

# Your step by step buy-to-let guide

by The Frost Partnership



- First time buy-to-let?
- Need help choosing a property?
- Financing your property
- Legal advice
- Considering the costs
- Will I make any money?



# Choosing a property

## What is buy-to-let?

Buy-to-let is an investment strategy where a residential property is purchased with the intention to rent it out for profit. When you buy a property to let, you become a landlord. This guide is designed to give you a quick and simple summary on buying to let, whether you are simply dipping your toes into the water or looking to expand your property empire!

## Researching your market

Getting to know the area in which you wish to purchase your buy-to-let property is vitally important. Our lettings team can advise you on the most popular locations for tenants and the type of property best suited to recent demand in the local area. Our sales team will then help you source the best property on the market.

When looking to purchase a buy-to-let property, keep the following points in mind:

- Talk to The Frost Partnership. Our experts will be able to offer friendly advice on all aspects of buying to let within the local area.
- What type of tenant would you like to attract? A young professional couple will have different requirements to a growing family or mature couple wishing to downsize.
- Location, location, location! Good schools, shops and transport links will have a different appeal to the tenants you wish to attract.
- Ask us about the most popular types of properties currently in demand.

The Frost Partnership lettings department has built up an excellent local reputation which is endorsed by the volume of referred and repeat business we attract. We were also pleased to be one of the first lettings agents to be part of the new ARLA Licensing Scheme, ensuring qualified staff keep you up-to-date with the latest legislation effecting the Lettings market.

**Jeremy Fisher MARLA**, Group Area Lettings Manager

# Looking after your property

## **A landlord's responsibilities:**

- Finding tenants
- Obtaining tenant references
- Collecting rent from tenants
- Maintaining the condition of the property
- Resolving any problems that may arise

As a landlord you will also have a legal obligation to:

- Inform your mortgage company of any changes
- Carry out repairs
- Ensure the safety of gas and electrical appliances
- Meet the fire safety requirements for furniture/furnishings

## **When your property is empty**

There may be short gaps between tenancy agreements so you will need to account for times when you may not have rental income. Bear in mind that you will still be expected to meet your mortgage repayments. Your home may be repossessed if you do not keep up repayments on your mortgage.

## **Why choose The Frost Partnership?**

Being a landlord is time consuming – advertising, viewings, administration reference and credit checks of the tenant, the list goes on... So you may wish to instruct a Lettings Management agent to look after the property on your behalf. We also offer an extensive marketing package including:

- Unrivalled local coverage of 13 linked sales and lettings offices
- Comprehensive local newspaper advertising

- Wide-ranging exposure on national property portals
- Monthly e-brochures direct to the inboxes of sellers and potential tenants
- Peace of mind that your property is in the hands of a professional and fully licensed ARLA recognised lettings agency
- All of our deposit accounts are independently audited yearly by RICS

We aim to achieve maximum property coverage to enable us to achieve a speedy let, at the best possible price to a quality tenant.

## **Building your portfolio**

If you are looking to start or expand on your property portfolio we can help you maintain and manage it, while informing you of any properties that are new to the market that would give you a healthy yield.

## **Protect yourself**

What do you do if your tenants damage your property or decide to withhold rent? The Frost Partnership is pleased to be able to remove the worry and stress from letting your home. We are able to offer Rent Guarantee and Legal Protection to our landlords free of charge subject to the tenants passing a full reference. For further information, please contact our lettings department.



# Financing your buy-to-let

## Choosing a mortgage

When you are choosing a property you will need to find out how much you can afford to pay and how you are going to fund it. If you are taking out a mortgage you will need to work out what percentage of the value of the property you need to borrow.

## Will I get a loan?

Buy-to-let mortgage providers have different requirements when assessing your application. These include the deposit you have available and the rental income that you are likely to achieve.

## What will my costs be?

Buying to let can be financially rewarding but it is vital to work out your returns and costs before you make your purchase. You will need to make sure that your rent money exceeds the cost of buying, funding and maintaining the property. Work out the costs incurred and compare them with your returns. You can start by breaking down your costs:

- Buying the property
- Maintaining the property
- The costs of selling your property

The highest cost of a buy-to-let investment is usually the mortgage. This is why it is important to keep this as low as possible. Other costs you may need to consider are:

- Mortgage fees
- Application fee
- Survey fees
- Solicitor fees
- Stamp duty
- Buildings insurance

## Mortgage advice

Getting the right mortgage advice is a critical stage in the buying process. To make the process easier, we have a select number of highly reputable Independent Mortgage Advisers with whom we have a long standing relationship.

At Frosts, our local, trusted advisers are on hand across our region to provide expert independent mortgage advice to all our clients - whether first time buyers, those looking to remortgage, home movers or experienced buy to let landlords.

We realise that the plethora of mortgage deals on the market can be confusing. We operate locally throughout Buckinghamshire, Berkshire and Middlesex with advisers available to help and advise you throughout the process, taking the time to understand your situation and utilise their in-depth market knowledge to help you find the right mortgage for your current position.

All of our advisers are truly independent and are therefore able to search 1,000s of mortgage deals to find the one that suits you best.



# Will I make any money?

## **Return on investment**

Your expectations of a property investment should be judged over the medium to long term rather than the short term.

A common way of measuring return is to calculate the percentage yield. Percentage yield is the net income shown as a percentage of the capital investment.

All investors look to achieve the highest possible yield when purchasing a buy-to-let property and currently most yields offer a substantially better return than banks and building societies. However, the percentage yield only takes into account the rental income and does not consider the capital growth that properties may see over the period of investment. We can help you work through the viability of the property investment before you purchase and discuss the options available to you.



# Legal requirements

## Instructing a solicitor

You will need to instruct a firm of solicitors to help you with your buy-to-let purchase. They will deal with all aspects of your conveyancing and check that you have the right mortgage offer for your purposes. They will also act for your lender.

If you are considering letting out your existing property, there are certain considerations that you will need to take into account:

- If you have a leasehold property does your lease allow you to rent the property out? Not all do! Even if your lease allows you to rent your property you may first have to seek permission from the freeholder.
- Existing mortgage – you will need to obtain permission from your existing lender to rent your property out. This consent must be in place prior to you entering into any Tenancy Agreement.

## Tenancy agreements

You will need a written tenancy agreement and Assured Shorthold Tenancies are the most common type. Most lenders insist on Assured Shorthold Tenancy Agreements being in place. Your lender will also inform you that certain people may not be allowed to rent the property from you, for example close family members or DSS.

## Tax implications

You will have to pay the following taxes:

- Income tax on the rent
- Stamp Duty when you buy your property
- Capital Gains Tax when you sell

## Choosing a solicitor

Once the offer is accepted by the seller, our recommended solicitors will act on your behalf throughout the buy-to-let conveyancing procedure.

As the buyer you will need to:

- Arrange the survey/valuation
- Arrange the mortgage
- Provide money for searches
- Provide the deposit or balance of deposit in time for exchange of contracts.

The solicitor will then:

- Check the contract, supporting information and forms
- Raise enquiries
- Carry out the searches and report back
- Negotiate any points raised on contract with seller's solicitor
- Check the mortgage offer and report back to you with the mortgage deed for signature
- Check your finances are in place
- Arrange to provide a contract for your signature.

## Seeking advice

Buying a property is one of the biggest investments any individual will make. Choosing a qualified ARLA Letting Agent is vital as they will act in your interest, helping to protect an expensive asset. To find out more, call your local Frost office today.