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# YOUR PROPERTY NETWORK

## AVOID PROPERTY SLIP UPS!

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# PROPERTY SLIP-UPS

## THE ONES I HAVE MADE, HOW YOU CAN AVOID THEM AND HOW TO PROFIT FROM THE ONES YOU MAKE.

Susannah Cole

*“To learn to succeed you must first learn to fail.”*

Think you've made mistakes as a property investor? Well I've made masses of them and I'm still here. It is so worth persevering with property – this is a marathon, not a sprint. If it were easy, everyone would be doing it.

At this stage in my life, retirement after 5 years of property investment is a real possibility, but to be honest I love it. What's more, I can now ensure each of my kids has their own property and security for their futures and that's the most amazing feeling.

***“Perseverance is the hard work you do after you get tired of the hard work you already did.”***

- For those who are finding it tough. **Keep going.**
- For those who have hit a speed bump in property. **Keep going.**
- For those who can't sleep at night with worry. **Keep going.**
- Concerned about cash, future cash flow, paying bills, increasing debt, the occasional crazy tenants or any of the number of potential money juggling dilemmas a property investor faces on a daily basis. **Keep going.**
- You are swimming against the tide and it is hard to go against the flow, particularly in the early days. **Keep going.**

The scars from my many mistakes act as my road map for future investments so I thought I would share some of them.

This way, new (and experienced) investors can tap into one of the most valuable resources in the business. Experience. (And empathy!)

The Good Property Company is at Deal Number 126 at the time of writing, and I thought that rather than people thinking about us as a success story, it would be useful to highlight some of the things that have stopped me sleeping in the past 3 years and the lessons we have learned. That way you can see we really all go through this.

### WHEN INVESTMENT DEALS GO BAD!

**MISTAKE** - When an opportunity came about to buy my first HMO (see below) I was so scared. At the same time as I was mulling over buying an AST property that I chose to invest in instead of the HMO. I chose the AST property because I was scared of the legal implications involved in an HMO. As a result I lost out on about a £1,000 in rent each month for the rest of my life. I can laugh about it now but this was a particularly expensive hesitation on my part.





**LESSON** – I learned not to be scared to make mistakes. I found that hard work really does pay off and for every lesson I learned I was taking a step closer to success.

- **HMO** - Houses of Multiple Occupation – a property that has individual tenants that share the communal parts of a property – very lucrative.
- **AST** – Assured Shorthold Tenancy – A property occupied by a single person or single group of tenants all on the same tenancy – way less lucrative.

**EXPERIENCE** - One investor pulled out of a deal 4pm Thursday evening. The deal was due to exchange Friday. I bought it, and we replaced the investor, but for a moment I had bought something with no financial back up and was taking a fair risk as no funding had been agreed.

**LESSON** – I learned never to do business again with an investor who doesn't respect the rules. Always stick to your principles.

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## 'CAVEAT EMPTOR' – BUYER BEWARE!

**MISTAKE** - I once bought a house where I did not pop my head through the trap door to check the attic. After I bought it, I discovered I had bought a house with an aluminium roof. D'oh! Always visit the property and have a really good look around.

**LESSON** – Now I regularly ask questions no matter how stupid they may seem, do a full inspection from top to bottom, and get the answers before you seal the deal.

**EXPERIENCE** - I bought 2 very similar houses in very similar states at auction, 6 months apart. The first house got a mortgage no problem, and I got a DIP (see below) for the second house. The mortgage provider refused to lend on it, as they had tightened up on their criteria. Cue sinking heart. I had about 20 days to fund a full house purchase. 20 sleepless nights. But in the end I managed to buy it using my own cash and private investor money.

**LESSON** – Now I treat every house as it's different and what's more I always have a Plan B for when I need funding fast.

- **DIP – Decision In Principle**, from a mortgage lender, applied for in advance of having a house surveyed or sometimes identified, gives you comfort that you are worthy of a mortgage up to a certain amount. But as I found out, if they don't like the state of the house, it is only an 'in principle' and not a promise to lend. It is still worth doing if you are unsure as to how much you may be lent.

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## PROBLEMS, PROBLEMS EVERYWHERE!

**EXPERIENCE** – I was happily re-mortgaging a property in which I had a lot of equity and I wanted to pull some of that money out to finance a new property when the surveyor found Japanese Knotweed – now on a 3-year eradication programme, equity locked in for 3 years. Hey ho, helps reduce my LTV, so I guess I'm looking on the bright side.

**LESSON** – It happens. Best laid plans can go askew.

- **LTV – Loan To Value** – How much mortgage you owe in relation to how much the property is worth. The lower the LTV the safer you are.

**JAPANESE KNOTWEED** – You will be unlikely to get a mortgage if your property has this invasive weed in the garden.

**EXPERIENCE** – A deal was released to our investor group and as the tide of calls came flooding in I realised there was no-one in the office to take them except me! I was booked to do a Mentoring Session. I had to concentrate on my mentoring call while all 5 phones were ringing off the hook!

Then there was the time I almost turned up a week early to a talk I was giving. It was then I knew I needed help.

**LESSON** – There just aren't enough hours in the day. Diary management is great if you are really organised but if you're not, like me, get someone else to help. 2 heads are better than 1. My (small) team is fab. We are like family. Jess, who looks so sweet, dainty and gentle, is amazing at 'owning' the diary and reminding me that there are only 24 hours in the day, and perhaps I better sleep in some of them. We are all very supportive of each other.

**The Good Property Company Team** – Terry, Jess, Susannah, Tiffany & Ash.



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## THE CUSTOMER (TENANT) IS ALWAYS RIGHT – AREN'T THEY?

**EXPERIENCE** - One time a tenant posted a charming comment on my Facebook wall that I was a witch. We happened to be evicting him at the time, for being a bad apple.

Some of the TVs left at the same time as he did, coincidence?

**EXPERIENCE** - One tenant called me up within 12 hours of moving into a beautiful property to tell me *"I'm going to take your business down"*. Some people have a real flair for the dramatic. He was a bit paranoid sadly, and then went on to accuse us of stealing his stuff when we did inspections. To top it off, he brought in most of the public agencies (7 of them) in an attempt to prove that he did not need to pay rent. He now has a CCJ as I took him to court and is paying the backlog. Not surprisingly I no longer house him. Funnily enough his lawyer didn't represent him in court as he had not paid them either.

**LESSON** – Breathe. There are some funny people out there and you will meet them in the property business. I guarantee it.

- **CCJ – County Court Judgement**

**EXPERIENCE** - Arguments about light bulb replacement...too boring for words.

**EXPERIENCE** - Domestic violence – men against women, women against men. Early on I used to intervene, talk to the parents of the woman to alert them to the situation, help install police alarms. All gone to pot once when (sadly) she went back to him and both ganged up on me and went on the offensive – after he charmingly kicked in the front door to the house I owned. We just pass on agency support numbers now and wish it didn't happen in life.

**LESSON** – I started to realise I would be successful when I stopped trying to please everyone, or help every broken bird along the way (a bit of my natural tendency). We now contribute to a charity and let the experts deal with this sadness.

**EXPERIENCE** - One tenant (allegedly) tried to poison another with bleach in the breakfast milk. Mental!

**EXPERIENCE** - Cannabis bushes in the back garden – with a delicately phrased request for the next inspection in a lovely lilting Spanish accent. *"Susannah, Susannah, please don't look too closely at the garden"*.

**LESSON** – It happens! And breathe...

## REFURBISHMENT AND THE RISKS

*'Genius is 1% inspiration and 99% perspiration.'*

**EXPERIENCE** - I once did a 35k refurb of a 1 bed flat to a 2 bed flat. The architect told me he would do the building regulation work with the council, as he was young and wanted



the experience. After the full refurb, I asked for the certificate and he looked at me and said 'You were doing that'. My heart sank so fast. Painful.

**LESSON** – I know it's clichéd but the buck most certainly always stops with you. The sooner I accepted that, the sooner I could see the potential mistakes coming over the horizon towards me.

**EXPERIENCE** - Believe it or not I've only ever fallen out with one builder – in the middle of a 50k refurb, 5 bedrooms, 4 bathrooms when I had very little spare money for problems. Power struggles galore, eventually had to get him off site. I was 'hand down the back of the sofa' looking for pennies for about a month, and ended up doing the painting myself, cash flow was uncomfortably tight. Another sleepless few weeks.

**LESSON** – I now keep 1-gallon tubs of elbow grease in the boot of my car. Never know when they will come in handy. Available from any good hardware retailer!

**EXPERIENCE** - My chippie (joiner) getting very drunk on a Friday night and texting suggestive (wow and were they ever descriptive and positional) messages to my mobile. I forwarded them onto my best friend, who is a guy and lives in Edinburgh, for a laugh. Working relationship did not last – gave him an 'out' the next day – you were red blooded when you were drunk – and he dozily said 'I meant it'. AAAAGGHHHHH!

**LESSON** – In this business the thicker your skin the longer you will last.

**EXPERIENCE** - My best guy I worked with for 5 years, my carpet guy. Hard working, lovely, decent, great prices, a real gem. Called him recently to book him into the latest HMO. Not answering the phone – was front-page news on Bristol Evening Post as he had been caught running a Cannabis Factory. Who knew?

**LESSON** – It really does take all sorts.



## INVESTORS – WHAT NOT TO DO

**EXPERIENCE** - We sold a set of 4 flats to investors and as we got within a couple of days of exchange, it became apparent that one investor had instructed a survey (and therefore a mortgage) on the wrong flat. This meant they could only buy that flat which was due to be bought by a different investor. Hmm. Thankfully we were able to swap another cash investor round so she bought the original flat, which was utterly decent of her.

**LESSON** – Check, check and check detail again. And then laugh. I actually lay on the floor and ‘comedy’ banged my head on the floorboards on this one. The other lesson here is to have great relationships with your investors. We were only able to save all 4 flats from falling through (buying as one, but splitting between investors) because the cash buyer trusted us enough to switch flats at the last minute. We’re very grateful to her. She subsequently sold her flat at a good profit, but (funnily that), not without some speed bumps of her own.

**EXPERIENCE** - Primadonna Investors tend to show their claws and teeth eventually. Charming. One such investor pulled out of a deal (possibly investor wobble, no idea why) and I reluctantly picked it up – we aim to never drop out of a deal as a business. We returned his reservation fee, and he still started initial proceedings to take us to court for it even though it had already been returned. He did eventually realise he had been repaid already but was not kind enough to apologise for causing me worry.

**LESSON** - Karma intervened – we bought it 203k, stated the value at 285k and it re-valued with a RIC surveyor for 330k. Job done. Next time don’t want to hear the ‘F’ word though.

## FINANCIAL MANAGEMENT (OR LACK OF)

**EXPERIENCE** – A tenant came to the office once to pay rent on our card machine and we ended up processing them a refund for the full rent amount, instead of a payment. They left the office owing 2 months rent, instead of the 1 they owed when they came in! Oops!



**LESSON** – In the end we laughed with the tenant about it and they were happy to return and resolve it. Mistakes happen, now someone else double checks everything.

**EXPERIENCE** – I once did a cashflow projection for the following 18 months and realised I would be down to the tune of £15,000, in around 9 months time. At the time it worried me so much, I had broken sleep for 5 nights. I spoke to my accountant about it and he was relaxed, as he knew me well. That helped me worry a little less...

**LESSON** – I knew well in advance what was expected of me and so I worked harder to make up the deficit. Forewarned is forearmed. In the early days, please do an 18 month cash flow prediction, it will cause you sleepless nights, but you will be much better prepared as a result! Cash flow, not profit, or turnover, is king in the early days as you accrue experience.

**EXPERIENCE** – Our bookkeeper was unable to process our VAT return due to a sadness in their family and as a result we were fined, as she did not put it in on time or tell me as due to her distress she wasn’t thinking straight.

**LESSON** - “Sometimes you’re the pigeon, sometimes you’re the statue”.



I was a bit annoyed at the time as she dropped us without warning, and we got in the VAT people's bad books, but a fine and a bit of backtracking on book keeping is nothing compared to a dad with a terminal illness...so I put my small frustration behind me quickly, and hoped her family would make the most of the time they had left together.

## MY THOUGHTS?

When I look back at this list I firstly think, my goodness I've made a lot of mistakes, but then I realise I had to make every single one to get to where I am today.

My hope is that this extensive but not exhaustive list of my mistakes and the lessons I have learned gives you a heads up on what to be aware of but also a real sense of inspiration to stick at it. I did and I'm doing fine. It feels great to be where I am at, compared to where I was 5 years ago, just starting out!

The most important thing for me in my own portfolio is that I have 2 nominated houses, both within 5 minutes of my own house – 1 for each of my children, which I own and are currently tenanted, but I have earmarked as their safety blankets – if anything went wrong for them they have a safe place to live. That is a wonderful feeling for a mum and I am so grateful for being able to provide a safe back up to my family, who are growing up fast.

**This property malarkey is SO WORTH IT.**

So, at risk of repeating myself,

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## About the author

**Susannah Cole** is highly respected in the Property Investing Circles. She is a well established property expert who is running a very successful flipping strategy already, with the market place buzzing.

She **started The Good Property Company** 3 years ago, as a kitchen table start up. 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. She works with investors who either JV on Buy to Sell Projects, or buy the deals as a sourced deal.

She loves property and loves to give back, in the shape of **Buy to Sell Workshops** and her **Group Mentoring Programme**, helping others achieve (and hopefully, surpass) her own successes to date. You can book onto one of her Buy to Sell Workshops here <http://susannahcole.eventbrite.co.uk>

She publishes The One Hundred Lessons on her Facebook page, to give you a great **FREE** resource of property knowledge, for you to accelerate your learning, or remind yourself how far you have already come and what you already know! Enjoy.

You can find that **FREE** resource here <https://www.facebook.com/SusannahColeTGPC>



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To hear Susannah's story in full, scan the QR code to the right or use the link below.

<http://bit.ly/SusannahCole>

