

Making sense of property investment

PropertyHub

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Counting the costs

Are rising costs ruling out
refurb-based strategies?





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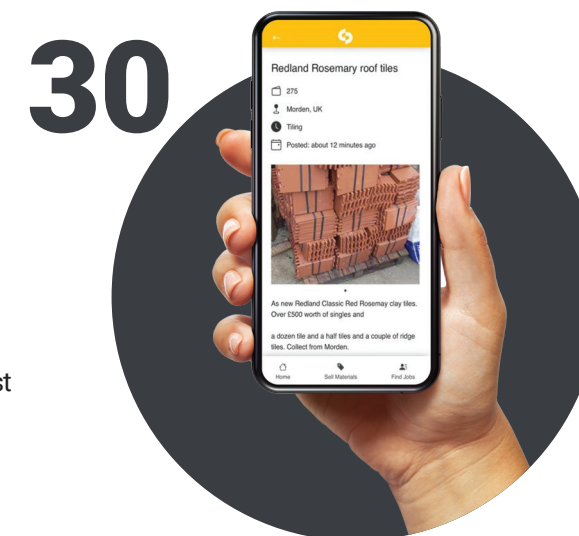
For keeping costs under control

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What I've learned

Full-time landlord and investor Darren McNeill shares his best bits of advice



Welcome



Rob Bence (left) and Rob Dix (right)

Nothing could have prepared us for what a bonkers year 2022 would turn out to be. As we write this at the end of October, the cost of living crisis is dominating the headlines, with the debate focusing largely on the burden felt by households.

The private rented sector has come under fire as a consequence, attracting a disproportionate amount of political interest and resulting in some rather dramatic (and unexpected) decisions as Rob D explains on page 42.

Despite public opinion, property investors aren't immune from escalating prices, and – as we report in our cover story on page 24 – it's becoming more of a challenge to turn a profit from some strategies.

It's still early days yet, but investors are already finding ways to adapt and identify alternative opportunities, as we discover on page 34.

Happy reading,

Rob & Rob

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

Rob Dix has written extensively about property investment for the past seven years. His books, including his latest release *The Price Of Money*, *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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Inside the hub

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



ON SCREEN

The big freeze is here, in more ways than one. Scotland has imposed a rent freeze for all existing tenancies, and a ban on evictions. But what does this all mean? And more importantly, how could it affect you in the future – even if you don't invest in Scotland? Watch our YouTube video and find out what changes could be coming to England and Wales.

youtube.com/propertyhubuk

ONLINE

September was a bumper month for webinars with not one, but two live sessions hosted by The Robs. They discussed the state of the market including the fall-out from the mini-budget, interest rates and inflation. If you haven't attended one before, then what are you waiting for? They're short (20-45 minutes long), free (no-sales zone) and for everyone, from new investors to experienced ones.

propertyhub.net/webinar

ON AIR

They're 500 episodes in and they've never missed a week, yet still The Robs keep coming up with the most interesting content for The Property Podcast. It helps that there's so much going on in the market right now, so there's no shortage of topics to discuss. Make sure you listen in November to hear how they think different strategies stack up, then again in December for their annual predictions review.

[Propertyhub.net/podcast](https://propertyhub.net/podcast)

HUBCHAT

Over on the Forum, our new member Anthony wants to know what the pros and cons are when it comes to buying a new build property. Unsurprisingly this is a hot topic for investors. Some see new builds as a no-brainer of an investment, while others are wary of hidden fees and snagging problems. Where do you stand on this issue? Join in the conversation and let us know what you think.

propertyhub.net/forum

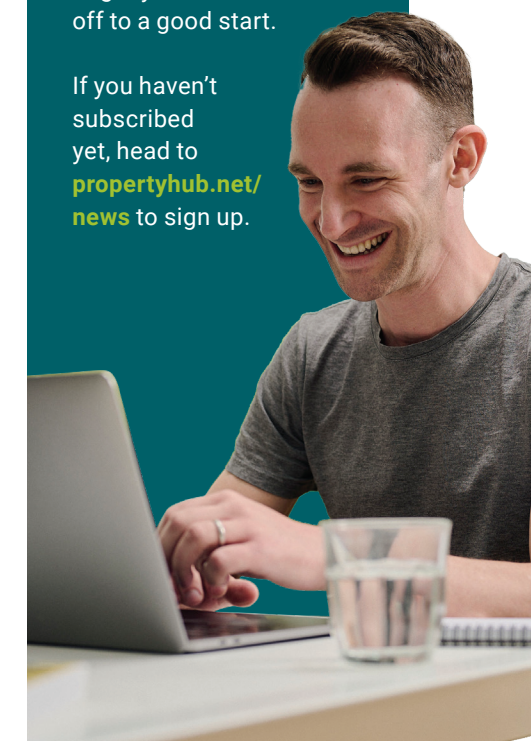
Fridays are synonymous with happy hour, takeaways and – best of all – Rob Dix's new weekly newsletter.

Now you can sit back with your margarita and let Rob deliver the latest property market insights straight to your inbox (snacks not included).

Each week he condenses the biggest news stories affecting property investors into one easy-to-digest email and gives his own witty take on them.

There's even a weekly life hack suggestion to get your weekend off to a good start.

If you haven't subscribed yet, head to propertyhub.net/news to sign up.



Market focus

The latest news and developments from across the property market



EFFICIENCY IMPROVEMENTS

Landlords are getting ahead of the government's new energy efficiency rules, research by Shawbrook Bank has found.

More than half (54%) of landlords it surveyed said they have made efficiency improvements in the past six months, with 63% having brought forward upgrades because of sharp inflationary pressures.

The report also found the cost-of-living crisis is driving tenants to seek out better performing homes to rent, with 58% reporting they are less likely to consider a property with an energy

rating of D or below.

Although the new energy performance certificate plans have not yet been put into law, ministers have previously indicated that newly rented properties in England and Wales will have to meet a minimum EPC standard of C by April 2025 – tougher than the current E standard. The measure could also apply to existing tenancies from 2028.

Shawbrook recently announced an energy efficiency discount for new buy-to-let mortgage customers of up to 60bps on their arrangement fee for properties with an EPC rating of A, B or C.

FIXED RATES REACH 6%

The average two and five-year fixed mortgage rates surpassed 6% for the first time in over a decade in October.

According to financial information company Moneyfacts, the last time the average two-year fixed deal surpassed 6% was in November 2008, the year of the financial crash.

Several lenders withdrew all or some of their products in the wake of the mini-budget, only to return with considerably pricier deals.

Rob Dix said: "The money

markets are pricing in a base rate of 5.75% next year. As the base rate drives lenders' cost of accessing funds, they can only offer fixes to you today at rates above 6%.

"I think people are expecting inflation to go higher (and remain that way for longer) than it actually will. As a result, I also believe that the projected base rate is also too high. If this turns out to be true, lenders' costs of funding will fall over the coming months – and so will the fixed-rate mortgages on offer."



IN NUMBERS



54%

The percentage of landlords that have made energy efficiency improvements in the past six months (Shawbrook Bank)



The average number of rental properties letting agents have on their books, down 50% on 2017-2019

(Hometrack Q3 UK Rental Market Report)



The average rate of two and five-year fixed mortgage rates in October (Moneyfacts)



£2,500

The average stamp duty saving buyers will make in locations like Reading, Stevenage and Weston-Super-Mare (Access Legal)

TENANTS DOWNSIZING

The "chronic shortage" of homes to let is pushing rents up higher and making tenants reconsider their options, suggests the latest UK Rental Market Report from Hometrack.

According to the Q3 results, the stock of homes for rent remains almost half (46%) the five-year average, while the average letting agent has just eight homes available to rent – half that of the summers 2017-2019. This has led median rents in the UK to rise by £115 per month over the past year to £1,051.

Renters are responding by seeking smaller homes with lower running costs. Demand for two-bed flats has been "accelerating" in recent weeks, while demand for two and three-bed houses has declined.

However, some tenants are choosing to stay put to avoid rent hikes. Drawing on data from the Office for National Statistics Rental Index, the report found current rents across all rented homes are 3.7% higher compared to July 2021. But for those moving to a new rented property, the costs are 12.3% higher.



STAMP DUTY CUT

Property buyers in Reading, Stevenage and Weston-Super-Mare will make the most savings on stamp duty following the cut, a study by law technology specialist Access Legal has found.

The law technology specialist analysed the average stamp duty paid across more than 90 of England's largest towns and cities before and after the cut announced in the

government's mini-budget on 22 September.

Basildon, Worcester, Leicester, Bournemouth, Crawley, Cambridge and Swindon complete the top ten – with buyers making an average saving of almost £2,500 on their purchases.

Birkenhead, Hartlepool and Blackpool came bottom of the list for savings, with property buyers in Birkenhead making a saving of just £177 on average.

Home movers now have no stamp duty to pay on properties valued between £125,000 and £250,000. Those buying second homes and buy-to-lets still have to pay a 3% surcharge but benefit from a 2% cut on properties up to £250,000.

On a property worth between £250,000 to £925,000 landlords have to pay 8%, while on a property valued between £925,001 and £1.5m stamp duty is 13%.



Could relief be on the way?

A revival of mortgage interest rate relief for landlords isn't out of the question, writes [Chantelle Dietz](#)

It's not often landlords feel cheered by something the government has to say. Yet, ever since Liz Truss told NRLA boss Ben Beadle that she thinks landlords were given a "hard time" by the previous administration and is aware it has been "very, very tough" over the past four to five years, there's been a bit more optimism in the air.

Just the acknowledgement that the government has made things tough for landlords felt like a big step, but it's what Ben thinks she was alluding to that has got landlords feeling enthused.

"She was essentially saying that she wanted to have an environment that was encouraging towards property owners so that they would bring their properties to the market," said Ben, speaking on Property Tribes' Landlord Lens in September.

"This could mean a whole range of different things, but to me I think there's a huge opportunity here for the removal of Section 24 and all of the benefits that can bring to tenants in terms of reducing costs to landlords

and therefore reducing rents," he added.

What is Section 24?

Section 24 is the name of the legislation put in place in 2017 to curb the tax benefits available to landlords. It was announced by former chancellor George Osborne in the emergency budget in 2015 and was gradually phased in from 2017, coming into full force in April 2020.

Prior to April 2017, landlords could deduct their mortgage interest, plus associated costs like arrangement fees, along with all their other costs before determining their taxable profit.

For example, if you made £10,000 in rental income and paid £5,000 in mortgage interest and £1,000 on other associated costs, your profit would be calculated at £4,000. You were then taxed on that profit at your marginal rate — so a basic rate (currently 20%) taxpayer would pay tax of £800, and a higher rate (currently 40%) taxpayer would pay £1,600.

Since April 2020, individual landlords haven't been able to deduct these mortgage interest costs from their taxable profits. Instead, they can claim a basic rate allowance of 20% for their finance costs — irrespective of their marginal rate.

This means if you make £10,000 in rental income and pay £5,000 in mortgage interest and £1,000 on other associated costs your profit would be calculated as £9,000. Taking into account the 20% allowance of that £5,000 mortgage interest cost (£1,000), a basic rate taxpayer would pay £800 tax, while a higher rate taxpayer would pay £2,600.

What impact has it had on the market?

On paper it seemed basic rate taxpayers would be no worse off after Section 24 came into play, but because everyone's profits were artificially inflated by the new calculation, lots of people were pulled into the higher-rate tax band.

As a consequence, many investors

decided to swerve the new rules and incorporate their property businesses so they could carry on deducting mortgage interest from their tax bill. Analysis from estate agent Hamptons shows that between the beginning of 2016 and the end of 2020, more companies were set up to hold buy-to-let (BTL) properties than in the previous 50 years combined.

At the end of last year, there were almost 270,000 BTL companies in the UK, up from around 200,000 in mid-2020.

Plenty of landlords left the market too. An NRLA report suggests the sector has lost around a quarter of a million rental homes since mortgage interest relief was abolished.

What would happen if it were reversed?

Some landlords believe it is possible — even quite likely — that Section 24 will be repealed at some point, arguing it was never sustainable in the first place.

Ireland has already reversed its own version of Section 24 which

"For landlords and tenants it is essentially a win-win. Investment would increase, costs decrease and pressure would be relieved from rents"

was introduced in 2009 as a way of incentivising investors back into the market. Now, landlords there can claim tax relief on 100% of the interest payments incurred on a mortgage used to purchase, improve or repair a property, whereas previously they were only able to claim 75%.

In an environment of rising interest rates, a repeal can't come quick enough for those watching their margins shrink. "If Section 24 changes were reversed, meaning landlords could fully offset their mortgage interest, the average higher-rate landlord would turn a profit of £2,065

each year instead of £884. It also means they could weather a base rate of up to 4.0% before their profit turned negative, instead of 2.5% under the current rules," says Hamptons head of research Alison Blease.

Although it would only directly impact landlords who own property as an individual (not in an incorporated vehicle) NRLA policy and campaigns director Chris Norris believes it would have a much wider impact on perceptions.

"It would send a signal that property investment is a viable opportunity, and that the government is less hostile to landlords than it has been in recent years. More investment would improve supply, which would affect the entire housing market.

"For landlords and tenants it is essentially a win-win. Investment would increase, costs decrease and pressure would be relieved from rents."

The Treasury has indicated we won't get a proper budget event until next spring, so it seems unlikely anything will change before then.

"I realised I had nothing to show for a decade of working insane hours"

Lawrence Khen began building his property portfolio while recovering from chronic illness



Above: Lawrence's three-bed house in Cardiff



Above right: Lawrence and his wife Lauren

Below right: the two-bed flat in Cardiff



Many people invest in property as a way of securing their family's financial future, but Lawrence Khen felt the need to futureproof more keenly than most.

It was while working in Pittsburgh in 2015 on a two-year secondment that Lawrence – originally from Cardiff – began to suffer from inflammation in his eyes. Within a short time, his health deteriorated.

"My eyes became significantly worse, I started to lose weight – dropping from 13 stone to under 10 stone. I became intolerant to alcohol and lots of foods. I started to get brain fog and severe headaches, joint pain, back pain, extreme fatigue and my hair started to fall out.

"I managed to hold it together for the first year but by the second year I was starting to fall apart. I spent approximately £30,000 travelling the US trying to get answers as to what was wrong with me.

"Eventually I was told I had all the symptoms of chronic Lyme disease, but I couldn't get a proper diagnosis because testing is poor and produces a lot of false negatives."

Lyme disease is a bacterial infection that can be spread to humans by infected ticks. It causes the immune system to become dysfunctional which can lead to a range of debilitating symptoms. Lawrence, who was 26 at the time, believes he became infected after being bitten on a hike.

To help combat the effects of the illness, Lawrence was put on a range of pharmaceutical drugs, all of which

made him feel worse. "I went from being extremely fit and active, not to mention social, to a complete recluse. I had no energy to do anything at all. I spent most of my days crying and feeling sorry for myself."

With the help of his family and his employer – an international supermarket chain – Lawrence and his wife Lauren returned to the UK in 2017. "If it wasn't for my wife and family, I'm not sure if I would have made it. The management team at work were unbelievably good to me too. They created a part time role so I could just work mornings when I was too ill to work full time."

Having read about the benefits of functional medicine – a holistic approach to health that focuses on identifying and addressing the root cause of conditions – he booked an appointment to see a practitioner in London in late 2017.

"The doctor told me my immune system was completely hyperactive and everything and anything was causing it to attack healthy tissues in my body, effectively causing me to breakdown. This is known as Chronic Inflammatory Response Syndrome which is often triggered by Lyme and can last many



INVESTOR FACT FILE

Name: Lawrence Khen

Age: 33

Lives: Cardiff

Invests in: South Wales

Occupation: full-time investor

Years investing: four

Strategy: BTL, social housing, HMOs

Portfolio size: 31

Goal: to provide a financial legacy for his family

years after you are rid of the original illness."

Lawrence was put on a strict regime comprising of a Paleo diet of lean meats, fish, fruits, vegetables, nuts and seeds, regular exercise, saunas and cold showers to remove toxins from his body and boost his immune system, and daily mindfulness and wellbeing practices.

Over the next 12 months his physical and mental health steadily began to improve to the point he was able to return to work full time. It was during his recovery that he began to think about securing his financial future.

"I suddenly realised I had nothing to show for almost a decade of working insane hours in the corporate world. My company supported me wholeheartedly through my illness, but I suddenly felt exposed and vulnerable if I should regress. I started reading books on investing and consuming all Property Hub's resources and decided the best way to secure the financial future for myself and my family was to start investing in property."

As a consequence of not being able to go out socially during his illness, Lawrence had saved up a sizeable nest egg of £70,000. He planned to use this money to buy enough properties so the rental income would cover his monthly mortgage payments of £750. He chose South Wales as his investment area as it was close to home and prices were low relative to the rental returns.

"I worked out that I only needed to purchase three small buy-to-lets (BTLs) to comfortably cover my residential mortgage payments. I set out a plan to utilise the Buy, Refurbish, Refinance, Rent (BRRR) model on single lets with the target of only leaving £10,000-£15,000 in each deal so I would be left with some savings at the end.

"I wanted to make the three acquisitions within a six-month window because I was seriously worried about having to leave my job. I borrowed £50,000 on money transfer credit cards to finance the refurbishments with the plan to extract cash out of each property after six months by way of further

advance and then pay the credit card debt back.”

His first purchase was a one-bedroom cottage in Brynmawr, Blaenau Gwent. He spotted the property while scouting the local area and found it wasn't listed on Zoopla or Rightmove when he checked online. “The agent must have forgotten to list it, which definitely reduced competition.

“It was in decent condition, but it looked tired and the front drive was in a dire state as it had been fly tipped on for years and the small garage was collapsing. The list price was £50,000, I offered the owner £40,000 and she immediately accepted.”

Lawrence landed lucky with his tenants. His first – a retired builder – agreed to do the work needed to bring the property up to standard in exchange for a reduction in rent. When he moved out, an aspiring interior designer moved in transforming the décor and redesigning the back garden. After six months he was able to refinance the property for £55,000, pulling out £11,250 – almost all of his initial investment.

His second two investments – a three-bed house in Cardiff that required a full renovation and a one bed flat in central Cardiff with a short lease of 77 years – both completed in early October 2018.

“I could see value in both of them and a clear path to getting the majority of my initial investment back out, which

Right: Lawrence's three-bed house in Cardiff

Below and far right: the two-bed flat in Cardiff



would allow me to maintain my initial pot of cash.”

The house cost £81,000 and Lawrence spent £18,000 doing it up before getting it revalued by the bank at £105,000. “I had planned to spend £7,000 and get it revalued at £120,000 so this was a big blow. It was a disaster project where everything went wrong, and I had to finish it myself.

“We spent over double the budget, and the valuation came in way below what I had projected meaning I made little to no profit for six months of work and stress. It got me down initially, but I dusted myself off and went again.”

Thankfully, the flat turned out to be a much more straightforward project. “I bought it for £73,000, paid £6,000 to extend the lease and £9,000 on the refurb with me and my dad doing all the painting. I got it immediately revalued

at £110,000 and using an 80% product only left around £5,000 in the deal.”

With all three properties in Lauren's name so she had an income should anything happen to him, Lawrence had achieved what he set out to do. But by then his circumstances had changed. “As I was completing the first three, my health was improving, and I realised I really enjoyed it all. Once we had the mortgage covered, I still had around £40,000 of my initial cash plus the credit card money.”

He decided to pay the credit card debt off and apply for a further advance of £55,000 on his residential mortgage. He set up a limited company and secured investment from his mum and sister in exchange for interest



payments and equity to provide the capital to expand.

Over the past four years Lawrence and Lauren have used the same model to buy, refurbish and refinance a further 28 properties ranging from single lets and serviced accommodation units to HMOs, social housing, and homes they provide directly to the care sector.

Lauren gave up her job as a teacher to focus on the business in 2018 and oversees their property management company and serviced accommodation portfolio. Lawrence left his job and joined her in June this year.

His health is now back up to around 90%. He's taken part in three marathons this year and went on a hiking holiday in the US. “Previously I was exhausted

just getting up the stairs,” he says.

His priority now is to diversify his business into other areas. “I've always enjoyed providing great homes for people, but what I really enjoy is seeing other people succeed in life.” After leaving his job in June he set up a mentoring and training business for people just getting started in property or who want to take their business to the next level.

Investing in property hasn't just helped Lawrence and his family get to a place of financial stability, it's also freed up their time so they can spend more of it doing the things they love.

“I'm in the fortunate position where the essential parts of my role only take 20-25 hours per week and Lauren's 10-20 hours per week. We have a three-year-old son and a newborn. We spent this summer having lots of fun enjoying nice holidays and trips to Pembrokeshire.”

Rather than being driven by fear of not being able to provide for his family, Lawrence is now driven by creating a better life for them. “I'm motivated to provide a great life for Lauren as I owe her everything. No other partner would have stood by me through thick and thin like she has.

“I don't just want to provide a financial legacy for my two sons. I want to be a great dad and make sure I spend time with them to teach them the importance of being kind and honest and how to navigate the challenges of life.”

LAWRENCE'S TIMELINE



October 2017
Returns to the UK



April 2018
Buys first BTL in Blaenau Gwent, Wales



October 2018
Completes on second and third properties



November 2018
Sets up a limited company



April 2019
Buys first serviced accommodation unit



April 2021
Sets up property management company



September 2021
Buys first HMO



March 2022
Sets up Foresight Property Partners

Rising star

Shutterstock

.....
Neil Cumins reports on the local property scene of Wrexham, the Welsh border city catapulted into the spotlight by Hollywood celebrities that has its own star appeal

Every now and then, a town or city achieves global prominence through an unlikely set of circumstances – a tragedy, an event or simply a series of coincidences. When football-loving scriptwriter and actor Rob McElhenney discovered Wrexham AFC needed new ownership and investment, he persuaded his movie star friend Ryan Reynolds to invest with him, and the rest is (very recent) history.

The Welcome to Wrexham Disney+ documentary series has placed the world's third-oldest professional club on the international map. It's also shone a global light on Wrexham's low-rise skyline, giving property investors around the world a lightbulb moment. There's a lot to be said for (and about) this historically overlooked corner of North Wales.

Dee-lightful

As a rare example of a town not constructed around a waterway or coastline, Wrexham is the fourth-largest

population centre in Wales. Like its southern neighbours Cardiff, Swansea and Newport, Wrexham is also now a city; its status was confirmed in September as part of the bittersweet Platinum Jubilee celebrations. Combined with the populations of neighbouring Llay, Coedpoeth and Rhosllannerchrugog (understandably better known as Rhos), North Wales's largest conurbation is home to over 100,000 people.

Wrexham stands six miles west of the English border, twenty minutes by car from Chester along the Llandoverly-bound A483, and within an hour's travelling time of both Manchester and Liverpool. Yet its commuter appeal has never been widely recognised, with the River Dee seemingly acting as a psychological barrier as well as a physical border. That's despite the Welsh property market operating on the same lines as the English system; there are no devolved quirks like the Scottish offers over system to concern investors.

Captains of industry

In the 19th century, Samuel Johnson described Wrexham as a "busy, extensive and well-built town", and those words still ring true today. Effective planning extends to the huge industrial estate standing a few fields beyond the suburban boundaries, rather than abutting residential areas as it would in most towns and cities. This is one of Europe's largest industrial areas with over 10,000 jobs provided by big-name brands including JCB, Cadbury, Airbus, Kellogg's and Sharp. Expansion is ongoing, with 320,000sqft of industrial space currently being constructed.

Wrexham's part-pedestrianised city centre has suffered more than most from the pandemic, with a high number of empty units exacerbated by the 2008 opening of the Eagles Meadow shopping centre. The latest in a series of regeneration schemes is currently being proposed for Wrexham's urban core, whose many fine traditional buildings could easily support an increase in residential units.

It's quiet here at night, especially since Wrexham Glyndŵr University stands beside a retail park on the western edge of town. Coleg Cambria's historic Yale campus (sadly unrelated to the American

Shutterstock



Opposite: Wrexham AFC owners actors Ryan Reynolds and Rob McElhenney
Above: aerial view of Wrexham
Left: view of the Trevor Basin in Trevor, Wrexham

institution) does border the city centre, providing a second home to students and benefiting from a recent £20m refurbishment. There are no student-focused suburbs in Wrexham, meaning residential areas near either campus offer solid potential for houses in multiple occupation (HMOs).

Life in the suburbs

With surrounding villages hosting a scattering of million-pound Georgian and Victorian villas, many of Wrexham's finest homes are found in suburbs like Gresford and Borras. You can buy a detached house for £200,000, while privately-owned three-bed semis range from £150,000 near the city centre to £300,000 in desirable suburbs like Garden Village.

Flats are surprisingly rare, though some low-rise modern blocks have been constructed near the urban core. A five-figure budget will secure you a one-bedroom apartment or a tired two-bed, while red-brick mid-terraces and



"Flats are surprisingly rare, though some low-rise modern blocks have been constructed near the urban core"

ex-council semis both start at around £100,000. According to Rightmove, average selling prices in the past year stood at £189,572, representing a 9% year-on-year increase but still 10% below the Welsh average.

With its largely traditional housing stock selling at affordable prices, rents in Wrexham are equally modest. It's unusual to see a one-bedroom flat advertised at more than £500pcm,

SITES FOR SORE EYES

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

- Wrexham Gateway:**
The Mold Road corridor is being regenerated through a collaboration between TfW, Wrexham AFC, the Welsh Government and Glyndŵr University. A £90m masterplan will see a new interchange at General Station, a conference centre, and a refurbished football stadium.
- Llys y Coed:**
Work is already underway on a 189-property development set to unify Rhosrobin and Pandy, occupying a greenbelt site beside the A483. Accessed from Main Road, this development incorporates a mix of terraced and detached villas, ranging from two to four bedrooms in size.
- Brymbo Steelworks:**
This iconic site has a masterplan in place for a major residential development, supported by a primary school and pub restaurant, a new surgery and retail units. Over 30 acres of open space will join hundreds of homes, with Taylor Wimpey the first builder on-site.



Reuters/Alamy Stock Photo



WHY WE INVESTED IN WREXHAM

Investors Lee Chaloner and Ceri Butler have a mixed portfolio of properties in their home city of Wrexham including HMOs, single lets and serviced accommodation.

Why Wrexham?

Wrexham has always been a great place to invest and with the takeover of Wrexham AFC by Ryan Reynolds and Rob McElhenney and its new city status it's only going to get better. It is the largest city in North Wales and has a great student market with Glyndŵr University and an ever-growing professional market with the thriving industrial estate.

Where to invest?

We tend to look mostly in the centre of Wrexham, anywhere within walking distance to the university campus, train stations or Wrexham Maelor Hospital is always popular. Other areas worth noting are Rhosddu, New Broughton, Brymbo, Garden Village and Rhostyllen, all within the LL11 postcode.

What's the market like?

Demand is strong. Just a quick search on Rightmove will show you that rental properties don't stick around for long. The last room we advertised received over 40 enquiries and we almost never have any voids, but it does depend on the product you are offering.

What do investors need to know?

Thanks to its city status there will be far more potential to attract major projects, inward investment and funding over the coming years. Planning permission has recently been submitted to build a new 5,500 capacity stand at Wrexham's football ground The Racecourse, which will drive even more people and interest into Wrexham. Wrexham Council's regeneration plans are pumping in money, making Wrexham a great places to invest in our opinion.



while a £600 monthly budget encompasses modern two-bed apartments. A suburban three-bed semi might attract £750 per month, with properties across the city returning a 3% yield according to data from Totally Money.

Home.co.uk has calculated median rents of £595pcm across Wrexham. Two-bedroom homes are generally the most popular in urban areas, with larger three-bed properties more sought-after in the outlying villages.

General knowledge

These villages form part of a very car-dependent region, with limited bus services; the only suburban train station is in the northern district of Gwersyllt. A couple of outlying villages (notably Cefn-y-Bedd and Ruabon) do have rail links into Wrexham General station, from where there are direct trains to Cardiff, Liverpool, Birmingham and London.

Liverpool's John Lennon Airport is an hour by car, as is Manchester Airport,



"The city's fortunes are brighter than just two Hollywood stars"

with easy access to both along the M56 once you pass Chester. North Wales has no motorways of its own, and it'll take you 45 minutes to join the M6 at Lymm, while the south coast cities are more than three hours away along busy A-roads.

Compared to the deep-seated pockets of deprivation found further south, Wrexham performs relatively well on national indices. There are no areas of the city which should

be regarded as unsafe or no-go areas, though the Caia Park scheme east of Queensway is the most impoverished and has some long-standing social issues. There are also pockets of non-standard construction around Churchill Drive; this won't be an issue for cash purchasers, but could prove challenging in terms of obtaining a mortgage.

Star light

For the foreseeable future, Wrexham will be known as the place where celebrities swooped in to revitalise an ailing football club. Yet the city's fortunes are brighter than just two Hollywood stars. Combining strong employment and thriving academic institutions with limited supply and low levels of deprivation, Wrexham represents a compelling location for investors seeking low prices with scope for strong capital gains over the coming years.



THE PRICE IS RIGHT

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

£75,000



This generously proportioned one-bedroom ex-council flat in a compact block in Rhos has been partly modernised but still needs some upgrading, especially to its dedicated utility area.

£100,000



The west end suburb of Caego is home to a tired-looking two-bed mid-terrace, which would benefit from upgrading throughout. It's being marketed with a sitting tenant.

£150,000



Investors will appreciate the potential offered by this dated yet well-maintained three-bed semi-villa along St John's Road, with large rear grounds offering scope for extension.

Source: Rightmove

Below: the six-bed HMO in Bramley, Leeds (second from left)



INVESTOR STORY

Left: James and Jen outside the property prior to the refurb and how it looks now



INVESTOR FACT FILE

Name: James and Jen Brook

Age: both 31

Live: Epsom, Surrey

Invests in: Leeds

Occupation: chartered surveyor and assistant headteacher

Years investing: one year

Strategy: HMOs

Portfolio value: £300,000

Goal: to love what they do and have the freedom to do what they want

Worth the wait



Even with the best laid plans, property refurbishments don't always run smoothly, as James and Jen Brook discovered when they took on the conversion of a six-bedroom HMO in Leeds. **Natalie Thomas** tells their story



Running his own firm of chartered surveyors in London, James, 31, seems like a natural candidate for a property investor. And, having immersed himself in property for the past 10 years, he knows a good deal when he sees one.

Over the years his enthusiasm has rubbed off on his assistant headteacher wife Jen, 31, and in 2018, following the sale of their first home – a shared ownership property in Putney – they embarked on an ambitious strategy of buying, adding value and reselling their personal homes in a bid to build enough capital to start investing.

Their gamble paid off and by 2021 they had grown their savings pot to £200,000 through the sale of two more homes: a two-bedroom flat in Fulham,

London, and their family home in Epsom, Surrey.

The right time and place

The couple identified the city of Leeds and its surrounding suburbs as an investment location. "I'm from Wakefield originally and all of my family still live there," says James. "I was always hearing through Property Hub that Leeds is one of the top five locations to invest."

Some months into their search they received an unexpected call about a property they had made an offer on several months earlier, but had been unable to progress with due to issues with the existing tenants.

The three-storey house was in

Bramley, Leeds, an area James knew well, just an eight-minute commute from Leeds and perfectly situated opposite the train station. "The agent told us the tenants had moved out and asked if we still wanted to buy. It was originally on the market for £165,000 but we offered £155,000. The landlord was eager to sell so accepted," says James.

Digging deep

At the time of purchase, the property comprised of four bedrooms – two on each floor – and a ground floor kitchen and living room.

James and Jens' vision was to create a six-bedroom house in multiple occupation (HMO) by converting the

basement into a large kitchen and communal living space, replacing the existing kitchen and living room with two new bedrooms.

The property sat 100 yards or so outside of an Article 4 area, meaning they didn't need permission to convert it into a HMO.

Being a surveyor, James knew the importance of getting the basement right in order to prevent potential damp and flooding issues further down the line. "Doing my job, I see a lot of basements go wrong through people cutting corners. We wanted to do it properly and have no issues for the next 20 to 30 years.

"There are two ways of doing it: you can either apply a waterproof cement to the walls – which is ok but won't last long – or the proper, but more expensive way, to do it is install eggshell plastic membranes on the wall and create a channel that runs under the floor, with the water pumped away into the drains, which is what we did."

Elsewhere, the chimney and some interior walls had to be removed, a new central heating system fitted, a new kitchen and six ensembles added, plus the usual rewiring, plastering and decorating. They also made the decision to replace the roof and the windows.

"It's essentially a new house in the old shell," says James. "We probably didn't need to do the roof and the windows straight away, but we just wanted it as maintenance free as possible," he explains.

The building work

Living 220 miles away, working full time and looking after their one-year-old son Rafael meant James and Jen could only visit the project once a month, so they found a local builder to take on the project, bar the basement, for which James enlisted a specialist contractor.

Having completed the acquisition in December 2021, work started on the property in January this year. They were told the project would take around four months. Thinking this was a little optimistic, they took out a nine-month bridging loan, anticipating this would give them ample time to get the work done

then find tenants and remortgage.

But several months into the project, it became clear all was not going to plan. During a visit in August, James realised the extent of the delay. "Although our builder had experience in HMOs, he'd only recently set up on his own and this was the first one he'd done unaided," remarks James.

"The worst bit came at the start of August. The builder told us the project was a day away from completion, so we drove up only find it was nowhere near finished," he recalls.

By this point they were dangerously close to their bridging loan expiring. The final straw came when the builder then told them he was going on holiday for two weeks. "We said: 'that's it' and that night I went on MyBuilder.com and advertised for every trade we needed. By the morning we had a plumber, four decorators, an electrician and a general builder. In total that cost us around an extra £20,000 but by that stage we just needed it finished," he says.

Luckily, James and Jen had a very clear contract in place with the builder, which helped limit the additional costs of the delay. "My advice to others would be make sure you have a contract," says James.

"They don't have to cost much – you can buy a template online and they are quite easy to fill out. It gave us a checklist to hold the builder accountable against and it helped both sides because there was never any argument over what we had agreed."



In hindsight, James wishes he had been able to be more hands-on. "The delay would never have happened if the renovation had been taking place in Putney for example as I would have been able to visit more often."

Nevertheless, having recently had the property valued at £300,000, they have broken even with the refurbishment and four out of the six rooms were snapped up almost immediately by professional tenants, gaining more rent than originally anticipated.

They appointed a local agent in Bramley to manage the letting. "It's a good few hundred pounds a month but it has been worth every penny," says James.

Looking back

Despite the setbacks, James and Jen are keen to add two more properties to their portfolio next year.

Although they found it challenging to manage the conversion remotely, James is eager to stick to Leeds as a location, but this time he's looking to do a joint venture with some family friends. "Because of what I do, I have the experience, but we don't have the capital, so joint ventures make sense," says James.

Jen, like James, is relieved and happy the project has finally come to an end. "It's been a long project and stressful at times. But it was a proud moment when it

Far left: the new bathroom
Left and below: how the exterior and basement looked before

RUNNING THE NUMBERS

This is how James and Jen's six-bed HMO in Leeds stacks up financially:

Purchase price: £155,000

Deposit: £52,388

Purchase costs: £21,573 including bridging interest and fees

Finance method: bridging finance over nine months at 0.75% per month

Amount borrowed: £102,612 (excluding £13,638 interest and fees)

Conversion costs: £118,569

Project duration: nine months

Done up value: £300,000

Total personal investment: £192,530

Monthly revenue: £3,960

Monthly expenses: £1,925

Monthly net profit: £2,035

Cash out after refinance: £108,756

Total left in the property: £83,780

was all finished and the tenants were moving in. Now it's done we have some reflecting to do about how we might change things going forward," she says.

With the memory of their builder troubles already starting to fade, James says: "The thought of investing again is a bit like having your second child. You think at the time, I'm never doing that again, but then you forget about how bad it was and just look back at the nice photos and the end product and think, actually let's do it again."

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

Counting the costs

With the cost of some refurbishment projects rocketing by as much as 40% over the past two years **John Fitzsimons** investigates whether there is still money to be made from refurb-based strategies

Shutterstock

Refurbishing a property is one of the most common ways investors look to add value and maximise their returns. Some prefer to flip homes by doing the work then putting them back on the market, while others choose to follow the buy, refurbish, refinance, rent (BRRR) model, extracting capital gains through refinancing. Yet rising costs are making it more challenging to turn a profit from these strategies.

A report by the trade website RatedPeople earlier this year suggests refurbishment projects are now costing 40% more than they did just a couple of years ago.

That's a significant sum of money for investors to find to carry out improvement works. And the likelihood is, there are more price rises to come. The study also polled tradespeople on how likely they were to increase their prices this year. An incredible 97% of builders said they would, followed by 91% of gas and heating engineers, 89% of plasterers and carpenters, and 84% of plumbers.

What's driving cost increases?

There's no single factor behind these price hikes, but rather a combination of elements which have come together to form a perfect storm.

First and foremost, demand for this sort of work is higher than it has been in recent years. One impact of the pandemic is that homeowners have looked afresh at their properties to see if they really deliver the sort of home needed. And if there is room for improvement, and the homeowner doesn't want to move, then the next option is to carry out some level of home improvement.

There's no shortage of residential owners doing this right now, and the demands on the time of tradesmen of all types has resulted in prices being driven upwards.

There are also labour shortages to contend with. A recent survey of small builders by the Federation of Master Builders (FMB) found that almost two thirds (61%) had been forced to delay work on a job due to a shortage of skilled tradespeople, with bricklayers, carpenters and



Shutterstock

The rising cost of renovation jobs

JOB	AVERAGE COST IN 2020	AVERAGE COST IN 2021	AVERAGE EXPECTED COST IN 2022	% INCREASE FROM 2020
Bathroom renovation	£4,078	£4,698	£5,726	40%
Loft conversion	£27,835	£31,060	£34,899	25%
Kitchen renovation	£5,813	£6,625	£7,256	25%
Extension	£30,930	£34,851	£37,893	23%

Source: RatedPeople

joiners particularly difficult to locate.

These shortages inevitably push up the costs of skilled tradespeople who are in demand, meaning landlords have to pay more for their renovation projects.

And then there's the actual materials themselves. Between Brexit, the pandemic and rising inflation, getting the materials needed for home improvement into the UK has become ever more challenging and expensive.

In that FMB study, 98% of small builders said they had seen the cost of materials jump in the second quarter of this year, while 95% said they are expecting more in the

months ahead.

This was echoed by the research from RatedPeople, which found that 84% of tradespeople had experienced materials shortages in 2021. Inevitably, different trades have been more keenly impacted by the shortages – 96% of plasterers and renderers reported being hit by shortages, for example, compared with 95% of builders, 85% of carpenters and 77% of plumbers.

Don't forget about finance

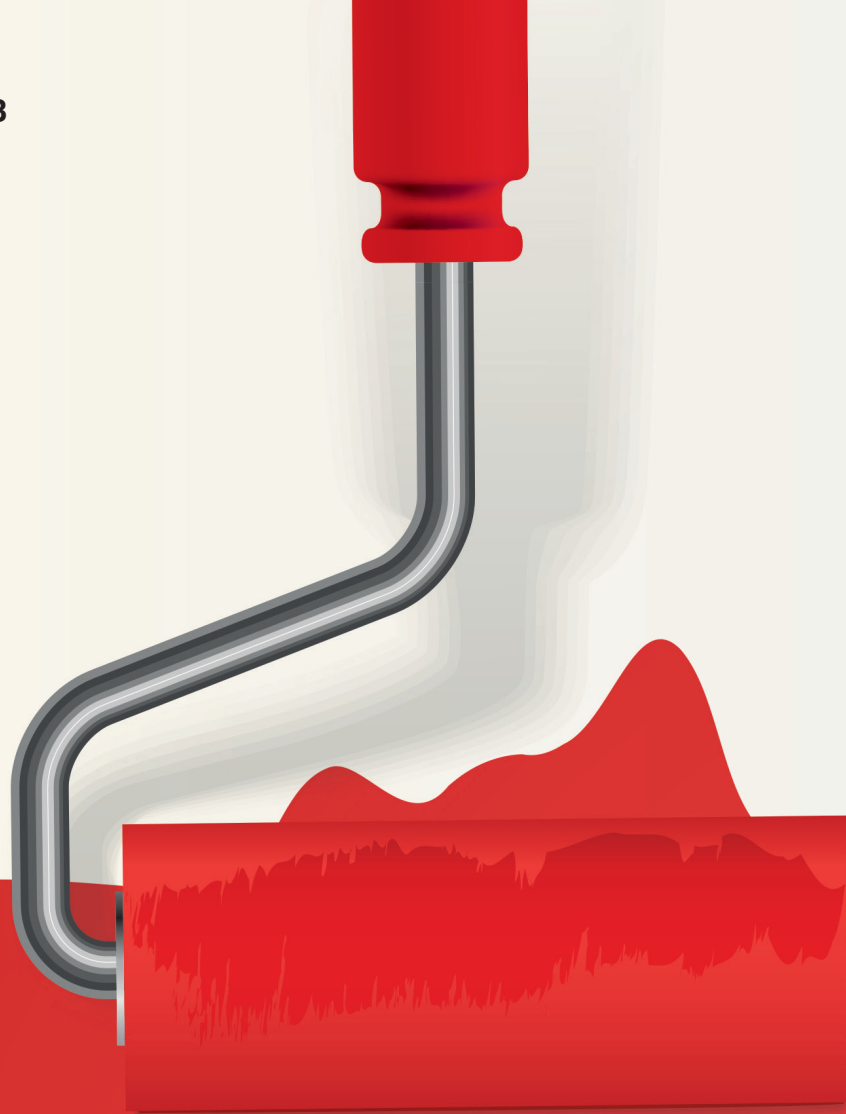
For those using leverage to fund their projects, there's the rising cost of finance to consider too. The Bank of England has put up interest rates

several times over the past year, in a bid to bring down the rocketing rate of inflation.

These base rate rises and September's mini budget announcement have translated into higher rates on mortgages and other forms of property finance. At the time of writing (October 2022), the average two and five year fixed rates had breached 6% for the first time in 14 years.

"The cost of my job went up £6,000"

Flora Russo, an experienced investor in the North East, recently bought a three-bedroom semi-detached property in



Durham for £76,000. It was a protracted purchase, taking 14 months in total, and that delay had a big impact on the cost of the refurbishment work planned.

"It needs a full refurb – a new kitchen, bathroom, windows, rewiring, etc. But it has all become quite expensive. The original quote for the work was £29,999 but it is now up to £36,000, so the delay has cost me £6,000 more," she says.

"When my builder told me, I wanted to sit down – I was questioning why I bought this house!"

Locking in a price

According to Property Hub sourcing manager and investor Charlie Whitehead, at one time it was possible to lock in a fixed price for a job, irrespective of whether the project would take a month or even a couple of years. This meant that landlords could establish, very early on in the process,



"You really have to get the top end price when selling in order to get the margin you set out for"

what sort of margin they could expect. But contractors aren't willing to do that anymore.

"They'll give you an estimate, but they'll make it clear that if prices go up, they'll pass on the extra charges to you. So you can estimate your pricing, but there isn't the certainty that there was before," he says.

Flora adds contractors are adding

other expenses when quoting for a job now too. "With the cost of fuel rising so quickly, they are taking that into consideration when pricing up the job. Higher fuel prices are one of the reasons the quotes are coming back much higher."

On a brighter note, Charlie – who flips properties to raise the capital needed to build his portfolio of buy-to-lets – points out that property values have maintained growth at the same time as costs going up. "In theory the margin will be around the same, but it means you really have to get the top end price when selling the property in order to get the margin you set out for."

A change of plan

Flora admits there have been times when she has reconsidered her options. "I have thought about selling the property, instead of renting it out. I know that houses are selling at crazy prices



"If you have the time and know where to look, you can get a lot of the things you need second hand and save a lot of money"

at the moment, and while the fair market value is around £130,000, from speaking with agents I could perhaps push it to £140,000. It would mean I could get that money now, and not have to wait seven years to get it back."

She's also reconsidering her next move: "When I look at properties to buy now, I'll be looking at different areas – places where it might be cheaper to buy, since the cost of the renovation work is going to be higher. But then there's a risk that you may not be able to get the same type of tenant, or the same level of rent by doing that, since I mainly target families."

Charlie suggests that if you have the funds, it's worth looking beyond the cheaper end of the market. "When a lot of people think about flips, they think about Homes Under the Hammer – spending £12,000 to do up an £80,000 house, and then selling it for £120,000. But I don't think that's viable anymore – contractors don't really want to do those small jobs, as they are not worth their time," he explains.

He believes there's more money to be made in the mid-market, where budgets aren't as tight. "If you buy a property for around £300,000 and spend £100,000 doing it up, it could then go for £600,000."

Looking beyond the obvious

Paul Thomas, a Southampton-based property investor who has taken on a host of 'back to brick' projects over the past decade says one way around rising costs is to shop around for materials.

He explains: "If you have the time and know where to look, you can get

a lot of the things you need second hand and save a lot of money. The traditional channel might be going to a builders merchant, but that can be very expensive. If you can find alternative outlets you can save yourself a lot of money."

This approach can be extended beyond supplies too, he adds. "You can employ a professional to come in and manage the project for you, or you can be more hands-on and manage the project yourself. It all comes down to how much time you have and how much money you are willing to spend."

Divide and conquer

Another approach, says Charlie, is to buy large properties and convert them into flats or apartments. He notes that – in the right locations – this can be a really successful way to boost margins, since the value of a handful of apartments will be higher than a single property.

"This isn't the first time that costs have gone up. This is what happened in London when prices became really expensive, but developers still wanted to develop. Now most of Central London is split into apartments, and we may start to see this happen in other cities outside the capital like Manchester and Birmingham."

However, he warns this approach can be a bit of a balancing act to pull off. "Investors need to be cautious they don't end up going too small, just to squeeze every ounce out of the investment," he says.

Focus on the details

To avoid being stung with any unexpected charges, Charlie recommends creating a detailed score of works from the outset. Something experienced investors might be able to do themselves, but which you can get help with from professionals if you're just starting out.

"This means that everything is itemised and costed up and leaves less room for contractors to pick out things that weren't included and raise the price. You want to be as detailed as possible up front," he says.

Building a close relationship with those contractors can also help to ensure that costs don't spiral out of control and put your margins under threat. "You can employ a professional to come in and manage the project for you, or you can be more hands-on and manage the project yourself. It all comes down to how much time you have and how much money you are willing to spend."

However, this requires discipline: "You need to select contractors who know what you want to do, have those meetings diarised every couple of weeks, and then follow up on them. The meetings need to happen; you can't let it slip."

Dealing with rising prices

It seems unlikely that rising renovation costs will be reversed any time soon, given the factors driving up prices are still in place. However, it's clear that with careful planning and some adjustments – whether that's by finding new ways to make the sums stack up, or by taking on more of the work themselves – investors can still enjoy significant margins from renovation-based strategies.



INVESTOR FACT FILE

Name: Nigel Eastham

Age: 33

Lives: Chorley, Lancashire

Invests in: Lancashire

Occupation: full-time property investor and founder of Sustainability Yard

Years investing: four

Strategy: flips, BTLs, HMOs

Portfolio size: six

Goal: for Sustainability Yard to become the “go to” place to buy, sell and give away building materials in the UK

“I’d always had an interest in property from a young age, but I didn’t have the wherewithal, the money or the time to do anything about it. My wife’s a dentist and she’s always had an interest in property as well, so we decided to move back closer to home.”

“My mates thought I was taking too big a risk and my parents were not too pleased about it, but I knew it was the right thing to do.”

Demolition man

Nigel started off flipping a few mid-terraces, then moved on to bungalows, then began buying three-bedroom semis and converting them into four-beds by adding an extension.

They did a lot of the work themselves in the early days to save costs. “I was sort of the rip out/demolition man – the skip filler if you like – then I’d get the trades in to do the stuff that I couldn’t like the electrics and the plumbing.”

He admits sustainability wasn’t even on his radar when he started out, but with each renovation project he completed, he became more mindful of the waste he was accumulating.

“We were throwing away tonnes of reusable materials from each property,” he says. “Stuff was going in the skip or one of the three lockups I was paying a fortune for, but most of the things I stored away never saw the light of day again.”

“You move on to the next project and you never think: ‘Oh, I’ve got two manhole covers or I’ve got 10 sheets of plasterboard in the lockup I could use. You just don’t do it – you just go out and buy more.’

“The thinking was, if I was throwing away large amounts of materials, then how much are the big boys like the national house builders and construction companies wasting?

“With the best will in the world, every project has surplus materials. It might be because of a change of spec or a design, an over order, or even the wrong order. Materials are always on site that aren’t needed.”

Over the past four years Nigel Eastham, 33, has flipped 10 houses, acquired six buy-to-lets and executed one commercial to residential flat conversion.

He became an accidental landlord in 2017 when he and his sister inherited their grandparents house. They extended the three-bed semi in Chorley, Lancashire, refurbished the interior and let it out to a family.

The success of this first project led Nigel to quit his day job as a headhunter in Belgium and the Netherlands and move back to his hometown of Chorley in 2018 to become a full-time property developer.

Waste not, want not

Chantelle Dietz meets the landlord with an innovative solution for reducing building waste



Nigel spoke to his mentor, an experienced developer, about the issue. As he suspected, the problem was an even bigger one for large scale builders: "He said he'd seen timber, plasterboard even tools and mixers being thrown in the skip at the end of a job because the site needed to be cleared in time for people moving in."

No-brainer

It wasn't a lightbulb moment, but rather a gradual realisation that there was a need for some kind of platform that would enable people to repurpose or reuse building materials that would otherwise go to waste.

"I came up with the idea of an app that would allow anyone – from Tier 1 and 2 contractors and national house builders through to local tradesmen and DIY enthusiasts – to buy, sell and give away their excess building materials to promote sustainability and the circular economy of reusable building materials within the construction industry," says Nigel.

With no software development or coding experience, Nigel had to start from scratch. Luckily, his mentor agreed to help bring his vision to life and connected him with someone that specialised in setting up Software as a Service (SaaS) businesses. Each with their own area of expertise, together the three of them formed a perfect partnership.

"Within a couple of months we'd become a team of three, with me as the majority shareholder. Then, in Spring this year we took on a non-executive director who is very well connected in the construction industry, so now we're a team of four and that's how we'll stay," explains Nigel.

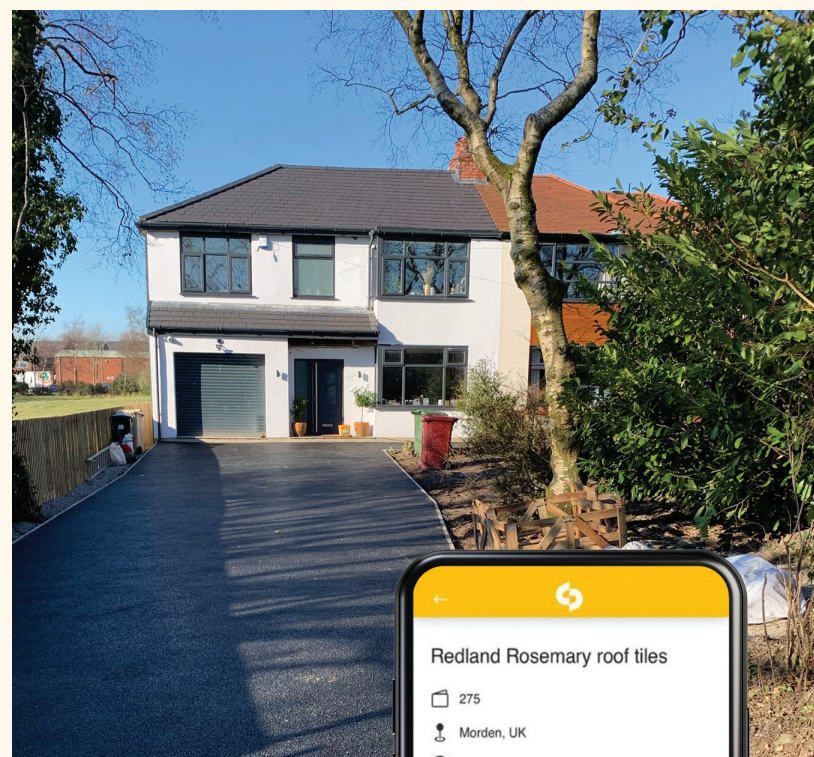
Sustainability Yard launched in Autumn 2021 and currently has 6,500 users across the UK. "We're essentially making a secondary building materials market, with the key driver being that we want to divert the reusable materials, left over from sites, away from landfill and find them a new home with local tradesmen and DIY enthusiasts," explains Nigel.

"If they can pick up materials for free or for a lower price than they would at the builders' merchants then it's a no-brainer.

"We're not reinventing the wheel, it's a classified ads platform like Facebook Marketplace or eBay. And just like Facebook and eBay, it's a peer-led community, with community being the key word. Everyone on



Some of Nigel's projects including a cottage renovation in Preston, a double storey extension in Bolton and a back to brick rip out in Chorley



The app stops unwanted building materials from going to landfill



"If they can pick up materials for free or for a lower price than they would at the builders' merchants then it's a no-brainer"

there is there for the same purpose."

Nigel hopes to grow the user base to 10,000 by the end of this year, then to 50,000 by Easter 2023. "When we get to that stage that's when it will become an incredibly powerful platform because things will be getting bought and sold on a daily basis."

In the next few weeks a raft of new features – including a tool that let users calculate the weight of materials they've stopped from going into landfill and the embodied carbon value of those materials – will be added.

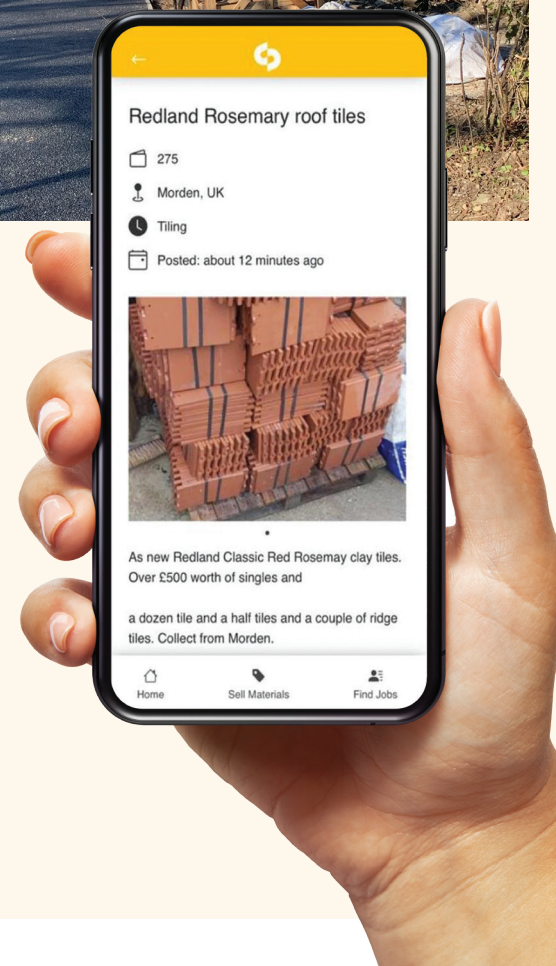
Users will also be able to track the locality of the buyer. These metrics will help developers demonstrate their sustainability practices when applying for new projects.

Nigel says there's still a long way to go, but the Holy Grail would be for Sustainability Yard to eventually get government accreditation so that house builders are required to use it to responsibly dispose of excess materials.

"It's got all the hallmarks of a government-accredited scheme, the ethos and the model lends itself really nicely."

With most of his time dedicated to growing the app, plans to take on any more renovations are firmly on the back burner, for now. "We've always got one eye on the market, but I don't want to take my eye off the app at the moment because I think we've got something pretty special here."

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





Adapting in unpredictable times

It's been an eventful end to 2022. **Chantelle Dietz** examines how property investors are adapting to changing market conditions

From mortgage mayhem to government u-turns, and rent freezes to rising inflation there's been a lot to unpack for property investors in the latter half of this year.

Reputations have taken a battering too: a shortage of homes to let and rising rents has led to a fresh backlash against landlords, who have become the pantomime villains of the cost of living crisis.

So how are investors navigating this new landscape? What changes are they making and how are they adapting their strategies? And what opportunities are emerging as a result?

Keeping options open

The mini-budget in September sent financial markets into turmoil. The total number of mortgage deals on offer plummeted by 40% as lenders responded to dramatic changes in government bond prices, which are used to price loans.

At the time of writing (October 2022) the mortgage market was beginning to restabilise and more products were being reintroduced, albeit with much higher interest rates to reflect rises in wholesale borrowing costs for lenders and market expectations of future increases in the Bank of England's main interest rate. The average two and five-year fixed rates surpassed 6% for the first time in over a decade, according to financial information company Moneyfacts.

Alison Houghton-Corfield, national relationship director at Master Private Finance, says the majority of her clients are keeping their options open and waiting to see what happens once the dust settles.

"Only a small number of borrowers are looking to fix now, most are sitting tight and taking stock. They are watching and waiting for the storm to pass, hoping the market will level out and right itself and minimise any rental voids," she says.

Investor Michael Adams says he'll be fixing for shorter periods once his current products expire. "It's a long term game and any remortgaging I do will be on a two-year term going forward. Thankfully I fixed any remortgages I've had over the last year or two for five years, so I should be able to ride the storm and I will just take the hit on mortgage hikes."

Chasing higher yields

Data from estate agent Hamptons suggests investors on the hunt for new deals are seeking out properties in higher yielding parts of the country to cushion themselves against rising interest rates.

Hamptons found a record 73% of new buy-to-let (BTL) purchases earned gross yields (before costs and taxes) above 5% this year, up from 63% in 2016 when the BTL tax system began to change. In addition, more than one in five (23%) new investors earned gross yields of 8% or above, up from 20% in 2015.

Given the North of England offers some of the most attractive yields across England and Wales, this is encouraging landlords in the south to invest further from home.

Hamptons also found a fifth (20%) of London investors bought properties in the North of England, up from 9% in 2016 and just 1% a decade ago. According to its results, 29% of all properties in England and Wales bought as a BTL are located in the North West, North East or Yorkshire & Humber, triple the share a decade ago.

"Over the past few years, investors have needed to seek higher-yielding properties in order to make the sums stack up. This is because taxation changes [Section 24], which removed the ability for landlords to offset mortgage interest from their tax bill, have compelled investors to maximise their rental income in order to cover their costs. This is a trend that has become more embedded in 2022 as rising mortgage rates eat further into profits and in some cases, push those profits into the red," says Hamptons head of research Alison Blease.

Jagrup Lewis, a property tax specialist at Calculated, says some of her clients have started selling their lower yielding properties to free up cash to buy elsewhere and take advantage of stamp duty cuts.

"With borrowing increasing, rising energy costs, and the general cost of living increasing, some landlords have taken advantage of the buoyant property market to try and cash in their lesser yielding properties," she explains.

"On the flip side, landlords looking for their next deal have also seen opportunities to get lower offers accepted as some sellers are more interested in a quicker sale to release cash," she adds.

Switching strategies

As costs to run and maintain properties rise, some landlords have had to rethink their strategies.

Those letting houses in multiple occupation (HMOs) have seen their profits take a hit as a result of the energy crisis. "Because bills are usually included when renting HMOs, when energy costs rise, they can eat into the landlord's profits," explains Gindy Mathoon, senior mortgage advisor at Create Finance.

"Most landlords pass on these extra costs to tenants by increasing the rent per room, but we've found this has become a double-edged sword because some tenants simply can't afford the increase, so it has led to rooms being left unoccupied. As a result, we've seen a number of HMO landlords returning their properties to single lets."

Create Finance director Karl Yeoman is one such landlord. He made the decision to convert his three-bed HMO in Derby back into a single let in September.

"Our letting agent was struggling to fill the rooms. We looked at the figures and decided to change it to a single let. Letting rooms on an individual basis brings in more revenue, but under this agreement we were responsible for all the utility bills. Reverting to a single let means we're generating less income, but we're saving on the cost of the bills meaning we earn more profit each month," he says.

On the other hand, the cost savings associated with renting a room rather than a house or flat is driving demand for this type of accommodation amongst tenants, says personal finance coach and portfolio landlord Chris Hancox.

"HMO rooms are the cheapest form of accommodation on the rental market, so if everyone is feeling the pain of higher living costs, this is likely to increase HMO demand in the coming years.

Alison Houghton-Corfield agrees: "HMOs are becoming a more popular option for some landlords and they are often more appealing and affordable for people still living at home who want to move out but can't afford a mortgage at present."

Well executed, HMOs can be up to three times more profitable than a standard BTL. "In my personal experience, larger HMOs will be more profitable as there will be more rooms, more tenants, and therefore more rent coming in to cover the bills," says Chris.

"For example, the operating costs for a six-bed HMO won't be much more than a three-bed HMO (it certainly won't be double), but you will have roughly double the rent coming in."

Getting taxes in order

With plans to raise the Corporation Tax rate from 19% to 25% from April 2023 now back on the cards after a government u-turn, landlords have been re-examining what the most tax efficient structure for their property business is.

The number of landlords moving into limited company ownership has surged over recent years. 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.

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.

As Hamptons research director Aneisha Beveridge points out, it is only limited company landlords with larger portfolios of properties or those generating particularly big profits that will be affected, meaning incorporation is still a favourable option.

Businesses with annual profits of less than £50,000 will continue to be taxed at 19% with the rate rising until it reaches 25% for those with profits of more than £250,000.

"A company landlord would have to own about 10 buy-to-let properties worth £190,000 each, with mortgages at 75% loan-to-value, to

earn a profit above £50,000," she says. "The average company landlord owns around three properties."

But before making any decisions, it's important to get the right advice, Jagrup emphasises: "Every investor's situation is different, so they need to make sure they're investing through the best structure for them, particularly as the gap between company and individual mortgages is widening and could have a big impact on the overall cashflow."

Raising (and protecting) the rent

The rent freeze has stopped landlords in Scotland from putting up their rents until March 2023, but landlords in the rest of the UK are weighing up their options.

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Investor Rajesh Malhotra says he's been left with no other option but to put up his rent. "I just wish the UK government would just leave landlords and property investors alone. Whatever happened to a free market economy? I am going to have to look at increasing the rent for a family owned BTL."

As the cost of living crisis intensifies, it's likely more tenants will find it difficult to pay some or even all of their rent. Landlords like Richard Jackson are putting measures in place to reduce the risk of rent arrears. "I'm doing as much as possible to protect my rents," he says.

Having some form of rent guarantee insurance in place is vital in the current climate says Andy Halstead, CEO of rent-guarantee provider Let Alliance. "If properties are not protected by rent guarantee now, landlords are seriously vulnerable," he told Property 118.

"It's not just about the arrears, it's also the legal costs. What happens when we get into this kind of crisis is people fight to stay in their property and come up with all kinds of reasons why they shouldn't pay the rent."

Preparing for the future

With no clear view of what the future holds, investors are readying themselves as best they can for whatever the new year brings.

"Clear direction and support from the government is lacking and is becoming increasingly frustrating for many," says Alison Houghton-Corfield.

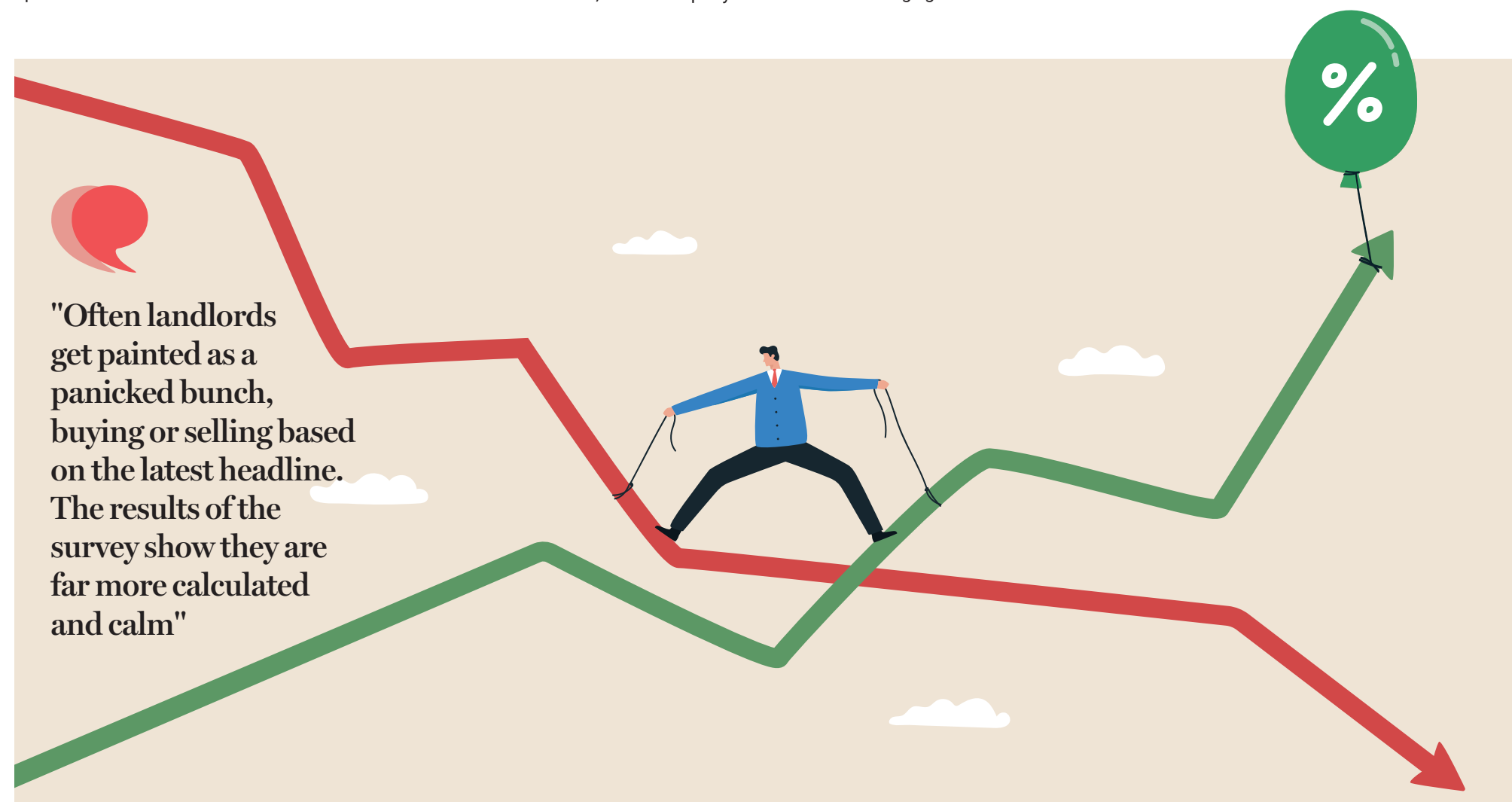
Despite their frustration, the majority of landlords are still committed to staying in the sector. A recent survey by comparison site for estate and letting agents Rentaround found 67%

of its users plan to stay as they are, or expand their portfolio in the near future.

It's founder Raj Dosanjh says landlords are much more resilient than they're made out to be: "Most landlords are aware property investment – in most cases – is a long-term game. Regulations, tax, rules and demands change. But there's always a demand for rental property – landlords know this."

"Often landlords get painted as a panicked bunch, buying or selling based on the latest headline. The results of the survey show they are far more calculated and calm, making decisions on hard facts with long term gains in mind."

"The BTL market is supposed to have been on the decline for the past five years. However, in that time agent fees have become more competitive than ever, rents are higher and property values have increased."





Demelza completed the project in three months

To BRRRR beside the seaside

London-based property investor and interior designer Demelza Smith swapped the city for the seaside for her latest renovation project. **Mark Rocks** tells the story



INVESTOR FACT FILE

Name: Demelza Smith

Age: 44

Lives: London

Invests in: London and St Leonards-on-Sea

Occupation: a residential developer, interior designer and trainee surveyor

Years investing: 18 years

Strategy: BRRR on short lease flats

Portfolio value: £3.5m

Goal: to take on some large-scale developments

The first time Demelza Smith, 44, thought about investing in the seaside town of St Leonards-on-Sea in East Sussex, she got cold feet. "There just wasn't a lot happening there at that time. It almost seemed too sleepy," she says.

She returned home to London and continued building her portfolio there using the buy, refurbish, refinance, rent (BRRR) model, specifically searching for properties with short leases that she could get an extension on.

That was in 2014, but when she revisited St Leonards in 2020, things had moved on. "There had been so much development in six years. More shops, more eateries, quirky vendors, and it was incredibly community-led. Even though it's a coastal town, there's still a lot of stuff happening."

She was also attracted by the numbers. "You can get a lot for your money in terms of property size. The yield is a little middle-of-the-road, but there's scope for capital growth and a lot of interest from people moving there to enjoy a life by the seaside."

Encouraged by what she saw second time around, Demelza bought her first buy-to-let in the town after the UK came out of lockdown in June 2020, shortly after she'd completed a Masters degree in real estate development at The University of Westminster. "It was a bit of a strange time for me to invest, an awful lot of people thought we were headed for a crash. But as soon as I was allowed back out to look at properties, I found my first property in the area."

Period features

When another opportunity came up in the town in the spring of 2021, she snapped it up. The two-bed apartment was located on the ground floor of a Regency-era building and had lots of potential, something Demelza values in her investments. "I love period features, and sadly this apartment had been stripped of almost all its character. I knew I could put the work in and make it beautiful again."

It came to her attention in the same way all her investments do – on Rightmove. It was listed for offers over £140,000. With the local market on the rise, Demelza offered £155,000. "I knew I couldn't

go in with a low-ball offer. The sellers would've laughed me out of there."

Her offer was accepted, and she managed to get an extension of the lease included within the price. However, it took another seven months before she got the keys – one of the longest conveyancing completion times Demelza has experienced in her 18 years investing.

"There was so much toing and froing, we had issues with overbidding, plenty of backlogs occurred and I think the sheer intensity of the property market at that time played a big part in all of this."

A little bit of doubt began to set in as a result of the delay, but Demelza stuck with it, finally completing in January 2022.

Full speed ahead

She used bridging finance to purchase the property and used the proceeds from her first property in St Leonards to fund the refurbishment works, which had to be finished within a short time frame. "I had a surveyor booked for a visit mid-March, so we had just over three months to essentially redo the entire flat," she says.

Demelza assembled a team of trades and project managed the process herself to keep costs down. And it was a complex process. The kitchen and bathroom had to be ripped out and replaced, all the electrics were redone, the walls and ceilings were given a fresh skim of plaster, new flooring was laid, and a new boiler and heating system installed.

"After that we painted and decorated, added new skirting boards and new internal doors. We reconfigured the bathroom door so we could add in a shower as well as a bath. Luckily the windows were sash windows, so they were fine. We also added a new thermostat so we could bring the apartment up to EPC standards."

The period features that drew Demelza to buy the property presented their own set of challenges. "The ceilings were 3.5 metres high, so it was a complete operation to get anyone up there to do the plastering," she recalls.

Staying motivated

Part way through the job, she realised her original budget wasn't going to stretch. "I'd initially budgeted £30,000, but very quickly realised this wasn't going to be possible. I looked at the figures again and landed on a budget of £37,000. In the end I only spent £35,000, which I was quite pleased with."

Ever since she started investing at the age of 25, Demelza has self-managed all her property projects and has experience managing property projects for other investors too, so she wasn't afraid to get stuck in with this one to help speed things along. "I'm never just going to stand around waiting for someone else to move or do something that I could fix myself – that's the nature of



Demelza managed the project herself to keep costs down



residential property development in my opinion."

In the latter stages of the refurbishment, she made daily trips from London to add the finishing touches, which she found tiring. "It was also a little hard to keep my team motivated, particularly one guy who was younger and new to construction. He didn't really know what had hit him, but it was amazing to see how he adapted, and he even got a permanent job at the end of the process," she says.

Unique touches

Using her interior design expertise, she was able to add her own unique flourishes to the property. "I'm very much a fan of period properties with character and love highlighting any architectural detailing," she explains.

"This property didn't have that, but did have wonderful high ceilings and huge windows that let in floods of light in. This was a great inspiration for my refurb, as I wanted to keep the colour scheme light and modern with a nod back to the past."

The bathroom and kitchen were both brought up to date with matt black fittings and terrazzo tiles. Demelza also reinstalled period features like cornicing, picture rails and high skirting boards.

"I think I married the two concepts really well creating a seamless and cohesive theme throughout. With bigger developers coming into private rental sector now, a lot of interior design can look seriously uninspired. I think tenants want properties that have something unique about them, and that's what I enjoy bringing to the properties I work on."

Demelza let the apartment to a professional tenant within three weeks of it being advertised. With a new valuation of £275,000 she was able to take out all her initial costs and more once she refinanced.

RUNNING THE NUMBERS

This is how Demelza's two-bed apartment in St Leonards-on-Sea stacks up financially:

Purchase price: £155,000

Purchase costs: £9,488

Finance method: bridging finance 12 months at 0.75% per months

Amount borrowed: £155,000

Conversion costs: £35,000

Project duration: 12 weeks

Done up value: £275,000

Total personal investment: £56,885

Monthly revenue: £1,250

Monthly expenses: £700

Monthly net profit: £550

Cash out after refinance: £86,393

Total left in the property: £64,450

"The valuation was what I had anticipated when I purchased and the market conditions at the time based on local comparables. This was a true below market investment where value was made at the beginning."

As for her next move, Demelza is focused on levelling up her skillset and developing the project management side of her property business: "I've been doing this for a really long time, and I think it's smart to always be learning, it helps you stay as knowledgeable and skilled as possible."

She's currently training to be a surveyor and is looking to take on some bigger projects in the new year. "I think I'd like to get involved in commercial properties as well, or maybe a larger development scheme. Who knows, we'll see where the next year takes me!"

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

Under the microscope

The private rented sector is attracting a disproportionate amount of political interest, writes Rob Dix

They say you're not paranoid if they really are out to get you. And property investors would be forgiven for feeling that way, given what's happened so far this year.

I usually try not to focus on politics, because it's not something you can control and it distracts you from taking action. But I believe we're seeing a trend that investors should start becoming concerned about.

Rental reform

First, there was the "Fairer Private Rented Sector" white paper – which contained the long-anticipated removal of no-fault evictions.

The paper actually contained little that hadn't been announced already, and had the vibe of being pushed out in a hurry to take attention away from other areas where the

government was getting bad press. But nevertheless, there were a couple of new and concerning policies featured.

One was the move to tenancies of no defined term, such as already operate in Scotland. In other words, rather than starting with a 12-month agreement, all tenancies continue indefinitely unless ended.

This is fine in principle, but there are a couple of wrinkles. One is that for student properties, this will make it tricky to line up tenants for the next academic year in advance – because there's no obligation for the current tenants to confirm ahead of time that they'll be moving out.

The bigger one is that there's no minimum tenancy length – on the tenants' side, at least. There's nothing to stop tenants from moving in and immediately giving two months' notice to leave – landing the owner with yet more expenses for remarketing the property, and probably another void period too. I'm not aware of anyone crying out for exceptionally short tenancies, so I don't see why there shouldn't be a six-month minimum.

Sturgeon's rent freeze

Then there was the frankly shocking announcement of a temporary rent freeze and eviction ban in Scotland. The policies themselves aren't unheard of, but the frightening part for me was the weakness of the justification: the "cost of living crisis" is making life difficult for tenants, so landlords are expected to step in and "help".

During Covid, when landlords could also pause their mortgage payments, this was one thing. But now landlords are being expected to continue meeting their own costs, while having no recourse against someone who doesn't pay.

No let-up

Thinking of moving into the short-term letting sector to get away from all this nonsense? Not so fast: politicians are waiting for you there too.

In Scotland, all holiday lets will need a license by 2024 – and in Edinburgh (with other areas to follow), new short-term accommodation will require planning permission (which probably won't be granted).

In Wales, similar moves are being made. And in England? Nothing yet, but the political pressure is building, and the topic has been discussed in parliament. My bet is we'll see licensing shortly too, and probably also the removal of the current tax advantage that holiday lets have over long-term accommodation.

Backlash brewing

As someone who chooses to rent my own home, I'm sensitive to the need for changes to better protect tenants. I find the rental experience in the UK dreadful, and it must be even worse for people who in a more precarious financial position.

But something many of these policies have in common is a lack of balance. Heavy-handed measures are being introduced to solve often minor problems – and due to a lack of understanding about what operating in this sector is actually like, they're inadvertently introducing new ones in the process. It's not helped by the fact that pressure groups like Shelter and Generation Rent have the ear of politicians, while groups representing the interests of landlords (like the NRLA) have been spectacularly ineffective.

Politicians seem to believe they can push investors around as much as they want to, and they'll continue to provide a service that's clearly needed (and will continue to be needed, even if you'd prefer prices to be lower, or for there to be more owners compared with renters). So far, that bet has been correct. But we may be approaching a limit.

In Scotland, for example, one of the biggest housebuilders has announced that it won't be participating in the Build to Rent or affordable housing sectors anymore as a result of the government's latest policies. That's extra supply, which would have directly benefited tenants and contributed to reducing rental costs, that now won't happen. Individual investors will be making the same calculation.

Hot, then not

The rental sector is attracting a disproportionate amount of political interest now, but this won't last forever: in politics, issues move in cycles where they become the focus of attention then get quietly forgotten as something else comes to the fore. So, taking a very long-term view, this doesn't make me question whether I want to continue investing or expand – but it's not something I'm comfortable ignoring either.

If you are planning to expand in property, make sure you have the capacity and willingness to ride out anything else politicians throw our way. History tells us it won't last forever, but I suspect it will get worse before it gets better.



Read Rob D's thoughts on the biggest stories each week by subscribing to his Friday newsletter: propertyhub.net/news



How to... handle a rent rise

With the cost of living crisis hitting tenants hard, rent increases need to be handled sensitively and realistically. We take a look at how to raise the rent without alienating your tenants

Landlords have been in for a battering of late, with the mainstream media accusing them of exacerbating the cost of living crisis by hiking rents.

With demand for rental property far exceeding supply in many areas, there have been numerous stories of bidding wars and landlords have been painted as greedy.

But rising interest rates and inflation means property owners' costs are increasing too, with many facing a tricky conundrum when it comes to rent rises. On one hand, you don't want to be the cause of your tenants' financial distress but, on the other, you don't want to miss out on market value rent.

Are rents going up?

According to Rightmove, the average asking rent outside London is now £1,126 a month, 11.8% higher than a year ago. In the capital the average rent now stands at £2,257 a month, 15.8% more than this time last year.

The cost of living crisis means tenants are also having to shell out more for essential bills – energy in particular. This combination of factors means campaigners are piling on the pressure for the government to introduce a rent freeze.

It's already happened in Scotland with landlords not legally allowed to put up rents before March 2023. Landlords are also banned from evicting tenants this winter as part of a package of measures to tackle the cost of living crisis introduced by Scotland's first minister Nicola Sturgeon.

Are landlords' costs going up?

Many landlords will justify rent increases by pointing out that their costs are going up. The most obvious example is interest rates. Several consecutive rate hikes mean the Bank of England base rate is now at its highest since 2008.

Scott Taylor-Barr, financial adviser at Carl Summers Financial Services, says: "Even someone renting a property



"At the end of the day, landlords are running a business and need to ensure that business is profitable"

is going to know that the Bank of England has increased the base rate significantly over the past few months, meaning they are probably expecting an increase in their own rents, so it's unlikely to come as a shock when you bring the subject up."

As well as rising mortgage costs, landlords expanding their portfolios are facing rising property prices. The average UK property now costs £286,397, up 7.8% from this time last year. Even if they are not buying more properties, some landlords may want to increase rents in line with property values.

When can you increase the rent?

Landlords can't just increase rents whenever they like or by any amount – there are rules you need to follow. These depend on the type of tenancy agreement you have in place.

For a periodic tenancy (rolling on a week-by-week or month-by-month basis) you can't normally increase the rent more than once a year without the tenant's agreement. With a fixed-term tenancy, you can only increase the rent when the fixed term ends.

Some tenancy contracts include a rent review which sets out when the increase will happen, how much notice you'll need to give, and a formula by which the rent increase will be calculated.

In any situation, the law states that the rent increase must be "fair and realistic", and "in line with average local rents".

What is a Section 13 notice?

If you are unable to agree a rent increase with your tenant, and the tenancy has become a periodic tenancy, you can file a Section 13 notice under the Housing Act 1988.

This notice allows a landlord to raise the rent on a property as long as there is reasonable notice given, regardless of whether the increase is stated in the tenancy agreement or if the tenants agree to it. You can only use Section 13 once a year.

A tenant can challenge a rent increase stated on a Section 13 notice. This is done by referring the increase to the First Tier Tribunal (Property Chamber).

What is a fair rent increase?

While some landlords will be tempted to rise rents in line with inflation, it's important to understand that the local market may not support that.

Before putting the rent up, look at local rents in your area, rather than national figures, to determine what is a fair rent increase. You can do this by searching for rental properties similar to your own on Rightmove or Zoopla. Setting your rent at a similar range as these properties will give you confidence that the rent you are charging is "fair".

Dorian Payne, managing director at Swansea-based property development company Castell Group, says putting up your tenants' rent can be a difficult dilemma.

"The best way we've increased our rents is by firstly asking ourselves, do we really need to? We look at the property and its condition versus the market to establish what the going market rent is. We can then easily calculate the difference," she explains.

"We then like to understand the



tenant's position in more detail and if they're vulnerable or struggling, we will ask ourselves if this is something we can live with."

In many cases it will be more appropriate to reach a compromise with your tenants, rather than putting up the rent in line with the full market value. Whether your tenants pay on time and take care of your property should influence how flexible you are with any rent increase.

Many landlords take the view that it's prudent to up the rent by a small amount each year, rather than putting it off for several years then hiking the rent by a substantial amount. Many renters will accept a £20 to £30 monthly increase each year, but will be less happy with a sudden £100 rise they didn't see coming.

Some property experts inevitably take a more hard-line approach to rent increases. Rob Peters, principal at Simple Fast Mortgage, points out that landlords have already absorbed increased costs through legislative changes imposed over recent years.

He says: "At the end of the day landlords are running a business and need to ensure that business is profitable. If the cost of running any business goes up, then it stands to reason those costs have to be

recouped through the sale of the goods or services the company provides, or cease trading. Landlords are no different. Tenants are not exclusively affected by the cost of living crisis. Landlords also have to eat, put fuel in their vehicle, and heat their homes."

Is the rent increase justified?

Your tenants will almost certainly want to see a justification for increased costs – so have this ready.

Acceptable reasons for higher rent might include rising inflation and mortgage costs, and the related increases in the cost of managing and maintaining the property.

Rising energy costs can be a legitimate reason for increasing all-inclusive rent prices. Even though the government's new energy price guarantee of a typical bill of £2,500 a year for the average property is less than Ofgem's planned October energy price cap of £3,549, it still means this winter's bills could be close to double last winter's costs.

Lewis Shaw, founder of Shaw Financial Services, says: "If you have good tenants that pay on time and in full, perhaps pause for thought before any rent hikes. However, if the rent does need to go up to account for

rising mortgage rates, the only way to do it fairly is to pass on a proportion of the increase rather than the full whack.

"Part and parcel of being a landlord using mortgage finance is that the cost of servicing debt is your risk, not your tenant's. It would be perverse if tenants have to shoulder rate risk, yet a landlord benefits from all the rewards."

Time to negotiate

If a tenant doesn't accept a rent increase, you may want to consider issuing a Section 21 notice to bring the tenancy to an end.

But before you do this, stop and think. It is worth keeping the rent lower to keep good tenants? Are you raising the rent to meet increased costs or are you simply chasing a higher profit?

Many landlords will be reluctant to force tenants from their homes, especially if they are reliable renters who wouldn't otherwise be leaving.

Advertising your property, then interviewing, credit checking and moving in new tenants will take time and money. Is it really worth it for a small increase in rent? There is, of course, also the risk that you won't be able to find replacement tenants and your property will sit empty for a while.

Conclusion

Thinking about how and when to increase rents without alienating your tenants can be a challenge.

However, the situation can be sensitively and professionally managed if you are fully aware of your rights and responsibilities, and you make an effort to communicate respectfully and openly about a reasonable rent increase.

Listen to episode 343 of Ask Rob & Rob to hear us talk a listener through how to raise their rent propertyhub.net/podcast

1

REVIEW MORE REGULARLY

Even if you've already reviewed your costs recently, it's worth doing it again, as prices are changing daily. Keep a close eye on your outgoings and see if there's any areas you can cut back on. You may not be able to make any savings right now, but you'll be able to budget more effectively.



2

DON'T PUT OFF ANY JOBS

It may seem tempting to put any property maintenance jobs on the backburner for now, but neglecting these jobs could end up costing you more in the long run. Not only is it a legal obligation to maintain certain standards for your tenants, you want to encourage good tenants to stay.



3

TOP FIVE TIPS for keeping costs under control

TAKE BACK CONTROL

Managing agents tend to charge between 10-15% of the rental income, so this is one area you could look to cut back on if you're in a position to self-manage. But don't forget, your own time has a value, so you'll need to weigh up the pros and cons.

4

GET INSURANCE

Getting the right cover will make sure you're protected in the event of any unforeseen gaps in income. As with any insurance, shop around for quotes and consider moving multiple policies to one insurer to take advantage of discounts.



TAKE ADVANTAGE OF TAX BREAKS

Taxes will always have to be paid, but you could end up missing out on significant savings without the right tax advice. The difference between structuring your property investments the right way and the wrong way could easily be tens of thousands of pounds – and even small changes to the expenses you claim could save you hundreds of pounds every year.

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Seeing things in a different light

Situations don't have to be as challenging as they first appear, writes **Rob Bence**

Being a property investor requires high levels of mental resilience. There's so much being thrown at you – new legislation, new political leaders, inflation, interest rates, tenants not paying their rent, a boiler breaking – it's easy to feel stressed and overwhelmed.

Over time, I've developed a set of reframing techniques I use to deal with challenging situations. By using these techniques, I've been able to see things in a more positive light and feel more equipped to deal with whatever crops up next, and you can too by asking yourself these questions.



situation and gives me some perspective.

In 99.9% of the cases I know I'm not going to be bothered in a year's time, let alone five. When you observe your thoughts and ask yourself these questions, it's amazing how quickly you can move on from them.

Worrying, getting angry or feeling stressed about a situation is a waste of your time and energy. It isn't going to change the outcome, so why bother putting yourself through it?

What can I control?

I used to get really wound up about all the challenges that came with being a landlord and investor (particularly politics), but what I've come to realise as I've got older (and hopefully wiser) is, is I'm better focusing on what I can do to make my life and the lives of those people around me better, rather than stewing over what impact external events – like a new Prime Minister – will (or won't) have on my business.

The way I see it, you can have the best political leaders in charge, but you can still fail. Equally, you can have the worst political leaders in charge, and still do well. Of course, it's better to have a favourable environment in which to operate, but it's important to remember you can succeed regardless of the circumstances.

Has this happened before?

When faced with a challenging situation, I ask myself: "Has this happened before?" The answer almost always "yes". Have we had high interest rates before? Yes. Have we had high inflation before? Yes. Have we had economic instability before? Yes. Did we survive and did the world keep spinning? Yes.

In the here and now it can all feel super-intense and worse than anything you've experienced before. I'm not suggesting you should embrace hard times or try to enjoy them, but you can take solace from the fact that it's happened before and property investors continued to thrive.

Will I care about this in five years?

It feels frustrating when a deal that I'm working on collapses or a tenant isn't paying their rent, but asking myself: "Will I care about this in five years?" diffuses the

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What I've learned

Darren McNeill started investing with £20,000 in 2017 and has diligently documented his journey over the past five years on our forum. He achieved his goal of becoming financially free in April

Just get on with it

Your first buy-to-let will never be your best. What people fail to realise is that it's the process of buying and the confidence it gives you once you own the property that's worth more in value. It's incredibly daunting to buy a house and let someone live in it. There are so many scare stories about renting and tenants, but once you finally get on the journey and realise it's actually not that bad, it will give you confidence to move forwards.

Be flexible with your finances

I've definitely had to learn this the hard way. At the start I was incredibly strict with my numbers and missed out on what I can now see were bargains, just because I didn't want to pay an extra £2,000-£3,000. At the time I was so focused on the ROI that I missed the bigger picture. In the past few years some of those properties that I missed out on have almost

Darren says he was so focused on ROI in the beginning, he missed out on some good deals

doubled in value, so a few thousand pounds now seems very insignificant.

Don't over-think renovations

A freshly painted property that is clean will go much further than you think. With 90% of the renovations I've done, we've not stripped a single piece of wallpaper; we've just painted directly over it. Stripping wallpaper often results in new plastering being needed, which is an unnecessary cost. If you want to refresh a bathroom or kitchen, simply add some new tiles or taps. We have kitchens re-sprayed now which is a fraction of the cost of fitting a new kitchen, or we will just replace a worktop and keep the existing units.



INVESTOR FACT FILE

Name: Darren McNeill

Age: 41

Lives: Rossendale, Lancashire

Invests in: Lancashire

Occupation: full time landlord and property business owner

Strategy: buy-to-lets

Years investing: five

Portfolio size: 19 units

Goal: to expand his portfolio

Use tech to your advantage

I would literally be lost without Dropbox. I can access information on any property anywhere in the world, on any device. Google Docs is also a life saver. At the start I only used basic Word or Excel documents, but this meant I couldn't edit them on the move or share access with other members of my team. Accounting software is worth its weight in gold too. After a while you can get these programs to automatically collate your numbers which saves so much time.

Do your due diligence on contractors

When I first got into property other more experienced

investors told me you can never rely on tradespeople and eventually you will be let down. It is so true. Finding reliable tradespeople is one of my biggest challenges: the good ones are expensive and booked up months in advance and the poor ones will rip you off, steal your money or do an appalling job. We have been bitten so many times over the past few years. I would recommend finding trades on sites like MyBuilder.com. Never use Facebook. From our experience it really is the Wild West of dodgy people.

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

Property Hub Forum

The Property Hub Forum has a community of more than 70,000 members, all there to share their knowledge, answer questions, swap tips and give their opinions on the latest breaking news of the day.

It's free to join, and whether you're a total novice or an experienced investor, there's lots for you to learn on the friendliest property forum online.

'My journey to financial freedom.'

'How will I be taxed on my UK portfolio if I move abroad?'

'Pension or property?'

'Not sure how high my offer for this property should be?'

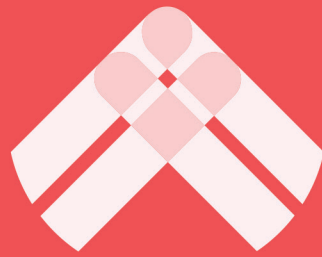
'Upgrading my EPC rating on my portfolio.'

'A real journey with a £20k starting pot.'

'Looking for tips about flipping and property maintenance.'



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