

guide to selling your investment property

Selling your investment property

The last ten years have seen a huge expansion in the 'Buy to Let' market. With this expansion, Anderson Lettings have developed a niche market for landlords wishing to sell their investment properties.

- Why sell a property as an 'investment' rather than with vacant possession?
- What do I do next?
- Are the tenants obliged to allow prospective buyers to view the property?
- Are the tenants likely to deter a buyer?
- Will I pay Capital Gains Tax?
- How do you promote the property?

Why sell a property as an investment rather than with vacant possession?

You are able to regain possession of a property let on an Assured Shorthold Tenancy by serving notice of possession to expire at the end of a fixed term. Therefore, as a landlord you have the option of selling your investment with vacant possession or you could sell the property as an investment to another landlord.

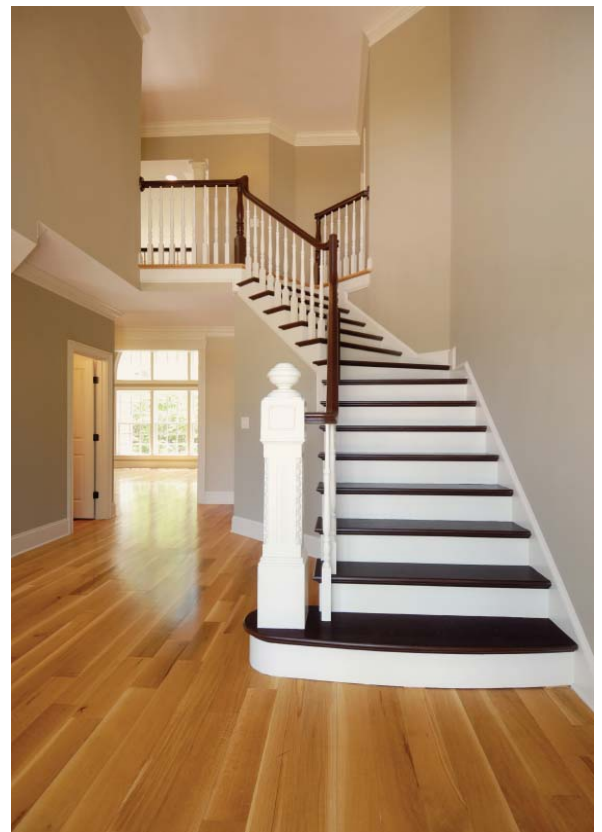
Sometimes the investment market is more active than the owner occupier market; sometimes it's the other way round. In order to maximise your chances of achieving the best price in the shortest time, we would recommend that you offer your property 'for sale' on both of these markets.

What do I do next?

If you have decided to sell your investment property, the first stage is for us on your behalf to arrange for the property to be valued. We advise the tenant that you are considering selling the property and answer any queries or questions that may arise. We are able to reassure them that they will be given reasonable notice, should they be required to vacate the property and answer their questions regarding viewing arrangements for potential purchasers.

If required we can arrange for a local estate agent to visit the property to provide you with a market valuation. The local agent will contact you directly to provide this information and confirm their fees.

When you have decided to proceed, we will advise your tenant that the property is to be offered



'for sale' and we confirm with them access arrangements.

When the sales particulars have been prepared, your selling agent will promote the property in the local press and on the web. They will erect a 'for sale' board and promote the property from their offices. They also supply us with sales particulars that we distribute to potential purchasers. All viewings will be arranged and accompanied by the sales agent.

If a potential landlord is interested in buying the property, we are able to discuss with them its 'lettings' record. We are also able to give them advice based on our history of lettings over the last 20 years. Many new landlords feel more confident purchasing an investment property with a tenant in occupation. Often they are able to meet the tenant and establish if the tenant would like to remain in the property, should they purchase. The new landlord then has a major benefit if he buys a property with an existing tenant; there are no void periods or letting fees to pay and rent is collected from day one.

In order to avoid conflicts of interest, we prefer the selling agent to handle all offers and negotiations. They will then monitor the progress of the sale through to exchange of contracts and completion.

Are there any other advantages?

There are other less obvious advantages for you selling with a tenant 'in situ'. Rent can be collected up to the day of completion of a sale. On the other hand, a vacant property is producing no income and incurs costs. Selling can be particularly frustrating when a buyer backs out, although we have found that sales to investment buyers have a lower 'fall through' rate than owner occupied sales, possible because there is only a short 'chain' of two people. If the property is let, the continued income can sometimes soften the blow whilst a new buyer is sought.

When selling a vacant property, a potential buyer may sometimes assume that the vendor would be keen to accept a low offer in order to achieve an early sale. The vendor of an investment property is able to take a more objective view of offers received, and is likely to be under no immediate pressure to accept a low offer.

Are the tenants obliged to allow prospective buyers to view the property?

The tenancy agreement contains a clause which permits access for the landlord or his agent to show the property to prospective buyers during a tenancy. The tenant is contracted to give reasonable access. It is important that the buyer is accompanied by the selling agent.



Are the tenants likely to deter a buyer?

Often it is quite the opposite, although the situation has to be handled sensitively. We often visit the tenant prior to marketing so that the selling process is fully explained. This gives the tenant an opportunity to ask questions and for us to give them reassurance. For example, it is explained that an existing tenancy is likely to be viewed as an advantage by a new landlord, and that a buyer who continues to let the property is being actively sought, although this cannot be guaranteed. We often find a tenant will promote the features of the property to potential purchasers.

It is possible that a buyer may wish to occupy a property as their own home. In this situation, the tenant is entitled to remain in the property until the end of a fixed term tenancy; if they are on a statutory periodic 'monthly' tenancy, it would be necessary to serve the tenant notice of possession of two months' from a rent day. In these circumstances, the buyer's solicitor is unable to exchange contracts until vacant possession had been obtained.

Will I pay capital gains tax?

This is a specialist area which requires professional advice. However, there are expenses and allowances that can be used to offset the amount of tax payable, especially if you have lived in the property as your principle residence at sometime during your ownership. For example, you are able to deduct from the gross gain the costs which you have incurred in selling the property, the costs incurred when you first acquired the property, and any capital expenditure. In addition there are other allowances which would partially remove the effects of inflation and in any one tax year an individual has a tax free allowance. This is available to all owners if the property is owned in joint names.

How do you promote the property?

As a company we have been estate agents since 1988 and specialist letting agents from this time. We are regularly approached by prospective buyers who are considering purchasing an investment property. We also act for landlords who have a portfolio of properties which they may be considering expanding.

We act in conjunction with a dedicated sales agent so that you benefit from marketing your property in both the investment market and the owner occupied market. We agree a fee share with the sales agent to cover our expenses.

If you require any further information regarding our specialist investment property sales service, please contact Kevin Anderson on 0121 240 8100 or kevin@andersonlettings.net

We hope that you will have found this guide helpful.

