

Profit from Empty Homes

Chris Baguley discusses some of the **financial incentives** available to help property investors bring empty homes **back into use...**

The number of empty properties lining the streets of Britain is currently something of a hot topic. 2009 figures from the Office of National Statistics put the total at 651,993, yet at the same time we are facing a chronic housing shortage, one that has been exacerbated by the economic downturn as construction projects all over the country have ground to a halt and put a squeeze on the supply of affordable new-build houses coming to market.



Chris Baguley
Director, Auction Finance Limited

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Current policy direction seems to be banking on property investment and the growth of the private rented sector to go at least part way towards alleviating the pressure on our housing stock. The message seems to be that private landlords, particularly the type who frequently buy at auction, are expected to ‘take up the slack’ by bringing the nation’s empty properties back into use.

Of course, many auction-goers are already experts in the art of renovating a wreck and turning a profit. Auctions are the traditional home for deserted and dilapidated properties that are priced to sell quickly, and such properties are often sought after by experienced buyers who have the means to restore them to a habitable and mortgageable condition.

David Sandeman of the Essential Information Group estimates that approximately 85% of residential properties sold at auction last

year were unoccupied at the time they went under the hammer, but many bidders may be unaware of the incentives and assistance available to help them bring these properties back into use, particularly if the example in question has been without occupants for some time.

Housing Renewal Policy

Many local authorities have a Housing Renewal Policy which makes provision for the disbursement of grants to assist with the cost of renovating empty properties in the area. However, potential applicants should be aware that if they plan to lease the property then such grants often come with conditions attached, such as having to rent to a council tenant for up to 5 years after the refurbishment is complete. Additionally, the availability of such grants can vary considerably between different authorities. Investors should never bank on being able to get their hands on a pot of government money without doing their homework and consulting with the relevant authority in the area they are looking to buy.

Energy Efficiency Grants

Slightly more reliable are the different Energy Efficiency Grants that run periodically at either national or local levels. Installing a new heating system is a common task in the renovation of a property that has been empty for some time and the associated costs (sometimes including

improvements to the building’s insulation) may be covered at least partially by a local grant, or by a nationwide initiative such as the boiler scrappage scheme.

Tax Breaks

Finally, there are actually tax breaks associated with the work carried out on empty properties, provided that they had been vacant for a certain period of time. If the property has been empty for more than two years then refurbishment expenses are subject to a reduced VAT rate of 5%. If it has been empty for more than ten years then this is reduced further to 0%.

As you can see there are a number of financial incentives that can help auction buyers to bring empty properties back into use. Whilst the savings in most cases will not be enormous, they will help to reduce an investor’s outlay and thereby increase the profitability of a property when it is finally sold or rented.





Essential Stats

By *David Sandeman*

January is always a quiet month in the auction industry, and as we can see from the figures below 2010 has been no exception. There was very little activity until quite late in the month and this explains in part why the number of lots offered is down so significantly. The results for February will be a much more reliable barometer of what we can expect over the coming months.



Total

	Last Month			Last Quarter			Last Year		
	Jan 2010	Jan 2009	Increase	Nov 2009 - Jan 2010	Nov 2008 - Jan 2009	Increase	Feb 2009 - Jan 2010	Feb 2008 - Jan 2009	Increase
Lots Offered	324	808	-59.9%	5,627	7,079	-20.5%	29,235	37,946	-23.0%
Lots Sold	196	641	-69.4%	3,815	5,034	-24.2%	21,958	24,744	-11.3%
Percent Sold	60%	79%	-23.7%	68%	71%	-4.7%	75%	65%	15.2%
Total Raised	£22,107,050	£63,306,550	-65.1%	£607,745,634	£619,308,330	-1.9%	£3,437,686,896	£3,885,477,766	-11.5%

Residential

	Last Month			Last Quarter			Last Year		
	Jan 2010	Jan 2009	Increase	Nov 2009 - Jan 2010	Nov 2008 - Jan 2009	Increase	Feb 2009 - Jan 2010	Feb 2008 - Jan 2009	Increase
Lots Offered	303	773	-60.8%	4,476	6,162	-27.4%	23,554	31,252	-24.6%
Lots Sold	182	619	-70.6%	3,006	4,395	-31.6%	17,605	20,059	-12.2%
Percent Sold	60%	80%	-25.0%	67%	71%	-5.8%	75%	64%	16.5%
Total Raised	£20,212,800	£60,640,050	-66.7%	£383,741,534	£489,186,245	-21.6%	£2,227,411,044	£2,660,885,299	-16.3%

Commercial

	Last Month			Last Quarter			Last Year		
	Jan 2010	Jan 2009	Increase	Nov 2009 - Jan 2010	Nov 2008 - Jan 2009	Increase	Feb 2009 - Jan 2010	Feb 2008 - Jan 2009	Increase
Lots Offered	21	29	-27.6%	1,151	917	25.5%	5,681	6,694	-15.1%
Lots Sold	14	18	-22.2%	809	639	26.6%	4,353	4,685	-7.1%
Percent Sold	67%	62%	7.4%	70%	70%	0.9%	77%	70%	9.5%
Total Raised	£1,894,250	£2,445,500	-22.5%	£224,004,100	£130,122,085	72.1%	£1,210,275,852	£1,224,592,467	-1.2%

Focus On...



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