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Creating Successful Joint Ventures in Today's Property Market



Susannah Cole talks with the editor Richard Bowser about how she has adapted her property business to work with other investors on joint venture deals

It is now eighteen months since Susannah Cole was first quoted here in an article. During that period some very experienced investor-landlords and developers have struggled to expand their property investment activities due to the ongoing difficulties of obtaining bank finance. I ask how she is finding the progression to being a full time investor-landlord and property business entrepreneur.

"I am lucky to now work in property full time - something that I enjoy very much," says Susannah. "I came from a corporate and entrepreneurial background, having founded a Fair Trade retail business in the 90s, which grew into a small chain of retail shops. I then worked as marketing director for a prizewinning maritime museum and then as sales director for Kiss 101, the dance music radio station. I have taken these

well-honed business skills and applied them to property investment.

"The Good Property Company was founded around 18 months ago and this is my main focus - as we source high quality deals for a group of investor clients in Bristol. As a result of our success, many of our clients also ask us to manage the refurbishments, which we do with a tried and tested trades team, and we also provide a full lettings management service, achieving good yields through professional multi-lets. We provide good quality accommodation for working professionals in the city and as a result attract high quality tenants."

I ask Susannah why and how she has developed her own property portfolio. "I think my route is one that many readers will recognise, which started off with having some real concerns around pension provision for when I am older, so I became

determined to build a sizeable asset via property to support my pension.

"I have learnt it in stages, firstly buying and letting one bed flats, two and three bedroom houses, all on standard AST's before doing multi-lets for professional tenants. I remember being quite terrified after buying my first one bedroom flat yet these days we are often buying one property a week in Bristol for our investor clients, so it is quite amazing how your 'comfort boundaries' can develop.

"My initial portfolio was financed from my own funds from a personal home mortgage with a drawdown facility, and then working with some private investors from whom I raised over half a million pounds of private funds to create a larger portfolio, doing a mixture of buy to sell and buy to let properties. This relatively early experience of successfully working with investors as Joint Venture partners has been very useful and rewarding."

I ask Susannah what type of investment properties she looks to buy. "After reaching my own 'pension pot' property goal, the next stage was to ensure high yield, good positive cash flow and 'safety' for the portfolio," says Susannah. "I targeted good quality properties, usually a Victorian terraced property with bay front windows, in good locations that will earn a 15-20% yield letting as a multi-let to professional tenants. I always put in as many en-suite bathrooms as possible and never have voids in these properties as they are in such strong demand from working tenants."

I ask her how these properties are bought and financed. "I buy with a significant discount, and though the option is open to me, I often don't remortgage them after the works are done as I like to have a relatively





low loan to value (LTV). Whilst this is an amazing time to buy property, I do have one eye on the future and the expected bank interest rate rises, so I am actively working towards a very safe and profitable LTV. Property is not a fluid asset so it takes a few years to shape a portfolio."

As many readers will be well aware, the performance of the somewhat fractured UK residential property market is a reflection of the underlying economy, with some regions being fairly buoyant whilst some locations are seeing ongoing stagnation and lower property prices. In the south of England and particularly around the London area, many investors have been finding it more difficult to source genuine 'discount deals' this year, so I ask Susannah how they manage to find deals in the current market?

"We enjoy deal finding and are very good at it," she replies. "We source a deal a week, which are passed onto our investors. We are currently on Deal 52 and are active in many areas of property sourcing. We have good relationships with estate agents and treat them with the utmost respect, as they are the experts in selling property. I brought in Ash, who is our main property finder, and who used to be an estate agent, to work with me in the business just over a year ago."

"I used to buy properties from him and now he buys properties for our clients. We believe that we have around 25% of the 'discount deal' business from Bristol based estate agents, which is great."

"The reason for our success is that we are straightforward to deal with and we do exactly what we say we will do and have a good group of investors to buy on behalf of, so we are a proven asset to the estate agents whose clients want to achieve a sale in a shorter time scale."

So are estate agents your only source of deals? "No not all of them, in addition to agents we also source deals direct from vendors," Susannah replies, "through door to door leafleting, advertising and internet marketing. In addition, we source from landlords who are tired of managing their property portfolios, which are often in a rundown state and which need some investment to bring them up to quality rental standard accommodation."

I ask Susannah how exactly does she work with her investor clients and what do they gain? "I work with investors in a couple of different ways," she replies, "either as Joint Venture Partners working together with them on buy to sell projects, or with those who decide to buy our sourced deals and then join our group to do so."

“ We have good relationships with estate agents and treat them with respect, as they are the experts in selling property ”

"The early part of the relationship is similar - it takes usually around six months from first meeting to working together on a property project. I do like to get to know my investors, and have them being really comfortable in knowing me and my team."

"We invest in the relationship, meeting up and understanding clearly their objectives, so that by the time they are working on a property project with us - either as a Joint Venture buy to sell, or a deal that we have just sourced for them - there is a good working relationship with a lot of understanding and

trust between us. It means having coffees and lunches, as well as viewing trips to see the projects that we have already done."

With lenders tightening up on access to buy to let finance in recent years a number of firms offering education and training courses towards investors have been promoting joint venture funding routes, so I ask Susannah whether the reality of working with JV finders differs from what some people teach on courses?

"I do think that the principles of working with JV partners can be taught on courses," she replies. "But the reality - that of a personal relationship between two people often with different business skill sets - can make it a superb relationship. That variety in the outcome of the relationship can't be covered by a course, as it is unique to each relationship, so having experience counts."

"The emphasis taught on a course is about achieving your own goals by working with Other People's Money (OPM) but I find that it is more important to look to satisfy your JV partner's objectives, and also that working with experienced business people, who for instance, have sold their own businesses and are looking to property as an investment strategy."

"This can be great fun and also very useful in your own development as a business person. So I enjoy the relationship but you have to accept the constraints it can bring you. For example, the need for regular weekly reporting, as it teaches so much in how to be accountable to your JV partners."

I ask Susannah how she ensures that the deals work for all parties. "The best way is to fully understand what your investors want to get out of the working relationship and we take about six months to ensure we have that understanding." ▶

"The upfront deal analysis needs to be robust. We always undervalue the deals, rather than put sales 'bling' into it, so that the chance of the market underperforming on a particular deal is hopefully mitigated. We also use information from current market activity, from professionals in the market place, as well as via recent sold values to be able to pin point a specific market valuation. Then we will discuss all the things that could go wrong with the process, so that parties are fully aware that there are always risks involved.

"Also we will discuss the handling of the funding. On a Joint Venture deal I prefer that my JV partner, who is the funding partner, own the property themselves, as there is then a transparent security comfort for them in owning the bricks and mortar. I will manage the refurbishment, but again, we don't need to have all the funds at once. We will agree a schedule of payment to fit the planned works and have fortnightly accounting against the budget set with a look at any variances against the planned budget. We then do a simple 50/50 split on the profits of any JV.

"Then we set out the agreement, and start our fortnightly meetings, with a site inspection and project progress report along with coffee, a chat and the general enjoyment of working together."

I ask Susannah to comment about a few of deals she has done over the last 12 months. She says: "I did a great buy to sell with a very enjoyable JV partner recently in Bristol. The property was bought for £175,000 and it was a 'tired' 2-bed flat in Clifton, which is a lovely area in Bristol. We bought the property just before it was due to go to auction and the owners were absent landlords, who were resident in the Middle East. We spent £20,000 on the refurbishment and put it back onto the market, as a 'dressed' property."

Susannah describes the detail involved in 'dressing' to sell: "This was a reasonably light refurbishment, and we kept the original boiler but replaced the old radiators, knocked down an internal non-structural wall to then open out the living room/kitchen. We replaced the electrical wiring and finished by decorating the wall with a full re-plastering using a mixture of white and cream paint.

"We spent a quarter of the £20,000 budget money in the kitchen area as this was part of the open plan 'lifestyle' show room, using Bosch appliances, a good quality, modern but 1950s style white kitchen and used

quality hardwood flooring, with a great original 1950s wooden Ercol table and Eames chairs to dress it. We laid a wool carpet in the living room, dressing the space with 1950s style Habitat sofa and chairs and added original Ercol 'pebble' coffee tables.

"The buyer liked the interior so much they asked to buy the furniture! The bathroom was the other area where we introduced a small element of design and the remainder of the flat was cream walls, beige carpet, with furniture and soft furnishings providing the aspirational lifestyle 'bling' which aids the sale."

Susannah provides a breakdown of the sale process. "We achieved an initial sale agreed at £244,000, however, in classic buyer behaviour the buyer tried to reduce the price by £10,000 just 24 hours in advance of the sale. We refused, but did accept £240,000 - with the profit being split 50/50. We achieved a very high price per square foot - the highest in the area at the time, after 21 viewings - whereas the average at that time in that area was 17 viewings.

“ The most enjoyable part of the process was working with a very experienced and thoughtful JV partner who has great business knowledge ”

"We kept polite pressure on the estate agent by visiting every two weeks for a coffee, planned in advance, so we could all work on the sales push that was needed to sell this property. As such, we worked as a team with the agent, but the fortnightly office meetings with coffee were a constant reminder that we were really focused on achieving a sale.

"Whilst the profit was of course very welcome, the most enjoyable part of the process was working with a very experienced and thoughtful JV partner, who has great business knowledge and whose company and conversation I enjoyed immensely, learning a lot in the process from his measured and thoughtful approach.

"He took a longer term view, and looked at this project as the first in a number of projects together, using it as a test run for future work. A great person to work with and I would recommend finding JV partners who have strong business knowledge as they will enhance any project with you, the

'action' partner bringing the required property knowledge, process, systems and contacts to make the deal happen.

"A second deal that we recently did was a sourced deal which was picked up by one of our investor clients who will sell it onwards after the refurbishment. This was a lovely terraced Victorian period property, bought for £120,000 with a market valuation of £160,000. It's a charming property that needed £8,600 of refurbishment to bring it to a marketable standard. Given the prettiness of the house and the central location of the neighbourhood this deal is a lovely buy and sell 'flip' which will bring our investor a quite sizeable profit.

"I always work on a 50/50 share of profit with my Joint Venture partners, and always look at describing the 'worst case scenario' first - that it may take up to an eight month turnaround from the purchase to receiving funds from a sale. We find that here in Bristol, the average number of viewings needed to get a sale is 17 and that the good estate agents can 'work' a great property to get the required number of viewings within a matter of weeks. I have sold a property at full asking price within two weeks of it going on sale, but not every sale is like that."

I ask Susannah when doing a typical refurbishment with a buy to sell (BTS) intention, what does she focus on, as opposed to when looking to use the property for a long term multi-let?

"For both BTS and for a long term multi-let rental we aim to do the job right, first time," she replies. "So we prefer to have new central heating, new electrical wiring and fuse box replaced and then apply a good quality decorating finish, irrespective of the strategy. That way, for longer term BTL, there will be lower repair costs as a proportion of the rent roll, and less disruption for tenants once they are in the property.

"For BTS, we do a good simple finish with cream walls and beige carpet, but we dress the property well (as you can see in the pictures) and it is often the lifestyle dressing that allows prospective buyers to choose the property - and people do buy on emotion. For a multi-let, we always aim to put in the maximum number of en-suite bathrooms that the property will comfortably take as this enhances the take up from high quality tenants."

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