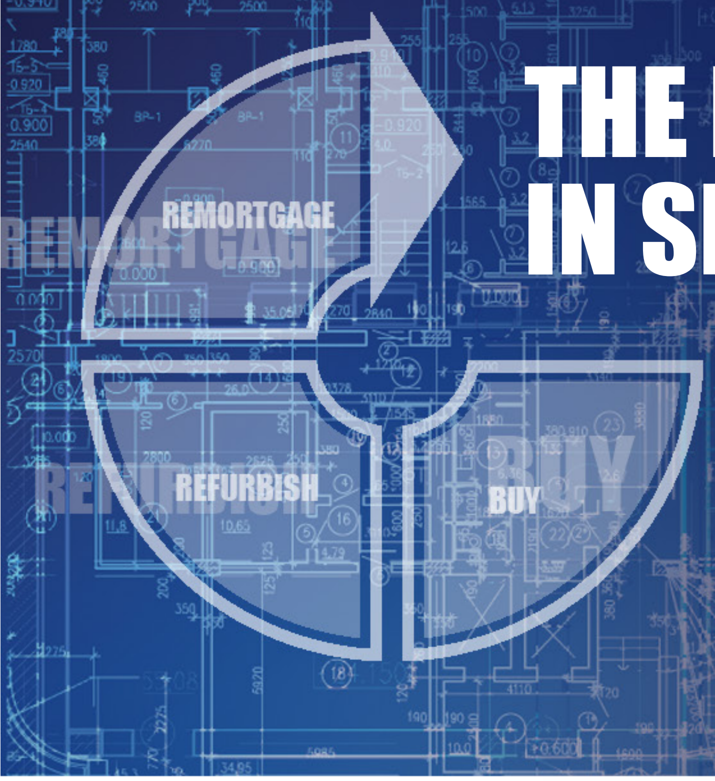
BLUE PRINT

BUY REFURBISH REMORTGAGE

The No Money Left In Secret

How to utilise the BRR Buy Refurb, Remortgage strategy to leverage one deposit pot for multiple property purchases and benefit from the sustained growth of the 'new property cycle'

Progressive Property
Invest For Freedom, Choice And Profit



THE NO MONEY LEFT IN SECRET . . .

Would you like to know how to utilise the BRR buy refurb, remortgage strategy to leverage one deposit pot for multiple property purchases and benefit from the sustained growth of the 'new property cycle'?

Would you like to know how you can make every deal a no money left in [NMLI] or even a no money down [NMD] deal, with good discounts?

The BRR, is a low risk, time proven strategy that allows you to force the appreciation of the property through refurbishment, and 'cycle' one deposit 'pot,' getting all of your own money [or JV partner's money] out upon remortgage, making it a NMLI deal [No Money Left In].

Then you simply start again, rolling and recycling deposits from property to property without needing any extra cash.

You'll need to find a property that's run down and needs work, with available 'uplift spread' on the street, and the bigger the discount, the more the profit.

Professional, sophisticated investors have been doing this for years, and have built £multi-million portfolios on one single deposit [that they probably borrowed from a JV partner or took out of their own house as equity], therefore building a no money down [NMD] cashflowing portfolio.

> *"Benefit from the sustained growth of the 'new property cycle'"*

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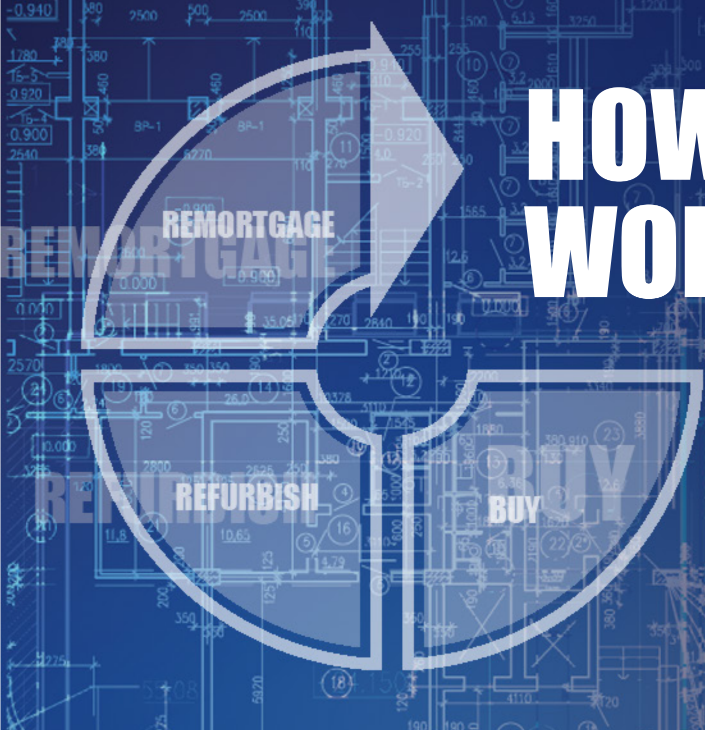
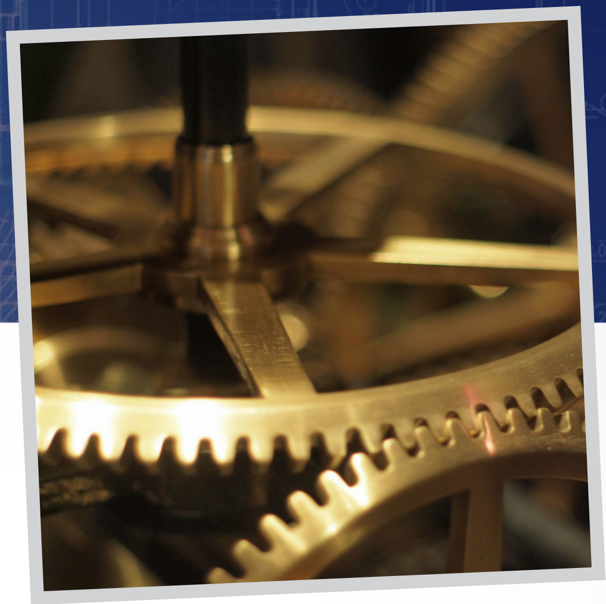


HOW DOES IT WORK . . .



One...
You must get a discount that equates the Loan to Value [LTV], to be able to recycle your deposit back out upon a remortgage. You will be buying the property with your initial mortgage at an LTV [say 75%] of the purchase price. There is an example in a moment. So your first mortgage is 75% of the purchase price, say £70,000. Your remortgage will then be for 75% of the real value, say £105,000. You will therefore be left with a mortgage of 75% of £105,000, the old mortgage of 75% of £70,000 will be paid off, and you will be left with an amount that 'pays you back' your initial deposit.

Two...
If you want ALL your money back [refurb costs, fees], you need an extra discount to match these costs. In the above example, if your refurb and fees were £6,000, that would mean an approximate additional discount of 5% is needed to cover them on the [second] remortgage], otherwise you'll get the deposit 'back out' but not the £6,000 costs.

Three...
Your first mortgage must have no ERC's [early redemption charges].

Most lenders [though not all, and the market is always

"You must get a discount that equates the Loan to Value [LTV], to be able to recycle your deposit back out upon a remortgage."

evolving] will not allow you to mortgage with them, until you have owned the property for 6 months.

And many of these lenders will charge you an ERC to pay off that mortgage [to remortgage to another lender]. This can be as much as 6% of the value of the loan.

You need to select a mortgage that has no ERC's. Very important or you'll be paying £5,000 - £10,000 extra on your 'remortgage.'

Four...

Getting the higher valuation. If the same surveyor is sent to value your property for the remortgage, 6 months or so after she values it previously for 30% less, do you think she's going to give you the extra 30% on the valuation?

No.

Surveyors are being pressured now to value quite low for their indemnity and protection. If they know the purchase price, they will value it at that level, even if you have genuinely bought it at a discount [which you have], and genuinely added value through refurb [which you have].

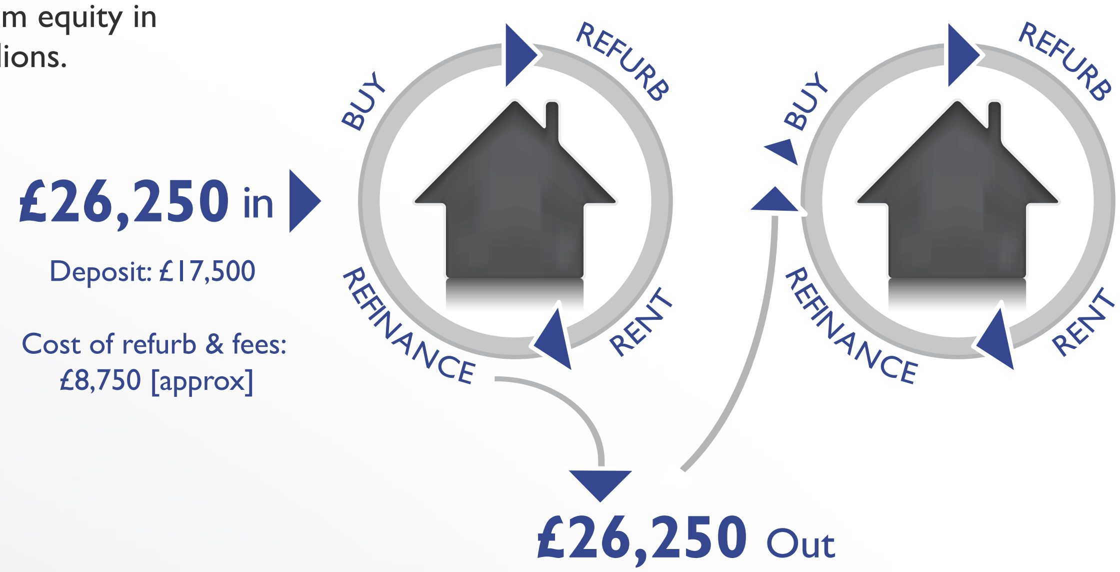
But you're smart to think, 'hang on Rob. Surely the new surveyor would check the purchase price on Land Registry before doing the revaluation?

Common sense would tell you that, right? A surprising amount don't [they call agents or investors].

Also, the purchased property may not appear for many months on Land Registry [which is a good thing]. People don't realise just how little £ a surveyor gets individually for a valuation - sometimes as low as £80 personally for all the work they do - so many [not all] shortcut the work. Our buyers get calls from surveyors [not all] frequently asking our advice on valuations.

Using the BRR strategy you can buy one property every 9 months or so [6 months plus remortgage and valuation time] with one deposit. If you want to buy more, and build your cashflowing portfolio faster, simply raise more deposits.

In 10 years with just 2 deposits you could have a portfolio of 26 properties worth a conservative £5million valuation and likely minimum equity in the millions.



BRR Example:

Purchase Price:	**£70,000**
[1st] purchase mortgage @ 75%:	**£52,500**
Deposit:	**£17,500 [equity in home, JV partner, stocks, savings]**
Cost of refurb & fees:	**£8,750 [approx]**
Total money in:	**£26,250**
Revaluation [value] after 6 months of mortgage:	**£105,000**
New re-mortgage @ 75% of £105,000: [No deposit needed, as this is a re-mortgage]	**£78,750**
Money left after old mortgage is paid off by new mortgage [£78,750 - £52,500]:	**£26,250**
Money back out to 'start again' on the next property:	**£26,250 [£3750 more than cash put in]**

You have effectively bought the property, refurbished it and remortgaged it pulling out the original deposit leaving no money in [NMLI], even getting a little cash back.

You then repeat the process over and over. Remember, you also have locked in equity of £25,000. This is infinitive return on your investment [ROI]!

This property will now give you passive income from the cash flow from day one [approx £150 per property per month NET], and all there is to determine is how many of these 'money boxes' do you need to replace your current income through equity or cashflow?

Even if you could only get a valuation of £95,000, you'd have a cashflowing property with £25,000 equity, with only £6,250!

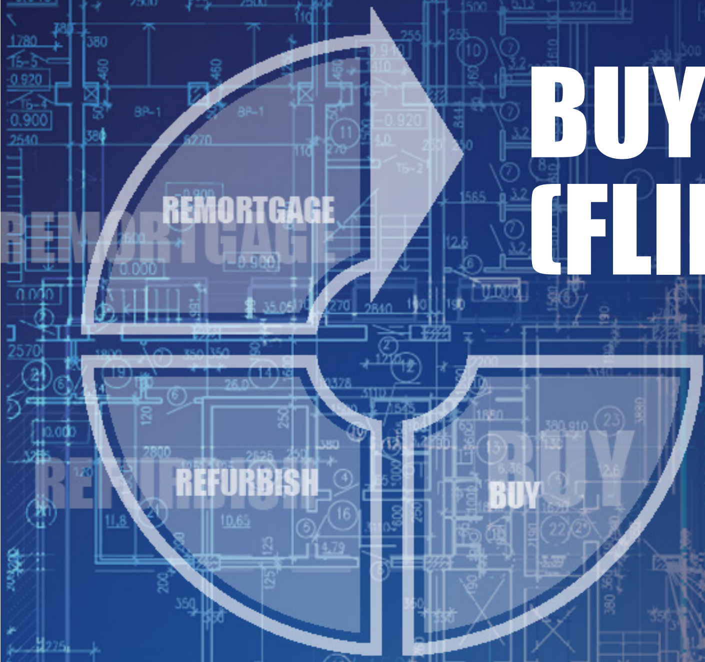
A MESSAGE FROM HALSTEAD OTTLEY . . .

Since being educated I've bought 8 more properties were I've been able to get my money back out, which I didn't know you were able to.

So What Next...

Despite the talk of the upcoming 'Buy To Let Boom', many first time buyers are still hurting; they can't get on the ladder as they're still priced out despite the low entrance fees and bad credit which means they can't get finance, but smart investors are using so many creative, Entrepreneurial strategies it's no wonder most ordinary people haven't got a chance.

But you don't know what you don't know, right?



BUY TO SELL (FLIPPING) . . .

When we spot a bargain property which is out of our target price strategy [more than say £90k-100k for residential] and therefore won't yield or cashflow well, we investigate further to see if we can buy it, refurbish it and sell (BRS) it on for a profit rather than holding for the long term.

Flipping deals can make you larger chunks of cash that can fund up to a years of business/trading costs, or act as a deposit for more properties, or simply to put in your bank account. Flipping goes hand in hand with buy to let, as you'll be looking for properties to buy yourself anyway.

Many novice investors view properties specifically to flip. I personally don't think is great leverage. It is better to view as many as possible to buy, analyse each one, and flip the ones that don't fit your specific buying criteria, but fit the flip analysis. This way you won't waste viewings or upset Agents, because the volume of flips you do will be lower than packaged or purchased deals.

The upside of flipping is obvious. The trade off is the time frame from buying to selling. Expect 9 months, and you'll realise that it is not an instant quick win. But when the money comes in the bank from the first one, it can fund the timeframe for others.

I have a very specific analyser [Deal Scrutiniser™] for flip deals which I use. I'm very careful to put the costs in correctly including any cost of finance, and costs of holding the property such as bills and council tax. I key in any agent fees inc VAT, incentives and refurbishment costs, overestimating everything as things are guaranteed to unexpectedly pop up as you go.

As a rule of thumb it costs around 10% of the final sale price to buy, hold and sell a property. That surprises many people, they don't factor that in, and that margin eats all their profit. You now have an important advantage. So in basic terms the profit should be the end sale price [which I knock by 5%-10% as buyers will invariably knock the price down a little] minus purchase price, minus refurb cost, minus 10% of end sale price for finance holding and legal costs.

I always overestimate these costs. I always overestimate the time it takes to sell the property. If you want sanity profit not vanity numbers, follow these important rules. I also factor three sale prices: best case, likely case and worst case. If there is not at least £7,000 profit in worst case, I pass the deal on.

Three key areas which are fundamental to your project are:

1. **Certainty of the end sale price**
2. **Refurbishment Cost**
3. **Time to refurb and sell [I would not go below 9 months]**

One

I get the likely end sale price by printing out a list of sold property prices from nethouseprices.com and marching up and down the street [or using Google Street View] noting the properties that are of a similar type/ size. I then work out when those properties were sold and try to apply an uplift or reduction to that figure based on when it was bought. I usually take at least 3 sold prices and average these whilst taking into account that: In my experience the market values are the same in this area as around mid 2005. Values are currently around 20-25% below peak - end of 2007 prices . Values have grown around 5% since March 2009.

Two

I also look at 3 more sold comparables and take the middle one from when I believe that prices were the same as current levels. This may be 5 years ago [as it is now].

Three

I speak to 3 local estate agents who specifically sell that type of stock in that area and ask for 3 sold comparables.

Once you have these you should have the actual sale price nailed to between 5%-10% accuracy. Don't have happy ears on this, if anything, underestimate the sale price and over estimate the timeframe.

Although rudimentary [and all property valuations based on comparables are] these are the best and most accurate real valuation models I know. Using automated valuations models like Zoopla and Hometrack just aren't as accurate as a human following this method. I see wildly incorrect values from these sources. You have to take into account the condition of the properties as well, and judge the uplift in value your refurb will create.

When estimating end sale prices, agents are usually very optimistic, especially when selling the property to you. They will 'BS till the cows come home' and you need to see through this. They're only doing their job of course, but that's not relevant to you; you are the ones who will lose out, so don't have happy ears. The software we use for flipping properties is useful as its shows 3 scenarios according to the end pricing we expect to achieve on each property, and the profit levels which this should provide:

Flip Analysis

Predicted Sale Price HOUSE	£75,000.00	£80,000.00	£85,000.00
Predicted Sale Price LAND	£20,000.00	£25,000.00	£30,000.00
Refurbishment cost	£12,000.00	£12,000.00	£12,000.00
council tax (estimate)			
<u>Cost to Buy</u>			
Solicitors Fees	£1,000.00	£1,000.00	£1,000.00
Survey Fees	£350.00	£350.00	£350.00
Insurance	£200.00	£200.00	£200.00
<u>Cost to sell</u>			
Estate Agents fee 2%	£2,232.50	£2,467.50	£2,702.50
Solicitors fees	£750.00	£750.00	£750.00
Incentive to purchase			
Purchase Price	£43,000.00	£43,000.00	£43,000.00
Sourcing fee /Incentive for sale	£500.00	£1,000.00	£1,500.00
cost of capital	£3,479.00	£3,479.00	£3,479.00
<u>Total Profit</u>	<u>£31,838.50</u>	<u>£41,103.50</u>	<u>£50,368.50</u>

The mid value should probably be based on around 10% less than you realistically expect to achieve. Look at the profit figures based on this and make your mind up as to whether the profit levels are worth the work and risk involved. Factor in that the market is stagnant at best, and could go into decline, eating into your profit..

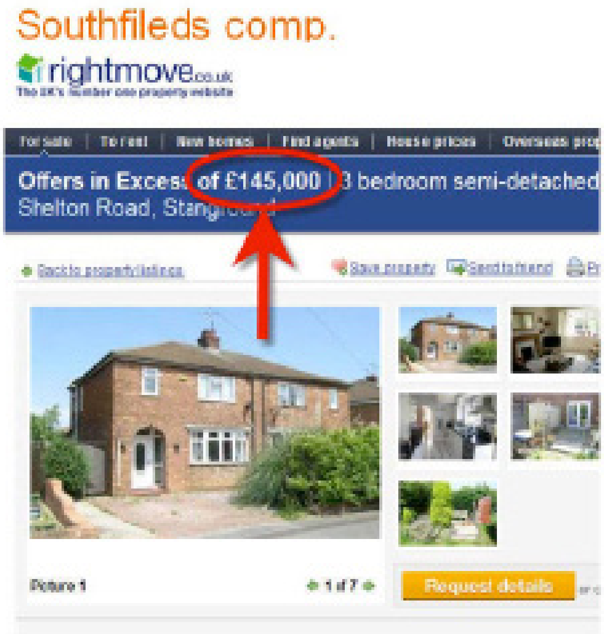
When selling the property it is important to keep the pressure up on the Estate Agents who are selling it. I don't favour sole agency agreements. Go on multi agency, and give one agent a chance for a fortnight then get others on it [just do it without talking to the original one].

Keep asking for their opinions about the condition of the property and what would make it easier to sell if it is 'sticking.' Implement the sensible ones. Move the property around different Agents if it sticks and pay them a bigger fee/incentive to get it sold.

Keep visiting them to be front of their minds; they will mention it more to buyers and more actively market it. Buy them champagne and chocolates frequently and shamelessly :-)

Example: we flipped a deal bought it for £92,500 [6% yield, so we knew we wouldn't hold it in the portfolio: we are looking for 9-12%] and then sold it for £135,000 4 months later. Even with all costs for buying and selling, we still made around £25,000 NET profit after ALL costs.

Here is the comp>>



By the way, this is NOT the best deal we have ever flipped. It is an 'average' deal we would do, so to keep your expectations realistic.

And here's the proof of profit and completion of purchase and sale:

LM/LM/0041444
MOVEHOMELEGAL

STATEMENT OF ACCOUNT - PURCHASE

CLIENT: Mr R.F. Moore and Mr M.A. Homer
PURCHASE: [redacted] Drive Stanground Peterborough Cambridgeshire PE

COMPLETION DATE: 22nd May 2009

	£	
By You paid on account		
By You		
By You balance to complete		
To re: Purchase Price	92,500.00	
Reserve for recorded delivery of deeds	11.50	
Legal Fees		
To our Purchase Legal Fees	475.00	
Electronic Identity Check	20.00	
VAT at 15.00% on the above	74.25	
Other Fees and Vatable Disbursements		
Property searches	56.70	
Land Registry search	1.70	
Funds administration fee – purchase monies	36.00	
Fee for obtaining indemnity	36.00	
VAT at 15.00% on the above	19.57	
Disbursements		
Land Registry search fee (non-vatable)	3.00	
Land Registry fee	100.00	
Chancel Indemnity Policy	94.50	
Balance due to you	6.89	
	93,435.11	93,435.11

£92,500

LM/LM/0052014

MOVEHOMELEGAL
STATEMENT OF ACCOUNT - SALE
CLIENT: Mr Robert Frank Moore and Mr Mark Adam Homer
SALE: [redacted] Stanground Peterborough Cambridgeshire PE2 8QA

COMPLETION DATE: 7th September 2009

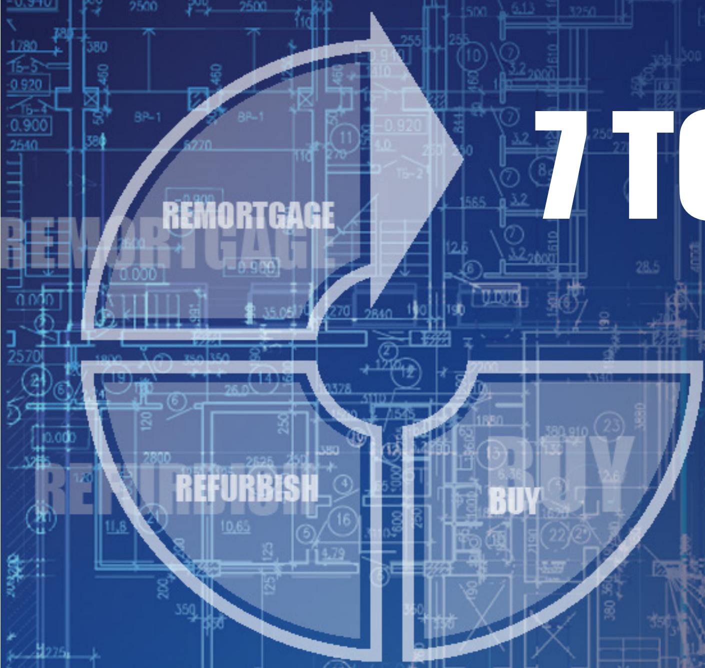
	£	£
By You Paid on Account		26.00
By Sale Price £135,000.00 Less allowance £96 for indemnity policies		134,904.00
To Estate Agent Estate Agents commission	2,875.00	
Legal Fees		
To our Legal fees	475.00	
Electronic Identity Check	20.00	
VAT at 15.00% on the above	74.25	
Other Fees and Vatable Disbursements		
Bank transfer/admin fee - balance to you	36.00	
VAT at 15.00% on the above	5.40	
Amount due to you	131,444.35	
	134,930.00	134,930.00

£135,000

Below is a screen shot of Mark's spreadsheet on the numbers and net profits:

Flip analysis	
Predicted Sale Price	£ 135,000.00
Refurbishment cost	£ 11,689.43
council tax (estimate)	£ 300.00
Cost to Buy	
Solicitors Fees	£ 928.22
Survey Fees	£ 350.00
Insurance	£ 63.52
Cost to sell	
Estate Agents fee £2500 +VAT+HIP	£ 3,218.85
Solicitors fees	£ 706.65
Purchase Price	£ 92,500.00
cost of capital	£ 1,237.40
Total Profit	**£ 24,005.93**

And you can do 3 of those in a year, realistically, with 5-10 hours good time invested per week, without too much additional work, whilst sourcing your own properties to keep.



7 TOP 'FLIP TIPS'...

Overview and 7 Top 'Flip Tips' to Cash in on the Buy to Let Boom:

We're moving more and more into a 'Flippers market.' But it's very important to be realistic with flips.

Tip 1. 20% return on value

You should be looking at a 20% return [on the value, not necessarily your cash]. Anything above 30% is possibly a bit unrealistic or 'best case' (best case assumptions in flips are dangerous - see below).

On a £30K gross profit you should come out with £15K to £20K Net, depending on the quality of the refurb. (These figures are based on a purchase under stamp duty. IN London, you should achieve much higher figures)

Tip 2. London or rest of UK

You're going to be either side of £100K on a 3 bed terrace outside London. Stay under 1st stamp duty threshold. Buying at £90K sell at £120K is do-able – good in fact. London figures are better, and will sell quicker, but costs and risks can often be higher.

> *"London figures are better, and will sell quicker, but costs and risks can often be higher."*

In London you have a tougher entrance (more buying competition) but an easier exit (faster rising market). In most other areas of the UK you have an easier entrance (less growth and competition – though that could be changing soon) and a tougher exit. It's rare to get easy entrance and exit unless you time between the seasons of the market.

Tip 3. Be pessimistic

I'm a 'glass half full' kind of person, but it is vital to be pessimistic with your investment figures on a flip; likely sale prices, costs, repayments, and e s p e c i a l l y timeframes. It will take longer and cost more if you don't think it will. We have a deal analyser that analyses 3 scenarios – 'best case,' 'likely case,' and 'worst case,' (My business partner is infamously paranoid). If you can't make £5K profit on a £100K flip (or 5% net profit) on w o r s t case, might be best to walk away.

Tip 4. The Rule of 3

For every 3 flips you do, one will be 'best case,' one 'likely case,' and one worse or slightly worse than 'worst case.' Most people fail because they have happy ears and expect every deal to be best case.

So on a £100K property, if best case is £30K (it'll end up being £20K), likely case £15K (end up £10K) and worst case £5K (end up zero), then you'll end up with around £35K on every 3 flips – or an average of just below likely case (£12K each flip average).

That's actually pretty good on 3 £100K flips, but most people don't get realistic to start with – you can't blame them as they don't know what they don't know. Always 'flip in 3's.' Of course most people make their biggest mistakes on the first one because they've never done it before, and then decide IT doesn't work. THEY didn't make it work, or weren't realistic.

Once you have 'flipped your first 3,' your next 3 will be that bit better. And interestingly, your 'best' flip will be the worst case because you'll learn the most in the shortest possible time with the most pain experienced (which makes it real).

Tip 5. Refurb to Sell

Don't cut corners or 'refurb to rent.' Someone wants to live in and love this 'home.' Find out what the typical buyer wants. (First Time Buyers funded by the Bank of Mum & Dad are often the best market). Pay attention to the details. Ask the Agent for feedback on what 'sticks,' and what 'flies.' You're likely to spend 2 to 3 times more on a sale refurb than a rental refurb

Tip 6. Reward

Why would the Agent sell your property before anyone else's? Why would they list it in the paper, or push vendors your way? If you chip them on fees, they won't. Pay overboard on their fees. Give and don't haggle. Ethically reward for 'special treatment.' You're their favourite, or someone else is. A reality most people shy away from.

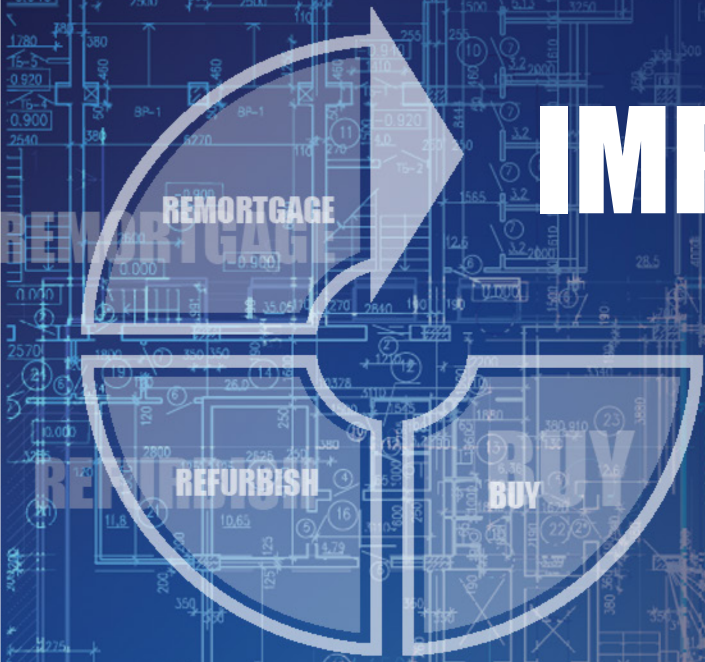
Tip 7. Good Deals

Good Deals find the money whether it's your cash, the banks' or a JV partners, an option or a commercial facility. A 'lack' of money should never stop you. A good deal finds finance. The better the deal the lower the risk, the longer it can stay on the market, and, if all goes wrong, the higher the yield will be if you have to fall back and rent it out for a while.

And remember every area is different – some work very well for flips, and others not so much. The good news is that the market is moving more and more towards a flippers market.

Happy Flipping

> *"A 'lack' of money should never stop you. A good deal finds finance."*



IMPORTANT...

What do YOU need to do next..?

Keep an eye on your inbox for the next email I'll be sending you.

This is important for one major reason – so far I've given you an overview of two very powerful strategies for profiting from the coming Buy To Let Boom…

In my next email, I'm going to outline (in full, every step) how to locate and scrutinise EVERY property deal you'll ever need.

All of which will be local to YOU, in your area, right on your doorstep.

And the BEST part?

I'll show you how to locate every single one of those profitable deals from the comfort of your sofa, using an everyday online website that 90% of property investors overlook.

And only a few % know how to use effectively to find deals!

> *"In my next email, I'm going to outline (in full, every step) how to locate and scrutinise EVERY property deal you'll ever need."*

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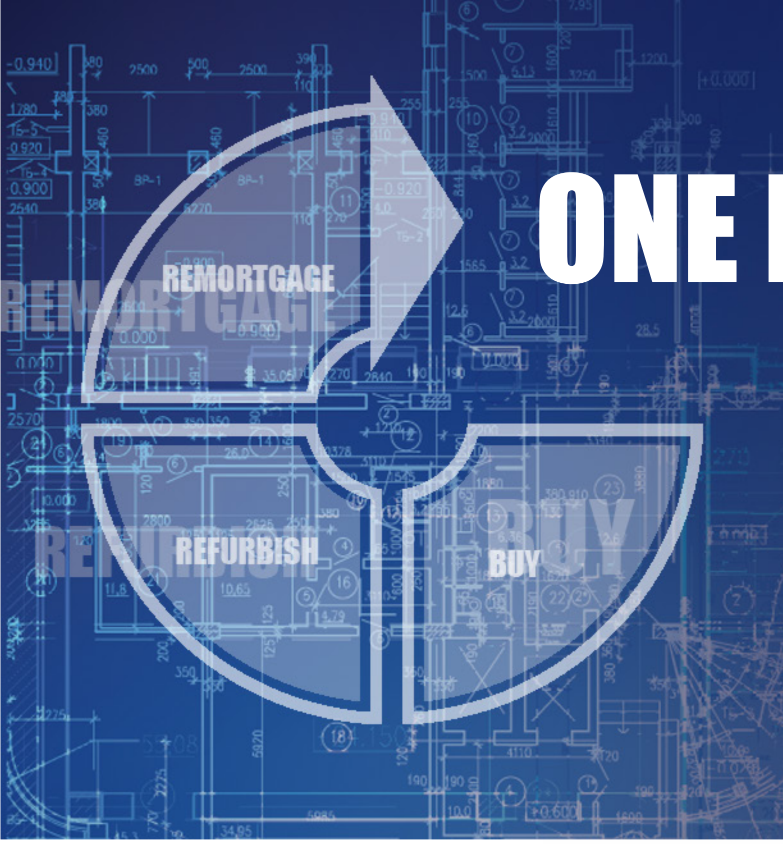

ONE LAST THING...

Things are going to be great for you in the next few years. So many of the Progressive Property community members are flying high and making big money, the recent Property Investor Show we recently attended was a feeding frenzy (biggest for 5 years), a lot of the old school investors in the market pre '07 are coming back, there is a big hunger for education and investment knowledge, and all the hard work and lessons learned that you've invested in will start to pay you back with interest!

Keep on keeping on, get your message out and take advantage of what could be an amazing decade for you and those you love.

Thanks for being part of this great property community and helping us all make a better life.

You now have enough information to make some informed decisions about your investment future.

Although only intended as a basic guide the principles are tools that you can effectively use to secure your financial independence.

"You now have enough information to make some informed decisions about your investment future."

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Disclaimer

The content, Projections, figures and indications contained in this document are based on opinion and cannot be relied upon when making investment decisions.

As with any investment, property values can fall as well as rise.

Progressive Property give this information as a guide only and cannot be considered as financial advice in any way. Please refer to your independent financial advisor who is qualified to give you complete advice based on your circumstances.
The author Rob Moore is not qualified to give mortgage, legal or financial advice.

Please seek legal and financial advice from a qualified advisor before making commitments.

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