

# Exploding the 5 Biggest Myths of Buy-to-Let Property Investing

## Introduction

Hi! I am Steve Evans, and I am a full-time property investor. I create long-term wealth for busy professionals through property investment.



I have been investing in property for over 6 years, along with my wife Catherine. In that time I have trained with the biggest and most successful property training company in the UK. This company has helped thousands of people from recent graduates to pensioners, builders to architects, and from unemployed to successful executives to generate over £1/2 billion worth of joint venture money.

Using the same proven systems I have been able to build my own property portfolio now worth over £1.2 million, with a rental income of £76,320 a year and growing.

## What to expect

Any kind of investment can be a daunting prospect, until you know what you're doing. I was daunted too, until I got myself educated. But what kind of education am I referring to? The education of learning by someone else's mistakes! I have always preferred to be amongst people who show me their mistakes and how they have learnt from them, as well as their successes. After all, there is no such thing as failure, just results!

Before I got started I spent hundreds of hours and thousands of pounds listening to people who had really made a success of property investing, mixing with them socially and learning about their mistakes. So I now invest with all that knowledge up front. I've learnt from my mistakes with my own portfolio and I have a deep understanding of the area I invest in. All of this means that my own clients benefit from my experience and don't have to spend the same amount of time and money in learning.

## **So what are the myths of investing in property?**

The next section will list the biggest fears that I have heard people voicing as their reasons for not investing in property.

By the end of this report you will know the most important principles of property investing. You will also know what you don't know. If it all sounds too much, too time consuming but you want to get started, that's where I come in. I can build you a portfolio whilst you get on with your life/career/family. Visit [steve-evans.org](http://steve-evans.org)

Or if you want to 'do it yourself' but have fears and queries, then come on one of my one-day property investment workshops or book yourself some one-to-one mentorship time with me.

Just remember, at any time, whether you are afraid or ready to get started now, contact me.

Steve



# 1. "Tenants will trash my property!"

At the end of this chapter you will:

- ✓ Understand the mind-set of tenants
- ✓ Know how to be a professional landlord
- ✓ Get the mind-set of a professional landlord
- ✓ Be able to build a good relationship with tenants



One of the biggest fears I hear from people is their concern about tenants not taking care of a property. Once you have paid out for refurbishment and decoration, the last thing you want is a stranger coming in and doing damage.

Firstly, remember that this is *not* an everyday occurrence. I very rarely hear horror stories from my fellow investors, and personally have only experienced what is termed as "fair wear and tear" and at worst minor accidental damage in all the time I have been letting.

Secondly, remember that *this is a business*. Get rid of the emotion! Even if you once lived in the house you are renting out, it is now *not your home*. Any damage done is not personal, it is a business issue that requires a business solution.



Before you enter into any agreement with a potential tenant, always carry out reference and credit checks. These are available online for minimal cost (which you can charge to your tenant anyway). Make sure you use a reputable, independent reference checking service, such as via the Residential Landlords Association (RLA) or the National Landlords Association (NLA).

Employ an agent or professional inventory clerk to prepare a detailed inventory and conduct the tenants' check-in when they move in and check-out when they leave. That way both you and your tenants are protected and there will be little chance of disputes arising, as you have written, photographic and signed proof of the exact condition of the property and its contents at the time of the tenants' arrival. Remember, though, to keep the inventory up to date, for example if you replace a

kitchen appliance or provide extra furniture.

One way to help avoid malicious damage by tenants is to have a good relationship with them. And by this I mean a professional, mutually respectful and fair landlord-tenant relationship. You can do this by:

- ◆ Carrying out any refurbishment to a good standard, appropriate to the type of house, area and prospective tenants.
- ◆ Maintaining the interior and exterior of the property; the structure, decor, plumbing and services, appliances and any other items you may have provided.
- ◆ Carrying out repairs swiftly.
- ◆ Sticking to the terms set out in your tenancy agreement.
- ◆ Keeping up with your legal responsibilities.
- ◆ Carrying out regular inspection visits to the property. You or your agent should visit the property every 6 or 12 months to check for damage and potential problems. You can use these visits also to ensure the tenants are not inadvertently causing potential issues, such as overloading electrical sockets or drying their washing indoors with inadequate ventilation.
- ◆ Showing your tenants respect and trust.

I have a friend who used to run an Eastern European grocery store in London. She constantly suspected her staff of stealing, and so she regularly introduced new checks and schemes to catch them at it. Did these schemes work? Sometimes, but what they mainly did was to foster an atmosphere of mutual mistrust and dissatisfaction. My friend wasn't happy, and nor were her staff.

Perhaps most significantly, your tenants are moving into their new home. The property should just be a bricks and mortar house or flat to you, but a *home* for your tenants. Your tenants may be a family with family values, and they want their home to be homely. I can remember standing on the doorstep of one of our houses, with the tenant standing inside the door discussing an issue that we needed to sort out, and she exclaimed, "it's my home and I want it to be right!"



Another way of protecting yourself from crippling large expenditure is to build a property portfolio of several properties. This is called *spreading your risk*. So if a tenant does damage your property, then at least your other properties should all be bringing in rental income to help cover your expenses, and you should not feel the hit quite so badly.

My own portfolio has always carried me through the void periods and I make sure that when I am building investments for my clients they have that protection too.



## Steve Suggests...

1. Properties being trashed by tenants is a very rare occurrence.
2. Property investment is a business and should not be emotional.
3. Carry out reference and credit checks on all your tenants.
4. Get a detailed inventory and have a professional check-in and check-out service.
5. Create a professional, courteous and respectful relationship with your tenants.
6. Carry out maintenance and repairs swiftly and to a high standard.
7. Tenants may not technically own the property, but it is their home and they are likely to *feel* ownership of it.
8. Build a property portfolio to spread your financial risk.



## 2. "Tenants might not pay the rent!"

At the end of this chapter you will:

- ✓ Know how to set up the correct type of tenancy
- ✓ Know which professional bodies to use & why
- ✓ Be able to set things up so that you can recover your money



Setting up the tenancy correctly in the first place should help to avoid the potential issue of tenants defaulting on rent.

This means:

- ◆ Obtain credit checks and references for prospective tenants.
- ◆ Use an Assured Shorthold Tenancy (AST) agreement, so that you and your tenants are covered by the Housing Acts of 1988 and 1996.
- ◆ In your AST have a clause whereby you can charge a reasonable fee for having to send reminder letters or for any bounced cheques or unpaid standing orders, direct debits, credit card payments etc.
- ◆ Get a detailed inventory prepared by an agent or professional inventory clerk.
- ◆ Have the tenants sign a standing order form and **you**, the landlord, take it to their bank.
- ◆ Take a deposit equivalent to 6 weeks' rent, and place it with one of the government-approved deposit protection schemes.



If you have all these in place, the longest you should have to wait to recoup unpaid rent is 6 months. Although tenancy law these days can seem in favour of protecting the tenants, it does support landlords who do things correctly.

If everything is legal and in place, it is a rubber stamp exercise to get the court to issue an eviction order to get rid of someone who is refusing to pay rent or to move out.

Recently we had a tenant who moved out without paying her final month's rent, but

her deposit more than covered it. All we had to do was to claim it from the deposit protection scheme where we had placed it at the beginning of her tenancy.

If you do experience a period of unpaid rent for one property, but you have spread your risk by having a number of properties that you are renting out, you should not find it too serious a problem to cope with a temporary shortfall.

By joining a professional body such as the NLA or RLA, you will have access to legal advice and applicable documents should you find yourself with a troublesome payer.





## **Steve Suggests...**

1. Set up tenancies correctly in the first place by carrying out reference checks, taking a deposit and by having a comprehensive AST and inventory.
2. Join a professional landlords' organisation.



### 3. "What if I can't rent my house out?"

At the end of this chapter you will:

- ✓ **Have a clear strategy for filling your properties**
- ✓ **Know who your tenants are**
- ✓ **Be able to put the rent up**
- ✓ **Have tenants queuing to rent your houses**



Other concerns I hear from people considering property as an investment are, *"What if I can't find anyone to rent my house?"* or *"What about the void periods between tenants?"*

The most important place to start is with research. Don't just buy any old property you see because you like it / it's cheap / it's in your road - buy it because it fits your strategy for being able to find tenants.

**Find out:**

- ◆ What type of people are looking to rent in your area? Families? Students? Single professionals? LHA?
- ◆ What businesses are nearby that could attract tenants? Schools? University? Railway station? Industrial estate? Retail park? Offices? Hospital?

Remember, tenants are ordinary people like you and me, and they have needs and preferences as to where they live. By ensuring that your property meets those needs, you will have a regular supply of tenants.



Do this for every property you buy, and as you build your portfolio you will be able to refine your strategy by seeing which types of properties in which locations work best for you. That way you will also have a spread of properties so that if one or two of them don't work as well for you, you have the others to fall back on.

For example, you might be aiming at university students or hospital staff in a particular town, but if the facility closed down it would leave you short of potential tenants. By having properties in other areas you can ensure you ride out any temporary shortfall in tenants. Also, be adaptable to change - could your student house be adapted to suit professional sharers? Might your nurses' accommodation be regraded to a family let?

### **Put the rent up**

When one tenant leaves, look into the rent you could charge for the property when you re-let it - take into account inflation rates and any redecoration you may have done as well as the current market price. You can probably increase it by a small percentage. Rather than putting people off, as long as your property is up to a good standard then you should not be short of enquiries. And if you have successfully researched the best locations for your houses or flats, then people should be clamoring at your door for the chance to rent from you.

### **Have an organised re-letting plan to put into place as soon as you receive notice from a tenant**

This should include a refurbishment team and scheme ready to go as soon as the tenants move out, prepped for a quick turnover. Unless your tenants have only been in the property for a short time, or they were particularly punctilious with the decor, then you are very likely to need to redecorate between tenants. Once you have received notice, make an appointment to visit the property to establish exactly what refurbishing will need to be done upon their vacating so you can organise your refurbishment team with a schedule.



Part of your re-letting plan is to be ready to re-market your property as soon as you receive notice. Your AST should allow you to take prospective tenants to view the house in the last month or two of the existing tenancy. We have this written into all of our ASTs and it has never been a problem to take people round the property.

This is also a way for your new tenants to see the house as a lived-in home, as well as to appreciate any refurbishing you do between the old tenants moving out and them moving in!

We have a family from Slovakia in one of our houses, and they are so pleased with the quality of the house and service they receive from us that we are regularly contacted by friends or relatives of theirs asking what other properties we have available!

### **Guaranteed Rent Schemes**

There are some organisations and insurance providers who, for a small fee or percentage, will give you a guaranteed rent. If you choose to use one, ensure you carry out your due diligence before you sign up.

### **Marketing Strategy**

The only adequate way to establish a marketing strategy is through trial and error. A web presence is of course vital these days. While the big websites such as [rightmove.co.uk](http://rightmove.co.uk) and [zoopla.co.uk](http://zoopla.co.uk) are the logical places to list your properties, they may be prohibitively expensive for an individual to use, so you would need to use an agent to place these listings for you.



There are many other websites that are inexpensive or even free for listing houses, flats and rooms, for example: [spareroom.co.uk](http://spareroom.co.uk), [roombuddies.com](http://roombuddies.com), [uk.easyroommate.com](http://uk.easyroommate.com) and [gumtree.com](http://gumtree.com), and check your local press for their website and print edition options.

For offline advertising, I have found the best advert of all to be a poster in the window! I have had far more enquiries from posters than from adverts in my local papers. The advantages are that firstly, it's free advertising! Secondly, the person looking already knows where and what the property is, and so is contacting you because they are genuinely interested in *renting your house*. Thirdly, if you have the necessary details on your poster (rent, number or type of room/s, deposit, admin fee etc), then prospective tenants have all the facts before ringing you to book a viewing.

With any advertising you do, you could also add a special offer or incentive, e.g:

- ◆ NO tenancy admin fee
- ◆ Half price reference and credit checks
- ◆ 10% discount off first 3 months' rent
- ◆ FREE GIFT upon signing the AST



Because I am handling prospective tenants all the time I get to know people and what they are looking for. I receive frequent phonecalls from people looking to rent from us.



## **Steve Suggests...**

1. Do your research into what locations are best for buying properties, and to whom you will be marketing.
2. Put the rent up.
3. Have a re-letting plan ready to go as soon as you receive notice.
4. Use a guaranteed rent scheme.
5. Have a tried and tested marketing and advertising strategy.
6. Offer incentives to attract tenants.



#### 4. "There are too many laws for landlords!"

At the end of this chapter you will:

- ✓ Understand the regulations you need to adhere to
- ✓ Know who can advise you and keep you on the right side of the law



The easiest way not to have to worry about this is to employ an experienced lettings agent that will keep up to date with legislation and make sure their clients are protected. Beware though, not all agents are reputable, so try to choose one that comes recommended.

British law is fair between tenants and landlords - if you look at it dispassionately it is only right that tenants should be protected from unscrupulous landlords that don't care about them. On the other hand, landlords who are doing it professionally should have their expectations met, i.e. *put money in... get money out*.

A couple of years ago, my son asked me to help him out by paying the deposit on a house he wanted to rent with his girlfriend and their baby. I was only too glad to be in a position to assist, and so I contacted the landlord to find out where to pay the deposit and into which government-approved scheme he would be placing it. The landlord informed me that he required cash, and would not be putting it into a scheme at all. I pointed out that this would be illegal, and his argument was that too many of his previous tenants had run off without paying the rent. Needless to say, I did not give this man any money.

Naturally my son and his girlfriend were very disappointed, but I explained that I would not give cash to a complete stranger, knowing full well that he was intending to break the law. And by him being willing to break the law in this way, in what other ways might he be taking shortcuts in his properties that could potentially endanger the health or safety of my family? And why were so many of his tenants 'running off'? This is not a normal occurrence - another red flag in my mind.



I slept much better that night knowing that my son wasn't going to be moving into a house owned by someone who was acting in breach of the law and clearly had no respect for his tenants and their rights.

## **Must-haves**

When you look into the list of legal must-haves, the list isn't actually as long as you might think. There are a few requirements that are not options, and as a professional landlord should simply be a part of your ongoing tenancy administration. The following is a guide only, always check for the up-to-date regulations and for any additional local requirements:

- ◆ Gas safety certification
- ◆ Electrical safety
- ◆ Fire safety
- ◆ Reasonable adjustments for disabled tenants
- ◆ Placement of deposits with a government-approved scheme
- ◆ HMO licence if applicable



Joining an organisation like RLA or NLA will help you keep up with current legislation.

I always get these things in place for my clients, so they don't have to worry about it.





## Steve Suggests...

1. Use a reputable management agent.
2. Get to know the main legal must-haves for letting your property.
3. Have systems in place.
4. Join a professional body.



## 5. "I need lots of money to invest!"

In this chapter you will:

- ✓ Learn how to recycle your deposit money
- ✓ Protect yourself from void periods
- ✓ Get infinite returns on your investment
- ✓ Create cash out of thin air
- ✓ Make money when you buy properties



First of all I should say that the most successful and wealthiest property investors hardly ever use their own money. Smart investors do not put all their own money into investments and neither should you.

We have already talked about spreading your risk by building a portfolio of properties rather than sticking with just one or two. With one pot of money you can either buy one property and have all your money tied up, with an income limited to the rent you can get for it - or you can buy an indefinite number of houses giving you an infinite return on your money.



But what do I mean by not using your own money? Even if you can afford to buy a property outright with cash, you should be planning to mortgage it at a later date in order to be able to buy another - so you can grow your portfolio, spread your risk, and maximise your rental income.

Remember that because property doubles in value virtually every 10 years (and has done since pretty much forever) if you take out an 85% loan-to-value mortgage on a property, in 10 years time that debt could potentially have been reduced to around 40% of the value of the property. *Hmmm....*



**When we buy property, we make our money *when we buy it*.**

Say again?

First we must think about the concept of value. How much is something worth? Put simply, an item's value is what someone else is willing to pay for it at the time the seller needs to sell it. The properties that we buy are purchased below the *average sale price*, not asking price, of similar properties in the same area.

The reason we can buy them at a lower price is because we find vendors who need to sell, and who need to sell quickly. This can be for a variety of reasons, such as moving abroad for work, being in the forces, about to be repossessed, an urgent need to down- or upsize (i.e the family is getting bigger or smaller), bereavement or divorce.

One of the best and most durable ways to invest in property is to **buy, refurbish and remortgage**.

## Case Study

The following is an example of how the *Buy - Refurbish - Remortgage* model can work. It is based on a house that we own (with the names changed to protect the innocent, and figures rounded down for ease of understanding!).

107 Wide Street, Railway Town, Englandshire.  
Mid-terrace house with through lounge-diner,  
small kitchen, upstairs bathroom, two double  
bedrooms and a small yard.



*Purchase price:* £53,000

### My money

Cash deposit: £13,250

Refurbish costs: £8,000

Total of *my* money in this property: £21,250

*New value:* £70,000

I receive £11,000 cash (after fees etc)

Total of my money in this property: **£10,250**

### The bank's money

Mortgage: £39,750

Remortgage: £52,500

Rent received per month: £525      Mortgage & insurance costs per month: £250

Gross profit per month = **£275**      Gross rental yield: **9%**      ROI: **32%** pa

Naturally this is a simplified illustration, but I hope it shows you just what can be done with a relatively small amount of your own money. In fact, you could even borrow enough for a deposit and refurbishment from a relative, get a bank loan or take out a cash advance on a credit card.

## Could I get into property with *no money at all*?

As well as the above, there are several ways to build a property investment business with virtually no money of your own:

- i. **Find cash-rich people to joint venture with.** You can do the donkey-work, i.e. find and view properties; organise the purchase, refurbishment and refinancing; and find tenants, in return for a share of the profits.
- ii. **Become a property sourcer.** You can charge a substantial fee for finding suitable properties for other investors to buy.
- iii. **Take out lease options.** Get yourself thoroughly educated in this strategy and you could be making big profits with *no* upfront cash investment.
- iv. **Multi-let out someone else's house.** Again, education is key to this strategy, but the basic principle is that you rent a house from a property-owner at the market rent, and then let out the bedrooms on an individual basis to sharers. When done professionally and strategically you could make a decent profit each month.



## **Steve Suggests...**

1. Buy, refurbish, remortgage.
2. Spread your investment.
3. Aim to buy properties at less than their average market price.
4. Joint venture with other people.
5. Source properties for other investors.
6. Use a lease option or rent-to-rent strategy.



## Summary

**Property investment can and should be a very rewarding strategy for creating both immediate cash-flow and long-term capital growth.**

**But it has to be done right.** Firstly you must educate yourself in the how's, why's, when's and where's, then you must keep up-to-date with the what's and which's.

One way to do this is to **find a mentor** who can hold your hand throughout your journey, or even just at the start of it. I can be that person, so please contact me through [steve-evans.org](http://steve-evans.org) for a chat about how I can help you build your own successful property portfolio.

Remember that **your tenants are your cash-flow** - choose properties according to where and how tenants want to live. Treat them with respect and abide by all your legal and moral obligations.



**Set up tenancies to a strict system**, including reference and credit checks, inventory, Assured Shorthold Tenancy agreement and deposit protection.

When tenants give you their notice to leave, **have a re-letting plan** in place that includes a refurbishment scheme and marketing strategy.

Always **stay on top of your responsibilities** as landlord - maintenance & repairs; gas, electrical & fire safety; deposit protection etc. Tenants are not only your clients, but they are people who are living in your property as their home. Letting out houses and flats should be an unemotional business to you, but a comfortable, warm and dry *home* to your tenants.

To get the most financial reward and security from property, you should **build up a portfolio**. That way you minimise the risks and maximise the potential. Also, never be afraid to **increase the rent** between tenancies or periodically during tenancies - as long as it is a fair increase and you are sticking to your side of the contract.

Always **join a professional landlords' organisation**, so that you have access to advice,

peer support and current legislation. If you use a management agent, make sure they are members of ARLA and come recommended.

**Educate yourself** well in your chosen strategies. Find a reputable training organisation and an experienced mentor, such as myself.



**To your success! Cheers!**

**Steve**



To find out more about property investing and if it is for you, join us on one of our investment workshops or contact me for information about our mentorship scheme and other services.

**[www.steve-evans.org](http://www.steve-evans.org)**