

## What makes a good investment property?

*This is a question we get asked frequently by new investors or by people who have acquired a property. There are many considerations, if you have any questions then just pick-up the phone; we don't do sales - but we'll happily talk through potential properties with you that are currently on the market. But first, some reassurance! We rent all types, sizes and location of properties - rental demand is good - just take a look at our current properties to see the variety. The article below relates to the most ideal property - a landlord's perfect investment - in reality, perfection is rare.*



### Don't buy the house YOU like! You're buying a house for someone else...

Where do young people, working families, professionals, single parents, and young families want to live? Near schools, town centres and places of employment - probably, so think about these locations. Buy an ordinary house in an ordinary area. New build? Be cautious with new builds - they come with a guarantee but sometimes also with a mark-up which is not always matched by rental demand.

### Understand Rental Yield

No, I mean REALLY understand it. Then, possibly, forget about it for the time being...

I've come across a lot of people who know that talking about rental yield is important. It makes them sound like they know what they're doing. However, when considering a property there is no way of knowing what the yield will be! What these

people are really talking about is a speculative, gross rental yield. This is calculated by dividing the annual rental income by the property purchase price and then multiplying by 100. The resulting figure is expressed as a percentage - numbers above 6% is when an investment starts to become interesting. It's a reasonable calculation that enables you to make broad comparisons between prospective properties. But that's about it. A much better method is a net yield where all the ongoing expenses are factored into the equation. And then there is capital growth to consider. Or you could calculate your yield based on the amount that you have invested into the property... It can get quite complex, which is why when a sales agent tries to impress you with rental yield figures then he or she is, at best, speculating but most likely talking nonsense. Knowing rental yield has most value when managing property portfolios and analysing actual rental income and expenses.

### Get us to view houses with you

My staff and I love to have a look at properties! We want to provide services for you - it's great if we can be there from the outset and advise. Talk to us about this service.

### Tenant friendly interiors

It's so cliched but go neutral with decor - like Sarah Beeny says, magnolia everywhere! Appliances - the more you have, the more liability you take on for repairs! So, if you have a 2 or 3 bedroom property house then consider a built-in oven and hob but leave space for free-standing appliances and let the tenant provide their own white goods. Not providing appliances does not usually affect rental asking price.

### Tenants like (roughly in order of priority)

Clean, modern, recently decorated, off-road parking, enclosed garden, en suite as well as a bathroom, garage, storage, gas central heating, double glazing, security, shed(man-cave).

### Tenants dislike (in no particular order)

Dirty, old, smelly, damaged, single glazing, on-street parking, quirky, downstairs bathrooms when all bedrooms are upstairs, no garden (unless it's a flat), lack of storage, no bath, close to main roads.

## If I had to recommend one type of property what would it be?

Town location, 2 bedroom house, 1990's (or newer), with off-road parking and a garage.

## A good landlord makes a good rental property

A rental property should be treated like a business - your tenant is your customer and you want to keep them happy in order to make them stay.

You need to price your product correctly in order to remain competitive. You need to maintain cashflow and funds in order to keep up with any expenses, whether these are planned or unplanned. You need to review your costs on a regular basis. When problems arise they need to be solved. If something is not working then fix it! Without doubt, our best properties also have great landlords!

*Good luck with your rental property, whatever and wherever it may be. If you need help and rental services then please do not hesitate to contact us. We can help and advice is always free.*



*This document was authored by Chris Chambers of Proudhouse Property Management.*

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