

RENTING A PROPERTY

A rental property can be a good investment providing not only an income but also, eventually, a capital return. However it is important to remember that running a rental property should be looked at in the same way as running a business, in order to provide an income you have to be aware that there are overheads such as maintenance costs, rent free periods and the costs of dealing with problem tenants. In order to make the property run as efficiently as possible you need to try and keep the overheads to a minimum. Here are a few points to assist in making your rental property work for you.

Find the right tenants

This seems obvious but it is surprising how many people leave this important decision to a third party such as a letting agent. Whilst letting agents are good at marketing your property for you and taking up references, there is no substitute for meeting the prospective tenants yourself.

References are extremely important and we would recommend that you have personally seen the references prior to the tenant moving in. It is good to have seen at least two references and one of these should be from the last landlord.

Whilst it may be tempting to agree to let the property to someone quickly in order to start generating a rental income, to avoid future problems, it is best to take the time to ensure that you have the right tenant and minimise the risk of any potential future problems.

Have a written tenancy agreement

This is the most important document that you will have. It governs the relationship between you and your tenant. Amongst other things the agreement will set out:

- the length of the tenancy
- the rental amount and when it is payable
- any procedure for increasing the rent
- who will be responsible for the repair and maintenance of the property and any fixtures and fittings
- the amount of deposit

In the event that there is a dispute the Tenancy Agreement is the document which you and your tenant can refer to, to resolve it. It is therefore important that the agreement is clear and that you have considered in advance what obligations you want your tenant to take on.



Additionally the agreement can set out the circumstances in which the tenancy can come to an end and what each party's responsibilities are at the end of the tenancy.

If you have previously lived in the property you will need to include in the agreement a notice stating that you may at some point in the future want to regain possession on the basis that you wish to move back into the property.

If the property is mortgaged it is usually a requirement of the mortgage company that you include a notice stating that the mortgage company is entitled to possession of the property in the event that it has to take possession following a default on the mortgage.

You must also ensure that in the agreement there is an address given where the tenant can serve you with notices. Until you do this, no rent is legally due from your tenant.



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Make sure that you register your deposit

Since 6th April 2007 all landlords who have received a deposit must register the deposit in a government approved scheme. You then have a certain time to inform the tenant that you have done so and provide them with prescribed information regarding the scheme and the procedure for resolving any dispute regarding the deposit at the end of the tenancy.

Failure to take these steps can lead to the Court ordering that you must pay the tenant the deposit together with a fine equal to three times the deposit. Further until you register the deposit you will not be able to serve the tenant with notice under s.21 of the Housing Act 1988 which may prevent you from being able to obtain possession of your property.

Maintenance

Under statute all landlords are responsible for maintaining and repairing the structure and exterior of the rental property including drains, gutters and external pipes. You are also obliged to keep in repair and proper working order the installations in the property for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences). Finally you have an obligation to keep in repair and properly working order the installations in the property for space heating and heating water.

Failure to comply with these obligations once you have notice of a defect can lead to a claim by the tenant for damages.

More importantly if your property is well maintained, you are more likely to retain your tenants. Whilst maintenance involves spending money on the property, if you do so you are less likely to suffer from rent free periods when the property is void.

Additionally you are obliged to:

- Obtain a Gas Safety Certificate in relation to all gas appliances and have these checked annually
- Ensure that all electrical appliances and installations are safe
- Ensure all furniture included in the rental property complies with the Furniture and Furnishings (Fire) (Safety) Regulations 1988

It is important that any tenancy agreement sets out any specific obligations that you wish to impose on the tenant in relation to repair and maintenance.

Final things to consider

Most tenancies granted in England are Assured Shorthold Tenancies. These can be ended upon the landlord giving at least two months notice so long as this does not expire within the first six months of the tenancy or within any fixed term, whichever is the latest. When granting a new tenancy you must consider how long you want the fixed term to last and whether you want to serve notice at the beginning of the tenancy, thus giving yourself the option of obtaining possession of the property at the earliest opportunity when the fixed term ends.

Statute allows a tenant to move out of a property at the end of a fixed term without giving notice. It is therefore important that you specify in any agreement the length of notice that the tenant has to give and what is to happen at the end of a fixed term in the event that neither party gives notice.

If you wish to discuss any of the above matter or require assistance in preparing a tenancy agreement then please contact Paul Reader at our Tunbridge Wells office.



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