

Property investment

Many of us still wish to invest in 'bricks and mortar', either for capital growth and as a long-term investment or for a reliable source of income. There is very strong demand locally for good quality rental properties; it remains a challenge for young people to find the money to buy a property, so many have no option but to rent for longer and longer periods. Holiday lets present another investment option. These can provide a very high income during the summer months, at Easter and over Christmas, but will need managing. If you don't have the time or inclination to oversee each changeover (possibly every weekend or more frequently) and to attend to the upkeep on the property, you can pay an agent to do this for you. Either way, it's going to be time consuming or costly. But many of us like the idea of buying a traditional flint cottage in North Norfolk to give us a holiday let rental for now - and then, maybe one day, to become our retirement or weekend home...

“There is very strong demand locally for good quality rental properties”

Whether you are thinking about buying a property as a holiday let or to rent out to students or professionals, there is a lot to consider. Philippa Rudd, partner at city centre based Cozens-Hardy solicitors, takes a look at your obligations as a landlord



Whether you decide to buy a property as a holiday let, or a student/professional let, it can be surprisingly difficult to find the right property. We would recommend speaking to a local letting agent to find out what type of properties let easily and the level of rent you can expect. An estate agent will then be able to suggest some suitable properties to view. If you need to borrow, you will need to speak to a financial advisor about arranging a mortgage and calculating how much you can borrow. As your conveyancing solicitors, we would let you have an estimate of our fees and advise on the stamp duty that

you would be liable to pay. Given that the property you are buying will not be your home, stamp duty will be payable at the higher rate. On the subject of taxation, you will have to pay income tax on the rental income, but you can set off various expenses and the interest you pay on your mortgage (although the regulations in this regard are, unfortunately, changing). As and when you sell the property, you will have to pay capital gains tax on the net profit you have made. Again, certain expenses can be set off against the profit you have made. Once you have found a suitable property, we can advise you on the preparation of a holiday letting agreement or a tenancy agreement.

Most residential landlords use an assured shorthold tenancy, which enables you to secure possession of the property via statutory mechanisms - both if the tenant breaches the agreement terms and even if you just want possession of the property for yourself again. Assured shorthold tenancy agreements are normally for an initial fixed term of six months or a year. Sometimes you or the tenant will wish to have the ability to terminate the agreement by giving the other party notice. At the end of the fixed period, the tenant can remain in the property and the agreement will continue on a rolling monthly

basis until either of you ends the letting. You may wish to furnish the property; your letting agent will advise you as to how much extra rent this would yield for you, which you need to weigh up against the initial cost of new furniture and the future cost of replacing the furnishings. You will need a detailed inventory at the start of each tenancy, and you (or your letting agent) will check this as your tenant vacates. Don't forget that the deposit you receive from the tenant must be registered under the Tenancy Deposit Protection Scheme and prescribed information about that deposit protection provided to the tenant. There are penalties for failing to conduct these two important steps and we can advise you on this. As regards the condition of the property, you must keep the property in good order at all times under the Landlord and Tenant Act 1985. This applies to both holiday lets and longer term lets. You are responsible for:

- The structure and exterior of the property
- Sinks, baths, toilets and other sanitary fittings, including pipes and drains

“Becoming a landlord can be daunting! However we will explain, in plain English, all your legal obligations and then work through a checklist with you”

- Heating and hot water installations
- All gas appliances, pipes, flues and ventilation
- Electrical wiring

We can advise you in detail on your legal obligations as a landlord, many of which relate to the safety of your tenants. Here's a snapshot:

- A Gas Safe registered engineer must check any gas appliances annually
- Any soft furnishings, such as sofas, must comply with flammability tests.
- You will have to inform your buildings insurance company that the property is being let.
- If the property is leasehold (eg an apartment in a block), then you must check that your lease permits you to let the property (we would check the relevant provisions of the lease with you before you buy the property). There is very important and recent case law about Air B&B on this particular issue.
- It is mandatory to supply a smoke alarm on every habitable level of the property.
- You are obliged to ensure that the fire alarm is operating correctly at the start of each new tenancy.

● It is also now law to ensure that there is a carbon monoxide alarm in each habitable room that has a solid fuel burning combustion appliance, for example a coal fire or wood-burning stove.

● New legislation requires you to take identification from tenants and other authorised occupants of your property. Failure to do so can result in criminal sanctions for the landlord.

There are many other legal considerations and, yes, becoming a landlord can be daunting! However we will explain, in plain English, all your legal obligations and then work through a checklist with you. With our assistance we hope to leave you with an excellent investment and the satisfying task of checking your rental income every month.

If you would like any advice about buying or managing a rental property, you can contact Cozens-Hardy LLP as follows:

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Just some of the things you'll need to become familiar with as a new landlord:

