

LEVELLING UP

Will the levelling up programme make the system fairer for private landlords?

The present situation

- Residential landlords owning one or more properties, when making a further purchase, pay 3% extra Stamp Duty.
- Selling a rental property no indexation/tapering is allowed.
- Capital gains tax on gain from sale of a rental property, 8% above normal levels for other gains.
- Treating private landlords who manage their own portfolios as an 'activity' and not allowing them to choose to be a business.
- A private landlord who carries out developments of properties to let is required to pay a substantial infrastructure levy to the local authority, dependent on size of development.
- Licensing, parking, scaffold charges by local authorities, vehicle permits, Council Tax.

Does the Government/local authority see the private rented sector as a cash cow and then alleges (surprise) at the level of rents charged as a result?

Levelling out the true situation

Landlords have heard much about the levelling out that Government intends to do with regard to the private rented sector but most, it seems,

is attempting to give tenants more security of tenure with little regard for the effect on private landlords.

The leading article to this newsletter indicates the charges made to private landlords when purchasing properties, selling properties, not being allowed indexation or tapering, all to the benefit/local government finances. In fact, Government treats private landlords as a cash cow, taking unfair monies when purchasing properties through stamp duty and selling through capital gains and, in particular, not allowing indexation.

Similarly, a landlord who builds to rent has to pay massive levies to the local council, thus making the cost of providing new housing much more expensive than it would otherwise be.

Local authorities think nothing of increasing Council Tax to the maximum allowed by Government and increasing scaffold permits, parking charges, commercial vehicle permits, to make sure that landlords have to pay the cost of these things and often sees a 10% increase as being perfectly normal, whilst landlords are often criticised for charging a market rent, but very rarely increase a rent by anywhere near the percentages the council use for increases on a regular basis.

In the opinion of iHowz, the levelling up by Government should look at the charges imposed on landlords and ensure they are no different to those for other activities, and not use the private landlord as a cash cow whilst then often criticising the rents charged, much of which as a result of unfair Government regulation.

THE GOVERNMENT WHITE PAPER AND IHOWZ RESPONSE

On a memorable date (2/2/22) the Government published its paper on Levelling Up. The whole paper is 305 pages long, and has just one paragraph on the PRS, which is small enough to be able to re-print here: *Publishing a White Paper in the spring setting out how the UK Government will support those in the Private Rented Sector including ending so-called "no-fault" Section 21 evictions and giving all tenants a strong right to redress. It will explore proposals for new minimum standards for rented homes, introducing a National Landlord Register and taking tough action against rogue landlords. Alongside this the UK Government will review the Decent Homes Standard to make sure it is fit for the present day and applies across all rented tenures. The UK Government will consult on the impact on the private rented market and particularly those on the lowest incomes. Further detail will be set out once the Decent Homes Standard review has concluded.*

When the actual White Paper is published, we will hold a public meeting to discuss.



Our response to Government so far has been:

Section 21

We have already written to all MPs before Christmas outlining our concerns regarding the potential unintended consequences of losing the Section 21. Details can be seen on the campaigns page of our web site - ihowz.uk/category/campaigns/

In brief, we stated we were worried that, if the Section 21 be abolished:

- Many landlords will be unwilling to offer a tenancy unless the applicant has perfect references.
- This will lead to further stress in the social housing when vulnerable tenants can no longer be housed in the PRS.
- Reduced supply of rental properties will drive up rents and associated housing benefit costs
- Social housing faces further stress in when vulnerable tenants can no longer be housed in the PRS.
- More landlords will leave the PRS as they will have little control over the behaviour of their tenants, giving even more stress to social housing

And offered the possible solution:

- Not allow the Section 21 for rent arrears.
- Introduce a sliding scale of notice dependent on length of tenancy
- Consider financial compensation for ending longer tenancies using Section 21

As a consequence of this campaign, some of the MP's have written to the housing minister urging him to look at our paper, and we have been able to have meetings with some of them.

We would urge all members to write to their MP. MP's only have to get 4 or 5 letters on a topic for them to look seriously at it. We don't offer a standard template for this; as we feel it better you use your own words.

National Register of Landlords

We have no objection to a National Register of Landlords; in fact, if in 2010 the then housing

minister (Grant Shapps) hadn't overturned the register introduced by the outgoing Labour Government it is likely (but not definite) there would have been minimal excuse for all the licensing schemes we have seen blossoming – but who knows?

The obvious problem with a national register is that all the good landlords will sign up, and then get hounded by the Local Authorities, and bad landlords won't register, and, if past experience is anything to go by, will not be pursued.

At one stage, the Government was proposing that all landlords join an Ombudsman scheme, as agents currently have to. It will be interesting to see if that proposal is in the White Paper. We would resist the requirement for a national register and an Ombudsman scheme as duplication. In fact, we would urge Government to stop carte blanche licensing schemes if a national Ombudsman scheme is introduced.

Decent Homes Standard

The Decent Homes Standard was originally introduced in the 1985 Housing Act. Successive Governments have 'tinkered' with it, the biggest change coming with the introduction of the Housing Health and Rating System (HHSRS) in the 2004 Housing Act.

HHSRS recognised 29 different hazards, and puts a duty of care on all property owners (including owner occupiers) to take steps to minimise problems from these 29 hazards. It recognises that it is impossible to remove the hazards, just the requirement to minimise them. Interestingly enough, Council owned properties are not subject to HHSRS!!

The problem is, like the rest of the 2004 Housing Act, HHSRS is badly drafted. In fact the regulations concerning fire risk (Hazard #24) were so vague that different Councils had different views and different requirements, which was very confusing for the poor landlord.

The body tasked with co-ordinating the Local Authorities (then called LACoRS, now the LGA) took it upon themselves to produce an extensive guide just for this one hazard.

Coming to over 80 pages, the LACoRS Fire Guidance has proved to the 'bible' for Councils, landlords and Courts alike. It's a shame they didn't produce similar guides for the other 28 hazards.

The Government conducted a review of HHSRS during 2020/21, but to date, the outcome has not been published. We have urged Government to publish their findings, and have stated that the perceived problems as:

- lack of co-ordination between Environmental Health Officers (EHO's)
- the apparent lack of a central auditing scheme for EHO's
- lack of knowledge by many landlords
- that HHSRS specifically excludes disabled people
- that HHSRS can only be enforced in Local Authority (LA) stock via the Homes (Fitness for Human Habitation) Act 2018

We further recommended:

- The introduction of co-ordination between Environmental Health Officers (EHO's)
- The setting up of an auditing procedure for EHO's
- Expansion of the Independent Surveyor route started in Southampton
- The ability for these Independent Surveyors to assess any Local Authority property
- Training of landlords
- Substantially improved documentation
- Amend the categories to allow for the registered disabled.

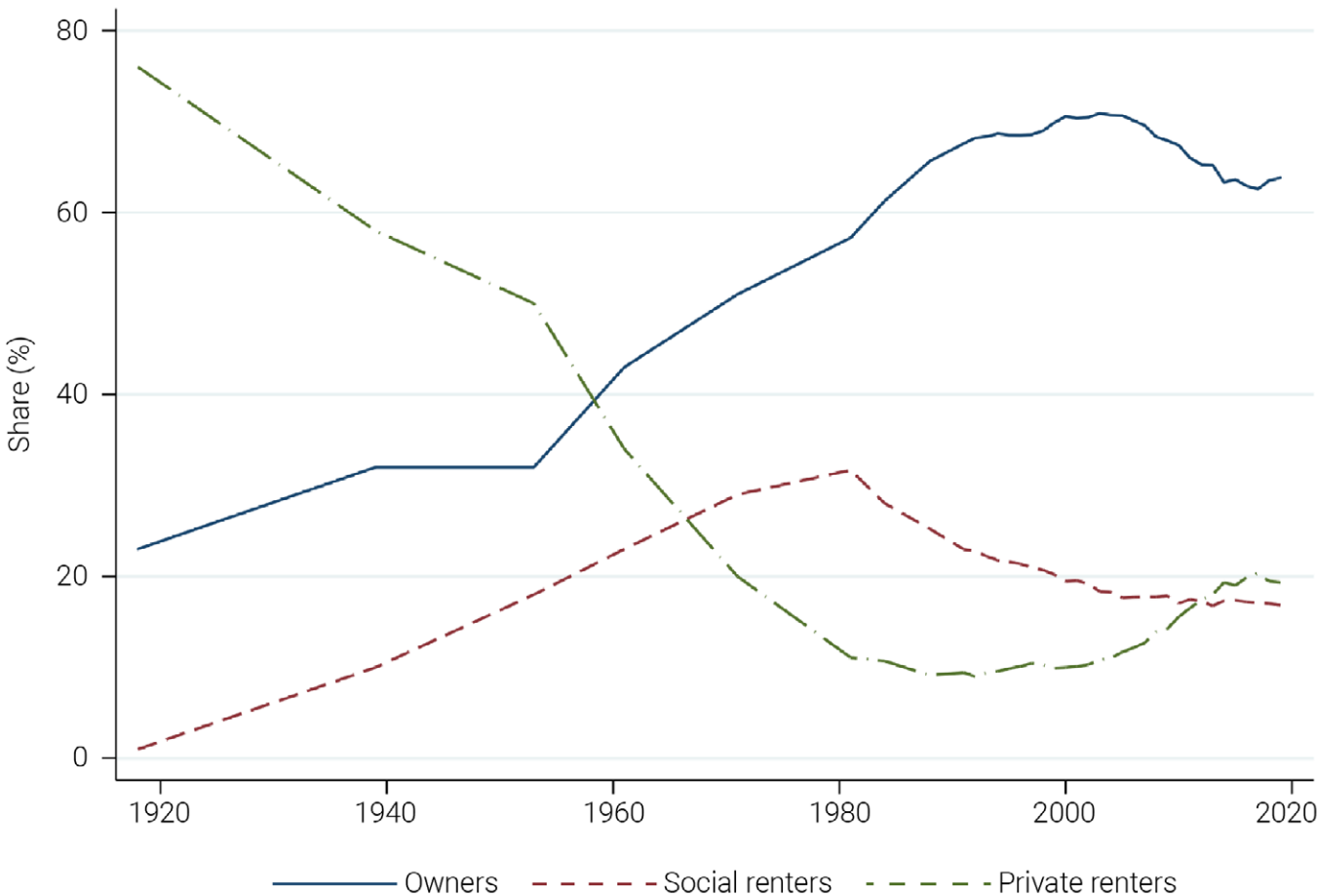
Impact of the Private Rented Sector

The Government have stated they will consult on the impact on the private rented market and particularly those on the lowest incomes.

As can be seen from the graph below (reproduced from a study by Brookings) private renting fell from an all time high before the war, to an all time low in the early 80's when the 1985/88 Housing Acts helped kick start the PRS.

Figure 1. Private rental housing lost market share during the 20th century

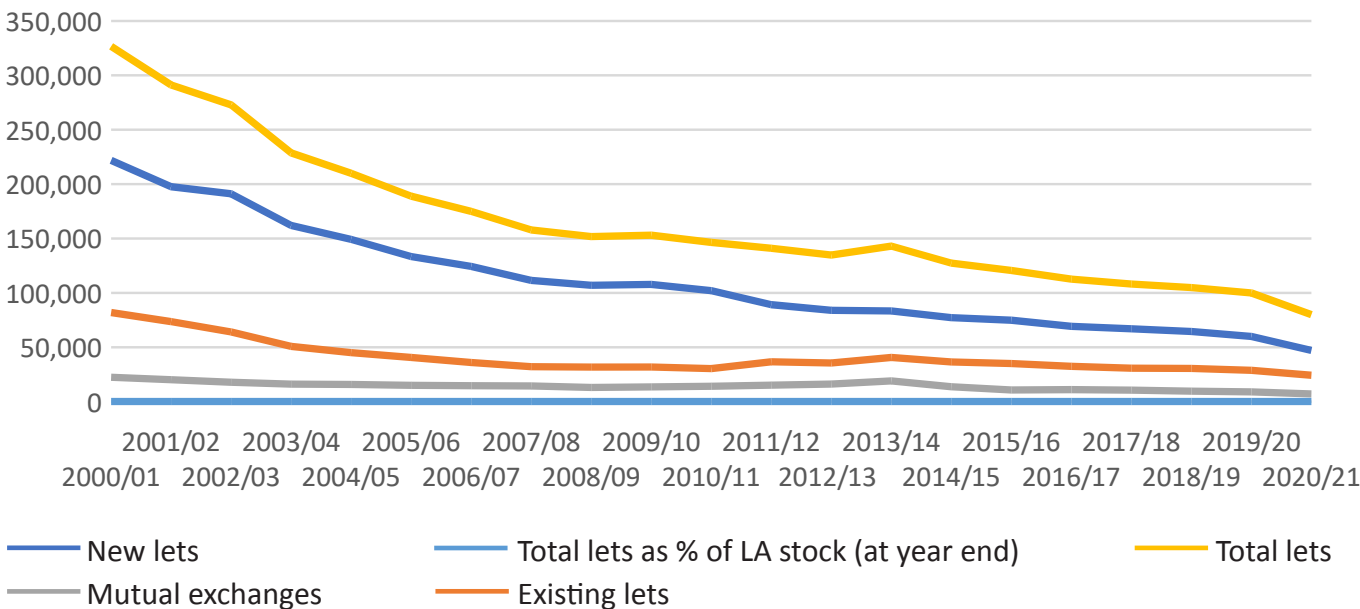
Tenure trends in England, 1920-2020



Sources: 1918: Estimates by Alan Holmans of Cambridge University Department of Land Economy; 1939 to 1971: "Housing Policy in Britain", Alan Holmans, Table VI; 1981 to 1991: DOE Labour Force Survey Housing Trailer; 1992 to 2008: ONS Labour Force Survey. From 2009 onward we attribute each year to the 2-year English Housing Survey data (full household sample), which includes a 1-year lag moving window: 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19.

B Metropolitan Policy Program
at BROOKINGS

Local authority owned dwellings let by local authorities, England, 2000-01 to 2020/21



General

We have urged Government not to introduce new laws unnecessarily. We have pointed out that there is a plethora of laws already that can be used, but many Local Authorities are loath to prosecute – even when miscreants are pointed out to them. They seem to prefer to hound decent landlords who make a small error.

If the Government continue to clamp down on landlords many more will leave the industry. According to a House of Commons report¹ there were 96,060 households in temporary accommodation at the end of September 2021. This was a 1.5% increase on the number a year previously, and is part of a long-term increase. A total of 121,680 dependent children were housed in temporary accommodation.

Who will police the new standards?

ARLA Propertymark has identified a key weakness in the government's ambitious plans to reform the private rental sector as part of the Levelling Up agenda – who exactly is going to police the new and higher standards required? The Levelling Up White Paper insists landlords ensure their private rental properties meet the Decent Homes Standard – originally designed for social housing – and has also announced plans to end Section 21 repossessions, consult on a national register of landlords and develop plans to better tackle rogue landlords.

But Timothy Douglas, Propertymark's head of policy and campaigns, says while everyone wants to see an improved rental sector, additional standards are meaningless unless they are enforced. "What's key for 'levelling up' the private rented sector is ensuring that local authorities have the staff and resources needed to actively go out, inspect properties and prosecute" he says. Douglas continues: "Abolishing Section 21 has been talked about for a while now by the government but what agents want to know is what will replace it to maintain confidence in the market for landlords."

MEETINGS

Many of you are aware that we have been running virtual meetings for the past two years.

We tried a couple of physical meetings at the end of last year, and approximately 50% of the normal attendees made it.

We have more physical meetings this year:

- May 9th Brighton and Hove (Preston Park Hotel)
- May 16th Southampton (Concorde Club)
- September 12th Brighton and Hove (Preston Park Hotel)
- September 19th Southampton (Concorde Club)

The virtual meetings have been scaled back, and we have planned:

- April 4th
- August 8th
- October 3rd
- December 5th

All details are in the meetings section of the web – iHowz.uk.

Note that many of the previous meetings can be seen on our video site iHowz.tv.



UNDERINSURANCE: WHAT IS IT AND WHY MIGHT YOUR PROPERTY BE UNWITTINGLY UNDERINSURED?

Many policyholders unknowingly end up underinsured, in fact, it is estimated that 80% of UK properties are underinsured*. This means that if you come to claim, the amount you receive could be just a fraction of what you need – leaving you considerably out of pocket. Unfortunately, it has become more commonplace for policyholders to end up unwittingly underinsured. Covid-19 and Brexit have had a dramatic impact on the availability of materials and labour and as such property rebuild values have risen.

What is underinsurance?

Underinsurance is when the amount you're insured for, isn't enough to cover the cost of repairing, replacing or rebuilding the items listed on your policy. Ultimately, that means you'd be responsible for meeting the shortfall yourself.

Why does underinsurance happen?

You can be underinsured for several reasons, but one of the main causes is simply underestimating the value of what you own.

Buildings insurance should be enough to rebuild your home if it were completely destroyed. Remember that the rebuild cost is not the same as the market value of your property. For example, if your home is listed and needs specialist materials and labour, the cost to rebuild it could be considerably more than its market price, depending on where you live. Additionally, you need to factor in the costs of hiring professionals like architects and surveyors, the cost of demolition, debris removal and finding alternative accommodation for the duration of the work.

Automatically renewing your policy without reviewing it can also leave you underinsured. For instance, not considering price rises and the availability of materials could leave you underinsured if you've based your valuation on figures which are years old.



In some instances, a policyholder might decide to purposely underinsure their assets with the aim of getting a lower premium. However, this can have serious ramifications if you come to claim and find that you are not covered for the amount you need, or the insurer avoids the policy due to the misrepresentation. How to avoid underinsuring your property and possessions there are all sorts of ways to ensure you don't get caught out, including:

Accounting for the current climate

It is more important now than ever to review the sum insured on your building insurance. The exponential rise in the cost of materials, the availability of both contractors and the resources needed, all mean that the cost of rebuilding has risen dramatically recently. If you're sum insured doesn't reflect this, you're likely to be underinsured.

Being mindful of the single article limit

Almost all home contents insurance include a single article limit. This is the maximum amount of money you'll get for any one item. If you own anything valued at more than the single article limit on your policy, you should let your insurer know as they will list this separately. Check with your insurer what your single article limit is to make sure you are covered for higher value items.

Reviewing your needs and updating your policy

Try not to let your policy roll over. Regularly review the sums insured and consider the value of any items you've bought that might need adding. Letting your insurer know as and when you make new purchases can help ensure you've got enough cover at all times.

Making use of online calculators

If you're struggling to work out the rebuild value of your property there are online calculators you can use which provide a guide. Try using the Building Cost Information Service (BCIS) tool, from both the Association of British Insurers (ABI) and the Royal Institution of Chartered Surveyors (RICS)

Don't run the risk of underinsuring your assets

We understand just how easy it is to slip into the trap of underinsurance but taking a little time to review and update your policy on a regular basis can minimise the stress and anxiety of not getting the compensation you need.

You can speak to an expert directly by calling Alan Boswell Group on 01603 218000.

MORTGAGES FOR BUSINESS

Firstly, we would like to thank iHowz for the invitation to write to you in their newsletter. Here at Mortgages for Business, we know that there's no one-size-fits-all when it comes to your property finance. We have an award-winning team of brokers, with experience dealing with specialist cases from Buy to Let, Commercial, Residential, Property development and Bridging and Short-term finance. Our landlords are at the heart of what we do, which is why we are writing to you with practical advice about the upcoming EPC Changes.

Hopefully, you are aware of the changes in regulations coming in in 2025 and 2028. The industry is starting to talk about what these regulations mean and the deadline for increasing EPC ratings to C. Conflicting calculations put the average upgrade costs from £6,000 to £15,000! However, the main questions is, how are landlords supposed to fund these changes?

As it currently stands, there is just one grant available to assist with improvements; however, the criteria is incredibly limiting. Besides the Green Homes Grant Local Authority Delivery Scheme, there's no indication of any more assessable grants in the Government's pipeline. Frustratingly, this leaves the financial burden on landlords. A recent survey by Shawbrook Bank revealed that 60% of landlords intend to use personal savings or investments to fund the works. However, for many, this won't be an option. So, for those who can't, or don't want to use personal savings, here are some alternative

ways to fund green improvements on your buy to let properties.

Remortgaging with Capital Raise

The first option you may want to consider is a remortgage. If you have enough equity within your portfolio, you might be able to capital raise and release the capital to fund the necessary works by remortgaging. The main thing to be wary of with this option is how far into your current mortgage term you are. If you're coming to the end of your mortgage deal, we can secure a rate for up to six months until you are ready to remortgage. With competitive mortgage rates now increasing in earnest, many landlords are already choosing this option just to lock in the deal. However, if you have only just begun, for example, your five-year fix, remortgaging now could mean that you face some hefty Early Repayment Charges (ERC). We can calculate which will be a more cost-effective option for you: remortgaging and paying an ERC, or taking out a Further Advance.

Further Advance

A Further Advance, unlike a remortgage, involves sticking with the same lender to borrow more money. Obtaining the funds this way will involve taking out a new loan that lasts the same length of time as your existing mortgage term, but the interest rate will depend on what is available from the lender at the time. This interest rate is likely to be more expensive than the original rate you sourced for your mortgage, which will remain the same, as you pay the two loans back separately. This option can be quite cost-effective, although not many people know that it is available. Similarly, not all lenders will offer one. In which case, you may have to remortgage or consider taking out a Second Charge.

Second Charge

A Second Charge is your next option for funding your property upgrades. It involves taking out a second, secured loan against your property with a new lender at a different interest rate. Second charges come with a higher risk to lenders, as at the sale of the property, they are second in line to get their money back after your original mortgage

lender. This higher risk means that the interest rates on a second charge are typically more expensive. The reason for choosing a second charge to meet the new EPC regulations may be that you are unable to get a Further Advance from your lender.

Bridging Loan

The fourth and final option for landlords is a bridging loan. Typically used as short-term finance, bridging can be more expensive than other options. Still, it can be beneficial for applicants looking to bridge a gap between the timings of a property sale or remortgage. A bridging loan requires a clear exit strategy, which can easily be a buy to let mortgage for most landlords. While sure to provide you with the funding necessary, bridging loans will be expensive and should only be considered if nothing else is working out.

Why landlords shouldn't wait

The frustration in making these amendments to properties is understandable; however, with many options available for funding, there is no better time than the present to get started. Landlords should be discouraged from waiting to make the necessary changes, as with interest rates on a constant rise, now is the best time to secure your rate. Both remortgage and bridging rates are likely to increase as experts expect Base Rate to rise to 1 – 1.25% this year. Securing a lower rate will help landlords save money in what is likely to be a costly venture.

Similarly, landlords risk of underestimating the time it could take to carry out the changes. A recent report from Shawbrook Bank revealed that 38% of landlords would need their tenants to leave the property for up to four weeks, but some landlords estimated it could take up to four months. With such a large window of time that it could take, landlords could easily miss the deadline if they don't start exploring their property finance options now.

Further Implications

Landlords could face serious implications if they don't amend their properties to meet the new standard by the correct time. Firstly, a property that doesn't meet the right

EPC requirements will not be eligible for a mortgage. Suppose you are unable to get a mortgage because you haven't made the required changes in time. In that case, the above funding options will become unavailable to you and will mean finding the money elsewhere to get the property to the correct standard.

Secondly, the property will become unfit to have tenants living in it. This void period will mean a lack of profit for an undetermined amount of time. Whilst there will also be a void period while making the necessary amendments to the property before the deadline, you will be eligible for funding options and, therefore, in a better position overall.

Lastly, not meeting the new regulations for the EPC standards could leave you at risk of fines circa £30,000. This fine, and the inability to access a mortgage, funding, or to have tenants, will amalgamate to costs well above the expected £6-15,000 to make the changes to your properties now.

Green Mortgage Prisoners

There is another risk that landlords face: becoming a green mortgage prisoner. As the current situation stands, if a property has an exemption to meeting the minimum EPC requirement, many lenders are still more than likely to reject the case. Lenders have yet to confirm how they will review these cases past this new deadline and how landlords will be protected by their exemptions.

We understand that this new legislative change is likely to be stressful, so we are here to help. We can help assess which option for property finance funding will be most affordable for you. Whether you're ready to get started today or just found out about these changes, we're here to help support any needs you may have. Please do get in touch if we can help any landlords struggling to navigate the changes.



THE LEASEHOLD REFORM (GROUND RENT) ACT 2022 (THE ACT) FINALLY RECEIVED ROYAL ASSENT ON 8 FEBRUARY 2022

by Stewart Gray, Austin Gray

What will change?

Peppercorn Rent

The Act applies to all new residential long leases being granted and voluntary lease extensions, where the existing lease is surrendered and re-granted. These leases cannot include a ground rent of more than a peppercorn, which has no financial value.

Business leases, community housing leases and home finance plan leases are excluded from the Act.

Statutory leases under the Leasehold Reform Housing and Urban development Act 1993 (1993 Act) and Leasehold Reform Act 1967 (1967 Act) are also excluded. However, this legislation already imposes a peppercorn ground rent as a term of the new lease.

In a shared ownership lease, the landlord can continue to charge rent on their share of the property.

Administration charges for the peppercorn rent have also been prohibited.

Sanctions

Landlords will need to be cautious when proposing terms, as they may face fines of between £500 to £30,000 for each qualifying lease, if they demand a ground rent and do not return the same within 28 days.

This will apply once the Act is in force, even if the landlord has previously contracted to include a ground rent of more than a peppercorn in a lease.

When will these changes take effect?

The majority of the Act is not yet in force and these changes will only take effect from the commencement date (still to be announced).

Regulations are required to confirm when these changes will be formally implemented. We await announcement of this date.

The Act will not apply retrospectively and therefore, any existing lease containing rising or unreasonable ground rents will need to take action to either extend or vary their lease for this change to apply.

The Act will eventually apply to retirement homes. However, these provisions will be subject to a transitional period and not to be introduced earlier than 1 April 2023.



OBITUARIES

Last year, one of our founding members Barry Cocum suddenly died from a heart attack. Many will remember Barry for his amazing energy, and zest for life – not to mention his appalling jokes! Barry was responsible for a lot of the early growth of the association, and we will all miss him.

Longer-term members will also remember with fondness Mike Stimpson's secretary, Fran.

Fran retired a few years ago, and has unfortunately recently died. Many of us have good reason to be glad of the help that Fran gave, and we wish her family the best.

Additionally, the founder of EMPO (East Midlands Property Owners) Frank Hardy also died recently.

A green line-art illustration of a dandelion seed head with several seeds blowing away. Two small birds are perched on the dandelion, and another is in flight nearby.

THE CHATHAM PROPERTY – THE BEGINNING

by Rodney Townson, London Branch Chairman

We are hoping to wave goodbye, in the next couple of months, to a property, which certainly brought us a few twists and turns.

This issue, I will share with you the story of how we sourced it, financed it and how we added value to our investment.

The Property



The property is a three bedroom flat. In the middle of a handsome three storey yellow brick, slate roofed Georgian block next to the Historic Dockyard in Chatham. For those not familiar with the area, Chatham is one of the three main Medway towns located on the south side of the River Medway (Rochester and Gillingham sit either side). The building was originally a naval college and is located near the ceremonial entrance to the dockyards, which built and serviced vessels for the Royal Navy from the mid 16th century up until it's closure in 1984. With the closure of the dockyards, the building was sold and converted into 12 three-bedroom flats.

As well as having good transport links, thanks to a bus stop outside and both Gillingham and Chatham stations being within a 20 minute walk, the property is a short walk from the nearby University campuses as well as the shopping and dining available at the Dockside Outlet Centre.

So, how did you find it?

Well, as some of you know, I run the London meetups and one of the landlords who came to the meeting already had a flat in the building. Around 2014/15 she had already told me how the area is well located for London commuters and values were still depressed after the financial crisis had knocked prices.

In the summer of 2015, she contacted me to let us know that the owner above her was looking to sell. He had bought the flat for his son to live in while studying and had continued to rent it but had moved to Cornwall, so wanted to buy an investment nearer him. He did not want to sell it to the family of investors who had already snapped up three flats in the block, as they seemed like the kind of operators who saw everything as a cost, rather than investment and wanted to sell to a responsible investor.

The landlord who introduced us arranged a viewing with the current tenant and we were pleasantly surprised by the size of the flat and that it also had a large storage space in the basement. Several of the flats in the block were rented to students from the nearby universities, so it seemed sensible to target this market as the property is one of the closest to the campuses.

Tell me about the money

Having done our due diligence, we knew what the current tenant was paying and what the other landlord was achieving by renting her flat by the room to students.

Being used to paying more than double the amount for central London studio flats, we were happy to agree a purchase price of £125,000.

I had been working as an IT contractor but hadn't taken any roles for a couple of years as we had started to move some of our rentals over to Airbnb. We had good cash flow but the lenders were still playing hardball after the financial crisis so I asked the seller whether he had a mortgage on the property. He owned it outright so I asked if he would consider helping fund our purchase by lending us some of the money (giving us a mortgage secured

on the property). He agreed to lend us £80,000 with monthly payments of £4,000, leaving a balance of £36,000 to refund after a year. That was the easy bit.

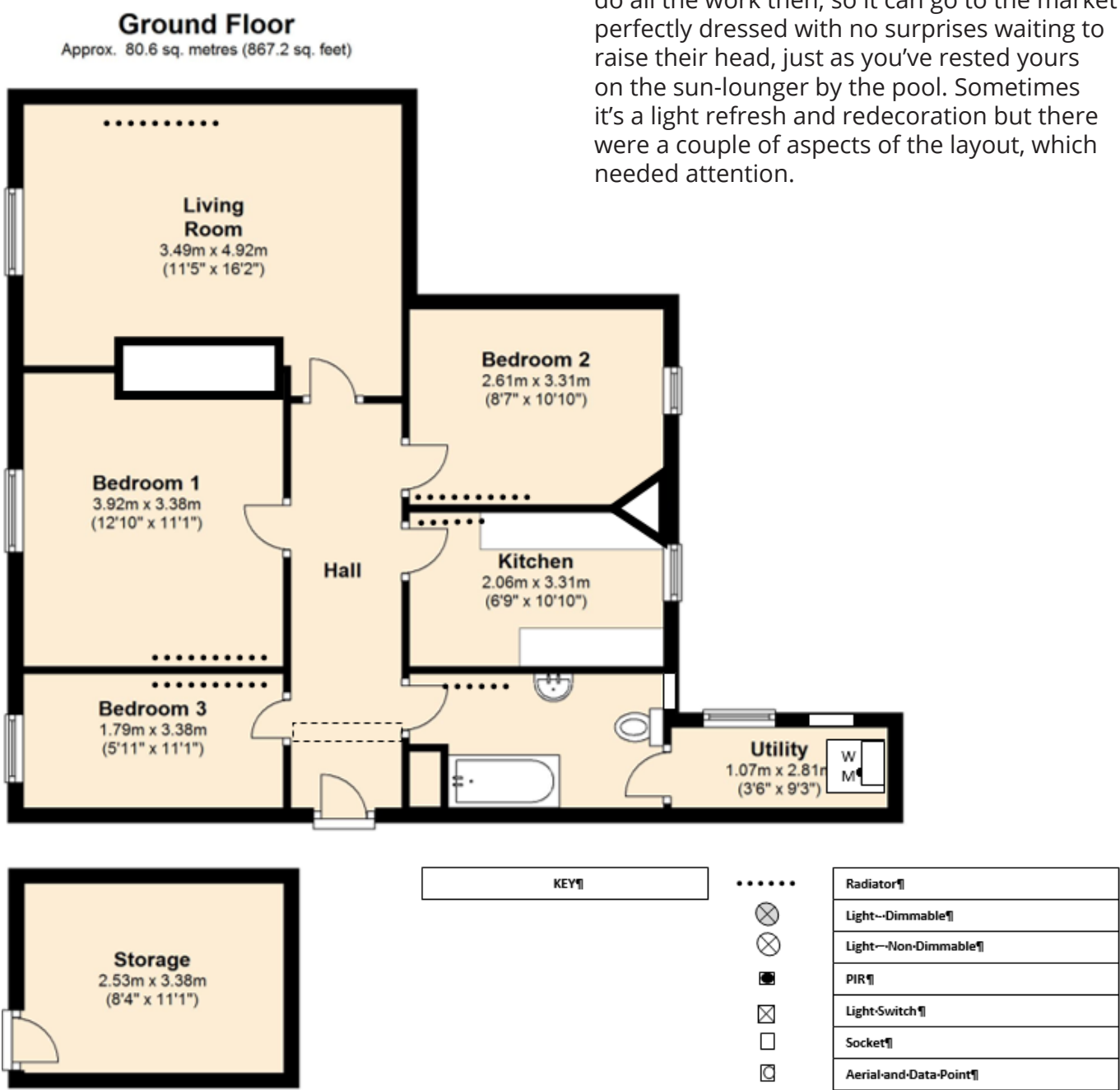
Although the flat was sound and had no major issues, we were used to renting high standard flats in central London and could see how a few changes would bring the property to the next level. While we made our plans, and raised the finance, we rented to a couple of students. As well as covering running costs, this gave us an idea of what worked and how other elements could be improved.

With the help of Sketchup (free but takes a while to get the hang of it) I copied the floorplans from the existing EPC and set to work documenting our planned layout.

The main things I managed to raise the funds for the works from our neighbour (single property landlord) who I had helped previously by advising against investing in a property investment scheme, which subsequently went bust. After all, the banks weren't paying much interest and she knew where we lived (and where our investments were).

What did you do to add value?

When we take on a new property we prefer to do all the work then, so it can go to the market perfectly dressed with no surprises waiting to raise their head, just as you've rested yours on the sun-lounger by the pool. Sometimes it's a light refresh and redecoration but there were a couple of aspects of the layout, which needed attention.



Relocate the bathroom and kitchen

The existing layout had the utility at the rear of the bathroom, which meant that if someone wanted to put a wash on, or reclaim their laundry, they needed to ensure that no one was using the bathroom. Both the kitchen and bathroom needed replacing, so the main additional costs were plumbing and electrics.

Relocate the radiators

The radiators were positioned on internal walls. Opinions vary on whether they should be located under windows, but the existing locations made it difficult to lay the rooms out without furniture covering the radiators. The boiler was going to be replaced.

Equalise bedroom sizes

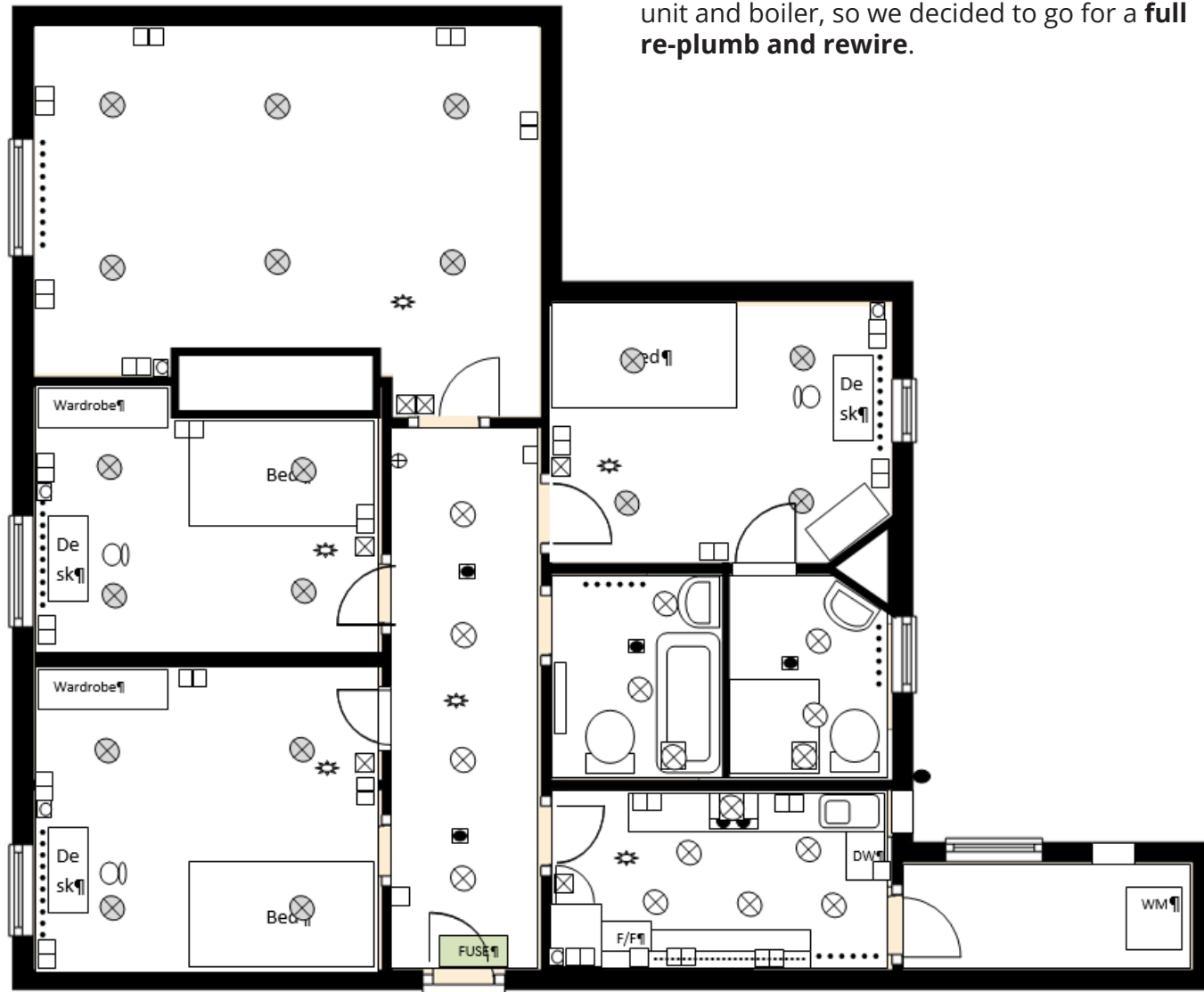
Bedroom 3 was a compact single room of just over 6 m². Although this was three years before the introduction of the 6.5 m², we felt it would be easier to rent the rooms if they were similar sizes (avoiding conversation around "his room is bigger/smaller than mine").

Adding value with an ensuite

On the walk through with our builder to confirm the scope and details of the works, he suggested that the old kitchen could be divided to create a family bathroom, accessed using the existing doorway and an opening could be made to create a doorway to an ensuite for Bedroom 2

Related works

Moving the walls, and swapping the bathroom with the kitchen were already going to involve significant renewal of the plumbing and electrical systems, including a new consumer unit and boiler, so we decided to go for a **full re-plumb and rewire**.



Plan of revised layout

The rooms had 3m high ceilings, most lit by a single pendant light. We dropped the ceiling in the hallway, bathrooms and kitchen to make the proportion better and create a void for wiring, and extractor ducts. The **lighting was upgraded** to mains fire rated down lights with GU10 LED bulbs, removing the need for troublesome transformers, fiddly to fit bulbs while reducing energy consumption and getting a bonus point on the EPC. As the hallway and family bathroom have no windows, we replaced light switches with motion sensor PIR switches, which we also put in the en-suite and kitchen to minimise lights being left on.

We also decided to put extra sockets plus hardwired data and aerial sockets into the bedrooms and lounge to ensure the tenants had no issues with WiFi range. How were we to know these would be largely redundant a couple of years later due to cheap, fast data combined with the growth of usage of smart phones, tablets combined with on demand TV and subscription services?



Additional Works

We always fit a **smoke detector** in the hallway, **linked to a heat detector** in the kitchen. As we were planning to rent by the room, we also put smoke detectors in each bedroom and the lounge. (Anyone too lazy to go outside and smoke would soon be unpopular.)

Rockwool **soundproofing** was put in the new bedroom and bathroom dividing walls. We also reinforced the plasterboard by putting a layer of 5mm ply behind it and used cement board behind the tiles in the "wet" areas of the bathroom.

The sash **windows** were serviced with new cords and weights installed and the rotten casement window in the utility area was replaced.

All these works resulted in holes to the walls and ceilings. Rather than spend days filling and sanding, we had the **walls and ceilings plastered** / skimmed to give a clean straight finish to decorate.

The flat door was part glazed with wired glass, which did not give a feeling of privacy and the other doors in the flat had been butchered to the point that they were beyond their economic life so we upgraded to panelled **fire doors throughout**.

The bedrooms and lounge were fitted with Euro locks with **thumb turn latches** on the inside.

We were unsure at this stage whether tenants would require the lounge, or we would rent it as an extra bedroom so ensured it would be used as both.

Did it all go to plan?

Fortunately, the lead builder (who suggested the en-suite) is able to visualise projects and found good tradesmen to carry out the specialist tasks. That's not to say that there weren't issues but having the plan taped to the wall and regular site visits ensured that deviations from the plan were kept to a minimum.

Building control signed off on the works, the flat was decorated, and the cleaners worked their magic to get rid of the dust.

By the end of the project, our expected budget of £45,000 ended up at nearly £60,000 but we had fully refurbished the flat and revised the layout to make it fit for the next 30 years.

Once the flat was tenanted, we refinanced the flat with a "proper" mortgage, repaying the seller the balance of his mortgage and rolled part of the loan from our neighbour for an upgrade project on one of our existing properties.



RENT CONTROLS : DO THEY ACT AS A BARRIER TO INVESTMENT?

Members may well be aware that the Section 21 (no reason eviction) has already been abolished in Scotland.

Rent control was also introduced in Scotland in December 2017.

The Act is designed to provide seemingly security, stability and predictability for tenants, whilst safeguarding landlords and investors.

- Rents cannot be increased more than once in a 12-month period
- A tenant can refer a proposed rent increase to a rent officer, who will review and determine a fair rent.
- The Act also creates 'rent pressure zones' (RPZ) when the rent cannot be increased by more than 1% plus the consumer price index and a figure set by the Minister for the area.

Local authorities must produce evidence that

- Rents are rising too much in the proposed zone
- That this is placing undue hardship on tenants
- That the local authority is coming under pressure to subsidise the cost of housing as a result of these rent increases.

There is on-going Scottish Government consultation for 'a new deal for tenants' looking to develop a 'national' system of rent controls for private rented tenants (PRTs) and a strategy is to be published later this year.

Although 'rent control' in England is a thing of the past, with the anticipated removal of the Section 21 Notice, rent control could well be the next item on Government agendas. However, the Scottish Government has made it very clear that it wishes to encourage investment in the sector, along with the desire to implement a fair housing policy.

TRADEPOINT

Ade Feeney,
National Customer Account Manager

We all know things are hard out there at the moment, so what is it really like in the DIY sector?

We have been impacted on Timber, paintings accessories, electrical and hardware products which to be fair is the bulk of our business and now with current conflict in Ukraine, how much further we will be impacted is difficult to measure.

Firstly, Timber has been an issue since the beginning of the pandemic across the world, which has seen the highest price increase in recent history for some key products. B&Q TradePoint has had to review our supply chain network and now source product from all across the globe rather than the select few we dealt with historically. Another challenge we have had to overcome is to ensure all our timber products have been sustainable sourced, as a company we have been a strong advocator of retailing FSC or PFSC certified timber only. It has been our ethos to ensure all timber based, product Suppliers follow the correct chain of custody. Service levels have increased dramatically in the past couple of months, however material costs in some product groups still remains at all time high.

For the other product ranges, the issues are not supply of stock, but supply of logistics. We have mitigated this by securing a fleet of new containers which we now are seeing the benefits as supply chain is getting back to levels we have pre pandemic.

With the Ukraine and Russia conflict in play we have stepped away from any products manufactured in Russia and Belarus and are currently sourcing products elsewhere.

Why use your TradePoint card?

With iHowz you benefit from receiving the top tier discount with us which is 10%, without the usual spend threshold required for our standard customers. Each month we run exclusive Trade Only deals and the fixed discount you benefit via iHowz will be in addition to any offers. We have 300 stores,

open long hours, with a 1hr Click & Collect process. Shopping has been tailored to meet changing consumer demands, we now have an online presence via www.Trade-Point.co.uk, where you are able to shop with ease, 24/7 365 days a year.

Since the beginning of 2021 we have introduced 4k new lines in our stores and our extended ranges.

We also offer discounts with SpeedyHire who are in our Hedge End and Farnborough stores with more openings in the next few months, Key cutting and Rug Doctor in most stores, Timber cutting service with the first 15 cuts free for TradePoint members and even Landlords Insurance through our partner Trade Direct.

Did you know that on the B&Q website there are many How To video's on tips and inspiration from anything to changing a tap to hanging wallpaper. Just click onto the relevant category and see the video links are there for you. https://www.diy.com/ideas-advice/1.hroot#icamp=footer_IdeasAndAdvice or if you are a YouTuber: <https://www.youtube.com/user/bandq>



iHOWZ WEBSITE

Unfortunately, many members have been suffering problems with the website recently, where it has decided you have not paid, even though you have.

We apologise for this, and can assure you we have been working hard to track down the problem. And, do not worry, the accounting functions showing your payments have not been affected.

WHO WOULD BE A LANDLORD IN 2022?

by JJ the South East London Landlord

As an existing landlord of a few decades, I have seen the legislative changes that previous governments have encouraged individuals or small groups to invest in buy to let, holiday lets and lodging to name a few.

Out of this have come second homes (which can earn money), AirBNB, serviced apartments, rent a room etc. Many individual landlords entered the market to augment their pension, diversify an existing business or to create a 'nest egg' or an inheritance to hand down to the next generation. Those with greater funds embarked on a property portfolio.

In the last 30 or so years, local authorities have encouraged property owners to let to them, and ASTs under the 1988 Act were the mechanism which allowed control of their asset in the event of the need to recover the property at the end of the tenancy or when needed.

I would say the greatest assistance to BTL owners has been the information and assistance from landlord associations, and the more you put in the more you get out of it...perhaps even learning from the errors of others.

LLAS going strong now for many years has helped individual landlords issue the correct agreements, forms and letters where clarity was needed.

As the popularity of BTL has grown in towns and cities, so have property prices, as this is yet another commodity in short supply in conjunction with the lowest interest rates for probably in excess of 60 years. This has led to local authorities selling off property assets, the creation of housing associations where public money is channelled into creating new developments to meet the need. Unfortunately, this has not kept pace with demand as the UK is seen as a stable place to invest.

The demand for accommodation in commuter towns has led to overcrowding, lowering of

standards where tenants vie for anything at a level to suit their income. Regretfully, higher rents had a negative effect on people with low incomes or benefits; quality and quantity suffered.

So what does a government do? Instead of legislating for landlords to be educated and follow clear rules, landlords have been demonised for excess rents, poor standards and blurred the rules on renting effectively. This doesn't affect responsible landlords, but creates issues of loss of rent, and the saga of recovering property as the courts are swamped, and the mantra from local authorities to tenants in distress is for them to stay until eviction.

I know of only a few young landlords, who buy using perhaps inheritance or believing the claims of 'property gurus' claims of 'no deposit down' or that any property in any location will be in demand. Leaving aside, the popularity of commuter towns and cities, there are still pockets across the UK where capital growth is neutral or negative but you will always find a land agent who can talk it up in the more deprived areas of the midlands and the north. Those who do not carry out due diligence find that parts of residential areas become difficult to rent, or that the tenants depend on social security leading to arrears and delays.

This has created a type of landlord whose prime concern or motive is profit over the understanding of the needs of a tenant. Any good landlord would understand that you will face costs, income voids, and no property returns 100% rent, and builds this in to maintenance programmes. The downside for landlords or property investors has been the gradual but constant reduction in tax incentives reducing the willingness to invest in improvements.

As for government, I don't know of any elected member who considers BTL or the like as supporting the housing need; tenants have more votes! With added controls, some of which are needed, there was no support for improving housing standards through tax incentives. There needs to be a Housing champion in government for the people but it doesn't seem to be a cabinet position that isn't viewed as a poison chalice.

It is right for today's tenants to seek warm, well maintained accommodation with a decent quality of fixtures and fittings, but coupled with demand in a dearth of supply there is a constant push from letting agents to increase rents and an increasing realisation that homes do not meet the needs of the changing ways we live and work.

Being a landlord has got to be a sort of vocation, the ability to ensure tenants understand their obligations and problems occur and take time and inconvenience to resolve. Whilst large institutional providers are needed to provide the supply, government has ignored the army of individuals who for 30 or more years have given sanctuary to people with varying needs.

I agree with legislation where this roots out the ignorant landlord but the measures have only served to highlight what is wrong with the system, and we never hear from those enjoying tenancies....*perhaps because they think their rent may be increased or dare I say they are satisfied.*

In the current uncertainty, it is clear that belonging to a professional association is certainly worth the £0.90pw it costs after tax if only for the ASTs and other forms on the members area with iHowz.

I joined iHowz when it was the Southern Landlords Association over the other larger organisations, because you can usually talk to someone knowledgeable, without feeling overwhelmed by the rules. LLAS run training courses to cover the minefield that is the legislation.....*but you can't account for lawyers and judges!*

So where do landlords go in the future? The various conflicts around the world will only intensify the need in the UK. Covid-19 has already created a need for workspace at home, and areas not integrated for transport will become more desirable.

With the eventual demise of Section 21, all you can do is be better informed. Take time to read the newsletter, attend an event and get training.... which is something I need to do again rather than worry whenever a tenant raises a contractual issue!

TENANTS WOULD LIKE TO BUY THEIR PROPERTY FROM THE LANDLORD

A significant proportion of those renting a home would like to buy it from their landlord if circumstances allowed, new research by Gradual Homeownership provider Wayhome shows.

In a national survey of 4,002 people, carried out by Opinium, 42% of tenants said they would like to buy their current rental home, if it were feasible. This rises to 45% of private renters compared to 38% of social tenants.

Interest peaks between the ages of 25 and 34, with more than half of tenants keen to buy the home they're currently living in. This compares to just under one-in-three of those aged between 65 and 74 (32%), the age group least motivated to buy out their landlord.

Regionally, London sees the highest proportion of tenants keen to buy their current home at 53%. This is followed by those in Yorkshire and Humberside (46%) and those in the South East of England (44%). Those in the North East (30%) are least likely to want to buy their home. There are several factors that drive the desire of tenants to buy out their landlord, with the home's location topping the list (51%). Half (50%) say it's because they 'love' the home and 38% say it's because they don't want the hassle of moving.

Top reasons why tenants want to buy the home they currently rent:

Good location	51%
Love the property	50%
Want to avoid the hassle of moving	38%
Spent money furnishing the property	36%
Close to family/friends	35%
The property suits my needs	21%

Meanwhile, a quarter of homeowners (26%) say they would have considered buying the last home they rented if it would have been possible at the time.

Wayhome says in reality, most UK tenants wanting to buy the property they rent in today's market face tough challenges. When applying for a mortgage, a first-time buyer will be approved for 3.55 times their gross household income¹. When the average UK income of £47,662 is considered², it can leave those buying on their own with a mortgage worth as little as £169,200.

Even if their landlord were happy to sell, the strict lending criteria enforced by the high street banks severely limits their chances of securing a mortgage sizeable enough to buy the property.

Wayhome, which could help tenants buy their home from a willing landlord, warns that the property market needs to adapt to enable more people to get onto the housing ladder. Chief executive officer Nigel Purves comments: *"It is clear from this research that renters in the UK want to have more of a stake in their home. But with prices going up, mortgage affordability becomes more constrained than ever, which makes getting on the ladder an increasingly distant dream."*

RIGHT TO RENT CHECKS

We would like to remind you that the requirement to check the Right to Remain status of a prospective occupier has not changed after Brexit.

Whilst originally only physical, i.e. all checks had to be face to face, this was temporarily relaxed during the pandemic.

You can now use the Governments online checking service, but note that you cannot insist a tenant use this service or refuse to rent to them if they want to prove their right to rent by showing you their documents instead.

Note also, that EU, EEA and Swiss citizens now have to be fully checked (since 1 July 2021), and that if they have not got Settled Status (under the EU Settlement Scheme (EUSS)) they will not have access to benefits.

There is a fact sheet on the web site on the Right to Rent checks, as well as the Governments guidance.

YET ANOTHER HOUSING MINISTER

Our previous housing minister, Chris Pincher had managed a record 2 years in office, before being sacked by the Prime Minister in February.

He has been replaced by Stuart Andrew, yet another MP with no housing background being put in charge of UK housing.

Stuart Andrew becomes the 11th holder of that position in the past 12 years, and in fact the 19th in the past 21 years. And we wonder why we don't get joined up thinking on housing.

CAN YOU PREVENT A TENANT FROM HAVING A CAT?

The House of Commons Library has published a paper on keeping pets. It says:

The tenancy agreement (contract) might say pets are not allowed. The Consumer Rights Act 2015 prohibits "unfair terms" in a contract. This means a blanket ban on keeping pets in a tenancy agreement might be struck out if challenged in court.

Alternatively, the tenancy agreement might say the landlord's permission should be sought if the tenant intends to keep a pet. In this case, the landlord's permission should not be unreasonably refused. What amounts to a reasonable refusal will vary with the circumstances. For example, it might be reasonable to refuse permission to keep a large dog in a small flat.

The tenancy agreement might not mention pets, in which case it will likely be harder for landlords to argue that pets are not allowed.

Landlords cannot charge a fee for agreeing to a request to keep a pet and cannot ask for a higher deposit if this would breach the deposit cap requirements in the Tenant Fees Act 2019.

MIKE STIMPSON'S COLUMN

I write this column whilst there is a most oppressive battle by Russia against the population of Ukraine. It is suggested already that over 2 million people have entered Poland and are in need urgently of accommodation. Many of those involved are women with children. The leader of the council in the city of Brighton and Hove has said in a leading article in the local newspaper, that Brighton and Hove will welcome refugees from Ukraine. However, what he omitted to say is that Brighton and Hove has people desperately seeking accommodation in the City now, which they cannot provide.

In an article in the same newspaper the following week, a reader commented that it is one thing to offer and quite another to provide. I am sure there are a number of private landlords in the city only too willing to house some of these people and will do it, whereas Brighton and Hove City Council will talk but not provide. It is a sad state of affairs.

Whilst writing, I cannot but mention the high cost of energy. I supply a number of properties with full central heating, which is included within the tenant's rent. Over the last 3 months I have seen my bills rise, without good reason, by hundreds of pounds and one of the items that appears not to be regulated is the standing charge, which until recently was between 25p and 40p per day. Now many are in excess of £1 a day and some over £2.

I think tenants and many homeowners are going to find this particular year financially challenging. Material prices are escalating, wages are increasing and good contractors are scarce on the ground. It does not make a good forecast for 2022.

On a much brighter note, rents are still increasing, except perhaps in the student market area. There are many single people seeking accommodation and it seems very little of such accommodation available.

Turning to commercial properties, shops at reasonable rents and in good locations are not difficult to let, nor are industrial units where the demand is substantial.

May I wish you all a successful 2022 and hope we have a much calmer 2023.

OWNING A BUSINESS (OR AN ACTIVITY) WITHOUT CONTROL OVER IT

If the Government removes the use of the Section 21 procedure, then I as a long serving landlord will loose control of my business in the way I have operated it since 1988.

To evict an unsuitable tenant will mean either using tribunals or having to use the County Court procedures. I am absolutely certain that in the Government's determination to keep tenants in their properties, it has lost its way in allowing those who run such activities the inability to operate as a normal business.

If tenants cause antisocial behaviour, how can they be evicted? Or does Government expect other good tenants to voluntarily leave and the landlord retain the bad person; why does it think all tenants act in accordance to their Agreements, when a few do not. Why does it not allow landlords to determine those tenancies, which prove unsatisfactory, without the need of long and expensive Court procedures for a landlord, when the tenant will no doubt be provided with a free defence service?

I have been a landlord, as mentioned, for many years, taking on tenants that many other landlords would not even consider. If Government pursue the abolition of the Section 21, for the first time in many years, I will have to consider taking on those potential tenants who have problems/no history will have to cease.

Mike Stimpson

THE NATIONAL LANDLORD INVESTMENT SHOW

Many of you have attended the NLIS shows over the years; they started in Croydon in 2013 and we have been exhibiting at most since then.

You may be aware that they had to move from Olympia, due to the redevelopment, and their new home is now Old Billingsgate, near the Tower of London, directly opposite London Bridge station, on the other side of the river.

They held their first physical show after the pandemic last November, and it was reasonably busy, but the first one this year in March was packed, as you can see from the photos.

They had 80 stands and 5 seminar rooms hosting 28 different talks, including their regular panel debate hosted by Andrew Neil; we had a speaking slot as well.

There was a good variety of things/products to see, and we were pleased to see many members there.

The next London show is July 5th; we won't be at that one, but we will be at the one November 2nd – we look forward to seeing some of you at that one.



DON'T FORGET THE NEXT BRANCH MEETINGS

May 9th Brighton: we will discuss tax and bring you up to date on legal changes
May 16th Southampton: the recent leasehold changes, and planning changes

See the website for more information



Riverside Business Centre, River Lawn Road,
Tonbridge, Kent TN9 1EP
T: **01732 56 56 01**
E : **info@ihowz.uk** W: **www.ihowz.uk**



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