

# THINKING OF BUYING A RESIDENTIAL PROPERTY TO LET?

**A Check-List for Investing Landlords**



The Checklist is a simple introduction highlighting the types of questions you should be asking yourself before buying a property to let out. It is not intended as an exhaustive list, merely introducing investors new to the Buy to Let market, to a range of issues they should consider before entering the residential lettings market for the first time.

## **CHECK-LIST FOR INVESTING**

### **LANDLORDS**

You should consider the following points before making any financial commitments:-

### **MAKING YOUR INVESTMENT**

- Are you investing to generate an income or hoping to see your capital grow and are your expectations realistic?
- Do you have sufficient capital of your own to invest in a property?
- Are you prepared to tie-up your capital for a considerable period?
- Will you have sufficient savings and other forms of capital after you have made this property investment?
- Have you taken specialist tax advice about the implications of buying and selling a Buy to Let property, and the tax treatment of all income and expenditure from renting?

### **CHOOSING AND MANAGING YOUR PROPERTY**

It is equally important that the property you buy is appropriate for the purpose and is properly managed thereafter. You should consider the following points before deciding to proceed:-

- Are you regarding this as a medium to long term project?
- Have you consulted a professional, qualified local letting agent before beginning your search for a property?
- Have you thought about the type of household which will want to rent your property?
- Have you considered that demand for this type of property may change from year to year?
- Have you made independent inquiries to confirm a likely rental figure?
- Is the location of the property attractive to tenants?
- Most lenders will require you to have an Assured Shorthold Tenancy agreement with your tenants. Are you aware of the legal implications of this?
- If you are thinking of buying a leasehold property, what is the length of the lease remaining and is sub-letting allowed?





- Have you consulted a solicitor about the legal implications of renting out your property?
- Have you investigated the running costs of the property (e.g. ground rent, service charges, repairs, letting and management fees, etc)?
- Have you allowed for furnishings and other start-up costs in your calculations?
- Have you considered how you will repay your mortgage if you have no tenants paying rent?
- Are you aware that your property could decrease, as well as increase, in value?
- Are you aware of all the safety regulations applying to rented property?
- Have you considered the likely costs of dealing with tenants who do not pay their rent or damage your property, including the costs of evicting a tenant in court?
- Have you considered using the services of an agent to let and manage your property on a day-to-day basis or will you be doing this yourself?
- If you are using a letting agent, have you assessed how much they will charge you for their services?
- Will the net rental yield i.e. the rent remaining after you have paid your running costs, be sufficient to meet your monthly mortgage payment?

### CHOOSING YOUR MORTGAGE

If you are thinking of raising a mortgage to help fund the purchase of a property, you should consider the following:

- Have you considered what type of mortgage to buy your property with?
- Would you welcome assistance from a mortgage consultant?
- Have you considered the impact of any future rises in interest rates?
- Could you meet the monthly mortgage payment from your own resources, if the rent was not paid or the property was empty?



**NOTE: IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS, YOU ARE IN DANGER OF LOSING YOUR PROPERTY AND WILL BE RESPONSIBLE FOR ANY OUTSTANDING DEBT.**

If you are unsure of any of your answers to the questions in this checklist, you should seriously consider taking appropriate independent professional advice. In particular, you may need to take specialist legal and tax advice from suitably qualified professionals.

This Checklist has been prepared with the support of the following organisations

Association of Residential Letting Agents

British Property Federation

Council of Mortgage Lenders

Intermediary Mortgage Lenders Association

National Association of Estate Agents

National Association of Commercial Finance Brokers

Royal Institution of Chartered Surveyors