



Buy-to-Let Property Investor's Guide

www.icsmortgages.ie

Dilosk DAC trading as Dilosk and ICS Mortgages is regulated by the Central Bank of Ireland



TOP-TIPS FOR BUY-TO-LET PROPERTY INVESTORS

INTRODUCTION

Whether you are an experienced property investor or contemplating acquiring your first Buy-to-Let property, there are a number of items that need to be considered.

At ICS Mortgages, we have compiled some Top-Tips which will hopefully assist you throughout your journey in searching for your ideal investment property, organizing your finance in addition to the things you should factor in once you have purchased.

There are approximately 175,000 residential Buy-to-Let (BTL) landlords in Ireland, providing a vital part of the country's rental housing stock. We have observed a significant number of property investors who have been growing their BTL portfolios. Remember, it is important to take a long-term view when investing in residential property. Many investors have benefited from attractive yields varying between 5 and 12% and have also benefited from strong capital appreciation.

Throughout this guide we have some useful tools such as the ability to build your own residential property cashflow model and a template for preparing a tenant handbook. Our focus at ICS Mortgages is to assist our clients in growing their property investments.

ABOUT ICS Mortgages

ICS Mortgages is a trading name of Dilosk DAC, which is an Irish financial services company, regulated by the Central Bank of Ireland as a Retail Credit Firm since August 2014. We are a non-Bank lender offering Mortgage products specifically designed to meet the needs of Buy-to-Let residential property investors.

ICS Mortgages was established in 1864 and has remained a leading and trusted brand in the mortgage market throughout its 154-year history.

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DO YOUR RESEARCH

Probably the most important step in a successful Buy-to-Let (BTL) investment is to assess the most suitable type of property, in the right area. Make sure the area you are interested in and surrounding area has a strong rental market. It should be centrally located or commutable to a main city or town or close to a university or hospital.

You should also get an idea of average rents in the area from local letting agents. Make sure you are not investing in a flood zone and you are aware if the property has a flooding history.

Fixer Uppers benefit from typically lower purchase prices and many landlords have done very well from the strategy of “buy the worst house on the best street”. They are not without risk and building and repair costs are expensive, especially in Ireland. Problems to look out for include damp, dry rot, faulty wiring, cracks in the walls, sagging ceilings, roof damage and especially flat roofs, rotting window frames and faulty plumbing and heating systems. It is well worth getting professional advice on these issues.

You can always make an offer on the property subject to a survey and then appoint a qualified surveyor to provide you with a written survey of the house. Also, if the property is a protected structure, you may be limited with what you can do to repair or update the property.

MEASURE PROPERTY AND CHECK PLANNING

Remember, always measure the property before you buy it as the numbers quoted in brochures can be very different to reality. Also check if there are planning applications in process that can affect the property before and after you buy, including large extensions that could block light and overlook the property.



BEFORE YOU BUY YOUR PROPERTY

DECIDE IF YOU WILL INVEST AS AN INDIVIDUAL OR WITH OTHER PARTIES

Collective investment schemes offer landlords the opportunity to buy a property with partners, family or friends. Dilosk allows up to 4 partners buy a property through a Special Purpose Vehicle. This can be a good way to get a foot on the BTL property ladder and to gain experience as a landlord.

PROPERTY TYPE OPTIMISATION – House or Apartment

It's an age-old debate but it really depends on your circumstance. Apartments in well run developments can be easier to maintain but watch out for service charges as they vary greatly across different developments. The service charge will cover gardening, bins, building insurance, maintenance, and a sinking fund.

Pay particular attention to the sinking fund and whether it can cover all expected refurbishment coats, especially older buildings with lifts. Ask the management company about fire safety within the building. The apartment market is also more limited in terms of adding value as you cannot extend but they typically should offer better rental yields than houses. Houses can sometimes offer less rental yield but more capital appreciation over the longer term.

PRE '63 PROPERTIES

Pre '63 property describes properties that were subdivided into several smaller flats or studios prior to the Local Government Planning and Development Act which was passed in 1963. The yields on these properties are typically much higher but they require additional management.

DIY skills can be a real asset to landlords in this space. Many investors outsource the management to letting agents who can charge up to 15% of the rent. New regulations have recently come into effect regarding structural condition, sanitary and heating facilities, ventilation, lighting, fire safety, refuse facilities and electricity and gas.

Full details are available on the Department of Housing, Planning and Local Government website:

<http://www.housing.gov.ie/housing/housing>



BEFORE YOU BUY YOUR PROPERTY

GET A SURVEY/STRUCTURAL REPORT

A Surveyor will be able to detect various nasties such as structural movement (subsidence), timber and damp problems (wet & dry rot, woodworm infestation), defective or old wiring, defective roofs and outdated heating systems which may need replacement.

Due to the more extreme weather we have experienced in Ireland over the past 10 years, it is imperative that the surveyor should check the local flood maps www.floodmaps.ie. Although a negative survey may not be a deal killer for you, you may be able to negotiate a lower price to cover remediation costs.

Other nasties which your surveyor must look out for are pyrite, asbestos and Japanese knotweed, remember - Caveat Emptor!

NEGOTIATE EFFECTIVELY WITH THE ESTATE AGENT

It is important to consider everything the estate agent tells you. The estate agent works for the vendor and although they will furnish you with factually correct information, the estate agent may not always disclose the negatives and pitfalls.

Always look at comparable sales. Owner occupiers may be willing to pay more than an investor and therefore you should be willing to walk away if you believe the asking price is above the intrinsic value. Don't give up however as sometimes the property may come back to you, especially if you are perceived as a credible purchaser with minimal execution risk.

If you are a cash buyer, you should expect to pay less than a purchaser who bids subject to finance as the vendor will favor the certainty of execution. Once the property is acquired, one can always apply mortgage finance at a later date. At ICS Mortgages we are financing a lot of mortgages from investors who purchased for cash and now wish to apply leverage to facilitate further acquisitions.

Whether you are purchasing, refinancing or releasing equity to buy an additional property, your BTL mortgage should be tailored to your individual needs. A BTL Mortgage will differ from a mortgage to buy a family home and it is also important not to confuse a BTL with a holiday home. Remember this is an investment and not a lifestyle choice.

At ICS Mortgages, we lend for Property Purchase, Equity Release and Refinance of a property or property portfolio.

We lend to:

- Individuals – up to 4 individuals on a mortgage
- Companies – both existing and new Special Purpose Vehicles
- Pension (Unit Trusts)

Individual Applications - Features and Benefits

- 5 to 15-year Interest only option
- 25-year Capital and Interest repayment option
- 35 Year Flexi-Mortgage
- Up to 70% Loan to Value (Loans up to €1m), up to 65% Loan to value (Loans from €1m up to €1.25m)
- Minimum property value €100,000 with no maximum property value
- Minimum age of applicants 21 years. Maximum age on maturity 75 years
- An individual may be able to borrow up to:
 - €4m – if the weighted average LTV for all loans is < 50%
 - €3m – if the weighted average LTV for all loans is < 60%
 - €2m - if the weighted average LTV for all loans is < 70%

We charge Legal Fees of €1,149.50+ Outlays and an Application Fee of 0.5% of the loan amount. This is capped at €1,500 for individual Buy-to-Let Investors.

Company Applications - Features and Benefits

- 10-year Interest only option
- 20-year Capital and Interest repayment option
- 35 Year Flexi-Mortgage
- Up to 70% Loan to Value (Loans up to €1m), up to 65% Loan to Value (Loans from €1m up to €1.25m)
- Minimum property value €100,000 with no maximum property value
- A company may be able to borrow up to:
 - €4m – if the weighted average LTV for all loans is < 50%
 - €3m – if the weighted average LTV for all loans is < 60%
 - €2m - if the weighted average LTV for all loans is < 65%

We charge Legal Fees of €950 plus VAT + Outlays and an arrangement fee of 0.5% of the loan amount **(waived temporarily for any applications that drawdown before 31st September 2022).**

Pension (Unit Trust) Mortgages - Features and Benefits

(Available through Pension Advisers and ICS Mortgages Intermediary channel only)

- 15-year Capital and Interest repayment option
- Non-recourse Lending
- Max LTV 50%
- Loans from €40,000 up to €500,000
- Minimum property value €80,000 with no maximum property value

We charge Legal Fees of €950 plus VAT + Outlays and an arrangement fee of 0.5% of the loan amount **(waived temporarily for any applications that drawdown before 31st September 2022).**

At ICS Mortgages we also work within the following criteria:

- Properties must be located in the Republic of Ireland and cannot be used as a principle private residence.
- A valuation for each property is required
- All applicants must be the owner of at least one residential property in the ROI other than the BTL property being financed. This is not the case for Special Purpose Vehicles or Pension (Unit Trust) borrowers.
- We will lend for properties in Dublin (and surrounding counties Kildare, Wicklow, Meath, Louth), Galway, Cork and Limerick, and for properties in other urban centres with a population greater than 10,000 people.
- For Company Buy-to-Let Mortgages, the company must be registered in Ireland, with one Irish resident Director on a minimum annual income of €40,000

Product details and rates are correct as at 06.10.20 but are subject to change. Lending Criteria, Terms and Conditions apply and may be subject to change.

To view all our product features and rates, please [CLICK HERE](#).

BUY TO LET MORTGAGES BASED ON YOUR INDIVIDUAL NEEDS



At ICS Mortgages we have assisted many new and existing Buy-to-Let property investors who have purchased property, refinanced, and released equity.

We work with a variety of customers to help them grow their property portfolio.

A number of our clients have refinanced their portfolio of properties with us. Some were coming to the end of their interest only term with another lender and / or had been offered final settlements with their lender. We arranged terms which were more suited to the rental cashflow of the property by offering them products such as our 15-year interest only option.

On the following pages, you will see some sample cases and scenarios where we have worked with customers to find the best solution based on their individual needs.



Case Study (1)

A First -Time Property Investor (Individual Applicant)

A first-time property investor requested **€105,000** to purchase a three-bed semi-detached property close to Letterkenny IT College

The property value was **€150,000**

The client had saved the balance of funds (**€45,000**)

The Loan to Value was **70%**

Projected rental income was **€12,000 pa**

The monthly repayments on ICS Mortgages Capital & Interest repayment option over a 25-year at 3.95% is **€551** per month

The gross rental yield is 8%



Case Study (2)

First-time Property Investors (Joint Applicants)

First-time property investors requested **€150,000** to purchase a three-bed semi-detached investment property in Citywest, Dublin, close to the Luas line and local amenities

The property value was **€300,000**

They had accumulated savings which provided the balance of funds

The Loan to Value was **50%**

Projected rental income was **€22,800**

The monthly repayments on ICS Mortgages Capital & Interest repayment is **€771 per month** over a 25 year term at a rate of **3.75%**

The gross rental yield is 7.6%



Case Study (3)

Remortgage and purchase of an additional property

An experienced property investor requested a mortgage of **€700,000** to refinance four investment properties which she had mortgaged with another financial institution

She recently rolled off an interest only facility with her current lender. Her lender was seeking part capital & interest payment of €4,000 per month going forward

The current outstanding mortgage balance spread across the four properties was **€450,000** with combined values of **€1.8 million** with a rent roll of **€64,800 per annum**

The Loan to Value was **39%**.

The customer transferred to ICS Mortgages 15-year Interest only option and got a rate of **4.95%**.

The new repayments are **€2,888** per month

The additional equity release of **€250,000** was used to purchase a new two bed apartment close to a student campus.



Case Study (4)

Multiple Buy-to-let Mortgages transferred from another lender to a Special Purpose Vehicle with ICS Mortgages

A group of experienced property investors had five properties which were mortgaged with another financial institution.

They were looking to refinance their current mortgages of **€430,000** into a Special Purpose Vehicle structure.

The properties previously had tax reliefs that have now expired and now are liable for the full rate of tax.

The investors current income streams are taxable at the top rate

With the new structure in place the special purpose vehicle will be liable to **25%** tax on rental profits

The client remortgaged with ICS Mortgages and took our Interest Only option over a 10-year term at a rate of **5.25% with an LTV of 60%**.



Case Study (5)

A family inherited property and took out a Buy-to-Let Mortgage

Following a family bereavement of an elderly parent, 3 adult children inherited the family home.

The property was valued at **€540,000**

The property was then rented out and one of the adult children took out a Buy-to-Let mortgage on the family home to pay his 2 siblings.

The Loan to Value was **67%** as the borrower had saved the balance of funds.

The inheritance amount was under the inheritance tax threshold. Projected rental income was **€33,000 pa.**

The monthly repayments on ICS Mortgages interest only repayment option over a 15-year period at **5.25%** is **€1,575 per month** .

The gross rental yield is **6.1%**



Case Study (6)

A client consolidating debt and futureproofing

A client aged 52 had an unencumbered investment property in Dublin 8 worth €450,000 with rental income of €2500 per month.

They also had a holiday home in West Cork with another lender and debt outstanding of €100,000 on an interest rate of 5.75%.

The clients were able to consolidate this debt with ICS with their monthly repayments serviced by rental income, freeing their holiday home up from any debt liability.

In addition, they released equity to carry out home improvements on their investment property, principal dwelling house and holiday home which were all geared at improving the energy efficiency for €35,000 in each instance.

The loan repayments were €1186 per month on an interest rate of €3.75%.

USE CORRECT RENTAL INCOME ASSUMPTIONS

Due to the dearth of supply of rental properties in Ireland, rental values are strong and one needs to be cautious if the rental income is above market. Above market rent may come under pressure once the market stabilises i.e. when supply/demand equilibrium is achieved. At ICS Mortgages, if our valuer believes the rental income is not sustainable over the long term, that rent will not be used for the mortgage underwriting and as a result the mortgage advanced could be lower than initially applied for.

With Airbnb lettings, income will more than likely be higher than term rental income. It is important that you do not base your assumptions on Airbnb income as many apartment complexes are starting to prohibit Airbnb usage. Furthermore, planning permission may be required in the future. At ICS Mortgages we will only lend on stable term rental income as verified by our valuer and not on short term Airbnb income.

Always ensure that the property rent will cover outgoings, especially if you are mortgage financing it. You certainly do not want to be subsidising mortgage payments from non-rental income.

TAX OPTIMISATION

Consult your tax adviser to determine the most efficient way to acquire the property, whether it is in your own name, via a Company/Special Purpose Vehicle or through your Pension.

USE A CASH FLOW MODEL *(Please see our worked example on the next page)*

Creating an accurate cash flow model before you invest is imperative. Make sure your model factors in maintenance, management fees, mortgage cost and fees, vacancy periods and tax.

Determine what your yield is, ensure it is accurate and that all costs are factored in. Make sure there is not a big gap between gross yield and net yield, although this will be different depending on property type (for example, a 1 bed versus a 4 bed or a house versus an apartment) or location (city versus rural).

It is important to understand what type of investor you are – yield or appreciation and constantly review the performance of your property in terms of yield and appreciation. When investing, always think of your exit strategy and remember not to get emotionally attached to your property, you can always sell and buy another type in another location if more suitable.

BUILD YOUR RESIDENTIAL PROPERTY CASHFLOW MODEL

This is a worked example and if you would like to download and create your own bespoke cashflow model [CLICK HERE](#)

ASSUMPTIONS	€
Property Value	400,000
Loan Value	100,000
Borrower Type	Individual
Payment Type	Capital & Interest
Term	20 years
LTV %	25.00%
ICS Interest Rate	3.75%
Gross Rental Income	24,000
Mortgage Interest	3,750
Annual Service Charges	1,800
Estate Agent Letting Fees	0
Repairs	500
Advertising	45
RTB (1 year in 4)	90
Cleaning	0
Legal	0
House Insurance	250
Refuse Charges/Local Authority	0
Gardening	0
Sundry (Phones, Keys cut etc.)	0
Accounting	0
Property Tax	675
Other	0
Other	0
Total Expenses	7,110
Total Rental Profit before tax	16,890



START GATHERING YOUR MORTGAGE DOCUMENTS

There are a number of documents required for a BTL mortgage application. It is wise to start gathering these at an early stage in order for the application process move smoothly and efficiently.

Documents required for PAYE and Self-Employed	Documents required for Corporate Applications
• Passport or Drivers Licence or National Identity Card • Proof of address e.g. Utility Bill less than 6 months old • ICS Declaration form • Statement of Affairs • Last 6 months current account statements • Last 3 months credit card statements • Last 12 months loan/mortgage statement for all loans • Evidence of balance of funds • <u>For PAYE Applicants Only</u> • <i>Copy of your most recent statement of earnings e.g. Employment Detail Summary (EDS) (formerly P60) or P21 to confirm your earnings history/3 months most recent payslips/Salary Cert (we require any 2 of these 3)</i> • <u>For Self Employed applicants only</u> • Letter from accountant confirming tax affairs are up to date • Last 2 years Audited Accounts and Tax Returns • Last 6 months Business current account statements • Last 3 Months Business Credit card statements • Last 12 months Business loan / mortgage statements for all loans	• Passport or Drivers Licence or National Identity Card • Proof of address • ICS Declaration Form • Evidence of balance of funds • Certified copy of Certificate of Incorporation • Certified copy of Memorandum and Articles of Association • Statement of Affairs for Company • Last 2 years audited accounts and Tax Returns • Management Accounts for current financial year • Letter from Accountant confirming tax affairs are up to date • Last 12 months company current and loan account statements • Last 12 months credit card statements



ONCE YOU HAVE PURCHASED

MANAGING YOUR PROPERTY FINANCES

It is important to manage your Buy-to-Let property just like any other business. This includes keeping full records of your finances. We would recommend opening a separate bank account for your rental property income and out-goings so that you can manage your finances properly.

Try and get the rent paid by standing order into this account and keep accurate up to date records of your property income and expenses including all receipts.

INCOME TAX

You will need to make your tax return every year. Rental income is liable to income tax, PRSI and Universal Social Charge (USC) but you may be allowed to offset certain expenses against your income tax. The Revenue Commissioners website has a useful 'Revenue Guide to Rental Income' for more information on this visit [revenue.ie](https://www.revenue.ie)

You will need to register as a landlord with Revenue by completing a Form TR1.

Residential property investment is a business, and like any business is liable to taxes including:

- Income tax on rental income
- Stamp duty on property purchase
- Capital Gains Tax (GCT) on disposal

MANAGEMENT OF THE PROPERTY

Many landlords manage their own BTL properties, however it can be very time consuming so it is worth considering employing a letting agency. They can help you find tenants, collect rent and deal with routine problems.

There are two main options when using a letting agent:

- 1) Let Only Service: Some landlords use an estate agent solely to find and screen tenants.
- 2) Full Management Service: Some landlords use a letting agent to manage the entire process from finding tenants to the on-going management of the property.

Letting agencies typically charge 8-15% of the gross rental income.

PROPERTY SAFETY

As a landlord you'll have a number of legal responsibilities. For example, you need to ensure that:

- Gas and electrical appliances are safe
- Furniture and furnishings meet fire regulations
- You have smoke alarms and carbon monoxide alarms installed
- The property is in a good state of repair

ONCE YOU HAVE PURCHASED YOUR INVESTMENT PROPERTY

THINK ABOUT YOUR TARGET TENANT

Have a good think about your desired target tenant and what their requirements may be.

If they are a family, they will have plenty of their own belongings so the less you have in the property the better. You will need to agree whether you are happy with them putting their own stamp on it such as allowing them to hang pictures and paintings and they may possibly wish to paint a room or two or even change curtains, lamp fittings etc.

If you are targeting students they will be looking for comfortable basics and will expect beds, sofas, TV etc but it would be unlikely that they would be looking for pure luxury.

If your target is professionals, they will be looking for a high modern standard in terms of general furnishings and kitchen white goods and equipment.

Keep up with maintenance, make sure your property is a nice place to live and try and build a good personal relationship with your tenants.

SELECTING TENANTS AND GETTING REFERENCES

A good tenant can make a huge difference to the life of a landlord. The opposite is true too! Start by offering a property that you would be happy to live in yourself. Quality accommodation will attract quality tenants.

Ask for payslips, bank statements, photo ID and references.

Trust your instincts and look for honest and reliable tenants who are happy with the local area.



ONCE YOU HAVE PURCHASED YOUR INVESTMENT PROPERTY

PREPARE A 'TENANT HANDBOOK'

It is advisable to prepare a handbook to give to your tenants before they move in. They then have a point of reference for queries, other than contacting you every time something goes wrong. The handbook should contain the following:

- A list of all the services for the property and contact details for each service.
- Full instructions on all appliances. How they work and tips for what to do if they are not working.
- A clear outline of who is responsible when something is broken.
- Details of who is responsible for the upkeep of any garden areas.
- A statement regarding how you expect the property to be maintained and cared for.
- A statement regarding how they must respect the rights of their neighbours.
- Be very specific in the handbook regarding deposits and who is responsible for what.
- Landlords must repair and maintain properties, but it is paramount that the exact details of this are very clearly outlined.

You should take a number of photographs in each room, particularly the kitchen so that you have evidence of the state of the property before your tenants move in.



ONCE YOU HAVE PURCHASED YOUR INVESTMENT PROPERTY

INSURANCE

Make sure that your property is properly Insured. Investment property insurance is different to normal household cover. Always make sure that your insurance broker or company are aware that it is a rental property.

If the property is unoccupied for a period of time, the insurance cover may lapse. Read the insurance contract carefully and make sure that you have the correct type of cover. The key areas include 3rd party liability and building, contents and loss of rent cover. Make sure to shop around for the best deal.

MAINTAIN THE PROPERTY

A well-maintained property will achieve a better letting price and will hold its value better over the long term. It is very important that the boiler is serviced at least annually. Renovations may be necessary over time but always best to apply an investor approach when renovating which will be different from the approach you would adopt while renovating your family home.

If you allow tenants to make their own mark on your property, it will make it feel more like home and they will more likely stay for longer.





ONCE YOU HAVE PURCHASED YOUR BUY TO LET PROPERTY

KNOW THE REGULATIONS & RESPONSIBILITIES AS A LANDLORD

The increased regulations over the past number of years may appear daunting to property investors, but you must take the time to understand the regulations and the rights of tenants and landlords and the rules around rent caps within rent pressure zones.

The Residential Tenancies Board (RTB) is a Government agency with statutory powers and supports the rental housing market and aims to resolve cheaply and speedily disputes between landlords and tenants, affording protection to both parties without having to resort to the Courts.

The RTB is responsible for the operation of a national registration system for all private residential tenancies and for all tenancies provided in the Approved Housing Body Sector. The website www.rtb.ie is a useful resource for landlords.

LEGAL OBLIGATIONS OF A LANDLORD

Landlords are obliged to:

- Register with the RTB within 30 days of commencement of the tenancy
- Provide tenants with 28 days notice of a rent review
- Repair and maintain the premises to the standard that it was originally let at
- Give the tenants peaceful and exclusive occupation
- Provide the tenant with a contact address and telephone number
- Ensure that tenants comply with their obligations particularly with regard to anti-social behaviour
- Serve tenants with a valid 'Notice of Termination' where applicable.

ONCE YOU HAVE PURCHASED YOUR INVESTMENT PROPERTY

TAKE A LONG-TERM VIEW

Investing in property can offer long term benefits, however you need to be a patient investor. Liquidity can be poor during downturns and transaction costs can be high.

The property market moves in cycles and can over correct and under correct depending on sentiment. Investment can be influenced by government policy which tends to distort market forces and may have effect, depending on short term political policy.

Investment is also influenced by interest rates and human emotional reaction which tends to be overly positive on the up and overly negative on the down. The more astute investor is generally better at seeing the wood from the trees.

MAKE USE OF GOOD SOURCES OF INFORMATION

There are some very good sources of information such as:

- The Residential Tenancies Board www.rtb.ie
- Irish Property Owners Association www.ipoa.ie
- The Private Residential Tenancies Board www.prtb.ie
- Citizens Information www.citizensinformation.ie
- Local flood maps www.floodmaps.ie
- [Being A Good Landlord Guide](#)

WARNING:

If you do not meet the repayments on your loan, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

WARNING:

YOUR PROPERTY IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT.

WARNING:

THE PAYMENT RATES ON THIS HOUSING LOAN MAY BE ADJUSTED BY THE LENDER FROM TIME TO TIME. THE COST OF YOUR MONTHLY REPAYMENTS MAY INCREASE.
(Variable rate loans)

WARNING:

You may have to pay charges if you pay off a fixed-rate loan early.

WARNING:

The cost of your monthly repayments may increase.
(Variable rate loans)

WARNING:

If you have an interest-only mortgage, the entire amount that you have borrowed will still be outstanding at the end of the interest-only period.