WHAT COMES FIRST … THE MONEY OR THE DEAL?

By **Arsh Ellahi**


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Hi Arsh

I am new to property and a recent subscriber to YPN. As a newbie, I have limited funds and want to start my property journey. My problem is that I am not sure whether to start looking for a property first or whether I should look for someone to help me fund them first. What would you suggest?

Mr P – West Midlands

Well Mr P, that certainly is an interesting question. It is a common problem and something I get asked quite often. Do we chase the money first, or go off and find a deal?

The biggest problem people have is in not understanding that this is almost like a double-edged sword. They can go off and find the money first, but they may not find a property. On the other hand, they may spend months finding the property and then not having the financial resources to purchase it.

Either way, there is a risk that someone is going to be let down – it could be an investor who is holding funds in anticipation that a deal is on the way, or it could very well be an estate agent you have promised the earth to … you know, the standard patter which includes being a cash buyer, able to complete within 28 days, etc, etc. As I write this, I imagine many of you smiling as I am sure you have all used that line at some point.

Ultimately, without the cash, the transaction cannot happen. But without the property, there is no deal to be done anyway.

One thing I always teach is that you should be doing both tasks simultaneously. That means structuring your week equally so that you are lining up meetings with investors as well as viewing properties that you are interested in purchasing.

Something you have to take into consideration is the fact that as a new starter in property, it may take a while for things to happen. Be aware of the following …

- **As a newbie, investors may be a little wary of your lack of experience. As a result, it will take a lot more time to build rapport with an investor, especially as you are asking them for their hard-earned cash.**
- **Estate agents have also heard it all before. *"I am buying it with my business partner …"* yet the proof of funds are nowhere to be seen. The longer the proof of funds takes, the less likely the agent is to believe you.**

Here are a few tips on to how to get started with finding the cash as well as the property.

TIP #1 DEFINE YOUR STRATEGY

I see hundreds of property investors who lack vision and clarity. Their approach is simple: find a property below market value, go in and give it a quick refurb, then sell it on the open market and hopefully benefit from the capital gain.

In principle, this sounds fantastic. However, there is so much more that is required. For example:

- **What area are you operating in? Are you location specific or would you be willing to do this nationwide?**
- **Are you going to be sourcing your properties via agents or by going direct-to-vendor – in other words, have you planned your method of marketing? This could include speaking to a number of agents each day, or if you are targeting vendors directly, it could mean delivering a certain number of leaflets within a specified target area.**
- **Are your figures dependant on a return on investment, or simply a monetary figure, for example, a minimum £20,000 profit?**
- **What is the Plan B? Ie, what happens if the property doesn't sell? There should ALWAYS be a Plan B, C and D.**

There are plenty of details to hone in on when setting your strategy, these are merely a few of them.

TIP #2 100 CUPS OF COFFEE

Getting started as a new property investor can be hard work. The hardest part is making sure that you have people who believe in you and would be willing to invest in or with you.

To start off, I would suggest attending networking meetings and getting yourself out there. There are hundreds of events to attend, and you could pretty much attend one every weekday evening and even some weekend workshops. The only downfall with these events is that although they are packed with interesting property loons (a bit like me), a lot of them will be in the same boat as you. Consider going to all types of networking events, ie non-property business events as well as property-specific events.

In order to network with a broad range of people, I have attended:

- **BNI meetings**
- **Property investor network events**
- **Property trade shows**
- **Landlord forum meetings**
- **Business breakfast events**
- **Auctions nationwide**

There are lots more events up and down the country that you can look out for.

The aim of attending meetings like these is simple. Speak to as many people as possible. In a room of 50 people, you should aim to speak to a minimum of 20-30 people, which means that you should be leaving with at least 20-30 business cards / contact details.

The key to success is in the follow up. After attending the events, it is important to follow up via email / telephone to arrange a brief meet up to discuss any potential collaboration.

TIP #3 KEEP IT SIMPLE

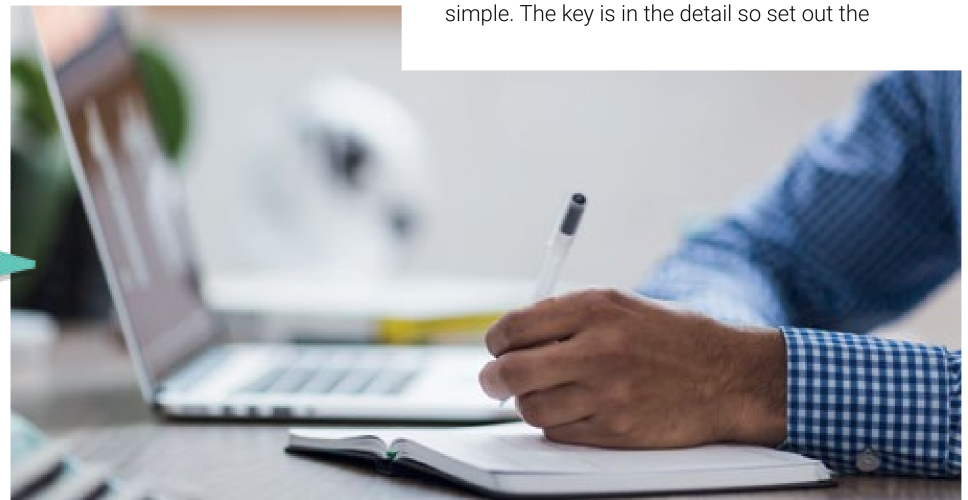
After meeting up with the investors, you will begin to get an idea of the ones you think you can and cannot work with.

The next step would be to create a mini business plan or proposal.

This needs to be a clear plan, so that when you sit down in front of the investor / JV partner, they can see how serious you are about your business, and how clear you are with your vision.

People approach me regularly with property proposals, asking if I would consider a joint venture with them where I bring the money to the project and also help with the experience.

I will always look at the proposition but find that nine times out of ten, the investor makes it too complicated.



For a strong proposal, you must:

- **Be clear with your approach**
- **Define what each party's responsibilities are – ie, who is bringing in the money and what their role will be, who is bringing in the property and what they will be doing to the property to maximise its value**
- **Specify what the exit strategy should be, for each party – for example, it could be to exit the project via a sale, or to refinance for a long term hold, or for one party to buy the other out**
- **Remember – with any joint venture, each party must be aware that the project can go either way. Share the risk, share the reward. What happens if it goes wrong? And consider the different things that could go wrong**

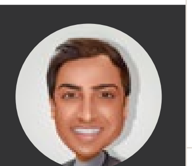
My advice to anyone reading this is to keep it simple. The key is in the detail so set out the proposal in clear bullet points and base your presentation around the facts and figures.

From past experience, I have found that the easier an investor finds it to digest the information, the more chance you have of an investment in your project.

I wish you every success along your journey! I hope you have enjoyed reading this month's article.

If you have a question you would like me to answer in next month's article, please feel free to email me: arsh@arshellahi.com and I'll aim to answer as many as I can over the following months.

CONTACT



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