Hilltop Property

What is...

Rent to Rent ?

CONTACT US

info@hilltop-property.com
www.hilltop-property.com

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Rent to rent is an investment strategy where an individual or company rents a property from a landlord and then sublets it to tenants for a higher rent, thereby generating a profit from the difference in rent. This strategy typically involves signing a lease agreement with the landlord that allows for subletting, and the renter then manages the property and tenants. Rent to rent can be a profitable way to generate income in the property market without having to invest large amounts of capital in purchasing a property. However, it is important to carefully review lease agreements and ensure that all parties are aware of and agree to the terms of the arrangement.

Example

A six bedroom property can be rented for £1000 per month from the landlord. Estimations using the rent to rent strategy, show you can sublet each of the six rooms individually for £400 per month, generating a total rental income of £2,400 per month.

To calculate the return on investment (ROI), we need to consider the costs involved. Let's assume that you spend £3,000 on furnishing the property and another £1,000 on marketing and initial repairs.

Additionally, there will be ongoing costs for utilities, maintenance, and management fees, which we'll estimate at £500 per month.

Based on these assumptions, let's calculate the ROI:

Total monthly rental income: £2,400
Minus monthly costs (utilities, maintenance, management fees): £500
Minus rent paid to the landlord: £1,100
Monthly profit: £800
Annual profit £9,600

ROI: (£800 / £4,000) * 100 = 20% per month

Advantages

- The property does not have to be purchased with the burden of a mortgage application.
- No need need for a deposit, unlike other buy-to-let properties.
- Stamp duty is not applicable
- Minimal solicitor fees
- Guaranteed income for the landlord with no effort.
- Generate a profit fast.

Disadvantages

- The capital growth of the property remains that of the landlord and not the renter.
- The landlord ultimately remains in control of the property.
- You are responsible for the tenants.
- You must make the monthly payments regardless of occupancy levels.