



## Members Section

▸ [One to One Support](#)

## Property Projects

▸ [Buy and Sell](#)

▸ [Rent and Let](#)

▸ [Renovate or Convert](#)

▸ [Develop and Build](#)

▸ [Property Investment](#)

▸ [Property Franchises](#)

▸ [Holiday Homes](#)

▸ [Historic or Unusual](#)

▸ [Social Housing](#)

▸ [Charities](#)

## Essential Information

▸ [Free Articles](#)

▸ [Services](#)

▸ [House Prices](#)

▸ [House Types](#)

▸ [Helpful Organisations](#)

▸ [Property FAQs](#)

▸ [Books and Factsheets](#)

## Property Media

▸ [Television](#)

▸ [Magazines](#)

▸ [Books](#)

▸ [Newspapers](#)

you are here: [home](#) » [property investment](#) » [guest article from sarah walker: the viability of a property investment franchise business](#)

## Guest Article from Sarah Walker: The Viability of a Property Investment Franchise Business

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Property Partners   

[Previous](#) | [Next](#)

Capital growth is very much given over time, our focus is on making sure any property investment is truly an asset today ie. it should be servicing its own costs and providing a level of profit on top – and you should be looking for the highest possible return on your capital. When the market is buoyant and loan to value ratios are much higher than they are at present, it's a great climate to buy larger properties which can be converted into multiple occupancy buy to lets. These are generally houses with six rooms rented out to working adults, which give very high levels of cashflow and monthly income, for a minimal (or no) capital investment by the investor.

These are the kind of investments our franchise partners have been making over the last 18 months, and several have now taken on property managers, meaning their significant income from their portfolios is virtually passive. In the current climate, with prices still falling and lending down to 75% LTV, multi-lets (HMOs) still stack up well in terms of cashflow, but it does mean tying up more of your own capital in the short to medium term.

The strategy most of our franchise partners are currently focusing on is acquiring properties at substantially below their true market value. While prices are still falling there are some superb opportunities to negotiate discounts, but it isn't a market for amateurs. The best means of analysis, negotiating with vendors, and structuring and financing the deal are quite sophisticated, and buying at a discount – which should be 30% plus - always needs to be approached with a win-win attitude. To the buyer it's a business investment, and we're all naturally after the best deal, but the vendor needs to feel they've benefited too. In some cases deals are structured so that the vendor can stay in the property, rent free, for a full year.

The kind of properties that can be secured at substantially below market value are generally not the kind that will provide six lettable rooms, so monthly cashflow is lower, but the beauty of the systems and structures our franchise partners use means that they generally have to put in little or none of their own money and are acquiring a property with significant inbuilt equity, insulating them against further falls in house values. The next 12-24 months are going to be a 'golden' time to buy for those who have the means and then know-how, this is a 'once in a generation' chance to buy at such a high level of discount.

The Office of National Statistics has recently reported that within the next 20 years, two out of every five homes will be single-occupancy, that's 18% of the population, and the bulk of the demand isn't going to be from young professionals, it's more likely to be couples who have separated and older people. They will be looking for something that's small enough to manage, but big enough to entertain and have family to stay – two and three bedroom houses – and there are quite a number of those available at the moment. Those who invest wisely over this period will find themselves with substantial equity in their portfolio and excellent financial security for the future.

Guest article submitted by Sarah Walker, Platinum Property Partners



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