

# Certificate in Residential Letting and Property Management

Properties Programmes • Properties Programmes • Properties Programmes • Properties Programmes • Properties Programmes



propertymark  
QUALIFICATIONS

National Federation of Property Professionals Qualifications  
MOL Sample Workbook



# Introduction to the sample workbook

This sample workbook is a guide to the complete set of workbooks for the Certificate in Residential Letting and Property Management, written and provided by MOL on behalf of the National Federation of Property Professionals (NFOPP).

The full range of property qualifications available from MOL/NFOPP is as follows.

## **Award in Introduction to Residential Property Management Practice (Level 2)**

This is an introductory qualification offering basic knowledge in the most important subject areas related to residential letting and property management.

- Unit 1 General Law, Health, Safety and Security in Relation to Residential Letting and Property Management
- Unit 2 Customer Service within the Property Sector
- Unit 3 Introduction to Residential Property Letting Practice
- Unit 4 Introduction to Residential Property Management Practice

## **Technical Award in Residential Letting and Property Management (Level 3)**

This programme is designed as an introduction to the knowledge and understanding required by those working, or aspiring to work, in residential letting agency.

- Unit 1 Health and Safety, Security and General Law
- Unit 2 Legal Aspects of Letting and Management
- Unit 3 Residential Property Letting Practice
- Unit 4 Residential Property Management Practice

## **Technical Award in the Sale of Residential Property (Level 3)**

The Technical Award in the Sale of Residential Property is designed as an introduction to the knowledge and understanding required by those working, or aspiring to work, in residential estate agency or new homes sales.

- Unit 1 Health and Safety, Security and General Law
- Unit 2 Law Relating to Residential Property Sales
- Unit 3 Practice Relating to Residential Property Sales
- Unit 4 Property Appraisal and Basic Building Construction/ Defects

### **Technical Award in Commercial Property Agency (Level 3)**

The Technical Award in Commercial Property Agency is designed as an introduction to the knowledge and understanding required by those working, or aspiring to work, in commercial property agency.

- Unit 1 Health and Safety, Security and General Law Relating to Commercial Property Agency
- Unit 2 Practice and Law Relating to Commercial Property Agency
- Unit 3 Law Relating to Commercial Property
- Unit 4 Commercial Property and Business Appraisal and Basic Building Construction

### **Technical Award in Real Property Auctioneering (Level 3)**

This programme is designed as an introduction to the knowledge and understanding required by those working, or aspiring to work, in estate agency where auctioneering is an important part of the work of the agency.

- Unit 1 Health and Safety, Security and General Law Relating to Real Property Auctioneering
- Unit 2 Law Relating to Real Property Auctions
- Unit 3 Real Property Auctioneering Practice and Procedures
- Unit 4 Property Appraisal and the Auction Process

### **Technical Award in Chattels Auctioneering (Level 3)**

This programme is designed as an introduction to the knowledge and understanding required by those working, or aspiring to work, in chattels auctioneering.

- Unit 1 Health and Safety, Security and General Law Relating to Chattels Auctioneering
- Unit 2 Law Relating to Chattels Auctions
- Unit 3 Chattels Auctioneering Practice and Procedures
- Unit 4 Chattels Appraisal and the Auctioneer's Duties and Liabilities

### **Technical Award in Residential Inventory Management and Practice (Level 3)**

This programme covers the law and practice of letting agency and inventory management in England and Wales.

- Unit 1 General Law, Health, Safety and Security in Relation to Residential Inventory Management and Practice
- Unit 2 Legal Aspects of Residential Inventory Management and Practice
- Unit 3 Residential Letting and Property Management
- Unit 4 Residential Inventory Management and Practice

## **Certificate (Level 4)**

The Level 4 Certificate programmes are designed for more experienced people working within agency such as senior negotiators, managers and principles. The full certificate has 8 units, but the first two are carried forward from the relevant technical award. There are four additional technical units specific to each pathway, and two common office/people management units.

The common management units are

Unit 7 Introduction to Office Management

Unit 8 Advanced Office Management

The three pathways and their technical units are as follows.

### **Certificate in Residential Letting and Property Management**

Unit 3 Legal Aspects Relating to Residential Letting and Management

Unit 4 Practice Relating to Residential Property Management

Unit 5 Appraisal and Residential Property Letting Practice

Unit 6 Applied Law Relating to Residential Letting and Management

### **Certificate in Commercial Property Agency (Level 4)**

Unit 3 Legal Aspects Relating to Commercial Property

Unit 4 Practice Relating to Commercial Property Agency

Unit 5 Market Appraisal, Value and Inspection Relating to Commercial Property Agency

Unit 6 Building Design and Defects for Commercial Property Agency

### **Certificate in the Sale of Residential Property (Level 4)**

Unit 3 Legal Aspects Relating to Residential Estate Agency

Unit 4 Practice Relating to Residential Estate Agency

Unit 5 Market Appraisal, Value and Inspection Relating to Residential Estate Agency

Unit 6 Building Design and Defects for Residential Estate Agency



# Certificate in

Residential Letting and  
Property Management . . .

## Appraisal and Residential Property Letting Practice



Produced for

**propertymark**  
QUALIFICATIONS



© MOL

Cert RLPM sample unit v2.1 6/2017

All rights reserved; no part of this publication may be photocopied, recorded or otherwise reproduced, stored in a retrieval system or transmitted in any form by any electrical or mechanical means, without the prior permission of the copyright owners.



# Contents

## Introduction

### section 1

<b>Supply and demand and value</b>	<b>9</b>
1.1 Supply and demand theory	9
1.2 Demand and supply in the residential property letting market	16
1.3 Residential property letting supply and demand in practice	19
Review exercise	23
Answers to self check questions	25

### section 2

<b>Factors affecting value in the residential property letting market</b>	<b>29</b>
2.1 Determinants of value	29
2.2 Factors affecting value	31
2.3 Major and minor influences on value	35
Review exercise	43
Answers to self check questions	45

### section 3

<b>Valuation methods</b>	<b>49</b>
3.1 Comparative method	49
3.2 The comparative method in detail	51
3.3 Investment method	58
3.4 The investment method in detail	60
3.5 Giving investment advice to landlords	67
Review exercises	72
Answers to self check questions	75

### section 4

<b>Market appraisals and advice to landlords</b>	
4.1 Market appraisal	
4.2 Advice to landlords	90
4.3 Basic marketing principles	95
Review exercise	104
Answers to self check questions	105

### section 5

<b>Dealing with initial landlord enquiries and instructions</b>	<b>111</b>
5.1 Initial landlord enquiries	111
5.2 Terms of business and services offered	114
5.3 Taking instructions	119
5.4 Information to be gathered	125
Review exercise	129
Answers to self check questions	130

### section 6

<b>The agent's duties to the client</b>	<b>133</b>
6.1 Agent's duties to landlord clients	133
6.2 Giving advice	136
6.3 Gathering information	140
Answers to self check questions	144

section <b>7</b>		
	<b>Creating the right tenancy</b>	<b>147</b>
	7.1 Types of tenancy	147
	7.2 Tenancy clauses	161
	Review exercise	171
	Answers to self check questions	172
section <b>8</b>		
	<b>Dealing with applicants</b>	<b>177</b>
	8.1 Property detail sheets	178
	8.2 Property viewings	181
	8.3 Dealing with offers	184
	8.4 Referencing applicants	188
	8.5 Negotiating tenancy terms	201
	8.6 Housing benefit claimants	203
	8.7 Tenancy deposits	208
	8.8 The Consumer Protection (Distance Selling) Regulations 2000	209
	8.9 HMO applicants	213
	Review exercise	217
	Answers to self check questions	220
section <b>9</b>		
	<b>Inventories, schedules of condition and handover procedures</b>	<b>225</b>
	9.1 Inventories and schedules of condition	226
	9.2 Preparation of tenancy agreements	235
	9.3 Related documents	241
	9.4 Handover procedures	247
	Review exercises	252
	Answers to self check questions	254
section <b>10</b>		
	<b>Holding a deposit</b>	<b>257</b>
	10.1 Taking deposits	258
	10.2 Common law ways of holding deposits	262
	10.3 Tenancy deposit protection schemes	265
	Review exercise	275
	Answers to self check questions	276
section <b>11</b>		
	<b>Overseas landlords</b>	<b>279</b>
	11.1 Approval numbers	280
	11.2 Agents' obligations	280
	11.3 Types of overseas landlords	282
	Answers to self check questions	285
	<b>Suggested answers to review exercises</b>	<b>287</b>
	<b>Glossary</b>	<b>297</b>
	<b>Reading list</b>	<b>303</b>

## Introduction

This unit is about the practical aspects relating to the appraisal of residential property available to let, and the subsequent letting practice once instructions have been secured to act as letting agent on behalf of a landlord.

We will inevitably cover some topics that have already been covered in a legal context in other units of this course, but as letting practice is determined to a large extent by legal considerations, this is inevitable.

The unit will try to follow a logical sequence through the appraisal process, dealing with landlord enquiries and advising landlords and then moving on to dealing with applicants, the preparation of the tenancy agreement, the gathering of the various documents necessary for a let and finishing with handover procedures, dealing with deposits and the gathering of all the information required for the ongoing dealings with the tenancy.

### *Learning objectives*

*Having completed this unit you will know and understand how to*

- ✓ *use demand and supply theory to determine market rental and capital values*
- ✓ *prepare and conduct market appraisals and give appropriate advice to landlords*
- ✓ *use marketing methods to secure instructions from landlords and attract potential tenants*
- ✓ *deal with initial landlord enquiries and issue terms of business complying with regulations*
- ✓ *create the correct tenancy for the landlord and tenant*
- ✓ *follow best practice in dealings with clients*
- ✓ *deal with applicants from initial enquiry to the point where the tenancy agreement is signed*
- ✓ *prepare suitable inventories and schedules of condition and follow best practice for handover procedures*
- ✓ *comply with common law and legislative requirements when dealing with deposits*
- ✓ *gather the required information relating to the property and the tenancy to ensure ongoing smooth running of the tenancy*



# Market appraisals and advice to landlords

This section follows on from the first three sections that related to the valuation of property to rent. It covers the actual appraisal process and the presentation of the agent's opinion to the landlord client. It also covers the advice that might be given to the landlord to ensure the property was presented to the market to stand the optimum chance of letting to a suitable tenant at the earliest opportunity.

There are also other issues that need to be dealt with at this initial stage that might affect the relationship between the agent and the landlord, such as discrimination issues, as well as practical matters to protect the landlord, such as consents to let and insurance matters.

## *Learning objectives*

*Having completed this section you will know and understand how to*

- ✓ *define the factors affecting your valuations for landlords at market appraisals*
- ✓ *appreciate the range of advice you may give to landlords about properties and their own circumstances*
- ✓ *understand basic marketing principles to be applied to your agency and the properties you have to let*

## **4.1 Market appraisal**

The market appraisal is often the point where you, as agent, are likely to meet the landlord client face-to-face for the first time. If you are responsible for undertaking market appraisals, it is vital that you are aware of your responsibilities, both to your agency and to the client, and that you are well prepared.

Before you carry out the market appraisal, you should gather as much information as possible about the landlord and the property. This will allow you to prepare for various eventualities and to gather comparable evidence to help with the appraisal. The market appraisal will take account of specific details relating to

- the property itself
- the particular landlord you are dealing with
- market conditions at the time of the appraisal

## Defining appraisal

In the first three sections of this unit we have been looking at 'value'. Before proceeding further, it is worth considering what is meant by the word 'appraisal'. The Royal Institution of Chartered Surveyors (RICS) defines an appraisal as a 'valuation with advice'. It is common today for those working in property agencies of all types to avoid the word 'valuation' and use the word 'appraisal' instead. However, if the RICS definition of appraisal is taken, you can see that valuation is an integral part of the process, albeit that it is accompanied by advice.

An appraisal is a process by which an agent can communicate to a landlord the rent likely to be achieved, the type of tenant likely to be attracted to the property and the length of time it is likely to take to attract a suitable tenant, taking into account the circumstances and the wishes of the landlord.

### KEY POINT

> **An appraisal is a valuation with advice**

## Valuation/appraisal methods

We have already covered the comparable and investment methods of valuation in sections 1, 2 and 3 of this unit and these are the methods you are likely to use in your market appraisal.

The comparable method we have found to be the basic tool for valuing residential property, and this method will play a part in investment valuations as well. Most of the time you will be assessing the rental value of a property you are being asked to let and the comparable method will be used.

Occasionally, you may be asked to assess the capital value, eg if an investor client is thinking of selling or acquiring a property. Investor clients may also want to know what yield or return they can expect from their investment and the investment method of valuation will be useful for these purposes.

## Comparable method

This is the most common method of valuation and can be used to determine both rental and capital valuations of residential property.

## self check

## QUESTION 1

From your study of the first three sections of this unit, what would make the ideal comparable?

Compare your answer with the one given at the end of this section.

Ideally, the comparable method requires knowledge of the actual transaction and this can only happen where the agent was involved in the letting (or sale). Much comparable evidence will not have this level of detailed knowledge. The information available will form the framework on which a valuation can be constructed and justified.

It takes into account

- the physical factors of the property and its locality
- the legal factors affecting the property
- the timing of the comparable transactions
- the state of the market
- the wishes of the landlord client

## KEY POINTS

- > **The comparable method is the most common method of valuation**
- > **Comparables need adjustment to equate to the property to be valued**

## Factors to be considered

As indicated in earlier sections, the comparable method is often thought to be a simple method, but in fact a large number of variables are involved and need to be considered. The most important of these factors are

- the timing of the comparable transaction
- the physical aspects of the property and its surroundings
- the legal aspects affecting the property

**Timing** is important because comparable transactions need to be **recent**. What counts as recent will vary depending on market conditions. Where market price is changing rapidly (up or down), transactions just a few weeks' or months' old may be considered too old, whereas in stable market conditions where price is not changing, comparables many months' old will be considered recent enough.

**Physical factors** are those that relate to the property itself, but also those physical factors that affect the surroundings of the property, including its location and aspect and the amenities within easy reach.

**Legal factors** relate to the property itself in terms of obvious legal considerations such as its tenure and any easements or covenants affecting the property. In addition, legal factors affecting the locality, eg conservation area status or planning restrictions, are important as well.

Comparables must relate to transactions that were 'at arm's length', ie there should be no connection between the parties to the transaction. Only where the agent acted in a transaction will all aspects be known, but other useful comparable data will be found where there is incomplete knowledge.

When valuing you will consequently be using a range of different types of evidence. The more evidence you have, the better the result is likely to be. Guidance suggests that a minimum of three comparables be used, but as indicated more is better. As we have already learned, each comparable will require a certain amount of adjustment to equate with the property to be valued. Accurate adjustments are important, even though residential rental values do not have the same spread as capital values where properties are for sale.

**self check**

**QUESTION 2**

- a) Why do you think it is desirable to have as many comparables as possible?



- b) If you have not been involved as letting agent in negotiating the letting of comparables, what information do you think will be available to you?

Compare your answers with those given at the end of this section.

To value and appraise effectively, we need information for property that is

- in the same locality
- of a similar type, style, age and size
- in a similar condition
- with the same tenure and other legal influences
- let recently

### **Location**

Location is very important – the old adage ‘location, location, location’ does apply and is likely to be the biggest single influence on rental value. Comparable properties let in the same locality should be the first to be looked at. Only if there is little or no evidence in the immediate locality should you be looking elsewhere.

### **Type, style, age and size**

These factors should be readily apparent from an external inspection and information available from your own records, or the records of other agents that are publicly available. However, some detail may be missing, such as the existence or size of extensions, conservatories, etc at the back of the property and out of sight.

### **Condition**

External condition, at least at the front of the property, should be readily apparent. However, internal condition and the quality of fixtures and fittings will not be visible.

### Tenure and other legal influences

These will not generally be available to you. These details can be found on the Land Registry website, and many agents now have an account which they can access quickly and easily online at a modest cost. This can be useful for checking tenure and ownership details for properties on which you get instructions (see later sections), but can also give information about comparables. In most cases, for rental purposes this information would not be critical, but could be in one or two instances.

### Timing

Comparables as close to the valuation date as possible are the best. The further away in time the comparable, the more adjustment is likely to be needed and the more suspect the data will become. With the growth of publicly available indices, adjustment on a broad scale can be done where evidence is sparse, although such indices tend to be more readily available for capital value rather than rental value. The Association of Residential Letting Agents (ARLA) quarterly survey is one such index that may be available to you, but currently this is not as detailed as the capital indexes from the Land Registry, Nationwide and Halifax.

### self check

#### QUESTION 3

Why do you think that the adjustment of comparable evidence leads to a range of values being produced for the property to be valued?

Compare your answer with the one given at the end of this section.

## Adjustment of comparables

We have already learned that valuation is as much an art as a science and, in order to value successfully, comparables need to be adjusted to account for differences between the comparables and the property to be valued.

We have so far looked at the physical and legal factors affecting the properties, and the timing of the comparable transactions. There are also two other factors to take into account. These are

- the state of the market
- the wishes of the client

### State of the market

The state of the market is important because market conditions change over time. In the last 30 years or so, we have seen two major booms and slumps in the property market. A boom occurred from 1987-1989 followed by a slump that lasted until 1994-1995 when conditions improved. Another boom started around 1999-2000 and lasted until around 2007-2008 before the market slumped dramatically following the banking crisis.

These booms and slumps have had a dramatic effect on capital values, but have also affected the rental market. The general comments and timings given previously may not hold true for individual areas, and you may be able to suggest a slightly different pattern in your area.

The growing attractiveness of buy-to-let during the period from the late 1990s onwards has caused some areas to experience a surplus of property to let. This has been especially so in some town centres with the boom in high density apartment developments, many being sold to buy-to-let investors. This has resulted in long void periods and downward pressure on rents. Other areas, especially where new building has been limited, have seen limited supply and rental values being forced upwards.

You need to keep a close eye on market trends in your area and take this into account when valuing property. The previous comments about general trends are averages and there can be considerable variations locally as well as regionally. It is not uncommon to find the position in one locality being completely different to the position in another locality not too far away. Local market knowledge is vitally important to the valuation process.



## Investment method

You may be required to use the investment method of valuation where the landlord client is considering acquiring or disposing of a property. They may require an idea of capital value, or may want information about the likely yield or return from an investment. You will remember that we used the formula

$$NI \times YP = CV$$

to determine capital value, and that we can manipulate the formula to provide an idea of the likely yield a landlord can expect at a target value. We also found that often we will be using a gross income (rent) rather than a net income in the formula, and will use gross rather than net yields to work out the YP.

The growth of the residential buy-to-let market means that there is now a considerable amount of evidence of the relationship between income (rent) and capital value. The yield reflects the attractiveness (or the degree of risk) of the investment to the buyers in the market, ie

- the lower the yield, the more secure the investment is seen to be
- the higher the yield, the more speculative and risky the investment is seen to be

Throughout the 2000s, yields on residential properties fell year on year reflecting the perceived security of the investment, but was also related to the substantial capital gains on residential property as capital values rose very rapidly between 2000 and 2007-2008.

By 2007, new entrants to the buy-to-let market in many areas were having to accept gross yields as low as 3.5-4%. Investors were prepared to accept low yields, while capital values were rising rapidly as the very low month-on-month returns were offset by the strong rise in capital value and the combined yield was acceptable. Following the banking crisis, capital values fell dramatically in most areas, although some areas do not appear to have suffered too much.

If landlords generally are not enjoying capital growth, the residential investment market will look very unattractive. In most areas, initial yields have risen from the lows in 2007, reflecting the difficult market conditions especially in the selling market.

**QUESTION 5**

A landlord has the opportunity to acquire a new flat on the second floor of a three-storey block. Some flats are owner-occupied and others are let on assured shorthold tenancies (ASTs). Rental levels are around £1,000 per month. Your client is prepared to accept a gross yield of 5%. What is the maximum amount your client can afford to pay for the investment?

Compare your answer with the one given at the end of this section.

It is not uncommon for landlord clients to approach you to ask for advice when they have sourced a property to buy for letting. They will often want to know what rent they can expect and what gross and net yield they are likely to enjoy.

For the rental valuation, you will use the numerous variables we considered earlier to determine the rental value using comparables. You could also estimate the likely gross and net returns, using typical figures from your letting agency knowledge regarding the expenses likely to be incurred.

**self check****QUESTION 6**

A landlord client has approached you for advice. The landlord has been offered a property in an area of town you know well at a price of £200,000. Buying expenses are likely to be around 1.75%. You estimate that rents for this kind of property will be around £900 per month. Your management fees are 15% + VAT, insurance is around £300 per annum for this kind of property and repairs are likely to average £600 per annum. What gross and net yields can the client expect?

Compare your answer with the one given at the end of this section.

**KEY POINTS**

- > **The investment method is used to work out a capital value for an investment**
- > **It can also be used to work out expected gross or net yields on investments**

# Answers **to self check questions**

## Question 1

The ideal comparable would be details of a transaction of a property that was identical to the property to be valued in terms of location, type, style, age, condition, etc, that took place recently and where the agent had detailed knowledge of the transaction because they were involved.

## Question 2

- a) It is better to have as many comparables as possible because you will probably not have been involved in the actual negotiations for the letting of the comparable property. This may mean that a lot of information that may have affected the rental value achieved will not be available to you. You will not know the finer details of many transactions, so the more comparables the better as this will show clear trends. Odd comparables that might distort the figures because of some peculiar aspect to the letting can be identified and, if necessary, eliminated.
- b) The information known to you will vary depending on the source of the evidence. If you did not act in the letting initially, only the address and the rental figure will be known, although you could then visit the property to get an idea of its physical nature, so the approximate size, type, condition, etc will be visible. You may have additional information if the evidence comes from a trusted source.

## Question 3

We end up with a range of values because the adjustment process is not precise and relies on the skill and experience of the person doing the adjustments. Different properties will require adjustments to different factors and different amounts of adjustment to similar factors and this is likely to lead to slight differences. This is why the more adjustment that is needed, the likelihood is of larger ranges of values resulting from this adjustment process.

## Question 4

- a) If rents have been increasing at 3-4% per quarter over a six-month period, rents will have risen 6-8%. If comparables six months ago suggest rents at £1,000 per month, the extra 6-8% would add another £60-£80 per month, giving £1,060-£1,080 per month. If the landlord wanted the maximum rental, you might suggest a starting figure of £1,100 per month.
- b) If your landlord client wanted a longer-term tenant, they may be prepared to offer a slightly more attractive rental figure to attract plenty of interest and encourage a longer-term tenant to apply. A figure slightly below the suggested rental might be appropriate, eg £1,000-£1,050 per month.



## Question 5

The formula to use is  $NI \times YP = CV$ , but in this case we have a gross rent and a gross yield so will use that in the formula. The rent is £1,000 per month, hence £12,000 per annum. The YP can be worked out from the formula  $100/\text{yield} = YP$ . In this case  $100/5 = 20$ .

So the maximum that can be paid to achieve a gross yield of 5% is

$$\text{Income} \times YP = CV$$

$$£12,000 \times 20 = £240,000$$

So if the investor did not pay more than £240,000 they would achieve a gross yield of 5%.

## Question 6

If the rent is £900 per month, this equates to £10,800 per annum.

If the property is available at £200,000 and buying expenses are 1.75%, these will amount to £3,500 and the total cost of acquisition will be £203,500.

The gross yield will be rent/capital cost, or  $£10,800/£203,500 = 5.3\%$

For the net yield, we need to work out the net rent after expenses

Gross rent	£10,800	
Less expenses		
Management at 15% + VAT		
£10,800 × 15% + VAT @ 20%		
£1,620 + £324	£1,944	
Insurance	£300	
Repairs	<u>£600</u>	
	<u>£2,844</u>	
Net rent		£7,956

The net yield will be net rent/capital cost, or  $£7,956/£203,500 = 3.9\%$

If it was felt necessary to build in a void period for the property between lets, the net yield will be reduced.





# Glossary

## **AIDA principle**

in marketing, the principle that advertising should initiate awareness, interest, desire and action

## **appraisal**

the provision of a valuation combined with professional opinion, advice and/or analysis relating to the suitability (or profitability) or otherwise of the subject property related to the circumstances given by the client

## **approval number**

a number issued by the Charity, Assets & Residence - Residency Department of HMRC which allows a letting agent to pass on gross rental income to an overseas landlord

## **check-in**

the process of a new tenant comparing an inventory with the property in question, adding valid comments if appropriate. Ideally the check-in should be completed before the tenant moves in

## **clawback**

a method of retrieving overpayments of housing benefit, for example if a tenant makes a fraudulent claim. Overpayments cannot be recovered if they are due to an administrative error by the local authority

## **cleared funds**

money paid into a bank account that has passed through the transfer process. Note that cheques and electronic transfers can take three or four working days to become cleared funds that can be drawn. Therefore, agents should ensure they are in possession of cleared funds, eg from tenants' deposits, at the start of tenancies

## **client account**

a designated bank account for holding clients' money (ie rent, deposits, etc), which must be separate from the letting agency's business accounts

## **clients' money**

any money paid to an agency that is due to either landlords, tenants, applicants or ex-tenants (eg rent, deposits, etc). Clients' money must be kept in a designated client account, must not be used for any other purpose, and should be passed on to the appropriate person as soon as possible

## **comparable analysis grid**

when applying the comparative method of valuation, a list of comparable properties is created giving details of the properties and any adjustments made for differences between them

**comparative method**

the most common method of valuation for both capital and rental property. It is based on the acceptance of market price as the best indicator of value and involves comparing the values of similar properties, making adjustments for differences between them

**covenants**

promises and obligations between landlords and tenants. A covenant may be a promise to do something (a positive covenant), or it may be a promise not to do something (a negative or restrictive covenant)

**credit reference agency**

a company that specialises in checking the creditworthiness of applicants, based on their salary, credit status, etc

**custodial scheme**

a scheme for holding deposits on assured shorthold tenancies for the duration of the tenancy, under the Housing Act 2004. The deposit must be paid into a nominated custodial scheme within 30 days of being received from the tenant

**damages**

a remedy under common law where a payment is awarded to compensate the harmed party for any losses. The party awarded damages will be put in the same position as if the contract had been performed. Damages claimed have to be reasonable

**deposit**

a sum of money, paid by the tenant at the start of a tenancy, to cover breakages and damage to the landlord's fixtures and fittings. For non-Housing Act 1988 tenancies, agents can hold deposits as agent for the landlord (ie as if the landlord is holding the deposit) or as stakeholder (where the money is held in trust, between the parties, by the agent). Deposits on assured shorthold tenancies must be protected and can be held in two insured schemes, or a custodial scheme

**dilapidations**

a technical term meaning disrepair or damage. It is the letting agent's role to assess dilapidations at the end of a tenancy, but allowance must be made for fair wear and tear

**employers' liability insurance**

a legal requirement for employers, this insurance protects employees who have an accident or are injured during the period of their employment, and when carrying out their duties under their employment contract

**executor**

a person or persons appointed in a will to carry out the wishes of a deceased person, which may involve the sale of property



## Reading list

*The Housing Act 2004 and Residential Lettings: A Practical Guide*, Francis Davey and David Smith, RICS Books, 2008

*Service Charges: Law and Practice*, Philip Freedman, 5th edition, Jordan Publishing Limited, 2012

*A Practical Approach to Landlord and Tenant*, Simon Garner and Alexandra Frith, 5th edition, Oxford University Press, 2013

*Cases and Materials on Housing Law*, David Hughes et al, Blackstone Press, 2000

*Landlord and Tenant Law in Practice*, (Blackstone Bar Manual), Inns of Court School of Law, 5th edition, Oxford University Press, 2004

*Residential Valuation Theory and Practice*, David Jenkins, Estates Gazette, 2002

*Valuation and Sale of Residential Property*, David Mackmin, Estates Gazette, 2007

*Landlord and Tenant Law*, Margaret Wilkie, Godfrey Cole, Peter Luxton and Jill Morgan, 5th edition, Palgrave Macmillan, 2006

*RICS UK Residential Property Standards*, RICS 2011 (constantly updated)





1 2 3 4 5 6



Properties Programmes • Properties Programmes • Properties Programmes • Properties Programmes • Properties Programmes

[enquiries@MOLlearn.com](mailto:enquiries@MOLlearn.com)  
[www.MOLlearn.com](http://www.MOLlearn.com)  
T 0845 203 2103  
T 0161 203 2103