

## **Ten Building Blocks for First Time Landlords by Richard Blanco**

There is a renewed interest in investing in property and I have been asked for tips by a lot of first time landlords recently. Here are some essential building blocks to help you get off on the right footing.

### **1. Research**

Investing in property is often portrayed as an easy win. Remember it is a very different from putting your money into shares or equity funds. You are dealing with people's homes, a whole raft of housing legislation and day to day maintenance. Before you get started, read around the subject and talk to people who are already landlords. You'll pick up some useful tips and get a sense if you have the right skillset, what you need to learn and whether you will enjoy it. Bookshops like Waterstones usually have a small property section with some good practical guides, the NLA website and local NLA meetings will give you some useful insight into day to day issues.

### **2. Choose Your Target Market**

You will need to decide who you want to rent to. Typical market segments are students, professional sharers or families and people living on benefits. As an initial project, I would suggest you steer away from Houses in Multiple Occupation, where you rent by the room, because of the higher level of administration and risks of problems arising. So start simple with a two bed flat or a three bed terrace. I recommend buying a first property close to home as you will already know the area and it will be easy to pop over and deal with repairs. Speak to local agents about the type of tenants that are looking in the area and get a sense of how high rental demand is.

### **3. Build A Team Around You**

You are going to need a number of professionals to support you and finding the right ones can be really challenging for first time landlords. Your lack of experience may make it harder to assess their suitability, capability and trustworthiness. My favourite broker is NLA mortgages, Sian and Gareth have encyclopaedic knowledge and will help you find your first buy to let mortgage with great panache. You can also look to NLA Conveyancing to find a good solicitor. When looking for an agent, walk the local high street and see who looks most professional. Stick to larger established agents who are members of recognised bodies like ARLA or UKALA. For your first let, I would recommend using an agent on a 'let only' basis as you will learn a lot about the process from them.

The hardest part of building your team is finding reliable and trustworthy builders and maintenance people. Ask the agent if they can recommend people. Try and find a reliable handyman as they will be invaluable for small niggly problems that you could

have a go at yourself but might not do so well. When looking for a builder to carry out refurbishment work, go and see projects that they are already working on. Always research builders when you don't desperately need one as this will help you make a more objective decision.

You will need to be realistic about your team – some of them may not work out in the long run, so keep an open mind, learn from your experiences and always be on the look out for new recruits.

#### **4. Buy A Property Where You Can Create Value**

First time landlords are often enticed into buying new build properties by agents and developers because they think the property will be maintenance free and it all looks so shiny and new! Be wary of proposed high rental returns and discounts, they are often just a marketing ploy and remember that once all of the plots have been sold to investors there will be a downward pressure on rental values because all of the landlords will be in competition with one another.

You need to learn to see potential in tired old properties. It's much better to buy a property that you can improve and may therefore increase in value. Older properties with character will often retain their value, where new properties – like cars – may lose value the moment you buy them, taking a little longer to appreciate. One and two bed flats are often easier to let and manage but remember that leasehold properties may tie you into hefty service charges which eat into profits.

#### **5. Get Accredited**

A great way to hone your skills as a landlord is to do the NLA Landlord Foundation course which will also give you accredited landlord status. You'll learn all the key skills and knowledge base for being a landlord and being accredited will give you pride in your work and command respect from peers and your customers. The scheme also requires you to do continuous professional development ensuring you maintain your skills and stay up to date with the latest regulations. You can choose from attending meetings, courses or completing modules on the NLA Landlord Library. Some local authorities and other landlord associations run accreditation courses too.

#### **6. Learn To Vet Tenants**

Once you've used an agent a few times to find tenants, you may decide to do your own tenant search or use an online agent who will advertise the property, leaving you to do the viewings. The most important aspect of finding a tenant is doing the ID, credit checks and landlord and employer references. As an NLA member, you can do all of this through the Tenant Reference Service for just £23. Always follow up references by calling the landlord and employer to check their veracity. National Insurance, passport

numbers and bank details are all vital as they will help you find the tenant if they disappear owing you money. If the tenant does not quite pass selection criteria you can always ask for a guarantor and take out Rent Guarantee insurance.

## **7. Develop Your Relationship Skills**

If an agent has found tenants for you, always arrange to meet them early on as face to face contact is invaluable for building a good relationship. You need to get a balance between being friendly and business like. Putting it bluntly, a tenant is less likely to trash your property or stop paying rent if they know you are a decent person with whom they have a good relationship. But if you are over friendly, some tenants might “take advantage of your good nature,” so you will need to know when to be firm and restore appropriate boundaries. Providing good customer service is vital, carrying out repairs promptly and keeping the tenant informed. Learn what’s important to the tenant and be prepared to go that extra mile. For example, if a mum has an attempted break-in when she’s at home with her three year old son, offer to install a security light to help her feel safer.

## **8. Avoid The Void**

Avoiding voids is particularly important when you have a small portfolio as your limited cashflow means that a long void will quickly use up spare cash and may even cause your business to fail. Stick to six month or annual contracts so that you can plan ahead for when a tenant might move out. Three months before the end of the contract, ask the tenant about their plans so that if they are moving out, you can start marketing two months before they leave. This will also give you time to plan any repairs or improvements. Ideally try to carry out improvements mid tenancy as often the tenant will appreciate the improvements and this avoids doing the work during a void period. I also recommend bi-annual rent reviews to encourage tenants to stay longer. I always offer to guarantee the agreed rent for two years and have even offered to reduce rents in the past to enable a good tenant to stay.

## **9. Learn To Refinance**

You can save your rental profits in a separate bank account to build up funds for repairs or to develop your business. If you have added value to your property and bought in an up and coming area, it will hopefully have increased in value. This will enable you to refinance and give you funds – along with your savings - for a deposit on another property. Look for good mortgage deals through NLA mortgages or on [www.moneyfacts.co.uk](http://www.moneyfacts.co.uk). Be wary of some brokers who may offer you the deal that gives them a hefty commission. Avoid lenders who charge high percentage arrangement fees, you can find equally good rates with much more reasonable fees, often through your local building society.

## 10. Skill Up - Do It Yourself

If you're accredited you'll have picked up lots of tips and contacts at landlord meetings or from NLA courses 'Managing and Ending A Tenancy' or 'Deposits Damages and Disputes'. So if you are unfortunate enough to have arrears issues or an eviction, you can learn to do it yourself, helping you save money and develop your skills base. If you decide to grow your portfolio, you may decide to get administrative support to manage it for you, alongside professional like your solicitor and broker. Remember, you will manage the team much more effectively if you did it once yourself.