

A GUIDE TO SUCCESSFUL LETTING

If you want to keep your property for investment purposes or for any other reason but don't want to live there, letting your empty property is the ideal way to bring it back into use and make money at the same time. Even if you plan to move into the property in the future, you could be gaining an income from rent by letting the property in the meantime.

Many people leave their property empty because they are unsure of how to let it, or, how to manage in such a competitive market. This guide provides a brief introduction to the different ways of letting your property and gives some basic advice and information on letting.

There are three different ways of letting your property:

1. Becoming a private landlord and managing the property yourself, or
2. Employing a letting agent to let the property and take over part of the management of the tenancy, or
3. Leasing your property through your local Council or Housing Provider

Whichever option you choose for letting your property, we advise that you seek independent legal advice before entering into any agreements.

1. BECOMING A LANDLORD

Many people decide to become a private landlord and manage their property themselves, as they want to put their property to good use rather than sell it or leave it empty. Below is some basic advice on becoming a landlord, including tips on the things you might need to consider, what you will and will not be responsible for and information on setting up a tenancy. There is also information on schemes that you may be able to join as a landlord that will provide support and can help you to become a successful landlord!

If you do decide to become a landlord, we strongly recommend that you visit your local authority's website for private sector landlord information relevant to the particular area of your property as local authority schemes and certain standards may vary. Citizens Advice Bureau, Association Network UK (ANUK), National Landlords Association (NLA), residential Landlords Association (RLA), Association of Residential Letting Agents (ARLA) and www.communities.gov.uk can also provide very useful information for any landlords.

1.1 THINGS TO CONSIDER

Demand

Investigate the area your property is in to ensure agents and by reading property guides in newspapers. These will also give you a guide to the sort of rental income you might expect.

Costs

There are costs involved in letting your property, including mortgage repayments (if applicable), insurance, maintenance and repair costs. However, these should be offset against the income gained from the rent. Be aware that income tax must be paid on any rental income from letting your property. You should also consider that it could cost you money if you leave your property empty, through increased risk of criminal damage, increased insurance costs or property dilapidation.

Insurance & Mortgages

Before you let your property, check with your building insurance company that your policy covers leasing and letting. You should take out insurance against injury to occupants and damage to the property. You should also consider taking out contents insurance to cover any furniture and fittings in the property.

If you have a mortgage on the property, you must make sure that the mortgage lender has no objection to you letting or leasing your property. You will need to gain your mortgage lender's consent before entering into any agreements. If you are unable to let the property, you will remain liable for mortgage and insurance payments.

Furnished or unfurnished?

You have to decide whether you will let your property with or without furniture. Furnishing a property may mean you can charge more for it than unfurnished. However, sometimes this may not be as much as you expect, and your decision whether to furnish or not may be guided by the market you are trying to appeal to (student, social housing and professional).

Furnishing the property usually gives it a broader appeal as there are generally more tenants looking for furnished property. The minimum to supply is kitchen appliances, fittings and fixtures, curtains, carpets, beds and lounge furniture. All furniture has to comply with current fire regulations. The crucial factor is that a furnished property should be ready for immediate occupation.

An unfurnished property should normally include carpets or other floor coverings, curtains and 'white goods', such as a fridge and freezer, oven and possibly a washing machine. Generally, tenants prefer smaller properties, such as one or two bedroom flats, to be furnished. Larger houses, which tend to attract families who already have their own furniture, are usually in greater demand when let unfurnished. In all cases, all the repairs must be done and the decoration finished before the tenant moves in. Additionally, furnished properties should be let to a very good standard.

Houses in Multiple Occupation (HMO)

The way in which the property is let may bring it into 'multiple occupation'. If the property is occupied by more than one 'household' eg. split into flats or bedsits or share bathroom, toilet and kitchen facilities with other tenants, it may be classed as a 'House in Multiple Occupation' (HMO). It is a legal requirement that Houses in Multiple Occupation (HMO's) must meet certain standards of fire protection, amenities and management.

Some HMO's must be registered with their local Council. To be registered, the property must reach specific fire safety, amenity and management standards. The Council must also be satisfied that the owner/manager of the house is a "fit and proper person". To find out if your property would be classed as a HMO, please contact the Housing Standards or Private Sector Housing Team at your local Council. They can give you advice and discuss the specific requirements for letting the property.

1.2 LANDLORD RESPONSIBILITIES

You should be aware that there would be a number of legal responsibilities placed on you as a landlord. Don't be put off by these requirements as most are straightforward and your property may already reach most of the requirements.

1. Property Condition, Repairs & Maintenance:

Landlords are responsible for keeping the structure and exterior of the property in a good state of repair and keeping the property's water, gas, electricity and sanitary installations in good working order.

Landlords must ensure the safety and maintenance of rented property and their contents so that no injury or damage is caused to the occupants, neighbours or the general public. The landlord must carry out certain repairs and maintain the property to an appropriate standard.

If your property reaches certain standards, you may be eligible to join your local Council's Landlord Accreditation Scheme, which can have a number of benefits for private sector landlords.

Maintaining your property is crucial to the long-term success of your venture. Good maintenance could save you a huge amount of money in repair costs in the future. One way to keep on top of maintenance is to ask your tenants regularly if any repairs are needed and arrange for a regular inspection of your property.

2. Gas and Electric Safety

Landlords are required to:

- Ensure that all gas appliances are maintained in good order.
- Pay for an annual safety check on gas appliances carried out by a qualified engineer who is registered on the Gas Safe Register
- A gas safety check must be carried out before the property can be let.
NB: Do not attempt to check or repair a gas appliance yourself. If you suspect any problems call the National Gas emergency number 0800 111 999.
- Keep a record of all the safety checks and hand a copy of the Gas Safety Certificate to the tenant within 28 days of each annual check
- Electrical Safety: The electrical system and any electrical appliances supplied by the landlord must be safe to use and have been tested. Landlords need to ensure a Portable Appliance Testing (PAT) inspection is carried out annually

Fire Safety:

- Furniture: Legally, you must be able to verify that any furniture and fittings that you supply adhere to the standards set out in the Furniture and Furnishings (Fire Safety) Regulations 1988, as amended in 1993.
- These regulations set levels of fire resistance for domestic upholstered furniture. All new and second hand furniture must meet these standards, unless it was made before 1950. Most furniture and fittings that are covered by these regulations will have a permanent label on if it meets the standards.
- Smoke Detectors: Legislation requires any new houses built since 1992 to have mains-operated smoke detectors installed. It is advisable to have smoke detectors installed to alert the occupants in case of fire. Battery operated smoke detectors are very cheap to install. It would also be advisable to provide suitable equipment for potential kitchen fires. Your local Fire Service will be able to advise you of the latest legislation.
- Energy Performance Certificate (EPC) These are required before the start of a tenancy and is valid for 10 years. Changes to requirements were made in April 2010 and further information is available from any private sector landlord website or through the private sector housing team in your local Council.

1.3 FINDING A TENANT AND SETTING UP A TENANCY

If you decide to manage your property yourself, your local Council or landlord association (ARLA) will be able to provide more detailed information on setting up a tenancy but the main points to consider are:

Setting the Rent Level

The level of rent you can charge for your property will depend on several factors, including its location, the type of property, its size, quality and number of bedrooms. You will need to find out what price similar properties in the same area are being let for. You can get an idea by looking through the property pages in newspapers and magazines, checking local shop windows and asking letting agents.

Finding a Tenant

You can find a tenant for your property in several ways:

- You could advertise the property in local shops and newspapers, or on the Internet.
- If you are using letting agents they will find tenants for you
- Your local Council may have a list of people in the area looking for housing, via a Choice base lettings system where potential tenants can look for social or private housing, or through a Social Lettings agency (SLA). There can be a number of advantages to using this option so speak to your local Council for more information.
- Word of mouth - you may know someone looking to rent a property or you may get enquiries whilst any work is being carried out on the property.

Several people may be interested in your property, giving you a choice of tenant. Think about your decision carefully; it is important that you can trust the tenant but also that they feel they can trust you. You could request a written reference from your prospective tenants.

Setting up a Tenancy

Firstly, you must decide if you are going to rent out the property as a single let, or whether to let out the rooms separately on different tenancies.

When you let your property, the tenancy will usually be an 'Assured Shorthold Tenancy' (AST). This is fixed for a term of at least 6 months. The length of the tenancy is agreed between you and the tenant. There are other less common types of tenancy. Your local authority can give advice on which type of tenancy applies in different circumstances.

When setting up a tenancy, a tenancy agreement must be produced, which is a legal contract between the landlord and the tenant, to clarify all the agreements made. The tenancy agreement sets out the terms of the tenancy, including the level of rent to be paid, details of the property, the start date and the length of the agreement. You are advised to seek legal advice before entering into any tenancy agreement.

Housing Benefit & Council Tax Benefit

Some tenants on low incomes may be entitled to claim Housing Benefit to help them pay their rent. They may also be eligible for help to pay their Council Tax. Both benefits are administered by your local Council. Tenants need to use the council's application forms, for more information on Housing and Council tax benefits, speak with the Benefits Service at your local Council or check the Council's website for more information.

Bonds & Deposits

From 6 April 2007 any tenant with an Assured Shorthold Tenancy who gives the landlord a deposit, must have the deposit protected in one of two schemes which is managed by the Deposit Protection Service www.depositprotection.com. This includes any existing tenant whose AST is renewed. Once the landlord takes the deposit, they must inform the tenant which scheme they are putting the deposit with;

- The Tenancy Deposit Scheme is primarily aimed at agents and can be contacted at www.tenancydepositscheme.com
- Whilst Tenancy Deposit Solutions Ltd is primarily aimed at landlords and can be contacted at www.mydeposits.co.uk

Where some tenants may struggle to raise the money for a deposit, their local Council may offer a bond scheme. This is a written guarantee up to a certain value should a tenant cause any damage to the property. Check with your local authority if they run such a scheme.

Information and Support

Many local authorities have an Accredited Landlord scheme and Private Sector Landlord Forum to provide information and support on a local level to landlords. Many will provide benefits only available to members so speak with your local council if you would like more details on schemes run in your area.

For any landlord who is considering letting out their property to students, will find that universities and colleges have very stringent standards when it comes to student accommodation. It is therefore advisable to contact the accommodation officer for the educational unit your property is near.

2. EMPLOYING A LETTING AGENT

If you want to receive an income from letting out your property but do not want to be fully involved in the day-to-day management of the tenancy, you could employ a letting agent or join your local Council's Private Sector Leasing (PSL) scheme or Social Lettings Agency operated by or in partnership with your local Council. Fulfilling your responsibilities as a landlord during a tenancy can be very time consuming. This is why some people decide to use a property management company to manage their property.

A letting agent can arrange the letting process and the day-to-day management for you. You will be required to pay the letting agent a fee for their services. They usually charge a flat rate fee for letting the property, plus a percentage of the rental income.

Letting agents offer different levels of service. They usually do most of the following for you:

- Advise you on the level of rent that you can expect for your property
- Advertise your property in their listings and local newspapers
- Show people around the property
- Find a tenant and check their references
- Collect the rent from the tenant and pass it on to you, either on a monthly basis or as agreed in the tenancy agreement
- Produce the tenancy agreement and take charge of the legal side of the tenancy

The tenant will report any problems or enquiries to the agent, who should arrange any necessary action or repairs. Any repairs to the property will be charged to you.

A letting agent may also be able to help you with other things, such as giving advice on yours and the tenant's rights and responsibilities, transferring the bills into the tenants name and arranging safety checks for gas and electric appliances.

There are a number of private letting agencies, but it is advisable to use one that is a member of one of the following organisations:

- The Association of Registered Letting Agents (ARLA)
- The National Approved Letting Scheme (NALS)
- The National Association of Estate Agents (NAEA)
- The Royal Institution of Chartered Surveyors (RICS)

3. COUNCIL SCHEMES

Your local Council may operate a Private Sector Leasing Scheme whereby an owner leases their empty property to the Council for an agreed period of time. The Council's Housing Advice team will nominate a suitable tenant who is in housing need to live in the property, which will be managed by a third party. Therefore, the owner does not have to get involved in the day-to-day management of the tenancy but has the reassurance that the property is being managed by a professional and experienced organisation.

The owner will receive a guaranteed rental income throughout the lease period, whether the property is occupied or not. The level of rent will be lower than the market rate, but it will be guaranteed and may be paid in advance.

Although any major works required to the property will need to be carried out by the owner, all minor repairs and decoration will be carried out by the managing agent, therefore the property must meet decent homes standards before the managing agent will accept the property. At the end of the lease period, the property will be returned to the owner with vacant possession.

Please note that terms and conditions vary with each lease scheme so refer to your local Council Housing Advice Service for further details