

WINTER 2023 | EDITION 46 | £5 WHERE SOLD

## WELCOME TO 2023

May I, on behalf of our board and all committees, welcome all members to 2023.

Firstly, I think all members will agree that the country is not paying its way and as a result debt is building up with the Government looking at ways to reduce debt by mainly increasing taxation in as many ways as it finds it is able.

We, as landlords, will be very much affected by increased taxation during 2023. We shall also, through the levelling up agenda, be restricted in what we can do as landlords in operating a fair tenancy relationship with our tenants, whom if the Government has its way will all be protected for life, provided they pay the rent and act in an appropriate tenant like manner, unless possession is possible within specific rules (Section 8).

There will be many challenges in 2023 that landlords have never experienced since the introduction of Assured Shorthold Tenancies in 1988. It will be a very intense year of consultation to protect landlords livelihoods yet many consider they do not need to belong to a landlords' association, as they believe they can find all they need to know on the internet. That may be correct to operate their business, but what they do not appear to understand is that without associations like ours, no challenges would be made against unreasonable legislation, as is proposed in the levelling up recommendations.

Landlords in 2023 in most areas are enjoying rents that are very good. What they need to understand is that to continue to receive reasonable rents and not have unreasonable conditions imposed on them, costs money to

challenge and dedicated service by those who are prepared to put in the work. Landlords should all join and contribute to landlords' associations, to ensure there are sufficient funds available to fight unfair legislation and not simply believe that Government will treat them fairly whilst they sit back and do nothing. Welcome to 2023.

## LOOKING BACK TO 2022

During 2022 we had three Prime Ministers. This caused significant problems in the financial world, with Liz Truss producing a budget which had no relationship to reality and no proposals of how the benefits and lower taxation, etc., were to be paid for. Her resignation and the appointment of Rishi Sunak as Prime Minister at least calmed the financial markets and was followed by a Budget, which frankly sought to increase taxation at every point where the Government considered it could get away with it. For example, Capital Gains Tax at present £12,300 where capital gains being applied is to be reduced after April 2023 to £6,000 and in April 2024 £3,000. Imagine the capital gain on property where no allowance has been made for indexation or tapering and how unfair that tax will be against landlords. The introduction of taxation at 45% against profit of £125,000 instead of the previous £150,000. Freezing personal allowances only ups taxation of those that are working whilst at the same time an increase of approximately 9% for those on benefits only illustrates the reason why so many people chose not to work and find every excuse to remain on benefits.

The number of people economically inactive between the ages of 50-65 and 16-25 has increased to an extent where those who are

working and paying taxes do not produce sufficient income to pay for the cost of running the British economy. In the meantime, house building targets set by the Government which were compulsory are proposed as advisory and with the current 'not in my back yard' attitude of people involved, the prospects of meeting housing need is most unlikely to be achieved any time.

Making life easy for those who chose not to work or produce anything towards the economy is unsustainable and needs urgently to be sorted. Looking at any way to charge tax on those who are contributing does not bode well for the future. In fact, unemployment is at its lowest but there are millions of people able, no doubt, to work but chose not to do so, obtaining good employees/tradesmen is becoming most difficult. Landlords, in particular, need use of many trades and Government appears to be silent. How to obtain them now?

## Politics: How It Affects You

Politically, 2022 was a rollercoaster of a year. 2 monarchs, 3 prime ministers, 4 chancellors and 5 housing ministers. Sounds like a cue for a Christmas song.

The main political message during the whole of 2022 was the proposed abolition of the Section 21. This was in the Conservative manifesto in 2019 and was indirectly mentioned in the Queens Speech of 2022, with more explanation in the accompanying briefing notes

*"the Renters Reform Bill will abolish so-called 'no fault' Section 21 evictions and strengthen landlords' rights of possession, providing a fair and effective market for both tenants and landlords".*

Then it got a mention in the Levelling Up Paper (*Levelling Up the United Kingdom*), published February 2022. And finally, in the PRS White Paper 'A Fairer Private Rented Sector'

The White Paper was published in June of 2022. We were previously told that it wouldn't be published until Spring 2023, but it was a particularly turbulent time with the (then) prime minister (Boris Johnson) fighting for his political life – a fight he subsequently lost!

The White Paper pledged the following:

- Abolish the Section 21.  
This would mean that all evictions would have to have a Ground (reason) presumably using a Section 8 (unless a new Notice is introduced). This would have the effect of converting all agreements into Assured Tenancies.
- Fixed Term Tenancies to be abolished. So only Periodic tenancies will be able to be issued. Additionally, after 12 months all existing tenancies would become Periodic – this would result in a Section 21 not being able to be used on old AST's  
A potential consequence of periodic tenancies is that landlords will be responsible for the council tax, unless amended.
- A tenant will be able to give 2 months' notice to quit at any time. This is currently 1 month but currently can only be used after the tenancy has gone to Periodic.  
Note that this removes the tenants current right to vacate without notice on the last day of the Fixed Term.
- There will be no special provisions for student landlords, apart from 'Purpose-Built Student Accommodation that cannot typically be let to non-students'.  
A potential consequence will be for student landlords pulling out, forcing students into more expensive purpose-built accommodation
- A pledge to reform both the eviction process, and the court procedures.
- The Decent Homes Standard (DHS) will be extended to the PRS, currently only applies to Social Housing.  
Note that DHS is currently being reviewed and is not expected to report until 2023.
- Run a pilot scheme with a selection of local councils to explore different ways of enforcing standards, with the aim of working with landlords to accelerate the adoption of the DHS in the PRS.
  - Introduce a new Property Portal to support landlords and tenants – and to provide information on rogue landlords.
  - Introduce a new Property Ombudsman, to allow tenants to complain. It is not clear how this will differ from the current Property Ombudsman.

- Abolish rent review clauses and only allow increase rents annually. Allow rent rises to be challenged via a Tribunal (presumably the existing Tribunal).
- Outlaw blanket ban on renting to families with children or tenants on benefits. Landlords will have to have a specific reason to stop tenants keeping pets. Note this is effectively in place because contract law forbids these kind of clauses.
- Amend the Tenants Fee Act to allow the charging of pet insurance.
- Pass porting deposits. This is a surprise as no-one knows how it will work.

Whilst Michael Gove (the Secretary of State) has lost the principal architect of the White Paper (Eddie Hughes) he is determined to publish the subsequent bill (*the Renters Reform Bill*) early 2023 and is under substantial pressure from pro-tenant organisations to do so.

## iHowz Campaigning in 2022

We had a busy 2022. All our campaigns can be seen on the web site ([ihowz.uk/category/campaigns/](https://ihowz.uk/category/campaigns/)), but in summary are:

### Section 21

Although there had many rumours concerning the S21, nothing concrete was published until the two White Papers. But iHowz didn't wait for the papers to be published; we proactively wrote to all the MPs at the end of 2021/beginning of 2022 pointing out the dangers of getting rid of the S21:

- because of the increased difficulty of evicting a rogue tenant, especially for Anti-Social Behaviour (ASB), many landlords will be unwilling to offer a tenancy unless the applicant has perfect references.
- This will lead to further stress in 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 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.

We recommended retaining the S21 (or a version), but with

- a sliding scale of notice dependent on length of tenancy
- financial compensation for ending longer tenancies using Section 21

DURATION OF TENANCY	MINIMUM NOTICE PERIOD	RECOMPENSE
1 year tenure	2 months	None
2 year tenure	3 months	None
3 year tenure	4 months	Last months rent free*
4 year tenure	5 months	Last 2 months rent free*
5, or more years tenure	6 months	Last 2 months rent free*

\* paid provided no rent arrears

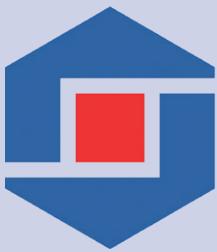
We believe that it is not fair that a long-term tenant is treated the same as a short term one, and this was our proposal to deal with this inconsistency.

This campaign was well received, especially where individual landlords also contacted their MP's expressing their concern and particularly so when the landlord was able to give an example of an actual situation where eviction of an ASB tenant would not have been possible without the S21 – frequently causing problems and distress to other tenants and neighbours.

We will continue with this in 2023, especially to point out to MP's the looming potential crisis of landlords exiting the PRS because of the twin problems of losing the S21 and financial problems brought about by tax changes.

It is intended to take the fight direct to the Government via a few worried MP's and Lords.

If you haven't written to your MP, it's not too late. We don't publish a template, as MP's recognise this and will ignore all letters/emails. If you have a favourable response, please let us know ([info@iHowz.uk](mailto:info@iHowz.uk)).



# Mortgages for Business

by Jenni Brown

**UK property prices will likely soften during 2023. After years of significant increases, why is this happening now, how much could property values fall, and what opportunities does this provide?**

## Will UK property prices fall in 2023?

Following a 41-year-high inflation rate of 11.1% in October 2022 and a significant cost-of-living crisis, the UK is now entering a recession meaning the economy will shrink and consumer spending power will decrease. At the same time, rising mortgage interest rates mean that the cost of borrowing has increased, making it more challenging for many to secure the finance they need to secure their desired property.

However, average property prices aren't currently falling. According to Nationwide's most recent House Price Index, we've seen the rate of growth slowing; average property prices still increase by 2.8% in December 2022. Given the wider socio-economic situation (more on that in a moment), the economists at Nationwide feel it's very unlikely we'll see a "crash".

As the cost-of-living crisis continues, demand for property purchases will likely diminish further. Demand had already decreased by 50% in December 2022 compared to the year before. With less demand and less competition per property, prices will soften. Nevertheless, the situation is certainly not as dire as previous economic downturns and may provide investment opportunities.

## How much might property prices fall in 2023?

As with most economic predictions, the experts don't all agree on what will happen to house prices over the next 12 months. Some, like HSBC, feel reasonably optimistic and anticipate a 3% decrease. However, Nationwide believes the worst-case scenario

(which they point out is unlikely) could be 30%, but 8-10% is more likely.

Zoopla's latest House Price Report predicts a 5% national decrease, while Savills adjusted their previous predictions to -10%. The latter does anticipate that prices will start to recover in 2024, with 6.2% growth over the next five years to 2027.

The Chief Economist at RICS (Royal Institute of Chartered Surveyors), Simon Rubinson, shares this sentiment of a speedy recovery. He believes that with only a slight increase in unemployment likely, the "job-rich recession suggests the downturn in the housing market this time could be shallower compared to past experiences."

In previous recessions (most infamously the 1990s), mass unemployment led to many forced property sales, meaning supply far outstripped demand and prices crashed.

However, as experts don't expect unemployment to increase significantly, this scenario is unlikely to repeat, and the economy will recover more quickly.

It's important to remember that the average house prices have increased nearly 28% since March 2020, meaning a temporary 10% decrease isn't necessarily a complete catastrophe for the majority of property owners.

## Opportunities for Property Investors

While a slow-down in growth or decrease in actual values doesn't, at first glance, appear to be a favourable situation for anyone investing in property, it can provide opportunities.

The primary opportunity decreasing property prices offers is investment. Those of you with savings or who've released equity from other properties ready for purchasing new investments will now want to keep a close eye on the property pages (so to speak).

While the housing market may slow as demand wanes, properties will still come to market, and with values expected to recover over the next five years, you'll start making capital gains and rental income quickly.

Although decreasing property prices may be suitable for some cash-rich first-time buyers, many will have to put their plans on hold while mortgage interest rates remain high, and 95% LTV mortgages are harder to come by. Still, people need places to live, so rental demand will increase, meaning fewer void periods and longer-term tenants. Furthermore, with increased tenant demand, rents will continue to rise, which, as property prices soften, means higher yields in the long run.

To conclude: lower property prices, ideal for investment, and increasing rents. We appreciate lower buy to let mortgage interest rates would be the cherry on top in this situation, but when has the market ever provided all three at the same time! Still, the mortgage market is settling, which given the mini-budget fall-out, is a huge relief. As rents increase, mortgage affordability will work more favourably for landlords, and profits will remain strong.

Although talk of a "property market crash" is always unsettling, it's essential to look at the broader economic situation. We're under no illusions that 2023 will be easy-going, but it's doubtful this downturn will be all doom and gloom for landlords, and as the money markets stabilise, pricing will settle down, and the demand for rental properties will continue to grow.

## What's Next?

If you are considering investment opportunities, find out what buy to let mortgage options are available to you ahead of time, so you're in the best position to purchase or re-finance. Call our team on 0345 345 6788 to speak to an expert broker.



# ENERGY EFFICIENCY

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Another long-term campaign has been to try to get understanding of what landlords must do to improve the energy efficiency of their properties – or perhaps more appropriately, what they should avoid doing.

The Minimum Energy Efficiency Standards (MEES) currently states that you cannot let a property with an EPC rating below 'E' (i.e. 'F' or 'G').

As part of the overall Government's desire to use less energy, thereby contributing to a global carbon saving, it is likely that MEES will become more stringent in the future. But note this is not definite yet, in spite of many publications stating there are new MEES rules to come into force soon.

The Government had originally stated that MEES would be amended to be a minimum of 'C' by 2025 – i.e. you would not be able to let a property with an EPC rating of 'D', 'E', 'F' or 'G'. But, this legislation has yet to be passed.

This problem is further compounded that the principal device used in MEES, the Energy Performance Certificate (EPC) is also being reviewed, and in our view could lead to a landlord making changes to a rental property to satisfy the current EPC methodology only to find the money had been spent inappropriately.

The biggest example is that Government are trying to wean us off gas heating, but if you change an old gas boiler for a heat pump (to save carbon) it will (probably) reduce the EPC rating, not improve it. Thus, to improve an EPC, and therefore help meet MEES requirements, landlords should continue to replace old gas boilers with new ones. But, a future EPC methodology might result in a lettable property becoming un-lettable because of the combination of EPC changes and MEES rules.

And in true Government fashion, this is further compounded by MEES and EPC's coming under different Government Departments, even though one relies on the other!!

We have therefore been writing to Government since August 2021 seeking clarification, to allow landlords to implement an appropriate strategy. We have advised ministers and civil servants that much of the required work cannot be carried out quickly, frequently requiring an empty property, and/or to be spread over different financial years.

Even though we have had no satisfactory answer, we will continue pressing.



## 2023

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In case you're confused (I know I am), we start 2023 with the following MPs responsible for housing:

- Michael Gove is the Secretary of State
- Lucy Frazer has responsibility for overall housing strategy, and planning issues
- Felicity Buchan deals with the Private Rented Sector, and homelessness
- Lee Rowley is responsible for building safety, and climate change issues regarding housing.

## WHITE PAPER/SECTION 21

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We are planning a meeting in London, near to Parliament to invite MPs and Lords to outline

our concerns about some of the proposals outlined in the White Paper, and also the proposals regarding Section 21.

It is possible that the actual Renters Reform Bill will have been published by then, in which case we will concentrate on that rather than the White Papers.

We will be contacting all members when we have more details, and will be encouraging you to contact your local MP, and anyone in the Lords you might know.

## BUDGET

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The Spring budget has been announced for March 15<sup>th</sup>. It has also been announced that anyone making representation for matters to be included in the budget must submit papers before February 1<sup>st</sup> so we are working on an iHowz paper to be submitted.

In draft, we are currently considering including in the paper:

- **Income Tax** - Revoke S24. Reliefs / grants for those housing the homeless and similar
- **SDLT 3% surcharge** - Remove from lease extensions and raise threshold (or refund if property added to property portal and tenancy registered)
- **Capital Gains Tax** - Extend period for filing return to 6 months. Make residential letting property a qualifying asset for roll-over relief. Remove 8% surcharge, or some sort of retirement relief. (Currently elderly landlords are forced to borrow and hold assets to death, to wash out capital gains.)
- **LHA** - Reinstate and rebase to 2022 rents
- **Energy efficiency / Carbon Reduction** - 100% write down of costs in year of spend. Grants with a long-term scheme which recognises a realistic approach (fabric first + achievable measures)
- **Mileage Allowance** - This has not been updated for 12 years. The RAC gives a current cost of 55.74p/mile
- **VAT Treatment of Conversion, Refurbishment and Retrofit Works** - These should be at the same rate as new build and claiming refunds made easier.

- **Council Tax on individual Rooms** - Dame Caroline Dinenage's bill <https://ihowz.uk/individual-hmo-room-council-tax-banding-possible-good-news/>
- **More resources for councils** – to minimize the requirement for money raising licensing schemes.

The Treasury require all submissions to '*explain the policy rationale, costs, benefits and deliverability of proposals. It should also be evidence based, providing clear arguments on how it contributes to the aims of the Budget.*'

If any members have suggestions for inclusion in our submission, we will be happy to hear them – but you must be quick sending them to us, as we are on a very limited time span.



## OUTSIDE WORKING

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We will continue to work with all necessary outside organisations for the good of the PRS as a whole.

## TAX

Be aware that it has been the intention of HMRC to transfer all landlords to a scheme so they will have to submit their tax digitally, and on a quarterly basis

The implementation date was kept being put back; and has been put back again now being phased in from April 2026, rather than April 2024.

More details can be seen on the web, but in summary:

From April 2026, self-employed individuals and landlords with an income of more than £50,000 will be required to keep digital records and provide quarterly updates on their income and expenditure to HMRC through MTD-compatible software. Those with an income of between £30,000 and £50,000 will need to do this from April 2027. Most customers will be able to join voluntarily beforehand meaning they can eliminate common errors and save time managing their tax affairs.

We will be holding meetings nearer the time to explain how this will work, but be aware of these changes if you are changing your accounting system before April 2026, you will require one that will be compatible with Making Tax Digital (MTD).



## MIKE STIMPSON'S COLUMN

May I start by wishing you all success in 2023 and hope that you had a peaceful Christmas and New Year. As can be seen from the various articles in this newsletter, landlords are not flavour of the month with the Government.

In my opinion, there are too many people of all ages, but particularly the young, who are economically inactive and that is because the state gives benefits to a level that means people have a choice of living off the state in preference to work. When the state gives increases in benefits at inflation levels, whilst workers in the main accept pay increases of under 5%, can you blame those for taking the easier option and allow the state to pay for their existence and not consider that they as an individual need to be economically active in order for the country to be able to survive economically.

Covid in particular has awakened many peoples choice and as a result, a substantial number have become economically inactive. That does not mean that they need to draw benefits from the state, but what it does mean is that they continue to draw on state facilities such as hospitals, doctors, etc, and do not themselves contribute to the economic situation that the country faces. Similarly, those youngsters not choosing to work are a cost to the country which it cannot afford

or should anybody expect to live in this country in normal circumstances without contributing towards its economy.

The Government has made clear that it needs more income to be able to balance the books and as can be seen from a number of articles in the newsletter has chosen to tax as many people as it possibly can in order to 'hopefully' achieve a financial balance and pay-off some of our debts. The number of loans given to businesses and individuals during Covid backed by Government agreement to pay defaulters seems to have rebounded in that a very significant number of those loans are being defaulted and Government will have to pay the lenders losses. One only hopes that Government takes steps to deal with those people taking loans with no intention whatsoever of repaying them.

Similarly, many people in this country enjoyed virtual holidays during lockdowns with the Government paying up to 70% of their wages and now it's repayment time and the costs of benefits seem now to have been forgotten by many who benefited.

As a landlord, letting property for over 60 years and often to the economically poor, I am absolutely disgusted with the Government's proposals under levelling up that tenants will be allowed to live as long as they wish in their home and that landlords will find it more and more difficult to evict and in any event, will only be able to recover their property in set circumstances.

Margaret Thatcher with much foresight opened up the private sector letting market by permitting Assured Shorthold Tenancies with assurance that after a minimum term of six months, or as per agreement, possession could be obtained and was guaranteed. In the last few years, many obstacles have been placed for landlords to comply with if seeking possession under Section 21, making it more difficult when it should have been straight forward. The same Government is now going back on all that Margaret Thatcher and her Government of that time

did, in giving tenants unwarranted rights and landlords more difficulty in both running a business and then obtaining possession if desired. I make it quite clear to members that if Government introduces permanent tenancies then I already have a list of my tenants whom I would not wish to have permanently and will serve notice on each and every one of them to ensure that they are no longer tenants of my property before the enactment of this law is finalised. Yet the very Government who considers that the private rented sector is rightfully the dumping ground for those that 'Housing Associations' and 'Build to rent' landlords would not wish to take on are no longer housed in the private rented sector and instead housed by local authorities/housing associations set up for that very purpose.

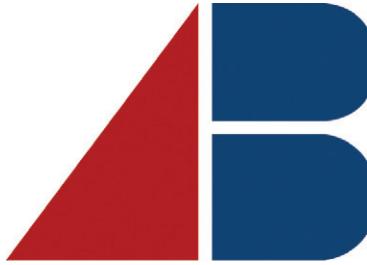
I should perhaps hasten to add that I do not propose purchasing any more residential properties and will concentrate on commercial/industrial where regulations are not so oppressive against private landlords.

For members' information, I attended Court on two occasions in December 2022, both for rent arrears and both were within four weeks of my application and the Possession Orders were granted for 14 days following the Court hearing. I have yet to have the bailiffs attend the properties to evict and am concerned about the time delay of that service in carrying out its duties.

On the brighter side, rents are very good in the areas that I operate and the number of tenants seeking the sort of properties I let is good indeed. So there are some aspects of renting that are good but on the whole prospects for our country economically, in my opinion in 2023, will be poor and regulations concerning landlords if introduced will cause decline in the sector for the future, especially for the housing of the vulnerable and economically.

On that note may I wish you all success and good health.

*Mike Stimpson*



## **A LANDLORD'S GUIDE TO SUBLETTING**

Many landlords ask us what the rules regarding subletting are. It may be that a tenant has asked them whether they can sublet. More often, landlords discover their property has been sublet without their knowledge. Whichever situation you are in, this helpful guide answers some of the most common questions you may have.

### **A DEFINITION OF SUBLETTING**

Your property is sublet if your tenant rents out all or part of your property to someone else. They may sublet a room or move out and sublet the whole property. The rent gets paid to your tenant, not to you.

However, someone staying in the property temporarily (such as a friend of your tenant) is not a subtenant. Neither is a lodger (see below for more information on this).

- My tenant has put my property on Airbnb. Is that subletting?**

If your tenant lets out your property by advertising it on Airbnb or similar websites, this counts as subletting.

- What about rent to rent?**

Rent to rent is a form of subletting, but, crucially, it is always done with the consent of the landlord. Rent to rent is when you let a property to a renter for a certain period. The renter guarantees your rent for this time, but it is generally lower than the market rate. The renter then finds and manages subtenants. It's an opportunity for the renter to become a landlord without owning a property.

### **IS SUBLETTING LEGAL?**

It depends. If a tenancy agreement forbids subletting, it's illegal for your tenant to do it. However, you can agree to let your tenant sublet and put certain conditions in their tenancy agreement, such as seeking your agreement before subletting the property.

- Why you need to be careful about subletting**

Even if you agree to let a tenant sublet, you need to be careful. In particular, allowing subletting may break the terms of your mortgage contract, meaning the lender could demand full repayment of the loan. Also, you're likely to invalidate your landlord insurance policy if you allow subletting without informing your insurer, which could prove costly if you have a claim declined.

If you end up with three or more separate tenants in the same property, it counts as a house in multiple occupation (HMO). This means you have to meet more stringent standards and may even need a special licence. If you don't have the right licence or meet the relevant standards, you could be taken to court and fined.

### **WHAT'S THE DIFFERENCE BETWEEN A SUBLTENANT AND A LODGER?**

A lodger doesn't have exclusive use of a room. This means there's nothing to stop other occupants of the house entering the room, such as when it needs cleaning.

A subtenant has exclusive use of a room (or a property). So, if there's an external lock on their room or property and they have the keys, they're a subtenant.

It's up to you whether you let your tenants have lodgers, but be sure to put any conditions in your tenancy agreement.

## IS IT WORTH LETTING MY TENANTS SUBLLET?

There's one obvious advantage – subletting means you don't have to spend time looking for good tenants of your own.

On the other hand, you're giving up a lot of control over your property. You can't screen your subtenants, so you could end up with people who damage your property or behave antisocially. Also, your tenancy agreement will only cover your original tenant, not the subletter. This means the subletter is not accountable for damage. In addition, you won't have the opportunity to build a good relationship with the subtenant – which is one of the cornerstones of good property management.

## I'VE DISCOVERED MY TENANT IS SUBLetting. WHAT DO I DO?

It depends on the precise situation. If the tenant has breached their tenancy agreement by subletting, you can evict the tenant using Section 8, ground 12 ('Breach of tenancy obligation').

If the tenant has moved out of the property and sublet it to a third party, they forfeit their tenancy status. In this case, you can simply issue a notice to quit (with a minimum of four week's notice) and don't need to offer any legal grounds.

Things can get tricky if you find yourself with a property that's been sublet to multiple people. It's possible to make them your tenants directly, but this may cause problems with your mortgage and insurance. It's always best to seek legal advice before dealing with any case of subletting.

## WHAT INSURANCE DO I NEED IF I SUBLLET?

If you want to sublet you'll need to tell your insurer as most won't allow subletting on a standard landlord insurance policy. Your insurer will be able to discuss the insurance options

available to you to ensure that you get the right policy for your situation which covers your risks.

It is also worth considering taking out legal expenses insurance, which can provide cover when your tenant has breached the tenancy agreement, including illegally subletting your property. These policies also give you access to a 24/7 legal advice helpline that will provide guidance on a range of matters relating to being a landlord (not just insurance related).

If your tenants sublet without your knowledge, your landlord insurance should cover you as long as it's clear you were unaware. If you conduct regular property inspections, you should find out relatively quickly, though. If you do find the property is being sublet, let your insurer know immediately even if you don't need to make a claim.

## WHAT ABOUT COMMERCIAL SUBLetting INSURANCE?

Subletting in commercial property is more common, but as the landlord you must still tell your insurer if that's the case. The subletter may be in an industry with a very different risk profile, which could affect your commercial property insurance premiums.

If your tenant sublets without telling you, tell your insurer as soon as possible to avoid invalidating your policy. As with residential property, regular inspections should uncover any instances of subletting.

If you want to make sure you have the right landlord or commercial property insurance, talk to the Alan Boswell Group.



## **MORTGAGE RATE, IT IS NOT ALL BAD NEWS**

by Gary Waller

We have all either been hit by the mortgage rate increase or definitely will be when your fixed rate expires. The Bank of England base rate has increased from 0.125% to 3.5%. On top of this there has been some panic in the mortgage market with lenders temporarily withdrawing their best rates while they waited to see which way the market was going. Luckily things seem to have settled down and rates offered have come down a bit. As an example, Barclays offered a 5 year 2% rate for remortgages at £1,800 in February 2022, that same five year deal is now going to cost 5.10% and a fee of £2,495. On a £200K mortgage that is £10,200 up from £4,000 per annum in February. Ouch! (if only I had fixed in February).

On top of that due to section 24, you can only offset 20% of the mortgage cost against your costs on the tax return. It certainly is time to review your portfolio and check that you are still making a profit.

What can you do, well you can put up the rents, but you have to be careful in checking that your tenant can pay the increase. Each property has a rent ceiling, depending on the area, type of property, condition of the property etc. The bottom level is normally the local housing allowance. Putting up the rent to high and your tenants either pack up and go or worse stop paying the rent and it takes at least 9 months to get them out,

But for those of us that have been landlords since the 1984 it is not all bad news. Since 2008 we have had negligible inflation, which has led to low rent inflation, we are now in a period of much higher inflation at 10%, which will mean over time rents are more likely to also increase at the new inflation rate. House prices might have a temporary drop for a couple of years but in the longer term they also will increase at the higher inflation rate. What this means is that mortgages get cheaper over time. On £400K house with a 50% mortgage of £200K, after a 10% inflation rise the house is worth £440K but the

mortgage has dropped from 50% to 45%. Roll high inflation for a few years and the value of the loan drops considerably.

Obviously we need to ensure that the Bank of England base rate does not hit 15% like it did in the 1990s, but I cannot see that happening and you need to ensure that you can keep up the mortgage repayments in the medium term. All in all it looks like the world base rate and inflation rates are returning to normal. Good luck riding it out, but it will pay off.

## **CAREFUL IN UNDERCHARGING**

by Peter Littlewood

Be careful if you are undercharging for your property. We have had several examples of landlords who thought they were being kind to their tenants by keeping the rents low, but then can't get rid of them.

A few members have wanted to sell their property, and have thus served a Section 21 notice – sometimes with considerable notice. Tenants frequently understand the reasoning, and start looking for a new property to rent, but can't find one because they have been substantially under the market rent. They then won't leave until the case goes through courts up to a bailiff, increasing the costs and stress for all involved.

It's a lovely gesture to keep the rents low, just be careful you don't come to rue the day.

## **PREPARE FOR COST INCREASES AT THE END OF MARCH**

- Energy Support Grant (£67 pm) comes to an end
- Energy cap rises 20% from £2,500 to £3,000
- Council tax can increase 5%, or more if referendum

From April, some groups will receive further payments to help with energy costs:

- £900 in total in three instalments in spring, autumn and spring 2024 to households on means-tested benefits (the same payments listed above)
- £300 for pensioner households in the winter
- £150 to people on certain disability benefits, paid in the summer

The government says it will publish more information about the exact timing of the payments.

## MPS ARE DEBATING BILL TO LICENCE AIRBNB PROPERTIES

A Labour back bencher (Rachael Maskell) has tabled the 'Short-term and Holiday-let Accommodation (Licensing) Bill', which is backed by the shadow minister, Barbara Keeley.

The Bill looks to force all short term lets to be licensed before they can be let. The full description of the Bill is:

*A Bill to give local authorities the power to require licences for the conversion of domestic properties into short-term and holiday-let accommodation; to give local authorities the power to issue fines and to remove such licences when safety, noise and nuisance conditions have not been met; to make provision about banning the licensing of such properties in defined geographical areas; to give local authorities the power to vary the rates of local taxes in relation to such properties; to give local authorities the power to restrict the number of days per year for which such properties can be let; and for connected purposes.*

Rachael Maskell commented that part of the problem was that taxation favoured short-term, holiday lets over long-term lets.

The Bill has just had its second reading in the House, where The Rt. Hon Stuart Andrew MP, Minister for Sport, Tourism, and Civil Society, and Minister for Equalities, appointed by The Department for Digital, Culture, Media and Sport (DCMS) opposed the Bill on behalf of the Government, stating that short term lets helped the tourism industry, and that housing

would be protected under the registration scheme introduced as an amendment to the Levelling Up Bill.

The Minister also revealed that he was considering legislation on a requirement for a short term let to seek planning permission.

Stuart Andrew was the previous Housing Minister, under Liz Truss, and referred to the White Paper *A fairer private rented sector*.



## MOULD/CONDENSATION

Members will have heard no doubt of the most unfortunate death of a youngster, as a result of living in a property in London infected with mould. The property is owned by a housing association. However, much publicity has now been circulated that private sector landlords have more properties with mould problems than in the social sector. Again, figures are supplied which appear not to deal with the facts. The private sector housing is very often in much older housing than public sector housing and is much harder to insulate. However, a tenant occupying any property should understand that heating and ventilation are very important aspects of living conditions and many seal any drafts and never open windows and in some cases never open curtains and cause condensation/mould as a result, complaining of course to their landlord that they are living in damp conditions.

Once the cold weather disappears, so does the mould/condensation in many cases, which indicates that it is not a landlord problem but a problem of tenants living in arrangements where they will not observe common sense of opening windows and allowing air circulation within their properties. Government should make clear tenants' responsibilities in these matters and not automatically blame private landlords for such situations.

# CHATHAM PROPERTY – FINAL INSTALLMENT

by Rodney Townson

Thank you for joining me for the final installment of our investment journey at our flat in Chatham.

Just to recap previous articles have covered the property, raising the funds, adding value and decisions on who to rent to.

We have now sold the property as we feel capital values have reached their peak, so the big question is, was it worth it?

When we bought the property in late 2014, the price was still below the 2008 high – and did not get back to that value until about 2017.

Here's the breakdown of the financials

## Rental Profits

	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	Total
(3mon)									
Rent	7,719	20,800	18,912	19,835	20,020	18,472	17,904	4,625	128,287
Service charge + ins	3,688	5,349	5,378	5,046	4,262	4,385	4,580	2,001	34,689
Repairs Maint.	16,171	1,400	476	3,337	294	569	431	0	22,678
Int & Fin Costs	3,707	5,957	5,581	5,362	5,232	5,115	4,980	1,219	37,151
Platform Fees	196	122	186	1,971	3,170	2,919	2,605	1,530	12,697
Cost of Services	353	1,259	1,272	38	1,087	556	158	26	4,749
	-24,115	-14,086	-12,894	-15,752	-14,044	-13,544	-12,754	-4,775	111,965
Profit / (Loss)	-16,396	6,714	6,018	4,083	5,976	4,927	5,150	-150	16,323
Market Value	165,000	170,000	175,000	180,000	185,000	190,000	210,000	35,000	
Yield	4.7%	12.2%	10.8%	11.0%	10.8%	9.7%	8.5%	2.0%	

## Sale

We listed the property in November 2021, we used an agent to market the property (1.5% including VAT). We received an offer at the full price of £235,000 from a first time buyer within about 3 weeks and all went well until the first Bank of England rate rise made their lender nervous, forcing the buyer to pull out mid January. By the mid February, we had accepted an offer of £230,000 from a portfolio buyer and were promised a quick completion. Well, you know how that goes; lots of calls and chasers to my solicitors and the agent to push the purchaser saw deadlines of Easter, 1 May and 31 May come and go, eventually exchanging and completing at the end of June. (It turned out that the buyers were purchasing it for their son, who would be moving in in September, as he is studying at the university nearby.)

Other things which contributed to the admin were questions about the high service charges (long overdue external works), getting the sign off certificate from building control for the alteration and upgrade works, indemnity for the works which we had carried out (we had not sought permission and the lease had no provision to facilitate either works or retrospective approval) and indemnity for our misplaced certificate for our share of the freehold.

## Capital Gains

Sales Price		230,000
Costs		
Agent	3,450	
Legals	1,092	
Indemnity	200	
Bank Charge	30	
Early Redemption Fees	2,350	
Sale Cost		-7,122
Net		222,878
Purchase Cost	132,222	
Capital Costs	59,800	
Total Costs		-192,022
Taxable Gain		30,856

We also sold the contents to the buyers – we didn't need them, and it did us both a favour. They got a flat which they could rent from day one and we didn't have to organise sale / removal and disposal of furniture and storage area.

## Total Return

Income	16,323
Capital	30,856
Total	47,179

Holding period, 7 years 6 months. Giving an annual net return (before tax) of £6,290, after including the refurbishment costs not treated as capital expenditure.

## Capital Gains Tax

Landlords must file a CGT return within 60 days of the sale and pay any tax due. Failure to do so will result in penalties. In order to submit the return, you have to register to do so as this is separate from your regular tax return. Once registered, you will be given a code, which you or your accountant need to submit the return. You may also find that your accountant will charge an additional fee for the CGT return. Details are on the HMRC website.  
[www.gov.uk/guidance/capital-gains-tax-for-non-residents-uk-residential-property](http://www.gov.uk/guidance/capital-gains-tax-for-non-residents-uk-residential-property)

## What would we have done differently?

We spent more than planned on the upgrade but ended up with a property fit for the 21<sup>st</sup> century and had expected to hold the property for 15 years. The only swap I would have made is to spend more to buy rigid kitchen units and not spend money on cabling for TV aerial and LAN sockets in each room (this was before fast wifi, and accessing data on tablets or smart phones became common place).

## Rentals

While it was interesting to understand the challenges students bring, we would have had an easier start had we stuck to our normal tenant type of young professionals and foreign students. After having to sort out bill apportionments when the students' tenancies ended, we decided to include all bill in the rent, as the tenancies were by the room.

Although we managed some good rates when we short let the property, occupancy and rates were not high enough to out perform the room rents we had achieved from tenants on ASTs.

The location and covid dictated that we use an agent but if we had not had the ability to short let, while up for sale, the delay in completion would have been expensive. For future sales, we will pay for searches, allowing us to specify a lock-in date 30 days from offer, after which the exchange date must be agreed and the buyer is responsible for costs should they walk away before.

### Anything else?

The sales proceeds were used to help fund the lease extensions on 3 London flats, which had become urgent due to the expiry of the mortgage terms at the end of December 2021.

We found the lenders understanding and willing to schedule a hold on the redemption as long as we kept them up to date on the process. To do this, I laid out the various steps of the lease extension process and statutory timescales, then updated them as things progressed or were delayed. I had expected that completing the lease extension would open up offers from mortgage lenders but it turns out that they insist on the change being shown in the Land Registry title, not the solicitors submission receipt. With Land Registry taking up to a year to process lease extensions, I was grateful for advice from iHowz board members, who informed me that it is possible to get documents expedited if you are remortgaging or selling a property. After waiting almost four months, once I submitted the request, the register was updated within a fortnight.

### EVEN THE PROFESSIONALS GET IT WRONG

Manchester's grade II-listed Corn Exchange has been sold to a wealthy Middle Eastern businessman for about £40 million. It had been owned since 2005 by Aviva who paid about £67 million. The insurer also spent £30 million clearing out the old retail units and converting the interior to a hotel, bar and restaurants, including Pizza Express and Zizzi's.  
- The Times

### SIGN THE TAX PETITION NOW

Landlords are being encouraged to sign a petition calling on the government to reverse the section 24 tax change which had ended their right to offset mortgage interest against tax.

Before Section 24 was introduced in 2017, landlords were able to deduct mortgage interest from their income tax – at that time it was also possible to offset mortgage application fees and some other loans.

Now tax is payable on all rental income upfront, even if – combined with an income from a traditional job – it moves the landlord into a higher tax bracket. Instead, landlords now have only a basic rate reduction from their income tax liability for their finance costs of 20 per cent.

The petition, on the Parliamentary website, is by Midlands landlord Simon J Foster and reads: *"We want the Government to reinstate the ability of landlords to set the full amount of mortgage interest against rental income, before tax is calculated.*

*"Like many self-employed business people I am a small, well-established private landlord that is now struggling to make any money from letting properties.*

*"Unless the ability to offset mortgage interest against rental income is reinstated I will like many be forced to sell my properties. This could reduce the amount of properties available on the private rental market."*

**You can sign the petition at**  
[www.petition.parliament.uk/petitions/627785](http://www.petition.parliament.uk/petitions/627785)



## TIPS

### REPAIR & RECYCLE

In 2021, rules came into force in the EU and UK obliging manufacturers of large goods such as washing machines to make spare parts available – buyspares, espares, partscentre, partmaster, etc.

If you want to repair something it is likely that a search on YouTube will turn up a list of helpful videos. Of course, before getting started, you should make sure that doing so won't invalidate your warranty, you can access the required tools and parts and that you do not need to be a qualified professional. You should leave gas appliances to your engineer and the same applies where mains electricity is involved. If you are unsure and would like a helping hand, you could go along to your local Restart Project ([therestartproject.org](http://therestartproject.org)) where volunteer fixers will help you learn how to repair your broken or slow devices.

Rechargeable batteries degrade over time. To maximise their lifespan it is recommended that users only charge to about 80% and not to completely exhaust them before charging.

Electronic waste should not be put in general rubbish, especially when it contains batteries as they require special processing due to the risk of contamination and batteries being flammable.

Last year the UK started requiring major electronics retailers with stores to take back products similar to those being purchased. For items less than 25cm long the shops must take them, regardless of whether the customer is buying anything. For smart phones and some other electronic devices, you might even get paid when you send your device to a recycler. Have a spring clean and get rid of those electronics cluttering up your drawers.

## WORKING WITH OTHER ASSOCIATIONS

iHowz have been participating in quarterly meetings with many of the landlord associations across the UK.

Hosted by the NRLA (as the largest association) these meetings have been going on since September 2020 and involves up to 18 separate associations.

We were able to submit a joint letter from all the associations to the housing ministry (DLUHC) last year voicing our opinion on several of the matters contained in the White Paper.

## WORKING WITH LONDON LANDLORD ACCREDITATION SCHEME (LLAS)

iHowz have been sitting on the steering group of LLAS since its inception, and last year Peter Littlewood was appointed joint chair.

Through our association with LLAS and the joint association forum, we will continue to push Government to adopt training/ accreditation as another mechanism to minimize the requirement for wholesale licensing.

## LONDON LANDLORDS FORCED TO CUT RENTS

The cost-of-living crisis has forced an arbitrary cap on rents in London. This is as reported by Chestertons who have reported that 1 in 3 of landlords have cut their rents by 5-10%.

Foxtons have separately reported that across the wider London market, average rental prices fell from £568 per week to £551 between October and November. This was a drop of 3pc – meaning landlords are now charging £68 less per month.

Richard Davies, of Chestertons, said: "We believe that London's rental market is now

*showing signs of stabilising, with more rental properties coming onto the market and an increasing number of landlords being realistic on the rent they are prepared to accept to minimise any void period."*

According to Foxtons, London rental supply rose by 7pc month-on-month in November while the number of renters registering for properties fell by 26pc. This meant that there were 15 renters competing for every new property. This was a 31pc drop compared to October but was still historically high.

Rents agreed via Chestertons in November were up 19pc year-on-year, but the agent has forecast that this growth rate will slow to just 5pc across 2023 before flat lining in 2024.



## WHY 2023 COULD BRING THE COLLAPSE OF BUY-TO-LET

The Telegraph have run a recent article on how 2023 could see an end to buy-to-let as we know it, citing a mix of high mortgage rates and reduced tax relief.

You can see a link to the article in the news section of the website – note that a subscription may be required to read.

At the same time the New Statesman has gleefully run an article under the heading '*Good riddance to the buy-to-let landlord*'.

Both are very keen on landlords becoming more professional, which is difficult to argue with. No matter how many properties you let it is a full-time responsibility – even if a part time job. iHowz have always advocated a high standard of professionalism from its members.

## THE BUY-TO-LET CRISIS WILL BE A DISASTER FOR RENTERS AND HOUSE PRICES

Also in the Telegraph, Ben Beadle, CEO of the NRLA, has written an article pointing out the very thing we have been saying, that if Government policy continues to drive out private landlords, will local councils be able to house the homelessness without resorting to expensive bed-and-breakfast?

That's my biased summary of Ben's excellent article.

## MORE LANDLORDS DEMAND GUARANTORS

Over a year ago we prophesied that landlords would become more demanding in the light of the probable demise of Section 21 (see page 3). This would lead to more tenants not being offered property.

The referencing company Goodlord is now reporting that almost 15pc of renters now require a guarantor when searching for a home, according to data from referencing company Goodlord, up from less than 12pc last year.

*'Requests for tenants to nominate another adult to pay their rent in the event of a default was once reserved for students and those with poor credit ratings. But the need for a guarantor has become non-negotiable for many landlords during the cost of living crisis' states Goodlord.*

## WE NEED "WAR EFFORT" TO CUT ENERGY BILLS

In the first week of 2023, the House of Commons environmental audit committee reiterated their call for more action from Government to retrofit the UK's leaky, inefficient housing stock by boosting energy efficiency and insulate millions of homes; in doing so, homes would cut household bills and carbon emissions.

The committee added that the government had wasted the opportunity to get these works underway over the summer and benefit from retrofitted properties reducing the cost of the energy support scheme.

iHowz welcomes the comments of the committee, noting that the Government seem to have forgotten the words of a certain chancellor who urged us "to fix the roof while the sun is shining".

We have written to the Government for a third time, requesting publication of both the new EPC assessment criteria and confirmation of the new MEES requirements.

## KEEPING MEMBERS INFORMED

During 2022 we kept the news section up to date on a regular basis and sent out an eNews email every Tuesday morning (re-sent to those not opened on the following Saturday). Additionally, we published quarterly newsletters for members.

During the Covid pandemic we mounted regular virtual landlord meet ups via Zoom, and we are pleased to say that 2022 saw the re-commencement of physical meetings.

In this first newsletter of the year, we have listed all the forthcoming meetings/events we are aware of (see page 20). It is almost certain that these will be added to during the year, so we urge all members to keep an eye on the website, and the weekly eNews.

If you are not getting the weekly eNews please let us know so we can investigate – but we are aware that many members do get it and find it a useful source of up-to-date information.

**Remember that the landlord is always responsible for the let, even if using an agent.** So, keep up to date.

## AND FINALLY

It is interesting to note that in his first keynote speech of the New Year, the Prime Minister Rishi Sunak talked about his 5 key objectives for his Government, and housing wasn't one of them.

The five were:

1. halve inflation
2. grow the economy
3. ensure national debt is falling
4. smaller NHS waiting times
5. slow the number of people entering the country illegally

Does this mean everything else is put off until he wins the next election?

Time will tell.

# MEETINGS/EVENTS SCHEDULE FOR 2023

## JANUARY

- January 9th – Surrey Property Exchange with Peter Littlewood and Jenni Browne
- January 14-15th – Homebuilding & Renovating Show

## FEBRUARY

- February 15-16th – London Proptech Show
- **February 20th – iHowz Brighton & Hove day landlords meeting**

## MARCH

- March 1-31st – Free Will Month
- March 7-9th – FutureBuild
- **March 13th – iHowz Southampton evening landlords meeting**
- March 14th – National Landlord Investment Show
- March 15th – Spring budget
- March 17th – The UK Landlord Show
- March 17th – April 2nd - Ideal Home Show
- March 23rd – LLAS virtual conference

## APRIL

- April 21-22nd – Property Investor Show
- **April 24th – iHowz Landlords London landlords meeting**
- April 25-27th – The Health & Safety Event

See the meetings section on the web for the latest information



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## MAY

- **May 15th – iHowz landlords Brighton & Hove evening landlords meeting**
- May 16-18th - Facilities Management Show

## JUNE

- June 6th – LLAS annual conference and BBQ

## JULY

- July 1-2nd – HomeBuilder & Renovating Show
- July 4th – National Landlord Investment Show

## SEPTEMBER

- September 22-24th – Homebuilding & Renovating Show
- September 27th – National Landlord Investment Show

## OCTOBER

- **October 2nd – iHowz Brighton & Hove day landlords meeting**
- **October 16th – iHowz Southampton evening landlords meeting**

## NOVEMBER

- November 1st – National Landlord Investment Show

