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LandlordZONE

RENTAL PROPERTY KNOWLEDGE

Welcome—June 2008 Newsletter

As I write this, mid-June 2008, things look pretty gloomy.

The credit crunch is putting the banks under extreme pressure (we still don't know the full story) leading to a contracting property market because of a severe tightening of lending criteria and the end of cheap money.

Savills last week revised their forecast that residential property values could fall by 9%, to as much as 25%, by the end of 2009.

This in turn is severely affecting the construction industry which is seeing builders halting new development plans and even mothballing some current developments.

Rising redundancies in related industries will inevitably have knock-on effects to the economy as a whole, which is already feeling the effects of rising inflation and in particular higher commodity prices and quite dramatic fuel price rises.

Households are also feeling the effects of rising food and fuel prices and therefore retailers' profits will be hit, inevitably

affecting commercial rents and tenancies.

The whole scenario looks set to lead to a full blown recession (the first we've seen in the UK for 18 years—so much for Gordon's "the end of boom and bust") unless moves by government and the Bank of England have their desired effect—so far there's little evidence of this.

Fortunately for landlords residential rents and demand for renting is holding up very well, though the situation could deteriorate quickly if mass redundancies result.

Established landlords with sizeable chunks of equity in their properties will inevitably ride out the storm and many will take advantage of distressed selling and falling values to add to their portfolios, ready for the up-turn—but things can get worse yet!

Additionally, an overall shortage of UK housing should help shore up the market in many locations, especially as new development will slow down or stop.



The ones most likely to suffer are those overstretched newbie property investors, and in particular those owning new-build urban flats whose values are badly affected due to oversupply and poor tenant demand in some locations.

You didn't need to be the Sage of Omaha or even those illustrious property education "experts" running overpriced property courses to see this coming a long time ago.

For what some have paid for these courses you could have gleaned more wisdom buying 3 or 4 good investment books and spending a luxurious two weeks of study in one of the best hotels in the Caribbean!

For all those responsible for fleecing and then leading naive and unsuspecting investors into a living hell, to now say: "we were taken by surprise by the credit crunch", is nothing short of scandalous in my view.

Tom Entwistle, Editor

Conveyancing & HIPS—June 2008 Newsletter Topic

Conveyancing is the legal and administrative process associated with transferring the ownership of land or buildings from one title holder to another.

Recent legislation has added HIPS and Energy Performance Certificates to the traditional conveyancing, surveying and mortgage finance services associated with property transfers.

The whole process starts once an offer has been made and accepted for a property, and solicitors' details have been exchanged by the two parties.

This month's Newsletter content

has been provided by **Dominic Toller, Director of Marketing and New Business at LMS.**

LMS is one of the UK's leading providers of outsourced conveyancing, re-mortgage, survey and energy services to Estate Agents, Solicitors and the lending industry, and is now one of the UK's biggest suppliers of HIPS.

Last year LMS successfully managed some 400,000 transactions, helping to enable more than £26 billion in

loans for intermediaries and lenders.

Now, through its subsidiary ERS, LMS is also the biggest full employer of Domestic Energy Assessors in the UK (100), and has the capacity to complete 300,000+ EPCs per annum.

LMS offer a range of services to property clubs and networks and to the residential, rental and social housing sectors.

Read on to get a better understanding of what's now involved in the modern UK conveyancing process...

What is conveyancing?

Conveyancing is the word used by law firms to describe the complicated legal process involved in buying and selling a property.

Below are a few key terms associated with conveyancing which should help clarify the process.

A **freehold property** means the client is buying/selling both the property and the land that it is built on and clients can own it for as long as they wish to keep it for.

Whereas a **leasehold property** means the client is buying/selling a lease on the ownership of the property but not the land on which it is built.

When the lease expires ownership reverts back to the freeholder. It is common for flats and converted houses to be leasehold.

Commonhold only applies to blocks of flats completed and purchased since May 2002. It

means that owners of individual flats automatically own a share of the freehold and are collectively responsible for the upkeep of communal areas.

Exchange of Contracts is an important step in the legal process as this is when the conveyancer will exchange signed contracts with the other conveyancer and the buyer's deposit is transferred to the seller. This stage is legally binding.

The **Completion Date** is the moving date. The seller moves out of the property and the buyer moves in.

Joint Tenants is the most common form of property ownership. This is where if the property is bought in more than one name, if one of the named persons dies, ownership automatically passes to the surviving person(s). However **Tenants in Common** is another

option and means if the property is bought in more than one name each person's share is treated as being separate.

If one of them dies their share does not automatically go to the other person(s). It will be left to whoever they name in their will, or if they do not have a will, their next of kin.

This is common if friends buy a property to live in together.

A **Home Use Form** is a form completed by the seller of a property and provides information about the property, including the ownership of boundaries, details of any alterations or building work that has been done, guarantees for such work etc. The information given in this form should be as accurate as possible as a buyer or a mortgage lender might rely on the information.



LettingAgent.com

An initiative by Award Winning Landlord Mortgages.

The service is very flexible and provides effective property management at a fraction of the cost of traditional Letting Agents.

Renting out a property can be a lot harder than it looks. Long-term landlords need to treat rentals as a business and run it professionally. You also need to be ready to tackle several challenges in a competitive market – a company such as **LettingAgent.com** can help you overcome each of them.

20,000 Landlords now have access to this highly competitive service.

The Let-Only service is particularly popular (3% of gross rent).

Available throughout the UK. For details call **0800 183 0070** or visit the website



More Conveyancing Terms...

A **Transfer Deed** is the document that records a change of ownership. It is sent to the **Land Registry** (where all records are held detailing who owns land and under what conditions). **Shared Equity** is where ownership of the property is shared—this could be between a couple or between a **Housing Association** who may own a 50% share and an individual who owns a 50% share.

Stamp Duty is a government tax paid by the buyer of a property. How much it will be depends on the property value. The exact amount will be detailed in the breakdown of costs. Some areas of the country are exempt from Stamp Duty. The conveyancer will handle the payment of Stamp Duty once completion has taken place.

If a **mortgage** is being ob-

tained on a property, the mortgage lender will arrange for a valuation to be carried out. A **valuation**, which should not be confused with a survey, is primarily for the benefit of the lender. A valuation tells the lender if the property is worth the money they are lending clients. It will not necessarily report on any defects within the property.



Looking for Undervalued Properties?

Are you looking for 'under-valued' properties but never know where to find them?

At **TOPS Worldwide Ltd** we focus on UK **residential and commercial repossessed properties** in the process of receivership, probate properties and distress sales—**before they go to auction.**

We also have a large stock of **investment properties in Berlin** with healthy net yields and long term tenants.

Save time bidding at property auctions - explore our **directory of repossessed properties**, probate properties, liquidations and distress sales for conversion, modernisation, renovation, or a buy to let investment and find those great auction deals.

See our **continuously updated database** of residential, commercial and retail opportunities—flats, terraced or detached properties, development land, retail outlets, hotels, care homes - www.topsworldwide.co.uk

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WORLDWIDE

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Can I do my own conveyancing?

Self—conveyancing is possible but it can be very hard work and penalties for not getting it right can be severe.

As a private individual you do not have any negligence insurance unlike a solicitor or licensed conveyancer would have.

This means if there are any errors in the document you will personally be responsible.

A general outline of the process

involves obtaining official copies of your property deeds from **Land Registry**, preparing a contract (this is one of the most complicated documents and needs to be checked thoroughly) and compiling a fixtures and fittings list.

You then need to submit all the different forms to the solicitor of the buyer and answer any of their questions.

Exchanging the contracts is

the next step in the process and you will receive a draft transfer from the buyers which needs to be verified and approved.

Self-conveyancing could save you money but can be very time consuming and is not recommended for leasehold properties.

It is also worth bearing in mind that if you have a mortgage, you will be required to appoint a solicitor to look after your lender's interests.

What is E-conveyancing?

'**E-conveyancing**' is a scheme developed by the Land Registry and will mean an electronic online system for the buying, selling and registration of land and property in England and Wales. It is a very ambitious plan, and the technology to

launch it in its fullest capacity has not yet been refined. The initial plan was designed to aid transparency and create a quicker conveyancing process - all of which has now been helped significantly by the implementation of HIPs. The

service is the early stages of development and plans are to have it in place by 2010.

Information provided by LMS, the UK's leading provider of outsourced conveyancing, re-mortgage, survey and valuation services.

What is in an Energy Performance Certificate?

An **Energy Performance Certificate's (EPC)** purpose is to record how energy efficient a property is. It contains two separate ratings; 1) **energy efficiency** and 2) **environmental impact (CO2)**.

Both range in **scale from A-G**, with "A" being the best rating.

Likewise a property with an "A" environmental impact rating is very environmentally friendly and has fewer **CO2 emissions**. Most homes in the UK currently fall in the D-E band for both their Energy Efficiency and Environmental Impact rating. The EPC also provides **recommendations**

on how to improve a property's energy performance and what the rating could potentially be if the improvements were made. Implementing these can lead to **lower energy bills**, reduced carbon deposits and can make buildings more attractive to potential buyers and renters.



Accountz is the fastest personal and business bookkeeping software you will find. It's also the easiest to use. You know the feeling: pile of receipts to enter, all jumbled up, it's the last thing you feel like doing, right? Well, Personal and Business Accountz will change your outlook.

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Home Information Packs (HIPS)

What does a HIP contain?

Since the introduction of Home Information Packs (HIPS), there has been much controversy and confusion as to the purpose of a HIP and what information is actually contained within it.

A HIP is required for the sale of all residential and new build properties across England and Wales and provides **standardised and detailed information** on a property.

In more detail, a HIP contains a HIP Index, an Energy Performance Certificate (EPC) (see section below), search information, a sale statement and title information.

A HIP index provides a checklist for buyers, sellers and estate agents involved in the house selling process.

Search information is the details of issues such as planning applications that have been made, whether the roads are maintained by the Local Authority and other matters, such as Tree Preservation Orders and whether the property is in a Conservation Area.

A **sale statement provides** some standard information about the property, including the address, whether it is registered or unregistered, whether it is freehold, leasehold or commonhold and

whether or not the property is being sold with vacant possession.

Finally, **Title information** proves that the seller actually owns the property and therefore has the right to sell it.

These documents are available on request from the **Land Registry** and offer an up-to-date official record of who owns the land.

The documents are official copies of the individual register and an official copy of the title plan.

How do I get a HIP?

A HIP can be acquired through a number of methods, the most common route being via your estate agent.

The length of time it takes to complete a HIP varies significantly depending on the efficiency of your local council in returning search information and how quickly the **Domestic Energy Assessor (DEA)** can gain access to the property to carry out the EPC.

It is also possible to order a HIP from solicitors, brokers or a specialist pack provider. LMS works with estate agents and brokers to provide HIPs.

When do I need a HIP by?

Currently, a HIP must have

been ordered and payment arrangements made before a house can be put on the market but it does not have to be completed.

This means that HIP searches are requested right at the beginning of the house-selling process, making it easier for consumers to acquire the necessary information on a house before purchase.

The recent extension of **First Day Marketing** has meant that this will be the case until the end of the year.

As of **31 December 2008**, a completed HIP will be required before a property can go on the market but this will require an improvement in council search times so a HIP can be produced as efficiently as possible.

Can I do my own HIP?

It is possible to organise your own HIP even if you are registered with an estate agent.

Consider contacting a conveyancer or a solicitor to arrange for them to assist you with the council and water searches and legal documents required or you can go directly to the appropriate local authority.

You will also need to hire a DEA to undertake your EPC. The Land Registry can provide you with evidence of title.



Energy Performance Certificate—Rating

Energy Efficiency Rating		Environmental Impact (CO ₂) Rating			
	Current	Potential		Current	Potential
Very energy efficient - lower running costs			Very environmentally friendly - lower CO ₂ emissions		
(92-100) A			(92-100) A		
(81-91) B			(81-91) B		
(69-80) C			(69-80) C		
(55-68) D			(55-68) D		
(39-54) E			(39-54) E		
(21-38) F			(21-38) F		
(1-20) G			(1-20) G		
Not energy efficient - higher running costs			Not environmentally friendly - higher CO ₂ emissions		
England & Wales		EU Directive 2002/91/EC	England & Wales		EU Directive 2002/91/EC

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Review: How to Invest in the UK Property Market—[How to Books](#)

How to Invest in the UK Property Market - Gerry FitzGerald's newly published guide by [How to Books](#).

There are now a lot of books on the market aimed at the Buy to Let investor, but the quality varies quite a bit—I put this one at the top end of the scale for credibility and concise insightful knowledge content.

Some may argue the market is flooded with guides, but there's always room for quality. And, although buying to rent out may be going

through tough times, and some may be put off for life following bad investment experiences, there's still a very good long-term future for those willing to learn how to do it profitably.

Gerry, a former financial adviser and owner / manager of a multi-million pound property portfolio, built-up over many years, is eminently qualified to advise.

You are far more likely be successful as a landlord selectively buying older property stock, with hands on DIY

management, and a cautious get-rich slow approach, which Gerry demonstrates so convincingly.

This is a concise guide to pretty well every aspect of investing and being a hands-on landlord. In addition to the usual legal and tax stuff there are some very useful and insightful sections—the tricks and traps—of: using letting agents, mortgages & finance, student lettings, investments, clubs and off-plan, buying at auction. I recommend it.

Tom Entwistle, Editor.

How to Invest in the UK Property Market



Gerry FitzGerald

Forthcoming Reviews

July 2008—Master Capital Gains Tax in 2 Hours—Book & CD—Carl Bayley & Nick Braun, published by [Tax Café](#)

August 2008—The Apprentice Property Master—Book—Paul Torrisi—published by [How to Books](#)

September 2008—How to Avoid Tax on Foreign Property—Book—Carl Bayley—published by [Tax Café](#)

Money Back Mortgages

In 2006 www.moneybackmortgages.com was set up to give consumers like you an impartial service where you can search for and arrange your next mortgage with the added benefit of receiving 50% of the commission received by us.

The website has proved particularly helpful for **Buy to Let landlords** who generally remortgage on a regular basis to lower their monthly mortgage costs. With interest rates increasing, here is a way of lowering your remortgage costs.

If you arrange your next Buy To Let mortgage through us you can expect to receive on average £337.09 per property**.

** This represents the commission payable to clients who have arranged a Buy to Let mortgage through us. Correct as of October 2007.

MoneyBackMortgages.com is a trading style of Quay FS Limited, which is authorised and regulated by the Financial Services Authority.

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Landlord Manager

Landlord Manager V2

Visionbase software Limited have been producing property management software since 1995 and is therefore one of the older established software products producers aimed specifically at landlords.

The latest version of **Landlord Manager**, which has just been announced, uses a simple user interface to allow you to record property income and expenditure for any number of properties.

With numerous drill down facilities, reports and graphs you can easily track the pro-

gress of your rented property.

Other features include a Rent Centre that will track your tenants and their outstanding rents as well as the ability to print tenancy agreements and section 21 notices.

An Alert Centre records those critical events such as safety checks.

The program is designed to help you complete SA105 an SA801 tax returns.

You can also track VAT transactions and export your data to a Sage compatible file to give to your accountant

There's a Multi Currency facility for those with properties let in virtually any country in the world.

Multiple drill-down reports give you important data at a click of a button and will save you valuable time and money, keeping you on top of your portfolio at all times. Another useful feature is the ability to synchronise your details with Microsoft Outlook ensuring you don't forget critical events and easily transfer contacts. You can download a free evaluation copy at:

landlord-manager.co.uk



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Forthcoming Issues...

In **July** we deal with **Problem Tenants, possession procedures** and Serving Section 21 and Section 8 Notices.

Content will be provided by [LandlordACTION](http://LandlordACTION.com).

The **August 2008** issue will be devoted to **Student Lettings and HMOs**.

At this time of year student landlords are busy signing up a new batch of tenants into

their student accommodation. Content for this issue will be provided by AccommodationInfoStudents.com

In **September** we will be looking at the implications of **Investing in Commercial Property**, investment syndicates and SIPPs. Content for this issue to be provided by investment consultants, attivo.com

October 2008—Fire Risk

Assessments. Since October 2006 all commercial premises and some residential premises are covered by legislation requiring the **responsible person**, which can be landlord or tenants or both, to produce risk assessments. Heavy fines can result for failure to comply.

Darren Baird consultant of Total Fire Sire Services will provide this content.



Discount Letting

Discount Letting—a forward thinking team, we've been offering a range of **letting services** to the UK landlords for years—from a **full Management Service** to a **Tenant Find Service**, we offer UK landlords a service to suit your needs.

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Discount Letting

What's in the News for Landlords?

The **Carsberg Review of Residential Property** has been published. It was commissioned last summer by the RICS, the National Association of Estate Agents (NAEA) and the Association of Residential Letting Agents (ARLA) to extensively review the private residential property market in England and Wales. It's remit was to:

- examines the scope and extent of standards, regulation and redress in the sector
- considers the broad implications of the current structures for the property transaction itself
- makes recommendations on future improvements to the system

Commenting on the report Director of External Affairs, Gillian Charlesworth, for RICS has said:

"Sir Bryan's review highlights a number of key areas where the current approach is clearly failing. The processes for regulation and redress do not go far enough to protect the consumer and we agree that participation in regulatory and redress schemes needs to be both consistent and universal. They should include all estate agents, letting agents, managing agents and landlords..."
The report makes a total of [30 recommendations](#).

New Build Numbers Down by 60%

The number of new homes being built in London is likely to be down by 60% this year as a result of the credit crunch says Estates Gazette. This scenario is likely to be repeated across the country as builders, many of whom have invested in land at high values over recent years, now need to cut back drastically in an attempt to restore their balance sheets, as the banks are forced to consider their loan positions. So much for the governments' only recently promised annual build target of 240,000.

The FSA has shut down **UK Land Investments (UKLI)**, the country's largest "landbanking" company—it has been the subject of Guardian Newspaper warnings.

The case will leave around 4,500 investors with practically worthless pieces of farmland. Investors put in around £69m, buying small plots of farm land with "building potential" They are unlikely to get anything back after liquidation—the cash was used in paying directors, shareholders and commissions. According to Guardian Money, fraud specialists at the City of London police thought UKLI was operating against the public interest when it first investigated the Mayfair-based firm three years ago.

[London Landlords' - 4th September 2008 Olympia, London](#)

If you are serious about making money from being a Landlord, then you can't afford to miss this event...

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4th September 2008
12.00 - 7.00pm
Olympia, London

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Newsletter

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Volume 1, Issue 30

June 2008

[Newsletter Archive](#)

This month's Newsletter
content has been provided by
**Dominic Toller, Director of
Marketing and New Busi-
ness at LMS.**

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survey and energy services to
Estate Agents, Solicitors and
the lending industry, and is
now one of the UK's biggest
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kers, who arranged over **40,000 insurance policies for landlords in the UK.**

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students about your properties
- 1000s of emails are sent by our student visitors to landlords on our
site everyday.
- Over 5000 student landlords already registered and using our site.

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Property Tax Portal was founded in September 2003 by Amer Siddiq who is the man-
aging director of the parent company Tax Portal Ltd. Amer, a
former IT professional and property investor himself, is sup-
ported by a team of highly qualified tax professionals. They pro-
duce the highly successful Landlords Property Tax Manager
Software and now run regular Tax Seminars for Landlords and
Property Investors. The website is packed full of useful informa-
tion and products to help minimise your tax payments.



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