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Blue Bricks

MAGAZINE

SIMON ZUTSHI

SHARES HIS MARKET PREDICTION UPDATE FOR 2021

WHAT STRATEGIES DOES HE NOW RECOMMEND?

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THE PROPERTY INVESTOR MAGAZINE

BLUE BRICKS MAGAZINE

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HELLO

CAROLINE MONKS
EDITOR

Since my last note we celebrated our one-year anniversary with an extra-special version of our usual online monthly meetup. There were prizes galore and many were snapped up by our lucky readers! We had some well-known faces on our panel of experts to answer property-related questions and we gave recognition to many of the people who have contributed and featured in articles over the past year. A big thank you to all who attended and helped to make it a great evening!

If you haven't yet made it to one of our monthly meetups, it would be great to see you there. These online events are held on the third Tuesday of every month and feature guest property speakers, market updates and networking opportunities. Better still, members of the Blue Bricks community can attend for free so make sure to put it in your diary and keep an eye out for the registration emails. Looking forward to seeing you!

Back in December 2020, you may remember that our cover feature included Simon Zutshi, property investor of over 25 years, giving his property-market predictions for 2021. Now we're halfway through the year, we thought it was the ideal time to revisit these forecasts, reflect on the year so far and see how Simon's thinking has evolved. He shares some great advice on the strategies he recommends focusing on in this current market; find these on page 18.

Now more than ever social impact is important across many industries and property is no exception. Whilst there may always be a bit of a stigma around investors and landlords being viewed as greedy by the general public, I've noticed during my networking that many property investors are keen to help people whilst securing property deals. It seems that profit margins and portfolio building aren't always top of the list for the socially conscious investor. On page 6, Trish McGirr discusses the growing rise in repossessions and how, with a bit of knowledge and understanding, we can combine making a profit with helping homeowners in need.

I am delighted to include the second and conclusive part of Staveley Development, with husband and wife team, James and Laura Muse. We brought you the first part of this challenging new-build development during the very first wave of Covid back in July 2020. Go to page 22 to catch up on how things panned out for this ambitious, determined couple.

Also, make sure you check out Neil Chaudhuri's tips on page 30 for building a property power team. How many of the 20 key roles have you fulfilled in your own business?

I have personally loved reading the fourth part of Sarah McDermott's SA series on the topic of décor and furnishings on page 32. Sarah has a unique approach to this stage of property development that really makes me smile. How many of you talk to your properties before making your design choices?! I would love to hear!

I hope you enjoy this issue as much as we did!

If you haven't already, why not join our Facebook group?
f **Blue Bricks Magazine Group**

Best wishes,

Caroline
x

MEET THE COLUMNISTS

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

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

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

Lisa Tinker Compliance

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

Prefers kisses from her dog to those from her husband

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

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

TOOLBOX TALK

WRITING A PROGRAMME OF WORKS

When you're starting out on a refurbishment project, there are a multitude of tasks property developers or builders need to execute to get the project underway. I've heard all sorts over the years, with property strategists talking about magical timelines often determined with nothing to back their claims of "a quick four-week refurbishment" or a "12-week conversion". It's not unusual to find projects with estimated timelines that don't consider all of the time-sensitive tasks that can stall a project from starting or delay a project in progress. There is no truer saying than "time is money" so understanding the timeline for delivering your project is crucial when stacking up the viability of the development in the first place. The message here is to create a programme of works that is achievable given the many variables a project may bring.

Where to start

So, consider this: your project is more than just dates and milestones, it's a complex story of moving parts – how will your project be delivered, by whom, what relationships are involved and in what sequence does each task or phase need to happen? Your project – much like any story – will have background information, a beginning, lots of activity in the middle and an end that will bring your project to its completion. When we write a programme of works we split it into three simple phases as a starting point: pre-construction, construction and post-construction.

1. Pre-construction

Let's begin with the background information. What information do you have? Do you have surveys – such as structural, an R&D, etc? Or do you need to get this information together? What are your plans for the property? Do you already have designs? Have you sorted planning permission (where required)? Which consultants will you use? Have you prepared your client brief? Pre-construction information? Construction phase plan?

Do you need any permits for road closures or footpaths? Are you planning on using any specialist materials? What are the delivery timescales on materials? How long do you need to set up your site with

Lisa Tinker
Health & Safety Consultant

skips, signage and welfare facilities? How are you tackling the project? Are you employing a one-stop shop or managing the individual trades yourself? Who will you use? Have you already assessed their competence and availability to be able to deliver the works?

Take some time to consider who and what you will use to undertake these tasks and their availability.

However you decide to map out your programme – whether it be on a Gantt Chart, Excel document or with your best coloured crayons on the back of a fag packet – remember to include the time the pre-construction items will take. Determine when the tasks will be started and completed and add these to your project programme.

2. Construction

Whichever way you choose to go with the construction phase in terms of either hiring a full construction service that will manage the whole project from start to finish (known as a one-stop shop), or overseeing the trades yourself, you'll need to have a clear understanding of the sequence in which each task takes place and know how long that activity will take. For example, you need to make sure you get the rewiring done before you've had your walls skimmed.

Now you are programming in the construction phase of your works, write out a list of the activities you are including in your refurbishment and then put them in chronological order, assigning start and end dates to each task. If you don't know how long an activity will take, ring your trades or your main contractor and ask! Remember, for example, that if you need to skim the whole property, plaster will need to dry before you begin decorating so give some consideration to this when programming the works. You will also need to think about whether building control need to come out for staged sign offs and how much notice they need to come out and inspect. Ensure that this is included in your programme as a line item.

What you will notice when preparing this phase of the programme is that every task impacts the next. Take your windows – say you have an eight-week lead time on your windows and doors (which you will have assessed and programmed in the pre-construction phase), you might find this affects the construction phase of your programme, meaning you need to rethink other timelines to ensure everything can be realistically achieved.

3. Post-construction

After the refurbishment works are completed and your project is beautifully refurbished, you're not quite done! It's time to think about and programme what you need to do to complete the development. This is where you need to remove your site establishment, pay your supply chain, complete and collate all key documents together, including the practical completion sign off, the warranty applications and that all important health and safety file. These items all take time and need adding into your programme of works. You may even want to add in a line for those social media photographs, lives and posts.

Each development is different and the works carried out will vary from project to project. One thing remains true to *all* projects: time really is money and managing your project timeline carefully will give you a clear understanding of the activities being undertaken allowing you to be more efficient and therefore profitable when carrying out your projects.

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REPOSSESSION RESCUE: CAN INVESTORS DO THE RIGHT THING IN A POST-COVID ECONOMY?

TRISH MCGIRR EXAMINES THE FINANCIAL IMPACT OF THE PANDEMIC FACED BY THOUSANDS OF FAMILIES AND LOOKS AT WHAT INVESTORS CAN DO TO HELP WITHOUT LOSING PROFIT

On 4 May 2021, HM Treasury launched the Breathing Space scheme to help people in debt. Under the scheme, people are protected from creditor action for 60 days, with additional support for those in mental health care. The scheme is universally supported by agencies dealing with homelessness, mental health and debt. But for some, it won't be enough to save their homes – it's expected that the impact of the pandemic will be far longer lasting. It's estimated over three million people in the UK are experiencing significant debt coupled with mental health problems – debt can be a hidden and insidious killer.

Repossession can happen to anyone

As a former mental health nurse specialist, I've always been acutely aware of the impact debt has on a person's mental health. I started investing in property in 2003 and I've since dealt with over a thousand homeowners facing the loss of their homes. They live in fear of every call, every letter and every text; they're panic-stricken when there's a knock on the door, or if they see a stranger hanging around outside.

I identify with every seller I've dealt with who is in this situation because, once upon a time, that was me. I know first-hand what it feels like to be in a never-ending spiral of debt and depression, to feel vulnerable and to worry about communicating not just with my creditors, but even those who would offer me help. Going through a divorce many years ago, the level of debt I accumulated was unbearable. I had a great job and it looked from the outside like I had it all but, behind closed doors, I was crumbling emotionally and financially. The sad thing is – like so many others in the same situation – I kept this to myself. It was my silent shame. I felt utterly useless. Even though I had a family, I felt that the only logical solution was to no longer be around and, one night, when the stress became too much, I tried to take my own life. Believe me when I say that thousands of people right now are feeling the same.

So, in spite of the current "hot property market" and government support, many people are facing a losing battle to stay afloat. This is where I believe well-intentioned investors can play their part in finding positive solutions and potentially saving lives. Helping homeowners – either as a property sourcer planning on selling to an investor who understands the homeowner's situation, or as an understanding investor yourself – can make a huge difference to the outcome for everyone involved. The more investors understand the process (and the situation), the more I believe we can help ethically, without losing our profit margin along the way.

The tell-tale signs that an agent may overlook

There are numerous potential signs to look out for that may indicate a seller or homeowner is having problems with money: from general dilapidation of the property to a vagueness when it comes to talking about their finances. Sellers often use phrases like, "I don't need the money" or "I'm not giving the property away". They may say the property is about to be decorated or that they've been having a clear out to explain general untidiness and tired-looking interiors. These are often smokescreens for what's really happening.

Of course, a lack of general maintenance and a bit of clutter doesn't always mean that the homeowner has fallen behind on their mortgage payments, but I do advise investors and sourcers to be alert for these signs. Generally speaking, someone in a positive financial position will be more likely to have presented the house well for viewings. Any indicators of general apathy can be a clue for you to tread carefully and probe a bit deeper as you develop your relationship with the homeowner.

What's more, even if a property is listed, most estate agents won't be aware of what's going on. Most of the time they'll feel it's none of their business and they'll simply get on with measuring, photographing and listing the property for sale. Don't forget that the reality is most people facing repossession leave it until the very last moment to find a solution or get help, even when it comes to selling because they usually feel (hope) they can sort the situation out. Furthermore, they're usually selling because they *have to* so they will likely put it off for as long as possible. But stalling seldom works: time runs out and the home is often repossessed before the homeowner can secure a suitable sale themselves. From the perspective of investor or sourcer, be sensitive to the fact that turnaround times for resolving issues maybe tight – you'll need to act swiftly to avoid repossession and find a better solution for all parties.

The role of the lender

As a property investor or sourcer, if you find yourself dealing with a distressed homeowner who is potentially at risk of having their house repossessed, it's paramount that you firstly understand the role/ position of the lender when dealing with a customer in breach of their mortgage terms in order for you to assist in finding solutions.

The law (and paperwork) differs slightly between England and Wales and Scotland and Northern Ireland, but the basic process is the same. On residential property a lender cannot take action until a homeowner is at least two months in arrears. It's not unusual for people to have missed significantly more payments than that though – often over a year's worth. Charges and interest are also added to missed monthly payments, increasing the debt even further.

Lenders are obligated to act fairly towards homeowners

Lenders are guided by regulation and good practice agreements. Technically they have to be seen to treat customers fairly and must consider any offers put forward by the homeowner to sort the situation out. That doesn't mean the lender has to accept what the homeowner offers, of course. Say, for example, the homeowner has made an agreement with the lender to settle the arrears (such as an extra payment each month), but then subsequently breaches this agreement. In that scenario, the lender must inform the homeowner in writing of any resulting consequences within 15 days of the breach. While these consequences vary depending on the lender, be aware that the lender isn't then obligated to enter into any further arrangements so it's vital that the homeowner sticks to any agreements made. And if at any point the lender is taking court action, they must give the homeowner five days' notice before they instruct their solicitors to apply for a court date.

Lenders may delay taking action

Lenders can delay taking any action to start the repossession process, or even delay progressing to eviction under certain circumstances – for example if the seller is in a Breathing Space arrangement or is in the process of claiming benefits that might help them with payments. Lenders will often delay action if the seller enters into an assisted voluntary sale (where the lender is handling the sale of the house). Note that if the seller is already actively trying to sell their home, they'll need to provide evidence of this to the lender.

Alternatives to repossession

Repossession isn't the only solution available – there are numerous ways a lender can help. For example, they can delay interest payments or extend the mortgage term to reduce monthly payments, which could help to relieve some pressure on the homeowner. They can also change the mortgage product to something more affordable or even add arrears to the mortgage. The options available here will depend on the seller's situation and their ability to afford whatever the alternative is and, in some cases, this isn't feasible in the medium to long term. Most lenders will not consider changing the mortgage product to something on a lower interest rate until arrears are cleared and payments have been maintained for at least 12 months. This leaves many homeowners paying over the odds in mortgage deals that are far from the best on the market – these homeowners are sometimes referred to as mortgage prisoners.

How investors can help to find a solution

There are many ways that we, as property investors or sourcers, might cross paths with a homeowner who is at risk of having their home repossessed. Perhaps the homeowner saw a direct-to-vendor leaflet drop or advertising campaign and reached out to you, or perhaps their home is already on the market and you met them at a viewing. Maybe it's as straightforward as a shared mutual acquaintance, or perhaps they saw a social media post and got in touch for advice. However it happens, be aware that they may not be completely upfront with you from the off – the key is to build trust so they feel they can open up.

Trish McGirr

The breadth of this topic is so broad and difficult to condense, but I have picked out some key recommendations as to how you can assist a seller when dealing with repossessions.

1. Take time to develop trust

Granted, some investors will lack the tact or patience required for this and a 25% or more BMV (below market value) offer will be their only approach. But, if you do take the time and care, people will often open up, which gives you a real chance to help them and make a profit without taking advantage of their situation. It can help boost your referrals and it certainly does a lot for your self-esteem knowing you've genuinely helped.

2. Check the paperwork

If the mortgage company has begun enforcement action, the seller will have paperwork. They may find it hard to find this (often it will have been left unopened), but if they say they are expecting a court date, ask to see the letters they've been sent.

As mentioned, lenders must notify a client of impending court action a minimum of five days before. Time is of the essence, especially if a court date is looming.

3. Get authority to speak to the lender

Sellers can nominate someone to speak to their creditors on their behalf. In the case of mortgage arrears, a simple one-page authority letter will do. Many lenders have their own form to use but, when time is short, you can bypass this by speaking to the lender whilst the owner is with you. Call the lender (or the solicitor if it's gone to enforcement action), the seller speaks to them to pass the Data Protection questions and then they simply say they have someone they'd like to speak on their behalf. At this stage you ask for factual information only. No offers to pay.

The key questions:

1. The monthly payment amount.
2. The normal payment date.
3. The last payment received and the amount received.
4. The level of arrears (and any fees).
5. The amount of mortgage outstanding.
6. The remaining mortgage term.
7. The stage of any enforcement action is up to.

That's it – you don't need anything else. Use this information to check your numbers and develop a plan of action regarding ways you can help.

4. Check the land registry for any other charges

Sellers in financial distress often lose track. They may be vague on charges against the property as well as other loans and credit card debt. Before you help, you should at least download and check the Land Registry to see if there are any other charges against the property. This is vital if you're going to make an offer as any charges will also need to be settled.

5. Consider offering the seller an alternative exit

This will depend on what strategies you are using and the tools available to you. Sometimes a fast-sale offer is the right thing, but if that comes with a big price drop then it may benefit you, but could seriously disadvantage the seller. In these situations, you might consider a short-term option agreement or an assisted sale (my personal favourite), either of which could give you and the seller the time you need to work something out.

Option agreement

An option agreement can give you the chance to take care of the seller's monthly mortgage payments over a longer period of time thus giving them time to rebuild their credit profile. If you agree to clear the arrears (or you have a plan in place with the lender to make payments over time to do this), it can provide enough time and space for you to agree a sale at a later date. If there is some equity in the property that the sellers need, you may have to negotiate, but if you're clearing arrears and helping them move on, it's surprising how much you can achieve with a bit of creative thinking.

Assisted sale

An assisted sale can be similar to an option, although I use this approach to get the property ready for sale. Using an assisted sale you don't have to get a massive discount to create a profit (if you do the numbers right) and – as with the option – you gain valuable breathing space while also meeting the lender's needs. With this approach you agree a price on the property with the seller and also agree the value and extent of any work that needs to be done. I always insist the sellers move out so the property is vacant as that can help it to sell more quickly, but I tend to factor in the costs of accommodation and help sellers find a new place. Often they're only too happy to leave behind old memories and start afresh. Once the property is empty, I arrange for the work to be done and ensure the property is presented in the best way to get a great price. When the sale completes, the seller takes the amount we have agreed upfront and any uplift over this agreed price becomes my profit margin.

When you're looking at alternatives, it's crucial to be very clear on the numbers and assess each situation on its own merits. Make sure you follow a very robust process before you go ahead – there's no point taking a shortcut on this, you need to cover all bases and make sure you're ticking the necessary boxes from a legal perspective. But get it right and these alternatives give you so much more flexibility and the chance to secure a win for all parties.

6. Signpost the seller to more support

It's important you don't offer financial or debt advice – these are regulated activities so suggesting a debt plan or refinancing is a no-go. Instead, point them in the direction of the appropriate agency such as StepChange, a mortgage broker or insolvency practitioner. They may not take this up, but suggest it anyway.

Every seller who is facing financial hardship should be treated as vulnerable. At the very least, investors should be aware of the significant mental health issues attached to debt and should help people through this distressing time by signposting them to other organisations such as the Samaritans, especially out-of-hours or at weekends when the stress can be felt more intensely. Middle-aged men over 45 are particularly at risk of suicide. Don't take it for granted that people are ok.

7. If you're going to court – be prepared

Ideally, as investors we should aim to stop further action before it gets to court to give the seller more options. After an eviction has taken place, the property has been repossessed and is in the hands of the solicitors and estate agent so there is little if anything you can do. Be sure to take action *before* this point.

If the eviction hasn't yet taken place though, you may still be able to stop it from happening as long as you have a viable plan to clear the arrears. Once it's in the courts hands, it is up to them to decide if any plan you put forward is viable. You can ask for an emergency hearing (even on the day an eviction is due to happen). The seller will need to complete the relevant court forms to request this (bearing in mind the current delays in court may give you more time).

What's crucial with court appearances is making sure you have everything ready. Bring three copies of any paperwork: one for you, one for the judge and one for the lender's legal representative.

Before you think about asking for an emergency hearing, you need to know what sum you're going to offer to clear (or partially clear) the arrears, and how you're going to get the normal monthly payments back on track. It might be that you demonstrate that you've offered to buy the property and the sale is progressing or that you have the funds to clear the arrears and charges.

Once it's in front of a judge you have to convince them to give you a chance or more time. The lender's legal team will always present the reasons they are asking for a repossession and, if the seller has failed numerous times to keep up an agreement, you'll need a compelling reason for the judge not to find in the lender's favour.

Whilst I've got a good track record helping numerous sellers avoiding repossession and have advised countless investors on how to do the same, my advice is always the same: be prepared and make sure you always have a solid plan B in place in case you lose. Generally speaking, you'll get 30 days even if they grant an eviction by which point you might still be able to complete a purchase.

The sooner sellers act, the more options they have. This is where investors can really help.

In spite of the financial help and the recent schemes launched, thousands of homeowners face losing their homes in the post-pandemic economy. Investors who have the right information and the tools to offer other options are in a good place to help sellers get a better outcome than simply a fast sale, low-ball offer. Understanding how to help financially distressed sellers and how to deal with the repossession process is a great way for investors to do the right thing and still make a profit. Short-term option agreements or assisted sales in particular are useful tools in this scenario allowing investors to buy some much-needed time. Knowing the numbers is key to this of course and each situation needs to be assessed on its own merits.

This topic is so extensive that it could fill a book – please remember that the law and processes for Scotland and Northern Ireland are slightly different to those in England and Wales.

For Trish's free guide go to:
bluebricksmagazine.com/resources

For further assistance feel free to contact Trish in the following ways:
trishmcgirr.co.uk
trish@trishmcgirr.co.uk
or book a 20-minute free consultation with Trish via
talktotrish.as.me/Consult20

Useful contacts:

England and Wales

Citizens Advice
citizensadvice.org.uk

Debt Advice Foundation
0800 043 40 50

Legal Aid
gov.uk/check-legal-aid

Money Advice Service
0800 138 7777

National Debtline
0808 808 4000

StepChange Debt Charity
0800 138 1111

Northern Ireland

Debt Repayment Options
nidirect.gov.uk/articles/debt-repayment-options

adviceni.net/advice/debt

Scotland

Money Advice Scotland
moneyadvicescotland.org.uk

Trish has been involved in property investment since 2003. While she specialises in assisted sales and repossessions, she has also owned an estate agency. An award-winning business consultant for over 30 years, Trish has worked at board and national level with public sector agencies and cross-government departments advising on partnerships and training programmes. A former mental health nurse specialist with expertise in addictions and trauma, Trish is a passionate mental health advocate. She loves a triathlon now and then, and can mostly be found in the gym lifting heavy things.

LENDING UPDATE

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

Alice Williams - Commercial Finance Broker

With the property market seemingly as buoyant as ever, we are seeing huge demand for property finance across all investment classes. This demand is being met with enthusiasm by lenders and – providing the numbers stack – they are keen to deploy their funds. Lender appetite has remained stable over the past couple of months, with increased competition continuing to have a positive impact on both rates and leverage offered across the board.

Bridging finance

Apex Bridging have introduced a new 85% loan-to-value product on residential refurbishment bridging. This is based on open market value as opposed to purchase price, giving you the opportunity to raise 100% of the purchase price when buying below market value. Note that this product does *not* cover any refurbishment costs, therefore you will require the cash to cover the cost of works. Rates start from 0.89% per month for this product, making it incredibly competitive for the leverage you can achieve. It's an excellent option for those planning to flip properties, especially where the cost of works are minimal. If the costs of the refurbishment are more extensive, there may be better products available to you covering 75% net of the purchase price, plus 100% of works – this is a product currently being offered by lenders including Funding 365. However, as with any finance package, the best option for one scheme may not be the best option for them all.

The one issue we have been seeing time and time again in the bridging market is delays with solicitors. Solicitors have been under immense pressure because of the Stamp Duty Holiday deadline and their turnaround times have taken a significant hit. Bridging finance providers themselves may be able to move quickly, but progress can only be made as quickly as the slowest professional in the work – most prominently the solicitor. To help mitigate this issue, be upfront with your solicitor in discussing their current capacity, making it clear your desired completion date, and ensure they can deliver within these timeframes.

RLS products

As we move away from the Bounce Back Loan Scheme, and the Coronavirus Business Interruption Loan Scheme, the British Business Bank has introduced a new scheme to support UK businesses access finance as they recover and grow from the impacts of the pandemic – namely, the Recovery Loan Scheme (RLS). The RLS aims to support viable businesses impacted by the Covid-19 pandemic and provides the lender with an 80% government guarantee for the funds with no personal guarantee requirement for loans under £250k. The funds can be used for any business purpose, including further investment.

Atom Bank have started offering RLS-backed mortgages secured against investment property. However, it's important to note that the new RLS offering still bears interest, in contrast to the previous BBL and CBIL schemes. The primary benefit for borrowers is that the saving in cost for lenders as a result of the government guarantee must be passed on to the borrowers through a reduction in the loan pricing.

Rates are product specific, so for an indication of your likely achievable interest rate, please speak to a broker to discuss your personal circumstances.

There are conversations being held amongst some development finance providers who have applied for RLS accreditation, and a couple of providers are in the process of being approved with Assetz being formally announced at the time of writing. As with the mortgages above, interest will be payable for the full term of the loan; however, any economic benefit felt by the lender as a result of the government guarantee must be passed to the borrower, meaning interest rates are lower.

On all RLS loans, standard criteria will continue to apply so – where a lender has strict experience requirements – these will continue to be adhered to. It's crucial to consult a broker to discuss your options because there may be more appropriate options than the RLS offering.

Holiday-let mortgages

With the "staycation" becoming an increasingly popular concept this year, we have seen many investors looking to purchase a holiday-let property or convert an existing BTL into a holiday let. During lockdown, the majority of products suitable for holiday lets were withdrawn from the market as uncertainty surrounding the holiday-let market increased.

As lockdown restrictions have lifted, it has become evident there is large demand for UK holiday destinations this year, and lenders are once again keen to support this sector. Rates start from around 3.29% per annum, and loan-to-values are up to 75%. There are some lenders who are willing to consider first-time holiday-let landlords; however, be aware you should expect increased interest rates (c5%PA).

A key consideration for lenders looking to lend on holiday-let properties is the use class; if it is C3 residential there is greater lender appetite compared to properties falling into C1 (hotels, guest/boarding houses). This is simply because, in the event of a repossession, there would be greater demand for residential properties.

So, it's clear that the lending market remains positive, with lenders keen to lend and follow demand from investors. We are seeing the first few RLS loans beginning to progress, and clients are benefiting greatly from reduced interest rates and increased leverage resulting from the immense competition amongst lenders for business. As always, if you have a deal that's viable, there will be a lender to support you.

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Written on 14/06/2021.
This information may change at any time during the printing process. Please consult a broker in all investment decisions.

CONVEYANCING PROCESS FOR INVESTORS

Bushra Mohammed, Property Solicitor

Conveyancing is the process of legally transferring the legal title for property from the vendor to the purchaser. It involves multiple parties and is a process that can feel long and frustrating at times, but there are ways to organise yourself to ensure a smoother transaction when you're purchasing a property.

Initial instruction

It would be prudent to call your solicitor to confirm they have capacity to take on your instruction, especially with the current influx of transactions. Before you submit offers to agents, ensure you have the details of the firm you intend to use and possibly another as a backup.

Once you have instructed your solicitor, you will usually be sent a client care letter, a sources of funds form, the terms and conditions of the firm and you will be asked to send monies to be used for searches. Your solicitor will carry out ID checks and money laundering checks to understand how you have the funds to carry out the transaction.

Be organised and responsive: make sure you have electronic copies of your ID ready to go and be prepared to send the completed forms and documents as quickly as possible. By this point, if you do require lending, you will have already had discussions with your broker, but – if you haven't – then do make sure that the applications are submitted as soon as possible to avoid delays.

Once your offer is accepted the seller's conveyancers will get the ball rolling and prepare the contract pack to send to your solicitor. This pack will contain title documentation either from the Land Registry or, if it's unregistered, it will have several conveyances and related documents. In addition, it will also include the draft contract, protocol forms including the Property Information Form, Fixtures and Fittings Form (sometimes known as a Fittings and Contents Form), and – where applicable – the Leasehold Information Form. Preparing this contract pack can be time consuming and cause delays so, as a buyer, you'll need to be proactive in speaking to the seller and agent directly to ensure their solicitor has it ready to send to yours.

Pre-contract

Once your solicitor receives the contract pack, they begin their review and will check to see if a survey is being carried out – remember that certain consequences will be outside of the solicitor's remit, such as structural issues. Your surveyor will advise you further on these sorts of problems and your solicitor can raise any further enquiries on your behalf with the vendor's solicitors.

The conveyancing begins with investigating the title, the property, and comparing the contract to the title. To this end, usually three to four searches are placed, namely the local authority, water and drainage, and the environmental searches. As your solicitor orders the searches through a third-party provider, they are each processed with different companies and it can take up to three weeks per search to receive the results.

In the meantime, your solicitor will be investigating the title and raising enquiries. This is a list of questions to gain further clarification about the property to ensure it's free from any doubts, risks and financial or legal interest from other parties. This list of queries can range from ten to 40 or more and can form a lengthy part of the conveyancing process.

Once your solicitor receives the mortgage offer, is satisfied with the search results and the replies to enquiries from the seller's solicitor, they will have a significant amount of information. At this stage they will report to you and the lender on any issues. It's important to remember that in a lot of cases your solicitor is also acting on behalf of the lender and will have to satisfy a raft of conditions and requirements in their interest as well as yours. Delays can be caused by several factors including waiting for replies to enquiries, searches, mortgage offers, satisfying the lender's requirements as well as other parties in a chain.

Exchange

Once all of the issues have been dealt with and both sides are ready to proceed, then you will be sent the contract to sign in preparation for exchange of contracts and requested to send the deposit (usually 10% of the purchase price).

Both solicitors have a telephone conversation to go through the contract details and mark the date/time which shows the exchange of contracts. At this point both parties are legally bound and a completion date – which will have been agreed to at an earlier stage – is also added into the contract. Keep in mind that buyers who are unable to complete the purchase can lose their deposits and that sellers can no longer change their mind.

Before you reach this point several factors can cause delays: mortgage offers and search results are common factors, but another big one is properties under a leasehold whereby there will be many more questions relating to the freehold, management and landlord details.

Completion

Prior to the completion date, your solicitor will request the mortgage funds and any difference from yourself. You will also be sent a mortgage deed and transfer document to sign in the presence of a witness before sending it back. On completion your solicitor will send the amount to the seller's solicitors and inform the estate agent to release the keys to you.

Post-completion

This is an extremely important part for the purchaser's solicitor, as they have to submit the tax return and pay the Inland Revenue if applicable. Once they receive the seller's signed transfer document and confirmation that the mortgage has been paid, they will then do the application to the Land Registry for ownership and your mortgage against the title. The whole process is completed when the Land Registry send confirmation that the title has been registered successfully.

A solicitor who is proactive and pragmatic working alongside an organised investor will keep delays to a minimum.

I appreciate it can be a frustrating process when you just want your hands on the keys; however, it's important that the process is done properly. Best of luck with your purchases!

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THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

MORTGAGE APPROVALS 'UP' AS MARKET PLOUGHS FORWARD

JILL STEVENSON

As predicted, the number of mortgages increased in April as would-be buyers rushed to take advantage of the Stamp Duty Extension.

Figures from the Bank of England's latest quarterly report show that mortgage approvals increased to 86,900 (from 83,400 in March) – that's the first monthly increase in five months. In November 2020 lenders approved a huge 103,000 mortgages as buyers rushed to beat the original March deadline for the Stamp Duty Holiday. The current extension is due to end on 30 June when the tax-free sum will fall to £250,000.

The April mortgage figures are around 20,000 approvals higher than the pre-pandemic period in March and April 2020. Nothing is expected to change until the end of the year at least thanks to the better-than-expected economic recovery for the UK, together with continued low interest rates.

Average mortgage 12.3% higher

In terms of value, the average mortgage approval in April this year was for £232,400, which is a 12.3% increase on last April's figure of £206,900. The Bank of England also reported that households continued to pay off overdrafts and credit card debt – although to a lesser degree than before, now that lockdown is easing and restaurants and shops reopening.

Homeowners are propelling the market

Data also shows that, for the first time, it's people with equity who are propelling the market. There were 82% more second- and third-time buyers this time round than in the previous quarter in 2020. The mortgage completion figure for first-time buyers has risen by 31% over the same period. Banking industry group UK Finance said this reversed the pattern of the past decade which saw more first-time buyers with mortgage approvals.

The impetus has been the desire for property with more space and gardens – something that second- and third-time buyers could afford, thanks to the growth in value of their existing properties.

"The ongoing health crisis has brought with it a need for space during lockdowns which existing homeowners, supported by over a decade now of uninterrupted price growth increasing their housing equity stakes, have been well placed to respond to," explained a spokesman for UK Finance.

South of England owners have most equity

The south of England – where house values have risen most in the UK over the past decade – had the highest number of home movers. In the southeast, the number of home-mover mortgages increased by 110% during the first quarter year-on-year. In East Anglia, the figure had increased by 91% and in London by 85%.

Around 60% of borrowers own at least half of their home, with 50% of homeowners in the southeast owning equity of £250,000. In London around 20% of homeowners have equity valued at in excess of £500,000.

Figures also show that homeowners have been intent on moving further afield too. This corresponds with the desire to move to bigger properties in greener areas. If the working-from-home trend continues, then property analysts believe there will be a "broadening out" of property values across the whole of the UK.

DOES GOVERNMENT POLICY ON HOUSING STILL SUPPORT THE POPULATION'S ASPIRATIONS?

Paul Staley
Director, at build-to-rent specialist, Wise Living

In the Budget at the beginning of March, Chancellor Rishi Sunak announced a new scheme to help first-time buyers get on the property ladder with just a 5% deposit along with a further extension to the Stamp Duty Holiday. This may be good news for some, but it doesn't necessarily help and support everybody looking for somewhere new to live.

Home ownership continues to be the focus of UK government policy on the current housing crisis whereas the private rental market received very little support or attention other than the odd bit of new legislation. Changes in people's lifestyles and the soaring costs of property are having an impact on how people view house buying and renting and it suggests home ownership might no longer be the only solution out there for everyone.

So, does the government's housing policy support the population's housing aspirations?

Priced out of government support

There are two key factors that should influence the UK's housing policy: what can people afford and what suits their lifestyles. So, let's look at the cost to begin with.

The government's new 5% mortgage deposit scheme and Stamp Duty reduction is designed to help more people get on the property ladder. However, one of the biggest consequences of these policies is the increase in property prices, making the possibility of home ownership even more difficult. The deposit and transactional costs of buying a property are only one part of the financial process for securing a mortgage; the biggest hurdle is affordability.

Take Cambridge as an example. According to the latest Rightmove stats[1], the average cost of a home in the city is £515,741 – meaning many properties in the area are priced out of first-time buyers' reach, irrespective of any government help or support.

Average salary growth continues to be outpaced by the housing market, too. According to the ONS, the median weekly wage for full-time workers in the UK rose by just 0.1% from 2019 to 2020, standing at £31,461 a year. That's almost a tenth of the UK's average house price[2]. This figure also depends on other factors including age and location with, as expected, London wages pulling the average up.

In a year where outgoings would have been massively reduced for many by lockdowns, research shows that two thirds of people in the UK saved just over £7,000[3] last year. Based on all these figures, a first-time buyer in an area like Cambridge is looking at 3½ years to save even a 5% deposit on a property at the average price for the area. This means that if you're only just starting to save, you're very unlikely to be able to take advantage of the scheme before it ends in December 2022.

So, affordability is just one reason why more people are looking for quality rental homes, but lifestyle changes are playing a big part, too.

A generation and a pandemic are changing aspirations

The expectations and choices of millennials and Generation Z, and the impact of the pandemic, are going to have a massive influence on lifestyle in the years and decades to come. Owning a home was once considered to be an aspiration that everyone should have, but now many people don't see it that way.

The exploration of things like technology and a more conscious and curious generation are leading to people wanting more flexible lives. One study[4] found that nearly half of millennials plan to leave their jobs within two years of starting them, while less than a third plan to stay longer than five years. Car ownership is also falling among younger generations too[5], putting greater emphasis on easy access to public transport and local amenities.

And generations like millennials and Generation Z want to travel and explore and are more likely to fit in jobs around their travel plans, pushing back careers and home ownership to later in life.

People don't want things that tie them down and a fixed address certainly falls into that category. The government's support to get people on the property ladder is aimed at people more likely to be between the ages of 20 and 35 – so where is the support for the rental market which is likely to be suited to the lifestyle of many people of this generation?

The pandemic has also had its role to play. Some businesses have now committed to flexible working with the likes of Nationwide saying that employees can work from anywhere long-term. They are not alone in that stance and millennials and Generation Z are likely to spot an opportunity to mix the flexible lifestyle they want with a job they want. With remote working, people no longer have to live near their place of work – they can live well and with more choice and freedom as to where and how they want to live.

So, considering both the changes in lifestyle and the rising cost of getting on the property ladder, the government needs to consider more support for the rental market. Even though price is a huge factor in why younger people maybe aren't buying homes, we may now have moved past the point of what the term 'generation rent' once stood for to a generation that *wants* to rent to support their flexible lifestyle. The property market therefore needs to meet this demand and ensure there are enough quality rental properties available in the right areas to meet the changing needs of the next generations. We need more support from the government to make this happen.

For more information on Wise Living, visit
wiselivinghomes.co.uk

1 *rightmove.co.uk/house-prices/cambridge*
2 *ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/january2021*
3 *yourmoney.com/saving-banking/two-thirds-of-brits-saved-7000-in-2020*
4 *independent.co.uk/life-style/millennials-jobs-career-work-salary-quit-young-people-study-a8361936.html*
5 *info.uwe.ac.uk/news/uwenews/news.aspx?id=3754*

WHEN SHOULD I EMPLOY PEOPLE?

THE RIGHT TIME TO BRING PEOPLE INTO MY BUSINESS

Property is a business just like any other but, in my experience, property people tend not to act like business owners. It's strange. It's a phenomenon I've only witnessed in property; maybe because many of them aren't business owners first – not that that is a problem, but it helps immeasurably when they are, and those are typically the people who fly.

People often think about bridging the gap between a business that generates £100,000 and one that generates £1,000,000 per year. Let's imagine a scenario where you have been grafting on your property business for a couple of years and you're now turning over £150,000 per year and that's great. Well done. But what's next? You say to me, well, nothing is next. To make that money each year, you're having to burn the candle at both ends, there couldn't possibly be a "next"! The logical answer might be to try and expand by organic growth through simply doing more, but you've just told me that you can't do anymore because you're maxed out maintaining what you've achieved so far. So again, what's next?

The mental block

I meet many entrepreneurs doing my job – that's essentially what my job is all about – and every time I speak to them I find that they are perfectionists, hardworkers, micro-managers. These people are the very best at what they do, but they are meticulous. And, in being this way, it's hard to see how anyone else could do as good of a job as they do for themselves. So when I suggest to them that they should start employing people, I might get excuses like, "they won't do it like I want it", or, "they don't care like I care" or even the dreaded "I just can't afford it".

I'd counter these with answers like, "so find people who will do it *better*", "find passionate people in your field" and "you can't afford *not* to employ people".

What if you fell unwell or crushed your leg in a dodgy Travelodge trouser press and it left you out of commission for a month? Your business would be dead. Not only that, some of the things you think you do well, you might just find you don't when compared to someone who specialises in it, a professional. Don't forget that being an entrepreneur isn't really so much about business, it's a lifestyle. And part of that is wearing many hats and undertaking many roles. But you were never meant to be great at everything – that is such an important point to make. It was one of the biggest realisations I had when I started employing people: build a team that is stronger, faster and smarter. You can't lose.

Knowing what is right

You can't possibly get everything right all the time. The same can be said when employing people. More often than not, you don't really get the gist of a person until you've been working with them for six months. This, in my experience, is about the right amount of time for anything to work its way out of the woodwork.

Sometimes you'll come across absolute gems during your working life. My job in my business has evolved to scouting for talent. For example, this year I picked up a fantastic, well-seasoned and experienced operations director who effectively runs our business and has allowed me more time to do things like writing this article, knowing my business is in good hands. Last year I also employed a media manager, now all my social media, marketing and outward-facing collateral all happen as if by magic (and they do a better job than I ever did).

Even if it is getting help with your bookkeeping or accounts – simple things – it can make a big difference. We often spend the majority of our time on tasks that don't make money, meaning we stand still. So actually, you're losing money by *not* employing someone. Generally, if you're good at what you do, employing someone is cheaper than not employing someone. The reason? You go out and generate more money with your free time, which will more than pay for that person. Don't be a glorified bookkeeper. Can you afford £10 a day to get someone to help out? Of course you can. What extra money could you generate in that day if you spent all your time focused? £100? Of course you can. That's a £90 "profit" that didn't exist before you got someone to help with your accounts. It's as simple as that.

I'd love to delve into this topic more, but I'm swiftly reaching my word count. Let me know if you'd like me to discuss this topic or others like it in more detail by getting in touch with us on social media. I wish you all the very best in growing your business, whether you are new or established. And remember: you have to make that first step to let go, bring people in. Because trust me, when you do, your life will transform and your business *will* sky rocket.

Nathan Winch
– Private Investor

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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.

EIGHT THINGS YOU NEED TO KNOW ABOUT DEVELOPMENT FINANCE

The term development finance (sometimes referred to as refurbishment bridging depending on the lender) encompasses a wide variety of situations – from ground-up residential developments and commercial conversions, to residential conversions of large houses to HMOs. Below I've pulled together eight crucial considerations to help investors understand how to make the best use of this type of finance.

1. Be aware of the working capital requirement

When borrowing to fund your development, lenders usually provide 100% of the build costs, as well as a contribution towards the value of the land. However, they don't supply the entire amount upfront and the figure you receive on day one can either be put towards the purchase of the land/property or – if you have paid for this through other means – can be put towards your working capital requirement (ie: your build costs etc). Development lenders will then reimburse any remaining build costs at pre-agreed stages along the way, known as drawdowns. You can arrange for the drawdowns to be as regular as required, but be aware that most lenders set a minimum drawdown of somewhere between £20k and £50k. This means that if your contractor requires any payment upfront, you will have to cash flow this whilst the works are undertaken, prior to being reimbursed.

2. Know the experience types

When seeking development finance, one of lenders' greatest considerations is the experience level of those applying for the funding. Experience can be broken into three main categories:

- **Equity experience:** the developer has previously undertaken a couple of projects of a similar nature to the current one. They injected their own equity into this project.
- **Professional experience:** the developer has not previously undertaken an equity development; however, they have significant professional experience in projects of a similar scale and nature.
- **Borrowed experience:** the developer does not have equity nor professional experience. They are therefore appointing an incredibly experienced main contractor and build team, and will be able to leverage this experience in their finance application. The experienced individuals do not have to be party to the loan, but the lender will ensure the experience held is relevant to your project, and will do due diligence on the contracts in place.

Those with equity experience will benefit from the lowest interest rates, and should expect to pay between 3% and 7% per annum, depending on the leverage of the loan against the GDV (gross development value) they require, and the amount of personal cash they are injecting into the deal (as opposed to an investor's cash). Those with no experience who are therefore relying on their teams' knowledge will still be able to obtain funding, they simply need to be aware the funding will be closer to 7–12% per annum, and the choice of lenders will be more limited than for those with a proven track record of their own.

3. Keep things realistic

When looking at your next development project, ensure it is a realistic one. If you are looking to finance the project, lenders will need to get comfortable their experience requirement is met. The larger the project, the more comfort a lender will seek. If you are a first-time developer, you will struggle to find a lender willing to support large-scale developments for your first couple of projects. Lenders will very rarely fund 100% of total costs (purchase and build), therefore you need to be prepared to cover a percentage of the costs yourself (either using your own funds or other investors). The larger the scheme, the more cash you'll need to find; ensure the funds you have available cover c20% of the total cost as a general rule of thumb. The majority of lenders require personal guarantees (PGs); these are usually signed by anyone that is a director/shareholder within the development company. The personal guarantees are usually joint and several across all applicants, meaning they will want you to be able to demonstrate assets to cover the PG between you. The larger the loan, the greater the value of assets that will be required to cover the PG. The size of the PG varies lender by lender, but is generally in the region of 20% of the loan amount.

4. Stacking your debt

The majority of developers seek to maximise their borrowing. This is typically achieved by using multiple lenders on the same deal; however, careful consideration needs to be applied when discussing how you intend to structure this. Senior debt providers are the main development finance providers and they will require a first charge on the development site. This means that if you are looking to top-up your borrowing with funds from elsewhere, you will not be able to offer a first charge security to these secondary lenders. This can be overcome by offering a second charge, or a charge on another security elsewhere (such as another property you own with usable equity available). Usable equity is generally capped to a maximum of 75% of the property value, minus any outstanding debt secured against the property. Mezzanine finance providers are an option – they sit behind the development finance provider on a second charge, and will generally top up your borrowing to a maximum of 75% loan to GDV, or 95% of total cost (whichever is lower). But remember – if you're offering a second charge, it's important to consult the senior debt provider as they will need to authorise a second charge being placed behind them. They will usually also require the second charge lender to enter into an agreement. Always bear this in mind when discussing what security you are able to offer with prospective investors.

5. Keep an eye on the profit levels

Development finance providers will always want to see profit in a deal they are funding. As an industry standard, you should aim for a minimum of 20% profit on GDV (gross development value) before finance. Always ensure there is satisfactory profit when undertaking your initial project appraisal.

6. Location, location, location

Development lenders will do their research on the area in which you are looking to undertake a development. They will seek demonstrated demand for assets of a similar nature to those you are looking to develop within that area. They will also ensure there is not too much competition for very similar properties within the immediate vicinity (eg: a development for 100+ new builds just down the road from yours).

Different lenders have different geographical areas in which they will lend, but – as the majority are based within major cities – funding for developments in very rural locations does prove more challenging and you should be prepared to justify your reasoning for developing in that area. Ultimately, a lender will always be guided by an independent valuer's commentary during the application process so ensure you are confident that your opinion on values and demand will be matched by a valuer.

7. Maximum loan sizes

In contrast to other funding types, there are three main calculations a lender undertakes when reaching their maximum loan amount. The lender will then cap their lending at the lower of the three loan caps. The three caps are:

- 65% of gross development value
- 90% of total cost (purchase and misc. acquisition costs plus build and associated costs)
- 70% of purchase price (or land value where it differs from purchase) plus 100% of build

These three caps are the industry average and certain factors such as profit level, developer experience and development location may impact and potentially reduce these caps.

8. There's more to the cost than just the arrangement fees and interest rates

When applying for development finance, lenders will do their due diligence on both you and the development they will be funding. 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. Bear in mind that you will need cash available to cover this cost with fees starting at around £1,000 and rising as the project value and complexity increases.

Alongside this, lenders will usually appoint a quantity surveyor (QS) to undertake due diligence on the build. A QS will provide an initial report to the lender, and you will also be required to pay for this upfront. The cost of the initial QS report similarly starts at around £1,000 and will increase with the complexity and cost of the build. At each drawdown stage, lenders will require interim reports from the QS. The costs of these will be covered in the loan, and will usually be between £500 and £1,000 per visit. Whilst this is not a cost you will be required to fund out of your own pocket, it will need to be considered when calculating the post-finance profit.

Finally, lenders will require legal due diligence to be undertaken. Note that you will pay for both your legal fees and the lender's. The legal fees for development finance start at around £1,250 and – as with the other reports – will increase with both line size and complexity of the deal.

There are a number of factors you need to consider when looking to finance your next development. Providing there is a suitable level of profit in the deal, there is appropriate experience (be that personally held, or borrowed), and lenders are able to get comfortable with there being demand for the end development, you will be able to fund your scheme. It is crucial to remember that with higher scheme complexity, interest rates will increase.

If you'd like to learn more about development finance, please do visit my free course at **bluebricksmagazine.com/resources** under the tab: Property Finance Course by Pilotfish. Alternatively, drop me an email and we can arrange a call.

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SIMON ZUTSHI,
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MARKET PREDICTION, UPDATE AND STRATEGY MOVING FORWARD

WE FIRST INTERVIEWED SIMON ZUTSHI, AUTHOR OF *PROPERTY MAGIC*, FOUNDER OF THE PROPERTY INVESTORS NETWORK AND SUCCESSFUL INVESTOR OF OVER 25 YEARS, IN OUR DECEMBER 2020 ISSUE OF *BLUE BRICKS*. WE THOUGHT IT WAS ABOUT TIME WE CAUGHT UP WITH HIM TO SEE WHAT HIS VIEWS AND PREDICTIONS ARE REGARDING THE STATE OF THE PROPERTY MARKET FOR THE NEXT 12 MONTHS.

Back in December last year, when I wrote my first article for *Blue Bricks* magazine, I thought that we would have seen a slowdown in the property market by now and probably even a dip in property prices. This is because the government furlough scheme was due to end in April this year and the Stamp Duty Holiday was set to finish on 31 March. But, after the events of the last 15 months and the start of the pandemic, I find that nothing really surprises me anymore. Perhaps it was predictable that the government would extend both schemes considering the impact – certainly where Stamp Duty was concerned – they had on stimulating the UK property market.

And besides, I may have been wrong, but I was in good company: even the Bank of England predicted a 16% dip in property prices in 2020 and they have plentiful economists and statisticians to work these things out! I guess it just goes to show that the reality is no-one knows what's going to happen in the UK market. I think the rather gloomy prediction by the Bank of England is one of the reasons why the government responded with the initiatives to prop up the UK property market.

Although prices have been generally booming over the last 12 months, apart from London where they have been coming down, I still believe there are motivated sellers everywhere who, for numerous reasons, have a very strong need to sell. For these particular sellers, speed and certainty can be more important than the amount of money they make from the sale. This means that they might be flexible on the price and/or the terms of the sale. Of course, only 5% of sellers are truly motivated and they are certainly harder to find in a booming market – but they *are* there.

One tip to find these motivated sellers even in a booming market is to work with estate agents on properties where a sale has fallen through at least once, but possibly more than once. You find that these sellers are often far more motivated and certainty is very important to them: they really don't want another sale

to fall through and so may accept a lower price from a buyer more likely to complete the transaction. A number of my students have picked up really good deals over the last 12 months using this strategy.

So what about the property market moving forward?

As I have said earlier, no-one can predict this, but I have changed my view. I don't think we will see a crash, but more of a slow down and slight dip. Why? Well, there is going to be a massive boom to the UK economy over the summer owing to the easing of lockdown restrictions. Most people will be going out to enjoy their regained freedom and spending some of the money they have saved over the last year, in particular on leisure and retail. It will be interesting to see if the government extend their furlough scheme again or finish it as planned in September.

As for my property investing, there are three main areas which, I believe, will have good potential over the next 12 months; they will be the focus of my attention.

Houses of multiple occupation (HMOs)

A firm favorite of mine! When Covid-19 first hit the UK in March 2020 and we went into the first lockdown, there was speculation that tenants would be concerned about living in shared households. In London there certainly was a dip in tenant demand, but this seems to have bounced back. Also, given that most of the UK adult population has now been vaccinated, for most this is less of a concern. In fact, quite the opposite. I think most people found the lockdown experience mentally challenging, particularly those people who were living on their own in an apartment. We have seen a rise in the number of people moving from their own small apartment into shared accommodation because they want the social interaction with other people.

As I always say, there is an oversupply of HMOs in most areas. However, if you go and check somewhere like **spareroom.co.uk** for yourself, you will see that the average HMO is just that – very average, very boring. If you're going to develop HMOs, you need to make sure that your property stands out from the competition and provide better quality dwellings than anyone else. If the property looks great and is functional, then you will be able to minimise your void periods by filling the property more quickly, at a higher rent than the average for the market. And this of course means you make more money.

Pitch it right and you will attract a better calibre of tenant who will be prepared to pay more for a higher standard. Stick with average and your only way to compete with the masses of accommodation out there already is to reduce your rents which isn't great for profits or for attracting the right sort of tenant.

Commercial to residential conversions

Previously I've converted a number of commercial buildings, mainly care homes into blocks of apartments. However, I'm changing my strategy because I feel I would rather convert commercial properties into purpose-built HMOs to fit in with my first area of focus. Owing to challenges in the economy, there are plenty of commercial landlords who have come to realise that commercial property may not be as guaranteed as they once thought. Combine this with the introduction of the new Class MA Permitted Development Rights in August and this means there are going to be a huge number of opportunities for those of us who know what we're doing and are prepared to seize this opportunity. The next 12 months is going to be a great time to acquire commercial to residential development projects.

PITCH IT RIGHT AND YOU WILL ATTRACT A BETTER CALIBRE OF TENANT WHO WILL BE PREPARED TO PAY MORE FOR A HIGHER STANDARD.

Purchasing portfolios from retiring landlords

This will be my third focus – I'll be looking out for property portfolios to purchase from tired and retiring landlords. There are always people entering and exiting the property market but, for the last few years, we've seen an increasing number of long-term landlords (ie: people who have been landlords for 15 to 25 years) making the decision to sell owing to the increased complexity of legislation and changes in tax (in particular Section 24).

The Section 24 tax changes, which impact the amount of tax relief a landlord is able to claim on earnings from residential properties, are now fully implemented. The upshot is that all landlords should be aware of the effect it has on their finances and have taken the necessary action either to move their properties into a limited company or LLP (limited liability partnership) structure to help alleviate some of this impact, or they've decided that they want to sell up early and retire. Some of these landlords might have hoped that their children would take on the property portfolio, but in reality the kids often enjoy the money, but don't necessarily want the work of managing their parents' portfolio and so the landlord has little choice but to sell.

Either way, these properties will generally have experienced fantastic capital growth over the last two decades and so – find the right buyer – and these landlords can retire early.

It's worth noting that when buying properties from existing landlords, you often find that the rent has not been raised as often as it could be, or perhaps the properties are not in tip-top condition. This is good for you because – with some light cosmetic work – you can not only increase the rents, but also increase the overall value of the property. Be aware though that some landlords are over optimistic about the value of their property and obviously they want to maximise the revenue by selling for the best price they can get so some careful negotiations may be needed.

This is where we can use creative finance strategies (such as vendor finance or purchase lease options (PLOs)) to help the landlord achieve a full market price for their property. They can either help fund the deposits on these properties with vendor finance, or we can take the property on and manage it for the landlords, thus removing the hassles they're facing whilst allowing you to buy the properties over a number of years on a fixed schedule with the use of purchase lease options. Existing landlords are often more commercially minded than normal homeowners meaning they're more open to these creative solutions, especially when you're clear on the benefits for them.

There's a unique market opportunity here that I'd suggest will be available across the next year to 18 months – after that I'd expect most of these landlords will have found a solution.

Renewed optimism

So, I am very excited about the next 12 months of opportunity. Most investors will do nothing, feeling that prices are too high, but that leaves more opportunities for those of us who know how to make the most of creative strategies and have found ways to find and help motivated sellers.

I'm focusing on acquiring more HMOs to increase my residual cashflow. Some of these will be commercial to residential conversions creating purpose-built HMOs. Others will be sourced from existing landlords who are looking to exit and retire. As I said, now is the time for action if you wish to explore this strategy.

I hope this gives you a little insight into my strategy for the next 12 months and some inspiration as to how you might do the same. I encourage you to invest with knowledge and skill.

Feel free to connect with Simon and his team in the following ways:

- Subscribe to Simon's YouTube channel: **youtube.com/SimonZutshiOfficial**
- Check out your local monthly pin Meeting: **pinMeeting.co.uk**
- Listen to Simon's weekly Property Magic Podcast: **PropertyMagicPodcast.co.uk**
- Connect with Simon on LinkedIn: **linkedin.com/in/simonzutshi**

CASE STUDY

STAVELEY DEVELOPMENT PART TWO

LAURA AND JAMES MUSE, I SQUARED PROPERTY LTD

JAMES AND LAURA MUSE HAVE BEEN INVESTING IN PROPERTY IN SOUTH YORKSHIRE SINCE 2012. THEIR PORTFOLIO INCLUDES BUY TO LET, HMO AND BUILD TO RENTS. THEY DECIDED TO MOVE INTO PROPERTY DEVELOPMENT FULL TIME IN 2018 AND STAVELEY DEVELOPMENT IS NOW THE SECOND NEW-BUILD PROJECT THAT THEY HAVE COMPLETED.

IN JULY 2020, WHILE PART WAY THROUGH THE BUILD, THE COUPLE SHARED THEIR EXPERIENCES ON THE PROJECT SO FAR WITH BLUE BRICKS READERS. HAVING NOW COMPLETED THIS CHALLENGING DEVELOPMENT, JAMES AND LAURA LOOK BACK ON THE PROJECT, REFLECTING ON THE HIGHS AND LOWS – WARTS AND ALL!

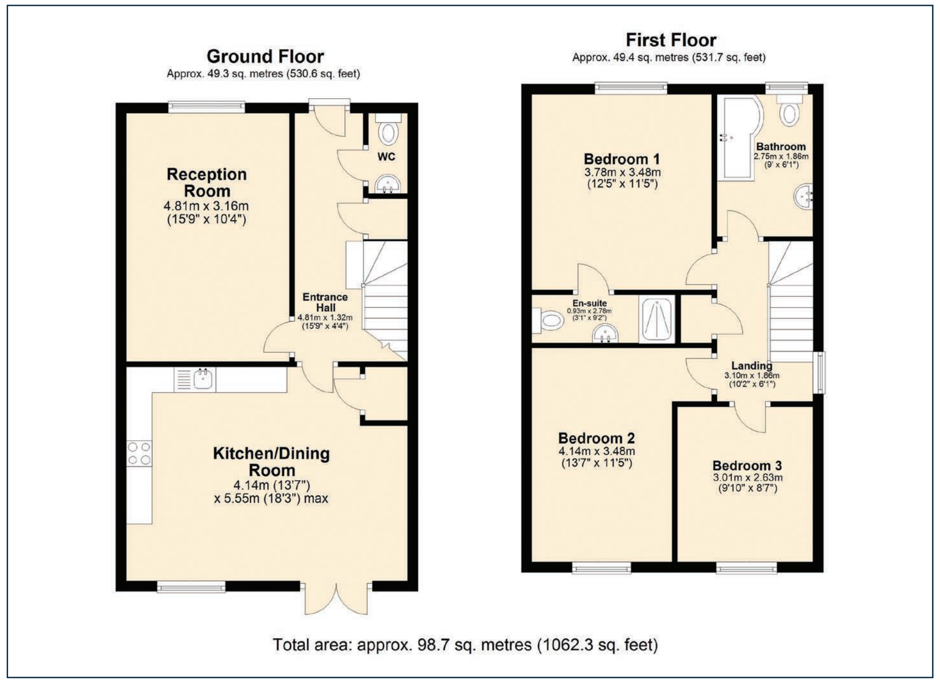
When we left off last time, we didn't even have a road name for the development. Well, guess what, we do now: we're Middlecroft Court. It felt really good to finally have an official name.

In part one, we spoke about planning, site investigation and foundations right through to build up ready for the roof to be installed. We had also contacted the Trust overseeing the school behind our development about utilising their drains instead of installing pumps, which had been our original plan.

Getting the roofs on against the odds

The first lockdown in March last year presented significant challenges for us (we didn't even know if we would be able to continue on site). Supplies were limited during this time and in high demand across the industry, but we trusted that the relationships we had established were strong and that we would manage to get what we needed. By the end of May 2020, we were making good progress and were preparing to install the roof trusses.

Luckily for us, Dale, our joint venture partner and site manager, had a long-standing relationship with the owner of the truss manufacturer harking back to their school days. He managed to get our trusses delivered on time despite lockdown and the lack of timber available at this time. Basically, we managed to jump the queue – we owe Dale a huge favour and a cold beer. Without the trusses, everything would have ground to a halt. These strong relationships with



suppliers and this true sense of teamwork allowed us to carry on and keep to schedule. And anyway, at I Squared Property Ltd, we rarely let anything get in our way – even something as massive as a pandemic!

We managed to get roofs on all three houses in just 2½ days – a fantastic, super impressive result – meaning that we could move to the installation of the windows straightaway. Windows were the final piece of external works on the house – once installed, the project was watertight and we could push on with the internal phases of the build.

Finding solutions for drainage issues

Whilst we were progressing with the build, behind the scenes we were still working hard to resolve the issues with the drainage.

As I said, we had already contacted the school behind the development about utilising their drains instead of installing pumps. It's generally thought that natural drainage is much better than pumped systems because blockages with the latter are common which means on-going annual maintenance and therefore additional costs and inconvenience for the buyer.

Of course, we should have had this all figured out before getting on site – another lesson learnt! – because drainage easements, especially with a Trust involved, can take a long time to resolve. Obviously the usual approach is to install the drains at foundation level but, because we realised we were better off tapping into the main drains of the school, we decided it would be worth the hold up. Pumps would have meant the drains would flow to the front which isn't ideal, while using the school drains meant they could flow to the back. And so we reached an impasse until we knew which way we were going.

The Trust pitched £8,000 for the easement despite the surveyor they instructed suggesting £3,000 – we managed to settle on £5,000. Everything was running pretty smoothly with the solicitors until we received the draft deed of easement from the Trust which included a real showstopper of a condition: the homeowners could be given 30 days' notice to lift and move the drains at their own expense. Hmmm, I think James's exact words were, "what planet are you on?"

What a bombshell at the eleventh hour! We finally managed to come to an agreement after one last-ditch attempt before we would have conceded defeat and gone back to the pumped option, having lost thousands in surveys and legal fees. Surprise, surprise it was all about money so – having negotiated them down to £5k – we have ended up at £7k on the condition that they must arrange and pay for any works should they decide they want to move the drains in the future. We also gave them a deadline to complete otherwise the fee would be reduced to £5k. They agreed, everything got signed off and we were able to proceed with the installation of the drains. But the pressure was mounting – we needed to have completed the works on the school's land before the kids came back to school at the start of September and

it was already 17 July! If the agreement had taken any longer, it would have caused us major delays.

So then it was all systems go, go, go! A good job for contingencies, we thought at the time. That's the thing with new builds – you have to be adaptable and make changes where necessary; more often than not it ends up being for the better.

Facing more challenges to install the drainage

Two days before the drainage contractor was due to start he called us to say he was unable to take the job owing to family issues. Panic stations! We tried everything: we called everyone we could think of and we put out a plea on social media – it was make or break time. If we couldn't get the works done now, we'd have to wait until the Christmas holidays. Our plan had always been to have the entire job finished by the end of October – this was bad news for us, the buyers and for our investors.

We got lucky – the law of attraction worked her magic and the following day we received a call from a friend of a friend. He'd had another job pushed back and could take on our drainage and groundwork. Never have we felt such a sense of relief to see all systems go again – let the rollercoaster of property continue!

Finding new contractors to complete the job

I'd say in comparison to the dramas over the drains, most of the groundworks went off without a hitch with the exception of the curb stones. Our groundworker contractor had a knee injury so we found ourselves short again. Luck was on our side once more though and we called on some local builders we were friendly with who sent over some workers to cover for a few days. This was a huge help, but we really needed someone to finish the job because the groundworker contractor was unable to return to work. Having exhausted all contacts, we turned to an agency and it worked out! We had to kiss a few frogs, but we managed to find a few good lads and the job was completed – we were happy and we managed to add some new numbers to our contact book.

OUR AGENTS WERE SUPERB AND WE MANAGED TO SELL ALL THREE HOMES BY NOVEMBER 2020. OUR FIRST FAMILY MOVED IN DURING JANUARY 2021 AND ARE ENJOYING THEIR NEW HOME.

Further challenges owing to shortages of materials

The lockdown also had a massive impact on the supply of plaster and the whole building world felt this. From our end, we had two pallets on order, but only one arrived and we started to get a bit nervous as the date for the plasterers to start fast approached. Thankfully another supplier rang us and told us to get down to the branch quick sharp. By way of demonstrating how bad things had got – he told us to bring a tarpaulin to cover the pallet on collection as people were so desperate they were following customers back to their sites and taking supplies when the coast was clear! This supplier basically moved us up the queue by taking a bit from a large order all because of the relationship we'd established over the past few months. And he saved our bacon! A while back we bought this guy and his business partner a round of golf at a well-known course and this gift has just kept giving. He always goes above and beyond the calls of normal service, once even driving to Leicester from Sheffield to pick us up some concrete ring lifting keys!

A successful end to a challenging project

Finally, on to the internals of the property. I loved this part of the process and I'm pleased to say we had very few issues. Plot 3 was finished first and we found a buyer quickly,

but as they were stuck in a chain there was a delay in completing. To be honest, this worked out well as the house had already been staged so we were able to use it as a show home. We used VR Staging to dress the property so that we could give potential buyers a sense of what it would be like to live and raise a family in one of our spacious homes.

Our agents were superb and we managed to sell all three homes by November 2020. Our first family moved in during January 2021 and are enjoying their new home.

The final figures

Land cost: £100,000

Build cost: £367,520

Interest and all professional fees: £23,560

Total costs = £491,080

GDV (gross development value): £675,000

Net profit: £183,920
(Approximately 27.25% of GDV)

We had projected a £150k profit and we are very pleased to say that, owing to our keen sourcing and tight project management, our total profit was £183,920. Once we split this figure with our JV partner, we've taken £91,960 each – we're over the moon because we'd only budgeted for £75k each.

Building new houses in 2020 could have been catastrophic if it hadn't been for the new relationships we formed in order to keep the project moving forward. Relationships really are the highest form of currency.

Reflecting on the development

What can I say, the project has come to an end and we're already on to the next one. But it's important to take time to reflect. We've learnt so much from this project – despite the challenges, we have loved it and are very proud of these properties. It's just the end results that speak for themselves, but our ability to overcome every obstacle chucked at us along the way – all while navigating an international pandemic! To be able to bring a little joy to a few people with these beautiful homes has been the real cherry on the cake for us and we are super excited for the projects we have lined up across 2021 and beyond.

Thank you

We are so grateful to everyone involved in these builds, but in particular we are grateful to our JV partner Dale Burke who was on site every day to ensure the works were completed to the high standard we expected, as well as everyone who we work with on our projects at I Squared Property Ltd.

Here's to growing new and existing relationships with the professionals and tradespeople who make all this possible. And not to mention the fantastic relationships we have with our existing investors as well as those this project has attracted.

Thank you Blue Bricks for letting us share this journey with you all.

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BUILDING A POWER TEAM

20 KEY ROLES TO ASSIST A SUCCESSFUL PROPERTY BUSINESS

NEIL CHAUDHURI

Property investing can be very rewarding, but it is by no means an easy ride. It's therefore imperative that you surround yourself with the right people to help you propel your property business forward. I've identified 20 key roles I consider crucial to any power team and, importantly, show you how to go about finding the right people for each position.

1. Mortgage broker

You might very well have a good relationship with the mortgage broker you used to buy your family home. That's great, maintain that relationship in case you ever need to move. However, if you're *investing* in property, you need a property finance specialist. Specialists will be able to help you obtain finance on products that most residential brokers are just not used to working with: from bridging and commercial finance and so much more.

I advise joining property networking events in order to meet specialists and talking to other investors about who they would recommend. And remember that the great thing about your broker is they don't need to be local to your investment area because you can easily work with them digitally without the need for face-to-face meetings.

2. Solicitor

For standard buy-to-let purchases, a good local conveyancing solicitor is ideal. Local solicitors are easy to find via recommendations from local property investors, estate agents and anyone you might know who has recently bought a house for themselves.

But, if you're working on a more complex purchase using commercial or bridging finance, delayed completions, options and so on, then you will require a more specialist solicitor. The best solicitors here are commercial conveyancing solicitors who have more experience in dealing with these matters than those specialising in residential. To find a commercial conveyancing solicitor, speak to some commercial estate agents and ask them who they would recommend.

3. Master builder

A master builder is essential for you to be able to carry out larger refurbishments and projects. Recommendations from local property investors can be a good way to find a master builder, but another way to is to visit your area and drive around looking for building sites. Ask if it's possible to meet the foreman and take a look around – this will give you a really good sense of how the builder operates. You can also try to speak to the owners to see if they're happy with the builder and the works.

4. Handyperson

From repairs and maintenance touch ups to painting – having a great handyperson is essential to the running of a successful property business and goes a long way to keeping your tenants happy. When a tenant calls up with a problem and you can respond and resolve the issue quickly, then you'll find you build up more goodwill than if there hadn't been a problem in the first place.

The best place to find handypeople is definitely through word of mouth. Join any local Facebook community group and search through to see which people regularly get recommended for odd jobs.

5. Electrician

From electrical installations to your annual compliance, electricians are another essential trade. The best ways to find electricians are through builders and also through anyone you know who might own commercial premises in your investment area as they will require annual electrical compliance.

For me, it's important to have an A and B team. Your first choice sparky should be certified to cover *everything* electrical – including fire alarm systems and emergency lighting – and be able to certify their works and provide you with an Electrical Inspection Condition Report (EICR). However, you might find these electricians a tad expensive so it pays to have a team B sparky. They should be able to do most of the above, but might not be able to test and certify your fire and smoke alarm system, which might make them a bit cheaper.

6. Plumber/heating engineer

Plumbers can help you install bathrooms and connect your waste pipes to the drainage and they can help with kitchen installations. A plumber is an essential person to have on speed dial in the event of a dreaded leak, and a gas-safe engineer is also a must for dealing with both boiler issues as well as for your annual landlord gas-safety certificates. Plumbers often operate as gas-safe engineers, but don't assume – always check. If you visit a local plumbing merchant, you can often ask them for recommendations or you can visit the gas safe-register online. Otherwise, lettings agents will have a list of engineers they use, but watch out for the price mark up if you let the letting agent book them for you!

7. Architect

Another critical role if you're proposing any major conversions to your properties – perhaps loft conversions, extensions or even an internal conversion of a property to a HMO with en suites. The best way to find an architect is to search your local planning portal for planning applications of schemes similar to your own and see who the appointed architect is for that application.

A good architect might well specialise in planning too, so if you see that they are getting planning permissions granted on the planning portal, this can save you the expense of having to work with a separate planning consultant which can be a useful way to streamline.

8. Accountant

A good accountant should be able to structure your affairs in a tax-efficient manner. And, if you want to grow a property portfolio, then a professional accountant is essential. We use a local firm specialising in a variety of industries including property and development companies. As a rule of thumb, if your accountant isn't familiar with terms such as "HMO" or "serviced accommodation" then it might be worth looking for one who is. You can speak to several different accountants and you'll quickly get a sense of how knowledgeable they are about the world of property. To find an accountant, talk to property groups on Facebook and chat to local investors – you will have no shortage of recommendations.

9. Estate agents

To find deals, you need estate agents. I recommend that you focus on building great relationships with a handful of agents in your target area rather than trying to introduce yourself to every single agent as you risk spreading yourself too thin. Research your investment area and find out which agents are the most prolific. My approach is to select five, visit their websites and review their 'meet the team' sections. You will quickly identify which agents are key and therefore worth building a relationship with.

10. Lettings agents

Lettings agents only focus on the lettings side of business rather than the selling of properties, although often agencies offer both services. We personally don't manage our properties – we pay to have ours professionally managed. There are a range of services available:

- **Tenant find:** the agency will advertise for you, find the tenant (including any necessary due diligence) and charge a one-off fee. You are responsible for collecting rents and managing the property.

- **Tenant find plus rent collection:** all of the above, plus the agency will collect rent and send you financial statements. You are responsible for maintenance, management and compliance requirements. This option can be a cost-effective way to reduce some of the hassle of being a landlord.

- **Fully managed:** the best option if you're time poor although it's not cheap! Expect to pay anywhere from 8% to 15% plus VAT for this level.

The best way to find a lettings agent is for recommendations from local property investors. Check out your local property networking meeting, which may be currently held online until government restrictions lift, and ask for recommendations. The local Property Investors Network (pin) meetings are an option and there are often independent local groups on social media. The Blue Bricks monthly meetup is another good option as it has members from all over the country.

11. Bookkeeper

Getting a remote bookkeeper has been an absolute game changer for our business in terms of freeing up time. Our bookkeeper works alongside accounting software Xero to reconcile our accounts and prepare our monthly profit and loss statements for us. There are lots of companies offering this service, so the best thing is to shop around online and see which one suits your needs the most and fits within your budget. Talking to other investors is always advisable.

12. Private Investors

In order to help fund your purchases and refurbishments, it's really important to have a pipeline of investors who wish to work with you. The best way to attract investors is to raise your profile on social media and create a name for yourself as a property investor. But remember: it takes time to nurture relationships. If you show yourself to be credible and authentic and remember to see things from their perspective by finding ways to fulfil their needs you will find potential investors more receptive.

Property and networking events are two great ways to meet potential investors and start to build these relationships.

13. Contacts at the council

From town planners to HMO licensing officers, ensure you obtain a point of contact in each department. It can be painfully slow trying to find the best contacts but, once you do, you can call/email them directly and get your questions answered more quickly than you perhaps would otherwise. Contacts at the council can be great allies.

My advice is to build these relationships before you need them. Pick up the phone or send an email to introduce yourself and ask for some basic guidance. It might take weeks to get a response, but once you manage to connect to the right people it will be no end of use down the track.

14. Building control officer

While a building control officer is generally only required for certain conversions, if you find yourself in need of one then you will want to be sure you're working with the right person. You can choose between a council-appointed building control officer or one you appoint privately. We tend to recruit privately, but that's just down to personal preference. The best way to find one is to get a recommendation from your builder and/or architect.

15. Project manager

If you're planning a major refurbishment or project, I would definitely recommend working with a project manager to ensure that the works are carried out in a timely and cost effective manner. If you're feeling brave, you can project manage yourself but, from personal experience, you need to make sure you have plenty of time on your hands to carry out this role. While of course there is another wage to support, project managers tend to pay for themselves by keeping things on track and ensuring that you're getting the most competitive prices across the project. Your architect will be well placed to recommend a project manager to you, but it's also worth asking for recommendations from other property investors.

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16. Structural engineer

If you're looking to purchase run-down properties that require lots of works and improvements, you may wish to consider having a structural survey done on the property. Indeed, some mortgage lenders may insist on it. We have worked with a few different structural engineers and we have generally found them through recommendations from our architect.

If you need to keep a handle on costs, then you can ask them to target specific areas of concern rather than provide commentary on the whole property.

17. Interior designer

Within our business, we handle this role ourselves simply because it's something we both enjoy and specialise in. However, if you're not naturally creative, then don't panic – there are plenty of interior designers who can take care of this for you. The best way to find one is by joining the Blue Bricks Facebook group. There are also Facebook groups specifically dedicated to interior design.

It's certainly worth doing a good job on this if you're keen to attract good quality tenants.

18. Surveyor/valuer

If you're buying a property with a mortgage, the lender will instruct a valuation to be carried out on the property, so ask if you can obtain a copy of this report. You may wish to upgrade this valuation to a "Homebuyer's Report" which is a detailed synopsis of the property you're purchasing, or you may wish to recruit your own independent surveyor to value and assess the property.

We actually do a lot of the due diligence on our purchases ourselves. However, if you're not experienced at valuing properties and wish to have someone look at this for your benefit, then you can speak to some local estate agents to see if they can recommend any RICS (Royal Institute of Chartered Surveyors) valuers or if it's a service that they offer themselves. Otherwise, try contacting a valuations company like e-surv or Connells to see if they can carry out an independent valuation report for you.

19. Photographer

Having professional photos of your properties is crucial. Whether you're looking to maximise rents, sell your property at the highest price or to attract investors in the future, you need a strong catalogue of photos of your properties. Whilst smartphones are amazing, they're no substitute for having a professional photographer with the right gear. The best way to find a photographer is to see which properties in your area have the best-looking images and then get in touch with those agents to see if this is a service that they can provide for you.

Neil Chaudhuri
of Vogue Abode Properties

20. Virtual assistant

Having a virtual assistant (VA) can be a very cost-effective way to recruit additional help for your business. They can be UK based or abroad and the price will vary accordingly. You can look to have one VA doing multiple tasks, or to have multiple VAs each fulfilling one specific role.

We choose to work with local students who are keen to gain work experience, specialise in certain areas and who tend to do a great job at a low cost.

From helping you to source, fund and complete deals to running a successful property business day to day, building up the right power team will play a huge part in your property journey. But you will need to keep up your side of the bargain too by being a reliable client to work with in order to develop long-term prosperous relationships.

Our regular columnist Neil Chaudhuri 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 over the past two years for the stunning HMOs that he creates along with his wife Simona.

Neil is a co-host for the Birmingham Property Investors Network meeting, held online on the third Thursday of each month. **birminghampropertyinvestorsnetwork**

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THE "QUEEN OF SA" SHOWS YOU THE WAY

SARAH MCDERMOTT'S GUIDE TO RUNNING A SERVICED ACCOMMODATION BUSINESS

PART 4: DÉCOR AND FURNISHINGS

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. Sarah chooses to operate at the high-end sector of the holiday-let market and explains how you can make it work for you, too.

To catch up with the series so far, head to the Blue Bricks website to read Sarah's background in SA and to recap the critical areas that have been covered so far: strategy and location, as well as branding and management. In this issue, Sarah delves into the exciting world of décor and furnishings with tips and advice on how she approaches this stage with passion and flair to maximise her – and your – chances of success.

Hello Blue Brickers!

Finally! We've reached the most exciting part of the SA journey – interior design! Whilst I'm not a designer by trade and I've never trained in interiors specifically, I handle the interior design for all our properties and I absolutely love it. Of course, you may not – so hire someone to do it on your behalf, but that might take all the fun out of it!

The terribly exciting thing about doing up top-notch holiday pads is that you can really let your imagination run wild. People are going to holiday in this space or stay for a short break – they're not moving in permanently, so you can wow your guests with a really jaw-droppingly opulent or fearlessly quirky theme. And remember that you're not trying to appeal to everybody, but rather those who appreciate nice things and have a pocket full of dollars they're not afraid to spend – don't worry if Mavis down the road would only book an "elephant's breath" colour scheme. Ditch the self-imposed décor boundaries, stop worrying about what other people think and get on with creating fabulous!

Get creative

Going back to the last issue, you chose your brand. Your brand should evoke a certain style, a certain image. What is that? Meditate on it. And, if necessary, reread Part 3 of this series and follow my tips in that article for devising the right brand identity for you. Also don't forget to ask the property how it would like to be dressed. You might think I've lost the plot completely now, but on every new purchase I wander around in a trance-like state and pick up the feelings from the property. Calm your mind and listen to what it's telling you. Every property has its own character – it's your job to find it, and in many cases reinstate that character from previous owners who may have "neutralised" it.

You can bring the local area into your theme, too. For instance, our cottage, Aysgarth Nook in the Yorkshire Dales, has a colour palette that's been brought in from the surrounding landscape. The bespoke beds are knotted oak to echo the nature outside. Sheep's wool cushions with Yorkshire phrases and rustic stone floors all bring the outdoors in and make people feel like they are truly having a Dales experience. Our place in York is very grand but also kooky and spooky – very much like the historic city itself. And our completely wild and vibrant aparthotel in Leeds reflects the vibe and the nightlife of this upbeat city.

You have an opportunity here to create an *experience* for people rather than just giving them a place to rest their heads – if they wanted the everyday, they'd book a Travelodge! We had a review of one of our properties a couple of days ago saying how "Instagrammable" the room was – this is *exactly* what you want! Some hot young thing lounging provocatively on your glorious sofa, against a backdrop to die for that *you* created and posting the pics all over social media. The dream!

Invest in quality to reap the rewards

So other than the fun of going to town on the décor, what does it do

for the finances? This is the all-important question of course. Well firstly I'll start by terrifying your socks off, as I'll disclose some of the prices we've paid. Our kitchens are all from Kesseler and start from £15k. Beds, we pay £2k–£5k per bed. Sofas can be anywhere between £1,200 and £6,000. Art work – we have a lot privately commissioned, but we recently paid £13,500 for three pieces (I won't tell you which property in case you try to nick them!). We also recently spent £16,000 on blinds for one property, £7,000 for a cabinet in another and £7,500 for a stair carpet. I could go on, but you might have a heart attack so now I'll explain why.

You've already purchased the lovely character property in a fabulous location. And now you can choose to get it nice enough to rent out as a holiday let, or you can choose to make it the best fooking holiday let in the area. Of course we always go for the latter, and it pays dividends. Firstly, you don't need to spend a fortune on every item to achieve this. We mix up ultra-modern designer pieces which generally cost the earth, with beautiful antiques – which don't. We buy ex-display from the fanciest showrooms, we open trade accounts with everybody. Even Heals and BoConcept have trade accounts – it's not just the likes of Howdens. Get good contacts at these places and they'll notify you when a bargain ex-display piece is about to go up for grabs.

Live like a rock star

So the result of removing Ikea from your game plan is making loadsa money! Not only will you get a much higher valuation at the end of your refurb, but you'll also be able to charge a fortune for wealthy families, celebrities, high net-worth individuals and the like to stay at your place. The price difference between mediocre and fabulous is quite unbelievable. You can rent a mediocre cottage in the Yorkshire Dales in peak season for £799/week, or you can pay £4,000/week for a fabulous one. Over a year, based on 30 weeks' occupancy, you'll be looking at £23,970 for the mediocre cottage or £120,000 for the fabulous one! And that, my friend, is a life-changing income! £100k difference. OK, you may have splashed out an extra £100k on the refurb and furnishings to get it to fabulous, but you'll have added an extra £100k in value (compared to the revaluation after a mediocre refurb) so you'll take that dosh straight back out – and you've bagged a rock star income to boot!

So step away from the "50 shades of so last year" colour palette. Ditch anything that comes flat packed, be joyous that you need never step through the doors of Ikea again, and go shopping like Beyoncé and Elton John. Enjoy it!

Next month I'll let you into a couple of secrets, from good business planning to how to attract private investors (so that you can pay for all this crazily gorgeous furniture!).

Sarah Xxx

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LETTINGS UPDATE

by Ben Quaintrell LETTING AGENT OF OVER 15 YEARS

IS NOW THE RIGHT TIME TO INVEST IN PROPERTY?

It's certainly been a strange start to the year as lockdown was superseded by the easing of restrictions and the resulting signs of economic recovery. One of the side effects of this pandemic has been to bring both property rental and sales sharply into focus and, while property prices may be on the rise, so are rents.

Here in the Northeast, My Property Box is still experiencing high demand for rental properties, with most homes – particularly three beds – securing a new tenant in days rather than weeks. While I anticipate a slow down as we approach the summer holidays, this hasn't been a typical year so I doubt that any short-term slowdown will have a serious overall impact on rental market figures.

Rental incomes continue to rise

Our experience is shared by the rest of the country, excluding London, where, according to Rightmove, rents fell by 7.8% in the last year.

Meanwhile, May's Homelet Rental Index reported that the average UK rent was £997 per calendar month (PCM), up 0.1% on the previous month, and up 4% on last year. Remove London from the equation and the average UK rent is £854, 0.1% up on the previous month and 6.4% ahead of last year.

Eleven out of 12 (London being the exception) regions showed an increase in annual rental variance, with the largest being the east of England with 8.5%.

Changes to legislation

It's also no surprise that property continues to form a key part of government policy, reflected by the Queen's Speech, which announced a move to simplify the planning process thus making it easier for investors to convert buildings into suitable accommodation to let.

Legislation is expected later this year to reform tenancy law, including the abolition of the Section 21 eviction notice, and proposals on a lifetime tenancy deposit scheme – a measure that will further stimulate the rental market.

Is it a good time to invest?

There is always a risk associated when investing in rental property and I would advise prospective buyers to undertake as much research as possible to ensure that you are buying the right property in the right location.

That said, there are clear opportunities to build long-term returns from a reliable rental property, fuelled by high demand and a low supply of properties.

Top property investment tips

My top tips for successful property investment are:

- Define your strategy and, just as importantly, your budget. Are you looking for monthly cashflow or to lock in value for retirement? Such decisions will influence your purchase.
- Cheaper isn't always better. You often get what you pay for, so don't be tempted by the lowest priced property with amazing prospective yields on paper. If it won't let, or needs a bundle spending on it, then the yield is irrelevant.
- Location, location, location. Kirsty and Phil were right all along – buy the worst house on a good street, and never the other way around! Investigate the neighbours and, if you can visit the property and neighbourhood then do so, after all you might discover the area is about to attract future investment or is likely to be sliced in two by a motorway.

- Always do your homework. Check out the sold prices of comparable homes to make sure you're not paying over the odds, especially if you are investing in an unfamiliar area.
- Check safety certificates before purchasing. EICRs (Electrical Installation Condition Reports), Gas Safety, even check the EPC (Energy Performance Certificate) register to see how energy efficient the property is. This may help avoid costly looming repairs and flag up whether the property is going to cost you more money than anticipated.
- Establish a rainy-day fund by holding money back for unforeseen issues, such as boiler repairs, a new roof, or rental arrears.

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