**Use this buy-to-let checklist if you are considering buying a residential property in order to rent it out. The list is not exhaustive and is not intended to replace specialist advice from financial, property or legal advisers.**

**It is not suitable for buy-to-let businesses and should be used in England and Wales only. It includes a profitability calculator, which may be a helpful starting point for comparing costs of two different properties.** **The calculator lets you work out and compare potential profits, losses and yields. It does not replace the need for specialist financial advice.**

**Property address:**

**Property price: £**

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| --- | --- |
| **Financial considerations** |  |
| **Investment options**  Have you taken advice from an independent financial adviser about buy-to-let?  Have you taken advice from an independent financial adviser about other types of investment?  Is your main aim to make a profit on rental income?  Is your main aim to make a profit on capital from an increase in the property price?  Have you considered the impact of a decrease in the property’s value?  Do you have enough savings or other income to cover unforeseen expenses (e.g. repairs to your own home or periods of sickness or unemployment)?  Do you intend to keep the property for at least five years?  Are you likely to have to sell the property within five years?  Do you understand the pros and cons of investing in buy-to-let?  **Funding your purchase**  Are you a cash buyer?  Do you have a deposit of at least 25%?  Have you considered the pros and cons of a mortgage (even if you are a cash buyer)?  Have you compared estimated net yields of different properties and different funding?  **Mortgages**  Have you taken advice from a specialist broker?  Have you compared different mortgages from different lenders?  Do you know how much investment is needed to pay off loans at the end of an interest-only mortgage term?  Could you afford the mortgage even if interest goes up or fixed/reduced initial rates end?  Could you afford the mortgage if the property is empty or tenants do not pay rent?  Have you taken advice about offsetting mortgage interest against rental income?  Do you know the penalties of selling or remortgaging early?  Have you looked at the pros and cons of a higher deposit and the best loan-to-value ratio?  Will rental income cover the entire annual mortgage plus three months?  **Budgeting**  Have you researched bought and sold prices?  Have you estimated the full deposit cost?  Have you estimated mortgage arrangement fees?  Have you estimated property valuation and survey fees?  Have you estimated legal fees?  Have you estimated consent and registration fees?  Have you estimated Stamp Duty Land Tax?  Have you estimated other fees related to letting property, e.g. HMO licences?  Have you estimated renovation costs?  Have you estimated the cost of furnishing property?  Have you estimated annual rental income?  Have you estimated annual mortgage interest?  Have you estimated annual insurance premiums (e.g. buildings, contents, public liability, legal costs, loss of rent)?  Have you estimated annual repairs and maintenance costs?  Have you estimated annual safety costs (e.g. fire, appliances etc)?  Have you estimated accountant’s fees?  Have you estimated legal fees for licences and dealing with problems?  Have you estimated costs of sale (e.g. estate agent fees)?  Have you deducted income tax and capital repayments on your mortgage from profit/loss calculation?  Have you taken specialist tax advice about income tax and what you can offset against rental income?  **NB: You must keep financial records of all legitimate expenses related to letting a property.** |  |

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| **Practical considerations** |  |
| **Investigating the property market**  Have you looked into demand for particular types of property in the area you intend to buy?  Have you taken advice from letting agents?  Have you considered the pros and cons of targeting particular types of tenants?  Have you considered cheaper areas with lower purchase prices vs more expensive areas?  Have you decided what type and size of property suits your target tenants?  Have you looked at pros and cons of old character properties vs new low-maintenance property?  Have you thought about facilities needed by target tenants (e.g. parking, garden, proximity to stations and schools)?  **Buying the property**  Will you be the property’s sole buyer?  If more than one person is buying, have you taken legal advice on the pros and cons of joint ownership?  Are you buying a freehold property?  Are you buying a leasehold property?  Is the lease long enough?  If it is not long is there a right to extend?  Have you budgeted for the cost of extending a lease?  **Below is a list of legal obligations for landlords and other issues that anyone buying and letting property must think about. Please read this section.**  **TENANTS:**   * Number of tenants you intend to let the property to (e.g. an individual vs group of friends or a family); * Pros of group tenancy agreement (e.g. single document; joint and several liability; group responsibility for bills; one rent and one deposit rather than separate amounts per tenant); * Cons of group tenancy agreement (e.g.less flexibility; difficulty of taking action against remaining tenants to recover rent);   + Pros of single tenancies per tenant (e.g. greater flexibility);   + Cons of single tenancies per tenant (e.g. more paperwork; you will be responsible for utility bills etc).   **MAINTAINING THE PROPERTY:**   * + Standards of refurbishment and maintenance varies for different types of property and tenant (e.g. student accommodation is simpler and less expensive to furnish and maintain than property aimed at older professionals);   + If refurbishment has already been done, you need to check that work was completed in accordance with planning permission, building regulations and other consents;   + Day-to-day requirements of buy-to-let can be demanding (e.g. dealing with managing agents, tenants and authorities; complying with relevant laws and regulations);   + Time and expense are involved and knowledge is required when self-managing property.   **DEALING WITH TENANTS:**   * Landlords must obtain proof of identity and right to live in the UK from tenants (e.g. National Insurance number and copy of passport) on risk of a fine if they do not; * You or your agent should receive financial, work and personal references from prospective tenants and carry out credit checks.   **HEALTH AND SAFETY:**   * + Landlords must keep records of and obtain annual Gas Safe engineer certificates for gas appliances;   + Landlords must keep records and check safety of all electrical appliances and should also ensure wiring and installations are safe and if there are any solid fuel appliances they must also provide carbon monoxide alarms and ensure they are working);   + Landlords must ensure all furnishings supplied to tenants meet fire safety regulations (including working smoke alarms and clear escape routes);   + Landlords must provide valid energy performance certificates to tenants.   **DEPOSIT PROTECTION AND OTHER STATUTORY INFORMATION**   * + Landlords who take deposits for Assured Shorthold Tenancies are legally obliged to protect them with government-authorised tenancy deposit protection schemes;   + Landlords must give specified information about the scheme used to tenants within 30 days of receiving deposits;   + Landlords must provide a valid Energy Performance Certificates to tenants;   + Landlords must provide a copy of the Department for Communities and Local Government’s ‘How to Rent’ booklet;   + Landlords must comply with Health and Safety and provide the Gas Safety and electrical safety certificates as above. |  |
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| **Your Notes:** | **You can add your own notes here to remind yourself what you have done or need to do, e.g. names and addresses of advisers you have consulted, your thoughts.** |

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| **Legal issues** |  |
| **CONSENTS AND LICENCES**   * + If you are buying a leasehold property, you must check if you need the freeholder’s consent to let it;   + You need to check if you need your mortgage lender’s consent to let the property;   + You need to check if any planning permission or building regulation, conservation area, listed building or any other consent is needed for work to or use of the property;   + If you intend to let to more than one person you need to check HMO licensing requirements with the local authority;   + When you purchase the property you need to make sure it is correctly registered at the Land Registry;   + You will need to take legal advice about whether you need to register tenancies against your legal title (usually for tenants of a long tenancy, i.e. more than seven years).   **Tenancy documents**   * + You need to think about the type of tenancy document to use and take legal advice if necessary;   + You need to take legal advice about ending tenancies, notice required and how to deal with non-payment of rent or other breaches by tenants. |  |
| **Your Notes:** | **You can add your own notes here to remind yourself what you have done or need to do, e.g. names and addresses of advisers you have consulted, your thoughts.** |

**Calculators:**

**[Property Address]**

**Capital required (deposit and costs)**

|  |  |  |
| --- | --- | --- |
|  | **Property 1[Address]** | **Property 2 [Address]** |
| Purchase price [plus] |  |  |
| Costs of lease extension (if relevant) [minus] |  |  |
| Mortgage (if any) [=] |  |  |
| **Equity contribution (i.e. deposit)** | **£[sum]** | **£[sum]** |
| [minus] |  |  |
| Mortgage valuation fee |  |  |
| Mortgage arrangement fee |  |  |
| Legal costs (estimate incl. search fees, registration fees, expenses) |  |  |
| Stamp Duty Land Tax |  |  |
| Property survey fee |  |  |
| Renovation costs |  |  |
| Fixture/fittings/furnishing costs |  |  |
| Superior landlord's costs of consent to let (if any) |  |  |
| HMO licence (if any) |  |  |
| **Capital required** |  | **£[sum]** |

**Tax (income tax/Capital Gains liability)**

**% Capital repayment on mortgage**

**Profit forecast**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year 1**  **(estimated)** | **Year 2**  **(estimated)** | **Year 3**  **(estimated)** |
| Rental income (deduct amount for void periods)[minus] |  |  |  |
|  |  |  |  |
| Mortgage interest [plus] |  |  |  |
| Managing agent’s fees or self-management costs [plus] |  |  |  |
| Insurance premiums [plus] |  |  |  |
| Legal costs [plus] |  |  |  |
| Accountancy costs [plus] |  |  |  |
| Maintenance and repairs |  |  |  |
|  | **£[sum]** | **£[sum]** | **£[sum]** |
| **[minus]** |  |  |  |
| **Tax** |  |  |  |
| **Mortgage repayment (i.e. into investment scheme)** |  |  |  |
| **Estimated net profit/loss** |  |  |  |

**Gross and net yields (cash and profit yields)**

|  |  |  |
| --- | --- | --- |
|  | **Property 1 [Address]** | **Property 2 [Address]** |
|  |  |  |
| **Gross yield**  **Rental income**  **Equity contribution x100** | **[sum] = %** |  |
| **Net yield**  **Estimated net profit (after expenses and tax)**  **Equity contribution (after purchase expenses)** | **[sum] = %** |  |