

The **PROPERTY** Hub Magazine

Making sense of property investment

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SHORT AND SWEET

Can short-term lets maximise your returns?

CASE STUDY

One developer's strategy for converting commercial buildings

LOCATION

The capital of buy-to-let: shining the spotlight on lucrative Luton

FINANCE

Resourceful or risky? How your approach to bridging will determine your success

DREAM **BIG**

**How to make 2017
your best year yet**



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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

Are you ready for it? We're now just weeks away from the biggest shake-up to hit buy-to-let in years. If you're a savvy investor (as all our readers are!) you'll have already taken steps to make sure you're ready for the tax changes. Whether you've opted for the limited company route, explored other tax allowance options or just organised your finances, you'll be ready to meet the challenge head-on. And if you've got your tax issues all under control, you can set your sights on making 2017 your best year yet.

Handily enough, we can help you to do just that. This issue's cover story will give you all the advice and tips you need to set achievable goals, hit your targets, and take that next step in your property career.

And if that step involves boosting your portfolio, you'll want to take a look at page 44 for our feature on successfully managing a property portfolio – regardless of how hectic your life is.

The busy world of property investment is something to which our case study subjects Andre and Elise Brink can certainly relate. With BTL properties across the UK and beyond, the couple are now planning to increase their portfolio via joint venture funding. Read their story on page 16.

We've also got all the information you need on the short-term let craze that's been sweeping the industry of late, a roundup of key dates for your diary, and – as usual – the latest finance issues you need to be aware of.

2017 may have its challenges, but it's also filled with possibilities. Demand for rental property remains strong, BTL rates are still impressive, and The Property Hub has some fantastic ideas up its sleeve to help you reach your potential. So here's to a great year!

As always, if you have any questions or comments about the magazine, we'd love to hear from you..

Happy reading!

Rob Bence & Rob Dix

MARKET FOCUS

The latest news and developments from the property industry.

HOW DOES YOUR GARDEN GROW?

Locations for the first 14 “garden villages” have been announced, as housing minister Gavin Barwell cracks on with his plan to boost the housing industry. The villages – and three new towns – will see a total of 200,000 homes built across the UK, making a dent in the one million homes the government wants to build before 2050.

Devon, Hampshire, Cornwall, Merseyside and Cumbria are among the counties selected for a garden village, while the three new towns – which will have more than 10,000 homes each – will be built near Aylesbury, Taunton and Harlow, according to government sources.

The housing minister has said that locally led garden towns and villages have “enormous potential to deliver the homes that communities need.” He adds: “New communities not only deliver homes, they also bring new jobs and facilities and a big boost to local economies.”

The news hasn’t received universal praise. The plans, which involve building on greenfield sites, have been slammed by eco groups including No Eco Town, while industry commentators have labelled them a “drop in the ocean” of what is needed to solve the housing crisis.

“The housing minister has said that locally led garden towns and villages have ‘enormous potential to deliver the homes that communities need.’”



HEALTHY HOUSING MARKET

If you thought the uncertainty of 2016 had given house buyers cold feet, think again. According to housebuilder Persimmon, sales were up 15% in the second half of 2016 compared to the same period a year earlier.

The company said it had successfully opened 255 new development sites across the UK during the year, and is building on all sites that have an implementable planning consent.



Media City in Salford Quays is set to double in size.

EASTERN PROMISE

While the national press is quick to declare the imminent demise of UK property investment, stories about investment from foreign buyers are much more positive. Indeed, according to reports, the number of Chinese investors looking for opportunities in the UK has shot up 50% year on year.

The figures, from online property portal Juwai.com, come as Manchester Airport Group reportedly doubled the estimated value of its direct flights from Beijing to Manchester – predicting that Chinese visitors to the North West will boost the economy by £500m in ten years.

Increased interest in the region is largely a result of the Northern Powerhouse initiative.

Last year, the government announced a portfolio of 13 projects, offering opportunities valued at more than £5 billion to Chinese and international investors.

The projects included: doubling the size of MediaCityUK in Salford; a major regeneration project in cooperation with Liverpool City Council to deliver 1,000 new homes; the next phase of development to create new offices, logistic units and aviation hangars at Doncaster Sheffield Airport; and opportunities for investment in a large-scale residential and employment development in Trafford.

Northern Powerhouse minister Andrew Percy said at the time: “Investors from abroad know that the North has some of the world’s best and most talented entrepreneurs and businesses, and we’re showcasing 13 oven-ready opportunities to them, which could create thousands of jobs for years to come.”

UNLIMITED POTENTIAL

Since George Osborne’s much-maligned announcement that mortgage tax relief would be slashed to the basic rate of income tax, landlords have been busy exploring their options. One course of action is for landlords to purchase property as a limited company rather than an individual and avoid the impact of relief cuts altogether.

The latest data from buy-to-let specialist Mortgages for Business reveals that many landlords are indeed going down this limited company route: the firm’s Buy to Let Index shows that the proportion of purchase applications made through a limited company structure jumped from just 21% (before the changes to tax relief on mortgage interest were unveiled) to a massive 69% in Q4 2016.

David Whittaker, managing director of Mortgages for Business, said the figures were unsurprising. “It’s encouraging to see growing numbers of landlords approaching their investments intelligently,” he said. “With the changes to tax relief set to be phased in from April 2017, this trend is unlikely to be reversed any time soon. Despite the growth in the number of purchase applications made via limited companies, the number of lenders and products catering to this part of the market has remained flat. Although many mainstream lenders don’t yet have an offering for investors using limited companies, many smaller lenders have significant expertise when it comes to servicing this part of the market.”

A DAY IN THE LIFE

BUILDING UP NEW BUILD

32-year-old **Jenny Bland** became a partner at Yorkshire law firm Ison Harrison in January. As she talks through her typical day with Jane Cameron, it's not hard to see why she's risen through the ranks.



7:15

Time to drop off three-year-old Jake at nursery and get into the office early. “We get up, organised and out. After nursery, I switch straight from Mum to work mode,” explains Jenny Bland, who’s head of New Build Conveyancing at law firm Ison Harrison, which has 12 branches across West Yorkshire.

8:00

Into the Leeds office. “The first thing I do is check the diary for our next completions and exchanges. It’s a juggling act, assessing what and who needs your attention first,” explains Jenny, who’s been working in conveyancing since age 17 – when she started out as a transcriptionist at a Bradford law firm. “You don’t exactly say ‘I want to be a conveyancer when I grow up,’ but I liked it straight away because it’s so fast-paced.”

In the past two years, Jenny has built up Ison Harrison’s specialist new build department to a staff of 15, handling 200 instructions a month for homes across Yorkshire and the North East. Buyers range from first-timers to seasoned investors, purchasing properties worth anything from £85,000 to £600,000.

10:00

On the phone to a lender for one of her instructions, Jenny learns they haven’t received the relevant certificate of title – despite having sent her team confirmation of receipt last week. This means mortgage funds haven’t been arranged, with only two days to go to completion: “We work with many lenders, and this happens more than you’d think,” says Jenny. “Luckily, we have tight procedures in place, where we actually speak to the lender two or three days before completion to deal with such issues.”

She arranges for the certificate of title to be faxed again without delay. “Finding out two days before means we can do something about it. Had it been 4pm the day before, we’d be struggling.”

11:30

Jenny is dealing with a typical instruction from a couple hoping to buy a two-bed detached house, valued at just under £150,000. Along with thousands of others around the country, they are making use of the Help to Buy scheme. The scheme – which currently runs to 2020 – incorporates a government-backed equity loan for up to 20% of the purchase price, which reduces the deposit needed from the buyer to 5%. No loan fees are charged on the 20% for the first five years. The scheme accounts for at least 50% of the team’s instructions.

In this case, the couple is getting the 5% deposit from parents, in the form of early inheritance,

12:00

non-repayable gifts. Jenny explains: “My team needs to make the lender aware of the funding source and get a declaration from each parent confirming their intentions and other details.” With first-time buyers finding it increasingly difficult to come up with enough money for a deposit on their own, this is common, observes Jenny: “I can’t remember a time when a lender said ‘no’ to a gifted deposit.”

Off for coffee with a developer at a 100-unit site in Castleford, for which Ison Harrison has processed 20 new homes in the last three months. “It’s important to visit the sites to see what our clients are buying. We see plot plans, of course, but viewing the actual site helps with queries – such as those involving boundaries,” Jenny explains.

“And it’s really important to keep in with our developers by having regular catch-ups. We’re on the recommendation panels of six out of the ten top national builders, and they refer buyers directly to us. But we act for the buyer, not the builder,” says Jenny, “so we need to have a good relationship to give leeway for professional argument to support our clients, if necessary.”

She offers the recent example of a builder who wanted to move completion up by a month: “This put my client in a difficult position, but – with some smart negotiation – we were able to find a compromise date, so both parties were happy.”

13:30

On returning to the office, Jenny discovers that one of her first-time buyer clients in Wakefield may have run into a problem: “A Coal Authority search has confirmed that the land on which this new home is built sits within 20 metres of an old mineshaft. Luckily, the builder was aware of this and has been working with the National House Building Council (NHBC) to get it safely capped. “The valuer will need to look at how the mineshaft might affect future valuations. It’s likely, however, that both lender and buyer will decide the necessary steps have been taken to make it stable and go ahead anyway.”

14:30

Phone call with a client who’s upset because his date for completion has been delayed by nearly three months. This is because the property, near Leeds, has been flooded. “A lot of builders are putting in flood protection measures, but this site of eight units had not flooded in 200 years.

“The main problem is that our buyer has sold his property because he wanted to be chain-free. He therefore has to spend a lot longer in temporary

A DAY IN THE LIFE

16:00

accommodation than he planned. He's upset, but isn't blaming anyone."

Checking through some restrictive covenants. "In 99% of cases, these cause no issue. However, I had a buyer pull out recently when he discovered he wouldn't be able to park his caravan anywhere on the estate. But better that he discovered this sooner rather than later. And another buyer recently had to secure an off-site parking place for his work van because the covenant prohibited sign-written vehicles."

19:00

Time to leave the office, collect Jake from her sister's, and go through the bedtime routine. Jenny confesses that after her son goes to sleep, she often slips in a few more hours' work. In addition to this overtime, she reveals she's "on call" from

23:30

10am to 4pm Saturday and Sunday, too. "Weekends are key sales days for builders," she says.

There's still time for a sneak peek at her emails. Why does she put in so many hours? "I'm one of those people who checks emails at bedtime," Jenny admits, "I believe if you work hard, it will pay off, financially and otherwise."

Jenny believes that looking after her customers is worth all the effort, and she's fine with people thinking she's "a bit crazy" for working so hard. "To see the success of this department and to be offered a partnership with the firm is an achievement I'm proud of."

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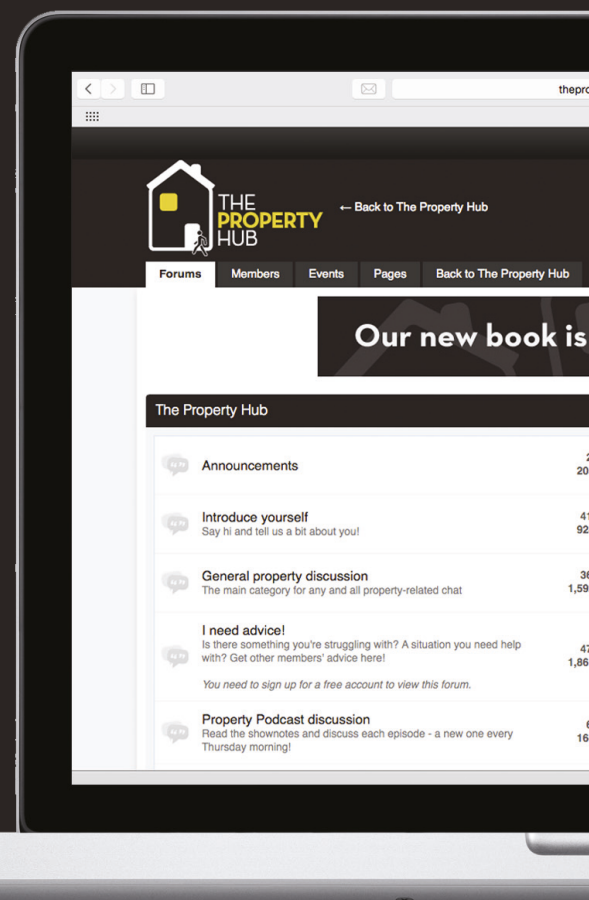


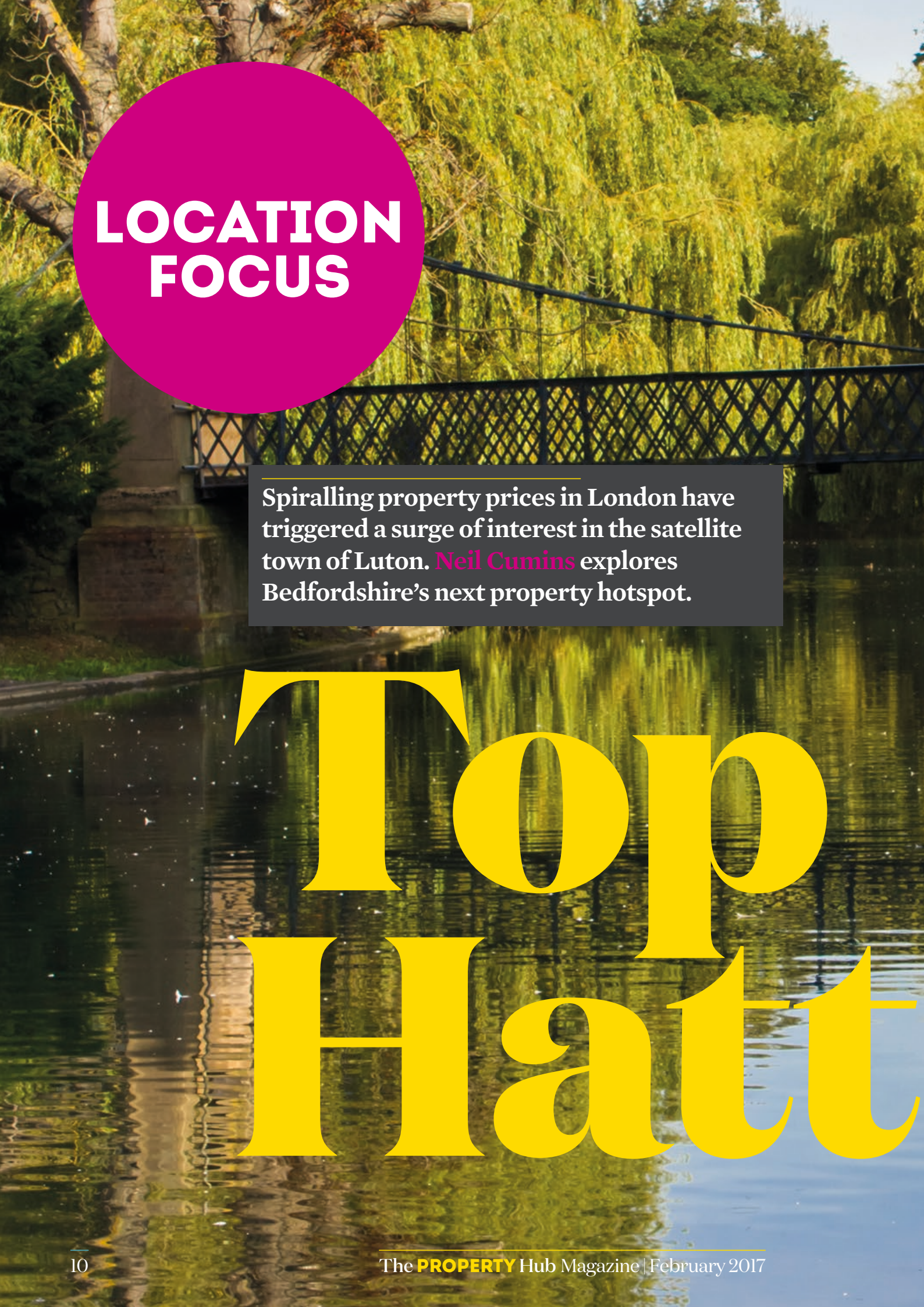
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LOCATION FOCUS

Spiralling property prices in London have triggered a surge of interest in the satellite town of Luton. **Neil Cumins** explores Bedfordshire's next property hotspot.

Top Hatt



ers

Regular observers of the property market will be familiar with the ripple effect. As one suburb grows in popularity and investment begins pouring in, neighbouring boroughs gradually see their own stock – and property prices – rise in response. From Sixties bohemians to modern-day hipsters, gentrification overflow is far older than this recently coined descriptive term.

On paper, it might seem unlikely that London's ripple effect has reached the shores of Luton. However, Bedfordshire's largest town has experienced strong price growth for the last couple of years, as skyrocketing housing costs in the capital persuade London-based businesses and investors to look north. After decades of relative under-investment – despite being a regular feature on “best places to invest” lists – Luton is on the cusp of ambitious regeneration, including support from some unexpected quarters...

Hedging their bets

It's rare for hedge funds to take a proactive role in property development, but Cheyne Capital, one of Europe's largest funds, recently struck a deal with Luton Council to pay for 400 new rental homes. The announcement of one of the first direct private investments in social housing reflects the increasing scarcity of affordable homes in the capital – and growing interest among London-centric businesses in outlying cities for investment opportunities beyond the M25.

Capital appreciation

The strength of its transport infrastructure is one of the driving forces behind Luton's burgeoning popularity. Its international airport offers flights to over 50 destinations and has direct rail links between Luton train station and Blackfriars – as well as sub-30-minute journey times into St Pancras. The M1 and A1(M) also bookend the town en route to the M25. According

to Sian Timoney, the deputy leader of Luton Council, plans are underway for further transportation improvements in and around the city, including “significant investment in supporting infrastructure at Junction 10a of the M1, the Luton Dunstable Busway, and the Luton Town Centre Transport Scheme”.

Luton's enviable connectivity has already attracted big business, with blue-chip brands like AstraZeneca, Polaroid and Ernst & Young based in the wonderfully named Capability Green district. The airport is a major local employer and also supports aerospace technology firms, while the University of Bedfordshire has a modern campus on the town centre's eastern edge.

The price is right

Luton's 260,000-strong population occupies homes that wouldn't look out of place in London – though their prices would. It's still possible to buy a studio flat with a five-figure budget, while £120,000 will secure a variety of one-bedroom flats within walking distance of the town centre. Although these areas aren't necessarily the most picturesque, they do offer strong yields, thanks to a steady influx of new tenants driven by housing shortages elsewhere. Adrian Mason, a director at Belvoir Luton, attributes this inward migration to the town's attractiveness for a highly transient population – drawn to the availability of employment opportunities, transport links and university courses. As Adrian points out: “Demand from the private rental sector continues to outstrip supply, and average tenancy lengths are increasing.”

Citing a Rightmove report in October 2014, which predicted house price growth in Luton of 41% by 2020, Adrian observes: “Luton property prices experienced 18% growth in 2015 alone, and nearly 10% in 2016.” Although housing price increases have recently slowed to 3% (a figure expected to remain steady over



Capability Green district is home to a number of blue-chip brands.

the next few months), Adrian remains enthusiastic: “Nonetheless, investors from 2014 onwards have already seen fantastic growth and returns.”

Yielding results

Adrian’s dauntless optimism is supported by findings reported in *International Business Times*, which declared last year that rents in Luton are increasing at four times the rate of London, as people seek greater affordability within commuting distance of the capital. *Business Insider* has also described Luton as one of the UK’s best areas for investors, reporting an average yield of 5.8% – comparable with outer London and beaten only by Manchester.

Someone with first-hand experience of this market’s potential is property investor and landlord Nick Corkhill from North London. Nick has been active in Luton for five years, in which time he’s seen “one of the largest capital gains in the country, if not the largest”. He also attributes Luton’s appeal to the presence of the airport, over 90 different schools, and blue-chip employers like Amazon and Vauxhall.

In terms of investment areas, Nick prefers to focus on outlying boroughs: “I find west of the M1 to be a much nicer environment to work in, with strong yields and easier ways to get in and out, yet still offering great value.” He highly recommends the areas around Leagrave, Houghton Regis and Dunstable for good-quality housing stock, adding: “There are plenty of sturdy ex-council three or four-bedroom semi-detached villas from £200,000 upwards, which is phenomenal value half an hour from London.”

Nick advises caution when approaching areas like Bury Park, and suggests the Hockwell Ring estate – whose matching pairs of tower blocks stand at opposite ends of the eponymous loop road – is best avoided.

For better, for worse

As with any large town, the character of Luton’s suburbs is diverse. If Hockwell Ring represents the market’s lower end, Bushmead and Wardown Park are among its more gentrified neighbourhoods. The latter’s picturesque park and museum are surrounded by tree-lined avenues of bay-fronted semis, with Bushmead’s modern family and executive homes resembling the contemporary cul-de-sacs of Bramingham on the northern edge of town – where three-bedroom terraced houses can be secured for around £250,000, offering yields of 6–8%.

Another suburb to be wary of is the swathe of Stopsley that locals refer to as Tin Town. Chronic overcrowding and a lack of materials in the post-war years resulted in the construction of a large number of British Iron and Steel Federation (BISF) sheet metal homes, many of which are still standing decades



Luton Airport Enterprise Zone

SITES FOR SORE EYES

Like any worthy investment hotspot, Luton has some high-profile developments underway or in the planning stages. Here are some of the projects Property Hub readers should be aware of:

1. Luton Airport

Ongoing plans will see the airport’s capacity increase by 50%, which will enable it to host 18 million passengers per year by 2020. This is also the projected completion date for a light rail network linking the airport to St Pancras.

2. Airport Enterprise Zone

Capitalising on the airport’s expansion, 395 acres of land have been set aside to develop three linked business parks, which could collectively create 10,000 new jobs for the local community.

3. Cockernhoe

As this edition goes to press, debates are in progress for planning approval consideration of a controversial scheme between Cockernhoe and Luton, which would see 660 new homes (from two to five bedrooms) built on Crown Estate-owned greenbelt land.

4. High Town

Ambitious plans to create over 700 new homes along High Town Road form part of a council-commissioned scheme to revitalise the mixed-use East Village, with ten brownfield sites potentially hosting 212 houses and 515 apartments.

5. The Purley Centre

This grim Brutalist complex is being reborn as part of the wider Marsh Farm regeneration programme. New-build flats and retail units will open later this year in the second of three phases, which will ultimately see 115 homes created.

beyond their intended lifespan. Cladding often hides their original metal façades, but their non-standard construction can cause problems obtaining mortgages – particularly with regard to the type of roof structure and insulation.

Fortunately, the homes expanding Luton's future skyline should better conform to planning and development standards. Plans for a £1.5 billion investment framework announced in 2016 call for a 20-year programme to include housing. More immediately, active residential developments range from conversions of former office buildings in the town centre to new-build three-bedroom villas priced around £275,000.

The last word

The prospect of buying a new-build family home for the price of a studio flat in the capital might once have raised eyebrows among those familiar with the London market. However, opportunities like those in Luton rarely escape notice for long, and property prices have soared since Rightmove's prescient report. As property interests ripple outward in search of the next price-growth hotspot beyond London's boundaries, savvy investors would be well served to act quickly, before those ripples turn into a flood.

CASE IN POINT

The rapid upswing in Luton's investment potential is reflected in Nick Corkhill's experience. In June 2012, he purchased a four-bedroom semi-detached house for £142,500 and converted it into a five-bedroom HMO. With a rental income of £1,850 per month, the property was refinanced in June 2016 with a new market value of £250,000.

Nick is delighted with the "incredible gains and yield" achieved on his 2012 purchase, and expresses confidence that the local investment market hasn't reached maturity yet: "For someone entering the Luton HMO market today, yields are still perfectly decent, with impressive potential gains. There's plenty of opportunity out there."





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CASE STUDY



One of Andre and Elise Brink's refurbished houses.

From the Netherlands to Crewe via South Shields and Wimbledon, Andre and Elise Brink's property journey has covered many miles.

Neil Cumins reports.

The Brink of Success

Succeeding in property development necessarily involves a few risks. In the case of Andre and Elise Brink (info@brinkpropertysolutions.com), those risks have been well worthwhile. The husband-and-wife team behind Farnham's Property Hub Meet-up are serial developers and landlords, having both become accidental landlords before they met. Today, they're finishing up their latest project in Crewe, and reflecting on where it all began...

Laying the foundations

"My first property was in Wimbledon," recounts Andre. The timing of his purchase was risky – and met with plenty of scepticism: "I bought it at the end of 2008 when the markets were in turmoil, and everyone said it was the wrong time to buy," he admits. But the property, in which Andre lived for five years before putting it up for let, has since doubled in value.

Meanwhile, Elise had taken a chance on a fixer-upper for her first home in The Hague: "It was a two-bed flat which needed a full refurb, and I did everything with my parents. It was seven months of hard work," she recalls. Because of her frequent travels, Elise decided to let the property out seven years later, but the lessons learnt from the experience continue to inform her investments today.



Andre and Elise Brink.

The couple's first joint project was a two-bedroom flat in South Shields – a world away from their home in Surrey: "The vendor wanted to move quickly, and we secured a below market value deal before the property was even on the market, with a buy-to-let mortgage." Since then, they've used various financing methods to fund their investments, including BTL mortgages, cash purchases, and angel investment, with a track record that helps Andre and Elise attract new opportunities: "As the business grows, angel investment becomes easier to find. Most people are receiving below 2% on cash deposits, whereas we offer investors

8%. With the business growing, people realise we know what we're doing, and they're happy to take part in the opportunities we provide."

Manning the Crewe

Currently putting the finishing touches to a three-bedroom end-of-terrace villa in the Coppenhall district of Crewe (three hours from their home turf), Andre and Elise have established a method that works well for such remote investments. For properties in unfamiliar areas, they immerse themselves in the local market long before any contracts are inked and engage in meticulous preliminary research: "Before we arrange viewings, we do extensive desktop research to check sold prices as well as 'for sale' prices of properties currently on the market. We look at prices of properties in a similar state and those that have been refurbished to our standard. We also look at the vendor's situation – what they had paid for the property and when they bought it."

Doing all that extra legwork upfront helps the couple identify properties they can purchase below market value, leaving more margin for profits later on. Armed with as much information as they can gather, Andre and Elise crunch the numbers before making their move. "By estimating the rental price and refurb price, we calculate if the deal gives us a monthly profit and return on investment that we're happy with."

Acquiring properties in an unfamiliar area also involves building a new portfolio of handymen and experts, as Andre explains: "We get involved ourselves, but we do get expert assistance. For the first few projects in an area, Elise will do some work on the property herself. She can save on some refurb costs, keep an eye on the quality of the work, and be there for the builders to ask questions."

This is particularly important for the first few dealings with any specialist: "When you work with new contractors, you need to keep an eye on the work they're doing. If you come to check the work only when it's finished and it isn't to your standard, your snagging list is long – and it's not always possible to make things right. Once we build up a relationship with the various tradesmen and know they're as particular as Elise is, we can leave them to get on with it!"

Snakes and property ladders

In the case of their current Crewe project, the biggest issue wasn't finding tradespeople; it was the challenge of securing financing in time to complete the purchase: "The mortgage provider's valuation wouldn't be confirmed by the date we needed to exchange, so we went ahead and exchanged without the bank's funds. If that hadn't come back as expected, we would have

had to bridge the deal or pull out – costing us the 10% deposit plus legal fees."

The work required on this particular property has been fairly standard: "It needed a new kitchen and the bathroom reconfiguring, rewiring, some walls skimmed, new flooring and carpets throughout, decorating and the garden cleared out. The budget was £8,000, and it's going to be tight, but we should be able to get it done on budget."

The property will also be marketed as unfurnished: "We believe tenants stay longer when they need to provide their own furniture and white goods, though there will be a fridge freezer and dishwasher in this property. There's also less to go wrong with no furniture!"

Finding the time

"Investing in property can be so busy because there's not enough time in the day," concludes Andre. "There's doing the numbers, viewing properties, managing refurb, dealing with solicitors and brokers, resolving maintenance issues..." Then there's the ongoing challenge of finding investors: "We have a few investors lined up now, but we're always looking for more."

THREE-BEDROOM END-OF-TERRACE VILLA IN COPPENHALL, CREWE

Guide price at auction: £86,000

Purchase price: £93,850

Additional purchase costs: broker fee £499, legal fees £700, stamp duty £2,815, valuation fee £135, and product fee £999

Purchase financed with: mortgage at 75% LTV, balance paid for with a mixture of own cash and angel investment

Purchase finalised: November 2016

Total budget for redevelopment: £8,000–9,000, to include a new kitchen, rewiring, new flooring/carpets and decorating

Improvements funded by: investor's money paid back with 8% interest

Projected market value: £120,000

Projected rental income: £650 pcm

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.



How your for

As landlords across the UK wonder what's in store over the next 12 months, Felicity Hannah has been asking The Property Hub's Rob Dix and members of The Hub how they can make 2017 their best year yet.

to set year up success

Changes to the tax system, the spectre of Brexit and the prospect of rising agent fees mean some landlords are approaching 2017 with a sense of trepidation. With a business plan and a sense of purpose, however, the next 12 months could be brilliant – particularly if other investors are losing their nerve and dropping out.

But it won't happen through luck: now's the time to set goals and keep to them. Here's how you can set up your year to be a resounding success.

Why 2017 is stuffed full of potential

Some investors are understandably nervous about what the next few months have in store. They may be focused on survival, rather than growing their portfolios.

Yet a number of property experts contend that – for investors who position themselves well – this year could be one of the best. The Property Hub's own Rob Dix admits: "I actually quite like it when everyone's nervous. When everything's booming, you'll turn up at a property and find 30 other people there ready to outbid you. But this year – with fewer investors competing for the best deals and more property owners anxious to sell – greater supply and weaker demand will favour motivated investors."

What's more, a lot of that supply will have real potential. Rob says: "There will be, for example, landlords who've held onto a property for 20 years but not invested in it. They'll decide to get out because of the climate, and then you can snap it up at a good price."

One landlord who's ready to pounce on that potential is Sanjay Kareer. Having just left his 17-year role in the banking sector to work full-time on his property development – a three-storey building that he's completely renovating, extending and transforming into an HMO – Sanjay has two goals in mind. His immediate aim for 2017 is to complete that development project – his first – on time and within budget. In the long run, he intends to create passive income to free up more time for his family.

"Drastic times require drastic measures," quips Sanjay with a laugh. "I attended the first ever Property Hub Summit in 2015, and it was great. I was able to purchase four out of the five properties I wanted, and I was happy with my progress. But 2016 didn't go according to plan. The tax changes made me rethink everything, and my strategy had to be reviewed and altered. I also had a number of personal issues, which meant property wasn't

my major focus. It was my only focus outside of work and family, but I didn't get to spend the time I wanted on it."

That's why Sanjay plans to focus all his working time on property this year, completing his current project before undertaking more property flips, and working towards his long-term goals of becoming a property expert and building passive income streams in order to spend more time at home.

Why you need goals (and how to set them)

Any professional project manager will tell you that setting goals is the linchpin of success – not just as a driver of momentum but (more importantly) as a means of evaluating your progress.

Rob Dix wholeheartedly agrees: "To get somewhere without having a goal is the exception rather than the rule. Obviously, sometimes things do just happen, but you always achieve more when you focus on an actual target or endpoint." For property investors, says Rob, it's like training for a marathon – as opposed to just running around the block. "Without a goal and a plan, you're not motivated to progress. When things get tough, having a vision of where you want to go helps you get through those unpleasant bits."

Rob also points out the importance of using goals to avoid wasting time and energy on distractions: "Without specific goals, you could end up acquiring properties almost at random that cumulatively don't get you anywhere meaningful. You need to know what's important to you, so that you can target properties that will get you there." He offers an example: "Say over time you buy five properties that have good growth potential but not cash flow. If what you really wanted was to have the income to allow you to quit work, you'd end up disappointed."

Why setting goals is harder than it sounds

It seems so simple: set a goal, make relevant investments, grow an empire. But it's not always clear what long-term goals are feasible. What's more, vaguely defined goals, such as financial security or quitting the 9-to-5, won't necessarily highlight what an investor should be doing week-by-week.

Setting goals requires serious thought and planning. "You need to start with a deeper purpose, deeper than money. If it's to have financial security and be free, think very carefully about what that looks like for you," advises Rob. "After all, if your

“With so many changes on the horizon, it’s dangerous to rest on your laurels. People who made their purchases years ago, who are neither paying attention nor aware of what’s going on, may be in for a nasty surprise.”

goal is to spend your days scuba-diving, then you don’t want to be self-managing ten HMOs – you’d have the income but not the time. You need to know what you actually want.”

Sanjay agrees: “You should have a very strong ‘why’ in mind,” he says. “My ‘why’ is to spend more time with my family, and I am very passionate about that. People often say they want to make money, but that’s not really a strong enough motivation.”

Chunking it down

Once you have your goal in mind, it’s time to work out your path to achieving it.

“You need to break that goal down so you know what you have to do,” says Rob. “Set a two-year goal that supports your longer-term target, stated as simply as possible. For example, ‘I want to buy a property every six months that brings in £X’.

“After that, you need to set weekly sub-goals – although some people prefer monthly. And then set out three tasks for each day, planned out the night before. I do that, and then I can be happy about how the day went, as long as I get those done.”

He also stresses the importance of setting so-called SMART goals: goals that are specific, measurable, attainable, realistic and timed. These elements provide clarity and make it far easier to chart successes effectively.

Goals – who needs ‘em?

For those who feel that goals and plans are for newer, hungrier investors – no longer needed once you’re sufficiently established – Rob has a word of caution: “With so many changes on the horizon, it’s dangerous to rest on your laurels. People who made their purchases years ago, who are neither paying

attention nor aware of what’s going on, may be in for a nasty surprise.”

Just because you haven’t needed to set goals in the past doesn’t mean you’ll be unaffected by recent events, says Rob, and it’s important to review your strategy and goals as things change.

That’s the position in which retired civil servant Victoria Fellows finds herself: “I’m retired from work, but sometimes I feel like I’ve allowed my properties to become a full-time job.” Victoria plans to sell off part of her portfolio of six properties and retain just the most profitable and least challenging, to give her more time to enjoy retirement and travel.

“I use an agent,” she says, “but I still have tenants contacting me with their problems, or agents who want me to sign off on every single decision. That was all well and good while I was actively looking for more buy-to-lets, but now I’d rather sell the bulk and keep the two that make me a decent income without so much looking after.”

Conceding that her efforts haven’t always been so strategic or targeted (“I just acquired properties that looked like good investments as I stumbled across them”), Victoria adds: “In a way, I need a business plan that will let me reverse engineer to my long-term goal of having properties that don’t need much hands-on care but provide a decent income on top of my pension.”

Being clear upfront about what you actually want is vital, says Victoria: “I’ve learnt that it’s better to have the right properties in my portfolio and an amount of work that I was comfortable with, which should really have been my goal from the start.”



Setting short-term goals is important for reaching a longer-term target.

Dealing with failure

It's easy to start out the year with lofty ambitions and goals for your property portfolio, but how can investors overcome the inevitable stumbling blocks? Rob has seen property investors face all sorts of struggles, but says there are ways to overcome any hitches.

"The first struggle is losing momentum. The goal gathers dust because you're not taking action, and then a year goes by and nothing has been achieved." The solution, says Rob, is creating actionable goals. For example, a commitment to spending 20 minutes a day on property will put you much further ahead at the end of a year than if you'd just planned to spend more time on property.

Knowing where to turn for answers is another issue, but it's easier than ever to find experts for guidance, says Rob. "There are so many avenues open, whether it's online, through our articles, podcasts and forums, or at The Property Hub meetups," he adds.

"A common issue is simply letting things slip. You start with a bold vision but hit a roadblock and quit. The solution here is accountability: rather than just be accountable to yourself, find someone else who can hold you accountable. Maybe book in a weekly call where you say what you've done and what you're going to do this week."

As uneasy as property investors may be about their prospects in 2017, careful planning can be key to making the most of the new year. Setting clear short- and medium-term goals aligned with a long-term vision of success – and making sure you're held accountable for their achievement – can help you meet the challenges of the coming months with confidence.

“A common issue is letting things slip. You start with a bold vision but hit a roadblock and quit. The solution here is accountability.”

2017 GOALS

GUY MARSHALL

2017 goal: to buy four more properties

Long-term goal: to own 31 investment properties

Some investors may have a goal of five or ten properties. Guy Marshall's long-term ambition is to own 31 lets, so that he can get paid every single day of the month. And he's not joking.

After initially stumbling into property "by accident, really", Guy has built up a portfolio of 16 buy-to-lets. Five of them are HMOs, while the rest are three-bedroom individual lets. So why the ambitious goal of 31?

"I dreamt it up back when I had a couple [of properties]. I thought it would be good to get paid every day, and six years on, it's accelerating. I think I might be there in three years now." This year, he hopes to add a further four properties to his empire, then five the following year. The changing tax landscape this year doesn't concern him too much because he targets properties that supply an excellent cash flow.

"On one of the HMOs, the monthly mortgage payment is £125, and it brings in £1,000 each month. Five HMOs generate about £750 per month of pure profit, while each of the standard buy-to-lets generate about £300

of cash flow every month, which bankrolls our purchases."

Sixteen properties, let alone 31, might sound like a lot of work, but Guy manages it all alongside running his own business. By delegating to agents, putting in a lot of research and choosing his investments with care – targeting homes in attractive cul-de-sacs and near good schools – he's able to be a fairly hands-off landlord.

"We have them all managed," says Guy. "The HMOs are separately managed by the university, and another letting agent does all my private lets." For those private lets, Guy says he prefers working with smaller, local agents, whose livelihood depends on maintaining full occupancy, and whose dedication he can count on: "I rely on them quite heavily once I've bought."

Guy says the secret to success is choosing the right properties. "We never buy anything more than 15 years old, and we always go for good locations." Modest refurbishments are also part of his strategy, provided they don't take too long: "We do some basic renovations – kitchen, bathroom and decorations – on properties that can be finished in a week to get them let."

Next steps

- Take our free course on setting property goals: propmag.uk/goalscourse.
- Need a little help getting bold with your goals? Listen to our podcast on the magic of thinking big: propmag.uk/thinkbig.

CASE STUDY

“Not for the fainthearted”

Making a success of a commercial conversion



Converting a commercial property into an HMO can be a huge challenge, but getting it right can prove lucrative – as **Peter Richardson tells **John Fitzsimons**.**

Peter Richardson is clear about the additional work involved in HMO properties, but he seems to relish it. Keen to put his previous experience running a letting agency to good use, he takes a hands-on role in ensuring the success of his HMO investments.

From accidental landlord to property professional

Peter's property career began as an accidental landlord in the mid 1990s, and has included investments in locations as exotic as Poland, Cyprus... and Lincoln.

After taking a hit in the financial crisis, Peter started his own letting agency, which was where he first saw the potential value of HMOs for the wily investor's portfolio. He says: "We had a landlord on our books who had a decent portfolio of professional HMOs. The properties were getting decent rents on a

room-by-room basis, but I didn't think he was doing it particularly well."

When Peter returned to full-time property investing after selling his letting agency, potential HMOs were very much on his radar. As he points out, the fact that you pay a much reduced rate of stamp duty on commercial purchases makes them even more attractive.

The first conversion

Early last year, he came across the perfect property in the centre of Derby – a once-residential home that had been turned into an office but had sat empty for a couple of years. Even though Peter had never converted a commercial unit into a residential property before, the opportunity was clear.

"The layout was perfect to turn it into an HMO," he explains. "I just needed to get planning permission.

PETER'S CONVERSION

Purchase price: £135,000

Development cost: £42,000

Total project cost: £177,000 in cash
(he has since remortgaged at 80% LTV with Kent Reliance)

Monthly income: £2,400

Monthly expenses (including mortgage):
£1,439

Monthly profit: £961

I bought it for £135,000 in cash, and moved my builder in within the week to start prep work while I put together the planning application.”

The idea was to convert the office into a six-bedroom HMO, with three bathrooms. The conversion itself took just three and a half months. “I have a very good builder,” laughs Peter.

Priced at £400 per month including bills, all six units were occupied within two weeks of going on the market. The property has remained full ever since, delivering Peter a net income of almost £1,000 a month. When he remortgaged the property, it was valued at £260,000.

Lessons learnt

HMO conversions can be tricky business, though, and there's no substitute for careful research and planning. Surrounding yourself with a good team is also important – as is understanding your tenants.

“One thing I've learnt along the way is that you have to understand whether you'll get planning permission or not. I did my research and asked questions of the council before actually buying the properties. If you don't do that, you could easily be left with an empty commercial property worth no more than you paid for it,” Peter warns.

Peter also points out that there are additional regulations to keep in mind when putting together an HMO, and it pays to ask ahead before making your move. “As an ex-letting agent, I had a decent insight into some of the management issues involved, but I invited the council in at the start to explain what I was doing and get their insight into what I needed to do. So when I came to get the HMO licence, it all went through very quickly.”

Once the conversion is complete, the real work has just begun. Peter describes running a six-bedroom HMO as something like running six different properties, with six separate tenancy agreements and tenants who don't know each other.



The completed conversions.

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.

“It’s a challenge piecing that together to form a harmonious property, and that’s something that you don’t experience with a traditional buy-to-let,” he says.

That’s where Peter’s experience running a letting agency comes in especially handy, starting with the screening of prospective tenants. Ensuring a good mix of tenants who’ll get along with one another is at least as important as filling HMO vacancies.

Peter explains: “I meet all the tenants to make sure they’re a good fit for each other. I’ve had to turn tenants away who didn’t fit my profile, or wouldn’t mesh with the tenants already in place. It’s a tough thing to do, knowing they can move in and start paying rent immediately, but experience shows that taking on the wrong person can quickly lead to the others leaving. And then you’re stuck with an almost empty property, bar one rotten tenant.”

Why Derby?

Peter has a simple strategy when it comes to investing in property: his portfolio needs to generate a sufficient income to replace his old letting agency salary. Derby, Peter observes, is a relatively cheap city in which to buy, and the presence of four large private employers – Rolls Royce, Network Rail, Toyota and Bombardier – as well as a couple of hospitals means there are plenty of suitable tenants looking to rent in the city.

He says: “The type of young professionals I target are highly educated, used to sharing, and have a bit more disposable income.” Peter admits that such tenants tend to have higher standards and can be more demanding, but he’s fine with that because he aims for high-quality accommodation – meaning higher rents and more suitable applicants.

Location is also key, with Peter ensuring that the properties are within walking distance of the major employers or easy transport links to get there. His conversion projects have all been in mixed-use streets.

What’s next?

Buoyed by the success of his first conversion, Peter wasted little time in snapping up another on an adjacent street. Now converted into an eight-bedroom HMO, the rooms are all filled, and the property has been valued at £300,000 – £35,000 more than the combined purchase and refurb costs.

Peter is clearly enthused by the opportunities commercial conversions offer, and he’s already pinpointed further targets: another two commercial properties on the same street as his second conversion.

“My next target is next door to the one I’ve just finished. It’s an old doctor’s surgery that’s been empty for about five years, and is up for rent. If that’s successful, I’ll target one across the road. It’s a similar sized property that has been a social club. It’s the last one on the street that needs doing.”



The finished product.

“The type of young professionals I target are highly educated, used to sharing, and have a bit more disposable income.’ Peter admits that such tenants tend to have higher standards and can be more demanding, but he’s fine with that because he aims for high-quality accommodation – meaning higher rents and more suitable applicants.”

IN IT FOR --- THE SHORT HAUL

Short-term lets can be a lucrative option for landlords, but make sure you understand the mortgage and planning restrictions before you dive in, says **Leah Milner**.



“Short-term lets have become increasingly popular in recent years – and it’s homeowners looking to make a profit from their own properties who (with help from organisations like Airbnb) are driving the boom.”

When it comes to letting a property, you could be forgiven for thinking that long-term lets are the most lucrative option: securing a tenant for a decent period of time means more security and guaranteed rent. That’s not necessarily the case, however.

Short-term lets have become increasingly popular in recent years – and it’s homeowners looking to make a profit from their own properties who (with help from organisations like Airbnb) are driving the boom.

The surge in popularity of short-term lets is leading some landlords to explore this route, too. According to research by the Residential Landlords Association (RLA), almost 50% of homes advertised on Airbnb in the UK are offered by landlords looking to increase profits on their rental properties.

Making it big or missing a trick?

Some landlords are keen on short-term letting as a way to fill voids between tenancies, particularly at times of the year when fewer renters are out house-hunting. When competition for rental property wanes in December and January, landlords might rather wait until rental markets heat back up, providing holiday accommodation in the interim to command higher rents in the long run.

In the student rentals market, short-term lets can also be a helpful way to make extra cash between tenancies. Meanwhile, for landlords with properties in tourist hotspots, it’s sometimes possible to make as much from letting out their properties for a few months in the summer as it is by renting it out for a whole year to longer-term tenants.

The letter of the law

While traditional buy-to-let landlords tend to offer their properties for rent on assured shorthold tenancies (ASTs) of 6–12 months, websites like Airbnb give

landlords and homeowners the chance to lease their properties for a matter of days or weeks.

In order to attract tenants for short stays, properties must be furnished and the host is expected to provide bed linen, towels and cooking equipment. Utility bills should also be covered as part of the nightly rate, and it’s increasingly becoming standard to include guest wifi.

Planning perils

Many local authorities require planning permission for a “material change of use” if you want to provide temporary sleeping accommodation in a residential property. It means you’ll need to check local restrictions carefully.

In Greater London, the government recently introduced an exception in order to allow short lets without applying for a change of use – but on two conditions. Firstly, the cumulative number of nights can’t exceed 90 in a calendar year; secondly, the owner must pay the council tax on the property. Local planning authorities in London have retained the right to exclude certain properties or certain areas from this exception, so you’ll still need to check with your council. .

Borrowers beware

Lenders tend to be leery of short-term lettings on properties backed by residential mortgage finance. A handful of banks and building societies – including Metro Bank, Halifax, Nationwide Building Society and Santander – will consider allowing homeowners to rent out their main residence for limited periods if (for example) they’re providing temporary accommodation to others while the homeowners themselves are on holiday. Other lenders offer mortgages for holiday lets up to a maximum annual rental period – 24 weeks in the case of Market Harborough Building Society.

However, buy-to-let lenders aren’t generally supportive of short-term rentals – even for use as a

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stop-gap measure. Offering short-term lets on property mortgaged with buy-to-let financing may represent a breach of contract.

Jenni Browne, head of sales at mortgage broker Mortgages for Business, explains: “None of the buy-to-let mortgage providers I know approve of short-term lets between tenancies, even those who allow holiday letting.” While it’s fair enough to wonder if there’s any harm in using short-term lets to fill voids for a few days, says Jenny, it’s simply not permitted. And, she adds, using buy-to-let mortgage finance to fund the purchase of a property to be let exclusively on a short-term basis is expressly prohibited.

“Furthermore,” warns Jenni, “if you’re thinking of remortgaging a buy-to-let property that you currently have listed on Airbnb (or a similar site), it’s worth noting that lenders do run checks.”

Raj Patel is chief executive of My Property Host, a company that manages Airbnb properties on behalf of London landlords. As a landlord himself, he says he “wouldn’t dream” of using Airbnb on a year-round basis as an alternative to traditional buy-to-let, but he believes it’s possible to use short-term holiday lets as an interim measure to cover the gaps between tenancies without breaching lenders’ rules.

“The majority of our business comes from estate agents and letting agents looking to fill properties on behalf of landlords on a temporary basis between tenancies,” Raj observes. “This should count as ancillary use, but it’s important that you look at the terms of the loan.”

Seeking cover

Airbnb now offers its own guarantee of up to \$1m (around £800,000) or equivalent, which protects hosts for damages that occur during “eligible” bookings. However, as noted on Airbnb’s website, “this does not take the place of homeowners or renters insurance or of adequate liability coverage”. It’s important to read the exclusions carefully and be prepared to take out a specialist policy for short lets, which ordinary landlord policies won’t cover.

It’s also important to check the small print on your home insurance: most home insurance policies don’t cover paying guests. If you have a rental property that you intend to let for short periods, you’ll need buy-to-let insurance and should inform your insurer of your plans. If you intend on letting your own property, you’ll need to speak to your insurer about increasing your cover.



CASE STUDY 1

Lettings manager Mary Ng of A and H Apartments had been managing holiday lets for property owners in Glasgow in addition to her work as an engineer, but she’s recently given up her day job to focus on the lettings business full-time. Using Airbnb, TripAdvisor, Booking.com and a number of other platforms to keep the 11 properties she manages occupied, Mary names Airbnb as her preferred platform, estimating that 80% of her guests come from here. “Because guests are reviewed by hosts, as well as the other way around,” says Mary, “they tend to really look after their reputation.”

On the other hand, Mary finds it helpful to post lettings on a number of different websites to keep vacancies filled with a mix of advance reservations and short-notice stays. She points out: “Booking.com is often good for last-minute visitors. The challenge is making sure that all the calendars are synchronised and up-to-date across all the portals.” Some form of automation may be in Mary’s future, but she currently manages all her bookings manually, maintaining average occupancy rates of 50–60% – with summer vacancies as low as 10–20% in peak season.

CASE STUDY 2

Nicola Ellis, who works as a costume-fitter for theatres, has been letting out her Edinburgh home via Airbnb so that she can rent a flat closer to her daughter's nursery and future primary school.

She didn't want to have to sell the property she owns as it is in a great, central location and she has done a lot of renovation work. She chose Airbnb because the huge demand for holiday lets during the Edinburgh Fringe Festival means she can make as much income from renting it out for a couple of months over the summer and other peak times as she would from a whole year's rent from longer-term tenants.

She says: "It means that I can get into the property regularly and keep an eye on it, which you can't do with longer tenancies. It is a lot of work in terms of changing the bed linen, cleaning and all the communications, but so far all the guests have looked after the place well with the exception of the first visitors who left it in a state. Generally I think the wear and tear is less than that from longer-term tenants because the guests tend to be out and about all day sightseeing and rarely cook at home."

WEALTH AND TAXES

Property owners renting out rooms in their main residence may benefit from the government's rent-a-room scheme, which allows homeowners to earn up to £7,500 per year tax-free. Investors must pay the same rates on short-term letting income as on other rentals, although some costs, such as utilities, may be offset.

Alternatively, starting in April this year, new rules will allow annual tax-free earnings of up to £1,000 for small scale property-letting activities that don't qualify for the rent-a-room scheme. Taxpayers claiming rental expenses against their income won't be eligible for the allowance, so anyone with more than £1,000 per year of expenses wouldn't benefit from claiming it.

“Airbnb now offers its own guarantee of up to \$1m (around £800,000) or equivalent, which protects hosts for damages that occur during ‘eligible’ bookings. However, as noted on Airbnb’s website, this doesn’t take the place of homeowners or renters insurance or of adequate liability coverage.”

BY THE NUMBERS

For accommodations arranged through the Airbnb platform, hosts' earnings are subject to a 3% service fee on the total for each stay, and guests pay fees of 6–12% for the service. Although TripAdvisor charges hosts the same as Airbnb, and Booking.com's hosting commission varies (averaging around 15%), guests pay no service fees on either platform.

According to Airbnb, the typical UK host earns £2,000 annually for hosting an average 46 nights per year. Individual rates vary widely, depending on the property's location, amenities, tourism, sporting events and festivals that attract guests at certain times of the year.

The final word

Short-term lets can be a fantastic source of additional income from your properties, so long as you understand and account for their effects on your property status, mortgage financing, and insurance cover.

Experts anticipate that more flexible financing options will become available as lenders begin to see the advantages of using short-term lets to fill income gaps between longer-term tenancies, but for the time being, property investors should approach short-term lets with an abundance of caution. And while those who own their property outright may have less to worry about, anyone offering short-term lettings should take care to make sure they comply with local planning rules.

Time to get Serious

Buy-to-let armageddon or simply a mid-cycle dip?
Property Geek **Rob Dix** explains why, for serious landlords,
the next few years could actually be full of opportunity.

It's been a funny few years. When I started writing about property in 2012, the memory of the 2008 crash was extremely fresh and prices were flatlining. Over the next few years prices steadily rose, and in London they didn't just recover – they passed their previous peak. Investors flooded back into the market, and it seemed like property had reclaimed its familiar status as the UK's favourite asset class.

Then... plot twist! In the Conservative government's first Budget in 2015, they chose to meddle with mortgages – spelling disaster for a certain type of landlord, and showing that property investors were squarely in their crosshairs. As it turned out, that was just the beginning of a series of events and policies that would cast doubt on the viability of buy-to-let.

Since that 2015 Budget, and even more so throughout 2016 as awareness of these interventions spread, my inbox became a very different place. The enthusiasm from investors was still there, but tempered with doubt and caution. One question in particular became exceedingly common: is property investment still a good idea?

So, is it?

Well, clearly I don't think it's total doom and gloom or I'd have shut down Property Geek and started up Gold Geek or Under The Mattress Geek by now. But today, in 2017, it does feel like we're at an inflection point – almost the end of an era and the start of a new one. Not all current investors will stick it out, and not all those who were preparing to enter the market will (or should) still do so.



Since the 2015 budget the government have had property investors in their crosshairs.

But for those who are prepared, the opportunities will be there. What's more, I think the next couple of years will create the conditions to give us more opportunity than ever.

Reading the cycle

Looking at everything that's been thrown our way over the last couple of years – mortgage interest relief shenanigans, higher stamp duty, mortgage restrictions, Brexit uncertainty and more – you'd be forgiven for thinking that the party was over for property investors.

For some (like those who are very highly leveraged), it actually will be: some research suggests that 25% of landlords are considering leaving the market. But to a student of the property cycle, this just looks like the "mid-cycle dip" – bang on time. (Read about the property cycle in more detail in our Issue 2 cover story.)

A dip, not a crash

The interesting thing is that this dip will be widely misinterpreted as a crash. As soon as prices start to fall (or even just stop growing, as many predict will be the case this year), the media will jump all over it and call the peak of the property market. Properties will sit on the market longer, and transaction volumes will drop. Prices will fall slightly... but this isn't the crash. If you follow the media and sell out now, you'll miss the explosive growth in the second half of the cycle.

What will drive this aggressive growth? Booms are always caused by sentiment and by financial stimulus – and there's plenty of evidence that we'll see much of both in the years ahead. Growth will be driven by the continuation of low interest rates, overseas investment, more quantitative easing to keep the economy alive, confidence returning as uncertainty diminishes, and probably the government acting to pump up house prices to make everyone feel good ahead of a general election in 2020.

But despite my belief that the outlook is good for property prices over the next seven years or so, all the widely discussed anti-investor measures are still in place. This means that the days of easy gains are over: no more can you just buy any old property at any old price, do very little, watch the price fly up and keep remortgaging to release your new equity.

Nothing worth having comes easy

There are great wins to be had in the coming years, but they won't be had by everyone. Lazy investors, reckless investors, and investors who don't bother to look beyond the mainstream media to see what's going on will be pushed out of the market – exactly as the government wants to happen. They'll be forced to sell out to the investors who are willing to professionalise, educate themselves and move with the times – and who will therefore avoid the risks and threats we've already talked about.

I'm not one for drama, but as I said at the start, it feels like we're at an inflection point: the end of the era of the amateur landlord, and the start of the era of the professional investor.

Time to get serious

By "professional", I don't mean that only corporates and full-time investors will survive – although I do think more large-scale investment in the rental market is inevitable. By "professional", I mean in attitude.

The investors who will survive and thrive over the coming years will:

- Take the time to structure themselves appropriately for their long-term plans
- Acquire properties in the areas with the best investment case, not wherever is most convenient

- Make better purchases than amateur investors would be satisfied with – always at a discount of the retail price
- Constantly review their business model and adjust as market conditions change
- Always be improving their skills and knowledge, and staying on the cutting edge so they can be prepared for whatever lies ahead

That's what successful companies do, and it's what individuals will need to do too in order to compete.

I can't stress this enough: landlords hoping for a rerun of 1997 to 2016 won't just be disappointed; they could suffer major financial losses as a result. If you buy any old property without doing any preparation or research you might be OK, but you're putting yourself at big risk too.

Hard work is good news

If you're not up for the challenge, that's fine – there are plenty of non-property investments you could make instead. But if you're willing to professionalise, I think the next couple of years in particular will be full of opportunity:

With long-term landlords (who've been coasting for the last 20 years) leaving the market, there will be tired properties that can be snapped up at great prices. With new entrants put off from entering the market, there'll be less competition for stock.

With still nowhere near enough houses being built, rents will continue to be robust and demand for quality rental properties will be stiff. It's not going to be as easy as it has been in the past – but the fact that it's harder is good news, because the majority of your potential competitors will take one glance at the newspaper headlines and decide not to bother.

It's up to you. You can either give up on the idea of property investment, or you can commit to developing your knowledge and skills, build the right team, have fun taking advantage of the opportunities the next few years will offer, and build some serious long-term wealth.

I know what I'll be doing.

Next steps

- Read Rob's new book, *The Complete Guide To Property Investment*. It's available on Amazon now – and has over 200 five-star reviews.
- Read his weekly blog at propertygeek.net.

Averting disasters

Bridging can be an investor's best friend or an expensive endeavour. It's all in how you approach it, as Kevin Wright explains.



Bridging finance gets a lot of bad press. Some property investors experience a sharp intake of breath when you mention it, usually followed by exclamations of “Oh, that’s really expensive!”

If you’re buying a main residence, then yes, it can indeed be expensive. But if you know what you’re doing, it’s an intelligent method of financing property investments. And that’s the problem: using bridging finance without knowing what you’re doing is a recipe for disaster – like putting a ten-year-old driver at the wheel of a high-performance sports car with no instruction.

If you try to do your own bridging finance without the advice of an experienced broker, your risk increases dramatically. With an expert on board, however, you can change the way you manage your investments to make much higher profits.

The secret is in knowing your bridgers. As you’re almost certainly aware, mortgage lenders will lend up to 75% of your purchase price on a buy-to-let. That means you need 25% of the cost of the property as your deposit, and then it’s locked in for at least six months (many mortgage lenders will decline any application to refinance a property until the property has been owned for six months). Most bridgers also lend on your buying price – but a handful lend on the open market value of the property.

Why is this important? If you’re a good negotiator, you can bring a motivated vendor down in price (especially if you can offer completion in a month or less) and yet still borrow against the full value of the property – meaning you need less for the deposit and have more of your cash available for the refurb.

Choosing a bridger

If you’re exploring bridging for the first time, how will you know whether you’re getting a good deal or not? How do you know which bridger to use?

The answer is you don’t – unless you have access to someone with experience. That’s where a good broker comes in. While there are plenty of good mortgage brokers out there, very few of them ever touch bridging lending. Even fewer do so on a daily basis, so finding someone you can trust to guide you through the process will take some digging.

A good bridging broker will know:

- Which bridgers lend in specific geographical areas (bridgers are certainly not like mortgage lenders, who lend UK-wide).
- What the minimum loan thresholds are. Most won’t lend on a property worth less than £50,000, but for some the minimum will be £100,000, £250,000, or even £1m.
- Which bridgers will finance commercial property (lots don’t).
- How to get finance for land purchases (very few bridgers lend on land).
- Which mortgage lenders also offer bridging and will flip into a buy-to-let mortgage after refurb (although they will still lend against the purchase price – not the value of the property). This is sometimes referred to as bridge-to-let lending.



“If you try to do your own bridging finance without the advice of an experienced broker, your risk increases dramatically. With an expert on board, however, you can change the way you manage your investments to make much higher profits.”

What can you do with bridging finance that you can't with a buy-to-let mortgage?

With the right solicitor, you can go from “offer accepted” to completion in less than 28 days.

- You can buy properties with very little of your own money stuck in the property – which gives you much more flexibility.
- You can potentially negotiate a much lower purchase price than the actual market value against which you borrow, effectively reducing your deposit from 25% to more like 10% and enabling you to buy higher-value properties. For example, with cash on hand of £50,000, your ceiling without bridging finance would be £200,000 – driven by your available cash for a deposit (with the balance of £150,000 being obtained from a buy-to-let mortgage). Using bridging finance could raise your buying power to include properties with fair market value as high as £500,000.
- You can buy properties at auction or repossessions, and complete the transaction in the short timeframe demanded – usually 28 days. The longer process of setting up a buy-to-let mortgage just can't meet that time constraint.
- You can turn otherwise unmortgageable properties into profitable investments. More of these are available than you might think, but the majority of mortgage-dependent investors never even consider buying them.
- You can refurb a property *before* you complete – and borrow against the post-refurb value. This option is great for closing deals with little or no money left in after refinancing.

For a serious property investor, these are all attractive opportunities – as long as you know what you're doing with bridging finance. So, am I recommending bridging finance as a valuable tool? Absolutely.

Do I think you'd be wise to learn to use bridging without the help of an experienced broker? Only if you already have a big pot of money you don't mind losing.

1. Finding the right bridgers takes a lot of time and research.
2. Building relationships with them takes more time.
3. You don't know what you don't know, and mistakes are bound to be costly.

The lesson in all of this is that making bridging finance work for you depends on finding a brokerage that has the experience you need and letting them keep you on the right track. Think of it as giving that ten-year-old a highly experienced driving instructor!

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 and property consultant **David Cookson** explains what lies ahead in 2017.

“Many of the effects of last year’s pivotal events have yet to be realised – Brexit, of course, among them. While uncertainty rattled the mortgage market in the run-up to (and immediate aftermath of) the EU referendum, the slight tumble that lending took in the wake of the vote wasn’t nearly as dramatic as it might have been.”

THE MORTGAGE MARKET IN 2017

I think it’s fair to say 2016 threw us a few curve balls. While the world of politics all but turned into a farce, the mortgage and property market gave us more than a couple of hurdles to get over and hoops to jump through.

That being said, things aren’t looking quite as gloomy as national headlines might have led us to believe. The brokerage sector actually saw property lending grow during the last 12 months, and, for the most part, the market has remained robust. So what lies ahead for 2017?

Brexit and regulation

Having bid farewell to one of the most bizarre years in recent history certainly doesn’t mean we’ve put the effects of 2016’s events behind us.

In fact, many of the effects of last year’s pivotal events have yet to be realised – Brexit, of course, among them. While uncertainty rattled the mortgage market in the run-up to (and immediate aftermath of) the EU referendum, the slight tumble that lending took in the wake of the vote wasn’t nearly as dramatic as it might have been.

There’s talk of further uncertainty as Article 50 is triggered this year, reportedly in the spring. But (as

is often the case) what’s reported in the papers might be quite different from the experiences of those on the front lines. Indeed, rumour has it that Brexit’s impact on lending figures and investor appetite may be minimal. Word on the street is that some of the UK’s largest housebuilders are looking to increase their output by as much as 20% this year.

Furthermore, as we’ve learnt from past experience of regulatory changes, lenders will always find a way to lend.

Buy-to-let

BTL investors may be praying for a reprieve in 2017, but it seems unlikely that the government will back down on any of its policies – including cuts to landlord tax relief and the stamp duty surcharge that shook up the market in 2016. Furthermore, the Prudential Regulation Authority (PRA) will push ahead with plans to tighten BTL criteria, and lenders will react accordingly.

On the other hand, it’s worth noting that the PRA’s new rules only apply to individual landlords. Those landlords taking the limited company route shouldn’t be affected by stricter stress tests.

As a result we’re likely to see increased



“I think it’s fair to say 2016 threw us a few curve balls. While the world of politics all but turned into a farce, the mortgage and property market gave us more than a couple of hurdles to get over and hoops to jump through.”

competition in the limited company BTL market this year. Just 12 months ago, only one in every ten cases submitted to us came from a limited company. Today, that figure stands at six in ten – and I wouldn’t be surprised to see the rate of applications coming from individual landlords drop to 10% by the end of the year.

Second charges and combined solutions

I’ve no doubt we’ll see the specialist lending market come into its own. As part of the Mortgage Credit Directive, of course, the consumer credit market has been brought under the Financial Conduct Authority’s jurisdiction. However, even without this regulation, the market trend is toward more specialist products. The challenges in BTL, for example, with applications taking much longer to process, will surely fuel greater interest in bridging finance. Second charge BTL will rise in popularity. And more investors are likely to cobble together combined solutions – with multiple products – to achieve their desired outcome.

Residential rates

Interest rates are still phenomenally low, but don’t expect to see mortgage interest rates stay at rock bottom for the duration. Swap rates – the rates at which lenders borrow money – have begun to creep up, so we’re likely to see fixed-rate mortgages start to rise in the not-too-distant future. Indeed, HSBC rates recently increased in keeping with the likes of Skipton and West Brom. Now would be a sensible time to lock in a good deal.

House prices

While I don’t expect to see any big movements in lending levels, I do think we could see house prices increase in some areas. London has probably reached its peak, but I’d expect to see some rises in the north in particular. The government will focus on stimulating the housing market in the Spring Budget – it has already taken steps in the Autumn Statement – which will have an impact on prices.

Advice will become critical

One thing is certain: getting expert advice is more important than ever. The BTL market will become more difficult to navigate. The specialist sector features a greater number and variety of innovative products every day. And rates across the mortgage market will start to climb upwards. Borrowers – whether they be residential buyers or investors – will need help and guidance to ensure they find the right solution for them.

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.
 TC Financial Solutions is authorised and regulated by the Financial Conduct Authority who oversees all financial business in the UK. You can find them on their website www.fca.org.uk.
 Registration number 401572.
 Registered address 3 Meadway, Bury, Lancashire BL9 9TY.

A ready-made business or a recipe for disaster?

Buying a property with sitting tenants may seem like a no-brainer, but things can go very wrong, very quickly, explains **John Fitzsimons**.

For landlords, finding new tenants can be a huge headache: marketing a property and ensuring any prospective tenants are a safe bet is time-consuming. It's therefore not surprising that – according to a recent study by Countrywide Residential Lettings – the number of buy-to-let purchases with sitting tenants has jumped to its highest level in a decade. Indeed, more than one in ten BTLs comes with a tenant in situ.

And the upward trend is likely to continue. With recent changes implemented by the government making life trickier for property investors – such as the additional 3% Stamp Duty charge on second homes and reduction of BTL mortgage interest tax relief – some landlords are choosing to sell up, offering properties with tenants already in place.

Package deals

It's tempting to think of tenanted property as a shortcut to seeing immediate returns on your investment. After all, the previous owner has already slogged their way through the process of marketing and showing the property, screening tenants, and establishing rents. Adding that rental income to your portfolio should just be a matter of closing the deal and maintaining the status quo, right?

You still don't know what you're getting

Not so fast, says Alan Ward, chair of the Residential Landlords Association. While buying property with tenants already in place may appear to be a “a ready-made business, with cash-flow and no up-front costs apart from the purchase”, Alan points out that you

don't really know any more about what you're getting with a sitting tenant than with any prospective tenant.

As an investor and potential landlord, the onus for due diligence is on you – not only to ensure that sitting tenants are legally able to rent in the UK, but also to carry out the same checks that you would for any new tenant. Arm yourself with this checklist, and make sure you have satisfactory answers before proceeding.

Beth Rudolf, director of delivery at the Conveyancing Association, agrees. “Unless you're prepared to go through the tenant referencing process again,” she observes, “you'll have to rely on the seller's say-so” with regard to the tenant's references, behaviour and rental history.

THE UPSIDES TO BUYING TENANTED PROPERTY

- There's no void period – you start collecting rent from day one.
- There are no marketing costs to worry about, as you already have a tenant.
- You know exactly what rent you can expect from the property.
- You can get a first-hand account of how reliable the tenant is.
- Budgeting is easier – just ask the landlord for the usual monthly running costs of the property.
- As these properties only appeal to property investors, you may be able to negotiate a cheaper price.



More than one in ten BTLs comes with a tenant in situ.

WHAT TO ASK ABOUT SITTING TENANTS

- Has the tenant ever fallen into rental arrears?
- What checks and references were taken for the tenant?
- Are there any ongoing disputes with neighbours around antisocial behaviour?
- Are the tenants in receipt of any housing benefit? If so, how is it paid?
- What rent are they paying? How does it compare to the market rents?

For BTLs with sitting tenants, the conveyancer's role is absolutely invaluable, explains Beth. The buyer's conveyancer must ensure that a clause is included in the contract to confirm that the seller's conveyancer will be responsible for officially notifying the tenant "of the change in ownership and assignment of rights and liabilities under the assured shorthold tenancy".

Beth adds that "The buyer's conveyancer will also need to provide the new lender with details of the tenancy and collect evidence from the seller's conveyancer that the notice has been correctly served."

You inherit the landlord's obligations

Generally, buying a tenanted property doesn't change the terms of the lease for the tenant. As a result, unless the tenant agrees to an updated Assured Shorthold Tenancy

(AST), you're bound to uphold the terms of the previous tenancy agreement. You can offer an updated AST, but tenants are under no obligation to sign it.

Whether that means you inherit responsibility for outstanding repairs or maintenance issues, or find that the tenant is enjoying rents far below market value, you'll have to wait until the existing AST concludes to make any changes to the lease terms.

What happens with the deposit?

All landlords have to place their tenants' deposits in one of the government's three recognised protection schemes: the Deposit Protection Service, MyDeposits, or the Tenancy Deposit Scheme. If you're purchasing property with sitting tenants, you'll need to take over responsibility for protection of that deposit.

Chris Norris, head of policy, public affairs and research at the National Landlords Association (NLA), says that the procedure for taking over deposit protection for tenants in situ varies: "It depends on whether the deposit has been protected with a custodial or insurance-based tenancy deposit scheme. If it's the former, the selling landlord can facilitate the transfer to the buyer through the scheme's managed process."

In the latter instance, the process can be more convoluted, says Chris: "Unfortunately, insurance-based schemes differ somewhat, and direct transfers are not possible. In this case, the deposit should be unprotected, handed over to the new landlord and then protected."

You may find that the previous landlord hasn't actually protected the deposit properly. In this case, once you have the deposit, be sure to place it in one of the recommended schemes and provide the tenant with the details.

What about the mortgage?

While some steps in the financing process – like establishing rents – may be simpler for tenanted property than for unoccupied BTLs, not all lenders are keen on purchases involving tenants in situ. David Hollingworth, associate director of communications at broker L&C, explains, "Lenders will be looking out for anything that could give a tenant some rights or interest over the property, which, of course, a prospective buyer would want to be aware of as well."

The potential for such claims by tenants means that some lenders may require a new AST to be signed as a condition of the mortgage. Since, as stated earlier, tenants are under no obligation to sign one this could reduce the choice of lenders available to the landlord.

Serving notice

Should you choose to bring in new tenants instead, to start with a clean slate, it pays to have all your ducks in a row.

In accordance with the AST, the tenant must be given at least two months' notice of the buyer's intention to take possession at the end of the tenancy, explains Beth, adding: "Notice can only be served if the deposit has been protected and the required information has been given to the tenant."

Chris cautions that the process will be more complicated for more long-standing tenancies, which may be assured and require grounds in order to be brought to an end. In that case, he recommends seeking professional guidance. "Older tenancies are somewhat specialist, and advice should be sought from a reputable landlords' association such as the NLA."

Will it work for you?

Whether investment in tenanted property will be a successful addition to your property portfolio depends on due diligence. When it comes to buying property with sitting tenants, doing your research and properly vetting tenants can make the difference between a property investor's dream and the stuff of landlords' nightmares.

CASE STUDY: DO YOUR HOMEWORK



Shaz Parmar

"It's always interesting how different each tenant is," says Shaz Parmar, a property investor who has bought a number of properties with sitting tenants. "They all have different expectations. I had one who expected me to reduce the

rent by £200 pretty much straight away, saying they agreed that with the previous owner. But I've also had the complete opposite, with no issues; great tenant before the change of landlord, and great tenant afterwards."

When considering the purchase of a tenanted property, an abundance of caution – and a keen eye – can pay dividends. Shaz advises: "Doing an inspection is vital, going to see that everything in the contract is as it should be, and confirming details on the tenants themselves. The little things that you think will all be fine aren't always fine!"

You may be surprised by what you find. Shaz has bought tenanted properties with more children in residence than specified in the AST, as well as pets that should have been forbidden.

Nonetheless, Shaz argues that tenanted properties can make for sound investments. "Yes," he says, "there is more legal paperwork with a purchase like this, but you are earning rent from day one." And there's another advantage in BTLs with tenants already in place: the reward for taking on that additional legwork. As Shaz observes, "I've definitely got properties cheaper because there was less competition."

Next steps

- Consider joining a landlord's association for help with tricky lettings matters...
- ...or ask for help from the Property Hub community: thepropertyhub.net/forum.
- Brush up on the finer points of lettings law with The Property Podcast: propmag.uk/lettingslaw.

Landlord or *unplanned-* lord?



Not every landlord purchases property with the intention of letting it. For some, the property housing their tenants was once the address they called home, as Christina Hoghton explains.

For many landlords, buy-to-let is a carefully considered investment strategy – but a surprising number of property owners find themselves in the role unexpectedly. According to the National Landlords Association, a full one-quarter of all landlords had no intention of entering the BTL market when they made their purchase.

When Rhian Greaves bought her first home, letting it was the last thing on her mind. Things changed a few years later, when she decided to move in with her boyfriend (now husband). The market value of Rhian's house at that point wasn't much more than she'd paid for it, and she wasn't likely to recover the cost of recent improvements by selling. Taking on a tenant enabled Rhian to cover her mortgage and continue refurbishments on the property while she settled in with her future spouse.

The house's location in a high-demand area for rental property made it possible for Rhian to become an "accidental landlord" – by initially retaining her existing mortgage with consent to let from the lender, which cost £400 a year. Two years later, she switched to an interest-only BTL mortgage.

Following the credit crunch, the challenging housing market led to a surge in the number of accidental landlords like Rhian. Homeowners who needed to move – perhaps for a work relocation or after the birth of a child – saw letting their property as a viable alternative to the struggles of selling in an unstable market.

The inability to sell isn't the only driving force behind the accidental landlord phenomenon, though. Whether it's moving in with a new partner, inheriting



Rhian Greaves – one of a surprising number of accidental landlords.



“The inability to sell isn’t the only driving force behind the accidental landlord phenomenon, though. Whether it’s moving in with a new partner, inheriting property, or making other adjustments to their living arrangements and finances, homeowners find that letting out their property can provide both income and capital appreciation.”

property, or making other adjustments to their living arrangements and finances, homeowners find that letting out their property can provide both income and capital appreciation.

With average monthly rents of £898 in the UK, according to Homelet, and house prices still rising (4–6% in 2016, reports Nationwide), it’s not hard to see the appeal of holding onto a property if you can let it out.

But what’s involved in making a home a rental property, and where should you start?

Mortgage matters

If you have a residential mortgage, your first step should be to contact your mortgage company to request a “consent to let”, offered by most lenders for 12 months and often eligible for extension after a year. However, neither consent nor the ability to extend is guaranteed, and it’s no replacement for a buy-to-let mortgage, which is designed for those who decide to let their property long-term.

John Heron, managing director of Paragon Mortgages, explains: “Switching a property from residential to let accommodation isn’t necessarily difficult, but depending on your circumstances, your existing lender may charge a fee, offer you a different rate, or reduce the loan-to-value (LTV) available to you.”

In certain situations, other options may be preferable: “A further option would be to redeem your existing mortgage and take out a buy-to-let mortgage with another lender.”

Buy-to-let deals

Your ability to take out a buy-to-let mortgage is usually based on your expected rental income as well as your equity level. A BTL lender will expect to lend no more than 80% of the property’s value, and – as a result of new Prudential Regulation Authority rules – from January 2017 will typically require your monthly rental income to cover between 125% and 145% of your monthly repayments.

Since former Chancellor George Osborne announced plans to slash landlord tax relief, many professional landlords have opted to purchase properties via – and transfer existing properties to – limited companies. These landlords are exempt from the PRA’s changes.

For individual landlords, however, the new rules (which are intended to protect borrowers) do apply. You’re also likely to fall under the new definition of “consumer buy-to-let” – legislation that aims to ensure that accidental landlords receive consumer protection above and beyond what’s afforded to professional landlords operating a BTL portfolio as a business. This means you’ll be subject to the same regulations and affordability criteria as if you were applying for a residential mortgage – i.e. there’ll be more hoops to jump through.

The good news is that average rates on BTL mortgages are at all-time lows of 3.25% (Moneyfacts); however, lenders need to ensure you can afford the mortgage at 5.5%, regardless of the actual rate charged.

In light of recent regulatory changes, getting the numbers to stack up in favor of BTL has become harder, and it's important for accidental landlords to seek financial advice before deciding whether and how to proceed.

It's also vital that you speak with your buildings and contents insurer, who may insist on switching your cover to a policy specifically for rented properties. But shop around – your financial adviser can help you find the most suitable deal.

Limited company route

In 2016, the number of landlords buying property to let through a limited company structure increased dramatically, topping 100,000 by September (Kent Reliance). This was partly to escape new income tax obligations that will hit landlords from April 2017.

But should accidental landlords take the limited company route? Jane Simpson, managing director at BTL adviser TBMC, isn't convinced: "It's not as simple as just 'moving' properties over. A limited company is a separate legal entity that can be a lot more complicated than a simple remortgage."

John Heron acknowledges that most of those taking the limited company route are landlords with larger portfolios: "A landlord who has retained a previously owner-occupied or inherited property is likely to be smaller scale, and so far, we've seen limited enthusiasm for incorporation from smaller landlords."

The key issue for accidental landlords to consider is that moving a personally owned property into a limited company structure could potentially trigger stamp duty and capital gains tax, so expert tax advice is essential.

Is it worth it?

Government intervention in BTL has proved challenging for investors. With the stamp duty surcharge, "turnover tax", removal of the wear and tear allowance, banning of letting agent fees, and new PRA rules all chipping away at property investors' potential profitability, it's become harder for inexperienced landlords to thrive.

John admits: "In most cases, it would be difficult to make a living from one property – and prospective landlords should give detailed consideration to what they want to achieve with their property." Ultimately, says John, the cost-benefit analysis boils down to the likelihood that a home's value will appreciate sufficiently to justify the effort and expense of letting it out – and there are no guarantees.

The paths that lead people to becoming accidental landlords are as varied as the properties themselves. Whether it's a matter of necessity, choice, or pure happenstance, your success as a landlord depends not on how you come into the role, but on how (well) you roll with it.

GET READY FOR TENANTS

For any landlord, thoroughness is key when it comes to dealing with paperwork and red tape.

Protect your tenants' deposit

You must enroll in a scheme that will hold your tenants' deposits and provide an independent dispute resolution service.

Fire, gas and electrical safety

Make sure you understand the fire, gas and electrical safety regulations involved in letting a property, and get an annual gas maintenance and safety check by a Gas Safe-registered engineer.

Right to rent

Verify that any new tenant or lodger can legally rent your residential property in England, by inspecting (and keeping copies of) acceptable documents. Visit <http://bit.ly/2hQhQm7> for more information.

Letting agents

Decide whether or not you want to use a letting agent to find and vet tenants and manage your properties. They will charge approximately 10% of your rental income, but can be invaluable if you don't have the time to manage the red tape associated with letting a property.

Next steps

- For more on managing your property, check out our feature on page 44.
- Not sure whether to sell a property or turn it into a buy-to-let? Ask for advice on The Property Hub's forum: thepropertyhub.net/forum.
- If your plans will involve remortgaging, turn to page 36 to find out the current state of the mortgage market.

TOP TIPS

Managing a portfolio isn't easy, says **Harvey Jones**, but getting it right is more than worth the effort.

How to Organise a property portfolio

There's a reason not everyone is a buy-to-let landlord: it's harder than it looks. Dealing with everything from building code issues and contractor grievances to HMO scuffles and tenant turnover, it's enough to make even the savviest investor drop a baton or two.

Landlords also have to manage a variety of rental accounts, keep on top of letting fees and charges, organise insurance renewals and refinancing deadlines, and manage a series of professionals and contractors. Many do this while holding down a day job and dealing with other family commitments. Here's how the best landlords bring order to the chaos.

Spreading risk

Like many buy-to-let landlords, Haroon Hussain, 42, from Leeds, started by investing in three-bedroom houses but quickly found it made sense to convert them into one-bedroom flats, which minimises the danger of costly void periods. "When a house fell vacant, the entire income from that property would dry up. But with several flats, we always have some income stream from that building," he says.



Haroon Hussain.

Being time smart

Last year, Haroon gave up his full-time teaching job to devote more time to his family's portfolio. "We manage the more straightforward properties ourselves, as it's hardly worth paying someone to do the work if, for example, you might only need to replace a tenant every year and have very little maintenance."





For the more complex properties, such as HMOs, they hire a specialist letting agent. "It saves us a lot of bother, and the additional revenue from an HMO more than covers the cost."

Watching those fees

Haroon carefully draws up agreements with letting agents, covering services and fees in explicit terms. "We make it clear that we expect the agent to give us plenty of notice before any fees are due to change. While we have some leverage with a portfolio of 28 properties, this may be harder for landlords who have just a few."

Repair and maintenance charges are also pre-arranged. "Agents can proceed with repairs costing less than £100; above that, we require notification and will only authorise work after the agent provides quotations."

Haroon refuses to pay agents' additional administration fees: "As far as I'm concerned, that is what their monthly management fee is for."

Shopping around

Haroon's family has created a spreadsheet with key dates for all critical items, such as insurance and refinance deadlines. "We don't insure individually: we hold portfolio insurance instead, which saves us a lot of time and effort"

They start by seeking a range of insurance renewal quotes a month before expiry. "We have a good relationship with our insurers and always give them the opportunity to take care of our renewals. If they can't beat the best quote for the same level of cover, that's when we'll change."

Haroon manages renewals of energy performance certificates and gas certificates via ArthurOnline.co.uk, which brings together tenants, agents and contractors within one platform. "It also acts as a great repository for property documentation," says Haroon, "allowing us to manage our properties anywhere we have an internet connection."

“Haroon carefully draws up agreements with letting agents, covering services and fees in explicit terms. ‘We make it clear that we expect the agent to give us plenty of notice before any fees are due to change. While we have some leverage with a portfolio of 28 properties, this may be harder for landlords who have just a few.’”

Keeping tabs

Haroon's family assigns each property its own bank account to manage the mortgage, rental income and expenses. "Family members have their own properties, but we manage the portfolio collectively. I have seen families mix these things all together and get into a right mess."

Separate accounts enable them to review the individual performance of each property, Haroon adds, to ensure maximum efficiency.

Sharing ideas – and savings

Haroon is part of The Property Hub online community, listens to its weekly podcasts and attends local property meetups. "We learn from a lot of likeminded people, and it gives us a sense of what everybody else is doing."

He's also a member of the National Landlords Association and takes advice from them before tackling any tricky tenant issues. "And we belong to the Landlords National Property Group, which gives us big discounts on refurbishment materials and insurance, and saves far more than our membership fees."



Gavin Marshall

Staying focused

Gavin Marshall, 38, doesn't hang around. He bought his first rental property just three years ago, already owns 12, and manages another three.

He did all this while holding down a full-time job in IT, but quit in October (while occasionally freelancing to supplement his income) to focus on his property portfolio. "I was investing to secure my young family's future, yet – ironically – it was taking me away from them."

He's also focused when it comes to location; his properties are all within a square mile of one another in the attractive suburb of Morley, just south of Leeds. "Some investors like to diversify by purchasing different types of property in different areas, but I think that's risky. I know Morley inside out and understand what local tenants want. That knowledge is gold dust."

Calling for back-up

Gavin says there's only so much you can do yourself as your portfolio expands, and it's vital to get the right outside help.

He set up a limited company following former Chancellor George Osborne's tax crackdown and now employs an accountant to manage its books, after a recommendation from another landlord at a Property Hub meetup.

Gavin used to advertise for tenants through Gumtree and Facebook, but found it frustrating. "Tenants have a different mindset when you make an agreement this way. Too many feel they can fail to show up without even telling you. I wasted too much time and now use a letting agent."

He chose a local independent agent rather than a chain. "I buy them a tin of biscuits from time to time because it helps personalise the relationship," he says.

He also has plumbers, electricians and handymen on speed dial, again shunning big chains and suppliers for trusted individuals. "That way you know

exactly who is going out, and that they'll do a good job and charge you a fair rate – rather than bill you to replace a boiler that doesn't need replacing."

Earning rewards

Gavin has one unusual tip that has saved him large sums. "I buy landlord insurance through cashback sites such as Quidco. I've bought cover for an annual premium of around £170, and got £110 cashback in the first year. With 12 properties, the savings really add up."

Striking the right balance

Adam Licudi, 51, who has three properties in Earl's Court, London, says void periods are the biggest financial threat, and landlords need to be rigorous about finding new tenants. "I always diarise at least two months before a tenancy is up so I can line up a replacement."

He uses a letting agent to find tenants but strongly advises reading the small print of any agreement carefully. "Letting, contract, inventory, cleaning and gas safety certificate fees can quickly add up and eat into your profits. I now arrange as much as I can myself."

Being a landlord will never be easy, Adam says. "The challenge is to get the right balance between paying for professional help, and saving money by doing the work yourself."

“Gavin used to advertise for tenants through Gumtree and Facebook, but found it frustrating. ‘Tenants have a different mindset when you make an agreement this way. Too many feel they can fail to show up without even telling you.’”

TOP TIPS

Our top five

things to look out for in 2017

DIARIES AT THE READY: IT'S TIME TO GET ORGANISED FOR 2017. IT MAY NOT BE THE EASIEST YEAR FOR PROPERTY INVESTORS, BUT THE SECRET TO SUCCESS IS PLANNING AHEAD. WE'VE ROUNDED UP THE KEY EVENTS YOU SHOULD HAVE ON YOUR RADAR SO YOU'RE READY FOR ANYTHING.

1

TAX D-DAY

If you're not aware of the impending changes to landlord tax relief by now, you may want to rethink your property career! Since 2015's Emergency Budget, savvy investors have been busy preparing for the biggest tax shake-up in the industry's history. Whether you've opted for the limited company route or you've just done your sums and can make things work financially, chances are you're more than ready for 1 April.

3

ARTICLE 50

We may have voted to leave the European Union in 2016, but it'll be in 2017 that we actually begin our exit. None of us really knows how Brexit will go yet – including, it seems, our political leaders – but we do know that Article 50, which outlines the withdrawal process for EU members, will be triggered at some point this year. The property market has begun to settle following the initial jitters from the referendum result, but expect further uncertainty once the process actually begins.

2

BUDGET OVERHAUL

Chancellor Philip Hammond will announce not one but two Budgets this year as part of his overhaul of the UK's financial system. During last year's Autumn Statement, Mr Hammond revealed that going forward, the Budget will be announced in November – giving the government a chance to implement any tax changes before the start of the new fiscal year. For 2017, the Spring Budget will stand, meaning there will be two Budgets in 2017 – and two opportunities for policy changes affecting property investors. Deep breaths, everyone.

4

PRA DEADLINES

The first instalment of the Prudential Regulation Authority's new rules for the buy-to-let market are already in play. From 1 January, lenders were required to conduct tougher stress-testing on BTL mortgages. On 30 September, we'll see further changes come into effect – including the need for investors with multiple properties to provide income and mortgage data on each of them when applying for refinance or buying a new property.

5

LETTING FEES BAN

After much discussion and debate, Chancellor Philip Hammond announced plans to scrap letting fees for tenants in the Autumn Statement last year. Of course, things rarely move quickly in politics. A consultation into the ban has yet to begin, so we won't see any action just yet, but the findings should be announced next autumn.

INSIDE THE HUB

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.



Discovery Day event.

OPENING UP

In November we spent the day with 200 Property Hub members at our very first “Discovery Day” in London – an event for people who wanted to find out more about us and our companies, Yellow Lettings and RMP Property.

At the event we talked about what we see happening in the property market over the next few years, explained what our companies do, and had a Q&A session with two Property Hub Magazine stars: mortgage broker Dave Cookson and conveyancer Jenny Bland. Perhaps foolishly, we also gave attendees the chance to meet the people who actually do the work in our businesses while we take the credit.

So we got to spend all day talking about property and ourselves, and the event raised £1,000 for the Whitechapel Centre homeless charity in Liverpool – what’s not to like?

SUMMITS FOR THE WEEKENDS

We used up a further two November weekends hosting our final Summits of the year – one at our normal venue in London, and the other in Manchester for the first time.

Summits are always great fun because we get to spend all day with a motivated bunch of property fanatics

while helping them overcome their respective hurdles. These two Summits were particularly interesting, though, because we were also able to see the contrast between people’s priorities in each city.

We’re only holding four Summits in 2017, the first of which is already sold out – so if you’d like to join us, go to thepropertyhub.net/summit to see which dates are available.

MEETING OUR MAKERS

Our monthly Property Hub Meetups around the country (and beyond) are only possible thanks to our dedicated crew of meetup leaders – all of whom give up their time for no other reward than facilitating an evening of invigorating property chat.

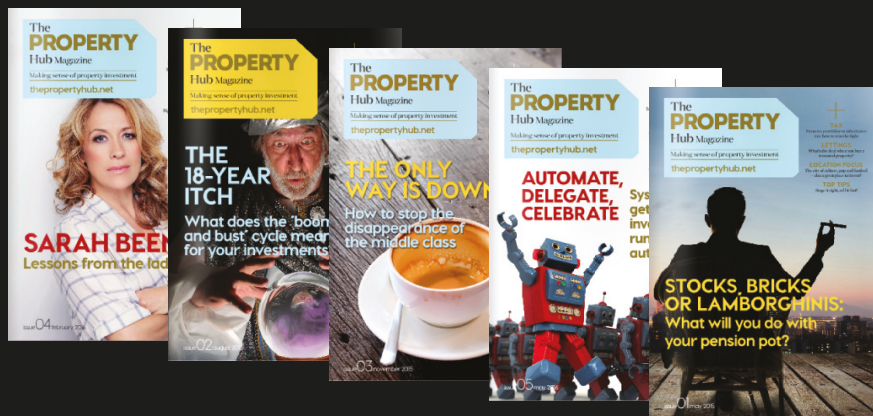
So in the run-up to Christmas, we wanted to thank them in what always seems to be the most popular way: with lots of free beer and wine. We had a brilliant evening catching up with leaders from around the country – comparing investment strategies, meetup tips and (strangely) dogs.

GOING SOCIAL

Running a letting agency, sourcing company, bridging company, magazine and more keeps us busy – so busy, in fact, that we haven’t found time to share photos of our quinoa and coconut milk porridge with the world.

Well, we’re putting that right: a mere ten years late, 2017 is the year The Property Hub goes social. OK, we won’t really be Snapchatting our sourdough sarnies, but you will find all kinds of useful links, commentary on the latest events, highlights from The Hub and all manner of other usefulness. Just search “The Property Hub” on Facebook, Twitter, Instagram and LinkedIn and make sure you’re following us so you don’t miss out.

DOES THIS MAGAZINE BELONG TO YOU?



If the answer is “no” but you wish it were “yes”... **SUBSCRIBE!**

The Property Hub Magazine contains a quarterly update of everything a property investor needs to know, think and do. Written by some of the UK's top journalists - with contributions and case studies from property experts and investors - it's an easy and entertaining way to keep up to date with every aspect of UK property investment.

To subscribe and receive a copy on your doormat every quarter, visit: thepropertyhub.net/magazine

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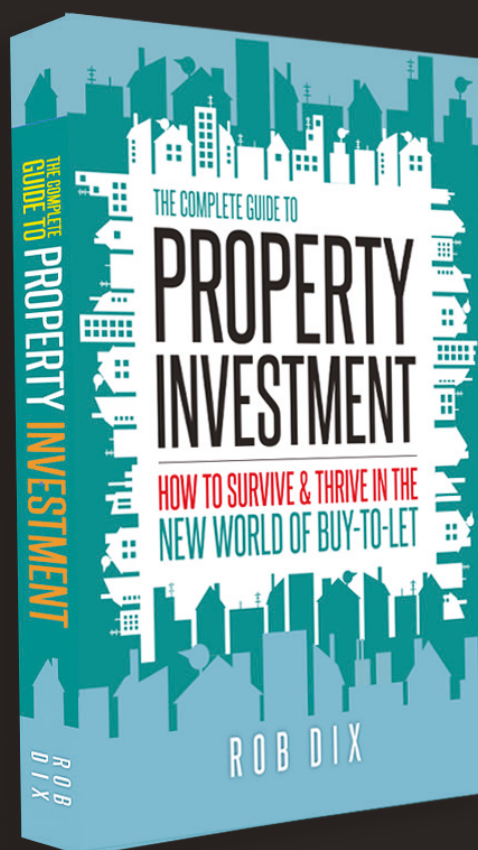
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- 52 pages of full-colour, beautifully designed, informative and entertaining content - no sales pitches, no filler!

OUT NOW!

The follow-up to Rob Dix's best-selling book, Property Investment For Beginners.

The Complete Guide To Property Investment takes you through every step of building a life-changing property portfolio - from strategy and research to tax planning and exit strategies.

Order your copy now at propertygeek.net/book



EVENT LISTINGS

In a town near you (every month)

Property Hub Meetups are the UK's biggest FREE network of property events, with over 35 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:

ABERDEEN

The Village Hotel, Kingswells, AB15 8PJ.
Meetup leader: Scott Wilson

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

CHORLEY

The Lock and Quay, PR6 9AE.
Meetup leader: André Simm

LIVERPOOL

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

MANCHESTER

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

LEEDS

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

SHEFFIELD

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

DERBY

The Tap, DE1 2ED.
Meetup leader: Ryan Slater

NOTTINGHAM

The Lion at Basford, NG7 7FQ.
Meetup leader: Jonathan Challis

LEICESTER

Heathley Park – Fayre & Square, LE3 9QE.
Meetup leader: Mark Barnes

LEAMINGTON SPA

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

MILTON KEYNES

Ye Olde Swan, MK6 3BS.
Meetup leader: Jason Smith

CHELTENHAM

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

CARDIFF

Holiday Inn Cardiff North, CF15 7LH.
Meetup leader: Luise L

BRISTOL

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

SWINDON

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

READING

Grosvenor Casino, RG2 0SN.
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

SOUTH ESSEX

The Paul Pry, Rayleigh, SS6 7AA.
Meetup leaders: Joanne Dron and Larry Solomons

EVENT LISTINGS

LONDON KING'S CROSS

The Somers Town Coffee House,
NW1 1HS.

Meetup leader: Gavin Lloyd

LONDON WATERLOO

All Bar One, SE1 7PY.

Meetup leaders: Joe Di Fede and
Matt Newman

LONDON STRATFORD

King Edward VII, E15 4BQ.

Meetup leaders: Oli Lowrie and
Jethro East

RICHMOND UPON THAMES

The Cricketers, TW9 1LX.

Meetup leader: Roxane Brazeau

EPSOM

The Albion, KT19 8BT.

Meetup leaders: Justin Richards and
Andy Garnett

FARNHAM

The Botanist, GU9 7ND.

Meetup leaders: Andre and Elise Brink

MAIDSTONE

The Muggleton Inn, ME14 1HJ.

Meetup leaders:
Zoltan Kohary and Kristina Koharyova

BRIGHTON

See website for details.

Meetup leader: Phil Leppard

SOUTHAMPTON

Maritimo Lounge, SO14 3LG.

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

Barshu restaurant, Amagerbrogade 4,
København S.

Meetup leader: Lars Eskebaek

DUBAI

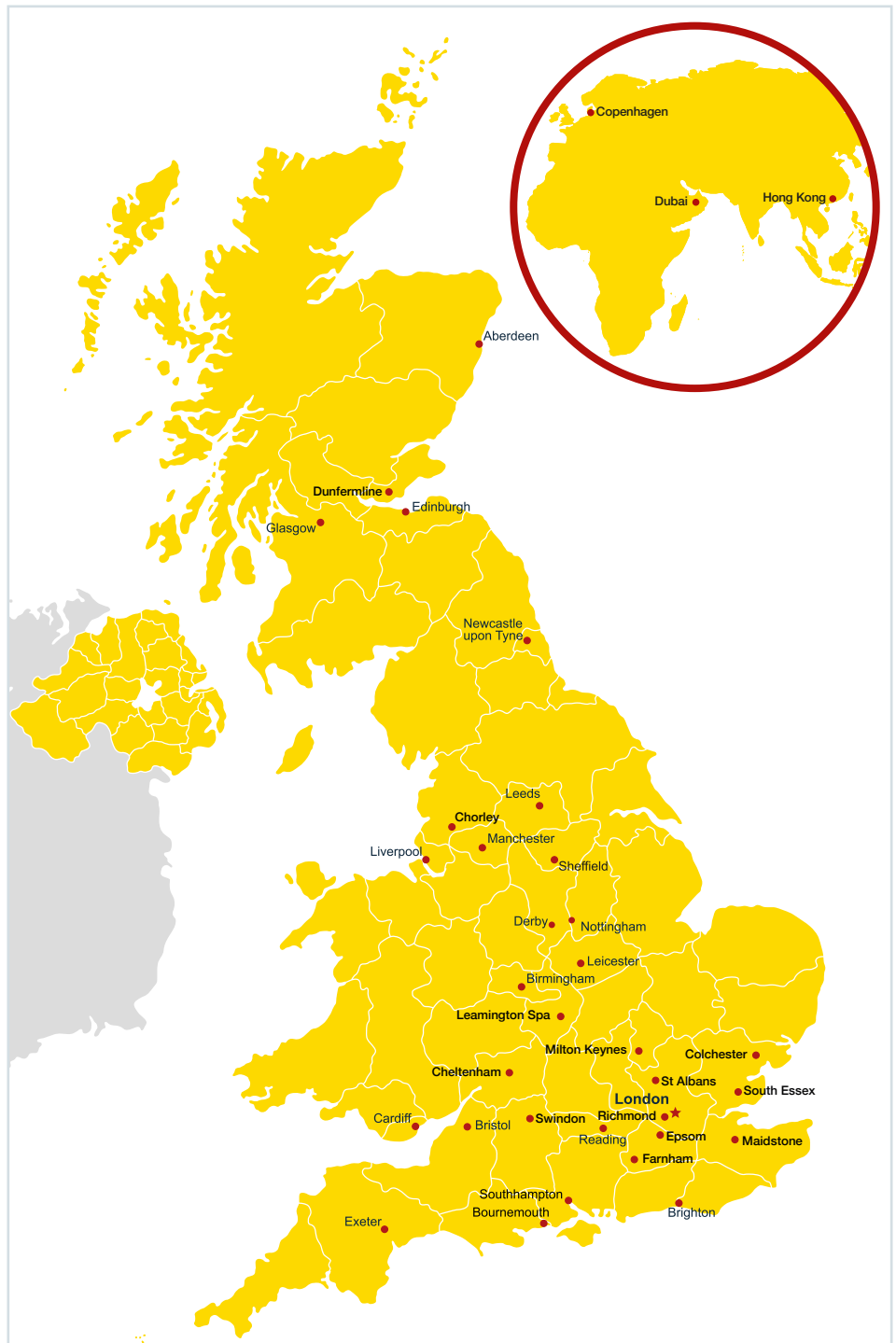
The Scene, Dubai Marina Mall.

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.

Yellow.

Lettings

The Property Hub has a podcast, an online community and now this magazine.

But did you know there's a letting agency too?

Head to yellowlettings.net to find out more!

