refurbs and some conversions, where major structural work isn't required. Development finance is organised differently, and is usually only for ground-up builds or rebuilds – or projects that include structural changes to an existing building.

Your broker will help you decide which is right for your project, but there are many other aspects to development finance you'll need to understand before you get started. If you want more advice, contact the team at Positive Property Finance. Bridging is our business, and we can mentor you through property finance challenges.

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**.

Fancy snapping up a holiday let now summer is in full swing? It might not be as simple as you think, as Dave Cookson explains.

> "Furnished holiday lets are exempt from the tax changes that dictate how much tax relief a landlord can claim. This generally applies providing the properties are available for letting for 210 days a year and let out for a minimum of 105 days."

FINANCING A HOLIDAY LET

The prospect of owning a little slice of paradise is hugely tempting at any time of year – but it becomes even more appealing when summer is on its way and there's the prospect of actually making some money from it too. Before you start daydreaming about beach houses and country cottages, though, it's worth noting that financing holiday lets isn't exactly straightforward...

Buying a holiday home in the UK

If you're looking to snap up a holiday house here in the UK, you'll need a holiday let mortgage – not a standard buy-to-let mortgage. That's because regular BTL mortgages require an Assured Shorthold Tenancy (that is, the regular tenancy agreement a long-term tenant has with their landlord), which aren't suitable for short holiday stays.

Instead, you'll need a holiday let mortgage – and these are pretty niche. Building societies are your best bet – especially small societies that can take a bespoke approach to your situation.

Some lenders will lend up to 75% loan to value (LTV) on a holiday let. If you can afford to put down more, you'll have more lending options.

What will the lender want to know?

Lenders don't like risk. If they're going to lend you money to buy a holiday let, they want some sort of guarantee that the property will attract holidaymakers! As such, most lenders will only lend on a property that has previously been used as a holiday let. If it hasn't, you're going to struggle to find anyone willing to mortgage it.

If the property has "experience" as a holiday home, the lender will conduct an affordability assessment, looking at what type of income is usually achieved. They'll also consider how much rental income you would receive if you had to scrap your

holiday home ideas and market it as a standard buy-to-let. Lenders will also want to be sure there are no restrictions in place that limit the length of time the property could be let for.

What if the property is overseas?

If you're looking to buy a holiday home abroad, you can either get an overseas mortgage here in the UK or approach a lender in the country in which you're buying. If you choose the former, you should probably look to the high street. Big name lenders are more likely to lend on overseas properties, and most of them will have overseas branches anyway. Having said that, if you're looking to invest in an unusual holiday destination or a remote location, you may find it a little more challenging to get your mortgage here in the UK.

If you'd prefer to use an overseas lender, you'll need to speak with a broker who specialises in overseas mortgages. There are a few brokers operating in the UK with expertise in this area, and they'll also be able to help with things like dealing with local estate agents.

Will I pay the stamp duty surcharge?

Unfortunately, yes. The 3% stamp duty surcharge introduced in 2016 applies to all holiday homes, so you'll need to bear this in mind when working out your finances. On the plus side, furnished holiday lets are exempt from the tax changes that dictate how much tax relief a landlord can claim. This generally applies providing the properties are available for letting for 210 days a year and let out for a minimum of 105 days.

Buying a holiday home certainly has its advantages, but there are a fair few challenges too. Aside from being much more time-consuming than your standard buy-to-let, the costs involved with setting up a holiday home are significantly higher. Finally, the uncertainty that comes with a property being let on a short-term basis might not be for you.

PROPERTY GEEK

How to read the property press

Read any news story about property and you'll come away terrified about a looming "crisis" and blinded by astonishing statistics. How do you pick your way through the hyperbole and get to the truth? Property Geek Rob Dix has some pointers...

Here in The Property Hub Magazine and on the podcast, I've never been shy about voicing my disdain for the way property is covered in the media. You might be surprised, then – or think I'm a massive hypocrite – to hear that I actually skim hundreds of property news stories every week.

Keeping up with what's going on in property is a critical part of being a successful investor, and the mainstream press should form part of your knowledge – but it's easy to draw the wrong conclusions by reading stories that are misleading, confusing or just plain untrue.

An inaccurate headline? Surely not...

To take a particularly good (or bad) example, a story was recently run in a national newspaper with the headline "380,000 landlords look to sell up".

A moment's thought will tell you that clearly can't be true: if that many landlords were quitting, everyone you know who owns a buy-to-let would be talking about it and the share price of firms in the estate agent sector would be soaring. None of that is happening.

Dig deeper, and you'll find that the truth is that 20% of landlords who were asked "plan to reduce the number of properties in their portfolio". "Planning to" is very different from doing it, and "reducing the number" isn't the same as "selling up" – which implies getting out completely. And the kicker? This was a survey of just 856 people, with the results multiplied out.

So how can you keep up with what's happening without being led astray? The key is to read everything critically, while looking out for some of these common journalistic tricks...

Excessive extrapolation

We've just seen one example of this, and there are plenty more: lazy PR people take a tiny group and report the pattern of their answers as if they'd asked everyone in the country. And then equally lazy journalists happily print it.

"Two million tenants likely to be clobbered by rent hikes", screamed a recent headline. How do we know? Because a letting agent asked a grand total of 1,000 landlords whether they were planning to raise rents. Forty percent of those landlords (that's a whole 400 out of the roughly 1.75 million landlords in the UK!) said they were, so the agency concluded that 40% of all tenants in the UK (two million people) would see their rents go up.

You don't need a degree in statistics to know that the intentions of 400 people isn't going to be a reliable indicator of pretty much anything – yet publications will happily use it to paint a terrifying (and therefore newsworthy) picture.

Biased sampling

It gets worse, because the (small) samples are normally drawn from a group that's unrepresentative to start with. For example, the 856 people whose responses determined that "380,000 landlords look to sell up" were members of a landlord association – who, generally speaking, tend to have larger portfolios (so they're more likely to be "planning to reduce the size of their portfolio" by selling one or two when things get bad, because they have more exposure than the average landlord) and skew older so they might be looking to cash in some of their historical capital growth.

A survey of Property Hub Magazine readers could have led to an equally ridiculous headline like "80% of landlords plan to double their portfolios next year" – purely because of who was asked.

Overly emotive words

You'll notice that the tenants we encountered earlier were going to be "clobbered" by their rents going up. Similarly, you'll usually see prices "slump" or "surge" rather than rise or fall, and supply be a "flood" or a "drought". Anything less than ideal about pretty much anything, meanwhile, is a "crisis".

A useful exercise when reading headlines is to mentally replace every emotionally charged journalistic cliche with a normal word: so "prices plummet as landlords rush for the exits after tax bombshell" becomes "prices go down as tax changes cause some landlords to sell up". Which sounds a whole lot less scary.

(Not very) Hidden agendas

The agenda common to the media as a whole is to make everything sound more dramatic than it really is – especially if it's negative. And who can blame them? I wouldn't read a story headlined "Prices have gone down a bit since last month but that's totally normal for this time of year" either.

But specific publications have their own agendas too – like the Guardian having a major downer on landlords, and the Express wanting to make their home-owning audience feel wealthy by finding evidence of price increases. Being aware of these agendas can help you filter what you read and mentally correct for any bias.

It's also worth looking out for vested interests in whoever compiled the original research. For example, a recent survey found that "over half of investors no longer view property as a good investment"... in a study commissioned by an investment management firm who only get paid when people invest in non-property assets like shares.

Selective statistics

You can use statistics to show pretty much whatever you want them to – and headlines often cherry-pick the number or interpretation that tells the most dramatic-sounding story.

A recent story told of how mortgage lending had "slumped" (there's that word again) over the last three months... but buried near the bottom of the article was an admission that it was still 3.3% higher than the same period last year.

Using the same data, you can take your pick of time period to conclude that the market is "soaring" or "in freefall". The only way to get the full story is to look beyond the headline, and read the whole article.

Please read responsibly

When you read as much of the property press as I do, you notice that what's reported as happening right now is usually based on very shaky data, and claims about what's going to happen mostly turn out to be wrong.

Does that mean you should ignore it completely? Not at all... if only because most people read the press, and read it uncritically. That means reading it yourself will tell you what the majority of people have been led to believe – and as it's the behaviour of large numbers of people that drives markets, in turn it will tell you what the market is likely to do.

You can also use the press to educate yourself – not just find out what other people will be thinking – but it's essential to read the majority of the story (not just the headline) and attempt to mentally correct for some of the biases and tricks I've pointed out. And don't rely on just the press: use it as one input – along with historical evidence, the opinions of informed people and your own experiences – in forming your own opinion.

And remember: the whole job of the media is to make everything seem more important and urgent than it really is. That's how they capture more of your attention – and controlling your attention is how they make money. You'll never get the unvarnished truth – and whatever the truth really is, it's guaranteed to be a lot more boring than the headline makes out.

The GRAND DESIGN debates: how should landlords furnish their properties?

Cheap and cheerful? Or a little bit of luxury? John Fitzsimons explores the dos and don'ts of kitting out a rental property?

Successful rental properties usually have a number of key attributes. They tend to be popular house styles in sought-after areas, marketed at a fair price and presented in move-in condition. One frequently overlooked aspect of this formula, however, involves how each acquisition should be finished internally and furnished. After all, a budget apartment purchased with housing benefit claimants in mind will probably require different specifications and investment levels than a city centre duplex, or a suburban semi.

Although there isn't a one-size-fits-all approach to furnishing properties, market insight and common sense can provide a good steer. So what should landlords think about when evaluating how to kit out a rental property? And is it possible to attract excellent tenants without paying huge amounts for top-end furnishings?

What sort of tenant are you looking to attract?

With any rental property, it's crucial that you have a good idea of what type of tenant you're looking to attract. Are you looking to appeal to young professionals, families, students, or other demographics?

Once you have an idea of who those tenants are likely to be, you can start thinking about what sort of furnishings will best suit them – not just in terms of practicality, but also standards. Chris Norris, director of policy and practice at the National Landlords Association, says: "If you want a young family to rent your property, then furniture that can withstand wear and tear by young children is likely to be a sensible bet. As with any commercial decision, knowing your customers is essential."

It's important to remember you aren't furnishing the property to suit your own tastes: any aesthetic decisions should be about appealing to the largest possible number of potential tenants. Alan Ward, chairman of the Residential Landlords Association, explains: "If you're new to the market, I would say don't start furnishing your buy-to-let as though it's your own home. This isn't about emotion. It's about providing the basics, and ensuring they are of serviceable quality." Take a step back from how you would fit out the property if it were your own home, and instead consider the bigger picture.

Remember the regulations

Before you buy up the contents of the Habitat catalogue, first consider any regulations that cover safety standards of furnishings in your property. For example, all soft and upholstered furnishings in rental homes (including mattresses and sofas) must be fire-resistant. Make sure they have a fire-safety label attached – particularly if you're acquiring second-hand items.

With white goods, landlords have a duty of care to check appliances and ensure they're safe for tenants to use. Government guidance stipulates that you check that portable appliances like toasters and lamps have a CE mark, and that tenants are provided with instruction manuals for all appliances. The Residential Landlords Association explains that while some landlords do a course so they can carry out basic checks themselves, others turn to specialist providers.

Why top end doesn't have to mean top dollar

You might think targeting the top end of the tenant market would require a significant outlay on furnishings. But this doesn't have to be case, according to Andrew Matin, the sales and lettings director at London estate agent Harrisons. So long as the finish is "modern, minimalist and in turn-key condition", it will always find interest: "This doesn't necessitate significant expenditure on furniture. IKEA tends to be the most practical, low-cost solution for our landlords, and it complements the style of modern apartment blocks."

Catering to the student market

If you're aiming for the student market, the way you specify the property may be different again. Andrew Chell, a landlord who specialises in student letting, points out that as students are generally less experienced tenants, they often lack the maintenance and cleaning skills of older renters. Additional wear and tear is a "valid concern", he says: "You can make maintenance easier by selecting the right types of furnishings. You want fittings that are durable, easy to clean and affordable to replace. For example, when buying a sofa, either buy one with a removable cover that can be chucked into the washing machine, or a leather sofa that can be wiped down easily."

Providing the tenants with certain "freebies" can also help protect the property itself, and reduce your overall outlay: "You could provide cleaning equipment to encourage them to keep the house in a good condition, and perhaps even some kitchen supplies. For example, putting chopping boards in the kitchen will discourage students from hacking into your worktops. You can also list these items in the inventory to make sure they're returned at the end of a tenancy." If the budget allows, hard-wearing work surfaces like Corian or granite will last far longer than cheaper options – and will also increase a property's desirability.

Consider the competition

You don't just need to consider your prospective tenants when choosing furnishings: you should also check out your competition. What level of furnishings are other landlords in the area providing? If you want to

“Are laminate floors the best option if you’re looking for something long-lasting, or are you better off simply replacing the carpet on a regular basis?”

stand out and attract better tenants, the way you present your property could make a real difference.

James Davis, a portfolio landlord and founder of online letting agent Upad.co.uk, says investing a little more than your rivals can pay dividends in a competitive market: “Ultimately, you get a higher reward for the more effort you put in.”

Should you let your tenants decorate?

Not all tenants are going to be satisfied with the furnishings or design of the property, and some may want to decorate it in their own style. This is undoubtedly a risky move. While some tenants will be a dab hand when it comes to DIY (or at least know someone who is), for others it can be a recipe for disaster. So how should landlords handle a tenant asking to do some decorating?

Greg Tsuman, head of lettings at Martyn Gerrard estate agents, says that in order to protect both your pocket and the property itself, you might want to include a subclause in the tenancy agreement. This will allow you to inspect and rectify any decorating jobs that have been poorly carried out. The subclause can also include the option of vetting checks on the tenant’s capabilities to carry out the work they want, or the tradesmen they intend to hire.

“It’s sometimes sensible to enter into an entirely new contract with tenants, when it comes to improvement works to the property,” Greg says. “Agreeing a specification and completion date for the work is also advisable. This means that, should the work not be done on time or to the agreed standard, the tenant is responsible to cover the cost of any correctional work.”

A big consideration here is whether the tenant is likely to stay in the property for a long period, or whether they’re going to head off somewhere new after a year or so. Bronwen Vearncombe, an experienced landlord, says that families who are setting up for a longer period might want to hang up pictures and make other homely adjustments: “Just remember that when they leave, you need to have a property you can let to another tenant.”

Think of the long term

A sizeable budget at the outset can result in savings over the longer term, as quality furnishings are generally more likely to last. As James says: “While there’s no legal obligation on the part of the landlord to pay for the maintenance and upkeep of certain white goods, it is often the case that they do. As such, investing in quality items that are likely to last longer and come with solid warranties will often be a prudent move.”

Alan adds that with wear and tear typically higher in rental properties, quality items won't need replacing quite so often: "Where white goods are concerned, you need to do your homework. You must make sure they comply with all the current safety regulations, but it is also worth looking at the service record and reliability."

Focus on the floors

Are laminate floors the best option if you're looking for something long-lasting, or are you better off simply replacing the carpet on a regular basis?

Bronwen says that if you're going for carpets, install something durable and hard-wearing: "Throughout all our properties, we use a commercial-grade carpet that tends to be a darker colour, so dirt doesn't show. Because we can use it in multiple properties, we buy it by the roll – which works out cheaper.

Karl Knipe, partner at Kings Group estate agents, adds that while cheap flooring can seem a practical, cost-effective measure, it can prove off-putting to tenants: "Laminate flooring on the other hand is cheap, cheerful, easy to install and is likely to wear better over time. Overall, laminate flooring wins out for durability, cost, tenant appeal and good wear and tear."

Make sure the maths adds up

The biggest factor when specifying a rental property will often be your budget: how much can you afford on making your property as attractive as possible?

Bronwen recommends that you budget ahead, working out whether you're better off simply performing cosmetic changes, or whether you can afford to fully refit and start over. "We tend to do the latter, and buy old Victorian properties", she says. "We rewire them, fit smoke alarms, install new kitchens, bathrooms and carpets throughout. We budget for the whole of this and negotiate the price we pay accordingly. If it's an HMO, we know we can recoup the costs, or even remortgage if we've added a lot of value to the property."

James points out the importance of considering whether certain features will mean you can then charge a higher level of rent: "The added initial expense of things like a microwave, dishwasher and tumble dryer can feel prohibitive. If it means you're able to secure £100 extra rental income per month and attract a higher-quality tenant, then the maths soon justifies such an investment."

Remember, remember the 5th of April

One final consideration for landlords is the recent change to the tax treatment of wear and tear. It used to be the case that landlords who let out a fully furnished property could claim back 10% of the gross income they received as a wear-and-tear allowance. However, from the 2016/17 tax year onwards, that system has changed. Landlords are now only able to claim tax relief when purchasing replacement items.

According to research from the National Landlords Association, around 47% of landlords let out at least some of their properties furnished – and have consequently been affected by this tax change. Industry reaction to the government's move has been mixed. Lucy Morton, head of residential agency at property consultancy JLL, says the revamp has been "frustrating for a lot of landlords".

Greg concludes by saying the new system is fairer: "If a sofa is found to be broken on move-out day, the landlord is able to claim the cost of a replacement sofa. The old 10% rule could be more or less than the cost of replacing a sofa with a like-for-like model. This new system allows for a case-by-case basis to be deployed, ensuring damage costs are claimed fairly and in line with the existing fixtures, as opposed to a theoretical cost for any damage." Either way, this change is an important one for landlords to consider when evaluating how to furnish their rental property.

"The added initial expense of things like a microwave, dishwasher and tumble dryer can feel prohibitive. If it means you're able to secure £100 extra rental income per month and attract a higher-quality tenant, then the maths soon justifies such an investment."

Guaranteed returns?

Are guaranteed rent schemes the solution to void periods, or a shortcut to trouble? Neil Cumins investigates the benefits and risks of handing your rental portfolio over to a third party.

If you've ever experienced a lengthy void period in one of your rental properties, the prospect of a guaranteed rent scheme might seem too good to be true. These schemes represent a partial solution to the housing crisis, by effectively supplying privately owned properties to local councils, housing associations and letting agencies – who are then able to reduce pressure on their waiting lists by accessing additional homes. Landlords, meanwhile, enjoy a guaranteed income for rental properties – regardless of whether or not they're actually occupied.

Public or private?

Guaranteed rent schemes are growing in popularity everywhere from the UK to Australia. Their implementation in this country generally takes one of three main forms. "The one used mainly in the private sector is the rent-to-rent model," says ARLA Propertymark's chief executive, David Cox. "This means landlords rent the property as a 'tenant', and pay a monthly rent. Then they sublet it at their own risk to actual tenants, who will be living in the property.

"The second and third models are generally used by local authorities. One model involves private sector leasing schemes. Similar to the rent-to-rent model, local authorities take the property for a length of time – normally three to five years – and then sublet it to those on the local authority housing waiting list. The final model is when a local authority sets up a social letting agency, and uses the local authority's buying power to attract landlords by offering guaranteed rents."

Buyer beware

Before delving into the whats, hows, pros and cons of guaranteed rent schemes, it's important to note that none of this has anything to do with rent guarantee insurance policies, which cover missed rental payments. These policies vary from one company to the next in terms of their design and operation, making due diligence very important.

Also beware of any guaranteed rent scheme involving assured shorthold tenancy agreements. Since the agent is not going to be living in the property themselves, landlords should be entering into a commercial lease agreement instead, which will cover any tenancy arranged by the agent.

Flexible friends

Because guaranteed rent schemes vary greatly, they offer huge flexibility. This is acknowledged by Garry Slater, the founder and CEO of Nottingham-based

A landlord's story

Mark Morris is a portfolio landlord, and also leads the Manchester Property Hub meetup. He became aware of guaranteed rent schemes through membership of his local council's Landlord Accreditation scheme: "The scheme was set up by the council, to try and encourage good-quality private housing for the increasing demand for properties both socially and privately. For landlords, it gave access to a number of services including the Private Sector Leasing Scheme. The council was offering grants to landlords who owned or bought properties that had been empty for more than six months, to bring them back into use in the rental sector. A property could be refurbished with a grant of up to £15,000, as long as it was leased to the council for five years through a rent guarantee scheme, plus cleaning of communal areas and gardening."

Rental income was guaranteed over a three-year or five-year period, irrespective of void periods. The monthly fee was substantially below normally achievable rates, however, as Mark explains: "The rental income was calculated on the Local Housing Allowance. Of this, 75% was paid direct to the landlord, with a 25% management fee."

Mark bought two properties in 2014 and 2015, which he entered into the scheme. The first was a two-bedroom home purchased at auction for £46,000 and fully refurbished with a £13,000 grant. A guaranteed rent income of £375 per month was agreed over a five-year lease. The second property was signed over for three years, having been acquired for £35,000 and redeveloped with a £15,000 grant. After deductions, this has provided Mark with a guaranteed monthly income of £340. The three-year agreement has just ended: "I have now moved from the guaranteed rent to a managed service. This involves a 12.5% fee instead of 25%, as the original tenant is still in residence."

Mark hasn't experienced any payment delays, and because both properties were fully refurbished at the outset, maintenance costs were almost non-existent for the first two years of both agreements. "In the last year, I have started to receive bill for repairs," he says. "General maintenance is not covered – only tenant damage." Even so, Mark describes the guaranteed rent scheme as excellent when backed by the refurb grant: "I have received nearly £30,000 of assistance over the two properties. Plus, these properties have both increased in value by 40 to 50% from their original purchase price."

Although the restrictions imposed by guaranteed rent schemes may not suit everyone, Mark recommends adding a portion of any rental portfolio into a guaranteed rent scheme: "That way you still have that guaranteed income, whatever else happens. I also think the scheme is ideal for landlords managing from afar, or accidental landlords. Once it's set up, you really shouldn't need to get involved at all, other than spending or reinvesting the rent. My local council is looking to start a further grant with the guaranteed rent scheme, which I would look to use again. The property that just came out of the three-year lease scheme was in good condition, and I still have the same tenant, who I think could be there for years and years."

property development company Capitum. Their schemes are aimed at larger properties, which can then be let out on a room-by-room basis: "Our guaranteed rent scheme is aimed purely at landlords with properties that have a minimum of four bedrooms. We let rooms inclusive of all utility bills, plus communal cleaners and gardeners."

Garry says the guaranteed rent scheme is especially popular with landlords who have grown tired of managing a portfolio, but who don't want to leave the industry entirely. "Landlords often become exhausted with the ongoing need to keep up with both ever-changing government regulations, and the refurbishment works required to keep a property suitable for its intended market. Another major factor is the monitoring and testing of all fire safety precautions within shared properties, such as HMOs."

Given the strict rules regarding other aspects of property letting, it's perhaps surprising that the guaranteed rent sector remains largely unregulated. This is something noted by Eric Walker, the managing director of Northwood estate and letting agents: "There is no national policy or regulation of guaranteed rent schemes. However, there really should be." Eric recommends that all landlords investigate an agency thoroughly before signing up: "The biggest risk involves the financial strength of the agency offering such a scheme. Also, very few agents have appropriate professional indemnity insurance, which is needed to cover them where they are named as landlord in any action."

> **“If everything goes well, guaranteed rent schemes provide financial reassurance for landlords, without the administrative burdens of finding and managing tenancies. However, the relative lack of control about who occupies their properties can be difficult for some landlords to accept.”**

The social network
The private sector has been offering guaranteed rent schemes for decades, where third-party agents sublet properties to their own clients and act as proxy landlords throughout each tenancy. However, councils are increasingly embracing the concept as well. Ironically, this often means paying a landlord to use an ex-local authority property. Even so, the additional housing stock is often welcomed by authorities struggling to get waiting lists under control. And unlike private schemes, which depend on an individual company’s solvency and stability, councils will be better insulated against wider economic challenges over the lifespan of a long-term rental agreement. While councils tackle their waiting lists, landlords simply enjoy the reassurance of a guaranteed income without any administrative duties.

Making the sums add up
Paul Shamplina is the founder of Landlord Action, and he recognises the benefits of being one step removed from tenancies through both public and private-sector schemes: “Most arrangements promise to cover any void periods and general maintenance costs, which can be attractive to landlords who want a hands-off investment with guaranteed income.”

The rental income provided to landlords by these schemes will inevitably be lower than normal market rates, as some schemes absorb a quarter of a property’s monthly rental income. This protects the scheme’s operators against void periods, while covering essential repairs caused by troublesome tenants and the management of the scheme itself. Paul Shamplina says fees can vary widely: “There is no specific cap on how much can be deducted; the figure is agreed between the landlord and the agent providing the guaranteed rent. Landlords considering guaranteed rent accept their income will be slightly less than market value in return for no void periods, no missed or late rent payments, and no tenant or maintenance queries.”

While landlords have to accept lower rent as part of the deal, a fixed monthly income both provides welcome stability on their balance sheet and supports long-term financial forecasting. “Guaranteed rent schemes are most sought after by landlords who want peace of mind,” says Eric, “and by people who are worried about tenants not paying rent or breaching the terms of their tenancy. Most landlords cannot readily absorb more than a month of non-payment of rent or void periods. Others are concerned about the cost of legal action, should this prove necessary.”

Final thoughts
If everything goes well, guaranteed rent schemes provide financial reassurance for landlords, without the administrative burdens of finding and managing tenancies. However, the relative lack of control about who occupies their properties can be difficult for some landlords to accept. That’s particularly true for anyone with an emotional attachment to a property, such as an inherited relative’s house or their own former residence.

There is widespread agreement that due diligence is the landlord’s best weapon. David recommends reading the small print: “It’s really important that landlords read these kinds of contracts carefully, so they’re clear about how the scheme will work.” Garry stresses the importance of ensuring the scheme’s provider is reputable: “As a minimum, landlords must take the time to check a provider is a member of a customer redress scheme. We would also highly recommend asking for a number of testimonials from current clients, to check the service being advertised is matched in practice.”

Paul concludes with a warning about existing policies: “If a landlord is thinking of instructing an agent on a guaranteed rent scheme, there are factors they must consider, such as checking with their mortgage lender and insurance provider that they allow this type of arrangement. I would not advise a landlord to enter into this kind of arrangement without comprehensive knowledge of the company’s experience in guaranteed rent schemes.”

Expert's view with Rob B:

THE LAND-BUYING A-TEAM YOU NEED ON YOUR SIDE

Rob Bence © Barney Walters.

Lots can go wrong when it comes to buying and developing land. To avoid these pitfalls, you'll need a team of experts – but how do you assemble your land-buying A-team?

Buying and developing land is a unique process. Over the years, I've discovered which people really make a difference when tackling the challenges that come with any land purchase. Allow me to present every investor's land-buying A-team...

THE LAND AGENT

When you're buying a property, you'll more than likely start your search online. Property portals like Rightmove and Zoopla have revolutionised the property market, so it makes sense that they're the first port of call for most buyers. If you're buying land, however, starting your search on a property portal is equivalent to waiting until every possible buyer has seen – and rejected – a property before deciding to put an offer in. When it comes to land, plots that end up on Rightmove and the like have already been seen by every man and his dog. The land network is a small one, and as soon as a good plot becomes available, it's not long before everyone knows about it. If it's languishing online, it's a bad sign.

While you can keep an eye on what land is coming available by monitoring planning applications or attending networking events, you might find it helpful to enlist the services of a qualified land agent. A good agent will already be part of the land network and can advise you when a good plot is up for grabs.

THE GROUND CONSULTANT

You know where you want to buy. You know the type of plot you're looking for. You're a smart cookie, and you're going to do your due diligence. But you're probably not going to show up at the site with a rotary drilling device and start boring holes in the ground to see what's below. And nor should you. You should, however, find someone who will. A ground consultant will undertake the necessary investigative work to ensure the land is fit to build on. Skip this step at your financial peril.

THE TRANSPORT CONSULTANT

Whether you're building one or two properties or a whole development, chances are you've already thought about parking spaces. But have you thought about the traffic around your development? A transport consultant will know the local traffic network and be able to tell you if your development will create additional traffic – and if so, how to mitigate it.

THE SPECIALIST LAND CONVEYANCER

If you were buying a leasehold property, it'd be advisable to choose a solicitor who's dealt with leaseholds. If you were buying a House in Multiple Occupation (HMO), you'd want someone with experiences of such properties. And if you're buying land, you'll need a conveyancer who understands what's involved (and is experienced) in land purchases. Your usual conveyancer may be a cracking person and great at what they do, but you'd be mad to appoint them if they've never been involved in a land sale before.

Successful land searches involve building a good relationship with someone who'll offer a "quick-look-free-check" service. This naturally saves you loads in fees and allows you to move quickly when a plot of land comes up. The last thing you want is a consultant who hits the fee clock whenever you phone them up or drop them an email. In return, they know you'll appoint them when their full services are required.

TOP TIPS

CHEATED OUT OF HOUSE AND HOME: HOW TO AVOID PROPERTY FRAUD

Property fraud is at record levels, and even veteran property professionals could become victims of scams and deception. Neil Cumins investigates.

An Englishman's home is his castle, as the saying goes. Unfortunately, a small army of criminals and fraudsters is circling outside the gates. Armed with tools like Trojans – malicious software files used to gain access to computer systems – these invaders are constantly looking for ways to seize control of our properties and bank accounts. Even security-conscious landlords and investors can fall for these increasingly sophisticated scams.

Developing a siege mentality

Property fraud has never been more prevalent, with Land Registry figures suggesting reported cases have tripled since 2013. Established crimes like investment scams are still rife, where criminals accept money for off-plan developments or buy-to-let portfolios that either don't exist or aren't theirs to sell. At the same time, our increasing dependence on the internet is fuelling a spike in property-based cybercrimes like bank transfer fraud. Fraud prevention body Cifas estimates that roughly half of the 325,000 separate cases it recorded on the National Fraud Database last year were cybercrimes.

Fraud and cybercrime have become so widespread that City of London Police and the National Fraud Intelligence Bureau have jointly established a dedicated reporting centre. Action Fraud covers England, Wales and Northern Ireland, and Detective Inspector Alex Eristavi acknowledges the scale of the challenges they face: "There are many ways in which fraud can be committed in relation to the ownership or purchase of property. These range from offering you a 'get rich quick' investment scam, to hacking into emails and diverting house purchase payments. Fraudsters will try every trick in the book to defraud their victims of money."

Action Fraud's remit doesn't extend to Scotland, where such crimes are the responsibility of Police Scotland. Inspector Gordon Burns identifies three distinct types of property fraud: "There's mortgage fraud, which would normally involve issues of dishonesty around the compliance and governance of the application, and can leave the banks significantly out of pocket. Secondly, we have investment/timeshare fraud, where people are looking to invest money. The third type is more to do with a product necessity – property rental, essentially a roof over your head. Young families, young students or families in financial arrears all need to find alternative accommodation. Con artists regularly prey on such vulnerability, looking to exploit the situation for financial gain."

The risks of caveat empty

The latter scenario occurs regularly throughout the UK, in a form of investment fraud known as home hijacking. This involves an absentee landlord or homeowner letting a property to seemingly legitimate tenants. The tenants (or their criminal paymasters) then sell the property while posing as the rightful owners, or take out substantial loans and mortgages against it. Pretending to be the owner is easier while living in the property, where crooks can intercept post and potentially even use the registered landline number. Document and signature forging (or online fraud) takes care of everything else.

According to David Pett, the managing director of conveyancing provider MJP Conveyancing, it's surprisingly easy to sell a property without the owner finding out: "In most cases, the fraudster will deceive the conveyancer into believing they are the true owner. The consequence is a duped buyer left without a property, and a mortgage lender left without security for its loan. The targeted funds usually end up in an overseas account, held in the name of the fraudster."

David says empty rental properties without a mortgage to redeem are particularly vulnerable: "This has proved an easy option for fraudsters, due to the open and accessible register of land maintained by the Land Registry." He cites the case of a mother-and-daughter team who posed as the owners of a £3 million London property, with the mother changing her name by deed poll to match the rightful owner's name. A £1.2 million loan was taken out as security on the property, before being transferred to a Dubai bank account registered to the fraudsters.

All that glitters is not sold

Paula Higgins, chief executive of campaign group HomeOwners Alliance, has seen increasing creativity in the types of property fraud being perpetrated: "A common trick nowadays is 'funds interception', where fraudsters pose as solicitors, tricking buyers into transferring funds for a property to their bank account instead of the proper one." By cloning or hacking the email account of an owner, solicitor or buyer, criminals can re-route funds to fraudulent accounts and immediately transfer the proceeds offshore. Phishing emails are commonly used for this purpose, purporting to be legitimate requests for information or payment.

The Solicitors Regulation Authority registered a record amount of cyber-enabled property fraud last year, with victims losing an estimated £101,000 on average. Yet Paula says the internet can be the solution as well as the problem: "Technology has certainly made things more efficient. In some ways, it can help buyers, sellers and tenants protect themselves. Innovations such as the Land Registry's free email alerts, which are sent when searches and applications are made against a monitored property, are useful tools in the fight against fraud." She warns, however, that "While buyers and sellers have welcomed the time-saving move to digital signatures, care must be taken not to make life easier for fraudsters."

Sense and sensibility

David believes basic common sense can prevent many forms of online property fraud from occurring. His tips include:

- Keep anti-malware software on all computers and mobile devices up to date.
- Never send bank details in an email unless it's encrypted. It's much safer to phone the person you're providing this information to.
- Never trust bank details contained in an email, even if it seems to be from a trusted source. Always call the conveyancer to check.
- Send a test payment of £1 to the conveyancer, and ensure it's been received.

Offline steps may also protect you, such as ensuring the Land Registry has your current correspondence address, rather than the address of a property you own. When dealing with prospective buyers or tenants, ask to see passports as proof of ID – but treat brand new passports with suspicion, since it's not difficult to acquire forged documents online. Choose a reputable solicitor, and read any documentation they send with care. And beware of anyone attempting to rush through a transaction quickly, which reduces the window of opportunity for spotting criminal activity.

Better safe than sorry

Many fraud cases go unreported due to fear or embarrassment, or even a lack of understanding about what's happened. Yet David argues it's better to report suspicious activity than risk losing out: "If funds have been transferred into a fraudster's account, the chances of recovering the money are much higher if the bank is notified immediately. If the fraud relates to the transfer of property where the fraudster has purported to be the owner, contact the police straight away or ring the Land Registry's dedicated property fraud line." Over at Police Scotland, Gordon says due diligence is essential: "If you're making any kind of property investment, make sure you know who you're buying it from. Organised crime could be behind it, and you may end up assisting them."

Alex's final words are especially pertinent: "Never make investments without thorough research. If a deal seems too good to be true, it probably is." Also, be suspicious of sudden changes to an agreed schedule or plan: "If you're in the process of purchasing or selling a property and you receive an email advising of changes to bank details, don't be afraid to question its authenticity." A quick phone call could ensure you don't become part of 2018's property fraud statistics.

top five

things to check when viewing a resale property

YOU MAY THINK YOU'RE BAGGING A BARGAIN OR AN EXCITING RENOVATION PROJECT, BUT WITHOUT THESE IMPORTANT CHECKS, YOU COULD BE SADDLING YOURSELF WITH A COSTLY PROBLEM.

1 THE ELECTRICS

Did you know that only 37% of people check the electrics in a property before buying it? Campaign group Electrical Safety First (ESF) says a massive 25% of buyers believe electrical checks are included in a home survey report, while almost 50% didn't realise any checks were needed. Not checking the electrics on a property can prove a costly mistake: ESF says the average cost to fix an electrical problem identified after moving into a property is £1,704, but may be much higher. It may be necessary to incorporate repair costs into your overall budget, or negotiate a reduced purchase price accordingly.

2 THE BOILER

Older properties often have older boilers – which are (usually) less energy efficient than newer ones and will therefore take up a far bigger proportion of your domestic energy bills. This wouldn't be ideal if you were planning to live in the property yourself, but it's an even bigger concern for BTL investors. New regulations introduced this year mean it's illegal to let out a property with an energy rating lower than E. Before you make an offer, be sure to check the boiler.

3 THE ROOF

Roof repairs can be costly, and older properties are much more likely to have problems than newer ones. Comparison website The Eco Experts estimates that repairing a roof can cost anywhere between £220 (to replace some tiles) and £3,000 (for replacement fascias and soffits), while replacing the entire roof could cost upwards of £7,000. You may be keen to renovate a property, but shelling out thousands on something as basic as a roof probably isn't in your plans – so be sure to check its condition before you buy.

4 DAMP

Damp is one of the most common problems affecting properties, and it can usually be dealt with relatively easily if detected early. The big problem with damp, however, is that it can be very expensive to fix if left undetected. Look for telltale signs including a mouldy smell, watermarked ceilings or flaking plaster. If a room has recently been repainted, it may suggest something is being covered up.

5 CRACKS

Cracks often indicate that a property isn't as structurally sound as you might hope. While some hairline cracks are to be expected, it's the larger cracks you need to be looking out for. You'll probably need a surveyor's help to detect any structural problems, but keeping an eye out for obvious signs on a viewing will allow you to give the surveyor a heads-up.

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, and Luis Guarin

EDINBURGH
The Grosvenor Casino, EH12 8NE.
Meetup leader: Bill McWilliam

NEWCASTLE UPON TYNE
The Tap and Tackle Bar, Kingston Park Rugby Stadium, NE13 8AF.
Meetup leader: Al Robinson

LIVERPOOL
The Brewery Tap, L8 5XJ.
Meetup leader: Tony Woods

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

LEEDS
Mr Foley's, LS1 5RG.
Meetup leader: TBC

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

BIRMINGHAM
Around The World Bar, B15 1AY.
Meetup leader: Kevin Cooper

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

MILTON KEYNES
(next meetup will be in September)
Check website for venue details.
Meetup leader: Jason Smith

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

CARDIFF
Holiday Inn Cardiff North, CF15 7LH.
Meetup leader: Carl Matthews

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
Trotters Bar, CO1 1QX.
Meetup leaders: Phil Sadler and Vito Anzalone

SOUTH ESSEX
The Paul Pry, Rayleigh, SS6 7AA.
Meetup leader: Joanne Dron

LONDON KING'S CROSS
The Somers Town Coffee House, NW1 1HS.
Meetup leaders: Gavin Lloyd and Paul Adegbite

LONDON WATERLOO
All Bar One, SE1 7PY.
Meetup leader: Marcus McCann

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

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
The Halkett, JE2 4WG.
Meetup leader: Jo Alford

ZURICH
Kennedy's Irish Pub, 8004.
Meetup leaders: Markus Zeller and Iain Mathews

STOCKHOLM
Hotel at Six, Brukebergstorg 6.
Meetup leader: Tim Franzén

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

HONG KONG
Grappa's Cellar, 1 Connaught Place.
Meetup leaders: Kevin Isaacs and 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**