The
PROPERTY
Hub Magazine

Making sense of property investment

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A DAY IN THE LIFE
Going, going, gone to meet a property auctioneer

ALTERNATIVE FINANCE
No mortgage? No problem

LETTINGS
How much freedom should you give a tenant?

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A DJ raises the roof (and fixes the loft)

THE ONLY WAY IS DOWN?

How to stop the disappearance of the middle class

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Welcome

Rob Bence runs RMP Property, a property investment company that sources buy-to-let investments on behalf of clients. He has ten years' experience working in the property sector.

Rob Dix is proud to call himself a complete and utter property geek.

He has written extensively on investment, and his books include Property Investment for Beginners and Beyond the Bricks. He also runs a personal blog, Property Geek.

Is it time to say goodbye to kale, quinoa and cashew butter? If the Bank of England, Oxford University and, errr, The Daily Mail are to be believed, the middle class is being squeezed into oblivion – and most of us are on our way down rather than up.

Our cover story takes an in-depth look at the causes and effects of "Disappearing Middle Class Syndrome", and suggests some ways for avoiding the problem on both an individual and country-wide level. Property investment gets a mention or few, of course.

We're busy finding solutions (or silver linings, at least) in many other features too. Rob Dix's "Property Geek Speaks" column is all about why George Osborne's nasty new rule about mortgage interest tax relief could eventually be seen as – if you're wearing your very rosiest spectacles – *a good thing*. Meanwhile, Felicity Hannah gives you tips on letting your property quickly, while Ruth Jackson explains the benefits of going down the "limited company" route as an investor.

We also have some cracking case studies to share with you. Read about how petrol-head Sukhi Dehal bought a piece of gravel and made a fortune, while DJ-by-night-investor-by-day Jethro East got even less sleep than usual as a result of his first foray into conversions.

As usual, we have all the need-to-know lettings news and advice for you, plus lots of nifty tips and tricks for becoming a more organised, relaxed and profitable landlord.

Remember: everything in this magazine is for your benefit, so please let us know what works, what doesn't, and what you'd like to see us cover in future issues. Just email hello@thepropertyhub.net with any comments at all – we both read everything we receive.

Speak to you soon and thanks for reading!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry

News

FLATS THE WAY TO DO IT

If you purchased a buy-to-let flat ten years ago, it seems you made a wise decision. New research from the Halifax suggests that flats have experienced average price growth far in excess of houses or bungalows, throughout the UK and especially in London.

In 2005, an average UK flat cost £145,874, while today's comparable figure is £233,424. The 60% increase in average flat prices across the country compares to 28% for bungalows, 21% for detached homes and 38% for the market as a whole.

Nonetheless, semi-detached and terraced homes remain the UK's dominant property styles. These two categories jointly represented 59% of home sales so far this year – comparable to the 2014 figure. Interestingly, flat sales as a percentage of the total housing market have dropped from 20% to 17% over the last decade, although they represent roughly one in two property sales throughout London.

The headline rise of £87,550 in flat prices (equivalent to £730 per month) disguises huge regional variations. In the North, East Midlands, Wales and Yorkshire, a typical flat currently retails for less than £120,000. Greater demand and more high-quality flatted homes have ensured average prices of between £120,000 and £145,000 throughout Scotland, East Anglia, the North West and West Midlands. Meanwhile, a typical London flat is three times as expensive at £370,281, and prices have risen there by 67% in the last decade.

POWER FROM THE PEOPLE?

There has been a mixed response from industry observers to the Scottish government's proposals for local rent controls. Plans in the SNP's current legislative programme would see a Private Tenancies Bill introducing the ability to cap rents in so-called "high pressure" areas.

While much of the Private Tenancies Bill is laudable – such as providing robust grounds for repossession – the prospect of local rent controls in areas of high demand has caused considerable disquiet. The Scottish Property Federation claimed housing supply could be curbed, with director David Melhuish on record as saying "the mere prospect of rent controls could... spook potential investors".

There is concern that an initial swathe of high-pressure areas could represent the thin end of the wedge: in Denmark, 90% of privately rented dwellings are located in municipalities with rent controls in place. As the pro-control Living Rent Campaign has pointed out, there isn't currently any information about who'll define or choose high-pressures areas, let alone how such a scheme would actually operate in practice.

There's a general sense among industry observers that the Private Tenancies Bill is biased in favour of tenants rather than landlords. This could increase resentment among representatives of the private rental sector, who are collectively responsible for 14% of all homes in Scotland. The SPF is particularly concerned about the impact of rent controls on the build-to-rent sector, which it believes is pivotal in resolving Scotland's current chronic housing shortage.

"There's a general sense among industry observers that the Private Tenancies Bill is biased in favour of tenants rather than landlords."

A fallen mast at the site of the former Rugby Radio Station, soon to be developed as a new village.

RUGBY'S RADIO MASTERPIECE

Between 1926 and 2007, Rugby Radio Station provided communication links across the British Empire and maintained contact with the Royal Navy's submarine fleet. The site where it stood – a disused 473-hectare site, situated within an hour's commute of London – has been earmarked for the creation of a new village.

With outline planning permission granted in May 2014, site works have already started on a predominantly greenbelt site immediately east of the village of Hillmorton. On completion, this comprehensive mixed-use masterplan is expected to host 6,200 new homes with three local centres and a district centre. Residential homes will be spread across numerous distinct clusters, fanning out in a hexagonal pattern from retained buildings at the heart of the huge site.

Other local amenities will include three new primary schools and a secondary school. There'll also be a GP surgery, plus 24 hectares of sports pitches and formal open spaces. A further 205 acres of land will be left largely untouched. Rugby Radio Station's accessibility is likely to be particularly important to future residents, with Junction 18 of the M1 only a mile away. Up to 15 buses an hour are scheduled to travel to Rugby train station, from where journeys to London Euston can take less than 55 minutes.

An announcement is expected imminently about first-phase housebuilders, and construction is due to begin early next year. Regular updates about current on-site activities can be viewed on the radiostationvision.com website.

TENANTS EXTRA

The nation's dependence on rental homes shows no sign of abating, with 45% of the UK's 20 million tenants believing they'll never be able to afford their own home. A comprehensive survey by Post Office Money Mortgages suggests that rapidly increasing house prices and a slowly improving economy are combining to stifle the dream of home ownership for nine million UK renters.

The Post Office survey reported that the biggest perceived barrier to homeownership is the deposit required, with renters expecting to save for an average of 8.5 years before they amass enough for one. Over a quarter of respondents claim they'll never be able to afford a deposit unless their circumstances radically change, with the majority anticipating assistance from relatives and partners or Help to Buy schemes.

More positively, 11% of respondents to the survey reported no desire to own their homes as they enjoy the freedom of renting. Many people acknowledged that life-changing events like marriage or pregnancy can act as triggers to buy, even though 17% of people said they were concerned about being unable to meet mortgage repayments.

Post Office Money's head of mortgages, John Willcock, also acknowledged a rise in the age at which non-homeowners expect to get onto the property market, compared to last year. He described the increase (from 35 years to 36) as a "worrying trend", adding: "It is clear that there is still a long way to go to inspire confidence in the first-time-buyers' market."

GOING, GOING, GONE

After 26 years with South Yorkshire's biggest independent auction house, Adrian Little is a seasoned professional. Jane Cameron followed his schedule to learn more about the business of bringing down the gavel.

7:00

Rise, breakfast and into the listed offices of auctioneers Mark Jenkinson & Son in Sheffield city centre – where the firm has been for 100 years.

8:30

It's auction deadline week – one of nine a year. Lots must be inspected, terms agreed with sellers, and solicitors instructed. "My entire life revolves around strict auction deadlines," says Adrian, 55, the son of a livestock auctioneer. "Because of them, I tend not to take big holidays but opt for walking or fishing breaks in the UK. Everything must happen by certain days or hours, or the process falls apart. Many sellers don't contact us until the last minute, knowing 'Adrian will sort it out.'"

9:00

Adrian has already seen 40 lots and issued appropriate documentation for the next auction. But there are another seven properties to view today and already three more calls have come in. He says: "I inspect 90% of the properties we put up for sale, which helps me to present them effectively when I'm on the rostrum. For every property at auction, there are at least one or two we've deemed not suitable. Many of the properties I'm asked to comment on are too good – an average nice semi on an estate, for example. Unless the sellers are prepared to carve 20–25% off the price, it's not the right route to take and I tell them so. There are some auctioneers who will take these properties on and make excuses later. But after nearly 30 years, I'd say I'm getting the hang of it. The first six months of this year have brought us a record 93.5% sales success rate. Our last two auctions have been our best since the recession, with lots worth more than £10m sold."

10:00

Adrian explains what makes a good auction bet: "Our market appeals to developers and cash buyers looking to make money from the property. The key word is potential – an unmodernised house or a piece of land. Anything quirky or different works, such as a farm building or public toilet block. I do disposals of libraries, schools and amenity buildings as well as deceased estates and investment portfolios. Yesterday, I saw a 1400 sq ft railway arch with great potential for storage or parking. I've seen all sorts. I've been in houses where serious crimes have taken place and the forensics team has only just left. I have my safety gear on and take it in my stride." Once a property has made it to the catalogue, potential buyers are invited to view it. "We publish a schedule of open viewings in our auction catalogue. As most of our buyers do this for their living, we generally hold viewings midweek during the day," he explains.

11:30

Another key deadline comes 24 hours before auction day and involves setting the reserve price of each lot – the confidential bottom price a seller will accept and that an auctioneer can sell at. This is not the same as the often controversial "guide price" that appears in the auction catalogue, which is intended to assist buyers in determining the range in which the final selling price is likely to be. Adrian says: "I'm on the RICS Auction Committee, and the issue of guide and reserve prices comes up regularly. The initial guide price must reflect the reserve price. If I know the reserve is around £90,000, I won't quote a guide price of £50,000 just to get interest – I'll quote £90,000. It's poor conduct to quote a low guide price in the auction catalogue just to get interest, then bump up the reserve on the day. If you were a buyer who had spent a lot of money on solicitors, you would feel aggrieved. But the prices can legitimately diverge because we publish the guide price in advance, yet prefer to set the reserve price just a few days before auction day to take into account viewings and levels of interest."

13:00

"If the seller doesn't accept my recommendations and the reserve comes in higher than the guide price, I'll publish a revised guide price before the auction – although I try to avoid such last-minute changes. Luckily, most sellers accept my recommendations on the reserve at this point."

13:30

If today were auction day, Adrian would be missing the lunch put on for solicitors and clients before the 2pm start. "I'm usually so nervous, I don't have an appetite and am pacing. When you go on the rostrum, it's a performance and the adrenaline flows. You are building up the energy. I'm standing in front of 300 to 400 people and have the power to enter into legally binding contracts for between 30 and 50 lots of property with that many clients – whose expectations are all hanging on those two hours. It's a huge amount of pressure in a relatively short space of time. I might go away with both happy and disappointed clients, but it's imperative I give my best performance and present lots in the best possible light. The day I'm not nervous, I'm complacent." Adrian explains how he avoids some tricky auction moments by not taking questions from the floor: "In my opinion, by the time of the auction, the only outstanding issue should be price. Other disputes – over boundaries, for example – should have been covered pre-auction day or in the addendum.

“It’s poor conduct to quote a low guide price in the auction catalogue just to get interest, then bump up the reserve on the day. If you were a buyer who had spent a lot of money on solicitors, you would feel aggrieved.”

17:00

On a normal day he’d be leaving the office shortly, but on auction day, after the gavel has struck for the final time, Adrian returns to the office to inform his sellers of the outcome and to prepare an e-flyer announcing the results for the following morning. “I like to personally ring all my clients to tell them – that’s easily the nicest bit of the job,” he says.

20:00

Usually home by 5.30pm, after tea and a walk, Adrian spends an hour or so in the peace of his home giving dictations for his secretary the next day. On auction day, he won’t get home until around 8pm. “It’s an exhausting day and I usually return with a very sore throat soothed by a glass or so of red wine!”

NEXT STEPS

Auction House Action has a list of all future UK auction dates: propmag.uk/auctionlist.

Listen to our podcast about buying property at auction: propmag.uk/auctionpodcast.

A two-bed house with a loft conversion was Jethro East's first property investment, but no one had warned him about the hours, the effort or the rats drowning in the toilet...

By Felicity Hannah

Getting in the mix

When Jethro East isn't running his property investment company, Fairstone Property, he works as a DJ in some of London's most fashionable clubs. And while the dance crowds might think he's bent over his computer lining up the next floor-filler, he's often working on his property portfolio. "If I'm DJing in the corner of a club, then I just occasionally look up, do a few fist pumps and then it's back to Rightmove," he laughs.

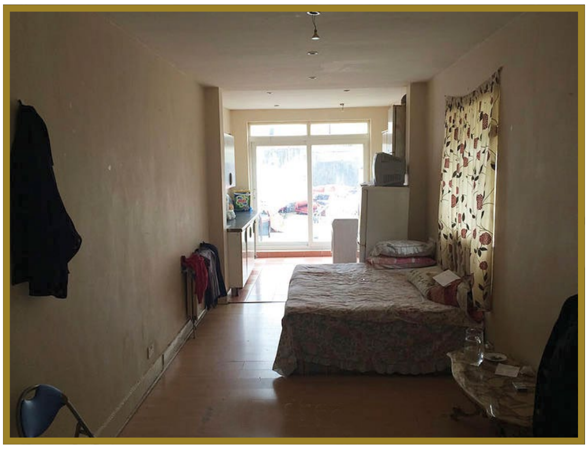
He might find it easy now, but Jethro's first investment wasn't so simple. He bought a two-bedroom freehold property in East Ham for £255,000 – the "worst house on a good road" – intending to renovate it. He explains: "East Road was my first ever purchase and I used a residential mortgage. I wasn't sure if I'd live in it, do a buy-to-let, or sell; I just knew I needed to get started. So I bought it and moved in, even though it didn't have any hot water or central heating and there were rats in the kitchen." Jethro lived there for six cold months, including over winter. He worked full-time at a music studio and DJ'd five or six times a week in order to build up some cash to do the work, but he also persuaded friends to invest their money in the project until he had a sufficient pot, agreeing to pay them a fixed return of 10% APR.

Then came a windfall – along with an actual fall: Jethro was knocked off his bike by a van and received compensation, which he spent buying a simpler "vanilla" property that just needed redecorating and upgrading with no extensive building work. After selling it, he had some cash and knew it was time to tackle East Road. He began work alongside his full-time job, his six nights a week DJing, and the freelance composing he did in his "spare time". "It was tough," he admits. "When you've had eight hours' sleep, it isn't hard to deal with the builders and their problems. But if you've had two hours' sleep and you're meant to be at work and you've run out to deal with issues... it's harder." The two-bedroom house had a loft conversion, but it had been poorly constructed. Jethro says: "The main issue was the loft. I quite naively thought it could just be sorted with some structural support, but I found out it had been cowboy converted – the whole house was structurally unsound. The roof was actually pulling the walls apart; there were cracks in the ceiling, because the house was pulling itself apart. It needed big steels in the walls to fix that.

But the main issue was my team. I used the same builders I'd hired for my easy project, as they'd seemed pretty good. But they didn't have any experience with lofts. Plus I didn't know what I was doing... It was a real car crash of inexperienced builders and an inexperienced developer." The head builder had initially agreed a fixed price for the work, but he soon threw in the towel and said his team couldn't manage it for the price. He also said that he personally couldn't handle the stress of the project but would stay on and work if Jethro took over. And so, quitting his day job but keeping his night job, Jethro agreed to project manage the entire thing himself and pay the same builders a day rate – one he now realises was outrageous – to stay and work for him.

There were moments when the project seemed so out of control and endless that Jethro hit a real low, but he's certainly smiling now. "Looking back it's hilarious, but at the time it was very stressful. I had to check the work and I didn't know what I was doing. There were rats drowning in the toilet. The builders agreed to just get the place to the point where the main building work was finished, and then I got a new team in to finish off the decorating."

It was long, it was often painful and it was nerve-wracking. But it was a great learning experience: "I now know a lot more about how houses are put together," he says, with a laugh that makes it sound as if knows more now than he ever intended to. "I watched both refurbs very closely but especially East Road, when I was the foreman. I learnt how buildings



Before and after photos of Jethro East's refurbished property on East Road.

work, how renovation works, how much you should pay builders. One really important lesson I learnt at the end was the value of staging; it's amazing how few people stage their properties now. They spend enormous amounts of money doing the refurb but then they don't dress it. A house opposite mine is on the market for £700,000 and it still has building materials dumped in the garden! It was a high-quality refurb and then the developer just walked off without dressing it to look like a home. Fortunately, not many people dress properties in my price bracket so I really stand out. If you see ten houses and only one is beautifully posed and set out like a home, you're going to be impressed."

Certainly his potential buyers were impressed. After putting it on the market for £390,000 and doing the viewings himself, two would-be buyers competed over price and the property went for £430,000, netting Jethro almost £100,000 profit. He had considered renting it out, but he wants to get a bit more cash behind him before building a long-term property portfolio. This master moonlighter hasn't been put off by his experiences. In fact, he's in the process of buying another four houses. East Road with its structurally unsound loft conversion, rats drowning in the toilet and striking builders may have been a baptism by fire, but it's proved to him that there's real money to be made – and that he really can get by on just two hours' sleep.

THE PROJECT IN NUMBERS

Purchase price: £255,340

Cost of building work: £60,000

Interest and other fees: £15,000

Total project cost: £330,000

Of which cash: £40,000

Of which loans: £290,000

Interest rate of finance product used:
4% mortgage, 10% loans from friends

Sale price: £430,000

Profit: £100,000

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

LOCATION FOCUS

Renaissa mas

Birmingham's 21st-century renaissance may be well underway, but the UK's Second City still offers affordable investment opportunities.

By Neil Cumins

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Despite its rich history and impressive size, Birmingham has never managed to imprint itself upon the public psyche as effectively as other British cities. Liverpool and Manchester are synonymous with football and music, while London is the UK's cultural heart and Brighton has carved out a niche for alternative bohemian lifestyles. By comparison, Birmingham's profile remains surprisingly low for a city with over a million inhabitants, whose wider metropolitan population of 4.3 million underpins a £90 billion regional economy.

There is plenty to entice investors towards the UK's second city, however. Birmingham's improving fortunes and property stock are drawing thousands of new residents each year from overcrowded London, as well as smaller cities with fewer amenities.

At the heart of everything

In a report published earlier this year by Urban Land Institute and PricewaterhouseCoopers, Birmingham was listed as Europe's sixth best city for existing property investments. This is partly down to the city's burgeoning small business sector, with 19,000 new companies created there in 2014 alone. In tandem with this strong entrepreneurial spirit, several flagship projects underpinned Birmingham's strong performance in the PwC report. The company's real estate expert Mark Whitehouse was quick to acknowledge this: "Activities relating to projects such as the new Grand Central retail development at New Street Station and Paradise Circus are grabbing global attention."

The proposed HS2 scheme would provide a further boost to the business sector if it ever goes ahead, allowing the 140-mile journey between London and Birmingham to be completed in less than 50 minutes. Even without HS2, Birmingham has an impressive transport infrastructure. Its eponymous airport sets new visitor records with every passing month, while a motorway network rings the city and suburban rail services loop around from New Street station, in competition with the expanding Midland Metro tram line.

Bridging the gap

As Birmingham's renaissance gathers pace, industry observers have identified a growing imbalance between supply and demand throughout the city's rental sector. The shortage of affordable rented accommodation is reflected in the fact that the city council has established a social lettings agency, helping landlords with property management and tenant matching in an attempt to increase the availability of quality private rental properties.

Despite this, parts of the city centre have experienced so much apartment construction in recent years that finding tenants for these high-value new-build flats can now be a challenge. Local investor and developer Phil Stewardson explains: "During the good times, the city centre apartment market was rapidly flooded. Our perception was that there was always interest in the newest shiniest development, but after 12–18 months, tenants were moving on and the older developments were struggling to fill voids."

Old meets new in Birmingham city centre.

As a result, investors may be well advised to look beyond Birmingham's urban core towards the suburbs. Phil Stewardson's investments are concentrated along the A456, which is a main arterial route into the city: "We track it along a 15-mile length and drift out from it for a couple of miles, concentrating on areas like Edgbaston, Halesowen, Quinton, Stourbridge and up to the edge of Kidderminster. All property types are in demand, from terraces through to large detached homes. However, our focus is two and three-bedroom terraced and semi-detached houses, in areas where there are good public transport links and decent schools."

The ripple effect

As converted redbrick warehouses in the trendy Jewellery Quarter (just outside the city centre) continue to attract high numbers of young professionals, the neighbouring suburb of Handsworth may soon begin to experience the beneficial ripples of this investment. Handsworth's reputation precedes it as a tough working-class district with a history of social unrest, but regeneration is ongoing and the future looks relatively bright compared to its infamous past. It's still possible to purchase a two-bedroom mid-terraced house here for under £90,000, whereas that sum would only buy you a one-bedroom flat in affluent Edgbaston or Moseley. That said, these wealthy suburbs (along with Harborne and Bearwood) remain hugely sought after among tenants and homebuyers alike. These areas represent relatively safe bets compared to districts like Handsworth or Ladywood, which currently combine gentrified apartment blocks with notorious high-rises.

Famous last words

It wouldn't be fair to conclude by saying that Birmingham is an investor's paradise, since some elements of the local property market definitely require caution. Non-traditional construction techniques were used throughout post-war social housing estates like Chelmsley Wood and Kings Norton, and many lenders are unwilling to provide mortgages on these non-standard properties. The recent renaissance in dedicated student housing has resulted in a drop-off in demand for HMO properties in recent years (honourably excepting core areas like Aston's Victorian terraces), and prices for the swathes of new canalside apartments remain relatively high compared to more established areas that represent better value and additionally offer greater amenities.

If you do your homework, however, Birmingham is a great location for investors. Improving transport links with the capital and a resurgent public image can only be beneficial for the Second City's army of investors.

"As converted redbrick warehouses in the trendy Jewellery Quarter continue to attract high numbers of young professionals, the neighbouring suburb of Handsworth may soon begin to experience the beneficial ripples of this investment."

FUTURE PERFECT

Like all big cities, Birmingham can lay claim to various development and regeneration masterplans. Here are some flagship schemes that prospective investors should be aware of:

The Big City Plan: This 20-year vision will see 800 hectares of urban land revitalised with new residential districts among five designated Areas of Transformation. The idea is to create new city centre quarters featuring their own distinct character, while retaining existing buildings wherever possible.

Great Charles Square: A two-acre surface car park along Ludgate Hill could be reborn as a mixed-use development, with a public square and a £55 million residential complex containing apartments and studios exclusively for rent. A planning application for the residential element will be lodged later this year, with commercial space set to follow.

Birmingham Curzon HS2: Although HS2's future remains uncertain, a draft masterplan proposes transforming 140 hectares across the Eastside and Digbeth districts immediately east of the city centre. There are plans to construct two thousand new homes and create 600,000sq m of additional business space, across a swathe of industrial and suburban land.

Greater Icknield: Not so much a masterplan as an invitation to developers, this would exploit the 60 hectares of available land within Greater Icknield for housing-led redevelopment. Much of this land backs onto canals and Edgbaston Reservoir, significantly elevating its appeal. However, proposals to augment the area's 6,000 existing properties remain speculative at this stage.

The only way is dow

A growing body of evidence suggests Britain's middle class is shrinking with every passing year. What can the endangered middle class do to prevent this, and what role can property play?

By Neil Cumins

British people have always been obsessed with class. More than any other nation, we've agonised over our social status and hungrily aspired to join the socioeconomic group above our own. Our ongoing obsession with social standing has been reflected in a wealth of television and literature, from Downton Abbey and Keeping up Appearances, to The Casual Vacancy and Coming Up For Air. The struggle for social improvement was summed up by former deputy prime minister, John Prescott, who famously declared that "we are all middle class now" before becoming Baron Prescott of Kingston upon Hull and entering the House of Lords.

Class may be a national obsession, but a growing number of commentators are questioning whether the middle class – squeezed between an impoverished underclass and a land-owning gentry – even has a future. Defined by Cambridge Dictionary as "a social group that consists of well-educated people...who have good jobs and are neither very rich nor very poor", an increasing proportion of working professionals are being forced to adopt lifestyles resembling those of the working class backgrounds their parents strove to leave behind. From working parents paying the minimum credit card balance every month, to house-rich-cash-poor retirees shivering through unheated winter nights, it's interesting to consider why the middle class is experiencing such economic pressures and how social status can be maintained.

What's the basic principle behind the "Disappearing Middle Class" theory?
A good way to envisage this process is by imagining everyone's incomes displayed in a horizontal chart. Traditionally, the UK's wealth dispersal graph resembled a ball – a bit at the top, a little at the bottom, but mostly concentrated in a bulbous middle. The Disappearing Middle Class philosophy suggests society is adopting an hourglass figure, with an expanding (and increasingly prosperous) elite at one end and burgeoning numbers of impoverished workers and welfare-dependents at the bottom. People in the middle are gradually being squeezed into the bottom tier by factors out of their control, while a few inherit their way to financial comfort or benefit from the largesse of a shrinking pool of bonus-paying employers.

Is this an acknowledged phenomenon?
The Property Hub's Rob Bence is one of the early exponents of what we will refer to as DMC Syndrome, but he's not the first to identify this phenomenon. Two years ago, Mervyn King, the Bank of England governor at the time, admitted that "living standards have been squeezed for longer than at any time in living memory". The Daily Mail has been publishing stories of middle-class angst for several years, while the term "squeezed middle" became the Oxford English Dictionary's Word of the Year in 2011, ahead of "hacktivism" and "Arab Spring". The OED defines someone in the squeezed middle as being "particularly affected by inflation, wage freezes and cuts in public spending during a time of economic difficulty".

However, there's a growing argument that people in the middle aren't being squeezed so much as vanishing entirely. A 2013 article in The Spectator lamented "the strange death of the middle class", attributing it in part to an average 10% drop in real-terms pay since the economic crash began. More recently, a report by academics at Oxford University revealed that London saw an 80% increase in poor households between 1980 and 2010, while the proportion of wealthy households also rose by 80%.

Although pedants have quibbled over the report's definitions of wealth and poverty, it's interesting to note that only 37% of London households can apparently be described as middle income – compared to a figure of 65% three decades ago. The Oxford University study relied on a hugely complex definition of "middle income", though Office for National Statistics data suggests the middle 20 per cent of UK households in 2011/12 had a gross income of £30,100.

Traditional idea of wealth distribution.

The "hourglass" society model of wealth distribution.

So what's causing this phenomenon?

There is no easy answer to the question of why the middle class is experiencing such unprecedented pressure on its finances and circumstances. Some commentators have simplistically blamed political policies or the inexorable rise of consumerism, but the reality is far more complex. Below, we study two separate causal elements – the role of the state, and the role of individuals.

1. THE STATE AND INDUSTRY

Property Hub regulars will be aware of how the seeds of each financial downturn are unwittingly sown by attempts to recover from the previous slump. As the government of the day tries to reassure voters frightened by a bleak economic outlook, they unshackle the housing market and encourage spending. A period of growth is underpinned by stimuli like low interest rates, leading to ballooning debt levels that eventually become unsustainable among individuals and institutions alike. Credit dries up and companies start shedding jobs, instigating a recession that in turn results in the aforementioned stimuli being deployed once again.

This unwelcome (yet recurring) pattern has been exacerbated by the new trends of fixed-term parliaments and coalition politics. With little flexibility around general election dates any more, governments are increasingly placing long-term planning below the primary aim of surviving each five-year cycle. Unpopular decisions are usually pushed back beyond the next election – witness the stringent public spending cuts that have been announced by George Osborne since we went to the polls in May. The Living Wage will undoubtedly benefit working class voters, but sole traders are seeing rapid tax rises on dividend income; meanwhile, fixed protection will cap tax-free pension pots below £1 million over a person's lifetime.

As above, so below

Pensions, as it happens, provide a classic example of DMC Syndrome. The gradual evaporation of final-salary schemes and lucrative private pensions doesn't affect the top or bottom of society. Without the disposable income required to invest in a pension pot, the poor pay little attention to stock markets or savings vehicles. Meanwhile, the upper class can generally rely on inheritances or equity in their homes to ensure a comfortable retirement. By and large, it's the people in the middle who are most affected by underperforming endowments and illicit raids on "ring-fenced" pension funds.

> "If the state has to accept some responsibility for the undermining of middle-class living standards, so do individuals. And that means all of us. It's not just shopaholics who spend months clearing last Christmas's credit card debts."

The other housing crisis

The UK's recession may have left less of a scar than the downturns of Spain (with 49% youth unemployment) or Greece (where government debt is 175% of GDP), but it has still shaken the foundations of our consumerist society. Credit underpinned much of the UK's materialistic heyday, but banks are far more reticent to lend now. This has been particularly tough on the housing market: last year's FCA changes to lending criteria resulting in many applications being torpedoed by an applicant's inability to prove they can comfortably manage repayments. Mortgage providers are still being more cautious than today's market conditions seem to require, and millions of people will soon be impacted by the failure of the endowment policies they trusted their futures to. Citizens Advice recently announced that over 930,000 interest-only mortgage holders have no means of paying off the capital when their loans come to an end.

Once again, middle income families are disproportionately affected by these issues, with rising property prices and tighter mortgage lending criteria combining with falling incomes and low interest rates to squeeze living standards as never before. Those lucky few with significant savings or owned homes can avoid such issues, while the people who never had savings or a mortgage will continue to scrape by.

2. INDIVIDUALS

If the state has to accept some responsibility for the undermining of middle-class living standards, so do individuals. And that means all of us. It's not just shopaholics who spend months clearing last Christmas's credit card debts when they should be saving up for next Christmas instead. Debt doesn't develop overnight, and many people are guilty of purchasing goods and services they don't need with money they don't have. Author and campaigner Edward Goldsmith once called such behaviour "Ostrich Syndrome".

Buy now, save later?

Consider the family car – one of the most overt symbols of a middle-class lifestyle. The UK's fastest-growing car finance option is personal contract purchase (PCP) agreements, which require a sizeable deposit and a hefty lump-sum final payment in exchange for cheap monthly payments on a nice new car. Many regard the final settlement fee as a problem for three or four years in the future, assuming their financial circumstances will somehow improve by then. If there's no money for the final payment required to take ownership (or for another deposit on a new agreement), catching the train to work every day can become a harsh necessity. Our parents used to save up and buy cars outright, or take out a modest loan, but such frugality doesn't match modern expectations for neighbour-trumping status symbols.

Rob Bence believes Noughties materialism tricked many people into thinking of themselves as middle class: "A large proportion of people weren't middle class – they were temporarily middle class, but they didn't realise it because they weren't financially educated. They were living in a bubble that was only ever going to be temporary, but they thought cheap money would be around forever and you could just keep taking equity out of your home and living off it." Rob also acknowledges the gradual erosion of long-term pragmatism in domestic decision-making: "People want the instant gratification of having their deliveries here five minutes ago, and they want to be rich today."

Our parents used to save up and buy cars outright, or they'd take out a modest loan. Such frugality doesn't match modern expectations for neighbour-trumping status symbols.

The Solution

If the root cause of DMC Syndrome can be attributed to a potent cocktail of personal avarice, corporate largesse and government short-termism, it's obvious that finding a solution will require wholesale changes from all corners of society. It may be ambitious to even hope for such a resolution, but these are some of the factors that could help to preserve the increasingly endangered middle class:

1. THE STATE AND INDUSTRY

In the short term, we need far greater transparency from politicians and business heads about the realities of economics. By explaining the issues and choices clearly, in down-to-earth terms, the electorate would swiftly develop greater trust in its politicians. Openness and honesty about issues like the pension crisis might seem unpalatable, but admitting that the state pension is no longer a proper safety net would encourage us to adopt a more proactive and informed approach to future planning. Too many retirees will be house-rich-cash-poor, because the people in power didn't explain what old age would really mean from a financial perspective.

In the longer term, our elected leaders could do worse than look to the Hungarian Parliament. Back in 2008, as the ill winds of economic discontent stalked Europe, Hungarian politicians appointed the country's first "commissioner for future generations" to determine whether individual policies and laws would result in long-term wellbeing. This pioneering role acts as a bulwark against what American politician Eric Cantor criticises as the "political expediency" of short-termism. An arm's-length apolitical appointment like this could help to focus the minds of Westminster politicians beyond 2020, for the good of voters as yet unborn.

If you build it, they will buy

Finally, and perhaps most pressingly, there must be a long-term sea change regarding our approach to housebuilding. Data released this month by HMRC and the Land Registry demonstrates how house prices in London now cost 12.2 times median income, compared to just 4.4 times 20 years ago. Even in Wales, a typical house now costs almost seven times the median income. There is a gross imbalance between supply and demand, and it's essential that UK Plc relaxes planning laws and increases incentives for brownfield redevelopment – not just temporarily, but for generations to come.

> **"In the longer term, our elected leaders could do worse than look to the Hungarian Parliament. Back in 2008, as the ill winds of economic discontent stalked Europe, Hungarian politicians appointed the country's first "commissioner for future generations" to determine whether individual policies and laws would result in long-term wellbeing."**

2. INDIVIDUALS

An immediate and effective step towards resolving DMC Syndrome would involve learning to live within our means. A quick trawl through the Money Saving Expert website reveals countless stories of overwhelming long-term debt. It's folly to maintain a middle-class veneer by visiting organic delis when the weekly budget demands a visit to a high-street supermarket – particularly if the cashier is then handed a heavily burdened credit card.

This also applies to our choice of homes, where it's unwise to hope hard times never arrive and stretch your maximum budget for an aspirational postcode. Similarly, landlords should stress-test their portfolios annually, to see how they would cope with interest rate hikes or a price crash. If a rental property is barely breaking even now, a global downturn could render it a liability. Smaller portfolios with higher yields are always preferable to continuing acquisition – particularly if that expansion takes a landlord into unfamiliar areas or markets.

In the medium term, the UK should collectively rediscover the philosophy of saving that older generations accepted without complaint. A low-interest-rate environment means that it may be a long time before saving money becomes a truly profitable endeavour again, but it remains crucial for protecting us against sudden drops in income or changes in circumstance. Having funds in the bank for a period of unemployment or a new boiler can prevent the debt spiral that has led many an aspirational family towards CCJs and even bankruptcy. Again, saving a bigger deposit for a property purchase may be the unfashionable jam-tomorrow option, but it's the better long-term approach.

Back to school

Looking to the longer term, the UK's education system should be compelled to adopt a far greater role in financial matters. Instead of focusing on balancing quadratic equations, maths lessons should teach students how to balance the books. Parents also have to educate their children on budgeting, which may involve overcoming their own ignorance about household finances. A basic Excel document detailing each month's incomings and outgoings can be a hugely powerful tool, yet few people ever Google "household budget planner" and investigate the free spreadsheets available online. Having a sound grasp of your financial commitments will enable frivolities to be trimmed where necessary – a shop-bought latte every morning can cost almost £1,000 a year by itself.

The need for greater financial education in first-world countries has already been acknowledged by the OECD: "It is becoming essential for the average family trying to decide how to balance its budget, buy a home, fund the children's education and ensure an income when the parents retire." This latter point is particularly pertinent, with a report last year by Prudential suggesting that one in seven new UK retirees have no savings at all, and the number of people in an occupational pension scheme has reached an all-time low. People need to be educated on how to establish a private pension or invest in a long-term funding vehicle, since the state's only responsibility is a weekly pension of £115.95. That's not enough to fund a middle-class retirement, even if pensioners are mortgage-free.

ASKING THE RIGHT QUESTIONS

One of the few people to formally identify the disappearance of our middle class is David Boyle, journalist and author of "Broke: How to Survive the Middle Class Crisis". He agrees that education and self-awareness are crucial to our continuing social status: "The middle classes need to wake up and realise what is happening and ask themselves: will their children be able to afford to buy a house, or even to live in South East England at all? Will the next generation have the economic freedom to choose the career that thrills them, or will they just have to go into financial services to pay the rent? Will there be any middle classes in the next generation at all?"

> “Many people remortgaged unwisely in the Noughties, accumulating debt on the assumption that house prices would rise forever. Even successful landlords over-leveraged or expanded their portfolios until market corrections knocked over their financial house of cards.”

The last word

Although the UK's class system is a largely theoretical construct, there is no question that people in the centre ground are being impacted by economic pressures far more than those above and below them. It's tempting to describe this as the end product of unfettered capitalism, but hard work and ambition doesn't necessarily allow you to climb up the social ladder anymore. Remaining part of the middle class is far harder today than it was before, and it requires greater prudence and fiscal caution.

Property can play a key role in maintaining a middle-class lifestyle, but only if it's sustainable in the face of economic hardship. Many people remortgaged unwisely in the Noughties, accumulating debt on the assumption that house prices would rise forever. Even successful landlords over-leveraged or expanded their portfolios until market corrections knocked over their financial house of cards. A more cautious and long-term approach could have saved many homes from repossession and many property firms from dissolution, just as it will when the next downturn inevitably arrives.

Ultimately, education is key to preserving the lifestyles and fiscal security of Britain's middle class. From boardrooms to classrooms, a greater understanding of economics and money management would benefit employees, decision-makers and families alike.

As Rob Bence concludes: “There's a real importance to being financially educated, and understanding the pension crisis and the housing crisis. The financially educated can see what's happening, and they can make decisions accordingly to ensure they don't suffer. If you're financially literate, you can avoid dropping out of the middle class altogether.”

A CLASSLESS SOCIETY?

When John Major made his “classless society” speech at the start of his tenure as prime minister, he may have foreseen the crumbling of conventional class barriers. Some commentators have argued that Britain no longer has the time-honoured working, middle and upper-class structure it once did. Indeed, a BBC survey in 2013 claimed that only 39% of the population fitted inside one of these three brackets.

Having surveyed over 160,000 people, the BBC reported we're now a seven-class society, from Precariat (poor and deprived) to the Elite. The middle class was divided into Technical and Established components, though commentators at the time acknowledged the blurring of boundaries between traditional working class and middle-class families. Indeed, it's possible to interpret this survey as demonstrating that the UK actually has a two-class society – with the elite above, and everyone else below.

CASE STUDY

Parking, fine

When an ambitious young investor bought a small car park in the Jewellery Quarter of Birmingham, he discovered it was a diamond in the rough.

By Christopher Nye

Sukhi Dehal, proud owner of the car park that's looking set to net him £140,000.

We hear about the housing shortage all the time, but when space and land is at a premium it isn't just people we need to find room for. Most of us own a large chunk of metal that spends much of its life sitting around not doing much: our car. That's an opportunity.

Formula One lover and all-round petrolhead Sukhi Dehal, 35, from Birmingham, bought a car park this summer. Why? "I already have residential investments," says Sukhi, "but I want to learn about as many things in property investment as possible: flats, houses, commercial, offices, HMOs..., so I can figure out which is the best." With the car park, what stood out for Sukhi was that it would be a hands-off investment: "Once leased, I wouldn't have to worry about it for another ten years."

It isn't the most glamorous car park: just nine spaces on a piece of gravel currently leased out at £12,000 per annum. It has an electrical substation in one corner, which is also leased out – for the hefty sum of £25 per year.

Car park full

While the car park may not have seemed like the most attractive investment, Sukhi had a little bit of local knowledge. He'd once worked in a building overlooking it, in Birmingham's Jewellery Quarter, surrounded by shops, offices and homes. "It was always busy," he says. That wasn't enough reason to buy it on its own, but it was a good start. The car park was to be sold at an auction by Bigwood auctioneers, so Sukhi got the catalogue and started his research. "I found out who owned it and who currently leases it. With a bit of luck I managed to find the surveyor who had surveyed it for the current owners. He told me he had valued it at £130,000." Sukhi also researched past car park auction prices, and reckoned that each car parking space would sell individually for £12,500–£15,000.

OK, so there's potential value, but how do you pay for it? "The auction terms required completion within 28 days, which isn't enough time to arrange a mortgage – so I decided to get outside investment and combine that with the money I'd saved up." The guide price was £140,000 but Sukhi was willing to go to £115,000.

Going, going...

Sukhi's eyes light up when he recounts the auction experience: "This being my first auction, I was shaking; really nervous. I kept trying to talk myself out of it. Bidding started at 120 and there were no takers. It went down to 90 and then a guy behind me shouted '85!' and it started at that point. He bid against some other guy and it went up in fives to 95. It went to 'going once, going twice', which was when I put my paddle up for £100,000. No one bid against me until the auctioneer suggested going up in ones. We had 101, 102, 103, then finally I got it for £104,000. At this point my ears were ringing, my heart pounding and I had to get up and walk calmly to the desk, trying to act like I've done this before."

At that price Sukhi knew it would make a 11.5% return per annum. The fun, however, was just about to start. "Before I even picked up the legal pack a guy stopped to congratulate me and said that the office on the corner would love to lease the car park if it became available," says Sukhi. "And another guy asked if he could buy the substation off me." In the two months since, Sukhi has been fielding offers, but first he had to pay the balance of his winning bid to complete the sale. In the absence of mortgage finance, he turned towards an unusual funding source: peer-to-peer lending. "I have a squeaky clean credit record," he says. "So I got the funding fairly quickly from a company called RateSetter. I filled in the application, was approved in 12 hours and the money was in my account six hours after signing up."

The arrangement fee was a pretty hefty £6,750, and the fact that Sukhi must pay off the capital as well as interest at 7.25% per annum leaves him with sizeable monthly repayments – which he needs to meet partially out of his own pocket. On the plus side, Sukhi can pay it off without any penalties as soon as he's able to sell or refinance.

Route planning

So what next? As the proud new owner of a Birmingham city-centre car park with the lease to the current occupiers about to run out, Sukhi has several options. He considered developing the site, but because it was overlooked by other buildings, he could only get planning-permission for a single-storey dwelling – which wouldn't have made it worthwhile. He could convert it into a public car park, although he doesn't want to get involved in revenue collection, policing it and paying the rates: "My day job already takes up 120% of my time," he says. It's currently up for lease at £13,000 per year, but even better, he's already had several offers to buy it – including from car park operators. "I would be over the moon if I could get £140,000 for it," says Sukhi.

So two months after Sukhi bought it for £104,000, other car park operators are looking to buy it for up to £36,000 more? Why didn't they just turn up at the auction? "Apparently they had to be somewhere else that day," says Sukhi.

The key to this deal's success appears to boil down to three factors. Firstly, a confident, accurate valuation – thanks to Sukhi's local knowledge supplemented by copious research and the advice of a great surveyor. Secondly, he had the cojones to go out of his comfort zone and buy at an auction, despite his nerves. Thirdly, he went to an auction in July when it was quiet. His competitors in the market, bigger car park operators, simply weren't there on the day, and will now have to pay much more. It just goes to show: with a good starting position and a little bit of drive and determination, it's possible to beat the competition and take pole position.

DO THE MATHS

Car park valuation: £130,000

Purchase price: £104,000

Of which cash: £31,000

Of which loans: £75,000

Finance cost: £6,750

Legal fees: £750

Lease income: £12,000 pa (plus £25 pa for substation)

Gross yield: 11.5%

Profit: TBC (not sold yet, but a sale has been agreed for £140,000)

Finance cost:

- Gross loan amount: £81,750
- Net Loan Amount: £75,000
- Lender Arrangement Fee: £6,750 (added to loan)
- Loan term: 5 years
- Annual interest: 7.25% (no early repayment charge)
- Monthly payment: £1,628.41 (£402.22 interest plus capital)
- Monthly rental income: £1,000

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

You'd better shape up 'cos we need a plan

Stick as many pins as you like in your George Osborne voodoo doll, but the reality is that it's time to get serious or get out, says Rob Dix

You know it's time to get out of the market, as the old saying goes, when the shoeshine boy is giving you stock tips. While property market mania hasn't gone that far yet, in my last column I did express doubt that the "easy riches" style of property investment being constantly trumpeted by the newspapers (except the Guardian, obviously) could be sustainable.

I didn't, it must be said, expect the challenge to the status quo to come from a Conservative chancellor's policy. The announcement that mortgage interest was to be disallowed as an expense (replaced by a basic-rate allowance) shocked the entire industry – and once the confusion and disbelief had subsided, a petition to reverse the changes quickly collected over 30,000 signatures.

Yet while investors are probably right to feel aggrieved by exactly what's been done, we can't forget that housing is an essential human need as well as an investment class. The buy-to-let sector at its best provides an invaluable service, but if the balance was tipping too far away from homeowners then it was only a matter of time before something needed to be done. (The best "something" would be to build a massive number of new houses, but all sides of the political spectrum seem to have written off that idea as far too much work.)

So, with the profitability of renting out property being sharply reduced for higher-rate taxpayers (and more buy-to-let owners being pulled into the higher-rate band), I've been asked several times over the last few months... why aren't I panicking?

My answer is pretty boring and pragmatic: I'm not over-leveraged, my investments have plenty of margin while still being profitable, I don't rely on my rents to fund my lifestyle, and I still believe in the sector over the long term. What's more, there's always a way of changing strategy or restructuring a portfolio (see the article "In Good Company?" on page 30) to minimise the impact.

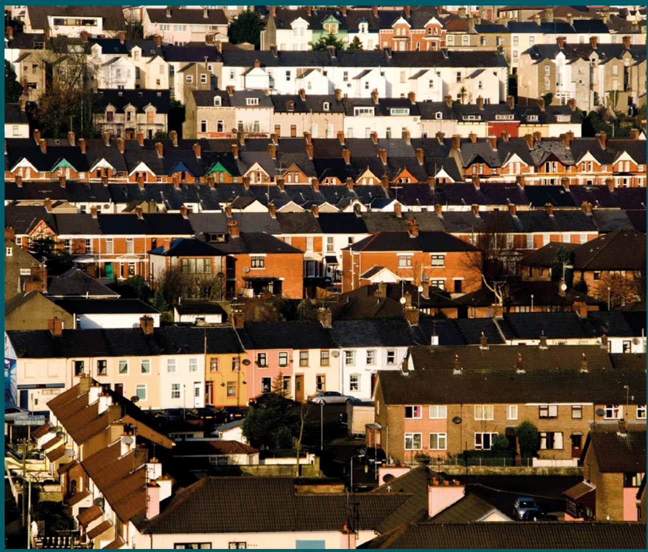
What's more interesting, I think, is the effect these changes might have on the makeup of the buy-to-let sector as a whole – and how they tie into the tricky ethical issue of profiting from property.

We need some inspiration here

In my mind, much as "evil landlords" tend to get lumped in together, there's a clear spectrum of property investment morality. Up at one end, you've got brand new gleaming tower blocks in London which are all sold off-plan to overseas investors at prices way beyond the reach of the native population. Many units will never even be occupied, being bought speculatively for capital growth or just as a place to store cash. This is, if not "wrong", then at least hard to justify on such a crowded island.

Right down at the other end you've got investors – often full-time property professionals – who

"The interesting part is the majority in the middle: those investors who aren't pursuing a buy-to-hoard strategy nor providing a public service by renovating neglected properties, but just buying a few properties to boost their monthly income or to serve as a pension."



buy up tired or derelict properties, bring them back into good condition, and let them out or sell them on. While you could argue that they're still pushing up prices for owner-occupiers, the fact remains that most people who are buying a house to live in wouldn't want to conduct such large-scale refurbishment – and in any case, good-quality rental property is needed by the many people who don't want to buy right now.

The interesting part is the majority in the middle: those investors who aren't pursuing a buy-to-hoard strategy nor providing a public service by renovating neglected properties, but just buying a few properties to boost their monthly income or to serve as a pension.

These are the people (and you might be one of them) who are going to be hardest hit by the new tax measures – especially if their implementation coincides with an increase in interest rates and/or a dip in prices. These types of investor are more likely to have another full-time job (and thus be higher-rate taxpayers), and less likely to be trading within a company or accruing large refurbishment expenses which can (in the right circumstances) be offset against profits. Unlike full-time professionals, they won't necessarily have the time, knowledge or contacts to arrange their affairs to reduce the impact of the new rules, and unlike the super-rich they can't afford to absorb monthly losses.

These investors are going to be forced one way or the other – out of the market, or into taking a more professional attitude to investing – and I don't necessarily see that as a bad thing. Because let's be honest: property shouldn't be a one-way bet. You shouldn't be able to make vast profits without taking on any risk, putting in any effort or really having a clue what you're doing – or else everyone would be doing it. And we saw in 2008 what happens when everyone is doing it.

Fail to prepare...

For some investors who've bought unwisely and don't have the appetite to absorb new information, weigh up their options and change course, it'll be time to exit the market – which will give property prices a bit of a downward nudge to counteract the constant upward pressure of constrained supply.

And for the rest of us? We'll just have to keep on learning, reassess, and maybe work a bit harder for our money – whether that's by being more selective about what we buy, buying properties where we can add value, or using more cash and less leverage. Overall, I believe that investors like you who are taking the time to educate themselves will benefit from a less crowded sector, and tenants will benefit from landlords who have a professional attitude or understand the importance of employing professionals on their behalf.

So while I don't agree with the way it's been done and I've put my name to the petition to get the Budget measures overturned, property does need to be made to work for owners and investors alike, and I'm certainly not panicking. Taking a decades-long view, there's no way that owning property is going to be a bad thing. Along the way there will be boosts and there will be challenges, but by constantly learning and taking an entrepreneurial attitude, we can always find a way to come through unscathed.

NEXT STEPS

- Add your name to the petition against the tax changes: propmag.uk/taxpetition.
- Download Rob's spreadsheet to calculate how you will be affected: propmag.uk/budgetspreadsheet.

Mortgage shmortgage. Less than ten years after sub-prime mortgages wrecked the global economy, it's no surprise that banks remain cagey about lending. But who needs banks anyway, asks Christopher Nye?

SHAKING THE MONEY TREE

Mortgage lending may be tight, but you can't keep a determined money-maker down. With appetite for property undampened, plenty of alternative finance options have grown in popularity – including the simplest and most obvious option of all....

Your own cash

If you've got a healthy bank balance or other assets you can liquidate, using cash lets you move quickly without reliance on anyone else.

The downside is that you won't be using leverage to amplify your gains (see propmag.uk/leverage for more about leverage), but you don't have to pay arrangement fees or interest – and the profit is all yours.

In the absence of a six-figure bank balance, though, what are your alternatives?

Bridging

Bridging finance is a short-term loan, which is useful for buying property at auction or to renovate and rapidly sell on ("flip") run-down and unmortgageable property. Bridging lenders are interested in the property rather than the individual, so they make decisions more quickly and ask fewer questions about the borrower's personal finances.

Bridging makes sense for those who have the energy and ambition to be in property development, but limited access to finance, says specialist bridging broker Kevin Wright (positivepropertyfinance.co.uk): "Why sit on the sidelines not earning anything from property, when you can buy and sell on at a profit? Your first step is to check with a specialist broker to see if you can get bridging on your deal. They'll sound it out with different bridging lenders and see what the terms will be. You'll then work out all the buying costs, finance costs, refurb costs, etc. to work out what margin you want to make. If it all stacks up, go ahead and buy it."

"Why sit on the sidelines not earning anything from property, when you can buy and sell on at a profit?"

Bridging can also be used for buy-to-let projects if – for example – you're unable to get a mortgage now but know that you can within the next year: buy with bridging, then refinance on to a mortgage product later.

Bridging loans are generally offered for a year, at between 0.6% and 1.5% per month, secured against the property. Arrangement fees are usually 2%. Interest payments can often be delayed until the end of the loan period.

Peer-to-peer lending

In the peer-to-peer model, rather than a bank serving as the middleman between depositor and borrower, an FCA-regulated platform matches the two sides. As a result of being more efficient and less greedy than the banks, it allows the lender to make a better return than they would in a savings account while offering favourable rates to businesses... and property developers.

One such platform is Funding Circle (fundingcircle.com), which began life as a business loan provider but has recently branched out into property loans. They now offer short-term loans for property buyers or small-scale developers looking for up to £3m. Arrangement fees are 2–3%.

Funding Circle's purpose-built systems allow a decision to be made within 24 hours, according to Park Chandra, the company's director of real estate finance

"In the peer-to-peer model, rather than a bank serving as the middleman between depositor and borrower, an FCA-regulated platform matches the two sides. As a result of being more efficient and less greedy than the banks, it allows the lender to make a better return than they would in a savings account while offering favourable rates to businesses... and property developers."

– but they need answers from the investor first. "We'd need to understand the purchase price, refurbishment costs and projected end value, and we also want to be comfortable with the nature and location of the property. We also have to do some due diligence on the borrower, to understand their track record."

So criteria are tighter than with most bridging companies, but a decision can be similarly snappy – providing a handy extra option for investors who can successfully make their case.

Joint ventures

Friends and relatives, colleagues and neighbours shouldn't be overlooked as a source of funds – because many people are keen on the idea of property, but lack the time or skills to go it alone.

Just as strong fences make good neighbours, strong structures make good joint ventures (JVs). Define each partner's responsibilities in a document that clearly lists tasks, timetables, budgets and roles. Most importantly, establish from the outset how the JV will end. You can download legal agreements free from the internet, but it's wiser to go through a specialist legal firm: they can advise on a business structure and the tax implications.

JV finance can give developers more certainty than the alternatives, says Ian Moorcroft of PSG Bahamas (psgbahamas.com): "It costs us more than going to the bank, but it's more reliable because we're not beholden to a bank. We're not subject to the whims of an institution's lending policy changing and not investing with us any more."

Equity loan

Many borrowers want to increase their mortgage on an existing property after it has increased in value, but the property doesn't generate enough rental income to support borrowing up to the typical 75%.

Enter an equity loan, which involves no interest repayments: instead, the borrower gives away a proportion of the property's price growth over the life of the loan. The equity that's been released can be used for further property investments – or even as a source of finance for a business.

The typical equity loan is £100,000, says Matthew Wyles, executive director of Castle Trust (castletrust.co.uk). "Investors use us to gear up their portfolios. As the property or rental value rises, it's possible to get senior financing, pay us off and then use us again for future investments."

Conclusion

The dark cloud on the "alternative finance" horizon is the exit strategy. What if you find your property doesn't flip quite so easily? What if you can't switch to a traditional mortgage product after refurbishing as planned? Suddenly that loan with the double-digit interest rate is looking awfully pricey.

Alternative finance requires careful planning and extra due diligence, but if the deal stacks up, the stacks of cash could be waiting for you.

NEXT STEPS

- Speak to a specialist broker to find out more about the bridging options that are available to you.
- If you want to investigate peer-to-peer finance further, different platforms are discussed in detail on an independent industry forum: propmag.uk/p2pforum.
- Take legal advice before setting up a joint venture, but ask any general questions in The Property Hub forum: thepropertyhub.net/forum.

IN GOOD COMPANY?

"Sole name or limited company?" has long been a common question with no clear answer – and the recent Budget has added new fuel to the debate.

By Ruth Jackson

As we reported back in August, George Osborne's emergency Budget shocked investors by withdrawing the ability to deduct mortgage interest as an expense – replacing it with a basic rate allowance. The result? Leveraged portfolios held by higher-rate taxpayers will become less profitable when the measures start to bite in April 2017.

Crucially, this change only applies to individuals: anyone holding property within a company can deduct interest as before. That's another tick in the "reasons to incorporate" box… but it's still not going to be the right move for everyone. So under what circumstances is it a good idea to go down the limited company route?

The benefits

In addition to the more beneficial treatment of mortgage interest, there are two further tax advantages that come from buying a property as a company rather than as an individual.

Firstly, there's income tax. As an individual, your profits from renting out an investment property are subject to income tax. If you're a higher-rate taxpayer, this means you'll hand over 40% of your profits to the taxman.

If you set yourself up as a limited company, however, you'll only pay corporation tax on your profits – which is currently 20%, and falling to 18% by 2020.

When it comes to withdrawing those profits from the company, there will be further tax to pay – and, unfortunately, another Budget measure was to increase the level of tax payable on dividends. However, this can be minimised by taking a flexible approach. "Post-tax profits can be retained and built up towards another property, or taken as dividends when the shareholders are no longer higher-rate taxpayers," says property tax expert Iain Wallis. Alternatively, you could issue shares to a spouse or partner who's a basic-rate taxpayer and extract profits by paying them dividends.

The other attraction of setting up as a limited company is that you can reduce your heirs' future inheritance tax bill. It's essential to take specialist advice as the company must be structured in the right way, but the savings can be significant. "When set up correctly, profits in a limited company can even be used to fund your children through university or even private school," says Wallis.

The drawbacks

If you're transferring properties you already own into a limited company, there will be a dose of short-term pain for the long-term gain: you're required to sell the property to the company at its current market value, which could give rise to capital gains tax (CGT) and stamp duty charges. Finance arrangements with lenders will also need to be re-negotiated.

But what about buying new properties within a company? There are still a few drawbacks to contend with – the biggest of which is access to finance. "Providing mortgages to people who've set up a limited company in order to purchase buy-to-let properties isn't acceptable to a lot of lenders," says David Hollingworth, associate director at London & Country Mortgages. "Tighter lending criteria in the wake of the credit crisis has narrowed the number of options further."

While many big buy-to-let lenders (such as The Mortgage Works) simply won't consider lending to limited companies, there are a few others that will. Hollingworth recommends looking to Kent Reliance, Paragon, Keystone, Fleet and Shawbrook Bank. Another broker, Simon Allen of TB Finance, expects more lenders to become amenable to company lending as demand increases in the wake of the Budget measures.

As well as restricted lending, anyone with properties inside a company will also need to contend with double taxation when withdrawing profits (as you'll pay corporation tax followed by income tax on your dividends), and the loss of CGT allowances which only apply to individuals.

NEXT STEPS

- Watch our free video course about the pros and cons of forming a limited company: propmag.uk/ltdcourse.
- Listen to our podcast on the topic: propmag.uk/ltdpodcast.
- Speak to your accountant. Tax is complex, and specialist advice is the only way to be sure you'll make the right decision for you.

Should you incorporate?

Leaving aside the issue of whether to transfer existing properties, should you be making new purchases within a limited company? While we can't give you a straight "yes" or "no", your answers to a few key questions can provide some broad guidelines:

1. Are you a higher-rate taxpayer?

If you're paying tax at the higher rate, any mortgaged properties that you hold within a company will be more profitable (after the measures start to be introduced in April 2017) because you can deduct interest as an expense. The result? Less tax to pay.

2. Do you need to access your property profits to supplement your income?

If you're happy to let your profits roll up within the company (to fund future acquisitions or access later in life), a limited company could be a good move. Taking the profits immediately, however, means paying income tax on dividends as well as corporation tax on profits.

3. Do you expect to sell any properties?

Within a company, you'll lose the £11,000 CGT allowance as well as access to other possible CGT-reduction strategies like using Private Residence Relief. If your strategy is to periodically sell rather than hold forever, the savings you make on your income could be outweighed by a higher tax bill on disposal.

4. What's your exit strategy?

Are you hoping to build up a portfolio of properties that you can one day pass on to your children? If so, it's worth speaking to a tax adviser about creating a limited company that's structured in such a way so as to avoid inheritance tax.

In each issue, the team from Yellow Lettings takes over the Lettings pages to share the latest news and advice on property management.

Mutinies against magnolia

It's your investment, but a tenant's home. So when a tenant says they want to make alterations to a property, how do you make sure your response keeps both sides happy?

If Changing Rooms taught us anything, it's that interior design tastes run the gamut from the beautiful to the baffling. For that reason, it's always good advice to put your own taste aside (impeccable though it is, of course) and keep investment properties neutral: magnolia walls, cream carpets, job done.

Naturally though, tenants will want to take your bland box and put their own stamp on it to make it feel like home. Giving them as much freedom as possible is a smart business decision, because a tenant who's happy in their home will stay longer – but there are some steps you should take to protect your investment too.

Picture this

Let's start with the very basics: should you allow tenants to attach pictures or posters to the wall?

The tenant is obliged to return the property at the end of the tenancy in the same condition in which they received it, other than fair wear and tear – and things like nail holes, screws and Blu-Tack marks don't qualify as fair wear and tear.

It's therefore a good idea to tell the tenant when they move in that they're welcome to put up pictures, but it's their responsibility to make good any damage to walls that's caused in the process. It's possible to buy picture hooks which only leave the tiniest of holes in the wall, so recommending them to your tenant at the outset could be a good move.

Some tenancy agreements specifically prohibit the use of Blu-Tack and sellotape on the walls, which could be a good idea to prevent ambiguity, but you can still claim for this type of damage even if it's not specifically mentioned – and in reality, telling the tenant separately is likely to have more impact than if it's mentioned in subclause 2(b)(iii) or similar.

Changing rooms

What about more major alterations? Again, we turn to the tenancy agreement, which should have a clause prohibiting alterations without consent. The National Landlords Association's model AST, for example, includes the requirement: "Not to decorate or change the style or colour of the decoration whether it be internal or external... without the express written permission of the Landlord (which will not be unreasonably withheld)".

If the property is in good decorative order and in neutral colours at the outset, most tenants will be happy to express their creativity in the form of furnishings and artwork. But if they do want to repaint a room, you need to give them some form of "reasonable" response.

The first thing to discover is why they want to redecorate and what their plans are. If it's because a particular room has become grubby and they want to repaint it a neutral colour, you probably shouldn't object – but you should put in writing that the redecoration must be done to a professional standard and the tenant will be responsible for the cost of bringing shoddy work up to scratch at the end of the tenancy. If the tenant has been in place for a long time and you think the deterioration is down to fair wear and tear, you might consider paying for a professional job rather than risking the tenant bodge it.

Whatever you decide, get it set down in writing and attached to the tenancy agreement so there can be no disagreements when they come to move out.

A matter of taste

And if they want to paint the bedroom black and attach a mirror to the ceiling? Well, it takes all sorts... but it wouldn't be unreasonable to withhold permission on the basis that it will make it harder to rent the property out in future.

You might choose to allow them to go ahead all the same, as long as it's put in writing that they will be responsible for putting the room back to its previous condition (or paying for it to be done professionally) at the end of the tenancy. Again, make sure whatever's agreed is set down in writing.

As with all tenant-related matters, clear and honest communication is always the solution. Be clear about your expectations at the start, and use a communication style that shows you're not rejecting requests or imposing conditions just to be difficult.

A tenant who wants to make alterations is likely to see themselves staying there a while, which is something to be very grateful for. Don't let them get away with aesthetic murder, but don't be overly protective of your property either.

ASKING THE RIGHT QUESTIONS

- Before issuing your next tenancy agreement, make sure you're happy with the clauses about decoration and alterations.
- Speak to your tenant at the outset too – don't expect that they'll read the agreement in detail.

THE LOWDOWN ON LEGIONELLA

Ever feel like being a landlord doesn't give you enough boxes to tick and forms to fill? Well, today's your lucky day – if you weren't previously aware of your duty to control exposure to legionella bacteria.

Legionella is a bacterium that can cause Legionnaires' disease – a potentially fatal form of pneumonia. It can multiply in water systems where water is stored within a certain temperature range, or where contaminants like rust or sludge are present.

If you've heard of legionella before, either you spend your free time poring over guidance from the Health & Safety Executive or you've received a letter from your letting agent saying that they want to charge you an arm and a leg for conducting a Legionella Risk Assessment (LRA) on your behalf. (We hope it's the latter.)

So is it really a requirement to pay for an LRA, or is it just another money-making scam from letting agents?

Is it a legal requirement?

The requirement to control legionella in domestic properties has been around for a while, but the industry has only been aware of it for the last couple of years – and there's still widespread confusion about whether it's legally mandatory.

There's also a large degree of scepticism around the subject, because the chance of legionella being

> **“If a tenant is harmed as a result of unsafe electrics, you’re likely to be punished more severely if you can’t prove that you didn’t take reasonable measures.”**

present in a modern domestic water system is considered to be minimal in most cases. Legionella testing is important in public facilities like hotels and swimming pools, but a common opinion is that even thinking about it in the context of rental properties is overkill.

Nevertheless, it is a genuine legal requirement to control the risk of legionella – although it’s not like a gas safety certificate where it’s mandatory to produce a valid certificate every year. Instead, it has the same status as an electrical safety check – where you have a duty to maintain a safe electrical installation, but there’s no requirement to produce a certificate to prove it. If, however, a tenant is harmed as a result of unsafe electrics, you’re likely to be punished more severely if you can’t prove that you didn’t take reasonable measures.

What constitutes a sufficient risk assessment? Unhelpfully, there’s little guidance on the subject.

Overkill?

An assessment doesn’t need to be carried out by someone with a particular qualification – the Health & Safety Executive is clear that most landlords will be able to do it themselves – and doesn’t necessarily even need to be written down (although without anything in writing, you wouldn’t be able to prove that you’d assessed and controlled the risk if anything were to happen).

In the vast majority of cases, a simple risk assessment is enough to conclude that the risk is low and no further action is needed. It can then be revisited every couple of years, or upon any significant changes to the water system.

Unfortunately there’s a lack of clarity around what’s necessary or sufficient, and some letting agents and inspectors have taken advantage of the lack of clarity around the situation.

“Legionella bacteria is naturally present to some extent in the water system, and if you test for it, you’re going to find it.” says Kevin Dempsey, a Legionella Risk Assessor in Edinburgh. “There’s been a lot of cowboys telling landlords and agents that they need to carry out legionella testing (often annually) alongside a legionella risk assessment, which of course significantly increases the cost, and they then recommend expensive water-cleaning treatments on the back of the lab results showing the presence of legionella bacteria.”

What you need to do

So if you do receive a letter from your agent saying that you need an LRA, is it a scam? No: while some agents are undoubtedly seeing it as another billing opportunity, a managing agent with control of the property is likely to be responsible in the eyes of the law for controlling the risk (unless their service agreement with the property owner says otherwise), so needs to take action.

TO MAKE SURE YOU DON`T SPEND MORE THAN NECESSARY, JUST REMEMBER THESE THREE THINGS:

- If you feel confident in doing a risk assessment yourself with information you find online, and you’re happy to spend the time, there’s no reason why you can’t.
- Feel free to shop around for a professional assessment: we’ve seen prices ranging from £65 up to more than £150.
- If water sampling or re-assessment more frequent than every two years is recommended, check the report and take advice to make sure this is legitimate.

Where there's smoke...

For landlords who aren't on top of the latest legislation, the consequences could be alarming.

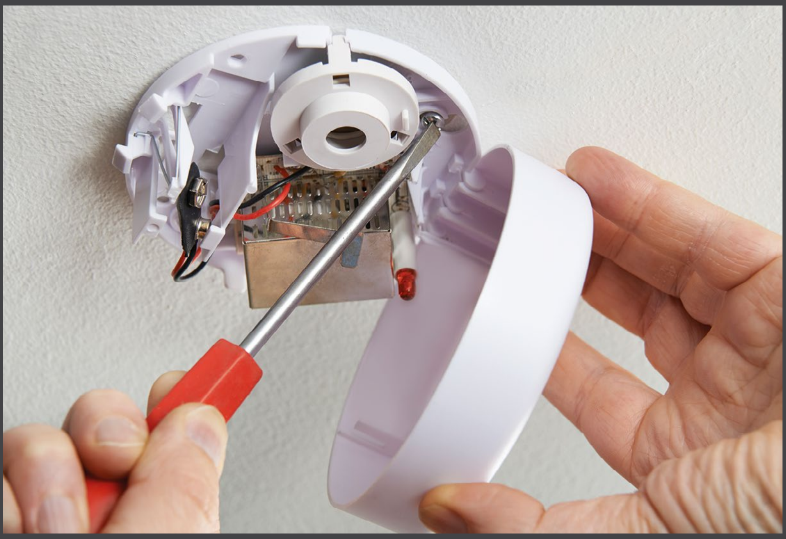
While the extent of the risk of Legionnaires' disease in residential properties is somewhat dubious, there are very real risks posed by fire and carbon monoxide poisoning – which is why, since October this year, it's been a requirement to provide working smoke and carbon monoxide detectors in all rented properties in England (properties in Wales and Scotland, as well as HMOs, already have their own regulations). Failing to do so could result in a civil penalty of £5,000.

Most landlords will supply alarms already, but it's worth taking a look at the new requirements to make sure you're sticking to the letter of the law.

Smoke alarms

Under the law, a smoke alarm must be installed on every storey of the property that contains (even partial) "living accommodation" – so that would exclude lofts or basements which are used exclusively for storage.

There's no specification as to what type of alarm is used: it can be battery or mains-powered. The recommendation of the Residential Landlords Association (RLA) is to install a tamper-proof alarm with a built-in battery that lasts for the life of the alarm (usually ten years) to remove the risk of tenants removing the battery and not replacing it.



Carbon monoxide alarms
The requirement is that a carbon monoxide alarm is installed in any "high risk" room – defined as any room used as living accommodation which includes a "solid fuel-burning combustion appliance" (like a wood-burning stove or open fireplace), even if that appliance isn't in use.

This means that gas appliances are excluded from the legislation, but there's no reason why landlords shouldn't choose to go beyond the basic legal requirements by installing a carbon monoxide alarm in rooms with any combustion appliance, and in any bedrooms and living rooms which the flue passes through.

Whose responsibility?
It's the landlord's responsibility to make sure that the alarms are working correctly on the first day of any new tenancy, but the legislation states that the tenant should regularly check that the alarms are still working and contact the landlord if they're not.

Even so, the RLA notes that – if challenged – the landlord might need to provide evidence that the tenant has actually carried out the checks. It's therefore a good idea to include testing of alarms as a routine part of your regular property inspections, and to record on the inspection (ideally signed by the tenant if they're present) that testing took place.

NEXT STEPS

- Fit alarms as required. Tamper-proof alarms with a ten-year battery life cost less than £15 on Amazon: propmag.uk/smokealarm.
- If you use a letting agent, make sure they're on top of ensuring your property is compliant.
- Add checking the alarms to your inspection procedure, and ideally get the tenant to sign the report

SURFING the network

Successful networking can provide you with a bulging contacts book and the ability to tap into valuable sources of information – as well as potentially lucrative new ventures. Here are some tips on converting your network into net worth...

By Alice Whitehead

We're all familiar with the phrase: "It's not what you know, but who you know." Yet while a contacts book can often prove to be more valuable than the letters after your name, it's how you network – and how you get to know people – that creates the basis for a productive social and professional circle.

Why network?

Networking (done right) isn't about making money; it's about starting a conversation.

"Networking exposes you to great diversity, and people from all walks of life – with more and less experience than you, which can bring its own rewards," says Derby-based developer Mark Barnes, leader of one of The Property Hub's nationwide networking Meetups. "I introduced two developers to each other at a networking event last year and they've now gone into business together – which is great for them, but also makes me a memorable contact for them in the future."

Even the most seasoned developer can learn new tricks too. Networking is a great place to problem-share, get a new perspective and learn from someone else's mistakes and successes.

"The subject matter can be as diverse as the participants, and conversation can range from finances and future developments to the best plaster for refurbs," says Mark, a former engineer who's been in the property business for 12 months. "At one event, I learnt I needed a particular licence from the council for a build, which I would never have known without the advice of others."

WHAT TO ASK AND WHY?

Get beyond chitchat about the weather and tease out areas of shared interests and skills with these five fundamental questions...

1. "What's your 'why' for investing in property?" While rarely talked about, this can bring out the best in people, revealing their passion and motivations.
2. "What's been your biggest success so far?" This is less intrusive and intimidating than "What's your best deal?" and can have many different interpretations.
3. "What are the pros and cons of investing in your area?" This can create a rapport about an area, and also draw out sweet spots you may not have considered.
4. "What are the criteria you use to determine what you invest in? How did you decide on those criteria?" This gives a good insight into how someone's mind works and can improve your own decision-making.
5. "What do you know now that you wish you'd known when you started out?" This question could save you a lot of time, and money.

Getting what you want...

Even with the best will in the world, networking can be scary. Even though you know – deep down – that the other attendees will be friendly and interesting, there's a definite art to surviving the shock of walking into a room full of strangers and coming away with worthwhile results.

"Going to a networking event is a bit like a kid's first trip to the swimming pool," says Mark Barnes. "It's scary, but it can open up a whole new world of possibilities you'd never imagined before."

London Southbank Meetup, October 2015

The key is to prepare ahead and have clear intentions, says experienced developer Alan Holden, who runs property development company Hellett & Holden and regularly attends networking events – including the Property Hub's Brighton Meetup.

"Goal-setting is a timesaver. It's so easy to get sidetracked, but if you know exactly what you want out of your business and out of the session, you can go to meetings with clear questions and get more specific answers," says Alan.

And to get those specific answers, you can't play your cards too close to your chest. "Don't be shy about figures," says Alan. "It's okay to be direct about money. After all, all developers are ultimately in the business to make money. Get to know your finances and check with others that your figures are right."

...By giving all you can

While of course you should have your own objectives for networking, the best way to accomplish them might actually be to put them to the back of your mind as soon as you step through the door.

"Networking becomes a lot less intimidating when you forget about promoting your own agenda, and focus on how you can best help others," says Property Hub co-founder Rob Dix. "At every event there's one guy dishing out business cards and trying to close the deal in the first conversation... and if that ever worked, it doesn't work now. Once you let go of the feeling you should be self-promoting and aim just to have genuine conversations, the pressure's off and your results improve."

Even so, there's an art to instigating a conversation with a stranger that gets beyond the weather and explores shared areas of interest. Much of that art is in knowing the right questions to ask – for some of our favourites, see the box "What to ask and why?"

PROPERTY HUB MEETUPS: A NEW KIND OF NETWORKING...

What? Property Hub Meetups are free, informal, monthly networking events open to everyone (from the greenest newbies to the grizzliest tycoons).

Why are they different? Did we mention that they're free? Meetups are also free from sales pitches and upsells, with no promotion of products or services allowed. We like to think they offer a friendlier, relaxed and more supportive atmosphere than traditional networking events.

When? The first Thursday of every month. The next one is Thursday 5 November.

Where? Epsom, Richmond upon Thames, London North, London Southbank, St Albans, Bristol, Nottingham/Derby, Manchester, Leeds, Liverpool, Newcastle upon Tyne, Glasgow, and overseas in Dubai and Hong Kong... with more being added every month!

How? Meetups are free, but you must book your place in advance. Just go to thepropertyhub.net/meetups, pick your nearest location and reserve your spot.

We'll be setting up more Meetup locations in 2016! Contact hello@thepropertyhub.net if you're interested in hosting one in your area.

So all in all, building a good network requires skill, preparation and plenty of patience – and it's not about the hard sell; it's about relationship building. Go in with the right attitude and armed with the right tools, and it can make all the difference between a network and a net loss.

PICK OF THE PODCASTS

In each issue, we round up the most popular recent episodes of The Property Podcast.

FIVE (MORE) PROPERTY INVESTMENT MYTHS UNCOVERED (EPISODE 131)

You can get started in property without any money, you can put up the rent every time your costs increase, and London always does better than the rest of the UK… or so people claim. In fact, these are just a few of the myths that Rob & Rob debunk in this episode.

Inaccurate information isn't just annoying – if you're making decisions based on false beliefs, your investments won't be anywhere near as successful as they'd otherwise be. So give this episode a listen and find out how many myths you currently accept as fact.

Listen:thepropertyhub.net/myths

HOW ROB B LOST £40,000 ON ONE DEAL (EPISODE 126)

Rob B doesn't want your sympathy (well, maybe just a little). He wants you to know that even people who are well established in property can still make mistakes – and he's sharing his story so that the same thing doesn't happen to you.

Have a listen, hear the whole sorry tale, and – depending on how nice a person you are – prepare to experience sympathy or schadenfreude….

Listen: thepropertyhub.net/deallesson

SHOULD YOU FOCUS ON YOUR STRENGTHS OR WORK ON YOUR WEAKNESSES? (EPISODE 130)

A different kind of episode, where we listen in as Rob & Rob have one of the philosophical chats they like to indulge in while everyone else does all the actual work…

The outcome matters, though: nobody is great at everything, so will you be more successful in property if you build your strategy around your strengths or work hard on developing your weaker areas?

Listen: thepropertyhub.net/strengthsorweaknesses

FIVE NEGOTIATION TECHNIQUES YOU CAN USE TO GET A BETTER DEAL (EPISODE 127)

The beauty of property is that the price is never set in stone: a skilled negotiator can end up paying significantly less than someone else for an identical asset. We all know that you make your money when you buy rather than when you sell, so effective negotiation is one of the most valuable skills you can learn.

Listen to this episode and learn how you can save a lot of money by using one magic word – or maybe by saying nothing at all…

Listen: thepropertyhub.net/negotiation

SUBSCRIBE TO THE PROPERTY PODCAST!

A podcast is just a (silly) name for an online radio show. A new episode of The Property Podcast goes up every Thursday at 7am, but you can listen on-demand whenever suits you.

You can follow the links above to listen on The Property Hub website – but it's better to subscribe, because then every episode will be automatically downloaded to your phone or tablet (or to your computer, from where you can transfer it to your MP3 player).

If you have an iPhone or iPad, it couldn't be easier: just open up the iTunes app on your device, search for "The Property Podcast", then click the "Subscribe" button.

If you have an Android device, you'll first need to download a free app called AntennaPod (search for it in the Google Play store). Then, inside the app, paste the link thepropertyhub.net/android.

Our top five apps to stay organised

ALL FREE, ALL PLATFORMS, ALL HERE TO HELP YOU KEEP THOSE PLATES SPINNING...

1 GOOGLE KEEP

Google Keep is the perfect antidote to a sieve-like memory. Use it to jot down anything you're bound to forget – as text, a photo, audio or a list – and access it across all your devices later. Particularly cool is its location-specific reminders: when (for example) it detects you're inside a certain property, it can remind you to check the meter readings.

keep.google.com

2 WAVE ACCOUNTING

There are plenty of accounting services, but Wave gets extra brownie points because it's free and works across all platforms. You can dive in and use it for everything in your business, or just use its app to manage your receipts. By scanning in anything on paper and forwarding your email receipts to Wave, everything ends up in the same place and you won't forget to claim back any expenses.

waveapps.com

3 POCKET

So much to read, so little time... and by the time you do have time to read, you've either lost the page or don't have internet access. That's why you need Pocket – a browser add-on which allows you to save articles for later with a single click. Everything you've saved is available offline, and you can easily share something you've "Pocketed" with a friend.

getpocket.com

4 INBOX BY GMAIL

If you have to squint every time you check your email to avoid seeing "1,757 unread messages", Inbox by Gmail can help. It bundles together similar messages into categories (like "Travel" and "Purchases"), pulls out useful snippets of info for easy access, and allows you to "snooze" emails to get them out of your way until you're ready to deal with them.

google.com/inbox

5 SUNRISE CALENDAR

The beauty of Sunrise Calendar is that it pulls all your notifications together so you've only got one place to check. Birthdays from Facebook, Tasks from Trello or Evernote (and lots of others), flight information from TripIt... you can even link up Twitter or LinkedIn to read the latest social updates from people you've got meetings with.

calendar.sunrise.am

How to... get your property let *fast*

An empty rental property isn't an investment: it's just a house-shaped pit you throw money into each month. Felicity Hannah has been finding out how to get new tenants in fast...

Some things in life should be slow. Canal holidays, for example, or enjoying a glass of good wine. When it comes to letting a property, however, speed is crucial: every single wasted day feels like money down the drain.

What can a landlord do to get things moving faster? We've been asking agents, property management firms and landlords themselves for their top tips...

Price it right

Every letting agent we spoke to reiterated the importance of carefully researching the local market and setting the rent at the right level. Consider this: if you wait just three months to fill the property at £750, that's a deficit of £2,250 to make up during the life of the tenancy – when you could have let it immediately by undercutting the competition at £725.

Take decent photos

Have you ever visited the property blog "Terrible Real Estate Photographs"? You should. Not only is it incredibly funny (we like the room with the inexplicable horse standing patiently in the corner), but it's a serious warning of what can happen when landlords neglect the pictures.

Good photos lead to high footfall of your property. Pay for good-quality professional pictures and you can use them again and again, so it's a worthwhile investment. And definitely, definitely remove any horses first.

Furnish flexibly

Some tenants will want to bring nothing more than a suitcase and move into a fully furnished home, whereas others will have a full-to-bursting removal van pulling up outside.

You can attract the interest of both tribes by being clear when marketing the property that you're flexible as to the level of furnishings you'll provide. That way you're not alienating anyone, but you're also not splashing out on furniture which might go straight into storage if a tenant happens not to want it.

Property Hub co-founder Rob Dix comments, "I made it clear when marketing one of my flats that I was flexible about furniture, and I had an application from tenants who owned everything except their own beds. By being flexible I was able to cater to them for only a small cost – and I can either remove the beds or add to them depending on what the next set of tenants wants."

Always find out in advance what pets (and how many) prospective tenants have.

> "Why shouldn't they have a pet? It's their home. The best thing about allowing my tenants to have pets is that other landlords don't normally, so it's much harder for them to move on! I don't agree to just anything, of course: I always find out in advance what pets (and how many) they have."

Let them have pets

Victoria Smith, a retired civil servant with a portfolio of five properties, makes a point of allowing her tenants to keep pets. "Why shouldn't they have a pet? It's their home. The best thing about allowing my tenants to have pets is that other landlords don't normally, so it's much harder for them to move on! I don't agree to just anything, of course: I always find out in advance what pets (and how many) they have. And I also ask them what they'll do while they're at work – I don't want a dog left alone for eight hours eating my walls with boredom."

If you do allow pets, it's a good idea to take an extra deposit and agree that the carpets will be shampooed before the tenants leave.

Clean the loo

Rob Lenwell of Lenwell Property Services recommends landlords make sure the house is sparkling – especially the toilet, oven, sinks and shower. Tenants want to feel that they're moving into a perfectly clean home – and a mottled toilet or greasy oven is going to give the property an undeniable "yuck" factor.

Ivor Dickinson, Lomond Capital's chief executive for London and the South of England, agrees, adding: "They say cleanliness is next to godliness, and when letting a property nothing could be truer. First up is smell: nothing is more offputting than bad smells. Basic cleanliness, clean baths and sinks, dust and clutter-free surfaces and clean windows are also vital and give a great first impression."

NEXT STEPS

- Listen to our podcast on a related topic – how to maximise your rent: propmag.uk/morerent.

Sell the area

While some potential tenants are sure to know the area well, others might be moving for work – or will have based their property search on price rather than a specific location. They won't know about the local facilities, so it's a great opportunity for you to make a point of telling them what's nearby. Spend time on the description: highlight the train station, good schools, the lovely park, and the gastropub with excellent pies. Everyone loves a good pie.

Sally White, a landlord who inherited her rental property, says: "I used to think that tenants could easily see online where the schools and train stations were, but they do need other local knowledge. Because my property is a family home, I print out Ofsted reports for the nearby schools and make a point of mentioning the local family-friendly restaurants. I think that made a big difference to how quickly my last property went."

Offer an incentive

If the local market is pretty saturated, you need a way to stand out from other rental properties. No, don't paint the walls purple or write the description in Shakespearean rhyme; being laughed at on Twitter won't get you a tenant. But offering the first month free or covering the cost of their application fees can really set you apart.

Faisal Washington, a landlord based in Glasgow, says: "I offered a £100 Ikea gift card with my last property and I had tenants snapping my hand off. When I went round to inspect, the whole place was filled with scented candles; probably about £100-worth!"

VITAL STATISTICS

Let's get out that tape measure and check up on the health of our economy!

House prices in England and Northern Ireland are soaring; Wales and Scotland... not so much. When it comes to rental prices though, it's the same story throughout the UK. Here are the numbers you need to know:

House prices, rises and falls – July 2015

UK house prices increased by 5.2% in the year to July 2015, down from 5.7% in the year to June 2015.

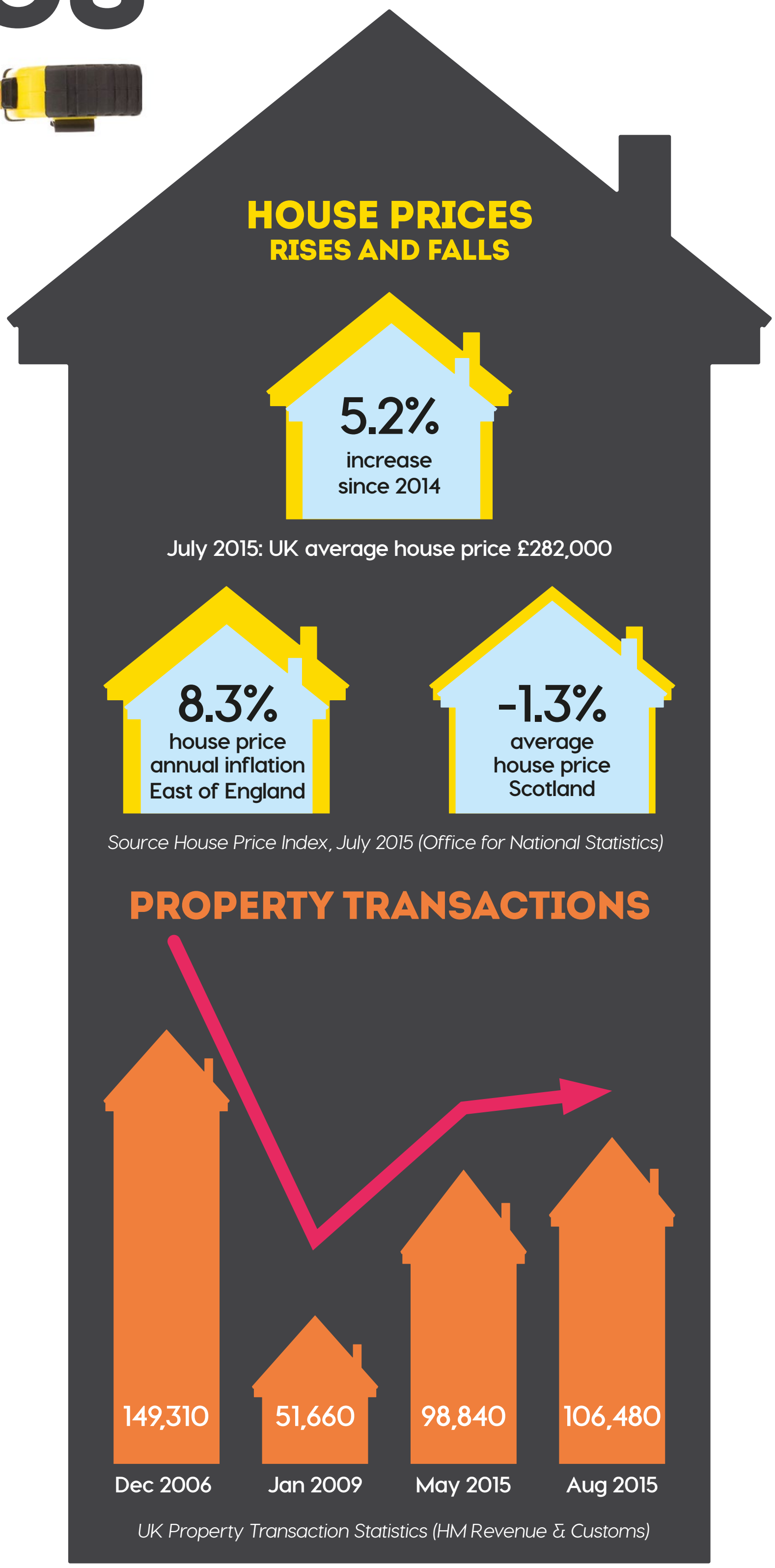
- House price annual inflation was 5.6% in England, 0.3% in Wales, 7.4% in Northern Ireland and -1.3% in Scotland.
- Annual house price increases in England were driven by an annual increase in the East (8.3%) and the South East (6.7%).
- Excluding London and the South East, UK house prices increased by 4.4% in the 12 months to July 2015.

Number of property transactions (with a value of £40,000 and above) – Aug 2015

In August 2015, there were 106,480 residential property transactions (seasonally adjusted), which is 5.7% higher compared with the same month last year. 85.9% of these were in England, with 8.3% in Scotland, 4% in Wales and 1.8% in Northern Ireland.

The number of transactions has been increasing steadily from a low point of 51,660 in January 2009, but still has some way to go before reaching the peak number of 149,310 in December 2006.

Source: UK Property Transaction Statistics (HM Revenue & Customs)



RENT PRICES AUGUST 2015
NEW TENANCIES

10.5% increase since 2014

Average UK rent for new tenancies Aug 2015 was £992pcm, 10.5% higher than Aug 2014 (£899pcm)

8.2% increase since 2014

In Aug 2015, average LONDON rent was £1,558pcm: 8.2% higher than Aug 2014 (£1,440pcm)

4.5% increase since 2014

In the West Midlands, average UK rent in Aug 2015 was £665pcm: 4.5% higher than May 2014 (£637pcm)

RENT PRICES AUGUST 2015
Rent price rises have slowed in every region of the UK, but are still in double figures.

Source House Price Index, July 2015 (Office for National Statistics)

BEST BROKER MORTGAGES
BUY-TO-LET MORTGAGES

MORTGAGE PROVIDER	INITIAL RATE	SUBSEQUENT RATE	OVERALL COST FOR COMPARISON
NatWest	1.73% - Bank Base Rate plus 1.23% until 31/12/2017 (60%)	4.50% Variable for term	4.30% APR
Principality BS	2.10% Fixed until 31/12/2017 (60%)	4.99% Variable for term	4.60% APR
NatWest	2.29% - Bank Base Rate plus 1.79% until 31/12/2017 (75%)	4.50% Variable for term	4.20% APR
BM Solutions	2.34% Fixed until 31/12/2017 (60%)	4.84-Bank Base Rate plus 4.34% for term	4.50% APR
Woolwich	2.54% Fixed until 31/12/2017 (75%)	4.99% Variable for term	4.70% APR

Source: John Charcol (charcol.co.uk)

EMPLOYMENT FIGURES JULY 2015
COMPARING 3 MONTHS MAY–JULY 2015 WITH PREVIOUS QUARTER

Feb-Apr 2015 31.05m People in employment

May–Jul 2015 31.09m People in employment +42,000

Feb–Apr 2015 1.81m Unemployed people

May-Jul 2015 1.82m Unemployed people +10,000

Feb–Apr 2015 9.02m People economically inactive

May-Jul 2015 8.99m People economically inactive -20,000

Aged 16-64

Average weekly earnings (including bonuses) stands at £496, up 2.9% compared with the same timeframe in 2014.

17.2% of all people employed in the UK work in the public sector (5.36m people).

CLAIMANT COUNT JULY 2015
AGE 18+ JOBSEEKERS

Aug 2015 0.79m

May 2015 0.79m

Aug 2014 0.97m

In August 2015 the number of people claiming unemployment-related benefits was down 183,100 from a year earlier.

Labour Market Statistics (Office for National Statistics)

TECH CORNER

Geektastic websites, apps, gadgets and gizmos you shouldn't live without.

We all know that we're meant to use a different password for every website, and each one should have a combination of letters, numbers and symbols. It's good advice, because if one site you use gets hacked, it won't compromise your data on any of the other services you use. But let's be honest: you use "fishcake" on every single site – except the ones that force you to use "fishcake1" or "fish.cake" – because it's almost impossible to do otherwise. Enter ...

LASTPASS

LastPass is a super-easy alternative to pure memory. It sits as a little extension on your browser (or as a little bookmarklet for the Opera browser and the native iPad browser), and it stores all your usernames and passwords in its online "vault". It means that you can set ridiculously complicated passwords for each individual site, because you only need to remember your "master password" for logging into LastPass.

It's not just safer – it actually saves you time too. Whenever you return to a site which you've already created an account for (like Facebook or Rightmove) and it asks for your username and password, LastPass will log you in automatically. If you log into as many sites as we seem to every day, that adds up to a decent amount of time saved.

Does it sound a bit like you're putting all your eggs in one basket? Well, you are – but because security is what LastPass specialises in, they have ridiculously strong protection in place. Basically, as long as you don't let your master password slip to anyone, you'll be safe.

So that's safer, quicker... and free, if you just want to use it on your laptop or desktop computer. For the Premium version to use on your phone and tablet too, the cost is just $12 (about £7.50) per year.

It's one of those tech tools that takes ten minutes to set up and will save you time and frustration every day, to the point where you wonder how you ever lived without it. So, go set it up right now – especially if your password actually is "fishcake"...

lastpass.com