

# YOU CAN'T FIND DEALS FROM AGENTS!

By **Arsh Ellahi**

**Hi Arsh**

**I absolutely love property but have come to a standstill trying to find deals. I have been attending networking meetings, and all the people I meet tell me that they go direct to vendor to get the best deal, as you cannot get a good deal from a estate agent.**

**Is this true?**

**Faithful YPN reader**

**MR G, MIDDLESEX**

Ha ha ha! I love this topic and I also love this question, Mr G.

I too get asked all the time where I find my deals. Let's face it, there are only two real avenues:

- **Direct to vendor**
- **Dealing with agents**

However, you have to consider a couple of things:

- **Are you buying simply for your own portfolio? Or ...**
- **Are you acquiring for other investors, therefore sourcing properties?**

If you are buying a property for your own portfolio, undoubtedly you will want to find

the best property at the best possible price. Therefore, the correct response is that you would be better off going direct to vendor.

The biggest issue I have with this though is that it can be very time intensive and there is no real guarantee of success. Let me elaborate on that ...

If you were looking to buy a property direct from a vendor in a specific area in Wolverhampton, you would have to:

- **Choose the specific area**
- **Understand the demographic within the area to fine tune your marketing message**
- **Prepare the leaflets / letters**
- **Arrange distribution / delivery**

On average, every time I do a leaflet campaign, I drop on average 10,000–20,000 leaflets in the area. Now, this may sound great, but the real issue here is that you are not in control of the rate of response.

Unless you are targeting properties that are already for sale, you will not know when to expect a call from a potential vendor.

We all hope to anticipate responses the next day, but it could be the next week, the next month or even perhaps the next year.

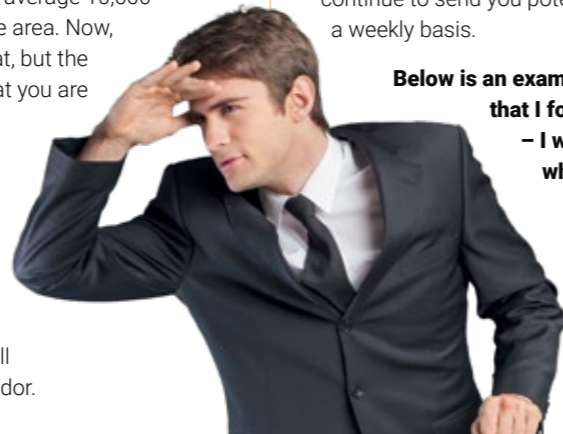
I still receive calls from vendors in areas where I delivered leaflets two years ago. At the time of delivery, the owners were not ready to sell, but as the marketing message was correct, it struck enough of a chord with the vendor to prompt them to hold onto the leaflet. Then when they were ready, they decided to call. I also ensure that each leaflet drop has a different code attached so that I can gauge which marketing method has had the greatest impact.

How can you increase your chance of success in finding deals? Even to this day, people tell me that deals do not exist with agents, or that by the time the property has reached an estate agent, it is too late.

How wrong can they be ...?

It is no secret that I am a big fan of buying property from estate agents. Treat them right and they will become your untapped resource of fantastic properties. Providing you deliver on your promise, they will continue to send you potential stock on a weekly basis.

**Below is an example of a property that I found via an agent – I will let you decide whether this would have floated your boat.**



## TETTENHALL ROAD, WOLVERHAMPTON

I received an instant notification when this property came onto the market. The agent informed me that it was a probate case and the executors of the will were looking for the best possible price.

As per the description, the property was a block of four flats and the vendors were looking for offers in the region of £165,000. However, this was simply to dangle the carrot.

Within the space of a week, they had approximately 40 people attend an open viewing. They received 30 offers, all around £165,000-£170,000.

I asked the agent to keep me up to date with the property, as I would like to potentially come in at the last minute. I treat situations like this a little like Ebay. I never bid at the start; I watch the herd initially and then come in on the last ten seconds.



FLOOR PLANS AS EXISTING

In the end, they went to best and finals and I decided to put in a cash offer of £180,000, adhering to the condition that exchange had to happen within 20 days.

Now here is the question – why was I prepared to pay more than the rest of the investors who were offering on this property?

Admittedly, this is why I love property. Lots of people can look at the same property and come out with lots of different ideas as to what it could become.

My vision was that it could:

- **Easily be modernised as four flats, as per its existing use**
- **Be remodelled to generate more units from the building, without having to do any extensions or major works.**

I looked at the forecast models for both angles and here is what I found:

### Refurb

**Four flats** would achieve a valuation of circa £80,000 each = GDV of £320,000. The refurb would have cost circa £40,000 (£10,000 per flat).

On the basis of a purchase price of £180,000 plus costs, plus estimated refurb, I allowed for a total of around £250,000 including contingencies.

This would make for a profit of approximately £70,000.

### Remodel

On the other hand, we could remodel the building to get **six smaller flats**, all in excess of 30 sqm, where each flat could still achieve a valuation circa £80,000 each, because they will be done to a very good standard and are effectively a new build.

**This will produce a new GDV of £480,000.**

**The build cost in this scenario is £100,000.**

**The approximate profit after costs is circa £200,000.**

**The project time is four-six months.**

After I exchanged on the property, I asked the agent what the other purchasers had considered doing with the building. The agent confirmed that no-one else had seen the potential to create additional value by utilising the space more wisely.

It is worth mentioning that in between having my offer accepted and exchanging, I engaged my architect immediately to start drawing plans and to liaise with the planning officers for the forthcoming planning application.

As the building is Grade 2 listed, we also had to deal with the conservation officer. He wanted to retain a number of features, which will be of benefit to the property as they will keep the heritage feel.

The flats are due to be finished by the end of 2018 and ready for sale in 2019. However, I always look at what other options are available. So, what happens if they fail to sell? What else can I do with them in that case?

Before committing, I studied the rental market and saw that one- to two-bed flats in this location could achieve circa £450-£500 pcm. Best-case scenario, the six flats could achieve circa £3,000 pcm.

On the basis that the flats value at the expected £80,000 each and the GDV expected at £480,000, this would mean that on the basis that my capital input, purchase, costs and build are at circa £300,000, I am still at 60% loan to value. Admittedly, this is slightly more than the rest of my portfolio as I like to stay keep all my lending under the 50% loan to value barrier to allow for a margin for error / correction – ultimately money safe for a rainy day.

So there you have it. The answer to the question is – **YES, DEALS DO EXIST WITH AGENTS!**

You can find hundreds and thousands of deals, a great number of which have been mis-marketed by agents, and this is where you can really profit from them.

I hope that you have enjoyed this month's article as much as I have enjoyed writing it.



ALTERATIONS TO CREATE TWO ADDITIONAL APARTMENTS

If you have a question which you would like answered in an article, please feel free to email me: [arsh@arshellahi.com](mailto:arsh@arshellahi.com) and I'll aim to answer as many as I can over the following months.

## CONTACT

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

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Finally, to get access to all my updates and whereabouts, please sign up to my weekly newsletter at [www.arshellahi.com](http://www.arshellahi.com)

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

