PropertyHub Magazine

Making sense of property investment

VIEW OF THE FUTURE

What does the next decade hold for the property market?

propertyhub.net

Issue 16 February 2019 | £5.95

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CONTENTS

Hello!

Welcome to our first issue of 2019... and a very special one at that!

As you'll read on page 40, we've been working very hard behind the scenes over the past year to bring all our services together into one company – Property Hub. You can visit our new website at propertyhub.net to find out more, and also take some of our brand-new free courses.

Starting on page 15, you'll get to listen in on a conversation we chaired between a group of the UK's leading property experts. It was a privilege to be in a room with such vastly experienced people, and there's plenty to get you thinking.

Elsewhere in this issue, we look at the case for investing in Bristol on page 10, answer some of your most pressing tax questions in our Q&A on page 28, and have a wealth of practical tips for expat investors on page 26.

Happy reading, and welcome to the new-look Property Hub!

Rob Bence & Rob Dix

Rob Bence Rob Bence has over a decade's experience of sourcing prime property investments on behalf of clients, and now oversees Property Hub's own developments too.

Rob Dix has written extensively about property investment for the last seven years. His books, including The Complete Guide To Property Investment and How To Be A Landlord, are Amazon best-sellers with hundreds of five-star reviews.

Market focus

The latest news and developments from the property industry

NOTTINGHAM TAKES TOP SPOT FOR HIGH YIELDS

If you're looking for the next buy-to-let hotspot, a university town could be just the ticket. New research from credit experts Totally Money has confirmed that university locations deliver some of the highest yields in the UK, with Nottingham taking the lead. The NG1 postcode gives a healthy average rental yield of 11.99%, closely followed by Liverpool's L7, which provides an average yield of 9.79%. There's another Liverpool postcode in the top five places (L1), with an average rental yield of 9.33%.

Liverpool has around 70,000 students attending three universities, and this naturally has a knock-on effect on rental demand. A similar trend is evident nationwide, with the student market proving lucrative for landlords. The number of students needing accommodation close to campus has continued to rise, and investing close to universities has become a well-known tactic for many buy-to-let investors, due to their ability to easily secure new tenancies for academic terms.

The worst offenders in the survey were in North London, where five of the ten bottom postcodes were located. N6 was the worst postcode in London, with miniscule yields of just 1.93%. High house prices and tight affordability criteria have continued to hold London back on investment performance. For top returns, London is clearly not the place to be looking right now.

LACK OF SUPPLY AFFECTS TRANSACTION LEVELS

The London property market has been cooling for quite some time, so it's perhaps unsurprising to learn that transaction levels have dipped significantly across a number of Greater London areas.

A recent analysis of Land Registry data by modular housebuilder Project Etopia highlighted a whopping 22.5% transaction drop in Tower Hamlets, and a 15.4% fall in Croydon. By way of contrast, the top five towns and cities with the biggest transaction level rises were Chorley (17%), Hull (13.9%), Lincoln (12.3%) and Liverpool (10.8%).

With such low mortgage rates on offer at the moment – not to mention the return of 95% mortgages – some consider it surprising that Greater London isn't more popular among savvy investors. Other factors, it seems, are underpinning today's low levels of activity.

Aside from high house prices in the south of England, a lack of stock is also to blame. Some councils are over six years behind their own building targets, and developers are facing more red tape than ever to get their developments across the line. The hot topic of Brexit has also surfaced as a contributor to transaction stagnation, with many would-be first-time buyers and investors holding off to see how Theresa May's plans pan out.

Nottingham University.

NEWS

Illustrative view of the new Roma Capital development at Liverpool Waters 'Little Amsterdam'.

PLANS FOR "LITTLE AMSTERDAM" IN LIVERPOOL

Development activity in Liverpool is showing no signs of slowing down, with plans recently submitted to create a "Little Amsterdam" at the city's Central Dock site.

A planning application submitted by Romal Capital highlights six blocks at the Liverpool Waters site, offering 646 apartments and a raft of commercial space. This "Little Amsterdam" proposal has been designed by architect Ollier Smurthwaite – who's also been responsible for flagship developments in Manchester, such as The Toast Rack in Fallowfield and Sky Gardens in Castlefield. Keen to emulate the community feel of Amsterdam with bike rides, water taxis and leisurely strolls, Romal Capital's vision will no doubt attract landlords and residential buyers alike.

The wider Liverpool Waters masterplan is transforming a 60-hectare dock site into a vibrant residential and commercial hub in the heart of the city. It's opened a gateway for developers to make their mark in the five new neighbourhoods created here as part of the project. At the same time, other big plans for Liverpool's riverside are on the horizon – such as a new cruise terminal that occupies as much space as two football pitches. The current terminal contributes over £7m each year to the economy, and the new plans are set to bolster this by enabling larger cruise ships to pass through. Over 500 new jobs will be created in the process.

Everton FC's plans for an iconic new home on the city's waterfront will also help with the regeneration effort. The intended capacity of the new stadium will be 52,000, with the potential to increase to 62,000 to meet future demand.

HMO LEGISLATION GONE WRONG

Licensing may be a pain, but it's a necessary evil to protect tenants from rogue landlords. However, the team at Simple Landlords Insurance has unveiled research which appears to demonstrate that the HMO licensing scheme is failing miserably.

Houses in multiple occupation have been seen as a quick money-maker for some unscrupulous amateur landlords, who collect rent from multiple tenants while doing very little to maintain their properties. The UK Government unveiled the licensing scheme to protect tenants from unacceptable living conditions, but research has highlighted that most local councils have no idea how many HMOs are unlicensed in their area. Without this vital information, councils are unable to issue enforcement against those falling foul of the rules.

This wouldn't be quite so bad if the government hadn't promised an additional £2m to help administer a scheme that appears to be doing very little to protect tenants. In 2018, there were 18,881 licenses granted and just 103 rejected, with landlords needing to undergo a "fit and proper" test in addition to ensuring they complied with fire safety regulations. Yet surprisingly, 65 out of 90 local authorities didn't know how many landlords were breaking the rules. Even worse, 31 out of 90 local authorities didn't make moves to prosecute those who were known to be breaching the regulations.

Back in October 2018, the criteria for HMO licensing was widened by removing the three-storey minimum requirement and imposing new conditions on room sizes – which should have increased the number of licensed properties from 60,000 to around 220,000. It remains to be seen whether the new funding helps to get this scheme up and running properly.

NEWS

Hot off the property press

Graham Norwood is an award-winning freelance property journalist and editor of online news website LandlordToday. With 20 years' writing experience under his belt, he tells Jane Cameron what it takes to keep property professionals in the know.

Graham Norwood, winner of Property Trade Magazine Journalist of the Year with Anna King, founder and director of Informar, Informare, and Katie Derham, awards host.

06:30

Sixty-one-year-old Graham wakes up in his Devon home at the start of a busy day. So busy, in fact, that there's no time for breakfast.

07:00

He checks the London Stock Exchange morning report. Graham only has 15 minutes to scan for news that might be relevant to his online audiences at LandlordToday, EstateAgentToday and LettingAgentToday. He'll compile the news into an email bulletin that goes out at 07:30, to a database of 16,000 recipients.

"More and more estate agencies have floated on the stock exchange, and have to stick to the rules by making announcements in this way," Graham says. "Many do this instead of issuing press releases." This morning, he picks up on news of a planned expansion into Florida by one of the biggest online estate agencies. He adds some UK context to the report and uploads a 400-word story, plus a shorter piece about a change of directorship at another estate agency.

07:30

Newsletter written and sent, Graham takes a quick breather with his labradoodle Macy, along the estuary near his hometown of Topsham, near Exeter.

He describes being freelance as "an absolute joy", because he's spared the stress of commuting. "Not travelling into a city is a big bonus, and it gives me a general feeling of wellbeing," he says. "It's a two-minute commute from my bed to my office."

Graham's journalism career began in 1982 as a graduate trainee with the BBC, where he spent the next 17 years. During this time, he worked in many roles for both radio and TV, including a spell in Belfast covering the tense situation in Northern Ireland before the Good Friday Agreement: "It made dealing with estate agencies seem easy!" In later years, Graham was based in London, and his final BBC position involved being the editor of Ceefax, the text-based TV information service.

08:00

Settling back into his loft office, Graham begins to research the ten stories he needs to publish tomorrow, which will be uploaded to the relevant websites at midnight. He turns his attention to a story he's spotted in a local newspaper revealing the first local authority to declare support for a campaign to outlaw Section 21 – the piece of legislation that allows landlords to evict tenants for no reason. With some additional information from the council's press office, Graham sets this as tomorrow's top story on LandlordToday.co.uk.

Although there is an overall content editor at publisher Angels Media, Graham chooses the running order for the three news sites he's in charge of. He explains his criteria: "I keep people up to date with what matters to them. My responsibility is to make landlords, estate and letting agents aware of the current issues, giving them the information they need to make decisions or take action."

09:00

Graham arranges a telephone interview with the owner of a new online service that allows sellers to market their homes privately without an estate agent. Graham wants to know why he left his job at an estate agency in order to set up a service that bypasses estate agencies altogether.

He explains how he'll handle the call: "At some point, I need to speak to most people again, especially estate agents. While I would never compromise what I write, I'm not going to engage in argument with them. If they don't agree, or don't want to answer a question, that's fine."

Most interviews are conducted by email, and run smoothly. On handling estate agents, Graham adds: "They are passionate defenders of their way of doing things. In the debate of online versus high street, each side has invested a lot of time and money. They are very critical of the other way. My views are my own business – my responsibility is to my readers, and they need to hear both sides."

09:45

In addition to filling his trade press pages five days a week, Graham writes consumer property stories for the national press. This morning, he's working on a Daily Mail feature linking good transport with property hot spots. He's found a survey of 14,000 people by Which?, identifying places where rail services are rated highly by the public. Using his substantial contacts book, he emails estate agents based in these areas to ask for examples of locations that have become popular since rail improvements were completed.

12:00

He tunes into BBC Parliament. A self-confessed "anorak", Graham has this live channel running in the corner of his computer screen each day so he can keep an ear out for relevant questions in the House of Commons to the Housing Minister or Prime Minister. Today, a Labour MP uses Parliamentary Privilege to name and shame a lettings agency he accuses of charging tenants "rip-off" fees. Graham can't name the agency, but he gets a quote from them about why the fees are necessary and uploads a story about it.

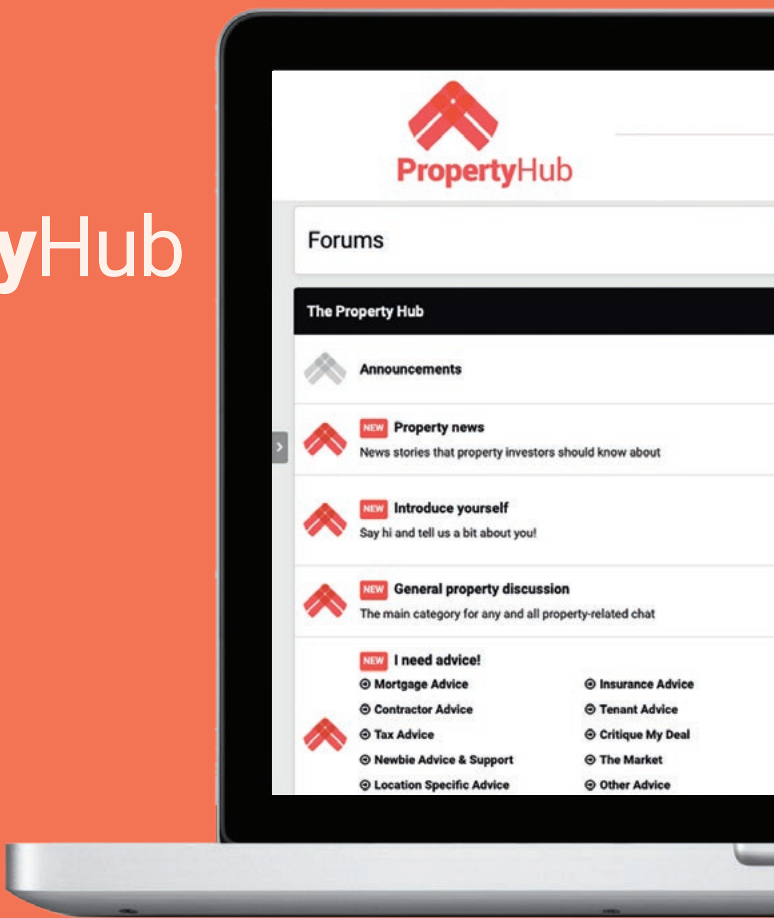
13:00

Graham sets off on a five-hour round trip to Cornwall, for a Sunday Telegraph interview with the 68-year-old seller of a £3m home that's been in the family since 1951. It's a beautiful six-bedroom mill warehouse conversion that Graham rates as the best house for sale in the county so far this year.

It's this type of consumer story that drew Graham into the world of freelance property journalism. Back in the 1990s, property became both an asset class and a lifestyle obsession under the Tories, and property sections began appearing in the newspapers. He seized the opportunity to answer demands for a different kind of coverage. "I was always interested in property," says Graham, who has two buy-to-lets of his own, "but it had previously been covered simply as an asset rather than something you could enjoy. Suddenly, it was cheap to move, people were making money and there were TV programmes about it. The love affair with property had begun. Property became a lifestyle thing, and I believed I could make a living out of it."

19:00

He arrives home to attend to social media. "I could spend a lot of time on Twitter and not do much else," Graham says, "but I don't engage as much as I probably should." Nevertheless, he has 21,000 followers on his @PropertyJourn account. He uses the social media tool Tweetdeck to schedule 7am posts that give headlines and links to his top stories of the day.



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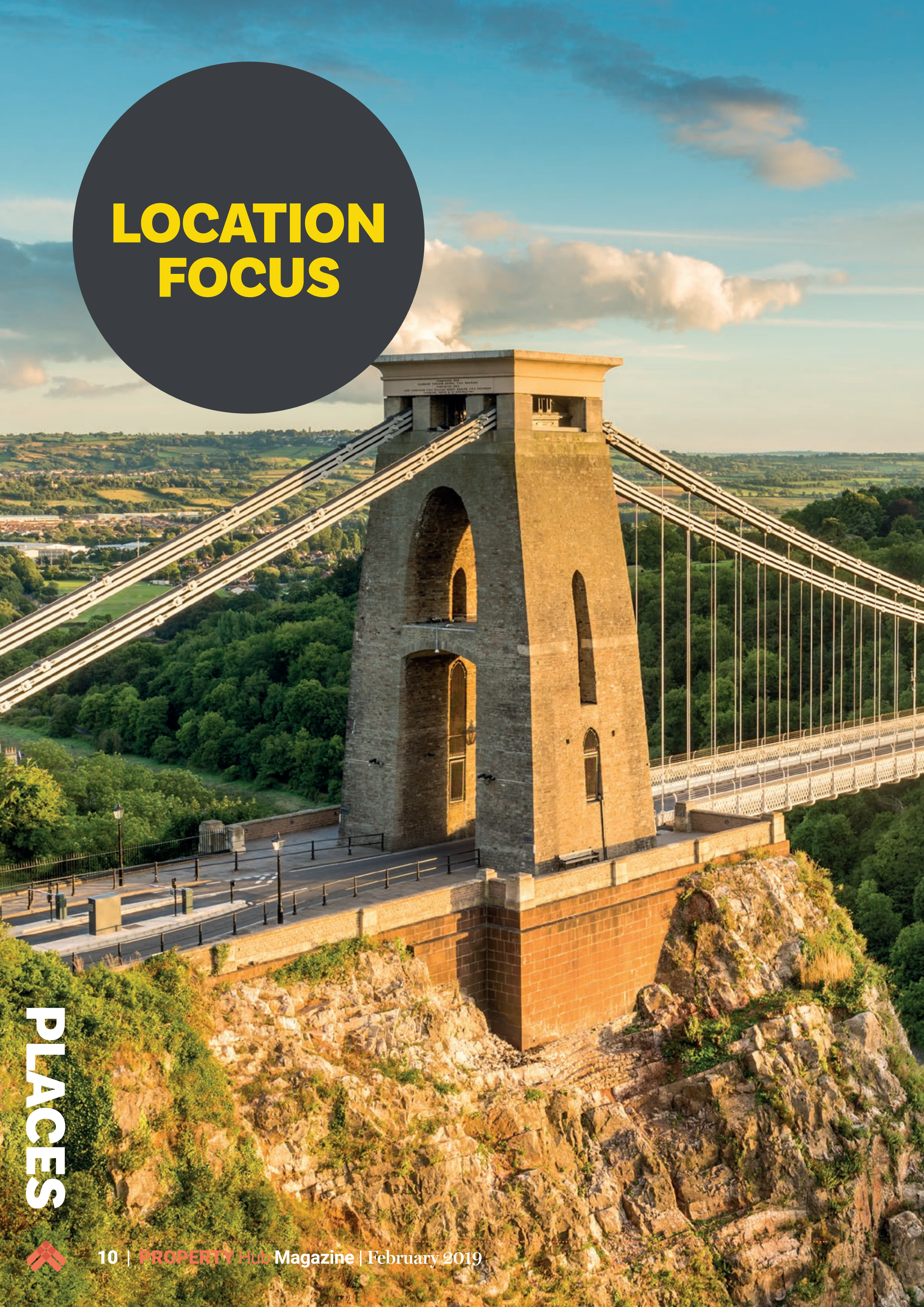
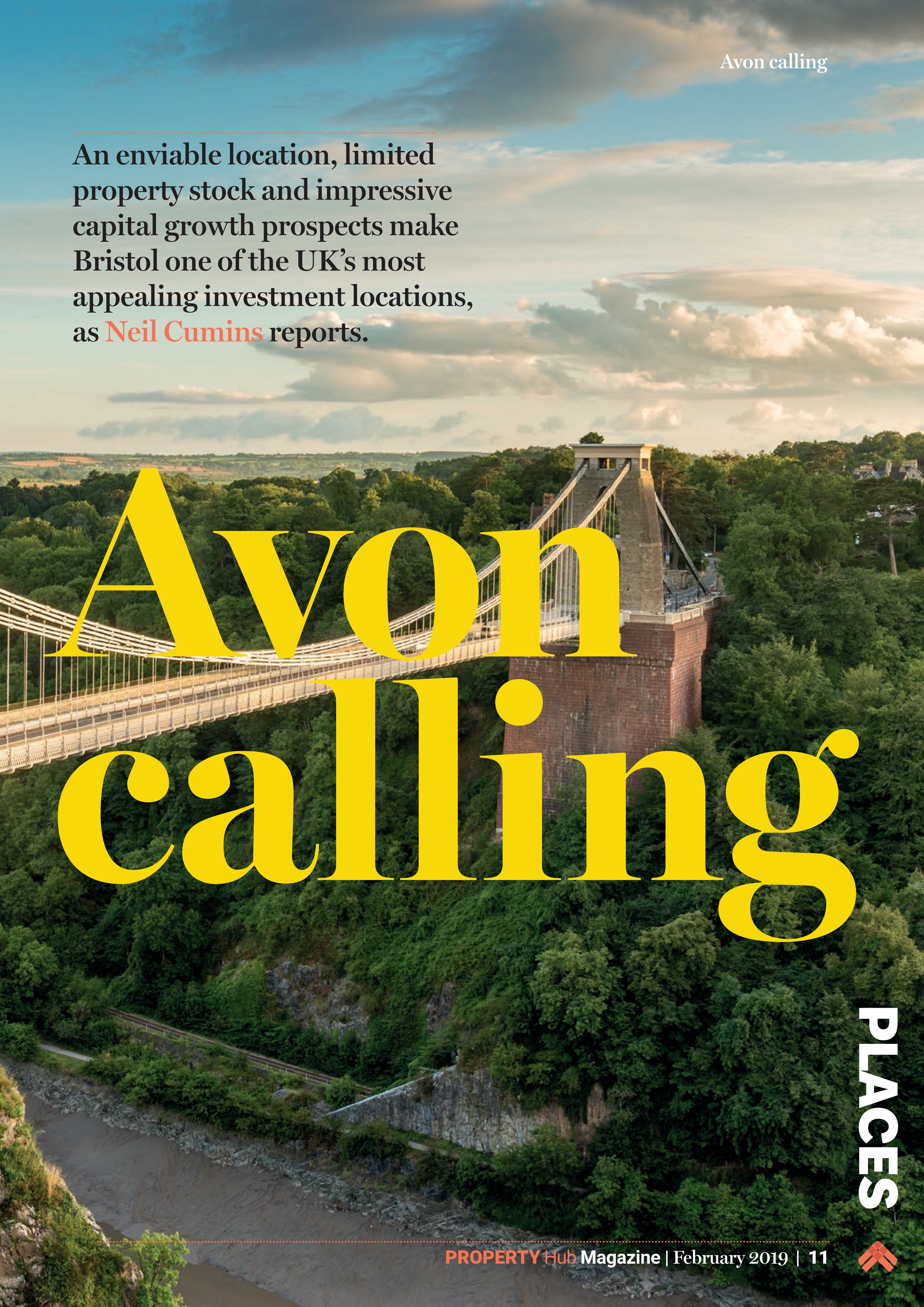


PLACES

An enviable location, limited property stock and impressive capital growth prospects make Bristol one of the UK's most appealing investment locations, as Neil Cumins reports.

Avon calling



PLACES

There are many answers to the question "What have the Romans ever done for us?" and one of the more surprising responses would be "Bristol". As the largest city in south-west England, Bristol first rose to prominence as a wealthy trading port during Roman times. Centuries of maritime trade and inward investment gave this city a global profile, while its enduring prosperity means Bristol regularly tops lists of the best places to live or work in the UK.

Ship shape and Bristol fashion

Bristol has prospered for centuries thanks to the River Avon, which extends from the Bristol Channel through the city centre and onto Bath, 13 miles east. Bristol's compact city core is squeezed between the river and the A38, and is bisected by Bristol Harbour – a manmade tidal bypass for the Avon that's lined with well-established marinas and docks. There has also been extensive waterside construction since the millennium, from modern apartment developments to corporate banking HQs.

Banking has been one of Bristol's historic employment bases, alongside technology, defence and aviation. Many employers historically relied on the waterways, and have retained their bases here to the present day. The average salary in Bristol is over £28,850, while unemployment rates across the city are 3.5% compared to 4.2% nationally.

While Bristol has clearly fallen back in love with its waterways, its railway infrastructure has fared less well. A handful of suburban train stations serve the city's western quarter, and there are few other routes on offer. Its regional services are more successful, with regular trains to Glasgow, London, Manchester and Cardiff from Temple Meads station. Bristol also impresses when it comes to air and road travel: Bristol Airport has flights to 125 locations throughout Europe, while the key M4/M5 junction at Bradley Stoke places much of western England and Wales within commuting distance.

Buying into the future

Though geographic centrality has helped Bristol become a property hotspot, academia has also played a role in attracting students – and giving them strong employment prospects after graduation. Andrew Morgan, director of Bristol-based estate agents and auctioneers Hollis Morgan, says UWE Bristol and the University of Bristol underpin a buoyant residential market: "There is a huge university population in in the city. Not only are there lots of private landlords, but people also buy properties for their children, so the rental and sales markets are pretty vibrant and consistent."

According to Andrew, undergraduates tend to congregate around Clifton: "The postcodes around the universities are BS6, BS7 and BS8. As a trendy part of the city, they're very popular." Many students choose to stay in these areas after graduating, while others seek affordable alternatives nearby. As a whole, Bristol retains 30% of its graduates, placing it above university cities including Oxford (18%) and Cambridge (17%). David Wild is a director at the Clifton branch of Savills, and he describes the overspill into surrounding districts: "Young families who may end up in prime Clifton and Redland postcodes later in life will initially focus on more affordable but highly desirable areas. These include Bedminster, Southville, Montpelier and Bishopston."

Youth is a recurring theme when discussing the Bristol property market. "Young professionals prefer to buy in the city centre," says David, "close to Temple Meads Station with the commercial quarter, shops and nightlife. They will sacrifice gardens and parking to purchase conveniently situated one and two-bedroom flats, if they offer generous open-plan reception rooms, large enough for entertaining friends."

A mature market

Bristol's established suburbs have retained their appeal over the decades, particularly with older buyers. "Clifton is predomina1ntly Georgian and Victorian housing stock," says Andrew, "but as you get slightly further out, the housing stock becomes 1930s properties with modern infills. New developments tend to be in dormitory towns around Bristol, but it's the older stock that attracts the most attention from buyers. Properties in need of modernisation are always attractive for lots of reasons, so they always sell well – the more rundown the better!"

One area of Bristol in the ascendancy is Redland, which Andrew attributes to the recent construction of Redland Green School: "It's attracted the sort of families who would often send their children to private schools, but they've paid more for their houses to get their children into a state secondary with a good reputation. They get to live in a nice area where property values go up."

Supply in demand

Andrew says there is a shortage of property across the board: "Demand is bigger than supply, and up until now, agents have been scrabbling round trying to get instructions." Even the waterfront has remained immune to overdevelopment, bucking the trend seen in some towns and cities across the UK. The refurbishment of former dock buildings and new-build developments along Bristol's waterfront is now largely finished, with one-bedroom resale flats regularly marketed for over £300,000.

With consistently strong demand for all types of residential property, house prices in Bristol have experienced steady growth over the last couple of decades. However, the market has been more sensitive to pricing in the last year, possibly due to political uncertainty: "We're already seeing a slowdown in price growth," says David. "Those properties that appear realistically priced have generated interest, often attracting competitive bids and a sale price over their original guide price. Conversely, those vendors that have built a degree of market growth into their prices will have found the market tougher. If their properties have not sold quickly on a wave of early interest, they may have to consider dropping their price beneath the market level to sell."

Yielding opportunities

Although prices are levelling off, Bristol continues to appeal to young professionals in particular. A stable jobs market, combining high average salaries and low unemployment, has attracted property investors from far and wide. "We have a mailing list of 17,000 people all around the world looking for property," says Andrew, "including many people buying investments from overseas." Demand is strongest in the affluent northern suburbs, with strong transport links courtesy of the M4/M5 interchange at Almondsbury.

In terms of achievable rental incomes, BS2 was recently ranked the UK's 16th best postcode for yields, achieving an average 7.87% yield in TotallyMoney.com's buy-to-let index. The only other Bristol postcode achieving more than 4% on average was BS34, which encompasses the northern suburbs of Stoke Gifford, Filton and Patchway. This postcode also includes swathes of new homes at Charlton Hayes, where two-bed flats retail for £220,000 and three-bed houses are priced from £310,000. Other postcodes return modest yields of around 3%, although this is still better than many parts of London.

SITES FOR SORE EYES

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

- **Temple Quarter**
  An ambitious plan to create 22,000 new positions by 2037 has already led to the first 3,000 jobs – across the tech, creative and professional sectors. Landmark offices and live/work units have been constructed, a £300m enterprise campus will be started shortly, and HMRC is set to become a major employer.
- **Arena Island**
  Plans for a 12,000-seater arena in the heart of Bristol have been stalled since 2003. A recent proposal to relocate the arena to Filton (five miles away) could allow this prominent city centre site to become home to a mixed-use scheme by L&G instead. Their proposal for the Island gap site includes homes, offices, a hotel and conference centre.
- **The Carriageworks**
  Plans to turn this long-derelict Stokes Croft complex into shops and flats were first mooted in 1989, but work finally began last October. A listed mid-Victorian factory and an adjoining 1960s office block will be saved from demolition by the creation of 112 homes and ten business units, arranged around a pedestrianised courtyard.

A city that's in demand

With price growth gently decelerating, Bristol probably isn't the ideal place to invest if capital appreciation is your main objective. But as David Wild points out, long-term demand remains undimmed, particularly for development opportunities and high-spec homes ready for the rental market: "Price adjustments to match buyer and seller expectations have increased over the last 12 months, and we expect this to continue. However, best-in-class property in the city is continuing to sell well, as are properties with potential to add value. While a more subdued market means it's essential to be realistic about achievable sale and rental prices, Bristol's reputation will ensure its continued popularity for many years to come."

"While a more subdued market means it's essential to be realistic about achievable sale and rental prices, Bristol's reputation will ensure its continued popularity for many years to come."

PLACES

The best places to invest in

Bristol

- Best for city workers: Temple Meads, Harbourside
- Best for students: Clifton, Southville
- Best for schools: Redland, Montpelier
- Best for families: Bedminster, Bishopston
- Best for transport: Redcliffe, Bradley Stoke
- Best for yields: St Werburghs, St Paul's
- Best for high-end homes: Henleaze, Sneyd Park
- Best avoided: Southmead, Hartcliffe

PLACES

Property investment: the next ten years

What does the future look like, and what should you be doing this year to prepare for it? We asked the experts...

COVER FEATURE

On a grey and chilly morning towards the end of 2018, leading figures from across the property industry packed into a conference room at Property Hub's London HQ. In a conversation chaired by Property Hub founders Rob Bence and Rob Dix, we invited them to look beyond Brexit and current concerns to consider the outlook for property over the next five to ten years.

How should you position yourself to prepare for the trends experts are predicting? Should you be scared of competition from build-to-rent? Are house prices going to rise or fall, and what tricks might the government have in store? Our experts share their insights into these questions and more...

Ed Mead – independent property adviser and commentator

Ed has over 37 years' experience of the property market, and is a Fellow of the Royal Institution of Chartered Surveyors. He's on the board of The Property Ombudsman and appears regularly in the media.

Lawrence Bowles – associate director, Residential Research, Savills

Lawrence is a senior analyst in the Savills research team, focusing on build-to-rent, student housing, retirement housing and infrastructure. He provides market intelligence and strategy advice, and also contributes to Savills' house price and rental forecasts.

Richard Berridge – residential investment specialist

Richard has over 37 years of experience in the property sector, particularly in acquiring, operating and disposing of residential investment assets.

He was involved in one of the earliest investment vehicles in the private rented sector (PRS), and has used his experience in the industry to advise on many aspects of the PRS.

Richard Blanco – representative, National Landlords Association

The NLA is the largest UK membership organisation for private landlords, representing over 30,000 members. Richard has been a landlord for 15 years, and has a strong commitment to improving the sector.

Jeremy Leaf – former RICS residential chairman and principal of an independent estate agency

Jeremy is a former RICS Residential Chairman, and is a frequent housing commentator on TV and radio, as well as in the national press.

He now runs his own estate agency in North London.

Let's start with a nice easy one... where do you think house prices will be in five years, compared to today?

Lawrence Bowles: We think that in five years' time, house prices across the UK will be around 15% higher than they are now. There's a lot more capacity for growth in the North West – we think 21–22%. In London, affordability is more stretched, and we're forecasting 4.5% growth by 2023.

Ed Mead: I think the same old adages apply: we're an island, and we're not building enough. So I don't think there's too much likelihood of prices going down – I can only see them going up over the next five years.

If prices do keep rising, can we expect to see even more political pressure against landlords?

Richard Blanco: As long as wage growth is higher than inflation, we're not going to see the same affordability pressures when it comes to renting – and the Office for Budget Responsibility (OBR) thinks wage growth will outpace inflation for the next five years. That means the calls we've had for rents to be capped will start to fade away.

Jeremy Leaf: My view is that not much is going to happen, other than talking about it, which is what we've seen consistently. The main parties' policies are similar because they're not looking to create division, so radical change is unlikely. Having said that, radical change on something like Stamp Duty would be welcomed, because it has an impact all through the market on the number of transactions. However, I think we'll just see tinkering around the edges.

Lawrence Bowles: One change that's already being implemented is mandatory minimum levels of energy efficiency for rented properties, and these are gradually being increased. Now, if you're running a new-build property, it's got all the energy efficiency measures in place so that's not really a problem. But take a buy-to-let landlord who's bought a Georgian terraced house. That

becomes a little more tricky, and as we see the regulations become more strict, I think we'll perhaps see some of these older rented properties being released onto the market. Some landlords just don't have the capital to renovate them and get their energy efficiency up.

Richard Blanco: That's a very interesting point, particularly because consultations suggest that the minimum by 2025 will be D, and by 2030 it'll be C. A lot of ordinary terraced properties are C or D, so it could get quite tricky.

Do you think the government will do anything to increase the supply of housing?

Ed Mead: It's extremely good news that the government has lifted the cap on councils borrowing to build more affordable housing, which is something we haven't seen for a very long time. That's going to have a fairly radical effect on supply.

Jeremy Leaf: There's a problem there, because we're also old enough to know that when you actually try to implement a policy to get building, local authority building is not the same as private building. We'll need to see how they're going to implement it, what the role of housing associations will be, and whether the private sector will be involved as well.

Lawrence Bowles: The recent report by Oliver Letwin on build-out rates was very interesting. He's suggesting some very un-Conservative policies, in the form of compulsory purchase, giving local authorities the power to masterplan, and so on. That's not what you'd typically expect from someone on that side of the benches. So it will be interesting to see how many of those recommendations end up being accepted, and how far the Conservative government is willing to swing into that side of the political spectrum.

Jeremy Leaf: Letwin didn't find any real evidence of land banking, in any real sense, and I think he recognises that house builders are not deliverers of government policy. Why would they be? They're deliverers of value to shareholders, so they're going to build at the rate at which they can sell, and no faster. Help To Buy helps them sell faster, but they're very concerned that it's going to be taken away – I think 2023 has been suggested.

Lawrence Bowles: Yes, that's the current proposal.

Jeremy Leaf: So, the government's going to have to find another lever to get house builders building more quickly. I don't think build-to-rent is something they buy into philosophically, but they like that it builds out vast numbers of units very quickly, all in one place.

Should landlords be concerned about the rise of build-to-rent as potential competition?

Richard Blanco: This is something that interests our members a lot. It's only 1.5% of the private rented sector (PRS) at the moment, so it's very small, but the amenities of build-to-rent will definitely appeal to a certain demographic. I hope it means that properties in poor condition are going to be pushed out of the market, but I don't think the pressure is going to be that severe. Although, interestingly, if you talk to the companies who supply all the furniture for these schemes, they think it's going to be big competition in the future. I'm interested in how the build-to-rent sector will cope with families, because something like 35% of households in the PRS have dependents, and one of the complaints that's made is that six-month tenancies aren't suitable in those circumstances.

Richard Berridge: Build-to-rent developers are incredibly relaxed about tenure, and why wouldn't they be? They want to reduce churn and vacancy. It's perfect for them if a family with children in the nearby school are going to be there for eight years! They can agree a long lease with provisions, so everyone knows when the rent will go up, and by how much. There are also no barriers to pets, or decorating your unit, or doing more or less whatever you want with it.

Jeremy Leaf: I think it's a big enough market for everybody. There are 2.2 million private landlords in the UK, and build-to-rent is such a small part of the sector that I don't think landlords need to worry too much.

Richard Blanco: I'd say it's complementary, rather than competing. I think we're seeing a shift in the house in multiple occupation (HMO) market, where people are responding to the kind of stuff they're seeing in build-to-rent schemes. We're seeing more "hotel-esque" HMOs, which are en-suite and built to a higher spec.

COVER FEATURE

Richard Berridge: One thing to look at is how build-to-rent approaches treating its customers. Fundamentally, it's providing a service – and it calls its customers "residents" rather than "tenants". They're very focused on keeping you, and getting you to tell your friends what a great place it is to live. That's a real contrast to the awkward, mistrustful, adversarial relationship between some landlords and tenants.

The difference really is about service, not amenities. People think of build-to-rent as having all these shared facilities, but it depends. In some parts of the country, it might make sense to have a swimming pool, but in others it won't. It might seem prudent to have a gym, but if you're around the corner from a Virgin Active, it doesn't. Service is what they focus on. The big operators in America say that if something isn't fixed within 48 hours, you can stay there rent-free until it is – and they're bringing that down to 24 hours.

What trends are you starting to see in the way people are living, which landlords should be preparing for now?

Lawrence Bowles: I think we've moved past the stage where everybody has to own a home at some point in their lives. I think we've started to move to a market more like the rest of mainland Europe, where people continue to rent until much later in life. The focus is always on house prices, but the change in tenure is going to be the real story – and build-to-rent will be a part of that.

Jeremy Leaf: People do want to stay in their properties for longer, there's no question about that. They don't move as frequently because it costs so much to move. So they're starting off later, they're staying longer, and they're not as concerned with trading up as previous generations were. Also, the way people work is changing. It's not necessary to get up and cram onto the Northern Line at eight o'clock in the morning, all trying to get into work. You can work from home now. You can go and live in the middle of Cumbria if you want to; if you've got broadband, there's not much you can't do.

Lawrence Bowles: We're increasingly seeing that while single-use areas are relatively easy to design and manage, that's not what the demand is for these days. People want to live in places that are vibrant, and have lots of things going on. They don't want to work in office parks in the middle of nowhere. They want to work in city centres, where they've got access to bars and shops and exciting things to do.

What about the outlook for mortgages over the next few years?

Lawrence Bowles: We do see mortgage lenders being a lot more cautious, certainly in the short term. I think the calls we've seen in the headlines for 100% mortgages to come back are driven by consumers, not lenders, and I don't think we're likely to return to that level of lending any time soon.

I'm also not sure we're going to see the Mortgage Market Review overturned in the near future – that affordability stress test is here to stay in some form. It puts a cap on how much people are able to borrow, and that's likely to be part of the driver for slower house price growth in London in particular. The average first-time-buyer deposit in London this year was around £96,000, which means you need a big piggy bank.

Richard Blanco: It's interesting to see how rates are falling on limited company mortgages. I think lenders see that they're losing lucrative business because of the new Mortgage Market Review constraints imposed on them by the Bank of England, and they're realising that they're going to have to be more flexible. In London, the big problem is that we're looking at a 40% deposit because of the stress test.

Jeremy Leaf: I believe the majority of landlords are looking for some sort of an income – it's not just about capital growth. So it does makes sense for them to put some capital in.

Ed Mead: You have to bear in mind that however difficult or cautious lenders are being, they have to lend money in order to make money. We're not in a falling-off-a-cliff 2008 scenario, so ultimately they will find ways to get money out of the door.

ROB & ROB RESPOND

It was an honour to share a room with so many property greats, and we came away with pages of scribbled notes and a number of new insights. One of our main takeaways was around the standards of service being set by build-to-rent operators: while none of our experts thought they'd push private landlords out of the sector, it seems clear that tenants will (rightly) expect more in years to come. Getting ahead of the game when it comes to service levels could become a big competitive advantage for private investors.

There were so many fascinating ideas in this conversation that we've decided to share some on The Property Podcast too. If you haven't subscribed yet, go to propertyhub.net/subscribe to find out how – then check out all our past episodes at **propertyhub.net/podcast.**

Keep it in family

With help from his relatives, Neil Shayle has transformed a mid-terrace in Essex from a dated dwelling to a des res rental property. Neil Cumins recounts the tale.

CASE STUDY

Every property journey starts with a single event, but some are more poignant than others. When Neil Shayle's elderly step-grandfather-in-law Alan suffered a fall in his Essex home late last year, his days of living independently were over. The family decided to transfer Alan to supported living accommodation – only a few hundred yards down the road in Chadwell St Mary, but a world away from the three-bedroom mid-terraced house he'd lived in for 50 years. And so began the sad process of clearing out half a century of accumulated belongings from an empty home.

Costs and benefits

It was during one of many journeys to the local recycling centre that Neil and his stepfather-in-law David began discussing what to do with the house. David was inclined to sell it as quickly as possible, for two reasons. Firstly, the proceeds would cover the monthly rental on Alan's new retirement accommodation. And secondly, a quick sale would reduce the emotional burden of having to sell a much-loved family home, which contained a lot of childhood memories.

Property developer Neil recognised a flaw in this approach, however. "As the property was in need of modernisation, David had resigned himself to selling it below market value." Neil – who'd already done extensive market research, as well as recently procured a friend's former home in Cheshire at a knock-down price – had a different idea. "I floated the idea that perhaps I could help," he says. "I suggested some ideas on how I could cover Alan's rental payments, while also creating something quite interesting."

Money matters

Neil's research indicated that Alan's home could achieve a rental income of between £1,000 and £1,200 per month once renovated. After speaking to local agents, he also concluded that it could attract an asking price of around £280,000–£290,000 if renovated. By comparison, valuations showed that it would only sell for about £230,000 if left in its current state (and wouldn't be tenantable at all).

The house was owned equally by David and Alan, and stage one of Neil's masterplan was to "transfer Alan's 50% to me at the current pre-refurb value". He agreed to pay for his £115,000 share of the property by taking out a mortgage in his own name, once the refurbishment was complete. This would allow them to get a better loan-to-value ratio, while the rental income would part-fund Alan's new accommodation. "It was the

Neil Shayle

"On 1 April 2018, David handed over the keys, and work began in the capable hands of Neil's uncle Mark – an experienced builder. 'This was another nice angle to the project,' Neil says, 'because we were able to provide paid work to another family member'."

CASE STUDY

also agreed I would take on the full refurb project, from start to finish," Neil says, "to spare David any hassle. We'd split the refurb costs 50/50 as we went along. Once the property was complete, our plan was either to sell it and hopefully make a £20,000–30,000 profit, or rent it out and share the rental income equally."

Decrepit to des res

On 1 April 2018, David handed over the keys, and work began in the capable hands of Neil's uncle Mark – an experienced builder. "This was another nice angle to the project," Neil says, "because we were able to provide paid work to another family member." Family connections shouldn't cause procedures and payment structures to go out the window, of course, so Neil confirmed every stage of impending works in writing, and paid invoices promptly to maintain a healthy working relationship. Key elements of the renovation included removing two walls to make a large dining kitchen, and a new family bathroom. "Central heating and full rewiring were also required, plus new windows, french doors and a rear parking port to create more off-road parking."

Neil had planned for the work to take six months, but the renovation was completed by 1 September 2018. Unfortunately, they exceeded the estimated budget of £25,000: "We ended up spending £35,000. Unforeseen overspends included pulling down the kitchen ceiling due to accumulated grease from a deep fat fryer, and removing an old garage." (Neil also admits to "a few butterflies" when David and Alan came to view the finished job.) Nevertheless, with work finished ahead of schedule, a family of five moved into the property on 24 September, paying £1,250 per month.

Making the numbers add up

With the property now occupied and generating a healthy income stream towards Alan's supported living accommodation, Neil regards this as a highly successful project. "Apart from the initial outlay of the £17,500 refurb costs, this was a 'no money down' deal. It's provided a 43% return on capital invested (ROCI) and an infinite return for my accidental but silent joint venture partner – who also benefits from an annual 6.5% gross yield. In a little over two years' time, I will have recouped my outlay on the refurb costs. More importantly, David will have enough to fund the retirement home payments for around nine years, from the money provided from the remortgage and the rent acquired over that time."

Viewed in retrospect, Neil's suggestion to renovate the property before renting it out benefited everyone. "I solved the problem affecting my stepdad-in-law and the situation he was in," Neil says. "He has retained the house, while receiving an income without any hassle. His involvement has extended to a trip to the solicitors, some form signing, and regular progress updates from me over fish and chip suppers! Meanwhile, I receive a 6.5% gross yield and a healthy ROCI – not to mention the on-the-job learning from doing this deal. Even Mark benefited from his experience tackling the refurb work."

Neil concludes: "When you're looking for deals, you're actually looking for people, rather than properties. Until this house came up, I was looking for property in the north-west, because the cost of buying in the south of England can reduce the gross yield. But due to the circumstances, and by looking at how I could help other people, this deal came to me."

THE FINANCES

Purchase price:
£230,000

Total development costs:
£35,000, including buildings insurance, surveys, legal fees, etc.

Work funded by:
Savings, plus rental income from another property

Property value now:
Rental income: £1,250 PM

Annual gross yield:
6.5%

Foreign affairs

Neil Cumins discovers the challenges and opportunities of investing in UK property as an expat, from managing time zone differences to choosing development partners on the ground.

FEATURE

"My husband and I realised that we'd need to work for a long time before we could retire," says Dubai-based Lizzie Frazer, recalling her introduction to overseas property investments. "We decided that we'd like to supplement our income and create a decent pension pot, so I started going to the Dubai Property Hub Meetups every month and listening to The Property Podcast."

So began Lizzie's journey towards assembling a property portfolio from 5,000km away. Having started with a single off-plan buy-to-let, she's now equity-funding a commercial-to-residential development in Plymouth alongside nine other expat investors.

Risks and rewards

Despite the risks associated with Brexit, UK property has become an increasingly popular option for expats looking to invest tax-free salaries and lump-sum bonuses. Our economy is relatively stable and robust, with property providing an enduringly dependable asset class. Current exchange rates make investing in the UK cost-effective, while our housing shortage means there will always be demand for residential properties. Investing from overseas brings unique challenges, however – not least being unable to physically view properties or meet tradespeople. Expat investors tend to rely heavily on UK-based partners, including letting agents, builders and solicitors. A successful overseas investment involves more than finding a good property at a justifiable price. It's about maintaining relationships with trusted intermediaries and partners, and using software packages like Skype and Trello to work effectively across different time zones.

"Nowadays, lots of the roles and responsibilities involved with the development of property can be managed remotely," Lizzie says. "But there's no substitute for having someone on the ground, so a joint venture with a reputable and experienced developer can be the perfect solution if they share your core values and goals." She recommends doing due diligence on any prospective UK-based partners, checking their Companies House details and undertaking background checks: "I've invested quite a bit of time flying back to the UK, to grow

CASE STUDY 1

CHRIS BATTLE

Chris Battle is the Property Hub Meetup leader in Dubai. He focuses on buying "vanilla buy-to-lets (BTLs), ideally less than ten years old", in modern developments where snagging issues have been addressed. His portfolio stretches from Leeds and Bradford to Norwich and Ipswich, and he chooses locations by combining first-hand knowledge with price reports from agencies like Savills.

"The last few properties I've bought were tenanted," Chris says. "This generates an income from day one, and provides solid evidence of achievable rent. I can also tell the selling agent I'm willing to keep the management of the property with them, after I purchase it. They inevitably offer me a better management rate, and contact me when another property comes to market."

Chris has several tips for finding partners and tradespeople back in the UK. "I find Rated People is very good. Local builders have to pay the website to quote, so they're unlikely to mess you around. For conveyancing, I either choose a solicitor I've used previously, or pick one of the firms stated on the lender's panel." Solicitors recommended by estate agents are often particularly effective: "The agent gets paid when the sale is complete, and therefore recognises which solicitor is likely to delay the process."

relationships with developers. By putting yourself out there, the right people will naturally gravitate towards you."

Lessons to learn

According to UAE-based Julie Talbot, expat investments follow many of the same principles as domestic property projects: "The money is in bricks and mortar so it's tangible, and the yield/ROI is better than having the money sat in a bank account."

She advises prospective investors to focus on their buying criteria and goals: "Determine your preferred area, cost, minimum yield and so forth. Decide whether you'll coordinate with a ground team to find a property, or have no operational involvement beyond investing. You can take on any role you want to, providing you make this clear to everyone. Finally, I'd recommend finding someone who is further ahead than you, but doing what you want to do, and learning from them. This will let you see that what you're working towards is possible."

CASE STUDY 2

TIM NOLAN

Having previous lived in Hong Kong and Malaysia, Tim Nolan and his wife moved to Singapore in 2013. Within three months they'd sold a long-held buy-to-let flat in Birmingham's Jewellery Quarter, as well as a former family home in Notting Hill. With money in the bank, they were keen to continue investing in UK property, despite the 12-hour flight time back to London.

"We started looking to buy a two-bed flat in Notting Hill," Tim recalls, despite the area's extremely high selling prices. "We found a £1m property, and we bought it without seeing it, based on 360-degree videos and photos. I also knew the area incredibly well, having lived in Notting Hill on and off for 20 years. I got two trusted people to view it – a close friend my own age, and my solicitor, who was much older and had a very different perspective.

"We bought it in October 2014, and we came back to the UK for a scheduled visit a week after completing. We refurbed it using a local builder who we met on that visit – we walked around the property together before work started. I'd strongly recommend coinciding a visit home with popping into your properties, especially if you're going to start knocking walls about. We'd gone back to Singapore by the time work started, but we received photographic updates. We'd already appointed an agent to manage the property, and they helped to confirm the work was done to a high standard."

Tim has learned several valuable lessons over the last five years. "Even if you're not in the country, maintaining effective links to the UK affects how you're viewed by financial institutions. Being on the electoral roll, retaining a UK-registered bank account, owning property… it makes a massive difference when you're being credit scored and applying for a mortgage. I initially went to two brokers who told me no mortgages met my criteria, but I found a specialist firm who sourced a 75% loan-to-value mortgage. The interest rate wasn't the best, and it was a repayment mortgage, but it got my foot in the door and started the capital growth process. After the two-year fixed-rate ended, I remortgaged to a UK-based bank who'd turned me down previously, because I now had a footprint in the UK."

Taxing issues

Alison Ward of Property Hub Tax looks at scenarios familiar to many readers: identifying the most tax-efficient paths to follow.

TAX

With the world's longest tax code, the UK can be a confusing place to be a property professional. Even if you've operated the same way for decades, annual tax changes mean financial best practice is always evolving. Fortunately, Property Hub Tax expert Alison Ward is here to offer practical advice on real-world problems and queries...

Q: I've owned a number of properties with my sister for a couple of years now, and we are concerned about the impact the restriction of mortgage interest tax relief will have on our rental profits. We've heard a lot of talk about transferring properties into a Limited Company and being able to claim Incorporation Relief. Will this work for us?

A: The advantages of transferring profits into a Limited Company are two-fold. Firstly, companies are not caught by the new Section 24 rules, which restrict mortgage interest relief to 20%, even for higher or additional rate taxpayers. That means mortgage interest is deductible in full for the Limited Company, as it always used to be for individual landlords. Secondly, companies are taxed at the lower rate of 19% (reducing to 17% from 2020/21), rather than the individual tax rates of 20%, 40% or 45%. However, transferring property into a Limited Company can bring some major downsides. For starters, there's Capital Gains Tax (CGT) to consider: when you transfer property into a Limited Company, CGT is due in the same way it would be if you were selling to any company. The fact that you're selling the property to your own company doesn't matter. This tax is calculated on the difference between the current market value and the purchase cost of the property. You'll also need to pay Stamp Duty Land Tax on the market value of each property being transferred into the Limited Company.

Now on to your question! In some circumstances, Incorporation Relief can indeed be claimed. This relief was created to ensure people aren't out of pocket when incorporating, since they don't necessarily have the funds to pay the CGT due on any rise in the property's value. After all, they're not receiving any money for the property. It's intended for use by sole traders or rental businesses wanting to incorporate into a limited company.

Incorporation Relief would defer the CGT liability until the shares in the Limited Company are sold. However, the circumstances in which this relief can be claimed are quite specific. Firstly, they require the property owners to be doing more than simply holding property and receiving rental income. And secondly, case law has established that a landlord must be spending a significant amount of time actually managing the properties. It's highly unlikely landlords who employ a managing agent and work full-time would meet these qualifying criteria. Every situation needs to be looked at and judged on its own merits, of course.

Even if Incorporation Relief could be claimed, this wouldn't remove the requirement to pay Stamp Duty Land Tax on the transfers. In order to remove this particular liability, you'll need to meet another set of strict criteria – namely that a partnership exists before the incorporation takes place. HMRC will expect to see significant evidence of a partnership existing. Merely owning the properties jointly and sharing the profits isn't enough. Partnership tax returns would need to have been submitted to HMRC, with the rental profits declared on the individual landlords' self assessment tax returns on the partnership pages – not the land and property pages. There should be a Partnership Agreement as well, while leasing/rental agreements should be set up in the partnership's name. Moreover, the partners would again need to show they had significant active involvement in the management of the properties.

Q: I am a higher-rate taxpayer, based on my salary alone. My wife's salary is just below her Personal Allowance. We are considering buying a rental property in joint names. Is there any way we can split the income so my wife receives more of it than I do, to make the most of her unused basic rate band?

A: When a married couple buys property in joint names, HMRC will always assume that the property is held in equal shares. Each spouse will be taxed on 50% of the rental profit. Any other share declared on your self assessment tax returns would be open to an enquiry from HMRC.

1. You can, however, elect to have a different, unequal split of the rental profit if the underlying beneficial ownership is not 50/50. To do this, you must take a number of steps:
2. You must select the correct legal ownership when purchasing the property. Property can be held as either Joint Tenants or Tenants-in-Common. Owning property as Joint Tenants means that each spouse has an equal share in the whole of the property. On the death of one spouse, the property will automatically pass to the surviving

TAX

joint owner. It is not possible to have an underlying beneficial interest (where property rights belong to a person, even though the title belongs to a third party) that is different from an equal share with a Joint Tenancy ownership. If you want to have something other than a 50/50 ratio, you should purchase the property as Tenants-In-Common. You can still purchase as legally owning 50/50, but you then declare that the underlying beneficial ownership is different – say, 90/10 in your wife's favour.

2. Next, ask a solicitor to help you create a Declaration of Trust, which shows the underlying beneficial ownership to be 90/10.
3. Third, in order to override HMRC's automatic assumption that property held by spouses is always held equally, you need to send HMRC a "Form 17". This informs them of the unequal beneficial interests. HMRC will want to see a copy of the Declaration of Trust before it will accept the unequal split of the rental profits. Form 17 cannot be applied retrospectively to a situation, but it is effective from the date it is signed – provided it is then submitted to HMRC within 60 days of being signed. To that effect, there is a 60-day grace period for backdating.
4. Although there are a few steps required to ensure this unequal share of the rental profits is effective for tax purposes, it will allow you to save income tax. And if you're buying the property with a mortgage, having a split in favour of your wife will be even more beneficial. Changes to the tax relief available on mortgage interest are currently being phased in, to limit tax relief to just 20% for all individual taxpayers. With your spouse receiving the greater share of the rental income (and consequently the mortgage interest), you will retain a greater amount of tax relief on your mortgage interest than you would with an equal share in the property. Property Hub Tax can help you with the process of transferring beneficial ownership, and answer any more questions you may have in this area.

"Changes to the tax relief available on mortgage interest are currently being phased in, to limit tax relief to just 20% for all individual taxpayers. With your spouse receiving the greater share of the rental income (and consequently the mortgage interest), you will retain a greater amount of tax relief on your mortgage interest than you would with an equal share in the property."

Q: My husband and I were advised by our accountant some years ago to submit a Form 17 to HMRC, to ensure that the rental profit from the properties we jointly own could be split in a way that used up our tax rate bands in the most effective way. At the time, I was on an extended career break raising our two young children, and not earning anything. It made sense for the majority of the profits to be taxed on me.

However, I have recently returned to work and an equal split of the rental profits would now be better for us. Can we just go back to declaring the rental income and expenses as 50/50 on our tax returns?

A: The short answer is no, you can't just revert to the 50/50 split. When Form 17 was submitted, you presumably went through the appropriate steps to ensure that the property was being held as Tenants-In-Common. A Declaration of Trust should also have been drawn up to change the beneficial ownership into an unequal share, with a copy sent to HMRC along with the Form 17.

The Form 17 tells HMRC that the actual position of beneficial ownership is different from what HMRC has deemed it to be. It is not possible to then ignore the actual position, and revert to a deemed 50/50 split. In that sense, a Form 17 is not capable of being revoked. It stays in place until either one spouse dies, there is a permanent separation or divorce, or there is another change in the actual beneficial ownership.

The best action to take would be to have a new

TAX

Declaration of Trust drawn up (which shows the beneficial ownership to now be 50/50) and informing HMRC by submitting a new Form 17. You will incur another legal fee for the drafting of the new Declaration of Trust, but this should only be in the region of £150–£200. Technically, changing the underlying beneficial interest is enough to trigger a revocation of the Form 17, even if you do not submit a new form, and a deemed 50/50 split would then be the case again. However, not completing the paper trail with HMRC could open you up to an enquiry if you simply started declaring the income and expenses equally on your tax returns. At that point, HMRC would expect to see evidence of the change to the beneficial ownership. It's safer to complete the correct paperwork in the first place, and keep everything in order.

Q: I currently own six rental properties, which are all earning decent rental incomes. However, when these are added to my employment salary, I am being taxed at 40%. That means I'm losing a lot of my mortgage interest tax relief, now that it's being restricted to 20%. I am single, so I don't have the option to split the income with a lower-paying spouse.

I have heard from fellow investors that using a Management Company might be helpful. How does this work, and is this something I could do with my properties? Is it any better than just transferring my properties into an ordinary Limited Company?

A: Firstly, let's deal with your last question: transferring into a Limited Company. While the rental income from the properties would be taxed at the much lower Corporation Tax rate of 19% (reducing to 17% in 2020/21), you would need to consider the Capital Gains Tax and Stamp Duty Land Tax due on transferring the existing properties into the Limited Company. Depending on the current market values and costs of each property, these taxes could be considerable – enough to outweigh the overall benefit of obtaining the lower Corporation Tax rate.

With the Management Company option, you'd set up a company which would then charge for the management of the rental properties that you would continue to hold personally. This charge can then be claimed as an additional expense by you personally, reducing that amount of rental profit being charged at the 40% rate of tax. In the hands of the company, the management fee will be taxed at the lower rate of 19%.

The management fees being charged must be commercially justifiable. You would therefore need to research what local agents are charging for the same services the company would be providing to you. This way, you could justify your charge if challenged by HMRC. The management duties should be agreed and documented, with any evidence retained. The management fees could be in the region of 10–20%, depending upon the management duties performed and the geographic location. If there is already an agent managing any aspect of the property, then any additional management fees may be charged depending upon the additional duties performed. Once again, these should be clearly documented.

In terms of whether setting up a Management Company or transferring to a Limited Company is the better option, it really depends on each individual's property values, rental income and expenses, other income, etc. At Property Hub Tax, we can guide you through all of your options during your own personal consultation, and help you decide on the best option for you

For more information or advice about tax-related matters, visit **propertyhub.net/tax**

TAX

FINANCE

Top of the league?

Mortgage expert Dave Cookson explains why mortgage-provider league tables only tell part of the story when choosing a lender.

Prospective borrowers and mortgage advisers are constantly being told that obtaining the lowest mortgage rate over a certain time period is of the utmost importance. The media and lenders regularly emphasise the significance of a five or ten-year fixed-rate or variable-rate mortgage. If you're a bit of a mortgage geek like me (there are a few of us out there!) you'll have seen "best buy" mortgage tables online, or in the finance sections of the papers. Similarly, broker or comparison websites tend to rely heavily on tables. I have to confess that my website has a best-buy table.

Best-buy tables are great. They neatly summarise the rates that are available, from lowest to highest. They do have their limitations, however. For example, they don't show what a company might be like to deal with, or whether everyone will be accepted for that particular mortgage rate. Since the birth of the internet, I have been asked on a daily basis why a client can't have the rate they've seen on a comparison site, and why we're offering them a rate that's much higher. The most common answer is that the product they saw advertised has a loan-to-value (LTV) of 50%, but they need a mortgage product with an LTV of 75%. It seems quite simple, but sometimes it's easy to be blinded by the rate – and therefore miss other details of the deal.

Seeing the bigger picture

When I'm speaking to clients, my mortgage advice is never just about the interest rate – although that's clearly one of the biggest elements. I need to consider lots of other factors too, particularly customer service. There isn't a universal order of importance for individual elements of mortgage advice, as each client will

have unique needs and requirements. In some cases, a client may have to complete in a short period of time, and therefore the priority would be speed of completion. In other circumstances, a client may be planning to remortgage within six months of purchasing, so early repayment fees would be a key consideration.

Going for broker

I believe there are two types of mortgage broker. Some rely solely on industry software, while others combine the latest industry software with knowledge of the market to provide broader advice. I wouldn't dispute the fact that mortgage software is an essential tool, since it's capable of identifying differing types of mortgage components:

- The rate
- The total cost over the mortgage product period
- The product period itself
- Valuation costs
- Arrangement fees
- Whether or not the product incurs an early repayment charge.

However, mortgage software won't inform you about the service the lender is providing, or its past reputation. In some cases, it won't calculate individual lenders' rental stress calculations, which are governed by the Prudential Regulation Authority (PRA). As a result, I believe it's important to get advice from a competent mortgage adviser, and then scrutinise that advice by asking a series of questions. These extend beyond financial calculations:

- How long will it take for my application to be started?
- How long will it take the lender to look at my application?
- How long will it take the lender to request further documentation?
- Once the lender receives my documentation, how long will it take to be reviewed?
- Do you believe the lender has good service levels?
- What time period would you estimate from application to offer?
- If there are fees for early repayment, how much are they and how long do they apply for?
- Are there lending restrictions on particular properties (homes bought off-plan, non-standard construction, etc.)?

These may seem like simple questions, but they help to establish the mortgage broker's ability to understand the market in a more rounded way – and they provide borrowers with a useful steer on each lenders' likely future performance and efficiency.

A low blow

It may be the case that feedback from a broker steers you away from the lowest available rate. On occasion, I've advised my clients that even though the lowest-cost option was very tempting, the service level was likely to be appalling and I couldn't recommend using that particular firm. I can remember one case where I advised a client they could expect to wait up to three months with one lender for a simple limited company buy-to-let remortgage. They decided to go with that lender anyway, and the application ended up taking five months. As you can imagine, the client and I were not particularly happy!

Best-buy tables can be found quite easily, but as far as I am aware, there are no "best service" tables available. I am therefore going to produce a "best service" table in future issues of this magazine. This will be based on the opinions of my office colleagues and me, according to our experiences with different lenders and mortgage providers. As you can see overleaf, each table will prioritise service, but it will also list available rates and product periods. I hope this helps with any mortgage decisions you may be planning to make in the next few months...

"It may be the case that feedback from a broker steers you away from the lowest available rate. On occasion, I've advised my clients that even though the lowest-cost option was very tempting, the service level was likely to be appalling and I couldn't recommend using that particular firm."

CONTACT CHARLES LOUIS MORTGAGE ADVISERS LIMITED

To discuss your property investment needs and find the right mortgage product for you, please contact David Cookson and the team on 0161 959 0166 www.charleslouis.co.uk

TOP 3 LENDERS FOR SERVICE – Individual buy-to-let

Lender	2 yrs rate	3 yrs	5 yrs rate	Valuation and admin fee	Product fee 2 yrs	Product fee 3 yrs	Product fee 5 yrs	Misc fees
1. Birmingham Midshires	2.60%	2.59%	2.83%	Valuation Fee £300 On All	£0	£995	£0	
	Monthly payment 2 yrs: £243.75 • Monthly payment 3 yrs: £242.81• Monthly repayment 5 yrs: £265.31 Incentives: N/A							
2. Coventry	2.26%	2.19%	2.60%	£0 On All	£999	£1,999	£1,999	Funds Transfer £8 & Sealing Fee £125 On All
	Monthly payment 2 yrs: £211.88 • Monthly payment 3 yrs: £205.31• Monthly repayment 5 yrs: £243.75 Incentives: N/A							
3. Virgin	1.98%	2.33%	2.45%	Valuation Fee £163 On All	£995	£995	£1,995	Funds Transfer £30 & Mortgage Exit Fee £50 On All
	Monthly payment 2 yrs: £185.63 • Monthly payment 3 yrs: £218.44 • Monthly repayment 5 yrs: £229.69 Incentives: Cashback on all							

TOP 3 LENDERS FOR SERVICE* – Limited company buy-to-let

Lender	2 yrs rate	3 yrs	5 yrs rate	Valuation and admin fee	Product fee 2 yrs	Product fee 3 yrs	Product fee 5 yrs	Misc fees
1. TMW	3.49%	N/A	3.74%	£0 valuation and £0 admin fee	£0	N/A	£0	£90 sealing fee and £20 funds transfer fee
	Monthly payment 2 yrs: £327.19 • Monthly payment 3 yrs: N/A • Monthly repayment 5 yrs: £350.63							
2. KRBS	3.39%	3.59%	3.79%	£130 application fee and £400 valuation fee	1.5%	1.5%	2%	£150 sealing fee and £25 funds transfer fee
	Monthly payment 2 yrs: £317.81 • Monthly payment 3 yrs: £336.56 • Monthly repayment 5 yrs: £355.31							
3. Landbay	3.09%	3.39%	3.75%	£150 application fee and £230 valuation fee	1.75%	1.75%	2%	
	Monthly payment 2 yrs: £288.39 • Monthly payment 3 yrs: £316.39 • Monthly repayment 5 yrs: £350.00							

All the above rates are based on a purchase price of £150,000 with an LTV of 75% on an interest only basis and over a 25-year term.

*Based on lenders service levels from 8th January 2019. This table is for limited company buy-to-lets only and does not cover other service tables i.e. Houses of Multiple Occupation, bridging finance or first-time-buyers. These are all available on request.

The next issue of the magazine will feature best service levels for re-mortgages.

5 things I learnt from our first development project

Property Hub CEO Rob Bence swaps his hard hat for a thinking cap as he reflects on a tough but rewarding year.

Just over a year ago, we broke ground on our first construction project – a development of 14 houses in Crewe. Now that we are finishing the build and getting ready for tenants to move in, it's a good time to reflect on how it went and what we can learn for next time.

Your main challenges will be front-loaded

There's a saying in construction that once you're "out of the ground" – that is, once you've got the foundations in place and you're ready to start on the structure – you'll be OK.

This never made any sense to me: it seemed like there was so much that could go wrong with the build, the utility connections and so on. But, lo and behold, the groundworks were where we ended up over-spending: after that, we came in on budget almost to the penny.

There obviously is a lot of complexity in the entire construction process, but these are mostly known and solvable problems. In future, I'll make sure there's more time and space in the budget for those tricky early stages.

You can never have a big enough contingency fund

Every week, there's always an unexpected cost. Usually it's only something small, but over a 12-month build that's 52 small extra expenses – and they add up!

Seemingly minor expenses – like having to remove extra soil from the site or making a cosmetic change to an external door – ended up stretching our contingency fund beyond breaking point and affected our profit. None of it was avoidable, so next time we'll be building in more of a buffer.

You can't pick your neighbours

There's a pub near our site, and when the owner was having a bad day and didn't like the noise from the site, he'd come and park his car across our only access point. Regardless of what you're strictly allowed to do as a developer, it's worth getting the neighbours on-side and making concessions to them – or they could make things very difficult for you.

You'll expect the local council to be slow... and you'll be right

I totally underestimated how much of the development process is about paperwork rather than construction. The simplest things can involve waiting weeks for a reply – and at one point we had a two-week delay because the council lost a form they needed, even though we hand-delivered it!

You can't force them to speed up, so the only way to minimise delays is to turn around your own replies as quickly as possible – and note any deadlines for the council to reply so you can chase them the minute they go over.

You should expect the Spanish Inquisition

I think I could get a job at MI5 with fewer background checks than I needed to get development finance. Mortgages are child's play by comparison.

Before we could get the initial loan, I had to visit a solicitor three times (costing £200 each) to have them read out documents to me. Then in order to unlock extra funds at each stage of development, several trees of paperwork and numerous site visits were involved. Again, there's not much you can do about it – so you've just got to plan for it.

We now have three more sites at various stages of development, so we'll be learning plenty more lessons – and I'll share them all in future issues of this magazine.

CASE STUDY

The man with a

"You need to have a plan, almost a vision. Are you looking for income or capital gains? When are you going to sell it? If you don't have that plan, you risk buying a property and not really knowing why."

Job Muscroft decided to start investing less than a year ago, with the intention of quitting his job to enjoy a better work-life balance. But instead of jumping straight into the world of viewings and mortgage brokers, he began by creating a detailed plan about his investment goals and how he'd reach them.

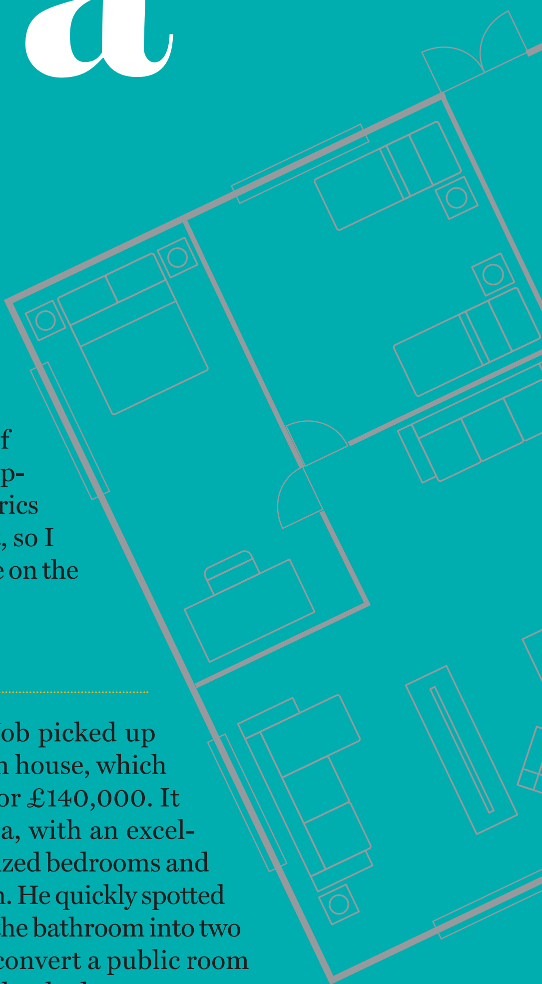
From the outset, Job knew he wanted to focus on the student market: he'd previously run a student publishing business, so he had some familiarity with the demographic. He was also very clear about wanting to achieve a high yield return of 10–11%: "I did a lot of desk research, looking at cities with high yields, reasonable property prices and universities with a good reputation. That's why I picked Lancaster as my first area to invest in. It has one of the UK's top ten universities and reasonable property prices – the average for a three-bedroom property is around £140,000."

Once he'd chosen the city, Job next needed to decide on the specific type of property he should buy. More research led him to conclude that he should be going after houses with three double bedrooms, plus enough space for communal areas.

Understand the market you're buying in

Job is based in London, but after settling on Lancaster, he spent a significant amount of time in the city in order to familiarise himself with it and see as many properties in person as he could.

"Once you get here, you find everything is pretty walkable. Just by walking around the student streets, I quickly got a good idea of the areas I wanted to focus on and the prices I could get a house for. I then put in a lot of offers on suitable properties, using the metrics and goals that I'd set, so I wasn't going to budge on the prices much."



The first purchase

The first property Job picked up was a three-bedroom house, which was on the market for £140,000. It met all of his criteria, with an excellent location, good-sized bedrooms and a very large bathroom. He quickly spotted the potential to split the bathroom into two shower rooms, and convert a public room downstairs into another bedroom.

Job purchased the property for £137,000 in May 2018 and then spent around £13,000 on the refurbishment. There were issues with damp, which meant spending more than originally anticipated, but the value-adding work was relatively straightforward: "We quickly went from a property that was a bit run-down to one that was quite nice." The next priority was to get it ready for the forthcoming academic year – just a couple of months away. It was a tight schedule, but they managed it – and it prepared them well for even stricter deadlines to come...

Job Muscroft's investment approach has allowed him to build an impressive student property portfolio extremely quickly. He shares his secrets with John Fitzsimons.

PLAN

Finding the right tenants

Job's desire to quickly build a portfolio meant that by the end of July he had purchased a further four properties in Lancaster, all of which he intended to let out to students. From there, it was a race to get them all ready and occupied.

Job knew he might not find enough students to fill all five properties in time for the 2018–19 academic year, and he was prepared to make a loss on at least one of them. "The agency pulled out all the stops and found some excellent tenants," he says - and for every single bedroom. Not only that, but the agency also managed to secure tenancies on four of the properties for the 2019-20 academic year at the same time. Job attributes this to the level of research he originally put into choosing optimal locations.

CASE STUDY

> **"I spent a lot of time coming up with the plan and providing the funding, but unless you want to spend all your time visiting your properties, you need to find someone you can rely on for the day-to-day stuff. Having good communication is so important."**

Surrounding yourself with the right team

It's tough enough to invest in properties in your local region, but building a portfolio in a city hundreds of miles away is a completely different challenge. That's particularly true when you intend to carry out refurbishment work, and Job says it's vital to build a team that you trust and can communicate with clearly. "I spent a lot of time trying to find a good agent to manage the properties," he says. "I met them all face-to-face and spent a lot of time looking into their backgrounds. The firm I chose really know property, because they come from a surveyor background. They've been great at giving me advice on how to maximise space for students, and what to look out for in terms of maintenance issues."

Job says a key reason for buying several properties in Lancaster so quickly was the local partners he found in the city: "I spent a lot of time coming up with the plan and providing the funding, but unless you want to spend all your time visiting your properties, you need to find someone you can rely on for the day-to-day stuff. Having good communication is so important."

While visits to Lancaster were more frequent at the outset, Job says the well-established relationship with his agency means he only heads up to the city every couple of months now. The rest of the communication is handled by regular emails and phone calls.

Getting the finances right

Surrounding yourself with the right people includes finding a quality mortgage broker to identify the right deals. All of Job's properties were bought with a 25% deposit and an interest-only mortgage acquired through a broker. "I've been quite surprised at the value we've got from five-year fixed-rate deals," he says. "Knowing what my costs will be over the next five years means I can be confident about making other investments more quickly. I initially thought I might buy a couple of properties this year, and then another two or three next year. But with the mortgage deal is so good, it made sense to strike while the iron was hot."

What next?

The first phase of Job's property investment plan was to swiftly create a portfolio of student lets, to effectively replace the salary he was giving up from his previous life. With that taken care of, he's moved on to phase two, changing his emphasis from income to capital growth. That means extending his sights beyond student properties, looking towards new builds in Nottingham and Manchester.

"These are the opposite of the income generators," Job says. "They need to be low-maintenance properties as they are new builds. The student market is labour intensive, and it's great for income, but these city centre hotspots are great for compound growth."

Unlike the student lets, these properties are being acquired through a limited company: "It doesn't make sense to keep buying properties in my name as I start to move towards higher tax rates. Plus, as I will be re-investing the money rather than taking it as a salary, it makes sense to keep them in a company structure."

The lessons learnt

Job is emphatic about the need for lots of research, and for building a comprehensive plan well in advance of actually looking at properties in person. "There are loads of great properties out there, but you can't pursue everything. That's particularly true if you're doing it remotely – you can't go around distant cities all the time."

Setting parameters for the sort of property that fits within that plan makes it easier to walk away if a property isn't quite right. "On two occasions, I actually walked away from the second property I eventually bought because it was too expensive," says Job. "It was on for £160,000 and I ended up getting it for £138,000. When you're confident in your understanding of the local market, you'll soon spot which properties are overpriced. You need a framework to analyse potential deals – you can't get emotional about it."

CASE STUDY

Welcome home, property investor!

Yellow Lettings. RMP Property. Property Hub Tax. Olive Construction. If we'd set out to confuse people with all our different companies, we couldn't have done a much better job.

At the time, there was a logic to having separate companies with different names. But as we've grown, things have changed.

So we're now just... Property Hub.

- **To help you build your portfolio, there's Property Hub Invest.**
- **To manage your portfolio, there's Property Hub Lets.**
- **The help you keep more of your money, there's Property Hub Tax.**
- **And we're building ideal rental properties with Property Hub Homes.**

This isn't just a lick of paint... this is a full structural renovation. It's taken us over a year to bring our separate teams together, and you'll find that working with us is a radically easier experience – whether you become a client of just one business or all four.

One thing hasn't changed: we're committed to bringing you free educational content that's better quality than you'll find anywhere else.

Visit our new website at **propertyhub.net**, and take the quick quiz on the homepage to find out which type of investor you are. You'll be directed to a hand-picked selection of resources to help you achieve your specific goals.

Among those resources are brand new courses from **Property Hub University** – where you can watch video lessons and take courses to cement your learning. All completely free!

PropertyHub

PropertyHub INVEST

PropertyHub LETS

PropertyHub TAX

PropertyHub HOMES

Property **Geek**

Mind your language

with Rob Dix

The world is changing, says Property Hub co-founder Rob Dix – and private landlords should re-think their role to avoid being left in the past.

Sometimes, a thought sets up home in your head and just won't budge. For me lately, it's been the belated realisation of just how awful the words "landlord" and "tenant" are.

It sounds trivial, but I'm becoming convinced this feudal terminology is at the heart of much of what's wrong with our industry.

In medieval times, a tenant was a peasant: sometimes tied to the land for life, dependent on their landlord for protection, and forced to pay whatever arbitrary taxes they imposed. If I'd written my book How To Be A Landlord back then, it would have had a chapter called "Dealing out retribution to tenants who won't hand over part of their grain harvest" and a long blank section where anything to do with rights and protections are now.

Even though the words are the same, the nature of the relationship has clearly changed beyond recognition. Even so, I suspect that the historical associations of "aristocratic, powerful landlord" and "reliant, poverty-stricken tenant" have seeped into the mutually antagonistic relationship that still exists today.

~~Bad~~ tenants, ~~rogue~~ landlords

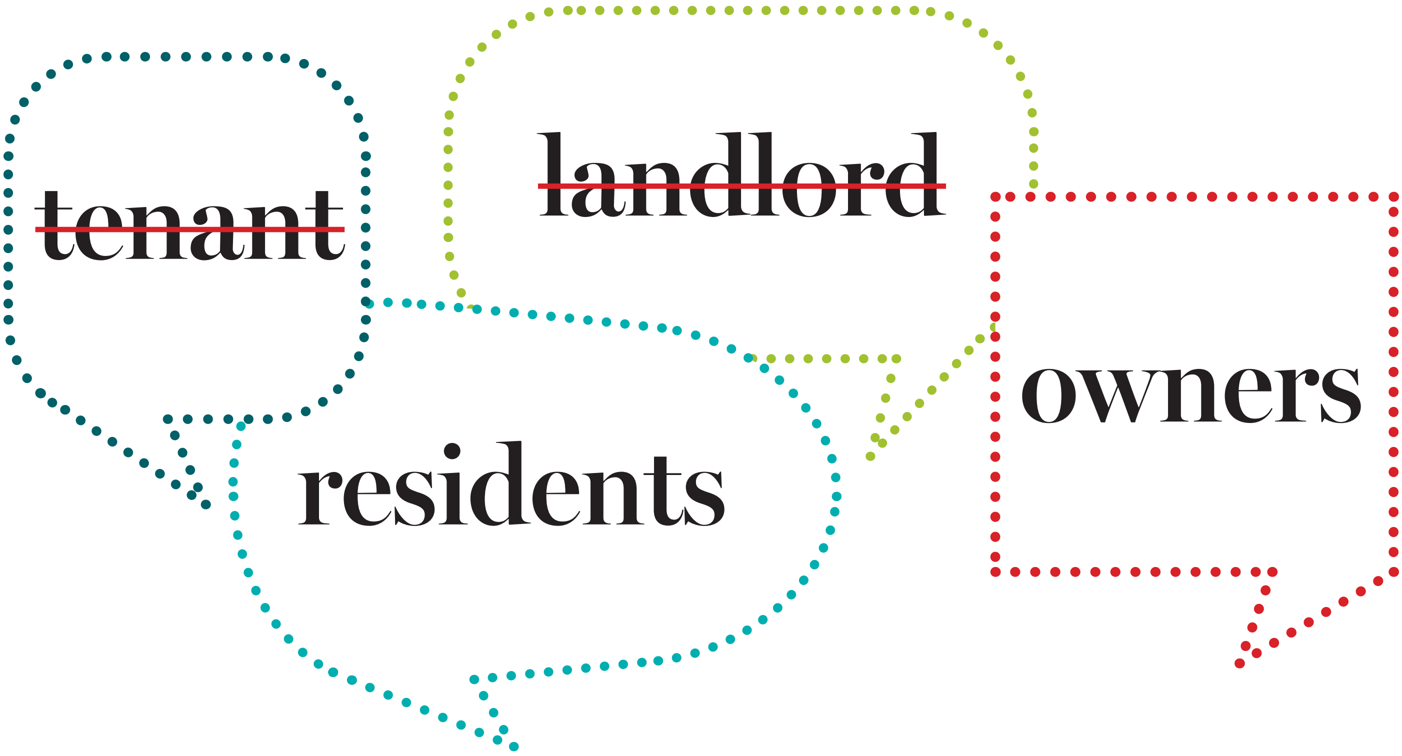
That antagonism is so entrenched that both sides are guilty of drawing up battle lines and disconnecting from reality in the interest of scoring points.

On the landlord side, as I've complained about before, there's the peddling of the economically nonsensical argument that anything that makes life harder for landlords will result in higher rents (nonsensical because rents are set by the market, not by landlords' costs). The constant refrain of "won't someone think of the poor tenants!" is disingenuous in the extreme, and makes our already dismal public perception even worse.

And the various tenants' rights groups (with plenty of help from the media) routinely circulate the worst examples of extreme landlord misbehaviour and characterise them as being the norm. Their main argument at the moment is that no-fault evictions should be banned, because landlords are routinely throwing out perfectly good tenants just to get an extra few quid. The government's own statistics (as well as common sense) show this not to be the case – even before you consider that the no-fault route is often used when there is fault because getting a case in front of a judge can take months.

Why does it have to be this way? Some people want to hold residential property in their mix of assets. Others don't want to own their own home, or can't right now. Isn't that a perfect match, rather than a recipe for conflict? Can't we all put flowers in our hair and sing kumbaya together?

It seems not – and that's partially because words matter. These days, many people hear the word "landlord" and insert "greedy" or "rogue" before it. Tenants, meanwhile, are automatically thought of as an inferior class. Why would either side be inclined to represent the other fairly, or give them the benefit of the doubt in any situation?



Change is coming

Through a combination of hopeless middlemen and a jungle of legislation that's sprung up in an attempt to curb the worst aspects of the troubled landlord/tenant relationship, we've arrived at a point where the whole experience is pretty dreadful for both sides.

I've recently become a tenant as well as a landlord for the first time in years, and I can confirm: the overall experience of arranging viewings, making offers, going through referencing and dealing with paperwork is terrible. It's no wonder that many tenants hold up their side of the bargain grudgingly, and in some cases not at all.

What we, the "landlords", need to be asking ourselves is: how long can this continue for?

You can now hail a taxi from an app in seconds, rather than shiver outside while the minicab dispatcher spends 15 minutes telling you that the driver's "just around the corner". Waiting until the following day for any one of millions of products to be delivered to your door is starting to feel a bit drawn-out. You can even open an account with one of the new challenger banks on your phone in minutes, without queueing at a branch with a utility bill.

With the whole world going the way of the best customer experience winning, isn't it inevitable that one of the most customer-unfriendly experiences in the modern world – renting a home – will be "disrupted" within the next decade?

In fact, it's already started. As panellist Richard Berridge mentions in the conversation that makes up this issue's cover feature, build-to-rent operators are setting the expectation that contracts can be as long as you can want, repairs are a same-day matter, and you won't get fined for putting picture hooks in the wall. His key insight: people look at shiny new build-to-rent schemes and think they're about fancy facilities, but the true differentiator is service.

I don't think it's any coincidence that they use different terminology: the people who live there are "residents", not tenants.

Words matter

Our panel concluded that although the build-to-rent sector will expand over the next decade, it's not going to be an existential threat for private landlords. What it will do, though, is give momentum to the demand for a better, faster, easier service that was inevitably going to sweep into the housing sector eventually.

This is good news: you can't bolt on a gym and hire a concierge for your three-bed suburban semi, but you can aim to compete on service – and offer a personal touch on top that big companies never can.

Would it help everyone to make the necessary mental shift if we were "owners" and "residents" instead of "landlords" and "tenants"? I don't know for sure, but I do know that language matters. If you get in the habit of thinking "customer" whenever you hear "tenant", you'll put yourself in a better position to prosper from property over the next decade and beyond.

Letting the industry down?

The forthcoming tenant fees ban has provoked strong opinions, and led some landlords to question whether they have a future in this industry. Neil Cumins investigates.

LETTINGS

Being a landlord can feel like a thankless task – sometimes before a tenant has even moved in. From endless legal changes to expanding red tape, interference takes many forms. The latest legislative obstacle concerns the forthcoming Tenant Fees Bill – which, among other things, will ban tenant letting fees for assured shorthold tenancies (though company lets and non-assured tenancies will be exempted). If it becomes law, the new rules will probably be introduced later this year. After many months of speculation, it was recently confirmed as coming into effect for tenancies starting or being renewed after 1 June 2019.

What is the new legislation intended to do?

In essence, the new bill aims to make renting fairer and more transparent, by outlawing fees charged to new tenants by landlords and letting agencies across England. Scotland banned non-refundable fees in 2012; Northern Ireland and Wales will follow suit imminently. Fees for credit checks, administration and many other things landlords and agents charge for will be banned, leaving only three exemptions: deposits, rent, and default costs.

What can (and can't) letting agencies and landlords charge for?

"Default costs" is an undefined term in the legislation, and could potentially be used to spread essential costs throughout the duration of a tenancy agreement. Deposits and rent, however, will incur far greater restrictions. For instance, landlords can't inflate the first few months of rental income and then lower it once their costs have been covered. As for deposits... holding deposits will be limited to one week's rent, while tenancy deposits will be restricted to five weeks.

What are the penalties for non-compliance?

Any accidental (or deliberate) overpayment taken by a landlord can be reclaimed by tenants through their local county court, while Trading Standards will be expected to work on behalf of tenants. They can issue fines of up to £5,000 for a first offence, rising to £30,000 subsequently, with banning orders and criminal convictions also on the table. However, evidence from north of the border suggests penalties for non-compliance aren't always enforced, even when breaches are reported.

What has the reaction been?

These changes have been designed purely to benefit tenants, and that hasn't gone unnoticed by the lettings sector. Jenny Mulholland of JCM Property Services sums up the mood of many within the industry: "I don't believe the government has listened to the industry's views, and I believe banning tenant fees was a knee-jerk reaction rather than a considered plan. I totally agree that some agents were/are charging too much for admin fees, but most are not. Tenants fees aren't spurious or fictional tactics for agencies to make a bit of extra cash: they represent the real costs associated with finding and referencing tenants. If these costs can't be passed on to the tenant, they'll have to be passed on to the landlord – at least in part."

These costs may simply be fed back to the tenants in higher rental fees, according to Alexandra Morris, managing director of online letting agent MakeUrMove. "Many landlords, particularly the smaller ones who make up the biggest proportion of the private rented sector and often operate on very tight margins, will be forced to raise rents to cover increased upfront costs like referencing. They will need to recoup these during the initial tenancy period, to ensure renting their property remains financially viable."

One of the few voices in support of the tenant fees ban is Marc Trup, founder of property management platform Arthur Online: "Letting agent fees are currently unregulated, and they most definitely are not uniform. This means the cost to rent can differ depending on where you are looking to rent a property, and which agent you choose to rent from." Even Marc acknowledges the industry could be impacted adversely, however: "With this system keeping many agents in business, there is a risk the forthcoming letting fees ban will lead to closures."

> **"It remains to be seen what portion of the fees they can recover by passing them to their landlord clients, but I expect to see a lot of empty former letting agency shop fronts by the end of 2019."**

What happened in Scotland when the ban was introduced?

Marc's theory is supported by what happened when the Scottish Government's letting fees ban was introduced six years ago as part of a revised Housing Act. There were letting agency redundancies and closures, a 4.3% jump in rental costs during the first year of the ban, and a longer-term decline in available property volumes as landlords gradually exited the industry. Tenants' unions have also claimed that letting agents are routinely flouting the law by charging fees for holding properties and handling administration, yet nothing is being done about it.

So how should English landlords prepare for the ban's introduction?

According to David Smith, policy director for the Residential Landlords Association (RLA), English landlords will consider terminating letting agent agreements if agents increase their fees to landlords to make up the shortfall: "Currently, 64% of RLA members are paying for some degree of service from a letting agent, supporting landlords to ensure properties are safe, legal and secure. However, some landlords may decide to take over the management of their rental homes themselves." David also cites RLA research which suggests one in five landlords will be less likely to use a letting agent after the fees ban comes into effect.

If self-management seems daunting, the internet may offer a partial solution. Landlords could look for alternatives to traditional letting agencies in the form of online service providers. There are hundreds of software platforms on the market, catering for short-term holiday lets, large BTL portfolios and everything in between. From advertising and contract exchange to income collection and accounting, these tools could help landlords to cut costs in areas where the tenant fees ban will now apply.

Property Hub co-founder Rob Dix sums it up: "It's a shame that landlords who self-manage won't be able to recover their costs because some letting agents have taken advantage and charged outrageous fees. Most landlords only charge a small amount to cover the genuine costs of referencing so the financial impact won't be huge, but they'll rightly feel aggrieved as it's yet another measure that chips away at their margins.

"Letting agents, on the other hand, won't get much sympathy: if the industry had self-regulated, this wouldn't have become a political cause in the first place. It remains to be seen what portion of the fees they can recover by passing them to their landlord clients, but I expect to see a lot of empty former letting agency shop fronts by the end of 2019."

Top five dates to watch out for this year

Last year was a whirlwind for property investors, and this year looks likely to be jam-packed too. Let's take a look at five dates to be aware of in 2019...

BREXIT

When: 29 March 2019

The dreaded B-word. The UK is due to officially leave the European Union at precisely 11am on this date, providing Theresa May manages to cut a deal. If not, the date could well be extended. The media has whipped the nation into a frenzy with reports of an economic catastrophe, but will it cause the next property crash? No. Will it create a short-term wobble? Possibly. Should it affect your investment decisions? We think not.

HOMES ACT

When: 20 March 2019

The Bill, passed at the end of 2018, changes the Landlord and Tenant Act 1985 to make sure residential rental properties are maintained properly, and are "fit for human habitation". It also includes amendments to the Building Act 1984 to confirm liability for work undertaken on residential rental property that doesn't meet Building Regulations. If your properties are up to scratch, there's no need to worry, but it's worth keeping an eye on.

KEEP MORE OF YOUR MONEY

When: 6 April 2019

Your tax-free personal allowance – the amount you earn before you start paying income tax – will increase by £650 to £12,500. The higher-rate tax threshold will also be increasing on this date too; so whereas you'll be paying 40% tax if you earn £46,350 or more right now, as of 6 April, this won't kick in until you earn £50,000 or more.

TENANT FEES BAN

When: 1 June 2019

When the government announced a plan to ban letting fees across England, it was with the intention of saving tenants millions of pounds, and to promote a more transparent letting process. While there have been rumblings of costs being passed on to landlords, or even on to tenants through increased rents, it's unlikely to have a major effect on profitable investment properties. However, the market will be watching closely to see how this plays out. We've also covered the upcoming fees ban – and what it means for you – in our feature starting on page 44.

AUTUMN BUDGET

When: October 2019

Will there be any more stings in the tail for landlords? Will there be a U-turn on stamp duty? Nobody knows what's ahead (aside from the usual cabinet disagreements), but it's always worth tuning into the chancellor's budget to see if anything will affect your personal or business finances.

Deal or no deal?

Nervous markets are ideal for bagging a bargain. We explain how to ensure your next acquisition represents a good deal.

If an alien had landed in Britain in the last few months, they'd be forgiven for thinking Brexit represented an extinction level event. The UK's proposed departure from the European Union has dominated conversations from boardroom tables to breakfast tables, as we debate and speculate on possible scenarios.

This uncertainty has inevitably impacted upon the UK's property industry. Transaction levels have collapsed, as buyers and sellers wait to see which way the political wind will blow. Half of all agreed sales across England and Wales fell through in the final quarter of 2018 – almost twice the normal failure rate. And agents across the country are making pessimistic predictions about future market sentiments.

Heading for a fall?

Of course, dwindling market confidence isn't entirely due to the current political situation. There's an element of press-led hysteria surrounding Brexit – the media exaggerates the sense of crisis to boost audience share, and everyone else over-reacts.

House prices in London have been unsustainably high for several years, with the Prime Central London sector already in freefall due to a combination of higher taxes and lower levels of foreign investment. Plus, we're currently approaching the middle of the latest 18-year property cycle, and market wobbles are only to be expected at this stage.

Nonetheless, at the moment, most vendors are preparing to sell because they need to, not because they want to. Death, divorce and relocation are underpinning a higher than usual percentage of current house sales, with anxious sellers hoping rather than expecting to achieve a reasonable price. This is great news for savvy investors, who can potentially bag a bargain before the UK's constitutional issues are finally resolved. The window of opportunity is closing, but there are still tempting pre-Brexit opportunities out there...

Bagging a bargain

At Property Hub, we know all about securing properties at the best possible price. These are our tips for buying at a healthy discount in today's uncertain market:

Approach sellers directly

If there's a particular location you're keen on, consider putting flyers through letterboxes. From supermarket noticeboard messages to adverts on community websites like Gumtree, targeted advertising can uncover off-market opportunities. The prospect of a ready-made buyer may tempt a homeowner who'd otherwise be inclined to wait for general market sentiment to improve. Vendors who've saved thousands of pounds in agent fees by selling privately are also more likely to accept a lower valuation. And you'll avoid a bidding war, which could have potentially priced you out.

Do due diligence on the house and its environment

Search council planning portals for proposals that might affect a property, including new housing developments or road widening schemes. It's even worth knowing about a proposed extension to a neighbouring dwelling, or the scheduled closure of a local school. Similarly, instruct a detailed survey, and justify low offers by referencing any faults or issues requiring attention – repairs needed in communal areas, historic water ingress or damp problems, etc. Even high factoring fees can represent a strong bargaining chip in a slow market.

Speed and flexibility are big advantages

Imagine you were selling a house. One buyer offered you the full asking price, but they had a home of their own to sell. The other buyer offered £15,000 less, but was chain-free. If your budget could sustain the lower sum, which offer would seem more tempting? Quicker and simpler bids are always reassuring to sellers in times of uncertainty. That's true whether the buyers are chain-free, paying cash, or able to take ownership on the seller's preferred date. Bridging finance can be used in lieu of cash to ensure a quick sale, and then repaid by remortgaging once the property is yours.

Bulk buyers get bigger discounts

Economies of scale can be leveraged in difficult market conditions. A builder with three properties left in a final phase of a development might be willing to sell at a large discount, so they can redirect staff (and advertising budgets) elsewhere. A landlord selling a portfolio of apartments would prefer to transact with a single buyer, for speed and simplicity. You could even consider working alongside other investors to expand your budget, though joint ventures require due diligence and a watertight legal agreement. Test the waters with modest collaborative investments, and gradually build up to large-scale acquisitions.

Pice reductions indicate nerves

Motivated sellers drop their prices more quickly (and more steeply) than speculative vendors. It's easy to trace the history of online listings using tools like the Property Log plugin for the Chrome web browser. Look for listings advertised with reductions or incentives (paid stamp duty, cashback, etc.) Don't be afraid to negotiate, but never resort to gazundering. Threatening to withdraw from an agreed sale unless the seller accepts a lower price is a tactic we wouldn't recommend.

Relisted properties present an opportunity

It's hard not to feel a pang of sympathy when you see a listing featuring the words "unexpectedly back on the market". To paraphrase John Lennon, someone was busy making plans when life happened. These motivated sellers may be desperate to continue the purchase of another property in a chain. They could therefore be willing to accept a lower bid than before, to keep everything on track. This might also be true for properties which have been for sale for a while. Zoopla displays "date listed" information beside property particulars, but Rightmove doesn't unless you install the plugin mentioned above.

Don't take no for an answer

Even if you're outbid, remember that half of current sales will fall through before completion. It's worth a weekly call to the selling agent until contracts are exchanged, in case the preferred bidder pulls out. As in the relisting scenario above, a low offer may still represent a blessing for a stressed seller. That's especially true if you can sweeten the deal by concluding quickly, or making a cash/bridging finance offer.

Conclusion

Although today's uncertain market represents a happy hunting ground for investors, normal rules still apply. Avoid paying more than something's worth just because it ticks a lot of boxes, and don't put on price blinkers to win a bidding war at any cost. Never assume a "recently reduced" listing instantly becomes a bargain, because it may have been overpriced originally. This can easily happen in slow markets where surveyors and valuers have fewer benchmarks to use when setting a realistic price; one unexpectedly competitive sale might distort average selling prices in a particular postcode.

Analyse the Land Registry and Registers of Scotland websites for selling price data, but don't assume all two-bed flats or three-bed semis in a particular street/suburb/postcode are equal. Check sold listings for online schedules and floorplans, to compare them against your own shortlisted properties. And finally, don't let the narrowing window of political opportunity tempt you into deviating from your normal modus operandi, or not doing due diligence. A discounted pre-Brexit bargain could still become an expensive mistake, if it's not right for your portfolio.

Meetups

Meet likeminded investors who love talking property

Property Hub Meetups are the perfect place for sharing tips, advice and local knowledge with fellow Hubbers. They're fantastic monthly events, and are 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 friendlier and more supportive atmosphere than we've found at any other event.

Meetups are held on the first Thursday of every month and they're an invaluable resource of information. Make sure you register to attend.

propertyhub.net/events