

We are letting and managing agents for individual flats and blocks of flats in Kensington and Chelsea. We will also let to you our own properties and excellent short term apartments. We carry out all building works, refurbishment and maintenance of flats and blocks. We offer in-house legal advice on all aspects of the letting business and property law. We also carry out valuations and property sales.

We are members of the Association of Residential Letting Agents and we are authorised as appointed representative by the FSA to conduct insurance mediation activities.

Our regular Newsletter covers areas of interest concerning the management and legal aspects of property, the sales and letting markets.

A RENTED PROPERTY IN A STATE OF DISREPAIR. THE PROBLEMS

Sometimes a tenant claims that the condition of his rented property is defective. The nature of the complaint can vary from minor inconvenience - a light socket does not work, to something much more substantial - a seriously leaky roof. **What are the rights and obligation of the parties?**

The law obliges a landlord to ensure that the property he lets is structurally sound and has properly working supplies of water, electricity and heat. **What compensation will he have to pay if he is in breach?**

In the majority of cases the courts award small sums:

- a few hundred pounds for a tenant who was without hot water and a central ceiling light for five months,
- almost no damages for regular interruption to hot water and central heating in a case where the property was linked to a communal boiler and repairs were carried out within 24 to 48 hours,
- a few hundred pounds for a four week delay in attending to a single radiator.

An award of £2,000 to £2,500 can often be on the high side for most defective conditions lasting for up to a year.

However, the courts will look at the inconvenience to the occupant. In the first case above the tenant was a single man. A family with young children might have received greater compensation.

The courts will also look at the nature of the premises and level of rent. For example, take a tired basement flat, let at a modest rent to students. The flat has draughty windows. The landlord refuses to repair them. The level of damages will be very low. The same might not be true of similar defects in luxury accommodation let at very high rent.

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Kenway Rd, SW5

Sold at £880,000

(Equivalent to £972 per ft²)

3 bedroom house on the south side of Kenway Road in Earls Court Village, 905 ft². The price achieved is the highest for a house on this side of the road. If you are looking to sell a property in Kensington and Chelsea, then please come and speak to us or telephone 0207 370 0123. We have buyers ready to purchase similar properties. We especially welcome enquiries from owners of other houses in the village.



Earls Court Square, SW5

For sale. £285,000

Studio flat on the raised ground floor with mezzanine sleeping area, kitchen and bathroom. Very luminous and bright. Long lease. Just under 23 m². Access to Earls Court Square.

A good investment opportunity for a professional buy to let investor. Also a suitable pied a terre for a first time buyer.

Finally, in a very bad case of disrepair the landlord might have to pay additional damages if the tenant can show he has suffered physical or mental stress or ill health.

Whatever the defect complained of, the landlord's obligation to repair will not arise until the tenant draws the defect to his attention. This can be done orally but it is more usual for the notice to be recorded in writing to the landlord or his agent.

The landlord then has the right to inspect the property to establish the nature and extent of the defect and will have a reasonable period of time within which to rectify the defect. What is "reasonable time"? This will depend on the type and extent of the defect and the nature of the tenancy. When there is an emergency, for example serious water ingress or total electrical failure then a "reasonable time" may be very short indeed, a matter of hours. And even where it is something less urgent, for example a stuck window the landlord should act quickly. A delay of more than 14 days is rarely likely to be reasonable, especially in a case of a luxury property let at a high rent. On the other hand where the problem requires structural works to achieve a resolution, then a longer delay would be justified.

In a very serious disrepair case the landlord might even have to pay for suitable alternative accommodation for his tenant while the repairs are being carried out. It does not matter that this short term accommodation may cost the landlord more than the rent the tenant pays.

What happens when the defect the tenant complains of is not caused by the landlord but by a breach of a superior landlord? For example, you let your top floor flat to a tenant and the roof leaks. The flat is inhabitable. However, the roof is not yours and its repair is the responsibility of the freeholder (even though you may have to contribute to the cost of repairing and maintaining the roof via the service charge contributions). In such a case you may not be liable provided that you have used all "reasonable endeavours" to have the roof repaired. This may include asking the freeholder permission to carry out the work yourself or pressing the freeholder to fulfil the covenants in your lease to make sure that the roof is properly maintained. This whole area is a difficult one, not least because the repair of a roof often involves substantial expense to which all the other flat owners in the building have to contribute. There is a lengthy process of obtaining quotes which must be followed, see our article on block management and major works to buildings in Astberrys' newsletter for January/February/March 2011 at www.astberrys.co.uk.

The position with a lift is even less clear. If you let your luxury top floor flat to a tenant and the lift does not work what happens? There might be an argument that the right to a properly working lift is one implied into the letting agreement of such a flat - especially if there are many floors. However, on the other hand the control over the lift and cost of any necessary repairs is likely to be something only the freeholder can deal with.

Finally can a tenant withhold rent on the basis that the landlord is in breach of the repairing obligations? A tenant might be able to withhold rent to try to force the landlord to carry out repairs. On the other hand, it might be safer to have the repairs carried out and then deduct the cost from the rent. Withholding rent or carrying out repairs yourself is a high risk strategy. And a landlord faced with such an approach may find himself in a difficult position. Neither party should take any such action in relation to disrepair disputes without first taking independent legal advice.

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Prevention is the best cure. How, does a landlord avoid disrepair disputes?

- **Make sure your property is in a proper state or repair before you let it**
- **Ensure that you have a professional maintenance team at your disposal throughout the duration of the letting.**
- **If you are letting a flat then satisfy yourself that the main structures of the block and the common parts are in a good state of repair and that there is proper management either by the freeholder or competent managing agents. Think carefully before letting your flat, however good its condition if the block is badly run or there are ongoing service charge disputes**
- **Take seriously any complaint of disrepair from the tenant and make sure your managing agent does, if you use one.**
- **Act quickly. Most complaints should be resolved within 14 days at the outside unless they involve structural work and true emergencies must be responded to immediately.**
- **On the other hand do not be intimidated by a tenant's misguided sense of entitlement. If the boiler breaks down and you cannot have it repaired at once this is unlikely to entitle him to a night at the Ritz at your expense, whatever he may threaten.**
- **Remember however, the greater the rent you charge the more the tenant and the courts will expect from you.**

<i>Service</i>	<i>Per hour</i>	<i>Subsequent hour</i>
<i>Electrical</i>	<i>£100</i>	<i>£75</i>
<i>Plumbing</i>	<i>£ 90</i>	<i>£50</i>
<i>Carpentry</i>	<i>£ 75</i>	<i>£45</i>
<i>Tiling/Masonry</i>	<i>£ 75</i>	<i>£45</i>
<i>Painting</i>	<i>£ 60</i>	<i>£35</i>
<i>Odd jobs</i>	<i>£ 50</i>	<i>£25</i>

At Astberrys we are careful to ensure that any properties we let and manage are and remain in good condition. A particular feature of our managed service at 15% plus VAT of the rent is access to our own in house maintenance team. We rarely rely on outside trades. We are competitive and reliable. In the event of a maintenance problem your tenant does not wait for service and a happy tenant pays the rent. We maintain a clear and straight forward pricing structure. You know exactly what you will be charged for all

maintenance costing up to £500, (in excess of that sum we quote for any works)

Increasingly we manage flats in blocks where we are also the managing agents and vice versa. This has an added advantage to you as landlord in that you deal with only one agent for everything. And if the disrepair issue relates to a leaking roof or faulty lift then we are well placed to ensure that the necessary repairs are carried out quickly and properly.

To contact us in relation to flat or block management telephone Astberrys on 0207 370 0123 or email us at management@astberrys.co.uk

MARKET UPDATE

SALES

The sales market is forging ahead. Prices have passed the 2007 peak in many parts of Kensington and Chelsea. Will it continue? We think that the answer will depend very much on what happens to the economy, especially in Europe. A fracturing of the Euro will lead to a banking crisis, credit crunch and recession with redundancies in the financial sectors. The combined effect will be to push down prices even in Kensington and Chelsea. **The property market outside London prime areas has already started to decline. The Kensington and Chelsea market has not. The reasons are, in our view threefold:**

The “Bullion effect” - The yield on the very best London properties is now very low. Gross yields on large flats in SW7 (Kensington/Knightsbridge) are now around 2%. After paying service charges and allowing for voids the yield is almost zero, the same as gold. For some, especially those from countries with unstable political and/or economic backgrounds, a property in Kensington is the equivalent of a gold bar or a Swiss franc - poor yield but maximum security. However, in a major economic downturn or if the investment fashion changes then an expensive, low yield and high worth asset may be unloaded onto the market. Look at the gold price - off 20 % from the highs earlier this year. It should not be assumed that the same cannot happen to property.

The “inflation factor” - Inflation is close to 5%. It may not abate, especially in the light of fresh quantitative easing. In inflationary times hard assets provide a good hedge and for those property investors

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Hogarth Rd, SW5 **Guide price £750,000**

Approx. 1,330 ft² arranged over three floors above commercial premises. At present an office, however suitable for conversion into three flats, subject to planning consent.

with a mortgage, their debt is eroded by inflationary increases. This factor is likely to be present for the foreseeable future.

The “lack of alternative investment” headache - Where do you invest money? With inflation at 5% and cash paying around 3% few investors are attracted long term by the prospect of leaving money on deposit. The yield on 10 year US treasuries bills and UK gilts are around 2%. The commodities boom is probably over for the moment, at least. The yield on some shares may beat the inflation rate and show a positive return in real terms but what if there is a stock market collapse? Many people prefer bricks and mortar, even with a risk of a 20% drop in the short term. **Over the last ten year period most properties in Kensington and Chelsea have increased in value by at least 200%. And it is quite possible to achieve reasonable rental yields, comparable to cash, on some small units in Kensington and Chelsea, even in the most expensive areas.** For example average yields on studios in the Kensington/Knightsbridge area for the nine months to September 2011 were around 3.5% (down from around 4.3 % in the year to December 2010). Investment fears and fashions change but finding a “secure home” for your money is a worry, that is unlikely to disappear for a while and property in Kensington and Chelsea may continue to be a beneficiary.

Overall the market generally in Kensington and Chelsea is up. The average price of a flat for the third quarter of 2011 in SW3, 5, 7 and W8 is around £1.2 million. So far this year the average price of a flat in these postal districts has risen by around 16.5%. Our prediction at the start of this year was for average growth of around 3%. We were wrong. The consolation is that we are in good company. **Predicting house price moves is notoriously difficult in the short term. However, we have no doubt that the market in 2012 will be even harder to predict. Nevertheless we will make the attempt in the Christmas edition of this newsletter.**

RENTS

The rental market is very buoyant in Kensington and Chelsea (again in stark contrast to most areas outside London), especially for quality small flats suitable for young professionals or foreign MBA students. **Flats priced between £275 and £600 per week let very well. There is a real under supply of such units in Kensington.** The larger units are slightly slower to let. **Overall rents have increased by around 15% so far this year.**

Owing to rising rents the yields on rental properties are also holding up despite the rise in capital values. As always the smaller units provide the better returns. The current average rental yields for the month of October 2011 in SW3, 5, 7 and W8 were around 5.4 % for one bedroom flats and 4.3% for three bedroom flats.

The main concern in the rental market will be the effect of redundancies in the City of London. Jobs are already being shed. The CBI estimate is for 8,000 jobs in financial service to disappear in the last quarter of this year, a large part of these will be in the City. If there is an economic downturn next year then, expect rents to fall. In 2008 they fell by around 20 % on many small properties and greater falls were experienced by landlords of the more expensive properties, let at £1,000 plus per week.



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