The Maverick Investor

LESSON SIX

by

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How to Make Lesser Known Investment Opportunities Work to Build Your Personal Nest Egg!

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The Maverick Investor's
Home Study Course

PART SIX

LITTLE KNOWN PROPERTY INVESTMENTS

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Welcome back!

Let's get stuck-in straight away this lesson with more property secrets.

There's more to profiting from property than that regular buy-to-let income and the final, capital appreciation jackpot! Savvy alternative investors know that they can also profit every which way from other sorts of property-related investments. Several in particular are well worth considering. There should be at least one or two alternative investments introduced in this sixth part of your course that will appeal to you.

Here's what I'm going to cover.

- **Off-Plan**
- **Renovations**
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As with buy-to-let and capital appreciation, you should already have some property know-how in place which you'll find useful when it comes to investing in everything from off-plan to self-build, and even to forestry! In many ways, the guidelines for investing in property apply equally well to these alternative investments. Your existing know-how and the information gained in the preceding part of your course will stand you in good stead here. If you have not already done so, you may find it helpful to check the summary and answer those homework questions before reading on.

Off-Plan

Buying 'off-plan' is a variation on purchasing a property in the usual way and can be a fast-turnaround, money-making alternative investment. The main difference is that you're agreeing to buy a property before it has even been built – you are buying 'off' the developer's 'plan' for the development.

By committing at an early stage, you should buy at a significant discount compared to what the property should be worth on completion <u>in a rising</u>

market (key point!). What you then do is to wait for 12 or 18 months (or whatever) through to completion of the build, let prices rise in the marketplace and sell on completion to pocket those alternative investment profits. It's a short-term alternative investment usually, although you can hold on to the property for the long-term if it meets all the property-profiting criteria for buy-to-let income and capital appreciation.

The rewards can be considerable – much depends on the initial discount received (possibly 15%+) and how far the market has risen in-between times. If you bought in, say, late 2006 and sold in late 2007 on completion of build, you'd have automatically made around 20% from the rising property market just on its own. There are risks, of course. These depend partly on the level of the initial discount and how 'real' it is – many new-build properties are over-priced to allow for the 'discount' to be given! Not surprisingly, it also depends on what happens in the marketplace.

Someone who bought in some parts of London in, say, late 2007 may have found themselves with a depreciating asset as prices on some properties there fell over the following year. Often ignored, thought also needs to be given to what happens at the time of sale – if 300 properties all come on the market for sale (or to let) at the same time, supply exceeds demand and prices will inevitably suffer.

To make the right choice, you should really approach the investment just as you would for any property purchase. The key difference is that you are probably looking at this as a very short-term investment of perhaps 6 to 18 months, with a sale at the end of that time. You need to buy low now, buy where the market is going to rise steeply within that time, and then sell high at the end of that period.

If you want to 'buy low', you should (once you have satisfied yourself that this is a worthwhile investment and meets all the usual property-picking criteria) buy in early. Generally, the earlier you buy in, the lower the price you'll get. You may get a better discount if you are amongst the first – the developer will want some early commitments to get the development moving, and to encourage other buyers to sign up as well.

If you go in early, you should also be able to choose one of the better plots on the development. Clearly, this can turn itself into higher profits when you sell on. Consider the size of the plots. You'll rarely find that all of them are the exact same size. Take account of the position of the plots too. A corner plot, for example, is often more appealing than one in the middle of a row, with other properties either side. Try to work out what will be around and opposite the property, and what it will look out over.

Buyers will look out of lounge, kitchen and bedroom windows in particular – if the views are 'nice' (green space, for example, or sea views if buying abroad), you'll sell faster and probably achieve a higher price than if they are 'nasty' (a brick wall, your next door neighbour's bins etc). There are other aspects to consider – the positioning of front doors, back doors, gardens, parking spaces and garages amongst them. Privacy is important for many people, who like to be overlooked as little as possible. Even the direction of the sun can be a factor for keen gardeners and sunbathers.

When buying in, be careful. You need to research not only the property and the location, but the developer too. Don't just look at the plans – it is always hard to visualise how plans will look 'in real life'. Don't focus too much on a show home either. This will be the best of what's on offer, and will feature lots of expensive fittings, mirrors, lights and so on to create the best possible impression. It is wiser to look at a finished but unfurnished property if one is available here or on one of the developer's other sites. This is also important as you can check the build quality.

Compare room sizes with what is shown on the plan for 'your' property – they may not be the same. Visit the developer's other sites and talk where possible to existing owners. Ask lots of questions. Two in particular are often overlooked but are worth raising. One, "Was the property completed on time?" Late completion is a common problem, especially if you want to sell on fast. Two, "Have there been any problems with the property?". If there have been, you'll want to know they were handled well, and promptly. All new properties have a 'snag list'. What's important is how quickly the builder puts things right.

You're really looking to 'add value' by purchasing in an up-and-coming hotspot. That's your best chance of building profits into the deal. Go hotspot spotting just as you'd have done for any other property purchase! It's probably more significant here as you'll usually be looking at this as a short-term alternative investment. Check the plans at the local council to see what is taking place over the period of time between buying and selling.

Look at what is happening locally in terms of retail, commercial and industrial activities. Shop premises filling up, new commercial sites being built and new employers moving in will all have a knock-on effect on property prices as more people are drawn to the area to work and live. Speak to local estate agents and letting agents to assess the area too – and ask them for their thoughts on the development as well. Walk the streets, assessing the neighbourhood, the facilities and what is happening in the immediate vicinity and close by.

If you've bought right – right property, right price, right place – time itself should allow you to sell at the most profitable price. You can help by making sure that the property you're selling appeals to the largest number of would-be buyers. Aim to provide buyers with what might best be described as a blank canvas so that they can create their own picture of themselves on it.

Generally, this means providing a property that is clean, plain and neutral. A potential buyer can then imagine how they'd decorate, where their furniture will go and what they can do to make it a home of their own. If you impose your tastes and styles on the property, it becomes that much harder for potential buyers to see beyond that and to imagine themselves living there. If you are going to sell as soon as possible, do it on completion before the property has been lived in – you can sell for a premium price if it's a new property. Many people like to be the first into a property.

Where next for you? Just as you'd do for any other property purchase, you should start by researching to decide where you want to buy – somewhere that's going to rocket in price soon, ideally. Consider overseas as well. The key is to then uncover quality developers who may have properties for sale in the near future in those areas. All you have to do is to talk to estate agents where you would want to buy. These will often handle sales for developers. Keep in regular contact with them.

You can keep your eyes open too, wherever there are plots of land for sale. Follow up whenever these are sold. You can keep a check on planning applications at the local council. Once you have discovered developers who are active in your target areas, make your approach to them!

Renovations

Another property-related alternative investment involves renovating a rundown property. These properties can traditionally be bought at a low price, simply because they are in such poor condition. Relatively few people are interested in buying rundown properties. You can add value and build profits into your investment by renovating them.

Renovated older properties restored to their former glories are often in great demand, and can be sold on at premium prices. The rewards can be substantial – profits of 20% to 30% of the eventual sale price are not unknown. The risks are the same as for any other property investment.

You need to know exactly what you are buying and will have to do in advance though – significant losses can be incurred if you misjudge the amount of work that needs to be done. Costs can spiral rapidly too. It's wise to speak to the planning department of your local council before you buy and again prior to doing any work. You need to make sure your plans meet building regulations and planning approval, where necessary.

As with other property investments, you will want to buy in a go-ahead area where prices should rise – so all of the usual property investment criteria apply, and should be considered. If you want to hold on to your renovated property and perhaps let it out as a long-term investment, apply the buy-to-let criteria as well. Once you've identified somewhere to buy, you can source rundown properties for sale at low prices in various ways.

You can get in touch with estate agents in that area, and make sure you're on their books. Property auctions are a good source of rundown properties – talk to estate agents (who may auction properties occasionally), check the local press for classified ads for upcoming local property auctions, and see under 'Auctioneers' in Yellow Pages. You can also trawl the streets to spot likely-looking properties, approaching neighbours to discover the owner. You can also write to the address (mail may be redirected to the owner) and via the council (the owner should be paying council tax).

Buying Tips

It's always hard to know what to offer for property, let alone when it's in a rundown condition. It's wise to talk to the seller's representative, estate agents, a surveyor and a builder before making an offer. The bottom line is that you really need to know (from the estate agents etc.) what the property would be worth in excellent condition. You then need to work out (from the surveyor, builder etc.) what it will cost to bring this property up to that standard; it's sensible to build in at least an extra 10% to 15% into these costs; it's common for additional work to be uncovered as the project progresses.

Take account of mortgage, survey and legal costs too. If you then have some idea of how much profit you want to achieve, you can work out what you can afford to pay and still achieve those target profits.

The renovation itself is the key to making money on this alternative investment (along, of course, with what you pay for the property, what it costs you to bring it to market, and what you can achieve for it there). You can either turn the whole project over to a builder or you can project manage it yourself. If you want a builder to do it, get at least three quotes (and preferably more), take up references, see their previous work, and (often overlooked) check their insurance is up-to-date.

If you want to build in extra profits, you can take charge yourself, assuming you live close to the property and have the time to do it. You could save as much as 30% on the costs by taking charge – after all, few builders actually get their hands dirty. They simply bring in bricklayers, carpenters and the like, pay them a daily rate and then charge you that, plus an extra 30% or so for their own profits!

Here's how you make that extra 30% for yourself. You can use the surveyor and the builders who quoted to check out exactly what needs doing, and in which order. Builders should talk you through the work, the order, and roughly how long it will all take. You can then draw up a checklist of jobs.

You should be able to source bricklayers, carpenters, plumbers, electricians and plasterers by word-of-mouth recommendation - or check the classified advert section in your local newspaper. Traders advertising there are looking for work. You should obtain at least three quotes for each particular job. **It's important that you give identical information to each tradesperson to ensure you get easy-to-compare quotes.** Know what you want doing exactly before asking for quotes. It's easy to think of other little jobs that need doing by the time you've met the second and third builders. This makes it harder to compare their quotes.

When seeking quotes, you'll find it helpful to ask about what needs doing, why, how long it will take and so on. This will help you build up a clearer picture of what's involved and give you some insight into what the tradesperson is like. If they think you know nothing, they may start spinning you a line. Better to find out what they're like now, rather than later!

You may be able to save a little more money by suggesting that you buy the materials and they provide the labour. It's usually easy to open an account at a local builders' yard, especially if you are doing a major renovation. If you are employing someone on a labour-only basis, make sure it's for a flat fee rather than a daily rate. Paying a daily rate can encourage some tradespeople to drag the work out. It's also advisable to not appear too wealthy. If you seem wealthy, you may find prices move upwards.

Your job, once you have chosen your tradespeople, is to organise everything so that they come and do the work in the right order, at the right time, and complete it before the next tradesperson arrives. You should know the order of tasks, how long they each take and who is coming in and when from your discussions with the tradespeople when they quoted for the work.

It's essential that each tradesperson knows the importance of starting and finishing on time, and that someone else is coming in after them. Where possible, check with whoever are giving references for them, to see that they were punctual etc. Many tradespeople juggle several jobs at the same time. You need to make sure that they make yours a priority. At the same time, it's a good idea to put some space in-between the various jobs. They do sometimes take longer than expected, and bad weather can have a big impact on outside work, of course.

You can check progress in various ways. If the work is subject to building regulations, the building regulations' inspector from the local council will come in at set stages to ensure work meets the required standards. You can also use each tradeperson to comment on the previous tradeperson's work. If the standard of that work causes them problems, they'll soon tell you about it!

You'll find that there will always be odd-jobs in-between different tasks that no-one has been commissioned to do. A carpenter may be lined up to work on the roof, with a tiler to lay new tiles – but neither has been asked to strip off the old damaged tiles, for example. You may need to get your hands dirty to keep everything on schedule. Finally, be wary of cash deals. You may save a little on your budget, but you can't then get an invoice for your records. You will also face further problems if anything goes wrong sometime down the line.

When the property is renovated and in a sellable condition, you can then decide what you are going to do with it. It is sensible to have it valued at an early stage, and by several estate agents to get a feel for its likely value. You have to decide if the area is going to rise in price and whether you want to hold on to the property. You should talk to local letting agents too – remember, not necessarily the same as estate agents!

The property may well rise in value, but you need to be sure you can service any borrowings on it by covering them with rental income – not something that's automatically going to happen. If you are going to sell to bank the profits, it is often easier to do it once you have renovated it. **The longer it stays empty, the harder it is to sell, not least because vandals and thieves may spot it.** As with off-plan properties, lots of people like to be the first into a new or renovated property.

What next? In many ways, you should do much the same as for a straightforward or off-plan purchase, looking ideally for an area that is going to increase in demand over the next year or two. Apply the usual capital appreciation and (in case you subsequently decide to let) buy-to-let criteria. Get in touch with estate agents in those areas of interest. Walk the streets, looking for derelict properties. You can then talk to neighbours, write letters to the address or via the council to see if these get through to the owner. Check out property auctions that cover your area as well.

Holiday Lets

If you've ever rented a holiday home in the summer, you've almost certainly thought to yourself, "£1,000 a week - what a lot of money they're making!" As with many investments, it's not always as simple as it might appear – but some holiday lets can be very profitable indeed. In many ways, you should approach a holiday let investment in much the same way that you would for any other property being purchased for alternative investment purposes.

Will it appreciate in value significantly over time? Go back over the fifth part of this course and apply all of those capital-appreciation questions to a would-be holiday let property. Will it have holiday let appeal? Again, check over the fifth part of your course and think about how those buy-to-let questions apply to a holiday let purchase. Your criteria are broadly similar.

The rewards of a holiday let alternative investment are, at first glance, *potentially* very high – perhaps £1,000 a week multiplied by 52 weeks in a year. It looks as though you own a goldmine! A little research will produce a more realistic picture though and figures for you to work with.

If you have a holiday let property, you'll usually find that you can get a fairly steady stream of bookings from, say, Easter to September, depending on the property, location and so on, of course. You'll often find that some weeks at the peak of the season could have been booked five, six, seven times or more. Out-of-season, it may be impossible to let at all. Some holiday let properties are completely empty from October through to March!

The risks, not surprisingly, really come down to whether the right property is picked, in the right location, and at the right price and so forth – just like any other property investment. There are additional areas to consider though - with a holiday let, there are extra costs involved. There are the initial costs of furnishing the property. Unlike a buy-to-let where many tenants will want an empty property so they can bring their own possessions, a holiday let property will need to be fully furnished.

To attract holidaymakers these days, you really need to include all of those items that are found in the modern home; a microwave, dishwasher, dvd player and so on. A holiday let property is not the place for Grandpa's old cast-offs. Other costs include marketing and advertising the property – some of the better-known holiday companies charge something like 15% of booking fees to market your property. You will also need to allow for cleaning the property between lets, and to replace damaged and stolen items on a regular basis.

A quick tip about furnishing the holiday let property. This can be an expensive upfront outlay running into thousands of pounds. If your home is about the same size (make allowances if it is not), you can go round with a calculator and add up what you own around the property. Starting in the kitchen, you'll need to have a washing machine, tumble dryer, dishwasher and so on. In the living room, you'll need a three-piece suite, a television, video and so forth. If you go from room to room, you'll soon see what you're going to have to spend. Note that you can often buy some items second-hand, perhaps at your local auction (see under 'Auctioneers' in Yellow Pages). But, although you may save money, you need to be mindful of the safety aspects of second-hand goods.

Talk to local trading standards at your nearest council offices. Consider too that if something like a washing machine breaks down mid-holiday most holiday-makers won't hesitate to contact you, even late at night. Items will need to be replaced as they become shabby and damaged.

What Makes a Good Holiday Let Property?

Just as for any other property, you're looking for one that will appreciate in value over time. Generally, you may do better than to go for a holiday let property in an out-and-out seaside town which may not have much going for it other than as a holiday destination. Those seaside towns which are also potential commuter hotspots tend to do better in terms of capital appreciation. Brighton in Sussex is a good example here. Further along the South coast, Hastings has seen a revival in property prices in recent years.

Of course, a holiday let property need not necessarily be in a seaside town. You may achieve greater capital appreciation and more regular lettings by investing in popular, all-year-round destinations such as the Yorkshire Dales or the Lake District. Conference towns such as Harrogate in North Yorkshire may be worth considering too.

You're also looking to let the property for as many weeks as possible, and should buy with this in mind too. It needs to be sited where people are going on holiday, or will at least be staying for a week or so at a time; perhaps for a nearby conference. The pretty remote cottage overlooking the sea may be fully booked in July and August, and have plenty of bookings in other weeks from April to September – but if it stands mostly vacant from October to March, it may well cancel out any profits you have been making.

Decide who rents holiday properties wherever you are planning to buy, and then view properties through their eyes. Take a family for example, perhaps with two pre-school children on a bucket and spade holiday. What do they want? All mod cons, these days! A safe property, of course (so budget for all those child-safety extras you'll need to include). They may want some sort of convenience store nearby, and perhaps a pub or somewhere to eat. Easy parking, probably. Not too far from the beach – which should be sandy, clean, with good toilet facilities etc. Draw up that checklist – and see if the property matches it!

If this alternative investment opportunity interests you, you can find out more fairly easily. Walk into your local travel agents, say you want to rent a cottage for a week's holiday in your chosen area of the UK, and ask for catalogues. You'll get an armful. All you then do is to approach these companies, explaining that you are buying a holiday let property, and would they be interested in letting it for you?

The bigger ones in particular – Blakes and Hoseasons – tend to be helpful as they are often looking for attractive properties. On a local level, you can trawl through the classified ads of your local press. You will often find holiday letting agents advertising there if you live in a potential holiday area (if not, check the local papers of wherever you are planning to buy). Approach these agents, and seek their advice. Most will give you some information as they are usually seeking additional properties to add to their databases.

Garages

Garages can be an excellent alternative investment, although many investors never consider them. Anyone who monitors the property market though will tell you that well-sited garages can be rented out for substantial sums and also sell on at high prices. A single garage in London – where demand for off street, safe parking is high – can often be let for more than £6,000, depending on location. You'll even see some well-located garages in central London selling for six-figure sums – more than you'd pay for a nice three-bed detached house in some parts of the country.

Just like a property investment, you can profit from a garage in two ways – the income you'll receive from renting it out to someone who wants to use it for storage (usually, but not always, a car) and from its eventual sale. If the area becomes in-demand, prices will rise – just as they do for property.

Buy in the right place, and the rewards really can be substantial, easily matching (and often exceeding) the returns you'd achieve from more traditional property investments. There are risks too, of course. A garage is not an automatic money-maker- in some areas, you'd be lucky to rent out a garage for a fiver a week, and the capital appreciation will be minimal.

So what's the secret of success? You need to find a garage that meets three criteria – short supply, high (and preferably rising) demand and, not least, the right location. Garages are generally in short supply in and around cities, towns and other urban areas, which are heavily built-up, and comprise road upon road of, typically, Victorian terraced houses. A garage there is a potential gold mine!

Go slightly out-of-town to the new housing estates and almost every property will have its own garage, double-garage and often some other parking space too. Supply is more than plentiful and, as a rule, investing in these garages is unlikely to prove profitable.

As we have seen many times now, short supply is a money-making trigger only if there is a demand that exceeds it, hopefully substantially so. The fact that you're the only person to have one of something – whether that's a renovated lighthouse or a garage-to-let in Amberley Rise – is irrelevant as a possible alternative investment, unless there is at least one person (and preferably two, three, four, five or more) who wants it.

For a short-supply garage, you're really looking for demand for it from various possible tenants or buyers. These include people who do not have a garage of their own, those who have two cars and those who have expensive cars that need to be kept safe and secure when not in use. Commuters are potential tenants, preferring to rent or buy a garage near to the railway station rather than leaving their cars in expensive, and often unstaffed, car parks.

The right location therefore tends to be one where garages are in short supply and high demand. The outskirts of city centres, suburbs, and along railway lines are areas to explore. Two other criteria are worth mentioning here – 'affluence' and 'at risk'. You should really be looking for an affluent area, such as parts of South London, for example. If someone is paying £750,000 for a home, they are probably going to be happy to pay another £25,000 or whatever for a nearby garage. It also helps if on-street parking in the particular area is – or is at least perceived to be – dangerous. This makes it more likely that people will want to rent or buy a garage from you.

It's sensible to think ahead too, especially if you want this to be a profitable, long-term alternative investment. You really want to see supply staying the same (at most) and demand increasing steadily – that's how you'll profit most from increased rents and capital appreciation. You may want to monitor the press etc. for news of where city congestion charges might be applied, and where new tube and rail links might be introduced.

It's wise to buy one garage at a time rather than a parade of them. You'll usually find that a parade of garages will sell at an overall higher price than the total price achieved if the garages were all sold on an individual basis. That's because parades of garages appeal to property developers who may be looking to use the land for residential developments. It is not unknown for a parade of garages to sell for five to 10 times more than would be expected from the total of individual sales.

Just as you would for property, you should do your research before buying anything. Not least, walk the streets, and check the garage ratio and the neighbourhood at different times. You may find that the garage looks fine in daytime, but is blocked in the evening by other cars, or perhaps gangs of teenagers hang around. Not surprisingly, this would be off-putting for anyone thinking of renting it from you.

Just as you would for any property purchase, you also need to do your sums carefully. In addition to what you'll have to pay, cost in any likely expenses you'll incur to bring the garage up to standard – the roof may need to be repaired, for example. The up-and-over garage door may need to be upgraded for security purposes.

There is insurance to consider too. If the garage is not attached to your property, insurance premiums are likely to be higher than usual. If it's being used for storage purpose, contents insurance premiums may be significant as well. You should check out what garages are rented out for in this locality so you can see if this is a satisfactory return on your investment. You need, as always, to think long-term too, making sure that this is a go-ahead area so you can profit from capital appreciation in due course.

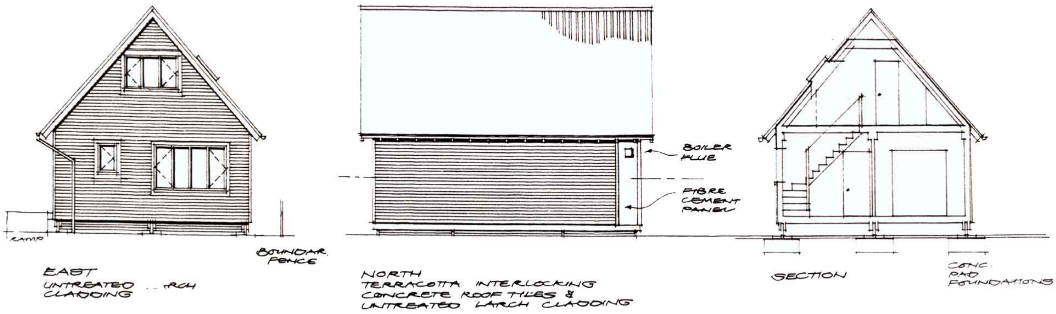
Where Next if This Interests You?

Go to the local council offices to check out the local plan, talk to estate agents and letting agents, look in the local newspaper's classified ads, check newsagents' windows etc – in short, research in as much detail as you would for a four-bed detached property purchase. After all, the garage you're buying today could be exactly where a property developer wants to site a terrace of cottages sometime soon.

Anyone buying property will use a solicitor for various matters (such as conveyancing) above and beyond the contract of sale , just as you should do for a garage. There are possible drawbacks to watch out for. For example, if you're buying the garage on a leasehold basis, the lease may prohibit you from sub-letting it!

Self Build

Self build is another alternative investment opportunity that is often overlooked, even by some successful alternative investors. At its simplest, you buy a plot of land and then build a property on it. Potentially, this is a lucrative and short-term alternative investment. The initial profit potential lies in the difference between the land and building costs and the market value of the property on completion. Your potential rewards? As a rule of thumb, these can be anything from about 15% to 25% of the market value of the property on completion. At that point, you can sell and take the profits.



If you prefer, you can maintain the alternative investment just as you would for any other property, looking to profit from both buy-to-let and from long-term capital appreciation. The possible risks? Much the same as for any other property investment! In addition, you need to buy the right plot of land and put the right property on it. **Talk to the local council's planning officers before buying anything, to make sure you can build what you want there.**

Even though the profits are really built into the self-build element of the project, it is sensible to buy land and build a property that meet the usual capital appreciation and buy-to-let criteria. Clearly, you want the local property market to be moving upwards so you can profit as much as possible. On completion, you may decide to go down the buy-to-let investment route so it is sensible to proceed with this in mind.

If you're looking to buy land, it's worth registering your interests with local estate agents wherever you want to buy. Property auctions sometimes feature odd plots of land – check with estate agents, the local press and 'Auctioneers' listed in Yellow Pages. There are various businesses who will help you source land. Homebuilding & Renovating Magazine from newsagents has a PlotFinder service, and you'll find other businesses advertising in these pages. You can also walk the streets yourself, looking for plots of land which you can pursue via leads from neighbours etc.

Buying advice? You need to decide what type of property will sell and/or rent easily where you're planning to buy. That's what you build! From there, you need to source land that will present it in the best light. You don't want to squeeze a four-bed detached property on a plot that's best suited to a one-bed bungalow (even if the local council lets you)! The plot should also be appealing in its own right – good neighbours, access to local amenities and so on.

Check with the planning officers at the local council before proceeding. Just as you did for a would-be renovation, talk to as many experts as possible – estate agents, a surveyor, builders etc to get your figures together. You need to start with the likely selling price of whatever you're buying, then work back from there to deduct costs (everything from building through to the purchase of land) to see the profit potential in this alternative investment.

If you self build, you should automatically have some in-built profits in there on completion – by self building you are effectively cutting out the developer's profits. Their profit is going into your property instead. The best value-adding (and profit-raising) advice from most self-build investors is to buy a readymade kit which gives you everything you need to put up a standardised home quickly. Two companies in particular are active in this market - Potton Homes (01480 401401) and the Swedish House Company (0870 7700760). In addition to the readymade kits, these companies provide back-up information and guidance budgets, project management and so on. They can also recommend solicitors, surveyors and other professionals with self-build know-how.

With a renovation, it is often most profitable and effective to project-manage the work yourself. For a self-build, perhaps surprisingly, the easiest way to do it successfully is to bring in a professional builder who'll offer help with planning permission and building regulations approval and manage the project for you.

You would save money by co-ordinating everything yourself, bringing in bricklayers, carpenters, electricians and so on as and when required. But this is a bigger, more time-consuming job than a renovation and you may want to get the work done as quickly as you can. The quicker you self-build, the faster you can sell on and profit.

There's another reason though why you should bring in a professional builder. Build the property yourself, and you're unlikely to get a Buildmark Warranty - the 10-year insurance cover from the National House Builders' Council (NHBC) that's the hallmark of a well-built property. Without it, you'll find it difficult to obtain a mortgage and to sell the property on to someone else. The NHBC (01494 434477) can recommend builders to you. Contact them for a list.

As with any building work – and just as you'd have done with a renovation - get as many quotes as you can, and a minimum of at least three. Check the builders' previous work and talk to the other people they have worked for recently, and in the past (to make sure their work has passed the test of time). Pick the one who offers the most professional and competitively priced service, and that you feel most comfortable with.

When it comes to selling, you should be asking yourself the same questions on completion as you'd have done when renovating a property. Should I sell now? Much depends on what you've spent and can sell the property on for now, so talk to estate agents etc. If the property has never been lived in, you should achieve a higher price, perhaps 10% or more.

You need to research to see which way the market is moving for you in that area – check the local council's plans, chat to estate agents, and so forth. If you are going to hold on, you will almost certainly need a tenant for the property and should talk to letting agents in the locality to check on the letting potential now and in the future.

What now for you? Self build sounds daunting when it's first mentioned – but it's not as difficult as it seems, and there is considerable profit potential here; certainly enough to warrant further investigation.

There is an Association of Self Builders (0704 154 4126) which provides general advice and literature. It runs courses and can also put you in touch with other people and businesses in the self build world. Talk to self builders who've 'been there, done that' – always your best sources of advice. Check out www.ebuild.co.uk/forums as a good starting point. Go into your local newagents, and pick up some self build magazines as well.

Masts

Land offers many alternative investment opportunities. One opportunity that is often overlooked, even by some of the smarter alternative investors, involves mobile phone masts. If you own land in the right place, you could earn several thousand pounds a year by having a mobile phone mast on your land. Sales of mobile phones have been increasing rapidly in recent years, and will continue to do so. The more mobile phones in use, the more mobile phone masts are needed!

Yes, this is a picture of a phone mast – cunningly disguised as a tree!

Mobile phone masts need to be located all over the country, and especially in those places where mobile phone usage is at its highest – usually in cities and other built-up areas. This is a growing market too. To meet increased and more sophisticated usage, different and larger equipment will be needed in due course. This could prove to be a very profitable, long-term alternative investment opportunity for you.

So what are the potential rewards for this alternative investment opportunity? A standard 15-metre tower (the norm at present) should produce an average annual income of around £4000. You should get a higher rent if you have land in the South rather than the North of the country – there is more demand for mobile phone masts in the South where mobile phone usage is higher. You may also get a better return if your land is close to heavily populated areas. Being close to motorways is a plus too.

As with everything else in the range of alternative investments on offer, supply and demand is always significant. Much will depend on what other land is available, where, and how much the mobile phone mast operator wants your land compared to what else is available to them.

And the possible risks? Although everyone seems to want to use mobile phones these days, not many people want the masts sited near to them! If your land is in a built-up area, there is likely to be local resistance to the addition of a mobile phone mast. Local councils are becoming more opposed to having mobile phone masts in heavily populated areas too.

As a rough guide, around 25% of planning applications are now being refused – up from about 10% only a few years ago. Those that are approved usually take longer, have to go for full planning permission and often now come with provisos. Masts may need to be disguised in some way, perhaps with trees as an example. The best advice would be to buy land that has several uses, not just as a mobile phone mast's location – just in case permission is refused.

The secret of profiting from mobile phone masts is very simple – buy in the right place and then make sure that any deal you agree is a flexible as possible. This is a fast-developing alternative investment opportunity. Rentals are moving upwards. The average rent for a 15-metre tower has increased by some 25% in the past year or two.

Also, as mobile phones become more sophisticated, larger equipment cabins and new antennae will be required for mobile phone masts. New technology allowing high-speed data transfer enables real-time video and internet access via mobile phones. To achieve this, new and better mobile phone masts have to be placed across the country. Make sure you build regular rent reviews into any leases so that rentals can be increased in line with developments in the industry.

Bear in mind that this is a developing opportunity too - and you should do better by maintaining that investment than by selling at an early stage. As an example, you may be offered what seems like a generous price to sell the land now; perhaps as much as 10 to 15 times the annual rent for a mast. But, if you look ahead, you may decide this isn't as generous as it seems.

Because of tougher planning laws, existing and new masts are likely to be used on a joint-share basis, with several mobile phone companies using the same mast. You can expect to add about 50% to the rent for each additional operator who uses your mast. If you do some basic sums, you should quickly see why it is worth holding on for the long-term!

It's advisable to get professional advice in this specialist area of alternative investment, especially if you are not used to negotiating with big businesses. A mobile phone operator may come in with an offer of, say, £2,000 per annum. Some land-owners (not knowing any different) will think this is a good offer, and will accept.

Others get greedy and – not really knowing what they are doing – will demand a high sum of, say, £8000. They may not realise that the mobile phone operator will almost certainly have several sites under consideration at any one time and will simply turn their attentions elsewhere if negotiations become unrealistic or difficult.

Another common problem area is the length of the lease and, associated with this, the frequency and manner of rent reviews. Most mobile phone operators will be seeking a long lease of perhaps 20 years, along with rent reviews every five years with any increases being linked to the rate of inflation.

Given the fast-developing market, it is wiser to go for a much shorter lease and more frequent rent reviews with rent increases being linked to current market conditions at that time. Where to get advice on this and other issues? The market leader is Fisher German, which advises the National Farmers' Union (NFU) and negotiates contracts on behalf of landowners. Call 01858 411229 for more information.

Forestry

Forestry – acre upon acre of trees – is another alternative investment opportunity that's worth considering carefully. Why? The key to success really comes down to the supply and demand mix that we've seen come into play so often with alternative investments. The demand for timber from around the world has been growing steadily, and will continue to grow. At the same time, worldwide supplies of natural timber have been falling, and will continue to fall.

With increasing amounts of timber being consumed each year and insufficient natural forests being available to match that consumption, man-made forests (also known as 'sustainable plantations') are being planted – and you can invest in these. Travel around the country, and you will often see newly-planted forests growing in the wetter parts. That's because there is often more money to be made from forestry than from other uses for the land.

What are the potential rewards and risks of investing in forestry? The best way to invest is via what's known as a forestry trust. These trusts take in money from lots of different investors and then invest it into forests. The usual minimum investment is £10,000. A substantial sum, but one that's much less than you'd need to buy your own forest on your own. By investing collectively with other investors to produce a larger sum for investment, you will also be able to buy into bigger and better forests. It also enables you to invest in different forests, thus diversifying your risks.

As these investments are known as collective investments, they are regulated by the Investment Management Regulatory Organisation (IMRO) which provides you with financial protection – call IMRO on 020 7676 1000 for more details.

Forestry is a tax-free investment too. Owners of UK forests – and that includes part-owners investing via trusts - are entitled to a tax concession that has been introduced to boost investment in UK forestry. Basically, all of the money that you make from growing timber is completely tax-free and you do not need to put it in your tax return.

In addition to this, once you have owned or part-owned the UK forest for two years, your investment becomes exempt from Inheritance Tax (IHT) – so you can ignore it when you are calculating a prospective IHT bill. Of course, tax rules can change regularly so you should talk to the Inland Revenue or an accountant to check on the latest situation as it relates to your personal circumstances.

So which forestry trust should you pick? Go for one that meets various criteria. One, it should invest in UK forests. The UK timber industry has been growing quickly for some time, and is helping to meet the shortage of timber supply in the worldwide marketplace.

Often overlooked, the UK also has a climate – warm and wet – that is ideal for forestry. At one time almost the entire country was covered in forest. It's a little-known fact that conifers grow faster here than in the better-known timber regions in Canada and Scandanavia. What this means is that more timber is produced, which means more money can be made from its sale in due course. That helps boost your investment returns. Two, go for trusts that invest in forests in the higher rainfall regions of the UK – the West Country, Wales and Scotland in particular.

It is important to bear in mind that forestry is a long-term alternative investment. In simple terms, you buy low now when the forest is being planted. You add value by sitting back, and letting time (and warm and wet weather) increase the value of your investment as the trees grow. Remember, more timber means more money. You're then ready to sell high when the trees have grown.

Rule of thumb? Invest in those trusts that invest in turn in those forests that are ready for cutting in around five to 10 years. Over that period of time, you should also find that the supply and demand balance continues to move to your advantage. You can, at that point, either sell, or maintain your investment to full maturity of the forest.

Forestry has shown tax-free returns of about 6% per annum recently but that is expected to increase. Where next? Talk to your IFA, professional advisers or a specialist organisation such as Forestry Investment Management (FIM) which offers professional advice on all aspects of forestry investment. Telephone 01451 844655 for more information.

Summary

1. ‘Off-plan’ is an alternative property investment which involves you buying ‘off’ the developer’s ‘plan’. Buying early should secure a good price and position on a development. You can make more money if you buy in an up-and-coming property hotspot where demand is rising fast. If you sell at the right time, you should maximise your returns. Some alternative investors prefer to hold on and profit from the buy-to-let potential.

2. Buying a rundown property can offer more profit potential than a straightforward property purchase. Renovate it, and you could make an extra 30% or more on its sale. You can cut an average of about 30% off your renovation costs if you manage the project yourself. The basic buy low, add value, sell high principles of property profiting apply equally well here.

3. Holiday lets are similar investments to straightforward, buy-to-let property investments. The main difference is that income is derived from weekly and fortnightly holiday-makers rather than tenants on six-month or annual leases. Rewards can be higher as weekly holiday rents can be lucrative. Risks can be higher too – you need to let the property for most of the year to profit. Ongoing costs (marketing, repairs and renewals etc) can be higher as well.

4. Garages are one of the most overlooked property-related investments of all. You can profit from both capital appreciation and rental income. The key is to find an investment that meets three criteria – short supply, high and rising demand and the right location. It is best to start slowly with the purchase of single garage, and only after careful and detailed research has taken place.

5. Self-build can be more profitable than the usual property purchase and re-sale investment opportunity. Self-build, and the property on completion could be worth 25% more than the costs of building it. You should apply the usual selection criteria - both to the land and the type of self-build property you’ll erect. It is wiser to use a builder if you want to sell on, as a builder will get the necessary certificates.

6. Mobile phone masts are a growing alternative investment opportunity. You could earn thousands of pounds each year from a single mast on your land. There is increasing resistance to them though in built-up areas. The secret is to have land in the right place and to agree a flexible deal with operators. This is a market that’s rising – bigger, better masts, more operators and more rents up for grabs!

7. Forestry is an up-and-coming alternative investment. Demand for timber is rising. Supply has been struggling to keep up. The easiest and safest way to invest is via a forestry trust. The UK has growth potential. This is a long-term investment – forests need time to grow!

Further Reading

How to Find and Buy a Building Plot by Roy Speer and Michael Dade (0953348911, Stonepound Books)

How to Get Planning Permission by Roy Speer and Michael Dade (095334892X, Stonepound Books)

Building Your Own Home: The Essential Guide for Anyone Wanting to Build, Renovate, Convert or Extend Their Own Home in the British Isles by Murray Armor and David Snell (0091886198, Ebury Press)

Home Extensions: Planning, Managing and Completing Your Extension by Laurie Williamson (1861262914, The Crowood Press)

Making Money from Holiday Lets: A Start Up Handbook for Buying and Letting Holiday Homes by Jackie Taylor (1857036840, How To Books)

The Housebuilder's Bible by Mark Brinkley (0952485249, Ovolo Publishing)

Building Construction Handbook by Roy Chudley and Roger Greeno (0750646497, Butterworth-Heinemann)

Build Your Own Home: The Ultimate Guide to Managing a Self-build Project and Creating Your Dream House by Tony Booth and Mike Dyson (1857039017, How To Books)

The Home Plans Book: Over 330 New Home Plans Ideas and How to Make Your Choice by Murray Armor and David Snell (0091869536, Ebury Press)

Check Your Understanding

Just before you go on and start working through part 7 of your course, stop for a few minutes and go through the following questions. If you can answer all of them easily, you'll know you are ready to progress. If you cannot, just check back over this part of the course to get the answers you need.

Off Plan

1. What is 'off-plan'?

2. What sort of rewards and risks are involved with off-plan deals?

3. What is usually the best way to buy at the lowest possible price?

4. How can you add value to an off-plan deal?

5. What is usually the most effective way to sell high?

6. What should you do now if this appeals to you?

Renovations

1. What are the potential rewards and risks of renovating a rundown property?

2. Where can you source rundown properties?

3. What are the two main ways of tackling a renovation?

4. Who should you get in before you take charge of a project?

5. How can you keep a check on the progress of the renovation?

6. When is the best time to sell?

7. What next for you if this has caught your imagination?

Holiday Lets

1. What are two main alternative investment criteria to consider when looking at a potential holiday let purchase?

2. What are the possible rewards of a holiday let investment?

3. What are the potential risks involved?

4. What is the best way to calculate the possible upfront costs of furnishing a holiday let property?

5. What makes a good holiday let property?

6. What should you do now?

Garages

1. How can you profit from garages?

2. What is the secret of investing successfully in garages?

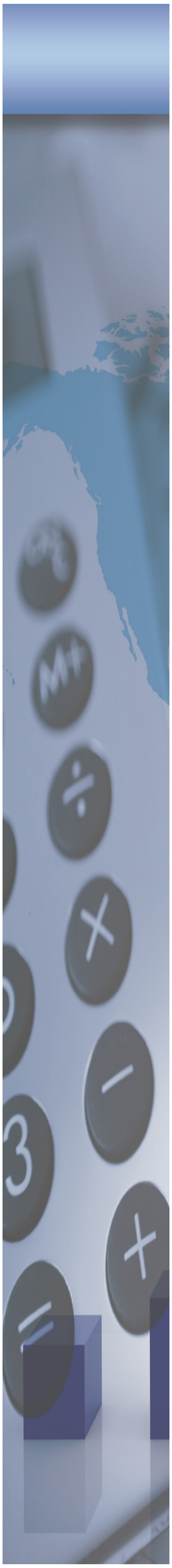
3. Where should you be buying a garage to profit most?

4. What should you be doing next if garages have caught your eye?

Self Build

1. What is self-build?

2. What are the potential rewards and risks of self-building?



3. What should your buying criteria include when selecting land for self-build purposes?

4. What should your selection criteria include when choosing a self-build property?

5. Why is it wiser to use a builder rather than project-manage a self-build yourself?

6. What's the best way to maximise your selling price on a self-build property?

7. What now for you?

Masts

1. How much could you expect to make from having a mast on your land?

2. What are the possible risks involved with this alternative investment?

3. What's the secret of making money from masts?

4. Why should you invest for the long-term?

5. What are the possible problems you could face with this would-be opportunity?

6. What should you do next if this appeals to you?

Forestry

1. Why is forestry worth considering as a possible alternative investment?

2. What are the potential rewards and risks involved with forestry?

3. Which is the most sensible way to invest in forestry, and why?

4. What are the criteria for choosing a forestry trust?

5. Why is forestry a long-term investment usually?

Have you checked the summary?

Have you answered all of these questions?

You're now ready to move on to part 7 of your course!