

## Rental market remains strong – with more to come

**Anita Mehra, Managing Director of Benham and Reeves Residential Lettings, comments on the latest trends in the London rental market.**

Central London's rental market has seen a very strong first quarter of 2010. Figures from Benham & Reeves Residential Lettings' eight offices from January to March show an 8% rise in lets compared to the same period of 2009.

Business is improving across the capital. Instructions are up 14% in our City and Docklands office where tenants are snapping up competitively priced stock. In Hampstead, Highgate, St John's Wood and elsewhere in north London, demand for one- and two- bed properties significantly outstrips supply. At the market's top end, properties letting at £1,000-plus each week – sometimes even at £2,000 – are performing well and attracting tenants, particularly from the financial services sector.

But I firmly believe there is room for more investors and further growth.

For example, new UK government measures to stimulate the housing market by relaxing stamp duty for first time buyers

have been pitched too low to assist London purchasers, so many first timers will have to continue to rent for the indefinite future.

Across London, where an average home costs £330,000 (or far more in prime central areas), younger purchasers in particular continue to be priced out of the market. They now require typical minimum deposits of 18% of asking prices, so rent instead.

Meanwhile a hike in stamp duty for homes worth £1m or more, deferred until 2011, is likely to produce a sales flurry in London later this year as vendors try to 'beat the tax.' This may fuel rises in value for investment properties owned by many landlords.

In the longer term, demand for rental property is set to rise if the National Statistics Office population forecasts are correct. It predicts a hike in the UK's population from a current 61m to 71m in just 20 years – with London taking a major share of growth.

This rising population is despite an existing shortage of homes which is set to worsen. House builders have just revealed a drop of 3,000 in the number of homes built in London in the year to March 2010,

compared to the previous 12 months.

I believe all of this shows that London's buy-to-let sector has never been more important in the short term, despite mortgage loans remaining restricted for landlords. Longer term, the BTL sector has probably never held as much promise for investors.

Against this backdrop we are seeing growing international interest in our range of services such as property management.

In the first quarter of 2010 there has been an 11.6% rise in such instructions from overseas investors in Hong Kong, Singapore and India showing how investors want to leave their properties in safe hands; we at B&R were founder members of the Association of Residential Lettings Agents, after all.

There has also been a rise in instructions from investors from mainland China, with much business coming via independent financial advisors and individuals looking for opportunities outside of south east Asia.

So despite the nervousness of economic recovery, international confidence in London's lettings market is growing – and with good reason.

## The Landmark lives up to expectations!

The Landmark in Canary Wharf is certainly living up to its name and this stunning new development is quickly becoming one of the capital's most sought-after addresses. Our current marketing campaign has attracted a lot of interest from prospective tenants – perhaps you have seen our advert in City AM? And the response to our recent email campaign was tremendous, prompting 26% of 10,000 applicants who recently registered with us to click on the New Developments page of our website to find out more about the development.

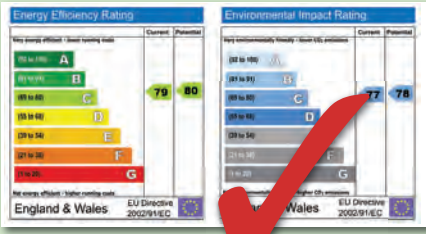
We urgently need more instructions to

meet the overwhelming demand– we've let 16 apartments in the last four weeks alone, with furnished apartments in particular (furnished by our sister company, interior furnishings specialist, In:Style Direct) being snapped up – often in as little as 48 hours.

With one bed apartments achieving rents of £350 a week and two bed apartments achieving £575 a week, landlords are understandably feeling very happy with their investment.

So, if you own an apartment at the Landmark and want a tenant soon, contact our City & Docklands office on 020 7936 9790 or email city@brlets.co.uk

Advertising for The Landmark



## Energy Performance Certificates - don't get caught out!

We've recently heard that some letting agents are telling landlords not to bother getting an EPC (Energy Performance Certificate). **DON'T LISTEN TO THEM!**

All rental properties require an EPC (valid for 10 years) showing the energy performance of a property. Landlords must make a copy of the EPC available for prospective tenants and must provide the tenant with a copy. Failure to do so can result in a fine of £200 per day until one is produced. You have been warned!

## What do you do if your tenant dies?

Death comes to us all eventually but what do you do if a tenant dies while renting your property? Legally, the tenant's Estate is liable for the rent until the end of the tenancy agreement, but we would always advise clients to consent to the release of the Estate once a new tenant has been found for the property. After all, you don't know if the Estate has sufficient monies to cover the rental payments. Better to be safe than sorry.



## Assured Shorthold Tenancies (ASTs) - how will proposed changes affect you?

Choosing the right type of tenancy agreement is essential to ensure you are fully protected when letting your property. The most common type is the Assured Shorthold Tenancy (AST) which is used when rent is less than £25,000 per annum. However, the Housing Act 1988 AST threshold is due to increase to £100,000 from October 1st in order to reflect increases in market rents. This will apply to both new and existing tenancies, with tenancies that are already in place (where the rent is between £25,000 and £100,000) automatically becoming ASTs. Tenancies that fall outside the Housing Act 1988 (e.g. company lets) won't be affected.

However, if tenancies fall within the Act,

deposits will need to be held under Tenancy Deposit Scheme guidelines so landlords will have to protect any deposits by immediately putting them into an authorised tenancy deposit protection scheme. Landlords will also need to be aware that a Section 21 notice must be served giving a minimum of two months' notice to end an AST.

Of course, if there is a change of Government the proposed changes may not happen at all as the Conservative party is committed to a complete review of the private rented sector. Watch this space!

For more information on tenancy agreements, and download our free advice guide for landlords at [www.brlets.co.uk/pdf/BR\\_lettings\\_guide.pdf](http://www.brlets.co.uk/pdf/BR_lettings_guide.pdf)

## Accounts made simple - with our new online system



We're making great progress with our new online accounts system which we hope is already making your life a lot simpler. We expect to completely move over to email statements by the end of April while you will also now be receiving copies of contractor invoices with your online statements.

Many of our clients have already emailed us saying that you are happy with this change in working practice. This new method of working will improve staff productivity and reduce our carbon footprint as electronic statements are quicker, easier to store and kinder to the environment.

### Benefits at a glance:

- One login for landlords with several properties. Now you can use a single username and password to view all your property details. Just email [landlordlogin@brlets.co.uk](mailto:landlordlogin@brlets.co.uk) with

details of the properties you'd like to include and we'll combine them all in a single account.

- Secure online payments service; landlords can pay in funds online to settle invoices, using a credit card.
- Tenants can also now pay online, improving the efficiency of our rent collection procedures.
- Landlords can now view multiple statements simultaneously (instead of opening each report separately).

<http://www.brlets.co.uk/ll.html>

# Protect your property - it's your most valuable asset

**D**id you know that there are over 70 individual pieces of legislation affecting landlords and rented property – covered by 50 different Government or local authority bodies? Becoming a landlord can be a minefield and it's not difficult to see how landlords that 'go it alone' can unwittingly land themselves in hot water.

## Test your knowledge

**Consent to let:** Before letting your property, you must obtain consent from your mortgage lender, or if the property is leasehold, from the freeholder. You must also inform your insurance company - if you don't, your insurance policy may become void, leaving you without cover.

**Tenancy Agreement:** There are several different types of tenancy agreement. Assured Shorthold Tenancies (ASTs) are the most common but other types include the Company Tenancy and the Short-term Letting Agreement. Always consult a solicitor to find out which is the right one

for you. The rules and thresholds regarding ASTs may be changing later on this year – read our article on the previous page to find out more.

**Notice to terminate:** You must serve the tenant with a valid notice or letter to terminate a tenancy. Failure to do this means the tenancy will automatically continue until the tenant is served with a valid notice.

**Defaulting Tenants:** Set procedures determine how a landlord may go about obtaining rent arrears and regaining possession of a property. Always seek advice from a professional lettings agent or a solicitor.

**Energy Performance Certificate:** All rental properties require an EPC (valid for 10 years). Failure to make one available to a prospective tenant or provide the tenant with a copy, will result in a fine of £200 per day until one is produced.

**Houses in Multiple Occupancy:** If you are letting a property to at least three tenants/sharers who share a kitchen or bathroom, this is considered as an HMO (House in Multiple Occupancy). You will need to obtain an HMO licence from the Local Authority before the tenancy begins.

**Inventory:** The Housing Act requires a full inventory to be produced before a tenant moves in, outlining the contents of the property and their condition. This evidence is essential in order to make deductions from a deposit, if necessary, at the end of a tenancy. Without it, a tenant has a legal right to challenge a proposed deduction.

These are just a few of the legal issues, and then there is gas appliance safety, electrical safety, furniture and furnishings regulations, smoke alarms, the Tenancy Deposit Scheme ...

So it's more important than ever to choose a professional lettings agent, ideally one that's a member of ARLA (Association of Residential Letting Agents).

As a founder member of ARLA, we have built our reputation on our commitment to professionalism and customer service. We work within a strict Code of Practice, which covers the key stages of letting and managing a property. There are comprehensive membership bye-laws which include compliance with issues such as handling and accounting for clients' money, the mandatory ARLA Client Money Protection Bonding Scheme, professional indemnity insurance and dealing with complaints and disciplinary procedures. Ensuring this level of service means that our clients are confident their investment is in safe hands.

For more information on ARLA, go to [www.arla.co.uk](http://www.arla.co.uk). Or to find out more about Benham and Reeves Residential Lettings can help you manage your investment property, go to [www.brlets.co.uk](http://www.brlets.co.uk)



## New office to open at Imperial Wharf

**A**lready London's largest independent lettings agent, Benham and Reeves Lettings is celebrating another milestone this year, with the opening of its tenth office in the capital due to take place in May/June. The office will be based at Imperial Wharf, Chelsea, one of London's most prestigious riverside developments and will also serve nearby developments such as Chelsea Harbour and Battersea Reach. As the developer

St George Central London Limited's appointed letting agents, we've already let over 400 apartments at Imperial Wharf since its launch, with tenants including Premiership footballers and showbiz celebrities, as well as corporate tenants from top City firms. If you have a property to let at Imperial Wharf or its environs, contact Glen Neligan on 020 7938 3522 or email [glen@brlets.co.uk](mailto:glen@brlets.co.uk)

# UK Budget 2010 – impact on non-resident Landlords



**Marc von Grundherr, Director at Benham and Reeves Lettings, in conjunction with Janet Paterson of Charter Tax Consulting reviews the recent Budget for changes which affect resident and non-resident property investors.**

## Stamp Duty Land Tax (SDLT)

The headline issue for property purchasers has to be the announcement that there will be a new top rate of SDLT - 5% for residential properties over £1 million, with effect from 6th April 2011. For properties approaching that tax bracket, this could have a serious impact on pricing mechanisms. However, although the Budget also introduced changes that eliminate some specific SDLT planning arrangements involving partnerships, certain alternative planning mechanisms do continue to exist to avoid the charge to SDLT and we would be very pleased to work with clients to advise on planning opportunities here.

## Personal Tax - avoid the 50% tax rate

One of the main reasons, aside from inheritance tax planning, to own your UK investment property through a company rather than personally, is to avoid the application of personal tax rates, which

can be higher than the application of the basic rate of tax (20%) that is relevant to offshore companies receiving UK rental income.

This difference will become even more pronounced from 6th April 2010, when the top personal tax rate of 50% will apply for those with income over £150,000. For clients with substantial property portfolios whose rental income is significant, it is almost certainly the case that ownership of UK investment property through an offshore company will be preferable in UK tax terms. Clients may want to consider, therefore, interposing an offshore company for any UK property ownership arrangements - which, if done in a well planned manner, can be done without the need to incur an SDLT charge on the transfer of the property into the company.

## Way Forward

Benham and Reeves Residential Lettings are pleased to be working with Charter Tax Consulting Ltd, based in St James's London. This alliance enables us to assist our clients in SDLT and direct tax planning to avoid excessive UK tax charges on UK rental income. If you would like any help in these areas, then please do not hesitate to contact Marc von Grundherr (Tel: 020 7938 3522 or marc@brlets.co.uk) who will liaise with our tax consultants to find the best result for you.

## London's Lettings Agency

Established over 50 years ago, Benham and Reeves Residential Lettings have offices in Hong Kong, Singapore and Dubai as well as strategically placed offices across London. We are generally recognised as London's largest lettings agency dealing exclusively in the letting and management of residential properties in prime London locations.

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