

PropertyHub

Making sense of property investment

Issue 34 May/June 2022 | £5



Wish you
were here?

What it's like
to invest in
holiday lets

Devon



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Welcome



Rob Bence (left) and Rob Dix (right)

With the UK holiday season in full swing and more people than ever opting for a staycation there's a lot of buzz around holiday lets. We take a comprehensive look at what's involved in buying and running a holiday rental on page 24 and get the inside view on what it's like from those operating in the sector.

If holiday lets aren't your thing, then there's plenty more packed into these pages to keep you informed and inspired. If you're applying for (or have been rejected for) lending, you'll want to read our feature on page 34 in which finance experts

explain what to do when the lender says: "no". And if you're shopping for deals, it's worth checking out what the city of Preston has to offer on page 14.

We're often asked to give our opinions on where the market is heading and whether it is a good time to buy. Challenging as it may be, we both agree this is an exciting time to be investing in the property market. Read what we have to say on pages 42 and 49.

Rob & Rob

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

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

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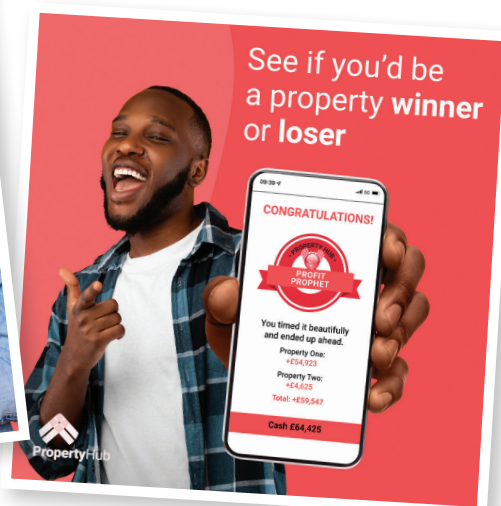
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Inside the hub

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



We're on a mission to provide you, our loyal readers, with more value for your magazine subscription. With many of us feeling the pinch of rising household costs, we want to make sure you're getting maximum bang for your buck.

With this in mind, we've been working hard on some special projects behind the scenes that you'll get to see very soon.

ON SCREEN

We know how much you love our behind the scenes content, so we'll be packing much more in over the coming months, including a video on how we have sourced over £100m worth of property. We'll also be bringing you videos on Bitcoin versus property investment, and three books that will make you a millionaire. To get alerts when the latest content goes live visit the Property Hub UK YouTube channel, subscribe and hit the notification bell.

youtube.com/propertyhubuk

ONLINE

What impact will the property boom have on your investments? Take part in our interactive quiz and find out. Build an imaginary property portfolio and see if you can avoid falling foul of the winner's curse. Will you be a Property Prophet or a Crash Test Dummy? Once you've completed it, share your result with us on our social channels and get your friends to have a go so you can compare your investment styles.

propertyhub.net/boom-phase-simulator

LET'S TALK

ON AIR

The Robs will be taking a deep dive into due diligence on the Property Podcast in May with the help of property investor, architect and university lecturer Mary Osman. Then, later in the month, they'll be discussing why institutions like Lloyds Banking Group and John Lewis are getting into property. And if you're wondering whether it's still possible to get a good deal in 2022, make sure you tune in to hear The Robs' opinions in June.

Propertyhub.net/podcast

HUBCHAT

It's always smart to keep an eye on mortgage rates, but even more so now we're in the boom phase of the cycle. Hubber Stuart has shared an invaluable resource over on the Forum. He's created a spreadsheet that provides a weekly summary of the lowest mortgages available. You can filter specific lenders and select different products and terms. You'll find the thread within the 'general property discussion' board under the title: BTL mortgage rates tracker.

propertyhub.net/forum

In the meantime, we'd love to hear your suggestions for how we can provide more value. Your ideas don't need to be limited to the pages of this magazine. It could be exclusive events, video content or digital resources – the only limit is your imagination. Get in touch at magazine@propertyhub.net or via our social channels and tell us what you would like.

Market focus

The latest news and developments from across the property market



Pay now, build later

Off-plan property purchases in the UK rose last year for the first time since 2016.

Data from estate agent Hamptons found 37% of new homes purchased in England and Wales in 2021 were sold before completion, up from 35% in 2020.

Sales are still below the 47% peak in 2017, however, this latest figure reverses the downward trend.

Hamptons attributed this growth to the shortage of

homes for sale in the UK.

The results also illustrate how terraced houses are now more likely to be sold off-plan than apartments: off-plan terraced property sales increased from 41% to 45%, whereas the number of flats sold before completion dropped from 50% to 44%.

Meanwhile off-plan sales of detached houses rose from 24% to 21%, while sales of off-plan semi-detached houses grew from 31% to 33%.

MISLEADING PICTURE

Contrary to popular belief, most tenants like their landlords and have a happy rental experience. That's according to public policy think-tank Social Market Foundation (SMF).

In its survey of more than 1,300 UK adults currently living in rented accommodation, it found 85% are satisfied with their landlord, while 81% are happy with their current property.

The greatest source of dissatisfaction (34%) came from "being a renter" and not being able to buy a property of their own.

The survey also found 37% of participants aged 35-54 would be satisfied to still be in the private rented sector in 15 years, rising to 74% of over 55s.

Aveek Bhattacharya, SMF economist and one of the report authors, said: "Dominant cultural narratives about the private rented sector paint a misleading picture. In contrast to the horror stories that get wide circulation, the majority of renters are satisfied with their living conditions and have decent relationships with their landlords."



"It is absolutely right that the government should seek to help the minority with poor standard accommodation and unprofessional landlords. At the same time, it needs to think harder about what it can offer the typical renter – who is largely happy with their circumstances today, but has doubts about whether they want to keep renting long-term."

IN NUMBERS



37%

Proportion of new-build homes sold off-plan in England and Wales in 2021



£350

The value of the grant being offered to cover the cost of fitting EV charge points



85%

The number of tenants satisfied with their landlord



0.15%

The gap between average two and five-year fixed mortgage deals

CHARGE UP

A grant to help landlords pay to fit electric vehicle (EV) charge points at their properties has been made available.

Landlords will be able to access up to £350 towards the cost of buying and installing the EV charge points, which it says typically cost around £500 for an average property.

Each landlord can apply for up to 200 grants per year. More funding will be made available later in the year for

landlords owning apartment blocks.

To be eligible landlords need to be registered with Companies House or have a VAT number and must use one of the approved suppliers from the list on the government website. Holiday rental properties are not included.

The scheme will run for two years until 2024.



Mortgage margins shrinking

The margin between two and five-year average fixed mortgage rates has shrunk to its lowest level in nine years.

The latest Moneyfacts UK Mortgage Trends Treasury Report highlights how the gap between the two has closed to just 0.15%, the lowest it has recorded since February 2013 (0.08%).

Two-year deals are traditionally the cheapest of all mortgage fixed deal periods, however, some lenders – like Halifax – are now offering cheaper five and ten-year fixed rate mortgage deals.



Adrian Anderson, director of property finance specialists, Anderson Harris said:

"Five and ten-year mortgage fixed rates priced cheaper than a two-year fixed rate is almost unheard of and is the opposite of what we are used to. It feels like the mortgage fixed rate pricing is turning on its head."

"Historically, post the financial crash, mortgage fixed rates were getting cheaper and cheaper hence short-term rates have been popular. We are seeing more borrowers seeking medium to longer term fixed rates."

Looser lending

The Bank of England is considering dropping the affordability test for mortgage lenders.

The Financial Policy Committee has launched a consultation into whether the mortgage affordability test should be withdrawn.

Borrowers are currently subjected to two tests that limit how much they can borrow when applying for a mortgage: the 'flow limit' which limits the number of mortgages that can be

extended at loan to income ratios or greater than 4.5, and the 'affordability test' which specifies a stress interest rate for lenders when working out a borrower's ability to repay a mortgage.

These two tests were introduced in 2014 by the Financial Policy Committee to help "guard against a loosening in mortgage underwriting standards" which could lead to an increase in

household debt.

The consultation will look into whether it is possible to drop the affordability test while keeping the loan to income flow limit. Relaxing the rules would make borrowing easier for some.

The consultation closes on 6 May. If a decision is taken to withdraw the affordability test, it would be expected to take effect within 12 months.

What you see **IS** what you get



A shake-up of the rules for property listings could be good news for landlords shopping for new investments, writes **Felicity Hannah**

If you've ever found the perfect investment property online only to rock up for a viewing and discover it's got problems, then a change in the rules could be very good news. But those rule changes also mean landlords will have extra responsibilities when listing properties available to let, so it's important to understand exactly what's changing.

Since 2008, the Consumer Protection from Unfair Trading Regulations have meant that property portals, estate agents and letting agents have had a legal obligation to disclose "material information" to someone considering renting or buying a home.

But there was some confusion about exactly what "material information" actually meant. Did it mean the price or the rent? The number of bedrooms? Perhaps it should include more modern issues such as the local broadband speed?

Nailing down exactly what should be listed has been a goal of National Trading Standards (NTS) and this month we get the first clarification.

Changes for May

NTS has been working with the industry since April last year to agree what information ought to always be included in property listings.

By the end of May 2022, listings must include a home's council tax band, price and – if it's a sale rather than a let – whether it's freehold or leasehold.

And there does appear to be demand for some sort of change from property professionals, or at least the acceptance this is something that needs to come into force.

Last year NTS surveyed 335 property agents. More than nine out of 10 said laying out a fixed list of the basic material that ought to be shared via property listings would help improve clarity for the sector. What's more, 88% agreed leasehold details ought to be disclosed.

There's certainly demand from consumers, whether they are browsing listings for a new rental home, a property to

buy or a new buy-to-let investment. The Estate and Letting Agency Team at NTS found 90% of respondents who use online property platforms would prefer if those listings included detailed or key information about each home.

And slightly over 40% said that if all the information they expect to see isn't included, then they feel suspicious and question whether something is wrong with the property.

More changes to come

The changes this month are just the first of three planned waves of rule tightening. Even though we don't know when the second and third phases will be implemented, we do know some information about what is likely to be included.

The next change, when it comes, will be to include information surrounding utilities. It could be anything from highlighting an oil-powered boiler to poor broadband connections. The final phase is



expected to cover much broader information on any issues that might affect a property, like if it's susceptible to flooding, for example.

Of course, plenty of agents already list a lot of the information that will be required from the end of May. David Cox, Rightmove's legal and compliance director, says: "More than 80% of all property listings on Rightmove now include the tenure of a property; up from 70% last year before we started to encourage more agents to add this information to help with National Trading Standard's initiative."

Is this a good thing?

We will have to wait and see how much of a difference this new guidance makes, but if it works as planned then it could make buying or renting a home more straightforward. And for property investors who often carry out many more transactions than a typical person, this could simplify and speed up the process.

For Property Hub's own Rob Dix, at least, the fact this information is now required is an improvement he's been waiting for. In these very pages last summer, he wrote: "It seems odd that for basic consumer items you can access every last detail before you commit, yet for a purchase at

least 100 times more expensive – and for many people, the most important they'll ever make in their lifetime – it's more: "well, it's got four bedrooms (or actually maybe three because we've listed it wrong), what more do you want to know? Call us!"

Having said that, Rob is sceptical this can be any more than a sticking plaster, when the whole process of buying and selling property needs transforming.

However, the changes are garnering support from the wider property industry. Errol Maxwell, MD of Property Pal, says: "Agents too will now have clarity as to what information they are required to obtain, helping reduce transaction times and the number of deals falling through."

But not everyone agrees. For one thing, this is arguably a one-size-fits-all approach to home listings, when there's a huge range of unique and unusual properties across the UK.

For another, it's yet another box-ticking exercise for agents who are

often already operating on very tight margins and do a lot of the work with no guarantee they will be paid. And for landlords, this new rule comes in just as they are coming to terms with new energy performance checks and obligations.

What success looks like

The easiest way to measure the success or failure of this may well come down to whether or not we all end up wasting less time and money on failed sales and lets. Several industry insiders have suggested greater clarity and consistency will reduce fall-through rates.

Property Mark says sales that fall through cost agents £4,123 on average, with around seven days' of work wasted. It's also painful for buyers. Setting aside the possible emotional upset, a sale falling through results in them losing an estimated £1,571.

It could be a few years before the new measures are fully rolled out and we can finally see if this is the answer to an issue that hurts everyone.



“The end goal was to build a sustainable development

As a child Kieran Hedges dreamed of building an eco home, this year he began realising that dream with not one but two sustainable super homes



Above: a CGI of the homes
Right: what the interior will look like

Kieran Hedges is developing two detached luxury homes in Didsbury, Manchester. They're the largest, greenest new build homes available on the open market currently being built in the UK, each covering more than 5,000sqft.

Each property is equipped with its own cinema room, gym, six double ensuite bedrooms and enough parking spaces for five cars. But it's the eco-friendly features like the envelope airtightness, solar panels, electric vehicle charge points and mechanical ventilation with heat recovery system that Kieran is most excited about.

"Every project I've worked on, I've tried to integrate sustainability, even when it didn't seem to make cost sense – it's a core value of mine," he says.

Filling his skills gaps

Kieran's interest in buildings goes right back to his childhood. "I came from a very poor background. My mum and dad were hippies and encouraged me to focus on my artistic talents. I think we moved nine times in the first nine years of my life. That's where the seed of being interested in buildings came from. When I was growing up, I never had that fixed community to call home, so that led to my interest in the security and solidity of buildings themselves, and the search for a sense of place."

With a sculptor for a father and a draftsman and aeronautical engineer for a grandfather, Kieran was destined

to be good with his hands. He enrolled at university to study sustainable architecture but quickly realised it wasn't for him and took a job as a cabinet maker in Sheffield. As much as he enjoyed the job, when he was made redundant in 2008 he decided to take a very different career path.

"I was about 22 at the time and wanted to set up my own furniture business. I realised I could design and make all this stuff, but I couldn't sell it, I had no sales skills, so I spent the next 10 years of my life diving into the commercial world and learning how to sell."

Kieran took a commission-only sales job to start, knocking on doors signing people up to a charity. "For every person I got signed up I got paid. Every day I was out from 6am to 7pm knocking on doors."

He worked his way up to a manager position then moved on to different sales roles in telemarketing and business development, eventually becoming sales director for a software company. It was then he decided it was time to combine his commercial experience with his passion for making things.

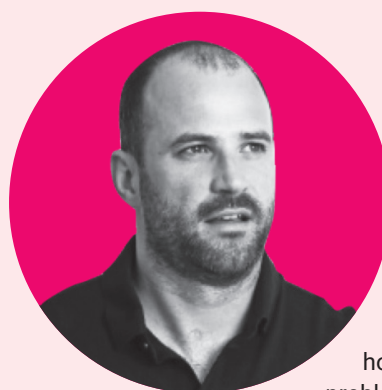
"Throughout this time, I was always interested in property, I went to all the property shows and I was always doing business plans for different property deals."

Building a portfolio

It was only when Kieran met his now wife, Veena, in 2012 that the pieces began to fall into place. "I shared my property plans with her and she was like: 'Why the hell haven't you done it yet?'. After putting together a carefully crafted business plan, we took a huge risk and refinanced what was my wife's home, which eventually became our home, to



"Every project I've worked on, I've tried to integrate sustainability, even when it didn't seem to make cost sense"



purchase our first buy-to-let in Chorlton in 2013."

Together they renovated the three-bed semi and let it out. "The end goal of getting into real estate was ultimately to build a sustainable house," explains Kieran. "The problem was I still had to work my 9-5 job to earn a salary, it was really restrictive."

Kieran and Veena renovated three more properties, this time in Salford, flipping one and keeping the other two to let out before he was able to leave full time employment and focus on his property business in 2015. The following year they switched strategies and decided to focus on Houses in Multiple Occupation (HMOs) to generate more cashflow.

"For the first time I was able to incorporate some sustainable features which I couldn't do on the single lets. We used spray foam insulation on our seven-bed HMO in Bury. We built an expansive 150mm frame internally and filled it with 100mm of open cell insulation to reduce the bills and increase the thermal performance."

Each project they took on was bigger and more demanding than the last, satisfying Kieran's urge to keep pushing the boundaries of what they could achieve. "I know a lot of people stick to



one thing and get really good at it, but for me that just seems boring."

As soon as one new challenge was achieved, a grander one was set in the spirit of continuous growth and improvement. In 2018 they took on their biggest project yet, the conversion of a 5,000sqft commercial building Bury into a multi-let residential block. They had to take off the roof and remove all the floors to create 16 ensuite units.

Sustainable living

While simultaneously building his portfolio, Kieran had a spell working in London, consulting for a firm that specialised in using tech to identify sites that could be increased in value with planning. He left this role to set up a business with his brother-in-law, specialising in land sourcing and planning.

He also completed the UK Green Building Council's Future Leaders course in 2018, a prestigious 12-month course for building professionals that gets under the skin of sustainability in the built environment. "The sector is the third highest producer of carbon emissions in the world. This fact really crystallised why I wanted to develop sustainable properties."

With all this experience, Kieran's move into development came naturally. With the help of his in-laws, he'd already bought what he refers to as "the worst house on the best street" in 2017 with the intention of renovating it into a sustainable home and moved in with his

wife and three daughters.

"It was a wreck of a house. I spent a year and a half, planning and prepping for this amazing 7,000sqft ridiculously amazing property. We got planning permission to do the work but then I then realised we just didn't have the money it was going to cost to actually renovate it, especially since we were going to have to pay 20% VAT as well. It just didn't stack up."

Kieran had to go back to the drawing board and start again. "It was a really difficult time. I'd spent all that time and money on getting planning permission. I had to take another look and see what we could sell instead. That's when I had the idea of creating two new builds."



KIERAN'S TIMELINE



2013
Buys first
BTL in
Chorlton,
Manchester



2015
Buys three more
properties in Salford,
flipping one and keeping
the other two



2016
Buys first
HMOs in
Salford and
Bury



2017
Buys house
and land in
Didsbury



2018
First commercial
to residential
project in Bury



Opposite and below: inside some of Kieran's renovations
Left: the carbon neutral apartments



Everyone said they wouldn't be able to get planning permission for two detached homes in a conservation area next to listed buildings, but they managed it without having to appeal. "One of the main reasons is because we were promising to deliver sustainable homes, which was something the council was looking for at that time."

It took a further 18 months to secure funding, with Kieran tenaciously knocking on the doors of multiple banks before finding a suitable funding partner. Work finally got underway in April 2021. The existing property was knocked down to make way for two new 5,000sqft homes, meaning Kieran and his family had to find a new home.

Realising the dream

Fast forward to May 2022 and the properties are almost out of the ground,

following a very challenging period for construction. One has already sold off-plan, with completion due in early 2023. So, what's next for Kieran? "We're toying with moving abroad temporarily," he says. "We might move to Dubai. I really want to go and see some of the architecture there."

However, he does plan to continue developing sustainable properties. He recently partnered with an architect friend to develop four carbon neutral apartments in an old glazing works in Didsbury. There are several other sustainable only projects in the pipeline including the retrofit of an old textile mill and an A-rated Passive House Standard townhouse in central Manchester.

Speaking of the apartments, he says: "I think we've timed them really well because they're all electric with solar panels and electric chargers. With energy prices rising they're in high demand."

For Kieran, there's a clear difference between working on projects that align with your personal values and those that purely make you money. "There's a phrase: 'working hard for something we don't care about is called stress; working hard for something we love is called passion'. For me, it's not just about doing something because it makes money and everyone else says it's great. You have to be able to balance financial viability and add value to the world in a way that benefits future generations by reducing our impact on the planet's resources. Focusing solely on the financials can be a soulless pursuit."



2019
Gets planning permission for sustainable luxury homes



2020
Secures option for commercial to residential carbon neutral project



2021
Starts developing carbon neutral project and secures funding for sustainable luxury homes



2021
Building work starts on sustainable luxury homes and carbon neutral apartments



2022
Carbon neutral project complete and ready for market

Ribble

Neil Cumins explores the investment potential in Preston, a city surrounding the River Ribble and surrounded in turn by some of northern England's biggest population centres

re



ousing





investment schemes in Manchester. We'd talk about Preston and nobody was interested, but now they're all ringing us saying they've heard this is the new place to invest in the North West."

Over at Ruby Estates, managing director Yusuf Desai reports a similar situation. "Sales have been crazy at the moment, with prices rising steeply. A lot of our investors are looking to buy here because it was regarded as a cheap place to buy, but now a three-bedroom house that would have been £70,000 is going for £100,000. We've just sold a house within 24 hours – as soon as it goes on the market it flies out of the door."

This has inevitably impacted the rental sector: "We get loads of phone calls requesting property to rent and we just can't meet the demand because the supply isn't there. We've got so many people on the waiting list and rental prices are increasing massively in the meantime."

North enders

Preston's favourable geographic position has historically ensured its importance punches above its compact boundaries and 140,000-strong population. It's 20 miles south of Lancaster, 20 miles east of Blackpool, 10 miles west of Blackburn and 30 miles north of Manchester, with Liverpool and Stockport also inside an hour's drive.

Preston is one of those places people tend to pass through, rather than actually visit. Whether you're changing track at its train station or driving down the M6, it's commonly seen as a staging post – somewhere you go to reach another destination. Yet such a transient attitude does this compact Lancashire city a disservice, since Preston is one of the North West's hidden gems. Having become England's 50th city back in 2002, it was voted the best place in the North West for living and working in a 2016 PwC/Demos survey based on ten categories including jobs, income and workforce skills.

Preston's property market has changed markedly even since 2016. This has been driven partly by people relocating from increasingly pricey

Manchester boroughs, partly by growing recognition of this city's own merits, and partly by landmark investment projects like the £5bn National Cyber Force (NCF) headquarters at Samlesbury. Speaking to estate and letting agents reveals a city currently in high demand.

Active agents

"We've been trading in Preston for nearly 40 years, and we had the busiest January and February on record," says Matt Eastham, director at Easthams and Co. "Our average waiting list is normally 40-50 people, but at the moment it's currently around 200, so there's a huge shortage of supply." This demand is coming from some unexpected quarters: "For many years we worked in Hong Kong and Singapore, selling



Preston's solitary train station offers exceptional connectivity, with Glasgow and London each two hours away. If you want to take to the skies, Manchester and Liverpool John Lennon Airports are both a one-hour drive away.

"People are moving here from Manchester because Preston's very commutable," says Michael Bailey, the founder of Michael Bailey Estate Agents. "The quickest train takes 34 minutes, and even if you want to drive in it's not too bad. There's definitely evidence of people being priced out of Manchester and Liverpool, and even parts of London, coming back to Preston to get much better value and more space alongside a less urban area."

Once settled, there's often no need to leave the town's boundaries. Local employers include DXC Technology, BAE Systems and Randstad Education, while business and retail parks flank the M6 as it hugs the town's eastern boundaries. Central Preston has seen better days, but it retains a decent retail core and enough traditional buildings to have a distinct character; the University of Central Lancashire's sprawling campus helps to maintain footfall throughout the urban core.

Full house

As well-resourced as the town centre is, it's not become a residential hotspot in the manner of other towns and

Left: the Harris Museum, Art Gallery & Library in Preston

Above: aerial view of Preston City centre

Below: Preston Riversway dock at sunrise

SITES FOR SORE EYES

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

● Cottam

Around 1,300 homes will be built on greenfield land and a former brickworks, alongside a supermarket and a local centre containing health services and retail outlets. Many new homes have already been built in the eight years since this suburban masterplan was approved.

● Stoneygate

Covering 25 hectares, this urban village will deliver 1,600 homes via a combination of new-build construction and the repurposing of derelict city centre buildings. At its core will be green spaces and landmarks, while residential schemes include the 200-apartment 14-storey Exchange.

● Lofthaus

A former student block is expected to give way to Lancashire's tallest building – a 30-storey tower combining 174 apartments and a 166-room hotel, with a top-floor restaurant and bar. Standing almost a hundred metres tall, the Lofthaus tower recently received planning approval.



AREAS OF INTEREST



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



Best for families:

Ashton,
Fulwood



Best for students:

Lane Ends,
Ashton



Best for young professionals:

Preston Docks,
Penwortham



Best for transport links:

Fulwood,
Broughton



Best for yields:

Broadgate,
Lane Ends



Best for capital growth:

Cottam, city
centre



I think we're a way off saturation, we could build another five thousand flats before we're unable to fill them

cities. However, its best days may lie ahead.

"The council's City Living Strategy kicked in three years ago, with 3,000 apartments planned in the next five years. I think we're a way off saturation, and we could build another five thousand flats before we're unable to fill them," says Matt.

A staggered approach to apartment construction has so far prevented a glut of homes flooding the resale market, though forthcoming schemes will more closely resemble high-density developments familiar in Manchester and Liverpool.

"Within the city itself, current hotspots are Winckley Square and Preston docks for apartments," says Matt. "Ashton and Sherwood are where three-bed semis are, the terraced market revolves around the city centre, Lane Ends and Broadgate, and then you've got the satellite towns which are really busy."

Michael also cites Ashton as a suburb worth considering: "It has nice green open spaces and good schools, and you're starting to see cafés and bars which just weren't there eight years ago. It attracts first time buyers a lot and there's a good mix of stock, similar to Penwortham. We put a terraced property on the market last Friday for offers over £110,000, and we had 40 people interested in it by Monday morning."



Figure skating

Average house prices in Preston stood at £179,088 according to March data from Rightmove, with the majority of sales drawn from the town's seemingly inexhaustible ranks of semi-detached houses. Suburbs like Penwortham and Fulwood are packed with three-bed semi villas priced anywhere from £150,000 to £250,000. If your budget doesn't stretch that far, studio flats start at around £45,000, a one-bed flat could be yours for £60,000 and two-bed on-street red-brick terraces are priced upwards of £80,000.

"A standard three-bed terrace can achieve yields of 6 – 6.5%", says Michael. If you're looking at the city centre, the yields are less but I think the capital growth potential is greater. We've got some city centre apartments at the moment which are achieving yields of 5.5%, but because the plan for Preston is to encourage both businesses and people to come back here, I think the capital growth potential is greater in the city centre, as it's going to develop over the next decade."

Below: Miller Park, Preston



Hard not to be im-Prest

Matt believes Preston's property market will follow a twin-track approach based on house styles in the coming years. "We've hit an affordability ceiling locally for apartments and terraces, but there's such a shortage of family homes that three-bed semis and four-beds will remain in high demand. I really think Preston's time has come and the market will continue to see record demand going forwards."

Michael agrees: "Price growth will slow towards Q3 and Q4, but I think it'll continue to rise because internal and external demand has created a perfect storm. Growth has been moderate in the last two or three years, so I think we're catching up with the rest of the UK."

Yusuf believes the time is now for investors to act: "Our investors are on hold preparing for prices to decrease, but you're never going to get those days again. I'm phoning up landlord organisations to see if they've got any stock because demand is so high." Anyone who can add to the pool of available properties in Preston will be gratefully received, by agents and tenants alike.

THE PRICE IS RIGHT

Below are three examples of properties currently for sale in Preston at different budgets:



This modern two-bedroom flat in Fulwood is being sold with a sitting tenant willing to continue paying £495 per month, though it can also be sold with vacant possession if preferred.



Also sold with a sitting tenant, this three-bed on-street villa along a residential side street requires extensive internal upgrading, providing a choice of investment paths.



Requiring full modernisation throughout, this bay-fronted inter-war semi on the banks of the Ribble would be ideal for a family once it's brought into the 21st century.

Source: Rightmove

Right and below: Euan's latest project
Below: Euan, Hollie and Grayson



A studio investment

Euan Craigie has built a business specialising in luxury student rentals in his hometown of Norwich. He talks **Marieke Mollitt** through his latest project





Our rent



INVESTOR FACT FILE

Name: Euan Craigie

Age: 29

Lives: Norwich

Invests in: Norwich, close to the University of East Anglia

Occupation: director of E&H Properties

Years investing: eight

Strategy: luxury student HMOs and serviced accommodation

Portfolio value: £4,120,000

Goal: to have a £10m property portfolio within the next four years

For as long as he can remember Euan Craigie, 29, has had an interest in property. Coming from a modest background and leaving school at 16, he moved straight into car sales, but it was always his goal to progress into property development.

Through saving up with his partner Hollie, they were able to buy their first investment property in 2015 – a three-bed end-terrace costing £182,000 in their hometown of Norwich.

When the opportunity to increase their earnings in Dubai arose in 2018, the pair packed up and let out their home as serviced accommodation.

They went on to purchase three more properties – all five-bed Houses in Multiple Occupation (HMOs) – in Norwich between 2018-2020, despite the challenge of being unable to view them in person.

The couple always knew they would return to the UK eventually, but it was the arrival of their son, Grayson, in December 2020 that was the catalyst that brought them back home and spurred Euan to become a full time investor.

On their return home, Euan observed there was an increasing appetite for high-quality shared student accommodation close to the University of East Anglia. Not only was this type of accommodation in demand, but it also made a sound investment. “There’s so much equity in this type of accommodation, and from my experience, you get your money back within a year, if you do it right,” he says.

Ripe for development

With a clear strategy of converting tired family homes into prime student rentals, Euan found his latest project in January last year via Rightmove listed for £242,500.

The three-bedroom house was “ripe for development”, in good condition and less than half a mile from the university campus. It had the added benefit of new windows and a new front door, plus solar panels fitted to the roof.

Euan ended up paying £10,000 over the asking price to secure the property, a price he felt was fair given the conditions of the market. He put down a 25% deposit and secured a bridging loan for the rest.

He drew up plans to convert it into a six-bed HMO by adding a large extension on the back and making some internal adjustments to the space and submitted a planning application.

The conveyancing process took less than three months. Euan got the keys in April 2021, but he had to wait five weeks until planning was approved before the building work could start.

Adding value

Two new bedrooms were created in the extension and a third in part of the old lounge. The wall between the kitchen and the living room was taken out to create a large communal kitchen area for the tenants to cook and relax in together. Euan purposely made sure this space measured 18.5sqm so the property wouldn’t be downgraded in any future valuations.

EUAN'S TOP TIPS FOR RENTING TO STUDENTS



Location

All of our properties are walkable from the University of East Anglia – this is key to our market. If a house was further out it would still rent, but then it really is integral the property quality is there to compensate for the distance.



Quality

This isn't usually a word associated with student digs, but that's what many students are looking for now, and are willing to pay for it.



Toilets

This seems like an odd one – but it matters. It can make or break a rental. As a rule of thumb, a five-bed HMO should ideally have three toilets.



Extra touches

We try to make life easier for our tenants – and their parents. Each property is fully furnished and each room has its own TV. The beds are all made up for when they arrive. The communal areas also have TVs and comfortable seating to encourage time together as a household.



Environment

As well as other life essentials, students need their study space. We provide a desk and Wi-Fi as standard in all of our properties.



"If you have a kitchen measuring more than 18.5sqm then the valuers won't downgrade a bedroom on the valuation. Whereas, if you have a smaller kitchen, they will take off a bedroom on the valuation," explains Euan.

Using high-spec fittings and finishings a new WC, utility room, bathroom and kitchen were added on the ground floor, and a further WC and two shower rooms with their own toilets and sinks were created on the first floor – taking the total number of toilets to six.

The property was due to be finished in August, in time for the start of the new term, but delays to the build meant the rooms were only ready to let two months later, meaning Euan had to be creative with his advertising.

Estate agents used photos of his other similar properties to indicate the expected standard, and viewings took place while the conversion was being finished. Despite this, the house was rented to a group of overseas students within a week, and they moved into the property in October 2021.

Doing the maths

As is the case with many development projects, Euan's costs ran above his budgeted amount. A predicted £80,000 increased to just over £91,000, which he paid for out of personal funds. Much of this was due to the property's drains: under the footprint of the extension ran a 7ft deep drainage system, something that wasn't picked up when



viewing and surveying the house.

However, his projected rental income of £3,500pcm turned out to be too conservative, and he was able to achieve a total of £3,700. Because his tenants were from outside the UK, the usual rental guarantor system could not be utilised. Instead they arranged to pay a bigger deposit – six months up front – as a security.

Better still, when Euan recently had the property revalued as part of his application for a mortgage, it showed an increase in value from £400,000 post completion to a potential sales figure of up to £480,000.

Euan says adding extensions to properties is a good way to add value: “If you’re paying the typical value in this area of £300,000 for a three-bed, then there’s no money to strip out for future investment. The amount is based on the bricks and mortar – essentially the square footage of the rooms – so there isn’t much you can add above the finish.”

Ambitious goals

Euan now has a property portfolio worth over £4m, consisting of 11 properties, including eight student HMOs and three serviced lets. He manages all these properties himself, with support from Hollie.

So, what are the high and lows of renting out to students? “The high has to be the security letting to students brings. As well as being able to predict your rent a year in advance due to the contract lead-in, all those in the household are jointly liable for the contract,” says Euan.

Left: the foundations of the extension and inside the finished property

RUNNING THE NUMBERS

This is how Euan Craigie's six-bed student let in Norwich stacks up financially:

Purchase price: £252,500

Deposit: £63,125

Purchase costs: £9,580

Finance method: bridging loan at 75% LTV, then a five-year fixed HMO mortgage at 80% LTV

Amount borrowed: £189,375

Conversion costs: £91,005

Project duration: nine months

Done up value: £400,000

Monthly revenue: £3,700

Monthly expenses: £1,199

Monthly net profit: £2,500

And the lows: “As well as the usual stress of refurbishments that comes with any development, it has to be the industrial clean I need to pay for each year!”

Working solely on the property business means they can enjoy family life and spend more time together – something in short supply when they were working seven days a week in Dubai. But that doesn’t mean Euan intends to take things easy from now on. His long-term plan is to build an eight-figure portfolio within the next four years, meaning he needs to acquire between four and six properties each year between now and then to achieve the growth needed.

And with two more deals in the pipeline already – one serviced accommodation and another student HMO – he’s on track to meet his ambitious goals.

If you have an interesting property case study (good or bad) we’d love to share your story. Email us with some information and photos and we’ll get right back to you: magazine@propertyhub.net



Wish you were here?

Devon


 Northumberland

Another bumper summer is in store for the UK holiday let market, but with more regulation and bigger workloads to contend with, is investing in the sector as appealing as it seems? **John Fitzsimons** investigates

The staycation has grown in popularity over the past couple of years. A new generation of stay-at-home holidaymakers has been born out of the pandemic and even now, as restrictions for international travel ease, that appetite for British holidays remains strong.

In fact, a study by Planday suggests that as many as half of Brits are planning to book stays within the UK in 2022. This resurgence in demand for domestic breaks offers property investors an opportunity – one that has already resulted in a record number of holiday rentals being incorporated.

Shutterstock

Increased revenues

One of the biggest benefits of owning a holiday let is that, with the right property, you can enjoy a significantly larger income than with a regular buy-to-let (BTL) investment.

Lisa and Chris Ryder run a portfolio of holiday lets in Kent, Hertfordshire, Bedfordshire and London through their [ServicedShortStays.co.uk](https://www.servicedshortstays.co.uk) business. They were already experienced landlords before they purchased their first holiday rental.

Because you charge by the night, the revenue from a holiday let can work out three to four times higher than with a traditional BTL property explains Lisa. “There are voids, but they are more than balanced out by the increased revenue,” she says.

These higher revenues can prove particularly enticing for landlords looking to improve the cashflow from their portfolios. According to a report from Which? holiday lets earn a 10% yield on average, although 14% is possible in some areas.

Tax advantages

How you’re taxed on a holiday let differs from a traditional BTL. If your property qualifies as a ‘furnished holiday let’ then you will benefit from special tax rules. You’ll be able to claim Capital Gains Tax reliefs for traders for instance and enjoy capital allowances for items like furniture, equipment and fixtures. Furthermore, the profits you bring in from the property are classed as earnings


 Scotland



HOLIDAY HOTSPOTS

The average yearly revenue of the top ten holiday-let destinations in the UK according to Sykes Holiday Cottages

1. Dorset £12,561
2. Devon £11,606
3. South Coast £10,520
4. Northumberland £10,476
5. Peak District £10,186
6. Somerset £10,023
7. Scottish Highlands and Islands £9,886
8. North York Moors £9,883
9. North Wales £9,443
10. Yorkshire Dales £9,179



when it comes to pension purposes.

Unlike regular BTLs, furnished holiday let owners can still deduct the mortgage interest from their profits before working out their tax liability for the year. However, there are specific rules you'll need to meet in order for your investment property to be classed as a furnished holiday let and you will still have to pay the additional 3% stamp duty surcharge when you buy your holiday let if you already own another property.

Firstly, your property must be made available to guests and holiday makers for at least 210 days per year. That works out at around 30 weeks. Crucially, these have to be people letting the property on a commercial basis – if you let family and friends have a free week or two in the property, then that doesn't count towards that target number of dates.

Of the 210 days made available to the general public, the holiday let

will also need to be rented out for a minimum of 105 days, which equates to 15 weeks. Again, any time that you or your family spend in the property doesn't count.

Secondly, while the property can be let out on a longer term basis – longer than 31 days for example – to a single tenant, there should not be more than 155 days of this type of longer occupation per year.

Finally, the property must be adequately furnished and equipped.

The council tax loophole

Because holiday let landlords pay business rates, they don't have to pay council tax. This rule has been abused by some second homeowners, who pretend they let out their extra property to avoid paying council tax.

As a result, the criteria for holiday lets being liable for business rates rather than council tax is changing.



being used a party house they don't accept single-night stays either. "If we had the cleaners coming in every other day it would not be cost effective," they add.

As well as working out who your tenants will be, investors need to have a plan of action for attracting them to the property. While Airbnb is a likely first port of call for many, there are other online travel agents (OTAs) which can help connect you with potential tenants.

Lisa describes these sites as a "necessary evil". While they help attract tenants, there is often little support on offer for owners: "Some OTAs won't allow you to use your property for your own stay, which is really restrictive. If you use more than one agent, you have to be careful to provide the same prices with all of them; in the background, they are all watching what you're doing," she says.

House rules

As with any property investment, holiday let investors have to do their research, establish who their target market is and anticipate what demand will be like. With holiday rentals this can vary significantly by area and by season.

"What you find is the client base is different based on location," says Lisa. "In Broadstairs it's almost entirely holidaymakers, but in Ramsgate we have wind farm workers, as well as holidaymakers. Then, in St Albans, it can be people going to a wedding, or who are planning a trip to Harry Potter World. It really depends on the area."

"It's important to understand who your client base is going to be, as that may affect the furnishings or the finish of the property," advises Chris.

There are some big decisions to make on what you will and won't accept in your property too. Lisa and Chris choose not to allow pets. "There's quite a big market for places that do accommodate pets, but if you do allow them, it can cause issues with allergies for future tenants, as well as increase the wear and tear on the property," says Chris.

To keep the maintenance costs down and to avoid the chances of a property

A helping hand

A big consideration for any holiday let is just how hands on you're going to be. While employing someone to manage your lets on your behalf will eat into your profits, it can also significantly reduce your own workload.

Property Hub Invest portfolio manager Martin Hammond owns a holiday let in Bath. He knew from the outset he wanted to be as hands off as possible, so he dedicated a lot of time speaking to managing agents in the area and spending time with them to get an idea of how they operated.

"There's so much more work involved than with a regular BTL, where you could go for a year without having to do anything much to do. With a holiday let, there might be three changeovers in a week. Getting the property cleaned, changing the linen, checking for damages; there's just a lot more work. If you run the holiday let yourself, it could take up all of your time."

Chris has been able to put his background in software to good use and set up systems that automate their property business. For instance, when a booking is made their cleaner is automatically sent a text so they know when they will be needed. This, and having a good team to support them,

From April next year investors in England will have to prove their property has been rented out for a minimum of 70 days a year in order to qualify for business rates relief and escape a council tax bill.

Similar action is taking place in Wales, where holiday let landlords will have to demonstrate the property has been available to let for at least 252 days, and actually let for at least 182 days, in order to pay business rates rather than council tax.

The Welsh government has also announced it is tripling the maximum council tax premium that can be charged on second homes, to as much as 300%, which could further hit some holiday rental landlords in the pocket should they not hit the higher thresholds required to qualify for business rates.



means the couple have the freedom to run their business remotely. “One of the high points is that we can work from anywhere in the world; we don’t have to live in the same place as our properties,” says Lisa.

Dealing with uncertainty

Martin bought his holiday let in February 2020, just before the pandemic took hold. “We just generally didn’t know when the next booking was going to be coming, which was really stressful,” he reflects.

Even as things have improved and the property has got booked up, Martin says there’s an inevitable amount of uncertainty that comes with such a fluid investment.

As a result, he advocates having a back-up plan in place for dealing with fallow periods: “You need to ask yourself who else can you approach to rent the property? It could mean advertising to hospitals, who often have people coming in on short term contracts,” he advises.

Pandemic aside, the seasonal nature of a holiday let is something investors

need to be prepared for. There will inevitably be times when demand is higher, and you can therefore charge higher rents, but equally there will be periods when the property is less in demand.

Martin recommends working out figures based on worst case scenarios: “Make sure you’ve got a bit of money spare to prepare for void periods. I hadn’t anticipated quite so many, which has added to the stress. If I did it again, I’d make sure I had more set aside.”

Borrowing to buy

When investing in a holiday let you will need a holiday let mortgage, rather than a regular BTL mortgage.

While there is a smaller pool of lenders active in this specific market, increasing numbers are starting to launch products. Recent data from financial information site Moneyfacts found the number of holiday let products on the market has tripled since 2020 and there are currently around 200 from which to choose.

Director of mortgage brokerage House and Holiday Home Mortgages,

Joe Stallard, says so long as investors make use of the right adviser there is no reason that obtaining a holiday let mortgage should be more complicated than a standard BTL loan.

“As long as the broker asks the right questions upfront, then the client experience should be good. There are a lot of nuances to lenders’ criteria so working with someone who knows what to look out for is highly recommended,” he says.

Given the nature of holiday lets and the seasonal fluctuations in rental income, lenders tend to calculate average weekly rentals for low, medium and high seasons for the property and then use an average of those three figures to determine the rental coverage needed.

Providing these figures is straightforward if you already own the property, but if you don’t then you may need to enlist the services of an experienced local holiday letting agency.

Joe says lenders typically look for borrowers to have a specific minimum



earned income, a deposit of at least 20%, a clean credit history and to own their own property, though he notes there are exceptions to all of these rules in the right circumstances.

Lenders will also want a good idea of the property itself, particularly anything unusual that might affect a resale. Martin experienced this first hand with his own holiday let: “Our purchase was complicated, as our holiday let is above a tattoo shop. It’s a Grade II listed building, but there is the shop underneath and pub next door as well. It meant lots of lenders would not lend on it.”

Location, location location

The location will play a part in the mortgage finance open to you, too. Some lenders are more prescriptive than others over precisely where they will take on holiday lets; for example, not all lenders will consider properties in the Scottish Highlands.

This isn’t the only location consideration though. Some areas have rules that limit or even outright prevent holiday lets. For example, in St Ives in Cornwall new build properties can only be bought for residential use – you can’t purchase them to let out. Meanwhile in London, properties can’t be let out for more than 90 days a year without obtaining a planning permit from the local council.

The leasehold conundrum

It’s not uncommon for investors interested in getting into holiday lets to target leasehold properties. After all, an apartment with a beach view is always likely to be in demand from staycationers. The problem is some leases have conditions that explicitly prevent the property being used for short term lets.

It’s important to dig into the terms of the lease from a mortgage perspective,

too. “If buying a leasehold property, then it’s always advisable to get as much information about that upfront as possible. This includes lease length, service charges and ground rents, which will all have an impact on lender placement,” says Joe.

New build properties and doer-uppers can also cause complications. Lenders generally prefer the property to be ready to go from the outset. “Most lenders will want a property that’s in immediate letting condition, or close to it, so ‘projects’ are much harder to place,” adds Joe.

Going green

One area of crucial importance for property investors of all kinds is energy efficiency. New rules are coming into place from 2025, lifting the minimum energy efficiency rating rental properties must have on their energy performance certificates (EPCs).

But do these rules apply to holiday lets? Yes and no.

Essentially, you need to have an EPC in place if the property is let out for more than four months of the year, cumulatively.

It’s also worth bearing in mind that the EPC rating may have a bearing on your mortgage options. According to Joe, mortgage lenders are increasingly requiring holiday lets to meet certain EPC standards in order to qualify for a mortgage.

Standing out from the crowd

In popular holiday let periods, you’re likely to be up against competition. So how do you go about standing out from other properties?

Martin advocates being a little more creative – and even quirky – in your design choices.

“You need to make the property stand out in pictures. We called our let St Swithin’s Nest, so we have a bit of a bird theme running through it. The worst thing would be to just fill it full of Ikea furniture. People live in houses like that already, they want to go somewhere different when they are on holiday.”



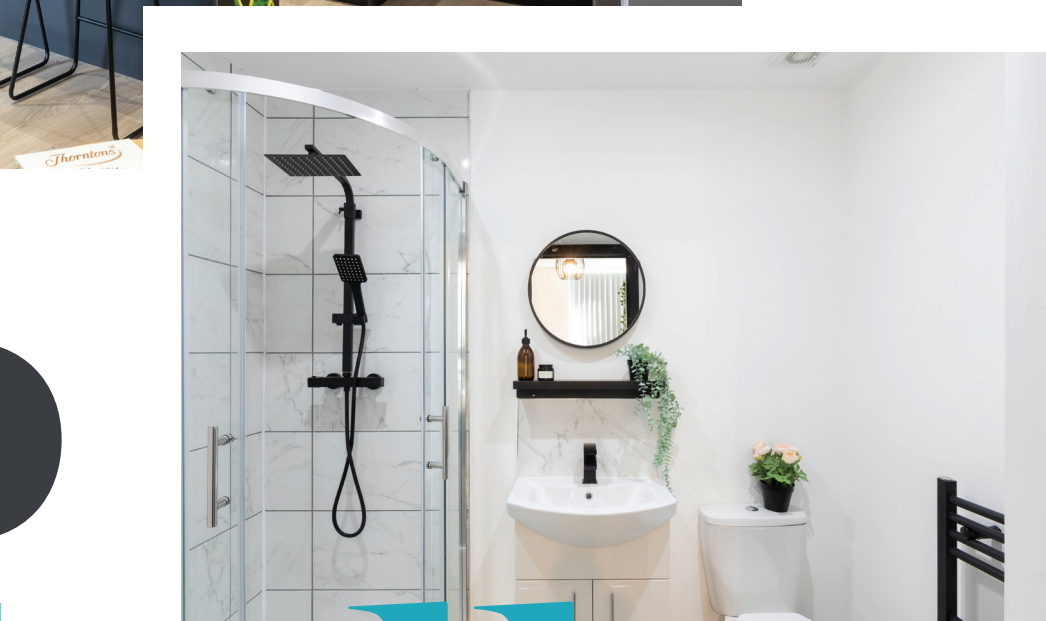
Above: Elsie and Markus
Right: the finished conversion



Rising to the ch

Despite the knowledge and experience Elsie and Markus have accumulated over the past five years investing, their latest project still had the ability to surprise them, as they tell [Mark Rocks](#)





INVESTOR FACT FILE

Name: Elsie Li and Markus Hartung

Age: 30

Lives: Manchester

Invests in: the North West

Occupation: full time property investors

Years investing: five

Strategy: BTLs, HMOs, commercial to residential conversions

Portfolio value: £1.6m, with another £1.6m set to be added this year

Goal: financial freedom

challenge

Every day is a learning day when it comes to property investment. And that's especially true of investors who seek to constantly challenge themselves, like Elsie Li and Markus Hartung.

The couple, both 30, started investing in property in 2017, beginning with buy-to-lets (BTLs).

Their motivation for getting started is one that will resonate with many an investor – they wanted to gain a sense of security for their future.

"We knew that getting a good pension pot together was important, and on top of that we wanted to be the ones in charge of our own financial future. We knew from our parents and other people in our lives that getting into property investment was a sound way for us to make this happen," says Elsie.

Their first investment was a cottage flat in Glasgow, which Markus describes as being "very vanilla".

"It was a two-bed flat on the ground floor. We bought it for £39,500 with the help of a bridging loan and whatever savings we could scrimp together from our time at students, then refurbished it for about £10,000 as it needed a new kitchen and upgraded flooring.

"It was a great way to dip our toes in the world of property, and we ended up renting it out for about £450 a month."

As time passed new properties were introduced to their portfolio, and new skills were accumulated with each one. The couple gradually moved on from BTLs, branching out into the world of Houses in Multiple Occupation (HMOs).

Since the pandemic, they've levelled up further by focussing on commercial to residential conversions.

Shopping around

For their latest project Elsie and Markus took on the conversion of an old shop in Wirral into two studio flats and a six-bed HMO. To start with, the process seemed quite painless.

They knew the area well having invested there in the past. “We previously had a few HMOs dotted around the area, and we let a commercial space out to a tattoo artist. We knew the numbers stacked up well there,” says Markus.

And – as any investor worth their salt knows – the key to choosing a location is doing your due diligence.

“We know enough about the value of inward investment to know that The Wirral has a lot of potential. There’s a £4.5bn regeneration scheme taking place at Wirral Waters near to the project, and we think that’s only going to help the rents and house prices stay healthy in the area for years to come.”

They spotted the building was up for auction some months before making an offer. “From various visits to the area, we’d noticed this shop with an auction sign out front, but we were just too busy managing our other properties to take it on at the time.

“Thankfully by the time the rest of our priorities had been sorted out, it was still for sale.”

The pair saw the potential to transform the space replacing the ground floor shop with two studio apartments and converting the three-bed flat above into a six-bed HMO.

“The numbers stacked up so we decided to take a chance and go for it.”

Buying some time

The property was listed for £60,000, but Elsie and Markus ended up paying £66,000 in total, plus £6,000 in auction fees. The deal was entirely funded by a private investor they’d worked with previously, so there was no need to take out a loan.

“We have built up a close relationship over the years through previous smaller projects and have a proven track record in finishing projects and returning funds on time,” explains Elsie.

The conveyancing process took a bit more time than expected, partly because the vendor wasn’t in any rush to complete. But in a pleasant turn of events, this ended up working in their favour.

Elsie says: “We were able to use that time spent conveyancing to do our work on the planning approvals we knew we needed for the ground floor studios, as well as the upstairs dormer.”

They got the keys in February 2021 and started work a few months later in July.



Right: before, during and after the conversion

A stressful storey

“We knew when we looked at the property it would be our biggest project to date, and we were definitely right,” Markus says.

The building was a completely empty shell, which was positive on the one hand as it gave them a blank slate from which to build upon. But on the other hand, it meant they needed to do everything from scratch.

To begin with, a whole new level had to be created taking it from a three-storey building to a four-storey one.

“We had to lower the top level, which involved bringing the floor joints down and incorporating a new set of floor joints, as well as a new set of stairs leading up to the new floor,” explains Markus.

Once this was completed, each of the new accommodations needed connecting to the utilities which – due to some miscommunications and Covid-related delays – took a lot longer than expected.

“We began work on the project in July 2021 and we got our final gas meter fit in the final week of March 2022, so it certainly wasn’t the quickest timeframe,” emphasises Elsie.

Unexpected costs

Part way through the conversion, their building control company informed them they needed to put more fire safety measures in place due to the extra height they’d added to the building.



RUNNING THE NUMBERS

This is how Elsie and Markus' shop conversion in Wirral stacks up financially:

Purchase price: £66,000 cash

Purchase costs: £6,000

Finance method: 100% private investor backed

Conversion costs: £183,000

Project duration: nine months

Done up value: £420,000

Monthly revenue: £4,000

Monthly running costs: £800

Monthly net profit: £3,200

This meant adding a sprinkler system at the cost of £10,000 – something Elsie and Markus hadn't factored into their budget.

There was also a shift in HMO regulations between the time they bought the property and when they could start work on it, which changed the architectural requirements of the six rooms.

"The en-suites in each room had to be bigger, which reduced the size of the bedrooms. Luckily, we could still accommodate this change, but it definitely wasn't something we were aware of before we purchased," says Elsie.

Originally, they budgeted around £163,000 for the refurb and furnishing, but thanks to the surprise sprinkler system, as well as other small costs that cropped up during the process, they went over budget by around £20,000.

The project was finally complete in March this year and Elsie and Markus were happy to find they could let the rooms for much more than they anticipated. "We're charging £120 per week for each of the rooms in the HMO, which comes to £240 more than we expected per month.

"We assumed the studio flats would be rented out for £400 a month, but that's looking more like £475 now, which is an extra £150 per month in total."

This increase takes into consideration the rise in gas and electricity prices, but is also due to the wider success of the area.

"House prices in Wirral have inched up since we bought the property, so these prices reflect that," says Markus.

They're currently in the process of selling the property so they can pull out their investor's fund to use on another project. "They quite enjoy the hands-off investing and interest payments without any involvement in the project. We have

new projects already lined up to reuse the funds and generate returns for them," says Elsie.

Lessons learned

While the project was a lengthy one and came with some costly surprises, Elsie and Markus say they've learned a lot by taking it on.

"We like to say that each project brings us some new knowledge to attain. This one taught us that utilities companies need to be followed up quite consistently to avoid delays. And we're also aware that buildings with a certain height will require a sprinkler system throughout. We won't make that mistake again," laughs Elsie.

"From a personal point of view, this project was really rewarding. No matter how daunting it seemed at the beginning, we've come out the other end with a huge sense of accomplishment that we might not have had with a smaller scale project."

If you have an interesting property case study (good or bad) we'd love to share your story. Email us with some information and photos and we'll get right back to you: magazine@propertyhub.net

When the lender says no

Rejected for property finance? **Emma Lunn** speaks to the experts to find out why this might be and what you should do next



Whether you're purchasing a property for the first time or are looking to add a one to your existing portfolio, waiting to hear whether your mortgage application has been accepted can be a nerve-racking experience.

Having an application for a mortgage, bridging loan or other type of property finance declined can be frustrating – and can come as a shock if you thought your case was watertight.

But it doesn't have to be the end. Understanding why your application has been declined can be the first step to improving your chances of acceptance elsewhere.

Which types of finance applications are most commonly rejected?

Regulated loan products tend to be declined more often than other unregulated property finance products. Regulation means that consumers are protected from incorrect advice or mis-selling from lenders or brokers; and this means lenders are obliged to look at applications in more detail.

Residential mortgages and bridging loans secured against a property which the borrower currently occupies (or intends to) are regulated. Buy-to-let (BTL) mortgages and bridging loans where the borrower's home is not being used as security are unregulated.

Master Private Finance national relationship director Alison Houghton-Corfield says the hardest product to get approved is a mortgage: "There are numerous factors as to why mortgages get declined but the main ones, without a shadow of a doubt, are affordability and credit status."

Trinity Financial product and communications director Aaron Strutt says when it comes to specialist funding, lenders want deals to make sense before they agree to them. "Lenders don't want to find themselves in a situation where the borrower can't make their repayments on time," he explains.

"Many of the development lenders like applicants with a track record in the property sector or at least work with specialists with experience. As a result, application declines are very common."

Why would a finance application be rejected?

Many applications for mortgages or development finance are rejected on the basis of affordability – the lender simply isn't convinced you can meet the repayments.

Someone just starting out in property investment might be aiming to repay a loan or mortgage from their employment income. But different lenders have different rules about what income they will include in calculations – some factor in bonuses and commission while others don't. You might also run into problems if your income comes from multiple streams, or if you're self-employed.

If you're applying for a BTL mortgage, the rental income will need to stack up for your application to be approved. Lenders look for an interest cover ratio (ICR) of 125% to 140%. For example, if your mortgage payment was £400, to meet an ICR requirement of 125%, you'd need to be able to get £500 a month in rent.

Some lenders allow borrowers to use surplus income from their day job to cover any rent shortfall, but others don't allow this.

If you apply for a bridging loan, you'll need to have a plan to pay off the debt: otherwise known as an exit strategy. Typical bridging exit strategies include selling the property, or remortgaging to a BTL or residential mortgage. Your exit plan will need to be approved by the lender for your application to be successful.

"Bridging cases can nearly always be placed," says Alison. "They get declined if it's for credit repair or the exit isn't strong. Development cases can often be placed, but they get declined if the profit margins aren't right or the asset isn't favoured by the lender."

Rules brought in by the Prudential



Shutterstock

Regulation Authority (PRC) in 2017 mean lenders are required to take a holistic view of a portfolio landlord's business before approving a new mortgage.

You'll be classed as a portfolio landlord if you have four or more mortgaged rental properties. The total loan-to-value (LTV) for your portfolio will need to be below 75% for you to get another BTL mortgage. To ascertain this, the lender will check the values of existing properties in your portfolio and cross-reference the outstanding mortgage on each property.

Some portfolio landlords may simply have too much debt for a lender to approve another application. Nicholas Mendes, mortgage technical director at John Charol, says: "Lenders will be conscious not to overexpose themselves to a portfolio landlord, this could be a maximum number of properties held by the lender in the portfolio or not to exceed overall borrowing to an individual of £3m."

While it's not impossible to get property investment finance with a poor credit history, it does make it more difficult. Red flags on your credit report might include late or missed payments, and County Court Judgements (CCJs).

When it comes to bridging and development finance, lenders might also look at your property investment experience. Because they are designed to be short-term and for large amounts of money, lenders will be expecting large returns over a short period of time. Do you have the experience and skills to achieve this?

Sometimes when your finance application is rejected it's not about you – it's about the property. The most common reason for your application to be declined is because the property has been down valued.

"Given the continual increasing property and rental demand, many

properties are being sold in record time; the low stock and high demand has been the fuel to the fire," says Nicholas. "This may seem like a good thing, but a surveyor on the other hand might not agree, meaning a lower market value. Most lenders will give you the ability to appeal, but fundamentally any decision will be driven by the valuers' comments, and any subsequent offer will be on this basis."

Applications can also be declined if the lender doesn't think the property is suitable as security for the loan for other reasons. For example, the property could be uninhabitable, be constructed of non-standard materials, or be in a high-rise tower block.

Another common reason lenders reject mortgage applications is because of errors during the application. Have you supplied all the paperwork the lender has asked for? Have you answered all the questions on the application? A good mortgage broker can reduce the chances of your application being turned down due to admin errors at your end.



*If you are declined
for finance, the
first thing to do is
find out why*



How healthy the mortgage and property market is, in general, will also affect whether your finance application will be approved. When things are going well in the economy, it's generally easier to be accepted for credit. But the current cost of living crisis, rising interest rates and political instability could all impact the number of mortgage approvals.

How can you increase your chances of finance approval?

If you've been turned down for a BTL mortgage, bridging finance or other type of property finance, don't worry: it doesn't necessarily mean it's game over for your project.

"There is a lot of competition in the market now and lenders are pushing to attract borrowers. More of the BTL lenders have eased their acceptance criteria to qualify for their mortgages," says Aaron. "We consistently speak to borrowers who have applied for their



a functional bathroom and kitchen. Bridging loans are typically used to bring these properties up to a liveable standard.

If you have only applied for mainstream finance products from high street lenders, you might want to think about the various alternatives available.

For example, some lenders offer refurb-to-let loans (also known bridge-to-let). This starts with a bridging loan, then switches on exit to a long-term BTL mortgage. Since no mortgage repayments are required while refurbishment is being completed, it can help maximise cash flow. This kind of loan might also be used to change the use of a property – for example, from a family home into a HMO.

SPF Private Clients director Howard Levy says: “If you are declined for finance, the first thing to do is find out why. Lenders don’t often directly confirm the reason so you may need to get hold of your credit report and talk it through with a broker. I have seen numerous occasions where there is a minor blip on the applicant’s file that they are unaware of, which can be rectified quickly. This also highlights the need to check your credit report ideally before making a mortgage application so any errors or other issues can be cleared up.

“Once the credit file is clean, a successful application can proceed straightaway. Also, it is useful to have a good reason to hand which explains the blip, as a broker can then talk this through with the underwriter to find out if there is any flexibility on the lender’s side.”

Property finance and your credit score

If it’s your credit history that’s the issue, there are steps you can take to improve your score. These include being on the electoral roll, making bill and debt repayments on time, getting errors corrected with the credit reference agency, and disassociating yourself from past financial associates (such as ex-partners) on your credit report.

Howard says: “Borrowers need to prove they can manage credit, whether it is a car loan payment, credit card or mobile phone. If you can show a lender the mortgage payments are affordable, not just at current rates but if they were to rise in future, then a lender will be more likely to accept the application.”

Alison says there are a few fundamental things people need to do to increase their chances of being approved: “They need to be totally honest about their circumstances from the outset and declare the correct income as tax efficiency can often lead to an inefficiency to borrow. They should have a copy of their credit report prior to applying and if anything isn’t showing on there, they still need to declare it.

“The property must be habitable for a mortgage. Often new landlords look to buy things because they are cheap and then they get down valued, and the problem is mainly due to lack of experience.”

A good broker can help you make an application to a lender who will both be happy with your personal circumstances, and who has lending criteria that includes lending on the property type in question.

Does being declined for finance affect my credit score?

Having a finance application declined doesn’t damage your credit score. However, other lenders will see on your credit report that a finance company conducted a hard search. Too many hard searches in a short space of time will affect your credit score. This is because lenders will think you are desperate to borrow money and question why you are being rejected by other lenders.

You can avoid this by not applying for alternative finance straight away after a rejection. Use the time to speak to a mortgage broker about the most suitable lenders to apply for, so your application has a better chance of being accepted next time.

own mortgage and had it declined or the maximum loan size reduced, but we still manage to find them an option.”

If your application was rejected due to affordability issues, or because the rental calculations didn’t stack up, you may need to put more cash into the deal. Do you have savings you could use to up your deposit? Is there another investor you could do a joint venture with? Could a longer repayment term make the payments more affordable?

If the mortgage lender had another issue with the property, you should seek out a lender happier to lend on this type of property. For example, some lenders are happy to lend on Houses in Multiple Occupation (HMOs) while others aren’t. In other scenarios, your application might be boosted by gaining the right planning permission or building regulations approval for planned work.

In some cases, you might have simply applied for the wrong type of finance product. You won’t be able to get a BTL mortgage if a property is deemed ‘uninhabitable’ because it doesn’t have a watertight roof, plus



Jewel in the cr



INVESTOR FACT FILE

Name: Sam Bastow

Age: 30

Lives: Evesham

Invests in: Worcestershire,
Gloucestershire, Warwickshire,
Herefordshire

Occupation: Brick sales and
property development

Years investing: Four

Strategy: New build development to
sell, refurbs and conversions to hold

Number of properties: Eight units
split across three properties

Goal: To create a tenant focused
local portfolio and multi-generational
wealth



Left: Sam and the refurbished exterior of the former jewellery makers' workshop
Below: inside the building during and after the conversion



Gaining a decent return on your money while putting something back into your local community sounds like every property investor's dream.

It is something Sam Bastow and his father Nick managed to turn into reality after converting a jewellery makers' workshop in Evesham, Worcestershire into four apartments, which they have leased to the local council as part of an independent living scheme.

Multiple factors might have stalled the project, nearly forcing the father-and-son team to pull out, but following months of navigating red tape and getting their own hands dirty, the end result has been worth all the effort.

In many ways, it has been a coming of age moment for 30-year-old Sam, who fits in property on the side of his day job as a sales manager for a brick manufacturer.

Intrigued by property deals from a young age – he used to set his alarm clock to watch *Homes Under The Hammer* during school holidays – he turned his passion into business when forming a company with his father in 2018.

Family ties

Together they set up George Staffordshire Developments Limited – named in tribute to the family's dog, a Staffordshire bull terrier called George – and developed two starter homes in the nearby village of Pershore, which they sold on for a £125,000 profit.

"My dad and I had some spare cash and decided to get into property as it looked interesting and was a way to invest away from the traditional stocks and shares and savings accounts," Sam says. "We have the spare time to do it quite successfully, whereas people who are really busy might want to invest in something they don't need to keep monitoring.

"We've always lived in and around Evesham and like to think we know the area in terms of property and we have local tradesmen that we've always used.

"Being a portfolio landlord has always been something of interest and we tend to sell the new builds, like the houses in Pershore, and keep the conversions and refurbs due to the increase of property prices over the years and the potential to get a good rental yield on it."

That strategy led Sam to take an interest in a commercial to residential conversion, transforming a jewellery workshop into apartments. They got the property, which had permitted development granted, for £220,000, which was £10,000 under the asking price.

"It was on Rightmove with an agent I know and was where they used to make pearl necklaces. Before that it was a Jehovah's Witness hall," he says.

Sam Bastow made the leap to tackling his first conversion project with the help of his father, Nick. But would converting an old jewellery makers' workshop into four apartments be an experience to treasure?
Andrew James finds out



own

"The owner had permitted development in place, so unfortunately there was no uplift in value from us doing that, but we thought the price was fair and we saw the potential."

Unlocking the potential

Although the initial building designs were for three flats, Sam found a way of adding value to the development by changing the plans to include a fourth flat.

"It's a two-storey building with a one-bed flat upstairs and another on the ground floor of the original building, and then there's a big extension at the back," he says.

"The original architect designs included a three-bed flat in that part and we thought, who wants a three-bed flat? So we went back to the planning authority and got a fourth flat by altering the internal design. I thought an extra flat could put around £100,000 on the GDV and £600 a month on the rental figures.

"We rejigged the way the corridor ran, we used some of the existing windows and also inserted one more window into the extension and managed to get an extra unit in. It's now three one-bed flats and a two-bed with a garden."

To help fund the project, Sam sourced private investment through an old school friend, who contributed £100,000.

"He saw what we were doing in property and showed an interest, so I put it to him that if he put in the money, we'd give him a return. He hasn't even looked at the building and it was a classic case of know, like and trust," Sam says.

"We didn't need to do it but thought we'd borrow the money, so that if anything else came up we'd have the cash to pursue other projects.

"We got an agreement drawn up with the rate of interest at 0.6% a month until the project was refinanced."

Overcoming the hurdles

Having picked up the keys to the property in spring 2021, the conversion was completed in March, with the 12-month project taking a lot longer than anticipated.

Their budget of £310,000 was exceeded by around £10,000, although Sam kept costs down by pitching in with labouring duties in his spare time in the evenings and at weekends.

"There were a few hurdles to overcome right from the outset. First the conveyancing process was delayed because the vendor had it in his pension pot and had to get it approved before it could be released," he recalls.

"Then the main builder got Covid and broke some ribs and there were material shortages on top of that. Another problem arose because the architect didn't do the regs properly. Building control problems alone put us back six to eight weeks.

"The main point I took from the entire process was making sure the professionals actually know what they are doing."

As frustrating as the setbacks seemed at the time, there



Above and right: pictures from before, during and after the renovation

was a silver lining to the delays, as Sam explains: "The rental income has more than met our expectations, just because of the way the market has gone during the time it took to complete the project. If we had done it six months sooner, as planned, I don't think we would have got as much rent."

Sam and Nick have agreed to lease the whole property to the local authority on a three-year term, with guaranteed rent and any damages covered. The tenants moved in at the end of April.

"We're quite charitable people and it seemed a sensible route to go down," says Sam. "The tenants are people making the step up from living in HMOs, those in work who need a bit of help and support to live on their own and manage their own bills."



"The council has two HMOs for independent living, but these will actually be the first individual units in its portfolio. The lease was torture to set up, with typical council bureaucracy holding everything up, but we're glad we persevered and have the safety net of guaranteed rent."

"With the cost of living going up, we could have been in a position where we might not get our rent. We've never had to evict anyone but I don't think I'd like to, even if they owe us thousands, as it's their home at the end of the day."

Sam and Nick ran a competition with a local primary school for pupils to name the building, with the winner awarded a laptop and the school receiving a raffle prize.

Sam says: "We ended up choosing St Eligius Flats. He was the patron saint of goldsmiths. It was nice the way it tied into what the building was before, both as a jewellery workshop and a Jehovah's Witness hall."

Adaptable approach

The pair have found their skills dovetail well. Nick, who also has a same-day courier service business, handles the trade

RUNNING THE NUMBERS

This is how Sam's commercial to residential conversion in Evesham stacks up financially:

Purchase price: £220,000 cash

Purchase costs: £2,900

Finance method: own cash and £100,000 private investor funding at 0.6% interest per month

Amount borrowed: £100,000

Conversion costs: £98,000

Project duration: 12 months

Done up value: £440,000

Total personal investment: £218,000

Monthly revenue: £2,110

Monthly expenses: £910

Monthly net profit: £1,200

side, while Sam is more in the background hunting for deals, crunching the numbers and strategising.

On top of the conversion, their portfolio contains a three-bed house with another property, a shop with two flats above it, awaiting planning permission.

Their ability to adapt to the ever-changing property market should stand them in good stead as they look to expand their interests.

"Our bread and butter is new-build development as it's a lot easier than converting buildings and our strategy would be build to sell," Sam says.

"However, as the margins have become tighter, especially with the price of materials increasing, we've found we can't make particular land deals stack up to sell. So we might be looking to add things to the portfolio working on a slightly lesser margin, but trying to draw out as much as possible and looking to create value by keeping them longer term."

If you have an interesting property case study (good or bad) we'd love to share your story. Email us with some information and photos and we'll get right back to you: magazine@propertyhub.net



The bubble isn't ready to burst

While the property market is undoubtedly highly active, we're still years away from a messy pop, writes **Rob Dix**

As a result of our weekly Ask Rob & Rob podcast, we get to hear what's on the minds of hundreds of property investors via the questions they ask. Over the past few months, a new trend has emerged: investors reporting the frustration of being repeatedly outbid and asking if the boom in demand and prices (roughly 10% growth over the past year) is sustainable.

It's easy, and entirely understandable, to come to the conclusion that we're trapped in a bubble that's about to burst. But I strongly believe that while the market is undoubtedly highly active, we're still years away from a messy pop. If I'm wrong, you can wave this article at me for years to come. But to me, the evidence is compelling.

Learning from history

I'll give you the numbers first, because they show that double-digit growth in property prices hasn't historically been an indicator of an unsustainable bubble.

The model of the 18-year property cycle places a particular emphasis on the "winner's curse": the final two-ish years of the cycle when people are outbidding each other in a frenzy, leaving the winner holding an asset that promptly collapses in value. Aligned with this, in the run-up to the crash of 2008 house prices were rising at around 9% and 10% per year towards the end of 2006 and 2007 respectively.

However, the cycle also states that the last seven years

of the cycle in general are a period of aggressive growth. And indeed, looking back, prices increased at an annual rate of more than 20% in 2002 and 2003, then 13% in 2004 – before taking a breather and putting on mere single-figure growth in 2005 and 2006. Looking at prices growing by that amount in 2002, wouldn't you have thought a crash was imminent? But it didn't come for another six years, by which time the average property price had grown by an unbelievable 90%.

The story is the same for the previous cycle too. The collapse started in 1990, preceded by crazy growth exceeding 30% in 1988 and 1989. But growth was also running at double-digits for much of 1983 and 1984, and topped 15% in 1985 and 1986.

What history shows us is clear: prices growing by double-digit percentages seems excessive and unsustainable when it first happens, because it follows a period of stagnation and much slower growth. But once that aggressive growth starts, it can (and, historically, does) persist for longer than you expect.

Watching the banks

The behaviour of banks is another indicator that we have much further to go. The enthusiasm for banks to lend against property (or more specifically, land) is a key driver of the property cycle. And sure, banks aren't averse to lending right now. But have you tried getting a mortgage recently? Business plans, stress-tests, rental cover requirements, cautious valuers... they're not exactly flinging money out of the door.

We're seeing the early signs of this shifting, though. A consultation is underway to remove one of the stress tests that was put in place to avoid a repeat of the last crash – hinting that banks think prudence to be a virtue all the way up to the point where it impedes their ability to make as much profit as possible. I'm not suggesting that we'll see a return to the truly insane lending standards of the mid-2000s, but the purse strings aren't loose enough to inflate a full-on bubble. Yet.

The power of psychology

I've saved what I believe to be the most powerful argument until last. This piece will appear more convincing now I've thrown around some numbers and arcane terminology first (I nearly said "macroprudential stability" to impress you at one point), but in truth my thesis is mainly built around emotions.

Why? Because the definition of a bubble is roughly the same as the definition of the winner's curse phase: people

buying at ever-higher prices purely because they believe someone else will buy it for more tomorrow, with no regard for the underlying fundamentals. Hence in 2006 it was entirely normal for property investors to buy properties that would make them a loss every month, because they knew they could borrow against their growth after a few months and extract a profit that way instead. I know one investor who actually stopped putting tenants in his properties, because it was too much of an inconvenience and all the profit was in the capital growth anyway.

Is that the mentality now? No way. I know plenty of people currently paying more for a home than they planned to, but that's because they wanted or needed to move – not because they're trying to make a quick buck by refinancing or flipping it to the next sucker. I know plenty of investors frustrated with being repeatedly outbid in a rising market, but they're buying as part of a long-term acquisition strategy – not out of fear of missing out in the face of mania.

It sounds trite, but a necessary condition for there being a crash is nobody believing that there can possibly be a crash – and conversely, when everyone is fearful of one, it can't happen. Such is psychology.

Conclusion

So what should you do if you believe my argument? The answer is to keep on executing whatever long-term plan you already had in place, and do your best to adapt to changing market conditions. It's annoying to be continually outbid and end up paying 10% more than you would have paid last year, but on the other hand you can expect to get a capital growth boost in the coming years that you wouldn't have had if you'd been buying in the doldrums of the early part of the cycle.

It's been true of the past two cycles, and further back too: as long as you don't buy in the final two years of the cycle, even after the crash prices won't go lower than you paid in the first place. For the reasons I've explained, it doesn't seem to me like we're in those final years yet – and if you take the property cycle as your guide, there are a few more good buying years ahead.



Listen to The Robs discuss this topic in episode TPP475 of The Property Podcast
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How to... transfer your properties into a company



Setting up a property company isn't for everyone, but if you are considering incorporating your property business Andrew James rounds up what you need to do

There are two main ways to buy investment property: personally or via a limited company. When you buy a property personally, the deeds and the mortgage are in your name and you pay the income tax on any profits you make. When you buy property via a limited company, you own the company, but the deeds and the mortgage are in the company's name and the company pays corporation tax on any profits made.

Owning property in a limited company also makes a difference to how you get paid. Rather than receiving the rental income directly, it is paid into the company from which you can either pay yourself a salary or take it out as dividends.

Since the government changed the mortgage tax relief rules in 2015, buying property through a limited company has become increasingly popular and

it's easy to see why: regardless of your personal income tax threshold your profits will be taxed at the corporation tax rates (currently 20%). Plus, owning property in a limited company is generally considered a more tax efficient vehicle for passing wealth and income on to future generations.

Estate agency Hamptons found that last year 47,400 new buy-to-let (BTL) companies were incorporated in the UK, more than in any other previous year, and a rise of 14% on 2020. The same analysis of Companies House data revealed that during 2021, half of all new BTL mortgages were taken out by landlords with a company and that property investment companies now account for 29% of active BTL mortgages.

Despite this growth in popularity, many investors still get into property by

making purchases or inheriting property in their own name, then – later down the line – making the switch. So, if you find yourself in this position, what do you need to do?

According to Jagrup Lewis, tax manager at Calculated Ltd, before you rush out and incorporate you need to carefully consider your personal circumstances and not just follow the trend. "Your decision needs to take various factors into account such as the rate of personal income tax liability, the number of properties you own, your future goals and your inheritance tax plans," she says.

Some tax specialists suggest you need to be a higher rate taxpayer and own 10 or more BTL properties to make the costs involved in transferring to a limited company worth it. But even if you own a large portfolio and are a top rate



taxpayer, setting up a limited company may still not be the right option.

"It all depends upon your investment strategy and future plans," explains Jag. "For example, if you're planning to sell any of your properties in the future you could end up having to pay double tax if you wish to withdraw the funds from the company, assuming your personal tax-free dividend allowance and any directors loan account has already been used."

Similarly, any tax savings you make could be outweighed by the additional mortgage costs you'll have to pay – many lenders charge higher interest rates and fees to limited companies compared to individual BTL mortgages. "It's therefore very important to take tax advice with regards to your own personal situation," says Jag.

But, if you've crunched the numbers and are still convinced transferring your property into a limited company is right for you, then there are several steps you'll need to follow.

Choose a name

Whether you choose to use your own name, name it after your favourite pet like Sam Bastow did (pages 38-41), or come up with something entirely new, you'll need to check if it is available by using the Companies House register online. Any names that are already in use or are too similar to existing registered names will be rejected.



Any tax savings you make could be outweighed by the additional mortgage costs you'll have to pay

Set up your company

A company can be set up directly through Companies House. You'll need to supply names and addresses of all directors and shareholders and decide how many shares you wish to have in issue for the memorandum of association – a legal statement which declares each subscriber's intention to incorporate the company and become a member.

You'll also need to make a decision on whether you want to use your home address as your registered address or whether it's worth paying for the privilege of privacy and using a registered office address service. You'll find plenty of companies offering this service online.

Write a shareholder agreement

It's common for people to add their spouses or even their children as shareholders to receive a share of the company's profits. "You can have different classes of shares for different members giving them different rights such as entitlement to dividends, voting rights and rights on winding up of the company," explains Jag.

Once you've made a decision everything needs to be recorded in a shareholder agreement.

Use the correct SIC code

You'll need to provide details on the ownership structure of your company and what activities it will undertake by choosing the relevant standard industrial classification of economic activities (SIC) code.

If you are buying and letting for the long term you'll need to use the SIC code 68209, whereas if you plan to buy and sell (aka, flipping or trading property) the correct code is 68100.

"Each company can have a maximum of four SIC codes, which will be used to inform institutions such as Companies House, HMRC and the banks what activity the company can undertake," says Jag.

Choosing the wrong code could make it difficult for you to get a BTL mortgage, as can choosing too many



codes. "If you already have another business, for example contracting or consulting, it's recommended you don't combine this with your rental properties as it can increase your risk factor and make it tricky to get funding," says Jag.

Submit the articles of association

Another piece of paperwork you'll need to provide is a list of rules about how your company will be run that's agreed by the shareholders, directors and company secretary, otherwise known as the articles of association. "You can write your own rules or adopt the standard rules which are provided by Companies House," says Jag.

Set up a business bank account

You'll need a bank account in your company's name rather than your own. Every bank has a slightly different process for opening a business account, some will allow you to open an account online, while for others you'll need to go in branch. In most cases you'll need to provide:

- Your UK business address and proof of your identity
- Your company's certificate of incorporation and articles of association
- A signature from a company representative living in the UK (most likely yourself)
- A UK business plan showing why you need a UK business bank account

Transfer existing property into your company

Unfortunately, it's not as simple as creating a limited company then signing your property over. To make the transfer you need to sell your property to your new company which – as with all property transactions – comes at a cost.

If there's been an increase in the value of the property since you bought it, then you'll have to pay Capital Gains Tax (CGT) on the profit. How much you pay will depend on your tax band. Lower rate taxpayers pay 18%, while higher rate taxpayers will pay 28%.

And, just as if you were buying a property for yourself, your company will need to pay stamp duty land tax (SDLT) on the purchase, including the 3% second home surcharge.

"Both of these taxes are calculated on the market value of the property on transfer into the company. If you are transferring a property that is currently mortgaged, you may also have a redemption penalty if you are locked into a fixed rate," says Jag.

For some buy-to-let investors, the costs of making such a transfer can wipe out any tax savings in the medium and long term.

File your accounts

Once a company has been incorporated HMRC will be automatically notified by Companies House and you will receive the deadline notifications for filing your accounts.

"The first accounting period will end on the last day of the month 12 months after the company was incorporated. Accounts need to be filed at Companies House for each accounting period, as well as accounts and a corporation tax return filed at HMRC for the same period," explains Jag.

As part of the legal filing requirements the company will also need to file an annual Confirmation Statement with Companies House to confirm there have been no changes to the company details, or notify Companies House of any changes in the interim.

Find a strategy that works for you

In some cases it can be worth holding some properties personally and others within a limited company. Jag provides a thought-provoking example: "If you're moving house and wish to keep your current home as a BTL, it may not make sense from an income tax perspective to move it into a limited company, particularly if you are a basic rate taxpayer.

"But, if the value of your new home is higher than your existing one, it can make sense to move it into a company so that you become eligible for the lower rate of SDLT on the purchase of your new main residence.

"Say your current home is worth £200,000, and your new one is worth £800,000. If you decided to keep your current home as a BTL in your personal name, your SDLT liability will be £54,000. Alternatively, if you transfer your current home into a limited company your SDLT liability would be £7,500 on transfer and £30,000 for the purchase of your new home, a total of £37,500, saving you £16,500."

If you feel you'd benefit from talking to a property tax specialist visit:
propertyhub.net/service/tax/



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Propertyhub.net/forum

Bring on the boom

Enjoy the property boom, it's only just getting started, writes **Rob Bence**

It was way back in 2014 that Rob Dix and I started talking about the 18-year property cycle. Since then, we've talked about it *a lot*. We've always said at some point the boom phase will come, and last year in 2021, that happened.

We're only just at the very beginning of this period of growth, yet already people are complaining they can't get deals, that prices are too high, or they're convinced it won't last.

I understand operating in a boom market can be challenging and it might make some people feel nervous because it's a new phase of the cycle, but it's a part of the cycle you should enjoy.



As Rob D explains on page 42, before the last crash in 2008 prices increased at an annual rate of more than 20% in 2002 and 2003, then by 13% in 2004, reducing to single-figure growth in 2005 and 2006, then back up to 10% in 2007. People remember there was a boom then a crash, but they forget how long and how aggressive the boom phase was.

A boom phase typically lasts from five to eight years. We're only one year in so far, so that means the market could crash any time between 2026 and 2029 and could quite feasibly go up by 10% a year each year, all the way up to 2026 and beyond.

If we were at the peak of the market already, we'd be seeing the signs. Lending would be loose and more people would be talking about getting rich quickly through property. And while I don't think property is a get rich quick tool, at the height of a market, people will say it is, and that's usually the point when the market is actually peaking.

Reaping the rewards

The challenges this part of the cycle brings can all be overcome. Does it mean you have to react faster? Yes. Does it mean you have to be more switched on? Yes. Does it mean you have to work in a market that's far more competitive? Yes. But while all those things can be difficult, remember, the reward is that the market will give you growth.

In previous parts of the cycle, you've had to work really hard to get the best deal possible in the best area possible. In this part of the cycle, pretty much anywhere you buy you'll be rewarded. It's a very forgiving market.

When the market was softer, finding a below-market-value deal was a great strategy to deploy. But right now, because the market is experiencing double digit growth year on year, even just buying at a 1% discount is an incredible deal, because the market could add another 10% for you.

Doubling up

If you think the boom phase isn't going to last, then think again. We're only at the beginning – the party is just getting started. At some point, double digit growth will feel like the norm. You only have to look back at previous 18-year property cycles, for the evidence.

Enjoying the ride

This is a great time to be a property investor, whatever stage you're at. If you already have a portfolio, then your properties are going up in value. If you're an aspiring property investor, then you're buying at a time where you'll be well rewarded. And for those that don't have direct access to the property market, we've created Portfolio so you can still have some level of exposure.

Even if you don't want to carry on investing (which I feel is a mistake), but you're at a point where you're happy, then at least you'll benefit from your equity increasing and will have access to better mortgage products. So don't sit on your hands, don't overthink it. Enjoy it and embrace it.

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

What I've learned

Branding expert and champion of female property investors **Jade McNeil** shares her lessons

Design wins, every time

If you want to achieve the best results and create a high-quality product that will outperform your competition, then you must see design as a priority from the start. It's not about throwing money at extra finishing materials; it's about making smart design choices to create a cohesive experience your customer will connect with. If you systemise the design process from the beginning, it will make it easier to manage when you have multiple projects happening at once. Particularly with HMOs as there are a lot of design decisions to be made and it can be very time consuming if you're not organised.

Don't be afraid to be different

When I started to build my profile in the industry six years ago, I was worried there wouldn't be a place for me as a designer with a passion for interior design and branding – that I wouldn't be taken seriously, as what I was interested in wasn't the 'important stuff'. But, having the confidence to



Jade and some of her recent projects



lean into my USP has been the catalyst for my business growth. I'm incredibly passionate about my brand, and because of that it's created many incredible opportunities for me.

Find your people

The property game is hard going and the hurdles can seem never ending at times. It's important to have like-minded people who understand what you are going through to lean on, as it will help to keep you on track. There are now lots of different communities throughout the property industry. Spend some time

on social media finding a community that resonates with you and then get busy connecting with people within it. Don't be afraid to network on and offline.

If you own property, you have a business

Anyone can go out and buy a property, that's the easy part. It's all the things that happen after that demand your attention. Tenant care, maintenance, accounting, admin, marketing, cash flow – the list really is endless! Have your eyes wide open to all the hats you will need to wear as a portfolio owner and operator.



INVESTOR FACT FILE

Name: Jade McNeil

Age: 38

Lives: Nottingham

Invests in: Nottingham

Occupation: Founder of Beespace and The Hive

Strategy: HMOs and commercial conversions into student rooms

Years investing: Ten

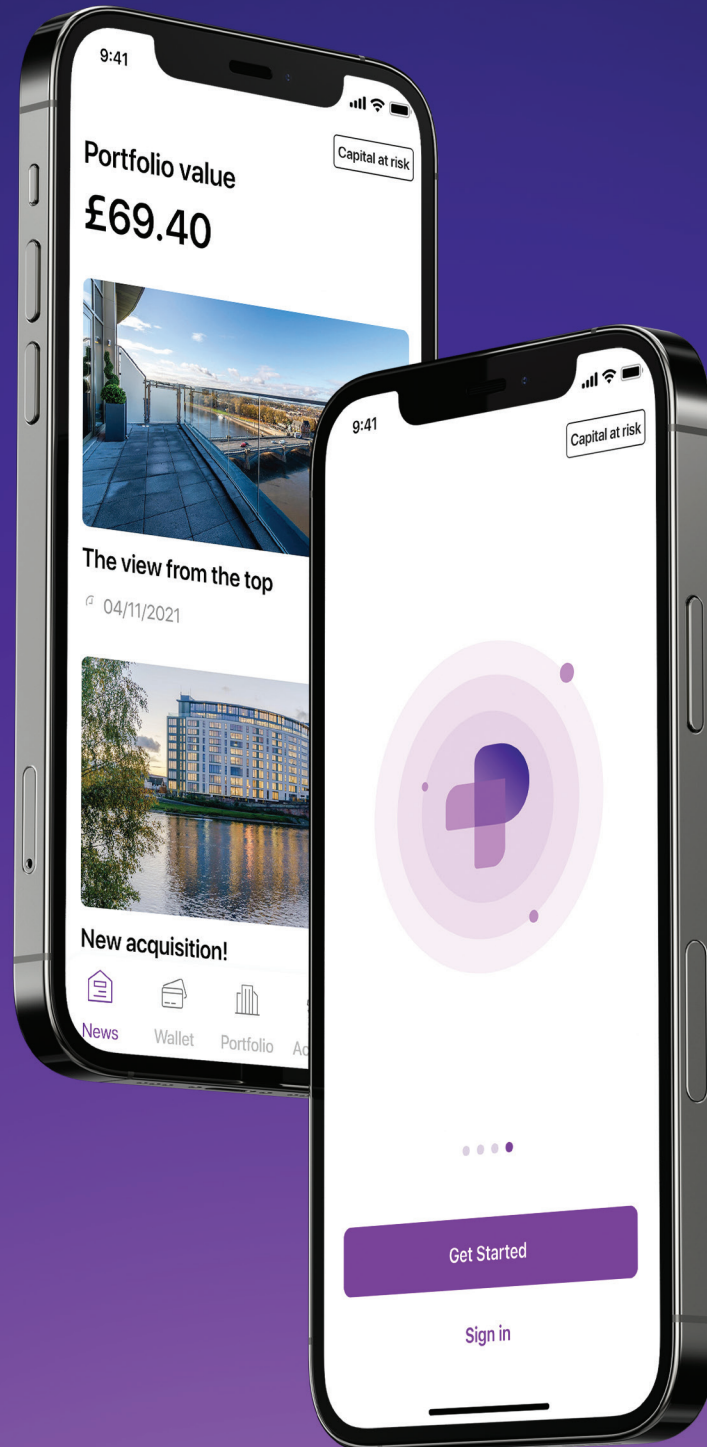
Goal: To build tower blocks in Nottingham with yellow lightning bolts on the side.

Also to connect as many females in the property industry though The Hive community.

Work with the right people and aim for longevity

If you are investing into property or plan to, the chances are you're in it for the long game. Build a team around you that will stand the test of time and help you get to where you want to go. Time spent nurturing those relationships really is a very smart investment for the long term.

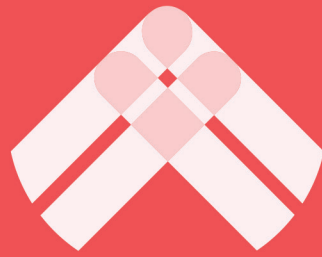
If you're a portfolio landlord and would like to share the lessons you have learned, we'd love to hear from you. Email us: magazine@propertyhub.net and we'll get back to you.



For more information visit:
www.portfolio.co.uk

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