

Doing the Numbers



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OF PROPERTY
INVESTING

Doing the Numbers

You have two roles as a Property Investor: to find the deals and to find the money.

Remember a deal is only a deal if the numbers work, so it's really important not to manipulate formulas or try to change something or alter the numbers to make a deal work. It either does or doesn't and your numbers will tell you this. Consistency when it comes to numbers, is absolutely key.

Is doing the numbers a difficult task? The answer is no, but you do have to know what you're looking for. So, when you're looking at a potential property deal it's really important to start with the end point in mind, so have a think about what you're going to be doing with this particular property and what it is going to be worth when you've done whatever you're going to do to it. You can then start working your numbers backwards to work out a purchase price.

What are the important numbers that you need to look out for? So firstly, it's the done-up value. What will the property be worth once you've finished the conversion? What is your strategy? Are you converting to hold and rent-out, or are you converting to sell?

There are also other costs involved in terms of stamp duty that you need to be aware of, particularly with higher value properties where that cost can be quite high. Then if you're going to be renting the property out, you need to know what the rental values for that type of property are, in that type of area. You can then start working out some basic calculations like yield.

Alternatively, if your strategy is to renovate to sell, ask yourself what is your potential profit? What are comparable properties in a done-up condition selling for in the area? By knowing what you're going to do to the property and what the yield of the property is if you're renting or what your profit is if you're going to be selling, you can then get a firm figure in mind for what you're going to offer. In this way, you can make sure that you're never ever guessing when it comes to offering on a property. You have to work out your numbers and take that element of guesswork out of it, so you can be sure if the deal happens, you're going to actually make money.



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When it comes to doing the numbers, it's all about following a proven system. It's doing it again and again so that this becomes second nature.

Once you understand the numbers properly and you've got this system refined, it means you can start scaling up. This is because as the numbers get bigger, the deals get bigger, but the formulas actually remain the same. Doing the numbers at point of purchase of sale is obviously really (really!) important and a key part of the strategy.

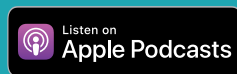
However, there are other numbers and metrics that we can be monitoring. For example, we can be looking at things like return on investment, return on capital employed, or just simply profit in the bank. As your property experience and your portfolio grows, so will the complexity of the numbers, so it's really vital that you have a good overview of what's happening in your business.

If you're more of an analytical personality type you can really go to town and geek out on the numbers, but don't forget to go out there and take that action. However, if you're more of a driver personality, then don't forget to do the numbers!



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