

COSTS

When you rent out a property there will be overhead costs that should be taken in to account when calculating the net income you will receive

There are direct costs such as building and possibly content insurance, general maintenance, and safety certificates. If it is a flat there may be management costs, ground rent etc. Sometimes insurance is included in management charges as is water rates. Check these out to make sure you know what is involved.

There will be costs for marketing and managing your property. These will vary depending on whether you do it yourself or employ an agent to do this all for you. The costs for this will depend on the level of service and the type of property and tenant.

If you have a new purpose built flat with professional tenants this should cost less to manage than a Victorian house with old appliances and 5 students. The latter will clearly involve a lot more management both of the tenants as well as the maintenance of the building and appliances.

To market a property and find tenants you should usually expect to pay approximately half of one month rent plus vat. To fully manage a property expect to pay between 10%-12% plus vat of the monthly rents.

Don't forget that all the above are allowable expenses and so you can receive tax relief at the highest rate you pay. This should also apply to mortgage interest payments.