

PROPERTY INVESTMENT



How to buy and let properties
for income and capital gain

SAMANTHA COLLETT

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Samantha Collett is a successful property investor with a large portfolio spanning the UK. She achieved early financial success from property and is now a full-time investor. Samantha is the author of *How to Buy Property at Auction* and writes a column in the *Evening Standard Homes & Property*. She regularly shares her property stories in her multi-award-winning blog What Sam Saw Today, which has been featured in the *Telegraph* Top 10 property blogs. Samantha founded and later sold Gorgeous Homes, a property lettings business, and has won the prestigious NLA Women in Property award.

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Property Investment: The Essential Rules

How to use property to achieve
financial freedom and security

Samantha Collett



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INTRODUCTION

The beauty of property investment is its *inclusiveness*. It doesn't matter who you are, what education you have or job you do – *you* can make property investment your own business.

What path you choose to follow in your investment career is very much up to you. Property comes in all sorts of shapes and sizes and suits a variety of different needs and budgets. You may invest in Buy-to-Let, have a go at some development projects, or even take a chance on some future planning gains or speculative opportunities. Although I would counter, whatever route you take, there are some key principles you need to take on board; I call these *The Essential Rules*.

I've pondered a lot if I am the right person to write *Property Investment: The Essential Rules*. The main reason I questioned myself was because I have not had a perfect career. I have made mistakes, bought duds, and – gasp – even *lost* money in property. But I have also *made* money and have built a cash-flowing and healthy property portfolio that has enabled me to ditch the day job. And so, despite and *in spite* of the mistakes I have made, I reckon I am qualified to write *Property Investment: The Essential Rules* because I have learned from when I got it wrong and from when I got it right; I have learned what to do – and also what *not* to do.

Understanding what works and what doesn't work means I am better placed to formulate investment strategies to understand what is key to success. *The Essential Rules* are not set in stone, but I can tell you they are the guiding principles that I use, and which have been the bedrock to my property career.

I have been fortunate to have survived and thrived during the biggest housing market crash in living history, and to keep my business and my sanity. At times it has been tough, and I know success cannot be taken for granted. But the difference between me and many other investors is that I am not blinded by the sex appeal of property. Yes, I love property, and yes, I am passionate about people and property. However, I have always been very clear that this is a business. Property investment *is* a business and for you to succeed you need to get this clear from the outset.

Loving what you do is fantastic. Being passionate about what you do is wonderful. Making money from a fantastic industry that you are passionate about is a dream come true. And, if this is your dream, then I can only wish the same for you too.

But I have to tell you now: it is not always plain sailing. It is not always smiles, laughter, joyfulness and choosing new kitchens. Property investment can be hard work and it can involve sacrifices and maybe even a few sleepless nights. But, if you are able to balance the rough with the smooth and know that not every day is a picnic, you may well be cut out for a career in property investment.

It is a career in which *you* will be in the driving seat. You will need to step up to the challenge and take on board that you are now the boss. This can be scary in the beginning; it's not that often you get the chance to take such control of

your life, your career and your future. But if you've got some stamina, some willpower, a bit of wherewithal and the desire to make your life happen, then property investment could well be the choice for you.

I hope you find *Property Investment: The Essential Rules* helpful and I wish you luck in your exciting new adventure – and it *is* an adventure. You will learn things about yourself you never knew you were capable of. You will find reserves of money, energy and ingenuity that will flabbergast and amaze you. You may even, if you really want to roll up your sleeves, learn you've got some hidden practical talents you never knew you had!

A career in property investment will teach you so much more about yourself than you knew previously. And the reason for this is because it's such a *personal* business. Property really is personal. It doesn't matter how big or small you want to grow your business, your property investment business is a reflection of you.

So make sure when you look at your business that you like what you see – this is your life and your business and you can build and make it how you want.

You just need to follow some Rules.

So let's get you started.

PART ONE: PERSONAL RULES

Being a successful property investor requires a different way of thinking, acting and living. Personal Rules are those for you and how you live your life and approach property investment. We all have our own standards for how we want to be and what we want to achieve, but there are some key cornerstones for thinking and acting to get where we want to be. Each of us is different and so how far these Rules apply to you will depend upon your situation. However, it is important to have guiding principles. The values and philosophies you hold can centre you, challenge you and ensure you are on course to being the best investor you can be.

So take the time to work on you, your Personal Rules, and let's get you started with being who and where you want to be.

Rule 15: Don't be shark bait

The property dream industry is not the same as the property industry.

Desperation stinks. You can smell it a mile off. And it attracts the wrong sort of people. These are the sorts of people who claim they are going to help you (and it may initially seem they can do so), but who actually *harm* you. Not physically (not that I've heard of), but they will *financially* harm you. They will present themselves as experts who can teach you, train you and educate you in the ways of how to get rich and make a mint from property. They will claim to have access to exclusive deals and a network of people in the know. And on the face of it, they may seem genuine. They may appear very successful and have all the trappings of wealth and the fancy lifestyle you aspire to. Some may even take on the status of 'guru'.

And when someone is presented as a 'guru', it can seem hard to question them, treacherous even to question their abilities and claims. But do it. Question now. Before you do anything else: question the expert. Do not be afraid to dig deep into their lives, to ask them: why are you teaching me to get rich? What's in it for you? Because nobody, I repeat nobody, does something for nothing; especially if that person is supposedly teaching you to get rich.

Making money from property is a widely held dream, and this dream is something many people have created into

a side-industry of its own. Let's call it the 'property dream industry'. It co-exists alongside the property industry, but it is not one and the same. That is the difference you need to be aware of: the property dream industry is *not* the same as the property industry. Being trained in how to buy property is different to actually buying property. For some, learning how you do something is enough, and they don't feel the need to actually then do it. But it is critical you are aware of the difference and don't fool yourself into thinking you are doing, when you are only learning about doing.

When you want to do something so badly – when you are prepared to go to any lengths in order to get started – attending a course or going for training can seem a small price to pay in return for achieving your dream. But just be sure you *will* be achieving your dream, rather than becoming a part of the dream industry and selling your dream to achieve somebody else's.

My advice to you: dream it; do it.

Go For It!

Conduct research on a mentor. Search the internet for reviews of any experts.

PART TWO: PROPERTY RULES

Properties can be liabilities as well as assets. This means you need to know how to look for properties that have potential, and how to avoid properties that can become money pits. Property Rules are the criteria you need to put in place to understand and define the type of investments you want to make. There are millions of properties to choose from and it is essential you have a way of deciding which of them fit with your objectives and future goals. Every investor has their own way of choosing the properties they invest in and why, and it's important you buy the right property for you. Properties come in all shapes and sizes and there is no 'one-size-fits-all'.

So take the time to work on what properties you want to invest in, your Property Rules, and let's get you started on finding the right sort of properties for you.

Rule 42: Check demand before you buy

*Understanding the dynamics of local demand
and any particular patterns of your target
audience needs to be built into your
decision making.*

In the heat of the moment and the excitement of finding a potential property deal, it's easy to get carried away. However, before you part with a penny, you need to ensure you have done all your homework and checked there is sufficient demand before you buy. This is a critical test that will show you if the property you intend to purchase is likely to be a good investment.

Testing market demand can be done in a number of ways. Property websites such as Rightmove and Zoopla will give you a good indication of the available stock. This information can be further drilled down to check the demand levels. One way of doing this is by using the 'date listed' detail of any similar properties. This information is often available on the property adverts displayed in Zoopla. By knowing the date the property was first listed and calculating the length of time it took to sell or rent, this will provide you with an indication of how fast (or slow) the market is moving, and the levels of demand locally. This information

should be further honed by calling the agents to discuss the details in more depth.

Market research for rental properties via test ads is a great way to identify demand levels and estimate how successful a particular investment may be. On many occasions, especially when I am looking at investing in a new area, I have placed a test ad on the major websites to assess the interest levels. I use an external shot of the property and write the details, including the rent I anticipate to achieve. I evaluate the different enquiries I receive and the questions asked to form my thinking further. I also use this test as an opportunity to explore any issues or challenges that I may not have previously considered. This can range from questions with regards to parking arrangements to the internal layout of the kitchen. This allows me to gain real market knowledge and gives me an insight into how the property is likely to perform when placed on the market.

Understanding the dynamics of local demand and any particular patterns of your target audience needs to be built into your decision making. For example, if you are looking to invest in a student property, it is critical to know the term dates, when students start looking and what group size is preferred. The knowledge you glean will enable you to understand if the proposed property meets the target group demand. By testing and analysing a property on the market, it enables you to gain insights into your target market before you commit to buy. Knowing and being sure there is demand is critical if you are to succeed.

Go For It!

Visit the Zoopla website, input your postcode and search for properties to rent within your local area, making sure you've included 'Let Agreed'. Note down the listing dates of the properties and calculate the length of time it took to rent the property. Now do the same for properties listed 'For Sale'. What does the data suggest about demand levels in your local area?

PART THREE: BUSINESS RULES

To achieve success in property investment it must be run as a business. Even if you dabble in property or treat it as a hobby, you need to be sure you are investing in property rather than just spending money on property. Business Rules ensure you are running your property investment as a business – and making the most of the assets you have, or want to have. Everybody will have their own way of how they want to do business, but there are some key principles and Rules that are fundamental to achieving your goals. Business, like life, doesn't always run smoothly, but abiding by the Rules will increase your chances of success.

So take time to work on your business skills, plan what you want to achieve and let's get you started with being the business person you need to be.

Rule 58: Always make an income

Income is required to pay for the day-to-day running costs of the portfolio, and hopefully, in time, your everyday living expenses.

The property market moves in cycles. Up. Down. Up. Down. And at this point I could throw in the much over-used saying about how property values double every seven to ten years, but I won't. I think the past few years of endemic turmoil have taught us that we are entering uncharted territory. What property prices will do now is anybody's guess. Commentators across the globe talk of upswings, gains, bubbles and the like, while others sit bewailing the loss of value. Lending levels are increasing, and yet simultaneously lenders are imposing tighter criteria. More people are buying, and yet less people are selling. More people are in debt, and yet less people are spending. Inconsistency is about the only thing that is consistent in the current property reports.

However, property that is bought on the fundamentals of making an income is less exposed to the vagaries of the market. If property has been bought to produce an income – regardless of its capital value – what the market is doing will have little to no impact, as long as the asset is producing an income. Buying for income is a simplistic idea, but it is often overlooked by investors as they seek the starry returns of capital growth. Buying for income is not sexy, nor will

it make you a millionaire overnight, but it will put money into your pocket every month of the year. Income-producing properties are reliable and consistent. They may not dramatically increase in value, but they are solid earners and will produce regular cash flow, which is what you need to live on.

Property needs to be treated as a business asset and, to that end, the income an asset produces should be calculated carefully and understood as a business investment. Capital appreciation, while able to produce stellar results, can only be leveraged when an asset is borrowed against or sold. Income is required to pay for the day-to-day running costs of the portfolio, and hopefully, in time, your everyday living expenses. This is why it is essential you understand the rental yields and ensure your investment produces an income. Creating multiple income streams and making workhorses of certain property investments will ensure you have sufficient cash flow that can buffer and protect your assets from the roller-coaster ride of the property market. Do this well and you will soon be on your way to ditching the day job!

Go For It!

Calculate your own personal budget and work out how much income you need to ditch the day job.

PART FOUR: CUSTOMER RULES

Every investor needs customers if they are to succeed. Whether you are selling or renting property, you need somebody to give you money in exchange if you are to make a commercial success of your venture. Customer Rules looks at the ‘people part’ of the business, that is, the people who you will need to satisfy if you are to succeed. Everybody has their own style of how they deal with customers, but there are key principles that underpin successful property management. The saying goes: ‘the customer is always right’; I would say the customer is *usually* right. But regardless of who is right, the buck, and the *bucks*, always stop with you.

So take the time to work on your Customer Rules and how you want to manage and deal with people, and let’s get you started with being the Customer Champion you were born to be.

Rule 76: Know your role as a landlord

*Your role as the landlord is to
ensure you are providing the service
your customers need.*

How you manage your properties will very much depend on you, how you are as a person and how you want to run your business. Some landlords have no interest in running their properties and instruct agents from the day dot, while others want full hands-on day-to-day involvement and prefer to lay their own roof tiles than give any business to an outside agent. Then you have the landlords in between who like to mix it up and run some of the business themselves, while seeking outside help for other parts. There is no right or wrong way – the most important thing is to do what you feel comfortable doing.

Being a successful landlord requires you to identify, understand and meet the demands of the market. It is about choosing who you want to do business with and ensuring you have the right property with the right customers and the right service to meet their needs. Property investment relies on customers to make it a commercial success. Landlords need good, paying customers if they are to draw an income from the property. Any landlord who has ever had the

misfortune of dealing with non-paying, difficult or even absconding tenants will understand how important good customers are.

Tenants can make or break a landlord, and their importance in the success of property investment should never be underestimated. This means, from the outset, tenants need to be looked after as customers. If they are to remain long term and loyal, it is critical their needs are served and that any repairs or issues are resolved satisfactorily and promptly. It is sometimes said that workers leave bosses rather than jobs, and much the same can be said in relation to property: tenants leave landlords rather than properties. While tenants can sometimes be overly demanding, it is important to always have an open dialogue. A tenant who feels they are not being listened to, or whose needs are not being met, will soon start to look elsewhere to find satisfaction.

Your role as the landlord is to ensure you are providing the product and service your customers need. If you do not have the time or wherewithal to do this, it is advisable to instruct a professional who can. Being a landlord is a customer-focused service. You may have invested in property; however, that is just half the story – the other half to making property investment a success lies in the management and maintenance of your asset.

Go For It!

Evaluate how much time and energy you have for managing a property investment. Can you really provide the service your customers need?

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