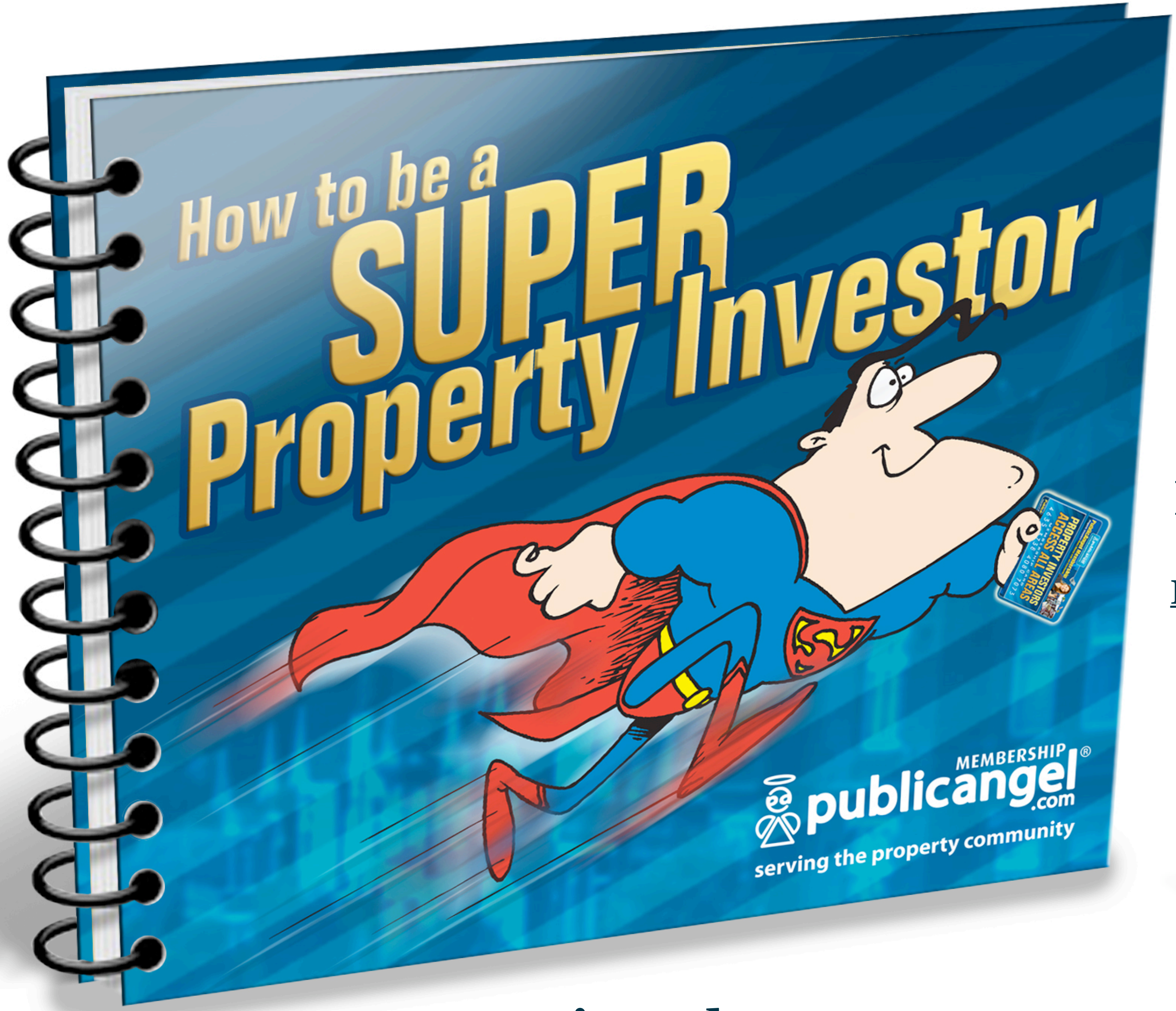

written by
Mr Nilesh H. Gohil

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Why use property to become wealthy?

Everyone knows house prices can increase or decrease in value, however, history and experience shows that in the medium to long-term, house prices will increase an average 5-8% year on year. In real terms, a property will double in value every 7 to 12 years. It is important to understand the factors that influence the price increases.

Why do house prices increase in the long term?

Government figures show a massive shortage of good quality housing in the right locations in the UK.

a) This in the main is due to demographic and social changes such as smaller family units, more people living alone, high divorce rates and more of our senior citizens living longer without the appropriate funds.

b) With the continuing expansion of the European Union, larger numbers of immigrants and asylum seekers are being allowed into the UK, thus creating far greater need for more housing.

c) There is a definite increase in the number of people who are upgrading to larger premises and no longer wished to sell their old home, but would rather rent out their home to create a monthly income, thus realising an asset they can leave to their siblings.

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Why use property to become wealthy?

d) Strict control of the green belt restricts the amount of property developments throughout the UK. The construction of new homes has been vastly reduced, pushing up prices of existing property. The government prefers to encourage the regeneration of our inner cities, unfortunately we are slowly running out of land to build on.

e) Mortgage lenders are increasing the amount of personal borrowing and extending the time to repay the loan, falling in line with the increased house prices. This situation increases the confidence in the housing market as the leading institutions are prepared to take on more risk.

Why do house prices fall in the short term?

There will always be times when even with a housing shortage, prices can fall. Here are some reasons to explain why.

a) When there is a threat of interest rate rises on the horizon, buyers can hold off buying until the interest rates have been reduced. This will reduce the number of sales and some will be forced to reduce the house price accordingly.

b) A rise in prices for utility services can influence the house prices as buyers on tight budgets will postpone purchases for more favourable times.

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Why use property to become wealthy?

c) If a leading manufacturer has closed down or moved overseas to cut costs, then this has an effect on the local housing market as employees may be forced into repossession or down grade. This in turn will create an abundance of houses for sale in a specific area, over a short period of time.

d) Lack of regeneration in depressed areas of the country will force people to sell and move out. If this is not addressed by the government then there will be wave of houses being placed on the market creating an over supply.

e) In every property cycle of 7-12 years there is a short term dip in house prices brought on by several economic factors such as recession, tightening of lending, natural disasters etc.

Borrowing money to buy your assets

Unlike the stocks in the shares market, a bank will allow you to borrow large sums of money to purchase your properties. The lenders (banks) are knowingly confident that should you ever fall behind on your repayments, they can repossess the property and still make a handsome return on their investment. For this reason banks encourage the lending on properties.

Let's look at a simple investment equation.

You wish to buy a property worth a £80,000 with a buy-to-let mortgage. You approach the lender (banks) with a deposit of £12,000 which is approved. Once you've purchased your property, its value increases by an average of 8% to £86,400.

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Why use property to become wealthy?

You have now made £6,400 profit from an initial investment of £12,000 pounds. That is over 50% return on your investment.

Tenant pays for your investment

The tenant provides the rental income for your investment properties, providing ample financial cover to meet the initial mortgage payment, management and maintenance each month. In real terms, you have any appreciating asset that has been purchased in the main through someone else's money, and is maintained on a monthly basis by the income from your tenant.

Summary

In this section you need to have understood the following:

- **The 5 factors that increase house prices in the long term**
- **The 5 factors that reduce house prices in the short term**
- **Why banks lend you money to buy properties**
- **How your tenants can help to pay for your investments**

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Understanding the basics

Appraising the profitability of any potential property correctly is essential. You need to be able to work out if the property you wish to buy is going to leave you with a profit at the end. Over the next few pages I will explain some of the methods used to assess profit or loss on each property.

Gross Rental Yield

The following formula is used to calculate the Gross Rental Yield of a property.

$$\text{Gross Rental Yield \%} = \frac{\text{Annual Rent}}{\text{Property Value}} \times 100$$

The Gross Rental Yield is calculated by dividing the annual rent by the property value and is realised by a percentage.

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Understanding the basics

For example

A property worth £90,000 which generates an annual rent of £4,500 will have a gross rental yield of 5%

$$5\% = \frac{£4,500}{£90,000} \times 100$$

The Gross Rental Yield is a good way of comparing similar properties to evaluate the most profitable option. As you can see from the example below, property A is more profitable than property B.

Property A $7.6\% = \frac{£6,500}{£85,000} \times 100$

Property B $3.7\% = \frac{£3,500}{£95,000} \times 100$

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Understanding the basics

Net Rental Yield

The gross rental yield is a good way to make comparisons, however it does not allow for any running costs.

The Net Rental Yield of a property can be a better measure of a properties profitability as it takes into account the running costs.

The following formula is used to calculate the Net Rental Yield.

$$\text{Net Rental Yield \%} = \frac{\text{Annual Rent} - \text{Running Cost}}{\text{Property Value}} \times 100$$

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Understanding the basics

The example below shows 2 properties with an identical Gross Rental Yield however, when you take into account the running costs, it becomes apparent that property A is more profitable than property B.

Property A $$6.9\% = \frac{£6{,}500 - £600}{£85{,}000} \times 100$$

Property B $$6.3\% = \frac{£6{,}500 - £1{,}100}{£85{,}000} \times 100$$

At this point we have not included the cost of borrowing from a mortgage or any applicable tax, as this is individual to each person.

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Understanding the basics

Gearing

Gearing is a concept used in cases where the buyer uses his or her money to purchase property with a greater value then he or she has at their disposal.

The following illustration is a basic example showing why gearing is so effective in property investment.

Investment via a bank account for a period of 12 months with 5% interest rate.

£12,000 x 5% = £12,600

£600 Gross Profit

Investment via property for a period of 12 months

Capital growth of 5% of £120,000 (NOT £12,000)

£12,000 = 10% Deposit for £120,000 house

£120,000 x 5% = £126,000

£6,000 Gross Profit

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Understanding the basics

The following example outlines the reasoning behind investing monies across several properties as opposed to a single property investment.

Investing £100,000 cash in one property for a period of 12 months .

The net yield of 4% achieved by renting x £100,000 = £4,000

Profit = £4,000

Capital growth of 5% of £100,000 = £5,000

A return of £9,000 on your investment

Investing £100,000 across multiple properties for a period of 12 months

£15,000 deposit across 6 properties with a value of £100,000 each

The yield of 4% achieved by renting X £600,000 (6X£100,000) = £24,000

Profit = £24,000

Capital growth of 5% of £600,000 = £30,000

A return of £54,000 on your investment

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Understanding the basics

Return On Investment (ROI) or Cash-on-Cash Return

ROI reveals the profit you have made over a 12 month period as a percentage of the money you have invested in your property.

This is the formula used to calculate the Return On Investment.

$$\text{ROI \%} = \frac{\text{Cash Flow}}{\text{Cash Invested}} \times 100$$

ROI is the percentage of return, cash flow is the gross annual rent minus costs such as void periods, maintenance costs and mortgage repayments. The cash you have invested is the deposit and legal costs paid together with any other fees you may have paid in the purchase.

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Understanding the basics

Loan-To-Value Formula (LTV)

The Loan-To-Value (LTV) is used to work out the ratio between your loan balance and the market value of the property resulting in a percentage.

This formula is used to calculate the Loan-To-Value.

$$\text{LTV \%} = \frac{\text{Balance of Loan}}{\text{Market Value}} \times 100$$

For example a property with a market value of £100,000 with a remaining loan balance of £85,000 has a LTV of 85%.

$$\text{LTV \%} = \frac{£85{,}000}{£100{,}000} \times 100$$

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Understanding the basics

Equity Formula

This is a formula to work out the equity on your property.

Equity £ = Market Value – Balance of Loan

For example a property with a market value of £100,000 with an outstanding loan balance of £85,000 has £15,000 worth of equity.

Rental Cover Formula

Mortgage lenders often need to work out the rental cover of a mortgage to gauge the safety margin for their own risk, the rental from a property will be required to exceed the mortgage payments by approximately 130%. The formula being :-

Rental Cover £ = Monthly Mortgage Payment X 130%

For example: A mortgage application needs to be approved by the lender. With a monthly mortgage repayment of £200, must realise at least £260 rent per month which equals 130% of £200. The rental cover can vary from lender to lender.

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Understanding the basics

Gazumping

When the property market starts to improve and the price of properties rise then so does the unfortunate events surrounding gazumping. The most common practice is evident when the vendor agrees to accept your offer on a property but continues to market the property and then accepts a higher offer, at this point you can consider yourself 'gazumped'. Regrettably this practice is not illegal, current legislation does not protect the buyer when too many buyers are chasing too few properties and lenders effectively auction the mortgage on the property to the highest bidder.

Gazundering

When the property market has stalled or is in the process of recession immediately prior to exchanging contracts – the buyer suddenly offers a lower price than his or her original offer, knowing the seller is then put in the ambiguous position of not wanting to lose the sale.

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Understanding the basics

Summary

In this section you need to have understood the following:

- **How to calculate Gross Rental Yield**
- **How to calculate Net Rental Yield**
- **Understand the principles of Gearing**
- **How to calculate Return On Investment (ROI) or Cash On Cash Return**
- **How to calculate Loan To Value**
- **How to calculate Equity**
- **How to calculate Rental Cover**
- **Understand Gazumping**
- **Understand Gazundering**

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Why some investors fail to make money

Having a DIY mentality can be one of the biggest causes of time wasting when investing in property. Failure to manage time wisely causes so many to fail in achieving their goals. There are a limited number of hours you can physically work in a day and so you need to utilise every minute wisely. This is especially true when starting on a part-time basis as you will have a lot of time restrictions to begin with.

Firstly, let's look inside the mind of a typical DIY property investor and focus on the decisions that needs his/her attention and time draining tasks that need to be dealt with on an average day.

Due to page limitations, I have highlighted only a fraction of the important tasks that need to be addressed however, there are sufficient to illustrate the point.

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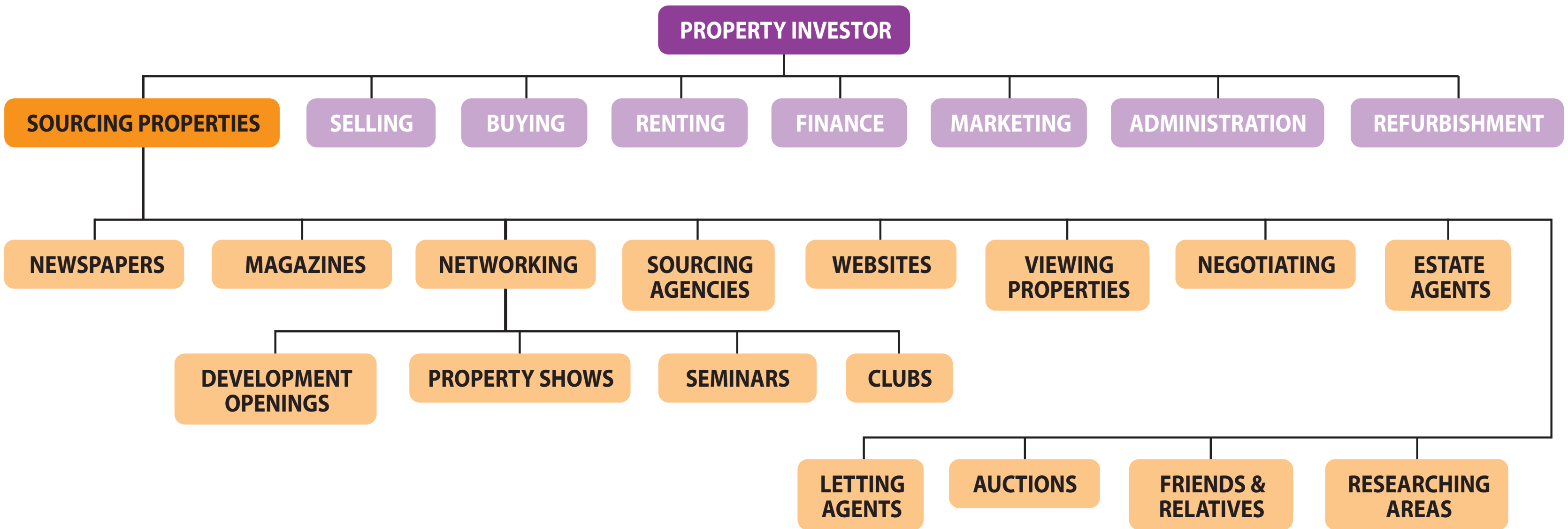
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in sourcing properties.



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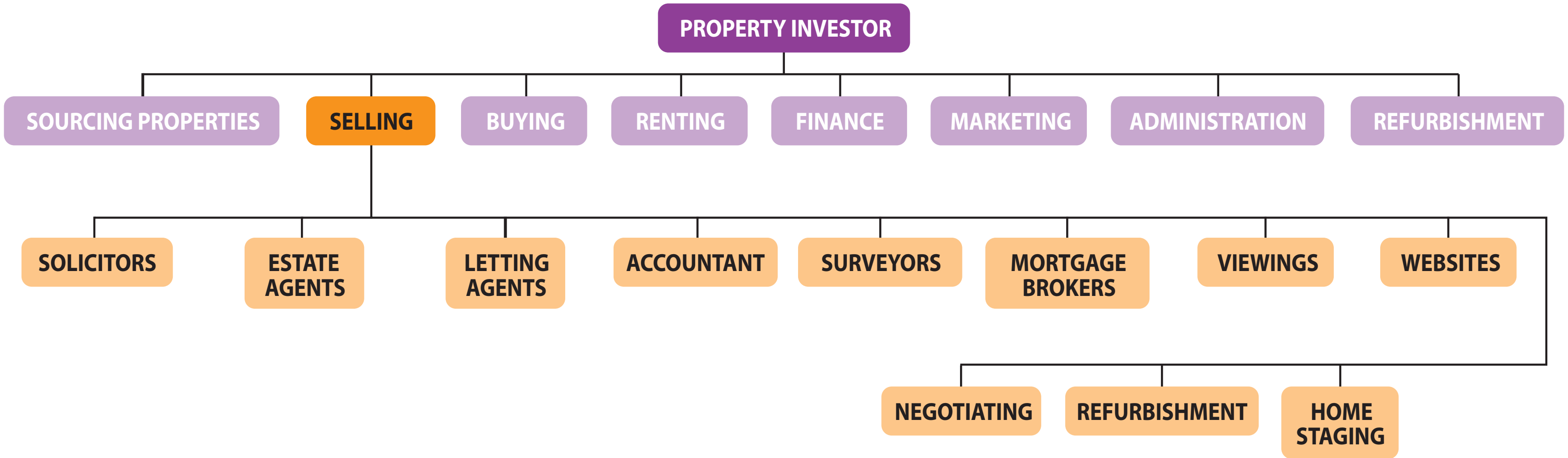
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in selling property.



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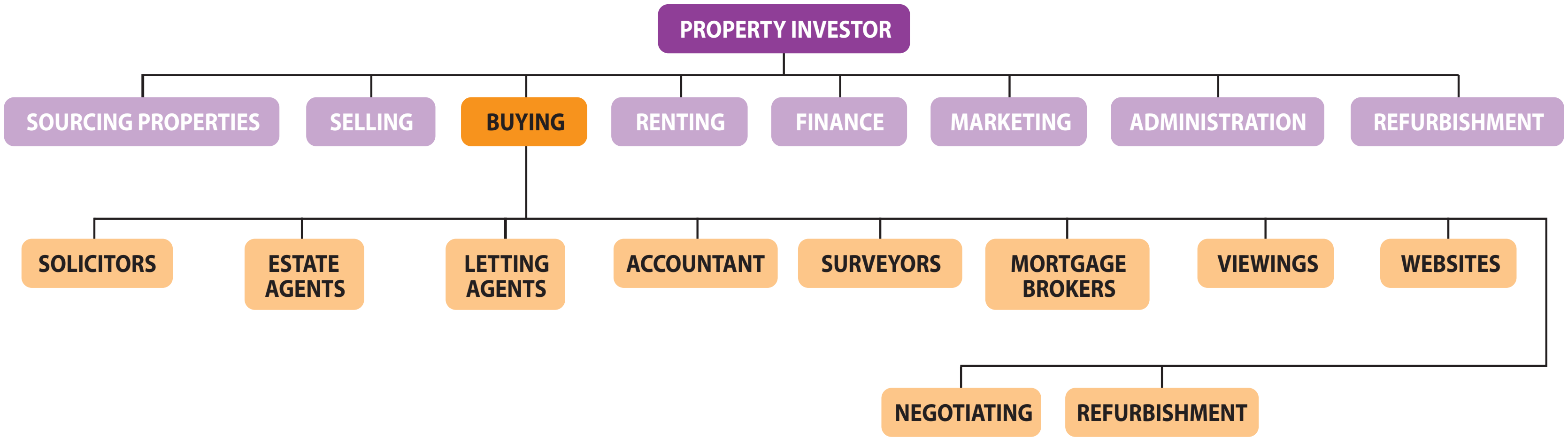
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in buying property.



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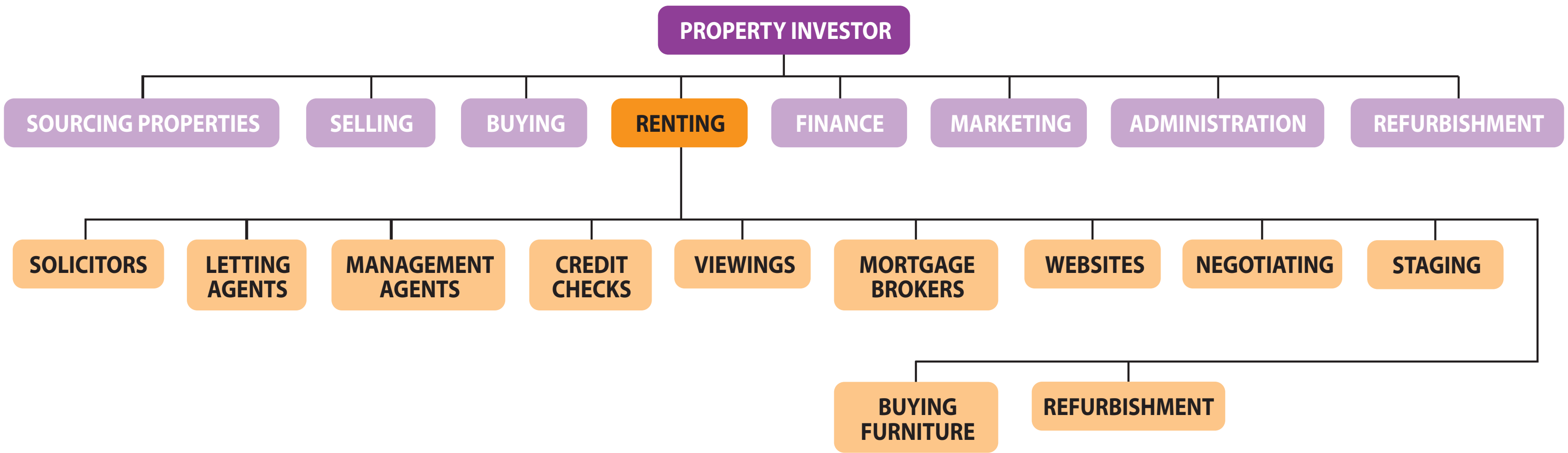
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in renting property.



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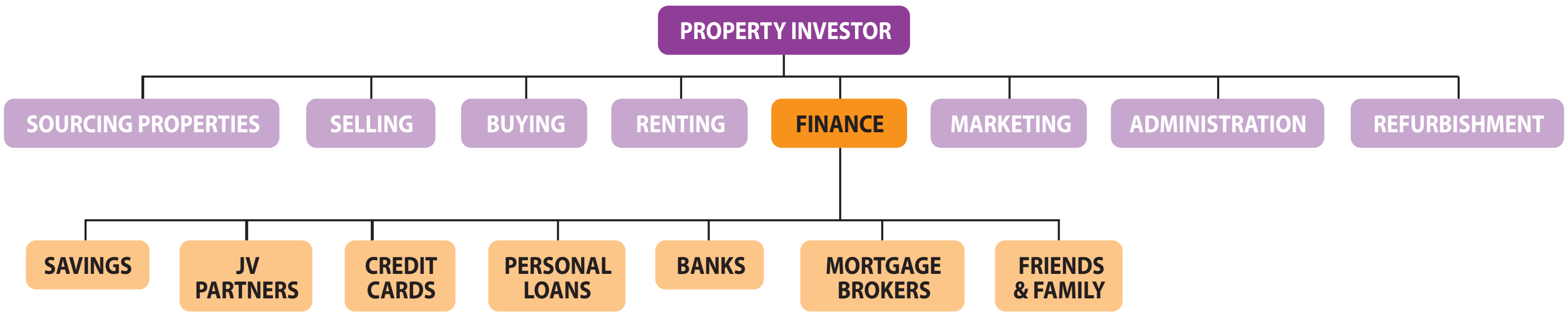
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in arranging finance.



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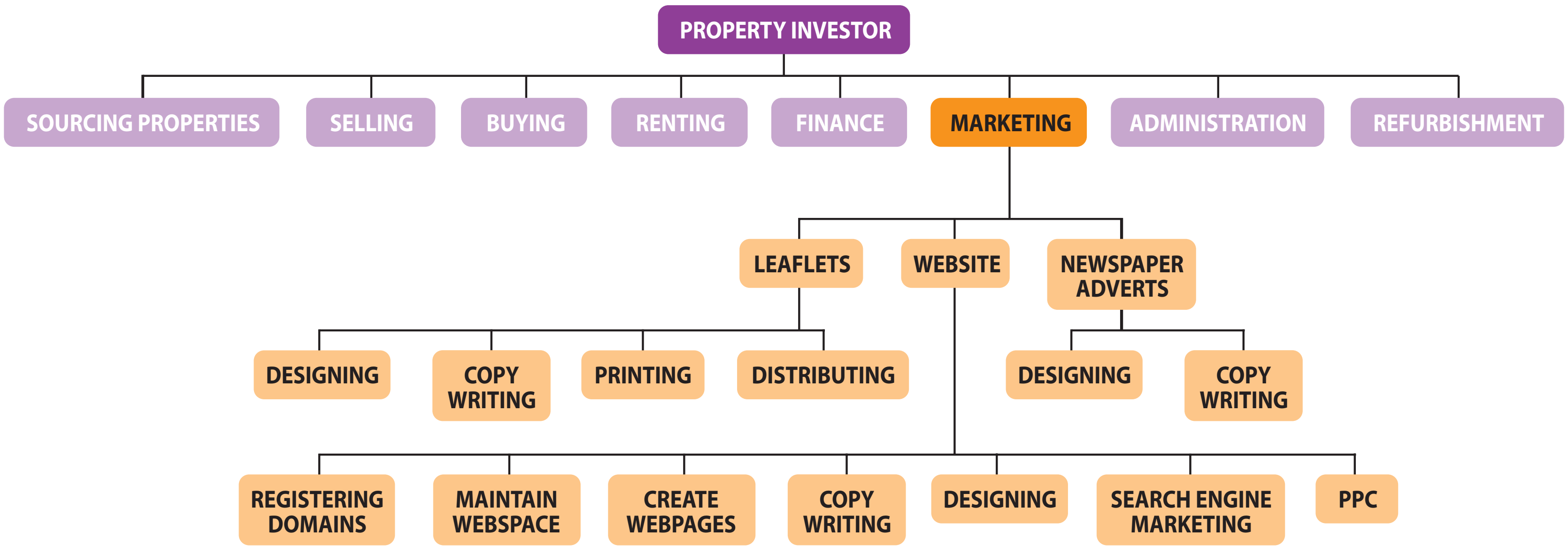
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in marketing.



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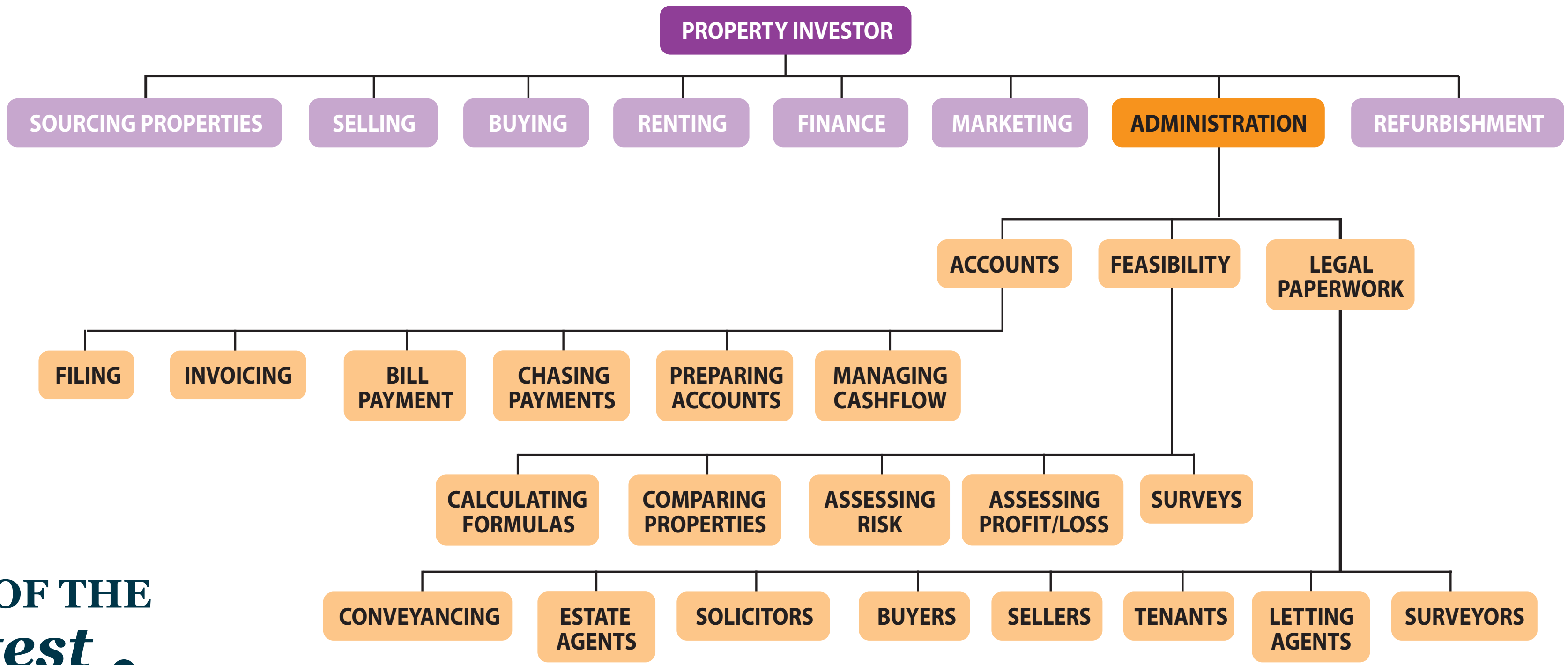
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in administration tasks.



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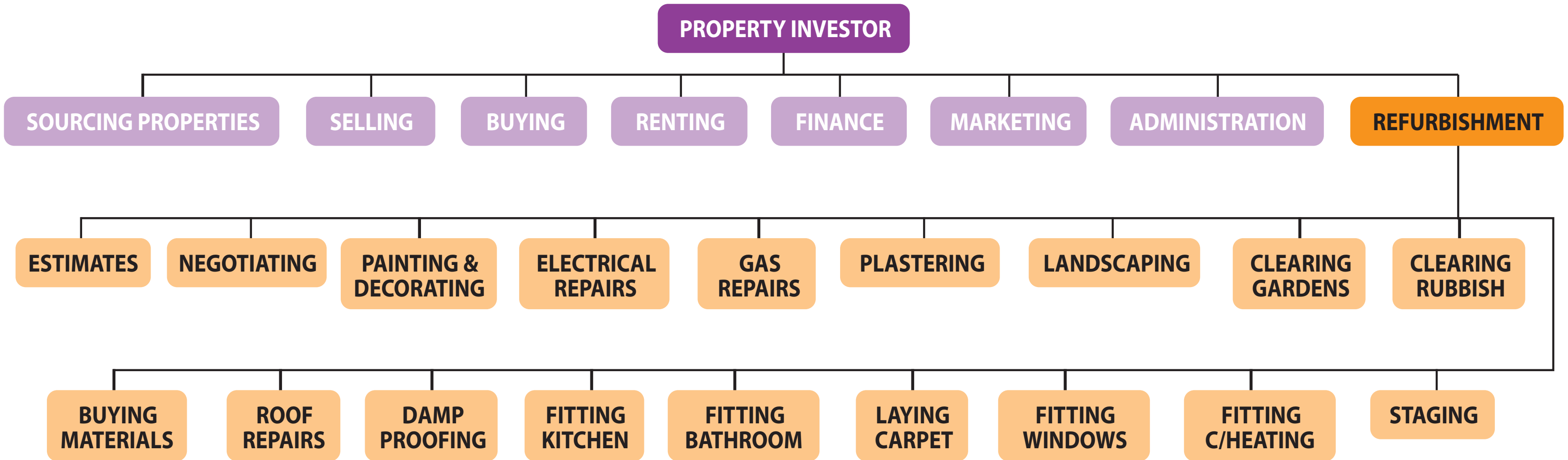
Why some investors fail to make money

This graph illustrates some of the typical areas that may need your attention in refurbishing property.



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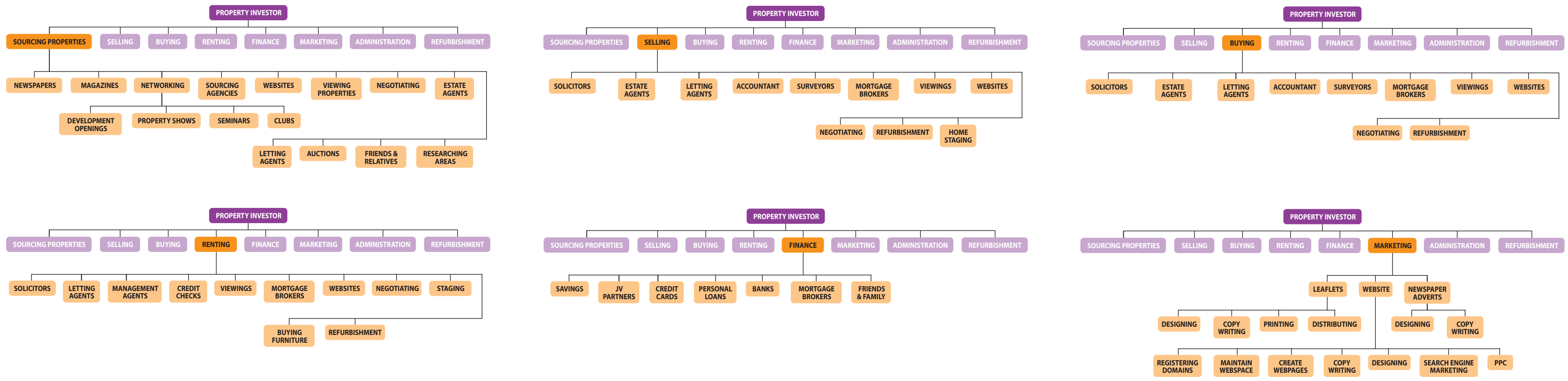
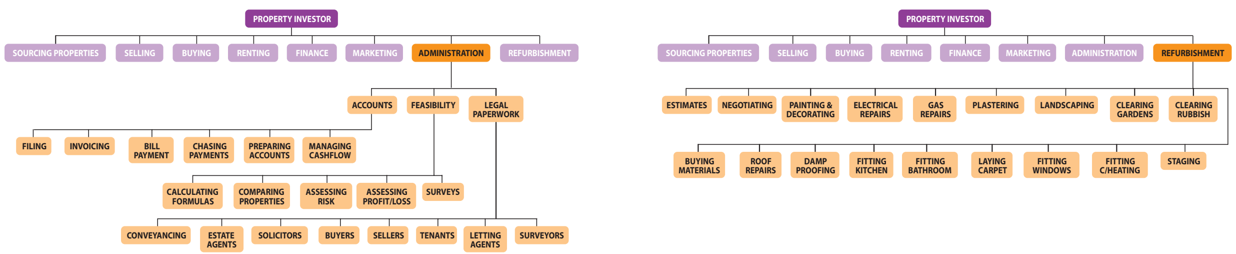
Why some investors fail to make money

As you can see, there's a lot to consider when investing in property. Imagine facing decisions in each of these areas on a daily basis!





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Why some investors fail to make money

So what's the solution?

Outsource. This is the solution. Look at every task you need to get involved with and then find a trusted professional to do it for you. Looking for professionals or 'Super Heroes' that fit your needs and budget will itself take time but it must be in your plan if you are to succeed. There's simply too much to do yourself. You might be saving £180 in painting the walls in your new house but if your spending 2 days doing this then someone else is sourcing the properties with over £10,000 profit. Isn't that false economy?

When is it best to outsource?

To judge when it's best to outsource a task or when to do it yourself, you need to assess what your time is worth. Then calculate if it's better to outsource the job or if it's better to do it yourself.

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Why some investors fail to make money

How to calculate what your time is worth

Here's an example of how you can work out what your time is worth.

Your ideal salary £80,000

How many hours a week do you work? 40

How many hours a week of non-productive time? 15

(Non-productive time is time spent where you are not actively making money including talking to friends, surfing the internet, reading emails, answering phone calls, learning, traveling etc.)

How many productive hours a week? 25

How many working weeks a year? 46

25 hrs X 46 weeks = 1150 hrs of productive time.

£80,000 / 1150 hrs = £69.56 per hour

So, if your task can be done for less than £69.56 per hour then outsource it!

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Why some investors fail to make money

Summary

In this section you will need to have understood the following:

- **How a DIY mentality can cost you time and money**
- **Outsourcing tasks can be more productive**
- **How to realise what your time is worth**
- **How to realise when to outsource**

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Developing your team of "Super Heroes"

You can never become a successful property investor on your own. Your success depends on having a team of seasoned professionals you can delegate to confidently, to see through the buying, renting or selling of your investments. These individuals need to be honest, well informed and closely connected to other industry professionals, but most of all - they must understand your needs as a property developer. Your relationship will cement as you come to rely on their advice and informed decisions that will no doubt surface at each stage of buying, renting or selling of the property. The careful choosing of these "super heroes" will become pivotal to your success.

Some of the likely key members who are needed on your team

Estate agents	**Letting agents**	**Mortgage brokers**
Insurance brokers	**Solicitors**	**Accountants**
Surveyors	**Electricians**	**Plumbers**
Gas engineers	**Builders**	**Roofers**
Gardeners	**Other property developers**	

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Developing your team of "Super Heroes"

Easily, the best way to find the professional individuals that go to make your team – is by recommendation, giving you an immediate testimony to their skills. Importantly, ensure they are certified or credited to provide the required standard of services they offer, it may prove to be to your advantage if a number of these professionals also manage their own portfolio. Understanding the property market from the developers point of view will add the obvious advantages to your calls.

It's not paramount but would be advisable to source your team of 'Super Heroes' prior to searching for your first property investment, affording yourself the professional advice you will require from the start.

Summary

In this section you will need to have understood the following:

- **Establish a network of professionals needed to help you through buying, selling and renting process**

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How to profit from every property

To enable you to profit from property investment you must adopt 2 key strategies. When you invest in a property, always aim to secure a 2 way exit strategy. Your investment must be flexible and allow you to either sell or rent at any given time.

Key strategy 1:

Planning for a realistic rate of return when you sell

Any property purchase or investment must have at all times enough profit in it, so should you decide to sell, you will achieve a 15-20% return on your investment.

Key strategy 2:

Planning for a positive cash flow when you let

If you decide to let your property, you must always ensure a healthy and positive cash flow from the agreed rent.

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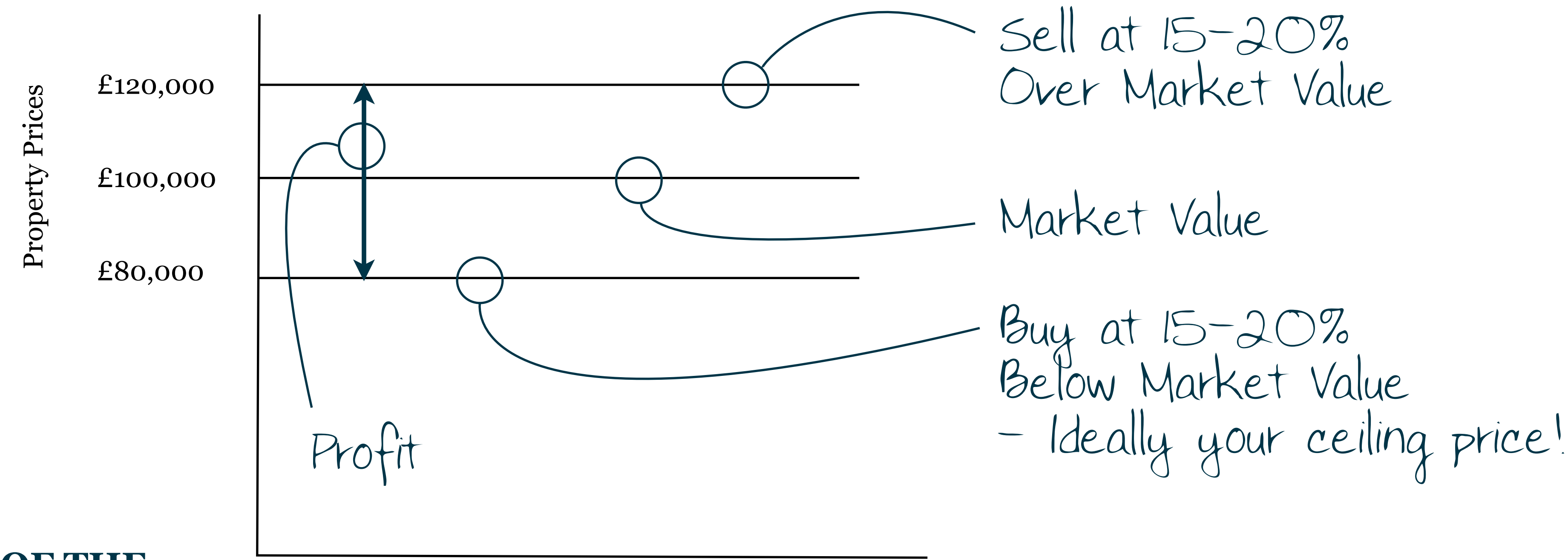
How to profit from every property

Understanding market values



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How to profit from every property

Summary

In this section you need to have understood the following:

- **The 2 key strategies that will ensure a profit from your property**

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How to determine Market Value (MV)

Your aim to negotiate a substantial discount on a property can only be achieved by understanding and establishing the market value. There are several ways to work out the market value of a property.

Firstly, collect comparables in the area by researching property magazines, newspapers, websites and similar properties on sale.

This process once collated, can be used to find the market value of a property.

Secondly, ask approximately 3 estate agents for their view on the market value of properties in specific areas. Once this information has been passed on to you, work out the average price.

This process can be employed for letting agents to find the rental value of a property.

You can also obtain records from the Land Registry of properties sold within the area and over specific time periods. However, there will be a fee for this information but it will give you a realistic picture of how much the properties are being sold for.

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How to determine Market Value (MV)

Homebuyer's Survey

A Homebuyer's Survey and Valuation (HSV) is a report accepted by the Royal Institution of Chartered Surveyors (RICS) as a credible way to determine the valuation of a property. This type of report covers many major structural defects that may be discovered in the valuation. The report also covers defects in the roof, loft space, flashing, chimneys woodworm, damp and dry rot plus other lesser known defects.

The HSV does not cover 100% of the possible problems that can occur within a property, however, the report is sufficient and thorough enough for the lenders to rely on for mortgage purposes.

Buildings Survey

A Buildings Survey is a very comprehensive way to establish the defects and valuation of a property. It generally covers a more detailed inspection and results in a thorough understanding of the state of a particular property. This kind of survey is better suited to properties with structural problems or a property that may have been empty for a long period of time.

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How to determine Market Value (MV)

Summary

In this section you need to have understood the following:

- **Six ways for you to determine the market value of a property**
- **Four ways for you to determine the market rental value of a property**
- **Two ways to establish a comprehensive market valuation for lending purposes**

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How to view a property correctly!

When you view a property, there are certain facts you need to establish from the inspection. These facts will help you understand the layout of the property and the amount of work required to refurbish to the market's requirements.

To establish all the necessary information from a viewing, you will need to spend some time at the property. Do not allow the agent to pressure you into completing a quick inspection because they have another viewing elsewhere. If this is the case then re-book the viewing to allow for more time.

The viewing should be done in two stages.

Firstly, you should wonder around the property to establish the layout and consider any layout changes to make the property more habitable. You should imagine yourself in the shoes of your prospective buyer or tenant and what they may pick up as potential problems with the existing layout.

Secondly, start from the main door again and review the whole property so that you can check every possible detail. I would always advise to have a camera phone for taking pictures along with a PDA, notebook or a small recorder for making notes. This is important as you progress to viewing several properties over a short period of time, the details may become blurred and its always handy to refer back to your notes.

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How to view a property correctly!

You need to make notes for costing purposes. They will become useful to refer back to when estimating the cost of the refurbishment and requesting various tradesmen to establish the extent of the work needed.

Ensure that you make notes on the following areas of the property.

Front and back gardens

What is the state of the garden walls?

Do they need repair work?

Is there any rubbish in the garden?

Does the garden need landscaping?

Outside of the house

Are there any visible cracks or damaged areas to brickwork or rendering?

Are there any cracks around doors and windows?

Are there any cracks close to the ground?

What is the state of the mortar?

Are there any signs of damp?

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How to view a property correctly!

Do the walls seem straight?

What is the condition of the guttering?

Inside walls

Are there any visible cracks or damaged areas of plasterwork?

Are there any cracks around doors and windows?

Are there any cracks close to the ground?

What is the general state of the walls?

Are there any signs of damp?

Do the walls seem straight?

Windows and doors

What are the windows made from?

What are the doors made from?

Is there a FENSA certificate?

What is the condition of the frames and window panes?

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Roof

What is the condition of the roof?

Are there any stains in the internal ceilings showing evidence of leaks?

What is the condition of the ceilings?

Can you get access to the loft space to check for daylight through the roof?

What is the condition of the felt?

What is the condition of the chimney?

Does the flashing need repair?

Floors

What are the floors made of?

Do the floor boards creak?

Are the joists showing signs of movement?

Is there any evidence of dry rot in the wood work?

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Damp Proof Course

Is there a valid Damp Proof Course guarantee?

Is it worth conducting a Damp and Timber survey (usually free)?

Are there signs of damp?

Check around ceilings, water pipes, windows, doors and floors.

Are there any air bricks or vents installed?

Electrics

How old are the electrics?

Is there a valid NICEIC certificate?

What is the state of the electric wires, light fittings and sockets?

Does the circuit board need replacing?

Gas

What is the condition of the gas pipes?

Is there a valid Corgi Gas Certificate?

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Bathroom

What is the condition of the bathroom suite?

What is the condition of the plumbing?

Are there any water leaks?

Kitchen

What is the condition of the kitchen?

Are the kitchen units in need of repair or replacement?

Heating

What is the condition of the central heating system?

How old is the boiler?

Is it a combi-boiler?

Drainage

What is the condition of the sewage drains?

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How to view a property correctly!

External buildings

Using the answers to the previous questions, assess the condition of any external buildings including garage, sheds and greenhouses etc.

Driveways

What is the condition of paths and driveways?

Do the walkways need attention or weeding?

General

Does the house need modernising?

Does the house need wallpapering or painting?

Does the house need new floor coverings such as carpet or laminate?

Does the layout of the house need to altering to make it suit the market place?

Do the internal walls need knocking down or new partitions need building?

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How to view a property correctly!

The questions give a general idea of what a professional surveyor may look for in a property to obtain a valuation. The answers will also help in compiling a quote for the amount of work needed to get the house back on the market.

Summary

In this section you need to have understood the following:

- **The tools needed to carry out a successful viewing**
- **16 areas of a property that need to be checked correctly for estimating refurbishment costs**

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Buy only at Below Market Value (BMV)

Unfortunately most people believe the profit is made when they sell their property – this is not true. Whether you decide to buy-to-sell or buy-to-let, the bulk of the profit in property is made when you buy therefore you must ensure that the property is purchased Below Market Value.

Avoid the temptation to purchase the property at the asking price from estate agents or after viewing the first property. You will find there is no profit to be made.

Aim for at least 20% return on your investment.

Once you have completed your research on the local areas, gathered the information on similar properties and established the market value of your intended purchase, confidence should enable you to offer 20% below the market value. Taking a confident approach will replace any emotional feelings in reaching your purchasing decision. Remember, you are in property investment to make a profit.

Purchasing at below market value will eliminate up to 95% of properties on the market. Being prepared to complete the leg work and source the profitable 5% of the market will reap rewards.

Summary

In this section you need to have understood the following:

- **You should only buy property at Below Market Value (BMV)**

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How to find properties at 20% BMV

To identify those properties on the market being sold at 20% BMV, you will need to source the owners who are desperate enough to want to sell their homes and cannot afford to wait to take advantage of the best price or market value. These people are called 'Motivated Sellers'.

What is a Motivated Seller?

There are two main factors that make a 'Motivated Seller'. Firstly, and the most obvious, a motivated seller is a person who has an immediate requirement to sell their home or property to access their money.

Secondly, due to financial pressures, timescales become more apparent and the required time to meet them shorter.

The combination of these two factors can easily force a person to sell their property 'Below Market Value' (BMV).

A motivated seller is a valuable commodity, as valuable as gold dust to a property investor as yourself. They hold the key to purchasing properties below market value.

My experience has taught me to only purchase property from a 'Motivated Seller'.

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How to find properties at 20% BMV

As part of your property investment education, it is important to understand what forces a person to become a 'Motivated Seller'.

Repossessions

Under the terms of most mortgage contracts, the lender will reserve the right to issue repossession proceedings if repayments are not regularly made on time. Two months of arrears is quite sufficient for a lender to take action. In reality, most lenders will try to reach a mutually suitable arrangement to help the person clear his/her arrears and avoid taking proceedings.

Unfortunately, should this not be possible the lender may take legal action to gain possession of the property. At this point the lender may commission an estate agent to take action to sell the property quickly. This usually results in the property being sold under market value.

Financial Problems

When people get into financial difficulties and then struggle to pay off their mortgage repayments, credit cards, loans and other bills, they may wish to avoid CCJ's or a downgrade to a smaller home. As the financial pressure mounts the need for a quick sale becomes paramount.

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How to find properties at 20% BMV

Divorce or separation

Divorce or separation together with selling your home are among the most stressful times we may encounter in our lives. Having to deal with both situations at the same time can prove very distressing. At this daunting time both parties need to resume their new lives as quickly as possible and the most efficient way of selling their property would be to sell under value.

Relocating or emigration

A fresh start, a new job overseas, a new partner or relationship are just some of the reasons why there may be a need to sell a home or property quickly.

Bereavement

Families that suffer bereavement or have to re-home an elderly relative may take on the responsibility of selling a property quickly and painlessly before suffering additional costs or stress.

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How to find properties at 20% BMV

Poor Investment

Investors or owners with problem tenants and those who have invested in an underperforming property (commonly known as 'dogs'). These situations may prompt a quick sale to ensure some immediate return on their investment.

Derelict property

When a property has been left derelict over a period of time resulting in major repairs and maintenance being required, the owner may be forced by the council or complaining neighbours to 'make right' the property. If the owner does not have the time, money or inclination he/she may wish to rid themselves of the problem by completing a quick sale.

Ill health

Homeowners who unfortunately experience health problems, ensure a knock-on effect in their lives and consequently on their finances. To reduce any further stress or worry, down grading or moving into sheltered accommodation may be a positive solution that may result in the speedy sale of their existing home.

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How to find properties at 20% BMV

I have outlined just some of the situations that exit in creating motivated sellers. You will undoubtedly experience many more throughout your journey as a property investor.

Summary

In this section you need to have understood the following:

- **How to find properties at 20% Below Market Value**
- **Understand what conditions create a Motivated Seller**
- **Understand 8 ways to identify a Motivated Seller**

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How to find Motivated Sellers or better still, how they can find you

The ideal long term strategy is to create a steady stream of motivated sellers knocking on your door. In short, you will be well placed to assess each deal and cherry pick the most profitable ones. This would be every property developers dream but with careful and strategic planning, you can achieve this by employing simple, cost effective marketing techniques.

Estate Agents

Register your requirements with all the estate agents in your area. Let them know exactly what you're looking for.

Letting Agents

You may not wish to or be ready to let your property simply because you have not reached that stage however, letting agents may let you have details of the landlords on their database who may be offloading properties for various reasons. With their assistance and a little relationship building you could be considered before the estate agents.

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How to find Motivated Sellers or better still, how they can find you

Adverts

Placing small punchy ads in local newspapers is a great idea to effectively target specific locations that meet your criteria.

Leaflets/Sales letters distribution

Leaflets or introductory letter distribution is an extremely effective way to target your specific audience in locations that meet your criterion. The accessibility of digital printing has brought the cost of printing down to the point where this marketing process becomes achievable and very cost effective.

Property Newspapers and Magazines

Nearly all cities, towns and villages operate or receive a property guide promoting buying, selling or letting sections. Subscribing to these publications will allow you to monitor the housing market. Pay particular attention to a property that may have been reduced for a quick sale or properties that are advertising for a buyer through multiple agents, both are a strong indicators of a desperate seller.

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How to find Motivated Sellers or better still, how they can find you

Auctions

When opportunities present themselves visit property auctions and allow yourself to become familiar with the procedure of bidding. Auction rooms are interesting and often daunting places to visit, however, you may find that out of 200 to 300 strong audience – only a handful of people will actually bid on a property.

Buying at auctions can present a whole load of restrictions which can dramatically reduce the time in making calculated decisions on investments. You have the time between the advertising of a property to the auction date to do the following; get a survey, analyse the legal paperwork, research the location, arrange the non refundable deposit, arrange the insurance, calculate the refurbishment costs, submit pre-auction bids, get comparables etc. Pretty much everything you would need to do between a viewing to exchange of contracts on a regular purchase within a 21 to 28 days restriction. Also, any costs incurred for all the preparation can be wasted if your bid becomes unsuccessful on the day. However, if your bid does become successful then you are fully committed to buying the property unconditionally. Failing to complete on time may incur severe financial penalties with a possible loss of deposit.

Friends and Relatives

Ensure all your family, friends and relatives are aware of your property developing as this close and trusted relationship can easily promote a below market value price.

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How to find Motivated Sellers or better still, how they can find you

Websites

Take time to create a simple website to promote your search for properties at 'Trade Prices'. If help is required at this point in creating a professional and modern website styled for ease of use then email me at info@publicangel.com.

PublicAngelMembership.com can help you find BMV properties

Within my own website, I have created a section where you can register your interest as a property developer and I will assist you by forwarding properties that are available below market value in your area.

Click http://www.publicangelmembership.com

Land Registry

If you should find a distressed property or a house in a poor state of repair, take note of the address and obtain the owners details via the Land Registry. Once you have received the details post them a letter showing interest in wishing to purchase the property.

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How to find Motivated Sellers or better still, how they can find you

Solicitors

Alternatively, once you have obtained the property information from the Land Registry you may wish to request your solicitor to write a letter on your behalf. A letter from a solicitor will bear more weight with a potential seller and may precipitate a sale.

Networking

Without doubt, one of the most effective ways to acquire a higher profile and build relationships with people who will help you cultivate your career as a property developer is networking. Network at every opportunity. Be present at every available property network club, property exhibitions, seminars etc. Make the effort to be seen at development open days, auctions and local council meetings. This course of action will raise your profile and introduce you to an important learning curve with regards to what other like–minded investors are doing. Significant connections are to be made through networking.

Summary

In this section you need to have understood the following:

- **12 common ways to seek out motivated sellers**

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How to negotiate a deal

Studying the techniques used by professional negotiators and how to apply them could save you thousands of pounds, specifically when these negotiating techniques are being used against you.

There are a number of points that you will need to understand and act upon them immediately to turn a sale to your advantage.

Point 1

If you are going to employ the methods outlined in this book to acquire quality leads, then you should have more deals on the table than you can handle, from this position you can cherry pick the best deals. The critical point to understand is not to let yourself slip into a position where you become so desperate for a particular property that the investment proves too expensive or worse – you lose money on the deal.

Point 2

A common denominator remains, the vendor will always need you more than you need them. The vendor is normally under greater pressure to sell than you are to buy. If this scenario is to be borne out, then the vendor's need to meet your evaluation will be greater than for you to meet their price. If however, the vendor is not in any rush to sell, the probability of you striking a good deal becomes limited. At this point it may be wise to walk away from negotiations altogether.

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Point 3

Estate agents are and must be paid by the vendor who has employed their services. It's in their interest to sell the property for as much money as possible to realise a greater commission. The vendor still pays the agents even if the vendor is prepared to sell at a much lower price.

Point 4

There are three possible consequences resulting from a negotiation.

Vendor Wins, You Lose

The vendor insists on holding out for a better deal or your offer is just not accepted. If this eventuates – don't worry, there are many more profitable deals to be made elsewhere.

Vendor Loses, You Win

The vendor accepts your offer by taking a considerable loss. You purchase a property with at least 20% margin of profit.

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Vendor Wins, You Win

The vendor accepts an offer sale in the knowledge that you will complete quickly, with the vendor sacrificing the asking price. You obtain a property with at least a 20% margin of profit.

Throughout the negotiations there is a limiting figure that controls how much you as a property investor can pay for any property – your ceiling figure. For the deal to stand up you must never negotiate past this figure. Keep this figure in your mind at every stage throughout negotiations, every offer and counter offer. Going beyond this figure could result in loosing a great deal of money.

Understanding 'Emotional Time Pressure'

Always remember, in most cases the vendor needs to sell as quickly as possible. At this point in the negotiations, it's in your interests to put the vendor under 'Emotional Time Pressure'. At each stage of the negotiation, your skill will be required to 'play for time' or to use strategic delaying tactics, in doing so you will be putting the vendor under emotional stress. The longer the period of negotiation takes – the greater build up of emotional pressure on the vendor, resulting in the vendor growing tired of negotiating. Realising he/she will not wish to go through another set of negotiations with another buyer should these fall through, the vendor often strikes a deal that suits you. It's nearly always the case that the vendor wants to sell quickly and move on with his or her life. Emotional pressure can prove to be an effective tool.

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How to negotiate a deal

Ways to play for more time when making a counter offer

Using delaying tactics can help apply pressure on the vendor. Here are a few examples. Remember to recognise these tactics when a buyer applies them to you.

- **I need to confirm a few details with my partner i.e. wife/husband, girlfriend/ boyfriend or business partner.**
- **I just need to go over the figures again and I'll get straight back to you.**
- **I need to organise a damp and timber report to establish the extent of the damp proofing costs. This is usually undertaken by the estate agent and should not cost you anything.**
- **I need to organise a survey on the property, this being a cost you will need to pay.**
- **I need to arrange an estimate from the builder for repair work.**
- **I will need to speak to my mortgage advisor – to go over the figures again.**
- **There are a number of other better priced properties I still need to view.**

A major mistake made by investors in negotiations is to believe they need to offer the asking price on a property. Their desperation in securing the investment will encourage the vendor to feel they should have asked for more money and can instruct the advertising of the property to continue until the exchange of contracts.

At this point the investor can be at risk from 'Gazumping'.

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How to negotiate a deal

Practice negotiating whenever possible, ridding yourself of any fears until you become confident of anticipating any queries or awkward questions. Let it become a natural instinct to negotiate.

Always make a low offer, bringing down the vendors expectation of their own property, following the low offer with a low counter offer.

Ignore the number of potential buyers who view the property or those who make an offer, they may not complete the negotiations or fully intend to purchase the property. Ignore the usual estate agents spiel that there's great interest being shown and a number of high offers have been tendered. How will you know if this is true? You will soon be made aware if there is considerable competition to buy the property because your offer will not be considered at all and the potential investment would not have proved a bargain.

React with shock, surprise, gasp, act as though stunned when you are told the asking price by the vendor. This may help in forcing the vendor to re-think his property's value.

Importantly – if after the negotiations have taken place and your offer has not been accepted, let the vendor know that was your final offer. Never go back and increase your final offer, this will only serve to ruin your reputation and wreck any credibility you had amassed with the estate agents. Next time you tender a final offer – they will not believe you.

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How to negotiate a deal

If it is possible – always leave the door open if negotiations fail to materialise. Interestingly, the best way to orchestrate this is by stating that although you cannot increase your final offer, should their vendor require a quick sale then please ask them to come back to you prior to re-advertising the property. This will inform them that at no stage will you increase your offer, however, you would be willing to help with a quick sale.

Summary

In this section you need to have understood the following:

- **The four main points about negotiating**
- **Understand the effects of Emotional Time Pressure**
- **7 tactics to use Emotional Time Pressure to your advantage**
- **End failed negotiations with the possibility of future prospective contact**

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Raising finance to buy a property even if you don't have a deposit

The most difficult part of getting into property developing is usually based round never having enough money to put down as a deposit or realising cash for refurbishment costs. Simply working longer hours or doing overtime only seems to take away more of your time from property developing.

There are a number of positive ways you can raise the monies required to get you on the property ladder enabling you to build a property portfolio.

Ways to raise money

Personal Savings

You can use your own savings to fund the purchase of an investment property. The advantage of this approach is that although you're risking your own savings, you will save on loan interests and you can avoid any restrictions that may be imposed by borrowing monies from other establishments.

Borrowing from friends and family

Borrowing the funds from family or friends is an efficient way to raise money for property investment. Unfortunately the funds can be limited and often come with time constraints, putting unwanted pressure on you to sell or refinance the investment quickly to return the funds.

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Remortgage

Being a homeowner, you may have sufficient equity in your property to be able to remortgage. Although this will probably increase your monthly repayments, it is one of the quickest and easiest ways to raise a deposit.

Joint Venture (JV)

Using other people's money is definitely an effective way to raise finance. There are many people who are 'sitting pretty' with plenty of money in their bank account who do not have the time or inclination to use the funds for property investment. Begin by looking to a joint venture with close family, friends, work colleagues eventually networking with people too busy to invest themselves but who would be interested in a joint venture.

Here are two examples of ways in which a JV can work for you.

1. Equal partners can both contribute 50% each towards the deposit and refurbishment costs.

2. A silent partner finances 100% of the costs, you in turn source, purchase, refurbish and sell the property splitting the profits equally.

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Never undertake a JV without seeking advice from your accountant and solicitor who will be required to draw up a JV partnership agreement. This will legally protect both parties should there be a dispute.

Property Club

Taking the JV theme further and introducing additional partners to raise the finance means you are potentially creating a Property Club. Similar principles apply as with the JV partnership. However, with 3 or more partners involved be sure to establish the goals clearly, outlining each partner's role and their responsibilities.

Lead Generator/Introducer

When you begin to network within the property circles, you will establish business relationships with other professionals involved with every aspect of the property sector. This will enable you to make easier connections with accountants, mortgage brokers, solicitors, insurance companies, letting agents and estate agents etc. If you capitalise on these professional connections establishing a business arrangement with each category of service provider, you can command payment for every lead you pass on to them.

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For example you can easily request £200 - £300 for every person you refer to your mortgage broker. Setting up this kind of referral rate with each professional will soon accumulate a sizeable deposit over 6-12 months.

Sourcing Agent

Setting up a business as a sourcing agent has many advantages for a property investor. You will obtain valuable knowledge and contacts while sourcing properties for other people who have no time and few contacts of their own, giving you the necessary experience to eventually source your own properties.

A sourcing agent usually charges a reservation fee of approx £500 followed by a success fee on completion of anything ranging between 0.5% to 2% of the final purchase price. The success fee can be quite substantial as many properties are over £100,000. However, it is imperative to collect your success fee when contacts are exchanged which can be organised through your own solicitor.

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Raising finance to buy a property even if you don't have a deposit

Options

An option is an agreement that gives you and only you the right to buy the property in a specific timeframe e.g. 3-6 months. Make the agreement legally binding, and then sell the Option for profit.

For example: You agree to purchase a house for £75,000, when its true surveyed market value is £100,000. The seller signs an option agreement which gives you the exclusive right to buy the property for £75,000 within the next 3-6 months. You have to pay the seller for the agreement to make the contract binding but the amount can be as little as £1 if both parties agree. After the agreement is signed you register the option with the land registry. At which point you can sell the agreement for £10,000 or as much as you can get.

In this situation you need to have a lot of pegs in the right holes. The seller is happy because they've sold the house. Your buyer is happy because they've got a below market value deal and you're happy because you've just made £10k or more for relatively little work without owning the property.

Mortgages

The following examples show the various types of mortgage used to purchase an investment property.

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Raising finance to buy a property even if you don't have a deposit

Repayment Mortgage

Provided you have repaid the loan, this traditional type of mortgage remains the only way the property is actually guaranteed to be yours at the end of the mortgage term.

Your mortgage loan is divided into capital repayments (the money you borrowed) and interest payments (interest you're being charged for the loan).

As you pay off your mortgage every month you're actually paying off a portion of the capital loan. It may appear you are being charged more but unlike other types of mortgages you're paying off the capital – not just the interest.

Interest Only Mortgage

An arrangement where you're only paying off the interest on the loan.

None of your original capital loan is being directly repaid. You are expected to have made provision by setting up a separate investment fund into which simultaneous monthly payments are made to coincide with end of the mortgage term.

This type of mortgage is usually preferred by most investors as the repayments are cheaper allowing the property to stack up against the rental income and less money is tied up in the property. There are also tax benefits to be made claiming back on the tax on the interest payments made.

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Buy To Let Mortgage

After the interest only mortgage this is the next cheapest option. Generally you will be required to provide 15% of the property value as a deposit. Upon submission of the deposit, the mortgage company will loan you an amount based on the rental income of the property you are purchasing, where rental income can be a minimum of 130% of the mortgage repayments. This percentage will vary from lender to lender.

There are many other types of mortgages available to suit your individual needs – the following are just a few.

Tracker, Capped Rate, Current Account Mortgages, Discounted Variable Rate, Fixed Rates, Flexible Mortgages, ISA Mortgages, Pension Mortgages, 100% Mortgages, Variable Rate and many more.

Bridging Loans

This type of loan is usually taken out to solve a temporary cash shortfall that may have arisen when buying a property or alternatively when paying for a renovation.

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Raising finance to buy a property even if you don’t have a deposit

A typical example when a bridging loan is required is the cross over between selling one property whilst purchasing another. Another reason for requiring a bridging loan could be the purchase of a property at auction. As bridging loans offer more risk for the lender than the normal housebuyer’s loans, they are more expensive and should only be used where you are certain they will be repaid within 6 months.

Credit Cards

Although I would never advise anyone to purchase a property using credit cards due to high interest charges, you may find them useful to help pay for fees and some refurbishment.

Credit Record

There will always be a time, as you progress in investing, when you will need to borrow money from a lender. The lending can come from various sources such as credit cards, mortgages, personal loans, HP agreements etc. The success of borrowing money is due in the main to having a good credit rating.

Your credit record will detail every time you may have borrowed money previously, every time you moved house, every person registered at that address and so on.

It is critical to keep your credit rating as high as possible to give you access to the best forms of lending with the best rates. The rating greatly influences your approval of any type of loan.

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Raising finance to buy a property even if you don't have a deposit

It would be beneficial to get a copy of your credit record to ensure that the information kept on your file is correct as mistakes can occur. Credit rating agencies like Experian (www.experian.com) and Equifax (www.equifax.com) can provide you with the details on your credit for a small fee. Check you credit records and address any problems before you attempt to apply for any borrowing.

To maintain a healthy credit record ensure that your bills and credit card payments are made regularly and on time. Ensure that anyone living with you also maintains a clean record of credit.

Summary

In this section you need to have understood the following:

- **Understand 14 ways to raise finance easily**
- **How to access, check and maintain your credit rating**

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How to analyse a deal

There are many alternative ways in deciding the profitability of your property investment. Increasingly you will find investors achieve varying degrees of profitability from their investments, ranging from 10% profit levels to deals realising 30% and above. It becomes very individual to each investors requirements.

There are a number of basic questions which need to be answered to fully understand the makings of a profitable investment.

Question 1

Can I borrow money from a lender to make the purchase?

For a Buy-To-Let mortgage to be approved an assurance on approximately 130% rental coverage is needed. At this point you need to contact local letting agents to receive their assessment on rental valuations, after which your mortgage broker can calculate the sustainability of the monthly mortgage repayments required to purchase the property at the present market value.

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How to analyse a deal

Question 2

Do I have the required 15% deposit available?

You will be required to provide a 15% deposit to meet the 85% loan to value. This can be provided either as a cash amount or as 15% equity in the property.

Question 3

Is the property 20% or more below market value?

Majority of the profit made on an investment is through the purchase.

You may need to negotiate the purchase price to at lease 20% BMV. Should you need to, this will allow you to release the equity out of the property at a later date to realise as much of your investment in cash as possible. This will increase my ROI (Return On Investment). Should you decide to sell up anytime in the future, there should be a healthy profit after tax.

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How to analyse a deal

Question 4

Will I be able to sell the property quickly?

You need to research the area to establish that should you wish to sell quickly, will you be able to do so? This is important as you may want to release the funds from the investment to purchase further properties.

Question 5

Will I be able to rent the property quickly?

You need to also research the rental market to establish that should you wish to let the property, will you be able to do so? This is also important as you may want to rent the property out over a period of time to benefit from a positive cashflow.

Question 6

What will be my cash-on-cash return?

When calculating the cash-on-cash return to establish your ROI, you should usually plan for at least 25% ROI – anything more is a bonus.

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How to analyse a deal

Question 7

When will I break even?

Taking into consideration the number of months or years, calculate the length of time it will take you to recover the cash injected into the property including deposit, purchase costs, refurbishment etc. Keep your cash flow forecast positive yet realistic.

Question 8

What is the Net Yield?

When calculating the net yield, anything less than 4% will prove cash flow to be minimal and not worth investing in for rental purposes.

The answers to the previous questions will need evaluating in detail. A positive or negative picture will form to help you decide whether the property is worth the investment.

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How to analyse a deal

Use your time productively, viewing properties that do not stack up can waste an awful amount of time. Request the relevant information from estate and letting agents, together with your own research. This will save you time and money. Prior to viewing potential property investments use the information to calculate the profitability, thus you'll only be viewing properties that have potential profit. This may well prove crucial in the future as you progress as a property investor when you will be dealing with multiple investments in building your portfolio.

Summary

In this section you need to have understood the following:

- **Evaluate 8 important questions to analyse a property investment**

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How to research an area for investment

Making sure your potential investment is located in a good area is critical for successful buying, selling and renting. The key is to ask the right questions to get the facts about the areas you wish to invest in. Below are a list of questions you should find the answers to in establishing a sound location for your investments.

- **How well is the local area serviced by transport i.e. motorways and train stations?**
- **Which schools are within the catchment area?**
- **Are there any plans for major regeneration in the near future?**
- **Is the local economy dependent upon a major manufacturer?**
- **How close are the major retail parks?**
- **How close is the city centre?**
- **How easy is it to get to local amenities like libraries, leisure facilities, parks etc?**
- **What is the level of crime in the area?**
- **Is the area predominantly rental or owner occupiers?**
- **Is the area vulnerable to flooding?**
- **Is there an over supply of a particular type of housing in the area?**

Summary

In this section you need to have understood the following:

- **11 important questions to ask about the area you intend to invest in**

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Identifying a target buyer or tenant for your property

When you're searching for a property you need to understand the needs of the potential buyer or tenant who will be occupying your property. There are a series of questions you need to ask yourself to ensure that you have a ready market for your investment.

What is the target market for the property?

The difficulty in obtaining this information will ultimately be based upon familiarity and understanding of the area. In modern day society it is difficult to pigeon hole long held views such as 'Students prefer to reside in bedsits', as students often form a partnerships nowadays to rent a 4 bedroom house. Furthermore, the property requirements for a specific market will often change throughout the country as many towns and cities will have different attributes.

The most efficient way to gain the correct information relating to your area is to request the help of local estate and letting agents with reference to location and market requirements.

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Identifying a target buyer or tenant for your property

There are a series of important questions you need to ask estate agents when buying a house to refurbish and sell quickly.

- **What kind of people will want to purchase this property and for what reasons?**
- **What kind of refurbishment will need to be made to suit potential buyers?**
- **What changes to the property and refurbishment can be made to the property will appeal to the widest buyer market?**
- **What incentives (if any) would I need to offer to promote a quick sale?**

There are a series of important questions you need to ask estate agents when buying a house to refurbish and let quickly.

- **What kind of people will want to rent this property and for what reasons?**
- **What kind of refurbishment will need to be made to suit potential tenants?**
- **What changes to the property and refurbishment can be made so the property will appeal to the widest rental market?**
- **What incentives (if any) would I need to offer to promote a quick let?**

Once you have obtained the answers required to the questions, you will get a much clearer view of the kind of market the property should be appealing to and the refurbishment (if any) needed to gain the best price for selling or renting.

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Identifying a target buyer or tenant for your property

Summary

In this section you need to have understood the following:

- **4 questions to identify a potential buyer**
- **4 questions to identify a potential tenant**

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Avoid selling your property

When you buy a property, in effect, you have purchased an asset that is constantly appreciating in value over time. And if you apply the simple rules laid out in this book then the purchase will generally be with someone else's money and with maintenance costs covered by tenants. By purchasing in the correct locations you will have acquired an asset where the demand consistently outstrips the supply.

If you need to access the funds tied up in a property then try remortgaging instead of selling. The advantage of remortgaging is that you will avoid paying Capital Gains Tax and you also avoid paying fees involved with selling a property. The biggest advantage of all is that you are able to remortgage again when the equity builds in the future and enjoy the positive cash flow in the time leading to the remortgage.

All this leads to the fact that you should avoid selling your properties.

Summary

In this section you need to have understood the following:

- **Avoid selling your property**
- **Remortgage to release the equity to avoid tax and other costs related to selling**

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When you should sell your property

This is an obvious contradiction to the previous chapter however, in your journey to becoming a property investor you may be forced to sell some of your stock of properties. There will be several factors that make selling property the best option.

Usually, property investing is a long term plan. However, there will be occasions when the economy has changed and you need to review the plan.

There will be times when the rental market is damaged possibly due to over supply of properties. And if you're stuck with a property that is not producing a positive cash flow then it may be a good time to sell for a more profitable investment.

Sometimes, having a lot of equity trapped in your property and a negative rental income may not allow you to refinance your money back out and makes selling a viable option. Although you may need to pay tax and other costs, it may be wise to pull out all your money and back into a much more profitable investment.

You may get involved with lucrative ventures which will require funding and you may not be able to get funding from lenders to support the project. This would also be a good time to sell a property which is high in equity while not producing a positive cashflow.

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When you should sell your property

There will also be times when your investment has been poorly judged or the location has changed economically possibly due to a big company closing down. This would be a good time to sell a property before the investment becomes a drain on your finances.

Finally, if selling a property or a portion of your portfolio is part of your strategy then you should continue with that strategy. Some investors have a strategy that outlines a plan to buy and sell 40% of properties every year to give them the working capital needed to buy more properties and add to their 60% of rental portfolio.

These are some the situations you may find yourself in when investing in property and it's worth identifying them to establish a good reason to sell a property.

Summary

In this section you need to have understood the following:

- **Identifying situations when an investor is wise to sell their properties**

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How to sell or let quickly and for more profit

The following section has been written entirely with selling in mind, however, the same concepts apply and can be employed for renting to tenants to achieve premium rent.

A growing number of investors and buyers have become more discerning, demanding a higher level of quality from their potential property purchases. This becomes highlighted in a declining market, when a greater number of properties are put on the market but take longer to sell – thus creating a buyers market.

The sole aim of this section is to assist you in selling your property quickly irrespective of a growing or declining market. The way to selling quickly is to immediately persuade the potential buyer that your property will live up to their expectations. Throughout the viewing, you will be attempting to appeal to their senses of sight, smell, sound, touch and overall feeling of warm homeliness.

The selling of a property has become an art form, and this section will go some way in helping you to understand some of the simple concepts that can be applied to greatly increase your chance of selling your property faster. Each 'assist' will help you achieve the right 'feel' for the buyer. It is probable you will need to spend time and money in raising the level of upkeep within your property to obtain the best price and achieve a quick sale.

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Take time to look and assess the aesthetics of your property in comparison to your neighbours and the best kept properties in yours and neighbouring areas. Make a list of salient points where your property fails to meet the standards set by more desirable neighbouring properties. This will prove to be an excellent starting point in improving your 'kerb' appeal.

The pleasing aesthetics of the front of the property will always make a strong statement about how the remainder of the property has been maintained, so it is vital to get this right.

Kerb Appeal

Keep the kerb in front of your property well swept at all times and free of any litter, especially prior to a viewing.

Walls or Fences

Remove any moss or weed growth on or around walls and fences. If necessary, repaint, stain or re-varnish any worn areas to promote a new clean look. Furthermore, make good any problem areas ensuring gates open and close securely, oiling hinges and latches well to avoid any disturbing creaking or squeaking sounds.

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Paths or Driveways

Remove any litter from paths or driveways, keeping the area well swept at all times particularly during the autumn months due obviously to falling leaves and debris. Again remove any weeds or moss that may have grown, ideally use a power washer to create a cleaner and bright path or driveway.

Lawned gardens

If you enjoy a lawned garden ensure that it is mowed regularly especially during the spring and summer months. Keep the borders and lawn free from litter and weeds. Ensure overgrown trees, bushes and partitioning hedges are all well trimmed.

In some cases this may allow more light in through the windows

Gravelled or Pebbled areas

All litter and weed growth will need to be removed ensuring uneven surfaces are frequently raked. Generally, repair or replace anything that is broken or distressed. Repaint, stain or revarnish any areas that look worn or tired. Remove any rubbish or debris that may distract the buyer and keep all gardens well maintained. If you have a 'For Sale' board promoting your property ensure it's clean, tidy and visible from the road.

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How to sell or let quickly and for more profit

Front of the property

As this will be the first area a potential buyer will study, an immediate judgement will be made regarding the conditions of the rest of the house. It's very important to get this right. The front of the property needs to be really appealing, well appointed and with a warm welcoming 'feel', otherwise you will definitely lose a potential sale before every meeting the potential buyer.

Roof

Ensure there are no loose or missing tiles making sure all lead flashing is tidy and free from damage.

Guttering and fascia

Remove all debris from the guttering, repairing any damaged sections, keep all fascia clean and in good repair, repaint any wooden fascia that may be peeling.

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Brickwork

Be sure to re-paint areas of damaged mortar properly as the buyer may suspect damp problems to internal walls. Painting or treating outside surfaces is an ideal way to help conceal repaired areas leaving a bright clean appearance. Avoid bright or garish colours. Use a light cream, ivory or magnolia to the main areas and white to any features such as sills and frames.

Front doors and windows

All windows and window sills should be cleaned and well maintained, repair any broken glass or frames. Make sure the front door opens and closes properly without hindrance with an emphasis on security. Keep it clean, painting, staining or varnishing if necessary, ensure all door furniture i.e. handles, knockers, letter boxes and house numbers are polished. Oil all hinges keeping the access free of litter or obstacles.

Garage

Keeping all areas around the garage door clean and free from debris is essential, making sure they open and close properly and securely. Repaint, stain or re-varnish paintwork that may need your attentions.

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Inside the house

Now you have completed the important first stage of creating the 'right' impression by improving the front of your property, it is imperative you now replicate this process throughout the rest of the viewing.

The following 'assists' are general points you will need to bear in mind that relate to the entire property inside and out.

De-clutter

Throughout the period you spent living in the property the accumulation of personal items may have grown at an alarming rate. Please remember, when selling your property, you're attempting to show the potential buyer that it's a place they will be able to call home. Be determined and clear your rooms of clutter, removing items of furniture that are not necessary or required. Remove or put away items that form untidiness and may distract the buyer – less is creatively more.

Allow the potential buyer to imagine any space will become home to their ornaments and furniture. Storing your possessions in temporary storage facilities may cost you a little money for a short period but may greatly improve your chances of selling the property quickly.

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Cleanliness is Vital

No one wants to view a house that is dirty or untidy, never mind purchase one. Ensure all surfaces are free from dust and polished, skirting boards, frames and doors may require a 'lick of paint' to rid the tired look. Remove items that may distract from this presentation, keep all carpets well vacuumed and stain free, laminate or wooden flooring polished or swept clean. If possible replace any worn carpets.

Colour Schemes

Your existing colour schemes are a reflection of your tastes and may well put off potential buyers who may find it difficult to imagine their own interior designs in place. Consider neutralising or toning down a strong colour scheme throughout the house creating a blank canvas so the buyer can easily implement their own tastes and colour schemes, cream, white magnolia, off whites and beiges will also have an added advantage of a giving spacious feeling.

Plants

Well placed and neatly potted plants and flowers can add colour to a room. Warm and welcoming they cost very little and brighten any dark corner.

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Lights

Ensure all lights and switches are in good working order, there's nothing worse than viewing a dimly lit property as it gives the impression something is being hidden. Using the highest wattage bulbs it may be advantageous to keep the property well lit throughout the viewing portraying a light and spacious feel.

Scents

The smell of fresh flowers or use of scents throughout the property will enhance the viewing experience for the buyer. The aroma of freshly brewed coffee or baking extols a warm homely feeling.

Whatever your taste in fragrances certain odours are totally unacceptable i.e. stale or strong smelling food, pets, damp and the worst of all – smoking. Particularly in the kitchen and bathroom all surfaces and tiles should be completely disinfected.

Window dressing

Keep all curtains and blinds clean and dust free ensuring they work properly. Replace them if necessary as they will frame a window allowing the desired amount of light in thus influencing the 'feel' of a room.

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Entrance Hall

The first internal viewing point, this reception area needs to feel warm and welcoming. Keep it as spacious as possible removing discarded shoes, coats, newspapers etc. With the potential for many viewers to walk around your property place a hard wearing welcome mat by the door to stop dirt being walked through. Do not drape clothing over banisters or clutter the stairs, a well-placed mirror can also make a small hallway feel more spacious and will add interest to any hallway.

Living room

Remove any over sized or space – taking items of furniture or decoration, photographs and ornaments that may reflect your own personality or lifestyle as this may prove distracting for the viewing. Arrange furniture to portray the most open and spacious feeling leaving walkways clear of obstructions.

Dining room

Adorn the dining table with a new or clean table cloth or runner, keeping seat covers dust free clean and tidy. Create a centre piece for the dining table with a plant or fresh flowers, thus adding a splash of colour. Ensure the room is kept warm and is not cold on entrance.

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Kitchen

This is one of the main selling points in the house and may determine a successful sale. It is important to take time to get this room right, replacing or repairing broken worktops and tiles. If possible replacing the doors or fascia on old wall and base units with those of a modern style. Keep all appliances polished and tidy as it is very easy to clutter work surfaces, ensure all tiles are disinfected and all grouted areas free from dirt. The sink should be disinfected tidy and free from dirty dishes, keep the kitchen well lit and free from cooking odours. If applicable, box in or ensure all pipe work is kept clean.

Bathroom

Do keep all personal toiletries and cleaning materials stored out of view. All surfaces should be sanitised, especially the taps, toilet, sink, bath, shower unit, water screens and cabinets. Replace old or stained shower curtains, again refrain from over cluttering the bathroom but give it a warm user friendly appearance with dried flowers, candles or small potted plants. A well lit bathroom will give the viewer a sense of cleanliness.

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How to sell or let quickly and for more profit

Bedroom

Characterising a bedroom can also make or break a sale, as the bedroom is used for relaxing, unwinding, dressing, sleeping, the ambience should reflect this. To make it obvious that the room is also used for watching TV or for working could give the impression there's not enough room provided throughout the rest of the house. Store away items such as TV's, entertainment systems computers, work desks, fax machines etc. Keep the room vacuumed ventilated but warm, tidy and free from clutter, this is important if the atmosphere of spaciousness is to be portrayed to the viewer. Never leave clothing on the bed or hanging over the back of a chair as this will give the impression of a lack of storage or just untidiness. Do not leave suitcases or travel bags on view, store away in the loft or shed. Keep the bedding crisp and clean with matching cushions. Fresh flowers or vanilla scented candles will add to the calming effect in the bedroom.

Spare rooms

Every room must appear to have a function. If you have a spare room then define it's purpose, it may be used as a spare bedroom for guests, nursery or playroom, a study or office. A spare room downstairs is often interpreted as a utility room, a washroom, study or office. Add the necessary furniture to help define the use of the room.

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Back gardens

Apply the same points as were dealt with in the lawned, gravelled and pebbled areas. Add outdoor lighting if possible, this becomes of use during evening or winter months viewing. The addition of a shed is of great use for keeping the garden tidy storing tools, household or garden items. Outdoor furniture provides an indication that the garden is regularly used if space allows and adds another facet to the property. Ensure all outdoor furniture is kept clean, tidy and in good working order.

Conservatory

Obviously ensure that all windows and doors are spotless inside and out, making sure frames and blinds are clean and in good working order. All furniture should be arranged to show maximum floor space with potted plants and dried or fresh flowers being used to introduce colour.

Certificates & Receipts

If you have recently had major work done to the house, it is imperative you keep the certificates or receipts handy to show prospective buyers. This may include any structural repairs double-glazing, central heating, roof repairs, electrical etc. Often buyers who wish to purchase your property for renting purposes will ask for NICEIC certificates for any electrical installations and CORGI for gas installations.

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How to sell or let quickly and for more profit

This section provides a simple guide compiled to give you an insight into areas that may need particular attention prior to selling or renting your property. You may need to spend time and money throughout each area to realise selling or renting of your property quickly. Paying attention to and acting upon points laid out in this section will give you an added advantage over similar properties for sale or to let in your area by creating a ‘wow’ factor.

Summary

In this section you need to have understood the following:

- **29 ways to achieve above market valuations for selling or letting a property**

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What is a "No Money Down" deal?

A "No Money Down" Deal means funding a purchase of a property by spending little or no money of your own. This means that you have little or no capital invested in the property, which is ideal for property investors.

To structure a no money down deal you must be able to find different sources of finance for a deposit, mortgage, repairs, legal costs etc. The source of the funds can be from a combination of personal loans, credit cards, mortgages, remortgages, gifted deposits and so on. If you have sourced a BMV property then you can even structure a deal whereby you end up with a 'cash back' after the purchase. You will need a good credit record to be able to find finance from several sources over a short period of time.

Summary

In this section you need to have understood the following:

- **The meaning of a "No Money Down" deal**

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How to structure No Money Down Deals

Creative financing with loans

Firstly, you need to obtain funds for a deposit that is organised by applying for a personal loan (secured or unsecured). Usually a secured loan is secured on your assets and an unsecured loan is based on your income level.

Once you have received the loan, you place it as a deposit against a mortgage on the property you are purchasing.

You need to ensure that you have made sufficient provisions to service both the loan and mortgage payments to carry the finances until you sell or if renting, serviced by the incoming tenant.

Creative financing with credit cards

Credit cards can be a dangerous way to finance property purchases and would only advise investors down this road if they have complete control and confidence over their finances.

The idea behind using credit cards effectively is to use them often and pay off the balances regularly every month. This will build a high credit rating with the card companies and make you a very valuable customer. Over time you can increase your credit limit and this will open up the possibility of further loans with very favourable interest rates. The higher you credit rating, the more favourable the

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How to structure No Money Down Deals

rates of borrowing with special promotional offers. Apply for credit cards that provide a cheque facility as this is much cheaper and can be a very convenient way to pay for refurbishments and deposits. If you maintain several credit cards in this way then you will be able increase your credit limit to a point that you can fund deposits for property purchases. Remember to spread the application of credit cards over several months as each application can show up on your credit records and can harm your rating.

Once you have been able to sufficiently increase you credit limit then you can use the credit cards to place a deposit against a mortgage on the property you are purchasing.

Creative financing with a remortgage or draw down facility

Providing you have sufficient equity in your home, you can remortgage to fund a deposit. Some mortgages have a draw down facility whereby you can release equity in your home by writing cheques to pay for purchases. The value of the cheques are then added to your mortgage. This is a great way to pay for deposits as mortgages are generally the cheapest form of loans.

Again, you can use the remortgage or draw down facility as a deposit against a mortgage on the property you are purchasing.

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How to structure No Money Down Deals

Creative financing with gifted deposits

A gifted deposit is a deposit (or a portion of a deposit) paid by the developer, house builder or a private seller.

A gifted deposit from a private seller will mean that he/she will need to sell the property to the buyer at an over market value. This will help the buyer to apply for a larger loan. Afterwards, the seller passes on the difference to the buyer, who then pays it to his solicitor as the deposit. This results in the buyer purchasing the property with no money down.

Creative financing with below market value property

When a property is sold at 30% below market value the buyer applies for a bridging loan at 70% LTV. Effectively, the 30% reduction will be the deposit as equity in the property. The buyer then re-mortgages for 85% of the actual value, usually after refurbishing the property to achieve an over market value price, thereby releasing the profit from the price difference.

JV partners in No Money Down deals

As discussed before if you use a joint venture partner who is prepared to fund the investment then that is also considered as no money down deal.

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How to structure No Money Down Deals

Summary

In this section you need to have understood the following:

- **Structure a No Money Down deal with loans**
- **Structure a No Money Down deal with credit cards**
- **Structure a No Money Down deal with a remortgage or draw down facility**
- **Structure a No Money Down deal with gifted deposits**
- **Structure a No Money Down deal with below market value property**
- **JV partners in No Money Down deals**

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Questions and answers

Can property investing be done successfully on a part-time basis?

Certainly. That is how I started, I think it's the ideal way to get started into property investing. You have the comfort of having a steady income from your job in the early years when property investing. Then, over time, you can develop your portfolio to a point where your investments create enough positive cash flow to replace your salary. This way you are not under pressure to find money to pay for the regular household bills. The only restriction is time. You will need to find a balance between your job and property investing.

Does it take a certain type of person to make it big in property?

Yes it does. This book gives you an insight into what a property developer needs to know to get started. Then its down to the individual to have the determination to take the first step. It can be daunting at times but it is having good research and a firm grip of the figures that will give you the confidence to move forward. You need to be determined and confident, these are the main traits you need to possess. Beyond that it doesn't matter what type of person you are or what your circumstances seem to be.

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Questions and answers

What is the best way for a beginner to get started in property investing?

Initially, carry out much needed research and network with other developers at every opportunity. This will give you the insight into what others are doing and you will automatically gain confidence. Understand their buying and selling patterns. Look for investors who have been successful and then copy their strategies.

How do you overcome the fear of doing the first deal?

Fear can be overcome with confidence. And confidence can be obtained with knowledge and experience. The first deal will always be a nervous undertaking. Don't be afraid of making mistakes. Analyse every possible 'what if' scenario. Be prepared for them. If you follow the advice in this book you should not make many mistakes. I wish I had had access to this information when I began my journey in property investment. I would have saved a lot of money!

What is the best property investing strategy to use?

There isn't one overall major investing strategy. What works for one person may not suit another. My strategy is to obtain enough Buy-to-let properties to maintain a wealthy lifestyle from a positive cash flow. I do this by keeping 60% of properties and flipping 40%. This helps me grow my portfolio and to have enough cash for continued purchases.

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Questions and answers

How do I reduce the risks involved with investing?

To reduce the risk in property attempt to have minimal cash tied up in it. Make sure that the property is purchased well below market value. That way if interest rates rise or there are unexpected costs then you have enough equity to cover costs. To minimise risk further have a two exit strategy for each property purchased. Make sure that your property is located in an area where you can sell or rent quickly at any given time. This gives you the flexibility if the market or the economic conditions change.

Where in the UK should I invest?

Ideally, look for areas with potential. Good transport links, regeneration areas, good supply of work from major industry etc. Be careful of suggested Hotspots from property investment firms. By the time its become public knowledge that an area is a hotspot then usually its too late! Make sure you do your own research to confirm an area as an investing hotspot.

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Questions and answers

What if there is a property price crash?

There will always be a threat of a property price crash. What goes up must come down, but usually with property, prices go up more than they come down. As long as people need a roof over their heads there will always be a demand for property and housing. Again, you should always buy property below market value. The difference in market value and the discount you have achieved will act as a buffer so you can ride out any drop in prices over the short term.

Isn't there simply just too many people investing in property to make any money?

There are a lot of people investing in property today, It doesn't mean that they are all investing correctly or making money. Not everyone has the benefit of accessing this book! As you will have learned so far there are right and wrong ways to invest. Make sure you are part of the few who invest in the right way.

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Questions and answers

What should be an ideal target number of properties to buy and rent?

There is no formula to state how many properties you should or shouldn't own. It's down to the individual. Only you can decide how many properties you can comfortably manage. Each property has an element of risk, so it's down to how much risk you are prepared to take. Just make sure that each property is producing a positive cash flow. I know investors who have over 20 properties but they are so badly managed that they have ceased to become an sound investment. I would rather own one property with a positive cash flow then a 100 with a negative cash flow.

Is it wise to invest abroad, if so where?

Yes, most definitely. If investing abroad fits in with your strategy then go for it. Just do the usual due diligence to make sure its a wise investment. I have invested in Dubai and for me it fits into my strategy. I travel to India regularly and usually return via Dubai where I am able to check on my investment regularly. The property has been bought in the Dubai Marina, an affluent area which appeals to both tourists as well as the business community. My research convinced me that it was the right property at the right time in the right location and the currency rate was also in my favour. All this lead to a property purchase below market value in a high rental demand area, its all down to research.

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Questions and answers

Are property investment clubs a good way to get started?

They can be a great way to get you off the ground. It helps you minimise your risk and you get to work with experienced investors, but, and its a BIG BUT, many have bought property through investment clubs and have actually lost money.

Unfortunately they had trusted the research that was presented to them. You should never trust someone else with his or her research, you must always double check and do your own due diligence. Remember its your own money at stake.

What is the best single piece of advice you can give to any new investor?

Have the confidence to take the plunge. Go out and just do it.

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Conclusion

As you will have gathered, there are no great secrets behind property investing. No magic formulas or secret societies to join. This information is not rocket science but just plain common sense. Simple, tried and trusted ways in which many people have obtained a great deal of wealth through property investing. You've studied the theory now start practicing. The more you practice, the better you will become and in turn make more money than ever before.

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