



SPRING 2022

NEWSLETTER





Welcome

Hello! Welcome to our first newsletter of 2022. We're very much looking forwards to a future closer to 'normality' after much unpredictability in the lettings sector in the last 2 years. We don't want to get carried away, but things are looking good!

This unpredictability experienced throughout the pandemic in the lettings and the wider UK residential property world, has actually resulted in something that likely no one had foreseen in March 2020, the market is now seriously hot!

Currently the heat is still here and there are many positives to report. The UK saw property prices continue to rise everywhere in 2021, much to the surprise of so-called industry expert predictions. Rental values have continued to rise into 2022, although it's still early days and this rise is so far less dramatic than in 2021. Our featured article within this newsletter on the performance of the lettings sector in 2021 contains informative feedback from agents and tenants, and gives a quick snapshot into what has been happening in the buy To Let world.

At Horizon Lets we continued to follow the ever changing government guidelines for helping tenants move safely, as well arrange safe contractor visits to properties, which was made harder by tenants

potentially using a Covid positive induced isolation reason to not allow access. The lettings market continues to be buoyant, with a pent up demand stemming from tenants lack of ability to move in lockdown. We expect a strong 2022 with rental and capital prices increasing above the rate of inflation.... whatever that may be!

Also at this time, we would like to take this opportunity to extend a very warm welcome to all our new Landlords - we're very pleased to have grown steadily through 2021 and into 2022. We hope to continue working with new & experienced landlords to grow their portfolios in South Yorkshire and beyond. In 2021 no properties left our management and Horizon Lets are confident of an equally strong 2022. We wish to reiterate our commitment to giving the best service possible to landlords nationwide, ensuring their investment is protected, and as profitable as possible.

We are currently experiencing an unprecedented demand for properties, with all our rentals being snapped up very quickly after being advertised, usually within a week! This is good news for all of us, we anticipate a busy year ahead and we are ready to assist landlords looking to expand their portfolios.

A Strong Year For The Lettings Sector

As last year drew to a close, Goodlord and Vouch produced the most in-depth Lettings Industry Report to date.

They analysed responses from 550 agents and 1,700 tenants from across the UK, as well as taking insights from leading industry figures including Christopher Watkin, Paul Shamplina and Peter Knight. The statistics interestingly show a market in strong health, despite the impact of last winter's lockdown and shifting rules around evictions.

Voids End the Year 25% Down

Demand for rental properties grew throughout the year, peaking in July and August, which are traditionally two of the busiest months. In January 2021, average voids (empty periods) across England sat at 24 days. This dropped to 14 days in July, before steadying out at 18 days in November. This means voids end the year 25% lower than at the start of 2021.

Rents Peak in Summer and End the Year Up 8%

Rents across England all followed a similar trend. The average cost of renting a property gradually inched up during the spring, before peaking during the summer months. Costs end the year 8% higher than figures recorded in January.

August and September saw the highest costs, with both months posting rental averages of over £1,000 per month, per property.

The highest cost of rent recorded during the year came, unsurprisingly, in Greater London - clocking in at £1,725.77 in August. The lowest was seen in the North East, where average prices were £610.06 during February.

Tenant Incomes Strengthen During 2021

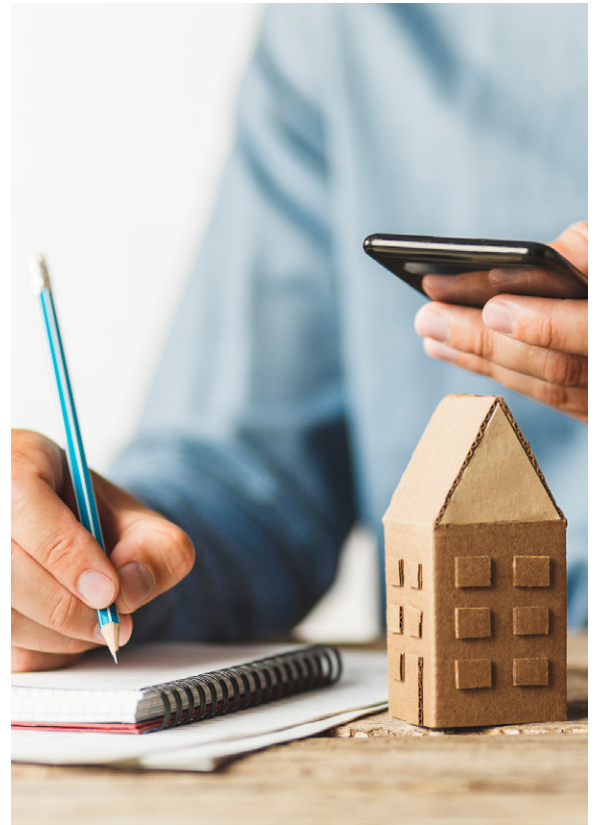
After a slow start to the year, tenant incomes also rose during 2021. The average wage of a tenant in England between January and March 2021 was £24,558. Between September and November, this average rose to £26,486 - an uplift of 7.8%.

Greater London held the highest average wages across the year, with a 2021 average of £36,180. The lowest incomes were in the North West, where tenants earned £21,001 on average this year.

Commenting on the State of the Lettings Industry report, Tom Mundy, COO of Goodlord, said:

"This report paints an encouraging picture for the industry. Key signs of recovery can be seen in the arrears data and tenant sentiments, and the majority of agents are still feeling optimistic about the future of the sector

After a year like no other, these insights offer a picture of a resilient, forward-thinking industry which is moving with the times and responding to major shifts in tenant demand and landlord behaviour with characteristic stoicism and professionalism."



Review Your Buy-to-Let Mortgage

In 2022 we have had 2 interest rate rises already and all bets are off regarding where the base rate will end 2022. If we had a crystal ball and had to guess - we would say the base rate will be higher than the 0.5% that it is currently.

We advise all landlords to stay on top of interest rates and figure out what's best for their investment. You might be able to save money by switching over to a better deal. In these uncertain times, with the media discussing hyper-inflation and base rate increases, it's now more important than ever to keep on top of this. Also bear in mind personally held Buy-to-Let properties cannot offset mortgage interest for tax purposes.

If you have a mortgage advisor then now would be a good time to talk and prepare for the future. The better the rate of your Buy-to-Let mortgage, the more rewarding being a landlord is likely to be in the long-run.



Mid-Term Inspections - What You Need to Know

Periodic inspections of your property are just as important for landlords as the inventory check at the start of the tenancy. Done properly, a Mid-Term Inspection, will help you to keep track of the state and condition of both the interior and exterior of the property and allow you to have any issues put right before they become a bigger problem. It's also a good way of maintaining a good relationship with a tenant and an opportunity to remind them of their responsibilities.

During the lockdowns and restrictions due to COVID-19, landlords and agents were unable to enter their rented properties, either at all or not as regularly as before. Where inspections did take place, they were generally brief and just covered the the basic requirements.

With most restrictions now lifted, access to the property is easier again, and it's important to resume these regular checks as they will highlight any necessary maintenance and safety issues which can then be dealt with as soon as possible. Keeping your tenant safe, as well as avoiding unnecessary costs and complaints from them is key but you won't want to carry out these checks too often or unnecessarily.

It is usual to carry out inspections on average every 6 months, with inspections taking place at longer intervals for long-term trusted tenants with whom a relationship has been built.

At Horizon Lets we will conduct Mid Term Inspections (MTI) on your property at 6 monthly intervals if you request this. We will use this as an opportunity to see if anything needs repairing or replacing, and also to check in with your tenant. Most tenants respect where they are living but a Mid Term Inspection will highlight whether you have a tenant who is less considerate and may be in breach of their Tenancy Agreement.

Please contact us to discuss arranging an inspection for your property.

We will produce a mini, digital, photographic report of the condition of your property and make an assessment of any issues that may require attention.

Get Prepared For Making Tax Digital

Some major changes are being made to the way HMRC collects information about income from UK property from 2024 with the implementation of Making Tax Digital. This will have a huge impact on landlords - read our guide to start getting prepared.

The introduction of the Making Tax Digital (MTD) initiative is a fundamental change to the way taxpayers report to HMRC – and landlords are among the first to be affected.

What is Making Tax Digital (MTD)?

MTD will change the way the self-employed tax system works and is a key part of the Government's ambitious plan to become one of the most digitally advanced tax administrations in the world.

It is intended to make it easier for individuals and businesses to get their tax right and keep on top of their affairs. The system aims to help taxpayers keep digital records and use software to meet their HMRC obligations across VAT, income tax, and corporation tax. It's believed it will also swell government coffers, as the system will help to prevent avoidable tax mistakes; estimated to be in the billions every year.

What are the changes?

The changes require all landlords with an annual rental income over £10,000 to submit a return each quarter via their HMRC digital tax account. The return shows rental income & expenditure using the same categories as the current UK Tax Return – **it must be filed within 30 days of the quarter end** to give 'real time' reporting of your tax position.

Instead of completing a self-assessment tax return on the 31st of January, you will sign a declaration that your quarterly returns are accurate and correct. You then have until the 31st of January the following year to pay your tax.

What do I do now?

The new system applies from April 2024, which seems way into the future. However, it is never too early to start getting MTD ready. Landlords can voluntarily sign up for MTD before April 2024 via the **government's website**.

Before you sign up though, you must have [software that's compatible with MTD](#). We recommend switching to an MTD-compliant accounts system or landlord software with the required accounting capabilities soon in order to be fully prepared.

It's important to make a note of the dates you will be required to submit your information to ensure you do not incur a late submission penalty. While you won't be expected to submit your receipts alongside your returns, you will be required to store them digitally. Ensure you keep accurate records and report your earnings correctly.

What if I have more than one property?

If you have multiple rental properties, you do not need to set up a tax account for each one. You can total the expenses and income for all your properties in one digital tax account.

What if I have another business?

For a sole trader who uses Self-Assessment for other businesses unrelated to being a landlord, it's a little more complicated. To work out your income for the purposes of MTD, the rental income should be combined with income from any sole trader businesses you own. If the total comes to more than £10,000, you need to register for income from your property rental, as well as from your other business(es).

What if I own a property with someone else?

The MTD process works on an individual submission basis. This means if your property is jointly owned, the income and expenditure must be proportioned between the owners

For example, with a rental property owned by a husband and wife on a 50/50 basis, both husband and wife would have to declare the property to HMRC. They divide the income and expenses by the ownership percentage of each party and submit returns for their share. If you own multiple properties and with different ownership splits this calculation needs to be done on a per property basis

If a property is owned by a business partnership, the partnership is responsible for MTD obligations, which must be fulfilled by a nominated partner. Quarterly summary information can be pushed to each partner's digital tax account and individual tax liability calculated.

MTD for VAT

VAT-registered landlords are already following the MTD rules by using digital software and are obliged to submit returns from April 2022.

MTD for Corporation Tax

Landlords operating as a limited company to benefit from corporation tax rather than income tax rates will also be affected and will also need to prepare for the digitalisation of their systems. It is planned that a pilot scheme will be available from April 2024, with a full mandatory roll out from April 2026, when all companies will join MTD for Corporation Tax.

Keep Accurate Records

The changes to the tax system will herald a new era in keeping and submitting financial records. At Kernel we are already equipped to help our landlords maintain accurate information. We work with a highly efficient digital client accounting platform and can guarantee monthly and quarterly income & expenditure statements within days of the period end date.

This article is a guide and does not constitute legal advice. To keep up to date please refer to the [current government guidance](#).



Our Brief Guide To Letting A Property

This is a landlord's quick checklist of items to make sure landlords keep in mind all the items involved in renting a property.

Letting property is an increasingly complicated business. Here is our Landlord Guide with all the legal, financial, and practical issues you need to consider before a tenancy begins.

Safety First

Gas Safety - Your property must have a current [Gas Safety Certificate](#) before it is let. This is renewed every 12 months.

Electrical safety - Since 1st June 2020 all rental properties have required an [Electrical Installation Condition](#) report (EICR), which must be done every 5 years. You also need to ensure that all electrical appliances are in good working order.

EPC - There must be a valid [Energy Performance Certificate](#) to advertise a property to rent. This is renewed every 10 years. Currently the legal minimum rating is E but be aware this is due to change to C in 2028.

Fire and Safety Regulations- Items of furniture must comply with [current safety requirements](#). Some older pieces are exempt, and we are happy to advise if you have any queries.

Smoke, Heat & Carbon Monoxide Detectors – At a minimum there should be 1 smoke detector per floor, and it is recommended that a heat detector is fitted in houses of 2 stories or more. Carbon Monoxide detectors are needed for solid fuel systems. Find out [more here](#).

Financial

Insurance - Most Buy-to-Let lenders will insist on Landlord's insurance and, even if this is not your situation, it makes sense to protect your investment. Landlords ensure that the property and contents included in the let are insured, whilst the tenants are responsible for insuring any possessions they bring in.

Many landlords are now looking for some form of Rent Guarantee for peace of mind. Horizon Lets provides this service for landlords as an add-on to our managed package.

Tax - As a landlord you are liable to pay income tax on your rental income. It is your responsibility to inform Inland Revenue of this income. If you live abroad for 6 months or more per year, you are classed as a 'non-resident landlord' by HMRC, even if you're a UK resident for tax purposes. More information for non-resident landlords can be found at www.gov.uk. It is also advisable to speak to an accountant for advice on your tax liabilities.

Limited Company - More and more landlords are buying and running their properties as a Limited Company due to changes to mortgage tax relief.

Limited Company landlords may also make a saving on their annual tax bill and avoid capital gains tax. If you are considering this it's important to get professional advice first.

General

Mortgages- If the property being let is subject to finance and the terms of this agreement require consent, then you should obtain this consent prior to any tenancy.

Leases- Again, if the property is leasehold and requires consent to sub-let then this consent should be obtained prior to any tenancy.

Mail- We recommend that you as a landlord set up a mail redirection agreement with the Post Office to avoid any potential loss of mail.

Keys- Your agent should be supplied with the relevant set of keys, depending on the number of tenants moving in, plus a management set if appropriate. Additional keys can be cut on your behalf with your permission.

Tenancies

Tenancy Agreement - Most tenancies are Assured Shorthold Tenancies (AST's) which typically last 6 or 12 months and often renewed thereafter. Make sure you use an agreement that is up to date with [current legislation](#).

Inventory- We highly recommend a professional inventory is done prior to any tenancy. It will record the condition of all the fixtures and fittings at the property and can be used to help settle deposit disputes at the end of tenancy if things are missing or broken.

Deposit - A Damage Deposit of no more than 5 weeks rent can be requested for an AST. This must be lodged with an approved Tenancy Deposit Scheme. At Horizon Lets we work with the Deposit Protection Service (DPS) and organise any deductions and returns according to current regulations.

Check Out- A full check out inspection should be done at the end of any tenancy and the report compared against the original inventory. This will subsequently help in assessing fair wear and tear, cleanliness, damages, and any potential deposit deductions.

Maintenance

Landlord's Responsibilities - It is a landlord's responsibility to keep a rental property in a good state of repair and to ensure all heating, water and electrical systems are working properly. It is also extremely important to respond to tenant complaints about the condition of their home.

Maintenance Basics - Under the law landlords are always responsible for repairs to the following essential aspects of a house or flat:

- The structure of a building & condition of its exterior
- Sinks, basins, baths, and other such fittings; this includes the proper working order of drains and pipes
- All gas appliances and associated pipes, ventilations, and flues
- The electrical wiring in a property
- Fixing any damage that might be caused when carrying out repairs

Wear and Tear - There is a certain amount of deterioration to be expected as property ages and as the landlord it's your responsibility to fix and cover the costs of any damage to the property that could not be considered fair wear and tear.

Refurbishment and Redecoration- Keeping your property looking fresh for new tenants is an important part of being a good landlord and will attract the right target tenant. As a rule of thumb look at replacing carpet every 5-7 years and fully redecorate every 3 years.



Property Information Packs

We are developing for every property that we manage a Property Information Pack. This will be a fully comprehensive guide for tenants to the property they are renting and provide them with everything they need to know for a smooth and positive tenancy experience.

This document will be available at all times to tenants and landlords through our Arthur platform and will hold up to date information including;

- Alarm codes and access information
- Refuse and recycling collection calendar
- Name of Block management company (for apartments) with contact details
- If white/electrical goods are included- the makes & models and manuals if possible
- Utilities: meter locations and serial numbers plus any information (eg top up meter)
- Location of water stop cock

- Council Tax band and details of how to register
- Parking arrangements
- Any existing service agreements eg British Gas Home Care Plan

We will also include guidance notes for tenants on caring for your rental property and safety, including;

- Window cleaning and garden maintenance responsibilities if applicable
- How to prevent damp and mould from condensation in properties
- Fire Safety notes

We aim to create this document to be the definitive tenant guide to living in and looking after your rental property. We make it this comprehensive to ensure no stone is unturned and to provide your tenants with a positive introduction to the property and to Horizon Lets.



Get Ready For Right To Rent Check Changes

Landlords and letting agents managing properties are required to undertake Right to Rent checks. There have been recent updates to this legislation and further changes are on the horizon.

What is Right to Rent?

Since 2015, landlords or letting agents where applicable, have been required to check that all prospective tenants have lawful immigration status in the UK before entering a residential tenancy in England, in order to avoid liability for a civil penalty.

In Person Checks for Right to Rent

Previously, all Right to Rent checks had to be undertaken in-person. Temporary emergency measures were introduced in March 2020 to allow these checks to be carried out by video call. This was to minimise face to face contact in the wake of the Covid-19 pandemic.

This is still allowed to happen- but from 6 April 2022, this changes for specified groups.

So what are the changes?

The Government has had for several months an online system for checking Right to Rent but it has so far been optional. As part of wider moves to minimise the scope for human error or criminal abuse of the system, presentation of a physical document by some groups, will no longer be accepted as valid proof of Right to Rent.

From 6 April 2022, Biometric Residence Card (BRC), Biometric Residence Permit (BRP) and Frontier Worker Permit (FWP) holders will only be able to evidence their Right to Rent using the Home Office online service.

When these new arrangements come into force, landlords will not need to retrospectively check the status of BRC, BRP or FWP holders who entered into a tenancy agreement up to and including 5 April 2022. Landlords will maintain a statutory excuse against any civil penalty if the initial checks were undertaken in line with the guidance that applied at the time the check was made.

What is The Online Service?

To carry out an online right to rent check, landlords need the applicant's date of birth and their share code, which the applicant will have obtained online.

To complete the online right to rent check, landlords will enter a prospective tenant's details by visiting the 'checker' side of the service.

It's an easy and efficient system and Horizon lets have been using the service since it was introduced. It removes any doubt regarding the right to live in the UK of any overseas national, giving peace of mind to landlords and agents alike.

For further guidance check the Home Office's Landlord's Guide to Right to rent checks [here](#).

Save Tax By Claiming Subsistence Expenses

HMRC has strict rules but the general rule of thumb is, that for a landlord cost to be an allowable expense, it must have come about exclusively for the purposes of renting out the property.

We say that expenses incurred as a direct result of trips to investment properties, such as to carry out inspections, perform repairs, or view them prior to purchase may be tax deductible.

Such subsistence expenses will generally cover transportation, parking charges, tolls, congestion charges, (business-related) phone calls, accommodation and meals.

The rules can be complex and consideration needs to be given whether expenses are revenue or capital in nature, and if you use a limited company or not. HMRC's guidelines on expenses should always be checked and followed.

Do You Have Property Grand Plans For 2022?

It seems many of our clients are already looking to the future and creating investment plans for 2022... are you thinking ahead?

More than ever we are being asked "Is it a good time to start investing in property?"

Our answer is, it's always a good time to start investing in property as long as you have a firm idea on your strategy, and you hold a clear plan with finances to support the plan.

You also need to be looking at the investment hotspots for 2022. Property Investor Today have published a report on the areas they deem worthy of your money and here are our thoughts on the cities that are showing the most promise.

Birmingham

The Birmingham housing market is expanding at such a rapid pace that it is currently unable to keep up with demand. Over the next three years, we anticipate that investments in this city will sell rapidly, and that rental prices will continue to rise. Birmingham has been named the best regional city in the United Kingdom to live in, with a cost of living almost 60% lower than London.

Manchester

What are the advantages of investing in Manchester in 2022? For many years, Manchester has been the number one choice for investors, and the city's population has been constantly rising, with students and professionals alike opting to settle here to experience the famous Mancunian culture and lifestyle. There is an increasing demand for housing as a younger population chooses to live in Manchester for longer terms. To meet the demand, 7000 new homes are built each year.

Nottingham

A 'sleeper hit' for the UK property market, Nottingham has been making huge strides over the last few years and now represents a key investment area. More affordable than other major cities such as Manchester, Nottingham's major strength is in its past capital growth and future long-term yield growth, which is set to be one of the strongest in the country.

Driven by two major UK universities located relatively close to the city centre, there is a huge amount of tenant demand, alongside a booming creative quarter that is serving the growing graduate pool. Nottingham is also home to Queens Medical Centre – a 'super hospital' in the region and one of the largest teaching hospitals in the country, with over 6,000 medical staff adding to the growing demand for accommodation.

Liverpool

Liverpool has experienced significant growth in recent years, with an annual growth rate of 4.8% in the last twenty years and £5.5 billion invested in infrastructure and is a former European city of culture – helping to boost tourism, jobs, and transportation – making it an ideal location for new investment. Liverpool has witnessed a record number of start-up businesses and is home to almost 70,000 students, with three significant universities contributing to the economy and housing demand.

Sheffield

Sheffield is one of the most valued cities in the UK, with an average property worth of £169,464 making it a hotspot for investors. Not only is it a valuable city for a variety of reasons, but there is also a fast-rising housing demand. By 2039, the population of 575,400 is expected to rise by 80,000, resulting in high demand for new homes.

Sheffield is home to 2 prestigious universities and a sizeable student population, which contributes to the city's rising population as a substantial number of students stay in the city after graduation.

Leeds

Another major force in the North, Leeds has quickly become recognised as a key city for investors seeking long-term rental returns. Home to 800,000 people, 73% of the households in Leeds are currently renting, making this a dream for investors looking for consistent tenant demand.

While capital growth has been minimal compared to others on this list, rental demand in Leeds is gaining momentum quickly. Economically, Leeds is one of the fastest growing in the country and now rivals several European cities. This is having a huge impact on the opportunities available within the city, enticing nearly 10% of those leaving London annually since 2018.

If you have plans to grow or buy your first investment property in 2022 then maybe we can help; get in touch today.

We Offer Rent Guarantee

We fully appreciate the need to protect rental income for the property. Sometimes, circumstances out of a tenant's control, such as redundancy, may result in a rent default and it is at this point that our rent guarantee service can make a difference. If you want complete peace of mind ask us about rent guarantee today.

A final message from The Team

Although we are all still dealing with the presence of Covid but there is a sense of things returning to normal in all our lives and some of us have even managed a holiday overseas!

As a company we keep a keen eye on legislative changes that affect the business of lettings. There have been a few of these recently and, with the looming white paper and renters reform bill we are more committed than ever to keeping you up to date with what is going on and how it affects you and your property.

We understand that buying and renting properties might seem a daunting thing to be thinking about right now but, hopefully, we can support you through the process and make it all a whole lot easier! The property market is booming so we feel positive about how things will go in the housing sector however urge caution to investors not getting carried away with paying potentially an inflated price, just because there is a lot of demand at the moment. Remember the property market is cyclical and a "correction" or more accurately named, a downturn, is inevitable at some point- don't buy an investment property at the height of the market!

Finally we are grateful to all our landlords, from those who have been with us for a long time to the ones we have welcomed just recently. We are delighted with the growth and progress of Horizon Lets and hope to continue to serve all of you with an unrivalled service.

As always we love to hear feedback from our landlords about how Horizon can be even better, thank you for being on our journey and we hope this newsletter has been valuable.

We have been nominated for a
YORKSHIRE CHOICE AWARD as....

Independent Business of the Year 2022

It seems our hard work and commitment to excellence has not gone unnoticed. The Yorkshire Choice Awards were founded as an opportunity to recognise and raise the awareness of local people and independent businesses that are inspirational in their own way or in the markets they serve. We are so proud to have been nominated for this award and be recognised as one of the best independent businesses in Yorkshire.

We would really appreciate your support if you could spare a couple of minutes to place a vote for our team via this link

www.yorkshirechoiceawards.co.uk/votehere





HorizonLets.com
hello@horizonlets.com
0333 577 2118



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