

## Buy-to-Let Guide

Whether you have aspirations to invest in your first Buy-to-Let property or are an existing landlord looking to expand your portfolio, there are many things to take into account. Where do you start, what are the current, but ever changing legal requirements, do you manage the property yourself or ask an agent to do it for you and how do you maximise the potential returns on your property investment? All important questions and there are many more.

### Planning

Playing the Buy-to-Let game is a serious business and you should plan ahead thoroughly before diving in at the deep end. It is essential that you consult the professionals in the fields of legal, financial, tax and property management matters for advice and guidance before you start your journey. You should go into this with your eyes wide open, acknowledging the potential advantages and disadvantages.

### Financing the purchase

This is one of the biggest questions to consider at this stage, particularly given the size of the purchase and the nature of the investment. You should consider not just the upfront cost of the property but also fees involved in the purchase (solicitor, stamp duty, survey etc) preparing the property for rent and the ongoing maintenance of the property in the longer term.

### Buy-to-Let mortgages

Some investors are lucky enough to have cash available but with the majority of purchases financing is required via a buy-to-let mortgage. Typically lenders require a minimum 25% deposit with better rates available generally where a deposit of 40% or more is available. In addition lenders look for the monthly rental income to cover 125% of the mortgage payments. It is always best to discuss your options with an Independent Financial Adviser and we would be happy to effect an introduction.

### Research your market

It may sound obvious, but it is essential you do your homework and thoroughly research the market. Exeter has a vibrant but diverse rental market from families to working sharers to students. Yields vary but typically the student market provides the higher return (c 6½ - 7½ %) but initial capital costs are higher. The more knowledge you have and the more research you do, the better chance of your investment paying off. Why not contact us to discuss the rental hotspots in the area, where the demand is coming from and the kind of properties that are available within your investment budget.

### The legal minefield (Sales)

In certain central areas of Exeter, around the main University campus, legislation has been introduced that precludes a private house being sold and turned into a House in Multiple Occupancy (HMO) where 3 or more unrelated people will be occupying the property. This is called Article 4 Direction and came into force on 1 January 2012. If you are considering

purchasing a property for students or working sharers we would strongly advise you to visit the Exeter City Council website at [www.exeter.gov.uk/article4](http://www.exeter.gov.uk/article4) for more details or give our sales team a call to discuss.

### **The legal minefield (Lettings)**

Keeping up to date with the ever changing legal requirements can be challenging to say the least, especially for a first time investor. Energy Performance, Gas Safety, Portable Appliance Test and Electrical Installation Test Certificates are all commonly required as is the need to register tenant deposits within specific timescales. Recent changes, including Legionella checks and changes to properties that are deemed to be licensable Houses in Multiple Occupation (HMO), can be confusing for many and a lack of knowledge in complying with the rules and regulations is never a defence under the law and could lead to substantial fines. It is always best to seek advice from a property professional.

### **To manage or not to manage?**

Much will depend on your personal circumstances. Never underestimate the work involved in preparing the property, finding tenants, referencing them, drawing up contracts and dealing with emergencies and ongoing maintenance issues. It can be **very** stressful and time consuming. Being a landlord is a huge commitment and a serious responsibility. This is why we would recommend using an experienced Estate and Letting Agent to both buy and look after your investment property. As members of ARLA and NFOPP and with a close working relationship with Exeter City Council, we have that experience and knowledge within our lettings and sales teams. For full details of the lettings services we can provide please see the Landlord Information Packs in both the Residential and students@cardens sections of this website or give us a call to discuss.

### **Plan for the long term**

Whichever way you look at it investing in the Buy-to-Let market should be seen as a medium to long term investment, hopefully achieving both capital and income growth, and not a vehicle to “make a quick buck”. Make sure you have enough money put aside to cope with unforeseen repairs and maintenance costs that arise. You should also have funds in store to cover mortgage repayments throughout any void periods when the property is empty.

With appropriate financial planning you should be able to weather the storm of short term fluctuations in the property market and increase your chances of making your venture successful in the long term. So with the right choice of property, in the right location and with the very best available advice, a future in Buy-to-Let can be extremely rewarding.

With nearly 25 years experience in this specialist market, from residential to students, we at Cardens stand ready to help with practical advice and up-to-date knowledge on both the sales and lettings side. Why not give us a call.