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Profitable Buy to Sell Strategies



Bristol based investor **Susannah Cole** comments on finding property deals to make your buy to sell strategy highly profitable

I started The Good Property Company three and a half years ago. In that time we have agreed well over 130 deals, with an average discount of 29.5%, and we work on Buy to Sell as well as Buy to Keep Projects.

In my first article in the June edition we examined the buy to sell marketplace in which we work and how the PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis framework can be applied as a decision making tool.

Then we looked at some great marketing techniques in my second article in July entitled 'Price, Place and Pretty'.

In this article, I will share some of my experiences from property sourcing to help you root out the best buy to sell deals with healthy profit in them. To sell property profitably, you need to be able to buy with the profit locked in - at a discount - and this article covers different routes to profitable property stock.

Goldmine VS the 'Numbers Game'

This is a numbers game. Don't rely on 'pot luck' or happening to be in the right place at the right time. Make any location a 'goldmine' with a little elbow grease and shoe leather.

Consider two schools of thought. One is that there are fantastic 'goldmine' areas, which are the popular areas to buy in.

The other is that in any location, as long as you have the population numbers, anyone can find good property deals.

I'm of the Numbers Game school of thought - in any market there are price variances but I think you can find deals in any location, providing the population numbers allow for market liquidity. I like to work with a population base of at least 250,000 people. It's a good idea to widen your search if your area consists of less than that.

Essentially we buy stock at a low price, but when you lower the (offer) price there are fewer deals available. Each week, from every 120-140 phone calls that we make to Estate Agents and by attending 30 to 50



property viewings, we agree on average 1 to 2 deals. Sure the shoe leather takes a hit but this is how we make deals happen!

By taking a systematic approach and recording viewing numbers, I am able to see that it takes us an average of 15 to 20 viewings in order to purchase one property. Once I know this, I can then reverse engineer the process.

Plan how many calls, how many viewings, and how much time that takes up, as well as looking at how to improve my efficiencies, by either improving our skills at sourcing, or finding more efficient routes to source, which we cover in this article.

You don't have to be a property geek but it helps!

Finding Your Deals - Your Roadmap to Stock

I like to source property from on market and off market routes via estate agents, auction houses and direct to vendor. Each route to stock has benefits and drawbacks.

1) Estate Agents

These guys collate properties, they are easily accessible by telephone and internet and contacting them is free.

We keep a record of our calls to agents, as there are 170 in Bristol. It's easy to get comfortable with your preferred agents. Fight the temptation, call the lot. Every week!

Pros:

- ♦ A free resource, collating the majority of property for sale
- ♦ Fantastic wealth of knowledge held by estate agents, who often have 'property in their blood'

Cons:

- ♦ Time consuming to call 170 agents on a weekly basis!
- ♦ Speed needed; as you can see in the case study below, you need to act fast, by being available to view and offer fast to secure the best deals with estate agents
- ♦ You are up against established 'favourites' who have proven themselves time and again with the agents, and so if you are new or buying a couple of times a year, you are unlikely to get the first call when a new deal comes in

We are lucky now in that we are established and on their list of people to call first when a deal comes in. Early on, I made a lot more calls to unearth great deals.

2) Off Market Deals

Off market is traditionally the best way to get seriously discounted deals as you buy direct from the vendor. Here are some off market methods:

- ♦ Call Letting Agents monthly as they may know of a Landlord who wants to sell
- ♦ Scrape landlord numbers from Gumtree.com and Easyroommate.com and text them monthly, asking to buy their tired rental units as some will be frustrated at rental arrears or arguments about light bulbs!
- ♦ Leaflets dropped to mailboxes within specific areas
- ♦ Post cards in local shop windows in specific areas
- ♦ Networking at property meetings
- ♦ Your builders bringing you deals
- ♦ Promoting your business to home owners looking to sell on your own website through search engines like Google.

If you do decide to source direct to vendor, here are a couple of key tips for you:

Have all the following paperwork ready, in advance:

- ♦ The offer letter
- ♦ The contract
- ♦ Your solicitor details
- ♦ Their approved solicitor details (that you pay for).

Agree a regular bi-weekly time to call them to update them on the buying process and keep them informed, and satisfied.

Stay Safe!

Always let a friend or colleague know where you are going and how long you are going to be.

Pros:

- ♦ You can get great discounts this way, working directly with the vendor, as often

speed of sale is more important than price to a direct vendor

- ♦ The property is not on the open market, and so you have less competition to buy it; great in a rising market
- ♦ Often if you are fair and supportive of your vendor, they can refer to you other people who are also interested in selling - your reputation in how you deal with people is all-important here

Cons:

- ♦ Expensive to market to - a decent leaflet campaign in Bristol costs quite a few thousand pounds per month, so not effective unless you are running a scaled business and buying multiple properties per month.
- ♦ Time consuming: You need to be available to your vendor often at evenings and weekends, and need to maintain in any case a close ongoing communication with them to assure them that you are committed to purchasing their house.

3) Sourcing Company - Many hands make light work

Buying discounted property deals requires you to act fast. Not always easy if you have to be at your desk 9-5. A sourcing business provides the time and the skills to you as a 'plug in property provider'. Not only that, they save you having to make 170 calls and do 30-50 viewings a week.

The Good Property Company is now the biggest buyer of existing residential properties in Bristol. Fortunately, this makes us very attractive to agents and vendors. Think about who would be the agent's preferred buyer? Someone who has already bought 10 properties with their branch, or a new investor with a full time job, who is not contactable during working hours?

This is just one of many great reasons to take advantage of a sourcing company.

How to Get the Best out of your Sourcing Agent

Take your time and do your due diligence. Take time to evaluate previous deals, talk to current investors who work with your chosen sourcing agent, visit some projects in progress, and understand their strengths and weaknesses. Check they are members of the Property Ombudsman Scheme. I would advise taking six months to properly evaluate a sourcing agent's expertise, before buying a deal from them.

Some property sourcers work on a scattergun approach - with a wide database, no personal relationship. For us, and others like us, we work on a deeper relationship with a narrow client list.

The relationship is the key. Once you have been accepted as a client, the best way to sway the odds in your favour is to be easy and fun to work with. Do your paperwork fast, get your funding in place, and be responsive when called upon to help the deal go through easily.

Pros:

- ♦ You can get great property, from a trusted source, if you have done your due diligence on the company
- ♦ Saves time - a lot!
- ♦ It allows you to slot in a buying arm to your business- using other people's time

Cons:

- ♦ Still buyer beware; you still need to do your own due diligence on the property and research values to ensure you are buying a good discounted deal, not a hopeful deal!
- ♦ It does not allow you to develop sourcing skills through personal experience - something that is extremely useful if you decide to go full-time as a property professional
- ♦ Cost - sourcing fees add to the cost of purchasing your property investment ▶

Case Study - Cassel Road

Here is a property I purchased when I was still working full time, taking the occasional Thursday and Friday off work to source property for my own portfolio.

The agent initially said to me on the Thursday morning, "I am so sorry, I had the perfect property for you, but it just sold".

I was so disappointed. I made another 40 calls to agents that day but didn't find another opportunity. Disheartened, I started my calls on the Friday, having munched through a full packet of chocolate biscuits to keep me going.

Then the agent called back, said the deal had fallen through and did I want it! I viewed it half an hour later and agreed to buy it an hour after that.

3-bed Victorian Terraced property

Refurb consisted of full rewire, roof repairs, damp work, full replaster, move certain walls, install 3 en-suite bathrooms, and a new bathroom to be shared with 2 rooms, new kitchen/diner and new windows.

Purchase Price	£150k
Refurbishment Costs	£50k
End Value	£235k
Monthly Gross rent	£2465
Monthly Mortgage cost	£772
Monthly Bill Cost	£375
Monthly Gross Profit before repairs and insurance	£1318

RESULT - A great cash cow of a property that cost me a day of phone calls to agents and a pack of biscuits!



4) Auction

I just LOVE buying from Auction. No messing around. Once I have agreed the sale and written the cheque, I know the deal is in the bag. Save time, hassle and the worry that the deal may 'fall out of bed'.

A recent purchase bizarrely went in our favour...

Case Study - Farr Street

Previously Agreed Purchase

Price (through agent) £140,000

A1 Market Value £275,000

Auction Purchase Price £129,500

We had agreed to buy this property through an estate agent, however in a last gasp attempt to increase the sale price the vendors withdrew from the sale and put the property up for auction. Fortunately, in the end we were the successful bidder anyway.

Instead of the previously agreed £140,000 sale price, which worked fine in terms of profit, we were lucky enough to get the property for £129,500. We saved an additional £10,500 by buying it at auction. The vendors must have kicked themselves.

5) Pre Auction

Buying pre auction is a great way to help a vendor out of a tight spot. They are looking for certainty and a quick sale. You can satisfy both of those needs and bag a great deal if you offer and exchange pre auction.

But be aware, for this strategy you have to have a great lawyer who can process all the legal work before the auction.

Case Study - Challender Avenue

Bought Pre Auction £112k

Refurbishment Costs £19.5k

Sold for £170k

Sold within 5 days of going on the market

6) Post Auction

When a vendor is unable to sell at auction they can often be more receptive to an offer coming from a keen and upwardly mobile buyer.

We always keep an eye on the lots sold in all our local auctions and make a speedy offer when we spot an unsold property.

Pros:

- A collection of properties, priced to sell, so you can get some great discounts
- Commitment of purchase - not being gazumped
- Efficient use of time

Cons:

- Can result in financial outlay with no purchase - your legal fees to review the legal pack are spent regardless of purchase.



- ♦ Not for the faint-hearted - 28 days to complete - so if your preferred lender does not like the property, you will have some sleepless nights ahead till you secure alternative funding
- ♦ Risk - if you do not complete, you lose your 10% deposit and Buyer Premium, at a minimum

How to make sure of a profit when you Buy to Sell.

From our first 100 deals, we got the values right on 98 of them and undervalued (by 2.5k and 5k only) on only two.

Why? Because we research like crazy to make sure we are spot on when valuing a property.

What does that mean in practical terms? For us, it means we get 45 pieces of research on comparable properties within a very tight area. This may sound like a lot, but it's the only way to eliminate the guesswork and get it right, consistently.

Here's how those 45 pieces of evidence break down:

- ♦ 20 sold properties within the past 2 years (Mouse Price, Land Registry)
 - ♦ 20 current properties offered for sale/sold subject to contract (Rightmove, Zoopla)
 - ♦ 5 local estate agent opinions of market value.
- Specifically, we look for a large number of sold properties within the same type of street. Forget the posh streets - compare 'apples with apples'. We look at both sold properties in the past 2 years, and properties currently on the market for sale, or SSTC (sold subject to contract). Around 40 of these will start to give you a good idea of current and previous market activity.

Then we get the expert opinion of those at the 'coalface', the estate agents. We ask

impartial agents, not involved with the deal, for a telephone valuation to work out what the refurbished property will be worth at A1 value. By that, I mean the property is spotless throughout, cream walls, beige carpets, nothing fancy.

A deal is only ever a deal if you can evidence it.

To conclude:

To get to the best Buy to Sell deals, consider the liquidity of the market you are in. Look for a larger population number and play the numbers game. At this end, there are not that many buy to sell deals available as you would expect, but the price is low. Hard work and high levels of activity will yield great results and great profit. This is a numbers game!

Then consider your routes to stock - estate agents, auctions, direct to vendor or pre, during or post auction.

Ensure you understand how to evaluate a buy to sell deal, and how to conduct your market research to professionally monitor the comparables on the market.

Then, crack on!

I can say that because I started all of this with little more than a deep breath and an unshakeable determination.

Don't fantasise about what you could achieve and then do nothing about it. Get out of bed with strong, positive goals for each day. Remove the element of guessing, arm yourself with a system and the routes to stock, and you know you will get results. You'll love it.

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About the author: Susannah Cole is a well-established property expert who is running a very successful 'flipping' strategy. Contact her at: info@thegoodpropertycompany.co.uk