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Blue Bricks

MAGAZINE

THE PROPERTY INVESTOR MAGAZINE

RANJAN BHATTACHARYA ON COMMERCIAL CONVERSIONS

ASBESTOS: A HIDDEN KILLER

STUDENT VS PROFESSIONAL HMOS

ONE-HOUR RULE OR ONE-HOUR MYTH

ISSUE9BBM

BLUE BRICKS MAGAZINE

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ISSUE 9 | MARCH/APRIL 2021

Features

HELLO

CAROLINE MONKS
EDITOR

Is spring in the air where you are? I really hope so and, with it, I hope you find a fresh sense of positivity as we continue to navigate our way out of this pandemic. I'm sure you're all itching to get back to as much normality as possible, whatever that now means to you.

For myself and the Blue Bricks team, our plan is to continue bringing you as much property news, education, insights and entertainment as possible.

Many of our readers are either already involved in or are keen to learn more about commercial to residential conversions. There's such a big opportunity in this sector at the moment with more relaxed permitted development rights and the increase in commercial property on the market, owing to the sad demise of many businesses and an increase in empty office space. We asked one of our columnists, architectural designer and developer, **Anthony Boyce** (last featured in October – he's been on sabbatical), to interview commercial specialist **Ranjan Bhattacharya** for a meeting of minds on this topic. Ranjan has served many years in this area of property development and has some inspired ideas to share. We've broken this conversation into two parts – you can read part one on page 16; the full podcast is available online.

We also bring you a wide range of new features in this issue covering topics ranging from the not-so-pleasant but extremely important subject of asbestos on page 28 to the visual delights of working with colour in your investment properties on page 8.

On page 6, **Danielle Bell** encourages us to look in the mirror and hold ourselves accountable to our goals. This article will encourage you to consider if you're pushing yourselves as much as you should, or whether you're cutting yourself a bit too much slack – it certainly did for me!

We have an interesting perspective on investing from **Harvey@growthproperties** (yes, his mother did give him a full name at birth but, now he's as famous as Cher and Madonna, he just goes by the name of Harvey!) as he gives us his view on whether the rule of investing within an hour's drive of your home is really the route to success. Let's face it – for every rule, there's a way to break away from it and find your own path. Have a read on page 24 and see if it strikes a chord.

We have brought together two of our regular columnists **Kim Opszala** and **Neil Chaudhuri** to join forces and give us a balanced view of the pros and cons of filling your HMOs with professionals or students. Whilst they ultimately have their preference, they are keen to help you see both sides of these target markets so that you can see what works best for you. Find their insights on page 30.

We hope you find this issue helpful and informative.

Best wishes,

Caroline
x

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

Sarah McDermott Serviced Accomodation

Sarah McDermott is a property investor and co-owner of luxury holiday-let business, Maison Parfaite. Alongside this she runs a property-sourcing business and project-management service. Sarah also guides less-experienced investors via private mentorship.

Likes singing "Follow the yellow brick road" in the voice of a munchkin

Bushra Mohammed Legal

Bushra is a practising property solicitor who offers no-nonsense auction legal packs to time-poor clients or those lacking the necessary insight to make informed decisions. Alongside this, she runs her own property development business in the Southeast and has operated as a landlord for the last 13 years.

Loves painting with watercolours and hopes to find time to improve

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

Kim Opszala Investments

Kim Opszala is a multiple award-winning corporate solicitor turned property investor. She is the co-owner of KoMo Properties and has a portfolio of single lets and high-quality HMOs for both students and professionals. Kim is also co-host of the Birmingham pin meeting.

Kim has been learning Polish for over 12 years and can still barely hold a conversation

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

Valeria Romano Design

Valeria Romano is a property investor and a spatial and interior designer. She helps other investors maximise their profits by transforming interior design crimes and spatial design flaws into highly engaging interiors. She runs workshops and coaching courses and offers spatial and interior design services.

Valeria treats every event like it's the last helicopter out of Saigon: 100% attention

Alice Williams Finance

Alice specialises in sourcing finance for property developers and investors. After starting in corporate banking, Alice joined Pilot Fish in 2017 and swiftly took the helm of the property finance team after demonstrating her skill and tenacity on the successful completion of multiple complex funding projects.

Uses marketing as an excuse to wear multiple fancy dress costumes

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

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

AUCTION LEGAL PACKS

Bushra Mohammed, Property Solicitor

What is an auction legal pack? Why do you need to read it?

The legal pack is a collection of documents prepared by the seller's solicitors relating to the property. Available to download from the auction company's website, the pack is probably the most important part of the auction buying process and it's imperative that a bidder reads it in plenty of time before the auction day. Unfortunately, there are some bidders who get a tad trigger happy, bid for property and find issues after the hammer falls down.

It's worth noting that the Latin term "caveat emptor" meaning "buyer beware" means that it's largely the buyer's responsibility to find out everything they need or want to know about the property in advance of purchase. As such, under this principle, the buyer of a property cannot recover damages from the seller simply because the seller fails to disclose defects to the buyer – it pays to do your research. However, an exclusion to the rule includes misrepresentation, whereby incorrect replies or downplaying a situation leads to a purchase.

With property auctions taking place almost every week around England, I am often called to review the auction legal pack for clients keen to bid within a few days, or sometimes the very next day!

What to expect from a legal pack

When you download a legal pack, you will be faced with various documents. The main contents usually include:

- Office copy and plan;
- Searches (water, environmental, local authority); and/or
- Lease (residential or a commercial tenant); and/or
- Tenancy agreement; and
- Special conditions.

Office copy and plan

This is the official document from the Land Registry for registered land with its own unique title number. Unregistered land requires much more due diligence by your solicitor of documents to prove what is called the "epitome of title" to ensure first registration can take place. A lot of important information can be

deciphered from reading the office copy register alone. Make sure it is dated as recently as possible, as there is a risk of an entry which could negatively impact you if it is more than a couple of months old.

Certain entries in the register will highlight important information on the land/property. For example if the land has the benefit of easements, any restrictions on the owner's power to deal with the land, restrictive covenants and the financial charges.

The office copy occasionally refers to an additional document, for example a lease. If it's missing, contact the auction house to request it.

The purpose of the plan is solely to identify the property – it does not give detailed information about the precise location of the boundaries. Usually a thick black line will show the boundary of the land. I always advise my clients to ensure that this matches their visual inspections.

Searches

It's not always enough to read what has been included in the legal pack – sometimes analysing what's missing can help you decide how big a risk you're taking. A simple example will be a missing water search on a freehold residential property and only realising afterwards that the property has no water mains connection. Therefore, you would need to spend more money and time than expected to get the utility connected.

The main searches you can expect are water and drainage, environmental and local authority. Sometimes the EPC (Energy Performance Certificate) is included too; however, this is free to access yourself from the EPC register website.

Lease/tenancy agreement

Depending on the property, a lease or tenancy agreement may also be included within the pack. There is a raft of information to be gathered from either of these two documents which will impact your position in purchasing the property. Do ensure you read and understand the effect of them.

Special Conditions of Sale

These are in addition to the Standard Conditions of Sale (SCS) and include any amendments to the SCS. This document is often regarded as one of the most important and, having read several versions for clients, these can vary from being pretty standard to extremely onerous.

Examples of Special Conditions:

- The buyer to reimburse the seller for the cost of providing the search results in the pack;
- The buyer to pay the seller's legal fees;
- The seller can decide not to complete and won't be liable for any costs or compensation to the buyer;
- Completion date may be fewer or more than 28 days;
- Notice to Complete costs if the buyer does not complete on the contractual day of completion.

Final point

Ensure you leave plenty of time to read and understand the legal pack and, if you don't have the knowledge or expertise, speak to your solicitor about it as soon as possible. Don't leave it till the day before the auction! Happy bidding!

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ACCOUNTABILITY: THE CATALYST TO SUCCESS

DANIELLE BELL FROM PROPERTY SOURCING MADE SIMPLE

"Mirror mirror on the wall, who is the hardest worker of them all?"

The mirror replies with great loyalty, *"Why, you are Master!"*

I'm going to shatter your dreams (and your mirror) in one swift sentence. Your mirror lied. That reflection you see staring back at you each and every morning and last thing at night is your biggest supporter – it sees all your flaws and accepts them as they are. It compliments you on the days when quite, frankly, you look like you've been put through the tumble dryer on high heat. "The lighting is bad today, Master, it's not you", your mirror whispers with a familiar voice coated in comfort. And there, with one word, your ambitions, dreams and goals have been obliterated in front of your eyes. That one word? Comfort.

Comfort will bring you a blanket and an expanded waistline (harsh, but entirely fair). Comfort will bring you excuses that you will retell so often and with such conviction that you'll start to believe the fantasy world you have conjured up. Comfort will kill you. OK, maybe that's a *slight* exaggeration – I'm known for dramatic statements and I've often watched as my private mentees glare back at me in sheer horror and fear at some of the brutally frank and honest feedback I've given them on our weekly masterminds.

But here is the harsh reality of it, if you want to succeed, progress, hit targets and realise your goals on your property-sourcing and investment journey, you need to kick your comfort blanket to the kerb with immediate effect and start holding yourself accountable to someone other than your forgiving reflection.

In short, if you want to see *real* progress you need to surround yourself with individuals who are as equally ambitious and as hungry to realise their goals within property as you are. I speak with conviction on this topic because once upon a time I looked to my own loyal mirror on the wall to reassure me my lacklustre efforts and equally unimpressive results were "good enough". I talked a hell of a good talk, I had big dreams, I had huge goals – I was going to build an empire. My property aspirations were magnificent and sourcing was to be my entry route in. There was one slight problem: I talked a fantastic talk, but my walk was pretty lame.

This stalemate between me and my reflection continued for eight, long months – yes, that's right, for eight months I made zero progress on my sourcing goals. I pulled excuses from thin air at the drop of a hat and I shifted the embarrassment of the blame on to everyone else. Surely it wasn't my lack of drive, effort, action or initiative that could be the cause of my abysmal results? Surely my loyal reflection could not be lying to me? Well, this is where the fairy-tale ends. I was being lied to by me, myself and I and – if I truly wanted to make a success of my fledgling business – I needed to seek help outside of my safety net. And that is where everything began to change – quite literally overnight. With the insertion of one vital ingredient, I changed my trajectory and, in turn, I changed the course of my life.

What was the secret sauce? It was so incredibly obvious yet somehow I had missed it. The key to my success was quite simple: accountability.

By committing to being held accountable I no longer wished to be paralysed by the embarrassment of my increasingly grandiose excuses. By committing to being held accountable by a group of my peers, I no longer wanted to be the weakest link – I was forcing myself to step up. By surrounding myself with my property peers and equals I simply could not afford to let myself or them down.

As I immersed myself in this new world, I found that my excuses became less frequent, my mistakes became fewer and my results were actually tangible. I could see the difference; I could *feel* the difference and my property-sourcing career began to flourish.

There will inevitably be some people failing to make progress with their own property businesses who glance over this article and dismiss it as hocus pocus and go straight back to their loyal mirrors for some comforting reassurance. For others – the ones who really want to achieve the property goals they have laid out for themselves – they will take stock, reflect and incorporate the missing ingredient. In doing so they will have immediately put themselves ahead of the competition, because:

- Accountability will accelerate your progress.
- Accountability will force you to follow through on your commitments.
- Accountability will allow you to learn from the successes and mistakes of others.
- Accountability will put you under pressure in a positive way; don't forget, diamonds are created under pressure – you could go on to achieve great things!

I owe everything I have achieved so far to being held accountable to a handful of people and therefore to myself. Your real fairy-tale can only start to take shape if you remove the mirror and replace it with the reflection of your peers. So, allow me to ask you once again, "Mirror, mirror on the wall, who is the hardest worker of them all?"

Danielle has created a guide to property sourcing for anyone interested in this sector. Visit **bluebricksmagazine.com/resources** for more.

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Danielle Bell is a full-time property investor and property-sourcing specialist based in Belfast. In July 2020 Danielle founded Property Sourcing Made Simple – a membership-based group dedicated to helping property-sourcing professionals reach their full potential with her unique incorporation of accountability pods alongside monthly expert masterclasses on all things property related. Danielle has made waves on the property scene of late and has recently been named as one of the top eight property coaches disrupting the market in 2021 with her no-nonsense approach on what it really takes to obtain success in property sourcing and deal packaging.

PASSIVE INCOME

CAN PROPERTY INVESTMENT EVER REALLY BE PASSIVE?

NATHAN WINCH – BUSINESS

I'm sure I'm not the only one who breathed a sigh of relief with the government's recent announcement of the roadmap out of lockdown. Although the pandemic isn't over, we can start anew, with fresh eyes and a clean mindset. This month I wanted to tackle the issue of passive income. More importantly, can property in particular ever be a passive source of income?

I think it's important to define what we think of when we say the word "passive", because I suspect it's open to debate. When I hear passive, I think of a source of income that requires no ongoing attention for it to earn me money. In my view, most passive income streams require some initial work upfront and thereafter I can forget about it while the income rolls in. Others may disagree, but this is what it means to me.

With that in mind, what criteria does a property, or portfolio, need to meet in order to be *truly* passive? I think it should:

- **Be hardy** – good old-fashioned building, none of this new-build made-out-of-cardboard nonsense; we need it sturdy and unbreakable.
- **Be tenanted or leased** – it obviously needs to be earning money, and more importantly the tenants need to be regularly paying and not behind on the rent.
- **Be fully managed** – in order for a property to function without your involvement, there needs to be a manager, whether this is an agency or someone you employ directly; this part is vital.
- **Be insured and covered** – adequate insurance in place, as well as a contingency or cover in case anything goes wrong with the property and/or its contents.
- **Have systems in place** – things need to run smoothly with all parties in contact with one another; ideally the agents or manager will have a direct line to the insurance companies and be able to make payments, etc.

In essence, if we go with the traditional definition of passive then you shouldn't need to be involved at all so, if you get so much as a phone call, then the "rules" have been broken and it's no longer passive. In reality, as investors and landlords, we know this just isn't how it works. There's always something to deal with, be it big or small. But could we go a step further: is there any situation where – even for a predetermined period of time – you receive no phone calls or enquiries, and some form of agreement or arrangement determines every outcome of any enquiry or aspect of the management of a property, so that a landlord or investor can detach themselves completely?

Are there any strategies that are "hands off" in their entirety? Well, what about handing the property over to a rent-to-rent operator? Let's explore that based on our criteria:

1. **Hardy?** Well, I guess if it's the right property (we would need to be selective in what property purchase).
2. **Tenanted or leased?** Yes, it will be leased to a property manager who will pay us a fixed monthly or quarterly lease, covered.
3. **Fully managed?** Well, again yes – as part of a rent-to-rent lease the manager would generally take over this responsibility.
4. **Insured and covered?** As part of any good lease agreement you'd ensure that the manager, who will be making good profit, will take care of this, so I'm going to say, yes, covered. Check them out first, maybe?
5. **Systems in place**? I assume there would be? But if there are any big issues, or issues outside of your lease agreement, you'd probably receive a phone call…

Did this work? To an extent I suppose, provided the person is experienced and knows what they're doing. But this isn't always the case – let's be honest with ourselves. So what about supported living or social housing? Let's consider that option:

1. **Hardy?** Again, if we buy a decent property. But I guess most social or supported-living leases include a generous amount of maintenance and repairs included. So I'm going to say yes, it's covered.

Nathan Winch – Private Investor

2. **Tenanted or lease?** Leased. To what I would call an "A-grade" tenant, usually a local authority or care provider. Big tick.
3. **Fully managed?** Absolutely. They will manage it, moving tenants in and out without you really needing to be involved. Tick.
4. **Insured and covered?** I think so. Most supported-living providers and local authorities will agree on a level of repair and maintenance. However, if anything big goes wrong outside of your lease, you'll get a call!
5. **Systems in place?** To a degree – although you may get a call and need to spend money on any upkeep you agree to your side as part of the lease, but in most cases they will arrange it and just charge you. Paying an invoice that takes about 45 seconds? I'm going to go ahead and give it a tick.

I can't really think of anything more passive, without venturing into the world of commercial property. In conclusion, I don't think property is ever really passive, but you can sure get pretty close with certain rental strategies. Anyway, I've got to get back to calling a plumber to fix the broken taps in Stoke-on-Trent.

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 PSYCHOLOGICAL IMPACT OF COLOUR AND HOW TO USE IT IN INVESTMENT PROPERTIES
PART TWO: COLOUR COMBINATIONS

Valeria Romano,
Spatial &
Interior Designer

In the last issue I spoke about how colour can be a powerful interior design tool and explained how colour influences our mood. I demonstrated how you can use colour effectively to decorate certain spaces in your investment properties in order to attract the target market that best suits your investments. Different markets will want different things from the space in which they live – compare the needs of a couple in their 50s to a 24-year-old young professional.

By way of a quick recap, I described how different hues (colours) invoke different emotions, and I went through some colour basics: warm colours (red, orange and yellow) are generally energising or associated with heated emotions; cool colours (blue, purple and green) are generally calming or associated with sadness or indifference. I also went through the nuances of using specific colours – red, yellow, orange, blue, green, purple, black, white and neutrals – guiding you, as investors, on how to make the best of them within particular spaces – including which colours to use where to complement the requirements of the human psyche.

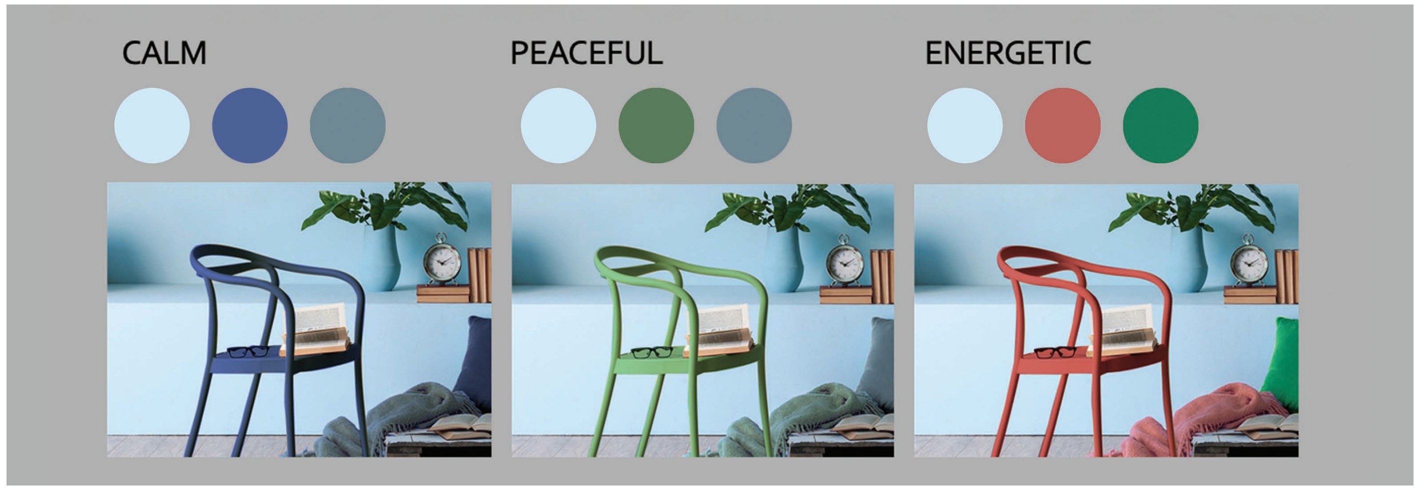
This month I will go into a little more depth to demonstrate how you can achieve a certain atmosphere by using specific colour combinations, because – although each colour tends to evoke a certain emotion – combinations can really change the overall psychological impact of each and every colour. In using certain colour combinations, you will find ways to connect your target markets to your properties.

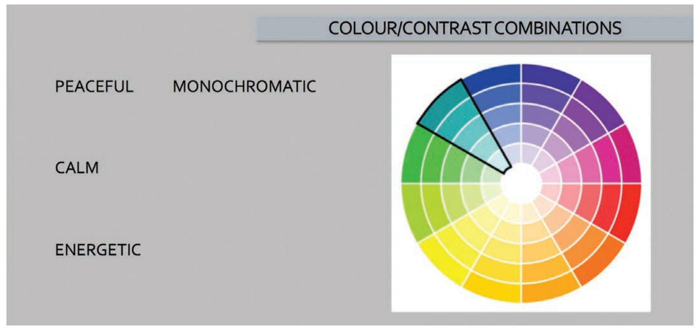
Where do you start?

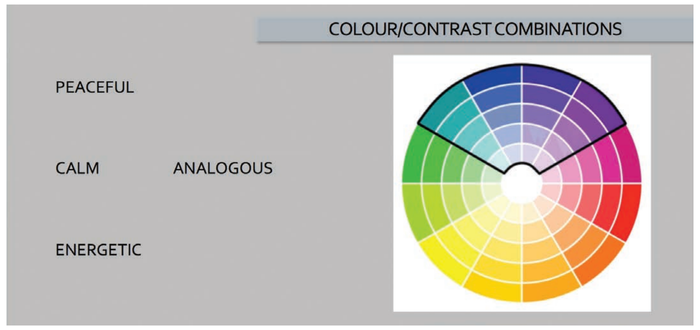
Let's look at a simple example to get started: the three images at the bottom of the page of the same chair shown in different colour schemes. The rooms here have been staged to remove any additional "noise" so you can focus purely on the emotions or feelings evoked by the use of colour. Look carefully at each image and let the feel of the space sink in – you will notice how each colour combination gives a different "vibe". At the extremes, one feels calming while at the other end of the scale, another is more energetic.

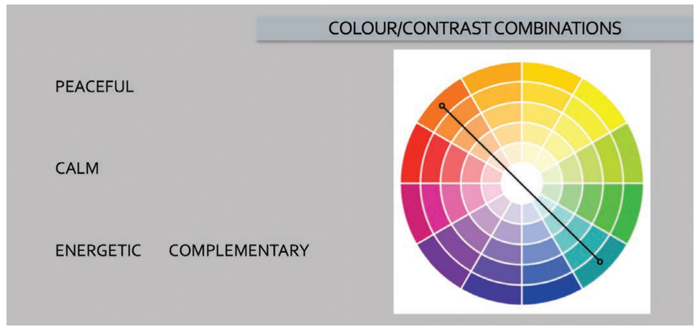
The level of "energy" that the colour combinations convey is generally proportional to the "tension" between the colours in the colour scheme. To the left you can see a scheme made of different shades of one colour (blue in the example) is rather calming, while to the right you can see that a scheme that introduces another set of colours can become quite energetic.

You can use the colour wheel on the opposite page as a guide to help you understand these colour combinations. The colour wheel will have a guideline as to how to create









monochromatic (ie: one colour in different shades), analogous (colours that are next to one another on the wheel), and complementary (colours that are opposite to one another on the colour wheel) colour schemes. As you move from monochromatic to complementary, the levels of tension are augmented – the more tension, the more energetic the scheme.

Whilst we could get much more granular than this (for example, you need to consider details such as the intensity of colour and its lightness – also known as its value – in order to nail the mood), as a guide for your interiors, I would suggest that if you wish your scheme to feel more or less energetic, choose your colour combinations accordingly.

So, now you can choose the colour combinations that best convey the feel you wish the space to express (calm, peace, or energy). I tend to feel that the colour combination you choose should be dictated by the target market you have in mind for your exit.

Applying a colour scheme

The above schemes can be applied to anything, from wall paint to soft furnishings to decisions relating to materials for kitchen cabinets, splashbacks, tiles etc. Let's see a couple of examples:

We mentioned last month that yellow lends itself well to the creation of an airy, playful or joyous interior scheme. However, if used in the wrong tones (like a very bright yellow rather than a calmer tone or shade), it can be overly stimulating and increase feelings of anxiety or emotional distress. Note, however, that by using a monochrome yellow scheme the mood is more calming than using an analogous blue/green scheme:

Monochrome yellow scheme

Analogous blue/green colour scheme

We have also said that blues and greens work well in interiors intended for rest and relaxation; that's certainly the case in this monochrome blue room.

This is very relaxing providing that the blue is not too cold, so be mindful of the room light temperature (a scale which measures the warmth of the light – both natural and artificial), which can have an impact on the mood.

Monochrome blue scheme

However, take a relaxing colour like blue or green and offset it with a complementary colour scheme and you will notice how the relaxing quality of the hue is lost and a new tension is created through the colour combination.

Complementary blue scheme: this is a very energising scheme owing to the tension between the colours.

Add creativity for a multi-purpose space

We've covered how certain colours convey particular feelings and are therefore better suited to use in some rooms over others. If you find that the room you are dealing with is a multifunctional space, you will need to employ a "colour-blocking" technique to zone out specific areas in the room (think open-plan kitchen/ lounges, HMO (house in multiple occupation) rooms that function as offices too, or entrances that look more like corridors than halls). Here are a couple of ideas by way of inspiration.

In the picture to the right, colour blocks have been used to highlight structural features creating the illusion that this open-plan space is two very separate rooms. Why it works: whilst black is very bold and difficult to pull off, using it as a block in a particular area and then using lighter/airier colours in the rest of the room creates a clear divider in this instance between the children's play area and the remaining space.

Note how colour blocking is different from feature walls (which I see are often misused). Colour blocking is used to define an area in an otherwise open-plan room, in order to demarcate that area for a particular activity. In the picture to the left, note how the dining area has been separated from the kitchen and the rest of the room by using colour and textures.

Here a very bold statement is being made with wood cladding to zone out the dining area and separate it from the rest of the room.

In the interior below, note how the kitchen has been separated from the dining area and the rest of the room by the bold use of dark grey across the walls and ceiling.

So, we've covered colour basics and looked at colour schemes as well as ways to decorate your properties to make the most of the space. I hope you have gained some confidence and courage to veer away from overusing grey throughout the whole property and can start to become your own interior designer.

Feel free to share your current or future projects with me if I have inspired you in these articles. You can find me on LinkedIn and Facebook; search for Valeria Romano – homepoise. Post your interior and tag me; I would be happy to share ideas with you. As ever, if you need help, feel free to get in touch.

Valeria has created a mini guide to colour schemes and how to use them within your properties to create a particular mood; visit bluebricksmagazine.com/resources to get your free copy.

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Valeria Romano is a property investor as well as a spatial and interior designer. She has been passionate about this business since her childhood years over in Italy where she helped her father convert doer-uppers into family homes.

She moved to the UK in 1999 and has since built a portfolio that achieves higher rental income than the typical ceiling price due to the quality of design.

Today she helps other investors maximise profits by transforming interior and spatial design flaws into highly engaging interiors that sell faster and for higher profits.

Valeria also runs workshops and coaching courses as well as offering services in spatial and interior design.

THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

A ROUND-UP OF COVID-19 AND THE PROPERTY MARKET IN 2021 SO FAR

JILL STEVENSON

Further alterations and extensions to government policies are expected as Covid-19 continues to take its toll on the property industry.

Help to Buy

Help to Buy is the latest scheme to be extended beyond its original deadline. The first-time buyer financial help scheme, where the government pays some of the deposit on a new property, was due to end in March, but has now been extended to May.

The reason for the extension, according to the government, was because 16,000 sales had been affected owing to construction delays caused by the various lockdowns. Around 278,000 properties have been purchased using the scheme over the past seven years.

Landlords further worried over "No Evictions" extension

Not a scheme, but a policy brought in as a response to lockdown, the "No Evictions" rule for private rented tenants has also been extended until the end of March. It was supposed to end mid-Feb.

The National Residential Landlords Association (NRLA) say there are around 800,000 private renters currently in arrears. A spokesman for the organisation insisted that continually extending the deadline was leading to "mounting debts to the point [renters] have no hope of paying them off". He called for hardship loans and grants to be extended to landlords to help them cope with their own financial crises as a result.

Tenants also joining "race for space" to rural locations

But not all landlords are suffering as a result of Covid-19 – some are actually benefiting, especially those whose properties lie in more rural locations. For just like buyers, renters too are now looking for bigger gardens and more rooms. The cost of rent is actually falling in built-up areas and rising in countryside locations.

Property portal Zoopla noted that rental prices in upmarket areas such as the City of London and Kensington and Chelsea plummeted 17.3% and 12.3% respectively in 2020 compared with 2019. Similarly, in Greater London, they were down 8.3%. Edinburgh and Manchester experienced similar drops. In Birmingham, tenants are now paying 3.4% less, while in neighbouring Wolverhampton, Sandwell and Bromsgrove they are prepared to pay 5.3% more to live in quieter, greener environments.

Tenants' property preferences have also changed as a result of lockdown: houses are now in far greater demand than apartments. London landlords saw their apartments take 20% longer to rent compared with houses in the closing months of 2020. The latter were snapped up 10% more quickly than the same time the previous year and 30% faster across the UK as a whole.

Property prices take a dip

Predictably property prices fell in January as many buyers realised their transaction wasn't going to go through in time to meet the Stamp Duty deadline in March. Both Nationwide and Halifax reported a 0.3% monthly drop in January compared with the previous month. The last recorded drop had been back at the beginning of the first lockdown.

In terms of year-on-year comparisons, Halifax says prices are up 6.4%. However, that figure is expected to drop as the latest Royal Institution of Chartered Surveyors (RICS) survey shows more than a quarter of their members revealed a drop in buyer enquiries during the first month of the year. This is coupled with more than a third of surveyors reporting fewer properties coming on to the market – the first fall since May last year.

Property portal Rightmove also noted a drop in interested buyers and properties coming on the market in January, but said the figures had started to pick up in February, with a 45% rise overall when compared with the same period last year. Purchases were also up 5% year-on-year. They attributed the current lack of properties in part down to the increased number of families having to spend time home schooling.

PROPERTY FLIPPING HITS A 12-YEAR HIGH

JILL STEVENSON

It was the 2008 recession that didn't so much as put the nail in the coffin for house flipping, but hammered the lid down. As quickly as she'd arrived, house flipper extraordinaire Sarah Beeney exited our screens, leaving us grateful for the fact we still had a roof over our own heads.

But more than a decade later – and notwithstanding a global pandemic – house flipping has fought its way back as a way for property investors to make money. Upmarket estate agent Hamptons International reported that 2020 was set to be a record year for flipping – perhaps reinforced by the not-so-little matter of a brand new TV show with the working title *Flipping Fast*, which has recently been commissioned by Channel 4. The format follows six contestants – all budding property developers – who are given £100,000 each to buy, refurbish and sell. At the end of a year the individual who's made the most money is crowned the winner.

Perhaps this new show serves as a good measure of the perceived value in this property investment strategy – a perception certainly reinforced by recent data.

The top spots for flipping

According to Hamptons International, the most successful areas for flipping in terms of numbers of properties flipped are the Northeast and the Northwest. Their data (gleaned from the Office of National Statistics) revealed that Burnley was the top property-flipping location in Britain; one in 12 houses purchased were sold again within a year. Local developers won't be too surprised to hear that though – it's the sixth year running that Burnley has hit the top spot. The next most popular flipping location last year was County Durham, followed by the Midlands.

In terms of profit, however, Rutland in the Midlands tops the chart with an impressive average price increase of £45,269 on flipped properties. Despite being high on the chart in terms of the number of properties flipped, Teesside and County Durham came in with much lower increases in sale price with an average uplift of just £6,100 in Middlesbrough. However, it's worth considering these uplifts within the context of the overall local market values of the average property so perhaps it's not as disappointing as it first appears.

One in 40 properties flipped nationally in 2020

Looking at the flipping figures nationally, approximately one in 40 properties purchased were flipped last year. Around 23,000 homes were flipped in 2020 – a 12-year record, and a figure well above the 20,857 across 2019. And there is another big difference between 2020 and 2019, too: profit. Developers made an average of £40,995 profit last year, compared with £29,685 the previous year.

The more dilapidated the property, the less competition

In Burnley, 51 properties were flipped with an average £20,643 between the original cost of the property and its new sale price. The vast majority of property purchased in the town was terraced housing selling for around £40,000, and most of these properties were run down.

The top 10 local authorities with highest proportions of homes flipped during 2020

No	Location	No of flipped properties flipped within 12 months of purchase (%)	Average increase in sale price
1	Burnley, Lancs	8.2%	£20,643
2	County Durham	5.8%	£6,780
3	Rutland, E Mids	5.8%	£45,269
4	Middlesbrough, Teesside	5.5%	£6,100
5	Stockton-on-Tees, Teesside	5.4%	£8,775
6	Wolverhampton, W Mids	4.7%	£22,191
7	Hyndburn, Lancs	4.6%	£26,410
8	Merthyr Tydfil, Glamorgan (Wales)	4.5%	£20,417
9	Darlington, County Durham	4.5%	£11,549
10	Walsall, W Mids	4.4%	£27,536

Source: Land Registry and Hamptons International

In fact, the more run-down and dilapidated the property, the higher the potential profit, according to long-in-the-tooth property flippers. That's because there is less competition for the property in the first place, and there is the potential to add so much more value.

Another tip is for amateur property developers to aim for a minimum profit of at least £20,000 – any less than that and it's hardly worth getting involved in the first place.

The future of flipping

The big question, of course, is whether this upward trend will continue across 2021 when so many experts are predicting a dip in the property market as a whole. Will this speculation have an impact on the confidence of investors and could it lead to a decrease in profits on flipped properties? All this remains to be seen.

8 TIPS FOR USING BRIDGING FINANCE SUCCESSFULLY

Bridging finance can enable you to access deals that would be unattainable with investment mortgages, but it often gets a bad reputation. Whilst this isn't completely unjustified, if you use it correctly, it can be a valuable tool in your property investing repertoire. As such, I've compiled eight points to guide you through a seamless bridging application.

1. Work with experienced professionals

We're bombarded with information about the importance of a strong and experienced team, but this really is key to a good bridging experience. The biggest delay in the bridging finance application process is usually with the solicitors. To ensure this side of things runs smoothly, find a solicitor who is experienced in bridging finance, is aware of what will be requested up front, and knows the process – this will prove to be invaluable.

The same goes for your broker: you need someone who is proactive, understands the bridging finance process inside out, and can remain one step ahead. The ability to pre-empt the lender's requirements throughout the application will expedite the process.

A strong team can mitigate the risk of the application going awry.

2. Communicate clearly

The due diligence process can feel exhaustive – I have even heard individuals say they feel as if the lender is fighting against them rather than wanting to work with them. Remember that lenders need to lend money to make money! They're in the business of lending and are keen to do so, but – like all relationships – they need to make sure you're right for each other. During the due diligence process, lenders are not trying to trip you up, confuse you, or cause your deal to fall away. And, while the valuation process may feel incredibly frustrating, especially in the event of a down-valuation, keep in mind the lenders need to ensure the property is suitable security for their facility. In most situations, even if a hurdle is reached, lenders will look for a way to overcome this rather than walk away from the deal.

Instead of being defensive when it comes to applying for bridging finance, understand that the lender is working with you and retain clear and positive communication channels. It may make all the difference to your bridging application experience, potentially even expediting it.

3. Be responsive to keep the pace up

We've all heard bridging finance can move quickly, but how quick is quick?! Bridging finance usually completes within four weeks, although it does depend on the deal and the lender used, as well as the professionals involved. In most cases, your loan will complete in two to four weeks, but you need to ensure you are proactive and respond to enquiries from your broker or the lender in a timely manner. You also need to remain in contact with your solicitor.

4. Consider your priorities

It is paramount that you disclose your completion deadline upfront, as this will impact the lender you go with. If you have a week to complete, there are lenders able to do this, but you will pay for this level of flexibility in the rate.

The cheapest rate isn't always the best solution for you. For example, you can get rates as low as 0.42% per month, but this is sub 50% loan to value (LTV), on a very straightforward residential property. Rather than focusing on just the rate, it's vital you look at the wider picture and seek the best rate available on the product that's right for you.

5. Be clear on your exit strategy

When you consider using bridging finance, you should always work backwards from the exit. If your exit is refinance, make sure any bridging loan you take out can be repaid in full by the exit facility. Development opportunities are a firm example here: if you're purchasing a property prime for development, but you need to bridge first owing to time limitations or planning amendments, make sure the development finance loan on day one repays your bridge in full. There is nothing worse than ending up on a bridging loan you cannot repay. It is also worth noting a lower loan to value will likely attract a lower interest rate.

6. Remember that the headline LTV isn't (always) the delivered LTV

It's also crucial to remember, a headline loan to value (LTV) isn't necessarily the net amount you'll be given. Let's work on the basis of a 75% loan to value here: the most common LTV in the bridging finance market. It is key to remember that whilst the loan may be 75% of purchase price, you will need more than a 25% deposit.

Within this 75% of purchase price figure, lenders will include the interest cost of the finance (this means you do not have to service the interest during the loan term), and the arrangement fee (usually 1.5–2% of the total loan amount). This means that whilst your total (or gross) loan may be 75% of the purchase price, your loan once the fees and interest have been included (your net loan) will be closer to the 68–70% of purchase price mark.

For example:

Purchase price: £100,000

Gross loan: £75,000

Minus arrangement fee @2%: £1,500

Minus example interest during term @0.75% for 9 months: £5,062.50

Net loan: £68,437.50

7. Understand the cost

On top of this, you'll need funds to cover the set-up fees because there's more to the cost than just the arrangement fees and interest rates.

When applying for bridging finance, lenders will do their due diligence on both you and the property they are looking to secure their finance against. This will initially involve credit searches and a review of the information you have provided on your application form. From there, the lender will require a valuation for which you will be expected to pay. This will have to be paid for either upon instruction of the valuer or release of the valuation report to the lender. As such, you will need cash available to cover this cost. The cost of a valuation for bridging finance purposes usually starts at around £750 and will increase as the property value or the complexity of the property being valued increases.

Lenders will also require their solicitors to liaise with your solicitors to ensure the deal works from a legal perspective. It is important to note that you will pay for both your legal fees and the lender's. The legal fees for the lender's solicitors when applying for bridging finance start at around £1,250 and, similarly to the valuation, will increase with both the loan size and the complexity of the deal.

8. Be transparent

When discussing your circumstances with either your broker or directly with the lender, you must disclose everything upfront. If you have poor credit, CCJs, even a past bankruptcy – declare it. These can be dealt with and an appropriate solution can be found. It is very likely any credit issues or problems with the property will be discovered through the due diligence process, therefore being transparent about these areas upfront means the correct solution can be sought from day one, avoiding unnecessary delays or abortive costs.

While there is a lot to consider when applying for bridging finance, it's a financing tool that should be placed firmly in your property investing toolkit. If you ensure you are fully aware of the pitfalls mentioned above, and you get the right professional team in place, you won't go too far wrong.

Alice Williams
Commercial Finance Broker

For more help on bridging get in touch with Alice:
property@pilotfishfinance.co.uk

Alice also provides a free course to learn more about bridging finance:
bluebricksmagazine.com/resources

COMMERCIAL CONVERSIONS WITH RANJAN BHATTACHARYA

IN INTERVIEW WITH ANTHONY BOYCE

Earlier this month *Blue Bricks* columnist Anthony Boyce, architectural designer and investor, met Ranjan Bhattacharya to talk all things commercial conversion in our third podcast. Since 2005, Ranjan has worked as a commercial conversion specialist whilst also hosting the Baker Street Property Meet and featuring on Sky's *Property Elevator* as an angel investor.

When two commercial conversion addicts were given an opportunity to get together, you can probably imagine that they got a little bit carried away! As such, we've selected the highlights from the podcast and are bringing them to you across two parts. For those of you that are new to the topic, we've added bite-sized additional information across the interview to make it easier to follow. Let's dive straight into Part One.

AB: Tell us a little bit about yourself, Ranjan.

RB: Sure! I started investing in property in 1990 as a sideline to my corporate job in management consultancy. I ran the two alongside each other for a decade before going full time into property investment in 2001. I focused on North London, converting a lot of large houses and buildings into flats. I found that getting the right yield was a bit challenging, so in 2005 I tried my hand at my first commercial to residential conversion and found it to be more profitable. I discovered that the only way to increase my margins in London was to move away from normal residential property investment and focus on taking commercial buildings and either partially or fully converting them to residential.

So that's really how I got into commercial conversions. And then in 2013, of course, a lot of what I was doing with planning permissions became known as permitted development. So it became easier.

AB: Of course, you got into this before it became easy! And how did you find the planning process back then compared to standard residential refurbs?

RB: Well, any time you need planning permissions it can be complicated because the outcomes and timelines are so uncertain. Even if you feel you have a strong case, the local planning authority can push you into an appeal just to test your resolve. It might take eight weeks, it might take 18 months, it might take two years or you might never secure permission! I think this is why so few people try it.

AB: Totally. I was helping an investor recently with a retail commercial property, we were going to convert the uppers and we went in for planning just because we needed to change the shopfronts. The environmental health officer caused a stink about bin access at the back of the property so, in the end, we withdrew the application and went in again under permitted development and it sailed through without us having to provide bins or bike stores or anything! The process is much more straightforward in that sense, but there are other differences/benefits such as fees – have you found that they differ widely?

RB: We just put in an application to convert an office building into eight flats and the fee (ie: the fee paid to the council rather than the architect) is £96. The price under

Anthony Boyce
Architectural Technologist

planning would have been £462 per flat equating to £3,696 – under the current PD (permitted development) rules, you pay per application – not per proposed unit. Of course, the current PD rules are going to change on 31 July this year to bring the application fees more into line with the traditional planning route, ie: a fee per proposed unit. However, we're expecting a rate around £100 per unit so, yes, more expensive, but still significantly lower than going down the planning route.

It's worth saying that there are more hoops to jump through now than back in 2013 – there are far more surveys to be carried out, for a start. For example, when you're converting an office to residential, you have to demonstrate that noise from neighbouring commercial properties won't have an adverse impact on your future residents so you might have to commission an acoustics report. That can set you back a couple of grand, but can help your case.

What are permitted development rights?

National permitted development rights allow certain changes of use and development work to be carried out without needing planning permission, as it is deemed to have already been granted or "permitted". Although, there are still conditions, limitations and requirements in place which must be met under national legislation and you can apply for a lawful development certificate (LDC) if you want official approval. In some circumstances you may also need to submit an application for prior approval.

Colin Burdett / Shutterstock.com

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What is prior approval?

Prior approval is much less prescriptive than planning and applies in areas where the principle of the development is already established. A developer would need to seek prior approval from the local planning authority on specific elements relating to the work before the project can commence, but the planning authority can only approve/reject based on this set criteria. It's generally seen as a less onerous system than the traditional planning route.

AB: So on that topic, are there any other common consultants you might require if you're going to submit one of these applications for prior approval or permitted development?

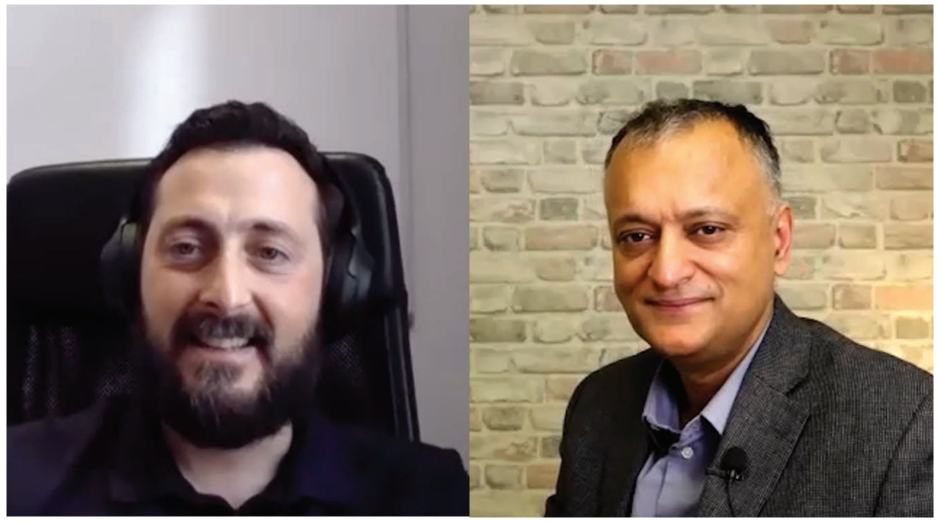
RB: With prior approval, you really need a planning consultant rather than an architect because you're ticking boxes to get prior approval (which is not the same as the planning approval process). For example, every habitable room must have natural light so, if you're planning the layout of a flat, the lounge and bedroom need natural light while kitchens and bathrooms don't.

Earlier I mentioned a noise survey. Well, another factor for ground-floor developments is whether you're in a flood zone which requires another specialist report. If you are – it's not game over, but you will need a flood expert to design mitigation measures, floor barriers etc. Like I said, there are a bunch of things you need to take into account, but it's the planning consultant's job to make sure you're ticking all these boxes.

AB: Yes, but like with the job I mentioned earlier – you can get your prior approval, but you can't alter the building's envelope meaning, even though you get the design and layout through, you have no access to the upper units from the outside of the building. And so you end up going back through planning anyway. I guess they can't throw it out because you've already got permission to convert the uppers, but it's a bit of a strange way to work the system in my eyes. I guess it's easier to do it if you've got that initial permission in place.

RB: It makes sense to me – they're accepting that whatever your plans for the interior, they will have no impact on the external thus having no adverse consequences for the surroundings. I guess if you do want to change the external appearance then you will need to go for planning. There's only one PD that allows you to change the external envelope and that's Class M, ie: changing ground-floor retail into residential. Under Class M you can make external changes to make the conversion viable – perhaps adding windows or doors etc. Of course, this is why Class M isn't allowed in conservation areas.

They've basically formulated so many complicated rules which apply in different places – if you don't get your head around them, it creates a pretty uneasy situation. Will I get the permitted development? Will this qualify or not? But, if you know your stuff, then you can remove this element of doubt by making sure you know exactly which properties will be viable even before you've applied.



AB: Earlier you mentioned habitable rooms having access to natural light – is that a recent change along with the requirement to meet National Minimum Space Standards? Because I've seen schemes in the past with a bedroom at the back of a converted room (window looking into the lounge) using mechanical ventilation in place of windows to the outside, that didn't need to meet National Minimum Space Standards, which I don't feel are exactly ethical!

Changes in permitted development guidelines

In 2013, the government released amendments to the permitted development guidelines which allowed for office buildings (Class B1(a)) to be converted into residential spaces (Class C3) without the need for full planning permission. This removed a lot of the red tape and uncertainty around projects because, if you met the list of guidelines and requirements for a development of this kind, the planning departments couldn't refuse an application. With a standard planning application, the various planning officers, council consulting departments (Environmental Health, Ecology, and so on) as well as local councillors often all get to have their say on an application, which – as you can imagine – can become difficult when everyone has their own agenda for the scheme.

In September 2020, changes included a new Class E, which incorporated various existing classes (Class A, B1 and D) and means that developers can more easily switch the usage of a building. Further changes are to be announced in July this year.

Stay up to date with any changes: **planningportal.co.uk**

RB: That's the thing with PD – they're always coming up with new amendments. Best thing you can do, with newly announced PD rights, is get in first and see how much flex there is and have some fun before they amend the rules again. Having said that, there are people that take it to extremes and can really mess it up for the rest of us.

The issue over natural light wasn't actually a case of someone pushing it too far, it just got misrepresented by the media. There was this warehouse in Watford – a light industrial building. The plan was to convert it into a number of flats – the plans for the flats didn't have any windows, but they still attained their prior approval. The media went nuts over it – how could they do this, bla bla. But what the papers failed to report was that the owners were also putting in a planning application to punch in some windows and doors. Like your example earlier – prior approval only applies to interior changes, if you want to change the external envelope you need planning permission.

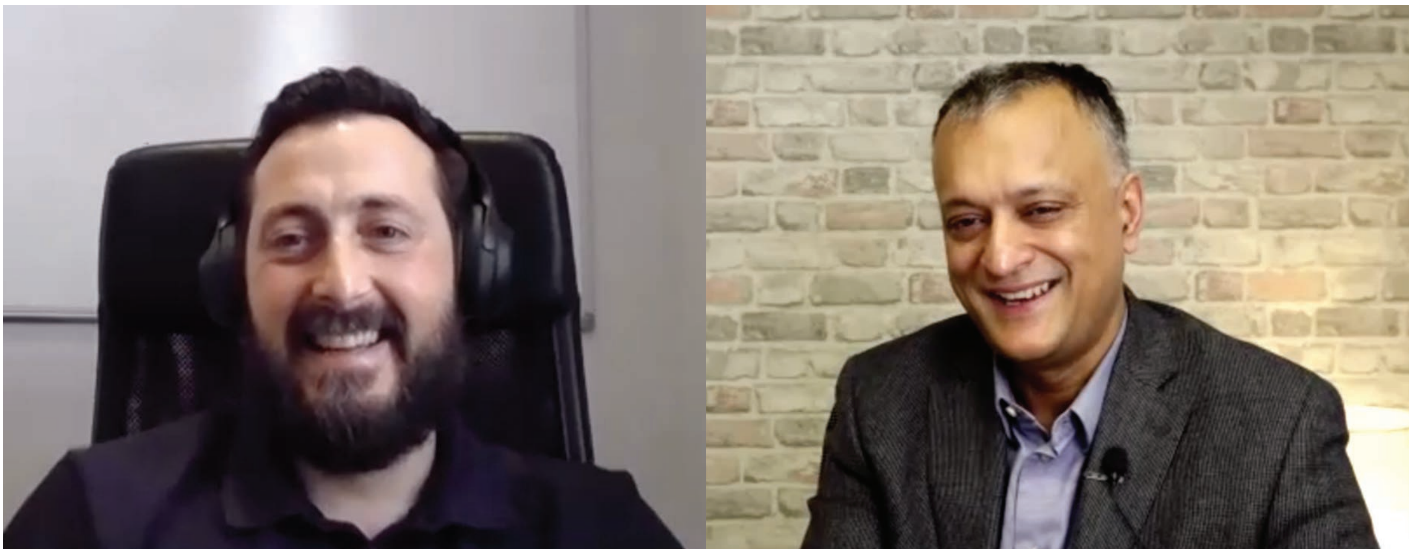
It's a very common tactic, but the press whipped it up completely disregarding the parallel planning application and the developers were branded as greedy money grabbers because that's what gets the headlines. Before you know it, they introduced new regulations on prior approval about natural lighting.

It's not been the end of the world in this instance – there are plenty of buildings out there where simply punching in a few windows would give you a better scheme. Developers have therefore had to adapt – get the planning first and add the windows/doors before going for prior approval to change the use. It might delay the scheme a little bit, but it will help you get the scheme you want.

AB: Brilliant. I know that some of the changes in September last year have actually made it easier to switch between different kinds of businesses on premises by removing the various Use Class categories. For example, Class A (shops, cafés, etc) and Class B1 (offices) have now been grouped together under the new Class E. Do you foresee there being any other changes that allows a broad Class E conversion to C3 (residential) dwelling usage?

RB: Oh, yeah, Class E has been a real enabler because it allows buildings to be repurposed to other commercial uses – the range of property covered by Class E is vast. The impact of it has been slow to kick in – as soon as it came out, Covid-19 came along and shut everything down. I suspect the true benefits and potential will become apparent over the coming months as people start to understand the level of flexibility it brings. By way of example – say I own a newsagent. Before Class E came along, if I wanted to convert it to a restaurant, then I'd have to go to the planning authorities and apply for change of use. Chances are they would reject it. However, with the new Class E, I don't have to ask permission to change the usage at all, which means that if no-one wants to rent my shop as a newsagent, but someone is interested in opening a restaurant, then we can simply convert it.

Behind the scenes filming for the 'Succeed in Property' YouTube channel



There's this former GP practice in Islington that's been subject to a planning battle for three years because Lidl want to convert it into a store. The council rejected their application and it went to appeal. Then Class E comes along and the landlord no longer needs to ask for planning permission. Class E totally frees up the repurposing of commercial buildings for other commercial uses.

And yes, there are further changes coming before 31 July this year: new regulations will allow all Class E properties to be repurposed for residential use. Now, let's just take a moment to figure out what that means: we already had PD to convert offices to residential, or to change A1 and A2 to residential as well as any space above an A1/A2 to residential. But if you had an A3 restaurant, you couldn't convert the uppers into flats under PD. If you had a doctor's surgery or dentist practice, there were no PD rights to convert any of that into residential under PD. But now that all of these property types have been grouped together into one class, you'll be able to convert these into residential usage – including in conservation areas.

AB: I think this is going to be one of the big gains, isn't it? Because in the past we had to seek specific properties in specific places before – broadening the rules like this is a massive boon. Take my own office, which looks out over a conservation area. Before the change, I couldn't have converted the uppers into residential, but now I'm starting to see so many fresh opportunities on my own doorstep that just weren't an option before.

I think what specifically interested me was that they'd added a few extra property types into the mix – industrial units and sports halls. Where do you see that going? I mean, to me, it feels like we'll see developers trying to add residential units to big commercial and industrial units in an industrial park, but I'm just trying to get my head around how the planners would try and stop that and who would want to live there anyway.

RB: Yeah, there's PD and there's *PD*. There's PD that we have already talked about, like, for example, the stuff you mentioned, but there's also adding extra floors on top of existing buildings. They're calling those things PD, but there are so many ifs, buts and checklist items which can make it more complicated than it first appears. Moreover, there are also areas where the planning authorities can still express an opinion.

AB: And that's what we want to avoid.

RB: Totally. If they can still express their opinion on the look and feel of the building, then it is pretty much planning all over again. I guess there's some PD prior approval that I am excited about and there's some that I think is really planning permission just given another name.

We will continue the highlights of their conversation in the next issue, in the meantime you can catch the full podcast here:
bluebricksmagazine.com/podcast

Keep in touch with Ranjan's insightful tips on commercial conversions through his weekly videos including case studies and commercial conversion projects.

These can be found on his YouTube channel 'Succeed in Property'. Ranjan also offers free training on commercial conversions; go to
succeedinproperty.com/free-training

The difference between commercial and residential values

A commercial building is usually valued on the strength of its lease and the tenant within that building. By way of example, a £50,000pa lease on a 400m² building could mean that someone is willing to pay in excess of £500,000 for the property, the tenant and the current lease. However, when that tenant's lease expires, there's no value in the building other than the bricks and mortar, so you can often buy the property for a fraction of the previous value – possibly as low as £50–100k. When buildings like these are converted into residential, they have a long-term use again so the value greatly increases. You could potentially get eight to ten one-bed apartments out of 400m² and see them valued at the residential market value for that particular location.

LENDING UPDATE

A look at the current situation in the world of property finance

Alice Williams - Commercial Finance Broker

With lockdown 3.0 hitting at the start of 2021, we all let out an audible groan, wondering what was in store for the property finance market this time round. However, not only were there no negative impacts felt (lenders continued to lend, valuers continued to value, and transactions continued to complete), but we saw the beginning of the battle of the buy-to-lets!

Rates drop quickly as lenders get competitive

In the last couple of months, primarily in the limited company lending market, we have seen rates cut on almost all products. Historically, this has tended to be a gradual process, ie: lender by lender, over at least a few months, but what we've seen – with funding lines reducing rates of borrowing as well as increased competition within the lending markets – is a significant change within a relatively short period of time.

Shawbrook Bank reduced both their BTL (buy-to-let) mortgage and HMO (house in multiple occupation) mortgage interest rates, with a drop of 0.5% on HMO lending. Shawbrook will now lend on HMOs, up to 75% of their investment value (where an investment value applies) at 4.54% per annum. In January, Shawbrook also successfully completed their acquisition of The Mortgage Lender Ltd, who themselves have a very competitive offering in certain areas. It will be interesting to see the changes this will make to Shawbrook's product offering moving forward.

The next lender to have made notable changes is Precise, who have dropped their interest rates to less than 3% on some of their BTL mortgages. This creates the most competitive BTL product available in the market for limited company BTL borrowing. Their rates start from 2.79% per annum, on a two-year fixed product, up to 75% loan to value. It's worth noting that Precise are also flexible in their criteria, and are even willing to consider first-time landlords who are also first-time buyers (whereby an individual does not have previous landlord experience, nor do they own their own main residence).

Landbay have also reduced interest rates across their range, including on their HMO and multi-unit freehold block mortgage products. They are now able to offer HMO mortgages on HMOs of up to six bedrooms with rates starting at 3.35%, again providing a very competitive HMO offering. They will consider investment valuations, although have stated that this is at their discretion and not guaranteed. They have also slashed their BTL rates, with their standard two-year fixed product starting at 2.95%, resulting in a further increase in the number of mortgage products available to limited companies at less than 3% per annum.

80% LTV is back once more

Another change to note is the return of more 80% loan-to-value facilities. LendInvest have introduced a new 80% loan-to-value offering for both BTLs and small HMOs (up to six bedrooms), both of which start from 3.99% per annum. This is great for investors who are seeking to minimise the size of the deposit required. However, note that with a notable increase in the rate associated with 80% borrowing when compared to 75% loan-to-value mortgages, it's always worth thinking about whether the best solution is chasing the highest leverage products.

As always, the rates and loan to values listed here are always the best-case scenarios. They *are* attainable and – if you have a standard case – these are the rates and leverages you should expect. It's pertinent to remember that anything that pushes your case outside of the "vanilla" (ie: a quirky property, weak location, vulnerable tenants) may cause these rates to increase, or mean you no longer fit the criteria for these lenders at all. This is why it is key to discuss each individual case with your broker, as they are able to fully understand your specific requirements, and find the most appropriate product for you and your circumstances.

Bridgers get competitive

It is also positive to see a similar level of competition within the bridging finance market, with Octopus Property now offering bridges under 70% loan-to-value at 0.55% per month, and bridges between 70% and 75% loan to value at 0.65%. Octopus have also overhauled their bridging finance application process and in certain cases are able to indemnify searches fully, enabling them to complete within two weeks of applying for the bridge, proving that you should not always expect slow service with low rates.

It's been a promising start to 2021 and it's positive to see lenders are as keen as ever to lend. The increased competition among lenders is creating a market that is truly beneficial to borrowers.

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Written on 11/02/2021.
This information may change at any time during the printing process. Please consult your broker in all investment decisions.

A GUIDE TO SUCCESSFUL PROPERTY LETTINGS

WHY PROFESSIONAL INVENTORIES ARE VITAL FOR ANY LANDLORD

Ben Quaintrell LETTING AGENT OF OVER 15 YEARS

"It was like that when I moved in."

It's surprising how many landlords have a relaxed attitude when it comes to undertaking inventory reports. Some wrongly believe that these reports will only cover fixtures and fittings, while others feel the time and effort involved is unwarranted if they're letting unfurnished properties.

However, it's important to stress that these reports, carried out both at the start of a tenancy and again at checkout, detail not only the condition of fixtures and fittings, but also the state of the property itself. With this in mind, the vital part of any assessment is the Schedule of Condition, which details items such as décor, walls, floors and ceilings – offering protection against any structural damage caused during a tenancy. Hence, even for unfurnished properties, an inventory report is important in the event of a boiler being removed, or damage caused to carpets, flooring or walls, for example.

Ideally, use professional inventory software to create the document, which provides high-resolution images capable of recording details including door handles, light switches, light fittings and sockets. We would recommend TouchRight software (**touchrightsoftware.com**).

Without an inventory agreed and signed by the tenant, a landlord has little chance of making a claim against a tenant's deposit as, in the absence of such detail, there is no proof the property (or its fixtures and fittings) was in better condition prior to the tenant moving in. Furthermore, an inventory not only reduces the likelihood of any dispute arising, but also encourages a strong professional relationship between landlord and tenant because it also ensures a tenant cannot be held liable for any damage or defects that occurred during a previous tenancy.

In addition, I would always advise landlords to complete a check-out report without the tenant checking out being present. It's useful not to be distracted so you don't miss any key areas – tenants with something to hide have been known to stand over a carpet stain or attempt to draw attention away from a mark on the wall!

When conducting an inspection or check-out report, always ensure there is a copy of the inventory report to compare against. This avoids hearing the tenant utter the oft-repeated phrase: "It was like that when I moved in."

Remember that normal wear and tear is to be expected, including discoloration of furnishings and upholstery and appliances that have ceased to work owing to age or regular use. But it's always surprising what can go missing or end up damaged in a rented property and landlords must make a note of *everything*. Examples include cracked or broken windows, stains or cigarette burns or missing/damaged appliances.

Knowing the exact condition of the property allows landlords to gauge the extent of any maintenance needed and acts as a clear guide to the work required to return the property to its original condition at check out.

In the event of a formal deposit dispute, it's strongly advisable to negotiate an agreement rather than taking it to a mediation service, which will often rule in favour of a tenant in any 50:50 situation.

My final tip is that having any type of inventory report is better than nothing at all, even if it's handwritten and there are no photos. However, always make sure it's signed by the tenant before they move in.

My Property Box has produced a podcast on the subject as part of its "Confessions of a Letting Agent" series, which you can access here: **bluebricksmagazine.com/confessions**

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

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ONE-HOUR RULE OR ONE-HOUR MYTH?

HOW CHOOSING AN INVESTMENT AREA FURTHER FROM HOME CAN PROVIDE ALTERNATIVE OPPORTUNITIES TO GROW YOUR PORTFOLIO AND STRUCTURE A MORE HANDS-OFF APPROACH TO PROPERTY INVESTING

HARVEY FROM GROWTH PROPERTIES

Harvey's story

I was born in Stratford, East London and spent my childhood growing up in a little village called Aveley in Essex. By the time I came to buy my first property in 2009, I was clueless. Despite this, I knew that buying in Aveley wasn't the right thing – it's a small village with no employers, no major transport links, high property prices and a lack of available property stock.

Instead, I bought a property in Southend-on-Sea, a 50-minute drive away. I remember the agent telling me that it was a great rental location. It turned out that this property was in the middle of a red-light district and had heroin- and crack-addicted prostitutes walking the streets at night looking for their next fix. To top it off, there was a drug rehabilitation centre four doors down from the property, where the same ladies would queue up in the morning to get their medicines. But I got lucky – a friend of mine rented the property and ended up staying for five years.

Anyway, after just a few deals in the Southeast, my money was running out – I was finding funding properties down south was becoming increasingly difficult owing to high property prices. So I started thinking about investing up north where property prices are generally lower.

Then, in 2010, I met a guy who had moved down to my neck of the woods from what is now my distant goldmine location: Stockton-on-Tees. He told me about the opportunities in that area and gave me some valuable guidance. Meeting him was pivotal in my decision to invest remotely and I'll always be incredibly grateful to him for getting me started. To date he has completed over 100 property deals in Stockton-on-Tees, has several businesses there, and a fantastic network. With his support, I bought three BRR (buy, refurbish, refinance) properties and managed to recycle pretty much all of my funds, using his network of tradesmen and local knowledge of the area. This marked a significant start for my remote property-investing business, although there were a few challenges along the way.

Even though I had begun investing in properties up north, the all-too-familiar shiny penny syndrome struck and I was tempted to try an alternative investment. I opened a coffee shop local to where I live, with the sole purpose of using the earnings from the shop to fund more deposits to purchase properties in the Northeast and gradually build my portfolio. However, investing in the coffee shop had the opposite outcome and I was left in a financial and mental hole. As a result of this experience I didn't buy another property for nearly two years and my dream to build my portfolio in the Northeast was put on hold.

After a while, I went along to my first property seminar: "Multiple Streams of Property Income". I came away feeling convinced that I was getting it all wrong by investing in properties some distance from where I lived. Every speaker talked about the "one-hour rule" – ie: that you should focus on investing locally, within a one-hour drive of your home, as you will know the area better and can build a power team more easily.

One of Harvey's properties in Stockton

Harvey's investment area of Stockton

So, I heeded their advice and found a joint venture partner who funded the purchase of a HMO (house in multiple occupation) local to home. However, I felt that there were too many additional regulations and too much planning and management. What this experience taught me is that the HMO strategy isn't for me and simply confirmed to me that single lets are my favourite form of property income. Unfortunately, single lets didn't work for me in my local area – high property prices were just too restrictive for my budget.

At this point, five years had passed since purchasing the property in the red-light district area of Southend-on-Sea and my second tenant was moving in. Just a few days after the start of her tenancy, I got a call from her saying, "Oh my God, there are prostitutes walking past the house!" And that's when it hit me: the one-hour "rule" so frequently peddled by property experts was, for me, shattered! I now like to call it the "one-hour myth". I realised that I didn't know Southend-on-Sea any better than I knew Stockton-on-Tees. In fact, I knew Stockton-on-Tees a lot better, because the guy I met was an experienced investor there and had provided me with the knowledge I needed. I immediately began to think more seriously about continuing with remote investing.

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What's more, after the stressful experience of running a coffee shop, I also set myself a personal target to make sure I attained a better work/life balance by aiming to take a break every month, whether a local spa hotel, a trip to the Netherlands (my wife's native country), or a long-haul holiday to somewhere like Thailand or the Caribbean. In order to do this, I had to figure out how to run my business even more remotely – from my phone. Setting myself this challenge truly freed me up to live on my own terms.

Since my epiphany about the "one-hour myth", I have completed over 80 deals in my remote location for both myself and my investors. I've also built a lettings company as well as a virtual team of full- and part-time workers spanning across the Northeast and Southeast of England, the Philippines and Colombia – all managed using tech rather than working face-to-face.

Harvey's tips for working remotely

If you feel that investing remotely could work for you, then here's my advice when it comes to managing the refurbishment process.

Two of the most common questions I get asked are: "How do I find builders if I'm not in the area?" and "How do I manage refurbs remotely?". The answer to the first question is that the process is really no different to working locally: you have to kiss a few frogs, have a rigorous process in place to qualify and disqualify builders and talk them through the process before you work with them. I always keep in mind that relationships with tradespeople can turn sour really easily so you always need to be on the lookout for new ones. I tend to use online portals like MyBuilder as well as Facebook groups, asking for local recommendations. Once I have two or three good leads, I'll arrange to meet them all in a single day to save having to make multiple trips.

As to how I manage refurbs remotely, I always create a detailed schedule of works and have this written into an agreement with the payment terms, which should also include a clause that specifies that the builders need to send you daily photos and/or video updates. This helps to keep me up to date with the progress and address any issues as they arise rather than finding out about issues at a later date when I visit. I also make sure I never pay the full amount until the entire agreed job is completed.

I also visit the property at the start of the project when the schedule of work is being created and again once work is completed to snag the job. Even if you have a 9–5 job, you could head straight to the location after work on a Friday night, spend a night in a hotel and have the Saturday to snag the property and view more properties before travelling home on the Saturday night. Don't forget, all this can be marked as a business expense. My feeling is, if you're serious about building wealth, then this is not too big of an ask. Of course, once you've built a trusted network, you could outsource the snagging to a third party like a letting agent.

That is really the key to remote investing – networking with local, knowledgeable people. This is a lot easier these days – you don't need to rely on chance meetings like mine. The power of social media makes it easy to form these connections without even leaving your house.

Weighing up the pros and cons

Of course, there are pros and cons to investing remotely rather than in your local area. The main attraction for most people who choose this route is that the property in the remote area is cheaper and therefore there is a lower financial barrier to entry. If you can't afford the properties where you live, investing in another area may provide the opportunity to start investing rather than not getting started at all.

Other reasons for investing remotely may be that you don't live near good transport links, universities, business hubs, tourist hotspots etc. You may choose an area further afield that offers better services and amenities to appeal to a prospective tenant.

Yes, OK, you might spend a few hundred or even a few thousand more with a remote refurb on your first project or two because you were still grasping the ropes of managing remotely and therefore hadn't yet learned to liaise effectively with the builder and the project overran. Do I think these risks are worth it to own a property? Well, a delay like that might mean you lose out on a few months' rent. But, in my view, that's better than not owning the asset at all. Don't forget: that asset has the potential to keep paying out for the rest of your life! And you will soon learn from these mistakes and avoid delays in future.

The other big factor you need to think about is your freedom. I do all of this so I can live life on my own terms – many property-investment strategies allow you to mould your work around your life, rather than the other way around. I spend Mondays with my son and travel on a moment's notice. However, the big difference with investing in properties further afield is you have to have a watertight virtual setup. Investing remotely forced me to systemise the virtual setup of my business, which has been a blessing in disguise, especially with the onset of the pandemic. I think if I had lived in a more affordable location, I might not have had the discipline to create the systems and team that I have supporting my operations.

The biggest challenge I find people have with remote investing is the mindset. Of course, remote property investing, like all strategies, comes with challenges but – with today's technology – almost everything can be done or outsourced virtually.

Evolve your ideas, live on your terms.

Harvey has provided some videos to provide further help and tips to anyone interested in investing remotely. Visit
bluebricksmagazine.com/resources

For more on remote property investment, join the Facebook group
Remote Property Investing Community or contact Harvey:
harveygrowthproperties
harveygrowthproperties

A HIDDEN KILLER

WHY FINDING ASBESTOS IN YOUR PROPERTY *AFTER* YOU'VE PURCHASED IT MAY JUST DAMAGE YOUR BANK BALANCE AS BADLY AS YOUR HEALTH

MARK WAINWRIGHT

It might not be the first thing that springs to mind when you're embarking upon buying a property to develop, but ensuring the building is surveyed for asbestos content should be top of your list before you hand over your cash.

A brief history

Asbestos is a naturally occurring fibre. It's been used for literally thousands of years: there's evidence of it being mined in the Mediterranean, Finland and Sweden from around 5000BCE. Ancient Greeks used it in cloths and lamp wicks (the word asbestos comes from the Greek word meaning "inextinguishable" or "indestructible"). The Romans used it in building materials and to weave tablecloths and napkins that could be cleaned after the feast simply by throwing them on to a fire. In the 1939 film *The Wizard of Oz*, the Wicked Witch of the West even appeared on a broom which was made of asbestos. Oh, and the snow sequence in that same film: 100% industrial-grade chrysotile asbestos.

As far back as the 1920s, we were importing 21,000 tonnes of the stuff each year. Then, in the 1950s, in the post-war construction boom, its usage exploded. In the UK alone, over 100,000 tonnes were imported each year. By the late 1960s, that had increased to 170,000 tonnes a year. It was a wonder material – lightweight, adaptable, sound absorbent, fire resistant and, above all, cheap. There was just one small problem: cases of mesothelioma, asbestosis and lung cancer had become prevalent among those working with asbestos over the years.

An escalating problem

It's astounding just how many different uses we found for asbestos. And, contrary to what many people think, it isn't just a problem that exists in commercial properties – you need to be very aware of that when you embark on your development.

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Asbestos can be found in an almost limitless number of places in a property: soffits, roofs, roof linings, adhesives, wall and ceiling coatings, boiler linings, laggings, floor tiles, mastics, DPCs (damp proof coursings) – even under metal sinks and in lavatory seats and cisterns. And that's just scratching the surface. Also bear in mind that asbestos wasn't fully banned in the UK until November 1999.

And this is where you need to listen very carefully: whilst in many cases it can be removed and disposed of very easily (and cheaply), other types of asbestos material can be extremely complicated, dangerous and costly to get rid of. Indeed, the removal of some types of asbestos can easily outweigh your entire profit margin for a project many times over.

Developers have legal duties, too

The good news is that there is a very easy and cost-effective solution, one which is also a legal duty to undertake. We will not go into those legal obligations too much here, but suffice to say that it's one that is frequently overlooked and can cost dearly in the form of prosecutions or fines if something goes wrong.

Under the Control of Asbestos Regulations, developers have a responsibility to identify asbestos-containing materials (ACMs) in the property that are likely to be disturbed *before* any work takes place. That responsibility is the same whether you are a first-time "hobby" developer, or a large multi-national corporation. If you're retaining control of any part of the property, you have other duties too, but we'll delve into those another time.

If you locate ACMs, then you need to think about how works can take place without the disturbance of the material or, if that isn't possible, how it can be safely removed. Certain categories of asbestos are considered "licensable" materials. That is, they can only be worked on or removed by someone who is licensed by the health and safety executive and that the project needs to be notified in advance of the works taking place. These materials need to be removed under what is known as "fully controlled conditions", which usually means in an enclosure under negative pressure.

As I'm sure you can imagine, this is where it can start to get very expensive. Costs can very easily run into the tens of thousands, even on a relatively small domestic project.

How to avoid these problems

Much of this can be avoided, or at the very least, mitigated. When you bought the property, your lender (or if you bought it yourself, you) would have required various searches and a building report to be commissioned before you handed over your cash, right?

But in most cases, that building condition report didn't cover asbestos, at least in any great detail. Because the building surveyor likely as not isn't a qualified/experienced asbestos surveyor. The two disciplines are completely different.

So, you're now paying over your money on a property you intend upon developing, with the possibility that you could be faced with a bill of thousands for the safe removal of asbestos. Would you still proceed with the purchase if you knew? Perhaps you might withdraw or, at the very least, renegotiate a lower purchase price to account for these additional costs. Commissioning an asbestos survey before purchase can save you a whole lot of time, stress and cash further down the line.

A good asbestos consultant will not only be able to help identify ACMs, but will also be able to give you a good idea of what, if anything, you'll need to do to either manage or remove those materials. They should also be able to help pull a budget together on how much that will cost, so at least you can make an informed decision on whether the deal you thought you were getting is a good deal after all. A few hundred pounds spent at the beginning of the project can save you many, many times that by the end.

When you come to sell or let your property in the future, nobody is going to fall in love with your asbestos survey the way they might with your kitchen, but out of everything you do, it might be the thing that saves your project from being a financial disaster into the profitable and enjoyable venture you have always dreamed of.

ASP are a UKAS-accredited asbestos consultancy, offering inspection and testing services nationally. They provide asbestos surveying, sampling, air sampling and clearance testing, as well as specialist project management and procurement, consultancy, compliance reviews and training.

If you have any specific issues you'd like to discuss, ASP are offering a FREE online consultation to all Blue Bricks members. To book yours, visit the website and quote "blue bricks" in the enquiry form:
aspltd.biz

HOUSES IN MULTIPLE OCCUPATION: STUDENT VS PROFESSIONAL WHAT IS THE BEST STRATEGY?

KIM OPSZALA AND NEIL CHAUDHURI DISCUSS THE PROS AND CONS OF THESE TWO APPROACHES TO HMO STRATEGY

There are advantages and disadvantages to any property strategy and student HMOs vs professional HMOs are no exception. When they're well managed, both of these approaches can be high cashflowing so there really isn't a right or wrong one. That said, in this article, we've decided to break down the key considerations into ten different categories so you can decide which of these areas are most important to you.

Location

Location, location, location. This has always been the fundamental key to successful property investing, but in terms of a comparison between student and professional HMOs, the student market is the most sensitive in terms of location. To be successful in investing in the student market, your property needs to be close to a university as well as being close to where other students want to live. These areas tend to be very specific and, what's more, often there are Article 4 directives in place making it hard to acquire properties and find good deals. Article 4 also inflates the prices of existing HMOs for sale.

In terms of the professional market, being close to a Central Business District and good transport links are both important considerations. However, unlike student HMOs, you don't need to be close to a university, so you have a much broader area from which to find good deals. Also, unless you're investing in an area where there is a blanket Article 4 directive in place across the city, you can successfully make this strategy work outside of these Article 4 areas.

Tenant demand

When investing in the student market, you're essentially limiting your tenant demand to a very specific age range who happen to be going to the local university. The professional market covers a much wider age range and consequently the pool of tenants is much larger. On the flip side, the student market is actually incredibly resilient during economic downturns.

Pricing

The misconception here is that you can achieve higher rents for professional tenants than for students, but this hasn't been our experience. If you provide top-quality accommodation, you can expect to earn exceptional rents from either type of tenant.

Competition

Certainly as more and more property investors have entered the professional HMO market, the number of HMO rooms available has increased. This increased supply in certain areas is leading to an oversaturation in the professional HMO market.

Interestingly, fewer investors are entering the student HMO market, but that's not to say the situation is rosier: here, increased competition comes from institutional purpose-built accommodation. We both feel this is a shift that is likely to become more prevalent across the professional market too, with an increase in purpose-built accommodation over the coming years.

Timings

One of the biggest challenges of student HMOs is that you have a limited window to move your tenants in. The earliest we have started a tenancy agreement in a student HMO is the end of June with the latest being the middle of September. If you miss this window, you're likely to miss the entire academic year. You occasionally get groups looking for a January intake, but this is exceptional. So timing acquisitions and refurbs can be a real challenge.

With professional HMOs, as soon as your property is refurbished and ready to go, you can start to fill your rooms. In fact, we often fill our properties before the refurbishment is finished. That said, the one thing student HMOs have going for them here is that you can secure groups up to a year in advance which can offer you great certainty, but owing to the initial challenges of timing student HMOs, professional HMOs top this particular category.

Management

The single ASTs (assured shorthold tenancy) with joint and several liability are one of the biggest advantages of student HMOs over professional HMOs. The students move in together, they move out together and are all responsible for one another. If one tenant leaves the other tenants are liable for the rent. They also choose to live together as a group so, as a landlord, you won't get complaints about housemates in the same way that you might in professional HMOs.

A typical student bedroom from Vogue Abode Properties

However, one thing to bear in mind is that students have less experience in living away from home than professionals. As such they sometimes have higher expectations of a landlord and so more time is needed explaining their responsibilities to them.

Refurbishment costs

As a general rule, for top-end professional HMOs, you ideally need to provide en suites. This can add significantly to the cost of your refurbishment and can eat into the size of your bedrooms. However, Kim offers a mix of rooms for professionals and has maintained high occupancy levels in both, despite Covid.

With student HMOs, the mindset is slightly different. The students are moving in as a group who already know one another and are therefore happier to share bathroom facilities. In fact they often appreciate the additional space this allows in the bedrooms.

By not having to put in en suites throughout, it substantially reduces the cost of a refurbishment and also makes it easier to exit the market when you're looking to sell the property – you can target families as well as other investors.

Maintenance

We usually like to leave our students to look after their houses and be responsible for keeping them in good order so there are usually just a few cleans across the year. For professional HMOs, quite often you need to send in cleaners at least every couple of weeks, which obviously adds to the cost. However, it does mean the cleaners can be your eyes/ears on the ground and can identify and report back on any issues.

Generally, we would say that there aren't significant differences in maintaining the properties. However, if you're providing all en suites in your professional HMOs, then this will of course mean higher maintenance costs, hassle and ongoing refurbishment.

Kim Opszala
of KoMo Properties

Neil Chaudhuri
of Vogue Abode Properties

Kim is a multi award-winning corporate solicitor and property investor. Along with her husband Mike, she co-founded KoMo Properties and they have a mixed portfolio of design-led professional and student HMOs (houses in multiple occupation) and single lets in the West Midlands, Bucks and Northants.

Neil is the co-owner of Vogue Abode Properties, which specialises in creating luxury student accommodation in Leicester. After retiring from professional sport in 2018, Neil has gone on to become a top performer on the prestigious Property Mastermind Programme with Simon Zutshi and has also been a finalist at the Property Investors Awards the past two years for the stunning HMOs that he creates along with his wife Simona.

Rent collection

One of the big attractions of the student market is the fact that students have guarantors. This, combined with the joint and several liability of the tenancy agreements, makes student HMOs a clear winner here. There is a good deal of certainty that you'll be able to collect your rent with students. The only disadvantage is that the rent is collected in line with the student loan payments (three times a year) so this does affect cashflow. Meanwhile, with professionals you receive rent on a monthly basis and, as bills are also paid on a monthly basis, it makes managing cashflow easier.

Council tax

HMO landlords must pay council tax on the property each month. Conversely, students are exempt from council tax, so this is another benefit of this strategy. In addition, some local authorities are introducing individual council tax room banding for HMOs, which is hammering into the profits of investors. Again, this doesn't apply to students, so student landlords are not impacted.

In our opinion, the student market has the edge overall. However, if you're choosing a strategy for yourself, you need to consider all the facets to decide which are the most important to you.

One of KoMo Properties' professional kitchens

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Kim and Neil are co-hosts of the Birmingham Property Investors Network meeting, held online on the third Thursday of each month.
birminghamproperty investorsnetwork

THE "QUEEN OF SA" SHOWS YOU THE WAY

SARAH MCDERMOTT'S GUIDE TO RUNNING A SERVICED ACCOMMODATION BUSINESS

PART 2: STRATEGY AND LOCATION

Sarah McDermott is co-owner of luxury holiday-let business, Maison Parfaite. Across this regular series, she shares her invaluable knowledge and experience on running a successful serviced accommodation (SA) business. She explains what led her to choose high-end holiday lets over other sectors of the market and how you can make it work for you, too. Whether your SA model is the same as Sarah's or not, you will find her no-nonsense approach and advice are both transferable across other sectors of this property strategy.

In part one, Sarah explained her background within SA; you can re-read this on the Blue Bricks website. Here, Sarah guides us through two critical areas for success in any SA business: strategy and location.

Hello Blue Brickers!

Welcome to part two of my SA business guide. This time we'll be looking at strategy and location – a great combo for one convo! Both are absolutely necessary at the beginning of your SA journey, and you really can't address one without the other. Once you lock in your strategy and location, they will help to inform your branding – which we'll discuss in the next issue.

Strategy

Rent2SA or owned?

So let's kick straight off with strategy. "SA *is* a strategy", I hear you say! Yes, damn right, but within that strategy you have various sub-strategies. At the first level, you need to decide whether you're going for Rent2SA or aiming to own your own.

Before your head starts spinning, I'm going to make things easier by getting rid of Rent2SA from the off because you don't get the capital gains. That's a biggie. We always complete our renovations to create a high standard of accommodation aimed at attracting our target guests. So, if like us you've spent a fortune turning a slum into a chic, opulent space, you don't want to find you've just added a lot of value to somebody else's property. To give you an example, our holiday home in York was purchased for £450k, we spent £88k on a refurb and another £30k on furniture. We then had it revalued at £950k. That was a *huge* uplift, we got all of our money back out and – after the refinance – we own that property as well as the 35% equity that's in it.

For us, it's not just about the long-term income – the capital gains are a big part too. We get our money back quickly and we recycle it into the next deal. With Rent2SA it's going to take ages to get your initial investment back out, and if you've done any kind of refurb at all you've just lined somebody else's pockets! Also as Covid-19 demonstrated very well, if there's a downturn in bookings you're stuck having to pay a high rent on all your SA units, whilst making no money. Rents are always higher than a mortgage would be, and with a mortgage you can take a payment holiday. So, in the interest of not getting our fingers burnt let's step away from Rent2SA.

Bog standard or high-end?

Then you need to break your strategy down still further: are you aiming for a bog-standard SA for construction workers or something more luxurious for holiday makers or possibly the business market. Funnily enough, I have an opinion on that too!

My advice is to avoid the bog-standard SA – it's rapidly becoming oversaturated. Yes, it's cheap to set up, but you're likely to earn bugger all from it. You'll be caught in the price wars and end up selling rooms for £30 per night, making a loss after your changeover costs. It's not worth the hassle.

Plus, thanks to Covid-19, there is an obvious opportunity to capitalise on the unprecedented demand for UK-based holiday homes. People have higher standards these days and generally want to stay somewhere at least as nice as their

own home. So mid- to high-end holiday accommodation, or swanky executive business-friendly serviced accommodation is where it's at.

Choosing the type and size of accommodation

So, now we've abandoned the bog-standard SA (I hope) – where does this leave us? You need to break down your strategy still further: aparthotels for couples and executive business bookings, grand residences for large groups, woodland eco pods – even caravans and boats! The strategy options are endless, so you need to nail this down.

To whittle things down further, I would ditch anything that isn't bricks and mortar, other than the eco-pod option, which can be a great addition to a county estate or a woodland wilderness. But caravans and boats are both out for me because you don't get the capital gains, maintenance is expensive, and you're limiting your clientele. I've yet to see a caravan that would meet my strict criteria for a holiday – although I am a fussy pants!

So the choice now comes down to size. Do you go for something appealing to large groups? Or couples and executive business customers? Your budget will likely dictate this, but whatever you decide, make sure that it is unique or has unique features. Don't follow the crowds into a sea of mediocrity – aim to find something with a bit of quirk like an old windmill, a 400-year-old cottage, an apartment in a period building – something with character – and you'll already be one up on the competition.

Location, Location, Location

Of course location is also key to your strategy – it doesn't matter how fabulous your place is, if it's not in the right location you're going to fall flat on your face. So what makes a great location? Here are my top tips:

- A beauty spot or a vibrant city
- Proximity to a train station or with free parking
- Within walking distance of a pub
- Close to a shop selling essentials
- Tourist attractions nearby

If you nail these areas, then people are going to want to stay. Your location needs to be either a fabulous tourist spot for holiday makers, or a bustling city that will appeal to businesspeople and guests wanting a weekend break. If you can get the two in one (some cities are also near fabulous beauty spots), then you're definitely on to a winner! So go forth, find a fab location, and join me next time for branding and property management.

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PROPERTY TIPS & TRICKS
with Kevin Wright

"CASH BUYERS ONLY"

When you're a property investor you're always looking for a good deal, but seeing "cash buyers only" on a property means that most investors feel like they can't "play" – there aren't all that many investors who can afford to tie up their cash in a property by buying it outright. However, "cash buyers only" *also* means that the vendor is usually looking for a quick sale (let's face it – mortgage underwriting is time-consuming) or has a property that they know isn't mortgageable. Everybody knows that cash buyers never pay full price and that means that a smart investor will smell a good deal.

Kevin Wright
Investor, Finance Broker, Speaker
Positive Property Finance

Motivated vendors

Sometimes the seller just wants to get shut of the property for personal reasons – this is what we call a motivated vendor; it may be that:

- They are moving for work and need to sell in order to buy their new home;
- They are selling a probate property where the proceeds are to be split between various family members and they just want it done and dusted;
- They are mid-divorce and need to get the property sold in order to finalise the finances.

Mortgages take time and sometimes the circumstances dictate that time is of the essence so a cash sale, even at below market value, is often preferable to a motivated vendor.

"Unmortgageable properties"

Hearing the dreaded words "unmortgageable" can leave you imagining a property nightmare, but I urge you to think again. There's a long list of reasons why a property is deemed unmortgageable and only a few of them mean that you should avoid the property at all costs. "But I don't want to tie up all my capital in a problem property," I hear you say. Well, I'm not suggesting you do. Let's look at these two challenges, parking affordability for now to focus first on the deal.

Problem properties

For a property to be mortgageable, the lender requires it to be immediately habitable. If the property is run down, then it may not meet that requirement, but the reality is that all it needs is some work doing. So buying well below market value (BMV) and then investing in some remedial work can result in a serious profit.

Whether the property has a short leasehold, is suffering from subsidence, or has been illegally converted, all these problems are solvable. The key questions to consider are: how much will it cost to fix and are you up for the challenge? If you can buy at 50% BMV and it's going to cost a further 25% of the full market value to solve the problem, it's still a good deal.

We're back to doing due diligence before making an offer – don't guess at what it's going to cost, find out the details, so you don't get any nasty surprises further down the line.

There are, of course, some unmortgageable properties that really are unmortgageable, and for good reason – the secret is to know which ones to grab and which to avoid!

Finding the finance

OK, ok – I heard you the first time! Even if you have the cash, tying it up in one property doesn't make good business sense. But that's not the only way to do this.

There are bridging lenders who will lend based on the actual value – rather than what you pay – of a property. That means that if the value is currently £150K, you could borrow 70% of that, even if you buy the property for £75K, which gives you 30K to do your problem fixing, all without spending any of your own money!

Yes, you'll pay a higher interest rate than you would for a mortgage, but if you can get your refurb done in six months, for instance, you could then apply for a mortgage on a property that fulfils the mortgage lender's criteria or simply sell it and take your profit.

So, perhaps the next time you see "cash buyers only" plastered on a property, you'll think about it in a completely different light. The key is to learn which properties could be the ones to fast track the growth of your investment and you'll be well ahead of the pack.

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