

Personal Homefinders Update

We are pleased to be able to welcome Keith to the Maintenance Team to work alongside Robert and Gary. Each member of the team has specific areas of expertise, although we are encouraging training in other areas to ensure the complete service can be offered.



In addition, we have two brand new, fully fitted vans to complement the existing fleet and all have been kitted out in the company's distinctive colours and logos. This is all part of our ongoing commitment to improve and develop the Maintenance services offered to both Landlords and Tenants, to provide quality, reliable workmanship at a reduced cost.

We also now have several new temporary Summer Staff to help us through the hectic summer change over period, all of whom are now settled in and fully trained ready for the onslaught!

Work is continuing to improve the look, condition and signage of the three branches as we recognise the enormous competitive advantage of a strong office location within the lettings industry, especially with the advent of the internet based only companies. More than 70% of our new tenant enquiries come through walk-ins to the offices or in response to advertising, compared with just 23% using the internet.

However, we do also recognise that the internet is a growing medium and we have recently commissioned a complete revamp of the Personal Homefinders website, from design to search facilities, and hope to bring more news of this in the Autumn issue of the Investors Newsletter.

We have just returned from a whirlwind visit to Johannesburg and Cape Town and would like to thank all those landlords who met with us for their time. We would also like to apologise to those who we didn't manage to see due to distance and timing restrictions

Paul Cole
 Managing Director

Please contact us if you have any comments or suggestions on this newsletter and its contents via shelley.cole@personal-homefinders.com

Residential Rental Trends

There have been several different residential rental reports released this quarter and some of the most interesting highlights are below.

- The average void period is stable at 31 days
- The average rental return in a house is 5.1% vs 5.4% in Dec 03. For a flat it is 5.4% vs 5.6% in Dec 03.
- The average monthly rent is £719. This falls to £527 if London is excluded from the figures.
- The average number of viewings before a let is 6.5 vs 5.6 three months previous.

The tremendous increases we have seen in house prices has outstripped the growth in rental rates and we are seeing only low rises in rents growth, certainly not matching the strong levels of capital appreciation.

As first time buyers have been priced out of the market, their place has been taken at the lower end by investors, increasing the pool of rental property available. In this competitive climate it is even more imperative to ensure that the investment purchase is one that meets the needs of the target rental market and is in the best location.

- Student properties need to be as close to the relevant college as possible. They seem to be polarising between the larger houses with 5+ bedrooms and the smaller properties of a maximum of 3 bedrooms.
- Young professionals are looking for trendy, modern properties in the heart of the social centre. One or two bedroom properties are very popular, the challenge with the latter being finding properties with equal sized, double bedrooms.
- Families want good size houses in catchment areas for the best schools. 3 and 4 bedroom properties are popular, especially those with other families nearby and with good size gardens.

We would now consider 5% return to be an average investment property and again stress that investing in property should be a long-term capital growth strategy as part of an investment portfolio, rather than a short-term gain.

In a recent survey, 27% of landlords said that they see the average life expectancy of their property investments to be more than 20 years with 64% saying more than 10 years.

The landlords in this survey also believe that 44% of their tenants are renting because they cannot afford to buy, with another 22% preferring the flexibility of renting.



FAQs – Capital Gains Tax

Each quarter in this newsletter we will bring you the answers to frequently asked questions on investing or property management related topics. If there is a subject you would like to see further information on in this section then please contact us with your suggestions.

This time the focus is on Capital Gains Tax issues for investment properties and we thank HJS Accountants for contributing these. If you would like to contact HJS, please visit them at www.hjsaccountants.co.uk. You may also find useful consumer guides at www.inlandrevenue.gov.uk.

Q. What are the Capital Gains tax implications of renting out my own property while abroad?

A. Where it is the only property owned and you are overseas due to your employment for any period of time, it is still treated as your main residence (deemed main residence) and no capital gains tax is charged on sale of that property. There must be actual occupation before and after the overseas employment. Even if not working overseas there are other criteria that the Revenue will accept as deemed residence where the owner is absent for any period of time. There are also additional lettings reliefs, which reduce any potential capital gains tax liability.

Q. What are the Capital Gains tax implications if renting investment properties whilst abroad, retaining UK citizenship?

A. There is potentially capital gains tax to pay on sale of any investment property where the owner is resident and ordinarily resident in the UK. Taper relief is available at non-business rates, with indexation, pre 5 April 1998.

To reduce tax it may be best to buy in joint names so to

potentially obtain two annual exemptions on sale of that property.

It may be possible to avoid paying capital gains tax where the person was out of the UK when the gain arises and they then remain non-resident for 5 years.

UK residency rules are complicated as the number of years the person was a UK resident prior to departure needs to be taken into account along with visits back to the UK. Keeping a main residence can also cause complications to arise.

Q. What are the Capital Gains tax issues for rented investment property for non-UK citizens?

A. For non-domiciled persons there should not be a capital gains tax charge subject to certain conditions. Care needs to be taken as to where any proceeds are remitted and to avoid being in the UK at the time of the sale of the property as they may be deemed to be a UK resident and charged on any gain.

Q. Are there any other issues to consider?

A. Tax treaties between the UK and either the country of residence or country of remittance need to be considered. Tax advice in the country of residence is required.

There are 3 types of domicile dependent on personal circumstances that can affect whether tax is payable in the UK or not.

Visits to the UK as stated above must be very carefully considered as it may make the difference between paying capital gains tax or not.

Finally, any investor planning to sell a property should take expert tax advice beforehand.

Updates for Landlords

Mortgage Interest Rates & House Prices Updates

The base rate is now 4.50%. Although this is the third increase this calendar year, the view remains that the rate will not increase beyond 5.0% in 2004.

The increases have had little to no effect on the house prices growth to date and therefore no impact on the buy-to-let market. House prices were up by 1.9% in May, making the annual rise 19.5%.

The forecast for 2004 is 15%, ahead of the initial figure of 9% quoted at the start of the year. This implies that the average monthly return for the remainder of the year will be 0.7% driven by a muted post tax earnings growth, increase in the mortgage rates and downgrading of home owners growth expectations.

There is still speculation that house prices will fall in the next couple of years and we will continue to monitor the market closely. However, the general consensus currently is that if that were to happen, the market growth would be more likely to stabilise rather than drop and this would not be a permanent state.

Budget Update

The budget in March changed little for property owners. Stamp duty remains at the same levels, although the percentage return has increased as the house price growth has put more properties in the stamp duty bracket.

Purchase Price	% Stamp Duty	% of UK Property
£0 - £60,000	0%	25%
£60,001 - £250,000	1%	70%
£250,001 - £500,000	3%	4%
£500,000 +	4%	1%

Money Laundering Regulations

New money laundering regulations came into force on March 1st which are relevant to all home purchase transactions. In order to instruct conveyancing, the following information and proof of identification must first be submitted to the solicitor. The level of information required will differ between UK residents and non residents and you should check with either your solicitor or Personal Homefinders for further details.

- Copy of passport certified by an Embassy Consulate, High Commission or Lawyer
- Date and place of birth
- Full name, both married and maiden name if relevant
- Reference from Banker, Accountants or Lawyer confirming they have no grounds to believe any involvement in money laundering
- Credit card statements or utility bills less than 3 months old as evidence of home address
- Statement as to whether the home address is owned or tenanted
- Details of current employment
- Name, address, sort code and account number of the bank from where the funds will be transferred.
- Work and home contact details for correspondence
- A clear statement of the source of any funds that will be used such as sale of property, shares, savings etc.

Additional supporting documents can also be provided and may speed up the process of checking. These include:

- Certified copy of birth certificate
- Certified copy of marriage certificate