



A guide to being a landlord

HINTS AND TIPS FOR YOUR LONG TERM SUCCESS

CHRIS HORNE – EXPERIENCED LANDLORD



Guide sponsors

A GUIDE FOR NEW LANDLORDS

Over the years Property Hawk has guided tens of thousands of new landlords through the process of becoming a landlord and investing in property for the first time. Here is a brief guide on how to become a residential landlord and some essential things to consider.

What new landlords need to know

Despite the headlines, the first thing a new landlord should realise is that rental property is not necessarily going to be a 'get rich quick scheme'. Whilst there are headlines of investors making fortunes overnight, the reality is that for the majority of landlords, property investing is for the long haul. The average time a private landlord owns a property for is 19 years. Having said this, get it right and even a small landlord can secure a life of relative financial freedom envied by most of their colleagues or friends. Still interested then read on.

How much work is involved in being a landlord?

How many hours a landlord spends on their property management will depend on a number of factors under their control. These are:

Whether the landlord manages the property themselves or employs the services of a letting agent.

A landlord can employ a letting agent on a full management contract, which will cost between 8-15% of their gross rent. In theory this will pass much of the day to day management of their property to their agent. True...but if things go wrong with the tenancy or a landlords' property then the bucks stops with the landlord and they will be brought into to solve and resolve the problems or pick up the additional legal and maintenance costs of getting the tenancy back on track. A full management agency agreement will not necessary mean an end to all property management issues. Assuming things go well with the tenancy, a landlords management time will be minimal, but it will cost. Having said that, a landlord will need to factor in the other general management duties of running a rental business such as compiling the end of year tax return. This applies even if a landlord expects to make a loss on their rental business.

If a landlord does go down the route of managing everything themselves (advisable unless a landlord has a large portfolio, or the rental properties are spread around the country.) The management time involved for this is on average should be no more than a couple of hours a week. Average being the key thing because the nature of being a landlord is that input is sporadic. A landlord can go for months without hearing a peep from their tenant and then all of a sudden there is a barrage of activity that might take a day or a weekend to sort out. For instance, if the tenant moves out and the landlord needs to re-let. This necessitates having to carry out the check out with the existing tenant, advertise the property to let and then get another tenant in.

Property investment is not a spectator sport

Property investing is not passive. New landlords are under the misapprehension that property investing is just a case of putting the money down and watching the rent come in. It's not; it's a rental business. The key is in the word BUSINESS. It is no different, harder, easier than any other business but it is a rental business, therefore a landlord needs a game plan. There is no one rental business model out there. Property Hawk recently ran its' first Landlord Training Course and it was apparent immediately just how diversified the different business models are.

Understanding your market and your tenant customers

There is no one type of business model for a landlords rental business. A new landlord needs to understand and be clear of their rental market before even considering buying a rental property.

A list of the type of standard landlords and rental businesses include:

1. Student lets
2. International or post grad students
3. Invest for income benefit or high yield
4. Pension investors
5. Young professionals
6. HMOs
7. Tenants on benefits

The secret of landlording success...research research research

Landlords need to research their properties. Property Hawk has written about researching BTL property online. This includes key criteria on how to find a buy-to-let property and what to look out for all from the comfort of a landlords own armchair armed with an Ipad.

Have a look at Property Hawks [three Pillars of Buy-to-let](#) to find out some of the key considerations of successful residential property investment. To guarantee that you have a successful rental business a landlord needs to ensure that they buy the right property, in the right location, at the right price so that will appeal to their targeted tenant market but also make a good return in terms of rent and capital appreciation.

Understanding the numbers

Landlording like any business is a numbers game. Understanding the figures and what they mean is one of the most important aspects of any form of investing. Property investing is no different.

Numbers are massively important for the initial investment. Property Hawk has explored some of the key metrics over the years.

Take for instance obtaining a buy-to-let mortgage. What rate of interest should a landlord pay? What is the different between the initial pay rate and the APR. These are the things that a landlord needs to know about BTL finance.

For instance a landlord always needs to look at the Annual Percentage Rate (APR) when choosing if they are going to end up with the cheapest product as this will also include the cost of the set up fees.

For a newbie landlord looking to invest they need to understand how to gear their investment to gain the maximum tax advantages. For instance is a new landlord is fortunate to be able to afford a cash purchase. This may be advantageous in maximising the gross rental returns, but it exposes a landlord to a higher income tax charge because of the likelihood of rental profits. Getting an appropriate gearing ratio is critical in maximising the overall returns to a landlord. The exact ratio

will depend on the financial circumstances of each landlord and their financial objectives. As a rule of thumb a gearing of between 50-70% will generate significant income tax savings.

Have a look at our [new investment appraiser](#) to see how the amount of gearing effects a landlord expected investment returns.

Another critical metric is the rental yield. A landlord needs to understand the relationship between rental income and the capital costs of purchasing the underlying asset (the rental property).

A landlord always aims to make money but also a newbie landlord needs to understand how they can minimise their rental profits and income tax liabilities.

At the end of the investment period look to minimise the capital gains bill by utilising the most of the allowing deductions. This will enhance a landlords net investment returns.

Landlords who to trust?

The reality is for landlords that the rental market is full of sharks looking to feast on landlords and particular newbie landlords. Here a brief guide on the classic cons that face newbie landlords:

- 1) Never get sucked in by property gurus promising mentoring, programmes, courses that will guarantee a landlord financial freedom. They are crooks and leaches and a landlord is far better off without them.
- 2) Don't use a property finding service promising new property at a discount or below market value. Get on Rightmove or Zoopla and do your own research. The best tools for finding BTL property online
- 3) It's possible to avoid paying a mortgage broker, so do think carefully about forking out unnecessarily for a brokers fee. Some buy-to-let mortgages are available direct from the lender, others a landlord needs to go through an intermediate such as a mortgage broker. This means that generally there is more choice for a landlord if they are prepared to go through a broker. But a newbie landlord needs to consider carefully if they need to pay for this service particularly if they are after a straightforward mortgage.
- 4) If you do buy a property for refurbishment. Don't spend lots of money on having an expensively designed bespoke kitchen and bathroom. Go to Ikea and buy the most basic white version, with a posh set of handles and get somebody to install it for you. Instantly, a landlord will save yourself five grand by doing it all yourself.
- 5) Unfortunately, there is no escape from landlord insurance. Not to insure your rental property would be commercial suicide, but do shop around to get the best deal.
- 6) Avoid expensive fully managed letting services from letting agents. In effect a landlord is paying over between 10-15% of their rents to somebody who often just collects the rent. It's now easy to even get a tenant in yourself by using one of the bespoke services such as Letting-a-property to get your rental property on the main property portals such as Rightmove and Zoopla.

How much money will I make being a landlord?

It's possible to make a fortune being a landlord. If you look at the Times rich list then you can see that a high proportion of the top hundred have made their money through property. A lot of the wealth generating aspects of property investment are based on the fact unusually that you can gear your investment. This means that you can borrow money to buy what you hope and anticipate will be an appreciating asset. Not only do you get this capital appreciation but you also get in many occasions (and particularly when interest rates are low) a steady and rising income stream (assuming you opt for a repayment mortgage). These things all result in an investment Nirvana.

I know landlords that have made millions out of residential investment. Have a look at the King and Queen of buy-to-let. These people are not extraordinary. They are just like you and me. The secret is timing quite often being and buying in the right place and at the right time. You only have to look at those landlords and investors who brought into the central London investment market recently to evidence this. For most landlords they will be happy with a single or couple of property investments. In this case and outside central London over a couple of decades where the buy-to-let mortgage gets paid off this realistically is going to result in a capital value of several hundreds of thousands of pounds and probably a net gross income in the tens of thousands. Not a fortune BUT for most mortals not a bad little income all the same. The reality for any landlord is that unusually, they can make what they want to make (subject to having some initial investment capital). The limiting factors are how hard that a landlord wants to work and dare I say it luck. Lady luck play her part when it comes to when a landlord buys and which area the rest is down to you the landlord.

Will I make a good landlord?

To be a good landlord it helps if you are organised and have a little bit of business acumen. A successful landlord needs to appreciate that property investment is not like sticking a wad of cash in a building society and forgetting about it. To be a good landlord a property investor does need to love it. They need to love the game of property investment and property management. As a landlord gets bigger it is possible for a landlord to offload more and more of the day to day management aspects of running a letting business. But most really successful landlords love all aspects of property investment and management. They also appreciate that as a rental business, individual landlords are better and more effective at running their business than a load of so called professional advisers.

Will I enjoy being a landlord?

To a large part I enjoy being a landlord. It's never dull. Life as a landlord is varied. Everything from mundane house cleans to incredibly complex legal questions over landlord and tenants. If a new landlord approaches the whole journey and experience with the right attitude it can be an incredibly rewarding financial and life experience. This is particularly true for many people who have spent their life as employees/workers. Suddenly, they are business owners but still have the comfort of a day job. Embrace the ups and downs of business ownership and I'm sure you will enjoy it along with the financial returns. Go into it with the naive view that it's going to be hassle free investingand you will be sorely disappointed.

WHY INVEST IN BUY-TO-LET?

Residential property keeps performing well

UK residential property has been the best performing asset class in the last 50 years according to the Barclays Capital Equity Gilt Study & ODPM housing statistics. These figures showed that in real terms (after inflation) £100 invested in a portfolio of shares in 1930 would have grown to a little over £363 by the end of 2004 compared with £767 if that same amount had been invested in residential property. The other thing about property investment is that it is possible to borrow money to finance your investment if you are familiar with things you need to know about BTL mortgage finance.

Demand for residential property is not meeting supply

The latest population projections published by the ONS (Office for National Statistics) has revised upwards estimates of net immigration from 145,000 to 190,000. The forecast now is that the UK's population will increase to 65 million in 2016 & then 71million by 2031; a jump of 10.5 million on current levels.

This calls into question the ability of the UK house builders to provide sufficient numbers of dwellings to accommodate this increasing demand. Existing projections for house building before the revised population suggests that their will continue be a shortfall of housing each year of around 33,000 dwellings.

This means that the existing shortfall of residential property will continue and if anything get worse.

Lack of affordability means a growing number of renters

Increasing numbers of first time buyers have to rent because they can no longer afford to buy a property. This means that demand for rental property continues to grow providing an expanding market for landlords to let their rental property.

Shift in lifestyle to a renting culture

Young people are increasingly settling down later in life preferring to have a more footloose lifestyle. They therefore want to avoid the constraints associated with residential property ownership by renting a property during their 20s & early 30s. In addition, high levels of family breakdown means that individuals accommodation needs are more dynamic. Employers also require their workforce to have greater levels of mobility often requiring staff to work away from their home base for short periods of time. All these factors require a dynamic private rental sector to cater for individual rental needs.

Why do investment funds not invest in residential property if the returns are so good?

There are a number of reasons why professional investment funds have stayed away from direct investment in residential property. Firstly, the whole area of private landlordism has been a real 'political hot potato' up until the last 10 years. Housing was seen by some members of the political classes as something not to be profited from, like the NHS. The very idea of private investors making money out of peoples need for housing was seen as morally wrong. As a consequence the Labour Party for years had introduced a whole series of restrictive Rent Acts, which prevented landlords charging market rent as well as obtaining vacant possession. An investment in an asset that the investor was prevented from selling at its true market value (with vacant possession) was obviously not something the institutions wanted to get involved in.

The other factor that put them off was the relative intensiveness of the management process. An investment fund can invest £5+ million in a single commercial building, with one tenant who remains for 25 years. A comparable sum invested in a residential property could involve having to buy and set up say 50 individual properties at £100,000 each. Then each of these properties & tenancies would have to be managed, all this is time consuming and expensive.

This is why the private rental sector has been largely left to entrepreneurial private property investors and landlords to develop. After decades of decline the private rental sector partly as a result of the deregulation of the sector in the 1980's and partly due to more available finance bought about by the buy-to-let initiative in 1997 has started to grow again. Latest figures suggest that the sector now accounts for approximately 12% of the residential stock, up from a low point of just under 10%.

[Why not invest all my money in residential property if it performs so well?](#)

There are a number of reasons why it always good to have a range of investments. If you already have a large 'buy-to-let' portfolio of residential property without much of your assets invested elsewhere, a landlord may wish to consider diversifying their investments. The classic phrase is 'don't carry all your eggs in one basket'. Investing is much the same. Whilst over the years I have always held most of my assets in residential property; I have also held a proportion in alternatives such as shares and deposit accounts. As an active investor I am always looking for new and innovative methods for diversifying my portfolio. The theory is that if one investment isn't doing so well, as was the case for shares for a number of years. Then some of the other investments are doing a lot better. The result you hope is that overall your capital keeps on growing.

You may still be keen to invest more funds in residential property but feel that you don't have the time or skill to do it yourself.

LANDLORD BTL MORTGAGE FINANCE

In an ideal world landlords would avoid borrowing money altogether - avoiding interest payments, product application fees, mortgage brokers fees, redemption fees, mortgage administration costs, survey fees. However, unfortunately for most landlords, this is not a realistic option; particularly if they are in the process of building up their property portfolio. If you do have to use a buy-to-let mortgage these are some of the things that will help you get the most for your money and avoid some of the borrowing pitfalls.

How much should a landlord borrow?

The amounts that a landlord should borrow has to be an individual business decision. There is no rule of thumb. However, there are a few guidelines to throw into the pot when looking at the size of your loan. Firstly, for most of us a loan is exactly that. It has to be paid back sometime and somehow. Ultimately there are a number of ways this can happen. The most obvious way is that the loan is paid back over a period of time as is the case in a repayment mortgage where both interest and capital payments are made each month. The good thing with a repayment mortgage is that not only does a landlords mortgage payment reduce over time but also you have the certainty of knowing that you will have paid off you mortgage by a certain date as long as you keep up your mortgage payments.

What is a landlords Loan To Value (LTV)

There are other criteria to consider for a landlord trying to evaluate how much to borrow. For instance, a key metric is the Loan To Value (LTV). This figure measures the amount of the loan in relation to the value of the property. Maximum figures for a buy-to-let loans have ranged up to 85% but 80-75% is more typical. At this level a property investment is highly geared. The result of this is that if property values go up a landlord could increase the value of their initial capital investment (the deposit) considerably. The converse is also true. A bad investment that suffers a capital fall in value could mean that the landlords initial capital and deposit is wiped out. A more conservative landlord would opt to borrow less than the maximum and then fund the borrowing costs out of the positive cashflow from rent which would mean no rental profits in the short term but that the tenants rent effectively is used to pay off the mortgage.

An optimistic landlord would look to borrow the highest LTV anticipating that capital values would rise considerably and reduce the LTV on sale to much lower levels and allow a capital profit to be realised without ever paying down the debt. Great when capital values are rising significantly but if house prices are stagnant or even fall this strategy could cause a problem leading to a high percentage loss of their initial capital.

For me I look to borrow the maximum I can at the best APR rate obtainable. There is a trade off as you go towards the maximum available LTV products of anything over 70% where the risk profile to a lender increases and therefore the APR starts to rise. Therefore, unless you need the extra capital then buy-to-let mortgages at LTVs of 70% and below will offer the best rates. The devil with all landlord mortgages is in the detail so make sure you do a thorough trail through all the products or employ a good mortgage broker.

The buy-to-let mortgage market is constantly changing

The thing to realise about the buy-to-let mortgage market and it's products are constantly changing and evolving responding to funding availability, the finance market, regulations and demand. You

may find the perfect mortgage product one week and unless you can secure a loan with it then the next week it may have disappeared, changed or the lender filled it's entire allocation of funds.

Are you a standard borrower?

Lenders generally look for landlords that can show that they can support themselves independently of their rental business. Therefore, it's ideal if you have a good safe job and a long uninterrupted employment history. This will mean that you as a landlord will have access to the maximum number of lenders and products. Landlords that are professional landlords also have a range of lenders and products that are readily available. Where some landlords struggle to get mortgage finance is when they are self-employed. In this situation it may be helpful to use a specialist landlord mortgage broker to help you navigate to the mortgage lenders and products that have a more flexible attitude to a landlords affordability criteria. It's always helpful for landlords to be aware of other forms of BTL finance. For many lenders they now require self-employed landlords to provide SA302 as proof of their income.

Landlords should focus on the APR

Landlords should aim to minimise long-term finance costs. They should be wary of eye catching headline rates, these often come with high product fees and often only last a year or two before more fees are required pay for re-financing arrangements.

The best measure to use when comparing different BTL finance products is the APR (Average Percentage Rate). The APR gives us the truest cost of the BTL loan, worked out over its entire term. This annualised rate reflects the rate of interest to be paid in setting up the loan, as well as the rate of the buy-to-let loan once any initial discount or special term have come to an end.

Landlords wanting to search through buy-to-let loans with the lowest APR's can use our [BTL mortgage search facility](#).

Avoid paying the standard variable rate (SVR)

When any fixed period comes to an end, it is worth landlords checking whether to refinance. Many BTL mortgage products revert to a lenders standard variable rate after the fixed period, often at a far less competitive rate. If this is the case, I'd advise landlords to approach their lender directly and see whether they will drop them onto a more competitive rate, whilst at the same time checking what alternative lenders are offering in the wider BTL mortgage market.

Using a BTL mortgage broker

Guidelines on how mortgage brokers must operate are set out by the Finance Conduct Authority (FCA). They stipulate that an adviser must confirm upfront the basis of advice based on one of the following descriptions:

1. Offer Mortgages from the whole of the market
2. Offer Mortgages from a limited number of lenders.
3. Offer Mortgages from a single lender or a single company

It would be reasonable for a landlord to assume that an adviser offering 'option 1' would be an independent adviser offering access to all the mortgage lenders on the whole market, however, the FCA only requires advisers offering 'option 1' to have a mortgage lender panel that is

'representative' of the whole of the market. This means that despite there being over 200 lenders, they might only be offering a choice of say, 10 of these!

Therefore despite a broker offering 'the whole market', they may not actually have access to the best possible product for a particular landlord. There might well be a better one out there. To protect from this, it's worth a landlord asking any prospective mortgage broker, exactly 'how many lenders do you have on your whole market panel?' A minimum of 20 should give a landlord a fair range of between 50 to 100 different BTL products. The more lenders a broker has, the better the choice.

Another thing to be aware of when using a BTL mortgage broker is checking on the procurement fees. Procurement fees are the fees paid by the lender to the broker. In essence their commission. Some lenders pay out higher fees to a broker than others, so landlords should be wary that their broker isn't pushing them toward the mortgage product that pays them the biggest fee.

[Regulations on the sale of BTL finance](#)

Buy-to-let finance still largely remains unregulated despite attempts by the EU to control lending in the residential property investment market. The Mortgage Credit Directive, effective 21st March 2016, introduced a legislative framework for consumer buy-to-let. However, the government has neatly sidestepped these controls in the UK market by creating a class of residential investor called a 'consumer buy-to-let'. This type of landlord is largely an accidental landlord which excludes most private investors who undertake property investment as a business activity. The definition of the two types of lenders are as follows:

[Business buy to let definition according to the HM Treasury:](#)

"For the majority of buy-to-let transactions, the borrower is making an active decision to become a landlord, an activity for which they will receive an income and for which they will be taxed as a business. In addition, they will have to comply with a number of legal obligations placed on landlords, for example around fire and electrical safety standards and the use of a government-backed tenancy deposit scheme. In the government's view these are characteristics of a business rather than a consumer activity and therefore do not propose such borrowers need to be covered by an appropriate framework under the MCD."

[Consumer buy to let definition according to the HM Treasury:](#)

"There are some situations where borrowers do not seem to be acting in a business capacity. Examples of this may be where the property has been inherited or where a borrower has previously lived in a property, but is unable to sell it so resorts to a buy to let arrangement. In these cases, the borrower is a landlord as a result of circumstance rather than through their own active business decision. The government's view is that such borrowers are consumers and would need to be covered by an appropriate framework."

Regulation of BTL finance by the FCA (Financial Conduct Authority)

Though the FCA regulates many financial products - from pensions to standard residential mortgages, it doesn't regulate BTL finance. The FCA was established by the Government to protect consumers, and because BTL finance remains classified as a commercial product, it is excluded from their remit. The assumption is, that those operating in the BTL sector are 'commercially aware' and therefore do not need the same level of protection as a general consumer.

It's important for landlords to appreciate that without regulation, there is nothing to stop someone without any experience setting up as a BTL mortgage adviser. Be careful who you use.

Despite having no regulation from the FCA, BTL finance does have some cover from the Financial Ombudsman Service (FOS). If a landlord does take out a BTL mortgage using a broker who they later believe to have given them bad advice or a poor deal, they are able to make a complaint to the FOS, who are then obliged to review it, using the principles of Treating Customers Fairly. This covers such things as - the way that a deal was marketed to a landlord, whether a landlord received sufficient information to make an informed decision, whether a landlord was aware of all the costs involved in the transaction, and so on.

My advice would be look for BTL brokers that have themselves a FCA registration from selling other products that do require registration, such as standard residential mortgages. Whilst this in itself will not protect a landlord, it does at least indicate that they are a professional organisation and not a complete bunch of cowboys.

There is also a BTL finance trade body established by the industry, called the National Association of Commercial Finance Brokers NACFB. Though membership is voluntary, it does set out a number of good practice guidelines that it expects members to operate within. However, they have no direct powers to act in the consumer's interest if any of their members do break their code.

Prudential Regulatory Authority (PRA) - landlord mortgages

Whilst the Government has stepped back from overt regulation of the buy-to-let market, and following the Brexit vote we've managed to side step any European interference, some market 'jitters' have set in within the Government conscious in respect of excess credit in such as low interest environment and the potential wider implications to the wider economy.

The response from Whitehall has been the introduction of the Prudential Regulatory Authority (PRA)

The PRA was established to help maintain stability within the economy; a parting shot by ex-Chancellor, George Osborne to help tighten lending in the buy-to-let sector it enforces more restrictive guidelines to banks underwriting BTL mortgages for landlords.

In essence it means that landlords are able to borrow less.

The PRA introduced an affordability test requiring landlords to be able to afford repayments based on an assumed interest rate of 5.5% as opposed to their actual pay rate.

This has had the effect of increasing the amount of rental cover required by many lenders from what was an industry average of 125% of the rent to around 145%.

Portfolio landlords (defined as 4 or more properties) face much tighter tests on their income than previously. This element of the change came in from 30th September 2017.

FINDING INVESTMENT PROPERTY

How to find suitable investment properties?

There are a number of ways landlords can locate residential property for investment. Success in all cases relies on careful searching, being patient and diligent and sticking by my 3 pillars of buy-to-let.

Getting estate agents to help you find property

Having identified the area and types of property you are looking for, see if you can spot the estate agents that specialise in those areas. Register with them. Talk to the sales staff, get yourself known and explain your situation and what you are looking for. Then it's a case of landlords just being patient and waiting for suitable properties to come in. Hopefully a landlord will have established some rapport with the staff and they should let them know automatically. Don't rely on this though.

Be proactive in your property search

Continue to scour the property press. In addition, regular visits to the area of search to monitor what's on the market should ensure that a landlord doesn't miss out on any opportunities. If a landlord wants to be really proactive you can leaflet some of the houses asking them if they are interested in selling. A friend of mine has done it successfully. It could be that if a landlords search for property is lengthy or if there are after a number of properties the viewing list is extensive. It may well be that in these circumstances that a Viewing Record would be useful.

Use the Internet to search for property

As well as finding properties in the 'time honoured' fashion of using a local estate agent. The housing market in recent years has become dominated by a number of Internet property portals. The dominant one is Rightmove with about 80% of all property search pages viewed through it. Other popular sites are www.findaproperty.co.uk , www.primelocation.com , www.propertyfinder.co.uk , zoopla.co.uk

Therefore, if landlords start their search looking at these sites, they should give landlords a selection of properties to look at that meet their criteria. If landlords want to find out more about the area because it is away from where they live; check out the ACORN demographic stats. These give an interesting insight into the locality and are available on the website www.upmystreet.co.uk.

These websites tend to predominantly feature what is called second hand property or ones that have already have had at least one owner. To locate new properties, landlords should have a look at sites such as: www.whathouse.com, www.smartnewhomes.com and www.new-homes.co.uk .

Buying investment property at auction

The other alternative is buying a property at auction. Buying a property in this way is a little more complex than through an estate agent. I did it with my first property that I bought to refurbish. It's a little bit nerve wracking, especially as in my case when at the end of bidding somebody turns round and says "you've paid a lot for that, what are you going to do with it?" Not the words of comfort I wanted to hear! Auctions tend to attract a high proportion of properties that need work doing to them. As a valuer from Savills once said to me 'the wreckers'. If you are serious about the refurbishment route you should not discount this option. Having done your homework, it's not as daunting as it might first appear.

Finding an investment property for me is one of the best bits. It's all down to you and anything is possible!

TEN STEPS FOR LETTING

Basic tips for letting property

Renting property is a business - a letting business. The landlord is the manager, and the tenants are customers, but whereas a shop might have hundreds of different customers spending a little money with them each day, a landlord might only have one tenant. A tenant who might be paying a lot of money into the business for years or even decades to come.

Pick your tenant carefully and treat them well.

How does a landlord find a good tenant?

The perfect tenant would have the following qualities:

They are clean, smart, tidy; they pay the rent on time, never bother the landlord, never complain, never have noisy parties, never sublet, never bother the neighbour and are no trouble whatsoever.

"Do these tenants exist?"

Well after 20 years of letting property I can categorically say - they do. The skill is spotting them. I'll share how to do this later, but first, let's examine the process of letting a property.

The process of letting a property

The process of letting property combines a mixture of skills. On the one hand it brings into play a landlords' marketing and selling skills. A landlord needs to target their rental property to the right audience, carry out viewings, charming any prospective tenant. Whilst, on the other hand, the landlord needs to be familiar with the complexity of the laws on letting property, and a basic understanding of this is vital if landlords are to avoid the potential legal pitfalls.

Here's a brief ten step guide to the basics of letting out property.

- 1) Rental Property Marketing Plan
- 2) Implementing a Marketing Plan
- 3) Landlords Responding to enquiries
- 4) The Viewings
- 5) Selecting a tenant
- 6) Vetting the tenant
- 7) Organising the move in / move out
- 8) The property 'check in'
- 9) Property 'handover'
- 10) The paperwork (getting organised)

1. A landlords marketing plan

This is basically an outline of how the landlord is going to advertise their property including which letting agent they use or whether to use an online letting agent. Having the landlord considered which type of tenants they are after and how best to attract them they should have a basic strategy in place.

2. Landlords implementing their marketing

Time for landlords to action their plan by writing rental adverts and property descriptions. Landlords can then, place these lettings adverts by either phoning the relevant newspaper or e-mailing the listing sites with their investment property details. It might be that a landlord has decided to post a letting advert in the local Post Office and therefore needs to prepare a letting advert for display here or possibly the work notice board. Landlords should remember a few e-mails to friends and work colleagues might yield results.

3. Dealing with a potential tenant's enquiries

This is hopefully where landlords will be inundated by a barrage of potential tenant enquiries. Once the lettings adverts go in it's a case of the landlord checking their e-mails and messages regularly and then getting back to the potential tenant enquirers ASAP. Landlords should remember renting property is a competitive business and prospective tenants can often enquire about tens of properties per day.

Therefore, if a landlord is first to respond then they have every chance of setting up an early viewing and bagging a good tenant before the opposition landlords.

Landlords should remember to have a system in place that records the details of the tenant i.e. phone numbers, name any specific details about when tenants are looking to move and other factors – does the tenant smoke, have pets. All this will be useful to a landlord in remembering who the tenants are and making a judgement on whether to choose the tenants later on. A landlord could use the trusty pen & paper or our FREE Property Management Software allows you to record brief notes.

4. The viewings of a rental property

Landlords should try where possible to group their viewings together. This way the landlord is not traipsing backwards and forth across town - very time inefficient.

When landlords are carrying out the property viewings, tenants won't necessarily expect the landlord to be fully toggged up in a business suit, but looking clean & smart will do no harm. First impressions count and this goes for the property as well. If the property is still tenanted the landlord should give the existing tenants as much warning as possible. Encourage them to give it a tidy. If the property is vacant, then little steps such as tidying away the post, switching on some ambient lighting, ventilating or heating the property correctly will all help to set off a landlord's property in the best light. Make it nice.

In conducting the viewing, a landlord should try not to rush the tenants, even if they are under some time pressure. Draw the tenant's attention to the best features in the property and try and 'gloss' over the less desirable aspects. A landlord might want to highlight the view over the local park or how spacious the living room is whilst moving swiftly through the cramped and dimly lit hallway. Better still, if the existing tenants are in occupation then landlords should use some of the 'good will' they have built up and get them to do some of the initial viewings to save your time. If there is a lot of interest this is a time saving way of sorting out the 'wheat from the chaff'. Leaving the landlord to only have to meet the keen prospective tenants.

Landlords should always use the opportunity of the viewing as a way of informally screening the tenant. Even in a brief meeting which most viewings should be, it's possible for a landlord to slip

into the conversation questions such as: what is the tenants' name, address, where are the tenants living & how long have the tenants been there for, their occupation and how long the tenants have been working there. This information will prove invaluable to landlords late on when it comes to vetting tenants.

When showing the tenant around the property the landlord should always know their facts. Frequently asked questions by potential tenants are: what the bills are like especially the Council Tax as the largest outgoing, the type and nature of the neighbours, proximity of local services i.e. shops, transport

5. Selecting a tenant

This is the skilful bit. It is the time when a landlord has to employ all their knowledge of amateur psychology to pick out who they think will make the best tenant. This can sometimes be quite hard for landlords. The landlord may have several tenants that fit the bill and that they have a strong affinity with. A landlord needs to try and stay fairly dispassionate throughout the process. Landlords should remember it is after all a business transaction, not an act of benevolence that they are engaging in. I go into detail later on into how landlords can spot the perfect tenant

6. Vetting the tenant

This is when landlords hopefully filter out the 'scammers'. These are tenants, if we can call them that; who have made a career out of 'ripping' off landlords. It's an important stage in the letting process for landlords. Whilst there are no guarantees that a landlord can expose them, a thorough methodical approach involving credit checks and references should ensure that even the most 'professional tenants' don't get through the net.

7. Organising the move in / move out of the tenant

Finally, a landlord has a tenant that they are happy with. The landlord is hopefully at the start of a long and fruitful relationship with the tenant. Now a landlord needs to sort out the dates for the tenant to move in and possibly co-ordinate this with the moving out of the existing tenant. If a landlord has a tenant in place, they need to make sure the existing tenants are happy to go when the landlord needs them to; otherwise legally the landlord may be into a situation where they need to serve the appropriate notices.

8. The 'check in' of the tenant by a landlord

It's the day that the landlord needs to assess the state of their property and take one final look at the shining floors and immaculate paintwork before handing it over to one of the marauding tenant classes. This is when the landlord records the investment property's state BT - Before Tenants. Landlords should use an approved Property Inventory such as the one free to download from www.propertyhawk.co.uk to ensure that they have an accurate record of their investment property should a dispute arise at the end of the tenancy.

9. The 'handover' of a rental property

This is 'D Day'. The 'handover' of a rental property means the landlord is legally handing their property over to the tenant. The tenancy comes into being. There is no going back for the landlord now. The tenant has the landlord's keys and takes up the occupation of the property. Landlord should have got them to sign the relevant forms: the tenancy agreement, the property inventory, the section 213 notice. These are all free to download from our FREE Landlord Software, then it's back home to complete the final stage of the letting process.

10. The paperwork (Getting organised and staying legal)

This is a final, and often overlooked stage. The landlord needs to finish the paperwork. It may be tedious, but it's also essential. Failure to file and complete the details now will mean that the tenancy will start off in a chaotic and disorganised way and this could possibly lead to headaches later on; particularly if things go wrong with the tenancy. Also, a landlord needs to remain legal and comply with certain pieces of legislation. From 2016 the Government has introduced the Right To Rent checks which now require landlords to check that a prospective tenants nationality status to ensure that they are not an illegal immigrant.

Landlords also need to file away all their forms, ensure any keys are in a safe and secure place, pay in any rental money, and notify the relevant utilities of the new occupants and the exit meter readings. Landlords will also need to decide how they want to deal with the tenant's rent deposit money under the Government's Tenancy Deposit Scheme.

What is right to rent?

Right to rent refers to the mandatory checks that the Government introduced as from the 1st of February 2016 relating to the nationality of a tenant to ensure that they are not an illegal immigrant. These controls were brought in by government and now use landlords as the first line of defence in the battle of illegal immigration into the UK. It has been initiated by the Home Office.

When do landlords have to do the right to rent checks?

This legislation covers lettings by both landlords and their agents.

Landlords are legally required to carry out their right to rent checks at the start of any new tenancy.

You must check that a tenant or lodger can legally rent your residential property in England. Right to Rent checks apply to a number of residential agreements not just Assured Shorthold Tenancies.

These include:

- tenancies
- sub-tenancies
- leases of less than 7 years
- sub-leases
- licences

Before the start of a new tenancy, a landlord must make checks for all tenants aged 18 and over, even if:

- they're not named on the tenancy agreement
- there's no tenancy agreement
- the tenancy agreement isn't in writing

NB for tenants who are only allowed to stay in the UK for a limited time then these right to rent checks will need to be performed 28 days before the start of the tenancy.

Which tenants do landlords not need to perform a right to rent check on?

- accommodation arranged by local authorities or relevant NHS bodies
- care homes
- hospitals
- hospices
- social housing
- hostels and refuges
- tied accommodation
- student accommodation
- long leases

How to make a right to rent check?

A landlord must check that a tenant or lodger can legally rent your residential property in England.

Before the start of a new tenancy a landlord must make checks for all tenants aged 18 and over, even if:

- they're not named on the tenancy agreement
- there's no tenancy agreement
- the tenancy agreement isn't in writing

What checks should be included in the right to rent checks?

Before letting a property to a new prospective tenant, landlords or their letting agents should follow four initial right to rent steps:

- 1) Establish who will be living at the property
- 2) Landlords must see original and genuine documentation which proves the tenant has a right to live in the UK and check the document's validity in the presence of the holder
- 3) Retain a copy of the documents and record the date of the check
- 4) If the person's right to rent in the UK is for a limited time only, the landlord will need to make a note of the date this right will expire in order to make a follow up check. Depending on which is the longest, landlords must make a further check just before either the expiry date of the tenant's right to stay in the UK, or 12 months after the previous check.

My opinion is landlords should check the status of all prospective tenants to avoid breaching discrimination laws, even if they're sure of the person's ability to rent in the UK because they know them. It's important to not make assumptions.

There is a comprehensive list of documents that a landlord will need to look at to fulfil their duties under the Right to Rent legislation.

Check if the property is used as the tenant's only or main home

A property would usually be a tenant's only or main home if:

- they live there most of the time
- they keep most of their belongings there
- their partner or children live with them
- they're registered to vote at the property
- they're registered with the doctor using that address

Check their original documents, when you're with the tenant, you need to check that:

- the documents are originals and belong to the tenant
- the dates for the tenant's right to stay in the UK haven't expired
- the photos on the documents are of the tenant
- the dates of birth are the same in all documents (and are believable)
- the documents aren't too damaged or don't look like they've been changed
- if any names are different on documents, there are supporting documents to show why, e.g. marriage certificate or divorce decree

If the tenant is arranging their tenancy from overseas, you must see their original documents before they start living at the property

What happens if a landlord doesn't carry out right to rent checks?

There are significant penalties for landlords that fail to carry out the right to rent checks. The main penalty is a fine of up to £3000.00.

Amy Castleman of Premier Solicitors comments that as of December 2016, landlords who fail to comply with the Right to Rent scheme will face a range of penalties which could include up to five years in prison. The current penalty is a fine of up to £3,000.00.

The Right to Rent was introduced across England in February 2016 and places a duty on a landlord to check that a prospective tenant or lodge can legally rent your residential property in England. All tenants should be checked as it is against the law to only check people you believe aren't British citizens.

The new penalties were recently announced by the Home Office following the implementation of the Immigration Act 2016 which comes into effect from December 2016. Prior to this, the penalty was a fine but the new provisions have created four new criminal offences that extend the consequences to include a fine, up to five years in prison or both. A persistently ignorant landlord could receive a fine, prison sentence and continuing sanctions for failure to take steps to remove illegal migrants from a property under the Proceeds of Crime Act 2002.

This means that compliance with the Right to Rent regulations will be even more important due to the threat of a custodial sentence if they fail to do so. Most landlords will know that illegal immigrants do not have the right to rent a home in the UK, but some landlords continue to exploit this market for financial gain. The Home Office has had no choice but to crackdown on this situation.

Landlords should ensure that they are adhering to the Immigration Act and if they have doubts, they should work closely with experienced letting agents and solicitors. Under the new regulations, letting agents will also be liable to a fine if they fail to meet the regulations.

If a landlord needs to evict a tenant, illegal or otherwise, they are able to if they follow the legal route obtaining a court order for possession. In relation to illegal immigrants, the regulations are designed to make the process easier by providing additional grounds for possession and landlords may be able to evict an illegal immigrant without a court order.

[Right to Rent legislation:](#)

The full details of the [Immigration Act 2016](#) are laid out in the legislation and contain the details of the provision of the Right to Rent regulation.

GENERAL SAFETY IN A RENTAL PROPERTY

Introduction to General Safety

Landlords are expected to consider the general safety of their tenants and any other individuals visiting their rental property. Landlords have a duty of care.

These considerations are not only for the protection and benefit of their tenant, there are some very compelling reasons why landlords should make absolutely sure their rental properties are entirely safe.

Potential risk can be minimised by good property management practice. Landlords need to make regular checks of their rental property, looking out for any safety issues that arise, whether through wear and tear, any structural issues relating to the property, regulatory issues in terms of utilities or required servicing, or to do with tenant behaviour. Landlords should act promptly to fix any potential risks they pinpoint during these visits. Don't adopt a 'fingers crossed' attitude.

Accidents at a rental property can put a landlord into a whole lot of trouble. Any aspect of safety comes under criminal law - if a landlord is proven to being negligent to a general safety issue at a rental property, they could be put forward as having committed a criminal offence. Found guilty a landlord can be faced with a term in jail, a heavy fine, or both. In addition to any state legal case, a landlord could also face liability from the tenant for civil damages, and these can be substantial. The smallest injury can bring an expensive fine.

To put this into context, I recently had one case where a drunken visitor to a rental flat I own, successfully claimed thousands of pounds after grazing his knee falling in the communal hallway. The claimant required no hospital visit. In fact I have never seen an ounce of proof that he grazed his knee at all. However, he was able to argue that a hallway light had stopped working. Having reported the issue, the electrician who had been arranged had failed to turn up, the letting agent hadn't realised and a further two days had passed. Fortunately for me, my landlords insurance company was able to pass the claim onto the letting agent for failing to check the issue had been fixed and it was their insurance that subsequently ended up paying out the fine.

Hopefully this shows just how easy a claim can happen, and that civil liability in safety matters is becoming an increasingly important issue for many landlords. Now that lawyers actively promote their services, on a 'no win, no fee basis', there is an increasing number of accident claims, and damages can be substantial if a case can prove negligence on the side of the landlord, even for something minor, such as a grazed knee (I ask you, what is the world coming to? .. Landlord shakes head and huffs).

The issue also emphasises the importance of paying out for comprehensive landlord insurance cover. Don't skimp on a limited cover policy. I like Alan Boswell's cover, because they offer a 5 star Defaqto cover, and are a specialist landlord broker who are used to dealing with the issues that result from tenanted properties.

Whichever landlord insurance cover you go with, make sure it is a specialist landlord insurance product, and not a general household insurance, which will not cover a tenanted property.

Okay, enough of the scare stories.

Safety Regulations in Rental Properties

Safety regulations in a rental property come under the Consumer Protection Act (1987) and The General Product Safety Regulations 1994 (European Communities Act 1972).

They require:

- Products supplied to consumers in the course of business must be safe.
- Consumers must be supplied with information and warnings about the use of products supplied.
- Suppliers must make themselves aware of the risks associated with the use of products supplied.

Items supplied in rental property

It is a criminal offence for a landlord to supply any item with a rental property that might be considered as unsafe. Some items such as oil heaters, portable LPG heaters, DIY tools, glass furniture and garden tools are particularly hazardous, and my advice to be landlords are best not to supplying any of these. They are all high risk and therefore best avoided.

Landlords should not forget to check the rental property before any new letting, just in case any unsafe items have been left by a previous tenants. If these are defective it would be the landlord who is liable.

Landlords should pick up on any risks when they prepare a Property Inventory and Schedule of Condition. Any safety issues should then be either taken away or dealt with then.

From my own experience, keeping the items provided to a minimum, especially any electrical appliances and upholstered furnishings at the rental property. It will help to reduce a landlord's risk of liability.

It is important for landlords to remember that by providing an appliance or furniture that does not comply with the respective regulations may result in a criminal offence the consequences of which:

- A fine of £5,000 per non-compliant item
- Your landlord insurance may be invalidated
- A possible manslaughter charge in the event of a death.
- Six months of imprisonment.
- The tenant may sue you for civil damages

Due Diligence by a landlord

Safety regulations regarding a tenanted property are enforced locally by the local authority: Trading Standards, the Health & Safety Executive, Environment Health Officers and local Fire Officers.

What landlords should be aware of in ensuring that they are not open to prosecution is that they can demonstrate that they have carried out their duties with "due diligence".

This legal term refers to them having taken all reasonable steps to avoid committing an offence and what is more, a landlord has kept the documentary evidence to prove this.

The main areas of safety that landlords need to be concerned about are:

- Gas safety in a rental property
- Electric safety in a rental property
- Furniture regulations in a rental property
- Fire safety in a rental property

LETTING AGENT OR DIY LANDLORD?

Should I manage my rental property?

Not all property investors are interested in being a landlord. The thought of dealing with all that property maintenance and tricky tenants is not for all. The fact is not everyone is suited to being a landlord. All rental properties need to be managed, and if a property investor doesn't want to do it, then they need to find a letting agent who will be expert in finding good tenants.

A landlord is on constant call, many find themselves leaning over someone else's blocked sink on a Sunday morning, plunging away. It's understandably not to everyone's taste. However, before a property investor rings their local letting agent, they should take a minute to consider their options.

Managing a rental property doesn't have to be that much work, and sometimes, if you're lucky, you won't hear a peep from a tenant for the duration of the tenancy. Now, imagine you could have been paying out a ten percent of your rent to a letting agent, for doing 'diddly squat'!

So, before deciding to handover the property management responsibility, let's just examine what letting agents do for their money and how much should you pay for letting agent fees? You might decide that you're better off doing it yourself!

The services of a letting agent & an online letting agent

Letting agents typically offer two levels of service to landlords. The first is commonly known as the 'let only'; the other is a full management service. Increasingly online letting agents are being used by landlords who specialise in getting a rental property on one of the major property portals such as Rightmove or Zoopla and will carry out the let only services 1 - 4 outlined below.

A 'let only' service will mean a letting agent will typically:

- 1) Produce the letting particulars for the rental property. They will help with making a rental assessment which will be useful for a novice landlord not familiar with the lettings market. An experienced landlord will already have a pretty good idea of the rents they can achieve, but it will at least highlight whether the letting agent 'knows their stuff'.
- 2) Market the rental property. This can include: producing lettings particulars, internet advertising on their company website, advertising on national letting sites such as Rightmove, inclusion in the company press advertising in the local press.
- 3) Carry out the referencing of the tenant, so a landlord can make an informed decision.
- 4) Provide an up to date Assured Shorthold Tenancy Agreement.
- 5) Take the first rental payment and the rental deposit payment.
- 6) Conduct the prospective tenant viewings.
- 7) Carry out the 'check in' and 'handover' of the rental property.
- 8) 8. Prepare a property inventory /schedule of condition (this may come with an extra charge)

Which letting agent should I use?

If you do decide to use a letting agent and as I go on to point out you really don't need one with the raft of online letting agents. I've managed for years without a letting agent. However, if you do use a letting agent and there are advantages as I outline below which letting agent should I use?

Clearly, like any service there are letting agents and letting agents! Price is clearly a factor and as I've said you can pay anything from 8% (not really sustainable to 18% (ridiculous!) of your gross rent. But cheapest doesn't make it cheap. Look out for hidden fees and also read the contract to find what is included in the service. Quality, can be priceless. If the letting agent is well respected and has good contacts in the local area then the fact that they charge a little more for their services will be well worth it. Reliability is often priceless to busy landlords. So do your research and ask lots of pertinent questions and you will get the letting agent you deserve!

The costs of using a letting agent

Letting agents traditionally charge in one of two ways; both of which relate to the amount of rent payable. Either the letting agent charges a fee relating to a multiple of the weekly rent- two weeks plus VAT is typical. Alternatively, some letting agents prefer to charge the landlord a percentage of the rent due for the tenancy contract period. Typically this would be 10% + VAT.

Now, this may not sound too excessive, however if the tenant moves out after 6 months the landlord could be facing two sets of charges in one 12 month period. Increasingly, letting agents are charging a fixed fee for their service. This is obviously attractive when a landlord has a higher value let in which case the management fees fall as a proportion of the rent, often to considerably below the 10% or 2 weeks of rent paid used by other letting agents. Letting agents will normally only ever charge the landlord a letting fee if they let the property, but remember, if the property remains empty then this is a cost and therefore a charge in all but name only. Its worth noting that employing a cheap but ineffective letting agent is a false economy for landlords.

Obviously letting agents would prefer landlords to take their 'full management service', as they'll make a guaranteed regular risk free income, often for doing very little work.

How much money can I save by not using a letting agent?

I have carried out an assessment of the relative costs of landlords managing the let themselves as a posed to using a letting agent, the result of which are contained in the table below.

COST COMPARISON TABLE

	ADVERTISING	AGENT	DIY
1	Press only (4 adds)	INC	£40
2	Internet add	INC	£30
3	Notice board	FREE	FREE
4	To let board	INC	£30
5	Viewings- 4 hrs @ £10 phr	INC	£40
6	Admin – 4 hrs @ £10 phr	INC	£40
	CASH COST	£460 *	£100
	CASH & TIME COST	£460 *	£180

* figure based on rent of £650 pcm & standard let only fee of 10% of rent on assumed 6 month rent +

As you can see, taking a rent of £650 pcm (obviously low for London) landlords can save over 75% of the cash costs of managing their let if they DIY. Even when landlords factor in their labour, these figures still amount to a well over 50% saving on the letting agents' fee. This can be even more where rental levels are high. This is because as the DIY costs remain fairly constant, the letting agents' fee tends to rise in proportion to rent. For instance, say the rent doubled. The letting agent's fee would also double to £920. The result is that the potential cash savings from a DIY let for a landlord increases to a little under 90%.

It is important for landlords to recognise that letting agents' fees are all off-settable against the profits of a landlord's tax liability. Therefore, a proportion of the letting agent's costs will be mitigated by a reduction in any tax charged on a landlord's profits.

Using a letting agent saves time

The primary reason is time. After looking at all the work involved for landlords in marketing a rental property, landlords are probably wondering whether they want to conduct the process themselves. Landlords lead incredibly busy lives and finding the resources to fully manage the letting of one or more investment properties may mean having to give up some cherished pursuits.

In order to help landlords evaluate the commitment involved, I've prepared a table below illustrating the time involved in each aspect of the process.

DIY MANAGEMENT – LANDLORD TIME IMPLICATIONS

Step no.	Description	No. hrs
1	Drawing up a marketing plan	0.5
2	Placing your lettings ad & payment	0.5
3	Setting up rental viewings	0.75
4	Rental viewings	4 *
5	Selecting the preferred tenant	0.5
6	References, credit checks	0.5
7	Organising the move	0.25
8	Letting property "hand over"	1
	Total	8

* possibility of reducing it to zero

At about 4 hours, excluding viewings, the time involved for a landlord in a let isn't huge. Conducting the rental viewings for a landlord is the most time consuming task and also the biggest variable. This is because it is largely dependent on travel. Something a landlord should consider when purchasing a property; particularly where the landlord intends to manage it themselves. Assuming the landlord conducts the viewings them self, how much time should a landlord allow? I would say in an average market it should take landlords four viewings to get a let. This could vary, by up to 100% either way, depending on market conditions. If each viewing (including travelling) takes one hour, then on average each let should take four. Landlords are therefore looking at approximately eight hours work per let, or roughly one working day. If a landlord's tenancy lasts an average of say nine months, this works out at about one and half days work per year per property on lettings. It is however possible for landlord's to reduce the viewing time down to zero!

This is where a good relationship with your existing tenant can pay off. By talking first on the phone to the prospective tenants a landlord should have already found out a little about the prospective tenant; career, background, when the tenant wants to move, etc. All this can be achieved by a landlord without having to meet the prospective tenant by traipsing across town. The great thing about a landlord using an existing tenant is that; as they are about to leave the existing tenant is consequently thinking 'deposit, deposit'. They're eager to please. A bit of gentle coercion goes a long way! I've learnt that by using the tenant to show prospective tenants around dramatically reduces the time for a landlord spent conducting viewings, possibly to zero.

After this process and the subsequent viewings; hopefully conducted by the landlords departing tenants, the landlord should be left with a number of prospective tenants all desperately keen to rent their property.

As I have mentioned the main drawback of DIY for a landlord is time but there is also the hassle factor. The time as I have shown at between 6-12 hours per investment property/yr maybe not as great as a landlord might have thought. More of a drawback in my view is the inconvenience. The fact is that as a landlord you are always on call and have to respond to the prospective tenant's requests; particularly during stages 3 & 4 of the letting process. Given that most tenants work, this probably means that the landlord has to be available evenings and weekends. After a hard day at work or on a cold dark winters night, not always what you need!

Letting agents should be able to give a landlord advice

Many novice and prospective landlords have asked me if they have never rented out an investment property before, should they really be doing it them self? The whole process of finding a tenant and managing the letting may seem a daunting prospect for landlords. The truth is that it is really not that difficult. Landlords just need to be organised and have a smattering of commercial savvy and as I have demonstrated it is possible to save themselves hundreds, if not thousands of pounds.

However, many landlords, particular novice ones still feel that they don't really have the expertise to conduct the process themselves. Hopefully after reading this book they will change their mind. There is a huge amount of information and advice on all aspects of letting out property particularly on the internet. Sites such as www.propertyhawk.co.uk take you through every step of the letting process. However, some landlords like the comfort of specific advice tailored to their local rental property. A visit by a letting agent allows a landlord to get personalised advice on the state of their local rental market and other specifics such as whether their property requires redecoration or a new kitchen. This kind of feedback may be seen as invaluable, particular to novice landlords starting out on their 'buy-to-let adventure'. The first bit of advice a landlord will get is the rental level of their investment property. If a landlord doesn't know the area that well then this sort of lettings information can be very useful. It is worth noting that this information is generally obtainable by landlords studying local adverts and websites for similar properties to let. One thing for landlords to look out for is letting agents being too bullish in their rental assessment. Like any agent they need to get your business. They also know that quoting a low rent may well mean that landlords are likely to go to another letting agent who is willing to give the figure the landlord wants to hear, regardless of how realistic it turns out to be.

It worth remembering that if a landlord is unsure or worried about the rental level to set, there is nothing stopping a landlord getting a free rental assessment from a letting agent and then still opting to DIY.

There is rightly a perception by landlords that with the introduction of new bits of legislation such as Houses in Multiple Occupation licensing and the Tenancy Deposit Scheme (TDS) that being a landlord is becoming more complicated. This all adds to the feeling amongst some landlords that they are ill equipped to deal with the technicalities of modern landlording. This is not true. The reality is that a little bit of time and research should equip landlords to deal perfectly adequately with most of the issues that are likely to arise.

[Letting agent are better placed to market a rental property](#)

A letting agent will normally handle all aspect of the marketing of a rental property. This is one less thing a landlord will need to worry about. The letting agent should know how much to charge in rent and how best to advertise their rental property. After all, they have a shared interest to get the it let. However, it's always worth landlords remembering that it is not the letting agent that is 'forking out' for the mortgage payment each month. Therefore, sometimes landlords can be left with the feeling that the letting agent is not working as hard as they could to secure a let for their investment property. This will be particularly the case when there is a glut of rental properties on the market. In this scenario, letting agents are probably still letting property, unfortunately, yours may be getting left on the shelf. Make sure to monitor their performance, and if the property is not getting viewings, chase them up and insist 'push' your property. Have a discussion with the letting agent to establish what is going on. Is the rent too high? Are tenants put off by the poor state of the kitchen? Decisive and prompt action by a landlord should ensure that they avoid the hardship of a prolonged rental void. It may transpire that the real problem is that the rental valuation that the letting agent originally gave was too ambitious and that this has meant that the letting agent is failing to get the numbers of viewings necessary to obtain a let.

One of the big marketing advantages for landlords of using a letting agent is that most are signed up with Rightmove, the no.1 property marketing site. If they're not, don't use them. Rightmove is the biggest property marketing site so you want your rental property on there.

[Help with letting forms and agreements](#)

Some landlords have an aversion to form filling, me included. The letting process unfortunately does involve an element of paper pushing and it is important that these letting forms are completed correctly. The letting agent provides the landlord with an up to date and completed Assured Shorthold Tenancy agreement. The letting agent should also prepare a property inventory. It should be noted that with the introduction of the Tenancy Deposit Scheme, this document and its' preparation has taken on a greater importance. The result is that more letting agents are either charging for their preparation or outsourcing this to specialist inventory clerks. The charges in both cases can be passed on to the tenant.

The reality is that both the Tenancy Agreement and the property inventory are fairly straightforward to fill out. They are also available to download for free from our website.

Despite this, some landlords feel reassured that having the letting forms provided and completed by professionals will insure them against problems with the tenancy. Some landlords may be shocked to discover that this isn't always the case as I go on to explain in the next section.

Letting agents will take control

Some landlords are wary of their tenants. Employing a letting agent is an ideal way of not having direct contact with tenants. Personally, I have prefer to meet my tenants. To me, there is a certain comfort in giving them a once over before a handing over the keys to my precious property.

A positive of employing a letting agent is that they do act as a filter, cutting out some of the 'poorer' quality letting applicants, that a landlord might have to sift through if they were advertising in classified adverts. This is because many letting agents require either a registration fee or they charge the tenant for arranging the letting. This cuts out 'scammers', opportunists, and many tenants on benefits, who are less likely to register through a costly letting agent. Obviously, if the landlord is specifically aiming at benefit tenants they need to realise that in using a letting agent this may exclude a proportion of their potential letting 'pool'.

The advantages of dealing direct with the tenant, rather than through a letting agent, is that a landlord can act incisively. For instance, the landlord likes the look of the tenants. The tenants are setting up home for the first time and need a sofa. The landlord can make a snap decision. Do they yield up the opportunity of receiving £7000 in rent and incur an additional £80 in advertising costs; or do they spend £200 on an Ikea sofa? I know what I'd do. If left with a letting agent, the letting agent is likely to follow their instructions which were that the property is only available part furnished and therefore it remains un-let.

Many landlords, especially those with a single investment property, retain a strong sense of 'ownership'. They want to be involved in every aspect of property management and they are uncomfortable about ceding this responsibility to others. In light of the previous section and the issues raised, landlords need to ask themselves honestly; where do they stand in the spectrum of management control? Does the landlord want to have complete control or would they prefer to have very little direct involvement, relying instead on the property professionals.

Ultimately, it's important to understand that by employing somebody else to manage their rental property, they are relinquishing control to somebody less committed to the success of their residential investment than maybe they are. On a 'let only' basis, a letting agent is concerned with getting a tenant in, and providing the tenant passes the requisite tests and tenant referencing checks they will get their commission, any subsequent issues with the tenant is not their problem. Landlords should always remember this.

Aspects of the quality of the letting agent's service are not always apparent until after the tenancy has begun. For instance, what types of credit and referencing checks has the letting agent carried out? When the letting agent tells the landlord that the tenants are 'fine', landlords need to make sure that they know what this means, and what checks the letting agent has employed.

Equally, landlords should look at how thoroughly the property inventory was completed. Will it stand up in court or a process of arbitration? Does the letting agent really notify the utility companies of the new tenants' details and the meter readings. The landlord needs to monitor the level of service is the same as a letting agent first promised and doesn't start to slip over time. Simply put, don't trust your letting agent, however smiley and nice they might appear. Remember it's their job to be nice to you.

Do you use a letting agent?

For many years, I've managed the letting process and found it to be a rewarding activity. Recently I've tended to employ a letting agent on a 'let only' basis.

I've concluded that having a portfolio, delegating the letting work to another party makes sense for me in that it saves time and shifts the responsibility to somebody that I trust to do a reasonable job. I still employ the 'twin tracking' technique if I feel that a let is starting to drag, although the tendency is that my agent will 'beat me to it' by letting the property before I do. To me this justifies the money I pay him.

Where DIY does really make sense to landlords is if they have a single or couple of properties. Then the landlord can really focus their efforts and time into micro managing the whole letting process properly. Under this scenario there is clearly a lot of money to be saved. On top of that, it is likely the landlord will do a better and more comprehensive job than any letting agent. The result is that a landlords' investment will be more secure and their returns greater than if they had employed somebody to do it for them.

Letting agent renewal fees

In recent years the spotlight has been placed on the practice of letting agent renewal fees.

This is a controversial topic where landlords have claimed to having been misled or at the very least not been fully informed. Most recently the Conservative government of Teresa May is bringing in legislation to ban letting agent fees for tenants. The reality for all services including that of letting agents is that they do provide a valuable service (if they didn't they wouldn't exist) and based on this logic somebody has to pay whether this is landlord or tenant. Some people have forecast that the days of office based letting agents just like estate agents is limited as disruptive technology means that everything can be done online leading to internet letting agent businesses such as Letting A Property.

THE HANDOVER OF A RENTAL PROPERTY

Exchanging forms and the tenancy agreement

'Handover' is the penultimate stage of the letting process for landlords and comes after successfully finding a good tenant. It is when a tenancy is created and the landlord finally has to handover their rental property to their tenants.

Landlords need to make sure that they have two copies of the tenancy agreement, one for them and one for their tenant.

All the details need to be filled:

- Date
- Name of landlord
- Name of tenant
- Property address
- The term of the tenancy (if applicable)
- The rent payable and when it is due
- The amount of rental deposit
- Landlords address – which needs to be one in England or Wales

Then the landlord and the tenant are ready to sign the tenancy agreements. Landlords need to remember, this is a legally binding contract and that there is no going back after this. If landlords are letting the rental property to more than one tenant, because the landlord is actually creating a joint tenancy, all the tenants will need to sign. This means that each tenant is deemed to be jointly and severally liable for all obligations including the rental payments. Once signed, the tenant retains one copy whilst the landlord keeps the other. Landlords who are a registered user of www.propertyhawk.co.uk can create unlimited free assured shorthold tenancy agreements. These documents are saved and can be updated using our free property management software - Property Manager.

Alongside the tenancy agreement, the landlord should also have a well prepared property inventory for the rental property detailing the contents and their condition. This will also need to be signed and copies shared.

The arrival of the Tenancy Deposit Scheme has brought further paper work for landlords. The Tenancy Deposit Scheme (TDS) requires landlords to provide the tenant with certain prescribed information concerning how and where their deposit is held. This information; sometimes known as a Section 213 notice in reference to the part of the Housing Act 2004 in which it is referred. The exact details of this information is contained in The Housing (Tenancy Deposits) (Prescribed Information) Order 2007 contained in Appendix. We provide free copies of the Section 213 notice.

Taking the first rent payment

Now comes the fun part - 'the money'. Landlords should always take at least a months rent in advance. Cash preferably, that way the landlord can hand over the keys straight away. If the tenant has indicated previously that this was going to be a problem because of not wanting to carry that amount of cash; understandable where the total sum amounts to thousands of pounds. In this case the landlord should have come to an arrangement with the tenant to ensure that funds have cleared into the landlords account either through a cheque or direct transfer. This precautionary approach

is necessary because there are numerous examples of tenants failing to honour even the first payment by presenting the landlord with a cheque that immediately bounces. Landlords should remember that this initial payment should also include the money taken for a bond / rental deposit. In return, the landlord gives the tenant an itemised receipt for the monies. This is appreciated by the tenant because it gives them with some reassurance that the landlord are not just going to run off with their 'hard earned cash'. It also provides the landlord with a record of the money received should a landlord need to trace payments in the future and should any queries be raised by the tax authorities.

Handing over the keys to a rental property

The other aspect of 'handover' is the presentation by the landlord to the tenant of a set of keys. Each tenant should have a complete set. Landlords should make sure that it is a full set; it's easy for landlords to forget the keys to the garage or window locks. These should be labelled with their exact function – front door, side door. Landlords should remember not to include the full address. Whilst this might be helpful for reference purposes for the landlord it would also be a 'God Send' to an opportunist thief should they ever get lost by the tenant. It is also necessary for the landlord to record which keys they have given the tenant. Again the property inventory should have an area to note down these details. Finally, if there is a burglar alarm, it might also be a good idea for the landlord to tell your new tenant the code!

Take the meter readings at the rental property

Other information that needs to be recorded by the landlord are the meter readings. Landlords should ensure that they have done all of them. The property inventory generated using our free property inventory software has a space to have these readings recorded by the landlord. By landlords recording these details on the inventory, they ensure that all the information is kept together on one document which helps with the management of the tenancy.

Instructions for the tenant

During 'handover' of the rental property it's useful for a landlord to demonstrate to the tenants how to use the appliances or 'pin point' any aspects of the property that may require some final instruction. For example, where the gardening equipment is stored, or how the boiler works. If a landlord has prepared a tenant documentation pack they need to remember to tell the new tenant where they have hidden it.

The inclusions of instruction manuals are always useful to a landlord in that they can be used as a defence to a tenant who tries to argue that an appliance became broken because they didn't know how to operate them. Landlords should always remember, to show the tenants where the stop cock is so that they can turn off water in the event of a flood. It's also helpful for landlords to point out the location of the RCD or fuse box controlling the electricity supply. This means should a landlords property be thrown into darkness the tenants should be able to at least locate the RCD unit. Hopefully it will be just a case of 'flippin' the switch to get the power back on. All this avoids a landlord or an electrician being called out on a needless and expensive trip.

Landlords should try and point out any other useful information such as: the days bins are collected, the central heating controls, the door entry and burglar alarm operation. Finally, landlords shouldn't forget to let the tenants have up to date contact details for the landlord or the letting agent.

Prepare a Tenant's Pack

It's always useful to prepare an information pack for each rental property. They help save tenants from making endless phone calls, asking where's that, how to do this and how do I work that? It saves everyone time and hassle. It can contain instruction manuals and documentation such as:

- Copies of the appliance instruction manuals
- Gas safety certificate
- Bin collection/recycling details
- List of contact details such as: the landlord, letting agent, approved contractors

Try and keep it 'short & sweet'

Ideally the whole process shouldn't really take a landlord more than an hour. My advice to landlords is to be friendly but efficient and try not to get drawn into a long conversation. After all landlords don't want to spend a whole day there!

Another time saving tip for landlords is to where possible make meetings with the incoming and outgoing tenant coincide. This way landlords save on travelling time and it also allows the landlord to introduce them to each other. This is useful to landlords, in that it allows information such as; forwarding addresses and outstanding matters to be passed from the outgoing tenant to the new resident. In addition, landlords should be able to time it so that the final utility reading for the outgoing tenant becomes the starting readings for the new occupants. Thereby avoiding a bill being sent to the landlord and the 'utility nightmare'

Dealing with utility companies

If there is one thing that is guaranteed to prematurely age a landlord it's dealing with the utility companies. Most utility companies seem to struggle with the concept that as a landlord you can be responsible for the bills for a very short time and that whilst as a landlord you own the building you don't live there. Despite these utility companies having multiple channels of communication; websites, telephone lines, e-mail.

My experience is that it is a little arbitrary whether they will get the information regarding final readings and changes of responsibility and then in turn whether they will process this correctly. I did have a friend who worked for one of the major utility companies and she confirmed that their system for final billing was in complete turmoil. Off course landlords should be able to in theory phone them up to clear up the problem. However, the reality is that landlords will often be subjected to an eternity of easy listening music while a recorded voice constantly apologies for the delay! My response, don't apologise – just get more staff, but of course there is nobody listening!

Landlords should try getting a good book to read or surf the net for a holiday whilst they wait for an operative to appear. I do know one landlord who uses the tried and tested system of writing to them and this seems to work for her. Either way landlords should be prepared for a deeply unsatisfying customer experience. Landlords have been warned!

Getting the paperwork organised

The final stage of the landlord 'handover' is often overlooked. The landlord is excited and relieved that they have a tenant in place and with the money assured for at least 6 months the landlords thoughts are likely to turn elsewhere. However, this is dangerous for landlords. This is because the

final stage of the tenancy has not been completed. The landlord needs to carry out the following to ensure the tenancy is fully on track:

- 1) Landlords should ensure that the tenancy agreement and inventory is filed in a safe and accessible place. This is because together these documents constitute the contract between the landlord and the tenant. Should anything go wrong and legal action be required by the landlord, then they will be vital in proving that a legally enforceable arrangement existed between the landlord and the tenant and importantly what the terms of this are.
- 2) Notify the utilities. This is as I have already mentioned a potentially frustrating experience for landlords. Nevertheless, it is important for landlords. This is because otherwise the landlord is reliant on the tenants who may forget. I tend to phone them up to give them the final reading. I know other landlords that write to them so that at least they have some record of them being notified. Either way, landlords should not be too surprised if it takes several attempts for them to get the message.
- 3) Landlords should ensure that the tenants contact details are stored away. Remember landlords can store their personal details such as e-mail address and phone numbers using our Property Manager free property management software. This is essential should a landlord need to contact tenants to conduct an inspection, or carry out any maintenance work that requires access to the property.
- 4) After all the viewings landlords should make sure that they have a complete set of keys and that they are labelled and stored away ideally in a lockable key cabinet. This means that should a landlord need to rush out to the property because of an emergency or to meet a tight deadline the landlord can find the right keys quickly and without a panic!

BEST LANDLORD INSURANCE

Landlord Insurance Building & contents

It's critical for a landlord to get the best landlord insurance they can for their money. Failure to get the correct landlord insurance could prove to be a very costly mistake, so it is imperative that a landlord fully understands what is, and isn't, covered under the landlord insurance policy in case disaster strikes..

Do I need specialist landlord insurance?

Yes! A standard homeowner property insurance will not cover a rental property. The nature of having a tenant would make any cover void. A tenanted property requires cover from a specialist landlord insurance policy. A household policy offers no cover for buildings, contents or landlord's (property owner's) third party liabilities; while the rental property is being let out.

What does the best landlord insurance actually cover?

Most landlord insurance policies contain two elements. The bulk of the cost relates to the insuring of structure of the building, the rebuild cost.

Alongside this, a landlord insurance policy will typically cover fixtures and fittings, such as: carpets, flooring, kitchens, bathrooms, white goods, light fittings and curtains. This landlord insurance cover is perfectly adequate for those landlords letting out an unfurnished property, though it is worth checking that the policy has some provision for cover against accidental breakage of sanitary fittings and fixed glass such as windows, as these are one of the most common areas of damage in a rental property.

One thing to be aware of with landlord insurance is that theft is only covered if there has been 'forcible or violent entry or exit'. This therefore effectively excludes the situation where a tenant decides to make off with a landlord's appliances and kitchen for example and underlines just how important having an adequate rental deposit is. The chances are a landlord insurance policy will not cover theft by a tenant.

It is possible for landlords to add specific contents to their rental property's policy. Items of furniture, kitchen appliances, etc. However, once again even the best landlord insurance policy will only cover damage of these items and not theft by the tenant.

Calculating the buildings cover for landlord insurance.

The level of landlord insurance buildings cover will depend on a number of factors that relate to the rebuilding cost of your specific property. It is possible to carry out a pretty accurate estimation for a landlord insurance quote of this using the Building Cost Information Service (BCIS) which is part of the RICS. This calculator takes account of the area that the building to be insured is in, the type of property and its' construction and will then generate a reinstatement value on which to base the level of landlord insurance you require.

Things to watch out for with landlord insurance:

There are a few things that the novice landlord should be aware of with landlord insurance:

- Don't be tempted to underinsure with your landlord insurance – if you do, it might save a few quid now but if disaster strikes it could leave you out of pocket by tens of thousands of pounds. My opinion is, the risk reward ratio just doesn't add up!

- Check the level of your excess in the landlord insurance policy. This is the amount of the claim that you are required to pay on any claim and effectively controls the viability of any small claims. Increasing the level of excess on a landlord insurance will help make a landlord insurance policy cheaper, but too high an excess will effectively preclude a landlord from making a claim for small and often more numerous items. An excess of around £100 is normally ideal on a landlord insurance policy.
- Be aware that most landlord insurance policies will exclude theft by the tenant. This means that if a tenant disappears, stealing any items from a rental property, the landlord will not be covered by the landlord insurance policy. You should ensure that this aspect of any potential loss should be adequately covered by any rental deposit that has been taken.
- Most insurance companies will automatically index-link your landlord insurance policy to make sure that your reinstatement value is maintained in subsequent years. It is worth checking this when you take the landlord insurance policy out.

Property Hawk recommends Alan Boswell's Landlord Insurance, we've found them to be competitive on price as well as very comprehensive on cover. We have an established partnership with them that provides Property Hawk users access to a special discounted rate on landlord insurance.

So summing up, every landlord requires at the very least a specialist landlord building insurance for their rental property.

Next to a mortgage, landlord insurance is typically the next largest expense and therefore it's worth shopping around to get the best landlord insurance deals, but my advice is don't go cheap without understanding the different levels of cover between policies.

As a simple guide Defaqto give a 5 star rating to landlord insurance policies - with five stars being the best.

SUMMARY

Hopefully this guide has given you a real insight into becoming a successful property investor. My hints and tips have been compiled over the years, often from personal experiences.

Property investing isn't for everyone as being a landlord can be financially crippling and soul destroying if you are not fully committed. On the flip side if you throw yourself into it whole heartedly you can make yourself a great little business.

Please utilise this guide throughout your journey and contribute to many of the articles that are online.

I wish you every success.

Chris Horne