

JAMES ANDREW INTERNATIONAL

An Introduction to the Property Industry

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WELCOME

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THE PROPERTY INDUSTRY

The property industry is everything that is involved with buildings — from their construction to the workers, bricklayers, carpenters, plumbers, electricians, site managers, architects, designers, surveyors and planners.

Careers in the “tool” jobs will require a B.TEC or apprenticeship. Careers in the professions will typically require a degree, and there are a plethora of jobs and career opportunities in between which require neither — but do require training. These careers are the likes of Estate Agency and Building Management. All jobs require a basic knowledge of computers, and the higher you wish to climb the career ladder, the better your maths, English and communication skills need to be.

JAMES ANDREW INTERNATIONAL

James Andrew International is a property consultancy; as such we advise clients on various aspects of property ownership and occupation.

Our core services are:

- Sales and Acquisitions
- Property Management
- Asset Management
- Professional Services

From the property owner's perspective, the most important aspects are the rent collection and ensuring the property is properly insured. From the occupier's and tenant's perspective, the most important thing is the servicing of the building.

TYPES OF PROPERTY OWNERSHIP

In law in England and Wales there are two levels of property ownership: Freehold and Leasehold.

Freehold

Freehold ownership means that you own the property outright, although there can be conditions attached — easements and covenants. Ownership of the freehold does not entitle you to the mineral deposits in the ground beneath (these are retained by the Crown), or the airspace above, although you can — subject to planning — construct as high a building as you wish on your land.

Leasehold

Leasehold land ownership, very simply, is a legal document entitling the leaseholder to occupy a parcel of land, a building or a part of a building for a set period of time for a rental. A lease must have both a rent (which does not have to be monetary — a common rent is a peppercorn) and a fixed term. The lease contains various rules and regulations for both the landlord and tenant.

There are a variety of types of leasehold, and in towns and cities it is very common.

Ground Lease

Historically, large landowners — rather than develop large swathes of land — granted ground leases which entitled the leaseholder to construct a building or a number of buildings and hold these for a number of years. These leases were typically long leases at low rentals.

Commercial Leases

A landlord — be he the freeholder or head leaseholder — will offer premises to let through Estate Agents and seek the best possible rental and lease length. For investment purposes, the aim has always been to achieve a 20-plus year lease with periodic rent reviews, usually every 5 years. Market forces in recent years have made landlords more flexible, introducing shorter terms and break clauses.

Commercial tenancies can be renewed on expiry under Part II of the Landlord and Tenant Act 1954. The new lease is on the same terms and conditions as the expired one, save for the rental value. Where a landlord requires possession at the end, the lease can be contracted out of the provisions of the Act.

Assured Shorthold Tenancies

These are short-term residential leases which offer no security of tenure. Historically, Rent Acts gave residential leaseholders the right to remain in the property indefinitely and for the rent to be fixed. This stifled the supply of rented property, and in the 1980s Assured Shorthold Tenancies were introduced to open the market. These are typically for 6 months or a year and usually contain break clauses for the tenant every 6 months.

Residential Long Lease

These are the most common way of owning a flat in a block — for a term of years (50, 99, 125, etc.) at a low ground rent. Legislation introduced in the past 10 years allows owners to purchase a 90-year extension with no ground rent, and to form a company to acquire the freehold provided.

CONTENTS OF THE LEASE

Leases contain conditions (covenants) which the tenant must comply with. All leases contain the following:

Demise	States the premises to be let; a plan must be included. For Land Registry registration the plan must be to scale, show the locality and include a North point.
Rent	Most commercial leases make rent payable quarterly in advance. Assured Shorthold Tenancies pay monthly in advance with a deposit of one month or 6 weeks.
Repair	If the tenant occupies the whole building they are responsible for all maintenance. Where they occupy part, they are responsible for internal repairs; the landlord covers exterior and common parts, recovered via service charge.
Alienation	Most leases permit the tenant to sell, transfer, underlet or mortgage their lease — all requiring the landlord's written consent.
Alteration	Most leases require written landlord consent and a licence to alter, plus a covenant to remove alterations on completion.
Insurance	The lease states who insures the property. In multi-occupied buildings the landlord always insures, often retaining an insurer commission which can affect the investment yield.
Services	In multi-occupied buildings a clause defines the services the landlord provides and how the costs are recovered from tenants.

SERVICE CHARGE & RESERVE FUND

Service Charge

This is the fund the landlord uses to maintain services. Tenants pay a periodically reviewed sum to form the fund. Annually the landlord provides a reconciliation statement — producing either a deficit to be met by the tenant or a credit.

Sinking or Reserve Fund

A pot of money collected from tenants periodically and set aside for capital expenditure — such as replacing air conditioning plant or lifts. Tenants generally object to these funds, but they are a useful way of spreading the cost of major capital plant. In residential blocks they are particularly valuable.

OTHER TYPES OF OCCUPATIONAL TENANCIES

Occupational Licence

Commonly used by serviced office operators and smaller landlords. Solicitors recommend these for periods of less than 1 year to avoid full Landlord and Tenant Act 1954 protection. By making premises serviced with no right of exclusive possession, licences can be used for longer periods.

If using a licence there should be no reference to the terms tenant, landlord, lease, rent or other terms associated with a lease.

Squatters

There are no such things as squatters' rights. Squatting is illegal and it is an offence to break into and occupy a building. Landlords can seek possession orders through the courts reasonably quickly. The most difficult squatters are those that occupy vacant retail premises, using fraudulently prepared documents to claim occupancy rights, fighting possession hearings while paying no rent or rates.

VALUING PROPERTY

Property needs to be valued for various reasons — sale, purchase, rent, tax, etc. The market value is the price paid to a willing seller by a willing purchaser, having exposed the property to as many potential purchasers as possible.

Property investments are valued similarly, but the investor compares the return on his money to returns available elsewhere. Generally, the more secure the income stream, the lower the yield. With property there is the added dimension of rental appreciation, demand for space and the cost of borrowing.

Rental value is usually assessed by comparison to local transactions, but where a scheme is unique, landlords and tenants may fix a low base rent with an inflationary gearing and/or a turnover rent — an agreed proportion of the tenant's turnover. This is particularly common in shopping centres, motorway service centres and airports.

The Residential Market

Houses are valued similarly but the market is more fickle. Values in a small area can be affected by postcode, transport links and schools. The UK is an island with a finite area and most people want to live near their place of work — making the South East and areas around major cities by far the most expensive.

Popular holiday destinations such as the South West of England are further distorted by demand from second home owners. Currently the market is in serious decline due to a lack of confidence and an absence of lending by financial institutions. Prices had reached a level where average earners could no longer afford to get on the housing ladder.

The fundamentals to property values are: Location, Income and Demand.

DO YOU WANT A CAREER IN PROPERTY?

As discussed at the start, there are many roles in property. From my perspective, the best positions are in the professions, and a career as a Chartered Surveyor is rewarding and varied — whether as a Building Surveyor, Quantity Surveyor, General Practice Surveyor, or in other specialist fields.

To become a Chartered Surveyor, you will need A Levels and usually a degree (Estate Management for general practice). There are also roles which do not require qualifications — estate agency and property management — but all require training and a knowledge of property.

Career Pathways at a Glance

Professional	Chartered Surveyor (Building, Quantity, General Practice) — A Levels and a degree in Estate Management or similar.
Agency & Mgmt	Estate Agency, Property Management, Building Management — training required; no formal degree necessary.
Trades	Bricklayers, Carpenters, Plumbers, Electricians, Site Managers — typically a B.TEC or apprenticeship.
Design & Plan	Architects, Designers, Planners — professional degree and accreditation required.

Whichever path you choose, strong maths, English and communication skills are essential — and the higher you wish to climb, the more they matter.

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