



Top Tips for Buy-to-Let Investors in 2010

The buy to let tips outlined below should be applied when investing in any climate. However, with the current market and economic conditions, it's particularly important not to become over exposed. The scarcity of available mortgage finance has been well documented and it's therefore crucial to investigate your options as much as possible. Consider alternative routes and research the possibilities.

There are plenty of good investments available and motivated sellers, but as always, extensive due diligence is crucial. Pay particular attention to property and rental values and research market trends and demographics.

Many innovative products have been introduced to the market, such as rent protection warranties and Smart Deposit Solution. Find out how these can work for you and use them to your advantage.

Legislation is a hot topic. Be aware of how this affects you.

Don't be put off by negativity. Be realistic, research everything and have the confidence to purchase good deals.

Strategy

- Be clear on what you're trying to achieve. Capital growth, rental yields, positive cash flow, holiday lets with personal usage etc. Consider diversity in your portfolio to avoid adverse changes in the area/market.
- Define your parameters and be aware of this when evaluating deals:
 - ◊ Which market? Local / nationwide / overseas / emerging?
 - ◊ How much capital are you prepared/able to invest?
 - ◊ Who are your preferred tenants and why? – professional/social etc.
 - ◊ Consider how much of your time will be taken up dealing with your investment – e.g. managing your portfolio can save money but can be hugely time consuming.
- Make the market work for you by being aware of current market conditions.
- Be realistic – a no money down deal in addition to positive cash flow is not realistic in the current climate using traditional funding methods.
- Have a planned exit timeframe in place. Whilst this may change in time, being open ended from day one can be risky.
- Plan for the future and don't over stretch yourself. You can be lucky but most prudent investors build up over time.
- Don't let your heart rule your head – property investing should be viewed as a business. Don't let your personal preferences interfere if the deal fits your strategy and will make you money.
- Stick to your plan but don't be blinkered when considering alternative deals/markets.
- Work with people you trust.



Research and Due Diligence

- Educate yourself with as many facts as possible.
- Research your chosen market (and consider that there will be a point in time when you come to sell) – supply and demand, market trends, property and rental values (historic and current), evaluate the local area, demographics, local laws, costs and taxes.
- Assess the deal thoroughly, e.g. can discounts be evidenced by surveyors (RICS) valuations.
- Use the resources available to you - Consider local papers, public notices, planning applications and of course online resources.
- Be aware of forthcoming expenditure – maintenance costs, insurances etc.
- Finance – what is available to fit your chosen strategy? Make yourself aware of your options – repayment, interest only, loan-to-values, tie-ins, bridging, equity release, private financing.
- How are you purchasing? Developers, brokers, auctions, private individuals, banks, other companies or via seminars? Be aware of potential associated costs and purchasing procedures. Consider the pro's and con's of purchasing via different avenues.
- Ensure you're entirely satisfied that you've completed your due diligence before committing and do not rely solely on third party due diligence.
- Use common sense. Don't be swayed by a very cheap deal if the rental and/or resale demand is low.
- Don't be afraid to ask questions.
- Speak to other investors (seminars, landlord days, online forums etc), but make up your own mind. The 'man in the pub' will always have a view, but is it correct?
- There are many innovative products available on the market, such as rent protection warranties and Smart Deposit Solution. Find out how these can work for you and use them to your advantage.

Act promptly when the time is right

- If a deal fits your strategy, you're aware of what finance is available to you and all associated and other costs, your research points to a good deal and you've reviewed everything carefully, then go for it without delay.

Review

- Always review your investment to ensure maximum profitability – outstanding finance, current valuations (property and rental) & ongoing costs.
- Be aware of market forces and be prepared to adapt accordingly.

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