

How to make money from property in 2021

Build a home office, add a storey or rent out your parking space ... ways to get your house working for you. By Melissa York

If a homeowner wants to make money, they can usually sit back and let house price inflation do the heavy lifting. Last week we revealed that the average property price had almost tripled in the past 20 years, from £81,628 to £224,337.

If you want to make a property profit this year, you and your bricks and mortar might have to work a little harder. The research consultancy Capital Economics predicts that house prices will fall 5 per cent once the stamp duty holiday ends on March 31. Even estate agencies, which are typically more optimistic, believe that prices will flatline.

A house is primarily a home, but owners would be disingenuous if they didn't eventually hope to make a little cash from it too. If you're planning to stay put, here are some creative ways you can make property work for you in 2021.

Convert a shop or office

Last summer the government introduced proposals for new "permitted development rights" so you would not need full planning permission to turn a wider range of commercial buildings into homes. This has been the case for office-to-residential conversions for more than five years, with mixed results, because some local



boroughs say that it has led to cramped housing.

The government admitted that "a minority of developers" had been using permitted development rights "to build small homes without justification", so there is now a minimum space requirement of 398 sq ft.

The latest changes mean that shops and industrial premises, such as former factories, could be turned into housing too. Retail units are often in desirable locations in the centre of town and close to transport links, so there's potentially a lot of value there.

In the past eight years 245 department stores have closed in Britain — 15 per cent of them

independents — and 50 BHS stores remain empty after the retailer collapsed in 2016, according to Colliers International, a property consultancy.

The new rules would make it easier to build homes on the high street, but they still have to meet locally set light and safety standards. The public consultation on these proposals closed this week.

Extend upwards

You can boost the value of your property — or even build a new self-contained one to let out — by taking advantage of new rules to extend upwards without full planning permission. These extensions are also permitted



development rights, and it's important to read the small print. These rights do not apply in conservation areas, for example.

Two-storey extensions are only for detached houses built between July 1, 1948 and March 5, 2018, and you must build on top of the original footprint of the building, so adding storeys on top of extensions is not permitted.

If it's a one-storey property — a bungalow, for example — you can add one extra floor up to 4m tall. You can extend 3.5m above a terraced or semi-detached house too.

Don't think you can get maximise the height with a flat or mansard roof; the pitch of the new roof has to be the same as the existing one.

"It's not for the faint-hearted," warns Hugh Howard, who built a penthouse flat on top of a converted Victorian building that used to be two houses in Gloucester Square, west London.

The 42-year-old develops and invests in property for a living through his company City Land Corporation, but even he says adding an extra storey is no walk in the park.

"One day I was walking down the street looking at the buildings on the other side and they all had mansard roofs and ours didn't, so I thought there was an opportunity there," he says.

Those houses were listed, his building wasn't, but Howard still had to jump through a number of hoops before he could build.

Biggest rise in buyer searches in 2020

Area	Year-on-year increase	Region/Country
Aberaeron	37%	Wales
Pitlochry	50%	Scotland
Walthamstow	39%	London
Manchester	35%	North West
Bamburgh	31%	North East
Bruton	72%	South West
Aylesford	48%	South East
Towcester	24%	East Midlands
Sutton Coldfield	28%	West Midlands
Frinton-on-Sea	37%	East of England
Malton	30%	Yorkshire & the Humber

Table: The Times and The Sunday Times • Source: Rightmove

He had to buy the air rights above the building from the freeholder, the Hyde Park estate, then negotiate with the neighbours to allow him to build on top.

They received a premium, but he also paid for improvements within the building, such as a new lift and a new roof, to convince them.

Once a deal was struck, it took 18 months to complete and the lateral penthouse, which stretches across the entire top floor of the building, is now on the market with estate agency

Berkshire Hathaway HomeServices Kay & Co for £4.5 million with a 12-year new home warranty.

The build was still by far the biggest expense, he says: "In the end, it lives and dies on construction costs."

Finding funding was also more difficult than he anticipated and he had to go to a niche lender for financing. "If you go to a high street bank, they just don't get it, they are so risk-averse since [the recession in] 2008."

Howard says, "I'd definitely



do it again, but I'd do it on a different building. I would rather have had one landlord to deal with, for instance." He adds: "The most important thing is to think long and hard about it before you decide to do it."

Buy public land and buildings

Under a new "right to regenerate", underused public land and derelict buildings would be sold to members of the public or community groups by default in England unless the local council had a compelling reason to keep hold of it. This means that if there's an unused plot of land that's owned by the council at the back of a house, the homeowner could use the right to regenerate to get first refusal on its sale.

This would also apply to social housing and garages. There are more than 25,000 empty council-owned homes and 100,000 unused council-owned garages, the housing ministry says.

The government launched a [public consultation](#) on these proposals two weeks ago and it closes on March 13. If there are few objections, these new rights could be brought in by the end of the year.

Rent out a parking space

If you have an off-street parking space on your property, you might be able to rent it out for up to £200 a month. Granted, there isn't much movement at the moment, but secure spots in big cities, near railway stations or airports, and close to popular sports venues can be money-



Hugh Howard built a flat on top of a converted Victorian building in west London



It took Howard 18 months to complete the lateral penthouse

spinners.

There are a number of parking apps where you can list a space free of charge, although they take a commission. JustPark takes 3 per cent commission, plus a charge of 50p to take out your earnings if they are £25 or more.

Another app, Parklet, has a handy price guide tool at parklet.co.uk/parking-rental-price-guide if you're not sure what rates to charge.

You shouldn't need planning

permission to let out a parking space, as long as it isn't causing a nuisance to neighbours. The [government says](#) that this is because there's a public interest in providing a cheap, flexible parking space to someone who needs it.

This is only the case in England, and it can be a grey area for some councils, which may ask you to apply for "change of use" planning permission to continue to rent out the space.

Build a home office

WFH is here to stay, and in the first week of January 98 per cent of companies' chief finance officers surveyed by Deloitte said that they envisage flexible and home working to be part of their business in the long term. This is expected to lead to a fivefold increase in people working from home by 2025.

If there's a spare bedroom



that could be flexibly turned into an office space, now is the time to do it if you want to add value. If there's room in the garden, buyers want to work from there too. Rightmove said that searches for "outbuildings" are up 90 per cent compared with last year, and "annexe" or "annexes" searches are up 89 per cent.

Estate agents have noticed and they are boasting about home offices in property descriptions. Between June and October 2020 there was an annual jump of 326 per cent in listings that mentioned "office", "workspace" or "working from home".

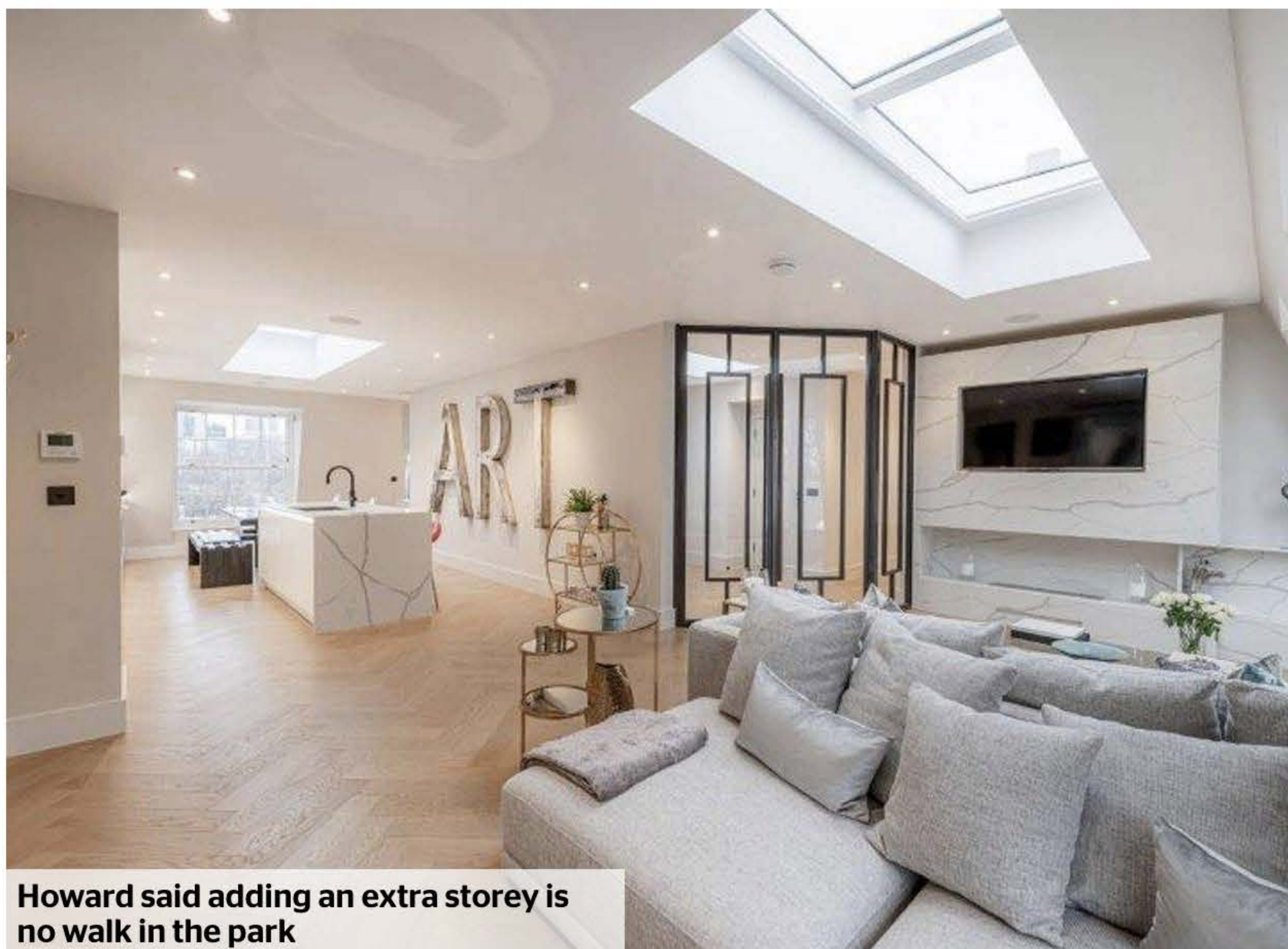
"With the uncertainty over future Covid restrictions, property buyers have evidently changed their priorities when looking for a home," says Nick Barnes, the head of research at Chestertons estate agency. "Smaller one-bedroom properties — especially those with no outside space — are currently attracting fewer viewings."

A good separate home office can add at least 10 per cent to the value of a property, says Mark Lawson, a partner at the Buying Solution buying agency, and it's worth bumping up your broadband speed too.

For 100 easy ways to add value to your home, visit thetimes.co.uk.

Buy a property at auction

With so many of them moving online, there has never been a less intimidating time to dabble in property auctions. Experts



Howard said adding an extra storey is no walk in the park

always encourage buyers who have not bought at auction to attend one first to get a feel for it and suss out the main players.

The anonymity of online auctions can be a great advantage for less experienced buyers. It's easier to hide your panicked sweating behind a screen, but it's also harder to get swept up in the bidding. If you're still likely to lose your cool, simply set a budget and get someone else to bid on your behalf.

"Auctions are a great way to buy property and there's a huge selection of single homes, houses and flats that are unmodernised," says Gary Murphy, an auctioneer of 35 years at Allsop, which has been auctioning its properties online since March. "You can buy at a suitable price that reflects the work that needs to be done and you have two ways to add value:

you can sell it on for a profit or you can rent it out for a regular income."

Garages, parking spaces, shops and offices regularly come to auction too. The most important rule is to do your research, Murphy says. Research the area, read the legal pack from back to front and take advantage of the virtual tours on offer.

Clive Emson, one of the UK's top five property auction houses, will host all eight of its auctions online this year. "Even if restrictions are lifted in the next six to nine months, with the demographics of attendees being from 18 to 90, it would be putting too many people at risk [to host real-world auctions]," says the company's managing director, James Emson.

Consider a property with a shorter lease



Feudal leasehold laws are set to be overhauled during the next parliament. It's hoped that ground rents will be banned by the end of the year and it will be easier and cheaper to extend leases to a 999-year term by 2023-24.

At present you have to own a flat for two years before you can extend the lease, but this should be scrapped in the reforms. "If I was a buyer in prime central London today, I'd be more open-minded about seeing properties with shorter leases," says Stuart Bailey, the head of prime sales in London for the estate agency Knight Frank.

A property becomes less valuable if there are fewer than 80 years on the lease because it becomes more expensive to extend that lease.

The bill is expected to abolish prohibitive costs such as marriage value (the value of the property once the lease is extended), cap freeholder fees and reset calculation rates to dramatically reduce the cost of lease extensions. This could make properties with shorter leases less burdensome — and more valuable.

"It's usually good to buy a short lease when the market is at a lower ebb because you're picking up something slightly cheaper," says Jeremy Dharmasena, the head of leasehold reform at Knight Frank. "It's quite possible that there could be significant savings to be made in the future."

Dharmasena says that there are some heavily discounted

prime central London properties on his agency's books with two or three years left on the lease. Perversely, these are cheaper to extend than properties with 25 to 50 years on the lease because marriage value calculations take into account the value of the existing lease too.

Invest in an up-and-coming location

The pandemic hasn't just changed what we want to buy, but where we want to buy. Much has been written about the great exodus from our cities, with many metropolitan sorts paying huge sums to rent in the countryside before they decide whether they want to move permanently.

Rightmove makes weekly reports of its most searched for locations, and the places with the biggest increase in buyer searches in mid-January were the market town of Chatteris in the Cambridgeshire Fens and the foodie getaway Padstow in Cornwall, both up 214 per cent.

Searches for arty Fowey in south Cornwall also surged, by 198 per cent, and Bruton in Somerset — home to the on-trend boutique hotel the Newt — continues to be popular, with queries up 115 per cent.

Family homes in city commuter belts and areas of outstanding natural beauty command the biggest premiums, according to Zoopla, a property portal, as buyers look to the suburbs for space. Its research shows that the price per square foot for properties in

the East and West Midlands has increased by a quarter over the past four years, the biggest rise in the country, while Scotland offers the best value for families overall.

If the vaccination programme stays on track, students could be returning to university campuses in the autumn. "Many students will have completed their current year in an online capacity, but going to university is a physical life experience that is unlikely to be replaced by the trend of remote working currently sweeping many workplaces," says James Forrester, the managing director at StripeHomes, a developer.

Students at the University of Warwick have the most choice when it comes to student-specific rental property, which makes up 71 per cent of the lettings market, followed by students looking for accommodation in Kent, Dundee and Swansea.

The area with the most investment potential is Westminster, where only 5 per cent of properties are student lets, while university accommodation gets snapped up the quickest in York.

Finally, Glastonbury Festival may be off, the Wimbledon tennis championships might be a washout, but if you happen to have a holiday home in Carbis Bay, Cornwall, where the G7 summit will be held in June, or an eco-lodge near Glasgow, where the climate conference COP26 will be hosted in November, you could be sitting on a goldmine. ■

