Expert Tips for Maximising Rental Yields

LandlordVision

Contents

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Maximising Rental Yields Before Property Purchase

If you're considering investing in a new property, the tips below will help you to make a good investment that takes potential rental yield into consideration.

Sound Investments Come from Data Driven Decisions

Crunch the numbers before you invest. As well as calculating the potential yield and the return on investment, get tax advice to determine possible Stamp Duty Land Tax implications or any tax reliefs you may be able to claim as a result of your investment.

Having a good understanding of how the finances are likely to pan out makes it easier to tell a good investment from a bad one.

Make an Educated Decision on the Rent You'll Charge

The amount of rent you charge can have a significant impact on the bottom line if you don't research it correctly.

Before deciding how much rent you'll charge, research similar rental properties in the same area. Make sure to account for any differences that could impact the rent. For instance, rents tend to be higher on furnished properties. If your property isn't furnished, don't include furnished properties in your research.

You'll want to set your rent in line with the other properties you've researched. Too low or too high and you could attract the wrong kind of tenants, or no tenants at all.

It's important to do this before calculating your rental yield, if you've worked out rental yield based on a rent that's too high or low you won't get an accurate forecast.

Consider the Tenants you Want Before Purchasing a Property

Decide what type of tenants you'd like to attract before investing in your property.

Different types of tenant look for different commodities, knowing who you want to attract will allow you to purchase the right type of property. Below are just a few examples of how you would choose a property to attract a specific kind of tenant.

Students

To attract students, you'll need to purchase property close to a university. Students tend to share accommodation, so you'll need to look for a larger property with communal kitchen diner and bathroom. Good internet access is vital for students, so check the property is set up to deliver decent internet speeds. Students also look for relatively modern and fresh décor and tend to rent furnished properties.

Families

To attract families, you'll need to buy properties that are close to schools and or collages. Families tend to look for properties with outdoor space and plenty of storage.

Professionals

Working professionals aren't as fussy about the amount of space in a property. To attract working professionals, you'll have more success if your property is close to local amenities and has good transport links. Internet access is also a big consideration for working professionals, so ensure the property you purchase can supply this.

Short Term Tenants

If you want to run short term lets, you'll need to look for properties close to tourist attractions. Consider areas that will attract visitors all year round, not just in the summer months. You'll likely want the property to be close (but not too close) to amenities and transport links.

Research the Area You're Investing In

Carefully consider the area the property is in. To secure the highest yields you should be asking the following questions:

- What are the average rental yields in this area?
- Is there a good demand in the area for rental properties?
- Does this area attract the type of tenants I want? – i.e. if you want to let to students, you'll want to invest in a property close to a university.
- What's the history of the housing market here, does it fluctuate regularly or is it stable?

Answering these questions can help you determine whether the property is a good investment.

Consider purchasing property in areas that are undergoing growth or regeneration. Often when new housing developments are built, the community around them expands and resources become more readily available.

Purchasing property before the regeneration is complete is often cheaper. As the area undergoes regeneration, rental demand increases, which in turn leads to higher rental yields on your lower up-front investment. You'll need to conduct sound research to take advantage of this strategy successfully.

Choose the Right Property

There are a lot of things to consider when finding the right property and this will ultimately determine your yields. We've already talked about finding the right property for the tenant your targeting and choosing the right area. The tips in this section will focus on the characteristics of the property.

Avoid Properties with Poor Energy Performance

Check the energy performance of the property before you purchase it. New rules have come into effect that state you can't rent out a property with an EPC rating of E or lower.

Many tenants will take energy performance into consideration when looking to rent a property. Properties with low EPC ratings have cheaper energy bills which will increase your chances of keeping tenants and attracting new ones.

Choose low maintenance properties

It stands to reason that a low maintenance property is a safer bet. The more money you spend on repairs and upgrades, the lower your profit margins. Older properties tend to require more maintenance, but new builds are not always constructed to a high standard. Use your common sense here. If there is evidence of rising damp, previous subsidence damage, holes in the roof, or the property sits on a flood plane, walk away.

Maximising Rental Yields on Existing Properties

If you've already purchased properties, you'll be looking for tips and advice that go beyond finding the right property for the right tenant. Below we've gathered a huge range of top tips for maximising rental yields on your pre-existing portfolio.

Some of these may seem simple and familiar, but the list isn't exhaustive, so have a read through and see what other yield boosting ideas pop into your mind as you do.

Target the Right Tenant

It's surprising how many landlords don't give this a second thought. Even if you've been renting out properties for yonks the demographics in the area can and will change. Think about the kind of tenant that's most prominent in your area and the type of tenant that best fits your property. If there's a mismatch you will struggle to find a tenant.

If there are plenty of your target tenants in the area but your property isn't quite right for that kind of tenant, you'll know to make the necessary changes. If your property is fine but there aren't many of the tenants you're hoping to target in the area, you'll need to switch up your advertising strategy. For instance, if the renting demographic in the area is ageing you may want to consider Facebook Marketplace and print ads over Rightmove and Zoopla.

Screen Tenants

Tenant screening is vital it will largely prevent you from renting out a property to someone who can't afford it or people who cause antisocial issues. If a bad tenant slips through your screening process it can have an affect on your yields. Non payment of rent, property damage and the court costs associated with evicting tenants all add up to reduced rental yields.

If you are pushed for time or don't know how to correctly screen a tenant, particularly if you've had issues with bad tenants in the past, use a professional tenant screening service. There are many types of screening service out there and while there is a cost for using them, the cost is nominal compared to what it will cost to get rid of a bad tenant.

This is one of those little things that makes a big difference.

Conduct Group Viewings

Humans are social animals and because of this we usually want what others have. You can put this knowledge to good use by conducting group viewings. There are many psychological traits that will come into play during a group viewing: Fear Of Missing Out (FOMO), the paradox of scarcity, monkey see monkey do – these are all legitimate psychological phenomena that will come into play during a group viewing.

There's a reason people fight over cheap TV's on black Friday, turkeys at Christmas and why flash sales, limited time offers, and exclusive deals make us hand over our money.

During a group viewing we see other people looking at a property and it triggers a competitive instinct and a fear of missing out. The place might not be that wonderful, but if other people seem interested then it must be something that's worth having. We perceive it to have a higher value just because someone else wants it.

Not only are you more likely to find a tenant with a group viewing, it is also easier from a logistical standpoint. If you're the one conducting the viewing it will also save time!

Remember if your property is falling apart this isn't likely to work. It will also work best the more people you invite to the viewing. It may not be a guaranteed strategy, but it's an easy way to generate more interest in a property.

Raising the Rent

Clearly when the bottom line of your rental yield is tied to how much rent you are getting, raising the rent is the most obvious way to boost your yield. While it is the clearest way to raise yields, it isn't necessarily the best way.

Before raising rent, conduct research on other rents in the area to make sure that you are pricing competitively. Too low and you could end up with unsavoury tenants (and not making as much money as you should) too high and you'll struggle to get a tenant.

If you've got a good and reliable tenant in situ be wary of putting the rent up. Good long-term tenants are difficult to find and putting the rent up is a sure-fire way to get them surfing Rightmove for a cheaper option. If putting up the rent encourages a good tenant to move out, then it could end up costing you more to find a new tenant than you would have made from the rent increase in the first place.

Keep Re-financing Options Open

We are all guilty of apathy when it comes to mortgages and other financial products. Searching for new deals and going through the hassle of applying to another lender takes time and effort. If you put in the legwork though you can end up saving a lot of money on your mortgage repayments.

Once your fixed rate or discounted loan or mortgage deal comes to an end, your lender will probably put you on a variable rate. Why pay more than you need to?

Put a reminder in your diary three months before your deal comes to an end. Search for a better deal or talk to a mortgage broker which could speed up the process considerably and see how much you could save.

If you use Landlord Vision, it's easy to keep an eye on your mortgage repayments and interest as well as setting notifications for fixed rates that are ending.

Keep Financial Records

Tracking income and expenditure may not be the most fun ever, but it can save you time and money. HMRC requirements state that landlords must keep accurate financial records for up to 7 years. With a yearly (and soon to be quarterly) tax return it's better to start doing this sooner rather than later.

Keeping track of expenses as you incur them means you don't forget to include them on your tax return. Instead of delving through a pile of receipts every year you can just tote up the expenses you've recorded. Every missed tax-deductible expense is money wasted. Simples.

You can record expenses and related finances in an almost infinite number of ways, but some ways are easier, faster and cheaper than others. A popular method for landlords who are just starting out is a simple income and expenditure spreadsheet. For those who have more properties or income besides properties, it makes sense to use accounting software.

Shameless plug alert – Landlord Vision has an in-built accounting engine that's perfect for managing all the financial elements of your portfolio. Not only will it help you to keep track of your income and expenditure (in some cases automatically) but it will also make submitting tax returns easy. Landlord Vision also has a unique receipt scanning feature too so you can scan in receipts and invoices and turn them into expenses with just a few clicks.

One of the bonus elements of using software to manage your finances is that the good ones come with a suite of reports. These reports will show you profit and loss, income tax liability and a whole lot more. Reports will help you keep an eye on your bottom line so you can identify areas for cutting costs – bet you can't do that quite so easily in a spreadsheet!

The method you choose to record your finances will depend on how you like to work. Whatever method you use, there's no doubt that keeping sound financial records – particularly when it comes to expenses - will boost your yields.

Try a Different Model

You'll already know that renting property goes beyond buy to let. There are different types of property set up out there to suit different types of tenants and properties. If the model you are using isn't quite working for you, consider switching it up.

Sounds easy when you read it in a guide right? Don't let that fool you. There is usually significant effort and sometimes expense involved in changing your model, but if you're investing for the long term it makes sense to go where the yields are.

Received wisdom is that student lets and HMO's are currently where the money is. It isn't surprising as both of these models see reduced voids – when one tenant moves out there are others to keep paying rent. It also makes sense that you'd get more money renting a property by room than as a single occupancy.

The HMO / student model isn't for the feint of heart. There's even more legislation around HMOs than standard buy to lets and to boot you'll have more tenants to manage. With HMOs it's also more difficult to find a letting agent and to obtain good rates on financing. Add to this that you'll most likely need to be licenced and it starts to sound like more hassle than it's worth.

Even if HMOs aren't for you, consider changing or expanding your model to take on different types of tenancy, property and letting models. If you find a model that works for you and you're getting significant yields, expand that model to include more properties to also expand your yield.

Change Your Properties

Changing your entire operating model may not be for you, so consider some less dramatic changes. In this section we'll look at changes that will help to increase your yields and in some cases the value of your property too.

You could try letting out furnished properties. These tend to command a higher rent and there is plenty of demand for furnished and partially furnished properties. You'll need to make sure that some of this demand is in the area your property is in! You can put as much or as little money into furnishing a property as you like, but you will get out of it what you put in. Use some common sense here. You don't want to be using very high-end furnishings if you're attracting tenants on benefits. By the same token, if you're after a well-paid professional, they won't appreciate a home full of badly assembled IKEA basics.

Rental properties are subject to more wear and tear, so keep this in mind when buying furniture. You'll be looking for solid pieces that can withstand heavier usage and that don't look hideous or too cheap. Second-hand furniture is usually a good way to go, especially if this is the first time you're renting furnished and your target tenants aren't wealthy. It's also advisable to replace mattresses between tenants and to buy these new rather than used.

If you don't fancy grappling with the nuances of furnished properties, you could consider giving your properties a face lift. Recently renovated properties tend to command a higher rent. Renovations can include putting in a new kitchen or bathroom, both of which are popular ways to refresh a property. If you've got the space and you don't mind jumping through planning permission hoops you could add an extra room, a conservatory, a loft conversion or just make structural changes to the property to make the most of the space. You may have to speculate to accumulate but those renovations will also be tax deductible. Remember to check whether any work you do is considered a capital or a revenue expense before you write them off. This will differ depending on the level of work you've done.

If you've got carpet in your properties consider swapping this for laminate flooring, particularly if the carpet is old. Old carpets will put tenants off and laminate flooring is hard wearing, cheap and easy to care for. This is another great way to make the property look refreshed.

Giving your properties a fresh coat of paint will also help them to feel renewed. Use neutral colours, magnolia never goes out of fashion. Neutral colours make it easier for tenants to envisage their furniture and chattels in your property. It also means that none of your tenant's furniture will clash with your decor, so there's nothing to put a tenant off whatever their taste. Finally, neutral paint is cheaper and easier to get hold of making it easier to repair chips and scuffs between tenancies.

Adding furniture or carrying out renovations will increase the amount of rent you can charge and so this is a very common way of increasing your rental yield. Depending on how much work and effort you put in you may also see an increase in the value of the property as an added bonus.

Green Properties attract Green Money

OK so UK money isn't green, but we're suckers for a good (ish) headline. Quickly moving on, energy efficiency is a hot topic for everyone. The MEES guidelines mean you can't rent out a property with a rating of E or lower, but that doesn't mean you have to settle for the lowest EPC rating you can get away with.

The more efficient your property is the cheaper it is to heat in the winter and the less energy it uses. Still don't see how this can impact your yields? Here we go:

1. If you run an HMO or a property that offers bills as part of the rent, you'll save money on energy costs which means more of that rental payment is yours to keep.

2. Tenants look for energy efficient homes – they don't want to spend most of their take home pay on utilities. If you have a very efficient property you can charge a slightly higher rent.

3. Putting energy efficient measures in place is usually tax deductible. Remember to check whether it is a revenue or capital expense and make sure the expense incurred is wholly for business purposes.

4. Some energy efficient measures – like solar panels – will enable you to sell additional energy back to the grid. This won't make you rich, but a little more money equals a little more yield.

So, there you have 4 very good reasons why an energy efficient property will increase your yields and that's just for starters.

Low Maintenance Gardens

Most landlords know that you can charge more rent for a property with a garden. Especially if your target tenant traditionally looks for outside space. The rub is that a fair number of tenants don't take care of their gardens.

Your best bet is to create an attractive but low maintenance garden. Consider replacing lawns with paving stones, gravel or decking. Include some planters to introduce some greenery and maybe build a rockery with some low maintenance perennials and succulents. Tenants can then add their own pots, hanging baskets and garden furniture to suit their own tastes.

Low maintenance gardens are great for entertaining and the great British summer wouldn't be complete without a barbeque or rowdy outside family gathering. So, giving your tenants an outdoor space is a sure-fire way to get them to part with a little more rent.

It may sound like a lot of work to convert a lawned garden, but not only is a low maintenance garden more attractive, it will save you money in the long run. If the garden is low maintenance, it is less likely to be overgrown and full of rubbish when the tenant moves out so will take less effort to prepare for the next tenant.

Add More Value with White Goods and Appliances

Increasing rent is the most logical way to increase your yields. If you're already charging in line with market rates though, increasing rent can make it difficult to find a new tenant. However, you can charge a competitive rent that's higher than market rates by offering more value than other landlords. It sounds expensive, but it really doesn't have to be. Adding more value can be as simple as offering one or two conveniences that other landlords don't offer. For instance, when did you last see a dishwasher in a rental property?

Most landlords will provide an oven and hob and some will provide a fridge-freezer and washer dryer. Why not go the extra mile and offer a tumble-dryer or a dish washer? The extras you offer don't have to be white goods. If you've got any nice kitchen appliances that are in good working order you could provide these too. Think microwave, toaster, stand mixer or even an Amazon Echo for something more unusual and eye catching. If you've got something out of the ordinary that your target tenant might appreciate, it's worth adding in. Little things like this make a difference not only in attracting a tenant but in the amount of rent you can charge too.

Deciding which appliances to offer will require some common sense. A microwave is going to be an attractive feature if you're renting to students and benefit tenants. Families and working professionals will likely already have one of their own. A fancy stand mixer is probably not going to be used by students, but a family or working professional might really appreciate it. A dishwasher will appeal more to a family than to a single professional.

To get this right, see what appliances other landlords in the area are including in their rentals and think about what you can offer that isn't on offer elsewhere. Once you've got a list of ideas, assess which of these would appeal to your target tenant. When you've identified an appliance or extra that will work for your target tenant and that isn't commonly offered elsewhere, you should include it in your rental property and draw attention to it in your rental listing.

If you're charging more rent for these additional features make sure you do this competitively. You probably shouldn't charge an extra £50 in rent because you've included a stand mixer. It's also not a good idea to charge more for rent due to appliances if the rest of your property is falling apart.

In some cases, the appliances you buy for your property are tax deductible as are repairs to or replacements of those items. Remember this is just a high-level guide, so you'll need to look into what you can legitimately write off in your tax return.

Offer Inclusive Services

Leading on from the following point, you can also add value to your tenants by providing extra services. In some ways this is easier than providing appliances as services don't usually need to be repaired or replaced. Services can include things like broadband and utilities and the price of these are usually rolled into the rent. This is common for HMO's and student lets, but professionals and families also appreciate this kind of arrangement.

This can work well for tenants who struggle with finances or those who are living alone for the first time. It can also help with your rental yields because it will attract more tenants to your property, and you can legitimately charge a higher rent if you include services. The rent you charge doesn't have to correlate exactly to the service, you could add on a little extra to cover your admin costs as well.

If you have a lot of properties, you may also be able to do a deal with a utility or service company. If you're considering putting broadband in 100 properties, for example, you may find a company willing to give you a discount for bringing so much custom their way.

It doesn't have to just be gas, electric and internet you offer, get creative and consider offering a Netflix subscription, Disney Plus Subscription, Free Amazon prime etc. Things like this have a relatively low monthly cost but can help you really stand out and make your properties more attractive.

Maintain Your Property

This may be another of those speculate to accumulate tricks, but it works. If your tenants report maintenance issues deal with them straight away. Yes, you will have to spend money, but it will save money in the long run. If you leave damage for any length of time it will get worse and if it gets worse it will cost more money and take more time to put right when you eventually do get around to it.

Another compelling reason to keep your property well maintained is the Homes Fitness for Human Habitation act. This aims to keep rental properties safe for all tenants who live in them and landlords can be penalised under this act for serious breaches of health and safety as well as issues like damp, mould and lack of hot water.

A well-maintained property will attract more tenants and will allow you to keep increasing rent in line with market rates. Tenants can and will dispute rent increases on properties that aren't well maintained. Keep on top of this and it will help to keep your yields stable and growing in the long run.

Add Storage

New builds and smaller properties tend to lack storage space, so if you want to attract more tenants to boost your yields consider adding more storage to your properties. It isn't just smaller properties that will benefit either. Families, students and professionals all look for storage space. With most tenancy agreements prohibiting tenants drilling holes in walls to install shelves, it makes sense for you to provide as much storage as possible.

Consider helping prospective tenants make the most of the space by adding shelves in alcoves and cupboards. Built In wardrobes can help maximise the space in a bedroom, add value to a property and help the tenant keep tidy and organised. They aren't that expensive either.

We wouldn't suggest going as far as providing free standing storage, tenants can add their own freestanding storage and often they'll use this as an opportunity to put their own stamp on a place.

Accept Pets

Pets are a divisive issue for landlords as many think they are more trouble than they're worth. Cats and dogs can indeed be destructive if they aren't cared for properly and they can cause issues with neighbours and make a mess in the garden too.

While pets can cause issues, totally ruling out renting to tenants with pets can exclude a huge group of tenants from your prospects. When people have pets, they look for properties that will accept them rather than getting rid of their pets. Some tenants will sneak pets in without your knowledge if they've struggled to find a pet friendly rental.

Rather than implementing a blanket ban and putting this in all caps in your rental advert, judge pet acceptance on a case by case basis. If you've got a prospective tenant with a goldfish, you're more likely to accept them over someone with 20 cats in tow. Just use your own discretion, think about the tenant, the pets they want to move in and what you're happy to accept and you may find your pool of prospective tenants widens.

Before you do this though think about how you'll deal with pet related damage. It used to be the case that you could ask for a higher deposit to cover any potential damage, but since the Tenant Fees Act rental deposits have been capped. Some landlords are now charging pet rent, this is a higher monthly rent to cover any potential damage caused by the pet. If a well behaved pet moves in this is a win win as you'll make more money without having to spend more money to put the property right in the end. You'll find that most tenants are happy to pay the additional premium to continue living with their furry babies.

Finally, don't think that accepting pets means you have to roll the dice on whether they'll ruin your property. Make sure you carry out strict tenant screening to make sure your tenant can be trusted to look after a pet. Request references and follow up on those references – speak to their previous landlord to make sure they didn't leave a nightmare in their wake. You can also conduct screening on the pet. Meet the pet in question and see what their temperament is like, check out the tenant's social media feeds (if they are public) to see what kind of pet photos they share, look at the background of those pics to see if things are a mess – again it will give you an idea of the pet's temperament. You could also conduct more frequent inspections. This might not absolutely guarantee that your property will be fine, but it will absolutely lessen the risk.

Boost kerb appeal

It's easy to forget about the outside of your property, surely it's what's inside that counts? Don't underestimate the power of kerb appeal though. Simple things like a tidy garden, clean windows, hanging baskets etc make the property look well cared for and this will help you attract more tenants. Not only will prospective tenants appreciate this, but people walking or driving by are more likely to notice the property which could lead to an increase in enquiries. Attracting more tenants more quickly equals shorter property voids and by extension higher rental yields.

Ditch the letting agent and manage your own properties

Increasing rental yield isn't just about raising rent, it's also about decreasing costs. If you can reduce the money you spend on your properties you'll get a higher rental yield. Enter one of the largest costs landlords pay… letting agents.

Sure, letting agents save landlords a lot of time by managing the property and the tenants on the landlord's behalf, but when it costs 10 – 20% of your rental yield for the privilege the costs add up quickly. This money is usually taken directly out of the rent, so if you were to ditch the letting agent, you'd see a pretty instant rise in your rental yield.

Many landlords think it is difficult to self-manage, but tools like Landlord Vision make it simple to manage your tenants and your properties for a fraction of the cost.

You don't have to let go of the agent altogether either, consider just reducing the level of service you pay for. Even if you use a tenant finder service and then take over after that point, you'll still save a significant amount of money. Also remember that prices change all the time. In the same way that you'd shop around for better mortgage or insurance deals, shop around for better letting agent deals too.

There is a lot of support out there for landlords and you don't need to pay through the nose for this support, so give self-management a go and watch your yields increase.

Look after long-term tenants

While it may not directly increase your yields, looking after long term tenants will ensure your yields are consistent. A good tenant will report maintenance issues in a timely manner, reducing maintenance costs. Long term tenants also mean fewer void periods which saves a lot of time and money.

Long term tenants who pay the rent on time every time and that look after your property are worth looking after. Deal with any issues they report quickly, offer to keep the property updated in terms of décor (or let the tenant do this themselves) and carefully consider not putting the rent up every year if this will prompt them to move to cheaper pastures.

Conclusion

There are many ways you can increase your rental yields. These suggestions are not exhaustive. Keep your eye out for opportunities that will help you reach your investment goals.

Seek advice from professionals before making any changes to your investment strategies or writing things off against your taxes. We are not accountants or financial advisors, we can only share the benefit of our experience and research.

When you're managing your properties via a letting agent, or across spreadsheets and different software platforms it's difficult and time consuming to make data driven decisions. With Landlord Vision you can manage your entire portfolio in one place. Monitor your rental yield with one click as your portfolio grows, easily spot opportunities for reducing your overheads, and you'll save a lot of time on admin in the process.