

## 10 Rules for Buying Property



### 1. Have an exit strategy

Know when you plan to exit, have a clear plan and execute it. Don't wait until you're forced to exit as this will inevitably end in panic and loss of profit.

### 2. Chose professional advisors independently

Your professional team is your biggest friend in completing any property purchase, it is therefore imperative that they are on your side and working solely for you. This means it is a very good idea to use independent advisors from the estate agent or developer that you are buying from. Referrals or actually visiting offices is the best way to ensure this.

### 3. Avoid markets elevated purely by investor activity

If a strong base demand from local or end user isn't present then who will you sell to? Check that there are other buyers in the market than just investors.

### 4. Be prepared for the unexpected

Have a back up plan and think about what could go wrong, it may not but it's always good to be safe. Markets can change and go up as well as down.

### 5. Use gearing/leverage to your advantage

For example if you buy a £100,000 property and it increases in value by 20%, when you sell the property you will receive £20,000 profit (excluding fees). By using gearing and only putting down a small deposit you can dramatically increase your return on investment (ROI). In this example if you bought the property with 100% cash you would make £20,000 profit but only a 20% ROI (20,000/100,000). But if you use gearing and buy with an 80% mortgage and 20% cash deposit you still make £20,000 profit but you now make 100% ROI (20,000/20,000) and you could do this with 5 properties if you had £100,000 to spend. This would mean £20,000 x 5 = £100,000 profit. A huge difference, so use gearing when ever you can.

## **6. Make sure you can read and understand the contract before signing it**

Please do not sign anything until you have read and fully understood the meaning and implications of the contract, this may sound simple but it's very important.

## **7. Don't pay more than a minimum reservation fee before having the contract drawn up agreed and signed**

Once you're happy with the contract, and only then, pay the full deposit. Be very wary of any company trying to get you to pay a large deposit before the contract has been fully agreed, read, understood and signed.

## **8. Use official licensed or registered estate agents or developers to buy from**

Check who can and can't sell property in the country you're looking to purchase in, then check the credentials of any company trying to sell you property. Check with the local regulatory body and ask to see copies of licensed documents.

## **9. Location, Location, Location**

Do your research on the location your looking to buy into, would you like to live there, would anyone else like to live there, what developments are likely to happen next to near to the project your looking to buy on. Location really does matter so chose yours with lots of research.

## **10. Balance your risks**

Don't put all your money in one location or type of investment/property. Put some of it in higher risk areas and some in lower more secure areas. This will protect you against any market downturn that could occur and ultimately make your money more secure yet working smarter.