PropertyHub Magazine

Making sense of property investment

WHAT'S NEXT FOR PROPERTY?

How to read the patterns and invest like a pro

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CREDITS

Directors: Rob Dix, Rob Bence

Editor: Chantelle Dietz

Designer: Richard Honey

Writers and contributors: Jessica Barton, Rob Bence, Jessica Bootland, Neil Cumins, Rob Dix, John Fitzsimons, Felicity Hannah, Jagrup Lewis, Emma Lunn, Leah Milner, Nicole Pearson, Lee Robinson

CONTACT DETAILS

Subscribe to Property Hub Magazine:
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Change of address or other subscription queries:
hello@propertyhub.net

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CONTENTS

Welcome

Rob Bence

Rob Dix

If you could have a superpower what would it be? Super speed? Telepathy? Invisibility? The ability to control the elements? Or how about being able to predict the future? If you're investing in property, the latter would certainly come in quite handy. After all, choosing the right property has a lot to do with gauging what will happen to prices in the months and years after you've picked up the keys.

With the power to look into the future you'd be able to time what you buy – and indeed sell – to maximise your profits and stay one step ahead of the game. But what if you didn't need a mutant gene to do this? What if you could simply read the economic and cultural signs going on around you to identify the best time to buy – even when the media and public sentiment says you should be doing the opposite.

This – essentially – is what understanding the 18-year property cycle allows you to do. In this issue's cover story on page 17 we take a closer look at how the cycle works and how you can use it to your advantage. You might not be able to anticipate exactly how everything will play out in the future like a Lycra-wearing oracle from a Marvel movie, but once you've read it you'll be able to use your knowledge of how the market works and what stage we're at in the cycle to make much smarter investments than just buying because prices will go up over the long term.

If you're a long-standing subscriber of the magazine you may remember back in 2016 we featured three young investors at the very start of their property journey. Intrigued to see how they'd got on in the four years since we last spoke, we caught up with them again. You can read the update on their progress on page 38.

Elsewhere in this issue we chat to the man causing a storm in the property training world, Mike Winnet, take a closer look at what Newcastle has to offer as an investment spot, and find out the lengths some landlords are going to keep their tenants happy.

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

PETS AT HOME

The government plans to "overhaul" its model tenancy contract to encourage more landlords to let tenants keep pets.

It found only 7% of landlords advertise homes as suitable for pets, meaning many existing pet-owners struggle to find suitable accommodation, while others miss out on ever having the opportunity to have pets.

It wants any restrictions on what it refers to as "responsible tenants" with "well behaved pets" to be removed, unless there is good reason for them, such as in smaller properties or flats where owning a pet could be impractical. However, it does acknowledge landlords' properties need to be protected from damage caused by "badly behaved" pets.

"Pets bring a huge amount of joy and comfort to people's lives, helping their owner's through difficult times and improving their mental and physical wellbeing. So, it's a shame that thousands of animal-loving tenants and their children can't experience this because they rent their homes instead of owning property," said housing secretary Robert Jenrick.

"These changes, he added, are part of the new government's mission to improve life for tenants, recognising that more are renting and for longer in life.

LIVERPOOL LOSES LICENCE

The government has rejected Liverpool's application to renew its city-wide selective licensing scheme, hated by most landlords.

Liverpool City Council had proposed to renew the scheme for another five years, with the current scheme due to end on 31 March 2020.

The council was one of the first in the UK to launch city-wide licensing, which at the time was controversial, as it was originally intended to only be used in specific areas where it was necessary.

According to Liverpool City Council's website the Liverpool Express, housing secretary Robert Jenrick rejected the licensing scheme because the application "did not demonstrate robust evidence to support the existence of low housing demand across the whole city".

Liverpool's Labour Mayor, Joe Anderson, has said he will appeal the decision and is "confident" he will be able to retain a landlord licensing scheme in the city.

"We have had an encouraging dialogue with the government that suggests to me that we will be able to retain this scheme that is protecting people in their homes in this city. Government officials will be coming to Liverpool to discuss this and I'm confident we will find a solution."

The government plans to encourage more landlords to let tenants keep pets

NEWS

Some of Bristol's distinctive colourful housing

BUOYANT BRISTOL

It didn't make our list of property hotspots for 2020, but Bristol was the most searched for place outside London for buyers and renters in 2019, according to Rightmove.

Manchester and Liverpool were the next most popular for renters – showing the investment activity in these cities is backed up by serious rental demand. York and Glasgow came second and third in the list of the most popular places for prospective buyers.

In the capital, Canary Wharf was the most searched-for location for renters, while buyers honed in on Wimbledon.

Rightmove property expert Miles Shipside said: "There is a high demand for suitable housing in Bristol and its surrounding areas, as it's a vibrant regional centre with a strong local economy. Historically, there has not been enough new house buildings to cope with the shortage of homes, resulting in prices rising at a faster pace than many other cities in the UK."

The average asking price of property in Bristol is £316,410, around £283,000 cheaper than in the capital.

"In the last year the price of property coming to market in Bristol has risen by 2.3%, well above the national average of 0.8%. Though this is good news for those already on the property ladder, it makes it harder for first-time buyers to get onto it. These are dynamics that are likely to continue, making Bristol a good place to invest," added Shipside.

ROGUE TRAINERS

A new property training accreditation scheme is being set up to help people find industry-approved property courses.

The Property Educators Accreditation Scheme (PEAS) aims to professionalise property training and improve education by bringing together legitimate operators under one organisation.

The initiative answers calls for greater regulation and consumer protection in the industry following the tragic case of Danny Butcher – a former soldier who comitted suicide after trying to clear his debts by enrolling on a property course – as covered by the BBC's Inside Out programme. It's being led by the newly-formed Property Investors Bureau (PIB) with the help of an advisory board of trusted industry figures.

Established by the same team behind the Property Investor Awards, the bureau's mission is to "build a sustainable future for property investors whilst raising the standards and encouraging excellence in the property investment industry".

It has already had more than a dozen applications for accreditation, but has yet to approve any. The scheme is due to launch on 31 March 2020.

Paul Shamplina, founder of Landlord Action and one of the founding members of PIB, told Landlordzone: "This property education industry now has to take a hard look at itself and the good ethical trainers separate themselves from the 'self-confessed gurus', who are hard selling to people, some vulnerable but who should not be sold a course in the first place.

"Property education is essential, but only if it's taught properly," he added.

INSIDE THE HUB

A roundup of what Team Property Hub has been up to

TEAM BUILDING

We focused on our core values at the first quarterly get-together of the year and got stuck into some fun team challenges. If you follow us on Instagram you'll have seen the keepy-uppy game with balloons and some pretty epic bridge building out of cardboard boxes. We know how to have fun.

ON SCREEN

Our latest YouTube video digs into the truth about passive income. Believe it or not, not all property strategies are passive. Despite what you may have heard, you can't put 'no money' into a deal and expect it to earn you a passive income. It just doesn't happen. So, what strategies DO allow you to generate a passive income? Rob & Rob have the answers.

SAY HI

We've had not one, not two, but FIVE new starters join since our last issue went out – we couldn't fit them all on the sofa. They're all based in the Manchester office and have made a great impression on the rest of the team already. Head on over to Instagram to find out more about them and what teams they've joined.

GOING LIVE

The marketing team have been busy prepping for our first Property Hub Live event in London this April. If you've ever wanted to hear The Robs in person then this is your chance. They'll be there sharing their property knowledge and recording an episode of The Property Podcast live on stage. See you there **propertyhub.net/events**

MEET... ZOE

This is Zoe, our lovely customer care manager. She's worked here for four years, making her one of our longest-serving members of staff. Originally from Kent she moved to Manchester to be closer to her Property Hub family last year. She spends a lot of her time liaising with solicitors and brokers, getting everything in place so that things run smoothly for our Property Hub Invest clients. She loves helping people achieve their property goals and is itching to make her own first investment. When she isn't at work, you'll find her exploring and walking her dogs Tips and Yoda. Zoe likes keeping fit, especially running, but her guilty secret is that she goes for a run so she can drink more wine.

Fancy joining Zoe 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.

Calling out the contrepren

Mike Winnet has brought our attention to a shady world of self-styled property gurus pushing training courses that promise a life of financial freedom. But who is the man behind the satirical YouTube videos?

eurs

At 32 Mike Winnet's life changed dramatically. He and his three business partners sold their online training company which they had built up from scratch for £8m, netting them each a tidy sum of cash.

Realising how little he knew about managing his new wealth, he began educating himself. Coincidentally he was reading one of Rob Dix's books in 2017 when the sale of his business went through. "I didn't know enough about money," says Mike, who describes himself as a normal working class lad from Warrington. "I wanted to make sure I didn't fritter it away. That's when it all started."

He enquired about going on a few property investment training courses, but when he told them he had a lump sum of cash in the bank he says the voice on the other end of the phone changed and then the upsell came.

He spent months consulting with various different financial advisers, but discovered not one of them was actively investing in the asset or product they were pushing. "As crazy as it might sound, if someone tells me I can make £10,000 a month from investing in the Cayman Islands, I'd expect that person to be putting every spare penny they have into the Cayman Islands," he says.

"I didn't want them to just tell me what I could make, I wanted them to show me. Not one of them could. I get it, nobody does that, but I wanted to see the proof for myself."

Mike decided to take matters into his own hands and put the investment opportunities he was being offered to the test, documenting his experiences on YouTube. "I wanted my journey to be a guide, so if people like me get a lump sum of money, they've got somewhere to go that's completely unbiased and isn't trying to sell them something. Somewhere they can see the real returns and the highs and lows of investing in these different models."

Exposing the scam

Over the past few years he's ploughed almost £500,000 of his own money into a variety of schemes covering everything from property to cryptocurrency. He's done the training, sat through the courses and, in the process, opened a Pandora's box of scams, manipulation and sneaky sales tactics. What started out as a way to test the market and make some humorous observations quickly turned into a full on exposure of a highly unregulated industry.

"I kept hearing the same language, backstories and scripts being used, and the same people getting up out of the audience at different events to give testimonials. Then I realised there's a whole business behind it and these were professional testimonial-givers," he says.

The more Mike witnessed, the more he felt the need to out these self-styled gurus and their false claims. "I thought if I can expose them, it might help people not get fleeced and make better-informed decisions." He noticed most of them were Amazon bestsellers, so he went and published his own #1 bestseller (full of blank pages), to prove how worthless the tag is.

His video the Contrepreneur Formula Exposed, which we interviewed him about on The Property Podcast, breaks down the steps used to persuade people into handing over hundreds, sometimes thousands of pounds, in exchange for some kind of magic formula promised to fast-track them to financial success.

Mike Winnet recording the Property Podcast with Rob & Rob

"I kept hearing the same language, backstories and scripts being used, and the same people getting up out of the audience at different events to give testimonials. Then I realised there's a whole business behind it and these were professional testimonial-givers"

Mike knew the video would ruffle some feathers. He posted it with the disclaimer: "This video is going to get some hate". It did. But it got a heck of a lot more positive attention.

In the first year, the YouTube channel attracted 30,000 subscribers and Mike now has 110,000 followers on social media. As his influence has grown, so too has his threat to the organisations behind these big property training events. Some have pleaded with him not to make content about them. Others have filed copyright claims, but Mike isn't the type of guy to roll over easily. For him the real win is making people think twice about how they market these events. "I just wish it hadn't cost me nearly half a million quid to do it," he laughs.

Experience counts

Among all the get-rich-quick schemes and wealth creation courses advertised online, property training is one of, if not the most prevalent. Mike puts this down to it being an accessible form of investment: "Property is easy to get a basic understanding of rather than investing in cryptocurrency or stocks and shares. They're all big and scary online technical things, but because property is a physical asset inexperienced people seem to think it is the easiest way for them to escape the day-to-day rat race and become financially free. As safe as houses is a saying for a reason."

Property is also tied up in the perception of what it means to be successful: "Owning property is a sign of success, so if you can say you own ten properties that makes you appear successful, but in reality, there is so much debt and risk attached to it, so many people doing it wrong.

"There are so many downsides to property that these courses don't address and I think that's where the problem is. Too many people are coming to them thinking 'I'm going to do a two-day course and then I'll know what I'm doing'," he adds.

Mike knows from his own experience that life as a landlord is no easy road to riches. He bought his first flat – a repossession in Latchford – in 2008 and lived in it for two years before renting it out. "I was going to sell it and move on to the next stage, but at the time I worked for Legal for Landlords, so for four years my day-to-day conversations were about tenant issues.

"It made me realise being a landlord wasn't an elitist thing. It was something someone like me could do. I felt confident enough, based on my experience through phone calls and seeing the worst side of the industry, that I could keep hold of it and save up a deposit for my next property.

"That's what I've always done. I've never sold a property, I've always managed to keep hold of it and save enough to move up to the next stage of the ladder." He now lets out seven properties in total: six in Warrington and neighbouring Newton-le-Willows and one in Spain.

By his own admission Mike's strategy has been conservative, even still, he's had his share of hairy moments. His first tenant turned his flat into a brothel, and he's had others who've trashed properties and not paid rent. But even now, with eight years' experience as a landlord under his belt, he says he still wouldn't be comfortable doing some of the things property courses profess you can do with just a few hours of training.

Earning expertise

Long term Mike would like to see more regulation in the market, not just for those leading the courses but for those graduating from them too. "There needs to

INTERVIEW

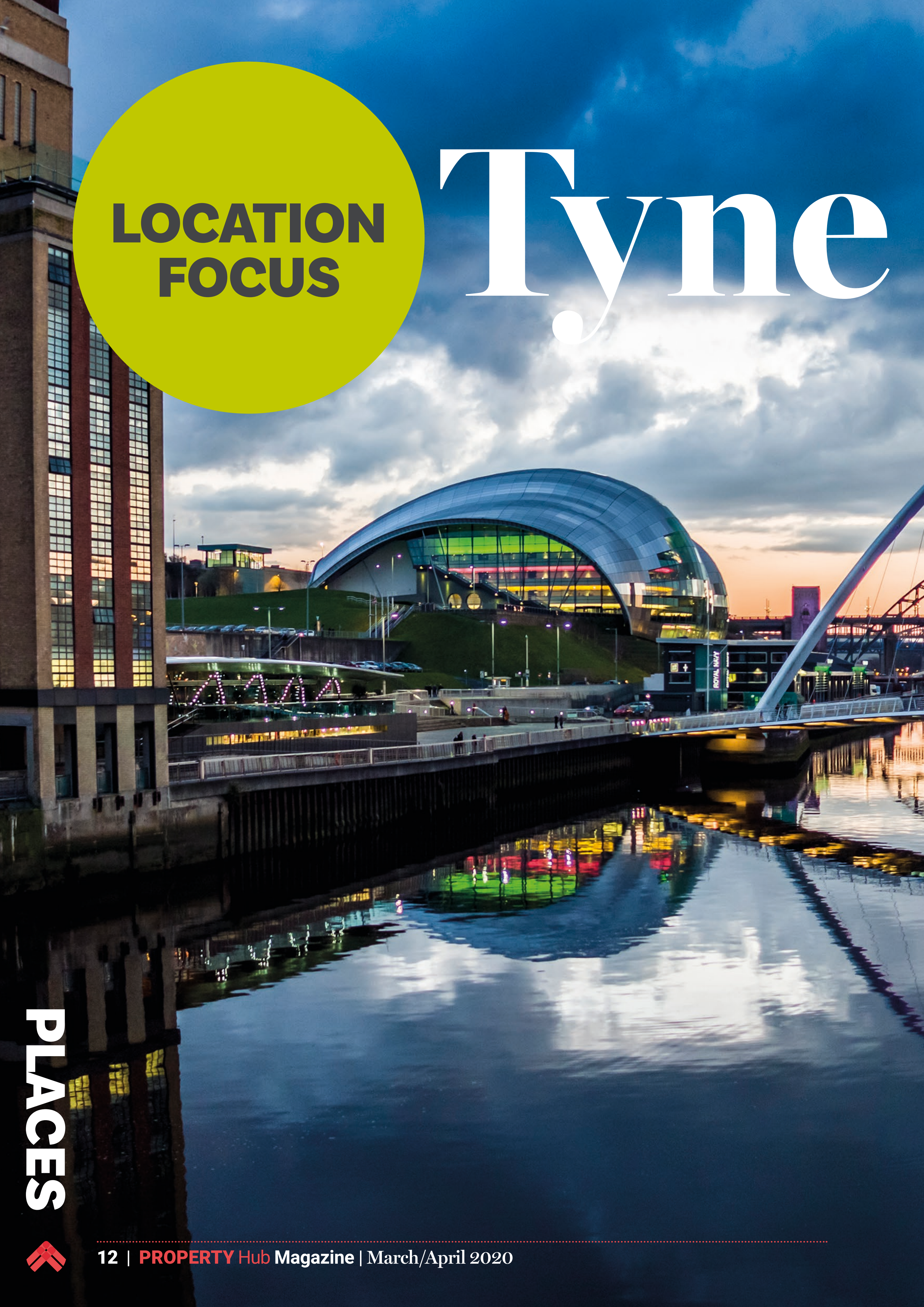
be some sort of qualification or minimum level of experience needed for (a) the person teaching this stuff and (b) the people coming off the the course."

If you're pitching yourself as a property sourcer, he argues that the minimum requirement should be to have actually sourced a property yourself at least once before using someone else's money to do it. Going on a 40-hour course does not make you an expert.

The point Mike's most keen to emphasise is that not all training courses are bad, and not everyone is out to steal your cash. Despite what people may think, he doesn't have a problem with people selling training courses, it's the ones that promise something they can't devier that he takes issue with. "There are good people in all these industries trying to do it the right way, but they get tarred with the same brush," he says.

"The people that know why I'm doing this are probably the good guys, the ones that have a problem with it need to think why that is."

Mike Winnet outside one of his rental properties



LOCATION FOCUS

Tyne

PLACES

margins

Newcastle upon Tyne has a unique place in the North East property sector, despite being one of several cities in close proximity to each other. Neil Cumins investigates what's happening north of the river

PLACES

If your school geography lessons were spent staring out of the window or doodling in your notebook, you might not realise how many towns and cities are clustered together in the north east of England. Sunderland and the post-war new town of Washington stand beside the River Wear, a few miles south of Gateshead and South Shields. Across the river, North Tyneside is home to coastal communities including Whitley Bay and North Shields. And immediately to its west is Newcastle upon Tyne – the cultural and spiritual heart of this densely-populated region.

To understand Newcastle, you need to understand its boundaries. And like several other UK cities, they're smaller than you'd expect. Eastern suburbs like Wallsend and Benton are governed by North Tyneside Council, Cramlington is officially part of Northumberland, and everything south of the river is classified as either Gateshead or South Tyneside. The city of Newcastle upon Tyne is home to barely a tenth of the north east region's total population, with these 270,000 residents living in predominantly low-rise housing. This ranges from Benwell's red-brick terraces and Denton's bay-windowed semis to the scorched-earth streets of the troubled Scotswood district.

Geordie shores

Newcastle's fortunes were made through shipbuilding and international trade, so it's fitting that the modern-day city's fortunes also rely heavily on the waterfront. Contemporary apartment developments extend for over a mile along the River Tyne's northern bank, facing onto the pivoting Millennium Bridge and Sage Gateshead music venue. The iconic Quayside will witness the construction of a new arena and business centre this year, but with few other waterfront gap sites currently available for construction, new-build development is increasingly focused on the city centre.

Living in central Newcastle has a number of advantages, not least avoiding gridlock along the overcrowded main roads. With few train services beyond the city's East Coast Mainline station, commuters mainly travel on the Tyne and Wear Metro. This extends from Newcastle's international airport through to Gateshead, Sunderland and the main towns of North and South Tyneside. The St James stop is a key interchange for the two primary Metro routes, and this is also the epicentre of construction work in Newcastle. The 27-storey Hadrian Tower complex is rising directly opposite the 24-acre Helix technology and science hub, which it's hoped will attract 4,000 graduates and professionals from around the world.

It's all academic

According to Richard Ponton, of local estate agents Walton Robinson, demand for property in central Newcastle is also being driven by the city's two acclaimed universities. "Around 35% of the student accommodation in Newcastle is purpose-built and there's a pipeline of 2,442 beds expected to arrive between 2020 and 2022," he says. "In the past six or seven years there has been strong growth in purpose-built accommodation development, and there is still an appetite from developers to be part of the student market."

The growth in build-to-rent schemes and purpose-built student blocks is having a transformative effect on some – though not all – former student heartlands, according to Richard: "Jesmond continues to be the heart of the HMO [House in Multiple Occupation] student accommodation in Newcastle, benefiting from a strong portfolio of large residential properties that are ideal for multiple occupation. Rents are performing well and remain at a lower level than purpose-built accommodation, which is returning yields of between 6-7% to investors. However, as more students are attracted to new city centre developments, districts like Heaton are becoming available for other types of tenants. Because they're further away from the city centre, these properties attract a lower purchase price, but they appeal to professional tenants and deliver good yields."

Byker groove

Although Newcastle has a stable (and proud) local population, last year's Brexit uncertainties contributed to house prices in the city dropping by 4%. "With the average house price in Newcastle hovering around the £153,100 mark, it shows a great opportunity for buyers, but not so much sellers looking for a quick flip," says local investor and developer Dave Brown.

Even so, Dave believes the city's long-term prospects remain strong: "The market demand is still high as Newcastle is a thriving and ever-growing city. The buy-to-let market has a great yield potential creating solid returns for any investor, and growth will see rents going up during 2020. There are areas that are consistently in demand for investment properties, such as Heaton and High Heaton, though you pay more for them as a consequence."

Investors looking for capital appreciation are increasingly turning towards Byker, best known for the titular soap opera that kickstarted Ant and Dec's careers. Dave identifies Byker as a suburb to watch: "It should receive a much-deserved uplift in prices over the coming years." This is partly due to ambitious proposals to construct Europe's highest viewing wheel on the waterfront nearby, though current rental yields aren't doing Byker's reputation any harm. Along with other working-class areas like Fenham, it's possible to achieve yields of 10% from Byker's unusual blue-roofed council houses and 1980s brick terraces.

Over at Daniel Craig Residential, director Daniel Gibson believes some sectors of the market are becoming

Baltic Centre for Contemporary Art and Gateshead Millennium Bridge

overcrowded: "The purpose-built blocks seem to have reached a saturation level, and there are a number of empty rooms in blocks that we are aware of. One and two-bedroom apartments in the city centre remain popular, but tenants are looking for higher standards now. Because of a higher supply of houses with the shift in the student housing market, lower-quality properties are taking a lot longer to let."

However, Daniel says other districts remain prosperous: "Heaton is still thriving and has adapted to a different market as students depart, while one of the most popular places in Newcastle for investors has always been Jesmond. We recently sold a four-bedroom property here for £305,000 which now achieves an annual rental income of £19,760 and a yield of 6.5%." Even though yields in this area are lower than in other parts of Newcastle (because capital values and capital growth are high), Daniel says void periods are rare.

Northern exposure

Daniel believes Newcastle's property market has coped well with the uncertainty of recent years: "The housing market has been very strong with high rental demand, and a steady supply of houses being bought and sold by both landlords and homeowners. We haven't seen a huge impact from the political problems, which are often felt more in the south."

Richard Ponton believes the city is in good shape going forwards: "Newcastle is a very aspirational city, and is undergoing a transformation that will support its target to be recognised as world-class. From an accommodation perspective, Newcastle remains a location where there can be transition from rental to home ownership, which makes it an attractive location for individuals and those settling into family life – and also for investors, with a steady flow of new tenants coming to the city."

SITES FOR SORE EYES

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

- **Quayside West**
  Reditum Capital's 18-acre masterplan for the old Forth Yards has been named after the iconic markets-and-cocktails Quayside. Behind the Utilita Arena, Quayside West is expected to deliver 1,200 homes, a hotel and a variety of commercial, retail and leisure spaces.
- **Hadrian Tower**
  This 162-apartment tower is set to become a local landmark, standing 83 metres tall and looming over the low-rise apartment buildings between it and the Newgate Shopping Centre. Curiously, it's being marketed at both first-time buyers and overseas investors.
- **East Pilgrim Street**
  Plans are afoot to redevelop gap sites and existing buildings along East Pilgrim Street, investing £300m over the course of this decade. The centrepiece would be a £200m leisure, retail and residential scheme, with potential to support 4,000 jobs.

The best places to invest in

Newcastle

Grey's Monument, Newcastle

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

- Best for high-end housing: Gosforth (NE3), Ponteland (NE20)
- Best for young professionals: Heaton (NE6), Gosforth (NE3)
- Best for students: Jesmond (NE2), Arthurs Hill (NE4)
- Best for transport links: city centre (NE1), Kenton (NE3)
- Best for yields: Byker (NE6), Fenham (NE4)
- Best for capital appreciation: Elswick (NE4), Byker (NE6)
- Best avoided: Benwell (NE4), Scotswood (NE15)

Reading the property patterns

Evidence suggests the UK property market is about to go through another boom, but with so many variables at play, can the past really help us to predict what will happen next? Chantelle Dietz investigates

Most people tend to think property prices go up and down at random. They do fluctuate, but they're far from random. In fact they follow a cycle and have done since the 18th century.

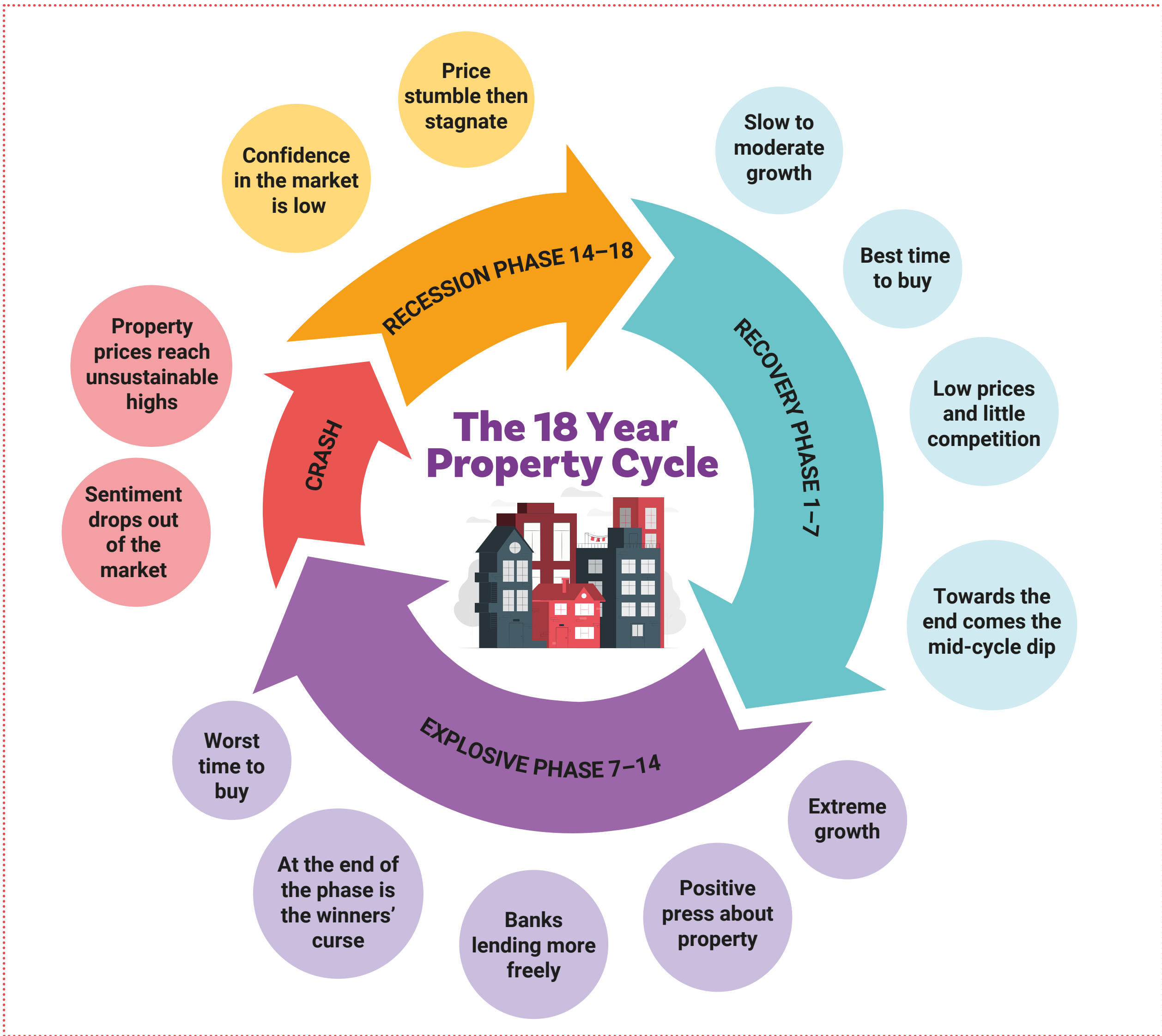
This cycle was first identified by the economist Homer Hoyt, and later made famous by Fred Harrison in his book Boom Bust. In the book Harrison observes there is a house price crash roughly every 18 years or so, give or take a year or two. By carefully studying data from property markets around the world over 200 years, he was able to accurately predict the house price crash of 2008.

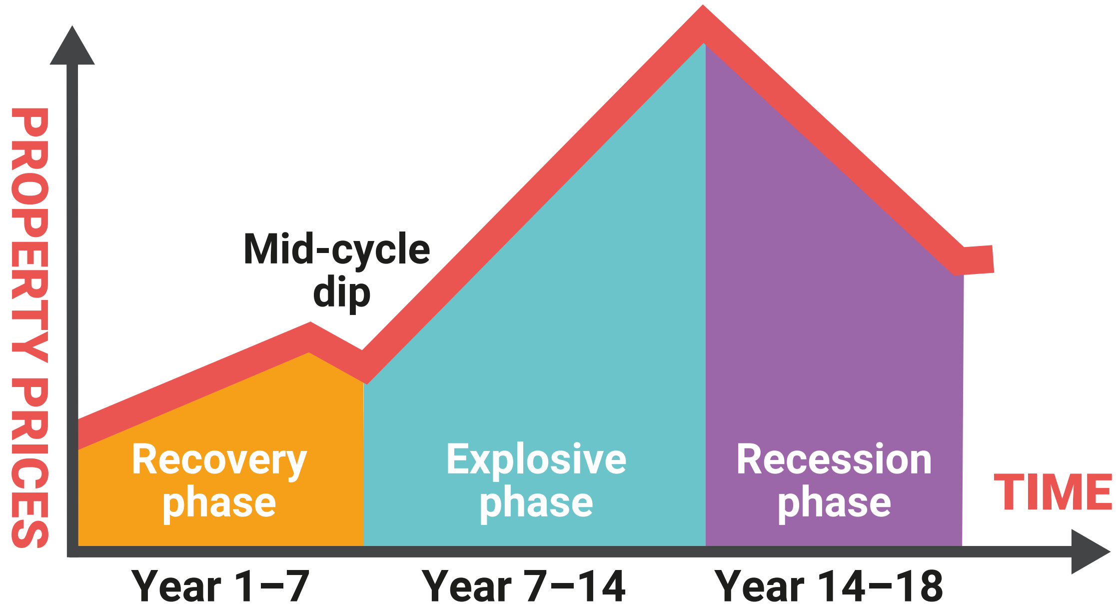
The reason property prices follow a cycle is all to do with the availability of land, or rather the lack of it. In times of economic growth, demand for land increases: people feel wealthier so they want bigger houses and businesses expand meaning they need more space. Because we can't just magic up land when we feel like it, demand soon begins to outstrip supply and pushes prices up.

People see this happening and speculate on prices growing further. The natural demand gets intensified by everyone jumping on the bandwagon trying to make an easy buck. There comes a point where prices reach unsustainable highs and property becomes unaffordable for the majority of people. Almost overnight the sentiment drops out of the market and that's when we get a crash.

Boom to bust and back again

There are four distinct stages within the cycle. First up is the recovery phase, which marks the start of confidence beginning to return to the market following a crash and lasts around seven years. Low prices and a lack of competition from amateur investors make this a prime time to buy – but only the bravest of investors are willing to take the risk – after all no one really knows how far prices still have to fall. Banks can be reluctant to lend at this stage in the cycle, so securing finance can





be tricky. Much of the early growth tends to be focused in city centres then ripples out from there.

Around year six or seven in the cycle this early confidence waivers and there's usually a mid-cycle dip or a correction. Property prices start to fall and it looks like we could be in for another crash. This wobble is usually brought about by some economical factor that makes people doubt whether things can really be on the up again (think Brexit). The memory of the last crash is still fairly fresh, so it doesn't take much to knock consumer confidence.

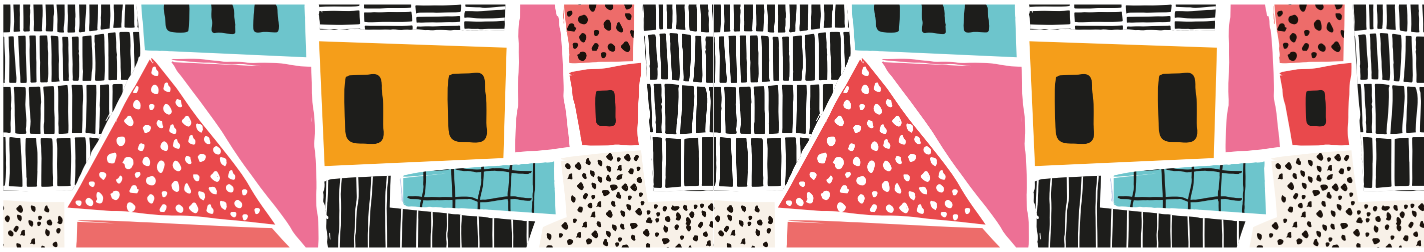
Wobble over and confidence on the up, we move into the explosive phase, a period of extreme growth. Clues this stage is in full swing include banks lending more freely, cranes on the skyline, major building projects getting underway and plenty of positive property coverage in the press.

The last two years of this seven-year window are what's known as the winners' curse: when every man and his dog gets excited about property and wants a piece of the action – a sure sign you should sit tight and not be tempted to buy, prices are at their highest and a crash is just around the corner.

After a crash comes the recession phase when both confidence in the market and prices remain low for around four years. At the time it feels like the dark days will never end, but then at some point the early investors get tempted back in and the whole thing starts over again. Each new cycle starts at a higher level than the previous one, so the long term trend in prices is upwards.

> "The last two years of this seven-year window are what's known as the winners' curse: when every man and his dog gets excited about property and wants a piece of the action – a sure sign you should sit tight and not be tempted to buy, prices are at their highest and a crash is just around the corner"

COVER FEATURE



The whole cycle takes around 18 years to complete, but it's important not to get too hung up on the exact timing. "If you're looking at the cycle and trying to set your calendar by it to decide where and when to buy and sell then you're going to be led astray," says Rob Dix. "Some cycles are shorter and some that are longer, it's never exactly 18 years. You don't have to get in at the absolute lowest point and you don't have to get out at the highest point. You just have to be in the right phase."

Back to the future

The current cycle began back in 2012, which means we should now be heading out of the mid-cycle dip and into the next phase of growth. But with Brexit uncertainty and property prices across the UK experiencing different levels of growth over the past few years, can we still rely on the cycle to do its job in providing a framework to guide our investments?

Rob believes Brexit has had little impact and is confident we're still on course to enter into the second phase of growth: "If you pick any 18-year period in history, there's always been some kind of major event that's happened that you would think would have had an effect on the cycle. Maybe they all do to some extent, but the pattern over time still holds. Brexit may have extended the mid-cycle dip but that's about it, it hasn't changed the shape of the cycle."

He explains why property prices across the UK appear to be so out of sync: "The whole of the UK is governed by the same interest rates, the same economic policy and the same politics, so you'd expect everything to be the same, yet within the UK you've got mini markets each with their own individual cycles because there are different things going on in each location.

"London, for example, tends to get into growth earliest in the cycle because when the recovery happens economically, it tends to happen in the capital first then spread out from there. The North West is that little bit further behind in the cycle, so has its growth a little bit later, whereas places like the North East are yet to see any growth.

"Some places are further along than others, but they're all in roughly the same stage at the same time. They're just variations within the larger UK cycle. It would be really weird to see London in the midst of a boom at the same time the North East was crashing, it just wouldn't happen. You can extrapolate this out even further: the UK is just part of a global cycle – its fortunes are very much linked in with the US and Europe – so again it would be very unusual to see a crash going on in the US while the UK was booming and completely unaffected."

The next phase

So what can we expect from the next stage of the cycle? Will property prices soar as quickly as they did last time, or can we anticipate a steadier rise over the next seven years or so? In Rob's opinion the explosive phase won't be as extreme this time round. "We've already seen a fair bit of growth in the early stages, especially in the south east, where there was some really rapid growth in the first half of the cycle, therefore I think it's probably going to be a little bit more muted in the second half, but still pretty good.

"There are some areas however, where I think that's not going to be the case. They haven't had the same level of growth yet, so the explosive growth is yet to come. Areas like the Midlands and the North West definitely fall into that category."

Whatever comes next, with knowledge of the property cycle you'll be in a much better position to avoid making the wrong move at the wrong time. "Understanding the cycle prevents you from getting overly excited at the top when everything seems to be growing really fast. You know it's not going to last forever, you know a crash is going to come so you can be a little bit cautious," says Rob. "Similarly, when there is a crash you know prices are going to come back up again. Even if that's the only bit you take away from the cycle and you throw out the rest, it will make a huge difference to your investing."

If you want to extend your knowledge about the 18 year property cycle, take the Property Hub University course at propertyhub.net/university

COVER FEATURE

Property cycle timeline
A look back since the last crash

2008
The crash brings chaos. The whole banking structure is in turmoil

2009
Property prices still falling, interest rates drop to 0.5%

2010
Credit market all-but dries up. Prices bottom out

2011
Pound collapses. Foreign investors pile into London

2012
London leads the way out of recession. Still a lot of media negativity around

2013
UK buyers start to warm up. Uncertainty and low interest rates make it a good time to buy

2014
Market starts to hot up. London prices go beyond what many people can afford

2015
Greater London benefits from the ripple effect. More mortgages become available.

2016
Pound collapses. Foreign investors pile into London

2017
London leads the way out of recession. Still a lot of media negativity around

2018
The mid-cycle wobble hits. London is stagnant at best. UK investors start to invest in other cities

2019
Not much happens, everyone awaits the outcome of Brexit

2020
The new year kicks off with positive property stories in the press

In it

School friends Louis and Reece worked evenings and weekends on their first property refurbishment – now they plan to reinvest their profits in a new project. Leah Milner reports

Left: Louis & Reece's two-bed terrace in Norwich

Above: kitchen after the refurb

Right: kitchen before the refurb

together

Childhood friends Louis Champain and Reece Cleveley had already bought one property together when they decided to team up on a major renovation project just over a year ago. While many people are wary of going into business with friends or family, the pair seem to have hit on a winning partnership. The 25 year-olds are both entrepreneurial and chose to jump straight into their careers rather than heading to university. Louis started his own landscape gardening company, while Reece took over management of his family's wholesale butchery and delicatessen. But they had always talked about launching a joint venture together and property seemed to offer the perfect opportunity to combine their skills.

First-time landlords

The friends, originally from Southwold on the Suffolk coast, took their first step onto the property ladder in 2017. They had been living with their parents and were each keen to get a place of their own, so they pooled their savings and bought a three-bedroom mid-terrace in Norwich. It was in an area called the Golden Triangle, which is unique in that it appeals to young professionals, families and students. The pair lived in the house for a year before turning it into a four-bedroom student let by converting one of the two downstairs reception rooms into an extra bedroom.

Seeking inspiration

The property had been freshly renovated when they bought it so didn't require much work, but seeing how much the seller made by upgrading the house inspired Louis and Reece to seek out their own refurbishment challenge. "We have always been quite keen on going into business together as we are both driven to make money and be successful," says Reece. "Property development suited us because it requires a good mix of hands-on, practical and business skills. We thought it could ultimately provide us with a passive income that would be a good bolt-on and fit around our day jobs. You can pace the work around everything else you have going on in your life." Reece started listening to The Property Podcast on his drive to work and got Louis into it too. "Listening to Rob and Rob gave us a lot of confidence to get started and give it a go," says Louis. "Also, our mate from school was an estate agent and he told us countless times about investors who had come in and the profits they had made."

Spotting an opportunity

The pair set about trying to find the right project and decided to see if they could pick up a bargain at auction. "We looked at the pre-auction catalogue and there were a few properties we were interested in, so we got up at 6am on the day and ran around to nose through the windows," says Louis. "But we watched those properties come up for auction early and go for silly amounts. Then there was a two-up, two-down mid-terrace in the Golden Triangle that we thought was going to be too expensive, but in the event it didn't make its reserve price. We went to the auctioneers afterwards and asked to go and look around. Then we made an offer of £163,000 which was accepted." In order to get that price, the pair had to promise to complete within 28 days, but it was just before Christmas and they didn't have a mortgage in place. It turned out to be an incredibly stressful few weeks as the solicitor they had chosen was not on the

CASE STUDY

Above: Front room after refurb

Left: Front room before refurb

LOUIS AND REECE'S TIPS

- **Think carefully about the order in which you carry out work so that you don't have to go back and do jobs again**
- **Plan ahead so that you can buy in bulk and get discounts – we wasted a lot of time driving around in the daytime traffic when we ran out of materials**
- **Make sure you have finance in place if you are thinking about buying at auction**

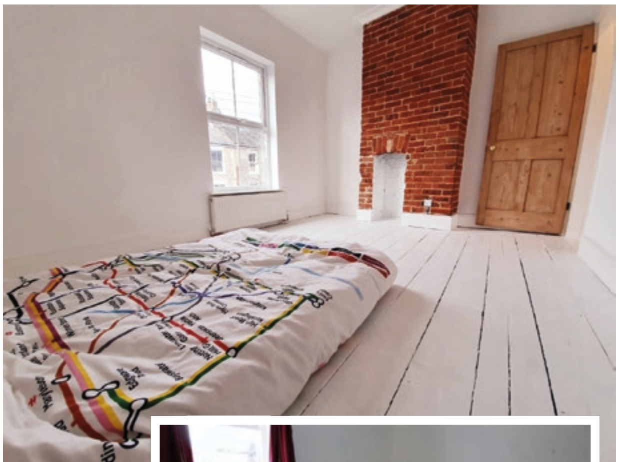
panel of the lender they were using, prompting delays and extra costs. In the end they were given a two-week extension, but still missed the completion deadline by a few days and were fined several hundred pounds.

Work in progress

By the end of January they had the keys to the property and the hard work could really begin. It had been rented out for the past 20 years and was extremely dilapidated. The landlord had decided to offload the property when she moved out of the area. "It was in a terrible state. The pictures don't do justice to how bad it really was," says Reece. "The carpet was thin and grubby, the walls were stained yellow and it smelt like an old people's home. Everything was greasy and mouldy, so we gutted the whole place within the first couple of weeks. It was absolutely disgusting. The kitchen was this horrible green colour and had been thrown together in a bad DIY job. It was so narrow that you couldn't open the oven door fully as it hit the cupboards on the other side."

Staying on site

All of this would be hard enough to deal with if you could retreat back to a comfortable home at night, but in order to save money, Louis and Reece decided to live in the property while carrying out the work. "We had weeks without any heating or water. We were sleeping in an upstairs bedroom, with our two mattresses on the floor and our clothes in tupperware boxes to keep them clean," says Louis. "There was a major damp problem so we had to hack off the plaster downstairs to inject a damp-proof course. We also chipped all the plaster off the chimney breasts to expose the brickwork. All the brick and plaster dust went straight through the ceiling and floorboards. We would go upstairs at night and shut the bedroom door, but it would still get into our bed sheets and on our clothes."



Above: Bedroom after refurb

Right: Bedroom before refurb

In it together

Bathroom after refurb

Teach yourself

Apart from the electrical rewiring, gas, plumbing and plastering, Reece and Louis did all the other jobs themselves, using YouTube tutorials to plug any gaps in their knowledge. This included fitting new windows, a set of french doors and laying new floors. "The boards downstairs were like a trampoline," says Reece. "They were all over the place so we had to rip it all up. We went to a salvage yard to look at reclaimed flooring but it was hellishly expensive and we heard that it's horrible to work with. But we found this yard that produced flooring made from reclaimed scaffolding boards which was much better."

Learning curve

One mistake they won't make again was to get all the plastering work done before the electrician had been to do the rewiring, which meant parts of the house had to be patched up again. They also had a bad experience with the electrician who took much longer than promised. "He was recommended to us by the plasterer, but he was an absolute nightmare," says Louis. "A job that was meant to take two weeks ended up taking more than three months and we had to threaten him with legal action. Eventually we got someone else in to finish the job."

Banking a profit

It was a hard slog, but after around 600 hours of work, including some help from friends, Reece and Louis finished the project in September and put the house on the market. In all they spent around £17,000 on the building work, which was slightly over budget, but the pair say they made a deliberate decision part way through to spend a little more in order to get a higher quality finish. In December they accepted an offer for £230,000, which means that after development costs and legal fees they have pocketed a shared profit of £47,000.

Future plans

Louis and Reece plan to reinvest their profit in a new property project, but they have not yet decided what form that will take. The friends believe there is a window of opportunity to pick up some bargains before the housing market gets back up to speed. "We're going to put down some cheeky low offers and see who is desperate to sell," says Reece. "We have got the funds to put down a deposit on two new properties, so we'd look to live in one while renovating the other and then swap. I don't think we would stay on site again. We were absolutely knackered from living in a hell-hole for so long. That little bit of cash that we have made will enable us to make our next project less painful."

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

Louis and Reece's two-bed terrace in Norwich

Purchase price: **£163,000**

Deposit/reservation fee: **£16,300**

Mortgage/finance amount taken: **£146,700** at 3.24%

Professional fees: **£3,000**

Development costs: **£17,000**

Sold price: **£230,000**

Profit: **£47,000**

Raising the bar

From gift packs to cinema rooms, John Fitzimons talks to landlords going the extra mile to keep their tenants happy

FEATURE

Photo: Maygreen Investments

'Getting to know you' pizza parties, fridges stocked with prosecco, and big-screen TVs are just a few of the offers available to tenants

"It's not one thing individually – it's an attitude and a package. We want the tenants to feel they are in an environment in which they are cared for," says Rob Hodge, founder of Maygreen Investments.

He's just one of a host of landlords taking a more innovative approach to what they offer tenants, in a bid to develop a more long-lasting and positive relationship.

Rob and his wife Sarah own a growing portfolio of Houses in Multiple Occupation (HMOs), predominantly in the North West. Rob describes them as "social HMOs" designed to boost the mental wellbeing of tenants and encourage them to stay in the property for longer. Their latest project, an eight-bedroom HMO in Bury, will have its own dedicated cinema room.

Landlords like Rob are increasingly responding to the challenge thrown down by build-to-rent providers, whose properties are designed and built with the needs of specific tenants in mind from the outset. Consequently, these providers are able to expand their offering far beyond simply a nice place to live in and include features like on-site gyms, round-the-clock concierge services and even social activity through the likes of wine tasting sessions and supper clubs.

While the build-to-rent sector remains modest in the UK, it is growing. Figures from the British Property Federation found that between Q3 2018 and Q3 2019 there were 148,046 build-to-rent homes complete, under construction or in planning, an increase of 20% on the same period the year before. As a result, individual landlords are more likely to find themselves in competition with build-to-rent providers in the future. So what lessons can they take from the build-to-rent firms, and how can they be more creative in keeping tenants happy?

Kexgill Group popup barber's shop for Hull University student tenants

Thinking outside the box

The Kexgill Group, a privately-owned landlord business focusing on offering student accommodation across the north of England, is one firm that's attempting to do things differently.

Elliot Becker, its brand manager, explains that the student accommodation market has become incredibly competitive over the past decade. The growth of purpose-built student housing has pushed landlords to think outside of the box and ensure the service and standard of home they offer is of the highest quality.

Elliot explains that as well as hosting BBQs for all new tenants every year, Kexgill offers regular giveaways too. "Whether that's tickets to local events and comedy nights or Facebook competitions, such as pumpkin carving competitions at Halloween, where the winner won £100. One particularly well-attended event was the pop-up barber shop we opened for our tenants, where they were able to socialise and get haircuts for a cheap price."

The firm also partnered with the University of Hull to develop a University Quarter, what it describes as a "hybrid hall", with tenants enjoying free and unlimited broadband, alongside other perks like TVs and games consoles.

The scale of some of Kexgill's projects may be beyond the reach of many landlords, but the fundamentals behind its determination to offer something a little different in order to stand out from the crowd apply to all property investors, large and small.

"One particularly well-attended event was the pop-up barber shop we opened for our tenants, where they were able to socialise and get haircuts for a cheap price"

Feedback is crucial

For Rob Hodge, getting feedback from his tenants about what innovative features work – and which don't – has been vital in adjusting his approach. Each of his properties has a dedicated WhatsApp group overseen by a virtual assistant. Rob says it's given him a greater insight into the happiness of his tenants than just relying entirely on a letting agent.

Moving into a shared house with five or six existing residents can be a daunting experience, but the WhatsApp group has helped to ease introductions. "Whenever a new tenant is coming in, the virtual assistant notifies everyone else in the WhatsApp group and tells them a little about the new tenant and when they'll arrive," says Rob. "We're also looking at introducing a 'get to know you' night where we pay for pizzas."

In the past Rob used to put a TV in each room, allowing residents to then add their own streaming service accounts. But he soon dropped it, as it became clear it was promoting tenants to isolate themselves in their rooms. "In the latest project, there's a 65-inch TV, so it's a real place to get together and watch something as a group. In each property we do one big TV in an open space and pay for a Netflix account – the idea is to encourage them to sit together, we are promoting them doing things together," he says.

Understand your market

While a big TV and free pizza are likely to be a win in any tenant's eyes, it's important to consider what improvements will be most meaningful to your particular tenants. One hubber who wanted to remain anonymous told us how he specialises in providing high-end rental accommodation for students coming from Middle Eastern nations to study in the UK.

He explained how taking taxis to and from the airport can cause issues due to religious customs, so once the tenants are familiar with him, he handles transportation himself. He also looks after the management and payment of the utility bills on their behalf and accompanies them to the council tax office to obtain student exemption status.

"My tenants in this type of accommodation do not drink alcohol or go to night clubs or parties, but socialise with same gender student friends – often from Middle Eastern countries – within their own accommodation. They often want to know details of high-end clothes and other luxury goods stores and food shops within the city as they are from fairly wealthy families and are paying high sums of money to study here. That brings its own pressure in terms of the fear of failing exams as it brings shame on their families."

In addition, if the tenants are remaining in the UK over the Christmas break, they are provided with special gift packs including things like chocolate, biscuits and non-alcoholic drinks "to make them feel at home."

This personal approach is backed by Chris Dale, chief executive of Investa, an interior design firm that works with landlords to kit out rental properties. Chris says there's been an increase of late in individual landlords looking to go the extra mile, citing the combination of mass numbers of units competing in the same development, the added services offered in build-to-rent developments, and even the personalised service on offer when renting through Airbnb as having "really struck home" for savvy investors.

"We've been asked to fill fridges with specialist waters, and provide welcome boxes with all the necessities tenants need for their first night," says Chris. "One tenant was asked about their sleeping preference so the landlord could select the right mattress before they arrived. I've also known a landlord book a local restaurant near to the apartment on the first night and pay for it for the tenant so they feel 'at home' in the area. They see it as a small cost to keep a consistent tenant that continues to renew."

A little goes a long way

If you're reading this thinking it all sounds a bit over-the-top and expensive, it doesn't have to be. Plenty of landlords say the small gestures are often the most effective in generating positive feelings among their tenants.

Mandy St John Davey, a landlord for more than two decades and the national vice chair of the Women in Property campaign group, says: "When a tenant moves in, they'll have a small potted plant or some flowers waiting for them, and I'll go and welcome them as well. It can just be a fleeting visit, but it helps to start build a relationship."

She'll maintain this positive relationship over the course of the tenancy then, at the end, she likes to meet them and give them a thank you present. "Those tenants are the ones that give your details to friends and family," she adds.

Ben Bacon, who has a portfolio of properties in both London and northern England, employs nice touches usually associated with holiday lets, such as putting a bottle of Prosecco in the fridge on moving in day. He suggests this has the dual benefit of both making the tenant feel welcome, but also reassuring them that you're a real person rather than just some "absent financial beneficiary".

Rob Hodge is effusive about the benefits of small touches, noting that one thing he does which costs nothing but makes the tenant feel great is send them a birthday card: "Our virtual assistant has every single tenant's birthday and a reminder set in the calendar. She goes on to Moonpig and sends out a card to the tenant from us, and every single time we get a lovely message back. It's the little touches that take us no time at all, but makes the tenant feel you really care about them."

What's clear is that doing the bare minimum and expecting a property to essentially sell itself, is no longer going to cut it. If landlords want to stand out from the competition, and secure tenants that are happy in the property for years at a time, they need to go the extra mile and deliver something more. And thankfully, the most valued additional services don't need to cost a fortune.

James Eccleston

Many happy returns

James Eccleston tells Neil Cumins how his recent purchase of a townhouse in Nantwich could achieve a remarkable 35% return on investment, despite an impatient vendor and a potentially lethal boiler

CASE STUDY

Above: James Eccleston's townhouse living room after the refurb

Above right: bedroom after the refurb

Right: bathroom after the refurb

Below: house exterior

Successful property investments are often due to a combination of factors, from diligence and determination to sheer good fortune. And that's certainly the case for civil servant and property investor James Eccleston. Over the past decade, he's been in the right place at the right time more than once, yet his healthy property portfolio has been assembled using a considered blend of ingenuity, patience and meticulous market research.

James's journey started in 2009, when he bought his first home near Stansted Airport at arguably the best time in the 18-year property cycle. An ambitious offer of £155,000 on a flat previously worth between £220,000 and £230,000 was accepted by a desperate developer, establishing the principle that low bids are sometimes accepted in specific circumstances.

Five years later, during his first visit to his sister's new home in Crewe, James realised there were more bargains to be had outside the overheated South East market. "I saw a For Sale sign on a small terraced house just outside Crewe station," he recalls. "When I spoke to my sister's husband about the property, he said a house on this road could be picked up for around £50,000, and rented out for £500 per month."

Finding the right path

After a year of intensive saving, James and his wife-to-be had a £25,000 deposit and an undefined plan to invest in north west England. Yet he nearly took a wrong turn: "I almost fell into a trap on Rightmove, where a developer was selling student pods in Liverpool and Manchester. I thought the guaranteed returns and low prices looked good, but then I discovered an article by Rob Bence explaining the pitfalls of student pods. I had a free consultation with someone from RMP Property and learned a huge amount from that, before being referred to Property Hub. I spent the next six months immersing myself in The Property Podcast, Property Hub website and Rob Dix's books."

Without this research, James admits his

Far left: kitchen after refurb

Near left: toilet and shower after refurb

Below: master bedroom after refurb

property journey might have been short and unfulfilling. "If I'd ended up buying that student pod, it wouldn't have been a particularly good investment. I'd have used all my capital in one go, and I suspect my journey would have ended there." Instead, he and his wife methodically assembled a portfolio of terraced Victorian houses in Crewe. Yet it was an opportunity in the desirable neighbouring market town of Nantwich that proved to be his best investment. James hadn't previously looked at homes here, but eventually turned to Nantwich after running out of properties to bid on in Crewe.

24 days later

James found five semi-detached townhouses for sale with different agents across a sprawling Nantwich estate, and made offers on all of them. All five were initially rejected, but then one selling agent got back in touch. With echoes of James's first property purchase almost a decade earlier, the house had been bought by a developer who was now desperate to sell. An offer of £155,000 seemed ambitious on a property advertised for sale at £197,995, but the developer's year-end was approaching: "At the end of the financial year, developers like to have as much capital as possible to reinvest in the year ahead," James says. "Two weeks later, the agent came back and said the developer would accept my offer if I could complete within 24 days to meet their financial year-end. If we missed the deadline, regardless of what expenses had been incurred, they'd have pulled out of the deal and I'd have lost various fees and advances."

A race began to secure finance and complete within an extremely tight timescale. Fortunately, James could call on a very good mortgage broker: "I contacted

RUNNING THE NUMBERS

This is how James's Nantwich townhouse stacks up financially

Purchase price: **£155,000**

Legal fees and searches: **£1,600**

Stamp duty on additional property: **£5,250**

Mortgage broker fee: **£395**

Home Buyers Report: **£450**

Refurbishment (new heating system, decorating, deep clean): Approximately **£3,500**

Total capital invested: **£166,195**

Future refinance on property valued at **£210,000** at 75% LTV will draw out **£157,500** in capital

Monthly rent: **£800**

Gross yearly profit: **£9,600**

Yearly expenses (letting fees, limited company mortgages, etc): **£6,528**

Net yearly profit: **£3,072**

ROI: **35%**

him straight away, and we looked into bridging finance and bridge-to-let products. They sounded fantastic, but he said it wouldn't be any quicker than applying for a normal mortgage. We went back to the broker and asked if we could get a further advance on an offset mortgage on another property we've got, which would give us a chunk of capital to make a cash purchase. Within half an hour, my broker said we could take out the extra £50,000, which gave us just enough money to buy the Nantwich house in cash. We received the funds into our account within a week."

Although this deal tied up all James's money in one property, he plans to take out a mortgage later this year once refurbishment works have been completed. However, what should have been a simple decoration job became more costly and complex when a heating engineer discovered the townhouse's boiler was emitting a potentially lethal level of carbon monoxide: "Annoyingly, because the house was built around 2003 using an unusual and now obsolete heating system that's not compliant with current building regulations, we couldn't do a like-for-like swap. We've had to install a combi boiler which is going to cost around £2,700, which is a bit of a hit. We thought the house was just going to need a lick of paint and a deep clean."

HOW TO CLINCH A BMV BARGAINS

These are James's tips for securing a property well below its asking price:

1. Recognise opportunity in negative times and ignore that negativity
2. Play the numbers game, viewing loads of properties and offering on everything if your offer works for you
3. Be organised and systematic in making offers, recording them and always following up with selling agents at regular intervals
4. Be reliable and professional with estate agents, building a reputation with them and using that reputation to achieve future deals
5. Find out what the vendor wants (such as a quick sale) and try to satisfy their aims, so you can make a more persuasive offer
6. Have a network of top professionals around you, to ensure you're able to continually live up to your reputation

Returns policy

Even so, a low initial offer meant James has achieved an impressive return on investment (ROI) on the Nantwich townhouse: "The ROI shocked me, and I went through the spreadsheet a couple of times to check my figures. Even if the house is only valued at around £200,000 by the mortgage lender, we'll make a very healthy ROI. Interestingly, if we didn't refinance and left the cash in, the ROI would only be around 5.2%. A lot of people fear debt, but it's important to understand the difference between good debt and bad debt. In this particular deal, by recycling our deposit and not leaving our capital in, we're going from a 5.2% ROI to 35%, which makes a huge difference."

James has some sage advice for anyone wanting to emulate his policy of making low offers. "My strategy is to go in at a low price, but if the survey comes back with damp needing sorting or the boiler needing replacing, I know the offer is so low I'm still getting a good deal. Selling agents know I'll be true to my word, which gives me a lot of leverage with them." He also recommends explaining why an offer is below market value: "I always approach people in a professional way, introducing myself as an investor looking to achieve a certain yield or ROI, which gives them an early heads-up that a low offer is going to come through. I check the comparables to see what a property is worth, based on previous selling prices and property information. Then I send an email with a detailed explanation of how I came to that figure and why my offer needs to be at that price. I'll justify my offer, rather than just ringing up and saying 'I'll give you this for it', which might get their backs up.

James says the biggest lesson he's learnt is that property is a numbers game. His main goal is to get his capital to work hard by leaving as little money in a deal as possible. "It's really about making offers on as many properties as you can. Understand the value of each property, how much you want to leave in it, and that determines your price. Then you've got to work out how you're going to appeal to that vendor. Most of the time it won't work, but you have to be systematic and persistent. I keep a spreadsheet listing every offer I've made, and I follow up every offer a week or two later. By talking to selling agents and being professional with them, you can get them on-side, so they're almost representing you rather than the vendor," he explains.

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

CASE STUDY

Stamp duty shake-up

Stamp duty could be in for an overhaul this spring. Emma Lunn outlines the current rules for investors and what changes the 2020 Budget might bring

What is stamp duty?

HMRC charges Stamp Duty Land Tax (SDLT) on property transactions where the value exceeds certain thresholds. It is paid by the buyer and is a significant cost that should be factored into a property investor's budget when expanding a portfolio.

SDLT is calculated as a percentage of the purchase price of the property you're buying. Rates are tiered, so you'll pay different stamp duty rates on different portions of a property's value.

The rules are different for England and Northern Ireland, Wales, and Scotland. To make matters more complicated, there are different rates for: first-time buyers, someone purchasing their main or only home, anyone buying a second property, and non-residential or mixed-use property.

Rates in England and Northern Ireland

Since April 2016, anyone buying a second home in England and Northern Ireland has paid a 3% surcharge on standard SDLT rates. Most landlords and property investors will fall into this category (with the exception of first-time buyers who plan to let the property).

No SDLT is payable on properties costing less than £40,000. After that landlords and property investors pay 3% SDLT on the portion of the purchase price between £40,001 and £125,000; 5% between £125,001 and £250,000; 8% between £250,001 and £925,000; 13% between £925,001 and £1.5m; and 15% on any value over £1.5m.

During his election campaign Boris Johnson said he would consider raising the stamp duty threshold from £125,000 to £500,000 and cutting the top SDLT rate from 12% to 7%. The prospect of this happening looks promising, but it is unclear whether the reform will encompass the 3% surcharge attached to the purchase of second properties.

Rates in Wales

If you're buying a property in Wales, you'll pay Land Transaction Tax (LTT) to the Welsh Revenue Authority (WRA). As with England and Northern Ireland, second property buyers in Wales also pay a 3% surcharge on standard rates.

Landlords and property investors pay 3% SDLT on the portion of the purchase price between £0 and £180,000; 6.5% between £180,001 and £250,000; 8% between £250,001 and £400,000; 10.5% between £400,001 and £750,000; 13% between £750,001 and £1.5m; and 15% on any value over £1.5m.

Rates in Scotland

Buyers in Scotland pay Land and Buildings Transaction Tax (LBBT) to Revenue Scotland. If you're a landlord purchasing a buy-to-let property in Scotland, you'll need to pay an 'additional dwelling supplement'. This means you'll be charged an extra 4% on top of the standard LBTT rates – the surcharge was 3% up until January 2019.

No LBBT is payable on properties costing less than £40,000. Landlords and property investors in Scotland pay 4% SDLT on the portion of the purchase price between £40,001 and £145,000; 6% between £145,001 and £250,000; 9% between £250,001 and £325,000; 14% between £325,001 and £750,000; and 16% on any value over £750,001.

Stamp duty reliefs

Investors may be eligible for SDLT relief in certain situations – this will reduce the amount of SDLT paid.

In England and Northern Ireland you can claim Multiple Dwellings relief when you buy more than one dwelling in a linked transaction. It is the purchaser's choice whether to claim the relief. If you choose to do so, to work out how much you'll need to pay, divide the total amount paid for the properties by the number of dwellings, work out the tax due on this figure, and then multiply this amount of tax by the number of dwellings.

The minimum rate of tax under the relief is 1% of the total amount paid for the dwellings.

Some landlords who bought uninhabitable properties could be due a SDLT rebate following a court case last year. The Housing Act of 1957 dictates that a habitable property is one with a functioning kitchen and bathroom.

Paul and Nikky Bewley purchased an asbestos-ridden bungalow in Weston-Super-Mare for £200,000 and paid the higher rate of SDLT due to owning other properties. But the couple later took their case to the First-tier Tax Tribunal and argued that the surcharge was not payable as the bungalow wasn't fit to live in. The tribunal found in their favour and declared that the couple were only liable for the standard SDLT rate.

Investors should bear in mind that although there are some tax advantages to buying a property through a limited company, paying less stamp duty isn't one of them. In fact, if you already own a buy-to-let property and decide to set up your property business as a limited company, you'll essentially have to pay SDLT again when you 'sell' your property to your company.

However, companies in the same group may be able to claim relief when buying or selling property to or from each other.

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

Replacing your main residence

If you are moving house and buy your new one before selling the old one you'll initially have to pay the 3% second home surcharge, but – providing you meet the right criteria – you'll be able to claim this back later on.

For this relief to apply you'll need to be 'replacing an only or main residence' with your new purchase. The rule applies to purchases which completed after 26 November 2018 and there is a three-year time limit by which the purchase of your next main residence should be completed following the sale of a former main residence.

Investors buying mixed use properties – for example, shops with flats above – may also be able to avoid the second home surcharge as mixed use properties are subject to SDLT at commercial rates which are exempt from the higher rate SDLT.

However, the applicability of the mixed-use classification is very much on a property-by-property basis dependent on the individual facts – investors should take professional advice about this type of relief.

The additional surcharge for non-UK residents purchasing property

As it stands, non-UK residents pay the same stamp duty rates as UK residents with the same exemptions, reliefs and surcharges applying.

However, the government is considering introducing a stamp duty surcharge on properties purchased by non-UK residents. It is currently analysing feedback on a consultation into introducing a 1% surcharge, although there is a chance this could be raised to 3%, as outlined in the 2019 Conservative election manifesto.

If an additional charge does come into effect, it will also apply to limited companies which are controlled by one or more non-UK residents.

A non-UK resident is normally someone who has spent less than 183 days in the UK in the previous 12 months, whether or not they are a UK citizen. Under the government proposals, if that person spends a minimum of 183 days in the UK in the year after purchasing the house, they can apply for a refund.

How to pay SDLT

Generally, your solicitor or conveyancer will take care of your stamp duty return for you. You'll need to transfer the money for the property to your solicitor, who'll make the payment and complete the purchase on your behalf. Another option is to submit a paper SDLT return yourself. Either way, it's your responsibility to ensure that your stamp duty return is submitted on time.

When you buy a buy-to-let property in England or Northern Ireland, you have 30 days from the transaction date to pay your stamp bill. Late payments will be hit with a £100 fine.

Bridging loans: the basics

Charles Louis Mortgages' bridging and development finance specialist Lee Robinson gives us the low-down on using short term finance to fund your investments

What is a bridging loan?

A bridging loan is a type of short-term, property-backed finance that can be useful if you need to borrow money for a short period of time while you either refinance to longer term debt or sell a property.

Bridging loans are usually offered for between 1-24 months, with the loan repayable in full at the end of the term. Unlike other forms of borrowing, the monthly interest is added to the loan from the outset, meaning there's no monthly repayments to make. However, some lenders will let you pay the interest monthly, or have it rolled up to the end of the loan to be paid in one lump sum.

The minimum amount you can borrow is £25,000, while the maximum is in the region of £50m. The interest rates are dependent on your loan-to-value (LTV), the project, location and credit history, but they generally vary from 0.49% to 1.5%.

The application process is often far simpler than for other types of loans and can complete within 14 days, although the average completion time is six to eight weeks. The vast majority of lenders will lend up to 75% LTV of the purchase price. However, some will lend against open market value potentially giving you 100% of purchase price, which can be very useful if you're buying below market value (BMV).

Why use one?

The great thing about bridging loans is that they can be secured on any property, including ones which are deemed unmortgageable or uninhabitable. They're also very useful in situations where you need a sale to go through quickly (like at auction) or need the funds to carry out restoration or conversion work to bring a property up to a mortgageable condition.

The fees you'll need to pay

You can expect to pay an arrangement fee of 2%, and – as with a standard mortgage – you'll have to cover the costs of the surveyor and/or valuation fees, and the legal fees. You may have to pay an exit fee – usually around one months' rent – once you've repaid the loan.

When comparing products from different providers, always take into consideration the total cost of the loan, not just the interest rate. Borrowers often just chase the lowest interest rate, but many lenders will charge large exit fees, fund management fees and other hidden costs. The legal and valuation fees can also vary.

The difference in cost between different lenders can be significant. I'd recommend getting at least two to three sets of terms, that way you'll give yourself the best possible chance of securing the best deal.

FOUR GOLDEN RULES WHEN TAKING OUT BRIDGING FINANCE

1. **Give yourself breathing space**
   Make sure your bridging term is long enough for what you want to do
2. **Make sure you have a Plan B**
   Decide in advance what you'll do if Plan A doesn't work out. For instance, you might decide to refinance and add the property to your portfolio rather than sell it on
3. **Have an exit strategy in place**
   If you're planning on refinancing, check with your broker first to make sure you'll be able to do it
4. **Cover your costs**
   Make sure you can still break even, even if it means having to drop the price for a quick sale so that you can repay your bridging loan on time

> "The main risk when taking out a bridging loan is that you'll be left in a position where you're unable to pay off the loan at the end of the term, so it's vital to plan your exit strategy"

Always ask your broker for a breakdown of the total cost of taking the loan before proceeding as this makes it much easier to compare between different lenders.

The risks

The main risk when taking out a bridging loan is that you'll be left in a position where you're unable to pay off the loan at the end of the term, so it's vital to plan your exit strategy.

If you plan to flip your property, make sure the term of the loan gives you sufficient time to complete the necessary works and find a buyer and for the sale to complete. If you're forced to pursue a quick sale, you could end up receiving far less for your property than you would like.

If you plan to refinance onto a longer-term product, you should check your application is likely to be accepted. Where possible, aim to get an agreement in principle from your broker before completing on your bridging loan.

What are first and second charge lending?

When you take out a bridging loan the lender will put a 'charge' on your property, meaning they can repossess it if you default on the loan. If you're taking the loan out on your main residence and have a mortgage on that property already then bridging loan will be classed as a 'second charge' bridging loan.

This means the mortgage on your home would take priority for repayment in the event of repossession, and the bridging loan would be repaid from any remaining equity.

If you took out bridging finance to pay off your existing mortgage, the mortgage itself would be settled, leaving just the bridging loan in place, which would therefore be a 'first charge' secured against your home.

The information you'll need to provide

When applying for bridging finance, you'll be asked to provide some detailed information about the property and your personal situation. Not all of it is required to produce finance terms from the lenders, but will be required if you proceed with the loan at the underwriting stage, so it's better to be fully prepared.

This includes the full property address and deal specifics, existing assets or liabilities you have, your previous property experience, an estimation of the refurb or development costs, as well as how you plan to pay the loan back.

To discuss your property investment needs and find the right mortgage product for you, contact Lee Robinson 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.

CASE STUDY

Revisiting generation buy-to-let

Four years ago these three investors were just at the start of their property journey, so what happened next? Felicity Hannah caught up with them to find out

Back in 2016 Property Hub spoke to three young landlords at the very beginning of their property investment plans. All three were in their early 20s, all three had already invested in their first buy-to-let and all three had big ambitions to go further. So have their plans paid off? We were intrigued to find out.

"If I could do the last four years again I don't think I'd do anything differently. I really like how the company is shaping up and I always intended that the profits from that would go into property, which is working well"

JOE CLAYTON

When we first spoke to Joe he was just 24 and had recently renovated his first investment property ready to rent out. He and his girlfriend had bought a place that needed extensive renovations and lived in it while they carried out the work.

They added £30,000-worth of value to it, working late into the night after university or work. "It was a 60s house that hadn't been touched," he explained. "We gutted it; skirting, floors, everything, down to the brick and then got the builders in."

What he said then

If Joe wasn't studying, working or renovating, he was weight lifting – bodybuilding was his metaphor for life's challenges. "Things are going to be difficult, things take time to build," he said. "But if you stick at it for long enough you will get stronger."

Joe had big property plans. He intended to build his portfolio and his new architect business simultaneously, believing that property investment was his route to financial freedom.

Did he succeed?

Now 28, Joe is married to his girlfriend and runs his own architecture firm. They used the profits from the company to buy two more properties.

One of these properties was a three-bed semi which they converted into an open plan office with a two-bedroom flat upstairs. "Now we're looking at slightly bigger projects. So we're really starting to scale up," he says.

In order to achieve this scaling up, Joe and his wife have remortgaged all three of their properties to release enough equity to take on a much larger project.

The past few years have been an immersive education in all things property for Joe. "I had been very naive going into the property world," he admits, adding that witnessing other people's success gave him a real drive.

"I listen to investment books, I listen to podcasts. I'm very positive about getting up and getting stuff done, I have to be very self-motivated. If I could do the last four years again I don't think I'd do anything differently. I really like how the company is shaping up and I always intended that the profits from that would go into property, which is working well."

What next?

Joe's long term goal is to grow his portfolio and develop a sustainable income stream, allowing him to step back from directly running his business to focus on property.

"Like many investors, my ultimate goal is freedom both in monetary terms and time constraints. I want to live life on my terms and I believe continued property investment is the best way to achieve that goal," he says.

CASE STUDY

LEON LECKY

When we first interviewed Leon Lecky he was 23 and working as an IT technical specialist. He'd saved up his salary and even his birthday money over the years in order to buy his first property at 21. Back then it took him a year to renovate it and get tenants in.

"It took a while for me to get it refurbished because it was in a bad state," he told us in 2016. "I put a new floor in and decorated throughout. It had sash windows and all the window sills were rotten so I fixed that with help from my dad, uncle and brothers. I'd work a 37-hour week and then spend the whole weekend at the flat."

Now Leon is 27 and a lot more established in his chosen career. He's also spent the past few years learning a lot more about property investment.

What he said then

Four years ago, Leon had already learned some hard lessons about property investment and the value of getting tenants in fast. "One of my biggest mistakes was not borrowing a lump sum to refurbish it right at the beginning," he said. "My parents are very against borrowing and credit, but it took so long to save up. If I had just taken a loan then I might have got tenants in there much sooner."

He told us he intended to buy a second property within a few years.

Did he succeed?

After his early mistakes, Leon was keen not to rush his next investment. He waited until 2018 to buy his next property – a one-bedroom flat with a garden that he may be able to extend in the future. "I didn't go for a doer-upper on the second one, this one didn't really need any work to rent it out," he explains.

"Once I got the keys, I advertised it and by the next weekend I had viewings. They moved in on 6 October, I only got the keys on 12 September."

What next?

Just now Leon is busy saving for his own first home with his partner, so expanding his rental portfolio is on the backburner. But he does have plans for the future. "I do plan to expand. For me, if you're talking about the long, long term, I would love to be in a position where I have the income I have now entirely from property – I'm thinking the next 20-25 years."

He plans to save the income he earns from his two properties and invest that into a property that needs work, adding value and beginning a cycle of building and releasing equity to grow his portfolio.

"One of my biggest mistakes was not borrowing a lump sum to refurbish it right at the beginning. My parents are very against borrowing and credit, but it took so long to save up. If I had just taken a loan then I might have got tenants in there much sooner"

CASE STUDY

"I'm not so interested in flats now, I prefer three-bedroom family houses where people want to move in and stay put. If I was to do it all over again, I'd probably stick to freehold"

BARNEY WALTERS

Four years ago Barney had accomplished a considerable amount by the age of just 23. He'd got the property bug playing Monopoly as a child and began saving money from his photography work while he was still at school.

He and his dad then remortgaged the family business to buy two buy-to-lets outright, so by his early 20s he was jointly responsible for three mortgages.

What he said then

In 2016, Barney had already put down a deposit on an off-plan flat, investing £25,000 into the £100,000 property. "I'm young, I don't have any commitments, no kids or anything," he told us. Barney's plan was to build a property portfolio that could bring him in an income when he was older.

Did he succeed?

A lot of Barney's focus has been on growing his successful wedding photography business. He now splits his time between the UK and Spain, and wants his future property plans to work with that.

He's also expanded his property portfolio considerably; Barney and his dad now own five properties – two more flats and a house. What's more, he's set up a property company with a friend. Together they've just done a flip and intend to use the profits to buy a longer-term buy-to-let.

He's upfront about the mistakes he has made as a young investor with a growing business to focus on too. "One of the properties we bought we maybe shouldn't have. It was a flat and we bought it because it was cheap but in hindsight it's not profitable, we've lost money on it so far.

"I'm not so interested in flats now, I prefer three-bedroom family houses where people want to move in and stay put. If I was to do it all over again, I'd probably stick to freehold."

What next?

Things have progressed for Barney personally too. He's now married and bought a flat in Cornwall with his wife. It's idyllic and something he plans to use as a holiday rental if the couple move back to Spain in the future. "I'm interested in the holiday home market because I am from Cornwall and I know what works," he says.

"Holiday lets bring a lot of my skills together; marketing, photography and customer services. I see myself working between the UK and Spain, so if I had holiday homes I could use them myself when I travelled."

CASE STUDY

Property **Geek**

with Rob Dix

Up for review

If you've been putting off your portfolio review, you could be in for a pleasant surprise, writes Rob Dix

As we've said on the podcast many times, the start of a new year is the perfect time to review your portfolio. However, saying it and doing it are entirely different things, and I have to admit I actually skipped mine for the past couple of years.

This year though, I actually did it. My review was nothing complicated: I just checked my mortgage products and when they're due to expire, benchmarked the rent I was getting against the market, and re-priced my estimate of each property's value.

The astonishing thing I noticed was the capital growth I've benefited from. Every house price index has showed little more than a couple of percentage points of growth in recent years, so I'd assumed nothing much would have changed. But I suppose because I'd bought properties I believed were under-valued in areas that had potential, the value of my portfolio had grown by tens of thousands of pounds without me noticing.

Going for growth

For a long time I've known intellectually that the gains you can expect from long-term capital growth will far eclipse any rental income you collect. But I always struggle to internalise it: there's a difficult balance to strike between not thinking about growth month-to-month because it's unpredictable and there's nothing you can do about it (which is healthy), and discounting it completely so you only buy properties that produce the most income (which isn't, unless that's your sole focus).

> "How well your portfolio is performing in terms of growth is something you can only assess every couple of years, and it takes a decade to know how you're really doing"

How well your portfolio is performing in terms of growth is something you can only assess every couple of years, and it takes a decade to know how you're really doing. That makes it difficult to keep it as a focus when you're looking at new properties to buy, compared to chasing an extra percentage point on the yield which you'll see the pounds and pence from immediately.

Having been through this exercise so recently, the re-ignition of the "growth is where it's at" lightbulb will be fresh and guide my purchases for the next little while. Inevitably though, I'll start to slip...and that's when I'll re-read this article and get focused again.

Common questions when reviewing your portfolio

How do you know what a property's value is today?

The best method is to look at what comparable properties have sold for recently. Go to the 'house prices' section of Rightmove, put in the postcode, and look for similar transactions from the last year to guide you.

You can also look at asking prices for what's on the market now, but use more caution because there's no guarantee that someone will actually pay the price that's being asked.

Zoopla also has a tool that estimates a property's value (and the rent it will achieve) within a range. This can be hit-and-miss so not something to rely on alone, but it does seem to be getting more accurate as time goes on.

What if my portfolio hasn't grown in value?

That's fine: there will be stretches of time when it doesn't. I have properties in London that fell for a year or two. Growth is unpredictable: it happens in fits and starts, and you can't count on any amount of growth in a given period.

However, it is worth looking at the properties you own. Cheaper properties in less desirable areas tend to have the highest yields, but lag when it comes to growth. If income is what you want, that's fine: if you want more of a balance, it might be worth diversifying for your next purchase.

What's to say that property prices will keep going up?

Nothing – and there will certainly be times when they fall. Zooming out though, over the long term you'd expect them to track inflation (as they have done historically). And if you're using a mortgage to benefit from leverage, even 2% annual inflation on average can translate into some big gains. See our Property Hub University course "How Property Will Make Your Rich In The Long Term" at propertyhub.net/university for a full explanation of how this works.

What's the point of a property being worth more now if you're not going to sell?

One practical benefit could be to refinance to pull out cash for further investments, if the rental income will support more borrowing. Even if it doesn't, the growth might push you into a lower loan-to-value bracket for mortgages and secure you a cheaper rate.

Practicalities aside, it helps with staying motivated and keeping the faith. Strong growth means that one day you can cash out for big gains, or have a valuable collection of assets to pass on, or sell one or two properties to clear the debt on the rest and continue enjoying the rental income.

Remember though, you're only allowed to get excited when prices are rising if you can also stay unemotional when prices are falling! If you can't do that, you might be better off never looking at all and just making a calendar note to check how you're getting on in 20 years.

OPINION

How to...
put together a tenancy agreement

A tenancy agreement can be invaluable in the event of disputes or disagreements with tenants. Neil Cumins explains how to go about producing one, without needing expert assistance

HOW TO

> "There's more to creating a tenancy agreement than simply copying and pasting a document from the internet and adding some signatures"

Imagine a world where promising to do something guaranteed it would actually happen. Being a landlord would be easy if a handshake signalled an unbreakable promise, or if someone's word really was their bond. You'd never have to worry about unpaid rent, stolen furnishings or late-night phone calls reporting antisocial behaviour from tenants.

In reality, we can't always trust other people to honour their promises. And if you've ever had a tenant who refused to pay their rent, or found yourself locked in a deposit dispute, you'll appreciate the importance of a written tenancy agreement. This contract effectively lays out the rights of both landlord and tenant for the duration of a rental agreement. And yet even though they help to eliminate many potential issues and conflicts, tenancy agreements aren't a legal requirement in England, Wales or Northern Ireland. They're only compulsory in Scotland, where private landlords are required to create tenancy agreements for short assured tenancies – known as assured shorthold tenancies (or ASTs) elsewhere in Britain.

Tenancy agreements are like wills, in that you don't need a lawyer to help you produce one. Another similarity is they can often be adapted from an existing template, available to download from the internet. However, these off-the-shelf documents don't always reflect the specifics of your property, or cover the terms you've agreed with a particular tenant. You'll also need a basic awareness of property law, to ensure your agreement doesn't conflict with existing rules in your region of the UK.

As a result, there's more to creating a tenancy agreement than simply copying and pasting a document from the internet and adding some signatures. Here's what you need to know.

All bases covered

A tenancy agreement is effectively a consumer contract. Once signed by a landlord and their tenant(s), it grants specified rights to all parties. Acting as a reference material throughout a tenancy, it eliminates the ambiguity that could result from verbal contracts, or piecemeal negotiations conducted through text messages and emails. It can't overrule the law of the land, but it's useful for preventing future disputes about blame or responsibility by making everyone's position clear at the outset. As such, agreements need to be written in plain English.

While it's possible to add in clauses and statements about things which are unique to your property (or tenant), any tenancy agreement ought to include the following elements:

- The names and current addresses of all parties involved
- The rental property's address, and a basic summary of what's included (white goods, a lock-up garage around the corner, etc)
- The tenancy's start date, and duration/end date (if appropriate)
- The size of the deposit, a note of which tenancy deposit scheme it's going to be lodged with, and examples of why it might be retained (replacing broken or lost furnishings, etc)
- Confirmation of the agreed monthly rental value, how it'll be paid, and details of when and how much the rent can be increased by
- Details of which bills the landlord is responsible for (e.g. communal factoring), and which ones the tenant is responsible for (e.g. broadband subscription)
- Information about who's responsible for minor repairs such as loose cupboard doors, and who will pay to clean included furnishings like ovens and vertical blinds
- A note about whether tenants can sub-let, cohabit or take in lodgers without the landlord's permission
- A description of how the agreement can be ended, including break clauses or the sale of the property.

It's also a good idea to include a general paragraph stipulating what's expected of the tenant. This can be fairly basic, for example: "the tenant agrees to maintain the property by undertaking regular cleaning", but it puts on record your expectation that the skirting boards won't vanish under a layer of dust and cobwebs. After all, post-tenancy deep cleans can be expensive, and you can't really complain about carpet stains or layers of grime inside the kitchen cupboards if you didn't ask the tenants to clean up after themselves. Just because it seems obvious (or you'd do it yourself) doesn't mean tenants will always reach the same conclusions!

Cleanliness might be subjective, but some aspects of any tenancy are naturally implied without needing to be explicitly stated. It's obvious you don't have the right to let yourself into a tenanted property at 3am, or stop a broken boiler from being repaired. These implied terms are usually enshrined in law and form part of any rental agreement, even if they're not written down. It's also worth noting the Homes (Fitness for Human

Habitation) Act 2018, applying to tenancies which either started or were renewed after the 20 March last year. It includes 29 factors which render a property unfit to be occupied, from damp and excess noise to radiation and structural collapse.

Agreement in principle

There are different types of tenancy agreement document, tailored to suit the various tenancies on offer. The most common of these is the assured shorthold tenancy (AST). There are various aspects to an AST, which should be added to our bullet-point list above. For instance, you should include confirmation that you will only evict a tenant after giving them two months' written notice, having already provided them with paperwork including a gas safety certificate and an energy performance certificate.

There are relatively unusual types of tenancy, such as excluded tenancies, where the tenant is a lodger in your property. Assured tenancies were popular once, but they're rare these days because tenants can stay in the property pretty much indefinitely unless something dramatic happens (like the property being used to commit criminal acts). If you're willing to rent out a property on a non-AST basis, you'll need a completely different type of tenancy agreement. A generic AST document won't reflect the greater tenure security offered by an assured tenancy, or the cohabiting nature of an excluded tenancy.

Regardless of its type, the UK government says any tenancy agreement must be "fair and comply with the law". And while that's an incredibly vague statement, it really means you can't discriminate against certain types of tenant – though you can refuse to accommodate people whose rent would be paid via benefits. You can't insert onerous requirements like "the tenant agrees to mow the lawn every week", or insert a blanket ban on pets unless there's good reason why your property couldn't accommodate a guide dog.

When giving a copy of the agreement to each tenant, you must consider their circumstances. A tenant with sight problems may need their copy printed in an extra-large font, whereas a foreign national might need the agreement translating before they're in a position to understand it and sign it with confidence.

Where do I start?

A good tenancy agreement will cover as many scenarios as possible, but you don't need to rack your brain trying to imagine every conceivable outcome. There are a number of trusted sources online that offer tenancy agreement templates:

- The UK government has published a 40-page AST agreement as a Word document, with tick-boxes and extensive guidance notes
- The Residential Landlords Association charges £9.50 for an AST, which is updated in response to any changes in housing law. It can be filled in on-screen and also comes with completion notes
- The Law Depot has a free tenancy agreement compiler, covering different property types and reflecting the laws in your specific region of the UK
- Legal firms often have tenancy agreement documents available to download, though you may have to register to access them.

If you're looking elsewhere, remember the Web has been around for almost 30 years; some online documents will be out of date, or not valid in the UK. We'd generally recommend avoiding PDF files unless you've already installed an editing tool like Adobe Acrobat, whereas Word documents can be easily modified on almost any device. You should also distinguish between a document intended for public domain reuse, and a copy of an actual tenancy agreement referring to a specific property. It may not be appropriate to repurpose the latter, particularly in terms of deposit protection and retention.

Deposit disputes involving wear and tear can often be resolved with advanced preparation. You'll have to compile your own inventory of included items, since no third-party tenancy agreement will accurately reflect this. Go from room to room and note down everything that's included, even mundane items like roller blinds or spotlights. We'd also recommend standing in all four corners of each room and taking date-stamped photos, so any subsequent arguments about damage can be referenced with evidence of the property's pre-tenancy condition.

Finally, a tenancy agreement can only be changed with the agreement of both parties. Revisions should be recorded either in a new document, or in an amended and counter-signed version of the existing agreement. It's worth saving the updated version as 'filename v2' or 'filename amended', to distinguish it from the original. Don't overwrite the first document, since you might want to refer back to it in future. Plus, once you've produced a tenancy agreement for a particular property, it shouldn't need much tweaking to be reused in future.

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PROPERTY TALK WITH WITH ROB B

"Right now, the market's on your side"

The stage is set for the next phase of the property cycle. So what steps should you be taking?

If you've read our cover story this issue, you'll know the economic phase we're in right now is nothing new (if you haven't I suggest you pause here and pop back and have a read from page 17). We're about to leave the mid-cycle wobble behind and enter into the boom phase. It's not going to be a flick-of-a-switch kind of change, but we'll start to see things ramp up from this point.

Time is money

In my opinion, this next phase is a really easy time to invest. The market is very forgiving in the early part of a boom. Even if you don't make the best investments, the market will carry you because you're in early and prices after the crash will still be higher than what you're buying in at today.

Just how big the boom is will be determined by credit and how greedy the banks get. We're already seeing lenders being a little bit more creative around rental stress tests, for example. If the banks get as loose as they did last time, then we're in for a big boom. The established lenders will perhaps be more conservative, but it only takes a couple of challenger banks to chase after the money and the whole market will go bonkers again.

Either way, the sooner you can get in the better. Any discounts you'd be able to negotiate will get less over time. We've already seen this happening within Property Hub Invest. A few years ago we could achieve discounts of 20% off market value. Today, we normally negotiate around 10%. I expect that to reduce again in time.

Playing the long game

At Property Hub we're focusing on the better stock in the better areas – that's what we're advising our investors to do and we're practising what we preach. Yes, we could find properties with better yields slightly further afield, but the safer play for the long term is to invest in the best stock.

When the market crashed last time the prime stuff recovered the quickest. Properties with good fundamentals in prime locations like London and Manchester will go through the boom like everywhere else, but when there's a correction later on you'll still have a property in one of the best areas.

Looking back, the north has historically outperformed the south in the second half of the cycle. We're likely to see more of the same again this time round. Some areas in Liverpool haven't even reached their 2007 peak yet. It's the same in the North East. So in those areas growth will feel explosive, but so will the fall on the way back down. It wouldn't surprise me whatsoever to see property prices double in these areas over the next five to seven years.

In it to win it

If you're not financially in a position to be investing right now, you can look to invest in small ways. You may want to consider investing in property stocks. This isn't for the lighthearted with a potential stock market crash on the horizon, but over the long term you'll do ok. Alternatively, companies like Property Partner allow you to buy a share in property. It's worth trying to give yourself some exposure financially, so you can at least get some of the upside of the boom. If you already own property then you might find as values rise you'll have some equity you can release to get going.

The most important thing is not to overthink it, once you've eductated yourself, identified your goals and planned your strategy then it's time to take that action. Right now you've got the market on your side – in a few years time it won't be. So don't worry about making the perfect investment. The worst thing you can do is procrastinate and not do anything at all.

To find out more about our property investment deals visit: propertyhub.net/invest

Ask

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

Jaisen asks:

I'm looking at buying my first buy-to-let in my home town Redditch. I've done my sums and I know I can get a good yield, but how do I work out how healthy the rental market is? I want to make sure there is enough demand from tenants.

The Robs reply:

Lots of people make the mistake of just focusing on getting a good deal on a property, without giving much thought to how easily it will rent afterwards. By doing a bit of research beforehand, you can build a picture of what the tenant demand is like in an area, and how quickly your property is likely to rent out.

There are a few ways to do this. One way is to use Rightmove and Zoopla to keep an eye on similar properties listed in your area. Over time you'll be able to get a sense of how long properties are up there for before they get marked as 'let agreed'.

If you're just after a quick snapshot, you can compare the number of properties currently available against those that have been marked 'let agreed'. If there are 10 available and eight have been marked 'let agreed' then you know they are turning over quite quickly, whereas if there are two agreed and eight available they might not be moving as quickly. You'll be able to see from the dates they were posted how long they've been available for.

Another other option is to ask. Call up some local letting agents and find out. They may try to paint a positive picture to win your business, but by calling a few you'll get a more realistic perspective.

Barry asks:

The property I am buying already has tenants in situ, are there any complications I should be aware of?

The Robs reply:

Buying a property that's already tenanted can be a great move. You'll have already validated that it rents and what it rents for, helping to take some uncertainty out of your numbers and decision making, and you'll happily be getting paid from day one.

However, you do need to make sure your solicitor asks the right questions for you during the purchase process. Solicitors usually have a standard list of documents they request in the course of the transaction and they won't necessarily think to ask if the property is tenanted. You need to be pushing them to make sure they get a copy of the tenancy agreement, confirmation of where the deposit is being held (and that it's being held in an approved scheme), and – ideally – a rent statement showing the tenant is up to date and the history of their rent payments (although this isn't always possible).

If you're armed with all this information, then you can be confident and complications will be resolved in the legal process.

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

ADVICE

Top five ways to get your property set for spring

Bye-bye winter, hello spring. Here's our tips for getting your property at its best for the start of the new season

1 GIVE IT SOME KERB APPEAL

After months of wind and rain the exterior could be in need of some attention. Avoid minor repairs turning into major headaches by giving everything a check over, not forgetting to look up at the roof for any loose or damaged tiles. Repainting the front door and adding some hanging planters is a quick way to give a property an instant lift.

2 GET THE GARDEN IN ORDER

Spring is a great time to get any outside spaces ready for the warmer months ahead. While basic garden maintenance is the responsibility of the tenant, now's a good time to give it the once over and make sure any winter damage is repaired. A new set of fence panels can transform the feel of a garden.

3 REFRESH THE INTERIOR

An annual deep-clean won't just make your property a more inviting place to live, it'll also help prolong the life of things like carpets and bathroom fittings. There's no rules on how often you need to redecorate, but a fresh coat of paint is one of the cheapest ways to liven up a tired-looking room.

4 UPDATE THE FURNISHINGS

If your property is furnished, check if anything is looking worn or in need of a replacement. If you don't want to have to replace cheap furniture or white goods after one or two tenancies, then it's worth spending a bit more on better-quality items that will last longer.

5 SPRING SAFETY CHECK

Putting aside time in spring to conduct your annual safety checks will set your property up nicely for the rest of the year. Book in your gas safety check and make sure the fire alarms are all in working order - you could face a hefty fine if you fail to replace faulty ones.

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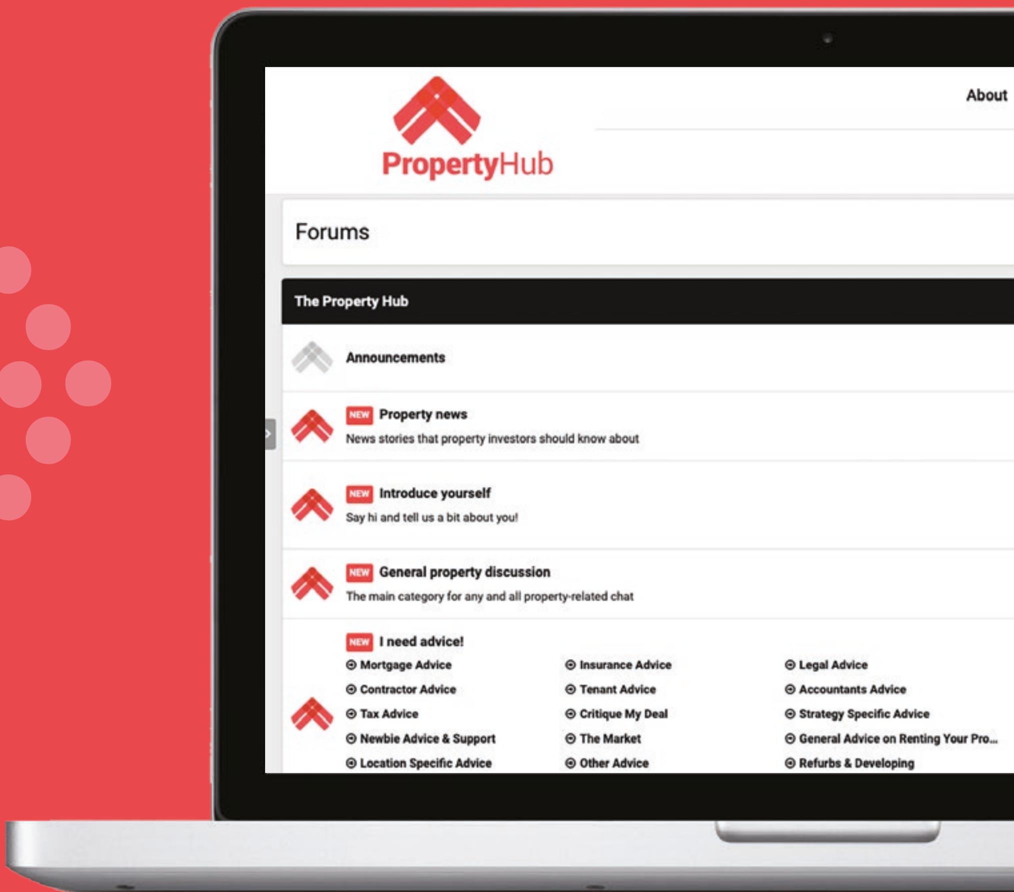

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PropertyHub INVEST

Get clear on your goals... for free!

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

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

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

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

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

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

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

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

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

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