GLYNN GRIFFITHS

Letting out the mortgage

Gail Counsell finds would-be

vendors are taking in tenants instead

EARLIER this year, the mortgage repayments of a young pro-fessional couple who had overstretched themselves to buy a £300,000 dream house in south London rose to more than £2,500 a month.

They could no longer cope. But since they had bought near the top of the market, selling up and trading down was not an option - or, at least, not unless they were prepared to take a huge loss.

Their drastic solution was to rent out their house to cover most of the mortgage, and move abroad where they could earn more and make up the difference.

Carole Brand of the residential letting agents, Barnard Marcus, who found a tenant willing to pay just under £2,000 a month for the property, says their situation was extreme but not unusual.

"We are much busier than last year," she says. "Many more people are coming forward with property to rent, and for a number of them it is is because they have found it impossible to manage with higher mortgage rates."

It is an understandable plight. Those who borrowed and bought when the rate was only 9.8 per cent in May 1988 have seen their mortgage payments rise by more than 50 per cent. Yet they bought at the top of the market, which peaked in mid-1988. Since then prices have fallen (at least in the South). So new borrowers who are most affected by the steep rise in mortgages are often the same people who cannot sell without taking a loss.

The bulk of Carole Brand's additional clients, however, are people who need to move for family or job reasons, but who cannot find a buyer for their property. So they take out a bridging loan and try to cover most of the costs by renting out their old property.

In practice, she says, few manage to cover their costs fully. Most have to settle for recouping about three-quarters of their mortgage repayments, at most.

This increased trend towards renting is not simply a southern phenomenon. Rental agents around the country are reporting business up by 20-30 per cent.

In Manchester, Rosie Silgram of the Prudential letting agency says enquiries have risen by more than a third. "People are hedging their bets - they are putting their property up for sale and offering it to rent and doing which ever comes first," she observes.

- In Birmingham, Ken Winfield of agents Allsop Cottons says: "There's been a substantial rise in lettings around here, mostly from people who can't sell or can't get the price they want. They are the ones who are deciding to let for 12 months or so instead."

theory, more properties



coming on to the market should depress prices, in other words, rents. It seems that in some parts of the country an oversupply, especially of more expensive properties, is beginning to keep rents

Harold Denholm, of agents Balfour & Manson in Edinburgh, says he is beginning to see an oversupply of rented property in both Edinburgh and Glasgow: "Traditionally, the market for rented property in the city was tight. But earlier this year there were several articles stressing the extent to which Edinburgh is the best city in Britain to live in.

"As a result, quite a lot of expatriates living in places like Hong Kong decided to buy property here as an investment. Also a number of people from the South decided to do the same because prices here seemed 'cheap'." The result is a "superfluity of properties" to let which is keeping rents level despite increases in house

But, says Philip Suter, of the Association of Residential Letting Agents, demand for rented property, especially at the bottom end, has also gone up. He says his Home Counties firm of Frank Farr-Property has seen a marked rise in enquiries from young people in particular.

"A lot of young people who would once have bought are now renting," he says. "They want to enjoy themselves and have money at the end of the day, not spend it all on mortgages.

"They aren't in a hurry to buy, because they don't think prices

are going to go up. And they are wary. They've heard the stories about people who bought last year and now need to move for their job but can't sell." Most agents agree that the ad-

ditional demand has tended to concentrate at the bottom of the market and that the more expensive properties have become harder to let. "The element of oversupply is at the top," says Susan Metcalf of Knightsbridgebased Farley & Co. Business Expansion

Scheme, which gives big tax breaks to people who invest in rented property, was supposed to encourage more lettings at the cheaper end. But Pete Goodwin, of the London Research Centre, says only around 1,000 more rented properties have come on the market in London as a result of it. This is a drop in the ocean compared with the 270,000 properties rented out in the capital's private BES rents have varied widely

even although the Government places an upper limit on how much it can spend on individual properties of £125,000 in London and £85,000 elsewhere. But as a general rule, says Mr Goodwin, BES companies aim for what is called a "yield" of around 8-9 per cent. This means that they aim to charge a yearly rent for the property equivalant to around 8 per cent of its value.

Typically BES companies have been charging upwards of about £500 a month for one-bedroom

flats in London. Other agents bear out the use of an 8-9 per cent yield as a rule of thumb. Philip Suter says that in the Home Counties a landlord can expect to get about £500 a month in rent for a two-bedroom flat and around £3,000 a month for a luxury house worth £500,000.

In Birmingham, where property values are lower, the same relationship beween value and rent holds good. According to Ken Winfield, a one-bedroom flat in Birmingham that would typically cost £30,000 to buy would rent out for about £150 a month; a £150,000-£200,000 property would command a rent of about £800-£1,000 a month.

Using this "yield" it is easy to see why renting would appeal to a young person with little or no deposit to put towards buying of around 15 per cent, an ordinary costing £80,000 would cost its buyer more than £900 a month after tax relief. Renting it would cost about £530 a month.

a property is now a more straightforward affair as a result of the 1988 Housing Act. This effectively abolished the Rent Acts for new lettings; it is now reasonably easy to let out your property and be confident that you will be able to ket" rent and get your property back when the lease you have granted ends.

I PDATE

Poetic touch

POET Rowe's House (right) at Glatton in Cambridgeshire was once occupied by the eighteenthcentury Poet Laureate, Nicholas Rowe. He was born in the fifteenth-century thatched house in 1715, although it was then on a different site at Little Barford in Bedfordshire. The five-bedroom house is for sale through Savills (0780 66222) for £295,000.

Price rises

NEW homes in London remain "unaffordable" by first-time buyers, says the London Property File. Figures produced by the Halifax, Britain's biggest building society show that, for the country as a whole, first-time buyers paid on average just over four times their average income for a property at the end of September. That has risen steeply since 1983 when the cost was only two and a half times.

But in London, says the LPF, young people in their 20s wanting to buy a newly built studio or onebedroom flat have to pay between five and 10 times their earnings.

The average prices of a studio and one-bedroom flat are £84,425 and £108,315 respectively. That compares with average male earnings of £13,280 for 21 to 24year-olds, and £10,440 for women in Greater London.

"The clear message," says the LPF, "is that while interest rates are cutting spending power it is pricing which is controlling the market activity for new homes. Reports that the first-time buyer market is recovering do not match up to the evidence of the London new homes market."

French leave

A USEFUL edition to the library of books published on buying in



Nicholas Rowe, Poet Laureate, was born in this Cambridgeshire house in 1715

France is Allied Dunbar's Your Home in France, dealing with both the buying and the renting process. Written by Henry Dyson, a solicitor in Nice, it is published by Longman at £5.99.

Technical tricks

THE latest in the excellent series of technical pamphlets on the restoration of old properties, produced by the Society for the Protection of Ancient Buildings, deals with how to repair the original wattle and daub panels often found in timber-framed buildings.

The 12-page leaflet explains the way in which such panels were constructed, typical faults and possible methods of repair. Above all, it warns against the common mistake of using strong cement-based renders as a solu-

Other technical pamphlets deal with: Outward Leaning Walls, Strengthening Timber Floors, Chimneys in Old Buildings, Pointing Stone and Brick Walling, Treating Damp in Old Buildings and Electrical Wiring in Old Buildings They cost £1.50 plus 25p p&p, from SPAB, 37 Spital Square, London El 6DY.

The society also publishes information sheets, price 60p, on: How to Make Limewash, Timber Treatment, Surface Treatment of Timber-framed Buildings,

Need for Old Buildings to Breathe, Removing Paint from Old Buildings, Rising Damp in Old Buildings, First Aid to Farm Buildings, Tuck Pointing, Building Limes, Patching Old Floorboards and Roughcast for Historic Buildings.

Water work

WATERSIDE Properties, the estate agent which specialises in homes where the liquid stuff is never too far away, is selling a seventeenth-century water mill in the Pyrenees.

The house, on the Spanish-French border near Andorra, has been restored although it is in need, says Waterside, of a "minimal amount" of modernisation.

It stands on a spectacular mill race which is fed by the River Segre - the river the Olympic "white water" events will be held on in 1992. Its price is £69,000, details from 01-879 1495.

Surveying advice

THE Royal Institution of Chartered Surveyors has an updated list of more than 400 firms of chartered surveyors offering specialist advice on planning and development. Called the Directory of Planning and Development Consultants it is available from RICS for £6.95; alternatively, contact your local library.



Tintagel for tea HAD IT been around in his day, King Arthur's cu-

linary abilities might well have driven him to take advantage of the Hermitage Tea Gardens and Waterfall. Certainly, in more recent times, both Thomas Hardy and Charles Dickens were regular visitors. The Hermitage, at Tintagel in Cornwall, is a small nineteenth-century timbered café in 11 acres at the head of a valley which includes a waterfall. The café also provides a two-bedroom home for the owners.

The area has been designated by the Nature Conservancy Council as a Site of Special Scientific Interest, although planning permission has been granted for an extension to the café. Humberts (0392 211555), agents handling the sale, has set a guide price of £350,000.

City

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decorative order. Beaumact

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bath, garden flat. High quality
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Islington

sale. Tel: 01-433 1562

435 4950 (after hours).

Ruth Cadbury outlines ways to ensure a say in the development of your area

TOWN AND country planning is not just about dealing with a fixed set of rules: it is also about shaping the future of an area - deciding in advance what sort of development should take place.

This happens through a process - in theory - of consultation and agreement when the local and structure plans for an area are drawn up.

Many people do not become involved and only find out too late what is contained in these plans, however. As a result it is only when a specific planning application is put forward that they realise - often to their horror that the local or structure plan would allow such development.

As well as getting involved at various stages in the preparation of these official plans, groups that want to see more developments that are in sympathy with their area, can create their own "community plan" for a piece of vacant land use or some empty buildings. Types of plan:

There are three basic types of formal plan: local plans (which are sometimes also known as district or borough plans), structure plans (sometimes known as county plans) and subject plans. These are all official documents, drawn up by district or county councils and adopted in the name of the

The plans are supposed to set out clear policies to deal with everything from where new houses and businesses can be built, to the amount of shopping and recreational activities needed for each neighbourhood.

Each plan is in two parts, a written section and a map, known as a "key diagram". They last for five to 10 years.

Structure plans: Every county now has a structure plan, which sets out broad policies and proposals for the development and other use of land for the county. Issues in the structure plan include housing statistics for each

Your future may be in the library

Forward

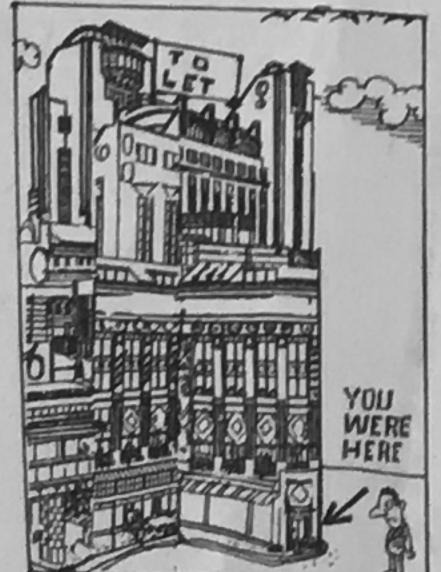
now preparing "alterations" to update their structure plans. Subject plans: These, which are also prepared by county councils, deal exclusively with single issues such as waste disposal.

Local plans: These deal in greater detail with various parts of the area covered by the structure plan, fleshing out its policy statements and specifying uses for individual sites. They are produced by borough or district councils.

A local plan may cover the whole of a district or borough council's area or just some of it, Some areas are not yet covered by a local plan and the planners rely on out-of-date plans called "development plans" when considering planning applications.

London and the other ex-Metropolitan Counties are a special case. Since the "top tier" of local government (eg the Greater London Council) in these areas has been abolished there is no organisation to prepare structure plans to deal with county-wide issues. So the individual boroughs are expected to produce what is called a

unitary development plan. These UDPs are essentially local plans, but they are also supposed to deal with some of the strategic issues (such as those af-



However this means there is plenty of opportunity for people to comment.

When a council is preparing a plan, the forward planning department of the local authority will collect all kinds of information, such as statistics on population trends of the area, existing facilities for shopping, education, employment and so on,

During this phase some councils make an effort to ask local people and community groups about what issues they think the local plan should address.

More facilities — such as more shopping - are often requested, but remember it is just as valuable documents are issued much more to tell the council what is not needed. For instance you may often circulated for public comwant the council to discourage the sultation. It is important to com conversion of ordinary houses ment on planning briefs because into flats where no additional

parking is provided. The planners will then produce were likely to get permission a draft of the plan

house. At current mortgage rates 100 per cent mortgage on a flat

Further information: Renting out continue to charge an "open mar-

Details of how the new legislation works, as well as information about how to find a tenant and the tax position of landlords, is contained in an excellent new

copy, and goes on public display in libraries and the town hall, for

If there are still objections there

has to be a public inquiry. An In-

spector appointed by the Depart-

ment of the Environment hears

the views of people who have

made an objection to the "depos-

ing "witnesses" who will usually

include the council's planning of

ficers, land-owners, and local resi-

At the end of the various for

mal stages, the local authority will

pass a resolution to adopt the

plan and specify the date if will

come into operation. However

the Secretary of State has the

power to intervene in the process

adopted when the plan it is seen

to raise national or regional issue

Counties, districts and borough

also issue a wide variety of policy

documents to supplement the

statutory plans. They do not have

the same weight as local or struc

ture plans, but they give house

holders and other landowners

clear idea as to whether the coun-

cil will approve or refuse a plan

They cover such things

guidelines for house extensions,

design guides for conservation af

eas, and planning "briefs" which

set out the sort of developing

These smaller non-statuto

quickly than local plans, and are

if a planning application is mi

in accordance with a brief,

specific large sites that are about

the council would like to see

Non-statutory plans and

of importance.

ning application.

to be developed.

planning guidelines:

by "calling in" the plan before it 1

dents and community groups.

This is like a court case involv-

a further six week period.

Public Inquiry:

Property Services

book, Profitable Letting: How to be

Davies and Diana Adie (Fourmat

landlord faces is whether to use a

letting agent. An agent will

charge around 10 per cent of the

rent for the property to find you a

tenant and prepare the paper-

work. If you want it to collect the

rent and look after the mainte-

nance of the property, it will

as tricky as finding a good estate

agent. But you should be able to

draw some reassurance if the

agent is a member of the National

Association of Estate Agents, the

Royal Institution of Chartered

Surveyors or the Incorporated So-

ciety of Valuers and Auctioneers.

tion, the Association of Residen-

tial Letting Agents, which insists

its members meet certain stan-

dards of conduct and training. A

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