The PROPERTY Hub Magazine

Making sense of property investment

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QUESTION TIME
Putting your questions to the Secretary of State

CASE STUDY
From first-time buyer to remote investor

LOCATION
Glasgow: Scotland's largest city has real investor appeal

LETTINGS
Dealing with problem tenants

UP IN (THE BIG) SMOKE

Is time up for London's property market?

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Welcome

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.

Hello!

Can you believe we're approaching the end of 2018? It's been quite a year for The Property Hub. We've expanded our team, broken records with our podcast, and started working on a particularly exciting top-secret project.

For the property industry as a whole, 2018 has been something of a rollercoaster ride. We've had newspapers heralding the end of buy-to-let, landlords fighting back in typically resilient style, new legislative proposals, and the same old rhetoric from certain corners of the housing industry. And we've made it through all the ups and downs once again.

While 2019 may be approaching quickly, there's still enough time to make this year count – and we're on hand to give you all the help and advice you need. In this issue, we shine the spotlight on problem tenants (and what you can do about them) as we spend a day with eviction specialist Andrew Stott (p7). We also take a look at every landlord's worst nightmare in our feature "When tenancies go bad" (p38).

Our Location Focus feature (p10) heads north, to find out what the second city of the Empire, Glasgow, has to offer. Elsewhere, property investors Pallavi Sharma and Eduardo Estelles share their stories on pages 18 and 29 respectively, and we've put your questions to James Brokenshire, Secretary of State for Housing, Communities and Local Government, to hear his thoughts on the property market (p15).

Finally, if you're wondering whether to set your sights on the capital next year, you'll want to check out our cover feature (p23). We consider whether it's the end of the road for investment in London – and the findings might just surprise you...

Enjoy!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry.

News

GRAND DESIGNS IN BELFAST

Belfast's property market has been on a rollercoaster ride since the Good Friday Agreement was signed in 1999, with huge amounts of inward investment underpinning an expanding population. To maintain this growth going forwards, the city council recently unveiled an ambitious Local Plan, which would see almost 32,000 new homes constructed throughout Northern Ireland's capital by 2035.

This figure seems remarkable when you consider how the UK government's plans for 23 garden communities will collectively only provide 200,000 new homes. And even then, work won't be completed until 2050. So how is Belfast going to add so many properties to its skyline in the next 16 years?

Following extensive consultations with existing residents and businesses, the Belfast Local Development Plan runs to 336 pages. It aims to ensure a balance in housing styles, and to prevent supply exceeding demand in future decades. This is particularly pressing given the current lack of affordable housing throughout the city – property prices are lower than in Britain, but so are average incomes.

Of the 31,660 homes being proposed, 8,000 will be constructed in Belfast's compact city centre. Brownfield sites will be prioritised, including many not currently zoned for housing or mixed use. There will be a focus on tall buildings (defined as over 35 metres in height) throughout the city centre, with 330,000sq m of offices and workspace also planned for the urban core. An additional 82,000sq m of "employment floorspace" has been mooted for the Harbour area, alongside 3,500 new homes, underlining the strategic importance of the Titanic Quarter in Belfast's future.

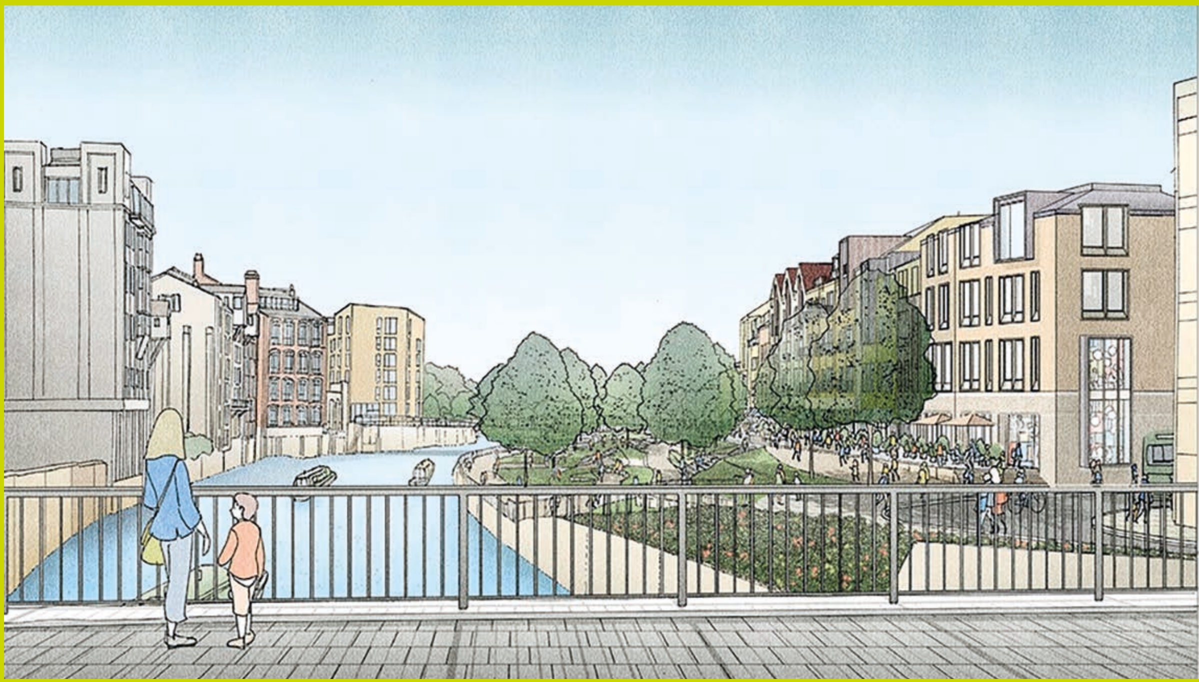
BTL LANDLORDS FIGHT THE SIGNS OF AGEING

It's a trait often associated with police officers, but buy-to-let landlords really are getting younger every year. According to Manchester-based estate agency yieldit, the average age of landlords across the UK has fallen dramatically since 2014. The average age of yieldit's BTL customers has dropped from 52.3 to 42 in just four years.

These changing demographics were more notable in some sections of the market than others. The average age of student property purchasers fell by a relatively modest 8.1 years, whereas the average age of residential buyers plummeted by 16.6 years – from 57.5 to 40.9. This may simply reflect growing interest in taking out buy-to-let mortgages – a phenomenon acknowledged recently in separate research by Sainsbury's Bank Mortgages. They claimed almost one in ten UK adults had shown some interest in taking out a BTL mortgage over the first eight months of 2018. Of these, 29% felt encouraged by current opportunities, and 25% planned to reinvest an inheritance.

Another glimpse into the BTL market was provided by online agency MakeUrMove at the end of August. They claimed two-thirds of landlords are part-time, renting properties as a way of supplementing their main income. The most common full-time occupations included teaching, accounting and IT roles. MakeUrMove suggested 53% of landlords owned a single property, while only one in 20 had more than five in their portfolios. This research also mirrored a key finding from the Sainsbury's analysis, suggesting many landlords fell into property rental through an inheritance or difficulties selling a former home.

The Belfast skyline is set to change with new housing and workspace over the next few years.



Illustrative view of the Bath Quays development from Churchill Bridge.

CONTROVERSIAL BATH WORLD HERITAGE SITE APPROVED

After a lengthy and controversial planning process, Bath & North East Somerset Council has approved a 5.4-acre mixed-use masterplan on the northern bank of the River Avon in the heart of Bath. Featuring seven new commercial and residential buildings, Bath Quays North will also host retail units, underground car parking and communal grounds.

Despite replacing a Brutalist car park with a riverside public realm and balconied apartment buildings, Bath Quays North hasn't had an easy gestation. Bath is a UNESCO World Heritage site, and surrounding buildings possess real architectural merit. The council's own planning officers were highly critical of this scheme even as they granted approval, claiming its "bulk and height" would dominate and impact on "the distinctive character of Georgian Bath and the wider World Heritage site".

It should be noted that World Heritage sites and modern architecture aren't mutually exclusive, as long as the latter complements the former. And while locals continue to disagree about details like material choices at Bath Quays North, investors should note that some buildings will be constructed with no distinction between commercial or residential use. There will be at least 70 residential units, though private homes could also consume 12,500sq m of accommodation currently zoned as Grade A office space if there's more demand for residential than commercial premises. Work is expected to start on-site early next year.

BUNGALOW DEMAND RISES AS COMPLETIONS FALL 90%

The UK has an ageing population, and the benefits of single-storey living are obvious in our later years. Yet we're not building as many bungalows as we used to. In fact, recently announced figures reveal that construction of single-storey homes has fallen from 26,000 in 1986 to just 2,600 last year. Of the UK's 27 million homes, only two million are now bungalows.

There's a wealth of anecdotal evidence indicating older homeowners will stay in their existing properties if they're unable to downsize to a more suitable home. In turn, that prevents other people from moving up the housing ladder. These frustrations were acknowledged earlier this year in a report from MPs, calling on councils and developers to construct more bungalows. Construction companies are reluctant to obey, however, because bungalows occupy proportionally more land than houses or flats. That means lower profits. Local councils are also more likely to approve residential developments with high density levels, pushing builders towards constructing townhouses and flats.

Retirement flats are often the only new-build route to single-storey living, and a new survey by market leader McCarthy & Stone suggests that the majority of over-65s in the UK would consider moving to a bungalow if one were available. Two-thirds of respondents also agreed that more bungalows should be built exclusively for older people. McCarthy & Stone are recommending for bungalow-only sites to be incorporated into the local plans of councils across the UK, helping to address land price issues. Government guidance on the matter is due to be published later this autumn.

A DAY IN THE LIFE

KEEP THE RECORDS STRAIGHT

Removing a tenant from a property is rarely straightforward. Eviction specialist Andrew Stott, owner of Evicthem, tells Jane Cameron how he keeps it as simple as possible for landlords.

06:45 Wake up and walk round to parents' house nearby, where Andrew joins them for breakfast.

08:30 Read emails and prioritise. 56 year old Andrew has been involved with Evicthem for 11 years. He now runs the business from his home office in Oldham, Greater Manchester, after taking it over from the founder two years ago.

08:45 Phone call from an anxious landlord referred by a letting agency. The landlord has been in the buy-to-let game for 18 years, but that doesn't mean he's able to deal with every problem by himself. He explains that his tenant owes him £2,500 in rent. Although alarm bells should have rung, he'd felt sorry for the woman, who spun him a tale about her homelessness. At Christmas, she'd told him she was unable to pay rent because her parents had just died. But a check on her Facebook page had shown the landlord she was fabricating.

"I'm like a social worker sometimes," says Andrew. "Some give you their whole life story, pouring their heart out – but time is precious and I need certain information to help them."

Andrew listens sympathetically to the landlord's story, while trying to extract the information he needs to develop a strategy to remove the unwanted tenant. Did he take a deposit? Had he issued an Energy Performance Certificate, gas safety record and How to Rent guide? (In order for a landlord to be able to serve a Section 21 notice – Andrew's preferred route to eviction – these items must always be issued before the tenant moves in.)

09:30 Back to preparing a court application for an accelerated possession order. Andrew, who worked for a building society before entering this industry, has already handled five such applications this week, plus six Section 21 notices and one Section 8.

In this case, a Section 21 notice has already been issued, giving the tenant the statutory two months to vacate. Their time is now up. Andrew fills in the relevant form and pulls together supporting documents – which include the tenancy agreement and photos of the landlord posting the EPC and How to Rent guide through the letterbox of the property at the start of the tenancy. There's also a more recent photo of him posting a cheque for the full deposit through the letterbox.

Why did the landlord return the deposit? It's the rules. "Before a Section 21 can be served, the deposit must be returned if the landlord hasn't protected it correctly. It sticks in the throat of a lot of landlords: when the rent is in arrears, the last thing they want is to give the tenant money! But a deposit must be protected in a recognised scheme within 30 days of receipt; from this point onwards, it's handled separately from rent and can't be offset against income losses. It's possible to ask the tenant to offset the deposit against arrears, but you must get a letter from them stating this. Relationships have usually broken down at this stage, though. If the tenant refuses, you have to write a cheque for the deposit.

"Landlords often don't deal with the deposit correctly, and they're not completely open with me to start with. But I get there in the end. I'm not here to judge, but to help. They need to be honest so I can give them a solution."

12:30 Half-hour lunch break for a sandwich and a quick walk. With his job being almost entirely desk-based, Andrew takes every opportunity for exercise. "It's good for the mind and the body. You need a clear mind for this job," he says.

13:00 Another landlord has emailed to say that he was due to get his property back following a possession order, but the tenant is stalling: he turned up in court with a solicitor and a spurious claim that a Section 48 – a required document that provides the landlord's name and address – had never been issued, which means the possession order is invalid.

The judge decided that the case should have another trial before any evictions take place, and then the tenant's solicitor followed up with a bullying letter that threatened Andrew's client with costs of £2,000.

Andrew spends time crafting a response to the solicitor. He makes the case that the tenant initially paid rent directly into the landlord's bank account and therefore must have had his details. He also refutes a second argument put forward – that the rent has been withheld pending repairs.

14:30 "It can be quite a stressful job sometimes – not to say I don't enjoy it, because I do," he says. His preferred approach to removing troublesome tenants is always to issue a Section 21 – which "effectively says 'I want my property back and I'm entitled to it'". With a Section 21, there's no requirement to prove that the tenant is "bad" in any way (as there is with a Section 8 or possession order). The landlord can't use a Section 21 to recover lost rent, but "if they want the money, I advise my clients to get a county court judgment afterwards. Their first priority should be to get the tenant from hell out of their life."

16:30

Walk to the post office to send off the fruits of today's labour for clients to sign. The majority of clients are private landlords in London, with up to 150 properties in their portfolio. But he has seen significant growth in business from letting agents, who used to handle notices and court applications themselves.

"The job has got harder. If it were straightforward to get tenants out, I wouldn't be in business! The legislation is tougher so it's far better for agencies to get someone like me to do it for them," he explains.

19:00

Set off to give a talk at the Calderdale Landlords Association. Andrew will give advice on keeping records and how to serve notices. He will discuss whether the forthcoming changes to Section 21 – such as new tenancy deposit rules and the need for greater provision of paperwork to tenants – are a cause for concern. These rules were brought in three years ago, but only applied to tenancies that started after 30 September 2015. From 1 October, they'll apply to all tenancies.

He doesn't think landlords have too much to worry about. "It's just part of the push to make landlords more professional, and we've known it's been coming for a long time. If anything, it'll make things easier because they'll be standardised. Some landlords rush to get tenants in as soon as possible without dotting the i's and crossing the t's. But they are running a business and they should always be as professional as possible."

LOCATION FOCUS

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Glasgow is shedding its industrial past, reinventing itself as a city of landmark buildings and major investment projects. Neil Cumins reports.

With the honourable exception of London, Glasgow arguably has the most interesting back story of any UK city. From Victorian expansion to post-war contraction and 21st century regeneration, Glasgow is a thriving and vibrant city with a world-leading collection of Victorian architecture – and plenty of attractive investment opportunities.

To boldly 'gow

To understand Glasgow's property market, you need a basic awareness of its history. Huge population growth in the 19th century led to the mass construction of four-storey apartment buildings known as tenements. These were built using local sandstone, but with dramatic variations in scale and quality. While the middle classes moved into lavishly presented tenements in garden suburbs like Pollokshields and Park, migrant workers were squashed into tightly packed neighbourhoods along the Clyde. Some of these districts are still among the most deprived areas in the whole of Western Europe. Replacing soot-stained tenement slums with over 250 post-war tower blocks didn't help the city's fortunes, and roughly half of these unloved towers have since been replaced with modern interpretations of the classic tenement.

Glasgow's misfortunes have also been exacerbated by political meddling. In the 1990s, the city was arbitrarily divided between five council regions. Glasgow City Council retained the impoverished eastern and northern quarters, plus parts of the wealthier west end and south side, while affluent commuter-belt suburbs were reallocated to new shire councils. Prosperous northern districts (Bearsden, Milngavie, Bishopbriggs) and southern suburbs (Newton Mearns, Giffnock, Clarkston) now belong to East Dunbartonshire and East Renfrewshire Council respectively. The boundaries are often arbitrary, and confusing to first-time visitors.

One city, five markets

As a result, property searches quickly become confusing, and any statistical analysis of Glasgow's housing market in a wider Scottish context is distorted. East Renfrewshire's £225,310 average selling prices are second only to the unified City of Edinburgh Council, yet Glasgow's average prices stand at a relatively low £126,529.

According to Vincent Reilly, a valuer at Rettie & Co, the East Renfrewshire suburb of Giffnock (on Glasgow's wealthy southern edge) remains the gold standard for high-value homes: "Like the rest of East Ren, it benefits from highly rated schools. Where Giffnock really comes into its own is the range of high-quality amenities and transport links, with an impressive cafe and restaurant culture having built up over the last few years. Some of the sale prices we've achieved for our clients recently would have been deemed impossible to achieve even 12 months ago."

Legal aid

Scottish property laws allow solicitors to buy and sell properties – competing with estate agents – which has enabled them to become established market players and analysts. Property manager Andrea Cowan at Miller Beckett & Jackson Solicitors describes the market across Glasgow and its satellite counties as "different" this year: "We have very low stock levels, which in turn pushes prices up. We have certainly been achieving higher prices than last year, with buyers far outstripping sellers." Vincent agrees: "Values in most areas continue to rise thanks to a combination of cheap credit, huge demand and a chronic shortage of properties."

Andrea also says that suburbs within good school catchment areas are achieving excellent prices: "Glasgow's south side is becoming increasingly popular with first-time buyers, especially the Mount Florida area. Buy-to-lets are also popular here, and there definitely aren't enough three-bed semis or family accommodation. As a result, lots of homeowners are looking at extending their current property to suit their needs rather than moving, especially if they reside within those all-important catchment areas."

Southsider or westender?

Andrea points out that the affluent west end market is also thriving, although this statement needs some clarification. On a map, outlying suburbs like Drumchapel, Yoker and Clydebank look like they belong to Glasgow. Yet when locals talk about "living in the west end", they're referring to roughly half this territory – from the Kingston Bridge to the highly rated state school catchment areas of Jordanhill and Scotstoun. The west end stretches way beyond the sought-after postcodes of G11, G12 and G13, even though local residents would tell you otherwise.

Partick stands in the heart of the unofficial "west end" enclave, with Glasgow Harbour's upmarket tower blocks acting as a landmark on the skyline. Directly across the river, Govan continues to prosper from investment in the Pacific Quay complex, where key employers include the BBC and STV. Properties in Govan, Ibrox, Cessnock and Kinning Park are increasingly popular with media workers and young professionals. Rental yields of 9% aren't uncommon, with two-bedroom blonde sandstone tenements selling for around £100,000. All four suburbs also benefit from Subway stations, connecting with the west end and city centre.

Long-mooted proposals to extend the Subway east remain a distant prospect, unfortunately.

Going underground

The 13-stop Subway is a favoured mode of transport among Glasgow's 100,000-strong student population. The historic Glasgow University borders the bohemian Byres Road/Ashton Gate district, three miles west of Strathclyde University's huge city centre campus; Glasgow Clyde College has a modern riverside HQ in the New Gorbals. Students are naturally drawn to the area between these three institutions, making west end districts like Hillhead and Kelvinbridge enduringly popular. And while Finnieston's claim to be Scotland's answer to Shoreditch seems rather optimistic, its tenement flats and new-build complexes do tend to sell and let very quickly, particularly as they're less than two miles west of Glasgow city centre.

Freelance surveyor Andrew McKay confirms the west end's enduring appeal among students and landlords alike, particularly the Woodlands district immediately west of the city centre. "Woodlands is a great place to start investing in the city," he says. "The tenements are large but affordable, there's a large student community, but it also appeals to graduates and young professionals who still want to be within staggering distance of Sauchiehall Street's bars and clubs." While three-bedroom flats in neighbouring Park often sell for half a million pounds, Woodlands offers comparable square footage for half the price.

Glasgow's miles better

In terms of other marketable amenities, proximity to one of Glasgow's five motorways is usually welcomed by residents. Meanwhile, the south side's outstanding rail network is a legacy of the city's Victorian industrial base, making it popular with first-time buyers and young families. Indeed, many people rent in the west end before buying in the south side. Even though deprived neighbourhoods like Govanhill and Toryglen should be approached with caution, most of southern Glasgow represents a safe long-term bet.

The Scottish "offers over" system complicates things for prospective buyers, since buyers are expected to make a bid in excess of the advertised price. A report by Scottish property portal s1homes.com earlier this year found the average selling price of a property in Glasgow and East/West Dunbartonshire was £162,868, compared to a typical asking price of just £135,798. This £27,000 disparity is often caused by inflated sealed-bid offers received on a closing date. Vincent says bids on a property going to closing in a sought-after area should be 15% to 20% more than the "offers over" price, to stand any chance of success. "In some instances, such a bid would still fail to secure the property," he says, "such is the competition and unpredictability of the current market."

The last word

"The property market reacts to all changes and I'm sure Brexit will have an impact with the uncertainty surrounding it," says Andrea. "I think this will lead to a slowing in the market, at least on a temporary basis." Andrew agrees: "Once we've resolved Brexit, and hopefully eliminated the uncertainty a second independence referendum would cause, I think the Glasgow market could really ignite next year. It's only political uncertainty that's holding sellers back at the moment, and once they return in numbers, Glasgow's prospects look very bright."

SITES FOR SORE EYES

These are among the high-profile Glasgow developments investors might wish to be aware of:

- **Sighthill**
  Sighthill is the biggest regeneration scheme this side of London – one of eight Transformational Regeneration Areas across the city, undoing the mistakes of post-war planners. There will be 628 homes for sale and 198 for rent, alongside pedestrian links to the city centre across the M8 and extensive urban parkland.
- **Buchanan Wharf**
  A long-awaited masterplan to revitalise Tradeston made headlines in the summer, when it was announced that 2,500 Barclays staff would be relocated here from around the UK. Buchanan Wharf's riverside offices, residential and leisure units will occupy three city blocks facing the International Financial Services District.
- **Candleriggs Quarter**
  One of the few remaining gap sites in the gentrified Merchant City, a whole city block has been cleared for a mixed-use development. This will include a hotel, shops, cafes and restaurants, with 512 apartments built around a new central square. However, lengthy delays have so far stalled construction.
- **New Laurieston**
  Capitalising on the success of the award-winning New Gorbals masterplan next door, work is slowly progressing on Laurieston's TRA. Served by a Subway station and extensive bus links, tenements and townhouses are being constructed around a substantial urban park.

The best places to invest in

Glasgow

- Best for city workers: **Merchant City**, **Park**
- Best for high-end homes: **Giffnock**, **Milngavie**
- Best for transport links: **Partick**, **Rutherglen**
- Best for students: **Finnieston**, **Woodlands**
- Best for schools: **Newton Mearns**, **Jordanhill**
- Best for yields: **Dennistoun**, **Dalmarnock**
- Best for capital appreciation: **Cessnock**, **Ibrox**
- Best avoided: **Govanhill**, **Maryhill**

“Rent controls lead to fewer properties on the market and higher rent prices”

The Property Hub puts YOUR questions to Secretary of State James Brokenshire.

Over the last ten years, the housing department (or Housing, Communities and Local Government, to use its full name) has had six secretaries of state and ten housing ministers. If that seems like a lot, it's because it is a lot.

The most recent reshuffle followed the resignation of Home Secretary Amber Rudd in April. With Sajid Javid moving to take her place, the housing post was freed up once again – and James Brokenshire (MP for Old Bexley and Sidcup) was picked as the minister to assume the mantle.

But is he up to the job? And what does he know about the UK's property market? We decided to find out: members of The Property Hub submitted their questions, and he replied...

What role do you see private sector landlords playing in the next ten years of housing strategy in the UK?

Geraldine Felix

With 4.7 million households in the private rented sector in the UK, landlords play a key role in providing high-quality, affordable and secure homes. The majority of landlords do a great job, but I want to drive up standards in the sector and take action against the rogue landlords who give the industry a bad name. We've published a How to Let Guide to help landlords understand their responsibilities, and we'll provide guidance to agencies and local authorities when new legislation is created.

Labour have hinted they would introduce rent controls if they came to power. Is your government considering this, and if so, what would it look like?

Helen Blanchard-Booth

Evidence from the UK and around the world shows rent controls lead to fewer properties on the market and higher rent prices. Moving away from market rents would halt investment in the private rented sector, whereas we should be encouraging it. We're banning letting fees and capping tenancy deposits to make the sector fairer and more affordable, so renters have more money in their pockets. We also believe the key to improving affordability is building more homes for rent. Institutional investment in purpose-built privately rented homes is increasing, with over 22,000 homes delivered since 2012, and around 101,000 more on the way.

What are the government's plans to reduce the increasing number of empty homes? Can they work together with developers?

Chenai Banda

It's unfair that some families don't have a place to call home, while many properties lie empty and unused for years. We've introduced legislation allowing councils to double council tax bills of homes empty for two years or more. After further consideration, we're introducing an amendment allowing councils to triple the tax on homes empty for five to ten years, and quadruple it on those empty for over a decade.

We're supporting councils to help homeowners bring their empty properties back into use, and councils can use the extra funds to keep council tax levels down. Some homes are empty while their owners are taken into care, or struggling to complete renovations. Rest assured, we're publishing revised guidance for councils, to ensure the measures are used fairly.

Section 24 was introduced to try and stop the overpricing of property and unaffordable rents. However, the north of England and Scotland are very different from the south and London. Rather than a blanket solution, would it not be better to have a more rewarding system? For example, landlords that are meeting high standards pay less tax.

Alex Walker

I recognise the important part landlords play in the UK housing market and the wider economy, which is why they'll still be able to claim income tax relief at their marginal rate on costs incurred in letting out a property – including agent fees and replacing furniture. HMRC estimate only one in five landlords will pay more tax as a result of this measure, but we're still giving lots of time to adjust.

The property purchase process is long, complex and expensive. I am currently nearing completion of my first BTL purchase through my limited company, and to date it has taken just over three months – I haven't even exchanged contracts yet. Are there any plans to simplify and speed up the process?

Shawn Gimbert

I recognise that the process isn't always straightforward. Our manifesto pledged to reform and modernise the home-buying process so it's more efficient. No, there isn't a single solution, but there are several changes to help buyers have a smoother ride. Our "How to Buy" and "How to Sell" guides will ensure people on both sides understand what's expected at each stage. Changes include the standardised reservation agreement – increasing commitment between buyers and sellers earlier on – and we're looking at making referral fees more transparent.

Why does the state refuse to introduce national landlord licensing (at a cost of around £50 per property per year)? This would enable the government to know who landlords are.

Paul Barrett

People in the private rented sector should be protected, and not exploited. Our focus is on introducing a series of measures to tackle rogue landlords, with our database of rogue landlords and agents, meaning irresponsible operators can be held to account. We've also committed to making all landlords join a redress scheme.

Are you, or have you ever been, a landlord?

Justyn Evans

I am not a landlord, but I know the important role landlords play. I also know that the vast majority provide good-quality, well-managed accommodation that tenants are happy with. Figures show more tenants in the private rented sector are happy with their homes than a decade ago. For 2016–17, the English Housing Survey found that 84% of private renters were satisfied with their current accommodation, compared with 48% between 2004 and 2005.

To keep up with the latest policy changes and industry news, listen to The Property Podcast every week: thepropertyhub.net/podcast

CASE STUDY

Pallavi Sharma

Former social worker Pallavi Sharma tells Felicity Hannah how the birth of her daughter and a timely podcast steered her towards becoming a property professional.

The social network

Photo © Andreas Greiger

"I rented for 18 months when I first came to the UK, and it wasn't a great experience. That motivated me to say: 'This could be done better. People can have a better quality of life in shared houses.'"

Pallavi Sharma was a social worker before she created a property portfolio, and she takes pride in bringing her experiences to her role as a landlord. The shared homes she creates are bright, stylish spaces for professionals to live in. She has also developed effective and efficient systems to run them smoothly, requiring minimal intervention.

Pallavi's property investments serve a number of purposes. They provide an income that allowed her to quit her full-time role as a social worker and spend more time with her husband and child. They also gave her financial freedom, and the chance to be an income-earning role-model to her daughter.

Photos © Andreas Greiger

Learning from experience

When the couple first moved to the UK in 2004, they lived in shared accommodation so they could save every spare penny to buy a property. They eventually bought their first home in 2006, followed by two traditional buy-to-let properties in 2009, which were funded from the sale of the first. When their daughter was born in 2010, Pallavi knew she wanted to be her own boss, so she could have greater flexibility. What she didn't know was how: "My priorities shifted after she was born. I was happy to be with her, but at the same time, I wanted to keep my mind stimulated. It's nice to be a parent, but you want to use your adult mind as well. And I wanted her to see me as an income provider."

The income from their two buy-to-let homes allowed Pallavi to take a longer maternity break. But she wanted to be doing something more engaging too – and earn more money while doing it: "I always wanted my own business – I am a people person, and I enjoy meeting new people. I looked at franchising and a lot of other things, and realised I'd be earning money for someone else and still working long hours. I was aiming for a more flexible life to be with my daughter. I always thought property was a passive thing to add to an existing income, but I never saw it as a sole income."

Then Pallavi found The Property Podcast from The Property Hub, and realised property could offer more than she had realised: it could be a long-term investment and generate an income. It could give her a business to focus on and free her from a day job.

The podfather

"After I started listening to the podcast, I read Rob Dix's Property Investment for Beginners and then decided to go to a few Property Hub Meetups. The Meetups were relaxed and friendly – whereas at other meetups, people are throwing cards at you or trying to sell you things. But I didn't feel any pressure at this one. It was just a good place to learn about new

> **“HMOs still make money, but the market is changing massively. I don’t want to recreate another huge job for myself; that’s not why I’m doing this. I’m more keen to look at properties where I could add value, rather than simple HMOs.”**

opportunities like HMOs. I was very anxious at first about moving into HMOs, because I’d heard about people getting calls at 11pm at night and tenants fighting. So I spent a lot of time learning the basics, to make sure I knew what I was letting myself in for!”

That’s when Pallavi decided to attend a Property Hub event and met Rob, who she credits with providing a lot of the advice that’s enabled her to make a success of life as a full-time landlord. “I remember when I went in, I had to make a plan,” she says. “I said ‘Rob, next year I’m going to do two flips, a buy-to-let and an HMO.’ Rob said, ‘You won’t do any of those unless you actually focus. Take your time, take it slowly, plan your route, work out what your destination is.’ He was right.”

Opportunity knocks

With a strategy in mind, Pallavi began looking for the right HMO opportunity – and quickly decided she needed her first one to be close to home. After a number of rejected offers, she finally snapped up a property in Ashford, Surrey, for £525,000 – haggling down from £600,000. It took work and further investment, but it’s now an eight-bedroom HMO that gives her a net profit of £3,146 a month. It was revalued last year at £680,000, allowing Pallavi to release funds for her next investment.

In April this year, she completed refurbishment work on her next HMO – a six-bedroom property in Staines, which brings in a net profit of £2,199 a month. So what’s next? “I’m not planning to have a hundred HMOs; that’s not my goal,” she says. “My first goal was to replace income, but now I’m going through a transition phase. I’ve had a relaxed summer spent wondering what I should do next and exploring options.

“HMOs still make money, but the market is changing massively. I don’t want to recreate another huge job for myself; that’s not why I’m doing this. I’m more keen to look at properties where I could add value, rather than simple HMOs. I spoke to a local developer, who picked up a four-bed house and then made a two-bed house on the side. I want to move into smaller projects, development opportunities. With HMOs, a lot of the work doesn’t add value – for example, fire alarm system requirements. The work makes an income possible but doesn’t add value. I want to balance that with some different opportunities.”

Evolving challenges

Pallavi has faced many challenges in her quest to build an income for herself, not least the jump from standard buy-to-let to HMO. “I think HMOs are very different from buy-to-let,” she says, emphasising the word “very”. “I came from a background in child protection, where things were very ordered and by the book. But HMOs can seem confusing: the standards, the extension of mandatory HMO licensing, the different requirements depending on where you are in the country. That’s challenging. There’s a lack of clarity about expectations and standards, and each local authority has different expectations. That was the biggest challenge for someone like me, who likes to research and understand what’s needed.”

She also found that being a woman presented its own issues when dealing with the tradespeople she hired: “Women are still treated differently, I have found. My standards are really high and I expect work to be carried out properly. I think sometimes builders find it really hard to be told by women what is expected. But I am the boss, I am paying and I will tell you what I expect.”

Pallavi even found some of her contactors tried to offer unsolicited and unwanted advice on her carefully researched properties. “I had one builder who kept saying, ‘I have lots of HMOs in the area and I didn’t spend as much as you. Why are you spending this much renovating them?’ But I earn more on my properties than him, because my customers are different from his. I have a more professional clientele and they are easier to manage. We’ve had challenges but in general, we’ve had good tenants.”

Don’t look back in anger

With four properties including two HMOs under her belt, and a wealth of knowledge born from careful research and meticulous planning, it will be a foolhardy builder who argues with Pallavi on her next project.

"I am learning to be firmer and have tighter specifications," she says. "It's a learning experience. Once you've done one property, you sit down and think about how to do the next one better.

"Looking back, I think the biggest lesson I'd pass on is to take your time. Don't leave it forever, but don't jump straight into things either. Talk to lots of people, because you'll learn a huge amount. Rob is so right – most people are very giving, and they share their advice. If you ask the right questions, you get good answers.

"I can't over-emphasise the importance of the right mindset, as that helped me to push further in challenging times! We limit our abilities by our beliefs, so you need to push out of your comfort zone and see problems as challenges. I listen to self-development books on Audible, and keep myself updated with changes in the property market. Property has its challenges, but it's worth the effort."

Photo © Andreas Greiger

"Women are still treated differently, I have found. My standards are really high and I expect work to be carried out properly. I think sometimes builders find it really hard to be told by women what is expected. But I am the boss, I am paying and I will tell you what I expect."

ASHFORD, EIGHT-BED CO-LIVING HOUSE

Bought for £525,000 in 2016, negotiated from asking price of £600,000.

Spent around £100,000 on renovation costs, legal and broker fees and furnishings.

Revalued in 2018 at £680,000.

- **Rent:** £5,360
- **Mortgage:** £1,518
- **Water:** £50
- **Gas and electric:** £170
- **Council tax:** £189
- **Cleaning:** £135
- **Maintenance:** £75
- **TV licence:** £12
- **Internet:** £40
- **Insurance:** £25

Total expenditure: £2,214

Net profit: £3146

Profit: £36,954

STAINES, SIX-BED CO-LIVING HOUSE

Bought for £500,000 in January 2018.

Mortgaged with 15% deposit.

- **Rent:** £4,455pm
- **Mortgage:** £1,674
- **Water:** £45
- **Gas and electricity:** £110
- **Council tax:** £190
- **Cleaning:** £110
- **Maintenance:** £50
- **TV licence:** £12
- **Internet & Netflix:** £40
- **Insurance:** £20

Total expenditure: £2,256

Net profit: £2,199

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**


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Is it game over for London?

The London property market is facing a unique set of challenges, from dwindling yields to rising political interference. Neil Cumins investigates whether we're facing a bump in the road, or the end of the line.

When Benjamin Franklin claimed that nothing is certain beyond death and taxes, he must have forgotten about house price growth in London. Even during the fallout from the banking crisis, a brief dip in property values was reversed within a year and quickly forgotten as rampant price growth resumed. At the start of 2018, the average price of a property in London stood at almost half a million pounds – four times the equivalent figure for the north-east of England. Never was the phrase "safe as houses" more apt than when discussing real estate investments in the UK's capital.

Yet there's growing evidence to suggest that the city might finally be facing the prospect of a downturn. Prices in the superheated prime central London market are in freefall, having dropped more than 8% in the last year. That's thanks to a combination of rising taxes, Brexit uncertainty and shrinking demand among foreign investors. The wider London market is unusually subdued as well, with transaction volumes dropping to levels not recorded for a decade. New-build completions are down by over 17% compared to summer 2017, with cash-rich investors often the only ones able to afford sky-high prices.

Unusually by British standards, these trends seem unique to London. Edinburgh, Manchester and Birmingham are still seeing price growth in excess of 6% year-on-year. Yields – so long an issue for landlords in the capital – are strong everywhere from Cardiff to Carlisle. So is London's market holed below the waterline? And if so, is it time to abandon ship – or will geographical good fortune and pent-up demand keep the property sector afloat long-term?

Taking stock

Before we consider what's going to happen, and how it might affect Property Hub readers in particular, it's important to understand how we got here. Barring brief downturns in the early 1990s and late Noughties, the London property market has experienced consistently rising prices and spiralling demand for decades, thanks to a variety of overlapping factors:

- **Centralisation.** It's easy to forget the UK contains 68 other cities, with public sector jobs heavily concentrated in London. Similar sentiments can be expressed about the private sector, despite regional investment deals and provincial platitudes from business leaders.
- **A lack of supply.** Historically, housebuilding volumes have lagged far behind the rate of population growth, for a variety of hotly contested reasons. The resale of ex-council housing priced poorer communities out, and available brownfield sites often lie dormant for decades.
- **Property as an investment.** Seasoned investors have long treated property as a commodity. In one new tower in Ealing where two-bedroom flats sell for £560,000, every resident is the tenant of an investor – often the only people able to buy high-priced new properties.
- **Historically low interest rates.** House prices are driven in part by the cost of credit. The 2008 banking crisis prompted the Bank of England to set borrowing costs at 350-year lows, leading investors ands families to compete for homes and push up sale prices with every bidding war. Because

property prices in London were already high, the effect was even more disproportionate compared to the rest of the country.

- **Excessive mortgage lending.** Irresponsible lending didn't end with the "friendship" mortgages of the mid-Noughties, where lenders offered loans to groups of mates. A single first-time buyer in London will soon be able to acquire a mortgage worth 5.5 times their salary, further distorting what people are able (and therefore willing) to pay.

That was then, this is now

This combination of factors has created a scenario where the average property price in London is almost 18 times the average UK salary – and almost 14 times average incomes in the capital.

In an attempt to dampen prices and reduce speculation, the property market has begun to experience unprecedented levels of political interference. As Tom Bill, the head of London Residential Research at Knight Frank, says: "The London market became politicised after the global financial crisis, and genuine affordability pressures have led the market to take centre stage in UK politics. As a result, the government has intervened, and implemented several tax changes – all of which skew the normal, predictable correlations between economic growth, wage growth, and market supply and demand."

Yet recent political interference hasn't stopped remarkable levels of capital appreciation. A four-bedroom end-terraced townhouse in a 1980s development near the Surrey Quays shopping centre in Rotherhithe sold for £120,000 in 1997. earlier this year, the same house sold for more than six times that sum. A yellowed copy of the old Hotproperty magazine from 2001 reveals a three-bedroom ex-local authority flat beside Poplar's Brutalist Robin Hood Gardens scheme listed at just £50,000. These days, you'd pay eight times as much for the same flat, thanks in part to gentrification of the estate across the road.

Nightmare for tenants, glum for landlords

From Zone 1 to Zone 6, the dislocation between house prices and incomes has placed any prospect of home ownership far beyond the reach of most local residents. Good news for landlords, then? Sadly not. Rental yields in London are consistently among the lowest in the UK. Totally Money's authoritative buy-to-let yield map suggests 3% is the highest you'll get anywhere beyond a shrinking handful of east-end postcodes – East Ham and Plaistow just scrape in above the 4.5% threshold. Conversely, N6 and N2 landlords can expect a miserly 1.5% return on investment, which is the lowest in the United Kingdom.

> **"The government has implemented several tax changes – all of which skew the normal, predictable correlations between economic growth, wage growth, and market supply and demand."**

Experienced portfolio investor and NLA London representative Richard Blanco has been investing in property since 2003. He recently stopped buying rental properties in London, citing a number of deterrents including Section 24 – the restriction on loan interest relief following the 2015 Finance Act. "This makes the prospect of buying as an individual unprofitable," he says, "but if I buy through a limited company, I resent the higher rates I'd have to pay for a commercial loan. Even if I bought as an individual, the PRA mortgage underwriting changes mean that I'd probably need a 40% deposit in London. For me, that's too much cash to sink into an investment – particularly when there's little prospect of capital growth and refinancing the cash back out in the near future. The current sales market feels overpriced, and sellers are still digesting the new reality of lower prices across most of London. The lettings market is also subdued: there seem to be more properties to let and fewer renters."

Richard's belief that prices are set to fall in the coming years is shared by housing market commentator Henry Pryor. "I think you would struggle to find anyone who thinks house prices are going to rise significantly in the short to medium term," he says, "but I can find you legions of people who think they're going to fall. Prices have inflated too much." Henry is also fairly critical about the investment potential of the capital's rental market: "The London market has traditionally accepted lower yields because people believed if there were problems in the economy or pressures on capital values or rents, London would be the last place you'd feel it. It goes back to the Phil and Kirstie mantra of location, location, location. While you can get a better yield elsewhere, the reason you accept a low yield in London is because of its location. But these days, I think you're taking a much bigger risk than is reflected in a 3% gross yield if you buy in London – not least because people misguidedly think investment is linked to capital appreciation. In fact, London is probably most susceptible to capital depreciation as we go forward."

Northern lights

There's certainly evidence that the historic price gap between London and the regions is narrowing, as prices across the capital stagnate or decline. Earlier, we mentioned how average house prices in the north-east

of England are a quarter of the figure for London. Prices in the Midlands are a third as expensive as the capital, while average selling prices in Yorkshire and the North West hover around the £155,000 mark. For an investor with limited finances, this represents a far easier point of entry than the London market. And indeed, anecdotal evidence suggests investors are broadening the scope of their searches. Southern accents are increasingly common at property auctions and viewings in Manchester, while Birmingham's size (and proximity to London) reassures investors taking their first steps outside the capital.

Many of these people are being attracted by the short-term benefits of high yields, versus the long-term potential of capital appreciation – which Henry describes as "something nobody can guarantee. I don't believe buying a property for capital appreciation is an investment, but rather speculation. Investing is all about yields – the dividends paid on stocks and shares, the interest you get paid on bank accounts. Capital appreciation is something nobody can guarantee, and this idea that we can judge what will happen in the future based on what's happened in the past is a nonsense."

Unlike the concept of capital appreciation, yields are tangible, immediately available and often genuinely impressive. Liverpool's L7 and L6 postcodes occupied the top two spots in a recent rental yield league table, achieving yields of over 11%. You can get over 10% in the suburbs surrounding Edinburgh's Holyrood Park and Middlesbrough's town centre. And this phenomenon isn't exclusive to areas with low selling prices; the pricey Partick/Finnieston districts of Glasgow's west end achieve yields of over 7%, as do the leafy avenues of northern Bournemouth. Compare that to the graphic of London's rental market in the second quarter of this year: rental incomes are dropping, squeezing already modest yields even further.

Buying on spec

One of the unintended consequences of London's ultra-competitive housing market has been a steady growth in the specification levels of modern properties. This phenomenon is explained by David Goldberg, the CEO of London-based POD Management: "Developers are having to build bigger, more state-of-the-art buildings to attract buyers, and with that comes increased costs. We are managing a 1,300 unit scheme due for completion in September 2020, where service charges are in excess of £7 per square foot. That's because the developer, in light of stiff competition in the surrounding area, has had to add in gyms, spas, terraces and concierge teams. This all adds to the ongoing cost."

Those costs quickly spiral: "Compare that to a converted property in a similar location, where service

"Developers are having to build bigger, more state-of-the-art buildings to attract buyers, and with that comes increased costs. We are managing a 1,300 unit scheme due for completion in September 2020, where service charges are in excess of £7 per square foot. That's because the developer, in light of stiff competition in the surrounding area, has had to add in gyms, spas, terraces and concierge teams."

charges would be in the region of £3 per square foot, and you can see how on an average one-bed flat in London (which is 495 square feet) you would be paying £3,465 p.a. instead of £1,485 p.a.. Average rents in that area are £653 per week, working out at £34,000 p.a. – we're talking a 10% versus 4.4% operating cost, before you start on the cost of capital repayment and lettings costs. There isn't a lot of margin in that."

Nonetheless, buyer or tenant appeal is increasingly determining which properties achieve the highest selling prices. Lawrence Bowles is a research analyst at Savills, and he has noted a growing divergence: "What's becoming more apparent is the variation in performance across the market. The difference between the best-performing 10% of the market and the worst-performing 10% is substantial: 1.5% below their 2014 peak for the best properties, versus 32% below peak for the worst-performing. While there's no clear correlation between price performance and individual characteristics such as property size, the general rule is that the best performing stock is outstanding in some way – whether it's the best possible quality, or sufficiently quirky to attract a particular buyer."

Buying for the future?

Historically, investors have looked to up-and-coming areas as more established boroughs become pricier. London, however, doesn't really have any affordable areas left. Hackney was the 28th most expensive borough in 1998, but now it's the 11th most expensive – and one-bedroom flats here are currently being advertised on Rightmove for £700,000. That's more than 25 times the average UK salary, for a small flat in an area many people still feel cautious about.

To get ahead of the curve, investors are having to look for potential growth opportunities decades in the future. "Anything that changes the infrastructure of a particular location will have a material impact on values, and ensure those areas outperform their neighbours," says Henry. "I think the value is already priced into Crossrail areas, but I do think there is potential for people who want to take a punt on Crossrail 2 – even though it might not happen."

Richard agrees: "Rather than areas where prices are rising, I'd say there are areas where prices are underpinned by future potential. Some of the rougher parts of East London like Manor Park and Ilford don't seem to have fully woken up to the arrival of Crossrail yet. Areas all along the Crossrail 2 route are probably also a good bet. Districts like Croydon, Edmonton, Tottenham, Old Oak Common and Battersea – where we will see new stadiums, stations and shopping centres – should be more likely to pick up in price."

In conclusion

So what should a landlord, developer or investor make of the London market? In truth, today's inflated and uncertain market is probably only suitable for long-term investment, as David points out: "London is always a good market to invest in, but the key here is 'invest'. If you're buying for personal reasons and want value for money, of course there are better areas to put your hard-earned cash. For investors, providing you're not taking a short term position, the value of your investment will always remain strong in terms of capital growth and you can ride the troughs in the economic/property cycles. Rental prices have been squeezed, though, so you need to stand out from the rest."

Henry isn't so sure, however. "Our industry has had more than its fair share of Jack Sparrows," he says, "but property remains pretty much the last capitalist sector in the UK. It's worth more in total than the stock market, and it's the biggest asset class in the country. However, the days of being able to buy something and smother your embarrassment about paying too much because house price inflation will wrap your mistake in a duvet are gone."

"On a pound-per-square-foot basis, London is still up there with Monaco and Hong Kong," says Tom. "It's still the safe haven it always was. I think now there is just a political fog surrounding the market. Once that lifts, we should start to see the market strengthen in terms of activity levels and pricing." Lawrence also believes the London market will experience a relatively soft landing: "We're forecasting that residential values in London will grow more slowly than the rest of the UK over the next five years. Price growth has eased off as we bounce around the limits of housing affordability."

Richard agrees that other parts of the UK represent a better short-to-medium term investment: "Savills research suggests the Midlands and North West will fare better in terms of capital growth than London and the South East over the next five years, and I agree with that. I don't think we will see prices tumble in London – just ongoing sluggishness for a year or two. In many ways, these price adjustments are welcome: if nothing else, it should stop some elements of the media harping on about sky-high rents and house prices, pointing the finger at investors. It's a good time to hold and observe, and I see the London market regaining confidence and becoming buoyant again in the mid-2020s." He concludes with a note of caution: "A lot depends on government policy and whether the government of the day continues to frown on buy-to-let and smaller landlords, or if it loosens the current constraints of Section 24, PRA regulation and additional stamp duty."

All things considered, anyone involved in the London property market can expect short-term pain before long-term capital gains. Even so, London's sheer size and significance should mean that demand for homes in one of the world's greatest cities remains one of life's great certainties. Another one to add to Ben Franklin's list.

Next steps

- Learn how the property cycle affects London prices on The Property Podcast: **thepropertyhub.net/cycle**
- Compare the investment case for London with other cities by reading the archives of our regular Location Focus feature in your member's area: **thepropertyhub.net/amember/member**
- Attend one of our Meetups in London to get local knowledge on the best investment areas: **thepropertyhub.net/meetups**

CASE STUDY

From zero to hero

Eddie Estelles tells Felicity Hannah why taking on three new buy-to-lets in seven months feels like a relaxing hobby.

"I became a landlord by accident," declares Eddie Estelles. It seems like an unlikely admission from this focused business owner, who has run his own successful tech firm for 11 years. Eddie cleary isn't a man who does much by accident. Over the last 12 months, he's turned his focus onto buy-to-let, adding three properties to his portfolio and looking for further opportunities. His first rental property, however, was undeniably accidental.

"I wanted to move house," Eddie says. "But because I'm a company owner, it was difficult with the banks. Some treated a director of a company as a sole trader, so I had a really hard time getting a mortgage when I wanted to move house. Then someone said, 'If you're willing to keep the house while you move elsewhere, tell the bank you want to let it: they'll no longer see it as a liability but as an asset'."

Reading and research

With one unplanned buy-to-let property under his belt, Eddie came across one of Rob Dix's books on property investment. "This book was music to my ears. I didn't see any promises of big dreams or big sales, just a lot of common sense." Within seven months, Eddie had invested in three further properties: "I spent a few months surveying the market, looking at selling prices from the Registers of Scotland. I needed my research approach to be as simple as possible, because having my own company means I don't have a lot of time to get really involved in the market."

Eddie was also conscious that his first (accidental) property investment hadn't followed any of the advice he was now heeding: "My first accidental buy-to-let wasn't great. I paid £147,000 for it – which was probably about £20,000 over market value. I fixed the mortgage interest rate at 5% for five years, so I missed half of the 0.5% interest rate drop in 2008.

Despite a shaky start, this is now one of Eddie's best-performing investment properties. He's keen to highlight that property investment can be more forgiving than other businesses: "I was locked in for five years with a high interest rate, but then the mortgage reverted to a variable rate and became one of the lowest I can find. I was also lucky in that it's a popular type of house (a semi-detached family house) on a popular street. I think this is the property I feel most proud of tenants living in. It's renting today at £650, so if you're looking at numbers alone, it's not a great investment. But it's a very easy-to-carry house, with a low-interest mortgage and good space for capital growth in the future. Within a decade, something overpriced has become a really good investment."

In demand

Eddie's later properties were more careful investments. He focuses on three-bedroom family homes in decent areas, to maximise demand: "I always make sure the properties I buy have a minimum standard. I don't have time for big refurbs, but I look for good neighbourhoods so families are safe living there.

I always want to make sure I get any repairs done as soon as they're needed. I treat my tenants the same way I treat customers of my own business. If they feel they are getting good value, they will want to stick with me longer."

It's not just good business sense: Eddie also sees it as good ethics. "Looking at background checks and the kinds of salaries my tenants have, you realise not everyone can afford to save money each month and make a deposit. I want to make sure they have somewhere decent to live with their family."

Long days – but good days

So what are the challenges of running a business and a property portfolio in tandem? "There's a lot going on," says Eddie. "I usually work from 8am until 6 or 7pm on my business, and then look after the property side of things after dinner." That might sound like a long, hard day, but he finds it relaxing – more like a hobby than a hardship. "Why? Because I enjoy it, so it doesn't feel like work. Switching to something more social and natural feels relaxing. And it's so different from the tech sector – it's a lot more straightforward. With the tech industry, the cycle is really fast, so the potential for success is very big but the risk of failure is also very big. Property is much calmer. If I make a mistake, I have time to recover; I can organise and repair."

Despite working long hours, Eddie finds his business and property investments allow him to work flexibly, fitting in more family life than many people who work shorter days. "My wife and I split the day. I look after the kids in the morning, and take them to school. She has them in the evenings. I know what time I can start the day, but not when I can finish."

Corporate investment

Although he had bought three buy-to-lets as an individual, Eddie made the decision to run the fourth through a new limited company. "Applying for the mortgage took a bit longer and was a little bit more complex. When I've bought in my own name, even though I'm a company director they've only asked for three years' accounts, and they're usually quite easygoing. Buying as a limited company was a bit different. They wanted a lot more proof, so there was a lot more paperwork involved. Fortunately, I had done the numbers carefully and I had all the information the lender wanted, so I got the offer within three weeks – even with a couple of complications. The key thing was having all the paperwork ready and a good mortgage broker."

Initially, Eddie had hoped to find a business partner to work with on his property ventures – not because he needed additional financing but because he thought it might be fun: "I work in tech, so I'm

RUNNING THE NUMBERS

Second property cost: £83,000

- **Deposit paid:** £20,750
- **Set-up cash costs:** £8,750
- **Monthly costs:** £233
- **Time to market from purchase:** 3 months
- **Rents for:** £550pm
- **Annual profit:** £3,804
- **ROI: 12.9%**

Third property cost: £90,000

- **Deposit paid:** £22,500
- **Set-up cash costs:** £3,600
- **Monthly costs:** £229
- **Time to market from purchase:** under 2 weeks
- **Rents for:** £550pm
- **Annual profit:** £3,852
- **ROI:** 14.7%

"I look for good neighbourhoods so families are safe living there. I always want to make sure I get any repairs done as soon as they're needed. I treat my tenants the same way I treat customers of my own business. If they feel they are getting good value, they will want to stick with me longer."

Some of Eddie Estelle's properties

interested in community projects. With the first property I found, I took it to two potential partners to see if they'd like to invest together: I said I could do it alone but it would be more fun to do it together. To my surprise, they didn't go for it!

"I'm happy on my own, but I'd love to have a partner. When you're on your own, you end up having a lot of conversations with yourself." Part of the solution has involved attending meetups with other investors to discuss their plans and hopes: "I met a 23-year-old at one of the Property Hub meetups. I was so impressed. I wanted to have fun and party at that age, and he has his first property!"

Positivity and simplicity

So what advice does Eddie have for would-be investors who also need to balance the demands of building a property portfolio with managing work and family life?

"Don't be too hard on yourself," he says. "That can have a negative effect rather than a positive one, since you start to feel like a failure. Positivity is important, to stay focused on what you want and why you're doing it. That doesn't mean ignoring concerns, but not letting worries or comparisons with other people affect you too much. There are landlords with hundreds of properties, but you don't need to be them – you just need to do your investment right.

"Simplicity is also vital. For me, the most expensive commodity is time. If you buy something that's cheap but takes a lot of your time, is it really that cheap?"

Eddie also says it's important to understand your numbers. "Even if you're looking at a property that's £10,000 cheaper but requires work, if you look at the cash investment, it's probably cheaper to pay £10,000 more on a mortgage for a different property because of all the extra work. That leaves you more free time to focus on bigger things."

So what are Eddie's goals now that he has a successful business and a four-property portfolio? "I know I will always work – I don't know how to stop. And that's a blessing and a curse. If I ask myself why I do these things, it's because I love entrepreneurship – being able to do things on your own and survive on your own. And because I know you can never take anything for granted."

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

Thinking of pursuing the limited company route? Mortgage expert Dave Cookson shines a light on some factors you may not have considered.

> "Mortgage rates are invariably higher when buying through a limited company – and while they're starting to come down, there's still a substantial difference between the current average two-year fixed-rate options for limited companies (4.29%) and individual mortgages (3.01%)."

LIMITED COMPANY BUY-TO-LET: WHAT YOU NEED TO KNOW

Over the past 18 months, landlords have experienced a substantial annual reduction in the amounts that can be written off for tax purposes. From 2020 onwards, the changes to mortgage interest tax relief (which have started being phased in already) mean that individual landlords who have mortgages might pay more tax and could be pushed into higher tax brackets.

As thousands of landlords have discovered over the past two years, however, these changes don't apply to buy-to-let properties owned by a limited company. Instead, rental profits on these investments are liable to rates of corporation tax (which is charged at 19%), as opposed to being taxed as income (which can rise to 45%). That's a substantial difference. And with almost 70% of applications for BTL mortgages now being made via limited companies (according to analysis by Kent Reliance), many observers are beginning to regard this model as the new norm.

If you're interested in pursuing the limited company option, here are six factors you need to consider:

1. RATES WILL BE HIGHER

Mortgage rates are invariably higher when buying through a limited company – and while they're starting to come down, there's still a substantial difference between the current average two-year fixed-rate options for limited companies (4.29%) and individual mortgages (3.01%). It's useful to bear in mind, though, that in most cases, the losses incurred by these higher rates will be offset by the ability to write off all expenses (including mortgage interest costs) against tax.

It's also worth remembering that the range of available limited company mortgage products has increased considerably over the past few years. According to research conducted by Moneyfacts, the number of fixed-rate limited company mortgages has soared from just 17 in April 2013 to 235 in April of this year. Choice clearly isn't an issue!

2. CURRENT LENDING RULES DON'T APPLY

The Prudential Regulation Authority (PRA) lending requirements mean that all new applications from landlords with four or more mortgaged properties must be subjected to vigorous affordability stress tests. These tests ensure that rental incomes cover up to 145% of mortgage payments at interest rates of 5.5%. Lenders must also review incomes across entire portfolios to gauge profitability.

These new requirements came into effect last autumn, but mortgage-lending practices for individuals haven't significantly changed as a result: lenders were already conducting their own stress tests on properties anyway. Limited companies bypass these lending restrictions, so they can usually borrow more against properties than individual landlords.

3. LIMITED COMPANIES DON'T REQUIRE TRADING HISTORIES

Some lenders regard a lack of trading history as an advantage: a company set up specifically to own property is often less of a risk than a trading company with existing liabilities, while the director is still personally guaranteeing any loan. Nevertheless, lenders will still ask at least two of the company's directors (or one if the company is registered under a single name) to provide up-to-date credit scores. This ensures that the business is creditworthy.

Individual income levels will also need to be verified, in order to establish underlying levels of affordability and/or the ability to cover void periods. As a result, some lenders will insist on minimum income requirements of at least £25,000 per year to facilitate applications. This can be represented by a combination of salary, dividends and/or property incomes.

4. LIMITED LIABILITY WON'T APPLY

Because the majority of limited company mortgage applications are made by newly founded companies with no verifiable evidence of income, most lenders will underwrite on a similar basis to individual applications. Limited liability (or the condition by which directors are held liable for a limited or fixed amount of their investment) will not apply in these cases, and every shareholder or director of the company will be required to provide a personal guarantee for the loan.

If the rental company fails to repay the mortgage, or if the property is repossessed with money still owing, those same individuals will be held liable and pursued as they would be under a mortgage taken out in their name. However, providing a personal guarantee does not mean the lender will secure the debt against the homes of the shareholders or directors.

5. YOU MAY HAVE TO GIFT THE DEPOSIT

Some investors would find it advantageous from a tax perspective to lend the deposit funds to their new property company from a trading company that already has cash reserves,. Some lenders are fine with this as long as the directors and shareholders are the same, but others insist on the deposit funds being gifted to the company instead.

As with many of the factors we've looked at, each lender will have its own slightly different requirements. If in doubt, ask.

6. YOU DON'T NEED A SEPARATE LIMITED COMPANY FOR EACH PROPERTY

Many investors choose to set up a separate limited company for each property transaction that they pursue, effectively operating under multiple organisations. This may be to accommodate joint venture partners, or to mitigate the difficulties of obtaining a mortgage as an existing business. However, these types of scenario inevitably generate a mountain of documentation specific to each company, such as bank accounts, spreadsheets and receipts. They also increase workloads, and escalate the costs arising from accounting fees.

As many experts point out, there's no need to adopt this strategy. Instead, landlords should look to set up two companies: one to hold long-term investment properties, and another to buy or sell. By reaching a prior agreement with any joint-venture partners or other investors (to ensure they receive a rightful share of turnover profits or market values), landlords can bypass the necessity of having to include them as shareholders. It's easy and effective.

How to choose the right bridging lender

Funding expert Kevin Wright explains what you need to consider when choosing a bridging lender – and why it's not the same as picking a mortgage lender.

The majority of property investors rely on mortgages to purchase properties. Then someone will mention bridging as an option. I've heard people say that bridging lives in their "scary box", but that's usually because it's unknown territory for them.

Problems arise when people take their knowledge of mortgages and apply it to bridging – that's where disaster lurks! As an example, imagine going to your local high street mortgage company. Whatever their current fixed rate is, it applies nationwide – whether you're buying a property in London or Carlisle. Bridging doesn't work like that – and there are other factors you need to understand, too.

Bridging is priced on your circumstances

There is no set interest rate for bridging, because each deal is priced according to perceived risk. Bridgers look at a property and decide what the risk is in relation to getting their money back. Unlike mortgages, a bridger tends to relates the risk to the property rather than the borrower's income or credit record.

Location, location, location

Every bridger has a geographical location they're happy to lend within, and each firm is different. Unlike mortgage lenders, bridgers don't lend nationwide – they're much more provincial. Bridging lenders tend to be relatively small businesses, despite managing significant amounts of money. That means they're often quite restricted where they lend.

For example, a client came to me recently with a deal in Margate, Kent. One bridger said: "Sorry, we don't lend further out than Canterbury." You may wonder what difference a few miles along the M2 makes, but that's one of the quirks of bridgers. The same firm may review five deals, accepting three and declining two purely because of geography.

You set the terms

If you apply for a mortgage, there are standard repayment terms – most commonly 25 years, but sometimes less. How many years you choose your mortgage term to cover has little impact on how your mortgage application plays out.

Bridgers don't tell you how long the term should be. Instead, you tell them how long you need the money for before you'll be able to pay it back. If you underestimate that timescale, you can easily incur penalty charges if you're not in a position to repay when the term expires. This means the rate could increase to as much as 3% a month.

A bridger won't question your estimate of the time you want the loan for, because they expect the borrower to know what's feasible. Inexperienced borrowers frequently underestimate when they'll be able to be in a position to repay the bridger, leading them to overrun and incur penalties. Consequently, they tend to regard bridging as a "bad experience".

Loan to value is variable

Every property has a value, but a smart property investor will always try to get a better deal. So if you agree a price of £150,000 with the vendor for a property worth £180,000, happy days!

When you apply for a mortgage, the mortgage provider will lend based on the purchase price. They'll disregard the value, unless it happens to be below the purchase price. Some bridgers do this too, but others are prepared to lend on the actual value if it's higher than the purchase price. A few bridgers will lend on a property's "once it's done up" value, too. There are even some bridgers who will lend money for refurbishments as well. Finally, a small number of mortgage lenders will lend as a bridging loan, but also offer a mortgage at the back end, if needed.

When time is of the essence

If you've got a hot property with a motivated vendor, being able to complete quickly is often the clincher in beating other buyers. It can also be a useful tool to negotiate a discounted price, especially where unmortgageable properties are concerned. This is where bridging wins out over traditional mortgages.

Completing in 28 days is well within your grasp – and could be even quicker if you have all your ducks in a row. The only proviso is you'll need a commercially minded solicitor who understands the needs of bridging: a standard mortgage conveyancer may not be able to process the paperwork and finance fast enough. Be prepared to pay more for this, as there is significantly more conveyancing work involved in a bridging loan than a mortgage.

Pick your lender carefully

For the inexperienced investor, getting enough knowledge to make an informed choice about the right bridger can be an intimidating experience. One miscalculation based on insufficient knowledge may become expensive.

A key challenge for any investor is to establish which bridgers lend in the relevant geographic area, without spending a lot of time in discussions with different companies. That's why you need a broker who will understand where to place your deal – someone who knows the idiosyncrasies of the various bridgers and can help you find the right provider for your project.

Investors might be tempted to try to save money by not using a broker. This may work with mortgages, but with bridging, there are many more potential pitfalls that can snare the unwary. One unforeseen slip-up could cost significantly more than paying a broker to guide you safely through the process.

"If you've got a hot property with a motivated vendor, being able to complete quickly is often the clincher in beating other buyers. It can also be a useful tool to negotiate a discounted price, especially where unmortgageable properties are concerned. This is where bridging wins out over traditional mortgages."

Choose your broker carefully – and remember that a fantastic mortgage broker doesn't necessarily know a lot about bridging. You need a broker who is dealing with bridging on a daily basis. If you don't have the experience, you need a broker who can also mentor you through your deal – not just process it.

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

Our brokerage Positive Property Finance has brokered hundreds of bridging deals. If you want a safe pair of hands, contact us on **01206 586586**, or **hub@thinkpositively.co.uk**

PROPERTY GeeK

Rogue traders?

While the media would have us believe "rogue" landlords are dominating the sector, it's the well-meaning yet clueless landlords who are actually more of a problem, says Rob Dix.

You wouldn't want to be treated by an "accidental" surgeon, or get flown abroad by someone who inherited a plane but has no formal experience. Yet we seem to have much lower standards when it comes to buy-to-let landlords – and as a result, millions of tenants are suffering at the hands of enthusiastic (and not-so-enthusiastic) amateurs.

Have I mixed up my contributions to the Property Hub Magazine and the Guardian? No: go with me for now, because this is something you can use to your advantage.

Have-a-go landlords

A study by an online letting agent (read it at propmag.uk/survey) found that 38% of landlords got into it "accidentally" – through inheritance, moving for work, being unable to sell, or similar circumstances. It also reported that over 50% had only one property, and a mere 5% owned five or more.

They concluded that this means most landlords aren't wealthy, so shouldn't be attacked for being greedy or exploitative – which is (up to a point) true. But if nearly four in ten landlords are there by accident, how likely are they to be doing a good job? Indeed, the study also reported that "many" admitted to a lack of understanding of laws and regulations.

This lack of understanding can have seriously bad effects for the landlords themselves. If you fail to follow deposit protection requirements to the letter, for example, you can get a hefty fine and be unable to evict the tenants. If you don't know about the need for a gas safety certificate, you could end up in prison. And if you ignore proper referencing, it could lead to a years-long battle to get your property back.

And that's just the obvious stuff. I know lots of intelligent people in high-flying careers who've made all these mistakes, and plenty more – and why wouldn't they? Being a brilliant barrister or dedicated doctor

doesn't translate into knowing anything about landlord and tenant law... but unlike those important professions, there's nothing to stop anyone from having a go.

Free advice for anti-landlord pressure groups

As I said, though, this lack of knowledge and professionalism affects both parties – and I've experienced the consequences in my time as a tenant too. I've come up against some who had no idea about "quiet enjoyment" and would barge in to collect their post whenever they wanted, and others who were uncontactable about repairs for weeks on end because they were "busy with work". All perfectly nice people – far from "rogues" – but also far from doing a good job.

And this is where I think pressure groups like Shelter and Generation Rent are missing a trick. They have a lot to say about landlords who cram tens of people into a small house, kick tenants out for complaining about gaping holes in the ceiling, and rent out "beds in sheds". And sure, everything possible should be done to drive them out of business.

But by focusing on the most egregious examples of bad behaviour, they anger landlords and get limited sympathy from most of the general public – because it's blindingly obvious that only a tiny minority of landlords are out-and-out rogues. My guess would be that under 1% fall into that category, but over half are varying degrees of clueless – and that's a serious problem, because millions of people's housing situations are more difficult or unpleasant than they should be as a result.

> **"Landlords *should* take their responsibilities seriously, or they'll find themselves caught in a pincer movement: an influx of professionally managed corporate competition on one side, and ever-tougher legislation on the other as government responds to pressure to improve standards."**

Time to get serious

I'm not saying that individual landlords should be pushed out of the sector completely. Far from it: a mix of different types of provision is healthy, and when done properly the experience of renting from an individual can be far better than going through a company.

But landlords *should* take their responsibilities seriously, or they'll find themselves caught in a pincer movement: an influx of professionally managed corporate competition on one side, and ever-tougher legislation on the other as government responds to pressure to improve standards.

Self-regulation would be the ideal solution, because nothing about the job is that difficult: most of the battle is in getting amateur landlords to appreciate that it is a job, and needs to be taken seriously. As the author of a book called How To Be A Landlord I'm clearly biased – but if accidental landlords spent a few hours educating themselves, many problems would just disappear.

That's unlikely to happen at scale, of course. So while I'm usually the last person to call for regulation of any kind, I do have some sympathy for requiring landlords to prove that they have a basic understanding of their responsibilities. This is part of the mandatory Rent Smart Wales scheme – and if we follow in their footsteps and get compulsory licensing in England, I think it would be healthy to have an educational component rather than just be an expensive paper-issuing exercise.

In the meantime, whether you have one property or one hundred, you can gain a competitive advantage by taking your role seriously. Most tenants have suffered from a clueless landlord before, so if you're a dream to deal with – either directly, or by appointing a good agent – they'll be much less likely to leave, and more willing to absorb reasonable rent increases.

Rob Dix is co-founder of The Property Hub and the author of How To Be A Landlord.

When tenancies go bad: how to deal with problem tenants

Most professional landlords will encounter a problem tenant at some point. Emma Lunn explores how to deal with rogue renters.

Troublesome tenants can keep a landlord awake at night, destroy their finances and cause no end of stress. Problems vary from unpaid rent and annoying the neighbours to damaging the property and refusing to leave at the end of a tenancy.

Sadly, evicting a tenant in rent arrears, or who has broken the terms of their tenancy contract, is much more difficult than many landlords realise. Just ask Alex Williams. The 39-year-old from South London ended up out of pocket after letting out his three-bed flat in Catford. Initially, his tenant's rent was occasionally late – but always paid – but things went downhill when she got a new boyfriend who convinced her to stop paying.

"At first I tried to help her. Her mum was worried about her so we all had a sit-down meeting, but she lied to both of us," says Alex. "Then she became aggressive and rude. I sent a letter telling her she had broken the contact and would need to leave after a month. But she didn't. I then took her to court where she didn't turn up."

The judge granted Alex a possession order and the tenant left the day before it expired – but not before taking all of Alex's furniture and wrecking the property. She still owes him £14,000.

So what can landlords to to avoid experiences like Alex's? From detailed record-keeping to direct communication, being proactive and organised will reduce the risk of encountering a nightmare tenant. Some issues, however, are too common to avoid entirely...

Typical problems landlords encounter

According to research by online letting agent MakeUrMove, the biggest issue that landlords face is tenants not paying the rent on time. MakeUrMove managing director Alexandra Morris says accidental landlords tend to have less scope to absorb unplanned costs from

> "Always check their bank statements, look at their expenditure, and then make sure you set the rent date as soon as they are paid, so you aren't last in the queue."

damage or unpaid rent than portfolio landlords. "For these landlords, it's vital that they plan ahead, putting contingencies in place to ensure that if they do encounter an issue with tenants, they are well prepared to deal with it," she says.

While late payments and property damage represent significant issues, some tenants are guilty of far worse crimes. Rental homes are attractive to gangs cultivating drugs, and landlords could face prosecution if they are found to have knowingly let their property to criminals. Even if you have no idea what's going on, you could still be left in the midst of a criminal investigation. It pays to be vigilant.

Finding the right tenants

Successful letting means finding the right tenants in the first place: someone who will pay the rent on time, and abide by the terms and conditions of the tenancy agreement.

Kate Faulkner, managing director at propertychecklists.co.uk, says references should be properly investigated. "Speak to the company they work for via their switchboard – not a mobile phone number you have been given," she says. "Always check their bank statements, look at their expenditure, and then make sure you set the rent date as soon as they are paid, so you aren't last in the queue. If they come by car, note down the licence plate number so you have an extra way to trace them."

Companies such as Experian and Tenant Verify can conduct credit checks on your behalf. Be very wary of anyone with a county court judgement (CCJ) against their name, or who has been made bankrupt.

Reducing the risk of damage to a property

Your first line of defence against property damage is taking a proper inventory, with photos, of the condition and contents of your buy-to-let property before the tenancy begins.

Make sure your tenants understand not just their rights under the tenancy agreement, but their responsibilities too. These include reporting any maintenance issues promptly, and (if written into the tenancy agreement), not smoking or keeping pets.

Most private landlords ask for a deposit equivalent to four to six weeks' rent. If you are letting using an assured shorthold tenancy (AST) agreement, you need to protect the deposit in a recognised deposit protection scheme. Failing to do so will affect your right to evict under section 21 of the 1988 Housing Act, and give your tenant the right to sue you for up to three times the value of the tenancy deposit.

The importance of keeping accurate records

There are a couple of other things landlords need to do to ensure they can evict if necessary. These include giving the tenant a copy of the government's "how to rent" booklet, plus a copy of the gas safety certificate and energy performance certificate for the property.

Adrian McClinton, from the dispute resolution team at law firm Coffin Mew, says landlords should comply with their part of the bargain, no matter how difficult the tenant: "This means carrying out repairs and answering queries. Do not give the tenant any ammunition to counter your right to possession, should you need to evict the tenant later. Landlords should keep accurate records of payments from the tenant, and make note of any late payments if seeking to rely on non-payment of rent – or consistent late payment of rent – as grounds for eviction under the tenancy agreement."

Landlord insurance

Most landlord insurance policies include buildings and contents, emergency assistance and legal cover. However, there's often confusion about the differences between "rent cover" and "rent guarantee" insurance – one or both of which may be included in an insurance policy. Rent cover will pay for lost rent if the property is uninhabitable due to another insured event, such as a fire. But you need rent guarantee insurance to cover missing rent payments.

Tom Cooper, director of underwriting at Simple Landlords Insurance, says: "Rent guarantee insurance is there to ensure that, should tenants default on their payments, the landlord won't be out of pocket and will still be able to cover the mortgage and other payments for up to a year. In the event of an eviction, it gives landlords hands-on support including access to legal experts who will help serve an eviction notice correctly and provide support in court."

Check the small print for when a rent guarantee will pay out. The tenants will normally need to be fully referenced, and have passed affordability checks.

"Check the small print for when a rent guarantee will pay out. The tenants will normally need to be fully referenced, and have passed affordability checks."

Maintaining good relations with problem tenants

It's important to communicate with the tenant if the rent doesn't arrive. Why hasn't the rent been paid – is it due to a short-term problem or an ongoing issue? Can you agree a repayment plan? Are there any issues with repairs or maintenance?

Any contact with the tenant should be properly documented, as you may need this information if you end up in court. If you use a letting agent to fully manage your property, they should deal with rent arrears (or any other issues with tenants) for you, and document it accordingly.

"The property manager can take responsibility for chasing rental payments, inspecting the property regularly and ensuring that any issues that arise are dealt with swiftly, says Alexandra. "An experienced property manager will have up-to-date knowledge of all the relevant rules and regulations for renting a property. He or she can manage the relationship between the landlord and tenant in an objective and professional way, which ensures the best solution for both parties."

Evicting a tenant

If your relationship with a tenant breaks down to the extent that you decide to evict them, it's vital to understand the options open to you and stick to the law.

"A landlord should never be tempted to break the rules, such as by threatening a tenant or interfering with the property in any way," says Jacky Jones, partner at Howells Solicitors. "The landlord could be accused of harassment, which is a criminal offence. Under the Protection from Eviction Act 1977, there are some severe penalties for landlords convicted of harassment."

The first step in the eviction process is to issue either a section 8 or section 21 notice under the Housing Act 1988. A section 8 notice can be used to regain possession during the fixed term of an AST, but you'll need grounds for doing so (such as two months' rent arrears) and the notice can be contested. Section 21 notices can be used to regain possession of a property at the end of an AST or during a periodic tenancy (usually running on a month-to-month basis). There's no need to give a reason, but you do need to give two months' notice. For a section 21 notice to be valid, you'll need to have protected the tenant's deposit and issued them with the correct paperwork at the start of a tenancy.

Landlords can issue section 8 or section 21 notices themselves, but the paperwork must be 100% accurate. Paul Shamplina of eviction service Landlord Action says: "More than 50% of the instructions we receive from landlords or letting agents that have served their own notices on tenants are incorrect. This means they are invalid or pose a greater risk of being thrown out of court, resulting in the need for a new notice to be served."

If a tenant ignores either a section 8 or section 21 notice, you'll need to get a possession order from a court – which can take six to eight weeks. Where a claim is successful, the judge will usually grant a 14-day possession order, giving the tenant two weeks to leave.

"Sometimes tenants are advised by local councils to stay put, forcing the landlord to go to eviction before they will be re-housed by the council. In these cases, a landlord has to go to the final stage – which is to apply for an eviction date with the bailiff. This can take between five and ten weeks, depending on the court and how many bailiffs are available," says Paul.

The best advice for landlords is to treat buy-to-let investments as a business. Communicate and work with tenants where you can, but never allow a situation to get so bad that it puts you in financial jeopardy. If you do end up in trouble, seek legal advice.

Muna Nwokolo

CASE STUDY

Muna Nwokolo, 34, bought a two-bedroom flat in Sydenham, south London in April 2017. She found a tenant – a single parent with a ten-year-old son – on OpenRent. Letting the flat to her was a decision Muna has lived to regret.

"Looking back, there were so many red flags with this person," Muna says. "She offered £1,250 a month although the rent was advertised at £1,400 and, because she had a child, I thought she was a safe bet. She told me they were staying in emergency accommodation and she was pressuring me to move in."

The tenant failed referencing but offered guarantors who between them could cover the full amount of the rent. But, in her efforts to help the lady, Muna made her next error. "I made the mistake of signing the contract and giving her the keys before referencing on the guarantors was complete, so my rent guarantee insurance policy was invalid."

The tenant paid a deposit and the first month's rent, but subsequent rent payments failed to materialise. By October she owed over £5,000, and had applied for housing benefit.

Muna served a section 8 notice to end the tenancy. But a mistake in the paperwork meant the judge viewed the grounds for eviction as discretionary, not mandatory, allowing the tenant to contest the case. By now housing benefit payments had started to be paid, prompting the judge to suspend the warrant of eviction. The judge ordered the tenant to pay the full rent going forward plus arrears.

"During the process, the tenant got free legal advice but I got no help at all. She got to continue living in my property but not paying rent," says Muna. When six months had passed, Muna served a section 21 notice as the tenancy was no longer in the fixed term. However, she couldn't prove she'd given the tenant copies of the property's gas safety and energy performance certificates before she moved in – making the section 21 notice invalid. At the same time, the tenant's payments had reduced, putting her in breach of the previous court order.

"As she hasn't kept up her full rental payments I have now got the warrant of possession re-issued using the possession claim online (PCOL) service. We have a bailiff date – fingers crossed she leaves," says Muna. "If she doesn't, then I have sought help from eviction service Evicthem for the next steps. She currently owes about £2,800. I've been to court four times and each time I felt like I was being berated by the judge, even though she hasn't paid the rent and has breached the contract. I'm glad tenants are protected but the system is open to abuse. I have learnt so much from all this and want to stop other landlords making the same mistakes. I should have taken legal advice sooner."

STATISTICS ABOUT PROBLEM TENANTS

According to research by online letting agent MakeUrMove:

- 47% of landlords have had issues with tenants who don't pay rent on time.
- 25% have faced large bills when tenants have left properties in a state of damage and disrepair.
- 26% of landlords have encountered tenants breaking items and refusing to pay.
- 16% of landlords have had tenants refusing to leave at the end of their tenancy.
- 22% of landlords have found extra people living in the property who are not on the tenancy agreement.

Ladders and sn

There are always ups and downs in property, but Sam Jones seems to have experienced more than her fair share. She talks to Jane Cameron about her eventful journey from first-time buyer to remote property investor.

It's a wonder Sam Jones is still in property. While the former underwriter has a healthy portfolio today, her early experiences (starting out at the tender age of 19) would have put off all but the most committed investors. Twenty years on, she now presides over a healthy portfolio – but things might have worked out very differently...

Sam's climb up the property ladder started well, with the purchase of a "tiny" two-bedroom mid-terrace on Winchester high street near her workplace. She bought it for £120,000 in 1999, and sold it for £245,000 five years later. Buoyed by this success, and with a pot of money in the bank, Sam and her parents decided to set up a company for investment. The plan was to build on her parents' savings with a buy-to-let, while Sam took a percentage of the rent for managing it all. Borrowing a masonry term for fine stonework, they called it Ashlar Properties.

Keeping it in the family

Sam says bricks and mortar are in her blood. "I've always been mad about property," Sam says. "I grew up on building sites as my mum and dad added value to their own homes with extensions. They didn't do it so much from a financial perspective – though they definitely improved the value of the homes – but to make something as nice as it could be. I was keen to do that too."

The first Ashlar Properties acquisition was a £155,000 three-bed townhouse in Basingstoke, paid for in cash. By using the dining room as a fourth bedroom, they could easily convert the house into their first HMO. It already had three bathrooms, and cost £3,000 to kit out. It was her parents' first foray onto the walkways of furniture superstore IKEA, Sam recalls.

Stranger danger

She quickly filled the property with young professionals, sourced from local business park bulletin boards. Rent was between £300 and £400 a month, with £50 for bills. It was far from plain sailing, however: "In 20 years of property, I've only had two tenants in arrears," Sam says, "and they both happened in the first three years!" The first tenant simply left without paying a month's rent. The second had run up debts of about £800, and then trashed his room. Worse still, he went on to assault Sam by pushing a wardrobe at her and threatening her with a knife.

"I'd asked him to leave, and went to the property to collect the keys and rent," she explains. "But he didn't give me the rent and I didn't let it go. It was my stupidity. I should never have cornered him, and I

nakes

think I panicked him." Luckily, Sam escaped with some scratches and shock. A phone call to the tenant's mother later revealed he had recently come out of jail, while he had also duped the employer who'd provided his references.

"I was angry anybody could leave with arrears – it hadn't crossed my mind someone would do that deliberately! But it's only money and I learnt a lesson about what is most important." With the help of the other tenants, Sam was able to brush herself down, find a replacement tenant and move on. In her case, this meant giving up her job at BMW to become a full-time property professional, and moving to the Brecon Beacons.

Heading for a crash

By now it was 2007, and the heady days of the early noughties were about to end in spectacular fashion with the financial crisis. Sam's next property experience was, as she puts it, "doomed" from the start. After a long search for the right house – competing with buyers willing to pay well over the odds – Sam bought a three-bed semi in an up-and-coming area of Swansea. She paid £160,000 for it, plus another £25,000 to upgrade it. Five months and much hard toil later, she felt lucky to sell it for what she paid for it, as the rest of the city saw 40% wiped off its property values.

"It was awful," Sam recalls. "I didn't want to ruin the family business. But we didn't do as badly as we might have, and it's taught me to view property as a long-term project." Some good news then arrived to offset all the negatives. Sam had spent four years battling to win planning permission for a house on some land next to her parents' home, bought for £100,000. This in itself was no mean feat. It involved a conservation area, a disused swimming pool, a dilapidated thatched cottage and a fight with the new owner of the manor house on which their land used to reside. Incredibly, despite his aggressive £25,000 attempt to stop the planning, the combative lord of the

"In 20 years of property, I've only had two tenants in arrears,' Sam says, 'and they both happened in the first three years!' The first tenant simply left without paying a month's rent. The second had run up debts of about £800, and then trashed his room. Worse still, he went on to assault Sam by pushing a wardrobe at her and threatening her with a knife."

manor bought the land after the planning permission had been granted, built the house himself and now rents it out. Ashlar Properties made a tidy £200,000 profit.

Calmer waters

With a wealth of experience under her belt. Sam discovered The Property Podcast. She decided to build a portfolio, with the help of property management companies such as RMP Property and Yellow Lettings. She now owns 11 properties throughout the UK, five of which she's never seen. Remote purchase and management of distant properties isn't an issue, though: "I spend a lot of time analysing deals and doing due diligence before giving the go-ahead. I can look at whatever comes up and I don't have to be limited by geographical location. The figures then stack up and I can afford to use an agent."

Even so, Sam continues to manage her original HMO and a small handful of other properties herself. Having a trusted band of local tradesmen recently enabled her to complete an £8,000 kitchen refurb in the HMO in only two visits. In addition, she uses her existing tenants to help fill any vacancies. She uses the online agency Spareroom to make initial contact – and if they move in, she pays the tenants £50 for showing them round. "It saves me a monstrous amount of time, and they have to live together anyway," she says.

This fits with Sam's philosophy of treating tenants well. She recently gave £1,000 to a tenant of eight years' standing towards a new carpet and, on another occasion, adjusted the rent payment days to help a family through redundancy. They've now been model tenants for six years. "I put my tenants first," Sam says. "Every time we change tenants, it costs us £2,500. It makes a lot of sense for landlords to keep good people on. My advice is to be generous if you can. It's the difference between being a good and bad landlord. Have a rainy day fund in case all the boilers go and don't be a cheapskate. In the end, it's your asset."

"Having a trusted band of local tradesmen recently enabled her to complete an £8,000 kitchen refurb in the HMO in only two visits. In addition, she uses her existing tenants to help fill any vacancies. She uses the online agency Spareroom to make initial contact – and if they move in, she pays the tenants £50 for showing them round."

TOP TIPS

Deals & developments with Rob B:

WHY I'D WALK AWAY FROM A DEAL

Sometimes, walking away from a property deal is the right thing to do. But how do you decide if it's not worth purchasing?

Rob Bence © Barney Walters.

Getting a good deal on property is what I've built my career on. Sometimes it's about smart moves and clever negotiations, but often it's about knowing when to walk away – and there are plenty of reasons why I would...

The price

If a property is overpriced, you must walk away. It sounds obvious, doesn't it? But in reality, it's often quite difficult to know whether it's overpriced. A seller will often be willing to offer a discount on a property, and an inexperienced buyer may think they're getting a good deal. But just because the seller is willing to move below the asking price doesn't necessarily mean it's a good deal. Often, it simply means the price was inflated to begin with.

The lack of fundamentals

The property may look perfect and the price might make sense, but if the fundamentals aren't there, I'm walking away. Why? Because the property is only one element of the deal. As a landlord, you need tenants – and while a nice property is a good starting point, those tenants are going to need much more than that. Are there decent schools in the area? Are there jobs, or is unemployment an issue? Are there decent transport links, or would tenants be isolated? The fact is a rental property is only worth buying if you can secure renters, and an area with very little to offer is unlikely to do that.

The rental potential

You may have found a property that you'll easily be able to rent out. But thanks to new regulations from the Prudential Regulation Authority (PRA), that rent might not be high enough to secure you the size of mortgage that you want.

Since 2016, many lenders have required that the rent the property can achieve is at least 145% of what the mortgage payment would be (or 125% for limited company applicants) if the interest rate were 5.5%. This is already a major issue for landlords in London, where property prices (and therefore mortgages) are very high relative to rents – and it's fast becoming a common issue in Birmingham. Before buying, check that the property's rental potential will meet lender requirements.

The neighbours

While you're unlikely to find out what the neighbours are like before you buy, it's still possible to learn more about the immediate area. I once looked at a deal that seemed fantastic on paper, but when I checked Google Street View, I discovered it was next to a tyre yard!

Leasehold houses

Let's make it simple. There is no reason for a house ever to be sold on a leasehold basis. Flats make sense because there's communal maintenance to think about, but houses? Don't even think about it. To make matters worse, the majority of lenders don't like them and won't offer mortgages against them at all.

Leases with doubling ground rent

When buying a leasehold apartment, you'll agree to pay ground rent. If you're a smart investor, you'll have factored this into your costs. However, you may find clauses in the lease which mean the ground rent could double every ten years. If that's the case, you're going to struggle to sell the property at any point.

Ideally, don't buy a property with a lease shorter than 99 years. However, if you do need to extend the lease, never enter into informal negotiations with the freeholder directly. Doing so may seem cheaper as you'll only have to pay your legal and valuation costs, but the freeholder could make changes to the small print of the agreement – including doubling ground rent.

TOP TIPS

How to...
BUY OFF-PLAN

Is buying a brand new property at a discounted price every investor's dream? Emma Lunn investigates.

Developers usually offer discounts to buyers willing to buy "off-plan" and commit to a purchase on the strength of the architect's drawings and builders' promises. But that doesn't mean every off-plan purchase is a good deal – so you still need to do your homework.

Off-plan prices

Developers typically offer a 5% discount to off-plan buyers, but investors buying multiple units can sometimes negotiate as much as 20% off. You may also be able to negotiate freebies like a furniture pack, or persuade the developer to pay the stamp duty.

Off-plan purchases are most popular in a rising market. If prices have risen by the time of completion, you'll have extra "free" equity in the property – which you can access in the future by refinancing, and put the extra cash towards your next purchase. Alternatively, some investors reserve a new build in the hope prices will rise so much they can sell the property on before it's finished.

Whichever route you choose, buying off-plan gives you an unusual amount of leverage – because you typically only need to put down a 10% deposit to exchange and commit to the purchase.

For example, say you agree buy a property worth £200,000 off-plan and agree a 5% discount (£10,000). Your 10% deposit will be £19,000.

By the time you're close to completion, imagine the market rises by 5% so the property is now worth £210,000. If you sold the property before completion, you'd make a £20,000 profit on your £19,000 investment: a more than 100% ROI, just from a 5% discount and a 5% market increase. If (more typically) you held onto the property and rented it out instead, you'd still have £20,000 more equity in the property than someone who hadn't bought off-plan.

RESEARCH CHECKLIST

- Are house prices rising or falling in the area where you plan to invest?
- Are you buying from a reputable developer?
- Is the property protected by a suitable warranty? (See boxout)
- Have you negotiated a decent discount relative to market value?
- Is the property leasehold? If so, how much are the ground rent and service charges?
- Have you arranged a professional snagging inspection?
- How long will building work on the development continue for after your property is complete?
- Are similar developments being built nearby?
- Are visuals of the property you're planning to buy specific to your plot, or just generic development images?

Pay attention to details

If you plan to let (rather than resell) an off-plan property, in theory you shouldn't have much work to do before tenants can move in. Any property defects should be covered by a ten-year warranty from the developer, and maintenance costs should be low.

Yet defects are surprisingly common with new builds. According to a report by Shelter last year, almost half of new home buyers experienced major problems with their properties. These included issues with construction, unfinished fittings and faults with utilities. You can protect yourself by employing a snagging company, who will visit before completion and make a list of everything that needs to be remedied.

Be prepared for delays

Although there is no onward chain when you buy off-plan, the builders' construction timetable will dictate when your purchase can complete. Delays are common, and may cause problems with mortgage finance.

"Mortgage offers are valid for a certain period of time," says Mark Harris, chief executive of mortgage broker SPF Private Clients.

If the build of the property takes longer than that, the offer may expire and the borrower may then need to make another application for a mortgage." The key is to make your mortgage application at the right time, by staying in communication with the developer about when completion is likely to happen – so you don't leave it too late nor apply too early.

Get the legals right

You'll normally pay a reservation fee when you agree to buy a new build. In return, you should be given a reservation agreement detailing the purchase price and what's included, plus details of ground rent and service charges.

Make sure you hire a solicitor experienced in off-plan purchases, and not one recommended by the developer. Your solicitor will ensure that the contract between you and the developer is fair, and that you're protected if things go wrong. If the property is leasehold, he or she should also alert you to any onerous ground rent or service charge terms in the lease.

Do your homework

Vanessa Warwick, founder of PropertyTribes.com, says off-plan investors should do their due diligence on the area, the developer, the type of property, and the financing method being used.

"A huge amount of flats being developed in a city can lead to over-saturation," Vanessa says. "This can affect prices in the micro-area, and make it challenging to find tenants if the property has been bought for investment purposes. With regards to the developer, check sites like Companies House and DueDil to assess the financial health of the company. Research the directors, and see their track record. If they have a history of closed or dissolved companies behind them, that's a red flag in my book."

NEW HOME WARRANTIES

The developer should take out a warranty to protect your deposit should the build not complete. Once the property is built, the warranty is split into two periods:

Years one to two: the defects insurance period

Years three to ten: the structural insurance period

The four main providers of new home warranties are:

- **The National House-Building Council (NHBC)**
- **Local Authority Building Control Warranty (LABC)**
- **Premier Guarantee**
- **Advantage Home Construction Insurance (AHCI)**

The Instagram accounts you need to follow

With so many social media platforms out there, it can be hard to find value in them. After all, browsing Pinterest or Twitter won't be a landlord or developer's first priority on a Monday morning (at least, it shouldn't be). But although there's an awful lot of pointless information out there, social media can be interesting and useful if you follow the right accounts. Below, we study the Instagram accounts you can look to for advice, inspiration, and the sheer thrill of being nosey.

(First, though, make sure you're following The Property Hub: **@propertyhubuk** and our very own Rob B **@rob_bence** as he travels the country visiting developments!)

LEARN FROM EXPERIENCE

@fatproperties

They're student properties, but not as you know them! The couple behind Fat Properties create stylish student houses in Lancaster. Their Instagram account gives regular updates on their renovations, as well as envy-inducing photos of their properties.

@the_property_efffect

Developer Lauren Charlotte details her property journey and what she's learnt along the way, with some glamorous "blogger-style" shots thrown in for good measure.

BE INSPIRED

@freshome

Freshome describes itself as a "place to get inspired by creative interior design, unique architecture and everything that makes life less ordinary". It features gorgeous photos of all aspects of home design, from perfectly preened gardens to stunning walk-in wardrobes. Property porn at its finest, and a rich source of inspiration for your next doer-upper.

@livingbiginatinyhouse

Stuck for ideas on decorating a small space? Look no further than this fun account, which explores incredible small-space designs in tiny houses across the globe.

GET PRACTICAL

@upcyclethat

Why get rid of your unwanted belongings when you can give them a new lease of life as something entirely different? UpcycleThat is filled with ideas and tips about this popular design trend. It's ideal for anyone looking to save money (and the planet) when furnishing a property.

@ikeahackers

If you're the crafty type, this account is for you. With the tagline "Do Ikea Yourself", IkeaHackers shows off some quirky DIY projects to give your property that unique touch.

In a town near you *(every month)*

Property Hub Meetups are the UK's biggest FREE network of property events, with 35 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

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
JD Wetherspoons, MK9 1EA
Meetup leader: Jason Smith

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: TBC

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**