

Editor's Pick**Ex-council properties: the hidden buy to let gem?**

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Ex-council properties are strewn across London and they could be a gold mine for savvy landlords.



Walk down a residential street in London, and you'll likely pass scores of converted period properties and modern, purpose-built flats.

Littered among them, you might also find ex-local authority blocks, often stigmatised for being high rise and ugly.

Although these buildings may lack the character of their Edwardian and Victorian neighbours or the stylishness of newbuilds, they are cheaper and are creating a compelling investment story.

Property prices in the capital are 10 per cent higher than they were in August 2014, according to Rightmove.

This means it is becoming more expensive for investors who want a piece of the burgeoning London property market to get involved.

However, former local authority properties typically sell at a discount of up to 40% compared to new and period builds – and often with refurbishment potential, according to Temple Field Property, a residential investment buying agency.

The firm – which seeks out ex-local authority properties on behalf of clients, typically targeting low-rise, higher quality units on low density estates – has recently seen a surge of instructions.

"The beauty of ex-Local Authority stock lies in the properties' larger floor plates, having been built in the 1960s and 1970s, when space wasn't such a premium in the capital.

"Consequently a relatively modest refurbishment, able to incorporate an additional bedroom and bathroom, will considerably enhance the property's rental yield and capital value," says Dominic Field, chief executive of Temple Field.

According to Field, the rental yield on a one bedroom flat is projected to rise from 4.2% now to 5.5% in 5 years' time, while a three bedroom flat, converted to a 4 bedroom, currently yielding 6.4%, is projected to yield 8.3%. That's on top of any capital growth.

Since 2000, Temple Field has invested in 66 properties for both domestic and overseas investors looking to supplement their income or to provide accommodation for their children.

The average lot size is £400,000-£600,000 and most properties have been in the boroughs of Wandsworth, Lambeth, Hammersmith and Fulham.

Local authorities have invested heavily in improving and maintaining their estates over the years and this, along with an improving tenant profile, is removing the historical stigma attached to owning such properties, according to Field.

Case study:

A recent purchase made by Temple Field was a 3-4 bedroom/1 bathroom, ex-local authority house in Carron Road, Vauxhall. When it was bought in July 2014 for £495,000, it yielded 4.2%. It was then refurbished at a cost of £50,000 and turned into a 5 bedroom, 2 bathroom property. The house was let for £695 per week to five young professional sharers, producing a yield of 6.6% on the purchase price after refurbishment costs.

Adviser view: Ying Tan, managing director of The Buy to Let Business

"Ex-LA authority properties do generate a better rental yield as the property generally rents out at the same price as a similar period or new build property.

"However prices are generally much lower due to nature of its build and in some cases the general unattractiveness of the property. If the investor is purely looking at it from a rental perspective and cash flow then ex-LA can be a great investment.

"However there should be caution as the very fact that the rental yield is higher means the property price is lower and there may be less capital appreciation of the property and also a smaller sales market if the property was sold."