Apprentice Property Tycoon

Lesson 2

by

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Welcome to the second lesson of **Apprentice Property Tycoon**.

Let me congratulate you on taking this second important step on your path to **total financial freedom through property wealth**. That is, you've parted with a little hard-earned cash!

I know this is a paltry sum, but you would be amazed at the rank timidity of people. I had one person telephone the office yesterday. They'd had the first lesson thank you very much, but they wanted a complete breakdown of what was in lesson two before deciding to part with the cost of a cheap curry!

Frankly, it is incredible to me. A chance to be taught by a multi-multi-millionaire about the real secrets of property and they're so terrified of 'losing' a few quid that they have to make a half hour phone call to double-check they are getting value.

By the way, this person was politely told they had just FAILED a major flake test and were hence bounced off the course! I mean, how flakey is that? Imagine how they will fold at the first small property deal they encounter!

A hopeless time-waster, but the country is full of them.

Okay, so you've broken open the packaging for this module. Read on – NOW – before you have time to make some excuse not to.

If you're running out of the door to work, take it with you. Read it on the train journey. If you drive to work, stash it in your briefcase and read it at lunchtime. If the kids are clamouring for breakfast, sort it and get them to school. Get back home and read this module immediately.

Because guess what?

If you put it aside for 'later', every sort of imaginable demand on you will gobble up your precious time. Before you know it, tomorrow will arrive and this module will gather dust in your reading pile.

I hope you've got the important message.

Your life as a successful property tycoon starts NOW with <u>learning the basics</u>.

This is your novice period – enjoy the journey. Don't worry if you think you 'know' some of this stuff already – treat it as a refresher. I will be giving you a

lot of information this month and **all of it is essential.** Without these basics you are like a babe who can't walk.

So, let's get you walking….

Introduction to Property Dealing

You've passed a big 'flake-filter test' by committing to another lesson. You are now one of only a small number of people prepared to be trained from the ground up in property basics. Most people don't have the patience. They are greedy and lazy. They want to buy property now. They want a million pounds now. **They want to make a fortune before they know what they're doing.**

Guess what?

They get burned – sometimes so badly, they never financially recover. And yes, it is certainly possible to get burned in the property game – particularly if you don't know what you're doing.

Take an acquaintance of mine, Nigel. He was like a cat that got the cream recently when he came and crowed to me about his latest property acquisition.

"Bought a middle terrace for a song," he told me. "Just needs a bit of tarting up."

Did I say anything?

I would have liked to but it was too late. The deal was done. He had parted with his money. Nigel duly worked long hours 'tarting up' the house.

When he sold it, did he make a profit? Sure, just about, BUT…

With the cost of materials, insurance, professional help (electrician, plumber etc.) survey fees, agent's fees, mortgage fees, capital gains tax and the 1,440 man-hours he put in, he made less than £6 an hour!!

I went through the figures with him and he was irritated with me for pointing this out. In fact he refused to believe me for a long time. He was welded tight to the notion that he'd done a 'neat' deal and made a nine grand profit 'for nothing'!

So he had, but when you factored-in his minimum wages hourly rate, he'd made *nothing.*

Why? It's not that renovations are the wrong thing to be in – they can be very profitable and I've cleaned-up on dozens or renovation jobs.

He didn't buy the right *type* of property.

He assumed that every property deal is a potential money-spinner. It isn't!

It's like employment. Yes, you get paid. But while some people earn £200+ an hour others only earn a £5.30 Macwage. So, yes *most* property makes money – but **not every property is a real *money-spinner*** – a £200+ an hour earner! Here's another BIG mistake Nigel made.

He bought from an estate agent. He assumed that was the only way to buy property. As you already know, it isn't!

Also…

If you remember from last month, the people who make the *real* money in property talk a certain jargon and exude a certain confidence which gets them the most lucrative deals – the mega-money deals. Even if Nigel had known the right people to approach, he wouldn't have got past the gate post because he talked like a green, wet-behind-the-ears newbie!

So as Nigel is an acquaintance, why isn't he a part of my personal team of property tycoons?

The answer is simple – his attitude is wrong and he won't listen. In his book, paying for knowledge is for suckers.

If you know someone with this attitude – don't let them within a mile of your property deals.

You know why?

They will take, take and take some more. They will never give anything in return – they are leeches! Even worse, they have NO conscience and NO sense they are in the wrong. They will demand you tell them all the inside secrets and top tips of being a wealthy property tycoon – for free! And then – they'll go and mess it up anyway!

They won't care that you spent a lot of time and money learning your profession. Like the guy I mentioned earlier who was worried sick about 'risking' the price of a curry to learn a lifetime of secrets from a property multi-millionaire.

So if you know or meet anyone with the wrong attitude then ban them from your inner circle and don't, under any circumstances, talk to them about yourself or your financial life. They will often try to drag you down to their level.

You have been warned.

Protect yourself – or pay the price.

I guess this is now the time to mention your 'significant other' if you have one! What I'm about to say might sting…

Your significant other MUST be 100% behind you in any endeavour you make to get wealthy. If they are not you have three stark choices.

1. **Change their attitude.** This is the hardest route. People don't like change and resent you for trying it. But do give it a shot because the next two choices are even worse.
2. **Dump them.** They're holding you back and you will never succeed without them. Time to cut yourself free?
3. **Give up forever your dreams of wealth and settle for a mediocre, poor life with this person**. You may even be happy. Who knows?

One thing I do know for certain is that an unsupportive partner makes it flat-out impossible for you to succeed.

Please do not ignore this important warning and think that somehow *your* unsupportive partner is different and that somehow *you* will be able to muddle along.

Okay let's mush along…

The Property Goldmine

One of the many things I love about property is the sheer number of different ways you can make money from it.

Just look at all these ways for starters…

1. **You can make money by buying/selling 'normal' UK residential property.**
2. **You can make money from letting property.**

3. **You can make money from commercial property.**
4. **You can make money from buying and selling overseas property.**
5. **You can make money from overseas property rentals.**
6. **You can make money from building new property.**
7. **You can make money from renovations.**
8. **You can make money from land.**
9. **You can make money by gearing property and to raise capital for further investment.**

Isn't that great? At least nine different ways, and I've made money from them *all* over the years. Some you will prefer to others – and that's fine. You should concentrate your efforts where you are most interested.

As a property tycoon you will get into property deals which other people don't.

Why? Because they just don't see the potential which you will do, after your training. Most people just stick to the same, tired ways of making money from property. They have no imagination.

The Main Property Areas

The property marketplace is divided into several main areas. So, let's expand your property searching horizons and make a start at telling you the positives and pitfalls of each category.

The first three property categories are all under the umbrella of residential:

RESIDENTIAL

This is any property used as accommodation – to live in – but usually confined to one or a few dwelling units. An entire block of residential flats would come under the heading 'commercial'. I have bought and sold several such blocks – and you could do this too, but that's a commercial deal and we'll come on to that in due course. This is an area of slight confusion, so try and understand it now. Blocks of flats = commercial. One or two flats = residential.

Residential can be a bed-sit, mobile home, apartment, flat, studio flat, maisonette, semi-detached house, detached house, terraced house, bungalow, a mansion, a castle, converted warehouse, cinema, church an old school etc.

Residential Category #1 – Your Own Home

This is the most familiar market place – buying your own home. I would be surprised if you did not already have some experience of this.

It was buying and selling my own home that first swung my attention onto the ridiculous profits to be made from property.

Almost everyone I spoke to had made a killing on their own home – often *far* in excess of all the money they had made through a conventional job.

Yet, not one person in 500 ever considers scaling this up and doing it with other houses! Makes you wonder…

So, how and when did the home market start?

Here's a brief run-down. Don't worry, this isn't some tedious history lesson, but it does help to have a historical perspective on things. Remember, I'm trying to train you to be a knowledgeable property expert. Just imagine someone asking you how the property market got started and the best you could do was to shrug and say: "I dunno…"

Common land - Before the 1100 or thereabouts, most of the land was common land. The term literally meant land for the common people. Grazing rights for livestock, gathering wood etc. was free on all common land.
You have to remember the population was tiny; that's the only reason this could work. At this time, only the aristocracy owned their own property. In other words, a tiny, minute percentage of the population were 'property owners'. The vast majority of people (99.99%+) never owned land or property and indeed the very concept of doing so would have seemed ridiculous to them.

Laying claim - From around 1200 changes began. Individuals started claiming plots of land, often on the grounds that they (or their family) had 'always' lived there. To stake their ownership, they surrounded their plots with ditches, fences or hedging.

This created uproar at the time, with the church (one of the biggest property owners of course!) denouncing the practice as 'immoral'.

It's also worth noting that for many hundreds of years, any petty tyrant who could muster-up a gang of thugs, would seize land and property by force – and often did. These crooks were called 'Barons' – they were mini-kings (more like crime-lords), each ruling over their patch.

A few hundred years went by…

The Enclosure Act - In 1801 the Enclosure Act was passed. It gave individuals the right to claim land and label it as private property. So property became valuable. Buying and selling created a market place with supply and demand. The property market was born.

Okay, that's the story you may have learned in school. Now for the truth…

Prior to enclosure, however poor they were, English peasants had a degree of economic independence. Most of them owned a few strips of land, which they grew food on.

More importantly, all villagers (even squatters) had customary rights to the common land on which they could graze animals and cut turf and wood for fuel. These rights to the commons allowed the poor, who often had seasonal and irregular work, to survive and feed their families.

Enclosure took away these rights. The wealthy landowners, who owned most of the land in a village, would petition the government for an Enclosure Act. A notice had to be pinned on the church doors of all of the parishes affected by the enclosure petition.

After parliament had granted an Enclosure Act, the rich men of the village would then appoint a commissioner, the official responsible for overseeing the enclosure, **allocating parcels of land** and dealing with disputes.

Well that all sounds fair and square, right? Not!

Read on…

Prior to enclosure most villagers held several strips of land scattered across the fields around the village. These strips (sort of large allotments) were redistributed every year - if you got infertile land one year you might receive better land the following year.

Enclosure Acts consolidated every man's strips into plots of land that would <u>not</u> be redistributed, so each villager would be stuck with what was allocated to him.

Ah… the plot thickens…

Predictably, the commissioners, appointed by the rich landowners, gave the wealthy people the best land, often leaving the poor with useless, infertile plots. Plots were also often allocated to the owners of cottages rather than their tenants, leaving the poor with nothing and their landlords with yet more land.

If this were not bad enough, the costs of enclosure, including the costs of presenting the Bill to parliament and fencing all the plots of land, would be shared between *all* the villagers. These costs were ruinous for the poor, who **were forced to sell their land to the rich at whatever price was offered.**

Gosh – surely not another tale of the rich shafting the poor? That could never happen these days…

Industrial Revolution - With the industrial revolution of the 1800's more people prospered. Soon, the middle-income families were purchasing their own homes - an unheard of idea prior to this. Everyone rented before this period.

Low-cost building - In the 1900's the development of low cost building techniques created another upsurge of home-buying. Of course this didn't just happen in a vacuum – the population was growing exponentially and something had to be done.

The property market was booming and set to stay.

At this stage, you still had to be fairly wealthy to buy your home as there were no mortgages available for the average person.

Mortgage deals – In the last 20 years of the 20th century, mortgage finance became readily available. Council housing was virtually abandoned as tenants were offered incentives to buy the property they were renting.

New tenancy laws – Changes in tenancy laws made it easier to be a landlord and this lead to an explosion in the number of rented units available.

What will the future bring?

One guess is **lifetime mortgages** which are passed on to your children!

Already property prices are out of reach for many people and the old 'three times your salary and 25 year mortgage' just cannot raise enough cash. Right now they are on the brink of offering 5 x salary and 100 year mortgages which outlive you!

Is this progress? I'll pass on that one!

As you can see the home-buying market is in a continual state of development and progression. This is only one reason being a property tycoon is so exciting and rewarding. There are opportunities all around us – and I think the number of such opportunities is actually growing!

Look, here's a basic point. We're in the property market because people MUST have somewhere to live. That and food plus water are the three essentials of life. We're not in the luxury car business or swimming pool business. Sure, there may be money in those, but they are optional luxuries.

People will always need a place to live. And… the population is growing. And… people are living more separate lives. The husband, wife and three kids are now split into a (divorced) husband living in a 2-bed flat and the wife in the family home. That's TWO dwelling units required, where one would have done before.

And… there is a finite amount of buildable land.

So you add sharply increasing demand and a finite resource and you don't need to be an economist to see that this equals rising prices.

Making Money From Your Own Home

Your own home gives you four valuable options:

1. **You can just live in it.** Most people do this. They buy the most expensive house they can just about afford and try to live a comfortable life. Nothing wrong with that, but it's not the way of the property tycoon.
2. **You can live in your house AND gain a rental income by (say) renting a room.** If a room is let for residential purposes, it's a win-win situation – it provides a rental income + tax-free element of between £5,000 - £7,000 a year.
3. **You can live in your own home AND develop it with a view to selling for a profit.** All profits you make on your primary dwelling are tax free. I know several people who have worked their way up through a succession of properties like this. Renovating, improving (extending) and so on. In a rising market they have done exceptionally well. I know one guy who started with a cheap terrace 25 years ago and now lives in a 7-bedroom 'mansion' in 3 acres! All done through this slow, step-

by-step process. The downside is your house is nearly always a builder's yard! It also helps to be a handyman type otherwise you have to pay a lot of money out in wages.

4. **You can release the 'dead' equity in your home.** Gear it up by investing it in another property deal, maybe overseas. This is a really excellent option (if you learn the ropes first). There's absolutely no point in having 100k (say) locked in your home doing nothing. Imagine if you could invest that and double it within 3 years? Then do it again and again. **Now you're thinking like a tycoon!**

Let me say something important here about this last option. Many reading this will immediately get an attack of nerves. I've talked about 'balls' and 'feminine grit' and I'm deadly serious. If you're a timid little mouse with an ultra-safe mindset, <u>being a property tycoon is not for you</u>.

If you want to hunt with the big dogs and pee in the tall grass, you need to be made of sterner stuff.

Why do I say this at this point?

Because I've just mentioned a 'tycoon' option – <u>releasing equity from your house to do some real property deals</u>. Most people are *far* too timid to want to do that. They're happy to chip away at their mortgage for 25 years like good, tame little sheep, not rock the boat, and hope to have a 'nice little nest egg' (God that expression, makes me want to puke. Is it only me?) when they retire.

My friend, we are not in the business of 'nice little nest eggs'. Those are for the terminally broke masses to eke out their remaining sad years.

<u>We are after a million pounds or more</u>.

The sort of money to enjoy a super-rich lifestyle. And you aren't going to get that by saving a few coppers or paying out all your money to some mortgage company.

To make millions (or even hundreds of thousands if that makes you more comfortable) <u>you're going to have to play smart</u>.

That's what I'm here to teach you – if you want to learn.

Buying Residential Property Positives

1. There is usually a good supply of properties.
2. There are prices to suit all budgets.
3. Property prices are usually the last to drop in a declining economy (people always have to live somewhere. We're not talking about luxury items like grand pianos and snooker tables!)
4. Prices normally rise fastest in a period of boom.

Buying Residential Property Pitfalls

1. The market is often highly competitive as there are so many buyers in this market – both private buyers looking for a home and property entrepreneurs.
2. Because almost everyone learns about the property goldmine from watching their own home soar in value, it's not surprising that this is the (safe) area which budding entrepreneurs try their hand at first.

If you've ever been to a property auction you will have had the experience of standing in a room jam-packed with hopeful learner property entrepreneurs all bidding against each other for a 'bargain' – **there are rarely, if ever, bargains to be had in such places!**

Residential Category #2 – Student Accommodation

This is any residential property that is suitable for students to live in.

This category of residential property is special – <u>the returns are exceptionally high</u>. Buy property in a town or city with a college or/and university - get it right and it's a goldmine!

I know several people who make a *lot* of money doing this – but it has to suit your temperament.

The reason this works so well is because the student rental income is nearly always more than the mortgage on the property, leaving you **cash positive** AND with an appreciating asset (those are the two key factors which will make you very, very rich so please read them again). Also, the upkeep is low because, in general, students are unfussy and they trash the place so it's not worth spending a lot on it.

The high rentals comes from the **loading density** – often you can get 5 or 6 students in a house.

Why do I say that you need to have the right temperament?

Firstly you have to get on okay with students and their ‘funny’ ways! If they irritate the hell out of you, leave this one alone.

Secondly you have to accept low standards of cleanliness and repair.

Personally I don’t like this. I’ve seen my share of disgusting student squats with their grime-encrusted kitchen work surfaces and latrines for toilets to know it’s not for me. I like nice places, well decorated and kept to a high standard.

But that’s just me.

The student landlords I know are a fairly cheery, happy-go-lucky bunch (often ex-students) who mix well with younger people and don’t really care about the standards as long as the rent comes in.

Speaking of which…

Students are also notoriously lousy payers so you have to keep on top of this.

They’d rather spend the money on fags, ecstasy and beer than on the rent. Fact.

Buying Student Accommodation Property Positives

1. Low cost.
2. High returns.
3. Rental usually exceeds mortgage payments.
4. Low upkeep costs as standards are usually lowish.

Buying Student Accommodation Property Pitfalls

1. Properties snapped up, so short supply.
2. Dealing with students.
3. Messy and badly cared for property.
4. Rent collection problems.

Residential Category #3 – Holiday Property

This is any residential property that is only lived in during holidays.

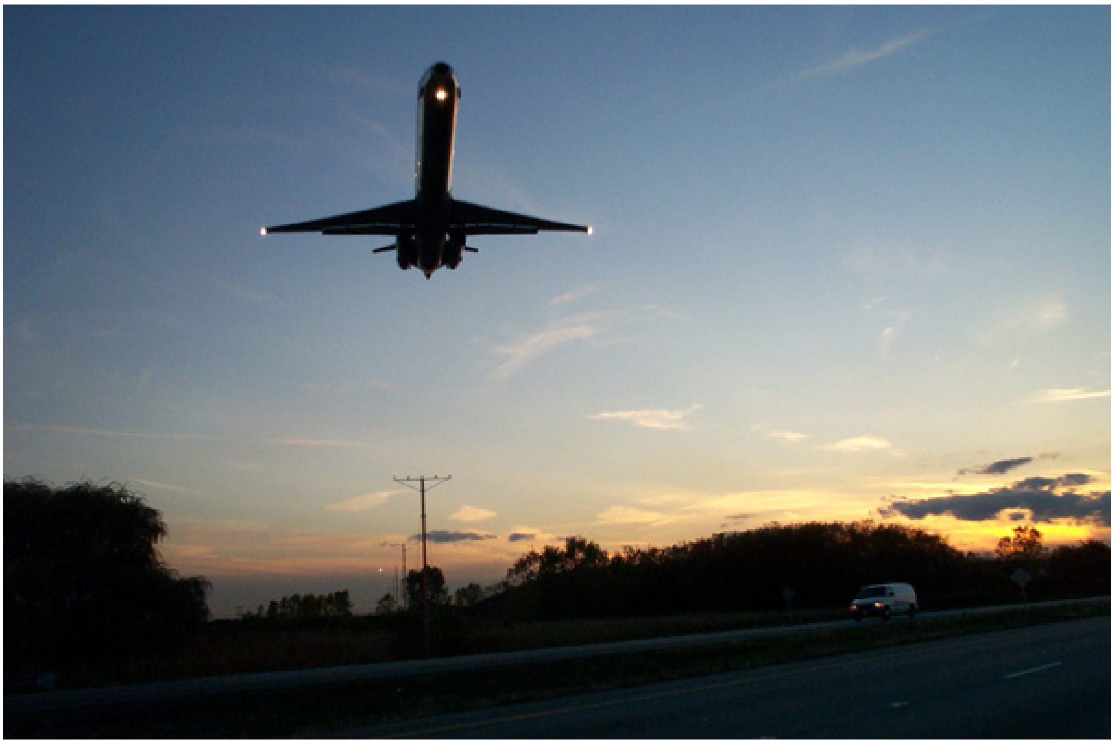
Is holiday property a good buy, when it’s not lived in all year round?

It certainly can be! The weekly rental can be as much as three to ten times the yield of permanent living accommodation.

There can be considerable tax advantages as well.

Be careful though as this can be, and often is, seasonal. Holiday areas are not always prime locations for all year living. In an area short of good schools, medical centres, hospital and non-tourist shops, property prices will still be high if it is a popular tourist destination. But there are some real property bargains in the more run-down and seedy seaside resorts which have seen better years. **The trick here is spotting the up-and-coming areas.** If you can learn to do this, you can really clean-up.

If you can predict the next trend in holidays you can buy property that's cheap now – **but which will soar in value over the next few years.**



For example… what effect will the new environmental concerns have? 'Green' sympathisers are already taking less flights and holidaying in the UK. Governments are poised to stop cheap flights (or at least tax them with green taxes so that they are far more expensive) so will British holiday resorts come back into fashion and have a second heyday?

One thing is for sure – everything comes in cycles in the property business.

What's run down and undesirable now, becomes tomorrow's hot 'must have' location.

This is not some random effect. You've got to start understanding these things if you are going to make big money from property.

Only dumb, broke people shrug their shoulders in puzzlement at why prices move.

Think about it for a moment...

A run down, unfashionable area means – **cheap, rock bottom property prices.** Many people cannot afford the over-bloated prices of the current trendy area (usually just a few streets away!) and so they start buying the cheap property in the run-down area. Soon, they're doing it up and… the area starts to improve.

The hanging basket count goes up, the cars-on-blocks count goes down.

Then the developers get wind of it and move in en-masse. They strip out thirty houses at a go and bring them up to modern trendy standards. More desirable people move in. Prices rise. The undesirables move out in search of cheaper places. Within a few short years, the area is transformed from a slum into the hottest place in town to be – and property prices reflect this.

Buying Holiday Property Positives

1. High returns.
2. You may want to take free holidays there.
3. Excellent investment potential – property prices tend to appreciate 20 – 30% *more* than other residential accommodation. Pick the right location just before the start of an up-wave and you can make a VERY great deal of money. (I know one guy who bought three houses in Reigate for £45k each – and sold them a year later for £125k each. He made £170k after costs of renovations and improvements. In one year!)

Buying Holiday Homes Property Pitfalls

1. Security of property if you are not local.
2. You also may have to travel a lot to and from the property.

3. Properties snapped up, so short supply and high-purchasing price - <u>unless you can predict the next holiday trend</u>.

Okay let's move on to the second of the main areas of property. (I am just giving you a taster at this point).

AREA #2 COMMERCIAL

Commercial properties are premises used and occupied by every type of business, plus any multi-unit residential complex such as a block of flats.

They can be factories, warehouses, care-homes, blocks of flats, shops, offices, studios, workshops, garden centres, theatres, cinemas, leisure and entertainment complexes, restaurants, public houses, swimming baths, golf courses and industrial parks.

There are definitely bargains to be had, and even a fairly standard commercial deal can work out quite well.

One great advantage of commercial, which I want to state right here, is the fact that you are dealing <u>on a business level</u> with all the parties, not at a personal, emotional level. People get very emotionally attached to their houses – they don't view buying and selling as a business deal. I well remember one residential house I went to take possession of, only to find the woman in tears, sitting on the sofa in the front room, surrounded by packing cases. She didn't want to go. (And this was on the day of completion!) She eventually went. But it was a difficult moment.

Houses have memories. People are born there, people die there. Children grow up and leave home. Relationships are made and broken. This is about as far away from a business deal as it's possible to imagine for most people.

Not so with commercial property – usually. **It's a strictly business transaction.** All parties are usually grown-up adults and know the score.

How To Get Hot Commercial Property Deals

Often what happens is this – a company or business are in a property which they can only just afford. They have often been too optimistic in their profit forecasts, or the business climate turns against them. Suddenly they can't afford the rent or repayments.

At this point the primary lender (e.g. a bank) will often step in quickly and seize the property. If the company goes bankrupt then the liquidators often want to sell as quickly as possible. **Banks certainly are not in the property business.** They are in the money-lending business (in case you had any doubts). **They want that property gone as soon as humanly possible** – at a fire-sale price if needs be. They do NOT want to hang onto it for a year hoping to get the absolute best price. They want it off their books and they want their debt repaid.

The bottom line is this. If the building is worth £150k and the bank are owed £100k, they'd rather let it go for £110k to recover their debt and costs, than they would hold on to it for six months hoping to get a better price.

This may sound counter-intuitive but I want to be 100% certain you've got this at this point – **it's one of the keys to you getting very, very wealthy.** So please don't go any further until you have understood what I am disclosing to you here.

Lending Institutions want their money and costs back with minimum hassle.

Selling decisions made by large institutions are not always rational in the conventional sense. You'd think that banks might act like us – hold on for a year if prices are rising. Maybe do the place up a bit and get a better price? After all, they could make their loan back, AND a ton of money on top. That's what we would do, but you have to remember that is not what banks exist for! **They are not property developers.**

In case you don't get this, let's try another example. One company (a major customer of the bank) make large items out of pressed sheet steel. Normally they are profitable. Now they've hit hard times and the bank wants their loan of £100k back.

Do you think the bank would be interested in hiring a new management team, maybe installing some new pressing equipment and getting some sales people to increase the volume of sales to turn the company around? After all, if they did this, they might make £500k instead of just getting their £100k back. Or do

you think they might fire everyone, sell the machines at fire-sale prices and wind the company down to release just the £100k they are owed?

No prizes! They will always do the latter.
Why? Because they are in the money-lending business not the pressed sheet steel business (or the property business).

Does that make sense now?

And it isn’t just the banks!

At times councils have sold outmoded buildings for a nominal sum – I mean nominal, as low as £5.

Why? Because there would be outrage if the tax payers’ money were used to make the building habitable again. (E.g. costs of renovation - £76k, open market price after renovation - £69k. They’re better off giving it away.)

Again, if you or I were faced with this deal, we might snap it up.

Why?

First we know we can do the job a LOT cheaper than any council in the land with their over-bloated salaries and unmotivated workers. Maybe we could do it for £40k and lock-in an immediate £29k gain? Also, we might be prepared to spend a year doing this, in a rising market, and sell for £86k 12 months down the line. We’ve made £46k! Not bad.

But Councils don’t see it like this (they *see* it of course, they’re just not interested). In general **they are not in the property speculation and renovation business.** They are in the business of <u>providing local services like street lights and bin emptying</u>.

You might as well ask why councils don’t speculate in fine wines or rare paintings – after all, these things can go up in value if you buy right and wait.

As I said, please don’t go any further until you have got this. It’s so important because many naïve (and broke) people will say something like: “There are no bargains to be had. Why would anyone ever sell a property at way under market value? Those deals don’t exist.”

The answer is that there are thousands of bargains – if you know where to look. And… people, banks, councils etc. *can* and often *do* sell property at *way* under market value – for reasons that are good for them.

I have, many times, purchased commercial property deals at 2/3rds of the current value, locking-in an immediate gain of tens or even hundreds of thousands of pounds. I've then improved those properties (say by applying for planning permission) and doubled the value almost overnight, before selling it on for a £100k-£300k profit.

You could be doing this too as there are so few people in the know.

I hope I don't need to answer this question: "But surely the previous owner of that property could have applied for that permission and made a killing, just like you?"

Well yes they could – but the immediate previous owner was a bank, and they are not the slightest bit interested for reasons I've explained. And the owner prior to that was a company making ready meals for the airline industry. That's what they did. They had neither the time, interest or knowledge to start messing around with property speculation. They were too busy packing beef and carrots into little plastic dishes and rushing them over the Heathrow to meet the next, screamingly urgent deadline.

Most commercial opportunities involve a high capital investment but the returns are usually high – they can be as much as ten-fold over residential! And banks and other lending institutions are far more willing to lend on a commercial deal than a residential one.

Obviously at this point you may be thinking: "I don't have a penny, how am I going to buy into these deals?" Now is the time to remind you not to worry about any of that. We are just at the start of our journey together and I'm going through some basic stuff with you.

Buying Commercial Property Positives

1. High returns.
2. Potential of teaming up with other property tycoons and investing in major projects like shopping centres and factory units which cost millions.
3. Buy at fire-sale prices once you know what you are doing.
4. Unlimited money available for the right deal.

Buying Commercial Property Pitfalls

1. High-risk because the commercial market place will yield low or high returns depending on circumstances out of your control – like an economic blip or a natural disaster. I will show you how to minimise this.
2. Deals are usually larger in scale (e.g. £1million - £5million) and so you need to ‘walk the talk’ more than with residential. That’s what this course is all about.

AREA #3 DEVELOPING LAND

This includes fields, scrap-land, disused tumble-down garage sites and disused rail-track land.

Developing land is simply re-assigning it for a different use than the present usage.

It is the simplest form of property development with the highest yields.

I’m sure you know what I’m talking about, but if not I want you to consider two plots:

Plot 1: A 5-acre field sold as a part of a 100-acre farm. It has no planning permission and virtually no chance of getting any. The field is in the middle of green belt land and doesn’t even have a road nearby. There are also no services (water, sewage, electricity). Use is restricted to grazing.

Plot 2: A 5-acre field two miles away. It runs alongside a road, has a row of houses opposite and adjoins a small industrial park. All services are within easy reach. Outline planning permission has been granted for fifty houses.

Two plots. Both 5 acres. One is virtually worthless, one is worth at least two million – just as a plot.

Developing land involves locating plots that can be converted for higher level use. This, in practice, almost always means building.

Amazingly, current government policy actively supports us in this endeavour!

The ‘brown field’ Government policy encourages the redevelopment of existing developed sites rather than using ‘green field’ land.

Have you ever used one of those car parks that are simply a patch of rough land? If you have, it's highly probable on one of your repeat visits you found the car park gone and a redevelopment programme in full swing. Someone spotted the potential there and got in quickly! The land was worth far more as a building plot than as a car park.

A win - win situation for the owner. First, an income from parking fees then the big pay-off by selling it to developers or investing in the re-development themselves with huge potential.

And we're not just talking about 5-acre fields and car parks here. There is a huge amount of money to be made out of small corner plots.

I challenge you right now to 'get on your bike' and have a look around your local area. I can guarantee you'll come back with half a dozen possibilities. Is there a house which could be knocked down and two built instead? There's an immediate £100k for you.

Is there a huge back garden which you could build a house on *and* get access to it from one of the nearby roads? A friend of mine bought a land-locked plot suitable for ten houses which ran between the backs of two rows of semi-detached houses. This did not affect their gardens – it was behind those. There was absolutely no access apart from the narrowest of alleys. He bought it at auction for a modest sum (£60k from memory). Everyone (apart from me) thought he was mad. But I knew how he was going to get access! No, not by helicopter from above!

Answer? Simple. Just take one perfectly good 3-bedroomed semi in immaculate condition and… stick a bulldozer through it! Voila! Access.

Yes, you lose a good house but you gain ten more.

Now here's a challenge for you to see if you're thinking like a tycoon or a sheep. Most people would be appalled at the destruction of a perfectly good house. They would say it was a crying shame, vandalism, greed or whatever. If you think like this, you'll never make a tycoon!

First of all, it's just a goddamned house, not the holy grail. We build 'em; we can knock 'em down. <u>It's a pile of bricks with some slates on top</u>. In 500 years from now (or much less) they'll ALL be gone – every house you ever knew. Cleared away and rebuilt upon.

Second, he created 10 new houses and lost one. So if you love houses, that's a bonus for you, so stop whinging!

Buying Land for Developing Positives:

1. High returns.
2. Little work – often just getting planning permission.
3. Usually in your local area, so no travelling.

Buying Land for Developing Pitfalls:

1. It can take some time to find the right plot.
2. Usually you get several failures before you get a 'hit' – so lost time (usually not much lost money though.)
3. Sometimes you need a 'thick skin' (an essential requirement of a property tycoon in any event) as local people are often not too thrilled at having their parks nibbled away, their green space built upon, their duck-pond paved over and suchlike.

AREA #4 PROPERTY IN OTHER COUNTRIES

This is mainly residential property for living in and holiday properties for letting. It's quite difficult to get involved with foreign commercial property deals as usually you need quite a lot of local knowledge to make this work for you. I have occasionally dabbled in foreign commercial property deals but always in a syndicate of other people, at least one of whom knows the host country inside-out.

This stands to reason. If I offered you a share in a 10,000 square metre factory on the outskirts of Barcelona, you would rightly have 1,001 questions concerning it. How stable is the Spanish government? Can foreigners own commercial units? What terms are involved with the tenant? Is the Spanish legal system the same as the UK? And many other questions.

If I offered you a similar deal on the outskirts of Cardiff, you might have just ten or twenty questions. So in general, forget foreign *commercial* deals.

I will keep this section on overseas property short at this point because I want to talk a lot more about it later. Suffice it to say that **this is one way in which tens of thousands of Brits are making themselves a LOT of money in very short order. I should know – I've helped hundreds of them to do it.**

Here's what they're doing… **they're releasing equity in their own homes and buying property in boom areas abroad** (areas that are often growing at 30%+ per year! Sometimes they are experiencing what can only be called

explosive growth). Using some tricks and tips I'll be sharing with you, they're gearing-up their 50K, 100k or whatever and **controlling hundreds of thousands of pounds worth of foreign property.**

Often they're buying property at a big discount from market price (I'll be telling you how and why this is possible at a later stage – for now I want to give you a taster.)

Often they then sell this property for a huge profit just a few months down the line.

Is this possible? Oh yes. Thousands of ordinary Brits have uncovered this gold mine and are quietly cleaning up. I'm talking ordinary people – taxi-drivers, housewives, secretaries, shop keepers. **They're making tens of thousands a year out of their secret property deals.** How would you like to join them?

Here's how it works. This is your first major lesson in becoming a tycoon. This will either seem boringly obvious to you, or you'll need to spend a few moments studying it. Either way, you must go no further until you get this.

Making big, big money in property is all about GEARING your capital.

(Please don't worry at this stage about how you are going to get capital.)

Okay, I want you to assume for a moment that you can ‘control’ a £300k property in Spain (or wherever) for £50k of capital. I also want you to assume a 30% rise in prices year on year (this is unsustainable, but we merely move our attention to the next boom area when the heat dies down after a few years. There is ALWAYS a new boom area with this level of growth.) I also want you to assume you’re buying at a 20% discount. This is routine, by the way, in the sorts of deal I will be sharing with you.

So, how does our profit stack up?

Well, we ‘pay’ £260,000.00 for a £300,000.00 place, hold it for a year and sell for £390,000.00. Excluding costs we’ve made a profit of £390k - £260k = **130k** in ONE YEAR!

That’s an amazing return on £260,000.00 invested, but… I’m sure you realise we *haven’t* invested £260,000.00 but only £50,000.00.

Follow this closely now…

£50k into the deal, £130k profit out of the deal (less costs) so we’ve made **260%** on our money in a year! Not **2.6%** (the average return on UK savings after tax at the moment); not **26%** (an impossible, fantasy figure for savings or shares on any other form of investment) but **260%**!!!

Do this just ten times and you’ve got **£1.3 million** in your account!

Do you see what I mean?

Please go over this again until you understand in principle (not in exact detail yet) how we can gear up (say) 50K to make **hundreds of percent a year**.

Now THAT’S how to get wealthy. And I should know. I’ve had my finger in close to one BILLION pounds worth of such deals!

Buying overseas allows you to expand the size of your portfolio – get it right and there is a lot of money to be made in untapped markets.

Much more on this astonishing way of making money in a later module.

Buying Property in Other Countries Positives:

1. It’s always boom time somewhere. Identify the current boom location and enjoy 30%+ a year gains!

2. You can control ten times the equity with one tenth of the capital using a little known technique which I will disclose later.
3. Hundreds of percent gain on each deal.
4. Usually you only own the property for a short while (a year is typical) before selling it on. So no maintenance problems.
5. Rent the property and make even more money.
6. Enjoy a free holiday home at a good location.

Buying Property in Other Countries Pitfalls:

1. As ever you are dealing in a foreign country and you MUST understand what deal you are getting into. I will help with that.
2. It's shark-infested out there. You need the right property in the right location bought at a substantial discount, thereby locking-in guaranteed profits from day one.
3. Travelling. Often you won't even need to visit your property, but bear in mind it's a long way away if you do decide to go there.

Seven Hot Foreign Property Buying Tips

1. **ALWAYS buy a property suitable to resell OR let.** If you intend to just buy then do a make-over and sell, a property with letting potential will appeal to more buyers. So, it will sell faster and for more money. A 'holiday home' only, with no letting potential (e.g. in a far-flung location) is not a good prospect.

2. **NEVER buy a property at a price that yields under a 20% almost immediate return** on your investment after costs – otherwise if the market prices drop you could lose money.

3. **Always buy in booming, rapidly expanding areas.** Obviously there is no guarantee that prices won't fall (e.g. terrorists could attack every Spanish plane for a year and that would kill it stone dead) but you won't go too far wrong with this strategy.

4. **You must have flexible finances**. Builders let you down. The weather holds up building work. Make sure your finances allow you to flex the payments if necessary. I'll be talking about finance later.

5. **Location! Location! Location!** You have seen the programme. You know the power of buying a well-located property - they

sell even if the market falls. People want property in quality areas with safety and a lot of facilities.

6. **Always buy at a discount, that way it's very hard to go wrong.**

7. **NEVER buy from an estate agent!** They are there to sell you absolutely top price property with no margin or profit in it for you. Remember, estate agents the world over work for the SELLER not the buyer.

Before we continue looking at how many ways you can make money from property…**in case you're falling asleep…**

If some of this information is stuff you already know then I'm sorry, but treat it as a refresher.

I have to know you started your training as a property tycoon from the ground upwards.

It's *my* reputation on the line!!!

I deal with lenders with almost unlimited money to fund property projects. You already know they can't stand dealing with the average Johnny Lunchbucket 'home-buyer'. <u>They deal with professionals</u>.

You have a long way to go yet. Many people will drop out at even this simplistic level. Basically it's "too hard" for them to bother to read the big words here. There are soap operas on the telly and drinks to be had down the local. They'll drift away after a lesson or two – leaving you and a handful of other serious people like you.

And as you know by now – that suits me just fine.

Imagine what it would do to my reputation if I introduced a novice player into this elite circle. Someone who had never heard the term 'gearing' or someone who chattered about how banks ought to do up houses they repossess and make a killing.

Forget it! It's NOT going to happen.

You must learn the basics of the property world – if you don't – how can you expect to make money on property deals?

And if you DO think you know it all already, I want to ask you a blunt question: “How much money have you made from property apart from your own house?” If less than a million, you’re a rank amateur and it’s time to eat a heaping helping of humble pie and realise you maybe don’t know it all…

It’s YOUR training! It’s YOUR future!

If you <u>want</u> to deal with estate agents who charge top-dollar for a pile of bricks, and the high street banks that charge whopping interest rates – stop reading right now because this isn’t for you.

It also isn’t for you if you are a terrified little mouse. By that I mean utterly risk-averse (like the guy earlier who was frightened-sick of losing the price of a lesson!)

However, if you want to buy property at 20%-30% discounts and deal with lenders eager to give you <u>unlimited finances</u> charging nominal interest rates then maybe I have something to offer.

You decide!!

Now I’ve got your attention …

AREA #5 You can make money by letting property

It has never been easier to let your property. Legal changes have made letting an attractive proposition.

The assured shorthold tenancy gives the landlord a right to seek vacant possession with suitable notice (typically just one month). An amazing product called a Buy-To-Let mortgage has been created specially for budding property tycoons to get involved in this lucrative field.

Who would have thought that?

A few years ago, if you’d mentioned to a mortgage company that you wanted to (gulp) RENT out the property you are buying, they would have run a mile, taking their mortgage money with them.

But now you can actually borrow specifically for this purpose!

Another friend of mine (she won't mind my saying this because she often says it herself, but she is 'just' an ordinary housewife with no educational qualifications) has built an amazing portfolio of nearly 100 Buy To Let flats, worth millions. All from a standing-start about ten years ago. Even I'm astonished at what she has achieved. She has so many flats that she formed her own maintenance company just to change light-bulbs, unblock sinks etc. in her flats! **She is now worth millions.**

The standard whinge (and I've heard it so many times I'm sick of it) is: "That's all very well (Snivel) but that was a few years ago (whine) and I can't do that now because prices are so high (groan)."

That's a pile of horse-manure. I heard it when I bought a house for £8,400.00 in 1973 and the owner was moaning because the house he wanted was out of his league at £10,600.00.

I heard it when I sold that house for £35,000.00 a few years later and people were saying these insane price rises could not happen and a property crash was imminent. They said making money from property was great in the seventies but you could forget it in the eighties.

That same house sold for £67,000.00 in the mid eighties ("Gosh I wish I'd got in years ago, but it's too late now…"; £113,000.00 in the mid nineties ("Well, that's the end of making money in property. If only I'd bought in the seventies or eighties…") and has just gone on the market for nearly £200k!!! It's a terraced house for Chrissakes!!! Nearly a quarter of a mill.

There are *always* opportunities for making money in property and particularly in letting. As ever, you have to pick your area and pick your deal, and it has to suit your temperament. This is not for everyone but it is for many people.

The great thing about having a string of Buy-to-Lets is that they bring you a regular monthly income (that means you *never* have to work again as long as you live) and… you are sitting on an appreciating asset. Come back in ten or twenty years and you have the continuing monthly income (rents rise with inflation) and an asset worth maybe a million?

Look at it like this (and I want to keep it very simple just to give you the idea – I know you can't do it exactly like this)...

Ten flats on big mortgages at £100k each = £1 million in property, virtually none of which you own (the mortgage company owns it).

Monthly income after all costs, maybe £2,000.00. Not high, but you can live on that and you're paying down some big interest-only mortgages.

After ten years they're worth maybe £2 million. You still owe a million. You're still getting £2k a month income (in today's money – £4k in future money). But… check this out… you have a million in equity!!!

After twenty years they're worth maybe £4 million. You still owe a million. You're still getting £2k a month income (in today's money – £8k in future money). But… get ready for a surprise… **you have three million in equity**!!!

Now due to inflation, that three million is not worth what you think. It's worth £750k in today's money. So forget three million. It sounds a lot but it won't be in twenty years from now. Think £750k in real money. Hey, that's enough to enjoy a *very* nice retirement thank you very much. And don't forget you always have that income. And it's all from just TEN small one-bed flats!

This is the 'game plan' of a lot of ordinary people here in the UK and it's still easily possible to do this.

The Downside of Letting

Remember what I said about student lets earlier on? The same applies here to a lesser extent.

I've done a lot of letting in my property life. Probably many hundreds of units with thousands of tenants (they change over quite a lot, a typical let is 6 months) so I do know this business inside out.

The real bottom line is you've got to like the whole experience of letting – which I do, by the way. You have to enjoy making a little home for someone, keeping it decent, meeting the tenants, discussing their problems, maintaining the place and so on. If you can't stand the thought of doing that, then best to make your property fortune elsewhere.

Maybe you're thinking: "I can get others to do all this for me."

Well… yes you can of course. It's called a 'full service letting agency' but they take quite a chunk of the profit (15% is typical) and that knocks a big hole in your finances. Buy To Let is not a 'get rich quick today' scheme. It's a slow build over ten or twenty years. It's great for an excellent retirement whilst you are maybe working a day job. That means you have to watch the pennies, and 15% to an agent is a big 'ouch'.

Anyway, I'm not convinced you can get pleasure out of something you don't like, even if others are doing the work for you.

So just double-check if this is for you. I find people fall into two camps on this one. They either love letting or despise it. A lot depends on how 'handy' they are. If every dripping tap and blown fuse represents a major, insoluble problem for you, then you're not likely to enjoy letting. A truly astonishing percentage of people have not the tiniest clue about how the world around them works. They can't wire a plug; they have no idea what a fuse is for (except it 'blows' sometimes); they don't know how water gets into or around a house; they are clueless about central heating. The boiler is just a big white thing in the corner which goes 'WOOMPH!' from time to time for reasons unknown. They cannot put up a shelf or hang a picture. And so on.

Five Hot Letting Tips

I will be going into this subject in detail in a later module, but for the moment, here are a few tips.

1. A 'good location' will depend on the type of tenant you want – low end or high end. There are pros and cons of each.

2. Let your property quickly. Better to have it let than hold out for an extra £50 a month rent. There is nothing worse than un-let property.

3. Charge a fair rent - don't let greed influence your decision.

4. Look after your tenants. Go the extra mile. I promise it will pay dividends.

5. Double-check that you like letting and all that it entails *before* you bite the bullet. Money alone is not enough (in life). You have to enjoy and believe in what you're doing.

That's enough to be going on with this month!

I'll see you in a few weeks' time.

Best Regards

Malcolm Heath