

Making sense of property investment

# PropertyHub

Issue 41 July/August 2023 | £5

## Renters Reform Bill

Game-changer  
or disaster?





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# Welcome



Rob Bence (left) and Rob Dix (right)

**A**fter five years of rumour and speculation, not to mention countless false starts, fake-outs and foot-draggs, the Renters (Reform) Bill started its journey through parliament in May.

We now know for sure what changes the government intends to make, and there is plenty to digest. Our cover story

examines how the market is responding to the proposals and what's in store for landlords.

Changes in the mortgage market are also high on the agenda, with interest rates at the highest they've been all year. We look at how mortgage affordability is calculated and what you can do to boost your options on page 34.

Elsewhere, EPC experts debunk the myths surrounding energy performance ratings, Rob B reflects on the return of the return of the 100% mortgage, and three investors share their very different strategies.

Happy reading!

**Rob and Rob**

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

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

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# Inside the hub

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



If you've got a burning property question you want to ask The Robs, but don't fancy hearing your voice on the podcast, you can write to us with your question instead.

We have a weekly column in *The Sunday Times* in which we impart our best advice on all aspects of investing in property and being a landlord.

Just paste the link below into your address bar and fill out the form.

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

## ON SCREEN

One question that comes up time and time again is: "Should I buy a property in a limited company or in my own name?" There are advantages to both, but which is right for you? Instead of boring you to death with spreadsheets, Rob D has put together a video explaining his simple rule of thumb to help you decide once and for all. Give it a watch now.

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

## ONLINE

To accompany the video above you can download a free checklist of questions to think about in advance so your accountant can help you decide whether you should go down the limited company route or not. You'll find them via the link below, along with a buy-to-let deal calculator and a mortgage stress test calculator.

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

## ON AIR

There's no shortage of news to discuss on The Property Podcast over the next couple of months, so expect all the latest developments in the private rented sector to be covered, as well as special episodes on the 18-year property cycle, mortgages and a half time report looking back on how the market has performed so far this year.

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

## HUB CHAT

If you're a Property Hub Forum regular then the news it's closed down won't be news to you, but if you're more of an infrequent user then this could be the first you've heard of it. We decided to call it a day in June so we can focus our efforts on serving property investors through a larger number of more accessible, convenient channels which we'll continue to share with you on this page.





# Market focus

The latest news and developments from across the property market



## SUMMER PRICE SLOWDOWN

Asking prices for homes across Britain fell in June for the first time in six years, according to Rightmove's latest house price index.

Asking prices usually increase by 0.6% in June, but this time the average new seller asking price fell by £82 to £372,812 marking the first monthly drop in asking prices this year.

Tim Bannister, Rightmove's director of property science, said sellers are falling into two camps: "those who still have over optimistic price expectations following the buoyant pandemic market, and those

who have adapted to the new conditions and are coming to market with a competitive price.

"Sellers who price competitively are much more likely to find a suitable buyer quickly before their home appears stale, and they can often then negotiate on price on any onward purchase."

Rightmove expects asking prices to continue to "edge down" during the second half of the year, which is the normal seasonal pattern, and stands by its original prediction there will be a 2% annual drop in asking prices at the end of 2023.

## WELSH RENT CONTROL CONSULTATION

The Welsh government has launched a consultation into implementing rent controls.

The Green Paper sets out several possible options for rent controls ranging from the run-of-the-mill to the bizarre. The yield-based model guarantees landlords a fixed yield by allowing them to mark up their costs, while the energy/quality-based model links permitted rate increases to EPC ratings.

The National Residential Landlord Association (NRLA) said it will be responding to the consultation and arguing that rent controls would be a "disaster" for the supply of homes in Wales, particularly given landlords are still struggling with the implementation of Renting Homes (Wales).

It stressed this is a Green Paper, which means the government is only exploring the idea of rent controls, not

implementing them. "This is not policy yet, if it does come in, it is likely to be years away, so landlords have plenty of time to consider their options," said James Wood, NRLA policy manager.

It strongly recommends landlords with properties in Wales respond to this consultation directly with their opinions on how it would impact on their future investment choices. The consultation closes on 15 September.

### MEANWHILE IN SCOTLAND

The rent cap and evictions freeze first introduced in October last year to help combat rising inflation has been extended for a second time until the end of March 2024.

## IN NUMBERS



**0.6%**

Drop in asking prices in June

(Rightmove)



**15 September**

Closing date for Welsh rent controls consultation

(gov.wales)



**68%**

The proportion of tenants that rented a home with at least two bedrooms so far this year

(Hamptons)



**6.30%**

The average rate of a two-year fixed BTL mortgage

(Moneyfactscompare 19 June 2023)

## RENTAL AFFORDABILITY IMPROVES

Affordability has improved amongst the UK's young renters despite rising rents forcing more would-be tenants to stay at home for longer, Hamptons has found.

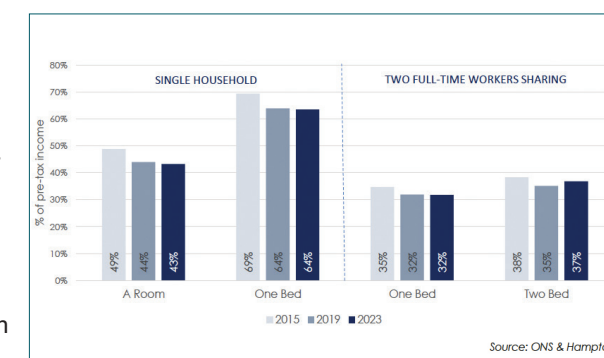
Hamptons' latest monthly lettings index found the average pre-tax income of an 18 to 24-year-old in the UK has risen by 42% since 2015 to average £18,900, while the average rent on a single room has increased by 26% over the same period.

From this it calculated the average young-adult has spent 43% of their pre-tax salary on renting a room so far this year, down from 49% in 2015.

If these young adults were to rent a one-bed, they would likely spend 64% of their income, down from 69% in 2015. However, by splitting the cost with another full-time worker, the average one-bed would eat up 32% of their total household income in 2023, down from 35% in 2015.

As rents have risen, more would-be tenants are staying at home for longer in order to build up their savings to afford a larger home. Hamptons found 32% of tenants who moved out this year rented a studio or one-bed, down from 37% last year. However, the proportion who left the family home and rented a home with at least two bedrooms rose from 63% in 2022 to 68% so far this year.

It said this implies that renters are either moving to more affordable areas to get the space they want or are leaving their parents a little later in life in order to build up their savings and rent with someone else.



## MORTGAGE PRODUCTS PULLED

Hundreds of fixed buy-to-let (BTL) mortgage products have been removed from sale and average rates have increased over concerns surrounding future interest rate hikes.

The latest analysis from Moneyfactscompare shows the number of BTL mortgages available fell from 2,748 deals on 22 May to 2,515 on 19 June.

Consequently, the average rate on two and five-year fixed BTL mortgages has surged to 6.30% and 6.23%, respectively.

Precise Mortgages, Kensington, Kent Reliance, Hodge and Marsden

Building Society all pulled selected fixed mortgage products, while Aldermore, Bank of Ireland UK, CHL Mortgages, Fleet Mortgages, Foundation Home Loans and The Mortgage Lender pulled their entire fixed rate range.

Rachel Springall, finance expert at Moneyfactscompare, said: "Landlords will be disappointed to see a drop in product choice and that average fixed rates are on the rise. The volatility surrounding interest rates towards the tail end of 2022 started to improve, but as it stands, average rates are expected to keep climbing because of the ongoing concerns over future interest rate hikes."

# Debunking misleading EPC information

Misinformation about property energy performance ratings is being spread, prompting landlords to sell up when they don't need to say EPC experts

**“B**acklash grows over new energy efficiency rules for landlords, as experts grow sceptical of EPC ratings and say they can't be trusted”, read the headline of an article on *Mail Online* in May, followed by a list of bullet points stating landlords “face a ban” on letting homes with EPC ratings below C from 2028 and that they're being “threatened” with fines of £30,000.

It's not the first article to speculate about tighter Minimum Energy Efficiency Standard (MEES) regulations, and it won't be the last. Landlords are concerned about the impact rule changes could have on their portfolios making it a hot topic, but articles like this are spreading misleading information say Energy Performance Certificate (EPC) experts.

“It's sad to see all the sensationalisation that's going on. A lot of landlords are selling their properties right now. They're selling for different reasons – mortgage rates have gone up, the legislation is getting tougher and so on – but one major factor for the increase is over this misinformation about EPCs and I think that's a terrible shame. They are giving

up their livelihood based on incorrect information,” says James Tanner, a landlord who runs a business helping other landlords improve the energy efficiency of their properties.

## C for clicks

Claims the government will “forbid” landlords from letting properties from 2028 unless they achieve at least a C rating aren't true says energy assessor Paul Rybak: “The number of mainstream commentators who talk like this target is legislated for amazes me. They should know better, but hey, there's nothing like a scary headline to increase clicks.

“I receive regular calls from landlords in a panic asking how to get their rating up to a C. I know landlords who have spent thousands of pounds tearing apart a perfectly rentable property to get it up to a C rating just because the mainstream media said so.”

So where did this misinformation come from? Back in 2020, the government began a consultation on tightening the MEES rules. One of its proposals was to raise the minimum EPC rating from a E to a C, a detail the media was quick to jump on. The consultation

closed in January 2021, but the results still haven't been published and no new regulation has been drafted, so nothing has changed.

However, the government is under pressure to meet its net zero greenhouse gas emissions target by 2050, so improving the energy performance standards of privately rented homes is still high on the agenda.

According to the MEES section of the government website: “Government has

committed to look at a long term trajectory to improve the energy performance standards of privately rented homes in England and Wales, with the aim for as many of them as possible to be upgraded to EPC Band C by 2030, where practical, cost-effective and affordable.”

## Counting the costs

Most of the concerns about stricter MEES regulations revolve around costs, hardly surprising given all the talk of a five-figure price cap and £30,000 fines. But James – who also runs the Landlord and HMO Energy Efficiency forum on Facebook – says, in his experience, the cost to implement energy efficient measures aren't generally as high as people expect.

“Almost half of the private rental properties in the UK have an EPC rating of D with a score of 60, so upgrading from 60 points to a C (minimum 69 points) is only a nine-point increase, which doesn't tend to require a lot of expensive work,” he explains.

“At the moment the maximum you'd have to spend to get your property up to an E [the current minimum EPC rating permitted] is £3,500. If it's more than that you can claim an exemption.”

He adds that many landlords

he's worked with who have an EPC in the high 60s don't have to spend anything when they come round to renewing their certificate. “EPC's are done once every 10 years and in that 10-year period, a landlord might have insulated the loft or replaced the boiler so actually when I go to look at it, they don't need to spend a penny because they've already made energy efficiency improvements.”

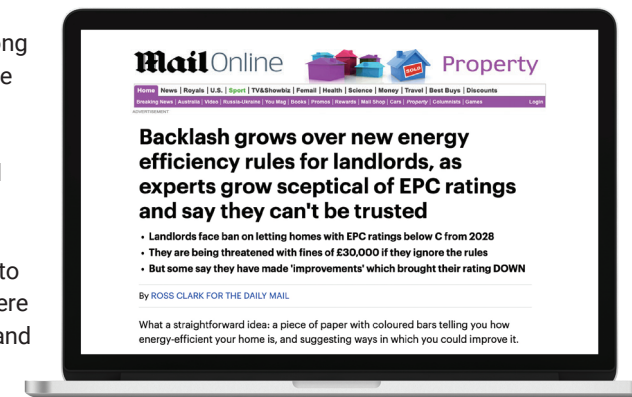
## Creating confusion

The *Mail Online* article describes cases in which landlords have made energy efficiency improvements to their properties only to have their ratings marked down, or have seen identical flats in the same block given different ratings.

Paul, who also has his own small rental portfolio, says this tends to happen because people don't understand how EPCs are measured: “EPCs consider both the efficiency and the input energy cost. A property heated with mains gas will have a better EPC score than the same property heated with electricity because mains gas is significantly cheaper than electricity,” he says.

The confusion, he says, arises from a disconnect between government policy and reality on the ground: “We're constantly told that gas is bad, but the reality is it's convenient and much cheaper than electricity.

“I recently produced hundreds of EPCs on properties that had electric storage heaters replaced with gas central heating. There was no gas in the streets and so new gas mains were laid



to accommodate this. Funding was by means of government grants. Talk about saying one thing and doing another.”

There are several reasons why two seemingly identical properties could receive different EPC results, but in essence it boils down to two things: access and timing.

Paul provides some context: “Ultimately there is only so much an assessor can see without drilling holes in walls or ceilings to get a better look, so they have to make assumptions.

“One property could have had retrofitted loft insulation that the EPC assessor can inspect, measure and photograph. If the second flat has no access to the roof space, then the EPC assessor has to input ‘as-built’ which forces the software to use typical thermal values from building regulations at the time when the property was built.

“The inputs used to calculate EPC ratings are updated over time and therefore can change the resulting score. Solid walls were recently given improved thermal values, this resulted in slightly improved scores for those buildings.”

## Find out the facts

Landlords need not panic about future energy performance rule changes. Help is at hands says James: “Every property is different, not one size fits all, so it's worth working with an expert to find out what specific steps you should take.”

Paul advises against making any rash decisions: “My advice for the time being is to wait and see. If you're carrying out renovation works, then of course it makes sense to weigh up any improvement options. But don't spend a penny of your money without first going on the government website to find out the facts.”

For the latest government guidance visit: [gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance](https://gov.uk/guidance/domestic-private-rented-property-minimum-energy-efficiency-standard-landlord-guidance)





# “Everyone told me to walk away, but I couldn’t”

**Charlotte Edwards** goes by the name of the accidental female developer, but it’s no accident she’s been so successful. Chantelle Dietz finds out how a family tragedy led her down a different career path



**C**harlotte Edwards, 39, was in her teens when her father, Dennis, set up his own housebuilding company. She recalls what it was like at the time: “He’d been a lorry driver most of my childhood, so it was big change for him. I saw him set it up and learn the ropes.”

She watched with interest, but that’s as far as it went. “My dad didn’t want me or my sister involved, he saw it as a man’s world and didn’t want his little girls to have to deal with builders or get their hands dirty.”

Charlotte’s brother Andrew, on the other hand, joined the business as soon as he was old enough. Charlotte went off to university to study business and

Spanish, later following a career in marketing, while her sister emigrated to the Bahamas.

The business grew, and in 2019 it acquired a field with planning permission for 25 homes via a bank loan. Tragically though, neither Charlotte’s brother nor father got to see the homes built. Andrew died of pancreatic cancer in May 2019 then Dennis died of lung cancer in November 2019.

Still grieving the losses Charlotte had to make a big decision: hand the land back to the bank or take over the business herself and build the homes. “A lot of people told me to walk away and that I wouldn’t be able to do it, but

I’m the sort of person that if someone tells me I can’t do something, it makes me even more determined.

“I’m not scared of a challenge. Plus, there was the element of wanting to preserve a business that my dad had worked so hard to build up and that my brother was a part of as well.”

## Taking charge

Despite having no experience, single mum Charlotte decided to give up her own career as a marketing consultant and commit to running the family business. Had she known what she knows now, she’s not convinced she’d made the same decision again. “I think if I’d have known the risks I was taking on at the start and I’d been fully informed, I wouldn’t have done it.”

The business was in debt and she had to work without a wage for nine months, during Covid-19, while singlehandedly raising her two children. There’d been no handover, so she had to start from scratch. “My dad was old school. Everything he needed to run the business was in his head, so when he died, all that knowledge went with him.”

She describes the experience as starting in a hole and having to dig herself out: “You know when it’s your first day in a new job, and you don’t know anyone, and you don’t know what you’re doing. Well imagine that, but being in a totally different industry as well and none of your qualifications transfer over into that industry. Plus, you’re not getting paid and you’re in debt.”

Her mum, Sally, was a big support: “We’re very close, literally too – we live next door to each other. Having her next door means the kids can just run out of our door and in hers. They love to go there for food, and she’s always got chocolate in the cupboard.

“She’s the best office manager – she’s reliable, doesn’t require payment and is really invested in the business,” Charlotte laughs.



## INVESTOR FACT FILE

**Name:** Charlotte Edwards

**Age:** 39

**Lives:** Oswestry, Shropshire

**Invests in:** Shropshire and Wales

**Occupation:** property investor and developer

**Years investing:** four

**Strategy:** BTLs and development

**Goal:** To grow the company while retaining the freedom to work whenever and from wherever she wants





Opposite: Charlotte with children Caleb and Florence  
Left: Charlotte and Sally Edwards

The pressure of the situation took its toll on Charlotte's mental wellbeing and left her in need of therapy. "I was really struggling. I was grieving. I'd lost my purpose in life. It was a really, really hard time, but the therapy sort of transformed my mind and made me realise that I could do anything I set my mind to."

"Once I'd had that mindset shift, I found everything so much easier. Rather than worrying about everything that was going wrong, I was planning for everything to go right. That transformed everything and the business started to grow from strength to strength and got so much more successful."

Against all the odds, she completed the £7.7m development in 2022. She was able to sell enough properties to repay the bank loan and get the family business back into profit. "It could have all gone horribly wrong, but it didn't. It's amazing what you can achieve when your back is against the wall."

### Building a BTL portfolio

The feeling of not earning any money was one Charlotte was determined not to have to feel again, so she set herself



a target of building a rental portfolio of 10 properties in 10 months that would replace her marketing income and generate a passive income.

"I had £50,000 of life savings in the bank, so I thought: what can I do with it to create an income for myself and my family, rather than just use it to live off? By that time I was heavily into learning

about property, so I decided to see how far I could stretch it."

She used the money to buy four plots on which she developed four semi-detached houses, two worth £200,000, and two worth £165,000 to rent out. Once they were tenanted, she refinanced them and used the equity to buy six BTLs all within a 30-minute drive



"The hard work is done. I've just got to not mess it up now"

of her home in Oswestry, Shropshire.

"I live very close to the Welsh border, so I've invested on both sides. I've always thought it was best to invest close to home, but I've changed my mind recently. I self-manage my portfolio, but I don't think I've visited any of my houses more than once or twice in the past three years, so they could be anywhere in the country."

Back when she was establishing her BTL business, Charlotte was much more hands on. "In those days I was counting the pennies, so I did a lot of the refurbishment work myself."

Nowadays, life is very different. She spends at least a week of each month out of the country at her holiday home in Marbella, Spain. "The way that I've set up the development business and my rental portfolio means I can work from anywhere, so if there's bad weather forecast in the UK, I'll just hop on a

Ryanair flight. It's great to just have that lifestyle where you can enjoy flexibility and freedom."

### Lasting legacy

Four years on from when she took over the business, Charlotte looks back at what she's achieved with pride – and relief. "The hard work is done. I've just got to not mess it up now, that's my goal."

What started out as a job of duty has turned into one she can't wait to get out of bed for each day. "There's still an element of wanting to keep the business going for my dad, but also for myself now too. I love the role I've created. I get to do all the bits I enjoy like the marketing, finding the sites and working with the architects on design."

She's also gathered a following on social media under the alias the Accidental Female Developer, which she uses to champion women in property.

Having one foot in the development camp and the other in the BTL camp brings variety to her work. "I love the quick win of a BTL, you buy it, rent it and can start making money from day one, whereas developments are such a long process, you're looking at years to get properties in the pipeline, developed and sold."

She has big plans for the business and is excited about what's to come: "The goal is to be building 12 houses a year. I've got a 50-house pipeline right now. I hope to keep 25% of that to rent out and will sell the rest. I'm trying to use what I've learned to increase the value of the business going forward so that it's not so reliant on selling properties, it's got that rental income as well."

One day she hopes her children will take over: "Hopefully the business can live on for generations now. I'm already talking to my kids about it and training them up. I just love the idea that you can create something that can last for generations."

## HOW I GOT HERE

### Charlotte's timeline



**NOVEMBER 2019**

Took over Dennis Edwards Homes



**FEBRUARY 2020**

Set up her own BTL business



**AUGUST 2022**

Completed the £7.7m development



**OCTOBER 2022**

Started work on a new £2m development



**JANUARY 2023**

Secured three more sites creating a 50-house pipeline



# At the double

Gloucester's property market has been buoyant of late, helped by its proximity to pricier Cheltenham. Neil Cumins finds out what the compact Roman city has to offer investors

**W**hat do you know about Gloucester? If you're not familiar with south-west England, your answers might extend to its successful rugby union club, the building society it once co-hosted with neighbouring Cheltenham, or perhaps its internationally renowned cheese-rolling competition, which was in the headlines at the time of writing after the winner of the female race knocked herself unconscious chasing a 3kg Double Gloucester wheel down a hill.

You probably wouldn't think of it as property investment hotspot. Yet as part of a double-header of local conurbations, Gloucester has benefited hugely from relative affordability compared to its pricier (and better-known) neighbour.

The M5 divides Cheltenham and Gloucester, with the latter's Churchdown suburb bordering Gloucestershire Airport on the western side of the Birmingham-to-Exeter motorway. Local highlights include the medieval Gloucester

Cathedral, the historic docks, St Mark Street's famous rainbow-coloured homes, and the modern riverside flats flanking Longhorn Avenue.

You can't talk about Gloucester without acknowledging the attractions of Cheltenham. Key employers include the Government Communications Headquarters, Superdry and engineering giant Spirax Sarco. The regency spa town is also home to several famous festivals and an iconic racecourse. However, Cheltenham is also considerably more expensive

for purchasing property, which is why smart investors have historically looked to Gloucester when buying locally.

## The view on the ground

With a population just over 120,000, Gloucester's property market has long been considered one of south-west England's best-kept secrets. Demand for rental properties is high, much like the rest of the UK. "The rental market

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is performing well with multiple applicants often applying for the same property. The rental figure achieved is increasing, and we are seeing that there aren't enough properties available – demand is very high," says Danielle Price, associate partner at local estate and letting agent CJ Hole Hucclecote.

According to recent Hometrack data, Gloucester's recent house price growth has been among the highest in the UK, at 6.5% year-on-year. Rightmove suggest average house prices stand at £266,687, 7% higher than their previous 2020 peak, but £100,000 lower than the national average. Meanwhile, data from Home.co.uk shows median rents in the city currently stand at £950. Student HMOs can command as much as £4,000 per month on the open market, with three-bed houses ranging from £1,100 to £1,500 and one-bed flats fetching between £700 and £800.

### Generation rent

There's plenty to appreciate in Gloucester from a landlord's

perspective, including key local employers such as EDF Energy, Gloucestershire College and Endsleigh Insurance. "Properties near to the hospital and in the city centre receive a lot of interest from tenants meaning landlords can often avoid lengthy void periods," says Danielle.

"Areas within the GL3 postcode, such as Hucclecote, Churchdown and Brockworth achieve high rents due to the number of amenities nearby. This is a very sought-after area for families, with several good schools and parks nearby."

Agents currently report the strongest yields in the GL1 postcode, and Danielle acknowledges that the Royal Hospital and University of Gloucestershire campus make this a highly sought after location. However, there are signs that some segments of the rental market are beginning to reach saturation point: "The number of properties available for students in the area is very high. That means the most modern or cost-effective properties (those

with the lowest rental costs, or bills included) are being taken first, with others remaining on the market longer."

The forthcoming transformation of the former Debenhams store into a new university campus might improve both demand and footfall within Gloucester's low-rise city centre.

### Suburban splendour

While demand for student properties may have reached its peak in central Gloucester, there are no concerns about the enduring popularity of affluent villages surrounding the city. Bordered by bucolic countryside

including the Forest of Dean and the Cotswold Commons nature reserve, this is the epicentre of local demand, according to Wendy Worger, senior marketing manager at The Property Centre.

"Outlying areas of Gloucester tend to command higher prices, such as Churchdown Village. Its proximity to Cheltenham, good local schools and amenities makes it especially popular with families. Places like Hardwicke, Elmore and Frampton to the south of the city also tend to command higher prices – they're close to beautiful countryside while offering easy access to central Gloucester and the M5 for

Shutterstock



Opposite : Ariel view Gloucester City  
Above: cafes in Gloucester docks  
Left: picturesque old-buildings around St Marys Gate near Gloucester cathedral



## "The Forum, King's Quarter has been underway since 2021 and is due to be complete by summer 2024"

commuting to both Cheltenham and Bristol."

A similar story is reported to the west. "Longlevens and Highnam are equally popular and command higher prices," Wendy says. "Good schools, including high-achieving grammar schools in Longlevens, make them a popular choice with families. The housing stock in Longlevens includes

lots of larger Victorian villa-style properties, which would command much higher prices in nearby Cheltenham.

"For families seeking outdoor space and access to good schools, Quedgeley, Abbeymead and Churchdown are also popular," she adds.

### No Quarter given

While Gloucester's short-term market fundamentals are clearly healthy, its longer-term prospects also look good. Wendy highlights the redevelopment of King's Quarter as a landmark regeneration project. "Including a new retail and leisure destination called The Forum, King's Quarter has been underway since 2021 and is due to be complete by summer 2024. Located adjacent to the railway station and new bus terminus, the area should attract

## SITES FOR SORE EYES

These are the key projects Gloucester investors should be aware of:

### ● King's Quarter

The former bus station is being turned into a mixed-use district. Some apartments have already been built and there are more to come. Phase two of the development will centre on a 130-room hotel plus workspaces and a wellness centre.

### ● Great Western Yard

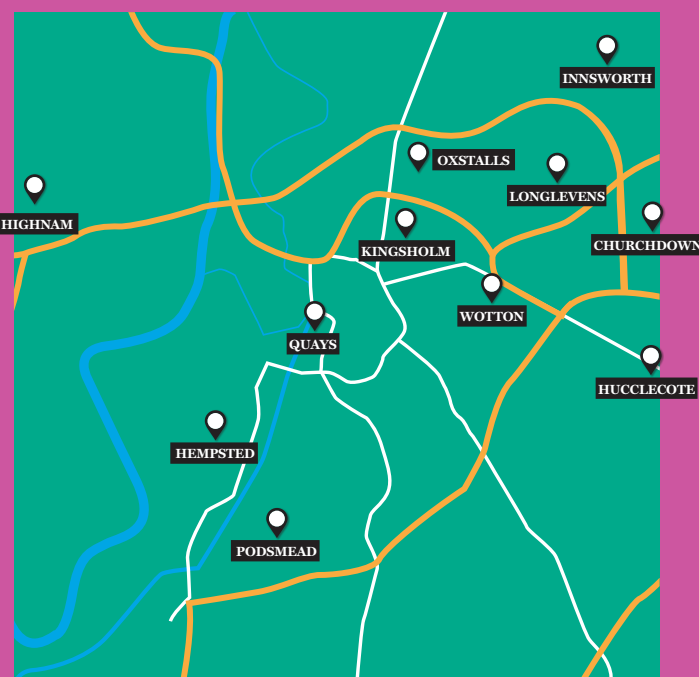
Planning permission was recently granted for the redevelopment of an eight-acre brownfield site beside Gloucestershire Royal Hospital. This high-profile gap site will host 87 townhouses and 228 flats courtesy of Eutopia Homes, across blocks of up to five storeys in height.

### ● Golden Valley

Some of the few remaining fields delineating Cheltenham and Gloucester are about to be replaced with a £1bn garden community. A thousand new homes will be constructed at Golden Valley, alongside a 1,000,000 sqft of new commercial space aimed at tech firms.



## AREAS OF INTEREST



### The best places to invest in Gloucester

-  **Best for families:**  
Longlevens, Highnam
-  **Best for young professionals:**  
Gloucester Quays, Kingsholm
-  **Best for students:**  
Oxstalls, Wotton
-  **Best for transport links:**  
Churchdown Village, Kingsholm
-  **Best for yields:**  
Hucclecote, Churchdown
-  **Best for capital growth:**  
Innsworth, Quays
-  **Best avoided:**  
Hempsted, Podsmead

Right: Aerial view of Gloucester City in Summer looking west towards The Royal Forest of Dean  
Below: Gloucester City centre markets

more people to the city.”

She also acknowledges the new Gloucester Food Dock: “Together with possibly more residential development in Gloucester Quays, this should add further value to that area.”

Investment is pouring in, typified by February’s announcement that 315 properties will be built on former Network Rail land beside Gloucester’s train station. The latter offers direct services to Nottingham, London and Cardiff, while services through (or to) Cheltenham run as frequently as every four minutes. The M5 wraps around two sides of the city, with the A40 heading west towards south Wales.

### A bright future

Despite a dip in average national house prices, prices in Gloucester



have remained steady over the past year. “Our valuation levels this year are the same as they were in 2022 and properties continue to sell well, but across the board it’s become more of a buyer’s market,” says Wendy. “We’d anticipate that it’ll continue to be a buyer’s market for the rest of this year at least.”

Rental demand remains strong too. “We’re finding that due to high demand and increasing rent prices, many tenants are expanding their search area or compromising on search criteria,” says Danielle. “Two-bedroom properties are often in the highest demand, with homes near to the hospital and in the GL3 postcode often receiving the most interest.”

The conditions couldn’t really be more favourable for building an affordable, sought-after rental portfolio.

## THE PRICE IS RIGHT

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

£100,000



Few properties in Gloucester command a five-figure asking price, though this one-bedroom second floor ex-council flat might be attainable. It’s chain-free, close to the train station.

£180,000



It’s easy to be charmed by this quirky one-bedroom Churchdown coach house property. In great condition, it includes a single garage and parking for two cars, with a 956-year lease.

£250,000



This extended three-bed three-public Hucclecote semi-villa stands within large west-facing gardens whose overgrown nature mirrors the need for extensive upgrading internally.

Source: Rightmove





Lloyd and Ellie have recently returned from travelling Central America

# Refurbish, refinance, rent, repeat

TV set dresser **Lloyd** has found a way of making his creative talents pay twice as Chantelle Dietz finds out



## INVESTOR FACT FILE

**Name:** Lloyd Reece

**Age:** 28

**Lives:** Crosskeys, Caerphilly

**Invests in:** South East Wales

**Occupation:** TV set dresser and property investor

**Years investing:** four

**Strategy:** BTL

**Portfolio size:** four

**Goal:** to have the financial freedom to enjoy life



## INVESTOR STORY

**L**loyd Reece, 28, can't recall where he first heard about the buy, refurbish, refinance, rent (BRRR) strategy, but he's used it to build a portfolio of four rental properties in as many years.

He does, however, always remember being entrepreneurial: "After I passed my driving test I would drive round auctions to buy things to sell on, I even had a market stall on our local market for a short time, selling bits and pieces."

School wasn't the right environment for him, he preferred to learn by doing rather than being taught: "I was never great at school. I decided to end my schooling education after I scraped through A levels. I quickly found that getting my hands dirty and solving problems whilst covered in dust is where I excelled and enjoyed myself."

He worked alongside his dad as a painter and decorator for a while, before getting into TV set dressing. It's a job he loves, but the work can be unpredictable: "I really enjoy it. You need to get to grips with most trades and be pretty imaginative. I get to create all kinds of crazy sets from medieval caves to futuristic spaceships, but it's a cut-throat industry. The best you're likely to get is a five-or-six-month contract on a show, other than that it'll be a week's work or a day at a time."

Lloyd knew if he wanted financial security, he'd have to find it elsewhere. "Both my parents are self-employed, so I learned early in life that it gives you greater freedom, but also a lot less job and money security."

"If the economy is down or there's trouble ahead people don't want their house painted or



their dog groomed (no points for guessing what my mother does). Property offered that future security that I knew I'd be without being self-employed."

### Setting the scene

His first property was a two-bed top-floor flat on the same road he'd grown up on in Rumney, Cardiff. He'd saved up the £15,000 deposit while living with his parents. The flat was advertised for £115,000, but he got it for £110,000, taking out a £95,000 mortgage. He lived in it while renovating it and was able to release £12,000 in equity after two years to use as a deposit for his first buy-to-let (BTL).

With the minimum deposit for a BTL mortgage at 25%, Lloyd had a limited budget: "I was just searching for the cheapest houses within an hour or so of where I live."

He found a house in Abercwmboi in the Welsh valleys marketed for £40,000. "It was one of the cheapest I could find. I wanted to go for a cheaper one around £35,000, but because of my age, I couldn't get a mortgage for anything under £40,000 so I went for it. I just wanted to get another one as quickly as possible."

The two-bed terrace turned out to be a bad buy: "I went into it quite naively. It's an end terrace right at the bottom of a valley so every bit of water just runs down the street and through the gardens towards it, so it keeps getting damp."

"I've had a damp course done and I've had four roofs put on and the chimney removed. It's a constant source of problems, but the rental return is very good. I've had it up for sale and sold it once, but when the survey came back, the buyers tried to knock me down on price, so I decided to stick with it."

Despite its issues the house has appreciated significantly in value since he bought it. "I remortgaged it for £80,000 last year – double what I paid for it."

Determined not to make the same mistake again, Lloyd took his time to pick the location for his third purchase – a two-bed terrace in Newport. "They were getting rid of the tolls for the Severn Bridge so I thought prices would pick up as a result because people would be able to commute a bit easier and it is close to Bristol."

He bought it for £80,000, refurbished it, then remortgaged for £120,000, pulling out £40,000 towards his next purchase.

Lloyd, who likes to compete in ultra marathons in his spare time, does a lot of the work on his properties himself, picking projects that play to his strengths: "I've always chosen projects that match my skill set, so nothing that involves structural work, just redecorating, and maybe fitting a new kitchen and/or bathroom. I look for properties with a good boiler and electrics."

His fiancé, Ellie, isn't afraid to pick up a paintbrush either. "I consider myself a painter and decorator above all other trades, but I'd say Ellie is a better painter than me! She also has another vital skill that I seriously lack, and that's



Lloyd does a lot of the work himself, picking projects that play to his strengths



budgeting and keeping track of expenditure. I'm terrible at that, I have no idea how to start a spreadsheet."

To avoid having to pay any unnecessary fees, Lloyd looks for mortgage products with no early repayment charges or goes on a variable rate until he can remortgage and fix for two or five years.

### Home and away

In 2021 Lloyd and Ellie found a house in Crosskeys, Newport ripe for renovation. They bought it for £100,000 and remortgaged it for £160,000 after a nine-month refurb. They intended letting it out once the work was complete, but had a last-minute change of heart.

"We fell in love with it and decided to move in and let the flat in Rumney instead. It was during lockdown and we had no outside space at the flat, so having a house with a garden was a real luxury."



After all the lockdowns ended, Lloyd and Ellie decided to take a break from the UK and travel Central America for six months. Since getting together the couple have travelled all over the world. "Covid put into perspective how easy it is for travelling to be taken away, so we decided when the airports were back open, we were heading off. We both love to travel and have done for almost 10 years now. Our third date was actually a trip to Budapest. I asked Ellie to come, and she trusted me enough to join me."

For Lloyd travelling offers an opportunity to gain perspective: "It's important at some points in life to slow down for a while, reevaluate everything and assess where your life trajectory is going. It's very easy to get caught up in constant work and wanting the newest, shiniest car living in a place like the UK, sometimes it gets overwhelming. You need to reset by walking barefoot on a beach in Nicaragua for a few weeks!"

While they were away, they made the decision Ellie would go part time on their return, so she can help Lloyd grow the property business. "What motivates me is to be able to take control of my own life and to have the free time to do as I please. Whether that be to have the time to take and pick up future kids from school and not having to worry about 'clocking in', or to travel more. Obviously, that would be no fun on my own, so I'm looking forward to building the business with Ellie so we both have the freedom to truly enjoy life."

While they were away Lloyd hired a management company to take care of his portfolio for him. "I've always self-managed my properties, but handing them over for the short term and seeing how brilliantly they



have been managed has made me question what I'll do from now on. It's taken a lot of stress out of my life, but at a cost."

Being away didn't stop Lloyd from searching for properties. "I found it relatively easy to keep working and searching for houses, especially when Wi-Fi is almost everywhere these days."

He even managed to agree a sale on a fifth property while in Guatemala – a two-bed terrace in Grangetown, Cardiff, which he is turning into a holiday let.

Lloyd's father viewed it on his behalf and gave it his seal of approval. "I have a lot of trust in his judgement," Lloyd says.

They picked up the keys once they got home in April and got to work refurbishing it. Diversifying is something Lloyd is keen to do more of as his portfolio grows. "I think diversification, even inside of real estate is important, and that's something I currently lack, having just two-and-three-bed standard BTLs."

"As an investor you always have to keep checking what's doing well and how you can maximise your potential returns. At the moment rental demand is high and my BTLs are doing well with hardly any void periods. But I know this hasn't always been the case and may not be in future. I have an interest in commercial real estate and dream of opening a huge storage container plot one day."

As far as Lloyd's concerned, investing in property is the key to unlocking the life he has always dreamed of. "In my opinion there's no better long-term investment than property and there's no better way to create freedom in life."

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# Reinventing the rental market

The controversial Renters Reform Bill could radically change the private rental sector. Neil Cumins examines how the market is responding to the proposals and what's in store

It's been over a century since the first rent controls and tenure security laws were introduced in this country, and the competing rights of landlords and tenants have been hotly contested ever since. Periods of increased market control have been followed by periods of relaxation in the rules affecting landlords, with the pendulum now swinging back towards the former courtesy of the Renters Reform Bill (RRB).

Currently making its way through Parliament, the RRB is the most contentious

piece of housing market legislation since Margaret Thatcher introduced the Right to Buy scheme in 1980. Certain media outlets have responded by predicting – yet again – the death of the Private Rented Sector (PRS).

So how will the Bill affect the PRS in England? We spoke to landlords, legal experts and policy directors to find out. Their insights reveal how the rental market is responding to the proposals and indicate ways in which the RRB might yet evolve.





## Watching the Bill

The Renters Reform Bill is only partway through the Parliamentary process of debate and revision. Current proposals are subject to change (as explained in the Acting Up boxout), but as it stands the plans are to:

- Abolish Section 21 evictions
- Extend the grounds for possession under Section 8
- Create a new property ombudsman
- Bring in a digital property portal
- Establish a statutory right for tenants to request a pet
- Replace fixed term tenancies with rolling monthly agreements.

The last point could ultimately have the widest repercussions, particularly in the student market. Tenants wouldn't need to move out at the end of the academic year or could vacate mid-term,



## "The seasonality of their market and high void periods may result in it being economically unattractive to provide student accommodation"

potentially creating lengthy void periods.

This could radically alter the entire House in Multiple Occupation (HMO) sector, says Graham Hayward, chief operating officer at Housing Hand: "It will be difficult for those accommodation providers to sustain ongoing tenancies. The seasonality of their market and high void periods may result in it being economically unattractive to provide student accommodation."

Landlord Howard Giblin says in this instance rolling tenancies don't benefit either party: "It doesn't appear to work for anyone if landlords and tenants alike aren't confident that the property would be available for them in the next academic year.

"Depending how this is applied, there's a risk of the property falling empty outside of the academic year, when no tenants are looking for new accommodation. It wouldn't be as simple as switching between different tenant profiles, as HMOs will have different planning usage, mortgage products, designs with en-suite rooms, etc."

## Catch-21

Until now, Section 21 orders have served as a broad-brush mechanism for evicting troublesome tenants, particularly in response to antisocial

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behaviour. "The challenge posed by anti-social tenants and how to deal with them, along with the proposed abolition of the fixed term contract and its impact on student landlords, are two of the core pillars of landlords' campaigns on rental reform," says David Burns, a senior litigation partner at RFB Legal.

"Landlord groups are concerned that the government's proposals do not achieve this, and without change, the reforms could become a 'charter for anti-social behaviour.'"

Anna Mullins of Forsters LLP says the wording of this section is likely to cause problems: "There is bound to be litigation around the circumstances in which problematic tenants can be evicted. The proposed wording for the antisocial behaviour ground is 'any behaviour 'capable' of causing nuisance

or annoyance.' This is a lower threshold than currently and is clearly open to interpretation; such uncertainty could be detrimental for both landlords and tenants."

However, Marc von Grundherr, director of estate agency Benham and Reeves, believes Section 21's removal could ultimately benefit all parties: "The proposed reforms should help encourage longer term tenancies. This is a positive for tenants as it provides them with greater security and stability, but it's also a positive for landlords, as it reduces void periods. A tenant is more likely to look after a property better if it's viewed as a permanent home."

## Court in a trap

In future, landlords will have to go to court to evict troublesome tenants, using additional new powers within Section 8 of the Housing Act. Unfortunately, English courts are currently understaffed and ill-equipped even to handle existing case workloads.

The RRB has been proposed in tandem with greater efficiencies in court proceedings, including more digitalisation. However, plans for public sector reform are often frustrated by a combination of inertia, bureaucracy and technical challenges.

Many of the experts we spoke to expressed concerns about the court system's ability to cope with an influx of Section 8 eviction applications. Resolving existing backlogs and inefficiencies will be essential for the RRB to succeed, and there is evidence that the government may hold back the Bill until court processes are running more smoothly.

"While court procedures are a last resort, the reforms set out in the Bill mean all good reasons for landlords wanting their property back will now have to go to court," says Ian Fletcher, director of policy at the British Property Federation.

"Without digitalisation of the courts, these proceedings will be lengthy and

## WHAT HAPPENS NEXT?

The Renters Reform Bill is currently following the five-stage journey any Act of Parliament has to pass through in the House of Commons. As well as first and second readings, Committee and Report stages and a final third reading, each Bill also has to receive oversight from the House of Lords.

The first stage consists of a reading of the Bill with no debate, while the second stage often sees significant changes being introduced. The RRB is currently at this stage. Once it's been amended later in the year, it'll go before a committee, whose recommendations

will be sent back to the Commons for further amendments. Finally, a third reading will support further debate but no more revisions.

Once a Bill has been passed by the Commons, it moves to the House of Lords for scrutiny and further tweaks or clarifications. The Upper House generally tries to avoid meddling in legislation already approved by the Commons, though they can insist on amendments. Finally, the Bill is passed to the King for Royal Assent, at which point the Renters Reform Bill will officially come into force.



expensive. On the evidence of the past year, little progress has been made on digitalisation. The government needs to turbocharge its efforts, with close scrutiny on the Ministry of Justice's court reforms."

Marc points out the courts could easily streamline proceedings for landlords. "We would like to see the introduction of set timeframes to help improve clarity – for example, when it comes to securing a court date for evicting a tenant."

Landlords would also benefit from greater clarity about their legal obligations, according to Julia, a private landlord based in the South East. She cites the proposed obligation to consider tenants with animals: "How does the landlord prove that they have a pet allergy when they receive a tenant application to consider a pet? Do they provide a GP letter? How will privacy be handled, since it will be disclosing the landlord's personal details, and does the landlord have to undertake a test to confirm if they have an allergy? What will constitute an 'unreasonable' refusal is likely to turn on the facts of each particular scenario. These will be issues left for the courts to decide."

### Get shorty

By not prescribing a minimum tenancy length, the government risks fuelling a booming short-lets market, says Ian: "Holiday lets would replace much needed permanent homes at a time when the rental market is already suffering a significant lack of supply."

Julia is concerned tenants may adopt equally short-term attitudes to rental homes once they're allowed to: "How is it going to work if the tenant decides to serve two months' notice on the day they move in?"

She says the average cost of finding a tenant, conducting professional cleaning, inventory reporting and other related costs can easily top £1,000: "The utility industries operate



## "A notice period of two months will drive a shorter-term fee change, with ongoing operational cash implications"

on twelve-month contracts, and if you only need a couple of months, you pay extra to have additional flexibility. With the tenant fees ban, these extra costs can only be recovered through the increase of rent, if no other mechanism is suggested."

### Costs and benefits

Another change proposed in the RRB is the inability to increase rent costs more than once per year. Howard says this has

pros and cons: "I think it's reasonable to limit rent increases to once a year to fair market values, so everyone knows where they stand and can plan for the future. However, having previously experienced rent caps in The Netherlands, the norm became an annual increase by the cap regardless of market value, so landlords weren't caught out with increased costs over time."

Even though tenants will be able to dispute renewal increases and insist on a tribunal hearing, Marc believes the proposed changes will "help to ensure market rents are paid, which will be an arguably fairer process."

### Gearing up for reform

Even if some of the Bill's proposals are amended or watered down, big changes are undoubtedly on the way for England's landlords. There are signs it is already having an influence on landlord behaviour.

Landlords are looking at ways to protect themselves against loss of

income. "I think landlords will be seeking larger deposits and asking for more guarantors going forward, especially as four (as opposed to two) weeks' notice now has to be given where there are rent arrears," says Anna.

Graham says protection providers like guarantors, insurers, alternative deposit providers and perhaps even letting agents will need to change their model of fees. "A notice period of two months will drive a shorter-term fee change, with ongoing operational and cash implications."

The introduction of a digital property portal will be hugely significant for the industry, with all tenancies registered with a single central ombudsman – paid for by landlords, but exclusively for tenants to register complaints and track historic examples of disreputable landlords.

As well as providing an opportunity for landlords to demonstrate they offer good quality

compliant homes Ian says the portal will help keep landlords up to date with their responsibilities: "Steps to improve compliance and the service renters receive are all welcome, and the Bill provides an opportunity to target poor standards in the sector."

### The bigger picture

While elements of the Renters Reform Bill raise questions about whether the scales are tilting too far towards tenants, many of the people we spoke to remained positive about the rental sector's long-term prospects. "I'm sure professional landlords providing good quality accommodation will adapt to the Bill in whichever form it ends up," says Howard.

His main concern is that the RRB won't work in isolation: "I would have greater confidence in the government's intentions to improve the rental sector if this Bill had been released as part of a wider plan that includes the strategy to meet their targets to increase the housing stock supply."

The National Residential Landlord Association is campaigning to make the final Bill fairer for landlords, by abolishing local licensing once the new Property Portal is introduced, and establishing firm principles as to how local authorities and the police will deal with antisocial tenants.

Government guidance suggests the Bill won't be implemented before the various courts and statutory bodies have been set up, ready to deal with the consequences of these proposed changes. If that's the case, the Renters Reform Bill could benefit landlords in the short term by improving the PRS's public perception, while creating a more balanced approach to the time-honoured conflict between the rights of landlords and tenants.

## REGIONAL VARIATIONS

Even when the RRB eventually comes onto the statute books, it'll only apply in England, since housing policy is devolved to the other Home Nations. This is how policy stands across the rest of the UK:



### IN SCOTLAND

The SNP has set a temporary 3% cap on rent increases.

A moratorium on evictions is in place, barring exceptional circumstances such as six months' rent arrears or tenant criminality. A chronic shortage of properties has led to a 5.1% average rent rise since 2022.



### IN WALES

The Renting Homes (Wales) Act came into force last December.

No-fault notice periods trebled to six months on minimum 12-month tenancies, while all landlords must provide a written contract to their tenants. Separate energy efficiency legislation also came into force last year.



### IN NORTHERN IRELAND

The Private Tenancies Act 2022 now

requires private landlords to register as part of a national scheme. Deposits are capped at one month's rent, with mandatory deposit protection. Further regulation is likely to follow next year regarding safety, notice periods and energy efficiency.





Left and below:  
Audley with  
Steph and their  
daughter Ariya



Audley appeared  
on ITV's Starstruck  
earlier this year



# The singing property manager

Soul singer **Audley Anderson** tells Chantelle Dietz how he combines his passions for property and performing



## INVESTOR FACT FILE

**Name:** Audley  
Anderson

**Age:** 51

**Lives:** Thornton Heath,  
South London

**Invests in:** South  
London

**Occupation:** singer and  
property manager

**Years investing:** seven

**Strategy:** BTLs

**Goal:** to own a portfolio  
of 10 BTLs by the time  
he's 60

**W**orking two jobs can be challenging, but for Audley Anderson it means he can pursue both of his passions in life: property and performing.

He was dubbed 'the soul singing property manager' after appearing in an episode of ITV's TV talent series Starstruck earlier this year and the name has stuck.

Performing as American singer-songwriter Sam Cooke in front of celebrity judges Adam Lambert, Beverley Knight, Jason Manford and Shania Twain he made it through to the sing off but was eliminated in the next round.

He didn't get to take home the £50,000 prize, but he did win kudos from his tenants and landlords. "I had one tenant call enthusiastically saying I knew you said you could sing but wow," he says.

## TV talent

It wasn't the first time Audley, 51, has appeared in a TV talent show. Back in 2003 he was one of the finalists of BBC's Fame Academy.

Audley's love of music goes back to his childhood. He started performing in his teens. In his younger years he was a regular on the concert circuit as a support act for the likes of Omar, Boyz II Men and Tyrese.

His interest in property developed much later. His mum had a couple of buy-to-lets (BTLs) in South London that Audley and his fiancée, Steph, took over management of in 2013. Steph worked for the estate



agency Dexters at the time, so taught Audley the ropes.

“She taught me all about property management and more importantly compliance. Every day she’d come back home asking if we have this document or that certificate. She got the two properties compliant swiftly. My mum was so impressed she bought another.”

The work fitted in well with his music commitments, so the couple took on more clients and set up their own company SilvAnderson in 2019. Things were going well. They got pregnant with their daughter Ariya, moved into a bigger house and let out their old one. Then Covid hit and all Audley’s gigs were cancelled. But rather than dwell on the negatives, they saw it as an opportunity to learn and grow their property management business.

“I couldn’t go out performing so we started to look for other opportunities with landlords. Equipped with the knowledge from Steph and having binged The Property Podcast we met a portfolio landlord with over 20 units in South East London properties that we took on.”

### Spinning plates

When the world opened back up again, Audley went back to performing. Balancing two careers means he spends a lot of time travelling to gigs. “It could be a holiday park in the UK or a cruise ship in the Caribbean – both take a lot of travel time which can make me very lethargic especially with the changes to time zones.”

So how does he manage it? “There’s definitely a lot of plate spinning going on, but I’m very fortunate and grateful to have Steph. She’s the pulse of our property management company. Even when I’m on the high seas we still stick to our morning routine of going through calls no matter the time zone. Ensuring each call has activity and pace is an uncompromisable fixture.”

Being organised and maintaining good lines of communication with tenants is key, he says: “Logging and keeping track of calls and updating emails and text messages is imperative to keeping both tenants and landlords happy. We’ve had some disruptive projects to implement and keeping the tenants updated and informed paid dividends.”

His favourite part of the job is helping people. “I’ve always been involved in service management. When I was younger I was a service desk manager for Nestle. Even then I had a way with customers and enjoyed statistics. Just like the football pundits I like to delve

into the data to make positive change.

“It’s our role as property managers to help people. That’s what we’re here for. We helped get a family in a flat after having issues and refusals for years, that day was emotional.”

Yet, looking after people can be hard work too: “Sometimes tenants can take management services a little like a concierge service and expect things to be resolved in a few hours or the next morning even though service level agreements have been communicated.”

Audley takes pleasure from seeing the results of their efforts: “The pleasure of seeing a task finished and done to a good standard always sets the feels going especially when it involves improving tenants’ wellbeing.”

### Scaling back

Although he still loves performing, Audley plans to scale back on gigs in the next few years. “The music world has a special place in my heart, and I love singing my soulful tones to audiences around the world, but I realise I can’t do that forever; I’m getting old now!”

For the meantime, though, he’ll keep on spinning those plates so he and Steph can get closer to their goal of building their own property portfolio. “Steph and I have one BTL, a two-bedroom, two-bathroom house in Thornton Heath. We’re keen to grow that to 10 in the next nine years while simultaneously growing our property management business, so I need to keep on bringing in the bacon until we can save enough to be able to go further in our property journey.”

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Left: Audley's BTL in Thornton Heath



## AUDLEY’S TOP TIPS FOR MANAGING A RENTAL PROPERTY

**✓ 1. Stay compliant**  
Make sure you regularly update your knowledge on the laws and regulations that apply to privately rented properties and keep your properties compliant with these rules. Failure to do so could lead to fines or even, in the very worst cases of non-compliance, prison, so it's not something to skirt around. We can't rest until all the t's are crossed and the i's dotted.

**✓ 2. Care about your tenants**  
Happy tenants = happy landlords. Being respectful and responsive to your tenants means they're much more likely to be the same with you and your property. Problems will arise, that's property for you, but it's how you deal with them that counts. We listen keenly and assure tenants we have the problem in hand and that it won't get forgotten about.

**✓ 3. Don't take it personally**  
Property management is problem-based business, we've had a few calls/cards/emails to say thank you for our service, but they are few and far between. The majority of calls will highlight an issue. A day of everything going wrong can feel quite negative. Find the element of property management that you enjoy and radiate from there. When you genuinely enjoy helping people and resolving problems your tenants will sense it. We used to feel anxious when the phone rang, or a text alerted us to an issue. Now we've reprogrammed our minds to think: “who can we help today?”.

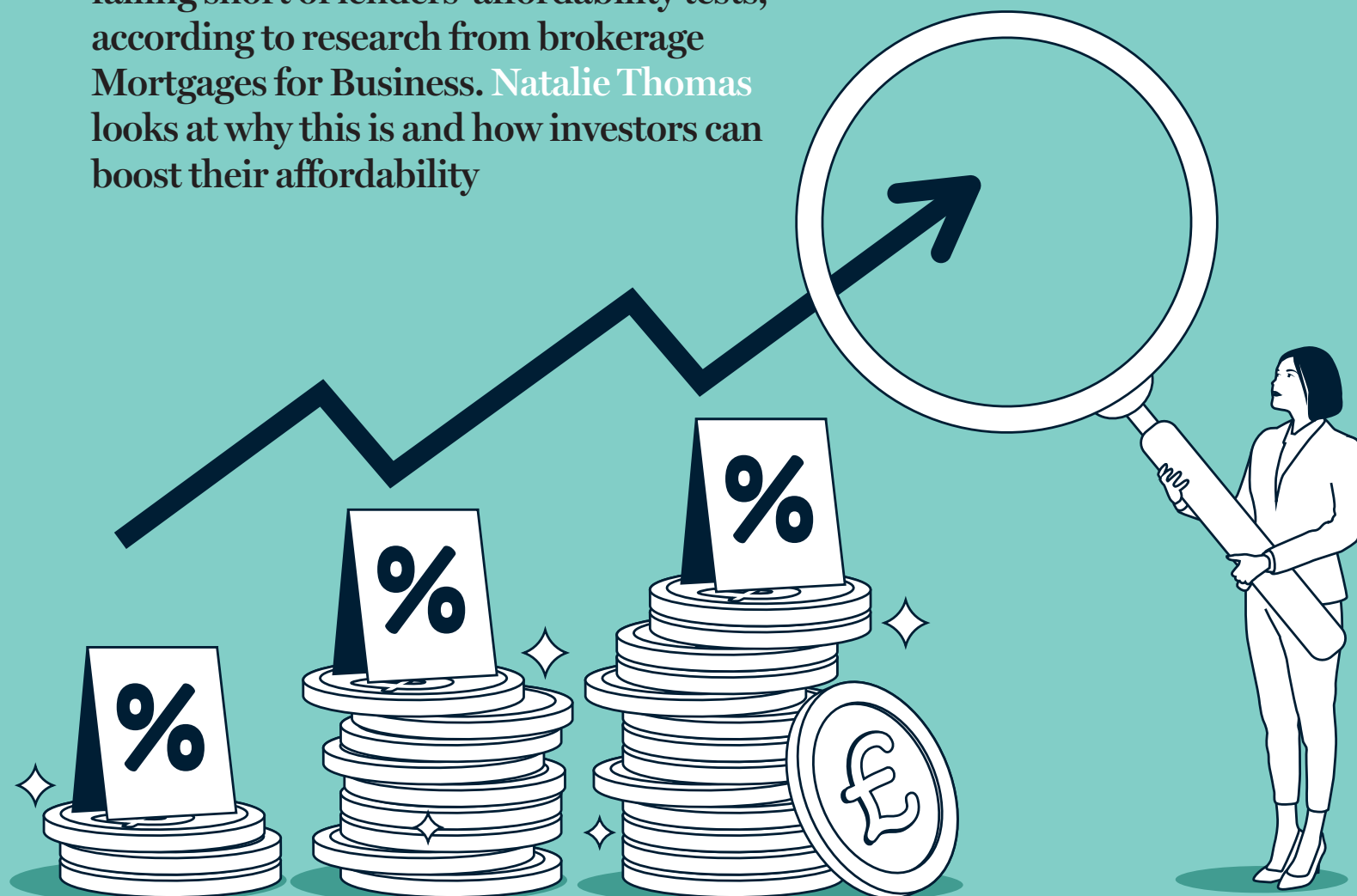
**✓ 4. Set clear expectations**  
Make sure your tenants know what is and isn't covered as part of their property maintenance and always put things in writing. Having things in black and white helps prevent miscommunication and misunderstanding down the line. It doesn't always have to be a formal contract; it can be a casual email confirming an appointment or text with a basic synopsis of a telephone conversation. It helps keep everyone on the same page.

**✓ 5. Do regular inspections**  
It's really important to conduct regular inspections of your properties so you can identify any maintenance issues that need correcting early on before they become much bigger (and costlier) problems. We have a motto: “look after your properties like you look after your mum”. Inspecting regularly also means you can make sure your tenants are taking care of the property and adhering to the terms of their contract.



# Making sense of mortgage affordability

A third of buy-to-let remortgage applications are being declined after falling short of lenders' affordability tests, according to research from brokerage Mortgages for Business. Natalie Thomas looks at why this is and how investors can boost their affordability



If you're due to remortgage soon then brace yourself for a very different buy-to-let (BTL) mortgage market to when you last refinanced.

The landscape has shifted dramatically over the past twelve months, leaving some investors struggling to find not only a competitive deal but in some instances, enough capital to fund their investment.

The current issues stem from former Prime Minister Liz Truss's September 2022 mini Budget. A number of her now-abandoned policies sent shockwaves around the financial markets, causing the pound to fall and the cost of funding to rise – and subsequently BTL mortgage rates.

While the market has stabilised somewhat since then, a Bank of England (BoE) base rate of plus 4% has ensured mortgage rates remain high. The average two-year fixed BTL rate in June 2023 sat around 6.30% and 6.23% for a five-year fix, according to Moneyfacts. This compares to 3.41% for a two-year fix in May 2022 and 3.56% for a five-year fix.

## How affordability is calculated

Higher mortgage rates are bad news for all homeowners but they can be especially troublesome for BTL investors due to the way affordability is calculated.

In 2017, the BoE's Prudential Regulation Authority (PRA) introduced a stricter affordability assessment for



**"Higher mortgage rates are bad news for all homeowners but they can be especially troublesome for BTL investors"**

BTL mortgages. These affordability checks were introduced to ensure lenders were lending responsibly and that landlords were not overstretching themselves financially; as was the case prior to the financial crash of 2008. The two main strands of the assessment are the income cover ratio (ICR) and the stress test.

The first stipulates that landlords must have an ICR of at least 125% to cover mortgage payments and any other costs associated with their portfolio.

Affordability can differ from lender to lender but generally speaking, limited company BTL mortgage providers will assume an ICR of 125%, whereas personal BTL providers will use 145% – dropping to 125% for those not in the higher rate tax band.

The second element is the stress test, which tests whether a landlord

could afford their repayments if their mortgage rate were to rise to at least 5.5% in the future, or the mortgage rate plus 2% – whichever is greater.

For five-year fixes and over, the PRA allows for the stress test to be calculated on the mortgage rate alone due to the borrower being tied in for longer.

Nick Sheppard, managing director of brokerage Framework Mortgaging, explains how it works: "There are two routes you can go down when taking out a mortgage on an investment property; either through a BTL limited company mortgage or a BTL mortgage in your personal name. Both have very different tax implications.

"Within those avenues there are two main types of fixed rate products – two-year and five-year fixed rates, both of which carry different stress tests. Tracker products also have separate stress testing too – similar to the two-year fixed products.

"Generally speaking, a limited company BTL product focuses on the strength of your rental income for affordability purposes. Whereas personal name BTLs normally take into account household income and expenditure alongside rental income," he says.

Nick explains how this works in practice: "A personal BTL mortgage stress test could be calculated using the pay rate (mortgage rate) plus 2%, times by 145%; falling to 125% for a limited company BTL.

"For example, for a 75% LTV mortgage, assuming the mortgage balance is £150,000 (including fees) and the mortgage rate is 5%, the stress test for a two-year fixed personal BTL mortgage would be £150,000 x 7% (5% + 2%) times by 145%," he explains.

This would mean your monthly rental payments would need to amount to £1,268 per month, in order to meet the stress test.

The stress test for a two-year fixed





rate limited company BTL would be the same but the 145% replaced with 125%, meaning monthly rental charges of £1,093.

"For a five-year fixed rate, there is no need to add the additional 2% buffer to the mortgage rate," he says.

"Therefore, for a five-year fixed rate limited company BTL, the stress test could be  $\text{£}150,000 \times 5\% \times 125\%$ , equating to monthly rental payments of £781," he adds.

### How affordability has changed

For some BTL investors, affordability has never been an issue. When the rules were introduced in 2017 the BoE base rate was a mere 0.25% meaning mortgage rates were low. It wasn't until last June that rates started to creep above 1%.

"In early 2022, stress testing of 145% at 3.5% was easily attainable for a personal borrower," says Jeni Browne, director at Mortgages for Business.

"However, the same applicant would now need to pass a stress test of 145% at 6%. If we put this into numbers, a rental income of £500 per calendar month would have meant a loan amount of £118,225 last year compared to just £68,965 now. This illustrates the difficulties landlords currently face, not just securing a new mortgage rate but also with borrowing enough funds for their property investment plans," she says.

Jeni says a lender won't typically decline an application if the Rental to Interest (RTI) calculations aren't working but may instead offer an alternative deal on a lower loan amount.

Some lenders will also look at the borrower's overall indebtedness when reviewing an application. "A case may be declined if concerns arise over their ability to meet all financial commitments," adds Jeni.



**"To lessen the impact of harsher stress tests, some lenders have reduced their rates but increased their fee"**

### Explore your options

Diane Mitchell, credit director at BTL lender Fleet Mortgages, says its important to remember no lender wants to decline a case. "We are there to work with clients and advisers and want to lend money.

"It may be in some cases, even after an initial decline, that after working with the client and adviser, a lender may still be able to lend some or even all of the requested loan."

If you do find you don't initially meet one lender's affordability assessment, all is not lost. To lessen the impact of harsher stress tests, some lenders have reduced their rates but increased their fee.

"The stress test is more favourable in this scenario and this has helped a lot of my clients," explains Kelly Rule, senior associate

at brokerage Sirius Property Finance.

If you're still unable to meet the strict affordability rules another option is top slicing – when an investor's personal income is taken into account. "Only a handful of lenders consider top slicing and the cover still needs to meet circa 100 – 110% on the rent before the lender will accept the income to cover the shortfall," says Kelly.

### Get advice

Given the complexities around BTL affordability and the increase in rates, the first port of call for any landlord in the current market should be to speak with a broker.

Nick stresses the importance of being proactive. "I encourage my clients to send me their portfolio details periodically. So if they are remortgaging next year, I would check now if they are likely to meet the stress tests," he says.

"Some clients who have owned properties for a number of years may not have increased their rents, which is something they could do in anticipation of remortgaging if there are potentially going to be any shortfalls around affordability," he explains.

And if you do find yourself in the position where you're making a loss, it's important to take action quickly to limit the damage. "Remember, BTL should be profitable, self-funding investments and if you are making a significant loss is the property worth keeping?," asks Dianne.

**This article is for financial information and education purposes only. It is not financial advice or recommendation. Do your own research and seek independent advice when required. Investing carries risks.**

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# Seven countries and counting

Josh and Sophie  
have been travelling  
since 2021



**Josh and Sophie** had paid off the mortgage on their home and were planning on settling down, then Covid intervened and made them rethink their priorities. Andrew James finds out what happened next

**T**o live mortgage-free is something lots of people spend a lifetime striving for – Josh and Sophie Boyd were lucky enough to achieve it in their 20s. Josh has a successful corporate job, while Sophie has her own CV writing business.

The pair were living in a three-bed, new-build house in Grantham, Lincolnshire, when Josh's company offered him the opportunity to work in Germany for 12 months. The offer was too good to turn down, so they pooled their savings, paid off their mortgage, rented out their home, and moved to Frankfurt in January 2018.

"Our mindset was very different back then. We found that information wasn't readily available quite like

it is today, so we didn't have the level of knowledge we needed to fully understand what was possible financially," says Sophie. "We just knew we wouldn't be living there so we wanted to reduce our outgoings and paying off the mortgage seemed like a sensible option."

While living in Germany they put down a deposit on a four-bed off-plan property in Grantham, with the intention of settling down in it when they returned to the UK. "It was less about building a portfolio at this stage and more about having great tenants as well as the funds available to buy a new home," explains Sophie.

They moved into the new home in May 2019 and quickly settled back into

their work/life routine, grateful to be back in the UK full time. It wasn't until Covid struck that they thought about building a property portfolio and travelling.

"Like many people, it made us reconsider what we wanted from both life and our property portfolio," says Josh. "Back then it was a stretch to use the word portfolio – we only had two properties and we were living in one of them. Even though we had the funds available, we hadn't progressed. Covid gave us the kick we needed to accelerate and get things going."

## Leveraging their home

Rather than sit on their pot of cash they wanted to do something with it. "We



## INVESTOR FACT FILE

**Name:** Josh and Sophie Boyd

**Age:** Both 36

**Lives:** corporate nomads

**Invests in:** East Midlands and Northern Ireland

**Occupation:** Josh is a global commercial programme leader and Sophie has her own CV-writing business

**Years investing:** Four

**Portfolio value:** £1.5m

**Strategy:** BTLs

**Goal:** to achieve financial freedom so they can split their time between the UK, Europe, and the US.



knew we could do a lot with the capital we had and when Covid hit the drive to do something with it really amplified,” says Sophie. “We didn’t need such a big house for the two of us and we wanted to see more of the world. Covid lockdowns demonstrated how easy and effective it could be to work from anywhere.”

They decided to remortgage their first home and release the equity to buy three more properties. “The process was actually pretty smooth, and we were able to free up 75% of the equity that was tied up in the house,” says Josh.

They used it to secure two more off plan houses on the same development in Lincoln. Both properties are currently let to military personnel via the Ministry of Defence (MoD). “If they haven’t got enough accommodation on site, they will source additional properties within a 10-mile radius through a local agent,” explains Josh.

“It’s not something we’d considered ourselves. It was our agent that had the contacts, but it’s a market we’re keen to engage with further as there are many military bases across Lincolnshire.”

In between lockdowns, the couple got married and travelled to Northern Ireland – where Josh is originally from. Whilst they were there they fell in love with the coastal village of Helens Bay. They decided they’d like to live there and started searching the property portals when they got home.

They came across a 1920s coastal property that had just come back on the market due to some complicated issues with the boundary lines. “We were back in England at this point and in another lockdown, so had to make do with a virtual viewing. The original asking price of £165,000 was immediately reduced to £155,000 after the sale fell through and with a motivated seller in a chain, so we needed to move quickly to capitalise on this opportunity.

“It was a long and stressful process, however our solicitor was eventually successful in resolving the boundary issues and we were able to negotiate down the price by a further £11,000 due to some further issues identified by our surveyor,” says Josh.

The property needed a full renovation, and they’d planned to move there so they could manage the project, but by the time they got the keys, they’d had a change of heart. “Once we realised we could work fully remotely, we decided it would be best as a BTL due to its desirable location and its proximity to Belfast.”



Above: Josh and Sophie's Grantham and Lincoln properties

Eighteen months later, they’ve only just found a builder. “It has taken some time, in fact too much time, mainly due to the lack of builder availability and the scarily escalating costs of building supplies, however we have finally found a builder to take on the renovation,” says Sophie. They’re hoping to have it ready for tenants to move in by the end of the year.

### Portable portfolio

Since April 2021 Josh and Sophie have been living in Airbnbs, traveling the world. They’ve spent time in New York, LA, Washington, Miami, Dubai, Sydney, the French Alps, Tokyo and Frankfurt.

“We really enjoy and appreciate this more flexible way of life where less is more, although our car now doubles as a garage and there’s a lot of packing, unpacking and generally living out of a suitcase,” laughs Sophie.

“It might sound like a bit of a nightmare for a lot of people, but it’s given us the opportunity to experience living in many different places,” she adds.

Managing a portfolio remotely comes with its challenges, but none they’ve been unable to overcome. “Most of the problems we experience are the same as any investor managing a portfolio of properties outside of their local area would,” says Josh.

“Time zones can be challenging, especially for critical issues that need to be addressed quickly for tenants. I feel that leveraging technology as well as



Below: the house in Helens Bay, Northern Ireland



developing trusted relationships is key and I’ve personally found WhatsApp to be a great tool to help communicate effectively with agents and contractors when travelling.”

Sophie says building a strong support network has helped her stay hands-on. “It’s about the quality of relationships that you create along the way that can ease the everyday efforts of running a portfolio. Once you feel confident in those relationships, this can have a huge impact on your success. It doesn’t happen overnight, and some of mine are still a work in progress, but for me, this is definitely a make-or-break factor.”

The couple have no plans to settle in one place any time soon, but they say they’d like to find a longer-term rhythm to their nomadic lifestyle. “It might mean us spending six months in Europe, then six months in the US, rather than moving around every few weeks.”

As for their property plans, they’re looking to pull out more of the equity they’ve built up of the past few years to grow their portfolio. “Our short-term goals continue to change and evolve as we gain new knowledge and experience. Ultimately, our long-term goals are the same and we would like to establish a more diversified portfolio with properties both in the UK and US.

“As I’m sure many couples in business together can relate, we have different views on the journey to get there, but this helps us to make sure we make only the best investments for our future,” says Josh.

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



# 5 ways to save tax with a limited company

Putting your properties in a limited company can reduce your tax bill – but how does it work and what do you need to consider?

Whether you're just starting out on your property investment journey or looking to optimise your current portfolio, the way you structure your property business can have a significant long-term impact on your tax obligations and profitability.

More and more buy-to-let (BTL) investors are purchasing property via limited companies, rather than in their own personal names. Almost double the number of landlords incorporated their property portfolios in the first quarter of this year than in 2019.

Limited company ownership isn't right for everyone, but it's something every investor should consider. So how can a limited company help you pay less tax and put more pounds in

your pocket? We asked the experts at Provestor.

**1 You pay Corporation Tax, not Income Tax**

When you buy a property through a company you still pay tax on your profits, but you pay Corporation Tax rather than Income Tax.

The rate of Corporation Tax tends to be around half of the higher rate of Income Tax, so if you are a higher or additional rate taxpayer, the savings can be huge.

For example, let's say you've got a BTL that you currently let out for £950 a month with a £600 per month (interest only) mortgage, making you £4,200 gross profit per year.

With a personally owned BTL

property, you pay £3,120 in income tax (higher rate 40%) on your rental income a year, leaving you with £1,080 net profit.

Now let's consider if you bought it through a limited company. You'd still make the same amount of gross profit, but you'd be paying £798 in Corporation Tax (19% on profits under £50,000), leaving you with £3,402 net profit.

This is one of the main reasons higher rate taxpayers choose a limited company. If you're a basic rate taxpayer with one or two properties and no plans to grow, you may be better off owning in your personal name to maximise your personal tax allowances.

"A limited company isn't necessarily right for everyone, and it's important to get tax advice from a property tax

expert before setting up a company to ensure you get the most tax efficient structure based on your personal situation and long-term goals," says Nadeem Raziq, head of tax at Provestor.

"It's also worth bearing in mind recent changes to the Corporation Tax main rate, which increased in April from 19% to 25% on profits over £250,000. The good news is a Small Profits Rate of 19% remains on profits under £50,000, which is ideal for those starting a limited company. For growing company portfolios, be aware of the new Corporation Tax main rate of 25% on profits over £250,000, with profits in between tapered by a Marginal Relief."

**2 You can offset your mortgage interest**

When you take out a mortgage on a BTL via a limited company you can offset 100% of your mortgage interest against your profits, whereas if you're a higher rate taxpayer, you can only offset 20% if the property is mortgaged in your own name.

That's because mortgage interest is an allowable expense for companies, but not for those that personally own their properties. The rule change for individual investors was phased in between 2017 and 2020, hence the dramatic rise in limited company ownership since 2019.

Based on these numbers, it seems like a no-brainer to buy a property through a company, but it all depends on your personal circumstances. "If you're a basic rate taxpayer, the good news is that you won't be affected by Section 24 and can receive full relief of your mortgage interest against your tax bill. If you have no plans to grow your portfolio (or take your earnings over the basic rate tax threshold), it could be more beneficial to keep your properties in your personal name," says Nadeem.

"However, if your earnings are pushed into the higher (40%) or additional (45%) tax rate bracket due to rent increases or

adding to your portfolio, you'll feel the pinch of your income being taxed at a higher rate, whilst only receiving a 20% mortgage interest tax relief credit against your tax bill."

**3 You can protect your profit**

If you're looking to grow your portfolio, then keeping your profits in a company will help you speed up the time it takes to save up your next deposit.

Say you want to buy another BTL

and need a £15,000 deposit. If you were buying it personally, it would take you 14 years based on the figures in the table below. However, if you were buying it via a limited company, it would take you four and a half years – less than a third of the time.

"It's really tax efficient to hold your profits within a limited company and not suffer the additional tax liability in taking money out of the business," says Nadeem.

| Buy-to-let example property                                                                                                                 | Personally owned | Limited company owned |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------|
| Rental income per month                                                                                                                     | £950             | £950                  |
| Mortgage costs per month                                                                                                                    | £600             | £600                  |
| Annual profit (before tax)                                                                                                                  | £4200            | £4200                 |
| Income Tax (40%)                                                                                                                            | £3120            | £0                    |
| Corporation Tax (19%)<br><small>(19% on profits under £50,000; 25% on profits over £250,000; marginal relief on profits in between)</small> | £0               | £798                  |
| Annual profit (after tax)                                                                                                                   | £1080            | £3402                 |



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Even if you do decide to take the profits out, you'll still end up better off. We know that with the personal property you'd pocket £1,080 per year after tax. With a property in a limited company the profit belongs to the company, so you'd need to pay yourself a salary or dividend.

The first £1,000 of dividends per year are tax free, after which you'll pay tax of 8.75% on everything over £1,000 to the basic rate limit. For higher rate taxpayers the dividend band is 33.75%. That means you'd be left with a net profit of £3,003, after you've deducted £483 in income tax.

However, Nadeem warns of double taxation: "If you're earning £70,000 from a full-time job, you're already a higher earner paying 40% tax in your personal name. Should you decide to draw any income from your company, you'd be taxed at this higher rate – whether as income tax from a salary (40%) out of a limited company or as dividends at 33.75%.

"This creates the issue of double taxation, which can become quite costly if you aim to generate passive income from the company in addition to your employment income. To mitigate this, we recommend strategies such as involving other family members who aren't high earners in the company. Through careful tax planning, you can extract money and compensate them in ways that are more tax efficient."

## 4 You get to call the shots

As a company director, you have the flexibility to choose what to do with the profits. You can invest in further properties, save into a tax-efficient pension or pay out the profit strategically using dividends. This flexibility can help with your personal tax planning compared to personally owned properties.

"An efficient company share structure set up can provide tax-saving

opportunities and influence how you distribute profits and control the company," says Nadeem.

"For instance, a SASS pension could help you mitigate corporation tax profits and at the same time allow you to extract cash from your pension scheme with much more flexibility than a conventional pension scheme. This can allow you to lend money back to reinvest in the business."

## 5 You can protect against Inheritance Tax

Property held within a company gives you more options when it comes to planning for Inheritance Tax. If you plan to pass your business on to your family in the future, it's much easier to transfer a limited company than a privately held portfolio.

Since the properties are owned by the company, not you, they can be protected from Stamp Duty, Inheritance Tax and Capital Gains Tax liabilities.

Depending on how your company is structured, you could add your children and grandchildren as company shareholders or trustees. Shareholders have voting rights and influence over the running of the company, and are paid dividends based on the number of shares they hold. It's a crucial part of ensuring your business is running as tax-efficiently as possible, so you need to set up a distribution of company shares that works for you and your goals.

It's important to ensure the correct percentage is held by each shareholder and the share of class reflects what they want from the company. Some advanced investors prefer 'smart' share structures:

- Growth/freezer shares allow you to plan for the future growth of the company and elect which share class can benefit from the growth. These should be considered when you have children or wish to introduce children

to the company at some point in the future.

- Alphabet shares allow a company to assign shares with different classes (identifiable by a letter), for example to pay different dividends or to give certain shareholders decision-making powers.

One thing to be aware of is the potential risk of introducing other shareholders on mortgage availability. Many lenders have strict criteria around the ages of shareholders which can impact which mortgage products are available.

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## Mix and match

If you already own properties in your name, you're probably wondering if you can transfer them into a limited company. The answer is yes, but it may not be worth it. That's because you effectively have to sell each property to your limited company, which can be very costly and time consuming.

When your limited company buys a property, the company will need to pay Stamp Duty on the purchase.

Stamp Duty through a company is the same as personal rates, plus the additional 3% surcharge.

Futhermore, if your property has increased in value by more than the CGT tax-free allowance (currently £6,000, reducing to £3,000 from April 2024), you're going to have to consider paying CGT. So, as you can see, it's an expensive process.

There are reliefs and allowances available when incorporating a property business. Incorporation relief delays the payment of CGT until

you sell or dispose of the company shares. If the company is never sold, CGT is delayed indefinitely.

However, you must meet certain criteria to be eligible for incorporation relief and be able to evidence that your BTL business is a genuine property letting business (not just a passive investment). This is something landlords can explore themselves but it's worth getting specialist advice before doing so as in some cases not all of the gain can be rolled over tax free.

If you don't want to incorporate your existing portfolio, the good news is you can have a mixture of personally owned and limited company-owned properties. So you can keep your current portfolio, and then use a limited company for your next purchase and enjoy all the tax benefits on the new property.

## Take your time

Nadeem stresses the importance of taking the time to get your structure right and not rush into setting up a company: "We understand investors sometimes get overwhelmed with all the legal requirements when purchasing a property and are excited to get it over the line. However, it's important to take time in understanding the consequences of setting up a limited company properly, not only from a tax angle but a commercial one too.

"The short-term gains of quickly setting up a limited company are often felt soon after by clients when they realise the company has not been set up tax efficiently for them or indeed their family members. The cost to remedy this can be quite expensive. Speak to an advisor to ensure your business is future-proof in terms of your property investment goals, as well as your family planning goals."





# Reframe your perspective

Investing in property can feel stressful and frustrating, but what if you've been thinking about it all wrong, asks **Rob Dix**

**W**hat if I told you that long-term success in property has nothing to do with rents, refurb, the property cycle, supply and demand, or any of the other factors we spend most of our time thinking about?

The true magic of property is that the deck is stacked in your favour. By merely harnessing a fundamental economic force – one which the country's biggest institutions throw their entire weight behind maintaining – it's virtually impossible for you not to become wealthy over a long enough timeframe.

The idea is a simple one. But from a few conversations I've had recently, I've realised it's so simple – and so hidden in plain sight – that most people completely overlook it.

Once you fully absorb this idea, all your week-to-week worries about your portfolio will drop away: you'll pull yourself up out of the weeds, and gain a whole new sense of excitement about what property will enable in your life. So what is it?



## Inflation

Inflation is a subject I struggled to coerce anyone to care about for the best part of a decade. As it climbed up to double digits and beyond, that changed – but inflation is no less powerful when it's bumping along at 2%.

As you'll know, 2% inflation is an explicit Bank of England policy. In practice, it sets a floor for the rate of inflation. If it drops below 2%, sirens

start going off at Threadneedle Street (I imagine) and they chuck the full machinery of their central banking powers at getting it back up. If it goes above 2%? Well, they'd like to bring it back down – but it doesn't have quite the same urgency.

Result? In the years 2010-2019, when no-one was thinking about inflation at all and it wasn't a particular problem, the average was 2.81% per year.

You must also understand that

the government desperately needs inflation. Why? Because it's the only way to keep its debts under control. Every year, the government has no choice but to borrow more money. Result? The national debt has inched up to 100% of GDP. If inflation gives GDP a boost (by making everything more expensive), the debt becomes smaller as a proportion. If we had no inflation – or, perish the thought, deflation – the debt would grow as a percentage to even more unsustainable levels.

## House prices

Let's bring in house prices now. Over the last 150 years, house prices have grown faster than inflation by an average of 1.1% per year. Not every year – far from it. Over shorter periods of time they can lag inflation, and they can even drop sharply. But zoom out, and they always outpace. Even during the mid-1970s, when the average inflation rate was nearly 20% per year, property prices grew faster!

But for our purposes, let's assume they'll just keep pace with inflation from now onwards.

## Leverage

Owning an asset that just keeps up with inflation isn't particularly exciting. But where things get interesting is adding in leverage.

Say you take out at 75% mortgage, so you're only putting in a quarter of the funds needed to buy a property. You can think of each 25% of the property's value as being a different bucket: you paid for one bucket, and the lender paid for three.

If property prices go up in line with what inflation is supposed to be – 2% – then each of the three buckets increases in value by that much. The bucket that you funded goes up by 2%... but so do the three buckets you didn't fund.

Add them all together, and that's an 8% gain. And because of the deal you

have with your lender, that entire gain is yours!

Now imagine that inflation runs at the 2.8% we experienced in a "normal", unexciting decade. Multiply that by the four buckets, and it comes to an 11.2% gain – again, all of which is yours.

What if inflation ends up being higher over the next decade than it was in the previous one – maybe 4-5% on average? Well, you can

do the maths on that one for yourself...

OK, in reality there are taxes and other expenses – so to reflect the larger amount of money you're contributing in reality you might want to just multiply by

three rather than four.

But still – that's a pretty extraordinary return. And it's not assuming anything other than inflation continuing to exist (which it absolutely must) and house prices keeping pace (which historically they've more than done).

## The base case

Remember: this is just the base case. What if you managed to buy at a discount? What if you bought in an area that out-performed the average? This is what we do for our clients at Property Hub Invest, and the results can be spectacular.

But really, the base case is pretty spectacular in itself. And when you look at property through this lens, it puts a lot into perspective. When the base case is this good, is it worth slaving away on a refurb to earn a bit more? Do you really want to be flipping property, meaning you miss out on owning it for the long term and benefiting from this extraordinary dynamic?

For me, fully appreciating this simple insight gives me three main takeaways:

**1 Don't fixate on rent**  
We haven't even mentioned rent yet. But that's just as well: focusing on rental income means you're fixated on relatively tiny amounts of money today and ignoring the giant amount of wealth that's up for grabs over time. However, don't get me wrong: you must be making a profit, because of the second point...

**2 You must never be a forced seller**  
All you need to do is buy and wait... but while property will at least track inflation in the long run, it can go through dramatic short-term swings. If you're forced out of the game during one of these times, you won't be around to reap the rewards of time. This means you need to make a rental profit, and have a healthy reserve fund.

**3 Choose the easy route**  
Given that all you need to do is buy and wait, the aim of the game becomes to minimise hassle while you do it. If property drains you and stresses you out, again, you might end up selling – and missing out on the inevitable benefits of time. For me this means buying intrinsically low-hassle properties, and not being afraid to spend money to have someone else do the work. Paying a couple of hundred pounds a month for a PA on top of having your properties managed might seem like an extravagance, but it's an incredible deal if it unlocks collecting tens of thousands of pounds over time.

Of course, property can be stressful. It can be frustrating. But if you keep this simple framework in mind, it's hard not to be excited about the future.



If you want to hear more from **Rob Dix** check out our YouTube channel: [youtube.com/propertyhubuk](https://www.youtube.com/propertyhubuk)



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# No deposit required

Deposit-free mortgages are back on the agenda  
– what does this mean for investors?

**T**he 100% mortgage has made a comeback. The controversial home loans, which saw banks and building societies lend the full value of a property back in the 00s, disappeared in the years following the financial crash of 2008 after lenders deemed them too risky.

But now Skipton Building Society has launched a product that eliminates the need to stump up a deposit to get on the property ladder once again.

As investors, you might think the news has little consequence for you – the loan is only available to first time buyers – still, the resurrection of zero-deposit loans could have a knock-on effect on the rest of the housing market.

## Are 100% mortgages a good idea?

I don't have a problem with 100% mortgages, so long as they're used responsibly. It's when people who shouldn't be exposed to these types of loans get offered them that it starts to become a problem.

Leading up to the 2008 crash you could get a 100% mortgage with adverse credit. Northern Rock famously went even further, offering 125% loans encouraging borrowers to overextend themselves in the belief property prices would only ever go up, trapping them in negative equity when the market collapsed.

Even investors got in on the action, buying properties below market value then remortgaging the same day, effectively meaning they didn't have to put a deposit down.

This time around borrowers are subject to much stricter affordability criteria. Skipton's Track Record Mortgage stipulates that monthly mortgage repayments

can't exceed the average monthly rent they've been paying for the past six months.

Eligible borrowers need to be 21 or over, have been renting for at least 12 consecutive months out of the past 18 and be up to date on all rental payments and bills. They'll even be penalised for late payments on things such as Netflix and their mobile phone bill.

Skipton's is the first no-deposit deal that doesn't require a guarantor's backing to launch in the UK since 2008, but a handful of other lenders offer guarantor-backed deposit-free deals for borrowers who can persuade a family member or close friend to commit to using their own savings or property as security against their loan.

## Could it kickstart a property boom?

If zero deposit mortgages do become popular again, they will open the property market up to a huge segment of the population that wasn't able to access it before, increasing demand and pushing up prices, and that's why important to keep track of what's going on. We're a long way off this though yet. According to

financial data firm Moneyfacts, there are currently only 17 zero-deposit products on the market, accounting for just 0.3% of the UK market, so there would need to be a lot more choice and considerably more uptake for it to start to create the conditions for a market boom. But it is interesting the market is moving in this way and it's a trend I'll be watching closely.

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# What I've learned

**Derek Tsang** moved to London from Australia with his wife Anh in 2008. He has built a portfolio of properties while working full-time and blogging about his adventures with his daughter, Cara

## Be patient

Property is a slow-moving beast, waiting for solicitors, utility companies, building materials and capital growth. As tempting as it is to break the phone when your solicitor has gone on a three-week holiday midway through a property purchase, I've learnt there's no benefit in getting stressed over things outside of your control. You end up more frustrated and tired, and no closer to an outcome.

I try to focus on what I can do, such as following up agents and solicitors on a regular basis or calling around stores to confirm available stock. You may also get lucky if your property grows in value overnight, but the majority of the time it takes years. Patience is crucial.

## Geek out

Property investment throws a lot of numbers at you: asking prices, mortgage payments, yields, ROI and so on. Everyone has their own methods, formulas and

minimum targets. We're spoilt for choice these days with a myriad of software and apps available to monitor our investments.

I'm a spreadsheet geek and like to adapt my figures to what's happening in the current market. This helps keep the analysis relevant, consistent and comparable across the properties I'm considering.

Once you've chosen your method, it's important to take action. This could be viewing a property, joining a networking event, or calling the agent to put in an offer. Taking action is the only way to start and develop your property journey.

## Have some options

Plans are great, but what happens when things don't work out? Say your mortgage rate is higher at the end of a fixed period, or planning permission is denied, or renovations take longer than expected?



As strong as your plan A might be, I've learnt you should always have a plan B and C. If you don't know what to do when things don't work out, there's plenty of information available. I've asked numerous questions on property forums and received very helpful responses and suggestions from the community.

## Trust your team and the process

Finding and building your core team of advisors and contractors is a difficult task, but key to your success. Once you have a team, you need to put your trust in them. Whether that's trusting your letting agent to find a suitable tenant or trusting your builder to renovate a home to a high standard. If there's no trust, then what's the point in hiring them? I have two properties 190 miles away from where I live,



## INVESTOR FACT FILE

**Name:** Derek Tsang

**Age:** 41

**Occupation:** contracts manager

**Years investing:** nine

**Invests in:** London and Crewe

**Strategy:** BTLs

**Goal:** to retire in 2032 and travel the world

so I heavily rely on and trust my agent and contractors. Obviously if the relationship deteriorates, then move on. As the saying goes: hire slow and fire fast.

## Enjoy it

Like any job, hobby or extracurricular activity, if you're not enjoying it then it's going to feel like a chore. With all the regulations and potential issues with tenants, it can be difficult to see the positives. But I've learnt to have as much fun as possible along the way. There's the opportunity to meet new people, explore new areas, provide nice homes for people, and shop for tax-deductible goodies.

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

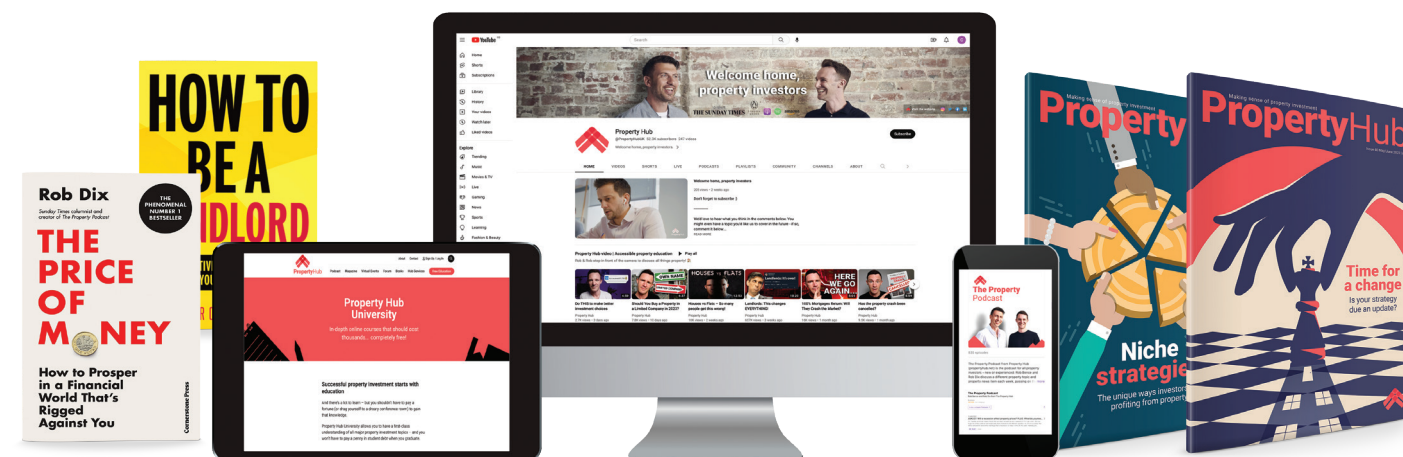


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