the TRUTH about PROPERTY

My 32 years as a property developer

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ABOUT ME, AND WHY I WROTE THIS BOOK

Thanks to lockdown, I decided to add to my training work with the writing of this book following the success of my property training course, "The Key to Property Investment", which I present for the National Residential Landlords Association. They are the largest landlord association in the UK with close to 80,000 landlord members.

With so many people writing books and some claiming to be experts in the property game, whom I know are far from experts, I thought I would also give it a go, and so, it was for this reason, together with the 'Covid- effect' reason that I decided to write this book. I also know several writers who are genuinely discredited in the industry with hundreds of positive reviews of their book. Yet when I read their work, I felt they were very misleading and mainly "get rich quick" themes even though these books have many good reviews from their many disciples who they meet during live training events.

I'm not going to slag off the competition as a minority are very good and one or two have even more experience than me. Plus, knocking the competition does, I often feel, suggest I know it all, which I don't. However, the property training industry is blighted by "get rich quick" merchants, i.e., people who are world class in self-promotion but have little real hands-on experience in the business, yet they generate so much publicity and fill their property events, regardless of the quality of their content. Unfortunately, we live in an age where the *quantity* of your promotional activity wins every time against the *quality* of your actual training content. An example of this is the fact that 80% of content on Twitter comes from 20% of people, and social media has become largely a bragging platform of misinformation and much fake news.

My property journey started in Wimbledon, London SW19. Throughout my 30- year career, I've bought and sold hundreds of properties either in my own name or under company names which have been founded and controlled by myself. My experience is real and genuine and not gained from working for others, either as an agent or an employee.

During my bigger deals I was mainly based in Dublin and was able to take advantage of the lower Corporation Tax rate, which was less than half of the UK rate at that time. I then moved to the Manchester and Liverpool area, where I live now. I have done most types of deals you can do in property over the years, both in commercial and residential, and in cities like London, Manchester, Liverpool, Dublin, Nottingham, Leeds, Varna in Bulgaria and also Germany. The deal I did in Bulgaria was over 20 years ago and the only deal I ever did where I actually lost money. This was because I pulled out of the deal and lost my deposit on a large plot of land after realising how corrupt the country was.

I couldn't wait to get out of school so didn't go to college immediately afterwards. As a mature student, I studied Public Relations and Management and later secured an

MBA from Smurfit Graduate School. As a child, I never really enjoyed school as I struggled to concentrate when I was younger, but as a mature student, this was a different world and I couldn't believe I actually got a buzz when I did the MBA. I liked the stress and high pressure of the exams and it didn't feel too much like hard work when I reached this stage in my life. The MBA gave me a lot of confidence and corrected many of my weaknesses. I felt that for someone who didn't really like or enjoy school, if I could drag myself through an MBA I could do anything!

I'm one of five and enjoyed a happy childhood where I was brought up in a beautiful part of North West Ireland. My parents owned a busy pub and later developed this to a pub and restaurant which became successful due to my brother's hard graft and his ability to provide consistent quality throughout the years. I made a large number of life-long friends with the many characters and customers who came into the business for the 18 years I was based there. As a teenager I had little interest in work or property and was more interested in racing dirt bikes, which later turned into a passion for racing single seater racing cars. Though that all changed when I moved to London in February 1988 where I decided to get serious about my career.

I've had some great experiences in business and also some downs, so it hasn't been all plain sailing. I was nearly wiped out in the financial crisis, mainly due to being over-geared, over-confident, and being legally bound to complete on 30 apartments that I intended to flip but could no longer sell due to the bottom literally falling out of the market within weeks. I went from being able to sell just about anything at that time, to struggling to sell anything at all, even at a loss!

The financial crash drove me to analyse my mistakes, discover where I went wrong, and enabled me to learn a few lessons. Although I hated maths in school, I later developed a big interest for economics, which drove me to a better understanding of how cyclical markets affected me, how fast sentiment can change, and how precarious my business model was at the time . The mistakes I made were in not applying the teachings of people like the famous investor, Howard Marks, whose work I read every time he published his famous regular "Memos", and whose work I studied extensively when I did my MBA. Marks focuses on risk management and is a billionaire investor; not as well-known as Warren Buffet, but just as successful and admired in the investment community for his Memos, which detail his investment strategies and insight into the economy and are posted publicly on his Oaktree Capital website. Marks believes that it's a challenge to gain advantage through research alone since so many smart people are doing it already. He looks for advantage through better inferring the consequences implied by current company data, analysing the psychology of investing, and assessing the present stage of the business together with closely understanding the market cycle: a bit like a product cycle theory.

I always struggled with focus, but it's something I am learning every day to improve. I also went through a divorce which, for a few years, didn't help both my motivation and finances, so I have certainly had some serious ups and downs throughout my career. I genuinely feel I have the experience to write a credible book with quality content and I hope after reading this you will agree.

Most developers who are not full time in property but doing some other smaller activities like writing or offering mentoring like myself, lead busy lives and struggle to make time to write a book. But during lockdown, the amazing opportunity of time presented itself to me, and I decided to use this gift of time to write, which may never have happened had we not experienced a pandemic and subsequent lockdown.

I realised many in the property training industry were simply "get rich quick" merchants who are usually likeable characters with charisma and the ability to cleverly use certain keywords, like a used car salesman. These 'entertainers' or, sorry, property trainers, run "free" events where they have time and a captive audience to build a really good relationship with their clients or "targets", as I would call them. Their style to me is something like an American Evangelist, where all the participants on these courses become disciples who are often so enamoured with the "Guru" that they won't dare to complain or question the poor quality of the content and are hooked on the dream being sold. This dream of easy money is usually based on a "get rich quick", easy money theme and anyone can do it. The disciples almost feel they are part of a cult-like group.

To research for this book, I attended many of these events and it disgusted me to find that the presenters either didn't understand the business or were happy to tell blatant lies. They were, however, experts at marketing, self-promotion, PR and talking absolute waffle for hours on end. There is so much misinformation and mis-selling throughout the property industry. Most of the so-called trainers were not honest and, to me, seemed like professional entertainers or full-time property trainers who were running a training business, rather than experienced and active developers doing training on the side (as I do), which I feel you need to be doing to either write a book on the specialist subject of property, or to present a training course.

To highlight the absolute rubbish being peddled in the industry, below is a paragraph taken from an 'eshot' email I received from a well-known property trainer:

"As an investor you'll always be finding great property deals and you won't be able to buy all of them. Imagine if every time you found a deal that you didn't want to buy yourself, you sent one email and made £2-5k. Some of my students are making between £5k - £40k a month just by following the principles that you will learn on Deal Selling 101. Don't miss out and sign up right now by clicking the link below."

The above is completely misleading; you never have a consistent flow of deals offered to you to the extent that you can re-sell them on to others. Most of the deals circulating around are already on Rightmove and, once your potential buyer sees this, he won't want to pay you a sourcing fee. Deal selling is hard work. Most vendors have high price expectations and without getting an agreement signed between you and the buyer to secure your fee, it's a very challenging business. On top of that, he claims some students are making up to £40k per month, which is complete rubbish and totally unrealistic. If anyone can make a very basic living from this, they would be doing well, and I have yet to meet a successful long term stable property source over the last 30-plus years in property.

So, this book is written to help you understand what is realistically achievable, what the risks and rewards are, and to highlight the important information you need to know in order to carry out the right standard of due diligence.

I based my writing on the ten main mistakes most people entering the business make and these can be summarised as follows:

1. In terms of deals and valuations, not realising, "the day you buy is the day you sell", meaning the old adage of buying right and how it really matters what you pay for an asset, against its true market value. I believe anyone can become a developer, but your buying, valuation and business acumen, plus haggling skills, are key. Effectively, you have to be a bit of a wheeler dealer type person to thrive, and most of the really successful people in property are just such personalities. If you can't value a property, then how do you know you got a good deal? If you can't value it, plus you are too embarrassed to haggle for an asset, then it's a double whammy. I explain extensively in much detail on how to value an asset in chapter four.
2. Misunderstanding the key metrics when it comes to assessing a deal, meaning there are certain thresholds and figures which make me walk away from a deal. Being able to refurbish, then refinance and recycle my deposit funds by getting all my cash out in important metric, understanding valuations and especially HMO valuations, and how to recycle my deposit. An example of a common mistake is many people pay too much for an HMO and end up with, say, an 8% yield when they can get a single-let which will return 7%. This means they haven't understood the risk-reward as you need a minimum of 10% net return on an HMO to take into account voids and extra costs. Another mistake is choosing deals where you can't recycle all your cash out which ends up with the unfortunate event of you running out of deposit money. For me the only game in town is the HMO game,

because, if you get your HMO business model right with the right standard of sized ensuite rooms, in the right location, it's the ultimate for cash-flow, if you have low tenant churn with an average stay of at least 1 year.

3. Repayment mortgage loan strategy, interest only, getting yield calculations right, managing economic cycles and property strategy hedging are all issues not commonly discussed. If you can afford a full repayment mortgage, it really makes such a difference over the longer term and is probably the reason I didn't go bust during the financial crash in 2008. I also started to pay attention to the hedging strategies of major Hedge Funds and, in particular, the theories of the famous investor, Howard Marks, after the last property crash. From this, I realised markets are so cyclical, with the UK market largely driven by sentiment. Over time, I realised that you really need some form of hedging strategy. Now, this isn't an exact science and can be as simple as not having too much of the same type of product in your portfolio or having some of your mortgages on a repayment basis.
4. Understand the value of tenant retention and reducing tenant churn and tenant quality. Basically, this means you have to be so careful of who you let into your property and how you design your building to increase the quality of life for tenants. In my case, to improve my tenant quality, there is one key extra piece of information I ask from tenants, which I have learned over the years and really makes a big difference: I discuss this in chapter ten, which focuses on managing and retaining tenants. Keeping tenants for longer is a combination of things such as having larg-

er rooms with ensuites where possible, a high quality mattress and specialised beds to reduce clutter in smaller rooms, which I explain more in chapter seven. There are a few other things which can be done to improve the quality of life and reduce churn rate, and more recently I have tried hard to design my properties with practical improvements and layouts, which encourage tenants to stay longer.

5. Getting advice from professional trainers instead of genuinely experienced developers currently active in the market. Yes, I know I would say this to promote my mentoring business, but I have met so many people who received training of particular poor quality, based more on a "get rich quick" theme rather than the reality of the business, with many of these trainers focusing on unrealistic strategies such as "no money down" and "lease options". The majority of property trainers in the UK have low long-term transactional and deal range experience, and have not lived through the ups and downs of UK economic cycles. Most have a few rental properties, and then grossly exaggerate their experience level and years they have been in property. They then effectively retire from the property game to become professional trainers.

6. Forgetting the law of property economics. The faster you grow a property business, the lower the quality of your portfolio. The other key laws of property are as follows: Property is a high risk and complicated capital intensive business, which is at the mercy of a very cyclical and market sentiment driven economy. One month the market is booming and the next month we can be looking at a crash. Despite many complaining about the UK Planning System, I for one don't

want it simplified as this system gives professionals the opportunity to add value and planning gain. If the system wasn't complicated and risky, there would be little uplift when planning is approved and sites without planning would be considerably more expensive to purchase.

7. Room sizes, layout planning, and getting a robust buy to let design is such a big issue for me. Over the years I have reduced my maintenance by buying longer warranty items on anything with moving parts. For example, shower sliding door rollers fall off, and taps stop working. A cheap boiler is guaranteed to fail soon after the short warranty period, which can be anything from two to seven years. If you buy the right product with a longer warranty, life is so much easier. Washing machines fail, cookers fail, but with a bit more due diligence on the products and their length of warranty and specification, this can make a really big difference in reducing maintenance calls.

8. In terms of layout a common mistake here is architects seem to design big bathrooms, only to end up with the bedrooms compromised in size, or perhaps, making the en-suite too large and not using this valuable space in the master bedroom, which is often not that big. Given space is a lot tighter in buy-to-let than family homes, you can transform the look and feel of a room with a better layout and by reducing clutter to better utilise the space provided. Plus, a simple thing that is so effective but commonly done, is to use the full base of a double bed as a full wardrobe. This means you effectively have another wardrobe under your bed by choosing the right type of bed, which I buy from specialist hotel bed suppliers. I find divan

beds with storage drawers fall apart and their drawers can only utilise about 50% of the available storage. The Ottoman type beds are too expensive, and they also tend to break because of their moving parts.

9. Anything to do with project management and employing builders is a total nightmare in the property game. The chances of your contractor going bust or you having a serious dispute with your builder is extremely high in the industry, and is a fundamental issue with some of the larger main contracting business models, as the winning bid has a contract at a low or negative margin and then has to work out how to make money on it. Project management, getting the right professionals around and not getting a Quantity Surveyor in to assess your refurbishment costs, is probably the most common mistake made by people doing a refurbishment project. I get my Quantity Surveyor into a building *before* exchange, so I know how I stand on costs prior to exchange taking place. This puts the project on a more professional footing as the Quantity Surveyor will arrange the formal contract with the builder to reduce the chances of builder sharp practice, common disputes and cost overruns.

10. The biggest mistake I made early in my career was not realising I needed professional help. I was unable to acknowledge my need for it and failure to pay for the right resources held me back. I didn't realise these professionals would save me a fortune in the end and reduce my risks. Getting the right professionals around you is key. A solicitor giving poor quality service really causes a lot of stress. I used to be patient when I received bad service, however, now I move on fast and find someone who wants my business as

> my thoughts are, why should *I* go through the stress? Know that you can't operate in the property business without good relationships with the likes of letting agents, architects, structural engineers and other key professionals such as a quantity surveyor for example.

I purchased my first house in London in 1989, then purchased another house soon after, and that's how I started. I had worked initially selling photocopiers and then set up my own company selling copiers myself. This went really well because I had low overheads whilst renting a small room as my office and using the secretarial services of my landlord. The money was good and it allowed me to travel a lot at the time and to buy my first supercar, a Sierra Cosworth, which was an amazing car at the time given my young age, together with the fact that the insurance was over £5,000 per year, equivalent to over £8,000 in today's money. So, you can see what my priorities were when I started my first business. I was spending it faster than I could make it!

What I didn't know was soon after my first two purchases we were heading for a major property crash. To say my timing wasn't great is an understatement. I did some property trading in London, but also did other things as I was still young when I started. I also sold insurance door-to-door, and sold photocopiers door-to-door - a hard sell business with constant rejection, which, as it happens, didn't bother me in the slightest. I often dealt with rude people and when they were rude to me I would often say to them, 'Why are you being like this? I'm only doing my job.' Most of the time they'd apologise, but I was always respectful. The reason I kept my composure was because I didn't want to have any negative interaction with anyone, and to survive in the door-to-door photocopier sales world, you needed to be motivated and to constantly canvas companies for new business. I had to stay super positive to keep motivated, but it was the world of hard knocks that set me up to cope with anything in my later life. I also ran a retail greetings card shop for a year, which I hated every minute of and could not wait to get out as it was completely and utterly boring for me. In the early 2000s, the property market was flying, and I felt doing a refurbishment was hard work. I wanted easier, faster money and needed substantial cash to fund my fledgling motor racing career.

Although I started racing in my late 20s, it was way too late to ever have any chance of making a career from it. I got the bug, and the adrenaline rush from racing was very addictive, but I needed funds to keep me in the game. My racing days were the best days of my life and I had sponsors like Allianz, Pot Noodle and Albion Holdings.

My earnings when I was racing weren't enough to cover the endless bills. I was hungry to earn more and by then I'd met a few people who were calling themselves property developers. But in reality, they were effectively flipping contracts and not doing any development as such. I wanted to get into this business but didn't really have the experience to pull it off, so I teamed up with a business partner, Peter Fitzpatrick, a savvy Estate Agent with an amazing list of friends and business contacts. At the time, Peter was vastly more experienced than me and knew his way around the legal side of things. My job was to find and make the deal happen and he would find buyers and also make sure we had good legal representation to guide us through the perils of the legalities. I was later told by a developer we purchased a lot of apartments from that Peter gave me credibility as he said I looked too young to be pulling off large deals. Although any developer was happy to sell me apartments in bulk to resell, this wasn't the full story because each developer wanted to know I had the wherewithal to actually resell the apartments, because although I exchanged with a developer, if I didn't flip the individual apartments on to my buyers, he wasn't going to get paid. Most developers were wary of a young guy coming to their site saying, "How much discount will you give me if I take the whole block?"

Our first deal was the purchase of Casa Urbano, which was 44 off-plan apartments in Manchester situated right next to Asda and the first development in Hulme High Street, now filled with various development projects. The project was half done and we had a year or so to re-sell all the apartments after we agreed to exchange for 5%. This was a great deal; we made nearly a million pounds and were based in Dublin, so could take advantage of the 12% Corporation Tax rate which was 28% in the UK at that time. The deal was even better because we put none of our own money into it as we asked all the buyers to pay us 10% on exchange. We then had enough of those 10% deposit funds in the bank confirmed before it came time for us to pay our 5% to Rosedale Developments Ltd, who was the developer. I dragged out our own exchange to give us enough time to get in sufficient funds to pay our 5%, using the buyers' money, so this was a deal where I can genuinely say I paid nothing to secure a £4.7m-plus asset. The only costs we had excluding fees we paid to agents to sell units, were our legal costs. I did well on that deal, but unfortunately, I blew most of it on racing and, looking back, I didn't exactly invest it back wisely into the company, International Property Group, either. I now feel a bit of a fool thinking about it, but I probably had the best years of my life and was happiest when I was racing. Peter and I did some more deals together in Manchester before we went our separate ways doing our own deals. But we remain good friends to this day and I often speak to him anytime I need some advice. His wisdom is boundless, and I learned a lot of the power of networking and good business relationships from him.

I then moved on to doing deals in Liverpool where, after travelling there on a regular basis, I eventually moved to. I made a few good friends and quickly realised I had no contacts or connections in the area, so one of the first things I did was walk the streets to try and pick up deals on the cheap from vendors directly. This worked well with me quickly purchasing a large former nursing home in one of the best roads in the Liverpool L17 area; a nice suburb in Liverpool.

Another one of my first deals in Liverpool was to prove lucrative with an immediate £250k profit and it also gained me a lifelong friend, who was with a very successful Liverpool developer when he met me. I later found out he'd initially shrugged me off as a waste of time. When he met with me only, we ended up doing substantial business together and later became good friends, which we are still to this day.

When we met, I was in my 30s but was told I looked very young for my age, which led to some people not taking me too seriously when it came to big property deals. He's a private guy so probably won't want me broadcasting his details, but the day I met this man was an interesting day to say the least! I learned, years after meeting him, just what he really thought about me when I walked into his building site unannounced on that summer's day, bragging to him that I was going to buy the whole site, if the deal was right! I was thinking it was a good site and after seeing him there, I left the meeting thinking I would buy the full site off him with a view to reselling the units on to investors individually, once I had secured the deal. What I didn't realise was that he went home to his wife after that meeting and told her, 'Some Irish guy came on to the site blowing off about what he was going to buy and told me he wants to buy the full block.' He added, 'I was polite, but thought, this guy is a complete time waster and looks about 20, and we'll never see him again.' He told me this many years later after we'd become good friends and laughed at some of the things that had happened over the many deals we did together. He'd said to me, 'Henry, you turned up at my site unannounced, wearing a puffer jacket, looking like one of the Communards. You looked so young, and you then proceeded to tell me you were interested in buying just about anything I was developing or owned, spending millions. I thought you were so young and full of crap, and I remember going home to my wife to tell her just that!'

Well, I did buy that site in full, plus several others, and we did lots of trades, one of which was me selling this particular developer some sites which he then went on to develop. This was one of my biggest mistakes deal wise, but I needed the cash to pay for my addiction to Motor Racing. We now laugh about this as it's a lesson in how you can meet someone and get them totally and utterly wrong. I often joke with him now and tell him he's a bad judge of character, as he thought I was a complete waster when he met me! We ended up doing many millions of pounds worth of business after he wrote me off as a teenage Communards band member with a ''buffed bomber'' jacket as he called it as, for some reason, my jacket seemed to stick in his mind after we discussed it recently.

I have made some good friends over the years, and also remember another one of my first deals in Liverpool, which was the purchase of a block of apartments from Neil Carlyle, a well-known Liverpool-based developer and a very savvy businessman. He was one of the few people I met who instantly understood the concept of risk-reward. I was buying a block of flats from him and when he realised I wasn't even using my own money to exchange on a site, he said to me, 'That's a lot of return for not a lot of risk. Your risk-reward dynamic is off the scale, and you're not even using any of your own funds.' When we were haggling on price, he suggested to me he was carrying all the risk and I should pay him what he was asking for. I reminded him I was de-risking his deal by buying all the flats in one transaction and as soon as the exchange happened his risk was gone, although, strictly speaking, I wouldn't have had the £1.5m cash to pay him had all my forward buyers not completed, but that was highly unlikely! I learned a lot from Neil, and his drive and positive energy were an inspiration to me and still are today as we remained friends over the years while he built up his empire. He goes to his office every day and is a hard grafter and consistent performer who cares about his business and family.

In terms of my personal life, things changed for the better the day my daughter was born, and I now spend a lot of time with Holly, who is eight at the time of writing this book. My working days are somewhat shorter than I would like due to collecting Holly from school most days, but I would rather be there for her. During the school holidays I often take her to meetings, which means having a business meeting whilst making sure she's entertained and happy at the same time. For me, as much as I love my business, her needs always come first. When she was a baby, I remember having the odd meeting in my car while I gave her a bottle, and it often broke the ice and made a good talking point during the meeting!

I also have other interests including Crypto and shorting shares and buying long, so I keep a good eye on the stock market by listening daily to CNBC and Bloomberg TV, which are always on in the background in my house, much to Holly's annoyance! When I retire from active property development, I plan to focus on my one-to-one property mentoring business and on Crypto and share dealing; in particular on shorting the market which is one of my passions.

Another interest I have is my investments in two internet start-ups, one nearly breaking even and one currently losing a lot of money. I also like to keep basic fitness and I am lucky my house looks onto 30 acres of land, which I usually jog on twice a week. I find as I get older that I need to do this to keep my energy levels up. It also helps me mentally to keep up motivation. I also try to read or listen to books on speed read on Audible, which means I can read a book in half the normal time.

But as I said earlier, my real passion is motor racing, and now I'm long retired from racing, I am a big Formula 1 fan. I tend to watch all the races and usually go to a Grand Prix most years, either at Silverstone or one of the overseas events.

More recently, I have been developing my mentoring business as well as doing some work for the media and the NRLA, presenting their property investment course: "The Key to Property Investment".

So that's it as far as the introduction. It has been an experience writing a book, as writing so many words, over four months during lockdown, was definitely outside my normal comfort zone, and not something I thought I would ever do. However, I didn't do it all alone and had the pleasure of working with a great team on the editing and production side.

I would like to thank, Kathryn Hall, Elaine Denning and Hammad Khalid from Bookends, for their work with editing, publication, and design. Being someone who normally tends to write very few words, my emails are usually short and sharp, getting to the point as quickly as possible, so this was a challenge but made easier with their support and guidance. It was an absolute pleasure working with them. Kathryn and Elaine are freelance writers and editors, and can be contacted via cjhall.co.uk/bookends.

For an extensive library of photos of my previous developements and for more information about my mentorirng and consulting business, please visit www.henrydavisproperty.com

CHAPTER ONE
SHARP PRACTICE AND HOW THE PROPERTY TRAINING INDUSTRY WORKS

In this chapter I'm going to focus on how the less scrupulous property training industry works, and the role the internet plays in promoting training, with Facebook in particular being full of these operators. I want to look at the typical journey a first-timer looking for training and wanting to make money out of property will take, and how that journey will often, sadly, result in the person receiving training being ripped off.

In my opinion, many people who attend training courses get ripped off because they are sold ideas, strategies and content that is simply unrealistic for the vast majority of them, given the typical profile of a person who attends them. Many who attend are usually young in years, completely inexperienced, cash-poor, and unfortunately sometimes gullible and naïve, too. The profile of a person is a perfect target for an unscrupulous training company.

Much of the industry is built on a "get rich quick" theme and the usual marketing strategy used is often an advert on Facebook offering a free feeder event, where you are then pressured to spend thousands on a further course. There's nothing wrong with this, as long as the course is credible and worth it, but that is a very rare occasion.

I do recognise that to get bums on seats you have to generate interest, but this can be done in an honest way, as I do with my own NRLA training courses (National Residential Landlords Association). It baffles me why so many companies destroy their own credibility by telling blatant lies in their marketing material, when it could, in actual fact, be written in an honest way which still attracts attention and brings in the attendees. The more exaggerated the "get rich quick" claim, the more you know this company is going to shaft you!

But is it all the fault of the training industry or are humans just instinctively greedy? Unfortunately, as humans, we want to believe the concept that we can get rich quickly and easily. So, maybe one of the core problems with property training is the concept of our own greed as humans, which drives the industry.

Training is predominantly sold on a false pretence on the basis you don't need any seed capital or deposit funds. The biggest impediment to starting in property is the fact that nobody gets a 100% mortgage, so to get into property you will have to fund your deposit or your start-up capital, which normally is about 30 to 35% for a buy to let. This is a deal breaker for the vast majority of the population and the training industry knows that most people have this perception about property, which turns out to be true. Statistically, given the large cash amount needed to start, this means finding customers is a challenge as only a tiny percentage of the population will have tens of thousands of pounds as seed capital or deposit money. This reduces the target training market dramatically and this small number of target audience isn't enough to sustain a business long term selling training courses. But there is a large property training industry thriving and it's still peddling the idea that you can get into property with no money.

Unfortunately, this truth doesn't hamper the more unscrupulous in the industry from suggesting you don't need any money to get into property. To get around the truth that it's impossible to get into property without money, they simply tell a bare-faced lie in their marketing, clearly suggesting you don't need any start-up funds.

The training industry is built on three main false marketing themes or 'marketing hooks', (ways to get bums on seats) promoted by unscrupulous operators and a widely used tactic to sell training courses. The themes are as follows:

1. "No Money Down"
2. "Get Rich Quick"
3. You can buy property below market value

Humans are instinctively lazy. Why wouldn't we want to work less and get more? We want to live the dream and hope we can become financially free without much effort. The sad reality is only lottery winners can achieve this without any hard graft. And, with property educators operating in an unregulated property training industry, some of the less scrupulous tend to play to our emotions as humans for our desire to get rich quickly, and without much effort.

This drives some less credible operators to take advantage and "sell the dream" with ambitious and simply unrealistic strategies such as buying property with "no money down" or "below market value" or "buy a property for a £1" with lease options' strategies. While it's best to be optimistic, many of these ideas are complex and a major challenge for many, even with a lot of experience. It's fair to say that some of these ideas are unrealistic for the vast majority of people, and especially so for those starting their property journey, and this is the vast majority of people attending training courses.

Some of these strategies in certain specialist circumstances may be possible for highly experienced people well known in the industry with track records, and who can attract partners, investment and interest. But unfortunately, 90% of people attending a less credible training course with misleading content will not achieve success with more creative strategies that are often promoted as easy. Experience is key to success in a specialist and complex property world and when purchasing, the more complex and higher the risk of the deal, the greater the opportunity for profit. I do not believe in taking risks without my due diligence position being as clear as possible, and by understanding the risks and rewards. However, the key issue is this: due diligence is an art, and you can't learn the art of this on a one or two day property training course.

There are plenty of 'educators' who have seen the market go in one upward direction only, and who also have limited transactional experience.

I strongly believe it's the variety and number of transactions combined which really matter. I have completed just about every type of deal you can do in the business.

Many have only been in the business for less than ten years, teaching for a short while, yet position themselves as 'experts'. There are also many less credible operations selling the dream, suggesting anyone can be a developer, with no money or experience.

Often, people looking for education tend to start by accidentally stumbling across training adverts on Facebook and end up booking a 'free' training course. Facebook, while a good source of information, is also littered with misinformation and sharp-sellers.

These people are not property experts, they are what I what I would call 'Marketing Gurus' and certainly not 'Property Gurus.' With finding success on the internet, you'd expect the best educators to come to the top, but that's not how the internet works. Instead, it's all about clicks, and the *quantity* of your online promotional activity which gives you marketing success, rather than the *quality* of your content. Social media rewards you with eyeballs for daily continuity, not for quality. In other words, the more you post, the better. What you actually post in terms of the quality of your content matters less than the number of posts you publish. You end up with either paid ads on your timeline from fake trainers or seeing the people who simply create more content as 'more' is rewarded rather than 'quality.'

The whole thing is one big scam as far as I am concerned, and I listened carefully many times to what these so called experts have said (and continue to say) on Facebook. I can tell the vast majority of them have little property experience or property business acumen, but they are absolute experts at self-promotion and marketing techniques. The industry is blighted with heavy marketing and light content material. The key marketing term widely used is the theme of 'free training courses'. These are, in fact, feeder events to get bums on seats in order to then pressure you into paying thousands to be trained by someone who simply isn't credible, teaching unrealistic strategies with a "no money down" and "get rich quick" theme throughout. Now, I have no issue with selling and we all need a bit of encouragement to take the next step, but this is blatant dishonesty or mis-selling at best.

Out of curiosity, I attended a few feeder events and the first time I attended one of these I expected to be enlightened by the experience of highly credible people in the industry who had more wisdom and had achieved far more than I had. I expected they had credible answers...a clear understanding of the complexity of the business. Unfortunately, I learned quickly that there are many people working in the property training industry with few morals and little knowledge or experience, and who are basically pitching themselves as 'experts' selling a dream. They set up what are commonly known as 'feeder' events, whereby they give you 'teaser information', like 'No Money Down', but proceed to try and sell you more training events to attend. That's how they make their money. They aren't remotely interested in the quality of the content they present or the quality of the trainers they employ. They want to fool you into thinking it's easy and that anyone can do it, and even worse, that you can do it with 'No Money Down'. Again, this is completely misleading.

I was genuinely horrified when I realised how poor the content was, but I don't say this because I think I'm better, or even know it all, as with that mindset it's easy to get drawn into slagging others off. So, with that thought, I kept an open mind.

The events I attended were being presented by people who were not only misrepresenting the facts about the property industry, but hard selling other courses with unrealistic and misleading strategies. They were cleverly mixing many truths in their pitch with blatant exaggeration and complete lies, together with a manipulation of certain statistics. Within a very short space of time I realised these courses were nothing more than "get rich quick" schemes.

It infuriated me that they claimed "anyone" could get into property with no money and make even more money. This simply isn't true. Admittedly, there are people who *have* started from nothing and have become very successful without any training, and that's fantastic. But for most people, most of the time, you need start-up capital, credible information and guidance from highly experienced trainers who've completed many transactions and have the knowledge to equip them with all that they need to get started. They don't need to be mis-sold and then handed a list of further courses they should pay for.

As I write this book, I'm looking at my email inbox. One of them is a marketing email from a well-known training company. The trainer in question is claiming to be making £9,000 per day on his rent-to-rent business. It sounds fantastic. Who wouldn't want to achieve his level of success? However, I happen to know the trainer mentioned in the email, and I know he doesn't have two pennies to rub together. He's working on a full time employment contract with his company (and receives a salary), and is obviously not accumulating the kind of wealth he claims to be, yet he is sending emails telling potential customers how easy it is to get rich in property. It makes me seethe, because the funny thing is, he could actually sell this course by telling the truth, just as the National Residential Landlords Association (NRLA) are able to promote their training courses without any misleading claims.

It was after attending these events and spending years making my own mistakes and gaining the knowledge I needed, that I decided to be a trainer myself after thirty years in the business. I didn't want anyone to go through what I had, nor spend any money on a course that didn't deliver what it was supposed to. I would be embarrassed to present such complete and utter rubbish.

Another common tactic and more recent themes are the promotion of Airbnb or the rent-to-rent business that suggest you are going to make your fortune. But I've had loads of Airbnbs and there are many lessons to learn in this business model. The main issue is that Airbnb is over-supplied with rooms, and it's often not cost effective because of cleaning costs and the fact most properties are empty during the week. I learned those lessons the hard way. Typically, you lose 30 to 40% of profits due to agents, cleaning and extra maintenance costs, not to mention having to pay for extra wear and tear on properties due to having people who predominantly spend all weekend intoxicated and leave the property in a mess. Many deposits don't always cover breakages, and the extra stress of dealing with intoxicated guests losing their keys at three in the morning was an added hassle for me, which I didn't need. There are many more things I could mention of course, such as haggling with Airbnb or Booking.com to be allowed to keep a deposit after a breakage. Through experience, I found that only a certain configuration of Airbnb properties in the right location worked, and even that was a challenge to make the numbers work better than an HMO (Houses in Multiple Occupation).

Many people say an HMO is too much hassle, but I don't agree, and the hassle factor is down to the size of rooms, location and standard of fit-out. It will be hassle if you have small rooms, no en-suites, or your properties are in a poor location. With these problems, some people shy away from HMOs and make the decision to rent through Airbnb instead, and it has to be said that there are some Airbnb success stories out there. However, the vast majority of them are struggling and net less money than they would with a single let, not just an HMO.

The other issue with the training business is that it attracts trainers with considerable family wealth who get into training after they have built up their resume by simply buying their way into owning a successful portfolio because they have substantial funds in the first place to fund deposits. These people haven't created any equity in their deals but have bought their way into the training business and then position themselves as 'experts' on the back of simply owning a portfolio. Many of them have been lucky with capital appreciation, which was down to luck.

Some may be fortunate to have inherited large sums of money and gone on to invest in property, putting down substantial deposits in order to get on the ladder with ease, creating the portfolio and reputation as a successful developer or property owner.

Due to the rise of social media, it has become easier to promote one's own business, with fake headline-grabbing promotions finding potential clients through platforms such as Facebook and Twitter. The internet itself provides a substantial amount of knowledge for anyone starting out in the business, and so anyone can buy their way into a business should they have the funding in place, rather than it just being those who have created their own wealth. But have they lived in the trenches? And, do they know about yields and costs, how much an individual property could generate in a particular area, what the differences are between investments and how to find the right one to suit their business? Do they know how to sustain a business through the cycles of our economy? Facebook, in particular, has become a powerful platform for these people starting up, simply because it is extremely easy to block the negativity from previous customers whilst only focusing on the positives.

One example is of a successful training company who funded their way into the business with a good deposit amount, given by their parents, and then pitched themselves as 'experts'. To be fair, they *are* experts, but their field of expertise lies within sales and marketing, and public relations. A common denominator that I have noticed within some of these companies is they are often quite attractive young men and women who have little actual transactional experience yet present themselves as property experts.

Marketing is a huge factor in promoting a training company and the better you are in this field, the more success you will have when it comes to attendees for your courses. Sadly, it's nothing to do with the quality of the content offered. But once you have the people willing to learn, you need to know your content and be able to present it effectively, which in my experience, is another story.

As part of the research for this book, I attended one such course, an event I would class as a 'feeder event'. It was held for potential landlords to attend and was completely free. Upon arriving at the hotel where the event was held, I deliberately turned up fashionably late in the hope

I wouldn't be asked to introduce myself. The audience looked overly enthusiastic in their seats, so I sensed this was a potential set-up. Heads were wilfully nodding like a cult leader was speaking on stage and I couldn't help but think some of those nodding heads belonged to people who worked for the training company, having been set up as 'plants' to be enthusiastic members of the audience. It was quite an uncomfortable atmosphere: high pressure with exaggerated, misleading content, and I would have felt awkward should I have decided to leave. It takes a good salesperson to convert the sceptical amongst us, but it felt as though this audience had already decided to sign up due to their enthusiasm at the content being presented. I knew the whole thing was a sales set-up, designed to close deals, much like the way they used to sell timeshare.

It all seemed to be very positive with extremely high spirits, and I was suspicious about the way the trainer's wording came across. Knowing the industry as I do, having the experience and the knowledge that I have, I knew a lot of what he was telling his audience was untrue. However, to give him credit, he did it in a very clever way.

As previously said, we, as humans, prefer to do as little work as possible for as much gain as we can get, and the sad fact is that unless we rob a bank or win the lottery, we have to put hard work in somewhere along the line. Of course, robbing a bank is simply not an option!

If deposits weren't needed to buy a property, we could all do it, providing of course we had the money to fund each purchase. However, signing up for the training headline, 'No Money Down' where no initial monies are necessary, is never that simple. This is the industry's marketing gimmick or 'hook' to get bums on seats. But unfortunately, after we attend the course we then realise, when looking at the finer details, that they are actually suggesting you borrow the deposit money from family or friends, or in my opinion, fools. This is the reality of 'No Money Down'.

Unless you are an experienced property developer or well known in the industry where people will happily invest in your project, it is incredibly unrealistic to expect someone to fund your first development when you have zero experience.

It is naïve for someone to assume they can buy a property without any deposit or available funds. Marketing these courses will only get these people to the event, and once there, the course leader will try every trick in the book to get them to sign up for further expensive courses. Unfortunately, it is usually people who are desperate to change their career, perhaps because they are in a low-paid job or unemployed and looking for that next stage in life, who sign up for more. These kinds of audiences are ideal because they often actually believe one can become a property millionaire without doing the hard work and without needing the funds up front.

It isn't uncommon for the journey towards a get-rich-quick scheme to start on Facebook, usually by joining a group and getting seen by marketing promoters within the said group. Networking events are arranged and people attend, meeting up and getting to know each other.

A lack of experience in the industry means good news for the less-credible training companies when they invite candidates to speak to an audience and talk about how successful they have become since first attending the course. They could have been planted, or perhaps have a portfolio because they have been fortunate enough to have the financial backing. These course leaders will have the confidence to stand up in front of their attendees and tell them how easy it was to become successful and how easy it will be for those expectant faces that look on with enthusiasm. Though, occasionally, some leaders will have started from nothing and worked their way up. These people, however, will be in the minority and not a particularly attractive role model for the first timers. Like I said, we as humans would prefer to do less work but earn more money.

The frustrating aspect of these kinds of events is that many training companies could find someone more credible to present their course without exaggerating or being dishonest with their marketing material. It's highly likely they would still attract a crowd and would be a much better person to deliver an honest lecture about the subject they are hoping to make more appealing with their audience. And, of course, the difficulty with someone giving training that hasn't got the adequate experience and knows a limited amount about the property industry, isn't going to bode well in the long run. First-hand experience is vital if you are going to teach someone about this complex business.

So, how do you choose the right training company for your needs? It can often be a minefield, proving time-consuming and frustrating if you don't feel you're being fed the correct information. One of the things to look out for, in my experience, is those making claims. For example, should someone tell you they're making £9,000 per day, we know that is a huge claim to make and a massive amount of money to earn in one year. This type of exaggerated claim instantly puts me off, as I have noticed the more exaggerated the claim, the less credible the company.

I would look at recognised training resources such as the National Residential Landlords Association or courses run by the RICS. These are non-profit organisations, which are much more credible, and I don't just say that because I am associated with the NRLA in the capacity of being a presenter of one of their training courses known as, 'The Key to Property Investment'.

Something else to look out for is the actual presentation of the course; how the leader is able to relay their information to an audience. If they are young, i.e., in their early 20s or perhaps early 30s, they are unlikely to have gained a vast amount of success or transactional experience. By this, I mean the different types of transactions built up over decades and not basic experience buying five or six properties over a matter of years and renting them out.

In my case, over 30 years, I have a plethora of varied transactions while based in Ireland and the UK within my portfolio ranging from residential to commercial property, new developments, refurbishments, to buying and selling. What you will often find is that some of these people will only have experience in one part of the industry. An example of this is the current trend of rent-to-rent. This is one area of the industry in which I have a large amount of experience. One needs to have completed lots of transactions, have a sound and efficient business acumen, and be tenacious as a business-person. It is often the case that some people have a wealthy background and have been able to move forward by using their family's money.

I watched a television programme a few years ago where a gentleman described himself as a 'property entrepreneur'. I believed him and was drawn in as these people are so clever at giving the illusion of success. However, after time and using connections with this person's father, my fascination and curiosity got the better of me and I decided to do a little research on him, the result of which told me it was actually his dad who is the entrepreneur and he works for *him*. So, not really an entrepreneur in reality. His dad, as it happens, *is* a very successful businessman and I was later told that his son who makes these claims does, in fact, have no entrepreneurial flair whatsoever. However, should you meet him at property networking events, you would assume quite the opposite, feeling confident that you could learn a lot from his teachings. It is these types of people who often set themselves up as training experts. Sometimes, they work off the tail end of their parents' business or someone else's career.

I think the point that I am trying to make is, just because someone owns a portfolio are is wealthy, doesn't necessar-ilty mean they have the credibility to teach others.

SUMMARY

The vast majority of the property training industry is based on 'get rich quick' schemes suggesting you can be a property developer with little initial cash outlay. You need to be aware of those making the big claims to their success because in my experience, the bigger the claim, the lower their credibility. It is always better to go off recommendation when searching for your ideal trainer or mentor, so long as you remember that some companies offer referral fees, which means you may not know if they refer to someone whose credibility is second to none, or whether it's because they are receiving a fee for the referral.

Of course, I'm not saying all people in the industry are not genuine. Some I know *are* genuine, but they are rare, Credible people won't use phrases like, "No money down", which is the standard term in order to attract people into learning more about property, thus misleading them into a situation where their 'get rich quick' ideals could become a reality.

Obviously, if I was selling training, I would want to attract people, and everyone needs to have adequate and sufficient training in order to move forward. Telling clients the true facts is the best way.

Once you feel you may have found your mentor or a course suitable for you, it really is important to ask as many questions as possible. Find out about their company and their training, and do your research into who they actually are. Maybe even contact Companies House to see their history. However, don't rely entirely on Companies House as it isn't a guaranteed resource in some circumstances, and I know this because I was based overseas throughout a lot of my career, which doesn't show up in Companies House, nor does it show any assets people own in their own name.

It is also the case that some people own property in their own name rather than that of a company name, which makes it difficult to know exactly what they own and who owns what.

Social media can be a source of research as well, and some of these people may have accounts with a large following and an impressive-looking profile. It doesn't make them credible however, even though they may have professional marketing skills and use social media platforms to generate income and leads. Many have built successful training companies off their marketing skills alone, rather than that of their content and training material. And so, with this in mind, the power of marketing is an incredible tool when it comes to attracting your audience. Unfortunately, the content of your material isn't what makes you successful in the training business.

CHAPTER TWO
THE PROS AND CONS OF DIFFERENT OPERATING BUSINESS MODELS.

When it comes to property investment, there are various different options open to you in terms of strategy and varying types of business models. Typical questions I have been asked throughout my career are, What's the best strategy? What type of property should I buy? Where is the best place to buy a property? It may seem daunting to some, but for me it's not that difficult to answer these questions. The only strategy which matters is:

1. Can I buy it below market value, assuming I have the expertise to actually know it *is* below market?
2. Will the property make a profit each month after all costs on a 70/75% loan-to-value loan basis (which is the most common type of loan used in the UK market)? This is the key question I need to answer in every deal.

3. Can I accurately estimate any refurbishment costs before I am legally committed to buy?
4. For me, assuming it's going to be an HMO, how many rooms can I squeeze in where all have ensuites and most rooms are at least 10 square metres in size?
5. Is the property in an area where I will not have high tenant churn, and where tenants will be staying for at least an average of one year?

For me personally, thinking about my journey over 30 plus years and where surviving property recessions is concerned, it has become a fundamental issue to be able to be aware of the power of debt management and to keep my debts to a fair level and not have my portfolio overgeared. Being prudent with your gearing is the best financial hedge possible during a recession. Why? Because it's the most powerful tool to survive a financial crisis, and the main reason most fail.

Those of you reading this who have never lived through a financial crisis probably won't agree, and you may have a highly-geared interest-only portfolio, which may pan out well, if we have strong capital appreciation. But given this isn't a guarantee as we can't predict the future, then ideally you want at least 40 to 50% of your portfolio to be on a repayment mortgage basis. When I started in 1990, the mortgages I took out were interest only and at that point I wasn't aware that I would experience two property crashes, thus finding myself in serious financial difficulty in 2005 and 2006. I had over-stretched myself and hadn't envisaged the forthcoming crisis, and although I learned financial hedging theories from the work of the great investor, Howard Marks, (not as well-known as Warren Buffett, but equally as successful) when I studied my MBA, I didn't actually put any of my learnings into practice until after 2007.

So, when people ask me the question, "What's the best strategy?", my answer is to have the strategy which allows you the financial means to take out a repayment mortgage rather than interest only. In other words, your property choice is a model which has enough cash-flows (after all costs) to afford a repayment mortgage. When they then ask, "What type of property should I buy?", and "How can I achieve this goal?", the solution to that, in order to afford a repayment mortgage, is to have an HMO (Houses in Multiple Occupation).

A property in multiple occupation is a property where several households live together and share common facilities. HMOs are subject to more specific Government regulations and controls. If you are considering renting out a property to multiple tenants, make sure you comply with the legal requirements relating to HMOs.

They are generally large houses, or smaller houses that have been extended and have been divided into rooms. Old pubs or offices are also used and can be converted into residential dwellings containing several rooms with shared bathrooms and kitchens. Most of my HMOs have en-suites and all have spacious rooms. Smaller rooms are counter-productive because it increases tenant churn rates, due to the fact unhappy tenants never stay long.

There are, of course, many compliance factors that HMO landlords have to adhere to with these properties, including other building control and licensing issues.

I like HMOs because I am always able to make a profit each month based on a 75% loan-to-value mortgage after all expenses have been dealt with. And, as regards to running a successful HMO, in my experience, finding the right location with the right sized rooms and configuration is the key to low tenant turnover or low churn rates, as it's also known. You need rooms at least 10 square metres in size with an en-suite, in the right postcode, and there are various examples of some of my HMOs to be viewed at www.henrydavisproperty.com.

However, in terms of making the figures work and sourcing my HMOs at the right price, many of the properties in which I have been most successful have been ones where I have contacted the owners myself after walking the streets. This can often lead to buying at a good price. They are usually larger buildings where I am able to convert them into at least ten good sized rooms. This enables me to make a profit and clear my mortgage debt, which I feel is extremely vital for not only your portfolio, but your financial status, too. But that whole model is based on "buying right" from the start, because if you pay too much, you will end up with the same return you'd get from a single let property but have all the additional management which comes with an HMO. With an HMO, you need to achieve a much higher yield return.

On the other hand, a younger person may not think clearing their debts is quite so important. But, after living through two recessions, so many of my friends have gone bust over the years, all on an interest only business model, and at least 50% of the people I knew, whom I considered more successful than myself, went out of business throughout 2006 and 2007. They simply could not survive the financial crisis and the reason for this was they hadn't allowed themselves to be in a position to pay down or clear their debt. They had highly geared portfolios, yet none of them had a repayment mortgage. I'm not saying HMO is the only strategy, but I *am* saying that at some point in your career, you need to think seriously about substantially reducing that debt, and the only business model which offers enough cash-flows to repay your debt and still have a profit every month, is the HMO model.

Some people may assume they don't need to think about debts because we've historically had high levels of capital appreciation, and prices will rise enough to repay your debt. But that's not guaranteed in the future. We just don't know if we'll have this future growth. In Liverpool, for example, where I am based, a single let property in a secondary location (not so desirable) will probably yield around 8-10% gross. This could be a property that is rented to someone in employment, and to me, that's quite a good deal because single lets are a lot less hassle. An investor, who prefers to be less hands on, would find this return adequate, but after you pay all expenses and borrow on a common level of 75% loan-to-value, you still won't have any profit per month on a repayment mortgage. It is also fair to assume in Liverpool, there is a higher chance of capital appreciation, as when it comes to house-price-to- earnings ratio, you only need to spend four and a half to five times your salary to buy a property. House price-to-income ratios are calculated by dividing property prices by annual earnings. For example, if the average property price was £150,000 and the average salary £25,000, the property price to earnings ratio would be 6.

Single Let Rental Property

This is the most popular investment type. It is becoming more difficult to achieve surplus cashflow however, due to the typical 70% loan-to-value mortgage preferred by most investors. The increased costs over recent years, combined with higher house prices and an increase in government legislation does often mean that monthly profits are significantly lower after all expenses and taxes are paid.

This is especially the case in Southern England. Due to the above factors, it has now become evident that many landlords are relying on capital appreciation to make sufficient financial returns over the longer term.

Due to the challenges of poor profits, this does tend to push the investor towards an interest only mortgage, rather than the repayment one. This strategy works well within an environment of strong capital appreciation, but future growth in house prices is not guaranteed in the ever-changing legislative and economic climate we have today. In order to find a capital appreciation strategy, it may be worth looking at locations with low house-price-to-earnings ratios. The highest potential for this type of investment can often be found outside London and the South.

A small dwelling, typically a terraced house, tends to offer a higher yield for single lets. These properties do not incur regular monthly management charges or annual ground rent charges like apartments do, and compared to leasehold apartments, they are more likely to appreciate in value due to constrained supply.

Small properties in Northern cities give the best rental returns and have lower maintenance and management costs compared to flats or larger sized houses. Single lets will not offer the return of an HMO, but they are a lot easier to manage.

When searching for capital appreciation, look out for house-price-to-earnings ratios that provide a consistent benchmark against which to assess the relative level and trend in home ownership affordability.

Benchmarking price-to-earnings ratios gives a better idea of relative affordability based on the local economics and dynamics of a given area, instead of simply making direct price comparisons between cheaper or expensive areas, which are not always directly comparable.

In London, the average person needs over thirteen times their annual salary to buy an average property, but outside London and the Southwest, and in some parts of the North West, this figure drops to four to six times the average salary. Many cities in the North of England and Scotland are so much more affordable and have significantly more scope for future house price growth, with the price-to-earnings ratio in these cities more likely to rise slowly in the coming years.

For example:

London has an average house price of £483,000, and buyers need 13.1 times the average London salary of £37,000 to buy a property.

However, in the North, Liverpool, Manchester, Nottingham, and Sheffield, this figure drops to below six times the average annual salary, lower than the national average of around eight times.

These cities are often vibrant and growing and more likely to see further growth in the absence of any external shocks to demand and confidence.

Opportunity:

Although capital appreciation is not guaranteed, and we cannot accurately forecast growth, there is more likelihood of capital appreciation in many cities in the North, not because they are cheaper, but because they are more affordable to the local population. These cities still have low house-price-to-earnings ratios, even in comparison to the national average of around eight times the salary. Affordability remains attractive as long as mortgage rates remain low and we retain positive consumer confidence and market sentiment.

Threats:

Ever-increasing government legislation is driving up costs.

Top Tip:

Try to buy a property in need of refurbishment to create equity. You will also benefit from having a high-quality modernised property, which will also attract better-quality tenants and reduce voids.

Commercial & Retail Property:

Commercial property has many benefits as it tends to get more secure long-term income, but this comes at a price.

Popular commercial property investments are often small shops with poor-quality short-term leases, many of which have numerous exit clauses. This option is cheaper to buy for investors, often giving a good return and typically selling for between 7% to 12% yield, depending on the area.

A commercial property with a long-term tenant is ideal, but these offer yields as low as 3-5%, and may not give a strong enough return.

The less risky option is a mixed-use property, which is a building with a residence upstairs and a commercial business on the ground. If the ground floor becomes void, the owner still has a constant stream of income.

For cash-rich buyers who are more concerned about regular cash-flows and less concerned with a lower yield, then a commercial property with a longer-term 'Blue Chip' tenant is ideal. 'Blue Chip' companies are larger organisations of high profile reputation and a guaranteed source of income, which is of course a more solid form of financial security for the investor, although post covid, many see blue chip companies as risky.

Threats:
With an oversupply of offices in some areas and the crisis in retail property, it can be a challenge to accurately value any retail assets.

Opportunity:
To secure a regular income stream with less 'hassle factor' and daily management than a typical buy-to-let.

Top Tip:
Remember that vacant commercial property is worth significantly less. With an oversupply of offices in some locations, along with changes in the retail industry, it may be less risky to buy a mixed-use commercial property. Be careful of the possibility that some large, trusted, well-known agents may still be valuing retail property too optimistically. Post Covid there may be even further price corrections and significant uncertainty, which will inevitably push prices down.

HMO:
Houses in Multiple Occupation have become very popular over the years and there is an increasing oversupply in some parts of the UK. Getting a high-quality property with an en-suite and larger room size in the right location is paramount.

You can target the single professional market or get a single group of students together. Many Northern towns like Liverpool and Manchester have large student populations, and a common practice by most landlords and agents is to ask students to get their parents to sign a financial rental guarantee, so the rental income is very secure and underwritten by parents.

Thraeat:

The HMO market is currently under threat from oversupply in some areas, as well as potential changes in the valuation office and council tax banding system, with some councils now charging tax per en-suite room. However, this may or may not be rolled out by all councils.

Opportunity:

Higher profits and the only sector where you can afford to pay a repayment mortgage, yet still have excess cashflow after all costs.

Top Tip:

Despite the increasing oversupply, good-quality en-suite rooms in the right location, with an average room size of at least eleven square metres and above, will always rent well. Use the 'Room Only' tenancy agreement from the NRLA (National Residential Landlords Association) for better legal protection.

'Rent to Rent' and Short-Term Lets:

Although it may actually be against mortgage and lease terms for a leasehold or freehold property to be rented out on a short-term basis, this is a new and fast-growing market. It is becoming increasingly popular and is dominated by the two major website portals, **Airbnb** and **Booking.com**, which are in competition with the hotel industry.

There are two options here:

You can either rent your property on a short-term basis directly on the major accommodation portals such as Airbnb and Booking.com.

OR

You can effectively sublet your property to a 'rent-to-rent' operator.

'Rent-to-rent' and short-term lets represent a fast-growing market. As with the HMO market, there is plenty of supply, and new operators are entering the business in most major cities. This is despite many apartment leases outlawing this type of rental model.

For landlords looking for a guaranteed rental return, there is the growing 'rent-to-rent' market, where owners sublet their property to a professional short-term operator, who effectively operates the owner's property in the style of a small B&B or hotel. These 'rent-to-rent' operators tend to offer a guaranteed rental return. However, this is usually through a limited company with little or no assets should any dispute arise later.

These guarantees are rarely supported by any significant financial backing, should they exit their rental agreements early. Despite the challenges of 'rent-to-rent', this usually offers a property owner a guaranteed rent over a longer period, and the operator is usually responsible for most, if not all, of the maintenance, depending on the agreement. For those reasons, it can be an attractive option to property owners.

On the flip side, the property owner may decide to operate their property themselves on a short-term basis, but you need high occupancy rates to make a decent return after all the additional costs associated with this business.

Typically, you receive about 0.60-0.65p for every £1 you receive in gross rent after all costs, and before tax.

This is a management-intensive strategy, as you need high occupancy rates to counteract all the operational and running costs. You really need a very high occupancy rate to get a good return after all the costs and extra hassle which goes with running a model, which is effectively very similar to running a small hotel. Also, risks are higher with more damages likely, and you are at the mercy of a bad review, which can dramatically impact demand.

The management, cleaning and maintenance costs are very high for a typical short-term let property, and the biggest issue is cleaning costs eating into profits. Most agents charge between 15-20% plus VAT for management, but this excludes damage costs. Increasingly higher fees are being charged by the two leading website portals that dominate this marketplace, with Booking.com charging up to 20% and Airbnb increasing their costs, too.

Whilst a regular residential rental is not subject to VAT, holiday let rentals fall under the VAT rules. Depending on your Airbnb income, that may mean you need to register for VAT.

Threat:

Oversupply and the expansion of the short-term rental regulation introduced in London, imposes a 90-day maximum rental limit per annum on property listings. It may also be against your insurance, mortgage and/or lease terms to rent your property on a short-term basis. You may also need to carry out a fire risk assessment.

Opportunity:

Higher profits, but only if you can secure week day bookings and the right configuration and size of property in a prime city centre location.

Top Tip:

For better returns, a prime city centre location is critical. A two or three-bedroomed property with a sofa bed in the living room can sleep up to eight people. Remember the VAT issue and keep in mind that it may be against your mortgage and lease terms to rent your property on a short-term basis.

Property development and 'flipping' property:

Flipping property is much talked about, but very few succeed at this on a consistent basis. It is a very challenging business model for those without extensive cash resources and property development experience gained from many years trading in property.

Buying and refurbishing a property has many challenges, but it is not impossible. It is a risky business unless you have the necessary business, valuation, and operational skills, the right contacts, and specialist experience.

The most common mistake made by amateur property developers is overpaying for a property. The challenge is having the experience to correctly value a property upon purchase and not over-pay.

Combined with incorrectly estimating the refurbishment costs (because many fail to carry out an accurate feasibility appraisal), this can lead to very low profit margins after all costs and taxes are taken into account. It is often caused by poor due diligence and less experienced developers relying on a builder quote for their appraisal costs, rather than a detailed appraisal by a professional such as a qualified quantity surveyor.

Threat:

Between the purchase of the property and completion of the project many months later, your main risk is a change in sentiment and market confidence, which can quickly reduce demand for the property you are selling. It is important to be aware of the power of economic cycles on the property development business.

Opportunity:

It's a great model to run and build a long-term business if you have the right skills, valuation and business acumen.

Top Tip:

Always engage the services of a quantity surveyor before contacting any builders. Start your due diligence instantly upon verbally agreeing to any deal, and understand all the dynamics and costs well before you exchange on any property.

Land investments:

If you are a more cash rich person and have the risk appetite and resources to succeed in this specialist area, then buying land with the aim of securing planning permission, and increasing the value of the asset is a great business model. While it is riskier, it is a rewarding business for cash-rich investors with the right experience and business acumen to gain a planning uplift in a complex planning system.

The business is dominated by larger house-builders and more experienced, higher-net operators who have the necessary resources and experience to navigate the planning system. Land with planning already secured is unlikely to create any new value and is often purchased by builders or developers who can afford to operate on smaller profit margins. Ideally, you need to be a cash buyer to make it in this business, as it is often difficult to raise finance on land without planning permission.

Threat:

According to an article published in The Times on 07/12/2019: ***"A land value tax that captured the wealth created by planning permission would raise £9 billion a year"***. This suggests a change in tax policy from the government, which may gain support by using this 'planning gain' sector to help close wealth inequality, an increasingly important topic for the government to tackle.

Opportunity:

High returns for high-net, cash-rich, skilled business-people, who have a higher risk appetite and specialist experience, backed by substantial resources.

Top Tip:

The best way to create real value and find land is to literally walk the streets, find your target plot, and then contact the owners of any property not currently for sale directly via the Land Registry or portals such as **LandInsight**, **Promap** or **Nimbus**, all who assist in finding and assessing off-market opportunities.

Options Agreements and Purchase Lease Options:

This is a very niche strategy, largely used by developers who agree to buy land on the basis of purchasing a property after planning has been secured. An Option is the right to buy, but not the obligation to do so. In other words, you don't have to complete the deal and can pull out under pre-agreed terms, but the vendor is still contractually obliged to sell to you.

You can effectively 'own' and control a property at a fixed price, within a certain time period. Taking this further, a **Purchase Lease Option** is the same as a Purchase Option, with the additional benefit of being able to use and control the assets in return for a monthly lease (rental) payment. You can control the property as the effective 'owner' during the agreed period, and then rent it or apply for any planning permissions. This means you can invest in property, if you are unable to obtain a mortgage and have low available deposit funds. This is often used for vendors who would consider renting their property over a long term with a view to selling the property at some point in the future outlined in the option agreement. In my experience, it is difficult to find vendors who are willing to agree to Purchase Lease Option, and even harder to get the option with low entry consideration.

CHAPTER THREE

MY 30 YEARS OF BUYING BELOW (REAL) MARKET VALUE

I decided to write a chapter about BMV (Below Market Value) because it's one of the most popular and underhand misrepresentations commonly promoted by some unscrupulous people in the business.

The only true way to create BMV is to find your own deals by walking the streets in search of suitable sites, making direct contact with the owners. I've done this many times often via different methods including leaflets through letter boxes, adverts in newspapers etc. For me, this has worked massively and resulted in the purchase of some very profitable sites including a large nursing home, my first deal after I arrived in Liverpool after selling some of my London portfolio.

You should always personalise your letter or leaflet so it isn't mistaken for junk mail. Don't give prospective vendors an opportunity to discard your leaflet before they've even read it.

One of the most used terms in the property sales business is BMV, which means Below Market Value. This term refers to a deal where you can buy a property below its true market value, and if true, immediately flip the property for a profit without having carried out any work to add value. I, however, don't agree with this BMV term as it screams of mis-selling advertising scams where companies exaggerate in their sales literature. The reason I don't believe in the term is because from my experience, 98% of BMV deals offered to me over the last thirty years are not in any way below actual market value. That's why you have to cut out the estate agent and walk the streets to find your own real BMV deals.

To better understand and explain BMV, the rules are as follows:

Rule 1. You won't know if you've actually secured a BMV discount if in the first place, you don't have the valuation skills to accurately value the property. How can you say you got a 10% discount, if you don't know a property's true value to begin with? When buying on the open market, agents often over value it by 3-10%, then tell you the asking price is *discounted* by 10%.

Rule 2. Once a property is on the market, whether privately, through a source or if advertised anywhere on the internet, you are often too late, and it almost certainly won't be a BMV property. It may be reduced in price to reflect condition and any refurbishment costs required, but that's not the same as BMV. Sometimes, property is reduced because it's worth less for various reasons, affecting its value. But that's not what I mean when I talk about BMV.

BMV is a commonly misused marketing term that tends to be unique to the UK as it doesn't happen in other markets I've operated in in the past. For example, Eastern Europe, Dublin and Spain, do not advertise property with the BMV theme. Agents in the UK selling property might say: 10% BMV, or quote a particular price, and then tell you the asking price is Below Market Value. This was invented as a marketing gimmick to trick an unsuspecting buyer into thinking they're getting more for their money than they actually are.

If I find a BMV deal, it's usually been a property which wasn't on the market, where I contacted the owners directly after finding their details on the land registry, and where I was able to accurately value the property to assess if I had, in fact, got a BMV deal.

A BMV deal is not the same as buying a discounted property, with a development margin, which will have a reduced price to reflect the costs of work needed. Many confuse a development margin (reduced in price because it needs work) with a genuine discount.

A property with a development margin on the open market gets snapped up quickly by established, long-term developers who have better working relationships with agents than the average newbie investor tends to have. This is why I started walking the streets for deals to cut out the agent and deal directly with the vendor.

But there are some rules of the BMV game and in order to buy below market value, you need to know how to value the property in the first instance. But unless you have sufficient experience in this area, it is unlikely you are going to be able to make an accurate valuation. It's important to have a clear understanding of valuations and how they work on a practical basis, before you are able to buy below real and true market value.

I realised many years ago that it's very difficult to get a deal to stack up on anything already featured on sites such as Rightmove, where properties tend to be overpriced and where investors are often chasing after the same deals. When I first moved to Liverpool and started off my property business there, I knew absolutely no one in the industry and had no contacts to help me take that first step in the city.

It was daunting as I asked myself how it would be possible to break into this complex market and start building up my portfolio, without paying top prices.

I decided the answer was to walk the streets, and approach property owners directly, by pushing a leaflet through their letterbox. The power of a leaflet was immense when I first started in the Liverpool market after I left buying in London, but it started to work, and I was onto something. This was my chance to find an alternative way to buy property without any estate agents or any middlemen between myself and the seller. For the first time as a property buyer, *I* was in control, not the estate agent.

This was many years ago and back then, not many people were posting leaflets with "Property Wanted" adverts at the time. Leaflets still work today, but not as well, and the key is to personalise the message. I will say at this point that it is actually vital to personalise your message on the leaflet to say that you've recently moved into the area and are looking to buy a property, leaving your contact details and asking the owner to contact you directly. Many leaflets posted through private letter boxes get mistaken for junk mail, and over the years I have since learnt how to adjust my approach so my leaflet is the one which actually gets picked up and read, instead of being instantly binned.

When I first did leaflets, I had no company logo on them and there was nothing pretty about them; they were simply written on A4 sheets of paper. I just had to hope my approach would work.

To my surprise, it did, and I subsequently got several deals just from the amateur style of my method. Taking my time to find the right properties meant I was rewarded with my first taste of success: a nursing home which I was immediately able to flip for a generous uplift without lifting a finger and doing any work. I needed this deal as at the time I was motor racing and spending a lot of my hard earned funds on that. I was based in Dublin then, taking advantage of the lower corporation tax rate.

It does take time to build up momentum, but once you've found your target area you have nothing to lose and often a lot to gain by getting out there and physically walking those streets!

It can be frustrating, however, as there are occasions when you draw a blank with some property owners; either they're not selling or there are other issues preventing the sale going ahead. It can often take a considerable amount of time for someone to get back to you and I've had people ring me up after two or three years of posting my leaflet through their door saying they'd received it and were now interested in selling. It is obviously important to build up enough leads and be constantly looking for new buildings, having a good knowledge of the area and knowing where your preferred targets are based. After enough time on the streets, continually hunting for property, and constantly following up owners, you become a master of your own patch and you find yourself getting one step ahead with your inside knowledge on these areas.

Direct to vendor is becoming increasingly more popular as a lot of new people coming into the business who attend training courses are being told this technique is the way to go. The competition, therefore, is picking up, and it's important to choose your postcodes carefully, and be more persistent than the competition. It's also important to do your homework before making those choices as from my own experience, having worked in and around four or five postcodes, I discovered that buildings or suitable and available pieces of land ripe for development in my targeted areas, were actually in scarce supply. And in my area anyway, I only work in the postcode where I can attract a tenant who's in employment.

I have also noticed people making postings on Facebook Groups, telling others they are mailing out hundreds of direct to vendor letters. So, given deals are so hard to come by and you have so few good opportunities in your target area, why would you want to tell people and attract more people like you who are hunting the same deals? The naivety of some people amazes me, especially those who are competing for properties in just three of four postcode areas.

How do you really buy BMV property and what are the steps?

Step 1 – choose your postcode, where tenant quality will be good, but prices are still low.

Step 2 – walk the streets, and back streets especially, off the usual beaten track.

Step 3 – use the Land Registry to find the owners.

Step 4 – make contact with the owners via letters, Facebook or other social media platforms, Companies House, the electoral register, and LinkedIn. These places are publicly available sources to get ahead and start targeting your areas.

Step 5 – Keep in contact and build a relationship with owners, so when they do eventually decide to sell, you are in pole position. Step 5 is where most fail. You do need to know the available potential sites and houses in your area, and you need to realise that you could be in it for the long haul. Leads and potential success may take a considerable amount of time, so you need to be walking the streets on a regular basis. You have to find creative ways of finding the right sites.

All of the above may seem to some to be a lot of hard work. It is. But this hard work is what's needed to set yourself apart from the competition and stand out as unique in your field in terms of your buying and sourcing skills. By following these steps, you can create real value and buy genuine below market value deals, which makes this your best option. In my opinion, this is your only option if you want to learn the true way to buy a property below market value.

Of course, as with most things in business, there is a warning when entering into this type of deal that needs to be taken into account, and that is, do you actually know how to value a property? Unless you know its true value, you're never going to know for sure whether it is actually a BMV. In my career, I've learnt that the more valuations I did, the more accurate I became, which is always going to be the case. Experience, knowledge and knowing your targeted areas will reap rewards, which will always make for a successful transaction, and without putting in the hard work by following the steps above, you may not achieve the goals you have set yourself.

For anyone starting a business, one of the key traits we need is motivation and dedication.

I send leaflets through doors, plus post letters or make contact in any way to owners of properties I have targeted. More recently, I don't do so many leaflets and focus on targeting the right buildings. Most start but build up no momentum, because the results can be hit and miss.

Let's say then, for example, your motivation takes you on a walk through the streets in your chosen areas, you post your leaflets through letterboxes and then contact owners or places you targeted and hope for the best. Firstly, you'll either get very lucky and receive instant replies or you'll experience the complete opposite and get nothing. You've gone to all that hard work, creating leaflets, posting letters, walking the streets, and then nothing happens and you get worried. You start to think your method isn't working and that's when many people either give up, or at least feel like doing.

My advice is, don't give up. I encourage you to stick it out, keep targeting those properties, keep posting leaflets through letter boxes and keep making contact with property and landowners.

I can assure you that if you keep up your momentum, you will eventually find that real BMV deal you've been searching for. It's there, and it's only a matter of time before it lands in your lap. From my own perspective, I've realised that the contacts I've made and the sites I've been a part of where nothing has come to fruition, are usually the same places where, after time and a lot of patience, I've ended up getting a deal. Hard work always pays off.

A few of my more recent examples of real BMV deals I did are as follows:

1. **The Dick Jennings Pub - found by walking the streets.**

   My first port of call was to contact the owner via the Land Registry. I did this twice, but the owner kept putting me off. Then, to my surprise, he contacted me, and told me he had decided to sell and asked if I was still interested in making an offer. My persistence had worked and due to my tenacity in refusing to give up, I secured planning permission on the property to create a fifteen-bedroomed HMO.

   This pub was in a derelict condition with extensive structural issues, and I bought it for £88,000. This was a great price. Even taking into account the condition of the property, the complete site will have a GDV (Gross Development Value) of £1.4million. In 2019, the Dick Jennings Pub secured planning to become a part-commercial-to-residential licensed fifteen-bedroomed HMO spread over four apartments. With the help of a planning consultant, a former town planner for a local council, we secured the addition of a new floor effectively built into the roof space, which will be completely reconfigured to include dormers. This means the building will be significantly higher than the original building template.

2. **Newhope Street - sent letter to the owner**

   Amazing location, this deal was easy as the owner had thought about selling it before I called and was ready to deal. It is right next to the Cains Brewery and is currently a six-bedroomed en-suite HMO bringing in 9 x £125 per week, resulting in a gross yield at 17%.

3. **Prescot Road - found vendor on Facebook**

   This comprised five large buildings under one title. It was sold later after I secured planning permission for an apartment conversion from commercial to residential. This property is now located outside my own 'invisible border' rule, which has since moved closer into town due to oversupply worries in this particular postcode.

4. **Moly Rd - New Year's Day deal**

   After targeting this large building ideal for an HMO, I found the owner of the company's house. I sent him a letter, he called me, and then I met him on New Year's Day. He was impressed that I had found him. We got on well and had a beer in his local pub and did the deal.

5. **Baltic Triangle - found walking the streets**

   Luckily, this deal happened very fast as the owner wanted to sell, so I got lucky with my timing. It was a large six-bedroomed building with an office on the ground floor, which I converted into another six bedrooms under Permitted Development rights to make a total of twelve bedrooms. Rented at £125 per week in Liverpool, brought in a genuine gross yield of over 18%.

   Prime St – large derelict building

   I was unable to contact the owner, I couldn't find him anywhere, and he wasn't on Social Media, Companies House, the Voting Register or in any of the usual places. His address on the land registry was now an empty piece of land, demolished. I even placed my We Buy Any House sign on the building, high up, requiring a ladder to remove it, and I did this

> without permission (which I don't recommend), in an attempt to tease him out, but that didn't work. I talked to neighbours who told me he would visit from time to time so I told them I would pay them £1,000 if they would call me when the owner arrived. Then I was getting desperate and tried my last resort – Vilcol Tracing Agency, but they couldn't help so I was close to giving up myself, I have to admit. I kept driving by the site over a three year period in the hope he may be there and then to my surprise, one day, over a weekend, I drove by, stopped and looked into the site and could hear a radio. Bingo – gotcha! He happened to be there as a wall had fallen down and he was trying to secure it. The deal was done, and that took four years from the first day it came onto my radar. I kept chasing it because it was 4 large buildings in the right area which was prime for an HMO. I exhausted all the usual avenues and had I not kept driving by it, I would not have got it.

When it comes to targeting owners directly of derelict properties, or land suitable for development, you have to be super persistent, and even if the owner first tells you he's not selling, you should know he probably will at some point.

It would be hugely frustrating if you later learnt that the site you wanted to buy was, years down the line, sold to a competitor, and that is why it's important never to give up. It's always so important to make it a priority to keep in touch with a potential seller, especially if the property is completely derelict or the site is left empty. Sooner or later, it is more or less guaranteed that the owner will want to sell, and keeping that continuity of contact will likely give you first refusal.

SUMMARY

The key to success is to buy smart so you're already financially ahead from the outset. This means you can create additional value on top of the instant equity you have created, either through planning or refurbishment. The ideal strategy for an average family home is to add rooms, bringing the property up to a maximum of six bedrooms, which can be developed under Permitted Development rights.

So, what are the benefits of walking the streets?

- Site selection (you get to choose the property).
- Extra time for negotiation and due diligence.
- Value creation in every deal.

Scope out your buying skills – *real BMV gets you into the Wholesale Club*

- Wholesale (you create your own deals, by walking the streets).
- Retail (auction and private treaty).
- Super Retail (investors buying a tenanted "ready to go").

With finding your own BMV deals it's all about building momentum. Keep on top of your leads and your contacts. Build up a rapport with potential target building owners. If you stop doing that, the deal may be offered to a competitor once the owner has decided to sell, and you've missed out. None of us want to miss out on a good deal.

Remember, BMV is only a reality when you have the ability to establish the true value of an asset in the first instance, and that's why the vast majority of BMV deals offered are completely misleading.

CHAPTER FOUR
YOU CAN LEARN THE ART AND SKILL OF VALUING PROPERTY

There is a saying in the property industry: "The day you buy is the day you sell", which simply means, if you buy at the right price, you're guaranteed to sell and make a profit.

For me, valuations are all about hunting until you find the right comparables, and a focus on getting to know your sales history data to a point where you can get a feel for it intuitively. I closely monitor all auction results and general land registry data, but more importantly, I watch all my local auctions as they happen live, as you learn so much more than just reading the sales results the next day. Watching live keeps me sharp, let's me see what's in demand and I literally count the number of bids and closely monitor the interest levels on all lots. You also get a sense when people overpay for a lot, which is very common. The main method of valuation recognised by banks and all financial institutions in the UK is the 'Red Book': this is the name given to the RICS's Valuation Professional Standards document, published every two or three years. The valuation standards are a set of rules and guidelines in terms of their methodology for RICS Valuers to follow. I recommend you download a copy of this document on the RICS website.

If you can value property accurately, you have a distinct advantage, as I see a lot of new investors enter property, some of whom may have been successful in business previously. They could have undertaken a senior management role, climbed the ladder and achieved a substantial amount of recognition and success. But this doesn't mean to say they have an understanding of the property business and the complexities when it comes to buying the right property at the right price in the right location. Many of them often forget the importance of buying skills and the need to understand valuations.

So, what are the steps to valuing a property?

1. Make a short list of roads nearby with comparables but, be extra careful to ensure your list has directly comparable properties, as your underlying assumptions need to be based on the right data. Then get in the car and drive to the property and your immediate comparables to check for any extensions or changes not shown on maps, as Google Birds Eye View or Bing Maps is not regularly updated. (When on Maps, click on 'Birds Eye' to see the full footprint of the property overhead.)
2. For comparables, I use Land Registry and EIG Auction sales history data. EIG is raw data as up to date as the time the auction took place, whereas the Land Registry is four months out of date.

3. Once you have a general idea, get all your research data together so you have a feel for the possible value, then call Estate Agents posing as a seller by basically pretending you are the owner of a property in the same location, and speak to them on the premise of your interest in the possibility of selling your property. If they think you own any property and are a seller and potential new client, they might get instructed. This will totally change the dynamic and they'll now be really helpful, giving you an insight into what they think it's worth as they want to get the business. And, doing it this way, you'll often get put through to a more senior person who knows what they are talking about when it comes to valuations. Agents have access to additional data including 'offer price agreed, before sale' via Rightmove Plus, which isn't available to the general public. I usually choose a house in the same street, in the same condition and footprint, and then pretend I'm the owner of that property. Make sure you know the actual full property address, as they'll usually ask you what number your house is - that is the house you are pretending to sell!
4. Remember tenanted property or any commercial property is also based on the cash flows and if it's an HMO you need to take into account the room cost by dividing the number of rooms by the purchase price to understand the cost per room. HMO's usually change hands on a yield basis. In the Northwest, prime location HMOs change hands for 10 to 12% gross yield and secondary located poor condition property goes for 12 to 14% yield.
5. Check and recheck your work and comparables as well as watching all live auctions. I would also set up

an alert on Rightmove so that you get an automated email every time a new property comes up for sale in your target postcode, and build up your knowledge of your area over time.

Buying at the right price is vital. When it comes to valuing a rental property, it is easier to establish a value if the property is tenanted as the valuation can then be determined by cash flow and return. The higher the cash flow, the higher the valuation will be, and if you work on that premise it is actually quite simple to value a property. In Liverpool, where I operate, the going rate of return based on yield for HMOs is 12-14%, and if you regularly looked at the auction price sales history, then you will start to understand the pattern in terms of the "going rate", and then it isn't too difficult to judge what a property will make due to its valuation being based on cash flows. The cash flows equate to the yield, which is worked out by dividing your annual rental income by the property value and then multiplying it by 100 to get your yield percentage.

A property costs £465,000 and the annual gross rent is £78,000.

Gross Yield	= 78,000 divided by 465,000 x 100
	= **16.7%**

Another type of valuation is based on the condition and location, the amount of bedrooms and its general appearance. This is something you will learn about throughout your career, and of which I have gained substantial experience over the last thirty years since I became involved with the industry. In this chapter, I intend to show you some of the steps to take in order to build up your confidence in making valuations, as it can be quite a difficult area to teach. Once you have the basics, the rest is your intuition and your own sense of what is and what isn't a good deal.

Where do I start when valuing a property?

We all have to start somewhere and one of the first places is the Land Registry to find your comparables, and most get this via Rightmove. Here, you will be able to access data that will tell you about previous selling prices. You can also access this information by using websites such as Zoopla. You do need to be cautious however, as Land Registry data can be out of date by at least three or four months and one way to get around this is by using auction sales history data. EIG, Essential Information Group, is the only option here as they control 98% of all UK auction price sales data, and even though it's a subscription with an annual fee of about £350, it is worth subscribing to if you're serious about learning valuations.

If I'm buying property at an auction, I want to be able to compare the price with a previous auction sale rather than a private sale, effectively comparing trade price, rather than retail price data. I find it's a valuable source of information to have that EIG auction sales history comparable, rather than a general private treaty comparable. The next step is the overall 'footprint' of the property, so you are comparing like-for-like in terms of the overall size footprint. Google Maps is one platform to use for this information, but I find Bing Maps, which is the Microsoft version, easier to navigate. Scanning over the property from above will enable you to check the whole area of the house. One thing to look out for is the size of the garden. A bigger garden can often be a disadvantage for a rental property due to the fact you will have higher maintenance costs that could escalate should the tenant not be interested in maintaining the outside. It could, of course, be included in the contract that they are responsible for the upkeep of the garden, but that still doesn't mean they will actually do the maintenance.

It's always a good idea to browse the internet for previous sales history information on your intended property search, going through various websites by putting in the address of the house you're interested in. It is often the case that you will find different information from each source, all of which will be useful when determining your valuation. Old sales brochures, for example, might bring up a result of previous data that could, in some cases, affect the value of the property. Another source of information is to google listed buildings, which will of course put restrictions on your planning application or structural refurbishments.

Internet research will also show history on the building and whether there has been a previous planning application, and you can find the planning application history on your local city council website, as they usually have a Planning Portal. This, in turn, can give you an idea of floor plans, which is a good way of working out the cost per square foot. From this, you can build up a concept of how much space you have to work with when it comes to your refurb plans, costs and what you might be able to achieve in terms of how many units you can fit into a building.

Estate Agents are also a helpful source, and over the years I have learnt a few tactics that have assisted me. If you just ask for their opinion on how much a property is worth, then they are reluctant to give out that information, so my approach now is to pretend I'm the seller and ask for their rough valuation, letting them think it could lead to a potential sale. This is a good way to extract the information from them, and as they also have access to Rightmove Plus, which is their own 'insider' portal containing additional sales data (not available to the public) of all the properties in the specific area, they can usually give you a more updated history and whether it's under offer or not, and at what price. Tell them you're interested in selling the property, and that you want to know how much they think it could be worth. And, from their inside knowledge, they will be able to give you a fairly accurate idea.

Knowing the values in your area is an important aspect of property searches. If you were an Estate Agent, you'd have a good understanding of valuations because you're obviously looking at these on a daily basis. As a potential property developer, there's no reason why you can't have the same knowledge. As said above, Zoopla and Rightmove will give you a general idea, as will keeping your super close eye on the property auctions. You can even set an alert on Rightmove so that every time a new property comes onto the market in your preferred post code, you'll receive an email telling you about it. I get alerts for several areas and I always click on each one. After time, you'll find it much easier to get a sense for what is selling and what isn't when you start to notice price decreases in areas less popular than others.

An Auction House is somewhere else to be familiar with, keeping a close eye on all the sales at your local property auction. Get on their mailing list, and see what's coming up at the next auction. They will send to you a printed catalogue through the post, which means you have the hard copy to browse through where you can make notes. Most auctions can be done online now, and it is easy for you to log onto their website and follow the progress of each sale.

Constantly analysing Auction data helps you become more familiar with values

1. During the sale, write down how many bids are being made on each property. This will determine popularity and show what's in demand and what's not.
2. Watch the auctioneer's body language to see how enthusiastic he is about a lot being bid on. For example, if the bidder pays way above the reserve price, the auctioneer will likely congratulate them as he's delighted at the high price and extra commission, plus he knows the buyer is a complete fool and has paid way too much!
3. Constantly watch live auctions as they happen, as reviewing old sales price data retrospectively isn't the same thing. There is a big difference, in terms of your learning, and after time you begin to see patterns and get a better feel for prices, demand and other dynamics you see which you will never see reading a sheet of sales price data.

In the next chapter, I will discuss auctions in more detail, but I will say that in my experience, approximately 20-30% of properties sold at auction have gone for much more should they have been sold via an Estate Agent.

Invisible Borders Rule

Let's assume you've compared properties in your chosen area and that it isn't tenanted accommodation. It could be the same footprint, the same condition and on the same street, and this leads me onto another aspect of valuation, which I would call the Invisible Borders Rule - for example, if your target buy property is at one end of the street, and another of the exact same property is at the other end, yet they fall under the same postcode. There might be a more desirable end where property is going to be more sought after, therefore more expensive than the less sought after houses at the other end. This is effectively an invisible border road. It can have a huge impact on valuations, but estates agents will still put the house at the less salubrious end of the road up for the same price as the one at the better end, and they do this simply in order to test the market. People who haven't done their research won't know the property's true worth and will, in some cases, assume all houses on that particular street are going to be valued the same. This is another reason why it is important to get your valuations correct, property by property, because one end of the street could be worth less than the other. It could be as little as 600 yards or half a mile away, and the difference in the value could be quite significant.

Supply and Demand

You may have heard about a 'buyer's' and 'seller's' market, which is basically the difference between who has the bargaining power when it comes to buying a property. In the case of Liverpool, for example, there are still several buyers' markets. These are inside the general area, yet if you believe the media and estate agent sales literature hype, all postcodes in Liverpool are hot and sellers' markets, where the seller has the balance of power in any negotiations. I know this from experience having a good knowledge of my patch and having walked the streets myself to find my targeted properties and contacting the owners directly. You can't believe anything the agents say. In a buyer's market with weaker demand, the owner is generally happy to sell their property for less than it would have cost buying it through an estate agent or even an auction house. These sellers are also more receptive to a direct-to-vendor sale where you contact them directly without any estate agent between you. The reason for this is because they know they live in an area where property is slow to sell and so by contacting them with my interest, they also get to sell their house without having to pay commission to an estate agent. The buyer has the upper hand in negotiating a price, which makes certain areas a buyer's market. The agents might tell you the better areas to invest, where it's perhaps cheaper to invest, but they won't necessarily tell you it's a buyer's market. Estate agents always test the market and will start off high, encouraging the owner to be optimistic with their achievable price, so remember all asking prices are starting from being too highly valued from the start. Lots of research of an area gives you a feel for who holds the balance of power, but nothing beats actually walking the streets, targeting derelict buildings and speaking to owners directly to really understand the supply and demand dynamic. You will find, generally, that areas which are buyer's markets are areas with very high unemployment rates. This is actually the case in the L20 postcode in Liverpool, which has been a buyer's market over the last fifteen years, and it hasn't changed even during any property boom.

Methodology of Valuation

For a commercial property, working out the yield, or return on your investment, makes it easier to value the property on this basis. With commercial property, the quality of the lease covenant is also important as the weaker it is, the more chance the tenant has of getting out of the lease problem-free. If the covenant is weak or too basic, this will make the property valuation a lot less. It determines the valuation, especially when it comes to commercial properties or part-commercial, which are the ones with a shop on one floor, usually the ground, and accommodation on another. So, it isn't just a case of knowing the cash flow is effective, but also a case of having the security of a legally committed tenant. It's always a good idea to peruse a copy of the covenant for the property you're planning to buy, and some people prefer to have a solicitor read through it to establish the legalities involved before you make that commitment to buy. You may want to do this yourself and if that's the case, make sure you read the whole document carefully, taking note of any break clause that will allow the tenant to get out of the contract. It will also stipulate rent reviews and when the next one is due, those all-important clauses that tell you the responsibilities of landlord and tenant, and the various expectations from both parties.

Being involved in the HMO markets myself, I am always searching for potential deals whilst trying to work out how much one of these properties will be worth after refurbishment. You need to take into account the price per room with an HMO, and in my area of Liverpool, it's possible to purchase at a cost of around £25,000-£35,000 per room. In each different area, there will be a going rate per room, and you will start to understand that if the room rate of the property you're looking at is overpriced, then the property itself will be overpriced, too.

The price per room of an HMO could be really expensive, which doesn't add up in terms of a decent return. The reason for this is that many landlords make the mistake of paying "single let prices" for their HMO. If a single let yields 6%, then you need to get at least 12% gross yield for an HMO because an HMO has a higher tenant turnover, it will always be a lot more management intensive with higher maintenance costs and some rooms left empty, which will obviously mean you're not getting the yield or return that you first set out to achieve.

The key to a successful HMO is reducing your tenant churn rates, and to do this you need location and decent ensuite sized rooms. I'm quite choosy when it comes to locating my HMOs, and I make sure they're all in decent areas, have spacious room sizes and are going to appeal to a good tenant. As I've mentioned previously and talked about in Chapter Two, I find that buying the most suitable properties for your needs is often done off-market by contacting the owner direct.

Something to look out for when finding a refurbishment project is its development potential and whether it has land attached. It will be more difficult to value this type of potential. My suggestion here is to have expert guidance should this be the case, and I can offer that advice to you by making contact with me via my website. Valuing sites ripe for development is a very specialist subject.

SUMMARY

The main methods of valuation are the yield based for tenanted or commercial, which will value the property on its cash flow, bearing in mind this will differ from area to area – in Liverpool, for example, the yield should be between 12-14% gross for an HMO. A small shop usually sells for around 10% in Liverpool, assuming a short lease to a non-blue chip tenant.

Learning how to compare properties in your chosen area by researching and exposing yourself to as much data as you can will enhance your skills at making more accurate valuations.

Subscribe to property sales websites like Rightmove, which will allow you to set up alerts on your preferred areas and show you the latest properties for sale. Then click, read all the data including location, size, amenities etc, and take it all in so you are actually learning rather than just clicking for the sake of it.

If there is thing you can do to improve your valuation skills, it is to watch all local auctions live as they happen. Watching them is key, and that involves making notes about the bidding, watching the auctioneer and his body language, and knowing when a property has surpassed its reserve and is probably being sold for way over or under its true value.

I can't stress enough, however, that the cheapest deals I have achieved throughout my career so far have been done by walking the streets. One of these in particular was the nursing home, mentioned previously. It was in the early days of my career and I didn't really have the experience to make a true valuation on it, but I assumed I was getting a good deal. A developer I know bought it from me and I made a good profit. But my inexperience and rush to sell it on meant I hadn't realised at the time that should I have held onto it I could have made a substantially larger profit. I found this out when I discovered its new owner had gone on to sell it himself and made in excess of £500k. My fantasy at the time, of being the next Lewis Hamilton because of my love of motor racing, pushed me into telling myself I needed the money to fulfil my dream, and looking back in hindsight, now knowing that was never going to happen, meant I ended up losing out. Even though, like I said, I did make a profit myself, I could have made a much better profit if I'd had the knowledge back then that I have now. Fortunately for me, this developer and I have become good friends and he has taught me a great deal over the years.

"A valuation a day keeps the bankruptcy court away". This is my way of telling you to keep trying to value properties every day. Keep looking at every new property that comes onto the market and keep a very close eye on live auction sales as they happen and not just reading the data after the event.

CHAPTER FIVE
THE 'TRICKS OF THE TRADE' OF THE AUCTION INDUSTRY

I'm a big fan of selling at auctions, but more cautious when it comes to *buying* at auctions. Buying property at the auction is not for the faint hearted, as, like all financial decisions, there are risks as well as rewards.

This chapter isn't suggesting the auction isn't a great place to grab a bargain, but I want to draw your attention to the sharp practice of some of the industry. However, these tricks are not the 'norm' as most auction houses are largely honest.

Trying to value an auction lot is a challenge, often because there are vague and minimalistic descriptions and often missing paperwork. This is an industry without full disclosure. The legal pack or other undisclosed issues are sometimes deliberately hidden by the vendor. Another common problem is misdescription; for example, something presented as a larger piece of land or parking space, and realising this is not actually the case after closer legal attention.

In terms of current trends, the biggest for many unsuspecting buyers is fees, or extra fees, on top of hammer price. These are often discovered to the surprise of many buyers, after purchase, because they simply do little or no due diligence and because some auctions don't exactly make it easy to find or understand the fee information.

So, why are auctions risky? And how do you reduce your overall risk? The best way to reduce your risk at auction is to allow yourself as much time as possible to do your research. You should have enough time to complete better due diligence and bring in the right professionals where needed so you are not on the back foot all the time, i.e., pushed into making rushed decisions without all the information at your fingertips.

Starting your due diligence ahead of the competition decreases your risk and helps level the playing field. More time means better due diligence. Buying right at the auctions, means you need to accurately value a property, but with Land Registry data being three to four months out of date, you might ask how this can be achieved. The answer is you need all recent auction sales price data, and even though this information is available, it is hidden behind a paywall.

The auction house understandably wants to instil a sense of urgency and with the hope of a bargain, push buyers into making fast decisions on the premise of finding a great deal and that elusive bargain. The event and atmosphere are unlike any other: pushing our sense of rationality and inherent (normal) caution away with the wind as we get emotionally involved and drawn into FOMO.

The auctioneer wants a successful event by creating sales hype to draw us into the 'Fear of Missing Out' (FOMO) with low and sometimes misleading guide prices. This is all part of the additional hype with sales suggesting previous successful auctions were 70-80% sold. This misconception isn't so accurate, as this figure doesn't take into account withdrawn lots, often withdrawn because of lack of interest. There is also a common misconception that property sells for crazy prices, and most of the time they do. But, that's not the true story of guide prices. What is really happening is that lots get offered with crazy guide prices in order to draw buyers into bidding in the hope of finding a bargain.

All this leads me back to understanding what levels of due diligence are really needed. When I look at an auction lot, I have a few fundamental questions I need to answer before I can honestly say that I completed a reasonable standard of due diligence. The fundamental problem will be trying to work out if you have, in fact, purchased a bargain, and unfortunately, it's common for many to realise this *after* completion, rather than before.

Given the obvious, but not insurmountable challenges, you need a clear idea in your mind as to what the most important queries or questions you need answered are, which might enable you to at least *try* to level the completely unlevel auction casino playing field.

In order to do this, you need the most up-to-date information and specific auction sales history data. I do my comparables based on auction sales data as well as generally available non-auction sales price data. And a valuable source to this information is a paid subscription to EIG Auction Data, which will give you access to the latest general sales prices and previous auction entry only figures.

This source is the only weekly updated sales market history tracking information, unlike the Land Registry. These figures are updated every time there is an auction and it is the only place where you will be able to ascertain recent price details. In addition, it shows you how many times a property has previously been through a UK auction. It shows current sold prices without having to wait three or four months for the information to be updated on the Land Registry. EIG gives historic sales entry and price data also. I have no affiliation with EIG whatsoever, but it is an invaluable resource if you want more accurate valuation information.

Below is an example of the main questions you should consider asking:

- Is there anything in the title or special conditions stopping it from being bridgeable now and mortgageable later, and what are the likely costs to resolve these issues?
- What are the reasons why it has been entered into the auction? And is it one of the 30% of properties which have already been through the auction? (EIG Data is the only source to find this information.)
- If there is a tenant in situ, have they signed the appropriate contracts, and if not, am I likely to secure vacant possession in future with the tenants' agreement?
- Assuming it's a refurbishment project, how soon can I get my Quantity Surveyor and Structural Engineer to assess?
- Are there any legal restrictions for developing the property, or, if it's land, are there any overage clauses?

I will cover how I answer the above questions through this chapter, but I want to start by trying to highlight the fact that the odds are stacked against buyers.

Think of the auction house as a bit like a Casino, where the odds are stacked in favour of the house. Because of the lack of disclosure requirements under current legislation, the odds are firmly stacked against buyers.

Why auction due diligence stacks the odds against you

One of the key legal differences when it comes to due diligence between auction sale and a conventional sale, is that pre-auction legal enquiries can be raised by your solicitor with the buyer, but the seller is under no obligation to respond, and, if it’s a problem property, it may not be in their interests to do so. This is the *key reason* why the odds are stacked in favour of the auction house and are one-sided, effectively passing on all the risk (and normally the cost) to the successful bidder.

Auction clauses further protect sellers by saying that anything not included in the contract cannot be relied upon if they turn out to be inaccurate.

Another common dilemma of buying at auction poses the question of whether you want to pay for legal advice for a property you may or may not win.

Unfortunately, although I strongly recommend you do not do this, in reality, most take the risk. They end up buying lots without knowing the true facts due to understandably being reluctant to pay for legal advice without the security of knowing they will win any of them. This further pushes the risks on to buyers who are in a difficult position of not wanting to spend on legal fees for a property they may not win. I strongly recommend you resist the temptation to buy in this way as it will come back to bite you!

But, like all risks, where there are risks and uncertainties, there are also rewards. The trick is, believe nothing you read in the catalogue, and be extra cautious and thorough with your due diligence.

You cannot rely on the information provided by the auctioneers being correct. The terms and conditions usually stipulate, "Buyers are to rely on their own searches", and with this in mind, you should always carry out your own checks before purchasing.

I'm not saying an auction is not a great place for a bargain; there *are* bargains to be had. But don't always assume you're getting a bargain, just because it's in the auction.

From my experience, some lots seem to go cheaply with at least 30 to 50% achieving higher prices than they would should they have been sold via a conventional Private Treaty. I have no statistical evidence to back this up, however. It is merely my view based on my own experience valuing and trading in property over three decades.

One important statistic to remember is that according to the platform which provides the (back end) management software for 98% of all UK auctions, i.e., EIG Auction Data, 30% of all properties have already been previously sold through auction.

These are often what I call "recycled bad ones" which are problem properties, often being unable to obtain mortgages, and some even unbridgeable (unable to refurbish or do anything with). These properties are recycled, in-and-out of the auction "Merry Go Round."

Auctions do, however, have their downsides in terms of lack of transparency and the challenge of de-risking.

I would argue that the current level for protection for buyers is reasonable given it's an auction sale, and as a professional you will have the opportunity to solve those problems and complications, and then add value.

On the auction Merry Go Round, I've often seen the same properties advertised a few times in a short period of time as problem properties get sold over and over again to unsuspecting buyers who effectively buy blind. These buyers do little or no due diligence and the cycle then repeats itself when each new buyer of a troubled property gets caught out buying a 'bad one. Then, they can simply re-advertise the same troubled property without disclosing its problems or sales history from another auction, knowing there will be plenty more unsuspecting buyers like them who have also completed zero due diligence. The only way to check how many times a property has been through the auction is via EIG Auction Data, and of which I would estimate 95% of bidders won't have accessed.

Pre-Viewing, Solicitors & The Neighbours

Find the right solicitor

The first thing you need is the right solicitor. I always advise clients I mentor to use a solicitor who regularly deals with auction transactions as those solicitors will understand the dynamics of an auction legal pack and are therefore better equipped with knowledge on the auction process. I recommend searching keywords such as, 'Auction Conveyancing' or 'Auction Solicitor', or have a look at the adverts in any auction catalogue. Never try to save money on a bargain price solicitor; they are over-burdened with too many clients, and a total disaster in my experience. When you pay for solicitors, you definitely get the service you pay for. This is obviously true for most services, and in the legal profession, more so than any other industry, the fee payable seems to have such a direct correlation to the service levels received.

With regards to allowing yourself more time to do your research, the clock starts ticking once the catalogue has been released. Giving yourself more time will give you a strategic advantage, and I start my research before I attend a viewing by doing my own unofficial viewing.

I start by checking sales price history on the Land Registry and the usual places online, but first, on EIG Auction Data. The other key issue here is that I am using previous auction sales as my sales history data, rather than using data from a conventional sale.

I then check that it's not an Article 4 Direction (a governed rule that will restrict planning permission for structural refurbishment, for example, turning the property into an HMO), or not listed, and then have a look at my local LPA (Local Planning Authority) Planning Portal, to see any planning history, including any floor plans from previous planning applications. I also check the EPC Register (Energy Performance Certificate) for floor plans, although they are not guaranteed to be accurate.

Once I've done my background data research, it's time to think about viewings. But, why would you wait for the official viewing, when you can do your own?

Personally, I don't like the rushed feeling of the official auction house viewings. Although we're spending considerable sums, we're all herded in quickly with no time to really understand the dynamics or structural problems inherent with the property. It's not in the auction houses' interest to give you enough time to find issues, as this reduces bidding demand.

I like plenty of time to complete my due diligence before the official viewing. I prefer to do my own (unofficial) outside-only viewing and I do this for the following reasons:

1. To give myself time to speak to the tenants and the neighbours.

2. To allow myself time to uncover any outside structural issues or Japanese Knotweed.

This will help me get ahead of the competition and enable me to make better buying decisions. To start my due diligence process, I will drive to the property and walk around outside, taking quality photos of the external area and structure. I spend plenty of time looking closely for any faults, including cracks, bendy lentils over the windows or bulges in walls, dodgy roofs, and any leaning buildings which may suggest subsidence. Without the rush of an official viewing, by doing this I am able to find any obvious faults in the structure and the grounds, such as signs of recently cut branches hiding Japanese Knotweed in the garden areas.

One of the most important parts of my due diligence is trying to find out the reasons as to why it's been sold in the auction. To find out this information before the official viewing, my unofficial preview is also my chance to talk to the neighbour or tenants in situ as they will often know the full history about the property, and in many cases, the reason as to why it's been put into the auction. The neighbours, too, often know the full history, and if you have a problem knocking on a stranger's door asking for help, then I respectfully suggest buying at auction just isn't for you! Another simple idea is to knock and introduce yourself as the potential future buyer and speak to the tenants. Sitting tenants are a valuable source of information and more likely to be in when you make your unofficial viewing, as they are often out during the official auction viewing.

The idea here is to do as much due diligence as soon as the property is listed, making it unrushed unlike the auction houses' organised viewing. I view the building as soon as possible after catalogue launch so that I have more time than the competition to work through my options, and this will give me extra time to bring in further professional help, like a structural engineer, at the earliest possible stage. The whole process is weighted against you carrying out due diligence in a timely manner, so speed of your work is vital.

Learning from my previous mistakes over the years, I believe the faster I needed to make a buying decision, the higher the chances became that I made a 'bad' decision.

Once back in the office, I do a viewing debrief, and then blow up the photos on my computer to have a closer look at anything which appears suspect. I have a good look overhead on 'Birds Eye View' and look closer at quality photos of all walls and the roof, zooming in on any areas which I feel may need further investigation.

Then, if anything is a potential problem, I will send these photos to my structural surveyor for comment. As mentioned before, it's key to be ahead of the competition and start as early as possible. More time gets you a better assessment on the potential risks, rewards and costs associated with remedial work, so you don't feel rushed into making decisions without all the information.

Tip:

I repeat again as it's so important, and will help improve your valuation knowledge, watch live local auctions in full, so you can see what's hot and what's not. Record the level of interest and number of bids on each lot, then review this data to establish bidding, price and yield trends. This is more effective than reading the sales history data on a screen after the live auction has ended.

Official Viewings

When it's time for the official auction viewing, I usually take a set of screwdrivers, super high-powered flashlight, a damp meter, and an electronic measuring device, together with a notepad and pen. I take a good quality photo of all rooms, plus a photo of the electrical box, which is usually located in the hallway, and another photo of the boiler. Check for new paint or plaster hiding cracks, and furniture strategically located to hide issues.

The biggest cost apart from any structural work like underpinning, will be the need to replace the roof or replace floorboards, so look out for this. If floors are not very level, this can make a big difference to your refurbishment budget. Asbestos is also another big cost, so take lots of photos if anything looks untoward. I walk slowly around each room looking for faults and taking it all in at my own pace. Don't allow the auction viewer to rush you. It is really important to concentrate on the job in-hand, avoiding the temptation of chatting to the others who are viewing the property, and spend a good half an hour taking lots of photos and looking for all the obvious faults, cracks and bulging walls. In my experience, the bigger the crack or bulge, the more expensive they will be to remedy.

The official auctioneer viewing, for me, is focused on the inside only as I will already have a good idea of the outside condition from my previous unofficial viewing. The official viewing is effectively my second look at the property, even though I didn't have internal access for my own private viewing. Remember, my own private viewing was spent taking quality photos of outside walls and the roof, and looking for all outside faults including Japanese Knotweed, which will be an instant refusal for a mortgage. It is also expensive to remove.

Tip:

Structurally, if the property looks in any way suspect, don't waste money on a RICS Building Survey (Royal Institution of Chartered Surveyors). They will merely advise you to obtain structural advice, if anything structural is found. I, therefore, go straight for a structural survey by taking my structural engineer and quantity surveyor to a second official viewing, as most auctions will have at least two official viewings. Once the hammer falls, the clock is ticking, and I will then politely insist on access to carry out further inspections. If the auction house refuses access during exchange, I often suggest it may delay completion and security of my funding, which I find tends to be the door opener. Do not be tempted to do any building work without employing the services of a quantity surveyor before you even speak to any builder, otherwise you are building blind without independent professional costing advice, which your builder definitely won't provide. Without a quantity surveyor, I would guess you have an 80% chance of cost overruns and disputes, or falling out with your builder, which is very common.

Legal Pack and Special Conditions

The next stage is to have a closer look at the legal pack. I strongly suggest you employ the services of a solicitor and do not buy any property at auction without your solicitor reviewing the legal pack first. It amazes me that most would never consider buying a less risky conventional property through an estate agent (with disclosed faults) without a solicitor, yet many are happy to buy a property (with undisclosed faults) at the auction, without asking a solicitor to look at the legal pack.

In the legal pack it is also common for there to be separate special conditions relating to each property in the sale called 'The Special Conditions' and 'The addendum'. The addendum is effectively an update of the special conditions and usually available at the last minute on the day of the auction. It is vital you pay very close attention to both. Such special conditions of sale could, for example, impose new restrictive covenants on the property, requiring the buyer to reimburse the seller for the cost of searches and remove the buyer's right to raise any requisitions on title after the auction.

The most common and growing onerous area to beware of is what the terms say about the fees, as a clause obliging the bidder to pay the seller's legal costs could prove to be quite high. Furthermore, many auctioneers charge a 'Buyer's Premium', which is another fee payable by a potential buyer to the auctioneer directly.

For example, here are the fees from an Auction House North West listing recently:

> "Additional Fees Buyer's Premium - 1.2% including VAT, of the purchase price payable on exchange of contracts, PLUS an administration charge of 1.2% including VAT, of the purchase price, subject to a minimum of £1,200 including VAT, payable on exchange of contracts."

Title Document

There are often 'charges' over the property or 'unilateral notices' and these need to be discharged and paid off on sale completion. But from my experience, unfortunately this doesn't always happen before completion.

If a property has ever suffered from subsidence, damp or Japanese Knotweed, these should be declared in the legal pack and warranties provided. However, I often find the work has only been partly done and not completed to a good standard, or that the work is no longer covered against future issues, or, worse still, there are unsolved current ongoing issues. Often, there are no warranties for this work; the warranty may have expired or the company who provided this warranty no longer exists.

Tip:

Be extra wary of missing information and poorly drafted legal packs, or one that is uploaded very late. Look out for building control or council enforcement notices: these are normally located on the 'local search'. Also, check the title document copy has been recently downloaded from the Land Registry as if it's an old copy, someone could have since registered some new changes or notices.

Leasehold Property

Leasehold apartments can have any number of other issues, which should be declared in the 'Leasehold Information Pack'. Older conversations often do not have any management company in place, which will be a problem for some lenders. Some older flats may have conversions where the title of each flat was split and where the developer didn't bother to set up or employ a management company to manage and maintain the common areas. This is automatically done for new builds.

Where leasehold properties are concerned, one of the most common issues is establishing there are no outstanding liabilities which could be transferable to you.

You also need to know who controls the management of the building and how well it has been maintained. Has the freeholder gone 'missing’? This often happens. Are there any major works planned for the building, and, if so, do they have enough money in the sinking fund (i.e., a fund set aside for future expenses, such as maintenance, debt repayments, refurbishment costs)? If not, you may have to pay out yourself, which means an increase in your monthly costs, thus making it less saleable should these costs rise too much.

Worst case scenario could be a substantial bill for you to pay for upgrading outside cladding, post the Grenfell disaster. A recent article published in March 2020 by Inside Housing summed up these difficulties:

> “Inside Housing has spoken to a resident living in one block in Birmingham that has seen its building insurance premium increase by more than 390% this year, from £39,000 to £191,000, which will have to be split between the tower’s 141 households. Other blocks have seen their insurance cost more than double. Residents of the Islington Gates development in central Birmingham were made aware that their block had dangerous cladding last year and are now facing a combined bill of £8m – between £35,000 and £100,000 per leaseholder – to cover the costs of removing the cladding and other fire safety measures.”

One of the most common issues you will face as an auction buyer in terms of being able to mortgage flats is, anything above a food outlet severely restricts your lending options with funding via a commercial investment mortgage, rather than a standard buy-to-let mortgage. Another common issue is forfeiture of the lease for unauthorised alterations carried out by the seller, which was already subject to forfeiture proceedings by the landlord. This can leave the service charge account massively in arrears. I have noticed that instead of these arrears being discharged by the seller as is normal in a conventional sale, the special condition sometimes makes you liable for these arrears, plus the liabilities from disputes or proceedings.

Points to take into account:

- Any flat with a lease less than 75 years will be impossible to mortgage, yet many traders buy these as they are a good potential opportunity.
- Any blocks over ten storeys can be problematic, although blocks in London tend to be easier as high rise is more common there.
- If the property has been tenanted by a tenant before 15th January 1989, then the tenant could be considered a regulated tenant which is another issue for lending and for you getting vacant possession in the future.

  Flying freeholds or creeping freeholds are also problematic where part of your property goes over or under a neighbour's property, or vice versa. This could be a balcony overlapping a neighbouring property, or perhaps an added room that overhangs next door's driveway. A mortgage may be difficult to obtain or only given as long as the flying freehold is within certain size limits.

  The important question to ask is if it is currently bridgeable now or mortgageable after issues are resolved. If not, can all issues be resolved under your control so that it can at least be bridgeable to complete for the auction and mortgageable at a later stage?

Tip:

Talk to the other residents in any leasehold block of apartments; they are a valuable information resource. Don't be afraid to knock on neighbours' doors.

How do you measure value at auction?

Any adverse findings in the due diligence process should determine the price that you are willing to pay. Unfortunately, the risk with auction is trying to uncover them when, in some cases, they are deliberately hidden. Often my potential profit is based on a judgement call even after I have done as much due diligence as possible.

Given there are issues with a property, does this mean you always get the appropriate discount to reflect the costs of any remedy? The answer is that sometimes you do, as with a problem property you *would* expect an appropriate discount. But, because the playing field isn't always transparent, this isn't always the way the auction market works. Sometimes you get the discount to reflect remedial costs, especially if the issues are clear and disclosed, though sometimes you don't.

Comparing a Private Treaty

In a normal everyday Private Treaty Sale, a property unable to obtain a mortgage should be worth circa 15-50% less than one which is mortgageable. However, in practice for some (not all) auction sales from my own experience, I find that many buyers end up paying the full value without that discount. That's because it's an auction sale, where people get Fear of Missing Out (FOMO) and where you don't have the time to uncover often deliberately hidden issues, or, indeed, where many didn't bother to instruct a solicitor to read the legal pack.

Many also get too emotionally and financially engaged in the process and then end up bidding over the odds as they are desperate to realise the dream of buying that perfect auction property. I measure value by how much work, hassle, stress and uncertainty I have to endure to get a suitable profit from a lot. The more hassle, the higher the return I expect, and the amount of profit depends on how desperate I am for a deal at the time, or to make that profit. But I always try for at least a 30-40% profit on any deal before tax, based on GDV (Gross Development Value), expressed as a percentage. If the project may take longer, I use IRR calculations (Internal Rate of Return), assuming I can accurately estimate cash flow costs, which is essential in order to calculate IRR correctly. The IRR, in effect, measures profit over the time you've spent on any project, together with the monetary value generated during the time you own it expressed as a percentage of interest. A longer project should give a higher IRR than a shorter time frame project. IRR looks beyond the property's net operating income and purchase price.

Contrary to obvious logic of getting a bargain in the auction, my view over three decades of watching the auctions is that many of the lots offered, if sold via Private Treaty, would, in fact, obtain a lower price through a normal Estate Agent sale. This is because of better disclosure in the sales literature, and because legislation protects the buyer, plus practically all Private Treaty buyers use a solicitor. When you think about it logically, it's utter madness as to why many buy via auction without a solicitor reading the legal pack. They are often not doing any due diligence on the property type that is most likely to have troubled issues. Then they exchange contracts via auction conditions which is a lot more onerous than buying from your local Estate Agent.

30% of all properties have already been previously sold through auction

When it comes to the 30% of properties EIG Auction Data reports say have already been sold at auction, often what happens is that because it sells through the auction, many buyers have not employed a solicitor or haven't carried out any due diligence before buying. This then leads them to paying a price which doesn't actually reflect the asset value because they failed to discover issues which they likely would have found should they have purchased via a normal Private Treaty. Unfortunately, some have the misconception that auctions are always cheaper, which just isn't always the case.

Covenants and their devastating implications

Covenants can tie you into ongoing maintenance costs, which devalues an asset or accrues other recurring costs, and can also stop you from developing or give rise to you paying someone else a claw-back payment on any planning gain. They are legal obligations written into the deeds of a property. These obligations need close attention by your solicitor as they can have a big impact on a property's value yet are discreetly hidden in complicated legal jargon. I have tried unsuccessfully over the years to understand them, so I always refer to my solicitor to correctly advise on their implications. I now use a specialist Covenant Expert Solicitor because of the challenges.

Covenants rule what you can and cannot do on the property or land. There are two types of covenant: positive and negative. Positive covenants are usually obligations to do something such as building work or fixing a fence, or perhaps contributing to the maintenance of a footpath, shared drive or road for example.

Negative (also known as restrictive) covenants prevent things being done on the property or land, like further development. They can range from restrictions on activities such as keeping animals, to restrictions against trade or doing business on the property. The one to look out for and one of the most common issues that auction buyers tend to have is a covenant which affects the ability to obtain a mortgage and restricts the use of the property to a 'Private Dwelling'. This makes it difficult to mortgage (not bridge) for a buy-to-let lender as many will refuse. Although, limited lenders may accept covenant insurance.

You need to understand their hidden implications as they can have a big impact on development potential in particular, by restricting development. From my experience I have found the newer the covenant, the harder it will be to overcome with covenant insurance, which is a common method to resolve covenant risk. There can be recurring costs which you will be responsible for in the future, and any property that has a legally enforceable recurring ongoing cost to you, the buyer, has an impact on the property valuation as any monthly costs for you are effectively a liability. I have learned over the years that many older covenants are not enforceable and there is case history to support this. Ultimately, it's a matter of how any future lender looks at your particular case, as it's one thing having a covenant and another issue to understand how it affects the mortgage. Often, you won't find this one out until the deal goes through the final stages of the legal process.

Tip:

Use a specialist solicitor for any covenant issues. I find all solicitors *claim* to understand them, but this isn't my personal experience. Many covenants may be enforceable if over 30 years old, but each case is different, which is why you need a specialist solicitor. Feel free to contact me at www.henrydavisproperty.com for recommendations.

Boundary and Lease Plans

A few basic questions you need to ask are:

1. How many years are left on the lease?
2. How much is the annual ground rent and monthly maintenance?
3. Does the maintenance have escalating costs?

Check that the boundary plan correctly reflects the actual boundary map copy in the legal pack (go on Maps and click on Birds Eye), and check if the boundary looks like it should do based on reading the boundary map you got in the legal pack. If it's not in the pack, download your copy from the Land Registry.

Another common problem concerns the lease plan in an apartment block and if it doesn't actually reflect the apartment configuration. This happened to me once when the previous leasehold owner decided to reconfigure his apartment, but without permission from the freeholder. The apartments were listed as two-bed apartments, but when my solicitor read the lease plan, the apartment I was interested in was actually shown as a one-bed apartment on the Land Registry, and it was unlawfully converted with an extra bedroom without the freeholders' consent. Effectively, it's a one-bedroom apartment and should be valued as such, but if you don't read the lease plan you can easily end up paying for an illegal conversion which is worth significantly less.

Boundaries

Make sure the boundaries are clearly defined, edged in red and shown by reference on an HM Land Registry compliant scale plan. Inspect the site and make sure the physical boundaries on the ground match the plan and that there are no anomalies. A plot will often be formed from part of an existing dwelling, someone's garden or one of several adjacent self-build plots. Make sure they are accurately indicated to reflect the scaled plan.

How Overage Clauses Kills Profits on Land

Although overage is technically another form of covenant, I feel overage clauses deserved a special mention. It can cause absolute devastation on land value in particular, yet it's a challenge to work out the exact impact in percentage terms of original sale price. Overage clauses often give rise to legal disputes because of the legal complexity when it comes to their enforcement. This is a hidden clause in the title deeds, which can sometimes make or break a deal when it comes to land in particular. An overage clause is also known as claw-back or uplift. The concept is that if planning permission is obtained after purchase, the seller will be entitled to a share in any uplift in value. This sounds simple, but provisions of this nature give rise to a wide range of legal implications as to how the overage will be calculated. This can be complicated and requires close attention from your solicitor.

Overage clauses may have tax implications. If an overage payment is triggered, further Stamp Duty Land Tax (SDLT) may be due on completion of the purchase, and the buyer could end up paying this on the purchase price, plus the estimated enhanced value. In the case of a commercial property, if the original sale was subject to VAT, then VAT may also be due on any overage payment.

It is often used to protect against the risk of embarrassment should the new buyer achieve a significant profit from quickly re-selling.

This clause, often designed as a positive or restrictive covenant, may severely impact your profit opportunity, especially when buying land. I have seen many developers over the years buying land with these complicated clauses because they didn't bother to instruct a solicitor to read the legal pack. Land with overage clauses is often sold at auction because in a Private Treaty sale, their complications give rise to extended negotiations. This inevitably results in additional legal fees and delays, hence why auction is an ideal sale platform for sellers. I also think sellers know a particularly onerous claw-back simply won't receive the same level of due diligence, which would occur during a Private Treaty sale.

Worst case scenario

I've only had one property on which I was unable to raise a mortgage or even a bridge, and that was a commercial property with tenants in situ who had not signed a tenancy agreement. Given auction timescales, it's not usually possible to raise a conventional mortgage on an auction property anyway, so most buy with cash or a bridging loan with a view to getting the property to a point where it's mortgageable at a later stage.

Most property is bridgeable, but although I purchased this property, and because the current tenants were in situ with no formal written contract, I was unable to raise even bridging finance. And with a separate property, I also had only one lending option (Fleet Mortgages) available to me with low LTV (Loan-to-Value) and a valuation that was quite frankly a joke. This was to re-mortgage an old conversion of flats, completed before my purchase, where some of the rooms were below the current minimum room size. It was very challenging and although lenders always knock you down on valuations, Fleet Mortgages were particularly ruthless in terms of *their* valuations. This left me very unhappy with the LTV or the valuation, which was way below anything reasonable, despite me providing relevant comparable valuation evidence. Once I had provided this evidence, they kept changing the rules, but as they were the only lender available, I had no better option.

Generally speaking, most lenders do not lend on properties valued below £50,000. If a property is not habitable, with structural issues or with a non-compliant EPC, it will not qualify for a buy-to-let mortgage, but you *will* be able to use bridging finance.

It would be very unusual to be unable to raise at least bridging finance, but as far as making a property unmortgageable, here are a list of issues which will challenge lenders:

- Tenants in situ with no written contract is both unmortgageable and unbridgeable.
- Derelict or non-standard construction, including any flats with a lease under 75 years or blocks of flats. Any blocks over ten storeys can also be problematic.
- Ex local authority, especially with entrances to flats along an exterior corridor, and don't have their own separate access via an internal entrance hall or stairwell.

- Grade I Listed Buildings are a challenge to mortgage and likely to fail the new Minimum Energy Efficiency Performance rules.
- Granny flats and annexes, as lenders prefer single unit properties and this may take the property into the specialist lending area.
- If a compulsory purchase order is in place.
- Properties with mixed freehold/leasehold titles. This is where the landlord may own the freehold title of a multi-unit block of flats but some of the flats within the property are on long leasehold titles, which may be owned by others. Lenders prefer the landlords to be the sole freeholder of the block, again bringing the property into the specialist lending area.
- Properties where there are boundary disputes or where planning applications have not been applied for correctly, although lenders may in some cases accept insurance for any future claims.
- Japanese Knotweed or Himalayan Balsam will also stop a lender until the weed has been correctly eradicated and suitable warranties provided.
- If flooding is a common occurrence and it's uninsurable for flood risks, or near a landfill, mining works or an area of known subsidence, which appear in search results.
- There's been a recent trend for builders to sell homes on a leasehold basis with the ground rent doubling every ten years. However, the Government are taking action to resolve this.

These are all areas I believe you may have particular difficulty to mortgage, but the many other issues which may be of a lesser challenge are those such as flats over commercial premises, mixed-use properties, properties with mixed freehold/leasehold titles, properties with flying freeholds, kit houses, log cabins, colt bungalows, property with sitting tenants or regulated tenancies.

Property Traders' Tricks of the Trade

I asked some of my contacts in the auction industry for their take on some of the sharp practice on the auction business, and in particular some of the tactics property traders get up to. These are the auction attraction & auction killers. These guys don't buy investment properties, they buy a commodity to sell and even if they sell at what they paid for it, they would still make a profit via fees with no capital gains tax payable. So, they only have to get what they paid for it, and then can add thousands in fees to the hammer price, yet still make a profit.

If a property has been sold multiple times, the reason for this is generally that a trader has bought before, after or during auction; they tend to like to buy before or after as the figure it sold for is not disclosed. By doing the deal pre-auction, there is no sales price history.

Another reason it is recycled is that the seller bought at £25,000, plus costs, then they enter it into the auction for £5,000 with £20,000 fees, but if the bidding stops at £20,000 they will either bid on their own or get a "friend" to bid on their behalf and effectively buy back the property. Therefore, the only cost to them is the auctioneers' selling fee and they will try and sell it again at the next auction.

My advice concerning the legal pack is to check who is selling the property, if it's an individual sale of an inheritance, if it's a liquidator or asset manager, if it's a part exchange company (growing), or if it's a limited company.

If so, you can do a check on them and see what they do. I think this is an important part of your due diligence. Do be extra cautious if it's a property development company or a trader who's selling.

Also, with the legal pack, it's great that you read it as soon as possible. However, what about the special conditions the unscrupulous sellers add the day before auction? I have came across many first-time buyers view ten houses, their solicitor reads the legal pack and declares it all to be legitimate, only to then get ten update emails that they don't read, which will inevitably catch you out.

One general trick of the trader is to put their lot behind a very popular genuine lot, and if thirty people are bidding where only one of them can win, there will then be twenty-nine bidders ready for your lot who haven't read the legal pack.

Auctions generally sell 70-80% of their auction lots, so always beware of the auction house which sells 99%. Ask yourself who is buying these lots and if any of them recycled.

SUMMARY

Beware of words used in the legal pack rather than numbers, when referring to fees. As with a more trustworthy auctioneer, all fees are in numerical format because they have compliance officers (ex-solicitors) who check every single legal pack. If the auction house you are using has worded fees, it highlights that their clients are complicit in the deception, and, my advice is to avoid the auction house, or you will be stung. These are also the auction houses that have a huge amount of ridiculously cheap properties in their catalogue.

One of the most important aspects to focus on is that you need to start your due diligence ahead of the competition by being ready the moment the property is listed on the auction website.

Perhaps there's a right of way through your property or maybe even the property should never have been built on this land in the first place. Once you have understood the legal pack, it is advisable to take out Covenant Risk Insurance through a specialist Covenant Risk Insurance company.

It's important that you're the first to get the details of the property for sale. By doing your own unofficial viewing first, you'll be way ahead of the competition if you start your due diligence before everyone else.

It's paramount to understand the legal pack, and you'll be putting yourself at risk if you were to buy any auction property without this knowledge. Most people would never buy a property through an estate agent without getting a solicitor involved. Some would, of course, and many do buy a property at the auction without getting a solicitor to read the legal pack. But the auction sale is the one most likely to give you problems in terms of the legalities. This area has high risks if you fail to learn about the hidden clauses and any arising issues that could pose problems after sale.

The auction platform is a high risk area, therefore, you should instruct a solicitor before your auction purchase. I imagine the vast majority of people reading this book will be buying a property at the auction in need of refurbishment, and it's such a common aspect for people to not only overpay, but then underestimate the refurbishment costs, which will make a total mess of managing the actual construction project. The easiest way to stop that happening is to instruct a quantity surveyor.

CHAPTER SIX

ASSESSING BUILDING COSTS, AND WHY SO MANY GET IT WRONG.

Given most of us in the property business will undertake building works, I decided to write this chapter as I feel it's one area I wish someone had explained to me when I started in the early 90s. The most common mistake made by people undertaking building work, is their failure to engage the services of a quantity surveyor to correctly estimate building costs. It's that simple, and had I known this when I started, I would have saved myself a lot of time and stress.

Many of you reading this book will be budding property developers, or at least considering your first property refurb. Maybe you are buying your first house and want to do it up in order to sell it on for a profit. I want to give you a good insight on the undertaking of your project; advice and information which is used by myself and major house builders. Don't expect to find spreadsheets, graphs and technical information in this chapter, but do expect to learn at least a basic knowledge of how to move forward in a professional and efficient way in order to get the best out of your building project.

It is quite common in the property industry for people to buy a property for refurbishment only to make a massive error in underestimating their building costs. It isn't unusual for new investors or inexperienced developers to overpay for a property in need of refurbishment because they haven't done adequate research to accurately assess the amount of outlay needed in order to refurbish the property. And one of the main errors many make is to try to work out themselves (with their builder) how much it will cost to carry out building work, rather than do the sensible thing by hiring a quantity surveyor. Put simply, they rely on their builder to do the estimating, instead of employing an independent costing professional.

Avoid This Common Builder Trick:

So, let's take a common scenario or situation: You meet the builder, show him the job and obtain a builder's quote. You agree to a deal as it seems a good price, so he gets the work. But, as the project progresses and you get into the nitty-gritty of the project, it later becomes clear that he hasn't really investigated the condition of the building properly, and it's now apparent right in the middle of the project, there is loads of extra work required because you haven't independently assessed the condition of the building and accurately costed the true scope of all the work involved. That's because you haven't employed an independent estimator and building work advisor expert, who is commonly known as a quantity surveyor.

What often happens is despite the builder giving you a detailed quote, you now have new and extra (unscheduled) work, which is extra margin profitable work for the builder. Given you are halfway into the project, the builder now sees you as a "Captive Audience Client" as he knows you won't want to sack him and get a new builder half-way through the project. Then, midway through, he requotes you for these unscheduled extras and what you will find is that his prices suddenly rise for this additional work, which wasn't previously scheduled. Not a surprise, since your builder hasn't really investigated the condition of the building to the level of detail required, to avoid common nasty surprises during a project.

I call this trick the "Profit Margin Creep" trick, and it happened to me many times when I started because I failed to employ a quantity surveyor. From my experience, many builders know fine well they provide a "loose estimate" without doing a full and detailed building investigation, and as a result, there will be loads of extras. Because this is high margin work, it's not in the builder's interest to advise you to employ a quantity surveyor to independently audit the works before starting to prevent unaccounted-for extras suddenly appearing out of thin air. So, the more unaccounted extras, the better it is for the builder and the more stress and cost it is for you. This is common bad practice throughout the building industry. If you fail to employ a professional middleman between yourself and your builder, this is a mistake as this is your protection, to avoid sharp practice.

All the larger house builders and professional developers employ a quantity surveyor, and it still never ceases to amaze me how many people I meet in the business (usually smaller developers) who still fail to understand the basic principles and the process in accurately estimating building costs.

The biggest mistake people make when taking on a refurbishment is deciding to start it without enough information such as accurate building costs and projected cost implications, all fundamentally caused because they failed to engage a quantity surveyor.

If they understood these complexities before exchange, they could have walked away and saved themselves thousands, because they would have done an accurate building cost appraisal before starting.

Understanding the scope of all the work, meaning how much works need to be done and having a detailed schedule of the costs should be understood *well before* exchange, **not after.** Unfortunately, estimating after exchange is a very common mistake made by many in the industry. They rely on their builder for estimates and project management only, ending up with incorrect estimates and poor project management, which effectively means you will waste months of time-consuming hard work for no profit gain at the end. Some builders will take advantage of your lack of knowledge and your failure to have a proper legal contract **between you and him,** and this could result in added stress on top of a poor profit margin, if any profit at all.

Dealing with builders and cost control, purchasing materials and having the experience and knowledge to project manage your refurb is very specialist work and can be a nightmare if not done without professional help. One thing I have noticed in the industry is how many people fall out with their builder due to feeling they have been ripped off. In some cases, they have. But in many instances, neither builder nor developer has a true understanding of the correct process.

For example, in Italy, a quantity surveyor is more widely used and recognised. If you contact a builder for a quote here, they will not supply the quote or even speak to you directly about costs unless you have employed the quantity surveyor yourself to act as middleman between you both.

I have met many people throughout my career who have complained about bad experiences with their builder and I see the unfortunate consequences of this all too often. A well-known example highlighting the common mistakes inexperienced developers make can be viewed on the BBC television programme, “Homes Under The Hammer”. I watch the participants on this show like lambs to the slaughter, seeing how little they know when it comes to dealing with builders and project management. Then, they have a double whammy of overpaying, and spend three or four months working tirelessly on their refurbishments, only to realise they have massively underestimated their costs due to not hiring a professional to do the costings before exchange.

It’s all well and good to want to make your mark on a property and refurbish it to make a profit at sale, but overpaying for the property then underestimating the costs will always put you in a difficult financial position. Of course, this is common sense, but many keen developers could have saved themselves huge amounts of money if they’d bought a property already refurbished and perhaps even tenanted, if they are buying to let. This is because they would have received the same return on their investment, or same rental yield, and saved themselves a lot of stress in the meantime. Why bother to undertake a massive refurbishment project with a poor return because you have underestimated your costs, when you can buy a ready-made property and achieve the same return?

A refurbishment project should create new equity by adding value, which means you are actually getting paid for the work that's been carried out when you sell your property on for a decent profit. Put simply, you have achieved the financial compensation for your hard work, together with any risks you have exposed yourself to. And, as I briefly mentioned earlier, the reason many fail to accomplish this goal is because they underestimated building costs and didn't employ a quantity surveyor. So many people who don't follow this advice usually find themselves unable to achieve any profit margin after the work is complete, and therefore have limited options when it comes to selling it on, and this is so common. So, don't fall into this common trap.

A couple of hypothetical examples of a common mistake:

- Property 1 - already refurbished and tenanted: you buy this on the open market, which gives you a rental return of 8%. No hassle, you just buy it, and it requires no refurbishment work.
- Property 2 – You buy what seems like a cheap property; it's a refurbishment project, which you spend three months working on, then find a tenant when it's completed and it provides you with the same 8% yield. You think you've made a profit, but have you really?

However, after all the work, you still only get 8% return on Property 2. You may feel that's a decent yield for your hard work and the hassle involved throughout the project. But, have you worked for months for nothing?

Tip:

Have a fairly accurate estimate of building costs *before* you exchange contracts. To do this successfully, you need to employ the services of a quantity surveyor, who will advise you on costings together with advice on the scope of the works. This avoids lots of 'extras' appearing midway through the project and keeps your builder on a more honest and professional footing.

Agree a deal, employ a quantity surveyor to accurately assess costs, then proceed after he has completed a **Schedule of Works** and a **Bill of Quantities**. If building costs are too high and the deal doesn't stack up, now that you have all the information, you can always pull out of a deal any time before contracts have been exchanged. The whole process is about Risk Management, and without the help of a quantity surveyor, you simply should not be taking on a project with the risks involved. I can confirm that hiring my first one paved the way forward for me, taking away all the stress from a project.

Quantity Surveyor – the "Risk Reducers" and "Feasibility Experts"

The importance of employing a quantity surveyor is second to none. Their expertise covers a wide range of areas when it comes to your building project, some of which involve determining costs, building control and project management, structural issues, building product specifications and being able to keep track of the project as a whole. For me personally, I will never work with just a builder if the cost involved is over £15,000; I will always employ their services.

They will teach you about construction and they will also take responsibility for the devising and signing of the contract between you and your builder. This is commonly known as a JCT Contract in the building industry (or Standard Building Contract).

Like a good solicitor, a professional quantity surveyor is an expert in costing projects and construction management and will be able to secure the whole project management process on a proper legal footing. They will study property specifications accurately and provide precise local labour and work costs, meticulously calculating the quantities of materials required for the build. This area of work is commonly known as the Schedule of Works, which incorporates the Bill of Quantities, and I strongly advise you NOT to start any project without your quantity surveyor completing the Bill of Quantities first.

Builders will pay attention to the quantity surveyor in the same way you would listen to your GP on medical issues. They are highly regarded and respected by any builder as an independent and professional middleman. Part of their job is to reduce construction costs, often saving you far in excess of their fee by keeping a tight control on cost. This, in turn, significantly reduces the risk of overruns and disputes between you and your builder, which is commonplace throughout the industry if you do not employ a good quantity surveyor. Like I said previously, projects over £15,000 are much more likely to fail should you not employ this expertise, and I read about it happening far too often from people reiterating their experiences on social media platforms such as Facebook groups, where so many simply don't understand why it's such an important aspect of property development.

Think of the quantity surveyor as an insurance policy: they will benchmark project costs from the Building Cost Information Service to ensure you pay the going local rate and no more. The BCIS provides cost and price information for the UK property industry and is part of the Royal Institute of Chartered Surveyors (RICS). With their understanding of Building Regulations, they will also advise on aspects of Building Control, although this isn't strictly in their remit. The quantity surveyor can be the difference between a successful project and a disaster. They will significantly reduce the risk of element together with the chances of contractual disagreements and will advise on saving costs whether it be from a design reconfigure or a specification change, to buying the right materials at the correct price.

If you need builder's quotes, the quantity surveyor will supply you with a tender document to allow you to compare and review the best prices.

I am often offered projects to partner or invest in by others, some of which have not been professionally costed and assessed. I never go into any undertaking when this is the case, as in my view, this is effectively taking a massive gamble. It is never a good idea to partner or invest in any joint venture which has not been costed by a quantity surveyor. In my opinion, if this is the case, you should walk away.

SUMMARY

Employ a quantity surveyor before speaking to any builder or even buying the property. As a key player in the project, they could be the difference between it being a success or a failure as they will reduce the risk element and provide accurate feasibility costs. Always ask for details of their fees and any payment schedules in advance before making your final decision on who to hire.

And I strongly advise you never to consider any development work until you have secured the quantity surveyor you intend to work with. Once you have verbally agreed to the purchase on your chosen property, arrange for him to attend the building with you and he will then provide the full Bill of Quantities, which will then give you a better understanding of the refurbishment costs.

Have your specification agreed and then your quantity surveyor can accurately estimate the costs involved. He can either work from building plans or visit the property in person if there are no building plans available. He will go through each room and precisely detail estimates and figures, and you will be surprised at how accurate his information will be.

Something I've noticed on various Facebook groups over the last few years is how many people interested in entering the property industry have never heard of a quantity surveyor, and if they have, they don't have an understanding of what he actually does. As I've mentioned previously in this chapter, he is the middleman between yourself and your builder; he is the one person who can stop you being ripped off or allowing things to spiral out of control because of your lack of costing and Project Management skills when it comes to building work. He knows about building control, structural issues, Health and Safety, and he's the person who arranges for you to sign the all-important JCT Contract (the standard industry contract) between you and the builder. He is your insurance policy to protect you against risks and the complex elements that often arise during the building process. He has the experience that you don't have, and that's the reason why it's essential to make sure you have him onboard, thus helping you to achieve a higher return and better profit margin. Don't trust a builder to estimate costs or manage your project; you need an independent and impartial expert working for you and not for your builder's interests.

CHAPTER SEVEN
FINDING THE RIGHT INTERIORS, DESIGN AND FIT-OUTS

When it comes to interiors, design and fit outs, I've tried different things over the years and learned the hard way. I used to focus too much on price, especially on items with moving parts, which was a mistake. Now, I focus on getting the longest possible warranty, for the best price!

The main objective is to retain tenants by making rooms look and feel bigger, warmer and more homely, and to design as much storage into each room as possible. The lack of good storage space is the main problem, and unfortunately architects do not focus on this issue.

Before the builder starts work, I plan the layout of each room, first by looking at the architect's plans, and then I back this up in a practical way by going into each room and physically plotting out each room layout. I do this by using spray paint on the floor to mark out where I want to place everything, and by placing an old mattress on the floor so I can visualise my plan in the room and not just on the computer screen, which often looks different to the real thing.

For bedrooms and living rooms, a mattress and sofa take up the most space, and if I haven't got these in the house whilst working out my layouts, I will hunt skips in my local area to find an old mattress or sofa for room planning. You place the mattress on the floor and start planning your layout from there. I do the same with the living room. Once you see the mattress or sofa in a room you will realise how small the room becomes and I do this before I confirm my table positions. I play with layouts by using paint or chalk on the floor, and you won't believe how a room which seemed a decent size suddenly appears small, hence why planning of storage is even more important.

The biggest mistake I made over the years was not to focus on the warranty length for any item with moving parts. With regards to purchasing products, you always need to buy the longest warranty for the cheapest price. It's counterproductive buying cheap items because they tend to break, which means you then end up replacing them before it may have been necessary to. For anything which has a moving part, I always tend to pay a bit more to get an even longer warranty where possible, especially for any white goods. Try to get a five-year warranty if you can afford it, as I find white goods tend to break typically soon after the warranty period ends, especially with heavier use in an HMO.

When doing building works, if I'm getting an "all in price" from my builder, I always exclude many items, especially anything with moving parts or lighting, as when you have an "all in price," the contractor will sometimes (not always) buy the cheapest items he can find, which may look half decent at the time, but are usually made in China and always fail after a year or so. So, when doing a refurb, I buy lighting or anything with moving parts myself, and take this out of the "all in price." Even when I sometimes do actually agree to an "all in price" from an electrician for example, I find they sometimes use the lowest quality switches, connections and lighting products. Always be aware and ask all suppliers for the name of the exact brand they plan to supply, *before* installation, and then go online and check the warranty period. If it's one year only, then it will be cheap rubbish, usually made in China to the lowest possible price.

Remember, so many things end up breaking after only a few years, and less maintenance is less hassle for you further down the line. Another big issue is trying to get contractors who supplied items to you to honour any warranties if it's a few years later, when you may have lost contact. I noticed over the years that often contractors disappear for no reason, go bust, change career, retire or just don't answer their phone, and trying to contact them even one or two years after the job is done can sometimes be a challenge. Any product, especially something with a moving part that they purchased for your job, will require them to arrange the return of these items to their own supplier as you won't have their original purchase receipt.

All jobs start out well, especially during the honeymoon period after the contractor secures the work and before they get paid, and you tend to be on friendly terms, having a good level of communication. I've dealt with many a dodgy builder who's been full of chat and personality, fun to be around, and then I've listened to them "blowing smoke" and telling me how good they are as they tend to do. But don't believe anything the contractor tells you at the time. They explain to you about how successful they are and often brag about their company, telling you stories about what they "have and haven't done" job and experience wise, and how they "always look after their customers." I noticed most of these guys who were big on bragging, all seemed to disappear when it came to after sales service and when I tried to contact them back. Often, they are not interested in any after sales service. Even if you do get through to them a year or two later, it's hard work getting them back. Chances are, as they will tell you, they've lost the purchase receipt themselves as they lost the paper receipt or the electronic receipt because their computer crashed, died or was stolen, or they no longer deal with that particular supplier who supplied your job!

Outside – Façade and Security

To give your property a modern look, "grey is the new white," and instead of replacing your uPVC windows, (which is very expensive, but all the rage) you can update them by painting them grey. Spraying them grey is the new trend and even though there are lots of companies that offer the spraying service, you really don't need that expense. You can just go to your local decorating centre (not B&Q) and they will provide you with a special paint designed for uPVC that can be simply painted on with a normal paint brush. I've used a special uPVC paint called Kolorbond, but this was really expensive and wasn't actually worth it, so you don't need to buy anything too extravagant. A specialist decorating centre will advise you correctly on the best, and cheapest, paint to buy, unlike your local B&Q. Painting the uPVC grey will update and modernise the property.

As for security, I like my properties to blend in. I don't like, for example, yellow front doors, because to me it's putting the property on the radar for burglars. You need to think about security, especially at the back of the property. If your property stands out on the street, then maybe some burglars will assume you have money to burn and are more likely to have expensive items such as high-end electrical equipment, computers, jewellery etc.

HIKvision are market leaders in Europe for CCTV, are well priced given that you can view all cameras on your phone, and you don’t pay thousands for HD quality and motion detection. They also do not require any subscriptions. Remember, most burglaries happen during the day between ten-am and three-pm and 47% are ‘spur of the moment’ and done by opportunist burglars.

You will also need what is known as a composite door for your front and back doors. These are made from strong materials including solid timber and glass-reinforced plastic, making them sturdy and secure, and much harder for any potential burglars to break through.

Garden

It is actually more desirable and less hassle to purchase a buy-to-let property with a small garden or no garden at all. Bigger gardens will obviously cost a lot more to maintain and will need more time spending on their upkeep. From my experience, most tenants don’t like garden maintenance. So, if you’re looking at a house with a bigger garden, it will cost you more and reduce your yield.

Hallway - Carpets

I always go for fitted carpets in the hallway, rather than using LVT (Luxury Vinyl) or laminate flooring, as a carpeted floor will reduce noise. You should always buy a hard-wearing and short pile carpet, together with a fitted floor mat at the entrance which is cut and fitted the same way as your carpet is laid. This is because it's a high tread area where people will wipe their shoes as they enter, and my advice is to have the mat covering the first two metres of the hallway as you walk through the front door. Most carpet fitters will only lay one metre of matting, but this isn't enough space to allow people to clean their shoes. So always insist on two metres. The type of mat you need is called Core Matting, and this can be cut to size and fitted just like a normal carpet. It's not a good idea to buy the ripped entrance matting you often find at office entrances, as the dirt stays inside the ridges.

Carpet buying is a bit of a mystery exercise when you visit your local carpet shop. It's often the case that carpet shop assistants rarely give good advice when it comes to choosing carpet quality, and you often leave the shop more confused than when you entered. As a result of this, many landlords buy a high carpet pile that ends up with a "flattened carpet effect" after just a few years, which in turn adds an extra cost because it will need to be changed sooner rather than later.

Hallway – Paint

Hallways matter as they give a first impression, but as they are high wear and tear, choosing the right paint is really important. If you can afford it, go for a stain resistant paint for the hallway. As this is a high-traffic area where people tend to lean against walls making handprint marks or causing scratches from clothing, maybe propping bikes up and hanging coats, it is better to use harder wearing paint. Obviously, this type of paint will be more expensive to buy, but will save money in the long-term as you shouldn't need to worry about too much maintenance. The best places to get advice about this are actually local decorating centres, for example, Brewers, Johnstone's or Crown. Johnstone's is one of the main independent decorating centres, and I can assure you that you will NOT get good advice by going to B&Q. I suggest going into these places as they will teach you all you need to know about the right type of paint.

Kitchens – Units and Appliances

Although many places sell kitchens, in the end, after you've done all your research, you'll find there are only a few main options in the UK: Wicks, Homebase, Howdens, Magnet and B&Q. From my experience, Howdens is probably the best to deal with because they really want your business the most. However, do beware of their prices as I find I have to haggle quite hard on their quotes before I reach the true price. They tend to make up far-fetched list prices and then discount them by 50%, trying to give the impression that you're getting a good deal. But, bear in mind, you should be getting at least 70 to 80% discount when buying from Howdens.

Because kitchens really sell a property, it's always more advisable to buy a better quality worktop for your kitchen, as this really makes a difference to its appearance. Buying kitchens is a minefield, but with such a big spend, I really focus on haggling on the price and get my quote early to allow myself plenty time to tease out the best price. Quotes usually come in complicated lists, with deliberately written hard to understand abbreviations and terminology to discourage you to compare the quote with the competition.

In order to see exactly what I'm paying for in the kitchen, when I'm reading the quote, I go through the list, one by one, and then hand write the cost of each item on the actual image of the item itself shown on the visual kitchen layout plan. This way, I can question the supplier on his costs as it's often the case they will offer you common items like doors and handles fairly cheaply, whilst increasing their profit margin on the less-common items. Howdens, the main trade kitchen supplier in the UK, are especially clever at hiding expensive items inside their quotes.

B&Q self-build take away kitchens are also good value, and many people prefer these. As regards to Magnet, the third major supplier, personally, I like their kitchens, but their service isn't as good as Howdens and they don't chase you up for your custom and the order.

Remember to put in as many kitchen cabinets as you can fit, as storage is always a big issue, especially in HMOs. Also, when getting delivery, it's extremely important to check all your ordered items have been included in the delivery against the delivery note. Whenever I have been unable to check the delivery myself, I have found almost every time that pieces have been missed and this can be highly frustrating. It is also advisable to stay away from overly trendy colours, as these tend to go out of fashion within a year or two.

For a cool and contemporary look, I always prefer fully fitted kitchens and buy all black cookers with a matching black extractor fan. The SIA or Caple extractor fan brands are good prices, given that both manufacturers give a five year warranty. Again, anything with a moving part really needs a long warranty. I usually buy branded kitchen taps instead of the ones offered by the kitchen supplier as non branded taps always seem to fail, and if you search hard enough online, you won't pay much more for the branded items.

Kitchen-diner – Creating Space

Many rental houses have a kitchen-diner in the one room and to get the best use of space, I usually build my own tailor made kitchen table. This makes the room look bigger and gives a more spacious appearance.

I also put in a kitchen island, even in fairly small kitchens, as islands can be any shape or size. This makes the kitchen more homely and more practical, and there are examples of a small kitchen island I installed in my 'Peaky Blinders' house, a large HMO which has an unusual shaped and sized island. You can see this at henrydavisproperty.com/gallery, where you will see my island is the shape of a pizza slice!

The easiest way to build your own specification table, is to either buy a kitchen worktop or use one leftover from the ones already used, then buy hairpin legs on eBay for £10 each. I tend to buy very robust metal-only chairs with no upholstery, because these will last longer and be less likely to break or suffer damage.

For your couch, or sofa, Ikea have a good selection with removable covers. I do actually prefer to buy comfortable and decent quality sofas, as these appeal to tenants more and will obviously last longer than a cheap sofa that will fall apart after a short time.

A common mistake when it comes to planning the space in your kitchen and dining area is buying the kitchen table too large. This will make the room look smaller and of course give you a lot less space to manoeuvre about. Your joiner will be able to help you build the perfect sized table from the materials I suggested previously, i.e., left-over worktop and hairpin legs. I have noticed many kitchen/living rooms tend to be rectangular in size and you should have narrow coffee and kitchen tables for these types of rooms as standard sizes are too wide. Remember, you can get your joiner to make a longer table, but not as wide. I have done this many times, as standard tables tend to be 80 to 90cm, and I often get them made to 60cm, which is the standard size of a kitchen worktop. If you find it's too small, just increase the length.

Always remember that kitchens and living rooms really sell a property, especially when you're advertising online trying to rent or fill HMO rooms, and a good photo showing your spacious kitchen-diner always helps.

Kitchens - Flooring

The best option with regards to using the right flooring for your kitchen is Luxury Vinyl Flooring, also known in the trade as LVT flooring. This is a tongue and groove product with boards of different sizes and fits that looks just like laminate, but is a plastic based product, which is waterproof and has much better soundproofing qualities than laminate.

Bedrooms – Furniture, Furnishings and Space

My advice is to really look at the layout and focus on making the room look as large as possible and I always buy a good quality mattress as the tenants who have a comfortable bed tend to stay longer. One of the biggest mistakes many landlords make is to buy the wrong type of bed base. To remedy this, there really is only one solution, and that is to use a bed that can be utilised as storage space as well as being able to get a good night's sleep. Imagine all the wasted space under a double bed; there is effectively a full wardrobe space wasted under your bed and this space can actually be used as a full "floor wardrobe."

I use all this previously wasted space under the bed with special Divan Storage Beds, but not the ones commonly available with side drawers. (These drawers either fall apart or get jammed after a few years, plus, they are actually not very big in terms of volume so don't hold much, which means most of the useable storage space under the bed is wasted.)

My special order beds because they are simple and have no moving parts, unlike an ottoman bed, which tend to break after a few years. I buy storage beds that, albeit cheap in cost, look just like a normal divan bed, but have built-in storage underneath. In other words, the whole of the underneath part of the bed is effectively a wardrobe. These types of beds are called "Pull Up Flap Beds", where the sides of the bed pull up to reveal a total empty space underneath and are used as a large storage space. These are made by a specialist hotel supplier. I have listed photos of these beds on my website: www.henrydavisproperty.com, and I highly recommend them. They are cheap to buy and can come in any material or colour. They really are a game-changer in terms of the large and "easy to access and use" space they offer. Feel free to contact me on my website for the name of the supplier.

Remember, it's not always necessary to have a full size double and if the bedroom is small and you want to put in a double bed, it would be a better idea to buy a four foot width, which is also known as a small double, rather than the standard four foot six double bed.

Always be mindful of storage in the bedrooms and try to leave as much space as you can in rooms to give maximum storage. This tends to be a major issue for tenants as most need ample storage for their needs. The idea is to make the room look bigger and less cluttered, which will always make for a more pleasant viewing when it comes to a prospective new tenant considering moving in. Using a Pull Up Flap Bed reduces the clutter and makes it easier to get a good feel for the space provided. Many times, I have taken an interested tenant to view a room when the current tenant is still in situ, only to find the room in chaos due to lack of storage. These beds are therefore an excellent remedy to this problem. And, like I mentioned previously, to create more space in the bedroom as well as the kitchen-diner, you could make tables to measure from leftover worktops and source hairpin legs for £10 each from eBay. I always try to fit a table in all rooms and if my HMO room is on the smaller end, I fit a higher bespoke made table with a bar stool, which looks trendy, but makes the room feel bigger.

In order to soften the room, I put wallpaper on just one wall. I do this on the wall behind the bed's headboard as this particular wall tends to get less wear and tear than the others, therefore the wallpaper, which is more expensive to buy than paint, will last longer and need less maintenance.

I also get specially made larger headboards, which gives the bedrooms a hotel feel. I buy these from the same supplier who makes my Pull Up Flap Beds. However, there are lots of other sellers on eBay that also sell larger sized headboards.

When it comes to wardrobes, I always try to get the joiner to make up larger sized deeper wardrobes with as many shelves as possible. And then if you paint the wardrobe carcass in the same colour as your wardrobe doors and the room walls, it makes a uniform look, makes the room looks bigger and gives it a more contemporary appeal. The cheapest way to do this for a high end finish, is to buy the wardrobe doors and choose the colour of the door based on what colour you decide to paint the walls. I buy the wardrobe doors from Ikea, which are at least half the price of the competition anywhere on the internet even for high end quality finish doors. I then get the carcass made from MDF and the shelves from Conti Board. I finish it off with Ceramic or Marble designer opening knobs from Homesense or TK Maxx, which are the same price as the cheap looking stainless steel rubbish you get in Screwfix or B & Q. If you end up buying wardrobes, and they need to be assembled, you need a good joiner who really knows what he's doing as, in my experience with many of the wardrobes I have had assembled over the years, they seem to fall apart when not assembled by a professional.

Bedside lockers or units should be as big as the space by the side of the bed will allow. Always aim for as much storage as possible to be available for your tenant, and if you can, buy lockers with at least three drawers, if not four, then this gives them more space to store their things, thus decluttering the floorspace.

For window dressing, roller blinds work best as they insulate the room. Most tenants like 'black out' blinds, which I also provide as it's a selling point. Don't be tempted to buy vertical blinds as they get twisted and tangled up when tenants leave the windows open on a windy day and have too many moving parts which break and make the room feel like an office, plus, they don't have the same level of 'black out' qualities. I also put at least six coat hangers either on the inside bedroom door or on any wall, and the SVARSJON hook rack range from Ikea is the nicest looking, most sturdy and competitively priced for this job. I also fit the KAMPIG range throughout all my properties and have purchased hundreds of these over the years for all rooms including kitchens and hallways.

One final thing, although most of my bedrooms are of a decent size. I have the odd smaller room and these rooms are usually under eight square meters in total. To make this room feel bigger and more attractive, I fit two Ikea MULIG clothes bars instead of a bulky looking wardrobe.

Bedrooms – Flooring

In a high-end property, the carpet flooring needs to be short pile and of a decent quality. You should also go for a carpet that isn't too pale in colour as this will accentuate stains. If the property is considered less high-end, then the best to use in this case is Luxury Vinyl Click, but in the ground floor only. This type of flooring is long-lasting and holds in warmth; it is also waterproof and soundproof and of much better quality than laminate. Anything not on the ground floor should ideally be carpeted to reduce noise, but if you really don't want any carpets, then I always fit specialist underlay to improve insulation and reduce noise, especially in an old building with wooden floors. I have used Regupol 3912 in the past, which is specially designed and manufactured for use in timber-based constructions on timber floors. The timber acoustic underlay utilizes PUR foam to reduce impact sound by up to 50dB. There are other cheaper alternatives also including Cork, Rubber PU or Crumb based underlay from Duralay, together with another brand such as SO Flooring sold by Lee Floorstok, who I have also used. These products work really well for noise prevention, especially in rooms with wooden floors as well as under-stairs carpet, and reduce the loud sound from footsteps made by either heels or noisy shoes.

Bathrooms - Furnishing & Fittings

Usually one of the smaller rooms in the property, it's really important to try and make the bathroom look bigger than it actually is. One simple trick to achieve this is by hanging your sink off the ground with a wall-hung vanity unit. This, again, is ideal for extra storage space and makes bathrooms feel bigger. I also fit space saving Quadrant Shower Cubicles, and, if a bath is required and space is tight, which it usually is, I sometimes fit narrow width baths, which are marketed as eco-friendly baths because they hold less later. When designing a building, I like smaller bathrooms and en-suites, as I use this extra space gained to make the bedrooms bigger. Big bedrooms sell and a smaller bathroom doesn't necessarily make the property less desirable.

For moving parts such as sink and bath taps, shower thermostats, shower cubicles with sliding doors, and anything with moving parts, I buy premium quality fittings if I am keeping the property. I want products to last, however I am less fussy if I'm doing a flip and re-selling, and then I tend to focus more on the look, rather than the warranty. But generally speaking, you should always look for the longest possible warranty. Brands such as Grohe, Giberit, Burlington and Vado are the best ones to go for in my opinion. The cheapest place to buy these brands is either your local plumbing centre or websites sites like trading-depot.co.uk.

I use a company called Clifton Trade, which has branches based in and around the North West of England, and who offer a long warranty of five years on their own ranges, plus the added bonus of accepting returns.

If you are installing tiles, which I often do for high-end properties that I buy to sell on, it's always best to use a darker coloured epoxy based grout in the shower cubicle. White grout shows dirt and grime within the first year or two, and often tends to fade in colour. This is especially the case if the property is an HMO, where several tenants are using the same bathroom without cleaning it after every use.

Don't be tempted to use bathroom wall panels, instead of tiles, especially inside the shower cubicle, as these are often cheap plastic made in China with fancy brand names that tend to get dirty faster than tiles. These panels are all the rage, but they hold the dirt and are more expensive than tiles. When I'm tiling a bathroom, I usually mix the tiles up: for example, I might tile two of the walls with good quality porcelain, and the other two walls with cheaper white tiles. This reduces my average tile costs and it actually gives it a nicer appearance. Avoid stainless steel radiators also as they start to rust after four or five years, and instead buy anthracite coloured radiators with the highest BTU rating and the longest warranty you can afford.

Bathrooms – Furniture

I normally install a matching wall-hung sink unit to help the room look bigger with matching bath side bath panels. For trendy and up to date good value bathroom furniture, Victorian Plumbing is the market leader, but unfortunately, they have poor customer service. Although they have the best range and value for money on their bathroom furniture, I never buy anything from them with moving parts or non-branded items, as it's cheap rubbish made overseas. I always buy a short projection toilet as they are still full size, though more compact toilets that make the room feel bigger.

Bathrooms - Flooring

My preference here, once again, is Luxury Vinyl Click flooring tongue and groove boards, which as I said previously, are waterproof and soundproof, and therefore ideal for bathrooms.

Again, even if the architect has planned the bathroom in a certain way, I play about with different layouts by placing mock items on the floor (if I don't have a toilet or bath available) and try to work out if there is a better layout. Generally speaking, as regards rental property anyway, where space is always tight and after reading many plans for many decades, I find architects make the bathrooms too big and you end up with a large bathroom and a compromised sized bedroom. For inspiration, I tend to visit a nice hotel or the newest bar which opens in the area, as they also have the coolest designs and ideas. I have copied many of the ideas from five-star hotels over the years.

Lighting

Try not to make your property too bright as some end up with a feeling of a commercial building because they have too many cool white lights in all rooms and no ceiling track lights, wall lamps or wall sconce lights. I use cool white lights in the bathroom only.

When doing a refurbishment, don't be pushed into putting in lots of ceiling downlighters or spots. The reason for this is that they end up costing about £60 per fitting, and an average sized room will need five to six of them instead of just one pendant light with a light shade.

Except for high end properties, I use downlighters sparingly, and only in the immediate over-the-kitchen ceiling area and bathroom ceilings. In kitchens, I use a mix of some spots with separate track lights and one pendant fitting, usually covering the living room area if it's a kitchen/diner. For a cool track light, I use Ikea Bave ceiling track which is unique and less bulky than anything else I've seen on the market. Try to fit wall lights with shades also to create a lighting atmosphere. One pendant in each bedroom is ideal as this will save you on cost instead of fitting five spots. It will look just as good if you get a nice lampshade. All bedrooms and living rooms should have warm white, rather than cool white which many seem to fit, making the property feel like an office in terms of lighting ambience. If I do fit cool white and the house suffers from poor natural light, then I put them in bathroom ceilings and directly over the kitchen cabinets to light the kitchen worktops. Lighting, if done well, can make the property feel homely and that's my objective when I'm choosing lighting. Wall lights are one way of really making a place feel homely.

Although most of you will want to buy from Screwfix, Toolstation or B&Q, much of the brands here have short warranties and often tend to break after a few years. I recommend Ansell Lighting, Saxby Lighting or Kosnic Lighting for longer warranties that don't cost much more. If it's a high end property, you will need some cool outdoor lights, to be controlled by remote control via systems such as Wiz Connected, Casambi Systems or a Quinetic wireless switch receiver. This generates kinetic energy to create and transmit a radio signal and switch on/off, but without the need for batteries, bluetooth or Wifi. Even the control fob doesn't have a battery. Please note, I have no affiliation with any company I recommend.

Printing Artwork

Go on the internet and select any image which has free copyright, then get this image made into a 300dpi Vector Image. I do this via People Per Hour or Fiverr as you can find a graphic designer there. Tell them you want the image to be of the standard to be printed as a high quality image in a file format which most printers will accept, which is usually a 300dpi Vector PDF file. I don't frame any of my images. What I do is I simply get the file from the graphic designer and then send my image to a printer to print on a common foamboard, which is also known as Foamex. This is a lightweight, waterproof material made from extruded PVC. It has a fairly smooth face which gives an excellent finish to the print and is rigid so allows many applications, both in and outdoors, as it is commonly used for shop signs or advertising/merchandising. Once you get the board with your finished image, simply glue it to the wall with Grab Adhesive - forget any hanging materials. This means you don't have to spend on a frame and the image can't be knocked off the wall, plus you can get large sized images to fill a wall at a low cost and it gives a much better appearance. Photos of rooms with Foamboard art can be found on my website at www.henrydavisproperty/gallery.

I use 3mm thick boards and I get it from supplies.co.uk also known as KS Print Ltd., based in Kent and run by Steve Drew, who also has an eBay shop called, yourtrade-printer. You need to send them a fully finished "ready to print" file. Don't bother asking them to help you prepare the file; just get the file all done and email it directly.

For high end properties, I usually repeat the process, but get the images framed and printed on poster paper, rather than Foamboard, which is higher quality. This is, however, a lot more expensive and you are limited to smaller sizes. As well as looking on Ebay or Ikea, I also buy surprisingly cheap and original high quality artwork either as an original or a signed print, which I buy directly from the artist at the annual Art Show in Chester, www.chesterartsfair.co.uk. Any image you buy online will be common and in nearly every property in the country that has been refurbished by your average landlord. I notice people tend to buy the same images, and Banksy images are a good example of this, I see them in nearly every trendy buy-to-let on Instagram, but you can get better and unique prints or paintings for much the same price at your local arts fair. I buy the frames from Dunelm or Wilkos, and I get the frames with the white inserts.

CHAPTER EIGHT
MANAGING AND RETAINING TENANTS

A professional, business-like approach is key to successfully managing and retaining your tenants. When you value them as customers and make them feel welcome in your property, they are much more likely to stay long-term. One key thing I do which I feel has helped me find better people is to ask for parents' details.

Regardless of their age or employment status, there is one key piece of information you need and that is: to always ask a new tenant to provide their parent's home address and contact information, even if they are based overseas. I also call previous landlords for a reference rather than rely on anything written. You really need to check all their paperwork, and ask for copies of it. If you use a letting agency, tell them to do the same, as most won't bother normally to ask for parents' details.

It's all about finding the right people and having a positive and proactive working relationship with tenants, and you will find they are much easier to manage when you are on top of your game with customer service.

Welcoming the Tenant

I always aim to start the relationship on a helpful and positive note by greeting the tenant with a 'welcome' email, a copy of which I also attach as an appendix to their contract.

Below is the template I use:

Dear [NAME],

Thank you for signing your [TERM LENGTH]-year agreement. I would like to welcome you to [ADDRESS] and wish you an enjoyable time here.

If you have any issues, please don't hesitate to let us know. [NAME] deals with maintenance issues and [NAME] is your point of contact for payment issues, logging of maintenance calls and emails, and any other issues you may have.

Contact Details

The phone number for Maintenance is [NUMBER].

The email address for Maintenance is [EMAIL ADDRESS].

In the event of an emergency, you can contact Maintenance on [EMERGENCY NUMBER].

Office Hours:

Please note that our normal office hours are 9am-6pm, Monday to Friday. We can only respond to calls outside of these hours in an emergency, so please bear this in mind. If you don't receive a reply over the weekend; we'll get back to you on Monday.

Kind regards, [NAME]

Maintenance

Whenever possible, you should aim to deal with maintenance issues within 24 hours of being notified by the tenant, and keep your tenants updated rather than waiting for them to chase you for information.

This speedy, proactive and transparent approach goes a long way towards setting you apart from the competition and has a massive impact on retention.

Managing your Tenants

I recommend investing in one of the many software options available to help manage your tenants. I use OpenRent and ArthurOnline as they have great customer support, but there are many others, such as Go Tenant, which I have not tried yet. Also consider using a good old-fashioned spreadsheet, which works just as well.

Not only does management software boost retention by supporting excellent customer service, but it will also make your job much easier as your property portfolio grows.

Post-Tenancy

When a tenant is preparing to leave, I implement what I call my 'check-out procedure' regarding cleaning. My verbal and written communications are very formal, and I emphasise that I expect the property to be cleaned to a professional standard and returned in excellent condition.

I find that the bigger deal I make of this, the more seriously it is taken by the tenants. If you manage your communications well, you should always get the property back in good condition without the need to incur additional cleaning costs. I basically hound them with emails suggesting they may lose their deposit if the property isn't left in a very good condition, and this makes them worry they may lose it, and for some reason this really makes a big difference and jolts them into taking action!

First, I send the tenant a formal email reminding them that the property should be cleaned to a high standard in order for a prompt and problem-free deposit return. I then send a shortened version of this email again.

48 hours before the tenant is due to leave, I request photos of the property to confirm that it has been cleaned to the appropriate standard. This gives us ample time to rectify any issues.

Here is a template I use for effective check- out procedure communication:

Email Subject Line: [IMPORTANT] Check-Out Procedure

Dear [Name],

Re: Check-Out Procedure

In order for the property to be returned to its original condition, it is important that you follow the check-out procedure as outlined below.

The property should be cleaned to a very high professional standard so that there are no disagreements regarding the return of your deposit. If you do not have time to complete the clean to a professional standard, we can put you in contact with a professional cleaner at a cost of £120 plus VAT.

Cleaning Requirements:

- Remove all personal possessions and any rubbish.
- Empty and clean all drawers and storage.

- Empty and clean the fridge and freezer and ensure there are no odours remaining.
- Ensure the freezer is defrosted.
- Thoroughly clean the sink, hob and cooking rings (use oven cleaner for best results).
- Empty and clean all kitchen units, cupboards and drawers.
- Wipe down kitchen worktops.
- Clean bathroom tile grout with bleach, especially around the bottom of the shower.
- Ensure the shower is completely free of mould, especially lower down at corners.
- Use bleach to clean the shower area, shower glass panels, and white silicon.
- Clean and bleach floors, including under beds and furniture.
- Clean all windows with newspaper or window cleaner.
- Please do not turn over mattress to hide stains.

Please send bright and very high-quality photographs of the property 48 hours before you are due to leave to verify that it has been cleaned to a professional standard. Include photos of the floor areas under beds and sofas, the shower area and glass panels, the tile grout, and the hob and oven.

A professional cleaning takes around eight hours, so I would recommend not leaving this task until the last minute. We require the photos 48 hours before your departure in order to leave time to rectify any issues.

We will use the photos to compare the condition of the property against the photos we took prior to your tenancy, and our cleaning supervisor will make a final visit before you leave. If the photos show that the property is not cleaned to a professional standard, you will be asked to rectify these issues.

CHAPTER NINE
HOW COVENANTS CAN RUIN YOUR NEXT DEAL.

Covenants – My Own Case Study

The subject of covenants is very much a legal one. I have no legal training or legal qualifications whatsoever, so this information is based solely on my own personal case-study experience. It is not offered or implied as any form of legal advice or legal guidance whatsoever. Please do not rely on anything I say in this chapter in any way and seek your own legal guidance, which you will need to do before you exchange contracts and not after, as so many unfortunately do.

What is a Covenant?

To put it simply, a covenant is a legal obligation written into the deeds of a property, which rules what you can and cannot do on the land. As an active developer, covenants are something you are likely to encounter, and they create certain challenges and uncertainties when purchasing.

There are two types of covenants: positive and negative.

Positive covenants are usually obligations to do something to the land, such as building or maintaining a fence, or contributing to maintenance.

Negative (also known as restrictive) covenants prevent things from being done on the land. They can range from restriction on activities such as keeping animals, to restrictions against trade or business on the property.

Restrictive covenants are fairly common and are found on title documents of property and land. They can be newly created and placed on new properties, and they tend to already exist on older ones. Often, they will have been imposed by a previous landowner to prevent future owners from using or developing land in such a way that the previous landowner feels could be inappropriate or damaging.

As a purchaser of the property, you will inherit and be bound by any covenants that already exist on the title. In the case of older covenants, the person with the benefit of the covenant and ability to enforce it may not be easily traced, and so you may find that there are no repercussions for breaching them. The risk, however, remains. As a very general rule, the older the covenant, the lower the risk.

From my experience, the presence of a restrictive covenant isn't a deal breaker. In order for a covenant to be enforceable, there must be both land which is burdened and land which is benefited. If the meaning of a restrictive covenant, or the extent of the land benefiting from it, is unclear, it is possible to make an application to court for it to be determined under section 84(2) of the Law of Property Act 1925.

The rules about how the benefit of a covenant can be transmitted from one owner to another are not straightforward. However, the most usual way is to show that the benefit of the covenant has been "annexed" to the benefiting land.

If a breach has continued for a long enough period without any objection being raised, it may be treated as having been abandoned under the Principle of Estoppel. The leading case to support this is Hepworth v Pickles [1900]. In that case, the breach had continued for 24 years before an attempt was made to take enforcement action. In later cases, a shorter period has been accepted by the Courts; 20 years is now generally considered acceptable.

Indeed, the Council of Mortgage Lenders (now known as "UK Finance") states at point 5.10.2 of its Mortgage Lenders' Handbook (a set of standard instructions to conveyancers) that, provided the breach has subsisted for more than 20 years, you are satisfied that there is no risk to their security, and there is nothing to suggest enforcement action is being taken or threatened, then the lender will not insist on indemnity insurance (see below).

The majority of covenant problems you encounter when buying any property can usually be resolved by taking out specialist insurance to insure against any future covenant claims that are brought after your purchase. Many lenders will accept this, and the insurance should not normally affect any future resale should you decide to flip the property. In fact, insurance is generally the cheaper and most common option in many cases, and this was true in the case of my purchase of Henley Road.

Where a covenant has been breached, or it appears still to be binding, and it is not possible or practical for it to be removed or modified, nor does the rule in Hepworth v

Pickles [1900] apply, then it may be possible to obtain indemnity insurance. This insurance provides cover against loss sustained by the insured as a result of a legal risk.

In the case of a breach of covenant, this means the insured would be compensated against loss, such as loss of value to his property, the costs of remedial works or the cost of legal action, should the beneficiary attempt to enforce the covenant.

In order to agree to offer cover, the insurer will need the conveyancer to confirm that certain conditions are met. Usually the conditions are that the breach has continued for at least 12 months, the property has been used for residential purposes for the last 12 months and will continue to be so used, and there is no evidence of enforcement action being taken.

If these points are satisfied, a policy can be obtained online. If they are not, and even where insurance is required in respect of a contemplated future breach, then it may still be possible to obtain a bespoke policy, though the premium will generally be higher.

Other solutions, which I did not consider and were less desirable in my case, may include contacting the person with the benefit of the covenant or their successor in title to see if they are willing to 'retrospectively consent' to the breach or release the covenant entirely.

It may be difficult in practice to find the right person. Even if you do, and they actually agree to lift the covenant, they will likely seek some form of payment from you for breaching the covenant, and you will almost certainly have to pay costs for the release or consent.

It is very important not to contact anyone who may have the benefit of the covenant as this would potentially void any insurance policy that you wish to obtain. If you already have indemnity insurance in place, then you must not subsequently contact the person with the benefit of the covenant as this will void your insurance policy.

The main issue is to remember that it is all about the practical enforcement of covenants, how they may affect the future value of the property, and your ability to raise finance.

Restrictive covenants often cover a range of issues, but the most common ones include not erecting buildings or structures on the land, or not using the land or dwelling to run a business. These are also the most frequently broken, with alterations made to an existing dwelling or dwellings being used for trade or business when the covenant states the property is to be used as a dwelling house only.

If the covenant says the house must be used as a private dwelling only, then your lender may have an issue with this. If that is the case, you can offer to insure this risk. I know Kent Reliance Mortgages recently accepted this insurance for another developer friend of mine, but I cannot speak for any other lenders.

Other examples might relate to boundaries, where a neighbour wants to erect a boundary fence of a certain height but the restrictive covenant does not permit this, or restrictions on houses being rented for financial gain, or limitations on home and garden improvements.

How Do I Know if I am Affected by Restrictive Covenants?

If you purchase at auction, read the legal pack carefully. Your solicitor will do a full title check and should advise you if there are any covenants on the property that will affect your use and enjoyment of it. They will also ask the seller to confirm that they have not breached any covenants so that you do not inherit their breach.

It is important to use specialist property solicitors who are fully aware of the law surrounding restrictive covenants. I can recommend several forms I have previously used with this specialty.

In my case, after reading the legal pack during my auction purchase for Henley Road, I discovered a covenant issue, but I was totally confused and unsure of the practical consequences. To be safe, I employed a specialist consultant solicitor with extensive experience in dealing with restrictive covenants.

Breaching a Restrictive Covenant

The enforcement of covenants is complex. Your solicitor may spot that the restrictive covenants which appear within the deeds or legal title of a property have been incorrectly drawn up, or they may discover that the correct procedures have not been followed, or that the covenant simply is not enforceable.

In some cases, there are legal ways you can highlight that a covenant is not enforceable. In my case with Henley Road, my dwelling had already breached the covenant, but because the property had already been built on the land for well over 20 years, this meant the covenant was not enforceable. This also benefitted me in terms of insurance.

Ultimately, though, it is the lender who decides what is acceptable in terms of risk. In terms of guidance from the Council of Mortgage Lenders, various lenders have different requirements, which you can search for on the CML website.

In the case of The Mortgage Works, their policy on breached covenants in their own handbook stated:

'5.11 Restrictive Covenants 5.11.1 You must enquire whether the property has been built, altered or is currently used in breach of a restrictive covenant. We rely on you to check that the covenant is not enforceable. If you are unable to provide an unqualified certificate of title as a result of the risk of enforceability you must ensure (subject to paragraph 5.11.2) that indemnity insurance is in place at the completion of our mortgage (see section 9).

5.11.2 If there is evidence of a breach and, following reasonable enquiries, you are satisfied that the title is good and marketable; you can provide an unqualified certificate of title and the breach has continued for more than 20 years without challenge, then we will not insist on indemnity insurance."

I chose TMW for the above example as they are one of the largest lenders in the marketplace, but you can search each lender and their differing requirements on the CML website.

Often, it is only when disputes arise between neighbours that the issue of restrictive covenants springs to light. The most common way around the problem is to take out indemnity insurance, although the insurance company may impose specific requirements which must be met, such as no dispute being currently in effect or the breach having continued for several years.

My Case Study on Covenants - Henley Road in 2019

My purchase of Henley Road had a restrictive covenant actually stating that no house should be built on the land, but my house had already been placed and built over 70-

100 years ago, on the very plot of land where the covenant stated it should not have been built!

The original plot was park land. Before I instructed a specialist, my solicitor told me: "99% of lenders won't have an issue with this, as the usual solution is the get insurance to cover any future claims arising from the covenant." However, I found that some lenders do not like this. I was refused funding from Landbay and Shawbrook, eventually securing funding from Interbay.

In my Henley Road purchase, I was able to secure insurance for my already breached covenant, find a lender, and complete the purchase without any implications to the future value or saleability of the property. However, I can't 100% assure this as some lenders may change policy, and they tend to become much more selective in a recession.

So, what did I learn from dealing with covenants on Henley Road?

Some lenders had issues with covenants, wouldn't accept insurance, and refused me funding, but others had no issues, so you will have to shop around. I was initially advised by one solicitor (not a covenant specialist) that 99% of lenders wouldn't have an issue and would accept covenant insurance, but from my experience in the buy-to-let mortgage market, this turned out to be more like 60%.

If the property has already been built on the land where it was not allowed to be built according to the covenant, and the covenant has been breached for more than 20 years, then the covenant would be unlikely to be enforceable.

I learned this based on case law from Hepworth v Pickles (1900). My specialist covenant solicitor, Keira Rawden, provided me with advice on this case law and also advised:

"If a breach has continued for a long enough period without any objection being raised, it may be treated as having been abandoned under the Principle of Estoppel."

Insurance is the most common resolution and, in my case, the fact that the covenant had already been breached meant that the insurance policy was cheaper. The insurance company informed us that because the breach had taken place many years ago, the breach was considered a lower risk. We believe the house had been built for well over 20 years on this land where no house was allowed to be built, according to the covenant.

Covenants are not usually deal breakers and are not as complicated or as onerous to deal with as you may think. However, they are not always straightforward either. You have to take specialist legal advice and look at them on a case-by-case basis to weigh up the risk with your solicitor's guidance.

Once you take out insurance, you should not try and contact the original covenant owner as it will invalidate it. This was clearly stated in my policy as follows: "Without first obtaining our written consent (which we need not give), you and anyone who acts on your behalf must not disclose the existence of this policy to anyone other than the legal advisers of prospective buyers of your Property and/or their mortgage-lenders. This prohibits any application to court or the Lands Chamber of the Upper Tribunal for modification or release of the restrictive covenants without our prior written agreement."

Unlike motor or home insurance policies, covenant insurance policies are transferable. If the previous owner had an existing covenant policy in place, then you, as the new owner, will not be required to take out a new policy because the existing transferable policy will be sufficient.

Having a covenant already breached in my case proved to be more beneficial in terms of insurance.

Interestingly, after reading my policy and phoning Aviva Insurance to verbally confirm it, I learned that, should I decide to sell, my policy covers me if I incur any shortfall in the sale price as a result of the covenant. I was surprised that my insurance policy was so comprehensive and decided to call them to confirm it. Aviva mentioned that claims were very low in this sector, and I had guessed this must be the case, since the policy price was only £250.00.

An excerpt below from Aviva policy covering any shortfall/loss if selling:

''Any reduction in the open market value of the Property caused directly by your Covered Risk, where 'open market value' means the average of the estimates given by two independent valuers (one to be appointed and paid for by us, the other to be appointed and paid for by you) of the values of the Property on the open market assuming first that the Property is subject to a Covered Risk and second that the Property is not subject to a Covered Risk."

In terms of the lender's insured loss, my Aviva policy cover stated:

"Any shortfall in the repayment of your mortgage advance or loan secured by the Property caused directly by a Covered Risk, together with interest and costs, insurance premiums, legal and estate agency fees, ground rent and service charges (if applicable), following the exercise of your power of sale of the Property as mortgagee-in-possession."

The ultimate outcome with my covenant was that it slightly restricted my lending options, which cost me a slightly higher interest rate, but it wasn't a deal breaker or enough of a concern to make me want to cancel the purchase. According to my Aviva policy, if I was unable to re-sell the property or had to sell it at a reduced price due to the covenant, I am entitled to claim for any shortfall in value. Despite reading the policy details above, I still had to phone and speak to Aviva to confirm my cover, as I was surprised that it was comprehensive enough to effectively reduce my risk to zero for a £250.00 premium.

Below is an email (August 2019) from a mortgage broker who I do not usually deal with. I wanted to pose as a new customer to get a view from another broker outside my normal broker contacts.

Basically, they are saying it's down to the lenders' solicitors on the day to decide if the title is marketable, and this can often mean that the appropriate insurance is sufficient to effectively make sure the title is marketable in the future.

Hi Henry,

Thank-you for your email yesterday. I have had some lenders come back to me who would look at this. They have just said that it is subject to valuer's comments. The valuer will determine the impact on the suitability of the property for lending and the conveyancer will determine whether the purchaser/owner complies with the obligation, advising the lender of any issues that may impact the lending. Conveyancer will guide us on the property.

In order to make a specific recommendation to you based upon your circumstances I would be grateful if you could complete the enclosed fact find and return to me in the freepost envelope provided or you can scan and email.

I would also require proof of income such as the last 3 month's pay slips for employment and/or the last 2 years SA302's/tax calculations for self-employment.

I have also attached our disclosure document which outlines who we are, how we get paid and the fees we charge.

Please get in touch should you have any questions. I look forward to hearing from you.

Kind Regards,

Amanda Scott

Mortgage Consultant

So how did this story end? The property in question was re-mortgaged with a new lender who, as it turns out, didn't even ask me for any Covenant Insurance. I assumed they had seen how old the covenant was and realised it wasn't enforceable anyway.

This information is based on my own personal case study only and is not offered or implied as any form of legal advice. I have no legal expertise or training whatsoever.

CHAPTER TEN
BUILDING THE RIGHT PROFESSIONAL TEAM AROUND YOU

Getting the right team around you makes all the difference to getting deals done quickly, limiting stress, and protecting you from mistakes. Remember, you will be working with your key people on a daily basis over the years. You need problem-solvers who value your business and are progressive and supportive.

Solicitors - The most important professionals in your team

After over 30 years in the business, I cannot emphasise strongly enough how much a poor solicitor will affect your ability to progress deals in a timely and non-stressful manner. Your solicitor is the key partner. Business on a daily basis is so much easier with the right solicitor.

An uninterested solicitor can make your working life a misery and generate unnecessary stress, delays and frustration. If you find yourself continually chasing a solicitor, then I strongly encourage you to find a different one, as a professional, pro-active solicitor should be chasing you.

Do not be tempted to deal with any volume conveyancing firms offering discounted rates, as they will be overburdened with clients and weighed down by higher staff turnover rates. Try to use one of the larger firms, if you can afford it (I would argue you cannot afford not to).

Solicitors working in larger firms tend to be less overworked and are able to communicate promptly and efficiently. My own rule is: if I do not get an email reply within 24 hours, then I will move on and find a solicitor who actually wants my business.

Good solicitors also have the support of their own legal PAs who are also actively working on client case files. Ask if this is the case and ask what happens when the solicitor goes on holiday. I want to be assured that the PA is active and familiar with my files and able to deal with any matters should I be unable to contact my solicitor. This means that when the solicitor is away, you still have continuity of service and your business doesn't grind to a halt.

The right solicitor will reduce your stress and help you get deals done quickly. They'll be working in tandem with your mortgage broker, so they should be introduced via an email thread, with both solicitor and mortgage broker copied in on any emails regarding finances.

A final point: always ask for details of fees and payment schedules in advance of instructing.

Finding the right mortgage broker

You need an experienced broker relevant to your type of loan. Unfortunately, many brokers pretend to have more experience than is actually the case, so you need to push them on the specifics of their experience. The best way to quiz an advisor is to ask them to talk about key parts of the project that you know about.

For example, if you are applying for development finance, ask for the intricate details of deals they have completed. Who wrote the last development appraisal? Do the lenders have QS-sanctioned drawdowns or is it value uplift? And so on.

If you are applying for an HMO loan, ask how many HMO loans the broker has done in the last twelve months. Enquire about the number of rooms, the lender requirements for tenancies, etc.

This is all basic stuff for an experienced advisor and it should easily roll off the tongue. If they throw in live examples, you know you are speaking with someone who knows what they are talking about.

Again, as with solicitors, if the broker does not communicate with you in a timely and efficient manner then do not feel any loyalty. Move on until you find a keen broker who really wants and values your business.

A good broker will also communicate directly with your solicitors and accountants during the conveyancing process to make things progress quickly. As part of your professional team, they should be trying to get ahead of issues like proof of income, settlement fees, or the tax implications of doing one thing over another.

The broker and solicitor should have already been introduced via email thread, and both should be copied in on any relevant emails, so that they can work together and be jointly aware of the details of deals going through.

Many brokers like 'uncomplicated' and straightforward cases so they can get paid as quickly as possible, but what you really want is a problem-solver. Now, fees are not a bad thing, of course, and having an incentivised broker will keep them hungry and committed to you. However, a good advisor wants a client, not just a transaction, and they should be willing to see the value of the relationship over the commitment fee. Even between projects, a truly committed advisor will be happy to talk strategy without expecting to be paid because they value the relationship. If they do not, that is fine, but are they truly part of the team you want to create?

Get an APRC (Annual Percentage Rate of Charge) quote. It is used as a means of comparison for financial services products and takes into account the total amount of interest and any fees applied to your mortgage. And as always, ask for details of fees in advance of instructing.

Lastly, let them in. The more they know about where you want to be, the easier it is to make sure they are always looking at the big picture on your behalf. Some loans can, on the face of it, seem unattractive (like a high-cost bridging loan), but if that provider has no exit fees and works without survey, and speed is key to you, your advisor will make sure you have this option presented to you.

Top tip:

Use a broker within driving distance for more face-to-face meetings.

Builders - the full picture

It is pretty straightforward to give advice on dealing with the builder, as mentioned previously engage your QS first, but that is not the full picture. Due to Health and Safety updates, particularly the legal implications of recent and very onerous legislation updates from 2015 onwards, there is a lot more to consider before you allow anyone on site, never mind a builder.

The Construction Design and Management Regulations have been around since 2007. However, in their previous issue, a "domestic" client (i.e. someone like you, an RLA landlord building or refurbishing a house), had no legal duties. Some still wrongly believe CDM does not apply to small private domestic refurbishments, but, in reality, it has applied since 2015!

Under the Construction Design and Management Regulations 2015 (CDM 2015), you are now classed as a client just the same as any other type of large, more professionally run construction projects. With the amended regulations, you and your builder have serious legal responsibilities on sites both large and small. Many people still underestimate the legal and safety implications of running even a small project, typically carried out by many RLA members.

Basically, these regulations make it a lot easier and likelier for you to attract enforcement from the Health and Safety Executive. From a legal perspective, these regulations can get you into real trouble, especially if things go wrong. These regulations need to be taken seriously because, in the event of any breach or accident on site, Health and Safety will seek enforcement on the ultimate 'bill payer', i.e., you.

Accidents happen more frequently than you might think. According to a recent report by the Health and Safety Executive, Workplace fatal injuries in Great Britain 2019, 36 people died in 2018/19 working on construction sites. Falling from a height and being struck by a moving vehicle were the biggest killers.

The CDM regulations are designed to encourage better planning so that the risks involved are managed from start to finish. It applies to all works, but you effectively have two types of CDM: the notifiable type and the non-notifiable type. For notifiable jobs, you must complete a form (F10) notification of construction project on the HSE website.

Smaller private jobs are not notifiable to the Health and Safety Executive, but they still fall under the normal CDM rules. A recent article in a trade magazine said that the HSE are currently focussing 70% of their resources on this type of smaller project, so an unannounced visit is a lot more likely on these smaller jobs.

Whether you employ workmen directly or not, you still have personal legal responsibilities under the CDM regulations. For example, you have an obligation to share any information which impacts the safety of your team, including information relating to asbestos or contamination, prior to any site investigations taking place.

You also have a legal responsibility to ensure that your builder is fully compliant with current safety regulations, and that they do not have any outstanding enforcement notices (this can be checked online with the HSE). If you find your builder has enforcement notices, be wary – an unsafe contractor may be cheap, but if they cause an accident on your site, you may find yourself personally subject to HSE action as the client. You may wish to ask your builder and their team for their CSCS cards, which will show that they are certified to work safely on site.

If you have more than one contractor on site, one should be appointed as the "principal contractor". They will have an obligation to manage and coordinate all other trades on site in relation to safe working, including how risks need to be managed on site.

The best way to avoid disputes with your builder is to employ a quantity surveyor (QS), even on smaller jobs. When it comes to money, most disputes between builder and client arise out of poor communication, and because you haven't employed a QS as a professional middleman between yourself and the builder. If you employ a QS, he will also ensure the builder has the necessary insurance, Schedule of Works, and Bill of Quantities, which helps to protect you from cost overruns.

I could have written a full chapter on my experience with builders and unfortunately, most of my challenges have been as a result of disputes with builders in my earlier career. This improved for the better when I started employing a quantity surveyor and doing a Bill of Quantities, which makes dealing with your builder a lot less risky and less prone to disputes.

If you can't afford a QS, then do your own Schedule of Works beforehand so you can get accurate and comparable quotes from each builder. Take the time to write down every single individual job you want in each room or, even better, break it down to each trade. Otherwise, you will get vastly different quotes for the same job from builders because they will have interpreted your requirements differently, based on a loose conversation.

Try to find a builder who is a member of CHAS and/or the Federation of Master Builders. If dealing with electrics, look for and check NIC-EIC accreditation, and for any gas works, check them against the Gas Safe register. These registers are available online and a reputable builder will provide you with their registration number to check. If they are not registered, do not use them, no matter how experienced they claim to be!

Agree who will manage the construction process and act as the first point of contact for your builder – you, your architect or your QS – and ensure that these lines of communication are respected so that all information is captured throughout the process. This will include documenting and agreeing any design changes which may impact your cost.

Choose builders who have been in your area for many years and are long-established as they must be doing something right. Obviously a personal recommendation is a good idea if you can get one. Avoid the "one-man band" as they will not have the relevant experience of managing a team, which is essential for your legal responsibilities under CDM.

The most important financial advice is to make sure you are not paying anything in advance. If the builder does not have enough cash to forward-fund the job even for a few weeks, then walk away.

Agree any material costs or purchase costs upfront with your QS and builder, and agree a staged or interim payment schedule for the duration of the works. Failure to pay a small contractor can quickly cause cash-flow issues and damage your relationship. It is easier to make smaller payments, more often, which reduces your exposure and the contractor's risk. Common practice is to negotiate a small discount as part of your tender (2-3%) for early payment or regular payments and you may be able to arrange this.

Final point:

As well as a principal contractor, the client also needs to appoint a "principal designer". This is usually just the architect, but it is worth noting that you should make these appointments officially in writing.

Top tip:

Employ a QS before speaking to your builder. If you can't afford one, then do your own detailed Schedule of Works before meeting the builder.

An additional word of caution:

If you have a dispute with any contractors on site, they may be inclined to report you to the Health and Safety Executive for any breaches of CDM.

Structural Engineers - safety first

I am not necessarily put off by structural issues, as long as I have taken the right advice and any remedial work costs are reflected in my purchase price.

With a 'suspect' building, it is critical to obtain a structural survey well before you exchange. I usually do this as soon as I agree the deal, as it takes time to run through your options.

A structural report explores the problems and identifies the causes of any issues with detailed drawings and structural specifications, which are key for your builder. When done prior to exchange, a detailed report and quote may allow for the works cost to be deducted from the sale price during exchange and completion, excluding an auction purchase.

A structural engineer will work closely with your builder to implement the work. With structural issues being a major safety factor, any structural engineer should be suitably qualified (a member of MICE, MCABE or MIStructE, for example) and should also have personal indemnity insurance.

I am no expert in structural matters and have no qualifications in the field, but I have found from personal experience that the more refurbishments I complete, the easier it is to understand structural issues. These are not dealbreakers or as difficult or as costly to resolve as you may think.

I once feared taking on any building with structural issues, but now the opposite is the case; as long as my purchase price reflects the costs of any works to remedy, I have no issues, even if a building has significant structural issues.

If you get a structural report and you have an engineer attend, do not be afraid to knock plaster off the wall or to take up floorboards before they arrive so that they can get a better look. Otherwise, if they miss something, they will say they were unable to view those hidden issues which, in their terms and conditions, will absolve them of any liability.

Structural issues can be the result of many different factors. It is important to understand that these can sometimes be historic in nature and may actually be longer-active or a result of natural thermal movement throughout the year. If you break the building down to its simplest elements, you can start to understand how and why issues occur. This is not an exhaustive list, but a starting point of the more common issues that you can apply to most buildings.

Has something affected the foundations to cause structural issues? Primarily, poor or damaged underground drainage is often the cause of structural movement about the base. This can be checked by a simple CCTV survey report.

Another simple check you can undertake is to establish whether any large trees are in close proximity or if any have been removed recently. Tree root action can have minor to severe effects on the foundations. If the drainage and trees check out okay, then a simple trial dig to establish the type and adequacy of the foundations and surrounding soils can be done.

Has something affected the above-ground structure (walls and floors) to cause structural issues? Often, poor-quality workmanship or works carried out not in accordance with building regulations can manifest as issues within the building fabric. If you think modification or refurbishment works have been carried out, enquire to see if they have been done with building control approval.

Has something affected the roof to cause structural issues? Although not as common, it is not unheard of for a defect in the roof to cause structural movement of the building fabric below. If loft access is available, then take the opportunity to investigate the inside, checking for anything obvious, such as damaged timbers or signs of water ingress, that could contribute to structural defects. Again, externally have a look at the roof to ensure no significant sagging has occurred.

From the above, if you see cracks within the walls then you may be concerned about the structural integrity. There is no need to panic, as some of these cracks may be relatively easily repaired with a 'crack stitching kit', a common remedy which can repair vertical and stepped cracks. If it is more serious then it may need to be under-pinned, which is more costly. It is important to establish the root cause and to then take professional advice.

Generally speaking – and this a general comment based on my individual experience only – I find the wider the crack or the bigger the bulge on the wall, the more they cost to repair, and the more serious the issue will be. I find common smaller cracks in walls are actually less costly to repair than large bulges, assuming you do not have an underlying issue with subsidence which needs attention.

Obviously, all buildings are different so please note that this is not any attempt to give structural advice. The comments above are based on my experience only and may not relate to any structural issues you may encounter, so you will need to seek your own independent, qualified, insured structural engineer. Always ask for details of fees and any payment schedules in advance of instructing.

Top tip:

For a more accurate structural report, remove floorboards, plaster and anything impacting the surveyor seeing any defects. Otherwise, if further structural issues are discovered later (which has happened to me) the engineer won't take responsibility because they "didn't have proper viewing access".

Architects - find the right specialist for your project

As with mortgage brokers, I like to find experienced specialists who have a lot of experience in the particular sector or style that I am after. I often surf planning applications from my local council to see the standard and style of architects, and it is a good place to view real applications and find the right architect.

Most disputes between architect and client arise out of poor communication, so make sure the budget and your architect's responsibilities are set out in writing. Be clear on what you want the architect to do, providing clear instructions on whether you want them to produce designs and/or working drawings, apply for planning, and/or undertake project management. If you want the latter, ask the architect to explain what he/she means by project management.

A good architect will know and stick to your budget and think carefully about the cost implications of their designs, rather than hitting you with an unrealistic scheme that is too expensive to build.

Before instructing, ask for details of fees and any payment schedules and get a detailed quote that outlines the scope of work in writing.

Top tip:

Check out architects' previous work on your local council planning portal.

Quantity Surveyor - The "risk reducers" and "feasibility experts"

Imagine you could meet someone who could teach you everything you ever needed to know about most aspects of construction. Well, that's exactly what your QS can do.

For any work over £15,000, I never start any project without the services of a QS. They are the accountants, project managers and risk managers, material and regulations experts, and procurement experts, all rolled into one person.

You will learn so much about construction from your QS, and it's worth the education alone to instruct one!

Like a good solicitor, a good QS can make a big difference to your approach and success. These key professionals are experts in costing projects and construction management. They are trained to study drawings and specifications to provide surprisingly accurate local labour and work costs, and more importantly, accurately calculate the quantities of materials for the build. This is commonly known as the Schedule of Works, which incorporates the Bill of Quantities, and I strongly urge you not to start any project without a BOQ.

A good QS adds value by ensuring you pay a fair and reasonable cost for the quality (the going rate), which they will correctly estimate and specify. They will reduce construction risks and will often save you far in excess of their fee by keeping tight control of costs and significantly reducing the risk of cost overruns and disputes between you and your builder. They will help you with contract drafting (usually a JCT) and feasibility and help you to complete on time and budget. They will benchmark project costs from the Building Cost Information Service to ensure you pay the going local rate and no more. With a thorough understanding of Building Regulations, they will also ensure that the project passes Building Control.

The QS can be the difference between a successful project and a disaster. They significantly reduce the risk element and reduce the chances of contractual disagreements. Within any design, a good QS will be able to offer cost savings. This could be from a design change or a specification change. Depending on the size of the project, the QS can produce a tender document, which will allow for a competitive tender to achieve best cost, complete with quality weighing. With tender documents, they allow for tenders to be reviewed and compare the differences between prices.

It never ceases to amaze me how many projects I get offered to partner or invest in by others, but they have not professionally costed the works. Investing or getting involved in projects without a QS is effectively gambling and this lack of detail paints a picture of the credibility of the persons offering any opportunity, so beware. Do not partner or invest in any joint venture which has not been costed by a QS. In my view, the mere fact it has not been done is a sign you should walk away.

To summarise, the QS is a key player in your team and will be the difference between a successful project and a disaster. They significantly reduce the risk element and the chances of any contractual disagreements. Always ask for details of fees and any payment schedules in advance of instructing.

Top tip:

Employ a QS, before a meeting or speaking to any builder or even buying the property, as they can provide accurate feasibility costs. I strongly advise not to consider any development work until you've spoken to a QS.

Planning Consultants - do not rely on your architect for planning advice!

I always discuss even minor projects with a planning consultant, just to be sure I am doing the right thing regarding planning legislation, and to confirm my options regarding Permitted Development rights in my particular case.

Securing permission is not just about the technicalities of an application. You will also need to know how to navigate the politics of planning and see the bigger picture. Consultants have an expert knowledge of regulations and an understanding of the intricate rules, and they will help you through the red tape of the planning process.

Many planners have a specialism, so it is always good to ask what experience they have. Ideally, they should have good local knowledge. Your local planning portal will show you real applications, so you can see who the main planners are in your area and get a view of their work. Many applications contain a 'Planning Statement' done on behalf of the client, and I always look at the details in this statement because it gives you an idea of how much effort they put into their applications.

Always ask for details of fees and any payment schedules in advance of instructing.

Top tip:

Attend public local planning committee meetings for a real insight and free education into your local planning world and the key players involved.

Building Control Officer - you need BC certificates for lenders or selling

Building Control is separate to any planning matters. Building regulation approval makes sure you reach certain safety and energy efficiency standards and gives you the certificates of compliance you need when you want to raise finance or sell your building.

Minor work will not require a BC certification unless there are: structural alterations to a building; alteration to the means of escape; underpinning of foundations; alterations to the drainage system; or alterations to cavity walls.

Building control officers work closely with architects, designers, builders and engineers. They ensure new buildings, alterations, installations and extensions meet the standards of safety, sustainability, accessibility and design. They have final sign-off on any dangerous structures and will advise on how to make them safe and compliant with building regulations.

You can employ a building control officer privately, or you can nominate a planning officer from your local planning department. I have used both in the past and I have had no issues or bad experiences with the local council officer, although more recently, I have been using the building control officer who works with my builder.

Always ask for details of fees and any payment schedules in advance of instructing.

Top tip:

Builders often have an existing relationship with a building control company. I either tend to go with their choice or I use someone recommended by my QS.

Fire Risk Assessors - some lenders are now asking for this

From 1st October 2006, The Regulatory Reform (Fire Safety) Order 2005 requires the Responsible Person (RP) of any non-domestic premises to carry out a fire risk assessment, including measures to reduce or eliminate the risk of fire, and identify persons at risk.

Lenders are increasingly asking for a fire safety assessment to be carried out. I was asked for this by Hampshire Trust

Bank recently for a re-mortgage from bridging finance, although other lenders did not require this. I employed a Fire Risk Assessor, but you can do it yourself with the RLA template:

https://www.rla.org.uk/landlord/documents/fire_risk_assessment/fra_form.shtml

Where there are five or more employees, a record must be kept of significant findings. The definition of a Responsible Person is contained in the above Order.

Useful guide:

https://www.dsfire.gov.uk/YourSafety/SafetyAtWorkandotherplaces/Adviceforlandlordsandlettingagents/documents/Firesafetyadvicetolandlords.pdf

Top tip: You can do your own assessment with the RLA Fire Risk Assessment template, found in the 'Documents and Guides' section on the RLA website.

Accountants and Tax

The most important point about tax is to always file your personal and company tax returns on time and never, ever be late. If it's a company, then file your tax return and also your confirmation statement on time. If you are late with any of these, especially more than once, you are more likely to attract attention.

Companies House introduced the annual confirmation statement in 2016. This statement exists to make sure the details Companies House have about your company are up to date.

As regards finding the right professionals, I advise you to find a property specialist who has many clients in the property business. Do not file your own tax return and always use an accountant, as using an accredited service helps boost your trustworthiness in the eyes of HMRC.

For a larger business or more complicated structures, you may need a separate tax advisor, and your accountant will usually put you in contact with such a person. If not, don't be afraid to seek separate tax advice outside of your own accountant as they may not have the right specialist property experience.

It's not enough to just make an accurate tax return; you need to be aware of the potential consequences of being late, so take your tax and filing deadline responsibilities seriously.

Your figures should be consistent and in line with industry standards. A company with below average or inconsistent margins and years of unprofitability can attract attention.

The new digitised system is designed to help businesses in being more accurate in reporting sales and expenses, but this increased computing power can better analyse anomalies and easily compare a company's financial results and key metrics with others in the same industry.

Top tip:

Make sure HMRC have your current address and sign up for their 'reminder service' so you don't miss confirmation statement and tax return deadlines. Don't leave this job to your accountant as they won't care less if you file late.

Maintenance Team and Paying People

If your existing workmen or contractors seem uninterested or difficult to contact, have you ever wondered why?

When you have an emergency call-out over a bank holiday or late at night, you need the goodwill of your contractors, and the easiest way to achieve this is to treat them well and pay them promptly. This may sound obvious to some, but it always surprises me how many feel it is okay to delay paying suppliers, and some even think this is normal practice. And then they wonder why the suppliers do not answer their phone when they need them.

By far the best way to encourage great service and build positive working relationships is to pay suppliers promptly. This has served me well and allows me to get speedy replies to queries, and it often leads to my professional team going "above and beyond" as a result of a good working relationship.

I find the whole dynamic between you and your professional changes for the better when you pay even sooner than the payment due date. I always pay invoices in a matter of a few days, not weeks.

CHAPTER ELEVEN
PERMITTED DEVELOPMENT AND PLANNING

Planning

The planning system in the UK is challenging to navigate and many complain about it, but it is this very challenge and risk which creates opportunity and a potential financial uplift. Smaller-scale developments subject to permitted development are much less challenging in terms of planning and they give a higher risk-reward return.

Without specialist knowledge and experience, the system is risky. The key is to always discuss your options with a qualified and experienced planning consultant before any exchange of contracts. I do this myself before I exchange on any property.

If your property of interest is in an area that is unfamiliar to you, choose a planning consultant with local area experience. You can find a suitable planner by looking at recent planning application history on your local planning explorer, which will give you a view of who the main players are in terms of planning experience in any given area.

Permitted Development

Permitted Development (PD) rights are a type of general planning permission granted by Parliament; effectively, they are planning permissions granted by statute.

PD rights allow you to bypass the submission of a formal planning application for certain alterations and extensions, but associated larger external physical development may still require planning permission. The rights are subject to 'prior approval', requiring consent of the local authority regarding specified elements of the development before work can proceed.

Before granting approval, a local authority considers the following potential impacts of a proposed change of use:

- Transport and highway
- Contamination risk
- Flood risk
- Noise

Where the property is a leasehold, ask your solicitor to look for hidden covenants with restrictions that require consents to be obtained from third parties, or covenants affecting the title to the property that restrict its use to commercial only. Also, adjoining premises can sometimes exercise rights over the property.

Some types of offices are exempt from Class J status, including premises that have previously been used for other purposes. General Permitted Development also allows a change of use from B1 offices to C3 residential without the need for full planning permission.

Note that Permitted Development rights do not apply to conservation areas, nor to Grade 1 or 2 listed buildings.

Dwellings not situated in a conservation area may extend up to 8m from the rear wall of the original dwelling house for a detached property, and up to 6m for all other properties (e.g. terraced, semi-detached etc.), provided that the extension is no more than 4m in height. All other existing Permitted Development limits still apply. For example, you still may not cover more than 50% of the garden.

So, assuming the property is not in an Article 4 Directions area, you can:

- Add a rear extension or a front porch measuring no more than 3m.
- Install new doors and windows for the porch and carry out internal alterations.
- Convert and occupy the loft space and install roof lights.
- Install power-generating solar panels, excluding wind turbines.
- Extend a detached dwelling by 8m to the rear if a single-storey or 3m if a double.
- Extend a semi-detached or terraced dwelling by up to 6m to the rear, if single- storey.
- Extend the height of a single-storey dwelling by up to 4m and no higher than the existing property.
- Two-storey extensions must not be closer than 7m to the rear boundary.
- Extensions must not go forward of the building line of the original dwelling.

- Side extensions must be single-storey with a maximum height of 4m.
- In some areas, side extensions require planning permission and all rear extensions must be single-storey.
- Extensions and outbuildings must not cover more than 50% of the garden space.
- Outbuildings must be single-storey, with a maximum ridge height of 4m for a pitched roof or 3m for any other kind of roof.
- The eaves height of an outbuilding must be no more than 2.5m.
- If the outbuilding is within 2m of the boundary, it must be no higher than 2.5m.
- No outbuilding can be forward of the original dwelling.

All of the above is entirely subject to normal planning design constraints.

https://interactive.planningportal.co.uk/ terraced-house/ outside-terraced-house https://interactive.planningportal.co.uk/

What is an LDC?

Although Permitted Development gives you guaranteed rights in terms of planning, it still leaves some legal ambiguity in terms of lending and selling. Many investors develop HMOs under Permitted Development, unaware that you still need to apply for a Lawful Development Certificate (LDC) after works have been completed to future-proof your investment.

A Lawful Development Certificate can provide assurance to buyers when you come to sell your home, and to lenders when you need to raise finance. However, I secured lending on an HMO without this at the end of 2018.

If you require official confirmation of legal compliance under Permitted Development, and official confirmation that your work does not require planning permission, you can apply to your local council for an LDC.

Can PD Rights be expanded or withdrawn by an LPA?

Permitted Development rights can be removed if a Local Planning Authority attaches a condition stating that a dwelling is exempt.

Article 4 Directions also remove the right to carry out certain types of 'permitted development'. If you want to do work that is covered by an Article 4 Direction, you will first need to apply for planning permission. Types of Article 4 Direction vary from council to council and lenders will often be reluctant to lend to HMOs in an Article 4 Direction area.

What building work does not fall under PD?

The following projects never fall within Permitted Development rights:

- Balconies, verandas and raised platforms.
- Two-storey side extensions within 7m of a rear boundary.
- Extensions with eaves higher than 3m (within 2m of a boundary).
- Extensions which exceed 50% of the original curtilage.
- Extensions higher than the height of the original house.

- Extensions over 4m tall or exceeding 50% of the width of the original house.
- Extensions at the front of the house, except a porch less than 3m.
- Unobscured side windows above the ground floor.
- Loft windows that can open when positioned less than 1.7m from the floor.

Building Control

Regardless of PD rights, you will still need to comply with all applicable building control regulations when carrying out major structural works. Adding steel reinforcement beams or removing a chimney breast, for example, would require building control approval. This can be done by employing a private building control officer or an official council-employed officer; the costs and outcomes are much the same in my experience.

CHAPTER TWELVE
INFORMATION SOURCES

I recommend the FT and The Times, as they seem to always be first out with the next big story, then it's down to various websites. The main source of credible data for this is the National Residential Landlords Association. They are the largest landlord association in the UK who lobby Government with over 80,000 members. Another great source which selects all the important property stories and sends them to you in an email summary, and is a free subscription, is UK Finance, who can be found at www.ukfinance.org.uk. They give a summary of the main property stories as they come up. UK Finance was formerly known as The Council of Mortgage Lenders.

Ultimate Price data

Essential Information Group for EIG Auction data: important information for anyone seriously interested in due diligence. I highly recommend you subscribe to their newsletter also, as this gives you auction results plus other information broken down as follows:

EIG Auction Newsletter

Auctions Held in the UK - 486

Total Lots Offered - 1,305

Total Lots Sold - 877

Percent Sold - 67.2%

Total Realised - £107,805,916

To find potential projects, use the newly available 'add keyword' search feature on Rightmove and Zoopla.

Some of the useful keywords I use are:

- 'in need of'
- 'modernisation'
- 'repairs'
- 'updating'
- 'refurbishment'
- 'repairs'

Zoopla, unlike Rightmove, also has a 'most popular' search option available which helps you understand what's in demand.

Land registry

I have used the following websites to search for Land Registry information and can confirm they all work really well. (However, if you can't afford to use any of these subscription sites, then use the Land Registry directly.)

- landinsight.io
- Nimbus - also run regular webinars which are really insightful, and I recommend you sign up for these as Nimbus is run by two successful property developer brothers.
- Pro Map

Vertical Search Engines & Keyword Crawlers

When searching the internet, Google, and the other major property platforms, simply do not index all the information you need when finding potential refurbishment projects. I use Vertical Crawlers with the keywords below, but with a local search configuration.

- https://www.mitula.co.uk
- https://www.nestoria.co.uk
- https://www.trovit.co.uk

Useful keywords:

- 'in need of'
- 'in need of modernisation'
- 'repairs'
- 'updating'
- 'refurbishment'
- 'updating'

You can also search these words by area and often find you get listings not featured on Rightmove or Zoopla. This is because about 15% of all listings are not on the two main sites and not available via a Google search.

Royal Institution of Chartered Surveyors

RICS publishes a monthly report which is the most up-to-date and accurate in terms of what's really going on in the current market at any given time. This can be found at www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

Freedom of Information Requests

You can find FOI details for local council planning and other interesting activity online, but you don't need to pay a fee for this information. Instead you can track information that others have requested. **The www.whatdotheyknow.com website can be set up to give you alerts about anything to do with property, and it tracks the various freedom of requests and the replies to your local council.**

Another great source of planning insight is your local public planning meetings held regularly by all local councils. By attending these open meetings **you will learn a lot about planning, and it's a great place to meet local councillors and planning consultants as they are usually there arguing the case for their clients.**

News Sources

- Check The Times and The Financial Times for regular, high-quality property stories.
- CNBC and Bloomberg TV offer an international perspective on our economy and politics.

The institute of Directors Confidence Tracker

- https://www.iod.com/Portals/0/PDFs/Campaigns%20and%20Reports/Economy/winter-2018-confidence-tracker.pdf?ver=2018-12-09-185407-617

Office for Budget Responsibility

The OBR often mentions property in their reports at https://obr.uk. The site itself is complicated to use so I follow them on Twitter as due to the limited number of characters allowed in one tweet, this forces them to post the 'key' points of certain data only.

Office for National Statistics

Find property statistics at https://www.ons.gov.uk

You can follow ONS on Twitter for survey summaries at www.twitter.com/ONS

Developer Business Plans

I often look at what other developers are doing in terms of their business plans, information that is often fully available, plus a breakdown of their financial data. Many developers use the following sites to secure funding, which is a great source of learning:

- www.simplecrowdfunding.com
- www.moneything.com
- www.crowdwithus.com

Planning Blogs & Websites

Martin Goodall's Planning Law is a top source of information and can be found at www.planninglawblog.blogspot.com

Martin has an exceptional legal mind and is one of the leading legal experts in the UK planning world. He gives a lot of legal information, sometimes difficult to understand, but offers a substantial amount of informative advice that is paramount to helping you move forward.

He publishes through Bath Publishing and I highly recommend you subscribe to the mailing list for this company. They are also the publishers of "A Practical Guide to Permitted Changes of Use". This is a must-have book if you want to know about PD rights (Permitted Development). Bath Publishing has also previously run very good webinars about planning, hosted by some of the most experienced and credible planning legal practitioners and experts in the country, including Martin Goodall, David Evans, Oliver Goodwin, and David Chapman. The webinars they have held in the past have been cutting edge in terms of up to date planning issues, and I highly recommend watching them when available as you will get a wealth of quality information for pre-eminent industry leaders. They can be found at: www.bathpublishing.com, where you will find the above mentioned book also.

www.planningportal.co.uk do a useful newsletter with all the latest information on planning news. This is essential reading for anyone who wants to learn more about the planning process. I also recommend you attend your local planning meetings. Other useful sources of information are:

- www.planningJungle.com
- www.planningresource.co.uk
- Chris Brown at www.regenbrown.wordpress.com
- The David Brock Blog at www.thedavidbrockblog.com
- Really good legal seminars can be found at: www.mblseminars.com

Email Subscriptions & Magazines

- UK Finance emails at www.ukfinance.org.uk gives a summary of the main property stories as they come up. They were formerly known as The Council of Mortgage Lenders.

- Property Investor Today is also good quality and it's worth subscribing to their emails.
- www.planningportal.co.uk is an extremely useful website to register with, providing high quality and invaluable information on areas such as planning permission, building regulations, legal documents, guidance and applications you will need.
- NimbusMaps also run regular webinars, some of which are really insightful. This does depend on the guest however, as I have noticed the quality of their guests seems to fluctuate. But their planning webinars are of a high quality and are particularly informative due to the CEO of Nimbus, Paul Davis, being a developer himself with a lot of planning experience.
- Mortgages for Business emails at www.mortgagesforbusiness.co.uk and their blog is of high quality.
- Howard Marks' Oaktree Capital newsletter (widely read by the stock market). Howard is a well-known billionaire, who influenced my thinking on Economics while I completed my MBA. I studied his work extensively and started putting a lot of his theories into practice in terms of hedging strategies after the last property crash.

Facebook Groups

- The No BS HMO
- UK Property Traders
- Inside Rent 2 Rent
- Landlord Tax
- Serviced Accommodation Network UK
- The Next Level Property Group

- R2R Support Group - HMO & Serviced Accommodation
- The HMO Forum
- The HMO and Property Community Group

Tax Planning

- Property118.com
- TaxCafe.com
- Propertynotify.co.uk
- Taxinsider.co.uk do a report for the RLA on Asset Protection and Tax. It can be purchased for £29.95 on the RLA website, but the site is also worth reading as they regularly publish articles on tax.

Networking

PIN (Property Investors' Network) is the main property networking event in the UK. However, it is largely populated by new people with little experience, or those looking for investors to invest in their project. And, from my experience, these people looking for JV partners (Joint Venture) are high risk operators who exaggerate their property experience and who have difficulty themselves raising finance through normal channels. Never invest in any project which hasn't been professionally costed by a quantity surveyor.

Rightmove Price Movement Tracker Chrome Browser Extension

You can track property price changes on Rightmove with the Property Tracker browser extension. This is available to download at www.chrome.google.com/webstore/detail/property-tracker. The tracker shows price history data not available on Rightmove and allows you to track any price changes on other property websites, giving you an idea of how valuations have changed since first appearing on the market.

Market Reports & Predictions

- Deloitte's real estate predictions series (one of the better reports available).
- City Residential Market reports (or your local equivalent).
- MSCI and Costar have very interesting data, especially for commercial real estate.

Tracing Land & Property Owners

- www.vilcol.com is a tracing agency that will find you owners who are not traceable with the usual resources. There is a starting fee of £25, which you will **only** pay if Vilcol find you the person you have been searching for, as they work on a 'No Trace, No Fee' concept. If, however, they *do* find the person you are trying to trace and that person is deceased, you will still be required to pay the fee.
- www.rla.org.uk You will find this article on the NRLA website (National Residential Landlords Association) very useful if you are making a claim in order to recover outstanding rent.

Here is a typical example of a letter I send to secure real off-market deals.

Deed Number: MS30040
26/04/2018

Re: Address of Property: ....

Dear Human,

I researched your name and address from the Land Register.

We are a property development business and we are interested in buying your property on ....which I believe you purchased in July 1994, and I attach a copy of the land register MS30040 title document.

If you decide to sell, you can get it valued by any valuer of your choice, and we can take it from there, if you want to progress to a sale as we pay the going rate for refurbishment projects such as your ....

If you decide you don't want to sell, please let me know anyway so we can delete you from our list, even, if you are not selling as we may call to your home address eventually, to confirm receipt of this letter.

You can phone me directly via 0*******, I usually answer my mobile up until 9pm any night including weekends.

This is not a general mailshot letter and, if we don't hear from you we are likely to call to your home or place of work, if we are unsuccessful contacting you at this address

Kind regards,

Henry Davis