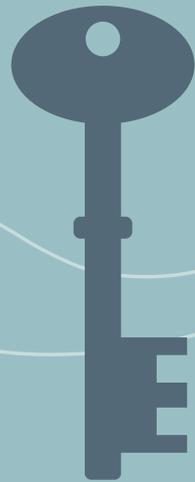


# Your dwell guide to investing in property



*Investing*



dwell



# 1. Investing in Leeds

Leeds is the UK's 4th largest city and is the 2nd largest in the North of England. One of the nation's most important financial centres, our great city is growing faster than any other city in the UK! With a population of 3 million people and an economy worth £65 billion, Leeds is truly thriving.

Leeds' economy is expected to grow by over 20% in the next 5 years. Massive redevelopment plans around the city centre are bringing several multi million pound schemes to our horizons in the next few years. HS2 (the new high speed rail route connecting the North to London) will undoubtedly also bring with it a huge boost for our local area when the existing Leeds station will be expanded to accommodate over 60 million rail travellers per year.

Leeds has very high levels of employment opportunities and is home to several universities including the formidable University of Leeds, and the highly successful Leeds Metropolitan University.

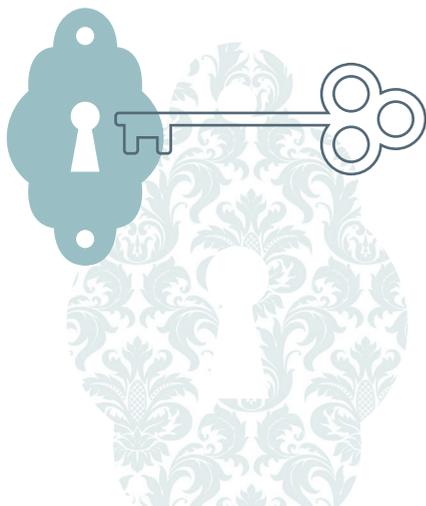
Not only do people relocate to Leeds for new employment opportunities, but there are many first-class schools which pull thousands of families to our city each year.

Property in Leeds consistently outperforms almost every other city for rental yield, whilst maintaining consistent and steady long-term capital growth. In the last 20 years our area has seen the average property value increase from £81,000 to £189,000. Net rental yields for typical Buy-To-Let properties range from around 5%-9%, depending on their location (the lower yielding properties usually attracting higher capital growth, and visa versa).

The rental market is consistently very strong across the board with high levels of tenant demand ranging from 1 bed urban flats, to 2 bed terraced homes, 3 bed semi's in the suburbs right up to semi-rural 4+ bedroom family homes.

It's no wonder then that Leeds, with all it has to offer to people of all ages, is one of the very best places to own property that you will find anywhere.

There are a couple of different ways you can invest in the Leeds property market and Dwell can assist you whichever way appeals most. Here we will look at the information you will need to know – it might look daunting if you are new to this – but that's why you have the experts on hand to guide you through the process!



## 2. Buy-To-Let

Buy-To-Let has remained one of the most popular and successful investments available for many years. Buy-To-Let is based simply on buying a property and renting it out to a tenant. Buy-To-Let should be considered as a medium to long term investment and investors should be aware that property prices can go up as well as down. That said, the long-term trend has historically always been up.

Property prices vary for a number of reasons but one simple way of explaining the long term upward trend is due to the fact that we live on an island with an expanding population and a limited amount of space. The government have been unable to build homes fast enough to meet demand, which has in the past always resulted in the property prices increasing over the long term. It's hard to envisage this changing any time soon.

The main benefits of investing in property are two-fold. The investor gains both from cash flow (usually through monthly rent payments) and capital growth (as the property increases in value over a period of time). Many investments only provide a benefit of capital growth, for example gold, wine, classic cars, or watches which appreciate over time – but these don't give cash flow (a monthly profit) as well.

Furthermore, property has consistently outperformed most other investments consistently over the years. And because it's such a tangible asset that provides the

space for people to live and call their home, it's not hard to see why we as a nation have a fascination with property as an investment.

When you buy a property to let, the options are buying with cash or mortgage. In most cases there isn't enough cash available to buy the property outright. Even if there is enough cash to buy the property outright, a mortgage would be the favourable option for most people.

### What to buy?

To be sure about the property you are going to invest in, you should do a lot of research before buying a property. Buying a property without sufficient knowledge can be a quick way to lose a lot of money! You should know what yield or ROI (Return On Investment) you are looking for, and you should balance this against the capital growth prospects. In general terms, often high yielding properties give low capital growth. Whereas many properties offering strong capital growth prospects often offer low yields. You will need to think about risk and reward balance here. Usually a combination of growth and yield is good and a safe place to be.

You should know about the area you are looking to invest in. Who lives there? What are the amenities like? Where are the schools, the transport links, the bars and restaurants? What is the access to local employment like? Also, what sort of tenant do you want? What do the properties rent for? What will your costs be?



## Costs

When you buy a property you will have Solicitor's fees to pay for the conveyance (the legal process for transferring the title to you), survey fees, finance costs (for arranging the mortgage), and stamp duty (SDLT).

When you exchange contracts, you will need to have Landlord's insurance in place. As a minimum this will be buildings insurance, but you may also choose to add on contents insurance if you wish.

It is usual to have some refurbishment costs when you purchase a property. It may be that the property simply needs to be redecorated and cleaned. Or it may be that a full refurbishment is required which might include re-wiring, new central heating, roofing works, new kitchen or new bathroom. You will need to assess the likely cost of works that are potentially required, and it's a good idea to leave a contingency as these costs sometime exceed initial estimates.

You will usually need to pay income tax on the profit you make from your rental income as well. This can be done at the end of the tax year by completing a Self-Assessment Tax Return via HMRC. Remember, you have a personal annual tax-free allowance which you can use. The amount of tax you will pay will depend on your personal tax band, and how much profit you make from your rental income.

Buy-to-let landlords can offset many of their costs against tax. Tax deductible expenses include Letting Agent fees, maintenance, insurance, and in some cases, their mortgage interest.

When you ask a Letting Agent to let and manage the property, fees will be payable for them to carry out their work, however these would usually be deducted from the rent. A management service will ensure that the rent you receive will be as passive as possible without giving yourself another job or problem to worry about. The management of residential property is particularly complex involving nearly 200 pieces of legislation and is also very time consuming. It can also be stressful. For these reasons we don't recommend that Landlords take management on themselves.

## Selling the property

When you finally come to sell your buy-to-let property, you may be liable to pay Capital Gains Tax (CGT).

Inheritance Tax (IHT) may also apply if you are handing down the property to your children.

Tax is a complicated area, dependent on your individual circumstances. Although we're not qualified to give tax advice, we can refer you to a specialist should you have further questions. If you would like more detail around this subject, feel free to get in touch.

Dwell are Estate Agents as well as Letting Agents so don't forget to ask us for a valuation when you want to sell.

### 3. Houses in Multiple Occupation (HMOs)

Here in Leeds we have a high concentration of HMO properties. Many people believe HMOs are the domain of students only. On the contrary, HMOs are becoming more and more popular with young working people due to the lower cost of accommodation, as well as having the appeal of a bills inclusive rent. They are also a fantastic way of meeting new people too. Being offered furnished and bills inclusive, HMOs make for hassle-free and mobile living for young tenants. We often find HMOs are a perfect choice for young people starting out in their career, especially if they are moving to Leeds and don't already know many people in the area. Many of our tenants make good long-term friends in their shared homes.

HMOs are attractive to investors too due to the fact they can offer much higher yields than single let properties. Rooms are often let to individuals rather than the whole property being let as one unit, in order to maximise yields.

That said, management is more intensive, running costs are higher, and there are many complex regulations that apply to HMOs that do not apply to single let properties. There is also a higher turnover of tenants, and there can be more wear and tear on the property. It is for these reasons that many Landlords, and indeed many Letting Agents, stay away from HMOs.

Investors who target HMOs generally don't attempt to manage their own properties due to the time required and the complexity of the process. They realise their time is better spent on more important things and usually outsource management to an agent that has the systems, team, expertise and knowledge in this area.

Mortgage Lenders are often more cautious when it comes to offering finance for HMO mortgages. Landlords/Investors usually need experience of owning a HMO in order to pass the lender's criteria, and rates are often higher than standard Buy-To-Let mortgages.

Landlords looking to buy or rent out their properties as HMOs need to be mindful of the Article 4 Direction in Leeds. Article 4 has been implemented here as it has in many other cities around the UK, in order to restrict the number of HMOs in certain areas. This is for many reasons including controlling the volume of occupants in an area, noise, parking, refuse, potential of anti-social behaviour, and so on. Most of inner Leeds falls within the Article 4 area, the map of which is available on Leeds City Council's website.



Landlords looking to let their properties as a HMO will need to apply for change of use, unless there is already constant historic evidence that the property has been let as an HMO since the restrictions were brought in. The usual planning class for residential homes is a 'dwelling house' C3, whereas HMO falls under the C4 category.

Some HMOs also require a licence. The circumstances of which properties will require a licence are complex, however as a general rule if the property is to be let to 5 unrelated sharers or more and the property has 3 storeys or more, then it would generally need an HMO licence. In order to obtain a licence, the property would need to ensure it has the correct features which often include a hard-wired fire detection system, fire doors, and interlinked smoke detectors with battery back-ups. Minimum rooms sizes may also apply, as do the amount of storage, cooking, and washing facilities that must be made available. HMO licences also fall into different categories. In general terms, the larger the property, the more restrictive the terms of the licence will be. HMOs must have Electrical Periodic tests carried out routinely as well as routine testing of fire safety equipment.

Every property is different, therefore to establish exactly what upgrades you would need to comply with licensing, you would need to take advice from the HMO team at Leeds City Council.

Smaller HMOs usually do not need a licence, but are still subject to planning approval for change of use to C4. A property is classed as an HMO in planning terms if it is let to 3 or more unrelated sharers. This would be defined as an HMO in the council's eyes for planning, whether the 3 or more unrelated tenants were on one tenancy agreement (with joint and several liability) or if they are renting a room each on individual tenancy agreements.

Clearly this is a more technical area than buy-to-let, however understanding it can be lucrative for investors. A word of caution however – the HMO market has become extremely competitive in Leeds in recent years. Location, the quality of refurb/finish, the addition of en suite bathrooms, and room sizes have become increasingly important as a result. Voids are becoming increasingly problematic for some Landlords whose properties aren't competing in these areas. We don't advise investors to go straight into HMO investment without prior experience as a Landlord.

Do you want to know more? We have written a number of helpful articles, which are published on our website, which cover some of the common questions we receive from investors.

We have a number of years experience managing HMOs and we are placed perfectly to guide you further.

## 4. Financing your property investments

Many people naturally feel that they should keep their borrowings and debt down to a minimum. However, buying with mortgage can be less risky and has a number of significant benefits over buying with cash.

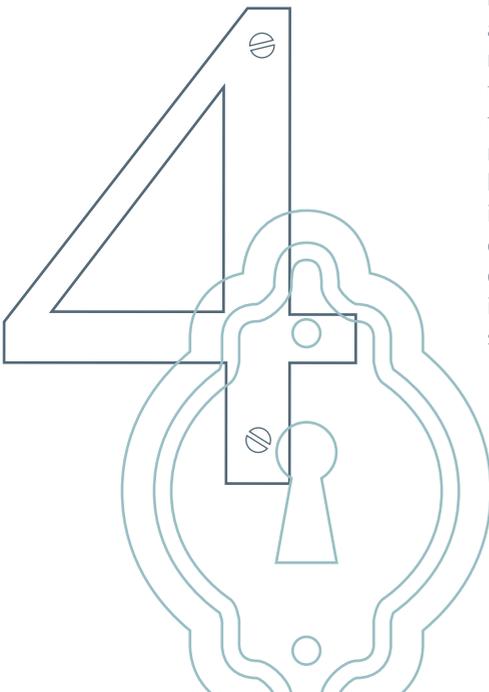
When buying with a mortgage, you will need to put a deposit down, and you will then pay interest on the amount of money you borrow from your Mortgage Lender.

This option allows you to leverage the banks to make your cash go much further (for example you might be able to buy 3 properties with mortgage instead of buying 1 with cash!) This also spreads your risk, and vastly increases cashflow since there are more properties paying out rent to you every month.

The typical loan to value (LTV) for a buy-to-let is around 75% but you may be able to borrow a little more if you need to. Interest rates typically increase when the LTV increases. Some investors wish to borrow less to keep their interest payments and debt levels down.

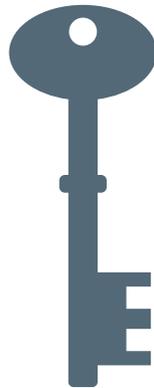
However your return on investment (ROI) will be significantly higher when you buy with mortgage (the higher the LTV the higher the ROI) since you are putting in far less cash to begin with! For example if you're looking for an ROI of 6%, you can't get anywhere near this if you are funding the full purchase yourself!

When you apply for a mortgage, the banks will now run vigorous affordability tests to make sure you can afford to make the repayments. This is based on your income as well as your expenditure. You will also need to have a good credit score in order to be approved for a mortgage. Since the financial crash of 2008, widespread measures have been put in place to prevent high risk lending again. Although borrowing is as cheap as it's ever been for those that can get it, it's never been more difficult to qualify for a mortgage. Responsible lending is clearly a good thing and results in a more stable economy for everyone.



When you take out a mortgage there are generally 2 options, interest only, and interest and repayment. The latter has a higher monthly repayment but includes an element of paying off the sum borrowed as well as an interest element. Many Landlords opt for interest only mortgages to keep their cost down and their ROI up. If this is your strategy, you will need a longer-term plan in place to pay off the mortgage. At the end of a 25 year interest only term, you will still owe the exact same amount you borrowed in the first place. Whereas with a 25 year repayment mortgage, the borrowed funds will be paid off at the end of the term and you would then own property outright.

Buy-to-let finance is a technical subject so if you need some independent mortgage advice from a specialist, please get in touch. Our Mortgage Broker has access to the whole of the market and the best rates and will provide a free telephone consultation in order to show you what your best options are. If you decide to go ahead with a mortgage product based on the findings of our Broker, a competitive brokerage fee will apply. A good Mortgage Broker is hugely valuable professional to have on your team! Please ask if you need an introduction.



## 5. Who are Dwell?

We, Dwell Leeds, are an independent Estate and Letting Agency providing high quality services to people looking to move home, or those that own or are looking to own residential property in Leeds.

Our sole focus is the quality of service that we provide to our customers. It's pleasing then that we're one of the highest rated agents in our entire area. You can see what the people we have served say about us here:

[dwell-leeds.com/customer-reviews](http://dwell-leeds.com/customer-reviews)

We operate successfully in all Leeds postcodes, although we are most commonly seen in West and North Leeds.

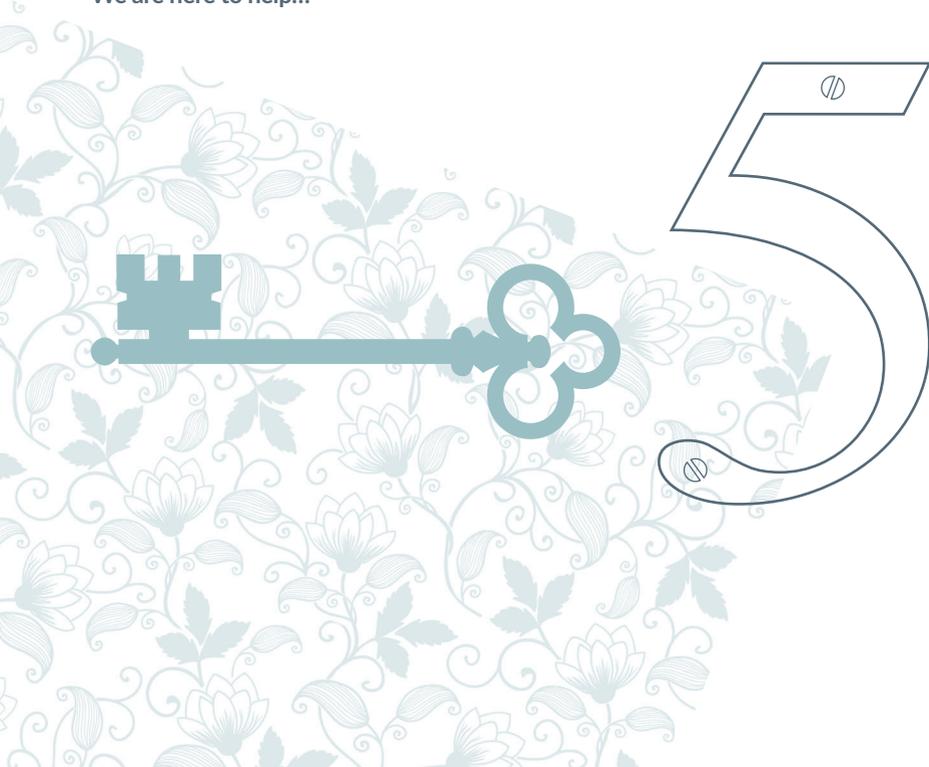
**We are here to help...**

### Investors

We are property investment specialists and we help Investors to buy properties that perform well for both yield and long-term capital growth.

Property has always outperformed every other asset class and it is a very popular and common way to invest money. We help people that want to invest, but may not have the knowledge, experience, time or know how to buy the right properties.

Buying the wrong property in the wrong area can cost many thousands of pounds. By using a local expert, our investors are able to de-risk the process and avoid such costly mistakes.



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## Landlords

We help Landlords to rent their properties. But it doesn't stop there. We also help them to achieve the best returns on their investment by maximising rents and reducing void periods, whilst providing excellent homes to tenants.

Our management services enable Landlords to enjoy passive income from their property by removing the time and hassle involved in looking after their properties themselves.

Legislation surrounding lettings and property management is wide-ranging, complex, incoherent, confusing, and the legal burden on Landlords increase as every year goes by. We take all of this on so our Landlords don't have to.

Our team engage in regular ongoing training and by choice, we're regulated, licensed, and accredited by ARLA Propertymark meaning we have a strict code of professional conduct that we adhere to; safeguarding the interests of our customers at all times.

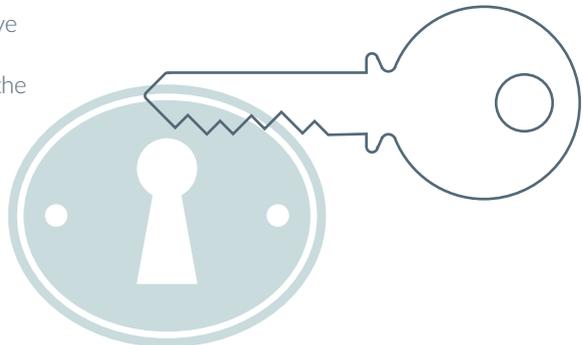
Our remit not only covers legislative requirements but also accounts, maintenance, administration, and the highest levels of customer service to you and your tenants.

## Tenants

Renting a home can be a stressful and complicated process. Our aim is to provide a range of quality homes to rent across Leeds and we're here to help navigate through the process.

Once we find the right home, we'll guide tenants through referencing and help them set up with utilities, rates and insurance. We'll show tenants what to do when they have any problems during their tenancy. Our managed tenants will benefit from a prompt and friendly service from start to finish with excellent systems such as our online maintenance system where they can report problems or request a repair at any time. We're at the end of the phone during office hours should tenants have any queries, and we've got everything covered with our emergency out of hour repair service, where that is required too.

We'll welcome tenants to their new home, then they can get on with enjoying the freedom and flexibility of this new chapter in their life!



## Vendors

We help local Vendors to achieve the best price for their home in a timeframe that is convenient to them. This enables them to have the choices they need for their next move on the property ladder.

We are a full-service Estate Agents that get paid only on performance. Selling your home and moving is one of the most stressful experiences you will ever have, and it's our job to make the process as smooth as it can be.

We'll share the journey with you, taking a proactive role in finding the right buyers.

The process doesn't finish when a buyer is found. We're on hand to hold together the solicitors, mortgage brokers and lenders, the surveys, and the many complexities of buying and selling chains.

Communication underpins the service and we're there from listing the property, to handing the keys to your buyer.



## 6. How Dwell help investors

There are 2 ways in which we can help with your search for an investment property in Leeds.

### 1. Advisory (free of charge)

If you send us the details of the property you are interested in, we will have a look and we'll be able to advise on its potential and its drawbacks. We'll be able to comment on the level of demand for properties in the area, valuation (lettings or sales), local demographic, target market, and likely refurbishment works that are required. You will find the deal, carry out the viewing, and negotiate the purchase. After you've had your offer agreed you will deal with the Estate Agent, your Mortgage Broker, and your Solicitor until completion. In short, you do the work but we're here to advise you along the way. We're then on hand to assist you after completion with refurb works, letting, management, or selling (if you are flipping the property).

### 2. Sourcing Service (paid)

Our paid Sourcing Service allows you to be hands off whilst using our experienced team carry out the search to find you a property, carry out viewings on your behalf, negotiate the offer for you and progress the purchase through to completion on your behalf.

We will provide a detailed report for each property which will include a description of the accommodation, the local area, demand, demographic, works required, and detailed investment numbers for all costs, income, gross yield, net yield, cash flow, and ROI on cash in the deal.

As well as saving your time, this service allows you to de-risk the buying process by leveraging our knowledge of the market which comes from many years experience working in the local market.

We are also able to find you the best deals that are available. We know where the tenant demand is, and where the best returns can be found. We know the areas that are likely to appreciate in value most in the next few years. In short, we know what works and what doesn't and this service allows us to share that with you.

We don't send deals out to a list of investors. Our property sourcers will work with you personally on a 1-2-1 basis. We only work with a few investors at any one time to ensure we give you the bespoke focus and attention the service needs. We recognise that every client has different requirements and different challenges to overcome and we think this needs this a personal touch.

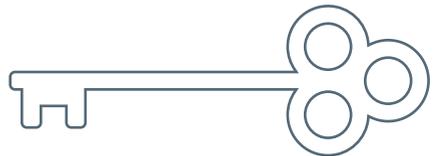
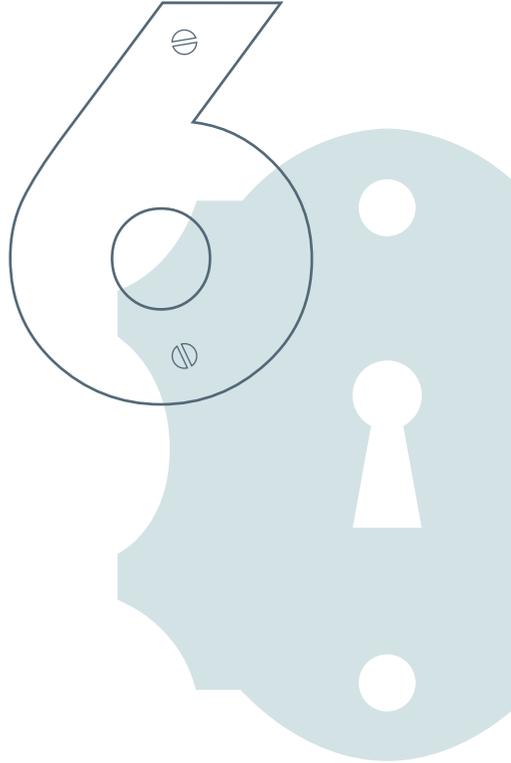
### To start this process...

- We will ask our Mortgage Broker to get in touch to check mortgage ability (no obligation)
- We will agree on the target investment numbers you wish us to work with
- We'll collect your paperwork and payment for the File Opening Fee and open your investment file. Please note this fee is refunded upon completion of purchase
- We'll then go and find you the deals!
- We'll negotiate the purchase and then we'll progress it through to completion. This usually takes 2-3 months in conveyancing where we will deal with all related parties on your behalf including Solicitors, Mortgage Brokers, Surveyors and so on.

### Following completion of your investment property...

On completion we charge our Sourcing Fee of for this service.

We'll arrange any refurbishment works you require to prepare the property for let. We're then on hand to find you good tenants, fast and to manage the property on your behalf on an ongoing basis.



## 7. Example deals

### Buy-To-Lets

Property in Leeds varies in value from around £75,000-£750,000, with the average property value currently being close to £170,000.

The safe buy-to-let range is generally considered to be in the region of £100,000-£200,000.

Where we source you a buy-to-let, our aim is to achieve a good balance between yield and capital growth for you. This will also depend on your requirements and your goals.

Some investors prefer to go more for yield. This may be because they need the income now or use it to build up deposits to buy more assets. They may also rightly think that yield is predictable, whereas capital growth is not.

Others prefer long term capital growth. They may not need the income now, or they are looking to minimise their current tax liability. They may also view their property investment more as a retirement vehicle.

We'll work with you to find your ideal purchase based on your individual requirements.

In many cases we go for a balance of yield and growth – a sweet spot in the middle – to minimise your risk.

In this range you can expect to achieve the following numbers on buy-to-lets in Leeds, assuming a 75% Loan to Value (LTV) interest only mortgage at 4% interest:

- **Gross Yield: 5-7%**
- **Net ROI on cash invested: 5-7% (after all costs have been accounted for)**
- **Average cash flow (monthly profit): £100-200pcm (after all costs have been accounted for)**

In most parts of Leeds you can expect high levels of tenant demand year round (except the Christmas period) for 1-3 bedroom homes. The quality of the property and its location is reflected in the rental price and also often in the standard of tenant that the property attracts.

Remember also to factor in capital growth. Whilst this varies every year, in the last 20 years in our area (we looked at LS4, LS5, and LS6 here) we have seen average capital growth of 9.5% per annum.

Adding your yield to the capital growth often gives a combined return of around 15% per annum.



## 8. Onwards services

When we source properties for you, we view this as the start of our long-standing relationship. Property must be seen as a long-term investment and we're on hand to help and guide you until you eventually decide to sell, which is often many years down the line.

Most properties that are bought to let require some level of work at the beginning to prepare them for the rental market. This could be safety checks, re-decorating, re-carpeting, or even a new kitchen or a new bathroom. From basic cosmetics, through to full refurbishments our maintenance team are on hand to arrange and oversee this work on your behalf.

Once the property is ready to be let, our lettings team will photograph and prepare the advert. We'll then get on with marketing the property using all of our resources, the major property websites, and our database to find you good tenants, fast!

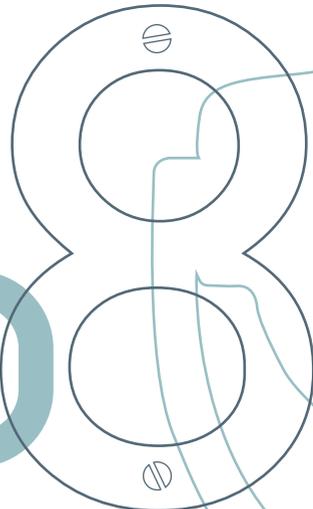
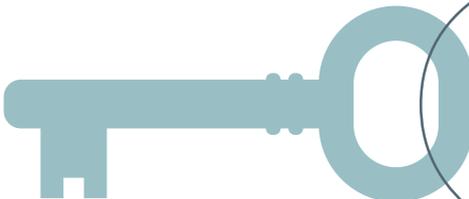
We'll then vet your tenants thoroughly, prepare and administer all the required paperwork and check your tenants into your new home.

Our Property Managers are then on hand to look after everything following the check in, including any ongoing maintenance that may be required, and regular property inspections to make sure your property is being well looked after. You can simply sit back and enjoy the passive income!

When the time does come to sell, our sales team will provide a valuation and talk you through the best way to sell your home. We'll find you the right buyer and get you the best price possible in a timeframe that is convenient to you.

Our unique investor buyer service at the start of the process helps us to close the loop of 360 degree residential services for investors, landlords, and vendors.

Get in touch today to see how we can help further.







Dwell Leeds  
Estate & Letting Agents

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