

# 5 COMMON MISTAKES WHEN BUYING YOUR FIRST INVESTMENT PROPERTY

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### About Us

#### Natalie & Stuart NS Property founders

We are a father daughter team that have been investing in property for a number of years. Over this time we have built a portfolio in the Derby and Leicestershire area by following a model that allows us to recycle our money and buy more properties. We have both single let and HMO (house of multiple occupation) properties and are now moving into serviced accommodation for contractors.



#### Services Investors and landlords

From the experience gained we offer a portfolio building service to help our customers invest in property and build their own portfolio. We also manage properties for existing landlords that like to take the hands free approach to property investing.

We believe that a sustainable long term business relationship is built on great communication, understanding and trust. We keep this in mind in everything we do.



### Introduction

#### Why we wrote this

Having been investing in property for a number of years we have learnt a lot. Working in property we have the privilege to speak to so many different people across the country with different levels of experience in the industry. What we find surprising is the amount of people that invested in property with great intentions but have been stung by their lack of knowledge and understanding.



#### Why it's important

Unfortunately we speak to many people that thought their investment was great but turned out to be a nightmare. Property is a great way to build your assets, but when done badly can turn into a liability very quickly and sadly cost you money.

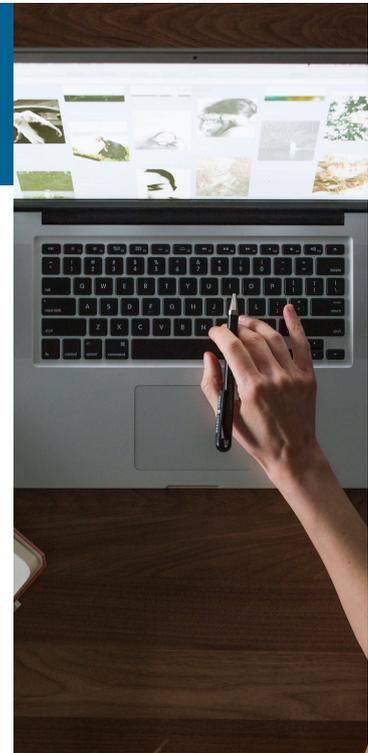
We will be covering the 5 common mistakes we find with peoples investments and explaining how you can avoid them and enjoy the benefits of investing in property.



### 01. Don't Pay Too Much

#### Research

Like any investment you need to do your research. I'm sure you already know this but many don't seem to do it. You need to make sure you look at houses that have sold in the area and take into consideration the standard of the property. Just because a property is up for sale for a certain price doesn't mean it is worth that. You can get this information from Rightmove and Zoopla.



#### 'Property prices always go up..'

Due to us being on an island and a shortage of housing, property prices do go up but don't assume this when purchasing your investment. Pay for what the property is worth now; not what it maybe worth in a few years time. I'm sure you can remember when the financial crash of 2008-2009 happened. Well, would it suprise you when we say that some property prices still havent recovered from that? We are in 2020 and talking to people that are still in negative equity due to this recession.

We can't always predict what may happen in the market but you can de-risk it by doing your research and not paying too much for something.

## 02. Zero Cashflow To Positive Cashflow

### What is cashflow

Cashflow is one of the things we look forward to each month. It's the money that's left over from the rent once everything has been paid for. Every property including single lets should have a positive cashflow for you to enjoy. We shouldn't be just hoping for capital growth which could take years to happen. Outgoings to consider - mortgage, insurance, maintenance, voids, management, tenant find, referencing etc.



### What does yield mean

A property's yield is the rent expressed as a percentage of the purchase price. You work out the yield of your property by doing the following sum -  $100/\text{purchase price} \times \text{annual rental income} = \text{yield}$   
Example - for a purchase price of £100,000 and a rent of £500pcm (£6,000 annually).

$$100/£100,000 \times £6000 = \mathbf{6\% \text{ yield}}$$

This is useful to give an initial indication as to how viable a property is and how well it will withstand interest rate rises.



## 02. Zero Cashflow To Positive Cashflow

### What is ROI

For many investors ROI (return on investment) is the most important metric. It literally tells you what rate of interest the money you have invested into the property is making before tax.

To calculate this we express the annual profit (rental income minus all cost) as a percentage of all costs of the purchase (deposit, legal fees, refurbishment etc).

E.g.  $100/\text{money in} \times \text{net annual income} = \text{ROI}$



### Increase your cashflow

There are many ways of increasing your cashflow by reducing your costs and increasing your income. One way to do this is to look at the standard of the property and the tenant type renting it. You can sometimes improve the quality of the accommodation provided for very little cost but this can change the tenant type you attract giving a higher rent and more profit.

What monthly cashflow would you be happy with?

## 03. Self Management Or Managing Company

### Do you need to manage your property?

It would be great if you could buy a property and not have to worry about it but that's just not realistic. You have many legal requirements that need to be kept up to date, but you also have to manage the maintenance of the property and your tenants with regular inspections.

It's so important to keep on top of everything as like anything else if you leave it too long it can sometimes cost you time and money.



### Looking for a good managing company

Finding the right management company is highly important. To find a good company these are some questions you may want to ask -

- 1/ How often do they do inspections?
- 2/ Do you get updates from inspections?
- 3/ Do they keep the certificates up to date?
- 4/ What processes do they follow when finding tenants ?
- 5/ Look for reviews from other landlords



## 03. Self Management Or Managing Company

### Self manage

Self managing can be hard work if you're not organised. There's so much help and advice out there for landlords including the NRLA (National Residential Landlords Association).

Make sure you have check lists for information you need to give when starting a tenancy, put dates in the diary when certificates need to be renewed, and do regular inspections, but most importantly have good communication with your tenants.



### How we manage

We love managing properties and have found our own ways of doing things, which include a welcome card with all the information our tenants need and a nice message. We also send a gift to them at Christmas. This is a great way to keep good, positive communication between us and our tenants and the tenants really appreciate it.

We act fast if there's any maintenance issues and if we can't solve the problem that day, we do everything we can to make our tenants happy. We look at our tenants as our customers and give them the best service we can possibly offer. Due to this it normally means the tenant looks after the property better and stays longer meaning a more profitable investment for you.

## 04. Buy In Personal Name Or Limited Company

### Personal name

Recently the government introduced section 24 of the Finance Act. This removes the right of landlords to claim tax relief on buy to let mortgage interest if they are higher rate taxpayers.

Prior to this it was common to buy a property in our own names and this is still an option but for many this is no longer tax efficient and potentially results in an after tax loss.



### Limited company

Buying property through a limited company is now becoming much more popular as all costs including mortgage interest can still be claimed against tax. It is really important to take professional advice before deciding whether to hold property in your own name or a limited company.

It could be the difference between making and losing money every month.



## 05. Run It Like A Business

### Think with your head not your heart

We see a lot of people get frustrated and upset in property. The biggest thing that seems to upset them is the way some tenants live. What we always say is 'it's your house but the tenants home'. What we mean by this is the tenant needs to look after the property but you can't dictate how your tenant lives. We listen to investors telling us their 'horror stories' and what we realise is they have become emotionally attached to the property. Like any investment think with your head not your heart.



### Take advice

With all businesses things change and situations come around which you haven't had to deal with before. Our advice is to take advice and do your research.

There are many platforms that can be of help and you can find solutions to many problems this way. Also there are many property networking groups around the country that are great ways to get to know like minded people and keep up to date with any changes in law and guidelines .

## 5 common mistakes when buying your first investment property

### What We Have Covered

**01. Don't pay too much** - Do your research, just because the property is on sale for a certain price doesn't mean it's worth the price.

**02. Zero cashflow to positive cashflow** - Every investment property should make you money each month. Know your sums (yield and ROI) so you can invest wisely.

**03. Self manage or managing company** - Keep organised and up to date with your property and tenant. If you outsource to an agent ask the right questions to find a good one.

**04. Personal name or limited company** - Understand the difference between these, take professional advice before you purchase the property.

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## 5 common mistakes when buying your first investment property

### Working Together

Thank you for taking the time to read this book. We hope it has been useful and answered some of your questions and got you thinking about other aspects of property investing you may not of thought of.

We would love to work with you to achieve your property aspirations and that is why we are now offering a **FREE 1-2-1 call** to answer any other questions you may have, so please get in touch with Natalie on

**07946330114** or send us an email to **info@nspropertysolvers.com**



To keep up to date with what we are up to, new property strategies, and government guidelines, please follow us on Facebook - **NSPropertyuk**