Buy-to-let is a British phrase referring to the purchase of a property specifically to let out. A Buy-to-Let mortgage is a mortgage specifically designed for this purpose.

For many years landlords have invested in residential property to be let for profit, but due to the rent controls imposed during the First World War, arranging a mortgage to fund such a purchase was difficult. Since the Housing Act 1988 introduced assured shorthold tenancies, mortgage lenders have been more willing to provide finance. You can now apply for special buy-to-let mortgages which allow you to include anticipated rental income when calculating your ability to make repayments. Rates for these are often lower than for commercial mortgages. Buying property to let as a long-term investment or to generate a regular income has become an increasingly popular option over recent years, and the demand from would-be tenants for quality rental property continues to grow. The Council of Mortgage Lenders reported that the Buy-to-Let market in 2015 accounted for 17.7% of all mortgage lending.

Linley and Simpson
Buy-to-Let service
Helping you get it right
Linley & Simpson have specialised in lettings for over two decades and we have dedicated teams to manage all aspects of the property once you are ready to let, but where you can really take advantage of our expertise is in the buying process. We can give you insights into the market and provide you with all the information you need when making an investment. We can identify properties that would represent good Buy-to-Let opportunities, provide potential rental values and give advice on demand and tenant profiles for properties.

This guide is intended to explain the process of buying-to-let, and the steps you can take to make it work for you. It has been prepared to answer many of the most common questions that arise when would-be landlords first consider investing.

1. Where do I start?

 Decide your investment objectives

Be clear about what you can afford, and what you want to achieve. If you’re investing for retirement, your main objective may be capital growth. If you’re investing to boost your income, the rent you earn may be more important.

Seek professional financial advice

Linley and Simpson can provide tax and mortgage advice through independent finance sector specialists who - without obligation - will discuss with you ways of achieving your desired mix of rental income and capital growth.

Decide what type of property and where to buy

Some landlords feel reassured by only buying in areas that they know well whilst others are simply not interested in the geography, only in the financial return. Both approaches can work out well if you’re open to our advice. We won’t claim to be able to predict every new hotspot but we can certainly tell you where major developers are active, where other investors are buying and where major new transport links or facilities are planned.

The key to success with Buy-to-Let is also choosing the right property. If you are buying a property to let, choose one that will appeal to the type of people who live in that area.

For example, the main tenant market could be made up of busy professionals, single people or couples who may be looking for:
• a two or three-bedroom flat or house
• good transport links
• small or no garden

The Buy-to-Let section of Linley and Simpson’s website enables investors to search for properties that Linley and Simpson experts have already vetted to be potential investment opportunities and offer a wide range of properties and areas to consider. Potential rents are identified alongside each property for ease. Take a look at some of the stock we currently offer - your ideal property could be sat there waiting, maybe even with a tenant already in place!

Our Buy-to-Let advisors are available to offer more specific advice and tailor property searches to match your search criteria.
2. What are the risks in buying to let?
As with all investments, buying-to-let entails risks which must be weighed against the potential gains. Rentals and house prices may fall, while mortgage rates may rise. Investors can minimise their exposure to some of these risks by choosing property - and their Letting Agent - wisely.
Although our strict referencing methods minimise the likelihood of you experiencing problems with your tenants such as non-payment of rent or refusing to vacate the property, there is always a possibility that things could go wrong. Unforeseen circumstances such as losing a job, illness or relationship breakdown could mean that the tenant is unable to pay the rent. If you wish to protect yourself against this, Linley and Simpson can offer our managed clients a warranty for just 3% of the monthly rent.

The cover includes:
- Reimbursing unpaid rent for up to 12 months (first month excess applies).
- Paying your legal costs up to £50,000.
- Free legal advice during the Tenancy
- up to 50% of the rent paid for 3 months after vacant possession is obtained

3. What does the percentage “yield” of a property mean?
The “yield” of a property tells you how much of an annual return you are likely to get on your investment. It is calculated by expressing a year’s rental income as a percentage of how much the property cost. In other words, if the estimated monthly rental on a flat is £500, the annual rental would be 12 times that, or £6,000. And if the flat cost £100,000 to buy, then the “yield” would be described as 6%. Remember that this is the gross yield.
The link below can help you make this calculation:
http://www.btlexperts.co.uk/calculators/
The net yield is after fees, repairs and running costs have been taken into account. (Fees are likely to include Stamp Duty, solicitor’s and surveyor’s fees, and letting and management fees). Running costs include such things as service charges, ground rents, and buildings and contents insurances.
The average annual gross yield on a buy-to-let property is 5% nationally, with Linley & Simpson averaging a rate of 6%; an average taken from our currently available Buy-to-Let properties (April 2016).

4. What types of Buy-to-Let mortgages are available? What deposit will I need?
When the Buy-to-Let scheme was first started by ARLA in 1996, the choice of finance was quite limited. It is now possible to find capped and fixed-rate mortgages at rates comparable with owner occupier mortgages. The maximum loan you are likely to be able to raise is currently 80%- 85% of the value of the property. More typically Buy-to-Let mortgages are available at 75% loan-to-value, so it is likely you will need to fund a quarter of the property value. Most lenders will insist that the property is let and managed by an ARLA Letting Agent on an Assured Shorthold Tenancy agreement. Letting Agents who are members of ARLA (Association of Residential Lettings Agents) adhere to professional standards that give lenders assurance that the investor will receive good advice and service.
The following link may be useful to give you an idea of the maximum amount you can borrow with a Buy-to-Let mortgage, but be sure to verify this information by way of independent financial advice.
http://www.imortgagecalculator.co.uk/buy-to-let/
5. Property Appraisal

At the earliest stage of your Buy-to-Let investment make sure you contact your local Linley and Simpson branch to carry out an appraisal on the property you are looking to buy. It is always best to get an independent appraisal on the property and not just advice from the agent that is selling the property. There are several reasons for this:

a. Over Valuation - the agent selling the property may just tell you what you want to hear to agree the sale - don’t forget that the agent only gets a commission when a sale is completed.

As a dedicated Letting Agent who has moved into sales our specialist lettings experience means we know what a realistic rental price will be, we won’t just ‘quote you happy’ to get the business - A property won’t let if it is overpriced, costing you money in void periods.

b. Demand in the area - again we will be able to advise on whether there is demand for the type of property in question. As the largest independent Letting Agent in Yorkshire our database of active applicants is always growing, resulting in us being able to give you a realistic indication into the demand for your property.

c. Work to be carried out - we will be able to advise on any work that will be needed to adhere to legal requirements and also any work that will be needed to achieve the best possible rent.

You may not need to carry out as much work as you think.

6. Preparing the property to let

Once you have purchased your investment property you will need to prepare it to let. When people view your property, they will compare it to others available, so its condition and appearance will affect both the rental value and the speed at which it is let. In most cases, we have found that there is very little difference in rental values between furnished and unfurnished lettings. Our staff will advise you on the most appropriate option for your property. An unfurnished property would require carpets, curtains and usually white goods.

Remember that first impressions count:

- wherever possible decorations should be light modern and neutral - be prepared to re-decorate as necessary
- carpets need to be clean and neutral
- kitchens and bathrooms should be modern and well presented with white bathroom suites ideally
- in general the property should be thoroughly cleaned and the rooms left neat and uncluttered
- any gardens should be tidy and easily maintained
- ensure that any obvious day to day maintenance is dealt with prior to letting

7. Do I need a Letting Agent to let the property I purchase?

There is nothing to stop a landlord acting without an agent. However, there are many legal requirements that a landlord has to fulfil and over 100 pieces of legislation relating to tenanted properties; failure to comply with these may result in criminal prosecution. Our staff are trained to understand these requirements and advise you of your obligations under safety regulations and we have systems in place to ensure they are complied with. Linley and Simpson also have facilities to properly vet a potential tenant, allowing you to make the right choice.

Time will also be of the essence once you have completed your property purchase and you will want rental income to commence as soon as possible. Linley and Simpson have a database of active applicants – currently in excess of 10,000 applicants across our 11 Yorkshire based branches. Your property will be immediately matched and sent out to any suitable applicants for consideration.

Not only do we have a constant supply of tenants actively seeking a property but we have established contacts with major local companies and relocation agencies, who have a regular requirement for good quality accommodation. We also operate the latest in computer software which automatically matches potential tenants to your property and emails the particulars to them immediately.

We take great pride in finding good quality tenants quickly and will always look to match the tenants not only with the property but with the landlord as well, so that all parties are comfortable with the tenancy moving forward.
8. What letting services do Linley and Simpson offer?

The majority of our clients choose the ‘Letting and Management’ option, as this provides a complete service from start to finish, offering you peace of mind and the satisfaction that your property is in capable hands. Our comprehensive tenancy agreement will make sure that your interests are protected in line with current legislation.

**Our Letting and Management service will include:**

- Advice on your responsibilities as a landlord including repair and maintenance obligations, gas and electrical safety and fire safety of furnishings.

- Accompanied viewings with prospective tenants

- Dealing with applications and taking up references for prospective tenants including employers, current landlords and a credit reference agency search where appropriate. (Please note that although we endeavour to ensure that the tenant is suitable and an acceptable risk, we cannot guarantee this).

- Preparing and arranging the completion of the Assured Shorthold Tenancy (AST) agreement and signing the document on your behalf. Renewing the agreement where requested.

- Arranging for the drawing up of the inventory and/ or schedule of condition (excluding lofts and other inaccessible areas). The inventory allows us to monitor whether a tenant is looking after your property and to assess whether any of the security deposit should be retained for repairs or dilapidations.

- Collecting a deposit from your tenants, which will be held in accordance with tenancy deposit regulations. The deposit is usually equivalent to 1.25 x the monthly rent.

- Notifying the Council Tax and Water Authorities of the change of occupier and reading gas and electric readings at the commencement of a tenancy

- Collection of monthly rents with payment to you within 9 working days less any fees or expenses due or incurred for the period. Payments made by direct bank transfer.

- Preparing and sending rent statements outlining income and expenditure

- Issuing rent demands for late payments and notifying you as appropriate of rent arrears

- Visiting the property at regular intervals to ensure tenants are fulfilling their obligations under the terms of the tenancy and providing you with a written report. The checks also help us highlight whether any maintenance work is required to keep your property in good order.

- Responsibility for the day to day management of your property which may involve arranging for general repairs or maintenance to be carried out.

- Working to reduce void periods. Most agents will ask for tenants to give 1 months notice when they are looking to end the tenancy, as a company we ask for 2 months notice. This allows us to market your property for an extra month, reducing the risk of your property standing empty.

- We have a dedicated renewals department who actively work towards renewing tenancies, again reducing the risk of void periods.

- At the end of a tenancy, The full inventory and schedule of condition are checked to assess whether the tenant has maintained your property in a satisfactory condition. If it is found that there are items that are not up to standard then these areas will be costed and deducted from the tenant’s security deposit - subject to statutory deposit regulations

Other services are available on request. Please also remember to ask about our rental protection if this would be of interest.
9. Costs summary

- **Deposit** – if you’re funding your purchase with a mortgage you will still need to find a deposit from elsewhere. Typically you will need to fund a quarter of the property value.

- **Arrangement Fee** – this could be up to 3.5% of the amount borrowed. It can usually be added to your mortgage, which means you will pay interest on it, but can normally be offset against your tax liability.

- **Mortgage costs.** Mortgage interest payments are likely to be your largest ongoing costs.

- **Insurance** (Buildings and Contents) as a minimum. Specialist buildings and contents insurance for landlords is essential.

- **Repairs to the property and contents** – unless it is caused by the tenants

- **If leasehold** – ground rent and service charges

- **Managing agents fees**

- **When the property is empty** – utilities and services.

- **Other costs will include legal fees, stamp duty land tax and a survey fee.**

10. What about tax?

There are several taxes you may need to take into consideration:

**Stamp Duty** - this is a tax you will have to pay when you purchase the property.

**Income Tax** - Tax is payable on the profits you make from letting your Buy-to-Let property. It’s normally calculated on the gross annual rental income, less any allowable expenses incurred as a result of renting out the property, as well any other allowances that you’re entitled to. If you lose money in any one year, you should be able to carry the loss forward and set it against profit you make in subsequent years. As a landlord, you’ll have to submit your rental income on your tax return, so it’s vital you keep detailed records of the rental payments you receive as well as all the expenses you incur. It’s standard practice for a landlord to employ an accountant to ensure HM Revenue & Customs are properly advised – and to make sure that all allowable expenses are identified so you can offset them against your profit. Although using an accountant will cost money, the fees you pay for the service will be tax deductible, and the help you’ll receive could easily save you money in the long run.

Expenses which can normally be deducted from your income to calculate your profit include: utility bills, insurance, maintenance and repair (but not improvements), professional fees, cost of services like cleaners and tradesmen and other expenses such as advertising for tenants.

**Capital gains tax** - you may have to pay this when you sell the property if the value has increased significantly over the period of ownership. If you sell it for less than there is no capital gain and so no tax due. There is an annual tax-free capital gains allowance of £11,100 for tax year 2015/16. There are a number of expenses you can deduct to reduce the overall capital gain. Namely Solicitor’s fees, Stamp duty, Estate Agents fees and any loss made on the sale of another Buy-to-Let property the previous tax year.

**Inheritance Tax** - property assets will form part of your estate so you should talk to your adviser about tax planning.
Maximise your investment with Linley and Simpson

Why choose us?

• Specialised Buy-to-Let Advisors
• Coverage of all core potential investment areas
• Expertise of staff across 11 branches offering unrivalled knowledge of the private rented sector in Yorkshire
• Largest portfolio of managed properties in Yorkshire allowing us up to date, inside knowledge of market trends
• Access to Buy-to-Let properties offered for sale by current landlords.
• Specialising in professional letting means we attract good calibre, low risk tenants.

Linley and Simpson are proud to be members of the National Approved Lettings Scheme (NALS), the Property Ombudsman Scheme for Residential Lettings and ARLA. We are also registered as a SAFE agent. This means that our practices and client accounting systems are fully regulated which in turn means that we are accountable and your money is protected and insured. This all offers you complete peace of mind that your interests are protected and your property and tenants are being handled professionally.

Letting is easy with Linley & Simpson
www.linleyandsimpson.co.uk

Branches across North & West Yorkshire

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