Property
Wealth System

BUY TO LET GUIDE

How To Create Substantial Wealth Through Buy To Let

What The Property Elite Don't Want You To Know And Why NOW Is The Best Time To Get Into Buy To Let

How To Create Substantial Wealth Through Buy To Let

"Death of buy-to-let: landlords wake up to Osborne's 150% tax Buy-to-let investors paying more than 100% of their profits in tax are already selling up!"

Headlines like these that ran back in 2015 certainly scared off the uninformed and those people we all know that will never venture into property because the timing is "not quite right". Much has changed since 2015, and by receiving this report, you've proved that you are determined to be one of the select few that are able to profit in this market uncertainty.

So why is now such a great time to get into buy to let? Surely Brexit and the pandemic have knocked the stuffing out of the BTL market? To answer this most succinctly I'd like to quote the most successful investor of all time,

Warren Buffet:

"Be fearful when others are greedy and greedy only when others are fearful"

As you know there is a huge amount of fear about property investment right now. So what is the truth that savvy and successful property investors are using right now to make fortunes?

As you know there is a huge amount of fear about property investment right now because of headlines like the one above. So what is the truth that savvy and successful property investors are using right now to make fortunes?

The short answer is that they are doing the opposite to the masses and doubling their efforts to buy as much property now while they can get it cheap. Here's the detailed reasoning behind that flippant statement:

I have been doing this over 10 years and have noticed that every few years something significant happens to change the landscape. The changes I have witnessed have never been a reason to sell (although I use them as a reason to buy cheap properties from people who think they are).

We know property investment has worked in the UK for the last 1,000 years (we have rough data from the days of William the Conqueror). We've seen property price changes since 1066, and a pandemic, Brexit and the introduction of a tax is highly unlikely to alter things significantly in the long term.

Much bigger events in recent times were:

The credit crunch/recession of 2008: The amount of doom and gloom; people saying it was the end of property investment (even experienced people). Properties dropped 20-30% for 3-5 years (some places more) depending where you are located. In the vast majority of areas prices have recovered and are now higher than just before the crunch started. Tenant demand increased and rents rose through this time.

ACTUAL RESULTS: Landlords who held on and ignored the noise did best.

Landlords who used it as a buying opportunity did amazingly well. Much of the stock we bought in this period is now worth (conservatively) 30% more.

Housing benefit was/is being reduced by the conservative government: This means that LHA tenants get less rent and Universal Credit gets introduced. Those landlords who adapted to take more private tenants and stop LHA have found that private rents have since increased anyway.

ACTUAL RESULTS: Landlords who adapted to take private tenants and ignored the noise did best.

Mortgage Express/other lenders removed the daylight bridge in 2008: Doomsters thought it was the end of being able to buy/control property with reduced funds/deposits. Those investors who adapted and learned new strategies and continued to buy using JVs, lease options and buy-refurb-remortgage did best.

ACTUAL RESULTS: Landlords who kept on going and ignored the noise did best.

Landlords who used it as a buying opportunity did amazingly well, much of the stock we bought in this period is now worth (conservatively) 30% more. Sale and rent back deals (where a property was purchased and rented back to a homeowner who wanted to release cash/clear their mortgage) were effectively banned (regulated): Many thought it was the end. Those who evolved just changed their strategies to move people out of their homes and into another similar rental property or targeted people who didn't want to rent back.

ACTUAL RESULTS: Landlords who adapted to move these people into other properties in their portfolio and therefore were able to continue to buy their properties cheap, did best.

The last Labour government introduced rules which said that planning permission would be required for all new HMOs (even below 6 tenants): People shouted, moaned and many said it was the end. The new government realised how crazy this was and in 2010 this rule was reversed and planning was no longer required.

ACTUAL RESULTS: Landlords who adapted their strategy and ignored the noise did best. Many learned what properties planning could be acquired on and bought HMOs in these areas.

In 2010, they reverted to their old strategy as the authorities came to their senses.

Many learned what properties planning could be acquired on and bought HMOs in these areas. In 2010, they reverted to their old strategy as the authorities came to their senses. Another thing to remember is that the things I have mentioned above ACTUALLY happened. 90% (no exaggeration) of things that people worry about won't and have not actually happened, some of which are below:-

"Buy to let mortgages will all but be removed from the market"

The Times ran an article with a similar headline to this in 2008. The reality at the time was that buy to let mortgages on offer had reduced but it was clear that there were still many options, those who persevered got borrowing and the market has grown significantly since the recession.

"Properties will drop 50% to 70% during the credit crunch"

yes they dropped but not by this margin and this didn't affect those who held.

"Interest only mortgages are finished, capital repayment will be the only option following the credit crunch"

Whilst Owner Occupier mortgages in the main became capital repayment, the buy to let mortgage market remained almost exclusively interest only.

"Capital growth will now stop/ slow dramatically long term as the market has fundamentally changed"

Complete nonsense, although the market dropped significantly then recovered significantly for a period after the credit crunch prices have now stabilised and are growing again in much the same way that they did do in the previous 50 years. Market fundamentals have not changed much: Not enough dwellings being built and high rate of births means prices continue to rise. And the Government's stamp duty holiday, and reduced rates for 2nd+ properties until 31st March 2021, provides an even greater incentive!

"In 2009 Interest rates will increase to 10%"

(I have heard this many times as a result of inflation picking up following extended 0.5% base rate). As of October 2020, rates are at 0.1% 11 years on and with inflation remaining low it looks like it will be a while before we have an increase.

So back to the reduction in mortgage interest relief: what are the big investors I know (£50M+ portfolios) doing? For most, not a lot. Some (including ourselves) will transfer existing (using incorporation relief) and buy future properties in a Ltd company within which there will be no tax change. Stamp duty may be payable on the transfer so check Paragraph 18 of the finance act, there is a relief which you may be able to utilise here to avoid paying stamp.

You certainly need an accountant to look over this for your circumstances specifically to make sure you/your portfolio is eligible. This is not to say that you should ignore everything as "noise" and keep ploughing on as though nothing ever happens.

It's always good to keep one eye on proposed changes (but be very mindful of who/what is suggesting the change is likely to come about as the quality of the source has a big bearing on the reliability of the information) but to take most of it with a pinch of salt and not make changes to your strategy (which can be costly) until you are sure they are actually happening/about to happen.

Worrying about negative things that are statistically unlikely to happen (but may be billed by the media or others as likely to happen) can have a big detrimental effect on the quality of the work you do to grow your portfolio or increase the profitability of your business.

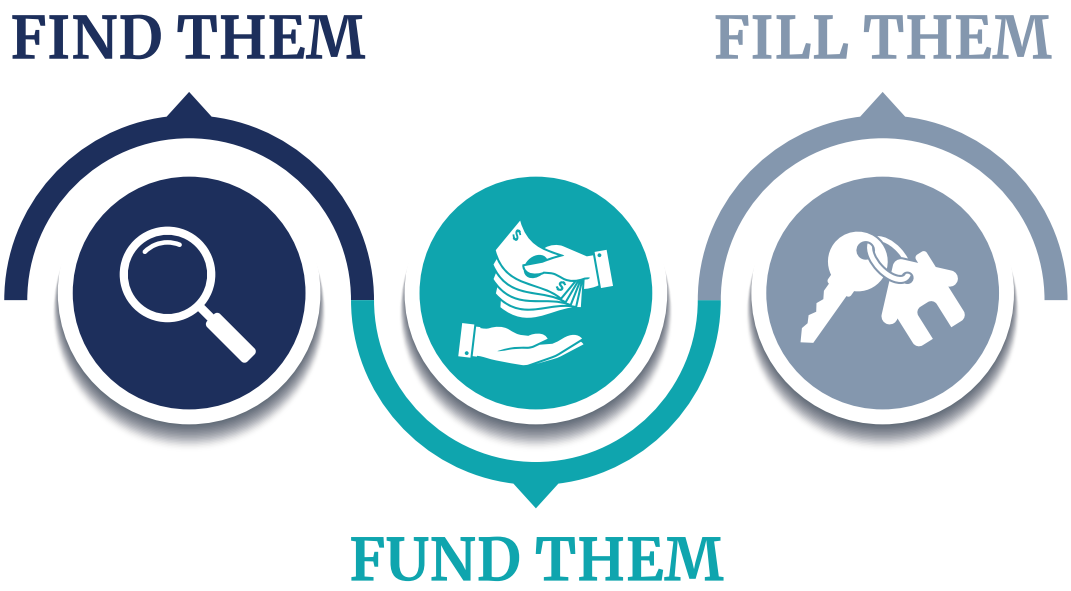
Known in the study of economics as the opportunity cost of NOT doing something such as buying another good income producing property because of incorrect negative noise probably has the biggest long term drag/damage to the performance of your portfolio/business.

Seen in the fullness of time these changes (whilst annoying and ill thought through) will have the biggest effect on less experienced investors who choose to sell up and go somewhere else. In my experience the grass is almost certainly NOT greener elsewhere (and believe me I have tried lots of places around the world).

So how can you get into buy to let as quickly as possible and profit fast from the marketing turbulence?

You'll be pleased to know that there are just 3 things that you need to know to succeed in buy to let. This is the same simple strategy that I have used to buy all 300 of my houses. Property investing isn't complicated despite what other people might tell you.

So what are the 3 simple steps?



It's a simple as that. Unfortunately many people fail in property because the focus exclusively on finding the money to buy a house. After all this is the most obvious barrier to entry. Others fail because they over complicate the process and fail to take action.

This blueprint will lead you buy the hand through this simple process so that by the time you've finished it you are able to do what is necessary to make a job replacing income from property.

Without deals, the discounted, cashflowing properties that build your portfolio and lifestyle, your property business doesn't even get you off the ground. You see, buying properties is an art form. If you say the wrong thing to Estate Agents or home owners, you lose the deal. Can you relate? There's often a big difference between small and subtle language changes which are very important.

Your success will be measured against the strength and volume of deals, so this section is very important. Here are the first and most important few to get you started sourcing the best deals locally to you.

Estate Agents

Estate Agents could be vital to your negotiation and dealmaking success. The great thing about sourcing through Estate Agents is you don't have to pay for entry into the agency, you don't have to pay the 'consultant' for his time, and you don't even have to pay the home owner to buy their property, or the agency.

Free [financially] deals, my friend. They are the most leverage-able assets in your property business. Where else can you employ someone for (virtually) free, to source you cashflowing assets without huge time input yourself, with fees paid by someone else (the home owner)?

An IFA won't work like that!

Their palace is the place where virtually all properties are sold. And mostly a 'done for you' service. It doesn't matter what you think of Estate Agents (and any, often false, preconceptions) you need to make these guys your friends.

We've bought over 220 deals through Estate Agents alone, and in the early days when we didn't know how to market in different ways, it was our Golden Goose. Still is. You must deal with each agent differently depending on their character. The end goal will be to have a relationship with the specific agent that is more similar to friendship as opposed to a business relationship.

Contrary to what many people believe, most are honest and hard working with a load of knowledge which you can leverage. Despite working on behalf of the home owner, Estate Agents can be very helpful to you.

Every free, well analysed small single let property (the best) Agents pass you could make you a couple-a hundred quid a month compounding net Cashflow, £20k plus locked in equity (plus a 25% plus 'insurance policy' against dropping prices), plus future passive rental and capital growth. And that's outside London.

You see, their job is to sell properties and meet targets, and for that they need fast buyers, not just sellers. Their ideal buyer would be fast, efficient, friendly and trustworthy, and someone who is going to buy over and over. Does that sound like someone you know?!

Despite the increase in direct marketing methods, 90% of houses are still sold through Estate Agents. There is a far lower financial acquisition cost through agents and there is better leverage in getting someone else [or many agents] doing the groundwork for you.

Estate Agents need good buyers like us, like you, as much as we need them. Not only do they have sales targets, they also have heavy competition from other agents to be proactive so that they don't lose their listings to other agencies. This would be a disaster to an Estate Agent, not so much because of the loss of a couple of grand commission, but more for reasons of competition and reputation.

Just viewing properties and making offers will build rapport and gain the trust of agents, getting you closer to your first deal, or your pipeline of many future ones.

This will be your 'alone time' with the agent out of the office where you can 'test' some information about the home owners motivation, who else gets the best deals, if they understand 'no money down,' if they are proactive, hungry, motivated, what drives them and so on.

Viewings not only enable you to build out of office, honest rapport with an Estate Agent, it goes without saying that without viewings you can't offer, and without offers you can't buy. You also help Estate Agents hit viewings targets, with their bosses, and home owners.

This knowledge is also vital, because you are much more able to help them get what they want, as you get to know them better. And it aligns perfectly with your goals; view 20, offer on 12, get at least 1. Your low offers may at first start as favours to agents for perceived activity, but some will turn into deals.

It's a numbers game. And your numbers will get better the more you view and make offers. And all those things you might be worried about [low offers offending, too many offers might get you more deals than you can finance] will disappear with the real experience.

Property Tip 1:

Revelation alert: The more properties you offer on, the more you will get. The more you offer on at the price you want to pay, the more you will get at the price you want to pay.

If you want 10% BMV [Below Market Value] deals, you probably won't have to view that many to get one. If you want 35% BMV deals [which are out there] then you'll have to view more and offer lower. We have built up a network of Estate Agents in our local area, many of whom have become genuine friends. It is essential to strike up a good rapport with your agents and become someone who they will call ahead of the rest of the pack. Trust and friendship: 'people buy people.'

It is also very important to build rapport with everyone in the Estate Agency, not just the boss or decision maker.

We see so many people bound in and go straight for the kill, crushing the admin staff in the process. This is a big mistake because a) they could have a good relationship with everyone in the office b) they could be the boss's daughter, spouse or lover and c) they want respect and importance just like everyone else and could be your best route in.

A great way to become close to agents is to go out socially with them; go above what they would expect of you. Perhaps take them out for lunch. Think about what it is that they want. Maybe they have specific interests that you can relate to.

Use your creative imagination to add value. Find out what it is that gives the agents their importance and significance. It might be success, power, respect, recognition, tanning vouchers, track days, dental work [all real examples] or simply someone who is nice to them.

Ensure you have done all your number crunching before you view, or on the Deal Analyser App while you are viewing, so that once you have viewed a property get back to them immediately with your thoughts and an offer if necessary. Commit to calling the agent back in the morning ["I just need to run over the figures overnight"].

Tell them you will call them tomorrow and make sure you call them before they call you – the next day. Offer if the deal is right for you, and don't waste time.

And if the deal isn't right, either offer very low so that it is likely to get rejected [or if you got the deal the numbers would work], or give them genuine, honest feedback as to why. That way you teach them gradually what you would buy.

This will let them understand in a more specific way what you are looking for and will keep you in their mind for when the next deal comes along if the offer does not get accepted.

Direct to Seller: When you advertise 'direct to seller or home owner' [D2V], you bypass the Estate Agent, and also you find home owners that would rather sell directly to someone they trust, because some sellers don't like or don't want to deal with agents.

Your strategy is to identify MOTIVATED SELLERS and to do so you need to demonstrate you can move quickly to purchase their property.

This is a seller who wants and needs to sell, where price is not their highest motivator. If the pain of debt or divorce, or an imminent relocation or repossession or a tenant from hell is big enough, it will be more important to get rid of this than achieving a maximum price.

So what are the 3 stages of motivation?

Stage 1. Motivated seller

There's a motivation, a pressing need and reason to sell. One of the 7 of the D.*.S.*.U.P.* model

Stage 2. Distressed seller

The motivation is causing distress. The pain is high and a fast solution is needed. Price is less important than speed and the specific motivation.

Stage 3. Desperate seller

The need is as painful as it gets and immediate. If the sale does not happen fast, the pain gets to breaking point, and at worst the house can be repossessed. It's far too late to be able to negotiate, and the best offer is sacrificed for the quickest, and best alternative solutions. These deals, around 7% - 10% of total sales [but still a huge number], are the deals you want to focus all your time on. Huge leverage.
Contrarian thinking.

The best negotiators hunt out the deals with these motivations, where the pain already exists, and highlight perceived benefits to the other party, and quick solutions to the pains and problems of the home owner.

They do everything they can to help the home owner, making the transaction as easy and quick as possible, letting them feel like they have benefitted from the transaction. They have to win, for you to win.

Property Tip 2:

Walk away if the seller is not at least at stage one. Let the market reset their expectations, put them in your follow up pipeline, and check in later when the motivation has grown.

You also often find sellers at the 3rd stage of motivation: desperation. You'd probably need to be quite desperate to pick up a leaflet off the front door mat of your house to sell your property, and this is a big reason for the very cheapest deals to come from leafleting and D2V strategies.
But don't get us wrong. There are certain skills that are essential in attaining long term wealth and success in property, especially when talking to a home owner.

This is the part where you make most of your money in property investing, and the biggest 'chunks' of cash too. But a word of warning: Gazumping, ripping the home owner off, lying, pulling out of deals at the 11th hour, reducing your price at the 11th hour [gazundering], one upmanship, conning, cheating, bullying or a big ego tripping and power are sure fire ways of ruining your property investing career.

We've seen it happen, we've even worked for people just like this in the past. It's not pretty and it doesn't work. You might get a biceps flexing short term power victory, but you'll create so much long term collateral damage that you won't be in the game long enough to take all the money. If the seller feels pressure or thinks you've railroaded them with NLP and hypnosis, you'll get a phone call a day later from the home owner or message from the agent giving you excuses as to why they won't sell to you. Even if your price was the highest.

Buyer's remorse almost always happens, and sometimes, right at the death when you've paid all your valuation fees.

"You are not in the property business, but in the people's business"

Helping home owner. Solving their problems. Listening. Finding out what is most important to them and giving it to them. Being flexible with multiple solutions. Genuinely caring about them and doing the right thing in their best interests, even if it doesn't benefit you [directly].

Creating win-win deals for the seller and yourself. The good news is anyone can do these, they are easy and they build the best relationships with the least resistance.
Sound hocus pocus?

Well if a home owner doesn't thank you for buying their property, helping them out of pain and debt [despite the low price], then something has gone wrong. You solved their pain [money wasn't the biggest one], you helped them, you did things they couldn't do, sometimes you even save them. They'll thank you, and you won't know why. That's when you know you've got it spot on. There's no shortage of great BMV deals available, and some investors are making a killing right now. They exist, in your area, and are there for the taking... It's just that, at the moment, the best deals are going to your competition,
If YOU would like to know which strategies work, that YOU can use right now, so YOU get those juicy discount leads FIRST...

So sellers come running to you with great deals...

Auctions

Right now things are hotting up...It's not a theory. It's a fact. Auction houses are booming. And you need to be aware that you can get the very best property deals from under the nose of the elite professionals. The UK property market is officially springing back to momentum Values are rising – yet many investors have yet to cotton on. Over the coming months this is going to be big. Very big.

In fact, it could transform your property investing landscape when finding property deals. Would you like to buy auction bargains with massive uplift potential and higher than average cash return on your or other people's money?

But you see, sometimes you go to the auction house and the stock is low, the prices are high, and the quality of properties are poor.

Sometimes it's too busy and too popular, and everything is going over asking price. Sometimes, like right now, many opportunities are missed, but with the right strategy and knowledge, you can get genuine property bargains. How? Identifying 'off the radar' property deals. Put simply: knowing when a property in your local area is being listed in an auction in another town or city. The locals won't be interested. People in your area won't know about it. Or won't travel if they do know about it.

This in itself will create vast fortunes. Your VERY own summer blockbuster. Are you with me? But a word of caution. Auctions can be VERY risky. So here are a few of our tips of what You should consider before buying from a property auction:

Having your Finance in order

Never bid on a property unless You are certain you can get a mortgage & can complete the deal within 15-28 days... As soon as the hammer falls, you have bought the building & will be expected to pay 10pc immediately.

Setting a maximum price

You should have a firm idea before you enter the auction room of exactly how much you can afford to spend. Just because other bidders are pushing the price higher, it doesn't mean the property is necessarily worth that amount. Do your homework

Factor in other costs

As well as mortgage and survey costs, don't forget to factor in legal's costs: renovation and refurbishments costs, interest payments for your JV partner/bridging funds and any buyers fee which might be payable at the auction house. (Some auctions houses have a 5% buyers fee which could put a dent in your profits!) Remember stamp duty on properties over a certain threshold.

Following up

if the property you are bidding on fails to meet its reserve price then it's perfectly acceptable to approach the owner or agent direct and make an offer. Contrarian right?

Subscribing to an *Essential* website

This site lists all the properties in all the auctions across the UK. We have subscribed for almost 10 years, and you get advanced notice of auctions, and a lot of very important price history and data. It really is essential information for any serious property investor!

But here's the thing: if you jump right in without a plan to find your next or first 'property deal', it's a recipe for disaster.

And to make the BIG money in auctions, you've got to be AHEAD of the crowds.

Funding the Deals

Your ability to obtain credit, deposits, cash, bridging finance or JV partner funds is paramount to the exponential growth of your property portfolio.

Before we even start on this section always remember this: guard your credit score with your life. Nurture and protect it like a child. Cushion it. Wrap your arms around it and never let it go. Despite the fact that for many strategies you'll learn mortgages are soooo 2007, they're still an important part of your long term vision.
Are you with us?

Never ever miss a credit card or especially a mortgage payment, and always keep well up to date with what you owe. One missed payment can black mark your credit and hinder future lending, or put off a JV partner, and the growth of your portfolio.

Now, we don't want that do we? And we know everyone wants to put as little money down as possible into a property deal, but raising too much debt against it leaves you exposed to market movements and a lack of control of timing of sale.
And many high street lenders won't let you gear higher than 65% or 80%. They want you to have skin in the game,
But regardless of whose 'skin' is in the game [your money, a JV partners funding], let's talk about some sexy ways to finance your property purchase, shall we?

B.anks: [Controlled] leverage

No one ever set up a big business or portfolio without leverage. The richer the investors are, the less of their own money they often use – life's so unfair, right ;-) If you were to try and build a property portfolio with your own money, buying cash, it would take you 3 lifetimes to match what many professional investors have done in 3 to 5 years.

There can be great leverage in borrowing money to create something that could potentially generate a lifetime of income far beyond the repayments. Just don't stretch it too far.

Here are some important factors in finance and leverage:

Line up a credit line

Whether you use it or not, having access to credit can mean a deal that needs to be bought quickly will not slip through your fingers and into the hands of the competition. Keeping your credit file clean [and knowing how to], having access to credit and other vehicles to borrow means when that opportune moment arrives, you're ready.

"Don't get ready, be ready" This credit can be with a bank or with a private investor or JV partner, or credit cards empty but ready.

This is not to say that you spend money you don't have – just have access to as much finance as you can. You never know when you might need funds for a short term refurb, or a quick cash buy that you can flip. When you use some of the other strategies in this section, before you know it you could have access to six or seven figures, waiting and ready for when the deals come your way.

But you'll need a good broker

Forget high street banks, forget standard high street 'sausage machine' brokers; get a specialist who is fast, efficient, knows how to make things fit to get you a mortgage, and has property specific knowledge and experience.

A property specific broker will know how to 'position' you to the lender, they'll know the best products for your strategy, they will learn from other big investors for whom they broker, and they'll work with you as much as they will with the lender.

We have some great brokers in the in the Property Wealth System community – independent but aligned with the members. Feel free to contact us to get in touch with someone who can help you raise capital to start investing or mortgage finance to build your portfolio.

Mortgages aren't quite relics yet, but they are not the free flowing, done deal that they used to be. Banging your head against a mortgage brick wall, applying and re applying for loans you'll never get, does nothing other than marginally tarnish your credit score.

So you need other vehicles to raise OPM, or you'll forever be stuck where you're at right now. And it doesn't matter if you are a one man band or Mr. Trump, you'll always want and need more OPM for the next deal. There's a saying in the property world:

"It doesn't matter how rich you are, you always run out of money"

Keep putting in your cash to buy properties, you'll run out one day, even if you are a favoured relation of Warren Buffett

JV. partners: anyone who can fund your deal, or partner with you by offering other value propositions such as contacts and complimentary skillsets, can act as a 'leverage partner' in your property business.

There are two main types of JV partner: Sophisticated and Non-Sophisticated.
The Sophisticated Investor is a professional, investing and lending for a living, and the Non-Sophisticated is a non professional individual. Horses for courses and swings and roundabouts, hey?

The Sophisticated Investor:

1. V. enture Capitalists [super heavy weight]
2. A.ngels [heavy weight]
3. P. rivate investors [super middleweight]

These investors are the pros. They do it for a living. You don't need to teach or persuade them to lend their money, you'd be stuffing eggs in their mouths. The money flows. 7 figures, 8 figures, if the deal is good, the money is too.

You don't need to persuade them to lend or invest, you need to persuade them on you and the deal. But you'll pay for it. They'll demand more returns and more control than a Non-Sophisticated.

But you'll learn from them. You'll get great contacts from them. They'll leave you to it [while it is going well]. They'll want to give you more and more [while it is going well].
But if and when it goes wrong, they'll apply more pressure than a Non-Sophisticated.
You'll feel like you've borrowed from a bank. They'll have some nice tight security, and you won't mess them about.

The NonSophisticated Investor:

1. F. amily
2. F. riends
3. S. olo-Preneurs
4. B. iz Opp Seekers

These investors are not professional lenders or partners. They may never have done it before. They need persuading on investing first, you need to take a step back.

Sometimes they've been brought up to save, work hard, pay off their mortgage and retire – the exact opposite of leverage. But, everybody with money has the same problem right now: they can't get a return in the bank, stocks are volatile, government backed investments aren't as secure as they used to be and people have lost faith.

They're motivated. They need to do something with their money, they're losing on it right now and they just need to work with someone they trust.

They need help. They'll be a little more worried about where their money goes, they'll want more regular communication and they'll feel the ride of the rollercoaster. But you'll get more flexible terms, they'll be more forgiving to market changes, and if things go wrong [which they always do], you can talk to a real person and you can come up with solutions.

They'll probably expect a little less return [bank beating 5% might be good enough] and you'll make a bigger difference to their life when you make

Bridging Loans

A bridging loan does exactly what it says – a 'short term' loan [one hour to one year] to fund deals fast, cash purchases and give you the 'bridge' to owning a property portfolio. This is very advantageous if the property you are looking to buy isn't mortgagable for any number of reasons.

A bridging loan will be worked out on an individual deal. Forget credit and income checks. Forget the computer 'says no'. Forget jumping through hoops like banks will make you.
The only concern for the lender is does the deal make financial sense to them? Is there a credible exit plan in place? The better the deal, the better the terms of the loan you will get. The more security you can offer, the better the terms. Like any finance raising strategy, you need to be careful not to over-borrow and put yourself at risk, and there are some thirsty bridgers out there!

Many bridgers fall into the category of 'Private investors.' But another great tip for investors is, you can borrow 100% plus.

How?

Most investors don't think this is possible. But armed with the right knowledge, this is a perfectly legal way to buy a property along with the refurbishment costs and legal fees.

If bridging funds are being used, the typical LTV ratio will be around 70% of the purchase price if the loan is being secured on the investment property.

Typically a £100k purchase would require the investor to bring £30k to the table along with legal fees, and renovation costs. Taking £2k for costs, £20k for a refurb, would require the investor to bring £52k to the table. Now compare this to funds being secured against an unencumbered property with a value of £200k - the bridging lender can lend up to £140k! So in this instance, the full £122k can be borrowed up to the point the property is either refinanced or sold.

This is a great solution for many investors who are equity rich, but cash poor, but investors need to be aware of the importance of having a solid exit strategy and a plan B, as this type of finance is less forgiving than a traditional buy to let lender.

Feel free to contact us to get in touch with someone who can help you raise capital to start investing or bridging finance to build your portfolio.

Filling the Property

Tenant selection can be a minefield. Voids can be a killer. Eviction can be a nightmare. Perhaps that's why amateurs and part-timers don't like renting out properties?

Perhaps one of the most common fears in property investment is the prospect of having properties vacant and not being able to rent them out, thus being stuck with mortgage payments on properties.

This is a sensible concern, as void periods consume the profits. We've been studying what types of property rent out the fastest, the longest andwith the least amount of hassle for many years now.

One of the biggest reasons for loving [and making money from] the 'lower' end existing [not new] property market, as opposed to new build, overseas and off plan, and high end tenant, is 'rentability.'

For single lets, target the mid to low end or the market

There is an optimum price point for rentals, and it will vary from area to area. Our optimum price point for rentals is £65,000 - £120,000; specifically studio, 1 & 2 bed flats and 2 & 3 bed houses in 6 very focused 'area within area' Goldmine areas. These areas are 'not best not worst' areas which are affordable to the masses.

When you find these areas local to you, with everything you've learned in this book, you'll notice that void periods dramatically reduce to 8 days a year [or less], times to find tenants significantly reduces, duration of tenants staying will increase and the 'pain in the backside' factor will evaporate. We're currently renting out many of our properties within a day after completion, and even have a waiting list on many and our tenants tend to stay for long periods of time.

And the types of tenants and areas that work weren't necessarily the ones we initially would have chosen or assumed.

Letting yourself vs. Letting Agent

When it comes to letting out your properties,for single let's, it is very counterproductive. It will cause you hassle, grief, pain, multiple hernias and coronaries: all to save 10-15% per property. In the long run it will end up costing you way more; in money and time.

You may like the control of letting and managing yourself [if you have 37 hours in a day to manage it], and you may feel that Letting Agents get a bit heavy on maintenance costs. These can be controlled.

It is definitely NOT an IGA (Income Generating Activity) task to manage yourself. You didn't get into this business to manage tenants, and you don't know anywhere near as much about is as a [good] professional Letting Agent.

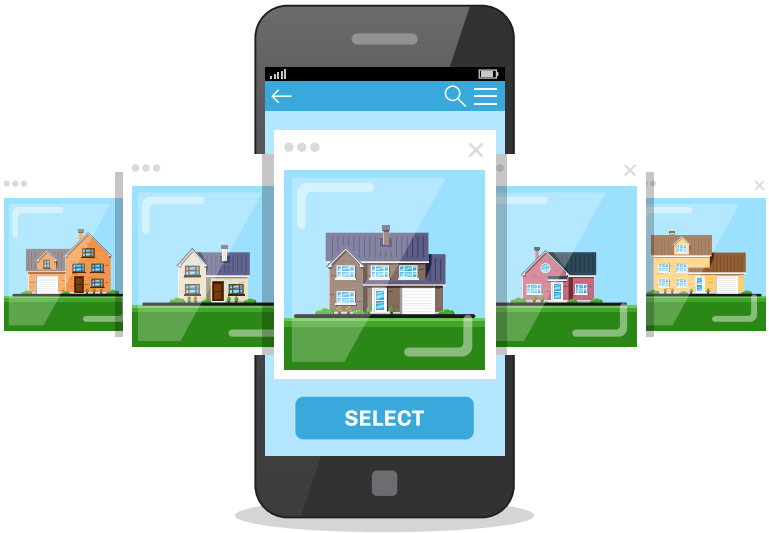
Not everyone will agree with this, and that is fine. Some people have been Landlords a long time, and know what they are doing, and have learned to systemise the tasks.
It is very difficult without a lot of experience and can tarnish your enjoyment of the investment process. It also goes against all the concepts of leverage. And most Landlords who I know who manage their own properties are not rich in time or money.

For those who want, and are still not convinced or are having doubts, read the following mini-section on using a Letting Agent vs DIY. You will be glad you did!
Letting agents offer two levels of service: a 'let only' service a 'full management service'.

Let only

This level of service requires the agent to carry out the following basic steps:

1. Produce lettings particulars of the Landlord's property for marketing purposes - This will involve the agent providing a rental assessment which gives the Landlord an idea of the rental value which can be achieved in the 'area within the area' of your chosen investment property.
2. Marketing the property – The agent will advertise the lettings particulars on the company's website, with accredited letting sites such as Rightmove. They will also include your property in the weekly local newspaper.
3. Viewings – The agent will take the prospective tenants on viewings to your property
4. Referencing – The agent will carry out the referencing process of the prospective tenants, and provide the landlord with their assessment so the landlord can then make an informed decision.
5. Tenancy agreement – The agent will determine the type of agreement, which will usually be an up to date Assured Shorthold Tenancy Agreement [AST].
6. Deposits – The agent will take the first rental and deposit payment and pay it over to the account which is nominated by the landlord.
7. Check in & handover – The agent will carry out the necessary 'check in' and 'handover' of the Landlord's property to the tenant.
8. Inventory – Although the agent may charge a little extra, they can prepare an inventory for the landlord.



Full Management

The other option is on a full management basis, this is for landlords who do not like dealing with tenant issues and don't want contact with the tenant. If this rings true for you, it will be a good idea to employ Letting Agents who are worth their weight in gold.

Filtering

A good letting agent will filter out some of the poorer quality letting applicants. This is a good process as it means the more financially risky tenants, some on benefits, or ones with a bad history, are less likely to come through to the agent. It is important to note, some agents are specialists in benefit tenants [LHA], and many are NOT. It's your responsibility to find out which.

Cost comparison & opportunity cost

Traditionally Letting Agents charge in two ways: a fee relating to a multiple of the weekly rent, two weeks + VAT is typical or a percentage of the rent due of the tenancy contact, typically between 8% and 12% + VAT. This figure is reasonable and only equates to between £30 and £100 per property per month, depending on the value. One hour of your time is worth more than that. A number of Letting Agents are also charging on a fixed fee for their service, and can be attractive to a Landlord who has a higher value let, as it can equate to less than 10%.
Most Letting Agents would prefer landlords to use the full management service, as the agent will make a lot more money and get a regular income for doing very little, once all is set up.
That's good, because you also want to do very little.

Cost of DIY

To explore the cost element of managing the let yourself, it is important to compare both assessments like for like, with opportunity cost of time factored in:

Cost comparison between a Letting Agent vs. DIY Landlord (TABLE HERE)

Please note the above figures are based on rent at £675 pcm and standard let only fee of 10% on a 6 month rent.

As can be demonstrated Landlords can only make a marginal saving on DIY lets in real cash terms. If the rent were higher, the Letting Agent's fees would increase, but nowhere on here is time factored in for not knowing how to find a tenant/ the right tenant in the first place, all the form filling, for visiting the tenant, gas safety checks, cleaning, repairs, renewals, your time and travel costs, phone calls, cost of one bad tenant not properly vetted, eviction time and cost of mistakes.

Tax

Letting Agent's fees are all off-settable against the profits of your property business. That £480 per month can offset £480 net cashflow you bring in. You can show an actual profit but a tax loss, paying little to no tax on your property income.

Opportunity cost

And then there's the 3-5 hours per month [or more] per tenant time that you can put back into your property business buying deals and generating more cashflow.

Finding a good Letting Agent then, they are worth their weight in gold. It might take a while and you may have to get through a few, kissing a few Frogs.

However the good ones are worth every penny of the 8% - 12% % they will charge you. But remember they must be good, because you'll be watching over them watching over your properties. It is a good idea to note the following:

Always make sure that your agents are working in your best interests. Check them out. Ask to see details of how they advertise and how [and where] they present the properties that they rent out for you.

What papers do they advertise in and how big is the space? How does their website look [do they have one?] and how often is it updated? Compare them with other agents in the area too.

Test

Your job has only just started once you have decided on an agent, because for your next 3 properties you'll want to use 3 different Letting Agents and test them against each other.
The reality is you'll only know the reality when you have had them with an agent for 6 months to a year.

Hunt out other investors locally

Which Letting Agents do the top dog investors use?
Chances are they've gone through the testing process.

Competition

We like our agents to know, in a subtle way, that they are competing with other agents. It keeps them fresh and doing their job. They stay proactive because they want the business and they don't want to lose out to a competitor.

When they get complacent their work standards will drop. This is something that we have experienced firsthand. They might be a ball of energy to get you, but how do they keep you?
If they thinks they have a monopoly on your business and you get too friendly, things can very quickly go south.

Random spot checks

Get your letting agent to list their charges, including finding tenants. Check how many times they do an inspection and ask tenants if they have seen the agents when they last came round.
Make sure you keep your eye on them, as some have been known to make large amounts of money out of Landlords and tenants by not doing the services they list, or hiking up the charges.

Rent expectations

Often most agents will give you a figure of what they think they can achieve for rent, and then a few weeks' voids later and you're accepting £50 less. We very often take rental figures with a pinch of salt until we have seen figures and tested them ourselves.

In some instances we have had to take £50-£100 off what they say they can get, especially when we were new to them, as they were selling themselves to us.
It is up to you to set the expectations. If you set the expectation of what you want to achieve, then challenge them to get it [with a view that you will not accept lower], then you may achieve more rent.

It can be done, but you must be realistic and aware of how they play their game. You are trying to set the expectations for any future dealings, and keep them aware that they're competing for your business.

Increasing rents: your cash flow relies on steady incremental increases in the rent.Good Letting Agents also know this, and want to keep your business, and will do this gradually to keep the tenant happy [better than finding out that the rent has doubled because it has not gone up for 10 years!]. Poor agents may be afraid to ask or not be organised enough to notice it is needed.

Vet your Letting Agents vetting your tenants

Always make sure your Letting Agent does a proper credit check on your potential tenant. Any financial grief further down the road will be hugely reduced. Even if you are 'desperate' for a tenant, don't cut corners here. A bad tenant can really upset your investments so selecting a good one is vital.

Always take a deposit

Never let a tenant into your property without as big a deposit as you can get. It should be at least one month's rent. The more you can get the less likely your tenant is to trash your place and nick your radiators.

Always have a contract

This seems so obvious, but isn't always to some investors.
An AST agreement should be a pre-requisite for a Letting Agent, but you should make sure. It is advisable to get your solicitor to look over one the first time you use an agent.
Make sure you get your monthly statements.. You need to keep a close eye on what is going on. We have had months where our rent has not been paid in. The only way to keep a check is to receive [and read] your monthly statements. It will ensure that your agent knows you are keeping an eye on them and you won't miss anything.

Remember that one missed rental payment to you could cause a missed mortgage payment. That could cause a black mark against your credit and hinder further borrowing.

And remember this: Your credit score is your holy grail. It is your little golden cup. Guard it with your life.

Systems

Do they have a procedure for everything they do? Are they making sure the gas safety checks are done every year? There is a lot of paperwork around finding and housing tenants. The more disorganised a Letting Agent is, the less they will get done, and the more problems you will ultimately have. Look for those who systemise and log their procedures, use dedicated Landlord software, have tidy organised offices and are attentive to detail.

Changeover

Letting is not just about getting a tenant in your property. Make sure you know in advance that everything is done properly when a tenant may leave.

Don't let the agent release the tenant's deposit until you have inspected the property yourself, at least every few properties, randomly, so they know you are watching them. So often have we seen properties not left in the right state afterwards – go round yourself and stand firm on the costs to clean and return the property to the standard that it was when they moved in. You are managing the behaviour of the tenant and the agent. Video inventories are great for this, and now should be standard practice.

Be proactive and friendly

This goes for you and the Letting Agent. The more proactive you both are, the more you will get done in the shortest possible timeframe. The more your agent looks after your tenant, is likeable, quick and efficient, the more likely they are to both stay and pay your rent on time, every time and treat your place like their own. Despite many myths about tenants, they're human just like us, and respond well to being treated well!

Remember your role in all of this. There is a chain that goes from you to your agent to your tenant. If you bully or complain too often [or even if you are too lenient] then life will be more difficult for you than it should be.

An opportunity

Letting Agents can also be a good source of deals. Make sure you let them know what you want and how you work and open some potential doors for referrals. Try to incentivise them to do this. If it is their own business they could invoice you for a finder's fee. This incentivises them and makes them come to you rather than anyone else. Always pay them on exchange immediately. It will only make them more likely to do it again for you. It is amazing what money does to people's passion and productivity!

Maintenance

This usually adds up to around £200 per property per year for a flat, and £300 per property per year for a house. We have got this down considerably over the years and have good economies of scale. It could be more [or less] when you start out]. Call this 0.4% to be clear

Get 3 refurb quotes

It is important to get different quotes, as the difference in prices can be huge. Mark got quoted £800 and £7,500 by two Architects for a small piece of planning work, for the same job!
You see, in trades where the trades' people hold the knowledge and skills, it is quite easy for them to pull the wool over your eyes.

Boiler quotes are the best example of that. Most of the time you will get told you need a whole new boiler system that will cost you £3,000 when perhaps it is just the ignition that needs fixing. Boiler costs can vary by 100%. Refurb costs can too.

Scrutinise and itemise every cost, take out everything that is not necessary, and then drive the price down again. People need your business right now, and you're probably having to do the same for your clients in your business or job.

Be cautious and question all costs. Be strategic and tough with this, demand the highest possible standard at the lowest possible cost.

The compounded effect of saving 10% on all your costs is likely to be thousands a year, and hundreds of thousands, even millions, in your life.