

# INVESTOR PROFILE

Hi, my name is Rob Hubbard, I have been actively involved in property investment since 2004, building a portfolio for my wife and I and also helping others to establish their own sustainable property portfolios.

After attending a few networking events and being told how easy it is to make money sourcing properties for cash rich investors I thought I would share some of the realities of what it's like to work as a professional property sourcer and also to let you know what your earning potential is as a sourcing agent.

This article is in part inspired by the frustration I feel when I see some of the unprofessional approaches taken by some operators out there. Sometimes it seems like the market is full of rogue traders and there are certainly more than enough of them out there! But there are good guys doing the job too so I'll take my usual honest and open approach and tell you what's it's really like to operate as a professional property sourcing agent - the good and the bad!

I'm now going to share with you some of the methods and techniques that I use to source property deals for both myself and my client investors.

My own property portfolio has been built exclusively from properties that I have sourced myself. A few years ago, my wife and I owned a successful Letting Agents. We dealt with an almost exclusive basis new-build properties which were owned by Investor Landlords. It was through this involvement with clients that I developed my skills in sourcing property for investment purposes.

In an ideal world, as a property owner I would retain all of the properties sourced for my own portfolio. However, we live in the real world and there are practical issues for not keeping every deal for myself. When someone asks "if the deal is so good why aren't you buying" then it's clear they have little or no understanding about how buying multiple properties in a legitimate financial structure would actually work. So here's a few reasons we don't keep every deal for ourselves:

- **Property purchases take money, a minimum of 25% of the purchase price is required these days, there is a limit to the funds that I have available.**
- **My strategy is to have a controlled portfolio of well yielding properties whilst paying down debt when possible rather than owning a huge portfolio that is heavily geared and potentially more vulnerable to interest rate rises when they happen.**

- **I like to help other people, a lot of satisfaction can be earned by sharing information and helping others to realise their ambitions to become successful property sourcers, developers or landlords.**

- **It's very difficult to live off the rental income from single let properties and everybody needs an income! Single let properties are fab for a long term wealth strategy but don't expect to live off the buy to let profits in the short term.**

My personal business model is to tailor the sourcing service to suit the particular requirements of my investor clients. I do not believe in 'hawking' around properties trying to attract the highest or even first bidder. It's much easier to operate as a sourcing agent if you understand your clients requirements.

Rather than working with hundreds of buyers who you might know very little about I personally find it easier working with a maximum four to six clients at any given time through the various stages. These include, checking financial credentials (see below), identifying and sourcing potential deals, negotiating deals and overseeing the purchase process ie liaising with vendors, agents, brokers & solicitors. In addition, I sometimes JV with a client investor and then get involved with the refurb and subsequent re-sale processes also.

It's important to realise and accept from the outset that not every opportunity will work out as a viable deal. You may be of the opinion that it's great, however, you need to be able to translate these thoughts into something tangible that your Client investors can grasp hold of and understand. This applies not only to the figures which are paramount but other aspects of the deal too. The best deals are often the ones where value can be added to the property for minimal cost.

For example a property may be badly advertised or may be scruffy inside/outside. There may be some minor damage to the property or damp relatively minor issues to sort out but ones that put off most potential buyers. The key to these issues is to learn from your experiences what to look for, to appreciate what puts the general public off and to capitalise on the opportunity.



## SOURCING A PROPERTY

The sourcing of properties can generally be divided into two categories.

### Private Vendors

These are individuals or organisations that are looking to dispose of their property or properties without using the services of an Estate Agent. These opportunities can be sought out using a number of methods.

- **Leaflets**
- **Newspaper advertising**
- **Social media sites - Facebook, twitter etc.**
- **Word of mouth**

Basically, you need to get your message out there to people that you are in the business of buying property and importantly that you are prepared to look at and to make an offer on absolutely anything. This is not a commitment to purchase merely an invitation to the vendor to give you the opportunity to look at their property and to consider making an offer.

There is often talk of securing great deals from 'distressed sellers' These are generally vendors who 'need' to sell rather than 'want' to sell. Often people who are facing financial ruin and need to dispose of their last asset, their home in order to alleviate the situation. I would recommend avoiding negotiating with distressed sellers as I have grave concerns about entering into agreements under duress, the potential un-reliability of distressed sellers (may find a 'better' deal at the eleventh hour) and the possibility of the deal being challenged at a later date in the event of insolvency proceedings happening.

The preferable category of private sale vendor is that of 'motivated seller' these are people who 'want' to sell and generally quite quickly. There are many reasons that motivate these

sales and I have listed some of the more popular ones below.

- **Equity release**
- **Chain breakdown**
- **Divorce or separation**
- **Relocation or emigration**
- **Bereavement or probate**
- **Portfolio reduction**

One of the real benefits of working with Private Vendors is that you are more able to secure the deal prior to offering it out. I secure these using a simple purchase option document. The vendors and I sign a legally binding document that confirms that I have the option to purchase the property at an agreed price for a fixed period of time. This option is fully assignable and this agreement can therefore be passed onto an investor client with confidence that the 'deal' has already been done.

### Estate Agents

Personally, I think in the current market Estate Agents (EA's) are a fantastic source of some really great deals. Many people often consider that all of the best deals are quickly pushed out to the EA's trusted friends and colleagues to be shared out amongst themselves. Whilst I have no doubt that there is a small minority who do this, it is worth remembering that these days finance is not so easy to come by and therefore, from the EA's perspective, they want to find a viable purchaser as soon as possible.

EA's usually get to market the majority of re-possessed properties. These are normally offered on the open market for a period before being put to auction by the Asset Managers who are appointed by the Lender.

The absolute key to working with EA's is to be credible and to build rapport. EA's don't want to hear that you are going to be sourcing x number of properties, they have heard it all before. What they want are credible purchasers who have funds and lending in place, know which solicitor that they are going to use and can complete within a fairly short timescale, normally around 28 days.

It pays to let the EA's know a little about you, who you work with, the fact that you are a sourcer and therefore a representative of the purchaser but you have their authority to undertake viewings, make offers and agree deals direct with the EA. They will not want to deal with you if you are just in the business of viewing and then passing you finding on to a potential client who then has to do all the 'leg work' themselves.

In terms of agreeing a deal, I always try to agree in principle a value with an EA or at worse a price range for a particular property. This way the deal can be presented to the Client Investor with a level of certainty.

It is important to accept that the vast majority of properties that you will come across will not stack up for varying reasons. These include:-

- **Refurbishment costs prohibitive**
- **Existing mortgage LTV too high**
- **Surrounding market saturated with sales (for re-sale) or lack of market demand for lettings.**
- **And the most popular, you just can't agree a sale at the price you want!**

With the last point in mind, always remember to keep the relationship open. Try to conclude negotiations that don't lead to a deal with words like "You have my current best offer, should circumstances change, please feel free to contact me and we can discuss matters further" This lets the Vendor/Agent know that you respect their decision however you will be open to further discussion if anything changes in the future. It is entirely possible that they may come back to you with a completely different property based on the fact that you have established a relationship and built rapport.

“Once a deal has been sourced and a price determined, you then need to establish the properties value.”

## HOW TO VALUE PROPERTY

Most people rely on a search on one of the many property portals that now reside on the web. By far the largest and most popular being Rightmove.

The savvy might incorporate usage with the likes of Property Bee to see how properties have been amended, re-listed, re-valued etc. since their original posting. Often useful information can be gleaned.

However, these sites only give us the values that the vendors and the estate agents think that the property is worth. The vendor (in most cases at least) wants to obtain the maximum price, a strategy supported by the agent who normally works on a commission basis. The next step is usually a visit to one of the property price aggregators such as Mouseprice or Nethouseprices

These types of site, whilst invaluable can only provide factual data based on historic property purchase, information which is obtained from the Land Registry. Although Mouseprice for example provides and estimated current price, by their own admission it can be quite inaccurate.

“Here lies the quandary, how can we establish what the true, up to date value of a property is?”

The fact is you can't!

Value is entirely subjective; once a purchase has been made the sum paid becomes the cost, an objective number. In other words, a property

is worth what purchaser is prepared to buy it from a vendor.

Detailed analysis can be built up using historical data, local knowledge or even "gut feel" However, a valuation even when undertaken by a Chartered Building Surveyor (usually RICS) can only be an estimate albeit an educated one.

Once you have established what you think a property is 'worth' then it is time to agree a purchase price. This is not an exact science, it is dependant on the vendors motivation (whether sourced direct or via an EA) and your own negotiation skills.

I prefer to establish a value for a property then take into consideration factors such as refurbishment costs which I deduct from the value. I then typically take a view, based on experience and the information I have already learnt about the property and the vendor to determine a percentage discount that I would like to achieve. This discount is typically in the range of 20 - 30% below what I consider the value to be. Sometimes it is lower, sometimes higher it all depends on the individual property.

Before entering into negotiations, I would then typically reduce my initial offer by around 5-10%, this allows for some negotiation room beneath my optimum purchase price.

It is also vitally important to establish a cut off price i.e. the maximum price that you will pay, which is determined by the minimum discount that you will accept. It can be tempting to go back and review your value calculations just to be able to adjust the numbers by a couple of percentage points don't..... Ensure that the deal stacks for you, if not, be prepared to walk away. Ok, so we have found a property, agreed a purchase price and established what its value would be. Let's assume that you are not looking to purchase the property for your own portfolio and therefore, you need to find yourself an Investor client.

## THE INVESTOR

Many, many people are out there looking for fantastic deals, why wouldn't you want to buy a property for 40% less than market value? However, many of these people are time wasters or what I call 'tyre kickers' These people can be the bane of your life as a property sourcer.

They constantly take up your time scrutinising the best deals that you have available and when it comes to commitment. Decide that they intend to use 'creative finance' or insist that you provide a no money down (NMD) funding solution.

This scenario happened to me far too often so I developed a simple yet very effective buffer stop to ensure that I was only going to be dealing with credible and legitimate investor clients.

The simple solution is to have them vetted. My suggestion is that you use a like minded broker to work with you on this process. My broker of

choice is of course Lisa Orme of Keys (UK). All of my new clients are obliged to take part in a short, no-obligation review with Lisa to establish their financial credentials and that they are mortgage-able. Personally I am not regulated to provide financial advice and as such I always advocate using a trusted professional colleague to provide this service. Firstly, I provide all new clients with an Investor Information form. This allows me to collate data on what type of property they would like to invest in, what location etc. There are two very important pieces of information that are also required.

- **Source and proof of deposit funds**
- **Method of financing the deal**

Once Lisa confirms to me that Investor Clients are credible then I am happy to proceed along with the negotiations with them.

No serious investor should be put off by these requirements. Many high net worth individuals who have a desire to invest in property are put off by the dubious lack of credibility of many of the people who operate in the industry. By operating in a transparent and professional manner, potential clients can see why you are asking the questions that you are and are generally satisfied to provide the answers required.

It may also be prudent at this stage to enter into a Non Disclosure Agreement with an Investor Client to protect your interests in the potential deal.

An obvious question is "What is the typical Investor like" Well, I would like to know that too! You need to have good social skills, property investors are a variable bunch. However, people who want to use a property sourcer tend to fall into two distinct groups.

The first group are those who want to invest but are unsure about how to go about doing

so and feel they need some help although are concerned about being 'ripped off' The second group tend to be people who are either Ex-pats or very busy involved with other business ventures ie Cash rich, time poor investors. They are looking to purchase your expertise and knowledge in return for assisting them in securing an investment.

I meet most of my Investor Clients via property forums such as Singing Pig and Property Tribes either through direct contact i.e. engaging on the forum(s) or them contacting me directly after reading my posts. I find that social media is an invaluable tool in reaching out to people as they can get to know you and what you are about without being overtly sold to. Again, it comes back to be credible and building rapport through consistent behaviour.

Another great way to engage new clients is through personal recommendation. Once you have proven yourself as having integrity and honesty, delivering what you say you will, when you say and exceeding expectations then people will be able to refer you to others with a level of confidence.

Intelligent and considerate Investor Clients are not looking to make a 'fast buck' or to 'Get rich quick' and nor should you be off the back of it. The aim should be to source good properties that can either, have value added for minimum outlay for a Buy to Sell strategy or properties that yield well for Buy to Let. Either way, you should always aim to pay as far below the asking price as possible!

### WHAT YOU CAN EXPECT TO EARN:

No two properties are the same and as such it's not always practical to charge a flat fee for the services provided. However, my normal fee range is 3-5% of the agreed purchase price. This enables me to earn a decent commission by sourcing the properties yet the fees are not

too high to put off investors.

Typical deals are for 2/3 bedroom terraced or semi-detached properties. The reason for this being that these properties have the broadest market share. They attract first time buyers or tenants, singles, couples or young families. They are also attractive to people who may be new to the area or require a temporary home prior to re-location or people who want to downsize.

In the Wakefield area, most of these properties fall within the sub £100,000 category and in general would at full market value fall in the range £80,000 - £90,000

Therefore the fee structure would work like this.

**Purchase price of property - £65,000**

**Estimated market value - £85,000**

**Gross discount achieved by Client - 23.53%**

**Typical sourcing fee £65,000 x 3% = £1,950**

**£250.00 payable on commitment from Investor Client**

**In the event that exchange & completion are undertaken at the same time, the remainder (£1,750) would then be paid.**

For more complex deals, there is justification to increase your fee commission. This may be due to the fact that your Investor Client has requested that you undertake RICS valuations on their behalf (better to agree to this than lose the deal) or that there are land, tenure or other issues involved or simply, that you need to enter into protracted negotiations in order to secure the deal finally for your Investor Client.

I feel it important that no up-front fees are charged, as part of the credibility check for client investors, you should be demonstrating

that you too have something to lose from the deal not proceeding. Understandably there is a distinct lack of confidence and credibility when sourcing fees have to be paid up-front by investors.

However, in order to recover a contribution towards the front end costs incurred, once an Investor Client has agreed to proceed with a deal, I personally charge a fixed £250.00, this is then deducted from the remainder of the fee that is paid at a later date. It's important to gain a small financial commitment from your investor to cover some of your up front costs and ensure they are not a timewaster.

### GETTING PAID

If you are just starting out then you might wonder on how you are going to get paid by your investor client - what's to stop them doing the deal and you never seeing a penny? In order to ensure that the fee is paid by the Investor Client, I would suggest you arrange for an irrevocable fee agreement to be put in place before proceeding with the deal. This document is then lodged with the Investor Clients solicitor. It effectively instructs the solicitor to pay to the sourcer the remainder of the fee at the same time as funds are paid for the purchase and other disbursements.

The foregoing is a brief insight into how to source property deals. I hope it helps outline

some of the realities of working as a property sourcer.

Don't expect to become an overnight millionaire from finding deals for other investors but when undertaken correctly you can earn a decent living doing something that you enjoy that fits in with your own property acquisitions.

**To make contact with me or for further advice on how to start your career as a property sourcer email me at [rob@walkerfox.co.uk](mailto:rob@walkerfox.co.uk)**

### Property Two - Buy to Sell

2 Bedroom mid terraced house, repossession, on the market with an EA at £64,000.

Purchase anticipated at £60,000 (Saving ask asking price of 11%)

Market value £75,000 Refurbishment, financing & re-sale costs costs £1,000 Therefore, the total cost of this project is £61,000

Anticipated profit £14,000 which equates to an approximate 'discount' or 'BMV' after costs of around 19%

This property was rejected as although little or no work to bring up to standard was required (Property was fully decorated under instruction by the EA prior to marketing) the available price was too high. At the time of writing, this property was still available and as such, a further opportunity may be had.



### Property Three - Buy to Let

3 Bedroom semi-detached house, repossession, on the market with an EA at £150,000.

Purchase offer accepted at £112,000 (Saving against asking price of 19%)

Market value - Subject to survey valuation  
Refurbishment, financing & re-sale costs costs £10,000 est.  
Therefore, the total cost of this project is in the region of £121,000

Rental yield £15,600 per annum,  
Cost of project £121,000,  
Forecast yield 13%

This property was marketed as a family home which required refurbishment, its particular location would and did not attract families. The property was fully refurbished around three years ago and had been operated as an HMO for the past ten to fifteen years



### RECENT EXAMPLES

Here are a few deals that I have sourced recently - hopefully they give you a good idea of exactly why these deals appeal to investors and where the "profit in the deal" is for the purchaser.

#### Property One - Buy to Sell

2 Bedroom mid terraced house, repossession, on the market with an EA at £57,000.

Purchase secured at £48,500 (Saving against asking price of 14%)

Market value £75,000  
Refurbishment, financing & re-sale costs costs £6,000  
Therefore, the total cost of this project fees is £54,500

Anticipated profit £20,500 which equates to an approximate 'discount' or 'BMV' after costs of around 27%

This property has been purchased by a client in Joint Venture and is currently undergoing refurbishment within budget



### WHERE CAN I GET FURTHER INFORMATION?

If you would like to speak to me in more detail about any of the areas mentioned in this article, you can either email one of the YPN team or me at [rob@walkerfox.co.uk](mailto:rob@walkerfox.co.uk). Or call me directly on **07960 753550**, please mention YPN as the source of your enquiry There is also more information available on my blog <http://walkerfox.wordpress.com> You can also keep up with regular property related information and advice at [www.twitter.com/walkerfox](http://www.twitter.com/walkerfox)