PropertyHub Magazine

Making sense of property investment

BRANCHING OUT

Why now's the time to diversify

propertyhub.net

Issue 26 January/February 2021 | £5

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Welcome

Rob Bence (left) and Rob Dix (right)

Swiss investment bank UBS, the world's leading global wealth manager, has coined 2021 the "year of renewal" in which we'll see a world steadily returning to normal, while also rapidly accelerating into a transformed future.

Having just lived through one of the toughest years in decades, it's an idea we're happy to get on board with, but the reality is, none of us really knows what the next 12 months has in store.

This won't stop people (like us) from offering predictions – fear not: we'll still be making our forecasts for this year on The Property Podcast – but as Rob D explains in more detail on page 42, it's wiser to develop your own understanding than follow blindly in the footsteps of others.

One way to ride out changing economic conditions is to diversify your portfolio. Diversification within property is less talked about than with other forms of investment, yet there's still plenty of ways you can spread the risk as our cover story reveals.

Elsewhere in this issue, Neil Cumins investigates how to spot a property hotspot from a notspot, Emma Lunn looks at the latest developments in the world of proptech and John Fitzsimons finds out how Sahil Patel transformed a derelict property into a £2m dream home.

Whatever it brings we have big plans for 2021 at Property Hub HQ. We'll be delivering even more educational content across our many channels this year and we have an exciting launch scheduled for the end of January that we can't wait to share with you.

Happy reading.

Rob & Rob

Rob Bence has over a decade's experience sourcing prime property investments on behalf of clients, and now oversees Property Hub's own developments too.

Rob Dix has written extensively about property investment for the past seven years. His books, including The Complete Guide To Property Investment and How To Be A Landlord, are Amazon best-sellers with hundreds of five-star reviews.

INSIDE THE HUB

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

ON SCREEN

You can expect big things from our YouTube content this year. All will be revealed at the end of January, but we have some exciting plans in the pipeline and a new videographer to help us make it happen. Keep your eyes (and ears) peeled.

youtube.com/propertyhubuk

HUB CHAT

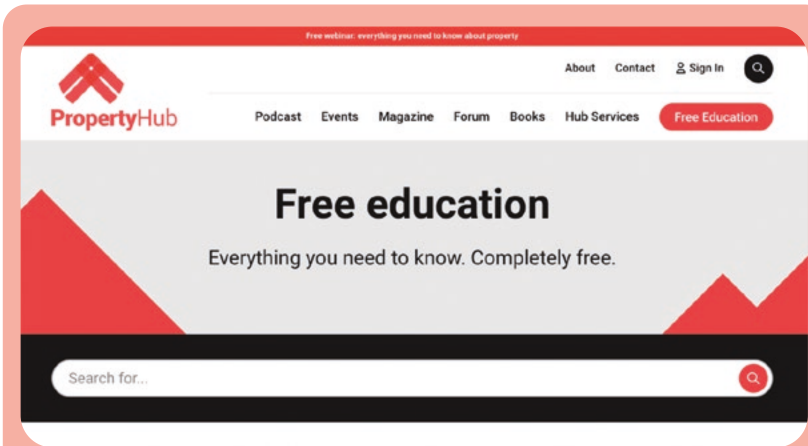
Our hubbers over on the forum have been talking about how their investment journeys have taken a different course thanks to Covid, and it's clear there hasn't been much sitting around and waiting for it to all blow over going on. Join in the conversation at **propertyhub.net/forum**

SOCIAL HAPPENINGS

We always knew our readers were a lovely bunch, but when Chanel tagged us in a post on Instagram about mindset and how her "newfound love" for Property Hub Magazine has replaced her love for Cosmo and Grazia, we were chuffed to bits. Thanks Chanel! You can follow Chanel's property journey @_murphyreid. If you've got a property post you'd like us to share, tag us at **@propertyhubuk**

ON AIR

Rob & Rob will be gazing into their crystal balls and making their predictions for the year ahead as well as revealing their top UK property investment hotspots for 2021 to help you decide where to invest next. Are we likely to see more stability in the property market this year, or is there more turbulence to come? And how useful are predictions anyway? Tune in to find out. **propertyhub.net/podcast**



ON LINE

A new year offers a fresh start and this year will be the new beginning many of us have been craving. Throughout January we'll be sharing our tips on goal setting, establishing new habits and trying new ways of doing things via our educational content on our website and across social media. Then in February we'll be taking a look at what the future has in store for the property industry. **propertyhub.net/education**

Market focus

The latest news and developments from the property industry

CLADDING CLARITY

Owners of flats in buildings without cladding no longer need an EWS1 form to sell or re-mortgage their property.

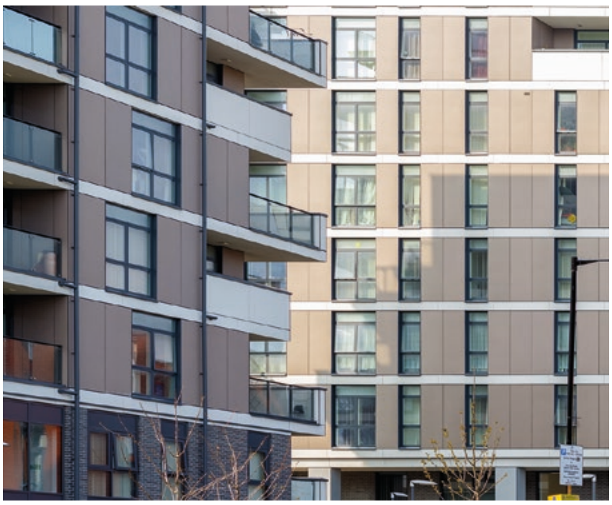
An agreement was reached between the government and the Royal Institution of Chartered Surveyors (RICS), UK Finance and the Building Societies Association (BSA) on 21 November.

It means up to 450,000 flat owners previously stuck in limbo will be able to sell, move or remortgage their homes.

The external wall survey process – commonly referred to as EWS1 – was created to assess the potential financial impact of cladding on high-rise flats and to check walls and balconies were structurally sound following the Grenfell Tower tragedy. Yet some lenders were requesting an EWS1 before agreeing mortgages on flats without external cladding.

The government has also committed to training 2,000 more building assessors to speed up valuations and said it will work with the industry to ensure professional indemnity insurance is available for assessors.

The move is part of a wider government-led solution to support homeowners who have unsafe cladding on their buildings – some of whom are facing huge bills for removal or for fire wardens to monitor sites 24/7.



Green scheme

The government's Green Homes Grant has been extended by 12 months.

Property owners now have until the end of March 2022 to have energy efficiency upgrades to their homes completed through the Green Homes Grant Voucher Scheme.

The scheme, which launched in September 2020, was due to end on 31 March this year. But with tradespeople already in high-demand, there were complaints it didn't allow enough time to find installers to complete the work before the deadline.

Property owners can still claim vouchers worth up to £5,000 under the extended scheme, covering up to two-thirds of the cost of the work.

The vouchers will now be valid for three months after they're issued or until 31 March 2022 – whichever is sooner. Those unable to use their voucher in time for reasons outside of their control will also be able to request an extension.

FUN FACT

The Cornish coastal town of St Ives has been crowned the happiest place to live in Great Britain, topping Rightmove's 2020 Happy at Home Index.

Source: Rightmove

Call for conciliation

The National Residential Landlords Association (NRLA) is calling on the government to establish a new publicly-funded landlord and tenant conciliation service as part of its planned changes to the private rented sector.

With the government committed to scrapping section 21 evictions, the NRLA is calling for changes to the rights of repossession that are fair to both tenants and landlords.

Its proposal outlines the grounds upon which landlords should be able to regain possession of their properties, including cases of tenant rent arrears, anti-social behaviour and situations where landlords want to sell a property.

The ACAS-style conciliation service would serve to resolve disagreements between landlords and tenants without the stress and costs associated with going to court.

While more serious cases, such as those related to criminal activity by a tenant, would still need to go to court, the NRLA says most cases could be considered by the conciliation service.

Both tenants and landlords would be able to access the advice and support they needed to make their case, helping them reach an agreement to keep the tenancy going or bring the tenancy to an end in a way that works for both parties.

Ben Beadle, chief executive of the NRLA, said: "Our proposals are for a fundamental reform of repossession rights which strike the balance between the needs of both. The overriding aim is to sustain tenancies wherever possible or bring them to an end in a collaborative way.

"We hope that ministers will accept our proposals and act on them soon."

MIXED-USE MIX-UP

Landlords that have purchased mixed-use buildings could be in line for a stamp duty rebate worth tens of thousands of pounds, according to tax firm Blick Rothenberg.

Investors with properties that consist of both residential and commercial premises may have wrongly paid a 3% surcharge normally applied to purchases of buy-to-let properties and second homes.

HM Revenue & Customs has recently clarified its rules around stamp duty payments on mixed-use buildings.

"HMRC has updated its internal guidance manual to confirm that when claiming the relief on purchases of mixed-use buildings, the tax should be calculated without using the surcharge, even for purchases made by companies," Sean Randall, partner at Blick Rothenberg, told The Telegraph.

He added that landlords who have overpaid can claim the tax back by contacting the tax authority: "This should be good news to buyers of mixed-use buildings, irrespective of the scale of the residential element. A significant tax saving may be due, for example on a single mixed-3use building containing four flats, as well as on a purpose-built private-rented sector development containing 2,000 flats."

Let's talk about... houses versus flats

Which makes the best investment: houses or flats? Or is it best to have a mix of both? It's a question that always generates a lot of debate so it comes as no surprise lots of you had something to say on the matter

Tom Jones on Instagram
"I have a converted farmhouse consisting of four flats and so own the freehold, so no monthly maintenance or ground rent charges to worry about. Also, I don't have to worry about the length of the lease eroding away. I have full control over what I can do to the property."

Ali Temple on LinkedIn
"I have both in my portfolio and each serves a slightly different purpose."

Trish Paul on Facebook
"I like two-bed flats, but I only buy ones with the freehold. They have the best combination of high yield, large tenant market and good capital gains, while keeping costs down."

Ryan Milton on LinkedIn
"It's like trying to pick your best child! I'm going to say it's all about location, location, location."

Stephen Forbes on Instagram
"I have two flats already and wondering if the third property would be better as a house. Less issues caused by other parties and maybe cost less without factors."

Rob Clarke on Facebook
"I guess it's location dependent really, but in Leicester, houses definitely."

Julia Urquhart on the forum

"Always houses – always freehold. I will not buy a property that can receive a charge over which I have no control. Plus ground rent and maintenance charge just come straight off my bottom line – no thanks!"

Derek Tsang on the forum

"In light of the recent issues with cladding on flats, houses (freehold) for sure! "

Lawrence Sheppard on LinkedIn

"Apartments positives: higher rental income, generally easier to let out with fewer vacant periods.

Apartments negatives: less capital growth than a comparable house, higher tenant turnover.

Houses positives: longer tenancy terms higher capital growth, no ground rent or service charges.

Houses negatives: lower rental income."

OUR SAY

Listen to what The Robs had to say about the topic in episode TPP061 of The Property Podcast: propertyhub.net/podcast

Matt Gwitt on Instagram

"I think it's a question of freehold vs leasehold."

Stuart Phillips on the forum

"As a broker, I'm encouraging my clients to steer away from flats, because I'm having a great deal of trouble with the valuations. Lenders and surveyors are not being kind, especially with new build city centre flats currently."

YOUR SAY

In the next issue we'll be discussing your most embarrassing property stories. Join the conversation on our forum propertyhub.net/forum or on social media @propertyhubuk

INTERVIEW

“Property helped distract me from the pain”

Snowboarding and property investment may seem an unlikely pairing, but for Jamie Barrow the two help keep his life perfectly in sync. He tells Chantelle Dietz how

Kitchen and living room after renovation

Jamie Barrow © Sam Short Soul Media

Jamie Barrow is best known for being Britain's fastest snowboarder. He made headlines in 2015 when he pulled off a word-first, becoming the first person to snowboard while being towed by a commercial plane, reaching a speed of 125 km/h. Then in 2016 he broke the Guiness World Record for the fastest speed on a snowboard while being towed by a vehicle, a record he has subsequently gone on to beat twice over, in 2018 and 2020.

Yet, last summer, the 28-year-old made headlines for a different reason when photos of his renovation of a derelict basement in a Grade I-listed building in central Bath were picked up by the press.

Becoming hooked

Born in Switzerland to English parents Jamie was put on skis as soon as he could walk. "My older brother was always a bit faster and a bit stronger than me at skiing and I really didn't like that. I wanted to find something a bit cooler to do and that's when I discovered snowboarding at the age of eight," he recounts.

Having been diagnosed with dyslexia at school, Jamie says snowboarding helped build his self confidence: "Being labelled like that made me feel inferior to my classmates. I didn't feel like I was as good as everyone else, I never thought I'd be able to achieve anything.

"It was snowboarding that brought me out of this. It was the thing I felt I was finally good at. It didn't matter if I had dyslexia, it gave me that escape. It taught me that life is about finding what you're good at."

He moved to the UK in 2009 to study sports performance at Bath University and has stayed in the city ever since, buying his first property – a small one-bedroom, ex-council flat – with help from his parents in 2013. He lived in the flat while renovating it, sleeping on a mattress on the floor, and then sold it on, pleasantly surprised by how much money he made. "After that I was hooked," he says.

Fixing up and flipping properties suited Jamie's lifestyle well: he could spend the summer months living in and refurbishing a place, then pack up and spend the winter months out on the slopes.

Jamie used the profits from his first flat to buy a second property: another one-bedroom flat, but this time in a better location close to the train station and in a better building. "It was more expensive, but the potential profits were bigger. I did the same that I did with the other place and sold it on again. I didn't take any money out of it, I reinvested every single penny I could and I've been keeping that routine ever since really.

"The property market in Bath was really booming at that time so I was averaging about

Left: bedroom after renovation

Below: bedroom before renovation

Above: garden after renovation

10% growth in value per year on top of the value I was adding. In hindsight I should have held on to them, but I was in a position where I needed to release the capital," he says.

Left to rot

He discovered the abandoned basement in 2017 while renovating the top floor flat in the same Georgian building. "We had access down to the basement and sub-basement to read the meters," he explains.

"It was like something out of a Saw film down there. I couldn't believe this space in the centre of Bath in a Grade I-listed building was just being left to rot away. All the other basements on the block had been developed."

Jamie approached the freeholder of the building and asked if they would be interested in selling it to him so he could develop it. He was in a fortunate position: the property couldn't be put on the market because it formed part of the lease of the four other occupiers in the building. But because he was one of the leaseholders he was able to purchase it at a discounted price.

Getting the sale through however was a complicated process – it took two years of planning and negotiations before Jamie got the keys. "We had to change the leases of all the other leaseholders in the property because they were allowed access down there. That delayed it about a year because one of the leaseholders agreed to a sum then later backtracked."

Obtaining listed building consent was another hurdle he had to clear: "With a Grade I-listed building you have to tell them pretty much where every screw is going. It felt next to impossible, but I had a great architect who used to be a listed building officer, so he knew what they would be looking for."

The transformation

Once everything had been signed off, Jamie and his team of builders were finally able to start work on the renovation. Transforming the dark, damp, crumbling basement with no electricity, water or gas into a stylish, split-level apartment took around five months.

Jamie was able to draw on his experiences from previous renovations to get the job done. "It was a mammoth job. The biggest task was digging out the floor in the sub basement. We had to dig down 50cm so we could lay the new breathable limecrete floor, which is made up of various levels of insulation, underfloor heating and limecrete.

"All the walls had to be replastered with lime plaster and painted with breathable clay paint. The ceiling on the lower floor had to be replaced to meet fire and acoustic regulations. New sash window had to be put in in the second bedroom to match the ones upstairs. We also added a new metal staircase outside in the light well to allow private access to the property as well as a fire escape."

One of the things he was most proud of was tracking down the source of the original Bath stone used in the main bedroom. "We contacted the mine directly and were able to get the same stone made into flooring for the lower floors," he says.

Unfaltering determination

Jamie has accomplished a lot in his 28 years, but what makes it all the more remarkable is that he suffers from a painful back injury that some days leaves him unable to walk. It was during a qualifying run for Team GB in 2013 that he got the injury, destroying a disc in his lower back and shattering his dreams of competing at the 2014 Winter Olympics in Sochi.

Doctors told him he would be in pain for the rest of his life, and that he wouldn't be able to run again, let alone snowboard. Yet Jamie refused to accept his snowboarding days were over. "It was absolutely devastating for me to have to drop out of the British team and lose the chance to compete at the Games," he says.

"After a few months I got fed up of being injured and sitting around not doing anything. That's when I started doing speed records. I didn't want my injury to hold me back, even though I knew it was permanent and I would have it for the rest of my life, it was a good way to distract my mind away from the pain.

Above top: bathroom after renovation

Above bottom: bathroom before renovation

"Property was a really big help too. Even though I wasn't able to do much of the work while I was injured, it gave me something to concentrate on apart from snowboarding."

Jamie's determination to not let his injury stop him from doing what he loves is inspirational. For this reason he's often asked to talk publicly about his experiences. He works as an athlete mentor for the charity Youth Sport Trust, which encourages young people to achieve their best in life and is an ambassador for Snow Camp, a charity which engages inner-city school kids through the power of skiing and snowboarding.

In 2016 he was asked to share his story at a TEDx talk in Vienna. "I've gone over 100mph on a snowboard and I still think that's one of the most scary moments of my life," he laughs.

Need for speed

In January last year, shortly before the world went into lockdown, Jamie broke the world record for the fastest speed on a snowboard towed by a vehicle for a third time, achieving a top speed of 183km/h. The whole thing – including a high-speed crash, which Jamie escaped from unscathed – was captured on camera as part of a documentary he was filming about what it takes to break a word record.

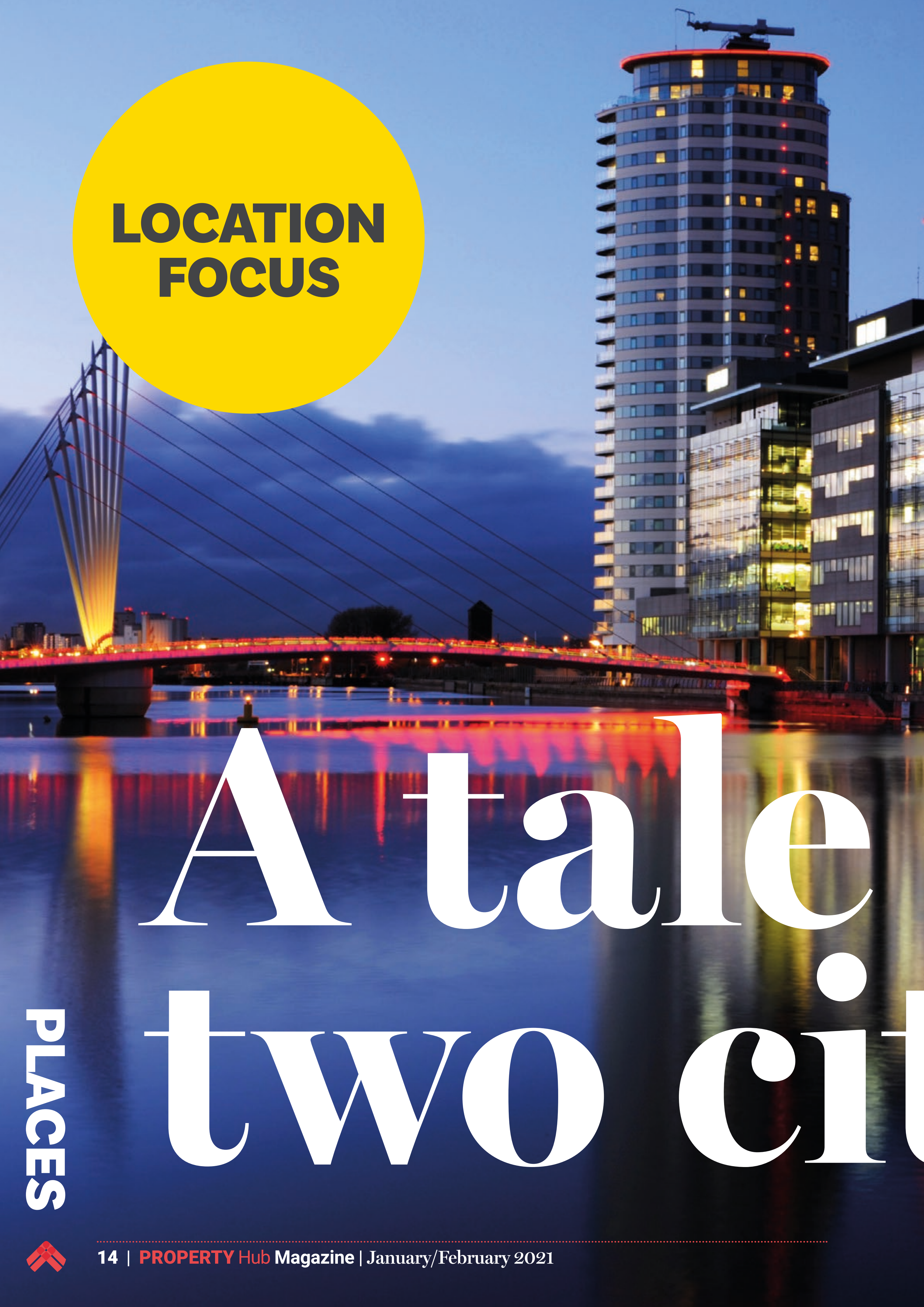
Restrictions permitting, his plan for this year is to get back out to Norway and finish filming and attempt to smash his target of 200 km/h. It's a way of life he says his family – who have supported him every step of the way – have come to accept: "It is very dangerous, but my family understands it's my passion. It keeps me feeling alive. I don't think anyone in the world could stop me from doing it. If it wasn't for snowboarding I don't know where I would be mentally, physically it pushes me and motivates me for everything else outside the sport."

Property wise Jamie is looking to expand his portfolio and explore other areas: "Bath has been a pretty stable place to invest, especially when I was just starting out, but I'm keen to branch out geographically to other locations and grow my empire as they say."

From now on he says his strategy will be to hold on to his properties and get some passive income coming in. He originally put the basement flat up for sale with local agent Andrews, but is now considering holding on to it and letting it out as a holiday apartment. He's also just had an offer accepted on his seventh property – the ground floor flat in the same building.

"I can't wait to get stuck in and see what I can do with it," he says.

Judging by what he's achieved so far, we're sure it will be another headline-worthy success.



LOCATION FOCUS

PLACES

A tale
two cit

of
ties

Salford's unique geography has historically been both an advantage and a drawback, but this city-within-a-city is anticipating a bright future, as Neil Cumins reports

PLACES

On paper, the City of Salford arguably shouldn't exist. Conventional cities tend to follow a dartboard shape, with an urban core surrounded by traditional suburbs that gradually lead into leafier and more modern districts towards their periphery. Yet Salford is a city within a city – one whose boundaries are only yards away from Deansgate in the very heart of Manchester.

Despite occupying what you might presume to be the west end of Manchester, Salford is a very distinct entity. This metropolitan borough doesn't have a city centre – which could never compete with the thriving metropolis just across the River Irwell – but it does have its own city council, its own football club and a distinct identity from Manchester.

The City of Salford was created in 1974, and today its youthful 250,000-strong population is growing rapidly thanks to unprecedented job creation and inward investment.

Centre of excellence

Whether you respect Salford's proud history or simply view it as an extension of the Greater Manchester metropolis, this often-overlooked borough offers plenty of appeal to investors and developers. For one thing, it fronts onto central Manchester across the River Irwell, with a dozen road bridges offering effortless access.

Salford Central is just three minutes and one stop from Victoria train station, while the M602 bisects Salford en route to the M60/M62 interchange at Winton. Few cities have such enviable centrality, let alone ones without a city centre to speak of.

Salford may not have a traditional urban core, but it does have the iconic Quays. When the Port of Manchester closed in 1982, it took only three years for Salford City Council to purchase 220 acres of land and create a development plan for this series of riverside basins.

Today, Salford Quays is one of the UK's most successful regeneration schemes. It hosts the Lowry Arts Centre (not to be confused with the titular hotel a mile upstream), the MediaCityUK complex (second only to London in terms of the presence of digital businesses), outlet stores, a good mix of bars and restaurants and the Quays Reach business centre.

This leading example of dockland regeneration has become so significant that the Royal Mail created a new M50 postcode for it in 2002.

Many happy returns

Salford Quays includes a wealth of apartment blocks and townhouses. Yet despite being a totem for the city's renaissance, property investors tend to agree that this collection of expensive modern properties isn't necessarily the first place newcomers should look.

When property investors Jenica Heydon and Joe Franklin were looking to invest outside of London in 2017, the investment figures in other parts of Salford trumped those of Manchester, Liverpool, Leeds and Bradford.

"We knew we'd be buying a few properties there", Jenica recalls, "and Salford gave a good balance of rental yield and things going on in the area, with easy access into central Manchester. All round, it offered great value for money in our opinion.

"Our investment criteria included a minimum of 10% return on investment after all costs. We focused on the Langworthy Road area of Salford, with an aim

Worsley village Salford

to find things close to the tram line. You're only a mile or two from Salford Quays, there's a hospital up the road, you can get to Salford University pretty easily, and you've got great access into the centre of Manchester."

Other investors have gone further afield, towards the more semi-rural towns and districts in western Salford.

Mark Morris has been investing in Salford for over twenty years, and says it's a great area to invest in thanks to its strong fundamentals.

"Salford has great transport links including rail travel, a tram network and the new guided busway which runs from Leigh through Salford into Manchester. The rental market is really strong in Salford due to a number of factors including extensive regeneration across the city, transport links and good employment. I never have had an issue finding long term tenants, and there are many private and national agents covering the city," he says.

Into the suburbs

Mark notes that property prices have been steadily rising across Salford in recent years, following the principles of the ripple effect: "It started in the central postcodes of M3, M5, M6 and M7, and has now moved to the outer areas. Personally, I tend to look to invest in the outer regions of Salford where I feel there is more value."

He cites Swinton and Walkden as his preferred investment areas. Data from Countrywide recently indicated Walkden was one of the UK's 20 most sought-after suburbs. Homes have been selling in 48 hours, and 60% of properties are surpassing their asking price compared to a year ago, with the number of first-time buyers doubling in a year.

Capital appreciation is clearly strong in Walkden, but this isn't the place to bag a bargain. Instead, it's best to look at more traditional parts of Salford, which have yet to shake off their reputation as tough areas.

Parts of Salford fall into the most deprived 0.5% of wards in England, according to government indices of deprivation, and this has traditionally dampened house prices.

You can buy a two-bedroom flat in areas like Swinton and Clifton for £80,000, while £130,000 will secure a two-bedroom, red-brick terrace close to the university.

Houses in multiple occupation (HMOs) should be approached with caution says Jenica: "Over the past two years, Salford Council has introduced an Article 4 direction as well as new HMO licences. They're also consulting about an additional licensing scheme for smaller three/four-person HMOs."

The consultation ended on 5 January, and an announcement on further restrictions is expected imminently.

All together now

Irrespective of further HMO restrictions, demand for property in Salford is soaring, according to Julie Twist, managing director at Julie Twist Properties. "You either love living in a city or you hate it, and a lot of people are loving it. From Trinity Way, you're literally yards away from central Manchester, but the price of your property will be a lot lower because you're just over that border.

"You can get a property with two bedrooms, two bathrooms and parking at a very reasonable price. We've got a lot of people buying as an investment, but I think we've been about 60/40 between investors and owner occupiers, which is probably more balanced than we've ever had it.

Salford is looking amazing, and there are so many exciting plans about what's going to happen. Everything's suddenly coming together."

SITES FOR SORE EYES

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

- **Middlewood Locks**

  Less than a ten-minute walk from central Manchester, this £1bn scheme will repurpose 25 acres of land between Oldfield Road and Trinity Way. An estimated 2,215 new homes will join shops, restaurants, a gym and hotel, with 900,000sqft of commercial space and a public square at the heart of this mixed-use canalside masterplan.

- **Adelphi Wharf**

  This three-phase, £75m development beside the Irwell contains 370 residential units, constructed in two horseshoe-shaped, eight-storey blocks with cantilevered overhangs above terraced gardens. Communal upper terraces will have panoramic city skyline views, while the properties themselves range from one-bedroom apartments to three-bed duplexes.

- **Salford Quays**

  Even after three decades of development, there are still ambitious proposals for the Quays. Ontario Basin in particular is surrounded by swathes of land ripe for development. The Greater Manchester Spatial Framework proposes 192,000sqm of office space and 12,500 high-density homes built here by 2037, and 80% of these properties will be apartments.

PLACES

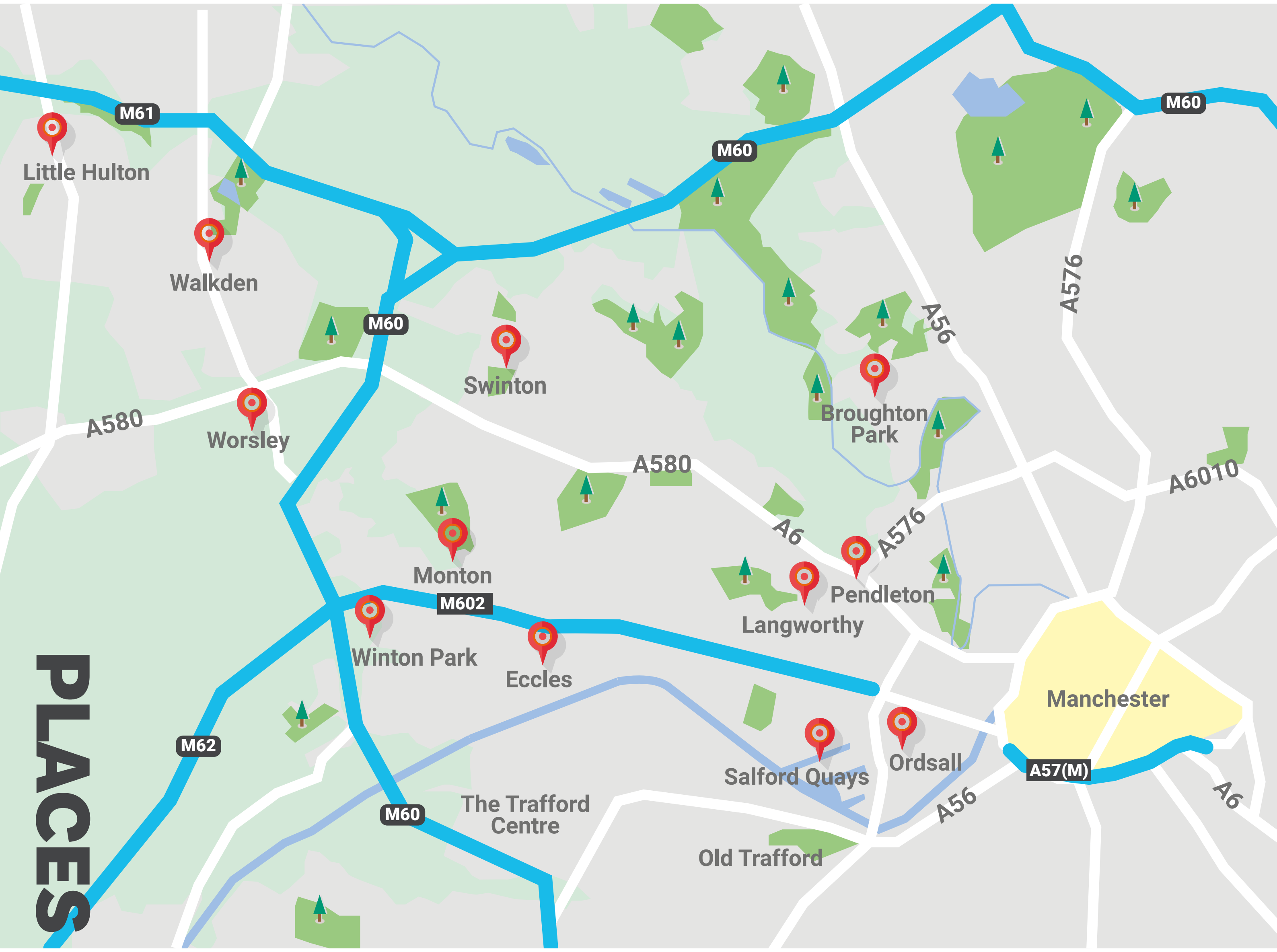
Postcode lottery

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

- Best for high-end housing: Broughton Park, Worsley
- Best for young professionals: Salford Quays, Monton
- Best for students: Langworthy, Pendleton
- Best for transport links: Eccles, Winton
- Best for yields: Swinton, Langworthy
- Best for capital investment: Walkden, Monton
- Best avoided: Ordsall, Little Hulton

Houses and apartments at Salford Quays

PLACES



Branching out

Spreading your property investments smartly will bring you stability, security and resilience in challenging market conditions, writes Benedict Moore-Bridger

COVER FEATURE

The old proverb 'don't put all your eggs in one basket' is one we're all familiar with. It's one of the oldest tricks in the financial book: pile all your money into one thing and you risk losing it all, spread it wisely and you stand a much better chance of staying in the game.

Long before investors cottoned on to the fact diversity is a good thing, ancient Chinese merchants used to carefully divide their shipments across several different vessels. That way, if one ship was to sink or be attacked by pirates, the rest still had a good shot at making it to port.

The principle of diversification is the same whether you're shipping spices or investing stocks and shares: it pays to spread the risk. With lockdowns, furlough schemes, and mass unemployment causing financial havoc, 2020 was a salutary reminder of, not least, the importance of having a diverse income stream.

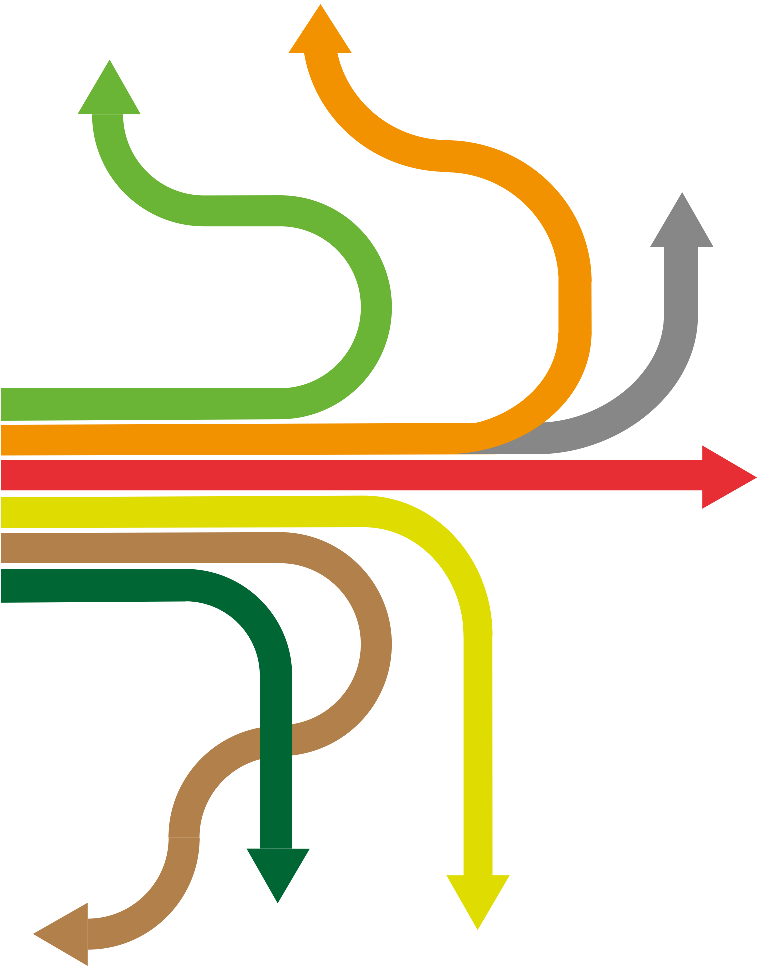
The good news for property investors is: no matter how dire the economic situation is, there will always be a need for homes and places to live. And, just like with other forms of investment, it is still possible to spread your risk effectively within your property portfolio.

Pick and mix

One way to lower your exposure to risk is to make sure your portfolio isn't too stacked in favour of one type of property. Not all properties are affected in the same ways by economic events. The holiday-let market saw business dry up overnight when the first national lockdown was imposed in March last year, only to quickly bounce back over the summer months. Now, with restrictions on international travel likely to be on-again off-again for some time, industry experts are predicting a boom within the UK staycation market.

In this period of economic uncertainty, investing in different types of property that appeal to different tenants makes you better placed to minimise any losses. This could be as simple as mixing apartments and houses, something both The Robs do within their own property portfolios, or you may choose to adopt a different strategy altogether.

> It's one of the oldest tricks in the financial book: pile all your money into one thing and you risk losing it all, spread it wisely and you stand a much better chance of staying in the game



Caroline Tolman

Former tennis sales rep Caroline Tolman got into property investing three years ago in order to be able to spend more time with her two young children. She says the pandemic has made her reassess her initial strategy of focussing purely on buy-to-lets (BTL) and houses in multiple occupation (HMOs).

"It was only when Covid hit that I soon realised the benefits of having a diverse portfolio rather than just concentrating on one or two strategies," she says. "The benefit of buy-to-let as a strategy is that it's straightforward to get into, although it's one of the more passive strategies – the cash flow you can reap isn't that high."

All of Caroline's tenants are young professionals, so when Covid hit, she was concerned about what would happen if they were unable to work and not pay rent. "Fortunately, the furlough scheme has helped immensely and, touch wood, to date our buy-to-let tenants are all up to date," she says.

"My main concern around Covid and HMOs was whether people would want to live with strangers going forward and share communal space. Another concern was around the kind of tenant we have in these properties – they tend to be commuters. If their offices were closed and they were going to work from home going forward, would they want to stay on the outskirts of big cities and towns?"

Her plan for this year is to explore social housing options, where she can work with housing associations on fixed contracts and achieve guaranteed rent for a fixed period. She's also looking for commercial to residential conversions.

"Diversifying our portfolio was always the long-term plan as it's like creating multiple income streams within our portfolio which should, in theory give us additional security as we continue to grow," she says.

Location, location, location

Another way you can diversify within property is to look at where you're investing. For most people new to property, the temptation is to invest in a place you know, near to where you live or perhaps have some ties, while ignoring the rest of the UK.

It makes sense: it's nice to invest somewhere you feel familiar with. The danger is, unless you're lucky and hit upon a sweet spot in terms of growth, you run the risk of all your properties performing poorly at the same time. Just like different properties can perform differently under different market conditions, so too can geographical areas. Splitting your funds and investing in two or more geographical locations allows you to spread and reduce risk by gaining exposure to multiple markets and offsetting any downturns.

Mortgage broker and investor Ross Brown, 34, from Lowestoft in Suffolk believes the main obstacle to diversification is people not wanting to get out of their comfort zone. "There's an argument for sticking to what you know, but by giving yourself other options you'll always generate some form of income," he says.

He bought his first house at the age of 20 in 2007, just before the financial crash. After moving back in with his parents, a short while later he was able to rent it out and buy a second BTL, subsequently adding four more properties to his portfolio, including two, 300 hundred miles away in Cumbria via a sourcing company.

He says: "I diversified and invested in Cumbria as I was looking to utilise the buy, refurbish, refinance [BRR] model and I was struggling to find an appropriate deal in Lowestoft where I live.


Ross Brown

> I strongly believe in diversification because you never know what is going to happen. Single lets are a good long-term investment for capital growth. But we have also got the flips and serviced accommodation which do bring in more cash

"The important thing when investing in a new location is to do thorough due diligence. If you're time poor, using a sourcing company can work fantastically as someone else is putting in all the time and effort to find you these best deals, which should more than cover their fees providing you're purchasing these properties at a truly discounted price."

Ross has also completed three flips which helped to generate a "good chunk of cash" and has now branched out into serviced accommodation, with three holiday let properties on the go. "It's a bit more work involved but the serviced accommodation properties do bring in a higher cash flow," he says.

"I strongly believe in diversification because you never know what is going to happen. Single lets are a good long-term investment for capital growth. But we have also got the flips and serviced accommodation which do bring in more cash."

The importance of his balanced approach was made clear when Covid put a stop to his holiday let business: "There was no leisure or tourism, so we let them out as single lets," he says. "It's important to be flexible and have different property strategies when needed. If you're solely relying on one strategy or location then you might find yourself making a loss."

Striking a balance

Diversifying your portfolio can help to reduce your losses and increase profits, but there's more work involved. Some people can be put off by the thought of researching an entirely unfamiliar location, and would prefer to manage tenants and properties personally, being able to keep an eye on their portfolio easily. Others may also be worried about moving into an area of property in which they have much less experience.

A mistake a lot of investors make when thinking about diversification is to focus on the number of properties they own rather than the value of those properties. Owning one property in London and one in Manchester might seem like a good geographical spread, but the higher the value of a property, the more it proportionally affects the overall value of your portfolio. To be truly diverse you need to match the value of what you own in each area.

The one major downside to a diverse portfolio is having to juggle the multiple different aspects to it, but investors like Phil Comber are proof it can be done. He was working as a letting agent when he decided to make the switch and become a landlord eight years ago. After successfully building a portfolio of three BTL properties around Poole, he then stumbled across a lucrative niche – buying flats with garages.

"They rent for the same with or without the garage, however if you rent the garage separately to someone else you can be about £80 better off per month," he says. "I then looked at buying garages at auctions to rent as I wouldn't have to worry about interest rates rising."

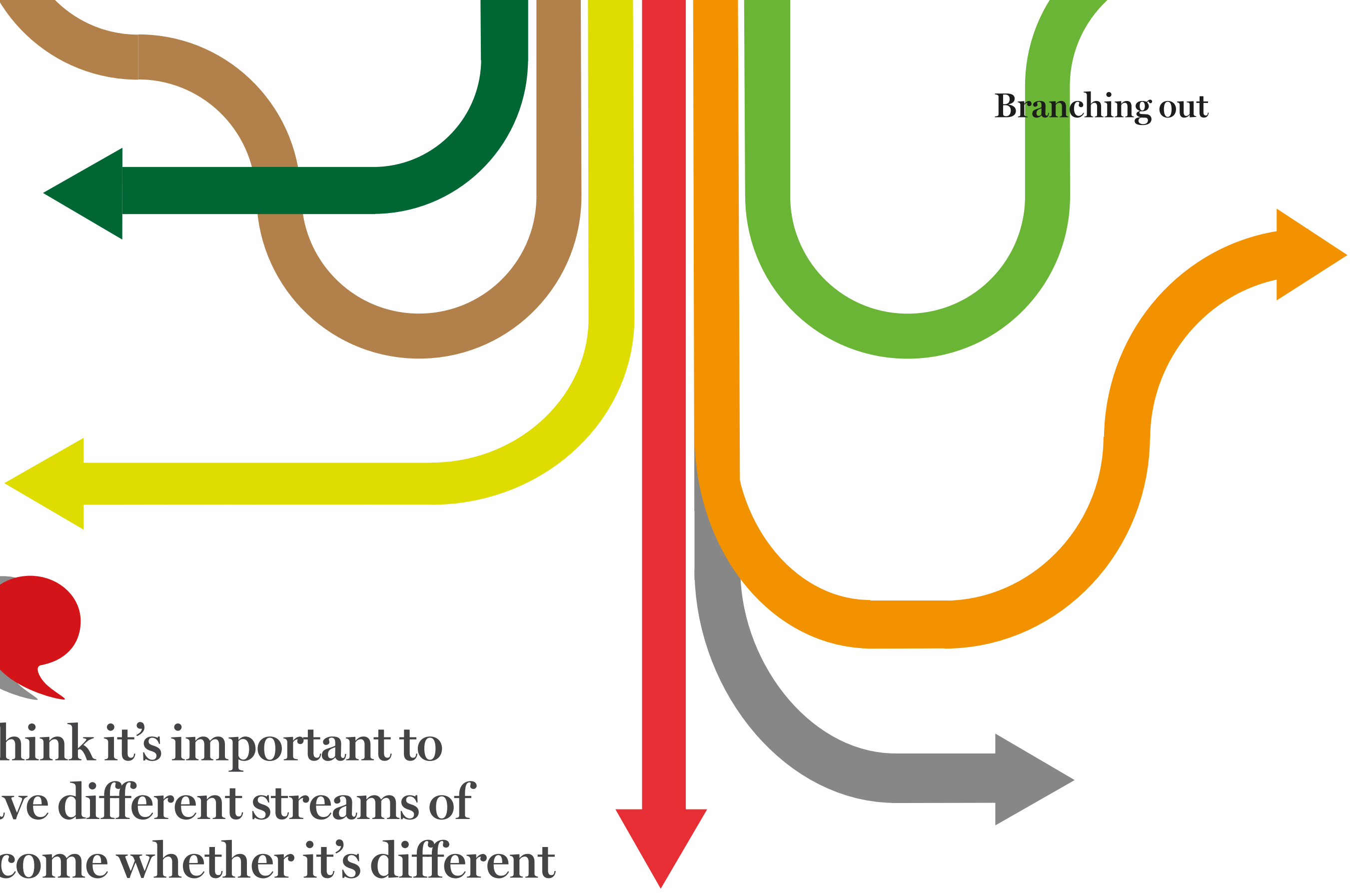
With prices for good quality rental accommodation in his area high, Phil needed a new plan to keep his investing going. "I came across some parking spaces in Bournemouth that had been on the market for two years," he says. "I offered 50% of the asking price and ended up agreeing at 60%.

"I instantly rented the spaces to a couple of students staying at the uni nearby. I did this again with a pre-auction offer on another parking space left over from a local development."

With another piece of land that didn't sell at auction, Phil managed to get the lease changed to allow him to put a storage container in. "I ended up fitting two in back-to-back and renting them out, giving me a 40% return – my best deal to date."

At the same time, Phil's research was prompting him to explore serviced accommodation possibilities.

COVER FEATURE



I think it's important to have different streams of income whether it's different property strategies or income from elsewhere. If I had solely been focused on serviced accommodation, lockdown would have massively hit my income stream. Luckily it was offset by my other avenues

Phil Comber and partner Steph Hall

"We managed to secure a room to rent in order to rent it on, and set it up on Airbnb. This gave two and a half times the rent increase in revenue. It was a lot more work but the extra money it made was well worth it. We now have four rooms altogether."

Phil has also recently secured a five-bed HMO for "a great price" and is currently in the process of purchasing another one-bed house as a holiday let. His plan is to continue pursuing holiday lets, while also "keeping an eye out" for storage, parking, or "any other niche investment opportunities that the other average investor isn't spotting."

He says: "I think it's important to have different streams of income whether it's different property strategies or income from elsewhere. If I had solely been focused on serviced accommodation, the first lockdown and this one would have massively hit my income stream. Luckily it was offset by my other avenues."

With so many different components to manage it can be hard to keep track of the finances, so Phil uses spreadsheets to keep tally of all the rents he's expecting, ticking them off as they come in.

"The only other thing I do is email myself any notes or tasks I can't forget, normally at night when I think of them, and by emailing myself I know I can't forget to do it," he adds. "With serviced accommodation I'm looking into getting a channel manager app to make that easier as I want to go on other listing sites rather than just Airbnb."

As with all things in life, it is important to get the right balance: too much diversification could leave you open to making errors and misjudgements, perhaps diverting you from your core interests or expertise. But having too narrow a focus could leave you horribly exposed, especially in such a climate of uncertainty. Find that elusive sweet spot between minimising risk and maximising returns, and 2021 might just be a slightly brighter, more stress-free year.

From haunted house to happy home. John Fitzsimons reveals how Sahil Patel turned a derelict property into a rental income stream

Home maker

Front after refurbishment

Master bedroom after refurbishment

Left: dining area after refurbishment

Below: dining area before refurbishment

Like many property investors Sahil Patel, 28, from London, likes to look out for properties that need a little refurbishment work, or which could be reconfigured in some way to make them more appealing to tenants.

And while his latest project falls into that category, it would be a stretch to describe it as a normal renovation in any way, given it had stood derelict for eight years.

The four-bedroom, three-bathroom property, located in Parsons Green London, is owned by a family who live overseas all year round, which is why it had fallen into a state of disrepair.

But for Sahil, it represented a clear opportunity to bring another unit of housing back into use, despite its appearance as "a bit of a haunted house".

He says he "knew there was an income stream there" and was surprised that it had been let go to such an extent. Inside was damp and had become home to a family of foxes, while outside was completely overgrown.

After tracking down the owners, Sahil spoke to them about what they wanted to do with the property. While they were determined not to sell – preferring to hold on to the property for their children – they ummed and ahhed about whether to do the work and get it let out.

Sahil explains: "They were searching for a way to manage the house in a hands-off way, and it is always difficult to trust someone they had never met with a project like this. We seemed to get along and had a shared idea; we agreed that we wanted to keep capital costs low, refurbish the property to a good standard and then let it out long-term."

So Sahil negotiated the role of project manager and letting agent, in charge of overseeing the refurbishment work and bringing in tenants. In return he would be paid approximately 7.5% of the £130,000 project fee put up by the owners, as well as receiving 15% of any rent achieved by the property in the future. A key part of this role meant arranging power of attorney over the property.

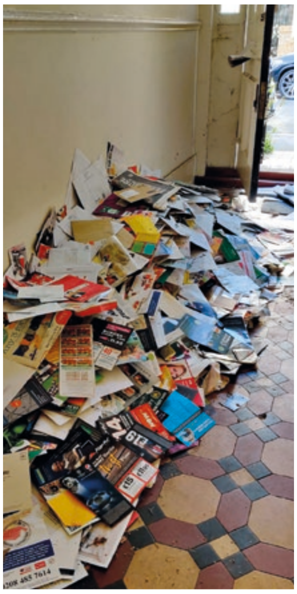
I need to open your mail

Power of attorney is an important legal tool which allows a person to sign over the right to make specific decisions on their behalf to a specified attorney. It's commonly used by older people who want to ensure that a loved one has the legal right to manage their finances should their mental capacity begin to fade, but it can be used in all sorts of other areas too, like in this case.

Sahil explains: "In order for me to carry out work on behalf of the owners, I needed to prove that I had the authority to do so. I had no right to sign up for an energy provider or open their mail for

CASE STUDY

Above: back garden after refurbishment
Left: bathroom after refurbishment
Bottom left: the old bathroom and the stack of mail Sahil had to sort
Below: bedroom and living room after refurbishment



example. I had eight years of letters to go through in that first week."

Getting power of attorney proved invaluable and was a straightforward process, taking just a couple of weeks, however it involved a lot of trust from the owners.

"I arranged an account for the owners, so I could update them every few weeks on what progress was like, what the costs were looking like," says Sahil.

"I couldn't go back to them for every single issue; they often preferred me to make the decisions that needed to be made. If a decision was large enough where I felt they needed to be consulted, like when it came time to choose a tenant, I would include them."

Learning vicariously

Sahil's interest in property was piqued by watching his parents manage their own property investments. He says he learned vicariously from them, picking up on what went right and what didn't.

Over time they stepped back, leaving Sahil to take on a more hands-on role, before he began making investments of his own. But why get into property in the first place?

"The inspiration was the difference between exchanging time for money versus leveraging something that has timeless value. I felt buying, holding and letting a property would serve as a hedge against my ability to 'work' and monetary policy. It's also a long-term

RUNNING THE NUMBERS

Here's how Sahil's Parsons Green property stacks up financially:

Costs of arranging power of attorney: **£450**

Amount spent on renovation: **£130,027**

Project duration: **six months**

Original property value: **£1,800,000**

New property value: **£2,100,000**

Monthly rent: **£4800**

Sahil's monthly fee: **£720**

retirement plan, as I'm not a supporter of private pensions," he says.

Sahil started off investing in London, but found that properties in the city were "sucking up too much capital", and began to look at properties in the East Midlands where "you get more from your money".

He now has a "handful of properties" in his portfolio, preferring a slow and steady approach to the more aggressive purchasing attitude from some of his peers.

Sahil has also invested a lot of time into educating himself about property, delving into podcasts and signing up for a host of courses. This, he says, has opened his eyes to the ways that properties can be reconfigured, to the point that he can now look at a floor plan and identify better ways in which that space can be used.

"I try to maximise room space, to get good sized rooms and maintain living space in the right locations. One example is a property I have in Derby, which was a house with quite a large family bathroom. We split it into two bathrooms as it suited the needs of multiple tenants better; they get a lot of wear and tear, so if one breaks down it isn't a disaster."

A hands-on role

While taking on properties that require work is nothing new for Sahil, he usually manages his projects remotely. But that wasn't really an option with the Parsons Green project, given how close he lives.

"This time I was much more hands on than I would normally be with a property. And that was more difficult in some ways. When you're 100 miles away, the tradespeople have to cooperate and make it work, they only speak to you when it's really necessary. But with Parsons Green, they wanted to speak to me constantly. It was a learning curve managing the relationships between the various different contractors."

And there were a lot of tradespeople to speak to, given the scale of the refurbishment work. The property needed a complete revamp including new bathrooms, kitchens, flooring and decoration.

A project like this would be daunting at the best of times, but starting it at the height of the first national lockdown made it all the more challenging. "There were concerns over site safety, supply chain issues and local noise creation due to the majority of people being at home," says Sahil. "We were in constant flux."

The work took longer than expected, but Sahil was able to get it all finished and find tenants before the end of the year.

The pandemic has also affected the expected income from the property. "Back in January when we were first thinking about it, the market was strong. We have taken a drop of probably 20% on the rent, but that's ok as we are coming up from zero. As things settle down, that rent will rise to where it should be."

On repeat

Despite the challenges, Sahil says he would be happy to take on a similar role in another renovation project: "I'd do it again; it's a rare scenario for a house to be empty like this, but I'd be open to it. Knowing we have provided another place for someone to live is very satisfying."

What's more, the project has been a valuable learning experience, which will help influence the way he approaches projects in future. "I have learned more than I thought I would, particularly in dealing with the individual trades. I had to be the glue to keep them all together, and there were times when that was difficult. I had to get my hands dirty, but I enjoyed it. I even built the wall I am sat on in the picture."

Sahil takes comfort from just how much interest there was in the property, given the struggles the market has faced in the fallout from the pandemic.

"Even in this market where rents in prime areas are being driven down, there were quite a few people fighting it out for the property. In agreement with the owners, we didn't proceed with the tenants who were offering the most, instead we went for those that projected self-sufficiency and low maintenance. A long-term, stable tenant is better than one who will pay top dollar but cause issues. I try to trust my gut instinct."

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: **magazine@propertyhub.net**

CASE STUDY

Game changer

The coronavirus pandemic has has accelerated the use of proptech across all aspects of investing. Emma Lunn takes a look at the latest developments

FEATURE

What is proptech?

Proptech has been a buzzword in the property industry for some time. In simple terms, it relates to any technology used in the property sector. Technology has been changing the way we buy, sell, and interact with our properties for several years now. Online property portals such as Rightmove and Zoopla have long been the go-to websites for property listings, while Airbnb led to a revolution in the short-term letting market.

In general, the property sector has lagged behind other industries when it comes to digitalisation and innovation, but that all started to change in 2020. The first Covid-19 lockdown in March paralysed the property market until it reopened in May – albeit in a different, socially-distanced world with a new set of rules.

Where to buy a property

Artificial intelligence (AI) is helping take the way we search for properties to the next level by analysing and interpreting masses of data and making it actionable. Online property searches aren't limited to the simple parameters of space and location anymore: we can search for our next investment based on other useful data sets like proximity to transport links and schools.

In the near future AI will also be used to recommend properties based on preferences, personality traits, and even values as well as predicting housing trends, like where the next hotspot is likely to be.

Virtual viewings

Virtual viewings have witnessed a huge uplift during the pandemic, with Zoopla reporting a 215% increase in video tour listings. As a result, lots of specialist firms offering professional video walkthroughs have popped up, but plenty of landlords have made their own.

Howard Spargo, a landlord from Manchester, owns two rental properties. He recently let one out using the virtual viewing feature on lettings website MakeUrMove.co.uk. "I used my phone to make a video tour of the property and edited it using Adobe Rush. It took about 10 minutes to film and 10 minutes to edit

Online property searches aren't limited to the simple parameters of space and location anymore: we can search for our next investment based on other useful data sets like proximity to transport links and schools

and then I sent it to MakeUrMove for uploading.

"It saved time as it meant tenants who the property wouldn't be quite right for didn't waste both their time and mine by coming to view it. The tenant who rented it saw the video first then came to look round – his partner was overseas and he sent her the video tour to look at," he says.

Speeding up the buying process

There are several apps that claim to speed up the property buying process by directly connecting buyers with estate agents on a single platform.

Moovshack, for example, boasts an in-app valuation tool which broadcasts sellers' valuation requests to multiple local agents, who can then reply in a standard format for easy comparison. It also offers e-signatures and document storage.

Rival Offr aims to digitise the buying, selling and letting process for agents and buyers. Investors can book viewings, make offers, download legal documents and digitally sign contracts with Docusign all through the platform.

Finding a mortgage

The mortgage industry has traditionally been slow to adopt new technology. While robo-advisers and online mortgage brokers such as Trussle, Habito and Dashly have been around a while, most lenders themselves have been slow to catch up, but fintech mortgage lender M:Qube vows to do things differently. It uses AI to independently source and verify data which it says speeds up the application process, meaning applicants can get a full mortgage offer three to four weeks earlier.

Managing lettings

Committed to making the lives of landlords and tenants easier, apps like Herddle allow landlords to track rental income and void periods, pay invoices, and securely store documents such as contracts and safety certificates.

Others tackle specific issues. Rental payments platform Flatfair, for example, has launched an online portal called Resolve to track rent arrears. Tenants can upload proof of financial distress, while landlords can propose a payment plan for the tenant to accept or reject.

Franz Doerr, CEO at Flatfair, says: "While the government has rightly introduced laws to protect renters from eviction during the pandemic, that isn't stopping the mountains of debt piling up at the feet of landlords whose tenants have been financially affected by coronavirus through no fault of their own."

Backed by the Ministry of Housing, Communities and Local Government, the portal's "ultimate purpose" is to lay the foundations of a long-term solution to the problem.

The future for proptech

The next year will be an exciting time for proptech as we see new innovations hit the market. We can expect to see more interactive and lifestyle related platforms. Technology to enhance the tenant experience is likely to be one significant area of growth. 'Internet of Everything' technology already means that you can do things such monitor the food in your connected fridge-freezer and then automatically replenishing items using online food delivery services.

Natalie Gascoyne was determined to do something worthwhile with her inheritance. Now her property company is providing accommodation for vulnerable people. Benedict Moore-Bridger tells her story


Natalie Gascoyne

Investing an inheritance

CASE STUDY

Above: how the building looked before as an office

Above and left: how it looks now as flats

Natalie, 32, was in her twenties when her mum and uncle both sadly passed away.

"My mum had cancer and it happened quite suddenly and within six months she had passed away because of a complication during an operation," she explains.

"My uncle, her brother, passed away suddenly from a stroke three years later in 2015. He wasn't married and lived down the road from us when we were growing up, so he was like a second father figure."

With her inheritance sitting "doing nothing" in a bank account, a close friend and property developer introduced her to the idea of investing it in property. "Lots of people have lost people who they love, and it is really, really difficult, but you've just got to carry on and make something positive from it. You've got to live with integrity and be the kind of person I guess they would be proud of, so I've always tried to do that," she adds.

No risk

Natalie's first purchase was a £64,000 studio flat just outside Leeds city centre that her developer friend had just finished the renovations on.

Not only did it come with a three-year guaranteed rental income of £550 a month, she also had a deal to sell it back to her friend for the same price at the end of the agreement. "He basically gave me an offer that I couldn't really say no to, there was really no risk.

"Property investing was completely foreign to me at that time," she adds. "I didn't even own my own house."

Complete wreck

With her interest piqued, Natalie began researching and studying the market, including listening religiously to The Property Podcast, on which she made a guest appearance in episode TPP384.

Her next property was a two-bed terrace in Warrington, which she describes as "a complete wreck of a house". She bought it from a sourcing company for £39,900, again using money from her inheritance, and spent around £30,000 refurbishing it.

"It wasn't even habitable," she says. "It was supposed to be a flip. I was completely hands-off as that was part of the sourcing package, and I knew nothing about building work."

Instead – because it was in a good location to rent – she decided to remortgage the property to release funds for her next project, while at the same time going part-time at work as a marketing account director so that she could focus more on building her property portfolio.

Change of tack

After remortgaging her studio flat in Leeds, Natalie spent about two months "just driving around everywhere that was cheap around Manchester" trying to find BTLs. "There was no real strategy or process – I just went and saw every cheap house on Rightmove and made

CASE STUDY

offers and got them all rejected – I really had no idea what I was doing."

Failing to find anywhere suitable, Natalie realised she needed to change tack: "I needed to supplement my income because I had gone part-time and my income had literally halved, but my lifestyle was the same – I was still paying the same rent, the same bills."

She decided that switching to houses in multiple occupation (HMOs), and doing property sourcing and project management for other investors could provide her with the extra cash she needed.

Finally, she found a three-bedroom house in Warrington town centre for £124,000 which she converted into a five-bedroom, four-bathroom HMO, at a cost of £38,000. "Because it was a semi-detached house, all of the bedrooms were really big; it didn't really have one of those box rooms that nobody wants so it rented out really quickly," she says.

Natalie originally planned to keep it as a long-term investment, as it was generating more than £1,000 a month. But she was introduced to an agent looking to buy high performing assets for overseas buyers in Hong Kong. "Basically, a 12% yield meant the HMO was worth £225,000 to them. I couldn't really say no."

Far left and above: the flats were given a modern finish

Left: Natalie outside her Marple conversion

Most rewarding

In 2017 Natalie established her own company, Davies Property, as a tribute to her mum and uncle: Margaret and Michael Davies. Between the end of 2017 and mid-2019, she worked on eight more residential projects, four for herself, and four for other investors. But, with the residential market in Manchester becoming increasingly competitive, she soon realised she could get a lot more space for her money by exploring commercial developments.

She secured two commercial projects by the end of 2019: an office in Marple, Cheshire, which she converted into two high-spec townhouses, and – her "most rewarding" project to date – an office building in Trafford that she converted into three flats for supported living.

Rather than renting the units out individually, Natalie leases the building as a whole to a care provider, which looks after adults with learning difficulties. The tenants live independently but receive regular visits and support from staff to ensure their safety and wellbeing.

Not only is this model appealing commercially, with a long lease providing stability and less of a workload, but also because of the social good. "I realised that I could use my knowledge for a much better and more altruistic purpose," says Natalie.

Pure luck

Fortunately, the vendor who sold Natalie the building had previously spoken to a care provider about converting it into suitable flats, and put her in touch. "It was pure luck," she says. "I was trying to build all these relationships with providers in Manchester and he introduced me directly."

The previous owner had also refurbished the offices in 2013, with the foresight that he might convert the building into flats. "It was all insulated like it should be and there was soundproofing and fireproofing between each floor. He'd already split the electrics and put in fire doors. The layout itself lent itself to flats, so although we were doing a commercial to residential development, which would usually be quite expensive, there were a lot of cost and time savings that could be made," Natalie explains.

She exchanged contracts at the end of March, right in the middle of lockdown. "I was hesitant at first due to Covid and the likely delays, but the vendor reduced the price by 15% from £185,000 to £156,000 so he could wrap it up in the last tax year," she says.

She also managed to agree an exchange with a three-month delayed completion to June, because she knew she wouldn't be able to get her team and there would be a lack of materials available because of lockdown.

"By the time the team got on site in July, the refurb wasn't really affected by Covid," she says.

"We kept the layout – it already had a bathroom on each floor – so we just connected to the current plumbing. We kept the majority of the fire doors, just sanded them down and repainted them. Because of this the refurb didn't take as long and it was considerably cheaper."

Her team also installed a fire alarm system and emergency lighting; replastered each flat and added new skirting boards; installed new kitchens and bathrooms; replaced the flooring and installed fire protection to the communal stairway and exit, as well as new acoustic glass and vents to all the windows.

Worth it

The majority of Natalie's projects are funded by private investor finance: people with savings, or small self-administered scheme (SSAS) investors – an occupational pension scheme set up by the directors of a business who want more control over their pension investment decisions – who invest in the projects short term, looking for a strong passive returns.

RUNNING THE NUMBERS

This is how Natalie's Trafford office conversion stacks up financially:

Purchase price: **£156,000**

Finance method: **private and SSAS investment**

Finance costs: **£13,000**

Amount borrowed: **£187,000**

Renovation costs and fees: **£75,000**

Project duration: **five months**

Done up value: **£300,000** (conservative figure based on a previous RICS valuation)

Total personal investment: **£57,000**

Monthly rent: **£2,200**

Monthly expenses: **£1,157**

Monthly net profit: **£1,043**

Natalie says her work with care providers has been extremely satisfying, and has helped attract new partners: "The nature of the project helped to raise funds as people prefer to be part of a project that supports social good and care, rather than purely the traditional commercial benefits of a property deal."

She has already purchased her next project – a small mixed-use building in Stockport needing modernisation – and is hoping to partner with another care provider on it.

"The stereotypical landlord is seen as this greedy, slum landlord who just has people living in horrible homes, pushing them for all the money he can get. But I think times have definitely changed, because we invest a lot of time and a lot of money making really, really nice homes for people," she says.

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: **magazine@propertyhub.net**

CASE STUDY

Landlord grants what you need to know

If you're looking to renovate an empty house, or make an existing property more energy efficient, your local council may be sitting on thousands of pounds worth of grants or loans waiting to be claimed, writes Natalie Thomas

Few things in life are free, but government and local council grants are a happy exception to the rule.

Councils have funds ringfenced for homeowners and landlords to carry out improvements to their properties. All you need to do is apply, fulfil the necessary criteria and ensure the money is used for the purpose intended.

What's available can however be a postcode lottery and vary vastly between each local council.

Save energy, save money

One of the most well publicised and accessible forms of grants are those for making a property more energy efficient.

There has been quite a fanfare around the government's latest scheme – the Green Homes Grant – which launched on 30 September last year. The government is making up to £2bn in funding available to homeowners and landlords in England, to cover up to two-thirds of the cost of carrying out energy efficient improvements up to £5,000.

The scheme was due to expire at the end of March, but has now been extended to 31 March 2022. Before you claim you need to have obtained a quote from a government approved installer and all work must be completed before the cut-off date.

If you're unsuccessful with this scheme, many local councils offer alternatives. Camden Council for example offers landlords an energy efficiency and insulation grant, ranging from £1,500 to £15,000, to carry out works such as loft and floor insulation. Grants can also be increased if the property's Energy Performance Certificate (EPC) rating moves to C or higher.

Injecting life into empty properties

Just as councils don't want eco-unfriendly properties, they also don't want empty ones – potentially attracting squatters and vandalism – which is why many councils will offer investors a loan or grant in exchange for bringing a property back into use.

Ryedale District Council offers landlord improvement grants and loans to renovate houses in multiple occupation (HMOs), or those that have been empty for six months. Grants can cover up to 50% of costs and loans 100%, up to £15,000.

One of the conditions of the grant is that the property is rented out on an affordable basis for five years – or until the loan is paid back – with the council given full tenancy nomination rights during that period.

A charge will also be placed on the property and if the owner sells within five years, the loan or grant must be paid back in full, which is worth noting if you ever plan to buy a property with a loan or grant attached to it.

Making homes more accessible

Adapting a rental property to meet the needs of a disabled tenant can be costly, which is why many councils are happy to assist.

Islington Council offers landlords up to £10,000 to make a property more accessible. This could include the installation of ramps, stair lifts and level access showers. Grants are available for tenants with sight, speech, mental or hearing impairments and are given on the condition that the property remains available for letting to disabled tenants for five years.

Councils may also reward grants or loans to help make properties more secure. A landlord security grant for example can be used to install a communal intercom door entry system, or window and door locks.

Covid-19 funding

Many councils offer generous renovation loans and grants, but what about tenants and landlords who require immediate financial help due to the Covid-19 crisis?

In May, the Scottish government launched the private rent sector landlord Covid-19 loan scheme. The £5m fund offers landlords with five or less properties up to 100% of lost rental income for a single property.

The Welsh government has also launched a similar initiative – the £8m tenant saver loan scheme – a low cost loan for tenants to cover any rental arrears, paid directly to the landlord or agent.

At the time of writing, despite the best efforts of landlord trade associations and charities, the UK government was yet to offer such help for English landlords and tenants.

Ask and you shall receive

When it comes to available grants and loans, your first port of call should be your local council's website to see what is available and how you can apply, and remember: if you don't ask, you won't receive.

"WE USED A GOVERNMENT LOAN TO CONVERT AN OLD PUB INTO FLATS"

Property investor Karishma Davdra and her partner are midway through converting a run-down public house into six self-contained flats, with the help of a £150,000 interest free loan from Wrexham County Borough Council.

"We have always looked to see what schemes local councils offer to bring run-down buildings back to life," says Karishma.

Through the council, they were able to loan £25,000 per flat – amounting to £150,000. Unlike some other council schemes, their loan doesn't have any terms attached to it stipulating who the flats need to be rented out to.

"The only term is that the loan is paid back within five years and the council takes a charge to cover the value of the loan amount. The charge doesn't necessarily have to be on the property and can be on another asset," she explains.

As well as paying a small admin fee of around £600, Karishma and her partner also had to attend an informal interview before the money was released.

Although there was "quite a lot" of paperwork, Karishma says overall, the process was fairly straightforward, with the council demonstrating a good understanding of their needs as investors.

When it comes to the funds, they are released on a tranche basis as and when invoices are submitted.

"We received a good chunk to begin with in order to buy material but the rest is released as we go along and the council can see we are progressing," she says.

Karishma advises other landlords to take advantage of their local council's schemes: "Always check your local authority's website to see what is available," she says.

"Central government is offering the Green Homes Grant for example, but many local authorities already offer similar schemes – some with better terms. Just be sure to read the small print to see which restrictions are attached to the funds," she advises.

Interest-only or repayment mortgage?

Which type of mortgage is best suited to your investment strategy? Leah Milner considers the options

Interest-only mortgages have had a bad press in recent years because of how they were mis-sold to some homebuyers as a cheap way to get on the property ladder.

A worrying number of these buyers were not made fully aware that, unless they found a way of repaying the balance at the end of their mortgage term, they would have to sell their home.

Yet there are many reasons why interest-only mortgages remain a popular choice for buy-to-let (BTL) investors who want to hold property predominantly as a means of generating income.

Whether an interest-only or repayment mortgage is right for you will depend on your long-term investment goals, so here's what you need to know.

What is the difference?

With an interest-only mortgage, as the name suggests, you only pay back the interest on your loan every month. This means at the end of your mortgage term you will still owe the same amount you borrowed in the beginning.

With a capital repayment mortgage on the other hand, you gradually pay back the loan balance as well as the interest each month, so that by the end of the term you will own your property outright.

Lenders now insist borrowers buying their own homes with interest-only loans have a realistic repayment plan in place in order to qualify. But the same restrictions don't apply to those taking out BTL mortgages, primarily because they aren't at risk of homelessness if they fail to clear their mortgage debt.

Comparing the costs

The cost of borrowing on an interest-only basis is lower in the short-term, but higher over the long-term than doing so on a capital repayment deal.

With a repayment mortgage, if you borrowed £100,000 over a typical 25-year term, you would have to pay back the full amount in 300 monthly installments. This works out as £333.33 per month before you even take into account the interest.

Let's say your mortgage was on an interest rate of 2.5%, your total monthly bill would be £449. Alternatively, if you borrowed the same amount on an interest-only basis, your monthly payments would be less than half this sum at £208.

However, with a repayment mortgage, because you are gradually reducing your debt, the sum on which your interest is calculated gets smaller over time. This means that, using the same example as above, you would pay £62,529 in interest over 25 years if you borrowed on an interest-only basis compared to just £34,602 if you had a capital repayment mortgage.

While not paying off the debt as you go along might seem risky, for many BTL investors it can actually be a prudent approach. Having higher cash flow means there is more money to set aside in an emergency fund to cover repairs and rental voids

The pros and cons

The most compelling advantage of interest-only loans is lower monthly payments, which means more money to invest. Mortgage broker and director of Expedite Finance Marcus Leon says: "I would say around 60% of my buy-to-let clients choose interest-only mortgages in order to accrue more income every month. Some people use this to save towards a deposit for their next property purchase."

A downside of this approach, as the cost examples demonstrate, is that you will pay more in interest over the lifetime of the loan, making it a more expensive way to borrow in the long-term. But if you are successfully re-investing what you save in the short term into buying more property or other assets, your long-term gains are likely to outweigh the extra interest over 25 years.

Even though interest-only borrowers are not reducing the size of their debt, the share of equity they own can still increase over time. Long-term house price growth can help to shrink the proportion of debt relative to the value of the property.

The key advantage of a repayment mortgage is that you are spreading the cost of acquiring a property, so that by the end of the term you will own it entirely. Some investors prefer to borrow on a repayment basis because they want to be mortgage-free by the time they reach retirement or have an unencumbered asset to pass on to their family. The disadvantage of this strategy is that cash flow is lower during the mortgage term.

Understanding the risks

While not paying off the debt as you go along might seem risky, for many BTL investors it can actually be a prudent approach. Having higher cash flow means there is more money to set aside in an emergency fund to cover repairs and rental voids.

Investors with interest-only mortgages are also less at risk from rate rises as their payments increase by a lesser amount than they would for those on repayment deals.

Having lower fixed costs puts landlords in a better position should they have to cover mortgage payments from their own funds during vacant periods or if tenants fall into arrears. This is a key consideration in the current market, with unemployment expected to rise and more tenants likely to struggle with rent payments. The last thing any investor wants is to be forced into selling their property in a rush for a knock-down price because they can't keep up with monthly payments.

On the flipside, interest-only borrowers should be mindful of the danger of house price falls if they are buying with a small deposit. Marcus explains: "Because you always owe the amount that you borrowed in the beginning it means that if you borrowed at a high loan-to-value and the property market were to crash, you could end up in negative equity – where the loan balance is greater than the value of the property."

You can change your mind

Whichever option you choose, it doesn't need to be set in stone. If you have opted for interest-only, but decide you want to start reducing the balance, most lenders will allow you to switch to repayment so long as your rental income is adequate to cover the higher monthly mortgage bills.

Typically lenders require that the rent covers at least 125% of the mortgage payment, sometimes up to 145%. Conversely, if you need to reduce your costs you might want to switch from a capital repayment mortgage to interest only.

The middle ground

Investors looking for a middle ground can choose part repayment and part interest-only by taking out a mortgage on an interest-only basis and making use of the facility most lenders offer to make overpayments of 10-20% a year without penalty. This is an ideal way to keep ongoing commitments minimal, while still making inroads into clearing your debt when you can comfortably afford to do so.

With time at a premium, Claudine O'Leary enlisted the help of Property Hub Invest to expand her financial interests. Andrew James tells her story

Claudine O'Leary (left) and partner Heidi (right) with son Luca

Work-life balance

St Johns Mews in Wakefield

CASE STUDY

Above: the showhouse at St Johns Mews, Wakefield

With a growing family, busy work life and varied financial investments, there are simply not enough hours in the day for Claudine O'Leary.

The 50-year-old, who spent time living in America, Canada and Holland while working as Microsoft's director of global business development for education has returned to her Berkshire roots to raise a family with her partner Heidi. And with so much on her plate, time has become a precious commodity.

Passion for property

When Claudine decided to diversify her assets at the start of 2020, she wanted to reignite her passion for property. Even though she's dabbled in the market on and off for many years, she knew she needed help and turned to Property Hub Invest (PHI) for a direct route back into the industry.

"I'd been out of the property market for a while and had lost my network," she says. "I just felt a bit stale and out of practice. They took care of everything and it enabled me to quickly get back into it.

"With the current climate and volatility in the markets, I've been diversifying some of my investments as I was too heavy in stocks and equities. When it came to property, I wanted to take the mindset of a serious investor instead of dabbling."

Living room, St Johns Mews

Ready to go

Claudine bought her first buy-to-let (BTL) through PHI this year – a four-bed mid-terrace new build on Redrow's St Johns Mews development in Wakefield, West Yorkshire, at a cost of £278,750. She signed up to Property Hub Lettings and quickly found a tenant who paid for the first year in advance.

"I had been speaking to Property Hub about using their services and in the space of 24 hours I had committed to buying a four-bed townhouse in Wakefield, which was perfect as I was ready to go," she says.

"I had a bit of a misconception about BTLs generally as there's a lot of talk about cheap properties in cheap areas, which was not necessarily what I was looking for.

"Aside from it being someone else's home, I need to like the property myself. It's important to me that it is a lovely home and the tenants feel welcome and their needs are met through whoever is managing it. I thought the Wakefield property was really smart and was the type of place I would feel proud to live."

Claudine's Amsterdam apartment

> The BTL portfolio, especially with the new builds, makes for an easy life – and that's what I want right now with such a busy household

Apart from delays caused by Covid-19, Claudine says the process went smoothly from start to finish: "You pay a fee, which I suppose you could save by spending time trawling around yourself, but for where I am in life and business, it is well worth it. The arrangement really works for me."

Buoyed by the positive experience, she's now investing in a second deal with PHI in Selby, North Yorkshire.

Long-distance landlord

Traditionally Claudine has invested in property closer to home, but she says she feels at ease with her latest BTL investments being further afield and in locations she might not be totally familiar with: "I've never been to Wakefield or Selby, but I don't think that matters and I didn't have any reservations about it.

"They could have been anywhere, it's just the two that came up happened to be in the north. There are people everywhere with good jobs who want a home for their families, and I'm in a privileged position to be able to provide that.

"I do a little bit of due diligence and all the fundamentals have to be there. I'll check who the local employers are and what it might mean from a business perspective. I'll read through everything I'm sent and sleep on it before I make a decision."

Family ties

Claudine shares her passion for property with her siblings and has been fine-tuning her nose for a good property deal from a young age. "We used to love to play Monopoly as a family growing up," she recalls. "My brother and sister are both involved in property as well. I bought a few houses in my late 20s and rented them out without really having much of a plan."

Claudine's Windsor holiday cabin

It was when Claudine moved from the US to Amsterdam ten years ago that she bought her first proper renovation project. "It was a one-bed apartment in the centre of Amsterdam. I lived in it for a few years before turning it into a short-term holiday let and then I sold it to my best friend who continues to run it today.

"My brother Shaun helped with the design and layout and we've also worked together on a holiday cabin in Windsor and a refurb in Surrey. I bought a four-bed probate property in Chobham for a great price and he project-managed the full renovation, which took nine months.

"I moved into the property for a year and then rented it long-term for three years before selling it. It netted me around £200,000 in profit, which has been my most lucrative project to date."

Work-life balance

Bathroom, St Johns Mews

Tracking costs

Claudine hopes to return to refurbs at some point in the future when time allows, but this time with a tighter hold on the purse strings. "I have a habit of spending too much on furnishings and fittings. I want to create a lovely living environment," she says.

"I put a TV on the wall in the shower at the Chobham house. I blame my brother for that as he said 'sell the experience', but it was just ridiculous and didn't work properly anyway.

"It's been easy not to get drawn into that with my two latest properties though as they're both new builds and empty, and the developer takes care of the fittings.

"From the very start, I've always tracked my costs, putting everything in a spreadsheet. I think that's really important for someone starting out. Things become a lot clearer when you can see it documented and it can also be satisfying to have a record of where you've come from."

Striking a balance

Claudine was made redundant from Microsoft but she's now back working for the company in a different role, having had time off following the arrival of her son Luca. She and her partner Heidi have another baby on the way and the family are in the process of finding and moving to a bigger home.

Once the Selby property – a three-bed end terrace costing £171,000 and with tenants already in place – has gone through, it will be Claudine's third property alongside her holiday cabin in Windsor and the Wakefield BTL.

"After many years working hard in the corporate arena, I think it's important to have a financial portfolio that includes property as well as other assets. I have no concerns about investing in property at this time. People need homes and it's a full cycle. I'm following my path and really enjoying playing at property, and it's full steam ahead.

"The BTL portfolio, especially with the new builds, makes for an easy life – and that's what I want right now with such a busy household."

With the help of PHI, Claudine has set out some specific goals to allow her to strike her desired work-life balance. "The benchmark for me in the past doing refurbs was to see if I could earn more from property in a year than I could from my job. Now with the lower return but growing BTL portfolio, I've set a different goal, which is to build up a passive income of £100,000 a year, which equates to around ten to twelve properties," she says.

"It will give me and my growing family a passive income enabling us to have more options to live the life we want and importantly, the opportunity to spend our time how and where we choose."

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: magazine@propertyhub.net

RUNNING THE NUMBERS

This is how Claudine's four-bed BTL in Wakefield stacks up financially:

Purchase price: **£278,750**

Purchase costs: **£18,465**

Finance method: **BTL five-year fixed rate of 3.29%**

Deposit: **£69,687**

Amount borrowed: **£211,057**

Monthly rent: **£1,150**

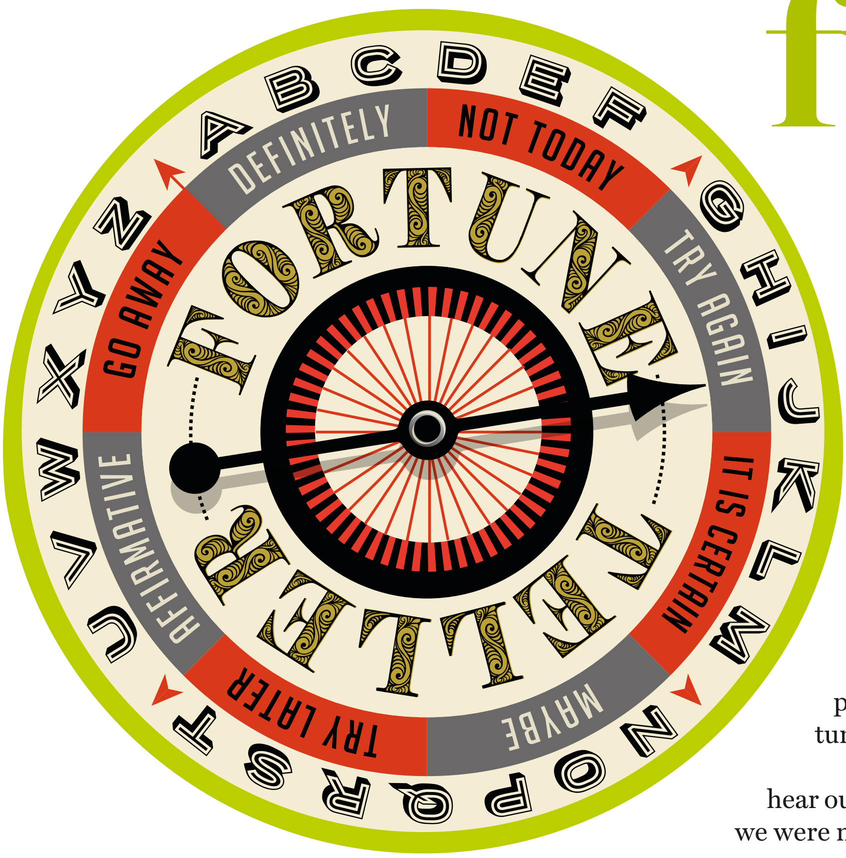
Monthly expenses: **£747.65**

Monthly net profit: **£402.35**

Property Geek

with Rob Dix

Predicting the future



This year's forecasts should be taken with a large pinch of salt, writes Rob Dix

OPINION

Last March, Savills predicted that house prices could fall by 10% in 2020 as a result of Covid. In June, they revised their forecast to a fall of 7.5%. By September, they'd upgraded it to 4% *growth*.

It was an exceptional year for sure, but still – a swing of 14% in the space of a few months tells you everything you need to know about predictions.

It wasn't just Savills that was caught out by the madness of 2020. Knight Frank predicted prices would go down by 3% after Covid hit, which turned out to be less wrong than many. JLL predicted an 8% fall, while CEBR predicted a drop of 13% during 2020 then rolled it forward into a prediction for 2021 when it became clear that it wasn't going to happen.

Modesty should – but doesn't – preclude me from pointing out that our own prediction in May that prices would move "a couple of percentage points either way" by the end of 2020 turned out to be more accurate than most.

You can listen to The Property Podcast to hear our predictions for 2021, but just because we were more-right-than-most last time doesn't mean we necessarily will be again. In fact, I'd urge you to ignore all predictions – including ours – and come to your own view.

There are two reasons for this. The first is that, as we've seen, the consensus can be wildly wrong. The more extreme the events, the more wrong they'll be: how many commentators were predicting a crash at the start of 2008, or anticipated the recovery in 2013?

That doesn't have to be a rhetorical question, because we can look back to check. In 2008 – the year in which prices fell by 15.9% – Nationwide and Halifax predicted that prices would remain flat (oops) and Capital Economics got closer (but still not that close) by predicting a fall of 5%. In 2013 – the year in which prices rose by 8.4% – Savills predicted a mere 0.5% increase while Knight Frank and Hometrack thought prices would fall.

Clearly, iffy consensus predictions aren't just a 2020 phenomenon

The second reason for caution is that predictions always concern national averages, and your particular local area might perform very differently. This is especially likely to be the case in 2021, when more major shifts in lifestyles are taking place than would happen in the average year. Does it matter if prices (for example) go up by 4% nationally, if your particular area falls by 5% due to changes in patterns of demand?

All in all, I'd treat predictions as nothing more than entertainment and focus on developing your own understanding of the underlying factors so you can come to your own view. If you do that, plus keep your ear to the ground locally, you should be able to avoid being led astray by highly fallible forecasters.

The more extreme the events, the more wrong they'll be: how many commentators were predicting a crash at the start of 2008, or anticipated the recovery in 2013?

HOW TO LOSE FRIENDS AND ALIENATE TENANTS

In much the same way as a GP probably gets sent photos of all kinds of embarrassing rashes in friends and family WhatsApp groups, I often get asked for my property opinions by friends who own the odd buy-to-let.

My friends are decent people with above-average educations, yet I'm frequently astonished by how they approach their investments. One recently sent me a long list of problems their tenant had reported, and asked if they really needed to fix any of them as they were thinking of selling in a year anyway.

Another was having a dispute about deductions for damage after their tenant had moved out, and when I asked which deposit scheme it was protected in, they had no idea what I was talking about.

This attitude leaves them wide open to being taken advantage of by bad tenants – but worse than that, it means good tenants aren't getting the service they deserve.

Although it would be convenient to believe otherwise, owning a residential property isn't like investing in any other type of financial asset. You can buy up as many shares as you like, and the companies and their customers won't suffer one iota if you don't have your act together. You can buy Bitcoin and fail to secure it properly, and you're the only one who loses.

That's why I don't have a problem with buy-to-let being very highly regulated (although the way those regulations are drawn up and enforced is another matter entirely), and why I believe the institutionalisation of residential property – in the form of Build to Rent – is broadly a good thing.

I've toured a few Build to Rent developments recently, and underneath the pizza parties and yoga classes it's the competence and emphasis on service from everyone involved that shines through.

As Build to Rent grows and spreads out beyond being a city centre phenomenon, if I were a tenant and could choose between a professionally managed home (from a company whose reviews I could read) or taking my chances with an amateur, I know what I'd do.

Of course, there's still always going to be a big and important place for individual investors who educate themselves and take their responsibility seriously – like you, naturally. But in the future life might be a lot harder for lackadaisical landlords like some of my friends – and while that's unfortunate for them, I can't help thinking it's better for society overall.

How to...

find a property hotspot

Property hotspots are all around us, but identifying one requires a particular mindset. Neil Cumins investigates how to tell a hotspot from a notspot

HOW TO

Property hotspots are one of the most widely discussed phenomena in the housing market. They're talked about everywhere, from broadsheet papers to The Property Podcast. The concept behind them is easy to grasp: areas where both demand and house prices are likely to significantly increase in the coming years. This results in healthy capital appreciation for anyone who (a) invests at the right time, and (b) holds onto their investment long-term. Flippers need not apply.

The time, the place

In reality, capitalising on property hotspots is as much about location as it is timing. With hindsight, it seems obvious that buying a Victorian villa in Clapham in the mid-1990s was a safe bet. Yet there are also plenty of people who have bought at the wrong time, or in the wrong place – or both.

Belfast resembled a hotspot as prices rose in the mid-Noughties, but they crashed after 2007 and still remain well below their peak today. If you take advice from the newspapers, you'll be behind the curve, in the same way breathless articles about investing in Bitcoin were published far too late for new investors to make any money. The best results are achieved by getting in early, and beating the crowds.

Each year The Robs offer their thoughts on potential property hotspots. But choosing where to purchase your first buy-to-let (BTL) is ultimately a personal decision. There are huge differences in legal systems and property styles across the UK; there's no leasehold in Scotland, and no tenements in Wales. In many cases, local knowledge can be instrumental in identifying a future property hotspot you'd feel comfortable investing in.

Hot or not?

If you live, work or socialise in an area, you'll probably know the sought-after addresses, and the streets to avoid at night. You'll know where the retail and employment hubs are, and which districts have the best transport links. Crucially, you'll recognise the significance of proposed changes, which someone unfamiliar with this area might not appreciate.

Remarkably, many investors still haven't cottoned on to Manchester's post-Millennial renaissance. If you've never ventured up north, you wouldn't appreciate the (literal and metaphorical) buzz that's attracted so many overseas investors in recent years, or understand how the city centre has been transformed by ongoing investment.

Being local definitely helps when searching for a future hotspot. But if you're not, what should you be looking for?

1. **Good fundamentals**. A future hotspot will already have the infrastructure to be a good place to live. It'll have reasonable employment opportunities, decent shops and state schools delivering an acceptable education. Those rent-boosting Ofsted outstanding ratings tend to come later, once the SUV brigade arrive and start demanding higher educational standards.

2. **Strong transport links**. This expands on the last point. A rural village along a B-road is unlikely to be a hotspot, even if an artisan café opens. The café could close, and there's still only one road in or out. Trains are more valued than buses, so look for local stations with regional services. Also consider areas along the route of future tram networks or trunk roads.

3. **Major investment**. Many towns and cities are stuck in a rut, and there's no prospect of them improving. Others are currently receiving significant investment, such as widespread regeneration of brownfield sites or the rejuvenation of their urban core. A £1m high street refresh won't do much, but a £1bn dockland regeneration deserves attention.

4. **Low house prices and high rental yields**. There's no doubt that pockets of East London will see price growth, but they're expensive already. Instead, look at outlying areas offering healthy yields and modest selling prices. A decade ago, Stevenage fell into this category, but prices have since spiralled because of its proximity to the ever-more-costly capital.

It's obvious from the above points why Liverpool has become a property hotspot in recent years. Overseas investors growing wary of Manchester's inflated square footage costs looked along the M62. They saw another historic city with exceptional infrastructure, great transport links, low house prices and high levels of regeneration.

From Liverpool One to Liverpool Waters, the city's fortunes were clearly on the up. But while there are still bargains to be had along the Mersey, it's not a secret anymore. Finding a property hotspot in 2021 requires a bit more creativity.

One up, one down

Consider Carlisle and Greenock. Both are geographically significant (if often overlooked) population centres along Britain's west coast, blessed with superb road and rail links. Both are the administrative and commercial centres of their home counties, both have property prices below the national average, and both deliver healthy

HOW TO

rental yields. To someone unfamiliar with either conurbation, there's little to distinguish them, and either could be a future hotspot.

But further investigation reveals Carlisle and Greenock are heading in very different directions. Carlisle is set to become one of England's 14 new garden village locations, with around 10,000 properties scheduled for construction in three characterful clusters on the city's southern edge. This will attract huge amounts of inward investment, further increasing the size and importance of Cumbria's only city – which already acts as a regional hub for cityless counties like Dumfries and Galloway.

With extensive infrastructure works already planned with the garden village masterplan, Carlisle will be blossoming just as home working allows large numbers of workers to relocate from more expensive cities. Add HS2 into the mix, and Carlisle's future looks bright.

Conversely, Greenock is experiencing substantial population decline due to a lack of employment prospects and seemingly irreversible decay. A section of its urban core is the most deprived ward in Scotland, with council housing being demolished and replaced in far smaller numbers.

Previous regeneration schemes have failed to improve public perceptions of this impoverished area, and the jobs market has never recovered from IBM's withdrawal in 2010. If Carlisle is a future hotspot, Greenock resembles a notspot.

Create many ripples

In some respects, cities always have an advantage over towns. The fundamentals are more likely to be present, while cities have a history and a public profile that makes them more attractive to outside investment. However, don't assume your choice of property hotspot has to encompass an entire city – it could comprise a suburb, or even a few streets.

The ripple effect describes how gentrification and house prices often rise in sequence. It's happened in London for decades. As a suburb begins attracting investors and young professionals they improve the housing stock and trigger greater demand for local amenities, collectively causing house prices to rise.

As people are priced out of that area, they look at neighbouring districts, which in turn experience the same phenomenon. A ripple can start with a few boutique stores and cafés opening on one high street, and end up extending two tube stops away, or across a large park.

Rough and ready

In many instances, property hotspots aren't especially desirable right now. House price growth may be weak, crime rates might be higher than you'd like, and there could be negative perceptions surrounding the area. Yet reputations quickly improve as money pours in, crime tends to drop as wasteland and empty homes disappear, and property prices can be driven up simply by the narrative changing.

Look for areas experiencing significant brownfield regeneration, ideally with mixed-use developments that introduce new residents and extra local amenities. Study commercial property publications, which are often the first place you'll read about business parks or major corporate lets.

One blue-chip business relocation can support a variety of smaller businesses, such as a new distribution depot creating extra jobs for delivery drivers and packaging material manufacturers. Multinational companies choose optimal locations carefully; if they've been attracted somewhere new by transport links and tax breaks, other firms will generally follow.

It's even worth considering whether major events could spark change. The 2012 Olympic Games transformed Stratford's fortunes, while the 2014 Commonwealth Games did the same for Dalmarnock in Glasgow. It generally takes more than a City of Culture award to drive significant change, though.

Headline announcements should be capable of delivering long-term benefits – think Crossrail, rather than the Millennium Dome. The aforementioned garden villages will take decades to complete, but their legacy will last far beyond our lifetimes.

Feel the heat

Identifying future property hotspots is more of an artform than a science. The ripple effect can skip an area, town centre investment doesn't always improve that town's standing, and the 18-year property cycle may also have an impact.

Property cycles tend to start and end at the same time nationally while following different paths regionally, so your preferred area may already be at the top of its cycle. However, if a particular district's affordability and fundamentals are good, with modest prices but strong yields, you may well be looking at a future property hotspot. Invest there now, and in years to come, people might be congratulating you on being ahead of the curve.

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HOW TO

PROPERTY TALK WITH WITH ROB BENCE

Investing in property is harder than you think

I'd be lying if I told you it was easy

Lots of people get the wrong idea about the challenges that come with investing in property, especially if they're new to it. They see people on Instagram doing well, or watch a property renovation programme and romanticise about doing it themselves.

The problem is, they rarely get the full picture. They see the before and after, but they don't get to see the pain in the middle: the sleepless nights, the financial worry, the endless phone calls to suppliers that haven't turned up.

We're probably even guilty of presenting too positive a view of property ourselves. While we try to present the downsides of investing on the podcast, we're naturally upbeat people. It isn't in our nature to dwell on the negatives, so our perspective may seem skewed.

What I'm about to go into isn't supposed to put you off property, but I want to make sure you've got your eyes open to the obstacles you'll encounter.

Jumping hurdles

At every stage of property investment you're going to be presented with challenges. The first bit – finding a property – isn't hard, but finding a good deal that matches your strategy is. You're going to have to spend time doing your research, making contact with people and dealing with the frustration and heartache of having deals rejected or fall through at the last minute.

You can choose the best solicitor and the best mortgage broker in the land, but they still have to deal with what you've bought and who the seller is working with. You may not have picked up on legal issues when you bought the property for instance, or it might be that the seller's solicitor is a nightmare and wants to battle over every single point. Even under normal circumstances getting a mortgage is tough, but right now, it's really tough.

The conveyancing process is one of the hardest, and possibly least talked about parts about investing in property. Occasionally you'll get a deal that sails through, but most of the time you'll need a lot of hard work, patience and determination. That's why we have a team of people at Property Hub Invest dedicated to helping clients complete, because it can be so challenging.

Keeping your cool

When you own a property, sometimes years can go by and nothing will go wrong, but sometimes things can go wrong within months of you owning it. You might have tenants that don't pay rent, then your cashflow comes under pressure, or they might damage the property more than the deposit you've taken.

Even if you've done all the right checks and due diligence, things can still go wrong. You have to prepare yourself for this and not get too emotional about it. Treat your property as a business because it is one. The less emotion you leave in there, the better decisions you'll make and the better you'll handle any issues that arise. If you're the type of person that gets stressed out and overwhelmed easily, then property investment might not be right for you.

The trade-off

So, all this said, why would you want to invest in property?

Well, property investment can change your life financially, which is an incredible tool and better than pretty much any other financial tool out there. But if something can have such a dramatic positive impact on your life, then you can't expect it to be easy.

For me, putting in the hard work to get closer to my end goal is a trade-off worth making.

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

Ask Rob & Rob

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

Matt asks:
I'm about to start the hunt for my first investment purchase. What questions do I need to ask at viewings?

The Robs reply:
Try to do as much research as you can before you get to the property so you don't waste time viewing properties that don't meet your criteria. A viewing is a good opportunity to ask the agent about the seller's circumstances: are they keen to sell, have they had trouble selling it in the past? Have there been other offers? All of these questions will help build a picture of the property and the vendor, but don't forget to take the answers with a pinch of salt – the agent is not on your side. If you've done your own research, there's less chance of them pulling the wool over your eyes.

Saskia asks:
My completion date for the new-build property I'm buying has been put back because of Covid, what can I do?

The Robs reply:
Delays can be frustrating, but unfortunately it's a situation many people find themselves in right now. Unless the "longstop" date for completion in your contract has passed – in which case you're free to get your deposit back and walk away if you want to – the best thing you can do is keep in regular contact with the developer and make sure you're kept up-to-date with how things are progressing.

Kay asks:
Should I put an offer in on a property first, then get a mortgage, or is it customary to get an agreement in principle from a lender first?

The Robs reply:
If you haven't already established how much you'll be able to borrow, then it's best to get in touch with a mortgage broker first and get more clarification on this – you don't want to put an offer in on a property you can't afford. Even though a buy-to-let mortgage is based on rental income rather than your own, there still might be some limitations on what products are available, for instance, if you earn less than £25k or are self employed. Agents will often want to confirm you have the deposit funds in place and an agreement in principle before taking an offer seriously.

Graham asks:
Should I be worried about investing in flats because of rising maintenance fees? How do you de-risk?

The Robs reply:
Do some digging into the reputation of the management company. You'll normally also see the past few years' service charge history during the purchase process, so you can check historic charges and see if a contingency fund has been built up.

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

I wish I'd have known...

Chris Hancox has learned the value of setting goals and surrounding himself with people who can help

If you could tell your younger self one thing, what would it be?

It sounds like such a cliché, but it would be to set some proper goals before starting out. I've tried most strategies and have learned something from every investment, but I would have had more success if I'd focused on my end goal from the outset. Knowing what you want to achieve makes it easier to put together a realistic plan of how best to get there, pick the right strategy, and then invest in the most appropriate way. Most of the mistakes I've made in property could have been avoided if I'd focused on the end goal sooner.

Looking back, what do you wish you'd known before you started investing in property?

By far the biggest thing I wish I'd known is that the highest yielding properties aren't necessarily the most profitable ones. In fact, over the long term they usually aren't. I made the mistake of chasing yields for a while, which led me to buy some very cheap properties in less desirable areas, just because the cashflow on paper was really attractive. With more frequent maintenance and repair costs, changes in tenant and longer void periods the profit isn't anywhere near what it first appeared to be on paper and there has been very little in the way of growth. It was a simple case of trying to be too clever.

One of Chris's renovation projects

Has there been any one experience that has shaped you, your perspective and the way you run your business?

Not one single experience, but my overarching experience throughout my investment journey has been the value in surrounding myself with people who can help along the way. You need to approach property investment as a business, and much like a business, you need the right people and processes to work effectively. Nobody can be good at every single aspect, so work with professionals and don't be scared to ask for help. I invest with my wife and we are both very much aligned in our goals and our approach, so we can support each other throughout the process.

What's your best piece of advice for aspiring investors?

There's no such thing as the perfect investment. Take your time to plan and educate yourself first, but don't procrastinate – take action. There's lots you won't know until you physically get started, but you'll learn so much along the way that will help you in future. Property investment isn't a get-rich-quick scheme, but the market always goes up in value over the long term, so by putting things off you're almost always missing out on growth. If you work hard and focus on the fundamentals, anyone can achieve their goals given enough time.