Insight
EDUCATION

THE SIX C'S PROPERTY INVESTING CHECKLIST

How to invest in the right property every single time

YOUR SIX C'S© CHECKLIST

If you plan to buy another investment property this checklist is a must. It has saved our clients millions of pounds worth of mistakes over the years.

When I first started investing in property my first 10 properties were a nightmare. I had tenants not paying, people trashing my properties, they were hard to rent. And worst of all it was someone else's money I was investing with and losing – not mine!

It was only when I committed to mastery – modelling and copying the very best that I started to get great results.

The Six C's started to guarantee me that I would only ever buy world class properties. I would never need to put any money in to a property again after buying it and it would make me money whether the market was flat or rising. I won either way.

Having 200 properties in my own portfolio and having helped our clients buy over 1000 properties in the last decade using the Six C's, we only buy outstanding properties. We reject 99 out of 100 houses that other investors would buy. But the ones we do buy are world class investments.

People go out to select a buy to let. They may look at 10 online, view 5 and then buy 1 – this is crazy. Use the checklist to save time and effort by rejecting and deselecting as many as you can, so you only view ones that meet all the rules.

Below are the golden rules – follow these to guarantee successful investing. Deselect, deselect, deselect. Reject and reject until what are left are only outstanding properties.

SIX KEY STEPS

CAPACITY:

Your property needs to be a 3 or 4 bedroom property. Not a 1 bedroom or 2 bedroom flat or house. With 1 bedroom you get too much transiency. Someone will meet a new partner and fall in love and so they move out. With 2 bedrooms a family have 1 child but then they get pregnant and have another – and move out. The average tenant change costs you £1,500. If you buy a property that changes once per year that is a £15,000 cost over a decade.

You need to buy properties where the tenants want to stay for life. Mum lives up the road, uncle lives down the road and kids are at the local secondary school.

CITY:

Do not just buy in your town. Buy in the area that gives you the best investment return. If I only bought Morrisons stocks and shares because I come from Yorkshire and they are based there you would laugh at me. When you buy a stock or share you want the best possible return on investment. It is the same with your property investing. So which area will give you the best return. An example to help you think this though:

If I drive 30 miles from my front door I arrive in York. I can buy a 3 bedroom property for 150k that will rent for £700 per month. If I drive 6 miles the other way, I can use the same money to buy 2 properties worth 75k each in Scarborough. They rent for £560 per month each = £1,120 per month. Over time the prices in each town go up the same – I know as I have studied that. York is a year ahead but they go up the same. So I know I would rather have the extra £420 per month = £5,000 per year while they go up! I am not saying buy in Scarborough – there can be even better places than that. Of the 500 properties we will buy our clients next year approximately 6 will come from Scarborough.

CAPITAL:

The UK house prices go up at 7.9% per annum on average. That includes all the downturns, drops, flat periods. Its 7.9% a year on average.

So the national average is pretty good – you just need to make sure you get that. Here's how:

A. Buy in a town or a city (population 80,000+)
B. Buy within 5 miles of the town or city centre (measured by town hall or train station) 7 miles if Manchester, Birmingham or London
C. Buy close to a great secondary school (Ofsted needs to be good or outstanding)
D. Buy on a good public transport network – bus, tram, train
E. Buy on a great road network

CASHFLOW:

Once you buy an investment property you should never need to put money into the deal again. NEVER.

You do this by ensuring you buy them with enough great cash flow. Now obviously we want them to have as much cash flow as possible – but what is the rule they have to pass?

Work out the following:

Rent – see what the rent is for this particular property.

Mortgage – we can get crazy rates these days but work out the mortgage at 4% (interest only) for your cash flow check as you then know it will cover you for at least the next 5-8 years based on what banks are currently charging.
Maintenance is £80 per month (we manage hundreds and hundreds so we know).

Insurance - put £20 per month (you can often get a little cheaper).
Letting agent (budget 11% +VAT) – you may choose to manage it yourself but what if you get ill.

The property needs to be able to afford this so use it as part of this check even if you will look after them yourself.

Let's say that gave us Rent £600, Mortgage £300, Maintenance £80, Insurance £20, Letting agent £80 = net profit £120.

Your cash flow check – you assume the property is empty for 1 month a year. So rented January to November and empty in December.

In this example with £120 profit per month by the end of November you would have £120 x 11 = £1,320. This number MUST be higher than the rent for month 12 (in this example £600pm rent). If the £1,320 of profit covers the rent in month 12 if it is empty, then it has passed this check. If it does not pass it then do not buy the property.

CHECK:

This is the biggest one missed by even serious investors. Check your property will always rent well before you buy it.

So as soon as you agree to buy a property then advertise it to rent. You can use Zoopla or the local newspaper and advertise the property. You are looking for 10 replies within a week otherwise you walk away. I don't care how many other of the Six C's it meets if it does not pass this 'C' do not buy it.

If five people are interested and three view it and one wants it they have chosen you – you did not choose them! But if twenty people are interested and ten view it and five want it now you can ask for bank statements, wage slips, guarantors – the works!

CONTINGENCY:

This one if simple. You would not run a business without keeping some contingency money to protect your business. It is the same in property. Keep some back to protect the investment. For family let properties then you need to keep 4.5% of the investment back. E.g. If you have £100,000 then invest £95,500 and keep £4,500 as the rainy-day buffer. If you have £1,000,000 in invest then invest £955,000 and keep £45,000 to protect it. So always 4.5% stays in a rainy-day bank account to protect the investment.

If you buy to all the 'C's' this final 'C' will ensure you never need to add another penny to the investment you make. This plus the positive cash flow will pay for all eventualities.

NB these are the Six C's for family let (buy to let).
Ask my team for the Six C's for any other strategies you may be considering.

CAPACITY:

Needs to be a 3 or 4 bed house, not a flat. The average cost to change over tenants is £1,500. You want someone in the property for the long term. A landlord that changes tenants every year will cost themselves £15,000 in 10 years. Have someone in the property long term, there's more chance they will treat the property like their home.

CITY:

Don't choose a property using your heart because it is somewhere you like, use your head, it will make good financial returns. E.g. In York, you would pay £150,000 for 1 house and it would achieve £700 pcm in rental income. Compared to Scarborough, you would pay £75,000 for 1 house and it would achieve £600 pcm rent. Asset growth is the same in both areas, but you are better off buying 2 houses in Scarborough for the same overall investment amount and achieving £1,200 pcm (2 x £600 pcm) rather than £700 pcm.

CAPITAL:

You need capital growth. In the last 85 years house prices have gone up on average at 7.9%. Buy close to a secondary school, near a great road network, great rail network and in a town or city.

CASHFLOW:

Must have positive cashflow each month! Which means that every month when rent is collected, after you have deducted all the of the costs there will still be monies remaining.

CHECK:

As soon as you agree to a property, do a rental check to ensure that you can get a tenant in the property as quickly as possible and there is plenty of demand in the area. You want to be in a position where you choose a tenant out of a list of 10 or more rather than only 1.

CONTINGENCY:

Whatever amount you have to invest always keep 4.5% back as a contingency. So if you have £100,000 to invest keep £4,500 back.