PropertyHub

Magazine

Making sense of property investment

# SET YOURSELF UP FOR SUCCESS

How to smash your goals in 2020

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# CONTENTS

# Welcome

Rob Bence

Rob Dix

Happy New Year to you all!

If that January feeling of fresh starts has got you thinking about your property goals for the year ahead then you've come to the right place. This issue's cover story on page 17 is all about how to set goals and develop a fail-safe strategy for seeing them through.

Having goals is absolutely fundamental if you want to achieve your property ambitions – they've changed our lives for the better and they'll change yours too – every successful person we know has them. So stop dreaming and start doing by giving it a read.

Our case studies are a trio of real-life, goal-setting success stories. Paediatrician and part-time property investor Prithvi Rao tells us how his desire to spend more time with his family kick-started his property career. Wes and Nicki Boswell talk us through achieving their ambition to escape the rat race. And – last but not least – student investor Jacob Walker is on a mission to own 50 properties by the time he's 35.

If you've ever wondered why so many sports stars love investing in property then you'll want to check out our feature page 8. As we found out, there are some surprising similarities between being a professional sportsperson and a property investor.

Elsewhere in this issue we take a trip over to Leeds to see what makes the lively Yorkshire city such a property hotspot in our Location Focus, Rob B explains how to become a property sourcer, and we delve into everything you need to know about short-term letting – a strategy we've been asked a lot about.

Finally, if you struggle to figure out if a property stacks up financially or not, you can give yourself a crash course in gross yield, net yield and ROI with our handy 'How to' guide starting on page 44. Plus, we've got our regular mix of news and opinion, and tax and mortgage advice to keep you up to speed.

Here's to a successful 2020! Happy reading.

**Rob & Rob**

**Rob Bence** has over a decade's experience 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

### NO RECORD

Calls for a national register of landlords in England have been dismissed, for now at least. The Chartered Institute of Housing and the Chartered Institute of Environmental Health released a report last January calling for the creation of a national list of landlords to help local authorities to build a better picture of the private rented sector and drive out rogue landlords.

When questioned on its assessment of the report at the end of 2019, the government said it had not made a detailed review, but confirmed there are no plans to introduce a national landlord register, suggesting the current licensing rules allow local authorities to weed out the worst offenders.

If you read our feature on landlord licences in the November issue, you'll know this isn't strictly true. The problem is, licensing schemes in England are extremely complicated and only the good landlords bother getting one, meaning bad landlords often slip under the radar.

"Licensing does not work. Licensing has never worked and never will work," said David Cox, chief executive ARLA Propertymark in response. "What we need is education. Landlords need to be trained in what they need to do. Agents need to be trained in what they need to do. Filling in a piece of paper and giving it to the council and paying £500 is not going to teach them the 150 laws that they need to understand."

### POSTCODE LOTTERY

The fees associated with selling a property through a high street estate agent can vary by as much as 261% depending on your postcode, according to research by estate agent comparison service GetAgent.

GetAgent collected quotes from 40,000 estate agent branches covering more than 2,400 areas. It found the average fee quoted for selling a property in England and Wales is 1.53% of the sale price – but it can be as high as 3.07% in the most expensive areas.

The CT11 area of Ramsgate in Kent topped the list as the place with the most expensive agent fees (3.07%). This could mean handing over £7,425, based on the average property listing price of £241,849. It was closely followed by TS3 in Middlesbrough (3.04%) and NE17 in Chopwell, Newcastle Upon Tyne (3.03%).

In contrast, sellers in the NE67 postcode of Benthall in Northumberland typically get quoted a 0.85% fee, which equates to £2,771 for an average property worth £326,000 listed with branches in the area.

In the sought-after postcode of Kensington, where the average listing price is £2,547,690, the fee is 2.42%, resulting in a £61,654 return for the agent.

The GetAgent site has a handy search tool for finding the average quoted estate agent fees in your area.

Estate agency fees can vary widely


NEWS

The economic pull of Manchester continues to be a major factor in the strength of the North West property market

## GRAND DESIGNS

There's an app for pretty much everything these days, including one that lets you custom-design your own modular property from scratch, then have it fully constructed and ready to live in within 10 weeks.

The Build My Home app has been developed in-house by Harrogate-based modular house builder Built & Spaces, who say the software is an industry first.

It allows you to assemble a property room-by-room, adding different modules to meet your needs for kitchens, bedrooms, bathrooms and other living areas. As you create, it keeps an inventory of all the parts and the labour you'll require for the build, meaning costs can be calculated with the kind of precision that's unheard of in the trade.

"We are literally counting the nuts and bolts needed for the project and removing the guesswork to provide an accurate quote," said Steve Wilkie, director of Built & Spaces.

The firm's component-led design process takes about a week using the software, around eight weeks for the manufacturing and a week for construction onsite, including two days to lay foundations. It can also offer planning application support, drawings and technical information to help with the planning process.

The app is currently only available to use at Built & Spaces' Harrogate HQ, but it is working on a web-based version so customers will soon be able to design properties from the comfort of their own home.

## UNITED FORCE

Our friends at Savills have clearly been tuning into The Property Podcast. Their latest report backs up what we've been saying for a while about property prices, particularly in the North West.

Savills expects the average house price across Britain to rise from £231,000 in 2019 to £266,000 in 2024 – with northern regions out-performing those in the South.

According to its findings the North West will see the biggest surge, with average prices lifting by 24% from £169,000 in 2019 to £210,000 in 2024.

Charlie Kannreuther, head of residential at Savills in the North West and West Midlands, said: "The economic pull of Manchester continues to be a major factor in the strength of the North West property market, and we've seen a notable increase in interest from buyers outside the area, particularly from London and the South East.

"Wealth created through jobs in the city tends to migrate south to the outer suburbs and Cheshire villages such as Alderley Edge, Knutsford and Wilmslow.

"The popularity of west Cheshire villages such as Tarporley and Malpas also continues to rise, with increasing demand pushing up values."

Yorkshire and the Humber followed closely in the rankings with average prices expected to grow from £165,000 to £200,000.

Savills added: "Markets further from the capital, such as Leeds, Liverpool and Sheffield, were much slower to recover post-financial crisis and have a much greater capacity for house price growth relative to incomes, even as interest rates rise."

# INSIDE THE HUB

## A roundup of what Team Property Hub has been up to

### TOP SPOT

Who run the world? We do apparently, or more specifically Bobby Joe, Tom, Charlie, Christa, Rachel W and Martin. They all took part in the Wiggle Manchester Half Marathon back in October, raising funds for The Oasis Centre in Manchester. Little did they know they'd come first in the Corporate Clash (beating British Cycling) until their trophy popped up in the post. Here's Bobby Joe posing proudly with it.

### MEET... CHARLIE

This is Charlie, one of our portfolio managers. He's a proud Mancunian living in London and is passionate about all things property. He has a degree in architecture and has renovated four properties of his own and is now onto his fifth. Aside from property (and his family), his other passions are running, learning, traveling and ice cream. He's also a pretty nifty baker, winning our charity Bake Off competition with his Paul Hollywood handshake-worthy white chocolate raspberry swirl cheesecake. One day he hopes to run around the world listening to books eating ice cream. Until then he'll be keeping us all entertained with his random facts and making sure he wins every team competition going.

Fancy joining Charlie and the rest of the team here at Property Hub? We're always on the lookout for top talent. Check out propertyhub.net/jobs for our current vacancies.

### A NOVEL BUNCH

Our new Property Hub book club has got off to a good start. There were so many of us wanting to join we had to split into two groups. One has been reading The Four by Scott Galloway, while the other is reading *Tell No One* by Harlan Coben. Recommendations welcome.

### ON SCREEN

Rob & Rob have been busy recording a new YouTube video on property taxes. In it they explain the different kinds of taxes you'll come across in your buy-to-let journey, and how you can keep more of your money. It's one to bookmark and refer back to.

### TEAM TRAINING

We've been trying out meditation and swapping tips on mindfulness as part of our latest quarterly health and wellness challenge. Meanwhile, Meg and Tracey have been busy adding more recruits to their lunchtime gym sessions. If you follow us on Instagram you'll have seen this snap of us posing post-workout on our Insta stories, which inspired the gym to launch a selfie competition.


# Why athletes love investing in property

## (and how to follow their example)

It's not just Premier League footballers that have seen the benefits from building a property portfolio. John Fitzsimons looks at how sportspeople from a host of disciplines have profited from bricks and mortar


Peter Dumbreck


Christian Ribeiro

"Property investing is a bit like sport – the basic strategies done consistently, and for long periods, generally produce better results in the long run." That's according to javelin-thrower Goldie Sayers, who represented Great Britain at the 2008 Olympic Games in Beijing.

Property investing came early to Sayers. She bought her first property in 2005 in Loughborough after finishing university, so that she could continue training there. She had a spare room in the property, which she rented out to a fellow athlete, making use of the government's Rent a Room scheme which allows property owners to enjoy a tax-free return from renting out a room in their home.

When the time came to relocate to Cambridge for her training, Goldie remortgaged that first property in order to purchase one near her new base. She then repeated the process when relocating to North London. "I've been lucky that the Cambridge house has enjoyed a huge amount of capital growth, despite buying it in 2007 at the top of the market," she explains. In fact, the property has done so well Goldie was able to tap into the growth to start her own property business when she retired from athletics.

## The attraction of property

Property investing has proven particularly attractive – and lucrative – for a host of athletes in recent years, across the full gamut of sports. Perhaps the best known is Robbie Fowler, the former England footballer, whose property purchasing exploits reached such a level that while plying his trade for Manchester City the supporters would sing "We all live in a Robbie Fowler house" to the tune of Yellow Submarine.

But it's certainly not just Premier League millionaires who have seen the opportunity offered by property. Christian Ribeiro's journey into property investing started early, when he picked up his first property aged just 19 while he was on the books at Bristol City. "I wasn't very well versed in property at that age, I just thought that if I buy a nice big apartment in Bristol city centre, that's a nice pension plan. I knew Bristol was a lovely affluent city, and thought that from a long-term perspective, it's a nice house in a nice place. I didn't think any more than that," he says.

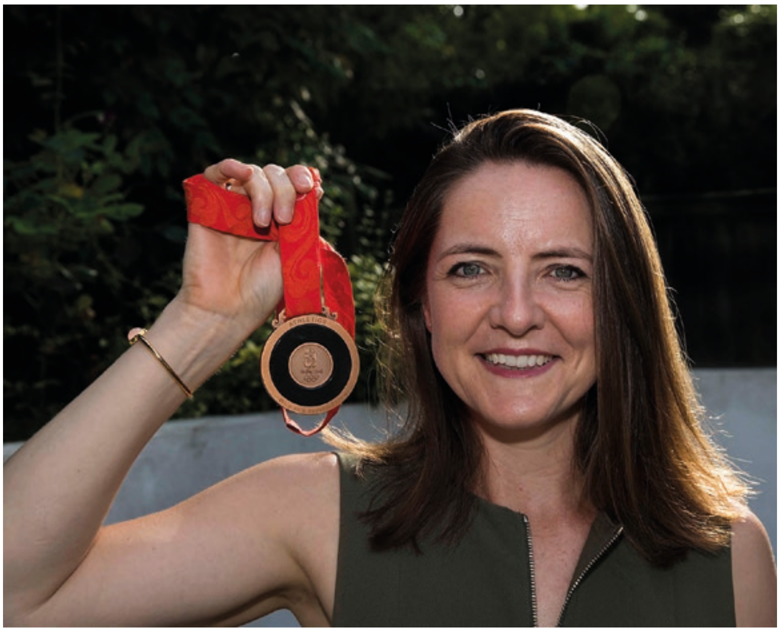
This continued, with Christian putting money from his early contracts into buying a second property, another apartment in Bristol. "I wasn't doing anything creative, I was putting down 25% as a deposit. I just knew the fundamentals – buy in a nice area and hold it long enough, and you'll likely be alright," he adds.

Christian now runs his own business helping other athletes invest in property, and while he says the approach is slightly more nuanced, those fundamentals have not changed: "Property is simple, but that doesn't mean it's easy. Lots of things can go wrong if you take your eye off the ball."

## Planning for life after sport

A career in sport is generally quite a short one, so athletes need to start thinking about what they are going to do – and how they are going to continue earning money – after they retire. A big positive with property investment is that they can make a start on building a portfolio while they are still active in their day job.

Peter Dumbreck, racing driver at Falken Tyres, started investing in 2011, with the mindset that his career as a racing driver could end


Goldie Sayers

at any point. "I was looking for something to do beyond racing that would take care of itself while I continued to drive. Then, as my driving starts to tail off, I can spend more time and attention on it. Luckily, my racing career is still going strong, but it's good to be prepared for the future," he explains.

Peter's route into investing in property came via his family, when his father-in-law wanted to relocate in order to be closer to Peter and his children in Oxfordshire. However, he was having trouble selling his property in Cheshire so Peter stepped in, bought it, and then rented it out. "It helped my father-in-law and I gained a great investment property from it. From there I started to look at other options, particularly in the Scottish market," he says.

He now has nine buy-to-let properties, most of which are in the Edinburgh area, and emphasises that he's in it for the long term: "The last purchase I made was actually my first holiday let, which is in the centre of Edinburgh. That property was chosen as it's somewhere I can use with my family. Kirkcaldy, Edinburgh is my home city so it's somewhere convenient to stay when we visit."

## Learning through mistakes

While Christian got off to a solid start with his portfolio, he admits his later experiences with Houses in Multiple Occupation (HMOs) put him off them as an investment altogether. He invested in a couple of properties in the East Midlands which he converted into mini HMOs. While at first they performed well, it wasn't long before issues started to crop up with tenants and void periods.

"I like to see that as my learning period. I started seeing the issues that come from not planning properly. That particular model was over saturated in that area – there had been a massive influx of the same type of property. And my ones didn't stand out as they were the same as everyone else's," he reflects.

He's since gone back and refurbished the properties again, turning them back into single lets which he argues have seen similar returns but "with less headache and hassle".

> "The main thing is to be very clear over your plan and strategy and not to deviate or get distracted by seemingly more exciting deals. I always work my numbers on worst case scenarios and stress test the portfolio against interest rate rises so I feel secure in every property I invest in"
>
> Goldie Sayers

For Goldie, an important lesson has been avoiding the temptation of complex deals too early on, admitting she's been distracted by the odd shiny penny. She's also clear that preparation is key, both in property and sport: "The main thing is to be very clear over your plan and strategy and not to deviate or get distracted by seemingly more exciting deals. I always work my numbers on worst case scenarios and stress test the portfolio against interest rate rises so I feel secure in every property I invest in."

## Hands on or hands off?

A big attraction to property for many sportspeople is the fact that you can choose just how hands on you want to be in the management of your portfolio. Peter says he's benefited from a fantastic agent in Edinburgh who has filled each of the properties with good tenants.

He recommends building a reliable team around you, whether you're from a sports background or not. "As you increase your investments then you really do need help and experts to help find the right tenants. There are always things that need fixing and regular renovations, but the agent helps keeps things in line," he says.

Christian agrees, noting that unless you want property to become your full time job, it's worth recruiting people who can manage the properties on your behalf. "Most people don't want to pick up the phone at 8pm to sort out a broken boiler," he remarks. Goldie emphasises that finding a great power team can help make all the difference, admitting that in the past she has had to sack the odd letting agent.

### No substitute for experience

There's an argument the mindset required to make it to the top in the world of sport is useful in property investing too. To become a professional athlete at any level requires not only significant discipline, but also the ability to deal with the challenges and hurdles that may arise along the way. As Christian puts it: "There are huge highs and lows in sport. You can get 20,000 people abusing you. I've dealt with that, so I can cope with a leaky pipe or whatever comes up with one of my properties."

And as in sport, the only way you'll succeed is through plenty of practice. Nothing beats the hands-on experience you'll get from learning on the job says Christian: "Over the long term, property can be pretty forgiving, you just need to have that long term mindset. Follow some good fundamentals, pick areas with a chance for growth, and make sure the cashflow works so that you can hold on to the asset for as long as possible. There are so many free resources to tap into. Pick up that property, get it rented out, and you'll get the bug."

# LOCATION FOCUS

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# Leading the way

Leeds Town Hall © Carl Milner Photography

**Leeds is one of northern England's most favourable property locations. Neil Cumins investigates why this Yorkshire city casts such a spell over residents and investors alike**

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We last took an in-depth look at Leeds' investment potential back in 2016, concluding at the time it had a bright future, hosting the UK's second-largest concentration of financial jobs, yet offering average property prices Londoners could only dream of.

Four years on, much has changed in this vibrant Yorkshire city. The market for city centre apartments is flourishing after a decade in the doldrums, and blue-chip employers like Amazon and Channel 4 have been attracted by a workforce where one in three working-age adults has a degree. New train stations have opened, while the iconic Ivy restaurant chain has come to town. And even though the term "northern powerhouse" isn't mentioned locally these days, it's still a selling point for expats and investors from the south east. So here in 2020, does Leeds still stack up as an investment opportunity?

## Serviced with a smile

Anyone disembarking from one of the 40 direct daily train services from London to Leeds would probably feel quite at home in this thriving northern metropolis. The Michelin-starred restaurants are full to capacity at weekends, while a compact but affluent retail core includes large John Lewis and Harvey Nichols stores. The central Leeds skyline is liberally peppered with cranes, as a new wave of apartment developments targets burgeoning demand from the serviced apartment sector.

The rapid growth of serviced apartments in Leeds has been noted by Property Hub accountant and client manager Jagrup Lewis, who has been investing here for 25 years. "Bigger companies are relocating here," she says, "and they think serviced accommodation is going to be significant, with people coming up for work and staying here Monday to Thursday." Indeed, corporate growth has rejuvenated a market which was experiencing oversupply back in 2016: "We had so many city centre apartments for sale and to let back then, but serviced accommodation means prices are going up for apartments in town, and there's a lot of new building going on. Serviced accommodation has become a big thing in just four years."

## Adapting and evolving

Serviced accommodation is increasingly supplanting the student properties which were in vogue a few years ago, but which are now falling from favour. Despite the presence of renowned universities in Leeds, a combination of Article 4 restrictions and newly built student accommodation is discouraging newer landlords in particular from offering properties to undergraduates. However, Jagrup believes existing student Houses in Multiple Occupation (HMOs) in the city's former student heartland could be made to suit professional workers instead: "They could easily be adapted in places like Headingley, because there's good transport links and a train station. The local restaurants and bars are really good – it's an area that has something for everybody."

The relocation of high-profile companies to the city is attracting swathes of professional workers from across the UK. If their budgets allow, these new arrivals often opt to stay in central Leeds or affluent northern suburbs like Meanwood. Families on limited budgets are increasingly drawn to the older terraced housing of Kirkstall, which has benefited from the 2016 opening of Kirkstall Forge train station and its eight-minute services into the city centre. Respectable working-class districts like Bramley and Armley are also performing well, while Middleton's proximity to three motorways (the M1, M62 and M621) makes it ideal for more long-distance commuters.

Leeds also has a positive track record of retaining graduates from its two main universities, who often look to rent Meanwood's modern apartments or Burley's box bay-windowed houses. Two-storey stone terraces beloved by young professionals and newlyweds can be found in other suburbs including Pudsey, Horsforth and Bramley. Meanwhile, future captains of industry can aspire to the gated villas of Alwoodley and Roundhay, where selling prices often nudge into seven figures.

## Supply in demand

Zoopla reported last autumn that average house prices in Leeds were climbing faster than in any other UK city, reaching an average of £168,300. However, recent Office for National Statistics (ONS) data has painted a more nuanced picture of market performance. The ONS reported prices in Killingbeck and Seacroft rose by £20,000 within a year, whereas Gipton and Harehills saw average selling prices fall by 10% – bringing them below the comparable figures from 2007.

This means it's vital that investors unfamiliar with the city do their research, or focus on areas where demand is already strong. Fortunately, there are plenty of those. "Properties are selling fairly quickly in areas like Pudsey, Horsforth, Farsley, Rodley and Kirkstall," says local property investor Andy Norman. "It's still possible to buy family homes for around £100,000 which require light to moderate refurbs, but prices in these areas have crept up by between 5%-10% in the last year, and properties don't stay on the market very long." Andy's recent acquisitions have included a four-bedroom terrace house in Bramley, purchased for £100,000 and refinanced for £135,000 after a full internal refit and refurbishment. Andy was delighted to receive "lots of very good potential tenant applications", achieving a higher-than-expected monthly rental income of £750.

Jagrup agrees there is strong tenant demand for well-presented properties at the more affordable end of


High-end shops in the new Victoria Gate © Giles Rocholl

the Leeds market: "Two and three-bedroom properties are snapped up really quickly, and people are staying put for longer." The LS6 postcode in trendy northern Leeds frequently appears in lists of the UK's best buy-to-let areas, achieving yields of over 7.5%, while other popular suburbs regularly achieve 5%. Larger three and four-bedroom penthouse flats in areas like Horsforth and Roundhay can rent for £2,000 per month, whereas £1,500 represents an approximate ceiling price for four-bedroom houses. There's stiff competition around the £1,000 mark between bay-fronted semi villas and high-end apartments (many in the city centre), while a well-presented on-street mid-terrace can comfortably achieve £500 per month.

## Looking to the future

Jagrup believes the Leeds property market has evolved beyond the days of straightforward buy-to-lets, towards short-term rentals and serviced accommodation: "It's the more affordable housing that's needed now, whereas city centre housing tends to be for people who want serviced accommodation. If you bought a city centre apartment and tried to do a normal let, I don't think it would achieve as much money back as serviced accommodation like Airbnb.

"People are looking at alternative ways to make their money going forwards. I did it the old-fashioned way – buy a house and rent it out – but new entrants to the market can't do that in Leeds. People wanting to make money out of property have to deal with a changing market. The demand is still there, but the requirements are evolving."

## SITES FOR SORE EYES

These are some of the current or forthcoming schemes to watch out for across Leeds:

- **Aire Park**

  Developers Vastint are creating a new urban neighbourhood on a large gap site beside The Tetley arts hub. A hotel, shops and offices will be joined by 850 residential properties, with an outdoor theatre space also proposed for a site which will form part of the wider South Bank regeneration scheme.

- **Globe Road**

  If given the green light from the council this development will see eight residential towers constructed on Globe Road as part of a £180m scheme beside the River Aire. This five-acre site will be dominated by a 23-storey apartment complex; townhouses will also be built alongside food outlets and clothing stores.

- **Altus House**

  The concrete core of Altus House is already a landmark on the urban skyline, and it'll become the city's tallest building when it's finished in 2021. This 38-storey replacement for a 1960s office building will eventually contain 752 bedrooms and studio flats for students, directly beside the rival Arena Point student tower.

## The best places to invest in
# Leeds

These are the key postcodes landlords and investors should be aware of:

- Best for high-end housing: **Roundhay** (LS8), **Alwoodley** (LS17)
- Best for young professionals: **Horsforth** (LS18), city centre (LS1 and LS2)
- Best for students: **Beckett Park** (LS6), **Hyde Park** (LS6)
- Best for transport links: **Garforth** (LS25), **Belle Isle** (LS10)
- Best for yields: **Headingley** (LS6), **Middleton** (LS10)
- Best for capital appreciation: **Kirkstall** (LS3 and LS4), **Armley** (LS12)
- Best avoided: **Chapeltown** (LS7), **Harehills** (LS8 and LS9)

Kirkgate Market © Leeds City Council


PLACES

COVER FEATURE

# Dream it, do it

How do you turn your property dreams into a reality? By setting the right goals. Our very own Property Hub goal-setting guru Martin Hammond and successful investors share their tips for getting 2020 off to a good start

It's a new year. A blank slate. A fresh start. A time when we all start thinking about what we'd like to achieve over the next 12 months. The problem is, for the majority of us, that's as far as it goes. Our good intentions get lost in the grind of everyday life and we go back to what we were doing before, no closer to achieving our goals.

So what's the secret to actually accomplishing your ambitions? And what separates successful investors from those that give up on their goals before they get off the ground?


> “A clear goal will motivate you. It will help you find the right investment strategy to tie in with your goal, keep you focused and ensure you stay on the right path”

# Set a clear objective

The good news is you don’t have to have superhuman levels of productivity and only sleep three hours a night to make it in property. You do, however, need to give some serious thought to why you want to invest in property. Ask yourself what it is that you personally want to get out of it, and decide how much of the hands-on stuff you’re prepared to do – this will lay the foundations for your goals. Even if you’re already investing, it’s worth a recap to check what you’re doing fits with your long-term plans.

Property Hub account executive Martin Hammond explains: “Setting a clear goal at the outset is so important. A clear goal will motivate you. It will help you find the right investment strategy to tie in with your goal, keep you focused and ensure you stay on the right path. Without a goal you’ll never know if you have been successful. We spend a lot of time with clients helping them work this out.”

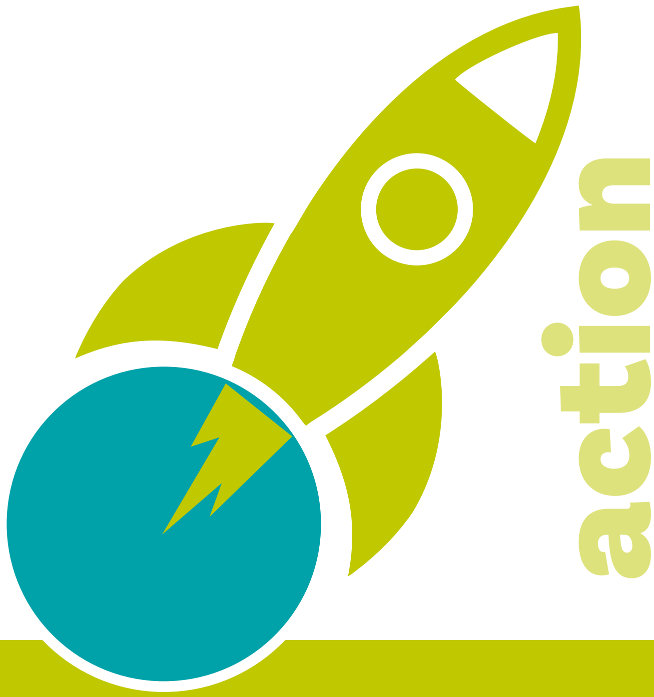
Once you’ve established your ‘why’, you need to make sure your goal is Specific, Measurable, Achievable, Realistic and Timed (or SMART for short) says Martin: “I’ve spoken to so many people who say their goal is to own ten buy-to-lets. On the surface this appears to be a clear, measurable goal. Yet, the trouble is you could have ten properties worth £500,000 or ten properties worth £2m. Plus, there’s no timing or reasoning behind this goal.


Martin Hammond

“A far better goal would be: ‘I want to build a portfolio of properties worth £1m in five years, which will provide me a monthly income of £2,000. If I achieve this, my monthly costs are all covered and I can go fishing, which is what I want to spend my time doing.’”

Being crystal clear on what you want to achieve won’t just help you set goals, it will inform pretty much every decision you make on your property journey, from the types of property you buy to how you fund them.

Dan Coachafer has a portfolio of 14 buy-to-lets and has been investing since 2007. His long-term goal is to generate enough income from his properties to quit work altogether. “Every action I take, I think: ‘Is this going to get me closer to where I want to be?’ because if not, there’s no point in me doing it. Had I not set goals I’d be buying what I think is right and hoping for the best with no real sense of direction for what I’m looking to get out of it,” he says.




> "Try to do one thing that gets you closer to your goal each day. It could just be a simple thing, like booking in some viewings. Whatever you do, don't give yourself a long to-do list every day unless you know you've got time to complete everything. You'll just end up feeling deflated"

# Take action

Dan Coachafer

Coming up with your goals is fun, accomplishing them is even better. But it's the work in between these two points that's the hard part, especially if you already have a busy day job to hold down. Unsurprisingly, this is where most people bail out – the gap between where you are now and where you want to be seems way too big when you're just getting started.

The way to overcome this and make it seem less scary is to break down your big goal into lots of smaller sub-goals with deadlines and then further into monthly, weekly, even daily tasks making it easier to take action. "By doing this you make sure everything is manageable and not daunting. You just need to refer back to your ultimate goal regularly to make sure your actions are still leading you in the right direction," says Martin.

"Try to do one thing that gets you closer to your goal each day," says Steve Garrett, who started investing in June 2019. He now owns two properties, with three more in the pipeline. "It could just be a simple thing, like booking in some viewings. Whatever you do, don't give yourself a long to-do list every day unless you know you've got time to complete everything. You'll just end up feeling deflated about the items you don't get round to doing," he adds.

Steve sets his goals for the next day before he goes to bed each night and blocks out time in his diary to complete them. "Subconsciously I'm thinking about it overnight so when I wake up in the morning I'm in the right frame of mind to get it done. I like to wake up and get one goal done before I go to work," he says.

Dan, on the other hand, uses his daily commute to work and his lunch hour to work through his to-do list. "If I didn't dedicate those set times a day to achieving what I need to do then my goals could quite easily have been pushed back a year or two," he says.

progress

"Every single step that takes you closer to your goal is an achievement and will help to keep up the positivity. If you don't keep an eye on your progress, you may start to feel like you're not moving at all and begin to lose motivation"

# Track your progress

As humans we're wired to want to cross the finish line as quickly as possible. We crave completion, to tick things off our list and move on to the next challenge. With property, it can take years for you to achieve your big goal, so staying motivated and focused can be extremely hard.

"It's so important to track how you are doing along the way," says Martin. "Every single step that takes you closer to your goal is an achievement and will help to keep up the positivity. If you don't keep an eye on your progress, you may start to feel like you're not moving at all and begin to lose motivation. Also, by keeping track of things, you'll quickly notice if you start to veer off course and be able to take positive action to bring things back on track."

Whether you write it down in a journal or keep a digital record, monitoring your progress will help you reflect on how far you've come and celebrate the small but significant wins that you make along the way. Scientific studies have shown our brains need positive reinforcement to keep motivated, so allowing yourself to be rewarded will give you the incentive to carry on, even when things get tough.

"I do a daily review each evening and give myself a mark out of ten on how productive I think I've been," says Steve. "I don't like to give myself a bad score, so I'm always striving for a ten."

Steve Garrett

Dan tracks his income from his day job versus anything he makes from properties on a monthly basis: "If I'm going to make a conscious decision to give up my day job, I want to be very clear that I can afford to do it," he says. He also relies on his friends and family to hold him accountable for his progress. "It's really important to get it out there and tell people to have accountability for what you're doing," he says.

So there you have it, goals are essential if you want to be a successful investor. Of course, a lot can change over the course of several years – what you want now might not be what you want in a year's time – but by taking action now and setting yourself clear goals you'll be able to look back on 2020 as a defining moment in your property journey.

Ready to take action? To book a free goals call with our team visit **propertyhub.net/goals**

We wanted to find out what tactics our followers use to keep on track with their goals, so we asked:

# What's your best tip for making sure you stick to your goals?

"My tip is to really envision what you want, not just money or materials but how you want to feel, focus on that and break down your goals into small chunks that are achievable"

**Ripley via Instagram**

**"I have my goals/vision board printed out and stuck up on the cupboard door so I have to see it every morning if I want to get dressed"**

**Derek via the forum**

*"I tell everyone my goals to the point where I'll be embarrassed if I don't meet them. This makes me stick to them and really keep driving"*

**Nathan via Instagram**

**"The best way to stick to goals is to break things down into smaller steps rather than one big goal. I like to set the time aside for research and viewings and make sure I stick to it so I know I am making progress"**

**Sophie via Instagram**

### YOUR SAY

Join in the conversation on our forum or via social media @propertyhubuk

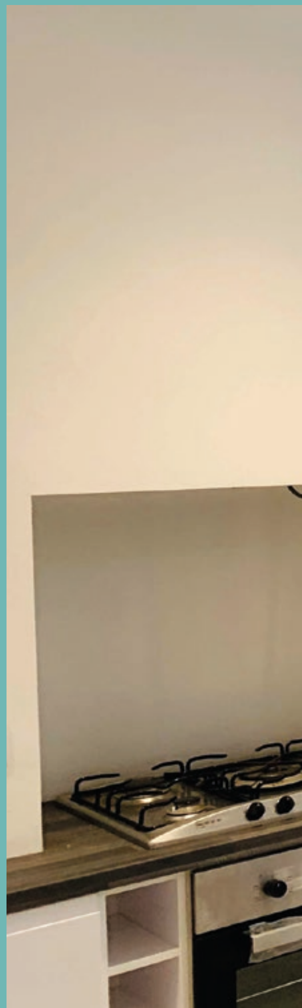
COVER FEATURE

CASE STUDY

Far right: kitchen after renovation

Right: house exterior after renovation

Below: house exterior before renovation



# "I'm taking care of

Paediatrician and part-time property investor Dr Prithviraj Rao has built up a diverse property portfolio in just 12 months. Emma Lunn tells his story

# my family's future"

Prithvi's property journey began in April 2018 at a pivotal point in his life. He was about to turn 40 and was working long hours as a consultant paediatric gastroenterologist at Sheffield Children's Hospital. Although he had a good income as a doctor, he wanted an investment that would create a steady revenue stream, allowing him to cut back on his hours and spend more time with his family.

Prithvi researched various investment models, but quickly decided that only property would deliver sufficient and sustainable returns over the long-term. Rather than dive straight into buying a property, he set about educating himself reading books on property investment and tax, listening to Property Hub podcasts, attending property networking events and going along to property auctions as an observer.

"I took about six months to research the property market as property was a new field for me and I needed to understand how everything worked. I hired an accountant, a specialist mortgage broker and a lawyer before taking the first step," he explains. "I built relationships with local sales and letting agents, as well as finding three good local tradesmen for each key type of work – electrical, plumbing and building. I also hired two man Fridays to do general jobs on the properties."

## Taking action

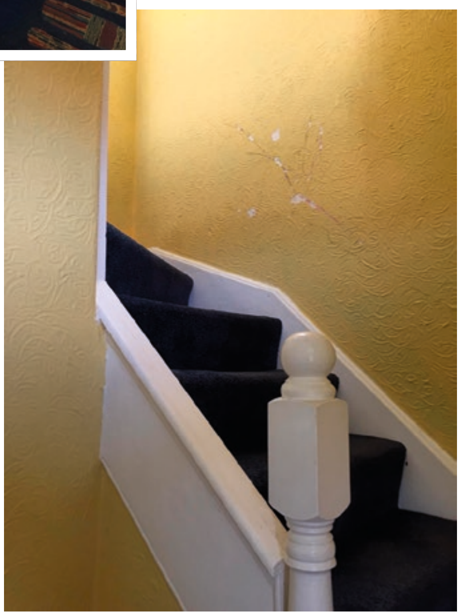
By August 2018 he was ready to take a leap of faith and begin the buying process. To get started, he remortgaged to release some equity and cashed in £60,000 worth of ISA savings.

Armed with sufficient cash, he made a number of property investments with a clear strategy to meet a list of short and long-term goals. His goals included aiming for rental income from some properties and capital

**"On auction day I set myself a maximum limit of £67,500. There were two other bidders at first. I was quite passive until £64,000, then one bidder dropped out and it was just me competing with the main bidder. I got it for £67,000 – very close to my limit, so I was very lucky"**

Above: living room after renovation

Left and below: before renovation



growth from others, while diversifying his portfolio by investing in different types of property in different locations.

He set up a limited company to manage his properties. "As a full time consultant in the NHS I'm in the highest possible tax bracket, so the only way property was viable was using a limited company," he says.

Between August and November 2018 he bought three five-bedroom Houses in Multiple Occupation (HMOs) in Crookes, a suburb of Sheffield close to the university. All three properties were purchased at approximately 10% below market value (BMV) due to either being sold at auction or at a lower price due to the vendor's fears over Brexit.

The three HMOs, all rented to students, give a net return on investment (ROI) of 15% and are all leveraged via a limited company mortgage at 80% loan-to-value (LTV). These properties are primarily for rental income and cashflow, but also have the potential for capital growth.

Prithvi started off by self-managing his first HMO in order to see how much work was involved. The experience made him realise he'd be better off using a letting agent, and he now uses agents to manage all his properties.

## Building a portfolio

Having gained some hands-on experience with his HMOs, Prithvi decided to partner up with friends on two joint ventures. "On the first one, my friend put the capital in and I provided the expertise. We split the profits 60/40. For the other, I put in a third of the capital but the profits were split 50/50," he says.

Around the same time he invested in two new-build apartments: one in Woolwich, south east London, which he has a tenant in already, and the other in Manchester, which won't be complete until later this year. He used a sourcing company to help with these. "I analysed what I was getting for my sourcing fee and it was worth it," he says.

One of Prithvi's most recent investments was a two-bedroom semi-detached house in Sheffield, about a mile-and-a-half away from the city centre bought at auction. It had a guide price of £55,000, but comparable properties in the same area were going for about £85,000 – so he hoped to be able to secure it below market value. Having had a survey done he estimated he would need to spend between £6,000 to £7,000 refurbishing it.

"On auction day I set myself a maximum limit of £67,500. There were two other bidders at first. I was quite passive until £64,000, then one bidder dropped out and it was just me competing with the main bidder. I got it for £67,000 – very close to my limit, so I was very lucky," he recalls.

Prithvi managed to refurbish the property within his £7,000 budget, including a complete electrical re-wire as well as all the cosmetic work such as decorating and new carpets. He even managed to give the exterior of the house a new coat of paint.

To keep costs down, he used William George Auctions to buy luxury bathroom accessories at wholesale prices. The auctioneer runs weekly online auctions of bathroom fixtures and fittings. With more than 1,000 lots a week, buyers have access to a range of showers, baths, radiators, and cabinets.

During the three-and-a-half week refurbishment period, Prithvi asked a local estate agent to start showing prospective tenants around the property. There was a lot of interest and a week before the project was complete, a student from China signed a contract to rent the house at £500pcm.

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**

Having a tenant in-situ allowed Prithvi to refinance, and he remortgaged the property at 80% LTV against a valuation of £82,000. By this point he'd spent £74,000 in total – £67,000 on the property itself and £7,000 on the refurbishment. He took out a £66,000 mortgage with Paragon at a rate of 3.49% fixed for three years.

## A developing picture

In just 12 months Prithvi has managed to build up a portfolio of eight investment properties, and is currently waiting on two more going through. It's an achievement he's rather proud of when he reflects on how far he has come: "I've somehow managed to do this by only cutting down one day of my NHS job, so working a four-day week. This is thanks to Property Hub resources and being a power user of Rightmove and Zoopla," he says.

Most of his mortgages are fixed for three or five years, and he plans to re-evaluate his situation in three years' time. In the short-term he's seeking rental revenue. Currently his total gross rental income is £8,000 a month, with a net profit £3,000 a month.

"If I rewind my life back 12 months I would have never believed that I could ever be able to develop a portfolio of ten properties and generate a profit of £36,000 per year without selling any of my assets," he remarks.

### RUNNING THE NUMBERS

**Prithvi's two-bed semi in Sheffield**

Purchase price: **£67,000** (cash)

Development costs: **£7,000**

Total spent: **£74,000**

Current value: **£82,000**

Remortgage amount: **£66,000**

Mortgage details: Three-year fix with Paragon at 3.49% at 80% LTV

Rental income: **£500pcm**

Equity in the property: **£16,000**

CASE STUDY

# The long and short of it

**Owning a short-term let can be lucrative but there's a lot more work involved for landlords. Emma Lunn runs through what you need to know**

FEATURE

## The Airbnb revolution

Back in 2007 when Joe Gebbia, Brian Chesky and Nathan Blecharczyk opened up their home in San Francisco to strangers needing somewhere to sleep, they couldn't have known they had stumbled upon an idea that would make them billionaires.

Airbnb was born and kicked off a revolution in the short-term letting market. Homeowners could make some extra cash by letting spare space in their property, while travellers could live like a local.

The company is now worth about $31bn and has transformed the holiday market as well as the property sector. Homeowners and tenants no longer just rent out a room – they let their whole property; travellers no longer default to booking a hotel – they look for an Airbnb.

## Opportunities for landlords

Inevitably it wasn't long before landlords caught on to the potential profit in the short-term letting market. Airbnb management service AirSorted claims short-lets can increase your profits by up to 100%, while GuestReady puts the profit lift at a more modest 60%.

Evan Maindonald is the founder of short term property rental company Melt Relax and a private landlord. He cites the example of Danby Lodge, a seven-bed former hunting lodge set in thousands of acres of forest in Gloucestershire, to illustrate how lucrative short-term lets can be.

"The property generates income of around £120,000 per annum compared to around £30,000 it would generate from a normal residential tenancy," he says. "The costs of running it as a short-term let comes to around £20,000 per annum, so it still generates a significant amount more than it would if let on a long-term basis and it means that I can use it when guests are not staying at the property."

There are other benefits for landlords too. Short-term letting offers more flexibility and a broader choice of tenants; if you do end up with a nightmare tenant, you won't be stuck with them for long.


Danby Lodge, a seven-bed former hunting lodge set in thousands of acres of forest in Gloucestershire

## Short-let tenants

For holidaymakers, a stay in a private property can offer a more personal and comfortable experience than a serviced apartment or hotel.

But demand for short lets comes from a far broader spectrum than just tourists. Visitors are also likely to be relocating corporate tenants, people who want to test out an area before committing to buying, contract workers looking for accommodation, and homeowners who need to move out of their home while renovation work is being done.

In theory, a short-let can be for as little as one night but many properties are let for a week at a minimum. What works best will depend on your property and the location.

"Be smart about which units you put on to the short-term rental market," advises Guy Westlake, founder of UK-based short-term rental platform Lavanda. "Is it easy to service from a hospitality perspective? Is it close to event hubs (for example, exhibition centres or stadiums) or transit links? Or, is it situated somewhere where there is a strong seasonal demand, such as Edinburgh which experiences mass tourism during the Edinburgh Fringe Festival and Hogmanay on New Year's Eve?"

## Setting up a property as a short-term let

While short-term lets can be more lucrative than long-term tenants, there are different costs and an increased workload to consider.

Firstly, you'll be required to pay council tax, utility bills and broadband, both while the property is occupied and also during void periods. These costs will need to be factored into the rent charged.

Secondly, the property will need to look homely with soft furnishings including pillows, duvets and spare bed linen, plus essentials such as a television, hair dryer and ironing board. Lost and broken items will need to be replaced quickly.

"Set-up costs vary depending on the size of the property but can vary from £3,000 for a one-bed apartment to over £10,000 for a multi-bed house," says Evan. "A lot of time and effort needs to be putting into things like directions to get to the property, how guests securely obtain the keys, how they find out how and where to find everything they need (you'll need to write a set of instructions), the condition you expect the property to be left in, and the rules guests need to observe while living in the property."

Landlords should bear in mind that once a property is set up as a short-let, there's no guarantee of bookings. You risk experiencing more void periods, and therefore financial uncertainty, than you would letting a property on an assured shorthold tenancy (AST).

## An increased workload

When it comes to the workload, the frequent guest turnover makes short-lets more labour intensive than long-term tenancies. The property will need to be checked between bookings to make sure nothing is missing or broken. Landlords who don't want to do all the work themselves can outsource tasks such as cleaning and laundry, but this will eat into the profit.

Two properties from Lavanda

FEATURE

**“The customer service expected by short-term guests is very different to the long-term market. Short-term letting is increasingly a hospitality experience, so it is advisable to work with a reputable specialist property manager”**

“With short-term lets, guests are coming and going every few days or weekly and so issues that require attention from the owner arise much more frequently. These can range from guests locking keys in the apartment to not being able to work out how the appliances or heating system works,” says Evan. “Guests may try to call late at night for help getting in, when something doesn’t work the way it should, if they can’t find an answer to something in the property instruction manual or anything else they think they need help with.”

## Advertising a short-term let

How and where you advertise your short-let property can make a big difference in terms of the response and how much you can charge. Landlords can list properties online or via local estate agents. In general, agents charge a commission on confirmed bookings rather than for a listing.

“The customer service expected by short-term guests is very different to the long-term market,” says Guy. “Short-term letting is increasingly a hospitality experience, so it is advisable to work with a reputable specialist property manager. The Short Term Accommodation Association (STAA) offers a list of accredited members.”

For landlords who prefer a hands-off investment, a raft of short-term letting management services have sprung up. These companies will advertise and manage your property for you – in return for a commission fee of around 12%.

Chris and Lisa Ryder have owned and managed holiday lets and serviced accommodation properties since 2014, and established Serviced Short Stays as a business in 2018. The company takes on the tasks of marketing a property and obtaining bookings for hands-off landlords.

The couple’s portfolio includes short-stay properties in Kent, St Albans, Luton and Stevenage. “When advertising your property, good photographs are essential. Good reviews are important too and push you up the rankings on online travel agents such as Booking.com and Airbnb. The more beds the better – a sofa bed in the lounge can change a one-bed to a two-bed property,” says Chris.

## Sticking to the rules

While a short let has the potential to take your rental business in a potentially lucrative direction, it’s important to make sure everything is above board.

“Landlords should put together a checklist of things they need to ensure they’re complying with in order to put a unit on the short-term market,” says Guy. “Firstly, check local planning laws impacting the area where you will be letting: for example, the 90-day limit in Greater London restricts people to letting an entire home for a maximum of 90 days, unless they have obtained the appropriate planning consent.”

While residential mortgage lenders generally accept homeowners taking in lodgers in the spare room, most won’t allow a whole property to be let. Buy-to-let mortgages, on the other hand, tend to stipulate that the property must be let on an AST.

Adrian Anderson, director of mortgage broker Anderson Harris, says Airbnb is not a concept that lenders are comfortable with yet. “As far as I’m aware it’s not possible to do Airbnb full-time on a buy-to-let mortgage,” he says. ”With a buy-to-let mortgage the lender will be assessing the mortgage based on an assured shorthold tenancy agreement, which is usually in place for a minimum of six months.”

A holiday let mortgage is generally a better bet. Alternatively, a handful of lenders offer specialist products that cover occasional short-term lets, but these require the property owner to occupy the property during some periods in the year.

Landlords of leasehold flats will need to check the terms of their lease. Some leases prohibit subletting altogether while others only accept subletting on an AST. Some freeholders may charge additional admin and consent fees for each sublet.

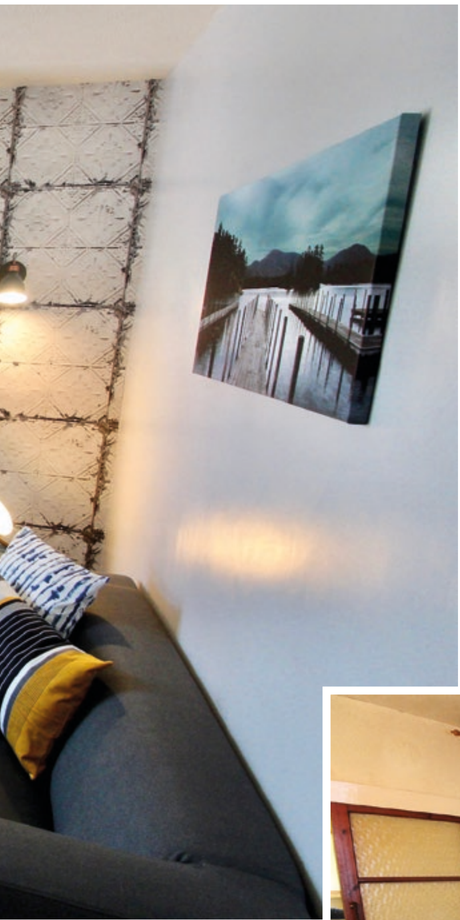
Flat owners also need to bear in mind that other residents in the block may not welcome a steady stream of short-term tenants as opposed to a long-term resident who will form part of the community.

It’s important to note your property will also need to be adequately insured. A standard landlord policy is unlikely to provide sufficient cover for the additional risks involved in short-term lets so you’ll need specialist cover. It’s also a good idea to ensure that you take a security deposit at higher than the level of your policy excess so you are covered if anything is damaged by guests.

CASE STUDY

# Steering a new course

Husband-and-wife team Wes and Nicki Boswell tell Leah Milner how they transformed their property side hustle into a full-time career



Wes and Nicki Boswell and their daughters Olivia (left) and Poppy (right)

Above: Wes and Nicki's four-bed HMO in Far Cotton after the refurb

Right: before the refurb

Leaving behind the security of well-paid steady work in the motor industry wasn't an easy choice for Wes and Nicki Boswell, especially with a young family to support. But, after some initial wobbles, the couple haven't looked back. They now have a portfolio of 14 properties which they manage themselves.

Wes, 36, caught the property bug long before he met Nicki, 37. He managed to get onto the housing ladder at 21, buying a barn conversion in Brackley, Northamptonshire for £225,000. After redecorating and securing planning permission for an extension, he was able to sell it on two-and-a-half years later for £305,000, making a healthy profit. He didn't even need to build the extension – just getting permission was enough to boost the value.

## Driving forward

Wes's next big ambition was to build a property from scratch. In late 2009 he bought a three-bedroom semi-detached house for £250,000, demolished the existing structure and building a five-bedroom property in its place. "I'm not one of these people who has a bucket list of things they want to do at some point in the future. If I want to do something, I want to do it straight away," he says.

Managing the project remotely while working full time was tricky and it took around a year to complete. He spent £300,000 on the building work and sold it for £630,000 in 2011. The proceeds went towards the deposit on a home to live in himself and his first ever buy-to-let, which cost £178,000. Both properties were in an affluent housing estate in the Grange Park

CASE STUDY

Top: kitchen before

Left: kitchen after conversion

area of Northampton and the family who moved into his rental property are still there now.

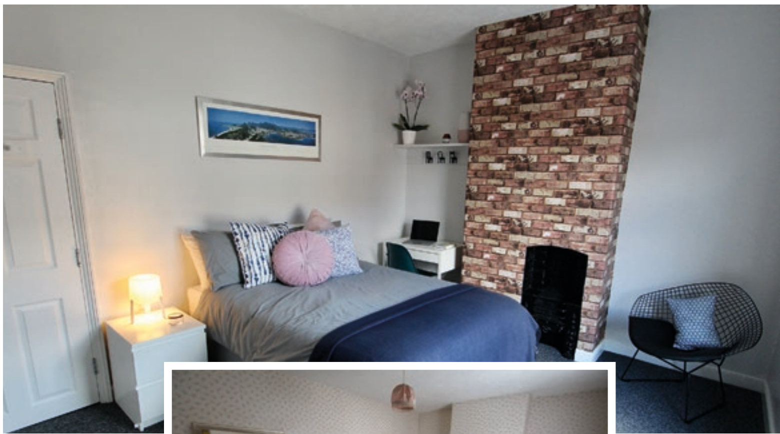
Around the same time, Wes got together with Nicki, a colleague at Volkswagen. When she moved in with him six months later the couple decided to rent out her three-bedroom detached house, which was also in Grange Park. "The two properties gave us a bit of extra cash each month and after a while the money started to rack up as we both had decent salaries. In 2013 we decided to buy another property in the same area, in the hope that the capital growth would provide us with a pension in the future," explains Wes.

The couple paid £161,000 for their first joint investment. "We got it for around £15,000-£20,000 under what it was really worth because it was a bit of a wreck," says Wes. "The owners were desperate to get rid of it as the tenants were behind on rent so it was a motivated sale." With three properties in the same area of Northampton the pair had by now established something of a successful investment model.

## Escaping the rat race

Nicki gave birth to their first daughter, Poppy, in 2014 and over the next two years the couple snapped up a further five properties. Nicki decided not to return to Volkswagen and Wes also began to think seriously about leaving. "I had lost the buzz and I was fed up of being away so much as a regional manager covering a large area. Poppy was two and we were planning on having another baby so I wanted to be able to see more of the kids."

Wes had been listening to The Property Podcast and was contemplating how to take the business to the next level. After researching the investment potential of Houses in Multiple Occupation (HMOs), he felt they could provide the cashflow that the family needed.



Top: bedroom after conversion

Right: bedroom before

Wes left Volkswagen in late 2016 and the couple decided to test the waters with their first HMO. They bought a three-bedroom townhouse for £190,000 in Upton, with the intention of creating two extra bedrooms. But rather than doing the work straight away, they spent around £3,000 on basic renovations and let it out to a couple. "I bottled it," admits Wes. "It all seemed too complicated. But the tenants paid the first three months of rent and then stopped. I had just gone self employed and we had rent arrears, repairs and maintenance demands flying at us left right and centre. It felt like a bit of a car crash."

Wes and Nicki eventually got rid of the tenants and spent around £13,000 transforming the property into a five-bedroom HMO by dividing the dining room in two and splitting the enormous master bedroom. They had much better luck with their next tenants who were apprentices working at the nearby Mercedes-Benz plant.

Top: bathroom after

Left: bathroom before

In 2017 Nicki and Wes found out that the University of Northampton was relocating into the town centre. They spotted an opportunity to invest in Far Cotton, a ten-minute walk from the new site. By taking out a second charge mortgage against their first HMO, which had been revalued at £235,000, they were able to buy another three-bed property and add an extra bedroom. Their first set of student tenants turned out to be a disaster. “We had every problem you could imagine – they were smoking weed in the house, being rude to the neighbours, playing music at three in the morning and not paying rent on time,” says Wes. “It was all a massive headache and it happened within a month of Olivia being born.” But the couple learnt a lot in the process and it didn’t put them off.

## Shifting up a gear

Wes and Nicki’s latest investment was a run down three-bedroom house in Far Cotton which they transformed into a four-bedroom student HMO. “The agent that we’ve dealt with a lot called up in February 2019 and said they had they had a property for us to look at as a sale had fallen through,” says Wes. “Initially they wanted £165,000, but I couldn’t get the numbers to work and that didn’t really leave us with enough profit. They came back and said £145,000, so I said if you can do it for £139,000 you have got yourself a deal.”

After Wes and Nicki clinched the deal there was a lot of work to do on the property to bring it up to scratch. They turned the dining room into an extra bedroom, put in central heating, new flooring, a new kitchen and bathroom. “I don’t think the place had been touched for 40 years. The carpets were grim and the bathroom was horrendous,” says Wes.

The children of the elderly couple who had been living there were desperate to sell in order to cover their parents’ care fees. It cost £21,000 to refurbish and took around 12 weeks’ work, but was ready in time for four students to start their tenancy in July. “I love interior design and always try and dress the properties so they are homely, with cushions, throws and lamps. Most of the other student landlords don’t do that so our properties really stand out,” he says.

The couple now have a total of five HMOs with 22 bedrooms between them. Managing student lets is time-consuming and the couple say that five HMOs is probably their limit. “We always get a lot of teething problems, especially around the start of term. You have to remember that you are renting to children really, not adults, so I might have to go around and show them how the heating works and that kind of thing.”

Becoming a full-time property investor is no easy route to riches, says Wes, but it is rewarding and gives his family a good work/life balance: “There are definitely ups and downs. I had to go out on Boxing Day last year to fix a thermostat in one of the properties, so sometimes it is hard to switch off. But it means that I can be around to take the girls to their swimming lessons and walk them to school, which I just couldn’t do if I had an ordinary day job. We love to travel as a family and last year we went to Lanzarote, Cyprus, Dorset and the Cotswolds. The most important aspect is that we have the flexibility to spend plenty of quality time together.”

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

### RUNNING THE NUMBERS

**Wes and Nicki’s four-bed HMO in Far Cotton**

Purchase price: **£139,000** (cash)

Stamp duty: **£4,500**

Legal fees: **£1,500**

Monthly rent: **£1,993** (four bedrooms)

Development costs: **£21,000**

Revalued at: **£200,000**

**Monthly profit: £1,029**

**Gross yield: 17.2%**

# VAT & property what you need to know

**We're all familiar with Value Added Tax (VAT) – it adds to the cost of pretty much everything we buy in the UK – but when it comes to property the rules are not as clear cut. Here's our lowdown on what you need to know**

### Understanding the rates

Before getting into the specifics of VAT and property, let's summarise the VAT rules in general.

VAT is charged at three different rates: a standard rate of 20%, a reduced rate of 5% and a zero rate 0%.

Most goods and services are charged at the standard rate. The reduced rate of 5% is applied to services provided as part of a property renovation – so includes things like installing energy saving measures and improvements to the fabric of the building. The zero rate is typically applied to the construction of new-build properties or converting a non-residential property into a dwelling.

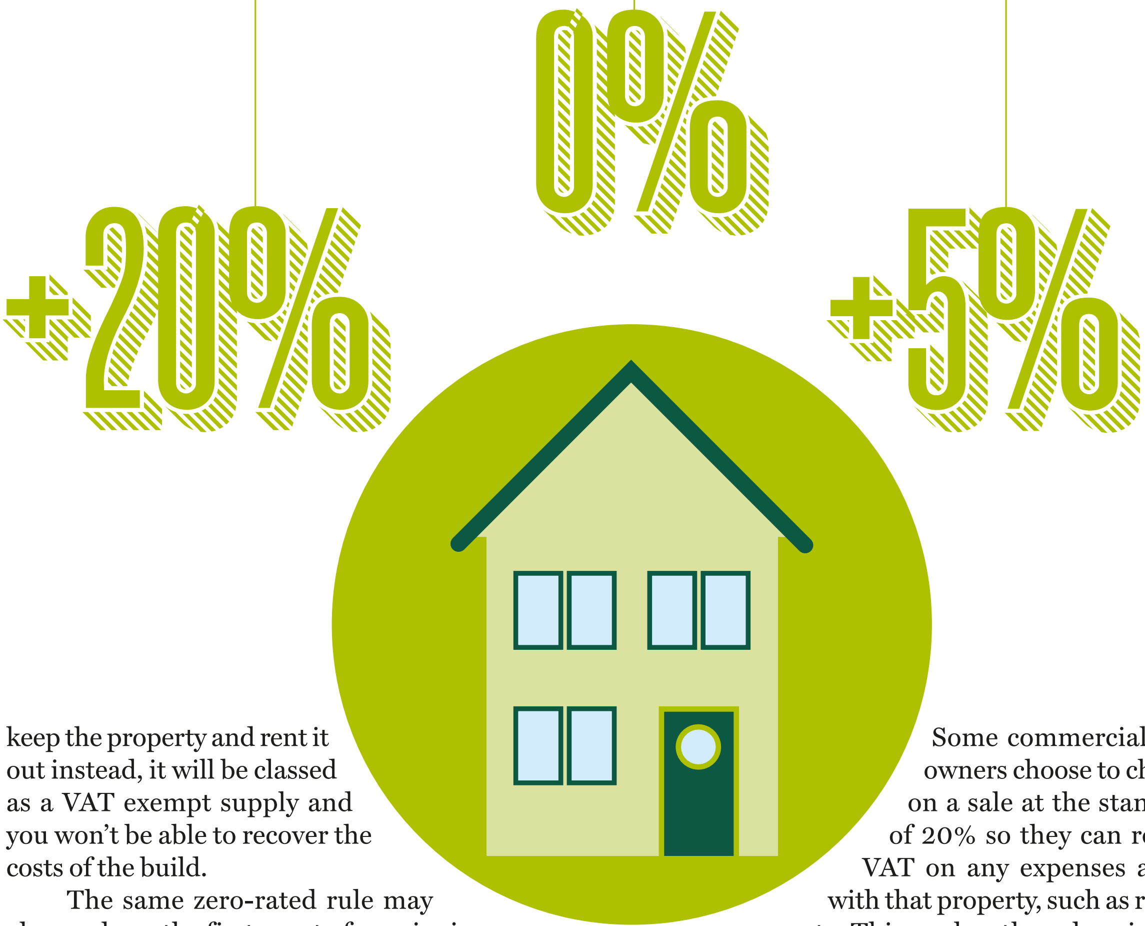
In addition to these three rates, some transactions are exempt from VAT altogether such as insurance, financial services, however these don't need to be counted in your taxable turnover.

### The rules for residential properties

When considering VAT and residential property it's important to distinguish between making a VAT exempt supply and a zero-rated supply.

Purchases and sales of residential properties are treated as a VAT exempt supply. This means there is no VAT on any purchase or sale of a residential property, and no VAT is charged on any rent received for a residential property. As a result, you won't be charged VAT on any purchase, but you also won't be able to claim VAT back on any goods you've bought for your property or any VAT charged for professional services such as legal fees or managing agent fees.

However, if you've built your own new-build residential property and plan to sell the freehold this is considered a zero-rated supply. This means you'll be able to reclaim all the associated costs of the build including materials and architect fees. If you decide to




keep the property and rent it out instead, it will be classed as a VAT exempt supply and you won't be able to recover the costs of the build.

The same zero-rated rule may also apply on the first grant of a major interest of a residential dwelling if you have converted it from a commercial property.

Houses in Multiple Occupation (HMO's) fall under the category of residential property so are exempt. However, the costs to convert a property from a single to a multiple dwelling qualify for a reduced 5% VAT rate if certain criteria are met, like obtaining the necessary planning consent and building control approval for the works. This reduction applies to labour as well as the cost of materials.

Holiday lets are classed as a trade, so VAT is charged at the standard rate of 20% if the turnover breaches the VAT threshold, which is currently £85k.

## The rules for commercial property

This is where VAT gets even more complex. The sale and rental of commercial properties is, in most cases, exempt from VAT. Yet, if the property is less than three years old, it is deemed under VAT rules to be a new property and is subject to the standard rate of VAT at 20%.

Before making an offer on a commercial property, get your solicitor to check if the current owner has elected to tax on the sale before making an offer.

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

Some commercial property owners choose to charge VAT on a sale at the standard rate of 20% so they can recoup the VAT on any expenses associated with that property, such as renovation costs. This pushes the sale price up, and you'll only be able to claim it back yourself if you are VAT registered.

Should the owner wish to charge VAT on a commercial property transaction, they'll need to notify HMRC of their intention within 30 days of the decision. If the property is being sold as an investment property with current tenants, the transaction can be treated as a transfer of going concern as it is a continuation of the same type of business.

If you chose to tax the property then you won't have to pay stamp duty, but you do need to be certain it is the right decision for the long term as you won't be able to easily change your mind – the option to tax cannot be revoked for 20 years. If you chose not to tax, then VAT will be charged on all rental income going forward. It's worth noting that not all businesses are eligible to reclaim VAT, so it isn't suitable for everyone.

## The rules for mixed-use properties

Any building that serves a commercial and residential purpose is treated as a commercial investment. VAT on a potential purchase once again depends if the owner has elected to tax the property. Any election to tax the property will be on the commercial part only, so it's important to get an apportionment of the sale price between the commercial and residential parts of the building, as VAT will only be charged on the commercial element. Any apportionment should be on a 'just and reasonable' basis.

# Mortgage trends 2020

**Dave Cookson takes a look at what the year ahead has in store for the mortgage market**

It's fair to say landlords had plenty to contend with in 2019. Several new tax and regulatory changes were rolled out amidst a backdrop of Brexit uncertainty and political instability. But on the flip side, mortgage rates hit record lows as lenders did their best to keep customers on their books. So what can we expect from the world of property finance in 2020? Here are some of the developments to watch out for this year.

## More choice of limited company mortgage products

The limited company buy-to-let (BTL) market will only get stronger as we progress towards the culmination of section 24. Once the final phase comes into play in April, you won't be able to deduct mortgage interest, or any other property finance, from your tax bill. Instead you'll receive a tax credit based on 20% of your mortgage interest payments.

If you have four or more properties this means it will be more cost-effective for you to convert your individual BTL portfolio to a limited company one (if you haven't done so already), but it's always worth getting some professional tax advice before making any decisions.

An increase in demand for limited company BTL mortgages will bring lots of new lenders to the market, all keen to take their slice of the pie, resulting in more choice for landlords. High-street lenders like HBOS, Lloyds and Nationwide will all want in on the action. It's reasonable to expect improvements will be made to service levels too: at present it's not unusual to get an individual BTL mortgage offer within three days given the right LTV, client etc, whereas you're lucky to get an offer within four weeks with a limited company BTL mortgage (in reality it's more like six to eight weeks). Once the glitches in the system have been ironed out, things should speed up.

## Getting tax advice will become part of the mortgage process

Let's face it property tax is complicated, and when the numbers are so big you're risking losing big money if you get your sums wrong. The problem is there's no straightforward answer: the costs and benefits of owning an individual BTL portfolio or a limited company one will vary depending on your personal circumstances.

We advise all our clients to take tax advice before making a decision. Next year, I think mortgage brokers and accountants will start to develop much closer relaionships as they come to depend on each other through their advice for their client. At the moment they still work independently and give independent advice, but I wouldn't be surprised if it became compliance for mortgage advisers to ensure their client has obtained professional tax advice in the future.

> "The feeling amongst lenders is there will be a lot of landlords who have buried their head in the sand about section 24 and will be panic when April comes as their portfolios will no longer tax-efficient. Behind the scenes some lenders have been taking council from tax barristers to work out a way to aid tax-efficient portfolio transfers"

## Rental stress calculations will be relaxed

The stricter lending criteria set out for landlords in 2017 is starting to be relaxed as lenders compete to win new customers. The Prudential Regulation Authority (PRA) guidelines state that landlords need to prove the rental income of their property will cover 145% of monthly mortgage payment when the interest rate is at least 5.5%. If the rent is lower, the amount you can borrow will be reduced.

Yet in reality, lenders tend to apply levels anywhere between 125% and 145%. Many also offer top-slicing – where the borrower's personal income is taken into consideration to top up any shortfall in rent – as a way of opening up more lending options. It's worth noting that the PRA's rules only apply to individual landlords. Landlords taking the limited company route shouldn't be affected by stricter stress tests.

## Rates will stay low

We're already seeing some of the lowest BTL individual mortgage rates the UK has ever witnessed, with lenders entering into a rate war at the tail end of last year in a bid to compete for custom. In November rates reached an all-time low with one lender offering 2.56% for a two-year fixed deal with a 75% LTV and a £1,999 product fee.

Rates are still higher when buying through a limited company (by around 1% to 1.5%), but as more money comes into the market this year and the range of lenders and products to choose from multiplies, these limited company BTL mortgage rates will come down. We're also likely to see cheaper arrangement fees and free valuations as lenders compete to win investors' business.

## Mortgage options for overseas investors will improve

With the pound still low compared to its pre-Brexit value, UK property will continue to provide a lucrative investment model for overseas investors. Traditionally interest in UK assets has come from Russia and the Middle East, however we're now seeing more interest from our European neighbours like Sweden, Holland, Denmark and Norway.

Mortgages for overseas investors have been limited until now, but – like they did with expat investors – lenders are coming to realise these clients are potentially a safe bet because of their wealth factor. However, without a credit footprint or a property in the UK they will still find it difficult to get a mortgage.

## Lenders will aid tax-efficient portfolio transfers

The feeling amongst lenders is there will be a lot of landlords who have buried their head in the sand about section 24 and will be panic when April comes as their portfolios will no longer tax-efficient. Behind the scenes some lenders have been taking council from tax barristers to work out a way to aid tax-efficient portfolio transfers. Historically this wouldn't have been possible, but now there are options available that allow the transfer of a portfolio from an individual status to a limited company without incurring stamp duty or capital gains tax.

**To discuss your property investment needs and find the right mortgage product for you, contact Dave Cookson and the team at Charles Louis Mortgages on 0161 959 0166 or visit charleslouis.co.uk**

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.

# Top of the property class

Most students spend their spare time flipping burgers to fund their lifestyle but not Jacob Walker. At just 21 he's already making a good living through property, writes Natalie Thomas

CASE STUDY


Above: Jacob Walker

Top right:the urban garden behind Jacob's Rusholme HMO

Left: living area and kitchen at Rusholme HMO after refurb

Below: kitchen before

You're more likely to find Jacob Walker trawling through the listings of local student lettings in search of a property to purchase, rather than rent.

Alongside studying for a degree in mechanical engineering and enjoying student life, Jacob owns and manages three properties – his most recent purchase being a four-bedroom House in Multiple Occupation (HMO).

From a young age Jacob developed a liking for the finer things in life: branded clothing, a custom BMW and frequent holidays to name but a few. He soon discovered a run of the mill part-time job wasn't going to cut it.

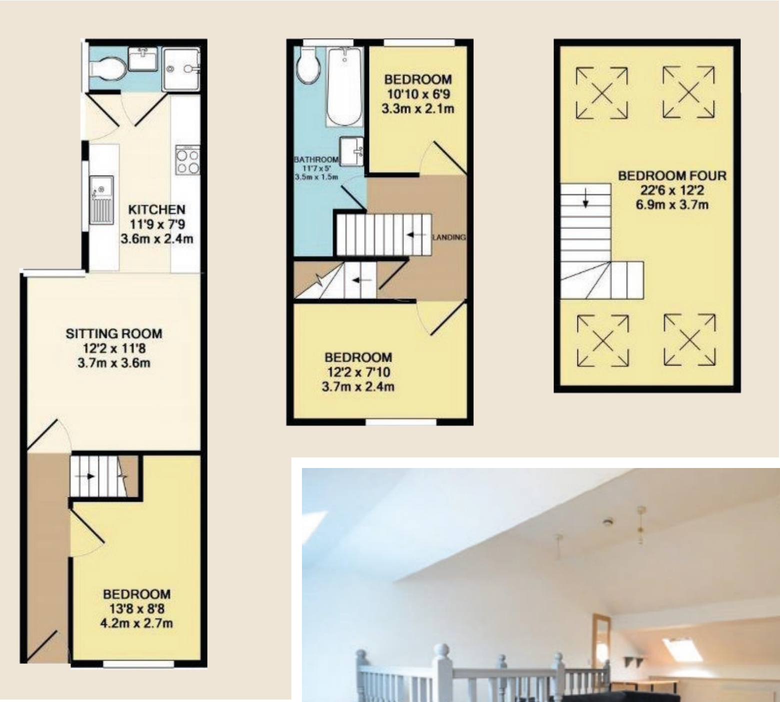
After dabbling in several business ventures including dog walking, dismantling old cars and working in McDonalds, Jacob started to research property. "Since getting my first phone and being able to Google things I've known investing was the way forward if I wanted to make serious money," he says. "I was attracted to property as it's a physical asset and even in a market downturn, you still have something physical there; it just jumped out at me."

Jacob opened a Help to Buy ISA on his 18th birthday and this, along with his part-time job working as a brand representative, helped him to save £12,000 towards his first property.

## Making the right move

Like many other property investors, Jacob bought his first property close to home and in a market he knew well: Hattersley, Greater Manchester. The area's house price growth – or rather lack of – might have been enough to put some investors off. It hadn't experienced any real rise in around ten years and the property Jacob had earmarked had been on the market for around nine months.

However, Jacob saw its potential and from scouring Rightmove he noticed the area appeared to have a shortfall when it came to rental properties. When one did come to market it got snapped up quickly by tenants.




Above: the Rusholme HMO floor plan

Top right: spacious attic bedroom after refurb

Bottom right: bathroom after refurb

Jacob used what he'd learnt from listening to The Property Podcast to make sure it had the right fundamentals. One such good fundamental was that there was planning permission in place for new houses to be built on the next road. "These were the same spec as the three-bedroom mid-terrace property I wanted to buy for £82,000 but they were valued at around £200,000," he says.

He'd also heard rumours that a new shopping centre was to be built within half a mile of where the property was situated – all adding to the good fundamentals of the area.

He made an offer for the house just before his 20th birthday and completed in April 2018. He bought the property for £73,500, a knock-down from the asking price of £82,000.

Of the £12,000 he had saved, £7,350 went on the deposit and the remaining £4,650 on giving the property a facelift as Jacob describes it, with some interior and exterior touch-ups but no structural work.

By December of the same year – just eight months after he bought the property, Jacob had it revalued at £95,000. His only regret is that he signed into a two-year fixed rate mortgage. Its Early Repayment Charge (ERC) meant he was limited when it came to his refinance options.

Although he ended up paying a higher interest rate on the equity he released, the up-value did enable him to later buy his HMO. Before that however, Jacob made an unexpected acquisition in the form of his second property.

## When opportunity knocks

"I met another buy-to-let landlord while in the process of buying my first house," says Jacob.

"She wanted to get out of the industry and was having a bad time with her tenants and had accumulated around £5,000 worth of arrears in unpaid bills and rent. I was desperate to get into property, so I took over possession of her house," he says.

Jacob went to court to get the tenants out, which he describes as painful but he was successful and retrieved the money. In exchange, the mortgage on the property and the deeds were signed over to him. A legal document was drawn up stating that after ten years, he would pay back the original investor £90,000.

The house, which was also in Hattersley carried a similar value to his first property and contained around 25% equity. All was going well until recently, when Jacob's new tenant left the property just two months into her 12-month contract, due to a change in personal circumstances.

Jacob admits paying the rent while having the house vacant has been "a killer" but his rent protection means he can claim the money back and he already has a list of potential tenants to fill the property.

The additional property did however give Jacob some extra leverage when it came to acquiring his much-desired HMO property as he was able to refinance both properties and extract the deposit needed for his latest purchase.

## JACOB'S TOP TIPS

- Budget: A broken boiler risked putting me in the red, while miscalculating stamp duty also almost scuppered a purchase.
- Get started young: Build up a credit rating from 18 and put money away on the day you get paid.
- Leave your ego at the door: If you are young, don't make silly mistakes trying to impress people, it's your money and you don't have to prove yourself.

### The HMO dream

Acquiring two properties before the age of 21 is no mean feat by any investor's standards but Jacob had his sights set higher. "I wanted to go down the HMO route as I needed a high cash flow to support my lifestyle at university," he says.

Fallowfield in Manchester was his first choice but with asking prices in excess of £200,000, Jacob settled for the slightly less glamorous but still popular student hub – Rusholme. The four-bedroom HMO he wanted was on the market for £170,000 but Jacob secured it for £158,000.

He picked up the keys in June 2019 and began renovating the property straightaway. As with all of his properties Jacob carried out some of the renovations himself in order to keep costs down. "We gave it a facelift throughout, new paintwork, flooring, furniture etc as well as tidying up and clearing the outside," he says. "The biggest job was that one of the joists in the lounge was rotten and needed replacing."

He estimates the refurbishment cost around £5,000, not accounting for all of the man hours he put in himself. His hands-on approach has also led to a great relationship with the tenants in his HMO. "When I was installing an extension for their Wi-Fi we sat and had a chat and one of them invited me to the gym but I didn't want to overstep the boundary," he laughs.

Living the late-night student lifestyle also means he is on hand to fix tenant problems, whatever the hour. "I was once at a house party at 2am and my tenant rang asking me to fix a beeping noise," recalls Jacob. "Luckily my HMO wasn't too far from the party, so I went and rectified the problem. It turned out there was a spare fire alarm in the draw and the test button was stuck on. You can't really ever switch off, but the freedom that comes with being a landlord makes it all worthwhile."

Despite the success of his HMO, he would think twice about doing it again soon. "A HMO is good for cash flow and a £500-£600 profit every month sounds great, but I've sunk a lot of money into the house which I can't really get back in terms of recycling my deposit as the property isn't going to experience growth for a while," he says. Moving forward he is much more likely to consider another renovation project.

### Grand plans

Jacob admits to not being brave enough to step outside of the Manchester property market just yet, but he has his sights set on Leeds and Newcastle in the future. "Most people chuckle when I tell them, but I would like to own 50 houses before the age of 35," he says. "I did intend to do one in my first year, two in my second year, three in my third year and so on, but now I feel the number of houses I own isn't as good as the rental income achieved across my portfolio."

Despite property playing such a pivotal role in his life, mechanical engineering is still Jacob's first love. "I would like to pursue a business in mechanical engineering and I'm currently working towards building a company for my final year project – that is plan A," he says. Whatever path he chooses though, Jacob says property will always feature in his life.

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

## RUNNING THE NUMBERS

**Jacob's four-bed HMO in Rusholme**

Purchase price: **£158,000**

Deposit/reservation fee: **£34,535**

Mortgage/finance amount taken: **£123,465** (borrowed at a fixed rate of 5%)

Professional fees: **£2,483**

Stamp duty: **£5,400**

Development/refurbishment costs: **£5,000**

Rent: **£1,440 pcm** (including council tax and bills)

Rental expenses: **£855 pcm** (including mortgage payment of £650)

**Profit: £585 pcm**

CASE STUDY

Property **Geek** with Rob Dix

# Serious buyers only

## Are reservation agreements the answer to smoother, speedier property transactions?

Among the many changes the government has been discussing around housing, the introduction of reservation agreements seems like a relatively small one. But it might be a small step towards fixing the general dreadfulness of transacting in property in England and Wales – and as a happy side-effect, gives me the opportunity to go off on one of my favourite rants.

Reservation agreements are a simple document that buyers and sellers sign at the point of agreeing on a price for the property. Each would transfer a small amount of money into escrow – and if one party walks away without good reason, the other will get to keep it as compensation.

Some estate agents already use this type of agreement, and they're also commonplace with new build property. This move by the government would make them universal.

In an uncharacteristically sensible move, the government is (according to Estate Agent Today) planning to trial various different arrangements with different structures and amounts of money, to see which is the most effective before rolling a scheme out nationally.

### Will it make a difference?

That's the big question. And the answer is: "a bit, probably".

Realistically, the level of financial commitment won't be enough to fully disincentivise gazumping: where a seller agrees to a price, then subsequently pulls out when a higher offer comes along. If a new buyer offers to pay £10,000 more, a seller is unlikely to see a forfeited reservation amount of £500 (one of the levels of fee that will be tested) as a reason not to pull out.

On the other hand, if a buyer just changes their mind and pulls out (the cause of 29% of fall-throughs, according to a survey by Reallymoving.com), £500 would go a reasonable way towards covering the seller's abortive legal fees. And even with a minimal monetary amount, just getting both parties to commit to a transaction in writing should appeal to people's decency in a way that isn't triggered now – when it's common for agreements to be purely verbal and communicated via estate agents.

One of the details yet to be revealed about these agreements is what constitutes a good reason for pulling

> "Getting both parties to commit to a transaction in writing should appeal to people's decency in a way that isn't triggered now – when it's common for agreements to be purely verbal and communicated via estate agents"

out and getting your funds returned. Presumably a change in personal circumstances, like a bereavement, would qualify. But what about being unable to get a mortgage? Or there being something that comes up in the survey that you don't like the look of?

### The bigger picture

This last point cuts to the heart of why reservation agreements are likely to be somewhat positive on balance, but nowhere close to what's needed.

As it stands, a price is agreed on the basis of the buyer making a couple of visits and deciding they like the look of the place. What's the physical condition of the property? They have no idea. Are there any legal issues affecting the desirability of the property? Shrug.

A reservation agreement could allow a buyer to pull out if any material defects were revealed by a survey or during legals...but what would count as "material"?

As you'll know if you've ever looked at a surveyor's report, it's often far from obvious whether an issue is a major worry or a trifling detail. And in legals, is a particular covenant dating from 1894 an absolute screeching-halt dealbreaker or a mere historical footnote? It's common for two solicitors to have completely different views.

The *real* solution, it seems to me, would be to follow the lead of many, many other more enlightened countries and get the seller to produce all this information before offering their property for sale. Any buyer could then review the information before making an offer, and know what they're getting into – and therefore have no excuse for walking away later.

It should be considered a national embarrassment that it currently takes around six months to sell a property. Reservation agreements will make a small improvement, but so much more should be done.

### BRING ON THE BOREDOM

It's the time of year when everyone's poking around in the tea leaves trying to come up with predictions that have the least chance of making them look daft come Christmas. We're no different – listen to The Property Podcast and check out our video on YouTube to hear our detailed predictions for the year ahead.

At a broad level though, we're expecting another year of "not much". Last year, rents went up roughly in line with inflation and prices a little less. Considering the amount of political turmoil, to have such a level of total boringness is actually pretty amazing.

It's possible that if/when political matters are resolved the market will either be unleashed or absolutely crater, but it seems unlikely to me. And you know what? That's *fine*.

Property doesn't have to be primed to explode in value for it to be a great long-term investment. As we explain in our course: How property investment will make you rich in the long term (which you can watch for free at propertyhub.net/university), even inflation-level growth plus a reasonable amount of leverage gets you to a wonderful place.

Booms are exciting, and crashes are a time when you can make moves that will set you up for serious future wealth. We'll see both of those again at some future point. But they're the exception: most of the time, the market is steadily doing its thing. Inflation is eroding the value of your debt. Rising wages are pushing up the value of your income stream.

Exciting times – like 2015, when the market *was* booming and the government was chucking everything they could think of at investors to slow it down – are easier to write and podcast about, for sure. But if 2020 doesn't merit a single entry in the record books, that's no bad thing at all – and even if you don't notice it, it will have done its bit in building your long-term wealth.

## How to...

# Work out a property's profitability

Before signing on the dotted line for a new property, it's crucial to ensure the sums add up. Neil Cumins explains how to distinguish a cash cow from a potential money pit

## "Acquiring properties to refurbish or rent out requires a very different mindset to choosing a forever home for yourself. You need to put your emotions and personal preferences to one side"

It's easy to forget that investment properties are a commodity, just like anything else people trade and resell. Those flattering photos and complementary property descriptions are meant to entice and disarm us, persuading us to pay top dollar for properties. And since buying any property (even for other people) is a purchase often led by the heart rather than the head, it's easy to let enthusiasm for a particular postcode or house style silence the more sensible accounting side of our brains. And that's a problem when buying a property as an investment vehicle...

### Buying a home for a stranger

Acquiring properties to refurbish or rent out requires a very different mindset to choosing a forever home for yourself. You need to put your emotions and personal preferences to one side. Remember any property you're hoping to flip or let out has to represent a positive addition on your end-of-year balance sheet. You can't pay over the odds for a property with marble worktops and a Jacuzzi bath, unless you're confident these high-end specs will translate into higher rental or resale prices. Equally, determination not to be outbid at an auction or closing date could mean you overpay at the outset – wiping out any potential profits before you've even started.

Fortunately, you don't need an accounting qualification or a love of spreadsheets to make a sensible decision about whether a potential property purchase stacks up financially. There are three main benchmarks to consider in terms of financial viability – the gross yield, the net yield, and the overall return on investment. But what do these terms mean, and how can you calculate them? Is one more useful than the others? And do they tell the full story about a property's long-term profitability?

### 1 GROSS YIELD

The gross yield on a property can be thought of as a simple equation – annual revenue divided by price. So a property worth £100,000, which generates £10,000 of rent each year would deliver a gross yield of 10%. However, gross yield doesn't take costs into account, including repairs or taxes. For that reason, it's only ever a rough benchmark; a more accurate assessment of profitability comes from the net yield, which we consider below.

It's often possible to calculate gross yields by looking at local estate agent listings in an area you're keen to invest in. Going back to our analogy above, if a two-bedroom first-floor flat sells for £100,000 and rents for £10,000 a year, your gross yield is easy to calculate. And while this is the least accurate of our three figures, it provides the easiest rule-of-thumb benchmark for judging a property's financial viability.

### 2 NET YIELD

This is where things get a little more complicated. A property's net yield is the profit it generates. This is calculated as income minus costs, divided by price. In the above example, the £100,000 property with its £10,000 annual rent might incur costs of £2,000 each year in terms of factoring fees and insurance. Suddenly, the profits have dropped by a fifth, leaving a net yield of just 8%. That's less impressive on paper, but it's money you might actually expect to see on your balance sheet (and in your bank account).

### 3 ROI

Calculating the return on investment, or ROI, involves breaking out the calculator app on your phone. ROI is the annual profit (income minus costs) divided by your initial investment – rather than by the property's initial selling price.

Confusingly, ROI may also be referred to as ROC (return on cash) or even ROCE (return on capital employed). Even more confusingly, different landlords include different costs when calculating ROI. Check whether things like factoring fees, insurance and communal repairs are included in any ROI figures you're provided with – especially when buying a new build apartment. Comparing homes with different costs included could easily skew your calculations about whether property A is more profitable than property B.

If you're taking out a mortgage, the ROI will be different compared to a cash purchase. That's because you've only invested a proportion of the property's purchase price yourself – the

HOW TO

mortgage itself becomes an expense rather than an investment. ROI looks far more impressive on a mortgaged property, even though the whole-life cost of owning the property will be higher because of mortgage interest. By contrast, a cash purchase results in identical net yield and ROI figures, because there are no additional expenses once you've laid out the cash up-front.

### Which of these figures should I use?

In general, we'd recommend sticking to ROI as the best way of calculating a property's likely value. Net yields don't take mortgages into account, while gross yields are unrepresentative of how your end-of-year finances will actually look. However, because gross yields look more impressive on paper, they're often quoted by build-to-rent selling agents and developers. This makes them useful as a benchmark, when comparing one potential investment opportunity against another.

Consistency is a key point to bear in mind here. Don't get confused comparing an estate agent's gross yield predictions against a fellow investor's ROI figures for a similar property. Take the same approach to every potential purchase and do your sums the same way. It'll quickly become easier to tell whether you're looking at a sound investment or not, irrespective of whether you're planning to rent a property long-term or flip it for a quick profit.

### Do your research

If you are planning to flip a property, the purchase price becomes even more important, because you won't benefit from longer-term factors like capital appreciation (see below). Study photos and surveys, noting down any work which might be needed. Next, speak to tradespeople to calculate likely costs – you'll soon compile a list of common expenses incurred during a flip. Equally, don't just rock up at an auction and start waving your card around. Go to open viewings and calculate a ceiling price for making a profit once any work has been completed (with a contingency fund in place). If other people are willing to pay more to acquire a forever home, know when to walk away. There's no shame in being outbid – buying your next investment property shouldn't become a competition you have to win at all costs.

A number of property portals record previous sales along specific streets or within certain postcodes, which is useful for researching realistic selling prices. Even better, some include the photos and floorplans from past listings. This helps to determine whether the current owners have added value, or whether the flooring and kitchen cabinets have been around for a while.

It's also useful to view satellite mapping services from Google or Bing to check whether a particular property sold cheaply for a specific reason, such as an unusually small garden. Even along a street where every home looks identical, there may be huge variations between one plot and the next.

### A capital idea

Yields and ROI are crucial when determining a property's financial viability, but there are other less obvious things to consider as well. If you'd bought a property twenty years ago, house price growth would have helped improve your overall financial position. It seems unlikely house prices will continue to rise as they have since the Millennium, but a purchase today could still resemble a savvy investment by 2040.

However, any long-term capital appreciation has to be considered a bonus, rather than factored into your calculations at the outset. Even then, it only benefits you once you sell the property, or while negotiating a mortgage deal – smaller loan-to-value percentages generally come with lower interest rates.

### When tax attacks your bottom line

The complex and ever-shifting rules around property investments mean it's difficult to make long-term predictions about how tax might affect net yields or any return on investment. Being adaptable will help you protect your profit. For instance, the recent abolition of the wear and tear allowance might steer you towards installing robust fixtures and fittings. Granite worktops and engineered laminate flooring shouldn't need replacing for many years to come. On a rental property, these fully tax-deductible up-front expenses could represent a handy saving in the long run, compared to installing cheap finishes which require ongoing repairs or regular replacement.

### Seeing the bigger picture

Finances are a crucial part of determining whether a property purchase stacks up, but of course they're not the only factor. Any prospective addition to your portfolio should be in an area that has good fundamentals, provides enough space to appeal to tenants, and involves a level of work you can manage without turning grey. Just make sure your calculations confirm there's a profit to be made, before you allow a smooth-talking estate agent to push up your original ceiling price…

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DEALS & DEVELOPMENTS WITH ROB B

# How to become a property deal sourcer

**Whether you're looking to source deals for yourself or to sell on to others, Property Hub CEO Rob Bence has some useful advice**

We've been sourcing deals for our clients at Property Hub Invest (previously RMP Property) for almost nine years now. That's a heck of a lot of hours spent searching for the best stock and building a reputation that helps us land the best investment opportunities for our clients at a nice discount.

Deal sourcing can be an attractive route into property, but you've got to be prepared to put in the legwork if you want to succeed. After all, anyone can pick a property off Rightmove and negotiate a reduced price. It takes a real deal-maker to track down those elusive below-market-value bargains that investors lust after. So how do you become one?

## Swat up

If you're sourcing for someone other than yourself, you'll need to be able to demonstrate you know the property market inside out and that you're in compliance with the law. There are various rules and regulations you'll need to adhere to, like having the right insurance and registering with a property redress scheme. No client is going to trust you with their hard-earned money unless you can prove your credibility.

The good news is you don't need to have a professional qualification or enrol on an expensive course to learn about property investment. In fact, you shouldn't have to get your credit card out at all. There's stacks of information available online – including plenty of free courses and articles on our website to get you started. Armed with the right knowledge you'll be in a position to make informed choices on behalf of your clients. Talking of which...

## Establish your network

Whether you enjoy it or not, you'll have to get good at networking. You'll potentially need to build and maintain both a client base and a relationship with developers and/or agents. It's also useful to seek out others that are successfully sourcing similar properties, they'll be able to give you an insight into how everything works.

Attend local property events, talk to agents and pick up the phone to developers. You have nothing to lose by meeting as many people as you can. At times it might feel like a lot of work for little reward: for every ten people you meet, six will probably be a waste of your time, three will be potentially useful, but then there'll be one amazing contact that will make it all worthwhile.

## Build your reputation

It doesn't matter if you're a one-man-band or a company like Property Hub, people value those who stay true to their word. Don't over promise on what you can deliver, it's better to under promise and over deliver, especially when managing people's expectations. Earning and keeping the trust of our clients and developers is something we work extremely hard on, that's why we have our own care team to keep our clients happy and assist them through the purchasing process.

If you're just starting out in sourcing, this could be as simple as agreeing to email someone in a certain time frame and sticking to it.

Once you've made your contacts, don't let them go cold. Have a system in place that reminds you to check in with them at regular intervals. And if you lose out on a deal, make sure you check back regularly to see how the sale is progressing. Perseverance often pays off and you could be in a position to pick it up if it falls through.

As you can see there's no magic wand you can wave to make you a property sourcer overnight – it requires a lot of hard graft and isn't something you can do in a few hours a week. But if you're prepared to put in the hours there are big opportunities to be had.

To find out more about our property investment deals 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**

### Rebecca asks:

Are properties in London still worth investing in?

### The Robs reply:

There are still investments you could make work in London, yes, but you'll have to accept the returns won't be as good as in other locations and capital growth will be slow for the next five years or so.

London over the long term will always be a strong place to invest. It's a global city so interest is always going to be strong. It's just a case of getting in at the right time, which it isn't right now, but the city will have its time again.

The best time to look at investing in London would be after the next crash, or at the start of the next 18 year property cycle. Last time round the crash hit London pretty hard but it bounced back quickly, so chances are it will be the same again next time round. But if you're looking to invest in the next three to five year the north is where it is at.

### Steve asks:

What are the advantages of being a cash buyer?

### The Robs reply:

Being a cash buyer doesn't automatically put you in a stronger position than someone buying with a mortgage. It all depends on the vendor. If they're in no rush to sell, then it makes no difference to them whether you're buying with cash or not.

If they are keen to sell quickly, there's a good chance you'll be in a better position than someone buying through a mortgage. You'll be able to move much quicker and will have access to funds if you need to up your offer to win the deal.

### Andrew asks:

I've just started using an agent to manage my property. Should I still have communication with my tenant?

### The Robs reply:

It might seem rather unfriendly – especially if you're used to having direct contact with your tenant – but it would be counterproductive to keep up communication if you're using an agent to manage the property for you. Plus, it would only make things more complicated.

There have been many cases of landlords handing over their phone numbers to tenants "just in case", but when those landlords get woken at 3am about an alarm that won't switch off, or they get called up about a request for a rent review, everything gets a bit more difficult and muddy.

Clear and defined lines of communication are easier to manage for everyone concerned!

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 podcasts for a rookie investor

**Just starting out in property? Pop on these podcasts and get yourself up to speed**

## 1 HOW TO BECOME A PROPERTY INVESTOR (PART ONE)

It's an old one (considering we're now on episode 300-and-something) but it's a good'un. The first episode in a three part series, it covers why anyone would want to become a property investor in the first place, some questions you should ask yourself if you're thinking about it, and what steps you need to make to get started.

**Search: TTP097**

## 2 HOW TO CREATE A PROPERTY STRATEGY (PART ONE)

Having goals is great, but how can you be sure you stick to them? With a strategic plan, that's how. In this episode Rob & Rob share how to build a strategy that will put you on the right path to achieving your property goals and encourage you to think realistically about what you want to achieve.

**Search: TTP148**

## 3 THE 18 YEAR PROPERTY CYCLE, YEAR-BY-YEAR (PART ONE)

If there's one concept you need to know about as a property investor, it's the 18 year property cycle, which is why this episode is on our must-listen list. The Robs explain the different stages of the cycle and how you can use it to guide your property plans. Once you've heard it you'll have a far better understanding of why property prices go up and down.

**Search: TPP270**

## 4 USING THE RIPPLE EFFECT TO FIND THE NEXT PROPERTY HOTSPOT

Okay, so we said there's one property concept you need to know about, make that two. The ripple effect shows how housing prices rise from a centre point outwards. We've seen it happen already in London. Listening to this episode will help you get a grasp on how it works and identify future property hotspots before they happen. You can thank us later.

**Search: TPP256**

## 5 THE REAL REASONS WHY PROPERTY GOES UP IN VALUE

We all want to know the secrets behind what makes property go up in value. This episode delves into the different factors responsible for pushing prices up – giving you insight that will inform your future purchases. If nothing else, it's a great way to acquaint yourself with how inflation, supply and demand, and the 18 year property cycle work.

**Search: TPP310**

For the full back-catalogue of The Property Podcast episodes visit propertyhub.net/podcast