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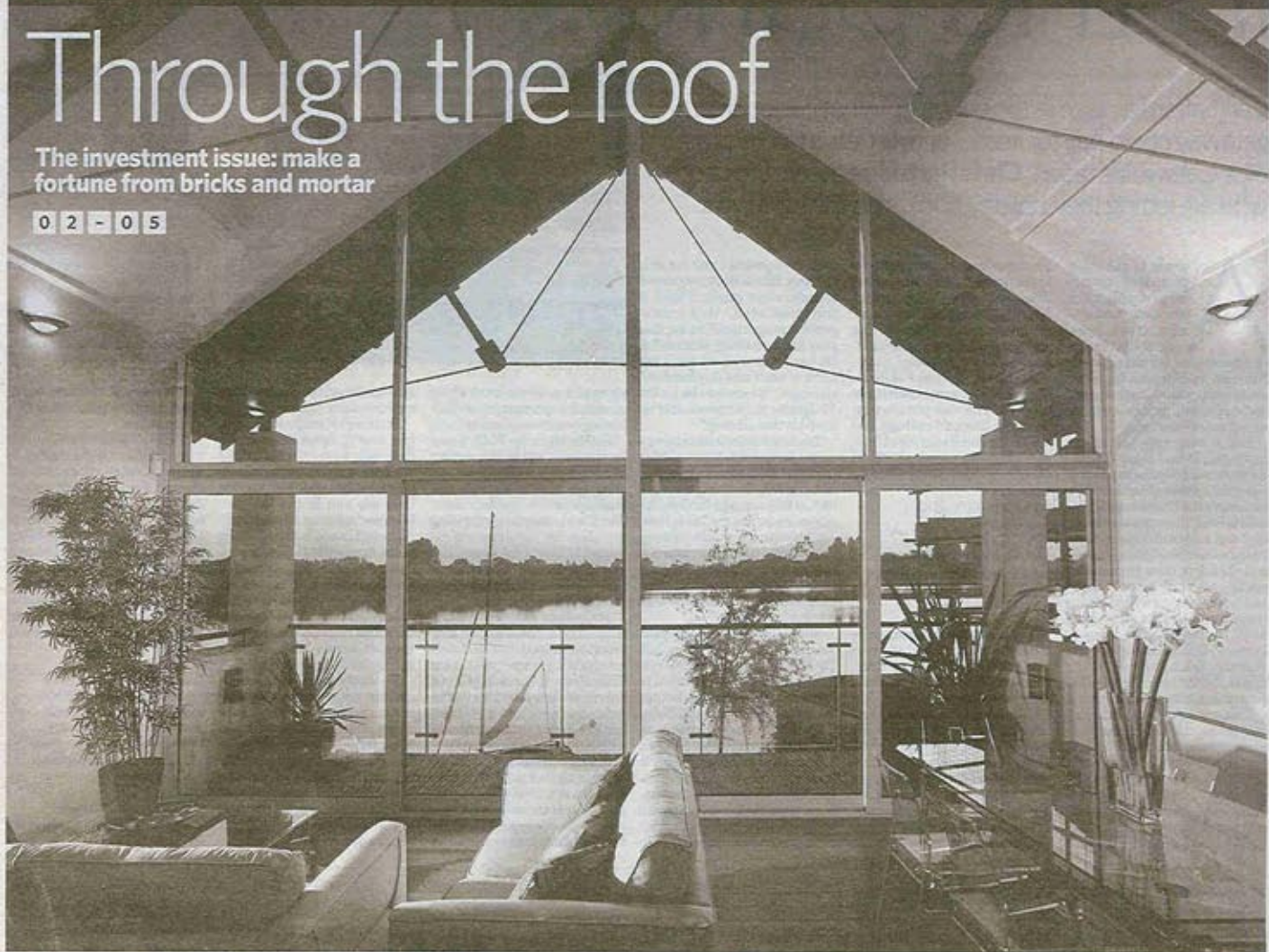
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Through the roof

The investment issue: make a fortune from bricks and mortar

02-05



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INVESTMENT SPECIAL

It's a walk
in the park

Can't afford a place in the country? What if your dream getaway could pay for itself – or even return a tidy profit? At a Cotswolds resort, **Chris Partridge** meets the people who are letting their holiday homes do the hard work

A place to get away from it all. Somewhere with fresh air and clear waters, trees, open spaces. It's a dream that many of us will identify with. But then we dismiss it again: we could never afford it, we say, not since property prices – and interest rates – shot up.

But increasingly, people are managing to find a way of making their holiday home pay its way – people including Bedfordshire civil servants Thomas and Nicola de la Rue. They wanted a beautiful and safe environment to introduce their small boys George and Freddy to their passions for sailing, windsurfing, water skiing and swimming, as well as giving them time to relax away from work. So they bought a house at Lower Mill Estate, a holiday home complex taking shape amid a chain of lakes near Cirencester, part of the Cotswold Water Park.

Designed not to be primary residences, they often gain planning permission in locations where ordinary homes would not. They're built for the purpose, and many – especially Lower Mill Estate – are far from chintzy cottages or *Hi-de-Hi!* bell.

"We bought a glass-fronted

contemporary house overlooking the largest lake," Nicola says. "The bedrooms on the ground floor and the living space above, so the views are fabulous. The spa was a big factor, with its indoor and outdoor pools."

Architect Richard Reid's designs are uncompromisingly modern, with vast picture windows, "cathedral" ceilings, and balconies and decks for alfresco dining. The couple also liked the commitment to the environ-

SO FAR, IT'S BEEN SUCCESSFUL. IT HAS LET SO WELL WE CAN'T GET BACK IN UNTIL MID-SEPTEMBER

ment at Lower Mill Estate, where the eight lakes include two areas of special scientific interest, and are an important over-wintering area for wildfowl.

"We bought in January and have already made friends here, mainly because the Lower Mill Estate is always organising nature walks and art classes," Nicola says.

The couple signed up to let the house out to other holidaymakers, a deal that brings them enough income to cover the mort-

gage repayments and service charges. Nicola does not expect to make a vast profit: "I think it will break even – they are expensive properties!" So far, this year has been very successful. "It has let so well we can't get back in until mid-September," she says. "It needs to be let for 70 days for tax purposes, and we have hit that already."

Tax implications have been a major factor in helping holiday parks get off the ground (see box on tax rules). Running costs are high at fully managed holiday developments, but the De la Rues don't have to worry about a thing.

"If we had wanted to make real money we would have bought a cottage on the Dorset coast like friends of ours, but they have to put in a lot of work."

Some all-inclusive holiday developments, such as Lower Mill Estate, cater mainly for the residents, but others are linked to other facilities such as hotels, conference centres or golf clubs.

The Watersmeet Apartments, also on the Cotswold Water Park, are attached to the new Four Pillars Hotel and conference centre. The buildings are contemporary, wood-clad Scandinavian style, set on the banks of the lake.

All the maintenance and ser-



vice is done by the hotel, which also lets the apartments out when hosting conferences and so forth.

Holidaying at the Watersmeet Apartments will be like staying at a top hotel, with a great spa and gym, pool, restaurant and business centre. Outdoor activities from sailing to horse riding are close by. Lettings are expected to run at between £300 and £600 a week, according to Claire Johnson of Builders Ede, partners in the operation.

For golfers, the ideal holiday home may be The Wiltshire, near Wootton Bassett. It is the latest enterprise by former press baron Eddy Shah. It consists of a golf course designed by Peter Allis, a club and resort, and 44 three- and four-bedroom timber framed lodges overlooking the lakes.

A well-run holiday home can bring in a gross yield of up to 10 per cent at a time when buy-to-let landlords are lucky to get 5 per cent. A good way to get into the holiday letting business is to buy

an established operation with a track record of successful letting.

Brickwall Farmhouse in Suffolk, near Stowmarket, currently for sale with Abbots (01284 725 566) at £695,000, is two holiday homes in one. The owners, Barbara and Robin Bonner-Morgan, split the ancient half-timbered house into two, living in the smaller half. The buyers could either let both halves or use the smaller half themselves.

"We have got a lot of fun out of holiday lets because we have met such a lot of lovely people," says Barbara Bonner-Morgan. "They always leave it immaculate."

The house is very picturesque and has large gardens for children, and the area has lots of walks, stately homes to visit and pubs and restaurants to eat in. Marketing is through advertising in *The Lady* and website www.brickwallfarmhouse.co.uk.

But the way to make the most money out of holiday lettings is to buy a derelict building and con-

vert it yourself. Old farm buildings have great potential as holiday cottages.

Bedfords (01328 730500) has a period barn on the market in the picturesque village of Great Massingham. It is within striking distance of the north Norfolk coast and King's Lynn and the village has a shop, pub, bowling green and tennis courts. Barrack Yard is a Victorian barn that looks a shambles but has planning permission to transform it into a one-bedroom cottage with views over nearby fields and the village green. The price is £140,000.

Lower Mill Estate is launching Howells Mere; from £310,000 to £695,000; www.lowermillestate.com, 01285 869 489. Watersmeet Apartments, from £130,000; www.cotswoldwaterparkapartments.com, 01285 862 541. Wiltshire holiday lodges, from £198,000; www.the-wiltshire.co.uk, 01793 849 999.

MARKET NEWS

GOING UP...

The value of student accommodation. House prices in 20 university towns across the UK have risen by at least 20 per cent in the last 12 months – almost twice the national average of 11 per cent. The latest Halifax index shows the richest gains were seen in Belfast, home to Queens University, where the typical property added 47 per cent to its value. Elsewhere, some very clever money has been in the Thames Valley area (where the former Reading University is situated), where prices have risen by 35 per cent, followed by Winchester (also a university town), which was up 32 per cent. Thousands of student landlords should be delighted with their results.



GOING DOWN...

Number of lenders willing to give mortgages to people with poor credit histories. With sub-prime mortgage borrowers in the US failing to pay their mortgages, causing major shockwaves in money markets worldwide, speculation is mounting that a number of sub-prime lenders this side of the Atlantic may be forced to withdraw from the market. This is not least because a number of sub-prime lenders here are owned by US investment banks, who have fast lost interest in the sector. Increased funding costs, combined with reduced competition, are likely to mean that British borrowers with poor credit records will have to pay more for their mortgages in future. No bad thing, according to experienced underwriters.



GO FIGURE...

1 million

The number of extra properties for sale that require a Home Information Pack (HIP). The HIP rollout staggers on. Since 1 August, anyone marketing a four-bedroom home for sale has been obliged to fork out for one of these packs, containing title deeds, plans and an Energy Performance Certificate. As of 10 September, the remit extends to three-bed properties. Of 11 million three-bed homes in the UK, around 1 million are put up for sale each year. The pack's critics point out that HIPs bring no discernible benefit to the market, and the cost (£300 to £650) has so far served little purpose. The impact on the market has yet to be assessed, but it could lead to yet another hike in property prices.



Paula John



How the tax breaks work

Why choose a holiday let rather than, say, a normal buy-to-let flat? There's a big difference in how the tax office views income from ordinary, long-term buy-to-lets (flats rented out a year at a time, for instance) and the income from holiday-home rentals.

The rent from ordinary buy-to-lets is "unearned". This means that it's different from your main salary. So, if the costs are greater than the rent, you have to make up the loss out of your own pocket.

But a holiday rental can be classified as earned income, which means that losses can be used to reduce the amount you pay in tax on your main salary.

Also, when you come to sell, you pay capital-gains tax according to the rules for commercial assets. Put simply, if you're a higher-rate tax payer, and you sell your holi-

day home after a couple of years, you might only pay capital-gains tax at 10 per cent of the profit you've made (the uplift), and if the property is owned for longer periods, you may pay nothing at all. Whereas with a regular let, you may be looking at a bill for 40 per cent of the uplift.

Know the rules: to qualify for these tax benefits, the house has to be let for at least 70 days a year, and available to let for 140 days. No single let can be for longer than a month. The place must be fully furnished and rents must be at the full market rate.

Also, consider employing an agent. A professional letting agent, such as Mulberry Cottages, part of Humberts estate agents, will market the holiday home and keep it all running smoothly. The agent's fees are also tax-deductible.

Nature on your doorstep: a holiday home on the Lower Mill Estate in Gloucestershire, above; the fully equipped spa, left, is another aid to relaxation

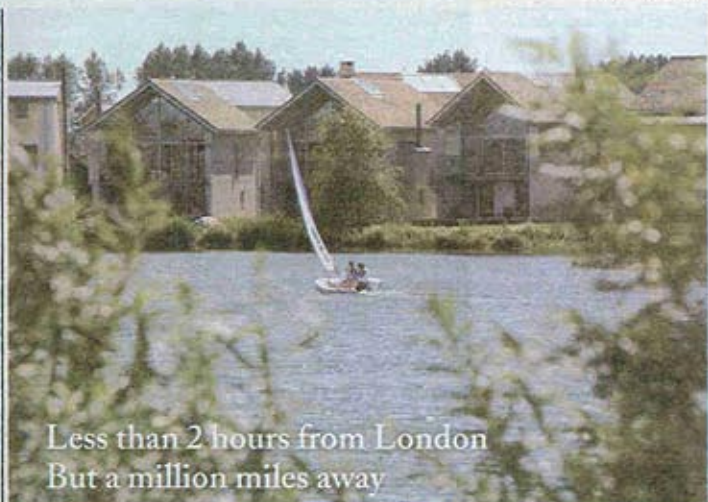


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