The PROPERTY Hub Magazine

Making sense of property investment

theproperty hub.net

TOP TIPS
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Short of funds? You can still be a cash buyer.

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AUTOMATE, DELEGATE, CELEBRATE

Systems to get your investments running on autopilot

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Contents

Regulars

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

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

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

Welcome

Ahhh systems and processes: it's like wading through Rob D's daydream collection. As it happens, you don't need to be an über-geek to make the most of our tips and tactics for running your property portfolio – and you don't even need to be a full-time investor. In fact, this issue's cover feature is perfect for those of us who are trying to juggle multiple commitments at once, including a day job.

One landlord has taken "automation" to extremes: he's using cutting-edge technology to tame 30 teenage tenants across five HMOs, and his story proves just how much time you can free up if you want to.

And prepare to be further inspired by another landlord who's all but eliminated voids from his portfolio. If you find yourself constantly worrying about your properties sitting empty, his tips could prove invaluable.

For yet more out-of-the-box ideas, we've also been busy exploring the mortgage options for limited companies, and looking into how to bag great deals by acting like a cash buyer – even if your bank balance isn't as healthy as you might think necessary.

That's only scratching the surface of our biggest and most jam-packed issue to date – so we'll leave you to get on with reading it!

Happy reading,

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry

News

GREEN AND PLEASANT MIDLANDS

The Black Country may soon find itself more "Green Country", if ambitious plans announced in March get the go-ahead. This region of the West Midlands takes its name from the soot deposits and coal mines that once dominated its towns and villages, so it's perhaps ironic that Britain's biggest-ever garden city is being proposed for construction in and around Wolverhampton.

The plans unveiled by Black Country Local Enterprise Partnership aren't for a self-contained new community in the traditional garden city vein, though. Instead, they recommend that dozens of neighbouring brownfield sites should be developed simultaneously, covering over 1,500 hectares and capitalising on the Black Country's status as the fastest-growing part of the Midlands.

Although construction work has yet to begin, it's expected that a total of 45,000 new homes could be built before the scheme is finished in 2026. With house prices throughout the West Midlands hitting a record £204,140 in March according to Rightmove, and Wolverhampton's population rising by 5.5% year-on-year, these properties could represent compelling long-term investment opportunities.

The homes contained within the Black Country LEP plans are intended to appeal to skilled workers and graduates from the ten West Midlands universities, who are benefiting from rapid expansion in the region's automotive, aerospace and construction industries. It's anticipated that this garden city will provide an additional £18 billion boost to the Black Country economy, augmenting record levels of private sector investment that made this region Britain's most successful Enterprise Zone last year.

NORTHERN COMPOSURE

As house prices in southern England continue to accelerate, a new report by consumer group Which? has suggested that property investors should look north to find the next up-and-coming housing hotspot. The report identifies places in the UK where prices are surging while remaining below £200,000 on average – and some of the findings are unexpected.

Four of the ten up-and-coming postcodes identified by Which? have recently been profiled in The Property Hub's Location Focus features, and it's no surprise to see the likes of M5, M12 and B3 making the list. Liverpool's L1 postcode is deemed to be the UK's most affordable house price hotspot, after experiencing 41% price growth in the year to November 2015. More surprisingly, though, second place belongs to the LL27 postcode of Conwy – a coastal market town in North Wales.

With an average property price of just £57,000, Bradford's BD1 district came third on the Which? list. Close to Bradford University's 11,000-strong student population, many of its traditional buildings have recently been repurposed into BTL-friendly apartments. Some flats are being advertised as offering gross yields of between 8% and 9%, which compares favourably to returns in much of the South East. Nonetheless, the south-east London borough of Bexley did make it into the top ten: its average selling price has climbed by a third in the last year, to £191,500, reflecting Bexley's relative affordability and convenient location (just a half-hour journey from London Bridge station).

FLYING HIGH IN THE NORTHERN POWERHOUSE

A £1 billion transformation of Manchester Airport over the next decade could be doubly advantageous – by improving the city's investment prospects, as well as indirectly benefiting local property developers and landlords. Consent has recently been secured from Manchester City Council for the Manchester Airport Transformation Programme, also known as MAN-TP, which will involve an ongoing series of improvements to the UK's third-busiest airport.

The intention of MAN-TP is to create a global aviation hub in the North West, forming a cornerstone of the Northern Powerhouse. Although that term is increasingly being overused, it's hard to dispute that a revitalised and expanded Manchester Airport would offer significant trade and commerce benefits to the city and its surrounding counties. The new jobs and economic impact provided by MAN-TP could bolster rental prices in Manchester, which saw the second-highest rises anywhere in the UK during 2015 (according to data from the Valuation Office Agency). Proximity to the airport is often marketed as a key benefit for homes in southern Manchester, as well as outlying boroughs such as Altrincham and Wythenshawe. The proposals for MAN-TP will include a reconfigured and extended Terminal 2, which would become the airport's primary terminal. Improvements will also be made to Terminal 3, while 50 new food and retail businesses could be introduced to cater for the 22 million passengers who travel through Manchester Airport every year.

FLOWER TOWER

With a design that wouldn't look out of place in Abu Dhabi or Hong Kong, a remarkable 67-storey apartment building will be appearing on the Tower Hamlets skyline over the next few years. Described by developer Greenland Group as a "vertical city", this 771ft skyscraper has been informally christened the "Flower Tower" after the three leaf-shaped structures that will overlook West India Quay on the Isle of Dogs.
Although the term "vertical city" might seem like a bit of an overstatement, Greenland Group is backing up its bold assertions by incorporating extensive amenities alongside the 861 apartments (which includes 96 affordable homes). A communal garden and children's play area will join a swimming pool and gym within the complex, while there will also be a wine bar and library on-site. To the delight of environmentalists (and the dismay of motorists), the development's nine parking spaces will be exclusively reserved for disabled residents.

This scheme hasn't been without controversy. It will loom over the Grade II-listed West India Docks gateway, which will have to be dismantled and reassembled once the tower is complete. Complaints have also been made that Western Europe's largest residential tower will block out sunlight and dominate the local landscape. Nonetheless, Tower Hamlets Council concluded that the Isle of Dogs is a "highly suitable" site for a tall building that will complement "an established cluster of tall buildings". With approval now granted for the Flower Tower, construction is expected to take four years.

Hertsmeer House London, dubbed the Flower Tower.

NO REGRETS

From slow worms to fast flips, a move into full-time property investment was the right one for Thai Bridgen. By Jane Cameron.

5:30

It's up with the lark (and before the children) for 45 minutes of meditation, visualisation and physical workout – a set routine inspired by Hal Elrod's The Miracle Morning self-help book. Afterwards, it's on to an equally savoured part of the day: breakfast with the family, followed by the school run. Spending time with his fiancée, Lindsey, and three children (aged two, four and 17) is one of the reasons 38-year-old Thai finally dropped his IT consultancy job in December to brave the property world full-time.

He says: "I want to be the best dad in the world to my kids. When I was young, my parents had to work every hour under the sun, which made us miss out on quality time. I want to have a great relationship with Lindsey, our three children, and our respective parents – who are thankfully still with us.

8:30

From his back garden office in Portsmouth, Thai spends an hour on emails before taking part in a daily briefing on his latest venture, South Coast Property Sourcing. This is with business partner Alex Venables and their negotiator, a former estate agent who's already meeting with 120 agents a week. Thai and Alex set up the company to find properties for investors in Portsmouth and Southampton that can be quickly refurbished and sold on – "flipped" – on a fixed rate of return or profit share option.

"We often find our investors at networking events," says Thai. "With their money earning just 1% or 2% in the bank, they're very interested in what we do. If they've had bad experiences with sourcing companies in the past, we can also reassure them that they won't have those same issues with us: we're well aware that other companies take their eye off the ball after the first deal, leading to higher refurbishment costs and a longer resale period. We set up our service knowing the pitfalls, and we have a host of systems to keep our properties on track."

10:00

Off to an on-site meeting in Portsmouth with the builder and a plumber working on a seven-unit HMO – expanded from a three-bed house by adding a rear extension and a dormer.

They're part of a small army of skilled tradesmen regularly used by Thai, who admits that despite a spell as an apprentice mechanic when he was 16, he's pretty impatient with tools.

"I have a lot of patience when it comes to assessing property deals, setting up systems and dealing with paperwork – but picking up a paintbrush drives me mad, as I know I can be more productive in other areas."

A couple of hours later, Thai is on his way to Southampton to meet a builder quoting for the conversion of a large house into a four-flat HMO. They meet the agent, take measurements and go for a coffee to discuss further. "Before we put an offer forward, we always make sure we agree a cost with the builder," he says.

If it goes ahead, this will be the 19th property in the £2.3m portfolio built up by Thai since 2008, when he bought his first flat with his parents. So far, he's handled 26 properties, with one of his best investments being a three-bed terrace in Havant – which has brought in a 75% gain after a £20,000 refurb spend. His worse investment has been a property in Scotland, sourced through an agency: "Scotland is as far away as you can really get from where I live, and the distance means we have less control over the management of the property," says Thai. "Plus, that area has experienced very little capital appreciation in the last four years."

14:30

Back at the office, Thai has more deals to consider, including the potential purchase of a piece of land in Southampton, which has planning permission but also an endangered species – slow worms. "We're talking with the experts, as they need to be removed carefully. While this is certainly an unusual one, I do spend the majority of my time – usually four hours a day – on matters relating to purchases: dealing with agents, investors, brokers, solicitors and paperwork."

16:00

Before going to another meeting to look at the paperwork for an assisted sale, Thai spends half an hour looking at how to use online video to promote his businesses.

In addition to South Coast Property Sourcing, Thai also runs T1property Ltd – a lettings agency he founded in 2009 after becoming dissatisfied with the agencies he'd hired to manage his own properties. It currently employs five staff, but is steadily expanding – with the help of his fiancée, who's a former financial controller.

> **“Check what mortgage products would be available to you if you were to leave your full-time job, as some lenders have restrictions on property-only income.”**

18:00

Time to enjoy some time with the kids before bedtime. Then an hour or so catching up on social media and emails.

When asked what advice he’d give to someone wanting to take the all-in property plunge, he says: “Check what mortgage products would be available to you if you were to leave your full-time job, as some lenders have restrictions on property-only income. I’d say Lloyds and The Mortgage Works are worth approaching, but your broker will be able to give advice on other lenders who are suited to your specific situation. Also, remember that the finance doesn’t have to come from mortgages: there are plenty of investors looking to team up.

20:00

“I’d also advise people to believe in themselves. My mum was very cynical about me going into property, although she now sees how it can make money. She also sees that I’m more of a bubbly person, because the weight of the nine-to-five job has been lifted off my shoulders. I’ve been loving it.”

LOCATION FOCUS

Hull will be the UK's City of Culture next year – which won't come as a shock to anyone who's familiar with this underrated northern powerhouse.

By Neil Cumins

Culture shock

The words "culture" and "Hull" might not seem like natural bedfellows, but soon you'll be seeing those two words bracketed together a great deal more frequently.

In 2017, Kingston upon Hull will be the second recipient of the UK's prestigious City of Culture designation, selected from a shortlist including Aberdeen and Dundee in Scotland, Swansea in Wales, and York just along the A1079. Hull's unanimous triumph among the judges was attributed to its theme of "a city coming out of the shadows" – a tactful acknowledgement of a gloomy past giving way to a bright economic future.

Defying expectations

Metropoles might be inclined to dismiss Hull as a desolate northern outpost, full of two-up-two-down red-brick terraces with little appeal. The reality is rather different, as anyone who has ever crossed the Humber Bridge will know. Hull may still host the UK's largest ports complex, but it's a city increasingly powered by a diverse range of industries – everything from marine engineering and logistics to chemicals and food manufacturing. Recent inventions in Hull have included the liquid crystal display and several household-name medicines, while technology giant Siemens is preparing to invest £160 million in wind turbine facilities at the brownfield Alexandra Dock.

This innovation and creativity has attracted some of the UK's brightest young talent to the city – who are no doubt also lured by the prospect of plentiful and affordable housing. Property prices in Hull are among the lowest in Britain, with an average price of £72,000 – while some of those ubiquitous on-street terraces can be purchased for between £50,000 and £60,000.

However, pockets of suburban affluence are dotted across the city too, from swathes of modern homes in Kingswood to the elegant late-Victorian grandeur of The Avenues. This leafy conservation area in north-west Hull is home to many of the city's creatives, with the bohemian café culture of Princes Avenue close at hand.

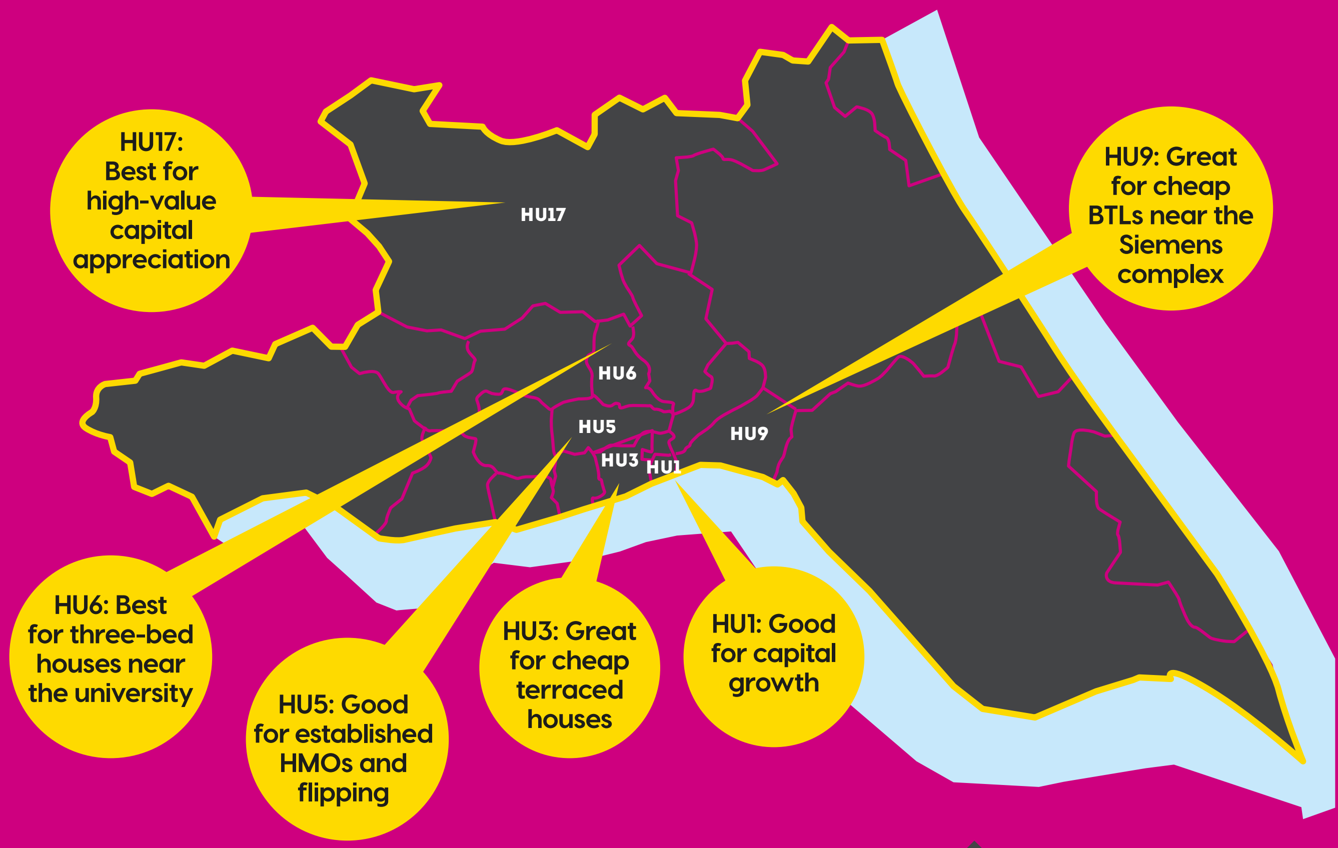
Bargain hunting

Plentiful supply means a £100k budget will secure a three-bed mid-terrace in a respectable area or a spacious four-bed ex-local authority house, while modern three-bedroom semi-villas are available for between £115,000 and £135,000 in many parts of Hull. Bargain hunters tend to gravitate towards the sub-£50,000 mid-terraces in the east end's unfashionable HU8 and HU9 postcodes, while HU3 in the west end is another affordable district surrounding the main Hessle Road thoroughfare. With typical monthly rents between £400 and £450 in these postcodes, a £50K two-bedroom mid-terrace in decent condition should deliver an impressive yield of around 10%.

This affordability explains one of the negatives commonly associated with Hull from an investor's perspective: it has the lowest rental values in the United Kingdom. Even though yields are very respectable, the relative affordability of Hull's housing stock means income streams per property will be modest.

Higher income per property can of course be achieved with HMOs, but it's important to note that this area and surrounding suburbs are controlled by an Article 4 Direction – so new HMOs will require approval from the council. To avoid red tape and the possibility of a rejected application, investors compete among themselves for the limited stock of properties

Old and new with a riverside view.



with an existing HMO licence. Local house share agency, Newson James, reports growing interest from investors wanting to enter the HMO market, with particularly strong competition for properties around Princes Avenue. As Newson James director, Sara Newson, points out, "Investors looking at the big picture can see that good things are ahead for Hull."

That positive sentiment can also be applied to Hull's property market as a whole, according to Danny Gough, chairman of the Humber Landlords Association: "The buy-to-let market is starting to move at a reasonable pace, with a steady flow of properties coming onto the market to satisfy investors. Prices have increased by around 10% and rents are starting to increase – this is a big improvement on recent years." Capital appreciation is also coming into play for the first time, with recent Land Registry figures indicating a 5.4% year-on-year rise across the Hull residential sector at the end of 2015.

Look to the future

It's worth noting at this point that Hull has one of the highest proportions of younger residents of any UK city. Inward migration from twenty-something professionals has combined with a student population of over 20,000 to create a sizeable youth population more inclined to rent rather than buy. According to Danny Gough, areas around the city's university campus are in particularly high demand at the moment: "The student market is starting to show a vast improvement, and some institutional landlords with large existing portfolios are selling properties at a fair market price. That gives new investors an opportunity to get into

THE CULTURE CLUB

There are ambitious plans for Hull to use its status as the second UK City of Culture to achieve greater investment and international prominence, just as Liverpool and Glasgow did with their European Capital of Culture awards. Glasgow's win in 1990 inspired a programme of urban regeneration that has transformed a declining post-industrial city into a growing metropolis with world-leading cultural attributes. More recently, Liverpool used its 2008 European Capital of Culture title as the springboard for momentous projects like the proposed £5 billion Liverpool Waters regeneration scheme.

Hull's own attempts to rebrand itself as a cultural hub will also be supported with long-term regeneration and investment, marketing the city as a centre of technological excellence and green energy. The Siemens Green Port masterplan will support 1,000 jobs in the fast-growing renewables sector, underpinning new academic courses and facilitating construction of the world's largest offshore wind farm east of Grimsby.

To support the anticipated influx of professionals and graduates into Hull, a £550 million investment is planned over the next decade to revitalise empty homes and build new estates. A new local plan is being developed, which will govern residential development between now and 2030, with the majority of larger housing zones along Hull's northern and eastern fringes. It's also hoped that private developers will create 3,000 more new homes in the Kingswood district, doubling the size of this new residential suburb.

this sector – despite the Article 4 restrictions in place throughout much of the city. Student letting generates the best return in Hull, with a 10% to 15% yield easily achievable." As a result, demand is strong in HU6 and surrounding postcodes: "Investors seem to be looking in the university area rather than anywhere else, due to the stable return on investment."

In terms of flipping, developers often migrate to the popular Anlaby area, where Rightmove reported average selling prices of £152,940 last year. Anlaby Common and Anlaby Park are named after two family-friendly open spaces, and both are synonymous with the three-bedroom bay-fronted terraces and semi-villas beloved by local families. These properties are also highly sought-after among developers, offering potential for refurbishment or extension into (typically generous) rear gardens.

The price is right

The reassurance generated by these steady income returns has encouraged many people to look north for the first time. HSBC's annual review shows that Hull is currently one of the best places to invest in Britain, thanks to property price rises and strong rental demand. Steve Goodhand of Hull Investment Property has observed this first-hand: "Buy-to-let in Hull is booming. We're seeing a large number of professional and armchair investors wanting to invest in the area, with a marked increase in the numbers of investors from London and the south of England exploring the opportunities in Hull."

In terms of optimal investment locations, Steve argues that some of the less fashionable postcodes can offer an affordable alternative to the highly sought-after university district: "There is a large increase in the HMO market, namely in the HU3 and HU5 postcodes of the city, with increased demand from the Eastern European community – including over 10,000 Polish nationals who now call Hull their home. We are also seeing increased demand in HU9, for contractors working at the new Siemens development."

In conclusion

The unprecedented levels of investment and job creation in Hull could well mean the cash flow strategies of local investors will be boosted by significant capital appreciation. The Siemens investment alone could create 1,000 permanent jobs, while the city council's ten-year regeneration plan should see large-scale commercial and retail projects alongside new-build residential components. This £1 billion scheme will see five main areas being targeted for regeneration, including the mixed-use Albion Square development near Queen's Gardens and the transformation of derelict buildings in the Fruit Market district into affordable homes and commercial quarters. A residential masterplan for the riverside East Bank site will incorporate a new footbridge connecting to the city centre, bringing new homes into the heart of Hull.

In tandem with this ambitious programme of works, Hull's low property prices and growing rental demand provide a real opportunity for investors. As Steve Goodhand concludes, "The forecast for the Hull property market is excellent, with no signs of any slowdown."

BEVERLEY THRILLS

In common with many cities, Hull has experienced outward migration to outlying locations like Beverley. This wealthy Georgian market town stands five miles beyond Hull's northern periphery, and several surveys have identified Beverley as one of the UK's most desirable locations over the last decade.

Beverley's highly regarded schools and town centre amenities support substantial estates of modern executive houses, with few properties for sale below £100,000. Even its stock of on-street terraced houses have typically been extended and refurbished, leaving little scope for would-be developers – but any realistically priced buy-to-sell project would be quickly snapped up. Rental yields are far lower than in Hull – between 3% and 4% on average – but demand is consistently high, and capital values are likely to keep rising.

Next steps

- For in-depth local knowledge on more than 30 areas across the UK, get along to one of our meetups: **propmag.uk/meetups**.
- Ask for opinions about an area you're considering on The Property Hub Forum: **thepropertyhub.net/forum**.

What can you do when your renovation goes wrong or your tenants trash the place and run off? Felicity Hannah has been finding out...

When property goes wrong

A TROUBLESHOOTING GUIDE

When everything goes well, being a landlord can be lucrative: the average annual return per property for landlords in England and Wales has risen to £21,988 a year (including rental income and capital growth), according to a buy-to-let index published by Your Move and Reeds Rains.

That figure doesn't factor in unpaid rent or additional costs, though – and, unfortunately, those costs can sometimes be considerable. While it's unusual for landlords to encounter a complete disaster (rogue tenants turning a flat into a cannabis farm, for example), some of the more common property problems can still put quite a big dent in net income.

Here are four stories of what happens when property investment goes wrong, and advice on how to skirt similar investment woes.

VICTORIA EVANS

When compassion costs

Victoria Evans is an experienced landlord with a portfolio of five rental properties. She understands the importance of treating every property as a business and says she has only ever been less than professional once. Unfortunately, it turned out to be the one time it all went wrong...

"One of my tenants is a vulnerable woman, with a number of health issues," she explains. "I had to ask her to leave one of my properties because it needed work carried out, and I offered her the chance to move into another one at a lower rent. Because I knew she was ill, I decided not to use a letting agent so I could charge her less. I didn't even take a deposit from her because I was worried about how she could afford the move."

The arrangement didn't cause any problems for a year, and Victoria thought everything was going well. But then the real issues started.

"Out of the blue she didn't pay me. I knew she'd been in hospital and I didn't want to chase, but before long two months had passed and I had received no rent," says Victoria. "I contacted her and she promised to get the money to me by the third month, which she did – but with an extra ten-day delay. Unfortunately, she hasn't paid any rent since: she clearly can't afford it.

"I'm not a wealthy landlord; I'm retired. I can't afford to keep her in that house indefinitely without knowing if I'll get paid, but I also don't feel able to hound a sick person with eviction notices or ask her to leave. She says if she leaves voluntarily the council won't house her, but she can't afford to pay me. I should never have let myself get into this position, but now I'm here, I don't know what to do."

So what can Victoria do? We asked Danielle Clements, a property litigation solicitor at Gorvins Solicitors. She says: "While it can be an upsetting predicament, the tenant has stated that if she leaves voluntarily, the council won't rehouse her. By starting the eviction process this may ultimately help the tenant secure housing. Often, simply a notice confirming the eviction process has commenced is sufficient – or sometimes a copy of a court order is required.

"If the parties cooperate and adopt a pragmatic approach during the process (i.e. the landlord explaining when and how documents will be served, and the tenant not opposing the process), then matters can run smoothly and each party can achieve their ultimate goals."

Property damaged by tenants is every landlord's nightmare.

PAUL HARMSWORTH

When tenants go bad

Paul Harmsworth is a full-time landlord with 35 properties in his portfolio, mostly terraced houses that he typically lets out to families and single parents. He's had a number of occasions where tenants have abandoned the property and left it a state, but a recent experience left him exceptionally frustrated.

"She was in the property for seven months and she cost me £3,500. There were rent arrears of more than £900, and then the repairs to the property came to £2,600. You'd be appalled if you could see it. The toilet was blocked and hadn't been flushed recently. They had kicked off a radiator pipe. They had even disconnected the waste pipe under the basin – which meant that as soon as the taps were turned on, the kitchen flooded. Of course she did it on purpose: it was her revenge for being evicted, which I had to do because of the rent arrears."

Paul is now pursuing the tenant and her guarantor for the money owed, but of course he'd rather have avoided this whole issue in the first place! So, is there a way to make sure other landlords aren't lumbered with such a misbehaving tenant?

Rupinder Aujila is the manager of the landlord advice team at the RLA, and she recommends that landlords should "ensure that a guarantor is in place if a tenant has a poor credit history". Then, if a payment is missed, they should act quickly: don't wait for multiple late payments before doing anything. "Rent guarantee insurance can also act as a safety net in situations like this," she advises.

DIANA BOND-SMITH

When time is money

"I don't know if ours is a true horror story, but certainly a lot has gone wrong," says Diana Bond-Smith, a first-time property developer and landlord. She purchased a three-bedroom detached house, intending to rapidly renovate it and install tenants – but things ended up taking a bit longer...

"First of all, the purchase itself took six months to go through because it was a probate sale," explains Diana, "which gave me time to get cold feet about my original plan to turn it into an HMO by building an extension and installing en suites."

> “You can take advice until you’re blue in the face, but when it comes to it, you have to work something out for yourself.”

Instead, she decided to keep it as a straightforward buy-to-let – so “all it needed was a light refurbishment, a quick refit, and some paint”. So far, so easy... until she called out an electrician to complete the final safety check and discovered that the entire property needed rewiring.

“Doh! And, of course, after the rewiring had been done, I had to get the decorator out again to touch up the decorating. Then I got the plumber out to fit a shower unit on the tap, but it turned out there wasn’t enough pressure and I needed an electric shower and had to get the electrician back!

“The plumber and electrician are best buddies now,” she adds with a laugh.

Diana admits she always expected to make a few mistakes on her first investment, and does intend to take on another property this year. “Sometimes you’ve just got to learn from your mistakes,” she says. “You can take advice until you’re blue in the face, but when it comes to it, you have to work something out for yourself.”

SIMON WILLIAMS

When property sharks bite

“It was no one’s fault but my own,” admits Simon Williams, a 33-year-old property investor who has amassed a five-property portfolio in just a few years.

Despite his experience, Simon’s fingers were burned last year when he trusted an agent to find him an investment, but failed to do his own homework. “Looking back, the signs that something was wrong were all there. But when you’re in the midst of it and have a lot going on, you sometimes stop paying attention.”

“I usually invest in the south, but the agent sent me some good information about a property up north – and I thought returns would be better up there. I didn’t even see any internal shots of the place – just a picture of the outside. When I tried to get a mortgage, though, the bank said ‘It’s not worth what they say it is’, so I had to pull out and lose the deposit I’d put down to reserve the property.”

With money ready to invest, Simon decided to trust the agent once more. They came up with two potential properties for him – both of which ended up being no-goers. “I put up money for both, and a similar thing happened. One had a leak and the property was damp so they wouldn’t mortgage on that, and the other one was above a commercial property, which wasn’t disclosed. I was really unimpressed.”

The agent did return Simon’s deposits on these two properties, but he ended up losing around £2,000 in valuation charges and solicitors’ fees. “Rule number one now: if you’re thinking of buying it, always view it.”

Danielle Clements agrees with that rule. She says: “Contracts for the sale of land are founded on the principle of caveat emptor (“buyer beware”): it’s the buyer’s responsibility to investigate the property that they are proposing to buy. For this reason, handing over money without carrying out proper enquiries and due diligence is extremely risky.

“It’s also worth bearing in mind that, when a lender says a property isn’t worth the asking price, they’ve based this on guidance from the surveyor. If that surveyor isn’t local to the area, they might not understand it – and in some cases a lender can be persuaded that the surveyor is wrong (usually from evidence provided by the local agent or another local surveyor). Being told “no” by a lender isn’t always as final as it seems.”

Next steps

- Listen to Episode 151 of the podcast for more property mistakes: **propmag.uk/mistakes.**
- Reduce your risk of bad experiences by learning how to avoid a property shark: **propmag.uk/shark.**

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


Au

tomate, delegate, celebrate

Down with inefficiency! Want to save time and stay sane when it comes to your property portfolio? Rosie Wyatt is about to reveal all the tools, systems and processes that will do just that...

Traipsing up and down the motorway to view properties that turn out to be useless. Screaming down the phone at solicitors to pull their finger out. Stockpiling printer cartridges for all those forms that need to be signed. Dealing with tenants who've locked themselves out at 2am.

"Financial freedom" your bloomin' foot.

It isn't unusual for landlords to lament the time-suck that comes from owning buy-to-lets: the whole endeavour is often far more full-on than they'd anticipated. And even those who've delegated the tasks of letting and managing can find themselves dealing with a non-stop agenda of "stuff to deal with".

So how's it possible for some landlords to make everything look positively doddlesome – even the ones holding down full-time jobs, too? How do they find the time to work, spend time with the family, attend every away game AND watch back-to-back episodes of Homes Under the Hammer, all while managing a property portfolio at the same time?

Either they've had themselves cloned, or they've become efficiency demigods – and we're pretty sure most of them fall under the latter category. We've unearthed all the processes and systems they use to free up their time and keep their lives relatively stress-free, and now we're passing them on to you.

The best bit is that anyone can implement their (often ingenious) strategies. You don't need to be a techie or a geek, and you definitely don't need to be a full-time landlord. All you need is a willingness to think about things a bit differently, and a determination to spend less time on exactly the same tasks.

And yes, we'll admit: if you're in the slightest bit geeky, you're going to find this a whole lot of fun, too.

Research

Successful, full-time property investors will always have a head start over everyone else: they can scour hundreds of properties and view tens of them before they offer on just a few of the best ones. When you're fitting investment around a day job, you're less likely to find the best deals – simply because you can't cover as much ground. That doesn't have to mean you're at an extreme disadvantage, though – especially if you make use of a few nifty systems.

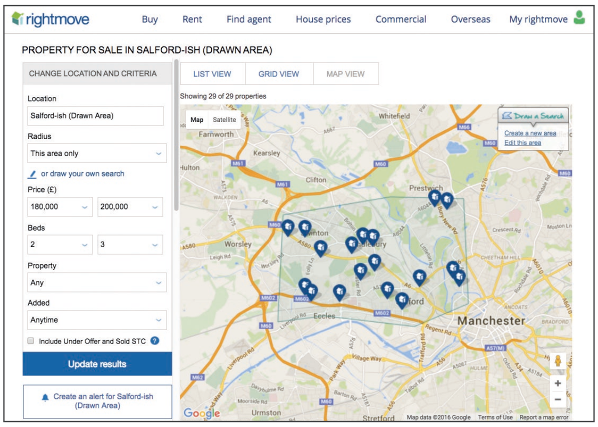
First, you need to focus on maximising your chances of finding the right properties. Take a minute to create some saved searches in Rightmove, where you can set the exact criteria you're looking for (such as price and number of bedrooms). If your search is restricted to certain streets, you can even draw the exact area you're interested in. When a match is added, you can choose to receive an instant notification or a daily digest.

"Traipsing up and down the motorway to view properties that turn out to be useless. Screaming down the phone at solicitors to pull their finger out. Stockpiling printer cartridges for all those forms that need to be signed. Dealing with tenants who've locked themselves out at 2am. 'Financial freedom' your bloomin' foot."

> “Virtual assistants (or VAs) are similar to PAs, except that you’ll probably never be in the same room as them, and they’re often much cheaper because they can be based anywhere in the world.”

Looking specifically for bargains? Then install Property Bee for the Firefox browser (property-bee.com). This handy plugin adds each property’s history into Rightmove’s search listings, which means you can see properties that (for example) have recently had the price dropped, or come back onto the market after having a sale agreed. The owners of such properties are more likely to be open to offers, so you can bump them to the top of your list and boost your chances of having productive viewings.

If this is all sounding “useful, but not quite as time-saving as I’d hoped”, you have a point. But here’s where it starts to get really interesting: now that you’ve developed systems for identifying what you want to view, there’s no reason why you’d need to do the trawling yourself in future. Simply write up your criteria and property-finding process, then pass the task to a “virtual assistant”. Virtual assistants (or VAs) are similar to PAs, except that you’ll probably never be in the same room as them, and they’re often much cheaper because they can be based anywhere in the world. Some of the biggest online marketplaces for VAs are Upwork (upwork.com) and Freelancer (freelancer.com), where you can check ratings and reviews before hiring anyone.



Once your new assistant has identified the properties worth viewing, it’s just a case of booking the viewings in with the estate agents. But why do that yourself? If you hire a VA with good English and access to Skype, they can call the agents on your behalf. Even UK-based assistants can be found less expensively than you might think: take a look at Working Mums (workingmums.co.uk) and People Per Hour (peopleperhour.com), in addition to the ones mentioned above. Once you’ve hired someone, you can set up a shared Google

Calendar (google.com/calendar) with them to make sure they only book you in at convenient times.

The viewing itself is when that aforementioned clone would come in handy: you'll have no choice but to do this bit yourself. Well, at first, anyway: soon enough you'll be able to remove yourself from this part of the job by developing a system for what to look for as you walk around the property. Use an app like iAuditor (safetyculture.io/iauditor/) for iPhone or Android to build custom checklists, and in time you can share this list with someone else and get them to attend in your place. The app also allows users to attach photos, so you'll end up with a customised report that contains the same information you'd have gathered yourself.

Let's imagine you've gone through this entire process and discovered a perfect property – but your offer is turned down. At this point you can make the most of a secret that all property pros are aware of: the best deals often result from offers that were turned down initially, only for the vendor to reconsider weeks or months down the line. For that reason, one of the most profitable things you can do is set up a system to ensure you follow up with those agents. Trello (trello.com) is an easy, visual way to track the properties you've viewed, get reminders to follow up, and track conversations you've had.

Lettings

With suitable (and suitably bargainous) property secured, it's time to get it ready to let. You won't win any pats on the back from Laurence Llewelyn-Bowen, but the most zen-like investors always use the exact same fittings and furnishings in every property – all the way down to the lampshades and paint colour. As you accumulate more properties, you'll thank yourself for not having to remember which type of door handle was used at the particular property where a tenant has just reported it broken – and your spare can of paint can be used to touch up walls across your entire portfolio.

At this stage, handing the property over to a letting agent could be seen as the ultimate time-saver – but going it alone leaves plenty of scope for systems to reduce the burden.

The first step to filling the property is to put up an advert and get the phone ringing – but you don't necessarily want it ringing during your big presentation, your daughter's piano recital or the final of the Bake Off. A worthwhile investment would be a Skype number (skype.com) or an answerphone service (answer.co.uk): potential tenants can leave messages throughout the day, and you can call them all back in one batch in the evening.

When you do call back, it's worth having a checklist of questions ready to ask them – like when they want to move, why they're moving, and their work situation. Given that every viewing is likely to take at least half an hour, it's sensible to spend a few minutes on the phone weeding out any unsuitable applicants. You can also tell them that you'll be conducting reference checks (to deter anyone hoping to slip through without close scrutiny), and remind them to bring the documentation you'll need to copy to comply with "right to rent" checks.

If you're happy to proceed with a viewing at the end of the call, send a pre-written "confirmation" text message to follow up with the postcode and directions to the property.

The palaver of showing people around a property is one of the main reasons landlords choose to outsource it to letting agencies. But there's another way: see the box called "Referencing rigmarole" for information on how one landlord effectively delegated this part of the job.

As the time approaches for your chosen tenants to move in, you can save yourself all manner of headaches (and several trees) by getting the tenancy documents signed electronically. Services like Echosign (echosign.com) and HelloSign (hellosign.com) allow you to email documents for each tenant to sign – and then they'll automatically send a final copy to all parties once the last person has signed. Taking a leaf out of Yellow Lettings' book, you can also include other vital paperwork as part of the same document. "We attach the deposit scheme's prescribed information and the new 'How To Rent' leaflet, and tenants digitally sign for all of it at the same time," explains General Manager

REFERENCING RIGMAROLE

Sometimes, the need for a system can be bypassed completely when there's already a ready-made way to delegate.

First-time landlord **Jacqueline Foden** didn't mind doing the viewings for her new-build flat in North West London, but was less confident when it came to running checks on interested applicants. "I had plenty of people who wanted to live there, but I didn't know how to choose between them – or even what I should really be asking them for."

On the advice of a friend, Jacqueline eventually opted to pass the whole process across to a referencing company. "I charged each applicant £30, and the referencing company contacted them to arrange bank statements, ID checks and employer references. It's a good thing I got help: the applicant I'd favoured pulled out because he knew he wouldn't pass their checks. Another passed with flying colours, and was ready to move in days later."

Good luck finding this paint colour again!

“… the most zen-like investors always use the exact same fittings and furnishings in every property – all the way down to the lampshades and paint colour. As you accumulate more properties, you’ll thank yourself for not having to remember which type of door handle was used at the particular property where a tenant has just reported it broken – and your spare can of paint can be used to touch up walls across your entire portfolio.”

Lynne Rees. "It means there can be no disputes about whether everything was received – and saves 46 sheets of paper every time!"

Management

A systematic approach to managing your property isn't just good for you – it makes for a better tenant experience too.

An increasing number of landlords are taking rent payments by Direct Debit, using a service like GoCardless (gocardless.com). This time-saving tactic costs £2 per payment, but means that setting up the payment is as simple as emailing the tenant a link – and as the landlord, you get notified instantly if the arrangement is cancelled with the bank.

Another popular move is including a "house manual" – providing as much information as possible about the property upfront to avoid questions later. There are ways to take this process even further, if you want to: see our case study feature on page 26 for inspiration.

Not everything management-related can be planned in advance, of course, and one thing you can never anticipate fully is repairs. But you can at least minimise the disruption when something crops up. Again, a separate phone number (using Skype, or even a separate cheap mobile) or answering service can be a real sanity-saver – ensuring you're not interrupted in the middle of a meeting.

For the fix itself, no amount of systems will make up for having a trusted tradesperson on speed-dial – but if you don't have that relationship yet, sites like MyBuilder (mybuilder.com) and Checkatrade (checkatrade.com) can be a huge help. Post your job, then wait for tradespeople to bid to do the work; you'll be able to see reviews for their past jobs, allowing you to make an informed decision about who you hire. In London and some other major cities, TaskRabbit (taskrabbit.co.uk) can also be a convenient way of finding people locally for small DIY jobs or errands if you're not near the property.

And when it comes to routine inspections, a checklist (whether on paper or in an app like iAuditor) can make your life easier again – making sure you don't forget to check the smoke alarms or visually inspect the electrics. In iAuditor you can even produce a photographic report, which you and the tenant can both sign.

Admin

Even with an agent looking after the lettings and management, property investment comes with a fair amount of unavoidable paperwork and administrative tasks.

When it comes to paperwork, a general rule of thumb is "keep everything". You'll either need it for reference or for tax purposes – and in the case of capital

Stephen and Floss Slade

HMO OVERLOAD

Stephen Slade had always been hands-on with his three HMOs close to home, but after acquiring a fourth (this one an hour and a half away), he knew it was time to get help.

The most time-intensive task was conducting viewings each time a room became empty, so Stephen posted a message on local social network Streetlife (streetlife.com) to find someone nearby who'd be willing to do it on his behalf.

"Loads of people replied," he said, "and, to be honest, most of them would have been great." But one respondent really stood out for him: "He's a former policeman, and he said that he and his wife would love to make themselves useful in their retirement. I had a chat with him on the phone, and he seemed like a really nice, down-to-earth guy who'd treat potential tenants well."

The gentleman follows a checklist every time he shows someone round the house, to ensure all the key details and information is passed on. He gets paid £25 each time, and he's just agreed to also visit the property on the day that someone new moves in – to help them feel settled and welcome.

> **“Storing paper documents doesn’t make for a minimalist home – and you don’t have much chance of digging out the exact sheet you need from thousands of near-identical others without throwing a couple of tantrums in the process.”**

expenditure, those records will need to be kept all the way through until you sell the property.

A brilliant alternative is to take photos of all your paperwork, and save it into Evernote (evernote.com) or Google Drive (drive.google.com) as soon as it arrives – then guiltlessly toss it in the shredder. The software is so good that you don’t even need to be all that organised: by searching for a keyword (like a tenant’s name or mortgage account number), you can surface the relevant documents even without having a fancy folder structure. That’s right: you can search for text that’s contained within photos. The wonders of technology.

Another system that’s well worth adopting is meticulously tracking your property-related mileage to offset against your income at the end of the tax year. Some investors keep a notebook in the car to jot everything down, but you can also use a Google Spreadsheet (drive.google.com) to make entries on the move and have all the adding up handled for you. The benefit of using an online spreadsheet like Google is that it automatically syncs with all your other devices – meaning you can tap a few numbers into your phone at one point in the day, then take a more detailed look at everything on your laptop later.

Finally, an easy system that will keep you out of hot water is the habit of noting down future reminders for important events like the expiry of safety certificates, insurance renewals and tenancy end dates. Online calendars like Google Calendar will send you email or text reminders however far ahead of a key date you specify – and can even be set up to re-occur every year on the same date.

Conclusion

Whether you do the lettings and management yourself or delegate absolutely everything, property investment will never be an entirely “sit back and watch the money roll in” experience. By using some of these tips, though, you’ll be able to run your property business far more efficiently – getting you closer to the pros, and allowing you to spend more time doing whatever you enjoy more than having your sleep interrupted.

Next steps

- Watch our free course, The Paperless Property System (propmag.uk/paperless), for more details on how to implement processes like following up on viewings.
- See our list of past podcast Resources Of The Week (thepropertyhub.net/tools) for hundreds of useful websites, apps and tech tools.

APPLIED TECHNOLOGY

Could you manage 30 bedrooms in just a few hours a month? Felicity Hannah has been talking to one landlord who does just that...

Imagine if your tenants were looked after by an app. Instead of calls at 3am about lost keys, they could let themselves in using their phones. Instead of chasing them for late rent payments, they could receive an automated gentle reminder with a link to a payment website. Instead of hassling you over how to work the boiler, they could programme it using their computer...

For one man, that's not some futuristic landlord fantasy – it's how he copes with 30 student bedrooms across six HMOs. James Butler, a 35-year-old investor who manages three five-bed student flats alongside his mother's three properties, has to embrace technology or give up on sleep. Business-minded processes and simplification are also imperative – and he says it all makes life easier for his tenants, too.

30 bedrooms, 60 customers

"With 30 bedrooms, we essentially have 30 lettings – and an equivalent number of people to manage," he explains. "That's why efficiencies are so important."

Initially, he and his mother used a letting agent to manage their early investments, but that became less sensible as their portfolios grew. An early method of driving efficiency was to invest in a single area rather than across the country.

"Once you've set up one place – and you've done all the paperwork and found some reliable plumbers and maintenance people – adding another two to three properties doesn't double or triple your workload," James points out. "You actually only add about 15% more effort for each one, so it's quite efficient."

Another way to improve efficiency has been to conduct viewings for their bright, modern student rooms on one single day. There's a big difference between "efficient" and "fast", though – something that James is keen to make clear.

"We're not just looking to fill properties; we also want the best students. We've learnt that the ones who are the most organised – the ones who come in early and want the highest quality properties – are also the ones who treat their accommodation well. So we make sure we provide the little things that those people want. They want USB chargers in the hall. They want really good internet connectivity. And they want bright, modern furniture – not second-hand stuff that looks like it's from their gran's house."


James Butler

> "He's also automated payment reminders, believing it's better to nudge tenants before a bill is due than shout at them afterwards. Messages are automatically sent five days before the rent is due."

Attracting the right tenants with rooms they'll love is a great tactic for improved efficiency, but James doesn't stop there.

Automated and easy

"Every time we have a new intake of tenants, we register them with a secure website that's also mobile-friendly," he says. "It has all the how-tos that we can think of for that property, including how to lock up if you're leaving for Christmas, what to do if there's a leak, how to work the washing machine... all the essential, need-to-know information for students who've left home for the first time. The website tells them where to sign up for council tax, it has links to energy suppliers, that kind of thing."

He has also automated payment reminders, believing it's better to nudge tenants before a bill is due than shout at them afterwards. Messages are automatically sent five days before the rent is due, and if the rent is late, another reminder is sent – along with a link to a secure page where they can pay by card.

"We also have reminders about the bins going out and recycling – the little things that can otherwise cause problems. We used to go down to visit and find the rubbish had built up... it doesn't look good and it's not a good experience for them."

"It's all about creating a good experience for our customers – and I do see them as customers. Ultimately you want them to stay for a second year – and if you can make it an easy, pleasant experience, then that's a long-term rental fill."

Future-proofing

James's efficiencies and systems are already far ahead of what many landlords are doing, but he intends to start 'Stage 2' in the near future. "We want to have the heating and lighting set up so they can manage it using an app. It's a small thing that makes a big difference, because energy bills are really important to them. The biggie of course is forgotten or lost keys, which can involve a trip to the property to sort out, so we're looking at installing smart access that's controlled by their phones.

"If it means we can add another five properties without having five times the work, then it makes absolute sense. It's also quite attractive for tenants."

What advice does James have for landlords who may be struggling to manage their HMOs in a more traditional, less streamlined way? The most important thing is to pay attention to your customers' needs, he concludes. "Just stop and listen to the tenants. Take text messages and emails, for example. I said to them 'You don't reply to my messages,' and they said 'Well, use WhatsApp instead.' They had the answers for making everything run more smoothly; they asked to pay online by card, for example, and those are the kinds of things that can really reduce the time you spend.

"Landlords can look at where they're spending the majority of their time, and decide whether it's something that could be automated – like collecting or chasing rent." This is something James still does: each month, he looks at what his calls and emails have been about, then finds opportunities to automate or simplify when he sees he's dealing with multiple queries about similar issues.

"Yes: I'm an early adopter and I like tech. But there's nothing to stop other landlords from using systems like this. It's just applying what normal companies do in business."

Rookie's renovation success

If Ben thought the world of property development was going to be glamorous, a deceased cat told him something different. Now with an appreciating asset and a tenant in place, he's purring with satisfaction.

By Christopher Nye

Ben Orrell

Ben Orrell from Pontypridd, Wales, was inspired to invest in property at the age of 14 when he accompanied his dad on a house-buying trip to Bulgaria.

Wait. Hang on. It's not what you're thinking: he didn't lose a fortune. Some people really did make money in Bulgaria's mid-2000s property boom, and Ben's dad was one of them.

Eight years later and Ben – now aged 22 – is the proud owner of a degree in psychology from Cardiff University. Oh yes, and he's also completed his first renovation project and already has a tenant in place.

Studying success

When he started university a few years after the Bulgaria trip, Ben got a part-time job in student lettings to learn the business from the inside. After graduating, he swapped his university studies for a deep and careful analysis of property: "I was doing market research and generally immersing myself in it. I was attending auctions, noting down what properties achieved and then seeing them being resold and coming back on the market, spruced up, a few months later. It looked to me like there was quite a lot of scope to make a decent profit, if you could keep control of the expenses."

Following the research came the saving. His new job as a recruitment consultant allowed him to save a few thousand pounds while living with his parents, and after six months he was ready to make his first move on the property market. The first property he viewed was being sold for £10,000 – possibly a bit too much of a challenge. Then the agent suggested another somewhat run-down property: a two-up, two-down mid-terrace in his hometown, on sale for £40,000. He managed to get it for £33,500 (How? "I asked.") using a bridging loan for 75% of the purchase price and £8,375 of his own savings. With an interest rate of 1.2% per month, the finance was "quite expensive, but necessary", he says.

Dead cat bounce

On the day that Ben received the keys, he got a bit of a shock – in the tragic form of a dead cat. "It felt like such a momentous occasion at first – getting the keys and going in for the first time. The smell of death ruined it a bit." Another delightful discovery was the remains of a cannabis factory in among the rotten furniture and indescribable bathroom.

Ben and his labourers set about clearing the rubbish and smashing down all the internal walls, the bathroom and kitchen, to leave an empty shell. This was the best bit, says Ben: "Everything was ripped out and we had this blank canvas to work with. Then, over the next very exciting two weeks, it moved so quickly."

Freshly minted university graduates aren't exactly known for their hoards of spare cash and superior construction knowledge – so where did Ben get the know-how and wherewithal? Firstly, he did his sums, taking builders along with him to get accurate quotes. His new career as a recruitment consultant handily gave him insights into labour costs in Pontypridd – labourers £60 per day, electricians £80 per day, carpenter £100 per day – which meant he was able to create a realistic budget.. Then, to finance the renovation, Ben used a personal loan plus a family loan.

The renovation was budgeted to cost £20,000 and take up to five months. It would involve professionals replacing the kitchen, bathroom and electrics, while Ben was responsible for the more basic skills. There followed long lonely nights after his day job, on his knees stripping old paint from skirting boards.

Ben turned a single bedroom into a double by taking a little bit of space from the enormous bathroom. He kept things basic, avoided the common rookie mistake of over-designing: "Nothing too wacky, magnolia on walls, white ceilings, beige lampshades, almond tiles, wooden worktops. There wasn't much in the way of interior design required."

Trusting the numbers

So, was it all plain sailing? "Actually, it was often stressful and daunting. The hardest thing was keeping the faith and trusting my numbers. I didn't have much in savings behind me and I doubted it all occasionally. But I thought I might as well try to enjoy it." The renovation took nine months in the end – twice as long as planned – and went slightly over budget.

By Christmas 2015, the property was ready – and the new valuation came in at £79,000. That's a very reasonable £20,000-plus profit on his first project, and worth another small fortune in experience. Ben has now taken out a buy-to-let mortgage for 75% LTV to pay off all the purchase and renovation finance, and his outgoings are now £200 a month (including mortgage interest and landlords insurance).

Ben is now renting the house out at £425 per month via an agent, leaving him with a tidy monthly profit in an appreciating asset. He opted not to go into lettings management himself – isn't financial success often about what you decide is not your priority? – and is taking a well-earned rest, to be ready for another project in the summer. "Ultimately, It's my goal for this to become a full-time venture, as it's what I really feel passionate about. Seeing the tangible outcome of a newly refurbished house is very satisfying, and the financial rewards aren't bad either."

For a young man in a hurry to succeed, property renovation can be satisfying: "There are weeks when I go into work and I start with a number on a board and I finish with a number on a board. Property is something tangible. It's hard work, but when you knock down a wall, that's progress." Although much of his new wealth is locked up in bricks and mortar, he did spend a few quid on a new laptop as a pat on the back. What's the betting he's got Rightmove as his homepage?

FROM THIS

TO THIS

FACTS AND FIGURES

Purchase price: £33,500

Refurbishment cost: £21,000

Finance: £3,600

Legal fees, surveys etc: £750

Total project cost: £58,850

Of which cash: £20,725

Of which loans: £38,125

Interest rate of bridging loan: 1.2% per month

Next steps

- Watch our free course on profitable property flipping: **propmag.uk/flipcourse**.
- Log into your Property Hub account to read more case studies from previous issues: **thepropertyhub.net/account**.

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

Safe as houses?

Property isn't the only investment vehicle that can provide long-term financial security, but is it the best? Neil Cumins investigates.

You don't need a master's degree in economics or a Received Pronunciation accent to get into property investment, so it's understandable why it's always been a compelling choice for several generations of amateur investors. With pension scandals and stock market wobbles well-reported in the media, the allure of the property portfolio becomes even clearer – and indeed, an estimated two million people in the UK have found themselves convinced of the benefits.

Other investment wrappers offer their own merits, however, in terms of tax-efficiency and short-term liquidity. Pensions remain the default financial planning option for many of us, while stocks & shares ISAs offer a number of distinct benefits. Cash reserves, meanwhile, provide instant liquidity in response to unexpected events and sudden opportunities. There is broad agreement among financial planners that each of these asset classes has specific merits, but which balance represents the optimal investment platform?

1. Pensions

While property is purchased and maintained out of post-tax income, pensions are far more tax-efficient. Salary contributions are bolstered by government contributions, and by mandatory employer contributions for their staff. While that's of less benefit to the self-employed, they still receive government top-ups of 20p in the pound: for every £80 a basic-rate taxpayer invests in a pension, the state will add £20 on top.

Higher-rate taxpayers also receive an additional 20% tax relief via their tax return up to an annual relief maximum of £50,000 of tax, which effectively means they pay less tax at the higher rate.

According to Stuart Bailey, the co-founder of the Wealth Help platform, the recent introduction of auto-enrolment pension schemes (propmag.uk/auto) is a real advantage for anyone in denial about the realities of growing old: "It's hard to argue with the knowledge that there is a retirement savings gap. Forcing people to put a proportion of their earnings in a pension pot ensures they're aware of the concept of saving for retirement." The recent abolition of mandatory annuities (propmag.uk/annuities) has also given people more freedom and choice about how they reinvest or draw down their pensions, making this a more attractive option than was formerly the case.

Chartered financial planner Pete Matthew is another keen exponent of pensions: "Pensions are flexible in retirement and reasonably tax-efficient. There's nowhere else you get free money from the government and your boss." Nevertheless, the relative inaccessibility of pensions can still be a deterrent among younger investors: "A 25-year-old might not take a pension because even though it's a very tax-efficient way of saving, he can't access his money for another 32 years."

Pros: The most tax-efficient investment, as contributions are from pre-tax income.

Cons: Funds are locked away and can't be accessed until the age of 55.

2. Stocks and shares

Like the property market, the stock market has historically seen gradual rises and sharp corrections. However, the peaks and troughs of share dealing and investments can be far more complex than house price trends. "Volatility in the stock market can be hard to understand, and while there have been obvious downturns for the property market, generally property is seen as a safer bet," says Stuart Bailey.

Given the choice of funds that can be invested into a stocks & shares ISA (such as government bonds, equities and trackers), this particular investment vehicle is often best acquired through a specialist provider. Despite the charges these providers will levy, a stocks & shares ISA can deliver impressive rates of return. Data released last year showed that they achieved an average interest rate of 7.4% during the 2014–15 tax year, compared to the 1.53% interest generated by cash ISAs during the same period.

Investors can also split their £15,240 annual allowance (increasing to £20,000 from April 2017) between stocks & shares or cash ISAs, and there's no capital gains tax to pay when assets with an ISA wrapper are sold. Any investments held outside an ISA, however, will be subject to tax on dividends and CGT on any disposals above the annual allowance – currently set at £11,000.

Pros: Instantly accessible, allowing other opportunities to be snapped up.

Cons: Low interest rates, and may even lose value after factoring in inflation.

3. Cash

Cash may seem a curious addition to this list, but its merits shouldn't be overlooked. It can provide instant liquidity when needed, and cash ISAs deliver substantial tax savings for higher-rate taxpayers.

Today's high-interest bank accounts can generate a significant annual return, with the Santander 123 account currently paying 3% interest on balances up to £20,000 (subject to small-print caveats). Although savings income is subject to tax, the introduction of a £1,000 tax-free savings threshold in April 2016 will ensure most people avoid tax on their savings interest in future. It's also important to bear in mind that while tax wrappers like pensions can be difficult (or even impossible) to liquidate, cash can rapidly be converted into another asset class. A BMV property or tempting share deal can be snapped up almost immediately by an investor with sufficient cash reserves.

"I encourage clients to have enough cash in the bank to cope with any significant emergencies," says Pete Matthew. "Three to six months' worth of income is good, if you get the best interest rate possible – but be sure to keep it accessible. It makes no financial sense to have three properties but no money in the bank." Commercial property funds are legally obliged to maintain liquid reserves to cover contingencies, and property investors would do well to follow this example.

Pros: All dividends and capital gains in an ISA are tax-free. Massive choice of which assets can be held. Can be accessed freely.

Cons: Significant research or professional help needed to select an appropriate mix of assets. Even though assets can be sold at will to generate cash, their value can fluctuate dramatically.

4. Property

It's instructive to gauge the opinions of industry experts about the investment potential of property, just as it is with other investment vehicles. Stuart Bailey counsels caution: "Undoubtedly, the returns that can be earned from property can match or surpass those of a traditional pension vehicle, but it comes with its own risks. I think the introduction of the second home and BTL stamp duty surcharge of 3% will make it even more difficult to find good investment properties with high yields."

At the same time, Stuart acknowledges that purchasing property can require relatively little capital outlay if mortgages are used: "It does allow a property investor the chance to build up a portfolio with a relatively small amount of cash to start with. This isn't something that can be said about investing in stocks, shares or equity-based funds."

Property investments can be made with several different financial goals in mind – the short-term profit of development, the medium-term revenue from rental yields, and the long-term ambition of capital appreciation. Property investor and tax strategist Iain Wallis believes rental homes should be chosen primarily for their yield potential: "Capital growth is a bonus. Aim to make your money when you buy, by securing stock below market value or where you as an investor can add value." Bear in mind that rental income is generally charged to income tax, while capital appreciation is charged to capital gains tax (at a current rate of 28% for higher rate taxpayers) when the property is eventually sold.

Pros: Leverage can be used to boost returns. "BMV" purchases or adding value can create instant equity at the point of purchase.

Cons: Liquidating can take months. High capital input means less diversification is possible.

Striking a balance

Before deciding how different investment vehicles can be combined for optimal effect, it's crucial to understand that everyone's approach will be different. Nonetheless, Pete Matthew argues that putting all your financial eggs in one investment basket is a risky approach: "Any single asset strategy is high risk by definition. The biggest issue with property is liquidity – if property prices are sliding, the mortgage market has dried up and you can't sell a property, what do you do?" He advocates keeping a cash reserve aside, nominally designated for other tax wrappers and investment opportunities, but also accessible in case of emergencies.

Striking a balance between pensions, savings and property depends on your long-term ambitions, which Iain Wallis believes will change according to personal circumstances: "Everyone who invests in property does so for a different reason, so it's essential to identify those needs. Where you are in your life today determines your attitude to risk, reward, and where you see yourself in five, ten or 20 years." Even retirement is less of a line in the sand nowadays, according to Pete Matthew: "Retirement is not the inflection point it was in terms of people's investment approach. There are lots more investment options for people to choose from, even when they've already retired."

"Any single asset strategy is high risk by definition. The biggest issue with property is liquidity – if property prices are sliding, the mortgage market has dried up and you can't sell a property, what do you do?"

The final reckoning

When you begin studying the various investment options outlined above, it quickly becomes clear that financial planning isn't as complex as it's sometimes portrayed. As Pete Matthew points out, it effectively involves "how you get your income and how you manage your outgoings within that income. It's all about putting as much money aside as possible, and investing it as aggressively as possible within the bounds of each person's individual attitudes to risk."

There is general agreement among financial planners and academics that a well-diversified portfolio will offer more resilience and security in the long term than focusing on a single investment vehicle. Since each of the four main investment options has its own unique merits, the optimal solution for most people will probably entail a blend of all four at each stage of life.

PROPERTY GeeK

Good news for people who love bad news

The newspaper headlines have gone from "How to get rich quick with buy-to-let" to "Proof that the buy-to-let bubble is about to burst" in six months – so what's the truth?

There's a new phenomenon in my email inbox. I've always had lots of requests for advice and kind words of thanks, but over the last few months they've been joined by messages from people who seem suddenly spooked by the whole endeavour of investing in property.

They tend to ask, "Do you think property investment is still a good idea, given [potential apocalyptic scenario]" – where the blank could be filled with "the tax changes", "the possibility of leaving the EU", "stamp duty", "the stock market crash", "what's going on in China", and so on and so on.

My glib answer is that if you look hard enough you can always come up with a reason why buying now might be a terrible idea – but it's true that right now, you don't have to look all that hard. So if you buy a property today, can you expect to be bartering it for a can of beans and half a loaf of stale bread tomorrow?

Stop press: everything is brilliant/terrible! (Delete as applicable)

If you listen to the media, it's likely to seem that way. Their opinions ricochet wildly from delusional optimism to extreme doom and gloom (understandably, given that "Things set to continue pretty much as normal" won't sell many newspapers), seemingly without embarrassment that they're seldom actually right.

Last summer we saw a rash of headlines about the path to buy-to-let riches, and now we're starting to witness media sentiment careering downhill. This change of heart is being driven by two related occurrences. Firstly, prices in Central London are starting to fall, and this is likely to spread across the South East now that the "mini-boom" of people rushing to complete before April (to beat the Stamp Duty increase) is over. And secondly, these new rates are making properties look even more expensive than they really are.

Given that most journalists are sceptical of the existence of anything outside the M25, any drops in the South East are likely to be misinterpreted as prices crashing across the board. Also, if I may don my tinfoil hat for a moment, I don't think it's a stretch to claim that the government has an influence over the media. Before the last general election, newspapers were essentially "recruited" to pump everyone up – and now they're on hand to pull everything back down again now that the government's agenda has changed.

The cycle holds the answer

So we're hearing plenty of gloom – but what's actually going to happen?

I can see prices falling slightly – driven in part by the uncertainty over the EU vote. The effect is likely to be strongest in areas where growth has been the most bullish over the last few years, and weakest where prices still haven't reached their previous peak.

When this house price data comes out, it will quickly be recruited as evidence of the end of days

> "As all followers of the cycle know, the years after the dip are when the strongest growth happens. That's why following the media and bailing out when prices start to fall is exactly the wrong thing to do."

– but as a follower of the property cycle (see our cover story in Issue 2), you shouldn't be remotely surprised. This is the mid-cycle dip – right on cue.

And as all followers of the cycle know, the years after the dip are when the strongest growth happens. That's why following the media and bailing out when prices start to fall is exactly the wrong thing to do.

A pessimist is never disappointed

If my inbox is any reflection of general sentiment among investors and those thinking about it, the government's plan (aided by the media) to put people off buy-to-let seems to be working.

Personally, I'm taking this as great news. Rather than "open house" viewings and bidding wars, stock might start to stick – leaving vendors more amenable to offers. If investors do take the tax changes as their cue to exit, there could be many more opportunities to pick up tired properties at bargain prices.

Much as growth and good news stories benefit your existing portfolio and make you feel confident about your decisions, bad news is more helpful when you're still in acquisition mode. If the next ten years could be like 2009, I'd be delighted.

The end isn't nigh

But what's to say that this isn't genuinely the end of buy-to-let? After 20 years of stellar outperformance (over which time 2008 looks like a tiny blip when plotted on a graph), couldn't we have had all the growth we're ever going to get?

In the short-term, markets are moved by both sentiment and the availability of credit. It's for this reason that we'll see a dip as sentiment shifts, and it could be more severe if the Bank of England takes measures to tighten up lending.

Over the long-term, though, markets are moved by supply and demand – which is massively imbalanced in the UK, and only getting more so.

That's why I'm positive about the long-term prospects for UK property, but also happy about the dose of pessimism that could throw up buying opportunities. As long as you buy well, you can cushion yourself against any temporary dips – and position yourself to thrive in the years ahead.

Just make sure you ignore the media along the way – otherwise, not only will you be put off investing in property, but you might think twice about getting out of bed at all.

Next steps

- Listen to the Property Podcast episode about the property cycle: **propmag.uk/cycle**.
- Read Rob's new book, The Complete Guide To Property Investment: **propmag.uk/geekbook**.

With changes to tax driving some landlords into corporate structures, David Cookson, our guest contributor and mortgage specialist, tells Felicity Hannah about the mortgage options available for limited companies.

"A survey of almost 1,400 landlords... showed that 41% are considering moving their portfolios into a corporate structure."

SHOULD LANDLORDS GET DOWN TO BUSINESS?

"Compared to a year ago, I'd say we have about three times as many limited companies coming to us for buy-to-let mortgages," says David Cookson, a second-generation mortgage adviser at the family-run TC Financial Solutions.

"12 months ago, limited companies probably made up one in ten of our customers; now it's at least three in ten. It's actually a really interesting time in the 'BTL Ltd' market, as there have been real rate reductions and a number of new lenders coming to the table."

And those lenders are simply responding to changing customer demands. Since the government began cracking down on the tax relief available to individual property investors, growing numbers have looked at the possibility of forming a company to own their properties. In fact, a survey of almost 1,400 landlords carried out on behalf of Paragon Mortgages showed that 41% are considering moving their portfolios into a corporate structure.

Despite an increase in business clients and available mortgage products, however, there still isn't as much mortgage choice for landlords who run their properties via a business – around 83% less choice than in the standard buy-to-let mortgage market, David warns. But where the customers go, the lenders follow – and landlords operating via a business are gradually seeing a greater variety of options and increasingly competitive rates.

"The market is undergoing huge change, just huge," he says. "We've seen rates come down as more lenders have entered the market, and I expect we'll see even more coming into the market soon. That's a good thing – not just because of the potential rate reductions, but also because increased competition generally leads to better customer service."

Why a limited company?

The government has made a number of changes that affect landlords, effectively legislating to ensure they're taxed on their income like individuals, rather than on their profits like businesses. So it's perhaps not surprising that many landlords have responded to that by setting themselves up as businesses. Operating as a business allows investors to continue to treat mortgage interest payments as an expense, and to pay corporation tax on their profits at a rate of 20% – falling to 17% in April 2020.

But David urges would-be landlord business owners to look at their own specific circumstances before taking the plunge. "It won't be right for everyone," he says. "You'll need to look at the fees and expenses beforehand, and compare those to the net financial benefits. And, depending on how you go about switching your assets into a limited company, you may need to pay capital gains tax and even stamp duty – as the assets are technically sold to the new legal entity you've created."

All about the rates, right?

The benefits of becoming a business will partly rely on the mortgage rates available to limited companies... so what are they like? "If you compare them to the individual BTL market, they're about 1% higher on average," David says. "However, when you take into account the savings that can be made via tax for the higher-rate taxpayer, then they become very competitive indeed.

"Rates start at about 3.5% for a 75% loan-to-value product, rising to circa 5.5%, depending on the client's circumstances and the property.

"Landlords also need to consider fees. There are more flat fees available within the standard buy-to-let market, typically around £995, but it varies. However, in the 'BTL Ltd' market, there are fewer products available generally – which means fewer flat fees. Arrangement fees typically add up to 1–2% of the loan, but an experienced broker can pick through the options and find the best-priced product that suits each specific case."

Essential advice

Most landlords understand the value of informed mortgage advice before they apply for a product, but David warns that it's even more essential in the "BTL Ltd" market. "Unlike the individual buy-to-let market, not all the mortgages are designed as off-the-shelf products," he explains.

"The commercial market is probably lagging behind the standard buy-to-let market by a good few years, and it's very much like the old way of brokering: you're really relying on calling and speaking to lenders rather than doing it all online. It can also be much slower than the standard buy-to-let market, so it's really important to work with a broker who knows which lenders work at speed and which drag their feet."

It's also important to understand how different lenders will view applications. "If you're a new buy-to-let company, the lender will be looking at the finances of each director," David elaborates. "As the company grows, however, they'll also consider what assets the company holds and what the net worth is. There are no hard and fast rules of what they'll do – it's built around the borrower and the rules implied by the company structure. It's simply not as 'off the peg' as the standard buy-to-let market."

Finally, does David expect to see more landlords restructuring as limited companies? "I suppose a lot depends on whether the government decides to take any further action against typical landlords," he says. "Changes to tax relief and other government decisions will leave a lot of landlords wondering what the right answer is for them, and they need to understand that there's no 'one size fits all' solution. A lot depends on your personal circumstances, your portfolio and your ambitions, so it's important to take advice (from both a broker and your accountant) and get some informed insight into your options."

CURRENT LIMITED COMPANY BEST BUYS

Purchase price: £125,000 • Deposit: £31,250 • Loan amount: £93,750 • LTV 75% • Repayment type: Interest only

PRODUCT	RATE	MONTHLY PAYMENT	VALUATION FEE	BOOKING FEE	ARRANGEMENT FEE
Lifetime tracker	3.49%	£276.06	£0	£1,172	None
2-year fixed	3.65%	£285.15	£150	£1,406.25	None
5-year fixed	4.29%	£339.35	£0	£1,172	£500 Cash back

These rates were sourced on 4 April 2016.

How to buy like a cash buyer (without the cash)

Funding expert Kevin Wright explains why less cash doesn't have to mean less property.

By Neil Cumins

One thing above all else is likely to put the brakes on a property investor's ability to do more deals: lack of fluid cash. Most investors need time to put together the healthy deposit required by lenders, which means that the path towards property empiredom can be slow and frustrating.

Fortunately, there's a way to grow property investments more quickly, and with less cash. It's a method used by a client of Kevin Wright – our resident development finance broker – and it involves something that many investors seem fearful of: bridging finance.

Kevin's client Nassir had found a disused care home in Cleethorpes that had been on the market for a year, with no takers. As a family-owned home, it had failed to meet the new Care Quality Commission standards, and the cost of compliance was so prohibitive that the owners had no choice but to sell.

Kevin takes up the story: "Nassir spotted the opportunity for a win-win. Not only could he make an outrageous offer for a property that nobody wanted, but he could complete the sale quickly to help the vendors keep their remaining savings, instead of continuing with a mortgage that would bankrupt them."

The building had originally been a row of six terraced houses, knocked through into a single entity. Nassir planned to turn it into an 18-unit HMO, but the asking price was £350,000 and he needed another £50,000 or more to carry out the conversion. No traditional buy-to-let mortgage company would lend on it, and he didn't have anywhere near the 25% deposit a commercial lender would require either. Unable to refinance his existing properties to pull out the cash required, he was stuck.

Quick fix

"It was really cash-buyer-only territory," says Kevin, "and Nassir didn't have enough in the piggy bank. Fortunately, someone put us in touch with each other, and we had a chat about his options. He'd heard of bridging finance, but thought it was very expensive. My response was that it's higher than standard mortgage rates, but you can also use it to facilitate projects that generate a very high return. Because bridging loans are so quick to arrange, they can allow a developer to effectively work as a cash buyer. As a result, they can often negotiate a better purchase price – especially if everyone else who's eyeing up the property is struggling to get mortgage finance."

Nassir did just that: with a little coaching, he managed to get the the asking price of £350,000 down to £250,000. "The expense of arranging bridging finance seems like far less of a concern when you've just used it as a tool to negotiate £100,000 off the purchase price!" Kevin points out.

"Another useful feature of bridging is that it's based on the property value, not the purchase price. When the bridging company surveyor came to take a look at the property, he said it was definitely worth £350,000, even in its run-down condition."

That allowed Nassir to put together all the cash required to buy. "We arranged finance at 70% of the full value of £350,000, which is £245,000. Minus set-up costs of £7,375, Nassir now had £237,625 to finance the purchase. This meant he only needed to put £12,375 of his own cash into the pot to make the full purchase price. That's a great deal less than the £87,500 deposit that would have been required to secure a commercial mortgage – if one had even been available.

Just one final problem: "Nassir was left with about £25,000 in his bank account for the conversion, which was only half what he needed. However, I had another little strategy planned to sort that out..."

How it worked

The original bridging loan was for six months. That gave Nassir plenty of time to carry out the conversion, and turn what was perceived to be a problem property into a des res. His original plan to transform the care home into an 18-bed HMO met resistance when he applied for planning permission, so he reverted to Plan B and turned it back into six terraced properties.

"To complete the conversion, we negotiated a further advance from the bridging lender of £25,000, along with an agreement that Nassir could pay the interest in monthly instalments of £3,308 per month. Since he could show a healthy cash flow from his existing properties, the bridging lender was happy to oblige in both regards.

"Turning the terrace back to the original six individual homes was less complex than the original plan to create HMOs, which meant that Nassir's team had the conversion completed within the finance period. A depressing, deserted and dilapidated building had taken on a new lease of life, and become six attractive homes."

THE RESULT

With the conversion complete, it was time to get the property (now properties) revalued – and the independent valuation was now £450,000! If Nassir had chosen to sell them on, he would have immediately made a gross profit of £200,000 on the purchase price. Out of that £450,000, he would have had to pay back the original £245,000 plus the additional £25,000 to the bridging finance company, as well as his monthly bridging interest and fees totalling £19,848.

These are how the sums break down:

Loan repayment	£245,000
Additional loan	£25,000
Interest	£19,848
Nassir's original deposit	£12,375
Nassir's costs of refurb (part)	£25,000
Total	£327,223
Profit	**£122,777**

But there was a twist in the tale, as Kevin concludes: "As it happens, Nassir didn't sell the development. He simply remortgaged it, getting a commercial mortgage from one of his existing lenders based on its new value of £450,000. A £300,000 mortgage means less than £30,000 has been left in – and it now generates a healthy income for Nassir each month. Not bad for an up-front personal investment of just £37,375..."

CONTACT POSITIVE PROPERTY FINANCE

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

Mind the gap

Rental voids can leave a buy-to-let investor with a distinctly empty feeling – not to mention a gaping hole in their income. But one investor has eliminated them almost completely...

By Alice Whitehead


Mark Coates.

It's estimated that voids cost UK landlords around £3 billion in lost rental income every year, with many investors considering them a painful but inevitable pitfall of the rental market.

But Bolton-based property investor Mark Coates has been able to keep his 15 properties, all located in the borough of Horwich, occupied for almost four and a half years – with only eight days of voids across the portfolio.

So what's his secret? Mark, who splits his time between a full-time job at a financial services company and self-managing his rental portfolio with his wife, says it all comes down to providing a great product for the right customer.

"When a tenant serves notice, it's a disaster in terms of cash flow – and it immediately impinges on our time," says Mark. "It leaves us having to agree exit plans, allow time for repair work in between tenancies, check the empty property is secure periodically, and so on.

"Our mission is to look after tenants so well that they'll never want to leave."

Right move

The first step for Mark is to buy in the right area. "We always buy houses in areas where prospective tenants want to live, not in the worst areas where they're forced to live for the short term due to financial constraints or other personal issues. For our business, it's about the house becoming a good family home, with good transport links, good local schools and within a nice community," he says.

But as every business person knows, even the best product is worthless if nobody knows about it – which is why Mark leaves nothing to chance.

"We have our own 'To Let' sign, which is a great drive-by advertisement," says Mark. "We also advertise on free sites like Gumtree, and even via Facebook periodically, and we'll also let our current tenants know when we have a new house for rent. Many of our properties have been occupied by someone a current tenant knows or is related to."

Mark also markets early, lining up tenants for viewings before the other tenant has moved out and before building or refurb work begins. In this way, he's able to create near "bespoke" properties for his tenants, which has a multitude of benefits.

"If I have a property that could be turned into a two or three-bedroom house, for example, I can get tenants to look around first and decide what works for them before committing to building works. I can also give them more choice when it comes to fixtures and fittings – and, ultimately, it's free market research for me, saving time and money on unnecessary building work and creating a property the tenants really want."

This policy has worked well for long-term tenants too. "I often say to them 'Do what you like to the properties', within reason!" he says. "Put in a fireplace, get new wallpaper – after all, if they've invested time and money into the house, chances are they'll want to stay there. It might sound corny, but I always say 'It's my house but your home'."

Tenant trust

As well as having a product that tenants want, avoiding voids also means making sure you want the tenant. Mark does the routine employment and bank account checks, and he also takes references from previous agents – but he says it mainly comes down to gut instinct.

"It's probably not the typical way to do things," he says, "but we go on who feels right and get to know them a bit beforehand by finding out why they're moving, where they currently live and their future plans."

For Mark, tenants aren't a "necessary evil", but partners in his business.

"For a relationship to work long term, it has to be a partnership. You have to trust that they're not going to damage the property or walk out of it in six months. And they have to trust that when they view the property with no fittings or fixtures – and we take a deposit off them – that it's all going to be finished when they move in."

Open all hours

Mark believes that the personal touch is the key to his enviable occupancy rates – and that it's only possible by self-managing his properties.

"Even if agents were free of charge, I wouldn't use them. No one else cares about your property as much as you do, and I can be there any time of day or night: I don't close at 5pm!" says Mark. "While it can be time-consuming to deal with tenant's problems 24/7, I prefer to offer a personal approach and take the time out this end than have voids at the other end of the chain.

Self-managing also allows Mark to charge a higher rent without straining relationships or breaking the bank. "We charge a premium in the local area, but that's because we incorporate all the fees people would normally pay upfront to an agent. We've found that many more people can afford £10 to £15 extra a month, rather than several hundred pounds of fees upfront."

> "Our mission is to look after tenants so well that they'll never want to leave."

Real relationships

Mark says the mistake a lot of landlords make is viewing themselves as the dominant party and losing respect for their tenants.

"In reality, you need to build a relationship, speak to your tenants, get to know them, gauge whether they are happy, and ask them what else you can do to help.

"Over time, we've come to know our tenants so well that we know the names of their pets and their favourite football teams – we've even been invited to a birthday party! And it's this bond that will make people want to stay in your house."

Next steps

- If you're self-managing, make sure you're aware of your legal obligations: **propmag.uk/responsibilities**.

BEHIND THE SCENES WITH ROB & ROB

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

THE SHOW ~~MUST~~ DID GO ON

Doing things by halves just isn't our style. So when we were invited to exhibit at the **Property Investor Show**, we said, "OK, but let's also record an episode of the podcast in front of a live audience of 150 people... and hold our biggest meetup ever after the show."

And that's exactly what we did. It was an exhausting but exciting couple of days – allowing us to catch up with our Meetup leaders from around the country, say hello to lots of readers and listeners, and spread the Hub message to hundreds of new people. We owe a HUGE thank you to everyone who helped out – especially our photographer Barney Walters and sound engineer Diana Bond-Smith.

Make sure you listen to to future episodes of the podcast to hear the interviews we recorded with some of the other companies who attended.

A FLYING VISIT

The investor show was even more full-on because we both flew in from abroad to attend – Rob B from the Algarve, and Rob D from Granada.

We were both working while away (not that anyone believes us), and it was a good reminder of what can be achieved from anywhere if you've got a great team. Our businesses grew, we tied up deals, and our portfolios ran themselves. (If you want some insights into how we make this happen, listen to our recent podcast episode about it: **propmag.uk/fromadistance**.)

Photos © Barney Walters.
Far left: Recording our first ever live podcast in front of 150 people.
Left: Our biggest meetup ever, after the Property Investor Show.

DOUBLE SUMMIT

Earlier in the year, we were both in London for **The Property Hub Summit** – where we spent a whole day talking high-level strategy with a small number of investors.

In fact, because of high demand we decided to hold two Summits back-to-back – meaning we talked about property non-stop for at least 16 hours in a single weekend! We also held catch-up sessions with previous groups of attendees, and it was fantastic to hear about what the right plan has allowed them to achieve in a short space of time.

MAKING A GREAT TEAM

The team at **Yellow Lettings** continued to grow, with Sheree joining us as a Property Manager. We've now increased staffing levels by over 200% in just six months – and as we obsessively track email response times and satisfaction levels, we know it's made a huge impact on our service.

We've also been joined by Rachael, who's taking charge of marketing across all our businesses. As well as helping us to expand our reach, she'll be improving the experience for our existing audience – and she'll be aided by our PA Vicky, who's stepping up to become the Hub's Community Manager. Keep an eye out for lots of improvements soon.

Our five top tips to assess a BMV deal

NEWSFLASH: "BMV" USUALLY *ISN'T* BMV. USE THESE FIVE TECHNIQUES BEFORE CONGRATULATING YOURSELF ON UNEARTHING A BARGAIN.

1 CHECK SOLD PRICES

You don't need to be a surveyor to research selling prices. Property portals like Rightmove, OnTheMarket and Zoopla all provide access to the Land Registry database of sold properties that can be interrogated by suburb, street or postcode. It's important to factor in price rises or falls in the given area during recent years, so you can estimate what a house sold in 2013 would actually fetch in today's market.

2 COMPARE CONDITIONS

Many people make the mistake of just analysing selling prices according to location and the number of bedrooms, which doesn't take into account square footage, refurbishments, specifications or outdoor space. Many online portals allow you to view photos of sold registrations – how do those properties compare to the one you're considering overall? Does "your" property still look like a bargain?

3 GET ON HOMETRACK

Whereas services like Zoopla will provide you with free property estimates, Hometrack (hometrack.com/uk) charges you £20 for each property valuation. Given that four of the five top lenders use it, you can trust that it's a lot more accurate too.

4 SPEAK TO AGENTS

An quick ring-round of local estate agents can dig up insider intel about market trends and local demand. Agents will be more forthcoming if you speak confidently to them using their own jargon, and they might divulge a few gems of information about recent transactions that haven't yet reached the Land Registry.

5 PRETEND TO BE A SELLER

Taking step four to the next level, dedicated bargain hunters can pretend to have a property they want to sell – with similar characteristics to the house they're looking to buy. A strong cover story is required before walking into an estate agent's office, but strategic questions about what you could expect to get for your imaginary property can generate valuable market info.

Think planning is a breeze? Think again! You'll need to play your cards right if you want to succeed in this most tactical of strategy games, writes Alice Whitehead.

How to... *get planning permission*

The planning permission game is the most challenging contest any developer will need to undertake – but the rewards can be monumental. "It may be just one of many approvals, but planning permission is usually the hardest to obtain," says Philip Skill, former chief planning officer at Gloucestershire County Council, and chief planner on BBC2's The Planners and Permission Impossible. "It's all about opinions, and a lot about politics – so unless you're doing small domestic extensions, planners will either be your new best friends or your worst enemy. And to a large extent, that choice will be yours."

Get it right, however, and planning permission will allow you to transform the value of your property and your business. Here's how to learn the rules – and bend them in your favour.

Do your groundwork

It might sound basic, but first you need to work out if you actually need permission.

"Anything inside a house is generally not classed as 'development', while many external additions to a property might be 'permitted development' – e.g. greenhouses, porches and some minor extensions. To be sure that you definitely need permission, check the Town and Country Planning General Permitted Development document," says Brian Barrow, managing director of Acorus Rural Property Services.

If you're building a new property, or changing the use of an existing one, you'll definitely need planning permission – but you'll need to do your research before you even reach for the application form.

"The local planning office will give guidance (usually for a small fee) on what types of plans will be acceptable, and what's been approved in the area before," says Philip. "Alternatively, if your plans are unusually large or contentious, consider approaching a local architect, draughtsman or planning consultant, as they'll already have a relationship with the council."

Next, check the local and national policy frameworks: unlike building regulations, planning regulations can differ from one county to the next (and sometimes from one planning authority to the next). If you're going for a change of use, you'll also need to check the local and national "use class" regulations.

"Refer to the 2012 National Planning Policy Framework (NPPF)," says Brian. "And check local policies in the Local Plan (LP) with your district council. These vary from region to region, and some are more up-to-date than others."

The LP will tell you in which areas you're most likely to get planning permission, and what type of homes the council is looking for.

Look at your location

"Good local knowledge is key to a successful outcome and avoiding expensive mistakes," says Mark Hyde, partner in the Planning and Development Team at Carter Jonas. Indeed, something as simple as a drive around the local area can pay dividends.

"Planners call this learning the 'local vernacular'," says Philip. "You can find out what has already been allowed, and copy it. It's boring, but it works nine times out of ten."

You should also discover if your area is designated "green belt", or in a conservation area, suggests Brian. "Each will have different implications to an

PLANNING 101

Step 1: Check if your proposed build is "permitted development" in the Town and Country Planning General Permitted Development 2015 at legislation.gov.uk.

Step 2: Go to the Planning Portal (planningportal.gov.uk) to find your Local Planning Authority.

Step 3: The Portal will also tell you if your development is on "Green Belt" or in a designated "Conservation Area".

Step 4: Check "Local Plans" (Google "[city/area] local plan") to find out where you are most likely to get permission, what has already been approved, and what kind of homes the council is looking for.

Step 5: Organise a meeting with a local planning officer to get pre-application advice on whether there's a reasonable chance of getting permission, and to discuss site problems.

Step 6: Refer to the 2012 National Planning Policy Framework at gov.uk for national policies.

Step 7: If it's a big build, approach a local architect (try architecture.com) or planning consultant (try rtpiconsultants.co.uk).

Step 8: Talk to the neighbours and inform them of your plans.

Step 9: Submit your application online at the Planning Portal.

Step 10: Re-apply for free in the first 12 months, or appeal to the Independent Planning Inspectorate at gov.uk.

application – and indeed whether you even need one. There might also be development boundaries to be aware of, which may mean you can build within a village but not outside it."

In conservation areas, the council will also need to make sure your project doesn't undermine heritage assets.

"Change is possible, but you will have to handle it with care. Listed buildings are protected externally and internally, and you may need to apply for 'listed building consent' too," says Philip. "A modern extension may be acceptable if you make it totally separate."

Communicate well

If you can walk the walk, then you'll also need to talk the talk – and a surefire way to smooth the planning process is good communication.

"What upsets planners most is the constant complaints and bickering from the neighbours, and what makes locals annoyed is not knowing what's going on," says Philip. "Neighbours like to be informed, and if you don't tell them about your plans, they'll visualise the worst. Sitting with them over a coffee cannot be beaten.

"And the same goes for the planner; don't patronise them. They have a difficult job to do, and dealing with another 'idiot' will not endear you to them."

Submit your application

Once your checklist is complete, it's time to submit your application and architectural plans – which will cost you around £385 for a single house, and £172 for an extension.

The application will take two weeks to be validated, and roughly eight weeks to be processed – but because the planner will need to speak to highways, local residents, environmental health, etc., any one of these parties could delay the process.

"There's a myth that applications must be determined within eight weeks – these timings are a target, rather than a legal limit," warns Philip.

More than 95% of applications are decided by a senior planning officer, with only the most contentious applications being referred to a committee. Planning permission is often granted subject to conditions or "reserved matters", and you'll need to provide further details on these before getting the nod.

"Above all, keep all correspondence – however trivial – and particularly the decision notice and anything that relates to its conditions," adds Philip.

So what happens if your game plan becomes the end game? Is it back to square one for your development if it's refused? Not necessarily.

"Applications are usually refused if they're too big, too ugly, made with the wrong materials, or if the development stands out in the street," says Philip. "To avoid it, don't be overly ambitious, do your research, take advice and, again, speak to those neighbours!"

You can reapply for free in the first 12 months and then as many times as you like – for a fee (providing the scheme is different in some way and you've checked for new local and national policies). You can also appeal a refusal to the independent planning inspectorate, with roughly one in three appeals being successful. "Just because the council says 'no', it doesn't mean your planning application is no good," says Brian. "Don't give up!"

PLAY YOUR TRUMP CARD: TACTICAL TIPS TO WIN AT PLANNING

1. "Research is crucial. Get the right site, know your design limitations and local policies, and check if similar proposals have been accepted in the area before," says Brian Barrow, managing director of Acorus Rural Property Services."
2. "Secure good, professional local planning advice at an early stage and take advantage of pre-application advice services," says Mark Hyde, partner in the Planning and Development Team at Carter Jonas.
3. "Do things in the right order," says Brian. "If there are five things to get permission for, it might be better to do the most important one first – e.g. access. Don't push too far too quickly."
4. "Listen to feedback," says Philip Skill, former chief planning officer at Gloucestershire County Council. "If you're asked to make modifications, and it doesn't affect your profit margin, do it. That way the planner will get less negative feedback from the community, and will be less bothered about your scheme."
5. "Consider employing a planning consultant," says Brian. "While the local authority will advise you on what you need, it won't tell you how to best present it."
6. "Employ a local architect, draughtsman or planning agent – someone who already has a reputation with the planners," says Philip. "Hopefully, a good reputation."

EVENT LISTINGS

In a town near you (every month)

Property Hub Meetups are the UK's biggest FREE network of property events, with over 30 held each month. They're open to everyone – from the greenest newbies to the grizzliest tycoons!

This isn't a traditional networking event. There are no sales pitches or "upsells" – just a relaxed and informal get-together of likeminded people, with a more friendly and supportive atmosphere than you'll find at any other event.

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

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

We currently hold meetups in the following locations:

GLASGOW
Check website for information.

EDINBURGH
Starbucks, Ocean Terminal, EH6 6JJ.
Meetup leader: Greig Oliver

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

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

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

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

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

EAST MIDLANDS
The Clock Warehouse Shardlow, DE72 2GL.
Meetup leader: Mark Barnes

LEICESTER
Check website for information.

LEAMINGTON SPA
The Fat Pug, CV32 5BZ.
Meetup leader: Helen Pollock

NORWICH
Check website for information.

MILTON KEYNES
Ye Olde Swan, MK6 3BS.
Meetup leader: Ryan Slater

CHELTENHAM
The Swan, GL50 1DX.
Meetup leader: Joanna Surowiec

SWANSEA
Check website for information.

CARDIFF
Hilton Hotel, CF10 3HH.
Meetup leader: Chris Went

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

BATH
Check website for information.

SWINDON
The Clifton, SN1 3PY.
Meetup leader: Paddy Horsington

READING
Coconut Bar & Kitchen, RG1 2LG.
Meetup leader: Adrian Dunk

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

COLCHESTER
The Church Street Tavern, CO1 1NF.
Meetup Leaders: Diana Bond-Smith and Andy Johnston

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

LONDON SOUTHBANK
The Southbank Centre, SE1 8XX.
Meetup leader: Joe di Fede

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

EPSOM
The Albion, KT19 8BT.
Meetup leader: Justin Richards

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

SOUTHAMPTON
Check website for venue.
Meetup leader: Sarah Smith

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

EXETER
Check website for venue.
Meetup leader: Tony van Bergen

DUBAI
Check website for venue.
Meetup leader: Chris Battle

HONG KONG
Classified, Exchange Square.
Meetup leader: Emma Bryan

NO GROUP CURRENTLY IN YOUR AREA?

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

It's [not] all about the base

Will a rise in the base rate spell disaster for the buy-to-let investor? Not necessarily, says Christopher Nye.

The doom-mongers are on the loose again, claiming that when the Bank of England (BoE) raises base rates the buy-to-let sky will fall in. We're not used to "normal" rates anymore, they say. It will be Mortgageagedon. Repossession City.

Sure, it might, but it probably won't. Why? Because even when base rates rise, mortgage rates don't always follow.

The BoE's Monetary Policy Committee sets the rate each month, with the objective to maintain inflation at a steady 2% per annum while keeping the country's economy growing. A sluggish economy means rates stay low to encourage borrowing and spending. If the economy heats up, rates go up.

Since the financial crisis, western central banks have been keeping rates at previously unheard-of lows to boost their economies and avoid deflation. You won't get much on your savings in the bank, they're saying, so why not spend the money elsewhere – on a buy-to-let investment, for example?

Last year, promising economic data suggested the BoE could raise the rate above the 0.5% it has been for the past seven years. But with the majority of buy-to-let mortgages being interest-only, could that mean millions of newly unprofitable buy-to-let homes being dumped on the market?

Tracker mortgages are indeed set up to mimic the base rate, and a rise of 0.5% means you pay £500 extra each year for a £100,000 mortgage.

If you're shopping around for a fixed rate or are currently on a standard variable rate (SVR), however, a base rate rise won't necessarily or immediately hit your own rate. There are two main reasons for this. Firstly, your lender's costs are affected by more than the base rate. Secondly, your lender will have added their own margin on top of the base rate (probably 3–4%), and can decide to reduce that percentage spread to keep or attract new customers.

Looking at costs first, lenders must keep reserves at the Bank of England, and since the credit crunch these have to be bigger while earning less interest. If base rates rise, so then the BoE will have to pay a better rate of interest to your own lender, which may be passed on to you in the form of more competitive rates – at least if your lender wishes to keep your custom, anyway. Banks will be especially keen to keep you if they have a lending target to meet.

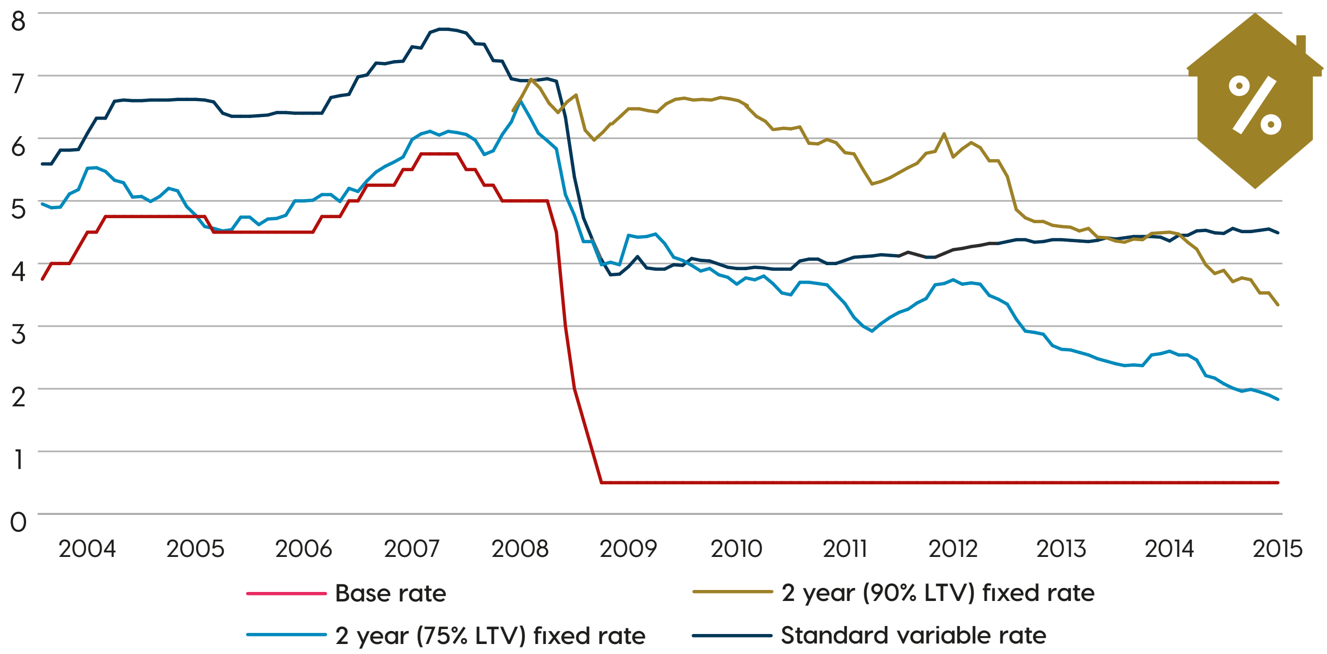
Competition among banks is another factor. Banks use lower mortgage rates to attract customers – we've all seen the ads. As shown in the graph opposite, buy-to-let lending rates have been falling despite base rates being unchanged, as banks compete for your custom. Beware, though: your lender can raise its standard variable rates if it wants to raise money or exit the market.

On the other hand, if the Bank of England believes that house prices are rising too fast and blames that on lenders offering such low rates that they are overheating demand, it has various ways of curtailing lending without a base rate rise. For starters, it can raise its own deposit rate, which means that lenders earn extra from keeping their own money at the Bank of England rather than loaning it out in mortgages. It can also make borrowing harder for would-be landlords, as it announced at the end of March, with more stringent affordability tests.

Your mortgage rate depends to a large extent on you as a risk factor. If you can improve your own credit rating, provide a large deposit, and ensure that you can meet all payments by doing stress tests on your own ability to pay in the case of a financial shock, you'll often have a bigger impact on your borrowing rate than anything Threadneedle Street will throw at you.

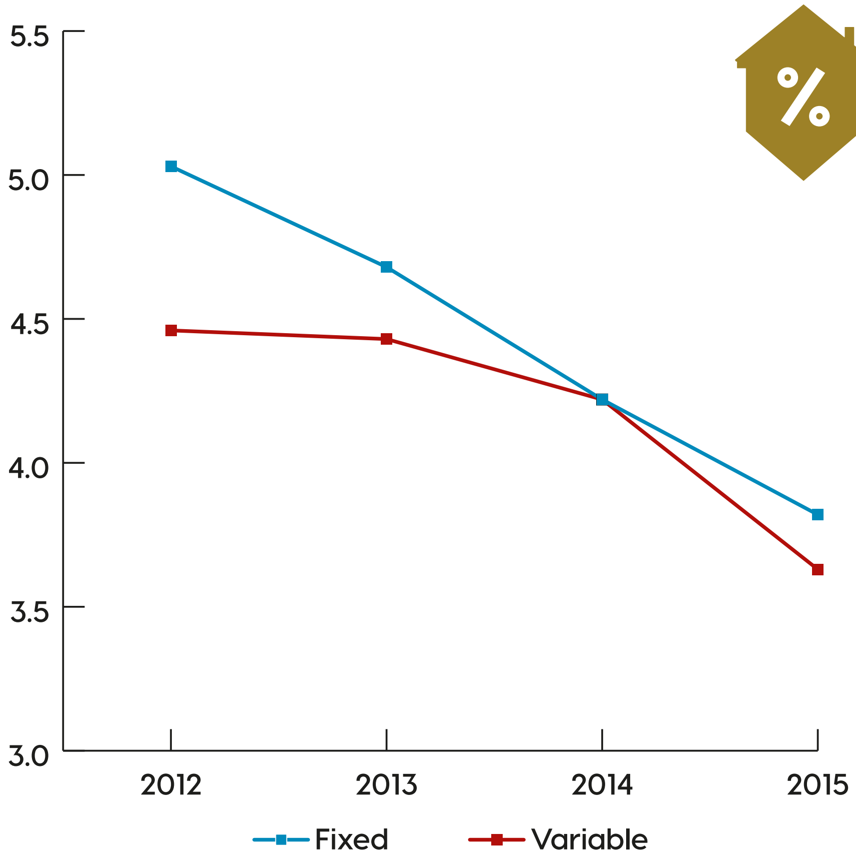
Most financial institutions will offer predictions for the next two years or so, and even a modest rise looks unlikely for another 15 months. And (as we've seen) even when a base rate increase comes, it doesn't necessarily mean that mortgage rates will increase too. As always, though, it's prudent to run the numbers for what you would do if borrowing does get more expensive.

HOW MORTGAGE RATES AND THE BASE RATE HAVE CHANGED SINCE 2004



Figures are monthly interest rates of UK monetary financial institutions (excluding Central Bank) and are not seasonally adjusted.

HOW BUY-TO-LET MORTGAGES HAVE FALLEN



WHERE ARE GLOBAL INTEREST RATES?

Europe: the ECB has dropped the base rate to 0.05% and its deposit rate to -0.4%, meaning that if lenders won't lend they will have to pay the ECB to keep money there.

USA: The Federal Reserve raised its interest rate from 0.25% to 0.5% in December, and is planning two 0.25% rises in 2016, probably beginning in September.

Japan: The Bank of Japan followed Europe and put deposit rates into negative territory, at -0.1%.

Next steps

- Stress-test your existing properties and any potential purchases, to see how an increase in rates would affect you.
- Speak to a broker to discuss whether you can save money by refinancing now – while rates are competitive.