

PROPTech: BEHIND THE SCENES AT THE PROPERTY INVESTORS APP

Interview: Ant Lyons / Words: Jayne Owen

In line with this month's focus on investing in property while juggling a job, career or business with family and other commitments, finding ways to save time and energy is top priority for investors whose supply of both is limited.

Nowadays an array of PropTech applications is available to help you streamline tasks all the way through the investment process from property search to tenant management. As streamlining means greater efficiency, the end result leads to more time for what's really important.

The Property Investor App is one of these time-savers. Launched in April 2019, it is designed to bring deal opportunities directly (and literally) into the hands of investors. It is the brainchild of regular YPN columnist **Arsh Ellahi**, an investor, deal sourcer and trader with years of experience. In this interview, we were keen to find out what led him to create the app and to get the lowdown on what happens behind the scenes.

YPN: Why did you create the Property Investor App?

Arsh: I wanted to move away from emails. People receive so many these days it's hard to keep up and I had seen the read rate dropping off.

I thought there had to be a better way to present deals to people and cut through the "noise". Being able to send a deal out on a platform that instantly pinged a notification to an investor's mobile phone would get through to them more efficiently and elicit a faster response. So the idea of the Property Investor App was born.

YPN: How does it work?

Arsh: Every deal shows the vision and potential return as well as a description of the property itself. You can filter the types of deals you're interested in, for example, blocks of flats, below market value opportunities or HMOs, as well as the geographical area. If you're looking for deals in the South West, properties in the North East are not going to be of any interest at all.

Investors subscribing to mailing lists have been frustrated with sourcers at times over the years because: 1) the deals were not really deals, but someone's inflated numbers, and 2) the property hadn't been secured and/or was available for sale on the open market.



In many cases, investors had little confidence they would get the reservation fee back if the deal didn't happen. Trust was then eroded – and that distrust frequently transferred across to all sourcers, not just the ones presenting these non-deals. I wanted to give people an assurance that deals on the app are genuine.



Property Investors

With regard to security of the deal, agents and sourcers must give exclusivity before listing it on the app to guard against the property being punted out left, right and centre. The sale must also be proceedable because it would be a complete waste of time and credibility if we presented something that we then couldn't sell.

YPN: How long did it take for the app to come to fruition?

Arsh: It took about two years from initial idea to launch. I had to jump through a stack of hoops with Apple and Google because getting it listed was not straightforward.

The app was hard to categorise – we weren't an estate agent, an auction house or a letting

agent. There was no category for deal trader or deal sourcer. That led to detailed scrutiny and we had to go through a lot of security measures and tests before being able to list it.

YPN: How do you find the deals?

Arsh: We work with agents and auction companies and a group of people who source specifically for the app.

Agents in particular are interested because some of the properties they take on do not appeal to homebuyers, for example, a non-standard construction property that is difficult to mortgage. Listing it on the app gets it out directly to over 25,000 investors who are looking for this type of stock – the smelly, nasty, problem houses that other people don't want.

YPN: What sort of due diligence should investors do on these deals? How can investors check that the figures are not overinflated?

Arsh: Our team checks every deal that goes on to the app. 20-30 potential properties come in every day at the moment but 80-85% are rejected.

Listing deals of no real value would waste everyone's time and – more importantly – damage the credibility of the app. If you were to look at a few deals and conclude that the figures didn't work, you would unsubscribe.

That's of no benefit to us or you. We want committed subscribers who are prepared to press "Reserve" and follow through.

That said, it is really important to do your own due diligence. We make this clear. Listings include sold comparables along with details of the selling agent, so you can cross-reference and double-check until you are satisfied.

We also strongly suggest that you view any property you're thinking of buying. Many say they'll take the deal sight unseen, but you wouldn't buy a car without test-driving it so why buy something as important as a property without checking it over first? If for some reason you're unable to view, a particular risk in current circumstances, we will at least arrange a live virtual viewing so you can see what you're buying.

YPN: Talk us through how reservation fees work. When is the fee payable? How much is it? And what happens if the seller backs out or the property gets downvalued?

Arsh: This is covered in the T&Cs. The process is simple – when you find a property you like, you click "Reserve". This triggers a callback from one of our support team who explains all the details of the property. This is your chance to ask questions and extract as much information as you can.

If you want to proceed further, we send out our terms of business. These include a request to make a formal reservation, which is a commitment to view, not to purchase. It gives you exclusivity but if after the viewing you decide not to proceed, any fee paid is fully refundable.

Fees are held in an escrow account, so are secure. Furthermore, if you proceed but an issue is later uncovered with the property, such as a problem with the legal title or a downvaluation, the fee is refundable under these circumstances.

The only time that we don't refund the fee is if you change your mind for a reason that is not related to the property. This can waste a lot of time. In the past, prior to the app, I had a deal where an investor took four months to get to exchange, then pulled out on the day of exchange.

It was extremely frustrating for the vendor who had lost the sale and incurred costs. This safeguard is important not only for us but also for a vendor who may be under some pressure to sell.

A selling point for vendors is that a listed property gets 1,000-2,000 views. In addition, any person who comes to view is serious because they have already made a commitment via the reservation fee. Vendors understand that not every property will go through after the first viewing, that the investor can withdraw at this stage. But there is a backup. Anyone who requests to Reserve the property goes on to a list, so if one viewer decides not to proceed we can move immediately on to the next person.

That's a huge benefit for the vendor – in essence they have a Plan B and a Plan C, which is generally more than an estate agent can offer them.

YPN: How do you manage the conveyancing process?

Arsh: When you confirm that you're going to proceed, we request full details of the purchaser, purchase structure, proof of funding, broker information, etc, within 24 hours.

Proof of funding can consist of an agreement in principle or decision in principle as well as cash funds, though we also want to see proof of deposit to avoid any last-minute hold-ups.

We have a panel of preferred solicitors who we know work well together and work quickly and where possible, we ask buyers to use one of them. There's no pressure to do that though if you have an existing relationship with your own solicitor. From this point, the sales progression team checks in regularly to follow up.

YPN: How do you maintain the balance of deals and buyers?

Arsh: The app has opened up a whole new, worldwide audience of potential buyers, far beyond the scope of who we could reach before. In recent months someone based in China recently agreed on a deal in Doncaster and an investment group bought a portfolio of 20 properties in Sunderland for just over £1m. We would never have been in contact with these people without the app.

To meet this demand, we need a consistent pipeline of deals and are constantly searching for them.

YPN: Do you think the pandemic has changed the nature of how we buy property?

Arsh: Absolutely. Auctions, for example, have moved online far quicker over the past year than they would have done if we hadn't gone into lockdown. This is only a personal view but I don't think auction companies will rush back into the room because online auctions are more efficient and they can run more of them. Catalogues don't have to be printed, viewings have moved online and the company don't incur the cost of hiring a massive room.

Auctions are just one example. Things are changing across the board and I think it's a very positive shift for the industry.

If you source properties, can we help you sell them? We have buyers ready and waiting, and you can cut 50% of your workload. The model works on a split fee basis when the sale completes but having someone else handling your sales pipeline gives you more time for sourcing. On top of that, I know from experience it can take years to build a database of potential buyers.

There's a "Sell your property" option on the app where you can upload details of your property free of charge. Put in as much detail as you can, including pictures, PDFs and videos if you have them. When you submit the deal, it goes to our team to be checked and appraised. If it ticks all the boxes, it is approved and goes live. If it doesn't meet our criteria or if information is missing, it is rejected but we also call you to talk it over.

Want to hear more?

Watch Ant & Arsh talk through the Property Investor App and more on this video.

CONTACT

propertyinvestorapp.co.uk or search for "Property investors app" on the App store.

Alternatively, contact Arsh via his website arshellahi.com.