

Bluestone



LANDLORD GUIDE

Your guide to letting your property.

Landlord Guide

A simple solution to letting your property

Whether you're an experienced landlord or new to the market, this guide will provide you some up to date information as you prepare to rent out your property. You may want to take the following factors into account to ensure that this is the right decision for you.

Getting started - What to consider



Twice as many people now rent as they did in 2001 and experts predict that this will be the continuing trend over the next decade. Changing demographics, working patterns and different attitudes to home ownership are driving more people to renting. This shifting pattern helps to explain why property letting is big business.

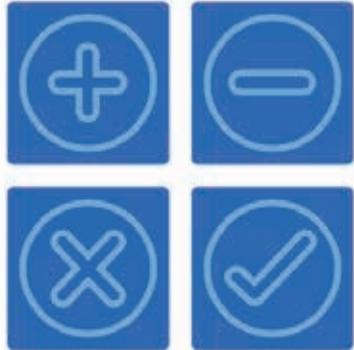
There are, however, as we all know, certain risks and responsibilities involved. As a landlord, you need to know your location, your tenants and, crucially, your likely returns. It's wise to consider the demand for rented accommodation within the locality of the property. For example, there may already be an oversupply of rented accommodation in popular inner city areas and so it could be difficult to find suitable tenants.

Make sure the price is right – Rental yields

The rental yield is essentially the return on your investment and represents the year's rental income, expressed as a percentage of the properties value. In order to calculate the yield of a property:

Annual rental income / properties capital value x 100

So, if the value of a property is £100,000 and the monthly rent is £800 per month, equating to an annual rent of £9600, this will yield a return of 9.6%. Gross rental yield can vary and range from as little as 4% right up to 15% or even 20% of the property value. Unless your main investment objective is capital appreciation, a good rule of thumb is to aim for around 10%. The net yield is calculated using the amount left after purchase fees, repairs, void periods, mortgage repayments and running costs have been taken into account.



Expecting the unexpected – Void periods

It's also important to be realistic about the level of rent that can be charged and to allow for some unoccupied periods between lets (voids). The average void period for each residential property in the UK is now around two weeks.

Top tips for preventing a void period:

- 1 Think about whether the rental price of your property is accurate and reflects current market conditions.
- 2 Ensuring that the presentation of your property is at its absolute best.

Monitoring your finances – Tax

As a landlord, you are required to pay tax on both your rental income (income tax), and on any profit you make from the eventual sale of the property (capital gains tax). As with all matters of taxation, there are many legitimate ways of reducing the amount of tax you owe, including a tax-free allowance for both income and capital gains tax. Income tax is payable on profits made from the property renting business by computing the total rent receivable less expenses. This will vary substantially if you are living overseas. Typical expenses which can be deducted include:

- Repairs and maintenance (this cannot include initial expenditure on improvements needed to bring the property up to standard)
- Gardening
- Cleaning
- Ground rents
- Service charges
- Contents and building insurance
- Managing agent's fees
- Legal fees for tenancy agreements
- Advertising
- HMO licence costs
- Interest (not the capital repayments) on loans used to buy or improve the property
- Water rates
- Council Tax
- Heating
- Lighting
- Security
- Accountancy fees
- Subscription to a landlord association; motor and travelling expenses for visiting the property and for attending to matters relating to let properties.

Safeguarding your property – Protection for your investment



Insurance

Buildings insurance covers the risk of damage to the structure and the permanent fixtures and fittings of a building, for example, as a result of fire. Tenants are responsible for providing their own contents insurance to cover their personal belongings. We are also able to offer policies for landlords that provide

cover for additional risks such as the loss of rental income. Insurance can also provide additional cover for the landlord in case the tenant is injured as a result of an accident at the property, together with other elements not necessarily covered by normal household insurance. Ask us about our range of landlords buildings policies.

Preparing your property – What to do before your tenants move in?

Furnished or Unfurnished

A furnished property is defined as “one that is capable of normal occupation without the tenant having to provide their own beds, chairs, tables, sofas and other furnishings”. Part-furnished usually means that white goods (a washing machine, for example) are installed, but furniture is not. If furnished accommodation is being provided, it is important to understand the need to provide safe furniture and furnishings, particularly in relation to fire safety. Students and young professionals are unlikely to have much furniture of their own, so are most likely to want a furnished property. Families are more likely to have accumulated their own things, which will need storing elsewhere if they can't use them, so a furnished property could rule out a significant element of some target markets.

Since the 1st of January 1997, persons who hire out furniture in the course of a business (and this includes furniture provided with rented accommodation) are required to comply with the Furniture and Furnishings

(Fire) (Safety) Regulations 1988, which set safety standards for fire and flame-retarding requirements for upholstered furniture manufactured after 1950, or where the tenancy commenced after March 1993.

The regulations relate to:

- Furniture meeting a cigarette resistance test.
- Fabric covers, whether for use in permanent or loose covers, meeting a match resistance test.
- Filling materials for all furniture meeting ignitability tests.

Tenancies that commenced prior to 1993 are exempt, but all additional or replacement furniture added after 1993 must comply with fire resistance requirements. The regulations require that all new furniture (except bed bases, pillows, scatter cushions, seat pads and loose and stretch covers for furniture) must carry a display label at the point of sale. This is the retailer's responsibility. Such a label will indicate compliance.

Energy Performance Certificate

Landlords are required to have an Energy Performance Certificate (EPC) when a property is let to a new tenant. The purpose of the EPC is to show prospective tenants the energy performance of the dwelling that they are considering renting. The certificates show the energy efficiency rating in detail by using a comparison of the home's energy performance related features with average ratings. The certificate also draws specific attention to the 'Green Deal'. Once obtained, it's valid for 10 years unless the property is sold, when a new EPC must be obtained.



The EPC should be arranged before the property is advertised and a copy must be made available to tenants, free of charge. The actual tenant who takes the property will be given a full copy of the EPC including the assessor's recommendations. It's a requirement to provide an EPC when the property is let as a separate (or self-contained) dwelling.

This also applies if a whole house or flat is being let to a group of sharers on only one contract. There's no requirement to provide an EPC when a single room in a house is being let.



Gas Safety Certificate

It's vital that landlords clearly understand their responsibilities and obligations in relation to gas supply and appliances, and the duties and responsibilities placed on them by the gas safety regulations. A breach of the regulations is a criminal offence, enforced by the Health & Safety Executive. Landlords are required by the regulations to ensure that all gas appliances are adequately maintained and that an annual safety check is carried out by a registered tradesperson.

From March 2009 the Gas Safe Register has replaced CORGI gas registration in Great Britain and is now the official industry stamp for gas safety. Once the inspection has been carried out, the installer will provide a gas safety record. A gas safety record must be provided to tenants when a property contains gas appliances when they first move in, and annually thereafter.

Electrical Certificate

Landlords need to ensure that electrical installations and all electrical appliances are 'safe' with little risk of injury or death to humans, or risk of damage to property. This includes all mains voltage household electric goods supplied by the landlord such as cookers, kettles, toasters, electric blankets, washing machines and so on.

Any equipment supplied must also be marked with the appropriate CE marking. One way of helping to achieve safety is to undertake a formal inspection of the installation and appliances on an annual basis.

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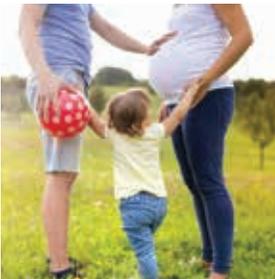
Choosing the right tenant - Your perfect tenant is waiting

You should give some consideration as to the type of tenant you want before thinking about where and what you buy, if you haven't done so already. For instance, professionals will likely favour proximity to good transport links in commuter areas, while good local schools will be more important to families.



Professionals

Professionals want to rent for a variety of reasons: some are waiting to get onto the property ladder, have relocated near to a new job or their own business. This can make securing a mortgage tricky, or they may be looking to move for a short period of time. Professionals are often viewed as favourable tenants due to being in a stable financial situation.



Families

Families represent a significant opportunity for landlords as they are the fastest growing group within the rental market. Families can often prefer to sign up for a longer-term let or want to decorate the property in their own style. The location of the property is equally relevant - its proximity to schools, for example.



Housing Benefits

This group represents a sizeable opportunity following a shortage of local authority housing in the UK, and many of these tenants could also fall into one of the categories above (e.g. families with children). A consideration for this group of tenants is whether your mortgage will allow you to rent out your property to tenants in receipt of housing benefit.

Housing Benefit is a national scheme administered by local Councils which helps people on a low income to pay rent for their home. Housing Benefits pay for part or all of a tenant's rent. How much is paid depends on the tenant's household, income and other circumstances. Housing Benefit can be claimed by all tenants on a low income including those who work and is not always based on the rent charged. Benefits are normally based on the Local Housing Allowance rate that applies to the tenant; or the actual rent if it is lower.



Students/ House Shares

A sizeable population of around 1.8million tenants is made up of students. More people are attending university than ever before, both within the UK and from overseas. This clearly makes for a significant rental opportunity. There are other benefits to targeting students: you can usually rent a property to more people than if you had a family as your tenants (many student properties have a converted bedroom

downstairs, for example). Although the majority of students are looking for a furnished property, they don't tend to be as particular about the décor or size of rooms as a group of professionals might be. It is worth taking into account that you may need to find tenants more frequently (i.e. every academic year), but each year's intake of new students brings a ready pool of new prospective tenants.

A larger property rented out to more than three households with some shared facilities (kitchen or bathroom), is known as a House of Multiple Occupation (HMO) and needs to comply with some different rules and regulations, as well as requiring a license from the Local Authority. Many student houses will fall under the HMO category, and you will need to provide enhanced fire precautions and face periodic inspections. If you have a Buy-to-Let mortgage, you will also need to make your lender aware that you are providing a HMO.



Long Term Vs Short Term

The standard tenancy term is usually 6 or 12 months, and this is usually what's specified in an Assured Shorthold Tenancy agreement. However, a longer-term let (a tenancy over 12 months) can be drafted up, although it's not necessarily advisable with a first time let. There are advantages and disadvantages to both, depending on the type of tenant that you want to target. By its nature, a short-term let is more flexible for both parties (tenant and landlord). If you're uncertain about your future rental plans, a short-term let can fill the gap. There are also groups of potential tenants specifically looking for this type of arrangement, like overseas workers or companies with a mobile workforce, which opt for this type of accommodation over costly hotels.

For your peace of mind - High quality referencing

Tenant Referencing

As a landlord, you need to safeguard your investment, which means you want tenants who are reliable, pay on time and take care of your property. Our thorough identity and credit checking is in place to help ensure this. Tenant referencing used to be just a snapshot in time, but we have access to the latest technology, which allows us to monitor your tenants' general credit performance throughout the tenancy. We work to ensure that you are given an accurate view of your new tenant's financial and current circumstances.

Our rigorous process includes:

- A credit check - to ensure that your tenant hasn't been declared bankrupt or has any CCJ's
- Three months bank statements - in order to obtain an insight into whether they are handling their financial affairs well.
- A landlord reference (where applicable) - to ensure that tenants have looked after their previous property and paid rent up to date and on time.
- An employment reference - to ascertain whether the employment is of a permanent nature and that the tenant is not facing any disciplinary action.

Getting your tenant through the door

As a landlord you have several options when it comes to managing your property. Regardless of your experience, we have services that are designed to meet the varying levels of assistance required. We can offer a basic tenant find service or a fully managed package that can extend to the management of your whole portfolio. We aim to provide a transparent service and offer a competitive fee structure with no hidden fees. Our customer service is second to none, aiming to exceed expectations for both landlords and tenants.



Our marketing techniques are distinctive and highly effective. We have developed a pioneering customer focused service that utilizes the latest web technology to ensure that your property gets the maximum exposure.

Our extensive range of advertising includes Rightmove, OnTheMarket, Facebook, Twitter, Tele and Email Marketing campaigns. We will accompany every viewing and will work alongside you to let your home. We will expertly negotiate on your behalf to achieve the highest price in the quickest possible time.



Tenancy Agreement



A Tenancy Agreement is a contract between you and your tenant(s) that outlines the rental rights and responsibilities of both parties. A Tenancy is a contract on mutually agreed terms between a landlord and tenant that is essential to ensure that both parties meet their previously agreed requirements. Most Tenancy Agreements are on an Assured

Shorthold Tenancy (AST) basis. The main benefit of ASTs for landlords is that they can recover possession of the property without needing a reason, provided that any fixed term has expired and the proper form of notice has been served correctly. The notice is known as a section 21 notice, this is the landlord's right to recover possession and the due procedure is set out in section 21 of the Housing Act 1988. The notice must be served on the tenant at least two months before the landlord wants the tenancy to end. To end a fixed-term AST, the section 21 notice must expire on the last day of the fixed term. To end a periodic AST, the section 21 notice must expire on the last day of a period of the tenancy.

Deposit

After the tenancy agreement has been signed, a deposit will be collected from your tenants. This is usually four to six weeks' rent, although it is up to you how much you charge. This can be set depending on how much 'risk' you perceive there to be, for example, if a tenant has a pet you may consider asking for a larger deposit. It protects you from any damage caused by the tenant or a tenant leaving without paying the rent. It isn't required by law, but it is prudent to collect a deposit to protect your investment. When the tenant moves out, it is returned to the tenant less any deductions permitted: normally for damage (in excess of fair wear and tear), additional cleaning and to cover any outstanding rent.



Because a small minority of landlords wrongly withheld or did not return deposits, the Government introduced, in the Housing Act 2004, a statutory deposit protection scheme. A deposit must be dealt with in accordance with an authorised tenancy deposit protection scheme from the moment of receipt- we can deal with this on your behalf.

Some tips if you plan to register the deposit are:

- Landlords must comply with their chosen scheme's initial requirements within 14 days of receiving the deposit.
- Landlords must provide the prescribed information to the tenant, and to anyone who paid the deposit on the tenant's behalf, within 14 days of receiving the deposit.
- Protect your tenant's deposit within 30 days of receiving it.
- Return your tenant's deposit at the end of the tenancy.
- Give your tenant, in writing, the following information: your contact details (even if you're using a letting agent); details of the tenancy deposit protection scheme used; information on the tenancy deposit protection scheme; how they will get their deposit back at the end of the tenancy; and what to do if there is a dispute over the deposit.

Inventory

Wear and tear to a properties furnishings and fittings over time is inevitable, but drawing the line between this and damage can be a tricky territory. Having an inventory (sometimes called a statement of condition) is essential if the property is let furnished, and a very good idea even if it is unfurnished. With our fully managed service, we will require a full inventory for the property file. We can provide you with a full HD video which will provide you with an accurate representation of your property, so that if a dispute over the condition of the property ever happens, we will be able to provide independent evidence to the judge.

It is advisable to keep all receipts and to make a record of the meter readings (included within our inventories). The inventory is a vital document showing the condition of the property pre-tenancy, although any evidence will need to have been agreed and verified by both parties.



Inspections

This is both to identify and to prioritise repairs and other works which may need doing and to ascertain whether the tenant is conducting their tenancy in an acceptable manner. We visit all managed properties within the first three months of the tenancy, and will send you a full written report. Following this, we will set a schedule for future inspections based on the results of the initial inspection. If you are conducting an inspection yourself, it is important to note that, unless the tenant agrees otherwise, you must give at least 24 hours' written notice of any visit and its purpose.

As a Landlord you are generally responsible for the maintenance and major repairs to a property. This includes repairs to the structure and exterior of the property, heating and hot water installations, basins, sinks, baths and other sanitary installations. Properties require ongoing maintenance if you want to secure a long-term return from your investment.

It's also important to show a duty of care and respond quickly to any problems or repairs. From a legal point of view, this will also put you in good stead in the event of any claims. If you choose our fully managed service, being the first point of contact for the tenant, we can deal with all maintenance issues that may arise on your behalf.

Solutions to problems...

Problems that can arise

Providing that tenants have been referenced sufficiently, problems rarely occur with a Tenancy; however, the most common areas of conflict that arise are:

- Rent arrears
- Nuisance and anti-social behaviour
- Damage to the property and/or bond disputes

Keeping detailed records of all communication is essential within a Tenancy in order to safeguard against any potential disputes.

Ending a tenancy

The requirements for ending a tenancy are relatively straightforward; we will deal with this on your behalf should you choose our fully managed service. Under an AST, you have an automatic right to give notice of termination up to two months before the end of the fixed period. This notice can also be submitted through us. If your tenant wants to move out early, they are legally bound to pay rent for the fixed term outlined in the tenancy agreement, unless the tenancy agreement includes a 'break clause' outlining how much notice they are required to give and any special procedures to follow.

They would also be required to pay for any costs incurred in re-letting the property (such as advertising). However, if they don't have a break clause and you both reach a mutual agreement about ending the tenancy early, you can agree to 'surrender' the tenancy.

At the end of a fixed-term AST, if the landlord does nothing and the tenant stays on in the property, the tenancy will automatically run on from one rent period to the next on the same terms as the preceding fixed-term Assured Shorthold Tenancy. This is called a Statutory Periodic Tenancy. The Tenancy will continue to run on this basis until a new fixed-term or periodic tenancy is agreed, or the tenant leaves, or the court awards the landlord possession. If you need immediate access after the fixed term expires, a section 21 notice can be served at the beginning of the tenancy, provided that the notice expires on the day or after the tenancy has come to an end.

Let us help - A lettings service designed to your requirements:

	Tenant Find	Rent Receipt	Fully Managed
Fully marketing your property and contacting prospective tenants on our database	X	X	X
Arranging viewings and negotiating with tenants on your behalf	X	X	X
Running thorough referencing and credit checks on applicants	X	X	X
Advising you of your legal and financial duties as a landlord (e.g. annual gas safety checks)	X	X	X
Preparing the tenancy agreement	X	X	X
Collecting the tenant's deposit and putting it in a tenancy deposit protection scheme on your behalf		X	X
Managing the tenant's move in to the property (giving keys, inventory etc.)		X	X
Collecting the monthly rent and transferring this to you		X	X
Managing any problems (e.g. with arrears)		X	X
Providing an inventory of the property and assessing its condition prior to tenants moving in			X
Overseeing the transfer of utilities and council tax accounts			X
Providing a day-to-day point of contact for any repairs or tenant concerns			X
Regular inspections of the property			X
Giving tenants notice at the end of the tenancy			X

PS - Some reasons to consider a full management package.

- No need to spend time and money on obtaining a license to rent your properties
 - Day-to-day property concerns handled on your behalf
 - No need to worry about collecting the monthly rent
 - A less direct relationship with your tenants
 - Utilise our local market expertise and lettings knowledge
 - Good, local industry contacts
 - Direct point of contact for tenants
 - We oversee all aspects of management, from finding tenants to arranging legal paperwork and managing the relationship
 - Managing your own property rental can be time intensive, particularly if you have a portfolio of properties.
-

Licensing - Rent Smart Wales

If you are not using a professional lettings agent to manage your property you must obtain a license in order to let out your property. You may also be required to attend a full days training course and may also be required to complete additional courses online. Set fees will also be payable to obtain and maintain the license.

Having Bluestone manage your properties will mean that you can avoid the hassle of licensing, attending courses and maintaining the license as we do all this for you.

Testimonials

"Thanks for everything, you are very professional, and I can't believe that renting the property through yourselves has gone so smoothly and I have such lovely tenants!"

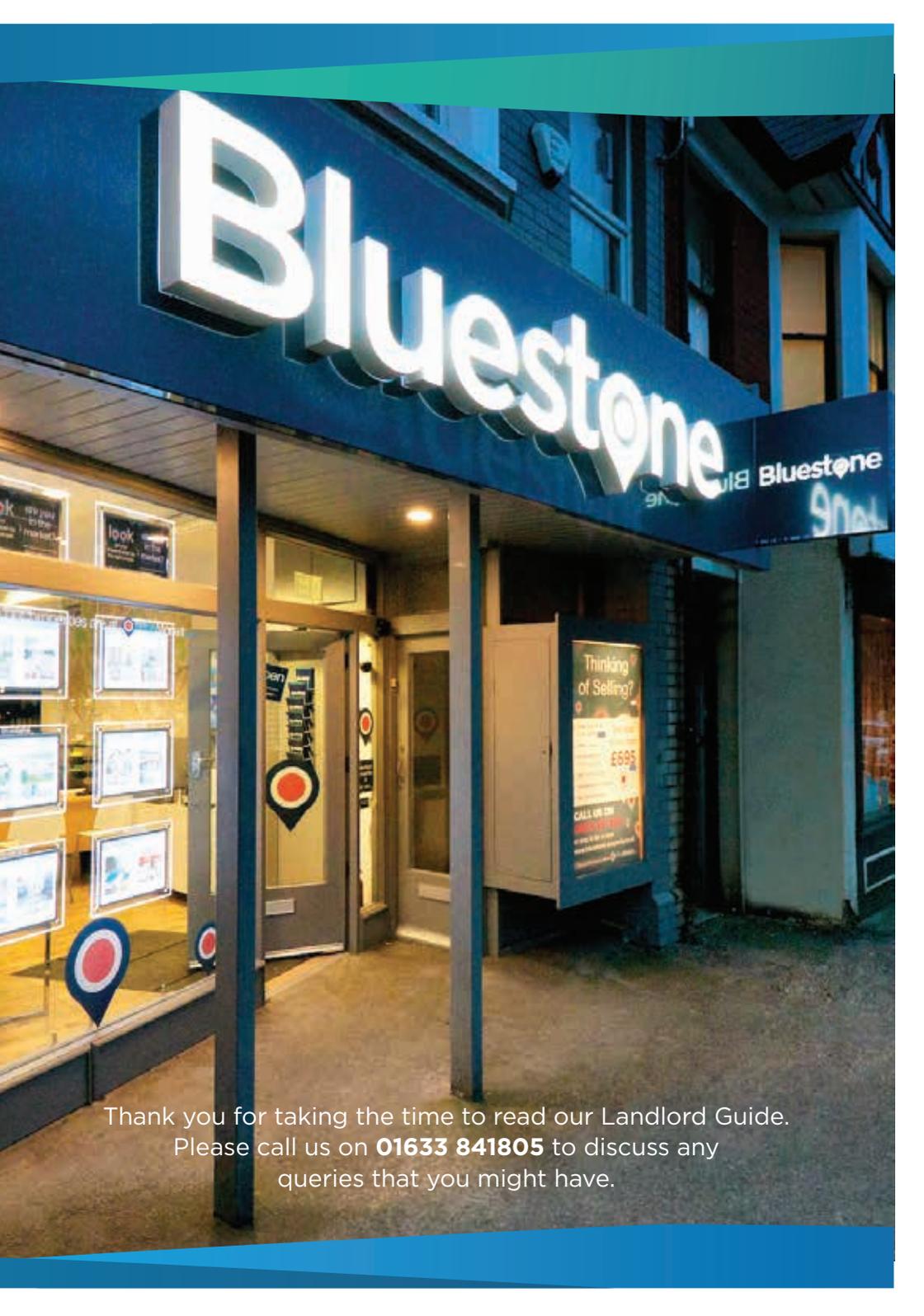
SUSAN PEAT, LANDLORD

"Thank you for the fantastic service you gave us right from the beginning to completion in selling our home on Oaklands Road. We've sold a number of properties in the past and I can say that you've managed to combine a professional service with a personal touch. The pictures, video tour and the attention to detail you paid to us was outstanding. I was especially impressed that you sold our home within a week of our instruction and also very impressed by your online case tracking which kept us up to date through to completion. Keep up the good work! I shall definitely be recommending you to my friends and family."

CAROL CHAPMAN, VENDOR

"Having worked with numerous local lettings agents and been continually disappointed, working with Bluestone has been a breath of fresh air. Bluestone manage to combine a professional service with a personal touch, using initiative and a prompt and pro-active approach in all aspects of the service they provide. Bluestone allow me the peace of mind that my investments are being protected and my properties run both efficiently and professionally."

MARK MCCROSSANT, LANDLORD



Thank you for taking the time to read our Landlord Guide.
Please call us on **01633 841805** to discuss any
queries that you might have.

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