



THE COMPLETE
**ZEIT
GEIST**



The Complete Zeitgeist | 2019



Residential investment management specialists

Complete are a leading residential investment management specialist. We provide a bespoke property management and lettings service for thousands of residential asset investors and overseas landlords, while helping secure thousands of rental properties for tenants worldwide.

We offer our expertise as soon as you have purchased your property and will work with you through every point of your investment management cycle, from completion and handover from the developer to furnishings, lettings, property management and sales. With a global presence across London, Manchester, Birmingham, Liverpool, Berlin and Hong Kong, our highly professional team are on hand to assist you on your investment journey.

The Complete Zeitgeist 2019

Literally translating to the spirit of now, this Zeitgeist has been produced to give you an idea of some key thoughts, considerations and concepts in real estate investment and residential asset management and a flavour of the present market, it's challenges and opportunities, along with a little know-how.

We hope you enjoy reading this edition of The Complete Zeitgeist.

APPRECIATION

The increase in monetary value

A

Appreciation is an increase in the value of an asset over time. The increase can occur for a number of reasons, including increased demand or weakening supply, or as a result of changes in inflation or interest rates. This is the opposite of depreciation, which is a decrease over time.

This term can be used to refer to an increase in any type of asset, such as a stock, bond, currency or real estate. For example, the term capital appreciation refers to an increase in the value of financial assets such as stocks, which can occur for reasons such as improved financial performance of the company. Just because the value of an asset appreciates does not necessarily mean its owner realises the increase. If the owner revalues the asset at its higher price on his financial statements, this represents a realisation of the increase. Similarly, capital gain is a term used to denote the profit achieved by selling an asset that has appreciated in value.

Another type of appreciation is currency appreciation. The value of a country's currency can appreciate or depreciate over time in relation to other currencies. For example, on the evening of the European Union Referendum in 2016, the pound was worth approximately \$1.48 in U.S. dollars, and as of the 3rd September 2019, the pound is worth approximately \$1.19. Since the result of the referendum, the pound has fallen and risen against the dollar, but has not yet risen back to the level it was prior to the referendum.

B

BUILD TO RENT

A term relating to homes and developments built specifically to rent.

There are 142,999 Build to Rent units either completed or planned across the UK, including 32,223 completed, 36,410 under construction, and a further 74,366 with planning permission. 74,580 units are in London.

British Property Federation (BPF), 2019

Back in 2017 The Housing White Paper was produced, and it acknowledged that measures to place more emphasis on the Build to Rent sector were needed to boost overall housing supply and that changes in planning policy would have the biggest impact. Following the release of The Housing White Paper the Government conducted a consultation period, where various elements of the publication were reviewed and the National Planning Policy Framework will be amended to reflect these changes in relation to the Build to Rent sector.

Build to Rent homes are designed and built specifically for renting. Institutional investors rather than buy to let landlords currently own the vast majority of private rented accommodation in the UK. The Build to Rent model can combine market and discounted rental units into a single development under common control. This allows for management efficiency and boosts financial viability, providing the potential to deliver more affordable units and help to create mixed and well-integrated communities.

Further analysis from Knight Frank suggests that there is enough institutional capital pointing towards Build to Rent for it to reach the £75bn by 2025. Official household projections show that 1.2 million new households will be created over the next five years, with an estimated 595,517 households in the Private Rented Sector over the same period.

Client Money Protection Schemes (CMP) protect client money (such as rent and deposit monies) which is received by agents. Membership of a CMP scheme has been a legal requirement for all UK property agents since 1st April 2019 and trading standards will be enforcing this legal obligation. Client Money Protection is included in our UKALA Membership to help safeguard our clients' money.

UKALA (UK Association of Letting Agents)

In an expanding private-rental sector, landlords and tenants increasingly need a letting agent that offers quality of service and peace of mind. At the same time, letting agents are seeking ways to successfully, and cost-effectively promote their services to both landlords and tenants.

UKALA offer a similar range of services to other associations, but what sets UKALA apart from others is the business benefit deriving from our unique relationship with the National Landlords Association (NLA).

UKALA's aims are two-fold. They are dedicated to representing the interests of letting and management agents in the UK, whilst also safeguarding the interests of both landlords and tenants. To assist these aims, in 2011 UKALA signed a mutually beneficial business agreement with the NLA, the leading association for private residential-landlords in the UK. This coming together represents an important and progressive step towards a unified voice for landlords and letting agents in the sector.

CLIENT MONEY PROTECTION

A membership scheme designed to protect client money held by property agents and professionals.



D

DEPOSIT

A sum payable as a first instalment on the purchase of something or as a pledge for a contract, the balance being payable later.

Broadly speaking a deposit is taken to indemnify the landlord against any damages to the property or contents, or unpaid rents at the point the tenant secures the tenancy.

In the U.K. a tenant's deposit is protected by Government backed schemes such as the Tenancy Deposit Scheme or Deposit Protection Service. Registering and securing a deposit for all assured short-hold tenancies in the U.K. became a legal requirement in June 2015.

Monies, of up to a maximum of 5 week's rent, are administered and held securely. At the end of the tenancy period, any sums are deducted and funds released back to the tenants on the mutual agreement of the parties. The schemes will liaise with both parties to ensure that any issues or disputes arising are settled before monies can be returned.

In other markets, the deposit amounts may differ and others do not have protected schemes or processes. It's advisable to consult with requirements and practises for security deposits in particular countries, or consult with your lettings and property management representatives if you have appointed an agent.

Residential Buildings accounted for **18% of total UK carbon emissions** for 2018.

“Sustainability” is one of the world’s most talked about but least understood concepts, and its meaning is often clouded by differing interpretations and by a tendency for the subject to be treated superficially. For most, the concept of sustainability embraces the preservation of the environment as well as critical development-related issues such as the efficient use of resources, continual social progress, stable economic growth, and the eradication of poverty. So the environment, at least in the traditional sense, isn’t the only factor to come into play but a collection of concepts helpful in the protection of, and the creation of sustainable environments.

Buildings have the capacity to make a major contribution to a more sustainable future for our planet. The OECD, for instance, estimates that buildings in developed countries account for more than forty percent of energy consumption over their lifetime (incorporating raw material production, construction, operation, maintenance and decommissioning). Add to this, the fact that for the first time in human history, over half of the world’s population now lives in urban environments and it’s clear that sustainable buildings have become vital cornerstones for securing long-term environmental, economic and social viability.

Sustainable construction aims to meet present day needs for housing, working environments and infrastructure without compromising the ability of future generations to meet their own needs in times to come. It incorporates elements of economic efficiency, environmental performance and social responsibility – and contributes to the greatest extent when architectural quality, technical innovation and transferability are included.

ENVIRONMENT

The the natural world, as a whole or in a particular geographical area, especially as affected by human activity.

E

To furnish or not to furnish? Is a question many investors ask.

F

FURNISHING

Furniture, carpeting, etc. of a room or house.
Articles or accessories of dress.

The dichotomy between furnishing and not furnishing an investment property is a common one. Both have pros and cons and indeed in some markets, tenants expect a property to be furnished.

Whilst there are no particular requirements to let properties on a furnished basis, doing so generally improves chances of finding suitable tenants within shorter time frames, although tenants moving into unfurnished properties tend to stay for longer periods and are often older.

There are a few things that should be taken into account:

- In furnished properties, sofas, chairs and other soft furnishings must comply with specific fire safety regulations and guidelines and bear the Safety Standard mark.
- Contents insurance is advisable as the costs of replacing some items can be significant, although this is not an obligation. At the start of a tenancy, an inventory clerk will mark the contents and condition of a property and this will be referred back to at the end of the tenancy, with any deductions for repair and replacement taken from the deposit.
- Keeping it fresh is also important and it's advisable to consider updating and replacing furnishings during the lifetime of the investment.

Furniture packs geared towards buy-to-let properties are often an easy and economical means to furnish the property, and may also be valuable in dressing a property being sold to attract offers.

GAS (SAFETY CERTIFICATE)



The Gas Safety (Installation and Use) regulations 1998 make it the landlord's responsibility to get a Gas Safety Certificate every twelve months. These must be obtained from a Gas Safe registered engineer for all pipe work, gas appliances and flues installed at your property.

Landlords must also keep copies of all the paperwork, keep a record of the safety inspection for two years, and give a copy to all of tenants within 28 days of the inspection. If the tenants change, the new tenants will need a copy of the Gas Safety Certificate before they move in.

New regulations introduced in April 2018 allow landlords to arrange for a gas safety check to be carried out any time from 10-12 calendar months after the previous check whilst still preserving the original check expiry date. Where a gas safety check is carried out less than 10 months or more than 12 months after the previous gas safety check this will have the effect of 'resetting the clock' and the new deadline date will now be 12 months from the date of this latest gas safety check.

Similarly the Smoke and Carbon Monoxide Alarm (England) regulations 2015 require that fire alarms and carbon monoxide detectors are installed in properties.

Generally speaking, a letting agent will ensure that properties are compliant with the legislation and all inspections are recorded prior to letting the property.



HANDOVER

An act or instance of handing something over; the giving of control and responsibility of something to another.

The handover is probably the most important process in the investment life-cycle and can be the difference between a successful investment asset purchase and an unsuccessful one, if not executed properly.

A handover will take place at the point a property completes and is handed over from the developer to the owner. The handover isn't just about snagging, but also certification, registrations and everything required to ensure the asset is ready to let.

Typically, a good handover will cover: A snag list, which is a fully-comprehensive list of items that the developer or contractor hasn't completed satisfactorily, or defective works that need to be repaired, in order to complete the property to regulatory standards.

The list can cover anything from cosmetics such as paint splashes to incorrectly hung doors to leaks.

Following a comprehensive inspection, the list of snags is given to the developer to action and it's important to follow up and ensure that they have been addressed and resolved properly.

The handover should also include obtaining the appropriate certificates for installations, such as the Gas Safety certificate and registration of warranty and guarantees with fittings and fixtures.

Handover will also cover meter readings and collection of the keys.

Whilst it sounds a little pessimistic, anyone who rents out a property should take out insurance cover in case something goes wrong. Buildings, contents, and even rental guarantee insurance make both common and financial sense in the long term.

The types of insurance you should consider include:

Buildings insurance

Property is a valuable asset so why wouldn't you take out buildings insurance in case the structure of the building, plus any fixtures and fittings, were damaged by a range of risks including fire, flood and storm. Most lenders insist on buildings insurance. In leasehold properties, buildings insurance will be included within the service charge.

Contents insurance

Contents insurance is a must if you let a furnished property. You can normally select an appropriate sum insured based on the value of the contents. Make sure you insure your belongings on a new-for-old basis and think about adding accidental damage cover.

Landlord's liabilities

Tenants these days are increasingly litigious, so you should be aware of your legal liabilities. If, for example, a tenant was injured by faulty wiring or tripped over a broken floor tile, they could sue for damages. You could also be in trouble if you damaged another person's property or an employee was involved in an accident while working at the rented accommodation.

Rent Protection Insurance

Rent protection insurance will cover the rent up to a certain amount over an agreed period – and it can offer a financial lifeline to landlords. It also usually includes legal expenses insurance, so you don't have to worry about the legal costs if you are involved in a dispute of any kind with your tenant.

INSURANCE

An arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.



Purchase your asset



Connect with Complete

And begin your residential investment journey with us



Furnishing

Furnish your asset with our bespoke furniture packages suited to the development and its location



Rental appraisal

Receive your market and unit appraisal from our expert global lettings team



Launch our bespoke development marketing campaign

With strategic local and national advertising, both offline and online prior to completion



JOURNEY

The act of travelling from one place to another. Figuratively, travelling or experiencing a process.



Ours as we like to call it, The Complete Difference. We're in a unique position, being present at the start and the end of the investment life-cycle. Not to mention the integral stages in between.

Partnering with investors, having a detailed understanding of the investment case, the development and the relationship with the developers means we are off to a flying start.

Our expertise in thirteen global markets, and working almost exclusively with overseas landlords ensures that we can offer you the very best support in realising your assets' investment potential, through lettings and property management to re-sales when the time is right.

Tour the Complete Difference journey online with our interactive tool at www.complete-ltd.com/the-complete-difference

Entrusting the management of your property portfolio isn't easy and choosing the right agent is a critical decision, particularly if you are based overseas. Any agent you instruct should have the absolute know-how, not just of lettings and property management, but the investment life-cycle to support you in the effective, efficient management of properties within your portfolio and ensure maximum yields, from start to finish.

Here are some questions to consider when appointing an agent:

Understanding the market

Does the agent have a good understanding of the market locally? How well do they know the area, the type of tenant the area attracts and how the area will develop? What risks are associated with the local area?

Quality of the appraisal

Is the quality of their rental or sales appraisal realistic, sensitive to the market and achievable within your required timeframes?

Service level

Does the agent offer the services you would like? Some agents will offer a let-only or tenant find service whilst others will include property management elements, and some will offer a comprehensive, end to end service from handover to resales.

Paperwork and compliance

Will the agent manage all of the paperwork, from referencing the tenant and complying with relevant legislation around drafting and administration of the tenancy agreement? Will they take care of other compliance matters and certification?

Marketing and advertising

How will the agent market the property? Will they go beyond placing the property on their website or on property portals, and be involved in the marketing of the development or multiple units? What else do they do to reach out to potential tenants?

Accounting

How will the agent manage accounting and payments? How often will they issue statements, and do they make this information available to you online? Do they assist with tax matters or assist with the Non Resident Landlord Scheme?

KNOW-HOW

Skill, talent and ability. Knowledge of how to do something and experience in it.

K

L LICENCING & LEGISLATION

Licensing

What is selective licensing?

Selective licensing is to ensure landlords are fit and proper persons, as well as make stipulations over the management of the property and adhere to appropriate safety standards. Schemes have been introduced all over the UK in areas such as Salford, Liverpool and several London boroughs.

Are you in a selective licensing area?

Landlords must find out whether they are in an area covered by a scheme. Landlords in London can use the London Property Licensing website londonpropertylicensing.co.uk, but there is no countrywide list of schemes. Checking with the local council is the safest strategy.

What must landlords do?

If you find out you are in a selective licensing area, your council will have an application form to apply for a licence. The fees for this tend to be around £400 to £600 for an ordinary flat or house occupied by one family. Licence fees vary across different local authorities. The council may want to see copies of safety certificates and to know the location of smoke and carbon monoxide detectors, as well as details of your tenants and tenancy agreements. A licence lasts five years.

Legislation

A law, or set of laws passed in Parliament and the process of giving or getting official permission to do something.

Changes to House in Multiple Occupation Rules

There have been some crucial changes to the mandatory HMO guidelines which has seen the introduction of minimum sizes for bedrooms, and the 3 or more-storey rule has been abolished, so all properties will be required to obtain a HMO licence if the property is occupied by 5 or more individuals* and makes up more than one household.

Homes (fitness for Human Habitation) Act 2018

The Homes (Fitness for Human Habitation) Act 2018 makes it clear that landlords must ensure that their property, including any common parts of the building, is fit for human habitation at the start of the tenancy and throughout. More information regarding this piece of legislation [here](#).

Tenant Fee Act 2019

We'll be covering the Tenant Fee Act in more detail within this publication on page [42-43](#).

Gas safety

A Gas Safety Certificate should be in place to ensure that all gas appliances, pipes and flues are in safe working order. It must be carried out by a qualified Gas Safe engineer and checked every 12 months.

Furniture and furnishing regulations

If you are furnishing your rented property, you must ensure that all furnishings comply with these regulations and display standard labels in a prominent position. This is to reduce the risk of fire within the property.

Electrical regulations

You are required to ensure that any electrical devices within the property are safe for use. We recommend an Installation Survey or Portable Appliance Testing (PAT) so you can be sure you are compliant.

Legionella

As a landlord you have a duty of care to your tenants to make sure your water supply is working properly to protect them from Legionella.

*Due to different rules set out by local authorities your property may require a HMO licence if the property is occupied by 3 or more individuals.

Many long-term existing buy-to-let investors are sitting comfortably on low mortgage rates, having seen standard variable rates fall as the base rate currently sits at 0.75%. Some buy-to-let deals before the financial crisis did not have typical SVRs but a revert rate that tracks the bank rate. Long-term landlords are benefiting from that still.

However, new buy-to-let mortgage deals remain more expensive than residential deals and require a bigger deposit. If investors are willing to accept that they may find the value of their property slides in the short term and can ensure their property meets the criteria of 75% loan-to-value and returning 125% of monthly mortgage payments, then it can be a good long-term investment. However, there's also a race to the bottom for mortgage interest rates as lenders are currently competing on all fronts including rates and loosening criteria in an effort to secure new business.

The Stress Test

The Bank of England's Prudential Regulation Authority (PRA) requires lenders implement into their criteria an Interest Coverage Ratio Test (and/or) a personal income affordability test at rates of 5.5% for the first five years of the mortgage. The lenders in such affordability test must take into account any tax liabilities, income and costs associated with renting a property.

Mortgage interest relief reduction

Landlords who own buy-to-lets in their own name will see tax relief on mortgage interest tapered back from a maximum of 45% and replaced with a flat 20 per cent tax credit by 2020. Together with the 3% stamp duty surcharge, forming a limited company may be a more viable option.

Portfolio investors and the PRA

Landlords with four or more mortgages should be aware of new rules laid out by the Bank of England's Prudential Regulation Authority (PRA) which require the submission of income and mortgage details on all of them every time a property is refinanced or a new one is purchased with a mortgage.

What comes down, will go back up!

Mortgage rates are at record lows and present a number of opportunities for buy-to-let investors. However, rates will eventually climb, and this will impact on returns, so it's important to ensure that investments can stack-up.

The real cost of borrowing

An often-forgotten aspect to borrowing costs and investor thinking, is to consider the 'real cost of borrowing'. For example, if the inflation rate in the UK is on target at 2%, and you borrow money at 3.5%, then the real cost of borrowing is only 1.5%. This is after taking into account inflation and devaluing of the money and also the respective debt being taken.

All of this information has been provided to use by Liquid Expat Mortgages, who are one of our preferred mortgage specialists, more information can be found [here](#).

Mortgage(s)

A debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments.

M

N

NON-RESIDENT LANDLORD SCHEME

A scheme for taxing the UK rental income of persons whose 'usual place of abode' is outside the U.K.

The Non-Resident Landlord Scheme (NRLS) is the mechanism by which HM Revenue & Customs (HMRC) collects the tax due on the UK rental income of non-resident landlords. Non-resident landlords are individuals, companies or trustees who receive rental income from property owned in the UK and whose "usual place of abode" is outside the UK.

The scheme requires UK letting agents (or tenants if the weekly rent exceeds £100 and no letting agent is appointed) to deduct basic rate tax (currently 20%) on any rental income they collect on behalf of non-resident landlords and pay this tax over to HMRC on a quarterly basis.

Non-resident landlords can offset any tax deducted under the NRLS against their tax liability when they complete and file their UK Tax Return.

However, it is not necessary for letting agents or tenants to deduct tax from rental income of a non-resident landlord if HMRC informs them by letter that the landlord is approved to receive the rental income gross.

20 years or more ago, off-plan purchases were rare in the U.K. and solely the preserve of purchasers in the Far East, and a few property speculators in London. Now it is a firmly established mode of purchase and UK buyers are engaged fully in the method of sale, and the opportunities it may present.

Purchasing an apartment before it's completed can feel risky. However, the right property can increase significantly in value after it's built, making purchasing off-plan a financially sound decision.

The possible upsides

Buying off-plan lets you purchase property at a price that could be below its future market value and the principle has become a common place method of sale across the country; although London, due to the potential returns on capital and a strong rental market, is where most off-plan purchases take place.

It's an ideal option if you want to resell the property once it's finished. In order to purchase off-plan property, you usually need to provide a deposit of just 10-20% of the property's value, making securing the property simple and affordable.

Whether you plan to resell or live in the apartment, one of the biggest advantages of buying off-plan is selection. Unlike in completed buildings, you can usually select the ideal unit to suit your needs, tastes and budget when buying off-plan property.

The possible downsides

Buying off-plan property is far from risky, but it's obviously not as certain as buying a new and completed or pre-owned property which you can 'touch and feel'.

There's also the possibility that the property you purchase doesn't increase in value as much as you expected, or at all, during its construction. To ensure optimum ROI, it's best to look for off-plan properties that have been built by reputable developers, within areas with growing levels of investor demand. Developments near transport facilities always tend to do well and areas undergoing regeneration are sure to see an increase in capital value.

Working with a real estate investment specialist, with careful research into where to invest and which development is critical.

OFF-PLAN

The selling or purchasing of property before the property is built and with only the plans available for inspection.



P

POPULATION

The total number of persons inhabiting a country, city, or area.

Factors like the ageing population, supply vs demand of quality housing, globalisation and many others begs the question, what is the future of real estate?

Demographics describe the composition of a population, such as age, race, gender, income, migration patterns and population growth. These statistics are an often overlooked but are a significant factor that affects how real estate is priced, and what types of properties are in demand. Major shifts in the demographics of a nation can have a large impact on real estate trends for several decades.

For example, the baby boomers who were born between 1945 and 1964 are an example of a demographic trend with the potential to significantly influence the real estate market. The transition of these baby boomers to retirement is one of the more interesting generational trends in the last century, and the retirement of these baby boomers, which began back in 2010, is bound to be noticed in the market for decades to come.

The world's population is increasing, and aging. Increasing longevity is perhaps one of humanities greatest achievements. By 2050, circa 27% of the worlds' population will be over 60. The number of Centenarians will increase tenfold.

Shifts in demographics and an aging population will effectively result in a change in the needs of tenants and buyers. A growing population will push house prices higher and higher. No cyclical boom and bust, just onwards and upwards. The observation was made by the analytical arm of the credit ratings agency Moody's and explains why, along with the limited capacity for private housebuilding, an investment in housing will remain the preferred option of every UK household.

Urban design has a significant impact on the liveability of cities. Those with a better quality of life will generally attract a stronger, diversified global workforce and drive demand for high-quality real estate.

There is a comprehensive body of evidence to highlight how building design and infrastructure can impact on the health, well-being and productivity of its occupants. Investors and landlords have a real opportunity to positively contribute to lives of millions of people who live in their properties.

Urban planning, design and architecture has a changing role in the development and progression of a city and the quality of life of its increasing population. Demands are changing, too.

Nowhere do we feel the benefit of good design more than at home and in the spaces around them. We eat, sleep, work, rest and play here. In an increasingly complex and rapidly changing world, our homes represent stability and security. Shifts in lifestyle also mean the very concept of home becomes blurred, evolving from the traditional.

For thousands of years, people have designed and built their own habits to fit their own needs. Today, when our homes and built environments are constructed for us, they can often fall short of providing the flexibility, comfort, privacy and freedom that changing lifestyles require, often impacting negatively on the quality of life.

What makes for a good home meets the challenges of a shortage of space, sustainability, urbanisation, command of infrastructure and connectivity. Homes should offer enough room to accommodate occupants flexibly, conforming to lifestyles in comfort, in peace, secure private spaces whilst striking a balance between private, semi-private and public space that can offer residents easy, unfettered access.

QUALITY OF LIFE

The standard of health, comfort, and happiness experienced by an individual or group.

Q

R

RIGHT TO RENT

Right to Rent refers to a system of new checks to confirm the residential status of an applicant in the U.K.

The Right to Rent scheme - which requires landlords or agents to check ID of all prospective adult occupiers and has been a requirement for all letting agents in England since 1 February 2016.

The new measures follow the introduction of civil penalties created under Immigration Act 2014 and aim to make it easier for private landlords to evict illegal migrant tenants and creates new criminal offences for rogue landlords and agents who knowingly, or with reasonable cause to believe, let to illegal migrants.

Instructed agents will carry out the necessary Right to Rent checks on your behalf as part of the application and referencing process and the Home Office outline specific guidance for landlords managing their own properties relating to the stringent checks.

Checks should be carried out prior to agreement to let the property and anyone over the age of 18 who intends to live at the property as their main home will need to be checked.

Acceptable forms of identification, such as a passport or national identity card, visa or permits, must be original and carefully examined for accuracy, including names and dates of birth, the condition of the document, and also the dates that the applicants are entitled to remain in the UK haven't expired. A second 'list B' document should also be obtained, which includes an original birth certificate, driving licence, HM Forces card or original letter from an official, recognised body.

Complete copies of all documents should be made, and the dates the copies made recorded. These copies should be retained for the duration of the tenancy and a period of twelve months after the tenants have vacated. It's important to ensure compliance with the General Data Protection Regulations 2018, which came into force in May 2018.

At the core of an investment property strategy will be the liquidity of the asset and that it should always have a value on the open market and be attractive to both investors and owner-occupiers.

The exit strategy, whether the property is flipped - bare in mind possible restrictions on assignment in contracts with some developers at the point of purchase; sold soon after purchase to realise short term investment aims, or held for five years or more to reap the mid to long term benefits of the asset, depends on your own vision for the individual asset and the overall aim for your portfolio, and various market factors that potentially influence individual decisions.

Things to consider when selling your investment property:

You'll need to factor in the costs of selling and tax implications in selling your asset. Agents and legal fees should be deducted from any potential returns, along with Capital Gains Tax. Ensure this stacks up against your returns. It might make more commercial sense to hold.

Does the yield long term stack up against selling now?

The squeeze on supply vs. demand means that essentially, rents will hold or increase and so the long-term yield may offer a stronger capital benefit, depending on your investment strategy.

Consider the capital appreciation; the increase in the value of an asset over time. The increase can occur for a number of reasons, including increased demand or weakening supply, or as a result of changes in inflation or interest rates.

Re-investment is another important consideration.

Are you freeing up capital from your portfolio to invest quickly in other projects or other areas? Exiting ahead of a five or ten year plan and investing in another area quickly might deliver a stronger return.

Timing is crucial. Availability and demand for stock in the area will be a determining factor in the appraisal and its overall saleability, particularly where realisation in a shorter time is more of a focus. Whether or not your asset is currently tenanted or in a void period will also be a consideration.

Sales

The exchange of property or goods for money or other consideration.



T

TENANT FEE ACT 2019

A new act of law banning landlords and letting agents from charging private renters fees to start or renew a tenancy agreement.

What does this mean for you?

Since 1st June 2019, the Tenant Fee Act has been in effect, which prohibits lettings agencies and landlords in England and Wales from charging tenants with fees associated with the start, end or renewal of a tenancy.

We are only able to charge tenants the following fees but these will be capped:

- 1 weeks' rent holding deposit
- Damage deposits will be capped at 5 weeks, see below for further information
- Cost of replacing lost/stolen keys or security devices
- Rental arrears after 14 days will be charged at 3% above the Bank of England base rate
- Change of Sharer
- Novation to the tenancy agreement during the current tenancy

New additional costs to landlords for third party suppliers for essential services:

- Tenant Referencing Fee
- Inventory Check-in and Check-out Fee

A £5,000 fine per fee will be charged to any agent/landlord found to be still charging prohibited fee(s) to tenant(s).

Who pays for utilities?

Responsibility for utilities such as gas, electricity and water differ in different markets.

In the U.K. for example, a tenant is typically responsible for covering the costs of utilities. A meter reading is taken at the commencement of the tenancy and often details are provided to a supplier or supplier liaison company to create new accounts when the tenants move in.

In Berlin, the landlord is responsible for payments of utilities. In managed properties, the agent will liaise with utility providers and make payments on the landlords behalf.

The landlord should notify the utility company immediately and ensure that they have taken the correct readings at the point of the tenant moving out. If the landlord has a forwarding address, then this always helps the utility supplier. The supplier may also ask you to provide a copy of the tenancy agreement to confirm you were not responsible for the energy at the time of the tenancy. The utility company will always seek to pursue the customer/tenant responsible. Taking meter readings at the start and end of each tenancy will also be helpful.

What about service charges?

Service charges are the responsibility of the landlord, and bills will be raised by the block managing agents annually, half yearly or even quarterly. As such, they should be taken into account when considering elements of your investment income and related expenditure.

Typically service charges will include costs for utilities for communal areas, building maintenance, for example servicing of the lift and upkeep of communal heating systems, cleaning and maintaining the grounds and carrying out repairs. Usually, service charges will also include insurance for the building.

In developments where there is a communal heating and hot water system the utilities charges for these will be included in the service charge, and may be passed on to tenants.

UTILITIES

The formal supply of a service for public use, such as gas, electricity or water.



V

VOID (PERIODS)

Empty space. Void period: period of inoccupancy.

Void periods are inevitable. A void period occurs when your property is unoccupied and receiving no rental income, and will happen to most landlords during the lifetime of their investment. Excessive or lengthy void periods can significantly impact the viability of your investment. Many property experts agree that landlords should never take for granted that their property will always be occupied.

Tips to Avoid Void Periods

Void proof your property

In new build properties, standards are generally not an issue, but in older properties, make sure your property is the best it can be. Kitchens and bathrooms sell a property so it's worth investing in them. Tenants' expectations of rental property standards are increasing all the time. Your property needs to be of a high standard to attract and retain tenants.

Get good tenants and keep them

Invest in tenant referencing to give you reassurance about your potential tenants. If they are moving on, ask them why? You might be able to resolve their issue or have another property that suits their changing needs.

Every area has its ceiling rent

Make sure you set a realistic rent for the area your property is in. It's more cost effective to get the property rented quickly at a slightly lower rent than holding out for a higher rent and risking a void period.

Invest in your property

Use any void periods to invest in your property or to do essential maintenance work. Consider redecoration, refurbishing or upgrading the property to maximise rentability and rental income.

Budget for void period

The rule of thumb is one month per year. If you have accounted and planned financially for it, it won't be an unexpected expense.

Protect your property

Ensure your landlord insurance covers your property if it is unoccupied and consider uninsured risks.

Warranties. Your new build investment will come with a lot of warranties. Not just those protecting the construction and building itself, but also with appliances and installations. Then there are also gas and electrical certificates that you need to be mindful of.

Check what is under warranty and how long those warranties last. Make sure you understand how you will get the warranties; will they be at the property on completion; will they be sent to you; and is there anything that invalidates them.

For instance, is there a specific product that must be used to clean a stone worktop, if so make sure such instructions are followed and the instructions are passed on to the prospective tenant.

All new homes in the UK are covered by a 10-year home warranty and insurance guarantee. This provides comprehensive protection against a range of eventualities, including problems with the home's construction.

The warranty is free to the customer and is taken out and paid for by the house builder with one of the approved providers. When you buy a new home your warranty means you are protected in a number of ways:

- If you have reserved a home off-plan make sure with your solicitors that your deposit is protected if the builder goes out of business before the work is complete. Either the deposit will be paid back or – depending on the stage of construction – the home completed.
- Or for the first year in most cases, any problems picked up in a new home that do not meet the warranty provider's technical requirements must be rectified by the builder at no cost to the investor or homeowner.
- During years three to ten of the cover, the warranty protects against a range of structural defects and for issues with items such as the double-glazing, internal plastering and staircases.

The NHBC is the U.K.'s main warranty and insurance provider, with its Buildmark guarantee covering 80% of new homes. Other schemes are operated by companies such as Build-Zone, Checkmate, and LABC.

WARRANTIES

An act or an instance of warranting; assurance; authorisation; warrant.

W



X (marks the spot)

TOP INVESTMENT HOTSPOTS FOR 2019 and 2020

In spite of global economic uncertainty in many quarters, real estate remains the most favoured asset class for global investors. In almost all markets, property prices, rents and returns continue to rise steadily.

Supply and demand is a major driver of growth, especially in major hubs such as and growing UK Northern Powerhouses such as Leeds and Liverpool.

Yet success is not guaranteed. Each potential investment must be considered on its own merits, local knowledge is also vital, and a targeted approach is needed from experts in the market. Here are just some of the potential markets to consider for your next investment.

LEEDS, UK

- x Home to 109,000 businesses and access to a workforce of 1.4 million
- x 75% of 10,000 city centre homes are for private rental
- x 3.3% predicted house price growth and 3.2% predicted rental growth over the next five years

LISBON, PORTUGAL

- x Last year, the Portuguese economy saw its fastest growth since 2000
- x The country has had the steepest decline in unemployment across the EU over the past 5 years
- x Astonishing growth rate in both capital and rental values

DÜSSELDORF, GERMANY

- x Situated in the heart of Europe, the city is an important economic centre
- x 9% Forecast Population Growth 2018 -2030
- x 40% Accumulated Rental Growth 2009-2018

LIVERPOOL, UK

- x A Northern Powerhouse city and the second largest regional economy in the north
- x 12% house price growth forecast 2019-2023
- x Employment rates risen by 3million since 2010

FRANKFURT, GERMANY

- x By the end of 2018 753,056 people were living in Frankfurt
- x 18% increase in employment rate between 2009-2018
- x 50% accumulated rental growth 2009-2018

Our sister company IP Global's flagship report, Global Real Estate Outlook 2020 is full of industry insights and market forecasts. This report is vital for any investor considering their next move, download your copy [here](#).

YIELD

The total amount of profit or income produced from a business or investment.

Y

FORMULA

mrr = monthly rental return

pp = purchase price

Gross yield = $mrr * 12 / pp * 100$

For anyone considering investing in real estate, one of the first questions you will want to ask is: what return on investment will I get from this property or, in other words, what is its yield?

Yield is an important way of measuring the future income on an investment. It is particularly important in real estate as capital growth rates are not usually as high as the residential market. So the return you get now and in the future is a key factor in working out whether to invest and where.

Yield is calculated as a percentage, based on the property's cost or market value, annual income and running costs. It does not take into account how much the property increases in value over time (i.e. the capital growth).

When calculating yield, it's important to know if you are calculating 'gross yield' or 'net yield'. Gross yield is everything before expenses, whereas net yield takes into account running expenses such as management fees, maintenance costs, stamp duty and vacancy costs.

Z

ZEITGEIST

The spirit of the time; general trend of thought or feeling characteristic of a particular period of time.

Literally translating to the spirit of now, this Zeitgeist has been produced to give you an idea of some key thoughts, considerations and concepts in real estate investment and residential asset management and a flavour of the present market, its challenges and opportunities, along with a little know-how. It reflects the now, with some subtle questions pertaining to the future.

Two years after Brexit, 2018 saw market uncertainty and now we're settled into 2019, with a new Prime Minister, there's still so much is yet to be decided. Despite the apparent political unrest, the real estate market has held firm, with growth particularly within the regions of the U.K as the Northern Powerhouse cities gain increasing traction.

European markets have opened up a number of opportunities for investors with markets such as Frankfurt and Lisbon offering excellent potential. The supply and demand for housing remains critical and the growth of the private rented sector continues its upward trend, fueled by demand particularly within cities and new commuter hotspots.

Yet, Generation Rent are highlighting increasing expectation for quality housing, sustainable communities and value beyond four walls.

The content in this Zeitgeist is for general information purposes only and cannot be relied upon for accuracy in making investment decisions. We recommend that you always consult tax, legal and financial specialists.

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