

Making sense of property investment

PropertyHub

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NEWS

05
Inside the Hub
Your roundup of what's been going on across the channels

06
Market Focus
Must-read market news to keep you in the loop

BEHIND THE HEADLINES

08
What next for EPCs?
Tougher energy performance standards have been ruled out – for now at least

HOW I GOT HERE

10
"Money doesn't buy happiness, but it does buy you options"
A sequence of family tragedies gave Heather Smail the drive to make a better life for herself

LOCATION FOCUS

14
Garden of Eden
Carlisle is entering a period of expansion unprecedented in its 2,000-year history

Issue 43 November/December 2023

Inside

COVER STORY

24
A year of extremes
Bidding wars, mortgage madness and lagging legislation – we take a look back over 2023

INVESTOR STORIES

20
Following a formula
Anthony Ogboi Uzum has perfected his formula for buying, renovating and renting properties

30
Transferable skills
Melissa and Joe Potente have put their commercial refurbishment experience to good use

38
Riding to the rescue
Andrew Collins took on a back-to-brick refurbishment in Haydock for his first property project

COMMENTARY

46
2023: what happened and what's next?
The past year has been anything but predictable, writes Rob Dix

49
Should landlords fear a Labour government?
Rob Bence doesn't think so

INDUSTRY INSIGHT

34
Development dos and don'ts
Avoid the pitfalls of property development

42
How to: manage a smooth check out
Steps for a stress-less check out

THE LAST WORD

50
What I've learned
Kegan and Eamonn Richardson share the insights they've gained


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Welcome



Rob Bence (left) and Rob Dix (right)

It has been quite a year for the property market, and now we're in the final few months we've found ourselves reflecting on everything that has happened.

Our cover story this issue recaps some of the key events of 2023 – from an imploding mortgage market to an intensifying rental crisis – and looks at how these developments will shape the market landscape going into 2024.

What many people thought would be the biggest stories of the year never materialised. Delays to the second reading of the Renters (Reform) Bill stalled progress, while an all-out collapse in property prices never happened, as Rob D writes in his column on page 46.

Still, despite the drama and the mystery, there were still lucrative deals to be found and money to be made,

as our investor stories in this issue demonstrate.

With a general election on the horizon, politics will be front and centre of the news agenda next year, but should landlords be worried about a Labour government? Rob B shares his views on page 49.

Happy reading!

Rob and Rob

Rob Bence is CEO and co-founder of Property Hub and Portfolio and co-host of the award-winning Property Podcast. He's been investing in property for almost two decades.

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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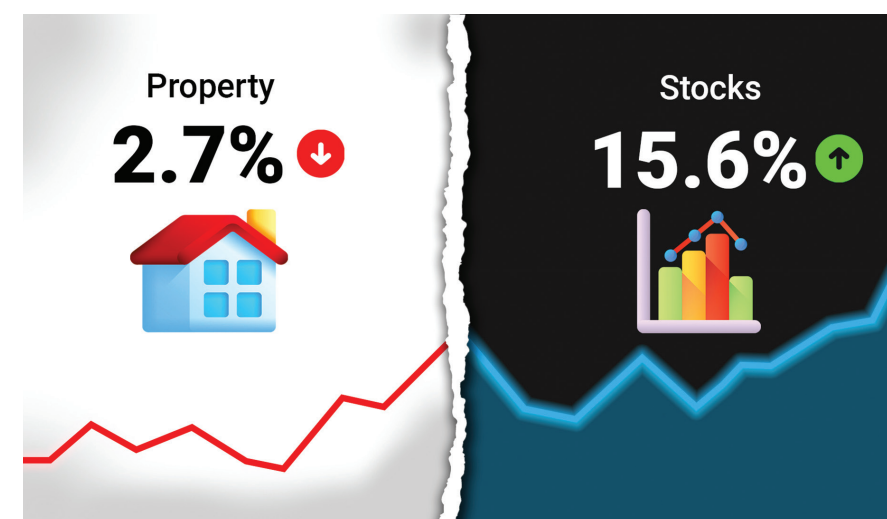
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Inside the hub

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



ON SCREEN

Investing in property is getting harder – so is it time to get out and invest in the stock market instead? Maybe that's what we should have been doing all along? Or is there a reason why property performs better in the long term? Rob Dix expertly explains the pros and cons of both in his YouTube video 'Time to quit property and buy shares?' youtube.com/propertyhubuk

ON AIR

Much has changed in the property market this year. As has become tradition, The Robs will be reflecting on what's happened and reviewing their predictions from the start of the year to see which ones they got right, which ones they got wrong, and which ones they couldn't have anticipated. Plus, Hub Extra fans will be treated to a roundup of all the best recommendations.

Propertyhub.net/podcast

ONLINE

Chances are most of your property searches start online, but are you getting the most out of the property portals? Rob Dix shared his top tips for using Rightmove like a pro in a recent edition of Property Pulse.

1: Set up instant or daily alerts

Email alerts – where properties come to you – are a valuable part of the platform. And to get that first-mover advantage, you want to set them to be sent either daily or instantly. The problem with this is you can easily be overwhelmed with the number of emails, and stop reading them entirely – which is why the next step is so important.

2: Draw a search area

Most areas of interest won't neatly align with the radius of a particular postcode. This is why drawing a search area is so powerful: once you know an area you can set it up perfectly so only properties

in your strict area of interest will be included. Pair this with the right filters around property type and price, and everything you see will be relevant.

3: Set up alerts for properties you already own

This is an easy way to keep an eye on the market in areas you've already bought in. I set up both rental and sales alerts, which I set either to the exact postcode or a very tightly drawn area, so I can passively monitor hyper-specific local trends.

4: Use the "Sold House Prices" section

You can find data about previous sales other places, but I like it get it on Rightmove – because it'll often be enriched with photos, floorplans and the details of past listings. This gives you more context. Having some visuals makes it easier to compare like with like.

5: Use the keyword filter

Hiding in plain sight at the top of any page of listings is the "Prioritise properties with..." filter. You can enter keywords here to bring certain properties to the top: "modernisation" and "acre" can be useful ones, or you can include a feature you know you want – like a balcony or garage.

6: Grab a browser extension

Chrome extensions Property Tracker and Property Log expose the price history of a property, giving you a picture of how motivated the seller may be – and a way to catch out agents talking about how much interest they've had.

Market focus

The latest news and developments from across the property market



LUCKY ONE

Homes with the number one command the highest value on the street, analysis has found.

Rightmove analysed over 10 million properties numbered from one to 100. The results showed number one typically has the highest value, averaging at £393,690. The lowest valued number was unlucky number 13, at £354,793 - almost £40,000 (11%) less.

Such are the negative connotations around the number 13, some developments skip it altogether – but buyers could bag a bargain if they're willing to put superstitions aside.

Edward Thomson, director at Strutt & Parker Sloane Street, said: "It's common for new developments to skip number 13, going straight from 12 to 14, to remove the element of superstition. Whilst thankfully it is only a very small minority of buyers that are disaffected in this way, there will always be those who avoid 13, never walk under ladders, and salute every magpie!"

"If living at number 13 doesn't faze you it is possible you could find yourself buying against a smaller proportion of the market and therefore do a better deal – but only if you're lucky of course!"

FUTURE HOTSPOTS

Fifty-five towns across the UK have been selected to benefit from £1.1bn investment, as part of the government's plans to develop areas that have previously been overlooked.

The towns will be given £20m endowment-style funds each over 10 years to invest in local priorities like reviving high streets, tackling

anti-social behaviour, improving transport and growing the local economy.

Local residents and decision-makers are to be put in charge of how the funding will be used.

Out of the 55, six are in the North East, 10 in the North West, four in the West Midlands, seven in Scotland and four in Wales.

Levelling Up Secretary, Michael Gove said: "This will empower communities in every part of the UK to take back control of their future, taking long term decisions in the interests of local people. It will mean more jobs, more opportunities and a brighter future for our towns and the people who live and work in them."



Torquay

IN BRIEF



£1.1BN

The total investment being put into levelling up the UK's left-behind towns
(gov.uk)



7 SEPTEMBER

The date new damp and mould guidelines were published
(gov.uk)



£30,000

The premium for buying a house with the number one
(Rightmove)



DOUBLE GLAZING

The most in-demand feature for renters
(Rightmove)

WHAT RENTERS WANT

If only there was a way to get inside the mind of potential tenants and find out what they want...

Enter Rightmove. It analysed more than 600,000 property listings to see which features led to the highest number of enquiries to an estate agent, and the findings might surprise you.

'Double glazing' came out on top, with 'smart technology' (such as smart heating systems) at number two, and 'near station' at number three.

The terms 'new boiler' and 'energy efficient' also appeared in the top 10, suggesting tenants are prioritising features that will reduce their energy bills over things like a garden, which was absent from the list.

"It may not seem important to mention that a property has storage space or a new boiler, but our study shows this could make a difference when prospective buyers and renters are deciding which homes to go and view," said Rightmove property expert Tim Bannister.

Top 10 most in-demand features for renters

- 1 Double glazing
- 2 Smart tech, such as smart heating system
- 3 Near station
- 4 Parking space
- 5 Basement
- 6 New boiler
- 7 Shed
- 8 Attic
- 9 Energy efficient
- 10 Open plan

A DAMPENED

The government has published new damp and mould guidance for landlords.

The guidance puts the onus on landlords to tackle damp or mould issues. It states damp and mould in the home are not the result of "lifestyle choices" and that landlords must treat cases with the "utmost seriousness" and act promptly to protect their tenants' health.

It also makes clear tenants should not be blamed for damp and mould and that it is the responsibility of landlords to "identify and address the underlying causes" of damp and mould issues.

Legislative changes are expected to follow with the Renters Reform Bill introducing ways to oversee private landlords' handling of mould and damp.





The news the government has scrapped plans to make rental properties adhere to a minimum Energy Performance Certificate (EPC) rating of C by 2025 for new tenancies, and 2028 for all rental properties has been met by mixed reactions. On the one hand there's been relief – the cost of having to implement energy efficiency upgrades was a big worry on top of other pressures being piled on landlords.

"Landlords in particular have been continually hit with higher taxation and legislation, coupled with inflationary pressure and higher interest rates, leading many to conclude that it is time to sell.

"This supply restriction has seen rents go up at a greater rate than in living memory. Therefore reducing capital outlay by reversing out of policies like this is in everyone's interest in the short to medium term," says Michael Cook, group managing director of Leasers Romans Group.

On the other there's been anger – the move has been described as a "slap in the face" for landlords who have already invested in improving the energy efficiency of their properties in preparation for change.

Analysis from Shawbrook Bank found almost half (46%) the landlords it surveyed had spent between £500-20,000 on improving or investing in their property in the last year, averaging at £25,148 per landlord.

Jonathan Daines, founder and CEO, lettingaproperty.com says the news has been frustrating for many of his clients. "With the planned EPC changes looming, many landlords in our community proactively improved the energy efficiency of their properties. They incurred significant costs and practical hassles, to make energy efficiency upgrades in line with proposed EPC minimums.

"Some of our landlords even took the drastic step of selling their property because it was financially or practically impossible to make necessary improvements.

"These landlords have walked away from the Private Rented Sector and a ripple effect has been felt, with tenants competing within a shrinking pool of homes to rent. Those lucky enough to secure a rental are typically paying more for the privilege, thanks to reduced stock levels – an unwelcome burden on top of rising living costs."

Why did the government scrap its plans?

Prime Minister Rishi Sunak reasoned the decision was down to costs and that it was unfair to force property owners to make upgrades at a time when many people are facing financial difficulties.

He said: "Under current plans, some property owners would've been forced to make expensive upgrades in just two years' time. For a semi-detached house in Salisbury, you could be looking at a bill of £8,000. And even if you're only renting, you'll more than likely see some of that passed on in higher rents. That's just wrong. So those plans will be scrapped, and while we will continue to subsidise energy efficiency – we'll never force any household to do it."

What does this mean for you?

"I don't think landlords should be celebrating just yet," says Rob Bence. "I was glad to hear the news, but after digesting it I felt sceptical. I don't think it's up to the current government to make a call on this because we're in the run up to a general election and there's a good chance they might not be in power next year."

The Labour Party has yet to respond to Rishi Sunak's announcement, but Ed Miliband, the shadow secretary for climate change, has already said he is 'in favour' of requiring rented properties to meet a minimum EPC C rating.

Meera Chindooroy, deputy policy director for the National Residential Landlords Association (NRLA) says

this means there is still "no clear plan" for the sector, something that will only serve to complicate landlords' investment decisions.

"Rishi Sunak doesn't have the last word on this issue. But it's not yet clear who will," she wrote in a blog.

"If there's a change in government at the next election, it's almost inevitable that new regulations will be brought forward to compel landlords to take action. But of course, we don't know exactly what that action will need to be."

What next?

Regardless of recent developments, the reality is, the UK still needs to make upgrades its inefficient housing stock.

"With energy bills in the spotlight, EPC ratings are climbing up prospective buyers' wish lists, and if the housing market is to meet net zero targets, properties need to be retrofitted," says Ben Thompson, deputy CEO at Mortgage Advice Bureau.

"The UK has some of the oldest and least efficient homes in Europe, and backtracking won't help solve the overall problem – it simply serves as kicking the can down the road."

Yet, despite the compelling case for action, landlords aren't incentivised to make energy efficient improvements.

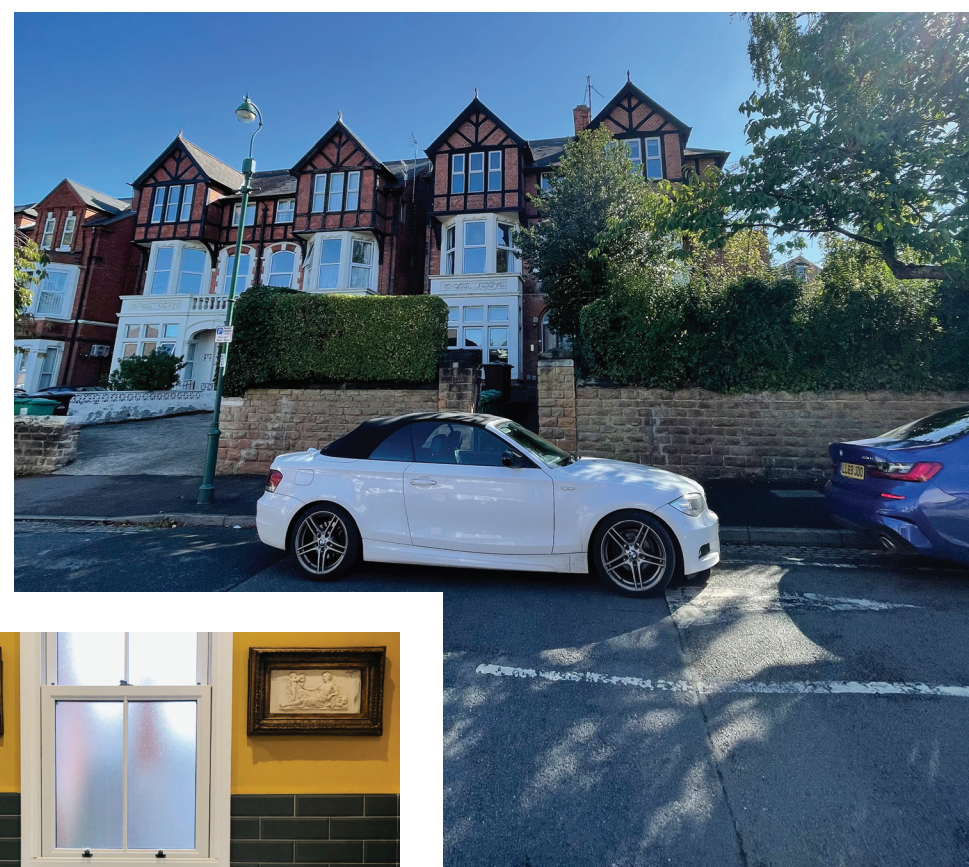
The NRLA endorsed a joint letter calling on the government to introduce new financial support, to help private landlords improve the efficiency of their properties in August.

The letter, signed by Coventry Building Society, Citizens Advice, and Nationwide Building Society, states a "simple tax restructuring to allow energy performance management to be offset against rental income could help make investment more attractive for landlords".

Whether this will be consequential in any way, we'll have to wait and see.

“Money doesn't buy happiness, but it does buy you options”

A tragic sequence of events gave **Heather Smail** the determination to build a multi-million-pound property portfolio to provide financial stability for herself and her daughter. Now she's helping others to do the same



Heather bought her first BTL in 2010

Heather Smail has experienced more than her fair share of loss in life. Her father became chronically ill when she was four after an operation that went wrong. “He ended up having 13 operations in 13 years. This one single event changed our lives dramatically,” she says.

Unable to meet their mortgage payments, their home was repossessed, and their comfortable lifestyle vanished. “We lost everything in the late 80s, got repossessed and moved on to a council estate in Mansfield, Nottinghamshire. I watched my parents really struggle, my Mum nursing my Dad and literally having no money. Looking back, that’s when the motivation to make a better life for myself started.”

Her father died when she was 17, then six years later her mum passed

away from lung cancer. “It came out the blue. She was super-fit and only 60. She was my guiding light; it was devastating to lose her at 23.”

Thankfully Heather had her long-term partner Damon for support, they had met when she was 17. They bought a cottage together to renovate, but their happiness was short lived – Damon was diagnosed with a brain tumour at the end of 2006 and died two months later.

“We married by emergency registrar in hospital on 23 January 2007, which I have to say was incredible, then he went into a coma the next day. I discovered I was pregnant just two days before his funeral and I became a single mother. I was 29 with no parents and no husband.”

It was the darkest time of her life. “I was close to breakdown. I thought: ‘I’m cursed. Why is this happening to

me?’ I blamed myself. I felt like I was jinxed. The sadness was overwhelming. I suffered panic attacks for the first time in my life and really didn’t want to be alive anymore, but my daughter was the thing that pulled me back from the brink – I had to become a mum. I realised I had to do something so that she didn’t have to grow up in poverty like I did. Money doesn’t buy happiness, but it does buy you options.”

Recycling deposits

Nowadays Heather, 45, doesn’t need to worry about money. Her personal portfolio is approaching 40 properties and delivers enough net income for her to happily retire. “It’s a really comforting thing to not have to stress about money now, it has been a stress for pretty much my entire life. Now I can walk into a supermarket or restaurant and not have to think about the prices.

“When I had my daughter, I was in a Catch-22 situation. I was under financial pressure to return to work, but I didn’t have any family members to look after her, and I discovered nursery fees are high. My wages were just disappearing on paying these fees. I thought: ‘how the hell do you ever get out of this?’”

She sold her cottage and bought a cheaper home, so she had some cash to live off, but after a while she realised she could put it to better use by investing it.

“That was when I bought my first buy-to-let [BTL] in Nottingham, which turned out to be an all-money-out deal. I didn’t even know what one was at the time, so maybe the universe intervened, I don’t know, but that was the start of my property journey.

“It was a repossession; it had just been refurbished about two years previous and was in nice condition, so I didn’t need to do anything to it. I bought it for cash and it rented immediately for £650 a month. About 9-12 months later I refinanced it and it was valued at £120,000. I thought they’d got it wrong because I’d only paid £79,000.”

Heather used the equity to buy a



INVESTOR FACT FILE

Name: Heather Smail

Age: 45

Lives: Nottingham

Invests in: Nottinghamshire, Derbyshire

Occupation: property developer, landlord, consultant, sourcer and mentor

Years investing: 13

Strategy: BTLs, flips, HMOs

Portfolio size: 37

Goal: to own her own space in the world and use it to empower others



second property in the city, adding value by refurbishing it, then refinanced to release this equity and fund a third. She intended doing the same with her fourth property, but ended up changing strategy at the last minute.

"My good friend Matt Copley who now owns the biggest estate agency in Nottingham said the renovation was "too good for a rental" and that he could sell it immediately for £25,000 – £30,000 profit, so I said, 'crack on then!'.

"He was right: we ended up on the cover of the Nottinghamshire Evening Post. It was the fastest selling property at the time."

This prompted her to flip a few more. "Every time I flipped one it created a deposit for my next BTL. The portfolio just grew and grew."

The compound effect

By consistently putting in the work each day and staying committed to her goals, Heather slowly but surely built her portfolio, while capital appreciation worked its magic in the background.

"I was very sceptical for many years about capital appreciation. It was only after about seven years I realised all the properties I had bought had grown in value. The compounding effect was

kicking in and I was like, wow, that's a massive boost. It's like a train you can't stop, and it hits fast. Some of my properties had tripled in value. I took the decision to draw down and refinance some of them."

In 2016 she was able to leave her job as a buyer and focus on property full time. "Looking back the two years after I left my job I was depressed. I'd never networked and didn't know anyone in property. I've still never been on any property training course. I felt super tired all the time and remember falling asleep literally every afternoon.

"My doctor couldn't explain it, all my test results were fine. Knowing what I know now, it was depression. I was physically recovering from all the traumas and events of life up to that point. It was just nature's way of healing me."

During lockdown Heather noticed the local market was rising. "I jumped straight into purchasing with a very defined target to find terrace houses between £80,000 – £90,000. I wanted eight in a year; I ended up buying 13. Each one needed a very small refurb.

Within 12 months they were all valued at £120,000 – £140,000."

Last year she started using her skills to source a variety of deals for other investors from single BTLs, HMOs and lease options, to commercial conversions, multi-unit developments and land. "People tend to adopt one strategy then, when the market changes, wonder why it doesn't work anymore. My strategy is flexibility. The market is always moving, so you've got to be able to react fast and adapt. You need to have your eyes open and your ears to the ground and be anticipating what the market is going to do next."

This year she's been helping others to achieve their goals through one-on-one mentorship. "I kept getting asked about being a mentor, so I've taken on

Some of Heather's properties have tripled in value since she bought them

a few mentees. There's a lot of low self-esteem, especially in women, and I'm very passionate about eliminating it.

"I'm a very compassionate person, but I don't take any prisoners. You must be disciplined and committed to helping yourself before any training course or mentorship can guide you. If you work with me, expect to put the work in and go fast to your goals."

Staying power

Heather's story is a powerful reminder that with perseverance, determination, and a positive attitude, anything is possible. In the early days she felt the frustration of not being able to make as much progress as she'd like. "Being a single mum is ultra-demanding and that put me in a dark place because I wanted to push forward, but I didn't have enough money or enough time or resources. It taught me to be grateful for every small win. This lesson is crucial, people think they're one step away from being a millionaire, they're not. It's every little step you consistently make that gets you there.

"Sadly that's where most people

fail. Looking back, it was always in me to never give up. My parents raised me not to quit; start what you finish no matter how hard it gets. They taught me that discipline isn't a negative word, it's actually the key to freedom. I'm grateful to both of them for shaping my character. All this fire I have is because of them."

Having financial security means Heather can give her daughter, now 16, opportunities she didn't have as a child. "She loves playing the piano. My dad loved to play too. When we moved into the council house we took his grand piano with us, it took up the entire living room. I always wanted to learn to play it, but my parents couldn't afford lessons for me."

If she desired, Heather could lead an indulgent life of luxury holidays and designer clothes, but she's far happier in a comfy pair of trainers with a backpack on her shoulders. "Then I can go and explore," she says. "I love travelling to places where there's not many tourists and just getting to know the local people, that's how I like to spend my money."

So, how does Heather think her life would have turned out, had she not experienced such a tragic sequence of events, and what would her parents think of what she's doing now?

"I think about this sometimes. I was always ambitious, so regardless of the events that happened, I think I would have always succeeded and earned a decent amount of money, but I'm not sure whether I'd be doing exactly what I'm doing now, and I'm not sure I would be quite as relentless.

"A lot of people have said: 'your mum and dad would be really proud'. It's taken me a while to feel proud of myself, but I am proud of what I've achieved now. Everything I do is for my daughter. We have security now, so my goal is to see how far I can actually go – what can I achieve next?. Right now, I'm the happiest I've been in my life. I just want to grow and grow and I don't see any limits to what I can achieve."

HOW I GOT HERE

Heather's timeline



2010
Bought her first BTL



2011
Refinanced this first BTL and pulled all her deposit (plus a bit more) back out



2013
Sold her first flip – the fastest sale in Nottingham



2016
Left her job as a buyer to focus on property full time



2022
Branched out into other strategies, started sourcing business



2023
Began mentoring other investors

Garden of Eden

Carlisle's rich history is about to be augmented by one of England's biggest new garden villages. Neil Cumins reports from the banks of the River Eden, on a city that's on the rise in every sense

Left: Viaduct that carries the Settle to Carlisle railway over the River Eden

If you don't know much about Carlisle, you're not alone. Despite being surprisingly close to the main population centres of central Scotland and North East England, the Great Border City has stayed under the radar of many investors. For many, it's simply a stop along the West Coast Main Line, or a pleasant day-trip location while visiting the neighbouring Lake District.

Yet the times – and the city itself – are changing. Carlisle is entering a period of expansion unprecedented in its 2,000-year history, with the joint-largest of England's 14 proposed Garden Villages due to transform its southern edge. Already home to blue-chip employers, a burgeoning industrial sector and exceptional transport links, few locations have as much potential – or as much long-term investment already confirmed. Little wonder that Carlisle's property market is remaining buoyant as the national mood darkens.

Bucking the trend

Hayley Gardiner is the founder of Carlisle-based estate agent Hayley Gardiner Property powered by eXp. Even as UK house prices fall, she describes the local market as really busy. "I'm doing loads of valuations and bringing properties on, some of which are selling extremely quickly," she says.

The sense of a local market not following national trends is echoed by Tessa Milner, branch manager at PFK Carlisle: "Contrary to the doom and gloom in the news, we're not seeing that in the market here. So far in 2023, we've achieved over 98% of asking prices across all sales, and in our twenty most recent sales, we've seen a slight increase in prices achieved."

"I've encountered loads of people moving into the area for the first time," says Hayley. "I'm looking at Cumbria with fresh eyes because of the number of people coming here from other parts of the country, who say that the nice areas where they're from were going downhill."

Buoyed by investment and inward migration, Carlisle is arguably heading in the opposite direction. Across England's 32,844 local wards, only 16 have lower crime rates than the village of Houghton, which shares its CA3 postcode with Carlisle's elegant northern suburbs.

Small prices, big investments

"You'll always get higher prices east of Carlisle and north of the city centre, in



"So far in 2023, we've achieved over 98% of asking prices across all sales, and in our twenty most recent sales, we've seen a slight increase in prices achieved"

areas like Stanwix and Kingstown," says Hayley. Even so, prices could turn South East England investors green with envy. Average house prices in Carlisle stand at just over £160,000, while it's possible to buy properties for as little as £60,000.

Swathes of affordable on-street red-brick terraces are counterbalanced by high-end villas in affluent satellite villages like Scotby, Wetheral and Dalston, while almost every main road in Carlisle is lined with inter-war semis and Edwardian terraces. Redevelopment work at Portland Square is fashioning

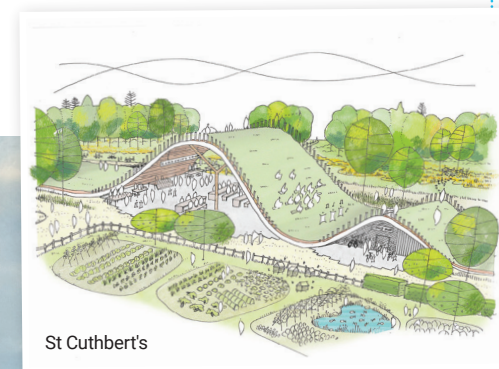
high-end homes out of once-dilapidated Victorian villas, and there's scope for similar investment around Chatworth Square, where imposing townhouses surround private residential gardens within a stone's throw of the city centre.

Regeneration is sweeping Carlisle, nowhere more so than at the University of Cumbria. Presently housed in a modern complex in Stanwix, where a new partnership with Imperial College London will shortly create the region's first medical school, it's due to relocate in 2026 following a £77m redevelopment of the city centre's twin Citadels. Built in the 16th century on Henry VIII's orders, these iconic towers border Carlisle's train station,

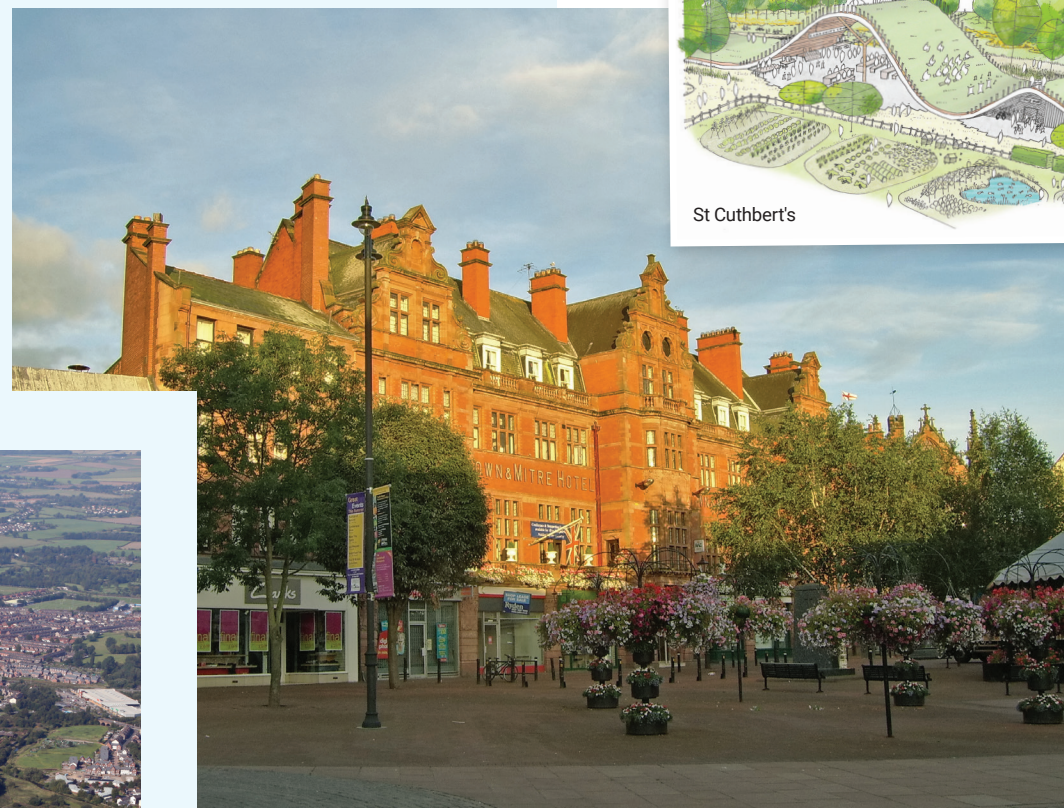
itself in the early stages of a £24m refurbishment as part of the £450m Borderlands investment programme. The Citadels aren't especially old by local standards – Carlisle Cathedral is exactly 900 years old, while the castle is older still.

"The university's presence has positively influenced the number of wine bars in town, and having youngsters coming in means there'll be loads more student properties," says Hayley. "I grew up in Stanwix, where the beautiful period terraced houses

Shutterstock



St Cuthbert's



Left: Carlisle castle facade
Above: Carlisle City centre early on a summer morning
Opposite: Aerial view of the city of Carlisle

SITES FOR SORE EYES

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

• The Citadels

A £77m redevelopment of the 1.65-hectare Citadels site (including other local landmarks like the Woolworths building) will reposition the University of Cumbria in the heart of Carlisle, creating numerous opportunities for student accommodation within the city centre.

• St Cuthbert's

The scale of England's largest new garden village is hard to grasp – 10,000 homes to be built over 30 years, ranging from volume estates to self-build plots. They'll be linked by a vast park and five-mile A-road, plus three new village centres serving existing and forthcoming homes alike.

• Crindledyke Farm

The first UK housing estate to receive gigabit broadband, Crindledyke's existing homes will shortly be joined by a larger second phase. Almost 500 houses and flats are scheduled for construction, alongside a community centre, village green and a full-length linear park.

are now often student accommodation, which get snapped up by investors because of the university campus and art college."

She suggests the university's relocation will affect where students want to live, though there are currently precious few city centre apartments. Carlisle's skyline is entirely low-rise (there are no tall buildings other than the council's Civic Centre headquarters), while the vast majority of the city's council housing is terraced rather than flatted. The former Central Plaza site and its six-storey neighbour Victory House, directly opposite the Citadels campus, offer obvious scope for conversion into student accommodation.

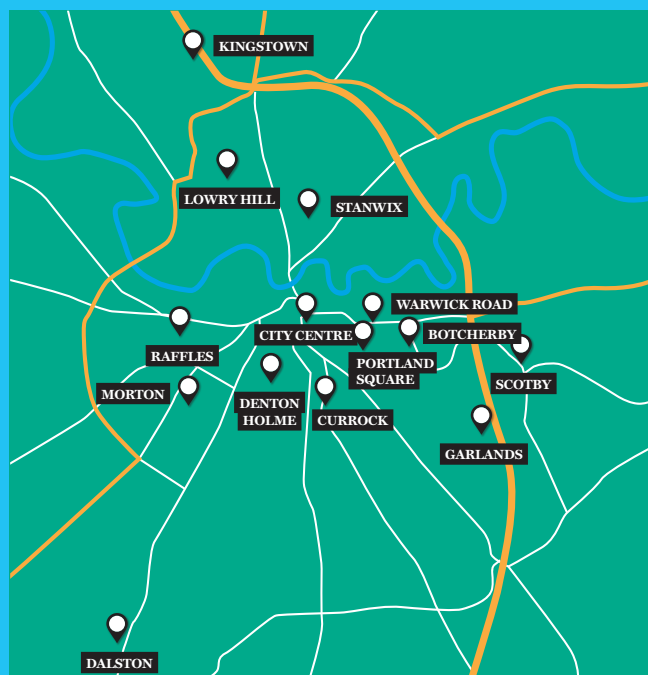
The missing link

The south side is home to Carlisle's most affordable suburbs, divided by

four separate train lines and two of the city's three rivers. The third river, the Eden, divides the affluent northern quarter from the city centre. Access between these segregated southern suburbs will be improved by the Carlisle Southern Link Road, a £212m trunk road that'll connect the M6 with the city's existing A689 bypass. Carlisle is a circular city with the M6 sweeping around in a semi-circle to the east; the under-construction CSLR will finally complete this circle along Carlisle's south-western periphery.

More significantly, the CSLR will provide a spine for the upcoming St Cuthbert's Garden Village. Over 10,000 new homes will be constructed in the next 30 years, stretching across the south side and repositioning Carlisle Racecourse at the heart of new urban districts. St Cuthbert's is expected to increase the city's 110,000-strong population by a third, while providing

AREAS OF INTEREST



The best places to invest in Carlisle

-  **Best for families:**
Kingstown, Lowry Hill
-  **Best for young professionals:**
Warwick Road, Portland Square
-  **Best for students:**
Stanwix, city centre
-  **Best for transport links:**
Scotby, Botcherby
-  **Best for yields:**
Morton, Denton Holme
-  **Best for capital growth:**
Dalston, Garlands
-  **Best avoided:**
Currock, Raffles

Kingmoor Park with stiff competition for future commercial investment. With rail access to the West Coast Mainline that bisects it, the 400-acre Kingmoor Park Enterprise Zone is one of the largest business and industrial estates in northern England, already home to over 150 businesses and expanding rapidly.

Outside the vast Kingmoor complex, other local employers include Pirelli, Nestlé and McVities – the latter based in the world's oldest biscuit factory near the Cumberland Infirmary. Komatsu and DPD are midway through multi-million-pound investments in new headquarters, while Carlisle also hosts the Edinburgh Woollen Mill's HQ, reflecting its uniquely strong cross-border connections.

The A7 starts in the city centre and ends outside Edinburgh Waverley Station, while you're as likely to hear Cumbrian accents as Scottish ones at the Caledonia Park retail outlet in neighbouring Gretna. The recently upgraded West Coast Main Line

Right: Carlisle cathedral
Below: View across the city of Carlisle

Shutterstock



whisks you into Glasgow Central or Edinburgh Haymarket in less than 70 minutes, while Newcastle is a one-hour drive east along the A69.

Rising star

"I think everybody underestimates Carlisle," concludes Hayley. "We're very central for a lot of major cities, and the transport links we've got are amazing. We will continue to attract people because we're half an hour from the Lake District, with Hadrian's Wall and loads of history on our doorstep."

Tessa agrees Carlisle's history will underpin a uniquely bright future: "The flagship investments being made in Carlisle are going to further elevate its profile, giving it the spotlight it deserves. Given the plans for the city's evolution, I'm hopeful we'll see many positive benefits in the growth of the local area and economy over the coming years."

LOCATION FOCUS



THE PRICE IS RIGHT

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

£75,000



It might only consist of two rooms, but this well-presented riverside flat in Denton Holme is being sold with a sitting tenant, currently generating almost seven per cent gross yield.

£120,000



In need of extensive modernisation but set within a generous plot, this three-bedroom end-terrace in the northern suburb of Belah offers considerable scope to add value.

£175,000



Bungalows are hugely sought after in Carlisle, and this two-bedroom Upperby chalet bungalow has a double driveway and large gardens. It requires upgrading and redecorating internally.

Source: Rightmove



Far left: Anthony and his family on a trip to Budapest this summer
Left: at Wembley watching an NFL game
Right: the property after it had been refurbished

Following a formula

Accountancy tutor **Anthony Ogboi Uzum**, has perfected his strategy over the past four years to suit his skillset and circumstances



INVESTOR FACT FILE

Name: Anthony Ogboi Uzum

Age: 38

Lives: Swinton

Invests in: Walkden, Swinton, Leigh

Occupation: accountancy tutor

Years investing: four

Strategy: BTLs

Portfolio size: six

Goal: to have options and the flexibility to live life on his own terms



Anthony Ogboi Uzum was taking his son to school in Walkden, Greater Manchester, when he spotted his latest property deal. It had everything he looks for in an investment: three bedrooms, the potential to add value and a good location.

He looked it up online when he got back home and was pleasantly surprised by the guide price. "It was listed for auction at offers over £110,000. I was shocked no one else had realised how underpriced it was – properties on that street were selling for £185,000-£195,000.

"I'd tried to buy the property next door in 2021 but got outbid. The buyer ended up paying £15,000 over the asking price. There's a lot less competition now because finance is so expensive."

Anthony purchased the property for £128,000 and picked up the keys in May 2023. He took out a bridging loan and spent £22,125 renovating it, coordinating a team of tradespeople to fit a new bathroom, redo the driveway and redecorate throughout.

"I went over budget by about £2,000-£3,000

because initially I thought I didn't need to replace the kitchen, but then once I'd renovated the rest of the property, I realised everything looked great apart from the kitchen."

The property was tenanted by August and revalued at £190,000 in September, netting him a £17,847 profit.

Trial and error

Things haven't always gone so smoothly for Anthony. He bought his first investment property in 2019, shortly after moving back to the UK from Lagos, Nigeria.

"I'm a freelance accountancy tutor, so I travel to different countries teaching others to become professional accountants. I've been doing it

for about 16 years and in that time the number of days I teach has decreased. When I first started out, we had lots of teaching days and I got paid a decent rate a day to teach."

Advances in technology mean the courses Anthony delivers now require less formal teaching. "There's a lot of online learning, so I just go and teach students what they need to pass. The courses have gone from 10 days, to eight and now to six. I realised at some point I'd be replaced – not by another person – but by technology, so I needed to create an additional source of income."

Rather than move back to Reading, Anthony wanted to base himself further north to take advantage of cheaper property prices, but still needed to be close to an airport for work. "I had an option of either Birmingham or Manchester and I just preferred Manchester."

He settled in Walkden and borrowed some money from his aunts to buy a two-bedroom terrace house in Accrington, Lancashire, for £22,000. "I thought it would be an easy thing to do: buy a cheap property, renovate it, then sell it for a profit – it turned out to be a horror story."

The property was in poor condition and had been disconnected from the mains gas and electricity which took months to get reconnected. On top of this Anthony struggled to find reliable tradespeople. "I'm terrible with my hands, I can't do anything, so I hired people to do the work. The problem was, some of them did such a bad job, I'd have to get someone else in to redo it again. I underestimated how much things would cost so I ended up going way over budget."

Just as the renovation was nearing completion, the UK went into lockdown. "We just had the bathroom to finish off, then we went into lockdown, so we couldn't do anything for months. I put it up for sale in June 2020 and it sold in September. I made a small profit of £8,000 for six months' work."

"It was only by listening to The Property Podcast I started to realise I'd made a huge mistake. I didn't have to flip; I could buy and hold instead and release the equity by refinancing. I ended going right back and listening to episodes from 2012 on my journey to and from Accrington every day."

Anthony's second purchase was a HMO in Leigh. "It was my first online auction experience and I definitely overpaid, I just wanted to win so I kept hitting the button. It was already a functioning HMO, it just needed a few updates, so I didn't need any licences or anything like that."

"It's worked out well in the end because it has gone



Anthony spent £22,125 refurbishing the property, replacing the kitchen and redoing the driveway

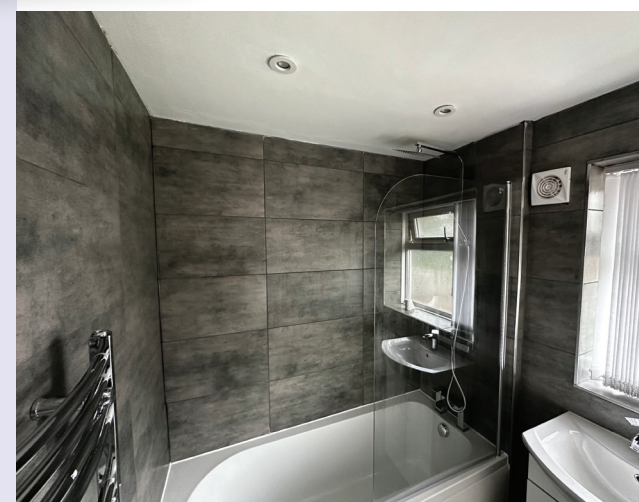


up in value over the past few years and it cash flows really well, but I won't be buying any more HMOs. I've learnt from experience that strategy isn't for me. I don't like the higher tenant turnover, it creates a lot more work."

Shopping list

It's taken four years, but everything has started to fall into place for Anthony. "I've bought three properties in the past six months. Now I finally have a team of tradespeople I've worked with several times that I can rely on."

"I did a renovation in March, and I wasn't in the country at all, I was in Canada. The entire renovation was done in my absence. I came back and the property was perfect, I just handed over the keys."



Anthony got the keys in May and had it revalued in September

Now, when he shops for properties, Anthony has a very specific set of criteria. "I try to find deals where the equity will be about 20% so when I refinance, I can take most of my money out to do the next deal."

His target market is families, so he looks for three-bed houses. "I like three-bed semis or three-bed mid terraces. I always make sure the size of the third room is a minimum of 5.5sqm, if it's not I won't even bother going to view it. A lot of my tenants are immigrants from Nigeria or Ghana, and they have children – sometimes three or four – so the third bedroom needs to be big enough to share."

Costing up a refurb is now done without having to rely on a spreadsheet. "Because I've done it several times now, I can walk into a property and I can say: 'that's

RUNNING THE NUMBERS

This is how Anthony's three-bed terrace in Walkden stacks up financially:

Purchase price £128,000

Deposit: £24,234

Purchase costs £19,605

Finance method: bridging loan at 0.84% per month

Amount borrowed: £96,000

Refurbishment costs: £22,125

Project duration: four months

New value: £190,000

Monthly revenue: £1,100

Monthly expenses: £900

Monthly net profit: £200

Refinance fees: £7,766

Cash out after refinance: £53,567

Total left in the property: £20,153

£3,000 for windows, £2,000 for flooring, £5,000 for a new bathroom etc."

He plans to grow his portfolio, adding two properties a year until he no longer has to rely on his teaching job for an income. "I wouldn't want to stop teaching, I enjoy it, but having the flexibility to pick and choose which jobs I take is the goal."

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

A year of extremes

The past year has been a real-life game of snakes and ladders for property investors, with plenty of unexpected ups and downs. Natalie Thomas reflects on the key events of 2023

From rent freezes to record rents, 2023 was, if nothing else, an eventful year for the property market. Yet, amid all that transpired, there were predictions from late 2022 that failed to materialise. House prices didn't plummet by 20%, as some had feared, nor were energy upgrades for rental properties introduced – at least for now.

As we near the end of the year, we look back at the key events that defined it and anticipate what's in store for 2024.

Bidding wars

A shortage of rental properties and affordability pressures for first-time buyers meant landlords continued to see a surge in demand during 2023. Reports of prospective tenants lining up around the corner to view houses became common, with bidding wars breaking out as people competed to secure highly sought-after tenancies.

In the 12 months to September, the average rent for a new tenancy increased by 10.3%, to reach £1,164 per month, according to Zoopla. However, it wasn't a uniform story across the UK, with Northern Ireland experiencing annual rental growth of 4.4%, and Scotland leading the way with 12.8%.

London lagged slightly behind Northern Ireland with rental growth of 11.5% in the 12 months to September, followed by the North West with 11.3%. At the bottom end of the scale, the South West experienced the second-lowest rental growth of 8.1%, narrowly below Yorkshire and the Humber with 8.3%.

The growth in Scotland can, in the main, be attributed to landlords looking to increase new tenancy rates in light of the rental freeze introduced in September 2022 (more of which later).

The Scottish rent freeze also explains Edinburgh's remarkable 15.6% annual rental growth – the highest of any UK city, followed by Manchester at 14%. Brighton and Exeter experienced the lowest annual rental growth at 6%.

With earnings growth expected to end the year at around 6%, many are questioning how sustainable increasing

rents are. While it is predicted that affordability will play a part in slowing down increases next year, Zoopla still anticipates national rental growth of 5-6% in 2024, in the face of ongoing supply issues and high mortgage rates stopping many renters from moving into homeownership.

Steve Cox, chief commercial officer at buy-to-let (BTL) lender Fleet Mortgages, says the rental market is countercyclical. "It's no different now, in that tenancy demand has continued to rise as more people struggle to get on the housing ladder, due to still-high house prices, meeting mortgage affordability in a higher-rate environment, and the removal of the Help to Buy scheme.

"It has increased the numbers looking for homes within the Private Rented Sector (PRS), which has its supply issues, and we have seen rents rise as a result of that supply/demand imbalance. That looks unlikely to change as we move into 2024," he says.

"Given the continued lack of social housing being made available, we have to anticipate that the demand for PRS property will be maintained. For those landlords who can add to portfolios and get over their affordability challenges to finance purchases, there should be a strong yield to be secured."

Mortgage madness

While 2023 might have brought double-digit rent increases, this was offset by some eye-watering mortgage rates. The ever-increasing Bank of England base rate ensured mortgage rates stayed high. We entered the year with a base rate of 3.5% and it looks like we'll exit it with a rate of +5%.

Average BTL mortgage rates hovered around the 6% mark all year long. At the beginning of the year, the average two-year BTL fixed rate stood at 6.29%. By October, it remained relatively unchanged at an average rate of 6.4%, having reached a peak of 6.88% in August and a low of 5.56% during May, according to figures from Moneyfacts.

A similar pattern emerged for



"The ever-increasing Bank of England base rate ensured mortgage rates stayed high"

five-year fixed rates, which began the year at 6.25% and sat at 6.32% in October; reaching a high of 6.72% in August and hitting a low of 5.52% in May.

In terms of mortgage products, the situation improved slightly. We started the year with 1,906 BTL products on the market – the lowest of 2023 – and ended with 2,581 only slightly down on August's

high of 2,585, Moneyfacts figures show.

The sharp increase in rates initially caught many BTL landlords off guard following former Prime Minister Liz Truss's mini-budget towards the end of 2022. During 2023 however, we've seen some innovation from lenders as they look to make the stress tests work for landlords in light of higher rates.

"A growing number of BTL lenders are offering lower rate/higher fee mortgage products in order to help landlord borrowers get over the affordability barrier and secure the level of loans they require. There is likely to be more of this over the next year," says Steve.

"More generally, we have our fingers crossed that inflation will continue to fall, that the base rate will have peaked, and that swap rates – which are used to fund many specialist lenders – soften further,

which will allow those lenders to price accordingly. It would be nice to see rates back in the 5% zone, as we know at this rate, affordability is far less challenging for borrowers."

While residential borrowers saw help with rising mortgage costs through the introduction of the Mortgage Charter in June, BTL lenders left investors to fend for themselves with the exception of TSB, which from July, allowed landlords to switch to interest-only for up to six months.

Many landlords turned to limited company structures. Experts are confident 2024 will bring more options for investors.

"Mortgage product rates, in my view, will fall next year, with more lenders using top slicing and entering the limited company space. Greater product choice

TIMELINE

JANUARY: The Scottish Government confirms the rent freeze will be replaced with a 3% rental cap from March.

FEBRUARY: The Bank of England (BoE) base rate increases to 4%, with the average two-year BTL fixed-rate at 5.95%.

MARCH: 59% of UK BTL purchases are mortgage-free; the highest in six years, Hamptons' figures show.

APRIL: London mayor Sadiq Khan reiterates his call for a rent freeze in the capital.

MAY: The National Residential Landlords Association (NRLA) calls for the reinstatement of full mortgage interest tax relief for landlords.

JUNE: The proportion of gross earnings spent on rent reaches its highest level in a decade at 28.3%, according to Zoopla.

JULY: Hamptons' figures show the average rent in Great Britain reached £1,282 in July, marking a 9.9% annual increase.

AUGUST: The Home Office announces that landlords could face fines of up to £20,000 for renting to illegal immigrants.

SEPTEMBER: Prime Minister Rishi Sunak scraps energy efficiency targets for rental properties.

OCTOBER: Tenant inquiries per property more than triple, from eight in 2019 to 25 in 2023 according to Rightmove.

here, and hopefully a fall in pricing, will provide easier access to the BTL market for both new and experienced landlords," says Seb Murphy, group director at brokerage JLM Mortgage Services.

House prices: a gentle fall, rather than plunge

Nationwide Building Society's House Price Index shows property prices are 5.3% lower than in September 2022, a far cry from the 20% freefall some economists predicted at the start of 2023.

"In the main, house prices have remained pretty resilient, even with higher interest rates impacting buyer demand," says Paul Brett, managing director for intermediaries at BTL lender Landbay.

"Of course, some parts of the country haven't fared as well as others, with a steeper correction to house prices. Those that do need to sell are generally finding their property is listed for longer, with asking prices being reduced in many cases," he says.

Indeed, Nationwide's index illustrates the differing picture across the UK. Northern Ireland has seen the lowest falls over the year, with prices down by just 1.8%, followed by 2% in the North of England. Meanwhile, the South West experienced the steepest falls at 6.3%, followed by East Anglia at 5.6%.

While we may see more falls in the first part of 2024, the general consensus is that prices will be on an even keel by the end of next year, with Savills predicting house price increases across the UK of 1% in 2024.

"With a lack of supply still remaining a clear challenge for the housing sector and residential housebuilding still feeling the impact of low buyer demand – particularly for new-build developers – we still shouldn't expect a titanic drop in prices in the coming year," says Paul.

This could present an opportune time for investors says Seb: "While prices stay soft and mortgage products



become more competitive, there is an opportunity to strike good deals on new purchases.

"Although fees are high, five-year rates are starting to look attractive again, due to the level of rent that properties now demand. There is a growing possibility that a sweet spot is finally starting to reappear for landlords who might use this to add to portfolios over the course of the coming year," he adds.

Slow progress on legislation

The big news on the regulatory front during 2023 was the long-awaited first reading of the Renters Reform Bill (RRB) in May. For landlords, the most significant change will be the end of Section 21, 'no-fault' evictions. But, at the time of writing, a second reading of the Bill still hadn't been scheduled, leaving

a cloud of uncertainty over what its replacement – an updated Section 8 – will mean for landlords.

The National Residential Landlords Association (NRLA) is currently campaigning for eviction cases to be processed much faster by the courts than they are now in preparation for the RRB. At present, it takes an average of around six months between a private landlord making a claim to repossess a property through the courts and it happening.

Another area where there remains an element of uncertainty is around Energy Performance Certificates (EPCs). In a surprise move, Prime Minister Rishi Sunak announced he would scrap plans altogether for landlords to make their properties carry an Energy Performance Certificate (EPC) of C or above in September. He also announced the

government would be increasing the Boiler Upgrade Grant to £7,500, with gas boilers to be phased out in 80% of homes by 2035.

The news surrounding EPCs has somewhat divided landlords. While many have welcomed the move, others had already spent money on the upgrades. Research from BTL lender Foundation Home Loans in May showed 80% of landlords had already started carrying out work to improve their property's EPC rating. There's also some doubt as to whether a potential new Labour government next year could make a U-turn on the plans and reintroduce them.

"Our survey found that the majority of landlords do plan to make energy-efficient improvements, despite the changing goalposts and continued uncertainty around the proposal," says Paul. "At least now, there won't be an

expectation to spend, in some cases, thousands of pounds on improvements during a cost-of-living crisis," he adds.

In April, the government also consulted on the need for landlords to obtain planning permission to convert properties into holiday homes and short-term lets. We're still awaiting the outcome of the consultation, but Paul Fryers, managing director at BTL lender Zephyr Homeloans, says it hasn't deterred his clients: "All the signs are that landlords remain interested in the option despite the potential incoming restrictions."

The other big news was rent freezes. In March 2023, the Scottish Parliament replaced the rent freeze that was introduced in September 2022 with a rent cap of 3% until September 2023. They voted again in June to extend the 3% cap to March 2024. The decision has led to Scotland seeing the highest annual increase in rental prices, as landlords increase rents for new tenancy agreements.

Meanwhile, in June, Wales opened its own consultation into its PRS which also looked at rent freezes. The NRLA, perhaps unsurprisingly, urged the Welsh government against such a move.

Nothing as certain as taxes

It wouldn't be a year in the property market without some form of tax change for landlords. One of the most significant changes this year was the adjustments made to the Capital Gains Tax (CGT) threshold.

Announced in the 2022 Autumn Budget, the former annual exempt amount was reduced from £12,300 to £6,000 in April 2023 and will fall again to £3,000 from April 2024.

"The reduction in the CGT annual exemption threshold happened at the worst possible time for landlords. It also happened very quickly, leaving landlords with little time to prepare," says Nadeem Raziq, head of tax at Provostor.

"We saw some rapid property divestments as a result, although

there are still investors crunching the numbers to weigh up if paying more CGT is better than holding onto a poorly performing property. Some landlords are converting BTLs into furnished holiday lets and HMOs rather than selling. Falling house prices around the country have also deterred some landlords from selling right now," he says.

In other tax news, HMRC announced a delay in Making Tax Digital (MTD) for Income Tax. Instead of launching in April 2024, the first stage of MTD for Income Tax will begin in April 2026, specifically for sole traders and landlords earning above £50,000.

"For landlords with a larger portfolio, I'd suggest starting with some practicalities and using the delay on MTD to get processes in place to manage thresholds for compliance," says Nadeem.

"As part of this, look closely at your portfolio and understand where you're making a profit and which properties are underperforming. Think about what might happen to mortgage rates and how this will affect profitability, as well as how the cost of living crisis might affect your pool of tenants," he adds.

Adapting to change

Each year brings its own unique set of challenges and opportunities for investors – it's rare for all aspects of the market to align for perfect conditions. This year mortgage rates have been the main barrier for investors, but the market is turning.

"We're already starting to see an uptick in confidence among landlords and investors who are being proactive and looking to diversify their portfolios and maximize their investments," says Gareth Lewis, managing director of property lender MT Finance. "This is a trend we expect to continue well into 2024."

Demand for rental properties remains high, as does rental growth. With strong market fundamentals, we should see increased stability in 2024.

Sister and brother team **Melissa and Joe Potente** saw an opportunity to put their commercial refurbishment skills to good use in the residential market



Transferable skills



INVESTOR FACT FILE

Name: Melissa and Joe Potente

Age: 39 and 36

Lives: Gloucester

Invests in: Gloucester

Occupation: directors of commercial building company InnDecs

Years investing: seven

Strategy: HMOs, supported living

Portfolio value: £2.5m

Goal: to build a portfolio that generates £50,000 per month in revenue

INVESTOR STORY

When Melissa Potente decided to try her hand at residential property development, she wanted her brother Joe to be her business partner.

"We work well together. I've got my strengths in the admin side, and he's got his strengths on the building side. I source the properties and do the paperwork stuff, then when we get on site Joe takes over and manages the refurbishment through to completion. I'll come back in at the end and put all the pretty stuff in and take photos."

The siblings first started working together in 2011 when they took over directorship of their father's commercial building company, InnDecs, which specialises in refurbishing bars, hotels, pubs and restaurants in and around their home city of Gloucester.

Accustomed to completing big projects on tight timescales, they were confident they could do the same in the residential sector. "Every pub, hotel or restaurant wants their establishment closed for the shortest amount of time possible, so we're used to turning things around quickly."

"We've got a fantastic build team. They deliver high-end refurbishments at speed, so the idea was we could get them working on our residential property projects when the commercial business was quiet."

In their genes

Melissa always knew she'd end up investing in property someday. "We've been exposed to it since we were babies. There's a picture of me and my dad when I was about two-and-a-half rolling out some carpet in one of my parents' first renovation projects. I think we were living in the top bedroom or something while he was doing the house up."

"My mum and dad would buy a property, do it up, then we'd move on to the next. My dad has now retired with his own portfolio of buy-to-lets. I joke property is in our genes, much to the dismay of my partner because I want to move all the time."

For their first purchase Melissa and Joe wanted a property they could add value to and would deliver a high return. “We wanted to build our portfolio as quickly as possible, that’s why we went down the HMO route.”

They found a Grade-II listed townhouse in Gloucester. “It was a lot of work for our first project, but I knew our build team could handle it and I was confident about the numbers having done my research.”

They bought it for £125,000 in 2017, the same year Melissa had her son. They used their dividend payments from the commercial business as a deposit and took out a bank loan for the rest. “I remember the bank manager asking, ‘why are you doing this now? Starting another business when you’ve got a new baby?’ I wanted more security, so I thought if we could get this other business going then if anything were to ever happen to InnDecs, we had something else to fall back on.”

The house had been empty for two years and needed to be completely gutted. They got consent to add a new bathroom on the first floor, leaving four large double rooms and one single room. “It was a lot of house for the money. It was split across three floors, and we converted it into a five-bed HMO.”

Once complete it was revalued at £200,000 and was let to students for £2,150 per month. “It kind of snowballed from there,” says Melissa.

Their second purchase came about by chance rather than design. “We got chatting to the guy who owned the property next door because there was a rodent problem in his garden. When I met him at the house it was vacant, so I asked him if wanted to sell and he accepted, so we were quite lucky with that one.”

This one also needed a full refurb. “We always buy to refurbish so we can add value and recycle our deposits. We’ve had to add more money at times, but that’s how we’ve grown.”



“We always buy to refurbish so we can add value and recycle our deposits”



Melissa enjoys injecting interior inspiration from her commercial projects into her residential ones

Melissa enjoys injecting some interior design inspiration from her commercial projects into her residential ones. “We work with some really talented designers on the commercial side, so we get to see what is trending in terms of colours and interior styles.

“We pinch ideas from the commercial side and use them in our residential developments. Sometimes we’ll use a really nice tile in a pub or a restaurant and then we’ll be like, oh, that’d be nice to use in a house.”

Support system

Six years on, Melissa and Joe have a portfolio of seven HMO’s and a block of flats in Cheltenham. “They’re all five or six bed HMO’s, some are student lets and some are supported living.”

They are currently converting a house into a children’s

home for young people in the care system. They got into supported living through a friend of a friend. “He knew we were landlords of student lets and asked us if we had any houses. I wasn’t sure about it to begin with, I was worried the tenants might trash the house, but in fact they look after it better than the students do.

“We tried it with one house and it worked better numbers-wise for us because they pay all the bills and council tax themselves, so the profits are higher because we just have to pay the interest on our lending and the rest is covered.

“Gloucester Family Care have three houses with us now and we’re working with them on the children’s home so I’m hoping as they grow, we’ll grow with them.”

Family values

What started off as a sideline, has evolved into a thriving business. “It is getting to the point where we’d like to pick up a bit more momentum. I’d like to start ramping it up and taking on a couple of projects each year,” says Melissa.

They are happy to continue investing in their local area for now but haven’t ruled out the possibility of widening their search area in the future. “We know the area like the back of our hand, and we know where we can add value and when the price is good. It’s working well for us, so we’ll carry on investing here for the time being.”

For many of us the thought of working with a family member, never mind a sibling, is the stuff of nightmares, but not for Melissa. She and Joe have another sister, Hannah, who works in the office with them at InnDecs. “I think eventually she’ll probably come on board,” she muses. “My partner is good friends with my brother as well, so it’s all very close and supportive.

“We make a good team. Everything we do is really fast paced so we’re kind to one another because it can be hard work at times. We’ve been brought up together, so we have the same values. It might just be luck – I don’t know – but we all get on so well.”

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

Development dos and don'ts

The pitfalls of property development can be brutal. Here's how to avoid them



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Imagine the scenario: you find the perfect plot of land to develop. You buy it, get planning permission to build five houses on it, then you discover there's a major sewer pipe running through the middle of the site and you can't build over it.

This isn't a made-up scenario, it actually happened to one of architect Saghir Hussain's clients. "The cost of diverting the sewer and getting the necessary agreements from the utilities company exceeded £50,000 which wasn't factored into the financial feasibility at the start of the project," he says.

The project was put on hold for three years until the client eventually decided to sell the land.

Saghir runs his own architectural practice – Create it Studios – in Manchester. He says this type of thing happens more often than you might think. In fact, something very similar happened to another one of his clients who wanted to extend an existing property, but on this occasion the client was able back out of the deal before it was too late.

"On the face of it the property was perfect for a ground and first floor rear extension without having to alter the rest of the property at all," Saghir recalls. "However, one look over the survey and existing drawings showed us major work would have needed to be undertaken to move the position of the waste pipes. The extra cost made the project unviable, and the client pulled out of the purchase."

Problematic plumbing is just one of the many obstacles Saghir has come across working with property developers. He's also had clients buy land, only to discover they can't develop on it or gain access to the site.

Most issues, he says, arise as a result of poor preparation and a lack of knowledge. "Some of the most common pitfalls include clients not understanding what they've bought, not comprehending the difference between leasehold and freehold properties, and not considering site restrictions before signing off a design and putting it in for planning permission."

"Many of these issues can be mitigated by bringing an architect with you on a property viewing before you make an offer and getting a solicitor to look over the legal pack," he says.

If you're considering taking on a development project, here are Saghir's recommendations.



Establish what level of development you're comfortable with

We tend to think of development as building houses, but that's just one aspect of it – extending, renovating and converting existing properties is developing too. Each project comes with its own set of costs, challenges and restrictions.

"Renovating can be an easier choice than extending in terms of the consents you need because often if it is just a case of altering the internal structures, so you won't need to gain planning permission. You should however bring in an architect and structural engineer if you plan to move walls around," says Saghir.

Similarly, converting a property – like turning an old office building into a block of flats, or transforming a house into a HMO – is typically less demanding than building new property.

The type, size and complexity of your development will dictate how much expert help you'll need, which leads us nicely on to the next point...



Get expert help from the beginning

Property development can be a complex and challenging process. On smaller projects you might only require an architect to prepare the designs, put in planning applications and deal with queries from the case officer. On larger projects you'll need help from other specialists like planning advisors, project managers, quantity surveyors and structural engineers.

"On a more complex contentious site it is beneficial to appoint a planning consultant who understands the local policies and has experience with the local authority. Some of these consultants are also required post-planning to help discharge planning conditions," says Saghir.

"Change of use conversions often need complex upgrades to the mechanical and engineering services installed on the property, so having a mechanical and electrical (M&E) expert involved early on is advisable.

"The centrally controlled heating, cooling and lighting services used for an office block, for example, are unlikely to be fit for purpose for multiple apartments. Health and Safety and Access

surveyors will also be needed because the regulations vary between building uses."



Don't rush in without checking the restrictions

Once you've found a property or piece of land you want to develop, the first thing to establish is whether there are any restrictions that will prevent or delay the works. For example, will an extension require planning permission, or can it be completed under permitted development rights? Is the building Listed or in a Conservation area? Are there any covenants or easements in place that prevent any development? Are there any services below ground or powerlines overhead that can create problems later in the project?

"Check these, not just with your lawyers, but with your architects too. That should dictate the start of the design process," says Saghir.

If you're doing a conversion, you'll need to do some basic checks to make sure there is precedent for the local authority granting permissions for similar changes of use. A friendly conversation with the local planning department can often answer this. Then you need to check the practical feasibility. If the building shape, position or structure doesn't lend itself to a conversion, then there is no point going any further.

If it's land you're developing, then – depending on the size of the site – you might want to consider getting outline planning consent or guidance

from the local planning department on what they want to see and what they won't approve.

"Establishing these answers early in the project will determine the commercial viability of a site and the route you take moving forward," says Saghir. "If planning is required then drawings and reports have to be produced to allow you to submit the planning application. The need for some permissions can be avoided simply by designing the right way."



Create a clear planning strategy

Getting planning permission is the "primary obstacle" in any development, says Saghir. There are different types of applications for the change of use of a building, building an extension, and changing the external appearance, so establishing a clear planning strategy in the early stages is essential.

"Some planning applications are site-specific, so if your site falls within a flood zone 2 or higher then you would need a flood risk assessment. Likewise, a biodiversity report may be required. Some are project-specific such as if the proposal includes residential use then you may need an acoustic assessment, a transport assessment and a crime impact statement.

"When extending a residential property, often the most likely challenge to your designs are going to come from neighbouring owners.

These need to be considered in the initial design phase as they could restrict what you are able to get permission for. If you can demonstrate your design has been undertaken with your neighbours likely concerns in mind, then they are going to be less likely to challenge your consents.

"Taking advantage of permitted development is a method that can help speed up the construction process and mitigate professional fees that occur during the planning process," he advises.



Don't blow up your budget

Legal fees, professional fees, council fees, materials... the costs of a development can run on and on. "Before you ask an architect to put designs together, you need to have worked out all the financial elements of the project including how many units you need to end up with to get the returns on your investment and your preference on the materials that are going to be used," says Saghir.

"This can have a huge impact on what is designed. For example, the decision as to whether or not to remove a structural wall to create an open-plan space could be determined by whether or not the project budget can allow for the additional steel work needed to allow for that to happen.

"We always suggest clients use a cost consultant and quantity surveyor to make sure that budgets are set up front. A quantity surveyor is invaluable for estimating costs preparing the bills of quantities before construction and carrying out monthly valuations during construction.

"Material costs have been soaring, but there are now plenty of options for reducing costs by designing in modern methods of construction, techniques and materials."

ARE YOU AN INVESTOR OR A DEVELOPER?

If you've built, converted, renovated or extended a property, that makes you a property developer, right? Well, not necessarily, at least not where HMRC is concerned. It is more interested in what you intend to do with the property (or properties) once the work is complete.

"People's definition of what a developer is can be quite different, but HMRC keeps it simple. If your plan is to hold the property for long term rental purposes then – irrespective of what development work you do – you're classed as an investor and any gains on sale are liable to Capital Gains Tax [CGT]," explains Nadeem Raziq, head of tax at Provestor.

"If you plan to sell the property – i.e. flip it – then you're classed as a trader and are liable to Income Tax and National Insurance on your trading profit."

But what happens if your plans change? Say you intend to rent the property at the end, but personal circumstances mean you're forced to sell?

"HMRC will look at intention as well as the business in which the property is purchased. For example, if you've purchased a property within a company that only holds buy-to-lets, but on this occasion you're forced to sell, it can be argued it was a one-off conversion and sale and subject to CGT rather than seen as a trade and subject to income tax.

"However, be careful if your 'plans change' regularly as it could then be argued to be a trade," warns Nadeem.

It is best to seek advice from a specialist property tax accountant before you progress too far into the development process.

You'll also want to consider the best structure to acquire the development, such as in an individual name, joint ownership, as a company or in a trust. Each has its own financial and legal differences.



Have a contingency fund

You'll need a contingency fund to cover unexpected expenses or delays that can occur during the development process.

"In our experience, the biggest cost many investors and developers underestimate are for the upgrading of existing services. There is sometimes an assumption that they can use what is there, but it is usually not fit for purpose and is unlikely to fit the bill when it comes to EPC requirements," says Saghir.

Having a financial safety net will also protect you from events out of your control. "We gained planning permission to convert an old mill

into 21 apartments in Hulme, Manchester a few years ago. Due to Covid, the planning application which should have taken two to four months took over 18 months to be approved. During this time material and labour costs had drastically increased due to Brexit and Covid. The client had carried out a costing exercise before planning and after planning had been approved. In 18 months the total construction cost had almost doubled."

This list of dos and don'ts is by no means exhaustive, but it should get you thinking about how to plan for a development project and feeling more confident about undertaking one.



Andrew was tipped-off about the property by a friend

Riding to the rescue



Left to right: David, Kelly and Andrew

When **Andrew Collins** bought a dilapidated Haydock semi, it required a back-to-brick refurbishment. Neil Cumins takes up the story

It might be best known as one of England's leading horse racing venues, but the Merseyside village of St Helens is entirely conventional in many regards. Its housing stock is liberally peppered with the three-bedroom semi-detached houses that are ubiquitous across Britain, and beloved by many.

Belvoir Haydock

When Wigan-based investor Andrew Collins was tipped off about a time warp three-bed semi-detached along Manor Road in Haydock, it was an opportunity too tempting to pass up. Yet as it turned out, this unassuming ex-local authority house would need stripping back to its red brick walls, following a series of botched repairs and decades of neglect.

Taking a gamble at Haydock

"Haydock was our third property, but it was our first property as a 'business', recalls Andrew. "When my partner Kelly and I met, both our houses were in desperate need of renovation. We



INVESTOR FACT FILE

Name: Andrew Collins

Age: 36

Lives: Wigan, Greater Manchester

Invests in: Merseyside

Occupation: research systems IT manager in higher education/research

Strategy: flips

Years investing: two

Goal: to amass savings

took a gamble and moved to a third property – our current home. On the sale of our previous homes, we intended to reduce our new home's sizeable mortgage. We enlisted a friend of mine, David, to tackle the renovation work on our two existing properties, which he completed successfully.

"Both properties were transformed and subsequently sold well. Having built a good working relationship with David, we all agreed this was something we would be comfortable doing again. This time, we arranged for David to handle the renovation from start to finish, with me supervising the project management, finance and suppliers while providing an extra pair of hands whenever needed. David would be working to a fixed fee, with a bonus based on the final sale price."

To the Manor born

Having already overseen two full refurbishments on their own properties, Andrew and Kelly started looking for houses at the bottom of the market. "We had a tip-off from a

friend who was living near a property on Manor Road. They'd become aware the property was due for sale, and had an idea of its history, which allowed us to feel comfortable taking it on as our first proper project."

Even so, there were worries about the house's ultimate value: "We were concerned that its location might affect its sale price, and that the market was still unstable due to Covid." Yet it represented a compelling bargain: "The property was priced very cheaply due to its condition. It had been practically untouched since it was built in the 1960s, but it was a spacious three-bedroom house with a sizeable rear garden. We felt that once it had been fully refurbished, it would stand out in the market due to its size and finish.

"The funding came from the sale of our two previous properties," Andrew explains. "This allowed us to finance the property, materials and labour with cash. Conveyancing went smoothly, with no issues, but it took longer than we expected. We started the conveyancing process on 24 February 2021, with the purchase finally completing on 4 May."

This was towards the tail-end of the third national lockdown, at a time when the property market was still somewhat dysfunctional.

Back to basics

Despite challenging post-pandemic circumstances, Andrew was determined to achieve a full overhaul to the highest standards. "When the plaster was peeled back, it was full of council bodge jobs. We opted for a full back-to-brick refurbishment that involved the total removal of existing plasterwork, pipework and electrics from the house. The only original things left were the bricks and the floorboards!"

The full list of works carried out included repairs to the house's remaining brickwork, lintels and floorboards. A new flat roof was installed on the extension, while rotten single-glazed wooden windows were removed and replaced with more energy-efficient uPVC windows; French doors were also added at the rear to improve the open-plan

THINGS I WISH I'D KNOWN

Andrew reflects on his experience refurbishing the Haydock property and considers what he might do differently in future.

"Overall, this project went smoothly. The most challenging part came once we realised costs were increasing versus the original forecast, and we encountered a sense of scepticism midway through the project about the direction of the market."

The spike in commodity prices following the pandemic couldn't have been foreseen, but it provides a salutary lesson about building contingency funds into any property project: "I think we learned a few lessons with the scheduling of materials, forecasting cost overruns and so forth. We also learned a lot as we tried to build relationships with suppliers."

"The best advice I can offer anyone else is to be prepared for what you can't see. On this project, we were quite lucky that any structural repair work was easy to resolve. However, it was also clear that the quality of previous work carried out on the property was poor, so the situation could easily have been far worse. Being able to fix and control our main labour cost made this significantly easier to manage, as David has been able to handle almost any task."



dining kitchen. New copper pipework for the water and heating system was installed throughout the property, accompanied by an A-rated hydrogen-ready boiler that had to be fitted by a specialist contractor.

Other works were equally essential, with new wiring nestling behind new plasterwork. A stylish grey kitchen and contemporary three-piece bathroom were installed, internal painting was completed, and fresh carpets were laid beneath replacement solid wooden doors.

Attention then turned to the property's similarly neglected exterior: "We levelled part of the garden and replaced existing gravel. We also repaired and replaced part of the underground drainage, where we found parts of the original clay pipework had failed." The garden then received new fencing – an unexpectedly big expense at a time of spiralling timber costs – and attractive mosaic tiling along the side return.

"We started the project in July 2021 and finished it in August 2022," says Andrew. "We initially aimed to complete this project with a budget of £20,000 for all materials and external contractors, not including David's fee. However, we overshot this by £9,000, due in large part to materials significantly increasing in cost throughout the project."

That overspend would undoubtedly have



Belvoir Haydock



New fencing was added in the garden – a big expense with spiralling timber costs



INVESTOR STORY

been worse if there'd been more reliance on third parties: "The vast majority of the work was completed by David, with me handing suppliers, financing and planning. We used three external contractors in total – an electrician, a heating engineer and a roofer."

A racing certainty

"Throughout the project, we'd kept the option of renting the house if we failed to hit our sales target," says Andrew. "However, on discovering the sale estimate was significantly higher than we expected, we proceeded to sale. Ultimately, it was more profitable to flip the house compared to the financial returns from renting it out."

This was confirmed by a generous final valuation: "The original estimate on the property's value was £125,000. However, we had aimed for £145,000 by achieving a higher standard of refurbishment. The final listing and accepted sale price was £170,000, but due to a mortgage valuation scoring the property at £165,000, we accepted this lower amount at completion."

"This was the first property we had tried to fully project manage from start to finish," Andrew concludes, "and it was the first real test to see if this is a direction we wanted to continue in. Ultimately, this is something we felt we could do well – in fact, we've already purchased another project. We plan to flip this current project again, and I think we're likely to continue flipping properties for the foreseeable future."

"Eventually we would like to take on a rental, but that's a couple of years away. With the downturn in the market, we feel we have quite a large margin, and should produce a comfortable profit at the end of our next project. However, we will look at renting if we fail to turn a profit."

As even the most experienced investors will acknowledge, it's always advisable to have a backup plan in place from the outset.

RUNNING THE NUMBERS

This is how Andrew's Haydock flip stacks up financially:

Purchase price: £80,000

Purchase costs: £3,000

Finance method: cash

Project duration: 13 months

Refurbishment costs: £29,000

Sold value: £165,000

Profit: £53,000

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

How to: manage a smooth check out

A well-managed check out process will save you time, money and effort, writes Andrew James



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The end of a tenancy can be a stressful time for everyone involved. While you're worrying about what state your property will be left in and how long it will take to get new tenants, your tenants are fretting about packing up their belongings, getting their deposit back and being given a good reference. A well-managed check out process can help remove some of that stress.

How much of the process you manage yourself is entirely up to you. Lots of landlords prefer to use a professional inventory clerk to produce check in and check out reports, but you're free to prepare your own, although there are advantages to having it drawn up by an impartial third party.

If you'd rather be more hands off, or your property's location means you can't be there in person to check your tenant out, then you could get a letting agent to manage the whole process for you. Still, it helps to know what a well-managed check out should look like.

1. Complete a check in report

Hang on, this is supposed to be about the check out, so why are we kicking off with a section on checking in? Well, that's because if you do a good job of the check in report, then the check out part will be much easier.

At the start of every tenancy you should do an inventory to record the condition of the property and its contents if it is furnished. You can do this yourself, or use a professional inventory company, as mentioned above. The inventory provides a record of the property's cleanliness and condition at the start of a tenancy and acts as a vital piece of evidence when claiming any costs or resolving any disputes at the end of a tenancy.

Your tenant will need to check and sign it and report any inaccuracies within the first weeks of their tenancy.

TOP 10 CHECK OUT TIPS FOR LANDLORDS

FROM THE DEPOSIT PROTECTION SERVICE

1 Keep timely and careful records

Keep a record of any discussions about the property's condition throughout the tenancy.

important to cover the property's check out list in detail to avoid any disputes later.

2 Invite tenants to the check out in writing and provide sufficient notice

Give tenants a reasonable chance to attend the check out and make sure the invitation includes details of the process. Both parties should keep a record of the invitation in case the timings are a cause for dispute. If you plan to take photographs or videos, you need to inform the tenant in advance.

7 Take notes of agreements or discussion points

Record in writing if any items have been damaged and ask tenants to sign and date these notes, then send them a copy afterwards.

8 Take photos of any damage or anything else contentious

While videos can demonstrate that equipment, such as a fridge or microwave, is no longer working, date-stamped digital photos provide the best form of evidence and can also illustrate the cleanliness of the property.

3 Take along your check in report to the check-out

This will aid discussions about the property's condition.

4 Explain the reason for the check out

Explain what the check out process involves and give tenants the opportunity to ask questions about it and the check out document.

9 Carry out the check out before any repair works take place

Make sure you record evidence of any damage before making repairs for the next tenant.

5 Be aware of personal safety issues

Tell someone when and where the check out is taking place and bring someone along with you if you have any concerns.

6 Work through the check out carefully and thoroughly

Walking around a tenant's home can feel awkward, but it's

10 Put yourself in your tenant's shoes

Try to imagine how it would feel, for example, to pay the full cost to replace a worn carpet if you had only lived in a property for a couple of years.

2. Communicate clearly in writing

“Good communication between landlords and tenants can avoid misunderstandings and disagreements about a property’s condition at the end of a tenancy, especially if the tenancy is a long one,” says Matt Trevett, managing director of The Deposit Protection Service (DPS).

Once you, or your tenant, has given notice you’ll need to confirm the date they are moving out in writing and set a date for you to meet at the property for the check out inspection. An email explaining the check out process and what’s expected of them – including details like when they’ll get their deposit back and any other requirements – will help avoid any confusion later down the line and give them the opportunity to ask any questions in advance.

3. Arrange a pre check out inspection

Doing a pre check out inspection with the tenant(s) at the property during the last month of the tenancy gives you the chance to address any potential issues or repairs needed ahead of time and gives the tenant time to get things fixed or replaced instead of losing money from their deposit.

Take two copies of the check in inventory with you – one for you and one for your tenant – and walk through the property together pointing out and taking note of anything that needs to be rectified. Ask your tenant to sign and date these notes, then send them a copy afterwards.

Providing contacts for repair and maintenance services will help your tenants, who are less likely to have these kinds of contacts, and will help to get any issues resolved quicker. You might also want to consider offering a deposit refund bonus as an incentive to leave the property in a good condition.



4. Schedule the check out inspection

If you’ve already carried out a pre check out inspection, then this visit should be to make sure any issues or repairs you identified last time have been resolved. If this is your first visit, you’ll want to do a thorough inspection referring back to the check in report as described in point three.

The duration of the check out inspection will vary depending on the size and spec of the property, but a well organised check out can be completed comfortably within one or two hours and should take place on the last day of a tenancy or as soon as possible after the tenant has returned the keys. The longer you leave it, the more doubt arises that any problems are a result of the tenant’s activity.

If you’re doing it yourself, look out for any significant damage like



“Good communication can avoid misunderstandings and disagreements about a property’s condition at the end of a tenancy”

burns, stains and chips and discuss any issues you’re planning to make a deposit deduction for with the tenant. If the tenant is unable to attend, make sure you send them the documents with details of any potential deductions.

One of the most common mistakes landlords make when assessing the condition of a property at the end of a tenancy is to not account for fair wear

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and tear. “Some landlords mistakenly believe they can make a claim because the property was not returned to them in exactly the condition in which it was first let. However, adjudicators cannot award a claim if there is ‘fair wear and tear’, when items or a property deteriorates as a result of reasonable use,” says Matt.

5. Release the deposit

Inform your tenant in writing if you need to make any deductions from their deposit. If they agree with the deductions – or if you’re returning the full amount – you can go ahead and organise the return of their money. If there’s a dispute, you’ll need to open a dispute resolution case with the deposit protection scheme you use.

“We always encourage landlords and tenants to try to come to an agreement between themselves first,” says Matt.

He explains how The DPS’s dispute resolution service works: “Both parties are asked to submit evidence to support their claim within 14 days of the date they agree to use the dispute service. An independent and impartial adjudicator will review the evidence and decide how the deposit will be repaid; adjudicators have 28 days to provide a decision. We will send the adjudicator’s decision, which is final and binding, to both landlord and tenant.

“We always recommend that landlords continue to talk to their tenants during the dispute process to attempt to reach a resolution before the adjudicator reaches their decision. If either landlord or tenants decides they don’t want to use our dispute resolution service, the dispute will have to be resolved through the courts, which can be costly and time consuming.

“It’s important to remember that on average less than 3% of all of the tenancies we support end in dispute.”

WHAT IF A TENANT LEAVES BELONGINGS BEHIND?

Don’t think you can just throw it out. Their belongings still legally belong to them even though they are on your property, so if you throw them away you could be liable for damages. “We typically advise that both parties seek legal advice in the case of a dispute arising out of or involving a tenant’s belongings in the property,” says Matt.

WHO IS RESPONSIBLE FOR END OF TENANCY CLEANING?

The tenant. They are responsible for returning the property to the same level of cleanliness as when they moved in. However, as a result of the Tenant Fees Act 2019 you can’t expect a tenant to pay for the service of a third party to carry out cleaning.

WHAT IS FAIR WEAR AND TEAR?

The law defines fair wear and tear as: “Reasonable use of the premises by the tenant and the ordinary operation of natural forces,” but there are many different variables to what can affect wear and tear, especially if a tenant has lived in a property for a long time.

“An adjudicator is unlikely to make an award for a claim for redecoration costs where the tenant has lived in the property for five or more years, as the landlord would probably have needed to redecorate anyway, regardless of anything the tenant has done,” says Matt.

The DPS has published this useful life expectancy guide:

DECORATION	LIFESPAN
Hall, landing, stairs	between 2 to 3 years
Living rooms	approximately 4 years
Dining rooms	approximately 6 years
Kitchen and bathroom	between 2 to 3 years
Bedrooms	approximately 5 years
CARPETS	LIFESPAN
Budget quality	between 3 to 5 years
Medium quality	between 5 to 10 years
Top quality	up to 20 years
WHITE GOODS	LIFESPAN
Washing machines	between 3 to 5 years
Cookers/ovens/hobs	between 4 to 6 years
Fridges	between 5 to 8 years

2023: what happened and what's next?

It's been a year of misleading headlines, drama and confusion, writes **Rob Dix**

As we count down to the end of another tumultuous year in the property market, it's worth taking a look back at some of the dramatic shifts that have taken place over the past 12 months. From the sluggish journey of the Renters (Reform) Bill through the parliamentary labyrinth to the unexpected surges in rental prices, 2023 has been anything but predictable.

With a new year and a general election around the corner, the question looms large: what's next? Sadly, I can't predict the future, but I can use this year's events to gauge what might be in store in 2024 – and no matter how accurate my guesses turn out to be, I'm certain it won't be boring.

Moved down the Bill

It was looking like rental reform would be a big theme for the second half of the year, with the long-awaited Renters (Reform) Bill being introduced in May. But while it initially looked like being fast-tracked through parliament, its second reading (initially scheduled for the following day) was cancelled and things went quiet – very quiet.

One way or another, rental reform will be big news in 2024. Either we'll learn a lot more about the detail and timing of the proposals in the bill as progress is made, or – with a general election likely before the end of the year – a lack of progress will make housing a major battleground, with each party making the pledges they believe will be vote-winners.

Rising rents

The rental market has been consistently in the headlines, but it's prices rather

than laws that have dominated attention. Rents across the country have increased at a staggering rate, with new lets in Manchester and Birmingham growing by more than 17%. London has also seen some major increases, as has Scotland – ironically, given that rent controls are supposedly in effect.

This is a straightforward supply/demand story. Supply is broadly unchanged since 2015, whereas the population grew by 606,000 in 2022 alone and a cohort of people who'd normally become owner-occupiers were frustrated by rising interest rates. None of the factors affecting supply and demand are likely to change any time soon, so I expect we'll see rents continue to rise next year – which is helpful for investors battling with higher mortgage payments.

Silent property crash

The big story of this year perhaps should have been a collapse in house prices. So far though, that hasn't happened – with prices down just 5.4% over the past 12 months at the time of writing.

Is this just the beginning, with an outright crash awaiting in 2024? I'm not so sure. In the absence of major job losses, I see the most likely outcome as being the gradual drift downwards continuing over the next year. Paired with a higher than average rate of inflation, this would amount to a significant real terms correction: what we called a "silent property crash" in a YouTube video earlier this year.

If it does play out this way, it would be the best outcome for everyone: houses become more affordable in relation to earnings, while the absence of a crash means lenders remain confident and there's no spill over into the rest of the economy.

The silver lining

Where does this leave property investors? Well, I think it's worth being clear that the end of the "free money" era – especially with that end coming so rapidly – is an enormous shift. It's already caused shocks in some parts of the economy (like US banks, and last year's pensions debacle), and I wouldn't want to bet against there being more to come. But my silver lining view is: it's happened.

We always knew that rates were going to normalise at some point, and now we know that won't go through a similar shift again (until, presumably, a future crisis pulls them back down). Once we've spent a few years adjusting our existing portfolios to the new reality, we can proceed with more certainty – and any acquisitions we make from this point onwards will have been tested against these new, higher interest rates to make sure the deals stack up.

All in all, it's been a year of misleading headlines, drama and confusion – and with housing being a hot political topic and an election on the horizon, it'll probably be the same again next year. As someone who needs to have something new to say about property every week, frankly this is pretty helpful. But as an investor, it doesn't make a whole lot of difference: I feel just the same about what my portfolio will achieve for me over the next 20 years as I did back in January.



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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Should landlords fear a Labour government?

A change of party may not be as bad as you think,
writes Rob Bence

Traditionally landlords have had more to fear from a Labour government than a Conservative one – from what's happened in the past it's not difficult to see why. That being said, I don't think we have much to fear from the current Labour government. There's nothing I've seen in their proposals so far that makes me worried, and – let's face it – the Tories have done such a good job of hammering landlords already, Labour probably doesn't feel the need to go any further.

Labour has already distanced itself from introducing rent controls, something it had previously considered. You only have to look north of the border to see how badly that's gone. History tells us whenever you try to control a price of a commodity, it doesn't work.

Investors have a choice, and that's what governments need to remember. If market conditions are more favourable in one location than another and both locations are easy to invest in, then that's where the money will flow – it's basic economics. Scotland has only succeeded in making it more attractive for landlords to sell up and invest in England and Wales instead.

to buy their own home, so there will always be demand for rental properties. The problem is there's not enough of them, that's what's causing the rental boom. If you constantly try and scare away landlords, it's only going to exacerbate the problem further.

With a general election set to take place within the next 14 months, both parties are filling their war chests and setting out their key policies in preparation. It's easy to get wound up by all the political meddling – as you can probably tell from this article it bothers me too – but the vast majority of the time these things don't really impact the property market, at least not as much as we might fear. The fact remains people need homes to rent, that's not going to change.

Everyone had an opinion on how Brexit was going to impact the market, it didn't. Everyone thought the scrapping of tax relief on mortgage interest payments would spell the end for buy-to-let, it didn't. While all this messing around with policy is frustrating, it doesn't have a material impact in the long run. Over the past 50 years we've swung from Labour to Conservative and back again several times. In that time property prices have only gone in one direction – up – which, for me, remains the most compelling reason to carry on investing in property, regardless of which government is in power.



Link in the chain

What's slowly being realised by both parties is – like them or not – landlords are an essential component of our economy. Not everyone has the ability or the desire

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What I've learned

Working parents **Kegan and Eamonn Richardson** – known on social media as **The Property Pair** – have built a portfolio of 10 properties in two-and-a-half years

Educate yourself

We see property as a vehicle to get us where we want to be long term, but we're also very aware of the risks involved. We spent almost a year educating ourselves on the economy, property cycle, markets and our investment area before we made our first purchase. Eamonn started thinking seriously about property after listening to The Property Podcast. The pandemic fast tracked our learning somewhat. We began researching in April 2020, so we had lots of time for it! We're now part of a property training group, but there's so much free information out there to get your teeth stuck into.

Fail forward

After doing our research it took us months to find our first deal, partly because we became so focussed on finding the 'perfect deal'. In reality these are few and far between, and you need to dive in the deep end and get active to learn and grow. In

hindsight, we missed out on some cracking opportunities by holding out for an 'all money out' deal. Over the past couple of years, we've had some amazing deals, and some less great ones, but we've learned from every single project.

Don't go at it alone

Doing this together means we can bounce ideas off one another, share our struggles and challenge each other. It can be tough to find deals, keep up with the market and stay motivated, so it helps to have people around you that you trust to share experiences with, ask questions and keep you sane. We're part of a network of other investors and have a mentor, we've also had accountability buddies in the past to keep us moving forward. Whichever way you do it, make sure you have people you trust around you who you can turn to when things are hard, or to share your wins with.



Property is a relationship business

From building a power team, to managing tenants (if you choose to do this yourself), it's vital to build strong relationships in property. Our best deals have come from getting to know the vendor and understanding their needs.

Be clear on your goals

This is probably the most important thing we've learned along the way. It's hard enough to do well in your job, balance family life



INVESTOR FACT FILE

Names: Kegan and Eamonn Richardson

Ages: 30 and 32

Lives: West Yorkshire

Invests in: West Yorkshire

Occupation: medical sales rep and recruitment business manager

Strategy: BTLs

Years investing: two and a half

Portfolio size: 10

Goal: to have the financial freedom be able to spend more time together as a family

and maintain a social life – add property into the mix and you'll really test your limits. Things will go wrong, and you will be challenged, so it's important to know why you started and where you want to end up to push you forward during the testing times.

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



Need help with your buy-to-let strategy?

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