

# Feasibility Study

2025

## A Detailed Report on Buy - Refurbish - Let / Sell



April 2025

## **Executive Summary**

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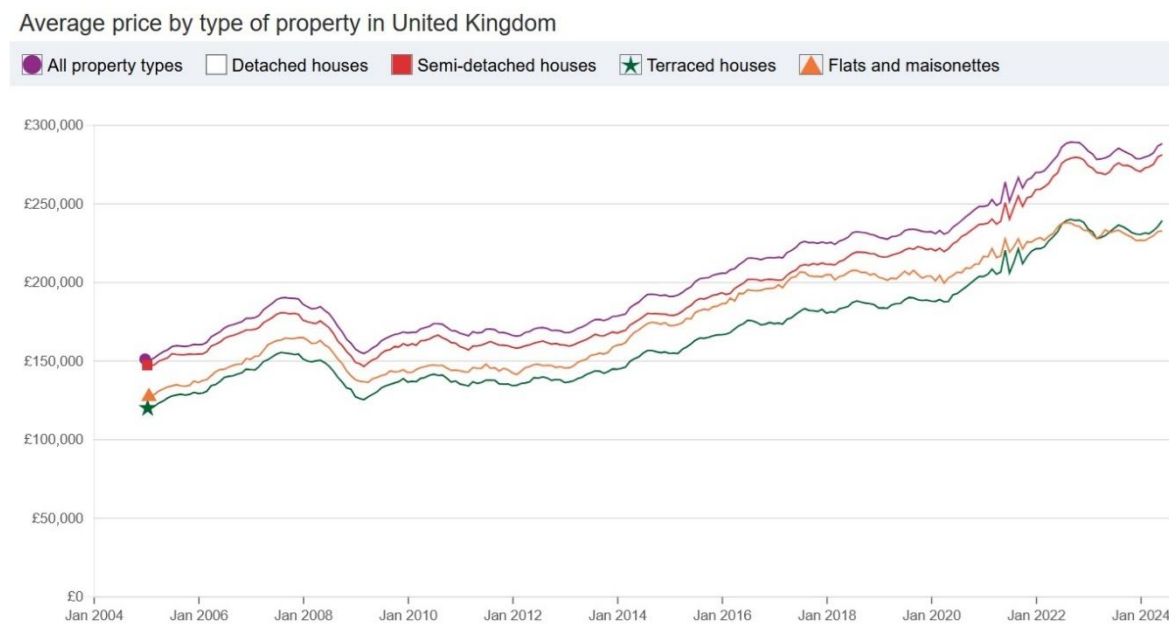
## 1. Introduction

According to a research report from Center for Cities<sup>1</sup>, Britain has severe housing crisis, especially in the Greater Southeast area. The average house costs more than ten times the average salary, vacancy rates are below 1% and space per person for private renters has dropped in recent decades.

### 1.1. The Housing Backlog

Compared to the average European country, Britain has a backlog of 4.3 million homes that are missing from the national housing market as they were never built. The deficit would take at least half a century to fill even if the Government's current target to build 300,000 homes a year is reached. Tackling the problem sooner would require 654,000 homes per year over the next decade in England alone.

*Figure 1: Average Price by Type of Property in UK*



In past 20 years the prices have doubled, average detached house price in Jan 2004 £236,191 and in Jun 2024 the price surged to £439,974. Similarly, the average property price surged during same period from £150,633 to £287,924. According to

<sup>1</sup> <https://www.centreforcities.org/publication/the-housebuilding-crisis/>

Home Builders Federation<sup>2</sup> estimate 20% decrease in unit permissions delivered compared to 2022, and number of site permissions are the lowest on record since 2006. Report further states, almost 250,000 households are sleeping in unsuitable temporary accommodation or on the street.

## **1.2. Rules and Regulations**

Beyond the GIA (Gross Internal floor Area), of a new home, the standard also sets minimum size requirements for key parts of the home like bedrooms, storage spaces and floor-to-ceiling heights<sup>3</sup>. The GIA calculations exclude the following.

- Open balconies
- Open fire escape
- Open-sided covered ways
- Open vehicle parking area and terrace
- Minor canopies
- Any area with a ceiling height of less than 1.5m (except under stairways)
- And any area under the control of a service or external authority

## **1.3. Minim Gross Internal Floor Areas and Storage**

The technical standards set by UK government<sup>4</sup>, such as;

- In order to provide 1 bedspace, a single bedroom has floor area of at least 7.5sqm and is at least 2.15m wide.
- In order to provide 2 bedspaces, a double (or twin bedroom) has a floor area of at least 11.5sqm and is at least 2.75m wide.

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<sup>2</sup> <https://www.secnewgate.co.uk/sites/default/files/2024-05/National%20Planning%20Barometer%20Report%20F1.pdf>

<sup>3</sup> <https://urbanistarchitecture.co.uk/minimum-space-standards/>

<sup>4</sup> <https://www.gov.uk/government/publications/technical-housing-standards-nationally-described-space-standard/technical-housing-standards-nationally-described-space-standard>

- Minimum floor ceiling height is 2.3m for at least 75% of the Gross Internal Area.

More details are seen in Appendix 1, any new build house or flat conversion could be subject to the nationally described space standard, which sets out the requirements for the internal areas of new homes. These nationally technical standards are optional, not sanctioned requirements. It is therefore up to local councils to decide whether to adopt the standard. The new space standards were set out in 2015 that is the improved form of 1919 standards.

#### **1.4. Space Standard for Studio Flats**

By definition, studio flats (technically a one-bedroom flat, not used in the standards) must be set out on a single storey. Must include 1sqm of built-in-storage. Their minimum Gross Internal Area is either 39sqm with bathroom, or 37sqm with a shower room, seen in Appendix 1.

#### **1.5. Space Standard for One-Bedroom flats**

One-bedroom two-person (1b 2p) flats over a single storey must be at least 50sqm or 58sqm over two storeys. They must be able to accommodate at least 1.5 sqm of built-in-storage.

#### **1.6. Space Standard for Two-Bedroom flats**

Two-bedroom flat for single storey, they either need to have a footprint of 61sqm to accommodate three bedspaces, or of 70sqm to accommodate four bedspaces.

#### **1.7. Houses of Multiple Occupation (HMOs)**

In 2017, the government set out further internal area requirements for bedrooms in houses of multiple occupation (HMOs). These include the following.

- A room used by 1 sleeping adult can't be smaller than 6.51sqm
- A room used by 2 sleeping adults can't be smaller than 10.22sqm

- A room used by children 10 years old and younger can't be smaller than 4.64sqm

From 1 Dec 2023<sup>5</sup>, all HMOs in England are to be valued as a single property for Council Tax. This means that rooms in HMOs will no longer have their own band. One Council Tax band will now cover the whole property.

HMOs with adapted letting rooms: Separately let rooms in a HMO may have been structurally and/or physically adapted, for example, so that they have their own kitchenette or separate shower/bath and WC. They will be given their own band even though may share some facilities.

### **1.8. Space Standards for New Units Created Through Conversion**

Requirements vary from council to council, some like Barnet, Bromley and Hackney have no minimum size requirements when it comes to the original structure slated for conversion<sup>6</sup>. Others like Haringey and Hammersmith & Fulham have an original floor area requirement for at least 120sqm.

According to London Housing Design Guide 2020<sup>7</sup>, Standards are set to ensure that private amenity spaces such as balconies and terraces are functional. Within London, each 1-bed, 2-person self-contained private unit must provide 5sqm of amenity space, with an additional 1sqm per additional resident. Therefore, for 2-bed, 4-person flat, the required space for amenity is 8sqm and private balcony must have a minimum depth of 1.5m.

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<sup>5</sup> <https://www.gov.uk/guidance/understand-how-council-tax-bands-are-assessed#banding-of-houses-in-multiple-occupation-hmos>

<sup>6</sup> <https://urbanistarchitecture.co.uk/minimum-space-standards/>

<sup>7</sup> [https://www.london.gov.uk/sites/default/files/hdspg\\_2020\\_module\\_c.pdf](https://www.london.gov.uk/sites/default/files/hdspg_2020_module_c.pdf)



## **2. Article 4 Directions**

Article 4 directions relate to permitted development rights that is explained in “The Town and Country Planning Order 2015. Local councils have powers to restrict or remove permitted development rights from sites or areas within their authority. According to the latest amendment (May 2024)<sup>8</sup>, the application of Article 4 direction from Watford Borough Council is shown on the map seen in Appendix II.

## **3. Property Classifications**

In UK the properties are classified in to four main categories A, B, C and D, as seen in below periodic Table 1. These classifications exist because most UK properties have their nature of use defined by the local authority<sup>9</sup>. In Sep 2020, the classification was amended. Class C remains unaffected by the changes, and Class D has now been sub-divided into Classes E, F1, F2 and Sui Generis.

Sui Generis is a Latin phrase translated as ‘of its own kind’ and it covers uses that don’t fall into any of the class from A to F such as Houses in multiple paying occupation, Hostels providing no significant element of care, Scrap Yards, Petrol Filling Stations etc.

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<sup>8</sup>[https://assets.publishing.service.gov.uk/media/663c8850cf3b5081b14f3325/Watford\\_Article\\_4\\_Modification\\_Notice.pdf](https://assets.publishing.service.gov.uk/media/663c8850cf3b5081b14f3325/Watford_Article_4_Modification_Notice.pdf)

<sup>9</sup> <https://rib.co.uk/management-professional/property-advice/a-guide-to-property-use-classes/>

Figure 2: Property Classification



### **3.1. Non-UK Residents Surcharge**

In England and Northern Ireland 2% surcharge would apply for non-UK residents. The surcharge does not apply to purchases of land or buildings in Scotland or Wales.

### **3.2. SDLT (Stamp Duty Land Tax)**

SDLT is a tax paid by the buyer of a UK residential property when the purchase price exceeds £250,000<sup>10</sup>. If the property price at the time of purchase is equal or less than £250,000 then there is zero tax. The next £675,000 (the portion from £250,001 to £925,000) SDLT rate is 5%.

For example, if we purchase a property in Jan 2025 worth £300,000. The SDLT we owe will be calculated as follows:

0% on the first £250,000 = £0

5% on the final £50,000 = £2,500

Total SDLT = £2,500

With non-UK resident surcharge

2% on the first £250,000 = £5,000

7% on the final £50,000 = £3,500

Total SDLT with 2% surcharge = £4,000

However, if another property is purchased by same owner, then needs to pay 3% on top of above-mentioned rate.

### **3.3. Leasehold Properties**

In UK many properties are leasehold rather than freehold and, in that case, the SDLT is different. When buying leasehold property, the SDLT is calculated on the purchase price of the lease (lease premium). For example, if the total rent over the life of the

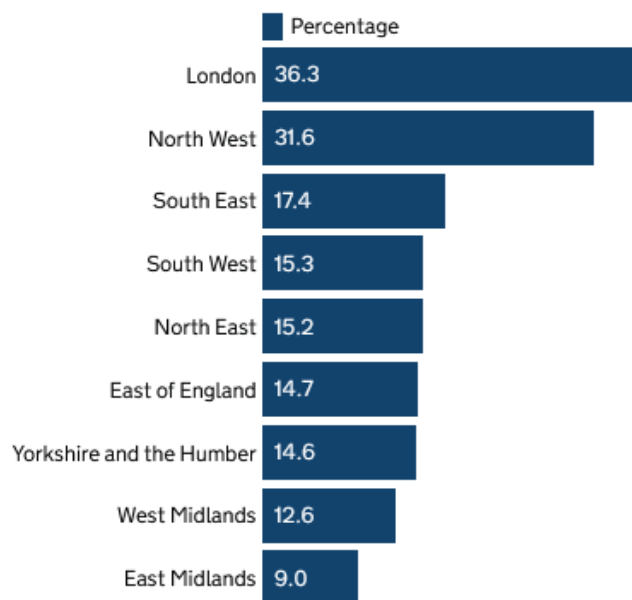
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<sup>10</sup> <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>

lease (known as the ‘net present value’) is more than the SDLT threshold (currently £250,000), we will pay SDLT at 1% on portion over £250,000. If the buyer holds the second property while keeping the first would trigger 3% SDLT on top of standard rates.

Leasehold houses were less prevalent than leasehold flats<sup>11</sup>. London has 36.3% leasehold properties, as seen in Figure 3. In Northwest around 28% of houses owned on a leasehold basis.

*Figure 3: Proportion of housing stock owned on a leasehold basis, by region, 2021-22*



Sources: English Housing Survey; HM Land Registry; DLUHC Dwelling Stock Estimates 2021; VOA Council Tax Stock of Properties 2021.

<sup>11</sup> <https://www.gov.uk/government/statistics/leasehold-dwellings-2021-to-2022/leasehold-dwellings-2021-to-2022>

### 3.4. Corporate Tax rate

Higher tax rate of 15% is charged for acquisition of residential property by certain non-natural person. Where the acquisition of a chargeable interest is exclusively for the purpose of exploitation as a source of rents or other receipts during a qualifying property rental business, the 15% higher rate charge will not apply to the transaction. Instead SDLT will be charged. However, for a non-resident corporate entity where the shareholder in the company is not the UK resident would be considered as non-UK resident company, hence, 2% additional surcharge would apply.

### 3.5. Property Tax Range Classification

The Valuation Office Agency (VOA)<sup>12</sup> explains how domestic properties are valued for Council. Council Tax valuations are based on the value of properties that aren't used for business purposes. Following is the range of tax brackets in England and Wales

*Table 1: Council Tax Bands in England*

<b>Band</b>	<b>Value at 1 April 1991</b>	<b>Council Tax Payable for 2024/25</b>
A	Up to £40,000	£1,313.90
B	£40,001 to £52,000	£1,532.90
C	£52,001 to £68,000	£1,751.87
D	£68,001 to £88,000	£1,970.88
E	£88,001 to £120,000	£2,408.84
F	£120,001 to £160,000	£2,846.82
G	£160,001 to £320,000	£3,284.78
H	More than £320,000	£3,941.76

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<sup>12</sup> <https://www.gov.uk/guidance/understand-how-council-tax-bands-are-assessed>

*Table 2: Council Tax Bands in Wales*

<b>Band</b>	<b>Value at 1 April 2003</b>
A	Up to £44,000
B	£44,001 to £65,000
C	£65,001 to £91,000
D	£91,001 to £123,000
E	£123,001 to £162,000
F	£162,001 to £223,000
G	£223,001 to £324,000
H	£324,001 to £424,000
I	More than £424,000

Every Property will be banded for Council Tax if qualifies to be a dwelling (a self-contained accommodation used as a home).

#### **4. Housing Shortages**

Cities with the highest housing shortages are primarily concentrated in Greater Southeast of England such as London and Brighton. Some other prosperous cities like Edinburgh, Bristol, and York that have lots of high-paying jobs are also affected.

According to Track Capital report<sup>13</sup>, volume of property sales decreased significantly as homeowners sought to ride out the interest rate storm, but the effect on prices was some limited and with interest rates now easing, buy-to-let investors may start to feel more optimistic.

##### **4.1. Auction Properties**

There are many property auction houses in UK, such as SDL Property Auctions<sup>14</sup>. According to the terms, non-refundable auctioneers' fees are as following.

- 5% deposit (subject to minimum of £5,000)

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<sup>13</sup> <https://www.trackcapital.co.uk/news-articles/uk-buy-to-let-yield-map/>

<sup>14</sup> <https://www.sdlauctions.co.uk/>

- Buyers Fee of 4.8% of the purchase price for properties sold for up to £250,000, or 3.6% of the purchase price for properties sold for over £250,000.

The Buyers Fee does not contribute to the purchase price; however, it will be considered when calculating the Stamp Duty Land Tax for the property. More details are generally mentioned on Auction Conduct Guide.

Some of the other auctioneers are as following,

- Auction House<sup>15</sup>
- Allsop Properties<sup>16</sup>
- Pugh & Co (part of Eddison's Group)<sup>17</sup>, and
- On The Market<sup>18</sup>

## 5. Buy-To-Let Yield

According to the Track Capital report 2024, the region generates highest yield is Scotland (6.18%), followed by Northeast (5.18%) and Wales (4.88%), refer Appendix III. Highest price change in 5 years is seen in Wales (29%) followed by Southeast (24%). Table 3 shows the yield improvement in Scotland (such as Glasgow, Aberdeen) and Northeast region (Middlesbrough, Newcastle and Dundee). Average rental yield has also improved from 4.29% in 2023 to 4.72% in 2024.

*Table 3: Average Rental Yield: Jan 2023-24*

UK Region	Avg Rental Yield - January 2024	Avg Rental Yield - January 2023

<sup>15</sup> <https://www.auctionhouse.co.uk/national/livestream-auction/15-august-2024?ref=uk>

<sup>16</sup> <https://www.allsop.co.uk/>

<sup>17</sup> <https://www.pugh-auctions.com/about-us>

<sup>18</sup> <https://www.onthemarket.com/auction/property/manchester/?direction=asc&sort-field=price>

Scotland	6.18%	5.70%
North East	5.18%	4.72%
Wales	4.88%	4.68%
North West	4.83%	4.38%
West Midlands	4.57%	4.11%
East Midlands	4.46%	4.10%
Greater London	4.40%	4.00%
South West	4.34%	3.78%
South East	4.26%	3.80%
East of England	4.15%	3.65%
<b>Average</b>	<b>4.72%</b>	<b>4.29%</b>

Dominated cities in rental yield are mainly from Scotland, Northeast and Northwest cities as seen in Table 4. Top seven cities belong to Scotland and Northeast and Northwest regions of UK.

*Table 4: Top 10 Towns and Cities by Yield<sup>19</sup>*

<b>Town/City</b>	<b>Avg Property Price</b>	<b>5 Yr Price Change</b>	<b>Avg Monthly Rent</b>	<b>Avg Rental Yield</b>	<b>Change YoY</b>
Middlesbrough	£151,370	8.17%	£618	7.33%	0.58%

<sup>19</sup> <https://www.trackcapital.co.uk/news-articles/uk-buy-to-let-yield-map/>



Newcastle	£201,958	13.33%	£1,197	7.33%	1.51%
Nottingham	£228,497	24.86%	£1,311	7.30%	1.36%
Glasgow	£171,030	23.07%	£1,017	7.25%	0.33%
Dundee	£181,496	14.60%	£917	6.80%	0.23%
Manchester	£253,982	27.12%	£1,386	6.73%	1.02%
Aberdeen	£218,883	-15.80%	£819	6.48%	0.45%
Bristol	£361,096	23.87%	£1,997	6.44%	1.28%
Gateshead	£190,435	4.73%	£783	6.43%	1.27%
Gloucester	£356,080	27.42%	£1,404	6.30%	1.92%

Middlesbrough, that is 42 miles east of York and 40 miles south of Newcastle, refer Figure 4, represents investors' most cost-effective option with lowest average property price among top 10 cities and average rental yield is same as Newcastle seen in Table 4.

*Figure 4: Northeast and Northwest Regions*



In terms of the Postcode by yield, M14 in Manchester takes the title as the postcode with most lucrative rental yield in UK at a whopping 12% and in past 5 years the rental yield growth is 41%.

*Table 5: Top 10 Postcodes in the UK by Yield*

Position	Postcode	Area	Avg Property Price	5 Yr Price Change	Avg Monthly Rent	Avg Rental Yield
1	M14	Manchester	£230,285	41%	£2,427	12.00%
2	BD1	Bradford	£63,522	35%	£679	12.00%
3	NG7	Nottingham	£194,361	33%	£2,037	12.00%
4	NG1	Nottingham	£161,948	7%	£1,620	12.00%
5	SR1	Sunderland	£68,221	65%	£611	10.80%
6	NE4	Newcastle	£143,414	18%	£1,221	10.20%
7	G52	Glasgow	£108,633	29%	£886	9.80%
8	GL1	Gloucester	£209,203	18%	£1,670	9.60%
9	LS4	Leeds	£219,955	30%	£1,749	9.50%
10	NE6	Newcastle	£164,223	19%	£1,299	9.50%

Two of the postcodes from Nottingham are among the top 10 postcodes that yield 12% per year. Similarly, two from Newcastle postcodes are among top 10 places with highest rental yield, seen in Table 5.

### **5.1. Maintenance Cost**

According to Houzz Study in 2021<sup>20</sup>, UK homeowners reported spending an average of £2,800 yearly on home maintenance costs for houses over 100 years. In contract, maintenance costs average just £1,500 yearly for homes less than 20 years old.

However, routine maintenance could reduce the chance of bigger expense.

Following are the routine maintenance tasks and estimated costs

Furnace Inspection                      £75

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<sup>20</sup> <https://www.bastionbuildersbedford.co.uk/blog/what-is-the-average-maintenance-cost-of-a-house-in-the-uk-2024/>

AC unit servicing	£100
Changing filters monthly	£15/year
Chimney sweeping	£65
Clearing gutters	£150
Septic tank pumping	£250
Well water testing	£650

## **5.2. Repairs and Replacements Cost**

According to Bestonbuilders<sup>1</sup>, Mar 2024 report, Common midlife upgrades or renovations suggested around 10-15 years into homeownerships may include,

Replacing roof	£5,000 - £9,000
Kitchen upgrade	£8,000
Replacing windows	£650 each
Upgrading bathrooms	£2,000 - £4,000
Driveway repairs	£3,000
Exterior painting	£2,500
Replacing shingles/siding	£3,000 - £5,000
Boiler replacement	£2,300

Other unexpected repairs are like leaking pipes, electrical problems, structural damages or appliance breakdowns. Average charges of tradesman service per hour per person is £150-£200. Total labour cost for single most common repair in a house is £1,000 - £1,500.

Zillow<sup>21</sup> recommends annual maintenance costs between 1-4% of total home value. Therefore, if the average home price is £250,000 then the annual maintenance cost is between £2,500 - £10,000.

## **6. Set up business on Airbnb**

Market assessment

Earning potential

Pricing (daily, weekly, monthly) and property management

<https://www.airbnb.co.uk/resources/hosting-homes/a/how-to-start-a-business-on-airbnb-534>

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<sup>21</sup> <https://www.zillow.com/learn/hidden-costs-of-buying-a-home/>

## **7. Conclusion**

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## Appendix I

*Table 6: Minimum Gross Internal Floor Area and Storage (m2)*

<b>Number of bedrooms (b)</b>	<b>Number of bed spaces (persons)</b>	<b>1 storey dwellings</b>	<b>2 storey dwellings</b>	<b>3 storey dwellings</b>	<b>Built-in storage</b>
1b	1p	39 (37) *			1.0
1b	2p	50	58		1.5
2b	3p	61	70		2.0
2b	4p	70	79		2.0
3b	4p	74	84	90	2.5
3b	5p	86	93	99	2.5
3b	6p	95	102	108	2.5
4b	5p	90	97	103	3.0
4b	6p	99	106	112	3.0
4b	7p	108	115	121	3.0
4b	8p	117	124	130	3.0
5b	6p	103	110	116	3.5
5b	7p	112	119	125	3.5
5b	8p	121	128	134	3.5
6b	7p	116	123	129	4.0
6b	8p	125	132	138	4.0





## Appendix III

Figure 6: UK Regions with City Map





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