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Price, Place and Pretty in a Buy to Sell Strategy



Maximise your profits from property with a fresh take on a classic business tool via 'The Marketing Mix' - Bristol based developer **Susannah Cole** continues with her series of articles on 'buying to sell'

In 1960, the marketer E. Jerome McCarthy proposed the 'four Ps' classification, which has since been used by marketers throughout the world. These are Product, Price, Place, and Promotion. While further work has been done to develop marketing theory further, these 'granddaddies' of the marketing world are particularly relevant to us as property developers, in the development and delivery of a successful 'buy to sell' strategy.

But firstly I am going to consider what is relevant to me as a developer, within this recognized framework in order to deliver a successful buy to sell strategy.

For me, the 4 'Ps' can become 3

1. Price
2. Place
3. Pretty

I do this by amalgamating Product and Promotion into 'Pretty'. In my experience, there is no point in having a product that looks pretty but doesn't perform. So make sure your property looks as good when a potential buyer visits in person as it does on the property websites.

I don't find that I need a property to be all three Ps. Indeed it is very rare that they have the best of all three qualities. But what I do need is to focus on making the very best of one or two of these attributes. This way I can make sure I am ahead of the rest of the houses offered for sale. I am conscious as to which attribute I am going to maximize and accept that my buy to sell project may not necessarily have that 'kerb appeal', but it will have an unbeatable price and be pretty inside.

Price - What type of investor are you?

In this market place, my focus is on Return on Capital Employed (ROCE for short). The turnover time is an incredibly



important factor. Delivering an efficient and successful buy to sell strategy for me is as simple as buying property wholesale and selling retail.

You can increase your ROCE by turning your stock (properties) more times in each year. The way I do this is to have each buy to sell project completed within 5 or 6 months. This is where I might hide behind the sofa as you throw your PIN magazines at me in disbelief! It is difficult, but it is not impossible. Here's a top tip for you, sacrifice a small additional profit as an incentive for a quicker turnaround and you will reap the rewards from a higher ROCE ratio.

The short sighted approach, that even I can't help but fall foul to from time to time, is to concentrate on the lump sum return per investment. The considered investor thinks, eats and sleeps in terms of ROCE.

By pricing my most attractive and best dressed property slightly cheaper than the competition, I can encourage high viewing numbers. Given that property is totally a numbers game, the more viewings, the

better the chances are of a solid offer coming to the table in a shorter time.

Move your thinking up a gear! I realized it was time to move my thinking forward when I noticed what the millionaires in my investor group thought about ROCE, whereas the ones with 'steady' jobs still thought about lump sum profit.

This 'spirit of competition' may even get you a higher sale price than if you had set a steeper asking price to begin with. Launch the property with an 'open day' to drum up interest from day one, but avoid bank holidays and sporting fixtures. Dependent upon viewer feedback, you can rapidly move the property to a 'best and final' contest. At that time, you may well get an offer higher than the asking price, as buyers outbid each other in the clamour to secure the house of their dreams.

If you are starting out, cashflow is likely to keep you up at night from time to time. The tension point is usually after the refurbishment. The builders are 'done and dusted', the property is on the market, but

Uphill Road

2 bed flat, in a steady area in Bristol

Purchase price £120k

Refurb Cost £12k

Price agreed £164,500

Time taken for sale - first weekend of viewings! We had seven viewings on the Saturday and accepted an offer as a result of those viewings.

This project was a JV (Joint Venture) with a great business partner who decided to keep the property as it had been a great investment from the start. The investors simply paid me my share and happily added it as an asset to their portfolio.



interest costs, council tax, water rates and utility bills can be an unrelenting burden on your finances. This is why rescuing your cash flow by speeding up the rate at which money returns to your bank account (hooray), will help ease those early cash flow stretches. You can do this by being the cheapest house on the market (only by a couple of thousand), which will attract, all things being equal, the most attention. Don't hold out for the top price - be ready to go again, faster!

We choose to work in beautiful Bristol. A buoyant, southern city of around 432,000 people with a thriving economic basis, two major universities and a diverse industry mix. This strategy works for us in part because of the environment in which we work.

Place - What you can do to beat the curve

You know the saying 'Location, Location, Location'. It matters, and is most likely to be the first thing a buyer looks for, when searching for a new home.

If I chose one of the 3 'marketing Ps' as the one that will have the most influence over a buyer's decision to purchase, it would be Place.

It is also the 'marketing P' that we have least control over. I can't move my properties around but I can play around with price and make them look prettier than when I first bought them.

One downside to 'Place' for me, as a property developer, is that the most desirable properties in the 'premium' areas of Bristol are in relative short supply, which means we find it slightly harder to source these properties at a discount. The impact

being that our average property sourcing discount of 29.5% takes the hit.

So what can you do to beat 'the curve'?

Well I respond by trying harder. A tad clichéd, I know. But rather than choosing to give up on sourcing in these top locations, I make sure we hit the phone weekly to those premium estate agents. It is unlikely that others will see the value to this worthwhile endeavour but the payoff means less competition. The perks that 'Place' can give you as a buy to sell project are well worth the effort and there are always reasons why someone wants to sell a property at a discounted price in a premium location.

Despite this being an article about buy to sell strategy, I realise there will be occasions when retaining the property is a real temptation. If your 'Place' is the most desirable location in town, then it will almost certainly have the strongest 'capital growth', achievable rent and be the most attractive to potential tenants. But before you bite the lettings bullet, check your figures. Work out your annual rental income over the property purchase price and this will determine your 'yield'.

In short, you need to work out how long it will be before you start to make a profit from your rental income. Good decisions are based in mathematics, not poker. ▶

Pembroke Road

2 bed flat, in Clifton, the most desirable area in Bristol.

Bought 175k, just prior to auction

Renovation Cost £20k

Sold £240k.

We were able to buy this property the afternoon of it going to auction. The overseas vendors, who were relocating to Saudi Arabia, had held this property as a property investment for a number of years, without even visiting it!

It was in need of significant renovation but the thought of managing builders from half way round the world in an unfamiliar property was a step too far. A quick sale at auction solved their problem and buying it pre-auction solved our need to find a property in a premium location for a buy to sell project.



2 bed house in Ellsworth Road

Bought pre-auction for £103k
Refurb cost £15k
Refurb time 8 weeks
Time to achieve an offer 11 days:
Sold for £150,000

When writing the brochure or the web content for the sale of the property, remember to research the local area. Identify all the attractive local features, transport routes and services, shops and leisure possibilities. You are selling the place to someone who may not have considered buying in that particular location so you need to make the neighbourhood feel as welcoming and happening as possible. Try to steer clear of properties with no off-street parking or those situated next to busy main roads or junctions as these are understandably off putting.

Pretty-Turn that house into a babe!

'Pretty' does not have to be 'chocolate box' exteriors, though you do need to create 'kerb appeal'. 'Pretty' is the easiest to make happen and often the least expensive. Investing in a 'posing kit' can be done for couple of thousand pounds, which moves from property to property and makes the house look measurably more appealing.

Kerb appeal - quaint window boxes, welcoming front door, windows sparkling, clean and tidy frontage, all paint work immaculate and the house cleaned inside and out.

So pretty on the outside or pretty in the inside? I can't make ostensibly unattractive houses look much better than they are - pig ear, sows purse springs to mind. What I can do, is to present the inside of the property immaculately to ensure that it creates a fantastic and lasting first impression.

In this scenario, rather than leading with a photo of the exterior of the property which we can barely alter apart from a bit of spit and polish, we lead with attractive magazine quality photos of the kitchen, the heart of the home. We include 'lifestyle shots', to hint at the happy, warm and loving lifestyle we hope the new buyers will enjoy, mugs of coffee, ready set tables for supper, wine glasses as a welcome home after a day at work.

We make the inside feel loved, shot with the glamour of a magazine article, not a practical sale of property.



We use mainly high street furnishings - think Ikea, B & Q, Tesco Direct, Argos, with a couple of designer items thrown in to 'lift' the quality of the design.

Beauty is often considered to be something that is regular in design, symmetrical faces are considered beautiful. So we use the same thinking here. We want continuity of images and impact. The same light beige carpet throughout all carpeted areas, the same wide oak wood effect vinyl (wide oak looks more expensive than narrow strips) in bathrooms and kitchens.

We use white throughout with one feature wall in the kitchen, a lilac grey, which, whilst not my builder's favourite colour, is very cool. We use Dulux 'Potters Clay 2'. White is sharp, crisp, the estate agents ask for it and practically speaking it costs less as there's no time consuming cutting in from wall to ceiling. So essentially our backdrop is white walls and beige flooring. On top of that we 'layer' two theme colours - often purple and

olive green - or lilac and duck egg blue, both 'hot colour palettes' at the moment. These colours are brought in using inexpensive blinds and accessories which do their job as the 'staging kit' and then they get moved onto the next property as soon as we have it sold.

Conclusion - by using the 'granddaddy' marketing mix tool - Price, Place, Promotion and Product (and by condensing Product and Promotion into Pretty) I can look at how I treat each important aspect when looking to deliver a fast, high profit buy to sell strategy, and take action accordingly. **PIN**

About the author: Susannah Cole is highly respected in property investing circles. She is a well-established property expert who is running a very successful 'flipping' strategy. She started The Good Property Company just three years ago. In that time, she and her team have sourced more than 125 properties, at an average discount of 29.5% to A1 market value, with a value of well over £22 million, in Bristol.