PropertyHub Magazine

Making sense of property investment

THE SCOOP ON STRATEGY

Which one is right for you?

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CONTENTS

Welcome

Rob Bence (left) and Rob Dix (right)

Strategy. It's absolutely fundamental to the business of property investment, yet so many investors fail to get it right. They either jump in without considering all the options or get stuck in a rut following the same old method they've always done, just because they're comfortable with it.

We've both adapted our own strategies over the years to suit our personal circumstances and changes in market conditions. That's why – no matter what stage you're at on your property journey – our cover story is a must-read.

It ranks ten different property strategies based on how much cash you need to put in, the risk involved, the level of effort and skill required, and whether you'll see the payoff in the short or long term. It may just inspire you to try something you hadn't thought of or re-evaluate the path you're on.

When it comes to picking a strategy, it's vital you get clear on goals first and be realistic about what you're capable of, something Rob B talks in more detail about on page 47.

Proving that property investment can take many shapes and forms, our investor stories this issue spotlight three different Hubbers, each carving out their own path. Mark Griffin talks us through his first flip, Chelle Gibbs tells us how she's securing her family's future through refurbishing run-down homes, and Fahd Gondal shares his canny strategy for turning a profit without having to see a project through to completion.

Elsewhere, you'll find tips on competing in a booming market, analysis on whether history could repeat itself in the mortgage market, a guide to creating your own inventory, and lots more help you top up your knowledge over the summer.

We'll be back in the autumn with our 30th issue.

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

They've revealed their investment hotspots for this year, shared their list of the cheapest places to buy, and now The Robs are back with another YouTube video divulging what they think are the most underrated areas to invest in.

You'll have to watch the video to see what areas they pick out, but (spoiler alert) one of them is the subject of our Location Focus feature on page 10.

So, if you want to see the video first, head to our YouTube channel now and give it a watch.

youtube.com/propertyhubuk

ON LINE

Did you know there are tons of free courses you can take via our website on subjects ranging from the 18-year property cycle to setting goals and spotting property hotspots?

Each course is divided into short, structured video modules so you can watch any time and each module ends with a quiz to review what you've learned and solidify your understanding. You can even collect badges and work towards a Property Hub certification.

The only tricky part is working out where to start.

propertyhub.net/university

HUB CHAT

Have you ever put an offer in on a property without viewing it? Hubber Millie Woodham asked whether it is common practice to place an offer on a property before viewing it over on the Forum. It has sparked a lively conversation about how to get around the problem of not being able to get to viewings in person and what alternatives there are.

Head to the Forum and search for 'Advise on viewing properties when you don't have the time?' to find the thread and share your own thoughts.

propertyhub.net/forum

ON AIR

If you've ever wondered what the right level of leverage is, or if you're taking a risk by not being diversified enough, then make sure you listen to the podcast in July. The Robs will be sharing their advice on these subjects as well as talking to a broker about what we can expect from the mortgage market over the next 12 months.

And if two podcasts a week isn't enough, check out The Robs' other podcast Any Other Business in which they share their business tips and provide a window into what it's really like to run a growing property company.

propertyhub.net/podcast
aob.show

Social Happenings

From Hornyoldroad to Fanny Hands Lane, the UK is home to some seriously funny street names. Off the back of a survey by GoodMove that analysed some of the most comical street names across the UK to find out how they affected property prices, we asked you to tell us the funniest street names you've come across. In case you missed them, here's some of our favourites:

Jacpropertiesltd: "Mafecking Rd in Preston, Lancashire... I crack up every time I drive past it."

Roostrenovations: "A friend went to view a property on Corona Rd in London the other month... not sure there was much competition for that one."

Em_crumpets: "It's not a naughty name but there's an area called Catbrain in Bristol and so there's Catbrain Lane, Catbrain Hill... I just remember being totally baffled as a child as to why a bunch of adults had got away with calling a place Catbrain!"

If you've got a property post you'd like us to share, tag us **@propertyhubuk** or use the hashtag **#propertyhubmagazine**

Andrew Linscott/Shutterstock.com

Market focus

The latest news and developments from the property industry

CHEAPER TO RENT THAN TO BUY

It is cheaper to rent a property than it to buy a home for the first time in more than six years says Hamptons.

The estate agency found it was £71 per month (or 7%) cheaper for a typical first-time buyer with a 10% deposit to rent a home in Great Britain in May than it was to buy.

They would have spent a monthly average of £1,054 on rent compared to £1,125 on mortgage repayments.

There are now only four areas in the UK where it is cheaper to buy than rent: the North East, North West, Yorkshire and Humber, and Scotland.

This is in contrast to May last year, when it was cheaper to buy than rent in every region of the UK.

London has seen the biggest shift since the start of the pandemic. A buyer putting down a 10% deposit on a property in the capital will have gone from being £123 per month better off buying in March 2020, to spending £251 per month less on rent in May 2021.

Rental Mediation Service

The government is piloting a new mediation service for landlords and tenants undergoing possession proceedings.

It's hoped the free service will help to resolve cases without the need for face-to-face court hearings.

The pilot is available to tenants and landlords in both the private and social rented sectors across courts in England and Wales.

It will be down to the duty solicitor in charge of a case to recommend mediation and refer landlords and tenants to the Society of Mediators.

UK EVICTION RULES AT A GLANCE

Eviction rules across the UK are changing. Here's a snapshot of what you can expect in each country.

England: landlords now only have to give four months' notice (rather than six) except 'in the most serious of cases', such as instances of domestic abuse or anti-social behaviour.

Scotland: the eviction ban remains in place until 30 September for all areas under level 3 or level 4 restrictions. Landlords must give six months' notice in most cases. This is reduced to three months if they or their family intend to move in or they have their licence revoked, or 28 days if the tenant has engaged in criminal behaviour or has already moved out.

Wales: the eviction ban is set to be lifted on 1 July. Notice periods are expected to return to pre-pandemic levels from this date.

Northern Ireland: there is no ban on eviction enforcement in Northern Ireland, but landlords must give tenants 12 weeks' notice before starting eviction proceedings until 30 September.

Void periods narrow

Void periods dropped in seven of the eight regions across England during the month of May, according to data from the Goodlord Rental Index.

Overall, the average void period in England fell by a considerable by 15%.

The West Midlands saw the biggest shift, with voids reducing from 27 days to just 18 days – a reduction of 33%.

This was followed by an 18% drop in the South West, 15% in Greater London and 13% in the East Midlands.

The only region to record an increase in void periods was the North East, where voids rose by one day in May – from 29 to 30 days.

The report also found that over the past six months, average income for renters in England has risen by 8.2%, while the average cost of rent shifted slightly from £920 in April to £919 in May.

The buoyancy in the market could be attributed to renewals and new tenancies being processed 12 months on from the surge in activity seen between May and June 2020.

The Index analyses over 20,000 English tenancies each month.

Materials shortage pushes up prices

A national shortage of key building materials is pushing up prices for those renovating and developing property.

The cost of materials for repair and maintenance work rose 2% between March and April, and increased by 11.2% between April 2020 and April 2021, according to the Department for Business, Energy and Industrial Strategy.

Construction activity is at a seven-year high after a year of lockdowns and restrictions, but soaring demand is putting a strain on the provision of materials.

Builders' merchant and home improvement retailer Travis Perkins has warned of considerable price increases affecting several key materials, including cement and paint.

The Office for National Statistics projects a rise of 7-8% in material prices, with increases for certain materials, such as timber and electrical components, expected to more than double over the course of the year.

Rent controls: do they work?

Rent controls have become a hot topic in recent months. Neil Cumins considers what landlords need to know about the controversial proposals

Ever since Margaret Thatcher oversaw an explosion of privatisation and entrepreneurship in the 1980s, there's been an uncomfortable balance between State control and free-market liberalism. From the railways to the internet, 2021 has seen numerous stories contrasting the need for government intervention against the need to let businesses get on with doing what they do best.

Talk of rent controls being introduced suggests the pendulum may be swinging back towards greater state intervention in the housing sector. Earlier this year, Sadiq Khan proposed rent controls during his successful campaign to be re-elected Mayor of London. And where London leads, other major cities often follow, albeit less enthusiastically. But what would rent controls mean? How might they work, and what lessons can we learn from cities which have already implemented them?

How do rent controls work?

The term 'rent controls' can have different meanings. During the First World War, state-mandated rent controls pinned rents at their 1914 levels to prevent landlords profiteering from an imbalance between demand and supply. Remarkably, it was 1989 before this policy was fully rescinded. In the meantime, the 1965 Rent Act appointed independent officers to set rent levels, but this also ended in 1989.

Today, rent controls are more nuanced. In Paris, rental price caps set a maximum and minimum rental value for different categories of residential property in defined areas. Setting rents more than 20% above (or 30% below) a particular area's average price triggers automatic fines. In Berlin, a 2020 policy prevented the owners of flats built before 2014 charging more than a rate agreed in 2019, though new-build homes were exempt. In Ontario, annual rent rises are capped at 2.5%, while Jeremy Corbyn had proposed restricting increases to the national inflation rate when rent controls were mooted in the Labour Party's 2019 general election manifesto.

Why are rent controls often championed?

In parts of the UK, property is often unaffordable for tenants and buyers alike. In inner London, the epicentre of the current rent control debate, a teacher or nurse's gross income would barely cover the average asking rent of £2,219 per month. Working professionals often earn too much to qualify for social housing, yet not enough to buy or even rent near their workplaces. And nor is this phenomenon unique to London. Average rents in Bristol are now over £1,000, while it's possible to pay £5,000 per month to rent a three-bed mid-terrace near the centre of Edinburgh.

Why are they controversial?

A key argument against rent controls is the effect they have on demand, which is borne out by the history books. The rental market contracted rapidly in the UK after they were imposed in 1915, though increasing home ownership and post-war affluence were also factors. Even supposedly simple rent caps introduce a quagmire of issues: are price caps determined by the number of rooms, the postcode, property type and/or its square footage? Who sets rent cap levels, and when/how are they updated as house prices change?

Any rent control model is open to anomalies and accusations of unfairness, creating confusion and

Sadiq Khan proposed rent controls during his successful campaign to be re-elected Mayor of London. And where London leads, other major cities often follow, albeit less enthusiastically

Mayor of London Sadiq Khan

rancour between landlords and their tenants. Even a basic policy like making it easier for existing tenants to stay in a property will make it harder for new tenants to find accommodation. This is especially true since automatic lease renewals are often bundled in with new rent regulation policies.

Rental costs in London and other major cities are undoubtedly high, but that's because of their sheer popularity. Tenants pay a premium to live centrally because that's where the greatest demand traditionally lies.

It's been five years since rental price growth in London was higher than the English average. Rents are determined by earnings, and landlords can't set rents which tenants won't be able to afford. The London market typifies this self-regulation – when rents become unsustainable, they naturally fall without government intervention being required.

Lessons from abroad

Rent controls in other European capital cities have proved highly unstable. Paris imposed, then removed, then reimposed them during the last decade. Berlin's controversial 2020 implementation was deemed illegal in court after property availability shrank, reducing availability for incomers. Ironically, landlords in the German capital are now legally entitled to pursue tenants for back-payments on newly-unfrozen rents.

A survey of over 450 American economists in the early 1990s concluded rent ceilings reduce both the quantity and quality of housing available. The American Economic Association concurred, in a separate report published in 2009.

In San Francisco, landlords responded to capping by converting houses into flats, technically reclassifying them as new-builds and therefore making them exempt. Worse, the $2.9bn saved by existing tenants was counterbalanced by people moving to San Francisco paying $2.9bn more in rent due to a chronic shortage of housing.

Property Hub says...

There are undoubtedly improvements which can be made to the rental sector, but rent controls represent a blunt instrument. They would disincentivise landlords to remain in the market, and further aggravate existing supply/demand imbalances.

They may also be unnecessary. Data from the National Residential Landlords Association (NRLA) indicates annual private sector rental growth is less than 1.5% across England, while most landlords haven't increased rental costs over the past year.

Sadiq Khan's claim that London house prices are "out of control" seems disingenuous considering other NRLA figures show rents in London fell by almost 10% during his first term in office. Ironically, Khan was part of a Labour government that opposed rent controls in the noughties, citing lower investment by landlords and the risk of inner-city decay as (entirely valid) reasons to avoid them.

Fairer alternatives might include adopting Scotland's model of one rent increase per year, greater support for long-term tenancies, and incentives for social housing construction on urban gap sites. Increasing supply will naturally ease demand and lead to more stable (and affordable) prices for tenants without driving landlords out of the market.

LOCATION FOCUS

Taking

PLACES

View of the Marple Locks, Stockport

PLACES

Stock

Despite living in the shadow of Manchester, Stockport has plenty of merit as an investment location. Neil Cumins examines this boundary-stretching town's qualities

Even for those familiar with Greater Manchester, the county's boundaries can still be confusing. Consider Stockport, one of Greater Manchester's ten metropolitan boroughs, home to roughly 285,000 people. On a map, its suburbs merge seamlessly into those of the city, meaning places like Cheadle Hulme and Heaton Moor are often thought of as Mancunian, while those that live in Hazel Grove and Marple still put Cheshire on their address, even though they've been part of Greater Manchester since 1974.

At the heart of the action

Three rivers meet in the heart of Stockport – the Goyt, Tame and Mersey. They haven't historically brought much prosperity flowing into the town, which looks decidedly down at heel. However, it is being improved, as Clive Tattersall of Joules Estate Agents points out: "The town centre is going through a massive regeneration programme, and there are thousands of planning consents for residential living being granted.

"The commitment to providing a night-time economy to meet the growing demands of the young professionals flooding the town is already beginning to bear fruit with new fine dining restaurants, boutique bars and the restoration of existing pubs and bars."

Until the town centre is gentrified, the nearby train station whisks you into Manchester Piccadilly in as little as nine minutes, with up to 11 direct trains an hour. There's also a bus interchange covering most corners of Greater Manchester.

Manchester's international airport is only five miles from Stockport's western suburbs, and the M60 (Manchester's outer ring road) borders the town centre, providing seamless regional connectivity.

Something for everyone

According to local investor Tom Clarke, Stockport's profusion of transport options is mirrored in its huge variety of properties: "The town centre and immediate areas have a multitude of flats and small terraced houses. The outer districts such as Offerton, Reddish, Davenport and Hazel Grove have a mixture of terraces and semi-detached houses of varying sizes.

"More upmarket suburbs such as Heaton Moor and Bramhall have mansions and town houses that can easily exceed a million pounds. This variety means there's a property type for just about every strategy and price level you can think of."

Interestingly, less than 5% of Stockport's housing stock has been constructed this century, and the absence of new-build price tags has undoubtedly contributed to modest average selling prices of £293,520 in June, according to Zoopla.

One company tackling the lack of new-builds in Stockport is Investar. Its CEO Michael Dong is overseeing the £90m mixed-use Royal George Village development.

As a result of its central location, Stockport has always been a strong performer and an affluent area with low unemployment and a well-skilled workforce. However, Manchester's success has pushed capital values higher and higher, leaving Stockport behind – which creates a capital gain opportunity

"Stockport has recently been tasked with delivering five thousand homes," Michael says, acknowledging the ongoing shortage of housing.

"As a result of its central location, Stockport has always been a strong performer and an affluent area with low unemployment and a well-skilled workforce. However, Manchester's success has pushed capital values higher and higher, leaving Stockport behind – which creates a capital gain opportunity."

He also cites the prospect of HS2 coming to town as a key factor behind choosing to invest in Stockport at the present time.

Cost benefit analysis

A brief exploration of Stockport's resale market provides an illuminating insight into the local market. You won't find anything with a five-figure budget, and you'll need at least £125,000 to secure a red-brick on-street mid-terrace or a small flat in need of modernisation.

A budget of £150,000 provides a greater choice of ex-local authority terraces and modern flats, while £200,000 opens up the bottom end of the three-bed semi market. You'll need at least £250,000 for a detached property, while sought-after suburbs like the Heatons (Moor, Chapel, Mersey and Norris) won't deliver much change from £400,000.

Central Stockport is one of the 200 most deprived neighbourhoods out of 32,844 across England. Yet that hasn't stopped its SK1 postcode being a regular fixture in roundups of the UK's top buy-to-let investment locations.

Yields sit between 4-5%, while a local property blog reports one in six properties are currently selling within a fortnight of reaching the market.

Clive Tattersall agrees the market is healthy: "Land Registry figures show Stockport performing only slightly below the average UK house price increase, with local selling prices up by 8.5% last year."

Yet he adds a note of caution: "It's prudent to be cautious when looking at the apartment lifestyle because the addition of so many new units, particularly in the town centre, will inevitably lead to over-supply."

On the Mersey beat

Competition for properties of all types is strong among buyers and developers alike, and there's a widely-shared sense that Stockport's best days are still to come.

With future developments planned to further regenerate the town centre, overhaul the bus interchange and potentially connect to the Metrolink tram system, its urban core should continue to improve.

And in the meantime, Stockport offers affordability few parts of Greater Manchester can match. As Tom Clarke concludes, "It's definitely a place where things are happening – and improving."

SITES FOR SORE EYES

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

Royal George Village

- **Royal George Village**
  Investar's mixed-use masterplan for this prominent urban site beside the A6 will see 442 apartments built across a variety of new and refurbished buildings. There'll also be co-working and office space, plus new public realm.
- **Woodford Garden Village**
  Redrow's redevelopment of a former aerodrome continues, with over 900 homes being built in one of the North West's biggest housebuilding projects. The latest phase includes a blend of apartments, terraces and detached villas.
- **Sainsbury's site**
  The closure of a town centre supermarket has created a 3.3-acre gap site which is set to see a £100m build-to-rent development launching next year. The as-yet unnamed project is anticipated to include an array of apartments and townhouses.

WHY I INVESTED IN STOCKPORT

Tom Clarke lives near Stockport and started investing there with his wife five years ago after listening to The Property Podcast.

Following a disastrous off-plan investment in Liverpool, they returned to Stockport's Edgeley suburb. In that time, two-bedroom terraces had increased in value from £100,000 to upwards of £160,000, which Tom describes as "a lesson in following your own instinct, research and judgement."

The Clarkes are currently working through conveyancing on their seventh property in Stockport. "Stockport has definitely been good to us," says Tom, "all our properties have let quickly and done well from a capital appreciation perspective.

"We are vanilla buy-to-let investors with our portfolio based on terraced or semi-detached properties that are ready to let on a single-let basis. We did one refurb project, but don't currently have the time to pursue that strategy properly. We were initially focussed on small Victorian terraces, but have since opted for larger three-bed properties aimed at longer tenancies.

"Stockport is a great place to invest," Tom concludes. "It hasn't had a lot of love over the years and hasn't necessarily carried the best reputation. However, over recent years there's been a lot of investment, and there are still loads of projects yet to be completed.

"The transport links in and out have improved, the marketplace and old town centre has been undergoing regeneration, and the area around the train station has been redeveloped. It's performed really well in the time we've been investing but I'm sure there's more to come given the projects ongoing in Stockport."

THE PRICE IS RIGHT

Three examples of properties for sale in Stockport at different budgets:

This two-bed main door Edgeley flat is currently tenanted with a monthly rental income of £725, and is being marketed exclusively at buy-to-let investors.

Making full use of its available space, this two-bed Offerton mid-terrace has been extended into both the loft and basement, creating a flexible four-storey property.

Perfect for investors looking to modernise an otherwise well-maintained property, this chain-free three-bed Davenport semi could easily be refurbished.

Search conducted via Rightmove in May 2021

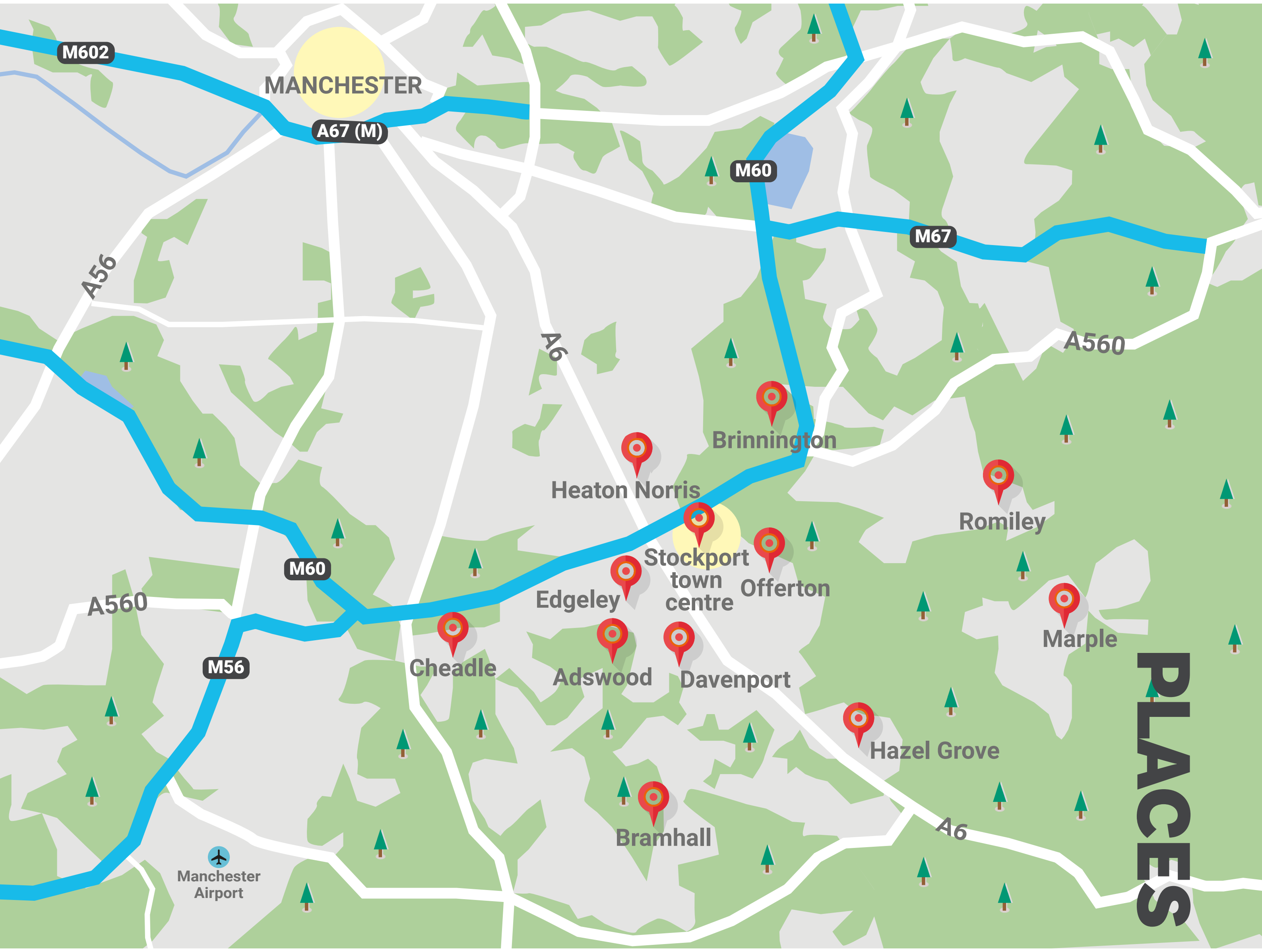
Stockport Town Hall

Postcode lottery

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

- Best for high-end housing: Marple (SK6), Romiley (SK6)
- Best for young professionals: Hazel Grove (SK6/7), Bramhall (SK7)
- Best for students: Offerton (SK2), Davenport (SK3)
- Best for transport links: Heaton Norris (SK4), Cheadle (SK8)
- Best for yields: Edgeley (SK3), town centre (SK1)
- Best for capital investment: town centre (SK1), Edgeley (SK3)
- Best avoided: Adswood (SK3), Brinnington (SK5)

Stockport town centre Imagineer/Alamy Stock Photo



TREND WATCH

Slim pickings

A chronic shortage of properties for sale across the UK has created a fiercely competitive market, with prices rising rapidly. Neil Cumins explains why this seller's market still offers appeal to investors

The property market has always been cyclical. Periods of rapid price growth are followed by spells of relative stability, or modest falls in value. Some areas gain in popularity as others decline, before regeneration improves the latter's fortunes. And a buyer's market can evolve into a seller's market surprisingly quickly, as we've recently witnessed. Following ten years of modest price growth, properties are now being fought over in a way not seen for decades. Today's market is an unforgiving one, full of closing dates, sealed bids and subsequent gazumping.

The prospect of multiple bidders and overnight sales could seem dispiriting if you're new to the market, or if you're only satisfied when a deal feels like a bargain. Yet there are plenty of reasons why now is a good time to invest, even amid a chronic shortage of stock and legions of desperate buyers willing to pay over the odds. But before we talk tactics and strategies, let's consider why today's market is so frenetic.

What's caused this explosion in activity?

Although the property market tends to follow a predictable 18-year cycle, there was nothing predictable about the Covid-19 pandemic, or the Brexit negotiations which preceded it. In Scotland, there's been constitutional uncertainty since early 2012, with recent Holyrood elections reigniting expectations of a second independence referendum. Up and down the country, many people have spent the past decade keeping their powder dry – not moving, not investing, not wanting to be caught out like those who bought at the peak of the last cycle in the late noughties. And all the while, pent-up demand quietly grew.

Then, as so often happens in property cycles, the government lit the blue touchpaper under a sluggish market. With interest rates already at record lows, they announced a stamp duty holiday for buyers. Alongside the gradual easing of this year's lockdown and growing vaccine optimism, the prospect of saving up to £15,000 in tax finally galvanised people into action. Of all the properties having a sale agreed in March on Rightmove, a record 23% were on the market for less than a week. In the same month, HMRC reported 190,980 sales – double the equivalent number recorded in each of the first three months of last year. And in June, Nationwide reported house prices soaring by 10.9% in a year, to a national average of £242,832.

Some homes aren't even reaching the open market, with Hamptons claiming 37,000 properties were sold off-market last year alone. For those which do sport a 'For Sale' board, interest can be overwhelming. In February, my own home (in a commuter-belt town just outside Glasgow) went live on Rightmove at 10am one weekday. By 5pm, the agent had scheduled 15 viewings. An offer was received the next morning, which was so

> **There are plenty of reasons why now is a good time to invest, even amid a chronic shortage of stock and legions of desperate buyers willing to pay over the odds**

far above home report, it proved impossible to refuse. The desperate buyers had sold their family home in 2019 to free up finance and be ready to pounce, only to spend 18 months in a rental flat being repeatedly outbid.

A first-time investor's tale

From a seller's perspective, rampant demand and generous offers are great. Yet from an investor's perspective, the odds can seem insurmountable. Neil Shannon is a first-time investor who has entered the market at a particularly challenging time: "My wife and I are new to property investment, so we're looking for a vanilla buy-to-let that doesn't need much work and can be let straight away. Following lockdown, we moved out of London to Northampton, and are looking to buy a three-bed Victorian terrace in the local area, to let to a professional family."

That was the plan, at least. We've been looking since February," says Neil. "The market is red-hot at the moment. There seem to be no BMV [below-market-value] deals to be had, which is not ideal, but okay for us as we're looking for a long-term investment.

"We've been outbid on several properties, with some properties under offer on the first day of viewings. We've offered the asking price, we're not in a chain, and we have a mortgage approval in principle, yet we're still losing out to cash buyers. We actually discussed stopping viewing houses for a while until things cooled off."

Capital depreciation

According to Property Hub portfolio manager Charlie Whitehead, Neil's former home city of London is one of the few UK regions not seeing high demand: "Property prices in some areas of London are still going down, and you haven't got the same levels of interest being seen in Manchester, Liverpool, Leeds and Nottingham."

He says this phenomenon isn't unique to big cities, either. "It's everywhere. We talk about the fundamentals – good transport links, good schools, good shops – the things people are attracted to because that's

This is probably one of the most exciting periods we're going to see in the next 18 years. If you want to take advantage of capital growth, now is the time to do it

where homebuyers want to live. From an investor's perspective, you're going to want to be in those areas too, whether it's a suburb or a village.

"As soon as everyone starts to hear that the market's positively moving, they all want to jump on board," says Charlie. "When people start to sell, there are people there to buy, and the whole cycle keeps going. I don't envisage this slowing down for a number of years, and I think we're going to have good property price growth and a healthy market for some time."

Capital appreciation

Even if high selling prices are deterring you from bidding on properties, capital appreciation offers a compelling reason to persist. "This is probably one of the most exciting periods we're going to see in the next 18 years," says Charlie. "If you want to take advantage of capital growth, now is the time to do it."

There are some caveats: "Historically, the refinancing model used to work by buying a property significantly below market value, adding value and then remortgaging it. That's not really viable now because you can't get those BMV deals – even properties which aren't in good condition are selling at what's perceived to be higher prices. You're relying on capital growth to add value as well as the refurb you're doing, which is a slightly different approach."

A new way of doing things

Taking a different approach is crucial to navigating today's market. You might not have considered new-build properties in the past, but buying off-plan eliminates bidding wars, closing dates and the risk of gazumping – something Charlie has experienced first-hand. "I lost three deals last year, including one where I was already getting the survey done," he says.

"Estate agents can't help advertising houses as 'sold subject to contract'. Some people will see an old listing and offer without even viewing it, because the estate agent won't be doing any more viewings. I wouldn't say it's a huge issue but it's something to be aware of."

By contrast, there's no reason for a housebuilder to gazump a buyer. And since BMV deals are largely off the cards, paying a fixed price in a period of rapid appreciation could quickly resemble a savvy investment. "Buying the right new build is always important," says Charlie, emphasising the value of understanding local markets and pricing.

"There's a perception if you buy a new build it instantly loses value, like a car when you drive it off the forecourt. But property generally goes up in value, so what you often see is new-builds pegged at the market price of that area. They might cost slightly more than a Victorian house, but their selling prices pull the whole market value for that area up. You don't have a bidding war – just a specific price agreed for a great property, without having to worry about someone else outbidding you."

Expanding your focus

If there isn't a new-build property which meets your criteria, the resale market can still be successfully navigated. Consider expanding your search to neighbouring areas to benefit from the ripple effect. These districts may see greater long-term capital appreciation than areas which are already in high demand. Don't be afraid to offer full market value – it might diminish short-term yields, but the absence of a discount will be forgotten when capital appreciation kicks in. Having finance in place will benefit you in any bidding war, as will being chain-free, a cash buyer or simply easy to deal with.

Equally, there's a delicate balance between making fair bids and not throwing caution to the wind. Try not to bid on unseen properties, since photos can be deceptive, and make sure you do your due diligence on the local area. Above all, never compare yourself to other investors. If you meet someone who's made three purchases this year, while you've made none, you're not falling behind or missing out. The current property cycle promises several years of fairly rapid price growth, whether you buy in 2021 or 2022.

If at first you don't succeed

Neil exemplifies the benefits of perseverance, having recently had an offer accepted on a property. "I was one of the first to view," he says, "and I made an asking price offer after a quick discussion with my wife who hasn't actually seen it yet. There were five other offers that day, but we had the most straightforward buying situation."

He stresses the importance of pre-empting other bidders, using Rightmove alerts and asking estate agents to include him on their advance notice lists. "Even then, I'd arranged a premarketing viewing on one property, but it went under offer before I got to view it!"

Charlie believes this is a uniquely exciting time to be involved in property: "This is where you can make very good capital growth over the next few years." However, he stresses the importance of adjusting expectations about what represents good value: "Don't be disheartened by being outbid, but be prepared to pay more than you would have done in the past in recognition of price growth. Historically, people might have accepted a 10% discount, but you'll probably have to pay market value now. However, there are still lots of upsides over the next few years."

To find out more about investing with Property Hub, visit **propertyhub.net/invest**

10 TOP TIPS

COMPETING IN A BOOMING MARKET

1. Ensure finance is in place, and show the estate agent you're in a proceedable position. Bidders are being routinely overlooked if they're in a chain, or not approved for a mortgage.
2. Set up property alerts, and register interest with local agents. Being friendly and approachable might just make them pick up the phone to you before anyone else.
3. Leaflet preferred locations. Post notes through doors asking people to contact you if they're planning to sell. The prospect of a quick off-market deal may just suit a homeowner.
4. Investigate preferred areas in advance. Use satellite mapping, street view software and physical exploration to avoid wasting time pursuing properties in areas which don't suit.
5. Take the first viewing appointment you're offered. Any viewer could make an offer while inside a property, so getting in first minimises the risk of it selling before you look around.
6. Don't procrastinate. This isn't the time for second viewings or periods of reflection. One thorough viewing is all you're likely to get, so be attentive and critical, but ready to offer.
7. Consider asking the seller's solicitor to accept a holding fee for a transaction, which will be lost to the seller if they resell the property. This could discourage gazumping.
8. Consider affordability. Manchester salaries of £29,000 are a sixth of average £185,000 house prices, whereas the ratio in London is 1:13. Look for areas which can support price growth.
9. Talk to other investors. You may be competing against fellow landlords and developers, but this is a friendly sector where tips are freely shared, and advice is offered in good faith.
10. Speak to Property Hub Invest if you are interested in new-build properties. We can often negotiate bulk discounts with a developer more powerfully than individuals can.

The rear of the house and garden

A fli good start

Think big, start small, is a mantra most novice property investors follow, but not Mark Griffin and Jessica Jay. Their first joint project was a back-to-bricks refurbishment of a four-bedroom house, earning them almost £55,000 in profit. Natalie Thomas tells their story

Mark Griffin and Jessica Jay

Open plan living room, dining room and kitchen after refurbishment

> We talk about property all of the time, even when out walking the dogs we see houses and think about what we could do to them

ppin'

"There was never any doubt that we would end up investing in property together," says Mark Griffin, 31, who met Jess Jay, 32, working in public relations for an automotive brand three years ago.

"We talk about property all of the time, even when out walking the dogs we see houses and think about what we could do to them," he says.

The pair spotted a four-bedroom house in need of renovation in their hometown of Leamington Spa at the beginning of 2020 and went to view it. They knew it would make an amazing project, but they almost missed out on the deal.

"A builder had already made an offer and we didn't think we would be able to compete; so we didn't put an offer in," explains Mark.

A month later, Mark saw the property was still on the market. Unbeknown to him the builder's offer had fallen through. Despite Jess being on holiday at the time, Mark seized the opportunity: "I called her and said: 'I've just put an offer in on that house!'"

Luckily for Mark, Jess was equally excited about it and, to their joint delight, their offer of £390,000 was accepted – £35,000 less than the original £425,000 asking price.

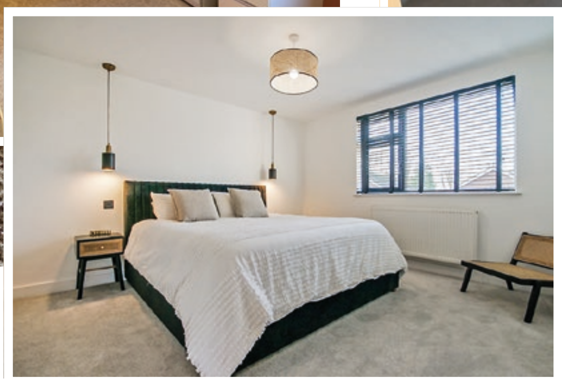
"We knew we would make money on it," says Mark. "It was in an incredibly sought-after area, the local schools had really good Ofsted ratings and it was within walking distance to the town centre."

More than beginner's luck

Their original plan was to revamp the property and live in it for a couple of years before selling it on. Even though it was their first project together, Mark and Jess were no renovation rookies.

Mark had completed a back-to-brick refurbishment of his first home – a three-bedroom property also in Leamington Spa – which he bought aged 26, while Jess had renovated her old apartment in Solihull, which she bought at auction.

The pair knew they made a good team at work and at home, but becoming investment partners would be a different story. "Property is a joint passion of ours, but Jess's appetite for risk is a lot lower than mine," admits Mark.



Top left: kitchen after renovation

Centre: kitchen before renovation

Top right: bathroom after renovation

Centre right: bathroom before renovation

Bottom left: bedroom before renovation

Bottom centre: bedroom after renovation

"We do balance each other out and even though her view can be completely different to mine on some things, we're good at making decisions together."

Having taken out a £340,000 mortgage, Mark and Jess pooled together their savings from their previous property gains to create a £150,000 investment pot.

Everything was going well and they were handed the keys in April 2020, but as they were about to find out, buying the property was the easy part.

Devil in the detail

They both knew they wanted to refurbish the property to a high spec, adding features such as in-ceiling Bluetooth speakers, a boiling water tap, solid oak doors and bespoke handrails.

They also took the unusual move of converting it from a four bedroom to a three. "We wanted a large bathroom, so we made the decision to remove the box room to make one large bathroom," says Mark.

Four walls were knocked through to create an open-plan living space downstairs. The property was stripped out, replumbed and and rewired. A new kitchen, bathroom, driveway, windows and front door were installed and both the front and back gardens landscaped.

"Yes, we could have spent less money on the renovation, but we feel we spent it in the right places to give a premium feel that was going to achieve the highest price possible for us," says Mark.

"There is an art to spec'ing up a property to the right level based on the sale price you are trying to achieve and we feel we did this really well."

A learning curve

Creating their ideal space still came with challenges though. "Our structural engineer supplied steel calculations which we handed to the builders, but due to a miscommunication between both parties, the steels were fitted incorrectly," says Mark.

"They didn't realise this was the case until they had boarded them up, plastered the whole house and fitted the kitchen and flooring underneath them, resulting in the subsequent removal of the kitchen, flooring and bi-folds – a learning curve for sure."

Another substantial hurdle was obtaining planning permission to render the outside of the property. Their initial application was declined on the grounds that it wasn't in-keeping with the street scene. But, ten months later, after a number of appeals, permission was finally granted on a retrospective basis.

They also had a lockdown to contend with. "It should have taken no longer than six months to complete the work, however with the national lockdown, shortages of plaster and other smaller hurdles it increased the time to complete," says Mark.

Lockdown did have its advantages though: while they outsourced most of the work, they were able to use their time off on furlough to strip and paint the property themselves.

To flip or not to flip

Despite the challenges, Jess and Mark loved the process so much they changed their minds about living in the property and decided to flip it instead, using the profit as a stepping stone to start their own investment business.

"It was never going to be a flip, but we worked so well together we decided we wanted to take it to the next step," says Mark. "We put it on the market in February 2021 and it sold within 24 hours to the first viewers. They asked us: 'how much to take it off the market today'. It was great to hear and really showed us how much the hard work we had put in paid off."

Once all the costs had been counted, they were left with a healthy profit of £54,600. Mark credits their strong return to the property's high spec and purchasing it at the right price. "It's often said you make money on the purchase, not the sale. Because we got it at such a good price, it was always going to be a win-win situation."

His advice to other investors who might consider flipping is to watch their budget. "The main risk to flipping properties is to not budget properly and to spend too much, or too little.

"It's so easy to underestimate how much things cost and how long they will take. Take somebody with you who knows what's involved to help you price it up."

A better future

Now they are both back at work, the couple have enlisted the help of four property sourcers in the West Midlands to help them find their next deal. "They are acting as additional eyes on the ground for us while Jess and I concentrate on potential commercial conversions in the local area," explains Mark.

From now on, their strategy will be to buy properties they can add value to and rent out to create a regular cash flow.

Mark says he'll be making use of free property resources – like The Property Podcast – to help them on their journey.

"Rob and Rob's podcast is a go-to for anybody looking for property advice," he says.

"A lot of people spend a lot of money on training and courses which is great at a certain level but there is so much free information out there that you can read or watch first before spending thousands on training."

The pair say they're under no illusion property investing will make them rich overnight, but they hope the passive income it will generate will lead to a better future for them and their offspring one day.

"As well as allowing us to travel more, property investing will hopefully provide a legacy portfolio for our children one day – when we have them!" Mark quips.

RUNNING THE NUMBERS

This is how Mark and Jess's flip in Leamington Spa stacks up financially:

Purchase price: **£390,000**

Purchase costs: **£11,500**

Deposit: **£50,000**

Finance method: **two-year fixed-rate mortgage at 1.8%**

Amount borrowed: **£340,000**

Renovation costs: **£90,000**

Project duration: **nine months**

Total personal investment: **£150,000**

Sold price: **£555,000**

Net profit: **£54,600 (after mortgage early repayment charge and estate agent fees)**

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

INVESTOR STORY

What's your flavour?

If property investment strategies were ice creams, which one would you pick?

The more you learn about property investment, the more overwhelming it can feel. On the plus side there are lots of different ways you can make money from property, but because there are so many options, choosing the right course of action can be baffling.

There's no one-size-fits-all approach to property investing. What might work for you won't work for someone else. Equally, just because someone else has had success doing it one way, doesn't mean you can replicate their model and achieve the same highs.

That's because your strategy needs to reflect your personal circumstances and your goals for the future. You may want to quit your day job and become a full-time landlord within five years, whereas the next person reading this may just want to use property to build up their pension pot for retirement. You both have different objectives, so naturally you'll need to follow different strategies.

Even though the number of strategies can make property investment seem complicated, choosing one can be more straightforward than you think. Each property strategy requires specific amounts of cash, risk, effort and skill.

Once you've worked out what you can commit to now, and what you want from the future, chances are they'll only be a few of options that will match your specific requirements.

Over the next five pages we've rated a range of strategies to reveal what's involved with each by using the most appropriate metric for the season: ice cream flavours. It's not an exhaustive list – there are lots of niche strategies and variations out there – but its a good starting point. So read on to find out if you're more of a 'vanilla' or a 'Nobbly Bobbly' kind of investor.

Residential buy-to-let (BTL): *vanilla*

Just like a humble scoop of vanilla is the nation's favourite ice cream flavour, BTL is most popular strategy for those looking to invest in property in the UK. It's the most basic property strategy there is, but basic doesn't mean boring. You'll often hear people refer to 'vanilla buy-to-lets', but there are lots of variations and there's no rule to say you must stick to one. Get this strategy right and you'll benefit from both a regular rental income in the short term and capital growth in the long term. Unless you're paying cash, you'll need at least a 25% deposit to get started.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

Buy to sell (flip): *Nobbly Bobbly*

Fans of property renovation TV shows will be familiar with this strategy. You buy a property below market value (BMV) in need of work, give it a makeover – à la our favourite sprinkle-covered ice lolly – then sell it on for a profit. There's no steady income or long-term growth: the aim is to make a profit as quickly as possible. It's a demanding strategy, and the work can be challenging and expensive, but the rewards are good, if done well. It's worth noting, unless you plan to live in the property while doing the work, you can't use a mortgage. For this reason most investors use a type of short-term finance called a bridging loan.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	No
RENTAL RETURN	No
PAYOFF	Short term

Ice cream cone rating: = low = high

Commercial let: *cookie dough*

This strategy is essentially the same as residential BTL, but with commercial tenants. It's vanilla, but with added bits. However, unlike residential, commercial property is more subject to the whims of the economy. If you lose a tenant, it can take a long time to find a new one, meaning you're more likely to have longer void periods. On the plus side, it requires less ongoing work: leases last for multiple years and tend to be 'fully repairing and insuring', so if you've got a tenant with a stable business there isn't a lot to do. There are tax advantages too, and commercial property can be owned by a pension.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

House in multiple occupation (HMO): *rocket lolly*

A HMO is basically a house share, where a property is rented out room-by-room to unrelated individuals. Following this strategy is one way to accelerate your rental return – you can create more income with less property – but, just like the rocket lolly, there are layers of complexity you need to be aware of. Managing a HMO requires a lot of time, and this type of investment strategy comes with more complicated tax rules, planning regulations, and legislation requirements. If the property is occupied by more than five people, for instance, you'll need a licence.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

Holiday let/serviced accommodation: *knickerbocker glory*

As the name suggests a holiday let is a property you buy to let out on a short-term basis to holidaymakers. Serviced accommodation is the same thing but generally aimed at business travellers. For this strategy to work your property needs to be located somewhere you'll be able to achieve a high level of occupancy all year round, not just in the summer months. With frequent change overs and bookings to manage as well as a higher likelihood of wear and tear, it makes it one of the more labour-intensive models to follow.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

Student let: *Fab lolly*

The jolly Fab lolly makes us reminisce about our own carefree student days in the sun. Owning a student let, however, is somewhat more complex. In many ways it's similar to a HMO strategy, but student lets are slightly less volatile because the student market tends to follow seasons and tenants usually sign up to one joint contract, meaning if one of them leaves the others will have to continue paying their share of the rent. On the other hand, the student rental market can be more challenging because of competition from new purpose-built student accommodation.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

Buy, refurbish, refinance: *Neapolitan*

Family tea time favourite Neapolitan best represents the three stages of this strategy. By buying a property below market value, adding value through refurbishment then refinancing, investors can recycle their original deposit to buy more properties and build their portfolio quickly. The risk here is spending more on the refurbishment than you're able to recoup. There's also the risk that if property prices start to drop, you could end up with your money stuck in a deal that you're unable to refinance.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Short and long term

Rent-to-rent: *fruit sorbet*

Much like a fruit sorbet isn't technically an ice cream, rent-to-rent isn't technically a property investment strategy. That's because you never actually own anything. Instead, you rent a property from a landlord then sublet it to a tenant – making a profit on the margin between the two rents (after costs). You're responsible for finding tenants, maintaining the property and paying the bills. It's a good way of generating income from property with limited cash input, but it can be difficult to find landlords who will agree to the arrangement and the returns can be quite limited.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	No
RENTAL RETURN	Yes
PAYOFF	Short term

Lease options: *bubble gum*

Lease options are a niche strategy that can often cause brain freeze, just like this unnaturally blue flavour. Also known as rent-to-buy or rent-to-own they came to prominence during the last recession, when lots of properties were in negative equity. The owners were unable to sell for a high enough price to clear the mortgage balance, so were willing to agree a future price and hand over responsibility of the property in the meantime. The principle is the same as rent-to-rent, but the difference is the investor agrees the 'option' with the owner to buy the property for a fixed amount within a set amount of time.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Only once purchased
RENTAL RETURN	Yes
PAYOFF	Short and long term

Development: *rocky road*

At the other end of the spectrum from a vanilla BTL is developing your own property. This strategy requires a lot of time, knowledge and capital, and is considerably riskier than the others. There are all sorts of projects that fall into this category, from converting an existing property – like splitting a house into two flats or taking an old office building and turning it into homes – to buying a plot of land and building your own development from scratch. The more adventurous you get, the more work it involves, but the bigger the payoff.

FUNDS NEEDED	
RISK	
EFFORT	
SKILL	
CAPITAL APPRECIATION	Yes
RENTAL RETURN	Yes
PAYOFF	Long term

Left: kitchen in the Burnham-on-Sea flat after renovation

Family fo

Three generations of one family are working together to build a property portfolio that will provide security for their future. Noora Ismail finds out more

Above: kitchen in the Burnham-on-Sea flat before renovation

Left: living room in the Burnham-on-Sea flat after renovation

Chelle and Mark Gibbs and their four children

> It's amazing how many people say 'you're really brave doing this', but I never think of it as being brave. To me it feels like a no-brainer. I just think 'I don't know why everyone's not doing this, because it just makes sense to me'

rtunes

Parents to four home-schooled children between the ages of two and 18: taxi business owner Mark, 42, and Chelle, 38, a community midwife, have worked diligently over the past few years to get to where they are today.

The couple bought their first investment property in 2014 with help from Chelle's parents and have just let out their fifth.

Despite living such hectic lives, they both have a passion for refurbishment projects and have chosen to follow a strategy of buying, refurbishing and refinancing properties in their home county of Somerset. "We like the properties that need a bit of work done to them as we know when there's a bit more work to be done there's profit to be made," says Chelle.

Mark's background in trade has enabled them to confidently take on projects which have since become a family affair. Grandparents, parents, and the children all help out. The youngest even get involved with painting and other minor tasks.

No-brainer

Chelle discovered Property Hub a year ago after she was gifted a subscription to this magazine. She has since become a regular podcast listener and wanted to share her family's story and what they've learned to encourage other hopeful investors.

"It's amazing how many people say 'you're really brave doing this', but I never think of it as being brave," says Chelle. "To me it feels like a no-brainer. I just think 'I don't know why everyone's not doing this,' because it just makes sense to me.

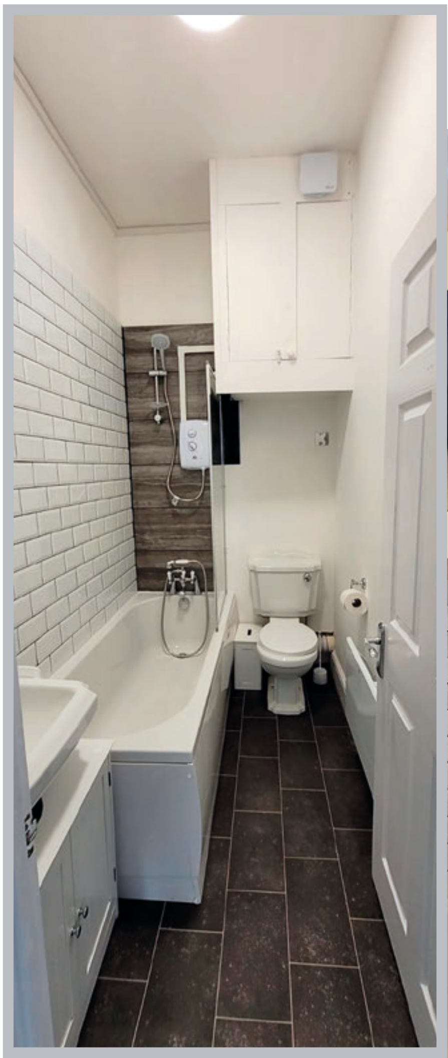
"This is security in our future and our kids' future, and I can't see a downside to it. I know there will always be a bad tenant or there will always be something that goes wrong, but I still think over the long term the rewards outweigh the negatives."

From couch to co-investing

Chelle's mother had been tempted to invest in property in the 1990s, but uncertainty held her back. Over two decades later, when Chelle and Mark presented the opportunity for a potential project, her parents were ready to form a joint venture.

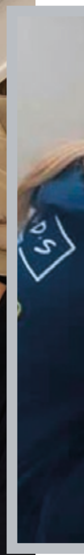
Their first property together was a two-bed mid-terrace house in Taunton, in need of a lot of work. Chelle and Mark remortgaged their family home to help raise the deposit.

They managed to get a good deal on the property, securing it for less than the asking price,



Above: Burnham-on-Sea flat bathroom after renovation

Right: bathroom before renovation



but immediately ran into a problem: a surveyor determined the property unmortgageable due to a crack in one of the inner walls. As a result, they had to take out a bridging loan. This came with slightly higher costs, but due to the property's condition they were able to negotiate a discount.

A revaluation by builders and another surveyor once the deal completed established that the crack was in fact superficial and easily repaired. In the end it all worked out for the best. Taking out a mortgage on the property may have been cheaper in the short term, but the bridging loan allowed them to pull out £43,000 in equity much sooner to redirect into their next project.

They spent eight weeks completely rewiring the property, it had no central heating, and the bathroom needed redoing as did many of the other rooms. "There was a lot of work that needed doing to it. It was a deceased estate belonging to an old lady, and she just hadn't done anything to it since whenever she had moved in many, many years before," says Chelle.

Finding a good deal

Chelle says a key element of the success of their strategy is making sure they buy at the right price: "We don't have a minimum threshold on returns, but we have never paid full price on a property. We always negotiate. We're not scared to put in a low offer and get rejected."

They know their area extremely well, down to which streets are best for their target tenants. The five properties they own have not only been successful refurbishments, but incredibly easy to let out. "Every time we advertise, we get 60-70 applicants within two hours," says Chelle. "The estate agents don't even advertise, as soon as something comes up, they send tenants straight to it."

Staying motivated

The family live by the mantra: 'it is what it is' and embrace any challenge they come across as an opportunity to learn and grow as investors. Chelle says that both the ups, and the downs, have contributed their success: "I don't find anything a challenge, the things that come up are part of the fun. I enjoy coming up with solutions to problems."

That isn't to say they haven't experienced any real difficulties. There have been times where they hired people that failed to meet their expectations. "Personal recommendations don't always work, as people will often recommend their friend. The best way is to test how people work and form good relationships with them," advises Chelle. They now have a strong network they have built over the years.

Above and left: Chelle and Mark's children helping out with renovation

Keeping it in the family

Their latest project – a one-bedroom flat in Burnham-on-Sea – was purchased from a good friend of Chelle's in May this year. The property was in need of some attention. Chelle's friend had got part way through refurbishing it then moved out to live with his partner, leaving it unfinished.

Chelle and Mark put in a private offer for £95,000, which he accepted, resulting in what she says was a win-win scenario for both parties. They funded the deal by remortgaging one of their other properties and using some personal savings.

"There is nothing currently in Burnham-on-Sea for less than £100,000," explains Chelle. "We understood the property's potential and were also able to help out a friend. The flat is in a prime location with a sea view surrounded by wide streets leading into town. It also has high ceilings and parking space which come at a premium in the area."

The property needed new carpets, a new kitchen, some simple electrical work and a new bathroom. The lockdown freed up time for Mark to work on the property. It took them six weeks in total to complete the works with the help of their team. They managed to find tenants immediately and the flat was revalued at £135,000. "We didn't advertise, but once we mentioned to friends that we were buying it, we had a tenant pretty much immediately," says Chelle.

Where to next?

For their next purchase Chelle says she'd like to take on a bigger project, but they'll be keeping their search within their local area so they can continue to be hands-on with their purchases.

"My goal next time is to buy something a bit more run down and do it to sell because we let all our other properties out," says Chelle.

RUNNING THE NUMBERS

This is how Chelle and Mark's flat in Burnham-on-sea stacks up financially:

Purchase price: **£95,000**

Purchase costs: **£4,250**

Deposit: **£23,750**

Finance method: **interest-only BTL mortgage fixed for two years at 2.79%**

Amount borrowed: **£71,250 (75%)**

Renovation costs: **£6,000**

Project duration: **six weeks**

Done up value: **£135,000**

Total personal investment: **£34,000**

Monthly rent: **£600**

Monthly expenses: **£208.20**

Monthly net profit: **£391.80**

This desire to take on a larger project was inspired by a missed opportunity. Around the same time they bought the seaside flat, they spotted a house that had been gutted and part renovated, but they didn't have the funds to buy it as they'd already committed to buying the flat.

"Structurally it was sound, it was more about putting the elements back in. This inspired me to take on a flip in the future," says Chelle. "Half the work had already been completed so we could have focused on bringing the property up to standard without having to strip it back down to basics."

For anyone considering following in their footsteps, Chelle says her advice is to not be scared: "Negotiate on everything, and don't be afraid of rejection. Don't be scared to put in a cheeky offer. The worst that can happen is they'll say no and you up your offer, but if they accept your first one, you'll always worry if they would have accepted a lower one."

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

INVESTOR STORY

Mortgage market déjà vu

House prices are rocketing, mortgage rates are falling, and loan ratios are climbing. With echoes of the pre-credit crunch years, is there a risk history could repeat itself in the mortgage market? Natalie Thomas investigates

If the financial crisis of 2007/2008 taught us anything, it's that if something sounds too good to be true, then it probably is.

In the years leading up to the crash, the mortgage market experienced excess like no other. Getting a mortgage with no proof of income? No problem. Borrowing more than your property's value? Easy.

A lot has changed in the market since then, but as the sector continues to enjoy record low mortgage rates and what appears to be unstoppable house price growth, could we be heading towards another credit crisis?

Then and now

On the surface, today's mortgage and housing market bears some similarities to that of the early to mid-2000s – a notable rise in loan to value (LTV) ratios being one of them.

"There are some parallels between now and the mid-2000s," says Jeni Browne, director of buy-to-let (BTL) brokerage Mortgages for Business. "While better regulated, the system of lending money and investing in property hasn't completely changed.

"Ultimately, however, the world is a different place," she adds. "Pre-pandemic, BTL landlords could mortgage up to 85% LTV, but the market wasn't reaching the dizzying heights of pre-crash LTVs and I doubt it will again.

"Since the first 2020 lockdown, the market is comfortably back in the 75% LTV area, with a few more lenders creeping into the 80% and 85% LTV space, but pricing here is not ideal."

While loan ratios in the BTL market reached 90% in the pre-crunch days, this was still modest compared to the residential market, where it wasn't uncommon for LTVs to reach 100%, with some lenders even offering up to 125% LTV combining a 95% LTV mortgage and a 30% unsecured loan.

Fast forward to today and first-time buyers are once again being told they can secure a mortgage with as little as a 5% deposit. Yet, according to Roger Morris, group distribution director at OneSavings Bank (OSB), there are very few borrowers that can afford to do so.

"When we see high street advertising for 95% LTV lending today, it's important to note that the amount of people who would qualify for this are in fact very few," he says.

"For example, if you assess the cost of housing in the South East, the average family wouldn't have the ability to actually obtain a 95% mortgage, the headlines just look good."

A borrower on an income of £40,000 per year would still only be able to borrow around £200,000 based on lenders' current income multiples of around five times a salary.

In contrast, during the pre-credit crunch days many lenders offered self-certification loans, which meant the borrower simply stated their income and, in some cases, no proof of income was required. This type of mortgage was banned by the regulator in 2014 as part of its Mortgage Market Review (MMR).

"For certain products you would simply submit a valuation and the case would be offered and, in those days, brokers were regularly processing applications up to 90% or even 95% LTV," says Roger.

"It illustrates how there were very few controls in the marketplace back then compared with today. I look back now and can see that the financial crash helped bring in much needed regulation and has totally professionalised the industry."

> **Since the first 2020 lockdown the market is comfortably back in the 75% LTV area, with a few more lenders creeping into the 80% and 85% LTV space, but pricing here is not ideal**

Tighter market controls

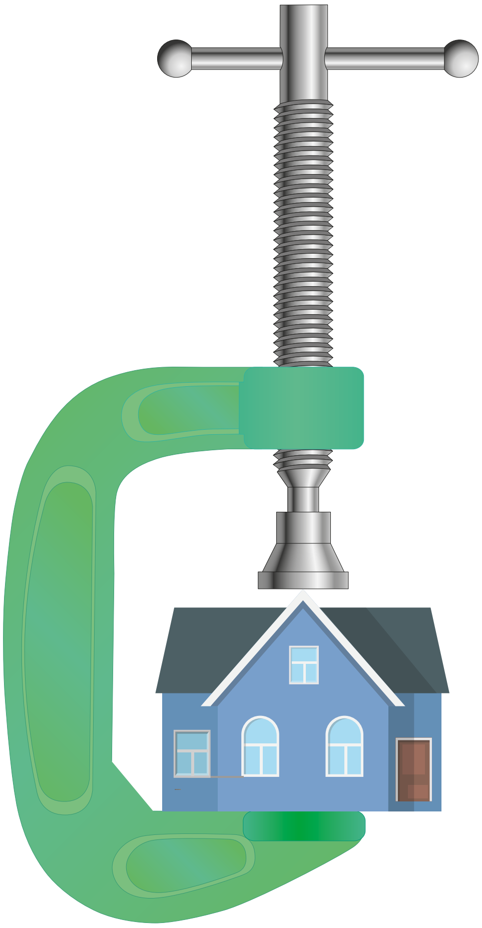
While LTVs may still be subdued compared to where they were before the financial crash, the market is currently seeing some record low rates.

According to Moneyfacts, the average two-year BTL fixed-rate deal is currently at 2.95%, compared to 6.36% in 2007, which combined with a desire to beat the original stamp duty deadline, helped boost mortgage lending this spring.

Net mortgage borrowing hit £11.8bn in March 2021, according to data from the Bank of England – the strongest since the series began in April 1993.

"Interest rates certainly weren't this competitive back in the mid-noughties – they've never been lower," says Jeni. "With the Bank of England Base Rate (BBR) still 0.1% I doubt lenders will rush to put prices up any time soon. Equally, they aren't going to get any lower because of the margins they need to make a profit," she says.

This, however, still begs the question: what will happen to borrowers when interest rates eventually do rise, potentially pushing up their mortgage costs?



Stress Testing

In theory, since the introduction of the MMR in 2014, borrowers should be protected against such rises.

As well as obtaining proof of income, lenders must also now show they are lending responsibly and adhering to strict affordability and interest rate stress tests under the watchful eye of two regulators: the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), both of which did not exist before the credit crunch.

"Today's marketplace for the high LTV is based on affordable income multiplications that really do stress test the application to ensure customer affordability," explains Roger.

"At Precise Mortgages [part of OSB] we have built-in a 3% increase to the base rate into our affordability calculator to ensure, as much as possible, that the customer can afford the mortgage and would be able to manage possible rate increases. This is what responsible lending is all about."

Richard Rowntree, managing director for mortgages at Paragon Bank, agrees that stronger regulation and lessons learned from the past mean the industry is better placed than it was before the global financial crisis.

"Banks are more well-capitalised, the regulatory environment more stringent, lending policies more risk averse and financial institutions generally more prudent," he says.

"Particularly in the BTL market, the protections are much stronger and there are significantly fewer high LTV products available than before the crisis. New PRA underwriting standards were introduced in January 2017 which meant landlords had to comply with stricter interest coverage ratio tests and stress tests for new loans."

He notes that in the past, lenders tended to focus on the rental income and value of the property they were lending against. "After the regulations were imposed landlords with more than three mortgaged properties had to provide much more information about all their existing rented properties and other assets, liabilities, income and costs," he adds.

"Phase two followed in September 2017, requiring all lenders to collect and validate details regarding all the properties that the landlord has an interest in when considering applications from landlords with more than three BTL properties, including collecting information on property values, rental income, costs and mortgages."

Indeed, at the centre of the financial crisis were borrowers not being able to afford their loans and subsequently defaulting. "Better safeguarding means that it's much more difficult for borrowers to get into serious debt issues, meaning they have to borrow more responsibly," says Jeni. "While some may find this frustrating, it is definitely for the benefit of the industry."

Stick or twist?

So, what are investors to make of the current market?

Whatever your investing ambitions, one option worth considering while rates are so low is to remortgage.

"Now is a great time to remortgage," says Jeni. "Even if you haven't reached the end of your current term, it's worth investigating your options. Lenders are competing on price, which means fantastic low rates for borrowers. Factoring in your Early Repayment Charge (ERC), you might still be able to save in the long run if you can now access a lower rate. And it's worth remembering that you can often secure a new rate up to six months before your rate-term ends."

From a regulatory perspective, the safeguards in place suggest there is little risk posed by today's mortgage products. One area the regulator cannot control however is house prices.

Recent figures from the Office for National Statistics show the average UK house price increased by 10.2% over the year to March 2021 – the highest annual growth rate the UK has seen since August 2007.

During times of rapid house price growth there seems to be two obvious strategies; either buy now or hold out until prices fall.

"There's not much stock on the market and buyer competition is pushing up prices which is great if you're selling, of course," says Jeni. "The stamp duty holiday deadline is the main cause, and our landlord clients tell us that they're looking to wait until things cool down before shopping.

Now is a great time to remortgage. Even if you haven't reached the end of your current term, it's worth investigating your options. Lenders are competing on price, which means fantastic low rates for borrowers

"The issue with this is plenty of predictions say property prices are going to keep climbing, even past the June and September deadlines. If you're in a position to, now is a great time to invest; rents and tenant demand are climbing, and mortgage rates aren't going to get any lower, so even if you have to pay a little more for the property, you should still be in for a solid financial return," she says.

Predicting what will happen next is made all the more difficult by the fact we're in unchartered territory, says Roger: "The market is running red-hot except for London and the South East of England for all the obvious reasons."

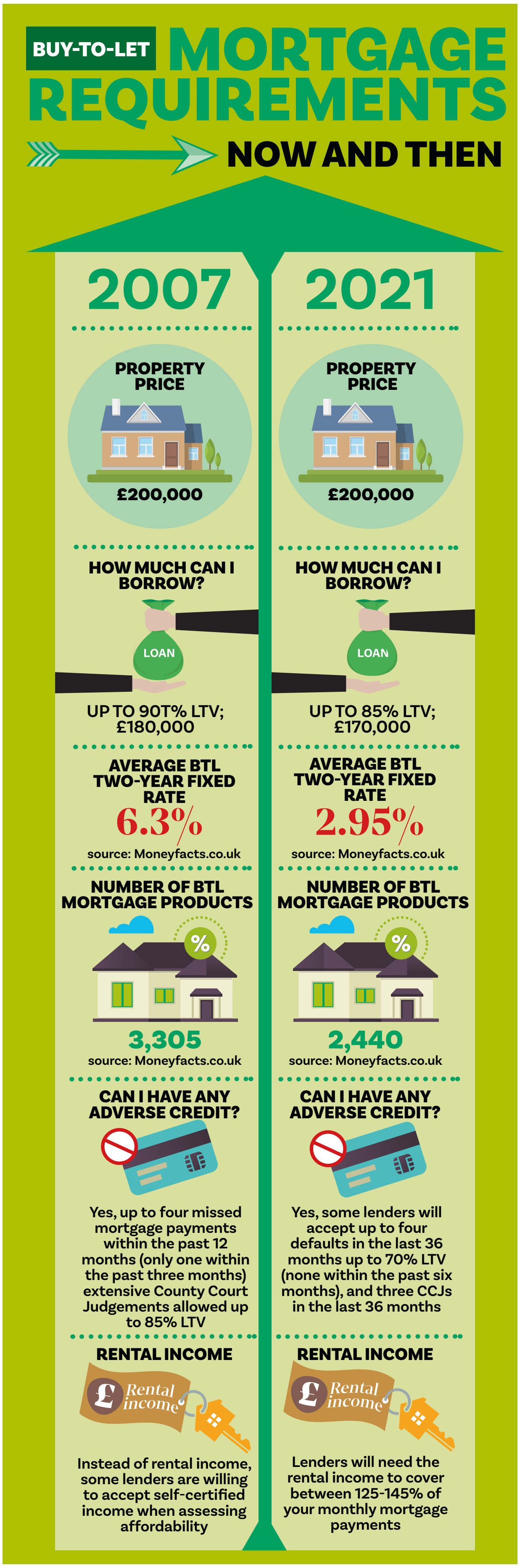
"When this has happened before, it's always been at the tail end of a boom in the economy that has run for a number of years. But this time the explosion in house prices is at the same time as the country slowly emerges from the fallout of Covid-19.

"The truth is none of us have ever experienced a market like this and I don't think anyone really knows the right answer."

Bob Young, chief executive officer at BTL lender Fleet Mortgages, says although he believes house prices will soften at some point, it will always be temporary, because of the nature of supply and demand in the UK.

"After 40 years in the property market I can definitively tell you that every rich person I've met owns property," he says. "As I repeatedly say, it's about owning the right property.

"Landlords are rightly gearing up by remortgaging and buying new property. We should forget the headline-grabbing articles about the apparent death of BTL; the market is strong and as a critical part of tenure in the UK, is here to stay. Unfortunately, the headline 'BTL market performing very nicely thank you for asking', is never going to be the lead in any form of media," he concludes.



Fahd Gondal and Catherine Grant

INVESTOR STORY

A new lease of

Leah Milner chats to the couple finding smart ways of turning a profit from sensitive renovations

Above: visualisation of The Old Pump House living room

Bottom left: The Old Pump House exterior

Bottom right: visualisation of The Old Pump House exterior

life

Ever since the start of their property journey a decade ago, Fahd Gondal and Catherine Grant have been drawn to buildings with a past. The husband-and-wife team, aged 36 and 33, are always looking for ways to give rundown properties a new purpose through clever design.

Their earliest ventures saw them take costly and time-consuming renovations from start to finish, but their most recent investments show you don't necessarily need to see a development through to completion in order to turn a profit. Instead, the couple are honing a new strategy which looks to make gains earlier on in the process, without having to commit so much capital and with less risk.

The pair look for opportunities to add value by securing planning permission to do something different with an existing building. They commission architects to draw up plans and then find a buyer who is looking to take on a project – whether that's another investor or someone wanting to create their dream home.

Lofty ambitions

When Fahd first became interested in property he was working in investment banking in London and had just started dating Catherine, who also worked in the City.

Property was an antidote to the abstract world of selling bonds: "Buildings are tangible, which is the opposite of what I did for a living. You can't enjoy financial securities in the same way," says Fahd.

He was particularly taken with the idea of loft-style living and zoned in on Wapping in East London's Docklands, where he signed up with agents.

Call my agent

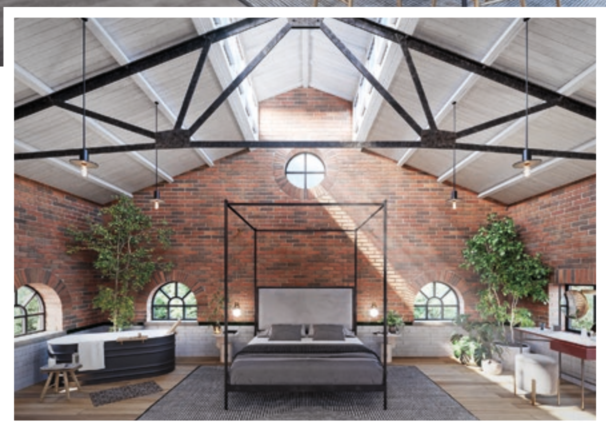
After a year of searching, he got a call about a 130sqm apartment in a converted warehouse. Fahd paid £560,000 for the flat in 2011, using a residential mortgage and with a 25% deposit.

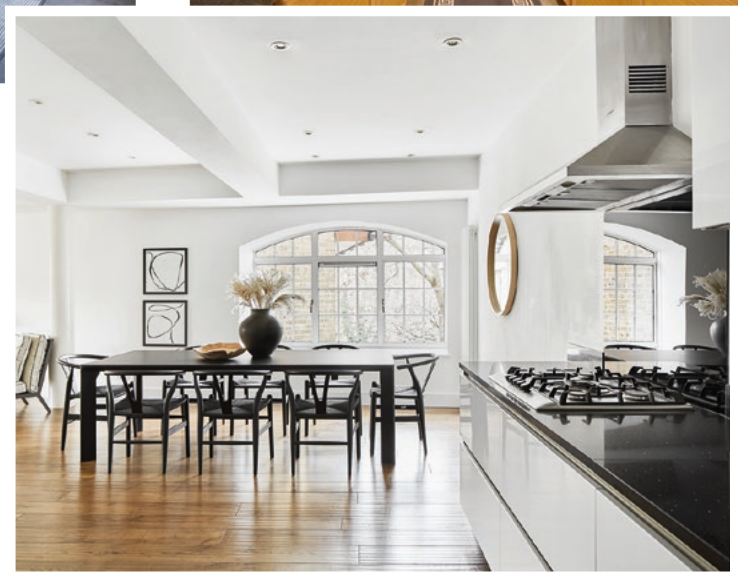
"The walls were nicotine-stained yellow and it stank of old cigarette smoke. There was a poky galley kitchen, but it had high ceilings and I could see that most of the issues were purely cosmetic," he says.

Fahd chose a builder who had worked on a neighbouring apartment to carry out the refit, which took four months and cost £75,000. He replaced the two bathrooms and took out a third bedroom that had been created without listed building consent to create a new open plan kitchen, dining and living area.

When the apartment was finished Fahd continued living there until 2014 when he refinanced it onto a buy-to-let mortgage to release funds for a new project.

It let for around £3,400 a month, and the tenants stayed for the next six years. Fahd and Catherine sold the property this year for £1,052,000 – making them a profit of £417,000





Top left: visualisation of The Old Pump House kitchen and dining area
Bottom left: visualisation of The Old Pump House bedroom
Top right: Wapping flat before renovation
Bottom right: Wapping flat after renovation

Refinance and repeat

Using the cash they released in 2014, the couple bought another apartment in Wapping that same year for £1,275,000, which they moved into.

It occupied a vast floorspace in a converted tea warehouse, but the layout was claustrophobic with partitions creating small rooms off a central corridor.

A redesign opened the space out, but renovation was not quite complete in 2016 when Fahd was offered a transfer to Hong Kong. Catherine stayed behind to oversee the final stages of work before joining him.

The pair spent £300,000 on the transformation and let the property for £5,400 a month.

The Pumphouse

The couple enjoyed three years working abroad, but by the end of 2019 they were itching to get back and tackle a new project. Fahd was ready to dive into property full-time, while Catherine continued with her job, supporting the business outside office hours.

They signed up to auctions in locations within easy reach of London. That's when Fahd spotted The Old Pump House in Akenham, near Ipswich, a former Anglian Water pumping station which had failed to sell.

Built in 1913, it had been boarded up since the late 90s. They paid £300,000 in November 2019. The 370sqm building already had consent to be separated into three townhouses, but Fahd and Catherine didn't like the design, which sacrificed the original hoist in order to cram in three dwellings. So, they instructed an architect with experience of sensitive industrial-to-residential conversions to design a single luxury home.

Yet, when they ran the numbers on the conversion costs they realised it didn't stack up. "There wasn't enough margin. It often costs more to convert an existing property than to build from scratch, because you have so many more constraints," explains Fahd.

Still, they knew that the project made sense for the kind of buyer who wasn't looking for a short-term gain – it needed a self-builder to fall in love with the property and make it their forever home.

They found exactly that person through word of mouth, after fostering a strong relationship with neighbours. Fahd believes that computer generated images brought their architect's plans to life and clinched the deal: "When you have a shell of a building, most people can't picture what it would be like to live there," he explains.

They sold for £362,000 at the end of last year, making a profit of £32,000 after costs. "I liken it to our property MBA, as we learnt so much about rural development," says Fahd.

Scouting for returns

Their next purchase marked a further evolution of their strategy, requiring them to put only a small sum down. In March 2020, after monitoring further auctions, Fahd discovered an unsold four-storey house in Swindon.

Built in the 1900s, it had been used as an office by the Scouts, but there was an opportunity to turn it into flats. Instead of acquiring it straight away, Fahd and Catherine negotiated a "purchase option" at a cost of just £5,000.

The legal agreement, gave them the right to buy the property at an agreed price of £250,000 for the next nine months. If they went ahead with the purchase the £5,000 would come off the sale price, but if they didn't, they would lose it.

The pair commissioned an architect with experience of designing compact homes to devise a scheme for eight studio apartments on the site. "Hong Kong is one of the most densely-populated cities in the world, so we knew that there were ways to configure the space without it feeling cramped," says Fahd.

The couple applied for consent under permitted development rights, which allow developers to convert commercial premises into homes with fewer restrictions than those that apply to new builds. So long as a scheme meets the basic criteria, a developer can proceed with what's called "deemed consent" if the Local Planning Authority does not object within 56 days.

After securing deemed consent, Fahd and Catherine put the property up for auction as a ready-to-go project. It was snapped up by a landlord who planned to complete the conversion and then rent out the flats.

The couple scheduled the transaction so that they exercised their option to buy from the Scouts at £250,000 on the same day that they exchanged and completed on the resale to the landlord for £332,500. Doing it all in one day meant they were able to save on transaction costs. After £5,000 in architects fees and other costs, they made a profit of £77,500 from the sale at the end of last year

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**

Futureproofing

As for their future plans, Catherine and Fahd continue to diversify and experiment with their strategy. They currently have three projects on the go. They've hired a top architect to design a zero-carbon home in the Cotswolds, are working on the conversion of a six-bedroom Victorian terraced house in Brixton into three separate apartments, and have just bought a house in Madeira which they plan to turn into a seven-bedroom holiday let.

Catherine continues to work in the City, but Fahd says her contribution to their property business is critical to its success: "Whereas I love going out and sourcing properties and then doing the numbers, she is brilliant at breaking down a project operationally and working out exactly what needs to be done when," he explains.

The pair say they have learnt a great deal from The Property Podcast. "I love the fact that you can just put it on while you are on the move and get up to speed with a new topic in a short space of time," says Fahd.

And for anyone looking to try the strategy that the couple have developed, Fahd says you need to become a planning policy geek: "You need to look at lots of previous applications to figure out why they were approved or rejected. That's how you spot the opportunities.

RUNNING THE NUMBERS

This is how The Old Pump House stacks up financially:

Purchase price: **£300,000**

Finance method: **cash**

Legal and planning fees, taxes and insurance: **£10,500**

Surveys: **£2,000**

Ecologist fees: **£1,500**

Architect: **£13,000**

Computer generated images: **£3,000**

Project duration: **six months**

Sold value: **£362,000**

Total personal investment: **£330,000**

Profit: **£32,000**

INVESTOR STORY

Property **Geek**

with Rob Dix

Wishy washy and full of fluff

Digging out the detail from property listings requires some serious detective work, writes Rob Dix

The other day, I bought a washing machine online. When it arrived, there were no surprises: before committing to buy I'd been able to check its dimensions to within a millimetre, view its full specifications, even read the entire manual.

The other day I also – as I do most days – browsed Rightmove to look for properties of interest. As always, this required a fair bit of detective work just to establish whether there was anything I was interested in thinking about buying. Often there were no floorplans, no information about the lease, or contradictory information at different points in the advert about matters as basic as how many bedrooms there were.

As for any potential legal issues or the condition of expensive elements like the roof or the electrics? Forget it, that's the kind of thing you're lucky if you find out before you've legally completed on the purchase.

It seems odd that for basic consumer items you can access every last detail before you commit, yet for a purchase at least 100 times more expensive – and for many people, the most important they'll ever make in their lifetime – it's more: "well, it's got four bedrooms (or actually maybe three because we've listed it wrong), what more do you want to know? Call us!"

Unpopular opinion

This frustration has recently had attention from Trading Standards, who've started running a consultation to determine whether more "material information" should be provided by law when properties are marketed.

The argument from estate agents against more stringent requirements is, in a nutshell, that it's too hard. It's a sort-of fair point: unlike with a washing machine, every item of inventory is different and there's no manufacturer who can provide all the details. Vendors are often clueless about potentially important matters like leasehold details and planning permission – so how can the agent be expected to know?

Even for simpler aspects, the incentive is for the agent to say less rather than more. Firstly, this is because it's their job to present the property in its best light so there's little to be gained from unearthing and point out niggles and flaws. Secondly, buyers are more likely to take legal action against them if they've said something wrong rather than just omitted something.

My unpopular opinion on the matter is that, while agents should do the basics well (and often don't), they're generally not paid enough to coach and coax the vendor through the process of providing all the details a purchaser really wants to know. If you've bought properties at a range of prices, you'll likely have noticed that the service is far better at the higher end – purely because a 1%-ish commission on a more expensive product makes it possible.

RIP HIP

Funnily enough, between 2007 and 2010 we briefly had the beginnings of a solution: Home Information Packs (HIPs). A HIP could be requested by a potential buyer at any point (including before viewing), and contained

OPINION

documents like the title deeds, local authority searches, a vendor questionnaire, a copy of the lease, and so on.

HIPs cost somewhere in the region of £500, and could be compiled by an estate agent (compensating them for the time it took them to get a property "sale ready"), a solicitor, or a specialist provider. Estate agents naturally hated them, because they made it slower and more expensive for vendors to start the sale process – and there was much grumbling from elsewhere in the industry too, because the implementation was far from perfect. The idea, though, was right and a decade on, it would now be trivial to make all this information available digitally via the property portals.

Unfortunately, the timing couldn't have been worse: they were introduced just as the property bubble was about to burst, and were scrapped following a change of government as they sought to remove any friction from the sale process. As for their legacy, we're left with just the most pointless component of the original HIP: the Energy Performance Certificate.

Scottish system

All those in the property industry who railed against HIPs would presumably be shocked if they visited Scotland, where something similar has been in place since 2008 without the world ending. The Home Report has contents similar to a HIP, plus a full survey and valuation of the property. This doesn't quite get us to washing machine territory, but it's much closer.

Because all the relevant information is provided upfront, all offers can be legally binding – whereas in England and Wales, having an offer accepted is often just the starting point for unearthing the essential facts about what you're buying.

Home Reports aren't perfect: they've been criticised for being unclear to average consumers, and for surveyors making broad and hedged statements to avoid liability. But whenever I speak to investors in Scotland, they seem broadly happy with the system – and sometimes shocked by how primitive things are south of the border.

Sleuth skills

Will the current work by Trading Standards make any difference? Probably not: I think the only real answer is a complete overhaul of how property is bought and sold, which there's limited political will to do. Until that happens, we'll need to be content with developing our sleuthing skills as part of our investment toolkit.

How to...

put together an inventory

Listing every detail about your property may feel like a chore, but it's essential if you want your tenancy to run smoothly. Mark Rocks explains everything you need to know about creating an inventory

When it comes to protecting your investments, an inventory can be your best friend. No one wants to put time and money into getting a property ready to let, only to have to spend more time and money repairing and replacing items once your tenant moves out.

Having an inventory will give you the peace of mind your property is being treated with respect and reduce the possibility of disputes at the end of the tenancy.

What is a property inventory?

Put simply, an inventory is a comprehensive list of everything in your property, its condition and cleanliness when you move a new tenant in.

It should be a detailed written record supported by high quality, colour photos or video evidence. Think of it as your proof of exactly how your property looked at that given moment in time.

An inventory not only protects you from unwanted damage, but also protects your tenants from having funds deducted from their deposit for damage they didn't cause. An inventory creates transparency, which in turn fosters better relationships in the long run.

When do you need to do one?

Any time a new tenant moves into one of your properties, you'll need to create or update the inventory. This is known as a check-in report. When the tenant moves out, you'll need to do a check-out report to assess the condition they've left the property in and work out if they are liable for any damage.

It's worth carrying out regular inspections to stay on top of any problems that may have arisen so you can correct them quicker. Carrying out frequent inspections means you don't run the risk of getting to the end of a tenant's stay and finding out they've done serious damage that will take you months to repair.

You'll need to give the inventory to your tenant on their move-in day and allow them around seven days to fully review it while they get comfortable in the dwelling. That's their chance to flag any issues you may have missed.

Once you've both agreed everything's correct, signed the document and filed a copy each, you'll be on the exact same page as to the condition of your property, and how it should be left when they move out.

Do you still need an inventory if your property is unfurnished?

Often people assume that a property inventory is only necessary for furnished properties, but this isn't the case. Fixtures like light switches and taps can become damaged or look different after wear and tear, so you need to take note of their condition before you move someone in.

Fail to document the colour of your walls and you could find that your once white walls have been painted a shocking shade of red. Without an inventory and supporting pictures, you'll have no proof that a change has taken place.

It's worth carrying out regular inspections to stay on top of any problems that may have arisen so you can correct them quicker. Carrying out frequent inspections means you don't run the risk of getting to the end of a tenant's stay and finding out they've done serious damage that will take you months to repair

Are they legally necessary?

Yes, they are. Deposit protection schemes are now a legal requirement, and as part of these schemes, you're required to provide your tenants with a detailed property inventory upon moving in.

That way, you're legally within your rights to withhold or retain all or part of the deposit as collateral, so you can use it to correct any of the damage or issues that could potentially occur in the property during their time there.

INVENTORY CHECKLIST

It's not just tables, chairs and sofas that need to be included in your inventory. Below is a comprehensive list of what you need to include written and photographic evidence of:

- [ ] **WALLS:** note the colour and any scuffs, marks or imperfections. Is the paint flaking, cracked or faded? If your property has wallpaper is it peeling or torn anywhere?
- [ ] **FIXTURES:** include lamps, curtain rails, overhead lights and plug sockets
- [ ] **FITTINGS:** include kitchen taps, sinks, the toilet, the bath, the shower etc
- [ ] **CEILINGS:** document any cracks, scratches or structural issues
- [ ] **DOORS:** include handles and hinges
- [ ] **BATHROOMS:** include all fittings
- [ ] **WINDOWS:** note any cracks or issues with handles and the condition of window coverings like blinds and curtains
- [ ] **FLOORS:** record the condition of carpets, wooden floors, stone floors, and whether there's been any damage or wear and tear previously
- [ ] **FURNITURE:** list every item of furniture, including any garden furniture
- [ ] **WHITE GOODS:** include the dishwasher, washing machine, refrigerator
- [ ] **APPLIANCES:** kettle, toaster
- [ ] **UTENSILS:** count up and note the condition of any kitchen tools
- [ ] **STORAGE UNITS:** account for shelves, cupboards and drawers
- [ ] **ANY OTHER BUILDINGS:** is there a shed or garage you need to include?

In addition, the Association of Independent Inventory Clerks recommends that you carry out these steps as well:

- [ ] Outline the legal requirements of the tenant within the body of the report
- [ ] Clearly define what you mean by 'clean' and any other conditions you reference
- [ ] Make it explicitly clear which parts of the property the tenant us responsible for. For instance, will they be responsible for cleaning the windows and maintaining the garden?
- [ ] Include the brand names and model numbers of all appliances

Go through the inventory with the tenant upon moving in to clear up any discrepancies

You really don't want to leave any stone unturned here. It may seem like a lot of work, but you don't want to get burned by forgetting something important.

Do I need to get a professional company to carry out the inventory?

In short, no. It's not a legal requirement for you to employ the services of a professional company when you're drawing up your inventory. There are free templates you can use to create a robust – and legally sound – inventory, but it can pay to use a professional for their expertise. After all, it's their job to spot defects, meaning they're likely to be much more thorough.

If it's your first time managing a property and moving a tenant in, then reaching out to a company that provide this service can make the entire process far less stressful.

Professional inventories can cost from £80 into the hundreds – it all depends on the size of your property, the location and the number of furnishings. But the cost is well worth it if you're faced with a problem tenant who's done serious damage to your property.

So, there you have it. An inventory may take a bit of work on your behalf, but it's insurance that you and your tenants really can't do without.

Happy inspecting!

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HOW TO

Stop and think before you jump in

People get obsessed about choosing their strategy first, but that's not the way to approach it, writes Rob Bence

One of the most exciting things about property is that there's so many ways you can approach it, but it's also one of the worst things about it. If you're new to it, the choice can be overwhelming.

People become obsessed about choosing the strategy that appeals to them most, but that's not the way to approach it. What you should do, and what most people fail to do, is get very clear about your end goals first.

Be specific (and realistic)

What you want from property? Think about what you want to achieve and be very specific. Don't just say you want to retire. If you want to retire by using property, work out by what date and how much you need per year to be able to do so.

The next step is to get realistic about what you're capable of. So, if you love watching Homes Under the Hammer and seeing all the refurbs, but struggle to change a plug head or replace a fuse then – as romantic as the idea of refurbing a property is – it's not the right strategy for you.

Hands on or hands off?

Beyond your own skills, the other thing you need to take into consideration is time. If you have a lot of free time, you may want to take on a more hands-on type of strategy. Alternatively, if you're restricted with the amount of time you can dedicate to property, then you're probably going to need to go for something more passive.

Once you've got clear on your goals, what you want to achieve and your current circumstances, that will start to help you rule in and rule out the different strategies. The strategy you may have originally decided on may end up not being suitable.

If you're anything like me – time poor and not very practical – then refurbing houses in multiple occupation (HMOs) miles away from where you live probably isn't going to be a good match. By stopping and thinking about your goals, your situation and your skills you'll avoid getting carried away with the wrong strategy.

Grow your network (and your knowledge)

When you think you've picked a strategy, find someone else who is doing it. If your strategy is HMOs, for example, then go and network and find someone else that does HMOs. Ask them what they like about that strategy, but also what their biggest challenges are. It's the latter question that's more interesting because there may be something you've not thought of. You want to go into it with your eyes open.

Visit online forums and ask for advice. Often there'll be bugs about a particular strategy, so make sure you boost your knowledge as much as you can.

Don't be afraid to pivot

The strategy you start with doesn't have to be the strategy you always work with. As you develop as an individual and an investor, your skills improve, and the market conditions change, you may decide to pivot.

When I started in property, I bought cheaper yielding properties, but then I switched to high-end buy-to-lets because I wanted less hassle. You don't have to keep to the same strategy forever, you can pivot and change to suit your own circumstance or the market.

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

Top five most useful forum topics

If you haven't visited our Forum recently then you're missing out on some great insights. Here are the top five threads for you to dive into

1 BEST WAY TO INVEST 100K IN PROPERTY: HOW WOULD YOU DO IT?

It's a pretty nice question to have to ask yourself, right? While most of us can only dream of having this much cash to invest, it hasn't stopped our Hubbers from sharing their opinions on how best to spend it in this thread. The answers showcase a wide breadth of investment options – a great learning opportunity for newbies. Turns out £100,000 really brings out peoples' creativity.

2 LOOKING TO START AN INVESTMENT PORTFOLIO IN SHEFFIELD

Obviously not every investor is going to be drawn to Sheffield – although our 2021 buy-to-let Hotspots list would suggest they should at least consider it – but this thread works for practically any area. Answers from experienced Hubbers explain how to spot great deals, how to narrow down which postcodes you should consider, and tips on how best to invest far from home.

3 LEEDS AREA REVIEW

Again, don't let the title put you off. This thread isn't only relevant to those interested in Leeds, it's the Holy Grail for doing due diligence. Hubber Frank shares his spreadsheet in which he compares house prices, property types and even crime rates to narrow down which postcodes are best suited to him. Trust us, we bookmarked this thread as soon as it popped up.

4 8 YEARS TO £3K PER MONTH

Our Progress Journals message board is where Hubbers share real time updates on their own property journeys – good and bad. Not only do they make an interesting read, but they're a great resource for learning from the experiences of others. This particular thread was started in 2020, and follows David on his journey earn £3,000 a month from his property portfolio by 2028.

5 A REAL JOURNEY WITH A £20K STARTING POT

This is one of our most popular threads on the Forum, and for good reason. Darren has been posting regularly since 2017, giving other Hubbers an insight into the highs and lows of his investment journey. His transparency on the difficulties of being an investor (including during a pandemic) makes for a really insightful read, and one we think anyone would benefit from having a look at.

I wish I'd have known...

From browsing newspaper listings as a child to setting up his own property buying business, Jonathan Christie has always had a passion for bricks and mortar

Jonathan Christie

He bought his first buy-to-let at 26 – a small terrace in Barnsley – which he still owns to this day, now part of a substantial portfolio. Here, he shares the lessons he's learned along the way.

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

Don't worry about distance. When I first started investing, I was under the impression that how far I was from the property was a deal breaker. It's not. This meant I built my portfolio purely up North opposed to exploring other, more profitable areas, like the South East.

I remember being offered properties in Stratford (near what is now the Olympic Stadium) for £60k–£80k, but because of location, I held back and put my money into terraces and semis in and around Yorkshire. The houses in Stratford are now worth £300k–£400k, whereas the properties I bought are closer to £100k–£120k.

One of Jonathan's recent refurbishments

What do you wish you'd known before you started investing in property?

A diverse portfolio usually comes with a lower risk and is far more likely to recover should the market fluctuate. Therefore, I'd say property investment is less 'rinse and repeat' and more about expanding your horizons. If you come across a solid investment, great. But first consider how that would stack up against the rest of your portfolio. If it doesn't have you tapping into new areas or property types, you may want to think twice.

What's been your biggest property mistake and what did you learn from it?

Trust your gut. It's how I buy all my properties. The only exception was when I bought a property near Blackpool. The RICS and agents were saying it was worth £550k–£600k, but my gut was telling me it was worth £450k max – something I chose to ignore. I had an offer accepted at £400,000, which seemed like a good deal on paper. But after eight months on the market, I sold it for £420,000, so after costs I was actually down money. Plus, it tied up a large chunk of my available capital.

What advice would you give to aspiring property investors?

Tailor your strategy to your circumstances. For anyone young, I'd say look for properties in high growth areas and focus less on yield. Appreciation is your best friend, you need to accrue equity before looking towards generating a cash flow.

If you're a portfolio landlord and would like to share the lessons you've leaned, we'd love to hear from you. Email us with a brief introduction and we'll get back to you: magazine@propertyhub.net