PropertyHub
Magazine

Making sense of property investment

JOINT VENTURES

Big risk or big reward?

propertyhub.net

Issue 24 September/October 2020 | £5

CREDITS

Directors: Rob Dix, Rob Bence

Editor: Chantelle Dietz

Designer: Richard Honey

Writers and contributors: Rob Bence, Neil Cumins, Rob Dix, John Fitzsimons, Mike Fletcher, Jagrup Lewis, Emma Lunn, Leah Milner, Benedict Moore-Bridger, Nicole Pearson

CONTACT DETAILS

Subscribe to Property Hub Magazine:
propertyhub.net/magazine

Change of address or other subscription queries:
hello@propertyhub.net

Reader feedback, comments or questions:
hello@propertyhub.net

twitter.com/propertyhubuk

instagram.com/propertyhubuk

facebook.com/propertyhubuk

youtube.com/propertyhubuk

DISCLAIMER

The content of this magazine is for informational purposes only, and should not be taken as strict advice or actual recommendation for readers to invest in property without doing their own independent research. Property Hub Magazine assumes no liability for inaccurate, delayed or incomplete information, nor for any action taken as a result of reliance upon this information.

CONTENTS

Welcome

Rob Bence

Rob Dix

The option to make your money go further in property and share the risks with someone else has always been attractive, but right now in these unpredictable times it's naturally all the more appealing.

We're often asked if joint ventures are a good idea. The simple answer is yes, they can be extremely rewarding. Strike up a successful property partnership and you'll be able to scale up much faster than you would have been able to alone. Get it wrong though and you could be left dealing with the negative repercussions for years to come.

Like any relationship, a property partnership hinges on mutual goals, respect and hard work, and both parties need to keep to their end of the bargain for it to function. Our cover story sets out the pros and cons of joint venture investing and offers pointers for establishing a prosperous partnership should you be considering one.

As the saying goes: success is sweetest when shared – and you needn't look far for evidence. Our case studies this issue tell the story of three different couples that have taken on challenging property projects together and somehow managed to keep their relationships intact in the process.

Elsewhere in this issue we interview TV property personality Kunle Barker, find out why Bolton in Greater Manchester is attracting so much investment attention, and reveal the best tips and tricks for staging a property like a professional.

We hope you enjoy reading it as much as we enjoyed putting it together.

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

BUILDING PLANS

The government has outlined its plans to overhaul England's outdated planning system and kick start the construction industry.

It said it will streamline the planning process, cut red tape and harness technology to deliver homes faster.

It currently takes seven years to agree local housing plans, but under the new rules-based system, plans will be developed and agreed within 30 months.

New regulations will also give greater freedom for buildings and land to change use without planning permission, like converting commercial properties into residential housing.

It is hoped the changes – which are due to come into effect in September – will benefit SME builders and developers cut off by the complexities of the current planning process.

Housing secretary Robert Jenrick said: "As we face the economic effects of the pandemic, now is the time for decisive action and a clear plan for jobs and growth. Our reforms will create thousands of jobs, lessen the dominance of big builders in the system, providing a major boost for small building companies across the country."

SPA ATTRACTION

The company behind a £250m wellbeing resort being built in Manchester has revealed it plans to roll out the concept in other UK cities.

German-based Therme Group said it is at "advanced stage of discussion" with local authorities and stakeholders in several locations in Wales, Scotland and London to create similar projects to its 28 acre centre next to the Trafford Centre in Greater Manchester.

Construction on Therme Manchester is due to get underway next year, and is expected to open in 2023. It will house indoor and outdoor swimming pools with water slides, a dedicated adults' area with swim-up bars and a two-acre wellbeing garden.

Therme already has a similar centre in Bucharest, Romania, which attracts 1.2m visitors a year. It predicts a UK roll-out could create over 3,000 new jobs.

The firm's UK chief operating officer, James Mark, said: "We will be locating our resorts within large population centres. Now more than ever, people living in cities need opportunities to have relaxing and affordable wellbeing experiences close to home."

Therme Manchester visualisation

SIGN OF THE TIMES

Signing important property documents can now be done entirely electronically, removing the need for paper deeds.

HM Land Registry (HMLR) fast-tracked the change to come into effect from 27 July in response to the challenges lockdown presented for signing documents in person.

Now transfers of ownership of property, creating leases, securing mortgages and other property dealings can all be signed for with a witnessed electronic signature, speeding up and simplifying the conveyancing process.

Simon Hayes, chief executive and chief land registrar said the change helps right now while lots of us are still working from home, but also mark a "keystone of a truly digital, secure and more efficient conveyancing process".

Work is also being undertaken to explore whether qualified electronic signatures and digital identity checking technology used in other sectors can be encouraged in the conveyancing industry to increase resilience against fraud and improve the ease of buying and selling.

GOT IT COVERED

The majority of tenants kept up their rent payments over the summer despite the negative impact of Covid-19, a survey has found.

The National Residential Landlords Association (NRLA) questioned 2,240 private tenants in England and Wales between July 20 and August 4.

From the sample, 87% said they have paid their rent as normal throughout the pandemic. Another 8% said they had agreed a reduced rent, a rent-free period or had made some other agreement with their landlord or letting agent. Only 3% admitted to having built up arrears they cannot or will not repay, while 2% had been served with a possession notice.

The NRLA has put together guidance with other groups to support landlords and tenants to agree how to deal with rent arrears and sustain tenancies where possible.

It's also calling for government-guaranteed hardship loans to be made available to help tenants who are in arrears because of the pandemic.

INSIDE THE HUB

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

HUB CHAT

The chancellor's stamp duty cut sparked lots of conversation on the forum about what it means for property investors. There's an article covering what you need to know on page 36 and you'll find more information on our website including a downloadable spreadsheet you can use to calculate the potential savings on future purchases.

propertyhub.net/stamp-duty-changes


Stamp duty holiday: what you need to know

The government may have scuppered our summer holiday plans, but the stamp duty holiday means you could make a nice saving on your next investment, here's how

ON AIR

We said goodbye to our weekly market update podcasts back in June, but we were inundated with requests to bring them back, so we're recording them on a monthly basis from now on so you can still get your regular fix of the latest developments across the property sector. August's edition (TPP389) dives into changes in mortgage rates, capital gains tax, interest from overseas buyers and the difference between the London property market and the rest of the UK. Go back and give it a listen if you haven't already.

propertyhub.net/podcast

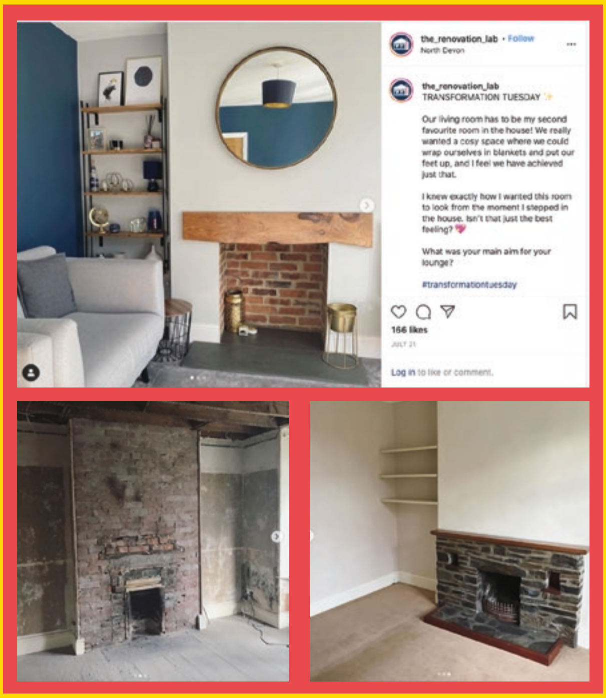
ON SCREEN

If you've got yourself in a tiz about all the things you need to consider before buying your first investment property then stop, take a breath, and go give The Robs' latest YouTube video a watch. In it they talk through their simple checklist, which breaks down each step of the process from working out what a property is really worth to financing the deal.

youtube.com/propertyhubuk

SOCIAL HAPPENINGS

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



INTERVIEW

"There's nothing like getting your hands dirty to really get an understanding of the industry"

Property expert, journalist and TV presenter Kunle Barker has always had a passion for renovating property

Above: garden view from ITV's Love Your Home
© krierphotography

Main photo: Kunle Barker

Kunle Barker has spent the past five months much like the rest of us: baking, homeschooling his two daughters and finding ways to pass the time, like playing 90s hip-hop on his piano. Just before lockdown he was part way through filming a new TV property show for Channel 4 set in Italy.

Kunle's face is a familiar one on the property presenting circuit. He's co-hosted two series of ITV's Love Your Home & Garden alongside Alan Titchmarsh, appeared on Sarah Beeny's Renovate, Don't Relocate, and regularly speaks at events like Grand Designs Live and the Ideal Home Show.

His career in front of the camera began when he was approached by ITV in 2017 to deliver the construction projects for Love Your Home & Garden. "They also offered me a role in front of the camera which was a challenge as I was running and delivering all three builds for the show as well as presenting," he explains. "It was a steep learning curve but I'm really proud of the show and how we've been able to change people's lives for the better."

Above: Kunle with Alan Titchmarsh

Far left: Granada House dining terrace

Near left: Kunle with Kevin McCloud

Behind the scenes Kunle is an established property and construction expert. He runs his own construction and design management company, Illustrious Homes. Over the past 15 years the business has delivered more than 8,000 residential refurbishments, 120 school renovations and three sportscentre refits. He's also recently taken on the role of COO at Melt Property – a development company founded by Evan Maindonald – and is a non-executive director at Studio Anyo, an architectural design studio.

Early interest

Kunle's passion for property was forged from a young age: "I always loved houses and buildings and was fascinated by how they were put together. I was intrigued by the materials that made up a home and the differences in styles. I grew up in an 80s new-build home, which I loved as it seemed very modern compared to some of my friends' houses.

"I went to school in Bedford and there I was exposed to the scale and intricacies of Victorian architecture. I remember walking up to school from the train station along tree-lined roads with huge Victorian mansion houses. Coming from a new-build estate in the countryside the scale and the style of the architecture really impressed me."

He made his first investment back in 1996 when he was still at university studying for an MA in human resource management. "I always liked the idea of renovating properties, building and creating homes is a very creative process for me and something I always wanted to do. So when I saw an opportunity I took a risk and jumped straight in, even though I had no experience," he says.

He bought a five-bedroom house in a student area of Leeds, about 20 minutes walk from the university using a 100% graduate mortgage. He spent part of the summer renovating it, then moved in once it was finished, taking one of the rooms himself and renting out the other four to students.

"Having been a student in the city I knew how poor the quality of most houses were so I decided to kit out the house with all new Ikea furniture, which gave it a unique selling point at the time. I was quite nervous about being able to rent the rooms but in the end the other four rooms rented out in less than an hour," he says.

Scaling up

From this first student let he went on to buy eight more properties, including two more student houses in Leicester. But this time he misjudged the market: "I had thought it was similar to Leeds, but the demand for student accommodation

INTERVIEW

ITV's Love Your Home and Garden
© BVDS architects

was nowhere near the same. In the end we held onto the stock as buy-to-lets (BTL), but it tied up a lot of capital for quite a few months and was difficult to rent."

Kunle has always enjoyed getting hands-on with his property projects. He learnt most of his skills on the job, without any formal training. He's wired and replumbed houses (under the watchful eye of experts), sanded floor boards, laid tiles and fitted kitchens. "There's nothing like getting your hands dirty to really get an understanding of the industry. It's a great way to learn about how easy or difficult it is to deliver a project," he says.

These skills were put to the test when he took on the renovation of a 400-year-old property in the Albayzin district of Granada, Spain. "It's in a UNESCO world heritage site and was as challenging as it is beautiful," says Kunle who now uses it as a holiday home to get away with his family.

When it comes to strategies, Kunle admits he's given them all a go: "When I started we didn't use all of these different phrases like BTL, HMO, flips etc. All these really refer to is your exit strategy and I've always evaluated this at the end of a renovation. Sometimes I planned to flip, but the market conditions weren't right so I held onto the asset and vice-versa."

In his opinion, the ideal investment is one that has multiple exits available, all of which have an upside commercially. "To safeguard an investment you need to be able to execute different exit strategies, and the only way to do that is to make sure you fully evaluate the current state of the market and where you think it might go and model different scenarios. Don't focus too much on a single exit strategy because if you do and the market moves the wrong way you could be stuck with a depreciating asset," he says.

Like any investor, he's faced his fair share of challenges along the way, but approaching them in a composed and logical manner has helped him out of some tricky situations. "I think if you can keep calm and quickly identify solutions you'll never really have disasters, but it's important to learn the skill of problem solving," he says.

A place of his own

It was several years after starting his property journey before Kunle finally bought his own home. With his knowledge of the property market, he knew exactly what he was looking for. He bought a one-bedroom flat in North West London in between Maida Vale and Queens Park for £145,000.

"It was one of the cheapest one-bed flats in the area at the time. I chose it in the end because I liked the layout. It wasn't the biggest flat I looked at, and it was above a restaurant, so it wasn't in the best location but the flat itself had the best proportions, aspect and layout," he says.

His current home – also in North West London – has doubled in value since he bought it, making it his smartest property purchase so far. "I calculated that due to being close to the Tube and a park and with the architectural stock of the area being high quality it wouldn't be long before prices would increase.

"Nothing happened for two years, then all of a sudden property prices exploded. As predicted young couples and families quickly moved into the area pushing up house prices which are now over 100% more than I paid. But more importantly it's a really lovely area with families up and down the street which is a real change from when I first moved in," he says.

New normal

With filming on hold for the time being, Kunle is keeping himself busy focusing his attention on other projects. His passion for sustainable development is being satisfied with his work for Melt Properties and Studio Anyo. He's working on a new development for Melt that could potentially be one of the most sustainable hotels in Europe, while Studio Anyo is about to begin work on Orford Mews – one of the UK's first energy positive residential developments delivered with zero waste. He's also been doing some presenting – albeit online – hosting a live Instagram series for Grand Designs Live which he says has been "great fun and very popular".

Once travel restrictions ease further he's looking forward to getting back to filming his new TV show in Italy. "It's a very inspirational show about ordinary people realising their dreams of owning properties in foreign countries, a welcome bit of post-pandemic escapism.

"I'm really interested in the positive changes to our lives forced on us by lockdown. Our connection to our families, homes and to nature have been strengthened and that's a good thing. We have shopped locally and shown caring and compassion for our neighbours, I for one hope that this continues long after the pandemic," he says.

One of Kunle's projects © Ben Blossom Photography

LOCATION FOCUS

PLACES

Budd
Bol

ing ton

Bolton has been slow to reinvent itself from its textile-driven past, but there are promising signs this Lancashire town is on the up. Neil Cumins reports

PLACES

There are many reasons you might have found yourself in Bolton over the years. Perhaps you've seen your football team playing at the University of Bolton Stadium, or visited the UK's largest retail park at Middlebrook. You might have wandered around the sprawling Leverhulme Park, or enjoyed an old-school chippy at the Olympia Café. Yet even people familiar with Bolton are unlikely to describe it in poetic terms, or prioritise a trip here over the neighbouring metropolis of Manchester.

Bolton is both a victim and a beneficiary of its location. Less than ten miles from Manchester, Wigan, Blackburn and Bury, this former textile hub has struggled to distinguish itself in a densely-populated corner of north-west England.

Indeed, Bolton's relative anonymity has kept its property market below the radar of many investors – until now. The word is out, and investment is pouring into a town whose population is expected to exceed 300,000 in five years' time, as Bolton once again becomes a regional manufacturing hotspot.

Bouncebackability

According to local estate agents, there's been a noticeable increase in activity across Bolton, either side of lockdown. "The market before lockdown was particularly buoyant," says Nick Holt, sales and lettings director at Regency Estates. "Houses were selling easily if they were priced right, and there was a large pool of buyers all waiting for properties. The market has had much steadier and more manageable growth since 2012, with all levels of the property ladder proving popular."

He cites the post-lockdown recovery as more surprising: "When lockdown was announced, the expectation amongst myself and other local agents was that the market would flatline. However, three months later, the valuations and enquiries were higher than pre-Covid, and Rightmove has released statistics which place Bolton sixth nationally in terms of buyer demand."

Although Nick says the Bolton investment market is still "relatively untapped" for many people, he's seen a growing number of investors arriving from other parts of the country in recent years. He attributes this to a blend of affordability and convenience: "Bolton is an excellent satellite town, offering direct access to Manchester within 30 minutes by both rail and road. As a result, we've attracted many commuters, which has boosted the buy-to-let market. House prices have risen steadily since 2012, but Bolton still offers much better value for money than central or southern Manchester."

Andrew Cardwell, managing director of Cardwells Estate Agents, highlights a number of enduringly popular suburbs: "Egerton, Bromley Cross, Heaton and Lostock have seen consistent rises in value over time. They're all semi-rural locations, served by popular schools and with local train stations offering direct access to Manchester."

Transport links have always been one of Bolton's strong suits. Bounded on two sides by the M60 and M61, there are several train stations scattered across its northern and western suburbs. South-side districts are less than 20 miles from Manchester Airport, while Liverpool John Lennon and Leeds Bradford airports are both within an hour's drive.

Bargain hunt

People unfamiliar with Bolton might be surprised to discover million-pound homes along the grand tree-lined Chorley New Road, with gated mansions peppering the exclusive village of Edgworth. A more modest £200,000 is enough to secure a smart three-bedroom semi in districts like Bradshaw, while £150,000 buys you a similarly-sized property in need of refurbishment. Traditional two-bed terraces in working-class areas such as Farnworth can be acquired for £100,000, though Bolton doesn't have the battalions of on-street brick terraces found in other northern cities.

"Many smaller boroughs including Horwich, Lostock, Westhoughton, Bromley Cross and Heaton have always been popular with investors," says Nick. "They all offer good schools, amenities and excellent road and rail links to surrounding areas." Yet he argues the best bargains are found elsewhere: "I would advise investors to concentrate on the BL7, BL6, BL5 and BL1 postcodes. These areas offer the best value for money and generally provide a higher calibre of tenant, with terraced homes or apartments returning yields of 6-8%."

When it comes to investing in Bolton's student accommodation market, Nick warns it isn't a wise move for those interested in holding property for the long haul: "The market has been flooded with cheap student accommodation since the university opened, promising good rental yields but losing large amounts of capital growth a few years after purchase."

The town centre is surprisingly affordable, a by-product of having the huge Middlebrook Retail Park situated six miles to its west. An ambitious £1.2bn council-led masterplan aims to regenerate five urban districts, with the goal of transforming the town centre from a retail-driven area to one with a residential focus. The recent conversion of former HMRC offices into apartments at Stone Cross House is a foretaste of what awaits vacant town centre buildings. In the meantime, it's possible to buy a modern two-bedroom flat on the periphery of central Bolton for £80,000, returning gross yields of 7%.

Encouragingly, across Bolton rental values have been rising rapidly, either side of lockdown. "Rental prices have seen a dramatic increase in the last 18 months," says Nick. "Our office alone has seen rental prices increase between 10-15%, making rental yields very attractive for investors. Demand has certainly outstripped supply."

Andrew attributes this in part to the Logistics North commercial complex, which spans three million square feet and hosts employers including Amazon, Aldi, Lidl and Whistl: "It already employs around 5,000 people, and it's expected the site will continue to develop and expand over the coming years. Bolton has recently gone through – and is continuing to benefit from – substantial investment and development."

Looking to the future

"The Bolton property market was quick to bounce back when the market was unlocked in May," says Andrew. "There was a sizeable volume of pent up demand, and I'm hopeful the market will continue to flourish. Long term employment opportunities for the town are very positive, especially since Bolton is only a short train journey or drive from Manchester, Preston and Blackburn."

It may only be a matter of time before Bolton's relative affordability and impressive centrality allow its property prices to close the gap on its more illustrious neighbours.

SITES FOR SORE EYES

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

- **Trinity Quarter**

  Acting as a gateway into the town centre, Trinity Quarter will see £45m of investment centred on a 20-storey tower. Combining residential and commercial hubs across a series of interlinked squares, Trinity Quarter's first completed segment is the £6.5m Bolton Central office block, located beside the transport interchange.

- **Church Wharf**

  Promising 350 homes and 130,000sqft commercial space, the £150m Church Wharf regeneration scheme will create a new urban district on the banks of the River Croal, adjacent to Trinity Quarter. Existing factories and gap sites will be replaced with townhouses and apartments, alongside office space, cafés and restaurants.

- **Croal Valley**

  Located beside the river and bordering Queen's Park, Croal Valley is a £35m redevelopment of brownfield land within walking distance of the town centre. This unloved corner of north Bolton will welcome townhouses and over 500 apartments, whose residents will have access to gyms, private cinemas and a roof terrace.

Bolton – Bury and Manchester Canal

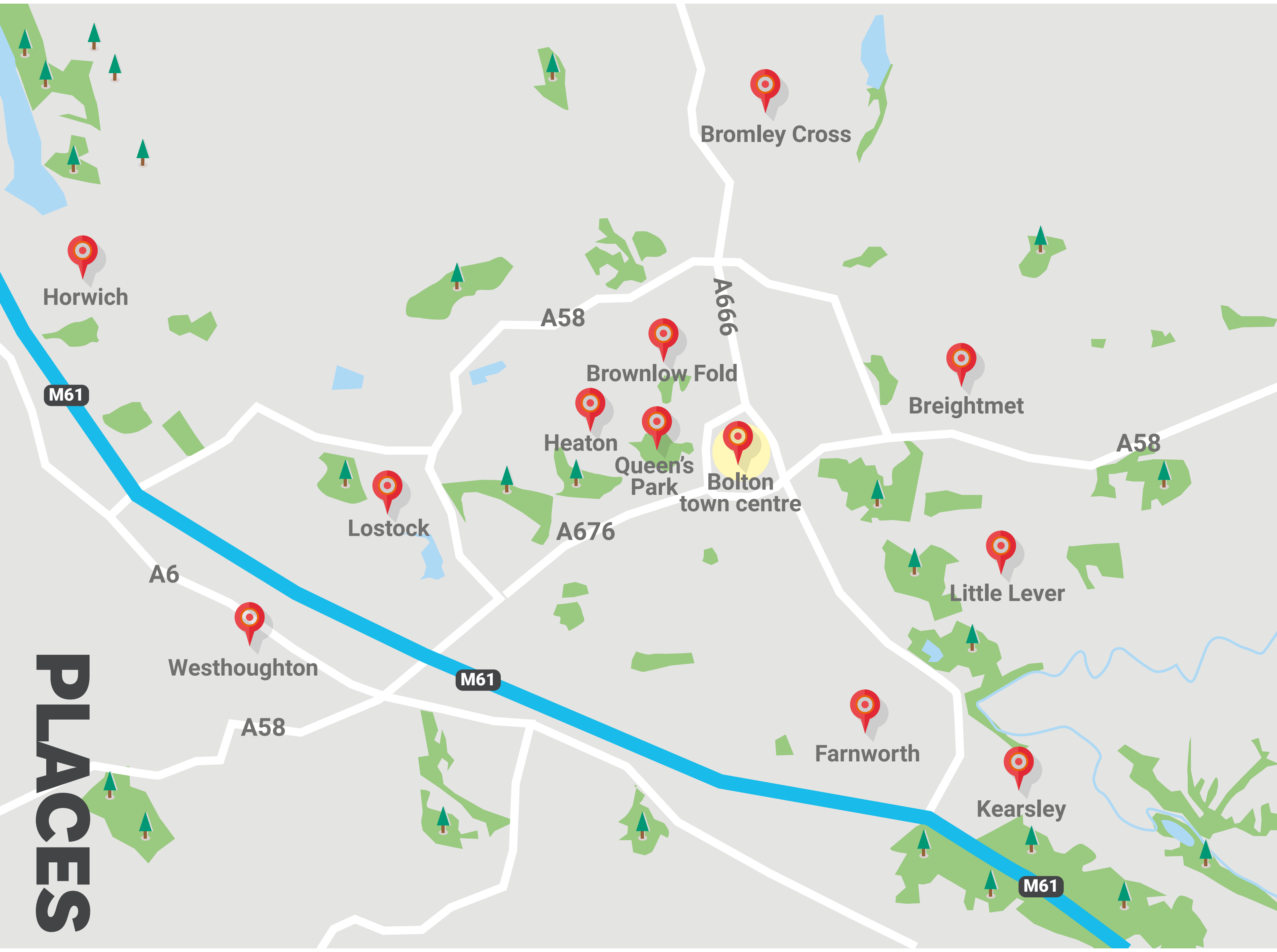
PLACES

Postcode lottery

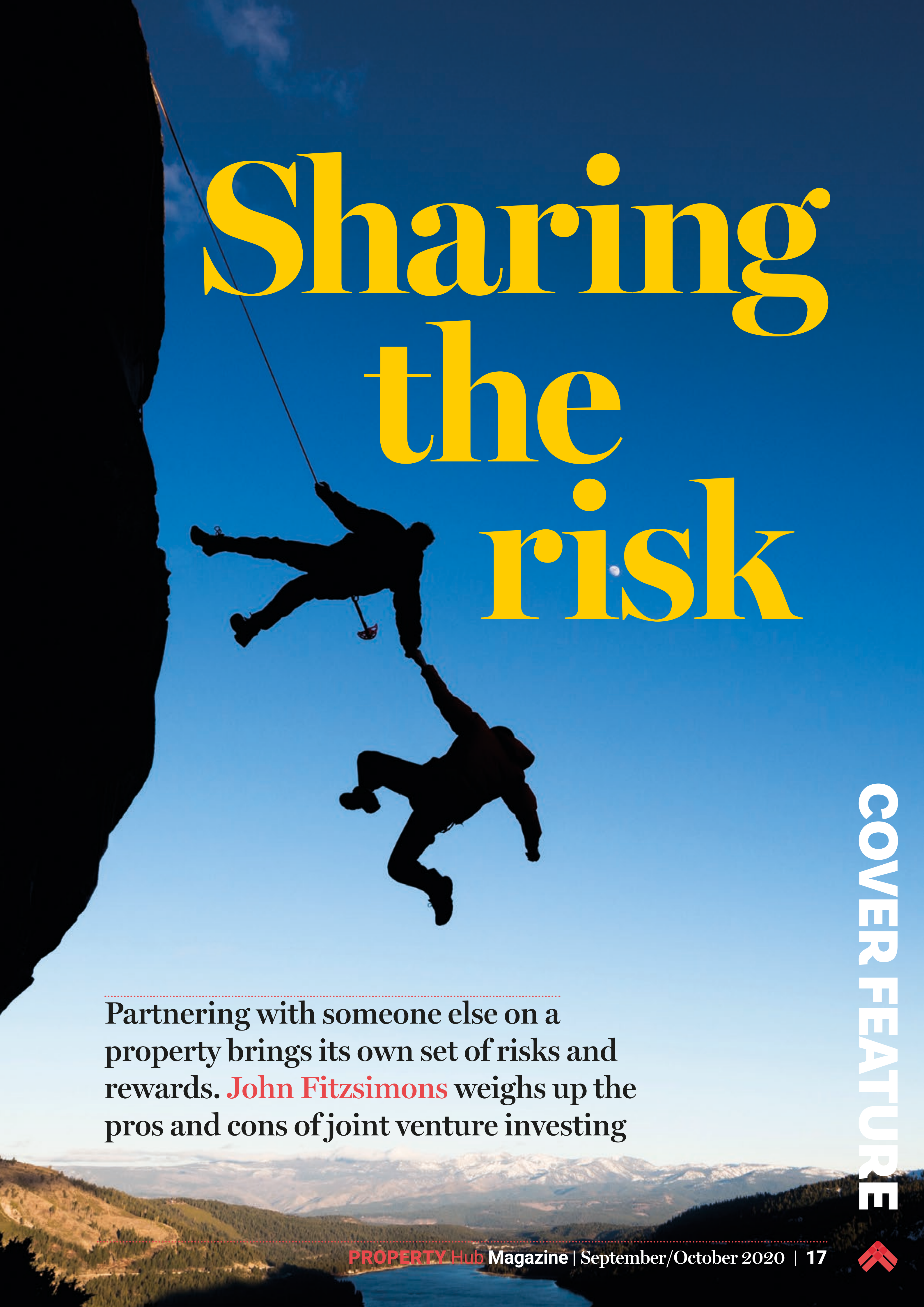
These are the key suburbs and districts that landlords and investors should be aware of:

- Best for high-end housing: Heaton (BL1), Lostock (BL6)
- Best for young professionals: Westhoughton (BL5), Heaton (BL1)
- Best for students: town centre (BL1), Queen's Park (BL1)
- Best for transport links: Horwich (BL6), Kearsley (BL4)
- Best for yields: Farnworth (BL4), Little Lever (BL3)
- Best for capital investment: town centre (BL1), Bromley Cross (BL7)
- Best avoided: Brownlow Fold (BL1), Breightmet (BL2)

University of Bolton Stadium – home to Bolton Wanderers FC



PLACES



COVER FEATURE

Sharing the risk

Partnering with someone else on a property brings its own set of risks and rewards. John Fitzsimons weighs up the pros and cons of joint venture investing

This year has understandably left many investors feeling more cautious about how they proceed with their property plans, so sharing the risks with someone else naturally feels like a safer option right now.

As the name suggests, a joint venture is when you embark on an investment project with someone else. You may decide to invest with a friend or relative who's also interested in property, or team up with a business contact for a purchase you both see the potential from.

There are two main types of joint venture agreements: profit share and fixed interest. Profit share agreements are when both parties take on a share of the work and decide precisely how much of the spoils from the project each will receive. Fixed interest agreements are when one party provides the funds and the other does the work. In return the person providing the funds may then be paid a fixed rate of interest each year by the partner in the joint venture, based on their investment.

The ability to make your money stretch further when investing, but also reduce the risk involved is a compelling proposition at the best of times. But it's likely to be even more appealing to investors at the moment, in the wake of the Covid-19 pandemic

The appeal of joint ventures

A big selling point of a joint venture is the added pace it can provide to your investing. Buying with someone else allows investors a much quicker route to market than if they were buying alone.

As David Hollingworth, director at mortgage broker L&C explains: "Pooling resources is often something that is talked about as a potential solution for first time buyers looking to gain a foothold in the market but can be a good option for investors as well."

This speed then feeds through into expanding the portfolio too. As you are investing with others, you can make your money go further and scale up the portfolio more rapidly than if you were investing alone.

TIPS FOR JOINT VENTURE SUCCESS

1. Get to know your partner: even the most trusted family members can turn out to be very different business partners.
2. Discuss everything that could go wrong: like what will happen if the project runs over budget.
3. Define your individual roles and responsibilities: without clear responsibilities no one can be held accountable, and important tasks can be overlooked.
4. Agree on how you'll split the profits: will it be 50/50 or a different ratio?
5. Set a clear timeframe: do you plan to do the deal within a year, or hold on to it for longer? What happens if one of you wants out? Get all the difficult conversations out of the way now.
6. Determine how the property will be secured: will you buy it together in joint names, set up a company, or will one of you own it and the other take legal charge?
7. Have an agreement drawn up by a solicitor: don't make the mistake of agreeing a deal on a handshake, even if it's someone you really trust, like a family member.

It's not just about speed and scale though. The added financial clout that comes from pooling funds with other investors allows you to look bigger, and invest in more expensive properties which may perhaps be beyond your budgets were you to invest alone.

Just as the funding for the project is spread between the various partners in the joint venture, so too is the risk. If hiccups occur on a solo project, then you are left having to pay the price alone. But with a joint venture, should those unexpected expenses or difficulties arise, the impact on your personal bottom line is lessened due to the fact you aren't investing alone.

The ability to make your money stretch further when investing, but also reduce the risk involved is a compelling proposition at the best of times. But it's likely to be even more appealing to investors at the moment, in the wake of the Covid-19 pandemic.

Yin and yang

Another selling point for joint ventures is that they can allow you to partner with someone with a different, but complementary skillset. You may have a friend who's particularly good with their hands and can take on the bulk of renovating the property, while you focus on the project management and ensure progress meets a specific timetable.

Alternatively, they may be able to provide geographical expertise in an area you're not familiar with or boast a network of contacts you can turn to for help with the project. Whatever their capabilities, by bringing your skillsets together the project is likely to run more smoothly and deliver healthier profits for you both.

When things go wrong

While there are plenty of potential benefits from investing alongside others, the truth is there are also all sorts of reasons why doing so can result in additional stress and work.

It may be that you end up lumbered with a partner who doesn't hold up their end of the bargain, who doesn't have the same drive and determination to make the project a success that you do. This can lead to frustration and upset, as well as denting the financial viability of the project.

There can also be issues if you disagree over precisely who is responsible for what in the partnership. For example, if there's an issue with the tenants or an element of a refurbishment, it's all too easy for there to be arguments over who should take control of the situation, with both partners believing this is something the other should deal with.

One of the benefits of investing alone is that ultimately you have the final say. You have invested your money in the project, and so if a change in strategy is needed, then you have the ability to make that call. That isn't the case with a joint venture. Inevitably big decisions need to be talked through with your partners, which can mean a significant time delay before those decisions are actually made. Not only can this create further frustration, and lead to issues between you and your partner, it can damage the return you make from the project.

And then there's relationships to consider. It's one thing for a business relationship to turn sour – you can simply elect not to work with that person or organisation again in the future. But when the other party in a joint venture is a friend or relative, things can become far more difficult. A problematic joint venture can have repercussions for your life for years to come, outside of any financial element to the project.

Making a joint venture work for you

So how do you go about ensuring your joint venture doesn't end in tears? Thankfully there's a host of different measures you can employ which will improve your prospects.

The first step needs to be establishing precisely why you want to invest with that person. Whether they are a friend, relative or simply a fellow businessperson, you need to do your research on how they operate and work out why you would be a good fit together. It can be helpful to write down your own strengths and weaknesses as an investor – can they cover for some of those flaws?

TYPES OF JOINT VENTURES

The two most common types of property partnerships are:

Profit share

Where you and your partner(s) complete a project together and split the profits into pre-agreed shares at the end.

Fixed interest

Where one of you puts in the time and skill and the other puts in the money. The partner putting in the money gets an agreed rate of interest whatever happens with the deal.

Experience counts here. Joint ventures are at their most successful when one party has a model of investing that has proven to be successful in the past, while the other partner brings something new that supplements that model. If you have been investing for some time and have a good idea that you know what you are doing, what is it about this partner that is going to help you improve the way you carry out that model?

From the start of the deal it's crucial that all parties understand their roles within the partnership, and what elements they are going to be responsible for. By clarifying this from the beginning, it should reduce the chances of debate and disagreement once the project is underway.

Hollingworth argues it is important to ensure all parties see the investment in the same way. "Property is generally to be seen as a long term investment so it's important that there won't be a mismatch of timescale between the investors. Considering what approach they might take if there is a situation where one does want to sell would make sense."

Putting this all in writing can make a difference. Smart investors get a lawyer to prepare comprehensive loan and joint venture agreements at the outset, to ensure that all parties know precisely what is expected of them – and what they are getting out of the deal.

It may be wise to start small with a new investment partner too. Just because you have a far greater buying power as a pair, that doesn't mean you are guaranteed to work together well. Starting off with a smaller, low risk project can provide you with a solid grounding, as you get a feel for how the other handles a property investment when working as part of a team rather than on their own.

Once you're confident you work well together, then you're likely to feel more comfortable in making the most of the buying advantage you have as a team and target more expansive projects.

> “It was nice to have someone to split the costs with from the start”

PAIDA FUNDIRA

Paida Fundira first experimented with joint ventures with a friend, buying a property they let out as serviced accommodation.

“We’d known each other for a long time, we’d both always had an active interest in property and we each had our own experience with serviced accommodation. She used to let out her spare room on Airbnb, while I would let out my flat when I was travelling for work. We both had systems in place, and understood the importance of great customer service,” she says.

It wasn’t just their shared experience that made a joint venture an attractive idea though – there was also the financial benefit offered by teaming up. “The up-front finances can be a bit of a struggle. It was quite capital intensive from the jump, so it was nice to have someone to split the costs with from the start.”

However, the arrangement had to come to an end after it emerged the building in which they had bought didn’t actually permit lets of this kind. It’s an experience that emphasises the importance of doing your research when buying with someone else. “Doing due diligence and asking the right questions from the outset is so important. Otherwise you run the risk of losing a lot of money and can end up in a sticky situation.”

Nevertheless, the experience hasn’t put Paida off joint ventures. She’s currently in the process of buying a new investment property in Stoke with a different friend. This time she’s employing a different strategy, with the aim of refurbishing and then selling the property on.

And while she hasn’t found running a business with a friend stressful, she says there is a danger it can take over your life: “You can normally put some parameters around a business, so you’re only dealing with it from 9am-5pm for example, but with friends those parameters disappear – you can end up getting calls at midnight. But it’s enjoyable, going on a journey together with someone you trust, and who has no hidden agendas. Especially when you’re dealing with money, you need to have someone you trust and can rely on.”

COVER FEATURE

> “Having someone with skin in the game to talk things through with makes a difference”

MARK LEWIS

Mark Lewis started his joint venture journey in 2017, setting up a limited company for property investing with a work colleague. They now own four properties in the Leeds area together.

The appeal for Mark was that his partner already had property experience, and by working together they could build a portfolio much more quickly: “If I was doing it on my own, I might buy one property a year, but a joint venture gets you there quicker. The income is the same, as we are sharing the properties, but in terms of spreading the risk and burden it works. It’s a stressful thing to go through, buying a property, whether for yourself or as an investment. But having someone with skin in the game to talk things through with makes a difference. It’s just good fun.”

In Mark’s case, while duties are shared between him and his partner, this came about organically rather than setting out roles for each to fulfill from the beginning. “We have never formally carved out our responsibilities, but because we know each other well, we fell into roles naturally. I do more of the legal, accountancy side and he’s more on the day-to-day operational side. We just spread the load quite naturally.”

Mark emphasises the value of ensuring you have the same, or at least complementary, objectives from any investing partner and of discussing your strategy properly from the outset. “We made a few decisions up-front which meant we didn’t need to make hundreds down the line. Things like how many properties to buy a year, what sort of value and area. We aligned on a specific area in Leeds, and how much we wanted to spend per property, and what type of let. There’s our area and our remit.”

This planning extends to putting the right team in place around you, from accountants to letting agents. “When we buy a property or a tenant moves out, we don’t have to think about it, we know which letting agent is sorting it. It’s the same with finding a mortgage broker, who we will use for refurbs – it would be wrong to say it’s hands off, but this planning means you don’t have to have big discussions about what you’re doing.”

COVER FEATURE

Up, up and away

CASE STUDY

Claire Westwood

A fortuitous Christmas present was all Claire Westwood needed to take her first tentative steps into property investment. Eighteen months on, she owns three houses and is preparing to retire to the French countryside. **Benedict Moore-Bridger** finds out more

Claire's latest property in Thorne, South Yorkshire

Pilot's retreat, Limousin, France

Above: removing damaged tiles from the kitchen floor

Left: the kitchen floor after renovation

For teacher and hot air balloon pilot Claire Westwood, a flying holiday in Italy ruined by constant fog could have simply been a week to forget. Instead, it was the start of a property investment journey which has seen her amass three homes in just 18 months – and sparked dreams of early retirement.

As low-lying clouds scuppered any attempts to take to the Piedmont skies during a 2018 holiday, Claire turned to a Christmas present from her daughter Amy, 27, to pass the time: Property Hub co-founders Rob Bence and Rob Dix's book, 100 Property Investment Tips.

She "devoured" it, she says, and was immediately hooked: "Working with property is something my grandfather did – he was a builder – and I used to enjoy spending time with him and going to the handyman shop and things like that," she explains. "I would rather be in a DIY shop than looking at designer shoes. It's something I have always wanted to do."

Misrepresentation

Once back at home in Yorkshire, Claire, 52, a secondary school textiles teacher, began using her daily 45-minute commute from Huddersfield to Doncaster to listen "religiously" to The Property Podcast, while at the same time starting to scout for potential investment locations.

But her first foray into the world of property investing didn't go as planned. Claire explains: "We'd looked at about 25 properties and put an offer on one. Unfortunately the estate agent offered the wrong price to the vendor, so because of the misrepresentation, we'd lost a deal."

No brainer

The setback turned out to be a blessing in disguise: Claire started attending Property Hub networking meet-up sessions, and after recounting her "tale of woe", was advised to buy a property with a sitting tenant, rather than taking on a huge renovation project.

"I was told, 'What does a busy teacher want with a fixer-upper?' It was a lightbulb moment, it was a no brainer," she says.

Her first purchase was a three-bedroom semi in Thorne, near Doncaster, under two years old, which she bought for £128,000 in July 2018 having been gifted money from her parents to pay the 25% deposit.

With a tenant in place already to provide a rental income of £650 a month, and with mortgage repayments of £160 a month, it proved a shrewd investment.

"It was a little bit nailbiting, but it was literally a paperwork transition," she says. "That was superb. I couldn't have thought of a smoother route into becoming a landlady. It was so easy."

Gazelle intensity

Fears over employment uncertainty spurred Claire's property ambitions. Her next project came seven months later when she and husband Craig, 58, a graphic designer and musician, "bit the bullet" and drew down equity from their mortgage-free family home to pay the deposit on a three-bedroom, three-storey £106,000 townhouse north-east of Barnsley.

"Because the subject I teach is one of these that is being catastrophically eroded with curriculum changes, I felt as though I was about to be made extinct," Claire says. "My husband and I, for several years, really had a focus upon 'gazelle intensity' is the phrase we use. In other words, total focus on survival, on the challenge given.

"So we paid three times as much as our monthly mortgage payments to shorten the term and be free and clear, because I was really feeling my job was in danger. However, after reading the book and realising how we could make the equity in our house work for us in a much wiser way, it's totally empowered us to move forward and be bold."

Above: the garden before renovation
Left: the garden after renovation

Permanently on the lookout

The area was chosen after months of meticulous research, looking at local council area development plans, infrastructure developments going in around the Doncaster and Barnsley areas – and taking random routes home from school to have a "real good nosy" at different neighbourhoods.

"I am permanently on the lookout," she says. "We aim not just for yield – obviously it has to stand up to itself – but we're going for growth."

The properties she targets are relatively new, so they are "future-proofed". They aim for homes no older than six years old, still covered by the National House Building Council guarantee, and with an EPC energy rating of at least C.

"There's massive demand in these areas: with new infrastructure and businesses going in there is a significant amount of people on short-term contracts, earning good money, that can't get a mortgage, so there is a really high rental demand."

Mr and Mrs Angry

It hasn't all been plain sailing, however. Her latest property, a three-bedroom semi just a quarter of a mile from her second purchase in Thorne, South Yorkshire, was bought for £125,000 in October 2019, £5,000 under the asking price. It had a "few hidden challenges".

"Let's just say Mr and Mrs Angry lived in it," Claire says. "I saw it advertised, but they weren't doing any estate agent viewings, so I went and had a nosy, and you could see why. It was empty, and the contents of the house were literally strewn all over the back garden. I stuck my head in the cat flap and had a really good look, peering through the windows and looking at the state of it.

"The fact they had been smokers; that their life story was on the back garden; it just made me realise, 'This house needs a rescuing', and I was on a mission then."

But the issues with the house weren't simply cosmetic. A watermark on the downstairs ceiling turned out not to be a problem with the shower, but because someone had "taken a hammer to the bath", with the resulting damage roughly covered up with sealant. And further examination of the property uncovered other strange occurrences. "There were hammer marks and damage in places you wouldn't expect it," Claire says.

Rather than get in workmen, Claire sourced the necessary tools and spent a weekend digging up the floor and installing a laminate strip replacement. She also got a worktop repair kit from Screwfix and made good the worst of the damage herself, as well as replacing broken taps, installing a new bath panel, putting in new curtain tracks, overhauling the garden, and painting the fence and shed.

However she did spend £2,000 on painting and decorating as she "ran out of school holiday", and £600 on fixtures and fittings and skip hire, as well as installing new LED ceiling spot lights, an under unit lighting in kitchen, repairing the roof, and replacing a number of radiator valves.

"I'm allergic to full prices," she chuckles. "I'm trawling Facebook marketplace all the time."

They drew down £35,000 from equity from the family home to pay for the deposit, adding: "We got a really good deal (on the house), because the next door property has gone recently for £148,000."

Claire manages the property herself, renting it out for £675 a month, while an agency takes care of her first two investments. "Because I'm a bit further along with my journey, and because I'm a member of Barnsley Residential Landlord Association – who provide the templates for the tenancy agreements and things like that – I've gained the confidence and the know-how to self-manage," she says.

RUNNING THE NUMBERS

This is how Claire's BTL in Thorne, South Yorkshire stacks up financially:

Purchase price: **£125,000**

Purchase costs **£4,765**

Finance method: Barclays BTL mortgage, fixed for five years at **2.73%**

Deposit: **£31,350**

Amount borrowed: **£93,750**

Renovation costs: **£4,640**

Project duration: **six weeks**

Done up value: **£148,000**

Monthly rent: **£675**

Monthly expenses: **£236**

Monthly net profit: **£439**

The refurbished cloakroom

Pilot's retreat

While on the hunt for her fourth property, Claire instead found something which her son Tom, 23, an IT engineer, ended up buying, meaning she and Craig are now embarking on their biggest challenge yet – selling the family home and moving to France.

They are currently part way through preparing the house for sale and already have an offer of 97,000 Euros accepted on their "dream property" in the Limousin region, which they have named The Barnsley House. They plan to "eco retrofit" the detached property, with solar panels, rainwater harvesting, and possibly a groundwater heat pump, while the 4,250sqm garden will give ample room for balloon rides.

"Because we now have an empty nest it has made us re-evaluate our situation," she says.

"We're in the process of buying our pilot's retreat in France, where we hope to reap the passive income, make music, live the dream and launch the balloon from the back garden!"

Claire plans to move in with her elderly parents for two years until she reaches early retirement age, while Craig will be the "advance party" and move into the property, which also boasts a five-room basement – two of which are to become a recording studio.

She also has plans to expand her business in France, putting her property sourcing skills to the test. "It's almost like Covid has been a dry run for us – how can we be at a distance from our kids? How can we cope with working remotely? And Covid-19 has given us the perfect preparation."

Fairytale

By selling the family home Claire believes she can afford another 25% deposit on two further buy-to-let (BTL) properties in the UK, and at the same time buy the French property outright, with the resulting incomes giving her the equivalent of her teaching salary.

She earns £1,925 from her three current properties, while her costs – including three BTL mortgages and two portions of equity release repayments – total £650 a month.

"So even though we have released the equity, the tenants are paying to fill that hole back up," she says.

"We have at least £1,000 in the bank every month that accrues. We let it sit there, building up, and usually it pays for the stamp duty on the next purchase, and it pays towards the deposit on the next purchase, and it is becoming a nice little snowball effect.

"Hopefully, in three and a half years, to have completely replaced the teacher's wage and to be able to embrace early retirement, that is like a fairytale, and it would be lovely to inspire other people to do the same."

With life as an expat in France's Massif Central beckoning, Claire adds: "I want to start living my life now, not when I'm sixty-something. Covid 19 has taught us how precious time is!"

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

10 property costs you need to budget for

If you have grand designs on property investment, you'll need to nail down your budget. This means fully anticipating all the costs that are likely to come up, writes Emma Lunn

There's a lot more to investing in property than simply putting down a deposit then paying the mortgage each month. Buying a property includes costs such as surveys, conveyancing and stamp duty, while letting a home comes with another set of expenses.

Whether you're planning to let your property, or flip it, you need to have a realistic idea of how much your project will cost in order to avoid any nasty surprises further down the line.

Here are 10 property costs every investor needs to take into account, along with tips on where you can look to save yourself some cash.

1 Survey

If you're buying a property with a mortgage, your lender will carry out a mortgage valuation to check its worth what you're paying. For new-build properties this is generally enough as they come with a 10-year warranty.

For older properties you should consider getting a survey. This will alert you to any structural issues with a property such as subsidence, damp, or unstable walls. It's not compulsory to get a survey done, but it's not an area you should scrimp on. Costs vary depending on the surveyor you use, and the size and location of the property.

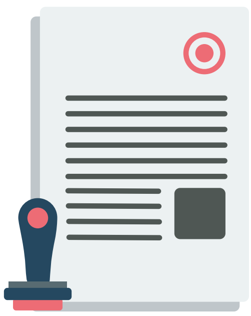
You can choose between a Homebuyer Report and a Building Survey. We'd recommend going for a Building Survey. This offers a deep dive into the property's condition and you get a lot of information for your money.

2 Stamp duty

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

Second home buyers, including landlords and investors, pay a 3% surcharge on standard rates. This means stamp duty rates for second home owners range from 0% for the portion of a property below £500,000 to 15% on any value over £1.5m. These are the rates for England and Northern Ireland – there are different systems in Wales and Scotland.

One way to cut the cost of stamp duty is to make sure you claim any refund you're entitled to. For example, if you own two properties on the day of completion, you'll have to pay the higher rate of stamp duty. But a refund is available if you sell your other property – so you just own one property – within 36 months.



3 Mortgage fees and valuation

Mortgage arrangement fees are often charged by lenders for setting up a deal. They can range from £0 to £2,000. Some buy-to-let mortgage products have an arrangement fee that's a percentage of the loan amount – 1% is typical.

A large mortgage arrangement fee isn't necessarily a bad thing as it can secure you a cheaper interest rate. To accurately compare mortgage deals, you'll need to work out the total cost over the length of any tied-in period. For example, if you opt for a two-year fixed rate, that will mean adding the arrangement fee to 24 monthly payments to arrive at a total.

Your lender may also charge a mortgage valuation fee – this pays for a valuer to visit the property and check it's worth the amount being lent. Valuation fees vary between lenders and mortgage products.

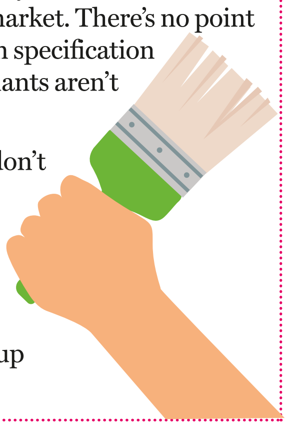
4 Refurbishments

Refurbishment costs can vary greatly and depend on the state of the property when you buy it and what you want to achieve. You'll also need to redecorate or refurbish parts of the property every few years.

Improving the cosmetic appearance with a fresh coat of paint and new carpets isn't going to break the bank, whereas completely re-modelling a property will rack up thousands of pounds in expense.

Before you spend a penny do your research and make sure you know your market. There's no point spending thousands on high specification fixtures and fittings that tenants aren't likely to pay a premium for.

One way to make sure you don't eat into your profit is to double the cost when budgeting for works. So if you think it's going to cost £10,000, budget £20,000. That way you'll always end up under budget and on time.

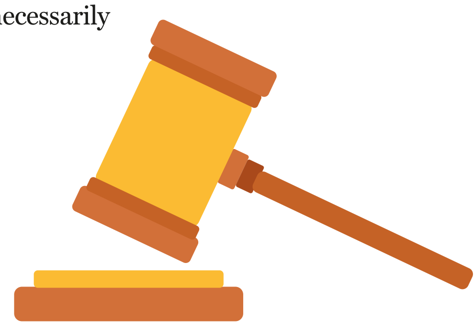


5 Legal costs

You'll need a licensed conveyancer or conveyancing solicitor to handle the legal aspects of buying a property. Conveyancing fees can be split into two parts.

The legal fees cover what the conveyancer charges for doing the legal work such as drawing up contracts, while the disbursements pay third party costs for services such as searches and bank transfer fees. Legal fees for leasehold properties cost more as your solicitor will need to read the lease and alert you to any onerous or restricting clauses.

The best way to reduce conveyancing costs is to gather quotes from various firms. When comparing quotes, check if disbursements are charged separately and whether VAT is included and remember: the cheapest option isn't necessarily the best.



6 Marketing and management costs

Most letting agents offer 'let only' or 'tenant find' services as well as fully-managed options. If you plan to use a letting agent to simply let your property, then expect to pay a fee of around 5-8% of the annual rent. If you want the agent to manage your property for you, then you'll need to budget for 8-15% of the annual rent.

Either way, make sure you understand what you're getting for your money. Services can range from a simple tenant introduction, to a full credit check, inventory, getting contracts signed, checking-in tenants, taking care of deposit protection, collecting rent and dealing with problems.

8 Service charges

If you're buying a leasehold flat, you'll have to pay ground rent, service charges and major works bills. The flat's lease will state whether the ground rent will increase at any point. Some leases contain clauses where the ground rent doubles periodically – these properties are best avoided.

Your share of service charges and major works bills will be billed by the freeholder or their managing agents. These fees cover your share of maintenance of the communal parts of the building, plus a proportion of buildings insurance.

Once you own a leasehold property, there's not much you can do to lower the charges associated with this type of ownership, but you can challenge unfair bills at the First-tier Tribunal (Property Chamber).

7 Insurance

The majority of landlords just opt for buildings insurance, rather than contents too. The tenant is responsible for insuring their own contents, so unless you're kitting out the property with expensive furniture, contents cover is rarely worth it: it's cheaper to replace items out of your own pocket.

If you're buying a flat, buildings insurance should be included in the service charge. But if you're buying a house it will be down to you to shop around and compare quotes. Remember, loyalty doesn't pay in the insurance market, so don't accept your renewal quote each year without comparing prices elsewhere.

Some landlords might also want to consider boiler cover. New boilers come with warranties for anything from 12 months to 10 years – if you have a warranty you won't need insurance too.

Rent guarantee insurance can be nice to have but many policies only cover professional tenants with decent credit histories. These tend to be the type of tenant who are likely to pay the rent anyway.

9 Maintenance, safety checks and licences

According to Simply Business, landlords spend an average of £3,134 per year maintaining each property they let. This covers costs such as basic repairs, decorating, maintaining the garden, and boiler repairs.

Obviously, how much you spend on maintenance depends on what breaks down or needs repairing and whether you have the appropriate skills to fix the problem yourself or if you need to hire a tradesperson.

At a bare minimum, landlords need an Energy Performance Certificate (EPC), which costs around £65 for ten years, and a gas safety certificate (around £30 annually) before then can let a property out. As of 1 July 2020 landlords now also need an Electrical Installation Condition Report (EIRC) for new tenancies in England. This costs around £140 every five years.

Some councils require you to purchase a licence before you can legally let your property within the borough. All large HMOs, with five or more tenants, require a mandatory licence. Costs vary depending on the local authority issuing the licence, but the average cost is around £500 for five years.

10 Tax

If you let a property you'll need to pay income tax on the rental profit. You can calculate your profit by adding up your rental income and deducting any expenses or allowances.

Up until April 2016 you could deduct mortgage interest from your rental income before calculating your tax liability. But this tax relief has been gradually tapered and is now restricted to a flat 20% of your mortgage interest payments.

One way round this is to incorporate your lettings portfolio. By setting up a limited company you can pay corporation tax at 18% instead. Make sure you take professional tax advice before you incorporate as there are a few other factors you'll need to take into consideration.

Top tip

In addition to the costs above, it's always worth having a contingency fund set aside in case anything unexpected happens and to cover any void periods. It also pays to regularly reassess your investment costs and check if you're on budget.

Professional advice from a mortgage broker, tax expert or accountant will help you keep your costs under control and make your property investment a financial success.

Counting the costs

Expense	Estimated cost
Survey	£400–£1,500[1]
Stamp duty surcharge	3% for properties £0-£500,000; 8% for properties £500,001–£925,000 13% for properties £925,001–£1.5m; 15% for properties £1.5m+
Legal fees	£850–£1,500[2]
Mortgage arrangement fee	£0–£2,000[3]
Mortgage valuation fee	£0–£1,500[4]
Letting fee	5–8% of the annual rent
Management fee	8–15% of the annual rent
Insurance	£109 per year[5]
Service charges	£1,800 – £2,000 per year[6]
Maintenance	£3,134 per year[7]

[1] Based on data from Which?
[2] Based on research by the HomeOwners Alliance
[3] Based on research by the Money Advice Service
[4] Based on research by the Money Advice Service
[5] The average cost of a buildings-only insurance policy at the start of 2020, calculated by MoneySupermarket
[6] According to the Association of Residential Managing Agents
[7] According to research by Simply Business

FEATURE

Andras Borbely and Fiona McAllister

Solid foundation

CASE STUDY

Andras and Fiona's property renovation in Chester became even more of a challenge after they discovered historic bomb damage. Mike Fletcher tells the story

Andras Borbely was supposed to be relaxing as he lay by the hotel pool during a holiday on the Greek island of Mykonos with his partner, Fiona McAllister, in 2016.

Having picked up a copy of Property Investment for Beginners by Rob Dix at the airport on the way out however, he was far from relaxed. Instead, his mind was racing with plans for a future in bricks and mortar back home in the city of Chester.

"We were in the middle of purchasing our first joint property and I just couldn't wait to get started," Andras recalls. "Our initial idea had been to grow a rental portfolio but on reading Rob Dix's book, we started making exciting plans to flip and invest."

Getting started

Andras, or Andy as he's better known to his non-Hungarian friends, had been in a relationship with Fiona for 11 years at this point. She worked as an estate agent and dabbled in rental projects, while Andy had been making a living as a physiotherapist before retraining as a joiner, then setting up their own construction business.

With cash raised from the sale of two of Fiona's rental properties, they had an offer accepted on a three-bed semi on the outskirts of Chester. Once home from Mykonos, they got to work on the refurbishment, opening up the downstairs and getting it damp-proofed. They made £18,000 profit and Andy was hooked.

"For us, the sense of achievement and pride far outweighed the financial gain. Rentals are more of a numbers game, but transforming and bringing new life to property is special," says Andy. He admits that when they handed over the keys to the new owner of their second property project – a two-bed semi with an attic conversion – they both shed tears: "It really was a labour of love."

Above: the extension and renovated kitchen

Bottom left: bathroom after renovation

Bottom right: bathroom before renovation

ns

A bomb-shell challenge

All three of Andy and Fiona's investments so far have been situated in and around Chester, and their confidence has grown with each one. The pair bought their latest and most ambitious project – a three-bed semi in need of work – in June 2018 for £135,000, £5,000 under the asking price.

They chose it based on Fiona's local estate agency knowledge: it was close to the heart of the community and in an up-and-coming arty neighbourhood where rental prices were on the rise. They planned to completely remodel it by adding a single-storey rear extension and converting the attic into a master bedroom with an en-suite bathroom and walk-in wardrobe.

"As it turned out, it needed a total gut and rebuild as we were faced with major structural issues," Andy explains. "We discovered that a World War Two bomb had exploded somewhere close by and the whole street had slid as a result. We only found out about this major subsidence after we'd bought it. Fortunately, we had acquired the property for well under the asking price and brought a fantastic structural engineer on board, whose advice we followed to the letter."

Learning lessons

Although Andy, 38 and Fiona, 52 had no real way of knowing about the street's historic bomb damage, they had fairly smooth experiences with their first two flips, so were prepared for something major to crop up sooner or later.

Solid foundations

Above: renovated garden with a view of the extension roof

Above left: kitchen after renovation

Left: kitchen before renovation

"I'm a big believer in learning from lessons along the way," Andy says. "We've climbed a steep learning curve comprised of planning, architects, neighbours and building regulators and with every step, you ensure you're better prepared for the next eventuality.

They brought in a private building regulations firm in an attempt to guarantee the process of strengthening the foundations would be sufficient. "Even though we thought we were covering all our bases, we still ended up having to underpin the underpinning after we were inspected by six different building regulators," explains Andy.

"Only one of the assessments said that we hadn't removed enough ground. It just goes to show that you have to account for the unaccountable."

Everybody needs good neighbours

By getting all the party wall agreements in place early and fostering good relations with neighbours on both sides, Andy avoided any further disruption to the project.

He says: "Having neighbours on-side from the very beginning is incredibly important in our experience. We held meetings before submitting planning applications and stuck to our promises of regular communication. Neighbours want to see a benefit to their own situation rather than focus on the potential disruption. By showing them the potential of what can be achieved and the overall rise in value, it can be an inspiration.

"At one stage, we had a joint agreement in place with the neighbour on our left-hand-side to continue the flat-roof across the party wall and carry out a double extension, which would have replaced their existing conservatory," Andy continues. "Unfortunately, their financing dried-up so we were unable to continue with this plan, but if it had come to fruition, we would have mapped the garden wall and gained additional space on either side."

Switching mindsets

Another key lesson Andy has learned during his time in property is how to run the business-side of things. In the past, he would turn to his supplier and sub-contractor friends and if they weren't available, he would prefer to wait for them out of loyalty rather than find someone else.

"It would set the project back and have a knock-on effect on orders and scheduling," Andy admits. "I've had to learn to treat it more as a business. You can't allow personal relationships to get in the way of timings. You have to employ those professionals who can carry out the work according to your set time-scales."

Maintaining a business mindset to ensure the uninterrupted flow of each project is one thing, but Andy and Fiona discovered that switching to a more personal frame of mind is important when it comes to the aesthetics of interior design.

"Our strategy is to treat each investment as if it were our forever home," Andy explains. "Fiona has gained huge insight into the workings of houses and

Left: garden before renovation

Above: master bedroom after renovation

Right: upstairs bathroom and shower room

understands how the small details can make a house a home.

"We view each property through those eyes. We focus on enhancing elements such as storage space, natural light, extra insulation and anything that could maximise the property's future appeal. We treat it as though we would be living in it, which is perhaps why we get quite emotional when we eventually need to hand over the keys.

"An example from our latest work is underneath the main staircase. There's a one square metre section cut-out, which most developers would have blocked off as there's not enough room to stand-up and barely enough room to store anything. But it is the perfect place for a dog-bed so we decided to design it into the house."

RUNNING THE NUMBERS

This is how Andy and Fiona's three-bed semi in Chester stacks up financially:

Purchase price: **£135,000**

Finance method: **cash**

Purchase costs: **£5,278**

Renovation costs: **£88,900**

Project duration: **13 months**

Sold price: **£304,000**

Selling costs: **£1,585**

Profit: **£73,237**

Doing the right thing

The new foundations plus a new roof, along with the single storey extension, attic conversion and extensive refurbishment, meant this latest project took 13 months from start to finish.

By July 2019, it was finally done, but finding a buyer would take a further three months. Considering the couple's second property had secured a proceedable buyer within 24 hours of it going on the market, three months felt like a lifetime to wait after all that hard work.

A buyer eventually came knocking, but formed part of a chain. As the chain proceeded slowly, another offer came in looking to gazump the original buyer by £5,000 more. Andy and Fiona once more had to make a difficult choice between a business-driven decision or a more personal, empathetic approach.

"We did what I believe was the right thing from an ethical standpoint by refusing the higher offer," Andy says. "Property can be so personal and you have stick with your gut feeling about what's right and wrong. We had made a commitment to a couple who we felt had the same emotional connection to the house that we did so we were determined to honour that commitment by waiting and selling it to them."

The sale finally completed in December 2019 and just like the house, Andy and Fiona's property investment business is now on a much firmer footing.

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

Finance under the hammer

Buying property at auction requires nerves of steel, plenty of research and a pot of ready money, writes Leah Milner

Given how long it can take to buy a property in the UK, there's little wonder property auctions are so popular. The entire purchase process takes just a matter of days: typically around 28 from the auctioneer's gavel falling on your bid to the keys being handed over. But unless you're a cash buyer, this accelerated timeline can make funding the purchase a challenge. That's why putting in the prep and lining up what you need to borrow in advance is essential if you want to bag an auction bargain.

Planning is everything

Ahead of the auction day you should do as much homework as possible on the property you are looking to buy in order to establish its true market value. View the property in person if you can and scrutinise the legal pack, which will include the title deeds, land registry and local searches, lease agreement (unless it is freehold), property information sheet, fixtures and fittings, any special conditions of sale and planning permission documentation. Ask a conveyancing solicitor to check over the paperwork for anything you might have missed.

Making it mainstream

The need for a speedy transaction and the fact they are often in a bad state of repair means most properties sold at auction aren't suitable for a conventional mortgage.

Ian Henning, independent financial planner and mortgage adviser at Sable International, explains: "Buying at auction is inherently risky. A lot of mainstream lenders will be reluctant to take on an auction property as the onus is on speed and they can't guarantee you'll be able to complete within the timescale required.

"With a conventional mortgage, legal work can take anything up to six weeks. That's not to say it's impossible to buy at auction with a high-street lender, but in most instances we'd recommend using a bridging loan. There are also some specialist lenders that aren't quite as expensive as a bridge, but because they're smaller and more niche they can carry out the checks more quickly."

Bridging the gap

Bridging loans are more costly, but for investors in the know they can play an important role. This type of short-term funding is designed to provide money quickly to be paid back between one and 12 months. Loans typically complete in less than two weeks and are usually available up to around 75% loan-to-value (LTV), although since Covid-19 struck, some lenders have reduced their maximum LTV to 70%.

You're likely to pay around 1% a month in interest (equivalent to 12% a year), but rates can vary from between 0.44% – 1.5% depending on factors like the size of your deposit and the state of the property. The interest is usually rolled up and paid at the end when you sell or refinance, or some lenders offer the option for you to pay monthly.

The associated fees can really add up. Lenders will typically charge around 2% as an arrangement fee and some brokers will levy a further 1% on top of that. Many lenders prefer to deal with an additional intermediary known as a packager, who gathers the paperwork and carries out checks, which can add a further 1% to the bills tally.

Getting an offer upfront

So that you can bid with confidence on auction day, you'll need to establish how much you can borrow. Ideally you should have a decision in principle from a lender in place so that the funds will be available in good time if you secure the property. A good broker will be able to talk you through your options and provide specialist knowledge to help you find the right product.

Some online advice suggests getting a decision in principle from a lender is sufficient to go ahead and bid on properties, yet this can be a risky strategy: "A decision in principle is really just an affordability and credit score check on the borrower," says Ian. "It means the bank or building society hasn't considered the property itself, so there's a significant chance you could be turned down later if it doesn't meet with the lending criteria or the value falls short of the price you have paid," he explains.

Valuation

Since a lender won't value a property until an offer is agreed and the sale is progressing, it's wise to get your own survey with a Royal Institution of Chartered Surveyors (RICS) registered surveyor before putting in a bid.

This can cost anywhere between £300 and £1,000 depending on what type you choose. It could be money down the drain if you don't end up securing the property, but it could also save you tens of thousands of pounds if it uncovers major problems you wouldn't have picked up from a simple inspection.

Marcus Leon, mortgage broker at Expedite Finance explains: "If your offer is accepted at auction and you subsequently find out there are issues with damp or the electrics need rewiring, you can't then go back and renegotiate the price as you might try to do in a normal sale, so you might suddenly need to find another £10,000."

Legally binding

You'll need to have 10% of the purchase price in cash or in your bank account ready to transfer on auction day if your bid is successful. Don't be tempted to bid more than what you can afford in the hope you can borrow more after the auction closes or you could end up losing your deposit.

If your offer is accepted you'll enter into a binding contract. If you don't pay the 10% deposit you can be sued by the vendor and if you don't complete by the deadline set you'll lose your deposit. If you're really struggling, it's possible to agree a short extension with the vendor in exchange for a fee, but don't bank on being able to do so.

End game

Given how costly it is to borrow from short-term bridging lenders, it's essential to have a solid exit strategy so you don't end up getting stuck on a high rate. Experienced auction investors tend to use a bridging loan while they carry out the refurbishment, then either sell the property to repay the loan (hopefully making a profit in the process) or refinance onto a standard buy-to-let mortgage.

Stamp duty holiday: what you need to know

The government may have scuppered our summer holiday plans, but the stamp duty holiday means you could make a nice saving on your next investment, here's how

What's changed?

The government has temporarily increased the stamp duty threshold for residential properties in England and Northern Ireland to £500,000 until 31 March 2021. This means anyone buying a home under £500,000 will have no stamp duty to pay. Previously, stamp duty kicked in at £125,000, or £300,000 for first-time buyers.

The move, announced on 8 July by Chancellor Rishi Sunak, is the government's way of reigniting the property market following the Covid-19 pandemic. It anticipates nine out of 10 people buying a home during the tax holiday won't need to pay any stamp duty at all.

Similar cuts have been introduced across the rest of the UK. In Wales the threshold for its equivalent land transaction tax has risen from £180,000 to £250,000, while the starting point for land and buildings transaction tax in Scotland has risen from £145,000 to £250,000. This might seem a lot less, but average property prices in Wales and Scotland are significantly lower.

What does this mean for investors?

Anyone purchasing an additional property in England, Northern Ireland and Wales will still need to pay the 3% surcharge on top of the residential rates, while Scottish investors will have to fork out 4% for the additional dwelling supplement, but even so, most investors stand to benefit from the cut.

The 3% surcharge applies whether you plan to buy a property as an individual, or through a limited company. However, if you don't own your own home yet but want to invest in property, you'll be treated as a first time buyer and you won't have to pay the 3% surcharge.

If you are considering taking advantage of the stamp duty holiday then now's the time to take action. Even though you've got until March 2021, recent data from GetAgent.co.uk suggests it takes 144 days to progress a property from listing to completion and this time has increased by 14% in the past year alone.

NEW STAMP DUTY RATES

Property price	SDLT rate	Additional rate
£0-£500,000	0%	3%
£500,001-£925,000	5%	8%
£925,001-£1.5m	10%	13%
Above £1.5m	12%	15%

How much will you save?

Effectively, the more the property costs, the more you'll save. Investors in London and the South East have the most to gain from the changes as properties tend to be more expensive there.

According to estate agents Hamptons International, the average buy-to-let investor purchasing a home under £500,000 is likely to save £4,720 as a result of the changes.

To put it into context, if you'd have completed on a £250,000 property in June you would have paid:

- Residential stamp duty up to £125,000 @ 3% = £3,750
- Residential stamp duty up to £250,000 @ 5% = £6,250
- Total = £10,000

Whereas if you completed today, or up until 31 March 2021, your calculations would look like this:

- Residential stamp duty up to £500,000 @ 0% = £0
- Additional surcharge up to £500,000 @ 3% = £7,500
- Total = £7,500
- Saving = £2,500

Left: Mariana Pereira and husband Kenneth Corcoran

A clinical approach

Mariana Pereira went from zero to five properties within just 18 months by perfecting a precision formula. By Leah Milner

Right: Three-bed house, North Lanarkshire – exterior before and after renovation and kitchen after refurb

CASE STUDY

A clinical approach

The Covid-19 pandemic has left many landlords fretting over how their portfolios will perform during turbulent times and whether their tenants will be able to keep up with rent, but Mariana Pereira has had little time to dwell on these concerns.

As a paediatric surgical registrar, the 33 year-old was braced for the possibility that she would be redeployed to a high-pressure role outside of her expertise in the frontline fight against the virus.

"There was a lot of anxiety as we didn't know what was to come or whether there would be enough protective equipment. Stories on the news from Italy showed orthopedic surgeons being asked to look after ventilators and other medics required to carry out tasks that were not their speciality, so we were in a state of readiness for similar emergencies here.

We were also dealing with staff absences as colleagues were having to self isolate if they or their families developed any symptoms that could be related to Covid-19. The worst part of it all was the uncertainty for both staff and patients," she explains.

In the event, Mariana and her colleagues in the paediatric unit emerged from the crisis relatively unscathed. Thankfully, Mariana's portfolio of buy-to-lets (BTL) which she owns with husband Kenneth Corcoran, 31, have weathered the economic storm so far. One of their tenants got into difficulty after losing his job, but he is now on Universal Credit and getting his finances back on track.

The newly-married couple only began their investment journey in late 2018 and amassed their five rental properties across the central belt of Scotland within a period of just 18 months. "The fact that our portfolio is performing well through these difficulties is proof that our model works and has given us confidence to continue on our path," says Mariana.

First steps

Most people buy their own home before becoming landlords, but for Kenneth and Mariana it made sense to start out with BTLs. After moving to Scotland from Portugal to pursue a career in paediatrics, Mariana wasn't ready to put down roots in a particular place as she needed the flexibility to be able to relocate according to her hospital placements. Kenneth, a mechanical engineer, was also happy to rent until life settled down.

The pair took a flat in Glasgow with Mariana commuting to Edinburgh each day for work. Like many property entrepreneurs, the couple read the book Rich Dad Poor Dad by Robert T. Kyosaki and it transformed their thinking. "The main point I took from the book was that when you work all you are doing is exchanging your time for money. If you always do just that you will never have much freedom and when you stop working you won't have any money.

"We looked at all sorts of investment ideas. It might sound silly, but at one point we even considered

Left and centre: three-bed house, South Lanarkshire – garden after and before renovation

Right top and bottom: three-bed house, North Lanarkshire – bathroom before and after renovation

Left and centre top and right: two-bed flat, North Lanarkshire – kitchen before and after renovation

Left: Mariana Pereira

buying a cow to make organic produce as Kenneth's parents have a farm," says Mariana. In the end it was clear property offered much stronger potential to provide a second income stream alongside their full-time jobs.

Designing a strategy

Mariana crammed her daily commute with audiobooks and podcasts to learn all she could about property before taking the plunge. She and Kenneth also attended Property Hub networking events and started researching different locations. They narrowed their search down to the central belt between Glasgow and Edinburgh as it naturally appeals to commuters working in both cities.

Good schools, transport links, shops and other amenities were all on the checklist as they hunted for their first investment opportunity. They eventually settled on a rundown three-bedroom, end-of-terrace house in North Lanarkshire, around half an hour's drive from Glasgow city centre. Mariana and Kenneth were hoping to secure long-term tenants, so they made sure to pick a home that would be attractive to a young family. Its proximity to a hospital meant there was likely to be steady demand from tenants, reducing the risk of voids.

Doing the deal

Kenneth and Mariana snapped up the property for £59,000 in November 2018, putting down a 25% deposit with a mortgage to cover the rest, but substantial renovations were needed. "We spent around £15,000 on the refurbishment and we learned such a lot," she says. "It took two and a half months which is much longer than it takes us now that we have a tried and tested model that we can replicate.

"Part of the delay was that it was over Christmas so we had to stop work for a couple of weeks and then our builder was ill – it was just one thing after another. We had to replace everything: we put in a new kitchen, bathroom, flooring, guttering, electrics and repainted the whole place."

Although the transformation took longer than they hoped, they had increased the value by £31,000 when they came to refinance, allowing them to take out money for their next deal. It also gave them a rental income of nearly £600 a month. They continued to follow this basic strategy: first seeking out a property in need of work, improving its value and getting it fit for tenants, then releasing cash for their next purchase while continuing to earn rental income. The couple use a letting agent to source all their tenants and manage their properties for a 10% cut.

Growth trajectory

Mariana and Kenneth's next purchases followed in quick succession. They bought their second property in March 2019: a two-bedroom flat in North Lanarkshire for £42,500. They spent around £9,000 replacing everything apart from the bathroom and increased the value to £65,000.

"We discovered that flats can take a little longer to rent, whereas three-bedroom houses go like hotcakes. Even so, we found tenants within a few weeks," Mariana remembers. The property now lets for £450 a month.

By July the industrious pair were onto their third deal, a three bedroom house not far away for £54,000.

A clinical approach

Left top and bottom: two-bed flat, South Lanarkshire – kitchen before and after renovation

RUNNING THE NUMBERS

This is how Mariana's latest three-bed house in South Lanarkshire stacks up financially:

Purchase price: **£57,300**

Purchase costs: **£3,322**

Finance method: Bought with bridging loan and transferred to mortgage at 75% LTV five-year fixed at **3.8%**

Renovation costs: **£11,245**

Project duration: **six weeks**

Done up value: **£90,000**

Monthly rent: **£595**

Monthly expenses: **£290**

Monthly net profit: **£305**

"It was a repossession and this was one of the projects we learnt the most from. I had a checklist of things to look out for in the viewing, but I managed to completely miss the fact that it needed a new roof. That's definitely on my list now," says Mariana.

Fortunately the couple were able to get a grant which covered half the £5,000 bill for repairs. "Another issue was the gas and electricity had been disconnected and we didn't realise how long it would take to get the power up and running again. It threatened to cause big delays but we were able to get a generator to enable the builders to start work," explains Mariana.

In all they paid £19,000 for the building work, which brought the value up to £90,000. It now lets for just under £600 a month. They bought property number four a month later in August. It was another two-bedroom flat for £48,000, this time in South Lanarkshire. Renovations cost £8,000 and took the value up to £70,000. It now generates £475 a month in rent.

A winning formula

By the time Mariana and Kenneth bought their fifth property for £57,300 in December, they had refined their process and were able to carry out the renovations at a much faster pace.

It was another three-bedroom house in South Lanarkshire with a large garden, so they could apply their tried and tested formula for creating a desirable family home. Although the scale of the work was similar to that of their first property purchase, they were able to complete it within just six weeks – half the time of their debut project.

The couple put this down to their strong relationship with the builder who now knows what finishes to use in each room so that work isn't held up by every design decision along the way. It's reduced the number of visits the couple now have to make to a property during renovation.

"We use the same style of kitchen and bathroom, keeping everything clean and white. With the flooring, we normally opt for laminate and use grey for any carpeted areas. It means that we only have to make a quick visit to a property to plan the layout before the builder can push ahead with the work."

New horizons

Looking ahead, Mariana is excited about progressing her career in paediatric surgery and feels that running a property portfolio is a great adjunct to provide more financial freedom. The husband-and-wife team want to continue building their BTL income to give them greater security in the future – particularly once they start a family.

Houses in multiple occupation are one avenue they are considering due to the higher earning potential and they are likely to extend the scope of their portfolio south of the border into England to benefit from a wider choice of rental opportunities.

Property **Geek**

with Rob Dix

Investing in a pandemic

During 2019, back when coughing in public didn't get you death stares and no one had ever heard of an R number, I didn't buy a single property. Yet, in the first half of 2020, with GDP charts looking like the author's arm got nudged, and the feeling you should wear a full hazmat suit to go buy a pint of milk, I happily put down the deposit on a new investment and I'm actively looking for more. Is this sensible, or crazy? And am I alone?

Against the grain

I've got a contrarian streak a mile wide, so it was only natural I'd start getting even more excited about investing just as everything was looking particularly bleak. But it's not just me.

I've been surprised by how relatively unbothered other people have been by the potential effect of the pandemic on their existing investments, and the lack of people shelving plans to invest further.

The palaver around Brexit seemed to cause investors far greater concern. On the face of it this is odd, because this was based around fears that leaving the EU could trigger a recession or affect the strength of the UK's economy for years to come. Yet it was clear early on the coronavirus would definitely trigger a recession and affect the strength of the UK's economy for years to come.

I've got two working theories for this apparent contradiction. One is that because roughly half of the country thought Brexit was the wrong choice, they were more inclined to focus on the harm that choice might cause. Conversely, clearly nobody chose the virus, so there's less emotion tied up in any analysis of the potential effects. Just to be clear, I don't have a strong position about Brexit either way, so don't mean to imply picking a side when I say "they".

My other theory is that investors have spent the better part of five years being beaten up by one thing or another. First George Osborne's infamous tax changes, then Brexit and various other political dramas. There comes a point where you're almost impervious to bad news and realise you just need to get on with it.

Whatever the reason, investors' appetite for property has barely been dulled by the spectacularly weird events of the year so far. But should they actually be more worried?

A matter of time

If you're investing with the intention of making a profit in the next couple of years, it's hard to make a case for investing now. I'd be extremely wary about embarking on a flip or a development at the moment, because it's very difficult to know what kind of market you'll be selling into. The same goes for entering into an off-plan purchase with a view to selling it on for a profit before completion.

It seems inconceivable that property prices won't drop by some amount for some period of time, and

OPINION

Wouldn't it be better to wait until prices have fallen, then buy in at a lower starting point? Yes, if you had perfect knowledge of when they were going to fall, when they were going to stop falling, and be able to get back in before they rose again. But this is a difficult trick to pull off

there are some types of property project that will be adversely affected if completion coincides with a period of market weakness.

On the other hand, if your timeframe is a decade or more, the case for investing seems much easier to make. Why? Because whatever happens in the next couple of years – short of an all-out crash, which I think unlikely (hear more in Episode 375 of The Property Podcast) – it seems extremely likely that prices will be higher in ten years' time than they are today. And you'll have spent a decade collecting rent every month.

Wouldn't it be better to wait until prices have fallen, then buy in at a lower starting point? Yes, if you had perfect knowledge of when they were going to fall, when they were going to stop falling, and be able to get back in before they rose again. But this is a difficult trick to pull off. In an admittedly extreme example, anyone trying to catch the bottom in the stock market in April 2020 would have watched in shock as prices recovered so quickly they'd have missed their chance before they worked out whether it was a temporary rally or a genuine recovery.

The same thing happened in property after the last crash, where many people chose not to buy in 2010-2011 because they were convinced the market had further to fall. Similarly, prices then started rapidly rising again – and by the time they noticed, they found it hard to justify buying in at a higher price than the one they already thought too high a year ago.

Market timing is a particular challenge in property because reliable data is hard to come by. As the reporting of sales prices lags, the market can move before you have any sign that it's happening. And even more problematic, you can't get any good data for the particular patch you're interested in.

The UK average – or even a regional average – tells you very little about what's happening in your area of interest, where the market forces at play are unique. For the last couple of months my Rightmove alerts tell a story of some areas where properties are sold within days of coming onto the market, and others nearby where they languish, see some price cuts, then are withdrawn unsold.

So although I was completely aware when I bought that the outlook wasn't rosey, I didn't want to get too clever with the timing. But given the situation, I wasn't willing to buy just any property.

Getting a discount

Property sellers are naturally reluctant to sell a property for less than they paid for it – and they're also reluctant to sell for a price less than they could have notionally sold it for in the past, even if that price would lock in a big gain for them.

Paid £100,000 for it 20 years ago and could get £230,000 for it now? If it was worth £250,000 on paper a few months ago, they'll just hang on and wait for prices to get back to that level.

It's a psychological quirk that means when prices fall, transaction volumes do too. If you look back at past crashes, you'll see that relatively few properties actually changed hands when prices had dropped. The only sellers were those who had no choice in the matter, either because of personal circumstances or repossession action by their lender.

For this reason, getting a discount when the market is struggling isn't as easy as it first seems because sellers are reluctant to budge unless they're desperate. Even managing to buy in at lower prices once the market has already fallen isn't trivial, because supply will dry up and there just won't be much to choose from.

So getting the right price comes down to finding those situations where a seller has little choice. In my case, it was buying from a developer who had their funding partner breathing down their neck and couldn't afford to wait for sentiment to recover. There can be other clues to look for, like properties that have already been repossessed (where the bank always wants to get them off their books in a hurry) and those that are sitting empty and clearly costing the owner money.

The best way to get clues is to have a relationship with local agents that allow you to ask and get a (somewhat) honest answer. If you can't get to the bottom of the situation with conversation, an offer will do it. Also, as at any point in the cycle, demonstrating credibility and an ability to get the deal done quickly are as important as the price itself.

Focusing on the fundamentals

Although there's talk about people suddenly wanting more space and prioritising a garden, the truth is the pandemic hasn't changed the fundamentals that make a strong investment. But it does mean getting those fundamentals right is more important than ever, and there might be more opportunities to negotiate an attractive price.

If you don't share my contrarian streak or share the confidence of other investors, there's certainly safety in sitting back and waiting until the market is definitively on the up before investing again. For me though, if another great opportunity comes along, I'll continue making up for lost time.

> If you look back at past crashes, you'll see that relatively few properties actually changed hands when prices had dropped. The only sellers were those who had no choice in the matter, either because of personal circumstances or repossession action by their lender

FINDING THE PERFECT POST-PANDEMIC INVESTMENT

Assuming your timeframe lends itself to investing at a time like this, what constitutes the type of investment you should be making? For me, it comes down to three things:

Right place

To whatever degree the market falls, it won't be evenly distributed across all properties across the country. The biggest falls will naturally be in areas where demand is low and falling, and affordability is the most stretched. Parts of London are an obvious example, as there's a trend of moving out from the capital and affordability is worse than anywhere else.

This isn't just about downside protection either: when the market recovers and eventually booms, it's the locations that suffer the least that will go on to grow the most.

Right property

Finding the right property is about size, style and quality as they apply to demand in your chosen place. Those that are the most desirable, differentiated and in-demand (think a newly refurbished bungalow among streets of terraced houses) will naturally struggle least, then benefit most.

Combining property and place led me to invest in one of the best parts of Nottingham, where quality properties are always snapped up within days. It's also one of the few modern luxury homes in an area dominated by period properties: it's not that one is better than another, but choice is limited for those who want something new.

Right price

Although it won't affect my long-term plans if the property spends a few years being worth less than I paid for it, I'd obviously prefer if that didn't happen. The solution? Get a discount. Because the situation was right, I got a discount in excess of the most negative mainstream prediction of what could happen to property prices in the short-term. That gives a layer of protection, and it's also just an obvious reaction to the situation: if we're in a temporary buyers' market, why wouldn't you take advantage of it by securing a discount? You can buy off-the-shelf at market rate at any point in the cycle, so it makes no sense to do that at a time when risk is objectively higher.

As an added bonus, getting in at this discounted price allowed me to buy a swanky four-bedroom house that wouldn't stack up as a buy-to-let at full price. The lower price was therefore fundamental to the investment working.

Listen to Rob tell the full story of his latest investment in Episode 378 of **The Property Podcast**

OPINION

HOW TO

How to...
stage a property

Properties – just like people – look their best when they're well-dressed. We asked the experts for their tips on how to stage a property like a pro

First impressions count, and the way you present your property can really make a difference to your success in attracting tenants or clinching that sale. Data from Rightmove suggests a staged home will sell for 8% more than a non-staged one. When you consider the average UK property worth £231,855, that's an extra £18,548 in your pocket.

But staging isn't just about making a property look pretty, it's about the practical stuff too. It helps give potential tenants or buyers an idea of what a space will look like once it's lived in and work out important details, like where the TV will go.

"A lot of people have difficulty visualising a space and understanding the size of a room," says Sam Ward, director of Homeward Interiors. "Staging helps to eliminate any doubts as to whether the space will work for them and enables the buyer or tenant to picture themselves living there."

Photos © of Homeward Interiors

Sell a lifestyle

Sam has been staging properties in the North West of England for the past five years. He's worked on a variety of different styles from quirky mill renovations, classic Manchester lofts, new builds, million-pound houses and everything in between. "Staging a property helps to sell a lifestyle that the purchaser/renter can buy into. After all they're not just looking for a new house, but a home," he says.

It's important to remember when staging a property that you're not moving in yourself – it's not about personal taste. "One of the primary objectives of staging is to help prospective tenants visualise the space as their own," points out Clare Whitehead, who runs Vivo Interiors, a company specialising in providing modern furniture packs for rental properties. "Good design should appeal to all and not date. Personal touches yes, personal taste, no!"

In her opinion, properties should be dressed with the tenant specifically in mind: "If your property is located in the city centre or an up-and-coming neighborhood, chances are your tenant will be a young executive or a busy couple. So in order to make the house appealing to them, you need to use furnishings that reflect their lifestyle and needs," she says.

Set a budget

It's easy to get carried away buying items, particularly when it comes to accessories and finishing touches, but every pound you spend is potentially a pound off your overall profit. How much you need to spend will depend on the size of the property and what you want to achieve.

"With some properties the profit margin is small and would be silly to spend a lot of money on staging that you just won't get back, but the opposite can also apply. If you're selling or letting a property at a high price, staging can help elevate it and justify a higher asking price," says Sam.

Clare recommends spending around 1.5-2% of the property price to achieve the right finish. "It's important to ensure that the specification of the furniture and accessories are in line with the style and the feeling of the place," she says.

Doing the staging yourself will help to keep the overall costs down, but specialist interior companies can often negotiate better prices on furniture suited to the rental market. Plus, if you're short on time or investing remotely, it's worth noting these companies can take care of everything for you, from delivering and assembling items, to dressing the property ready for viewings.

Make a plan

Before you go making any purchases, you need to plan the space and what you intend to put in it. Space planning is a fundamental part of the interior design process. Measure each room fully and put together a mood board or pin images you like on Pinterest to get an idea of how everything will work together.

"Make sure you measure the rooms accurately to avoid purchasing the wrong size furniture. If you get it wrong it can make the room feel too big or too small. If you need to, tape things out on the floor with masking tape to get a feel for the space," says Sam.

Keep things neutral

When it comes to choosing a colour scheme, the advice is to keep things neutral and add in pops of colour with accessories. "This is a good way to make a statement that you can change later on if you wish," says Clare.

To pick a colour scheme, Sam suggests starting with one item you like, for example a piece of artwork, a cushion, or a rug, and choosing one or two colours to use as an accent. "Don't be afraid to paint a wall. If it's a new-build apartment white walls throughout can feel cold and un-lived in. It doesn't have to be big and bold; a subtle shade of grey can really lift a room too. The general rule of thumb is to go darker or lighter than the main piece of furniture for a contrast," he says.

Photo © of Homeward Interiors

Stage where it counts

Not all rooms need the same attention when it comes to staging. The main living spaces like the lounge, kitchen and master bedroom are where you should focus most of your attention and budget. These are the spaces where you can create the biggest impact.

"The sofa is always a key piece of furniture in any living room, this is where the majority of people spend most of their time and if dressed nicely with cushions and throw can really sell the property. The same applies for a bed, it's the focal point of the bedroom and should be given some thought," says Sam.

"It's also important not to overlook the hallway as this is the first room that people see and sets the tone for the property. You don't have to go mad here, some artwork or a mirror, a welcome mat, some flowers is all it takes. But as they say you don't get a second chance on a first impression," he adds.

Shop around

It can be tempting to buy everything you need from one shop and have done with it, especially if the items are cheap, but as Sam puts it: "you don't want to end up with a room that looks like IKEA has thrown up all over it". Instead, mix and match cheaper items with more expensive items to create something that looks bespoke.

Sam recommends H&M Home for budget-friendly, on-trend accessories, IKEA for kitting out the kitchen and Made.com for furniture.

One of Vivio Interiors' fit-outs for Wilburn Basin, Manchester

Accessorize

Adding the finishing touches to a property is a fine balance: there needs to be enough to make it feel like a home, but not too many that it looks messy. "Cushions, rugs, vases, floor lights and artwork always add a little extra feeling of warmth and personality to a space. But there's no need to over clutter, just do enough to make the place stand out," advises Clare.

The right accessories can really help bring a property to life and set the scene for viewers. "It's the small details that really make a room," says Sam. "For example, a cocktail glass and shaker on a side table, can paint the picture of relaxing with a drink in a cosy armchair after a long day at work. A cookery book on the side brings the kitchen to life, a dining table set for dinner helps the buyer to envisage future dinner parties with friends. A tray with a coffee cup and a magazine represents a lazy Sunday morning lie in. All of these small details can really breathe life into a room and make the environment feel real – and help the buyer to picture what it might be like to live there."

Adding some greenery to your property can also help to soften the room and make it feel more homely. "I'm a big fan of an indoor plant, however if the property is going to remain vacant in between viewings 'go for faux'. Turning up to a viewing to be greeted by a withered ficus is not selling the dream," says Sam.

For more free educational property articles, courses, webinars and videos visit **propertyhub.net/education**

PROPERTY TALK WITH WITH ROB B

Lessons I've learned the hard way

I guess it comes with the territory of co-hosting The Property Podcast, but people seem to think Rob Dix and I are the epitome of success: that we've made a lot of good calls and got everything worked out. Yes, we've made some good calls along the way, but we've also made a lot of bad ones and it's the bad ones that have taught us the most valuable lessons. Here are some of the lessons I've had to learn the hard way – hopefully you won't have to.

The market moves in cycles

The very first property I purchased I bought at the top of the property market. I naively thought property prices would just keep on going up. Within two years of owning it I was in negative equity. It took ten years for the property to recover its value. I don't regret buying it, but if I was starting again I wouldn't choose to do it.

Don't assume you can do it all

Just because you're good at one thing doesn't necessarily mean you're going to be good at another. If you're good at flipping properties, for example, it doesn't automatically mean you'll be good at holiday lets; they both require completely different skill sets. I wrongly assumed I'd find it easy to transition and adapt into developing property because of my experience.

Scale up slowly

Rather than start by developing one or two houses I started with 14. There's nothing wrong with being ambitious, but my advice would be to take your time to test the water. I could have learnt my lesson on a much smaller scale. Find a way to do your learning with less skin in the game.

Don't become over-reliant on one person

In property, it's risky to consistently rely on one person for advice. That's not to say you shouldn't put your trust in people, but alway validate that trust and try to bring in second and third opinions where possible. Poor advice can prove very costly.

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

Do your research

Early in my property career I committed to buying a property that turned out to be unmortgageable because of the way it had been constructed. Although it's paid me a good return, I've not been able to take advantage of leverage: a problem that could have been averted had I done my due diligence and sought the advice of a good mortgage broker upfront.

Don't try to be too clever

While I might be pretty good at understanding the market cycles today, I've made the mistake of trying to be too clever at timing the market in the past and get in early in places like Sunderland and Hull. Even though these investments have provided a good return, I can't help but think I could have been investing more in prime locations like Manchester and Birmingham before the market lifted.

Question yourself

One thing I do now, but didn't do so much in the beginning, is question myself and look for alternative points of view. A lot of people told me our Grand Junction development couldn't be built for the price we wanted. When someone told me they could build for that price it was what I wanted to hear. I made the mistake of ignoring other people because it wasn't the answer I wanted.

Embrace your mistakes

Mistakes will happen regardless, but what's really important is to learn from them. Everyone makes mistakes, but not everyone learns from them and that's the most important part. Making a mistake the first time is a lesson in waiting, but making the same mistake again is careless. Embrace the mistakes because they'll make you a better investor in the long term.

Despite all the mistakes I've made throughout my property career, I'm still in a better place than I would have been had I done nothing at all. The biggest mistake you can make as a property investor is not taking action. If you're too fearful of making mistakes then you're not going to achieve anything. It's when you get out of your comfort zone that the magic stuff happens. Things might go wrong, but you'll grow off the back of it.

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

Ray asks:
Can you buy property to flip on a mortgage?

The Robs reply:
You can use a mortgage to buy a flip, but it's not a good idea. The lender will have given you the money on the basis that you'll be holding the property for the long-term, so if you repay it after six months because you've sold the property then it will raise suspicions. You might get away with it the first time – after all, plans do change. But the second time? There's a high probability of the lender noticing the pattern, refusing to lend to you again, and sharing that information with other lenders too.

Stuart asks:
Is a flat with a share of the freehold a good or bad investment?

The Robs reply:
If an apartment includes a share of the freehold then it generally means you won't have to pay ground rent and you'll have more control over the building management company, so it's certainly a positive. Of course, some flats will make better investments than others, so you should still do your due diligence to ensure all the other fundamentals are there and the deal stacks up.

Talha asks:
I have a property which I'd like to transfer into my limited company to save on tax. Its value is currently less than what I paid for it. Will I still have to pay capital gains tax even though it hasn't appreciated in value?

The Robs reply:
When incorporating a property into a limited company you only have to pay capital gains tax (CGT) on the profit you've made on your original purchase price. So if the value of your property is less now than when you bought it you won't owe anything. You'll also be able to carry forward the loss you've made to offset against future gains.

Emma asks:
Should I self manage or use a letting agent?

The Robs reply:
It really depends on the individual. Some investors like to be more involved with their properties and have full oversight as to what's happening day-to-day. Self-managing also saves on the cost of a letting agent. Others value their time more and find paying for full management a better option. Using an agent is also a good way of ensuring you are compliant with relevant legislation/regulation – but pick your agent wisely, as ultimately the buck stops with you.

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

Top five property investment myths

Don't let these common misconceptions put you off

1 YOU NEED PAY FOR TRAINING

It's true there's lots to understand about investing in property, but it's not like learning to drive or training to be a doctor: you don't have to pass a test or gain a qualification before you can make your first purchase – and you certainly don't need to pay to get to grips with the basics. This isn't to say all courses are useless, but you can educate yourself by using free resources, like taking Property Hub University courses online, and save the cash for putting into your property.

2 YOU DON'T NEED MONEY TO GET STARTED

Saving money for a deposit is hard work, so it's no surprise some people get suckered in by the appeal of 'no money down deals' and end up falling flat. The simple fact is you can't buy property without putting money in, whether it's your own or someone else's, and using someone else's money is a risky strategy, especially if you're just starting out.

3 IT'S BEST TO BUY CLOSE TO HOME

It's only natural to want to invest in your local area. It means you're on-hand if anything goes wrong and close enough to keep an eye on things, but it could mean you're missing out on better opportunities elsewhere. It's much wiser to invest in an area with good fundamentals – like jobs, shops and transport links – that keep tenant demand high.

4 INTEREST-ONLY MORTGAGES ARE BAD

Not paying down the debt on a mortgage might sound like a reckless thing to do, but it makes a lot of sense when you're building a property portfolio. With lower monthly payments you can use the extra cashflow to build up a contingency fund, or save towards your next property. Over time inflation will reduce the value of your debt, and you can still pay off the mortgage in 20 years if that's your plan.

5 YOU HAVE TO BE HANDS-ON

Despite what you might think, being an investor doesn't have to eat up all your spare time. There are companies that will manage each step of the process for you from sourcing property deals to collecting the rent each month, for a fee of course. But this doesn't mean you can abdicate all responsibility. Ultimately, it's down to you to make sure everything is set up properly and runs smoothly.