



**RESIDENTIAL LANDLORDS
ASSOCIATION**

Sample Document

Landlord Development Manual



Tel: 08456665000
Fax: 08456651845
Email: info@rla.org.uk
Website: www.rla.org.uk

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.1. Investing in a property

Investing in a private rented property can be achieved in a variety of ways and sometimes landlords inherit a property that they then turn over to renting. This guide is not a financial guide to housing investment but there are a few key points worth highlighting.

It is important that an investor, before investing in a property, undertakes a proper business plan that takes into account:

- the value of the property and the loan to asset ratio of any loan finance obtained;
- the cost of any loan finance and over what period that loan finance has to be repaid;
- the level of interest being paid on the loan taking into account that interest rates are likely to fluctuate over the duration of the loan;
- the level of investment needed to renovate the property and meet with statutory standards;
- the cost of any management or specialist services to get the property up to standard and into the lettings market, letting expenses, advertising and professional fees;
- the level of rent to be charged;
- the cost of ongoing services to keep the property in good condition: repairs, gas and electrical servicing, annual maintenance, cleaning, garden maintenance and so on;
- the ongoing investment that will be required to maintain the fixtures, fittings, decor and services (boiler, white goods, grey goods and furnishings - if let furnished) in good condition;
- who will be responsible for the property while the landlord is away on holiday, business or is unavailable because of illness.

Whilst property investment thrives on optimism, it is also important to be realistic about the level of rent that can be charged and to allow for some period when the property might be unoccupied (voids) between lets and to make some allowance for any bad debts. Every landlord should allow not less than about a seven per cent void rate for vacancies and turnaround times between occupants.

Landlords basing their business plans on low interest rates, short and risky variable loan rates, charging high rents and not allowing enough funding to keep the property in top-top condition, frequently come unstuck.

It is also important to consider cash flow. Just like buying a house for owner occupation, most expenditure takes place at the beginning and, as the loan progresses, repayments become less onerous. Consider what might happen if outgoings continue but rent is not forthcoming or it is necessary to fund an unexpectedly large repair. Is the cash available to keep the business or investment running?

Investors thinking about purchasing a property to let, should consider the financial and management implications very carefully. Some other matters to be considered are:

- the demand for rented accommodation in the area in which the house is located. In many areas, including popular inner city locations, there may already be an oversupply of rented accommodation and it could be difficult to find suitable tenants;
- the sort of market that the property is intended to serve. Each has its own characteristics, benefits and problems.
- the potential investment return. It is important to be realistic about the returns that can be achieved. When investing in property, it is more realistic to expect lower short-term gains and higher long-term profits;

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2. The Responsibilities and Liabilities of the Landlord/Letting agent

2.1 Landlords' Responsibilities for Repair and Maintenance

In addition to any repair responsibilities explicitly set out in the tenancy agreement, common law and statute will imply terms to the agreement between landlord and tenant. These terms form part of the contract, even though they have not been specifically agreed between the two parties.

Specific obligations to repair are set out in detail in the sections below. As a general rule the building itself and the immediate surroundings should be able to withstand normal weather conditions, and normal use by tenants and their visitors.

The property should be in a reasonable state of repair both internally and externally and fit for human habitation at the start of the tenancy. There should be no dampness, either in the form of rising or penetrating damp, from the outside. Condensation may be as a result of the tenant's behaviour but it may also have implications for landlord if the ventilation is inadequate or some structural problem is causing it. An investigation of the cause will be needed to be able to decide responsibility.

Statutory and common law requires that there should be no unacceptable level of risk to the health or safety of the occupiers or their visitors.

Remember that if the tenant or visitors have an accident or suffer injury due to the poor condition of the property (for example a fall caused by a broken handrail or respiratory diseases caused by damp conditions), the landlord may be liable to them for damages for personal injury.

3. Setting up a Tenancy

3.1 Types of Tenancies

A tenancy is a contract on mutually agreed terms between a landlord and a tenant. Landlords or prospective landlords should understand the various types of tenancies, which have different rights and obligations.

3.1.1 Assured and Assured Shorthold Tenancies

These types of tenancies are governed by the statutory code set up in the Housing Act 1988, which was amended slightly by the Housing Act 1996. The vast majority of tenancies today will be assured shorthold tenancies. Both assured and assured shorthold tenancies can charge a market rent for the property.

3.1.2 The Main Differences Between an Assured and an Assured Shorthold Tenancy

Assured Shorthold Tenancies

"Assured shorthold tenancies (ASTs) are now the "default" type of tenancy. If a property is let, and it does not fall into one of the exceptions outlined below, it will automatically be an AST. If a property is let without a written agreement, which is most unwise, then that too will be an AST.

An AST can be for any term (the rule requiring them to be for a minimum term of six months was abolished by the Housing Act 1996), although in fact the vast majority of tenancies are for terms of at least six months.

The main benefit of ASTs for landlords is that they can recover possession of the property without needing a reason, provided any fixed term has expired and the proper form of notice has been properly served. The notice is known as a section 21 notice, as the landlord's right to recover possession and the notice procedure is set out in section 21 of the Housing Act 1988. The notice must be served on the tenant at least two months before the landlord wants the tenancy to end. A notice issued on or before the end of the fixed term must last at least two months but may end on any given date. The notice must be in writing but does not have to be in a particular form.

4. During the Tenancy

In managing a house, and providing a service to the tenant in exchange for rent, the landlord should make every effort to establish a good working relationship with the tenant. This is particularly important when dealing with access to the property or when undertaking repairs. Part of that relationship will be good communication with the tenant and ensuring that their expectations are both reasonable and accurate about the level of service that will be delivered.

4.1 Periodic and Other Visits

Landlords have a common law obligation to maintain a let property reasonably free from disrepair. The Local Authority may take enforcement action if they identify risks including, but not limited to, items of repair under the Housing Health and Safety Rating System (HHSRS) under Part 1 of the Housing Act 2004. Letting/renting a house in multiple occupation (HMO) adds specific management obligations for landlords and occupiers. These obligations have been detailed in part 2 of this manual.

The landlord, or some responsible person acting on the landlord's behalf, should visit the house regularly. Visits can also be carried out at any other reasonable time if the tenant reports a problem. This is to both identify and prioritise repairs and other works which may need doing and to ascertain whether the tenancy conditions are being met. It is good practice to visit at least quarterly. As conditions within residential premises are now risk assessed under the HHSRS the person undertaking the visits should also be looking out for hazards.

Some visits will need to be undertaken by a qualified and competent person, for example, a suitably qualified gas engineer for annual gas safety checks or a competent electrician for periodic fire alarm checks. Tenants must have a means of contacting the landlord or letting agent at all times and there must be a procedure in place to deal adequately with emergencies. Any works, however identified, need to be resolved within a reasonable time period depending on their seriousness.

It is good practice to keep a record of all visits and/or referrals from the tenant including the proposed solution and outcome. Some landlords have a standard checklist, which provides a useful prompt of things to look for and a record of what was found. Some landlords give a copy to their tenant. Receipts should be kept when repairs are undertaken for which the cost may be recovered through any of the tenancy deposit schemes and for tax purposes.

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