

The Northern Dossier

Facts and figures for property rental success





LegalforLandlords™



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In property, knowledge is powerful stuff. But where, amongst the thousands of stories, gossip and rumour, is the relevant stuff? And how do you find the time to keep up to date?

Well, we've distilled the information. We've extracted the good stuff from the noise and left you with the pure, filtered essentials. We've called it The Dossier.

Good news about The Dossier – there will be good news included!

Yes, we're as tired as you are of constantly being battered by new rules, regulations and media reports which paint a less than professional image of the sector. Property investors, landlords and letting agents have been hit by changes in the law, stamp-duty increases and disappearing tax relief on mortgage interest payments, and we're 99.9% certain the fees ban is heading our way. But there is good news, and that's a great place to start.



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Tenant demand is at an all-time high, with no surplus supply

Those of us with properties to rent are in a strong position and rents are rising faster in the North West than anywhere else in the UK. That's got to be worth celebrating.

The second area experiencing a boom is the East Midlands where businesses want HS2 brought forward to speed up regeneration, especially in the manufacturing sector. The region has just seen its highest growth figures for 3 years.

It looks like the Midlands Engine and Northern Powerhouse brands are bringing increasing prosperity in the private rental sector. Regeneration cities like Leicester, Birmingham, Nottingham, Manchester, Leeds, Hull and Liverpool are starting to feel the benefit.



The prospect of rent pressure zones

If you're still working on the assumption that you'll always be able to set the rent for your property, you might want to keep a close eye on the situation in Scotland. The Scottish Parliament has passed legislation which will enable local authorities to establish 'Rent Pressure Zones'. The effect of these zones would be to limit any rent increases to 1% above the rate of inflation.

In many Scottish cities, rents have been rising very rapidly and affordability is now a serious political issue. The same people who can't afford to buy, are finding it increasingly difficult to find quality rental properties with manageable rents. Housing activists and the Green Party are calling for the first of these Rent Pressure Zones (RPZs) to be established across the whole of Edinburgh. A report is also being commissioned into the potential use of RPZs in parts of Glasgow.

Like many other regulatory moves, there will be consequences for both landlords and tenants, but the location and details of how these RPZs will work are yet to be seen. The restrictions on rent rises will only apply to existing tenants, but it's not hard to see that where there is substantial demand for rental properties, landlords could choose simply not to renew with an existing tenant and start over with an unrestricted higher rent. And, where a landlord wants to make substantial improvements to a rental property, he or she will need to apply to a rent officer if they want to increase the rent.

Of course, Scottish law is different, but as we've already seen with lettings agency charges, Scottish initiatives can cross the border.

In property, you need to keep your eyes and ears open, but we'll always do what we can to keep you informed.



Landlord licensing

Many councils have adopted a landlord licensing scheme in a bid to raise standards for tenants. Newham Council now vets all letting agents and has banned its worst landlords from operating in the borough. Housing standards in the rental sector are a key political issue, so we should expect other councils to follow Newham's path.



A new Housing Tribunal – what do you think?

Evictions can take weeks and all the time landlords are losing money. Scotland is implementing a new housing tribunal system and it's likely that something similar will be established in England. Will it work? Simply Business has been looking at the issue. Check the post will the new housing courts speed up tenant disputes for landlords?



Does it pay to do a place up?

The short answer is yes.

But, of course, it's a bit more complicated than that.

A new bathroom, kitchen, rewiring, flooring, boiler, new décor inside and out and energy saving measures can quickly add a new lease of life, increase a property's resale value or letting potential. Refurbishments mean a better quality of accommodation for the tenant, but do they always mean a higher yield for the landlord? Scott Hendry has been looking at the figures.





Pay for heat or pay the rent?

Every year we hear about above-inflation increases in retail energy costs and sadly, this is a choice that some tenants are forced to make. If you're a landlord, it might not be you struggling to stay warm but, nonetheless, you need to think about energy-efficiency. Minimum standards apply but there's also the simple fact that rising energy bills mean less money is left to pay the rent. With a poorly insulated property, you're at higher risk of arrears. There's a full report in The British Property Federation guide.



The housing shortage

The British Property Federation says Britain has too few homes and measures the shortfall as 1.8M properties. It's clear we need to change our approach. The property sector needs entrepreneurs' innovative traits to help ease the housing shortage.

Any ideas? Get sharing. Let's start a dialogue.



Six months or six year

In other parts of Europe, long-term renting is a popular choice. Some argue this is a better model than ours, and that it promotes stability, community and security, and tenants want a rental property they can call home. But what's in it for landlords? Are there benefits and, indeed, could buy-to-let landlords receive incentives for offering longer-term tenancies?



Thinking globally?

You're not alone, and it's worth knowing that investors from around the world are taking a close look at the buoyant North West. Importantly, they're also backing the region – Canadian real-estate company Avison Young has acquired Manchester's WHR Property Consultants.





Universal Credit teething troubles

The benefits system is changing, and some recipients are experiencing delays in receipt of their credits. The National Landlords Association and Residential Landlords Association are calling on the Government to ease the pressure Universal Credit will place on tenants' ability to pay their rent on time.



Under-covered?

Far too many in the sector are underinsured. 27 per cent of landlords have no buildings or contents insurance. They risk enormous losses. Many no protection if the rent stops coming in and no plan for emergencies.

Sector-specific policies don't cost a fortune and can protect your buy-to-let property, your investment and your livelihood.



Are rents affordable?

There are plenty who would argue that rents have climbed beyond what's affordable, although the opinion of landlords, struggling to meet their bills and obligations, will be different. But you can compare affordability in the regions around the UK. Figures from Savills show rent on a median two-bedroom property costs 23% of a renter's gross income in the North West. In London, that figure is 47%.

Lots of other things to consider, of course, but it's worth noting that Savills suggest these figures indicate those renting in the North have more chance of saving for a deposit and that consequently, 'The Smoke' may not be as attractive a destination as it once was for the region's young graduates. Read more at

www.savills.co.uk/research_articles/141285/224167-0





It's happening: buy-to-let investor numbers are falling

We should clarify that: the numbers of mortgaged buy-to-let investors is falling. No surprise given the tax changes which will have an increasing impact on landlords' incomes. Savills have predicted a 27% fall over the next five years.

Those borrowers determined to remain in the sector will be focusing on cheaper properties that yield more, as more rigorous mortgage lending rules are now in place. That could, of course, mean that more affordable regions, like the North, become more attractive.

www.savills.co.uk/research_articles/141285/224168-0

Year	Buy-to-let mortgages per annum
2002	85,000
2007	183,000
2017	75,000
2018	65,000
2019	65,000
2020	60,000
2021	55,000
2022	50,000



The fees ban makes perfect sense

Until you know the facts. It's not a story from the North, but this wee blog from Giles Barrett, a Senior Lettings Manager, resulted in a wry smile.

www.knightfrank.co.uk/blog/2017/10/30/there-has-never-been-a-more-inappropriate-time-to-ban-letting-agents-fees

The comment about the 108 bits of lettings legislation was the one that struck home, and this is where the public perception differs from the reality. For the real protection of the rights of tenants, we need a highly professional approach to property letting. If banning fees results in cutting corners, it's legislation that will backfire.



Training options

With regulation of letting agents a hot topic, the issue of mandatory training is again on the cards. It's too early to speculate what qualifications may be deemed essential, but it's never too early to be prepared, or to encourage your team to up their knowledge. Both ARLA and the RLA offer training courses aimed at both agents and landlords and the good news is that these courses aren't just about ticking boxes – they're a way to enhance your overall business skills.

<http://www.arla.co.uk/training-qualifications.aspx>

http://www.rla.org.uk/landlord/courses/landlord_training_courses.shtml?ref=menu



Longer tenancies

The Government is backing the idea of longer tenancies. Tenants want security, and landlords with a good tenant are happy to renew, but there's a small fly in the ointment – many mortgage providers have a clause in their conditions that prevents a longer tenancy. Even so, we would be wise to expect changes and a move to a more standard two-year tenancy with a built-in probationary period.

<https://www.lettingagenttoday.co.uk/breaking-news/2017/11/the-will-is-there-to-provide-longer-tenancies-says-trade-body>



Predictions from the Royal Institute of Chartered Surveyors

The RICS UK Residential Market Survey is predicting rent increases for the next five years of around 3.5% per annum as a UK average and notes that house prices are expected to rise by only 1% each year over the same period.

There are some interesting comments from RICS members in the North. One member highlights a fall in enquiries from European applicants, and another suggests this could lead to an oversupply of HMO accommodation. The more general appraisal of the market varies, indicating that even within the North there are significant local differences.

https://www.rics.org/Global/10._WEB_%20October_2017_RICS_UK_Residential_Market_Survey_tp.pdf





One in four households

Predictions suggest that one in four households will be living in the private rented sector by 2021. Within these numbers is huge growth in the build-to-rent sector which could be worth £70 billion in five years' time. The move towards the larger portfolio landlord is well and truly underway.

In this environment, understanding the needs of tenants is key and there are some fascinating insights in Knight Frank's most recent tenant survey. Pop the kettle on, settle down and enjoy learning which features of your property will tempt each type of tenant to pay a premium rent.

<http://content.knightfrank.com/research/707/documents/en/the-uk-tenant-survey-2017-4743.pdf>



Client Money Protection - Have your say

Now is the time to have your say on the implementation of mandatory Client Money Protection. The consultation period is open now. If you want to shape things, look sharp. Responses are required by 13 December. You can respond online and all the info you need is at

<https://www.gov.uk/government/consultations/mandatory-client-money-protection-schemes-for-property-agents>



Budget update

Gloomy economic predictions and the removal of stamp duty for most first-time buyers have grabbed the headlines, but it's always worth looking into the detail of the Chancellor's statement. He offered a little bit of good news and another increase in tax for the property rental sector.

First the good news. This relates to Universal Credit (UC) which has been causing problems for some tenants and their landlords. There is to be more upfront support for those applying for UC and no seven-day lag in qualifying. Housing benefit will continue to be paid for a fortnight after a UC claim, and in areas where rents have been rising fastest, housing benefit or UC will be increased by an average of £280.

Now for the bad news. Buy-to-let investors who have incorporated their business as a result of mortgage tax relief changes will now be stung for extra Capital Gains Tax if they sell their properties. Indexation – a method of providing tax relief on gains depending on the duration of asset ownership – is to be frozen from January 2018. There is the possibility that the relief may be abolished in the future. If you're buying properties in a corporate structure, it's something you'll want to keep an eye on.