

# Property: All change

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The LBC Property Podcast - 26 Oct 17  
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## Episode 1 - Is Buy to Let a wise investment?

**BBC Radio 5 live** @bbc5live  
With interest rates on the rise p  
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### Watch Episode 1



- Watch:
- Kate's intro
  - Legend landlord Tom
  - Panel discussion

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To carry out a property project successfully, you need to ask the right questions, of the right people

Our FREE, independent property checklists will help you do just that.

We all come up against problems when we're carrying out property projects. That is why we need help from qualified professionals, but it's hard to know what the right expert advice is, especially when the rules and regulations change all the time.

Created by property expert [Kate Faulkner](#) and supported by award winning companies and organisations in the industry, these checklists will help you get the right service and advice - whether you're moving, working on a property, investing or have a problem you need to solve.

- Buy To Let Guide
- Buy To Let Mortgage Application For Portfolio Landlords
- Choosing A Law Firm For Your Buy To Let Purchase
- Analysing A Buy To Let
- Financing A Buy To Let
- Investing Via A Limited Company
- Buying At Auction
- How To Buy Property Below Market Value
- Buy To Let Insurance
- Letting A Property
- Choosing A Letting Agent
- 12 Steps To Letting Success
- Landlord Associations
- Renting Rooms
- Buy To Let Tax
- How To Ensure Your Rental Property Is Safe For Tenants
- Landlord Electrical Safety Checklist
- Legionnaires Disease Risk Assessment
- Buy To Let Storage
- Inventory Checklist
- How To Evict A Tenant Checklist
- Landlord Deposit Protection
- New Build Homes Snagging

The Buy to Let show  
The Buy to Let Show episode...

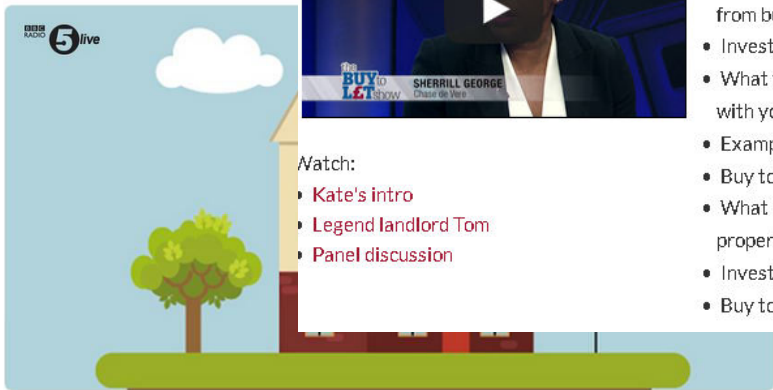
Kate on BBC R4 You and Yours

Our founder Kate

Watch our Buy to Let show

Kate on BBC R4 You and Yours

Watch Kate on TV



# Kate's PPE



- Property, politics and economics
  - Politics
    - Can wipe out profits overnight
      - Both for investors and letting agents
  - Economics
    - Can drive natural capital and income growth
      - It can also ensure failure
    - Inflation can wipe out 'apparent' property returns
  - Property
    - This is the one thing you can control (almost!)

# Biggest change to property: Politics



- I believe, MPs believe:-
  - Rising house prices are not ‘a good thing’
  - Too much ‘imbalance’ of power in property
  - The PRS is here to stay
    - But tenants are more important voters than investors
    - Build to Rent landlords ‘are the future’
    - If individual BTL investment is reduced, home ownership will increase
    - Rents are ‘extortionate’

Are they right?

# Biggest change to property: Politics

- Rising house prices are not ‘a good thing’
  - Unless in line with wage increases































































Property Prices Towns/Cities <i>England, Wales, Scotland &amp; NI</i>	Allow people to move up / down the ladder										
	Average price in 2000	Average price in 2005	Highest average house price pre-credit crunch 2007/08	Lowest average house price during recession 2009	Market low +/- versus market height	Latest month's data Aug 17/ Q2 17	How much higher/lower are latest prices vs height in 2007/8	Year on year change in price in Aug 17/ Q2 17	Annual average increase	Highest yearly average increase since 2000	
										Date	% Increase
Birmingham	£57,695	£131,870	£148,578	£122,773	-17.37%	£175,943	18%	7.0%	6.8%	Feb-03	36.4%
Manchester	£39,743	£93,079	£140,431	£111,679	-20.47%	£166,982	19%	8.6%	8.8%	Jun-04	34.9%
Milton Keynes	£73,465	£157,579	£194,666	£147,827	-24.06%	£267,436	37%	5.5%	7.9%	Feb-03	32.0%

- Milton Keynes:-

2007-17 house price inflation: 37%

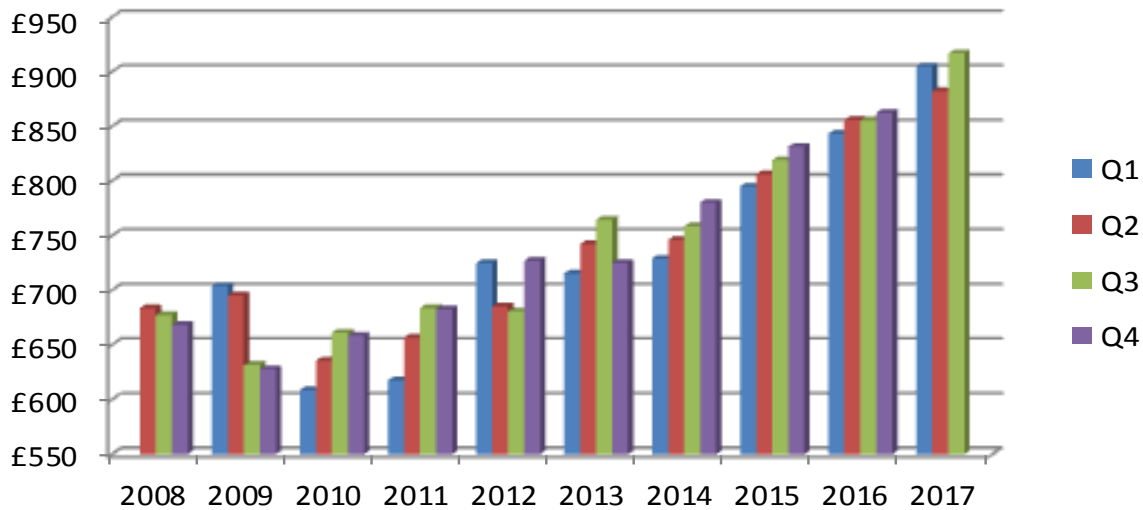
# What's the future?

	2017	2018	2019	2020	2021	5-year
<b>UK</b>	 0.0%	 2.0%	 5.5%	 3.0%	 2.0%	<b>13%</b>
<b>London</b>	 0.0%	 3.0%	 4.5%	 2.0%	 1.0%	<b>11%</b>
<b>South East</b>	 2.0%	 2.0%	 6.5%	 4.0%	 1.5%	<b>17%</b>
<b>East of England</b>	 2.5%	 2.5%	 6.5%	 4.0%	 2.0%	<b>19%</b>
<b>South West</b>	 1.0%	 2.0%	 6.0%	 3.0%	 1.5%	<b>14%</b>
<b>East Midlands</b>	 0.0%	 2.0%	 5.5%	 3.5%	 2.0%	<b>14%</b>
<b>West Midlands</b>	 -0.5%	 2.0%	 5.0%	 3.5%	 2.0%	<b>13%</b>
<b>North East</b>	 -2.5%	 1.5%	 5.0%	 2.0%	 3.0%	<b>9%</b>
<b>Yorks &amp; Humber</b>	 -2.0%	 1.5%	 5.0%	 2.5%	 2.5%	<b>10%</b>
<b>North West</b>	 -2.0%	 2.0%	 5.5%	 3.0%	 3.0%	<b>12%</b>
<b>Wales</b>	 -2.0%	 1.5%	 5.0%	 2.5%	 2.5%	<b>10%</b>
<b>Scotland</b>	 -2.5%	 1.5%	 5.0%	 2.0%	 3.0%	<b>9%</b>


























South East: 3% annual increase year on year

# What about rents?

## Buckinghamshire



*“Milton Keynes rents are static”*  
 Source Belvoir Milton Keynes

Location	2018	2019	2020	2021	2022	5-year compound growth
UK	 2.5%	 2.5%	 3.0%	 3.5%	 3.5%	15.5%
London	 3.0%	 3.0%	 3.5%	 3.5%	 3.0%	17.0%
UK excl London	 2.0%	 2.0%	 3.0%	 3.5%	 3.5%	16.0%
Wages	 3.0%	 3.0%	 3.0%	 3.5%	 3.5%	17.0%
CPI	 2.0%	 1.5%	 2.0%	 2.0%	 2.0%	9.5%

Source Savills Research



# Impact for investors

Need to build in capital growth at purchase

Consider gearing vs cash

Check rental income increases in line with inflation

# Biggest change to property: Politics

- Too much 'imbalance' of power in property
  - Good thing for leaseholders
    - 
    - Prohibiting the sale of new houses under leasehold
    - Restrictions on ground rent
    - Challenge service charges
  - Mundy case, appeal January 2018
    -
  - Forced introduction of commonhold?



# Impact for investors

Consider your leasehold strategy

Buy? Hold? Sell? Extend?

# Biggest change to property: Politics

- Are tenants more important voters than investors?
  - As long as they vote!



## Countrywide Research estimates:-

No. landlords peaked at 3.72 mn in 2015

No. landlords were 3.56 mn in 2017

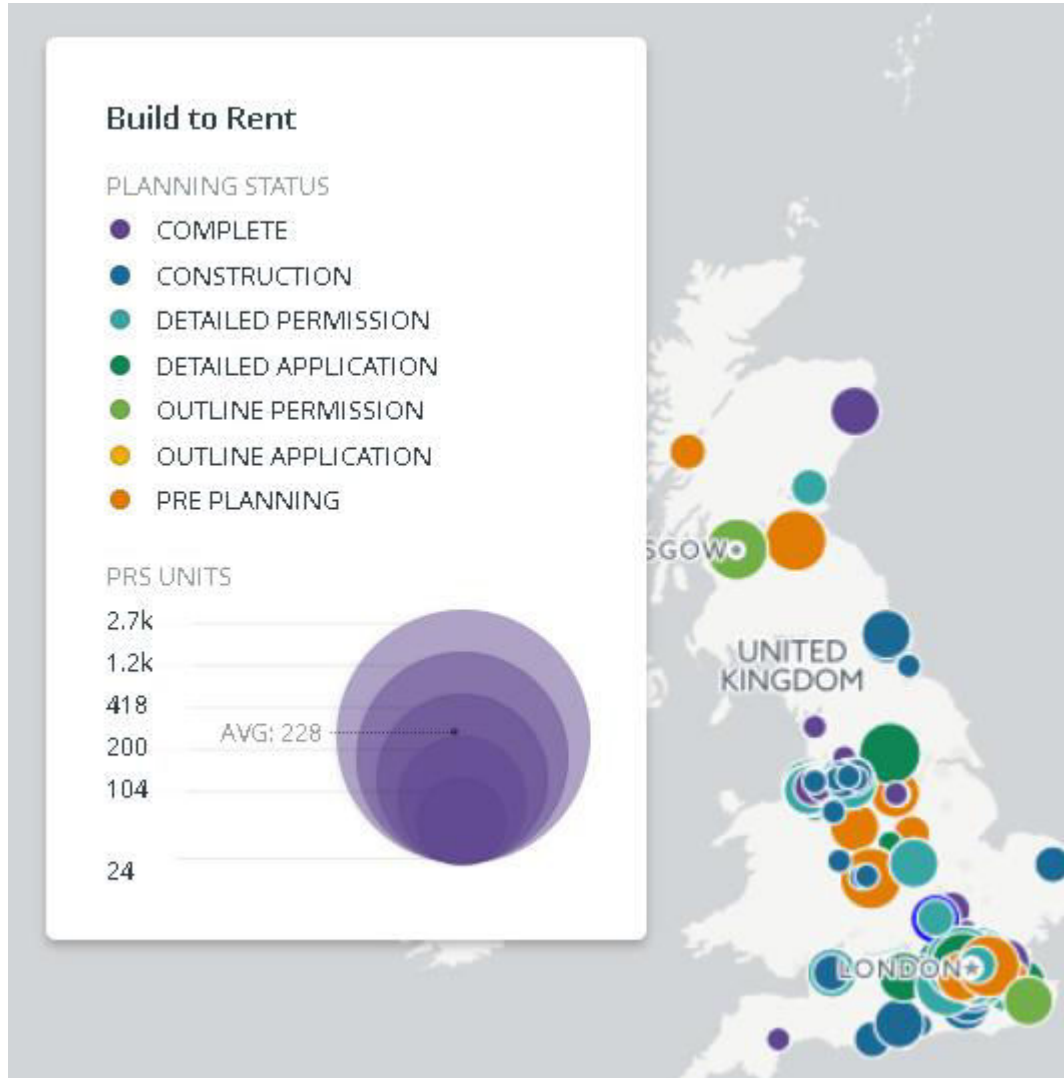
Inland Revenue estimates around 2mn

Shelter

9 million voices

Making renting better

# Build to Rent is the future



**There are 95,918 build to rent units** either completed or planned across the UK

**In London, there are 54,978 units**

**Outside London, there are 40,940 units**

Good – but it's not enough!



# Biggest change to property: Politics

- If individual BTL investment is reduced, home ownership will increase



- If banned 'BTL in London' it may help
  - But where would the tenants go?

# Rents are extortionate



A £400k property requires:

Savings: £50k

Costs: £2,000 per month



Savings: £2k (most returned)

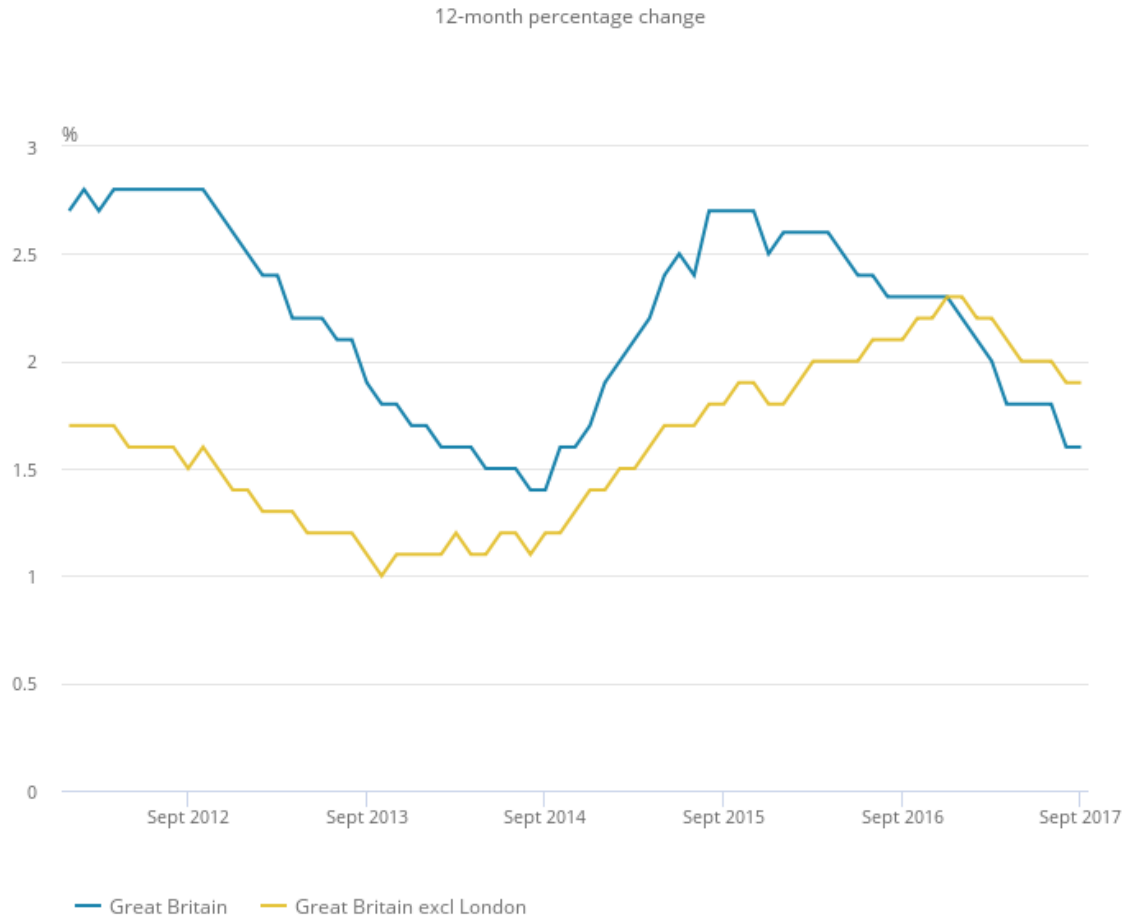
Costs: £1,250 per month



Estimate renting costs £5k less per year in London

# Rents are extortionate

Figure 2: Index of Private Housing Rental Prices percentage change over 12 months, Great Britain, January 2012 to September 2017



Source: Office for National Statistics





If rents are 'controlled' rental inflation will increase

# Impact for investors

Next two years will be tough

MPs will realise '*robbing Peter to pay Paul*' won't work

# Now for the good news!



- The market will improve for investors/landlords
- The industry will improve with regulation
- Buying and selling may become easier
- Property will always offer individual opportunities

Not building enough of all tenures,  
based on affordability

# Milton Keynes market



- Housing benefit caps:
  - £384.62 a week for lone parents/couples with/ without children
  - £257.69 a week for single people

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2017	£7.50	£7.05	£5.60	£4.05	£3.50

- Average wage:
  - Annual Gross Salary (Residents) (2013) £29,999

# Milton Keynes affordability



- Housing benefit caps:
  - £1,116 per month for a single person
  - Currently 383 properties available, 2-3 bed
- Minimum wage:
  - £28,860 couple @ 30% = £8,658 = £721.50 per month
  - Currently 49 properties available on Rightmove, mostly 1 bed
- Average wage:
  - £60,000 couple x 3.5 = £210,000
  - Currently 276 properties available on Rightmove

# Milton Keynes demand

- Population: 255,700, expected to grow +300,000 by 2033
  - Housing Stock: 105,540
    - *Aim to deliver 28,000 new homes between 2010 and 2026*
    - *Build at least 1,750 homes per year*
  - Housing completions
    - *2012/3: 1310*
    - *2013/4: 1080*
    - *2014/5: 1,070*
    - *2015/6: 1,140*
    - *2016/7: 1,230*
- <http://www.milton-keynes.gov.uk/business/economic-development-news-and-updates-2016-17>

Industry needs regulation..  
and it's coming



# CMP, loss of letting fees, regulation

- Client money protection
  - Does your agent have it?
  - If they don't can they get it?
- Loss of lettings fees
  - What's your agent's plan?
  - Will they survive the loss?
    - Are they already dipping into your tenants deposits?
- Regulation
  - If your agent isn't ARLA or RICS qualified, probably time to get a new one!

More clarity for  
investors and landlords

# Latest government news



- Recommend five yearly mandatory electrical installation checks
- A PRS electrical testing competent persons' scheme
  
- Your chance to feedback
- draft bill
  - No fees for granting/renewing a let
  - Keen to ensure a 'third party' doesn't either, eg in a form of a loan
  
  - What can lenders, agents and legal companies do, to do a better job?

# Coming up!



- Minimum property standards document
- Landlords 'how to let' guide
- Landlord redress scheme
  
- Budget, Wednesday 22nd November 2017
  - Incentives for landlords for longer tenancies
  - Stamp duty
    - Axe for FTBs? Lower for those trading down?  
Reduce for landlords who sell to tenants?
  - Going up!
    - *Possible relax of planning laws to enable houses and blocks of flats to be raised to*

# Property investment is changing



- Natural capital growth is reducing
  - Build to rent; add value; secure great income
- Rental income may not grow in line with inflation
  - Watch your costs
- MK demand for housing is likely to be higher than supply
  - Work out which tenant type has shortest supply
    - Now and in the future
  - Next few years there will be some great opportunities
- The property industry and letting/sales process will get better

# Landlords survival guide



- Fill in the consultations
- Only work with self-regulated agents: ARLA/RICs
  - Join a landlord/accreditation scheme
- Assess your property investment from a financial perspective
  - Spread your risk
  - Reconsider cash vs gearing
  - Understand tax change implications
    - And how to legally mitigate