

THE ISSUES WITH *Deal Sourcing*

ARSH ELLAHI

Hi Arsh,

I am looking to get started in deal sourcing and want to know what the positive and negatives are for this strategy. Here are some of my questions:

- Is it sustainable?
- Is it scaleable?

Thanks,

Miss B, Romford

What a great question, and certainly an area I know a lot about. I have been trading/sourcing property for the last 20 years and it has treated me very well as a side property business. I generally use this strategy to generate cashflow in the short term, which ultimately creates funds to allow me to purchase properties for my long-term strategy.

So, let's get into it. Deal sourcing has plenty of benefits, but what are the negatives?

As the founder of The Property Investor App, the UK's first property investment mobile platform, I work with hundreds of deal sourcers across the UK, and have seen some very good operators and some extremely poor ones. I aim to take a look at some of the main issues that can arise when someone is looking to become a deal sourcer.

Just to clarify, a deal sourcer is ultimately a middle person between the buyer and seller, which ultimately is the same role as an estate agent. Deal sourcers can work with vendors directly or can work with

other agents, if they have failed to secure a purchaser for their property. This is often referred to as co-sourcing.

One of the main issues that I have experienced with sourcers is that they seem to think that simply finding a property on Rightmove and then sending it to their investors list with an added finder's fee is the correct method of sourcing. But when this is done, there has not been any:

- **Added value**
- **No research**

- **No comparables**
- **No exclusivity**

For me personally, I believe this is a mockery to the strategy and sourcers are simply piggy backing off the estate agent in an attempt to sell a deal. In all honesty, a large majority of cases, the estate agent who has the mandate of sale is not aware that the sourcer is touting their property around on Facebook trying to find a purchaser. If anything, all it is doing is highlighting the property for the estate agent and bringing them more traffic to their agency – for **FREE!**

Here are some of the other issues I have experienced with sourcers:

CAN'T GUARANTEE EXCLUSIVITY

As mentioned above, in order to be able to effectively source properties, the sourcer must have an element of control or exclusivity to the property. There have been scenarios where someone has sent me a property to appraise and within 20 seconds, I have found it on Rightmove readily available on the market and open to the public, at the same price. They haven't even bothered to negotiate a discount!

Now, I am not saying that you can't deal with properties that are on the market. However, in order to create a sustainable and scaleable

sourcing business, I would suggest creating relationships with agents and clearly outline your intention with the property. This would normally mean that you confirm that you **ARE NOT** the buyer and may have an interested investor for the property.

It would also be in your interest to confirm from the outset how you make your money from the transaction, so that the primary agent – the estate agent – can confirm that they are comfortable with the structure you are proposing.

Without exclusivity, very simply, you do not have a property to sell. There have been occasions where we have secured a buyer and the vendor or sourcer turns around and tells us the deal is no longer available. This is frustrating by all parties as it's a lost deal, has wasted everyone's time and, ultimately, reflects badly on the person offering the property as they have failed to perform.

NOT DOING ENOUGH DUE DILIGENCE

When a sourcer has found a potential property, I find that they often rush putting their deal together. Don't get me wrong, the enthusiasm is great, but if they don't educate themselves on what makes a good deal they are wasting theirs and everyone else's time.

I've had countless deals bought to me over the years that had nothing to back up the information provided. For example, the sourcer claims it's an HMO but has no idea:

- **If the area is an Article 4 location**
- **If the property has an HMO licence or when it expires**
- **That it's a leasehold but they haven't looked into the length of the lease and service and ground rent charges**
- **That the refurb took place over 10 years ago, yet claims it's been recently refurbished**

These are simple things that the sourcer should look into when packaging their deals and are important parts to get the deal over the finishing line.

TIP: If you are sourcing, always aim to get answers to the questions you'd want to know if you were taking the deal on for yourself.

INCORRECT RENTAL FIGURES AND COMPARABLES

I refer to this as 'Cooking the Figures' and making the property look as good as it can be on paper.

Following on from lack of due diligence, I am sometimes provided with exaggerated or incorrect rental and sold comparable figures. I've experienced other inconsistencies with the rental information too, such as a sourcer informing me that the property is fully tenanted when in reality there are two vacant rooms or an unruly tenant who's in rental arrears. This sort of information can make the deal less attractive, and it also makes me question whether it was a deal in the first instance.

PHOTOS AND VIDEOS

They often say less is more ... but not here!

When I am presenting a property to my client base, I would like to provide them with as much information as possible. This includes a mass of photos and videos of the property in its true condition. I only want people to enquire about the property if they have a genuine interest in it, and this would involve viewing the photos, assessing the figures and researching the location. Only then would I like them to contact me to progress the deal further. However in order for them to do this, they must actually have the information to allow them to conduct their research.

It all sounds so simple, and believe me, it is. But the successful sourcers are those who follow the above steps.

Property sourcing is a very valid and viable strategy. After all, look at the estate agency model. It has been around for a number of decades, and property sourcing is simply an extension of that.

For those who are serious about taking the 2021 property market opportunity seriously,

I will be opening the doors to the Elite Property Tribe, where I show you exactly how to source the best property opportunities all across the UK. It starts in June 2021 and over a whole year, we aim to get you to become an all rounded property investor so you can appraise every style of property and therefore, never missing an opportunity. If you like the thought of that, please visit

www.elitepropertytribe.co.uk

Wishing you all an abundance of success!

Arsh

If you still have a question which you would like answered 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

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

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