10 Steps for Landlords to Consider

1. Research the location

Location, location, location! Think about your future tenant and if the property is right for renting in that area. If you choose an area with a poor reputation or poor transport links, you may struggle to achieve the rent you are aiming for.

Is the property type right for the location? For instance, an HMO in an area with little need for this type of property is less likely to provide you with a good return on your investment than if it were close to a university.

2. Rental Yields

Rental yield is a percentage figure calculated by taking the annual rental income and dividing this by the amount you have invested in a property. It is worth doing your homework to get an idea of the level of yield you can expect to achieve on the property type and area you are looking to invest in.

For instance, two smaller properties (e.g. two or three-bed terraced houses) may provide a better yield than if you invest the same amount in one larger four + bed house.

3. Tax changes

You should be aware of tax changes brought in over the last few years and how this may impact your income or ability to raise the level of mortgage you are seeking.

Taking advice from a specialist tax accountant before you commit to buying a property is crucial. Not only will this help you understand your allowances and liabilities, but it may also help you decide how you buy the property (in personal names or a limited company vehicle) and any potential implications on your other income.

4. Choose suitable insurance cover

Many landlords are unaware that specialist landlords (Property Owners) insurance is needed to cover rented properties. General home buildings and contents insurance is not usually adequate to cover third party risks.

Having adequate property owners insurance covers your buildings, contents (if letting furnished), property owners (public) liability and loss of rent, for periods where the property is uninhabitable due to an insured peril.

5. Vetting the tenants properly

In the current rental market, the landlord may find that they have to choose from at least five tenants. It is good practice to vet potential tenants properly and check their suitability through a tenant reference.

Ideally, it would be best if you met them yourself before you commit to the tenancy.

6. Dealing with the tenant deposit correctly

Legislation is quite strict around this area, so you must be familiar with procedures and the paperwork you need to provide to your tenant.

It's important to have a record of the state of the property when pre-let. One way of recording information is to create an inventory by taking photos which can be supplied to the tenant to help avoid disputes.

7. Carrying out regular inspections

By undertaking a regular inspection, you have the opportunity to check the property to ensure it is being looked after, but this can also allow you to catch up with your tenant.

Not only does this allow them to draw any issues to your attention, so you can deal with them before they become a major problem, but it also gives you the chance to check on them, find out about their work situation and any plans for the future. You may come away with a view that they plan to stay long term or might be struggling financially.

8. Planning for periods with no rent

If you manage it well, you may have a new tenant lined up to move in soon after the previous tenant leaves, but you cannot assume this will happen. On average, a house will be vacant for up to 4 weeks a year.

Allow for this either by holding a contingency sum in your bank account. As a minimum, it is worth saving the equivalent of three month's rent to help you through these periods.

9. Allow for unforeseen costs

Think about the costs associated with a rental property. Not just the mortgage, but insurance, maintenance and the costs involved with keeping up-to-date with legislation. Such as current energy efficiency requirements and gas safety certification.

Have a contingency fund available to cover this. As with vacant periods, think about keeping it topped up by retaining surplus rent in your bank account.

10. Good record-keeping

Whether a first time or a portfolio landlord, you must keep on top of your record keeping.
Good record-keeping helps you keep track of income and outgoings. However, it is also vital for staying on top of administrative tasks, like when insurance renewals are due. It can also be a lifesaver if you are unfortunate enough to face a tenant dispute.

GLAD

FINANCE