



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

Top Buy to Let FAQs

1. I'm thinking of buying to let - where do I start?

If you're not sure whether buy to let is right for you or want to make sure you buy a property that'll give you the returns you need, this site has plenty of information. Start by downloading our Property Investment Brief and then take a look at our checklists: Top 10 dos and don'ts of buy to let, Viewing and Buying a property to let. Our articles on the advantages and disadvantages of using letting agents and the risks and rewards of buy to let will help you work out how to manage your investment.

2. What do I do if my tenant stops paying their rent?

Firstly, check the contract to see what date their rent is due, then speak to your agent if you have a full management service, or the tenant directly if you're self-managing. If the tenant has a guarantor, call and notify them in writing that the tenant isn't paying their rent.

You need to quickly establish why the tenant has stopped paying their rent. Then work out if it's a temporary or permanent situation. Have they stopped paying because they're unhappy with the property maintenance, or have they lost their job or split with a partner they'd moved in with?

If it's a temporary issue, you may decide to agree a schedule for them to catch up what they owe. If non-payment is likely to continue, see if the tenant will agree to leave quickly to allow you to get a new paying tenant in. If the tenant refuses to leave and also won't pay rent, you'll need to start eviction proceedings. Because every case is different, it's advisable to seek expert legal advice on how to proceed.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

3. My tenant hasn't given me enough notice – what do I do?

If they're supposed to give a month's notice and have only given two weeks, then ask them to pay for the full month. Sometimes the tenant wants to leave because the property requires maintenance, for example, the boiler doesn't work and hasn't been fixed for some weeks. If the tenant would stay on if you fixed the problem, this might be cheaper and less disruptive than having to secure another tenant.

If the tenant needs to leave and can't or won't pay the full monies they owe, try to negotiate with them so you receive enough money to fund securing a new tenant. Visit the property as soon as possible and give the tenant a copy of the inventory and a list of things they need to do if they are to receive any of their deposit back.

Contact the tenancy deposit scheme to see if you're able to hold back any deposit in lieu of rental arrears.

4. I like the idea of buying a wreck to renovate and let – what do I need to know?

Buying a property that requires substantial renovation, such as electrics, plumbing and a new roof, can be a good way of building in capital growth from the start. The main risk with a major renovation project is underestimating the cost and time of the work. Make sure you get three quotes for the work required and try to secure a fixed quote. If you can, add in a penalty clause for late completion.

A real benefit of renovating a property to let is that you can make sure you do all the works for it to legally comply with letting regulations and requirements from the start. For example, gas, electric and fire safety, and noise insulation or room size requirements. You can also carry out works to ensure the property has a high rating on its energy performance certificate. This is important for two key reasons: the lower the utility bills for the tenant, the more money they have to pay you rent, and it also protects you from future legislation that's likely to penalise landlords for homes that aren't energy efficient.

If you cost the renovation correctly and buy the property at the right price, you should have built in a 20% profit margin.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

5. How do I find dependable tradespeople to maintain my property?

The best way to find good tradespeople is through recommendations from people locally. Ask around at landlord events and talk to friends and neighbours. And make sure that any tradesperson you employ is a member of a trade organisation. In some cases, such as for gas and electricity, this is a legal requirement. In other cases, such as painting and decorating, you don't have to belong to an organisation but voluntary ones do exist.

Bear in mind that the best tradespeople will be busy. You'll have to be prepared to wait for them for big jobs, such as fitting a boiler, but smaller jobs can be done at the start and end of the day. Once they get to know you, and as long as you pay on time, they're likely to help you as soon as possible.

One of the advantages of choosing an ARLA or NALS letting agent to manage your property is they'll have their own trade contacts. And if the job is under £500, they usually won't add any on-charges.

6. How do I switch letting agents?

Find a good agent who you want to work with. They should be a fully paid up member of NALS or ARLA and will help you to move from your current agent.

The main document you'll need is the Terms of Business you signed when you engaged your current agent. This should have a termination clause in it, which explains what happens and how much notice you need to give. Either take this to your new agent and ask them to construct a letter/email to the current agent or write a letter/email yourself. Make sure you have proof of delivery via recorded delivery for post or delivery/read receipt for email.

As well as transferring your property to a new agent, it's vital you make sure any existing tenants' deposits are transferred too. Your new agent should be able to help with this. Alternatively, speak to the existing deposit scheme company, explain you are changing agent and ask what you need to do. If you're with the DPS or are moving to them, de-registering and re-registering deposits can all be done online.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

7. Who is responsible for major repairs on my buy to let leasehold flat?

Typically, you look after the internal space of the property and the freeholder (or their managing agent) looks after the exterior, communal areas and major building works, such as window or roof replacement. This can vary from one freeholder to another, so clarify your position with the solicitor who acted for you when you bought the property or read a copy of the leasehold document yourself.

8. Can my letting agent charge commission to sell a property to my tenant?

Most letting agents have a clause in their terms and conditions stating they will charge commission if your tenant buys the house they rented on your behalf. This is usually around 1%. Whether you ultimately have to pay this depends on how upfront the letting agent was about the fee.

9. What maintenance do I have to carry out?

You must maintain the property to a legally let standard. There are three types of rules and regulations you must abide by from a maintenance perspective:

- a. national rules, covering England/Wales, Scotland and Northern Ireland
- b. area-specific rules, such as those that apply only to Scotland and Northern Ireland
- c. local authority or council rules and regulations

However, your main concern should be that you abide by the rules set out in the contract between you and your tenant. For example, standard assured shorthold tenancy agreements state that gas and electrics must be safe for the tenant to use and that there shouldn't be anything in the home that would cause the tenant any harm. Examples of this include ill-fitting stair carpets that could be tripped over, mould in the property or poorly-fitting windows.

Read our article on maintaining your property to a legally let standard for more information.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

10. What is a 'good' rental yield?

This depends on the area you're investing in and whether yield is more important to you than capital growth. Overall, you should be looking for an income that covers all your costs and ideally gives you a profit on top. The yield is really a measure that allows you to compare different property investment opportunities, properties within your portfolio and other financial investments.

As a general guide, you should aim for at least 7% yield. Interest rates are likely to be 5% in the long term, meaning mortgage rates will probably range up to 7% and this is the major cost you need to cover. If your yield is lower than this, you may have to put money into your buy to let for a while. Not all areas will deliver this rate, but that doesn't mean the property isn't a good investment. Areas that deliver good capital growth often give a 5% or lower yield.

11. What can I claim as expenses against property income tax?

When you're running a buy to let, you're effectively running a business. So keep track of all the costs you incur in running your property business so you can claim legitimate expenses against rental income. Key expenses include: mortgage interest, insurance, letting agent fees and maintenance costs. Be aware that there's a grey area between what's defined as 'maintenance' that can be claimed against annual rental income and what's classed as 'a home improvement', which is deducted from capital gains when you sell the property.

Property taxation isn't straightforward, so work with a property tax specialist to make sure you record and claim the right expenses against your buy to let income.

12. Do I have to pay council tax if my buy to let property is empty?

Typically, if the property is empty you are exempt from paying for up to six months - or a year if you are carrying out major renovations. But check with your local authority, just in case the property has already received some exemption in the past.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

13. What are the key differences between buying a flat versus buying a house to let?

The main differences are the costs and the fact that you don't own the whole property. You'll pay out service and ground rent charges and may also be charged extra for major expenses, such as a percentage of the cost of a new roof or window. These costs can add up and substantially reduce your rental returns, so make sure you compare all the costs between owning a flat and a house before you make your decision. Most importantly, check the leasehold agreement to make sure it allows you to rent to a third party.

14. What do I need to consider when buying a property with tenants in?

If you purchase a property with tenants in situ, you need to use a lettings legal specialist because there's a lot more legal work involved. Firstly, you need to know what rights the tenants have - this will be explained in the tenancy agreement. Secondly, you need to talk to the tenants to find out what their plans are. Do they want to stay? Are they planning to leave? You can also ask whether there are things that need doing to the property to make it a better place to rent. Finally, you need to do the normal financial checks on the property to make sure it meets your property investment objectives.

15. How do I work out what return I can get from a buy to let property?

There are two types of buy to let returns. Firstly yield which is calculated by dividing the annual rent by the property's purchase value. Secondly there is a capital growth which is the property's value minus any purchase/sale costs, money invested and the purchase price you paid for the property.

16. How do I work out which is the best property deal to invest in?

This depends purely on your property investment objectives and your timescale. So download and fill in our Property Investment Brief and then our Buy to Let Business Plan. Once you've filled in these documents, they'll help you to compare different properties based on your buy to let return objectives, be they income or capital growth.



Designs on

PROPERTY

Passionate about homes

PROBLEM SOLVING

17. Can I do my own buy to let accounts?

When you first start investing in buy to let, you might think working out the income and costs and filling in a tax form is relatively easy. But the problem is how complicated property tax becomes when you add in your other income and wealth. Because of this, it's much better to secure some help from an expert from the start and then, when you understand how everything works, consider doing the accounts yourself.

18. What can I do to raise my rental income?

Rental income is typically aligned with what's happening to wages. So if people can afford to pay more rent, they'll compete for the best properties, naturally raising rental prices. In comparison, if wages aren't increasing, it's more difficult to increase rents, so the best properties simply tend to rent faster and have fewer voids. To increase your rent on-going, make sure your property is maintained to a higher standard than others in the local market.

19. I'm struggling to secure enough income to cover my costs – what can I do?

This is a difficult situation for anyone to be in. The first thing to do is to look at all your costs and prioritise the top five to see if you can reduce them in some way. For example, if you're currently on a repayment mortgage, you may be able to move to interest only or extend the term of the mortgage. Secondly, make sure your tenants are paying all of their rent on time and check whether you might be able to increase the rent. Finally, it may be worth looking at your portfolio to see if you could sell one of your properties to reduce the financial pressure you're under.