THE COMPLETE BEGINNER'S GUIDE
TO BUYING YOUR FIRST INVESTMENT PROPERTY:
EVERYTHING YOU NEED TO KNOW TO GET STARTED

Whether you're a beginner looking to buy your first property or a homeowner interested in getting your first buy-to-let, this comprehensive guide will provide you with everything you need to know to get you started, in 10 easy (ahem!) steps.

Grab a drink and your notebook and pen and let's begin...

STEP 1 - DEFINE YOUR GOALS

As with every new venture you've got to ask yourself, "*What is my ultimate goal?*" Once you know that you can begin to take action towards making it happen.

So, ask yourself... "*How will property investment help me achieve my life goals?*"

Do you want to generate extra monthly income in the way of immediate cash flow to help to fund your life right now?

Or are you looking for capital growth with a property that appreciates in value and will enhance your pension over time?

Whatever you're looking to achieve being able to clarify your own specific goals will help you determine the rest of your plan and how you go about it.

> "If you can imagine it, you can achieve it"
>
> William Arthur Ward

It can help to visualise what you want and then work on how you're going to get there. Techniques such as vision boards and positive affirmations can help you stay motivated and are a great starting point for you to get in the zone.

They're also great to come back to when things get a bit niggly and you need a reminder of why you're doing this.

STEP 2 - ASSESS YOUR RESOURCES

You really don't need much to start your property journey and you might be surprised to find you can already afford to buy a property with the funds you have available now.

Look at the following four areas to identify the resources you have available to you right now and where you might need help.

1 Yourself

Investment Mindset

Having the right mindset is key in property. People typically get emotional about property and want the picket fence, the marble tiles etc, but when you're investing you've got to detach yourself from the emotions and just work with the numbers. Property is about making money, so it's a numbers game and you've got to treat it as such.

Appetite for Risk

It's essential to be open to taking some form of calculated risk, but don't worry, you don't have to sign your life away. Some strategies are more risky than others so you can still invest if you'd rather play it a bit safe too. You just need to find the right strategy for you.

2 Your Network

Personal Contacts

Friends, family and other resources can all be valuable to you if you know how to make the most of your existing connections.

Professional Contacts

Having a team of specialised professionals in your corner can really enhance your investment journey. So, if you don't already have a good solicitor, mortgage broker and builder, it's time to start making some connections in this department.

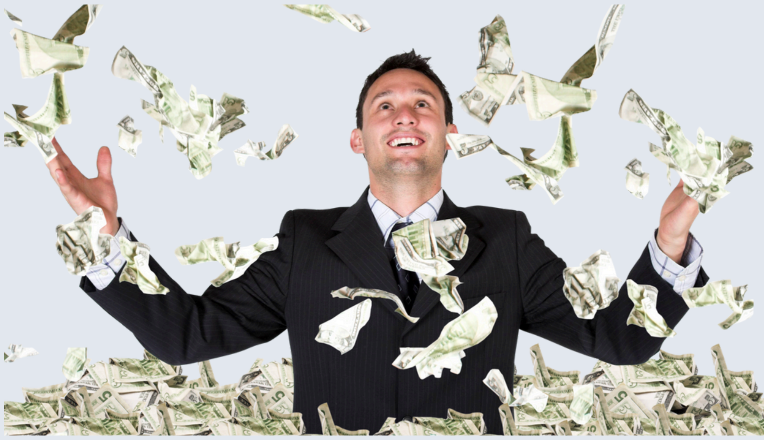
3 Time

Your available time

How much time do you have to spend on this? How can you use that time wisely in order to work towards your goals?

Return Timelines

Set realistic expectations - on average, it takes 12-18 months for your investments to pay you back anything, so you need to be prepared for that and not expect to be making money from day one.



4 Money

What are your current earnings?

It would help if you are earning a minimum of £25,000 income (as this will enable you to get a mortgage) and have an understanding of your monthly budget.

Do you have a healthy credit history?

This is one of the factors that will affect your ability to be able to get a mortgage, so is vital.

What capital do you have available to you to invest?

You can buy a £100,000 house with £30,000 - 40,000, then you might need some to refurbish it etc, so £40,000 - £50,000 is a great place to start.

STEP 3 - FINANCING YOUR INVESTMENT

Let's be honest, money is usually a sticking point for most people wanting to get into property investment. How much money do you have? How much money do you need? Where can you get more money from?

Once you start looking there are plenty of ways to get the funds you need. Remember, the best way to scale is to leverage what you already have.

> "Leverage is a fundamental concept in property. Use it effectively to grow your investments"

What is leverage?

In the property world you'll hear this word a lot, but what on earth does it mean?

To put it simply, leverage means using borrowed money (e.g. a mortgage) to buy properties, amplifying your potential returns and increasing your buying power.

By leveraging the assets you already own you can spread your investment further, allowing you to make more money across a number of investments. This can be the key to growing your portfolio.

An example of leverage:

You buy a house worth £100,000. You put in £25,000 of your money (the 25% deposit) and you leverage the other £75,000 from the bank. Over time the value of the house may increase to £200,000, but it will still have only cost you £25,000. So the extra money made will be all yours, thanks to the leverage from the bank.

How can you use leverage?

- ***Refinancing your home:*** Utilising the equity in your home.
- ***Seeking support from family and friends:*** Leveraging personal connections for financial backing.
- ***Borrowing against your mortgage:*** Using your existing mortgage for funds. Your mortgage broker will be invaluable in this area. They have access to and are very knowledgeable about all the products available.
- ***Asset-based financing:*** If you're a business owner you can borrow against your business and use the funds for investment.
- ***Utilising savings:*** Using your savings as an investment resource.

The more financial options you have in your toolkit the more you can broaden your scope for investment. Exploring all available avenues is the way to obtain the financial resources you need and if one way doesn't work, remember, there is always another solution.

STEP 4 - UNDERSTAND THE DIFFERENT INVESTMENT STRATEGIES

There's a wide range of property investment opportunities and strategies that could help you to achieve your goals. Each one has its own merits and comes with its own challenges, so it helps to have a good understanding of all of the strategies before you jump in.

Here's a quick overview to get you started, starting with the simplest and ending with the most complicated.

Buy-to-let

What is it?

- The buy-to-let strategy is a low-risk strategy (sometimes referred to as a single let strategy) where you buy a property and rent it out, generating regular monthly cashflow.

How can it help you?

- Regular monthly cashflow.
- Long-term wealth through capital appreciation (if you hold the property for a long time).
- You can build a portfolio whilst continuing to have a full-time job.
- A simple way to help fund your retirement.
- Easy to sell on when you're ready (unlike HMOs or serviced accommodation).
- Having one tenant is simple (in comparison to some of the other rental strategies).

Are there any downsides?

- The monthly cashflow you can achieve isn't as high as with a HMO or a serviced accommodation strategy.

Approximate monthly return

- £200 - £400 (depending on the property type).

Want to know more? Get in touch for a chat

Flip (buy-to-sell)

What is it?

- This strategy involves buying a property cheaper than market value (usually because it needs some work doing to it), adding value to it through refurbishment and then selling it on the open market.

How can it help you?

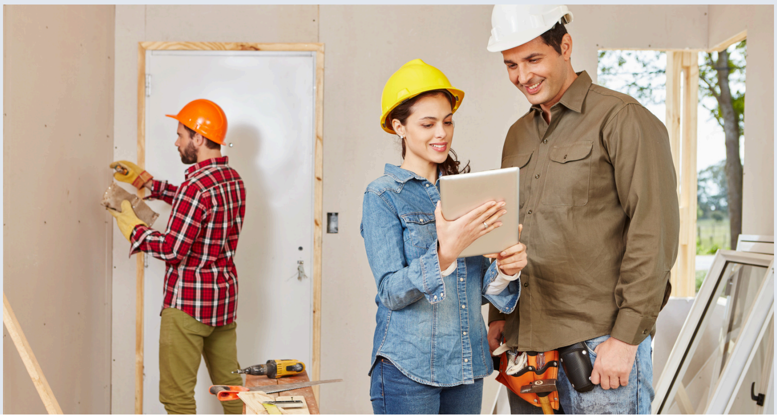
- Flips can make you lumps of cash, as opposed to drip feeding cash. So if you want to build up pots of cash to either reinvest in property or use elsewhere, flips can be a better way of doing that than a buy-to-let investment.

Are there any downsides?

- Finding good flips can be quite difficult.
- Projects can often run over schedule and over budget due to building issues, trade issues or product cost increases, which can eat into your profit margin.
- The length of time it might take to sell could negatively affect the sale price, depending on what the market is doing at the time.

Approximate return

- Anything from £10,000 upwards, but you have to be careful. Budgets can get squeezed due to unforeseen issues that arise during the refurbishment and if you're only expecting to make £10,000 you can quickly find yourself making a loss. So, start big. If you estimate the project will make £30,000 or £40,000, you may make £10,000 or £20,000, which would be a good result.



HMO - House in Multiple Occupation

What is it?

- The HMO Strategy (or Multi-let as some people call it) is where individual rooms are rented out and the tenants all share a living space.

How can it help you?

- This strategy can work well with properties with four or more rooms.
- Great for students and young professionals (or even slightly older professionals – we've got a 38 year old in one of ours!).
- High monthly returns from having multiple rents coming in each month.

Are there any downsides?

- More red tape and hoops to jump through; such as licences, article 4 etc.
- More management and maintenance required (but there are some great letting agents to help with this).
- As the landlord you manage all the bills (although some agents offer this as a service too).
- As your portfolio grows the management can become time-consuming.
- More tenants sometimes = more issues.

Approximate monthly return

- £600 – £1,200 (depending on the property type, number of bedrooms and whether you self manage or not).

HMOs provide a high monthly return but involve more management

Want to know more? Get in touch for a chat

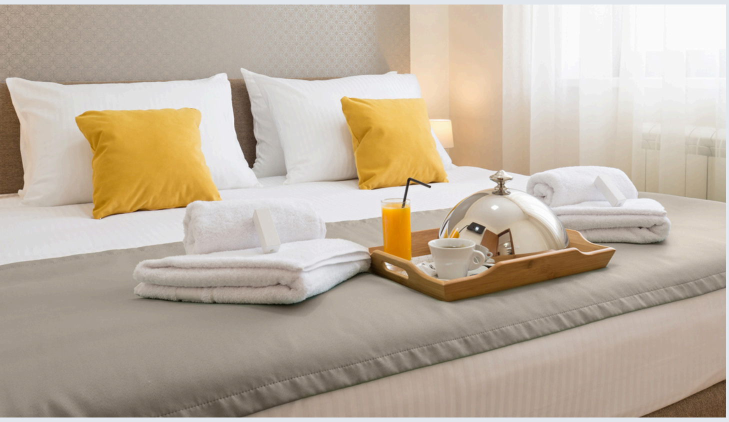
Serviced Accommodation

What is it?

- This strategy involves renting out a property or rooms within a property on a short-term, per-night basis, similar to a holiday let.

How can it help you?

- Potentially high monthly returns.



Are there any downsides?

- A lot more management required: bookings, cleaning, changeovers etc. (There are some great agents out there who can help with this).
- Poor management and a lack of bookings may reduce the income and increase the stress.
- There are so many variables to get right that this strategy can definitely feel like a job.
- Difficult to run alongside your full-time job.

Approximate monthly return

- £600 - £1,600 or more (depending how large the property is and how many rooms you have to let).

> Serviced accommodation is basically a holiday let, so welcome to the hospitality industry!

New Build

What is it?

- This strategy is where you buy land and build a property or properties from scratch, then sell or rent the units out.

How can it help you?

- Potential to make large profits.

Are there any downsides?

- It's very hard work.
- It can be a lengthy process.
- There are a lot more moving parts so more things can go wrong; builders or professionals letting you down, groundworks unearthing issues that can't be resolved.
- A lot of red tape.
- The sales process can drag on, which can affect the profit margin at the end.
- Huge losses, if you don't get it right.

Approximate return

- £100,000+

If you're looking for a get-rich-quick scheme property isn't it. Whichever strategy you go for you are going to have to spend time on it, so it will feel like a part-time job, it may blow your mind a bit at the beginning and it may come with a bit of stress too. But it can be manageable if you choose the right strategy for you.

STEP 5 - FIND THE RIGHT LOCATION

Choosing where to invest is a key consideration when you first start out. A good place to start is where you live, or near where you live.

Knowing the area, the type of people who live in it and what goes on there is invaluable to choosing the right location and right property for your investment. And your local knowledge is key to this process.

You'll hear investors saying they invest all over the country and that's fine if it works for them. But most of what we own is within an hour's drive of where we live.

Why? Because we know the area, we know which streets are good, which streets to avoid and if we need to get to the property for any reason (throughout the refurbishment, if there's an urgent maintenance issue etc.) we want to be close enough to get there quickly.

In many ways your strategy will determine your location, for example if you're looking for a HMO you'll be looking close to the city centre (or at least a lively area with shops and nightlife), but if you want a buy-to-let and are targeting families you might look on the outskirts of town or in the suburbs in an area close to schools etc.

> "Not all properties make good investments, so choose wisely"

STEP 6 - CHOOSE YOUR PROPERTY

Finding an investment-worthy property can be hard. Not all properties make good investments and it's important to remember that.

You might find a dirt-cheap property that looks appealing but it might be in a terrible area so will never go up in value and would be a bad investment.

What you really need is a ***reasonably priced house*** in a ***good area*** that will ***rent well*** and ***increase in value***.

But how do you know what to look for to find that? You have to find the sweet spot between ***Net Cashflow***, ***Yield*** and ***Capital Appreciation***.

Every investor is looking for something a bit different, but essentially if you can find a property that gives you a good rental income AND the property will go up in value then you'll be on to a winner.

Where to look:

- Right move is the best way to start looking for properties. It's easy and it's reputable.
- Auctions are also a great way to find properties that people want to sell quickly, usually because they have some kind of issue (building defect, family problems forcing the sale or existing tenants).
- More experienced investors also use Facebook marketplace, leaflet drops, direct marketing and the land registry to help them find the right properties they are looking for.

What to expect:

There's often a lot of competition when buying houses, so it's useful to remember the following:

- Never fall in love with the house. You're in this for investment, so leave the emotion out of it. You won't be living in it, so if the numbers don't work, remove it from the list and move on.
- Don't be discouraged if your initial offer isn't accepted. In fact, you may need to make numerous offers to secure a few that work.
- Rule of thumb: Out of 100 offers you might get 30 accepted and then once you've drilled down only 10 of those will actually work to suit your purposes.
- Owner-occupiers will be willing to pay more for a property than you are, so be mindful of this when asked if you can increase your offer.
- Don't get into a bidding war with an owner-occupier – you could end up paying over the odds for the property reducing your investment.
- Always maintain a resilient mindset when facing rejection and the complexities of property investment. You will get your investment property, you just need to be patient and not jump in too quickly.

> It's all about the numbers, so leave the emotion out of it

How to assess the condition and investment potential

Experienced investors target dilapidated properties but with your first property it's a good idea to find a balance between properties that need improvement but don't require extensive structural repairs.

Remember, you are ALWAYS trying to ADD VALUE during the refurbishment process. **The goal is for the property to go up in rent value and in property value**.

Common ways to add value easily include:

- New kitchen
- New bathroom
- Decoration, such as paint and carpet throughout
- New boiler
- Extension.

Work with your builder to understand what can be done and how much it will cost, to enable you to calculate the viability of the project.

Want to know more? Get in touch for a chat

STEP 7 - CRAFT YOUR OFFER

To calculate whether a property is a viable investment the next step is to do your 'due diligence'. This complex part of the process is the key to successful investing and should never be overlooked.

To put it simply you're trying to work out whether the property you're looking at is going to be a viable investment by trying to understand three things:

1

Current Value

You need to know what the property is worth in its current state.

Do this by looking at sold comparables in the area. Sometimes this is easy as there may have been a lot of similar properties sold but other times you may find no direct comparables, which makes it a bit harder. Speak to agents, speak to other investors, do a lot of desktop research.

2

Works Needed

You need to know how much work needs to be done with the property, how much it will cost and the time it will take.

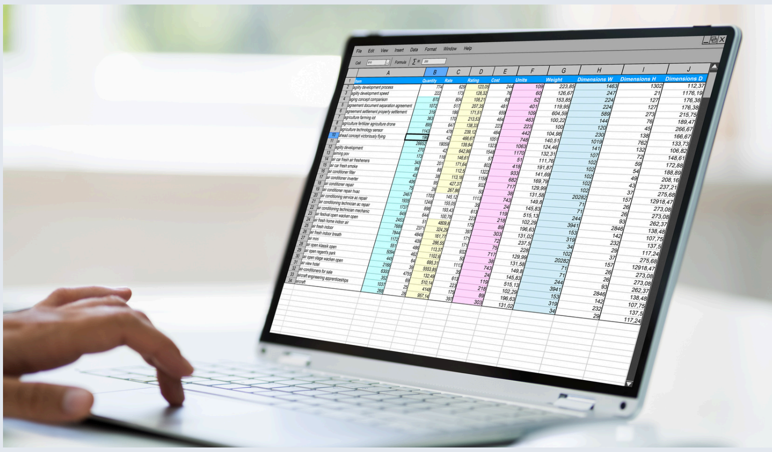
Being able to estimate how much the works will cost comes with experience and it can be difficult when you're just starting out. If you're a tradesman then this part will be a doddle, but if not it's a good idea to take someone experienced with you to help you.

3

End Value

Here you want to know how much the property will be worth when it's finished.

Calculate this by estimating the property's potential value by comparing it to similar properties (type and finish) in the area as well as assessing other data that impacts property values such as schools, restaurants, train stations etc.



Using a tried and tested due diligence spreadsheet will enable you to input the expected costs, values, buying fees etc and will calculate the ideal offer amount based on the expected return on the money invested. This will then be your offer price.

If this has you scratching your head a bit, don't worry, you're not alone. This is often the hardest part of the process and getting it right can be the difference between making a profit and making a mess. Get in touch and we can help you with this.

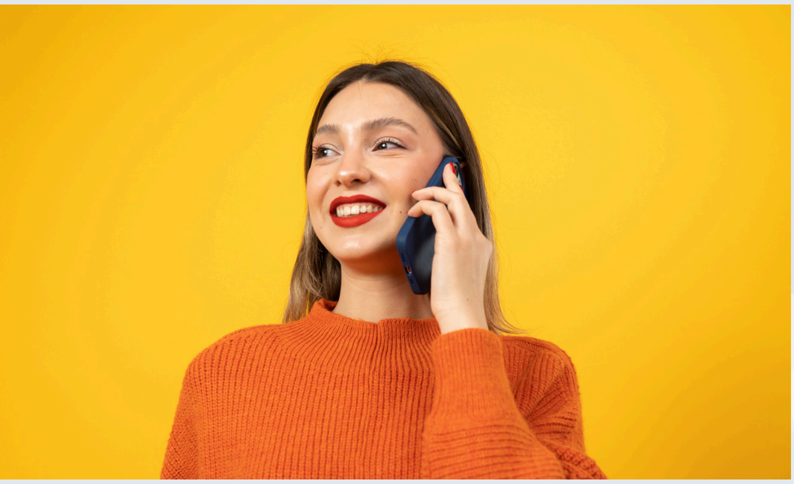
Making your offer

After you've completed your due diligence you will have arrived at a figure you are prepared to pay for the house. So now it's time to put that forward to the buyer.

Before you put your offer in, make sure you have the following in place:

- Solicitor
- Proof of deposit
- Decision in principle.

Once you have everything together then you can call your agent. Communication is vital when making offers and can be the difference between getting a deal and it slipping through your fingers.



Remember, the price is what the seller 'wants' to get for the property, not necessarily what they will get, so they will be open to discussions (even though they might pretend they're not).

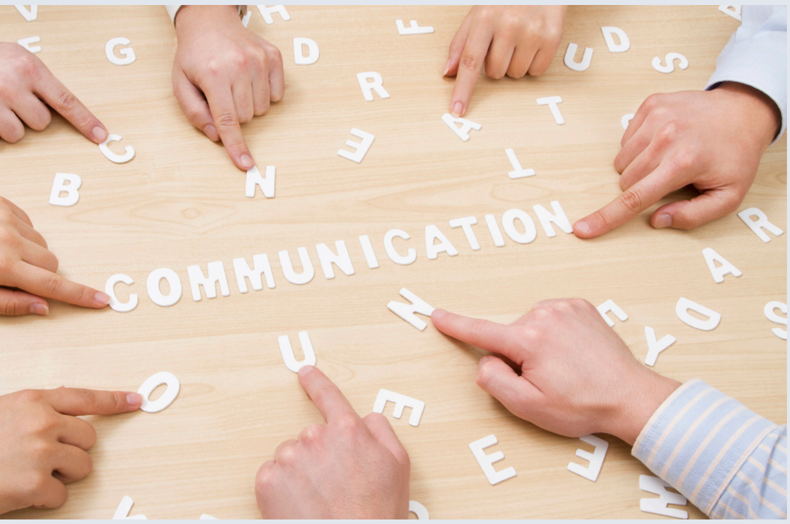
On the call, explain the rationale behind your offer, especially details such as estimating renovation costs.

For example, "My offer is £80,000 because this property needs £20,000 of work and there is X amount of stamp duty to pay etc." The agent will then put this forward to the seller on your behalf.

After the call, log your offer in a spreadsheet and follow it up every week.

Sellers don't generally follow up on offers, so it's your responsibility to make sure you are following up on them and trying to get them accepted.

> Communication and follow up is key to getting an offer accepted



STEP 8 - POST-OFFER CLOSING

Getting an offer accepted is an exciting step. Celebrate your hard work. You've hit an important milestone on your property journey and it's definitely worthy of a little celebration.

You've still got a long road ahead of you though, so after that glass or two of champers it's time to start looking ahead to what you need to do next.

Provide your financial information

Your solicitor will ask you to provide recent pay slips and bank account statements. The conveyancing part of the process can be unnecessarily long and tedious, so your prompt response is crucial here as it can help to keep things moving along.

Follow Up, Follow Up, Follow Up

Effective communication and follow-up are vital for a smooth transaction, so stay in touch with the involved parties as much as possible. Maintaining continuous communication with the relevant parties will ensure you're well informed about the progress of your investment.

> "The squeaky wheel gets the oil first! Be that squeaky wheel!"

Diarise every Monday at 10am to chase lenders and solicitors. Questions such as, *"What do you need from me?"* and "*Where are we in the process?"* will nudge them along and keep you front of mind, whilst not being overly pushy.

Want to know more? Get in touch for a chat

STEP 9 - THE ART OF REFURBISHMENT

Refurbishment time! For some people this is the most exciting part, where you get to see the property transform and your vision take shape. This step can certainly be one of the most satisfying parts of the process, if you set it up right.

How you approach this will, to some extent, depend on your level of experience, and if it's your first project it's a good idea to get someone to show you the ropes to ensure your refurbishment runs effectively.

Some key things to consider are:

Project Management

Decide whether you are going to managing all the trades individually or get a builder to be the project manager and you will pay him a fee to manage everyone whilst also doing his work. Managing the trades yourself is pretty tough so if you have the choice of getting a turnkey solution then definitely go for it.

Design

What is your vision for the property? It's a good idea to have a plan for what it will look like at the end in your head (and ideally on paper for your builders to see) at the beginning, rather than piecing it together as you go along.

You don't need to be a design expert to make a property look good. Look at current trends and what other people are doing. Then try to stand out from the competition by having your own take on it.

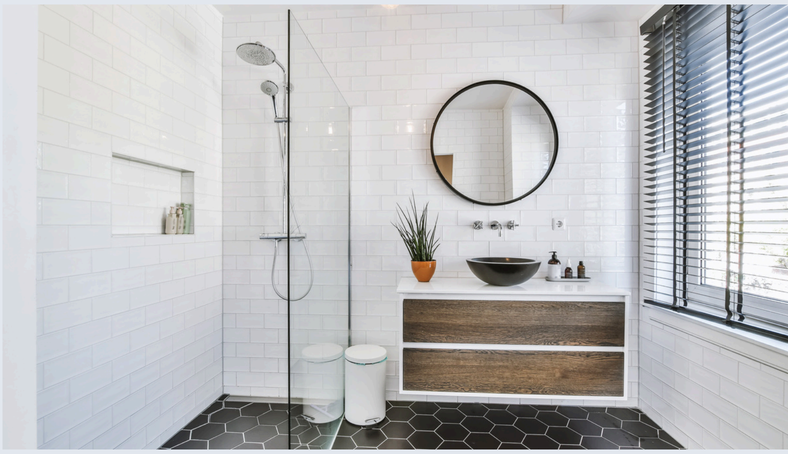
If you don't have any skills in this area, don't worry, there are plenty of interior designers who specialise in properties for landlords and developers who will be happy to help.

Quality of products

Decide the quality of the items you will put in the property.

Again, keep the emotion out of it, you are not going to live in the property. Yes, you want it to be nice but think about buying usable and durable products that are not too expensive.

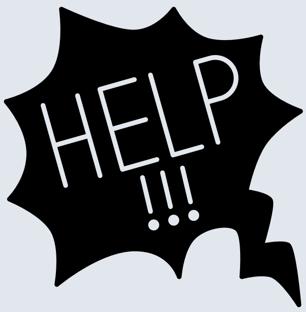
The aim is to create a good finish at a good price... and there are plenty of products out there that will enable you to do that.



Timings

Keeping on top of the timings is key and ultimately falls down to you, so make a plan for speaking to the main builder at the beginning and end of each week to check on progress and check everything you are expecting to be done has been done, then make a plan for the following week. This helps to avoid timings slipping too much.

There will inevitably be delays but it's about managing the project as a whole so small delays waiting for products that haven't turned up don't mean the site comes to a complete stand still.



If you need any help with this part of the process, get in touch. We can guide you through the process to help to make sure your refurbishment is a roaring success.

Want to know more? Get in touch for a chat

STEP 10 - LET YOUR PROPERTY OUT

Yes, we've got there - the final step: letting the property out. Don't rush this part. There are many things to consider that enable this stage to go smoothly (and stay running smoothly).

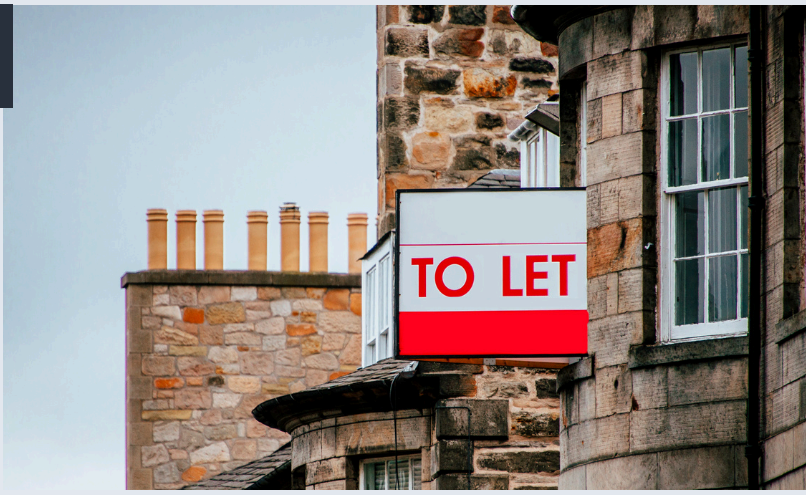
Firstly, and most importantly, you'll need to decide who will be responsible for letting the property and the ongoing management. Many landlords tend to manage their own buy-to-lets but when it comes to HMOs and serviced accommodation units it can be hugely beneficial to get the lettings experts in.

Consider the tasks associated with lettings and assess whether you have the skills, knowledge and time to carry those out efficiently.

Some of the key lettings tasks:

- Marketing the property (using Rightmove, Spare Room, OpenRent, Facebook etc.)
- Booking viewings
- Holding viewings (usually held on an evening)
- Signing up new tenants (including Right to rent checks, financial checks, securing deposits, check in etc)
- Inventories
- Obtaining necessary certificates: gas, electric, fire safety, HMO licence etc.
- Being available for tenants to call you with issues
- Ongoing maintenance
- Evictions

> "Managing your own rentals can be time consuming. Consider letting the experts take care of it."



If this list scares the hell out of you and you're thinking, "How on earth can I fit that in with my full time job?", fear not.

There are plenty of professional property management companies around and at around 12% of the rental income they can be worth their weight in gold.

Like with everything though, make sure to do your due diligence on them. Not all agents are good and not all agents will work in a way that is aligned with how you work. So shop around.

So, that's the 10 Steps in a nutshell. Your first investment property is out there waiting for you. You just need to get cracking.

For more information:

- Check out our website and Instagram page
- Look out for future blogs and guides to help you whichever stage you're at.

Or if you're ready to get started and have some specific questions you need help with right away, just get in touch.