

# THE PROPERTY MILLIONAIRE'S BUY-TO-LET BLUEPRINT

The Simple, Proven Property System  
You Can Use To Get Rental Rich



THE  
**MONEY LAB**

# The Property Millionaire's Buy-To-Let Blueprint

**The Simple, Proven Property System You Can Use To Get Rental Rich**

How To Get Rental Rich: The Simple Guide To Buy-To-Let Investing	Page 3
The 4 Keys To Successful Buy-To-Let Investing	Page 10
7 Proven Steps You Can Use To Uncover The Best Buy-To-Let Investments	Page 15

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# How To Get Rental Rich: The Simple Guide To Buy-To-Let Investing

The perfect long-term investment increases in value over the long-term AND pays you an income.

Buy-to-let property can certainly tick these boxes.

It's the perfect investment.

But how can you begin building your property empire?

How can you pick the best property to buy?

And how can you finance it?

To discover the answers to these questions, and everything else you need to know to get started in the buy-to-let market, read on...

## Why Buy-To-Let Investing Is Such A Great Opportunity

It is appealing for a number of reasons...

### **Buy-To-Let Investing Benefit #1: Long-Term Capital Appreciation**

Investing in property is a well-known and fantastic long-term investment.

Over time, you should see the value of your property increase as demand grows with an increasing population.

So whilst you might be collecting rent cheques, your actual investment is growing in value at the same time!

### **Buy-To-Let Investing Benefit #2: Generates An Income**

With a tenant in place, you'll have rent rolling in each month.

You can use this cash to cover the financing of your property, or once you pay off the bond, use it to live off or invest in other properties.

Rolling your rental into other properties simply shortens the time you spend paying off interest, allowing you to pay less and to pay it off quicker.



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If you invest this way in multiple properties you could see yourself adding 10, 15 or even 20 properties to your portfolio within a two-decade period.

Now that's smart investing!

### **Buy-To-Let Investing Benefit #3: You Can Pass It On To Your Kids**

Investing in buy-to-let property is a great way to build your family's wealth.

You could leave property to your heirs, ensuring they have an investment that will continue to reward them.

This benefits them in two ways.

Firstly, the potential monthly income, and secondly the property value as a whole.

### **Buy-To-Let Investing Benefit #4: Tax**

Whilst the income you generate from your property is taxable, you can write off expenses against this income.

For investors with a number of properties, this can become a great way to pay less tax over the long run.

To ensure you're doing this in the most efficient way possible, consult a tax practitioner.

### **Buy-To-Let Investing Benefit #5: Other People Pay Off Your Property for You**

Other people's money (OPM) is one of the most powerful ways to purchase property.

It's a great leverage technique where you borrow a smaller amount of money to gain control over a property that generates a consistent return all the while you don't need to have millions in your back pocket.

To put it simply, it's the act of purchasing a property (IE getting a loan), and then getting tenants to pay that loan off for you.

My favourite part is that the more OPM you use, the higher your return will be!

## **How To Find The Best Rental Properties Waiting To Pay You!**

The most important thing to consider is buying in an area where there's good demand for rental property.

To ensure you make the best investment, follow these rules...

### **Buy-To-Let Investing Rule #1: Research, Research, Research**

This is so crucial in helping you decide the best location and property to buy.



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If you have friends or acquaintances that already own buy-to-let property, speak to them about their experiences.

Speak to local letting agents to find out where they are seeing strong demand. This will help you to hone in on the right areas.

Location is obviously a prime consideration. Potential tenants want decent commuter links, amenities and perhaps good schools too, depending on whether they have children or not.

You need to work out what your target tenant wants in a property.

You also want to get friendly with an estate agent or two, and explain to them what you're trying to achieve.

With the chance of making money out of a sale, they'll be more than willing to help you, plus you can benefit from their inside knowledge of the business.

You also need to decide what sort of property to buy.

For instance, are you planning on investing in smaller properties, like townhouses and apartments in a complex, or a standalone house?

There may be higher demand for smaller properties, and you could make your money go further and invest in more than one.

But bigger properties also have their benefits too.

Again, letting agents can help you to find this all out and assist when making a decision.

### **Buy-To-Let Investing Rule #2: Sort Your Finances Out**

Buying property can sometimes require substantial capital.

Unless you have access to a large sum in the bank, chances are you're going to need a home loan or some other creative method to finance your deal.

Before you consider putting an offer in for a property, ensure you speak to a bond originator first.

They'll find out how much money you can access through a loan.

Ensure that you have a good credit rating before you begin, as without this you'll struggle to borrow the money you need.

So check out your credit score.

And don't forget, you can get one credit report free of charge each year from most of the major credit bureaus.

If your rating is poor, make improving this your first step or look into other creative finance methods.



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### **Buy-To-Let Investing Rule #3: Do The Math**

Once you have your eye on a few properties, look at the likely rent you'll get.

This will help you work out the best investment for you.

You want your rent, at the very least, to cover your costs.

Don't forget to include maintenance costs too.

## **How Much Do You Need To Invest In Rental Properties?**

This is very much dependent on your financial position, the property you buy, and the finance arrangements you secure with your bond provider.

Chances are you'll need a deposit, which will be a percentage of the property price.

One way to approach this is to focus on new developments.

You can secure a property in a new development with a small deposit, starting from around R10,000.

Once the property is ready to live in, if you have a tenant lined up, you can immediately use this income to cover the impending bond repayments.

Plus, by buying a new property, you won't have any maintenance to do for at least the first few years.

Painting, re-carpeting, new fencing and all that stuff eats away into your profit – Never forget that (no matter how small they might seem).

If you're re-painting every year for example, chances are you're not making money, and in actual fact you're more than likely in the red.

## **Money-Making Property Investors Have A Power Team Behind Them**

Chances are you're going to need some help along the way.

This is where the property professionals come in...

### **Property Professional #1: Estate Agent**

An estate agent can be so useful in helping you find the best rental properties for your budget.



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As well as guiding you through what's available on the market, they may also know where the new developments are.

Some even get inside information or even have fantastic relationships you can leverage in order to get to certain properties or developments before other investors.

Don't be afraid to push on price, or leverage your relationship, it could very well score you a property that makes you money from day one!

### **Property Professional #2: Letting Agent**

How hands on do you want to be with your property?

If you don't have much time, then a letting agent is what you need.

Letting agents can take care of:

- Contracts
- Advertising for and screening of tenants
- Deposits and rent
- Any problems tenants have
- Maintenance of your property

Speak to other landlords to find out the best letting agents in your area or look for reviews online.

You want great service along with reasonable fees, and ultimately someone you can trust (so you can focus on other things).

### **Property Professional #3: Handyman**

If you decide to take care of the maintenance yourself, it makes sense to have someone on call to help you out.

For instance, you may want to give the property a quick lick of paint when tenants move out before new ones move in.

Or you may want someone to help rectify any issues that a tenant has.

This can sometimes eat into your time and pocket, and a handyman (with solid experience) can alleviate these stresses.

## **The Four Tenant Hacks No Rental Investor Should Be Without**

Happy tenants are crucial to making buy-to-let investing work for you.

And happy tenants tend to stay longer too, which is good news for you (and your bottom line).

Here's how to keep yours happy in four simple steps...



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### **Tenant Hack #1: Deal With Issues Promptly**

It's essential you deal with any issues as quickly as possible.

If you won't be able to do this, ensure you employ a letting agent who can do this on your behalf.

Relationships are half the battle when it comes to tenants, so making sure you're on a positive footing can actually go a long way further down the line.

### **Tenant Hack #2: Be Transparent**

To avoid any issues down the road, ensure your tenants know the dos and don'ts of your property.

For instance, can they...

- Have pets?
- Hang items on the walls?
- Decorate the property?

By having clearly defined rules for your property, your tenant will know exactly where they stand.

This is where a good contract comes in.

It doesn't have to be an intense 437-page novel, but it needs to clearly cover a few base rules.

### **Tenant Hack #3: Respect Your Tenant's Privacy**

If you plan to go to the property, ensure you give your tenants advanced notice.

You don't want your tenants thinking you're spying on them or worse yet dropping in unannounced.

It's all about communication, the more open the better.

Start a Whatsapp group, or chat via email – But whatever you choose to do make sure to speak to your tenant before “just popping around”.

### **Tenant Hack #4: Go The Extra Mile**

When new tenants move into your property, consider leaving them a welcome gift.

You could also pop in a Christmas card, send birthday messages or even just a quick message to say “have a great weekend” when the rent clears.

Uncapped internet, DStv, a maid or garden service thrown in all really sweeten the deal.

And sometimes these “deal sweeteners” actually go a long way in finding tenant faster (and indirectly help you pay off your bond on the property).





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## **Whatever You Do, Don't Make This Buy-To-Let Blunder!**

With the financial commitment required, I can't stress how important it is that you do your research and thoroughly understand what you're doing.

Renting out property can be a great investment, but you don't want to take on unnecessary financial pressures or risks.

This is why it's so vital to research and know your market.

You want to invest in property that you'll have no problems letting out.

Imagine going a few months without rent? The very rent you counted on to pay your bond...

It can happen, especially if you don't cross all your T's and dot your I's.

At the end of the day, you still have to pay your bond repayments, regardless of whether you have a tenant in place or not.

A well-researched purchase will literally pay off as you see the rent coming in each month and watch the value of your property rise.

## **How To Get Rental Rich Through Buy-To-Let Investing**

There are many ways to invest in property...

But one of the most popular in South Africa is rental investing, IE buy-to-let properties.

It's a great way to get other people to build your wealth, it generates an income, can offer solid tax incentives and can be a safer investment than other avenues like stocks.

If you make sure you find the right property, do your homework, and surround yourself with a power property team, you'll unearth properties just waiting to pay you!

And don't forget, tenants are people too, and if you treat them as such, they'll stick around longer and fund your wealth in the process.

It's really that simple...

Now that you're familiar with buy-to-let investing, simply head on over to the next chapter and I'll show you the four keys to successful buy-to-let investing!



# The 4 Keys To Successful Buy-To-Let Investing

Have you considered how you'd like to make money from the property market?

There are many ways to make money from property.

Naturally some are better than others, and have more chance of making you a bigger profit.

That's why today I want to introduce you to one of the most popular retail property investing strategies used the world over.

In fact, using this strategy you could even get someone else to pay for your property!

How does it work?

Let me show you...

## How To Get Someone Else To Pay For Your Property

It all starts with something called a buy-to-let.

It's pretty straight forward and easy to understand.

A 'buy-to-let' is a professional investor term for an owned property that is rented out on one lease agreement.

Therefore, it doesn't matter if the property is a 1-bedroom, 3-bedroom or even a 5-bedroom house with 5 separate individuals...

If there is one lease agreement it constitutes a buy-to-let scenario.

But how do you find the right buy-to-let investment?

Let me show you the 4 key areas to making a successful buy-to-let investment.

## 4 Steps To Profitable Buy-To- Let Investing

### **Buy-To-Let Step #1: Positive Cash Flow**

The most important question you can ask yourself when investing in a buy-to-let is, will I make money from this property from day one?



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If the answer is no, then move on to the next property until you find that positive cash-flow from day one.

The next obvious question then is how do you know if your property will be positive cash-flow from day one?

The calculation is pretty simple.

You take the income you'll receive from the rent, and then deduct the costs incurred by the property (which includes; bonds, management fees, levies, rates and taxes...).

Let's run through a quick example:

Imagine you're receiving R7 000 per month rent.

Your bond costs R5 500 per month.

Your levies are R1 000 per month.

Rates and taxes adds up to R350 per month.

And lastly there's R700 for management fees (which is calculated on 10% of your rental income – which ensures you are being clever with your tax).

Therefore, your income is R7,000 and your total expenses are R7,550, which means that at the end of every month you are putting R550 into your property.

This is not a cash-flow positive scenario and something that professional property investors wouldn't invest in.

## **Buy-To-Let Step #2: The Strategy**

As it says in the world-famous book, '*The 7 Habits of Highly Effective People*', you must always begin with the end in mind.

What is the result or outcome that you want?

Your next step is to decide what approach you are going to take to get there, that is your strategy.

For example, if your strategy is to build your passive income through properties, then buy-to-let's are incredibly useful and favored by many professional investors.

However, if you don't have access to a large portion of funding, investing in a buy-to-let will tie up your cash.

In that case you may be more interested in flipping houses for a profit, to build enough capital or even a nest egg.

For the buy-to-let strategy to work you will need access to capital.



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This can be done via bank funding, bridge funding or angel funding, though it is important to have funding before you go looking for buy-to-let properties.

If you're looking for smart ways to build your buy-to-let investments using other people's money, simply read *The OPM Property Formula* included in your welcome pack!

### **Buy-To-Let Step #3: The Area**

Once you've determined that your strategy is to build your passive income through buy-to-let properties, the next thing you have to determine is the area you'll want to invest in.

Unfortunately, the South African market isn't as well suited to the buy-to-let strategy as the UK is, and this is mostly due to the interest rates offered in South Africa.

In average areas like Fourways, Randburg, Sandton, Edenvale, I find it very difficult to come across positive cash flow deals.

(And remember, if it doesn't put money into your pocket, it is not an asset, but a liability)

This isn't to say it's all doom and gloom in South Africa.

There are areas that are very well suited to the buy-to-let strategy.

One area that I've personally seen many deals that end up with positive cash-flow is the Johannesburg CBD.

You're able to pick up very reasonably priced properties, anywhere from R100k to R300k, and get rentals of anything between R3k and R6k.

Assuming a prime interest rate and realistic expenses, you could quite easily get a positive cash-flow of up to R1k per month.

As you can see, there's a lot of potential within South Africa, you just need to be careful with your area selection.

**Power Property Tip:** You only get paid if your tenant pays you, and in these low cost areas it's not uncommon to experience difficult tenants who don't pay, and who ultimately keep you stuck with a liability.

Unfortunately, the tenancy law in South Africa favors the tenant, not the land-lord.

This leads to one of the most important considerations that you as a professional property investor have to look out for.

You will need to screen every tenant, using a variety of measurements such as their credit rating and track record with previous landlords.

Luckily, if a landlord, has had a bad experience with your tenant they'll be happy to tell you about it.

Make sure you screen your tenants, because no money comes in unless they pay.



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It's very important, especially if you're new to investing, to get a partner who knows the area, the tenant landscape and the tenancy law backwards (someone like an estate agent for example).

It's a tricky landscape to navigate and you have to be very cautious on how you tread going forward.

When you've done the proper due diligence, you'll find a wealth of exciting investment opportunities in South Africa.

#### **Buy-To-Let Step #4: The Property**

Once you've determined your strategy and your area, the next consideration is to get the actual property.

This seems simple enough, though this is the place where most average investors make mistakes.

Your property will equal your biggest expense (namely your bond) and if you make a mistake with the property you're likely to lose all of your positive cash-flow.

When finding a property, you have to look at two things;

Is the property under-valued?

You have to find out what the value of the property is, and what it's on the market for.

If the property is valued at R300k by the bank and they are selling it for R400k then you are dealing with an average property owner and you should either negotiate down or move onto the next deal.

The best scenario is to find a property that is under-valued.

Which means that the bank sees it worth more than the owner does.

So, for example, the bank values the property at R300k but the owner has put it on the market for R250k.

These are cash cows and you must be quick to sign any deal because there are many professional property investors who are hungry for these kinds of deals.

Just make sure that you do your proper due diligence.

Find reputable people or companies to partner with to ensure your due diligence is accurate.

The second thing you have to look at is if there's a demand for the rental of the property.

Remember, these investments have one big risk.

If the tenant doesn't pay, you don't make money!

If there is no tenant, you also don't make money.

Again, you'll need to leverage experts on the property to ensure that once you take it over there'll be a demand to rent your property.



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If you're buying a house from a property investor, it's likely that he will already have a tenant in the property when he sells it to you, this is a golden situation.

One thing to look out for though, he may lie to you and say he is an incredible tenant because he wants to get rid of the house.

Once again, you'll need to do your own due diligence to validate what the landlord is telling you is correct.

## **How To Become A Money-Making Buy-To- Let Investor**

Property investing doesn't have to be hard.

Using my 4 keys aspects you can become a profitable property investor in the buy-to-let space.

The first and most fundamental question you must ask yourself is, will this deal make a positive cash-flow?

If not, walk away.

Don't even consider it, because if you do you will fall into the category of 'the average property investor' and never reach financial freedom.

Next you have to start with your strategy, and be honest with where you are and what you can achieve.

The area you invest in is critically important in South Africa, because good investable areas are few and far between...

But that is not to say they are not out there at all!

The next step is to get your property at the best value possible, ensuring that it is under or equivalent to what the bank values it at.

And lastly always do due diligence.

These investments are not a risky if you inspect the market carefully.

For the average investor, this is a scary and risky place, but you are not the average investor, are you?

Take this approach with you when you are ready to invest in buy-to-let's and you will not be disappointed.



# 7 Proven Steps You Can Use To Uncover The Best Buy-To-Let Investments

I don't believe in guaranteed returns.

Despite what you might read online, or what a million and one guru's might want you to believe.

What I do believe though is understanding property investment risk and probability.

That is, some rental property investments have a better chance of making you money than others.

What if I told you I had a strategy that could help you uncover the best buy-to-let investments?

7 proven steps you can use to unearth the profitable gems you've been looking for.

Read on for more...

## The Proven 7 Step Strategy That'll Accelerate Your Buy-To-Let Portfolio

It's taken me years, trial & error, and numerous investments to learn these golden investment nuggets.

And not only can you use them to minimize your risks, but you could unearth some seriously profitable rental investment opportunities.

Follow my 7-step process when looking at your next buy-to-let and you'll never look back...

### **Step #1: Do Your Due Diligence**

I can't stress the importance of doing your due diligence.

The more you know about your area, investment property and tenant demographic, the more informed the decisions you can make about the purchase of a property will be.

Every property you buy is going to have pros and cons, and you need to understand what they are.

To give you an example, depending on where I buy I may even drive past the property in the morning, at lunch time and then in the evening to see what the traffic is like.



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Is it busy or quiet?

You can also do this just get a good gut feel for the area.

These are just some of the things you can do to carry out your due diligence on a property.

### **Step #2: Invest In The Right Area**

So, you've identified that your strategy is 'Buy to Let'.

The next step in your journey is to find an area where these rental opportunities make financial sense.

We are looking for Buy-to-Lets that'll generate a positive cash flow of course.

You could research the area by speaking to the local town planners to find out what regeneration is taking place, if any.

Find what the local industry is - Are business's moving into the area or are they moving out?

A great tip I got from my coach was to go buy a map of the area and then go see 3 letting agents and tell them that you are looking to buy a 'Buy-To-Let' and may want them to manage it.

Then say "If I wanted to rent a property out straight away where should I be buying? And which streets/areas do I need to be avoiding?"

Then mark this on your map.

Speaking to people like the town planners and letting agents is a great trick to give you an indication where the good and bad areas are.

### **Step #3: Crunch Those Numbers**

This is such an important part of the investing process however you'd be surprised at how many new investors I find haven't done the math!

You need to ensure you've factored in all costs accurately and plan for any unexpected or hidden costs that might arise.

You don't want to be in a position where extra, unaccounted costs eat into your monthly cash flow.

Be crystal clear on your financial position and what cash flow your 'Buy-To-Let' will give after all your monthly expenses are deducted to see if the deal is going to work for you or not.

Make sure you go through the figures thoroughly and know your margins, if you're unsure how to do this you're more than welcome to get in touch with me.

Remember after all expenses you want to see a profit, and if you don't, don't buy the property.





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#### **Step #4: Be Realistic**

Again, this ties in all previous points of doing your due diligence, working the numbers and ensuring you're being realistic with what you're expecting for your monthly rental, as well as monthly outgoings.

Whilst a deal might seem great initially, it could change very quickly once you realize the smaller cash flow you'll get each month.

Set realistic estimates as it's best to overestimate rather than under estimate.

Don't be tempted to over inflate your figures, as this will impact your monthly cash flow.

#### **Step #5: Attract The Right Tenant**

When it comes to Buy-To-Let properties it's vital you know who your target tenant is.

Are you going to be renting to families, students, couples, blue collar or white collar tenants?

You also need to find out what the demand is for your Buy-To-Let.

Place a few adverts and see how many calls you get.

You could even speak to the local letting agents to get this information.

This'll save you a lot of time and hassle, so you need to be sure that you're very clear on this.

Is the property suitable for that area?

Is the decor right?

Is the rental price in line with the market?

These are all questions you need to ask yourself, and more importantly be able to answer.

You need to put together a profile of your target tenant and have specific criteria when selecting a tenant.

This again comes back to doing your research and doing your due diligence.

#### **Step #6: Decide Your Involvement**

It's really important that you outline your involvement with your 'Buy-To-Let' and define this at the very start.

You need to clarify if you want to be hands on with your property.

If you don't have the inclination or time to manage your tenants, you might need to consider taking on a reliable letting agency.

A good letting agent can even assist you with the full management and maintenance of your property.

They can also help you find you the appropriate tenants and take care of all your management needs to ensure your property complies with all the latest legislation, safety checks and compliance.



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### **Step #7: Have An Exit Strategy**

I personally think it's important to have at least 2 exit strategies when you buy a rental property.

What I mean is if something goes wrong in the market, or your personal situation changes, you already have a plan to get out of the deal without losing any money.

When you build a portfolio (like I have), you will come across issues from time to time with certain properties.

This is where your exit strategy comes in.

## **Follow This Process To Property Profits**

When it comes to buying rental properties there is so much more than meets the eye.

I've found that a lot of investors get so caught up in the hype of new developments that they forget to do the basics.

Remember, you need to:

- Do your due diligence
- Invest in the right area
- Crunch those numbers to ensure it's the right fit
- Be realistic in your goals and expectations
- Attract the right tenant
- Decide your level of involvement
- Have an exit strategy

We invest in property to make a profit.

So, follow my proven 7 step strategy to ensure you're buying the right property in the right area at the right price.

By doing so you'll have more chance of building a solid, profitable property portfolio.

Until then, be bold and go build that property portfolio!



Dave Johnson  
Analyst, *The SA Property Investor*  
The Money Lab



