



Costs of Being A Landlord

HoldenCopley

PREPARE TO BE MOVED



COSTS OF BEING A LANDLORD

As there is significant demand for rental property, many people believe being a landlord is a lucrative position. Many people find being a landlord rewarding, but it is a challenging role. There is a considerable array of regulations, there are challenging in managing tenants, and you must also maintain the property.

Also, there are many costs of being a landlord.

You must familiarise yourself with the costs of being a landlord. There are upfront costs, occasional costs and on-going costs which need to be paid each year or month. If you fail to familiarise yourself with the cost of being a landlord, you enhance the chances of failing.

At Holdencopley, we are pleased to say we have helped many landlords, and if you want to detail the costs of being a landlord, we are here for you.



PURCHASING A BUY-TO-LET

In arranging a BTL mortgage, landlords are requested to provide a more substantial deposit compared to residential mortgages.

This is a significant amount of money which needs to be paid before any rental income is generated, so landlords must be aware of this amount when planning to enter the BTL market.

Stamp duty is a contentious issue for landlords and property investors. There is a surcharge of 3% on people buying an additional property, further increasing the initial cost of buying property to let.

Add in the associated fees of purchasing property, including agent fees and valuation costs, and even before a landlord has collected the keys for the property, they have spent a lot of money.



MANDATORY COSTS OF BEING A LANDLORD

As landlords must comply with a lot of regulations, there is inevitably a range of costs associated with complying with these regulations.

Energy Performance Certificate (EPC)

Landlords are legally required to hold an EPC for their rental property. This certificate assesses how energy-efficient a property is, and landlords must have a valid EPC before they place their rental property on the market.

An EPC remains valid for ten years, but any landlord who undertakes significant energy-efficiency upgrades at their rental property can have the property reassessed. A more efficient EPC rating can help a landlord charge higher rental fees.

The cost of an EPC varies depending on who provides the service, but most landlords find an outlay of £65, which lasts ten years to be suitable value.



MANDATORY COSTS OF BEING A LANDLORD

Gas Safety Certificate

If there are gas appliances in a rental property, the landlord must arrange for a gas safety check to be undertaken each year. This check must be carried out by a Gas Safe registered engineer.

The engineer will check all gas appliances and fittings, and if the property passes the inspection, the landlord will be provided with a certificate.

Costs vary depending on the service provider, but it is not unreasonable to pay £80 a year for the test.

Income Tax

As with any business or profession, landlords need to pay income tax. The level of income tax a landlord pays depends on their income tax bracket.

Alarms are a legal requirement

Landlords are required to install smoke alarms on every floor of their rental property. Also, there may be a requirement for landlords to install a carbon monoxide alarm if there is a wood or coal-burning fire or stove in the room.



LANDLORDS MUST BE AWARE OF FEES AND LICENCES

Another aspect which landlords must consider when it comes to cost is fees and licences.

Letting agent management fees

While some landlords prefer to be hands-on, doing everything themselves, a lot of landlords utilise letting agents manage their property. There is a cost involved, but the benefits of improved service, more time, and not having to worry about regulations make this a suitable choice for many landlords.

The cost of management fees depends on many factors, but as a rule of thumb, consider setting aside 8% to 14% of your rental income for management fees.

Some areas require landlords to hold a licence

In an attempt to curb rogue landlords, an increasing number of local authorities require landlords to hold a licence before they let property. Before you set up as a landlord, it is best to contact your local council and determine if this is the case.



LANDLORDS MUST BE AWARE OF FEES AND LICENCES

Interest payments on your mortgage

Any landlord who has a Buy-To-Let mortgage needs to consider the monthly costs associated with this payment. When reviewing your mortgage, landlords should detail the expected cost of their mortgage, and any interest payments, and factor them into their calculations.

The cost of maintaining a mortgage depends on many factors.

Landlords should hold insurance

While landlord insurance isn't a compulsory cost, many mortgage lenders will not provide a mortgage to landlords without some form of protection in place. Even if this isn't the case, landlords are advised to have insurance in place.

Building insurance is deemed to be the essential form of landlord insurance. Still, insurance which covers the landlords' belongings and offers public liability cover is a suitable option for many landlords.



THERE ARE BUSINESS COSTS ASSOCIATED WITH BEING A LANDLORD

In addition to upfront costs and agency or regulatory fees, there are also costs related to your business, including:

- Tenant acquisition carries a cost
- Utility bills may be an issue you need to cover
- The cost of a furnished and unfurnished property
- Maintenance and repair bills are vital
- Legal costs are an issue for all landlords

As a rule of thumb, many industry experts recommend spending 1% of the property value on repair and maintenance work each year.

Even if you are a competent landlord who complies with legal obligations, you will still likely have some legal matters to contend with. Of course, no matter how good a landlord you are, if you have a troublesome tenant in place at your rental property, you may find legal costs are a significant outlay.

This should reinforce the importance of vetting tenants, but it also reminds landlords of the importance of putting money aside for unexpected costs.



As there are so many variables, in location, in house prices, professional fees and what a landlord constitutes as value for money, it is impossible, and even reckless to suggest what costs are suitable and affordable for landlords.

This information should be used as a guideline, helping you calculate your likely expenses as a landlord.

From there, each landlord must review their options and determine if the costs are more than justified by the income generated as a landlord.

At times like this, it is vital to speak with experts who understand the market, and who have helped many similar professionals make an informed decision as to what they should do next.



CONTACT US

We offer property management, property to rent and property for sale in Arnold, Woodthorpe, West Bridgford, Hucknall, Carlton, Wilford, Mapperley and throughout the Nottingham area.

If you would like to arrange an appointment to help you negotiate the local buy-to-let market, please contact Holdencopley today by calling us on 01158969800 or emailing steven@holdencopley.co.uk.



**CALL US ON:
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**OR EMAIL US AT:
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