



star

INVESTMENT
PROPERTIES

☎ 01392 492072

f Investment Properties

📷 star_investmentproperties

www.starinvestmentproperties.co.uk

Investors Guide

INVESTORS GUIDE

Investing in property can be a lucrative way of consistently earning extra income now and the future years ahead. The property over the years is also highly likely to appreciate in value and more importantly you the investor are in control. To help you on this journey we have produced this guide to share our knowledge and expertise in this sector.



Property with Potential

If you are serious about renovating for profit, buy the worst house you can find in the best street that you can afford, as that gives you maximum scope to add value. In its current condition, the property is likely to put a lot of people off, and so the price should reflect that. As an individual renovator you can't influence an area or change the street, but you can completely transform the house and totally rebuild it if necessary for profit.

Most of the profit is made in the purchase rather than what you do to it, so the price you pay is absolutely critical. What you want to do is buy a property that has potential that others haven't yet spotted and so you aren't paying a premium for the house. The chances are, unless you are buying a big property, the potential margin for profit is relatively narrow, so you have really got to think about what you are doing.

Very rarely, you can extend out the front. Finally, think about the more bedrooms you have usually the more the property is worth, however also be mindful of overdoing it because if your outside space doesn't match the number of bedrooms then the property maybe difficult to sell, as who would want to live in a 6 bedroom house with a postage stamp garden – not many buyers.

Think about the possibilities of extending up because that's always cheaper than extending out, and you don't lose garden space.

Then think about extending out the back, because that's most likely to be an opportunity with the property, or the sides.

You really need to be disciplined and think: who is going to buy this and what are they looking for? So do your research, go and look at what other developers are doing in your area, be very clear about who is likely to be buying properties in the area and make sure you design the property for them and not for you.

Once you've looked after the basics of fixing the house and making sure it's structurally warm, dry and damp-proof, then focus on making the best use of your space. Think about adding space in order of cost-effectiveness:

First, think about remodelling the space that you have already got. Can you achieve what you are looking for just by making better use of the space you have — recycling the space, and putting it to better use?

After that, try to convert space that has not been converted, perhaps the loft, a garage attached to the property, or a cellar that can be turned into living space.

We have strong links, contacts with local Residential & Student letting Agencies who can assist when looking to find tenants. They are very knowledgeable with the ongoing laws, legislation that you have to adhere to when letting.

What Should I invest in?

There are many types of property investments to consider, it's not just about buying a property and just renting it out – if it were only that simple!..

However when you are wanting to earn extra monthly income, use property for a pension in the future or increase your wealth, overtime property has always passed the test of time.

The investments we will delve into and look at are the traditional buy to let, Houses of Multiple Occupancy (HMO), student properties, student HMO's & property with potential (renovation for profit).

We will also touch on Article 4 Direction, something you really need to be aware of, know about if you are purchasing a HMO, student property or wanting to turn a residential property into a HMO or student property.



Article 4 Direction

Article 4 Directions are the legal means by which a local authority can require property owners to seek permission to convert a single dwelling house into a small HMO (3-6 individuals). This therefore means that within the Article 4 area, it is very difficult to convert a C3 dwelling house to a C4 (small HMO). In plain English this means within the Article 4 area you cannot turn a normal residential property into a HMO. However, in certain cities there are some exempt streets within Article 4 that a C3 dwelling can be turned into a HMO due to that Street already having a high percentage of HMO's and very few residential houses, therefore the local authority has made an exemption for this street.

Imposing a limit on the number of small HMOs available in this area does nothing to decrease the demand that exists for them and when you have a difference between supply and demand, prices naturally go up in both rental and property values.



Traditional Buy to Let

Usually the first place to start if you are looking for a low risk and a moderate return on the money invested, is the traditional Buy to Let.

It is important to buy in a desirable area that tenants will want to rent within, not necessarily in the best area as your yield will be low compared to the price you have to pay for the property.

A good start is to consider looking at places which have been on the market for a while, making a few improvements could potentially make it a perfect rental.

If the property has been on the market for a while it could be a great opportunity to make an offer and get the property at a lower figure increasing your yield.

These properties are considered low risk due to the lower value price, whilst that may mean the property will take longer on average to go up in value. Positive income produced through rent and the slow appreciation of the property over time will ensure in years to come a steady investment.

Student Properties & Student HMO'S

Student accommodation is one of the most favoured and highest yielding asset classes right now within the UK due to high demand in many towns and cities, the student property market continues to grow and grow! However, though this market is very lucrative it is very important to do your research within this sector as every University and property market is very different, such as Exeter within Devon – this City is currently having outstanding growth for capital appreciation and rental yields within this City. Drive 50 miles away to Plymouth and this city is currently saturated with accommodation which could hinder you renting the property out to students each year.

There are various plus sides of having a student house if managed correctly, such as the property can be pre-rented from as early as November the year before, one 11 month tenancy agreement with every student and guarantor on,

little or no council tax to be paid and depending on which city or town your student property is, students will pay all utilities.

In view of the 11 month tenancy contract you have 1 month every year to carry out improvement work, which is time very well spent to offer the property in good condition each year, this will have a bearing on potential rental increases and your student property will rent quickly during the marketing period.

Knowledge, experience is fundamental if you are seeking to enter into this property sector of which our student management department has in excess of 20 years' experience within this specialist sector and location we operate in. Please do contact us for advice on any potential investment purchase.



Houses of Multiple Occupancy (HMO's)

The word HMO scares a lot of landlords as they think terrifying thoughts, however HMO's can be a very good earner, the main concept of a HMO being highly successful is be mindful of what type of people you mix together – if your tenants are harmoniously happy so will your property and management. A highly trained letting department who specialises in HMO's will know how to set up the property, it's not always wise in some cases to take everyone who wants to live in your property.

Properties are often close to Hospitals, Universities, usually larger properties once converted (and licensed) can double your rental income thus maximising your revenue from a single property let. It has the benefits of converting the majority of rooms in your property to a bedroom so that you can earn from each of those rooms with a multiple use kitchen, sometimes a living

room, bathroom and outside space. There are numerous aspects you have to be mindful of such as the size of rooms and communal space.

When we look at income if you have a 5 bedroom property that you can only rent out to one family at £1500 PCM*, if you turned this property into a licenced HMO and it was up to standard then you could potentially increase the income each month to £3000*. Something to be aware of comparing normal HMO'S to student HMO'S, the price per room is an all-inclusive package council tax, bills are payed by the landlord.

Whilst various councils will have their own licensing laws in place for these kind of properties, anyone can own one once set up right. Also with Licenced HMO's you will have to be aware of the Article 4 Direction which we will cover later on in this guide.

