



## What is rent to rent?

Earn Money



Zero Deposit



Zero Mortgage



To simplify it, rent-to-rent is renting a person's property via a company (we call this a corporate let)... and then "sub-letting" it to others at a higher rental price than what you are paying...and then pocketing the difference. You might ask, "Ok, if I were a landlord, why would I allow my property to be rented to someone at the lower price?" Some answers to this question are: because it is convenient for a landlord, because the landlord may avoid void periods by agreeing to rent it now, even if at a lower price, because the landlord will get some certainty in payments, because the landlord may get a longer term agreed with you...hopefully you get the jist.

## Advantages of rent to rent?



See below for detailed explanations of the above

Earn rental income without buying	That's right – no need to worry about the hassle of purchasing a property or saving up a deposit etc. Rent To Rent allows you to enjoy all the rental benefits.
Zero mortgage payments	You get to earn income from a property without buying it and without worrying about mortgage payments.
Zero deposit	If you are purchasing a property using mortgage finance, you first must be mortgageable. Then you need an average deposit of 25% which will be impossible if you have limited cash. However, with rent-to-rent, you don't need to buy the property to earn income from it.
Zero legal expenses or stamp duty	Since you are not purchasing the property, you do not need to pay stamp duty and the usual transactional costs that come with buying a property eg legal fees for the property conveyance.
Fairly quick process	Much quicker than buying a property and then renting it out.
Exciting niche	There's no doubt about the appeal of the strategy. You can literally decide your own level of income, visit properties, secure tenants etc.
Easy to stand out	There are so many people trying to do rent to rent...and the vast majority are doing it incorrectly! If you demonstrate competency it will be much easier to build a track record and stand out.
Scale it into a business	If you start to secure a few of these, you can scale it into a robust & profitable business.

# Challenges of rent to rent?

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Zero capital growth

Property ownership risks

Initial costs involved

Zero control

Legality issues

Opportunity issues

Saturated market

Compliance issues

Scalability issues

Time & effort

## Zero capital growth

Even if you are a newbie in the property business, you should know that the value of a property can rise and fall – but the trend in England is upwards over longer periods of time. With rent-to-rent, you obviously do not own the property and so if there is an increase in the value of the property over time, you get nothing from it.

## Property ownership risks

Although you do not own the property, rent-to-rent exposes you to the risks associated with owning one. These risks include tenancy gaps, maintenance and bills. You will still have to pay the landlord even in situations where there's no rent coming in and you may have to pay for maintenance.

## Initial costs involved

You may need to spend some money modernising or remodeling the internals of the property to make it attractive for your sub-tenants. You may also incur deposit costs, set-up costs & regulation costs

## Zero control

Since you do not own the property, you don't really have control over it. If the landlord decides to take back the property for whatever reason, or fails to pay the mortgage, then you have a very serious situation on your hands eg. you'd have a lot of explaining to do with your tenants (who obviously will not be happy with you).

## Legality issues

Often, landlords aren't allowed to enter these types of rent-to-rent agreements. Their mortgage lenders will not allow it. Some mortgage lenders only allow sub-lets for a short period of time in a year. Some mortgage lenders do not allow it at all. It is important to set it up properly. There are not that many landlords that will sign up to this. It is important to have a system, structure, scripts and templates in place.

## Opportunity issues/ Saturated market

Too many people are trying to do rent-to-rent. Not enough opportunities exist. You won't have first-to-market advantage. Most people doing rent-to-rent are unsuccessful simply because there is too much competition and not enough opportunities. You have to focus on standing out to be successful in this.

## Compliance issues

You may need a guarantor, the right legal agreements and structures in place to protect you from a number of things that could go wrong. Also, you may have to pass referencing, prove income & adhere to compliance regulations.

# Challenges of rent to rent?

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## Scalability issues

Rent-to-rent is a niche market. Who knows whether it will exist in the future. You can't confidently predict whether legislation will be passed to make it even more difficult. You will have to become an expert in it to have a chance...and even if you do become an expert, will the niche continue? It has been around for a number of years.

## Time & effort

Initially you're going to spend a lot of time finding landlords and trying to agree terms. If terms are agreed, you will then spend a lot of your time finding and managing sub-tenants. You will find it difficult to scale unless you have a robust structure.

## Models for profiting from rent-to-rent

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As mentioned earlier, one of the reasons that rent-to-rent is viable is because the landlord chooses to accept a lower payment than if they rented it out themselves. This helps you make profit without renting the property out at a price above the market rate.

### Here are the a few models:

#### CONVERT THE PROPERTY INTO A HMO

If the property you are renting has scope to be converted into a House of Multiple Occupancy (HMO) you could rent it out to more than one tenant to share. This is a option doesn't require you to go into hardcore negotiations with the landlord. You can just offer the landlord the normal market rate and then rent it out as a HMO, making you profit. Before you do this, you have to inform the landlord of what you want to do.

There are a few things you need to be aware of though; they include: the bills associated with a HMO; the setup cost for a HMO (avg £5,000); you should get information about licenses and regulations governing HMOs; it might be a violation of the mortgage terms. Alternatively, you could take an existing HMO and make it more profitable.

#### RENT IT OUT AS MULTI-LET

In some instance, you may not need to apply for a HMO licence. You could rent each room out (possibly create more bedrooms) to create a better cashflow out of the property.

## RENT IT OUT AS SERVICED ACCOMMODATION

This is another rent-to-rent strategy. You can rent a property and then sub-rent it out as serviced accommodation on a daily, weekly or monthly basis. This will work well if the property is located in or around a tourist destination. This involves a lot of management though...and again, you must understand the restrictions within the mortgage.

## NEGOTIATING A DISCOUNT

This is the simplest of all three models and the most basic. You have to negotiate a lower rate to allow yourself to make some profit from the whole idea. Given that the landlord will make a guaranteed income for years to come without any effort at all, this is the main driving factor for the landlord to agree a deal with you. This strategy is all about how good you are at negotiation.

## SECRET OPTION 4!

Most people are unaware of this rent to rent strategy. Understanding the basics of rent to rent is essential to move into this growth-hacking strategy.

## Conclusion

Rent-to-rent is an interesting niche strategy in the property business that in theory can make you a lot of money or cost you a lot of money. In practice though, it is a very tough market that is probably not scalable on a consistent basis unless you have a structure and system in place. You must do good volume and agree lots of properties to make a true impact on your income. There are several ways to find rent-to-rent opportunities such as pay per click, free adverts, pasting notices and posting mails directly to the landlords. There are also lots of other ways to do it. Be sure you do your homework before you venture into this niche try to find the right team to work with!

If you are interested in venturing down the rent-to-rent route, come and check out one of our free sessions so we can take you through how it works in more detail.