

HOW PROFITABLE IS YOUR PROPERTY BOX?

With an average drop of 20% in property prices since the 2007 peak and prices not expected to recover for some years, is it essential that all property investors think carefully about how they can make the most money from their current and new portfolio.

Steve Bolton and Nick Carlile, founding directors of Platinum Property Partners (PPP) have worked hard over the last 8 years to develop robust strategies that have already proved resilient, with market-leading profitability through one of the worst property recessions the UK has ever seen!

Here, we interview Nick and Steve about what they think are the most important elements to buying and running a 'profitable box'.

Q. I have a current property - how do I know I'm making the best return I can?

Steve: Look at what returns others are making. The properties our franchise partners are buying in the current market are generating an average of £15,000 gross profit per annum. That's after all the bills, mortgage interest and franchise fees have been paid, with allowances for void periods and maintenance, and factoring in the 'opportunity cost' of invested capital. So I would say that if you're not clearing at least £1,000 gross profit per month from a 4-bedroom property, you're probably not making the best possible return.

Q. When is a 'BMV' deal REALLY below market value?

Nick: We consider 25%+ below a RICS surveyor's valuation to be truly 'BMV'. That level of discount is not easy to achieve on a consistent basis - it very much depends on you knowing an area inside out and having a professional team in place. We build BMV portfolios for clients in Barnsley because I have been investing and developing there since I was 19 and my team has built a solid reputation. We tend to stay away from new builds, as establishing their 'true' value is far harder than with resale properties, so make sure you do very careful due diligence on any new-build BMV opportunities.

Q. How many properties do I need to view to find a 'profitable box'?

Steve: When you're starting out it could be 20 plus, or you could end up buying the first one you see! But it's all about doing some serious research and getting to know your area before you start viewing, so you are clear:

**Where the demand is greatest
Exactly what combination of rooms and facilities you need the 'box' to provide**

**in order to deliver the maximum rental returns, and
What price you need to buy at**

Building up relationships with estate agents and other local sources so that they know exactly what your strategy is, can save a lot of time on viewings. One of our franchise partners recently viewed after just one phone call from the agent who had previously sold her an HMO, and bought it later that day.

Q. What yields and returns should I be looking for?

Nick: It depends on your strategy. For multi-occupancy buy to let, with a larger property, your yield should be well above 10% - our franchise partners' properties range from 10-23% -; your cashflow should be over £1,000 per month and your return on capital should be as high as possible. If you're following a BMV strategy, your yield and cashflow are likely to be lower but your return on capital higher, as it's easier to refinance and pull out most, if not all of your capital after 6 months, to give you an almost infinite return.

Q. I love having a portfolio, but hate the constant day to day tenant management. Can I really make a profit and hand over management to someone else?

Steve: Absolutely, but to do it successfully you need to ensure your whole lettings and management process is systemised and you are handing it over to someone who is incentivised and will prioritise maintaining your occupancy and rental income. We recommend to anyone building a professional portfolio that they start with a high-cashflow investment model, so there is enough of a cushion to absorb the cost of employing a property manager and still leave a healthy profit on top. You need to plan for this, as the ultimate goal is to make your income stream as passive as possible.

Q. How do I know if I should invest alone or use one or more of the 'property experts' out there?

Steve: If you are relatively new to the property business, particularly, there is absolutely no doubt in my mind you shouldn't be working alone. There are so many financial and legal aspects of property investment that you have to keep on top of, the market is constantly shifting and it's nearly impossible to make sure

you're the right side of the law and maximising your profitability if you're working by yourself.

Plus, buy to let investing can be hard and lonely work and being part of a network means you'll stay informed and inspired. But make sure that whoever you work with has a vested interest in ensuring your portfolio is successful long-term and isn't just making a short-term gain from your investment in their expertise.



Nick and Steve's top five tips to investing in a 'profitable box'

Top Tip One

If you are novice investor or struggling to make money from your property portfolio, don't try to go it alone, seek professional advice from property experts.

Top Tip Two

Work out what property investment will give you the best return. PPP find that buying two and three bed terraces below market value and renting them out in Barnsley is the best strategy for the area, whereas in Bournemouth buying properties in good areas and renting them out as Houses of Multiple Occupation (HMOs) to young working adults is highly profitable.

Top Tip Three

Try to buy your property with at least some discount so if you are forced to sell for any reason you can still do so at a profit.

Top Tip Four

Make sure you understand the law. Lots of property investment companies are still offering 'no money down' deals which are typically against the new mortgage rules and regulations. HMOs can require planning permission and need a licence. And property renovation is fraught with planning and building regulations you need to adhere to!

Top Tip Five

Most importantly, before you purchase a property for investment, work out beforehand how and when you will make your money. Without a clear long-term plan and 'exit strategy' you are unlikely to be able to maximise the profitability of your 'box'.

PLATINUM PROPERTY PARTNERS

Steve Bolton, Nick Carlile and Richard Davies

For your **FREE Professional Guide to Property Investment in 2010**

Visit: www.platinumpropertypartners.net/YPN

Contact: info@platinumpropertypartners.net
quote YPN01 or Tel: 0845 293 2877



Steve Bolton

Having left school at 16 with no qualifications, Steve made his first million by the age of 30. After coming close to losing everything by the aftermath of the 9/11 terrorist attacks in 2001, Steve rebuilt his fortune on the solid foundation of property. He now owns five very successful businesses, has a substantial multi-million pound profit producing UK portfolio, and a lead interest in international property projects worth more than £50 million.



Nick Carlile

After qualifying as a Quantity Surveyor, Nick worked within the construction industry where he earned an outstanding reputation for identifying, managing and overcoming the risks associated with large scale international construction projects of up to £100 million in value. An ongoing passion for property development prompted him to leave corporate life in 2004, and he quickly built a substantial personal property portfolio.



To Build a Property Portfolio - You Need Cash and Expert support that's aligned with your success!

There are many companies that will offer to show you how to buy a property 'for a pound' or 'build a million pound portfolio for no or little money down'. We don't think this is legal in many cases or possible if you want to make serious money from property! We also believe that to really be successful you need to work with Property Experts who make money when YOU do.

We mentor all our clients on an ongoing basis and think that our case studies are the best way to help show and inspire you how to make money from property.

Case Study: Steve and Linda Hogan from Aylesbury in Bucks

They joined our franchise network in July 2007, just as the property market crashed! Like many investors, they wanted to make money from a property business they enjoyed on a day to day basis, instead of working for someone else. Steve had previously been European Services Director for Coca-Cola and Linda a manager at Vodafone.

Leaving a 'safe, corporate world' with excellent income and a pension pot, and investing most of their savings in a new business was daunting. That's why they preferred to join our franchise network, where professional expertise and support are on tap whenever required and our success is aligned with theirs.



Steve Hogan,
PPP Franchise Partner

Steve and Linda's Investment Statistics:-

Financial Investment to date*:
£450,000

What they bought:
Six UK HMOs, three properties in Central & Eastern Europe

Current Value:
£2 million portfolio

Generates in excess of £90,000 annual profit

Annual Return on Investment:
20%

Could they have done this alone?

"The likelihood is: No", says Steve. "What working with PPP ensured was buying the right properties at a price where they were worth more the next day - despite one of the worst property recessions we've seen!" Linda agrees. "One thing we weren't prepared for was the complex legislation of HMOs and especially the planning process, let alone financing deals during a credit crunch! We may have been able to do an 'OK' job on our own, but it would have been far more stressful, not as much fun and the returns wouldn't have been so guaranteed!"

If you are interested in talking to Steve and Linda about their next steps to building a £5 million property portfolio or discussing your property objectives with the Platinum Property Partners team, then contact us on
info@platinumpropertypartners.net
quoting YPN01 or Tel: 0845 293 2877

*November 2009