

# THE TEN-POINT PROPERTY DUE DILIGENCE PLAN

A BLUEPRINT FOR INVESTING IN BTL



# INTRODUCTION:

## Why do you need to read this eBook

Nowadays there is a huge amount of free information around on the internet, and whether you are thinking about investing for the first time, or are a more experienced investor already managing properties, it can be overwhelming. Paul Mahoney, founder and Managing Director of Nova Financial Group, finds people can often be confused by the conflicting information researched, and lapse into what he terms 'paralysis by analysis'.

In this fourth eBook of a series of five, Paul explains the ten main factors to study carefully when considering an investment and when continuing to build a successful portfolio. Using Paul's guide will help you to establish where it's best to buy to let, and he explains why, for instance, the cheapest property is often not the best deal. If you are considering a property deal, these ten pointers help you formulate a due diligence plan, which you can use a handy template to remind yourself of the wide range of factors you need to consider when contemplating investing in property and whether it will work for you.

Paul's mantra when it comes to property investment is:

*"investing isn't just about making money; you need to be able to sleep at night."*

In this fourth eBook Paul groups together the most important aspects of property investment, according to Paul, who adds, "These are the ten boxes that any property deals you're going to consider investing in has to tick."

1. Supply
2. Demand
3. Target market
4. Location
5. Infrastructure
6. Price
7. Fair value
8. Economic changes and legislation
9. Vendors
10. Type of property

## AWARDS

Nova Financial Group's clients can make sensible decisions with their investments and have the confidence that they are receiving the best advice with regards to their goals and objectives. This comes from Nova Financial Group often being recognised independently as a well-respected buy-to-let investment and mortgage adviser, including their award, for example, for being 'Best Property Investment Provider' by LIS in December 2019. At whatever stage of their clients' investment journey, Nova help them benefit from their advice and support.

Nova does not offer clients a 'get rich quick' scenario, but instead helps you to understand what amount of wealth is achievable, and how this can be done within a reasonable time span, regardless of how the economy is performing.



## ABOUT PAUL MAHONEY



Paul Mahoney is the founder and Managing Director of Nova Financial Group and has recently published a book which is now an International Amazon #1 best-seller. It's called "The Property Pension Plan, Financial Freedom Through Buy to Let Investment".

As a successful landlord himself, Paul's own portfolio reflects the advice Nova gives to clients, which is to invest in central locations in major cities, where there may be a shortage of land supply but strong growth in, for example, the population, the economy, and infrastructure spending. Paul recognises that in a flourishing economy, you can do well as a property investor, but that it's important to help you understand that choosing your investment properties carefully can buffer you against periods when market conditions are not flourishing.

## ABOUT NOVA FINANCIAL

Nova Financial Group is a multiple award-winning, privately-owned and independent buy-to-let property and finance advisory company.

The group assists clients in:



Nova's management team have successfully advised thousands of new and experienced UK and overseas property investors during their decades in the industry. They don't sell their own products and can therefore provide you with objective advice rather than sales-oriented guidance. Nova provides one-stop expertise, together with a range of educational services, under one roof from their centrally located offices in London, Birmingham and Manchester.

Nova also have a [YouTube channel](#) with lots of useful content for property investors. In addition to this, you can read [Nova's independent reviews on TrustPilot](#). Paul can be contacted directly on [pm@nova.financial](mailto:pm@nova.financial) or at head office on 0203 8000 600.

# THE BTL 'BLUE PRINT' FOR ESTABLISHING YOUR TEN-POINT DUE DILIGENCE PLAN

**1 Supply:** Any investment is determined by supply versus demand. Ideally this means targeting an area where there are not enough properties, and this shortage will continue in future. For a potential investor, this could mean buying in a location where land is limited, to preclude the likelihood that more properties will be built there over years to come. For many, this means choosing a property in a central location, within a town or city. But be cautious of 'regeneration areas' it doesn't automatically mean all properties in the area will grow in value as the benefits of regeneration can be already 'built in' to the initial sale price in these areas, especially with new build property.

**2 Demand:** Areas where there is strong demand now and in the future are likely to offer good reasons for people wishing to live there. This could be a mix of job availability, good facilities, excellent amenities, and good infrastructure. Ascertaining tenant demand is essential before buying, by, for instance speaking to agents with professional standard registration, e.g. ARLA or RICS.

**3 Target market:** As a potential landlord you need to understand who your target market is, and what they want. If you are considering a particular location, it's wise to let that determine the right market. As an example, young professionals quite often prefer to live in flats or one- or two-bedroom apartments, whereas young families tend to prefer three-bedroom houses. The more information you gather about the demographics, such as:-

- Average incomes
- Employment rates
- Vacancy rates

the better placed you are to judge whether these are in your favour. This also has a bearing on how you present your property.

**4 Location:** Choice of location is vital to your successful investment. As Paul points out, *"My preference is for central locations, because that's where you tend to have the most depth in factors such as demand, but also infrastructure, amenities, facilities, all those sorts of things."* There's a complex mixture of aspects to take into consideration, including understanding the shift in generational preferences and the trend towards re-population of city areas.

**5 Infrastructure:** Your prospective tenants are going to need transport links and amenities that reflect the aspirations of your target group. New infrastructure going into an area can be a good sign for investors because, for instance, schemes such as new roads being constructed, a new tramline being established, or a new DLR station going in can change the face of an area and have a huge impact on your property. Big corporates investing in retail parks in the area can be another good sign as they have the resources to do very detailed research on prospective future target audiences.

# WHAT IS A BTL 'BLUE PRINT' FOR SETTING UP YOUR TEN-POINT DUE DILIGENCE PLAN?

- 6 Price:** This, of course, is valuing a property, but there are different facets to what determines property price, and even surveyors can struggle to value properties if there are no close comparables. As Paul comments, *"You need to balance price with desirability"*, and it's important not to rely solely on a bank surveyor's valuation as they can be quite conservative in their estimates. It's essential to recognise if a property is cheap, there is usually a good reason for it. Since desirability drives demand, you must consider whether your target market would be attracted to your 'cheap' property.
- 7 Fair value:** A really good property in an excellent area is likely to perform well over the mid- to long-term, so it's important to recognise that properties advertised as BMV (below market value) are likely to be more of a sales tactic than reality. Hence, paying the list price for a property which many others want to buy can still be an excellent purchase as it could perform better than those where you are offered a discount or a 'deal'. It also means you are likely to achieve the best possible price when you decide to sell. Your property's value and rental potential could survive economic downturns better.
- 8 Economic changes and legislation:** There have been numerous changes to property legislation in recent years and investors can only consider new purchases in terms of current conditions. It's vital you protect your investment against worsening conditions, by considering what will happen if interest rates rise substantially, will you struggle to re-mortgage or if taxes increase? Paul comments, *"Make sure you're testing those scenarios and that your strategy and portfolio still work."*
- 9 Vendors:** Most people tend to be 'hands off' investors and don't want to get involved in renovating and repairs. Hence new build properties that come with a range of warranties fulfil this brief well. It's essential, however, to make sure that the buying structures and protections are in place to make your investment as low-risk as possible. Paul always recommends securing a 'snagging' service for a new build – regardless of how 'well built' it is. This is a service Nova Financial offers to ensure clients are protected when buying new build and is particularly useful if you live mm from your rental properties.
- 10 Type of property:** Given the choice of property type open to you, e.g. maisonettes, flats, terraced and detached houses, Paul recommends focussing on what the property can deliver rather than solely the features of the property. He emphasises that, "when it comes to investing, it's about being commercially-minded and making money from your investments." It's best to find the top location with all the right driving factors, narrowing this down to where you feel comfortable, and allowing this to determine which is the best property type for that particular location.

Despite the possible leasehold, service and other charges, a central location tends to suggest flats as the best investment, providing the lease is sufficiently long. Open-mindedness is essential regarding property type. Even the floor plan of a flat can make a big difference, and one property in a block of flats may be much more desirable than another at the same price.

Paul says *"a lot of people tend to look at property with preconceptions. For example, an old saying I still hear is "the value's in the land" and in my opinion, it's absolutely not. The value is in what someone wants or needs and what they can pay for it, whether renting or buying"*

## PITFALLS TO WATCH OUT FOR:



- Since the success of an investment is determined by supply versus demand, do your research and ensure that a location which is currently short of property is not going to be oversupplied within a few years due to future housing development.
- Don't be tempted into what seems a marvellous deal, buying below market value, only to discover that it becomes a liability because nobody wants to rent your property – nor buy it. As Paul explains, ***“There have to be really strong reasons for people to want or have to live there.”*** Cheap property is usually cheap for a reason.
- When researching tenant demand, it can be useful to call local agents to ask their opinion on the let ability of a property. However, be aware that not all agents know their area well enough to answer your questions. Currently, agents don't need to be qualified, so to be sure of good advice from someone who knows their area, consult agents who have committed to securing lettings qualifications such as ARLA or RICS member agents.
- Don't decide on your target market, and then look for the right location. This can make for a mismatch which will affect your investment. Choosing location first, followed by research into the right kind of target market, will ensure a better match and therefore a better return.
- Some investors go wrong by purchasing a one-bedroom flat in an area favoured by young families simply because it's cheaper. Others will buy a house in an area preferred by young professionals who seek a one-bedroom flat. As Paul points out, ***“Understanding your target market is important. This will help you understand where demand is skewed in your favour.”***

- Don't be tempted to take on the type of property area and amenities that appeal to you at your stage in life. It's vital to put yourself in the place of your target market and view all aspects of your investment from their point of view.
- When trying to visualise the property and area from a potential tenant's viewpoint, think about the smaller practicalities which may nonetheless affect their attraction to your property. A grim view of the dustbin area or a ten-minute drive to buy a loaf of bread will be off-putting for some and can affect your property's desirability.
- It's good practice to consider whether new investment in infrastructure will improve your chosen location in future. However, it pays not to speculate too far in advance. Whilst early investment in areas with new transport links and amenities scheduled in the near future can bring great returns, it doesn't always translate into property price growth and rental demand. Double check if a new project you are interested in will actually come to fruition.
- Ensure you get an accurate, expert opinion on a property's value – balance desirability with price. Not all surveyors value properties the same and bank surveyors can be quite conservative.
- Don't shy away from paying fair value for an excellent property in a good area. These can do better than most over the mid- to long-term and if there's a queue of potential buyers, this suggests it is a good prospect and will serve you well in future. Particularly when considering the resale market and your own exit strategy.
- If you are hoping for a property with little on-going work and maintenance, you may look to invest in new build and/or off-plan property. However, this won't always ensure good quality though. When buying from a developer, ensure they have a good track record of delivering on their promises and check the **House Builders Federation 'Star Rating'** which scores different developers based on their customer service results.
- Try to get rid of any preconceptions you may have about different aspects of a potential investment. Keeping an open mind and remain unemotional and business-oriented when thinking about making money from property investment is vital to success. As Paul explains:  
*"The value is in what someone else wants or needs."*

Unless you are an experienced investor or prefer to use the services of an experienced and accredited advisor such as Nova Financial, it is never usually a good idea to buy a property unseen. It's important to understand the facts and financials of your investment, and you feel comfortable with your choice.

# Watch, listen, read Paul's advice: or meet Nova Financial advice in person!

## Watch Paul's advice on video.

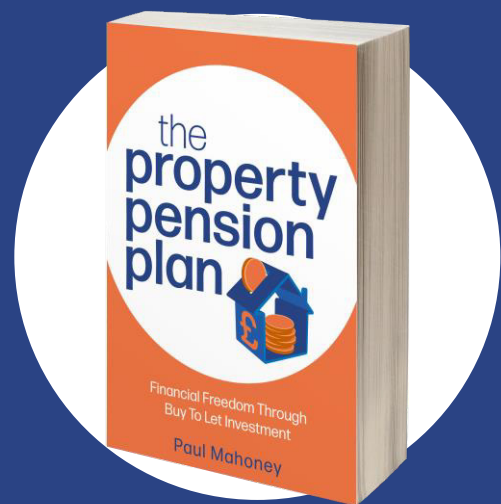
The Buy-To-Let Blueprint is powered by Nova Financial and is co-presented by Paul Mahoney MD and also founder of Nova. Paul shares his thoughts on property investment in general and his approach as a landlord and investor to building a portfolio.

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## Read Paul Mahoney's best-selling book!

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You can obtain a free copy of Paul's book, paying postage only, by clicking [here](#) and completing the form; or from Amazon by clicking [here](#).



## Listen to Paul's the property pension plan book on Audible.

You can also listen to Paul's audiobook by clicking on the Audible link [here](#).

## Meet Paul and his team in person

[Nova Financial Group](#) are financial advisors specialising in buy-to-let property investment. Nova helps clients to have full control and flexibility of property and investments. They approach property investment by assessing risk versus return, and focusing on fulfilling their clients' investment criteria. They use stringent selection criteria and select only those opportunities most suitable for in-depth analysis and potential recommendation.

You can check out Nova's [independent reviews on TrustPilot](#). Paul can be contacted directly on [paul@nova.financial](mailto:paul@nova.financial), or call Nova Financial Group's office on 0203 8000 600.