

# THE Asset

ESSENTIAL INFORMATION FOR PROPERTY INVESTORS AND DEVELOPERS

ISSUE 5 - SPRING 2009

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## Use your equity to grow your wealth, while you still can . . . !

Property investors that have substantial equity in their properties are finding themselves in a much stronger position than other landlords and are using this situation to grow their portfolios.

Research by Kingswood Associates has shown that because these landlords have access to the lowest mortgages on the market a number of them are releasing further funds in order to take advantage of the current housing price decline.

*(continued on next page)*



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P R O P E R T Y F I N A N C E C O N S U L T A N T S



established 1997

# Equity Release

## Use your equity to grow your wealth

(continued from cover)

Whilst a lot of property investors are having trouble finding competitive mortgages, low rates do still exist for those that bought properties well before the credit crunch. For investors that made purchases a few years ago and now have equity above 30% there are still competitive rates available.

Mortgage rates recently on offer to landlords looking for loans of no more than 70% include a fixed rate

product of 3.49%. Some of the rates even include incentives, such as reduced valuation fees for portfolio applications.

To make the most of the current situation many Kingswood clients are re-financing existing properties and pulling out additional funds to pay the deposits on further investment purchases. Many have found that whilst the property market is in a

period of uncertainty residential and commercial bargains can be found and negotiations end up in the purchasers' favour.

**If you are interested in finding out whether you qualify for the best rates then why not let Kingswood perform a review of your current borrowings? For a free property finance health check call us now on 0845 230 30 230.**

## Do you own commercial property? You can make your business Recession-Proof

The thought of a recession is making a lot of business owners nervous but many need not panic as a simple review of their property can put their business in a strong position.

Right now Kingswood Associates is helping many clients re-mortgage their premises to release the equity built up over the past few years. This cash is then used to boost their businesses or is stored in a high interest account as a

safety net for the hard times ahead. Many smart business owners who do not have an immediate need for the money are still examining the options available. The rule as always is Cash is King and as the saying goes "Borrow when you don't need it because when you do you probably won't get it".

Even businesses that do not own property can still access finance. The value of a debtor book and items of

equipment can be leveraged in the same way.

Any business that owns property, from a small shop or restaurant to an office or large industrial unit, should look at their properties for peace of mind now.

**To access the lowest commercial finance rates and strengthen your businesses call Kingswood Associates now on 0845 230 3 230.**



visit our new website at [www.KingswoodAssociates.co.uk](http://www.KingswoodAssociates.co.uk)

# Buy-to-Let News

## Base Rate reductions start Buy to Let surge?

The recent Base Rate drops, to the historically low 1.0%, have many finance and property experts believing that the housing market will recover sooner than previously expected, with investors set to capitalise on the situation.

Although the Bank of England reduced the Base Rate to boost the economy, it is widely thought that it will have a positive effect on housing values.

House prices have been falling for over a year and have dropped by an average

of over 14% according to the Halifax House Price Index. Many investors do not expect values to fall much further than this so are looking to increase their portfolios. Up until now the rising cost of finance has made it difficult to purchase additional properties but when rate reductions, such as the surprising 1.5% cut in early November, are passed on to borrowers by lenders this situation should reverse.

In the eyes of many investors property is looking a safe bet again. With

alternative investments such as shares having shown poor performance recently, many people who have not previously invested in property are now considering joining the seasoned landlords.

**If you are thinking of taking advantage of cheaper finance and more affordable properties then call Kingswood on 0845 230 3 230 while you still can.**

## Stamp duty change boosts Buy-to-Let

Last year's stamp duty waiver on properties worth up to £175,000 may have been put in place to help first time buyers but it could have a more positive effect on the UK's property investors.

The 1% stamp duty charge for any residential property under £175,000 will be waived for a year, allowing buyers the chance to save up to £1,750 per property.

The change is estimated to make half of all property transactions tax free but experts fear that first-time buyers will continue to struggle due to higher finance costs. However, many landlords have larger cash deposits and can use these to take advantage of the situation.

The move was put in place to make the housing market "fairer for all" but sellers with properties around the £200,000 mark are starting to reduce prices in line with the new threshold.

Investors are coming back into the market, seeing the lower prices and lack of tax as good incentives and the present as an ideal time to increase their portfolios.



## University & Hospital towns beating the house price decline

While UK house prices are falling as a whole, average property prices have more than doubled in three university towns and have shown strong growth in places where hospitals are present.

According to new figures from Halifax, the average cost of a property in Belfast climbed by 105% between 2003 and 2008. House price gains of 101% were experienced in Dundee during the same period and in Bangor the value of the average house rose by 100%.

Another twenty university towns saw average prices grow by over 50%, with Bradford and Aberdeen near the top of the list with increases above 90%.

A spokesperson for Halifax commented: "Over a third of the university towns in this review experienced average house price growth of over 50% in the last five years. While it can be a good investment, the decision to buy a property for a son or daughter at

university ultimately depends on the parents' personal circumstances and property prices around the university in question."

Properties near hospitals have also shown similar rises. Property values in towns and cities that hold both a university and a hospital, such as Cardiff, Swansea and Newport, are expected to continue outperforming other UK properties without these facilities near by.

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# Kingswood News

## Do you need insurance? We can help

Kingswood Associates is now able to assist you in securing the lowest insurance for your properties, businesses and developments.

By working with some of the leading insurance providers we are able to often beat renewal quotes from existing suppliers.

We can help save money on most insurance policies, including:

- Landlords in need of buildings and contents insurance
- Developers looking for construction plant & equipment cover, professional indemnity, all risks and fleet cover, etc.
- Businesses in need of employers

liability insurance, professional indemnity insurance, cover for premises and assets, etc.

- Homeowners with buildings and contents requirements
- If you are in need of insurance for any of the above situations then call Kingswood Associates now on 0845 230 3 230.**

## Recent client deals

### Funding arranged to save Religious Centre

Kingswood Associates was approached for funding by the founders of the El-Shaddai International Christian Centre in Golders Green, London. They had exchanged contracts to purchase and needed a large loan within a matter of weeks to complete the deal or lose their deposit. The tight timescale and the 80% Loan to Value made it a tough deal to structure. The centre approached a number of other brokers and banks before Kingswood but had no luck due to the unique funding needed. Kingswood worked quickly with the mainstream lender so that the time from the initial enquiry to the completion was less than 4 weeks. The swift action and competitive finance rates saved the centre.

### Developer helped with "Build to Let" loan

A property developer client of Kingswood Associates had finished building a residential development of 12 houses and flats. The development had been valued at £1.8 million but the house price decline had reduced this value to the point where he no longer wanted to sell them. Kingswood was able to find funding to take out the outstanding development loan of £1.1 million, allowing the developer to retain the properties on a Build to Let basis. The 12 units are now rented to private tenants and the rent covers the mortgage costs and the developer now has a large group of assets which he can sell in the future once house prices have risen.

### Mezzanine loan allows development to continue

Kingswood Associates received a call from a client that was looking to convert his large London house into 4 apartments. Planning Permission had already been obtained but due to the recent movements in the market he was unable to obtain traditional development finance. Another broker had looked at the deal and promised to secure development funding but at the last minute let the client down. The Kingswood commercial finance team was able to secure the required funding by way of a mezzanine loan taking him to in excess of 85% of the current value allowing the project to proceed. The development has now started and the client is on track to make over £600,000 profit.



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# Kingswood News

## Kingswood defies the credit crunch

### New staff and new services provide a lifeline for clients

In a time where news articles consistently highlight the slowing economy, the drop in property prices and the credit crunch, Kingswood Associates has managed to buck the trend by growing as a company and expanding its offering.

Whilst many IFAs, brokers and lenders have gone out of business or retracted significantly, Kingswood has taken the opposite approach and managed to generate increasing levels of business. We are now becoming known as one of the few remaining places a property investor, developer or business can turn when in need of finance.

#### Four new members join the Kingswood team

The Kingswood team has grown during the last quarter of 2008 with the addition of three new members.

Sian Brown joins as Sales and Business Development Manager. Sian has spent 10 years in financial services, the last 7 as National Sales Manager for Trustguard Credit Services, a mortgage and loan packager.

On joining the team Sian commented "Kingswood is a huge step forward for me. I believe that now is the time when people need a broker the most so I see the future as very busy. My previous role saw me build up a lot of relationships with other IFAs, Accountants and finance companies,

something I will continue to do at Kingswood".

Mark Shepherd and Kathryn Hurford have both joined the Buy to Let team as mortgage advisors. Both are CeMAP qualified so are fully certified to advise on mortgages and both have a background within financial services.



Mark Shepherd

Kathryn Hurford

Sian Brown

Mark and Kathryn are also qualified and experienced residential mortgage advisers so will assist Kingswood clients in this area. Lately residential mortgages have become increasingly tricky to source and after many client requests we are now offering this service, using our expertise to find you the right home loan. We can assist with residential mortgages of all types including the new 70/30 shared ownership scheme introduced by the Government.

#### New services added to complete the package

Along with residential mortgages and insurance the firm recently opened a sister company, KA Estates, which specialises in helping investors and developers buy and sell land and properties.

An example of how Kingswood can provide a full package for developer clients is highlighted here. Dealing with Kingswood Associates and KA Estates means you can have:

- The funding for the development sourced and arranged
- Buy to let mortgages for any units you wish to retain as investments
- Sales of units managed by an estate agency specialising in this area
- Buy to let and residential mortgages quickly in place for all purchasers
- Insurance throughout, from site insurance during the development to buildings and contents cover on the finished units

**Kingswood Associates can help in all areas of property and finance. If you need finance or insurance for a property or are looking to sell or purchase a property then call us on 0845 230 3 230 today.**

## Earn M&S vouchers with the Kingswood Associates Referral Scheme

Kingswood Associates works with most of its clients after they have been recommended our services by a friend or advisor. This is something we are looking to continue and would like to reward the people helping our business grow.

If you have a friend, colleague or

client who is looking to raise finance then pass us their details so we can help. Not only will they have the Kingswood team searching for the most suitable funding available but when they go ahead we will send you something to show our gratitude. This quarter we are rewarding all new

referrals with a £50 Marks & Spencer voucher!

So tell everyone you know about Kingswood Associates and how we are able to assist with their buy to let and commercial finance needs, or just give us the names of people you think we may be able to help.

**visit our new website at [www.KingswoodAssociates.co.uk](http://www.KingswoodAssociates.co.uk)**

# Energy Performance Certificates

## Don't get caught out by the new EPC requirements

Many Landlords are still unaware of the new legislation surrounding Energy Performance Certificates, leaving them at risk of incurring fines.

Since 1<sup>st</sup> October landlords are legally required to provide all new tenants with Energy Performance Certificates, but recent research found that over half of the UK's landlords were unaware of the changes.

If a landlord fails to comply with the regulations a £200 fine may be enforceable and the landlord could be prohibited from advertising the property, resulting in needless void periods. John Heron of Paragon, the lender responsible for the research, commented "Making sure you have an EPC in place early will reduce

the threat of void periods, as well as avoiding the possibility of an expensive fine. The Government has targeted domestic energy use as a way



of reducing carbon emissions and landlords have to play their part."

Many of the landlords that are aware of the change welcome it, believing that

energy efficient properties would have a positive effect on tenancy duration. The National Landlords Association believes that the energy efficiency of a house could determine whether a tenant changes residence. If bills are too high or the property does not stay warm then tenants may look to move on sooner.

The research also revealed that landlords are also unaware of the tax allowance available to improve the energy performance of their properties. Over one in five landlords had not heard of the Landlord Energy Saving Allowance (LESA), a scheme that allows them to claim up to £1,500 of their tax return against the cost of buying and installing items such as cavity insulation.

## Energy Performance Certificates for Landlords

Michelle Michaelis (DEA) of [Hips4landlords.com](http://Hips4landlords.com), discusses Energy Performance Certificates further:

The Housing Act 2004 introduced the concept of HIPs (Home Information Packs) for all property sales. Included in this is the Energy Performance Certificate (EPC) and now the legislation has been extended to cover the provision of an EPC for any new tenancy created.

The landlord will have to provide an EPC before the commencement of a new tenancy. In principle, this is intended to give tenants the opportunity to compare rental properties and pick those considered

most energy-efficient and cheapest to run. The EPC will check boiler efficiency, lighting, insulation and other items affecting energy performance.

The average cost of an Energy Performance Certificate is around £85 and it is valid for ten years. This means that you will not be required to obtain another certificate should your tenant leave after six months – the current certificate will suffice.

Will you require a certificate for each letting? A House in Multiple Occupation is exempt from the requirement for an EPC, so if rooms are let on individual contracts you do not require an EPC. If however, your

house is let on a single contract, e.g. to a university, then an EPC is required. Each flat and house let on a single tenancy also requires an EPC.

Hips4landlords.com charges £65 (no VAT) for an EPC, with special rates for landlords with more properties and for Letting Agents who can supply a competitive rate to landlords as part of their lettings service. The charge is regardless of the size of the property, and this will include lodgement with the online registry, Landmark, for instant download. We cover the South Wales area. For further information, to place an order or just to keep up with latest developments, go to our web site on [www.hips4landlords.com](http://www.hips4landlords.com)

visit our new website at [www.KingswoodAssociates.co.uk](http://www.KingswoodAssociates.co.uk)

# Building Profit into Property

## Part 3 – Small Developments

Our series of articles looking at how to add value to property continues as we focus on small scale developments.

Developing residential property was once a task best left to professionals and financing a project could prove very expensive. These days however it is a lot easier to start developing and so long as you can find suitable land then funding can often be secured quickly and on favourable rates.

The way many people enter the world of developing is by purchasing a house with a large garden. Part of the garden

is split off from the main residence and planning permission is applied for with a view to building a second house on this separate land.

If you can find a plot of land with existing planning for a single unit development look to see whether two or three smaller units would fit there instead. Increased planning permission of this type should make the project a lot more profitable.

The general rule that many developers work towards is that a third of the end value is land costs, a third is build

costs and a third is profit. With lots of projects where the land is already owned the developer is able to double the money invested in building work once the sale takes place.

In the current property market a number of the larger developers are holding back on projects. This creates an ideal time for smaller developers to step in and seize opportunities. Negotiations with vendors can be more favourable and land can now be purchased for less as they are not holding out for large offers from the big developers. As there are less projects being worked on you may find that building supplies firms and even contractors are willing to accept less than they recently have.

If you are new to developing then it is wise to consider using a project manager or architect to assist with running the job. Not only will you have all the benefits associated with an expert, including access to their industry contacts, but by having them on board certain lenders will view the project as less of a risk and may lend more money or offer lower rates.

If you are considering property development then further advice and finance is available from the Kingswood team on 0845 230 3 230.



## Mezzanine Finance

Property developers often find themselves in the position of having a great opportunity but not enough cash to bridge the gap between the cost and the level of finance offered by a lender. This is where mezzanine finance can be a lifesaver.

Mezzanine finance is top-up funding, in effect a second mortgage, that sits alongside the conventional bank loan and is additional cash given towards a project. The interest rate is more expensive but in doing so up to 100%

of the development costs can be covered. This type of funding can be used for both land and building costs, and is open to all kinds of property development, from smaller conversion projects, to multi-site residential and commercial builds.

As the debt is often settled in a one-off payment from either the profits or from a refinance package, rather than being paid monthly during the build, cash-flow can remain positive.

Rather than let an ideal opportunity slip away due to a shortage of readily available funds, why not allow a mezzanine lender to take care of your contribution? Many developers do this and view mezzanine funding as an essential tool for their business.

**Kingswood has close relationships with the leading mezzanine lenders. Call us now on 0845 230 3 230 to discuss your next project.**

**visit our new website at [www.KingswoodAssociates.co.uk](http://www.KingswoodAssociates.co.uk)**

# Your Kingswood

Lisa Nunns Manager, KA Estates



Lisa Nunns is the manager of Kingswood Associates partner firm, KA Estates, and specialises in the sale of residential investment and commercial property as well as land with development potential.

**First job:** Waitress

**Best advice you've been given:** 'Be yourself'

**Favourite sport:** Football

**Favourite team:** Manchester Utd

**Most memorable game:** Man Utd v FC Bayern Munich - 1999 UEFA Champions League Final at Camp Nou in Barcelona on 26th May 1999! The treble winner when Man Utd scored two goals in injury time to beat 'ze germans' 2-1!! Yeeaaahh!

**Favourite film:** The Color of Money - Tom Cruise & Paul Newman

**Favourite film star:** Tom Cruise

**If you could be a character in any film it would be:** Lara Croft

**Favourite song:** Brown Sugar by The Rolling Stones

**Most memorable gig:** The Rolling Stones, Amsterdam Arena, Forty Licks World Tour 2003 - 2004

**Band you'd most like to be in:** Sugababes!

**Item you cannot live without:** Diary or Mobile! Can I have two?

**Favourite saying:** 'Why not?!'



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