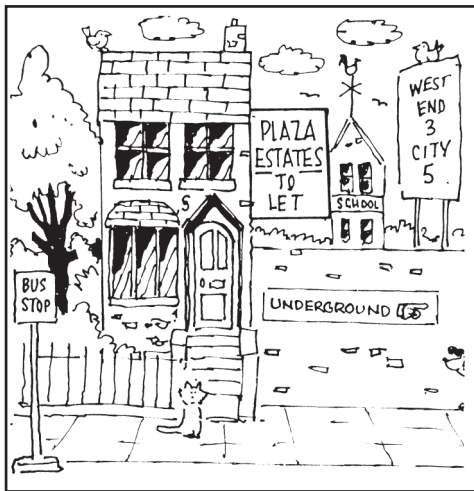
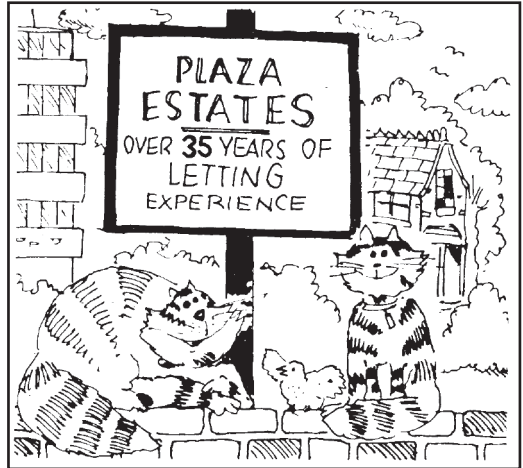


# INTRODUCTION

The Central London rentals market is very competitive with many private landlords investing in property to rent out. Tenants expect higher standards of accommodation than ever before.

The corporate rentals market has also grown. More and more foreigners are relocating to the UK – and to London in particular. However, many new landlords are unfamiliar not only with the legal and financial elements of renting out their property, but also with the standards currently demanded by this sector of the market.



Plaza Estates are central London property specialists, having 35 years experience in property rentals. Their data-base is one of the most sophisticated in London and their list of contacts one of the most extensive.

# BUYING TO LET – WHAT TO BUY AND WHERE TO BUY

The choice of property purchased will largely depend on an individual's budget and whether or not the owner wishes to occupy the property at a later stage.

As a general guide to what and where to buy for a successful rental investment, Plaza Estates offers the following advice:

- The basic criteria for rental property are: centrally situated and in a good neighbourhood, near public transport, schools and shops. Quiet, light and airy.
- Flats should be within a 5-10 minute walk from a tube station with easy access to the City and West End.
- Although houses are popular with families looking for larger properties, the steady demand is for flats – but both are popular.
- There should be easy access to open spaces – whether private garden, roof terrace or balcony, communal gardens or parks.
- The property should be structurally sound, and able to be redecorated without incurring vast expense.
- Character properties are generally a good investment. Foreign tenants in London for a limited time like to experience the 'flavour' of London and period conversions are always popular.
- One or two bedroom conversion flats are good buys. Also those in newly completed developments with portorage and private parking.



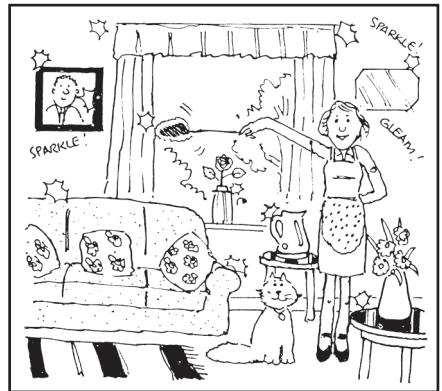
***Character properties are  
generally a good investment.***

# HOW TO PREPARE THE PROPERTY FOR LETTING

In the competitive property rentals market, there is no room for the 'amateur' landlord. The standards demanded by tenants are high and an additional budget for preparing the property must be available.

Anyone considering buying to let should allow sufficient funds to decorate and furnish (if applicable) the property to a good standard:

- Above all the property must be clean, newly decorated, light, bright and fresh.
- Redecorate in neutral shades with good quality carpets and curtains in co-ordinating colours. All carpets and curtains should be new, or if not, professionally cleaned. Most tenants prefer wooden floors.
- Unfurnished properties should include fixtures and fittings such as curtains and kitchen appliances.



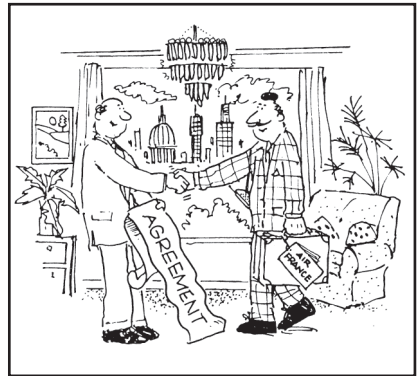
***Light, bright and fresh***

- Try to imagine the kind of tenant who will be living in the property, and be guided by the letting agent. The requirements of a single city highflyer will differ from those of a family with young children.
- Stay away from dramatic decor – even in rented property most people like to extend their own personality to their surroundings. Prepare the property like a primed canvas ready to take individuals' finishing touches but with enough character to give the property a homely feel.
- Equip the kitchen with the necessary appliances – washing machine, separate dryer (imperative for larger properties), oven and hob, fridge/freezer, dishwasher, microwave, and if they are not new, make sure they are spotlessly clean and in perfect working order.
- Bathrooms must be modern and a proper 'power shower' should be installed. Bathroom floors should be tiled.
- The property must have modern amenities, furniture should be new, or if not, should be of good quality and condition. Upholstered furniture should be professionally cleaned and must comply with the Fire and Furniture Regulations 1993.

- All gas appliances must be checked by a CORGI registered plumber and a Landlords Gas Safety Certificate must be obtained. Electrical appliances also need to comply with safety regulations and wiring must be in good order.
- In one-bedroom flats, provide a sofa-bed in the living room for guests.
- At the top end of the market, corporate tenants will need the resources to entertain formally – the kitchen and dining and reception rooms should all be equipped and decorated accordingly.
- Provide good quality crockery, cutlery, pots and pans. For the average one or two bedroom flat, six place settings should be provided, plus a selection of wine glasses and tumblers. Provide eight place settings for a three bedroom property.
- The crockery should be easily replaceable but in keeping with the standard of the accommodation. The kitchen must be properly equipped with standard cooking utensils: a selection of saucepans, a large frying pan, casserole dishes and one or two serving bowls or large dishes. Also provide an ironing board, iron, toaster, kettle and a vacuum cleaner.

## WHO TO OFFER IT TO – THE TARGET MARKETS

Unless you are prepared to spend an enormous amount of time and money advertising your property, showing people round, having the necessary legal documents drawn up, and have experience of the property rentals business, you are ill-advised to handle the letting yourself.



***Who to offer it to***

An experienced rentals agent should have a long list of contacts from which to draw potential tenants, a good marketing strategy, and the resources to advertise the property at more favourable rates than an individual and with greater impact.

Plaza Estates also has an excellent website which is updated daily with a preferential ranking to many search engines and links to the main property websites. [www.plazaestates.co.uk](http://www.plazaestates.co.uk)

The agent will also draw up the appropriate tenancy agreement, take up references, organise an inventory on your behalf, transfer the utilities and provide management support if required.

A large proportion of the central London property rentals market comprises corporate tenants re-locating employees to London. The company selects the accommodation through approved agents, and in some cases will also sign the agreements and pay the rent. Some blue chip companies will provide a guarantee in lieu of a deposit.

Non-corporate tenants are individuals who choose to, or need to rent for other reasons. A reputable agent is trained to vet non-corporate tenants, seek references, secure the necessary deposit and use professional judgement, contacts and expertise to ensure that the tenancy runs as smoothly as possible.

## **FINANCIAL AND LEGAL ASPECTS OF LETTING**

The financial elements of property lettings depend, to a certain extent, on when the property was purchased, how much in the way of refurbishment and furnishings is required and how much borrowed money is involved in the project. UK tax will be payable on the rental income.

A good agent will charge a commission of between 10% and 15% of the rent to let the property, plus an additional 6%-7<sup>1</sup>/<sub>2</sub>% for on-going management of the property plus VAT. Please ask for a copy of our printed Terms and Conditions of Business giving full details of our services and fee structure.

Whether or not to choose the additional management option depends upon personal circumstances.

A landlord who is frequently abroad or difficult to contact will almost certainly be advised to pay the additional management fee which commits the agent to handling all repairs, sorting out problems, paying bills etc on the landlord's behalf.

An inventory of the contents of the property and the condition of all items must be prepared and signed by the tenant for all tenancies.

It is standard practice for a landlord to pay an independent inventory clerk a fee for the inventory and 'check-in'. 'Checking-out' costs at the end of the tenancy are usually paid by the tenant. (All costs are subject to VAT). The impartial advice of an independent professional is invaluable in the event of any dispute, or damage caused by the tenant.

Plaza Estates are members of the government approved scheme TDS, which protects the tenants' deposit and offers a very cost effective dispute service if the need arises.

The tenancy agreement which protects both the landlord and the tenant is another essential for which an agent will charge a small fee. Landlords can use their own solicitors, but this will cost considerably more.

It is essential that the correct form of Agreement is used. For a letting to an individual the Assured Shorthold Agreement should provide the most effective safeguard – enabling the landlord to obtain possession of the property at the end of the tenancy. The level of rent must be below £25,000 per annum and other criteria must also be met.

If the tenant refuses to leave, a court order must be obtained before eviction.

# HOW TO MAINTAIN AND MANAGE TENANCIES

More and more private landlords are using letting agents like Plaza Estates, to manage tenancies on their behalf. Agents fees are tax deductible.

Although most tenancies run smoothly, there can be problems which need to be sorted out promptly and efficiently. A managing agent is generally the best person to do this.

Most tenants are foreign corporate tenants who are used to dealing with professionals, and need to have immediate access to the landlord or his representative.

A management agent will not only handle any crisis but will also pay bills on behalf of the landlord, check that the property is being looked after properly, and ensure that there are no outstanding accounts for utilities such as gas, electricity and telephones at the end of the tenancy.

In some cases we suggest carrying out a mid-tenancy check to make sure that minor problems do not turn into expensive ones.



***The management agent will handle any crisis...***

## RENEWED TENANCIES/EXTENSIONS

Approximately two months before the end of the tenancy, the agent will contact the tenant to find out whether they wish to renew the tenancy. If a renewal or extension of the tenancy is agreed by both parties, the agent will negotiate the new rent and any amendments to the original tenancy. The agent will then draw up a new agreement accordingly.

## AT THE END OF THE TENANCY

Shortly before the end of the tenancy, the lettings agent will arrange an appointment, for the inventory clerk to 'check out' the inventory with the tenant – to determine the extent of any cleaning or damage caused by the tenant to the property and whether there are to be any end of tenancy charges.



If the landlord wishes to relet the property, the letting agent will have taken steps to find another tenant during the last month of the term.

Before the new tenant moves in, the property must be cleaned and prepared for letting as before. If the property is managed professionally,

the managing agent will arrange the necessary cleaning, redecoration and replacement of damaged or missing items. Otherwise, it is up to the landlord to make the property 'as good as new' again. For unmanaged properties it is also the landlord's responsibility to submit costings to the tenant for any proposed end of tenancy charges.

The letting agent will also arrange for utilities to be transferred either back to the landlord, or to the incoming tenant.

Should you require further details of Plaza Estates services and fee structure, a copy of their Terms and Conditions of Business is available on request. Plaza Estates are members of ARLA (The Association of Residential Lettings Agents) and are covered by the ARLA Bonding Scheme which protects client monies.