We're all landlords now

Buy-to-let is booming again, as people from all walks of life try to grab a piece of the action. Lucy Denyer breaks down the different tribes, from elderly investors topping up their pension to mums in need of extra income

You know the score. You're lucky to own your own home, with a modest mortgage. There are some savings here, an Isa there, and perhaps the prospect of a nice lump sum from a kindly relative due to pass your way in the not-so-distant future. But the savings are making nothing in the bank and the stock market is up and down — so where to put the money?

The answer to many, it seems, may be property — specifically buy-to-let, which is enjoying something of a mini boom. A recent survey carried out by the Association of Residential Letting Agents (ARLA) revealed that almost 30% of the body's members think that landlords are currently buying more properties. This is the highest reading since the end of 2006, when the buy-to-let lending boom reached its peak. Meanwhile, just over 29,000 landlords invested in their first property in 2012 — 80% more than two years previously, according to the specialist lender Paragon.

Indeed, the buy-to-let landscape seems tempting at the moment, with tumbling mortgage rates and rising returns presenting an attractive opportunity for new landlords. The number of new applicants seeking to rent a home in March was up 21% on the previous month, says Sequence, a network of national estate agents.

"There is clearly strong rental demand, and that's likely to continue for the foreseeable future," says Ray Boulger, senior technical manager at the mortgage adviser John Charcol. "There's also every expectation that mortgage rates will remain low for several more years, which helps the market in general and increases the likelihood of capital gains."

Nevertheless, a sea change has occurred since the financial crisis, with the profile of investors shifting dramatically — thanks largely to the squeeze on incomes and living standards. The number of older landlords seeking to boost their flagging pension pots has rocketed by a third since 2009, with the number of female pensioner landlords up 43%, according to Simply Business. There are also increasing instances of "mumtrepreneurs" setting up buy-to-let portfolios from their kitchen tables and divorcees using their settlements to invest in bricks and mortar. We take a look at the new tribes.

Andrew and Susan James expect a 5%-6% yield in Didcot

The Grandlords

With the cost of retirement jumping 29% since December 2009, according to new figures from the Office for National Statistics, it's no surprise that more older people are looking to property as an alternative method of funding their later years. "The average age of our investors is around 52," says John Heron, director of mortgages at Paragon. "They are relatively sophisticated financially: they will always own their own property and have a full-time occupation."

Aaron Strutt, of the mortgage broker Trinity Financial, agrees. "We are speaking to more and more older borrowers looking to make use of their savings." Meanwhile, Belvoir, a national lettings agency, said it had seen a surge in older people becoming landlords over the past four years, with a third more people in their sixties on the books than four years ago.

Susan and Andrew James are one such couple. "We're thinking about our pension," says Susan, an office manager. "We both have private plans, but we know they're not going to pay what we need them to. We feel property is a long-term safe investment."

To that end, Susan, 53, and Andrew, 52, who live in south Oxfordshire, have just purchased their first buy-to-let property, a two-bedroom Victorian terraced house within walking distance of the railway station in Didcot, for £180,000. They are also in the process of acquiring another two-bedroom property, also in Didcot, for a similar price, both of which they hope will give a 5%-6% yield. "I don't really have the knowledge for things like stocks and shares: property to us is a calculated risk," says Susan.

It's a similar story for Trevor Pollitt, who has financed his buy-to-let property in Woking, Surrey, by withdrawing equity from his own home. He bought a one-bedroom flat in a development by Barratt at the end of last year for £169,950, and has a tenant paying just under £1,000 a month. "There's no real investment other than bricks and mortar," says Pollitt, 66, who owns a transport business for disabled people. "Over a long period, it will always give a good return, and will become my main source of income when I stop working."

The Mumtrepreneurs

It's the ultimate conundrum for many mothers of small ones: how to square staying at home with the children with the subsequent loss of income and brain stimulation. The solution? A buy-to-let property or two, which not only brings in some much-needed income, but makes for a tangible asset that can later be traded in if necessary, for costs such as school fees.

Daisy Stanning, 37, is just such a mother. She and her husband, Richard, 40, who have three children, Tom, 7, Harry, 5, and Eleanor, 3, own two buy-to-let properties in their home town of Bedford and are looking for a third. "They give me a little bit of income and mean I can be at home with my youngest and pick the others up from school," says Daisy, who estimates that the £400 or so she gains a month from the properties covers a few costs for her as well as necessities such as school uniforms.

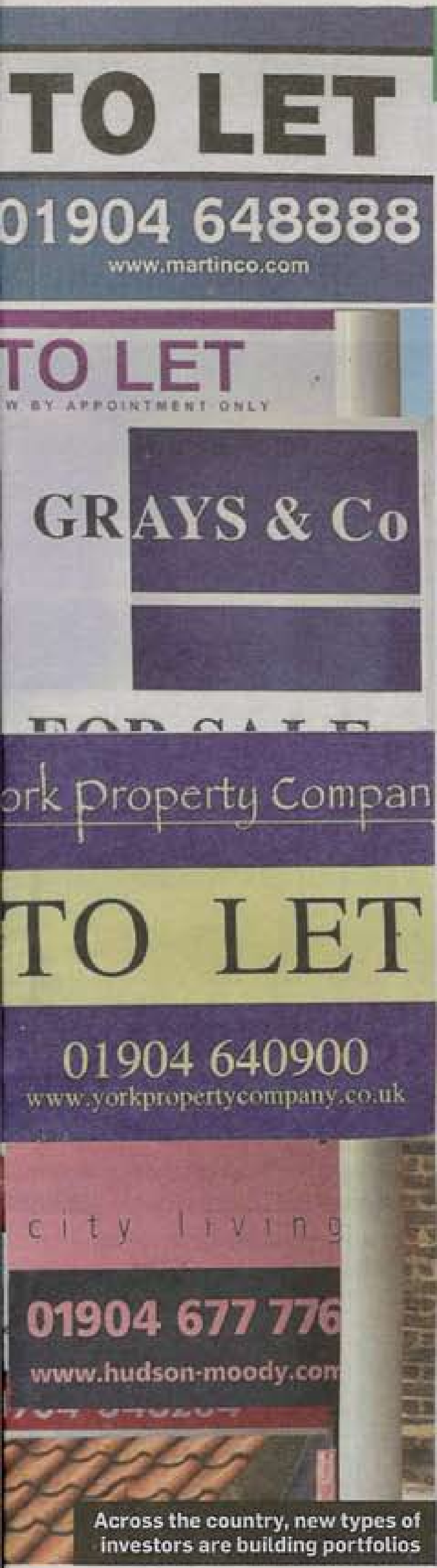
Daisy, who rents out the flat she bought in 1998 for £60,000 before meeting her husband, as well as another round the corner that the couple bought in 2007 for £105,000, covers both mortgages and tenancy fees, and hopes that, when Eleanor starts school next year, she will be able to return to work part-time and maybe buy another property. "Hopefully, I won't need the money at that point, and we can put it into a pot, perhaps for school fees," she says.

The Second Steppers

When Alan and Lucy Duncan discovered they were expecting their second child, they decided it was time to upsize. Instead of putting their two-bedroom flat in Surbiton on the market, however, they decided to rent it out instead, taking on a second mortgage in order to make the move to a larger, four-bedroom house in the same area, financing the £495,000 purchase through a combination of savings and Isas.

Their first property, which the Duncans bought in 2008 for £377,000, is now rented out at £1,375 a month. This means it pays for itself and leaves a little bit left over, which goes towards reducing the second mortgage and ultimately provides extra financial security for the couple, whose daughter, Lois, is two and whose second child is due in July.

"I think, because of the incredibly low returns you get on savings and the volatility of the stock market at the moment, property is providing us with something that will hopefully give us some capital growth as well as being a tangible asset," says Alan, 40, who works in marketing. "Because we'd lived in the property for



Across the country, new types of investors are building portfolios


The Duncans let their first home in order to buy a bigger house

Jon Boyes/Getty; John Lawrence; John Giles/PA; Peter Tarry; John Freeman

"WE'VE HAD AN INFLUX OF EXPAT BUYERS. THEY WANT TO COME BACK TO BRITAIN IN A FEW YEARS, BUT WON'T BE ABLE TO AFFORD TO BUY THEN, SO ARE PLANNING AHEAD"

five years, we had confidence in both it and the area, so if something went wrong, we know it's a saleable prospect." The added bonus of not being in a chain when buying also meant the couple were in a position to move quickly when it came to finding their current home.

The Duncans are typical of a growing breed of buy-to-let-investors: the let-to-buyers, who rent their existing home out while purchasing a new main residence, mitigating the issue of chains and increasingly using the property to bolster income in later life. According to figures from John Charcol, the proportion of clients using let-to-buy surged 40% last year, thanks to a renewed confidence in the housing market and an increasing demand for rental property.

The Divide and Conquerors

They may be battle-scarred, but they're coming out fighting: whereas a few years ago a divorce settlement might have meant getting the house, the car and custody of the children, now it's about securing enough money for a decent deposit on a buy-to-let property.

"We're speaking to more couples who are getting divorced and using their money to buy investment properties," says Strutt. Others tell similar stories. Simon Whaley, who runs Privatelandlorddirectory.com, says that he has seen increasing numbers of women entering the buy-to-let market, and recently had a meeting with one lady who, after her separation, bought several properties to let. The majority are doing it to bring security to an old age with nobody to look after them: not only does an investment property bring in additional income, but it's a useful and sellable asset if things go wrong.

Rosamund Crampton is, albeit a little indirectly, a divide and conqueror: she has been single for the past 20 years, but the money from her divorce settlement helped her buy her own home, from which she was later able to release equity for a one-bed buy-to-let in her home town of Leamington Spa, Warwickshire. She paid £128,000 for it in 2004.

Crampton, 64, later added two more properties to the mix: a two-bed modern flat that she bought in 2006 for £175,000, and a two-bedroom flat in a Grade II-listed building in one of Leamington's smartest squares, which she bought last year for £250,000. She plans to move into the latter when she retires from her job as manager of the town's art gallery and museum in September. "I think I will buy one more property with my pension lump sum," says Crampton. "I don't know how else someone on their own like me would accumulate a little bit of disposable income." The three properties not only pay for themselves, but cover her car costs. "Occasionally, it would be quite nice if there were someone to rely on," she says, a little wistfully, "but it's all fallen into place. I think property's got to be a winner."

The Expat Entrepreneurs

John and Tabitha Terence-Jones have lived in Singapore for eight years. But, while the couple rent their Asian home, back in Britain, their property portfolio is booming. The pair, who work in insurance and HR respectively, initially decided to let out their home in Wandsworth, southwest London, while they were away. After fees, it brought in £1,500 a month, in addition to the £1,100 they were making on a one-bedroom flat in Balham they already let out. Six years later, the couple bought a three-bedroom property in Barnes for £750,000, which nets £2,700 a month after fees. Having sold their Wandsworth property last year, they have now bought a second house in Barnes, which they hope will rent out for about £2,300 a month after fees. "We rent in Singapore, where the property market is more expensive than London, but the yields aren't as good, so it makes more sense for us to have a buy-to-let in a market that we know," says Tabitha, 37. "We also want to keep a foot in the British market as our plan is to return at some point. We have other investments that haven't done very much in the past few years, but buy-to-let has a number of possibilities — we can sell the properties when we return to Britain, or we can keep one and continue to rent it out."

The Terence-Joneses are not the only expats looking longingly at Britain's shores. "We have certainly seen an increase in the number of expat mortgage inquiries we are receiving," says Strutt. "Over the past few weeks, we have spoken to people in Saudi Arabia, China and Kenya, all looking to buy a property here."

Chris Peskett, who runs Apparent Properties, based in Barnes, and who manages the Terence-Jones properties, agrees. "We seem to have had a bit of an influx [of expat buyers] in the last year," he says. "Whereas before their money might have gone into a hedge fund or pension, now they're thinking property." Such buyers, he says, "know at some point they want to come back to the UK, but in three years' time they won't be able to afford to buy here, so they're planning ahead".

As Tabitha Terence-Jones puts it, "Buying to let gives us flexibility. Not only are we paying off the mortgage, but we've got money from rent and somewhere to go if and when we return."

SAFE AS HOUSES

Before you buy, make sure you are up to the task. Here are tips from a mini mogul

Think you've got what it takes to become a landlord? It requires more than just spare cash and a bit of idle time on your hands. Dave Hall, 50, and his wife, Yvonne, 52, started a property portfolio from scratch in 2005. Despite the credit crunch and ensuing recession, they now own 20 properties in Newcastle and Co Durham, worth a total of £2.1m. Here, Hall gives his top tips.

1 Decide if it is really for you
Are you looking for an armchair investment vehicle? If so, then buy-to-let is not for you. Do you know exactly what it takes to run a rental property? How would you deal with problem tenants? Make sure you are prepared to deal with the downsides of buy-to-let, as well as the upsides.

2 Do your sums
Don't just look at the initial deposit and fees — the best buy-to-let rates will require you to put down at least 25%. As well as having enough money to cover the mortgage, you have to budget for unforeseen costs, such as boiler parts and roof repairs. You also need to allow for void periods. If you plan to use a lettings agent, make sure you understand the fees. Deduct all these potential costs and then you can work out your real return. Just in case, set aside at least three months' mortgage payments and £1,000 for repairs.

3 Do due diligence on the area
It may sound like common sense, but many investors ignore this glaringly obvious tip if they are buying outside the area in which they live. Ask an independent letting agent what the area is like, what rental income you can expect and how much demand there is. Contact the local council to ask whether they are aware of any problems, such as antisocial behaviour, or whether the area is subject to any licensing for private landlords. A lot of councils only license areas where the quality of the properties and/or tenants needs improving — so they are not ideal places to buy an investment property.

4 What property type do you want?
If you are looking for stability or long-term tenants, go for a two- or three-bedroom home that will attract young families, who tend to stay longer. This will also save you money on advertising or agents' fees.

5 What type of tenant do you want?
This will be determined by the property you're buying. Students will need a clean and comfortable home, but nothing fancy as they will likely only be staying for a year. Professionals will need something more upmarket, while young families will be looking for a clean and inviting environment. A garden would be ideal so the children have some outside space.

6 Get the best mortgage rate
Shop around and speak to specialist buy-to-let lenders. It may be worthwhile paying a larger fee to get a good long-term fixed rate, which means you will know exactly what your outgoings are from day one. Interest rates will not always be this low — make sure the rent would still cover repayments and agents' fees if rates rose significantly.

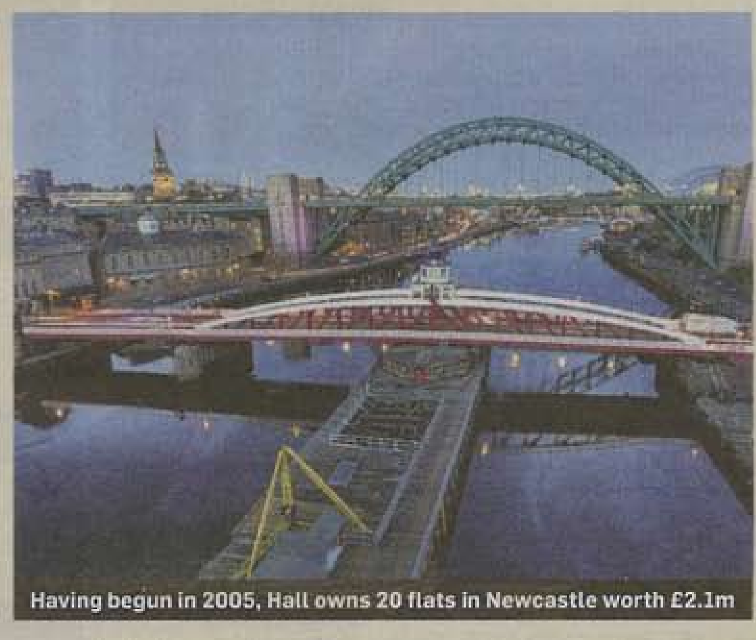
7 Work out your financial position
Can you afford to tie up your money long term? If you needed to sell, could you afford the mortgage payments while it's on the market? Don't forget that you have your own property to look after.

8 Understand your responsibilities
You need an energy performance certificate to let your property; if it has a gas supply, you will also require an annual gas safety certificate. Also make sure that the property is free of damp and in a good state of repair.

9 Keep a separate bank account
You need to keep accurate records of your income and outgoings. Open a separate bank account and keep all receipts and invoices to make it easier when it comes to paying your taxes at the end of the year.

10 Make sure you comply
Remain up-to-date with the latest regulations — including the fact that landlords will soon face fines if they fail to check the immigration status of their tenants, as announced in last week's Queen's Speech. Join a landlords association, such as the Residential Landlords Association (rla.org.uk) or the National Landlords Association (landlords.org.uk).

Who'd Be a Landlord? by Dave Hall is published by Matador at £9.99


Having begun in 2005, Hall owns 20 flats in Newcastle worth £2.1m