SEPTEMBER 2020 – ISSUE 4 – PRICE £6.99

Blue Bricks MAGAZINE

THE PROPERTY INVESTOR MAGAZINE

STUDENT MARKET DURING COVID-19
WITH NEIL CHAUDHURI

SUPPORTED LIVING GATEWAY

LISA BROWN TELLS US ALL ABOUT HER NEW VENTURE

MEET THE **GATEWAY TEAM**

ISSUE4BBM

BLUE BRICKS MAGAZINE

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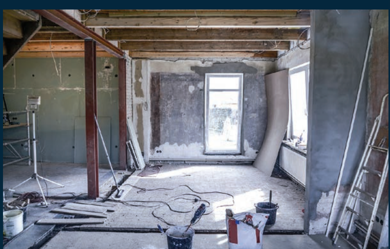

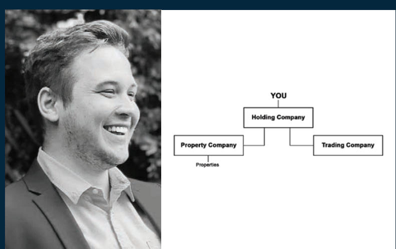

HELLO

EDITOR

Welcome to our September issue, I hope this note finds you well.

This month I've had the pleasure of getting to know **Lisa Brown** and hearing all about her admirable venture setting up the new **Supported Living Gateway** alongside the rest of the team. Lisa's passion and dedication in launching this valuable organisation shines through when talking to her or reading her story. If – like me – you've already considered getting involved with this strategy of investment and are keen to learn more, or even if it's completely new to you, her feature on page 16 should get you thinking about whether or not it's for you. Either way, it is a great read.

I'm also really pleased to have **Neil Chaudhuri** from **Vogue Abode** kindly contributing his words of advice around investing in the student market, especially in light of the current pandemic. This is the first time we have featured an article on the strategies surrounding student accommodation and I hope we'll be able to benefit from Neil's valuable experience in this area in future issues.

Another new topic to the magazine is business, and this month **Nathan Winch** has given us his tips on how to apply a simple company group structure; see page 22 for a detailed explanation from Nathan. He certainly knows his stuff when it comes to business.

If there are any other subjects that you would like to see featured in future issues, please drop me a line at **caroline@bluebricksmagazine.com**. We love to hear from you!

Best wishes

Caroline

MEET THE COLUMNISTS

Kevin Wright Finance

With over 35 years of experience in the property industry, particularly in finance, Kevin is a finance veteran. He owns Invisible Investors, a property education company that trains and enlightens investors on how to use creative finance to buy multiple properties, faster, but with much less cash.
Loves the colour yellow

Anthony Boyce Design

Anthony is an experienced Architectural Technologist with a passion for property. Investor involved in BTL, HMO and serviced accommodation units, predominantly in the Northeast of England. Co-founder of The Property Thing monthly property networking event and owner of Rocket Architectural Design. Looks sinister, but as jolly as Father Christmas

Joanne Saint Marketing

Jo is a dedicated marketing professional with 20 years' experience, both CIM and ILM qualified and owner of a marketing company that helps devise strategy for firms large and small. Jo is also a property investor, developing a portfolio and supporting other investors to do the same with her skills and contacts.
Saint by name, cheeky little devil by nature

Lisa Tinker Compliance

Lisa is an experienced founder with a demonstrated history of working in the professional training industry. Strong business development professional graduated from NCRQ Level 6. Track record in property development and management, particularly in the field of construction. Prefers kisses from her dog to those from her husband

Paul Tinker Construction

Paul is a property entrepreneur delivering construction services to property investors. Specialist in refurbishments and conversions. He owns a safety consultancy run by a dedicated, fully qualified team. He also owns a deal-sourcing business and a construction development company. Likes dressing up as a clown and scaring Lisa

Ben Quaintrell Lettings

Ben has been a letting agent for 15 years, eight of which he has run his own business, My Property Box, a forward-thinking, tech-embracing letting agency. He's an active property investor specialising in single-lets, commercial and serviced accommodation.
Has more grey hairs because of his wife and kids than from his lettings business

Jill Stevenson Public relations

Jill is an experienced public relations consultant with a demonstrated history of working in the PR and communications industry. Skilled in editing, journalism, media relations and crisis and corporate communications. Media and communication professional with a certificate in Marketing (CIM).
Loves doing interior design for dolls' houses

Hayley Gilbert Legal

Hayley is a commercial solicitor and director within the Legal Services team at BWL Consulting Ltd, based in Darlington. She has over ten years of post-qualified experience and has worked in both high street and city firms across the Northeast.
Secretly wants to be Dolly Parton (although not a secret now)

Neil Chaudhuri Investments

Neil trained with Simon Zutshi on the Mastermind programme and finished as one of the top performers, becoming a finalist in the HMO Investor of The Year Category. Neil and his wife, Simona, co-own Vogue Abode specialising in luxury student accommodation. He also enjoys coaching other property investors. Got bored of beating Tiger Woods so turned his hand to property

Nathan Winch Business

Nathan is an entrepreneur and private equity investor of over 12 years. He's started, grown and sold companies in the medical sector. With a passion for property, he owns a portfolio across the UK, but is now an FCA registered private lender and investor, with investments in over 14 businesses.
Loves nice holidays, but never actually goes on any

"UNPRECEDENTED TIMES" FOR NEW COMMERCIAL LEASES

THE IMPACT OF COVID-19 ON NEGOTIATIONS BETWEEN LANDLORDS AND TENANTS

Hayley Gilbert,
Commercial Solicitor

Unprecedented – a word rarely used in common parlance before Covid-19, but now heard practically everywhere! It simply means "having no precedent" – a concept that sends lawyers into a cold sweat.

Until recently, if a landlord client wanted a commercial lease drafting, then a solid and traditional full repairing and insuring (FRI) lease would be the go-to precedent. An FRI lease is one where the tenant takes on the costs of repairs and insurance for the property, thereby protecting the landlord's rental income and ensuring that the property remains attractive to any investor.

However, owing to Covid-19, many commercial tenants have found themselves struggling to keep their premises open, unable to operate their businesses or subsequently to pay their rent. It is this unchartered territory that has made tenants rethink their position when negotiating the terms of a new commercial lease to ensure that its provisions adequately protect them in the future.

Conversely, landlords have been restricted by government legislation as to the options available to them in dealing with tenants who have been unable to pay their rent. They too have had to rethink their position when negotiating new lease terms.

So how will this translate going forward?

It is likely that tenants will want to negotiate shorter term leases rather than committing to longer fixed terms, whilst landlords are going to want to insist upon longer fixed terms to guarantee long-term rental income. Perhaps a compromise will see the tenant agreeing to a longer lease term on the proviso that the lease contains a tenant's break clause, available on numerous break dates or triggered in specific circumstances relating to the coronavirus or any other pandemic. This would thereby give the tenant multiple opportunities to break the lease during the lease term.

It is usual for traditional FRI leases to include rent suspension provisions, ensuring that the tenant does not have to pay rent if they cannot use or access the property (usually due to damage or destruction which the landlord normally has covered by insurance). However, it is now more likely that tenants will look to negotiate an extension of the rent suspension provisions so that they cover situations whereby they cannot use the property as a result of Covid-19 or any other pandemic. Landlords are likely to resist this, not only to limit the rent suspension trigger events, but also because it remains to be seen whether insurers will be willing to provide cover for loss of rent because of the effects of the coronavirus and – if they are willing – whether it will be available at a commercially viable cost.

Rent review provisions are also common in traditional commercial leases, particularly in longer-term leases, and it is not unusual to see open-market rent-review clauses. Landlords almost always insist upon upwards-only rent-review clauses to guarantee a minimum fixed return during the lease term. But going forward, this may not be an acceptable position for a new tenant and negotiations may well now turn to true open-market rent-review clauses on an upwards/downwards basis so as to level the playing field between the landlord and tenant. On the other hand, having no minimum rental income guarantee will be an unattractive option to a landlord as well as potential investors or purchasers and a landlord is likely to resist this.

Another consideration is that more often than not, landlords will want to control the use of their property and the lease will usually clearly define the "permitted use", thus binding the tenant to use the property for the permitted use only. During the pandemic, many businesses have had to adapt to continue to operate, which has meant alternative uses for the premises they occupy (an example being many restaurants converting to take-aways during lockdown). Tenants are likely to resist any unduly restrictive permitted uses within a new lease and the commercial landlord should be prepared to factor this into negotiations. A landlord may need to be willing to accept provisions within the lease that permit flexible use if the tenant's business is affected by the coronavirus or other pandemics.

This article covers only a fraction of the potential "new" issues to be considered in light of Covid-19 when negotiating a new commercial lease and is by no means meant to be an exhaustive list. But what is obvious is that any new commercial lease will require bespoke "Covid" drafting to reflect the needs of both landlord and tenant to try and alleviate some of the hardship suffered as a result of the pandemic.

No doubt these "unprecedented times" will result in the creation of a number of Covid-encompassing lease precedents, which will be the new go-to standard for lawyers. This should ensure a smoother process for both parties and avoid cold sweats for us lawyers.

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Hayley is a commercial solicitor and director within the Legal Services team at BWL Consulting Ltd, based in Darlington. She has over ten years of post-qualified experience and has worked in both high street and city firms across the Northeast.

Hayley specialises in commercial property matters including traditional sales, purchases and leases of commercial property alongside business sales and acquisitions. She works with developers, assisting with finding the creative solutions they require in connection with their commercial and residential developments. Hayley also advises on and drafts the contracts needed to document the joint-venture arrangements agreed between the respective parties.

TOOLBOX TALK

Systemise your business to scale up

What is systemisation?

This is the process of designing standard operating procedures to ensure the consistency and efficiency of your organisation (yawn!). It doesn't sound very sexy, does it? But don't let the dullness of words turn you off; allow me to flick your switch and welcome you into the wonderful world of systemisation!

Without systemisation the dream you might have of sitting on a tropical beach without a care in the world whilst the money pours in will never happen. Why? Because everything relating to the running of the business is stuck in your head and the only way your team can access that information is by asking you. Which means, whilst you're sipping on your pina colada and watching that life-affirming sunset, you will be frantically trying to answer your emails with limited Wi-Fi and taking calls from various contractors and employees. You'll hardly be free if you can't take a week off without feeling the business will fail.

Systems are imperative if you want to be bigger than a one-person operation. If you want to scale up your company, employ people that understand what you want to happen and how you want it doing. If you want to work on your business rather than in it – systemisation isn't optional, it's essential.

Having a system means that you can let a team know how to deliver tasks effectively, efficiently and compliantly without having to be the person they come to for instruction every step of the way. Having a system will give you that consistent quality of property development delivery each and every time.

Creating an easy-to-follow system will make staff training much easier and will define exactly how you want each employee to complete the tasks associated with their role. In short, it will turn good employees into great employees.

The ultimate goal of systemising your business is to create an organisation that works well without you and getting those all-important management systems in place to handle the day-to-day running of your company. This is where you get to be back on that beach sipping your cocktail without Margaret from accounts or John in maintenance chinning at you about their latest micro crisis. Sounds good, right?

So here are the keys steps you need to take to systemise your business:

1. Identify the roles and responsibilities of your employees

Job descriptions and titles are often dished out without the overall business function being considered. If you haven't done so already, this is a key step in understanding how these differing roles interact with each other and when they need to communicate.

2. Identify your business tasks

Whatever those tasks may be, no matter how large or small, if they are carried out as part of your business operations, then it needs to be noted. Once you've done this (and depending on how you work this could take a while), you need to put them in order of priority. Start with the ones that are causing you the most problems and the ones that are falling short of legal compliance.

3. Team process mapping

Sit down with your team – it's time to visualise the tasks with some process mapping. A picture paints a thousand words, which is why mapping processes provides that crystal-clear clarity relating to how you operate. There are lots of software options for those of you who are tech savvy, such as Lucidchart or Visio. However, at this stage a good old-fashioned flipchart, a pad of A2 and your best colouring pens should do the trick.

Lisa Tinker

During this stage you will highlight any issues you need to overcome, spot any opportunities for improvements and create a list of documents that users of the process will require – such as guidance notes, standard forms, policies etc.

4. Document the process

Goodbye inefficiencies, standardisation has arrived. This step is where you turn that informal process into a formal procedure with guidance on what to do at each stage of the map. These documents will then need to be checked to make sure they do what you need them to do and then kept in a controlled way. You will need to ensure you are using a universal named filing system to keep all your lovely new procedures in order and accessible to those that need to refer to them.

5. Implement the system

Get the team back together and run through the details of the system with all users. Do a practical demonstration of the system. Does it work? Do you need to tweak it? A regular audit and review should be undertaken to keep the system up to date and user friendly.

In summary, when systemising your business the key is to get your team together, get them fully onboard with the process and to gain new perspectives of how your organisation works best.

If you require assistance in systemising your organisation feel free to get in touch.

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CREATING CONTENT
WHEN YOU HAVE NOTHING TO SAY

Last month we covered some basics around social media, so you now know you need to be on it and be consistent with the frequency of your posts. But how do you do that when you feel like you have nothing to say?

My advice is, don't overthink it. You don't have to be sharing Einstein-type breakthroughs with every post. Don't focus on who is judging you – too many people worry about their peers instead of their audience and it gets overwhelming.

Remember that there is content in every situation, every day – you just need to be on the lookout for it. Yes, it takes some time and effort, but you're running a business and you should schedule time for marketing because without it, you don't have a business.

To achieve this, you need a content plan and a pie chart. I'm not talking detailed maths – just a simple, effective way to create balance. For example, if all you post about is ripping out fireplaces, people are going to get bored and switch off and this equals social media death.

Your segments could be:

- About you – how much of you, your life, your why and your personality do you want to share?
- Your business – what you do, who for, how, when, why, team members, suppliers.
- Your credibility – your qualifications, testimonials, case studies, experience, specialisms, etc.
- Local – if your business is local or regional, share posts about the area and why you're based there.
- Industry – share posts from others with your opinion and comment on industry specific news and updates.

Choose your own segments then decide what percentage of each you want to cover across a month. If you want 40% of the content to be about you, then four in every ten posts should cover this topic.

Sources of content

If you get stuck thinking about what to write, consider some of the following to get the ideas flowing:

- Your CV – where have you worked and how does the experience you have translate to property? Where was your worst job, favourite job? Who was your best boss?

- Your diary – where are you going this month? Who do you have appointments with? Are you going somewhere different or meeting someone new?
- Your to-do list – do you need to meet trades on site? Are you going to stock up on multi finish? Are you preparing an investor pack or working on your YouTube channel?
- Your memories/history – how many properties do you have? When was the first? Do you have a business/ personal/property anniversary?
- Your why – what motivates you? Why do you do what you do? What will your legacy be?
- Social media days – there are around 20 days a month that are dedicated to something, so how can you link your business or you to these? On National Pie Day, you can post about the best pie shop you go to when you're on site all day. On National Love Your Pet Day, you can post about whether you allow pets into your rental property, HMOs or SAs.
- Memes, quotes and other people's content – check the news, or use your favourite author for inspiration; just remember to always credit the original source.

No matter the theme or source, weave in your personality. Be authentic and write how you would speak. Use stories and examples. If you're known for being funny, make your posts funny! But don't try and link your business to National Greek Island Day (I made that one up) if you've never been and have no interest. This is especially true of the more serious days that may relate to health or world issues. People will see through it and it just looks spammy. If it's not relevant, don't use it.

Every single day something will pop up that you can write about. Funny stories, trades not turning up, problems on site, finding solutions, meeting new people, learning a new skill, finding a new favourite gin – it really is endless. Keep a little notebook or use the notes function on your phone to scribble ideas down as they come to you or perhaps make time to reflect at the end of each day. It doesn't matter that you don't post immediately – no-one knows you first tried Parma Violet gin last week, but that you'll finally get round to posting about it next Tuesday.

Schedule

I'd allocate half a day to creating and scheduling all your content for the month. Once you get into the groove (I think there's a National Madonna Day), you'll find it much easier and save so much time and brain power than trying to do this every day.

Use the tips above and write a long list of everything you could post about, then organise the list into your segments so you don't overdo one topic or theme. Can there be too much gin talk? Most of your content can come from this pre-prepared plan. Imagine that – your target is 20 Facebook posts and you've set up 16 of them before the month even starts! Set and forget. Well almost – don't forget the engagement! You do need to check your platforms to respond to any comments or to thank your audience for any reactions or shares.

Remember, the goal is always engagement – think of your content as a two-way conversation, rather than you just pushing stuff out. If you do this consistently, there is a double whammy. Firstly your time and effort is like a sacrifice to the algorithm gods who may reward your engagement with more reach, but equally importantly you will be breaking down those "know, like and trust" barriers with your audience and you will build genuine relationships.

Whilst that's the majority of your social media work done, adding a few "live" posts (those you share in the moment) will enrich your story even further. And don't forget you can also set content as evergreen, which means you can use that post more than once, scheduling it every month if it's not time sensitive and the message is one you want to repeat.

Then breathe a huge sigh of relief! Well done.

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WHERE THERE'S MUCK THERE'S MONEY

WHY A PROBLEM PROPERTY ATTRACTS LESS COMPETITION AND CAN BAG YOU A HIGHER DISCOUNT ON THE PURCHASE PRICE

ANTHONY BOYCE

Us property folk are a weird bunch, aren't we? Wired a bit differently to most, don't you think? Are you like me in that whenever you're looking for a new project it's often the smellier, dirtier, more structurally unsound properties that get you the most excited? Thought as much! For me, when I find these issues, it usually means that there are problems to solve, and it's in the solving of problems that the money is made in this game. When properties are deemed unmortgageable, the competition is largely reduced, as the property will need to be purchased with cash outright or via lending channels which are uncommon or scary to most. Structural or severe damp issues are within this category of unmortgageable issues. Often the pool of potential investors will reduce again at the mere mention of such problems but it's exactly this sort of stuff that gets me thinking about how I can maximise on discounts!


Does the property look that wonky from the outside?


The tie rods shown after installation through the gable wall and joists


Damp caused by the external rainwater pipe and gully


Additional structural works uncovered when peeling back the layers


Tanking completed to the affected walls (scuse the door and wheelbarrow!)

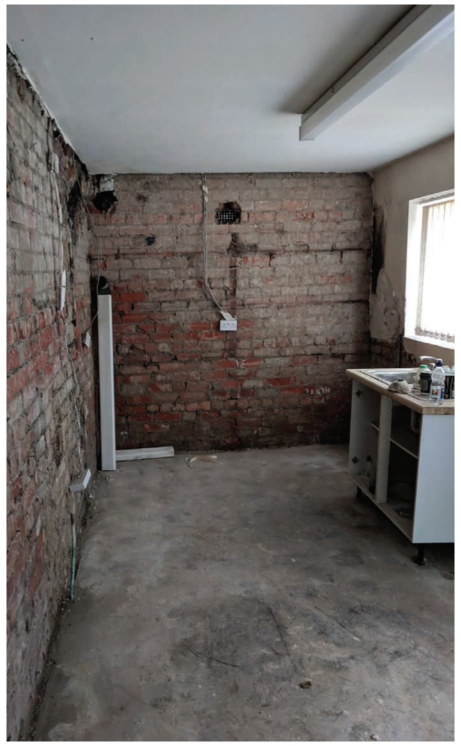
Now, I'm not saying that you should just go and throw in lowball offers on any property that looks a bit wobbly or smells funny! Some issues can cost the earth to fix but, if you go into the transaction with your eyes wide open, fully armed with a solution, there are some real gains to be made come re-valuation or remortgage time. If you do come across them though, don't just listen to the estate agent's accompanied viewer or your mate down the pub's view on how bad/good it is and take it as the gospel truth. I've found that sometimes even surveyors, the people who we generally rely upon in these situations, can over egg the pudding and put people off wanting to buy these properties.

So, what are you meant to do? It's easy! Get proper advice from the appropriate professionals who have dealt with issues of this type before. Go to the people who actually fix these problems, not plasterers who say they "have done damp-proofing for over 25 years". They won't get to the root of the problem, they'll just plaster over it. I once had a client who had his walls tanked by a plasterer, but the plasterer had stopped tanking at the skirting boards as no-one had taken them off. Six months later, the wooden skirting and door architraves were rotten because the most important part of the tanking of the wall – the junction between the wall and the floor – hadn't been treated.

Google "Structural Wall Stabilisation" or "Structural Repairs" for a selection of decent specialists. Often these specialist companies will come out to carry out a full survey and provide recommendations and a quote for free. I'm not saying abuse this offer – don't go to them for their free advice and expertise then employ someone who says they'll do it for half the price. That's a great way to wind up the good contractors or professionals in your area in any industry and will only lead to problems for you in finding help on future projects. But what you will get from working this way is a sensible, realistic price to alleviate the issues fully as well as that all-important insurance certificate your future mortgage lender may want to see.

The pictures here show a time where working this way paid off for me. A previous sale had fallen through on an end-of-terrace property when the mortgage company's surveyor picked up a slightly bowed gable wall. The mortgage company pulled their offer to fund the purchase, so the property had gone into a "modern auction" sales process. After viewing the property and thinking it didn't look all that bad, we managed to get hold of a copy of the surveyor's report detailing the problem. Basically, as the joists ran in the same direction as the gable wall (common in these older Victorian/Edwardian terraced houses), there wasn't anything tying

Cracking to the outer corner of the building showing some previous structural movement



Back to brick kitchen

The same corner – refurb completed

Failing existing tanking solution to the kitchen area

Anthony Boyce, Architectural Technologist

the brickwork gable wall into the joists to provide lateral restraint. In modern construction a simple metal strap is screwed to the brick or blockwork (usually strapped within the cavity) and then taken across and screwed to three of the joists, which run parallel to the wall. This provides the support needed to stop the wall bowing over time under its own weight.

The fix in our situation was to introduce a similar strap, albeit retrospectively. This was carried out by drilling metal tie rods (they look like long threaded bolts without a head) through the outer brickwork at the joist levels, and screwing them through three of the existing floor and ceiling joists. The pilot holes are then filled with resin cement and they become as strong as the brick around them.

Another issue we faced with this property related to the bay window. Bay windows are often not built on as chunky a foundation as the rest of the house, so have a tendency to move slightly with cracks appearing in the mortar joints and close to where the bay window joins the rest of the house. This had also been highlighted in the surveyor's report, putting off potential purchasers as the wording used made the problem sound far worse than it was. The remedy for this was to grind out the existing mortar joints to the bay window's brickwork and install steel bars using a crack stitching kit. Easily sorted!

The same goes for damp-related issues. When there's that musty smell of damp you know there's a lot of dirty work in stripping all the walls and plaster back to brick to rectify the problem, possibly joists to repair, replace and re-support. But usually the problem isn't as bad as you think: what's on the other side of the wall affected by rising damp? Is there a gully or rainwater downpipe? A cast-iron drainage channel set within the pavement? A cracked or blocked rainwater pipe or hopper?

Although we were planning to get the property fully treated for damp (plaster off to a minimum 1,200mm from ground floor and tanked internally – although you should go higher to perhaps 1,500mm if it's really damp), we had one localised spot where the wall was absolutely sodden. It turned out the culprit was a blocked drain gulley in the front garden, which was overgrown with weeds so just a simple

The finished rear communal room

We had real issues with the builders we were using and ended up parting ways halfway through the build.

bit of DIY maintenance and rodding would have prevented that from becoming such an issue in the first place.

All in all, the structural works we carried out came in at around £4k, and being fully insurance backed, the property was now mortgageable. The agreed purchase price before it fell through and went to auction was £80k. The surveyor's report had identified all the structural issues having an estimated cost to rectify of over £10k. Our agreed purchase price, including the £6k modern auction fees was just £58k – so being brave and fully understanding the issues and what was involved in rectifying them had saved us £18,000!

In the interests of complete transparency, we needed that saving on the property in question. We had real issues with the builders we were using and ended up parting ways halfway through the build. Delays, new builders uncovering shoddiness, re-doing work and the added holding and finance costs meant that our planned ROI (return on investment) took an absolute hammering. Had it not been for the saving up front, this project would have left us short when paying back investors after we had mortgaged.

So there you are. I hope this has given you a little bit of confidence to perhaps take a punt on that next smelly, wobbly wreck you walk into. It's like anything in this game: do your research, be prepared for some trial and error, and make sure you know the people who can solve your problems and save you a few quid. There are some real deals to be had, if you know just that little bit more about solving the issues you're facing than the agent or vendor selling the property.

A great way to find out about dealing with problems like these, or to find the contacts you need to help you, is via networking. I've found that property investors love telling you all about the problems they have faced on their projects, and how they got around them to turn their failures into successes. So if you haven't started doing this yet, get your ass along to a local property investor event and ask questions! I really can't stress enough how much networking has raised my game, so you'd be surprised what it will do for you too.

As always, I'm happy to have a chat if you need a little help in this area, so please reach out to me.

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Rear chimney breast prior to its removal, showing the old back boiler

Rear chimney breast removed

THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

HALIFAX RECORD HIGHEST HOUSE PRICE VALUES ON RECORD

JILL STEVENSON

House prices in July were 3.8% higher than the same time last year despite the stagnation to the property market caused by Covid-19.

Halifax's House Price Index recorded the value of the average home at £241,604 – the highest price on record for the Index since their records began in January 1983. Other statistics show a total of 63,250 homes were purchased in June, a figure that is 31.7% higher than when lockdown was lifted in May and 1.7% higher than in June when the average house price was listed as £237,834.

This makes up in some way for the 124,000 homes that went unsold during the three months of lockdown, according to property website Zoom's figures, and which were valued at a total of £27bn.

Stamp Duty holiday buoying demand

Pent-up demand is responsible for both months' high figures. However, it was the Stamp Duty holiday that really pushed July's sales, according to estate agents. The surprise announcement came into force on 8 July and has resulted in thousands of pounds in savings for buyers of homes valued at up to £500,000 in both England and Northern Ireland.

For buyers in both Scotland and Wales, similar Land and Stamp Duty tax is waived on properties up to the value of £250,000. The scheme in all countries is due to end in March next year. So popular is the scheme that some in the property industry are urging the government to extend it to properties valued at over £500,000.

Upmarket property sales doubling year-on-year

The sale of properties valued between £500,000 to £1m is twice that of the same time last year. Upmarket estate agents Frank Knight say that properties valued between £500,000 and £750,000 and from £750,000 to £1m have seen the greatest uplift in activity during July and August this year, to the extent that sales were 119% higher than in the same period in 2019.

Huge under-supply of properties remains

Meanwhile, Halifax Managing Director Russell Galley also pointed to the ongoing lack of supply in housing as another contributing factor to higher property prices.

He said: "As pent-up demand from the period of lockdown is released into a largely open housing market, a low supply of available homes is helping to exert upwards pressure on house prices."

Property analysts say they are pleased to note the market has recovered after the lockdown slump. They insist the rise in house prices has encouraged sellers who may have been sitting on the fence to take the plunge and put their homes on the market. This in turn is giving buyers more choice and helping to keep the prices from escalating.

Many analysts predict "boom-and-bust" scenario

But not everything in the garden is rosy. Other senior figures in the property industry, such as mortgage broker Coreco Managing Director Andrew Montlake, warn of a future possible "bust" scenario. He said that the end of the furlough scheme in the autumn could lead to a huge number of job losses and an economic crisis. This would, in turn, have a hugely detrimental effect on the housing market.

The government has been quick to reassure current householders struggling to pay their mortgages that they will be able to continue to defer payments for up to six months from the end of October.

Further eviction ban extension for tenants

The eviction ban for those who rent in England and have fallen behind with payments was due to end on 23 August. This was extended for a further two months, when it will be reviewed again. In Scotland the eviction ban has been extended until March 2021, while the Welsh government has introduced an £8m Tenant Saver Loan Scheme for private sector tenants who are not on benefits and need help paying their rent.

LANDLORDS TO BENEFIT FROM PROPOSED LEASEHOLD REFORMS

JILL STEVENSON

Thousands of landlords could be set to benefit from the government's plans to change leasehold regulations after the government itself has admitted there are "glaring inadequacies" in the leasehold system and that they are keen to reform it.

Boris Johnson and his cabinet are reviewing the recent Law Commission's reports which recommend, amongst other issues, cutting the cost of buying back additional years on a lease. This is referred to as leasehold enfranchisement.

At the moment leaseholds usually range from a period of 99 to 999 years. Where there is a small number of years left on a lease – usually between 50 or 90 years – property owners can buy them back, but usually at inflated prices. The Law Commission wants the price of these "additional years" reduced substantially.

This aspect of the proposed reforms will affect landlords of apartments and some new builds, which are more likely to be buy to lets. In fact, the government has calculated that there are currently around 4.7 million UK leasehold properties that will be affected.

The Law Commission – an independent body – looked at three main areas of the leasehold system in England and Wales during their review. These were leasehold enfranchisement, right to manage and commonhold.

England and Wales using antiquated system

Other proposed reforms include abolishing the leasehold system completely. So antiquated is the system (it dates back to 1066) that England and Wales are currently the only two countries in the western world who still operate leaseholds.

Landlords with buy to lets north of the border already have outright ownership of their property after Scotland abolished leaseholds in 2004 – a fact that makes changes to the other parts of the Union all the more likely.

Leasehold properties are far less expensive than freehold to buy initially but, if the reforms go ahead, then leasehold properties will almost certainly become more attractive to buy, meaning landlords will benefit from the increase in equity when they sell the property on.

Right to manage to cut service charges

The right to manage issue, if it goes through, will mean that landlords can choose who they want to service their property. This is possible at the moment, but leaseholders have to cover the freeholder's legal costs which is usually extremely expensive. This could be set to change.

Commonhold may be compulsory

The proposed reforms could also mean that under the commonhold system apartment or house owners in a development can vote to manage their own block – even if they don't own the freehold. All they would need to enact this is the go-ahead from more than 50% of the owners.

The commonhold agreement has been around in England and Wales since 2002, but developers have tended to give the right to buy the freehold to third-party investment companies instead because it's far more lucrative than to offer it to the leaseholder. In many cases, this has resulted in the freeholder charging the leaseholder extortionate service charges and land rents. Under the proposed reforms, this will no longer be the case and instead the leaseholder will be offered the right to buy the freehold first.

In fact, the government may make all new apartments and housing complexes commonhold in future. At the moment leaseholders can change to commonhold, but it's an extremely onerous process involving getting permission from the freeholder, every leaseholder in the block and the go ahead from their mortgage companies – many simply give up.

Watch this space...

The proposed changes to the property market are the latest in a host of sweeping changes to affect landlords in recent years. They began with George Osborne's cuts to landlord mortgage relief and earlier this year included a review into how Capital Gains Tax is calculated. Within the next two years landlords will also have to send quarterly reports electronically to HMRC as part of an update to the UK tax system.

In the case of the leasehold reforms, Boris Johnson's government has already promised to legalise the Law Commission's research as soon as they get to parliament to review it.

FACING THE FEAR WHAT'S IN YOUR "SCARY BOX"?

PROPERTY TIPS & TRICKS
with Kevin Wright

Like any other business set up, property investors have to start somewhere and – if it's something you haven't done before – then it's probably in your "scary box". You see, your subconscious is quite smart – it tries to protect you from uncomfortable experiences and, believe me, anything new will be uncomfortable at first, no matter how much benefit you can see in it. Your subconscious will find all kinds of "good" reasons why you shouldn't make changes.

This reaction is triggered by fear of the unknown – a bit like sitting in the driving seat of a high-performance F1 car on a race track when you've only ever driven a family saloon before. Same applies in property. Even if you've gone through the process of applying for and maintaining a mortgage for your own residence, getting your first buy-to-let (BTL) mortgage can be scary. Especially if you don't immediately have tenants ready to pay a regular rent to cover that big monthly outgoing. All kinds of doubts go through your head and you start playing the "what if" game. What if...

- you can't get a tenant
- the property needs a lot of upkeep and erodes the income
- your current tenant leaves
- the rent doesn't cover the outgoings and you end up having to cover more than your income allows...

STOP!

You get what you expect in this life – so if you keep focusing on negative outcomes, guess what? That's what you'll attract. Fortunately, the opposite is also true – if you focus on positive outcomes, then that's what you'll attract.

Adopt a positive mindset

Focus on the benefits of being a property investor. Know that if you do your due diligence you will set the rent at a reasonable, but profitable level. If tenants are a worry, register with a letting agent who guarantees your rent (as long as it doesn't wipe out your profit). Remember that there is always a way to solve your challenges.

If you're scared of driving on a motorway, getting in an F1 race car probably isn't going to motivate you. But if you're exploring property investment, then you're motivated to make a success of it.

Know where you are on the competence scale

Let's look at one common area that turns up in most scary boxes. Take a look at this progression – when it comes to funding investments, where are you on the scale?

If you think the only means of financing your property investment is BTL mortgages or cash – you're still at the beginning of the progression and you're ready to move on. There are better ways to finance your property investments than BTL mortgages, such as bridging finance, but bridging finance is definitely scary box stuff! As with anything, it's all to do with getting familiar with how it works and the real benefits of using it. After all, it's got to be worth it.

Kevin Wright
Investor, Finance Broker, Speaker
Positive Property Finance

Learning how to use bridging finance is just like being in the driving seat of that F1 car: you just need some tuition and practice (OK, for F1 probably a lot of practice). Similarly, to become a ninja property investor you need to step out of the mindset that is focused on getting mortgages on your properties and start thinking in terms of cash purchases.

Bridging finance isn't as tough to get as most people think and the costs of the loan are more than covered in the returns on your investments – this simply isn't possible with mortgageable properties.

Now you know it's possible, you've already lifted the lid on your scary box and you can see that it's not as frightening as you first thought. You're on the right track to launching a more profitable career in property investment.

youtube.com/kevinwrightproperty
kevinwright@thinkpositively.co.uk

THE TOP THREE IMPERATIVES FOR A SUCCESSFUL REFURB

We've all seen the TV programme "Homes Under The Hammer" where people go and find a property at auction for around £50k, spend £5k on it and then it's magically worth £90k when it's done. You sit there thinking, "that looks easy enough – I can do that." But this type of show has a lot to answer for!

Where do you even begin with a build cost for a full-house refurbishment? This is the number one question I'm asked by my mentorship group, in the classroom and on the discovery calls that we offer through the Academy. Some of you will know my feelings towards square metre rates, Facebook formulas and multipliers and how they are completely meaningless without a specification. Anyone can go to a property and measure up the length and width, times it by some bullsh*t number and give you a price tag. But what is that based on? How is the size of the property even relevant to what work needs doing?

So where do you start? As I've said before: start with the end in mind. Document everything – I've broken this down into three essential areas to get down on paper before you begin:

1 Exit strategy

It is imperative that you, the property investor or client, understand what your exit strategy is before you begin. To start with, the exit strategy gives you your finishes – for example, your kitchen. You wouldn't start fitting a £10k kitchen in a £50k vanilla buy-to-let or, vice versa, you wouldn't fit a £900 eBay special into a £200k flip project, because the exit is not aligned with your products and finishes.

Another simple example is that the same property could be receiving either a light refurb or a full six-bed all en-suite house of multiple occupation (HMO) conversion – these build costs will clearly not be the same. Sounds obvious, but trust me when I tell you that there are folks out there that think it's the same!

Paul Tinker

So your exit must be clear: don't get distracted by the latest Facebook group, stack your deal up with a strategy in mind and stick to it – execute that plan like a business transaction. Make your plan A so robust that you don't need a plan B.

2 Programming

The second imperative is time. Time is the biggest cost on any project, regardless of your exit strategy. The old adage "time is money" is so true here – so you're going to need a programme of works and an understanding of how long each task will take. This is the number one accountability document on any project and will allow you to plot trades, trade transitions, deliveries, skips, cash flow and even lending requirements.

3 Specification

Last, but certainly not least, is your specification – this ties into your exit strategy. You need to fully appreciate and understand what products you will be using in what type of property. You can tabulate these products into almost menu format for yourself to suit your needs. This document is your point of reference throughout the project.

Remember this: when you get a quote from a builder, if it's not coupled with a specification, it's just an estimate regardless of whether it's called a quote or not. This is because there is no point of reference and anything outside of what they have allowed for immediately becomes an additional cost. To get quotes without planning means the quote is nothing more than an estimate, and do you know what another word for an estimate is? A guess. Not something I would like to invest upwards of £50K into! It's absolutely critical that you have this specification in place and to make sure everything is included in the pricing or you could find yourself with a nasty little surprise at the end of the project.

So having established three essential documents that are imperative to the success of a refurb project, you are now in a position to start ringing around trades and builders to get those quotes in. Establishing and documenting these crucial areas gives you your accountability, standards, timescales, products, forecasts and a whole host of other things, and yet the majority of investors we work with have rarely used them and some are completely unaware of their existence, let alone their importance.

When we ask for this information some investors shy away from working with us and would rather find a builder that doesn't ask for this level of detail than do the work needed to get this right. Some investors even believe that these pieces of work are the responsibility of the builders and trades they are using on the project. Remember: it's your property, your project, your budget, your timescale and your money so you need to be owning these documents 100%.

If you would like to know more on the importance of these aspects of your refurbishment projects, do get in touch with us and we can help you; you're not alone in this! Please, I beg you not to enter this space blindly or using guess work. This is a skill you must develop before taking a risk on this level of investment.

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THE SUPPORTED LIVING GATEWAY

"We have ambitious plans to revolutionise the way property investors and supported living providers connect to create more homes for vulnerable people"

Lisa Brown
Care & Registered Provider Relationships

"The Gateway will allow us to make a positive impact on those more vulnerable by giving them an opportunity to better themselves and their quality of life through a higher standard of accommodation and homes"

Rich Liddle
Sales & Marketing

"We created the Supported Living Gateway to enable more homes to be readily available to all care sectors: from fully adapted disability accommodation and 24-hour care-support units, to homes for children in care and young care leavers"

Russ Crabtree
Property Developer Relationships

"I feel so privileged to be part of this organisation, to be able to make a difference to people's lives. I can already see the impact we are making as a team"

Leah Bowen
Business Operations

"I firmly believe that we can help simplify and improve the way that supported-living providers work with property owners. I am proud to be part of the team behind the Gateway and really believe that we will make a difference"

Mark Bowen
Corporate Management

SUPPORTED LIVING

WHAT IS IT AND WHY DO YOU NEED TO KNOW ABOUT IT?

LISA BROWN

Supported living is a term used to describe a living arrangement for someone who has long-term support needs. What is key is that their tenancy and care are kept separate – this is what differentiates supported living from a residential care home.

Several different parties need to be involved in a supported living property: a registered provider of housing or charity will take a long-term lease on a property and they in turn let the property to the tenant. Alongside this, there will need to be an agreement with a care provider who will provide the care or support for the tenant. The local authority needs to be involved as they will commission the service and be involved in paying the housing benefit. Sounds confusing? It is, but stick with it – it's worth understanding this.

As a property investor this means you have a long-term tenant and your property is taken on a lease typically anything from two to ten years. You don't need to worry about any void periods within the tenancy as these will be covered within the lease. Damages are also usually covered and often the provider will arrange repairs for you. You end up with an almost "hands-free" investment with a better return, whilst creating a safe and secure home for a vulnerable person who really needs one – the ultimate win-win investment.

Interested? You should be! If you're looking for a long-term investment then this is a great model to adopt. Up until now, it's been a very well-kept secret, held by large pension and investment funds. They see supported living as such a secure investment that they're still pumping millions and millions of pounds into developing this sector.

These are some of the commonly asked questions from investors thinking of moving into this sector:

What kind of property works for supported living?

There's still demand for big schemes such as blocks of eight one-bed flats, but there's also an increasing need for individual properties. The move away from institutional care has driven a demand for people who need support to live in the community, with their own front door. This means a whole variety of property is suitable – maybe a small bungalow, a one-bed flat, or a two-bed house – basically, the kind of property you may already have in your portfolio. This puts the investment opportunity of supported living within the reach of all property investors.

Is it different from social housing?

Supported living tenants have support needs, and need some level of support to live in the community. Social housing is a term that can describe all housing funded by public money and encompasses many different types of housing including supported living, although it is more commonly used to refer to housing for people who have no specific support needs, but who may receive their rent via the benefits system.

Care workers' facility and office installed with CCTV monitoring, incoming data lines and control points for the fire alarm and intercom system

11 one-bed apartments with care workers' facilities in Stockport, Greater Manchester

Can I finance my property?

Yes you can, but you need to discuss this with the mortgage company as they tend to class most supported-living tenants as "vulnerable tenants", which can in turn restrict the number of mortgage products available to you. However, there are specialist products and brokers available to help.

What type of support needs could the tenants have?

There are at least 14 categories of supported-living tenants. Some have long-term support needs such as a learning disability, autism or a physical disability, while others may have short-term support needs with a view that, longer term, they can take on their own tenancies. In that category you'd expect to find care leavers or those who have been homeless or are dealing with an addiction.

As an investor, will I usually be informed in advance about the support needs of the tenants?

Yes. If you're setting up a scheme yourself, you will have liaised with the local organisations and providers and will have been involved in every step of the process, so you will know exactly who you're working with. If you're using the Supported Living Gateway, then you'll be informed about the type of potential tenant when you are introduced to the possible providers and you only sign the lease once you are 100% happy with the set up.

Can I use my SSAS pension funds to invest in Supported Living?

Yes, in some cases you can even hold residential property in a Small Self Administered Scheme (SSAS) with the right lease. If you have SSAS pension funds then you can now consider investing your pension pot in the same type of schemes the big pension funds are using. There is a reason the big funds are looking at supported living as a long investment and maybe you should, too.

Sensory room with velcro curtains, bespoke radiator cover and green screen wall for someone with complex needs

LISA'S STORY AND THE CREATION OF THE SUPPORTED LIVING GATEWAY

Lisa Brown was an NHS nurse for over 20 years, working her way up to senior sister/emergency nurse practitioner in A&E and then later working within the local community. She has always loved property; her sister jokes that she has been looking in estate agents' windows since she was about seven years old! Without realising that it was a well-known property strategy, she had followed a BRR (Buy Refurbish Refinance) strategy on her own homes after buying her first home in London in 2000. Since moving to Devon in 2017 she decided to follow her passion for property and set up Pebble Properties Ltd, going on to develop a couple of heritage flats. She loved it and thought her future would lie in refurbishing beautiful old buildings.

Then a chance encounter led her to discover supported living. She was asked to develop a bungalow for a young man with complex and challenging behaviours. She loved the challenge of combining her nursing and property knowledge and she was soon hooked. In a bespoke renovation of a property for a named individual, she found being able to meet with care and support staff who really knew the future tenant meant she could understand the individual's exact needs and could subsequently ensure the property was developed to meet those requirements. Her prior knowledge and experience meant that she was able to speak with support staff and talk their language about equipment, safety and adaptations, which made this process so much easier.

Lisa explains: "Although not all supported-living tenants have such high support needs as this young man, if you're developing a home for teenagers leaving the care system or for people who have been homeless, the property may need very little adaptation."

Lisa finds that nowadays she's looking for properties that are less beautiful – she is mostly working on old commercial buildings and loves the challenge of converting and redesigning them to fabulous homes to meet the needs of their future supported-living tenants.

But it was while developing her first supported-living bungalow that Lisa encountered many challenges such as refinancing which led to a major down valuation. She found there was nowhere to go for support or to ask for advice, unlike for other property strategies where there are courses, books and Facebook groups.

She had been considering setting up a Facebook group of her own, but then lockdown happened and it felt like everyone was setting one up or selling an online course so she decided to wait as she didn't want to be seen to be jumping on the bandwagon. Then in the middle of a dog walk she had a word with herself and decided to just get on with it! She set up the "Supported Living – Property Investing with a Difference" Facebook group in April this year. It has grown fast and gathered much more traction than she was expecting, having reached approximately 2,000 members in August 2020.

Lisa started interviewing people about supported living and live streaming "LisaLive" interviews into the group. She has loved virtually meeting and chatting to such a range of interesting people. Over the last few months, she has interviewed everyone from property developers to people who have been supported in the system and are now using their experiences to develop services – including specialist interior designers, support staff and mortgage brokers. She finds that she learns so much from these interviews and loves the variety of conversations and the breadth of topics covered. She has also had to learn many new technical skills, but does admit that she outsources the video editing to her son who tidies the footage up and uploads it to YouTube so everyone can access them. "I never thought I'd have a YouTube channel" she jokes!

In conversations with people all over the UK she discovered how many property investors wanted to get involved in supported living, but that many had found it inaccessible. She found they loved the idea of getting involved – the good business sense combined with helping people really appeals to so many property investors. But they were telling her how hard they were finding it to make the connections they needed to do this, to find the right person to speak to or the right organisation to liaise with. All the while, from the other end, the providers Lisa was working with were telling her tragic stories of people being housed in inappropriate and unsafe accommodation, or others who were stuck in hospital and couldn't be discharged because there was nowhere suitable for them to move into.

As she became known in her area for being able to find suitable property she was approached by more and more staff with heart-breaking stories of people who just needed a safe long-term home. The support staff were telling her how they were spending all day on Zoopla trying to find a property and then calling landlords who didn't understand the model and just said no. It was obvious the providers were finding it hard to access quality, safe property – they needed to be connected with the property investors who were looking for supported-living tenants. Lisa felt something needed to be done to change this. "I wanted to help each and every one and develop a home for them, but I just couldn't do it all on my own."

It seemed there was a need for these two groups to connect. She was lucky to get together with some great business partners who had been thinking about designing a similar service and together they developed the Supported Living Gateway in May of this year. There is a real power in coming together with business partners who have complementary skills to yours; for example Mark loves spreadsheets and processes – the very things she hates and puts off doing!

Large communal sociable space, with secured access, to the rear of ten one-bed apartments in Dukinfield, Tameside

Kitchen facilities in a newly built, three-bed end terrace property adapted for two supported tenants with 24hr care in Stockport, South Manchester

"I wanted to help each and every one and develop a home for them, but I just couldn't do it all on my own."

Care workers' office facilities set up for the management of a block of eight one-bed supported-living apartments

Lisa says, "As a team we have such diverse skills and backgrounds; however, we work well together. It has been a real lockdown business. The team members are located in the southwest, northwest, northeast and London. There's every chance that if this hadn't taken off at a time when Zoom was the norm for business communications then we might have felt the need to meet in person and the whole process could have been delayed. As it is, we met on Zoom and gelled straight away; everyone had the same goal and quality was important to all of us. We have since spent days on Zoom together developing and designing the Supported Living Gateway. Some of us only met in person once lockdown had eased at the end of July – it was strange meeting people in person for the first time when you've already got to know them so well digitally!"

The Supported Living Gateway has ambitious plans to revolutionise the way property investors and supported-living providers connect to create more homes for vulnerable people. They want to make investing in supported living accessible to the average property investor, helping them to navigate through the complications and challenges of this sector. In so doing, they will bring more quality property to the market for supported-living providers making it easier for care staff to find a property when they need it, where they need it. We look forward to seeing how the Gateway develops over the coming months.

MEET THE REST OF THE TEAM

RICH LIDDLE

Role: Sales & Marketing

Richard was a military officer, helicopter and jet pilot for 21 years, and is now a successful property investor, developer, trainer and is the co-founder of the Blue Oak property network. With a passion for providing homes for vulnerable people across a spectrum of needs, Richard is an advocate for the eradication of homelessness within the ex-service and veterans' community.

With the Supported Living Gateway, he hopes that the whole supported-living sector can benefit from improved communications and smoother relations between providers and developers, collectively working together to provide homes to improve the future of those who most need support.

"Through my time in the military, I have witnessed every standard of accommodation and the impact it has on those living in it. I have a true passion and a desire to change and eradicate homelessness in the veterans' community as I have seen firsthand the damage that can be caused by trauma and conflict in an individual's home life. I have also seen how a stable home can really change a person and – with The Supported Living Gateway – I hope that by bringing more quality homes to the vulnerable, I can have a positive impact on society as a whole."

LEAH BOWEN

Role: Business Operations

Leah has a background in the financial services sector in the City of London. She is now a full-time property investor and developer with experience in project management.

Leah's experience in coordinating, organising and structuring projects has helped underpin the Supported Living Gateway business. She is excited to see how the team's combined and diverse skillset will enable the Gateway to help the supported-living community.

"I have spent the majority of my career supporting large, complex, international projects in the finance sector. I have worked with lots of different people – organising them and supporting them through stressful times, but never really feeling like I was making a genuine difference. With the Supported Living Gateway, this has changed – I can already see the impact we are making as a team. Utilising the skills I picked up in my previous career, has given me the ability to support the Gateway team as we develop and grow.

I feel so privileged to be part of this organisation, to be able to make a difference to people's lives. I now finally feel like I am making a positive impact on those vulnerable people who desperately need quality homes to support their different needs."

MARK BOWEN

Role: Corporate Management

Mark left school at the age of 16 and moved to London to look for work. After sustained letter writing to dozens of City merchant banks, Mark was employed in the post room at Rothschilds. Over the years, he moved up through the ranks and has worked for various global financial institutions, holding senior positions and spending a lot of his time developing business strategy and managing major international projects.

In 2016, after 30 years in the City, Mark left the corporate world to work in property development. He spent the next 18 months as an apprentice site labourer with a local builder to learn the basics of the residential building trade.

"After being asked by a project management client to help find a supported-living provider for their large development, it became apparent that there are a lot of barriers between developers and supported-living providers. The current ways of working are complicated and difficult to navigate, but by applying a more considered process we feel we could dramatically increase the quality and number of homes available.

I firmly believe that the Supported Living Gateway will help simplify and improve the way that supported-living providers work with property owners. I am proud to be part of the team behind the Gateway and know that they will make a difference by helping create homes for the more vulnerable in our society."

RUSS CRABTREE

Role: Property Developer Relationships

With over 30 years' experience in the construction industry, Russ has successfully delivered a range of residential and commercial schemes. He has built a diverse portfolio in the UK, including buy to lets (BTLs), social housing, supported living and large commercial property.

More recently, Russ has worked closely with care providers, housing associations and local authorities to facilitate the requirements for quality and sustainable supported-living accommodation delivering a large number of schemes. With the Supported Living Gateway, Russ looks forward to continuing to work closely with supported-living providers to ensure more homes are created.

"Across my career, I am proud to have been involved with numerous developments providing high-quality homes for all types of client, from families to vulnerable individuals. We created the Supported Living Gateway to assist in the process – to enable more homes to be readily available to all care sectors: from fully adapted disability accommodation and 24-hour care-support units, to homes for children in care and young care leavers. The latter is very close to my heart as my wife and I adopted and fostered four wonderful children. We have seen first-hand the impact that a stable home environment has on a child. One of my most rewarding moments was handing over the keys to a young man with learning difficulties and witnessing his delight. It was hugely fulfilling to see him have the opportunity to integrate into society with the support he needs to live a more independent life."

THE HOLDING COMPANY STRUCTURE

WHY ENTREPRENEURS SHOULD HAVE A PROPERTY INVESTMENT BUSINESS, AND WHY THEY SHOULD STRUCTURE IT IN THIS WAY

NATHAN WINCH – BUSINESS

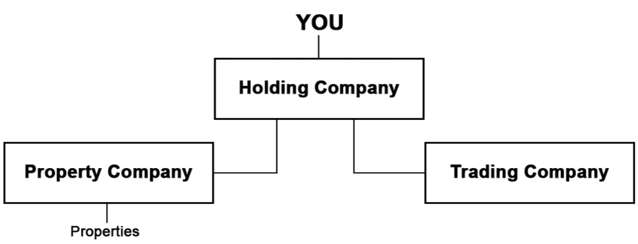
This month, I thought it would be good to go over some of the actions that I think entrepreneurs and business owners should be undertaking in order to safeguard their future as well as how to grow and stabilise their income, especially for those businesses that are subject to seasonality.

We all know that property is a good place to store capital, and many business owners are already aware of this. But it's also a great way to build up a secondary income stream that complements the income received from your primary business. It helps to "flatten" out seasonal or volatile demand. In addition, whilst your business will help build your investment portfolio, as time goes by, the portfolio will then help grow your business, and so on. Having property and investment equity to leverage against can help give your business access to a greater scope of capital for re-investment and, subsequently, greater profits.

When I mention this, many entrepreneurs' eyes glaze over – property can seem a boring and slow concept to a fast-moving business owner. But it needn't be. Since building my own portfolio, the correlation between the success of my property and business is very much apparent – they feed off one another. And property can be fun!

One way to achieve this is to move profits from your trading business to your property investment business. This needn't trigger taxable events either; you can use mechanisms like inter-company loans, or dividends if your investment business owns your trading business. Corporate dividends – ie: one company paying another company a dividend – are tax free almost all of the time (always check this with your chartered accountant or tax adviser, though).

Once this money is available to your property business, you can start having fun. One important point to stress is that this activity should be kept separate from your trading business so that you don't mix liabilities and associated risks. To do this, many of us use the following structure:



In a simple company group structure like this, a business owner is able to move money around efficiently, while at the same time protecting assets from the risks of day-to-day operations and trade creditors. For example, you don't want a rowdy cardboard supplier chasing payments from a business that owns all of your property...

As your trading business feeds capital into your property business, which in turn invests this money and grows, your equity in those investments will also grow. This means that in future you can leverage commercial loans against that equity which can then go back into your business to help it expand, and vice versa, supercharging your growth.

The holding company

So what is a holding company? Put simply, a holding company is a company set up to own the shares in another company. It doesn't usually produce any products or services itself, and does not trade. However, what it does do is allow you to do a variety of beneficial things to help you be as tax efficient as possible, especially if your plan is to invest the majority of the earnings from your businesses. Some of these benefits can include:

- Protecting assets from creditors
- Reducing operational risk
- Minimising tax/deferring earnings
- Flexibility for investing and growth/expansion
- Succession planning

For a holdings company that provides no products or services, tax at this level can be as low as zero. Dividends paid to your holding company from your other companies aren't taxed and there is no Capital Gains Tax on the disposal of company shares (where the holding company owns more than 30% of the share capital of the business and the whole shareholding is disposed – see 'Significant Shareholder Exemption'). This could be a good way to sell your business, or your property portfolio as a whole – especially as Stamp Duty on company shares is much lower than it would normally be on property transactions. This gives you much greater flexibility.

It's worth noting that many property lenders don't like holding company structures. Owing to the ease at which you can move money around, lenders could see this as a way to 'drain' capital from your property company meaning that ostensibly the property company couldn't meet its mortgage obligations. Now, obviously you wouldn't do this, but it's a risk to the lender. However, in many situations, you'll be looking to filter profits from your business, so assuming purchases are in cash (which is how we do it in our business) then this won't be an issue. And, having said this, it isn't a problem for all lenders. Another alternative is to become a lender, which is what we did – thus earning a commercial rate on the money you filter into your investment company.

Hopefully this has given you an introduction to having a property investment business and a holding company structure. In next month's issue, we will look at special-purpose vehicles to make short-term property investments such as flips.

Disclaimer
This article was written in August 2020. I am not an accountant or tax professional. You should always discuss your personal circumstances with an accredited tax professional as tax legislation is subject to change.

winchandco.com

Nathan is an entrepreneur and private equity investor of over 12 years. He's started, grown and sold companies in the medical sector. With a passion for property, he owns a portfolio across the UK, but is now an FCA-registered private lender and investor, with investments in over 14 businesses.

THE TOP 20 RULES OF ENGAGEMENT FOR STUDENT ACCOMMODATION

INVESTING IN THE STUDENT MARKET POST COVID-19

We're delighted to be joined in this issue by former England international and professional golfer Neil Chaudhuri. Neil retired from the game in 2018 and turned his focus to property. He trained with Simon Zutshi on the prestigious Mastermind programme where he finished as one of the top performers. He has since gone on to be a finalist at The Property Investors Awards in the HMO Investor of The Year Category. As well as growing his portfolio, he contributes to numerous articles and regularly makes guest appearances on property podcasts where he shares his knowledge on the student market and how to add value to property deals. Neil also enjoys coaching and mentoring other property investors as well as teaching clients how to prepare detailed valuer packs ahead of valuations.

Along with his wife, Simona, Neil is the co-owner of their company Vogue Abode Properties, which specialises in creating luxury student accommodation in their hometown of Leicester. Their goal is to continue to push the boundaries of space, style and comfort and to raise the bar in terms of the quality and standard of accommodation available to students. Here, Neil shares some great insights into the student market.

Neil Chaudhuri
of Vogue Abode Properties

What lies ahead for the student market as we move into a post-Covid-19 world and what are some of the key considerations for student accommodation providers moving forward?

With campuses temporarily closing, larger lectures moving online and demand from international students wavering for the time being, these are certainly some unprecedented and challenging times for the student sector as a whole. Moreover, the UK government has hinted that it may drop its target of 50% of school leavers obtaining university degrees. Some of these challenges, coupled with the vast expansion of high-rise purpose-built student accommodation (PBSA) in recent years, has made it harder and slower for some landlords to rent out their student houses.

However, it's certainly not all doom and gloom in the student sector and in fact there is still room for optimism for student landlords if their properties can meet the standards expected by today's students. Indeed, one advantage of student accommodation schemes is that university demand remains high even during economic downturns making university accommodation investments more resilient than many other forms of property investment.

Interestingly, student demand tends to be inversely correlated to the job market. This is because, during downturns, young graduates can find it difficult to secure employment so instead may decide to stay on to do Masters degrees and other postgraduate courses until the employment market recovers. This pushes up demand on university places and accommodation. So, whilst recessions are unfortunately bad news for many industries, the student market tends to remain buoyant during economic downturns. This was evident in the years that followed the 2008 global financial crisis as the student housing sector was one of the few that continued to be active.

With this in mind, even though the 2019/20 and 2020/21 academic years are proving to be a challenging time for student landlords, student demand is expected to improve from the 2021/22 academic year onwards. It's expected that many "would-be" first-year students who may have deferred for a year after completing their A-levels in 2020 will join the queue to take up their fresher year in 2021. Also, more international students are expected to return for 2021/22, both of which will cause student numbers to increase from 2021/22 onwards.

In order to ensure that your student accommodation is future proofed, I've created the **top 20 rules of engagement** to help student accommodation providers thrive. I've successfully implemented these rules in our own high-end student houses and we've found ourselves in the fortunate position of remaining oversubscribed even during this difficult period. Here's my advice.

1. Know your local market inside out

Whilst it's good to see overall trends in the student market, it's essential to know the micro-economics of what's going on in your local area. Follow your local universities on social media and read your local paper to keep abreast of what's happening on your doorstep.

2. Invest in cities with two or more universities

Ideally you want to be investing in cities with multiple universities. Relying on just one university exposes you to a shortage in demand. The only exception would be if you're investing in a city that is planning to open its first university; this gives you first-mover advantage by preparing accommodation to suit the sudden new demand.

3. Invest in cities where Article 4 is already established

Article 4 is a policy used by some councils to prevent investors from turning dwelling houses (C3 use class) to HMOs (houses in multiple occupation) for between three to six occupiers (C4 use class). Cities with no Article 4 will very quickly find themselves oversaturated as investors flock to convert residential family houses into student and professional HMOs and the sudden huge increase in supply will potentially out-strip demand. Article 4 offers an element of protection to cities by limiting supply and helps to prevent them from becoming oversaturated.

4. Invest in cities where universities are investing in their own infrastructure

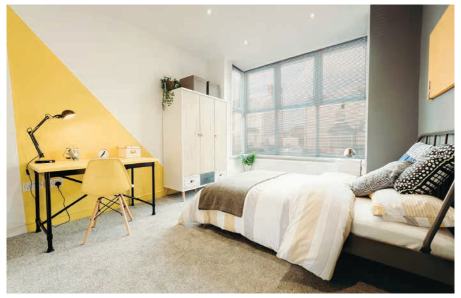
The last thing you want is to grow a portfolio of prime property student houses only for the university to relocate to the other side of the city! Universities pumping their own funds into their infrastructure is a great sign that they're planning to stay where they are long term.

5. Stay within 1 mile of campus

With the exception of a few cities, it's essential to stay close to campus. Properties on the periphery will become harder and harder to let out in the future. Despite the likes of Uber making it easy for students to get to their classes quickly, the general trend is for rents to be higher the closer the accommodation is to campus. This shows the premium that students are willing to pay for the convenience of being close to their studies.

6. Check the local supply and demand of student accommodation

It's important to check the number of PBSA rooms, the number of HMO rooms and the number of students in your target city. As PBSA expands, more bed spaces become available to students, increasing the supply. Nationally, there are around two students for every purpose-built bed space. As a rule of thumb, if there are fewer than two students per purpose-built bed space in your city, it's a sign of potential over supply and oversaturation of student accommodation. In contrast, if there are still more than two students per purpose-built bed space, it's a sign of a balanced market.



7. Check the league table rankings of the universities in your investment area

According to the "UK Student Accommodation Report" carried out by Cushman & Wakefield, the performance of universities in the league tables is playing an increasingly important role in their ability to attract and recruit students. Compared to the national average, there are some clear trends emerging showing a large increase in student numbers for many of the top 25 ranked universities vs a decline in numbers for some of the bottom 25 ranked universities.

8. Offer bills-inclusive packages to students

It makes everyone's lives much easier and more convenient to include bills within rent. With student accommodation, it's quite easy to have a fair usage policy in place to protect yourself against high bills, but allowing for around £15 per person per week for utilities, TV licence and broadband is a fairly accurate allowance and you may even find that actual usage is less than this.

9. Ensure superfast broadband

After oxygen, you'll find that fast broadband is the next big essential for students! Providing superfast broadband should already have been a given to ensure that your properties are attractive to the younger generation, but as more lectures and assessments move online, this is now non-negotiable.

10. Provide large desks in bedrooms

Bedrooms will be the students' main place of study, especially as student libraries may have less capacity or even have periods where they have to close owing to Covid-19. You need to ensure that you provide large desks to allow comfort and convenience for your students.

11. Provide at least one shower room/WC for every two to three tenants

Try to provide as many shower rooms and toilet facilities as you can. Gone are the days of five tenants fighting over one shower room. Although, interestingly, because you will likely be renting to groups of friends, they don't mind sharing the odd facility. So you could opt for larger bedrooms with more storage facilities than en suites, but no fewer than one shower room for every two to three tenants.

12. Simplify the process for securing tenants

For students to secure your houses quickly and without unnecessary fuss, you want to ensure that your on-boarding process is as simple as possible. From arranging viewings, collecting deposits, signing contracts to the handover of keys – you really want this all to be as simple and hassle free as possible.

STRATEGY TALK

13. Ensure your students have guarantors and have all of your students on one AST (assured shorthold tenancy) for the whole house

OK, so I've cheated a bit here and lumped two tips together as really they go hand in hand. Having guarantors and ensuring students are included on one contract are two of the biggest advantages to investing in the student accommodation sector. It makes life easier as they all move in and out together and it also offers additional security to the landlord because the group is jointly and severally liable for one another.

14. Have clear rules for the house

It may well be the first time your tenants have lived away from home in their own place so make the house rules and student obligations crystal clear from the outset. From dealing with an emergency and drain maintenance, to putting the recycling out on the right day – go through all of these facets on the day they move in.

15. Ensure that a professional inventory and schedule of condition is carried out

Professional inventories and schedules of condition are there to protect everyone's best interests. We have these carried out independently and are always amazed at the level of detail. Without these accurate documents and photographs, the damage deposit becomes worthless.

16. Maintain great communication throughout

Sometimes our students sign up for our houses as much as a year before they're due to move in. We schedule reminders to contact them at regular intervals as a courtesy. It's a great way to build relationships early.

17. Ensure that the properties and rooms are bright and airy

Whilst dark walls and rooms can look trendy in photos these days, it's important that students live in bright and uplifting environments, so be mindful of this when choosing your designs and colours. We tend to have our dark feature walls behind the beds so that we can capture the cool images for our marketing, but then the rest of our walls are usually light to ensure that the rooms look and feel bright and airy.

18. Have an amazing kitchen and communal area

Provide an environment where the students are encouraged to share and enjoy their experience with their friends. Having great communal areas ensures that you are creating a community feel within the house and helps to make sure that your students will be sociable and interact with their housemates and friends.

19. Stay on top of maintenance issues and be responsive

It's important for the wellbeing and enjoyment of your students to respond quickly to any maintenance issues that may arise, but it's also important to keep your houses looking immaculate and as good as new to ensure that they remain future proofed.

20. Create unique and inspiring properties

To me, this is a no brainer as the return on investment (ROI) for going over and beyond with your refurbs is so high. For example, if you spend an additional £3,000 on a refurb to give it that "wow" factor and that in turn helps you achieve an extra £10pppw, you'll actually achieve over £3,000 in additional rent per annum on a six-bed HMO. That means that you make back that initial additional investment at over 100% on the first year alone. This can also be a great way to add to the value of your property.

Furthermore, every subsequent year, you are more likely to rent out your houses more quickly and more easily than those on a less impressive spec, and you can continue to benefit from the premium rents.

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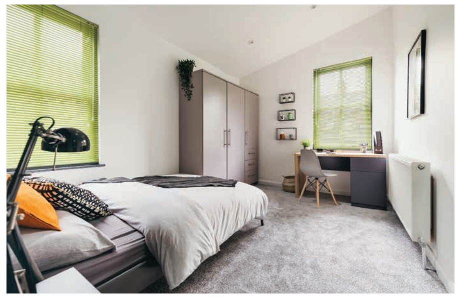

LETTINGS UPDATE

by Ben Quaintrell LETTING AGENT OF OVER 15 YEARS

The rental market continues to flourish with the average UK rent standing at £909, up 1.5% on the previous month. This headline from July's HomeLet Rental Index is one of several positive market snapshots. Exclude London, and annual growth rises to 1.8%.

The figure reflects a noticeable divergence between the capital's rental market and that of the rest of the country. According to Zoopla, increasing availability and a weakening demand has seen rents fall across London by 3% since the start of the year. Some of this can be attributed to the fallout from the coronavirus pandemic – a blend of job losses, the furlough scheme, people being able to work remotely and no longer needing to live within the M25, and the sudden drop off in travel and tourism, with reports of income-starved Airbnb owners putting their properties up for sale. It remains to be seen if these trends are anything more than a short-term response to the pandemic. Certainly, many businesses are considering what the future world of work will look like and what role remote working will continue to play.

This said, in the last month or so, many people are returning to their workplaces with employers recognising that this remains the ideal environment to encourage performance, creativity and teamwork, and promote company culture. I believe both people and businesses will continue to want to be located within our towns and cities and don't foresee any long-term migration away from our urban areas.

Zoopla has also reported its assessment of rental growth, which (again excluding London) is up 2.2% – ranging from 1.5% in the West Midlands to 3.1% in Wales. It says that only six of the 64 towns and cities tracked by its rental index showed a fall in rental during the past 12 months. These are: Swindon, Coventry, Middlesbrough, Northampton, London and Aberdeen. Six – Rochdale, Sunderland, Bristol, Preston, York and Leicester – registered growth of more than 4%.

Furthermore, with the easing of travel restrictions, this summer has also seen huge demand for staycations owing to the ongoing uncertainty over holidaying abroad and so it would seem leisure rentals are still an attractive prospect.

Meanwhile, Nationwide's House Price Index for July revealed house prices hit an all-time high, with the average price of a home at £241,604, an increase of 1.7% and 3.8% higher than the same period last year. This upswing in interest is supported by Rightmove, which revealed that it had seen a 75% increase in enquiries that same month.

There was another important announcement last month. Housing minister Robert Jenrick revealed new reforms to the planning rules, due to come into effect across September. It means full planning permission is no longer needed to demolish and rebuild unused buildings as homes and homeowners can add two storeys to create extra homes or additional living space. Commercial and retail properties can also be repurposed more quickly. These measures are designed to deliver more homes and ease pressure on greenfield sites and are likely to further stimulate the housing market and provide significant opportunities for property investors.

When you consider the gloomy predictions made for the entire property market back in those bleak days of late March, we're in a great place. In fact, the encouraging figures on rentals and sales are far ahead of what many could have hoped for. There is also no doubt that the government's reduction in Stamp Duty up to £500,000 in England and Northern Ireland has fuelled enthusiasm and is tempting more investors into the buy-to-let market.

However, my feeling is that the true 'resting rate' of the market is still being obscured by the twin effects of pent-up demand and a lack of available properties. I, along with many industry commentators, expect to see a softening of the figures later in the year as the glut in demand is met.

Much depends upon the shape of the economic recovery and autumn remains a key period. This month saw the reopening of schools, which has allowed many parents to return to work, whilst October marks the end of the job-retention scheme, which has supported five million workers.

Both these factors – along with continued concern over the emergence of a second wave of Covid-19 – will influence the nation's economic confidence, which in turn is inextricably linked with the property market.

However, so far, the property market continues to confound and surprise. Coronavirus has forced us to focus on our health and wellbeing – on the priorities of life – and one of those is our home.

It is difficult to make firm predictions in such a fluid situation, but property will continue to offer attractive investment opportunities. In the meantime, it will be interesting to see how the market responds to autumn's critical months.

To discuss letting or investing in property within the North east and North Yorkshire region, contact Ben Quaintrell:

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COURSE REVIEW

BY CAROLINE MONKS

Course title: Interior Design & Refurbishment Workshop

Trainer: Julian Maurice of Icon Living;
julian@iconliving.co.uk
iconliving.co.uk/training-workshops

Length of course: 1 day

Course format: Live Zoom training within a small group

Strategies included: The design and refurbishment teachings are predominantly aimed at houses in multiple occupation (HMO), but could equally be applied and adapted to all strategies including buy to let, rent to rent, serviced accommodation and supported living

Course modules:
1. Principles of Good Design
2. Market Research
3. Building Refurbishment
4. Interior Design
5. Furnishing & Staging

Course materials provided: Downloads of all the presentation slides and various documents including example site notes, risk assessment, and site extras

Follow-on courses: This workshop is a standalone course with no upsell

Forthcoming dates: 20th & 23rd September 2020

Cost: £397 with £50 discount to our readers using the code **bluebricks**

Course review

I've seen Julian speaking at past networking events and I'd had the idea of attending one of his workshops on my wishlist for some time because I really love his design style and certainly knew it would be inspiring. I also felt sure that with Julian's training I would feel motivated with new ideas for designing rooms and choosing colours in my own projects, but in the meantime I thought I was happy just muddling along using stuff like other people's Facebook photos for ideas. And I imagine I could have continued that way, but having now attended the workshop, I really see the value in it and I feel that I'm in a far better position when designing the rooms in my current HMO (house in multiple occupation) to optimise the rent and attract a better tenant. Hopefully, it will also help towards getting a higher valuation too.

The content was much more in depth than I expected; Julian covered aspects of project management that I hadn't anticipated and gave some really great insights, practical tips and valuable tools. His style of teaching was lovely and relaxed, which quickly put me at ease. I do think you learn best when you feel comfortable.

As the workshop was on a live Zoom, with a small group, it was very easy to interact, ask questions and discuss the topics covered. There was a good balance between Julian delivering the course content and interacting with the group – he regularly checked in with us to make sure that we were understanding it.

The live Zoom training experience had its pros and cons. It was definitely nice not to have to drive to a location with the usual anxiety of finding the venue and dealing with traffic. And at the end of the day, you could just switch off the laptop and you were already at home for tea. The downside was not having the opportunity for face-to-face interaction with the other course participants during the breaks, but that's just the way things are these days in the current climate

How I plan to use the information

Within my own property business I am currently renovating my first HMO, so Julian's workshop couldn't have come at a better time in our planning process. The property was in a very bad state so we have taken it back to brick. Although there is a lot more work involved with this level of refurb, the plus side is that we can completely redesign the location of sockets, pendant lights, furniture and even the partition walls between three of the bedrooms. We had already put together a rough plan before attending Julian's workshop, but we were quick to make changes based on what we learnt and we feel these adjustments will definitely give a better design and experience for our future tenants.

Testimonial from a previous attendee

Richie Miller, 9th August 2019
"My first six-bed HMO is finally complete. I bought this one for £325k and it is now valued at £550k. I have broken the local rental ceiling by £50pcm per room. I have also been put forward as a finalist for the council's "Most improved property 2019" award next month. Massive thank you to Julian Maurice, your course has been great."