The PROPERTY Hub Magazine

Making sense of property investment

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SARAH BEENY:
Lessons from the ladder

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Regulars

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

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

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

Welcome

HAPPY NEW YEAR!

February is a month known for two things: horrid weather, and giving up on New Year's Resolutions. If you vowed to lose weight, learn Thai cookery or be more patient with your mother-in-law, you're on your own. But if you resolved to educate yourself and make decisions that would help you achieve your financial goals, you're in the right place!

You may notice that we've made some big improvements in this issue – all prompted by your feedback. Firstly, we've bumped up the number of case studies – because we know how helpful it is to read about others who've trodden the investment path before you and succeeded. You'll read about a Derby science teacher who's acquiring new properties and doing them up at his own pace, so that he can get maximum enjoyment as well as profits out of the process. You'll learn about a couple who had a baby, invested in a property and decided to self-manage at the same time. And you'll be introduced to an investor who's making up to 35% return on his investments and hopes to retire by his mid-40s.

There's also plenty of "nitty gritty", need-to-know info included – from taxes and finance to evictions and negotiation techniques. One of our favourite articles this issue is about short-term finance options: it's full of "light-bulb" insights that will allow you to pounce on deals that other investors would think impossible.

And yes... we made it this far without mentioning the biggest excitement of all: WE ASKED SARAH BEENY TO TALK TO US! AND SHE SAID YES! Her interview is every bit as value-packed as we could have wished for, and we're still shaking with excitement. The only problem now is that the two of us have no goals of our own left: what else is there to achieve after Sarah Beeny agrees to be our magazine's cover story?

Must get out that pad thai recipe...

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry

News

HOMES FOR LONDON?

If you've ever wondered about London's housing shortage while waiting for a train, the answer may have been literally staring you in the face. As well as handling public transport in and around the UK's capital, Transport for London (TfL) owns an estimated 200 million square feet of land beside train and tube stations. Late last year, it announced that 50 locations across the city will be turned into retail and residential developments over the next decade, creating over 10,000 much-needed properties across London by 2026.

It's estimated that 600 separate sites could potentially be developed over the coming decades, from Maidenhead in Berkshire to Brentwood in Essex. Plans have already been drawn up for the initial wave of 50 sites, including three where planning applications have already been filed. The Nine Elms, Parsons Green and Northwood applications would see 600 new homes being built alongside retail units, workspaces and public areas.

TfL's decision to enter the property market now could be due to a recently announced reduction in its future government grant, or in response to the relentless growth in London property prices. With train and tube stations often surrounded by tracts of brownfield land, Londoners could see hundreds of gap sites being transformed into residential hotspots. This could also generate billions of pounds for investment in public transport – hopefully reducing the amount of time spent waiting for trains to arrive...

TEARDROP EXPLODES ONTO YORK SKYLINE

As Transport for London begins releasing brownfield sites across London, Network Rail is conducting a similar exercise in York. A 35-acre gap site immediately west of York's train station has been granted Enterprise Zone status by the government, in a move expected to unlock hundreds of millions of pounds worth of investment and create up to 2,500 new homes.

Known locally as the Teardrop and partly owned by Network Rail, York Central has been the subject of several unsuccessful redevelopment plans. The city's largest brownfield site is also a highly prominent blot on the landscape, in full view of arriving and departing rail passengers. The recently completed St Peter's Quarter development in the middle of the Teardrop site suggested there's high demand for urban newbuilds, in a city where most new housing is in outlying suburbs or villages like Derwenthorpe and Huntington.

Civic leaders hope the Teardrop will also become a new business district, describing the Enterprise Zone announcement as a "game changer" for their city. York has lacked high-quality office space for many years, and companies relocating here could receive rates relief for their first five years. There have been claims that a successful mixed-use development at York Central could support 7,000 jobs and be worth over a billion pounds to the local economy. With York's main train station offering direct services to London and Edinburgh, it's fair to assume much of that investment will be coming from outside Yorkshire.

"Transport for London has announced that 50 locations across the city will be turned into retail and residential developments over the next decade, creating over 10,000 much-needed properties across London by 2026."

An estimated 10,000 new homes are constructed annually on UK floodplains.

HOLDING BACK THE FLOOD?

Recent weeks have seen prominent and ongoing press coverage of floods throughout the UK, with particularly acute problems in Cumbria and across northern England. Yet despite the obvious challenges posed by 2015's record rainfall levels, new homes are being constructed across the country's highest-risk flood areas at twice the rate of zones outside floodplains.

Analysis by the government's Committee on Climate Change has shown that housing stock in high-risk areas (where a flood can be expected at least once every three decades) has grown at a rate of 1.2% over the last five years. Conversely, areas where a flood is expected less than once a millennium have seen their housing stock increase by just 0.7%. Since the government carries most responsibility for flood prevention measures, an estimated 10,000 new homes are constructed annually on UK floodplains – allowing housebuilders to maximise their profits on these comparatively affordable sites.

The principle of constructing homes on floodplains is often approved by organisations like the Environment Agency, if individual sites are positioned behind flood defences and therefore classified as protected. Recent flooding in Cumbria, however, saw the River Eden rising almost five feet higher than its previously recorded maximum, while a new £6 million defence in Keswick proved to be two feet shorter than necessary to prevent flooding during December. A report by PwC has concluded that Storms Eva and Desmond have collectively caused an estimated £3 billion of damage to UK homes and infrastructure – much of it across inhabited floodplains.

STATUS SYMBOLS

The days when letting out your house involved a quick chat and a handshake are becoming a distant memory. From 1 February, landlords across England will have to check the immigration status of every new tenant, as part of the Immigration Bill currently passing through the House of Lords. The new rules apply to everyone, from landlords and sub-letters to private homeowners who invite lodgers to stay with them. Finding a decent au pair just became even harder.

Known as the "Right to Rent" scheme, these new rules compel landlords or homeowners to ensure that prospective tenants have the right to reside in the UK. Acceptable documentary evidence includes a passport or national identity card, a current immigration status document, an EU/EEA registration certificate or a permanent residence card. Landlords must view at least one of these documents in the presence of the holder, before storing dated copies in a safe place. If this can't be done, landlords will be obligated to report their prospective tenants to the Home Office.

Current penalties for non-compliance include a hefty £3,000 fine – and a number of landlords have already been charged as part of a trial Right to Rent scheme in the Midlands. Worse is to come, since even harsher punishments are expected to follow once the Immigration Bill 2015 is fully enacted. Any landlord with properties in England should search online for Right to Rent, to make sure new tenancies are set up in line with these new regulations.

UNCOVERING CRACKS

Am I buying trouble? That's what most house buyers want to know when they call in Philip Gilbert, senior surveyor at Miller Metcalfe. Jane Cameron reports on his typical day probing the properties of Merseyside.

8:30

From his home office in St Helen's, Philip starts the day with some internet research into the properties he's due to visit that morning. "I'll check factors such as whether it's prone to flooding or if there's a history of mining in the area," he says. "I'll find out if it's got an extension or if there are any planning applications in. We are often given little more than a street address, so I'll also have a look on Google Street View too."

Depending on the time of his first appointment, Philip might also finish a dictation or sign off a report that has been typed up for him overnight.

9:30

Covering a wide area that includes Liverpool and much of Merseyside, Philip spends about 80% of his time producing HomeBuyer Reports – the "bread and butter" work of Miller Metcalfe, a firm he joined two years ago. Costing £400 to £500 and including a valuation, Philip explains these reports are good for conventional properties in reasonable condition – from a flat to a two-bed terrace to a five-bed detached home.

"When people order a HomeBuyer Report, they want to know that the house is structurally sound. They want to know: has this house – whether it's 20 or 100 years old – got anything wrong with it? Am I buying trouble?"

The report now uses a traffic light system to rate different sections of the property, which has proved a reliable and popular gauge for the public. Red indicates urgent attention is needed, amber means minor repairs are due, and green stands for all good. "There's a summary that shows at a glance how much trouble you'd be buying," says Philip. "Most summaries show a mix of red, amber and green."

The other fifth of Philip's time is spent carrying out Building Surveys and Mortgage Valuations. Building Surveys are warranted for properties of more than 200 years, or built using non-traditional methods or materials – such as stone flags for the roof – or where something just doesn't look right, like a leaning chimneystack. They cost between £750 and £1,000.

He warns that Mortgage Valuations are simple, one-page reports for the lending bank and not to be confused with a survey. "You'd be surprised how many people phone us after getting their Mortgage Valuation to ask where the actual survey is."

10:30

"When I arrive at the property, I orientate myself with a quick tour inside and out. Where's the kitchen, is there an extension, has it got a cellar or access to roof space?" HomeBuyer Reports usually take Philip between one and two hours, depending on the size of the property.

"I look at everything and anything," he says. "The report is broken down into sections such as chimney, roof, gutters, walls, windows, ceilings, floors, internal joinery, gas, electricity and heating – and I put a rating and comment next to each."

12:30

Vendors can be of great assistance to surveyors if they're well prepared. "If the vendor is present, I'll check the purchase price and get as much useful information as I can. Though many vendors don't know the answers, it's very helpful if they can produce the paperwork on damp proofing, rewiring and other improvements, plus planning permission and building regulations for extensions. I check the dates and can tick them off there and then.

"The most common problem I find is damp. Though this can be put right easily enough, a property could have associated defects, such as a rotten floor. If it's a timber floor, it may have dry rot, which can cost thousands to fix. I have to follow the trail to find out for my client if the damp has had any knock-on effects."

14:30

Philip's usually home by now in time to process the morning's surveys, which will vary in number according to the type. The different levels of detail required mean Philip can fit in two HomeBuyer Surveys, one Building Survey or up to six Mortgage Valuations in one day.

The first job for Mortgage Valuations is to use the "comparable" method of valuation to put a price tag on the property. "When we do a valuation, we have to provide a figure that can be supported in the event of a challenge. At Miller Metcalfe, we use the same property search engine websites as all the large firms – including Rightmove Plus and Onthemarket.com. I type in the postcode and floor area of the house and it comes up with properties in the area that have either sold, are up for sale, or have been withdrawn unsold.

"We're only looking for comparables from the last six months, however" says Philip, who was an estate agent before qualifying as a chartered surveyor 15 years ago. "I might look for a similar three-bed semi, ideally in the same street or estate. It might have a huge extension on the back, so I'd need to make an adjustment to reflect that.

“Some vendors wrongly criticise HomeBuyer Reports as ‘playing it safe’ and picking up on too many ‘possible but unlikely’ issues with the property. I’m producing a report for a potential buyer that is based on facts, using a format that clearly shows what is of major significance.”

“Also, there may be a house next door with a For Sale or Sold sign outside that doesn’t appear on those websites. As it would still be a great comparable, I’ll find out the details the old-fashioned way – by picking up the phone to the estate agent.

“We use exactly the same method of valuation for rental income too. I’ll find a comparable property in a similar condition and see what the rent has been within the last six months.”

16:30

It’s time to dictate the reports and send them to the office, where they’ll be typed up and returned next day for sign-off.

“Some vendors wrongly criticise HomeBuyer Reports as ‘playing it safe’ and picking up on too many ‘possible but unlikely’ issues with the property. I’m producing a report for a potential buyer that is based on facts, using a format that clearly shows what is of major significance.”

“In terms of making a difference, I recently surveyed an empty terraced house in Liverpool. Before I’d gone into the house, I spotted some Japanese Knotweed growing in the forecourt. This plant grows through brick and concrete and causes structural damage. I checked the cellar and the roots were showing. I phoned the house buyer and asked him if he wanted me to proceed. He said ‘no thanks’, and later instructed me to look at another property. We undoubtedly saved him a lot of time and money.”

Think property investment is out of reach for younger people? Felicity Hannah has been talking to the fresh-faced investors who buck the trend...

Generation buy-to-let

More than a third of the UK's property wealth is owned by households where at least one occupant is 65 or older, according to figures from the Office for National Statistics. Couple that with stories of rising house prices and deposits, and it's easy to assume that all young people are struggling to rent, let alone buy their first home, let alone invest in property. But a few bold investors are doing just that – working flat out to drum up the money to begin building their portfolio at an age when most people are still renting a room. Here are some of the young property investors who are beating the odds to follow their dreams.

LEON LECKY

Age: 23

Age at first investment: 21

Property portfolio: One renovated buy-to-let

"I was going to buy a car," muses Leon, a softly spoken IT technical specialist. "I had money saved from my job, as well as from birthdays and gifts over the years, so I was going to buy a new car. But then I... didn't." Instead, he took inspiration from his landlord father and brother, opting to plough his savings into an investment property – a decision that led to one of the hardest years of his life.

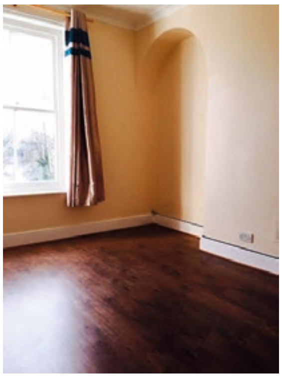
He found a flat in Bedford, in the same building as one of his brother's rental properties, priced at £75,000. Without fully understanding the different mortgage products available, he bought it using a residential mortgage, meaning he needed a 10% deposit. Leon invested £4,500 and family helped him with a further £3,000. Then the hard work began.

"It took a while for me to get it refurbished because it was in a bad state," he explains, almost groaning as he remembers months of doing almost all the work himself. "I put a new floor in and decorated throughout. It had sash windows and all the window sills were rotten so I fixed that with help from my dad, uncle and brothers. I'd work a 37-hour week and then spend the whole weekend at the flat."

Apart from choosing the wrong mortgage – he was lucky enough to be granted consent to let – Leon admits that one key mistake was the length of time it took him to get the flat up to spec. He completed the purchase on 17 April 2014 and the first tenant moved in exactly one year later. "I didn't have much money and

I needed to save for a new combi boiler and radiators," he says. "One of my biggest mistakes was not borrowing a lump sum to refurbish it right at the beginning. My parents are very against borrowing and credit, but it took so long to save up – if I had just taken a loan then I might have got tenants in there much sooner."

In total, Leon spent around £5,000 on renovations, including the new boiler, plus many hours of elbow grease. The property now rents for £550 a month, with mortgage costs of £365. Because he manages the flat himself, there are no agent fees to pay. Leon hopes to buy a second property in the next 12 months. After the lessons he's learnt and the research he's now done, he's optimistic the next investment will be a much smoother ride!



After Leon's hard work, a smart flat ready to let.

BARNEY WALTERS

Age: 23

Age at first investment: 22

Property portfolio: Two jointly owned buy-to-let properties, one bought off-plan

"Lots of playing Monopoly when I was a kid, I suppose," laughs Barney when we ask him why he's so determined to build a property empire so young. He's a confident, self-employed photographer in his early 20s with an assurance that makes him seem older. Where most teenagers want to spend their spare time partying, he launched his own wedding photography business at a very early age. Nowadays, he may have little spare time, but he's managed to build up a savings pot of around £70,000.

"I've been saving money since I was 17 or 18. I outgrew school, I outgrew college and then I always ended up working Friday and Saturday nights because of weddings – so I didn't have much of a chance to spend anything! Getting into buy-to-let was something me and my dad had chatted about for a while. He owns a village shop and wants to think about retiring in 15–20 years. I don't know that in 20 years' time I'll be able to do what I do now – it might just be too exhausting with the travel – so we both wanted an investment that would start paying off around then."

They re-mortgaged the family business to free up £250,000, which they used to buy two properties outright; a three-bedroom house and a two-bedroom flat in their home county of Cornwall. They own the properties jointly and Barney is responsible for half of the 19-year repayment mortgage on the shop, as well as managing the rental properties. In addition to his share of the shop mortgage, Barney pays in around £300 a month to keep the rentals ticking over, but he's confident this is because of the early costs and that their portfolio will be cash-flow neutral in the next 12 months.

But Barney doesn't want to just invest with his father who, being closer to retirement, is naturally more cautious than he is. The young investor has also put down a deposit on an off-plan flat up in North Wales, which he'll complete on in July. It's priced at £100,000 and he's investing £25,000 initially. Barney also hopes to invest in a further two properties in the near future, describing the recent stamp duty hike as "a bit of an arse" but not something that should deter investors like him. After all, when you're a young investor you can afford to play the long game. Barney's eye is fixed firmly on his portfolio's long-term potential rather than any short-term gain.

JOE CLAYTON

Age: 24

Age at first investment: 22

Property portfolio: One buy-to-let

"Bodybuilding is more than just moving weight around; it's a very literal metaphor for day-to-day life," says fitness fanatic Joe, a newly graduated Master of Architecture and youthful founder of Clayton Architecture Ltd. "Things are going to be difficult, things take time to build, but if you stick at it for long enough you will get stronger." It's that attitude that saw him buy his first fixer-upper at just 22. It was a first home for him and his teacher girlfriend, but more importantly for them, it was a property with development potential.

"We bought it to live in while we renovated it, but the plan has always been to make a profit on it," he explains. "We're moving on now and it's going to be a buy-to-let." The property is just outside Liverpool and was being advertised for £155,000 – quite a long way out of their budget. "Our maximum budget was £130,000, which included a £100,000 mortgage," says Joe. "We put in a cheeky offer and got £25,000 off. We knew the area very well; there are great links to Liverpool and Southport. It was also very much a case of 'the worst house on the best street' so we knew if we could get it within budget it was a great investment."

Six months of hard work later and the property is now valued at £185,000, although they have spent around £20,000 on renovation work. "It was a 1960s house that hadn't been touched; there were lime green walls and bright orange rooms. We gutted it: skirting, floors, everything down to the brick – and then we got the builders in."

At the hardest point, Joe was in uni or work until 8pm each evening and would then work on the house until 11pm before hitting the gym until 1am. But of course it wasn't just hard work; their investment was made possible because Joe's girlfriend worked as a teacher and he worked alongside his studies, saving every penny to spend on the house. He concludes: "We're not stupid with money, we don't go out every weekend. We're quite lucky; we go out for a big night maybe three times a year. We don't spend frivolously and we just keep track of things. I suppose it's a mindset."

Left and below: Joe Clayton's kitchen in transformation.

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

Next Steps

- If you're just starting out (at any age), listen to our series on how to become a property investor: propmag.uk/how.
- For more motivation to start young – and how to overcome the challenges of doing so – listen to our episode about the biggest regrets of property investors: propmag.uk/regrets.


RMP
PROPERTY
Property experts you can trust

“Why did I ever sell anything?”

She’s been an expert presence on our screens for over a decade, but her own property journey has contained snakes as well as ladders. Sarah Beeny spills all to Felicity Hannah.

> "There's something appealing about taking a building that doesn't really fit the way we live today and turning it into something that works."

"I like buildings," explains Sarah Beeny, a little unnecessarily. After all, she's one of the UK's most famous property experts, with a string of successful investments, business endeavours and TV shows behind her. Since setting up her first development company at just 24 – alongside her brother and the man she later married – Sarah has become a household name for her expertise, innovation and no-nonsense assessment of a property's potential.

"A building is always different, even if it looks the same as another one you've bought," she continues. "The weather's different, the work is different, the person you buy it from, the person you sell it to. You're always learning something new and overcoming new issues – and that's really exciting for me.

"There's also something appealing about taking a building that doesn't really fit the way we live today and turning it into something that works. I like people and I like working out how they work, so creating homes and buildings for people to live and work in is really..." she breaks off and then laughs: "...just really cool."

First steps

It takes Sarah a moment to remember her company's first project; after all it was 25 years and an awful lot of developments ago. She had worked a variety of jobs, including window cleaning and sandwich making, spending her weekends browsing properties for sale as she saved up to buy their first investment. "It was a two-bedroom flat," she recollects. "We extended it so it had a better living space, and it was really a very straightforward little project. We put in a new kitchen, a new bathroom, a little extension. We rewired and replumbed it too.

"One thing I do remember is that there was a lot of noise from that flat above, which is an issue I still come up against today. You want to add sound insulation and you'd think there would be a quick solution,

Rise Hall, restored to its former glory. ©www.dominicwright.co.uk allybyrom.com

but there still isn't – not 25 years on. It just doesn't sit comfortably with me to lose six inches of head height and that's still the only real option."

First-time investors are notorious for going over budget, so did Sarah and her co-owners manage to turn a profit? "Not a massive profit at the time, no. I think we made about a 15% return, after six months of the three of us working on it." But the team of three soon found their stride and the business became highly successful, eventually leading to her Property Ladder TV break in 2001.

Yet, like every investor with more than one project behind them, she's made her fair share of mistakes. "One I really remember because it was so stupid," she says. "We bought a building and it was really quite complex in terms of planning: it had been two flats that had then been turned into one house. We wanted to turn it back into flats, do a refurb and then sell, but then we changed our minds and decided to rent it out.

"Unfortunately, before we decided that, I'd already gone in and starting ripping wallpaper off. In the two weeks it took us to decide to keep it, I had demolished half the inside! I could have just painted it and rented it out if I hadn't gone in and started smashing stuff up, so that was an important lesson: think things through first."

Any other mistakes Sarah is willing to admit? "I do look back on 25 years and the way property values have risen and wonder why we ever sold anything," she laughs.

Rising to the challenge

In a fairly illustrious career, there's one project that stands out for Sarah: Rise Hall. The beautiful Grade 2 manor house had been built in 1815 but abandoned, standing empty and derelict until she and her husband bought it. The building may have been beautiful but its 97 rooms were simply unsuitable to be transformed into profitable flats, and the roof was in imminent danger of collapse. The couple bought it for under half a million, determined to restore it to its former glory. The sometimes emotional renovation was documented for Channel 4, and is now the family's home and also a wedding venue.

"That's probably our greatest achievement," she says, with obvious pride. "Everyone said it would never work. I suppose we bought it because everyone said we shouldn't – and we refurbished it because everyone said we couldn't. Now the business is really successful and we just won an award for best wedding venue. I think the negativity made us fight harder. We're just bloody awkward, I suppose!"

The buy-to-let business

Today, property may seem like a harder game to get into, so what advice does Sarah have for young or aspiring investors? "I definitely think you should frontload your hard work in life," she says, seriously. "The amount of energy I had to do things when I was younger and the amount of compromises I was willing to take, well, you don't get to maintain that pace forever. You just have more energy when you're younger. So if you want to take risks, my advice is to take them as soon as you can."

That doesn't mean she recommends stupid gambles, however. Despite her passion for buildings and her obvious affection for Rise Hall, Sarah urges any would-be investor to treat all properties as a business.

"It has to be a business; it can't just be about loving a particular building. I remember interest rates at 10% and my argument is 'can you weather 10% rates?' You have to treat it like a business and not like a spare house you quite enjoy owning. If it doesn't stack up like any other business, then it's not working."

Of course, treating it like a business doesn't mean fancy lunches and posh suits. Mundane as it

Rise Hall restored bedroom. ©www.dominicwright.co.uk allybyrom.com

Buy-to-let or develop to sell?

The big question! What does Sarah thinks works best in today's market: developing homes for sale or buying and maintaining rental properties? Although she's best known for property development, Sarah's company now prioritises lettings. However, her advice for new entrants is straightforward: the two investment types serve very different purposes.

"They are different business models. If you're gonna eat, you need to sell some properties to earn a living. You sell them to earn enough to eat and you buy the rental investments as a pension. That was our plan: you earn a living in the short-term and security over the long term. That's still probably a wise way to look at it today.

sounds, Sarah is adamant that the importance of maintenance cannot be overstated. "Nature reclaims property really quickly if you leave it alone – it will just break it down – so maintenance is absolutely key. Twenty years ago we developed a property that was totally derelict. I remember fitting new windows, scrubbing it clean – we made it brand new. Recently I saw that it's derelict again. What a waste of time!"

She also thinks aspiring investors and landlords need a sense of business acumen to keep their property empire dreams realistic. "Quite a lot of people believe they own several properties. But if they own five properties with a mortgage and the outgoings are greater than the income, plus they have the expense of maintaining them – when you dig a little under the surface of 'I've got five properties', it's actually quite a worrying position. People should be encouraged to understand their investments, not assume they are some holy grail."

Those interested in investing should also think carefully about the time they can commit, she advises. After all, property development can easily become a full-time job. "I strongly recommend not having a full-time job and developing property; that would be like working two full-time jobs. Someone I met the other day has a freelance creative job and develops property, and so he can control his hours on both. It's really fluid; it's a really nice match because it's so flexible. But if you're working in a bank from 7am to 8pm, you're just going to give yourself a stomach ulcer."

With a variety of projects on the go – from her online estate agent Tepilo to her dating website MySingleFriend – that's something Sarah has to take quite seriously herself, or else risk being swamped. "I think that when you have a lot of different businesses, you can only put your headlights in one direction at a time. You can look out the window at the rest, but you can really only focus on one."

SARAH'S TOP TIPS FOR INVESTORS

- Make sure the figures stack up; don't just be wowed by a property.
- Don't forget to factor in the full cost of refurbishment and repairs.
- Don't be tempted to buy lots of cheaper properties just to have more – it's less work to have fewer but better rentals.
- Every property has some vacant months – don't forget to budget for them.

SARAH'S TOP TIPS FOR REFURBISHMENT

- Include ALL your costs, including the cost of the borrowing.
- Always overestimate how long it will take and how much it will cost.
- Think laterally about a building. Imagine it without internal walls and then choose where to put the rooms.
- Never skimp on the essentials – the roof, the plumbing and the electrics – before you come to the cosmetic stuff. There's no point tarting up a mess.
- Don't allow communal areas to let your property down. If your neighbours won't pay, consider sprucing up the common areas yourself.

LOCATION FOCUS

No

rthern delights

Manchester's unique blend of affordability and amenities has made it one of Britain's most popular investment locations. Neil Cumins investigates the rise of the Northern Powerhouse.

Manchester has always been a cool city. From George Best to Life on Mars, and from Oasis to The Hacienda, this vibrant northern metropolis has ingrained itself into our popular culture in a way few cities outside London have managed. As the largest conurbation outside the UK's capital, a resurgent Manchester is in the midst of an investment boom that is fulfilling the prophecy of a new Northern Powerhouse.

A raft of reports and surveys conducted in 2015 identified Manchester as one of the UK's hottest investment locations, despite using widely differing methodologies. While HSBC based their conclusion on a review of rental yields across the UK, property investment experts IP Global reported that two-thirds of FTSE 100 companies now have a presence in Manchester. IP Global also predicted that Manchester will soon become the top choice for UK property investment, experiencing rapid house price rises and a burgeoning population throughout the next decade. This growth will be underpinned by a mushrooming digital media sector in the Northern Quarter and MediaCityUK, plus a growing presence among financial and professional services firms.

City limits

Given its size and diversity, investing in Manchester requires a degree of familiarity with the city's various districts. This is a hugely diverse metropolitan borough whose boundaries extend from the two-up-two-downs of Levenshulme to the leafy commuter belt around Stockport, via Salford's mixture of edgy estates and iconic new-build developments. Most investors, however, will be more interested in something between Failsworth's £60,000 mid-terraces and the mansions of Worsley. That middle ground is something Manchester caters for very well. Outlying boroughs have a vast array of homes for sale between £100,000 and £150,000, while the city council's boundaries encompass vast swathes of perennially popular three-bedroom semi-detached houses.

The North West of England topped a recent BM Solutions index of rental yields per UK region, and there is no doubt that Manchester is blazing a trail within this corner of the country, with 30% of its homes already in the private rental sector. Much of this is due to the city's three universities – Manchester, Manchester Metropolitan and Salford. With a combined intake of over 100,000 students, demand

> "A raft of reports and surveys conducted in 2015 identified Manchester as one of the UK's hottest investment locations, despite using widely differing methodologies."

CITY LIMITS

To some people, Manchester is the area governed by the eponymous city council, from Blackley in the north to the airport just south of the M56. However, the city's natural boundaries are more commonly defined as lying within the M60 ring road, which encompasses outlying suburbs like Droylsden and Eccles.

It's worth noting that outlying constituents of the Greater Manchester Combined Authority may also be worthy of consideration. According to local investor and Bolton resident Mark Morris, "Bolton is a city within itself, but it's so close to Manchester that you wouldn't actually know which one you're in." Similar sentiments could be expressed for each of the ten areas that comprise the Manchester metropolitan region, with overlapping postcodes and little indicative signage at street level. These ten regions are:

- Bolton
- Bury
- Manchester
- Oldham
- Rochdale
- Salford
- Stockport
- Tameside
- Trafford
- Wigan

for HMO properties has never been higher in areas like Fallowfield (unofficially known as Manchester's student village) and Chorlton.

Time for some homework

With increasing numbers of investors targeting Manchester from the south of England and overseas, a little local knowledge goes a long way. Jack Wiggins has spent several months planning his first investment in Manchester, having decided that this is an ideal time to exploit the city's growth: "There are many new developments and building projects, the rental market is strong – and with reasonably low property prices, it's a prime location for investors like us to invest in." Having crunched the numbers, Jack has identified a number of districts with considerable potential: "Within Manchester, there are many areas that offer investors fantastically high ROI and opportunities. I personally like areas close to Oxford and Wilmslow Road south of the city centre, like Fallowfield and Levenshulme."

Many people will be instinctively drawn to the high-profile apartment complexes in central Manchester, which appear prominently in any internet search for Manchester investment properties. Other parts of the city are also experiencing high demand though, according to Ascend Properties' portfolio manager Lora Roberts: "The East Manchester regeneration scheme has brought a whole new vitality to the area. Tenants are starting to look outside the typical city hotspots for new and up-and-coming districts. For example, Miles Platting in East Manchester has seen house prices rise by 204% since 2000."

AN INVESTOR'S TALE

One man who recently took the plunge and entered the Manchester market is property investor Matthew Davies. His story offers some useful pointers for other investors looking to secure a favourable deal on a property:

"We had been looking to get into the South Manchester property game for a while. My usual investments have been in affluent areas, but since yield returns are generally low, we started researching Wythenshawe. There have been a lot of good developments recently in the Wythenshawe area, such as a new Metrolink line connecting Manchester City Centre and Manchester Airport.

"One morning in August, I spotted a two-bedroom flat within ten minutes' walking distance to Wythenshawe Hospital. Two-bed flats in Wythenshawe would on average fetch approximately £90,000, so I was amazed – and also apprehensive – to see one advertised for almost half that amount through an auction house.

"After viewing the property, reading the legal paperwork and consulting with a lawyer, it came to our attention that the property had a few lease issues we needed to try and fix. That meant the property was currently unmortgageable, hence the very low asking price. We made a pre-auction offer even lower than the asking price, which was duly accepted. It took time and commitment to do the research and fix the issues – however, we were cash buyers with a clear exit strategy and tenants already in place on an AST agreement. There was no work to be done, and the property is generating a healthy 10% yield."

> **"This is a hugely diverse metropolitan borough whose boundaries extend from the two-up-two-downs of Levenshulme to the leafy commuter belt around Stockport, via Salford's mixture of edgy estates and iconic new-build developments."**

"There are certain areas where you have a good mix of rental yields and capital appreciation. The fundamentals are fantastic – you can pick up a three-bedroom property for around £70–£80,000. You could easily be renting that for £650 to £700 per month, and getting a good 8–9% yield."

Supply in demand

Although such triple-digit price rises are rare, property prices across Greater Manchester have still outperformed the north west of England averages over the last year. Indeed, the Land Registry recently described prices as beginning "to show signs of steady growth". HSBC is on record as stating that Manchester offers investors some of the best capital returns anywhere in the UK, with an average rental yield of 8%. This is borne out by local investors like Mark Morris, who also hosts The Property Hub's Manchester Meetups: "There are certain areas where you have a good mix of rental yields and capital appreciation. The fundamentals are fantastic – you can pick up a three-bedroom property for around £70–£80,000. You could easily be renting that for £650 to £700 per month, and getting a good 8–9% yield." Mark recommends Salford and districts around the M30 postcode like Eccles and Monton, where ex-local authority properties offer spacious accommodation with very low management charges.

In conclusion

As Manchester arrives on the radar of investors from elsewhere in the UK, the number of Home Counties accents at property viewings is on the rise and some properties are selling within a day of reaching the open market. You don't have to spend long in Manchester to identify a city striding confidently towards a bright future.

While acknowledging the influence of the recent media influx and an improving infrastructure, Mark Morris attributes Manchester's rising popularity among out-of-town investors to one particular factor: "Manchester is buoyant, and it's the affordability. Where else can you get an £80,000 two-bedroom property in an owner-occupied area? I can't think of many other places where you can get that."

LOOK TO THE FUTURE

Last autumn, global investment company BNY Mellon compiled a vision for how Manchester may look by 2025. After interviewing many of the city's leading civil servants and business leaders, they concluded that 55,000 jobs will be created in the city centre alone over the next decade.

BNY Mellon predict Manchester's population will expand by 125,000 before 2025, thanks to increasing urbanisation and continuing growth among one of Europe's largest student populations.

They identified key developments across the city as being worthy of note, including the £1.35 billion St John's masterplan for the old Granada Studios site. Alongside these flagship mixed-use schemes, infrastructure improvements will range from a £1 billion investment in Manchester Airport to an expanded Metrolink – respectively the UK's largest regional airport and its biggest tram network. The proposed HS2 development would also heighten Manchester's geographic significance, though this remains shrouded in uncertainty at present.

Next Steps

- Get along to our Manchester Meetup to meet a room full of local experts: propmag.uk/meetups.
- Ask for local advice on The Property Hub Forum: thepropertyhub.net/forum.

The bug that led to big returns

"After Y2K I struggled a bit and knew I had to do more investing."

By trial and error, Mark Morris has identified a property strategy that works on two continents and keeps the cash rolling in.

By **Christopher Nye**

You need a bit of luck in life. Mark Morris's big break came when a potential computer glitch at midnight on 31.12.1999 threatened global disaster. As an IT specialist, Mark made good money out of the millennium bug: "The rates for IT contracting were excellent", he says with a wry smile. "I found myself with some spare cash, so I decided to invest."

Sixteen years later, he has a portfolio of 30 properties that stretches from Salford to Cleveland, Ohio. Some of those properties cost as little as £10,000 and are earning as much as 35% return on his investment. Now Mark is planning for early retirement in his mid-40s to live on his property earnings.

Dad's inspiration

Mark got the property bug early. "My family had holiday lets in the Lake District, and from the age of 12 I took the bookings over the phone while my dad went up and cleaned them. I could see, even then, that the money he was making was fantastic and he was able to retire early."

At the age of 29, Mark was able to use his millennium bug earnings for the deposit on two flats. He decided to pay them off quickly with ten-year mortgages – a tough repayment schedule. "They both covered themselves but without generating any real income, just £50 per month. That was okay when the IT was going well, but after 2000 the IT market crashed and I struggled – I had to use all my savings just to make my home mortgage payments. But I stuck with freelance contracting and by June 2001 I was back on my feet and with savings. The worrying financial experience over Y2K gave me the reason to keep on investing for that second income stream, and from then on I put as much money as possible into property."

Mark began building up his portfolio, and he had seven properties by the time the crash happened in 2008.

The Welsh disaster

The 2008 crash provided Mark with a painful learning experience that reinforced his desire to pursue a long-term, fundamentals-focused strategy. He'd bought an off-plan home in Anglesey, Wales, but the economy had tanked by the time it was built 18 months later – and the property lost 40% of its value. Hardly your fault, Mark? "No, but I wanted a nice quick profit from buying and selling it, and I didn't check the fundamentals. Plan A was the quick sale. When that didn't work, the rental option, Plan B, didn't cover the costs with the high management charge. I'm still paying for it!"

> **"There were parts of Detroit where all but two houses in the street were burnt out."**

CASE STUDY

Mark found a three-bedroom home in Salford with two reception rooms. Although in the past he's generally chosen leasehold flats and paid cash, this time he decided to go for freehold and leverage the deal with a mortgage.

Purchase price: £70,000

Deposit: £17,500

Mortgage: £62,500
+ £1,312 fees added to the loan

Valuation: £260

Legal fees + searches: £857

Gas & electrical certs + remedial work: £500

Total money in the deal: £19,117

Monthly cash flow

Rent (LHA four-bedroom rate): £808

Mortgage payment: £134 (2.99% fixed for 2 years)

Landlord Insurance: £10

Letting agent fee: £81

Cash flow: £583 per month

Yearly cash flow: £6,998 (+ bond of £808 can be cashed after 12 months if the tenant renews)

Return: 35%

Mark hasn't made this mistake again. His due diligence process now involves a serious investigation of achievable rents: "I look at other properties, talk to agents and network with local people. Although my voids are very low, I always factor in voids and maintenance, because they will happen eventually and can really knock your yield."

Heading stateside

As property prices tumbled around the world after 2008, Mark was one of many investors attracted by almost comically inexpensive American homes. While not all were successful, Mark exported his techniques of strong due diligence and is making around 10–15% ROI net yield across the seven US properties he bought with cash. Again, he buys at low prices – some less than £10,000 – but in decent areas, and he rents to "section 8" tenants where the local authority pays.

He puts his success down to networking with American versions of The Property Hub: "Property podcasts are huge in the States and many of the these highly experienced people have so many deals they can't keep them all to themselves, so they pass them on. They have reputations to protect, so you can trust them." Mark has seen for himself what a mistake you can make if you do it wrong: "There were parts of Detroit where all but two houses in the street were burnt out. How could you ever make a return on them?"

Time to quit the day job

Mark plans to retire early from IT within a year or two. He can manage his 30 properties on around eight hours a week at present, while earning enough now to spend more quality time with his family. By using his property earnings to cover everyday living expenses, Mark can extract funds from his IT company in a tax-efficient way as investment opportunities arise.

He's also become confident enough to try leveraging some investments by taking on some mortgages. "My local agent was always telling me to buy three with mortgages instead of one with cash. I knew this made sense, but being mainly mortgage-free let me sleep more easily. However, to accelerate my property portfolio and cash flow, finance is the way forward." See the example below for Mark's latest deal.

If he could give his younger self some advice? "Get yourself more educated about property investment by listening to podcasts and networking." You could do worse than listen to Mark himself. He's always keen to help other investors, and you can meet him at The Property Hub Manchester Meetup.

Next Steps

- Listen to Mark being interviewed on the Property Geek podcast: propmag.uk/markmorris.
- Catch up with Mark at Manchester's Property Hub Meetup: propmag.uk/meetups.
- For more investor stories, read Rob D's book, Beyond The Bricks: propmag.uk/beyond.

THE MARK MORRIS BLUEPRINT

Mark has identified a strategy that allows him to make a great return while barely using mortgages, and to be hands-on while still running his IT firm:

1. **Buy inexpensive properties and pay cash.** Some of his earlier flats were only in the low £30,000s – and even now he rarely pays more than £70,000.
2. **Always let unfurnished.** Mark doesn't even provide white goods. "At first I was doing furnished, unfurnished, part-furnished… I was running around moving furniture between properties, and at times it did get quite tough with the day job." Not anymore.
3. **No rental agencies.** Although Mark manages his UK properties himself, he's developed a small network of approved contractors he can rely on to make repairs cheaply and efficiently.
4. **Rent to local housing allowance (LHA) claimants.** Mark identifies several benefits with LHA tenants: the rents are calculated using a set LHA bedroom rate so he knows what yield he'll achieve, the council pays all his rents on the same day from the same source, and payments are guaranteed by a local rental bond. Mark won't just rent to any LHA tenant though: "I only take tenants who qualify for the local council's bond scheme. If they're prepared to take the time to do all the paperwork, that gives me some confidence. I always check previous landlords' references with a phone call, and I do a home visit at their present address. I like meeting the clients. I've never had a property trashed or anything like that."
5. **Invest for yield and don't worry too much about capital appreciation.** Mark isn't the first successful investor to work out that cash is king.

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

CASE STUDY

Three in a (two) bed

Following in his grandfather's footsteps has allowed property developer Ryan Slater to learn the tricks of the refurb and rental trade firsthand.

By Alice Whitehead

Even after a day in the classroom and an evening of marking homework, Derby science teacher Ryan Slater can't down tools and relax. In his spare time he's a property developer – buying up and refurbishing properties for rent in the suburbs of the city where he grew up.

But although he spent his childhood helping his granddad – also a part-time property developer – shovel and wheelbarrow debris at his rental properties, property development wasn't something he dreamed of going into.

"I wasn't 100% committed at the start, so I went off to do teacher training," says Ryan. "But after a couple of years, I realised that although I enjoyed it, it wasn't going to provide the lifestyle I desired!"

When Ryan's now 80-year-old granddad handed over the reins of his small property business to him, his twin brother and his mother, it was the start of a new career.

"Now I look back, I think my granddad was mentoring me for property development right from the beginning, without me knowing!" says Ryan. "He's always been my role model, so it didn't take much time for me to decide on following a similar path."

Save the day

While the octogenarian now takes a back seat, Ryan has slowly developed the business from four to 11 properties, using, he says "a combination of strategies" to free up money to fund the next one.

"Renting makes it possible to keep the cash flow going," he says. "If you're constantly 'selling', it can be a sporadic income and all your profit has to be pumped back into the next one. Renting frees up more money more quickly, and with our current portfolio we could be buying a property every six months if we wanted to."

At his latest two-bed, a repossession that had a £65,000 purchase price, he's hoping to get at least £600 rent per month by letting each of the two rooms separately – and, as with many of his current rentals, he's been able to save money on the refurb by putting the skills he learnt with his granddad to good use.

He's installed a kitchen for £1,400, painted throughout for £300, and also put airbricks into the chimney breast (£100) to help reduce damp. He only called on the services of a tradesman for the £550 front door.

"There hasn't been any major structural work, and the carpets only cost £300 because we kept the wooden floorboards in many of the rooms," says Ryan. "The bathroom needed new taps and a new bath panel, and I did the soft landscaping in the garden myself for £50." Being a trained gas engineer has helped too: "I have insider knowledge when I'm talking to tradesmen: I know what they should be quoting!"

Ryan also applied for funding for external wall insulation, spending £250 on the application. "It's always worth researching funding from other sources," he advises.

Ryan says the refurb, which took two months to complete, has added in the region of £15,000 to the value of the property. The kitchen contributed to at least £3,500 of that. "It's the biggest investment in the house, but it's definitely worth it," he says.

Nine to five

Developing property is challenging at the best of times, but when it's combined with a day job it takes some multi-tasking.

"It can be hard to juggle the two, but I find the contrast really energising," says Ryan. "When the school holidays come I can really get my teeth into projects, and I have taken three-month sabbaticals to get things finished.

"It's one of the reasons we don't give ourselves a restrictive time frame: while we might miss out on one month's rent, I prefer the project to be relaxed and enjoyable – and done properly."

But does working closely with his family cause regular bust ups? "No," laughs Ryan. "We all get on well and all have our distinct roles – and my grandfather pretty much leaves us to it."

"Working successfully in property is all about good communication – whether that's with your family, tradespeople or estate agents – and you can't put a price on it," he adds. "I've found most of my properties through my local agent because I've built a really good relationship with him and he knows I'm someone who completes on deals and doesn't mess around."

Ryan suggests staying visible by keeping in constant touch. "When that good property comes in on a Monday morning, you want them to immediately think of you."

There are several other people in Ryan's life who are also integral to the business: his tradesmen. "Once you've got a good one, never let them go."

Bright future

With the market on the road to recovery, Ryan says he plans to start consolidating his portfolio over the next two years.

"Up until now I've simply been growing the business, but my aim is to put in place a more systematic approach to buying and refurbing. Then the portfolio can start ticking over, creating a cash buffer from the profit made on current rents, and helping my family achieve their own property goals and aims," says Ryan.

Ryan installed a new kitchen for £1,400.

So does he think his granddad is proud of his achievements? "It's not the sort of thing we chat about!" says Ryan. "But he's certainly taught me everything I know – especially about the values and ethics of rentals, and that a small portfolio allows you to make affordable homes to a good standard and look after them well."

"For a long time I've felt like I've been 'copying' my granddad, but now I feel the time is ripe to come into my own," he adds. "I love what I do – and I love being good at something. It's like a 'calling'!"

FACTS AND FIGURES

Purchase

Purchase price: £65,000

Finance: 75% interest-only mortgage with Birmingham Midshires at 3.89%

Refurbishment cost: £3,500 approx

Legal fees, surveys etc): £870

Cash invested: £20,620

Post-refurb valuation: £75,000 approx

Rental

Rental income: £600 (£300 per room)

Mortgage payment: £161.26

Bills: £105

Cleaner: £20

Net profit: £313.74

ROI: 18.2%

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

Next Steps

Listen to Ryan being interviewed on the Property Geek podcast: propmag.uk/ryan

PROPERTY GEEK

Let's get real about landlords

We should content ourselves with being on the right side of the economic divide, says Rob Dix – and not expect a medal for it too.

For a bunch of people who are meant to be so greedy and selfish, landlords seem to be spending a lot of time selflessly worrying about others lately. Every time a punitive new anti-landlord measure is announced, they all rush to the newspapers to say how concerned they are for the tenants.

It happened with the reduction of mortgage interest tax relief, then again when stamp duty was increased. Landlords aren't worried about themselves: no, it's the poor tenants who'll suffer because landlords will have no choice but to pass on the extra costs.

You don't need an economics degree to write this off as total nonsense. It could only be true if the rental market were like the energy market: a few big players controlling everything, raising prices every time costs increase because they know their competitors will do the same.

In fact, the private rented sector is about as fragmented as it's possible to get. If one landlord increases the rent to above market rates because they need to make their figures work, they'll lose tenants to the hundreds of others locally who haven't. It's true that in some cases it will prompt a landlord to increase a below market rent that an existing tenant has been paying for years, but those cases will make up a very small proportion of all tenancies.

Taking this moral posturing a step further, you also get the argument of "Don't pick on landlords – we're providing a vital public service." But we're really not. There are many countries in the world where there are very few private landlords, and everyone is housed perfectly well – whether that's from higher rates of owner-occupation, social housing or provision by large-scale institutional landlords.

Of course, good landlords strive to do the right thing and provide good homes. But is that even one of your top three reasons for investing in property? And if you're honest, wouldn't you prefer to make the same return without needing to bother with tenants at all?

The widening gap

To be fair, there's a lot of self-justifying rubbish on the other side of the debate too: people saying that they could never be a landlord because they think it's immoral, yet who I suspect would have felt differently had they been furnished with both a deposit and a crystal ball in 1999.

We need to be honest: landlords aren't villains, but nor are we heroes. We're not doing it out of selfless public service, but because we want to put ourselves on the winning side of the ever-wider gap between those who own property and those who don't.

Without wanting to get bogged down in theory (although Ricardo's Law of Rent is the concept to read further about, and Fred Harrison has written plenty on the subject), the economic argument is that the majority of GDP gains are captured in the land. As productivity increases, living standards increase somewhat, but the majority of the gains result in higher land costs – so land (or property) owners get progressively better off, and everyone else stays the same.

If this were true, you'd expect to see the cost of housing increasing as a proportion of household expenditure – which it has done consistently for years.

> **“When property is perceived as ‘easy money’ or ‘a one-way bet’, it attracts amateurs who push up prices and, through a lack of knowledge, do things that legitimately give landlords a bad name. When it’s a bit harder, the opportunities are all the greater for those who are willing to get serious.”**

You’d expect new houses to be getting smaller, which they are. And you’d expect people to be buying their first house later in life, which is clearly the case too.

Facing reality

While maybe the world should be different, it’s not: those with invested wealth will continue to do better, and everyone else will struggle. There are similar themes discussed in Thomas Pikkety’s book, Capital in the 21st Century, and last issue’s “disappearing middle class” feature.

Once we understand the economic reality, we can decide whether or not we want to profit from it. And I can’t see any moral inconsistency in recognising a fundamental economic challenge while still making the best use we can of what we’ve got.

The recent tax changes don’t change that reality – they just signal that we’re entering a period of time where the government wants to take a higher proportion of that gain back from you. In turn, that means you’ll have to work harder than in the past to get the same results.

As I’ve written before, this is no bad thing. When property is perceived as “easy money” or “a one-way bet” it attracts amateurs who push up prices and, through a lack of knowledge, do things that legitimately give landlords a bad name. When it’s a bit harder, the opportunities are all the greater for those who are willing to get serious.

When the going gets tough...

And that’s what my new book – The Complete Guide To Property Investment: How To Survive And Thrive In The New World Of Buy-To-Let – is all about. It’s not just “complete” in the sense of walking you through every step of the investment process (although it does do that too). It’s also complete because it covers the essential elements that have now become even more important: setting the right strategy for your goals, profiting from the property cycle, surviving recessions, and a whole lot more.

Maybe things are going to get a bit tougher in certain ways, but the underlying economics aren’t going to change. Want to profit from that? Me too – so let’s do things the right way, and let’s be honest about why we’re doing it too.

Next Steps

- Order a copy of Rob’s new book: propmag.uk/geekbook.
- Read Issue 3’s cover story about the disappearing middle class. You can access all back issues online through your Property Hub account.

David Cookson, our new guest contributor and mortgage specialist, tells Felicity Hannah what new and existing investors can expect in 2016.

"THIS IS ACTUALLY THE PERFECT TIME TO INVEST"

"The new tax implications that come into force in April aren't putting off landlords," says David Cookson, confidently. "In fact, in my opinion the buy-to-let market is still growing and will continue to do so. The number of first-time landlords approaching us is steady too, so I don't think investors are ready to give up on property just yet – and nor should they."

He should know. David is a second-generation independent mortgage adviser at TC Financial Solutions, a family-run business that remodelled itself in 2007 in order to focus on the mortgage market. With more than 20 years in the finance and property sectors (including at Santander and Reeds Rains), he's uniquely positioned to give highly informed analysis of the markets, as well as whole-of-market advice, to his property investment clients.

"We're very proud of our good reputation at TC Financial Solutions," says David. "The business is built around service, speed and competence. Unlike many mortgage advisers, the team is paid a bonus based on their service, speed and compliance rather than just monetary targets. That means the focus remains on quality advice and not simply the quantity of sales."

Across the next few issues of The Property Hub Magazine, David has agreed to give us his opinion on some of the more subtle issues surrounding financing property investment. So what does he think about the state of the market in 2016?

Robust rentals

"The only word I would use to describe the current market is 'robust'," he says. "As a company, we're certainly seeing high demand: the number of applications made through us each month has doubled since last year – that's in both the investor market and the owner-occupier market – so I'd say that interest in property is only going up."

His words are mirrored by research from the Council of Mortgage Lenders. Its most recent analysis shows that buy-to-let saw "substantial growth year-on-year" in October, up by volume and by value compared to the previous month and compared to the same time in 2014. In fact, it was the highest monthly gross buy-to-let lending level by value and by volume since the council began tracking that data in January 2013.

It's easy to see why investors remain undeterred: research from Paragon Mortgages shows that 41% of landlords reported an increase in tenant demand in the third quarter of last year, while analysis from SpareRoom.co.uk suggests that 45% of landlords anticipate raising rents in 2016.

And the best-of-market mortgage rates currently being offered within buy-to-let are remarkably good, David argues. "Any element of investment comes with risk – and without the ability to see into the future, it's only possible to take guidance from the current state of the market. But the market is strong. Interest rates are the lowest they've ever been, so my personal opinion is that this is the perfect time to invest and maximise net yields."

It's vital that investors seek careful advice, however. After all, the lowest rates and the lowest costs aren't always the same thing – and that can confuse an unsuspecting investor. Take a buy-to-let property valued at £150,000, and an application for an interest-only 60% loan-to-value mortgage. On 8 January, the lowest rate available was a base rate tracker at 1.73%, which would mean a monthly payment of £129.75, with an upfront arrangement fee of £1,995. Over the two-year term, the cost would be £5,387.

“It’s easy to see why investors remain undeterred: research from Paragon Mortgages shows that 41% of landlords reported an increase in tenant demand in the third quarter of last year, while analysis from SpareRoom.co.uk suggests that 45% of landlords anticipate raising rents in 2016.”

Yet a mortgage adviser who can look at the whole of the market would know that if their client applied for a different product with a slightly higher rate of 2.1% and a monthly payment of £157.50, they’d actually pay just £4,014 over the two-year term – because the arrangement fee is much lower at £199.

First-time landlords

The market may be robust and the rates low, but the importance of good quality advice – both financial and practical – has never been greater. That is especially true for new landlords, David thinks, as they need careful advice to ensure they find the right products and services to support their portfolio ambitions.

He explains: “The most important thing for any landlord, but especially a new entrant, is to have a good property agent who can guide them to the correct buys. The second most important thing is to have a good independent mortgage adviser. A really good adviser won’t just identify the correct mortgage product for their first purchase; he or she will also help them draw up a plan to ensure good portfolio growth.

“Also, not all lenders are keen to lend to first-time landlords, so it’s particularly important they seek help from an experienced mortgage adviser. There are 40-odd buy-to-let lenders in the market, so unless you’re a skilled independent mortgage adviser working within this industry on a daily basis, it would be impossible to keep up with the day-to-day changes of each lender’s criteria. First-time buyers would face a lot of frustration trying to work out the best lender without seeking advice.”

2 YEAR PRODUCT RATES AT 75%

The following are based on:
Purchase Price: £150,000 • Loan Amount: £112,500 • Term: 25 Yrs • Repayment Type: Interest Only

LENDER	LTV	PRODUCT TYPE	RATE	MONTHLY PAYMENT £	VALUATION FEE £	ARRANGEMENT & BOOKING FEES £	INCENTIVES
Accord	75%	2 Yr Fixed Rate	2.19%	205.31	210	2,625	None
NatWest	75%	2 Yr Base Rate Tracker	2.29%	214.69	247	1,995	None
Accord	75%	2 Yr Base Rate Tracker	2.59%	242.81	210	930	£500 Cash Back

Accord, 2 Yr Fixed Rate: It is important to remember that the lowest interest rate is not always the most lowest cost mortgage option available. Seeking advice is essential.

NatWest, 2 Yr Base Rate Tracker: This product is available not only to first time landlords but also to first time buyers.

Accord, 2 Yr Base Rate Tracker: This is the lowest cost 2 year mortgage product in the market costing £6,407 over the product period. Compare this to the lowest rate mortgage which comes in at £7,762 and you could make a saving of £1,355.

These rates were sourced on 16th January 2016.

Bridging the gap

Many investors are wary of short-term finance, but as The Property Hub's new contributor Kevin Wright explains, non-standard funding models can be invaluable in the right circumstances.

By Neil Cumins

Few people know the property investment market better than Kevin Wright. Throughout 33 years of property developing, being a landlord and acting as a qualified financial adviser, Kevin has witnessed the highs and lows of the UK housing market. Already with 15 years' experience as a property finance broker, the banking crisis and subsequent recession inspired him to focus on helping investors to buy property with alternative financing methods.

"New entrants to property investing may only be familiar with the 'vanilla' way to buy property – put down a 25% deposit, and mortgage the rest," says Kevin. "But you take yourself out of the game pretty quickly by running out of cash for deposits."

Mortgages are also slow to arrange, and as a result, cash buyers usually get the best deals. "They negotiate harder, complete faster and make bigger profits," says Kevin. "Unfortunately, building a six-figure bank balance can often take years, and if your cash is locked up in your last property purchase, trying to grow your portfolio can be frustrating."

Bridging finance, used intelligently, can help to put you in the same position as a cash buyer – without the need for piles of cash at your disposal. So why isn't everyone using it? Well, as we'll see, the rewards can be huge – but so can the costs...

Recycling your cash

Bridging has two major advantages over a typical mortgage: it can be arranged in days rather than months, and lenders are more open to financing projects that wouldn't be eligible for a mortgage – such as refurbishments where the property is initially in a very poor condition.

As a result, having access to bridging is just like being a cash buyer: you can negotiate a purchase "below market value" by being able to move swiftly, and also target properties that buyers relying on a mortgage would be forced to avoid. After bagging a bargain, you can then either sell the property for a quick profit or refinance onto a mortgage product based on its full market value.

The upshot? Bridging allows you to stretch a limited cash pot further than would otherwise be possible. "Most investors want to recycle their cash, either by buying below the current market value or forcibly appreciating the value quickly with a refurb or other improvement", says Kevin. "They might even look for a combination of the two, before refinancing at the higher value to get some (or all) of their deposit cash back out. By recycling the deposit into their next purchase, this type of funding allows for a much higher level of efficiency."

“Having access to bridging is just like being a cash buyer.”

INSPIRED BY RECENT EVENTS

Before the last recession, short-term lending was hugely popular among industry professionals, as Kevin Wright explains: “Back-to-back financing strategies allowed seasoned investors to build sizeable portfolios very rapidly. You found a property that you could buy quickly below market value; at the same time, you were already arranging the remortgage to happen on the day of purchase. In the morning, you'd buy a house for £70,000 with bridging finance. In the afternoon, you'd remortgage for £85,000, pay back the £70,000 bridging finance and get £15,000 in your pocket.”

The inspiration for Kevin's current business stemmed from the disappearance of such products from the post-credit-crunch market. “I'd been arranging these deals before they ceased to be available, and I knew what people wanted. I used my broking knowledge of what specialist lenders were prepared to finance, and I developed strategies that enabled investors to continue buying multiple properties.”

Life in the fast lane

Speed is the real key to the power of bridging, thinks Kevin – and it can seem like another world when you're used to lending that often takes months to arrange. “It's possible to complete within five working days, and completion within less than 28 days is the norm,” Kevin says. “Traditional mortgage buyers won't have even got their mortgage offer out by the time you've completed, which means you can leave them trailing in your wake.” If your solicitor can respond quickly when the lender's solicitor requests completed paperwork, a one-week turnaround is achievable.

However, it's rarely necessary: “Most vendors and agents are pretty happy if you can complete within 28 days. What you don't want to do is leave it until the last minute. As soon as you know you want to buy a property, contact a broker to sort it out.”

A price to pay

Of course, there are downsides too: as Kevin readily admits, bridging can be “dangerously expensive”.

“The monthly rate of interest will be typically 1% per month,” says Kevin, “although it could be half a per cent higher or lower. Some lenders charge an exit fee on certain loans, plus there'll be a survey fee to pay and the lender's legal costs to settle as well as your own.” He believes a broker's expert knowledge can be valuable in minimising these costs as far as possible, pointing out there's “a big variation between different lenders as to what they charge, and what they're willing to lend against”.

Few questions asked

Bridging finance is typically available for up to 70% of a property's purchase price, and – unlike with mortgages – lenders are more interested in the value of the property than the personal circumstances of the borrower. “This is asset-based lending, not income-based,” says Kevin, “and your income, credit history and cash reserves are all largely irrelevant. That eliminates many of the suffocating restrictions of mortgage lending.”

The result? A streamlined light-touch application process, fast surveys and fast completions.

“Some people will dismiss bridging because of its higher operating costs, whereas the more savvy investors know it's a gateway to playing a bigger game where bigger profits are made,” says Kevin. Bridging isn't for everyone, but the rewards are there for investors who know their numbers and are willing to accept the risks.

CONTACT POSITIVE PROPERTY FINANCE

Kevin Wright advises investors how to buy property intelligently using non-standard funding models, through his Positive Property Finance platform. He can be contacted on **01206 586586**, or at **inspireme@thinkpositively.co.uk**.

HAPPY NEW TAX YEAR!

With the new tax year just around the corner, Felicity Hannah has been finding out what property investors should do to prepare...

Property investors face a lot of changes over the next few years. Hikes in stamp duty come into force from April, and cuts to mortgage tax relief will hit the following year. And don't forget that by 2019, changes to capital gains tax will require investors to pay it within one month of selling a property – meaning they can only claw back any overpaid tax at the end of the year.

Landlord investors in particular are living through some interesting times, and it's never been more important to get paperwork in order and take steps to reduce your tax liability. If the new calendar year is a great time for self-improvement, the new tax year is the perfect time to sweat over your investments and make sure they're working as hard and efficiently as possible.

We've been asking the experts what investors can do to get ready for the new tax year and keep their properties profitable.

Check you're claiming all you can

There are obvious expenses to offset against your property profits – like finance interest costs, management fees and repair bills. But there are plenty of smaller allowable costs too – and they can quickly add up.

An easy one is your relevant mileage, which can be claimed at 45p per mile for the first 10,000 miles. Don't forget the cost of any educational material – which you can claim as long as you're improving an existing skill rather than acquiring a new one. Your subscription to this very magazine is likely to count. And if you run your property empire from home, you could claim an allowance for its use of an office.

Not all accountants are proactive in asking whether you've incurred costs in addition to the receipts you've submitted, so it's worth educating yourself about what's allowable. The return on effort can be high: if you're paying income tax at 40%, every extra pound you claim will save you 40p.

Sort out your paperwork

Don't go into the new tax year with a random pile of papers, bills and receipts that you plan to file one day; get them organised in advance. This will reduce the time and expense involved in preparing your accounts, and make sure you don't miss any allowable costs by mistake.

Donna McCreadie, property investor taxation specialist at Perrys Chartered Accountants (perrysaccountants.co.uk), has a simple way to reduce the administrative headache: "We recommend having a separate bank account for the investment properties, to keep the rental income and expenditure apart from personal transactions." Larger-scale investors might also benefit from using business bookkeeping software, with Xero being one popular package.

Okay, so once the paperwork is squared away, what can a canny investor do to make sure they aren't overpaying any tax in the new tax year?

> “As investors rush to complete before the change comes through, there’s a risk that prices will temporarily spike. Paying more than a property is worth could wipe out any savings made by avoiding the tax hike, so look carefully at any investment’s long-term value.”

THE PAPERWORK

Here’s a list of the minimum paperwork an investor should have filed ready for quick access, ideally separated into individual properties.

- Rental and lease agreements.
- Property rental statements.
- Bank statements.
- Mortgage and loan interest statements.
- Details and documentation in relation to property purchases and sales (completion statements).
- Documentation covering the cost of purchase or sale.
- Repair and refurbishment receipts.
- Council tax, utility and insurance documents and bills.

You should also keep any document that proves what you spent on a property. If in doubt, file it. Requesting copies can take time and cost money.

Conduct a portfolio review

The end of the tax year – once you’ve got all the costs and income in front of you – is an excellent time to review your portfolio. Which properties are your best performers? Which have the potential for a rent increase? Are there any regular expenses (like insurance, a boiler service contract or any included bills) that you might be able to cut? And – sacrilegious as it might sound – are there any properties that you might be better off selling?

You can also plan the coming year’s programme of maintenance. What cyclical expenditure is likely to be needed in the year ahead, and what will it cost? Are there any future works that it would be beneficial to bring forward for tax-planning purposes?

Beat the stamp duty hike

If you’re reading this in February and are in the process of buying a new investment property, now’s the time to pick up the phone to the solicitor and hurry the process along. That 3% additional stamp duty will mean that a £500 stamp duty rate on a £150,000 property purchase leaps to £5,000.

Be careful not to pay inflated prices for properties though. As investors rush to complete before the change comes through, there’s a risk that prices will temporarily spike. Paying more than a property is worth could wipe out any savings made by avoiding the tax hike, so look carefully at any investment’s long-term value.

Think ahead

Although the changes to mortgage tax relief don’t hit for another 12 months, you might want to start thinking now about the impact it’ll have on your portfolio. That’s the advice Chris Steele, property tax specialist at Nicklin LLP (nicklins.co.uk), is giving to his clients – because there are steps they can take to shield themselves from the changes.

He says: “The reduction of the relief could well result in some highly leveraged property portfolios generating insufficient cash in order to pay the loan interest and the tax arising on the portfolio.” Incorporating, selling, or splitting ownership with other family members are all options that are better considered sooner rather than later.

Look on the bright side

It’s not all doom and gloom for landlords in the new tax year. Challenging changes may thin out the competition and make it easier to snap up a bargain – and by being forced to review your portfolio and plan ahead, you might identify efficiencies that would otherwise have gone unnoticed.

So once your paperwork’s in order and your tax affairs are taken care of, don’t forget to raise a glass to the new tax year and the opportunities it may bring.

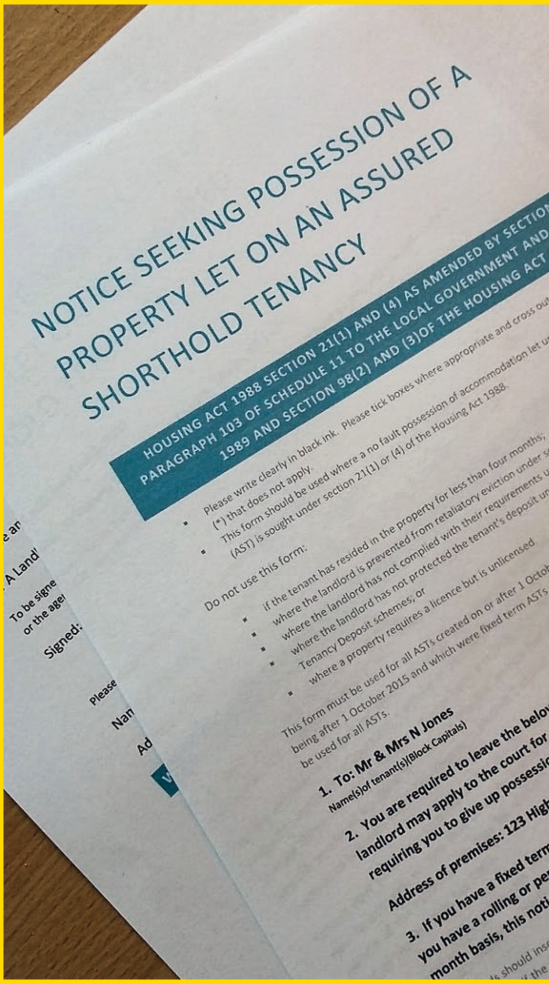
Next Steps

- Watch our free course about minimising your tax: propmag.uk/taxcourse.
- We also have a free course about the pros and cons of forming a limited company: propmag.uk/ltdcourse.

Section 21: don't get caught out

It's the "easy" way to remove troublesome tenants – but a Section 21 eviction still comes with plenty of boxes to tick (and waits to endure).

By Christopher Nye



A "Section 21" notice might sound arcane, but it's a vital tool in a landlord's legal armoury – giving the ability to regain possession of a property, with very limited scope for the tenant to appeal. In fact, much of the success of the private rented sector can be traced back to the introduction of the Assured Shorthold Tenancy in the Housing Act 1988 (and its upgrading to the default form of tenancy in 1996), of which Section 21 is an integral part.

The beauty of Section 21 is that the landlord doesn't need to prove any reason for wanting the tenant to leave: if they follow the process correctly, a judge will have no choice but to grant (relatively) swift possession. This is in contrast to the alternative Section 8 procedure, which requires "grounds" for possession to be proven – and contains loopholes aplenty for switched-on tenants to drag the process out for months on end.

No landlord takes pleasure in making someone homeless, but a businesslike approach is essential as soon as the first warning signs appear. Andrew Stott of Evicthem (evicthem.co.uk) – a man with the air of someone who's seen it all before – has an endless repertoire of horror stories from landlords who've failed to heed this advice. "A lot of landlords fall down by not treating it as a business. We hear a lot of 'the tenant used to be my best friend', sort of thing. Ten months of arrears later..."

> **“A lot of landlords fall down by not treating it as a business. We hear a lot of ‘the tenant used to be my best friend’, sort of thing. Ten months of arrears later...”**

Being businesslike extends to getting the paperwork right and following the process to the letter – and it’s these details where cases are won or lost.

Your side of the bargain

The Section 21 process can only be successful if the landlord (or their agent) has stuck to the letter of the law when it comes to setting up and managing the tenancy.

The Deregulation Act 2015 contained measures to make sure that the landlord has done many of the things they’re supposed to: it bars the use of Section 21 unless the tenant has been provided with an EPC, the gas safety record and a prescribed leaflet. It also can’t be used if a complaint has been upheld against the landlord for not responding to repair requests in a reasonable time.

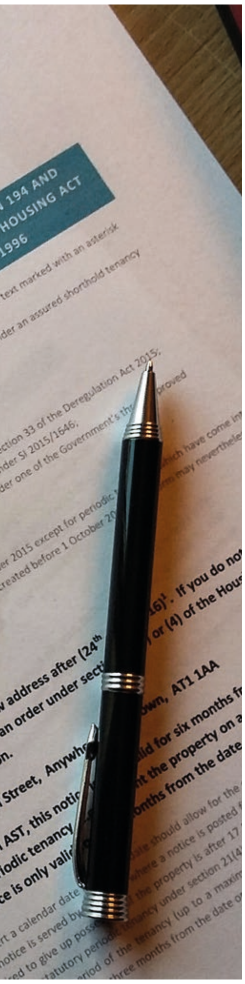
On top of this, Section 21 procedure also rests on the tenant’s deposit having been correctly protected in a government scheme within 30 days of being received. If it wasn’t, the breach must be remedied by returning the deposit to the tenant before the process can begin.

Signed, sealed, delivered

Serving the notice can be done by a professional, but you can also do it yourself – ideally by post. Andrew favours a “belt and braces” approach: “I send one copy recorded [so there’s proof] and one normal post. If they refuse the recorded one, they’re bound to open the other!”

Just the act of receiving a Section 21 notice is often enough to make a tenant leave. If not though, the way is clear to start proceedings. “You won’t get your rent arrears back, says Andrew, “but if you get the paperwork right, you get a relatively hassle-free eviction.”

You can only apply to the courts for the tenant to be evicted once a Section 21 notice has “expired”. The expiration date must be at least two months after it’s served, and can’t be any earlier than the last day of a fixed term tenancy.



Your day in court

If the tenant is still in the property after the notice has expired, the landlord or their representative prepares the court documents and pays the court fee of £280. Again, it’s critical to take great care in putting together the documents and supporting statements to allow the judge to make an easy decision. Signed and dated, the bundle is delivered to the court.

The tenant then has 14 days to put forward a defence as to why they shouldn’t be evicted. They may try to oppose it on a point of law – which cannot succeed if you followed the correct procedures as highlighted above – or explain why being evicted will cause them “exceptional hardship”.

This latter defence isn’t uncommon, says Andrew. “We’ve had tenants owing £10,000 in arrears who complain that being evicted will be depressing and aggravating. Well yes, but what’s exceptional about that?” The landlord may well find this depressing and aggravating too – but fortunately even a sympathetic judge can only allow a maximum of 42 days before the tenant must leave.

If the tenant still doesn’t leave, it’s time to apply for a county court bailiff to execute the eviction warrant. A bailiff costs £110, and should be available within three to four weeks. When they visit the property, it’s a good idea to attend with a locksmith: “You really don’t want the ex-tenant letting themselves back in,” says Andrew.

Wasn’t that easy?

Yes, believe it or not, that whole process (with all its delays and fees) is the “easy” way of removing a tenant – which just underlines the importance of taking great care when referencing applicants in the first place.

However careful you are though, every landlord is bound to be unlucky enough to get acquainted with the Section 21 process at some point. The key to making it as painless as possible is great care and preparation – although turning to meditation or calming mantras might prove helpful too...

Next Steps

- Listen to our podcast episode on lettings law – propmag.uk/lettingslaw.
- If you self-manage, consider joining a landlord association for advice and legal support.

SELF-MADE MAN

Alice Whitehead meets a Scottish property investor who's gone further than most in nurturing his first letting.

For Kris and Viki Nocker, teething problems and late night wake-up calls are all part and parcel of being young parents – but it's not just their ten-month old baby Adam who's been keeping them up at night.

In January 2015, the couple acquired their first "baby" – a two-bedroom, top-floor flat in Kilmarnock, Ayrshire – which they self-managed from scratch after taking their first steps into the Scottish lettings market.

While many investors might think that juggling a new baby and a new tenant is a challenge too far, Kris has proved it's possible. What's more, he's shown that it can also be beneficial to self-manage a rental for at least some of the project.

"If you can manage the stress, it can produce great results," says Kris. "Self-managing allowed us to learn about and experience the ups and the downs of running a property. You appreciate the work an agent has to do when you see firsthand what can go wrong and how tenants deal with you."

Home sweet home

The couple were recommended the property by an estate agent a year ago, and it was already in fairly good condition.

"The seller just wanted rid of it and there was minimal work – a big clean, plastering, painting, some bathroom bits, etc., but nothing you wouldn't do to your own home," says Kris.

Getting a tenant proved a simple process too, with nine potential occupants already "banging on the door" by the time they'd exchanged.

"We started advertising when we agreed to purchase, using the seller's photos from Rightmove. Even though they weren't the clearest pictures (and they still showed all the old furniture – which we said belonged to the current tenants), we had a good list of renters by the time we picked up the keys," says Kris. "We pre-screened many of them by checking their references with previous landlords and also looked for them on social media.

Kris and Viki Nocker and baby Adam.

"The first one to view it, a young single mum, moved in a month later – and from a £35k purchase price, we now rent at £425 per month."

DIY S.O.S

Of course, it hasn't all been plain sailing. While Kris's degree in finance and day job in financial services helped him grasp the fundamentals of property investment, it was a whole different ballgame when it came to the physical aspects of self-management.

"The difficulty for many property newbies is knowing where to start, and if you don't have a finance background you won't know about the importance of leverage, the difference between ROI and ROE, about balance sheets and ratios – but luckily this was all second nature to me," says Kris. "Instead, what I found challenging was the DIY, and I had to get my father-in-law to help with the drills and screwdrivers!"

One incident in particular persuaded Kris that he'd be better off handing the management over to someone else. A few weeks after his tenant moved into the Kilmarnock property, the fridge broke down and a pipe burst – leaving Kris high and, well... not very dry.

"The tenant phoned me, and then I had to phone my father-in-law to ask where the stop valve was!" he says. "I was driving home with Viki and Adam (who was four weeks old), so it wasn't an ideal situation."

In search of an agent

While Kris could have looked into other options such as a 24-hour tradesman service or a maintenance insurance policy, he knew that finding an agent would be the right decision.

"I didn't want to be in a position where I couldn't help the tenant because I was looking after my son," says Kris. He sent emails to a few local agents to ask about their service, and all but one got back to him with costs, terms and conditions.

"Many of the agencies charged administration fees, set-up fees and tenant-finding fees – there was one that charged £600 before the tenant was even in! In the end, I took on a letting agency at 12.5% – but it wasn't about the money. They seemed to understand our 'journey' and our dreams and goals. Also, I liked the fact that they offered a whole lot more in terms of service than all the others. For example, they'd be happy to answer the phone to a tenant in the middle of the night."

Even though he's outsourced the management this time, Kris says he'd look to self-manage again in the future.

"Our plan is to become financially independent and build up better contacts, i.e. joiners, plumbers, etc. who can be trusted. At that point, be it ten, 15 or 20 properties, we may look at self-managing again – especially if we're starting to pay £1,000 per month in management fees."

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

KRIS'S TOP TIPS

Thinking of self-managing your let? Follow Kris's advice for going solo...

- **Keep a segregated bank account.** Open an account where everything that goes in and out is purely property-related, and don't use it to pay for anything else. It will make keeping track of your accounts, expenses, payments and taxes so much simpler.
- **Shop online**. If a tenant's fridge has a fault or the washing machine breaks down, always look for parts online first (gumtree.com is a good place to look). If you ring a plumber, they'll charge you a call-out fee of £40, plus £50 for parts – when the part itself might only cost £30 online.
- **Mingle with tradesmen**. Networking events such as breakfast meets run by local Chambers of Commerce (britishchambers.org.uk) or the BNI (bni.co.uk) can actually be a good place to meet, or at least get the contacts for, reliable tradesmen like plumbers and joiners – who could help you out in the future. The Federation of Small Businesses also holds networking events (www.fsb.org.uk).
- **Keep emergency contacts handy.** Make sure you have access to the emergency services. Not the police, but a 24-hour plumber or electrician!
- **Get a good book.** Invest in an all-weather handyman's guide that shows you how to unblock toilets, fix light bulbs, etc. An "if this happens, this is what you need to do" kind of book.

Third degree

Like many investors who go down the self-management route, Kris had to be realistic about when it was time to call in an agent.

While managing the entire project from sourcing to day-to-day running might work on some projects and for some investors, it's always possible to use third parties for specific elements – such as referencing, maintenance, evictions, or any other areas you don't feel confident to manage yourself.

"We know our experience is pretty limited – but sometimes naivety is good because you don't know the downsides. The main reason for choosing to self-manage wasn't to save money, but to get to know more about running a property," he says.

The experience has certainly not dented his enthusiasm, and Kris is already on to his second property in Kilmarnock. "The best way to learn is to get in on the game!" he says.

BEHIND THE SCENES WITH ROB & ROB

Every issue, Rob D and Rob B give an insight into what they get up to as investors, publishers and multiple property business owners.

We've loved getting out and about to the **Meetups** around the country. In January, Rob D attended the first Sheffield meetup to lend moral support to leaders Rhys and Simon, while Rob B met a bumper crowd at London South Bank. We're not sure if the attendees enjoy our visits quite as much as we do: for some reason the turn-out always plummets the month after people meet us in person...

Sheffield January Meetup with Rob Dix.

THE VIEW FROM THE SUMMIT

In February we're holding two back-to-back **Property Hub Summits**, which both sold out in record time. We've just announced a new date in London on 30th April – so if you'd like to spend a day with us working on your property strategy, visit visit **thepropertyhub/summit** to find out more.

A DUBIOUS EXCUSE FOR A GETAWAY

Rob D has been in Malta recording the audio version of his new book, **The Complete Guide To Property Investment**, and updating Property Investment For Beginners for the new year. He hasn't been able to explain why he couldn't do that in London, but he always struggles to resist the lure of air miles...

10 PODCASTS IN A DAY!

Christmas didn't mean we took much of a break: straight after the bank holidays we spent a morning recording a batch of our **Ask Rob & Rob** podcasts. Because they're not time-sensitive, we find it more productive to record ten at a time – which is why you might notice us sounding slightly more hoarse as the weeks go by.

PARTY TIME

The **Yellow Lettings** Christmas Party wasn't just special because of the festive occasion: it was also the first time we met most of our team in person! Everyone works remotely, so it was weird to finally meet after spending so many hours on video chat and instant messaging. It also flagged up another benefit of working remotely: nobody had to make an embarrassingly dishevelled appearance in the office the next morning...

TEAMS, BUILDING

In January we welcomed Zoe to the **RMP** team (the first of several hires for RMP in 2016) and Rosie to Yellow Lettings.

Recruitment feels like it's never-ending because both companies have been growing so fast, so we've worked hard to turn our hiring process into a well-oiled machine. It may not shock you to learn that it's all powered by Trello, with some nifty automations thrown in. In fact, we use Trello for so many aspects of our business that we should probably start a podcast about it – maybe in 2017.

Our five top tips for negotiating

WHEN IT COMES TO SEALING THE DEAL, FORGET PLAYING HARD BALL… TRY BEING MR NICE GUY.

1 PREPARE YOURSELF

The nightmare scenario for both agents and vendors is a deal that falls apart because the buyer can't follow through on their offer. If you can show proof of funds (and a decision in principle from a mortgage lender if necessary), your offer will be taken much more seriously – even if it's lower than other, less solid bids.

2 FOLLOW UP AGAIN, AND AGAIN…

Many investors say that their best deals are those that they missed out on the first time around – because vendors can be more amenable to low-but-safe offers after being messed around once. About one-third of transactions fall through after an offer is accepted… yet estate agents rarely think to follow up with those who missed out.

So if you get outbid, call the agent every week until they tell you the deal has exchanged. It works more than you'd expect – and even if it doesn't, the agent will know you're serious when the next opportunity comes along.

3 PLAY IT COOL

Your opening offer should be rejected – otherwise you've gone in too high. Once you've been told "no", take your time in responding to counter-offers: the person who seems most desperate to seal the deal will come off worse.

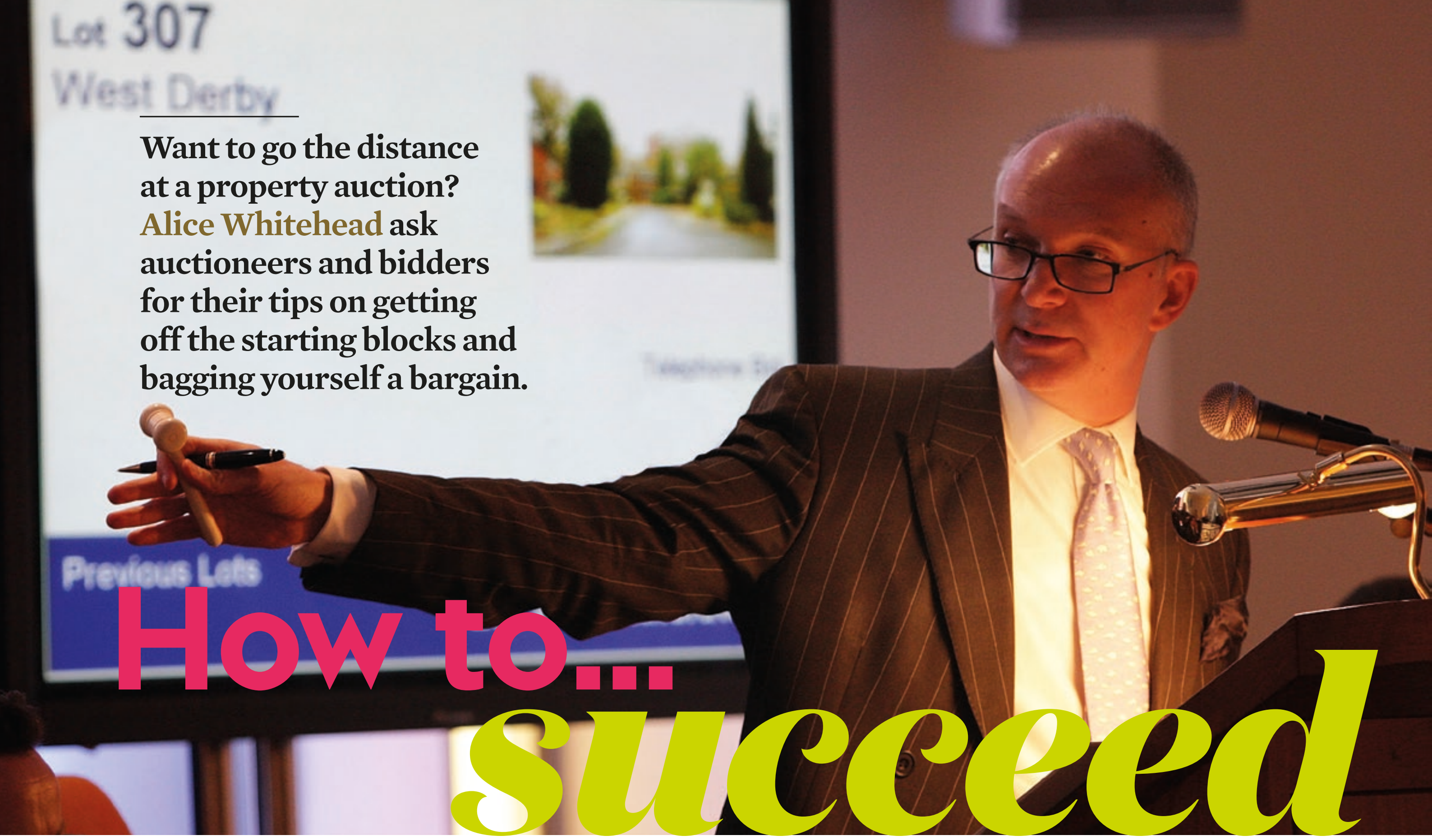
4 BE PROFESSIONAL

Never forget that the estate agent is working on behalf of the vendor – not you. Like most human beings though (and believe it or not, estate agents are humans), they'll be inclined to respond well to you if you're a pleasure to deal with. Throw your weight around and they're less likely to present your offer in a favourable light.

5 GO FOR THE WIN/WIN

Price is important, but it's only one factor in the negotiation. If you find out that time is important to the vendor, could you use bridging finance to speed up the transaction? The extra costs might be worth incurring if they allow you to secure the property for substantially less.

Certainty is a factor too (hence proving your financials are in order), as is hassle: in a probate case, it might be attractive if you take the property as-is and clear the furniture yourself.



Want to go the distance at a property auction? Alice Whitehead ask auctioneers and bidders for their tips on getting off the starting blocks and bagging yourself a bargain.

How to... succeed at auction

Forget the suit and the briefcase – a good pair of running shoes should be your accessory of choice at the property auction.

"You need to think like an athlete preparing for a race," says Philip Waterfield, head of the auction department and director at Strettons Chartered Surveyors (strettons.co.uk), which holds regular auctions across London, Essex and Hertfordshire. "It's a competition that requires a combination of courage, stupidity and research."

Indeed, while the match day bidding might be a scary prospect for even seasoned developers, it pays to get your race face on.

Buying at auction can sidestep some of the more laborious procedures normally associated with property deals – and once the gavel goes, it's yours.

"The sellers are motivated and committed to selling, you can watch all your competition directly, and the process gives you a clear deadline to work to," says Gareth Bell auctioneer at Romans (romans.co.uk). "It also avoids the secrecy and frustration often experienced with sealed bids or tender sales through estate agents."

For London-based landlord and developer Richard Blanco, auctions are also the perfect place to pick up a good investment.

"The properties tend to be in need of full renovation, so they're ripe for development and improvement," says Richard, who has bought six of the properties in his portfolio at auction. "There's also the possibility of buying shops and land for development, or tricky lots, which with a bit of experience can recover in value and offer great investment opportunities."

Location, location, location

First you need to find one. Your local estate agent will be able to put you in touch with auction houses in your area, but property papers and websites such as The Essential Information Group (eigroup.co.uk) also list the UK's 500 auction houses, and stream live auctions so you can get a taster before you go.

Before you get there

Most of the work for an auction takes place before you've even set foot in the room.

"If you watch Homes under the Hammer, you might assume you can just aim for any old lot and walk home with a bargain," says Philip. "In reality, you need to be a prudent researcher, take professional advice from a solicitor, and sort out your financing."

The auction catalogue will usually be published around four weeks before the event, which gives you a small window to book viewings.

"Do your homework and thoroughly research each property – preferably more than once," says Gareth at Romans. "Go through a sorting process ticking off location, condition and any remedial work required."

Part of the challenge is viewing the property like a professional surveyor, without employing the services of one, says Richard. "You have to be a DIY expert, surveyor, and lawyer all in one go – and as a newbie it can be hard to know if condensation is rising damp, or if those cracks in the plaster are just wear and tear or something more," he says. "But if you spend £500 on a surveyor and you don't win the bid, you've lost a lot of money."

Whichever property you decide to bid on, always compare the price/market value and condition with similar ones in the local area, and have your finances in place. You will be expected to have a 10–20% deposit (with the rest due in around 90 days).

"At least five times a year, we get a buyer in who bids for a property and then asks us if we can lend them the money!" says Philip.

On the day

Armed with your costings (including stamp duty and possible rental value), legal papers and a well-researched maximum price, you'll also need ID and VAT registration (if applicable) to be taken seriously in the auction room. That, and nerves of steel.

"Bidding can feel like a parachute jump – because you have to be prepared to fall splat on the ground," says Philip. "Always set yourself a limit and sit on your hands – the auctioneer will attempt to tease you up, as it's our job to get the highest price for the vendor."

While some choose to bid over the phone, nothing beats the fervor of the auction room where you can keep an eye on your competition. "When you do bid, do it with a degree of certainty," says Philip. "You're not at the cattle market, so we won't notice if you twiddle your nose – this isn't James Herriot country!" he says. "Waving is no good either – simply raise your catalogue, or register for a paddle if that's necessary, and show some confidence."

How to bag a bargain

While the experts agree that diamond deals are harder to come by at auction these days, everyone has their own particular technique to get the best price.

"Sometimes it pays to bid cautiously, while at other times it's best to get your final bid in right at the end to trip up other bidders – but this can be risky as once the hammer goes down, it's gone," says Richard. "Most of the time, you simply have to gauge what the atmosphere is like in the room."

And don't be lured by a low guide price. "The savvy vendor will give a property that's been through probate or repossession a low reserve, in order to get rid of it on the day," says Andrew Binstock, auctioneer and director at Auction House London (auctionhouselondon.co.uk). "But you need to beware that these lower price lots inevitably end up selling at much higher prices due to the fact they attract more competitive bidding."

If a property does fail to meet its reserve price, it's worth having a chat with the agents post-auction in case an "off-piste" deal can still be struck between you and the vendor.

Friend or foe

While the self-belief, strength training and preparation of an Olympian will stand you in good stead for the housing haggle, auction houses aren't always intimidating.

"Auctions used to be the place where 'buyer beware'," says Philip. "But with new consumer protection legislation, the seller has to be very aware of consumer rights. They can no longer 'hide' the fact that there's asbestos in the roof space or Japanese knotweed in the garden, and much more is disclosed to buyers.

"There's also a myth that auctions are full of all the properties nobody wants, but in fact there can be all sorts of reasons a property has come to auction, whether it's an elderly owner who's died or a company or couple splitting up. Most of the time it's because the true value is hard to pinpoint. We've sold everything from a boat yard in Leighton Buzzard and a set of public toilets to a fishing lake and cliff face!"

Once the places where only seasoned developers and dealers went to buy property, auctions are now accessible to novice buyers too – even if it's just to 'experience' the sales room, says Gareth from Romans. "We've always tried to de-mystify the process and make it open and approachable," he says. "So don't be afraid to ask questions – we certainly don't bite and most of us are quite evangelical about the benefits of the process and happy to help further the cause!"

Next Steps

- Search for "property auction + location" on Google, and get yourself added to each auctioneer's mailing list.
- Ask for advice about potential puchases on The Property Hub forum: thepropertyhub.net/forum.

Too Much Information? No such thing, thinks the Office for National Statistics. Christopher Nye delves into the most authoritative House Price Index of them all.

Big data big decisions

At least ten different organisations produce house price indexes, each with its own advantages and limitations. The government's own Office for National Statistics House Price Index (ONSHPI) aims to be the most honest, impartial and definitive.

What is the ONSHPI?

The ONSHPI measures the changes in "average" prices paid for owner-occupied homes in the UK. It's calculated monthly, based on data from property transactions provided by the Council of Mortgage Lenders.

You can't define an "average" house, say the government statisticians. Instead, they look at a sample of 27,000 mortgage transactions, remove outlying very high/low value transactions, and by a process called "hedonic regression" ascertain the most important variables that contribute to a property value. This creates thousands of different housing options – for example a three-bedroom new-build flat in the East Midlands, bought by a first-time buyer. They compare all those variables over time and give a "mix-adjusted" transaction, which is their version of an average.

One possible drawback is that only owner-occupier mortgages are used – not buy-to-lets, and no cash purchases. A great advantage of the ONSHPI, however, is that it's impartial (some commercial indexes might try to ramp up demand).

The most obvious difference between the ONSHPI and the other major government index, the Land Registry (LR) HPI, is that the ONS gives an average house as £273,000 and the LR says it's £178,000. The difference is down to whether you're using an average house – the "geometric mean" that the ONS uses – or an average transaction – the "arithmetic mean" that the LR uses. That difference explains why they also present data as an index based on their average house being valued as 100 at a certain point in time. All subsequent (and previous) rises or falls in value can be easily identified. When their indices are compared, the ONS and LR are virtually identical.

How is the data presented?

The ONSHPI is released on the second or third Tuesday of each month. It's always two months behind, with January 2016 data coming out on 22 March 2016. You can get it from the ons.gov.uk website as a user-friendly 26-page document with key findings at the top and the tables at the bottom. It's also available as an Excel spreadsheet.

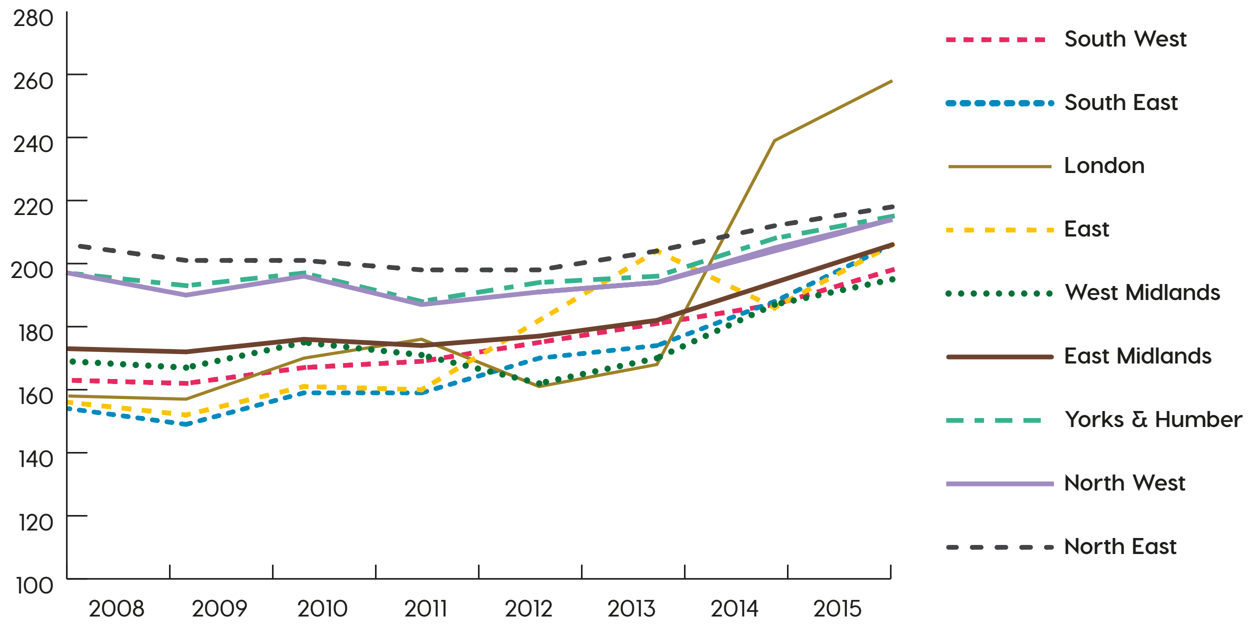
Prices are shown as an index, against a base of 100 set in February 2002. In 2008 in England, they were 180 – an 80% rise. A year later they were down to 155 and by October 2015 they were 220 – or 120% higher than in February 2002.

Because statisticians love numbers, they produce reams of additional data each month. House Price Statistics for Small Areas (HPSSA) is available for every quarter since 1995, further divided into dwelling types (detached, semi, terraced and flats). You can see average incomes of buyers since 1968, for each type of buyer in each location. Rental prices come out every quarter too.

Because the ONS looks at all the statistics for the UK, it's easy to compare (for example) earnings with house prices, or general inflation with house prices. With all the data available on Excel spreadsheets, you can transfer data into your own spreadsheets and create your own graphs.

ARE WE BACK TO BEFORE THE BUST?

Mix adjusted house price index by English regions, Jan 2008 to Oct 2015. Index level (Feb 2002 = 100)

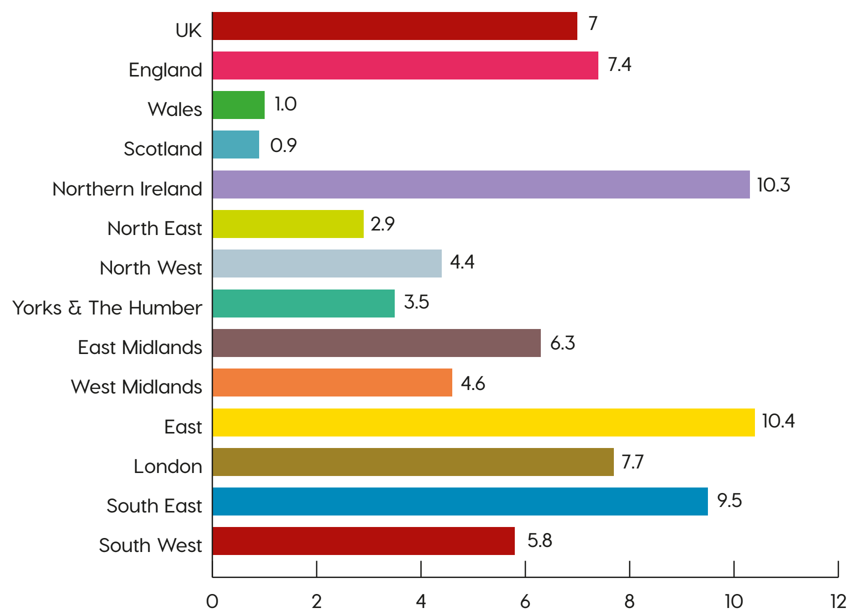


This shows how far house prices have recovered since the crash. The North East is still below, while the North West and Yorks/Humber have crept above 2008 values... just. Every other region is well above pre-crash values.

Source: Office for National Statistics

MIXED FORTUNES BUT ALL PRICES RISING

All dwellings annual house price rates of change: UK, country and regions



Every country of the UK and each region of England saw price rises in the year to October 2015.

Source: Office for National Statistics

THE BIG NEWS OF DECEMBER 2015

1. UK prices up 7% in year to October 2015 – an acceleration from 6.1% last month.
2. That was 7.4% England, 1% Wales, 0.9% Scotland, and 10.3% Northern Ireland.
3. In England, the East was up 10.4% and South East up 9.5%.
4. Overall UK prices outside London/South East rose 5.6% in the year.
5. Seasonally adjusted UK prices up 0.8% between October and September 2015.
6. Both first-time buyers and existing owners paid 5.9% more in October 2015 than October 2014.

EVENT LISTINGS

In a town near you (every month)

Property Hub Meetups are FREE monthly events, and they're open to everyone – from the greenest newbies to the grizzliest tycoons!

This isn't a traditional networking event. There are no sales pitches or "upsells" – it's just a relaxed and informal get-together of likeminded people, with a friendlier and more supportive atmosphere than we've found at any other event.

Meetups are held on the first Thursday of every month (Wednesday in Dubai), and they're completely free to attend. All we ask is that you register in advance.

Visit thepropertyhub.net/meetups for full details and registration information.

We currently hold meetups in the following locations:

ABERDEEN
Check website for venue
Meetup leader: Thor Holt

GLASGOW
Check website for venue
Meetup leader: Matthew Barr

EDINBURGH
Check website for venue
Meetup leader: Greig Oliver

NEWCASTLE UPON TYNE
The Town Wall, NE1 5HX
Meetup leader: Graham Clark

LIVERPOOL
The Pumphouse, L3 4AF
Meetup leader: Silvio Orlando

MANCHESTER
The Kaz Bar at Tiger Tiger, M4 2BS
Meetup leader: Mark Morris

LEEDS
The Crowd of Favours, LS2 7EA
Meetup leader: Andy Norman

SHEFFIELD
Ink & Water, S1 4JB
Meetup leader: Rhys Jackson

NOTTINGHAM/DERBY
The Clock Warehouse Shardlow, DE72 2GL
Meetup leader: Mark Barnes

MILTON KEYNES
Check website for venue
Meetup leader: Ryan Slater

CARDIFF
Check website for venue
Meetup leader: Chris Went

READING
Zerodegrees, RG1 2LR
Meetup leader: Adrian Dunk

ST ALBANS
The Beech House, AL1 3EG
Meetup leader Chris Ryder

CHELMSFORD
Coming soon!

LONDON NORTH
The Somers Town Coffee House, NW1 1HS
Meetup leader: Gavin Lloyd

LONDON SOUTH BANK
Le Pain Quotidien, SE1 8XX
Meetup leader: Joe di Fede

RICHMOND UPON THAMES
The Cricketers, TW9 1LX
Meetup leader: Roxane Brazeau

BRISTOL
Channings Hotel and Bar, BS8 3BB
Meetup leader: Jon Hulatt

BOURNEMOUTH
Ludo Lounge, BH6 3RS
Meetup leader: Nic Scudamore

BRIGHTON
The Sussex, BN3 2RH
Meetup leader: Steve Gardner

DUBAI
Check website for venue
Meetup leader: Chris Battle

HONG KONG
Check website for venue
Meetup leader: Emma Bryan

NO GROUP CURRENTLY IN YOUR AREA?

Stepping up and leading your local meetup is a fantastic opportunity to build your reputation in your area. As the leader, you'll get to know absolutely everyone who attends your local event – and you'll have a great excuse to reach out to other investors and property professionals locally to invite them along. We'd love to hear from you if you're interested: just email **hello@thepropertyhub.net.**

DOES THIS MAGAZINE BELONG TO YOU?

If the answer is "no" but you wish it were "yes"...

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