PIVOTAL POINT GROUP

5 Steps To Investing In Property With No Experience.

For Time-Poor Professionals Looking To Get Fantastic Returns Through The Uk Property Market.

Ever thought of becoming a Property Investor?

Have you ever thought of becoming a Property investor? Perhaps you have considered the idea and weren't sure if it was for you. Being an investor can sound quite grand and people can often feel uncertain whether they would be the right person to be an investor.

- Have they got enough money to invest?
- Are they financially savvy enough?
- Will they be overwhelmed by the jargon?

Any of these ring a bell? Often, they don't progress the idea any further in case they come across as foolish or naïve, and just who do you ask those questions of?

In this Guide we are going to answer some of the questions that are often thought, but maybe not voiced, try to bust some common myths and also provide some basic information for a would-be property investor.

Step 1 – Who can become a property investor?

The very first question that we will address is **'who can become an investor?'.**

- Is it too simplistic to say 'anyone can'? Maybe a little but it is not far off.
- Property Investors come in all shapes and sizes from large organisations right through to individuals.
- To be an individual property investor we suggest that you need to have a minimum of £10k;
- There really is no maximum amount ….

Step 2 – Why invest in Property?

There are many different type of things you could invest money in and Property, or Real Estate, is always high on any list of good places to invest.

There are of course excellent reasons to invest in many other ways, but here are some of the reasons we have found investing in property to be a popular and successful route for investors:

- ✓ Asset backed investment
- ✓ Tangible and visible
- ✓ Strong growth
- ✓ Low volatility
- ✓ Easier to understand

As an investor in property you can visit your investment and quite literally watch it take shape; the positive pleasure of seeing the 'before' and 'after' can be a key driver.

Investing in Property can also bring a glow of satisfaction. Of course it has to make good business sense but combining a positive financial return with an underlying feel good factor of contributing something that people, a community, need, be it Help to Buy houses, starter Flats, or bringing old and unused buildings back into use, can be a very strong reward.

Is it the right time to invest in Property?

The simple answer is 'Yes'!! It is the right time to invest. Returns on savings and bank accounts are low and there are some great property projects and opportunities going on that are exciting to be involved in. The property market is strong and most developers, like ourselves, will have a range of options at the end of the project – property is flexible and Apartments can be sold, rented or turned into Serviced Accommodation for guests which provides a range of 'exit strategies' to take best advantage of the market at the time the units are completed.

Different types of Property Investing

Within 'Property' itself there are numerous ways you could get involved as an Investor and below we've highlighted those which we have experience:

- **Developments** – could be a complete new build opportunity of one to multiple Units
- **Conversions** – changing the use of a building - converting commercial spaces to residential use, or converting a house to Apartments / HMO;
- **Serviced Accommodation** – investing in Apartments that are used as Serviced Apartments for Guests
- **Portfolio Building** – buying property to hold; links to Conversions, Serviced Accommodation and Buy to Let

As an Investor it is important for you to consider what you want your involvement to be; how involved do you want to be? Investment in property can provide opportunities from complete hands off through to day to day involvement. Where do you sit on that range? This is key to deciding what you want to invest in and will depend to a large extent on your availability and your preference. The choice is yours.

Step 3 – What will I get back?

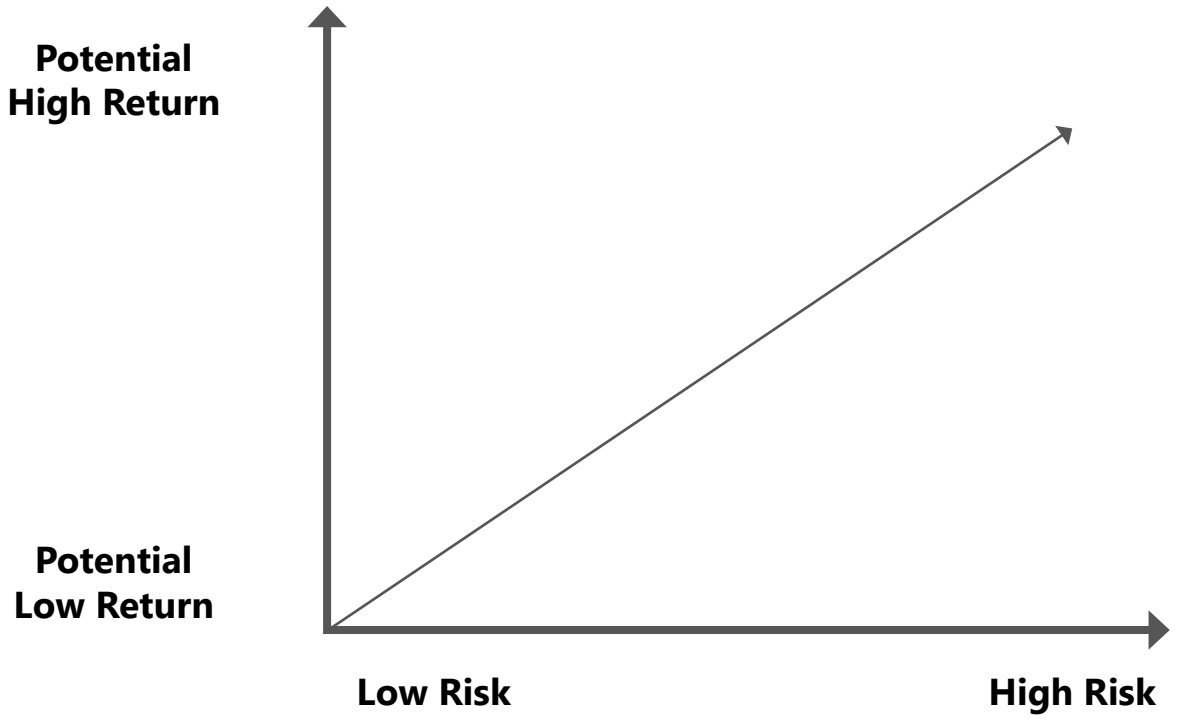
Returns – what are they and what should I expect? If you are going to invest money you want to get paid for it. This payment is called a 'Return On Investment or ROI'. At the end of the investment period it will be paid back in full, along with the 'payment', e.g. the 'return', to you as well.

There are the direct financial Returns and there are other benefits. These can range widely from:

- Tours around the project that you have invested in
- Education or training in that field – often called 'Earn and Learn' because you do both at the same time!
- Relationship building
- Access to future investment opportunities with that company

There are different investments available for investors with different 'risk appetites'. A risk appetite is different for everyone and can change over time. There is a simple scale that shows that higher risk equals higher potential returns and vice versa – lower risk equals lower potential return.

If you are a first-time investor, we would suggest starting with low risk investments; there maybe lower percentage returns on your investment but with that comes a lower risk. As you go on to invest more often and become a more confident Investor, you may want to change the level of risk you are willing to accept, or you may not. That will always be up to you.



How is the amount of a Return decided?

There are no fixed rules for what percentage of return is due for an investment. It will depend on a multitude of factors:

- The amount being invested
- The length of time the money will be in the investment
- The level of risk attached to whatever the investment is going to be used for
- How many other investors are also investing into the same project / business
- The experience of the company
- The attractiveness or media worth of the project

There will normally be offered a 'percentage return'. There may be different percentages for different amounts. It is for you to agree, reject, or propose different terms. The first thing to do when you view the proposed terms is to check exactly what it will mean for you. (Don't worry - you definitely don't need a Maths Degree to do this!)

A couple of simple examples to help:

1. You invest £100,000 for 12 months at a return percentage of 5%

At the end of 12 months you get back your original £100,000 and a payment/ return of £5,000 so a total of **£105,000** is paid back to you. (e.g. 5% of £100,000 is £5,000)

(£100,000 / 100) x 5 = £5,000

2. You invest £100,000 for 12 months at a return percentage of 12%

At the end of 12 months you get back your original £100,000 and a payment/ return of £12,000 so a total of **£112,000** is paid to you. (e.g. 12% of £100,000 is £12,000)

(£100,000 / 100) x 12 = £12,000

Once you have calculated what would be due to you, you need to decide:

- Are you willing to invest for that level of return?

- If you didn't invest, what would the alternative for that money be?

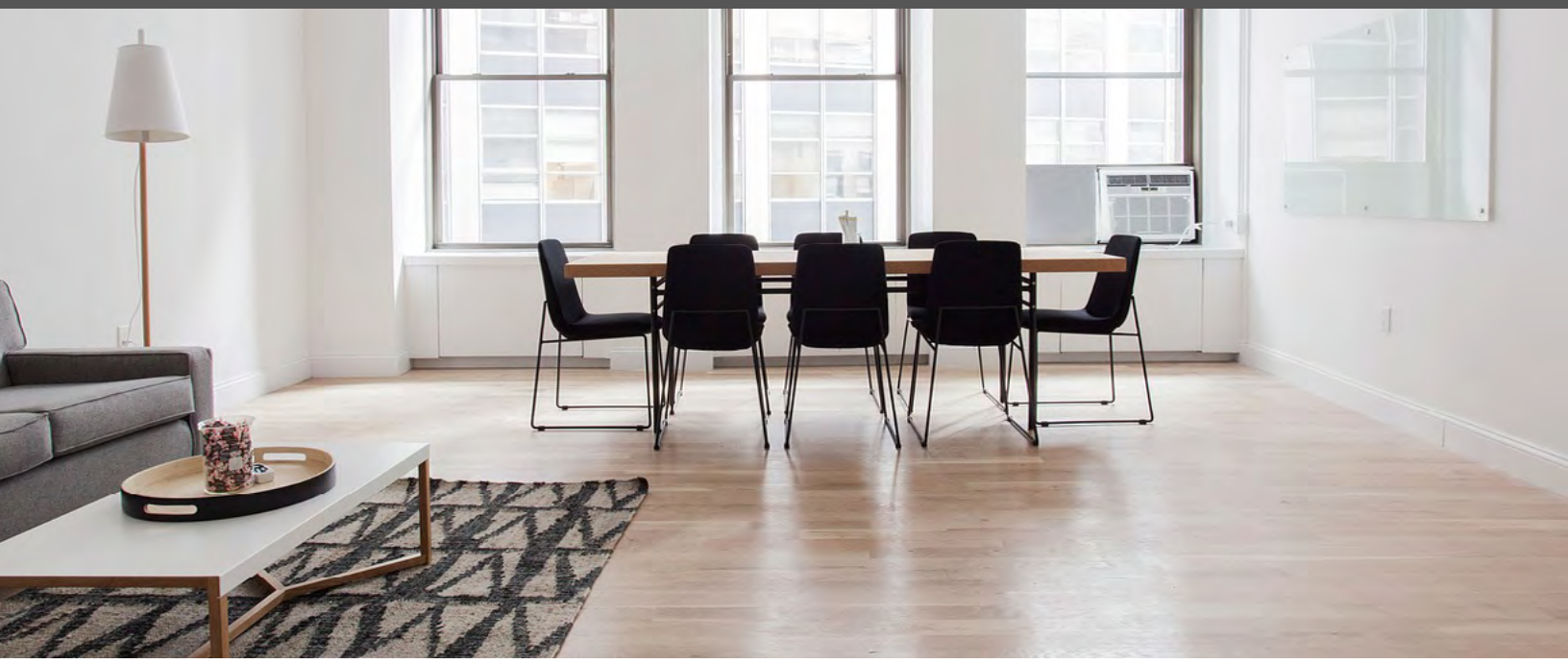
  Essentially, assuming you aren't going to give it away – there are three basic choices – spend it, save it, or invest it.

- If you reading this guide you have probably already decided not to spend it and are trying to figure out the best thing to do with your money.

  Should you keep it in a bank or savings account? Compare what the return would be for the same amount for the same length of time.

At the time of writing this Guide (Nov 2020) the Best Savings Accounts were offering 0.75% or 1.3% pa depending on whether you want access to your money.

The same £100,000 would therefore, at the maximum, earn £1,300 for the same year. When inflation is taken into account this could actually be less than £100,000.



Ensuring the investment is set up correctly

As in the majority of walks of life there are investment experts and safety protocols to help ensure that your investment is kept as safe as is possible. Legal agreements should be drawn up to protect your investment. That isn't to say there is no risk and it is really important to understand that there is always some risk and we would never recommend investing more than you feel comfortable with. You still need to be able to sleep easy.

Has the person/ business you are thinking of investing with said that a legal agreement isn't necessary? If they have and aren't keen to have one in place, no matter what they say the reason is, or how well you know them, it is not rude or unreasonable in any way on your part to insist upon it before you handover your money.

If you feel uncomfortable and are meeting resistance – trust your feelings and walk away. A legal agreement is straight forward and protects both parties and any responsible business who is receiving investment monies would want one in place.

Step 4 – How to find an investment opportunity

Once you have decided yes, you would like to become a property investor and you have made some choices as to the type of property projects you would like to be involved in, the next step is to find the right investment opportunity. How do you do this? Where do you start?

TELLING EVERYONE YOU KNOW

The first thing we would recommend is talking informally about it with friends, family and colleagues. You might be pleasantly surprised to find out that 'Imogen' in the office has a nephew who works in a business and he was chatting when he visited on the weekend about how they were starting a new project but needed some funding. You then happen to mention on a coffee break that you were thinking of investing and lo and behold Imogen puts 2 and 2 together and offers to put you both in contact.

It doesn't mean you are committed to investing in Imogen's nephew's business, but it will open a door for a conversation and who knows where that might lead.

NETWORKING EVENTS

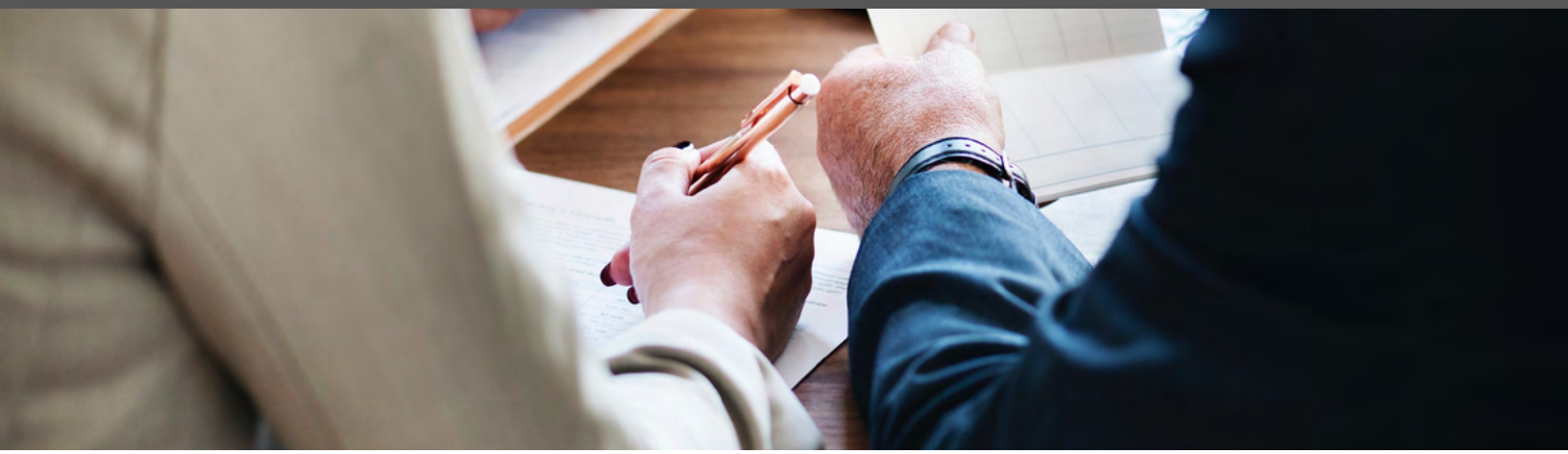
There are regular property networking events across the UK. These events are generally free to attend or have a nominal admin fee and typically involve talks from experts in a particular element of the property world, followed by the chance for attendees to circulate, chat and make contacts with people who might be able to help with whatever you are there for.

The events are normally hosted by an organiser who will help to introduce attendees and assist to get the right conversations going. One top tip is to go a little early and introduce yourself to the organiser, let them know you are new to the event and that you are interested in property investment opportunities and they will hopefully steer you towards some suitable contacts.

Have some Business Cards made up with your name, a contact number and email and the title 'Property Investor' so that you can give these out to contacts you make.

FOLLOW UP ON CONVERSATIONS

Be sure to follow up on conversations you have or contacts you have been given; if you have exchanged details with an offer to have a coffee and a further chat, make sure you do. It may come to nothing, but it may lead to other contacts and will give you an opportunity to start talking to other people in the property sphere about what you would like to do.



Step 5
What next?

We hope that you have found this booklet of use and it has helped you to positively decide to go ahead and be an investor in property.

We are a busy property company with new and exciting projects in the pipeline and we will be delighted to discuss opportunities for a new investor to get involved in our next project. Our contact details are below, feel free to drop us an email to set up a conversation.

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