



Anchorage  
INVEST

Creating instant passive income  
and long-term wealth through real estate



WELCOME!

I created this guide to demonstrate the benefits of **investing in residential real estate in the UK** and how we can help you achieve them

The motivation behind this:

After over 6 years in the rat race I've come to the realisation that one achieves true freedom and wealth not by working harder and harder for more and more money but by having money work for you: through the building of passive income assets

- **True freedom:** Passive income assets generate income for you while you sleep
- **True wealth:** You are not trading your time for money with this. The return on your time is now scalable

With Anchorage Invest I want to give other people the freedom and wealth that real estate has given me

**Lars Steinbrecher**  
Director, Anchorage Invest

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Why Invest?

Or *"Don't own stuff (cash) they can just print more of"*

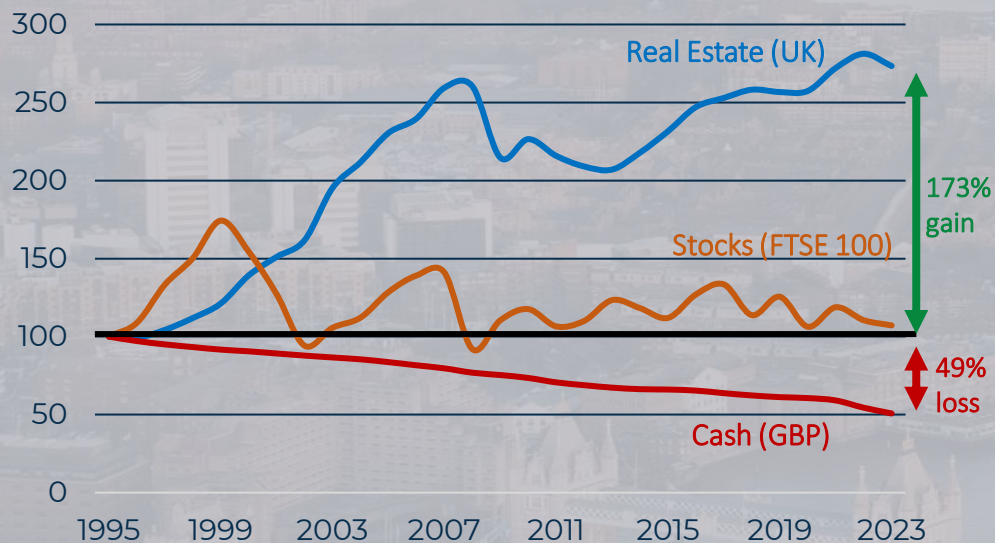




## Hedge against inflation and outperform it

- Keeping your **money in cash** would have **halved the goods and services you can buy** with that cash today vs. 25 years ago (49% decline)
- Investing in the stock market would have kept your ability to purchase goods and services roughly equivalent while **real estate would have more than doubled your purchasing power**, despite inflation

**Purchasing power (value after inflation)<sup>1</sup>**  
(indexed, 1995=100)



### Why inflation?

Since currencies have been taken off the gold standard, governments have printed more and more money. Given simple supply and demand laws, this increasing supply of money has devalued it, requiring the same goods and services to demand more and more currency

Note: <sup>1</sup>Gains do not include the additional dividends and rental income you would have accumulated on top of holding FTSE 100 shares or real estate  
Source: HM Land Registry (Real Estate), World Bank & ONS (Inflation), 1Stock1.com (FTSE 100)

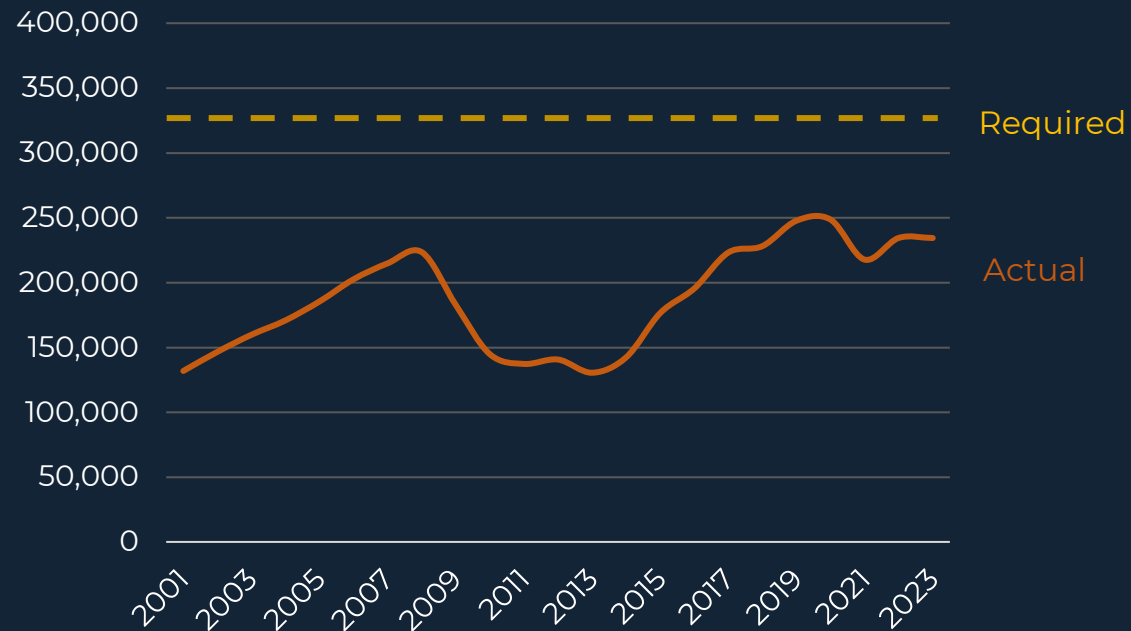
Why Real Estate?

*"Real Estate builds wealth more consistently than any other asset class" - Forbes*



Chronic under-supply of housing<sup>1</sup> supports property price growth

Net new dwellings (England)



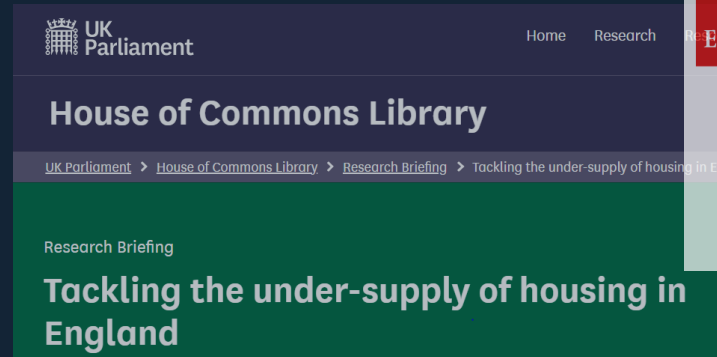
- The National Housing Federation (NHF) estimated that **340k net new dwellings are required** in England each year **to meet demand** given trends in population growth net migration and household size
- Throughout recent history **only close to 250k** net new dwellings **have been achieved**
- **This imbalance is likely to remain** given archaic (slow, bureaucratic and expensive) planning laws, local nimbysism, lack of available land and rising material and labour costs due to material supply shortages caused by COVID and labour shortages as a result of Brexit

Note: <sup>1</sup>A.k.a. “The UK housing crisis” is a much debated topic in politics and the general UK media since over 30 years, however the situation remains far from being resolved

Source: UK government website, NHF

## Recent headlines

- The chronic housing shortage means **demand for property is continuously outstripping supply**
- This means **properties will always find potential buyers and renters** and that **at steadily growing prices and rents**



UK Parliament Home Research

### House of Commons Library

UK Parliament > House of Commons Library > Research Briefing > Tackling the under-supply of housing in England

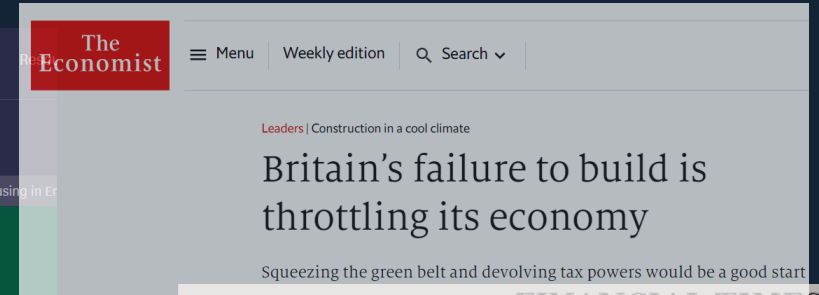
Research Briefing

## Tackling the under-supply of housing in England

Published Friday, 04 February, 2022

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## Britain's failure to build is throttling its economy

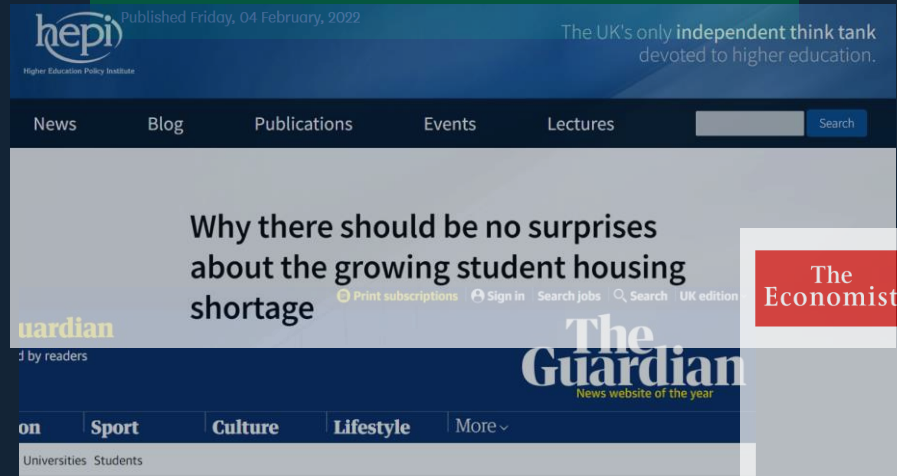
Squeezing the green belt and devolving tax powers would be a good start



FINANCIAL TIMES

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hepi Higher Education Policy Institute

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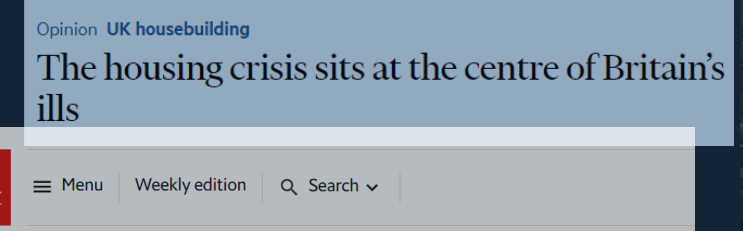
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## Why there should be no surprises about the growing student housing shortage

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## The housing crisis sits at the centre of Britain's ills

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UK student housing reaching 'crisis point' as bad as 1970s, charity warns

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growing numbers of students are experiencing hidden homelessness as poor accommodation

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Letters

### Only planning reform can fix Britain's housing crisis

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## How to solve Britain's housing crisis



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Analysis

## Which areas in England are worst affected by the housing crisis? And what's pushing up prices?

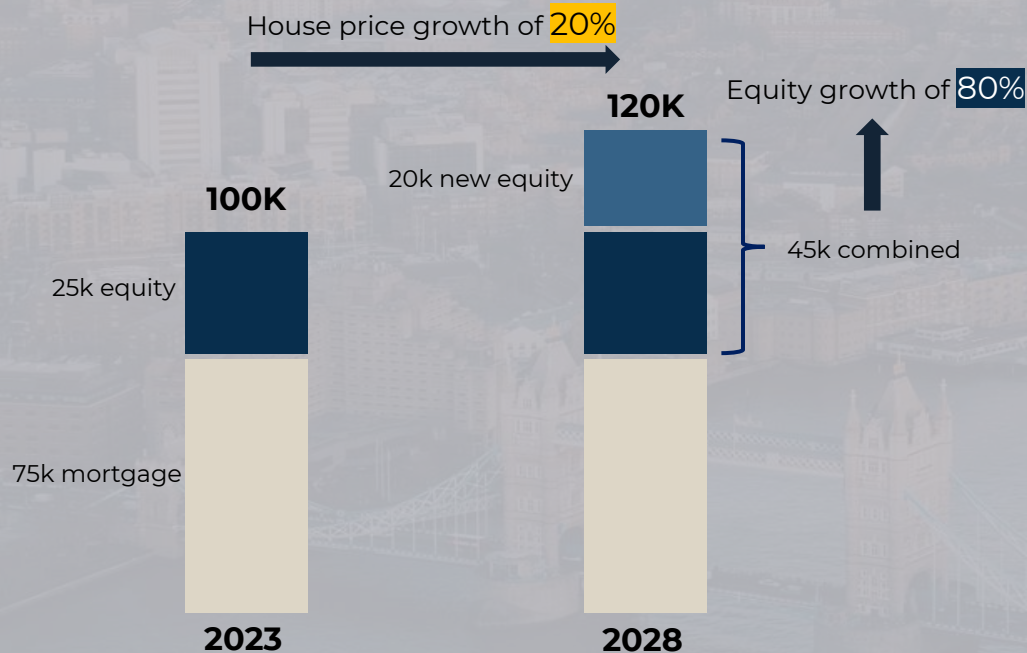
Many people are struggling with rising rent and cannot afford to buy. But what is pushing up prices? Sky News analysis has found that half of areas in England did not build enough homes over the past decade, forcing people into house shares and limiting migration to major cities.





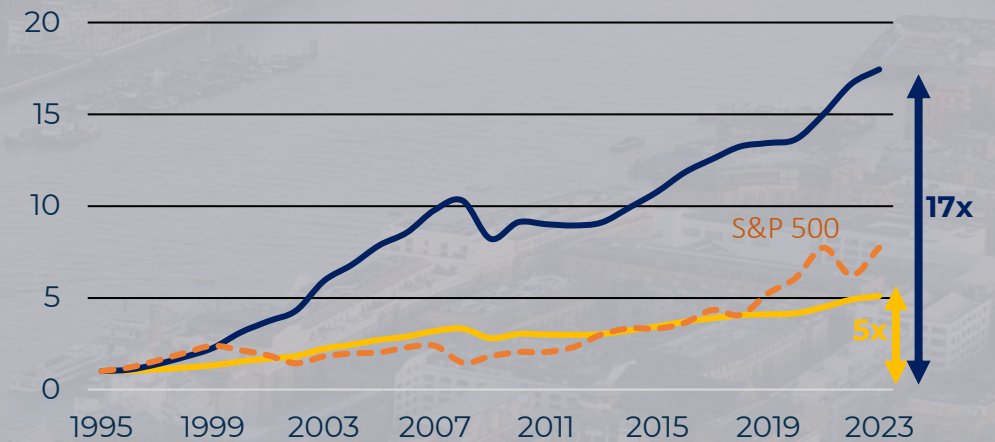
# The power of leverage multiplies property price gains

## The concept of leverage



## The impact of leverage with England house price growth vs S&P 500

Equity return **with debt** vs. **without debt** vs. **S&P 500**  
(indexed, 1995=1)





### Eternal asset life

- **Residential real estate** is unlikely to ever reach the end of its life cycle as it **caters to one of the most fundamental human needs**
- It **must not worry about competition**, new entrants or new tech putting it out of business
- Consequently it provides a strong **base to build long-lasting legacies** for generations to come



### Inflation's best friend

Property investing has **benefitted from inflation** in three ways:

1. **Rents** tend to increase in line with inflation
2. **Prices** tend to increase above inflation
3. **Mortgage debt** which remains constant in nominal terms is becoming less valuable in real terms (gets inflated away)



### Low Volatility

- Real Estate is **not exposed to the irrational volatility** that other asset classes demonstrate **on a daily basis**
- House **prices cannot be checked daily or weekly**, the value is determined by what someone is willing to pay for it or what the lender values it at. However, general sales price trends and comparables can give an indication on a monthly or quarterly basis



### Monthly Cashflow

- The **rental on a good real estate deal** not only covers all your ongoing expenses (mortgage interest, insurance, management, repairs & maintenance, etc.) but also **gives you a nice profit on top**



## Realize price gains without having to sell the property



Real Estate allows you to realize your price gains without having to sell the asset – **through refinancing the property** after the fixed term of the mortgage (usually 2 or 5 years) ends

## How?

Once the fixed term of your mortgage ends, you can refinance onto a new mortgage product which will loan you based on the new higher value of the property.




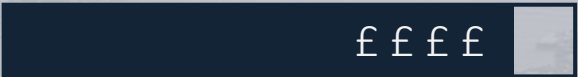


The difference between the new and old mortgage amount is yours to keep and spend as you wish

## Investment Strategies

We specialize in two of **the most profitable and reliable** property investment strategies



We specialize in two of the most profitable and reliable property investment strategies

	Single-let	HMO (House in multiple occupation)
Investment type	 Wholly tenanted by a single household	 Tenanted by the room to 3+ unrelated individuals
Rental return <sup>1</sup>		
Complexity		
Price range	c. £135k+	c. £300k+
Equity required per deal (when purchased with 75% mortgage)	c. £50k+	c. £120k+



Single-let

Single-lets are the **most simple and hassle-free** form of property investing



## Single-lets are the most simple and hassle-free form of property investing

### Low entry price

Good quality single-lets **can be bought from c.40k equity onwards** allowing a lower entry point as compared to HMOs to start investing. This also makes diversification easier across properties or geographies

### Little regulation

Single-lets **do not need to conform to license or planning restrictions** (e.g. fire safety regulations for HMOs) reducing potential risk variables and overall complexity

### Broad and cheap financing

There are **more mortgage lending options available** and these are **often cheaper** than for more complex properties (e.g. HMOs) allowing for interest cost to make up a smaller share of the overall cost base

### Low management efforts

Single lets are often occupied by the same household for multiple years, reducing turnover costs and are usually **facing less wear and tear** than HMOs





House in multiple occupation (HMO)

HMOs enable **increased recession-proof returns** amplified by a growing supply & demand gap

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## HMOs enable increased recession-proof returns amplified by a growing supply & demand gap

### Higher cashflow vs. single-let

- Despite higher running costs (e.g. insurance, repairs, license, mortgage) the high rental income (c.2-3x of single-lets) means your **cash flow ROI is up to double that of traditional single-lets**

### 'Trophy HMOs' benefit from growing room demand at restricted supply

- We focus on **'Trophy HMOs'** which **can be let as an HMO within an 'Article 4' area** (an area where the conversion of single-lets into new HMOs is restricted since 2012)
- **Given the 'Article 4' restriction, HMO room supply is stuck at 2012 levels while room demand is growing steadily** (41% increase in student enrolment at the University of Leeds since 2012)
- In addition, the 'Article 4' area is the **most desirable area to live in** making overall risk of not filling the rooms low while rents and prices increase steadily

### Economies of scale

- **Unforeseen larger costs** (e.g. boiler replacing) cost the same for a single-let as it does for an HMO however **do not hurt the bottom line as much** in % terms given the larger rental roll
- Another benefit is the **reduced complexity** and managerial efforts of **holding** for example **3 HMOs vs. c. 15 single-lets** that would be necessary **to generate the same cash flow**

### Recession-proof

- **Student enrolment** is known to be **higher at times of high unemployment** – and with that demand for HMOs
- In order to **reduce rental costs**, professionals seek out a room in an **HMO over renting a whole apartment**

## Catering the HMO to students instead of professionals allows for more stable and predictable cashflow

- As with young professionals, students have to put down a deposit for any damages caused or potential neglect of rent payments. **For students however, also parental guarantees are taken** to ensure any damage or rental arrears beyond the deposit are covered. Students are also jointly liable for the rent

High cash  
flow security

Peaceful co-  
living



No vacancies

No council tax  
and reband  
risk

- Student groups rent the entire HMO for a fixed period of 12 months** (1. July till 30. June). Good HMOs tend to be re-let for the following academic year several months before the end of the existing tenancy **giving 18+ months of cash flow predictability with no vacancy**
- Young professionals tend to stay on 6 or 12 month contracts** and rooms are **re-let on an ad-hoc basis** once someone decides to leave

- Students rent the HMO as a group of friends.** This limits the risk of people not getting along and wanting to move out due to social issues
- Young professionals rent rooms individually** with potential friction between different tenants more likely

- No council tax needs to be paid for students, **lowering the overall cost base**
- There is **no risk of council tax rebanding** (some young professional HMOs are getting rebanded to pay council tax for every room instead of the entire house substantially increasing the cost base)



## Case Studies

Single Let

HMO

## Single-let example



### Location

Morley, Leeds

### Type

Single-let house

### Numbers

Purchase price £150,000

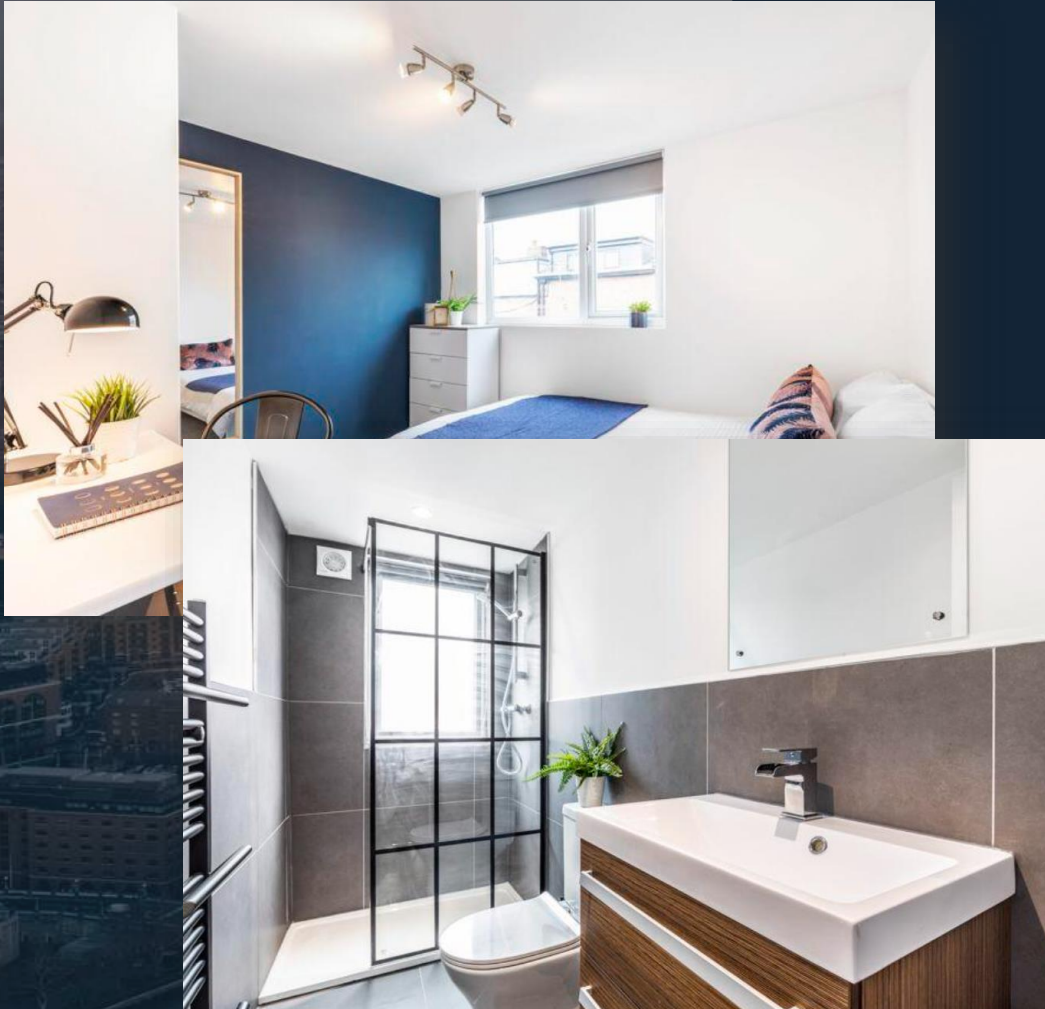
- Capital in (incl. stamp duty and legals): £45,200
- Rental revenue/month: £850
- Gross yield: 6.9%
- Monthly cost<sup>1</sup>: £765
- Monthly profit: £85

→ **ROI of 2.3%** on cash flow alone or £1,021 per year

→ **Total ROI of 18.9%** (including leveraged price growth) per year<sup>2</sup>

Note: <sup>1</sup>Includes interest payments at 5.6% on a 75% mortgage, full mgmt. at 12% of gross rent, repairs & maintenance contingency at 7.5% of gross rent, insurance, re-let fees

<sup>2</sup>Assuming conservative price growth of 5% p.a. (historical average of last 50 years (1969-2022) is 7.8% p.a.)



## HMO example

### Location

Headingley, Leeds

### Type

6 bed Trophy HMO with tenants already in situ and no works required (cash flow from day 1)

### Numbers

Purchase price £472,500

- Capital in (incl. stamp duty and legals): £129,050
- Rental revenue/month: £3,283
- Gross yield: 8.3%
- Monthly cost<sup>1</sup>: £2,237
- Monthly profit: £1,046

→ **ROI of 9.7%** on cash flow alone or £12,551 per year

→ **Total ROI of 28%** (including leveraged price growth) per year<sup>2</sup>

Note: <sup>1</sup>Includes interest payments at 5.6% on a 75% mortgage, full mgmt. at 12% of gross rent, repairs & maintenance contingency at 5% of gross rent, insurance, re-let fees, licensing fees & changeover clean fees

<sup>2</sup>Assuming conservative price growth of 5% p.a. (historical average of last 50 years (1969-2022) is 7.8% p.a.)

Investment areas

**We focus on Leeds** in the north  
**and London** in the south to take full advantage  
of the UK's diversity

We focus on Leeds in the north and London in the south to take full advantage of the UK's diversity

### Leeds



With **high yields, strong price growth, low entry prices and significant ongoing investment** into this “northern powerhouse” the north in general and Leeds in particular are currently at the top of every property investors wish list

### London



An economic and cultural powerhouse with a unique reputation globally, London is **considered a safe haven for long-term property investments** around the world



## Why Leeds?

**Leeds is a major UK business hub with strong fundamentals and significant ongoing investment**

## Leeds is a major UK business hub with strong fundamentals and significant ongoing investment

One of the UK's largest economies with high growth prospects

- **Third largest city** in the UK after London and Birmingham
- Named **best city for start ups** after London in 2021
- **Largest legal and financial centre** outside London and the UK's third largest manufacturing hub
- UK's **fastest growing population** outside Manchester
- One of the UK's **largest student concentration** with over 70,000 students studying across five universities

Strong Investment Fundamentals

- The average **yield** (rental income per purchase price) is **substantially higher** than in the South (e.g. London)
- Leeds **profits from the continued shift to remote working** as it offers lower living costs than the South
- The North (Leeds, Liverpool, Manchester) is **feeling the ripple effect from the strong price increase London has experienced since the 09 crash**. This uneven growth has now reversed and the price gap is narrowing
- The **cost for refurb work** as well as ongoing **repair and maintenance is reduced** given lower labour costs
- A good local managing agent in place means **travel to the property can be avoided completely**

Significant ongoing investment

- The **largest urban regeneration programme in Europe (£350 million South Bank development)** will provide 35,000 jobs and create 40,000 new homes and aims to double the size of Leeds city centre (size of 350 football fields)
- The **government initiative "Northern Powerhouse"** boosts the local economy by providing investment in education, healthcare, transport, culture and innovation
- **Leeds has been named by the UK government as one of the country's 13 investment zones** receiving a £160m funding package focussed on digital and healthtech

Why London?

**London is a global powerhouse of culture,  
education and business**

## London is a global powerhouse of culture, education and business

Internationally diversified investor base

- Owning real estate in **London is considered globally as a safe haven** and strong investment proposition
- **Investment comes locally but also to a large share from different regions abroad** (e.g. Asia, The Americas, India, Russia, The Middle East,) making it diversified and hedged against local economy issues as well as issues in any other particular area in the world

Economic and cultural powerhouse

- London is one of the most competitive cities in the world, a **financial and business powerhouse** with great transport links
- London enjoys a unique reputation in the UK as well as globally and is **among the most desirable locations to live or do business in**
- **Unparalleled heritage and culture** through its history displayed in museums, libraries, royal parks and other attractions

Supply shortages leading to continuous price growth

- The London property market suffers from **chronic supply shortages**. Demand is continuously increasing with its growing population and strong attractiveness for national and foreign talent while supply is not keeping up due to limited available land for development. This is leading to continued increases in rents and prices

A hand in a white shirt sleeve is shown holding a line graph. The graph has two lines: a solid white line and a dashed grey line. Both lines show an overall upward trend with some fluctuations. The background is a light grey gradient.

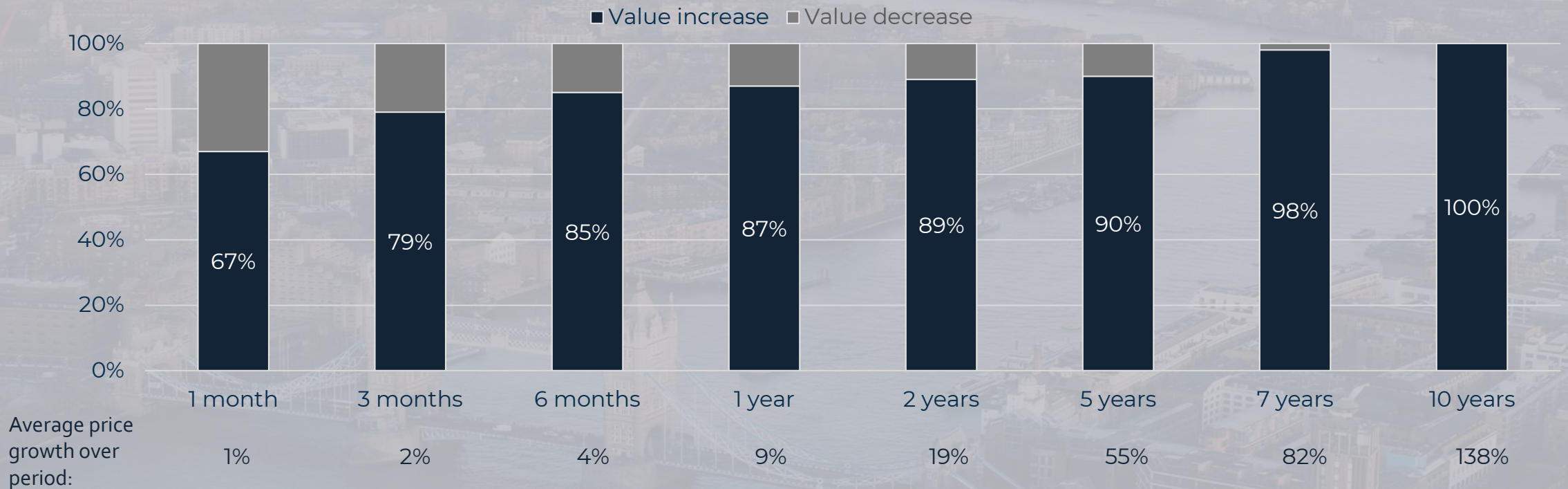
Investment Philosophy

**Holding properties long-term drastically lowers the likelihood of a decline in value**



## Holding properties long-term drastically lowers the likelihood of a decline in value

**Probability of property value increase** over different holding periods (1968-2023)<sup>1</sup>



Note: <sup>1</sup>Based on over 650 historical time horizons of average England property prices. Note that historical price growth is not a guarantee for future price growth  
Source: HM Land Registry, Anchorage Invest analysis

Working with Us

The process is structured **to allow for minimal to no involvement** from your side



## Standard

*"Hands on experience"*

1

### Consultation

This **non-committal session** is to present our offering and process, answer any questions or concerns you might have and tailor an investment strategy to suit your personal goals. **We will also estimate what return is achievable given current mortgage rates**, house prices and rental levels in the market

2

### Setting things up

**We connect you** with our trusted mortgage broker and accountant to ensure everything from mortgage financing to purchase structure is optimally set up

3

### Property Search

We will scan and filter the market for the best properties aligned with your strategy and **present the top picks to you**. If you are happy to proceed, we will negotiate on your behalf to secure the best possible price

4

### Purchasing

**We guide you through the entire purchasing process** from getting a mortgage offer to conducting necessary property checks. If there is a refurb following completion we will manage that as well

5

### Cash flow

We will arrange for a vetted **managing agent** to take over the property and find tenants/continue **to manage the property under your supervision**

## Personal or Joint PropCo

*"Set and forget"*

**We set up** the purchase structure that will hold the property and ensure everything from mortgage financing to bank account is optimally set up

**We handle the entire purchasing process and paperwork** from getting a mortgage offer to conducting necessary property checks. If there is a refurb following completion we will manage that as well

**We continue to monitor the property over its lifetime, including managing the agent** and any ongoing matters with the property while giving you regular updates





### Standard

*"Hands on experience"*

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**Consultation**

This **non-committal session** is to present our offering and process, answer any questions, and estimate what return is achievable given current mortgage rates, house prices and rental levels in the market. **We will also**

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**Setting things up**

**We connect you** with our trusted mortgage broker and accountant to ensure everything from mortgage financing to purchase structure is optimally set up

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We will scan and filter the market for the best properties aligned with your goals. **We will** proceed, we will negotiate on your behalf to secure the best possible deal

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**Cash flow**

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### Personal or Joint PropCo

*"Set and forget"*

#### Additional benefits

- **Access to the best local mortgage rates...** saving you up to 4% p.a. in interest rates that individuals & companies without fully settled status in the UK or without landlord experience have to pay given their higher risk classification
- **Upsides of a mortgage without the downside...** a well-priced mortgage increases your ROI substantially however taking on debt also comes with added risk. We personally guarantee the mortgage making us liable for it and not and you

We handle the entire purchasing process and paperwork from getting a mortgage offer to conducting necessary property checks. If there is a refurb following completion we will manage that as well

- **100% Passive...** purchasing and maintaining properties involves cumbersome paperwork and lettings agents need to be managed and accounts and compliance handled. We take care of all that

- **We only win if you win...** our incentives are fully aligned as we take a % share of the rental and price appreciation made by the property for our efforts



## About Anchorage Invest

Originally from Switzerland, I moved to London to study at the London School of Economics (LSE). Post graduation I worked 6+ years in M&A consulting where I supported private equity funds in analysing companies for acquisition

Fortunately, that professional background has given me a skillset I could easily transfer onto the real estate market to help analyse individual properties

Moreover, I dedicated the last 5 years to building a successful property portfolio of single-lets and HMOs, educating myself on everything related to property investing and forming a strong nationwide network of seasoned investors and agents that I can tap into

**Lars Steinbrecher**  
Director, Anchorage Invest




# Anchorage INVEST

Creating instant passive income  
and long-term wealth through real estate

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