

Renting

Need some cash? Try building a flat

Finding space for a granny flat or studio in your home could boost your income... and security, writes Ruth Bloomfield

Buying a first home can be a financial challenge for a young couple. And as Tung Van Ly, 32, and his partner Lae Dang, 28, have discovered, that challenge does not end the day that you pick up the keys. Three years ago the couple took advantage of the post-recession property slump to snap up a three-bedroom house in Blackheath, a smart suburb in southeast London, for £235,000.

They added an extra £22,000 to their mortgage to allow for renovations, bringing their monthly mortgage bill to about £1,000 and leaving them with little leeway. "We didn't really have money for the good things in life," Ly says.

Like so many other squeezed homeowners their initial solution was to let their spare rooms to lodgers — something that, according to recent research by Santander, one in twelve people in the south of England now does to help to make ends meet. But Ly, an enterprising type, decided to finesse the lodger model by extending and then carving up his house, allowing him to rent out rooms while preserving his privacy.

In 2010 the couple won planning permission to build a self-contained studio flat next to their house, taking out

personal loans and using credit cards to fund the £35,000 build. Once the work was completed last summer, they moved in and began renting out their house, charging their two tenants £433 a month each. The income covers the mortgage and bills on the property. "We are basically living free," he says.

The couple planned to stay in the "very comfortable" studio for the foreseeable future until they recently discovered that Dang, who works in human resources, is expecting a baby.

"I hope to buy another property for us and keep this house as a business," Ly says. "I have just started a new job in recruitment, with better wages, so it has worked out wonderfully well."

While the couple decided to make their house work for them in the recession, Avril Lethbridge, 79, is way ahead of them.

She was the classic empty nester, rattling around in her Edwardian terrace in Oxford after her children had left home and her partner had died. And so, ten years ago, the retired artistic director won planning permission to hive off the basement into a self-contained studio.

The income has proved extremely handy. "Why did I do it? Cash, basically," she says. "Plus, for an oldie like me it is nice to feel that there is somebody else in the house, even though they are completely self-contained. But the most

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One in twelve people in the south of England lets rooms to make ends meet

important thing is to be able to have your own privacy."

She rents the flat for £675 a month through Finders Keepers, the letting agents. "It takes away the worry about having to talk to people about money," she says.

Once costs, including tax, have been taken into account her profit is about £575 a month. And it has allowed her to stay in her beloved family home. "I would have been very sad to leave it," she says.

If you are willing and able to annexe a part of your home, then letting it is not your only option. Sculptor Derek Pearce, 60, has taken the concept in another, more lucrative, direction. He originally converted the garage of his 1960s town house in Barnes, southwest London, into a "granny flat" for his father-in-law about seven years ago. He used permitted development rights, so did not need planning permission, and did the work himself, which meant that the cost of the project came in at about £20,000.

After his father-in-law died, he let the flat to an acquaintance. A succession of tenants followed until, last year, he decided to try his hand at bed and breakfast (holidaylettings.co.uk, reference 133962).

The flat had been renting at £600 a month, but bed and breakfast guests net him from £450 per week — and he estimates that it is full only about half of the time. An American tourist has already snapped it up for the Olympic Games.

He says that bed and breakfast is harder work than longer-term tenants "but it is also more money".

Despite the elbow grease, Pearce has enjoyed meeting a range of people from around the world. "There have never been any problem guests," he says. He also enjoys that the flat is not continually in use so that he can reclaim his space from time to time. "It is an asset and a business, but this is also my home," he says.

