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# THE KEYS TO BUY-TO-LET SUCCESS.

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# HOW TO SUCCEED IN BUY-TO-LET.

Buy-to-let's easy – just buy a property, rent it out, sit back and watch the money roll in. There's no shortage of people who'd tell you that's the case...but as always, you shouldn't believe everything you see online



The truth is, buy-to-let is certainly not as simple as it used to be – interest rates are higher, tax breaks have been curtailed and there are ever-tighter regulations for landlords – but it can still be an attractive proposition in terms of income or investment. According to estate agents Savills, 'The lettings market in London and certain regional cities is likely to remain very strong over the next five years,' and while good rental yields and capital growth are not a given, as long as you put the effort in up-front, you can make a success of it.

## HERE ARE 10 PRACTICAL TIPS TO HELP YOU GET IT RIGHT.

### 1. Be clear on your aim

Remember, buy-to-let is definitely not a 'get-rich-quick' scheme; you should always think long-term – say 10 or 20 years ahead. The best place to start is by working out what you want from your buy-to-let property. If a monthly income is most important, you'll need good rental yields; if you want to build wealth, look for long-term capital growth. The reason it's so important to know what you want to achieve, is because it affects everything that comes afterwards – where to buy, what sort of property to look for, how to finance it and so on.

### 2. Choose your area...and property type

If you can, be open-minded about where you want to buy a rental property – it opens up more possibilities. Many prospective landlords fall into the trap of only looking in their home town and limiting their options, or following the herd and looking in the latest popular location where prices have already risen and rental yields dropped. You'll need to balance the purchase price against average rental prices and demand, as well as where property prices are heading.

This also links to the type of property you look at. As a general rule higher-yielding properties are at the lower end of the market and areas where property prices are lower relative to rent, such as cities in the North or Midlands, might prove the best bet; for capital growth, the values of higher-priced properties tend to rise more quickly, so commuter towns and up-and-coming suburbs would be top of the list.

### 3. Do your research

With all aspects of buy-to-let, research is critical. By arming yourself with information on rental demand, property prices, rental prices, local amenities, who to target with your rental and so on, you'll have all you need to make the right decisions. So dig deep, and also talk to local estate and lettings agents – they can be really helpful, especially if you're unfamiliar with the area.

### 4. Think like a tenant

It's easy to look at a property and judge it on whether you'd like to live there. But with a rental property, you need to look at it like a prospective tenant would. For instance, if you're thinking of a HMO for students, they'll be looking for easy transport links to their college or uni, local takeaways and the like; young professionals might look at transport for commuting, and local bars and restaurants; and families will be looking for bedroom space, a garden and proximity to local schools.



### 5. Crunch the numbers

Even before you've found a property, you need to have the money side sorted in your mind. You can use a traditional mortgage, specialist buy-to-let mortgage or cash if you have it to finance the purchase, but there are all sorts of other costs you'll need to budget for too. Some will be one-off payments, others will be ongoing, and they might include:

- Property deposit
- Stamp duty tax
- Renovation costs
- References/credit checks
- ICO registration
- Gas Safety Certificate
- Energy Performance Certificate
- Letting agent fees
- Landlord Insurance
- Maintenance costs
- Deposit Protection Scheme



## 6. Expect the unexpected

The above costs are just the start. If you already own a home, you'll know that things can go wrong when you least expect it – the boiler breaking down, the roof springing a leak, that sort of thing. Add to that the fact that if tenants fall behind on the rent, or you may have a prolonged 'void period' when no-one's renting it, and it makes great sense to plan to have a contingency fund from the start.

## 7. Consider letting agents

While a letting agent will charge a fee – typically between 5 and 15% depending on the level of service – using one can save you a lot of hassle. They can not only manage your buy-to-let property, but can also help find and vet tenants, arrange maintenance, sort out any issues and keep you up with any changes in regulations. All of which can be really useful, especially if your rental property's not local to you. When choosing an agent, look for ARLA accreditation, read their reviews and ask them about vacancy rates, fee structure and how they deal with maintenance and arrears.



## 8. Know your regulations

There are over 170 laws and regulations that apply to buy-to-let properties, and as a landlord you have certain legal responsibilities.

### Key ones include:

- Checking your tenant legally has the right to rent your property
- Protecting your tenant's deposit in a Government-approved scheme
- Keeping your property safe and free from health hazards
- Making sure all gas and electrical equipment is safely installed and maintained including having up-to-date Gas Safe and EICR (Electrical Safety) certification
- Providing an Energy Performance Certificate

Many of these carry fines and even prison sentences for non-compliance, so it's worth keeping on top of any changes through landlord associations such as the NRLA – or indeed, here at On the House!

## 9. Choose tenants carefully

Difficult tenants can cause a great deal of stress – and cost. SO while it might be tempting to get your property rented as soon as you can, take the time to use professional referencing services, check their income, their credit history and previous landlord feedback. Make sure you have a detailed inventory for the property too, with date-stamped photos, and always draw up a proper tenancy agreement as well as protecting their deposit in a Government-approved scheme, to avoid problems later.

## 10. Look at ways to maximise rental potential

You'll want the maximum return on your buy-to-let investment. Freehold property can prove simpler and less expensive than leasehold apartments, for example, which can come with expensive ground rents and service charges and be difficult to remortgage or sell.

You can keep maintenance costs down by choosing a newer or recently refurbished property, especially if you live some distance away. A little light refurbishment, such as redecorating or new carpets, helps to present your property in the best light, enabling you to charge a higher monthly rental. And if you want to really maximise your rental fees, upgrades such as a new kitchen, bathrooms or extension are a great idea.

Dakea's roof windows can also prove an invaluable yet affordable addition to any rental property, flooding the space with light, improving ventilation for a healthier environment and enabling extra rooms to be created in roof spaces. Our article on the health benefits of natural light will give you plenty of ideas.



## KEY TAKE OUTS

- ▶ Success in buy-to-let depends on the right mindset, checks and planning
- ▶ Think carefully about your long-term aim
- ▶ Be open-minded about where and what property type to buy
- ▶ Thinking like a tenant
- ▶ Take into account all the possible costs
- ▶ Make sure you include a contingency
- ▶ Think about whether you want to use a letting agent to manage your property
- ▶ Get familiar with the applicable regulations and your responsibilities as a landlord
- ▶ Vet your tenants carefully
- ▶ Think about upgrades and improvements that can maximise your rental income

## In conclusion

Investing in a buy-to-let property is still a great way to generate a regular income or build long-term wealth for the future. But making it work for you depends on thinking about it in the right way, carrying out the necessary checks and planning for every eventuality. Do that, and you can look forward to years of success in buy-to-let.

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