



How Landlords Should Plan, Prepare and Prosper for 2023

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INTRODUCTION

The next 5 years welcome several new landlord rules to be aware of, some of which come into effect in 3 months' time. Indeed, the economical climate and political uncertainty may add to your concerns, with inflation predicted to hit 18% in January. This has a bilateral effect on the property market. The responsibility falls on you to have robust systems in place that will allow you to weather the storm.

Key things to discuss are planning for EPC certificates and consequent work orders (if applicable); along with budgeting alongside tax changes and the cost of living. Keep on top of your task management and automate as much as possible to save time, money and not miss a beat.

Our mission is to help you best prepare for these volatile changes so you can plan ahead and prosper next year. Remember: fail to prepare, prepare to fail.



Tackling New Landlord Rules

Tackling New Landlord Rules

From energy-efficient properties to budget cuts and property refurbishments, there's a lot to consider for the new year. It's important to stay vigilant and not delay, otherwise you risk feeling overwhelmed and underprepared, having a rolling effect on your profitability and efficiency.



Create an Energy Efficient Property

The government's plan to have Net Zero carbon emissions grows on. New regulations will require all rental properties to have an energy rating of C from December 2023. Yet, 32% of landlords are finding this a big challenge.

Firstly, book an EPC certificate examination for each property, which takes up to 45 minutes. This will cost around £60-£120 depending on the size of the property and duration of the examination. If your property fails inspection, you will need to make a number of refurbishments such as insulation, double-glazing or a new boiler, which can take weeks.

Landlords with HMOs will need to take extra fire safety steps and get regular electrical checks, as well as keeping the property and premises in a good condition. Start planning your diary management so that this ticks over smoothly and you can enlist contractors who are already high in demand.

The Heat and Buildings Strategy aims to decarbonise around 30 million homes, so you may need to install new boilers which can cost upwards of £4,000. You might be eligible for a grant of up to £5,000 for an air source heat pump or biomass boiler. Alternatively, the government are offering up to £6,000 for a ground source air pump.

Create an Energy Efficient Property

However, be warned: the average cost for these new boilers can cost between £4,000 to £35,000 per property. If you plan on investing, see where you can save valuable pennies.

By revamping your property to be more energy efficient, you can also provide a “bills included” service – an increasing tenant preference when renting. You’ll also have lower energy bills as a result, which is ideal for all stakeholders.



Improve Finance Management

Despite the government's U-turn on Stamp Duty, buy-to-let landlords will still have to pay a 3% surcharge. This is likely to add to the current demand and supply crisis in the rental sector, so landlords could luck out. Be sure to calculate your SDLT and see whether you're entitled for any relief.

A highlight is that the National Insurance has cut by 1.25% which will come into effect from 6 November. This means landlords will pay less tax, with around 28 million people across the UK getting £330 back per year. Yet the mini-budget plans are up in the air, so any financial relief you may receive might balance out with increasing interest rates.

Finances can be a headache, but they don't need to get the better of you. Think about investing in a property management system (PMS) that allows you to track outgoings and manage finances simply. Save valuable time worrying about storing financial information by digitising it so that you can focus on portfolio growth or other areas of business.

Adapt to Tenancy Changes

Section 21 might be scrapped and tenancy contracts will become more flexible. This might be an issue particularly for student lets and accommodation. Usually lets are available from September to June, with some leeway. Yet new tenancies allow students to reside in the property longer than the academic year. This adds to uncertainty on both the marketability of a property and how rent will be paid frequently.

The proposed Renters Reform Bill aims to abolish Section 21. For most landlords, this will mean less assurance on selling their properties and dealing with problem tenants. Although this won't come into effect soon, it's something to think about when screening for tenants and your portfolio plans.

From 2022, the Renting Homes for Landlords (Wales) states you cannot serve evictions within the first 6 months of a new contract, at which point a notice period of one month is given.

Finding the right occupants can be tricky, so it's important to create a bespoke list of requirements that mean you deflect any unideal residents and keep control over your property. You need a simple way to track tenancies, applications and how to market the availability of your property to new tenants, so that income rolls over steadily.



Setting Realistic Goals for 2023

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Whilst there are no property-specific tax changes for landlords, tenants may find it difficult to pay rent. The rising cost of living has placed a 5-year freeze on personal allowance until 2026. This means that tax-free benefits will drop in value. Currently, non-taxable income sits at £12,570; but if salaries don't rise with inflation, the average person's take-home salary will be worth less. In sum, this could affect your profitability, too.

In addition, Universal Credit has fallen to 55%, so those claiming benefits at the tail end of the spectrum may struggle financially. Even so, the minimum wage rose to £9.50; this should help some tenants meet rent payments and afford prospective higher bills this winter.

Suffice to say, some landlords are feeling a bit downhearted and stressed; in response, rents have increased between 3 to 20% as a way to offset the challenges. It may feel like a constant thwack to your spirit, but you can set realistic and achievable goals for the upcoming year.



Diversify Portfolio

Whilst the Scottish laws on HMOs are pretty strict, some property experts predict this could change. This is partly due to the economic success seen by landlords across England, especially with student rentals.

In fact, 77% of enquiries for HMOs are from students as they are more attractive options in their second and third academic years. PBSAs are also much slower to develop, meaning less availability versus the increasing number of budding students.

Typically, HMOs are £30 cheaper per week than PBSAs. This is something to consider when diversifying your portfolio, as HMOs are clearly in high demand. Especially with London becoming increasingly expensive for tenants to rent, an HMO could kill two birds with one stone.

The social housing sector comprises 4 million households in England. Following The Grenfell fire, the Social Housing Bill is making progress through parliament, which aims to provide “transformational change” for residents’ rights and social housing regulation. It intends to place strict rules on social landlords’ occupancy management, requiring them to be more transparent and accountable. Indeed, 59% of social renters are unhappy with processes, especially the complaints handling.

Diversify Portfolio

This opens up opportunities for landlords to diversify their portfolio into social housing, as there is a need for open-minded and empathetic landlords to provide decent homes and make the system fair. However, a clear and concise audit trail will be essential to stay efficient and keep residents satisfied.

Portfolio and Revenue Growth

There are mixed reviews on whether portfolio growth is a smart idea in the current economic climate. Yet one landlord's trick is to invest in interest-only mortgages on rental properties, which offers more financial freedom.

When scaling your portfolio, consider the geographical location to earn a profitable ROI. Post-pandemic trends reveal that tenants are moving back into the city, meaning a higher average yield if you're smart. Before you think about this step, consider whether you have the necessary systems in place to make this seamless. Focus on quality over quantity before embarking on acquiring more units.



Streamline Systems

If you're planning to grow your portfolio, it's wise to conduct an audit on what properties are providing the best output after your input. Think about where the money is, the property type, and realistically, how many properties can you acquire?

A good way to track this information is with good property management software. This gives a birds-eye view of your business, the units with the best yield, where you can enhance efficiency and so on. From tenant screening to rent collection, the more efficient these processes are, the stronger you will be to double – or even triple – your portfolio.

Landlords save hours of wasted time per day simply by automating daily tasks. This newfound time gives you more capacity to manage your portfolio, without expending extra energy. You can then focus on how to make tenants happier, refurbish properties and concentrate on areas of the business that need attention.

How to Ensure Success



How to Ensure Success

Ensuring you meet your goals is not rocket science. The next two months are a good time to start doing your research on property management software or where to outsource tedious activities. This will mean you're in a better position to prosper when the new rules come into effect.



Automate Processes

You know that time is money. Therefore the more you can automate, the better your efficiency, and the more money you save. Think about where your time is being lost: daily admin, rent collection, chasing contractors. What if you could automate these processes?

Having an all-in-one tool that provides these features not only improves your service value, but also makes your life easier. Naturally, there's a lot of activity that goes on behind the scenes. A slick method that can help you screen for the right tenant, and follow up on maintenance requests and work orders, will create time. An extra hour or two in the pipeline would benefit your business (and sanity).

Improve Communication

Simply increasing the rent without updating stakeholders on the reasoning might result in a dispute. Communicating with tenants about their priorities and how you can match them may be more cost-effective. In doing so, it will enhance tenant retention. Over 75% of tenants are keen to renew their contracts for fear of higher rents if they move.

It's important to track all this information with an intuitive audit trail so that you retain proof. Communicating with tenants, whether by email or text message, can all be done from one place, like an app. Going one step further, you can get updated signatures on documents electronically, without having to set up in-person appointments. All these documents can be updated in real-time, ensuring compliance and reducing manual activity.

Plan Ahead

Finally, start thinking ahead. Break down the tasks, like booking an EPC assessment or applying for a government loan, and set aside time for them. If you're tracking this manually, whether a diary or online calendar, a digital task management tool might help. You can set monthly or annual reminders to prevent forgetting important tasks ahead, and cross things off the list steadily. It frees up mental space whilst business keeps ticking nicely.

Check in with residents to find out what their plans are. This will help you understand the level of marketing and the forthcoming application process required. Again, looking into a tool that will provide this granular view, like onboarding tenants and managing property listings means you can prevent the headache. Sorting these processes sooner rather than later makes you better prepared for changes next year.



Conclusion

The key takeaway to achieving your goals is to make sure you tie up any loose ends. Completing the research phase, such as an online demo for property management tools or checking loan eligibility, will mean you're in a resilient position to start the year strong.

New laws will start coming into effect from April 2023 – which is just 6 months away. Time is flying ahead, adding more to your already full plate. The best time to start getting systems in place is now; and the best way to achieve that is with property management software.

Book an online demo with Arthur today to see where you could optimise your time and money better.



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