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Property Investment Ten Golden Rules

By IAIN MAITLAND

I've been sent a list of the 10 Golden Rules of Property Investment by Sylvana Young, winner of the Bradford & Bingley Property Woman of the Year 2008 award. It comprises sensible stuff and a useful checklist if you are buying overseas when, sometimes, some of the key points are overlooked.

The Do's

Research, research, research – know the area you are buying into, regeneration plans and new tube stations/airports etc are great indicators of up and coming areas and capital appreciation. Apply the 10/30 minute rule for access to transport links, bars & restaurants and local amenities.

Location – consider who your ideal tenants will be. To attract quality tenants you need quality locations.

Buy well – consider both price and content. Research prices in the area and look for comparables. Can white goods, flooring or furnishing be included in the purchase?

Make sure the numbers work – most wealth is created through capital appreciation so buy a property that supports this type of growth. Ensure you include all costs in your financial projections (such as legal fees, tax, service charges, ground rent, contingency to accommodate void periods between tenants etc). These costs are all too often ignored leading to negative monthly cash flows.

Appoint the right advisors – trusting your mortgage advisor is imperative. A regulated advisor can secure the best deals free from fees and aligned to your investment strategy. Good letting agents will minimise void periods. Remember that not all solicitors are off-plan specialists.

The Don'ts

Don't expect to 'get rich quick' – property investment should be approached with a long-term view. It is an asset class that in the medium to long-term has outperformed all other asset classes. Build a sustainable, appropriately geared portfolio over a number of years.

Never ignore the basics of supply and demand – speak to local agents to find out what's needed in your chosen area. The markets for 1 bedroom flats and 4 bedroom houses do not follow the same patterns.

Don't be influenced by your emotions – you're not living in your investment so decorate and furnish at an appropriate level of quality. Speak to local agents to understand what quality is required. Don't be tempted to furnish cheaply if you want to retain quality tenants.

Never be swayed by gimmicks – be wary of incentives, particularly 'no money down' deals, get rich quick schemes or developments where you are under pressure to sign up quickly to secure the 'deal of the day'.

Never pay over the odds - avoid paying finders' fees, commissions or subscriptions to agents or advisors, particularly prior to completion. If the investment proposition is a sound one there should be no reason to pay upfront fees.

Reported by Iain Maitland, Editor of International Property Alerts for British Columbia Properties.

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