Market report

The gap year for grown-ups

Minimal mortgage commitments mean more older homeowners are renting out their homes to travel the world, says **Ruth Bloomfield**

Mo and John Walker's yacht is called *Fuga*, which appropriately enough means escape in Latin. At an age when most people would be considering a cosy retirement by the sea, the Walkers decided to put their possessions into storage, rent out the two properties they own and use the income to subsidise the adventure of a lifetime.

They are part of a growing group of mature homeowners whose decades on the property ladder are paying off. With minimal mortgage commitments they can reap the benefits of a rental income, particularly at a time when the property market is firmly geared in favour of the landlord. "There has definitely been an increase in older people going off travelling and renting out their homes to help to pay for it all," says June Inglis, of the letting agent Finders Keepers (finders.co.uk).

"I think that, particularly since the financial crisis, a lot of people are retiring early and just cutting and running. They are still fit and well and they have nice properties and not much of a mortgage, so it works very well."

The Walkers met through work in the mid-1990s. Both had been married previously — they have five grown-up children and seven grandchildren between them — and they bought a house in the village of Dorton, Oxfordshire, for £132,000 in 1997.

They renovated the 1970s property, but John's heart was always on the high seas. The 66-year-old, who worked in the computer industry, comes from a long line of sailing enthusiasts. Fortunately for him, Mo, 64, was quickly bitten by the sailing bug.

Over the next five years the pair invested in two rental properties, a former local authority house in a suburb of Oxford and a new-build in the nearby town of Bicester, paying £132,000 for each, using a combination of savings and buy-to-let mortgages.

In 2003 they were ready for a grand adventure and spent more than £100,000 on their 41ft yacht.

They sold the Dorton property that they had been living in for £285,000 to help to pay for the boat and equipment and were also able to pay off some of their Oxford mortgage.

"We both quit work, which was fantastic; something you dream about," John says. Their gross income from renting out the two properties with Finders Keepers totals about £7,000 a year, which goes a long way towards supporting them. John estimates that they spend about £20,000 a year between them.

The rest of the money is made up of savings, and more recently their pensions have kicked in.

They set sail in 2004 and have so far visited France, Portugal, Spain, Morocco, Sardinia, Tunisia, Sicily, Italy, Croatia Greece, Turkey and Cyprus. They plan to return to British waters via the Azores next year. "How important is the rental income to us? It is critical, really," John says. "I think that we, as a generation, have been incredibly fortunate in terms of pensions and work patterns.

"You have also had this incredible inflationary period, so we have also made money in equity, which has given us an income. I don't think either past or future generations have had that."

Although *Fuga* will be the couple's home in the medium term, they are considering their "exit strategy" — perhaps a little place in Dorset in a few years' time.

"We haven't missed having a house at all, but we do really miss not having a garden," John says. "We lust after having a greenhouse and growing some tomatoes."

According to Inglis, the current shortage of good rental properties is playing into the hands of equity-rich homeowners in search of adventure.

"Our lettings list is about half the size that it should be for this time of year," she says. "Buy-to-let mortgages are hard to come by, young people are renting longer and I think that a lot of people are renting because they are fairly cynical about buying; maybe they are not that secure in their jobs or they are waiting for a potential double-dip [recession]."

Other advantages are security — your home will be occupied while you are away and general maintenance of the property will also be kept up to scratch.

But before you dash out to buy yourself a rucksack, there are downsides to renting out your home and heading for the wide, blue yonder.

You will not, unless you really travel on a shoestring, cover all your costs and you will have to get used to the idea of a stranger wallowing in your bath.

Ian Potter, operations manager at the Association of Residential Letting Agents, says: "Some landlords are very precious

Kevin and Claire Gardner are planning on renting their house again to

TOM STOCKILL FOR THE TIMES

o travelling. "Find an agent who you trust, then you can get on the plane and start enjoying the trip from day one"

about their homes. They have to be prepared to emotionally detach themselves if they are going to do it. The ones who retain a strong emotional attachment are the least satisfied when they return. They think that they should be able to walk back in and find the property exactly the same as when they left — and the reality is that there is going to be wear and tear no matter how much tenants have looked after it."

One couple with no such worries are Kevin and Claire Gardner. In August last year they set off on a seven-month adventure through Singapore, Bali, Australia, New Zealand and Japan.

They decided to let out their 17th-century, Grade II listed, two-bedroom house in Old Headington, Oxford, for the duration of their travels.

They bought the property 13 years ago and are mortgage-free. Once expenses had been taken into account the rent they received cleared them about £3,000, which they put towards the £40,000 trip. The rest of the money came from savings.

"Renting the house was not so much a financial factor as a security one," says 57-year-old Kevin, who has taken early retirement from his job as a business manager at Transport for London. "We didn't fancy leaving our old house unheated and unoccupied over the winter."

The couple went out to dinner with their prospective tenant before agreeing to rent the house. Finding the right person was crucial for them because they needed someone who would care not only for their home but also for their cat, Katy.

"We made sure that Katy had pet insurance before we left and put our tenant on the policy so that she didn't have to worry about having to take her to the vet if the need arose," says Claire, 48, who quit her job in banking before the trip and is now working at the local library.

Before they left they had a major declutter and stored their personal possessions in the loft. Returning home in March this year was painless. "It was as though we had not been away," Kevin says.

The couple are now planning another trip and their advice to would-be travellers is simple. "Don't worry about it too much in advance because it all comes together easier than you would expect," Kevin says. "Find yourself an agent who you really trust, then you can get on the plane and start enjoying the trip from day one, safe in the knowledge that any problems at home are now theirs and not yours."

Look before you let

- **You will need either a very capable friend or family member, or an agent to manage the property. Expect to pay agents between 10 per cent and 17.5 per cent of your rental income, plus VAT.**
- **Use an agent who is licensed by a professional body: the Association of Residential Letting Agents (arla.co.uk), the Royal Institution of Chartered Surveyors (rics.org) or the National Approved Letting Scheme (nalscheme.co.uk).**
- **Plan ahead: if you smarten up any shabby areas of your home it will be more rentable, and decluttering before you go will also make packing easier.**
- **Take out specialist buildings and contents insurance; without a specific reference to letting you may be uninsured. Consider insuring against the tenant defaulting on the rent.**
- **Make sure you comply with all health and safety requirements for gas, electricity and furniture. You will need to pay tax on your rental income (minus any costs). If you are making a short trip of no more than a year and plan to return to live in the property, you should not find yourself liable for Capital Gains Tax. But if you are going away for longer or do plan to sell on your return, you must take expert advice.**
- **Prepare a full, detailed inventory of the property — with pictures — so that you have proof of the state you left it in, in case there are problems.**
- **Meet your tenants before you let — perhaps go for a meal or a drink. You will be able to explain to them the quirks of the place and they may take more care of a house if it belongs to someone they've broken bread with. Draw up a "welcome pack", giving advice on everything from how to relight the boiler to the best cleaner to use on your granite kitchen surfaces.**
- **Don't assume that your home will be occupied all the time you are away — factor in eight weeks a year without rent.**
- **When you return, be realistic about what is genuine damage and what is just wear and tear. Your tenant will have to pay a deposit to cover any damage, but unless they agree to forsake some of the money you will have to go to an independent arbitrator to try to claim.**

Sources: Association of Residential Letting Agents; Finders Keepers