

Making sense of property investment

# PropertyHub

Issue 39 March/April 2023 | £5



## Niche strategies

The unique ways investors are  
profiting from property



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# Welcome



Rob Bence (left) and Rob Dix (right)

**S**pring is almost here, but with ever-changing economic circumstances and negative sentiment around the property market what does this mean for investors?

This issue we address some of the big questions we've all been pondering. Like what has happened to the 18-year property cycle? And how does what's going on in the UK compare to the rest of the world?

We explain why we think now is a great time to be

switched on and ready to swoop, and how we've been putting this into action already ourselves.

Our cover story shines a spotlight on some of the more unique strategies investors are using to create their own niche (without backing themselves in a corner). And we take a closer look at what makes Nottingham such an attractive investment hotspot.

## 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.

## SHARE THE KNOWLEDGE

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# Inside the hub

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



## ON SCREEN

We know lots of you are interested in how The Robs' invest their own money. That's why we've made a video of them sharing details of their first investments of 2023. Find out where they invested, what type of properties they bought and why they both chose the same development over on our YouTube channel.

[youtube.com/propertyhubuk](https://youtube.com/propertyhubuk)

## ONLINE

In a recent episode of The Property Podcast, Rob & Rob asked themselves whether the 18-year property cycle is broken. Their answer may surprise you, but only if you know what the cycle is – and that's something you can learn by taking our course which covers everything you need to know.

[propertyhub.net/education](https://propertyhub.net/education)

## ON AIR

Mortgages, market updates, mini market updates – it's been a busy two months over on The Property Podcast! As well as breaking down the news, Rob & Rob break down opportunities and threats for each strategy in 2023 in a recent episode.

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

## HUBCHAT

We've not talked about buying properties at auction for a while, but that doesn't mean the method has completely died out. New hubber SPP has asked for some insight into the modern method of auction over on our Forum. Look up the thread, join the conversation, and share your knowledge.

[propertyhub.net/forum](https://propertyhub.net/forum)

**W**e're very proud to announce that Portfolio, our property investment app, has been nominated for the Best British Bank Awards 2023.

The team has worked incredibly hard to create an app which gives people who may have previously been denied the opportunity to invest in property the chance to invest from their phone.

These awards are voted for by the public – and considering Portfolio is an app designed for the public, we think that's very fitting.

If you've downloaded the app and have been impressed by it, you can vote for us by scanning the QR code below with your phone's camera app and leaving a review.





# Market focus

The latest news and developments from across the property market



## RENTS IN LONDON, MANCHESTER AND GLASGOW INCREASE AT A RECORD PACE

London, Manchester, and Glasgow are experiencing the biggest rent hikes of all UK cities, according to analysis by Zoopla.

In the past 12 months, the average rent for a new let in London has increased by 16.1% to £1,976 per month, adding £270 to the average monthly total.

In Manchester, the average rent for a new let is now £977 per month, a 14.8% increase, while the average rent for a new let in Glasgow, has gone up by 13.7% to £844 per month.

Overall, average UK rents have increased by £120 in the past year, reaching their highest level in a decade. Yet, the pace at which rents are increasing has slowed since the peak in July 2022 when rents were growing by 12.1%.

This growth in rents for new lets reflects the experience of a quarter of all renters who move each year. For those staying put, the pace of rental increases is slower. Data from the Office for National Statistics on all private rented homes shows an average increase of 4.2%.

## IN NUMBERS



**£1,976**

The average monthly rent in London  
(Zoopla)



**5.91%**

The average rate of a fixed BTL mortgage deal  
(Moneyfacts)



**APRIL 2026**

The new date for Making Tax Digital



**61%**

Of estate agents said energy efficient homes are holding their value  
(RICS)



## BTL BEST RATES

A host of lenders reduced their buy-to-let (BTL) mortgage rates in February.

Hampshire Trust Bank cut its BTL five-year fixed rates by up to 1.3%, while Bluestone Mortgages lowered its rates by up to 0.64% across its standard and fee-free two-year fixed BTL range.

Other lenders to make

cuts include Accord, which lowered interest rates on its BTL mortgage range by up to 0.24%, and The Mortgage Lender which reduced its five-year fixed rate for houses in multiple occupation by up to 0.90%.

Although some residential mortgage rates have started to fall back to below 4%, BTL rates remain

at a higher level. The average fixed-rate deal in February was 5.91%, according to data analysts Moneyfacts.

There have been three consecutive month-on-month falls from a peak of 6.76% in November, but the figure remains high compared to 12 months ago, when the average rate stood at 3.2%.

## MAKING TAX DIGITAL DELAYED

The government has announced that Making Tax Digital (MTD) for Income Tax will be delayed by two years for landlords and self-employed individuals.

It had previously been scheduled to come into effect from April next year and would have affected landlords earning more than £10,000 in rental income. Instead, it will be phased in from April 2026 with an increased income threshold of £50,000.

MTD is the digitisation of the tax system, and it has been on HMRC's roadmap for a long time. The aim is to make it easier for people to manage their financial records and pay the right amount of tax.

Nadeem Raziq, head of tax at

Provestor, said: "This will be welcome news to a lot of smaller landlords and self-employed people who have yet to think about MTD. However, MTD has not been cancelled, it is still going to happen, so thinking about your business process and accounting now, and getting ahead is still worthwhile."



## ENERGY EFFICIENT HOMES HOLDING THEIR VALUE

Energy efficient homes are outperforming other types of properties, a survey by the Royal Institution of Chartered Surveyors suggests.

Six out of ten (61%) of estate agents surveyed said homes with high energy efficiency ratings are holding their value despite the overall market slowdown.

Around 40% of agents said they are seeing greater interest from buyers in homes that are more energy efficient. And 41% said sellers are attaching a price premium to their home if it has a high energy efficiency rating.

Mairead Carroll, senior specialist in land and property standards at RICS, said: "It will be fascinating

to see how important energy efficiency becomes to buyers over the next 12 months. The survey reflects our own findings that buyers are becoming more value-conscious due to higher mortgage rates, inflation, and the cost-of-living squeeze."







## If you're concerned by recent changes in UK property legislation, things could be a lot worse. Neil Cumins rounds up the latest international developments affecting investors around the world

**N**obody expected 2022 to be such an eventful year, but we've inevitably viewed many of these geopolitical shocks through a domestic prism. Similarly, recent changes to the rules and regulations affecting landlords and investors only tend to resonate if they impact us directly. Yet the consequences of the pandemic and the war in Ukraine continue to reverberate globally, as

countries battle against rising inflation, raw materials shortages and environmental concerns. Add unmet housing demand into the mix, and the property market here seems almost tranquil by comparison with other developed nations.

To put our domestic concerns into a broader context, these are some of the property-related rules and regulations currently impacting landlords worldwide, from the Netherlands to New Zealand.

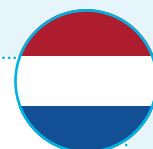
### THE NETHERLANDS

#### What's happening, and why?

Like many nations, the Netherlands is experiencing a housing crisis, with a chronic shortage of stock and rising prices for both sale and rental homes. Until now, landlords have been able to set their own rental rates, but these will now be regulated by far stricter rules on standardised rents. As of January 2022, municipalities can also prevent formerly owner-occupied homes being let out.

#### What impact has it had?

Legislation prevents leases rising by more than inflation plus 1% until May 2024, and possibly beyond. With inflation at 9.6% and energy costs up 30%, the government's decision to tax landlords based on a 6.17% asset yield has collided with a 6% drop in house prices. Local agents describe "great unrest" among landlords, amid collapsing rental supply.



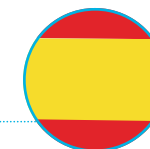
### SPAIN

#### What's happening, and why?

Plagued by unapproved new-build sites and endemic holiday home ownership, the Spanish Government is trying to get new housing laws through Congress in the face of ferocious opposition. These would cap or freeze rental prices, force 30% of new-builds to be public housing, impose a 150% tax surcharge on empty homes, and safeguard any vulnerable household evictions.

#### What impact has it had?

So far, the legislation has been repeatedly hobbled by opposition politicians, with around 800 amendments tabled. The judiciary are concerned about its legality in autonomous regions, while the promise of tax incentives for portfolios of ten homes or less hasn't placated landlords worried about tenants being able to cap their current rents for up to three years in 'stressed' high-cost markets.



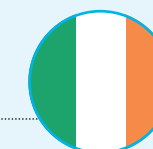
### IRELAND

#### What's happening, and why?

A swathe of anti-landlord legislation has been enacted in Ireland in recent years, from a minimum three-month notice period to the creation of mandatory tenancies of unlimited duration after a six-month occupancy. An eviction ban won't end until April, and Rent Pressure Zone designations have been extended until the end of next year; rent reviews in these areas must be linked to inflation.

#### What impact has it had?

In essence, the Irish rental market has collapsed. A letting agency reported 1,200 applicants for one property, while viral footage last August showed 150 potential tenants queuing at night for an open viewing on a property costing €1,850 per month. The Irish government is now belatedly trying to appease landlords with token gestures like doubling pre-letting expense claims to €10,000.



### CANADA

#### What's happening, and why?

With Canadian house prices increasing by a fifth in 2021 and continuing to set new records every month, the government has been scrabbling for solutions. One method deployed to stop runaway prices last year saw a two-year ban on foreign investors buying homes, alongside higher taxes for anyone selling a home within a year of purchasing it.



#### What impact has it had?

The ban has stopped the (largely Chinese) investors who have been creating price spirals by outbidding each other to use Canada's premium new homes as high-yield savings vehicles. Detached homes in Toronto owned by non-residents now cost almost 50% more than those owned by natives. The Balearic Islands are watching developments closely, and plan to follow Canada's lead.

### NEW ZEALAND

#### What's happening, and why?

With some of the developed world's least affordable housing, former PM Jacinda Ardern oversaw sweeping changes aimed at boosting housebuilding and clamping down on landlords during her six-year term. Tax deductions for resale property investors have

been slashed, tenants are now protected from no-fault evictions, rents can only increase once a year, and bidding on rental homes is banned.

#### What impact has it had?

New Zealand saw a 10.3% drop in property prices last year. With the private sector

providing 85% of rental housing, and nearly 80% of landlords only owning one property, a government scheme to persuade owners of empty homes to become landlords was abandoned. Its failure has been attributed to tax changes, cost increases and political hostility towards landlords.



### WHAT DOES ALL THIS MEAN FOR THE UK?

While New Zealand's current situation might sound dispiriting, the abject failure of the government's empty homes rental scheme shows that landlords and investors will only endure so much. Similarly, the collapse of the Irish rental market is a salutary lesson to policymakers in Westminster, especially with similar trends already emerging in Scotland where the SNP government has pursued a fiercely anti-landlord agenda for years. Rental supply north of the Border is



dwindling while prices soar. Glasgow University can no longer guarantee its students accommodation, and data from Edinburgh-based property management company DJ Alexander suggests 788 people are chasing every two-bedroom rental flat in the Scottish capital.

Meanwhile, other countries imposing restrictions on foreign investment could lead those investors to our shores. That might increase demand for buy-to-let properties in Britain, shoring up our own BTL sector.



# Pro golfer to property investor

Injury cut short **Neil Chaudhuri's** career as a professional golfer, so he turned his attention to property instead. He tells Chantelle Dietz how he made the transition into property and went from owning one to six in the space of seven years

**J**ust like golf, property investment requires a lot of patience and persistence, skills Neil Chaudhuri was lucky enough to perfect at the highest level of his sport.

As an England international he got to compete on every continent bar Antarctica alongside world-class players like Rory McIlroy and Jason Day, but when a back injury forced him to sit out a season in 2016, he began looking at alternative ways to generate an income.

"That's when I got my first taste of property," says Neil. He and his wife Simona bought their first investment property in Leicester. "We remortgaged our home and used some of the equity to buy a four-bed family house which we made into a five-bed luxury student HMO. I really enjoyed the project. It gave us a feel for property and what could be achieved."

The couple chose to go down the HMO route to maximise the rental return. "The goal was never to have more properties at that stage," explains



Neil. "The plan was to just do one and get back to golf."

Specifically focusing on the student market meant there was less restrictions. "For first time landlords in 2016 it was quite difficult to get a HMO mortgage, but there seemed to be more options for student HMOs.

"We were also worried about

individual council tax banding which had just started to be introduced in some places. Students are exempt from council tax so by letting to students we knew it wouldn't affect us."

## No-brainer

Taking money out of his own home to pay for the deposit and refurbishment felt risky at first, but once Neil had done his sums, he says it was a no-brainer. "I always took the view that the goal was to pay down our mortgage as quickly as possible, I didn't like the idea of having too much debt.

"What swung it for me was that we were taking the money out to invest it straight back into property and the income that investment would make was far more than the increase to our mortgage costs.

"Looking back, it was a bit of a no-brainer, but it took some time to really convince myself. Ultimately, it was the best decision we could have



Neil got to compete on every continent bar Antarctica



## INVESTOR FACT FILE

**Name:** Neil Chaudhuri

**Age:** 38

**Lives:** Leicester

**Invests in:** Leicester

**Occupation:** owner of Vogue Abode Properties along with his wife Simona. He also helps to run his father's private medical practice

**Years investing:** seven

**Strategy:** student HMOs and student single lets

**Portfolio size:** five

**Goal:** provide high quality student accommodation in Leicester



## "The plan was to just do one and get back to golf"

made because it got us started. We were fortunate with the timings too: the interest rates were even lower than when we first took out a mortgage, so the additional cost was only a nominal amount."

Despite having plenty of equity in their home, Neil and Simona were restricted on how much they could take out because of their earnings. At the time Neil had just started to help run his father's private medical practice and Simona was working in the oncology department of a private hospital, but they were able to get out what they needed to buy their first property.

The property needed minimal work.

## HOW I GOT HERE

"As well as redecorating throughout, we just had to make the house compliant from an HMO perspective by upgrading the electrics and putting in fire doors. We replaced the kitchen too and converted one of the two reception rooms into the fifth bedroom. Looking back, this was by-far our simplest refurb. I'm glad we didn't try and do anything more extravagant for our first one because you learn from each one."

## Crossroads

The following summer Neil went back to golf, but it would be his last season. "I still had some injuries and ultimately I hadn't quite made it to the level I needed to be at, so I'd reached a bit of a crossroads in my life.

"Golf was my life and my passion. I didn't go to university. I left school after doing my A levels and literally just dedicated all my time to golf. I felt like I didn't really have a fall-back plan. But having had a taste of property investment with that first project and generating some nice income I knew that was what I wanted to focus on. In the end it was a difficult decision to leave golf, but an easy one to commit to going into property."

As one chapter closed, another one began. Neil and Simona spotted a three-bedroom house in Leicester city centre close to De Montfort University in 2018. "It had been on the market for months, but it was in a really strong location. It was just outside an Article 4 Area, which meant there would be no planning restrictions in terms of converting it into a HMO."

It hadn't sold because the landlord had committed to rent-to-rent agreement she couldn't get out of. "She was part way into a three-year contract, and she was only receiving £650 per month which was very, very low. Whoever bought the property would inherit the agreement, so no one wanted to buy it, the numbers didn't add up. You wouldn't have been able to get a mortgage either because it wouldn't have met the stress tests."



Neil and Simona's first property went up significantly in value



Neil got in touch with the rent-to-rent company and after a few conversations, they agreed to surrender their lease early so he could buy it with vacant possession. "It just took a bit of patience and perseverance to bring all the parties together and come to an agreement."

He and Simona were able to recycle their deposit from their first project to reinvest in this one and used a bridging loan to fund the rest. "Our first property had gone up significantly in value thanks to capital appreciation and the works we'd done to it, so we were able to pull out enough for our next deposit. It was kind of a buy, refurbish, refinance without us realising it."

This was their first big refurbishment project. They converted the loft, added an extension on the back, created three new bedrooms and knocked through two walls to make it open plan adding significant value.

### Finding their groove

By now Neil and Simona had developed their own niche strategy. They would

find properties within their specific search area that would otherwise struggle to sell for one reason or another and buy them at a discount. They would refurbish, extend and add value to them, turn them into high-end student HMOs then refinance at a higher value so they could pay back their loans and pull out the majority of their initial investment.

They designed and project managed the refurbishments themselves, bringing in contractors to do the work and appointing a letting agent to advertise, conduct viewings, manage contracts and collect the rents. "This combination seems to work really well for us and our students and means that we can keep on top of things efficiently," says Neil.

Property number three came to their attention in January 2019. "Simona found it on Rightmove. It was in an Article 4 area in a prime location close



to the university. It was obvious it had been used as a student HMO, you could just tell from the photos, but it wasn't being marketed as one due to an HMO licensing issue.

"Article 4 properties generally command a real premium, so we'd always found it hard to get numbers to stack on one before, but because this one wasn't being advertised as a HMO we managed to negotiate a really good price."

They completed on the deal in May 2019 and had four months to get it ready

for students to move at the start of the academic year in September. "We had to redo the loft conversion to make it compliant with building regulations, we extended and made it open plan. We bought it using bridging finance, did the conversion and managed to exit off the bridge on to a long-term mortgage all in the space of four months, which we were really pleased with.

"Because the summer was always the busiest time for me when I was playing golf I didn't realise the country essentially shuts down in August and everyone goes on holiday. So we had that to contend with that as well. But it's amazing when you have a deadline how much it focuses the mind."

A few months later they bought a three-bed house in a conservation area that had previously had issues with the foundations. "We were given a heads up by the estate agent who we've built a good relationship with on this property. They said that the owner has a price in mind and just wanted to sell discreetly without having boards go up or any fanfare." They repeated their model and converted it into a five-bed HMO.

### Levelling up

Fast forward to 2023 and the couple are currently working on their biggest project to date – the development of



"One of my biggest learnings from golf which can be applied to anything is to control the controllables"

a mixed-use commercial building into 11 luxury self-contained studio flats for students.

The building was already owned by Neil's family, but they felt that to fully utilise it and future proof it would be sensible to obtain planning to convert it. "This one's been a really tricky one. There have been quite a few planning conditions that have taken a long time to get discharged so that has caused quite a few delays."

Neil anticipates it will be ready to let for the start of the 2024/2025 academic year. In the meantime, he's been back to school, earning himself a qualification in managerial finance from The London School of Economics and Political Science. "I'm currently attempting to put these newly acquired skills to use outside of property in the form of equity investing, whilst looking to grow our student portfolio gradually over the next few years," he says.

He admits he hasn't played golf since he stopped playing professionally, but he still draws on lessons from the game. "One of my biggest learnings from golf which can be applied to anything is to control the controllables. Focus on nailing the processes and the things that are within your control. The outcomes will take care of themselves." And Neil is certainly reaping the rewards of this approach.

## HOW I GOT HERE

### Neil's timeline



**NOVEMBER 2016**

Buys four-bed family house and converts into five-bed student HMO



**NOVEMBER 2018**

Purchases three-bed house and converts into six-bed student HMO



**MAY 2019**

Converts empty five-bed HMO into six-bed student HMO



**JULY 2019**

Buys three-bed family house and converts into five-bed student HMO



**SEPTEMBER 2019**

Acquires a mixed-use commercial and residential building which he is converting to 11 studio flats



Nottingham is uniquely youthful, entrepreneurial and rental-focused. Neil Cumins explores why the second city of the Midlands is an ever-present location on any property hotspot list

# Nott' to be missed



"Nottingham boasts an entrepreneurial culture that has recently underpinned some of the UK's highest house price growth"

If the word 'midlands' immediately conjures up mental images of Brutalist concrete and heavy metal, you probably haven't been to Nottingham. This historic and hugely appealing East Midlands city is experiencing rapid growth, moving it ever further away from the grimy industrial heritage commonly associated with England's central belt. As close to Sheffield as it is to Birmingham, Nottingham has historically been more prosperous and entrepreneurial than its East Midlands neighbours Derby and Leicester.

We last profiled Nottingham back in 2017 at a time when it was bidding to be the 2023 European Capital of Culture. Sadly, that honour went elsewhere, yet Nottingham's pursuit of this title reflected both its confidence and its cultural stock. It remains a vibrant, successfully multicultural city, with an expanding young population capitalising on a thriving jobs market. Nottingham also boasts an entrepreneurial culture that has recently underpinned some of the UK's highest house price growth. It's therefore a good time to review what's happened in the five years since we were last here.

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## For richer, for poorer

Even Nottingham can't escape the economic headwinds currently blowing across the country, and soaring costs are impacting on the local property market, leading to a sell-off of rental homes. One local agent showed us emails she'd received throughout January from landlords whose rising mortgage rates are no longer covered by their rent, leading them to downsize their portfolios. Expect to see more ex-rental properties than usual reaching the market in the coming weeks and months.

Dwindling competition from other landlords presents an opportunity for anyone considering Nottingham's property market for the first time. If you have finance in place, and the numbers add up, there's plenty to celebrate across this city of 330,000 people – an increase of 25,000 in the last decade alone.

Rapid expansion has been bolstered by Nottingham's focus on three employment growth sectors – life sciences, digital content and clean technology. Almost 90% of the city's jobs are in the service sector, while unemployment is low and skills shortages remain acute.

## Rent asunder

Nottingham's two universities are renowned both for the quality of their research and the number of spin-out businesses they create. In total, they host around 45,000 students, collectively making up one-eighth of the city's population. Around 40% of Nottingham's residents are under the age of 24, which is a decade younger than the national average, and twentysomethings are generally predisposed to rent rather than buy. As such, there are rich pickings for landlords in almost any suburb of

Right: Jubilee campus  
Nottingham University  
Below: The Nottingham Castle  
Below: Wilford suspension bridge,  
Nottingham



the city, though districts around the UK's largest teaching hospital (Queen's Medical Centre in Lenton) are especially popular with tenants.

While Home.co.uk reports median rents across Nottingham of £950 pcm, Property Data figures suggest yields fluctuate from 4% in northern suburbs to over 10% in the city centre. The latter figure has also been quoted by Zoopla, suggesting huge pent-up demand for rental properties near the primary amenities.

Nottingham hasn't escaped the phenomenon of purpose-built student blocks springing up across its urban core, helping to maintain a trend we first reported back in 2017 of former HMOs being returned to single-family

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## SITES FOR SORE EYES

These are the key projects Nottingham investors need to be aware of:

### ● Fairham:

Five miles from central Nottingham along the A453, and served by a tram park and ride halt, Fairham is a 606-acre greenfield site on the city's southern edge. Alongside 3,000 new homes, there will be a nine-figure investment in infrastructure, a million square feet of commercial employment space and around 200 acres of parkland.

### ● The Island Quarter:

The complexities of surrounding roads, a canal and train tracks meant glacial progress on a 36-acre site derelict since the 1970s. Land clearance work was stalled by the pandemic, which also inspired a reworking of this £1bn masterplan. Alongside 11 acres of green space, there will now be 1,600 homes, 6,000 jobs and 20 eateries.

### ● Broad Marsh:

The unloved Brutalist Broadmarsh shopping centre has been swept away, with a new car park, bus station and Central Library already in situ. As well as reverting to its original two-word name, a new public realm at Broad Marsh will reintroduce greenery, while around 750 homes will be constructed alongside 400,000sqft of business and office space.

units or redeveloped and sold off. Nonetheless, with both the University of Nottingham and Nottingham Trent University planning to increase student numbers in coming years, HMOs retain appeal in districts like Hockley, Hyson Green and Dunkirk. It's important to note that Article 4 directions are in place across the city, and existing HMOs have created tensions with residents in areas like Arboretum and Lenton.

## On the right tracks

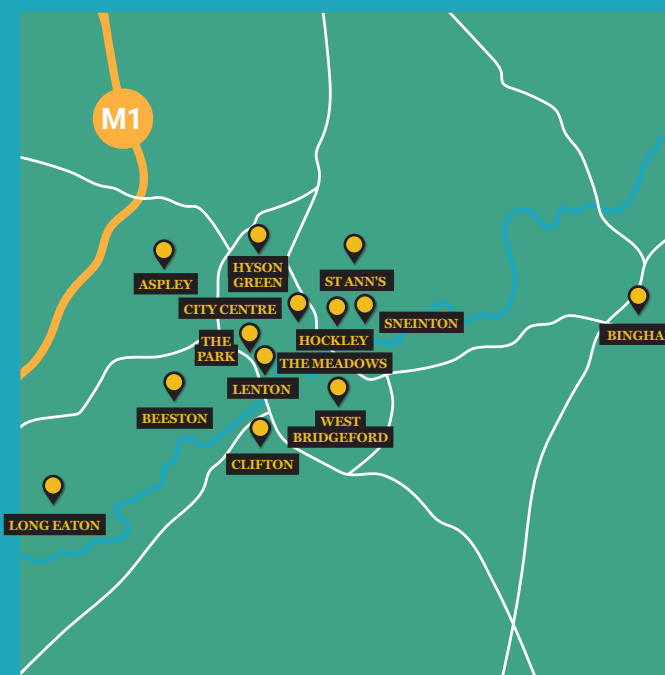
Nottingham is served by a tram network that has won numerous awards in its 20-year existence, extended a few years ago to serve

the NG2 business park and the Queen's Medical Centre. Yet despite being voted the least car-dependent city in the UK, Nottingham's road links are also strong. The M1 skirts western suburbs like Bilborough and Stapleford, while the A52 leads to Derby. There's only three miles between these historic rivals, united by their love of legendary football manager Brian Clough and their proximity to East Midlands Airport.

As a compact city with strong transport links, homes almost anywhere in Nottingham tend to be in high demand. Nonetheless, there are some bona fide property hotspots, according to Rex Gooding of Rex Gooding Estate Agents:



## AREAS OF INTEREST



### The key suburbs and districts investors should be aware of:

-  **Best for families:**  
West Bridgford, Bingham
-  **Best for young professionals:**  
Hockley, The Park
-  **Best for students:**  
Lenton, Dunkirk
-  **Best for transport links:**  
Clifton, Long Eaton
-  **Best for yields:**  
Beeston, Aspley
-  **Best for capital growth:**  
Hyson Green, Sneinton
-  **Best avoided:**  
St Ann's, The Meadows

"West Bridgford and The Park tend to achieve strong selling prices and sell especially quickly, while the Vale of Belvoir has retained its popularity."

He acknowledges the trend for inward migration: "Relocating for job improvement is commonplace. In Nottingham and the surrounding district, we benefit from a high turnover of those in the medical profession."

Desirable properties still attract fierce competition: "It's been our experience that 20 to 30 viewings per sale have often been the case, with a need for best and final sealed offers." Nonetheless, the start of 2023 has brought a marked slowdown.

"Due to the general uncertainty and economic climate, it has been noticeably quieter this year," Rex notes. "There have been more withdrawals of instructions and offers for purchase, and the energy crisis is becoming a major consideration for sellers and buyers alike."

### Rising prices reducing bargains

Homes have historically been relatively affordable in Nottingham, despite a 10.9% rise in selling prices during 2022. Average prices over the past year stood just under £240,000 according to Rightmove, compared to a national average of £296,500.

Nottingham combines affluent and characterful suburbs like Sherwood and The Park with impoverished districts such as Aspley and Broxtowe. The latter's wide avenues of red-brick inter-war council houses are laid out in a giant figure-of-eight formation, with a £150,000 budget usually sufficient to acquire a tired three-bed mid-terrace.

For around that budget, you could also start looking at the red-brick townhouses in Hyson Green, another relatively deprived district, albeit benefiting from its location within a mile of the city centre. It's possible

to buy a maisonette or tower block property for around £75,000, while a six-figure budget can secure a one-bed city centre new build.

It's also worth noting that 2022 data from Zoopla suggests Nottingham has enjoyed some of the UK's biggest house price rises over the last decade. That may not be replicated in the coming years, but there's still growth to be had.

### Forward thinking

It would be a brave person who tried to make predictions for 2023, after the unprecedented global and domestic volatility we all experienced during 2022. Nevertheless, with expanding universities and a growing focus on revitalising the city's stock of brownfield land, an investment in Nottingham today should prove to be both lucrative in the short term, and prudent in the long term.



Nottingham market square

## THE PRICE IS RIGHT

Below are three examples of properties currently for sale across Nottingham at different budgets:



Close to Netherfield and Carlton train stations, this well-presented one-bed flat benefits from communal gardens, off-street parking and excellent internal storage



There's loads of scope to modernise and reconfigure this red-brick mid-terrace in Hyson Green, with three double bedrooms and two downstairs public rooms



The perennially popular Long Eaton suburb is home to a two-bed semi-villa which would benefit from a new kitchen and bathroom, but otherwise offers low-maintenance family living

Source: Rightmove





Kim and her family hit the road in April 2022



# Portable portfolio

‘Digital nomad’ is a phrase that’s grown more popular in our post-pandemic world. **Kim Opszala** explains to Mark Rocks how she became one



## INVESTOR FACT FILE

**Name:** Kim Opszala

**Age:** 37

**Lives:** digital nomad

**Invests in:** Birmingham, Milton Keynes and Northampton

**Occupation:** lawyer and property investor

**Years investing:** seven

**Strategy:** HMOs, RTR and BRR

**Portfolio size:** 42 units

**Goal:** to continue to grow their portfolio whilst travelling

**H**ow many of us dream of living off the profits of our investments? And how many of us fantasise about packing our lives up and travelling the world? Kim Opszala did both with toddler in tow.

Kim spent years in high-stress situations working as a corporate lawyer specialising in mergers and acquisitions within a large international law firm. When the long hours and stress began to take their toll, she realised it wasn’t sustainable to carry on and began searching for a new avenue – and a new income source – which was how she found property investment.

### Learning on the job

In 2015, Kim and her husband Mike, a former chef, read Rob and Rob’s favourite book, *Rich Dad, Poor Dad*, which encouraged them to take investment seriously. A friend was developing houses in multiple occupation (HMOs), so they dipped their toe in the water and invested some of their savings with them.

“Luckily for us, this was an ‘earn-and-learn’ kind of situation. Our savings were put to good use and we learned about investment from someone who was doing it well.”

The following year they decided to have a go themselves and purchased their first property, a Victorian house containing three apartments in Birmingham, where Kim is originally from. “It was and still is a hands-off project and we still see good financial benefits of owning it,” says Kim.

To further her knowledge Kim threw herself into the networking scene, meeting like-minded investors and gleaning new insights into the sector, as well as attending courses to gather intel on new strategies she hadn’t considered before, which was how she learned about rent to rent (RTR) and the buy, refurbish, refinance (BRR) model. “Maybe it’s my history as a lawyer, but I think you can never be too knowledgeable about anything.”

Over the next few years Kim and Mike built a portfolio of professional HMOs on a rent-to-rent basis in Northampton and Milton Keynes where they were living at the time.



## Locked down and dreaming big

When the pandemic struck in 2020, Kim and Mike had just completed their first BRR and were adapting to life with a newborn. "I had my son late 2019 and six months later we found a potential option for us to apply our RTR model in a student-focussed area in Northampton. We'd always focussed on professional HMOs before, but we welcomed the opportunity to diversify our portfolio.

"I have actually found student HMOs to be much more hands-off, and that's how we came to decide that we would focus on student areas for the next couple of years. I'm happy to diversify in the future, but I still think we will always work within the HMO model, that's something we've really found our groove with."

While she was successfully pulling off her first student HMO, there was another long-held dream in Kim's head. She wanted to pick up the travelling bug she'd had from youth, and as lockdown followed lockdown, this only intensified.

"I know I wasn't the only one who went a bit stir crazy during that time. Add in the fact I was shielding and also had a newborn, it gave me loads of time to really consider what my long-term dream was."

Pre-Covid it was always Kim and Mike's plan to go travelling when she was on maternity leave. But 2020 had thrown them a curveball. So when the possibility of leaving her house (and the country) came into reach, she was ready to make her goal a reality.

"I can't remember if it was lockdown two or three, but eventually Mike and I realised that travelling was something really important to us, and we made the decision to really make it happen."

## Packing up

Unsurprisingly, the news was met with its fair share of scepticism from friends and loved ones. "It's one thing to go off on holiday, it's quite another to pack your life up into boxes, pay for storage, pile in a van and actually do it." But once they saw their determination, everyone came round to the idea.

Mike got to work renovating their recently purchased Mercedes Sprinter van and Kim began downsizing their life. Together the two of them started the process of getting all their ducks in a row before departing.

"I found *The 12-Week Year* by Brian P Moran to be seriously helpful in that phase of putting our



plans in place. It taught me to break down my year into quarters and really apply myself to achieve the goals I set for myself within each quarter. It showed me that when you want something hard enough, you'll do whatever it takes to make it happen."

One of the most important things they needed to do was appoint a team of professionals they could both trust to manage and oversee their portfolio while they would be out of the country. "I knew it would be too hard to do everything ourselves from abroad."

With all their plans in place and their house sold, Kim and her family took to the road in April 2022. They spent eight months travelling mainland Europe and England clocking up over 14,000 miles and visiting 11 countries including Italy, Spain, Portugal, Slovenia, Austria, France and Switzerland.

## Realities of living the dream

Managing their property portfolio abroad hasn't been as tricky as Kim anticipated, thanks to the team they

assembled and a number of handy online tools.

"We use Asana, an online work management platform, to make sure that myself, Mike and everyone back home is on the same page with each of our properties. We use a tenant management platform to communicate with our tenants, and then OneDrive has been an obvious godsend."

Her biggest bugbear is something she anticipated would prove a problem: "It's no surprise but internet connectivity is vital to what we do, and that's not as easy to come by as when you're working from the same office every day."

For someone who enjoys learning and networking Kim has found it difficult to miss out on events back home. "Post-Covid, the networking world has really reopened and it's a shame not to take advantage of that. But it's not a blanket refusal to attend them, I've actually booked a trip home to attend a training event I've been keen to attend in a few weeks."

But on the whole the positives far outweigh the negatives. "Every day I wake up knowing I'm getting to see different places, to learn about and immerse myself in different cultures, and I'm so grateful for it. It's like that holiday feeling, but every day. Who wouldn't want that?"

So, what advice would she give to anyone considering following her example? "Make sure you've done all the research on maintaining your portfolio's health while you're away. Get trustworthy people in place so you can spend more time enjoying your experience, which is ultimately the goal."

"And it may sound obvious, but you really need to dig into your finances and make sure you've got enough to sustain yourself. Having said that, travelling is a much cheaper way of living, as long as you're doing it correctly."

Kim and Mike plan to continue to grow their property portfolio whilst ticking off more locations on their bucket list. They've set themselves the target of completing at least one commercial to residential project this year alongside growing their HMO portfolio and visiting the Nordics, some Spanish Islands and touring Scotland. They've also bought a house in the Midlands which they plan to renovate and use as a base when they are in England.

"We're limited by the 90-day rule [which states non-EU nationals are restricted to 90 days out every 180 in the Schengen Area] but we find it works in our favour as we spend three months abroad followed by three months in the UK which means we can see family and friends, check up on the portfolio and source new deals."

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](mailto:magazine@propertyhub.net)



# Niche strategies

## Meet the investors carving out a niche for themselves in the property market

**A**s investors we're constantly reminded the sensible thing to do is diversify. To not put all our eggs in one basket. To spread the risk by balancing out our portfolios with a mix of property types, locations and strategies. Yet, these property owners have chosen to buck convention and specialise instead, devoting their efforts into a specific niche within the buy-to-let (BTL) market.

### NEW LEASE OF LIFE

**Demelza Smith**, 44, found her niche by chance. Her first investment property was a leasehold house in North London. She hadn't realised leaseholds could be less desirable, and it was unusual to find a leasehold house in this area. "The agent hadn't disclosed this detail, but on reflection it made sense why it was being sold below market value," she says.

While leasehold properties are often cheaper to buy than freehold, there are costs involved, including the annual ground rent, maintenance fees and services in shared buildings. Plus, the closer a lease is to expiry the more difficult it becomes to get a mortgage.

Demelza realised there was an opportunity to turn this into a lucrative strategy. "I knew these types of investments wouldn't be desirable for beginner investors or first-time buyers so they would be overlooked, meaning I could pick them up at a discount then get the lease extended to build in equity."

She has repeated this formula on six property purchases in London and St Leonards-on-Sea, finding ways to refine and speed up the process with each one. "You usually have to wait two

years after buying a property to be able to extend a lease, but you can request that the current leaseholder passes on their rights on completion so you can extend straight away. I wasn't aware of this in the beginning.

"I've also used this strategy to acquire the freehold along with splitting the title to have complete control over the investment after."

Demelza adds more value by refurbishing her properties as well. She admits there's more work and money required up front than there would be with a standard BTL purchase, but she believes it's worth the effort.

"It requires patience and additional money to pay for the other party's legal expenses and a survey to ascertain the value of the lease before you've paid for the lease extension."

She recommends having a good broker and legal team on your side who understand what your intentions are if you plan to do the same. "Sometimes you may have an absent freeholder, or the property may be looked after by a managing agent who doesn't like to get involved and refuses the rights to be passed on up front."



Shutterstock





## PETS AT HOME

Choosing to only let properties to a particular tenant profile is another way investors are finding their niche. When **Sarah Watt**, 34, and her husband moved to the UK from Australia, they had difficulty finding a place that would accept their two-year-old Beaglier. This planted a seed of an idea that would later become the focus of their own property portfolio.

"It made trying to find a rental property extremely difficult," she says. "We had to pay a slight premium in order to rent the property we did. We later found out that only 7% of landlords would actually even consider pets."

When they decided to start their own UK BTL portfolio in 2017, they knew exactly what they wanted to offer. "We wanted to service those good tenants with excellent references and jobs, that just so happen to have a furry friend."

The couple say demand for their pet-friendly properties in Northampton

and Milton Keynes has been so high they've had to turn people away. "This was only exacerbated during Covid when a lot of renters wanted pets."

They've also found their tenants tend to stay longer and take good care of their homes. "Families with pets know how hard it is to find a landlord that's willing to accept them, so they stay longer and don't cause trouble when vetted correctly."

"Longer tenures also mean they take care of the house like their own, so it's a lot less hassle and I only really get involved from a maintenance point of view when there is something major."

Even the most placid of pets can still cause damage, so Sarah has developed a strict pre-screening process to reduce the possibility of ending up out of pocket.

"There are a few things I do to minimise this risk. I add extra clauses about damage and responsibility to fix



**"We wanted to service those good tenants with excellent references and jobs, that just so happen to have a furry friend"**

any property damage in the assured shorthold tenancy (AST). We have a thorough referencing system in which we find out as much as we can about the pet, and we ask for a guarantor."

## CARE IN THE COMMUNITY

Some niche strategies are instantly obvious, while others develop over time. **Natalie Gascoyne**, 35, had her "lightbulb moment" at the end of 2019. Until that point, she'd been focused on creating homes for the private sector.

Her niche is developing properties for supported living, which means rather than housing private tenants, her properties are used to house people who need extra care or support. She specifically works with care providers that look after adults with disabilities and learning difficulties who live semi-independently, although there are many care providers that fulfil other kinds of needs.

"I had no idea that my homes could be used in this way. There are training companies that specialise in investing in this space, but I didn't go down that route. The experience, partners I have, and the projects I have completed are purely a result of connecting with people, listening and a bit of tenacity."

Over the past three years she's completed seven homes across the North West of England for tenants who have additional care needs, and has four more in conveyancing. "I have learned a lot; as you can expect, it is a complex field, and a sensitive area as you're dealing with vulnerable people."

The strategy demands more time, effort, and money up front than getting a standard BTL ready for market. The most important thing to remember is people first, property second, says Natalie. "You need to understand the people you want to help and how they want to live their lives; don't try and force fit a property to their needs."

As the property owner, you have a moral obligation to choose the right partners. "The person who ends up living

there might not be able to respond as quickly or effectively to a fault, so you need to work with providers that will provide good quality support and work with responsible contractors to make sure everything is fitted properly."

Obtaining lending and insurance can be tricky as rates are higher and there are less providers to choose from. "Lenders have specific criteria based on lease length, break clauses and whether staff reside there so you need a good broker who can plan your exit at the start of the project," says Natalie.

She's found raising finance from private investors less arduous. "It is naturally appealing for a private investor to be contributing to projects like this, rather than your usual private housing project."

Refurb costs can be higher if the provider has specific requirements. Natalie's latest homes had to meet a particular EPC standard before the care provider would take them on, so she invested more into energy efficiency upgrades.

Once everything has been completed and handed over, the strategy becomes much more hands-off. "The provider manages the property during the tenancy taking care of the day-to-day maintenance and covering any void periods, so I don't have to worry about certificates, tenancy move ins and outs, advertising, etc. I have no direct contact with the residents, any housing issues or finance/housing benefit payments are handled by the provider."

This suits Natalie's way of living. Her main reason for getting into property was to be unrestricted and have more time, particularly now she has a one-year-old. The houses being on five or 10-year leases suits her lifestyle well.

She also finds it far more fulfilling than when she was developing purely for the private sector. "I love this strategy because I'm supplying homes for people in need of support and helping to increase the standards of housing in this sector in a very small way."

"A lot of the residents in my properties have either come from hospital – so quite an institutionalised setting – or from a shared house and they have been waiting a while for their own home. I spend a lot of time and investment making sure our homes look great and homely."

Natalie says having a niche strategy like hers doesn't mean you have to put yourself at risk, you just need to consider your alternatives. "Like any project it's always important to consider alternative exits. I make sure all my homes will easily rent or sell to the private market and that the numbers work for this market too."





## BUYING IN BULK

**Karishma Davdra**, 34, and her husband Salik Rashid, developed their niche strategy after struggling to find deals in their target areas in the North West of England. "We were in a growth phase, but trying to get the quantity of BTL deals we wanted accepted was proving to be slow and difficult due to the competitive market and low supply of stock. So, we decided to pivot and look at options where we could essentially achieve the same outcome in a less crowded space," explains Karishma.

They started to look at unused commercial buildings with a view to convert them into smaller self-contained residential apartments. That was back in 2018. Since then, they have completed three conversions including the transformation of an old pub into six apartments, and have been on an intense learning journey.

Typically, they look for buildings around 3,000 sqft. "For the numbers to stack we need to be able to get a minimum of five units out of a building, in some instances this can be four if the GDV of each flat is over the £120,000 mark.

"We look at a site and apply a formula based on the square footage of the site. We've found 3,000 sqft is the ballpark

we need to be looking at to make the scheme viable."

As is the theme with the other niche strategies covered in this piece, Karishma's approach involves a lot of work up front. "There's a lot more paperwork and teams to coordinate on the front end such as planners, architects, councils, and solicitors.

"You have to make sure all your paperwork is up to scratch because if it's not it will end up costing you in the long run. You'll struggle to refinance or sell as your buyers won't be able to secure lending easily without all the correct paperwork."

Getting the right permissions to convert the buildings can be a lengthy and complex process. "Since you can get many different types of use classes for buildings in the commercial sector, it's not an exact science. It all depends on what the building's last use class was. This determines if we need to submit a full planning application or if it falls under permitted development."



You've also got to factor in that the renovation phase takes a lot longer than it would with a standard BTL, so you have to be in a strong enough financial position to ride it out. "On a good run it's taken us one year from purchase to the tenant moving in, whereas on other projects it's taken 18 months plus. I've actually found I'm less involved once the build starts as we hand everything over to a project manager or lead contractor. But the unknowns of the build will cost a lot more than the unknowns of a BTL refurb, so be prepared to have a healthy contingency in place."

Despite the risks, there are plenty of benefits to working on this scale. "You can negotiate better rates with your suppliers, plus you get better cash flow in one go and can add significant amounts of equity to your portfolio quickly. All the conversions we have completed to date have either been 100% ROI or Infinite ROI.

"It's essentially bulk buying. You buy one building and gain multiple units. It's a great way to grow quicker without having multiple projects on the go."

The properties have all been Georgian or Victorian office buildings which they have made into professional HMOs. The amount of work involved in converting these types of properties tends to put most buyers off and make them less desirable, which in turn brings the price down, meaning Dan and James have had the pick of the bunch.

"There's a lot of vacant office buildings in the middle of town. Business rates on them are so high and businesses can't afford to be in them, so they've closed up and moved out of town."

Grade II-listed buildings are subject to strict regulations which protect their historical and architectural significance, regulations Dan and James have had to familiarise themselves with.

"Ultimately what it means is it's a lot more expensive than an ordinary conversion. Instead of using standard timber you've got to use a particular type of timber instead. If you want to drop the ceilings and put in a fire barrier, you've got to protect all the existing cornicing. You have to use ridiculously expensive paints, the list goes on," says Dan. "What makes it even harder is that not all conservation officers are on the same page. We've got five different listed building developments going on at the moment with four different conservation officers and they all want different things."

Another pitfall is that, thanks to their age, these sorts of properties can be in bad condition. "I like to refer to them as Russian dolls, because you just don't know what you're uncovering until you start to do the work," says James.

But because of their age, they also tend to be more spacious and hold their value better. "They are antiques and like antiques their value tends to go up over time because they're part of history. You generally get quite a lot of bang for your buck with these types of properties. The bigger the property, the more units you can get out of it, and the more units the more cash flow," he adds.



## COMMON THEMES

Each of these niche strategies are totally different and yet there are common themes that run between them all. They call for more effort and bigger costs up front, a deeper level of understanding about the market, and, in some cases, the need to bring in outside expertise.

They can also be perceived as being riskier, depending on your risk tolerance, but that's because people always think things are risky until they've tried them, says James, who once worked as a rock-climbing instructor. "Rock climbing is perceived as a risk, but providing you've got the right safety equipment in place, and you've done your risk assessments it's completely safe. It's the same with property investment."

The most interesting takeaway is that each of the strategies still offers space to diversify within a specific corner of the market. Demelza and Karishma can buy different property types. Natalie and Sarah can branch out into different areas, and Dan and James can rent to a mix of tenant types, proving niche strategies don't have to be limiting.

## REVIVING HISTORY

**Dan Anson-Hart**, 32, and his business partner **James Baker**, 36, featured in *The Telegraph* last summer for their shrewd strategy of buying run-down properties with low EPC ratings and upgrading them to add value and reduce running costs. Yet, since the article was published their approach has become even more niche.

The pair have narrowed their focus to a specific type of property in a specific search area: Grade II-listed buildings in the centre of Truro, Cornwall. "There's lots of investment coming to Truro. There's a new university being built and lots of money being pumped in. We're confident property



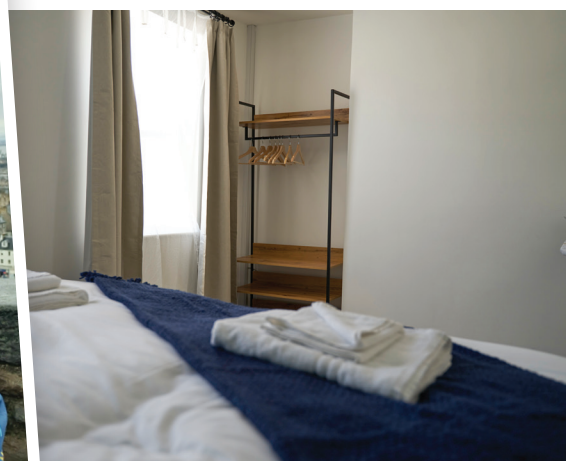
prices are going to go up in value over the next few years, so we've niched in and put the blinkers on.

Most of the properties in Truro are period properties, so that's how we found our way into Grade II-listed conversions," says Dan.

"We bought our first Grade II-listed property in 2021 and were exposed to listed building development and all the hoops and hurdles you have to jump through. We ended up building ourselves a really strong power team of heritage consultants and as a result, we've gone on to convert three more listed buildings on the same road into residential premises."



Freya, James and their son



# Branching out

Eager to generate more income from their portfolio, buy-to-let landlords **Freya and James Cosstick** bought a four-storey Georgian terrace in Gloucester to turn into serviced accommodation. Andrew James finds out how it went



## INVESTOR FACT FILE

**Name:** Freya and James Cosstick

**Age:** 32, 33

**Lives:** Addlestone, Surrey

**Invests in:** London, Welsh Valleys, Gloucester

**Occupation:** Heathrow operations manager and development operations engineer

**Years investing:** four

**Strategy:** BTL and serviced accommodation

**Portfolio size:** six units

**Goal:** to generate enough income to have flexible lifestyles

## INVESTOR STORY

**T**rying something new inevitably presents a new set of challenges, but Freya and James Cosstick had solid foundations to build on as they moved into the serviced accommodation sector.

Having gained experience with multiple BTLs, the couple were keen to accelerate their earning potential from property so Freya could leave her job and spend more time with their young son.

"I had a goal when I started maternity leave with my son to replace my salary with property income as quickly as possible. The original goal was £1,000 per calendar month. I worked out, based on what we made from our existing BTLs, this would have required four separate purchases to comfortably reach this figure. I didn't believe this was attainable in the year I'd given myself, so we started looking at alternative strategies," explains Freya.

"We considered HMOs and serviced accommodation as high cash-flowing avenues, but decided to go with serviced accommodation because I've got a background in hospitality and operations, so it played more to our strengths."

### 'A bit of trepidation'

Freya, 32, and James, 33, became landlords in 2018, when they rented out their London flat and moved to Surrey to be closer to Freya's work. Over the next two years, they bought two more BTLs in Wales, adopting the buy, refurbish, refinance and rent model.

Serviced accommodation was something they hadn't considered before. "There was definitely a bit of trepidation as it was a whole new step," says Freya. "I did a huge amount of research beforehand and read every book I could to get as much knowledge as possible.

"We've got a really good accountant who helped us get all our ducks in a row before we started looking for something."

Despite being a two-hour drive from their Surrey home, Freya and James were attracted to the city of Gloucester as an investment location. "It ticked a lot of boxes as it seems an underrated city in terms of investment potential and there was a huge amount of redevelopment and regeneration going on," Freya says.

After five viewing trips they found their four-storey Georgian house in June 2021. "It was listed as one flat, but was actually three flats in a freehold building," explains Freya.

It had a one-bedroom flat in the basement, another one-bed flat on the ground floor and a two-bed flat



split across the top two floors. It was on the market for £240,000, but Freya and James were able to negotiate the price down to £191,000 after their survey revealed multiple issues.

“The property had been vacant for eight months. The drains were blocked and this had caused a huge hole in the ceilings across two levels. Everything was old and dated and needed replacing. We couldn’t get a mortgage because it wasn’t habitable or functional, so we had to take out a bridging loan.”

The couple borrowed £129,000 from a bridging lender and used personal savings, income from their other properties, and remortgaged their home make up the rest.

“Conveyancing took six months, but I deliberately asked my solicitor not to rush the process. We hadn’t purchased a multi-unit freehold block before or used bridging finance, so I wanted plenty of time to research and understand what we were getting into,” says Freya.

### Alarm bells

Soon after they got the keys in January 2022, a local builder got to work refurbishing and reconfiguring the house. They budgeted £85,000 to get everything done and borrowed money from family members to finance the work.

The roof had to be replaced, each of the flats needed new bathrooms and kitchens and the whole building needed replastering and decorating throughout. New radiators, boilers, windows and doors had to be installed.

The distance made managing the project tricky, but Freya made regular trips to Gloucester to keep on top of things.

They wanted to get everything done in time for the summer to make the most of the peak holiday season, but as time went on, it became clear things weren’t progressing very quickly. “There were a few alarm bells,” recalls Freya. “Work started to stall around April/May time, at which point I found I was expecting my second child. We were being asked to pay for things that hadn’t been done.”

Then they found out some of the subcontractors



Work ground to a halt in June

hadn’t been paid for materials or works completed. By June, work had completely ground to a halt.

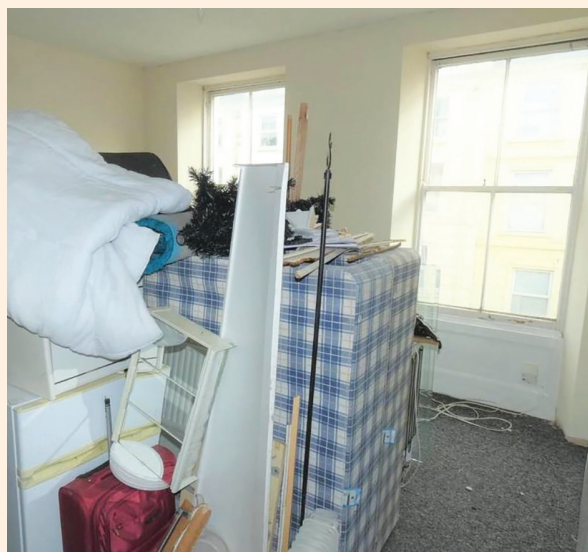
“One of the contractors told us the building company was about to go into liquidation. We parted ways with them soon after that. Luckily, we were in a good position because we’d stood firm about not paying until the work had been done, but there were quite a few materials which we’d already paid for.”

Freya and James ended up going £13,000 over budget as a result, but they had to cut their losses and prioritise getting the flats finished. By this point they were getting uncomfortably close to their bridging loan deadline.

“It was a decision between moving on quickly and getting the property up and running and generating an income or letting it drag on and still probably not seeing any of our money back,” says Freya.

Unable to find another building company to take over the project and get it finished by their summer deadline, James moved on site for two months to complete the refurb, using the experience he gained from their BTLs to finish off the work. He did the decorating, joinery, snagging and the garden, and brought in trades to do the electrics and the plumbing.

Two of the flats were finished by mid-July and the third was ready by the beginning of August, yet they



agonisingly missed the deadline on their bridging loan by one day.

“It was a painful situation because the money came into our solicitor’s account at 5.30pm on the day of the deadline but they couldn’t get the bank transfer across until the next

morning. It cost us an extra £8,000 and was one of those life lessons.”

In future, Freya says they’ll be even more careful when choosing who to work with: “We did our due diligence, but we didn’t get to see any live projects. In future we’ll never go with a builder unless we’ve spoken to someone they’re currently working with who’s happy with what they’re doing.”

### A learning curve

Following the completion of the project, the couple refinanced for £355,000, paid back their bridging loan plus the interest and the extension fee and took out £112,500.

A local management company oversees the day-to-day running of the property and it is performing well as a short-term letting with tradespeople, locals, professionals, tourists and sports fans. A profit of £1,750 per month for the three flats underlines that point.

Despite the challenges and setbacks, the couple haven’t been put off tackling similar sized properties in

## RUNNING THE NUMBERS

**This is how Freya and James' four storey Georgian townhouse in Gloucester stacks:**

**Purchase price: £191,000**

**Deposit: £61,700**

**Purchase costs: £11,100**

**Finance method: Bridging loan at 0.75% per month, 9 months term**

**Amount borrowed: £153,400 including fees and interest**

**Refurbishment costs: £98,000**

**Project duration: seven months**

**Total personal investment: £133,000**

**Monthly revenue: £6,150 (average)**

**Monthly expenses: £4,400 (average)**

**Monthly net profit: £1,750 (average)**

**New value: £355,000**

**Cash out after refinance: £113,000**

**Total left in the property: £81,000**

the future. “It was a massive learning curve but we’re happy with the returns and it’s a nice project and building,” says Freya.

However, the big projects are on the backburner for now while they focus on their family. Freya gave birth to their second child, a daughter, at the end of 2022. “Given the position we’re with two young children, we’ll probably look at smaller projects in the short-term, but it’s so important when you’ve learned all these lessons to then go on and use them and do it again. It only makes you stronger and better.”

**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](mailto:magazine@propertyhub.net)**



# tax changes

## you need to be aware of this year

It's spring, which also means it's the start of a new tax year. We've summarised the upcoming changes, deadlines, and future proposals you need to know about

### Capital gains tax

**What is changing?** The annual exemption threshold for capital gains tax – in other words, the point at which you must pay tax on any gains made from selling a property – is being reduced from 6 April. The threshold will halve to £6,000 this April, then halve again to £3,000 from April 2024.

**What was the rule before?** Previously if you sold a property, you only had to pay capital gains tax on your overall gains above the £12,300 threshold. The £12,300 allowance has been in place since 2020 and has steadily increased

up to that point. Capital gains tax is charged at 18% for basic rate taxpayers selling residential property and 28% for additional rate taxpayers.

**What does it mean for you?** If you're selling a property and you own it in your own name as opposed to in a limited company, you're more likely to have to pay capital gains tax. Experts believe an additional 260,000 taxpayers will have to pay capital gains tax for the first time by the 2024/25 tax year.

So, what does this mean in real terms? Let's say you work full-time and are a higher-rate taxpayer. If you sold one of your BTL properties before April

2023 and achieved a gain of £20,000, your capital gains tax bill would be £2,156 (28% of £7,700). If this transaction happened after April 2023, your tax bill would increase to £3,920 (28% of £14,000). And, if you waited until after April 2024, it would be £4,760 (28% of £17,000).

"The rather sudden announcement in November caught a lot of landlords who were considering selling their properties off guard," says Nadeem Raziq, head of tax at Provestor, a specialist property accountancy firm.

"The loss in the tax-free capital gains tax allowance is particularly significant for those who own a property jointly.

Where previously you would have had £12,300 each and £24,600 in total tax-free, you will now only have £6,000 in total from April 2024. For higher rate earners, this means an additional capital gains tax bill of over £5,000."

If you're not planning on selling then there's no immediate impact, but it's something you'll want to factor in your exit strategy.

**What does it mean for the market?** We could see an influx of landlords looking to sell taking advantage of the higher allowance before the reduction which could bring more properties to the market. In the long term however, it could dry up the market. Landlords may decide to hold on to properties for longer due to high capital gains tax bills.

**What should you do?** Unfortunately, selling properties takes time and the government hasn't given landlords much time to act. If you are thinking of selling one or more of your properties, then it is a good idea to talk through your options with an expert tax advisor. It could be financially beneficial to incorporate your property portfolio.

### Income tax

**What is changing?** Income tax personal allowance has been frozen at £12,570 until April 2028. The government will also reduce the 45% income tax threshold from £150,000 to £125,140 from this April. This means earnings above that amount will be taxed at 45% rather than 40%. Income tax is the single biggest source of funding for the government.

**What was the rule before?** Income tax thresholds have historically increased by a small percentage every year to keep up with increases in wages. The threshold was £12,570 for the 2021/22 tax year, £12,500 for the 2020/21 tax year and £11,850 for the 2018/19 tax year.

**What does it mean for you?** Freezing the thresholds means that tax bands stay the same, even as your earnings go up over the next five years. As your wages or rental returns rise, you'll pay tax on a larger proportion of your income and could end up moving into a higher tax bracket. The knock-on effect of being pushed into a higher tax bracket could also mean you end up paying more capital gains tax.

"Five years is a long time and there will certainly be a negative impact for those whose earnings increase each year as they'll pay more tax," says Nadeem.

**What does it mean for the market?** With people being forced to pay more tax, they

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may decide it is a good time to sell or to incorporate their property business. "The income tax threshold freeze could be another reason for using a limited company to invest in property," says Nadeem.

"Corporation tax in a limited company is 19% (rising to 25% depending on your profits from April 2023 onwards), so there could be a saving for those at risk of moving into a higher tax band."

**What should you do?** Everyone will have different circumstances, so there's no single solution. Take the time to assess your portfolio and strategy, including the structure of your property business to identify opportunities for efficiencies.

Dividend allowance

**What is changing?** Dividend allowance is being halved from £2,000 to £1,000 from 6 April this year, then from £1,000 to £500 from April 2024.

**What was the rule before?** Currently, every shareholder in the UK has a £2,000 tax-free dividend allowance. It isn't the first time this allowance has been cut. In 2018 it was reduced from £5,000 to £2,000. By the time we get to 2024, it will have decreased by 90%.

**What does this mean for you?** This change only affects landlords that hold their properties within a limited company. If you plan to extract dividends over £1,000 from April this year, then you'll be liable for dividend tax which is charged at 8.75% for basic rate taxpayers and 33.75% for higher rate taxpayers. From April 2024, this will affect anyone extracting dividends over £500.

**What will this mean for the market?** This will erode some of the benefits of using a limited company, says Nadeem: "Landlords are aware they can potentially make tax savings if they own property within a company. If they fall within the higher rate tax band, they have to pay 40% or 45% in income tax, whereas if they own property in a company, they currently pay 19% in corporation tax."

CURRENT SDLT RATES

| Property price       | Standard stamp duty rate | Current buy-to-let stamp duty rate |
|----------------------|--------------------------|------------------------------------|
| £0-£40,000           | 0%                       | 0%                                 |
| £0 to £250,000       | 0%                       | 3%                                 |
| £250,001 to £925,000 | 5%                       | 8%                                 |
| £925,001 to £1.5m    | 10%                      | 13%                                |
| £1.5m+               | 12%                      | 15%                                |

Source: gov.uk/stamp-duty-land-tax

ORIGINAL SDLT RATES (FROM 1 APR 2025)

| Property price       | Standard stamp duty rate | Buy-to-let stamp duty rate from Apr-25 |
|----------------------|--------------------------|----------------------------------------|
| £0-£40,000           | 0%                       | 0%                                     |
| Up to £125,000       | 0%                       | 3%                                     |
| £125,001 to £250,000 | 2%                       | 5%                                     |
| £250,001 to £925,000 | 5%                       | 8%                                     |
| £925,001 to £1.5m    | 10%                      | 13%                                    |
| £1.5m+               | 12%                      | 15%                                    |

Source: gov.uk/stamp-duty-land-tax

"However, an increasing number of landlords are becoming full time landlords, meaning they have no other source of income and paying themselves a salary from the company is essential. The erosion of the allowance simply means more tax due on their remaining dividends, or them having to increase their levels of salary from the business resulting in further income tax."

**What should you do?** If you do own properties within a limited company, it could be more tax efficient to restructure, add shareholders or create a family trust so that profits can go to other family members.

Alternatively, you may decide to reinvest your proceeds and increase your portfolio, rather than taking profits out for the time being.

Stamp duty

**What is changing?** The nil-rate stamp duty land tax (SDLT) threshold will revert

to the pre-September 2022 level from 1 April 2025.

**What was the rule before?** The nil-rate band was doubled as part of the mini budget, increasing the point at which stamp duty kicked in from £125,000 to £250,000 in a bid to boost the property market during economic recession and cost of living crisis. Buy-to-let landlords, second homeowners and limited companies still had to pay a 3% surcharge on top of residential SDLT rates.

**What does it mean for you?** The change in rates will affect anyone buying and selling properties. The good news is there's still plenty of time for buyers to save a considerable amount of SDLT if purchasing before 31 March 2025.

Let's look at how the numbers compare when buying pre and post the deadline. If you buy a property for £225,000 before 31

March 2025, you'll pay 3% of the property price, which equates to a bill of £6,750. However, if you buy it from April 2025 onwards, only £125,000 will be in the 3% threshold, and the remaining £100,000 will be pushed into the 5% threshold which adds up to £8,750 – a difference of £2,000."

**What will this mean for the market?** There could be a very busy end of 2024 as landlords (and homeowners) rush to buy before the window closes.

**What should you do?** If you're in a strong buying position, taking advantage of the SDLT window could be a sensible thing to do.

"New entrants to the BTL market and investors planning to grow their portfolio in the next 12-24 months, should carefully consider the amount of SDLT savings they could make on these purchases before April 2025," says Nadeem.

Making tax digital

**What is changing?** The deadline for landlords and self-employed business owners to start using the government's Making Tax Digital (MTD) initiative for income tax has been pushed back to April 2026 and the income threshold for compulsory inclusion has been increased to £50,000. However, the threshold will decrease to £30,000 in 2027 as part of a phased approach.

**What was the rule before?** It had initially been proposed that all landlords with a gross rental income above £10,000 per year would need to be using MTD by April 2024, keeping tax records and submitting returns to HMRC digitally, through new MTD-compatible software.

MTD is the digitisation of the tax system and it's been on HMRC's roadmap for a long time. The aim is to make it easier for people to manage their financial records and pay the right amount of tax.

**What does it mean for the market?** Under the old rule, 1.4 million landlords were in scope for MTD under the £10,000 income threshold. This would have brought a significant change for many smaller landlords with just one or two properties, particularly those with simple rental properties using a spreadsheet and self-assessments to manage their compliance.

They would have to start using – and paying for – accounting software and potentially appoint an accountant to make quarterly submissions to HMRC. The new threshold of £50,000 per year means far fewer landlords will be in scope for MTD.

**What does it mean for you?** If your gross rental income (plus any other qualifying income such as self-employment) is below the £50,000 per year threshold by

April 2026, then you'll be able to continue self-managing and submitting annual self-assessment tax returns as before. The threshold will decrease to £30,000 in April 2027 as part of a phased approach.

If you are in scope for MTD in 2026 or 2027, then you have plenty of time to prepare for the change to digital record keeping. It might sound like a lot of hassle, but there are some benefits of MTD. One of the main ones is that you can request a tax forecast from HMRC at any time, so you don't get a surprise at the end of the year.

**What should you do?** "MTD has not been cancelled, it's still going to happen, so thinking about your business process and accounting now, and getting ahead is still worthwhile," says Nadeem.

"The two-year delay and change to thresholds gives everyone affected a chance to get ready without it being a shock to the system. In our experience, landlords who keep regular records tend to operate more tax-efficiently as they're more likely to remember to claim tax relief for all of their qualifying outgoings."

Nadeem recommends having a specific bank account for your property business so you can keep your rental income and property transactions separate from your day-to-day spending. "You don't necessarily need to use a paid business bank account, just keeping your property finances in a separate account is enough."

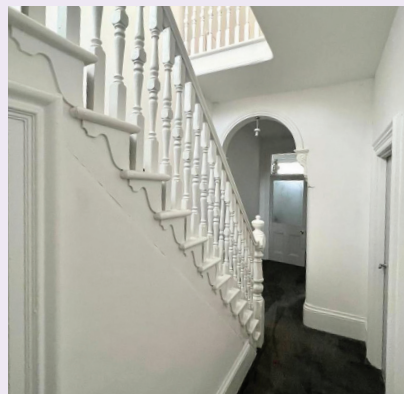
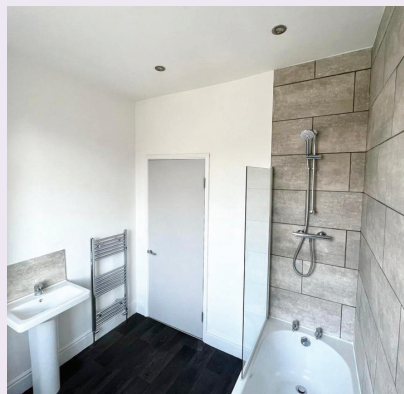
This helps protect your personal and business assets and can help you save time and money. "If everything is mixed up together, you'll often miss property related expenses buried in your personal account."

"Particularly with MTD, a separate bank account (and one that is compatible with Open Banking) makes it much easier to import transactions into your accounting software, saving you time."

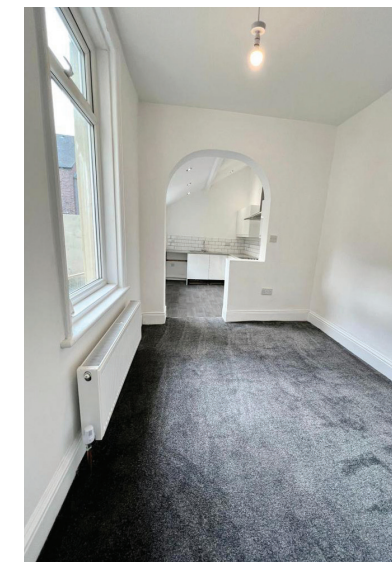
"If you currently hand all your records to your accountant once a year, switch to cloud accounting software and get into the habit of digital record keeping before MTD for income tax comes into place."







The property had been empty 18 months



# A tale of the unexpected

When **Flora Russo** bought a fire-damaged property 250 miles away from home she thought she knew what she was getting into. Little did she know there would be more surprises in store



**H**ear the words 'fire damage' when searching for a property and you'd be forgiven for running a mile, but it didn't deter Flora Russo, 41. If anything, it spurred her on.

The burnt-out three-bedroom house in South Shields was being sold by an estate agent offloading his portfolio. Flora, who lives in London but specialises in sourcing buy-to-lets for herself and other investors in the North East of England, sent her local co-sourcer to take a look.

It had been empty for 18 months and needed a lot of work, but Flora could see past the damage and knew it was a good deal. She packaged it up and offered it to one of her clients.

When he turned it down, she decided to go for it herself.

"I kept looking at the numbers and they were really good. The figures, the location and the challenge of the transformation all appealed to me, so I decided to keep it for myself," says Flora, who moved to London from Italy in 2013.

## A Pandora's box

With a portfolio of properties in Sunderland, South Shields was new territory for Flora, one she was keen to get into. "There is a huge programme of investment underway across South Tyneside including modernising the

community and leisure facilities. It boasts beautiful beaches and coastline and is well placed for transport links, with easy access into Newcastle, Gateshead and Sunderland," she says.

She put in an asking-price offer of £71,000 and paid her co-sourcer a £1,000 finding fee so he didn't lose out on the deal.

Keen to find out the extent of the fire damage Flora booked a survey. "When the survey came back it was 82 pages long! I'd never seen a report so long, it was like reading a book."

Among the reams of information one surprising detail stood out: the previous tenants had converted the loft into a cannabis farm, a detail the agent



## INVESTOR FACT FILE

**Name:** Flora Russo

**Age:** 41

**Lives:** London

**Invests in:** North East England

**Occupation:** property investor and sourcer

**Years investing:** six

**Strategy:** buy, refurbish, refinance, rent (BRRR)

**Portfolio value:** £1.4m

**Goal:** to never have to go back to her day job



had failed to disclose.

"This was the first I'd heard about it, but I was more concerned about the fire damage. I wanted to know the extent of it. The surveyor said there were no issues – no structural damage or damage to the roof – so I said: 'let's go for it'."

Despite its dodgy past the survey valued the property at £76,000, £5,000 more than what Flora had agreed, so she was happy she'd secured a good price.

No issues cropped up during the conveyancing process, but it still took four months. "The solicitor I usually work with left the firm part way through, so the file was handed over to a new person," says Flora.

"It meant we had to pretty much start from scratch again and go over all the same questions, but we got there in the end. My offer was accepted on 17 March 2022, and we completed on 1 July."

### A second surprise

Flora used investor funds to purchase the property in cash on the understanding she would pay back her investor with 8% interest within 12 months. "I had another refinance on the go, so I pulled the money out of that and used it towards the refurb of this project."

She budgeted £30,000 for all the works including stripping everything out, repairing the fire damage, replastering, fitting a new kitchen and bathroom, decorating, installing a new central heating system and a full rewire.

"Some of the walls were totally black and the others were covered in a red brick-effect paper. Needless to say, there was plenty of waste to dispose of. The house is massive, so there was lots of plastering needed, plus lots of broken floorboards to replace and the stairs had to be repaired."

Family commitments meant Flora was unable to visit the property or be on site during

the renovation herself. "I have a one-year-old daughter, so travelling back and forth to South Shields wasn't an option. Luckily, I work with a great project manager and builder who also happens to be a letting agent, so he took care of everything for me."

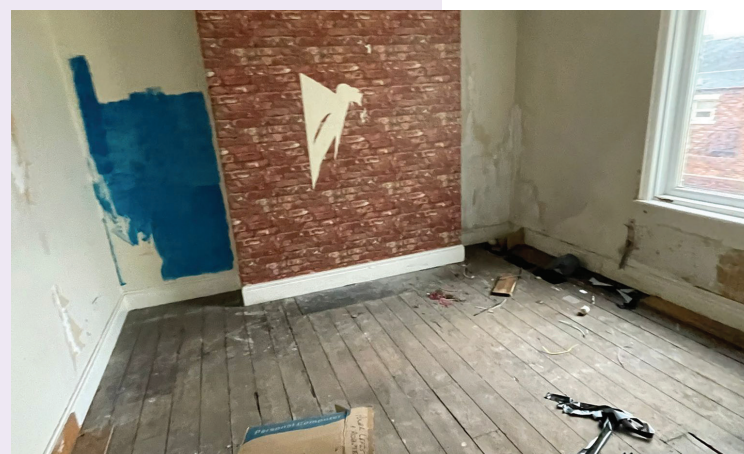
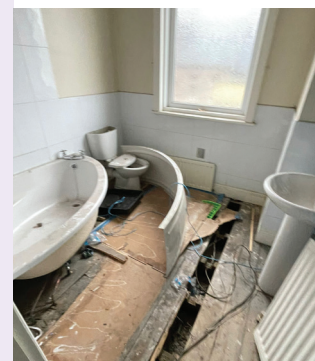
The project got underway at the beginning of July, but a second unwelcome surprise soon put an end to progress. "Because the property had been empty for 18 months and there had been illegal activity going on, the gas, water and electricity supply had all been terminated," explains Flora.

"I had to spend every other day on the phone to get everything back up and running. I went back and reread the survey to check if I'd missed something, but it hadn't been picked up. If it had, we could have saved ourselves a lot of time and had everything reconnected in advance.

"The hardest part was having no water, our plasterers had to plaster using bottled water, which wasn't feasible. They ended up finding an external tap in the yard that was still working until we got the supply back.

"When the water company came out, they had to dig a trench in the back yard to connect the supply back up the house, then we had to wait for them to come and check everything was working properly."

The plasterers had to plaster using bottled water



### Counting the costs

The omission delayed the project by seven weeks and meant Flora went over budget

by £2,700 – a surprisingly small amount given all the unexpected challenges she encountered. But she was able to claim back the £2,130 she paid in stamp duty because the property was uninhabitable at the time of completion.

The house was ready to put on the market by the end of October. Flora had based her figures on a monthly rental income of £650 per month, but her letting agent advised putting it on £850 per month. It received 26 enquiries but no takers, so she reduced the rent to £799 per month and secured a tenant who paid 12 months in advance.

"That's never happened to me before. I asked them for a guarantor, but they didn't have one so they suggested paying up front, plus I got the same amount as a bond. They moved in at the start of December."

Rather than rush into refinancing the property, Flora decided to wait. "I always prefer to have tenants in before starting the refinance process. Lenders are more amenable if a property is tenanted because it is already generating cash flow, plus the market was still a bit crazy with interest rates at the end of last year. I usually tend to wait around six months; I find it much easier doing it this way."

### RUNNING THE NUMBERS

This is how Flora's three-bedroom house in South Shields stacks up financially:

**Purchase price:** £71,000 cash

**Purchase costs:** £4,554

**Finance method:** private investor funds, 8% interest rate over 12 months

**Refurbishment costs:** £32,700

**Project duration:** four months

**New value:** £140,000

**Monthly revenue:** £799 after operating and management fee

**Monthly expenses:** £160

**Monthly net profit:** £639

### Lessons learned

Reflecting on the project Flora says it has taught her you can never be too thorough. "When I found out about the utilities, I couldn't believe it. It's absolutely crazy to think the legal documents are not always correct. I've learnt my lesson to ask more questions and go through the documents very carefully in the future. Although everything worked out well in the end, we still wasted seven weeks."

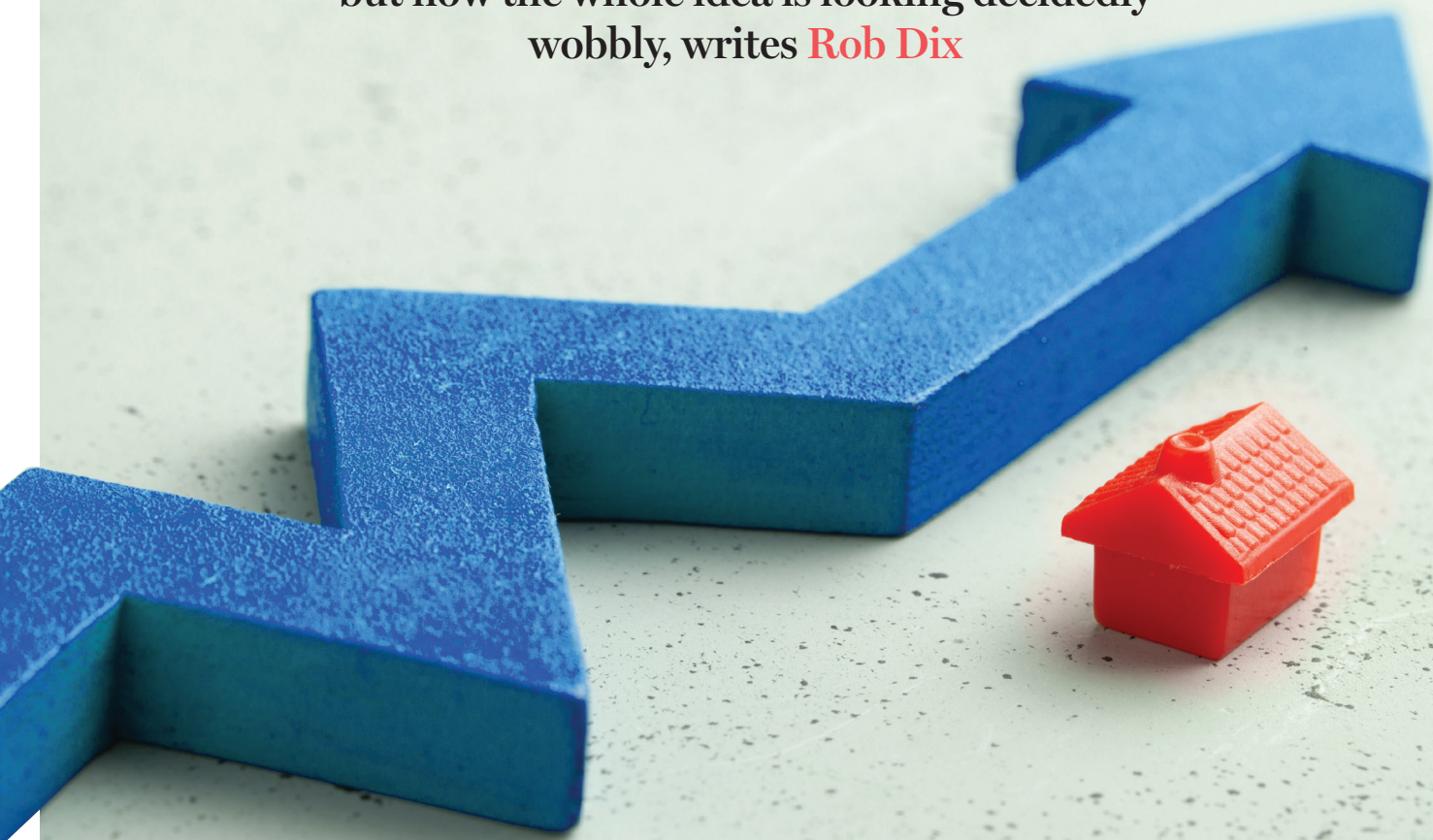
Her advice for others looking to take on challenging projects is to do thorough due diligence on the property you intend to buy and the people you intend to work with. "If you're a remote investor like me you have to be able to put your trust in others. I know I can trust my project manager 100%. He guided me through this whole project and helped find solutions rather than exaggerating or making the problems even bigger. I couldn't have done it without him."

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](mailto:magazine@propertyhub.net)



# Is it time to throw out the 18-year property cycle?

The 18-year property cycle has captured the imagination of the Property Hub audience more than any other concept we've discussed, but now the whole idea is looking decidedly wobbly, writes **Rob Dix**



**U**p until the final few months of 2022, the current cycle was just about playing out as it should. After the end of the previous cycle in 2008, it should have taken four years for prices to bottom out and start rising again – which they did. Prices should then have risen gently until 2019, which they just about did – although they were pretty flat in the years 2016-2019.

In 2020, growth should have picked up, and it did in the first half of the year but then that growth came to an abrupt end as 2022 drew to a close. Since then, prices have been falling slightly at exactly the time they're supposed to be booming most aggressively.

Does this mean it's time to throw out the whole concept of the property cycle? From here, there are three scenarios – and after listing them, I'll tell you which I think is most likely.

## SCENARIO 1: The property cycle has completed

Between 2020 and 2022, we had nearly three years where prices rose by more than a cumulative 25%. Then, triggered by rising interest rates, prices started falling slightly. So that's it: this cycle ran short, from 2008 to 2022, and prices will now fall then bump along for four years before starting a steady climb again.

This isn't impossible: interest rates spent 14 years at all-time lows, then rebounded to a more historically normal level in a matter of months. That's a major and sudden shift, and it could be enough to knock the cycle off track.

## SCENARIO 2: The property cycle continues, and will run long

Perhaps the current softening of prices will come to an end, then a boom will

get underway – taking us to the scheduled completion of the cycle at some point from 2026. It could run long because Covid and its after-effects caused some bumps in the cycle (the unusually aggressive rise then unscheduled fall back of 2020-2023), but ultimately it will get back on track.

## SCENARIO 3: The property cycle no longer exists, and maybe never did

Then again, maybe we've all been squinting to see patterns in historical data that were never there. Maybe there was a cycle, but it won't apply anymore because property prices and property-based lending are such a major part of the economy they're subject to political manipulation, so the natural pattern is never allowed to play out.

If this is true, we have no guide to what prices will do next: they could remain more or less static for years to come, or continue to bounce up and down from year to year.

## Which is the most likely?

Thinking about the cycle for the past 10 years has been a lot of fun, and has helped guide me towards the right decisions at tricky moments in the past (such as continuing to invest from 2016 to 2019, when prices were pretty flat and sentiment was negative because of Brexit among other factors). But I'm not wedded to it. If the evidence to support the cycle isn't there, I'm happy to throw it out.



Nevertheless, Scenario 2 – the cycle remaining on track – strikes me as the most likely option right now. Why? I'll explain...

## The boom that never was

Typically, the final "boom" years of a cycle are characterised by a speculative frenzy of buyers and a reckless expansion of bank credit. Yet between 2020 and 2022, we didn't see either of these. In fact, although we're talking about a boom, property prices barely increased any faster than the general level inflation: it's no different from looking at the rising prices of goods and talking about a "bread boom" or a "used cars boom".

Think back, if you're old enough, to the years 2005-2008. People were buying properties purely because they believed prices would increase further – which is the definition of a bubble. Crazy as it sounds, I know investors who'd buy properties and wouldn't bother to put tenants into them – because they saw tenants as a hassle, and all they cared about was remortgaging to pull money out of the property as its value increased.

They were able to do this because banks were falling over themselves to lend. There were no rental stress tests, no portfolio assessments... often there were no formal valuations and no background checks. It wasn't just property lending: I had letters encouraging me to take out credit cards dropping onto my doormat every day (and I wasn't exactly a great prospect to lend money to back then, if you wanted it back).



Have you seen any of this behaviour in the past few years? As you'll know if you've tried to take out a mortgage in recent years, all the protective measures that were introduced post-2008 are still very much in place. And as for speculative mania? I know people who've been sucked into bidding wars on their own homes because they've wanted to move to in-demand areas, but no-one who's suddenly got into property investing because "prices only go up".

This is the key point: when you look at what's driven price increases since 2020, most of it is the result of people suddenly deciding to change their lifestyle and bid up the prices of nice spacious houses with gardens in more rural areas. Higher interest rates may bring that part of the market back down with a bump, but we just haven't had the wider speculative boom that normally precedes a bust.

So for me, it's most likely that we will see the cycle play out over the next three plus years. If it doesn't, then I don't think we'll see a major fall in prices – because we never had the boom to justify a bust. Instead, we can conclude that Covid and the sudden adjustment of interest rates was enough to knock the cycle way off track – and we can debate whether we'll see more predictable cycles play out in future, or whether the cycle is dead (if it ever existed at all).

#### But is it useful?

Regardless of whether this cycle turns out to be shortened, extended or non-existent, I think there's a more fundamental issue with the whole concept of a property cycle: it's intellectually interesting, but just not that useful in reality.

Why? Because I hardly know anyone who has enough faith in the cycle to let their decisions be guided by it. As we



**"Sure, it's better to buy low and sell high – but if you can't do that, just buying consistently and holding for a long time comes a close second"**

know from our Ask Rob & Rob inbox, investors are constantly fretting over whether the cycle is on track, and asking if Event X or Threat Y means all bets are off and prices are about to fall.

Knowledge of the cycle can even be counter-productive because it gives the illusion that it's possible to be certain about what will happen next – and if someone can't gain that certainty, they can't bring themselves to invest at all.

This is the opposite of the one thing we know for a fact is the best thing to do over the long term. Sure, it's better

to buy low and sell high – but if you can't do that, just buying consistently and holding for a long time comes a close second. Even if you buy at a time that turns out to not be that great, as long as you don't sell (or aren't forced to sell) at a loss, history tells us for sure that you'll do perfectly well in the end. The only way to guarantee a lack of success is to not invest at all.

So by the time we get to 2026 will our faith in the cycle have been broken, or be stronger than ever? I don't know. But while I'll continue to follow it out of fascination, my investments will be unaffected: I'll continue to invest next year like I have done this year and in most previous years. And when I look back, I'll be very pleased that I did.



Read Rob D's thoughts on the biggest stories each week by subscribing to his weekly newsletter Property Pulse: [propertyhub.net/news](https://propertyhub.net/news)

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# Snagging new build properties

The rules around checking new builds for defects have changed, here's what you need to know

In theory if you buy a new-build property everything should be 100% perfect, but in reality, even the best-built homes can have problems.

In most cases these problems are cosmetic and are easily fixed, but sometimes the issues can be more serious – we've all seen the horror stories of wonky walls and swampy gardens.

This is where snagging surveys come in. Unlike a traditional survey, a snagging survey is specifically designed to check for the problems you would typically find in a new build property. A snagging inspector will check the quality of workmanship against a pre-determined standards set by organisations like the National House Building Council (NHBC) and present their findings in a report so they can be rectified by the builder.

Snagging surveys should ideally be conducted during the period between building work being finished and your legal completion date, so the developer has time to fix any snags before you move in, but it's common for developers to refuse access until after your legal completion date.

If you leave it until after tenants have moved in, it can be more difficult to get problems fixed, but you still have two years from your completion date to report any defects to your house builder. They are legally obliged to fix these defects as part of your property's

“Some people might think: ‘I’m buying a new build; it’s gone through all its building inspections, so why would I need to pay for a separate a snagging company?’”

warranty, which typically lasts for ten years.

Alternatively, you can now have what's known as a pre-completion inspection carried out by a qualified inspector. This is a new type of inspection, introduced by the New Homes Quality Board (NHQB) last year to give new-build buyers more protection.

## What's the difference?

The main difference between a snagging survey and a pre-completion inspection is the level of detail your surveyor can go into.

“With a pre-completion inspection we have to follow a strict checklist of criteria set out by the NHQB and we can't really

deviate from the list. It's less detailed than a snagging survey, but it provides a good enough level of information for you to be able to make a purchase knowing what the quality of your build is like,” explains Tom Britton, managing director of professional snagging company HomeSnag.

“A snagging survey is much more in-depth. We can raise more technical issues in line with building regulations, NHBC tolerances, and other relevant standards, and use more specialist equipment to check areas out of sight such as the roof and cavity walls. During the winter we also use thermal cameras to check for heat loss, which is a big thing for our customers at the moment, particularly with energy costs going up so much.”

This difference in detail is reflected in the price. A pre-completion inspection costs between £300-£500, while a snagging survey costs between £375 – £575 depending on the size of the property.

The other main difference is when they can be conducted. A pre-completion inspection, as the name suggests, can only be carried out before completion – typically a couple of weeks before you get the keys. A snagging survey is usually carried out after completion, within the first two years of ownership.

“We say the opportune time to get a snagging survey is within the first two months of moving in,” says Tom. “The reason is the bigger builders – the ones that are responsible for 70% of construction in the country – need you to fill out a House Builder Federation (HBF) survey within the first couple of months. This survey has a big impact in our line of work because the site managers and their sales staff are often incentivised to get good results, so you're much more likely to get them to fix any problems in this window.”

## Which should you go for?

It all depends on your own preferences. Pre-completion inspections cost slightly less and have the benefit of holding the developer accountable, while snagging surveys provide much more detail and

are less restricted.

The important thing is to have one says Jamie Parker, completions manager at Property Hub. “When you're spending thousands of pounds on a property, the price of a report is inconsequential.

“Some people might think: ‘I'm buying a new build; it's gone through all its building inspections, so why would I need to pay for a separate a snagging company? But these inspections don't pay attention to the final finish.”

Most people can spot obvious faults like patchy paintwork and badly fitted doors, but the most problematic snags like structural issues and dodgy plumbing are undetectable to the untrained eye.

“There's an assumption with new builds that because it's new, it's going to be absolutely flawless, but in fact because there's lots of different trades working on it and trying to complete their work in order to meet tight deadlines often things get missed,” says Tom.

## What happens after an inspection?

Once you get the results of your survey you should send it on to the builder and agree a schedule of works. With a pre-completion inspection they have 30 days in which to rectify any issues. “The great thing about the NHQB scheme is there is now an Independent New Homes Ombudsman service that has the ability to enforce it with penalties,” says Tom.

With snagging surveys, it's less straightforward. It all depends on the site manager. “You might get one that will do everything on the list and go out of their way to help, or you could end up with one that refuses to do anything, but that's quite rare. Usually, you'll get something in the middle,” says Tom.

If you do encounter any disputes, your warranty provider can help you settle them. All new build houses in the UK are protected by a warranty provider who are there to ensure any major defects in their home will be put right. The biggest in the UK is the NHBC's Buildmark warranty which covers around 80% of all new build homes.



# How I plan to invest in 2023

Be greedy when others are being fearful Warren Buffett said. Here's how **Rob Bence** is turning this advice into action this year

It's an overused phrase, but Warren Buffett's famous quote about being fearful when others are greedy and greedy when others are fearful is used so much because it is such great advice. He's one of the richest people on the planet for a reason.

I'm far from being the next Warren Buffett, but I've been in property long enough to know there are opportunities to be had when there's nervousness in the market.

able to do the deals I'm doing today in six months' time.

As we head into spring developers are starting to gain confidence again and more sales are starting to come in. While it will still be possible to do a deal, I think it will gradually get harder as each month passes. If you're still holding off and waiting to see what happens ask yourself: would you rather operate in a calmer market where deals are easier to find or in a heated one where everyone is fighting over the same stock? I know which one I'd rather operate in.

## Window of opportunity

My strategy is to buy premium properties in areas that have strong capital growth prospects at below market value prices, which is what we specialise in at Property Hub Invest.

Getting a discount on these types of deals was really difficult in the first half of last year. It was hard to engage with developers because the market was so bonkers – they had people queuing up to buy properties from them – so it made it very difficult to negotiate a deal. So much so, I didn't make any investments in the first 10 months of last year.

But the market is a different place now. Prices have fallen, demand has dropped off and sentiment is subdued. This has opened a window of opportunity, which I'm taking advantage of.

## Doing deals

My first deal was on a property in Loughborough which I was able to secure for 10% below market value. That would have been impossible in the first half of last year. I've quickly followed this up with a second deal in Derby. I'm moving quickly because I think the market will recover in the second half of 2023 and I doubt I'll be

## Logic v emotion



Logic tells us it's rational to try and do as many deals as you can in a quieter market where you can get a good discount, so why doesn't everyone invest this way? Because our emotions get in the way. "It's an easy game, if you can control your emotions," Buffett points out.

As herd animals, humans mirror the emotional response of the crowd. And if the prevailing emotion is fear, then we're likely to put off making any big decisions, like buying a property.

The media doesn't help. It constantly tells people the worst of a situation. You won't read how consumer confidence is slightly up, it just isn't newsworthy.

Am I worried I could be wrong and mis-read the market? No, because even if the market does take a dip or even crash this year I'm not bothered because I'll only lose out if I sell. And I'll only ever sell a property (and it's very rare that I do) when the market is booming.

That's why I'm buying while others are fearful. If it's good enough for Warren Buffett, it's good enough for me.

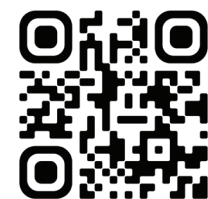
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# What I've learned

Offshore telecommunications engineer **Lee Jordan**, 38, is working towards his goal of early retirement

## Don't wait to buy property, buy property and wait

With the right approach there's no bad time to buy property. Being able to leverage a predominantly appreciating asset and get a monthly rental return at the same time makes property a triple lock asset. I learned this with my first home: I bought it a month before the last property crash and watched the price drop by 24% into negative equity within six months. It took eight years for the price to recover, during which time I held on to the property and rented it out. By the time it did sell it had only made a modest profit, but I had doubled my equity.

## Build trust within your team

Putting in the effort to remember names, pay promptly and thank people for their work has paid off for me. My team of trusted tradespeople can organise, visit and either quote or rectify a problem without me being there and my

local estate agent rings me when they have a property matching my requirements that's coming to the market. This means I can work remotely five months a year.

## There are cash cows, show ponies and unicorns

I didn't have a lot of capital starting up, so my strategy was to buy reasonably priced single BTLs that generated high monthly yields. These were my cash cows. During the next market correction my plan is buy properties with the potential for high capital growth and hold on to them for at least ten years. These will be my show ponies. Depending on your starting point and capital reserves, you may be able to buy more cash cows or ponies for your strategy. Consistently high yielding, high capital growth properties go by another

name: unicorns. You can imagine how hard they can be to find.

## Value your time

Consider how the value of your time changes as your business grows. I started time-rich and cash-poor, I did a lot of the repairs and maintenance myself. Now a week of my time spent redecorating, hanging doors and plastering costs the business far more than hiring a professional handyman who can do the job in two days and to a higher standard. My aim is to develop an income that is as passive as possible, not swap one full time job for another.

## Cherry-pick your education

Watching Homes Under the Hammer led me down this path, but it was reading



## INVESTOR FACT FILE

**Name:** Lee Jordan

**Age:** 38

**Invests in:** Northumberland

**Occupation:** Offshore telecommunications engineer

**Years investing:** five

**Strategy:** BTLs

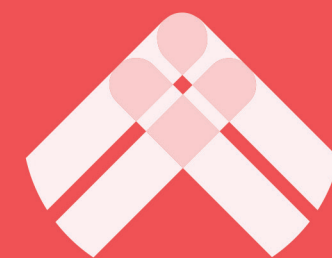
**Number of properties:** six

**Goal:** to semi retire in five years and fully retire in 10



books by people who have done it before that gave me the inspiration to start. Some of the books were self-idolising and clearly written with the goal of getting you to buy their training programme, others provided the information freely. You can learn bits from both, but if you've got thousands to spend on a training course to show you how to acquire a property with no money, then you've got enough for a deposit to buy a property and use the free information already out there.

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](mailto:magazine@propertyhub.net) and we'll get back to you.



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