



HOW TO GET PROPERTIES FOR FREE (almost!)

AND TURN THEM INTO MONEY MAKING MACHINES



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HMOs and over 1000 tenants

QUESTION:

What is the easiest way to enter the property market if you do not have much money?

ANSWER:

Do not despair, little money, contrary to commonly held assumptions does not stop you acquiring property. Having money helps a lot but can, as I have seen so often, lead to irrational decisions and so soon lost. Lack of knowledge and experience of the business is a problem but can be overcome. However, I would put top of the list to get into the property business: the right mind-set or attitude, motivation, confidence or whatever else you want to call it, these are essential. Robert G Allen, an impressive property entrepreneur says if you dropped him into any American city with one hundred dollars, he could make, in a short time, a good income out of property.

What does Robert G Allen have that most people do not have - knowledge and confidence and it is probably the latter that is so important. Luck also goes a long way. I have, without trying, over the last two decades obtained about 50 properties for very little money and have or could have turned them around by reinvesting the income from the property into the property to increase the income so turning them into money making machines though this takes time, drive, work and knowledge.

The problem is, even if people learnt the strategies on how to acquire properties without much money, it still would not make very much difference as the main stumbling block is self-limitation. We all suffer from it, just some more than others. How you get people to overcome it has always been a challenge for me. My starting point would be to read 'The Midas Method' by Stuart G Goldsmith, there are also many other good motivational books and audio/DVD programs. Attend courses on motivation, the best is Tony Robbins though Andy Harrington is also excellent.

As for knowledge, there are plenty of books, audios, DVD's, property groups and courses but I suggest, as you have little money that you go for budget price courses but check that the speakers walk the talk rather than what perversely often happens on expensive courses, where so often you find the speaker talks the talk and are only interested in selling you more expensive courses!

QUESTION:

If you were going to start with nothing, just with your experience how would you do it Jim?

ANSWER:

I believe this is one of the very best question I have been asked and I am surprised it has taken this long to happen. Appreciate that strategies can be very time limited and what I am proposing may not work tomorrow. The strategy I would adopt is:

I would look for an empty office block in my area or an area I would like to live but the area would need to have affordable empty office blocks. I would want the type of office which has a lot of offices, not the open plan type, preferably an ex house as it will already have a bathroom and kitchen. Offices do not usually have a bathroom only WC's and kitchens. Using the Prior Notification process which virtually guarantees planning approval I would apply to use it for residential use. If big i.e. more than six people could occupy it, I would state I wish to turn it into houses or flats otherwise if it could only accommodate about six I would apply as a single house or flat. Once a house or flat you can under permitted development let each house or flat to up to six people, hence the reason for more houses or flats if more than six can occupy.

How to get it for nothing would involve me getting the owner to accept one of the following along with allowing me to convert from commercial to residential use. I would acquire the property, in order of preference using:

- 1) **Rent to Buy** – this gives the option to buy but not the obligation to buy and saves legal costs and initially paying stamp duty.
- 2) **Vendor Finance** – this is where the lender lends me the money to buy the property. This saves the cost and uncertainty of obtaining finance. Usually what happens is you have a written agreement to buy the property by instalments.
- 3) **Delayed Completion** – secures the deal but incurs legal and stamp duty costs at the time of exchange of contract and often a deposit is required but this can, if acceptable, need only be £1.
- 4) **Long Leases** – this would probably appeal to a commercially minded person the best. I would want the lease to be for at least 50 years (the generally accepted minimum term to be able to borrow money on) with preferably an option to purchase, no review clauses, service charges etc. A 50-year or longer lease is almost as good as purchasing the property as you can get finance on it. Also very few of us will be around in fifty plus years. However, it is vitally important that you get the lease terms written to exclude the usual stuff which restricts use, rent increases and makes you responsible for all costs including repairs.
- 5) **Buy** – if the deal was good enough and you can convince a lender you have the experience to do it or you can bring on to your team an experienced person, it may be possible to borrow all the money even the money to renovate. That is, if you are experienced or can get an experienced investor on your team. There are some very generous lenders out there.
- 6) **Rent to Rent** – as there is no right to purchase, this is my least favourite route as I like to be able to own the asset as the capital appreciation in property can be awesome and you can release equity on purchase. I would if I could only do a rent-to-rent go for a very long period and want at least ten years.

- 7) **JV** – this is last for a reason. I prefer not to JV as JV's can take an enormous amount of time to deal with and can be very fickle. Commercial lenders tend to be easier and quicker to work with than using JV's and you often do not have to give so much away but you will take a bigger risk. With a JV, you usually share the risk and the profit.

I would ultimately want to buy the property and currently by using commercial finance, if I could. Even an inexperienced HMO landlord after about a year of operating an HMO could do the same as most lenders would consider them by this time to be experienced. You need only to have operated a HMO for about a year or two to be considered experienced. So if an inexperienced landlord could obtain possession and use of the property and have the right to buy over a year later they could, using commercial finance buy the property. If I have the right property at the right price, I could borrow all the purchase price and maybe some more. I hate being short of cash and having a few tens of thousands in the bank makes life much easier!

I would, to help cash flow, try and negotiate a rent free period for as long as possible. If you consider that a lot of office owners are desperate to off load their offices as they are paying insurance on an empty property which is usually more expensive than on an occupied property. The owner would also be worried about the empty property being vandalised but the killer is business rates which can be very expensive so it will not necessarily be that hard to get them to agree to be very flexible on terms providing you were responsible for the business rates and other costs. The size does not matter too much as you do not have to use it all. You can convert a bit at a time into residential.

What is the difference between an office and a bedroom? A bed! Second hand furniture is comparatively cheap often free to get, it just takes time to collect. Note you do not even need a van you can move all furniture on a car roof rack or if you ask nicely the owner may deliver. I would use as much of the rent as possible to fund the upgrading of the property and do so working day and night until the property was the best it could be. Building work is comparatively cheap if you do it yourself, just slow.

I am glad you allowed me to keep my experience as the main issue I would have if I started again is the confidence to do the above and how to do all of the above and set up and run a HMO. You are very lucky as I do and have helped people to do all the above. For details of the support, I give call or see my website www.hmodaddy.com and look up my Property Wealth Academy.

QUESTION:

Can you Jim really, even though I have little money, show me how to acquire property and get me to a place of financial independence and give me the free time I want?

ANSWER:

Yes, wealth is within your grasp if you follow my system for investing in multi-let properties. One deal can set you up for life and you will not have to work again in the 9 to 5 routine. All you need to do is give an occasional 'stoke to the fire' that is: check that your property(s) is (are) operating properly and deal with the occasional repairs and relets.

However, before you start out, let me discuss a few points:

- The responsibility of running your own business can seem awesome. As an employee you can often hid behind others and say it is their responsibility. When it is your business if it is going to happen then it is down to you not your boss. Can you handle this responsibility? Are you able to think for yourself? How are you at work! Do you think through things and take the initiative or wait to be told. Will it be the same if you are responsible for your own destiny?
- Whether you exchange your full time job for another. Are you naturally able to be efficient. I used to work with people and I am ashamed to say I have employed a few who I struggle to work out what they did all day but they consider they work hard and do a full time job, I call them work expansion specialists. The same can happen with managing property, as it needs regular attention some make it a full time job. To give an example a light bulb needs changing so by the time the work expansion specialist has got up and talked about what they are going to do it is 10:30 am. They go to the shops to get a light bulb, examine those on offer and decide the best one and do some window shopping along the way so it takes them to 12 noon. They then go to the property. They have a look about, chat to a tenant or two, change the light bulb and by the time they have returned home it is getting on for 3pm. They call that a day's work and they consider the research on light bulbs and talking to their tenants valuable work.
- The other aspect is when is enough, enough? Once most people reach what they used to consider was a reasonable income they find it does not achieve what they want. Their appetite expands and they want more. Very few people who others consider to be rich will say they feel rich or consider themselves rich. Rich is I believe a concept that is defined by others. I have met people who consider life on the dole to be luxury and I suppose by one standard it is when you consider that over 70% of the world's population do not even achieve that standard of living. This is a remarkable figure 70% of the worlds population are poorer than our unemployed!

- Finally, if you are able to organise yourself so you get all this free time what are you going to do with it? Humans need a purpose and without the need to go to work and the companionship it provides what have you to do and to live for? What do days of idleness hold for you? The idea of holidays and travel seem good but they are only good or interesting for a while. I suspect most people idea of heaven will turn out to be hell. To spend your time sunning on a beach was not that appealing to Robinson Cruise, he tried to escape.

Items are only a luxury because you do not have them or have not been able to afford them. Oysters and tripe used to be the food of the poor now they are considered a delicacy by some. As a child, I was embarrassed to admit I had holes in my trousers and I still cannot understand today why having holes in your clothes are the hight of fashion.

Careful what you wish for! Yes, I can with little effort set you on the path to what you consider today to be financial independence and more free time but it is only a plateau where you may find even more mountains to climb or it does not seem that special. A lot is down to your attitude, we often don't appreciate what we have and think that when things are different we will be happy. It is an illusion you are the same person rich or poor. I am not trying to put you off and to follow the famous quote,

'I would rather be rich and miserable than poor and miserable!'

Question

I cannot believe you get a property for nothing

Answer:

I have acquired properties for nothing myself and I will hopefully continue to do so. I am not saying it is an everyday event to get a property for no or very little money. Over the years I have acquired over fifty properties for nothing, without trying. Admittedly, I did invest money in the property to speed the renovation works up but I could have chosen not to. Many more properties, I have acquired for less than a few thousand pounds. I estimate if I did work at it, I would be able to pick up a property for nothing every few months and I can show those who have the attitude and the motivation how to do the same.

There is no special magic in this, it is simply knowing the techniques and then taking advantage of the opportunities as they arise. I agree that to do this is possibly less likely in prosperous areas but not impossible. The techniques for obtaining properties for nothing are using such strategies as: delayed completion, lease options, rent to rent, leases, vendor finance and adverse possession. Critics of these strategies say that you still need money for legal costs, stamp duty, deposits and renovation and I agree. For most of the deals you need at least £1 to prove

consideration though in practice no one bothers to collect the £1, it is a nominal figure. However, adverse possession can be done for nothing if you can find a few sheets of paper and a marker pen. Using the contracts I have developed for most strategies, at least to start with, you can avoid legal costs.