

# Chapter 1

## Preparing yourself

Property is very different to most other kinds of investment because it demands a lot more from you, in terms of time, effort and knowledge. At one end of the property investing scale is the ‘hands-off’ investment, but even then you need to carefully research the investment provider, the investment itself and your finance options. At the other end of the scale is the entirely ‘hands-on’ investment – the buy to let property that needs a thorough overhaul - and that’s what we’re talking about here.

Each element of property investment is a small business in itself, so treat the renovation and refurbishment part as you would any other business. You need to think about what lies ahead and whether you’re willing, able and prepared to take everything on. In most cases, when things go wrong, it’s because people don’t have the right mindset, so preparing yourself, mentally, for the project really is key. Here are the most important things to consider:

## **Do you know what you're letting yourself in for?!**

The answer may be 'yes', but if you're reading this book, we're presuming it's at least a partial 'no'! As the saying goes, 'you don't know what you don't know', and the only way you'll find out what you don't know is by immersing yourself in the subject. So read some more books, search the web for information and, importantly, speak to other investors about how they tackled the process. Ask what things took them by surprise when they carried out their first renovation and/or refurbishment work and what they've learned to do better. Question them about the pitfalls and ask for advice on how you can do the best job possible. You can do all the 'paper' research you like, but there's no substitute for real-life experiences, many of which we'll be sharing throughout this book.

One husband and wife team we're working with at the moment are absolutely bowled over by how fast we're working and the level of communication we have with them and with our team. Renovating and refurbishing a rental property is a major commercial project, run in an almost military style, and when most first-time investors have only ever carried out works on their own home, it's quite a shift in mindset.

## **Do you know why you're doing this?**

That might sound like an odd question, but we're always amazed at how many investors don't have a clear plan for their projects. What's your end-game, both in the short and long term? By that we mean:

- a) what do you intend to do with the property once it's renovated and refurbished, and
- b) what's your exit strategy?

Property is just another money-making vehicle for us. What you ultimately want out of it (income or capital lump sum/s) and when (on completion of the project / on-going / in ten years / when you retire, etc.) will dictate what you buy and how you renovate and refurbish it, according to your target market, i.e. what kind of property, let in what kind of way will give you the return you're looking for?

So decide what your goals are and then spend some time carrying out specific local research. Use the internet to assess prices and demand ([rightmove.co.uk](http://rightmove.co.uk) and [zoopla.co.uk](http://zoopla.co.uk) have some great data you can access) and speak to local sales and letting agents to get their expert opinions on what people are looking for and how much they're willing to pay for it. Only then will you be able to decide what kind of end product you need to provide and what's going to stack up financially for you.

### **Are you prepared for the commitment you're taking on?**

Anything that requires time, effort and money is a big commitment, personally, emotionally and financially. Investments always carry an element of risk and property is widely considered a 'medium' risk. If the amount of money you're putting in represents a large

proportion of your overall capital savings, then the level of risk for you is probably higher than if you had a bigger ‘cushion’ behind you. And your attitude to this financial risk – potentially putting your own and your family’s future security on the line - will affect you emotionally. We’ll look at this in more detail in the next chapter.

If you’re very hands-on with the project, it’s going to take a lot of your time and you’ll have to make sacrifices in your personal life. Hours that you might have spent watching your favourite shows, socialising and relaxing are highly likely to be given over to this project – are you prepared to knuckle down for as long as it takes? And, if there’s a problem, are you in a position with what may be your other full-time job to be able to address urgent issues? If you have a salaried position with set working hours, you may find it hard to run a renovation and refurbishment project simultaneously, so think carefully about how much time you are, realistically, going to be able to dedicate to it.

## **Are you supported?**

Following on from the previous point, make sure the people around you are also fully behind you. Your family and close friends are going to have to be supportive and understanding at various points and in equal measure, so talk to your nearest and dearest about what you’re doing and be honest with them about how much time you’re going to spending working and the extra pressure it might put on both you and them.

But it's not all misery! Share your enthusiasm, tell them when you've made good progress and then, when it's all over, you can celebrate with them properly and thank them for being there for you. Property investing can be a lonely and stressful business at times, so having the support of those closest to you will really make a difference.

### **Are you a decisive person?**

Can you make a decision when you need to, or do you find yourself often thrown by having too many choices and tend to spend ages going back and forth? In this business there is a constant stream of options and decisions and you need to be able to, relatively quickly and painlessly, separate the wheat from the chaff, make a choice and move on. If you can't, you'll find your projects painful and stressful – and so will everyone around you!

We don't always make the very best decisions all of the time, but nobody's perfect. As long as you've carried out some good research and been diligent in checking out several available options, you can be pretty confident that it's at the very least a 'good' decision. Could you have made a better one? Perhaps – and you can improve on it when you carry out your next project.

### **How do you handle problems?**

No matter how well you prepare and execute tasks and decisions, problems will arise. Property investment is a business littered with

things beyond your control – tenant behaviour, forces of nature, market fluctuations – and the renovation and refurbishment process has its own share. Contractors will sometimes let you down; there may be an underlying problem within the structure of the property that didn't come up on your survey; supplies to the property may not be quite as sound as you thought; human error can occur; there may be an unavoidable delay with suppliers...and so it goes on. You need to accept that Sometimes Things Just Happen and, as with the previous point, you need to be able to assess what's happened, make a decision and move on.

So this is one of the key abilities you need to develop and a skill you need to hone if you're going to get involved in any project similar to this. It's the nature of the beast that hurdles will appear in your way and whether you succeed or not comes down to how you handle them. We've noticed that all successful investors have a common character trait where they almost relish issues and have creative responses ready to go. That's obviously something that comes with experience, but you need to try and fast-track yourself, mentally, and approach obstacles not just with a 'can-do' attitude, but also think ahead and anticipate those obstacles.

We were recently handling a project for a client where, once the sale had been agreed and we'd asked the council's HMO Officer to visit the property, she informed us that the kitchen was too small to comply with amenity standards. We knew immediately that we had two options: either take a wall down or to build on a conservatory.

The wall would have cost £5k; the conservatory £3k, in addition to which, we knew that if we laid the appropriate foundations underneath the conservatory, that would be the groundwork done for a possible double-storey extension in the future. We were solving a problem in a value-oriented way.

What we're saying is, if you're the kind of person who gets flustered when things don't go to plan, you may find hands-on property investing tricky. But learning how to deal with problems more effectively is not hard if you put your mind to it, so it's worth having a look at some of the materials and courses that are out there. The one we'd recommend is a basic project management course called Prince2 (their website is [prince2.com](http://prince2.com)), which teaches you about the various aspects of managing a project, assessing and managing risk, and it's a really useful tool that you can use in many other aspects of your life.

*Project management is about time, quality & cost and ensuring that triangle of elements is balanced, co-ordinated and managed effectively.*

## **How are your admin and computer skills?**

'Success' in the renovation and refurbishment business is defined as bringing in the project on time, on budget and up to standard and you can't judge any of that without a meticulously prepared initial financial plan and schedule of works. You need to be really

organised and make sure quotes, invoices and receipts – of which there are a huge number! – are all correctly logged and filed, and you must be on top of the bank accounts and credit cards in and out of which all the money is flowing.

We try to keep it as simple as possible, so we and our team mainly use Excel spreadsheets to track all the money, time, activity and people. The only whizzy thing we use in addition is an ‘illustrator’ package (ours is compatible with Macs), into which we input all the information we gather, including photographs, and that helps us create the final ‘landscape’ for the project. You should be able to pick up a package like that for around £40, so it may be worth the investment if you’re planning on carrying out multiple projects or, if like us, you end up carrying out projects for clients and want to be able to drag together information very quickly for progress reports.

However you record and store the information on your project, the most important thing is that your system makes sense to you. Don’t be tempted to invest in a package that’s counter-intuitive to the way you work – and we’ve tried a few like that! Many investors we speak to manage perfectly well with spreadsheets - you don’t have to over-complicate things. You’ll often need to access details and figures quickly, so it’s important you’re on top of everything all of the time and know exactly where to find the information you need.

If that doesn’t sound like something you’re good at or something you would enjoy, you might want to consider having someone else

manage the project for you. You could have a personal assistant handle all the administration, but you need to understand the figures, the process and why the schedule is as it is and that's hard to do when you haven't prepared it yourself.

Again, there are courses and books that can help you become adept at all of this, but this business will be far easier for you to get stuck into if you're already organised, computer-literate and figure-savvy.

Do you have good people-management skills?

You're going to be dealing with a lot of different people throughout your project and it's important that you can not only communicate well and get on with them, but that you can keep everyone motivated and working to schedule. Property is a people business and by far the best way of getting things done is by making people want to work with and for you.

You need to be a good negotiator and reasonable; firm but approachable; clear and appreciative. You also have to be able to be the 'bad guy' when necessary and not hold back from getting rid of bad tradesmen or unreliable suppliers, and that requires self-assuredness and diplomacy. If you think any of that might be a struggle, again, it may be better for you to employ a project manager.

## **Are you ready for the buck to stop with you?**

Most importantly - and you may think we're stating the obvious here - you need to understand that this property investment project is your business. You may employ other people to carry out various jobs but the buck stops with you. You need to be in control of the project all the way through and skill yourself up to handle it.

Ultimately, it's on your shoulders whether it's a roaring success or fails to perform as it should, so you must carry out due diligence every step of the way. We meet investors all the time who blame tradesmen, tenants, the market, bad luck....when the simple truth is that their property investment didn't succeed because of something/s they did or didn't do.

So that's the big question: are you ready to be entirely responsible for your own success?

You might think we're trying to put you off here, but that's not true. Renovating and refurbishing property is an exciting, rewarding and highly addictive process. When you stand back from the dust, bricks and mortar and compare the building you bought to the finished product, there's an immense feeling of pride and satisfaction. And, trust us, you'll want to do it all again.

## DO

- **Ask lots of questions.** Talk to people who have achieved what you want to achieve and pick their brains.
- **Get yourself organised.** Brush up on your Excel skills, re-acquaint yourself with files and filing, get out your calculator and clear some office space!
- **Think about how comfortable you are with risk.** You're investing a lot of time, money and effort and there is a (very slim) chance it might not go quite to plan. Are you okay with that?
- **Research the market.** Know exactly what demand you're supplying.
- **Share your ideas and plans with those around you.** It makes the tricky days much easier and the good times a lot more fun!

## DON'T

- **Overstretch yourself.** Are you absolutely sure you have the time and money to do this project yourself, properly?
- **Simply have faith that 'it'll be fine.'** You need to prepare thoroughly and then follow a process. You can't wing it.
- **Try to follow a system that doesn't make sense to you.** Ask people how they record and track figures, check out software that might help you, but it's not a 'one-size-fits-all' thing, so do what works for you.

*Keep your first deal simple and take your time.*