A Property Investor's Survival Guide

Stephen Fay ACA, of **Fylde Tax Accountants**, considers how investors can protect their property portfolio in good times and in bad

Many property investors have what can only be described as an addiction to buying investment property. But how can investors ensure that they are building a solid portfolio that will stand the test of time?

Rule Number 1 - Decide what YOUR investing objectives are, and how to achieve them

Many investors do not think about what it is they are trying to achieve, and so what type of properties are suitable. To build a pension pot, single-let properties are fine: easy management, cheap, with low maintenance bills.

For those looking to build an income NOW, multi-lets and HMOs may be the only way to build a significant income. Or, as well as building a portfolio, development or property sourcing could be considered.

Create a business plan that meets YOUR objectives. Include the target number of properties, typical rents and costs, contingencies and working capital, plus realistic timelines. Review it with your accountant and adjust it until you have a solid, sensible road map for building YOUR property portfolio.

Do: Think about what you are trying to achieve in your property investing

Don't: Buy ANY property just to say you have bought a property!

Rule Number 2 - Ignore yield at your peril

It sounds obvious - but it's surprising how many investors buy properties that are not suitable as investments. Usually, this is due to poor rental demand, meaning poor rental yield, meaning rental losses. After maintenance costs, voids, letting fees etc, many properties become a financial millstone - not a route to financial freedom.

Such 'dog' properties should be avoided at all costs - just one or two of these can seriously drain your cashflow. There are millions of properties to choose from - so be choosy. If your main aim is long-term capital appreciation, ensure that your cashflow allows you to survive that long!

Do: Ensure every property has a good rental yield

Don't: Buy vanity properties to impress your friends, or be afraid to sell a 'dog' property

Rule Number3 - Try to buy property cheap, or discover new value

Buying properties cheaply means simply, lower debt and so lower interest payments. Very few property problems can't be solved with money! If you buy bargains, you will have more money, and so you will be better-placed to deal with property problems, as you will have more capital, and better ongoing cash flow. Sounds simple - although it's not easy!

Although buying Below Market Value can never be a bad thing (assuming the valuations are genuine), many investors are happy to pay the 'retail price', if they see undiscovered value in a property. This could be HMO potential, development potential, issues that are putting off other buyers that are not too difficult to fix etc.

Do: Try to buy property at the right price - or spot potential

Don't: Overpay for investment property

Rule Number 4 - Treat your property investing as a business - NOT part of YOUR finances

Most property investors don't operate as a limited company (nor should they) - but should still operate their personal and property business finances separately. As a minimum, a separate bank account should be used to operate the property rental business. Nothing fancy, just a simple personal current account, with online access, cheque book and debit card.

Check the bank account every day (depending on number properties held) - make it part of your daily routine. Update your cash flow tracker every day (see our website for a free Cash Flow Tracker) to monitor the cash position of the business.

Do: Have a separate property bank account with online access

Don't: Mix your personal finances up with your business

Rule number 5 - look after your properties

It sounds simple - look after your properties, and your properties will look after you. But it's surprising how many investors don't maintain their properties to a standard that will attract and maintain good quality tenants.

For my own properties, we operate a fixed cycle of property reviews and maintenance. This has two advantages - firstly, tenants are very impressed with proactive landlords who want to keep their properties in tip-top condition. Secondly, early/regular maintenance of properties often prevents more expensive issues arising later. Boilers, roofs, guttering and fascias, double-glazing, brickwork, water and gas pipes, electrical systems - the list goes on! All these need to be checked regularly and any problems identified immediately and fixed.

Do: Understand that your future cash flow depends on maintaining your assets

Don't: Go over the top - sensible maintenance and improvements, not the best house in the street!

Rule number 6 - Manage your suppliers

All businesses need reliable, affordable suppliers. But it's amazing how little time some investors spend on selecting and managing their tradesmen, accountant, solicitor, mortgage broker etc. Take a business-like approach to supplier selection - choose suppliers who deal with property investors and landlords regularly, and so understand your requirements for good service and reasonable prices. Don't go for the cheapest - they may be cheap for a good reason!

Do: Be careful to choose good suppliers to help you manage your property portfolio

Don't: Accept second best - choose once, and wisely. PIN

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