

BUY TO LET (BTL)



- **Why BTL?**
- **What does Buy to Let look like?**
- **Area - Thin line / Tenant type**
- **Positives and Negatives**
- **How to find them**
- **THE NUMBERS**
- **DEAL EXAMPLES**
- **COMMON MISTAKES**
- **TOP TIPS**
- **SCALING UP**

WHY BTL

- Population increase and building targets not being met
- Council waiting (rumoured) to be up to 50 years in some places! Up to a million on waiting lists.
- Deposits are hard to save, people still want nice housing.
- Huge market, huge demand
- Normal houses for normal people
- Low risk, entry strategy
- Can be scaled to make exciting

FOR TENANTS

- You can drag the standard up across your area
- Long term home, security for the families
- More accommodation to choose from in the sector



WHAT DOES BUY TO LET LOOK LIKE? STORY OF 'NORMAL'



- Typical housing Stock in 'steady' areas.
- This isn't a 'social housing strategy' - different
- Usually housing between £60,000 - £150,000 in the north of England (FMV)
- Think of ex council estates, old terraced property (coronation street to those down south)
- 2 and 3 bed properties
- Bus and travel links
- Close schools and sports fields
- Good Transport links, close to main roads
- This is not exclusively social housing
- It's not not social housing!!

THINK NORMAL HOUSING, NORMAL PEOPLE!

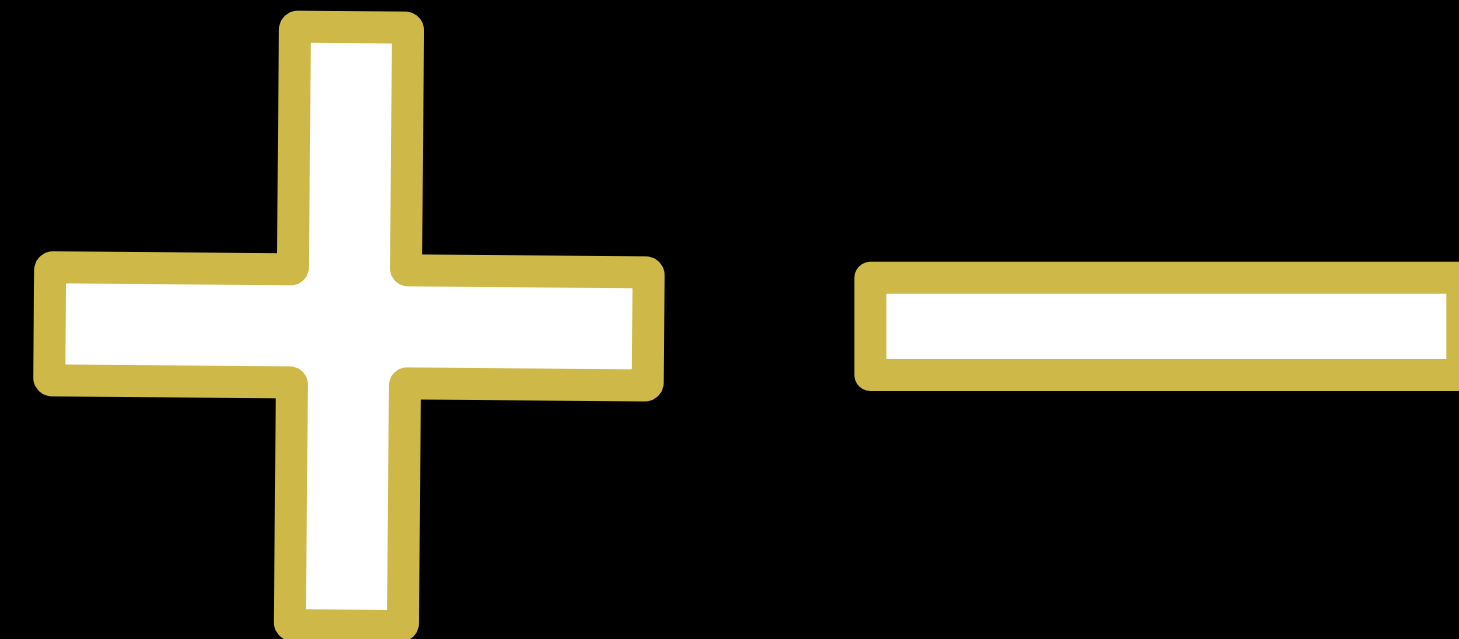
MORE INFO AVAILABLE IN THE HOUSING ACT 2004 AND ALSO SHELTER LEGAL ENGLAND

POSITIVES

- Low Risk, small capital
- Smaller refurb
- Big margin for error
- Confidence builders
- Not huge fluctuations when the market changes
- Lots of stock available lots of markets
- Long term wealth builder
- Easy to sell at the end of your time
- Smaller funding to raise
- Easy lending, none bespoke
- Biggest pool of tenants
- Easy management
- Low Turnover of tenants
- Longevity

NEGATIVES

- Smaller cashflow
- Takes longer to build cashflow
- Lower Capital appreciation
- Lower value portfolio
- Tedious
- Not cool!!!



FINDING DEALS - WHERE FROM?



- **Stick to a property type for each agent, you will confuse them!**
- **Look for distressed houses, swirly carpets**
- **Use estate agents - don't listen to the noise they are good**
- **Letting agents, tired landlords**
- **Simple strategies, signs in windows work**
- **Leverage agents to know your area.**
- **Add value through adding bedrooms, usually big houses**
- **Repetitive, use the same strategy for the same deals**

THE NUMBERS (M.O.E. / LTV)



- **SMALLER NUMBERS - % ERRORS ARE BETTER**
- **OWNERSHIP STRUCTURE IF JVing**
- **MOE - AROUND 10% MINIMUM**
- **MANAGEMENT - 10% BUT CAN BE HIGHER**
- **LTV - STANDARD IS 75%**

DEAL EXAMPLE – 3 Bed Ex Council



DETAILS

- **3 Bed End Terrace**
- **Not on the market!**
- **Seen our sign in a window!**
- **Next to supermarkets, schools and a bus stop!**
- **Normal House for Normal people**
- **Little High street around the corner**
- **In the catchment area for a top high school**



BEFORE



AFTER



**PROPERTY**
NETWORK



THE NUMBERS



PURCHASE	
PURCHASE PRICE	£57,000
REFURB	£15,000
BUYING COSTS	£12,000
STAMP DUTY	£1,170
COST OF THE DEAL	£71,730
MARKET VALUE (COMPARABLES)	£90,000

REFINANCE	
MARKET VALUE	£90,000
MORTGAGE @ 75% LTV	£67,500
LESS COST OF THE DEAL & COB	£71,730
MONEY LEFT IN THE DEAL	£4,230

THE NUMBERS



CASH FLOW	
GROSS RENT PER MONTH	£575
MORTGAGE @ 3.09%	£177.32
MANAGEMENT @ 10%	£57.50
MOE @ 10%	£57.50
NET CASHFLOW	£282.68

DEAL EXAMPLE - 2 into 3



DETAILS



- **Standard house, in a normal area**
- **Same agent sold us the house opposite**
- **Got this £3500 cheaper than over the road!!**
- **Cookie cutter model, same house same plan!**

BEFORE



AFTER



THE NUMBERS



PURCHASE	
PURCHASE PRICE	£50,500
REFURB & COSTS	£12,685
COST OF THE DEAL	£62,685
MARKET VALUE (COMPARABLES)	£85,000

REFINANCE	
MARKET VALUE	£85,000
MORTGAGE @ 75% LTV	£63,750
LESS COST OF THE DEAL	£62,685
MONEY LEFT IN THE DEAL	+£1065

THE NUMBERS



CASH FLOW	
GROSS RENT PER MONTH	£550
MORTGAGE @ 2.75%	£148
MANAGEMENT @ 10%	£55
MOE @ 10%	£55
NET CASHFLOW	£292

COMMON MISTAKES



- **Get the refurb right!**
- **Have exit strategies in place!**
- **Don't be run by emotion, they are mini cash machines**
- **Don't stack yourself too heavily to be dependent on the refinance (downvals)**
- **Don't forget council tax and small costs!**

WINS!



- You now have a proven strategy
- Didn't have much capital, wanted to recycle the cash at a low risk
- Practice the low end of the investment triangle.
- 10% downval = £10k MAX!
- Clear strategy with a clear plan
- Started to become appealing as property numbers grew
- Less decisions to make – less margin for error

SCALING UP



- Council tax - 7 refurb @ £130 a month....
- Cashflow, don't neglect it!
- Paying Angels at the same time...
- Think of £400k in funds at 8% a year.
- Timing on funds being recycled
- Angels coming to the end of their term
- Be Organised - Know where everything is.
- Use systems where you can

	Property Type	Square meters	Bedrooms	Tenancy Type AST/Lease /Licence	Estimated Current Value	Current Monthly Rent	Rental/Year	Mortgage	Mortgage Year
2	Mid Terraced House	73	3	AST	£85,000.00	£525.00	£6,300.00	£219.94	£2,639.28
3	Mid Terraced House	73	3	AST	£85,000.00	£525.00	£6,300.00	£219.94	£2,639.28
4	Semi Detached House	62	2	AST	£80,000.00	£525.00	£6,300.00	£194.53	£2,334.36
5	End Terraced House	71	3	AST	£87,500.00	£525.00	£6,300.00	£226.95	£2,723.40
6	Mid Terraced House	88	3	AST	£100,000.00	£575.00	£6,900.00	£206.55	£2,478.60
7	Mid Terraced House	74	3	AST	£90,000.00	£550.00	£6,600.00	£177.32	£2,127.84
8	Semi Detached House	64	3	AST	£90,000.00	£495.00	£5,940.00	£177.73	£2,132.76
9	Semi Detached House	57	2	AST	£90,000.00	£495.00	£5,940.00	£194.01	£2,328.12
10	Mid Terraced House	74	3	AST	£85,000.00	£550.00	£6,600.00	£183.24	£2,198.88
11	Mid Terraced House	71	3	AST	£85,000.00	£525.00	£6,300.00	£142.85	£1,714.20
12	Mid Terraced House	68	3	AST	£85,000.00	£550.00	£6,600.00	£148.07	£1,776.84
13	Semi Detached House	69	3	AST	£90,000.00	£550.00	£6,600.00	£148.07	£1,776.84
14		844	34		£1,052,500.00	£6,390.00	£76,680.00	£2,239.20	£26,870.40
16						Rent minus Mortgages (pcm)		£4,150.80	
17						Rent minus Mortgages (pa)		£49,809.60	