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ADAPTING TO A CHANGING MARKET

Interview with Susannah Cole

The property market is changing and we are increasingly seeing **SOME** areas where property prices are increasing fairly dramatically and the time it takes to sell a property has been reduced.



Susannah Cole

So what are the opportunities in THIS type of market? YPN decided to interview Susannah Cole a Bristol based investor who completed on over 50 deals in 2013 to see what SHE will be doing in 2014 and to find out what she believes the opportunities are in a rising market.

ABOUT BRISTOL

What's going on in the market?

Bristol did not see a massive drop in prices following "the crash". Some areas were definitely more affected than others but the prime locations where people aspire to live were not dramatically affected. The market did become a little more "sensible" for a while but the marked difference between then and now is the length of time it takes for a property to sell.

I believe there are a number of reasons for the increased interest in property. Partly we have perhaps begun to see a bit of an increase in interest due to the widely publicised government Help to Buy scheme.

More significantly widespread discussion of a property boom in the mainstream media has become a self-fulfilling prophecy. The more talk there is about property the more interest there is until you get to the point where

Bristol saw less of an impact from the crash than some of its neighbouring towns and cities due to the nature of the city itself.

There are a number of thriving industries from media and new media through to insurance, finance and engineering and the City attracts a fair amount of talent from different industries including migration from London.

Londoners re-locating and staying within their chosen industries are not shocked or surprised by relatively high house prices. They can often afford a "premium product" and want to live in nice areas in quality properties.

2 years ago when I did a buy to sell project in the most premium location in Bristol the average number of viewings to sell a property was 17, we have a recent project where we had 7 viewings in the first weekend and a very good offer which we accepted.

How to operate in a rising market

I work predominantly with JV partners to fund deals or buy investment properties for other investors.

Whereas it used to be approximately 1 in 3 of our deals that was a buy to sell project but with the majority being buy to let now the exact opposite is the case with two thirds of our projects being buy, refurbish and sell. This is actually mirrored by an increasing number of our clients who **WANT** to be involved in fast turnaround projects that realise cash profits now rather than a longer buy to let strategy.

Increased competition

An increase in the level of interest in the market has definitely meant that for many investors it's tougher to find deals.

We are fortunate that because we have been operating for 3 years and are well established with the local agent as we have transacted over 100 deals in Bristol. I think if you were start out now it **WOULD** be more difficult to snap up a bargain.

In a market where there is increasing competition the focus switches from "buying below market value" to spotting the opportunity to add value. It's relatively easy (if a little soul destroying) to go out and simply make offers 25% below the asking price on a hundred properties. Being able to spot the opportunity for profit in a property is a skill set that is developed by really getting to know the area you are operating in.

The upside is of course that you are operating in a far more solid market so there is far less uncertainty in buy to sell projects here than perhaps areas which are not recovering as quickly.

It's interesting that the buy to let properties that many investors purchased in the very dark days of the crunch in 2009 and 2010 will be largely protected as they were purchased at such rock bottom prices. Conversely if you are buying now in a very competitive area you may have to settle for a lower yield. There is never a particularly bad time to be in property but some phases of the property cycle have different types of deals that work better at **THAT** time.

WORKING WITH PRIVATE INVESTORS AND CONSIDERING RISK

When I hear people speak at events or maybe read posts on forums I'm surprised at the fact there is often very little mention of risk.

When investors approach me about working together on buy to sell deals we have 2 conversations. The first is about the opportunity,

this is an exciting time and we talk through the potential in the deal, the works required and timescales and who will buy it etc.

We have second (and very separate) discussion about risk. What the risks are, what we will do if the project goes over budget or time or fails to achieve the asking price. This is an incredibly important element as you ensure there are no nasty surprises if things don't go according to plan and prevents any misunderstanding between us and our JV partner.

The better your JV partner understands the deal and any risks involved and what you will **BOTH** do if things don't quite happen as you intend the better working relationship you will have.

THE 3 P'S

If you are starting out in buy to sell here are I would suggest that you keep in mind the 3 P's which are key to my buying decision.

Price

This one is obvious. Don't pay too much money for the property. If you are looking to sell on most areas will have a ceiling price. Don't go into a deal thinking you will smash that ceiling price and set a new high for the market.

Instead aim for your property to be presented to the market as one of the cheapest. Be price competitive at the same time delivering a quality product (more of this in a moment). If there are a number of similar properties for sale on the same street aim to make yours one of the nicest **AND** one of the cheapest. By doing so you will sell quickly, turn your money around faster and be into the next deal more quickly.

Place

Another fairly obvious one but I tend to concentrate on locations where people aspire to live. In most of the areas I invest there is a real café culture with bars, theatres and cafes on the doorstep. The areas have a vibrant feel to them and attract those with well paid jobs that can afford to live there. It's in these areas where competition from your buyers can be at its most fierce and a buzzing property market creates a sense of urgency with potential buyers – this is great for the buy to sell investor.

Pretty

In the markets I operate in I ensure my properties are "pretty". They need curb appeal from the outside and inside need to be presented as somebody would aspire to live in them.

Where you have a relatively "ugly" house you will need to do the best you can with what you have. For instance here in Bristol there is something of a tradition of colourful houses so I paint the outside of a house light blue. If this is not the case where **YOU** operate make sure you paint the outside a nice clean white. **DON'T** present a property that is dull grey rendered as it simply looks drab and dreary.

Your builders will **HATE** you for it as they normal despise painting the outside of properties but that's just tough. If the house / flat does not have any outside space when you approach the building then you need to pretty it up with hanging baskets or similar. Similarly maybe think about a strategically placed small table and chairs so anyone coming to view the property can envisage themselves enjoying a coffee in the sunshine.

KEEP IT SIMPLE

I run a number of investor discovery days where I take potential investors to view different projects. I have found that without exception they **ALL** get excited by the massive deals where we are tearing down walls and spending huge amounts of money. I found it interesting recently that on a discovery day **EVERYBODY** was interested in the massive development project, far more so than a small light refreshment on a flat we were working on. In actual fact the flat delivered a higher return on investment!

If you are getting into buy to sell keep things as straightforward as you can. Costs can easily spiral out of control on larger projects and some investors have great models that are simple and easy to stick to. A mutual friend of mine and Ant's makes a great living buying 1 bedroom flats and converting them to 2 bedroom flats. He has a particular layout he looks for and doesn't really deviate from this strategy. Properties are turned round quickly to a market that you know wants to buy.

ADVICE OF NEW DEVELOPERS

If you have very little experience on what a property requires it can be daunting taking on your first project.

Here are a few things to look for to ensure your costs don't spiral out of control when you are hoping for a fairly light refurb.

- 1 **Double glazing** – does the property have it? It's expensive to install and most buyers will be looking for double glazing.
- 2 **Is the heating system adequate?** I'm buying a property at the moment where the boiler is 4 months old! Replacing the boiler and central heating system will again be expensive!
- 3 **Electrics.** How up to date are the electrics? Keep an eye out for a nice new looking fuse box. Re-wiring can be... you guessed it, expensive!

As a general rule keep your refurb as light as possible to avoid any unforeseen problems and to keep your project on budget.

Look at where you can get away with **NOT** spending money. I have done buy to sell deals where I have not even changed the kitchen. Instead I have got away with replacing the work top with a solid wooden worktop, given the units a lick of paint and the kitchen suddenly has a quality feel.

These types of property deals may not seem sexy or exciting but they remove large elements of risk and are great to cut your teeth on. You can move onto the bigger more exciting deals (if you want to) as your confidence and experience grows.

WHO ARE YOU SELLING TO?

This really comes down to having an excellent relationship with your estate agent. I had assumed that most of my buyers were middle class families or young professionals in well paid careers, people who were buying a place for **THEM** to live in. Surprisingly in quite a few of the "nice" areas you are also selling to the professional market who are buying a second property as a safe place to invest money.

They are not necessarily looking for the same kind of returns that you or I would look for and simply want to park their money in bricks and mortar in a quality property in a place they know and understand.

As investors we normally know a fair bit about our market but nowhere near as much as our agent who will be seeing dozens of deals going through every month and understanding exactly what is selling and to whom.

SOME EXAMPLE PROJECTS

Here are a few recent example buy to sell projects. I hope they demonstrate to fellow YPN readers my rationale behind buying the property, where I could see the opportunity to add value and create a profit and WHO would be buying this property from me.

Buy to sell – case study 1

Below are a few before photos of a 2 bed flat that we picked up for £120,000. The main renovation, apart from sprucing the place up decor wise, was to work on the upstairs bedroom, removing the odd en-suite toilet which made the space very cramped, and making the room a lovely large double, and then replacing the scary 'paddle' staircase, which was a little frightening to walk up and down. It was kind of see-through (which is not what you need in a staircase) and at a very steep angle.

We kept the bathroom suite, as it was white and for a small flat refurb, the less you spend the better - even though shell bathrooms are not quite my style! I managed to distract the viewers' eyes with purple towels and a fashionable blind. In addition, we did some roof repairs.

We put the effort in dressing the property with some simple touches of 'lifestyle', which included changing the kitchen work top for a beech worktop, and dressed it beautifully.

The whole renovation took around 4 weeks and we put the property back on the market, having dressed it and given the estate agent professional photos, rather than relying on their photography skills. We also wrote the sales particulars, as we have a strong marketing background in the team, rather than having estate agent descriptions.

Now here are a few after photos:



The property attracted 7 viewers in the first weekend, and we achieved a sale price of £164,500 first weekend. We had expected around the 160k mark, so we were pleased.

This project was done with a joint venture partner, on a profit share - he was delighted, commenting that he was now on super model wages, given the hourly rate he would receive!

A small (happy) twist to the tale - our investors, Simon and his wife Caroline, were so pleased with the property that he actually decided during the sale process to keep it, and refinance it, using the sale price as the mark that showed the market value. We simply stuck to the original agreement as to the profit split, and we now let the property out for him, with the true market value proven within a weekend to the surveyor for the refinance survey.



We are looking forward to the next project with him as it was such a good working relationship, and perhaps we might persuade him to sell and enjoy the profit next time! Then he can buy even more properties to keep, on a longer term basis.

This property project showed us the current strength of the Bristol market, which is currently booming.

Buy to sell case study 2

This buy to sell project, is a 3 bedroom house in Oldland Common, which is in Bristol, on the way to Bath. A very popular area, we are currently the 'cheapest' house on the market at a 3 bedroom. We have 3 'P's - price, pretty and place. This property has Place - Oldland Common is very popular, so Place is important on this one, and we are also applying Price - by being the cheapest house on the market we have attracted 8 viewings in the first week.

The house itself is a solid looking house, not so pretty, so we have worked on the interior, to ensure that the photos are very pretty.

This property was bought for £129,500, and it is currently on the market for £189,500, having gone on the market just over a week ago.

We made some cosmetic changes to the refurb - changed the kitchen and the bathroom and added an en-suite into the Master Bedroom, and improved the garden and Conservatory.

Again, we dressed the property beautifully (you may see a theme of purple candles on our posing kit at the moment!) and wrote the sales particulars. When we dress a property we are looking to tell a tale of how a family will live in a property - and to remove any objections a buyer may have by having everything done, so they can move straight in.

I'll enclose the after photos first then the before photos. On this one, the refurb costs were £22k, and we did the deal with Shawbrook on a bridging at 8.76% pa, which is well priced bridging.



Buy to sell case study 3

The third project is a Buy to Sell we did in 2012. Pembroke Road.

This shows you what a difference a year makes in the property market. The main difference is the appetite for buying - we are now seeing buyers flock to viewings, and offer top price fast on properties. A year ago, we had this great flat for sale in Clifton, which is the most upmarket area in Bristol.

Whilst the project was a real success - the agent told us we achieved the highest price per square foot - it still took over 10 weeks of being on the market and 21 viewings to achieve an offer.

At that time, the average number of viewings to achieve an offer was 17, so at 21 viewings we were around that average viewing number.



The main difference we are finding is that the time to offer has much improved, and that the number of viewings needed before an offer is received is much shorter, which is great, which increases the APR as the time to turn a project will be much shorter.

This project was bought hours before it was due to sell at auction, for £175k. We spent 20k on the refurb, and sold it again for £240k, again working with a Joint Venture Partner, who was delighted at the profit he received. It was a really enjoyable partnership, and we met up on a fortnightly basis, to discuss the project delivery jointly and enjoy coffee!

BUY TO SELL CONCLUSION

We will **DEFINITELY** be doing more buy to sell deals in 2014. The increased interest in the property market from the general public reduces a large element of uncertainty that is inherent in many buy to sell transactions.

My advice to those starting out would be to keep the projects as simple as possible and to really get to know the area you are operating in. If funds are tight and you don't quite have the budget to be operating in an area that is very buoyant don't be tempted into trying to replicate the same strategies in an area where the property may be affordable to **YOU** but there is very little activity in the market.

If you'd like to find out more about ME and the projects we work on then the best place to find out more is at our Facebook page

<https://www.facebook.com/SusannahColeTGPC>

Wishing you every success in 2014

Susie

NOW LISTEN LIVE

To our full 1 hour audio recording where Susie goes into details on how to make your buy to sell project deliver amazing returns and minimise risk.

<http://bit.ly/scoleypn>

