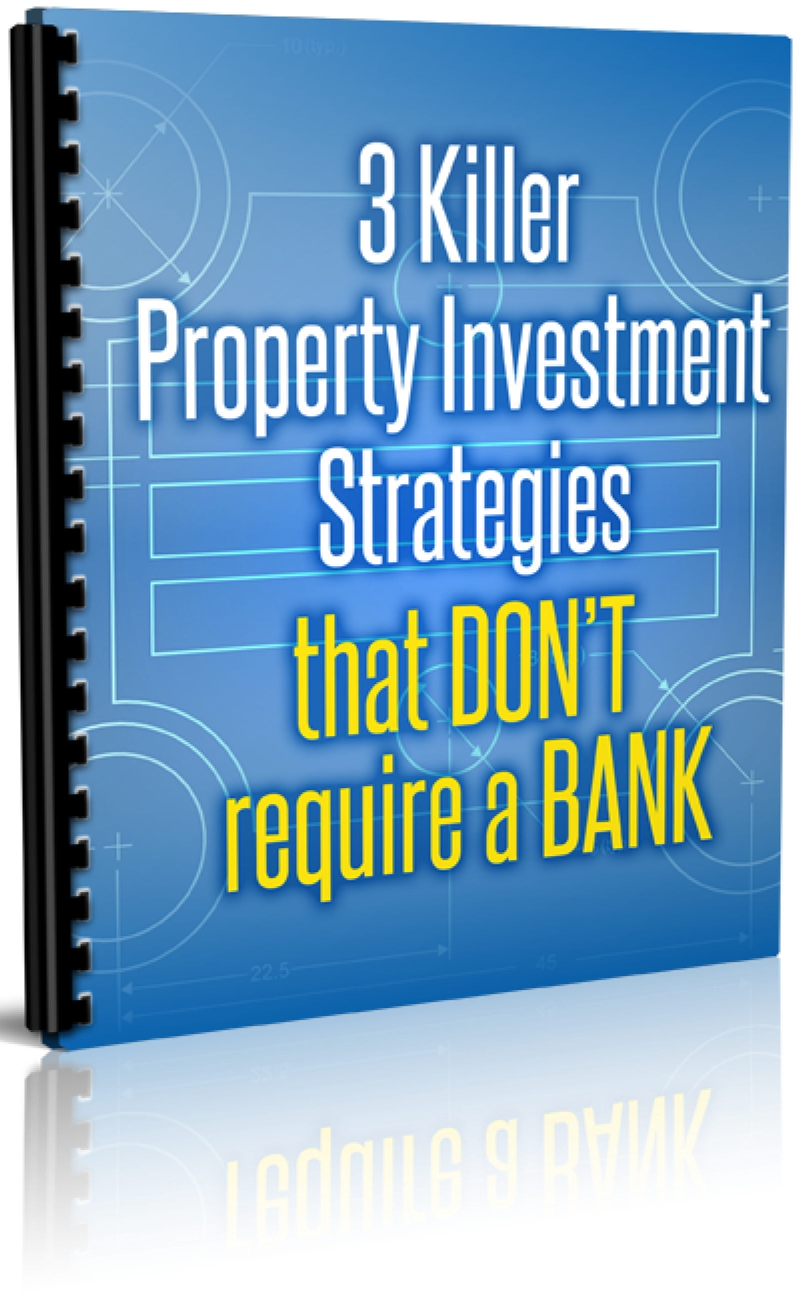

by

John Wilson

Property Investment Blueprint
Financial Freedom Through Property

The small print

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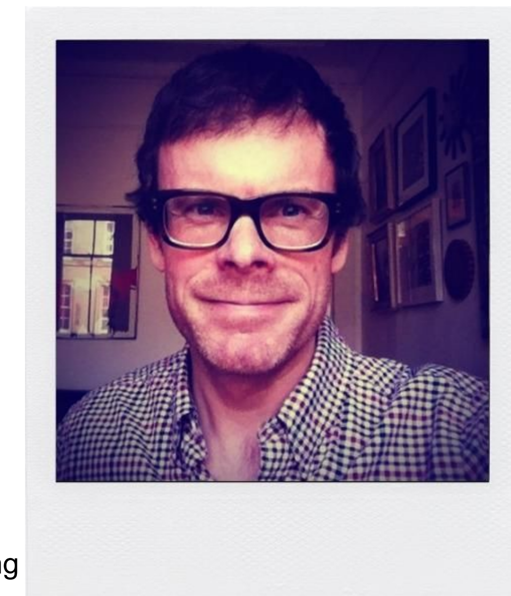
Phew that's the boring bit over, now gimme some strategies!

Welcome!

Thanks for requesting our free report. We're really excited to be able to share these cutting edge strategies with you... Soon you'll know how to make awesome profits in property ***without any of your own money*** and ***without the need for a bank***!

But first, a wee bit about me...

My name is John Wilson and I am a property investor and landlord from Glasgow, Scotland. It's kinda **cold and rainy** up here but there are great property deals to be done here as much as anywhere else!



(Don't let my location put you off by the way -- the strategies I am going to reveal work in pretty much **any English-speaking country in the world**... and some non-English speaking ones too, I'll bet!)

I got started investing in property about 10 years ago and I started, grew and sold my own property management company along the way.

The first thing I found when I got going was that -- having bought a few properties -- **I ran out of money pretty quickly**. When that happened, I needed to find a way to buy more property without using any of my own money.

Then I found a way... buying below market value using bridging finance to fund the deposits. I would then remortgage the next day in order to pull out funds and pay off the bridging. This lasted just long enough for me to build up a **multi-million pound property portfolio**.

But then the **global financial crisis** hit. The banks stopped lending and I was forced to look for other ways to keep building my business.

Then I found it... The answer lay in creative property investing.

I discovered ways that I could still profit from property, but **without having to qualify for a loan**. Or even having to invest any of my own money! It is some of these creative property strategies that I discovered that I will tell you about in this report...

Shameless self promotion

As well as being an active property investor, I run a website called property-investment-blueprint.com. This book is intended as a shameless attempt to get you to visit that site ;-) If you've not been yet, here are **some highlights**:

- free downloads: forms, documents and eBooks
- how to use software to automate your property business
- tips on finding heavily discounted property in the real world and on the internet
- property investment education spotlight shows how to avoid choosing *bad products*
- online return on investment calculators and mortgage calculators
- how to build your dream property power team
- online tools to compare local solicitors' prices, find a mortgage broker and get quotes from local tradesmen.

So, if you like what you read here then there is an (ever-growing) wealth of free property investment tips and resources there for you to discover. There are links throughout this eBook that take you through to relevant sections on the website for more information on that topic. There are also links to other resources that I think you may find useful.

I would love to know what you think of this report, the website, or if you have a question about anything in either, I would be delighted to hear from you. Contact me! I value your feedback.

What's the Problem?

First off, I want to take a look at what is *wrong* with the "traditional" way of buying property and building a portfolio. This will highlight exactly why we need to find **different ways to do things** and to get creative.

Property has always been a proven way of accumulating wealth. It is especially great because you can borrow in order to buy it and then effectively **get a return on someone else's money**, as well as your own (a phenomenon known as "gearing").

BUT, **if you don't have any money** to invest in the first place or no banks will lend to you (tell me about it!) then this presents a **problem**.

We can best see this problem by taking a look at the costs involved in a typical traditional property purchase... The example below illustrates the costs that you might rack up in the purchase of a typical buy-to-let property valued at £80,000.

Deposit	£20,000	
Legals	£900	
Light refurb	£3,000	
Mortgage broker	£200	
Carry costs	£400	(mortgage while we refurb for 2 months @ 4%)
Furnishings	£2,000	
<u>TOTAL</u>	<u>£26,500</u>	

It could take the average person **a lifetime to save up** this kind of cash! And that's if you can even get a mortgage out of an over-cautious lender.

You could expect a property like this to rent for around £550 per month. At a mortgage interest rate of 4%, you would be making £250 per month gross cashflow.

Now this is pretty respectable compared to many other investments. (In the bank at a pretty generous interest rate of 2%, you'd be making just over £44 per month.) But we can do better.

What else is wrong?

The timeframe is **S.L.O.W.** -- anything up to 6 months before you've bought the place and got it ready for the market!

But what if we could get rid of the downsides of this otherwise great strategy: the big time and money investment?

Killer Strategy #1: Lease Options

To solve this, many investors all over the UK, USA, and Australia are using lease options.

The lending crisis of the past few years has made lease options all the more popular because, that's right -- you **don't need to qualify for a bank loan** to use them. Heck, you don't even need any cash to invest! OK, technically you need £1 (or $1), but let's not split hairs :-)

Now, does that sound like the kind of investing strategy that you'd like to know more about?

I turned one of my lemons into lemonade

Before I got into options, I had a buy-to-let property that was forever losing money. It was hard to let and whenever I found tenants, they would pay the rent for a few months before **going into arrears** and finally disappearing.

Does that story sound familiar?

I decided to sell the property on a lease option. I quickly found a "tenant-buyer" who:

- paid me a £1000 "option fee" to move in (this normally goes towards the purchase of the property)

- is paying 20% above market rent (the 20% extra normally goes towards the purchase of the property too; as with the down-payment, this is flexible)

- agreed a **purchase price higher** than similar properties nearby in good condition are going for, if they are selling at all (mine needed modernisation!)
- **and** I'll receive £10,400 "back end" profit when the buyer completes in 2 or 3 years time.

What's more...

- there will be **no voids** as they will be in there until they buy
- I've **not had one call about maintenance** since they moved in a year ago
- and they have installed a new kitchen and redecorated throughout!

Worked example

So, to illustrate a bit better, here are the numbers from the above example in full:

Property purchase price	£60,000	
Sale price to tenant-buyer	£75,000	
Initial down payment	£1,000	
Monthly payment	£550	
Monthly option fee	£100	(the bit of monthly payment that goes towards purchase)

So, after 3 years, the tenant-buyer has paid me £1,000 plus 36 x £100 = £4,600 towards the purchase price. This means that they'll still owe me £70,400. If they then get a mortgage and purchase the property, I will make my "back end" profit of £70,400 - £60,000 = £10,400.

£4,600 equates to just over a 6% deposit on the £75,000 purchase price. Most first time buyer mortgages allow a 5% deposit, but if this has changed by that time, I don't mind if they continue to rent until they are able to get a mortgage.

This -- my first deal -- was a fairly modest one, it is quite possible to make £30,000 and upwards per deal.

Why is lease option investing so awesome?

If that example hasn't convinced you then here's a full rundown of the benefits of **buying on a lease option**:

- There is no **need to get a mortgage**. You simply "recycle" the seller's mortgage. This speeds the whole process up and gets round the problem of lending being refused or delayed. (Note that in my example, I obviously owned the property already but this is not necessary as we'll see later.)
- **No deposit is required**. It really is possible to buy a house for a pound!
- Deals can't be torpedoed by a surveyor down-valuing a property.
- You don't have to screw the seller over and get a ridiculous discount in order to make good money...
- You can buy **negative or little equity** properties and still profit (big time).

Benefits of **selling on a lease option**:

- You get an **upfront "option fee"** from your incoming buyer. This can range from a couple of thousand to tens of thousands of pounds.
- Your monthly **cashflow is far higher** than a traditional buy-to-let... Typically by about 20%r.
- You can sell quicker simply because you are making the property ***easier to buy***.
- You can sell to people who would **not normally be able to get a mortgage**: self employed, people new to the country, people with bad credit records, and crucially, those who don't yet have enough deposit.
- Tenant-buyers will tend to do their own repairs and **not call you in the middle of the night** about a leaking tap.
- Your buyer will generally be in there until they buy so **you won't have any voids**.

- Your tenant is going to own one day so is very **unlikely to miss a rent payment**.
- When the tenant-buyer finally buys the property you will normally make a **cash lump sum** - known as the "back end profit".

What is a lease option?

OK so you know the benefits of lease option investing, but what exactly is a lease option?

The option part -- also known as a property option -- is a legal document. It gives the bearer the right -- **but not the obligation** -- to buy a property at a certain price, within a certain time frame.

The lease part refers to a rental agreement. If you combine the two then you are giving someone the option to buy a property at a certain price, **within a certain time frame** and allowing them to rent the property in the meantime. Hence the popular name "rent to buy" or "rent to own".

In order for an option to be legally binding, an option fee must be paid to the seller by the person taking the option. The fee is arbitrary but when dealing with a motivated seller, often **the minimum amount** -- one pound / dollar -- is paid. This is why you often hear people talk about "buying" a house for a pound. They are, of course, not technically *buying the house*, just buying the *right* to buy it!

When you take an option on a seller's house, their mortgage will remain in place and you will be "babysitting" the payments for them, until such time as it is sold.

Lease options are **extremely flexible** and you can use them in a number of different, creative ways. Here are a few examples of how they can be used:

- Sell a property you already own using a lease option.
- Take an option on a property and rent it out to a normal tenant.
- Take an option on a property and then sell it on using a lease option -- also known as a "sandwich option".
- Take an option on a run down property, do it up and sell it on the open market (flip it).
- Get an option on a townhouse and convert it into flats and sell them or rent them out.

- Take an option on a piece of land, get planning permission and sell to a developer.

This is only the **tip of the iceberg**: the possibilities, as they say, are limited only by your imagination...

Why on earth would someone sell on a lease option?

When selling a house for cash, you get all your equity straight away. This is obviously every homeowner's ideal outcome. But when someone *can't* sell like this, they become more open to alternatives. They become *motivated.*

For someone to agree to sell to you on a lease option, they must -- I repeat must -- be ***motivated***! Dealing with unmotivated sellers will get you nowhere fast.

See our page on finding discounted property for the lowdown on how to find motivated / distressed sellers.

If someone has already moved to their next property or has no immediate need for the equity in their property, they will often be far more open to selling their property in this way.

One instance where this strategy is particularly effective is where the seller is in a **negative or low equity** situation. They are simply unable to sell on the open market because if they discount the price any further they will owe the lender money.

And why would someone buy on one?

Again, your buyers are the **motivated** kind. They are people who cannot get a normal mortgage but who are still **desperate to get onto the property ladder**.

- They just don't have enough deposit.
- They have **bad credit** (but it would be repaired by the time they exercise the option to buy).
- They are **self-employed** and don't have enough years of accounts to get a mortgage.
- They have not been in the country long enough yet.

Creating your win-win

Putting together a solution using options is all about creating a win-win situation for you *and* the seller. By giving them what they need, you get what you want. Notice I said *need* there. All sellers *want* all their cash now. The reason they've come to *you* is that **they haven't been able to get this anywhere else**.

So the key is to establish **what it is that the seller *needs***. And the way to do that is to establish what their goal is... what is it that they are selling the house in order to achieve?

Having established the **minimum that they require right now**, figure out whether this will be possible to deliver. Say they need £5,000. If you think there's a good chance that the incoming tenant-buyer will put down that amount then great. If they need £20,000 and this is more than what you expect a tenant-buyer to put down, you will need to reconsider whether the deal is worth doing.

Don't be afraid at any stage to pause the negotiation at any time and let time work its magic. When you check back in a few weeks/months, they may be more motivated and therefore **more negotiable**.

If there's a big profit in the deal then you may decide to front the balance to the seller (or get someone else to finance it -- see strategy #2!).

Another tactic is to **increase the borrowing** on the property to release cash for the seller so that they can move on (and you "babysit" the payment).

Decide whether the balance -- if any -- will be paid in instalments or rolled up and paid at the end.

What will the monthly cash flow be? Are the seller's mortgage payments going to change in the future (pop out of a fixed rate)? You need to find this out because if they are about to increase significantly then this could **knock out any profit** you were going to make on the deal.

If payments are high or about to increase, could the mortgage be changed to interest only to reduce payments? If the property is in negative equity then it should be changed to repayment if it is not already, in order to pay down the balance.

Aim to *not* take over the seller's mortgage payments straight away, rather wait until you have located a tenant-buyer. You are there to **solve their problem, not transfer it onto you**.

What will the **period of the option** be? In most cases, this will need to be 5 years minimum, 7 preferably, 10 ideally. If the property is in negative equity, it may need to be longer. If you are doing a sandwich option then you will want to try to negotiate the **right to extend** the option (just in case your tenant-buyer is unable to get a mortgage). In this instance, the **right to reassign** the option is essential.

Once you are happy that the deal is a win-win for both of you, create a "**heads of terms**" and have both you and the seller sign it. A heads of terms is just a one page form that sets out what you have agreed with the seller at a high level. This will then be passed to the solicitors so that they can sort out the legals.

Free Download

There is a **heads of terms** form in the PIB Member's Vault -- just use the password that was mailed to you when you signed up. Grab it here.

Do your DD

Before you take the deal any further you *must* **do your due diligence**. We cover due diligence in detail on the site both for sales values and for rental values, so I won't cover it again here.

For lease options, due diligence also includes the following:

- land registry title check to **confirm ownership**
- confirm seller's **financial details**: mortgage / loan arrears, council tax etc
- ask seller to request a copy of their **redemption statement** from lender and ask to see documentation for any additional loans.

What's your exit strategy?

As with any property transaction, it is essential that you figure out your exit strategy **before you commit**. Here are some options you can consider:

- rent the property out (potentially as a multi-let?) and then look to sell on the open market -- or exercise your option to purchase -- when the agreement ends
- sell on a rent-to-buy (sandwich option)
- refurbish it and re-sell
- convert to flats and sell or let out
- some other strategy?

Note that simply letting the option fall and returning the property to the seller at the end of the term without purchasing is *not* considered good practice!

Summary

So we've seen how lease option -- when used responsibly -- can help solve sellers' problems and give people a leg up onto the property ladder. As an investor, it can allow you to earn money in three ways:

1. Upfront from your buyer's down-payment (option fee)

2. Monthly from the enhanced cash flow
3. At the back end when your tenant-buyer cashes you out.

In the next section, we'll see how you can **access unlimited funds** for your next property project.

Want to learn more about lease options?

There are a million and one ways to use lease options and a lot of the skill is in **selling your solutions** to sellers and tenant-buyers, rather than the actual *strategy* itself.

Here are some resources if you want to learn more about this great property investing tool (and why wouldn't you!?)...

- I learned what I know about lease options from Rick Otton. Find out what Rick is up to here.
- You can find out more about Rick Otton's home study course here. This is how I first learned about lease options and everything you need to start trading is here, right down to the legal documents.

Killer Strategy #2: Joint Ventures

Picture the scene... You've sourced the deal of your life. The seller needs to sell quickly and you have secured an earth-shattering discount on the price. So far, so good...

But you don't have any **liquid cash**!

What do you do? Do you walk away? Do you pass the deal on to another investor for a small sourcing fee?

Not after you read this you don't!

Unlimited potential

The Joint Venture (JV) strategy essentially gives you access to potentially unlimited funds without needing to fill in endless bank forms or supplicate to some smarmy bank manager in a suit.

The world is in financial turmoil. Institutions don't want to lend to each other, they don't even want to lend to **whole countries**. They certainly don't want to lend to me... in fact I have just had the lending on two of my buy-to-let properties completely withdrawn by one bank, but that is a rant for another day ;-)

BUT WAIT... While all this chaos is going on around us, remember that interest rates are at historically record lows. What does this mean? **Big opportunities** for you as a property investor, that's what!

Why? Because the high net worth individuals out there are getting a pittance of a return on their cash in a bank and are desperate to find better returns elsewhere.

Cash savers are actually experiencing zero or even **negative net growth** on their investments just now -- bank rate (0-3.5%) minus inflation (3-4%) can give as little as -0.5% net growth.

And it's not just the high net worth individuals. There are people in good jobs... accountants, doctors, business people, who are seeing their pensions fading away to nothing due to **government cutbacks and the nose-diving stock markets**.

They need another solution.

That's where YOU come in.

What's a JV?

In its loosest sense, a JV is an arrangement between two parties that will benefit both parties because each party brings to the table something that the other lacks.

The most common type of JV in property is where, one party brings their time and skills to the table and the other brings cash.

Location is another reason you may consider a JV. I often get approached by investors outwith my area. They will generally have secured a deal near me and are looking for my local input in finding a buyer for it.

So what you're essentially doing is brokering property deals. The investor makes the kind of return they're not getting in the bank and you get a cut of it. Everyone's a winner!

Ways to structure

There are many ways to structure a JV. It really comes down to what your partner is looking for in the arrangement and what you agree between you. Here are some possibilities:

- **profit share** -- when the property is remortgaged or sold then a % of the profit goes to each partner

- **equity share** -- this method is common if the strategy is buy and hold
- **roll up the interest** -- and pay it out when the deal is sold / refinanced
- **cash flow** -- give your partner a share of the monthly cash flow
- **monthly interest** -- pay your partner a monthly interest rate
- **one off fee** -- appropriate where your partner is not making an investment of money but instead maybe expertise or the ability to get a mortgage (as a mortgage "host")
- some other combination of the above.

As you progress, you will grow in confidence and where you perhaps started off giving a 50/50 profit share to JV partners, you may decide to alter this proportion or that you will only give a flat fee of a few thousand going forward. Use your judgement as to whether this is appropriate.

Security

Another critical component of a Joint Venture partnership is security. This is to say: what security does your investor have that her loan is secure **if things go wrong**?

This is especially important for the first deal you do together and will be a key factor in your convincing your prospective partner to work with you.

What form security will take depends on the nature of the deal and your circumstances.

1. In the case where your partner is purchasing the property **in their name** -- e.g. as a "mortgage host" -- then their security is clear. In this scenario, it is all the more important that you have a legal agreement in place to apportion equity / cash flow / loss.
2. If you purchase the property **in your name** then you would grant the investor a charge / security over the JV property for the amount of the loan.

3. A variation on this is where you grant the investor a charge / security over a property that **you already own** (not the one that you will be joint venturing on).
4. A **legal agreement** in which you promise to repay the investor when the property is sold or refinanced.

Exit strategy

As with any property investment strategy, your exit strategy is absolutely crucial. You need to know, before you go into a deal exactly how you are going to exit from it. Are you going to:

- flip for a **quick cash profit** (sell on open market or at auction)?
- hold and rent out?
- sell on a rent to buy (lease option)?
- refinance to pull out profit?

Not only that but you need to have a **contingency** exit strategy too! We recently did a JV where we had intended to sell on a rent to buy. After a few weeks it was clear that this was not going to happen fast (it was in a lower-end area with fewer aspirational homeowners). So we went to **plan B** and rented the property out.

You also need to specify ***when*** you are going to exit. So for example, if you are planning to refinance then are you going to do it in 6 months? 12 months? 18 months?

These exit strategies need to be laid out in your joint venture agreement so that if you have to go to plan B, then your investor is not **taken by surprise**.

Benefits of a joint venture

Apart from the obvious bankless finance that a JV arrangement provides, there are a few other tangible benefits:

- partner may bring skills and possibly **contacts** to the party, as well as cash
- increases your **buying power** and reduces the time to build your portfolio
- **accelerates** the growth of your business
- lower risk
- you can take on **multiple deals** at one time

- you can operate this strategy even if you have a **bad credit rating**.

Where to find JV partners?

You can come across a JV partner when you least expect it. The main rule of thumb is to "flap your gums"... Tell everyone you meet what you do and how you can work with people to make them money.

Family / friends -- your perfect JV partner could be right under your nose. They may not necessarily have oodles of cash in the bank, they could have a chunk of equity in their home that could be released.

Wherever wealthy people hang out -- golf clubs, supercar clubs, flying clubs, I know a very successful investor who finds many of his investment partners at his local gym!

Property networking events -- in this market, these are often frequented by people looking for a return on their money.

Internet property forums -- there are many internet property / real estate investing forums: some are free and some make a monthly charge. There is often a section specifically for people to post deals / JV partners required.

List brokers -- search for mailing list brokers on Google. They can give you a very targeted list of contacts, for example: business owners with incomes in excess of £100k with an interest in property.

Business networking events -- these can be hit and miss as they are often populated by startups and network marketing types but keep an open mind and try your local event to see what the calibre of membership is. Check your local chamber of commerce or equivalent for events that they run.

Business angels organisations and events -- these are usually paid-for events / clubs.   The format is that where entrepreneurs pitch their business proposition to a selection of investors. This can be a very direct way into extremely wealthy individuals but be sure to refine your pitch as you'll be blown out of the water if you don't come across as credible.

A note about networking events

In order to be successful at these, you need to approach them with the right attitude. Don't expect to come away from an event with an **instant investor** (although it can happen). Don't give everyone the hard sell and move on to the next if they're not interested -- no one likes this. Aim to start to build relationships with people, and opportunities will spring from that.

Finding local events

The obvious place to start is Google but check meetup.com for anything from large meets to small informal gatherings.

JV red tape

A combination of the government's continual desire to stifle entrepreneurialism and some unscrupulous/ incompetent players in the investing arena led to the introduction in 2013 of the FCA's PS13/3 rules for promoting investment opportunities.

While this does limit what you can do in terms of property JVs and how you go about finding a partner, the enterprising investor will see this an opportunity rather than a challenge.

We can no more advertise returns on a property JV or solicit random loans but here a few ways that we can structure JVs and still be compliant with the FCA:

- Acting as an agent
- Selling an interest in a deal
- Securing investment from companies or high net worth individuals
- Loans (for a specific project; not general)
- Incorporating a limited company or LLP with your partner

I don't have time to drill down on each of these in this short eBook but just know that there are still options to create very profitable JV arrangements, as long as you do it in a compliant way. You can find the full FCA ruling here.

What makes a great JV partner?

A good JV partner is not just someone who has a big pot of cash (although that definitely helps!). Making your decision on this factor alone can be a big mistake! You are going to have a relationship with your JV partner for months and potentially years to come.

If you get into bed with a partner who is uptight and -- to put it bluntly -- a bit of a control freak, then you are **in for a nightmare**. We all know that property deals are seldom plain sailing... There are delays and complications. These can always be overcome, but if you have an over-zealous JV partner breathing down your neck the whole time, it would not be enjoyable!

Have a few meetings with your prospective partners before you take the plunge. You will not regret it. Remember -- they will be sizing you up too, so be sure to project a confident, trustworthy image to them.

As with the best types of selling -- ask questions to find out what your prospective partner wants from the deal and then sell that back to them!

Focus on what's in it **for them**.

One of my JV partners, with whom I have done several deals is a hospital consultant. He is a very intelligent guy but has no interest in property investing. He is **very time-poor** and is happy for me to just get along with it and he will sign documents or speak to solicitors when I ask him to. He is the **perfect JV partner** in that he is very laid back and does not stress when there are delays and so on.

What to watch out for

The absolute key for the basis of a great JV partnership is that both partners go into it with their eyes open. Both parties must know *exactly* what to expect. They must be made **aware of the risks**.

The key to this is to have a formal joint venture agreement in writing. This shouldn't be a nineteen page document in arcane legal speak that will scare your JV partner off, but it should cover the main points of your agreement:

- What is the the aim of the project?
- What will your partner's **security** be?
- What will their **return** be?
- When will they get it?
- Who will do what?
- What is the **exit strategy**?

I know what you're thinking -- "I'm going this with my family member / friend, we don't need that"...

Wrong!

That could be a sure fire way to **ruin your relationship forever**. Don't cut corners, have an agreement.

Free Download

There is a sample JV agreement in the PIB Member's Vault -- just use the password that was mailed to you when you signed up. Grab it here. You are free to change it as you wish but it comes with no warranties -- check with a solicitor that you are FCA compliant before using!

Don't let (lack of) communication kill the deal!

Another very important factor in your relationship with your JV partner is communication. If you are not communicating, then the mind tends to make up its own version of what is going on and can **introduce bad feeling** between parties.

Depending on the stage of the deal, you will find the need to communicate less or more. Some partners will need more communication than others and you will soon find the right balance.

Communication helps to build trust in the relationship too.

Summary

So, we've seen how JVs can give you access to the resources you need to complete deals that you might not otherwise have been able to take on. In the next section, we'll look at a strategy that allows you to create a **high cash-flowing asset** out of a property without owning it.

Killer Strategy #3: Rent to Rent

Multi-lets -- or HMOs / Houses in multiple occupancy -- are extremely high-yielding investment properties.

You can build a portfolio of these by buying below market value and / or adding value then refinancing and repeating.

There's a problem with this though...

- it takes time
- it takes money
- it is not readily scalable
- you're **at the mercy of the banks** for funding.

Imagine you could **control an unlimited number** of these super-profitable multi-lets with no mortgage, no deposit and no credit checks...

Well, this can be a reality and this killer creative investing strategy is called "Rent to Rent".

(I have to admit that I have not used this strategy myself as the regulations on multi-lets in Scotland are very strict and it is sadly not possible. HOWEVER, I know that many people are using this strategy elsewhere to boost the yields of otherwise unlettable houses through the roof!)

What's a Multi-let?

Although it may have different precise definitions in different parts of the country, and also among lenders but a "multi-let" is generally considered to be a property with shared facilities let to less than five occupants. (These are independent tenants, rather than a single family unit.)

For the landlord, multi-lets have always been considered a **great, high-yielding strategy**.

However traditionally multi-lets have high setup costs: you could expect to pay £100,000 plus for a big enough property to do it with. Then consider the refurb and other setup costs. And that's if you can even get a mortgage.

The **timeframe is waaay too slow** -- it can be anything up to 6 months before you've bought the place and got it ready for the market.

But what if we could get rid of the downsides of this otherwise-great strategy: the big time and money investment?

Enter Rent to Rent

Well, that's what Rent to Rent does... It completely **removes the need** to purchase property in the first place. You will normally have little to do in terms of refurbishment and furnishing.

What's the big deal?

Put simply, you can achieve a **much higher rent** for a given property than you would otherwise be able to, renting the property as a whole to a single family unit.

So for example, a 3 bedroom house might have a market rent of £800 when let to a single family. But when let as an multi-let for £400 per room, the potential rent could be £1,200 -- an increase of 50%!

You can see that you wouldn't need many of these in your portfolio to become **financially free**.

Why are Multi-lets so popular?

For tenants, multi-lets are very popular these days for a number of reasons. These factors don't look likely to change any time soon:

- increasingly migrant population... people are **moving around the country** for work and seek temporary rented accommodation nearby
- home **ownership is further out of reach** of young people than ever
- **separation and divorce** is on the rise so there are more and more single people in the

rental market
- there is a **chronic housing shortage** in the UK at present
- in these tough economic times, many people will opt for the cheapest available accommodation over the larger living space of a flat for example.

What's the trick?

The strategy is to approach landlords -- either directly or through their agent -- and offer them **guaranteed rent** for their property. This can be very attractive to these types of landlords:

- "**accidental**" landlords who are only letting because they have been unable to sell
- buy-to-let landlords who have become stressed and **tired of the hassles** involved in the business
- landlords who are **nearing retirement** and still want an income but would like less involvement with their property
- an owner who has had their property **empty** for a long time
- landlords who have **problem tenants**.

It is not uncommon that investors using this strategy will find a tired landlord who has more than one property that he / she wants to "get rid of".

You are offering a landlord something quite compelling:

- a steady income with **no more voids** (gaps between tenancies)
- no more tenant hassles
- **no more repairs** -- you offer to take care of small maintenance issues yourself.

In exchange for receiving a constant, *guaranteed* rent in addition to the benefits above, you can negotiate a lower monthly rate. This increases your cashflow ***even more***.

You will want to negotiate a good, long lease so that you get a good return on your initial setup efforts and costs. Two to five years is ideal.

Before letting, you may need to carry out a small refurb to freshen the place up. You can even negotiate with the landlord to assist you on this. Investors using this strategy report that installing a big TV and fast WI-FI internet make the rooms much more lettable.

Your profit obviously comes from the difference between the rent that you are paying the landlord and the rent that you charge the tenants that you will find for the property.

Another nice advantage for you is that you are **insulated from any interest fluctuations** as the rent is set at a fixed rate.

An example

OK, let's take look at an example of a multi-let let as compared to a normal let...

Recall our example of a traditional buy-to-let purchase from the first section. We spent a total of £26,500 before the place was **even ready to let**. As a strategy, it was good in its day but it's about time this old-timer threw in the towel!

Now, let's look at some typical setup costs for a "rent to rent" property. Let's assume we've negotiated a rent of £750 pcm with the landlord.

Deposit	£750
Rent in advance	£750
Light refurb	£1000
Television	£500
Additional furniture	£500
<u>TOTAL</u>	<u>£3,500</u>

(OK, so strictly this strategy does require *some* money, but combine it with the JV strategy and BOOM -- **none** of your own money required!)

So now let's consider that this house has three bedrooms, each of which we are going to rent out for £400. Our monthly cash flow will now be £1,200 - £750 = £450. So this means we've spent **£23,000 *less*** than the traditional example to set up and we're earning **£200 *more*** per month!

Now, just imagine we'd spent all of our initial pot of cash from the first example on the rent to rent model. We could have set up a full **seven** of these with that money! And that could now be generating a staggering **£3,150 monthly cash flow**.

AND we'd still have £2,000 **left over in change**... Now that's what I call an investment strategy!

What's more, with rent to rent, you could have had many of those seven units set up before the purchase of the traditional one even ***completed!***

Now, which strategy do *you* prefer?

Do your DD

Before diving in with this strategy, be sure to do some due diligence on your target area. You need to establish that there is going to be sufficient demand for multi-let properties. Remember, if there is low demand and you have one or two rooms unlet for a significant period then this will **knock out your entire profit**.

Look for areas with a high proportion of students and / or young professionals. Speaking to letting agents will give you a good guide to your market.

There's gotta be some catch, right?

Well, it's almost all upside but it is worth pointing out a couple of things.

You need to be aware that in some areas, properties let to multiple individuals may need to be licensed by law. Check with your local council for rules on this.

Rent to rent is purely a cash-flow strategy. You won't benefit from any capital appreciation as the landlord still owns the property. But **use it with a lease option and you can**! More on this later.

Summary

So, with Rent to Rent, you can take advantage of the superb cash flow potential of the multi-let strategy but without actually buying the property. In the next section, we'll look at how you can combine the strategies we've looked at for even more profit potential.

Want to learn more?

Although it doesn't specifically cover the Rent to Rent strategy, Dr Javaid Kiyani has an excellent 7 part introductory course to HMO / Multi-let investing... It's available free here.

Mixing it up

So, now you know some awesome strategies that you can use to profit from property without a bank.

But don't let's stop there! Get even more creative and combine these strategies together to fit any situation you come up against.

So for example...

Scenario #1

You're going to take an option on a property that will make you £50,000 profit.   BUT, the seller needs £20,000 to pay off debts and move on.

The incoming tenant-buyer will put down £10,000 but that still leaves you £10,000 short. Do you walk away from the deal? No way! You find a joint venture partner to invest the remaining £10,000 and arrange either to give her interest (either rolled up or monthly) or a split of the profits from the deal.

Scenario #2

You want to use the rent to rent strategy but you don't want to invest your own money. You locate a JV partner who is willing to invest their cash for a return. You could:

- take the cash as a straight loan and repay it with interest from the cashflow that the property creates
- go into the project as a team where you do the work and they provide the finance, splitting any profit along the way 50/50.

Scenario #3

You find a motivated seller of a property that happens to be suitable as a multi-let. You take an option to purchase the property for an agreed price in 7 years time. In the interim, you let the property as a multi-let, benefitting from the enhanced cash flow that this provides and then sell the property on the open market before the seven years is up.

This way you are benefitting from the **cash flow *and* the capital appreciation**. There's nothing like having your cake and eating it!

Now what?

Well, the bad news is that that's the end of our strategies. We really hope that you've gained something from this eBook and it has whetted your appetite to learn more about some of them.

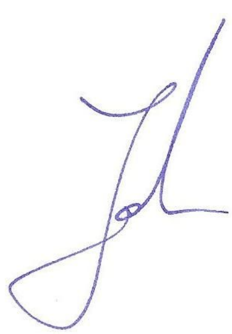
The good news is that you got further than 90% of other readers and you actually got to the end. It is a sad fact of life that (despite my gripping prose ;-) most people won't even open this eBook and it will languish on their desktops with all the others.

So continue in this vein and get out there and take action!

Apart from that, if you liked this eBook then I will **love you forever** if you share it with your friends and contacts... :-)

To share, just go to the download page and click one of the share buttons at the bottom of the page.

Thanks for reading and happy investing!



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