The PROPERTY Hub Magazine

Making sense of property investment

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LOCATION
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CASE STUDY
What it takes to be a property flipper

RIDING THE PROPERTY ROLLERCOASTER

Behind the scenes and beyond the hammer with auction expert Martin Roberts

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Regulars

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

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

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

Welcome

Wow... we feel like pretty much *everything ever* has changed since the last issue of The Property Hub Magazine. The referendum result came in and shocked us all (well, we were shocked!), our political parties fell apart, there were marches and demonstrations on an almost daily basis, and Facebook suddenly became a place for exceedingly opinionated discussions about Brexit – which was a bit of a weird digression from the usual photos of ultrasound scans and avocado on toast.

We may have called the referendum result wrong, but we're pretty certain about our latest prediction: it'll all be fiiiine! Even if the uncertainty causes prices to fall back slightly, rental demand won't change – and if you're looking to invest in your next property, now could be the time to pounce and bag a bargain before everything returns to normal (which won't be long). You can listen to our in-depth podcast episode about the issue at thepropertyhub.net/brexit.

It's precisely because everything will be fine that we have a "business as usual" magazine for you – which means a jam-packed issue filled to the brim with information and inspiration. Our Big Important Interview is with the auction expert himself, Martin Roberts. He gives us a peek behind the scenes of his own investments, and shares some of his top auction tips.

We also take a detailed look at the part-brand, part-place that is the Northern Powerhouse. What is it, exactly? *Where* is it? Is it worthy of George Osborne's hype? Our in-depth feature reveals all – and you've got a double-helping of location-specific goodness, as we also hop across the water to look at the investment case in Belfast.

It's not just locations where we're over-delivering: we've also gone a bit bonkers for case studies this issue. We learn the secrets of success from a full-time property flipper, a fast-moving BTL investor, someone who's making money out of of holiday lettings, and a professional property sourcer.

Alongside all *that*, we've got a hugger-than-ever array of tips, how-tos, tax advice and mortgage tactics.

...And not one single mention of Jean-Claude Juncker! You're welcome.

Happy reading!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry.

BREXIT POSES QUESTIONS FOR PROPERTY MARKET

The announcement that the UK has voted to leave Europe has understandably generated a degree of uncertainty among landlords and investors. The result of the EU Referendum was announced as this edition of The Property Hub Magazine went to press, and a clearer picture of the UK property market's likely response will develop in the weeks and months ahead as analysts refine their projections and negotiations begin with the EU.

Some overseas investors may reduce or sell off their UK property portfolios, having recently seen profitability reduced by stamp duty changes, levies on offshore purchases and second home taxes – although conversely, a weaker pound might tempt them into new purchases.

In the short term, uncertainty surrounding the circumstances of the UK's exit could provide opportunities: some investors are pulling out of agreed purchases, potentially leaving bargains up for grabs before confidence returns and the market settles down. Rob & Rob tackle the topic in more detail in a special episode of The Property Podcast: listen at thepropertyhub.net/brexit

FAR EAST TRADING IN THE NORTH COUNTRY

A decade ago, property investors in China would be unlikely to know about Manchester's rain-sodden suburbs or Sheffield's notorious Park Hill estate. Today, high-profile infrastructure projects and residential developments on both sides of the Pennines are being successfully marketed by Oriental investment companies to their wealthy client bases.

A combination of HS2 and the Northern Powerhouse phenomenon (profiled elsewhere in this edition) is underpinning demand for properties in many of Britain's northern cities. The epicentre for Oriental investment is currently Manchester, which benefits from a tram network familiar to Hong Kong residents and direct flights from its airport to Beijing and Hong Kong. Developments across Manchester are being funded by Chinese investors and purchased by their compatriots as buy-to-let properties, with a quarter of flats in one Salford Quays development already sold to Chinese nationals. A few miles away, an £800 million investment in Manchester's Airport City by the Beijing Engineering Construction Group will feature bilingual street signs in English and Mandarin.

London's historic status as the default location for Far Eastern investment has been damaged by the 8% rate of stamp duty on homes worth more than £250,000 – which effectively applies to anything larger than a lock-up garage. Rental yields and capital appreciation also seem comparatively favourable in northern cities, where substantial student populations exist alongside young professionals who are happy to rent for the foreseeable future.

The Royal Albert Basin, looking west to Canary Wharf.

ALBERT SQUARED

Championed by outgoing Mayor Boris Johnson as a world-class business destination of the future, the Royal Docks is one of several flagship investment projects within London's East End. Ambitious plans have been unveiled to amalgamate a 12-mile expanse of former docks into a mixed-use "mini city", potentially creating 60,000 jobs and 24,000 new homes.

The view of Royal Albert Basin today is reminiscent of archive footage from the early 1980s, with vast swathes of undeveloped Thames-side land offering huge potential but little physical infrastructure. Nonetheless, the proximity of Canary Wharf and existing Docklands developments demonstrates the success of previous riverfront regeneration schemes in this area. Cranes and construction traffic represent the first tangible evidence of a mixed-use masterplan that will combine retail units, residential homes and restaurants, with 1,500 homes planned for construction by 2021. An initial release by Notting Hill Housing of 72 properties at Royal Albert Wharf was launched last month, with one-bedroom flats priced from £315,000 and two-bedroom apartments for £390,000.

Selling prices may remain low in the short-to-medium term, due to traffic noise from London City Airport and a notorious sewage treatment works at Beckton. More marketable local amenities include the O2 and ExCeL, while the newly relocated University of East London will support student demand for housing in the future. Investors are increasingly showing interest in the long-term prospects of the Royal Docks, particularly as the Elizabeth tube line will offer direct rail links to Heathrow Airport and Abbey Wood via the City and West End by 2020.

PUTTING THE KIBOSH ON GAZUMPING

Gazumping – when an accepted offer is trumped by a higher offer – is one of the more unpleasant aspects of the property market, costing buyers in England and Wales an estimated £270 million per year. The government is now seeking to restrict the practice, after announcing a shake-up of the conveyancing process.

The scale of this problem is highlighted by Land Registry data showing that over 20% of the 915,000 recorded transactions across England and Wales in 2014 fell through. The protracted process of buying a property currently takes an average of 14–16 weeks to complete, which affords buyers ample opportunity to withdraw – and gives sellers plenty of scope to accept a higher bid. Ministers are therefore looking at ways to accelerate the process, as well as lower the costs associated with buying and selling.

Gazumping is a less common phenomenon in Scotland, where missives are typically concluded several weeks in advance of keys being handed over. A breach of contract by one party can leave them liable for losses incurred elsewhere in the property chain, whereas transactions aren't legally binding south of the border until papers are exchanged – usually not long before the date the new buyer receives the keys. Recent discussions between the Department for Business and the National Association of Estate Agents addressed lessons from the Scottish property market and property sectors elsewhere in Europe, as well as the possibility of deposit forfeiture for buyers who withdraw from a property purchase after signing a contract.

Gazumping: an unpleasant aspect of the property market.

A DAY IN THE LIFE

SOURCER'S APPRENTICE

Paul Johnstone-Armstrong, head of acquisitions for Goliath Property Solutions, reveals to Jane Cameron how sourcing works for him as a post-military career.

6:00

Up for a daily swim. Exercising is especially important for 32-year-old Paul, who was discharged two years ago from the army after suffering injuries to his head, spine and lower limbs while serving as a military police officer in the Middle East. He got into sourcing after meeting former estate and lettings agent Mark Dunsmore in a hot tub after a wedding – where Mark had used property as a metaphor throughout his best man speech. Paul says: "I mentioned my ambition to create more sheltered housing for war veterans, and he offered to mentor me in property sourcing."

After a few months, deciding this was the career for him, Paul joined Mark at Goliath Property Sourcing – a company that finds properties on behalf of its investor clients, as well as for its own portfolio. "We are focusing on Leeds, Birmingham, Manchester, Leicester, Hull and Nottingham," says Paul. "Cities where there are universities, hospitals and good train links – where professionals are likely to live."

7:30

First job of the day is to check for new leads. Paul might do this in a café or at the company's Leeds office: anywhere with an internet connection. Leads come from many different sources, including estate agents, direct mail, online marketing, Facebook and word of mouth.

Estate agents are particularly important, and Paul is keen to build relationships. "I have to explain to them that we aren't competition but can help them by acquiring properties they're struggling to sell. We have a list of investors looking to buy such properties. They get to keep their commission.

"And for letting agents, we can assure their landlords that the property will be let at a guaranteed rent."

11:00

Mindfulness break. Immediately after the explosion that injured Paul, he suffered severe short-term memory loss. "I take breaks when and where I need to. Usually 15 minutes every two or three hours. Mindfulness helps ground me and can be done in the car, office or anywhere.

"I also love and use technology tools to help me whenever possible. I would be lost without my phone – everything is diarised."

11:30

Meeting with the landlord of a failing HMO in Leeds with a view to offering him a "rent-to-rent" deal. Paul explains how the rent-to-rent option is one to watch: "Lots of investors are coming to us to ask about rent-to-rent HMOs – it's a popular strategy.

"It's effectively a management agreement for a fixed term, where a rent payment is guaranteed to the owner, and any income above that is the investor's profit. The landlord gets their rent payment whether the property is let or not, so the onus is on us or the investor to put the right people in there. When we keep them for our own portfolio we often improve the property to get the best tenants in, namely young professionals.

"Before I met Mark, I was old school and didn't know you didn't necessarily have to buy a property to earn money from it! But you can control a property and its cashflow, without having to get a mortgage. You are leveraging someone else's mortgageability. It's been done in the US for a long time."

12:30

Working lunch with boss Mark in a café. "We update each other daily on our leads and projects. We share diaries and message boards with each other and with Brad, our online marketing guru."

13:30

Time for due diligence. "I spend 60% of my time on due diligence, the rest on leads and negotiation," says Paul, who points out that not all sourcers are as scrupulous: "I go through every detail of a proposed deal with a fine-toothed comb. We pride ourselves on ethical sourcing and are completely transparent with owners and investors."

"As soon as you package any deal, you are classed as a property agent and must by law register with a government-authorised consumer redress scheme," says Paul. Some sourcers don't realise this, he explains, and operate illegally, leaving their clients without recourse.

"When we negotiate a deal and sell the agreement on to an investor, we don't charge a fixed-rate fee: we look at the numbers for that specific property and find a level that works for everyone. Typically, the fee is somewhere between £2,000 and £5,000."

> **“Using Rightmove’s market tracker, Paul’s spotted a property that hasn’t attracted any offers in four months. Armed with property details from the Land Registry, he expects to knock the owner down in price.”**

16:30

Contacting an owner who’s looking for a quick sale. Using Rightmove’s market tracker, Paul’s spotted a property that hasn’t attracted any offers in four months. Armed with property details from the Land Registry, he expects to knock the owner down in price. The house is in poor condition, in need of a new kitchen, bathroom and garden – but Paul is confident that refurbishment can help raise the value by £40,000, and he has investors lined up for this kind of purchase.

19:00

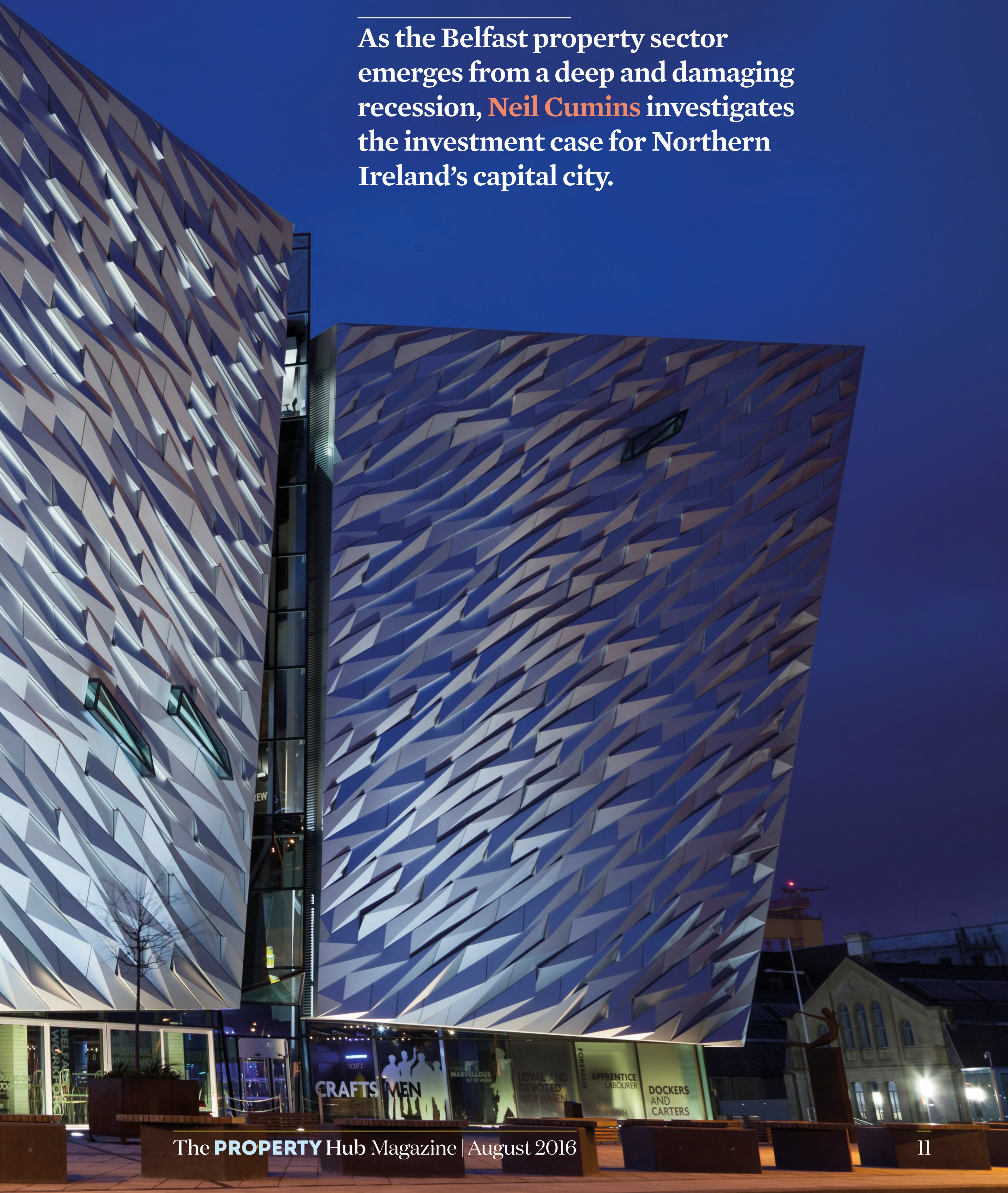
Home to Leeds – where Paul shares an HMO with five others. Paul splits his time between the shared house, his parents’ home in Sunderland and Salisbury, where his partner lives near the Help for Heroes rehabilitation centre.

Sharing meals with his Leeds housemates is both business and pleasure for Paul: “It’s a social experience and a nice way to wind down the day. It’s also perfect research for me – I can now talk with authority about how to improve HMO yields!”

LOCATION FOCUS

Capital assets

As the Belfast property sector emerges from a deep and damaging recession, **Neil Cumins** investigates the investment case for Northern Ireland's capital city.



When the icy winds of the last recession swept onto the UK's shores, they hit Northern Ireland with particular force. In common with their cousins across the border, property investors in Belfast and other population centres had overstretched themselves just as the global banking sector began to collapse. The subsequent recession saw property values across the province fall 55% from their peak, with prices bottoming out four years later than elsewhere in the UK.

The Belfast property market is currently two years into a much-needed period of recovery. Despite representing good value both historically and compared to other parts of the UK, prices are rising as high levels of demand outweigh limited volumes of stock. You only have to visit a packed local property auction or count the Sold stickers in estate agency windows for evidence of confidence flooding back – along with those long-absent investors. Demand for rental properties is driving annual rent increases of around 5%, and mid-priced two/three-bedroom family homes are particularly sought after at the moment.

A beginner's guide

For someone who's never ventured across the Irish Sea, they might imagine Belfast to be a distant and troubled place. In truth, those troubles have largely been consigned to the past. Murals depicting historic tensions and almost a hundred different "peace walls" that separate Protestant and Catholic communities still recall the city's legacies of conflict, yet Belfast has largely moved on to become a vibrant and more self-assured place. Growing numbers of tourists discover a city centre brimming with wine bars and a rejuvenated restaurant scene, while residents benefit from infrastructure improvements including the newly-widened M1 Westlink and the iconic Victoria Square retail complex.

Belfast is relatively unusual among UK cities in that the majority of its jobs are located in the city centre, with a population of 333,000 radiating out on both sides of the River Lagan. Continued southern expansion is blurring the boundaries with neighbouring Lisburn, which has been hailed as the most desirable place to live in Northern Ireland and currently has house prices 30% higher than in Belfast. Nonetheless, the capital city remains Northern Ireland's epicentre of investment and inward migration, hosting 29% of the country's jobs and a rapidly growing creative sector that now employs 17,000 people.

An unsinkable market?

Much of Belfast's renaissance is centred on one of the world's largest urban waterfront regeneration schemes, at Titanic Quarter. The completed parts of this hugely ambitious 185-acre masterplan have transformed redundant brownfield land into a recognised city suburb and employment hotspot. Future phases will see a media campus and financial services accommodation supporting extensive leisure facilities and 5,000 residential units. Titanic Quarter's first residential complex, the 474-property retail-supported ARC development, has been a big hit with investors. Future developments should dramatically improve housing availability in a city centre that has yet to realise the post-millennial resurgence of urban living seen in other British cities. Newly constructed one-bedroom buy-to-let flats in central Belfast have recently been discounted below £100,000, despite projected yields of 9%.

Belfast city centre waterfront development.

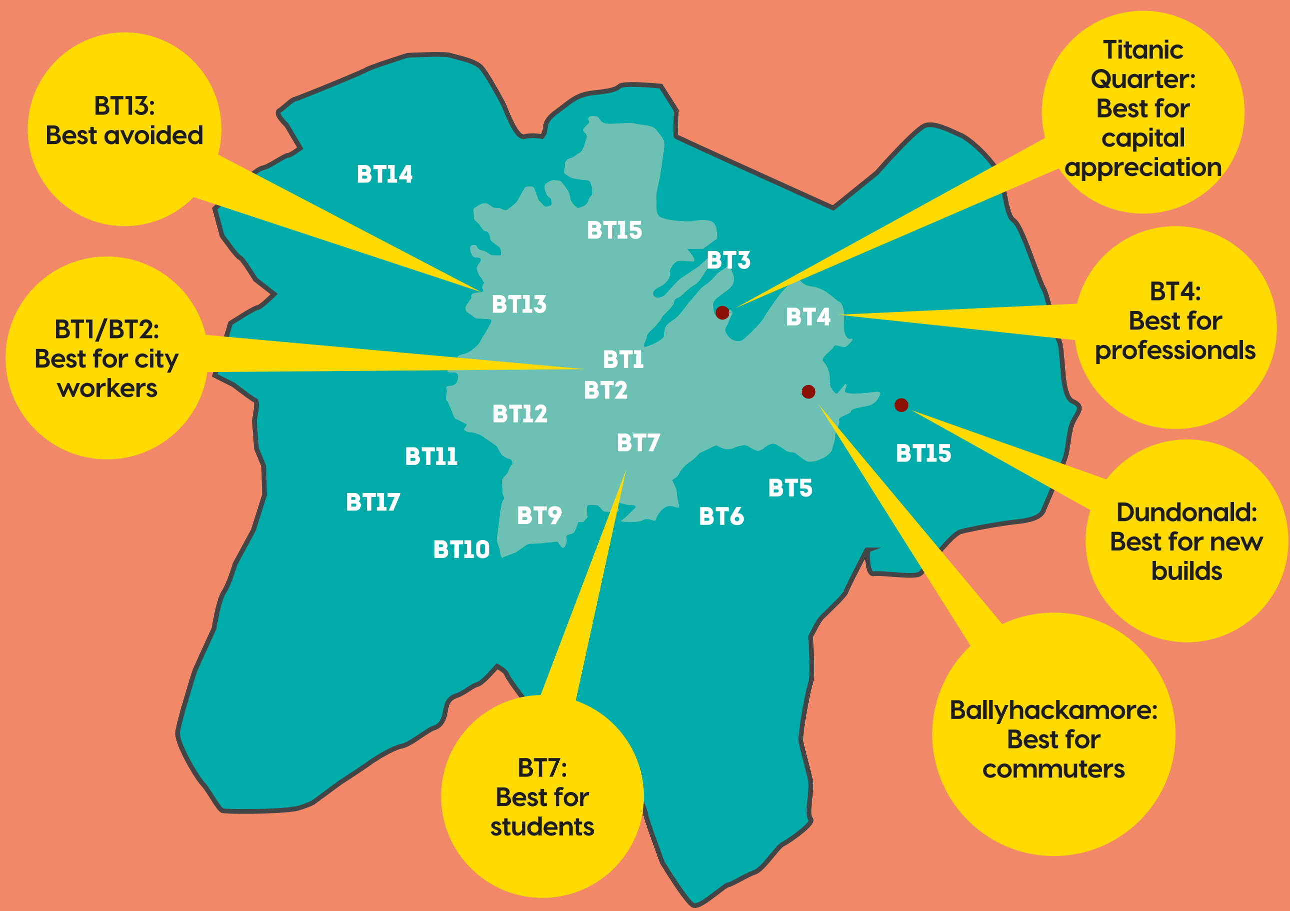
Away from the curved balconies and rainscreen cladding of Titanic Quarter, Belfast's housing market comprises a surprisingly English blend of red-brick houses, post-war semis and low-rise social housing estates. A long-standing shortage of two/three-bedroom terraces has created competition among buyers and resulted in recent price increases of up to 50%, albeit from a very low post-crash base. It's still possible to purchase a three-bedroom terraced house for under £50,000, though the address is likely to evoke uncomfortable recollections of Belfast's recent history – names like Shankhill and Ardoyne figure prominently at the housing market's bottom end. Anyone unfamiliar with local sectarian divisions – widely known yet seldom spoken of – would be better served to focus on slightly pricier suburbs with greater social diversity.

If west Belfast represents the city's divided past, south Belfast is its stockbroker belt. This corner of the city boasts average selling prices of almost £210,000, with higher-value homes concentrated in the sprawling BT9 postcode. The neighbouring BT7 district hosts Queens University alongside red-brick terraces and modern apartment blocks, where Stranmillis and Holylands are particularly favoured among students and young professionals.

WHERE DID IT ALL GO WRONG?

The Northern Irish property market was uniquely exposed to the global recession, suffering more severely (and for a longer period) than the rest of the UK. Indeed, Northern Ireland reportedly experienced the most severe property price falls anywhere in the world. That is partly attributable to a 76% jump during the 18-month period immediately preceding the recession, and a 248% climb from the start of 2000, fuelled by over-enthusiastic lending and a misguided belief that anyone could make their fortune from bricks and mortar.

The collapse in prices across Ireland was partly triggered by overexposure to the US property market (with Irish banks being heavily reliant on short-term funding from overseas lenders), and precipitated bigger property price falls in Northern Ireland than in Detroit. A cross-border "bad bank" was established to clear up toxic loans, bu the subsequent sale of these debts to a global investment company became mired in controversy that continues to this day. Market confidence has yet to fully recover, and many Irish residents were financially wiped out by the "lost decade" – potentially leaving the door open to British developers and landlords.

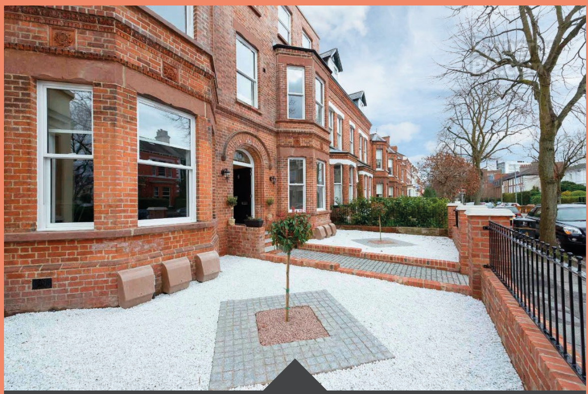


Yielding results

Despite a combination of high unemployment and deeply-rooted social issues, most working-class areas in Belfast offer yields of around 10%. These can reach 15% when converting four or five-bedroom terraces into HMOs, though the market around Queens University is now saturated. The relocation of Ulster University to Cathedral Quarter in the city centre is driving a strong uptick in the creation and development of student accommodation in the area – a phenomenon likely to continue until the £250 million campus fully opens in 2018. City officials expect UU's relocation to transform the city centre's northern fringe, with wide-ranging regeneration plans here and in the adjacent North East Quarter.

Professional property investor Chris Selwood has seen interest in buy-to-let investments spike over the last couple of years. He attributes the rise to mainland UK investors' attraction to high yields and expected capital growth over the next five years, explaining, "We're seeing a number of people from England attending our monthly networking events, and we have sourced numerous properties for mainland UK investors." Compared with central Liverpool, the private rental sector in central Belfast typically has a tenth of the available property stock; with demand far outstripping supply, it's easy to understand why investors are looking across the Irish Sea for the first time.

Those newcomers have little to fear about purchasing in Northern Ireland, thanks to a conveyancing process broadly similar to the mainland. Buyers can meet their responsibility for obtaining a valuation through their lender with either a homebuyer's report or a full structural survey. Stamp duty rates are identical to those of England and Wales, and mortgage providers include familiar names like HSBC, RBS and Santander, alongside Bank of Ireland, Ulster Bank and the Northern Ireland-only Progressive Building Society. The presence of Sterling provides reassurance that obtaining short-term finance shouldn't be an issue, although it's worth noting that property insurance is considerably more expensive (and offered by fewer lenders) than in Britain.



A DEVELOPER'S TALE

In 2015, Chris and Mary Selwood discovered a block of six derelict apartments advertised in the commercial section of a property portal, between Malone Road and Lisburn Road in Belfast's affluent BT9 postcode. With a purchase price of £290,000, Chris immediately identified "a great opportunity, due to the comparable prices for apartments. We got together the money to buy, and then found more finance as the project went along."

Refurbishment costs of £273,000 were incurred, along with bridging finance payments of £95,000. An additional £36,000 of other costs included buying and selling fees, architect costs, surveys and estate agency commission. Nevertheless, this project generated a pre-tax profit of £196,000. The seller's decision to market this development commercially may have reduced the number of investors who saw it being advertised – emphasising the importance of checking every available property platform for new opportunities.

Looking to the future

If Belfast's prospects look bright today, the city's future is positively gleaming. A pending cut in corporation tax in 2018 is expected to attract significant foreign investment, while companies from HBO and Fujitsu to Bombardier and the New York Stock Exchange are already here. In addition to ambitious plans to create an eco business park and expand Titanic Quarter northwards, city officials are keen to tap into the unrealised potential of the Lagan Corridor with more commercial developments like Donegall Quay. The city council wants to see 6,000 new homes built by 2030, in anticipation of significant inward migration. It seems Belfast is a city "on the rise" in every sense of the phrase.

CASE STUDY

It's all in the quality of the refurb, says full-time flipper, Jonathan Breeze. But Jane Cameron discovers he has more than one secret to success.

All dressed up and ready to sell

"I was always interested in property," Jonathan explains. "I liked the idea of turning a dilapidated property into a desirable home."

When Manchester's Jonathan Breeze (jonathan.breeze@icloud.com) left a "relatively well-paid job" at age 39 to become a full-time flipper, he already had a couple of successful flips under his belt. The first he'd bought at auction for £88,000 with a cash deposit and 90% mortgage, refurbished for £30,000 and sold within seven months for £138,000 to net himself £20,000. "I was always interested in property," Jonathan explains. "I liked the idea of turning a dilapidated property into a desirable home."

But the expertise and support of his wife, Georgina, provided the boost Jonathan needed to quit his job and take the leap into flipping full-time. "Georgina and I discussed it at great length. The fact that she worked full-time was definitely a safety net," he recalls. Georgina, a private wealth manager for a major bank and former estate agent, "acts as an excellent sounding board for all my projects," says Jonathan. "In the end, we decided you only live once."

Seven properties in, and the former director of an economic regeneration consultancy is confident he was right to move into property development full-time three years ago. Bolstered by Georgina's knowledge and confidence in him, he's on a roll and has ambitious plans. "I never just give them a lick of paint," says Jonathan of his projects: "It always involves remodelling the layout or extending to make the best use of space – adding real value."

Jonathan knows what he's looking for, and he scrutinises the local market to ensure he can flip quickly, one property at a time. Using his local network of contacts, including estate agents, he looks for properties in need of refurbishment in the Greater Manchester area. "I only buy properties in areas with active markets. They are neither high-end areas nor disadvantaged areas," explains Jonathan, adding, "I'm looking for good housing stock in areas attractive to families, professionals, first and second-time buyers, and downsizers."

So far, the longest project he's done has lasted ten months, including a two month wait for planning permission for an extension. He aims to make a minimum of 20% on each deal but has averaged upwards of 40% so far. Most properties have sold within 24 hours of going up for sale. Jonathan attributes that success to the pride he takes in "making a lovely home for someone" – again giving credit to Georgina for her help: "I discuss with my wife how we're going to dress the property to attract the most potential buyers. We try to make people who view the property feel at home."

He goes on to point out that small details can't be allowed to stand in the way of a successful sale. "I'll buy in furniture to make it look like a home. If people want to keep any of it, I sell it at cost. I gave one buyer some Habitat dining chairs because, incredibly, it looked to be a deal-breaker. I thought, 'You're paying £250,000 for a house and you're bothered about the chairs?' But I supposes it is the small details which help to sell a house."

Jonathan describes a typical flip, completed last year. He bought a "tired" three-bed Victorian house in Trafford through an estate agent for £165,000 – knocked down from the asking price of £189,000. The layout of several small rooms and wood-panelled walls combined to make the ground floor too dark. Jonathan set to work on knocking through the kitchen, dining room and an outbuilding to create a unified open-plan space. He extended the bathroom, put in new electrics, central heating and carpets, re-plastered and painted, and landscaped the garden. Using his trusted team of tradespeople – Jonathan never does the work himself – it took three months and cost £34,000. He sold on in under six months for £250,000, making a profit of £41,000 (after finance and other fees totalling £10,000).

Aside from the extensive renovation, financing may be Jonathan's other secret to success. After taking a business plan to several high street banks, he was accepted by NatWest for development finance. He reports having "a great relationship" with the bank, and points out that his bank manager advises him on his financing options. On a rate of 5% above base rate plus fees, the bank helps to fund both purchase and development. "I submit invoices as the development progresses," explains Jonathan. "The money is released after they've checked the work is being done."

For the Trafford property detailed above, the bank stumped up £85,000 for purchase and a further £30,000 for refurbishment. The cost of borrowing amounted to about £6,500, including £2,500 in interest and £3,450 in administration and redemption fees. "It's more expensive than a mortgage but better than a bridging loan," says Jonathan, conceding that it's also unusual: "I don't know that many developers have access to it; I never hear it mentioned at networking events."

So, what next? Jonathan's ambition is to scale up what he's doing. "I want to work with joint venture partners and investors to enable me to do high-value projects and more of them at the same time." And although he plans to keep flipping, Jonathan also aims to branch out to create a small rental portfolio. "Eventually," he says, "perhaps I'll get into new-builds on small plots of land and also change-of-use projects," then adds: "I will always do flips because it brings in cash."

BEFORE

AFTER

"I'll buy in furniture to make it look like a home. If people want to keep any of it, I sell it at cost. I gave one buyer some Habitat dining chairs because, incredibly, it looked to be a deal-breaker. I thought, 'You're paying £250,000 for a house and you're bothered about the chairs?'"

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.**

FLIPPING FANTASTIC: THE FIGURES

Purchase price: £165,000

Refurb cost: £34,000

Finance and other fees: £10,000

Total project cost: £209,000
- Of which cash: £80,000
- Of which loans: £ £115,000 (£85,000 towards purchase + £30,000 for refurb)

NatWest bank fees: £6,650 total
- Interest at 5% above base rate approx. £2,500
- Admin: £1,725
- Valuation: £350
- Legal charge fee: £350
- Redemption: £1,725

Sale price: £250,000

Profit: £41,000

Time taken: six months


Martin Roberts © Chris Balcombe Photography.

Martin Roberts talks auctions and investments with Felicity Hannah – and explains that although he might be a property mogul, he hasn't actually moved home in 30 years...

Riding the property rollercoaster with Martin Roberts

Martin Roberts' enthusiasm for auctions is infectious. As the presenter of Homes Under the Hammer zips from site to scene, profiling properties and investors with disarming conviviality, it's easy to imagine that the recent uptick in properties being sold at auction – a £790 million rise in the last two years alone – has got something to do with him. His programme has survived the market's ups and downs for more than a dozen years and inspired many a viewer to seek out bargains on the auction block.

But he's not just a TV talking head; Martin tells us that his interest in developing property goes right back to his childhood...

Going up

"Renovations were in my blood," he explains. "I grew up in a house with DIY, my dad was constantly working on improvements, and it was in my psyche that you did work on houses."

There's an expression that the harder you work the luckier you become, and Martin's early start in property was certainly a combination of luck and hard work. Aged just 23, and working as a reporter in Manchester, he came into an inheritance and used the money to buy a three-bedroom semi-detached costing £23,000. Right away, he set about fixing it up.

"It was a former council house and a lovely big, solid property," he explains. "I really like ex-local authority properties because they are so well built. And while I was working a full-time job I did up the house myself. I knocked through a wall, refitted the kitchen, sorted out the garden."

Martin's dedication paid off when it came time to sell. "Two years later we came to sell the house. When it got valued it had gone up to £56,000: it had more than doubled in two years. £33,000 in two years was more than I was earning back then by far."

The success of this early venture completely changed the way Martin looked at property. "Suddenly this skill my dad had given me, DIY, was more than just a way to make the house nicer. The penny dropped, and I started viewing property as a source of income; I made the leap from seeing housing as simply a roof over your head to something that could provide financial stability."

Since then, Martin has developed many properties but sheepishly admits he's only moved home himself once. "I moved to Bristol and pushed myself to buy a larger house – in fact it was a big house in a knackered state but I've been there now for 30 years. It's a bit ironic that Mr TV Property Expert doesn't actually move house, but I'm very much a homebody."

Coming down

That investment was his best decision, and despite a profitable property career, Martin has never replicated the success of more than doubling his investment. So what was his worst property mistake? After all, in a career spanning decades, there have been both ups and downs – much like the property market in general.

Martin describes investing abroad as the worst decision he's ever made. "I got sucked into the whole 2004, 2005, 2006 excitement of buying abroad and ended up with property in Spain and Canada. Then the whole world market went up, and I lost out incredibly badly. I should have stuck with the UK; even though it's had its ups and downs, those who did ride out the storm are mostly now either back where they were or better off."

Stung by that experience, Martin has avoided overseas property investment ever since. "For nine years, I haven't touched it with a bargepole. If you're buying for your own use and want a bolt hole then fair enough. But long-distance letting is a challenge and it's even worse abroad."

Although he warns against risky overseas investing, Martin has made an exception for one new overseas opportunity in Spain: a retirement living community offering an anticipated return of 8%. It's a commercial opportunity offering older Brits the chance to retire to southern Spain and live in a dedicated community with medical provision on site. Martin's belief is that with enough research and care, money-making opportunities abroad can still be found.

COMMON AUCTION MISTAKES

Martin has seen auction-goers make every mistake possible. Here's his advice on avoiding the biggest pitfalls:

1. People get auction fever, but it's important not to get carried away. There will always be another auction; you don't have to buy today.
2. Be realistic about the ceiling price of properties when you're daydreaming about their potential. If you're thinking of expanding it or building a helicopter pad on the roof, then check what the ceiling price for homes in that area is.
3. Work out a very detailed budget for any improvements, and factor it into the price you're paying. If you buy a £120,000 property that feels like a bargain but will cost you £30,000 to refurbish, then you won't make any money if it sells for £150,000. You need to know exactly how much you'll spend before you start bidding.
4. Be prepared to put in some hard work and do it yourself. If you're time rich and can add value to a property, then an auction is a great place to find a bargain home. If you're a first-time buyer, it can be the perfect way to find a bargain.
5. DO IT! Many people are put off or think it's too complex, but people who succeed at property auctions are normal people; you don't have to be a full-time property investor to buy at auction. Seriously, anyone can do it with a bit of hard work.

Thrills and spills

So how does Martin decide which properties to renovate for sale and which to add to his rental portfolio? He says it's essential to be canny about what you keep: "Over the years, I've bought and sold a variety of properties, from student buy-to-lets to commercial houses to normal houses. I've kept some as rentals and sold some straight away, and it's all about thinking carefully about the yield. For example, student lets deliver good yields; in fact, they can deliver a massive yield compared to what it cost to buy, so why would I get rid of an asset that's delivering 10–12%? Other properties you can just see there's an opportunity not to rent but to sell; there's just not the long-term potential."

And speaking of potential, Martin argues that would-be investors need to take the long view to see past a property's superficial flaws. "I'm amazed at how many people are put off by superficial things like the

Martin Roberts hosts Gazumped, a new talkRADIO show.

> **“… property still has huge potential; ignore the doom-mongers. If you look back at any time in the last few decades, would you have bought property? Yes! You would have bought that house in Pimlico or Battersea for £60k, even though it did go down in price for a while, because now it’s worth half a million. Prices will go up and down, but history shows us they have always recovered.”**

colour of the walls or carpet. You have to see through all that and think about the options and the potential. Those ones might not be worth hanging onto in terms of yield, but they could make a quick profit once you’ve improved them.”

Enjoying the ride

But would he recommend property as an asset just now? There’s always talk of whether the housing market is about to collapse – whether thanks to over-inflated prices, Brexit or the chancellor’s next Budget. But Martin takes it all in his stride.

MARTIN’S TOP TIPS FOR BUYING AT AUCTION

1. Do your research in advance: check out what similar properties are selling for. Don’t assume you’ll get a bargain just because it’s at an auction.
2. Visit the property beforehand, always. You never know what positive things there might be, like a large garden, or what negatives, like a flightpath overhead.
3. Have the legal status of the property you’re interested in looked over by solicitors. They’ll check it’s available for sale, that it’s as described and that there are no other issues.
4. On the day, only start bidding when everyone else has finished. Why drive up the price? And when you do bid, treat it like a game of poker: bid like you’ll carry on forever.
5. Finally, choose unpopular times of the year to attend auctions, like just before Christmas. And choose later auction slots in the day, as more people will have left.

“It’s important to be wary, and it’s good to do thorough research,” he urges, “But property still has huge potential; ignore the doom-mongers. If you look back at any time in the last few decades, would you have bought property? Yes! You would have bought that house in Pimlico or Battersea for £60k, even though it did go down in price for a while, because now it’s worth half a million. Prices will go up and down, but history shows us they have always recovered. We live on an island and there aren’t enough houses, aren’t enough homes to rent. Am I going to invest in a commodity for which there is huge demand but limited supply? Definitely.”

But that doesn’t mean he recommends a gung-ho approach to buying, or to mortgage debt. “There’s no such thing as a bargain you stumble on,” he cautions. “You need to do research, do due diligence, and never overstretch yourself financially. It’s important to always be in a position where you can cope if something happens, because the market does go up and down.”

Perhaps the most important tip he has is to seek out advice and study the markets before getting involved – he runs three-day investment courses for would-be landlords and renovators. “Had I taken advice or training earlier on, I would have avoided some of the pitfalls. You can’t avoid all the pitfalls, but taking advice means you can get around some of the most common mistakes. Seek out advice so you can commit to it like a proper career and not a hobby!”

MAGNETIC NORTH

Neil Cumins investigates whether the Northern Powerhouse will light up England's northern counties, and what the region's flagship schemes could mean for property investors.

The economic imbalance between Britain's northern cities and the London-anchored south is no secret. Despite periodic attempts to relocate government departments to the provinces, or to create enterprise zones in areas of high unemployment, London retains its time-honoured pull for people and businesses alike. While house prices soar in the capital, entire streets of northern homes stand empty and unwanted; as the south east of England groans with congested roads and overburdened public transport, some northern towns hardly experience a rush hour.

Of all the potential champions of northern England, the Paddington-born chancellor of the exchequer might seem an unlikely saviour. Yet in 2014, George Osborne announced his intention to create a Northern Powerhouse, unifying the 15 million residents of northern England into a cohesive collection of cities capable of rivalling their southern cousins in volume and capability. Despite cynical responses from some quarters, this concept has become a topic of discussion at international investment seminars and property conferences – and money is now pouring into northern cities from Chinese property investors for whom £300 per square foot represents good value compared to the super-heated London property market.

The wheels turn slowly

One of the South East's greatest advantages is its well-engineered (if heavily overcrowded) transport network. Uniting northern cities will require Crossrail-style levels of infrastructure investment, which is why the Northern Powerhouse proposals are centred on a series of high-profile transport projects covering road, rail and air.

HS2 will provide high-speed rail links between southern and northern England, reducing preconceptions about "the North" being too far away. Meanwhile, the proposed HS3 scheme would connect cities as disparate as Liverpool, Sheffield, Newcastle and Hull into a more unified population belt. The 10km Manchester Airport Relief Road is a new dual carriageway extending across Stockport's southern periphery, intended to make Britain's third-busiest airport more accessible and appealing. There are also plans to treble Leeds Bradford Airport's annual passenger numbers by either upgrading the A65 or building a parallel relief road, while Newcastle International intends to double passenger volumes by 2030 though a radical overhaul of its Woolsington site.

Road infrastructure has frequently been neglected in the North, despite the seemingly-endless A1 works between Newcastle and Scotch Corner. A total of £3.1 billion is scheduled for highway upgrades across northern England, including the six-lane Mersey Gateway bridge that will soon provide a second crossing between Runcorn and Widnes. Additional dual carriageway stretches along the A66 and A69 will improve east-west journey times, while extra capacity on the M62 will improve this notoriously congested trans-Pennine trunk road.

Benefits treat

According to the Treasury, rebalancing the UK economy would be worth £44 billion above the £290 billion the North already generates. The country as a whole could benefit from a shift in employment opportunities and population away from the southern nexus to more even distribution across the land, alleviating overcrowding in London by realising potential for expansion elsewhere in England.

More pertinently for northern property investors and landlords, there would be other long-term benefits:

- Inward investment should have a positive effect on commercial property markets, creating demand for commercial-to-residential conversions and adding scope for redevelopment of derelict or surplus buildings as demand grows.
- Transport improvement schemes like high-speed rail and carriageway expansions can be catalysts to attract new companies and industries to areas once considered too remote or inaccessible.
- Historically, capital growth has been concentrated south of the M4. A rebalancing of Britain's economy and improvements to northern infrastructure could bring similar benefits to people living and working north of the M62.

The projects

The Northern Powerhouse is a collection of aspirations and intentions rather than a physical entity, yet its influence is already evident in northern cities' identification of key areas of focus and growth in their Strategic Economic Plans – creative industries in Liverpool, green energy in Hull, and so forth. A large number of development projects and infrastructure improvements have already confirmed, and could kick-start a virtuous cycle of further private sector investment. On the following pages, we profile some of Northern England's flagship investment and regeneration schemes, and consider what benefits they might bring...

PROJECT: MANCHESTER PLACE

Estimated value: £3 billion

Completion date: 2030

Overview: Over 10,000 homes are planned for construction on 150 acres of land between Victoria Station and Collyhurst. Local amenities will include Manchester's two university campuses, creating obvious opportunities for buy-to-let investors..

PROJECT: MANCHESTER LIFE

Estimated value: £1 billion

Completion date: 2025

Overview: A ten-year agreement between Manchester City Council and Abu Dhabi United Group will see 6,000 new homes being built in deprived pockets of east Manchester. The city's biggest residential investment for a generation will start in Ancoats and New Islington.

PROJECT: MANCHESTER-SHEFFIELD LINK ROAD

Estimated value: £6 billion

Completion date: Unknown

Overview: Ambitious plans to create Europe's longest road tunnel through the Peak District would see Manchester and Sheffield connected by a route far superior to the inadequate A57, helping to slash the current 90-minute journey times between these geographically close cities.

PROJECT: M62 IMPROVEMENT

Estimated value: £161 m

Completion date: 20

Overview: Identified as an u in this year's Budget, improv the M62 will include upgra Warrington and Rochdale expected to start next year a "smart motorway", which the hard shoulder and fe variable speed limit

PROJECT: NEW CHINATOWN, LIVERPOOL

Estimated value: £500 million

Completion date: 2020

Overview: As Chinese investment ramps up across northern England, this £500 million investment in Europe's oldest Chinatown district seems well-timed. A thousand additional homes will be created in a well-established district that will extend the city centre south.

PROJECT: MANCHESTER AIRPORT CITY ENTERPRISE ZONE

Estimated value: £800 million

Completion date: 2027 (estimated)

Overview: As the UK's third-largest airport and a leading regional employer, Manchester's Airport City EZ will become a high-quality business destination. Meanwhile, the boldly titled World Logistics Hub could complement proposed medical and business parks nearby.

PROJECT: LIVERPOOL WATERS

Estimated value: £5.5 billion

Completion date: 2046

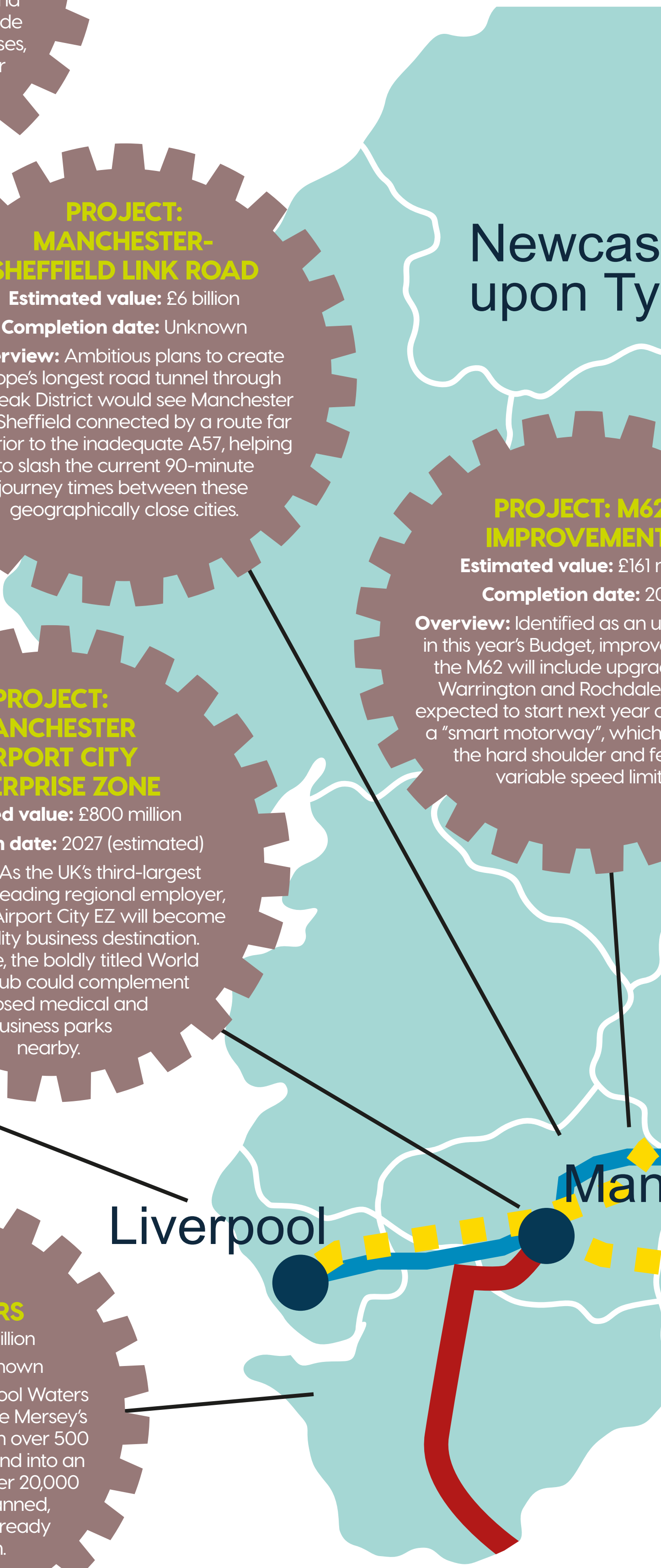
Overview: Liverpool Waters is a hugely ambitious 30-year vision to create five new residential and mixed-use neighbourhoods across 60 hectares of dockland. Nine thousand new homes will be joined by hotels, office space, two public parks and a cruise liner terminal.

PROJECT: WIRRAL WATERS

Estimated value: £5 billion

Completion date: Unknown

Overview: Dwarfing Liverpool Waters in scale, Wirral Waters on the Mersey's opposite bank will transform over 500 acres of Birkenhead dockland into an employment epicentre. Over 20,000 permanent jobs are planned, with the first buildings already under construction.



PROJECT: SCIENCE CENTRAL, NEWCASTLE

Estimated value: £2 billion

Completion date: Unknown

Overview: A joint venture between the city council and its university, Science Central is a mixed-use development across 24 acres of city centre land. It aims to create an environment where academics, employers and residents can live and work in a dedicated innovation hub.

PROJECT: HS3 (PROPOSED)

Estimated value: Unknown

Completion date: Unknown

Overview: A £60 million survey is underway to identify options for high-speed, high-frequency rail services between Liverpool, Newcastle and Hull via Sheffield, Manchester and Leeds. An ongoing electrification scheme will deliver 40-minute journeys from Manchester to Leeds; HS3 could slash this by another 25%

PROJECT: SOUTH BANK, LEEDS

Estimated value: £1.5 billion

Completion date: 2018

Overview: Occupying over 130 acres of prime urban land, South Bank's mixed-use masterplan is centred on the HS2 station that is planned here. This privately funded development is expected to encompass everything from an urban park to education facilities.

PROJECT: GREEN PORT, HULL

Estimated value: £310 million

Completion date: 2018

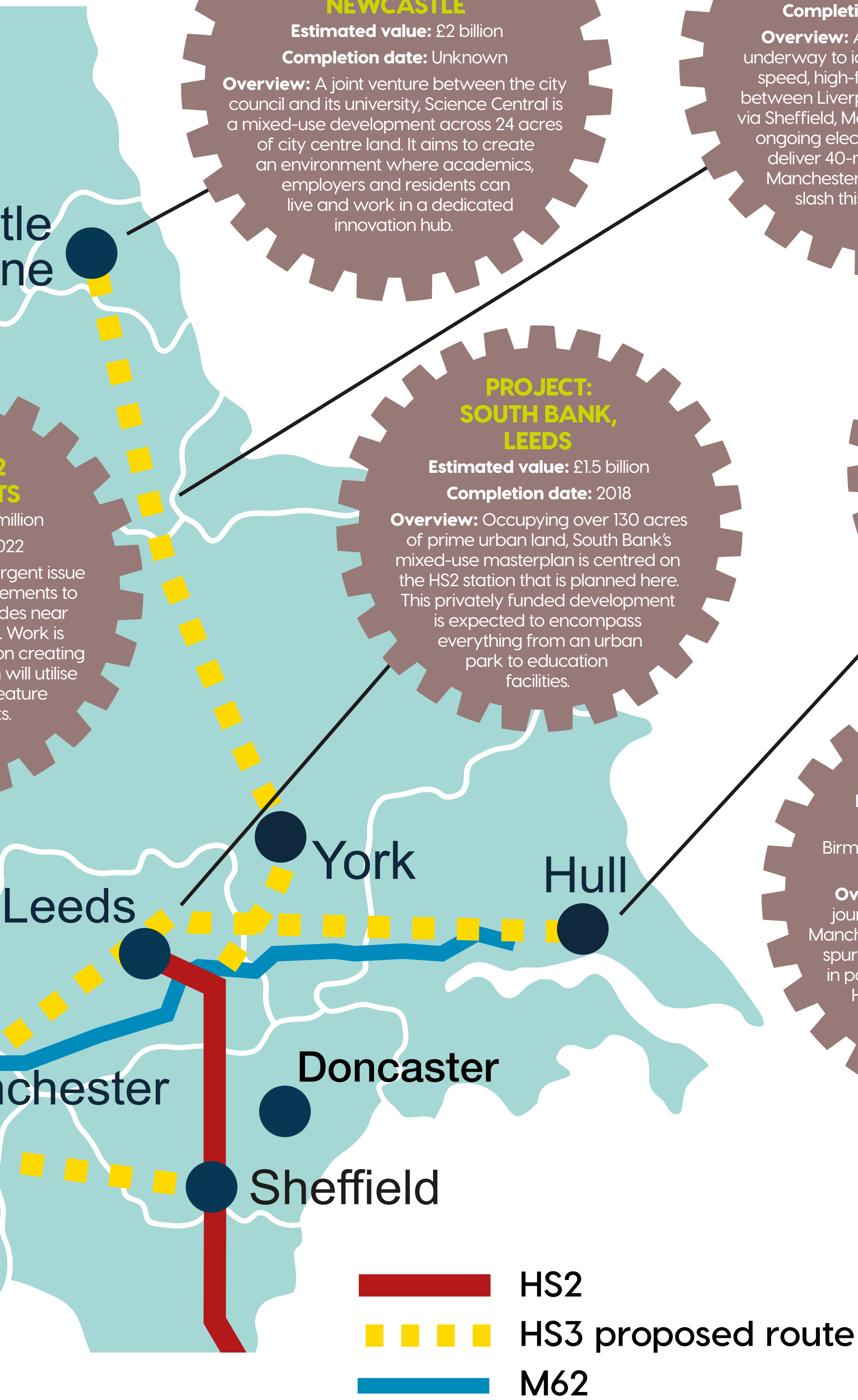
Overview: Siemens and Associated British Ports are investing £310 million in wind turbine production at Alexandra Dock. Hull's upcoming City of Culture status will further elevate its global status, while property prices are already rising as green energy jobs are created.

PROJECT: HS-2

Estimated value: £42.6 billion

Completion date: 2026 (to Birmingham), 2027 (to Crewe), 2033 (to Manchester and Leeds)

Overview: HS2 would radically cut journey times between London and Manchester/Leeds, while the 2027 Crewe spur will benefit Liverpool and Preston in particular. Some observers believe HS2 might encourage London-based companies and residents to relocate elsewhere.




Far from being an urban myth, the Northern Powerhouse is already making its existence known.

THE VIEW FROM THE GROUND

Although the boundaries for the Northern Powerhouse haven't been officially defined, it's commonly accepted as incorporating Yorkshire, Greater Manchester and coastal counties from Merseyside and County Durham northwards. However, the current focus on major cities misses a trick, according to Beth Roberts, the MD of Beth Alexandra Property Specialists. She suggests that the Northern Powerhouse needs to do more to connect suburbs and towns to major commercial hubs in order to effect meaningful change. "Although the intercity train links will be beneficial," she concedes, "the network into the major cities is still far inferior to down south. I think this scheme is underinvested to make a real difference."

Ajay Jagota of sales and lettings firm KIS is more optimistic: "I am fully behind the Northern Powerhouse as an initiative, especially if it allows us to tackle region-specific issues rather than rely on the old one-size-fits-all Westminster-centric approach. However, housing has to be part of the devolution mix. If the Northern Powerhouse project is successful in persuading businesses to rise, remain in and relocate to our region, we're going to need new homes to support the jobs that will be created."

Conclusions

Far from being an urban myth, the Northern Powerhouse is already making its existence known. This is a naturally occurring phenomenon in major cities, which could be amplified and expanded upon by forging northern cities into a unified and connected force.

The creation of stronger transport links is pivotal to the success of any unification plans for England's northern cities. Although HS3's high-speed east-west rail links remain on the drawing board for now, reducing today's sluggish journey times is essential to construct a cohesive population belt capable of rivalling London.

Creating a connected and dynamic Northern Powerhouse will take a generation, but it's already evident that seismic changes are in the pipeline. From unsentimental Chinese investors to proud northerners, momentum is growing as multibillion-pound projects get started. The upsides to investing in England's northern cities now clearly outweigh the downsides, and the next decade could witness an unprecedented rebalancing of the British economy. It's not so grim up north any more.

> **"Property prices are climbing steadily in the regions of Manchester where development activity is most concentrated, while the presence of 3.6 million people within the Greater Manchester Combined Authority exerts its own gravitational pull."**

Next steps

- Listen to our podcast on the Northern Powerhouse: propmag.uk/powerhouse.
- Re-read our Location Focus on Manchester from Issue 4. If you don't have the paper copy to hand, you can access the digital version from your Property Hub account.

CASE STUDY

Buying 3 buy-to-lets in 48 hours


Ali Temple

When Ali Temple decided to invest in property, he moved fast. Felicity Hannah has been finding out how he did it...

When you spot a potential investment, it's important to move fast – but circus-performer Ali Temple has taken that to extremes. Although the 33-year-old hails from Edinburgh, his life as a professional acrobat takes him around the world to perform at big festivals, big business events and big tops. It's a lifestyle that's taught him how to travel on short notice — and to give great performances wherever he goes. According to Ali, it's all about being prepared. "The nature of what I do is that you have to train religiously," he says.

And while Ali's path has been far from easy, it turns out that the same obsessive nature that helps him train intensively as an acrobat comes in pretty handy for property investment, too. He got his start in property by throwing himself into property research and investment with the same intensity that drives him to throw his body around a trapeze for hours on end.

No stranger to misfortune

Ali learnt early in life how to bounce back from hardship and come out stronger than before. When he and his brother were teenagers, their father was killed in an accident. They invested the insurance money they received as his beneficiaries, but as Ali explains, their troubles didn't end there: "We had the money invested, but then the stock market crashed." Needing a place to live, they decided to use the money to buy a home and solve two problems at once. They found and jointly purchased a two-bedroom flat on the shore in Leith.

Fortune favours the resilient, and the area of their property near the centre of Edinburgh has seen rapid regeneration: the flat they bought outright for £122,000 12 years ago is now worth £215,000. The significance of that return on investment wasn't lost on Ali, and – inspired by two books he downloaded during his frequent travels – he decided to look more closely at property investment as a source of income.

Those two books were Rich Dad, Poor Dad by Robert Kiyosaki and The Complete Guide to Property Investment by Rob Dix, both of which Ali devoured in a matter of hours before deciding it was time to start seriously investing... immediately.

Crunching the numbers, then crunching them again

Admitting with a laugh that he's "quite obsessive as a person", Ali describes his pursuit of this new investment strategy as decisive: "I walked into my brother's flat and told him this was what we needed to do; then I spent about three weeks listening to podcasts and researching. We decided to take £120,000 out of our flat, which meant we could both take £30,000 for ourselves and have a collective £60,000 to spend on properties." Ali was convinced that buy-to-lets were the way to go and chose to invest his £30,000 capital in an extra buy-to-let.

With his usual intensity, Ali "just went numbers crazy and researched different areas in Scotland: Edinburgh, Fife, Livingston", tallying up different rental incomes and searching for the perfect balance between initial outlay and potential income. Eventually, he settled on Livingston as the most affordable yet still desirable location for commuters. Having identified the area, he then went "numbers crazy" on the properties, too.

"I did calculations on which had the best returns on investment." Acknowledging the importance of potential increase in value, Ali prioritised cash flow and kept an eye out for flats that would appeal to "professionals who would look after the place", rather than students or HMOs. Knowing exactly what he was looking for paid off. After hours of scouring Zoopla, Rightmove and the ESPC websites to learn the market, Ali found ten properties that fit his criteria.

And armed with a notepad stuffed with numbers, Ali flew to Scotland in April to view them all – in just one day.

Pricing up the properties

"There were three that I had a good feeling for; the numbers made sense," he says. "Because it was all numbers-based, I knew how much I could pay and would not pay a penny more for. I was also very careful to find properties that had been on the market a little longer than others; one had already had £5k knocked off it – it's all stuff Rob Dix talks about in his book."

Three offers were accepted that day. Ali viewed on Monday, made offers on Tuesday and finalised his mortgage applications on Wednesday. Everything has gone smoothly, and he finally got the keys at the end of June.

What has he learnt from his crash course in property investment? To trust himself. "The challenge for me has been not second-guessing myself at every step," Ali says, adding: "I've not really melted down, but I've had 'Oh hell, did I buy the right property?' moments. But then I remembered that if it's a good deal for me, then it's a good deal.

"At some point, I had to just take a step forward and do it; as long as I've been as diligent as possible, then I have a good chance. I've educated myself, have real knowledge about the markets now. It's just been a case of applying that education and copying successful investors."

So what does the future hold for this rapid empire-builder? "Well, I have four properties, and three of those are shared with my brother. Now the challenge is: when can I get another one? I have savings, and through all this process I haven't spent any of those. So, once I've finished setting up these three, I'll be looking for the next."

He pauses and then gives a slight laugh. "And probably once that's set up, the next one after that."

So how do the numbers on these carefully selected properties add up? Ali ran us through the numbers of two of his properties.

PROPERTY 1:

Purchase price: £105,000
Home Report valuation: £110,000
Deposit paid: £26,500
Solicitor, Stamp Duty and fees: £3,223
Tenant find and costs: £200
Smoke alarms and certificates: £460
Total cash invested: £30,133
Monthly rent: £650/month
Interest only mortgage rate: 2.79% = £186/month
Monthly expenses: £77.25
Profit: £386.75 minus 10% contingency: £65 = £321.75/month, £3861/year
Gross yield: 7.4%
Net yield: 3.6%
ROI: 12.8%
Condition: Ready for tenants

Ali says: "This is a beautiful property, which is all ready for tenants. It has large bedrooms, an en-suite, a dining room and a living room."

PROPERTY 3:

Purchase price: £87,000
Home Report valuation: £90,000
Deposit paid: £21,750
Solicitor, Stamp Duty and fees: £2,648
Tenant find and costs: £226
Smoke alarms and certificates: £460
Refurb cost: £2,255
Total cash invested: £27,339
Monthly rent: £600/month
Interest only mortgage rate: 2.79% = £152.29/month
Monthly expenses: £60.60
Profit: £387.11 minus 10% contingency: £60 = £327.11/month, £3925.32/year
Gross yield: 8.3%
Net yield: 4.5%
ROI: 14.3%

Ali says: "This was rentable but tired so I chose to paint, install new floor coverings and invest in a new bathroom. It also needed some general maintenance. I got the price down by making a big fuss about the work that was needed."

PROPERTY GEEK

Training? 'Course

When it comes to property, there's a lot to learn – but should that knowledge come at a price? Rob Dix will reveal all – but he's got a once-in-a-lifetime offer to respond to first...

The other day I got a letter through the door from a chap who said he was currently sunning himself on a Caribbean island. He was able to do this, he went on, because his business was making £50,000 per month on autopilot.

Good for him, I say – although it's a shame he seems unable to sit back, relax, and enjoy the fruits of his success. Not only is he spending his holiday writing to a total stranger, but at the end of the letter he invited me to pay £27 to spend the day with him in Peterborough to learn how he did it.

This particular letter wasn't about property (although the man in question is affiliated with a property company), but its format is typical of what's used to snare wannabe property investors:

- Message from a very successful man (almost always a man) posing with his (leased) Ferrari.
- Encouragement to come to a reasonably priced day to learn the secrets...
- Then (during the course of the reasonably priced day) inevitably an upsell to a frighteningly expensive "intensive" or "bootcamp" or "inner circle" where the real secrets will be revealed.

It's easy to make fun of this kind of thing (which is why I've done it), but in principle it's always a good idea to learn from others who are few steps ahead on the road we want to travel. So are training courses worthwhile for property investors?

I'm asked all the time, and the answer isn't entirely straightforward.

Vague promises

It's all too easy to lump all property education in together and judge it by the standards of the worst of what's on offer, but we should really make a distinction between generic property education and specific property education.

Generic education isn't necessarily a bad thing, but it's this type that can easily turn out to be more about marketing than property. For the most part, the content is about selling the dream rather than offering specifics: they're pitching property, but it could just as easily be day trading or multi-level marketing or timeshares. There will be a genuine educational component, but normally no more than you can learn for free from The Property Podcast or for a few pounds by reading a book.

Warning signs include free or cheap tickets, frequent references to expensive cars and holidays, and defensive answers to probing questions along the lines of "That question reveals that you don't have the mindset to be rich yet."

By all means go along and take what you can away from it, but leave your credit card at home so that you can't be tempted by the inevitable upsell.

Suspicious motives

Specific education, when offered by someone who genuinely knows their stuff, can be a lot more valuable. At its best, it's a chance to learn about an aspect of property from someone who's been in the trenches using it – and it's easy to see how your investment of a

"Generic education isn't necessarily a bad thing, but it's this type that can easily turn out to be more about marketing than property. For the most part, the content is about selling the dream rather than offering specifics: they're pitching property, but it could just as easily be day trading or multi-level marketing or timeshares."


Beware sales pitches offering instant riches.

few hundred pounds could save you thousands or cut years off your learning curve.

This type of training can be related to a niche strategy (like rent-to-rent), a particular type of investment (such as HMOs or the LHA market), or expert-level content relating to finance or taxation.

A common objection is, "If they're doing so well, why aren't they just doing it instead of teaching it?" Of course, sometimes these suspicions are justified. Often, though, the people offering these courses enjoy sharing their knowledge and have the opportunity to make £5,000 per day by teaching it. Profitable portfolio or not, wouldn't you offer a course in those circumstances?

In addition to checking out the credentials of the instructor, the other thing to bear in mind is whether you're realistically going to put your new knowledge into action. For example, the sales pitch for the rent-to-rent course might seduce you with the numbers you can achieve with little cash input, but do you have the time to pursue it right now? And does it fit in with your long-term strategy?

Any good course provider will be happy to answer your questions over the phone before you book, so don't be afraid to check that it will be suitable for you before you hand over the cash.

Pricey hand-holding

Falling somewhere between the general and the specific is "mentoring": having the personal attention of an experienced investor for a certain period of time, which might involve activities like visiting potential property purchases together.

Clearly this is potentially valuable, but it can also be terrifyingly expensive. Is it worth it? On the one hand, it's like what my friend Richard said after he'd undergone very pricey hypnosis to stop smoking: he wasn't sure if the hypnosis really did anything, but after spending so much money on the solution he damn well wasn't going to smoke anymore. On the other, the money you spend could have been the deposit on a house instead. This is one of the reasons why we started offering our Property Hub Summit events: we wanted the motivational and action-oriented aspects of mentoring to be available at a much lower price.

If your ambitions are sufficiently lofty and you want to make progress fast, you might decide that mentoring is worth it – just make sure you dig very deep in establishing the credentials of your mentor first.

Whatever you do...

Ultimately, a lot of it comes down to your learning style and how much time you have to invest: you'll always be able to piece together information yourself or find people who are willing to share their knowledge for free (property investors are a surprisingly generous lot), but not everyone has the time or inclination to do so.

Good training is valuable, but nothing is more valuable than action – and that's something only you can control. However you choose to learn, make sure you consistently apply that knowledge... and maybe it'll be you writing to me from a Caribbean island in a few years' time.

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**.

Permission to profit

Funding expert Kevin Wright explains how to transform these property pariahs into cash cows.

Residential properties that have been converted into flats are great buy-to-let purchases, but a conversion done without planning permission can make for a nasty surprise when buyers try to get financing and finalise the purchase.

The problem is that some illegal conversions don't come to light until the owner tries to sell, when the buyer's surveyor discovers that the property is listed as a single residence with no planning permission for the conversion. Because council planners have the right to order illegally altered properties to be restored to their approved state – that of a single-family dwelling in the case of flat conversions – no mortgage lender will finance property where that threat exists. But does that mean you're out of the running unless you've got loads of cash to close the deal? Not necessarily.

Divide and conquer

It doesn't take a financial wizard to figure out that it's more profitable to divide a single family dwelling into two or more flats than to let the property as a whole, so it's no wonder that some owners end up converting their property without getting proper planning permission. Whether owners fail to realise that planning approval is required for conversions, or they unwisely assume that it's no problem as long as the exterior of the building remains the same, you'll likely discover such illegally converted properties throughout the UK.

So what should you do if you have a potential investment property lined up, but find that no mortgage lender will touch it because it's been converted without planning approval?

A problem shared...

The first step is to recognise that the seller of an illegally converted property has a problem, too: their unapproved conversion has made their property unmortgageable, closing the door on all but purchasers who don't need a mortgage. That's bad news for the seller because cash buyers can leverage their position to chip away at the price. While the seller's dilemma is a limited market and diminished value for their property, the inability to mortgage is a dealbreaker for most buyers. For those who've done their homework, though, a little property investment wizardry could reform such an illegally converted property into a lucrative bargain.

If you have the mystical powers of a burgeoning bank balance, great! But you don't have to be a cash buyer to operate like one. You can use bridging finance to work a little magic of your own, and put yourself in just the same position as a cash buyer for this sort of property. For the savvy investor, bridging finance stands in for those powerful cash reserves and can make an illegally converted property a wise investment – as long as you don't get left holding the bag with the planning department.

A residential conversion done without planning permission can make for a nasty surprise.

A retrospective view

Used in conjunction with bridging finance, retrospective planning permission is key to successfully rehabilitating an illegally converted property, and knowing how to get it is the other trick up your investment sleeve. There's no guarantee it will be awarded – and an application by the original owner is unlikely to be approved, given the council's dim view of those who fail to get prior planning permission. However, for a potential buyer, a meeting with the council's planning department is a good way to test the waters and get a sense of whether the council might be inclined to give it a chance.

Start out by explaining the intention to buy, outlining the problem, and asking if, in principle, the council would be willing to consider an application for retrospective planning permission. Each planning department has its own requirements, and you won't get a firm "yes," but you should get an indication of whether your application might be considered favourably.

If possible, demonstrate that the property has been in continuous use as flats for a number of years. This may be for as few as four or as many as ten years, depending on the local council's policy. One way to demonstrate established use is to show that the individual tenants have paid council tax, which proves that the property has been inhabited as separate units. Strangely, the council tax department doesn't report changes of use or occupancy to the planning department!

Once financing is in place and planning approval awarded – Abracadabra! – the property becomes mortgageable. That provides the means to repay the bridging loan. It also brings the property value right back up, which opens the door to a world of opportunity for the investor who knows the alchemy of pairing bridging finance with retrospective planning permission. If you're considering a buy-to-let purchase of flats that have been converted without planning permission, it's a formula you can use to turn property investment lead into gold.

“You don't have to be a cash buyer to operate like one. You can use bridging finance to work a little magic of your own, and put yourself in just the same position as a cash buyer for this sort of property. For the savvy investor, bridging finance stands in for those powerful cash reserves and can make an illegally converted property a wise investment.”

CONTACT POSITIVE PROPERTY FINANCE

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

Mortgage adviser David Cookson tells Felicity Hannah about an often-overlooked fundraising option.

COULD A SECOND-CHARGE MORTGAGE SUPERCHARGE YOUR PORTFOLIO?

> “Second-charge mortgages are a fairly underserved area of buy-to-let financing, often suitable for investors who want cash to invest in a new property or to carry out improvements on their existing stock.”

If you're an investor who wants to expand your property empire, then you'll need some cash. The trouble is that many investors' capital is tied up in their first property, which could explain why official figures show 78% of investors never move beyond just one buy-to-let.

“Lots of investors assume they need to remortgage in order to free up some money to expand their portfolio, and there are many reasons why that won't be suitable,” explains David.

A second-charge mortgage, “an option that's faster and sometimes cheaper than remortgaging”, observes David, is a separate loan of £1,000 or more against your current equity when you've already got a “first” mortgage in place. Effectively, you end up with two mortgages on the same property. For example, you might have a mortgage of £50,000 against a property worth £100,000. Instead of remortgaging to increase the first mortgage to £75,000, you might decide to take out a second mortgage of £25,000 to release the same amount of cash.

David describes second-charge mortgages as “a fairly underserved area of buy-to-let financing, often suitable for investors who want cash to invest in a new property or to carry out improvements on their existing stock”. He also points out that taking out a second mortgage could help you raise enough funds to cover recent increases in stamp duty charges for investors without eating into your saved deposits, meaning “you can still secure a half-decent rate on the next property you buy”.

So why a second-charge mortgage?
There are a few reasons why investors might choose a second-charge mortgage rather than remortgaging to release some equity.

Investors who already have low mortgage rates are good candidates for second-charge mortgage financing. David offers one example: "If you've got a rate of, say, 1.8%, then you might not be able to match that when remortgaging. A second-charge mortgage may well be at a higher rate, but it will be on a smaller portion of your overall debt, so you'll pay less interest."

After all, many buy-to-let borrowers' rates have reverted to bank base rate plus 1.5% to 2%. But if they remortgage completely, then they could be hit with far higher interest rates, and on the full amount. Second-charge mortgages can also be processed more quickly than full remortgages, adds David, "which is good news for an investor who has spotted an opportunity and needs to move fast. Rates for second-charge mortgages start at 4.49%."

Other investors are prevented from remortgaging because they'll be hit with high early repayment charges if they do so – a penalty that can be as high as 5%. "That's potentially thousands and thousands of pounds!" David exclaims. "And that's a real disincentive to an investor who's pricing up a potential investment. But with a second-charge mortgage, you don't have to worry about that extra cost."

Borrower beware
"Of course, a second-charge mortgage isn't always the best option," concedes David, "and that's why it's so important to take advice in each specific circumstance. For example, if you don't have an early redemption charge on your existing mortgage, then you might be better off remortgaging; you need to sit down and look at what's available in the market. It may be possible to move to a better rate and release some equity at the same time.

"Really only an adviser with experience in this area and a good knowledge of the market will be able to discuss all your options and help you find the best solution for you."

Types and tests
"Buy-to-let second charge mortgages are usually available as fixed rate or variable products, and the rates can be competitive – although usually higher than with a standard buy-to-let finance," notes David, adding: "As with any buy-to-let funding, there will be age and income restrictions and also all parties to the first mortgage will need to be party to the second-charge mortgage too. So if there's more than one of you on the paperwork, then you'll need to all be willing to release funds this way – you can't have one partner withdrawing cash from the investment on their own."

Some would-be investors will consider a residential second-charge mortgage on their own home in order to release money for an investment, but this can be a risky move, says David: "The second mortgage is a mortgage on your home and not whatever buy-to-let you end up buying with the cash. If there's any risk you'd struggle to meet the payments, then that's your own house that's on the line, so you need to think really carefully and take advice on whether it's the best choice for you."

Finally, the mortgage markets have really tightened up since new rules came in that require lenders to "pressure test" would-be borrowers to make sure they can genuinely afford the borrowing. David concludes: "It's so important to be realistic about how much you can borrow and how that can best be used to expand your portfolio. A good broker will be able to guide you through whether a second-charge mortgage is right for you, whether you'll qualify for it, and what the best mortgage is for any further investments you make with the cash you release."

"The second mortgage is a mortgage on your home and not whatever buy-to-let you end up buying with the cash. If there's any risk you'd struggle to meet the payments, then that's your own house that's on the line, so you need to think really carefully and take advice on whether it's the best choice for you."

CONTACT TC FINANCIAL SOLUTIONS

To discuss your property investment needs and find the right mortgage product for you, contact David Cookson and the team at **0161 959 0166**
tcfinancialsolutions.co.uk

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.
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Registration number 401572.
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8 CLEVER (AND LEGAL) WAYS TO CUT YOUR CGT

Just when investors thought they'd been punished enough, George Osborne announced an 8% surcharge on the profits from selling a buy-to-let. But you don't need to take it lying down, as Christopher Nye discovers...

In the last Budget, the chancellor lowered the rate of Capital Gains Tax (CGT). For basic-rate taxpayers it went from 18% to 10%, and for higher-rate taxpayers from 28% to 20%. However, he left the rate unchanged for profits from the sale of residential property – effectively creating an 8% surcharge for anyone selling their buy-to-let.

CGT is a tax on your profit from disposing of something. If you buy shares in a company, a work of art or certain types of property for £100,000 and sell it later for £150,000, then you pay CGT on the £50,000 profit.

The big exception for residential property is that you pay nothing on profits from selling your main home (unless it's exceptionally large or you have let it out or used it for business). You're liable for profits on second homes and buy-to-let property, but the good news is that there are reliefs, exemptions and allowances that will reduce your bill.

Here are the most significant ways to reduce your liability. Remember though that we can only touch on general principles: every case is different, so always seek professional guidance.

1. **Offset your buying costs**
   It may seem like a long time ago, but when you bought the investment property you probably paid (we hope!) for a surveyor, solicitor, searches, disbursements, money transfers and stamp duty. Blow the dust off those files and get them to your accountant – because all these expenses can be deducted before calculating the final profit that CGT is due on.

2. **Claim for improvements**
   You can't claim for routine maintenance or redecoration, but you can deduct from the profit any work that increased the value of the property, such as an extension or an extra garage.

3. **Don't forget selling costs**
   Remember to keep receipts, and claim for any costs associated with the sale – including estate agency and legal costs.

4. **If you ever lived there, get the calculator out...**
   A vital principle of CGT is that you're not taxed on the increase in the value of the property while

you live there, even if you subsequently (or earlier) rented it out – which gives rise to two very attractive reliefs. The first of these is Private Residence Relief (PRR).

Say you buy a property, move in for a year, then rent it out for another four years before selling it. You can claim PRR on the one out of five years that you lived there, which reduces the gain that will be taxed by 20%. You can also claim PRR on the last 18 months of ownership – even if the property was rented out during that time. In our example, that reduces the gain by another 30%.

So by living in the property for one year out of five, PRR has reduced the gain that will be subject to tax by 50%. However, don't be tempted to abuse this relief: HMRC will want to see proof that you genuinely occupied the property as your main home, such as household bills, electoral roll records and maybe even photographic evidence.

5. ...and don't forget to add Letting Relief

PRR means you don't pay CGT for the period of time that you lived at a property as your main home. The period of time that isn't covered by PRR is subject to a different relief – known as Letting Relief. Letting Relief means that the gain that was made while the property was rented out also doesn't count when calculating the taxable gain – although it's capped at £40,000. The box "Taxing your capital gain" gives an example of how this works in practice.

6. Stay single

Call us unromantic, but if you don't get married to your significant other, you can claim each property as a primary residence, so long as you've lived in each. When you sell up, you can afford to take each other to Vegas and tie the knot.

7. Or make use of your spouse

On the other hand, if you've succumbed and are married, then the gain is split between you as long as the property is in joint ownership. That means you get two Annual Exempt Amounts – currently £11,100 per person – to count against the capital gain.

8. Offset losses

Your capital gains liabilities in any given year are calculated using profits and losses across all your assets as a whole. Therefore if you crystallise a loss in another asset (whether that's selling a property, shares or something else at a loss) this counts against the gains you've made elsewhere.

TAXING YOUR CAPITAL GAIN

John and Jane have sold the house they bought when they married ten years ago. They moved out and let the property five years ago. After taking out all the buying expenses, it cost £300,000 and was sold for £750,000 (after all selling costs). John has other income of £60,000 and Jane of £14,000.

The gross gain is £450,000 or £225,000 each.

John:
Of his total gain of £225,000, the gain arising during the five years when they lived there plus the last 18 months is £146,250, and so only £78,500 is potentially taxable. Because he once lived there as his PRR and subsequently let the property, he gets the maximum £40,000 lettings relief as well as the Annual Exempt Amount of £11,100 (£78,500 - £40,000 - £11,100 = £27,650).

John will be taxed at 28% because he's already a higher-rate taxpayer. He is taxed on £27,650 @ 28% = £7,742.

Jane:
Of her total gain of £225,000, the gain arising during the five years when they lived there plus the last 18 months is £146,250, and so only £78,500 is potentially taxable. Because she once lived there as her PRR and subsequently let the property, she gets the £40,000 lettings allowance as well as the Annual Exempt Amount of £11,100 (£78,500 - £40,000 - £11,100 = £27,650).

Jane has an income of £14,000. Of this, £10,600 is covered by her personal allowance, leaving £3,400 to be taxed at 20%. This means she has only used £3,400 of the basic-rate band of £32,000, leaving £28,600 unused. As a result, the whole of her taxable gain of £27,650 is taxable at 18%.

Jane's CGT bill is £27,650 @ 18% = £4,977

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**.

Lets compared

Not all landlords are the same, nor are all tenants. Students, professionals, tenants on benefits? HMO or holiday lets? A landlord's first choice is which market to enter.

By Christopher Nye

Prince or pauper, A-list celeb or just-freed convict (or both), everyone needs a roof over their heads, and most people rent at some time in their lives. So landlords have a huge selection of tenants, properties and letting models. It won't entirely be a choice: the individual landlord's circumstances will be a heavy influence, and when it comes to deciding what sort of letting is the best fit, the particular demands of the property and the tenant are at least as important as affordability. Before investing in rental property, ask yourself: Are you available to sort out a crisis in a property? Are you confident telling a houseful of students that they're losing their damage deposit? Maybe running holiday lets would be more your cup of tea – welcoming happy holidaymakers to a pretty seaside cottage?

Don't forget the money element, either. Profit usually being a function of either risk or effort, do you take the easy route with a professional tenant who will look after the property but risk voids if they leave, or the cheaper option of a guaranteed student market who might need more mollycoddling?

We asked five different types of investor what they like and dislike about their rentals, and what advice they would give to newbies.

REGULAR BUY-TO-LET
CRISTINA GARCIA, SOUTH LONDON

Why this type of letting:
Investing in London property has been fantastic. Much better than money in the bank.

Day-to-day management:
I manage the properties and only use an agent for the initial let. I do the check out, and if it needs to be cleaned or repaired, I organise that.

The best bits:
I don't have to do a great deal when a property is let. I own a restaurant and spend lots of time in Spain, so I just don't have the time, but it works out very well.

The worst bits:
We have to pay a lot of tax on our rental income.

What a landlord should know:
Most tenants don't look after the property at all, and they will call for anything. "The sink is blocked." But they blocked it! I used to always go round but I've learnt to say no, they can sort it out themselves if it's their fault.

HOLIDAY LETTINGS
JO HATHAWAY, IRELAND

Why this type of letting:
To pay the mortgage! Also, renting out our own house gives it life and forces us to maintain it properly.

Day-to-day management:
We are lucky my mother lives nearby and is on hand for any problems. The hardest part is finding a reliable housekeeper who cares for the house as you would like.

The best bits:
People bring limited personal belongings, treat the house "lightly", and are often out. But they also share valuable feedback with you about any issues, and tell you how much they like the house. So it actually does feel like sharing a place we really love.

The worst bits:
While others are there, you can't be there yourself!

What a landlord should know:
Choose the websites you advertise with carefully, and beware hen and stag dos. Present your house beautifully, and they are more likely to keep it that way!

Lets compared continued

TENANTS ON BENEFITS
ALEX BERESFORD, BOLTON

Why this type of letting:
I wanted to spread the risk of void periods by buying several properties, and my budget only allowed me to do that at the cheaper end of the range. That limited the tenants I was able to find.

Day-to-day management:
My managing agent inspects each property every three months. Tenants on benefits are much more demanding than professional tenants as they don't have the spare cash to fix things themselves, even if it is their responsibility.

The best bits:
On the plus side, after three months of arrears, then the council pays you directly, so the rent is then guaranteed – even if it often needs to be priced at a lower level than the market would usually allow.

The worst bits:
It can be difficult to vet tenants on benefits as many won't have references and would fail a credit check as they have CCJs. Councils used to pay us directly but now pay it to the tenant, who suddenly gets a lot of cash when they're being pressured for other bills. They can quickly fall into arrears.

What a landlord should know:
If you can find a responsible tenant (often the older generation) then you'll have no problem, and they may stay there for decades. If you have the money to convert a property, consider renting to disabled people.

STUDENT TENANTS
MARIAN LEWIS, BRIGHTON

Why this type of letting:
We are in an area with lots of students, so it's just the most obvious market. Plus, the house was a good deal (I later realised why: I had missed the student season).

Day-to-day management:
Most students are pretty clueless. If the lights go out, they won't ask themselves if it's a bulb gone, a tripped switch or a power cut affecting the whole town – they'll just call us on their mobile!

The best bits:
Most students are nice, and in some ways it's like being a surrogate parent. We've had students from overseas come to our home for Christmas dinner. It's not just about money.

The worst bits:
The check-outs. They always say they've had it professionally cleaned, but they never have. I found it embarrassing at first, but now I just remember how perfect it was when they moved in and view it completely objectively on behalf of the next tenant.

What a landlord should know:
I bought the property in the summer, thinking I could easily let it out for the academic year in September. But I didn't let the place until nearly Christmas. I hadn't realised that students book houses in the early spring for the following year.

HMOs, NIGEL WELLER, CUMBRIA AND SUSSEX

Why this type of letting:
It can be very profitable, five or six people in a house. There's no need for a sitting room, so every room can be used..

Day-to-day management:
We use a managing agent now. If you have a busy job and travel away a lot, like I do, there's no other way. The inspectors can call any time, and if we were breaching the rules and I couldn't get back to rectify it, we might have to close the house.

The best bits:
People complain about red tape, but I like knowing that those regulations are keeping my tenants safe..

The worst bits:
The council brought new licensing rules in after we had started operating, and the additional costs have thrown our figures out a bit..

What a landlord should know:
You need a really good, full-time managing agent. We tried informal arrangements with friends who were available when we weren't, and that didn't work out well..

Business or pleasure?

Chris Ryder

Alice Whitehead meets one investor who's made a vacation his day job with a successful holiday let in Kent...

Chris Ryder is reinventing the idea of a busman's holiday. Even when he's on vacation, he's responsible for organising other people's. Alongside his traditional property portfolio of BTLs and HMOs, he's one of a growing number of investors who also run a holiday let – and it seems staycations are a booming business.

Earning approximately £1,500 per month income for his top-floor flat on the Kent coast (compared with the maximum £600 per month he might get in rental income), Chris has also been able to take advantage of friendlier tax treatment than other investors are used to. "Despite the recent property tax changes, holiday lets are still considered a 'business', and because of this I can claim the mortgage interest as an expense," affirms Chris. "It's maybe why serviced accommodation is suddenly becoming so fashionable!"

However, with the responsibility of being on-call for guests 24/7 – and subject to twice-weekly "tenant" changeovers – is a holiday let really a worthwhile property investment?

Sea views and staircases

Chris, who in 2015 left a 30-year corporate career to work on his property interests, says he has no regrets. "It's incredibly satisfying when you get fantastic feedback, and we're proud to have it as an asset within our portfolio," says Chris, who bought the two-bedroom flat in Broadstairs in 2014 as a repossession.

"It was on the open market for £130,000, owned by a banker who had bought it as a holiday home but had since become bankrupt, and it needed complete refurbishment. I made an offer at £125,000 but was subsequently informed offers were going to 'best and final', so my final offer was £129,950, which was accepted in September 2014." Chris paid for the flat in cash using £110,000 of his own money and £20,000 from a family member, borrowing a further £30,000 from a friend to cover the refurbishment, finance and furnishing costs. In April 2015, he remortgaged with a mortgage of £145,000, leaving him with £22,875 still in the deal – made up of £14,943 in the property and £7,932 for furnishing it.

Sea view from the bedroom of Chris Ryder's holiday let on the Kent coast.

The 19th century building, formerly a hotel, had been converted into 20 sea-facing flats with the Ryders' apartment on the fourth floor – but it was in need of some major renovations. "Everything had to be changed, from the installation of a new kitchen, to a new bathroom, doors, fireplaces, electrics, water heater, flooring and redecoration – and the process was made all the more difficult by the 52 steps leading up to the front door.

"My wife Lisa joked that we needed to provide the builders with oxygen at the top of the staircase!" says Chris. "But we completed the refurbishment in four months, and in March 2015 began advertising via Holidaylettings.co.uk. Now we have 90% occupancy."

To let or not to let

Despite its obvious success, Chris says holiday letting definitely takes more work than your average let. Unlike a rental property, there are lots of initial costs when it comes to refurbishment. "We not only had to think about kitchens and bathrooms, we had to buy sofas, crockery, placemats, ironing boards – even bottle openers," says Chris. "It's like furnishing your first home, and you need at least one of everything."

And once the property is all kitted out, the hard work is really only just starting... "It gives you much more work to do," says Chris. "Guests leave the flat at ten in the morning, and four hours later there'll be new guests moving in, so there's a very short window to turn it around. And, as it's their holiday home, people have very high expectations and expect it to be pristine."

Service please

So what's his advice for would-be holiday let investors? First and foremost, you need to build up a good network of ultra-reliable contractors. "Finding good contractors is a common theme for investors, but it's even more important for holiday lets," says Chris. "We live a couple of hours' drive away from the flat, so we can't be there immediately if there's a problem. You need a team in place that can respond quickly to laundry problems or leaking taps."

Chris says it's crucial to create rigid systems for the control of cleaners and laundry services, along with the sending and receipt of guest keys. "We have a fantastic local cleaner that I found on Streetlife, and a local laundry service that takes away dirty linens (he even brings clean linen up the 52 steps!)," he says. "I send the cleaner a spreadsheet with any new bookings and she coordinates with the laundry man. She lets me know when the flat has been cleaned and what condition it was left in, including any damages."

With a holiday let, the minimum duration is usually three nights (Friday to Monday), or four nights (Monday to Friday), with only peak-season times seeing seven-night stays. So while Chris has impressive occupancy levels, he still ends up with odd gaps in the schedule. "We have just started to test the shorter 'serviced accommodation' model and work with websites such as Airbnb and booking.com to organise one-night stays and fill in the few days here and there that we have available," says Chris. "The drawback with these, however, is that in a worst case scenario, you could have a whole string of check-in and check-out activity in succession, say five in five days, which is a logistical challenge for cleaning, laundry and key management."

Despite the workload, however, the Ryders seem to relish the challenge of holiday letting. "Unlike the rest of our properties, we have a real emotional attachment to this one," says Chris. "We get a lot of enjoyment out of the leisure side of things, and ultimately we're not just providing a roof over someone's head, but helping people have great holidays and make memories. It's good to be part of that."

THE FIGURES

Purchase price: £129,950

Refurb cost: £26,188.19

Furnishing costs: £7,932.05

Mortgage valuation: April 2015 - £220,000

Total project cost: £167,162.41

Of which cash: £130,000

Of which loans: £50,000 in personal loans from family and friends.

Interest rate of finance product used: 1% pcm, from friends and family, used for six months

Income and expenditure:

Gross annual rental income:

2015 part year and newly marketed £11,605

2016 expectation £18,000

Expenditure:

£6,133, which includes all bills and some one off expenditures

Next steps

- Listen to our podcast on holiday lets: propmag.uk/holidaypodcast.
- Check out your target area on sites like holidaylettings.co.uk and airbnb.com to get a feel for prices and the level of competition.

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.


Rob and Rob with their New Media Europe award

IT'S NOT THE TAKING PART THAT MATTERS...

"The award winning Property Podcast" has a nice ring to it, don't you think? We were delighted to be nominated for the Audience Appreciation Award at the New Media Europe awards – and even more chuffed to pick up the award on the night.

The award recognises everything the Property Hub community has allowed us to do – such as publish a book, run a network of meetups, and indeed publish this magazine. Thank you for being a part of it – and double thank you if you voted for us!

ANOTHER NEW BUSINESS?

If you've read this page for the last few issues, you shouldn't be left with the impression that we spend much time slacking off – but nevertheless, Rob D has added a new business (and several new related Trello boards) to his portfolio.

That business is LendSwift (lendswift.co.uk) – which lends bridging finance to investors for refurbs, auction purchases and small developments. Rob's experience and market knowledge allows LendSwift to structure deals in ways that other lenders can't, and also provide a vehicle for a small number of investors to invest alongside him.

Looks like that long-planned day off has been pushed back another few months...

MAYBE WE SHOULD MAKE SOMETHING UP...

Like most major world events, you'll probably always remember where you were twhen you found out that we'd voted to leave the EU.

For us, the answer was "on our way to Luton" – where we were holding Yellow Lettings' quarterly team training day.

Getting the remote team together isn't easy, but it's hugely worthwhile to take a day away from (virtual) paperwork and broken boilers to focus on the big picture. We make it a priority to be totally transparent with the team about our finances and goals, so days like this give us a chance to bring everyone up to speed and get new ideas flying.

This time was no different: despite the distractions of watching the FTSE plummet and politicians fall on their swords, we came up with a heap of new ideas to make the business run more smoothly and provide our landlords with a better service. If you're a Yellow client already, we'll be sending you an update to fill you in very soon.

IT'S REFURB TIME

It's not just properties that need some TLC every so often: The Property Hub website hasn't been updated since 2014, and it's starting to resemble the digital equivalent of an avocado bathroom suite and textured wallpaper.

So we've finally got the trades in, and we're giving the whole site a drastic makeover – as well as adding a heap of great new functionality to the forum. It's likely to narrowly miss being ready in time for this issue hitting your doormat, so look out for an email inviting you to check it out soon.

Whether they're wreaking havoc in the Wild West or just ruining your home on the range, cowboy builders can easily take your property from the good, to the bad and the ugly. Avoiding unscrupulous contractors and hiring builders who won't turn your investment into a money pit all comes down to preparation, writes Alice Whitehead.

How to... *find reputable tradespeople*

"Sadly, you can't rely on a pretty picture on someone's website as an example of good work these days," says TV housing expert and buying agent Henry Pryor, who has bought and sold close to 1,000 properties. "Doing as much research as possible on your potential tradespeople will weed out the bad ones."

So where do you start? Rather than trust contractors' websites, the experts suggest you trust websites that provide independent reviews of multiple tradespeople.

"Checkatrade.com conducts background checks on tradespeople before they can become members," says Nick Marr, founder of TheHouseShop.com. "Once they join, members agree to have feedback placed online for all to see, and this essentially puts them under pressure to perform. One decorator I used via the site gave a written quote and asked me for feedback about his team's performance every day!"

Property investor Rob Jones (propertyinvestmentsuk.co.uk) advises that while recommendations are also useful, not all are created equal. He prefers industry professionals who've used the same teams for more than one property. "Letting agents and other investors are a great place to start, and I also use industry associations such as the Federation of Master Builders (fmb.org.uk), NICEIC (niceic.com) and GasSafe (gassaferegister.co.uk)."

Residential property expert and architectural consultant Ashton-Paul Smythe (ashton-paul.co.uk) suggests matching referrals with your particular project and personality. "Everyone's keen to recommend someone they've used before, but sometimes they're not a good fit for you. Recently, someone recommended a plumber that was really lippy and difficult to work with," he says. "When I went back to the person who referred him, they said: 'Oh yes, he was like that with us, but it didn't bother me!'"

Before you book them

A detailed schedule of works is crucial before you get quotes from your contractors. This ensures all quotes are given on a level playing field and includes everything to be done on the development (including delivery costs, skip hire etc.) – so there are no nasty surprises later.

"We get a surveyor or a current builder to visit the property and list the works required, then ask the new contractors to quote from this," says Rob. "This way we're comparing apples to apples in terms of costings, time to do the work, time to come back with quotes and also the main materials and finishings."

Getting three quotes to compare can give you a basis to know you're not being overcharged. But the lowest price is not always the best price. "As the price goes down, the quality does too," says Ashton-Paul, adding that it's best to get firm quotes ahead of time — rather than paying as you go — to avoid price creep and encourage contractors to finish on time.

Quotes alone won't tell you how trustworthy someone is, though. To find out if your tradesperson is a rogue or a rough diamond, do thorough background checks. "Past performance is a serious indication of future performance, and while quotes are all well and good – it's quality and reliability that are higher up my wish list," explains Nick.

Ashton-Paul suggests asking your builder some probing questions. "Don't be afraid to interview them and find out what makes them tick: Why did they go into the building game? Do they like to work on one project at a time or several? What's their specialism? Some builders are good at installing steels but not interested in the finer details, so you need to find out if they are right for you and your job."

Nothing speaks louder than the glowing praise of a previous happy customer, of course.

"I will always ask for reviews and will physically view past jobs," says Rob. "We'll look at the quality after completion, but also jobs a few years down the line to see if the work has stood the test of time."

On the job

Once you've made your choice, it's imperative that the contract is discussed at length so everyone knows what to do and how much they will be paid. And be sure someone is available to oversee the work as your project gets underway. As tempting as it is to put some distance between you and all the fuss and bother of construction, leaving contractors unattended is a

WHAT THE TRADESMAN SAYS

Matt Bridge, managing director of Colonial Construction (buildcolonial.com) in Northampton, gives his six tips on keeping you and your tradespeople happy...

1. Ask to see your contractor's trading accounts and bank details to check that they can afford the build and have the proper insurance.
2. Look into your builder's supply chain, i.e. electricians, decorators, etc., and check their references too. They come as a team, so it's good to know everything about them.
3. Never employ someone who asks for a deposit. Decent tradespeople will have a trading account and equity that covers all the material in advance.
4. Good tendering tends to be within 10%, so if the best quote is £3,000, the others should be around the £2,700 or £3,200 mark.
5. Engage an architect or surveyor to visit the site and agree the work has been done to the standard required. Always thread discretionary visits into the build price so that if something unexpected comes up, your surveyor can visit and give advice.
6. Finally, if you pay someone cash in hand, you get what you pay for!

"A detailed schedule of works is crucial before you get quotes from your contractors. This ensures all quotes are given on a level playing field and includes everything to be done on the development (including delivery costs, skip hire etc.) – so there are no nasty surprises later."

recipe for heartache. If you can't be there to supervise in person, find a way to keep an eye on things in your absence.

"Tradespeople should be given the same attention you'd give to children," jokes Ashton-Paul. "They need strict boundaries and clear parameters, and if you let them have the lead, your development could be in trouble!"

Rob agrees. On his larger, £5,000-plus projects, he'll pay the contractor a deposit and confirm the work and start date, before setting up weekly visits to check how work is progressing. "This keeps all parties on track, and we all work to four key documents: an agreement, a schedule of works for refurbishment, a schedule of works for furnishings, and programme dates. We'll also ask our contractors to follow this up with pictures of progress throughout the week, considering key points or issues raised."

Henry goes further and installs CCTV cameras around his bigger builds. "It's not just about having a record of everything: it also picks up on poor behaviour," he says. "After all, if they're sitting outside smoking every lunchtime with the radio blaring, your neighbours aren't going to be very happy."

And if relations break down completely?

It's all too easy to cast blame elsewhere when things go awry, says Henry, and the key to resolving conflicts is to establish clear guidelines from the start: "It's human nature to blame the other person, so a good contract will allow you to check back to see if it was something you did or something they did.

"That said, I always write flexibility into the agreement. Projects are dynamic, and there has to be flexibility on both sides so your tradesperson has the confidence to tell you if you're being unreasonable, or if they have an idea about something."

Success ultimately depends on good communication, adds Henry. "It needs to be a carrot and stick approach – and not all stick," he points out. Remembering to compliment workers on a job well done is as important as letting them know where they've gone wrong, Henry observes. "They're more likely to go the extra mile if they think you're a nice person!"

Our five top tips property research websites

WHETHER YOU'RE SUSSING OUT HIDDEN GEMS OR CHECKING THE VITALS OF A POTENTIAL INVESTMENT, HERE'S AN ALLAGENTS-TO-ZOOPLA SHORTLIST OF THE HANDIEST ONLINE RESOURCES.

1 A BRIEF HISTORY OF TURKEY-TALKING

When the asking price today is a mere pittance compared with what a property sold for a decade ago, you know there's more to the story. A Land Registry (landregistry.data.gov.uk/app/ppd/search) search of sale prices over the life of the property can provide valuable context and clues for further investigation.

2 WINE AND ROSES, OR FLOODS AND PLAGUES?

Folks of a certain age may recall that the real villains of the film Poltergeist weren't the restless spirits rearranging the furniture and turning us all into clown-phobes, but the developers who built the whole place on the graves of those tormented souls. Enter a postcode on homecheck.co.uk to find out if that upscale neighbourhood is really an idyllic setting or more like Ground Zero in a disaster flick.

3 REBUILD, REFURB, RESTORE

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 WATCH OUT FOR SHADY CHARACTERS

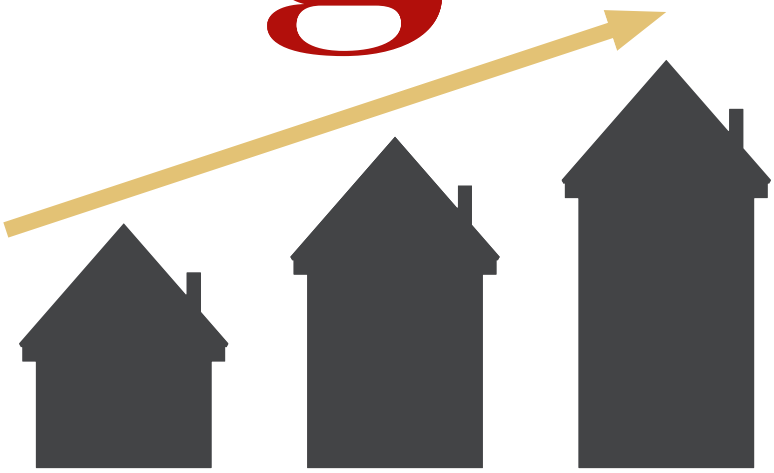
Nothing turns a sweet deal into bad business like an unscrupulous agent. The clearinghouse of letting and estate agent profiles at allagents.co.uk can save precious time and loads of heartache (not to mention money) by giving you a glimpse of which agents are loved and loathed by those who've worked with them before.

5 WHEN YOU ABSOLUTELY, POSITIVELY MUST KNOW WHAT THAT PROPERTY FETCHED AT AUCTION THREE DECADES AGO

Essential Information Group – eigroup.co.uk – "Rightmove for auctions" archives details of auction transactions back to 1991. If auctions are key to your strategy, EIG can unlock a wealth of useful tidbits for a modest fee.

The price is right

The unaffordability of property is up there with "the weather" as a British obsession and source of angst. But how do you decide what is affordable? There are several different answers, as Christopher Nye finds out.



The term "rising property values" is music to the ears of politicians and investors alike: homeowners with appreciating assets spend more, the economy grows, profits rise, unemployment falls, tax revenues roll in, and votes pile up.

But policymakers also know that people must be able to make ends meet and keep a roof over their heads. So statisticians at the Office for National Statistics (ONS) keep a close eye on affordability. As an investor, so should you.

Real prices

The most obvious measure of affordability is the "real price" of homes when general inflation – the price of retail goods – is taken out. The blue line on Graph 1 shows real house prices as calculated by Nationwide between 1975 and 2016, with the red line showing the trend. At today's prices, an average home in early 1975 would have cost £87,316, but the actual cost at that time was £11,739. What this reveals is that affordability has dropped significantly over the past generation.

This is principally due to sharp increases in property prices – influenced by forces like land shortages and population growth – compared with the slower, steadier growth rate of salaries and pensions set to keep pace with general inflation.

Multiple of earnings

Lenders use a simple multiple of earnings formula to calculate if borrowers can afford a mortgage. It simply compares the prices of people's homes to how much they earn: the price-to-income ratio.

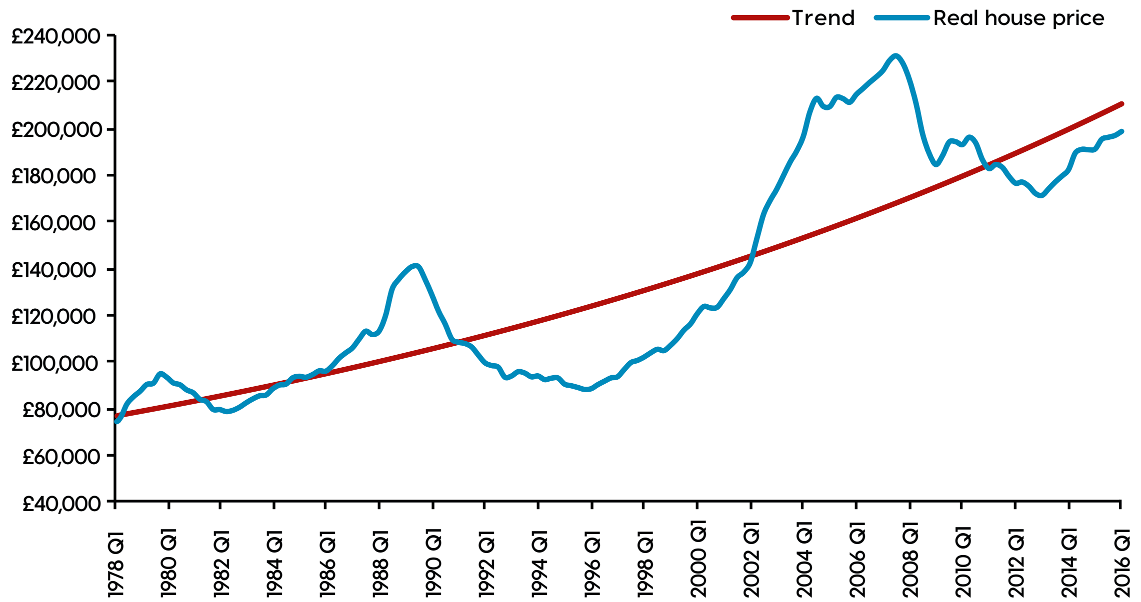
Graph 2 shows that the affordability picture for England and Wales is not pretty. Price to earnings has risen from 4.7 in 1997 to 9.9 in 2015.

Percentage of income

How alarmed should you be if you wish to invest in a part of the country where homes are much less affordable than in others, or have already done so? Housing becomes truly unaffordable when people can't make the repayments, so it's a good idea to analyse what percentage of income is being spent on housing.

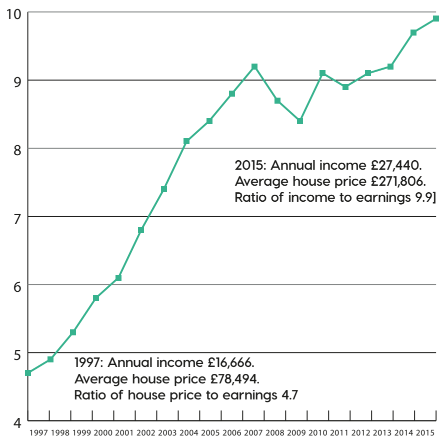
At first glance at Graph 3, the percentage spent on the mortgage doesn't look unaffordable, especially with the price of most other elements in the household income – including food, fuel, electronic goods – falling in recent years. But low interest rates are a big reason that owners are currently able to keep up the payments on their home; any increase would make their mortgages increasingly unaffordable.

GRAPH 1: REAL HOUSE PRICES



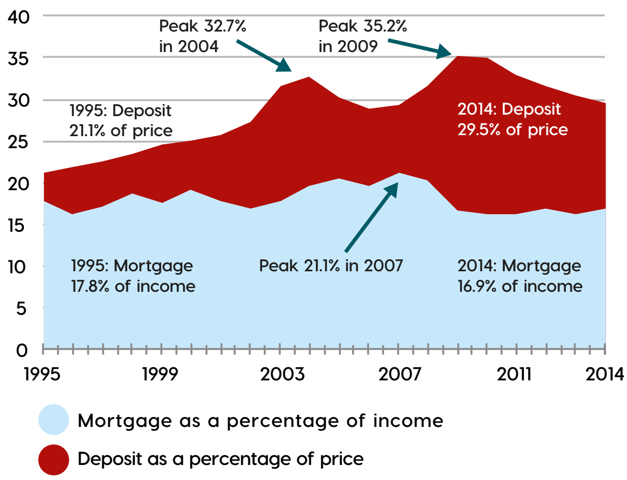
Source: Nationwide Building Society. Base : 2015 Q1. Trend from 1975 Q1 to present. Trend = c2.7% per annum

GRAPH 2: PRICE:INCOME RATIO



Overall average property price. Source: Land Registry http://landregistry.data.gov.uk/app/standard-reports. Annual income. Source: All employees, taken from ONS Annual Survey of Hours and Earnings (ASHE)

GRAPH 3: MORTGAGE AS PERCENTAGE OF INCOME AND DEPOSIT AS PERCENTAGE OF PRICE



Be a data junkie

As a property investor, you need to keep a close eye on the viability of your own investments – and you can do this by ignoring any hype and turning to data. Is the real price of your investment rising beyond the pocket of your market? Are the graphs showing property prices compared to earnings in your area looking worryingly similar to those just before previous crashes? Are prices rising due to demand that is being fuelled by external factors – such as historically low interest rates – that are likely to change?

In certain areas of the country right now, all those questions could be answered with a firm yes. In others, no. Gut instincts and hot tipsters won't give you the answers. Accurately tracking the affordability of property in your local market can give you that edge.

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
Dram!, G3 6ND.
Meetup leaders: Tony Ng, Nelson Wan, Luis Guarin

DUNFERMLINE
Starbucks, Fife Leisure Park, KY11 8EX.
Meetup leader: Sam Dyer

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

NEWCASTLE UPON TYNE
The Town Wall, NE1 5HX.
Meetup leader: Al Robinson

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

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

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

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

LEICESTER
The Nags Head, Glenfield, LE3 8BQ.
Meetup leader: Mark Barnes

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

NORWICH
The Lawyer, NR3 1HY.
Meetup Leader: Matthew Gibbs

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

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

CARDIFF
Hilton Hotel, CF10 3HH.
Meetup leaders: Chris Went and Luise L

BRISTOL
See website for venue information.
Meetup leader: Jon Hulatt

BATH
new meetup, starts September
Check website for information.
Meetup leader: Rich Turley

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 KING'S CROSS
The Somers Town Coffee House, NW1 1HS.
Meetup leader: Gavin Lloyd

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

LONDON CANARY WHARF
new meetup, starts September
The Pearson Room, E14 5ER.
Meetup leader: Matthew Dunn

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

EPSOM
The Albion, KT19 8BT.
Meetup leaders: Justin Richards and Andy Garnett

FARNHAM
new meetup, starts September
The Botanist, GU9 7ND.
Meetup leaders: Andre and Elise Brink

MAIDSTONE
The Muggleton Inn, ME14 1HJ.
Meetup leaders: Zoltan Kohary and Kristina Koharyova

SOUTHAMPTON
The Cowherds, SO15 7NN.
Meetup leader: Sarah Smith

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

EXETER
The Prospect Inn, EX2 4AN.
Meetup leader: Tony van Bergen

COPENHAGEN
Det Argentinske vinhus, 2300 København S
Meetup leader: Lars Eskebæk

DUBAI
Check website for venue.
Meetup leader: Chris Battle

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

NO GROUP CURRENTLY IN YOUR AREA?

We're always on the lookout for people to establish meetups in different parts of the UK.

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.**