

CASE STUDY: THE NEW RULES

Businessman Steve Bolton knows what it's like to lose everything and have to start all over again. But this time, he reckons that property investment has made him bomb-proof ... and the trick is to concentrate on cashflow, not capital growth

Steve Bolton's most important asset is a £5.5 million portfolio of 24 properties. All are residential, all are on his doorstep in the Bournemouth and Poole areas, and all are cash positive.

At the moment, he does not look for capital appreciation, or budget for it, and he says he would not go near a new-build with a bargepole. "Actually, that isn't quite true, as there are always exceptions to every rule, and I do have one on a particular development where values have rocketed. Also, it's a house not a flat. But generally speaking, people need to realise that new homes are like new cars – the day after you buy them, they are worth a lot less than you paid.

"Between 2000 and 2007, new-build properties went up on average 5.3%, less than 1% a year, and that compares with 120% appreciation on other types of property over the same period.

"All these people who have been sold new-build in the UK were sold a dream. They were misled and mis-sold.

"If I'd been offered a new apartment in Leeds, there is no way in the world I'd have touched it. It's absolute folly."

Bolton is not a bullish property investor: "There has been a property market crash in the west Midlands for the last two years. The press didn't notice it because they preferred to concentrate on the housing phenomenon in London.

"But the off-plan apartment market is a nightmare and five developers near me have all gone under in the last few months. It is going to be a car crash."

Formula

So, given this thinking, how is he so confident that he will continue to make money through property? Bolton's formula is to maximise rental returns and be completely systematic. He looks for 10% returns a year per property.

His properties are all Houses in Multiple Occupation, chosen for the sharers market and not students, and deliberately selected so that their space can be maximised. Extra bedrooms are put in and communal space minimised, all with proper attention to legal requirements. Tenants include nurses, trainee solicitors and builders: he reckons about half are from eastern Europe.

He aims for each property to bring him and his wife Lucy, who helps with the business, an average of £10,000 a year, after all mortgage payments, bills and void periods have been accounted for. He never uses letting or managing agents, takes three months' holiday a year, and reckons to spend only an hour a week on management.



But he makes the point that his time is spent on management, not clearing drains: "I work on my business, not in it," he says.

Advertisements for tenants are specifically worded, incoming calls are all answered the same way and prospective tenants are vetted and shown round according to set procedures.

"There is no point in having a property which brings you in rent of £1,000 a month but which costs you £1,000 a month in your mortgage payments. All you will do is lose money, and as there is no longer the buffer of capital growth, it is pointless you subsidising it. All the rules have radically changed.

"Of course, it isn't the best news that properties aren't going up in value, but then why would I want to sell an asset that is bringing me in £10,000 a year? In any case, I am in it for the long term, and if it takes 20 years for prices to double, I am confident that will eventually happen."

Bolton has been both rich and poor, and he knows which he prefers. He left school at 16 without a qualification to his name and started teaching outdoor pursuits to children. Realising there was a corporate market for outdoor team-building events, he started two businesses – one built the first ropewalk course in the country in 1994, and the second was a highly successful partnership with De Vere hotels in Reading. By the time he was 30, he had made his first million.

"We were in the right place at the right time, but we were hit badly by September 11, 2001, followed by Foot and Mouth Disease. People were pulling out of contracts, and we had to liquidate. A partner also cleared out the bank account and

departed to New Zealand, never to be seen again.

"The only thing that saved us was our family home, which we sold off to pay our debts. It was the worst experience of my life. In the States they say that you have to lose one business in order to lose your virginity: I now think of it as a harsh experience, but the best possible lesson.

"I took personal responsibility for what happened but I decided to build myself back up so that no one single event could ever wipe me out again."

Cash positive

Property seemed the obvious answer (Bolton also has an import/export business), but he went about it carefully, determined that his venture had to be cash positive. Apart from owning properties in the Dorset area, he also has properties in Scotland and Cyprus, and is looking at Romania.

Word of his ability with property has spread and he has also written a book, *The Seven Biggest Mistakes Made by Property Investors and How to Avoid Them*. Over the years, he started mentoring people and in the course of this, met a fellow entrepreneur, Nick Carille.

Carille is 32 and lives in Barnsley, South Yorkshire, with his wife Emma. He bought his first property at 19 and has purchased and renovated a variety of properties in and around South Yorkshire. He also has a number of investments in Eastern Europe, and is a lecturer in self-build and development.

The new company is run as a franchise, not a property club, and is primarily aimed at high net worth investors who want to build up portfolios of property interests using the Platinum brand.

So far 20 franchise partners have signed up, each paying £30,000 to operate in exclusive areas. Importantly, each franchisee also has to have a minimum of £300,000 equity or available funds.

It sounds expensive, but Bolton says that the venture is not a property club, is approved by the British Franchise Association and will limit itself to 36 franchise partners in total.

He also says that some of his franchisees are already emulating his own success and have been able to give up their day jobs, even in a difficult market where new rules apply.

"I do think we will have another year ahead of us of fastening our safety belts, but there will also be more opportunities to buy cheaply. The point is that in today's market, cashflow is king. Could I lose everything again? I think the sun would have to go out or the world explode before that could happen."

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