Title:
Buy To Let -The Pitfalls

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Summary:
Taking on a property in addition to your home can be a time consuming and complex matter. Before you become a landlord (or lady), make sure you’ve thought it through!

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Article Body:
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Tenants

While you may be lucky and find the perfect tenant by chance, it’s a good idea to interview potential tenants first. You can ask for references from previous landlords or employers to reassure yourself that they are trustworthy and solvent. While students provide a large part of the tenant market, bear in mind that young people are not always as responsible as they should be!

The property

When looking for a property to buy, try to focus on suitable areas where you are likely to find a ready supply of tenants – close to a university, for example, or in a city centre near businesses are safe bets for students and young professionals looking to rent. Check out local transport links and shopping facilities too. You should also consider the resale aspects of the property – you may not want to keep it forever, and a large part of your investment is the equity of the property. This is called capital growth – sometimes it may be worth buying in a more downmarket location where the rent will be lower, if you consider that property prices are likely to rise. If, however, you want to maximise your income, the more expensive areas of town might bring you higher rent. Leasehold properties are subject to ground rent.

Agents

A letting agent will charge around 10% of the monthly rent to take care of finding tenants, and if you want a full management service to minimise the work you do, expect to pay around 15%. It's advisable to choose an agent that is a member of the ARLA – check www.arla.co.uk for details.

Tax

You can make tax deductions for the maintenance of your property, including general 'running costs' like insurance, cleaning, and agents fees. Home improvements are not tax deductible, nor are initial costs of furniture and fittings. However, you can claim a wear and tear allowance of 10% of the rent you receive.

Mortgage

Often a buy to let mortgage is assessed on the anticipated rental income from the property – the rent potential. Expect to pay slightly higher interest rates, and provide a larger deposit on the property. Lenders usually require 20% to 25% of the value of the property.