

Landlords Guide

So you want to let a property: Why do people rent?

Records show that at the turn of the century around 90% of properties were rented. After many years at war, Britain had a huge shortage of council properties. The country started to rebuild itself and began to prosper again after the darker time of the War. With industry and trade growing, the personal wealth of individuals began to improve, people had more money and ambition and they wanted to buy their own properties - this offered them security, assets and status, while at the same time jobs still offered the long term security.

This trend continued and peaked in the 1980's. As property prices were on the increase, buying a property was within reach of most people and there was social pressure to get your foot on the ladder as early as possible so as not to lose out on capital growth. During this period the private rented sector dropped to only 7%. Subsequently mortgage rates soared, so did the property prices which shortly afterwards fell dramatically. For many, this was disastrous, hitting many with negative equity, the inability to sell, and for some - re-possession.

With the changes included in the 1988 Housing Act the rented sector received a boost, it was now much easier to create practical and enforceable tenancies.

The growth has continued and is continuing to grow. Since the all time low in 1987 of 7% it has now grown to over 13% and is rising for the first time in over a century.

As buying property was now attainable by most, it was no longer a status issue. Because of economic recession and uncertainty in world markets, many companies no longer offer jobs for life, but rely on short-term contracts instead - they also expect greater flexibility and mobility from their employees. This has contributed to changes in the labour market. If an employee sought promotion they would quite often have to be willing to move at short notice to a new area to fill a post with only a short term contract in hand. In this situation a person is very unlikely to wish to buy a property but would be looking to rent one instead.

This sector of tenants demand ever-increasing standards, which has been reflected in the recent regulatory changes. We have seen a dramatic rise in the presentation and quality of rented accommodation through the industry. 80% of the market is people moving into the area for work - generally of the 25 to 40 age bracket. These people are looking for the type of accommodation that they would purchase themselves if they were to buy, and are willing to pay extra for the better quality of rented accommodation they demand.

Who needs to know?

If your property is subject to a mortgage, then your mortgage lender must be informed in order to gain their consent. This is not usually a problem when the property is being let and managed by an ARLA agent. If the property is Leasehold then the Leaseholders consent must be gained.

Insurers:

Your buildings and contents insurers must also be advised as some policies do not cover the property if it is tenanted and very rarely will they cover for accidental or malicious damage by the tenant. You must also ensure your insurers cover you for landlords liability.

Mortgage Lenders:

If your property is subject to a mortgage, then your mortgage lender must be informed in order to gain their consent. This is not usually a problem when the property is being let and managed by an ARLA agent. If the property is Leasehold then the Leaseholders consent must be gained.

Legal Requirements, and how they affect you

The Housing Act 1988 (as Amended 1996)

Among many changes was the creation of the Assured Short hold Tenancy agreement. This act ensures the Landlord possession under certain qualifying grounds, or the serving of appropriate notices. The Landlord always has to give the tenant 2 months notice for possession and cannot break the term of the tenancy except with a qualifying ground seeking possession.

The Fire & Furnishings (Fire & Safety) Regulations 1988 (Amended 1989 & 1993)

This states that all soft furnishings in a residentially let property have to comply with the fire resistance levels specific by the regulations. If they do not comply, they must be removed. Safety labels must be present on all items of furniture or a receipt to verify purchase after 1st March 1990. Furniture pre-January 1950 is not affected. Penalties for non-compliance can be heavy fines and / or imprisonment.

Landlords Guide (continued)

Legal Requirements, and how they affect you (continued)

The Gas Safety (Installations & Use) Regulations 1994

All properties that have a gas supply connected, and must have a gas safety inspection conducted with a certificate issued once every twelve months to ensure that the appliances and pipe work are safe to use and free from dangerous emissions as well as meeting any current regulations. Penalties for non-compliance can be heavy fines and / or imprisonment.

The General Product Safety Regulations 1994

These cover all items in or around the premises and impose a responsibility on the landlord to ensure they are safe for use: i.e. Carpets, Windows, Beds, Light fittings, Sheds, Paving slabs, Curtain poles, Fridges, Wardrobes, Baths, Floors, Doors etc.

The Electrical Equipment (Safety) Regulations 1994 + The Plugs and Sockets (Safety) Regulations 1994

The Electrical Regulations, cover all mains voltage household goods, such as cookers, washing machines, kettles, leads etc. The Plugs and Sockets regulations cover all plugs, sockets and installations. These impose an obligation on the supplier (the landlord) to ensure that all their equipment, earthing and cabling are safe, and must be able to prove so.

Consumer Protection Act 1987

Under this act you must ensure that there is no risk of injury or death to humans or animals or risk of damage to property. It can be deemed under this act to be an adequate defense to show that you have taken all reasonable steps to ensure the property's compliance.

HMO The Housing Regulations 1990 (Management of Houses in Multiple Occupation)

This applies to property letting where the individuals are not from the same household. Properties under this category have to register with their local council and a strict list of requirement is stipulated relating to safety, which has to be adhered to. This is a very complex regulation and if you fall into this category please consult the council for advice.

Income Tax & Taxes Management Act 1980

All income from properties are subject to income tax. If a landlord is overseas, tax has to be deducted at source by the agent unless an exemption certificate is obtained from the tax office. This then allows rentals to be paid direct to the landlord's account without deductions.

Building Regulations 1991

These regulations impose the requirement that all properties built after June 1992 must be fitted with mains operated some detectors, interlinked between each floor.

Recommended Actions

The only way to show due diligence safely is to have regular professional inspections done at your property, so you can always prove compliance to the above regulations.

To save time check all your furniture for labels that show compliance to all the above regulations.

If you do not have professional checks done at your premises, how could you prove in court that you had done all in your power to ensure that these items were compliant? How do you know that the previous tenant had not tampered with the wiring if you have not had it checked for 2 years? Not checking property could be deemed as negligence.

Landlords Guide (continued)

Investing in Rented Property

Due to changes in the employment market and economic conditions, flexibility to move with your career is now expected. This has led to the demand for a different type of rented accommodation. Quality properties, suitable for the professional, close to the workplace are sought after more now than ever.

In response to this trend many people have started to see the private rented sector as an extremely viable investment. At the same time ARLA reacted by leading the way with developing the Buy-To-Let scheme with some of the UK's top lenders. This scheme has proved to be very popular with both new and experienced investing landlords, looking to expand their existing portfolios.

There are now various schemes available through numerous lenders. Typically these schemes allow Landlords to borrow up to 85% of the purchase price of the property they propose to let on either a fixed or variable rate. Usually provided it is let and managed through an ARLA member agent.

Making the Most of Your Property

Properties that are clean and well presented are the ones that achieve the best possible rental combined with a quick let. Nobody takes a property without first viewing it, the following information will help ensure the property looks its best when prospective tenants call.

First impressions are the ones which last; frontages of properties are best kept clean, tidy and free from rubbish and clutter. Full decoration is not always required, but people always notice if any wallpaper is peeling or if paintwork is damaged. Thinking about presentation will pay dividends.

Kitchens can tip the scales. More than any room in the house, a kitchen that is clean, tidy and well ordered with clean and tidy cupboards, adds appeal. Keep on top of the washing up. Before a tenant moves in it is important to ensure that cookers, jobs and grills are spotlessly clean.

Making the Most of Your Property (continued)

Furnishings - any furniture being left should be up to current regulations (see the earlier section) and be in a clean and undamaged condition, any ripped, stained or faulty items should either be properly repaired or discarded.

To sum up, the better the property is presented the higher the rent and the more quickly it will be let.

Legal Agreements

On finding acceptable tenants, it is important that the correct tenancy agreements and relevant notices are drawn up. For most residential lettings the agreement which gives you the best protection and security is a Assured Short hold Tenancy Agreement regulated by the 1988 Housing Act (as amended by the 1996 act).