PropertyHub

Magazine

Making sense of property investment

PLANTING SEEDS OF SUCCESS

Taking the long-term approach

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Welcome


Rob Bence


Rob Dix

For many of us the past few months has left us with more time on our hands. Time to take stock, adopt a slower pace of life and refocus our plans for the future – whatever it might bring.

We've often said on The Property Podcast that plenty of time – not money – is the most valuable thing you can have on your side when it comes to investing. The fundamentals of property investment mean that when you've got more time, you don't have to take big risks – or even do anything that clever. You may not get fast results, but you'll be in a much stronger position to ride out the challenges the market will throw at you.

Our cover story this issue delves into why playing the long game in property pays off. It's a strategy backed by seasoned property investor Mark Morris, who's now enjoying the fruits of his success after many years investing. He talks to Jane Cameron on page 8 about his experiences of investing during the last recession and what opportunities he sees on the horizon.

When you consider the current state of our world, it's easy to get sucked into a black hole of negativity. It's only natural to worry, but a positive mindset can go a long way in helping you stay motivated and focused on your goals. Our feature on page 26 reveals what tactics other investors use to keep themselves feeling chipper and we recommend five of our favourite resources for a positive mindset on page 49.

An issue of this magazine wouldn't be complete without its case studies. This issue we have three very different stories to tell from three investors all at different stages of their journey, but all of them are in it for the long haul.

As always we hope there's lots of practical advice, ideas and inspiration you can take from these pages to strengthen your own position in the weeks and months ahead. Until next time, happy reading and stay safe.

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

ROOM TO LET

Two-bedroom houses have replaced studio flats as the most sought-after properties for renters searching on Rightmove. According to the property portal, the most popular property types being enquired about are now all houses and bungalows, knocking flats out of the top five.

Rightmove used site data and surveyed over 4,000 home-movers in May to find out what impact lockdown has had on people's property preferences. Homes with more space, a garden (or at least access to one), pet-friendly landlords, access to parking and nearby green spaces were the top five priorities amongst renters.

Searches for rental properties with gardens was up 84% in May, compared to the same month last year. The survey also found good internet and a spare room are now higher up on wish lists, while commuting times and transport links are less important.

Rightmove housing market analyst Miles Shipside said: "During lockdown people have been re-evaluating what their must-haves are, and both buyers and renters are craving a home with its own outside space rather than a flat. It will be fascinating to see how the trends unfold over the course of the rest of the year."

AS SAFE AS HOUSES

New electrical safety regulations for the private rented sector came into force at the start of July. For now the rules just apply to new tenancies, but will be rolled out to all existing tenancies from 1 April next year.

New builds and properties that have recently been rewired are likely to have an Electrical Installation Certificate (EIC) covering them for five years from the date of inspection. For all other properties an Electrical Installation Condition Report (EICR) will need to be completed prior to a tenant moving in.

The report must be carried out by a qualified electrical inspector, who will assess the safety of the existing electrical installation. If the report highlights any issues, the landlord will be required to remedy the issue within 28 days, or potentially face a fine of up to £30,000. Any landlords failing to comply with the new rules will also face fines of up to five figures.

The National Association of Professional Inspectors and Testers (NAPIT) has provided detailed guidance on the new Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020 to both landlords and its members. **napit.org.uk/downloads**

PRESS PAUSE

A handful of councils have delayed the introduction of licensing schemes, in response to the coronavirus pandemic: a small win for landlords with properties in these areas.

Parts of Birkenhead and Seacombe were going to be made subject to selective licensing from 1 July, but Wirral Council has said the scheme won't come into play until 1 October. Similarly an extension of Scarborough's licensing scheme has been shelved until February 2021.

In London Islington Council was planning to introduce a borough-wide additional licensing scheme and a selective licensing scheme covering all private rented homes in the Finsbury Park ward. However, these will now be put on hold until later in the year, as will schemes in Newcastle and Luton.

The government issued guidance for local authorities in March advising them to pause the introduction of non-mandatory property licensing schemes due to Covid-19. Yet, some local authorities – like Coventry Council and the London Borough of Waltham Forest – have pressed ahead.

The National Residential Landlords Association (NRLA) has written a letter to local authorities currently consulting on licensing schemes to request that consultation periods be extended.

HOME SWEET HOME

Professors from universities across the UK are working together on a 10-month-long study to find out how landlords can better support tenants in making their property a home.

The Making a House a Home project – funded by the SafeDeposits Scotland Charitable Trust – is being led by Dr Kim McKee at Stirling University, supported by Stirling colleague Dr Steve Rolfe, Dr Tom Simcock from Edge Hill University, and Dr Jenny Hoolachan from Cardiff University.

Dr McKee said: "Tenants often face challenges in making their rented property a home – which is crucial to feelings of wellbeing. It is not simply enough to have a roof over your head, but to live in a property that provides for your social, emotional, and creative needs – that has never been clearer than now, during the Covid-19 lockdown.

"The tenant-landlord relationship is vital to a positive tenant experience, but it is not an easy one to legislate for. The aim is that our research findings can play a key role in education and the sharing of good practice across the sector – helping to achieve the ambition of a professional and modern private rented sector in Scotland."

The findings will be shared throughout 2021.

INSIDE THE HUB

A roundup of what's been going on across our hubber channels

GOING LIVE

Our first-ever Property Hub Live event at Tottenham Hotspur Stadium had to be postponed for obvious reasons (sob). But that hasn't stopped The Robs doing their thing and hosting a series of special webinars for those of you that booked tickets. The first was all about how to come out of the coronavirus pandemic as a stronger investor, while the second focused on the principles for investing in a crisis. There's more on the way, so if you're a ticket-holder stay tuned to your inbox.

HUB CHAT

There's been lots of chat on the forum about the impact of Covid-19 on the property market and what similarities there might be to the last recession. Nicolas was at university during the 2008 crash, so wasn't really paying attention to the market at the time. He asked his fellow hubbers for their opinions and got plenty of insightful responses, which you can go and read at your leisure at **propertyhub.net/forum**

IN THE PRESS

Back in April, when we were all still adjusting to life in lockdown, we sent out a survey asking how you felt about the property market and how confident you were about riding out the challenges Covid-19 presented. A whopping 1,736 of you responded and the results were pretty interesting: 98% said you still considered property to be a good long-term investment, despite all the uncertainty in the market. Further still, 81% of you told us you're still likely to invest over the next 6–12 months. Your answers were turned into a news story for Property Investor Today and inspired our cover feature for this issue, which digs down into why property is such a rewarding investment in the long run (pages 17–21).

ON SCREEN

There's nothing wrong with being open to the influence of others around you, but when they're dishing out bad advice it can harm your mojo. In their latest YouTube video The Robs talk about the worst pieces of property advice they've heard and warn you what you need to watch out for: **youtube.com/propertyhubuk**

SOCIAL HAPPENINGS

We love seeing your property pics on Instagram. Tag us in @propertyhubuk and we'll share our favourites here:

INSIDE THE HUB


IMAGINE
IVY PARK

Mark Morris with his daughter Hannah (left), wife Karen (middle), and daughter Chloe (right)

"Hold your nerve and push on"

Veteran investor and $3m portfolio owner, Mark Morris, gives Jane Cameron his take on managing lockdown and beyond

Mark Morris began building his property portfolio in Salford and Manchester back in 1999. Thanks to his investments, he was able to retire from his job as an IT consultant last year, a month before turning 50. He's been a regular guest on The Property Podcast, openly sharing his successes and failures with listeners. Here he answers our questions about surviving – and thriving – in a crisis.

What do investors need to do to keep their heads in the current climate?

I know it's easier said than done, but having been through a whole property cycle as an investor I'd say: don't panic. To quote Robert Kiyosaki, the author of Rich Dad, Poor Dad, the best way to predict the future is to study the past. If people can see what's gone on in past recessions, it will give them confidence that yes, we are in challenging times, but we will come through it, and stronger.

Keep a positive mindset. I only look at BBC news online once a day for about 20 minutes. Avoid negative social media, where some people want to find blame. I tend to just use LinkedIn and turn my phone off later in the evening.

Increase your personal development. Get out for an hour, put your phone on Airplay and listen to podcasts or audio books. Not all of mine are about property – I'm interested in battlefields, stocks and shares and self-help guides too.

I also recommend actively engaging with like-minded property investors and business people. I had all but stopped networking, but I've recently joined a couple of Zoom groups and it has been great to hear different strategies.

How does what we're experiencing now compare to what it was like during the 2008 recession?

From a health and death toll point of view, this is of course catastrophic. However, from a financial point of view, it doesn't feel to me as serious. During the credit crunch lending was curtailed and people couldn't get finance – we're not in that situation. In terms of the housing economy, this is a massive plus.

Some lenders have pulled mortgage rates, but it's a short-term reaction because they've had to put their energy into managing mortgage holidays.

There may be some changes in house prices but, depending on how long we're in lockdown, it feels more like a short, sharp shock. In contrast, the last recession was deep and long – the effects lasting 10 years or more. If you look at the FTSE, it's ticking up every week.

What property changes and opportunities do you see on the horizon?

Talking to developers, there are changes afoot in town centres. More commercial properties will become empty, mainly through businesses closing and people work-

Q&A

ing from home. This will be a massive change.

As the retail space shrinks, developers and councils are looking to make it mixed use, turning it to residential accommodation with leisure facilities.

Not only will there be opportunities for investors to buy houses, but to take on conversions of their own. I'm looking at some opportunities in Bolton.

There could also be more demand for Airbnb-style short-term lets if people decide to avoid hotels in favour of private spaces when travelling, due to the virus.

Will you be doing anything differently post-lockdown?

I will be looking at building partnerships and investing in more local authority rental properties. After being frozen for five years, Local Housing Allowance rates have now increased substantially, so tenants no longer have to make up the shortfall.

It's a sad fact that many people will lose their jobs and homes during this crisis and councils don't want more people on their streets. For investors, it means we can buy more properties and help people looking for social housing. This is my area of expertise.

I would warn landlords who don't usually deal with Universal Credit (UC) tenants to get educated about it – a million people have applied for it since the outbreak.

Has property investment ever been so difficult you've felt like packing it all in?

I was very nervous and had sleepless nights during the crash of 2008. I was in negative equity on a couple of my properties which I'd bought at the top of the market. I had a few voids and rents were reducing. My two daughters were young at the time and it felt like Armageddon. I wasn't educated and couldn't see the tide turning.

Then I had a housing benefit tenant come and view one of my rentals. She was a very nice lady and came with her social worker, as she had learning difficulties. I had never rented to housing benefit tenants before and started to look into it. The Local Housing Allowance (LHA) had just been introduced, meaning you knew exactly what the maximum benefit would be for each household. Better still, in 2008 the LHA was higher than private rents.

So I could have walked away but I saw the market change and pivoted. Since then, I've rented mostly to local authority tenants. In 2018, I even operated a pilot scheme with the council and a local housing shelter to house the homeless.

I did, however, experience more anguish last year, due to UC. I had five UC tenants but didn't understand the process. In less than six months, due to delays in tenants receiving their money and not always passing the rent on, I was more than £6,000 in rent arrears. It made life absolute hell and I certainly thought about pulling out of the market.

If you're in this for the long term, you have nothing to be afraid of. These things happen periodically, and things come back bigger and better

But instead, I made it my mission to learn about it. I went to landlord forums and made myself known to the Department of Work and Pensions (DWP), particularly the Partnership Manager for my area. As a result of the relationship-building, I'm pleased to say all my UC tenancies run smoothly. In fact, I'm also one of a few private landlord members on the DWP's UC landlord engagement forum, meeting in Westminster each quarter. I hear about changes in advance and give feedback.

What has been your proudest property moment?

Building a successful portfolio in the US Midwest. The crash was even harsher in the US than in the UK. I listened to US podcasts and built up relationships with people over there. I dipped my toe in and initially bought four properties in Michigan. I was buying them without seeing them – I've only visited the US on business once.

My moment was when I realised the numbers really stacked up over there. I'd bought the properties initially for $12,000 to $15,000 each, yet the yield was still high. In the UK I'd begun with my council tenants and eventually I was making more in a month than I made in my freelance IT role. I felt I'd turned a corner and booked a nice family holiday.

How has your success in property impacted on your life?

It has enabled me to do many things, but the biggest benefit has been the free time it has given me.

I retired from my work as an IT contractor last year, a month before I turned 50, which was one of the goals I set when I was 40. I spend about a half a day a week now managing my property managers.

I can spend so much more time with my wife and two teenage daughters. It's also given us the means to enjoy a second home in Spain and other holidays: last minute weekends away, a cruise down the Danube and a trip to New York for my daughter's 18th.

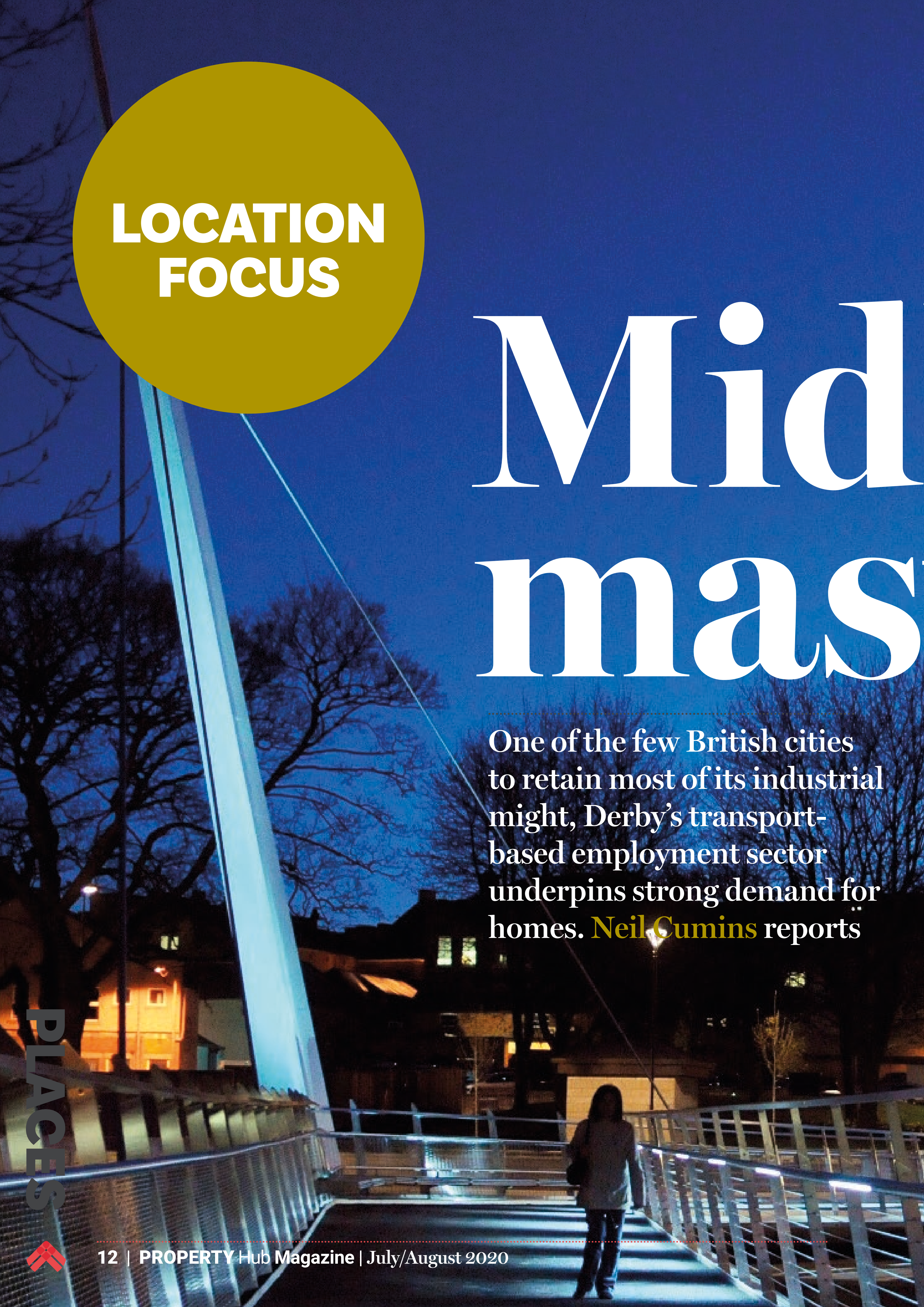
The extra time also means I can do my little bit for charity. I run a weekly job club at a local charity and I'm also involved with a council scheme to encourage over-50s to make full use of facilities and offers. Volunteering is also very good for your mental health, there's a strong feel-good factor in helping others.

What advice would you give to anyone worrying about investing in property now?

If you're in this for the long term, you have nothing to be afraid of. These things happen periodically, and things come back bigger and better. If it's your first downturn, it will be concerning, but just look at what has happened historically: the people who kept their nerve, looked for opportunities and pushed on are always the ones that come out the other side financially stronger.

Look at your portfolio and consider mixing it up. I now have a handful of professional tenants, properties in lease schemes and housing benefit tenants.

And remember Warren Buffet's quote, a favourite of mine: "Be fearful when others are greedy and greedy when others are fearful".



LOCATION FOCUS

Mid mas

One of the few British cities to retain most of its industrial might, Derby's transport-based employment sector underpins strong demand for homes. Neil Cumins reports

PLACES

land terpiece

Derby Cathedral and Green Bridge © DET

PLACES

There's always been something slightly quirky about Derby. Thousands of years ago, it was perhaps the only place where Vikings and Anglo-Saxons co-existed in (relative) peace. More recently, it's performed the seemingly impossible feat of retaining its blue-chip industrial employers, as other UK cities switched from manufacturing to service-based economies with varying degrees of success. Derby County's meteoric rise under the management of Brian Clough entered sporting folklore around the world, while the city's uniquely high adoption of sign language has attracted a large community of residents who are hard of hearing.

Planes, trains and automobiles

Derby's fortunes were made in the forges and furnaces of manufacturing, and this remains the core employment sector in the UK's most central city. Between them, the transport triumvirate of Rolls-Royce, Bombardier and Toyota support around 18,000 jobs. Little wonder that local agents have identified these global employers as underpinning the prosperity of Derby's 250,000 residents.

Head of development at Savills, Ben Glover, recently completed a study for Derby City Council on city living. His findings included a shortage of suitable accommodation, which is only partly being met by new housing projects. "These new-build opportunities aim to capture Derby's unmet demand from its strong workforce in the service and key manufacturing sectors," he says.

Like many places across the UK, Derby's city centre has experienced greater decline than leafy suburbs like Littleover, with its acclaimed state and private schools. "'Derby is in need of some good news for its city centre," Ben admits. He cites ongoing uncertainty involving the Assembly Rooms – a large entertainment centre and civic focal point which has been closed since 2014 following a fire. Millions of pounds have been spent on unsuccessful redevelopment plans, resulting in a chronic lack of leisure and entertainment facilities for Derby residents.

Retail is a stronger suit, and the nearby Intu Derby shopping centre hosts over 140 high-street brands. Meanwhile, the more traditional Cathedral Quarter won a Great British High Street award in 2016 for its blend of high-end retailers, family-owned stores, bars and cafés.

So near and yet so far

Surrounded by a two-mile ring road, Derby's urban core stands eight miles from the M1, while southern suburbs like Boulton Moor are a similar distance from East Midlands Airport. There are direct train services to Edinburgh, Cardiff and Plymouth, with Birmingham New Street 35 minutes away. However, it's the rail links to London which are pivotal to Derby's appeal as an investment location; St Pancras International is 95 minutes away. With 80% of the UK population living inside a two-hour radius of Derby, this is an easy city to visit.

According to Lee Armstrong of Fine & Country Derbyshire, Derby's accessibility has attracted many investors from the south-east of England: "We saw 45% of sales in 2019 made by buyers from outside the East Midlands. Many liked the ability to commute into London in an hour and a half, combined with the great mix of homes that we have on offer."

Lee says Derbyshire was enjoying strong sales and high demand until the lockdown stopped everything in its tracks: "We saw prices holding up very well last year, and when looking at the national reports, it was the East and West Midlands that was mainly responsible for keeping house price growth positive on a national level. Our office managed to achieve 101% of asking price across the whole year's transactions."

Mixed fortunes for rental

Derby's lettings market was also in good health before March. Simon Joyce, property director of local letting agent Professional Properties notes how demand was high for certain types of properties: "Derby's rental market had a lack of supply, and demand was high for three-bedroom houses within good school catchments, and two-bedroom starter homes for first-time renters.

"Professionals have either sought out city centre living, or properties close to their place of work, but areas such as Oakwood, Draycott, Chester Green and Belper have also been in high demand over the past few years." He's also seen strong demand for well-finished, multiple-occupancy accommodation: "Yields in the House in Multiple Occupation (HMO) and student shared markets have been in double figures during the past year."

Investors Ryan Slater and Ruth Hobbs both run property development businesses in Derby. They believe the city centre offers the greatest opportunities for investors, thanks to a combination of new-build regeneration and vacant premises. Schemes like the £200m Becketwell development (which is intended to replace the Assembly Rooms) will draw residents back into Derby's core. This mixed-use masterplan combines hundreds of homes with workspace, retail and leisure facilities.

Central Derby also offers plenty of commercial-to-residential opportunities, typified by Ruth's acquisition of an office block for £415,000. After a £400,000 conversion into an 18-bed HMO, it generates £125,000 gross revenue each year and has been revalued at over £1.25m. With almost 30,000 students enrolled at the University of Derby and no Article 4 restrictions in place, the city has a thriving student rental sector. It's also worth noting there are 15 other universities within an hour's drive.

Flat out

Average selling prices in Derby are well below the national average at just over £200,000. Detached houses sell for around £284,000, exactly double the £141,000 and £143,000 Rightmove and Zoopla reported terraced homes were achieving between early 2019 and early 2020. Compared to this, apartments in Derby look temptingly priced, with hundreds of modern two-bed flats currently listed between £100,000 and £120,000. A one-bed flat in a Victorian city centre building can be acquired for as little as £60,000, while £80,000 ought to secure a two-bed apartment in suburbs like Osmaston and Darley, returning yields of over 7%. "Apartments tend to have reasonable occupancy levels and achieve good rents," says Simon, "providing they are in a well-maintained block and furnished. However, the capital growth is still poor."

Even so, these apartments are ideal for accommodating Derby's well-qualified workforce. With almost one in eight people employed in high-tech roles – twice the level in Cambridge and four times the national average – the city's blue-chip employers will continue to retain local graduates, attract engineers, and support Millennial start-ups in related industries. Derby rarely makes it into 'top investment location' features, but perhaps it's time to take another look at this quirky and underrated city.

SITES FOR SORE EYES

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

- **Nightingale Quarter**

  Wavensmere are transforming the former Derbyshire Royal Infirmary site into an 800-home development, a minute's walk from the Intu Derby shopping centre. Victorian buildings have been retained for community use across this 18.5-acre site, a third of which will be kept as parkland and gardens.

- **Castleward**

  Beside Nightingale Quarter, Castleward is a £100m, 30-acre urban village. New homes range from two-bedroom apartments and duplexes to three-bed semis and townhouses. A new primary school and coffee shop will underpin this masterplan, while retail stores and parks will be joined by a tree-lined central boulevard during a ten-year construction period.

- **Becketwell**

  The former Assembly Rooms have cast a long shadow over central Derby, and the latest proposed redevelopment involves a £200m mixed-use scheme. Plans approved by the council in February would see an 11-storey apartment block become a landmark on the city skyline, with over 300 build-to-rent apartments joining retail units, offices and a public square.

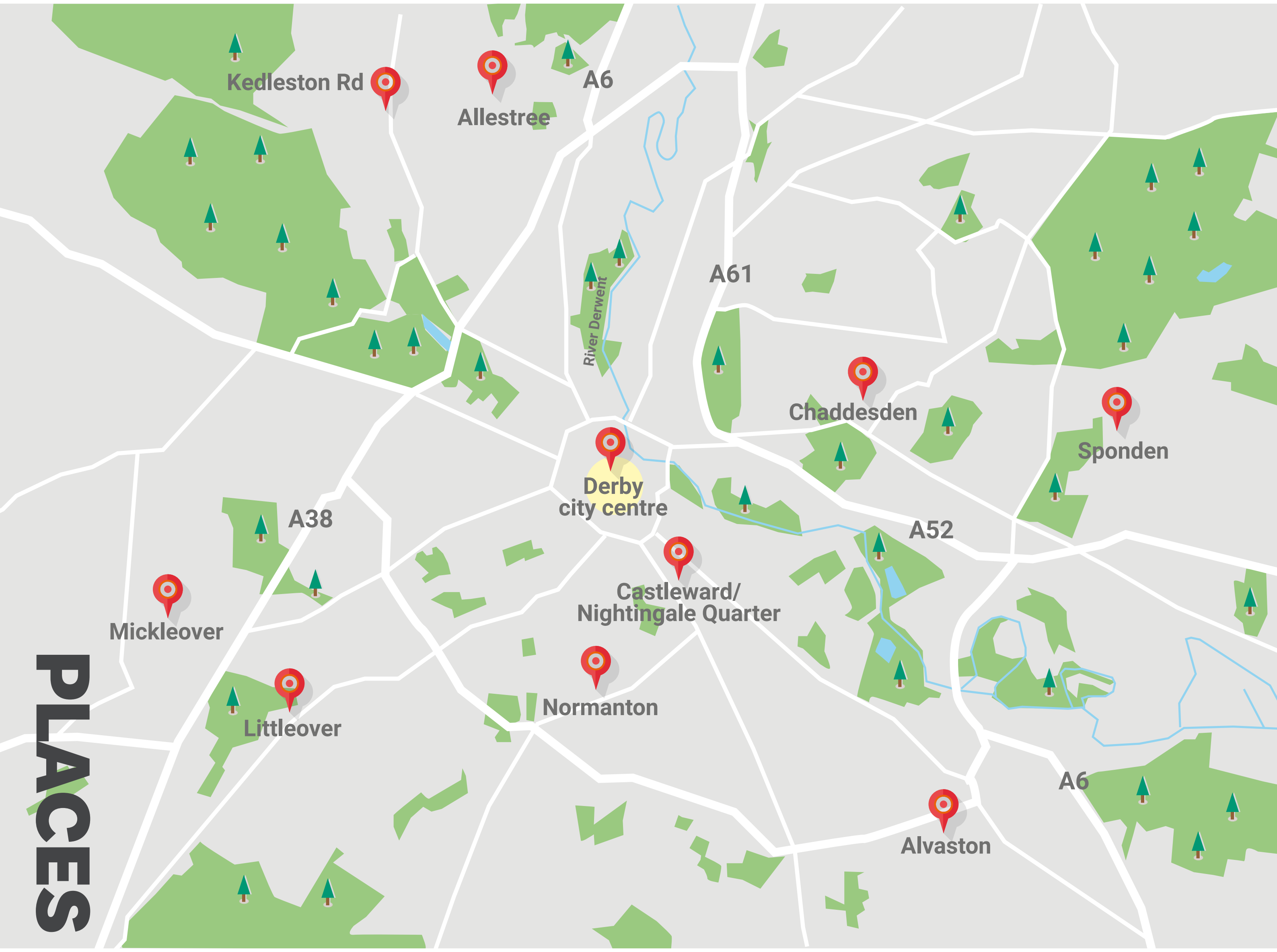
Derby QUAD and Guildhall © Matt Jones

Postcode lottery

These are the key suburbs and districts that landlords and investors should be aware of:

- Best for high-end housing: Littleover, Allestree
- Best for young professionals: Castleward/Nightingale Quarter, Mickleover
- Best for students: city centre, Kedleston Road
- Best for transport links: Alvaston, Spondon
- Best for yields: Alvaston, Spondon
- Best avoided: Normanton, Chaddesden

Derby Silk Mill



Planting seeds of success

John Fitzsimons explains why taking the long-term approach to property pays off

“At the end of the day, a building is a physical asset that will offer long-term rewards.” That’s the view of David Cox, chief executive of letting agent trade body ARLA Propertymark, who argues that because bricks and mortar are a more stable investment class than the likes of stocks and shares, property is uniquely placed to appeal to investors taking a long-term approach.

Of course, there’s no question investors can enjoy a tidy profit from adopting a short-term strategy. Picking up a property with potential, refurbishing it and then selling it on can prove incredibly lucrative.

But that short-term strategy brings with it additional risks that can be reduced, or even removed entirely, by taking a longer-term view.

Buy real estate and wait

A big selling point to adopting a long-term investing outlook is that it provides you with a greater opportunity to enjoy substantial capital growth.

According to Nationwide Building Society’s house price index, in the first quarter of 2000 the average property price stood at £77,698. By the first quarter of 2010 this had grown to £162,887, while its most recent index suggests the average property is now valued at £215,925 – almost three times what it was 20 years ago.

But these are just average prices. If you’d have bought in an area primed for growth, managed to secure a discount or added value in some way then chances are you’d have done even better.

Rob Dix, co-founder of Property Hub, notes the property market moves in cycles, with prices creeping up steadily until they go too far and a crash occurs, with the process then starting again. However, each cycle starts from a higher point than the previous one did, meaning that if you invest over enough time “you’ll be exposed to that overall upward trend and whatever happens along the way doesn’t matter too much”.

Marc Schneiderman, director of estate agent Arlington Residential based in North London, argues the long-term approach has proven to be “extremely fruitful” for many of his clients, precisely because of this strong capital growth. He says clients that sold up early for a small profit are now “full of regret” they didn’t take a long-term holding position, even if just for ten years or so. “In a rising market it’s of course easy just to take a small gain and move on, but one thing I have learned is that the really successful property investors are those that never sell,” he explains.

In a rising market it’s of course easy just to take a small gain and move on, but one thing I have learned is that the really successful property investors are those that never sell

I’ve got the leverage

Combining a long-term investment strategy with leverage, can make an enormous difference to your eventual returns.

At its most basic, leveraging is where you use borrowed money in order to boost the returns from an investment. In property, this comes down to the use of a buy-to-let (BTL) mortgage to help your initial pot of cash go further, and therefore deliver more.

“The properties I’ve purchased will see a significant uplift over time”

Deepak Shukla is adopting a long-term approach with his property investing, having purchased three properties so far. The most recent purchase, a property in Dudley, was picked up for £91,000 but was recently valued at £105,000.

He explains: “Some people look at property as cash flow, from the rental yields and potential flip opportunities. But buying and holding property, given the long-term appreciation in value, can lead to dramatic increases in valuations over the course of 10-30 years.

“I chose to buy in the north of England because the property prices there stand to benefit over time. The rule of thumb is that the north sees what the south does, but about five years after, so the properties I’ve purchased will see a significant uplift over time.”

Take this example from property data firm Bricks & Logic, based on picking up ex-council flats in Leyton, East London, back in January 2010 with an initial £200,000 to play with.

If you bought just one of these flats priced at an average of £180,000 with cash, then by the start of this year your property would have grown in value to £378,000. Placing the rent and the leftover money into a bank account paying 1% interest, you’d be sat on a savings pot of £102,000. According to Bricks & Logic’s calculations, that’s a 140% return on your investment.

Alternatively, if you’d used leverage to purchase four flats – putting down a £45,000 deposit on each and remortgaging every two years but leaving the cash from the rent in the bank – with a mortgage at 1.5% above the base rate and the various mortgage fees to account for, you’d now have a property portfolio worth more than £1.5m, as well as £905,000 in the bank. Even accounting for total debt of around £1.1m, that’s a 542% return on investment.

It’s easy to get carried away by these figures. That’s why it’s important for investors to exercise caution when it comes to leveraging. While borrowing can help magnify your returns, you need to keep that borrowing to a manageable level you feel comfortable with. Just because you can borrow to buy it, doesn’t mean that you should.

That said, as Rob Dix points out, it’s worth keeping inflation in mind when considering what you are prepared to borrow, as over time the value of your debt is being inflated away: “You see a lot of people who borrow £100,000 and worry because in ten years they have to pay that back. That’s true, but £100,000 in ten years is not going to be worth the same amount as it is today.”

Making borrowing easier

There are a number of important factors at play which have made leveraging both more attractive, and more accessible, to property investors in recent years.

The first is that the costs of borrowing for investors have rarely been so cheap. The financial crash in 2008 pushed bank base rate down to new record lows, and with that borrowing costs fell too.

In the decade plus since the crash, base rate has not really risen in any meaningful way, with further economic hiccups – from the result of the EU referendum – to the Covid-19 pandemic causing it to stay low, and actually resulting in rates on BTL mortgages falling.

But what do those low rates mean in context? According to financial information site Moneyfacts, the average two-year fixed-rate BTL mortgage came with a rate of 3.5% in February 2015, while for five-year fixes it stood at 4.39%.

Based on borrowing £150,000 over 25 years on an interest-only basis, that would mean monthly

With the benefits of compounded returns, from both growing house prices and rental incomes, it no longer becomes a question of timing the market, but rather the amount of time spent in the market

repayments of £438 and £549 respectively. But by February 2020, those average rates had dropped to 2.75% for two-year deals and 3.2% for five-year fixed rates. As a result, monthly repayments would come to £343 and £400 respectively.

With base rate expected to remain low for the foreseeable future, that makes leveraging even more attractive. Rob Gill, managing director of mortgage broker Altura Finance and a landlord in his own right, explains: "Borrowing against property is generally the cheapest finance most people can access. Buy-to-let finance therefore provides a highly effective way to gear an investment portfolio, allowing even amateur investors to borrow to invest, something that isn't often available with other asset classes."

There has also been an improvement in the number of lenders active in this area of the market, and their understanding of how to meet demand from those just starting out in property investment as well as seasoned professionals.

What's more, as Jeni Browne, sales director at broker Mortgages for Business explains, unlike the 2008 financial crash Covid-19 hasn't shut off the supply of credit, meaning that "leveraging up to invest" is still entirely possible. "Right now, at the peak of the crisis, there are still 15 lenders out there willing to lend against HMO investments, for instance. Landlords have fewer lenders to choose from, but they still have plenty of choice," she says.

A resilient asset

While the property market is inevitably subject to cycles, with price corrections occuring every couple of decades, the long-term trend remains positive.

One of the reasons that adopting a short-term investing approach can prove risky is because you may not see that correction coming, and within a short period of time be left with an asset worth less than you paid for it and with few viable exit strategies.

These corrections are less of a concern for those investing over the longer term. While prices fell following the financial crash, they have since recovered to new heights in many areas of the UK. Even if an investor purchased a property just before the crash, at what was then the top of the market, there's a decent chance that that property is worth more today, though the size of the price recovery does vary by area.

As David Cox puts it: "Long term property investment irons out short term blips in the property market and smooths the curve across periods of boom and bust."

Compounding returns

The sooner you start investing in property, the sooner you can start benefiting from compound interest. Rob Dix describes this as the snowball effect: "Investing over a long period gives you more time for that snowball to build. You don't have to do wild and wacky things to get there."

The more value you build in your property portfolio over time, the more equity you'll have to reinvest elsewhere.

Let's return to that example from Bricks & Logic, but this time where the proceeds are re-invested every two years in properties offering the same price growth and rental incomes.

In this scenario, the firm calculates that an investor who started out with four flats in 2010 would now own property worth £8.32m, with around £175,000 in the bank. With debt of around £6.3m, that's nonetheless a return on investment of 1,025%.

Of course, many investors won't pick up properties boasting such eye-catching returns as those in the Bricks & Logic calculations. But the fundamentals still apply – the returns from your first investment property

COVER FEATURE

"We invest for income and capital growth"

Tory Ion-Webb (left) started out as an accidental landlord when moving on from the first flat she bought alongside her best friend Sandra (right), but the pair have now built a portfolio of four properties, all in London.

"We are buying and holding for the long term. Our strategy is dual in that we invest for income but also for capital growth, so we've invested solely in London thus far. All bar one have gone up at least 20% in value. Our primary residence, which became our first rental when we moved out, has more than doubled in value which has then financed the expansion of the portfolio.

She notes that while the pair weren't making a huge amount in income at the beginning, incremental rental increases have proven effective.

"We don't jack rents up, but put it up a little when we get a new tenant, and it makes a nice increase in the profit margin. London hasn't got the best rental yield – you don't get the same return on investment as other parts of the country – but sit on it for a little while and you still get the returns."

will help you build up the money needed to make that second investment more quickly, and so on.

So not only do you enjoy the capital and rental income growth from your initial purchase over time, but those returns help you build a greater portfolio, increasing your overall returns exponentially and ride out those inevitable house price corrections that occur from time to time.

Time in the market, not timing the market

While a short-term strategy can prove lucrative, one of the big gambles involved is the question of when you pick up the property you're investing in. The timing of a purchase can be thrown off by all sorts of external factors beyond your control, but getting it wrong can easily eat into or even eliminate entirely any returns.

As Rob Dix puts it: "If you're investing over just a few years, then you need to get everything right including the timing for it to go well. But over the longer term, there's scope for things to average out."

Rob Gill notes that it's well known in the stock market that it's extremely tough to time entry into and exit out of the market, and that attempting to do so risks missing out on market rallies. "The same is true of property investing, even more so given the transaction costs involved and time it takes to buy and sell property, which is why a buy and hold strategy is more effective," he says.

With the benefits of compounded returns, from both growing house prices and rental incomes, it no longer becomes a question of timing the market, but rather the amount of time spent in the market.

However, it's important that investors don't confuse a long-term approach with a static one. Just because you hold property for a long term, you still need to adapt and move with the market as it changes, ensuring that the property continues to stand out from the crowd and attract interest from your target tenants.

Test your knowledge and take the course: how property will make you rich in the long term at **propertyhub.net/education**

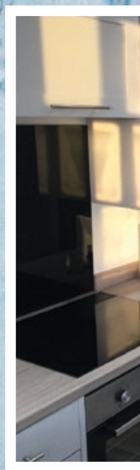
COVER FEATURE

Taking the

CASE STUDY

Kyle Willox

It's easy to underestimate the work involved in your first property refurbishment, but as oil driller Kyle Willox tells **Leah Milner**, he's glad he put in the hours



Above: the Aberdeen property exterior

Top right: the kitchen after refurb

Right: the living room after refurb

plunge

Kyle Willox admits he was naive to think he could renovate a dated two-bedroom flat in Aberdeen single-handedly in just three months, particularly as he spends half his time offshore working on an oil rig.

Still, the 28 year-old assistant driller is proud to have finished his first property project, even if it did take a lot longer than he expected. "I was crazy to think I could do it in such a short time," he says. "I would have needed to have a whole team working on it."

In the end the renovation took nine months with Kyle working on it for three weeks on and three weeks off, in between his stints on the rig. He did enlist some professional help along the way, but the vast majority was his own handywork.

First-time investor

Property has always held an appeal for Kyle, who managed to get on the housing ladder in 2017, when he bought a three-bedroom semi in Aberdeen. But he was the first in his family to start thinking about property as an investment opportunity.

"Some of my relatives were not very keen on the idea, because they're quite risk averse. My attitude was that if it were that easy to make money, everyone would be doing it. I just had to get together the funds and the courage to take the first step," he says.

After buying his first home, he saved hard for another couple of years until, by early 2019, he had enough for a deposit. When it came to choosing the perfect refurbishment project, Kyle concedes he was guided more by budget and gut instinct than by a rigorous strategy: "I relied on my local knowledge having lived in Aberdeen for 10 years and I looked for somewhere in an area I would want to live in myself. But I was capped by the funds that I could raise, which really limited what was available to me.

"At that point in Aberdeen it was tricky to buy a city centre property with two bedrooms for under £100,000, so I looked at pretty much everything that came up in that price bracket. The local economic climate meant that prices were steadily coming down, so when this two-bed apartment came on the market for £88,000 I thought it was a good deal."

It ticked all the boxes in terms of the fundamentals. It was close to bars, shops and restaurants with strong transport links.

In need of a facelift

The property was in an attractive Edwardian listed building, but the interior was rundown. The walls were covered in cigarette-stained 1970s floral paper with skirting boards painted in blue and pink. Polystyrene cornicing was stuck to the ceilings and in the bathroom there was grimy wallpaper designed to look like tiling.

Taking the plunge

Above left: kitchen after refurb
Left: kitchen before refurb
Above right: bedroom after refurb
Bottom right: bedroom before refurb

"My first job was to strip the walls, then I ripped out the bathroom and the kitchen," says Kyle. "But the layout of the property was good, so I didn't have to make any structural changes."

All hands on deck

Kyle had never attempted a property renovation before, but he'd picked up lots of transferable skills from a previous job building refrigerated trailers for lorries. The flat had no central heating so he hired a plumber to install a gas boiler and paid an electrician to do all the rewiring.

He took on the rest of the work himself, sometimes with the help of colleagues he met on the oil rig. "It's really handy because there are lots of ex-tradesmen who work in the oil and gas industry, so I used contacts that I met offshore to help with many of the jobs like fitting the kitchen," he says.

He was able to save money by setting up traders' accounts with various suppliers like Howdens, which meant he paid just £1,200 for the kitchen. "They were happy enough with my job description as an oil worker and it meant I could buy everything at trade prices," Kyle explains.

As he worked on the flat, Kyle started listening to The Property Podcast, which helped to motivate him and has given him ideas for his next move.

Overcoming obstacles

Renovating a listed building has many challenges as nothing is perfectly square and you have to be very careful what you alter, Kyle explains: "I had to do a lot of wood planing to get the doors to hang correctly and to get the skirting boards flush. I had to line the floors with pine before laying down oak laminate because they were so uneven. The original windows couldn't be altered, so I had secondary glazing installed on the inside, to keep within the rules."

He picked up some renovation tricks and techniques along the way, such as varnishing doors and skirtings before hanging them. "I'd use a spray gun to do the painting next time as that could have saved me weeks," he says.

Luckily, there were no major disasters and only a few headaches along the way: "I had some trouble with the gas board and it ended up costing twice as much as the online quote. They weren't able to tap into the gas line running into the building and they had to close the road for the work, so it cost £1,000 instead of £500."

The fact the project took longer than expected

Far left: bathroom after refurb

Left: bathroom before refurb

RUNNING THE NUMBERS

This is how Kyle's two-bed apartment in Aberdeen stacks up financially:

Purchase price: **£88,000**

Purchase costs: **£3,594**

Finance method: **mortgage, two-year fixed rate at 3.5%**

Deposit: **£30,000**

Amount borrowed: **£58,000**

Renovation costs: **£15,000**

Project duration: **nine months**

Done up value: **£115,000**

Total personal investment: **£48,594**

Monthly rent: **£600**

Monthly expenses: **£290**

Monthly net profit: **£310**

also meant Kyle had to start paying council tax on the flat before he was able to rent it out as the exemption for unfurnished properties only lasted for six months.

Finding tenants

Kyle finished the refurb in November 2019 and set about trying to find tenants. His intention was to seek out young professionals: "We get a lot of contract workers in the city who tend to only be here from Monday to Friday, so I thought that would be ideal because there is less wear and tear."

He first posted the listing on Gumtree, but didn't get a great response so tried Facebook Marketplace instead and received 37 messages from interested tenants. After eight viewings he agreed to let the flat to two female students from January 2020.

While most student tenancies start in September or October, Kyle was fortunate to find one tenant who was transferring from another university and another who was returning from an exchange programme abroad. He checked references with their tutors and past employers and also asked for bank statements to show cashflow.

So far they have been no trouble at all, he says: "They asked me for some extra furniture and I was a little hesitant, but if it means they'll stay longer in the property then it's a no-brainer. I'm hoping they'll stay for the next academic year, but in Scotland tenants only have to give 28 days notice so you can never know that for sure."

Next steps

Kyle is already on the lookout for his next investment, but this time he says he'll pay more attention to the figures than just relying on gut instinct: "After listening to The Property Podcast I'll certainly look more closely at the numbers and try and work out the return on investment and profit before jumping in. I've learned that just because a property costs twice as much it is not guaranteed to give you double the rental income."

He plans to build diversity into his portfolio to make sure he doesn't become too weighted towards any one strategy: "I would probably look at Glasgow, Stirling or somewhere in the central belt of Scotland next as I don't want my portfolio to be too concentrated around one location. My goal is to build enough rental income to cover my bills so that I can spend my wages on further investments."

Although, next time he says he'll be looking for a property that needs less attention. "I'm hoping to find somewhere that doesn't require as much renovation work," he quips.

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**

The right frame of mind

It was Monty Python who advised us to 'always look on the bright side of life', but when it comes to property investment, it really is the best strategy, writes Natalie Thomas

FEATURE

"In today's environment, the world is full of cynics and you have to tune them out. Because if not, they become a cancer in your mind, in your thinking and you begin thinking that you can't or that life is negative." This was the advice Apple chief executive Tim Cook gave to students at the University of Glasgow when he received his honorary degree in 2017.

Indeed, there's never been a better time to try and shut down some of the negativity Cook refers to. Let's face it, bad news sells and it can be hard to avoid – especially at the moment. Maintaining a positive mindset is one of the greatest attributes a property investor can have.

The most successful investors are the ones who spot an opportunity when few others recognise it and are willing to follow their gut instinct, sometimes going against the crowd. The same property for example might be viewed very differently by two prospective buyers. One might see a run-down derelict house which offers no potential, while another – with a more positive mindset – might see an exciting investment opportunity.

Mind over matter

So what is a positive mindset? You've heard of the phrase: 'a glass half full', well this is really the essence of it. Say for instance you have a bad tenant who isn't paying their rent. Do you admit defeat and decide being a landlord isn't for you? Or, do you take action and look for a way around the problem, accepting it as a learning experience?

Kelly McGonigal PhD, a research psychologist and lecturer at Stanford University, advises that instead of avoiding stress, we face it head on. "Trying to avoid it is fundamentally counterproductive," she writes on conference site TED.com. "Thinking that we can emerge from stressful circumstances unscathed and unchanged is precisely the wrong way of thinking about things," she adds.

McGonigal believes the brain can grow stronger from stressful situations and create what she refers to as a 'stress vaccine', which will equip you to deal with future problems more effectively. This, she explains, is why putting people through practice stress is a key training technique for Nasa astronauts, Navy Seals, emergency responders and elite athletes. "Make a conscious choice when you're stressed to view stress as helpful, and the experience as an opportunity to learn and grow," she advises.

David Goggins is one such athlete who embraces a positive mindset. His list of achievements is impressive: he's a former United States Navy Seal, an ultra marathon runner, a distance cyclist, an endurance athlete, a tri-athlete, a motivational speaker and an author. He's also the former world record holder for the most pull-ups in 24 hours (an arm-breaking 4,030 in 17 hours if you were wondering).

Thinking that we can emerge from stressful circumstances unscathed and unchanged is precisely the wrong way of thinking about things

Goggins is a firm believer in visualisation and self-talk. It took him three attempts to break the world record and visualisation was central to his success. He knew he was going to experience extreme pain based on his past attempts but instead of ignoring it, he made it part of his visualisation process, which helped him overcome it. He didn't view his past attempts as failures, he saw them as a way to master his end goal.

Look for the positives

So how do you maintain a positive mindset as a property investor and keep your calm when everyone else around you may be losing theirs? Most people start off with the best intentions, but come undone when things don't go to plan. Sales falling through, renovation project roadblocks, tricky tenants and numerous properties to juggle can all be overwhelming.

"The best thing I do is to tell myself that I can only control what's in my control," says Mark Ward, a property investor who featured in episode 337 of The Property Podcast: the winning mindset behind rapid portfolio growth. He bought his first property in Carlisle, Cumbria, in 2013 and since then has added a further nine properties to his portfolio. "You've got to ask yourself if stressing is helping, try to keep calm and try to look at the situation from another perspective," he adds.

Mark is no stranger to seeing the potential in properties when others don't. In the past he's bought in flood zones, knowing that flood defences would soon be built. Like many investors, he's adapting to the consequences of the coronavirus. "I've luckily only had one tenant so far request a rent reduction, so I try and view that as a positive," he says. Instead of dwelling on the negatives, Mark is busy looking at ways to boost his income. "I'm looking into doing some rent-to-rent and option deals so I can take on more property without lots of outlay," he says.

The current market conditions are a good example of how a situation can be viewed in different ways. There's a lot of uncertainty around what the future holds, but as Mark points out there's also opportunities to be had. Property agent Savills is predicting house prices will fall 5-10% in the short-term but its long-term outlook is still a 15% increase over the next five years, assuming the long-term damage to the economy is contained.

Stress as a motivator

Jacob Walker is another investor who tries to maintain a positive mindset. At just 21 years of age, he owns three properties in Greater Manchester. "It's very easy to feel scared in property because you are taking on a lot of debt," he says. "At the moment there's talk of a market crash and all these things can adversely affect you. I try not to look at it in terms of the negatives. Property values might have gone down but I'm asking myself how much money I can get together to try and make profit from these cheaper deals."

When Jacob does experience stressful situations he focuses on why he is property investing. He plans to use his income from property to help launch his own company one day. For his degree dissertation, he designed an exoskeleton – originally with the intention of helping his 86-year old grandma walk upstairs. He intends to patent the design and get it into production.

"I think about what property can do for me and stay focused on my long-term goals," he says.

He agrees stress shouldn't always be viewed as negative: "Stress can also be motivational. When you have a long period of time doing nothing much, it's very easy to get complacent. You get decision paralysis, where you take a long time to make your mind up about something — essentially overthinking it. Some levels of stress can help you get things done and perform well."

At the moment there's talk of a market crash and all these things can adversely affect you. I try not to look at it in terms of the negatives. Property values might have gone down but I'm asking myself how much money I can get together to try and make profit from these cheaper deals

How to stay positive

The great thing about a positive mindset is that you don't have to spend a fortune to achieve it, it's already inherently within you, you just need to channel it to unleash its power. Mark advises other landlords to give themselves some space away from property and time to think.

One popular way of doing this is through exercise. "I'm now the only person in the office as staff are working from home," says Mark, "so I'm getting exercise on my way to and from work, I'm biking about 10-20 miles per day or walking about 5-10 miles," he says. This gives him time to clear his head and focus on the job in hand.

Jacob says if he's feeling any anger or frustration a run or bike ride can help, as can cuddling his dog. "I feel looking into your dog's eyes is very relaxing, there's nothing better than that," he says. He also finds putting his thoughts down on paper useful: "I like to break it down as to why I feel stressed or sad. I get a pen and paper and write it down. When I think about the solutions to the problems, they usually don't seem that bad."

When we asked other Hubbers on social media for their tips for maintaining a positive mindset, they too said exercise helps to keep them calm, as well as practicing gratitude and daily affirmations. "Write down three things you are grateful for each day, big or small," said Jess Callaghan, while Jack Stringer said cooking helps him to maintain a positive outlook.

It also pays to be aware of where your negative influences are coming from. Social media is a wonderful tool for keeping connected, but it can also have a negative and disruptive influence. The report 'Meet gen Z: the social generation' found social media made 41% of its users feel anxious, sad, or depressed. But negative influences can also come from much closer to home.

Maintaining your vision

So how do you view this year unfolding? As a challenge or as an opportunity? Or maybe a bit of both. They say buying a home is one of the most stressful things you can do, so it stands to reason those buying multiple properties experience an even greater share of ups and downs.

You're guaranteed to face adversity at some point on your property journey, it's how you deal with it and learn from it that will help you grow and move your business forward. Celebrate what you've achieved so far and any obstacles you have already overcome and remember to take time to clear your head, whether it be through exercise, meditation, listening to your favourite music or cooking a nice meal.

> I like to break it down as to why I feel stressed or sad. I get a pen and paper and write it down. When I think about the solutions to the problems, they usually don't seem that bad

As Mark advises, remember there are limits to what you can control so try to focus on what you can, and what practical steps you can take.

A positive mindset doesn't mean we always have to be happy about the challenges we face, but instead try to look at the bigger picture and learn from them what you can. It helps to have a vision of what you want to achieve in the next three, five or ten-years' time and visualise this – just as Goggins did – and evict any negativity from your mindset.

Exercise is one good way of geting some time to think

Listen to episode 337 of The Property Podcast: the winning mindset behind rapid portfolio growth or download episode 325 to hear the six life lessons Rob & Rob took from David Goggins' book Can't Hurt Me

FEATURE

Luigi Newton

Cutting through the red tape

Nottingham-based property investor Luigi Newton hit a major stumbling block before making his HMO pay. Andrew James recounts his story

CASE STUDY

Above top: bedroom after renovation

Above bottom: bedroom before renovation

It's no exaggeration to say property investment has helped Luigi Newton transform his life. Desperate for a way out of a call centre job, he turned his attention to property three years ago and recently completed his fourth renovation, a House in Multiple Occupation (HMO) in his home city of Nottingham.

"I got expelled from school and thought I wasn't going to amount to anything, but after trying so many things, I finally came across property and it seems to work for me," he says.

The 25-year-old started at the bottom of the ladder, putting together £12,000 to buy his first property. He took out a residential mortgage, lived in the property and rented out the spare rooms. With the money he made he bought two more properties, before refinancing to buy his latest HMO in June 2019.

A step into the unknown

Initially drawn in by the sale price of £130,000, Luigi ended up going to £141,000 to secure the HMO and was confident it was still a good deal. "I was shocked at the price it was listed for and was willing to overpay because I knew there was a lot of interest in it," he says. "Six other people viewed it at the same time as me, so I quickly put in the offer and it was accepted."

He put down a 25% deposit of £35,250 and took out a £105,750 interest-only mortgage with Shawbrook Bank at a rate of 4%. The property had previously been a four-bed HMO and wasn't in bad condition. Luigi spent £1,000 on a new flat roof on the extension and then set about transforming it into a five-bed property.

"We added the extra bedroom by turning the living room into a bedroom. The kitchen is quite big so there was plenty of communal space and the rooms are spacious as well, so there have been no complaints. I could have let it out as it was, but it was out-dated and I wouldn't have got a premium. We put in four new bathrooms and replaced everything," he says.

The renovations took six months to complete and the property was fully occupied within a matter of days of going on the market in December by five young professionals, including three research scientists. Until this point everything had gone smoothly, then a major stumbling block arose.

A nasty surprise

Having gone to refinance the property, Luigi was knocked back as he was missing a key piece of paperwork. As the property was in an Article 4-restricted area, it required a certificate of lawfulness from the local planning department to be officially recognised as a HMO.

"The property was a licensed HMO and I assumed it had the planning permission," he says. "At that point, I didn't understand about certificates of lawfulness. Before purchasing the property, I thought I'd done the correct due diligence as I'd spoken to the HMO licensing team and the council planning department and they didn't raise any concerns.

"It was only after the project was finished and I tried to remortgage that I found out I couldn't refinance it as a HMO because the certificate of lawfulness wasn't there."

To make matters worse, after getting the HMO licence approved for five people, Luigi discovered there was a condition in it stating without the certificate of lawfulness, the property could only be rented

CASE STUDY

Above: bathroom after renovation

Far left: kitchen after renovation

Left: kitchen before renovation

out as a HMO for one year before it would have to revert to a residential property.

A planning document costing £430 was going to have serious financial implications for what had been looking to shape up as a profitable project. "I was facing the prospect of breaking even, or taking a £5,000 loss, because the property didn't have the certificate," Luigi recalls. "If I couldn't get the planning document approved, the property was only going to be worth £200,000 done up, but with it, it was going to be worth a lot more."

Luigi went to the seller and got assured shorthold tenancy contracts for the past six years to submit to the planning department, but the application was rejected due to insufficient evidence. He then had to go back to the seller to obtain the renewal documents and finally the certificate was granted.

The coronavirus caused further delays to the process and there was a great sense of relief when the approval came in May this year. "For a long time, I didn't know whether I was going to make money from the property," Luigi says. "When the letter came through my door I was elated – it was a massive weight off my shoulders. It was a stressful time and I felt stupid and was beating myself up about it. The whole deal took nearly a year from start to finish because getting the certificate of lawfulness dragged on for so long."

With the property now valued at a minimum of £280,000 and bringing in a monthly net profit of just under £2,000, the certificate saga had a happy ending and Luigi has learned some valuable lessons for the future.

"After my experience, I'd never buy another property unless it has a certificate of lawfulness," he says. "My advice to people would be not to take what the planning department says as gospel and always double check everything.

"I must stress it only applies to Article 4 areas and is something that a lot of properties don't have. The weird thing is you can buy a licensed HMO without it, but when you come to refinance or sell, you're probably going to need it."

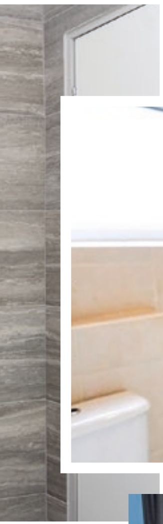
Leaving it to the professionals

The part of the project that gave Luigi the greatest satisfaction was the renovation, which cost £40,000.

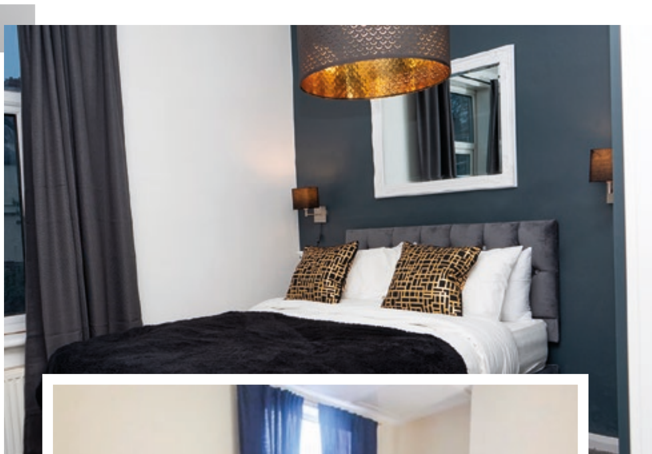
During his time investing in property, he has assembled a reliable team of builders and trades people. He uses the services of an interior designer and gave them a budget of £800 per room to buy the furniture for this project.

"What I believe made this property stand out was the furniture," he says. "My interior designer managed to source the best products at the best prices online to achieve a high-end look. I don't do any of the refurb work and leave it to the professionals. I was very happy with the end result and I regard it as my best one yet."

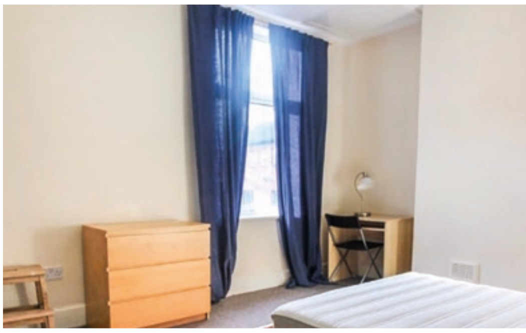
Although Luigi is currently managing the property himself, he's aiming to pass it on to an agent once the coronavirus restrictions have eased. One of his goals is to reach a point where he's completely passive in the management of his properties.



Left: bathroom before renovation



Below: bedroom after renovation



Bottom: bedroom before renovation

He plans to expand his portfolio and has the desire to tackle bigger projects in time, such as larger HMOs or apartment builds. Always looking to increase his knowledge, he's motivated by trying to achieve his monthly profit targets to generate income for his interests, which include cars and trips abroad.

The power of social media

Luigi is also keen to share his experiences with others and details the different stages of his projects on social media. He's built up a network of valuable contacts through his YouTube channel and Instagram account.

"I've documented all of my projects so far. I try to be transparent and authentic and share the knowledge I've gained from my experiences," he says. "I'm not a smart guy and I'm not necessarily trying to inspire people. I just want to show them how they can do it. I've had some great feedback and it has opened up so many doors."

RUNNING THE NUMBERS

This is how Luigi's five-bed HMO in Nottingham stacks up financially:

Purchase price: **£141,000**

Purchase costs: **£7,660** (including £1,000 for a HMO licence and £430 for the certificate of lawfulness)

Deposit: **£35,250**

Finance method: **25-year BTL, interest-only mortgage at 4%**

Amount borrowed: **£105,750**

Renovation costs: **£40,000**

Project duration: **six months**

Done up value: **£280,000**

Total personal investment: **£82,910**

Monthly rent: **£2,650**

Monthly expenses: **£737**

Monthly net profit: **£1,913**

One of those doors has led to his next project. He was contacted by a private investor looking to team up for a joint venture. On a similar scale to the last property and also in Nottingham, plans for the project remain on track despite the uncertainty caused by the coronavirus pandemic.

"A well-known person from the entertainment industry living in London, whose name I can't disclose, reached out to me via my YouTube channel," Luigi says. "They've agreed to invest £80,000-£90,000 in a similar project, which I'll manage, and we'll split the profits and ownership 50-50.

"This one is a five-bed HMO, which I'll be turning into a six-bed student house. It's in an Article 4 area near the university, but this time I've made sure it has got the certificate of lawfulness," he laughs.

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**

Choosing an accountant

Picking the right accountant can make a big difference to the success of your property business. Here's how to find your match

A good accountant is much more than a number cruncher. They'll play a crucial role in your investment journey, which is why it's so important to take the time to find the right one from the get-go.

With the right tax advice, you'll be in a position to make more financially sound decisions for the future, maximising the potential of your property business and saving yourself time, effort and money in the process.

Before hiring an accountant you'll want to make sure they have the right skills, experience and attitude to do the job well. Here are five questions you can ask to establish whether they're the right fit for you:

1. What property accounting experience do you have?

There are different tax rules for property investment than there are for traditional trading, that's why it's important to work with a tax specialist who's on top of everything property-related and understands your business inside out.

Tax on property investors is far more complicated than it used to be: complex areas like stamp duty need expert attention. If you're advised incorrectly it could end up costing you.

Lots of accountants will have some experience of property, but you don't just want someone who has the odd client with a property on the side. You want someone who deals regularly with clients with large property portfolios, and are used to handling property specific transactions to help you get the most out of your investments.

You should be looking for an accountant who's a property specialist, and ideally an investor themselves. This will allow them to better understand what you're trying to accomplish, and ensure that they have experience of what tax strategies have been effective for their other clients.

2. How can you help me save money?

Everyone wants to know how to save on their tax bill, but you need to feel confident your accountant will give you the best recommendations for your specific situation, rather than just dishing out generic advice.

The best accountants will look at the bigger picture and see how they can save you the most money over the long term. They'll take your goals and plans for the future into consideration, so you can structure your investments in the most cost-effective way.

A good accountant will save you far more money than they cost you. Their knowledge of the allowances you can claim should see you paying less tax every year than you otherwise would – and in a more strategic capacity, they can make you aware of the tax implications of any major decisions you're considering.

3. What service will I get?

Some accountants will do little more than manage your accounts and file your tax return. As an investor, you need an accountant that will be proactive in finding creative ways to solve problems and helping you to grow your business.

Tax planning should be a conversation, not a once-a-year event. You might want to project what your returns look like next year if you refurb one of your properties, or if you re-mortgaged at a lower rate. Your accountant should be able analyse the different outcomes of various scenarios for you so that you can plan for the future.

For this reason it's important to establish what level of service you can expect from your accountant, how often they'll be in touch, and whether you'll have to pay extra for support when you need it.

4. How will you make my life easier?

Your accountant should act as your personal guide through the complex, ever-changing world of property tax, making sure you understand it and warning you of any pitfalls you're likely to encounter.

They should take away the burden of doing the boring bits of business accounting, leaving you to get on with what you do best, filled with the peace of mind that all your reporting requirements have been taken care of.

Look for an accountant that uses specialist accounting software, so that you can keep track of your portfolio and record your expenses with a few clicks of a button.

5. What are the fees?

Before appointing a property tax specialist, make sure you get a full and detailed breakdown of what's included in the service you are paying for and what's classed as an extra. You don't want to be hit with hidden fees later down the line. Your accountant should be able to make sure every charge is detailed and more importantly for you, fully justified.

It's important to not just base your decision on cost: a good property account will save you many multiples of what they charge you over time. If someone doing a great job is charging you twice the rate of someone doing an average job, you'll benefit majorly over time. Don't think about the short-term – your long-term property journey is what's important.

Property Hub Tax is made up of qualified accountants and tax advisors, with over 40 years of experience in practice between them. Many of them own their own property businesses, so they can relate to you from a commercial perspective, as well providing professional advice. For more information about Property Hub Tax, or to book a consultation visit: **propertyhub.net/service/tax**

TAX

Up to speed

FINANCE

Dave Cookson tells Chantelle Dietz how the digitisation of the mortgage market will lead to a smoother, speedier application process for borrowers

If you've ever applied for a mortgage, you'll know what a frustratingly slow process it can be. Even before you get to the point of submitting your application, there's a long list of documents you'll need to provide and plenty of paperwork to fill out.

Going digital

Until recently the digitisation of the UK mortgage market has been making slow progress – the sector has lagged behind others when it comes to embracing new technology. But all that changed when the UK went into lockdown in March. With in-person contact off the cards, lenders had no choice but to come up with new ways of operating, and technology provided the solutions.

Like other businesses, the banks and building societies had to adapt to a new set of circumstances, says Dave: "Some deals were temporarily pulled and loan-to-value (LTV) ratios dropped as they reassessed the risks of lending and dealt with the demands from customers wanting to take payment holidays. Not only that, but many had to furlough large numbers of staff. Once the dust had settled, technology emerged as an essential tool in guiding lending decisions remotely."

Until recently the digitisation of the UK mortgage market has been making slow progress – the sector has lagged behind others when it comes to embracing new technology. But all that changed when the UK went into lockdown in March

One of the biggest challenges lenders faced was around valuations. With surveyors unable to access homes due to social distancing rules, lenders began using a combination of Automated Valuation Models (AVM) and desktop valuations. These systems use specific data sets and mathematical modelling to work out the value of a property.

Santander says it was able to progress around 70% of mortgage applications using remote valuations and has no plans to ditch this method even though physical valuations were given the green light to go ahead again in mid-May.

Trusting the tech

As reliability in the technology improves and lenders become more confident on judging valuations in this way, Dave believes borrowers will start to benefit from much smoother, speedier applications: "You can now get a desktop valuation for up to 70% LTV which was unheard of at the start of the year, the absolute maximum was 65%."

Tech is also being used to solve other problems, like validating identities as part of the underwriting process. Digital ID verification tools are being used more frequently to help lenders verify their customers' identity in accordance with anti-money laundering laws.

Similarly, solicitors are using video calling apps like Zoom, Skype and FaceTime to remove the need to meet with their clients in person to prove their identity as part of the conveyancing process. "A face-to-face meeting with a conveyancer was a must for 95% of solicitors in the past, but now a video call will suffice. And where once only an original signature would do, digital signatures are now accepted," explains Dave.

In Dave's opinion, these temporary tech solutions are likely to change the way lenders work forever: "As more lenders become inspired by the usefulness and reliability of these tech tools they'll start to become more mainstream. I'm confident we'll be able to shave hours off the time it takes us to get an application approved."

FIVE TRICKS TO SPEED UP YOUR MORTGAGE APPLICATION

Here's what you can do to accelerate the process of applying for a mortgage

1. Don't take unnecessary holiday payments on any existing mortgages in your name. If you've already taken one and didn't really need to, your chances of securing a mortgage will be dramatically reduced. A payment holiday is designed to help you out if you're in financial difficulty, it isn't a grant.
2. Check your credit report. If there are errors, or missed payments you'll need to do some work to improve this before you apply for a mortgage to demonstrate you can manage your money responsibly.
3. Let your broker know if there is anything unusual or quirky about the property you're buying. For instance is it above a takeaway or close to commercial property? This will influence your choice of potential lenders.
4. Make sure all your supporting documents are correct and up to date before submitting them. Something as minor as an old address on a driving licence can cause serious hold ups.
5. Choose a tech-savvy mortgage broker that has a system for uploading, signing and accessing all your documents digitally.

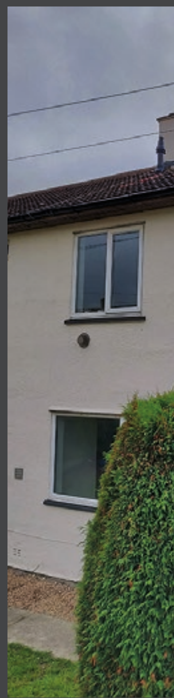
To discuss your property investment needs and find the right mortgage product for you, contact Dave Cookson and the team at Charles Louis Mortgages on 0161 959 0166 or visit charleslouis.co.uk

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

Shifting strategy

Richard and Victoria Kerslake

New parents Victoria and Richard have been investing in property for a decade, but over time their strategy has evolved and their priorities have changed. Leah Milner finds out why



Top right: house exterior after refurb

Middle right: kitchen after refurb

Bottom right: kitchen before refurb

CASE STUDY

> Her dream is that one day her property profits will be sufficient to fund a local community centre helping underprivileged teenagers to get a better start in life

Victoria Kerslake may have left behind her teaching job at an inner London secondary school to grow her property empire and start a family, but she's still driven by the desire to make a positive contribution to society.

Her dream is that one day her property profits will be sufficient to fund a local community centre helping underprivileged teenagers to get a better start in life. For now though, Victoria, 32, has her hands full with baby Matthew, who was born in May, and 12 investment properties that she manages with her husband Richard, 33.

The couple started out with a focus on houses in multiple occupation (HMOs), but have recently embarked on a change of strategy to bring more diversity into their portfolio.

Becoming a student landlord

Victoria has been a landlord since her university days when her father bought her a student house in Norwich to live in and rent out rooms to her friends.

"My dad is an ex-policeman and an ardent post-war saver. He wanted to offload a lump sum to me early so that I could avoid having to pay someone else rent and not end up with an inheritance tax bill, so we bought a three-bedroom terrace in the city centre for £120,000 in cash and converted one of the downstairs communal rooms into an extra bedroom," she explains.

"A few years after I graduated and moved down to London I had saved enough to put down a deposit on the house two doors down from my first property."

Victoria paid £135,000 for her second property in 2010 with the help of a mortgage. Both properties were let to professionals and she managed them remotely with the help of her mother who lives in Norwich and was on hand to conduct viewings and handle any day-to-day issues.

Corporate high life

When she first moved to London, Victoria got a job as an events manager. The work-hard, play-hard lifestyle was perfect for her early twenties. She enjoyed being entertained at luxury hotels and restaurants by her corporate clients, while living in a houseshare where she met her future husband Richard in 2012.

But after a while she began yearning to do something more meaningful and put her languages degree to better use. Fortunately, Richard was working as an accountant and was able to support Victoria as she dipped her toe in the water of a new career by working as a teaching assistant before retraining as a French and Spanish teacher.

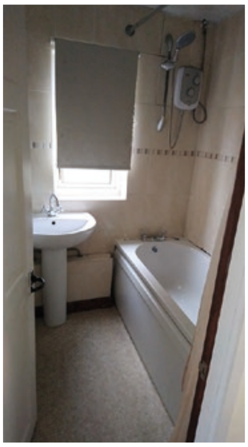
"I took a job in Tower Hamlets which is one of the most deprived areas of London. It was intense and emotionally draining, but I can't fault the experience at all. I'm passionate about addressing the disparity between rich and poor and how socio-economic factors affect children's future opportunities, so it was exactly what I wanted," she says.

Although Victoria loved teaching, both she and Richard were working long hours and barely saw each other. "We were like ships in the night and every month we would have to get our diaries out and block out an evening a week to spend together. Usually it would just be a TV dinner because we were so exhausted," she recalls.

When the couple got engaged they felt it was time to look at other options. "We couldn't picture another 40 years of that kind of life, where we were just co-existing rather than actually being together," she says.

The path to property

Victoria and Richard investigated different ideas for business ventures they could pursue together, such as foreign exchange trading and e-commerce before deciding that property was the best way of combining their talents.



Top: living room after refurb
Middle left: garden after refurb
Middle right: garden before refurb
Bottom right: bathroom after refurb
Bottom left: bathroom before refurb

They swatted up, reading everything they could lay their hands on, including listening to property podcasts like Rob and Rob's. Eventually they felt ready to take the plunge and both dropped down to four-day weeks in their jobs to spend one day a week touring the country to find opportunities.

The couple settled on Mansfield in the Midlands because it offered a good balance between asking price and rental demand and was accessible enough for them to drive there and back in a day from London.

Over the next couple of years the pair gradually added to their portfolio, finding properties they could refurbish and then let as HMOs. Victoria admits their very first HMO turned out to be a bit of a nightmare even though the sums seemed to work out on her spreadsheet.

"We made the classic mistake of viewing it in the daytime, when the agent wanted us to see it. The street has huge problems with drug dealing and anti-social behaviour. There's even a gang operating. We have learnt now to always go back to visit a street at 'witching hour' when it's dark and to check crime statistics websites for the postcode," she says.

"That property is still a thorn in our side as we often have void periods and arrears. Unfortunately, the kind of tenants who pay their rent on time do not want to live on that street."

Shifting strategies

During their time in property, Victoria and Richard have built great contacts with letting agents, electricians, plumbers and fine-tuned an investment model that has delivered a healthy income. By the end of 2018 the couple were newly married and earning enough from their portfolio to consider giving up their jobs and focus on property full-time, but only if they moved out of London.

They decided to move to Mansfield and rent a tiny flat while they hunted for more properties. Worried their portfolio was too narrowly focussed, both in terms of location and property type, they decided their next purchases should be single-tenancy buy-to-lets (BTLs) for couples or families.

RUNNING THE NUMBERS

This is how Victoria and Richard's two-bed terrace in Rotherham stacks up financially:

Purchase price: **£45,000**

Finance method: **private investor funded, then refinanced after renovation on a 25-year mortgage, fixed for five years at 3.65%**

Renovation costs: **£15,131**

Project duration: **nine weeks**

Done up value: **£65,000**

Amount borrowed: **£48,750**

Deposit/reservation fee: **£16,250**

Monthly rent: **£450**

Monthly expenses: **£216.84**

Monthly net profit: **£233.16**

"We were concerned that if anything happened to the HMO market – whether it was new regulation or another unforeseen change – all of our income would be wiped out. We didn't want to be over-exposed to one niche," Victoria explains.

After further research, they hit upon South Yorkshire as a promising area, then zoned in on Barnsley and Rotherham which are both within 45 minutes drive of their HMOs in Mansfield. They have since bought five properties across the two Yorkshire towns, sourcing deals through their relationships with agents and even by hiring leafleters to drop notices through doors on streets they were keen on.

The couple either use their own cash, funding from private investors or bridging loans to cover their purchases and then refinance on to BTL mortgages once the refurbishments are complete.

The process

One of their most recent projects was a run-down, two-bedroom terrace in Rotherham with a large garden, which they have completely refitted. The previous owner was also a landlord, but didn't want to spend the money needed to bring it up-to-date.

The property was on the market for £55,000 but the vendor agreed to their knock-down offer of £45,000 last August as they were cash buyers and were able to move quickly. They got the keys in September and set to work.

"It hadn't been touched for about 10 years or so. We had to replace everything. We put in a new bathroom, boiler, fuse box, rewired all the electrics and recarpeted. We also removed a wall to put in a new open plan kitchen-diner. There were also some safety issues we had to deal with like asbestos," says Victoria.

The renovation took nine weeks to complete, and the property was tenanted in December. However, they had to wait longer than expected to refinance, thanks to a hold up with the Land Registry.

Victoria explains: "The previous owner had a mortgage with a lender which no longer exists, so the Land Registry wouldn't change the name of ownership of the property to us until they had proof that the mortgage lender's interest had been satisfied."

After some serious detective work by their solicitor to track down the previous mortgage lender, they were finally able to complete on their own mortgage in March, just before the lockdown began.

Next steps

Victoria and Richard moved to Norwich at the end of 2019 to be closer to family – by this point they were expecting baby Matthew. They both think property is a good career to have while raising children and will afford them more quality time together than most other jobs. They're also thankful they made the decision to diversify their investments when they did. Since the Covid-19 crisis struck, some of their HMO tenants have been unable to pay rent, whereas their BTLs are all performing as normal.

In the short term, Victoria – who volunteers for the National Society for the Prevention of Cruelty to Children – says she wants to carry on building their portfolio and take on new challenges such as commercial to residential conversions. "I would love to buy a dentist surgery or something similar and convert it into two or three separate flats," she says.

She'd also love to be able lease some of her properties to refugee charities or women's shelters. But she's keeping one eye on the future and her 20-year plan: "My dream is to make enough money from my properties to pay for a community centre. I would outsource the running of it though. All the funding for youth centres has been cut and when I was teaching in Bow I saw that a lot of children were really struggling with overcrowding at home and how to keep occupied out of school hours."

However long it may take for Victoria to realise her ambition, she has already proved she has the grit and determination to get difficult projects off the ground.

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**

Property **Geek**

with Rob Dix

A lesson in liquidity

Why doing nothing is sometimes the best action of all

Buying or selling a property in the UK is one of the most painful and frustrating experiences adults can voluntarily put themselves through. Although I love property as an investment, I've always considered this transactional torment to be one of its biggest drawbacks.

But in fact, for investors, it could be one of its biggest advantages – by protecting them from themselves.

The illiquidity of property

Liquidity means the ability to turn an asset or investment into cash. An investment in the stock market, or bonds, or precious metals, or commodities, is (for the most part) highly liquid.

If I owned a share in AstraZeneca, I could go online and immediately see the exact price I'd get if I sold it right now. A few taps on an app later, and I could have sold it and have the cash in my account.

In other words, shares have price transparency and you can sell quickly. A buy-to-let (BTL) property couldn't be more different on both of these features.

Lack of price transparency

What price could you get if you sold one of your BTL properties today? There are various ways you could try to get to an answer:

- Look at a portal like Rightmove to see what similar properties are selling for locally.
- Look at Land Registry data to see what similar properties have actually sold for in the recent past.
- Find some data for what prices in the area have done on average since you bought it, and apply that percentage increase to the price you paid.
- Use an automated valuation tool like the one supplied by Zoopla and see what the algorithm comes up with.
- Put it on the market with an estate agent and see what offers you get.
- Put it into auction and see what price it achieves in the room.
- Get a professional valuer to give you an opinion.

The only methods that will give you an accurate answer to how much you could get for your property are putting the property with an estate agent or into auction – because you literally are selling the property.

Every other method will be an estimate, and each will give you a different answer. In fact, you'd probably get the most reliable answer by doing all of them and taking an average.

Even after doing all that, you still won't know for sure what you'll walk away with until you actually sell. That's completely different from a share, where you can see a price instantly and know with certainty that it's the price you'll actually get.

Speed of sale

If you desperately wanted to offload a property, the absolute fastest you could do it would be in a couple of weeks, but this would involve selling to a specialist buyer who would expect a significant discount for moving quickly.

You can argue forever about whether property is a better investment than shares. You can pull out endless data to prove points one way or the other. But psychologically, property wins hands-down

At auction, it might take a couple of months: a month for the next auction date to roll around, then 28 days for the buyer to complete legals.

On the open market, you could expect it to take at least a few months – a year or more is by no means unheard of. Again, this is worlds away from shares, where a sale is near-enough instant.

And this is a GOOD thing?

As I said, I'd always thought of this illiquidity as a drawback. But it might not be, because the easier it is to trade, the more likely you are to do it. And an abundance of evidence shows that most of the time – especially in times of market turmoil – the best thing for investors to do is nothing.

Study after study has demonstrated the more people trade, the worse their performance is. Given the chance, most people will panic and sell their assets after prices have gone down, and be too fearful to buy back in until prices have gone up again.

With property, you can't do this, and you don't have the motivation to either:

- Has the value of your property gone down in the last week? Who knows! Unlike shares which update prices every second, you never get accurate pricing data for an individual property (until you sell) and even national and local averages are only updated once per month.
- Are you feeling nervy about the market and think selling might be a good idea? Well, you'd have to sustain that feeling long enough to go through all manner of hassle to market your property, then have that nerviness persist for the months it takes for the sale to go through.

Does this mean that property is inherently less volatile than shares? Well, partially yes. But there's also a volatility-smoothing behavioural feedback loop at work:

1. We can't see whatever day-to-day volatility there is, because we see pricing monthly at best (and it's never specific to the individual property we own).
2. That lack of visibility in itself reduces volatility, because it prevents market participants from taking emotionally driven daily actions.

Questions to ask yourself

You might not be buying into my line of argument here (or you might have fallen asleep), but some quick thought experiments should help:

- Imagine you've seen data showing that property prices have just started falling and the outlook isn't good. Would you sell one or more of your properties if you could just snap your fingers and have it done?
- The stock market has just dropped 10%. If you could sell a fraction of the equity in your property portfolio to remove some downside risk if property prices followed, would you do it?
- The stock market has just dropped 10%, you own a large amount of shares and you're nervous about the future of the economy. If selling your shares would take six months and you weren't sure what price you'd get at the end (if you could find a buyer at all), would you do it?

If you're honest with yourself, you'll probably find in the first two scenarios, you'd have been biased towards action. The situation has changed, and you feel a compulsion to do something about it. In hindsight, would it have been the right thing to do? Sometimes yes, but usually not, given that property prices move relentlessly upward over the long term.

In the last scenario, you'd probably do nothing. And again, over the long term, nothing would most likely be the right thing to do. Even if prices fell another 15%, would you really have the confidence to buy back in again before they got back to where they are now?

Property: psychologically the best investment

You can argue forever about whether property is a better investment than shares. You can pull out endless data to prove points one way or the other. But psychologically, property wins hands-down.

For a start, property actually gets people investing. It's easy to understand. It's not intimidating. It's aspirational. It's fun (for the most part). So you'll make sacrifices to save up to buy your next property which you just wouldn't do to add to your stock market portfolio.

Then once you've invested, property saves you from yourself by making it really bloody hard to buy and sell. And however much of an investment genius and economic sage you think you are, the reality is that just doing nothing – for years on end, come what may – is usually the best thing you can possibly do.

How to...

future-proof your property portfolio

Landlords have survived tough times before – and they will again. Emma Lunn takes a look at how you can future-proof your portfolio to ride out the rough patches

As dawn broke on 2020, landlords could have quite reasonably assumed that Brexit would be the defining event that influenced how their portfolio would perform this year. But Brexit was well and truly forgotten when the extent of the coronavirus, which was first detected in China in December, started to become clear at the beginning of March. By the end of the month a pandemic had been declared and the UK was in a state of lockdown along with hundreds of other countries.

With the majority of people confined to their homes for the majority of the time, everything ground to a halt. In the property world, this meant a hiatus on property purchases, a ban on evicting tenants, and empty properties remaining empty. In the wider economy, the pandemic led to businesses having to close their doors, workers being furloughed and many people losing their jobs.

We don't need to cast our minds back particularly far to remember the last economic crisis. Clearly the key causes of the 2008 recession and the one we're now facing now are completely different. Back then, towering household debt and non-transparency of mortgage-based derivative securities were to blame.

Our current crisis is a result of a combination of health concerns, stretched household income, and businesses of all types going under. But landlords and investors are likely to learn similar lessons from this recession as they did more than a decade ago. These include the importance of having a diverse portfolio and a financial safety cushion, as well as having the right insurance in place.

Branch out

Diversifying your property portfolio in terms of property and tenant type is one thing you can do to weather future storms.

Some sectors of the property industry have been hit harder than others by recent events. Those landlords who ploughed all their cash into short-term lets following Airbnb's rise to fame saw their business virtually disappear overnight.

The short-term letting market's woes are a stark reminder that it's never a good idea to put all your eggs in one basket. Having a diverse portfolio will help protect you against the inevitable peaks and troughs of the property cycle: if one asset performs badly the others should help minimise your losses.

Where possible, it could pay to diversify in terms of location too: the Scottish Government has set up a £5m fund to offer interest-free loans to landlords whose tenants are having difficulty paying rent during the coronavirus crisis. But landlords in the rest of the UK are receiving no such government help.

Bolster your emergency fund

A temporary ban on tenant evictions and property repossessions due to the pandemic means landlords are facing an increase in rent arrears.

If you've set up your property business properly you should have an easily-accessible emergency fund on hand to cover void periods or tenants not paying their rent. How much you need to stash away depends on your own set of circumstances, but it's wise to have enough in there to cover your property expenses for three to six months, plus extra for personal expenses if you rely on property as an income.

When things are going well it's easy to get complacent. You might be tempted to use a cash lump sum you've built up as a deposit for a new property or pay down a mortgage, but money tied up in a property is hard to get back quickly in an emergency.

Get the right insurance

An obvious way to protect your portfolio is to have the right insurance in place. Landlords need specialist landlord insurance to cover the building and any contents they own, such as furniture. There are various extras that can be added to the policy including liability cover if a tenant is injured in the property, and legal cover to recoup unpaid rent.

Policy costs vary depending on the property, its location and the level of cover you need. When comparing policy terms, it's important not to confuse 'rental cover' with 'rent guarantee insurance'.

Rental cover will reimburse you for lost rent for periods when a property is uninhabitable because of another insured event such as a fire. Rent guarantee insurance protects your income against tenants in arrears and deliberate defaulters.

However, even this type of insurance might not cover every eventuality. Some landlords have found their rental guarantee insurance policy won't pay out during the coronavirus outbreak due to restrictions on section 21 evictions.

Assess your finances

One key way to make sure your property portfolio is future-proof is to audit your finances and make sure you're not paying more than you need to.

The biggest outgoing for most landlords will be their mortgage payments – so remortgaging could save you a significant amount of money. Brokers report that most landlords are opting for five-year fixed rate mortgage products at the moment.

It's also worth looking at whether you are getting value for money from any third parties you use. Is your

Having a diverse portfolio will help protect you against the inevitable peaks and troughs of the property cycle: if one asset performs badly the others should help minimise your losses

letting agent worth their fee or could you manage tenancies yourself? Has the cost of landlord home emergency cover crept up over the years? Can you get a better deal on your buildings insurance? Any money saved after an audit can be added to your emergency cash fund.

It's also important to keep abreast of your tax situation. Since 6 April 2020, landlords can no longer deduct any mortgage expenses from their rental income to reduce their tax bill. Instead, they get a tax-credit, based on 20% of their mortgage interest payments. The move is especially punitive for higher-rate taxpayers, who effectively received 40% tax relief on mortgage payments prior to 2017.

Keep on top of maintenance

Another way you can future-proof your portfolio is to keep on top of property maintenance. Good tenants will report maintenance issues during the tenancy. Although some issues may seem minor, it's important you don't ignore any requests.

Not responding to an issue could negatively impact the landlord-tenant relationship, plus fixing minor issues as they occur is generally more economical in the long run. For instance, ignoring a small leak could result in a major escape of water issue later on.

When it comes to the upkeep of your property, don't just rely on your tenants to keep you up to date. Under the Landlord and Tenant Act 1985, landlords have the right to enter the premises to view its condition and state of repair, so long as you give them enough notice and respect any social distancing rules.

Whether you carry out the inspection yourself, or a letting agent does it as part of their contract, you should create a report at the end of the inspection. This can be sent to tenants, kept on file and used as evidence in the event of a tenancy deposit dispute.

Don't over-leverage

Most landlords, in the absence of a large cash pile, borrow money from the bank to expand their property portfolio. By leveraging in this way they multiply the potential returns from an investment by using a small amount of their own money (i.e. their deposit) to control a large value asset with a loan on it.

But leveraging will also multiply the potential downside risk if an investment does not perform as you hoped.

In times of turmoil, being highly leveraged can be dangerous for several reasons. If you have hefty mortgage payments to cover each month, any void periods can quickly become a drain on your finances. If house prices fall, highly-leveraged landlords could find themselves in negative equity (when the loan on your property is more than its value). There's also the risk that if interest rates rise, they could find themselves in a position where the rent no longer covers their mortgage payments.

Keep up with legislation

To succeed in the future, it's vital to keep up to date with legislation changes in the property market, and there have been plenty over the past few years. Whether it's changes to section 21 notices, rules about evicting tenants in difficulty, or the introduction of new licencing schemes, there's a lot to keep on top of.

If you use a letting agent to manage your properties, don't just assume they'll be up to speed with the latest changes. Check they're keeping their knowledge up to date: it's hard even for the professionals, and you're ultimately liable for any mistakes they make.

Conclusion

If the coronavirus curve-ball has taught us anything, it's that anything can happen. While the pandemic cannot have been predicted, it serves as a stark reminder that we shouldn't assume the future will be rosy, and that it's a shrewd move to plan ahead for tough times, whether we expect them or not.

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PROPERTY TALK WITH WITH ROB B

Does your property stand out from the rest?

Whether you're looking to purchase a new property or letting an existing one in your portfolio, you need to be thinking about what makes it stand out – in a positive way – to potential tenants. After all, it's your goal as a landlord to make it an easy decision for a tenant to pick your property above any other.

What's its USP?

If it's a new build, is it like every other development being built in that town or city, or is there something unique about it? Does it have a concierge? Does it have a residents lounge? Does it go even further and have something like a pool or a gym?

This question also applies to developments outside our towns and cities too. Some new-build housing developments will have more green spaces for instance, or better facilities like a new school being built.

As well as establishing what facilities are on offer, you'll want to consider how the spec compares – not all units are created equal. Tenants have eyes, and will quickly notice if a property has a cheap kitchen and bathroom, or is more spacious than others on the market.

Is it in demand?

Do your research and look at what type of properties are in demand. I bought a three-bed apartment at our Deansgate Square development in Manchester for two reasons:

1. There are less three-bed apartments in the block
2. There was a shortage of three-beds available in the area.

Just because there's not a lot of a particular type of property on the market, doesn't mean to say there's not a lot of demand. It could be that they're in demand and they just don't come up that often. It's worth speaking to a local letting agent to validate your research rather than just making assumptions.

Location, location, location

Look at the property's proximity to transport links and the availability of parking. These can really make a difference, especially in cities like London. If you're in a city where there's lots of free or cheap parking available then it's less attractive, but if parking is restricted you could add value by having a property with a parking space.

If you already own the property, you can't pick it up and move it to a better location, but there are plenty of things you can do to boost its attractiveness. The kitchen and the bathroom are a good place to start. Spending lots of money on them doesn't always mean an uplift in rent, but if you need a new kitchen or bathroom anyway, putting in a higher spec may help you get it tenanted faster next time.

Sweetening the deal

Consider your competition. What are other people doing? What is the standard expected? What can you do beyond that? Can you offer free broadband or free Netflix? Something as simple as that could be the deciding factor for a tenant choosing between two properties.

If you've got a house, could you include a gardening service? If you own a lot of properties in one particular area, sending a gardener round all of them may not actually cost you that much, but can be a real plus point to a tenant.

Allowing pets in your property may help you cast your net wider. Not many landlords allow pets at all – it's amazing how many landlords just put a blanket ban on pets altogether. You don't necessarily need to allow big pets, but you could just allow hamsters and goldfish, for instance. And if you do allow dogs and cats, you can look to charge a higher rent.

It's about doing your research and not just assuming a swimming pool or swanky kitchen will make all the difference. If every new development has a swimming pool then it's nothing special. Keep asking yourself: "what makes it special?". If you can't answer that question then you probably need to be looking elsewhere.

Ask Rob & Rob

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

Eliot asks:

The mortgages on two of my properties are due to expire at the end of the year, at which point I plan to remortgage and pull out £120,000 to use as a deposit for two more properties in Liverpool. Do you think I'm safe to fix in for five-years at this point, or should I opt for a two-year deal so I have more flexibility to sell should I need to due to the end of the property cycle?

The Robs reply:

It's impossible to know what will happen for certain right now. If you do fix for five years, there's always the option of repaying your mortgage early, although there will be a penalty involved. Usually the penalty is more severe in the early years and reduces as time goes on, so if you did need to repay a year early, you might find the fee is easily outweighed by the benefits you're getting from selling at the peak of the market.

If you opt for a two-year deal you'll have more flexibility, but then you'll have to remortgage more quickly which means more fees. There's no way of knowing for sure which will be best, but hopefully your own views of where the market is going will help you come to a decision.

Bali asks:

My tenant currently pays the council tax on my property, but if I was to pay it, would it be deductible from the income tax of the property, or the profits I make from the rental income?

The Robs reply:

Council tax charges are classed as an allowable expense, so it would be deducted from the profits you make from rent, then income tax is charged on the profits.

If the council tax expense results in you making a loss, then this would be carried forward to the following year to be utilised against future profits from your property business.

The only time council tax isn't classed as an allowable expense is when the tenant is a person connected to the owner and (for example a relative) and isn't being charged the full market value rent. In this case the expense is split in the same apportionment as what the rent received is compared to the market value.

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 resources for a positive mindset

These five recommendations will help boost your mood and leave you thinking like one of life's winners

1 CAN'T HURT ME BY DAVID GOGGINS

If you haven't already read this book, then you're in for a treat. As well as telling Goggins' incredible story of his transformation from being bullied, beaten and rejected to becoming a US Armed Forces icon and one of the world's top endurance athletes, it's packed full of tips for training your own mind to overcome life's challenges. The Audible version features commentary from Goggins between chapters, bringing his experiences to life.

2 GRATEFUL

Research has shown the more grateful you are, the more likely you are to experience positive emotions and be able to focus on what truly matters in life. This simple app provides a good starting point for getting into the habit of practising gratitude. It makes recording what you're thankful for really straightforward and sends daily prompts like: "what made you smile today?" and "what are you looking forward to?" to get you thinking.

3 HOW TO FAIL WITH ELIZABETH DAY

In life, we're constantly exposed to the success of others, but much less is said about the failures they experience along the way. That's what makes journalist and author Elizabeth Day's podcast such a refreshing and reassuring listen. For her, learning how to fail in life actually means learning how to succeed better. Each episode she interviews a different star guest about what they've learnt from their failures in life.

4 WAKING UP

There's no shortage of meditation apps to choose from these days, but this one comes as recommended by Rob D who describes it as a "gamechanger". What sets it apart from the others is that it teaches you not just how to practice meditation, but also the theory behind the practice. Developed by neuroscientist, philosopher, author and all-round interesting guy Sam Harris, daily meditations are supplemented by talks on science, philosophy and the nature of the mind.

5 THE HAPPY NEWSPAPER

Reading something positive in the morning can set you up for the whole day. We subscribed to The Happy Newspaper last year and love UK designer and illustrator Emily Coxhead's positive spin on the news. The quarterly paper is filled with uplifting news stories from around the world like: Ikea takes in stray dogs and NFL welcomes first male cheerleaders. You can also follow @thehappynewspaper on Instagram for a more regular hit of positivity.

PropertyHub INVEST

Get clear on your goals... for free!

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

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

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

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

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

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

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

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

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