

## PROPERTY LANDSCAPE

# Paperwork is vital to a smooth tenancy



Jack Sharpe on the importance of prep

It is interesting to look at the trends for residential properties over the past 12 months, with the North West being one of the areas which has obtained the highest value increases nationally, up 18.6 per cent between June 2020 and June 2021 (Source: ONS).

Consequently, some parties are still looking to obtain returns on a buy-to-let basis as a safer return than stocks and shares which have not stabilised since the pandemic.

We find that most of our farming clients hold residential property investments away from the farm in order to supplement income, with some new clients managing their properties themselves to save management fees.

Town centres can often be a good place to hold a residential let investment near to employment or education. In other cases there are cottages forming part of farm tenancies or houses which have been inherited in the family.

In one particular scenario we found one of our new clients had been self-managing their buy to let and in doing so they:

- Had obtained a free tenancy agreement template off the internet
- Had not followed the correct protocols when initiating an Assured Shorthold Tenancy
- Had not produced an inventory or taken a deposit
- Had not reviewed the rent for more than four years

Here, we assess how they should have proceeded.

### Setting up the tenancy

The tenancy agreement off the internet, although vague, was a legal Assured Shorthold Tenancy.

However, when setting up such a tenancy, prescribed information needs to be provided to the tenant at the time of the letting, including the energy performance certificate and safety certificates for electricity and gas. Where these are not provided there can be difficulties



Jack Sharpe

experienced down the line with complications potentially experienced at eviction stage.

### Rent reviews

When we completed our appraisal, we estimated the rent should be increased by £145pcm (21 per cent), a figure which could prove unpalatable to the current tenant and managing this situation can be difficult.

Had softer increases been initiated at more regular intervals the client could have obtained a greater return earlier and the situation would have been more manageable.

### Deposit and inventory

With deposits and no inventory, the client is potentially exposed at the end of tenancy for any damage caused and also on defaulted rent.

Deposits, where taken, are to be protected within a Government-backed scheme with a certificate and proof of protection to be provided to the tenant within a set timescale. Where not initiated correctly, fines can be imposed and difficulties experienced on eviction.

In summary, there is much more to consider for residential rental investments than simply collecting the rent, rental returns can be lost and difficulties experienced if processes are not followed correctly, so make sure to take appropriate advice to avoid being caught out later in the process.

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