



You'll have to live somewhere

Rachael Troughton thinks it's time to get our heads out of the sand!

Are you one of the many Army families who are taking the "ostrich" attitude to the property market? Whether your soldier has just joined, or has only a few years to go until he/she leaves, one fact is certain: when you leave the Army, you will have to live somewhere. It is never too early to think about this, especially as the civilian housing world has undergone a profound change in the last ten years. In most areas, Council houses have been sold to their owners, and there are long waiting lists for empty flats and houses. House prices have increased steeply, and in popular towns two-bedroom houses are sold within days of going on the market.

Step One

Having depressed you so far, I will now encourage you to start thinking about how to tackle your family's housing needs. Unlike many in 'Civvy Street', we have stability on our side. The Army is not about to make surprise redundancies. We are paid regularly, and the same deductions are taken each month, which makes budgeting easier for us all. Buying a property will require you to have a mortgage, with regular monthly payments, and the earlier you start the better. So step one is not finding a house, but working out the budget. Find a local Independent Financial Advisor who will go through the financial implications.

As an investment buy, property is a medium to long term scheme, so it is not for those who want a short term return. The taxman will be interested in your earnings from both the rent and the Capital Gains when you come to sell, so you will have to fill in a Tax Return, even if you are a non-taxpayer. The financial wizards amongst us will be able to cope with this all on their own, but an accountant will be able to advise you of the best way to reduce your tax. If you are posted abroad, then the tax position will change, and it is up to you to ensure your paper work is correct. If this is your first property, you must update your will. You will now have a sizeable estate, and on your death, the Treasury will be looking for Inheritance Tax.

Find out more

If you know nothing about the property market, then start by asking your friends for their experiences. You will soon find that it is not as complicated as it may seem, and there are some Army wives who are accountants and property specialists, like Ellen Petersen, who are willing to help you. It does not matter if you are in the UK, or elsewhere. The internet has opened up the market to all of us, and you should use it. There are websites for most of the estate agents, and you will be able to see just how much the two-bedroom terrace or remote castle in Scotland will cost. The mortgage lenders put all their information on the net, so that you can work out your budget - or you can buy one of the many excellent monthly mortgage magazines.

You choose

You have two choices: are you going to live in your house straight away and then let it out when you are posted, or are you going to buy-to-let? If you are far away from wherever you want to retire to, or want to provide yourself with extra income, a good buy-to-let will mean that you provide the deposit (anywhere from 10% to 25% of the price) and the tenants will pay the mortgage whilst the property may increase in value.

For the buy-to-let owners, planning is the key. There are many good books on the subject, and they will give you all the financial and legal requirements you need to know. Location is very important, and the buyer must ignore lovely views and pipe dreams. A successful buy-to-let property must be in the right place, in good condition, be affordable to the tenant, and pay the mortgage for you. (This is charmingly called 'washing its face'!). A good area will have a population that needs houses, so look for hospitals, university towns, and good communication links. As Ellen says, consult the letting agents in your chosen area on the right kind of property, its price and a realistic rent. When I found my first buy-to-let, I took the details to the agent and asked their opinion. The sale took the average ten weeks from offer to completion, and less than four days after the house was legally mine, the tenant moved in. An agent looks after it for me, and I have a discount on the management fees as my husband is HM Forces!

However, no matter how tempting the advert in the paper, never give your hard-saved cash to a company or agency to find your buy-to-let house. Buying any kind of property is the most expensive purchase you will ever make, and once bought you cannot give it back because it is in the wrong area or it is not up to the standard you thought you were buying. If the property is that good, the company would have bought it for themselves!

If you are buying your home, then you will have your own criteria for choosing it. However, in some areas of the UK, it is harder to let larger family houses, so you will have to be prepared to pay the mortgage for several empty months. Some of you will not be able to bear the thought of someone else living in your home, so it is not for everyone. But, as always, there are exceptions, and any family-size home near a garrison in the UK may well have an Army family living in it as a hiring!

A long-term solution?

Ellen Peterson gives some sound advice on buying-to-let

Increasingly, people are looking at buying a property to let, perhaps to derive an income from the letting or perhaps to invest in the property market which has "boomed" in recent years. It has been reported that demand for rental property is still increasing, with demand for houses in particular at its strongest for three years. If you are thinking of buying a property to let, your first port of call should be an independent financial advisor who will be able to advise you on the many products geared specifically for the buy-to-let borrower.

There is actually little practical difference between arranging a buy-to-let mortgage and a standard mortgage, and loans can be arranged for terms of between 5 and 45 years and for up to 80% of the value of the property. This does mean that you need to be able to put down a sizeable chunk as a deposit. Mortgage lenders will take account of rental income likely to be achieved from a property and base their decisions to grant a mortgage on these

figures. As a rule of thumb, the rent before deductions for management fees, insurance and the like, should be between 130% and 150% of the monthly mortgage payments.

What will it really cost?

Seek advice from a letting agent on local market demands and follow these. It's no good buying a one-bed flat when the demand in your area is for quality two-bed executive starter homes. When you find the right property after having done your research, you then need to do your sums. Have you got enough for the deposit? How much monthly rent will your property earn? Your local letting agent should be able to help again here. Can you afford the mortgage if the property sits vacant for a few weeks between tenants? Think about buildings insurance and letting fees, and set up a contingency fund for when the boiler breaks down or the roof leaks, as invariably this will happen and, as landlord, it is up to you to put these problems right. You will also need to think about council tax and utility bills (the tenant will pay these, but during vacant periods they revert back to the owner's responsibility).

You must also be prepared to spend some money on the property - decorate it, fit it out and furnish it to a good standard. A clean, attractive kitchen and bathroom attract the best tenants and will make sure that your property is not empty for long. Try not to let your personal taste dominate. The best properties are neutrally decorated. Think very carefully before furnishing the property with second-hand furniture or cast-off sofas and curtains. Furniture and furnishings and gas and electricity appliances will need to comply with fire and safety regulations.

Agents

A letting agent will also be able to advise you on the latest legal and regulatory requirements for residential letting and will prepare an "Assured Shorthold Tenancy" Agreement so that the tenancy is properly formalised. Don't be tempted to copy something from the internet or crib from an off-the-shelf precedent. Your agent should also prepare an inventory and schedule of condition of the property before a tenant moves in and guide you through the notice procedure when you need to bring the tenancy to an end. A good letting agent will be a member of the Association of Residential Letting Agents (ARLA), the National Association of Estate Agents (NAEA) or the Royal Institution of Chartered Surveyors (RICS).

Agents will typically charge around 10% of the monthly rental for managing the property on your behalf. If you know that you will be posted abroad for the foreseeable future, or if you require a long-term tenant, another option would be to contact Countrywide Mobility Partners (CMP), which sources rental properties to be occupied by MoD personnel. CMP effectively becomes the tenant and then grants a licence to occupy to approved MoD individuals or families. The beauty of this scheme is that you get a guaranteed income during the term of the tenancy from a quality tenant. There are, however, quite strict guidelines for equipping, decorating and furnishing the right property.

Think carefully

One final word of warning - mortgage interest rates are going up. We have seen a small rise of half a percent in recent months. Some lenders predict that this upward movement will continue, at least for the coming year or two. If your margins look tight now, they will

almost certainly look tighter in the short to medium term ahead. Buying a property to let must be a long-term investment. The days of making a swift profit in property are gone. The predictions are for slow but progressive growth spread over a longer term.

Think carefully before taking the plunge. It is no use imagining that this is a short-term solution to investing your money. If you are prepared to invest and wait and are realistic about the returns from your investment, the property market is still an attractive option.

Ellen Petersen is a commercial property solicitor at Charles Lucas & Marshall in Swindon and an Army wife based in Shrivenham

Where to find out more

Independent Financial Advisors (IFAs)

For a free guide to independent financial advice and a list of IFAs local to you, call 0800 085 3250 or visit the IFA Promotion website at www.unbiased.co.uk

Joint Services Housing Advisory Office (JSHAO)

Advice and information on housing outside the Services - look out for their monthly magazine Housing Matters

Tel: 01722 436575 (Mil: 94331 2575) email: jshao@hqland.army.mod.uk
website: www.army.mod.uk/jshao

BlueForces

House purchase scheme to help Army families buy and let their own houses.
In partnership with Countrywide Services (750 estate agents across the UK)
Tel: 01206 560200 website: www.blueforces.co.uk

The Buy-to-Let Bible by Ajay Ahuja, published by the Law Pack ISBN 1 904053 36 X

The National Directory of Estate Agents: find your local agents' contact details
Tel: 01935 411165 website: www.ukpropertyshop.co.uk

Association of Residential Letting Agents

Maple House, 53-55 Woodside Road, Amersham, Bucks HP6 6AA
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