

STARTING A LETTING AGENCY

Many letting agencies are started by people who begin as Buy to Let Investors. There is nothing wrong with that; in fact it is understandable that a landlord does a fantastic job with their own properties and feels that they can provide that level of service to others.

Reality is often very different. It is critical to bear in mind that other people may have very different expectations to you, and the method you adopt for your own properties may not be what is expected by the paying public. As a landlord you have to deal with your tenant; as an agent you have to deal with the tenant and also with the landlord. Your new role as the "one in the middle" may be something you are unaccustomed to!

Moreover running a letting agency requires skills in which a Buy to Let landlord may not have experience, such as recruiting and training staff, handling complaints, generating business, marketing and the like.

I am not saying it cannot work. I myself started as a Buy to Let investor in 1998 and ended up with a four-branch letting agency in East Kent that won a Bronze Award for Best UK Letting Agent in the Sunday Times awards. What I am saying is that it is very different to being a landlord!

An issue in the current marketplace is procuring enough property to let. This is one of the hardest things to do and you will see a wealth of comments on online blogs from letting agents who want to connect with landlords. The answer is a tireless combination of marketing, leafleting, networking and searching through land registry records.

If you believe you have the personality to attract business to your agency then you are probably half way there. The next thing to bear in mind is that on a revenue basis, an agency generally only works if you have a critical mass of managed stock. In an ideal world, management fees will pay the costs of the business, while letting and ancillary fees will provide the cream.

If you are considering opening a letting agency, be aware of the time commitment it will doubtless require. Find out what local agents are doing and then see what you feel you could do that might attract business to you. This should be a service

differential as, in my opinion, competing purely on price is a false economy.

Aside from the legal requirement to belong to one of the property redress schemes, consider whether to join one of the professional bodies such as ARLA, as this could open the door to instructions from banks, receivers and other corporate bodies as well as private landlords.

Furthermore you will need to comply with the raft of legislation that is in place including the Health and Safety at Work Act, Professional Indemnity Insurance, Workplace risk assessments, Property Redress Scheme, Registration for PAYE for employees, etc.

Another thought is that you might find that your life as a Buy to Let Investor is impaired. You might at present have very good relationships with local estate agents offering you all the juicy property deals as soon as they arrive on the market. Once you own an agency you may be viewed as a competitor and therefore fall off their favoured

Buyer list. I know this from experience as there are one or two agents in my area who will not offer me property for sale even though I no longer own my letting agency!

If you decide to press ahead then you have some options in terms of how to proceed.

You could start a standalone business or alternatively join one of the franchise networks that operate in the UK. There are clear advantages and disadvantages to both but perhaps if you lack experience in an agency environment, a franchise might offer additional support and training in your early years.

If you need finance to start your venture, you might find that a bank will be more interested if you follow a franchise route, particularly one that has some history of success. Don't underestimate the costs. Aside from fitting out a shop unit and dealing with rent and rates, you will need a reasonable budget for advertising and featuring your properties on the popular internet portals. These costs alone can exceed £3,000 per month for a single office.

My final suggestion is to think of your exit plan before you start. Are you planning to build up a business to sell, for your children to run, or for another reason? Understanding where you want to get to will enable you to make decisions during your journey that will assist with your end goal.

After setting up and running a lettings business for over 10 years, Graham is able to share lots of hints and tips with those thinking of venturing out on their own and would be delighted to assist any YPN readers who would like to pick his brain on the subject!

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