

THE TWO ROBS

Your questions on being a landlord and investing in property answered

CAN I BORROW AGAINST MY HOME TO BUY AN INVESTMENT PROPERTY?

Q I'm looking to borrow more against my home to fund a deposit for an investment property. I was surprised to find that my lender (HSBC) requires me to provide mortgage documents for the additional property in order to fund this. Therefore I would need to first make an offer on a property and get a mortgage offer before being able to get the



funds for the deposit. Is this situation normal?
Michael, London

A The reason you're being asked for so many details is because you're borrowing additional funds against your residential mortgage rather than another investment property.

If you were extending the mortgage on an investment property to buy another property, the affordability would be determined purely by the loan-to-value and the interest cover ratio (ICR) of the property you're borrowing against – so the property you're planning to buy with those funds isn't so relevant from the lender's point of view.

However, when you borrow against your own home it's assessed in relation to your personal income and expenditure – which includes your commitments for any investment properties. The lender will want to know how much you're borrowing and how much it will cost you, to ensure you can cover any void periods and other expenses while continuing to pay your home mortgage.

Amy Zakary from Keys Mortgages tells us that each

lender has slightly different requirements around this. Some are happy just knowing the value of the property you want to buy and an approximation of the mortgage payments, while others – like in your case – require an illustration and mortgage offer.

But in the end, if you're also taking out a mortgage against the investment property, you will be left trying to co-ordinate the drawdown of two sets of funds at the same time which will make the transaction a bit more tricky.

Of course we haven't touched on whether it's wise at all to extend your home mortgage to make an investment; we're assuming that you've considered the pros and cons and are comfortable with the risks.

SHOULD I BUY A ONE OR TWO-BEDROOM FLAT?

Q I'm a first-time property investor looking to buy a flat in Manchester city centre. I've narrowed my search to two options: a modern one-bedroom flat for £180,000 or a slightly older two-bedroom flat for £220,000. Both are in good locations but I'm torn about which would make a better

investment. The one-bed has lower costs but might limit my tenant pool, while the two-bed could attract a wider range of renters but has higher upfront and ongoing expenses. Which option would offer better returns and be easier to manage in the long run?
Sarah, Altrincham

A A lot of people believe that one-bedroom flats are less desirable or harder to rent but our experience suggests otherwise. In fact, we've found that one-bedroom properties often perform exceptionally well in the rental market, as long as they're of good quality and in desirable locations. We are though talking about true one-bedroom flats of a decent size rather than studios which can come with various issues.

One of the advantages of one-bedroom flats is that in our own portfolios, they've tended to benefit from longer-term tenancies. Single occupants or couples who rent these properties can stay for a long time if they're happy, whereas if you have two sharers in a two-bedroom flat, a change of circumstance for either tenant (like moving in with a partner) could trigger

the end of the tenancy.

That said, two-bedroom flats do give you access to a larger portion of the rental market, including sharers, small families or even single occupants looking for extra space. We've noticed a recent trend where single individuals opting for two-bedroom flats due to the rise of remote working and the desire for a dedicated home office.

Both options have their merits. Ultimately your decision should be based on the specific details of each property rather than a general preference for one particular bedroom count over another. Look at the potential returns, consider the ongoing costs, and think about which property aligns best with your long-term investment strategy. And if your current choice falls through for one reason or another, being open to both types will give you a larger number of potential opportunities to go after in search of a good deal.

Submit your questions for the Two Robs at propertyhub.net/sundaytimes

Rob Dix and Rob Bence are the presenters of The Property Podcast