PropertyHub Magazine

Making sense of property investment

GOING GREEN

How you can help save the planet and your pocket

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Welcome

Rob Bence

Rob Dix

Hello!

The UK is in a catch-22 situation: thousands of new homes need to be built to sustain our growing population, but at the cost of our environment. The property industry is often blamed for contributing to the climate change crisis, yet - believe it or not - there are a growing number of house builders taking environmental sustainability seriously. Our cover story (on page 17) looks at how we as investors can have a more positive impact on our planet - and our pockets - by making eco-conscious choices.

If there's one thing we've learnt putting this issue together, it's to never underestimate the power of perseverance. Without it, Rob Lloyd would still be camping out in a caravan. He tells us how his resilience to prevail has got him out of some pretty "dark times", and how he's determined to make a success of his latest property venture, in our profile on page 8.

For further proof that success is no accident, check out this issue's case studies. Scott Laws gave up a rather cushy life in Sydney to move back to Norwich and pursue his property ambitions, and now he's on his way to achieving his long-term travel goals. Read his story on page 28.

In light of the government's consultation into scrapping Section 21 notices, you're bound to want to get up to speed on what's going on. We dig into what the proposal means for landlords on page 26, while Rob D shares a viewpoint on page 42 that is sure to ruffle a few feathers.

Rob & Rob

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 past 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

DEPOSITS COULD BE MADE PORTABLE UNDER NEW SCHEME

The government is exploring the merits of a deposit passporting scheme, allowing tenants to transfer their deposit from one rental property to another.

The Ministry of Housing, Communities and Local Government (MHCLG) says the scheme would save renters from having to stump up the cash for a second deposit before they can move home, while still allowing landlords to deduct payments for any damage.

It's one idea being looked into by the MHCLG Tenancy Deposit Protection Working Group to improve mobility in the private rented sector.

Housing Secretary James Brokenshire said it could be a real "game changer" for the sector: "Freeing up deposits and allowing a renter's hard-earned cash to follow them from property to property – as they move to take that perfect job, to move nearer to family, or find a place that suits their changing needs – will create a fairer housing market that works for all."

National Landlords Association (NLA) director of policy and practice Chris Norris said if the scheme is to work, it must give adequate consideration to the needs of tenants and landlords. "Everyone agrees that moving between tenancies should be made easier and cheaper, but we also need to recognise why landlords take deposits. A deposit protects against damage or default, so landlords must be confident their costs are covered before releasing the tenants' money," he said.

You can have your say on the scheme by submitting your views at gov.uk/government/consultations before 5 September.

MORE MORTGAGE CHOICE FOR FIRST-TIME LANDLORDS

The choice of buy-to-let products available to new landlords is at a record high, according to data from financial product price comparison site and information portal Moneyfacts.co.uk.

Its figures show the number of products available for first-time landlords has more than doubled in the past five years, thanks to increasing competition amongst lenders. There were just 645 deals available to new landlords in 2014, compared to 1,405 products today. In the past year alone, 137 new products have become available.

Happily, rates for both two-year and five-year fixed mortgages have fallen too, with the average two-year fixed rate decreasing from 4.01% in 2014 to 2.97% in 2019. The average five-year fixed rate has fallen by 1.16% since July 2014, down from 4.68% to 3.52% today.

Rachel Springall, finance expert at Moneyfacts.co.uk, said: ""Entering the buy-to-let market hasn't been without its hurdles, and almost two years since the PRA [Prudential Regulation Authority] introduced rules expected to tighten lending, the move doesn't seem to have shaken up lenders attitudes to attract first-time landlords. In fact, the number of deals available to these individuals has now boomed to a record high.

"Fixed rates for first-time landlords start below 1.50% on a two-year fixed deal, but the associated up-front product fees must be considered carefully. Borrowers must ensure they weigh-up the true cost of any deal before they commit," she warned.

Deposits could be made portable under a proposed deposit passporting scheme

River Wensum and Fye Bridge, Norwich. The East of England has seen the highest rental prices increase since the Brexit vote.

EAST OF ENGLAND SEES HIGHEST RENTAL SPIKE SINCE BREXIT

Rental prices in the east of England are up 9.3% since the Brexit vote, analysis from lettings compliance specialist VeriSmart has found.

Using data from Gov.uk's private rental market statistics, VeriSmart looked at how average rental prices across the UK have changed since the EU Referendum in 2016 – the east of England coming out on top.

The East Midlands followed closely behind, with a 9% growth. The South West (8.9%), North East (6.7%) and North West (6.7%) also witnessed some of the largest regional rental price growth. London was the only region to see rental prices fall, down – 2.78%.

Drilling down into specific cities, Nottingham recorded the sharpest rise, with average rents up 24.5% to £670 per month since June 2016. Manchester (18.9%), Newcastle (17.7%), Oxford (16.3%), Bournemouth (14.9%), Leeds (13.6%), Leicester (13.4%) and Bristol (12.6%) also hit double figures.

Jonathan Senior, founder of VeriSmart, commented: "Although it is predicted that there will be a mass migration of EU nationals from the UK in the wake of our European exit, high house prices, low stock levels and a fairly stagnant level of wage growth means that even on a domestic level we are very reliant on the rental market to put a roof over our heads.

"As a result, and even with the wider landscape considered, there are still plenty of opportunities out there for those looking to invest in bricks and mortar."

CAPITAL GAINS TAX PAYMENT WINDOW CUT TO 30 DAYS

New tax rules mean from 6 April 2020, anyone selling a property where capital gains tax (CGT) is due, will need to make payment within 30 days of completion.

As it stands, UK residents only have to pay CGT due on gains from the sale of residential property as part of their annual self assessment – typically 10 to 22 months after the sale is made. Non-UK residents have been subject to this 30 day rule since 6 April 2015.

The new rules cover land that includes a building suitable for using as a home, off-plan homes yet to be built and binding options or such sales. It even applies if no money has changed hands so, for instance, if you transfer your property into trust or gift it to a family member. Those who fail to pay on time will face interest charges and potential penalties from HMRC.

Alison Ward from Property Hub Tax said: "This new rule will significantly reduce the payment window for taxpayers to settle their CGT bill. For example, for a disposal made on 10 April 2019, the gain does not need to be reported or the CGT paid until 31 January 2021 – nearly 22 months later. Roll forward one year and a disposal made on 10 April 2020 will now need to be reported and the CGT paid by 10 May 2020. Property investors need to be aware of the impact of this change on their cash flow and the penalties for getting this wrong."

In addition, HMRC is making changes to the tax breaks property owners can claim via principal private residence (PPR) and lettings relief. The grace period in which you can buy a new property before selling your existing one – without having to pay CGT – is being cut from 18 to nine months. Landlords also won't be able to claim lettings relief unless they share the property with tenants.

INSIDE THE HUB

A roundup of what team Property Hub has been up to

HAPPY HUBBERS

A big shoutout to all the lovely Hubbers we met at our July Meetups across the country – here's a pic of the crowd at our Manchester event. We love getting to meet you in person and exchange knowledge, advice and experiences (good or bad) in a relaxed environment. We look forward to seeing you at the next one!

ON SCREEN

The Robs have been back in the recording studio filming some more content for our YouTube channel. Our video – Why property investment ISN'T dead – has been one of the most popular yet. In it The Robs respond to all those negative clickbait headlines announcing the death of buy-to-let. It's well-worth the six-minute watch if you haven't seen it yet. Remember to hit the subscribe button while you're there and let us know what you think in the comments section.

NO-BRAINER

As readers of the magazine you'll be familiar with our resident mortgage guru Dave Cookson. We've worked closely with Dave and his team at Charles Louis Mortgage Advisers for some time now – he's helped many Hubbers get finance where others have failed. But in May we made our partnership official with the launch of Property Hub Mortgages. It was a no-brainer really: now we can offer our clients help with securing finance on top of all our other services.

STEPPING UP

We've kicked off our health and wellness initiatives here at the Hub and we're using workplace wellness challenge platform Count.it to try and outdo each other by recording the most steps in a month. There's already some serious competition going on, especially given one of the groups has a marathon runner in its midst. Apart from a prize, there's the glory to compete for, so when we're not at our desks you'll find us pounding the pavement.

MEET... TOM WALL

This is Tom, one of our property sourcing managers. He's a proud Yorkshireman (he'll only drink Yorkshire Tea) and worked as a primary school teacher before joining team PH in the Manchester office. We can't keep up with Tom's list of hobbies: he plays the guitar, harmonica, drums and bass, is a trained vocalist, keen cyclist, oh and he recently jumped out of a plane to raise money for Alzheimer's Research UK. It's all in a day's work for Tom.

SOCIAL HAPPENINGS

If you haven't been following our escapades on social media recently then you're in for a treat. As well as sharing what we've been up to we've been giving away free audio copies of Rob Dix's best-selling books on #WinnerWednesdays, and answering all those burning property questions on #TakeoverTuesdays. It's a great way to engage with us directly, even if it's only to see pics of our beloved pooches on a Friday.

Secret Millionaire:

“I’ve lost it all twice, now I’m rebuilding my property portfolio”

PROFILE

Star of Secret Millionaire Rob Lloyd has had a turbulent career in property. He's made – and lost – his millions twice, but he's not ready to give up just yet

Ten years ago Rob Lloyd was at the top of his game. He was one of Wales' wealthiest businessmen, having amassed a £37m fortune from his property development business Eatonfield Group. At the same time his public profile was soaring off the back of starring in an episode of Channel 4's Secret Millionaire, which saw him go undercover in Belfast, giving away tens of thousands of pounds from his own pocket to worthy causes.

Rob was enjoying all the trappings of his success. He had expensive cars, luxury homes and was about to purchase a 14,000 sqft super mansion on Paradise Island in the Bahamas. Then the recession hit and – one by one – he lost them all. "We were on a roadshow at the time," he recalls. "We were about to raise around £50m, but by the third day the market was in turmoil – it had literally gone off the edge of a cliff – so we had to pull the plug."

Early days

It was Rob's uncle Frank, who worked in the estates department for British Rail, that inspired him to get into property. "He was almost like a brother to me in the early days," he says. "I was still at school at the time. He told me what he did in the business and it interested me. I suppose it was always in the blood really."

After leaving school Rob started a sandwich course at Reading University's College of Estate Management, but packed it in after 12 months. "I just wanted to get on and get stuck into working in property," he says. Still in his early twenties, he moved back to the North West (where he'd grown up), spending the next decade building up his career at several different firms, before deciding to go it alone.

He set up Lloyd Investment Group in 1987 and began buying high street shops on the cheap. "I'd put a ground floor tenant in there and convert the first and second floor either into offices or residential premises," he says. It was a successful model and it wasn't long before Rob had made his first million. Then the property crash of the early 90s struck and the business collapsed, leaving him and his young family without a home. They ended up having to move into a caravan in north Wales until Rob got back on his feet. It was the first time Rob found himself having to live in temporary accommodation, but it wouldn't be the last.

Riding high

A chance encounter in Quaglino's restaurant in London led to a job offer: Rob was hired to head up the northern division of UK Land. "I was given a 25% stake in the business, and it provided me with another stepping stone to enhance my experience," he explains. "In nine months our department made more money than the rest of the company put together."

When UK Land made the decision to go private, Rob saw it as the perfect opportunity to sell his shares and set up on his own again – this time with more capital. He established Eatonfield Holdings in 1998 from his kitchen table and the business quickly grew to have offices in Mold, Cardiff, Newcastle and Bristol employing 250 members of staff. "We were what you might call a very diverse developer. We did everything from acquiring land to building houses. I had a lot of staff, so it was quite a hungry mouth to feed, but it was very profitable," he says.

In 2006 Rob floated Eatonfield Holdings on the Alternative Investment Market (AIM), attracting one major investor – a multi-billion pound organisation which took a 29.9% stake. Eatonfield rapidly expanded as a result – with profits growing to just over £7m. This gave Rob the funds to invest in a much-loved passion of his: racehorses. His great-grandfather Bill Roberts had rode in the 1958 Grand National on Princess Garter. He bought Haycroft Farm in Cheshire and ploughed money into transforming it into a stud farm and racing yard. At one point he had 55 horses in the yard; 45 of which he owned.

Less than a year later, he had a bid from another organisation to sell Eatonfield. For Rob, the timing was right: "I saw the market becoming more and more difficult as time went on. The way I saw it, was a good return for the investors that had backed the business from the start and it was a good exit strategy, but our majority shareholder wouldn't sell. Suffice to say it didn't happen, then we hit the worst recession in about 60 years."

Rock bottom

The property market collapsed, the banks pulled their funding and Rob's business was dismantled. He also found out his lawyer in the Bahamas had embezzled

Rob Lloyd (left) celebrates the opening of new deleopment the Herb Garden with former Everton and Wales footballer, Kevin Ratcliffe (right).

the funds for his Paradise Island property along with some funds he'd invested to build affordable homes there. "I got completely wiped out. I had to go and live in a caravan up in Scotland for just under 12 months. I literally had no money, it was awful – my lowest ever point. I didn't even have any water or electric, it was in the middle of nowhere. I used to have to go down to Tesco and buy bottles of water to use for a shower. I don't want to go back to those days that's for sure," he says.

It took him a long time to recover, but he was determined to work himself out of the situation. "I had a lot of dark days, it took it out of me. I couldn't raise any money, a lot of the people I knew had been wiped out in the recession too. I had to decide how I was going to get back," he says. He started by taking scrap to the scrap yard as a way of earning some cash. "It's fair to say I've always been a grafter. Even when I used to do the city runs in the suit, I always used to like going on site."

As a way of getting back into property he began looking at option agreements, trading deals and making introductions he could earn a commission on. "I had to go back to basics," he says. But all these years later he still hasn't been able to recover the millions he lost in the Bahamas and his former lawyer is yet to be prosecuted. "I'm gobsmacked that justice has still not prevailed. There doesn't seem to be any justice in the world, especially the way in which the Bahamian authorities have dealt with this," he says.

On the up

Slowly but surely Rob is building back up his portfolio again. His new company, Bearmont Homes, will focus on building residential property exclusively in Wales. It already has a number of sites under contract and unveiled its first development – the Herb Garden: a huddle of five luxury three and four-bed detached houses – in Gaerwen, Anglesey in May.

Rob says he'll also be looking to acquire strategic land, but under a different brand: "In effect I'm trying to go back to the old business model I had at Eatonfield. It was a really good model in that if residential was going through a difficult period, I could counterbalance it with commercial developments."

Eventually he hopes to re-enter the public market, but the key to this is cashflow: "Banking is completely different than it used to be, so I've had to look at things completely differently. In the days of Eatonfield we had eight banks throwing money at us left right and centre. I've been known to get 150% funding on deals without putting any equity in, but now banks want 'skin in the game' as they call it."

Rather than employing a large team, Rob will be relying on close group of trusted colleagues and contractors. And he's not afraid to get his hands dirty himself: "One of my old city pals Simon Brown came up for a few days and we worked landscaping the garden at the Herb Garden ourselves," he says. "I don't mind adapting and I think it's good for people to see that."

From now on though, he'll be sticking to investing in property and not mixing business with pleasure: "There won't be any more racing yards or stud farms for me, I'm going to stay focused on property and making money, I've got a lot to recover. I think the next five years is going to be an interesting journey for me. There's still plenty left in the tank. The hunger, the drive, the determination and the ambition are still there – I won't give up until I am back on top again."

LOCATION FOCUS

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Enjoying the benefits of Manchester and Liverpool's enduring battle for supremacy, Warrington currently represents one of the UK's strongest investment locations, as Neil Cumins reports

PLACES

The rivalry between Manchester and Liverpool traces its origins back almost two centuries, to the creation of the Liverpool and Manchester Railway in 1830. With only a few dozen miles separating their outer suburbs, these northern powerhouses have been locked in a battle for economic, political and sporting supremacy ever since. And for most of that time, Warrington has quietly reaped the rewards of its larger neighbours' achievements and ambitions. It was also home to the Property Hub for a number of years, so it's a location we know better than most.

Centre of excellence

Bisected by both the River Mersey and the Manchester Ship Canal, Warrington is Cheshire's largest town, with a population of over 200,000. It's unique in being both a Roman settlement and a New Town, with much of its housing constructed after 1968. A number of satellite villages were subsumed by decades of housebuilding north of the Mersey, with residential suburbs abutting three motorways which wrap around the town. This network of trunk roads reflects Warrington's position 20 miles from the centre of both Manchester and Liverpool, with each city's airport less than half an hour away by car. Sub two-hour train journeys to Euston cement Warrington's status as a great location for investors wanting to escape from London's low yields and high selling prices.

Given its uniquely central location, it's no surprise commercial investment is pouring into Warrington. Only London and Aberdeen are presently achieving higher rates of business growth, with high-profile developments like Six 56 Warrington helping to maintain the town's economic momentum. Named after its position in the crook of the M6 and M56, this proposed £180m distribution hub could create over four thousand jobs. Local employers already include Amazon, Betfred and United Utilities, helping to keep Warrington's unemployment rate of 4% among the lowest in Britain. Warrington also has the UK's largest cluster of technology and nuclear research firms, drawing in scientists and engineers from around the world.

Something old, something new

Becoming a New Town meant Warrington's traditional stock of red-brick on-street terraces was joined by swathes of local authority houses in sprawling districts like Birchwood. In common with other New Towns up and down the country, private sector construction took over when the Development Corporation was wound up in 1989. Several executive estates are currently being marketed in the west end suburb of Lingley Green. A few streets away, work recently finished on a slew of new family and executive homes at Chapelford Urban Village, surrounded by the established residential suburbs of Great Sankey and Penketh. It's also worth noting every primary and secondary school in Warrington is rated either 'good' or 'excellent' by Ofsted.

Brownfield regeneration and Chapelford-style urban redevelopment will be crucial for Warrington's future housing stock. Indeed, the council believes over 13,500 new homes and 110 hectares of employment facilities could be constructed within existing urban areas. This war on gap sites and abandoned buildings has enabled Leeds-based developer Priestley to redevelop buildings at Palmyra Square and Museum Street, retaining facades while creating dozens of new apartments and a hotel.

A short walk from Palmyra Square's tree-lined parkland, the £142m mixed-use Time Square complex is set to complete later this year. It will improve the town centre's existing offerings by combining office space and an outdoor plaza with a new market hall and a 13-screen cinema. The scheme has been designed to offer the "perfect blend" of leisure and dining facilities. A host of new retail and dining options will overlook the plaza, including a regional flagship site for upmarket cocktail bar and restaurant chain The Botanist. A proposed second phase would extend down to the River Mersey, adding homes and a hotel.

> **"Considering it's frequently ranked as one of the UK's highest-performing towns in economic reports and surveys, it's perhaps surprising Warrington isn't more of a hotspot for landlords and investors"**

Warrington Town Hall

The price is right

Historically, the town centre and train station environs may have deterred outsiders from recognising Warrington's charms. But with Time Square likely to rejuvenate the whole town next year, that might be about to change. The numbers add up already; Warrington is one of north-west England's stronger areas for rental yields. One and two-bedroom properties can achieve yields of between 7-9%, dropping to an average of 4.2% for a three-bedroom house. One-bedroom apartments rent for between £400 and £500 per calendar month (PCM), with two-bed penthouses fetching up to £1,000 in prestigious south-side suburbs like Grappenhall. A privately-built three-bedroom house in good condition will typically let for between £700 and £900 PCM in gentrified areas including Stockton Heath.

Honourably excepting the million-pound mansions of picturesque satellite villages like Lymm and Appleton, selling prices in Warrington are lower than in much of Cheshire. At the time of writing, average house prices stood at £220,000 according to Zoopla, having risen by just over 4% in the year to May 2019. Over the same period, rents increased by almost 3%. Detached and semi-detached houses are experiencing greater capital appreciation than terraced properties or apartments; unusually, flats comprised just 15% of estate agency stock at the time of writing.

In the absence of millennial apartment complexes, landlords have migrated towards houses in affordable suburbs like Orford. Two-bedroom on-street mid-terraces are marketed here for upwards of £80,000, with larger three-bedroom properties behind compact front gardens selling for between £115,000 and £130,000. Those highly-rated local schools make Warrington a popular location for families; any home could be advertised as being within a desirable school catchment area.

SITES FOR SORE EYES

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

- **Warrington Waterfront**
  Linking the town centre to the Manchester Ship Canal, this proposed urban quarter involves the construction of 2,000 new homes and a primary school, plus riverfront offices, restaurants and hotels. A new local centre would serve residents, while employment opportunities will also be created alongside a new country park.
- **Peel Hall**
  Controversy has surrounded the 69-acre Peel Hall site since proposals for new homes were first drawn up 30 years ago. The latest Local Plan for Warrington proposes building 1,200 properties, a primary school and a care home here. Peel Hall is central to the council's recently-revised plans to construct 7,000 greenbelt homes in the next 20 years.
- **Southern Gateway**
  This new urban district would connect Stockton Heath to the town centre. New apartments have already replaced old factory units, with 1,300 homes planned alongside improved commercial space and a transformed riverfront. A £25m scheme to build 160 homes on the old Warrington Wolves RFC site will form part of the Stadium Quarter district.

One to watch

Considering it's frequently ranked as one of the UK's highest-performing towns in economic reports and surveys, it's perhaps surprising Warrington isn't more of a hotspot for landlords and investors. Despite being equidistant between Liverpool and Manchester (and bordered by three of the UK's main motorways), house prices are well below the Cheshire average. Warrington simply lacks the prestige of towns like Altrincham and Wilmslow. And even though it offers scope for strong yields and capital appreciation, Warrington hasn't yet attracted the international audiences regularly seen in Manchester's auction houses and estate agent offices.

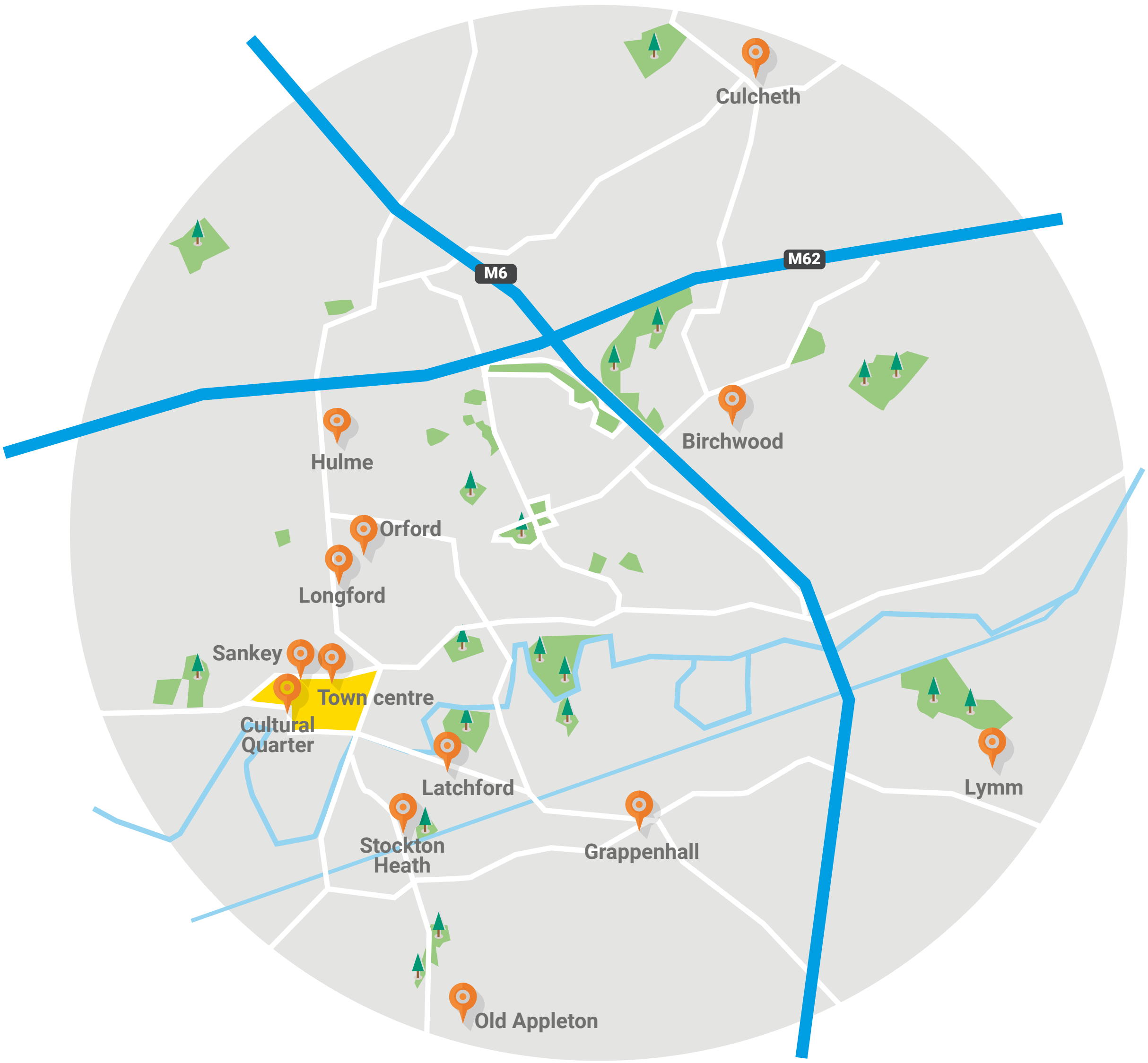
However, this under-the-radar situation may not last for much longer. The first fruits of the council's town centre regeneration masterplan should be realised next year, while HS2 services will stop at an improved and expanded Warrington Bank Quay. HS3 is also scheduled to pass through, cementing Warrington's place at the heart of the Northern Powerhouse. Indeed, the future looks very bright for this town between two cities.

The best places to invest in

Warrington

- Best for young professionals: **Grappenhall, Stockton Heath**
- Best for family: **Culcheth, Grappenhall**
- Best for transport links: **Hulme, Orford**
- Best for yields: **Sankey, town centre**
- Best for capital investment: **Cultural Quarter, Latchford**
- Best avoided: **Birchwood, Longford**

Walton Hall



PLACES

Investing in a sustainable future

Sustainable properties aren't just good for the environment; they're a good investment too writes Chantelle Dietz

COVER FEATURE

There's a lot to consider when investing in property. Cost, location and the type of property can all have an impact on the return you're likely to achieve. But more recently, we've added another consideration to our checklist: sustainability.

People are, without a doubt, more environmentally aware than ever before. Whether it's going vegan or cycling to work, many of us are adapting our lifestyles in some way – big or small – to have a more positive impact on our planet. It's informing the decisions we make, including the types of properties we want to live in.

Eco credentials

Young people in particular are the most environmentally aware. The reusable-bottle-drinking, Planet-Earth-watching generation is much more in tune with the challenges facing our planet and has a strong desire to live and work in environmentally friendly, energy efficient buildings.

A survey by Your Move sister company LSL's PRIsm found four in ten tenants in the UK (42%) take into account how eco-friendly a property is before making a rental decision, while in London this figure rises to 50%. The importance of green credentials, it seems, is linked to the level of rent paid by tenants: 63% of those paying £1,351 to £1,600 per month said an environmentally friendly home is a top priority when choosing where to rent, compared to just 37% of renters paying £350 a month or less.

As well as considering the environmental impact of their homes, having green spaces was also a key factor for those surveyed: almost a third (32%) said they were interested in a communal garden, with 30% willing to pay more for a vegetable allotment.

Savvy landlords are highlighting features such as renewable energy sources, green spaces and high Energy Performance Certificate (EPC) ratings as selling

> "Four in ten tenants in the UK (42%) take into account how eco-friendly a property is before making a rental decision, while in London this figure rises to 50%"

COVER FEATURE

New build eco housing in Manchester

points in listings, knowing they're likely to get snapped up quicker in what is an increasingly competitive marketplace. There's even specialist eco-friendly property portals like GreenMoves and What Green Home on which they can post their properties to target more eco-conscious tenants.

Getting efficient

Properties with good eco-credentials don't just make enticing advertisements for potential tenants, they make good investment sense too. Those that have been built with sustainability in mind are generally less susceptible to high maintenance costs and depreciation. A poorly insulated, draughty property on the other hand can prove costly for both you and your tenant. There are fines to be paid if it fails to meet the minimum EPC rating (currently E), and regulation is only likely to get tighter as time goes on. There are also rules which mean tenants can legally request energy efficiency improvements if they don't feel their home is up to scratch.

Purchasing a property that consumes less energy is likely to lead to more financial stability for you. If your property is more energy efficient, it will be cheaper to run and more comfortable to live in for your tenants, meaning they're much more likely to want to stay for the long term.

So what should investors be looking out for when weighing up potential purchases? Ben Adam-Smith, owner of House Planning Help, has immersed himself in the world of environmentally friendly residential buildings over the past seven years – so he knows a thing or two about sustainability. He's even built his own eco-home.

He advises taking a holistic approach: "You need to get a good understanding of how the property has been constructed," he says. "Carry out a detailed survey and ask lots of questions to the existing owner. A lot of heat can be lost through the gaps and cracks in the fabric of the building. That's why one of the best checks is looking at the heating bills. Even a single bill will give an estimate of what it's been costing to run over the year. One step further is to buy a thermal imaging camera and carry out your own investigation. Newer phones can even have the technology built in."

Ben suggests finding out if any energy-efficient improvements have already been made, such as loft and cavity wall insulation, draught proofing and double glazing. "As you seal up a building, a strong ventilation strategy becomes more and more important. Signs of damp or mould mean that something is going wrong and work will be necessary. EPCs are not a great guide, but they are better than nothing. They'll give you an indication of how the property is performing now and how it could be improved. You'll also want to find out how the property is heated, and how old – and energy efficient – the heating system is."

Just because a property doesn't look good on

Builder Willmott Dixon is building what's been billed the UK's first eco-town, North West Bicester

paper, it doesn't mean it's a bad investment – it's all about potential, adds Ben: "There are ways to retrospectively improve the performance of a property. If you want to carry out a whole house retrofit then an external wall insulation strategy is often the easiest approach, and that means ugly or tired properties could end up looking much better. It can be expensive, but that's not to say they can't be adapted."

For those investors wanting to go a step further, self-building offers the opportunity to create a truly eco-friendly property purpose-built to your specific requirements. "Starting from scratch gives you the control to get it right," says Ben. "Rather than relying on what others think is an ecological build, you can carry out your own research and decide for yourself. For example, I chose to build my home to Passivhaus standard which by default delivers a healthy, comfortable and energy-efficient property."

"Properties with good eco credentials don't just make enticing advertisements for potential tenants, they make good investment sense too"

Green spaces

The majority of us won't be in a position to build our own eco-friendly property from scratch, but there are a growing number of house builders across the UK creating some innovative eco-developments ripe for investment. What's been billed as the UK's first eco-town – North West Bicester – is currently under construction in Oxfordshire. Once finished, it will comprise 6,000 zero-carbon homes.

The first phase of the development has already been launched, with two to five-bedroom houses available from £345,000. Boasting highly insulated cladding in timber and recycled stone, each property comes kitted-out with triple-glazing, rainwater harvesting, solar panels and combined heat and power (CHP), which utilises waste energy in a more efficient and cost-effective way. Any excess power generated is sold back to the National Grid, saving on energy and reducing costs for residents.

Nowadays, for any property to be truly environmentally sustainable, it must give consideration to the natural environment in which it resides. In North West Bicester, 40% of the new eco-town will be given over to green space. A nature reserve, meadows, ponds and a country park are all part of the plan to help wildlife to thrive there.

As part of this movement to protect wildlife, naturalist and wildlife presenter Chris Packham released the People's Manifesto for Wildlife last year, featuring input from 17 independent experts. The manifesto – which aims to help stop the decline of British wildlife – offers almost 200 proposals which could have a positive impact on our planet.

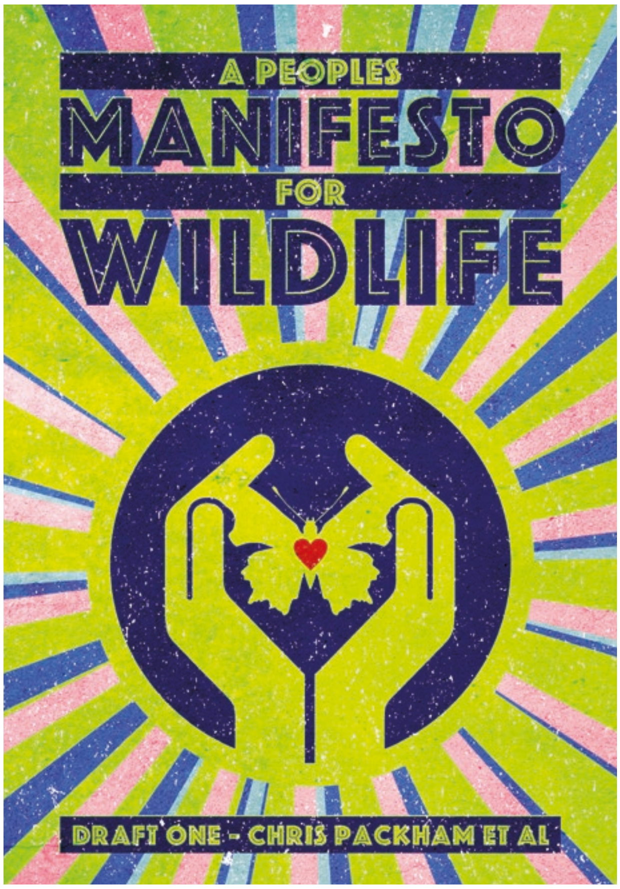
The proposals highlight the need for more nature-friendly green spaces and habitats for wildlife in our built environments. Suggestions range from big-picture ideas like creating temporary pop-up habitats out of sites earmarked for future development, to easy-to-implement at home initiatives like making hedgehog highways (small CD-sized holes) in garden fences so that hedgehogs can roam and forage.

To counter the UK's declining bird population it proposes bird boxes should be built into all new build homes, with incentives for retro-fitting nest boxes on older properties. Cornish design company Green&Blue is already working with national house builders and individual customers to do this. Its innovative swift block is designed to be used within construction to create a safe habitat for swifts, but can be retrofit to existing properties.

The company – founded by former Dyson designers Kate and Gavin Christman – also produces bat and bee blocks based on the same concept. "We are giving space back to nature which has been taken away," says Faye Clifton, Green&Blue's sales and marketing manager. "You don't need very much space to house nature. Even if you have a flat you can get window boxes, fit a bird box, create a living wall or add greenery to a roof terrace. Supporting nature doesn't stop in the garden."

Shaping the future

As the effects of climate change and biodiversity loss become more apparent, the number of people adopting a sustainable lifestyle will rise, and so will the demand for properties with an environmentally-friendly edge. Happily, the higher costs associated with developing these types of properties are being chipped away – thanks to government tax breaks and funding initiatives – making them much more attainable. Through investing in environmentally sustainable properties, UK investors have the opportunity to shape the way homes are built for the better. As Indian physicist and ecologist Dr Vandana Shivaclever puts it: "It's not an investment if it's destroying the planet."



Naturalist and wildlife presenter Chris Packham released the People's Manifesto for Wildlife last year

"Though investing in environmentally sustainable properties, UK investors have the opportunity to shape the way homes are built for the future"

Long-distance landlords

Good communication skills are important for any property investor, but rarely is that more true than for Jenica Heydon and Joseph Franklin, who manage their portfolio of UK properties remotely from their home in California

CASE STUDY

Many landlords opt to invest in properties close by, as they know the area and like to be able to personally handle any issues that arise. But Jenica Heydon and Joseph Franklin argue that being separated from their portfolio – by over 5,000 miles – has actually proved useful when it comes to selecting which properties to buy.

"Not being there takes a lot of the emotion out of things, you don't have that influencing your decisions. We have our local guy on hand, we can ask him what he thinks of an area and that's good enough. It removes you from the situation, and makes you more decisive," explains Joe.

Homes under the hammer

Joe was desperate to get into property investing from his early teens, having binged on TV shows like Homes Under The Hammer. He even visited the bank to see if he could get funding at the age of 21 while still studying. But it was only after he and Jenica extracted equity from their first home in Peckham, south London – which had doubled in price from when they purchased it – that the pair were able to pursue life as landlords.

"We bought an ex-local authority property first, and then a few more. There's a bit of a stigma about ex-local authority properties, because it might not be a buyer's first choice it keeps the purchase price low.

But renters aren't as picky, and rental yields have done well as a result. We ended up going down this route, not worrying so much about the long-term gains. We thought if they sustain themselves and we get some money out of them, then great," says Joe.

Stepping into the unknown

It wasn't long before tightening margins meant Joe and Jenica started to look beyond the capital. The couple turned to the internet, recruiting a tech whizz to design a 'scraper' to extract information from the web to give them a better idea of not only which areas were delivering well for landlords, but which specific types of property within those areas, all within a simple spreadsheet. As Jen says: "We knew we wanted to go outside of London, but we didn't know exactly where. The spreadsheet helped us zone in on Greater Manchester."

The couple pinpointed an area in Salford where the data suggested there was an opportunity for strong results. By this time they were living in Singapore and had established a global team of property experts to help them manage their portfolio. Their Serbia-based property manager booked in viewings with local estate agents, while a local builder filmed his visits, pointing out what might need fixing within a property – and what it would cost. The arrangement has served the pair well: "I'd never been to Manchester before, while Joe has been once, but we own six properties there now, and we haven't actually seen them in person," reveals Jen.

Buying at auction

One of these properties was picked up in January this year, a four-bedroom home in Seedley Park Road, Salford. The purchase was unusual in its own right, as it was through an online auction. It was the first time the couple had bought a property in this fashion, and given the time difference it involved them setting an alarm for 3am in order to wake up and begin bidding. "After winning the property we started looking at floor plans and things in the middle of the night," says Joe.

Joe is clear that buying at auction can be a little daunting at first, but there are clear benefits to doing so in terms of the speed of getting the transaction concluded. "We've had properties take six or seven months to go through, and it hasn't been the fault of us or the seller. In the UK it can be very slow, you're sat twiddling your thumbs and getting frustrated. Buying at auction has been a learning experience, but you get to complete within four weeks," he says.

Kitting the property out

The Seedley Road property required a full refurb in order to get it into suitable condition for the young professional tenants that Jenica and Joe target with

Seedley Park Road, Salford

Before

After

CASE STUDY

Before

After

Before

After

their properties. The couple had some equity available from another of their investments, and so purchased using a bridging loan. This loan not only covered the transaction cost, but also around 70% of the refurbishment costs as well. Now the refurbishments have been finished, and the tenants have moved in, the couple have moved over to a standard mortgage deal.

Jen says: "We had a team in Manchester go in and price the refurb work. We do all the procurement from abroad. We get everything, from the sink and taps to the carpets. We have always furnished our properties. Our property manager helps with the logistics, making sure it all arrives on site and on time."

Managing a portfolio from overseas

Jenica, who is from New Zealand originally, takes great pride in the couple's global set up. "This style of property investing might seem high risk, but we have a fantastic team and strong processes in place to make it work. We have found ourselves working from a beach in the Maldives or a coffee shop in New Orleans speaking to our team like we are in the next room, although most days are not this exotic. We can be working across three time zones and in multiple currencies, but we have become accustomed to this way of running our business," she says.

When it comes to sourcing tenants, the couple's full-time property manager posts the ads and then gathers relevant information on interested parties. "She has a criteria in terms of knowing the types of people that we want for the properties," says Jen. The couple then have a few people on hand who can take potential tenants around on viewings, and feed back not only on those renters, but also on the condition of the property should there be any issues.

Once prospective tenants have passed this initial stage, they have a chat with Joe. "Lots of people have questions about having their landlord based abroad, but as soon as they've called what appears to be a UK number, which redirects to us, it dissolves that barrier quickly. Lots of tenants feel disconnected from their landlords, really they just need to know there is someone personable on the other side of the phone who can put things right if they go wrong," he says.

It may be an unconventional approach, but it's undoubtedly worked. "We have been lucky with tenants so far, but then we have been picky. We want them to be in the property for as long as possible," adds Joe.

A question of trust

Despite managing a portfolio from overseas, the couple have opted against employing the services of a letting agent. "If we were paying an agent to manage our properties, it would come to thousands. For the money we pay, we get so much more with a virtual property manager," Jen notes.

Nonetheless, they take their responsibilities seriously, conducting extensive training with the property manager as well as taking tests themselves, a process Jen says is "essential in this climate, as there is lots of legislation you need to follow". Both she and Joe are regular listeners of The Property Podcast: "I've been listening to the podcast since 2014 and credit our successes to doing what Rob & Rob tell me to do each week," she remarks.

Joe emphasises that there's a huge element of trust required with building and managing a portfolio remotely: "You have to hand over so much responsibility, and trust that they will get it done. Giving people too many chances is something that a few people have fallen foul of, you need to find the sweet spot – don't settle if a job hasn't been done to the standard you wanted as it will lead to a tail of further work."

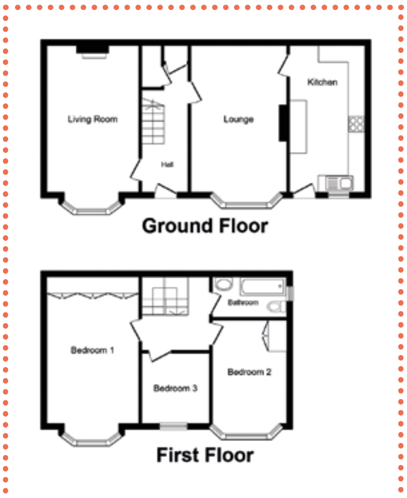
What comes next?

The couple are two years into a five-year plan, with the aim of both being able to quit their day jobs and become location independent so they can focus on their growing family, with a third baby on the way this year.

Jen says: "We have finished a big acquisition phase, so for now we are sticking with the ten properties we have and then moving onto how we can optimise them. Some could have an extension or a basement conversion, or be reconfigured to fit extra bedrooms."

As well as optimising the rental income, they also want to look at how they can further automate their current system for work so that there's less micromanaging required of the team they have built, though Jen admits she doesn't know how she will go without buying a property for a while "as it does get addictive".

The couple also have plans beyond property having launched a number of e-commerce stores. As Jen puts it: "It's all about getting the balance right of what we want to spend our time on. With our family stretched across the world, it's hard to tie ourselves down to one place at a time." But as their portfolio's development demonstrates, travelling around the world need not be a barrier to making money from British property.



Property floor plan

RUNNING THE NUMBERS

Purchase price: **£143,000**

Reservation fee: **£46,250**

Mortgage: **£139,745**

Professional fees (including auction and bridging fees): **£11,068**

Stamp duty: **£4,650**

Development costs: **£31,690**

Rent: **£1,200 PCM**

Rental expenses: **£475 PCM**

Profit: **£725 PCM**

ROI: **9.3%**

Current property value: **£185,000**

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

Section 21 notices to be scrapped

The government has announced a consultation into scrapping Section 21 notices, also known as no fault evictions. The move will effectively create open-ended tenancies. Emma Lunn investigates whether this should give landlords cause to worry

As it stands under the Housing Act 1988, once a fixed-term contract has come to an end a private landlord can – without giving a reason – use a Section 21 notice to give a tenant two months' notice to leave a property. If the tenant doesn't leave within two months, the landlord can apply for a possession order from the court. Providing the landlord has completed the paperwork correctly, and complied with certain legal requirements, the court must grant them possession of the property.

While this might seem perfectly fair to landlords, many tenants disagree. Campaign group Generation Rent claims Section 21 notices stop renters from putting down roots and are a key cause of homelessness. The group also claims thousands of tenants have been victims of Section 21 "revenge evictions". These are where a tenant has made a reasonable request for repairs and, instead of fixing the problem, the landlord evicts them in retaliation.

The other way landlords can bring a tenancy to an end under the Housing Act 1988 is by issuing a Section 8 notice. This can be used at any time during a tenancy as long as there are grounds to do so.

Reaction to the consultation

Generation Rent director Dan Wilson Craw welcomed the government consultation. He says: "Eleven million people in England have no idea where home will be in a year's time, thanks to Section 21. The ability of landlords to evict without reason is disrupting educations, eroding our communities, and leaving tenants feeling powerless. The government has listened to renters and has made the right decision."

Landlords haven't been quite so positive. The Residential Landlords Association (RLA) warned there could be "serious dangers" to the supply of rental housing if Section 21 is scrapped.

RLA policy director David Smith says: "With the demand for private rented homes continuing to increase, we need the majority of good landlords to have confidence to invest in new homes. This means ensuring they can swiftly repossess properties for legitimate reasons such as rent arrears, tenant anti-social behaviour or wanting to sell them. This needs to happen before any moves are made to end Section 21."

“Responsible landlords who maintain their properties and respond to tenants’ complaints should have little to fear from the end of Section 21 notices. According to government figures, 90% of tenancies are ended by the tenant. Of the 10% ended by the landlord, the majority are due to rent arrears and landlords will still be able to evict non-paying tenants under Section 8”

The National Landlords Association also opposes the abolition of Section 21. The association argues the notice has become a backstop to overcome the Section 8 process which it says is “slow, costly and inefficient”.

Reformed Section 8 notices

Plans to reform Section 8 notices will hopefully go some way to alleviate landlords’ fears. Under Section 8 of the Housing Act 1988, a landlord can evict a tenant at any time as long as there are grounds to do so. Existing grounds include non-payment of rent or a breach of tenancy terms. The government plans to reform Section 8 notices at the same time is does away with Section 21. The reforms include adding new grounds – including if a landlord wants to sell the property or move in themselves.

A major issue landlords have with Section 8 notices is that tenants can put in a defence, causing delays to proceedings. However, the government promises court proceedings will be expedited under the new system. “The onus is on the government to get this right. It’s entirely dependent on the government’s ability to re-balance the system through Section 8 and court process so that it works for landlords and tenants alike,” says Richard Lambert, chief executive of the NLA.

The situation in Scotland

Scotland has outlawed no fault evictions since the Private Housing (Tenancies) (Scotland) Act 2016 came into force in December 2017. Scottish landlords now have to let property using a Private Residential Tenancy (PRT) agreement which gives tenants indefinite tenure.

Your Move Scotland national lettings director Brian Moran says: “The PRT still allows landlords to evict problem tenants, including those who have breached a term in the tenancy agreement, have acted in an anti-social manner, or who have not paid rent for three consecutive months.

“To bring the tenancy to an end in Scotland, the landlord must be able to rely on one of 18 accepted grounds for eviction, of which eight are mandatory, eight are discretionary and two are a mixture of both. Landlords must also serve a notice of leave to a tenant, providing information on how long they have before they must vacate the property, which of the 18 grounds for eviction the landlord is using and evidence to support this.”

If a tenant hasn’t vacated the property by the end of the notice period, landlords can apply to the First-Tier Tribunal for an eviction notice. Your Move Scotland found the average First-Tier Tribunal case takes between four and six weeks to be resolved. However, when these hearings take place, the onus is very much on the landlord to prove that they have shown due diligence when addressing any problems. “It’s therefore vital that any DIY or independent landlords do their homework and take the time to read up on regulatory changes,” says Moran.

Positive outcomes

Responsible landlords who maintain their properties and respond to tenants’ complaints should have little to fear from the end of Section 21 notices. According to government figures, 90% of tenancies are ended by the tenant. Of the 10% ended by the landlord, the majority are due to rent arrears and landlords will still be able to evict non-paying tenants under Section 8.

Landlords benefit from longer tenancies in several ways. For example, they won’t be hit with costly void periods, while tenants who feel secure in their home are more likely to look after it than those who constantly fear eviction. So longer tenancies could actually save landlords money and help foster positive relationships between landlords and tenants.

If the government speeds up court proceedings, as it promises, the end of Section 21 could be a good thing for the private rented sector. Landlords will have the security of knowing non-paying or disruptive tenants can be evicted in an acceptable timescale.

FEATURE

Putting knowledge into action

He was all set to enjoy sun, surf and sand for the rest of his life, but then Scott Laws tuned into The Property Podcast and his plans changed radically.
Jane Cameron reports

CASE STUDY

After running his own floor-fitting business in his hometown of Norwich, Scott Laws picked up a backpack and left for South East Asia and Australia, aged 23. When he hit Sydney with his work permit, he was quickly able to find trade work, as developers scrambled to create dream homes along the Sydney coastline. He loved the lifestyle and decided to settle.

While on a job, he would often grab a moment with the owner or developer to talk about what they were doing and how they were doing it. "I'd always been interested in property, it seemed like a good investment," he explains. "I would chat to them about how they were developing these amazing properties. They were buying them along the harbour, doing them up and selling."

Scott started to read books on the subject, including Rob Dix's Property Investment for Beginners. He also watched YouTube videos and discovered The Property Podcast. But, with price tags of $1.5m and upwards on these Sydney homes, it was clear he would not be able to begin his property career there. "I was listening to the podcasts and got to thinking of my retirement," he says. "I didn't want to retire in Oz without a decent income. I knew I wouldn't be able to buy a Sydney property and that was the only place I was interested in living in, really. I had my work and my friends were all there."

Change of plan

Listening to The Property Podcast helped Scott formulate a plan. After four years on the other side of the world, he came home to put what he'd learnt into practice. "Without it, I'd still be over there now," he says. "My plan is to build up a portfolio so I can take time off to travel for a couple of months here and there."

He was not a total property virgin. He had bought a one-bedroom apartment in Norwich when he was 20, after saving up for the deposit and getting his first mortgage. He'd lived in it for a while, then rented it out to a tenant, his parents managing it while he was away.

But with single-bed lets not providing a big enough monthly profit for Scott, his eyes were firmly set on a house in multiple occupation (HMO). He reopened his floor-fitting business in order to save another deposit and within two years of his return to the UK, he made his first successful offer – three months after he started looking.

The property – a three-bed home in a location near an area of "quirky" bars and restaurants in Norwich – was on Rightmove for £200,000. "I thought it would be perfect for young professional tenants. And if I struggled to find them, it was only 10 minutes from the bus line to the University of East Anglia so I could let it to students," says Scott, now 30. "But as it happens, I let all the rooms within a week of advertising to professionals.

"It had been on the market for a while so I saw an opportunity for a cheeky offer. I put in for £183,000 and got it for £185,000. I had put in offers for other houses that had been declined so I was surprised when this was accepted. I had my price and I stuck to it. The thing is, not to give up"

"It had been on the market for a while so I saw an opportunity for a cheeky offer. I put in for £183,000 and got it for £185,000. I had put in offers for other houses that had been declined so I was surprised when this was accepted. I had my price and I stuck to it. The thing is, not to give up."

Hiccups

Using a broker, a trusted friend of his, he secured a two-year mortgage, although he says he wouldn't use the same lender again because it took nearly three months to come through.

He set to work with a small army of family members and tradesmen known personally to him through working in trade. The boiler was in good condition and the property already had double-glazing, but he had to move a wall upstairs to make one of the bedrooms big enough to comply with regulations.

He also installed a new kitchen and bathroom, new radiators and re-plastered much of the house. He needed to erect a stud wall downstairs to turn the living room into a fourth bedroom and created a kitchen-diner area with a hallway. "I was worried about how small the communal space would be after we made the fourth bedroom. But, after listening to other HMO landlords, I realised it would be OK. People in HMOs actually spend most of their time in their rooms. It has a sofa, TV and little table, so they're happy."

As Scott was still doing his day job Monday to Friday, the work took 14 weeks to complete. He worked evenings and weekends to get the job done, with only one day off for Christmas. It was hard work, but he believes having family and a great network of contacts on hand made an enormous difference: "It really helped to keep costs down and on schedule. I had a lot of people coming in over the Christmas period, who wouldn't normally work over Christmas. It's also good knowing people from a quality point of view. They want to do a good job, because if they don't, everyone will hear about it!"

But there were, inevitably, some hiccups along the way. The first saw Scott put his foot through the bathroom floor. "It was while the joists were still bare and I noticed the toilet was leaking," he recalls. "I stepped back after looking at it, missed my footing and went through the floor, which meant I had to put in new plaster board, but it was no biggy."

A potentially more serious problem was his failure to spot holes in the roof. He's taken temporary measures to fix it, but plans to replace it completely in a couple of years at a cost of at least £2,000. "I should have checked that out, in hindsight," says Scott. "I went for a second viewing but for some reason didn't think to check the roof. I guess I was viewing quite a lot of properties and didn't think I had time to go into the attics. But I would have knocked a bit more off the offer.

"I should also have checked the gas by turning on the heating. You don't like to ask but it's important, as my property had a leaking pipe that I didn't discover until I'd got the keys."

Refurbishment to please

After what he describes as a "high quality" renovation, Scott splashed out on artificial grass for the lawn and dressed the home "boutique" style to entice the right kind of tenant. "A lot of people are jumping on the HMO bandwagon so you want your property to stand out. Artificial grass might cost three or four times as much as turf, but it's zero maintenance so I think it's worth it for a HMO. When people are flicking through the options, I would like to think my property would be the one they'd choose," he says.

At the beginning of this year the property was ready and Scott took on another trusted contact, a letting agent who specialises in HMOs, to find and manage his tenants (for a fee of 8%). Within seven days the house had attracted professionals as planned, including a doctor and a graphic designer. "He's done a great job and I'm really happy. I'm not a letting professional so I think agents like him are worth their weight in gold. If a tenant calls with a problem, I can't just leave a customer's house to sort it. This way I'm not getting stressed. And the tenants are decent and seem happy to be there, which is the main thing."

So, what next? Scott certainly plans to build on his achievements but is prepared to wait 18 months, to avoid the penalty if he were to re-mortgage sooner. "I'll work, save, re-mortgage and buy another HMO so I can repeat the process. I have done a good job and will do it the same way in roughly the same location. Eventually I want to transition to full time property. Then it'll be a trip to South America or India."

RUNNING THE NUMBERS

Purchase price: **£185,000**

Stamp duty: **£6,750**

Legal fees: **£1,400**

Monthly rent (four rooms): **£1,870**

Development costs: **£22,000**

Revaluation: **£240,000**

Monthly profit: **£986**

Gross yield: **12.13%**

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

CASE STUDY

Before

After

Before

After

Before

After

The capital or revenue conundrum

In a muddle about what counts as a capital expense or a revenue cost? Alison Ward of Property Hub Tax clears up some of the most common areas of confusion

The rules for what qualifies an expense as capital or revenue are complex and constantly being tweaked and updated. Working out what you can claim can be confusing and, at times, maddeningly frustrating – especially when it leaves you out of pocket. Too many property investors are paying more tax than they need to, simply because they don't realise all the different deductions they're allowed to make.

Put simply, capital expenditures relate to the acquisition or the improvement of your property. Revenue expenditures on the other hand relate to the day-to-day running of your property, such as bills, letting agent fees, insurance policies, repairs and maintenance. Understanding how HMRC differentiates between the two will help you maximise the amount you can claim against you rental income.

Renovations after buying a property

The money you spend on making repairs to a property are usually deductible as revenue costs. But, if the expenditure is being incurred shortly after purchasing the property, and it's in no fit state to be rented out until the repairs have been carried out, or the price you paid was substantially reduced because it was in a dilapidated state, it could be classed as capital.

HMRC's view is that the cost of buying a property in good condition is clearly a capital expense, so the cost of putting a dilapidated property back in good order is also a capital expense. Only repairs that are part of the routine normal maintenance cycle are allowable revenue expenses.

Often, capital and revenue repairs may be carried out at the same time. Say your property needs damp proofing for instance. This is preventing you from renting it out, but it also needs the exterior painting. Even if you are paying the same contractor to do all of the works, you can still claim the amount spent in relation to the painting as a revenue expense. Get your contractor to show a split in their bill, but make sure it is done in a reasonable and sensible manner as the figures can be open to review by HMRC.

TAX

> “Too many property investors are paying more tax than they need to, simply because they don’t realise all the different deductions they’re allowed to make”

Putting in a new kitchen or bathroom

Confusion can arise over whether the cost of replacing an entire kitchen or bathroom counts as capital or revenue. Replacing the whole or entirety of an asset is a capital expense, whereas if you’re just replacing part of the entirety it’s a revenue repair. Rather helpfully, HMRC’s view is that the ‘entirety’ is the rental property. So, replacing the kitchen or bathroom is just replacing part of that entirety.

You need to be prudent about what you do put back into the property – it needs to be considered ‘like for like’ or just an upgrade to the modern equivalent to be classed as a revenue expense. If you improve the kitchen or bathroom in any way – for instance by installing new integrated equipment to replace free-standing ones, or increasing available storage space – then the cost of the improvements will, unfortunately, fall to be a capital expense.

In most cases, it should be possible to still claim the revenue expenditure on the kitchen/bathroom, and exclude the amount spent on the improvements. To do so you’ll need detailed invoices from your contractor so the capital expense can be readily identified and excluded from your expense claim. If either room is replaced with expensive customised items using much higher quality materials, this will more than likely result in the whole amount spent on the project being considered a capital expense.

Consider carefully what you are going to spend and how much you intend to upgrade the kitchen or bathrooms. If you do it following the rules outlined here, you can ensure all of the money spent can be deducted against income. But if your plans are grander, keeping detailed invoices and records is the key to making sure you can claim the maximum amount of the revenue expenses as possible.

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

Legal and professional fees

Fees that are incurred year in, year out, like debt collection expenses, agent’s fees and accountancy fees can be claimed as a deduction from your rental income. On the flip side, one-off charges like solicitor fees, estate agents fees, stamp duty, survey fees, valuation fees and costs in relation to a successful planning application can only be deducted when a property is sold.

Any costs relating to obtaining finance such as mortgage broker fees, additional surveys or valuation fees and land registry fees may be claimed against the rental income. These need to be claimed in the same way as the interest on the finance, so if the loan or mortgage is in an individual’s name, the costs may be subject to a restriction of tax relief at 20%. If the loan is held in a company’s name, then the costs will be allowed as a full deduction against the rental income.

With most property purchases, it’s reasonable to claim a portion of the legal fees that relate to dealing with the lender. These fees are not often separated out on the final solicitor’s invoice so can easily be missed. Make sure you ask your solicitor to identify these costs so you can claim tax relief on them along with your mortgage interest costs. Fees incurred when you remortgage should also be treated as the costs of obtaining loan finance and tax relief claimed at 20%.

If you’re part way through a purchase and it falls through, HMRC takes the view any costs incurred are neither allowable as a revenue or a capital deduction. There is an argument though, that any expenditure incurred before making a decision to purchase or sell a property are just part of running a property business for which you’re always on the look-out for suitable investments. Again, retaining documentary evidence – in this case showing that, at the point it was decided to have a survey done on a property, the decision to buy it had not yet been taken – will stand you in good stead.

Professional costs incurred on an unsuccessful application for planning permission are also not allowable as a revenue or a capital expense. But, if the application is pursued and later successful, it may be possible to show the costs from the first decision led to the second successful application, meaning both can then be claimed as capital expenditure, as outlined above.

Arming yourself with the knowledge about these key areas will help you make more informed decisions when acquiring, improving, running and maintaining your property, saving you hundreds – if not thousands – of pounds every year. If you’re keen to extend your knowledge even further, take the Property Tax for Beginners course at propertyhub.net/course/property-tax-for-beginners. It’s free and might help to save you even more money!

Five questions to ask your mortgage adviser

Before you put your trust in a mortgage adviser you need to be confident they have the skills, expertise and resources needed to get you the best deal says Property Hub's resident mortgage expert Dave Cookson

A good mortgage adviser can make all the difference when it comes to securing the best finance deal for your property. They have access to key information about lenders' criteria, and can quickly trawl through hundreds of products on your behalf to find you the best offer for your specific circumstances and budget. Find a good one and you'll want to hold on to them for life.

The difference between a mediocre mortgage deal and a good one can be huge in terms of overall cost. To put it into perspective, the difference between paying an interest rate of 2% and 5% on a £100,000 mortgage over a 20 year term is £1,848 a year. Add this up over the course of 20 years and the difference is an eye-watering £22,176, emphasising the dramatic savings a good mortgage adviser can help you make.

To make sure you choose the right adviser, ask these five fundamental questions before putting them to task.

1 Are you qualified?

A good place to start is with a quick check to make sure the adviser you have in mind is up to the job. All mortgage advisers operating in the UK must either be regulated by the Financial Conduct Authority (FCA) or be the agent of a regulated firm. You can check whether a broker is regulated by using the FCA register. You might also want to ask how long they've been in the market so you can judge how much experience they have. At Property Hub Mortgages by Charles Louis our junior brokers have to train for three years, whereas a senior broker needs to have 15 years experience. Securing finance on an investment property is very different to getting a mortgage on a residential property, so it helps if your adviser has specific knowledge in that market, they may even invest in property themselves.

2 Can you source mortgages from the whole of the market?

Not all mortgage advisers have access to the whole of the market, so it's important to distinguish what type of broker you're dealing with from the offset. They fall into three categories: Direct, Appointed Representatives and Directly Authorised.

Direct advisers work in-house for banks and building societies and are only able to offer their own range of products, thus seriously limiting your options. Appointed Representatives, on the other hand, work for a panel of lenders. Some collaborate with large networks of lenders, while others only search deals from a handful of banks and building societies, meaning the deals they offer can be restricted. Don't be afraid to ask your adviser how many lenders make up their panel,

FINANCE

they are obliged to tell you. Directly Authorised (DA) mortgage advisers are truly independent and are able to scour the whole of the market to find you the best deals without any limitations. They have more freedom in effect, as they get their commission directly from the FCA. DAs can even offer direct deals if they wish to, but they're not able to apply on your behalf, so you won't get the service an application needs to get a speedy conclusion.

3 Do you charge a fee?

There are two ways in which your adviser will make an income from legwork they need to do to secure you a mortgage. They'll either charge you a fee directly, or take a commission from the lender based on your loan size known as a procuration fee, which is roughly 0.35% of the transaction (£350 per £100,000). It's best to ask upfront if you'll be charged, how much, and when you'll need to make payment.

Faced with the choice of paying for advice that they can get 'for free', most people would opt to save the cash, but a few hundred pounds is a small price to pay to ensure you are getting the very best service – it could also save you money in the long-run.

Fees can be charged at any point and calculated at a flat rate or as a percentage of the loan value (anything from 0.4-1%). Be wary of brokers that ask for full or large payment before application, you could end up out of pocket if your purchase falls through.

4 What level of service do you provide?

Get to know your mortgage adviser and make sure they can source suitable products to meet your needs. If the lender you're thinking of doesn't lend on Houses in Multiple Occupation (HMO) for instance, you broker should be able to recommend a different lender that does. You need to feel confident they are looking out for your needs, not their own. They should be able to advise you on which deals you're more likely to be accepted for, so you can apply more confidently. Likewise, they should know which lenders will process your application quickly, not just those that offer the most competitive rates. It's a good idea to ask how often you will be in contact and whether they will take up the chasing on your behalf to follow an offer through to completion.

5 What other products do you offer?

Chances are your adviser will be able to offer a variety of insurance products to accompany your mortgage. But again you need to know whether they're tied to one particular insurance provider, work from a panel, or have access to the whole of the market – don't just assume the cover they offer will provide you with the most value for money. It's always worth doing your own research to ensure you're getting the best deal.

You may find you need to talk to several brokers before you find your right fit, but once you do they should take the stress out of securing finance, leaving you to get on with the important stuff.

> "Faced with the choice of paying for advice that they can get 'for free', most people would opt to save the cash, but a few hundred pounds is a small price to pay to ensure you are getting the very best service – it could also save you money in the long-run"

To find out more about Property Hub Mortgages by Charles Louis Mortgage Advisers and how we can help you secure the finance you need to begin or expand your portfolio visit propertyhub.net/service/mortgages.

Charles Louis Mortgage Advisers is authorised and regulated by the Financial Conduct Authority which oversees all financial business in the UK. FCA registration number 759660.

Home nations, home variations

The UK has several distinct legal systems, all with unique rules about property transactions. Neil Cumins explains how to avoid being caught out when purchasing a house far from home

It's easy to forget the United Kingdom has effectively become a federation over the past twenty years. The creation of three regional parliaments and assemblies has lessened England's historic influence over its Celtic neighbours, and that's especially true for property matters. Housing is devolved to the Welsh and Scottish Governments, while Northern Ireland's property laws haven't been affected by the power vacuum at Stormont. Devolution has enabled housing policy to be adjusted according to regional variations, creating an inconsistent collection of policies nationally.

If your property investment ambitions don't stretch beyond your home town, that's not a problem. But with property apps only a couple of taps away, it's easy to be tempted by bargains in far-flung corners of the UK. If you're considering buying or letting out property in an unfamiliar region, these are some of the key things you should know...

ENGLAND AND WALES

Laws are generally shared across England and Wales, yet housing is devolved to the Welsh Government. This has created some curious anomalies between the two countries. A new Land Transaction Tax was introduced across Wales in April 2018, with separate tax rates and bands for residential and non-residential properties. Similarly, elements of a 2007 Housing Order have since been revoked in England, but not in Wales. Consequently, Welsh landlords may have to pay interest when returning deposits to tenants, even though their English counterparts don't.

In general, property laws in England and Wales are very similar. Properties are sold as either freehold (owning both the property and the land it stands on) or leasehold (owning the former but not the latter). Properties with less than 80 years left on their lease tend to be more affordable, but you may encounter difficulties obtaining a mortgage. Every potential buyer has to undertake their own survey, at three different levels of complexity: Level one provides a basic overview of a property – best suited to new-builds. Level two is the default option, covering surface issues and a market valuation, while Level three is the most in-depth, designed for older homes or those in poor condition.

SCOTLAND

Scotland's legal system has always been influenced by continental Europe more than by England, and the property market is very different north of the border. Every dwelling in Scotland is freehold, so there's no leasehold to worry about. Properties are generally advertised at 'offers over' a price slightly below their market value, and sealed-bid closing dates are common in popular suburbs. Because solicitors are able to sell properties in Scotland, they can act as a single point of contact for prospective purchasers, from marketing to conveyancing.

Other legal quirks include home report surveys being the responsibility of sellers rather than buyers. However, mortgage companies won't always accept the seller's choice of surveyor, so check the home report was conducted by a firm on your preferred lender's shortlist. Interestingly, missives tend to be signed well in advance of a buyer collecting the keys. This makes the transaction binding at a relatively early stage compared to elsewhere in the UK, removing any wriggle room if a chain collapses or either party encounters financial problems.

NORTHERN IRELAND

There are plenty of bargains to be had in Northern Ireland, where average house prices are still around 40% lower than in 2008. That's tempting for British buyers, since the legal system shares much in common with England and Wales. Stamp duty rates are identical, while Energy Performance Certificates (EPCs), gas safety checks and buying a property at auction involve the same rules and obligations. Terminology may be different – 'folio' and 'map' instead of 'registered title' and 'title plan' – but the legal principles tend to be comparable.

Notable differences include co-ownership schemes instead of Help to Buy equity loans, where buyers gradually increase their share of a property in 5% increments. The current co-ownership ceiling price of £175,000 is good news for anyone hoping to sell a flip or refurb, with average NI house prices still below £135,000. It's also worth noting Northern Ireland has a unique hybrid land ownership model called 'Fee Farm Grant'. This is basically freehold with a few long lease restrictions, for properties constructed prior to 1997. Any NI-based solicitor will be able to explain its finer points.

> "Because transaction laws vary so much in each of the four home nations, we'd always recommend asking advice from local experts. This might mean phoning a friendly estate or letting agent, or looking for a dual-qualified solicitor who knows about the laws ... in two regions"

How to research property transactions around the country

Because transaction laws vary so much in each of the four home nations, we'd always recommend asking advice from local experts. This might mean phoning a friendly estate or letting agent, or looking for a dual-qualified solicitor who knows about the laws (and the differences) in two regions. For instance, a number of solicitors in Scotland will be versed in both English and Scots law.

Property Hub Meetups are goldmines of information if you're considering dipping a toe into unfamiliar markets. Our members are always happy to offer advice and expertise, so look for forthcoming Meetups on our website at propertyhub.net/events. While you're on the internet, searching for "buying property in [your chosen UK region]" ought to uncover guides and articles written by local estate agents or market commentators. The Scottish Government has published detailed PDFs about buying and selling a home north of the border, and the Welsh Government has an (admittedly incomplete) advice and guidance section on its official website.

Finally, it's worth checking your preferred mortgage lender covers the whole UK. Some banks and building societies with heavy exposure to the pre-2008 Northern Ireland property market have effectively stopped lending there. Similarly, don't assume your favourite property portal has much of a presence in the region you're looking at. Rightmove is the dominant online estate agent in Scotland, yet it lists very few homes in Northern Ireland. You're better to identify a particular city or region, and then search for "properties in" to find well-stocked property portals.

The first rung on the ladder

Tom Matthews has taken advantage of low property prices in the North East to get on the property ladder at a young age. He tells Emma Lunn how it is just the start of his ambitious property plans

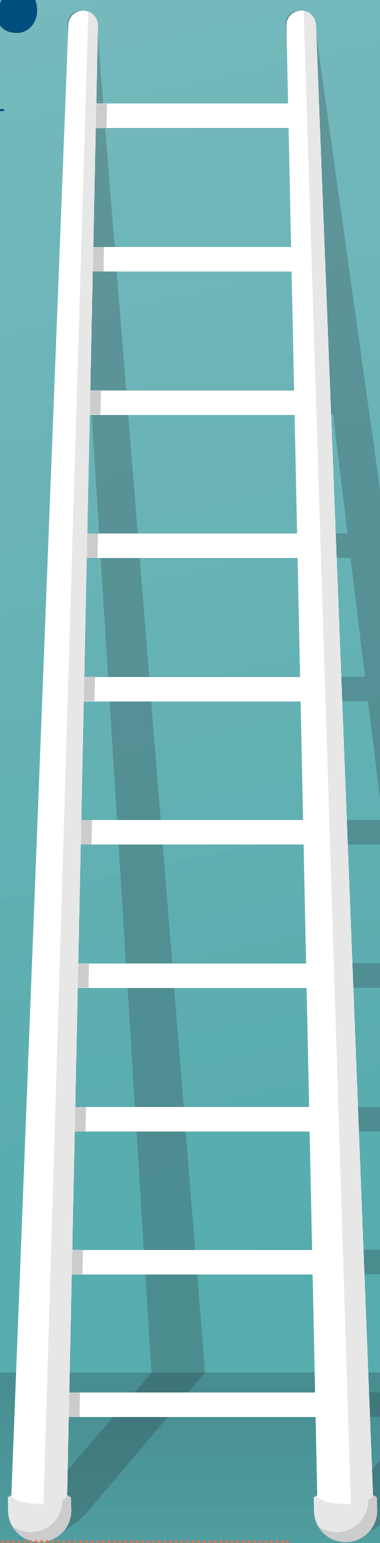
By day, Tom Matthews is a sales negotiator for a national home-builder. But before and after work, and on his days off, he's busy working on his own property development projects.

The 24-year-old bought his first property last year, with his parents helping him fund the deposit. He has ambitious plans for the two-bedroom bungalow in Hartlepool, County Durham to be the first of many purchases: "I've wanted to be a property developer since I was young," he explains. "I was living with my parents and wanted to buy not just a property I could move into, but one I could also add value to."

The benefit of local knowledge

Tom learned about investing in property from listening to The Property Podcast and built up his local knowledge with the help of his father, a retired builder. "Hartlepool is a quaint seaside town and you can get properties for about £60,000. But if you buy properties on the wrong streets they will never make much money – so having that local knowledge was key," he says.

"I bought a mid-terrace two-bed bungalow in an area people just don't move out of. Properties in the area are generally about £80,000 to £120,000 for some of the bigger ones. But I bought



Before

After

Before

After

After

Before

After


Before


After

mine for just £48,000. I was lucky – there aren't many bungalows around anymore. The previous owner had passed away and handed down the property, so I managed to get it at a very good price."

The modern method of auction

Tom's bungalow was up for sale via the modern method of auction with I AM Sold. The guide price, which gives an idea of how much the property is worth, was £50,000.

The modern method of auction differs from a traditional auction in several ways. Firstly, it's carried out online, not in an auction house, and is conditional rather than unconditional. Secondly, the buyer has to pay a reservation fee or buyer's premium in addition to the property price and separate from the deposit. Thirdly, the timescales of modern auctions give buyers time to secure traditional mortgage finance. Purchasers normally have 28 days to exchange contracts and a further 28 days to complete the purchase.

With this kind of auction, buyers bid online rather than in person, but Tom circumvented the bidding process by contacting the estate agent marketing the property and putting in an offer straight away. "The guide price was £50,000 which seemed like a fair price. The property got reserved about an hour after they put it up for auction – they got an offer for £62,000, but it fell through later on," he says.

"I knew the agent and he suggested I go and have a look at the property on the Saturday. So I did and actually met the couple it had got passed down to. Ultimately there was just a very good level of rapport there. I was a young lad coming through and explained what I wanted to do. They could have waited it out – it was worth a lot more – but said if I came to make an offer on Monday they'd accept it."

Tom made an offer of £48,000 which was accepted. He also had to pay a buyer's premium of £6,200. This fee is normally non-refundable but Tom had it written into the reservation agreement that it was subject to mortgage approval. "I had to get a mortgage which is not common on auctions, even modern day auctions," he says. "I put down 10%, which was £4,800, and took a 90% loan-to-value mortgage for £43,200. I got a deal which fixed the mortgage rate at 2.29% for two years. My payments are just £149.62 a month – that's the cost of a night out in some places. As a first-time buyer, I didn't have any stamp duty to pay. The legal costs were £700, I think that's one area I could have maybe saved some money. I didn't get a survey – I looked over the property with my dad and was confident about what I was buying."

RUNNING THE NUMBERS

Purchase price: **£48,000**

Deposit: **£4,800**

Mortgage: **£43,200**

Mortgage rate: **A two-year fix at 2.29%. Payments are £149.62 a month**

Legal fees: **£700**

Development costs: **£9,500**

Current value: **£89,995**

Profit: **£25,595**

Potential rent: **£500 to £600 pcm**

Time to get the trades in

Once the deal was done and the keys collected, the fun really began. Tom had a big refurbishment project to complete. He did a lot of the labouring himself, completely stripping out the property, taking down old ceiling boards, and removing the kitchen and bathroom. Bit by bit, working before he started work in the morning and on his two days off each week, Tom got the property ready for professional tradespeople to come in and do their respective work.

The tradespeople he hired included kitchen and bathroom fitters, a plasterer to board and re-plaster the walls, and an electrician to fully rewire the entire bungalow. The total bill for the works came to £9,500 – more than Tom budgeted for, but worth every penny: "My dad didn't get too involved, but he was always on hand to offer advice where necessary. One of the things he taught me was the value of tradespeople and what they can bring to a project. So rather than me taking on things I thought I could do, I got professionals in – you might pay a bit more, but you get a better finish."

Getting the timing right

One of Tom's biggest challenges was allocating enough time to manage the refurbishment. He admits there were instances when he didn't allocate his time wisely and felt the pressure of juggling the project with his full-time job. "I had the mindset 'it will all be fine', but little things need to be factored in and that comes with experience. You might think something will be done in a day, but it actually takes a week," he says. "There was a certain level of the unknown. My advice is don't expect everything to be 100% hunky dory."

Firm foundations

Tom has already secured a second property; a four-bed bedroom terraced house. It's one he'd had his eye on for a while, having seen it on sale back in 2013 with an asking price of £125,000. By this year the asking price had dropped to £102,000 – but Tom had an offer of just £80,000 accepted from the motivated seller who'd fallen into mortgage arrears. Tom plans to renovate it, then refinance it with a view to getting a tenant to move in.

To fund his second project, Tom refinanced the bungalow, which had seen a value uplift of around £37,000 following the renovation. He wanted to remortgage to about 85% of the property's value and estimated the value to be about £75,000. But the valuation report came back with some good news – the property was worth more at about £85,000.

Keen not to overstretch himself he decided to borrow 85% of the bungalow's value based on a conservative £82,000 valuation. This resulted in borrowing £69,700 from his existing lender and at the same rate of 2.29% as previously. Of this, £43,200 went to paying off the original mortgage, with £26,500 released as cash for the refurbishment of the new property.

The bungalow now has about £12,300 of equity, equating to 15% of the property's value.

Despite his young age, Tom's got ambitious plans for the future – this is just the beginning. Once he's refurbished the four-bedroom property, he plans to refinance it and release cash to put down as a deposit on a third property – and so on. "I want to focus on flips and development, but need to build up my capital first," he explains. "I want to get a couple of buy-to-lets. That's achievable in the North East region given local prices, and they offer some very good rental income."

THREE LESSONS I'VE LEARNT SO FAR

- Just go for it. The best way to learn about property investment is to actually be doing it.
- Plan ahead. Plan how long things will take rather than leaving the project as an open book.
- Accept things will go wrong. You need to get over the obstacles and see the end goal which is to create a beautiful home – and that's not going to come easy, is it?

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

CASE STUDY

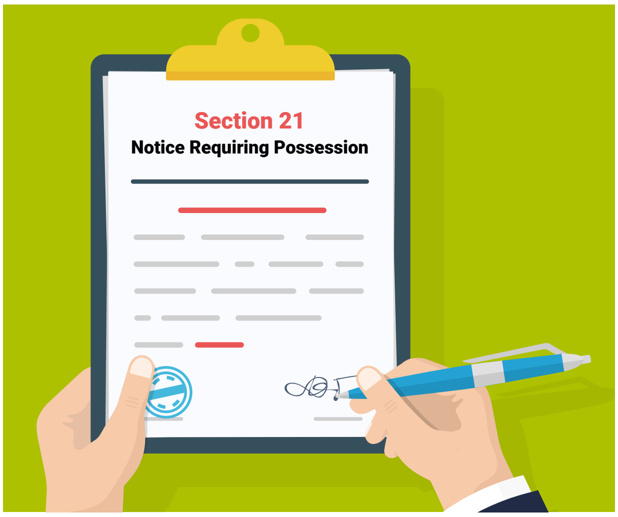
Property **Geek**

with Rob Dix

Let's look to the positives

Ever the optimist, Property Hub co-founder Rob Dix sticks his neck on the line and explains why he thinks the removal of Section 21 isn't necessarily all bad news for landlords

Prepare to hear an unpopular opinion: I'm not convinced the removal of the Section 21 procedure (currently just proposed, but politically inevitable) is *that* bad for landlords. Don't start writing your angry email just yet: I've got some caveats to throw in near the end. If you're not sure what you should be angry about yet, turn to page 26 for a thorough explanation of what Section 21 is and what's being proposed.



Unnecessary uncertainty

In the aftermath of the surprising announcement that Section 21 might be going away, most landlord reaction focused (quite rightly) on the difficulty of removing troublesome tenants. The less obvious implication, though, is the whole idea of a '12 month fixed term tenancy' will go away with it.

Why? Because at the moment, what's currently referred to as a '12 month tenancy' is a bit misleading. It actually means a *minimum* of 12 months because the tenancy just rolls on month to month if nobody takes a specific action to end it. The 12 months (or whatever other period) is the *first* point at which either side can end it, not the end date.

Once you need to wait for a specific reason before you can remove a tenant, the whole concept of a fixed term becomes irrelevant. If no valid reason crops up for years on end, and the tenant wants to stay, the tenancy continues. This, I think, is good news for both sides.

Although the consequences of a *bad* tenant can be very serious, most tenancies proceed perfectly happily and uneventfully. Until, as the 12 month mark approaches, unnecessary uncertainty is created for both sides. The tenant might interpret the agreement as ending and not know if it'll be renewed, so start thinking about other options when they otherwise wouldn't have done. This is bad for the landlord, who'll have to deal with all the costs of finding another tenant. Now tenants can no longer be charged fees, this will become even more of an issue because the tenant's cost of moving will potentially fall dramatically.

OPINION

On the other side, the landlord might use the end of the fixed term as a prompt to increase the rent when they otherwise wouldn't have thought to do so. In doing this, they're often encouraged by their letting agent – who often has a vested interest in getting the landlord to pursue a new contract rather than letting the existing one roll on.

Here comes the however...

Of course, this is all based on the optimistic assumption the government does what it has promised to do: allow landlords to regain possession if they want to sell or move back in, and speed up the entire process of gaining possession whatever the reason.

I'm sure they *will* modify the eviction procedure to allow landlords to take possession so they can sell or move in. This has already happened in Scotland, and if it weren't implemented there'd be enough of a rush for the exits to provoke a serious property crash.

The part I'm less sure about is reform of the court system. The amount of time it takes to remove a non-paying tenant is already far too long – and without reform it will get worse, because all kinds of disputes that would have been resolved quietly with Section 21 will now need a hearing.

If landlords had faith they could recover possession in a couple of months if they needed to, I don't think they'd really feel the need for Section 21 anyway. Unfortunately though, improving the courts is the difficult and expensive bit that doesn't win many votes – so I wouldn't be surprised if they only take action later, once the consequences of not doing so are piling up.

Sense of security

Ultimately, the pity with all of this is I don't think it'll solve the majority of gripes tenants' pressure groups have – most of which are about lacking a sense of security because they can be asked to leave with only two months' notice.

While there are undoubtedly some genuine "revenge evictions" and greedy landlords wanting to jack up the rent beyond what the current tenants can afford, in the overwhelming majority of cases landlords will only remove reliably paying tenants if they want to sell the property or move back in themselves.

Both these situations will (almost certainly) still be allowed – and when they happen, two months genuinely isn't much time to find somewhere else to live and move your entire life. If anything, increasing the notice period would probably be a more helpful change for the majority of tenants.

Then there's the major unintended consequence: if landlords don't have faith in their ability to get the property back quickly, they'll be disinclined to take a risk on anyone who doesn't have a perfect credit history.

"While there are undoubtedly some genuine "revenge evictions" and greedy landlords wanting to jack up the rent beyond what the current tenants can afford, in the overwhelming majority of cases landlords will only remove reliably paying tenants if they want to sell the property or move back in themselves"

The types of tenants who struggle the most to find rented accommodation will find it even harder, and could be forced to resort to dealing with landlords at the criminal end of the spectrum – who ignore all the rules, and have their own ways of making tenants move out...

The bottom line

In the end, I think the government could seize the removal of Section 21 as a great opportunity: a catalyst to solve the logjam in the courts, boost the confidence of buy-to-let landlords, and give tenants more security all in one fell swoop.

The risk is they don't: they stop at the politically rewarding bit of making a dramatic gesture that appeals to tenants, and fail to do the less glamorous hard work that's necessary to make a success of it. If it *doesn't* go well, I think the tenants who already have the fewest choices are at the most risk: landlords will just continue, albeit being far more choosy about who they take on.

Either way, as investors let's take the positive from this situation: losing the notion of a fixed term should increase the length of successful tenancies, which reduces costs and is great for our bottom line. After all: the biggest corporate landlords track customer retention as one of their most important KPIs. Shouldn't we be doing that too?

How to...

Plan a refurb

Refurbishing a property can be a huge challenge if the project isn't managed effectively. Neil Cumins explains how to turn decrepit into des res without turning grey

The phrase 'the magic of television' could have been invented for home improvement shows. Our TV schedules are bursting with programmes celebrating the rebirth of tired and dilapidated dwellings. After some mournful slow-pan shots and concerned to-camera monologues from the presenter, jaunty music accompanies old-to-new transitions as the property is reborn. A nation of armchair experts sigh, and loads up the Rightmove app.

Of course, these slickly-edited montages fail to acknowledge the back-breaking tedium (and occasional panic) in the intervening stages. Acquiring and refurbishing a property is one of the hardest challenges any property professional will ever undertake. Yet because each project poses unique challenges and involves a different level of work, you can't apply the same principles to every home described as 'in need of modernisation'.

Happily, some aspects remain the same when taking on a restoration or refurb. Advanced planning, meticulous organisation and a tight grip on the purse strings should keep your project on time and on budget. This is our guide to successfully planning a renovation project, whether you're saving a derelict bungalow or sprucing up a dated bedsit.

Fail to prepare, prepare to fail

Property auctions are packed with below market value listings, and estate agents regularly bring on executries and doer-uppers. However, many refurb projects are doomed to fail at the window-shopping stage. The prospect of bagging a bargain often tempts developers to pay more than a dwelling's likely post-refurb value would justify. Study the small print in property surveys, and be honest about which tasks you'd have to outsource to professionals.

Before opening your cheque book, it's crucial to understand the local market. Trawl property websites for recent selling prices, comparing floorplans and interior photographs with the house or flat you're considering. Set a maximum value for your offer, and don't be tempted to pay over the odds. If someone else wishes to incur an overall loss, good luck to them. You don't want to run out of cash mid-scheme, or have to cut corners to save money. If you can save a few quid by doing things yourself, this should be the plan from day one.

The time is right

Timescales matter in terms of maximising profitability – and minimising stress. Draw up a plan of action before picking up the keys, bearing in mind entry dates occasionally slip due to legal hiccups. Ensure you – or someone you trust – checks out the property in person before taking ownership; make a detailed list of every job needing to be undertaken, and guestimate how many days each stage will need. A few phone calls to reputable tradespeople should help with your timeline.

Dilapidated properties often have hidden horrors like rot or subsidence. This can throw timescales out, especially when specialists have to be brought in. Even if you feel confident rewiring and replastering, significant structural work such as adding a replacement lintel usually involves expert assistance. Tell contracted tradespeople straight away if newly-uncovered nasties will cause delays, so they can arrange other jobs in the meantime. They'll be more likely to remain co-operative once you're able to resume work.

A fair trade

Draw up a schedule of works, and meet local tradespeople to assess their skills and availability. Specialist traders often have hectic diaries, so keep the second-best candidates on file in case an understudy is needed. Remember there's a big difference between a quote and an estimate, with the latter offering far less budgetary reassurance. Avoid fly-by-night contractors with no registered address or industry memberships, but don't always assume low costs will result in low quality work – or vice versa. Ask fellow Property Hubbers for recommendations in your property's local area, or use platforms like Checkatrade.com.

Key personnel will include a plumber, electrician, kitchen/bathroom fitter and decorator. A man-with-a-van may be worth his weight in gold, too. If you have fists of ham and fingers of butter, consider employing a building firm who'll handle everything in-house. This tends to be more expensive than outsourcing individual jobs, so look for a fixed price contract. Deadlines might slip but prices won't rise, and there's only one point of contact to deal with.

Renovation game

How you choose to refurb your property is a matter of personal preference, but there are some universal principles worth keeping in mind. In north-facing rooms, think about installing additional lighting or sticking to a pale colour palette to improve brightness. Original features add value, so always look to retain and restore period detailing like cornicing – and call in restoration specialists if necessary. Try to avoid work requiring planning approval if possible, since councils aren't renowned for making quick decisions.

Average costs for key items: £400 per uPVC double-glazed window, £300 per uPVC external door, £75 per timber internal door, £3,000 for fully rewiring a three-bedroom house, £1,500 for supplying and fitting a new boiler, £750 for a boiler and central heating flush.

HOW TO

Kitchens and utility rooms

A talented team of fitters will transform a typical galley kitchen within a week. Good-quality kitchens can be facelifted with new cabinet doors, a lick of paint or replacement splashbacks and worktops. If old units and appliances are coming out, install modern electrical circuits before replacement units go in. Replacing a slide-in oven is the job of minutes, whereas plumbed goods take longer. Look for used appliances and second-hand cabinets online, to save money.

Minimum cost: £1,000 to combine existing cabinets and worktops with new appliances and tiling/décor.

Bathrooms and en-suites

As in kitchens, refitting a bathroom can involve anything from a three-figure to a five-figure budget. A basic sink or WC could be yours for less than £100, but it won't last long or look visually appealing in sales particulars. Save money on discontinued tiles or half-height wooden panelling; vinyl flooring is cheap, hardwearing and easy to fit.

Bathrooms tend to take several days to install given the complexities of plumbing and tiling, which isn't something to attempt unless you're (a) confident and (b) diligent. It's essential to be meticulous when sealing shower trays or fitting wall tiles, since even a tiny water leak will be disruptive and cost money to put right.

Minimum cost: £1,000 for a basic fitted suite, £250 for tiles, £40 per mixer tap.

Living and dining areas

Never attempt to self-install gas fires – this should be the sole preserve of a Corgi-registered engineer. The same is true of installing boilers or central heating systems, where obtaining safety certificates is essential. Some decorative jobs can be undertaken simultaneously, but others require a sequential approach. For example, Artex ceilings should be replastered before walls and skirting boards are repainted, with new carpets laid right at the end of the refurb.

One decorator could transform a normal-sized lounge in two days, with one more day being required for installing click-to-fit laminate flooring or carpet. Stain-resistant polypropylene twist carpets in neutral shades combine durability and value. Wipe-clean paint is expensive and may need several coats, but it'll shrug off wear and tear from messy tenants. Satin paint keeps window sills and skirting boards looking whiter than gloss for longer.

Minimum cost: £25 per square metre for fitted flooring with underlay, £60 for matt and satin paint, £200 for a painter.

Bedrooms and studies

Similar principles apply in bedrooms, such as sticking to neutral colours. As a rule of thumb, assume upgrading a bedroom will take half as long as a lounge. Bedrooms upgrades tend to be the easiest part of any refurb, barring non-essential tasks like silencing squeaky floorboards by dusting graphite powder between them. Small details like creaky floors may subconsciously suggest to future tenants and buyers that you've cut corners.

Minimum cost: £25 per square metre for fitted flooring and underlay, £40 for paint, £150 for a painter.

Outside space

Flats in communal grounds should already be factored, but houses usually need some external TLC. Kerb appeal starts at the pavement edge, so ensure front gardens or driveways are free of weeds and rubbish. Hanging baskets and decorative planters indicate a cared-for property, as do mowed lawns and clipped hedges. Paint wooden surfaces like external cladding, and replace rusting garage doors or rotting fence posts. Some people recommend doing outside jobs first, but we'd wait till the last builder's van has departed and the final council uplift has happened before jet-washing or landscaping.

Minimum cost: £200 for a week's skip hire; other costs dependent on space and condition.

Conclusion

While the costs listed above are purely indicative, they give you a rough idea of how much major work might set you back. It's important to note that builder fees vary hugely according to your geographic region, the level and calibre of work required, proposed timescales and even your negotiating skills.

Equally, cost is only one factor behind any successful refurb. A clear vision and effective project management will minimise the period before a property can be resold or let out. Although saving money by taking on work yourself is laudable, your time is also a valuable commodity which shouldn't be undervalued. Plus, if you've never mounted a kitchen cabinet or replaced a radiator before, it may be safer to outsource this to the professionals.

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Purchasing land through an option agreement

Property Hub CEO Rob Bence explains what an option agreement is and how having one can result in a win-win situation for developers and landowners

You may have heard people talking about option agreements when it comes to leasing properties, but the same principals can be applied to land too. All the major developers use option agreements to acquire strategic land. If you're considering taking on a development project, an option agreement offers a way of locking in a deal with a landowner, giving you first refusal to purchase a piece of land at a future date.

What is an option agreement?

An option agreement effectively lets you protect your option to purchase a piece of land for an agreed period of time, while you explore how viable it is to build on. A typical agreement lasts for three to five years and prevents the landowner from selling to a third party during this period. You pay them a fee based on the size of the plot and in return you have a time frame in which to exercise your discretion to purchase that land. In the city it's likely you'll only need a short-term agreement, but in the countryside – where planning can be more complex – option agreements can last for several years and can often be extended by five or ten years at a time.

What's in it for you?

The great thing about an option agreement from a developers' perspective is that it's virtually a no-money-down deal. Rather than pay a big figure upfront to purchase a piece of land and take the gamble of not getting planning permission, you pay a nominal fee, knowing if your planning application turns out to be unsuccessful, you're not obliged to make the purchase. Of course as the developer you'll still be responsible for fronting all the costs in bringing planning to fruition, but because you'll have taken it through the planning process you can be confident you'll be getting a site you're happy with.

What's in it for the landowner?

What's in it for the landowner? From a landowner's perspective it presents a stress-free scenario: it doesn't cost them a penny, they avoid the complexities of obtaining a planning permission themselves, they get a nice fee upfront and – if all goes to plan – their land is worth a significant amount more at the end of it all. Typical values for agricultural land range from £5,000 to £20,000 an acre dependant on the quality. But with planning permission land value is multiplied many times meaning they could be looking at six figures per acre, sometimes even seven. The landowner can also expect to receive additional fees each time an agreement is renewed.

When might you need an option agreement?

There's a number of reasons why you might want to consider an option agreement. You may be looking to purchase a property with a large plot of land that has the potential for development, you might be doing refurbs and be looking to step up your game, or you might specialise in small development projects but be struggling to find the right opportunities. Whatever your specific situation, you'll need to seek specialist advice from a solicitor who'll be able to draw up the agreement for you.

Rob Bence is the CEO of the Property Hub group. To find out more about Property Hub Invest, visit propertyhub.net/invest

Ask Rob & Rob

Our agony uncles Rob B and Rob D are here to help with your property problems. Send your questions to hello@propertyhub.net and we'll answer the best queries in every issue

Josh asks:

I share ownership of a two-bedroom flat in Barking with my brother. We paid £250,000 (£208,000 borrowed) for it in 2017. I'm 28 years-old and in the military so I'm away a lot. My brother is 26 and now living with his partner, so neither of us require the flat to live in. We're interested in renting it out to cover the mortgage and possibly make a small profit. We both have long term goals to invest in property – my personal goal is to have a passive net rental income of £2,500PCM by the age of 45. What advice would you give on renting out a previously owner-occupied flat? Do we need to change the mortgage to an interest-only buy-to-let? Also, with the current tax changes, do you recommend setting up a limited company from the start?

The Robs reply:

There are a lot of things you need to do. The first thing would be to speak to a mortgage broker to find out about your options for converting from a residential mortgage to buy-to-let (BTL) one. In the short term you may be able to get your existing lender to grant a consent to let which will allow you to rent the property out for a short period of time, but longer term you'll need a specialist BTL mortgage.

Based on the amount you borrowed and the purchase price, your loan-to-value (LTV) is currently 83%. It's harder to find BTL mortgages at that kind of level, however, the property might have gone up in value since, which will have reduced your LTV, therefore giving you more options. A broker will be able to help you out with all of this.

The next thing to consider is tax. It would be worth getting some tax advice specifically for your situation too. Generally speaking, if you want to move a property you own into a company, you'll have to sell it to your company, which means paying stamp duty and capital gains tax (CGT). So you might find even if there are tax advantages to having a property in a company, they could be outweighed by the tax you'll need to pay upfront. The bigger point to consider is whether this is a property you want to hold in your portfolio – there is of course the option of selling. If you do decide to sell, as it has been your own residence, there wouldn't be any CGT to pay and you could reinvest the funds elsewhere. It might not necessarily be what you want to do, but it is an option.

This property is giving you a gross yield of about 6% which is good, but not outstanding, so a lot of the decision will come down to the capital growth you think it will benefit from. London in general is predicted to grow more slowly than almost anywhere else in the UK, but Barking is probably one of the areas that has most potential for growth. There's a lot to unpick, but you have a clear goal, which will really help you decide what the best thing is to do with this property in order to get you to where you want to be.

Want to hear more from our agony uncles? You can listen to a new "Ask Rob & Rob" episode every Tuesday, on The Property Podcast: propertyhub.net/podcast

Top five tips for getting a deposit together

Property investment isn't something you can just get into with £5 from down the back of the sofa; the reality is you're going to have to save a significant amount of cash before you can get off the starting blocks. Here are our top five tips for getting the funds together without having to sell your gran

1 DO YOUR SUMS

First things first, you need to do some calculations to work out how much money you're going to need to save and how long it will take you to reach your goal. The average deposit required by lenders for first-time investors is 25% of the property's value, but you'll also need to consider putting aside an additional £2,000 for purchasing fees, and at least £1,000 as a contingency fund.

2 SAVE SMART

There are plenty of tips out there for making smart savings – and we're not talking about eating beans every night. One of our favourites is to take whatever regular amount you've committed to saving out of your current account first each month before any of your other expenses go out. It will force you to take your property investment goals seriously and avoid any shortfall at the end of the month.

3 MAKE A MOVE

Okay, so we said you didn't have to sell your gran, but moving in with her – or any other willing family member for that matter – will help you make a dramatic saving on your monthly outgoings. If you're lucky you may even get the odd hot meal thrown in. Alternatively, look to downsize your living accommodation, move to a less-expensive area or rent out a room.

4 BREAK BAD MONEY HABITS

Chances are you're probably overspending each month without even realising; plenty of us are paying for services we don't even use but just haven't got round to cancelling. Take the time to evaluate and track what you're spending and cull any unnecessary expenses. Small items of regular spending can add up, like that daily latte, so consider cheaper alternatives.

5 BOOST YOUR EARNINGS

If you want to reach your property investment goals faster than your income will allow you'll need to supplement it in other ways. There are lots of legitimate ways to earn extra cash, from selling off unwanted items to setting up your own business on the side. Fun options to consider include dog-sitting, becoming a TV extra, or posing as a life model (ahem).

To learn more about saving for your first deposit listen to TPP103 at propertyhub.net/education

TOP TIPS

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

PropertyHub
INVEST

Get clear on your goals… for free!

Investing in property can be the ticket to a secure financial future; whether that's giving up the day job, having a stress-free retirement or just to give you some extra income to play with.

Whatever you want to achieve, it won't happen without a goal and a realistic plan – and that's where Property Hub Invest can help.

Have you asked yourself what you're hoping to achieve by investing in property?

Do you know what type of property investor you want to be?

Do you know which path is the right one for you – whether that's buy-to-let, flips, HMO, or something entirely different?

It's free – and probably the best call you'll have all year!

A free goals call could be just what you need to help you:

- identify what you need to do
- establish how you should do it
- see whether your plans are actually realistic

To book your slot, head over to propertyhub.net/goals

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