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market outlook

house prices up

House prices increased by 2.2% in March, taking UK house prices through the £150,000 barrier with an average price of £151,467. Prices continued to rise most rapidly in northern England and Wales where as the south has seen the smallest price rises over the last 12 months: The South East (7.3%), Greater London (9.1%) and East Anglia (9.3%) have all recorded price rises of less than 10%. The biggest increases in prices over the past year have been in the North (36.0%) and Wales (35.6%). (Source: Halifax)

interest rates

Interest rates have risen to 4.25% (see separate article), and economists predict that they will rise to 4.75% by the end of the year.

rental yields increase

According to Paragon Mortgages, buy-to-let yields rose in April to 7.22, from 7.12 in March. This is significant as it reverses the downward drift which has been seen over the last six months.

landlords expanding their portfolios

A survey of landlords by Mortgage Trust reveals that landlords expect to grow their portfolios by an average of 18% over the next 12 months. The same survey also reveals that average void period is less than 3 weeks a year. This vacancy rate has remained roughly the same over the last two years and therefore shows that there is tenant demand to support the recent growth in buy-to-let investment.



welcome

Welcome to issue two of Portfolio, the newsletter that keeps all our landlords informed about the latest news from Landlord Mortgages. Thank you for the great feedback we received about our launch issue, it's nice to know we're helping to keep you up to speed with developments in the property market.

Spring 2004 is as busy as we predicted with purchases at an all time high. The team here is working really hard to ensure you receive the best service in the industry. We're all delighted that hot on our success as the 'Most Innovative Broker of the Year', we've now been recognised as 'The Buy to Let Broker of the Year'. And that's not all; we've also added the 'Homebuyer Gold Award' to our name.

Everything we do at Landlord Mortgages is aimed at offering more value to our customers. This newsletter is just one of the ways we keep in touch. If you haven't visited it yet, you might like to browse online and take a look at our informative web site www.housechat.co.uk.

You'll find plenty of lively debate from landlords, and with more than



Lee (centre) collects another award

1,800 active members so far, it's a great way to share advice and get prompt answers to landlord related questions.

Another service you might like to find out about is our Property Entrepreneurship Course. We've received some super comments following the launch and we're preparing further courses for 2004. Find out more and read participant comments at our web site www.lml.co.uk.

Finally, I hope to see some of you at the Property Investor Show in Manchester next month (June 18 – 20). Don't forget to book early for places at our seminars – they'll be selling like hot cakes!



Lee Grandin, Managing Director

Property Investor Show North

For the first time, the Property Investor Show is being held outside London. The next show will be held at the G-Mex Centre in the heart of Manchester from 18 – 20 June.

The North is clearly out performing the South for investment returns and this huge show will give you the chance to find out what the region has to offer and help you find the opportunities which are harder to come by elsewhere.

Landlord Mortgages will have a major presence at the show. As well as being able to visit us at our stand, No. 875, Landlord Mortgages are sponsoring a programme of seminars over the three

day show. We have an exciting programme comprising six speakers talking on a variety of subjects which our clients are keen to learn more about.

The Seminars are as follows:

profiting from property auctions – from the man behind the gavel! *Martin Furber*
Martin Furber is an auctioneer and in his seminar he will reveal many inside secrets including how professional property investors make money at auction without even buying or selling! Martin's seminar is packed with invaluable information from the perspective of the man behind the gavel.

building a £1m portfolio – your 5 point plan *Mark Harrison*
Mark is an experienced property investor and speaker. Mark will share his plan for building your first £1m property portfolio.

seven steps to buy-to-let success *Ranjan Bhattacharya*
Ranjan is a property investor and also runs Landlord Mortgages Property Entrepreneurship Course. His seven step guide to buy-to-let success proved very popular at previous shows in London. At some of the seminars, extra seating capacity had to be added to cope with demand!

how to make money buying newbuild property *Fiona Salger*
Fiona is a serial investor in newbuild property which she sources herself. Fiona reveals how to choose the right property and spot deals. She also exposes the 'tricks' which some developers use and of which every investor should be aware.

building your team for property investment success *Paul Hanson*
Paul lives in London and invests in the North West of England. As a 'long distance' property investor Paul relies on his 'team' to source investments and to manage his portfolio. Paul has got this down to a fine art and in his seminar, reveals how you can build your own team for property investment success.

Start time	Friday 18 June	Saturday 19 June	Sunday 20 June
10:30	Building your team for property investment success Paul Hanson	Profiting from property auctions Martin Furber	Building your £1m portfolio – Your 5 point plan Mark Harrison
11:30	Seven steps to buy-to-let success Ranjan Bhattacharya	Seven steps to buy-to-let success Ranjan Bhattacharya	Seven steps to buy-to-let success Ranjan Bhattacharya
12:30	Buy-Renovate-Let for maximum profits Charlie White	How to make money from buying newbuild property Fiona Salger	Profiting from property auctions Martin Furber
01:30	Profiting from property auctions Martin Furber	Building your team for property investment success Paul Hanson	Seven steps to buy-to-let success Ranjan Bhattacharya
02:30	Seven steps to buy-to-let success Ranjan Bhattacharya	Seven steps to buy-to-let success Ranjan Bhattacharya	How to make money from buying newbuild property Fiona Salger
03:30	How to make money from buying newbuild property Fiona Salger	Building your £1m portfolio – Your 5 point plan Mark Harrison	Buy-Renovate-Let for maximum profits Charlie White
04:30	Building your £1m portfolio – Your 5 point plan Mark Harrison	Buy-Renovate-Let for maximum profits Charlie White	

buy-reno-vate-let for maximum profits *Charlie White*
Charlie is a qualified surveyor who specialises in buying property in need of a lot of care and attention! He renovates properties to a high standard and holds them as long term rental investments. His surveying background has been essential to his renovation success and in his seminar he reveals many of his secrets.

For more details on the Property Investor Show and the seminar programme, please see their website www.propertyinvestor.co.uk. With each entry ticket you normally get two free seminars. Additional seminars can be

booked through their website at £5. If you would like to go on any of the seminars, please don't leave it till the day of the show because most are usually sold out!

All these seminars will take place in the Landlord Mortgages seminar theatre, which is theatre 3. Each seminar will last 45 minutes including 15 minutes for questions and answers. Furthermore, all speakers will be available on the Landlord Mortgages stand (No. 875) for the hour following the seminar, to answer any additional questions.

The Property Investor Show is a key event for your diary. See you there!



Property Entrepreneurship Course



In April Landlord Mortgages launched the Property Entrepreneurship Course and the first two course dates in April and May were fully booked. There has been considerable interest in the Property Entrepreneurship Course, especially since it received some very favourable coverage in the Mail On Sunday (18 April 2004).

Lee Grandin, Managing Director of Landlord Mortgages says, "There is a real thirst for knowledge and proper training. That's why I have asked Ranjan, one of our most experienced and successful clients, to put together this special, no nonsense, hype-free course to give all who attend the skills to be a successful property entrepreneur".

the voice of experience

The course is run by Ranjan Bhattacharya. Ranjan has invested in property for the last 14 years. Ranjan says, "I have spent the first decade learning the ropes through trial and

error. Now I have the strategies, tools and techniques to succeed time and time again, deal after deal. It is this knowledge which I pass onto course delegates."

value for money

The Property Entrepreneurship Course is a unique one day course. Ranjan says, "There are many courses out there which go on for days and are padded with unnecessary time fillers. It really is possible to learn everything you need in a day." Mike Haney, who attended the April course agrees. Haney says, "The way Ranjan pitched the information was not too technical. Although the amount of information was extensive, the ease by which it was presented allowed it all to sink in."

The course is priced at £395+VAT for one person and £495 for a couple.

The feedback from previous delegates has been that this represents excellent value for money. Recent delegate, Kate Clarke says, "Very impressive! The sheer amount of content, with lots of practical

tips, really did provide the information that you need. This course provided excellent content & value for money."

toolkit included

Delegates of the course also receive a comprehensive 200 page course binder and a CD-Rom containing supporting documents and templates. Also on the CD-Rom is Ranjan's Deal Stacker software which allows you to assess the viability of your property deals based on all the criteria and research methodology covered on the course. Ex-delegate Fatima Mirza found the supporting materials invaluable. Mirza says, "the handouts and course folder are an excellent resource!"

dates for your diary

The next dates for the course are:

London (near Heathrow)

26 June, 24 July, 28 August,

2 October and 23 October

Manchester

17 July, 21 August and 4 September

Birmingham

16 October

Bristol

6 November

Full details of the course together with detailed agenda and booking information, are available on the Landlord Mortgages website, www.lml.co.uk.

our delegates comment...

Clear, straight forward and relaxed. Made sense – steadily developed all way through

Angela Buck

An excellent day! I've learnt an awful lot

Elizabeth Thornley

Practical, down to earth, easy to follow, very informative and genuine.

Jayan Patel

A comprehensive course which details many of the pitfalls from experienced to beginner alike. It gave me a marvellous insight into the real world of high finance! Ranjan was a marvellous presenter. He was very open and revealed much of his own personal knowledge. I can't thank him enough for such a fantastic day!

Peter Douthwaite

Simple, no jargon, everything explained.

Mike Rossiter

No flannel, no nonsense, straight into the nitty gritty advice. A really great course – and I don't mean that lightly.

Peter Jones

Many, many thanks for an excellent course yesterday, everything was just spot on. I really appreciated all the preparation and effort you had obviously put into making the day a success, and of course you certainly know the property market.

Rory Soleil

Very practical and easy to understand. Insider techniques and strategies. Very impressed!

A.Patel



successful off-plan investing

In recent years, many investors have profited from investing in off-plan properties. Buying a property off-plan is when you purchase a new-build property, often more than a year before it is built and completed, hence the term 'buying off-plan'.

We have all heard stories of investors who have bought properties off-plan at discounts to market value thereby creating instant equity. In the rapidly rising market of recent years, many investors found that the property had risen considerably in value in the time between purchase and actual completion.

Some of these investors sold their contract on to someone else, thereby benefiting from the capital gain on the property over the build period, without ever actually having to own it! Such stories have spurred many investors into buying off-plan but some of these new investors have not found the game that easy.

There are many pitfalls with off-plan investing and these can prove very costly. In the last few years, poor investment decisions were easily masked by the rapidly rising market. Now investors need to be more wary and avoid making poor investment decisions since today's market will not be as forgiving.

avoid the pitfalls

1. property sourcing companies

Avoid large property sourcing companies. Ask yourself this: if they can find so many 'barn-storming' deals then why don't they buy all the available plots themselves? It is better to do your own research and strike your own deal with the developer. There will be less chance of investor flooding and the deal will be a lot more satisfying.

2. investor flooding

Avoid developments where more than 30% of the plots are being sold to investors. If you have a higher proportion of investors compared with owner occupiers, then this is called 'investor flooding'.

Your property becomes a commodity and the only thing which differentiates your property from the one next door is the price. Therefore you can expect long rental voids unless you are prepared to drop your rent.

As completion draws near and you are arranging your mortgage, you may find that the mortgage valuer will reflect this lower rent in his rental assessment.

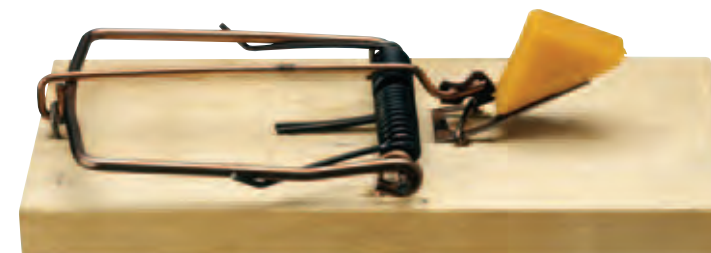
Most lenders require that the monthly rent is at least 130% of the monthly mortgage payment, (referred to as rental cover). Therefore if you get a lower rental assessment and the lender insists on 130% rental coverage, then you will have to pay a higher deposit to get the mortgage. This means that you will get a nasty shock when that 15% no money down gifted deposit deal turns out to require a £15k cash injection just to get the mortgage!

Investor flooding also affects investors who are looking to sell on completion as it is likely that there will be many other investors doing the same, and therefore there will be a number of identical properties on the market at the same time.

3. developers incentives

Developers typically inflate the asking price and claim to offer you incentives such as 'deposit paid' and 'stamp duty paid'.

Some investors do not thoroughly research the market and make poor investment decisions because they



are unable to ascertain how genuine the developers list price is.

4. availability vs demand

Thoroughly check that there is rental demand for the type of property you are buying. In some areas there just aren't enough city centre posh executive types willing to pay £1000 pm rent when the going rate in surrounding areas is half this.

Many developers are building with the investor market in mind and not the end person who will be living there.

5. limiting the risk

Many lenders 'flag' developments. This means that they will limit the number of buy-to-let mortgages they will offer on a particular development so that they limit their risk exposure on any one development.

On a large development, you may find that most of the big mortgage lenders have reached their limit on the loans they will offer for properties on that development. Therefore, you may have a more limited choice of lenders who may not be offering the most competitive rates.

6. forward pricing

Developers sometimes forward price their developments. This means that they anticipate what the value will be at the time of completion and not the value today.

If the property market rises faster than the developers had predicted, then you will make a lot of money and this has been the case in recent years. If the

market doesn't rise to the level the developer has forward priced the property, then you will lose money.

Buying off-plan is very profitable in times when the market is rising by more than 25% in a year, but at other times, investors need to

be wary of forward pricing. In today's market, it is best to ensure that the price you pay is TODAY'S price.

7. research, research, research!

Thorough research is the key to making profitable off-plan investments. Always do your own research and never rely on what you are told by those with vested interests such as developers or sourcing companies who charge you a finders fee.

successful off-plan investing

I believe the best time for investing in off-plan properties is when the housing market is rising rapidly. At other times, thorough research is required to ensure the following:

1. You should only buy if you are convinced that you are obtaining a genuine discount to today's market value.



2. Always find out what percentage of development is being sold to investors. Be wary if this is more than 30%.
3. Be sure that there is local rental demand for what is being built.
4. Ensure the deal stacks up financially, both in terms of the minimum positive net cashflow you are prepared to accept, and the maximum amount of capital you are prepared to leave in property.

...and finally

It is still possible to make money from investing in off-plan properties. However, the same off-plan investment strategy which worked a few years ago will not necessarily deliver the same results today.

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too hot or not?

a very nice place...

Cyprus was the destination of my hols. I spent 10 days in sunny Paphos and spent a great deal of my time relaxing by the pool. The timing of this holiday was good and bad...

I decided to fly out after Cyprus became part of the EU ie. after 1 May which meant no more Duty Free on those essential items! However, this did give rise to a good opportunity to check out how the EU will effect the property market in Cyprus.

Locals told me that the EU would give the required regulatory controls to make Cyprus a secure place to invest and several local experts said that property prices were already on the move. The infrastructure seems to be in place to make Cyprus a great weekend retreat not just a great family holiday... they have a well managed airport at Larnaca and Paphos. The flight to Cyprus is just over 4 hours and the weather is great all year round.

If you wish to find out more, I have seen a recent thread on our website www.housechat.co.uk but of course I cannot guarantee its reliability. Alternatively email me leeg@lml.co.uk.

pricing of mortgage products

Here at Landlord Mortgages we predicted that mortgage lenders would price more aggressively in the second quarter. We have managed to secure a lifetime tracker rate priced at Bank of England base rate plus 0.64%.

The product has a £499 arrangement fee that can be added to the loan and a maximum lend of 60% of the property valuation. The product has no redemption penalties at any time and is available to many landlords.

outperforming the property market

Ranjan is a full-time property entrepreneur with 14 years experience in the property business. Ranjan is a regular speaker on property investment at events such as the Property Investors Show and the Homebuyer Show. Ranjan runs the one day Property Entrepreneurship Course details of which are available on our website www.lml.co.uk.

Anyone can buy a property and just wait for the market to move upwards to enjoy capital appreciation. In a property market where the trend is upwards, any property regardless of condition will increase in value.

A stock market investor looks to buy shares in companies which will outperform the FTSE100 and not just track it. In the same way the secret of making real money from property is to buy properties which will outperform the market and not just follow the market upwards. To do this you need to choose your property well.

location, location, location

Buying in the right location will give you one of the best opportunities to outperform the property market.

If you are looking for upcoming areas then look for those which are adjacent to places which have already 'up and come'.

the ripple effect

Adjacent areas usually benefit from the 'ripple effect' – where buyers who cannot afford a prime area compromise on location and buy a home in an adjacent postcode. Even in London there are postcodes which represent fantastic value when compared to the more affluent postcodes which surround it.

infrastructure and architecture

Of course, areas adjacent to prime areas must also have good transport connections and local amenities. Architecture is also important. If you buy in an area which is currently considered unfashionable but has good architecture, is relatively free from large council tower blocks and has a high

proportion of owner-occupation, then an upward 'correction' in value is most likely to occur.

investment matters

You should also keep an eye on large scale investment in an area. Cardiff and Liverpool are examples of areas which have benefited from massive Government regeneration funds. Property prices have surged ahead in these locations, as the desirability of the area has improved.

the waiting game

Regeneration doesn't always bring immediate benefits. London's Docklands benefited from a huge Government regeneration programme in the 1980s. However due to poor transport infrastructure, Docklands took many years to establish itself as a desirable area to live in. During the 1990s as



Ranjan Bhattacharya:
"taking advantage of 'the ripple effect'"

transport infrastructure improved and a few more local amenities came on stream, the Docklands began to really take-off and is now firmly established. Also during the early part of regeneration, people don't want to live on a building site for a decade and this should be an important factor when considering whether or not to invest at the early stage of a new regeneration scheme, such as the Thames Gateway.

spotting the signs of an upcoming area

You can spot the signs of an upcoming area if you know what to look for. The large house builders invest heavily in research and will only build in areas where they are convinced of a profit,

so you will be in good company if you also invest in these areas. As well as new housing, take a look at what's happening to the existing housing stock.

signs of affluence

A good sign to look for is the number of skips you spot outside houses in a road. This shows that people with money are coming into an area and that people are willing to invest in improving the local housing stock. Also pay attention to changes in the local high street. Lots of boarded up shops is not a good sign. Look out for signs that the character of a high street is changing. Look for an increase in consumer-led businesses which rely on a local population having a high disposable income. For example gift shops, trendy coffee bars and restaurants.

adding value

Adding value offers the savvy property investor the chance to outperform the market very easily. Older properties offer the best opportunity for adding value. Newer properties have been built by clever developers who have usually maximized the full development potential of the property, leaving you very little opportunity apart from upgrading kitchen and bathroom fixtures and fittings.

'added value'

is defined as...'**Added value**': 'increase in property value' – 'the cost of refurbishment'

Clearly the objective is to achieve the maximum increase in property value for the minimum cost of works. You can add value to a property by improving the internal layout of the property, increase the floor space or improve the quality of fixtures and fittings.

improvement potentials

The big hitters in terms of maximum bang for buck improvements are:

decorating:

This probably delivers the best bang-for-buck improvement. Remember to keep your colour scheme neutral so as to appeal to the maximum number of buyers or renters.

central heating:

If the property you are buying hasn't got central heating then this improvement should be top of your list. Both buyers and tenants are 'turned off' properties which do not have gas central heating or which have electric heating which is widely perceived as being more expensive.

Value /'vælju:/ n. & v. -n. **1** the worth, desirability, or utility of a thing, or the qualities on which these depend (the value of regular exercise). **2 (added value)** increase in property value' – 'the cost of refurbishment'. **3** the amount of money or goods for which a thing can be exchanged in the open market; purchasing power.

kitchen:

The kitchen really is the heart of a home. If you can, try to reconfigure the layout to allow for an 'eat-in' kitchen. Buy a good quality kitchen but keep your spending in proportion to the value of the property – don't go putting a state-of-the-art kitchen into a two bedroom terrace!

bathroom:

Hotel style bathrooms can add considerable value. If space will allow, try to reconfigure your floorplan to

allow for an extra ensuite bathroom or a second family bathroom or shower room. Remember that a bathroom needs to have a toilet, sink and shower tray or bath to be considered a true second bathroom. Some people add an extra shower room with no toilet or sink.

floorspace:

Adding extra floorspace: the cheapest cost per square foot way to add extra floorspace is to convert an existing integral garage into a room. Ideally you should only do this if you have space on your plot to build a new garage or car port, as losing this amenity could adversely affect the value particularly if garages are the norm in the street.

The next cheapest per square foot option is to convert the loft. If you do this, always add a bathroom in addition to whatever other rooms you build. Make sure that the property does not become 'top-heavy' ie more upstairs bedrooms in proportion to downstairs living space.

The most expensive option for adding floorspace is, of course, to build an extension. All the options for adding floorspace will most likely require planning permission.

...and finally

Buying a property which has the potential to outperform the property market, is an effective way to building considerable equity in your portfolio very quickly.

© Ranjan Bhattacharya, 2004

interest rates rise to 4.25%

Property owners faced further rises in mortgage repayments after the Bank of England increased interest rates to 4.25%.

While this rise is likely to have little impact, mortgage payers have now seen cumulative increases of nearly £60 on a £130,000 loan since November.

Many economists predict base rates will reach 4.75% by the end of this year which will see repayments on a £130,000 loan rise by £100, since interest rates first began to rise.

According to a survey by Yorkshire Bank, rising interest rates have not dampened buyer enthusiasm. Nearly three out of four house buyers said that they expected further interest rate rises during the year but this did not alter their plans to move house in 2004.

Specialist buy-to-let lender, Paragon agrees. They believe that buy-to-let investors are more adept at managing their budgets than the mainstream homeowner borrower. Their research shows that average rental income cover on Paragon loans exceeds mortgage payments by 193%. This shows that most buy-to-let investors have already factored in an 'interest rise cushion' into their investments.



q&a:

Here are a number of questions which have been raised by Portfolio readers.

If you have any specific questions which you feel would also be of interest to others then send your question by email to the editor of Portfolio at, portfolio@lml.co.uk.

We regret that we are unable to give individual replies to questions.

Disclaimer: The content of this newsletter is intended to be informative and interesting and is intended for use as general information only. The opinions and experiences expressed are not necessarily those of Landlord Mortgages Ltd. Landlord Mortgages Limited cannot be held responsible for any decisions made as a result of information in this newsletter. You are advised to seek your own independent legal and financial advice before making any investment decisions.

If you would like to contact our editorial department please do so by email at portfolio@lml.co.uk

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serving notices on tenants

I need to terminate a tenancy and serve notice on my tenants. Should I use registered or recorded delivery? Can I use email?

When sending any legal notice through the post, it is best to use registered post. Registered post is tracked each step of the way and is guaranteed to reach the next day. A signature is required by the recipient and if delivery is refused, it will be returned to you the day after.

Recorded delivery takes the same time as normal first class delivery. If the delivery is refused, the letter will be returned in about 5 days.

Email is a perfectly valid method to deliver legal notices.

The issue with serving any legal notices is being able to prove in court that the notice was delivered, especially in cases where the tenant denies having received it. It is best to include valid methods for serving notices in your tenancy contract.

stamp duty exempt property purchases

How do I check to see if a property is in an area eligible for stamp duty exemption?

The Government has designated certain areas as being disadvantaged and in

need of regeneration. To encourage this, they have made purchases up to £150,000 exempt from stamp duty in certain post code areas. You can check whether a postcode area is exempt at the Inland Revenue website. http://www.inlandrevenue.gov.uk/so/pcode_search.htm.

increasing the rent

The tenancy agreement on my BTL in London is coming up for renewal soon and I would like to increase the rent. I've had the same tenant for 3 years and have also kept the rent the same for 3 years. I currently get £950 per month for it, whereas similar properties in the area rent at £1100 per month.

A lot depends on the marketability of your property and how quickly you can find a new tenant if your current tenants leave. If you feel you can easily get new tenants, then you should charge market rents. If you always aim to maintain your rent at market levels, then should you wish to remortgage to release equity, your rental coverage figures are more likely to stack up for your increased borrowing.

Generally, if someone has lived in your property for three years with no increase in rent, they have got used to zero rent rises. Hitting them with a 5% rise in one year, might be a bit too much

for them. It is easier to get tenants to agree to a 1-2% increase each year rather than a 5% increase in one go.

If, however, your local rental market is very competitive, you will be looking at a long void if the tenant leaves, so consider leaving the rent as is. You may find that any increase you expect would be wiped out by a one month void.

overvalued newbuilds?

I've recently investigated buying a new-build from a large developer. Part of the purchase contract drawn up by the developer says that I have to get a mortgage of precisely 85% of the full asking price. If I can't get this, they will offer me a loan to make up the difference so that I can proceed. Is the developer really saying "we know we've over-valued"?

Work out how much the deal is worth to you. This should be based on your own research to ascertain the minimum positive net cashflow you are prepared to accept, the maximum amount of capital you are prepared to leave in the property and the true market valuation. This will give you a basis for negotiating the purchase price. At the end of the day, if the valuation is not stacking up and the developer is offering a loan for the difference, this has to be a warning sign that the asking price is too much.



hitting the headlines

THESE are not good days for property investors to be reading newspapers. Almost every day seems to bring more headlines reporting an imminent crash, with commentators gleefully listing all the latest surveys about failing confidence, falling prices and dreadful prospects.

So should we all take the papers' advice, sell up and head for the hills? Of course not. Because there is a lot more to the negative headlines than meets the eye. Reading between the lines – or digging a little deeper beyond the facts that are reported – can produce a completely different interpretation of the market and its prospects.

the best and the worst

For more than a decade I've written about property for tabloid newspapers, quality broadsheets

and everything in between. The rules on each of them are the same: as a reporter you do everything you can to make your story grab your news editor's attention. And when it comes to stories about property this means you have to find figures that look very, very good – or very, very bad.

That's because there are no grey areas about property stories. 'House prices set to bump along with inflation' won't make any decent editor hold the front page.

But: 'House prices to rise by £1,000 a week' might. As might: 'House prices to slump by 30 percent in a year'.

a pinch of salt

For the past five years property reporters have had a good run out of the former stories. Now we know we need to push the

Neil Simpson

latter if we're to get our names in the paper.

So it's little wonder that the most negative parts of property surveys are given star billing – while all the other data and caveats are brushed under the carpet.

As I write this article I'm looking at headlines from many of the weekend papers. A report from Deutsche Bank gets a lot of coverage – and several headlines pick out a claim that house prices could fall by that frightening 30 percent figure next year.

putting it into context

But very few of the reports put that figure in its proper context – that this worst case scenario will be avoided as long as the Bank of England cuts interest rates at some point next year. And everyone –

continued on page 2

it's all about confidence!

predictions for the 2005 Buy-to-let Market

At Landlord Mortgages we're gearing up to provide expert advice and best in class products to established and new landlords across the UK. The media has as many theories as there are newspapers – but we firmly believe the market will continue to grow steadily in 2005. After a volatile period with stock market fluctuations and financial minefields including the pension's crisis, investors are looking for areas they understand and have confidence in. Buy-to-let continues to provide the answer. The ability to invest in residential property through Self Invested Personal Pensions (SIPPs) is also likely to create growth.

We predict a 2% increase in the property market by the end of 2005. There is a real lack of suitable housing stock in the UK, (a fact recognised by the government in the 2004 Barker Review of Housing Supply). The UK is the third most densely populated country in the EU, so this basic shortfall will ensure that property prices will stabilise – not

crash. The continued lack of affordability for first time buyers should also ensure a steady supply of tenants throughout the year.

Landlords have been looking North for investment opportunities over the last few years but we expect interest to shift South in 2005. This will happen as house prices stabilise providing better net returns. Interest rates will level out and providers are likely to offer keener long-term fixed rate mortgages.

So, we're feeling confident that 2005 will see a vibrant buy-to-let market UK wide - we hope you'll share our confidence for a great year ahead.




Lee Grandin, Managing Director

continued from front page

including Deutsche Bank – seems sure that cuts are almost guaranteed. So the national 30 percent price falls that grab the headlines are just so much hot air.

The same weekend's story from the National Association of Estate Agents also shows some skilful news management. Many papers led on the key figure that house prices fell by 1.56 percent over the past month. But most reports bury or ignore the NAEA's other news that the number of first-time buyers is rising at its fastest level since the summer and that the rental market is strengthening with rents rising and the number of empty properties on estate agents' books falling.

reading between the lines

Of course it is wrong to dismiss negative news stories about property as unimportant. Strong sentiment is vital to a healthy

housing market and too much bad news can send confidence, and then prices, heading downwards – even if the reports themselves are exaggerated or wrong.

But buy-to-let investors will have to look beyond the headlines this winter to keep their sanity.

an Englishman's home

On a personal level I'm focusing on the fact that we're still a nation that loves to own property – so even if demand fades for a while it won't go away forever. And I know that we're still a nation with too few flats and houses to go around – so all our tenants won't disappear overnight either.

Finally, I'm planning on staying invested throughout the current media storm about prices. Because I don't think it's going to feel as cold as many of my colleagues suggest.



NEIL SIMPSON writes a weekly mortgage column for the Mail on Sunday's Property supplement and is a regular contributor to Financial Mail on Sunday. He is a former Personal Finance Journalist of the Year – and a keen buy-to-let investor.

snagging nightmare!

Many investors who buy newbuild property do so because they wish to be free from routine maintenance issues associated with buying second hand property. However the zero maintenance dream of buying a new property can be shattered by a never-ending list of faults or snags and with the aggravation of having them put right.

The boom over the last few years in new build properties has led to a shortage of skilled construction workers. This shortage puts pressure on developers to move skilled workers quickly on to new developments which means that homes are not being properly completed.

This can cause considerable difficulty for the buy to let investor who may not be able to get a tenant because it is taking weeks, and sometimes months, of anguish as

they fight to get the houses they were originally promised.

dealing direct

Buyers of older properties usually engage surveyors and solicitors to act on their behalf to identify structural and legal problems. However, buyers of new homes deal directly with the builder and are often purchasing property which has not been built yet and therefore cannot be inspected!

All new homes come with a 10 year warranty; however these are only

designed to cover major defects such as structural issues and not minor defects such as a leaking shower.

Local authority building inspectors must pass all new homes as conforming to current buildings regulations and must issue a completion certificate before it can be sold. However, the scope of this inspection does not cover minor defects or snags.

There are very limited consumer protection safeguards which cover new property and as a result, developers



are incentivised to move onto the next development rather than deal with customer complaints.

specialist help

Recently a number of companies have setup to provide new home inspection services. These companies are experienced at spotting snags immediately which you may otherwise have only spotted a few months down the line when it may be very difficult to get anything done about it.

early detection

When many home owners walk into a new home they are overwhelmed by the overall effect and don't tend to notice the small finishing touches which don't become apparent until someone moves in.

For the buy-to-let investor these

snags will only come up once a tenant has moved in by which time the builders may have moved on.

Spotting defects early on prevents the builder from saying, "Well, you didn't mention it when we handed it over. That must have happened since you moved in."

serious research

Researchers from the School of the Built and Natural Environment at Glasgow Caledonian University have conducted a study to identify whether trends in design, materials or workmanship have led to increasing snagging problems.

They found snags to range from dangerously fitted showers to huge cracks in the walls to stairs that creak every time you step on them to damaged bathroom tiles.

Two-bedroom properties, mostly flats, seem to suffer from the most snags which can include faults such as draughty windows, leaky showers and shoddy electrics.

Customer satisfaction surveys by the Housing Forum have found that buyers believe the number of snagging faults have increased with more than one third of new build properties now having between 100 and 200 faults.

all in standards

Ranjan Bhattacharya is a property investor and runs Landlord Mortgages highly acclaimed one day Property Entrepreneurship course, (for more details see www.lml.co.uk). Ranjan has come up with a check-list of seven pointers (see panel) to ensure your newbuild property is snag free.

snagging list

- 1 Check how well the site is managed. Is it tidy and do things appear to be well organised? How are finishing materials being stored? For example, are internal doors kept on a pallet outside, without protection and exposed to the elements! This is a good indicator of their attention to detail.
- 2 Ask to see a property which is currently under construction paying particular attention to whether finished surfaces such as floor areas are being protected from damage from the building work going on around. If the builder takes the time to protect finished work from damage, then this is a good sign that they care about the finishing details.
- 3 Find out whether the developer has won any industry awards and check them out on the internet to find out exactly what the award was given for.
- 4 Talk to the people who have already moved in to get a feel for the quality of the workmanship and customer care.
- 5 Ensure that the house has a warranty from Zurich, the NHBC or Premier. Remember that these do not necessarily guarantee that your home will be free from defects or snags.
- 6 Instruct a conveyancing solicitor who is experienced at negotiating retentions and delaying completion due to defects and snags. Be wary of a developer who promotes or recommends that you use a particular solicitor as they may not be fully on your side.
- 7 Get your new property professionally inspected by one of the many newbuild snagging companies. Do this before legal completion, so that the developer has time to address the defects and snags prior to completion.

now is the time!

Property Entrepreneurship Course shows you how

Ranjan says that one of the questions he most frequently gets asked is: 'You started investing a long time ago. The market has changed a lot since then and surely it is too late for me?' The answer is: 'No it is certainly not too late!'

When I started buying property back in 1990, prices were falling and friends thought I was mad! I believe that if you know how, right now is one of the best times to profit from investing in the property market.

course dates

The next course dates and venues are as follows:

Saturday, 29 January
London (Nr Heathrow)

Saturday, 18 February
Birmingham

Saturday, 5 March
London

Saturday, 2 April
Manchester

Saturday, 7 May
London

The property market is cyclical and each cycle comprises four phases; Recession, Recovery, Expansion and Contraction. You can profit in any phase of the cycle so long as your investment strategy is right for that phase.

expansion and contraction

The UK property market is reaching the end of one of the longest expansion phases in history. Investors who continue to employ expansion phase strategies as we move into the contraction phase **will** face financial disaster. For example, investing in off-plans is a classic expansion phase strategy which will simply lose you money in the contraction phase of the cycle.

The successful investor will understand the property market cycle and will be able to spot the signs which indicate that their local property market is moving from one phase to another and is able to adapt their investment strategy accordingly.

implementing the right strategy

Many of today's investors have started investing in property in the current expansion phase. To continue to

prosper into the next phase of the cycle, you **must** implement investment strategies appropriate for that phase.

I have been investing since 1990 but over the years I have adopted quite different investment strategies to exploit the maximum profit making opportunity of each phase in the cycle.

During the hey day of the expansion phase, it was very easy to find good deals. Back then, practically any property would make you money. If you made any investment mistakes, the rapidly rising property market would soon correct them for you.

know the facts

Now of course, the investment climate has changed and the margin for error is extremely small. That's why having the right knowledge and training is more important than ever before and is essential for success.

Lee Grandin, Managing Director of Landlord Mortgages recognises the importance of high quality training and has asked me to put together the Property Entrepreneurship Course which is probably the most comprehensive one day property investment course available.

But don't take my word for it,

Ranjan Bhattacharya has been a property investor since 1990 and is a regular speaker at key industry events such as the Property Investor Show as well being an author on property investment topics and running Landlord Mortgages highly acclaimed Property Entrepreneurship Course.



listen to what some of our previous delegates have had to say:

A fantastic day. Although I first invested in property 12 years ago and have a portfolio, I have learned many new practical ideas at a tactical and strategic level. This will help me to grow over the next 5 years.

Mark James, Farnham, Surrey

I didn't realise how much I didn't know until today. A great day and well worth the 120 mile journey. I've learnt more today than 6 months studying on the internet.

John Harper, West Midlands

The course was certainly the most comprehensive 9 hours I have spent in many years.

Graham Spellman, Newbury, Berks

The way Ranjan pitched the information was not too technical. Although the amount of information was extensive, the ease by which it was presented allowed it all to sink in.

Mike Haney

All original delegate testimonials are available for inspection on request.

more about the course...

The Property Entrepreneurship course is not only comprehensive but excellent value for money at £499 for a single delegate or £599 for a couple. The cost includes lunch and refreshments as well as a 200 page delegate binder and CD-ROM of supporting materials.

Ever since the course received favourable coverage in the Mail On Sunday, demand for places has outstripped our wildest expectations. That's why in addition to our London dates we have also introduced dates for Birmingham and Manchester.

This course will equip you with the knowledge, skills, tools and techniques to profit from property as we enter the next phase of the property market cycle and beyond.

Full details of the course, detailed agenda, delegate testimonials and booking information is available on the Landlord Mortgages website www.lml.co.uk/l1.htm.

sky high

new research reveals letting agents overstate returns by up to 18.5%

New research from Landlord Mortgages, shows that letting agents across the UK are overstating the rental returns available by up to 18.5% (see table one).

Researchers posed as a ‘tenant’ and then as a potential ‘property investor’ asking letting agents how much a two-bedroom flat in a specified development could be rented for (see table two).

marking it up

On average, property investors were quoted 8.5% more rental return than tenants with the most inflated prices being quoted in London (18.5%) and Birmingham (15.6%). The most honest agents were in Leeds and Sheffield where both parties received the same quote.

doing the homework

Lee Grandin, Managing Director of Landlord Mortgages comments,

“These results highlight how essential it is for landlords to undertake extensive research before choosing a particular property or area. If investors in London, Birmingham or Glasgow had relied on agent’s advice they could be left facing a rental shortfall of over 10% or even worse face extensive rental voids due to oversupply of similar apartments.”

a room with a view

Other feedback from the research also confirmed that the position of a property within the development affected rental income. Investors who thoroughly research their potential investment looking for features such as a good view can expect higher rental income and fewer void periods.

Location	Average Consumer Quote	Property Investor Quote	Difference (%)
London – Junction 67	Unfurnished /Furnished starting at £770.00	Unfurnished /Furnished starting at £953.00	+ 18.5%
Birmingham – Centenary Plaza	Unfurnished £800.00 – Furnished £850.00	Unfurnished /Furnished up to £925.00	+ 15.6%
Glasgow – Riverford Road	Unfurnished £500.00 – Furnished £595.00	Unfurnished £565.00 – Furnished £565.00+	+ 13%
Liverpool – City Quay	Unfurnished /Furnished £700.00	Unfurnished /Furnished £750.00	+ 7%
Manchester – Castle Gate	Unfurnished £750.00 – Furnished £850.00	Unfurnished N/A – Furnished £900.00	+ 5.8%
Leeds – Brewery Wharf	Unfurnished /Furnished £700.00	Unfurnished /Furnished £700.00	0%
Sheffield – Wheelwood Gardens	Unfurnished /Furnished £750.00	Unfurnished /Furnished £750.00	0%

Table 2: Difference between consumer and investor quotes (more detailed analysis of table 1 results)

Location of development	Percentage increase
London	+ 18.5%
Birmingham	+ 15.6%
Glasgow	+ 13%
Liverpool	+ 7%
Manchester	+ 5.8%
Leeds	+ 0%
Sheffield	+ 0%
UK Average	+ 8.5%

Table 1: Percentage increase in rental quote to investor vs. consumer



Region	Landlords who invest in the region they live (%)	Average distance they travel to reach their properties (miles)*	Average amount of time taken to travel to their properties (minutes)
East Midlands	100%	12	18
Scotland	100%	45	69
Wales	88%	11	18
Yorkshire	85%	20	40
West Midlands	81%	14	24
North West	76%	6	12
North East	66%	11	16
South West	61%	16	23
London	56%	9	21
East Anglia	49%	15	19
South East	44%	20	25

Table 1: Regional Investment Patterns – landlords who invest in the same region they live in

Region	Landlords who invest in a different region to the one they live in (%)	Average distance they travel to reach their properties (miles)*	Average amount of time taken to travel to their properties (minutes)
South East	56%	191	3 hours 28 minutes
East Anglia	51%	94	1 hour 44 minutes
London	44%	148	2 hours 54 minutes
South West	39%	236	4 hours 30 minutes
North East	34%	3	8 minutes
North West	24%	68	1 hour 25 minutes
West Midlands	19%	150	2 hours 52 minutes
Yorkshire	15%	42	1 hour
Wales	12%	77	3 hours 21 minutes
Scotland	0%	N/A	N/A
East Midlands	0%	N/A	N/A
Average		91.7	1 hour 56 minutes

Table 2: Regional Investment Patterns – landlords who invest in a different region to the one they live in

have bag... ...will travel

review of buy-to-let purchase trends September – November 2004

This research reviewed properties which investors were looking to buy between September and November 2004. The trends this data reflects are therefore current and not historical.

geographical variance
The research reveals that landlords in the South are more likely to invest in the North than the reverse. On average, 47% of Southerners invest outside the region they live in vs. 24% of Northerners. This tends to be due to the fact that Southerners are chasing lower house prices in the North in a quest for higher rental yields. Northerners tend to stick closer to home even when they invest outside

the counties they live in, travelling on average only 51 minutes vs. the 3 hours 9 minutes travelled by Southerners.

know your market
However, the fact that 53% of Southerners invest in the region they live in suggests that there are still undermarket value properties available in the South if you do your research and know the local market.

value for money
This research also shows the resilience of local landlords who, despite large house price increases, will do their homework and choose to invest in the region they live in before looking at other options. This evidence is supported by the high proportion of London landlords (56%) who invest in London.



it's a fact!

- The average buy-to-let investor, who invests in the region they live in, lives 16.2 miles or 24 minutes drive away from their property.
- Buy to let investors are more likely to invest in the region they live in than another region, proving that knowledge of the local property market is highly prized.
- Scots and those in the East Midlands are the most patriotic landlords with 100% of those surveyed investing in the region they live in.
- However, Scots also travel the furthest (45 miles) to get to their properties in an average time of 1 hour 9 minutes.
- Landlords in Wales (88%) and Yorkshire (85%) also prefer to invest in their own 'backyard' although they do have to travel further than those in the North West and London to do so.
- Investors in the South East (44%), East Anglia (49%) and London (56%) are least likely to live in the same region they invest in. In these areas, this is due to high house prices, which makes finding a suitable buy-to-let property more difficult.
- Although only 66% of landlords in the North East invest in the region they live in, they tend to invest quite close to home. They only travel on average 8 minutes to their properties, which suggests they invest only just over the border.
- The Northerners tend to stick closer to home even when they invest outside the counties they live in, travelling on average only 51 minutes vs. the 3 hours 9 minutes travelled by Southerners.
- Southern landlords tend to look at opportunities in the major cities in the North and in the Midlands such as Manchester, Leeds, Liverpool and Birmingham.
- The average buy-to-let investor who invests in a different region to the one they reside in lives 100 miles or 2 hours 8 minutes drive away from their property.
- Due to high house prices, landlords in the South East are the most likely to invest in properties outside their region. They are prepared to drive almost 200 miles (191 miles) or 3 hours and 28 minutes to get to their properties.
- Landlords in the South West travel the furthest to get to their properties, taking 4 and a half hours to travel 236 miles.

top advantages of living close to your buy-to-let property

- Successful landlords spend a great deal of time and effort reviewing properties – sometimes assessing up to 100 and then choosing 25 to visit before finding the ideal undermarket value property. This can be very difficult if they need to travel over 4 and a half hours to see each property
- Specialised local knowledge about factors affecting house prices e.g. If you live in an area, you know if the regulars at the local pub are noisy at closing time so the pretty cottage opposite isn't such a good buy
- Access to local sources of information such as local papers and estate agents' windows
- It is easier to spot if a property which is being sold at 'under market value' if you know the prices (and the estate agents) in the area well
- You don't have to employ a letting agent, as you are close enough to manage the property yourself
- It is easier to 'keep an eye' on how your tenants are treating your property as you can drive past and check.



Here are a number of questions which have been raised by Portfolio readers.

If you have any specific questions which you feel would also be of interest to others then send your question by email to the editor of Portfolio at, portfolio@lml.co.uk.

We regret that we are unable to give individual replies to questions.

Disclaimer: The content of this newsletter is intended to be informative and interesting and is intended for use as general information only. The opinions and experiences expressed are not necessarily those of Landlord Mortgages Ltd. Landlord Mortgages Limited cannot be held responsible for any decisions made as a result of information in this newsletter. You are advised to seek your own independent legal and financial advice before making any investment decisions.

If you would like to contact our editorial department please do so by email at portfolio@lml.co.uk

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gifted deposits and no money down deals

What are gifted deposits? How do they work and can I use gifted deposits to do 'no money down' deals?

Gifted deposits are usually associated with buying newbuild property from a developer where instead of discounting the asking price, the developer gifts you the deposit.

In theory, if you are buying a £100,000 property with a 15% gifted deposit, then the developer is gifting you £15,000. You therefore do not need to finance a deposit, and can borrow 85% of the list price of £100,000 and thereby purchase the property with no money down.

However, whilst this was possible a few years ago, most lenders will no longer accept gifted deposits and if they do, they will not take into account gifted deposits of more than 5%.

Most lenders now look at the gifted deposit as a price reduction through the back door and will assume the purchase price to be the list price less the amount of the gifted deposit. Generally lenders like to know that you have some investment in a property which is why you are asked to provide a deposit.

council tax during void periods

What is the law for council tax payments when you own an unfurnished property which is void (ie empty between tenancies)? I was under the impression that there was no council tax due for up to 6 months on unfurnished and there was a 50% discount if it was furnished. I am told this law no longer applies and during a void period, the landlord now has to pay full council tax. Is this correct?

The rules you are referring to were National policy but this changed to Local Authorities' discretion this year. This means that each council can now set their own policy regarding the discounts applicable to empty properties. Unsurprisingly, most councils have decided to be far less generous when it comes to discounts for empty property.

cautionary tale

I am buying a buy-to-let and my solicitor informs me that there is a caution registered by a personal loan company against the title. What does this mean and should I be concerned?

A caution from a personal loan company will possibly be a Charging Order from the County Court for an unpaid personal loan judgment. Your solicitor will ensure that both the mortgage and caution are cleared upon sale (ie that the vendor's outstanding mortgage and the personal loan debt is paid on completion and you get the property free of any problem).

COUNCIL TAX

- 2 | long term investment
- 3 | mortgage deals
- 4 | buying a rental property
- 5 | rental yields
- 6 | tenants preferences
- 7 | improving your letting potential
- 8 | questions and answers

**a flash
in the
pan?**

long term
investment 2



sharing the experience

Neil Simpson

'How on earth do you find something new to write about every week?' Like every other property journalist I seem to get asked that question all the time – but I have never really understood why.

Being a small scale property investor myself I get plenty of ideas from my own experiences. And almost every time I speak to any other prospective or existing buy-to-let investor I seem to end up with even more inspiration.

That is why I like getting the chance to meet other buy-to-let investors at property shows around the country.

I was on the Landlord Mortgages stand at the Homebuyer Show at London's ExCel Centre in February also the Property Investor Show at Glasgow in April.

The people we all meet at these shows are endlessly interesting and inspiring. In London I met everyone

from BA cabin crew and NHS pharmacists to beauty therapists and garage owners – all of whom are diversifying into property and have some fantastic stories to tell.

sharing the experience

What I also like is the fact that very few property investors are wary of sharing their experiences with others.

There is never any sense that we are all involved in some wildly competitive game and that if we discover how to identify and avoid bad tenants, for example, then we have to keep it secret from everyone else. Instead I tend to find that investors are more than willing to share their experiences for the good of the whole sector.

Almost every long standing buy-to-let investor will admit to having made mistakes when they started out. And almost all seem happy to talk about how they have learned from these

mistakes to improve their property businesses.

But where can you meet other property investors to share this knowledge? Well, as I have found out, property shows are a great starting point.

networking groups and seminars Over the past few years I have also met several property people who have set up informal 'networking' groups in pubs where local investors meet up once a month or so to discuss how they are all doing. I can't think of a better forum than that to help you find your feet in the buy-to-let world.

The right property seminars are also worth considering – and by that I mean seminars where you don't find a developer at the back of the room trying to sell two-bed flats in Preston, or Portsmouth, or Prague or wherever...

continued on page 2

the market is not dead... it's just sleeping

Welcome to
another edition of Portfolio

The industry values our opinion. What we think impacts the industry. Over the last 12 months, we have communicated with many of our landlords, either through one of our surveys or in general conversation, and their opinions have really counted.

As a result, we have received unprecedented press coverage and the highest accolade in our field, namely the Best Buy To Let Broker category in the 2005 Mortgage Strategy Awards. What's more, we scooped the Award for the second year running.

So a big thank you to all our landlords for this. It has really given a boost to our business and our staff – they are so proud.

Now, what about the market?

It's not dead and buried – it's sleeping. Why do I think the lenders are sleeping? The answer is clear – the Buy To Let King 'Mortgage Express' is well and truly priced out of the market.

Furthermore, it's not the big 'buy to let' wigs doing the business (BM



Lee Grandin (centre) collects another award on behalf of landlord Mortgages

Solutions and GMAC) – it's Northern Rock with its 100% rental coverage and 87% Loan To Value. Or The Mutuals with Life-Time tracker rates as low as base +0.64% at 80% Loan To Value.

So I say, come on bigwigs – give us a price war.



Lee Grandin, Managing Director

continued from front page

What you want is a seminar hosted by an actual buy-to-let investor with nothing to sell but his or her own experiences. These people do exist and they are well worth tracking down.

the media

Finally, even newspapers are starting to offer some long-overdue support to buy-to-let investors. For too long there has been a strange sense that property investments didn't quite fit on the financial pages.

Papers might have a weekly column on collectables alongside the share reports, so you are well served if you think you can make money out of anything from ceramics to beanie babies. But bricks and mortar? As an event, for some reason it didn't seem important enough to get much coverage.

My paper, the Mail on Sunday, helped change that in 2003 when we ran 18 months of 'Buy-to-let Investor'

columns answering readers' questions about property investment. And now there is a growing realisation that property is as credible a pension or long term savings plan as any other. So the number of property stories on this subject is finally starting to match the reader interest.

you're not on your own

Investing in property can sometimes feel like a very isolating experience. But if you are about to take your first steps into the market, or if you want to expand your existing portfolio, then it is possible to get the information and the advice you need from the media and from other property professionals.

Everyone's property story is different. And the more you hear, the more inspired about buy-to-let you are likely to get. So get reading, get talking and get the most out of your investments.



NEIL SIMPSON writes a weekly mortgage column for the Mail on Sunday's Property supplement and is a regular contributor to Financial Mail on Sunday. He is a former Personal Finance Journalist of the Year – and a keen buy-to-let investor.

a flash in the pan?

'Flash in the pan' property investors are a thing of the past – nearly 85% expect significant capital gains over ten years.

March 2005: New research has revealed that today's experienced buy-to-let investors see property as a long-term investment with 65% investing to fund their retirement and 55% investing as they feel there are long-term gains to be made.

In addition, 84% are expecting a significant increase in house prices over the next ten years with only 3% predicting a fall.

This type of investor is so confident about long-term gains that if the property market were to fall in the

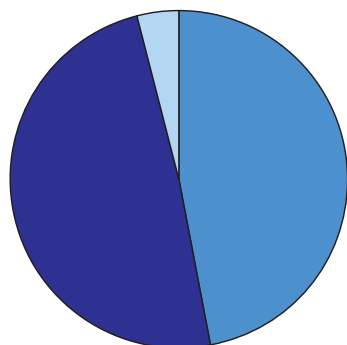
short-term, 47% would take the opportunity to buy further properties and 49% would maintain their current portfolio with just 4% saying they would sell up (see chart).

It is interesting to see that the cliché of the 'out to make a quick buck' landlord is not representative of today's buy-to-let investors. This may have been the case several years ago when off-plan investing was booming but it is definitely no longer true.

Today's serious investors are not relying solely on capital appreciation and research the market thoroughly to ensure that rental yields stack up before they buy. They also negotiate hard and some experienced investors are currently securing price reductions of up to 20% off the market value.

This research proves that buy-to-let is not a game for speculators but a viable choice for people looking for a haven for their retirement fund. We anticipate that especially with A-Day*, residential property will become a much more common retirement planning choice.





Buy further properties 47%

Maintain portfolio 49%

Sell 4%

Pie chart:
Investor response to a short-term property market fall

* From April 2006 (A-Day), investors will be able to buy residential property with a personal pension making it free from tax on rental income and capital gains. Both new and existing properties can be included in the pension.

it's a deal

Landlords are still buying property but need to make sure they get the best mortgage deal

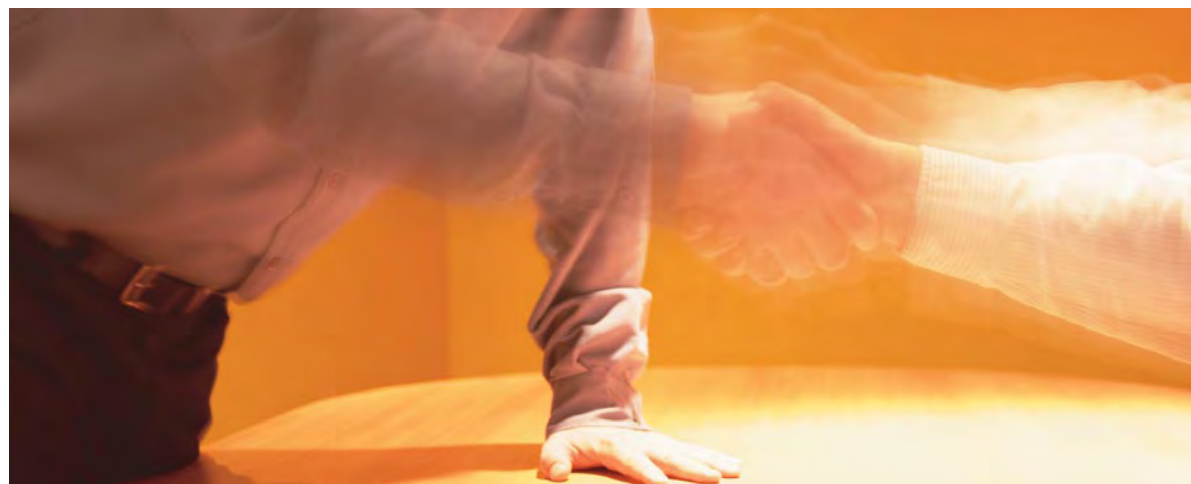
March 2005: New research reveals that the rocky housing market hasn't affected investors' confidence in property investment. Landlords expect to buy an average of three properties in the next twelve months – the same number as 2004. This is a significant increase as the average size of investors' property portfolios is only six properties.

However, the number of remortgages is expected to drop with investors only intending to remortgage two properties in their portfolio – down from four in 2004. This reluctance to remortgage may be as a result of many investors choosing fixed rate mortgages in 2004, which have tied them in for at least two-year periods.

Landlords generally review their mortgages on a regular basis but with so many new deals on the market, we urge investors to make sure that they have the correct type of financing.

Many of our landlords have been investing in property since 1999 and if they haven't done their homework properly they could be losing hundreds of pounds.

Landlords are generally astute investors who manage their portfolios skillfully and many are currently taking advantage of the opportunities offered by a rocky housing market. It is therefore important to not only choose the correct properties but to ensure that your financing is suited to your growing portfolio.



top tips

how to find the best buy-to-let financing for your portfolio

- Review your redemption penalties – it may be cheaper to pay the redemption penalties in order to get out of an uncompetitive deal
- Look at the tax advantages offered by the various types of mortgages – mortgage interest payments can be offset as an expense against rental income for tax purposes so you should consider this
- Consider interest-only and repayment options – many investors choose interest-only mortgages believing that capital gains will provide them with a profit at the end of the period. Consumers need to decide if they want to take this chance or stick to a repayment mortgage
- Look out for special deals – to encourage remortgaging, some lenders are offering fee free deals or cash-back incentives, look out for these deals
- Speak to a specialist broker – we live and breathe buy-to-let mortgages and are better placed to find you a good deal than companies which offer more general advice
- Consider moving your portfolio to one lender – some lenders use portfolio-lending arrangements, which average the rental calculation across all the properties. This means that the higher yielding properties can subsidise the borrowing on the lower yielding ones
- Read the fine print – make sure you understand any redemption penalties or deed release fees, which apply to your potential mortgage.

seven questions to ask an estate agent

Ranjan Bhattacharya

Love them or hate them, one thing's for sure – property investors would be nowhere without the help and support of the estate agent. We all know the reputation estate agents have and although some of it may be unfair, there are good reasons not to just blindly go along with everything they tell you.

The estate agent is a deal maker. The reason for concern arises when the agent performs 'tricks' to get a deal through. Although no one has any objection to a bit of enthusiasm and creativity in getting a deal through, the problem arises if these 'tricks' go against the interests of either buyer or seller.

It is important to remember that the estate agent is essentially working for the seller. After all it is the seller who pays their fee. However a good estate agent has a duty to remain professional and ethical in his dealings with all parties throughout the selling process.

The question for a buyer is how to cut through all the estate agent waffle and get the true picture on a particular property deal. Over the last 15 years of buying and selling property, I have developed a set of seven questions to

ask an estate agent. If you ask these questions, you will gain a greater insight into the deal, and obtain valuable information to help with your negotiating position.

1. Why is the owner selling?

If you are lucky, the estate agent may reveal more than he should about the seller's circumstances and motivation for selling. A motivated seller is more likely to accept an offer below the asking price.

2. How long has the property been on the market?

Has the property been 'sticking' on the market? Does this mean the seller is getting desperate to sell? Why is the property not selling? Are there any problems with the property which the estate agent is not disclosing?

3. When does the current owner/occupier need to move out?

Is there an urgent deadline which could be an advantage in negotiating a lower price for the property? If the owner has to move somewhere else they will be keen to sell and get everything settled before they go. If the property is tenanted and the tenancy is coming to an end, the seller will not want to keep the property empty for too long after the tenancy has ended.

4. What is the minimum price the seller will accept?

Knowing the bottom price which the seller will accept will help you formulate your offer. If a property has been on the market a while, most estate agents will be very forthcoming with this information.

5. What do you think the property will actually sell for?

This is a bit of a 'fishing expedition'. What you are looking for are signs that the estate agent has a different opinion as to the true value of the property.

6. Who priced the property?

Another 'fishing' question to follow-up from the last. If the seller priced the property and the estate agent thinks it's too high, then when you place a lower offer, you stand a very good chance of having the agent bat your corner. If the estate agent has priced the property then they probably will stand by their valuation and push you to offer close to it.

7. What other homes are there in competition to this property?

This is a very useful question provided you get an honest answer. The estate

Ranjan runs the highly acclaimed one day Property Entrepreneurship course. **Cost** is £499 per delegate or £599 per couple. The next course venues will be in Manchester on Saturday 16 July and London on Saturday 30 July. For more details see www.lml.co.uk



agent is looking to close a deal, rather than open up a whole load of new options. You are likely to get an honest answer by taking the property details sheet into a rival's office and asking them. The information you gather will be important in justifying any offer you make.

...and finally.

These questions are very simple to ask. I am not suggesting you use these seven questions like a script and ask them all one after another. The best way I have found is to engage the estate agent in conversation. During your conversation, make sure you cover all seven questions in whichever order feels natural.

If you get answers to these questions you will be a lot more informed when you make your offer.

rental yields stabilise

Rental yield figures released show that rental yields in England and Scotland rose fractionally in January after five months of successive falls in England and seven in Scotland. Across England rental yields have seen a minimal rise in January of 0.02% from 6.03% to 6.05% and those in Scotland jumped 0.11% from 6.88% to 6.99%.

This development points to a stabilising market picture, which can also be seen in the figures for London, where yields have also seen a small rise. Compared to rental yields from a year ago, England has seen a fall from 6.28% in January 2004 to the current figure of 6.05%.

Scotland offers highest yields Scotland, which has repeatedly outperformed the rest of the UK for the past two-and-a-half years, saw an increase in rental yields of 0.11% (from 6.88% to 6.99%) in January compared to the previous month. In addition Scottish market rental yields have only fallen by 0.1% over the past year. (For full results see tables).

The figures also show that rental yields within London have increased by 0.03% in January, from 5.96% to 5.99%.

Rental yields across the country stabilised in January indicating the maturity of the buy to let sector in most parts of the country; demand

and supply are now in balance after a softening of yields over the past three years. This is good news for landlords who can now expect to benefit from stable and potentially increasing revenues, and fewer void periods. Investors in search of the highest rental yields should consider Scotland but in addition all good, well located city and commuter properties are not experiencing void periods as potential buyers, particularly potential first-time buyers, stay out of the market.

Research: The research detailed above was compiled using data from the Landlord Mortgages database, which contains records of over 20,000 landlords.

	2004												2005
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
England	6.28	6.19	6.11	6.06	6.03	5.99	6.10	6.18	6.22	6.11	6.05	6.03	6.05
London	6.07	6.01	5.96	5.91	5.91	5.93	6.05	6.14	6.09	6.02	5.95	5.96	5.99
Scotland	7.00	7.06	7.27	7.51	7.80	8.02	7.77	7.41	6.92	6.92	6.91	6.88	6.99

Table 2: Rental Yield Figures for Buy-to-let Properties (New and Remortgage), Source Landlord Mortgages

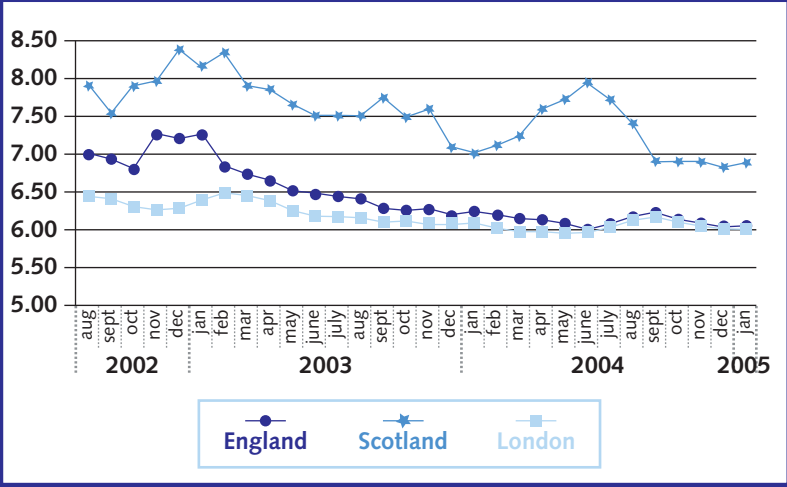


Table 1: Rental Yield Figures for Buy-to-let Properties (New and Remortgage) Source Landlord Mortgages





Ranjan Bhattacharya is a property investor who also runs Landlord Mortgages highly acclaimed one day Property Entrepreneurship course, (for more details see www.lml.co.uk). Ranjan has been renting out property since 1990 and in this article he shares with us his top ten list of things tenants hate.

ten things tenants hate

The lettings business like any other is a competitive one. Landlords need to ensure that they are doing everything they can to ensure their properties attract the best tenants and premium rents. Essential to this is an understanding of what tenants hate the most and what things will put them off renting your property.

1. Poor location

The old adage location, location, location certainly holds true. Tenants do not want to live more than 10 minutes walk away from good transport connections and high street shopping where they can buy all their food basics.

In London, being close to good transport connections means being close to a tube station. Many tenants, particularly those coming from overseas, only have a tube-map and look for properties on that basis

2. Lower ground or ground floor flats

Lower ground floor and ground floor flats are perceived to have a security problem. These flats are a big no-no for professional tenants who are out at work during the day. It is easy to look into a

window of a lower ground floor or ground floor flat and see everything inside and it is fairly easy to tell whether anyone is home or not.

Many lower ground floor flats have bars on the window. These do not give tenants any assurance that the property is safe but instead suggest that there is a security problem.

Many lower ground floor flats or basement flats also suffer from persistent damp and drainage issues which may be very difficult to put right.

Tenants prefer flats on the first floor or above. However, avoid anything above the third floor unless there is a lift.

3. Dirty properties

Don't market a dirty property and promise your prospective tenants that it

will all be cleaned up before they move in. If you intend to clean it before they move in, then why not clean it before you put it on the market? This should also mean that you will have to conduct fewer viewings in order to let your property and you will suffer fewer voids.

Also, when a Landlord promises to clean a property, the tenant is unsure of exactly what he means by clean. What the Landlord means by clean could be just giving the place a quick once round with a vacuum cleaner! If you clean the place before you market it then the tenant is in no doubt what you mean by clean.

At the end of the tenancy, your tenants are far more likely to return the property to you in a clean condition if it was that way at the start of the tenancy.

4. No shower

Working people don't really have time for baths these days. If you are renting say to three professional sharers, there isn't time in the morning, or probably not enough hot water in the cylinder, for all three to have a bath one after the other.

Tenants like showers. The shower has to be a properly fitted shower with decent water pressure and certainly not a cheap plastic attachment which fits over the bath taps!

Tenants absolutely love thermostatic power showers. With one of these the tenant knows they can have a shower at a consistent temperature without having to worry about one of their co-tenants turning on a tap elsewhere in the property and making the shower turn freezing cold!



5. Carpets in bathrooms or kitchens

A big no-no as most people now see this as unhygienic. Overseas tenants will particularly find carpets in bathrooms offensive because you will not find carpet in a bathroom anywhere else but here in the UK.

Kitchen and bathroom carpets need a lot of maintenance which most tenants do not have the will or time to do.

Tiled floors are the best since they last a long time and are very easy to clean up to look as new, at the end of the tenancy.

6. Lack of proper security

Security is very important to tenants who are out at work during the day. Professional tenants have a lot of electronic goods and the risk of burglary is a very important consideration. When renting to students, parents often play a part in the decision making process of choosing a property and most parents are very concerned about security for their children.

Good security on the front door is essential. If you just have a standard yale cylinder type lock then fit an additional 'Chubb style' five lever lock. Tenants know that a five lever chubb lock on the front door is an essential requirement for them to get contents insurance. If your property doesn't have a proper lock, then they are likely to choose another property.

Ground floor windows, both front and rear, should be fitted with window locks and a 'Chubb style' lock should be fitted to the back door as well.

7. Old furniture & decor

We all know how it goes. You come round to replacing old furniture or curtains in your own home and wonder what to do with your old ones. There is nothing wrong with them; they are perfectly clean but those big floral patterns are just a bit untrendy.

You feel they are too good to throw away and you think you should hang on to them just in case you ever want to use them again. Then you have a brainwave. Why not put that 70's floral sofa with matching curtains in your new buy-to-let property – **stop, don't do it!**

The best home for your old furniture is your local rubbish tip and not your buy-to-let property. If you think 70's floral patterns are untrendy, what makes you think your tenants will love them?

Always furnish your property with new, modern furniture. Avoid the absolute cheapest range of beds, sofas etc. This is because most landlords choose these ranges and your tenants are most likely to have seen other properties furnished with exactly the same stuff. Choosing mid-range furniture will make your property stand-out from the crowd and will help you rent quicker.

8. No washing machine

Tenants don't mind watching Dot Cotton in her launderette on the telly but nothing can be more off-putting than the thought of actually having to visit one. Your busy tenants want convenience and do not have the time or inclination to come home



from work, load all their smalls into a bin-bag and take them down to the launderette.

Always provide a washing machine, even if you are letting a property unfurnished. If your property is a flat with no outside space to dry washing, then always provide a washer/dryer. If you do not, then tenants will leave their clothes to dry on the radiators while they are at work during the day. This will soon lead to damp smells and other related problems.

Some Landlords provide dishwashers and tenants love these. However, dishwashers are not that reliable in the hands of tenants and expect higher maintenance costs.

9. Electric heating or cooking

Electric heaters are perceived to be more expensive to run than gas central heating. This is not exactly true with

modern electric heaters but it is very difficult to convince tenants of this. Gas central heating is what they are looking for.

If your property will have more than four occupants, opt for a conventional boiler system with a separate hot water cylinder. These are far more robust for larger properties. Combination boilers are best suited to smaller flats.

Many tenants will probably never cook a meal and will only use a cooker for warming up last night's take-away. However, when they come to view a property, they will prefer to see a gas cooker than an electric. Halogen hobs are acceptable but the bare metal ring hobs will put tenants off.

10. Box bedrooms

Whether you are renting to professional sharers or students, no one wants to have the box-room.

Everyone these days has a lot of stuff. Tenants have computers, televisions, hi-fi systems, huge CD collections – the list is endless. All these things need space and that's why professional sharers and students will always look for a property where all the bedrooms are double size.

If all your bedrooms are double sized, your property will command maximum rent and will rent quickly. If, for example, you have a three bedroom property with a third box-room, then set your rent at slightly less than the average for that size if you want to rent it fast and minimise voids.



Here are a number of questions which have been raised by Portfolio readers.

If you have any specific questions which you feel would also be of interest to others then send your question by email to the editor of Portfolio at, portfolio@lml.co.uk.

We regret that we are unable to give individual replies to questions.

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If you would like to contact our editorial department please do so by email at portfolio@lml.co.uk

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up my rent?

I want to raise my rents on my rental properties. How do I raise the issue with my existing tenants?

When the tenancy comes up for renewal you can offer your tenants a new tenancy at the increased rent. If the tenancy has become a periodic tenancy, then send your tenant a letter informing them that commencing from a certain date you will increase the rent and specify the figure. You must give your tenants at least two months notice.

lost tenancy agreement

I need to start proceedings to regain possession of my property using the Accelerated Possession Procedure (APP). However, I have lost the tenancy agreement. Will this be a problem?

This will be a problem. The Accelerated Possession Procedure (APP) requires the

landlord to present copies of all papers including tenancy agreements and copies of all notices sent. The APP is a paper checking exercise and if some of these papers are not present, you will not be able to follow this route to regain possession.

I have to get a Corgi for gas, but what about electrics?

I know I need a Corgi certificate for the gas installation in my rental flat but do I need to get a certificate for the electrics?

As you say, all gas installations, including gas boilers, hobs & fires, need an annual gas safety certificate issued by a Corgi registered gas engineer.

Not everyone is aware that there is now also a requirement to have a similar

certificate for your electrical installation. For further information on how this affects you, contact the local council referring to Electrical Installations, Part P Buildings Regulations.

finding prices of comparable properties?

I am fairly new to property investing and was wondering if there are any websites which provide information on comparable property prices.

A great website to checkout is: www.hometrack.co.uk



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wanna be landlords

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the £6 billion property boom?

Neil Simpson

Well, so much for the £6 billion buy-to-let boom of 2006. That is how much estate agent FPD Savills had been predicting investors would spend on property after 6 April if tax rules had allowed buy-to-lets and holiday homes to be held in pensions for the first time.

But as it turned out Gordon Brown knocked all the speculation on the head in his pre-budget statement in December. He said residential property wouldn't, after all, be allowed to go into Self Invested Personal Pensions or SIPP's – and neither would any other exotic new investments such as fine wines, classic cars and works of art.

It was a change of heart that caught out big companies and small investors alike. Standard Life, for example, had launched a SIPP in December 2004 to make sure it was ready for the rule change and was soon attracting more than £100 million a month of new

money. The company passed the £1billion mark by the late summer of 2005 when around 300 new customers a week were signing up for plans. The SIPP's success was "beyond our wildest expectations" said Trevor Matthews, chief executive of the company's life and pensions business.

And Standard Life wasn't alone. More than 40 other providers were rushing to offer SIPP's and getting overwhelmed by interest – and money – from hopeful property investors ready for a spring time buying spree.

The question now is what will happen to all this money – and what effect it will have on the buy-to-let market.

Theory one:

The first knee-jerk reaction to the Chancellor's u-turn is that the property market could now be in for a big hit in 2006.

Pessimists said that the new money was vital to underpin an uncertain market and keep buy-to-let a valid investment. But in reality I always argued that far less than the predicted £6 billion was ever

continued on page 2

a vibrant market if interest rates remain stable

predications for the 2006 buy-to-let market

Here at Landlord Mortgages, we are experiencing a vibrant buy-to-let market, which is being driven by high levels of consumer demand as well as the opportunity for landlords to borrow money relatively cheaply. But the health of this market this year hinges on the Bank of England's stance on interest rates – if interest rates rise rather than falling it could reverse this market trend and see many people choosing to invest in other asset classes.

We have noticed that lenders are currently launching increasingly innovative products and believe that this is likely to grow in 2006 as property investment becomes even more commonplace.

I don't personally feel that some of the more gimmicky products, such as those which only require 100% rental cover, will ever become popular. Buy-to-let investment for the majority of landlords is all about rental yields and 'not doing the deal until the figures stack' so I'm not persuaded



that investors are likely to find these products attractive.

We are looking forward with optimism and wish all our investors the very best for the year ahead.



Lee Grandin, Managing Director

continued from front page

going to be spent on property in the first place.

SIPPS have always been far more expensive and complicated than most people realised – buying a property through one was never going to be a mainstream activity and many of the first-time SIPP buyers were going to give up before turning their new fund into bricks and mortar.

Theory two:

As the dust settles on the change of rules there is a chance that it could actually add some stability to the market. People who had been gearing up to buy property through a SIPP may now be released from the complexities of the pension plan and start to focus on the property itself – which is what all investors should have been doing to start with.

If a buy-to-let had looked like a good investment before the u-turn, then hopefully it will still look like one afterwards as well. So some of

the hopeful SIPP investors may join the buy-to-let world in the normal way – and stick with it for the long term. Freed up from the constraints of the SIPP, it may even be possible for many of these investors to buy sooner than they would have done, which could also be good news for the market.

The conclusion:

As ever the lesson from this bizarre investment interlude is to avoid letting decisions about tax cloud your judgement. Being a successful landlord is about far more than earning a tax break from the HM Revenue.

Finally it is worth remembering that you don't need a SIPP to turn a property into a pension. Countless people – myself included – own properties that we hope to use as cash generators in retirement. And no u-turn from the Chancellor can change that.



NEIL SIMPSON writes a weekly mortgage column for the Mail on Sunday's Property supplement and is a regular contributor to Financial Mail on Sunday. He is a former Personal Finance Journalist of the Year – and a keen buy-to-let investor.

award winners

Landlord Mortgages was founded in 1997 when I realised that consumers were starting to view property as an investment rather than simply a home and they needed a specialist broker to help them organise financing. Since then the company has gone from strength to strength and we currently employ 21 full time staff who process over £400 million worth of business each year. It's been hard work growing the business to this size and I can't help being proud of what we have achieved.

So I was fairly bursting with pride when in 2005 we won the Mortgage Strategy 'Best Buy-to-let Broker' for the second year running. As you can see from the photo here, with Fred MacAulay on my left and Keith Astill (Managing Director of UCB Home Loans) on my right, I had trouble keeping my grin to within acceptable standards.

'Blowing your own trumpet' is never appropriate but I do want to say how much we appreciate it when members of own industry give us a pat on the back. Especially when they cite the huge emphasis we place on 'quality products and service to our customers' as major contributing factors for winning the award. The fact that we had won it two years in a row was also rather nice.

In addition to winning this award, we

were also nominated in the 'Best Online Broker' and 'Overall Broker of the Year' categories for our new brand – 'home'. This new service provides ordinary homeowners who are looking to re-mortgage, the same level of assistance and selection of quality products that property investors have come to expect from Landlord Mortgages.

2006 is also likely to be another fantastic year as we have just heard that we have won the 'What Mortgage –

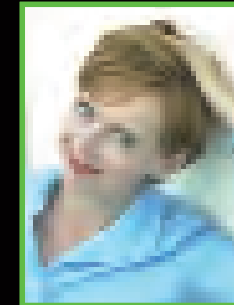
'Best Buy-to-let Broker' award. All awards are special but this award is particularly important to us. 'What Mortgage' is aimed at landlords and other consumers interested in property investment so essentially these awards are given by you. It is great when your peers acknowledge that you are doing a good job, but even better when your customers do. So thank you customer.

Lee Grandin



never count your chickens...

Rosie Millard



ROSIE MILLARD writes 'Diary of a Landlady' in the Sunday Times home section. A former arts correspondent for the BBC, she lives in Islington and now divides her time between her property portfolio and her family.

I went to a drinks party the day after Gordon Brown delivered his pre-Budget bombshell. And you could tell who all the landlords were. Yes, they were the ones weeping into their champagne, following the Chancellor's announcement that he was closing his SIPPS 'loophole' which would have seen great tax breaks in buy-to-let land. "Why had he done it?," came the cry.

I suspect the Chancellor had done it because it had begun to dawn on him that ordinary people; yes, dear reader, people like you and I, had rather irritatingly started to work the system. It's a bit like those 0% credit deals. Once everyone ends up getting them, and figuring out how to benefit from them, the card companies get all twitchy and close them down. The same thing happened with Brown. Once he realised that the hordes who had already jumped on the buy-to-let bandwagon, were going to do the same thing with SIPPS.

sharing the profits

It's very peculiar. The establishment is perfectly happy when giant corporations

pour out profits for their shareholders, or award bonuses equivalent to the GDP of a medium-sized African state. But when meek individuals start to play a part in the property market, it seems as if it is a bit less acceptable.

Buy-to-let, once a rather chic thing to boast about at dinner parties has now had the sheen rubbed off it, leaving we landladies to getting tarred with a hideous Rackmanesque brush. Even if we are renting our flats out to people who are perfectly well-heeled themselves. Indeed, some of my dear tenants who have lived in my city flats earn quite a lot more than I do. But as their pay cheques come from a multi-national, that's OK.

an honourable profession

It's all frightfully British, and wrapped up with our traditionally coy approach to money. Income, to many people, is something vague and abstract which arrives in your bank account every month, always looks a bit smaller than you think it should be, and certainly should never be hauled out into polite conversation. Well, rent and be

damned is going to be my slogan for 2006. And take pride in being a landlady! As long as you offer well-cared for properties, and look after your tenants, then there is nothing to be ashamed of.

risk-aware

We all know it's a gamble, but we are grown-ups and presumably, happy about the risk. And as we have no-where to run, if it all goes belly-up, then I think

that governments, Chancellors and the risk-averse should calm down a bit and remember that for every buy-to-let landlady laughing her head off with 10% capital growth, yields of 8% and lovely tenants who have been installed for 3 years, there are plenty of others with zero capital growth, teeny yields and a rather annoying frequency of voids. Not to mention the ones with tenants who kill every plant in the garden, forget to pay their rent

and live in a state of near-permanent squalor. Yes, I speak from experience. No, I did not deliberately seek out understudies from 'The Young Ones.' I'm just an ordinary landlady. But these things happen, dear Chancellor, these things happen.



choosing the right property hot spot

Laura Brady

This year landlords face another stagnant property market. So finding the right hotspot is more important than ever, says Laura Brady.

Nothing in the property market is certain. For proof of this property investors need look no further than Gordon Brown's pre-budget report on 5 December.

what to expect this year

Thankfully, developments in other areas of the market – such as house price rises – are a little clearer for this year allowing landlords time to make the right provisions. Housing forecasts for 2006 seem to agree that average price rises across the UK will stay in single figures. Rightmove is predicting rises of between three and four percent and Hometrack is predicting rises of one percent.

The prospect of this year's virtually stagnant property market may result in landlords across the UK adopting a more discerning outlook. Generally a property investor needs to see an uplift of at least fifteen percent on one property to fund the deposit on the next – if their aim is to create a portfolio that will provide an income in their retirement – and in the past five years, this has been an easy feat to achieve. Most, if not all, of this fifteen percent growth has been met by the kind of equity rises that have allowed some landlords to extend their portfolio by two properties in the space of six months.

But 2006 brings with it a changing tide on which investors will not be able

to rest on the laurels of equity growth. In short, for that same fifteen percent, landlords will have to look more carefully at where they buy.

hotspots in 2005

This means sifting out potential hotspots. It would be easy to assume that the concept of the 'hotspot' became extinct some years ago but even in last year's slow housing market – Nationwide figures show a current annual growth of just 2.4 percent for 2005 – some pockets of the UK still ran way ahead of the average.

According to the Rightmove House Price Index, Greater London was the best performing region in 2005 with



the boroughs of Westminster and Kensington and Chelsea rising by 16.4 percent. The research also showed that property in the South West of the UK enjoyed above average rises of 4.4 percent.

According to the Nationwide House Price Index, Scotland also experienced a good year, with prices rising by nine percent against an average 2.4 percent. The North West and Yorkshire also saw accelerated rises averaging four percent.

hotspots for 2006

So where should investors be looking to buy this year? "Areas likely to see above average growth for 2006 are mainly in the North, where there is a lot of new infrastructure being built," says Maud Rousseau PR manager at Rightmove. She cites Manchester as a prime example and estate agents agree.

Amir Kazmi, managing director of A2Z Properties, based in Manchester's

Cheetham Hill, says: "There is a wealth of regeneration happening here as a result of Government grants designed to improve pockets of the city. Moston for example – where you can buy a two-bed new-build flat for £105,000 – is turning into a real hotspot and has seen a lot of investment buyers. And as many businesses, including parts of the BBC, are relocating to Manchester there should be no shortage of tenants." Further into Manchester at the Green Quarter, two-bed flats are selling for an average of £175,000 giving an early indication of potential rises for this year. "This year Manchester has been a really good prospect, and in 2006 it is only going to get better," says Kazmi. "There is always something going on."

Staying in the North of the UK, Liverpool is also seeing major new development in the city centre, partly as a result of its Capital of Culture status, which will take effect from

2008. Last year the city was dubbed the 'Capital of Cranes' by its Councillor, Mike Storey, as the building of tourism, leisure and cultural facilities got into full swing. Currently, you can still snap up a city centre flat for £120,000.

Further down the country, Northampton – which is still affordable and has good transport links to London – is another area for investors to keep a close eye on in 2006.

For investors whose budgets extend to the Capital, Paddington is the new up and coming location, says Rousseau. "Lots of advertising and branding agencies have relocated there since 2003 and there is also the telltale signs of big brands opening such as Costa Coffee – they wouldn't have thought of it two years ago."

Longer-term investors might look at London's Kings Cross. The area is very central and located on five separate tube lines. It is currently undergoing a major transformation including new homes, offices and a Channel Tunnel rail link. Development is scheduled for completion in 2015.

2006 – a year to be wary

But looking at just the right city or town won't be enough for investors this year – it will be locating the right pockets within these areas that will result in the 2006 version of 'success'. However, if investors get this right, industry estimates point to potential twenty percent growth this year – increases reminiscent of 2002 – despite an annual UK average

growth of as little as three percent.

Investors should be wary of potentially artificial hot spots such as areas surrounding the building of the 2012

Olympic Village in London's East End. There is already infrastructure in place in many of these areas so future property price rises may be superficial and – in the long term – unsustainable.

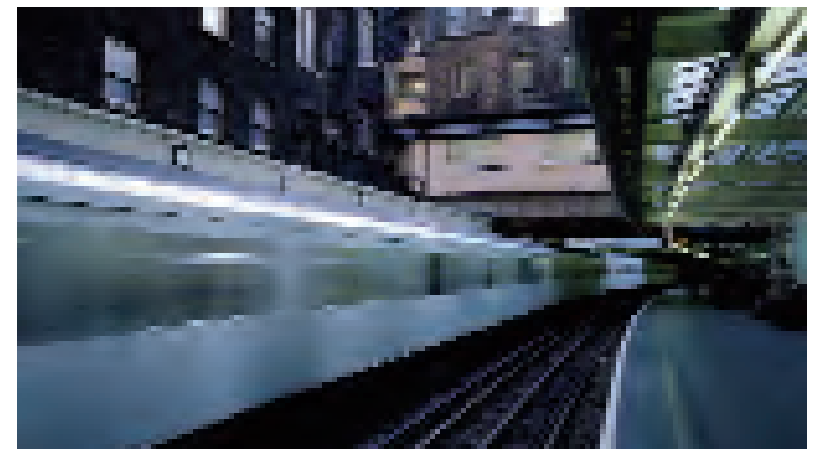
Property investors looking exclusively at flats this year should be aware of a potential flooding of this type of property onto the market. According to industry figures there is currently a surplus of apartments on the market against the homebuyer preference of detached and semi-detached properties.



LAURA BRADY is a freelance property and personal finance journalist who writes for the Independent on Sunday, Guardian Unlimited, Daily Mail, Express, Telegraph and is author of women's self-help book, 'A Girl's Guide to Money.'

looking forward...

Any property-related decisions made in 2006 will be of vital importance – as according to market forecasts – the results may stay with landlords for the next few years. Hometrack's new Housing Intelligence survey for 2006 says that average prices will rise by just 2.1 percent over the next three years. In addition, from June 2007, when Home Information Packs (HIP) become law, landlords will have to fork out around £800 for a pack before they can even market their home for sale.



wanna be a micro-landlord?

Toby Walne

It's a small and often rather silly world for the micro-landlord. For as little as £1 you can invest in the doorknocker of the buy-to-let house of your choice and pop round at the end of every month to demand a speck of dust for rent...



Ridiculous? Yes, but the idea is based on an idea by a new firm, which aims to bring wannabe landlords together to share in property purchases. So far it has already managed to club together sixty-five investors who have rustled up enough cash for a one-bedroom £104,000 terraced house in Leeds.

Although the average investment is £1,600, a share in the house can be purchased for as little as £1, which will buy you less than a hundred thousandth of the property. This £1 investor can expect 0.004p in monthly rent – a halfpenny bit over ten years.

punting for peanuts?

In the big bucks world of buy-to-let you might wonder why anyone would bother with peanut punts that offer

the promise of such pathetic returns. However, the key appeal is not only does it potentially cut out the horror of stamp duty and money-for-old-rope agent's fees but also the huge hassle of time. By enabling a large group to invest in a property, a liquid asset is effectively created with the individual owners hopefully able to trade their stakes as shares whenever they wish.

Any capital appreciation in the property should therefore be reflected in the value of the shares. A huge attraction for the impatient is that they should be able to instantly buy and sell their property stakes on the open market without having to wait months to kick out tenants, chase local estate agents or watch the property market go on a rollercoaster ride.

The firm makes much of its money by demanding a cut of between 0.25 percent and 3 percent of every trade. The fledgling concept should provide cheap frills for nervous new wannabe landlords and a safe way to dip their toe into murky buy-to-let waters without having to stay up too late worrying about the state of the market.

market indicators

However, there is also an unexpected appeal for those hard-nosed landlords with little interest in playing with Monopoly money but who prefer the real thing.

If the firm proves to be a winner – and it already has its eye on more than a dozen other properties nationwide – then the days when we are forced to

TOBY WALNE is a freelance writer who covers property and mortgage stories for the Evening Standard newspaper in London and a variety of other newspapers and magazines.



rely on market indications using those statistics from outfits such as Halifax and Nationwide could soon be numbered.

In principle, the firm offers buy-to-let investors a great investment research tool. By plotting their share price movements investors will get an immediate guide as to what is going on in the buy-to-let market in different areas at any one time.

big is beautiful?

You won't have to be an investor with Lilliputian aspirations to take advantage of these statistics as they will be open to all who visit their website. So perhaps we shouldn't snigger at this latest pint-sized venture. Small can be beautiful for even the biggest of landlords.

new build doubts set property world buzzing

Towards the end of last year, the buy-to-let world was buzzing with the news that 'The Mortgage Works' had announced that it will no longer accept applications for buy-to-let mortgages on new build properties or those under a year old. This was due to "the current over-supply of newly built property" which made "valuation in this sector more of an art than a science".

This announcement has created mixed views from the broker community with the usual pessimists predicting that the sky is falling and we will see the end of the buy-to-let world as we know it. However, I don't share their fears and feel that this brave step by 'The Mortgage Works' may actually benefit the sector.

Purchasing a property as a buy-to-let investment is not like simply adding a cash ISA to your portfolio to add a little bit of diversification. It is far more potentially hazardous due to the

expense and the inexact nature of this asset class. No one can say for sure that by purchasing a specific type of property in a designated area you will be able to attract potential tenants and charge enough rent to pay your mortgage – we don't have a crystal ball.

However, potential landlords can enhance their chances of making a success of their buy-to-let investment by doing meticulous research and actively seeking to purchase a property, which appeals to several tenant groups. This advice seems simple but it is where the trouble starts!

doing the homework

Some potential investors don't have the time or inclination to do their own research or – dare I say it – are greedy and looking for a no effort required entry into what they see as a lucrative market. These people can be sucked into paying out thousands of pounds for seminars, which teach them less than the

average library while encouraging them to purchase a new build property.

Such properties are often sold at 'discounted' prices and in some cases consumers are allowed to use their credit cards to put down a deposit on their new property.

new build schemes

Alternatively, some investors choose to invest on an off-plan basis whereby a property is purchased before it is built and completed. These properties can sometimes be purchased on a discounted basis with some shady operators even doing deals with their customers on a price outside of the formal contract.

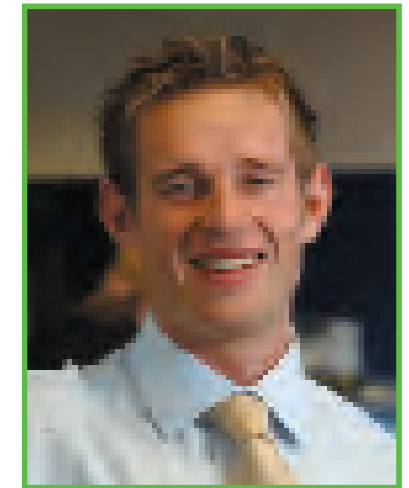
The success of these schemes during the property boom has seen some new build developments being built to satisfy investor demand rather than tenant demand. This has led to situations whereby potential landlords are stuck with properties they can't rent at the

price they need to cover the mortgage or can't sell because everyone else is trying to do exactly the same thing. I have even heard of instances where this type of 'investor flooding' has seen people simply handing the keys back to the developer because their investment is completely worthless.

These practices are somewhat dodgy to say the least and have received sufficient publicity to tarnish the good name of property investment. There are many industry commentators and brokers who are actively working to put a stop to these practices and this most recent announcement seems to indicate that 'The Mortgage Works' has joined their ranks.

it's all about confidence

This would make 'The Mortgage Works' the first lender to stand up and say, "We are not confident of how some members of the new build property industry are treating our clients and have therefore



LEE GRANDIN, Managing Director of Landlord Mortgages.

decided to gracefully withdraw from lending in this area".

There are many reputable organisations in the new build market that go out of their way to ensure that their customers receive all the support and safeguards necessary. However, there is the fringe element whose practices are seriously affecting the viability of this market in the eyes of buy-to-let lenders and investors. This vote of no confidence from an organisation like 'The Mortgage Works' should act as a warning to this sector – get your house in order or more lenders will follow!



Here are a number of questions which have been raised by Portfolio readers.

If you have any specific questions which you feel would also be of interest to others then send your question by email to the editor of Portfolio at, portfolio@lml.co.uk.

We regret that we are unable to give individual replies to questions.

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is it a home improvement?

I spent £1,400 plus VAT having my B2L flat decorated between tenancies. When I charge this as a business expense on my next tax form is it treated as maintenance or as an improvement?

In most cases decorating bills will go under the 'Repairs and Maintenance' heading on the Land & Property tax form. This should give you a reduction in your income tax bill for the year in question. The taxman tends to treat improvements differently – the big costs of adding double glazing to a property, for example, can be offset against a possible Capital Gains Tax bill when you sell. If you don't have a tax adviser to ask, HM Revenue & Customs can normally help explain the differences between the two scenarios. Call the office number on your tax form for information.

mortgage hunting

Can I get a BTL mortgage if I don't have much more than 10 percent of the property value to use as a deposit?

Possibly – though it won't be easy. Lenders are becoming more flexible as the market slows and minimum deposits have fallen a lot lately. But if you want the best rates then you still need around 15 percent of the property value to use as a deposit – lenders like to feel customers have a decent stake in

properties before they agree to a loan. If you are an existing investor with a good track record you may have more chance of arranging a deal with a lower deposit. Speaking to a broker should help track down the most flexible lenders.

does it pay to buy freehold?

Owners in the block where I have a BTL flat want to buy out our freeholder. Will our flat values rise if we go ahead and as a non-resident will my vote on the issue count?

The jury is still out on whether 'share of freehold' flats are worth more than traditional leasehold ones. But many estate agents say buyers like the 'share of freehold' idea, so while you may not get a higher price for this kind of flat it may sell a bit quicker in a slow market. As a non-resident owner your vote does count – investor owners are now treated just like owner occupiers so you shouldn't ignore what is going on. A good website with more information is the Government-funded www.lease-advice.org.

the auction route

What are the pros and cons of selling a BTL at auction?

Speed and convenience are two advantages. With auctions the property is

normally available for viewings for just two weeks prior to the auction. Then if a buyer comes forward at the auction they have to complete within 28 days or they lose their deposit. The downside is that you may not get as good a price. Auction rooms tend to be full of professionals who want bargains and rarely pay over the odds. There can also be a stigma over homes sold at auction which can put off other buyers. On the money side, it doesn't normally cost any more than standard estate agency commission to sell at auction, though you will have to instruct a solicitor before the sale and pay up front fees of around £500 to get your property in the auction catalogue.

