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HOW TO FIND YOUR FIRST *Property Deal*

The Ultimate Guide To Finding Your First /Next Property Deal

WHAT REALLY
MAKES A GREAT PROPERTY DEAL?

HOW TO FIND DEALS IN A BOOMING MARKET

DOES IT STACK?
ASSESSING THE DEALS VIABILITY

Welcome!

There has never been such a great time to start investing in property than right now, and if done well, it can be incredibly lucrative.

But, when it comes to investing in property, one of the biggest hurdles to overcome is how to find and buy the right property at the right price. We hope that reading this pack will kickstart your journey, as it is filled with tricks of the trade. Within these pages, we'll walk you through the steps of how to identify deals, where to find them and how to ensure the numbers stack up.

Simon Zutshi is one of the UK's most successful property investors. He founded the property investor network (pin) and is author of Property Magic, so it was a no-brainer to team up with him to create this guide for you.

Investing in property is rewarding in every way, and we hope that you find plenty to inspire you within these pages! So sit back, relax and take it all in.

Don't forget

With best wishes for your future investing,

The YPN team

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'HOW TO FIND YOUR FIRST/NEXT PROPERTY DEAL ONLINE!'

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WHAT MAKES A GREAT PROPERTY DEAL?

Before we can do any form of investing in property, first we must understand what we are looking for and whether or not it will be a suitable investment. So, what actually makes a great property deal? (Of course, this will differ depending on what you'd like to achieve and which strategy you're following, but the following is a good rule of thumb!)

EQUITY ON THE DAY YOU BUY

They always say that you should make money when you buy, not when you sell, but how do you actually do this? Let's work through an example ... If a property is worth £200,000 (ie, the average price in the UK), and you manage to secure it for £180,000, you have an **instant equity** of £20,000, or 10%.

Historically, property prices tend to rise over over time, however in the shorter term, the market is cyclical. If property prices fall a little, you have a small buffer in place to mitigate some risk.

If you're planning to refinance the property after you purchase, having that extra equity in place means that you can pull out that little bit more out of the deal, allowing you to recycle your deposit.

STRONG RENTAL DEMAND

If you're buying to rent out, and you've found a great discounted property, there's no point in purchasing it if there is no rental demand in the area. It's worth noting that different areas would suit different tenant types, so it will depend on what your overall strategy is and who your ideal tenant market is. For example, a city-centre flat will unlikely attract a family with three children.

Ideally, you'll want your property to be cash flowing as soon as possible, and to do that, the ability to move in tenants as quickly as possible is paramount.

POSITIVE CASH FLOW

This leads nicely on from the last one! When you rent a property out, you start receiving some income. However, expenses will still need to be paid on the property such as:

- **Insurance**
- **Maintenance**
- **Mortgage**
- **Management fees**

If you were to subtract the total amount of your costs from your incoming rent, you need to have some left over — this is your **profit**. Tax will need to be paid on your profit, but before tax, it should be a positive number. If it is negative, then you'll be losing money and that's a bad deal.

While some people prefer to buy for the long term (as prices tend to rise over time), however cashflow is still important in case of unforeseen eventualities such as property crashes, and so on.

THE ABILITY TO ADD VALUE

Where possible, the being able to add value is a great way to make some money in the short term. Examples of how to to this include:

- **Renovations/refurbishment: Properties that need a little bit of sprucing up are usually sold at a discount. Updating a kitchen/ bathroom/decor are great ways to do increase the value.**
- **Development: If the property you're looking at has some land with it, then it might be worth considering whether you'll be able to build a property nearby to add value to the plot.**
- **Extension/conversion: If there's no room for a new build, then assess whether you could improve the property through extension or conversion. For example, could the kitchen be extended into the garden? Or the attic converted into a bedroom?**

By improving the property in some way, the value should increase, you to refinance and pull out your capital (and maybe more

LOW CAPITAL INVESTED

Strategies such as rent-to-rent and purchase lease options only require a small amount of initial investment, which is great as you can build a portfolio with little money. If you prefer to refinance, then ideally you'd want to leave a small amount in the deal (or even better — no money left in!).

The less money you have left in a deal, the more you have to do the next one, and the next one, and so on.

HIGH ROI

Investors use a formula called Return on Investment to compare different deals. It's calculated like this:

$$\frac{\text{ANNUAL PROFIT}}{\text{INITIAL INVESTMENT}} \times 100$$

The higher the percentage, the better the deal. A rule of thumb is 5-7% for BTLs and a minimum of 15% for HMOs.

If you find a property that matches each of these criteria, then you need to move very fast because it will go very quickly. Successful people are decisive, and when they see a good deal, they take action immediately and move, because someone else will always come along and take it.

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WHAT ARE YOU LOOKING FOR?

Now that you know what makes a good deal, you're probably feeling ready to go and out and find some property! But first, you need to know what exactly to look for when you're browsing the online platforms.

First of all, you should understand that, as professional investors, we're not searching for *property*, we're looking for *sellers*. Specifically, motivated sellers. This is where a lot of investors fall down, as they will go round and offer a low price on every house they view, but wonder why none are being accepted.

Around 95% of the houses for sale are not being sold by motivated sellers, so that excludes the vast majority of vendors on the market. Which would mean, that unless you know what you're looking for (we'll cover later on in this pack), you will get nowhere and become disheartened. And maybe even give up.

A motivated seller is exactly what it sounds like on the tin. They are incredibly keen to sell, usually because they have a problem of some kind. That problem is often property related, and so therefore they need to sell with **speed** and **certainty**.

This is where you, as a professional investor, can help! First, you need to find out what their problem is, and then you can see if you can find an ethical win-win. Because if you can help them with their problem, then they will be more likely to help you in return.

Remember – you're helping to solve the seller's problem, not to take advantage of them!

Motivated sellers are usually flexible in one of two ways. They are either willing to compromise on price, because they may need to sell quickly, or they can be flexible with the terms of the sale. If it's the latter, then they may be open to creative purchasing strategies such as purchase lease options, delayed completion or even vendor finance.

HOW TO BUY PROPERTY BELOW MARKET VALUE IN A BOOMING MARKET

SIMON ZUTSHI

In this article I'm going to share with you some valuable information, which could be worth literally tens of thousands of pounds, when you apply it. It is very simple but very powerful.

I would normally only share this kind of tip with delegates on my 12-month Property Mastermind Programme. However, given the continued booming property market, I decided to recently share this information on my weekly Property Magic Podcast, so I thought I would also share it with you in this article because, frankly, you really need this information right now, given the current property market conditions.

When the property market is rising or booming, most property investors incorrectly assume that is not possible to buy Below Market Value (BMV) properties.

Whilst I agree that it is difficult to buy BMV in a booming market, it is absolutely possible, when you know how, and importantly when you believe that it is. Your mindset and belief is very important here.

First of all, I want to remind you of Property Investing Golden Rule No 1, from my book Property Magic, which is that we always want to buy property from motivated sellers, ie someone who wants speed and certainty of the sale of their property.

> "There are, of course, fewer motivated sellers in a rising market, because there is a shortage of sellers and an oversupply of buyers. It's called a seller's market and that's why property prices rise so fast, due to short supply and high demand."

However, no matter what is happening in the property market, there are always motivated sellers in every area. You just need to know how to find them, what to say to them, and how to help them solve their problem in an ethical win-win way.

I purchased some of my very best property deals when I first learnt about motivated sellers back in 2006 and 2007, when the market was booming. I'm also currently buying a BMV six-bed HMO in Birmingham during this booming market from a motivated seller.

AND SO HERE IS THE TIP …

As I'm sure you know, one in three property sales fall over. I'm not sure if you've ever sold a property before, but just imagine for a minute that you are selling one. Someone comes along and makes an offer that you accept, and everything seems to be progressing nicely.

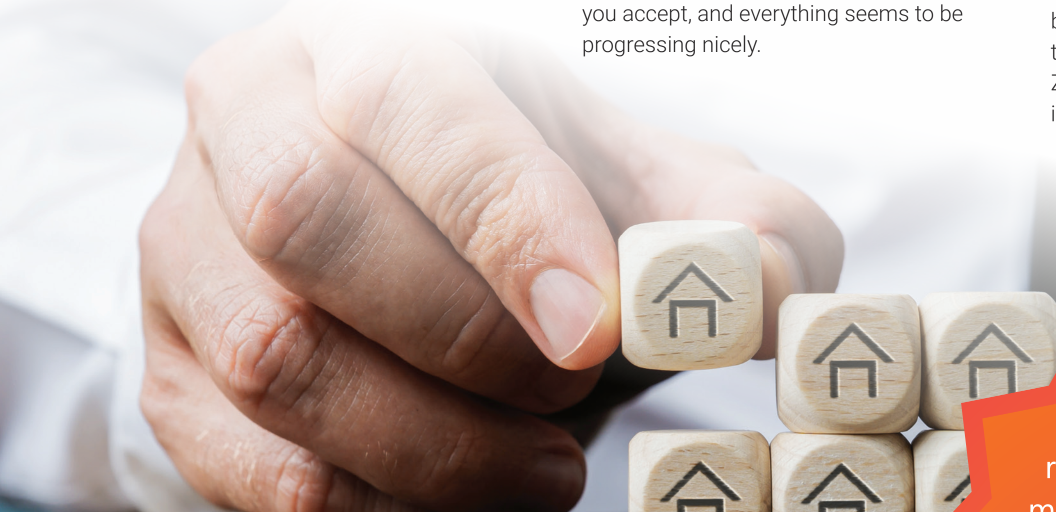
You feel really happy that you have sold your property for the price you want, until you get a phone call a few months later from your solicitor or estate agent to say that, unfortunately, the sale has fallen through.

When this happens, it's devastating. You feel like you have to go back to the start, showing people around your property and hoping that someone will give you an offer that is acceptable. It's a time of massive uncertainty and can be very stressful. This feeling of anxiety and stress can be compounded when a sale has fallen through and you're right back to square one again.

Many of my students have made initial offers on properties that were rejected by the seller, because they decided to accept a higher offer from another buyer. Then, for whatever reason, the first sale fell through and the seller became more motivated. Because they needed speed and certainty, they then accepted the lower offer from one of my students. Occasionally, they even accept less than my students initially offered for the property. This can be a reduction of thousands of pounds off the price.

So how do you find these motivated sellers, where sales have fallen through? This is actually a very straightforward process.

As an active investor, I believe you should be looking for property in your local area on the main portals such as Rightmove and Zoopla every week, so that you know what is going on in your local market.



Here is a little secret which most property investors don't know, but will help you find some of these motivated sellers for whom sales may have fallen through. Whenever you're searching for property for sale in your area, you want to tick the box that says: *"Include Under Offer/Sold STC"*. All the properties that meet your criteria on which a sale has already been agreed, will also come up in your search along with those that are still available.

Most investors don't tick this box, because they think if a property has already been sold, then they are too late and have missed out, so there is no point looking at it. But remember, one in three sales fall through and the seller will be more motivated, especially if the sale has fallen through a few times, which we know can happen.

On Rightmove, you can find this little checkbox just next to the "Find Property" button. On Zoopla, you need to click on "Advanced Search" to find it.

After you've done this and a property has come up saying that it's been sold, you need to reach out to the estate agent and let them know you're interested. Now, expect the estate agent to tell you that you're too late because the property has been sold — agents are very protective because they don't want gazumping.

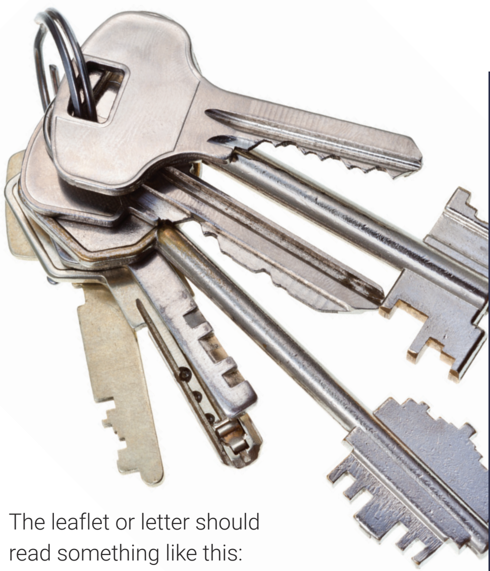
(Gazumping is when a new buyer comes in and makes a higher offer in order to tempt the vendor to sell the property to them, instead of the original offer that they have accepted. The reason why estate agents don't like this is because more often than not, the person who makes the higher offer doesn't deliver and the sale falls through. And everyone is back to square one.)

Acknowledge to the estate agent that you know the property has sold and that you are not interested in gazumping but, if for any reason the current sale does not complete and falls through, then you would be very interested in buying the property.

Ask them to make a note of your interest and come back to you if the property comes back to the market. This is very important: do not rely on the estate agent coming back to you! Most agents are not that organised. Instead, you need to take responsibility and make sure you follow up about that particular property every two weeks, just to see how the sale is proceeding.

This is a numbers game. Expect that there will be lots of calls where the property sale is going through as planned, but eventually these calls will pay off because some of the deals will fall through. If you are in the right place at the right time, you might get an even better price for the property than was originally accepted by the seller.

As well as speaking to the estate agent, you could also reach out directly to the property owner by either dropping a leaflet through the door of the property for sale, or if the owner does not live there, you could always find out where they live and send them a letter.



The leaflet or letter should read something like this:

Dear Home owner,

Congratulations on the sale of your property. I do hope the sale is progressing as desired.

If for any reason your sale doesn't go through, just to let you know, I'd be really interested in buying your property. Please feel free to reach out to me at any time.

Remember these sellers need speed and certainty. If you can give that to them, you may get a really good deal at thousands of pounds less than the offer they accepted when the property was first sold.

This has happened for many of my students who've just followed this process.

You need to be ready to move quickly, so make sure you have funds available. Maybe you're releasing equity from an existing property, or you're working with private investors, but get the money lined up before you need it. Make sure you're able to obtain a mortgage, and have a good mortgage broker lined up who can help speed up the process.

It's also useful if you know who will do your conveyancing for you. Make sure you're registered with that solicitor, as that will save time. Remember you need to be able to move quickly and with certainty in order to buy below market value, especially in a booming market.

To summarise this simple process:

1. **Make sure that when you're doing an online search for houses, you tick the box that says to include properties SSTC/under offer**
2. **Reach out to the agents to express your interest**
3. **Follow up every two weeks**
4. **Maybe drop a leaflet or send them a letter**

I do hope this has been useful for you. Give it a try, it absolutely works. This content has come from my Property Magic Podcast, which is completely free. It's normally a 15 to 20-minute content-rich training resource that I release every Tuesday morning. I don't do any interviews or have any guests, it's just me sharing content from my Property Mastermind Programme and from my book Property Magic.

You can download the podcast from the podcast app on your iPhone, from Google Play if you have an Android or alternatively from Spotify.

Some of the most popular episodes which you might want to check out include:

No 63: **How to find investors Deals and JV partners?**

No 55: **How to pay off your home mortgage in 8 to 10 years**

No 50: **The 8 Mastermind success principles**

No 37: **22 Questions you must ask property owners**

No 15: **21 traits of Successful Investors**

No 5: **5 Golden Rules of Property Investing**

I hope you enjoy listening to the Property Magic Podcast!

Invest with knowledge, invest with skill.

Best wishes,

Simon Zutshi

Author of Property Magic
Founder of property investors network

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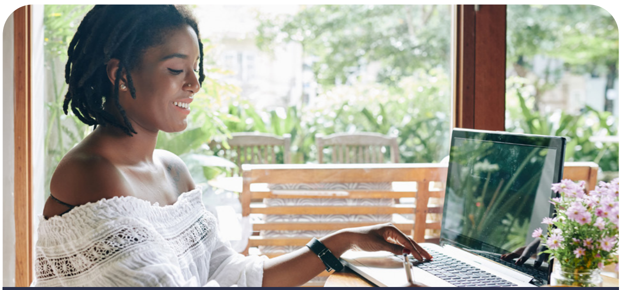
HOW TO FIND MOTIVATED SELLERS IN YOUR AREA FROM YOUR DESK

When you're confident that you know what makes a great deal, and what type of seller you're looking for, it's finally time to sit down at your desk to start your research. We'll take you through the steps on how to spot motivated sellers in your area that could be hiding in plain sight. You can do this on any of the popular property portals, such as Rightmove, On The Market or Zoopla.



1 NARROW DOWN YOUR RESULT

Searching for great deals from motivated sellers is merely a process of elimination to ensure that we're looking for the right type of property. Ideally, you want to end up with a list of around 40-60 properties.

- **Have a wide search radius:** While it might seem counter intuitive, you need to set a wide search radius to cover as much ground as possible. We recommend setting it to around 10 miles from your chosen area, however if you're in a high-density area like London, then one or two miles will suffice as there will be plenty of properties within that radius.
- **Don't exclude any property type:** Although you may be specifically looking for a house, don't exclude properties like bungalows or flats, as you never know what you may find. You need to cast your net as wide as possible, and remain open to any and all opportunities!
- **Set your minimums and maximums:** Now we start to narrow down! Depending on what you're looking for, set your minimum number of bedrooms (Simon Zutshi, who invests in HMOs, sets his as four), and your maximum price. The price should be around average for the area, and of course it will differ depending on where you are in the country.
- **Tick "Under Offer/Sold STC":** Most investors wouldn't tick this box, as they may think that once something is sold, it is gone. However, that's often not the case. According to the Office of National Statistics, one in every three property sales fall through, which is quite a lot of properties! If a suitable house has already been sold STC, then it may be worth calling the estate agent to see how it is progressing. If it was sold only a month ago, then it's probably working its way through the system. However, if it was sold four months ago but hasn't yet completed, then it might be an indication that something isn't going according to plan.

Remember that with motivated sellers, money isn't the only factor. Over time, they may be getting more and more motivated and may be open to speaking with you.

2 LOOK AT THE PICTURES

When you have narrowed down your results and you have your 40-60 properties, it's time to do some more in depth research. Images are arguably the most important part of a property listing, and as they say, a picture is worth a thousand words. Check out the following, as they are great clues as to whether the seller is motivated or not …

- **Are there pictures?** If there are no pictures, or only pictures of the outside, then this may be an indication that the agent hasn't able to gain access to the property. And if they haven't been able to go inside to take images, then what are the chances that they will have been able to conduct any viewings? Perhaps the property is tenanted, and the tenants aren't happy about the sale.
- **Time of year:** Look carefully at the images – are they recent? Do the trees have leaves? Is there snow on the ground? Are the shadows outside long or short? These are all great indicators for the time of year. If you're looking in the summer, but there are no leaves on the trees, then it's likely that the house has been on the market for a while.
- **Decor:** Are the interiors dated? It might be a probate sale. Are there boarded up windows or peeling wallpaper? There might have been problem tenants or the homeowner couldn't keep up with maintenance for some reason.
- **Same images on multiple listings:** If the house/property is on with more than one estate agent, then it might be a signifier that the vendor needs to sell quickly.

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3 READ THE DESCRIPTIONS

It may sound obvious, but the description in the listing often has some hints that the seller is keen to sell. If this is the case, estate agents will often use key phrases in the description, such as:

- ***"No upward chain"*** **– The vendor doesn't need to sell this property to buy another one.**
- ***"Priced to sell"*** **– This could indicate that the vendor needs to sell quickly**
- ***"Cash buyers only"*** **– This suggests that the property is unmortgageable for some reason**
- ***"Sold on behalf of bank/building society"*** **– If you see this, then it probably means that the property has been repossessed, who are selling the property to clear any debts. These are often priced very low to deliberately attract a bidding war.**

This isn't an exhaustive list by any means, but it can give you an idea of the type of thing to look out for. If there's anything like that in the description, it usually means that the property needs to be sold for some reason – and remember, that reason may not be financial!

4 WHO IS THE AGENT?

A big clue as to whether a seller is motivated that many investors miss is the actual estate agency listing the property. Here are a couple of things for you to consider:

- **Is the estate agent local or from out of town? If the estate agent is in a different area to where the property is located, then they will find it difficult to conduct viewings, and therefore less people may be interested in it. Also, they may not know the market of the property's area, so it could be priced incorrectly and may be a great deal.**
- **Some agencies specialise in selling quickly: There are internet-based national organisations that specifically advertise to motivated sellers, as they can sell properties quickly. Properties sold through these are usually priced very low, in the hopes of attracting investors and creating a bidding war, not unlike the banks and building societies.**

When you find a suitable property and you're interested in setting up a viewing, you should speak to the agent. Here's a list of questions that will help you get a complete picture of the property and the seller's location. Ideally, you want to speak to the sales negotiator who put it on the market.

- **What can you tell me about the property?**
- **Who is living there?**
- **How long has it been on the market?**
- **What's the reason it is being sold?**
- **Have there been any offers?**
- **Has the price been reduced?**
- **What do you think the vendor will accept?**

DOES YOUR PROPERTY DEAL STACK UP?

SIMON ZUTSHI

In this article, I'm going to share with you a very simple top level calculation, which you can use to quickly assess if a property deal stacks up or not. This content comes straight out of my book, Property Magic, which I know many people have read and yet many investors don't know how to stack a deal correctly. If you're not sure, I highly recommend you read this article and learn how to use this simple process which will save you time when assessing potential property deals.

INFORMATION REQUIRED

In less than five minutes, you can work out if a deal stacks up. There are two pieces of information that you require to do this. The first is you need to know how much the property will rent for. You can find out by going online and looking at comparisons — what are similar properties renting for in the market right now? You can also call local letting agents to establish not only the rent, but also the supply and demand to ensure that there's a good demand in the area for this type of accommodation, before you purchase it.

The other thing you need to know is how much the mortgage interest on the property is going to cost. The mortgage is probably the largest monthly cost you will have, and when you know how much it will cost, you can use this figure to estimate the other associated costs.

HOW MUCH WILL YOUR MORTGAGE COST YOU?

I have a very simple rule of thumb as follows: for every £20,000 you borrow at 6% interest per annum, it will cost you £100 per month on an interest only mortgage. Therefore, an £80,000 mortgage will cost you £400 per month, and a £140,000 mortgage would cost you £700 a month.

You might be thinking, "well that's very easy, Simon, but I can get a mortgage for a lot less than 6% ..." and yes, you can right now. However, I think it would be foolish to base all your calculations on the current interest rate, which might only be 3% or 4%, given that most people expect interest rates to rise at some point in the future. This is because the Government has printed so much money due to the pandemic, that we are going to see inflation rise over the next few years. Historically, the Bank of England has used interest rates as a macroeconomic tool to control inflation. In other words, to control inflation, the Bank of England will often increase interest rates so that the economy slows down.

Also, many banks will use a rate of 5.5% in their affordability calculations, instead of the actual mortgage interest pay rate, to work out if a deal stacks up or not. Another reason for using 6% pa is because it makes the numbers really easy, so you could actually work it out in your head. But in reality, just remember, the mortgage will not cost as much as this calculation suggests, which means you make more money than you expect. This is definitely the right way around, rather than using a low rate and finding that you don't make as much money as expected.

BREAKEVEN RENT

Once we know how much the mortgage will cost, we can then use this to estimate the other costs. For a single property, we take the monthly mortgage interest and multiply it by a factor of 1.25. This estimates the total costs, such as management and insurance on the property.

This helps us to work out the minimum breakeven rent required to cover all of the costs. So let's say your mortgage interest is £400 per month. You multiply that by 1.25, which gives an answer of £500. This is the minimum rent needed to cover all the costs, otherwise known as the breakeven rent. If the rent was £650, then the monthly profit would be £150 (ie the rent minus the breakeven rent). This is for a single let property, as the calculation for an HMO is slightly different.

CASH FLOW ON AN HMO

For an HMO, the above calculation would not work because as the landlord of an HMO, you are also responsible for all of the bills on the property, whereas in single let the tenant(s) pays all of the bills. To work out if an HMO stacks up, we simply take the monthly interest, and add an allowance of £100 per room per month to cover all the bills. For example, a five-bed HMO should cost about £500 per month in bills. If the mortgage was £400 per month, and the bills were £500 a month, the total costs and breakeven point for this HMO would be £900. If the average rent was £1,900 (allowing for void periods), then the cash flow for the property would be approximately £1,000 per month. Please note, this does not include any management fees, but in my experience, most landlords like to manage their first few properties themselves. Then the profit from the next few properties can be used to cover the cost of paying someone else to manage your properties for you.

RETURN ON INVESTMENT

It's really important to calculate the cash flow that will be generated from your property investments. But that's not the only calculation we need to do. We also need to work out the return on investment (ROI). This is a way of measuring how quickly your investment comes back to you from the cash flow and is calculated as follows: annual profit, divided by initial investment. We multiply the answer by 100 to give you a percentage. The higher the percentage, the better the investment.

Let's put this in perspective. A normal buy-to-let property in the UK might give up between 5% and 7% ROI. In London, it might be as low as 2% to 3%. In contrast, an HMO should give at least 15% and other creative strategies can give you an even higher ROI. For example, when doing a purchase lease option (PLO), my personal rule of thumb is I want at least 50%. And if you're doing rent-to-rent, I think you should be getting a 100% ROI, which means you get all of your initial investment back from cash flow in just one year.

I do hope this has been a useful reminder on how you can quickly calculate the cash flow and return on investment at a top level on any potential property deal. This is the very first thing you should work out in less than five minutes, to save wasting a huge amount of time on a property that just does not stack up. Once you know the numbers work at this top level quick calculation you can do a more detailed analysis with actual numbers.

Remember Property Investing Golden Rule No 3 from Property Magic: we only buy investments that make a positive cash flow. If you've read Property Magic or listened to the audio version and you can't remember how to stack up a deal as explained in this article, then I highly recommend you either read or listen to it again, because there might be some other valuable information that you missed the first time round. Maybe it's time to read it again.

Wishing you all the best on your property journey. Invest with knowledge, invest with skill.

Simon Zutshi

- **Founder of property investors network**
- **Author of Property Magic**
- **Founder of the Property Mastermind Programme**

www.yourpropertynetwork.co.uk