

PROPERTY 101 SOURCING

BE A FLYING PROPERTY SOURCER

HOW TO CREATE A BUSINESS FROM TRADING DEALS

HOW TO SOURCE PROPERTY LIKE A PRO



WHAT? NO DEALS?

How to spot opportunities other investors miss

DEVELOPER TO TRADER

Why property sourcing became key for one investor

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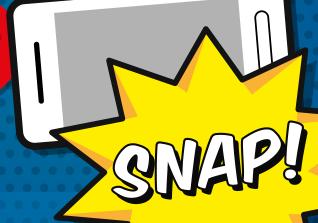
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PROPERTY SOURCING

It's often said that the property game is as much about people and relationships as it is about bricks and mortar. Whilst that's true, there is no getting away from the fact that finding the best property deals is key to any successful property business.

Where to look, what type of property to look for, and how to secure the deal once you have found it are fundamental skills for any investor who wants to succeed in the long term.

For some investors, becoming an expert property sourcer is as far as they ever need to get.

Hate the idea of dealing with quibbling tenants? Bored of managing unreliable builders throughout the refurb process? In the pages of Your Property Network magazine we have interviewed scores of investors who have created significant

profits from locating and selling potential deals to other investors.

So what does it take to become a successful deal sourcer?

How are the deals found, **SECURED** and then monetised to create a sustainable property business.

This short guide from YPN should serve to answer, not only these questions, but also many, many more...

Aut Lyous

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How to make property sourcing work for you

Why locating property deals for other investors can be so lucrative.



Developer to trader

How and why Richard Greenland refocused on sourcing deals for other investors to build out.

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How to source property like a pro

Turning this strategy into a sustainable business

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What? No Deals?

Getting passed the "there are no deals in my area" mindset



MAKE YOUR SOURCING WORK FOR YOU!

nyone who sources property knows that, at times it can be a difficult process. Sometimes what appears to be a deal isn't really a deal when you drill down and it can be hard to see the possibilities of each property when you're new to the industry, strategy or area. When it comes to sourcing property, demand often outstrips supply, and real 'deals' can be very hard to come by... unless you know exactly what you are looking for, that is.

Our regular YPN contributor, **Prab Paul**, CEO of The Vincit Group, adopted a new strategy aimed to streamline their process, making their property sourcing more effective. By focusing on off-market deals, and training up sourcers, Prab and his team are now able to find the types of deals they want.

Alex Vesco, one of Prab's protégées, landed an amazing deal after only 7 months of working with Vincit Group, bagging himself £60,000 for only 10 hours work. We caught up with Prab and Alex to find out more about the strategy, the training, that all-important deal and their top tips for how to make your sourcing work for you.



Sourcing - how NOT to do it

A lot of people get on the bandwagon of sourcing. They see the high commissions that can be earned and they get involved, thinking that it's easy. Unfortunately, what we were seeing was a lot of deals coming to us that were positioned as being 'offmarket' when they weren't really 'off-market'. The figures were wrong or the potential profit and potential GDVs (Gross Development Values) were simply unrealistic.

We found we were spending a lot of time looking at deals that just weren't deals. The very few that were deals, were not necessarily 'off-market', so by the time we got to have a go with them they were already sold. It was a very frustrating, but necessary, time because it was only because of that experience that we realised we needed to step up and look at how we could create a niche for ourselves. And to ask ourselves, "What can we do that can help us get the kind of deals that we want to get?"

"We started by teaching people how to source and we gave them the tools to be able to do it effectively"

STRATEGY

We've got a very clear strategy – buy, develop, sell. Our plan with everything that we do is to sell. That's a strategy that we've

adopted. It's very clean. We are able to create a separate business entity, an SPV (Special Purpose Vehicle) for each project that we do. That way investors coming on board have appropriate shares within the business. Then as you build it out and sell it, the business is dissolved. Then you go on to the next project. It's a very clean cut, clear process. Some of our investors look at buying some of the units that we build and they get preferential rates, of course.

3-ARMED STRATEGY

We have 3 arms to our strategy – larger development projects, trading at auction and house / flat conversions. We don't like to take on too many larger projects at once, as we like to be able to focus and put everything into these projects



to make them work. We currently have 3 large projects on the go, which is enough.

We also have the trading arm of the business where we buy property from motivated sellers and sell them at auction. And while we're waiting for the Brexit Storm to settle we have another, more

short-term, opportunity,

whereby we take a house (one unit) and convert it into 2, 3 or 4 flats (multiple units). This is a short-term strategy, for 9-12 months and we are sticking to the areas that we know are in demand.

Having three strategies gives us that little bit more peace of mind. Not having all our eggs in one basket is important. We all need to sleep at night and that's how we do it. "We always use worst-case scenarios.

If it works on a worst-case scenario then we're good to go"

OUR CRITERIA

One of the key things for us was to set our criteria from the outset. It took time to actually get specific, because I think we were probably a bit scared of not doing certain deals, so we were casting the net so wide to try and attract any deal, and the problem with that is you're not focusing. So, we decided to change that.

Must haves:

- · Off-market deals
- Within the M25
- Project timescales to be between 3 to 12 months. No longer
- · Not more than 20 units
- Purchase price £2million (this was quickly changed to £5million, as we started to expand and improve).

CHANGE OF TACTICS

We realised that what we really wanted was a handful of people who were geographically placed within the M25 (within all the different areas that we wanted to work). That way we didn't have to be everywhere at the same time – instead we could rely on a handful

of people who we had handpicked, who were knowledgeable about their own areas. So, we ran a workshop, which initially was aimed at getting a few people on board, but we ended up with 60 people in the room, which was great!

We gave the sourcers due diligence templates and spreadsheets, and taught them how to use Excel so that they could put all the various figures in. We gave them all the tools they needed to be able to analyse the deal and find appropriate comparables.

One of things that sourcers often don't look at is all the little figures that can sometimes make the deal unviable, such as Section 106 Contributions or building regulation costs. So, one of the things we've done is spend a long time making sure that our spreadsheets include absolutely every possible cost that can be associated with the project.

Through the training process, we were able to identify the sourcers that we wanted to work with – those who were passionate as well as being willing to put the work in. Because they learned our processes we knew that by the time they came to us with a deal, we were able to make a quick decision rather than having to verify and look over the figures again. That process took a number of months to put in place and we're now in September, so we're 9 months into the year, and we're by no means in a perfect place, but we're in a very strong place. As a result, we've managed to do a couple of very strong deals over the last few months.

Alex was one of the people that attended the workshop and, as a result, he became one of our exclusive sourcers, and things have just developed from there. I'll hand you over to Alex.

SECURE IT WITH AN AGENT

When working with agents, we made it very clear that we wanted to have exclusivity with a potential deal for the first 24 or 48 hours before it was put on the market because we were able to act fast. We were able to provide the proof of funding and proof of experience. Being clear about this created a solid foundation for us - the agents know what we are looking for and they know we can deliver what we say we will. That was a key factor when setting out how we were going to start operating.





The Property

The Paint Works - a painting business. The owner had been there for many, many years. Currently 4,000 sq ft. (1,000 sq ft on each floor).

The location

In a very good area, Hoxton, in Hackney on the Kingsland Road - very, very popular area for people to live. A corner site, on the main road.

Property Type

Commercial with some C3 residential use.

How we found it

Sourced via an agent, before it went on the market, got first refusal for 48 hours.

Sourcing process

Listed all estate agents in my area, visited them all and followed up with regular contact.

Deal Structure

50/50 partnership with two other developers who both know the local area and have more experience in development.

Purchase price £4m

Was marketed at offers over £4million (this was the first time we were looking at a project which was beyond our original £2million ceiling).



Development Plan

Phase one is to increase the commercial space to 5838 sq ft. Then by creating an additional floor if planning is approved we will end up with a further nine flats.

Timescale

First phase of planning to be approved by September, second phase of planning to be approved by October/November. Development time = 12 months.

Project cost £5.8m

GDV £8.1m



MEET ALEX

Hi everyone, my introduction to property is a bit different to most. I have a degree in music -I graduated and had a recording studio for a year. As you might imagine it was great fun but not so great earnings, so I had to find another job. I was lucky enough to find work in the same office as Tim Hodges The Vincit Group's Investor Relations Director . We got talking and became friends. After a year of being in the same office with Tim I became really interested in property and what could be achieved. He started giving me some tips. Then he told me about the workshop that he was doing in January, and I jumped at the chance to learn more.

My learning curve was steep, to say the least, but the last 8-9 months has been amazing. My life has completely changed - I am now surrounded by likeminded people, sharing challenges and supporting each other. I think that's a very

important part of being an effective sourcer - surrounding yourself with people that motivate and support you, because it can be tough.

FIND SOURCING STRATEGIES THAT SUIT YOUR PERSONALITY

It's important to understand the best sourcing strategies to suit your personality. For example, if you are an extrovert and a people person, you will be good at walking the streets, knocking on doors, talking to people and networking. But, if you're a more introverted person then maybe you are better suited to looking online and number crunching. Look online for your own learning type and work with it. It's really useful and will help you in the long run.

Once you find your couple of strategies that match your personality, the name of the game is consistency. Implement them for long enough and you will get results. For example, for the Hoxton deal, I had 2 strategies. I had strict weekly goals, like identifying 3 or 4 sites and finding out all the details. Plus, I identified 35 agents around my area, who I went to see consistently every week.

FIND SOME COMMON GROUND WITH YOUR AGENTS

Relationships are key to the running of any business, and ours is no different. Find some common ground.

The agent I work best with has a background in music too, so we get along great, which makes doing deals together easier. You need to show them that you're reliable as well as transparent. It's all about being professional, consistent, and having a good relationship.

YOU HAVE TO DO A LOT OF GROUNDWORK, BUT IF YOU DO IT RIGHT, IT

CAN BE WELL WORTH IT

"The name of the

game is consistency

and having good

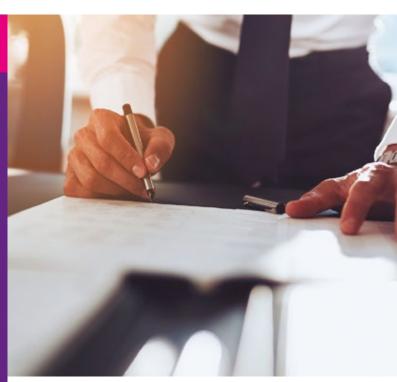
relationships"

Finding the property can be tough and you have to put in the legwork, but once you find the right one you don't need to spend too long doing the DD to know it's a deal. On the Hoxton property it only took me 10 hours from the minute I got the lead to complete all the due diligence and put the offer in. 10 hours to make £60,000!! Wow!

Of course, before I found that deal a lot of work went into the search too – I had seen 18 agents before I stumbled across the right agent and this deal. It was the 18th agent I went to talk to. He was the right one because we had the interest in common. Because we had a shared interest in music we got along really well. This made way for him to think about me to seal the deal.

Advice for how to make it work

- Get ready for a really steep learning curve and enjoy every minute
- Surround yourself with likeminded people to motivate and support you
- Understand the sourcing strategies that best suit your personality & implement them
- Set weekly goals according to your strategies & be consistent
- Build great relationships with your agents find some common ground
- Know your area inside out
- Know your numbers & have the right spreadsheets that include every little cost
- Work with people more experienced than you, who you can learn from and make money together
- Get out there & get sourcing.



KNOW YOUR AREA

I saw the potential in the property straight away, because I know the local area. It's a well-connected site with good transport links. It's a really, really, trendy area and demand is high, so I knew resale wouldn't be problem. It was within our criteria. We were looking for developments up to £5million, and this was £4million. It had huge potential to develop - a parking lot on the side which through my due diligence I found out it was a site that was bombed during World War II. Planning wise that's a very good thing.

The nearby area has been regenerated and just over the road a development has received

planning to knock down and build up as high as we want to go (with the additional floor). We are actually hoping we might be able to go up another half floor, which will increase profits even more.

VALUATION & WORKING WITH OTHERS TO GET THE RIGHT VALUATION

Initially we valued the development using our own DD. A lot of research is involved in a project like this,

and at first we valued it at a lot less than £4million. Then through joining forces with our jv partners who have more experience in these kinds of projects, we soon learned that there were greater possibilities. He has a lot of high-end commercial tenants, like Superdrug and other high street chains, and he instantly saw that the commercial value could be a lot higher than we'd anticipated. The property also has C3 residential upstairs space, which automatically gives much more value to the premises.

That made a big difference to the solid offer we were able to put forward to get the development taken off the market.

"Surround yourself with people that motivate and support you"

Back to Prab:

SOURCERS FEES

One of the things that we at The Vincit Group pride ourselves on, is that we work uniquely with our sourcers. Some work on commission only, which is generally 1 to 2% of a deal. But with Alex (and some other sourcers) we work differently. For us it's really important to find out what people want, whether that's an investor, or a sourcer. There's no hard and fast rule.

BESPOKE WIN-WIN SOLUTIONS FOR SOURCERS

We always have a win-win relationship. With Alex we've created a bespoke solution that meets his needs on a monthly basis. We did this so that he could leave his job and come and work with us full-time. He also has the upside of being able to earn commissions on deals. It's a double win-win. It gives him the peace of mind that his bottom line is covered while he's with us and also that he knows if he sources the right deals he's got a very good incentive to do so because he's going to get an additional commission. We have also sent him on a planning training course, to help with future deals.

Some people want to come in on the deal too, for example Alex made £60,000 commission on this deal and he has decided to reinvest it in the deal. So, not only is he getting commission from it, his commission is going to earn him even more money. A true win-win solution!

It is clear to see that Prab and his team at The Vincit Group have property sourcing covered. With the help of Alex and other sourcers who they trained themselves, The Vincit Group are able to source the kind of properties that match

their criteria to the letter, leading to better projects and higher returns.

If you are interested in speaking to Prab, Alex or anyone in our team about anything you have read in this article then please use the details below.

Now listen in full to Prab talking about successful sourcing

http://bit.ly/2aJyK4W



Contact details

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Alex Vesco	07429 349303	alex@vincitgroup.co.uk	Large development projects / house conversion
Thierry Lemaire	07903 017126	thierry@vincitgroup.co.uk	BMV single units
Tim Hodges	07788 751845	tim@vincitgroup.co.uk	Funds to invest
Harinder Paul	07973 641917	harinder@vincitgroup.co.uk	Speaking engagements

GOING WHERE OTHER INVESTORS FEAR TO TREAD

Developer-turued-Trader Richard Takes Massive Action!

ichard Greenland has contributed to many YPN articles in the past and will be a well-known face to many long-term readers. He last appeared in a feature on loft conversions in May 2014. Over the past two to three years however, he has undergone a major transformation and made one of the biggest property about turns we have ever seen! After years of hands-on work on development projects and BTL, he has shifted focus to property trading as a primary strategy – and never looked back. That shift led to co-founding the UK Property Traders network.

Fond of a challenge, Richard has taken on a couple of substantial deals that would terrify most investors, so we were keen to find out what has been happening in 2015.

THE TRANSFORMATION

YPN: As a trader, your focus has changed dramatically from acquiring long term cash-flowing assets to more immediate short term cash generation. What was the reason for that switch?

Richard (RG): In the past I found that I had a lot of property knowledge but had been unable to put it into practice. Over the last three years or so, I've found my mojo and the trading strategy is working really well. Previously I was more interested in passive cash flow; trading is much more active, but generates large profits quicker than building a BTL portfolio.

YPN: Are cash-generation strategies more popular as the market has changed?

LOCATION: Bristol

INVESTMENT
STRATEGY: Trading

2015 ACHIEVEMENTS:

- Brought two major deals to fruition
- Co-founded the UK Property Traders
 Facebook group and forum



RG: I think this has happened since the market has picked up. The Bristol market saw a sudden change at the beginning of 2013 and has since gone crazy – that's a good time to trade. I tend to be contrarian, so for me buying to hold is less attractive as prices rise. Values are currently higher than the historical average by some margin so an asset could be overvalued and I wouldn't want to be holding a lot of stock if the market catches a cold. So I buy to flip quickly and get the benefit of uplift in a rising market. Some think that contrarian investing and going in the opposite direction to the masses is brave but to me it's obvious.

YPN: Finding deals in a fast moving market is challenging.

Are people kidding themselves if they are trying to make a profit on small "vanilla" refurbishment projects?

RG: Those have been increasingly hard to find since January 2013

when it all changed. People are desperate to pile in and buy while they can, so compete for properties previously left to investors. It is much harder to make a profit. In a market like this, you need to cast your net wider over a bigger geographical area, and/or be prepared to take on what most people won't – the projects that are too big, complicated or difficult. The hotel I bought in Torquay fits into this category (see **Case Study #1**).

YPN: Bigger trades are good for getting money into the bank but don't provide ongoing cash flow to pay the bills. Do you work on faster turnaround projects at the same time to generate cash flow?

RG: I'm always on the lookout for those but they have got harder to find. Pay days tend to be big when they come but the last one was back in April/May. I can live with that but another one soon would be nice!



YPN: Could you have taken on the hotel without your construction background and expertise?

RG: It would have been more difficult. In this instance there was no time to get a builder out. I had to appraise the costs quickly, and experience meant I could estimate a construction cost of around £40,000-£45,000 per unit and 10%-15% for holding and transaction costs, etc., and come to a quick decision.

YPN: This is a big deal by anyone's standards, potentially overwhelming for many in terms of finance, practicality and fear. How did you overcome that?

RG: That's one of the great advantages of this type of deal. The £250,000 stamp duty threshold was still in place when I bought it and that formed a natural barrier for many. Opportunities therefore opened up for properties between £300,000 and a few £million. These figures are too big for most investors but nowhere near big enough for the institutional developers. Funding them is not that hard if you have a list of investors who want to work with you, but you must have a provable track record.

YPN: How do business partners deal with the risks in these types of properties, particularly with situations like you had on Yew Tree Farm (see Case Study #2)?

RG: I have done JV's with several people because I don't like relying on one partner. I worked with Glenn Armstrong on this because he is not fazed by this sort of situation. When I work with others, we learn and benefit from each other's experience.

YPN: How do you protect yourself so that you are able to exit the deal?

RG: I have a good network that includes people interested in buying me out of projects. When I work with Glenn, he also has investors who want to get involved. On smaller projects I position myself in the middle: people bring me the deals, I have access

"I have done JV's with several people because I dont like relying on one partner"

to people with finance and make a profit in the middle. However, another mind and pair of eyes is needed for the bigger, more complicated projects.

YPN: Can people truly work in isolation in property, without a network?

RG: It is possible and many are successful, but the ones who are really successful leverage other people's time and expertise, not just money. Many talk about JV's as leveraging other people's money, but that misses a point. Leveraging their time, expertise and network is the biggest thing – that's how you truly grow your business.

I think it was Steve Jobs who said there are two things to remember if you want to do well: 1) be passionate about what you do, and 2) become a great talent scout. Bring in others who complement your skillset. For example, if (like me) you are a big picture person who gets frustrated or bored by an excess of detail, find someone who is good at the details.

CASE STUDY 1

YEW TREE FARM, FELTON

This deal would probably have frightened off most people but was perfect for me. The property consisted of one-and-a-half acres with eight houses. The owners had received an offer for £2.3m in 2007 but held out for £3m, then the market crashed. They were slum landlords: the houses had each been divided into three-four units of what were little more than rabbit hutches, to house LHA tenants. The buildings were in poor condition and some were uninhabitable. Most of the tenants had left, so the owners were no longer able to pay the mortgage and HSBC were forcing the sale.

I found the property as an unsold lot on the EIG web site. It had gone to auction three times but remained unsold. The auctioneer explained the background: the sellers were vehemently resisting the sale, refusing access and threatening people during viewings. In addition, the site was filled with rubbish and worse.

I made several abortive attempts to view, but eventually got access to all the buildings except one that was still occupied by two undesirable and very threatening characters related to the owners. I estimated the costs and decided to proceed.

Purchase price: £950,000Estimated costs: £228,000

GDV £2.3m without additional planning, a lot more with!







2016

YPN: Do you find it difficult to make plans and set goals with the trading strategy?

RG: It's impossible to plan as it is an opportunist strategy, but I have goals that I want to achieve. At the beginning of 2013, I set a goal to be a cash and equity millionaire within five years, the reason being that my wife, who is a psychotherapist, and I want to set up a retreat centre. When you have something in mind, you know what you need to do to get there. That means I concentrate on making big lumps of cash, not cash flow.

At the moment, I spend a few hours each week on the forum, but will probably delegate more of that next year to focus on trading. I have also just taken on a part-time PA to help set up proper systems because my approach is otherwise too scattergun. Having systems in place will make sure I regularly keep in contact with people to continue building relationships and maintain momentum.

CONTACT DETAILS

UK Property Traders Facebook group:

https://www.facebook.com/groups/UKProperryTraders

UK Property Traders web site, where you can also read about Richard's property deals in much more detail:

http://ukpropertytraders.co.uk/

NOW LISTEN TO THE FULL STORY OF **RICHARD'S PROJECTS**

http://bit.ly/1P7N7zi



YPN SAYS

Success, someone once said, is 10% talent and 90% perspiration. Few will argue that each of these investors has worked very hard over the past year to achieve what they have, and make 2015 a fantastic year.

You might spot some common themes, too. Having a plan is foremost. Even if your strategy is opportunistic you need to know what steps to take to reach your goal. Keeping your deal antenna active and receptive will help you stay abreast of what's going on in your market, and help you spot property opportunities that might be overlooked by others.

SO START PREPARING A **PLAN RIGHT NOW TO MAKE SURE THAT 2016 WILL BE YOUR BEST YEAR YET!**



After exchanging contracts, my business partner wanted to arrange valuations for bridging finance. Getting back into the property was extremely difficult and resulted in confrontation and the police being called.

However, we succeeded in completing. In the meantime, the two undesirable tenants declared they had a lifetime tenancy to stay in the house without paying any rent. That would have made life difficult because they created such a mess, but we were prepared to put up a barrier to separate the property. We told HSBC that we would only be prepared to hand over 50% of the funds until these people left. That seemed to motivate them and we completed with vacant possession.

Money in: £5,000 (covers various fees) Bridging finance at 70% of valuation:

£9,800,000 £9,800

Monthly bridging cost at 1% pm:

After completion, I sold my share of the property to another investor who wanted to learn about refurbishment and building. They will probably create a profit in the region of £1m each, but the project will take time and carry risk.

Gross Profit: £250k pro rata = £125,000 minus costs

£102.225 Net profit

Many would have stayed in the deal to realise a much bigger profit, but it would have taken up the best part of two years of my time and carry the risks involved in joint funding. Exiting is much lower risk and I have also negotiated an overage clause of 20% against new build on the vacant land on the site.









BACKTOBASICS: HOW TO SOURCE LIKE A PROPERTY PRO!

Set Your Sourcing Strategy to Get the Best Deals on the Block!

Property investors cannot be property investors unless they buy property. That's a fact. But to buy property as an investment, we have to find the right property and that's where things can get a bit more complicated than they are for the average man or woman on the street.

he *right* property is a matter of perspective: what's right for you might not suit me at all for any number of reasons. The key intention at the end of the day is to make money and it is that intention that leads us to treat properties as deals, commodities to assess according to the type of money we want to make (cash flow or capital), and how much of it (measured by amount, yield or ROI).

To make that money, we have to hunt for property deals with the potential to give us what we want. There are masses of ways to source such deals – through estate agents, letting agents or commercial agents; marketing directly to vendors; trawling auction rooms; stalking Rightmove and all the other portals until the early hours; setting up a lead generation web site (and spending a fortune on Google adwords) ... the list goes on.

However, after putting in a load of marketing effort we might end up with plenty of deals – but not ones that will make us money in the way we want. The risk is that in the effort to find the perfect deal, we've spent a ton of money on marketing and have little to show for it.

"As well as an investment strategy, you need a sourcing strategy"

So... as well as an investment strategy, you need a sourcing strategy. Different sourcing strategies will suit different types of properties, but when you get it right, you could also make some serious extra money by finding deals for others or simply by selling on the ones that don't suit your investment strategy.

And that long preamble brings us to the purpose of this article.

Prab Paul and Thierry Lemaire are two of the four people behind The Vincit Group. Between them they have sourced countless deals up and down the country, from small single let properties to multimillion pound development projects. Here, they tell us how they have honed their skills over the years and explain how to source deals *effectively*, without wasting a lot of time and money in the process.

Prab Paul

Thierry Lewaire

HOW THEY DEVELOPED SOURCING SKILLS

YPN: What sourcing methods worked for each of you when you first started out?

Prab (PP): In 2006-07 when I started, many investors were leafleting and marketing online to get directly to vendors. I adopted both methods, distributing 10,000 leaflets pw in my local area as well as doing pay-per-click advertising on Google. It was a powerful start and the properties I found as a result created a strong foundation.

Thierry (TL): I started in 2003 while still working full-time. I chose my location carefully, then visited all the agents in the town until I had a shortlisted a handful I knew I could work with. That brought my first few deals but things weren't happening quickly enough, so I started leafleting and newspaper advertising. I remained as a one man band until I joined forces with someone else for online marketing.

YPN: Have investors expanded their toolkit to look at a broader range of deals over the years as the financial climate has changed?

TL: Yes, but I also think we have to pay more attention to what the owner wants and find more creative ways to make things work. Changes to regulations and so on bring challenges so we have to adapt.

YPN: What has been the key to your success in negotiating with people both face to face and over the phone?

TL: Talk to the client and find out what they want; work out how to achieve what they want; then give it to them. There's a common saying that you have two ears and one mouth, so listen more than you talk when with vendors to really understand what they need.

YPN: What sort of deals were you looking for in the early days?

PP: I was buying for cash flow. At the time some people were buying properties up north that could only have made around £100 pm, but without much potential for capital appreciation either. It never made sense to me to amass a huge number of properties that weren't generating great cash flow. I bought a few outside London but maximising cash flow was key so I let go of deals that didn't have the right cash flow.

Example: I converted a property on the Isle of Wight into four flats. As a single building it would have made £600-£700 pm, but as four flats it generated over £1,800 pm.

Back then, when I found a deal I was mainly concerned about getting it but over the years I have learned to listen to what the seller wants to achieve. You have to find a solution for them, otherwise there's no deal.

YPN: Is that true for bigger properties as well?

TL: Definitely. Even with commercial buildings there will be a reason why the vendor is selling, and you have to be able to adapt.

Example: We bought a commercial property from a seller who was 70 years old. He wanted to retire, but do so slowly. Our solution was to purchase his shop and lease it back to him. That flexibility was the reason that we, rather than someone else, got the deal and it was great for us too, because we were able to apply for planning while he was still paying rent.



CASE STUDY #1

Ilford

This was a great example of an on-market deal, but it was 'out of sight and out of mind' until spotted on a drive-by.

The property was originally a 3-bed house with a garage, but we saw that the garage could be knocked down to make way for further development. We created four flats in total:

- 2 x 1-bed new builds in the space previously occupied by the garage
- 1 x 3-bed on the first floor of the house
- 1 x 2-bed on the ground floor the house.
- The four flats are let and generate a combined gross rental income of £4,100.

Walking around your local area will enable you to spot opportunities that you would never see while driving. Take different routes so that you get to see as many streets as possible.

Purchase price: £249,950
 Development costs: £145,000
 Finance and exit costs: £30,000

Individual end values...

• 2 x 1-bed new build

flats @ £150,000 each: £300,000
2-bed flat: £175,000
3-bed flat: £200,000
GDV: £675,000
Total profit: £250,000

YPN: How have your sourcing techniques changed since you started?

TL: Through The Vincit Group, we are working with sourcers, so whereas I used to make all the calls, meet sellers and close the deals, my role now is managing, mentoring and supporting people working with us

PP: As recession kicked in in 2008, I spent £1,500-£2,000 pm on marketing for about six months without getting any deals, so it was time to find alternative ways of sourcing.

My next strategy was to buy at auction. I was still buying for cash flow but, because I was buying in London, started to run out of money as I couldn't refinance my funds back out. So I started to look instead for properties that could be developed and refinanced but even that proved a challenge in London so I shifted focus to Leeds. Values were much lower there: sometimes I could buy below £50,000 and create a 7-bedroom House in Multiple Occupation (HMO) with a cash flow of over £2,000 pm. That meant I could pull all my money out.

YPN: Is that still possible in today's market?

PP: Absolutely. It's all about adding value. The worse the condition, the better it was for me because I wanted to buy as cheaply as possible. The more value you can add, the greater the investment value.

For HMOs that means commercial valuations and using commercial or specialist lenders. Some lenders might not value as highly as they used to, but by adding value you are increasing the gross development value (GDV).

You have to become much more effective about what you're sourcing and how you do it. If you can find the right type of property, you can add value and enhance the GDV.

Example: We recently bought a flat in London for £500,000 where we can create another flat in the loft, which will be worth a further £500,000. After splitting the titles and refinancing the flats, we will be able to get all our money out.

"It's all about adding value. The worse the condition, the better it was for me because I wanted to buy as cheaply as possible"

FINDING OFF-MARKET DEALS

YPN: You leverage your time better on larger transactions; they are also less competitive as they are more difficult to finance. Was competition at the lower end one of the reasons for moving up the deal chain?

TL: Yes. There is still competition though and you see people chasing bargains at

auctions. We tend to focus on off-market deals because if you can talk to a seller directly, or to the agent before a property goes on the market, you have far less competition and so a higher chance of bringing it to completion.

But there are other ways of sourcing off-market properties. One of the easiest is 'street walking', looking at the buildings around you wherever you are. You might notice 'air space' – the gaps between buildings, corner plots, houses without loft conversions in a street where several have been done, derelict buildings or land, commercial premises, etc.



Networking and telling everybody what you do is also important, as that has brought us several deals over the years.

YPN: How do you approach the owners of a property that you spot? Is it a matter of cold calling, knocking on the door?

PP: People have different skillsets and the thought of knocking on doors would make some run a mile. Thierry described an offline strategy above, which is great for people who like to engage with others, but there are online methods as well. If you have a different skillset to that needed for cold calling, consider working with someone who has complementary skills. There are people who love knocking on doors, and people who love researching online. Bring those two together and you can find property deals that way, often unearthing a better solution than you would as individuals.

PRAB AND THIERRY'S TOP TIPS FOR EXCEPTIONAL SOURCING

- Have a sourcing strategy that suits your investment strategy. Stick to one or two methods, for example, creating a relationship with agents or street-walking to find commercial premises.
- Do thorough due diligence. Work out the numbers in detail in accordance with your exit strategy. This is the analysis stage where you work out whether it really is a deal or not.
- LISTEN. Find out what sellers want. When you genuinely try to get to a solution that works for everybody, more often than not you come up with one that neither party has thought of. Only when you have a solution can you close the deal.

EXAMPLE: We looked at a probate sale property in Clapton last year. The deceased's brother had lived there for years and was worried about leaving and having to hunt for another place to live as he'd been there so long. People assume they will have to leave when a property is sold, but by listening, we found another solution – to buy the house only when he was ready to leave and help him find somewhere else in the meantime, because we had the expertise to offer that.

- PRACTICE!
- BE DETACHED. So-called traditional sales techniques, often associated with the corporate world, are about manipulating and cajoling to influence people in a certain way. That's against the grain of our way of working.
- Consider working with people who have complementary skills.
- GIVE YOUR STRATEGY A CHANCE stick with it to make it work.
- Have a supportive peer group around you.

"In property, there are plenty of people willing to help and YPN, where people share information and what they've learned, is an example of that"

We held a sourcing workshop in January and now have over 20 sourcers all over London who work closely with us. Some are happy to knock on doors, while others work online. We align with those who don't like approaching people directly through a JV structure, and talk to owners on their behalf.

The Importance of Staying Power

YPN: What common mistakes do people make when they start trying to source deals?

PP: One of the main ones is not sticking with it. Some people, particularly those who are entrepreneurial, are natural 'starters' – they start off, then when the venture doesn't work right away, keep switching and trying different things. I've been prone to this, but nothing is going to land in your lap. You have to work at it, spend time and effort learning the business. You can't succeed in anything until you've done it for at least a year and some start-ups take three years just to get your money back. This point is just as important for people switching strategies: I went from buying for cash flow to buying to sell, and it was like learning a whole new business – which, in reality, it is.

Hang out with people who know what they are doing, and have a peer group that can support you emotionally and in terms of skill set. In property, there are plenty of people willing to help and YPN, where people share information and what they've learned, is an example of that. You have a much better chance of succeeding if you mix with people who are willing to contribute and help.

In addition, laser sharp focus will help you perfect your strategy. That has been particularly true for the four of us in The Vincit Group, we operate very differently to how we did before.

The key for any sourcer is finding a solution. If you're trying to argue your case, you're probably looking at it only from your own perspective. Stay detached. If you're chasing a deal (or anything for that matter) then by definition your object is running away from you. Sometimes we let deals go because they don't work for everyone. If you subscribe to and practise the law of abundance, you will be confident that plenty of others will come along. Be committed to making a deal happen – but not at someone else's expense.

Work to Your Strengths

YPN: Do you have overlapping skill sets or each have distinct roles within the business?

PP: You have to have complementary skills in business otherwise you'll probably take more steps back than you do forward. I came to understand my strengths and weaknesses over the years but kept trying to develop the weaknesses before realising it's much more powerful to work to your strengths and use other people's skills to support your weaknesses.

CASE STUDY #2

Hayes

This deal, a 2-bed first floor maisonette, was spotted when 'street walking'. There appeared to be a tiny notice outside the first floor window and the sourcer, on closer inspection, saw that it read For Sale. Not only was the sign very small, but also the ink had run so it was extremely difficult to read what it said from the pavement.

The sourcer knocked on the door right away and fortunately the owner answered. As they got talking, the owner explained that he didn't trust estate agents and was only interested in sensible cash offers. He also realised that the property wouldn't be mortgageable, partly because of the interior and partly because the lease only had another 50 years to run. It required a full refurbishment and lease extension to 99 years. His bottom price was £140,000 and he wanted an answer within 48 hours.

We immediately saw the potential to sell this at auction because prices in the area were still going up and stock was in short supply. In the end, we offered more because the lease extension costs were not as high as we initially thought. We hurried through that lease extension process with the sole purpose of placing the property in the February auction. It had 28 viewings and 25 legal packs were downloaded, which was a strong indicator that demand was high.















This particular transaction emphasises how investors should always be on the look-out for tell-tale signs of opportunities that would normally be overlooked. If our sourcer had not crossed the street to see what was on the sign, we would never have got this deal.

Purchase price: £147,000

Lease extension: £30,000

Development costs: £0

Purchase, finance

and exit costs: £15,165

Auction guide price: £199,000

Sale price: £260,000

Total profits: £67,835

Some readers might have heard of the Wealth Dynamics wealth-builder profiles. In The Vincit Group, we have complementary skills. My profile is that of Creator/Star. The Star loves being 'out there', in front of the room, speaking in public, creating relationships and so on, while the Creator has vision. However, I could never finish what I start - working on my own, I'd have great ideas that would never go anywhere. Thierry has a Supporter/ Lord profile; he has become the backbone of the business, while our other partner Tim Hodges's profile is that of Dealer/Trader. My brother Harinder has just joined us as managing director and he has a great ability to direct us all.

Finding people with complementary skills is important but can take time. Start by evaluating your strengths and weaknesses, and putting together the big picture of where you want to get to, a bit like a jigsaw. Then you can identify the individual pieces - the different skillsets - that need to come together to create that picture.

CONTACT DETAILS

If you are interested in working with The Vincit Group as a sourcer, contact Thierry via email, Thierry@VincitGroup.co.uk, or call him on 07903 017 126.

NOW LISTEN TO THE AUDIO IN FULL

http://bit.ly/24LEiRM



YPN SAYS

Sometimes finding property really can be as simple as walking the streets and getting to know your area intimately. You'll get to know what's good, what's bad, what's changing ... and also spot potential opportunities. Not least because you will have a much better idea of what that opportunity could be used for than someone who doesn't know the area so well.

What has been evident in talking to Prab and Thierry is that having a strategy for sourcing property is just as important as having one for investing. In that regard, you might choose to be a passive buyer by working with someone else who tracks down the opportunities, or an active sourcer who goes out and does the field work and negotiations. There are numerous sourcing strategies and when you start, some of them, like working with estate or letting agents, might be more obvious than methods like cold-calling and chatting to neighbours of empty properties. But as your hone your skills and your 'nose' for deals, you'll find a way that works for you.

Sourcing is definitely an area where teamwork can make a big difference, as people with great interpersonal skills might be less inclined to do the desk research - and vice versa - so there is a great opportunity to leverage other people who have complementary skills to you.

Whichever method you adopt, remember that practice makes perfect!





CASE STUDY #3

East Loudou

This is another deal that would not have happened had further digging not been done.

The property is a commercial block that had once been four residential houses. Although it had been closed for years, the agent had not marketed it for a very long time and the For Sale sign was old.

By making a few enquiries with neighbours, we were able to make contact with the owner, who it turned out had owned it for over 20 years. Planning had already been granted for nine flats, but we believed there was definitely further potential. The reason it hadn't been heavily marketed was that money was not a challenge for the owner and so the property was barely on his radar...

After speaking with him we were able to agree a long completion, which has given us time to find out whether we can get enhanced planning on the site.

As this property was not being marketed properly - consequently it was not really onmarket - it might never have been found without knowing and exploring the area. Once again, it reinforces the case for getting out there and seeing what is around.

These figures are based on the original planning permission for nine flats - 6 x 1-bed and 3 x 2-bed.

Purchase price: £800,000 Purchase and exit costs: £121,960 Finance costs: £56,351 **Development costs:** £684,800

GDV: £2,100,000 £436,889

Total profits:

What - No Deals?!

"There are no deals in my area - they just don't exist ..."



Dear Arsh

I read your last article 'The Art of Trading' with great interest. I am new to this sort of thing and looking to get into deal sourcing and trading. How do I get started? Where can I start finding deals?

I really hope you can help.

Mrs Bluut - Keut

Thank you for getting in touch, Mrs Blunt. It's a great question and one that I get asked many times. But the answer I give isn't what people generally expect.

Whenever I question people about their reason for not being able to source deals, these are the common answers I often hear:

- · I cannot find deals in my area.
- · Good deals do not exist here.
- Why would someone offer me their property at a discount? Why wouldn't they just put it on with an agent?

If you find yourself agreeing with any of the above, you are unfortunately talking yourself out of the game for finding deals.

Believe me when I say this, property deals are EVERYWHERE – you just have to look with your property dealing glasses on!

Whenever I speak to a vendor / owner of a property, my main objective is to just **LISTEN** for clues. I listen to everything they have to say and within that conversation, they will share their **PAIN** and **MOTIVATION**. Some vendors and owners will share their woes and worries concerning their properties.

I firmly believe that you can only start to help someone once you **UNDERSTAND** his or her reason for disposal. It could be because they are:

- Facing repossession or have financial difficulties
- Selling for family reasons
- Upscaling / downscaling
- Relocating
- Etc.

Only once I understand the circumstances can I then start to find a solution to the problem – a little 'Sherlock Holmes', if you will.

Getting back to your question, Mrs Blunt, these opportunities exist everywhere, and pain and motivation exists in every household. The majority of the information I share article comes from my 17 years' experience as a property sourcer and trader. From that experience, I have found that the best deals are in areas where the cost of living is high. This contradicts what many other property sourcers say, as they fail to find property deals in London. The way I see it is that London must have the most pain and motivation, and this is the reason why:

THE COST OF LIVING IS NEAR
ENOUGH DOUBLE WHAT IT
IS ANYWHERE ELSE IN THE
COUNTRY. WAGES, HOWEVER,
DO NOT REFLECT THIS, AND
SO DO NOT STRETCH
VERY FAR.



Some sourcers fail to find motivated sellers in London, because they believe the market is so buoyant that they cannot negotiate well enough with London homeowners and investors. But I believe the complete opposite is true, as the cost of properties is far greater and so any voids would hurt the owner a lot more than they would if the property were in Manchester for example.

Here's the mini-version of my Deal Sourcing Success Method:

STEP 1:

TARGET, TARGET, AND TARGET

Consider starting to target houses that are for sale and for rent. That might seem simple, but deal sourcing is very much a numbers game. You need to contact a lot of people to generate some deals.

How you contact them is the key to your success, and that is very much dependant on your marketing and advertising strategy. Do you:

- Put out 100,000 leaflets and use distributors for a mass canvassing campaign, hitting every house within a certain radius?
- Target the houses for sale with agents and hand write letters informing them of your interest in purchasing?
- Advertise in strategic locations, such as takeaway menus, etc?
- Target tradespeople on the basis they are working for landlords?
- Liaise with other trades such as solicitors, accountants and independent financial advisors?

There is no right or wrong answer for how to source property. I believe in getting your message out to as many

people as possible and making the phone ring. Only once you have the vendor on the phone do you have the opportunity to present the different options you can offer to help them.



STEP 2:

GET READY FOR 'RING RING' TIME

The next part of the process is to understand what to say when they call.

You need to define:



- What do you offer? For example, do you buy for cash, complete within seven days, etc, etc?
- What other services can you offer? Assisted sales, lease options, rent-to-rent, etc.

I find that what works for me is to be clear in my head about what I am offering. That gives me confidence, which in turn comes across when I speak to the vendors. My wife sometimes overhears me speaking on the phone and (on the rare occasion!) proffers a compliment on my phone manner – she says I never sound desperate for a deal, but come across as calm and rational, without being pushy. This is important. If you are likable, confident, enthusiastic and well prepared on the phone, you will be able to converse with people much more easily – otherwise you risk sounding like a sales robot.

I am a big believer that there is no such thing as a one-trick pony anymore, and that property traders must be able to look at every opportunity to assess the best outcome for all parties involved. The days where you are only able to make an offer of 25% below market value in the hope that they accept, are long gone.

STEP 3:

TO SELL OR NOT TO SELL?

After you have succeeded in acquiring the deal, you now have to decide if you want to keep it to add to your portfolio, or trade it on to generate instant cash flow. As any trader will tell you, this is the tricky bit. Do you play for short-term cash flow or long-term capital growth? I often battle with myself on this point – whether to keep deals or sell them on.

I hope that has helped you gain an insight into deal sourcing, and to dismiss some of the myths that surround this area of the business.

As you know, many property experts offer a 12-month programme (myself included). I'm sure they give great value, but you may feel they are not right for you because you don't want to sign up for 12 months, or you don't want to travel for mentorship.

IF YOU'RE LOOKING FOR 1-2-1 HELP FROM A PROPERTY EXPERT WITHOUT A 12-MONTH COMMITMENT, THEN YOU'LL LOVE THE ONE-HOUR COACH.

This is simply a one-hour call with me - a 17-year property veteran who has earned his scars, and who will show you how to avoid costly mistakes in your property journey and provide answers to the property queries that have been baffling you.

For more info and to book your one-hour coaching session with me, go to **Bit.ly/1-HourCoach**

As ever, you can connect with me on my social feeds by finding me on:

Facebook, Twitter, Linkedin & Youtube

Finally, to get access to all my updates and whereabouts, please sign up to my weekly newsletter at www.arshellahi.com

Arsh Ellahi is the author of "Boom, Bust and Back Again: A Property Investor's Survival Guide"







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