PROPERTY STRATEGIES FOR 2018

By **Arsh Ellahi**

Hi Arsh,

I've started off 2018 really well and now I am looking at which strategies you would consider as good options for 2018.

Mr Satterwaite, Doncaster

Thank you for getting in touch, Mr Satterwaite. I am delighted 2018 is treating you well, it has certainly been a busy start for me too.

I too have this dilemma where I don't struggle as such but continuously question myself about the best strategy to employ going forward. Should I continue with just one strategy – or look at them all and not miss out on any of the opportunities?

Firstly, for readers who are not au fait with the strategies, here is a quick guide to the ins and outs.

STRATEGY 1
HMO (LONG TERM)

Pros: Good cash flow

Cons: Having to deal with several tenants in a single property

For me, HMOs are still one of the most consistent methods of creating sustainable income. As with everything, this strategy has its pros and cons but in its simplest form, it is a cash cow. Take for instance my 23-bedroom HMO in the West Midlands. This property generates in excess of £100,000 rental income pa. How many single lets would I need in order to create that same amount? In the West Midlands the average rental income for a single let is £500pcm, therefore I would need approximately 16 properties to make anywhere near that revenue. It is doesn't take a rocket scientist or property guru to realise that HMOs are still an effective property strategy

However, it's not all rainbows and butterflies with HMOs; they have their sticky points. For instance, they can be time-intensive to manage and dealing with a large group of people under a single roof carries its own issues. Be prepared to act as a social worker/referee!

STRATEGY 2
RENT-TO-RENT (SHORT-MEDIUM TERM)

Pros: Allows you to scale very quickly

Cons: Having to deal with multiple HMOs and many tenants

Ultimately, rent-to-rent is a fantastic strategy that allows a property investor to get involved in property with little or no capital. This is where an investor rents a property from the original owner and then turns the property into a HMO, simply controlling the property for the defined period of time for which they have taken the property on.

Personally, I utilise this strategy as a cash cow approach … let me explain why. I acquire properties on a R2R basis generally on a seven-year term, and within my business I retain any profits in a completely separate account. Throughout the year, this account accumulates a significant amount of money, which I then use to pay off mortgage debt on my existing property portfolio. I currently have 38 properties that I do not own but that I ultimately control, and on average each of these properties generates circa £800 pcm (which is the average a R2R should be cash flowing to make it worthwhile).

STRATEGY 3
DEAL SOURCING (SHORT TERM)

Pros: Monetise every lead

Cons: Some deals fall over, but that's life

Over the last few months, I have mentioned in several YPN articles that I believe deal sourcing is **THE** ultimate property strategy. Simply learning how to source a deal gives any property investor a head start in acquiring or controlling a property. When a lead comes your way, you can decide whether you want to keep it or, if it does not fit your portfolio or budget, package it up and sell it on. Thus allowing you to monetise every single lead that lands on your desk.

When you source the lead yourself and are in direct contact with the owner, it allows you to find the owner's **PAIN** and **MOVITATION** for selling. As a deal sourcer, ultimately you are a problem solver. Potentially you might be able to find another way of acquiring the property without having to purchase it, especially in scenarios where the property is in negative equity. There have been many occasions where I have gone in to purchase the property, but as a result of simply listening to the owner and understanding his or her circumstances, I have been able to create a better solution for that individual, perhaps by creating a rent-to-rent or lease option deal from it, resulting in a win-win for all involved.

STRATEGY 4
BLOCKS OF FLATS (MEDIUM-LONG TERM)

Pros: Multiple exits available

Cons: Can be expensive to acquire

This is a strategy that I took a keen interest in 2017. The reason why I decided to purchase blocks of flats instead of HMOs was purely because I like the thought of multiple exits, and that flexibility allowed me to pull out all of my money on pretty much every deal.

As HMOs started to become harder to finance, I decided to look at other property types, and it seemed a natural progression that blocks of flats were the way to go. In 2017, I purchased three blocks of apartments, 50 flats in total, from retiring portfolio landlords.

In addition, I found that the lenders I approached liked the thought of lending on a whole block of apartments, especially as I also owned the freehold, as I could potentially:

- **Split the title of the flats to create individual leasehold units and then either:**
  - Refinance against each title, or
  - Sell each flat

Ultimately, an added bonus was I could create my own "monopoly" within the area, as these were the only block of flats within half a mile so I was potentially able to set the precedence of the price for this type of rental unit.

STRATEGY 5
COMMERCIAL TO RESIDENTIAL CONVERSIONS (MEDIUM-LONG TERM)

Pros: Can allow you to sidestep the planning process

Cons: Ties up cash for quite some time, which can limit other opportunities

Again, I am a big fan of this strategy. There are thousands of abandoned / unused / beaten up commercial buildings all around the UK. What I really find fascinating about this strategy is that the companies / vendors who own these properties are often also a little more commercially minded, which can allow you to become a little more creative when it comes to acquisition of the property.

For example, acquisition methods among others could include:

- **Leasing the property initially for a period whilst works commence**
- **Leasing the property or entering into a lock-out agreement to allow you time to apply for and gain planning permission during the purchase process**
- **Potentially entering into a JV partnership with the owner**
- **Exchange and delayed completions**

Ultimately, one of the biggest benefits of this strategy is the easement of planning. Gone are the days of long planning applications, and property developers / investors across the UK welcome the Prior Notification Procedure. Of course, there are certain restrictions where some properties still require a full planning application, Therefore, I would certainly suggest that you check with your local authority before you embark on this journey.

So there we have it, folks! I have outlined five of the main property strategies, which I believe are the finest and most sustainable property strategies, which (in my view) all property investors should consider and have a tool within their toolbox.

There is a real mix of short, medium and long term strategies within this list, and also strategies that require no or little capital to get started, ranging right up to developments that would demand a lot of capital outlay.

Whatever your experience, there is certainly something for everyone. My advice would be not to get stuck and only end up as a 'One Trick Pony'. Explore as many strategies as possible and see which best fits with you and your personality. Most importantly, **ENJOY IT**.

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

Mailing List
http://bit.ly/DailyBMVLeads

Facebook Profile
https://www.facebook.com/arsh.ellahi.1

Facebook Page
https://www.facebook.com/ArshEllahi123/

Instagram
https://www.instagram.com/arshellahi/

Youtube
https://www.youtube.com/c/ArshEllahi

Linkedin
https://www.linkedin.com/in/arshellahi/

Twitter
https://twitter.com/arshellahi

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"**