THE

INVESTORS

7 STEP GUIDE

TO

MAKING MONEY

FROM

CAMBRIDGE PROPERTY

By Geoff Bowen BA(Hons), MBA (Cranfied School of Management)

"Leading Expert in Cambridge Property Investment"

Former Director of BET PLC subsidiary company.

Introduction

We all know people who have made fortunes in property. We have all read the Sunday Times rich list and seen the names of those who have invested in property. Most people know that Cambridge is one of the best locations in the UK to invest in property because returns can often be between 5% and 16% per annum. So, the question is:

Why don't more people invest in Cambridge property? **Why** don't more people include buy-to-let property in their investment portfolios? **Why** do investors automatically choose the standard returns from shares, bonds ISA's and pensions etc when property can return up to three times more?

Are the issues involved too complex? Is the subject too hard to understand**?** Is it too long term? Is it getting hold of the deposit or mortgage? Is it the risk? Does it take too much work? Does it require too much co-ordination?

The good news is: It's easier than you think!

The even better news is: We can do it all for you!

We can answer all your questions and show you how to achieve those elusively high returns that you are looking for. You know ... the ones that will help you retire early!

If you're unsure how to raise finance, don't worry - we have some top tips on how to do this. We are experts in all aspects of property management. We buy, rent out, renovate and develop property to guarantee our landlords the best possible returns. Our turnkey solution make us a "one stop shop" giving you trouble free, high return, solutions to your investment needs. Our team includes highly skilled architects, project managers, builders, qualified letting agents, mortgage brokers and property acquisition specialists. We do the whole job for you. You

There are 7 easy steps to a secure profitable future as a landlord. These steps are just like your own staircase at home. You could probably climb them in the dark with your eyes shut! Once you get to know the steps in buy-to-let, it's just as easy!

This seven step guide will help you to understand how to climb onto the buy-to-let property ladder and achieve great returns. I've broken this down into 7 simple steps:

Step One –	How to access & take advantage of this opportunity
Step Two -	How the finance works
Step Three –	The 3 R's (Right location, Right Property, Right Price)
Step Four –	Renovation costs and how to control them!
Step Five –	Renting your property out profitably and professionally
Step Six –	Maintaining your property economically
Step Seven –	How to maximise yields and capital growth

Top Tip

You'll notice these ' Top Tip' boxes, drawing your attention to important guidance you'll need to consider to complete the step.

"So Let's Get Started…"

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Preface–Current Tax Changes and Legislation?

The Private rented sector has been / and is being scrutinised closely by the government in recent times. There are five main areas that are affected/will be affected by legislation:

1. Stamp Duty land Tax
2. Reduced Ability to claim property expenses from Gross Rental Income
3. Tenant Fee Ban
4. Changes in Minimum Energy Efficiency Standards for Private Rented Property
5. Brexit has created short term hesitation and uncertainty

Top Tip:

In the long term, supply of property in the UK is so far behind demand, especially in popular areas like Cambridge, that prices and returns will continue to rise. Short term downward blips are often the best time to invest.

Don't worry about legislation too much. Yes, government always think they can change market forces... but the market will always equalise, especially when government have completely misread the role of the private rented sector in the first place.

Stamp duty will/may affect market prices adversely so cancelling out negative effects in the long run.

Tax changes to reduce claims against gross rental income can be offset by how the ownership of property is set up.

The tenant fee ban – not yet in force but will force long term rents up as increased landlord costs are reflected in increased rents, just as happened in Scotland. Talk to us about this if you need to know more.

Tightening of Minimum Energy Efficiency Standards / EPC Regulations: EPC Bands F and G Properties – No longer rentable.

Please see our newsletter below for much more detail on this, then you may wish skip straight to step one!

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Admiral Estates-Private Rented Sector Legislation-Summary 2018-2019

The private rented sector is hotting up, with a deluge of new legislation and consultation coming out. This includes the draft tenant fees legislation, minimum energy efficiency standards guidance and even a proposal that private landlords may have to join a redress scheme.

Looking at the legislation recently introduced or announced, the private rented sector has certainly been in the spotlight for legislative attention in the last two years. Greater clarity has been brought to the Minimum Energy Efficiency Standards (MEES) with the launch of the guidance document explaining how the scheme will work.

This clarifies it will only apply to the Housing Act 1988 tenancies, Rent Act 1977 tenancies and certain agricultural tenancies. This means that properties let to companies or where it is not the tenant's only or principal home are not covered and can still be let on band F or G.

Other than this, if the property is in band F or G, but finance is not available to improve it, or consent cannot be obtained to do the works and some other conditions, then by April 2018 it will have to be registered on the exemptions register before the property can be let or re-let. Exemptions generally have to be renewed every 5 years and whilst there is no direct cost for being on the register there may be indirect costs of showing the exemption still applies (for example some exemptions need a surveyor's valuation).

Properties on a fixed term tenancy continuing beyond 1 April 2018 will not be allowed to run statutory periodic if they are in band F or G and do not have an exemption, so consideration should be made now as to how the works will be done.

In April 2018 we will see the second stage of the section 24 tax changes coming into force.

This will mean that landlords will only be allowed to offset 50% of their mortgage payments at the higher rate of tax and the rest will attract only basic rate relief.

This will increase the tax cost to higher rate tax payers and increase the number of people caught in the higher rate tax rate (as the effectively the gross rent is added to income to establish if higher rate tax is payable, not the rent net of costs).

The draft of the tenant fees ban legislation was released in early November 2017 and essentially bans all fees not listed in Schedule 1. Schedule 1 contains four fees that can be charged: rent, deposit, holding deposit and "default fees".

The latter is very important as to be able to charge any of these they must be listed in the tenancy agreement. These four can be changed later by regulations with the exception that rent cannot be removed from the list.

This is interesting in that they have created a power to ban deposits without a further act of Parliament.

Tenancy deposits will be limited to 6 weeks' rent and holding deposits limited to one week's rent. There are new specific rules about holding deposits in Schedule 2.

This newsletter is produced and distributed in conjunction with our Legal advice Partner TFP.
Whilst the information researched and provided is believed to be correct, the legislation review is constantly changing/evolving. Therefore, we accept no responsibility for its accuracy.

In October 2017 the Department for Communities and Local Government (DCLG) put out a 'call for evidence' on "protecting consumers in the letting and managing agent market". Whilst the objectives may be laudable, the understanding is not. Paragraph 2 states: "Those paying and benefitting from the service often have no say as to who their agent is". This is a complete misunderstanding of the lettings market where the landlord engages the agent and the agent works for the interest of the landlord, not the tenant.

They asked for evidence on if minimum standards should apply to those working in the private rented sector, including a fit and proper person test, qualifications, membership of professional bodies or a standard code of conduct. Such changes should benefit landlords and tenants by raising standards. Para 24 clarifies that there is an intention for all landlords to have to join a redress scheme, similar to the current requirement for all agents to be a member of a redress scheme. As stated, it has not been made clear if this will only be landlords that manage their own properties or if it will cover those who let their properties through agents. Logic would suggest it will not cover those where redress is already available through the agent.

A DCLG working group have also recommended the introduction of 5 yearly mains testing so expect this to come in too.

Proposed Legislation is changing. We shall advise our clients as and when legislation is clarified.

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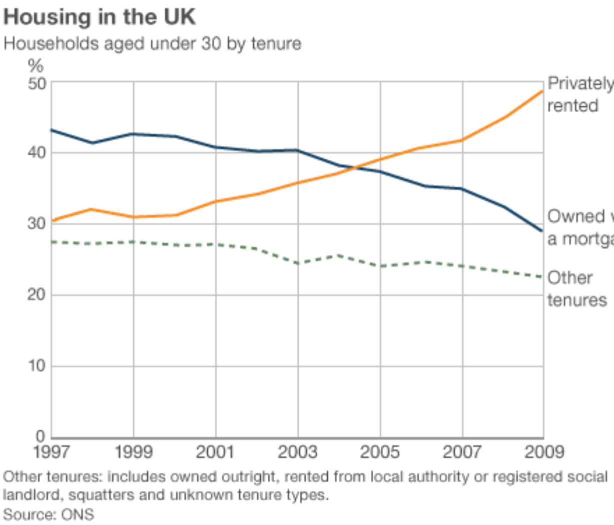
Step One – What Is The Opportunity?

The "Cambridge Boom"

We all know that achieving success in any field is mostly about realising trends and running with them rather than picking opportunities that are already exhausted,

Cambridge property is a running long term upward trend. Rents are rising, Property prices are rising, companies (should I say "Industry Giants") are relocating here such as Microsoft, Pfizer, Astra Zenica etc. etc. employment is booming, high earners are locating here. Cambridge is becoming a new "Silicon Valley!" We also have the rapidly expanding Addenbrooke's Hospital, Cambridge University- possibly the most prestigious university in the world! We also have the new Cambridge north station development and new guided bus routes etc. We even have our own Duke and Duchess! Compare this with the much shakier outlook in many other areas in the UK! Where would you prefer to invest?



What we also know is that there is a long term shift towards renting property in the market because:

- Following the banking crisis, unless you have excellent or above credit rating mortgages are much harder to obtain or cost more
- First time buyers in many cases have to provide a 15-25% deposit
- Students for many years to come now will have 'student loan' debt to clear
- Decreasing number of young homeowners, reducing new build property = increasing private rented sector viability.

Take a look at the U.K. data supporting this:

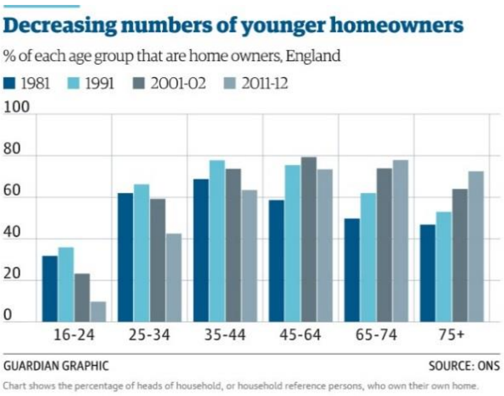
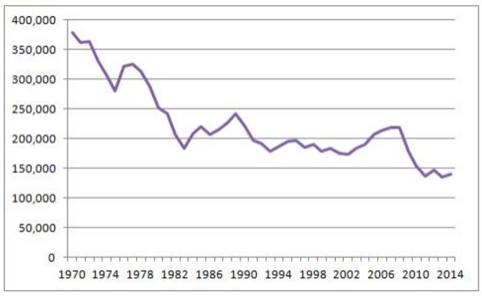


Figure 5: UK house building, permanent dwellings completed, financial years 1970/01 to 2013/14

UK dwellings completed



More than 50% of under 30 year olds in the U.K. rent property today. This proportion is rising for all age groups. The only moving sector in U.K. property acquisition is in buy-to let! There are some great deals to be had in buying property once you are clear to do so without a chain or as a cash buyer.

Property rental: Return on investment can be up to 16 % pa – It is low / no risk investment / asset backed capital growth plus rental income and growth. Compare this to what I call the <5% brigade! Pension's and ISA's with a bit more tax shelter, bonds shares and unit trusts. Property should be a key part of any balanced investment portfolio in my opinion.

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Step 2 How Does Finance Work?

This is an important thing and many people fail to understand how simple it is…

Total Purchase Price of Property	Mortgage Cost	Investment Return
75% **25% = Your Deposit**	Your rental income may pay for the full 75% monthly mortgage cost.	As property prices rise you'll benefit from total 100% capital growth.

In buy to let, you have roughly to invest 25% of the total acquisition cost, as your initial deposit.

This is your investment. The rent should pay for the other 75%. Yet, you earn the return on the whole 100% of the property. This means your actual return on investment is four times greater on the money you put in because you have only paid for ¼ of the asset value.

In order to qualify for your buy-to-let mortgage, your estimated rental income has to be up to 135% of the mortgage interest. This is not too difficult to achieve with high rents and low interest rates. In some cases, your own income can be added to the rental income for qualification purposes. You will certainly need to show that you have some substance, through evidence of income which varies but a minimum earning of say £30,000 p.a. would be a fairly average requirement.

What's typical in Cambridge/ How much should I invest? – CALL US TO DISCUSS 01223 891227

Gradually, as you pay off your mortgage, more and more profit is available for you to either bank or invest in more property.

There are more ways than you think to get hold of the initial 25% deposit. CALL US TO FIND OUT HOW!

The equity in your own home for example could be providing the deposit for another property asset that your rental income could pay for!

(The information above is for example only. Real situations will vary. We recommend that you take advice from a qualified financial adviser.)

Step 3 The Three R's

The next step is all about The Three R's…

- ✓ The Right Property
- ✓ In The Right Location
- ✓ For The Right Price

The Right Location

You will know doubt have heard of the 3 critical factors affecting when buying property – "location, location and location". But it still holds true for rental property.

To get the best long term return, the most important thing is to invest in buoyant areas, where you can expect to get a good capital gain as well as a strong, rental income with no gaps. Avoid cheap houses in cheap depressed areas. Initially, prices may look attractive but returns are usually low or negative as is capital growth. Impressive yield projections soon disappear when you have poor tenants, rent areas and gaps between tenancies as you struggle to attract the right tenants.

This is why Cambridge is such an excellent choice. We have many examples – Call us to go through these!

Get the latest local knowledge in your chosen area!

Spotting future opportunities can be very important. You need to know about the following things:

1. Regions within cities or bordering city areas that major businesses are relocating into
2. Expanding "fashionable" areas good to be close by.
3. Areas where new amenities are planned
4. Areas along popular or new / planned transport routes e.g. Cambridge Guided Bus.
5. Areas with good road links to other expanding locations
6. Understand how your location is growing, where it is growing and how this growth is occurring. Use this knowledge to help you invest in the right place.

The Right Property

The first thing to understand here is that this is not your home. It is better not to treat it as if it were. It is an investment, not your home.

One bed flats can give you a higher return on investment than a three bed house (See step 7 on Yields) The choice of property will depend on what you want to achieve. Traditional houses may be easier to sell than modern flats. There are maintenance cost issues to consider.

Watch out for service charges on flats!

Don't just rely on your surveyor for the condition of your property, there are letting issues as well as structural ones. Ask us to accompany the surveyor and get our opinion too.

Each case will be different from the next.

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Top Tip

To keep yields at maximum:
1. Keep your property to a good standard to attract high rent payers
2. Invest in the right property in the right location
3. Keep on top of maintenance – don't leave it until it costs more later on.
4. Avoid gaps between tenancies
5. Increase annual rent slightly every year where possible – a consistent 2% to 3% increase in rent annually can move a 6% yield to a 10%+ yield within a fairly short time frame

The Right Price

There are some important points to note here:

1. Don't be afraid to do the "Leg work"! We can also do this for you.
2. Build your profit margin in at the front end if you can.
3. Unless demand prohibits this, offer a=bit less than quoted price – wholesale cash buyer price (2%-10% discount – don't be afraid to do this.
4. Have the cash ready and / or the finance in place before you start
5. Bid on 20+ properties.
6. Be prepared to walk away.
7. Look for supposedly "Sold" properties back on the market again –probably in a crumbling chain!

Top Tip

There may be a good price available to keep the chain alive.

Understand that most potential buyers out there at the moment simply will not succeed in getting a mortgage. This leaves you more room to negotiate.

Remember, you are as good as a cash buyer, you have no chain, once are ready you can move fast…this gives you "buying Power"

Step 4 –Renovation Costs

Don't spend too much money.

Know what is worth doing and what isn't.

The most important rooms are the kitchen and the bathroom – if these look good it may be possible to obtain up to 15 % more rent! Your property will rent more quickly if it looks good.

Remember, your prospective tenants are comparing your property to others of the same rental value so make sure it competes well.

Tips for your Kitchen:

You can usually get the right look by changing the flooring, work tops and door fronts only. This is usually much cheaper and quicker than changing the whole kitchen. How much?

Tips for your Bathroom:

Don't fit a paper thin cheap bath from a discount store – it will split and need replacing within a short time. Make sure that you have a shower over the bath. Simple mixer taps are often enough. As long as the bathroom is functional and clean, it will be acceptable to most tenants. You may not need to re-tile it or fit fancy accessories. In some cases it may be worth it.

Take advice from us - before you buy - if you can.

Top Tip

If you are selling, remember that the new buyer may not like what you like. So, don't waste your money, spending thousands of pounds, on new kitchens and bathrooms that might get immediately ripped out again by the new buyer. We are happy to advise on what is really necessary to achieve the best return!

Property Development

Converting property into flats or studio units that can be rented out and or sold on is another way of increasing return on investment. It requires planning and building regulations approval.

This requires an expert architect who has experience in this area and knows what is needed and a good quality builders who completes his work on time and on cost. Project management is essential to make sure all the tasks and critical paths are met. It is important for the letting agent to have a technical input so that rental returns are maximised.

Although this work takes much more time and effort, it may be well worth it and we have some projects returning 12%-16% plus per annum.

Our "Turnkey" solutions and "one stop shop" are proving very popular in this area - PLEASE ASK US FOR MORE INFORMATION - 01223 891 227

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Step 5 Renting Your property.

There are many stages in this process and they all need to be done properly in order to maximise your income.

Successfully letting your property over the long term and maintaining the standard of your property over the long term is what counts.

Appreciate the different long term skill set required to rent and maintain rather than making a one off sale.

Remember that your rent will usually produce £700 to £3000 per month so don't worry about saving 1% on the fee.

It is you net annual return (i.e. gross revenue less costs)that counts. A good agent will pay for the best legal advice, will be compliant with the latest letting legislation and will spend more on advertising etc. This will ensure your financial interests are maximised in the long term. They will not be the cheapest agent – but they will make you more money.

Just like a good accountant, it's not what the agent costs but what they save you that counts.

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mail@admiralestates.co.uk

Step 6 –Property Maintenance Costs

This is quiet a simple subject – think of your property just as if it were your own car!

If you have it serviced properly, it will run better, use less fuel and it won't let you down.

The most profitable way to maintain your property is to start out right with everything fixed and working properly from the beginning and then keep it that way. This way you will attract and keep quality tenants longer and have few or no gaps.

Tenants can then be held responsible for any damage either during or at the end of their contracts, not you!

Top Tip

Start right and have a professional, independent inventory at the beginning and have it updated after each tenancy.

Good tenants are prepared to pay high rents but they demand high service and expect good quality, well maintained accommodation in return. Poor quality tenants are prepared to accept second rate accommodation because they have low standards and usually low ability to pay rent. Which would you prefer?

It is prudent to estimate your annual maintenance costs in advance.

These are not always easy to predict but will often include, boiler servicing, central heating maintenance, lock and key issues, small electrical/wiring issues etc. If you make a small provision for these issues within your profit calculations, you won't be caught out.

Top Tip

Four good reasons why you should maintain your property well:

1. **It'll be easier to let**
2. **And easier to keep in good condition**
3. **It'll Attract the best tenants**
4. **And save you money by costing you less in the long-run**

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Step 7–Maximising Your Return on Investment

There are two ways to do this - and it is the combination of the two that makes it so powerful!

(Note: These figures are for example only. Yields may go up or down depending on property type/ geographic area/economic conditions and many other external factors.)

1. Yields

Yield = Return on Investment. This is the rental revenue that you receive in one year, less all your costs, divided by the cost of the property.

For the purposes of this guide, let's keep it simple:

One bed property will often return higher yields than a conventional 2 to 3 bed house in the same location. Please call us for the latest examples/

For example, let's compare a 1 bedroom flat costing £200, 000 with a 2/3 bed house costing £350,000+.

1 Bed Flat - £200,000

Let's say that the current net rent, after agent's commission is deducted, for a 1 bed flat located within ½ mile of the centre of Cambridge is £900 per month.

£900 x 12 months is £10,800. £10,800 / £200,000 = 5.4% Yield + CAPITAL GROWTH

2/3 Bed House - £350,000

Let's say that the current net rent, after agent's commission is deducted, for a 2/3 bed house located within ½ mile of the centre of Cambridge is £1300 per month.

£1300 x 12 months is £15,600. £12,600 / £350,000 = 4.0 % Yield + CAPITAL GROWTH

So, it is sometimes best to go for a greater number of smaller properties rather than a few big ones. There are of course many scenarios to address here but you get the picture!

Top Tip

Some landlords want to maximise their revenue by letting out individual rooms in shared houses. In practice, we have found that net rents are often difficult to maximise. Tenant turnover is usually higher and there can be empty periods for individual rooms. Full room utilisation is more difficult to maintain, wear and tear is higher and collecting on time rent is more problematic in this "low value end" of the market. We advise our clients to stay clear of rooms!

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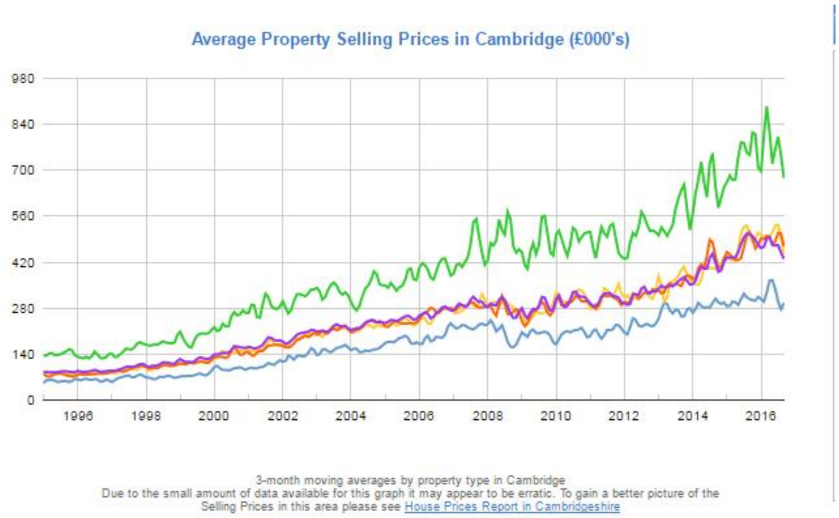
2. Capital Growth

Cambridge Property has consistently proved to be an excellent form of investment over time.

In addition to natural capital growth, there are many things you can do to increase the value of your investment over time. For example, general painting and decorating, improving "off road parking", adding a loft conversion, kitchen and bathroom improvements, improved energy efficiency. In general, if you carry out planned improvements over time, you rents will rise and the value of your property will increase. The good thing is that you can do these things when it suits you. Even if you just do basic maintenance only, the value of your investment will rise.

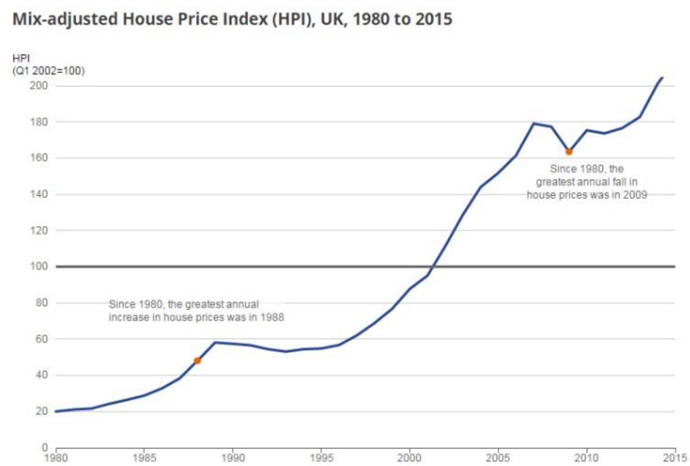
NOTE: Cambridge House prises have grown at c. twice the rate of average U.K property. Rents are also higher. Capital growth is also c. twice the UK average. See Below:

Cambridge growth – Source: home .co.uk



	Jan 1995	Sep 2016	Change
Detached	£136,071	£675,751	+397%
Semi	£82,847	£446,092	+438%
Terraced	£79,393	£469,053	+491%
Flat	£51,044	£296,073	+480%
All	£83,932	£430,494	+413%

UK growth, source: Office of National Statistics



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Top Cities to Invest In in 2019?

So, the Cambridge had a downward property blip in 2017/ 1st half, 2018, Brexit induced! But guess which city will be first out of the starting blocks next year?

There are three factors that make Cambridge a "Safe City" to invest in when compared with other leading U.K. cities:

2. Top shelter from recession due to massive public sector spend – Papworth Hospital Moves to Addenbrookes Hospital, Cambridge in 2019.
3. Science Park Boost – Cambridge North Station opened in 2018, linking Science park with Central London.
4. Massive supply shortage of property versus demand.

This caused a slight "overcooking" in 2017 yields, compared with some other locations last year **BUT watch out…** As rental demand strengthens, as it has solidly in the 2nd half of 2018, Cambridge looks set to perform once again in 2019! Don't Miss Out.

We hope you have found this guide useful. You may be familiar with some or most of the suggestions above but if we have helped to clarify the basics options for you, please contact us and we will be happy to help you climb onto or progress further on the property ladder!

And Finally…

What Are You Going To Do About It NOW?

Option one:	Do Nothing; Bury your head in the sand.
Option two:	Do it yourself; start today, follow the guide above and write your own plan.
Option Three:	Contact us to do it for you, saving yourself time and possibly money…

Yes, it's really that simple and by taking option 2 or 3 you will have started your journey

Top Tip

Call Admiral Estates NOW to find out more:

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