JPK PROPERTY

YOUR PERSONAL HANDS FREE PORTFOLIO BUILDING SERVICE

Property Investment Guide

25 March 2024

07507671782 | www.JPK-Property.co.uk | Priten@JPK-Property.co.uk

Welcome!

Welcome to JPK Property, a business focussed on growing efficient and scalable property portfolios, working with market professionals and leaders.

This guide will share the benefits of property investing and will give you an insight on the value that JPK Property can add to your journey, to help you buy right...

Because as long as you Buy Right, you Can't Go Wrong!

Contents

Please note that the content of this document does not constitute as financial advice. Any investment made is with risk and any profit is subject to tax

Background and Vision

I've been investing in property since 2018 and have done this while working demanding roles in the Financial Services, and at times this has been across the country. My portfolio consist of a 2-bed flat in Glasgow, 2x 2-bed flats in Greater London and a 3-bed semi-detached house in Croydon.

At the end of 2022, I took stock of my finances due to the increasing cost of living. I realised I was about to hit difficult times, so I started to search for a solution.

After countless hours on YouTube and RightMove, I decided to invest in my education, and in doing so I quickly came to the realisation that I hadn't invested in the most optimum way; my understanding of property investing broadened significantly. I got to work with building my network and document potential pitfalls from others, to make the journey safer and smoother.

I connected with a number of Property Sourcing Agents to help me find my next investment, but I noticed some red flags with many of them – the numbers were not in line with my assessments, compliance issues were not picked up etc. I eventually came across one that appeared credible. Fast forward several months, I'm in the process of pursing this individual through the courts; it turns out I'm not the only person who has been conned out of thousands of pounds in fees.

I focused my efforts in learning the trade myself to find the deals I want which also allows me to offer an honest service to others; I want use the experience and network that I've acquired to work with others that want to get into property but don't have the time.

Property is, in my view, the ultimate retirement plan, and I plan to continue building the pot for as long as I can.

Don't wait to buy property, buy property and wait!

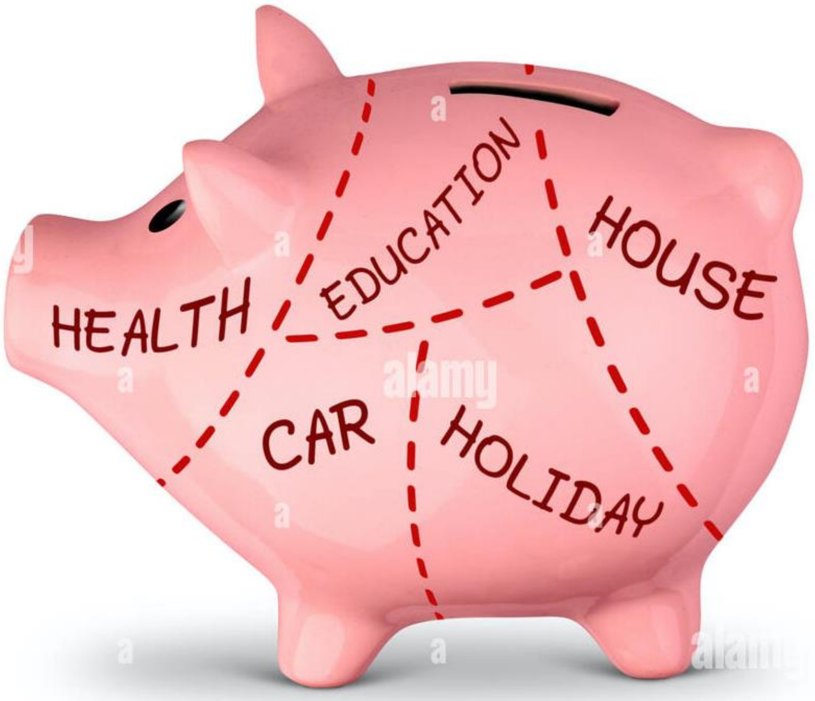
UK Savings Accounts

Currently, everyone has the option to put their hard-earned savings into a savings account, Bond or an ISA.

These are low-risk investment options and most financial institutions are backed by the Financial Services Compensation Scheme (FSCS). Meaning if the bank goes bust, your savings are protected, up to £85,000.

What needs to be factored in here is that the UK is in a state of high inflation, so interest rates are relatively high, for now. This is a temporary picture, and likely that these options are not going to be available for the long term.

You can also consider stocks and shares ISAs where you can dictate your risk level and your account manager will facilitate the investments for you.



Inflation

If you're saving/investing, you should really consider the impact of inflation on your returns. To be honest, it's worth knowing even if you're **not** saving/investing. It is essentially the buying power of your money; the higher the rate of inflation, the less 'things' your money can buy.

This will have a drastic yet concealed impact on your money. You might think you're getting a good return, but if the rate on your savings is lower than the rate of inflation, then really your money is being eroded.

The UK has been in a state of hyper-inflation (an aftermath of Covid-19) – this is why the cost of living has been increasing at exponential levels.

I've included these links so you can get a better picture of the numbers: savings inflation calculator | cost of goods inflation calculator

Inflation

'Todays money'						'Tomorrows money'
Value of Savings	Interest rate (pa)	Interest amount	Total return	Inflation	Impact	Value of Savings
£10,000	-	-	-	10.00%	-£909	£9,091

If you had £10,000 saved earning 0% interest, this money would have a true value of £9,091 after considering an inflation rate of 10%.

'Todays money'						'Tomorrows money'
Cost of Goods	Interest rate (pa)	Interest amount	Total return	Inflation	Impact	Cost of Goods
£10,000	-	-	-	10.00%	£1,000	£11,000

This is because the cost of goods have increased, so you can buy less with your money; in 'today's money', your £10,000 can buy £10,000 worth of goods. But after inflation of 10%, the cost of those goods are now £11,000, so the same money now can't buy the same goods.

'Todays money'						'Tomorrows money'
Value of Savings	Interest rate (pa)	Interest amount	Total return	Inflation	True difference	Value of Savings
£10,000	10.0%	£1,000	£11,000	4.70%	£506	£10,506

Now, if you factor in an interest rate on your savings, and a truer inflation rate, you can see that the value of your money, despite inflation, can buy more goods than on day 1. You have now hedged your investment against inflation.

In summary, your savings/investments MUST match the rate of inflation to breakeven;
your savings/investments MUST exceed the rate of inflation to truly have a positive return.

The figures used above are for demonstration purposes only

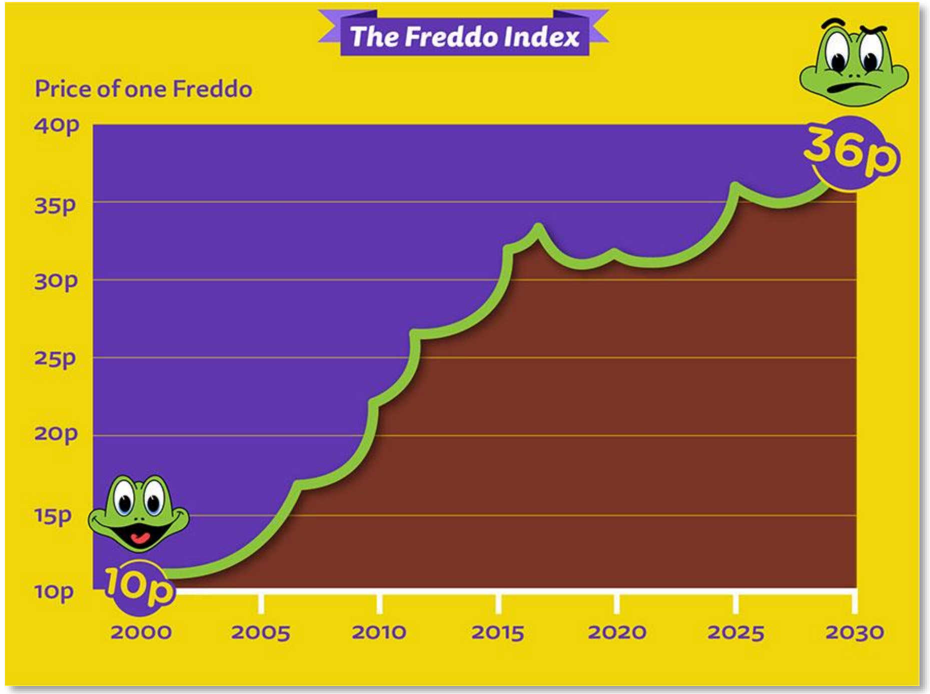
Inflation

Here is a more simplified example which will really explain inflation, and it comes with the help of Freddo.

In 2000, if you had £10 in savings, you could buy 100 Freddo's (at 10p each). In 2030 (according to the graph) you're probably only going to be able to buy 28 Freddo's (at 36p each). The amount of money you have hasn't changed, but inflation has eroded its buying power.

If you were getting a 12% return on that £10 (taking compounding out of the equation to keep it simple), after 30 years you'd have £36. This will therefore allow you to still buy 100 Freddo's.

Now, imagine even further that you owned Freddo, a business whose product has grown with inflation rather than clashing against it – it's the same concept with property; your net worth increases with inflation because prices generally grow with the rate of inflation.



Why Property?

Property is the only asset class where you can benefit from cashflow, appreciation & leverage.

Cashflow

Positive cashflow is key to any business. By forecasting the rental demand and value, and understanding the costs, you can yield regular income without having to do much work (i.e passive income).

A consideration that most don't factor in is that rent goes up over time; typically, as inflation increases, so does rent. We have seen this in recent times where the demand for rental properties have increased exponentially, leading to a rise in rent. While there are other factors at play here, it's not to take away from the fact that rent has gone up from where it was 10 years ago, and will likely continue to do so due to the fundamental supply / demand imbalance of the UK housing market.

Appreciation

Since 1066, there has never been a 10-year period where house prices in the UK have fallen.

While this is not a fact for the future, it's a good indicator of the direction of travel. And until the supply / demand is truly controlled in the UK, it's fair to say house prices will continue to grow.

We must also not forget that the appreciation compounds year on year, accelerating returns over the longer term.

Why Property?

This is probably the most overlooked benefit. And it comes in 2 parts: Security and Gain.

Leverage		
	Security	You can borrow money against your asset, which you can't do with any other investment type. If you walk into ABC bank and ask for a loan to buy a £100,000 property, they will process this and typically look to lend £75,000. If you walk into ABC bank and say 'I want to buy £100,000 worth of shares in ABC bank, and I want you to put in £75,000', it probably won't be entertained. This concept really shows how property investments are considered 'safe' by banks, supporting the saying 'as safe as houses'. Ultimately, banks make their money from lending it out. And the biggest market for this is mortgages. Your savings go into the bank, and is lent out as mortgages. You could simply put your savings into the same asset class, with the bank, and benefit from the second point below.
	Gain	You keep all the gain beyond the lent amount. If you have a £100,000 house with a 75% mortgage, you own 25%, or £25,000. Let's say this house goes up in value by 5% – your house is now worth £105,000. The mortgage is still £75,000 (its value is actually also lower due to inflation), and you now own £30,000. While the value of the asset has increased by 5%, your invested amount has increased 4x that amount (20%). All growth after the mortgage is all yours! And in 20 years time, a £75,000 mortgage won't be what it's worth today. I'm sure you know of family members from previous generations who bought a house with a £10,000 mortgage. Back then, that was a lot. But it isn't that much now (relatively speaking), due to inflation.

Our Service – Portfolio Building

It's important to start with the end in mind, to be able to work out what the plan is to get there. So the first step is to understand your plans, goals and investment criteria. If these align with what we do, then we can move forward and look for opportunities that meet your criteria to get you closer to realising your goals. We will also look to ensure that your investment works as hard as possible.

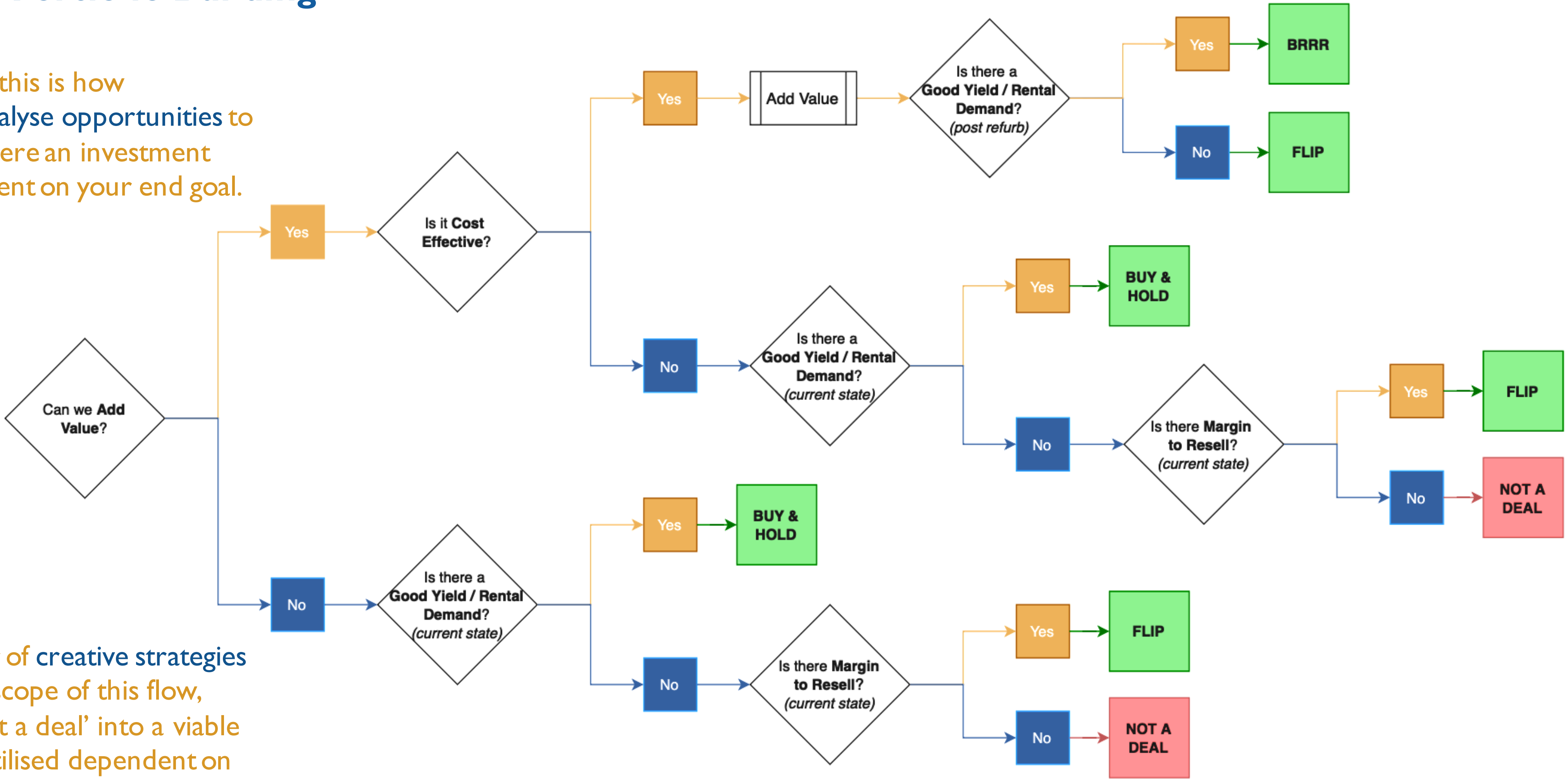
JPK Property is actively searching for deals that have the potential for strong returns. The deals being sought are occasionally off market and in most cases are available exclusively to JPK Property.

An end-to-end support service is offered to any investor looking to grow their portfolio and would like to leverage our expertise across all stages, from conveyancing to letting. Regular updates will be issued for full transparency of progress, as well as highlighting any risk areas.

Our approach at JPK Property is that we wouldn't put forward an investment that we wouldn't do ourselves. And the deals are highly scrutinised with all foreseeable costs factored in.

Our Service – Portfolio Building

As a basic principle, this is how JPK Property will analyse opportunities to identify how and where an investment could work, dependent on your end goal.



There are a number of creative strategies that go beyond the scope of this flow, which can turn a 'not a deal' into a viable one. These can be utilised dependent on the circumstances.

Our Service – Portfolio Building

The typical stages of a Buy & Hold strategy are shown below – JPK Property can support each stage e.g. appoint solicitors or find and vet builders.

1. Listen to your investment criteria & locate suitable opportunities
2. Your agreement to buy the proposed opportunity
3. Instruct solicitors and mortgage brokers
4. Exchange and Completion
5. Prepare trades for any required works
6. Works complete, ready to let
7. Instruct local letting agent

Risks & Concerns

Property investing can be hugely rewarding, but it is always with risk. Below are the processes, risks and mitigation steps that JPK Property will apply. As you can see, the approach would be to de-risk most points before going into offer or completing on a deal.

Area	Risks	Mitigation
Step 1: Deal Analysis		
Finance	Cost of finance not as expected	Use of all of market brokers. Be clear on the strategy ahead of purchase (i.e. what is needed now and on exit)
Build	Cost over budget	Signed contract with builder setting out terms of the project (cost and timelines). Builders to visit site for an in-depth quote
Build	Unforeseen costs	Builder / Surveyor to highlight concerns. Factoring in a contingency into the quotes
Build	Quality of build	Signed contract with builder & review their experience and past projects/testimonials
Build	Compliance/regulation	Ensure the builder has the right experience. Engaging Building Control, Planning Consultants and other specialists where needed
Rent	Will I get a tenant?	Assessment of demand/demographic to determine who the end tenant will be, tailor the refurbishment to that market
Rent	Rents lower than expected	Validate market rates for the target demographic. Look at the competition and current rental demand
Refinancing	Down-valuation	Use of sold comparables to estimate the end value. **Ultimately this is in the lender's hands on the day**
Sale	Sell if valuation is not as expected	Assessment of margin if required to sell (as above). **Ultimately this will depend on market conditions at the time**
Step 2: Close Sale and Enter Build		
Build	No availability	Having a few local builders on hand in case of unforeseen availability issues
Build	Quotes much higher than expected	Decision point - update calculations and determine if the deal still hits KPIs and cost can be absorbed. If not, exit the deal
Build	Needs huge structural works	Decision point - update calculations and determine if the deal still hits KPIs. If not, exit the deal
Step 3: Build and Rent		
Build	Taking longer than expected	Contract with builder setting out terms of the project (cost and timelines)
Rent	Will I get a tenant	Mitigated above (market research/assessment)
Step 4: Refinance / Sale		
Refinancing	Down-valuation	**Analysis of market carried out ahead of completion. This is in the lender's hands on the day**
Sale	Not selling or offers below expectation	**Analysis of market carried out ahead of completion. This will depend on market conditions at the time**

Risks & Concerns

The previous slide covers some of the key risks on build and compliance – we'd typically look to leverage good builders and other professionals such as planning consultants where applicable, to reduce some of these risks.

However, the biggest risk area comes with the market or end value of the property. It is most prudent to know where this is likely to fall, especially when looking to add value, refinance or sell. But no matter what the level of analysis, there can never be a guarantee as it will ultimately depend on 1) the opinion of the lenders surveyor on the day or 2) what the next person is willing to pay on the day.

Adding Value

Anyone can do anything to 'add value' to a property. But what we will ask ourselves is will it be cost effective? Will someone truly pay more for the property? Will the spend be returned? If so, when?

Refinancing or Selling

The most accurate and reliable way to assess this is to look at what someone has actually paid for a similar property in the area. That said, we don't know if that sale had one offer or if there was a bidding war with 10 people. We also don't know if it was snapped up in a week or if it took several months to sell.

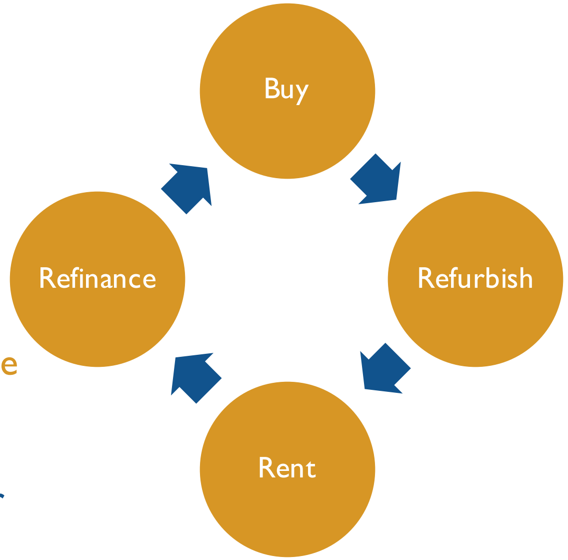
The combination of looking at historic data and speaking with local agents (ideally those that have sold similar properties) is the best way to get the most reliable data – and at JPK Property, we use the latest technology to enable us to gather this information. Speaking with other investors who have refinanced property in the area will also be useful as a data point to gauge how a lender is likely to carry out an assessment; having that deeper level understanding of the market can give more accuracy and certainty to your next investment.

JPK Property's Investment Strategy

JPK Property's investment plan is simple: buy well, get a mortgage in place and let inflation erode the debt and grow the capital value. We will also be looking at value add opportunities for the short-medium term.

The aim is to buy at the right price, in the right area, and create a high, in-demand living space, whether that is a single let or a House of Multiple Occupation (HMO).

In some cases, there will be opportunities for investors to earn a hassle-free return by investing in a project together with JPK Property, whether this is on a fixed term loan basis or as a Joint Venture (JV). Returns, security and share agreements can be discussed on a case-by-case basis as opportunities arise and trust gained.



JPK Property's Investment Strategy

Due diligence is carried out against several parameters, namely the numbers and demand, to ensure strong cashflow, consistent rent and good capital growth prospects. The focus area for these investment strategies is explained over the next slides.

HMOs

Prof / Stu

Professional or student HMOs require a different approach. In most areas, a high-quality asset will attract the highest rents (which in turn strengthens its commercial value). Creating a high-end product also attracts tenants who want (and are willing to pay) to live in quality accommodation – and they're more likely to stay for longer. By doing this, you'd also future proof the asset, as most areas are currently filled with low quality HMOs.

SL

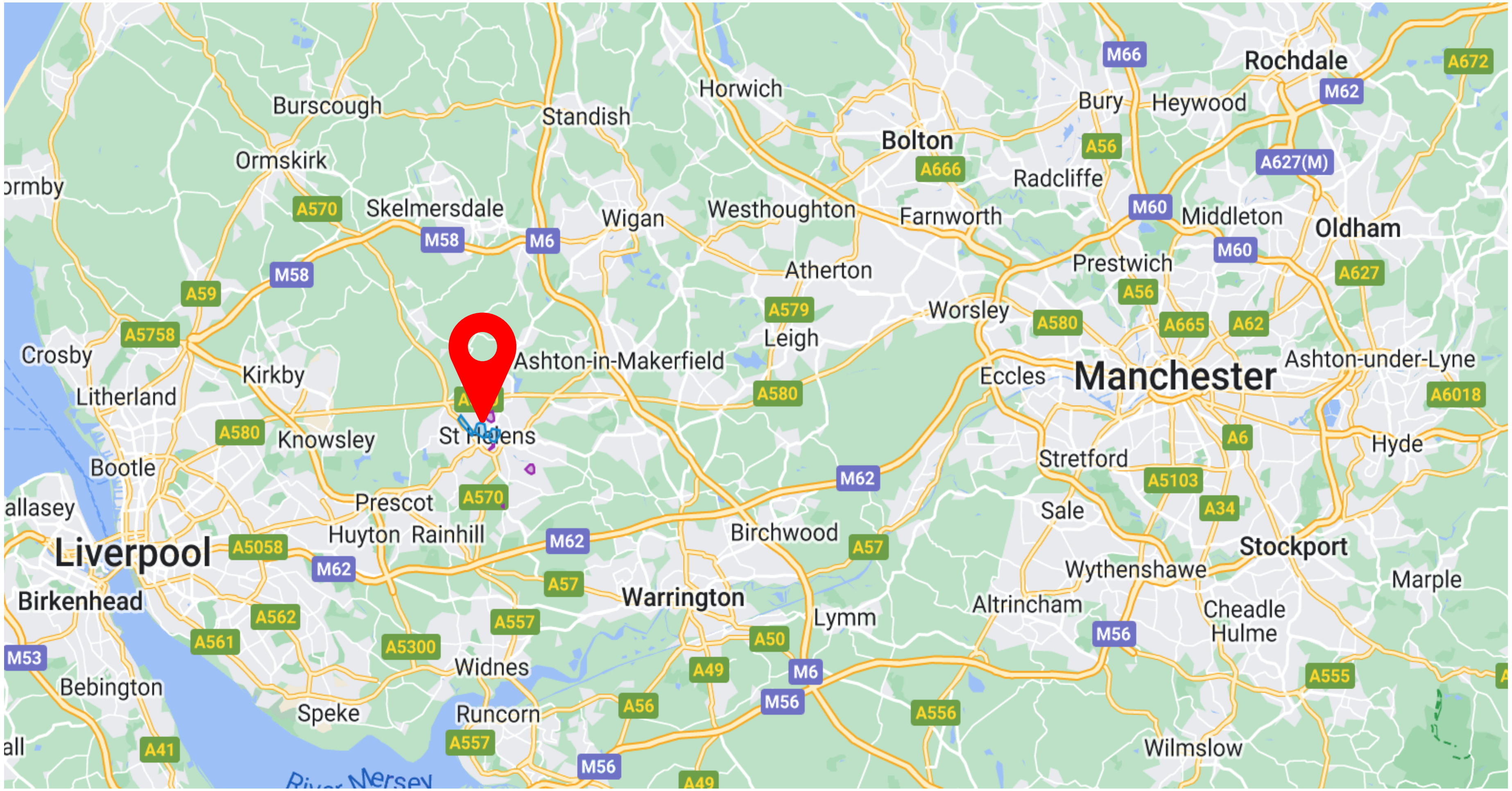
Supported Living HMOs are usually government/council backed contracts to house those that need additional care and support. The specification of these assets need to be understood and meet not only the local standards but also the standards of the lessee. The lessee maintains the property (to a degree), pays the bills and there are no void periods or management fees applicable.

Single Lets

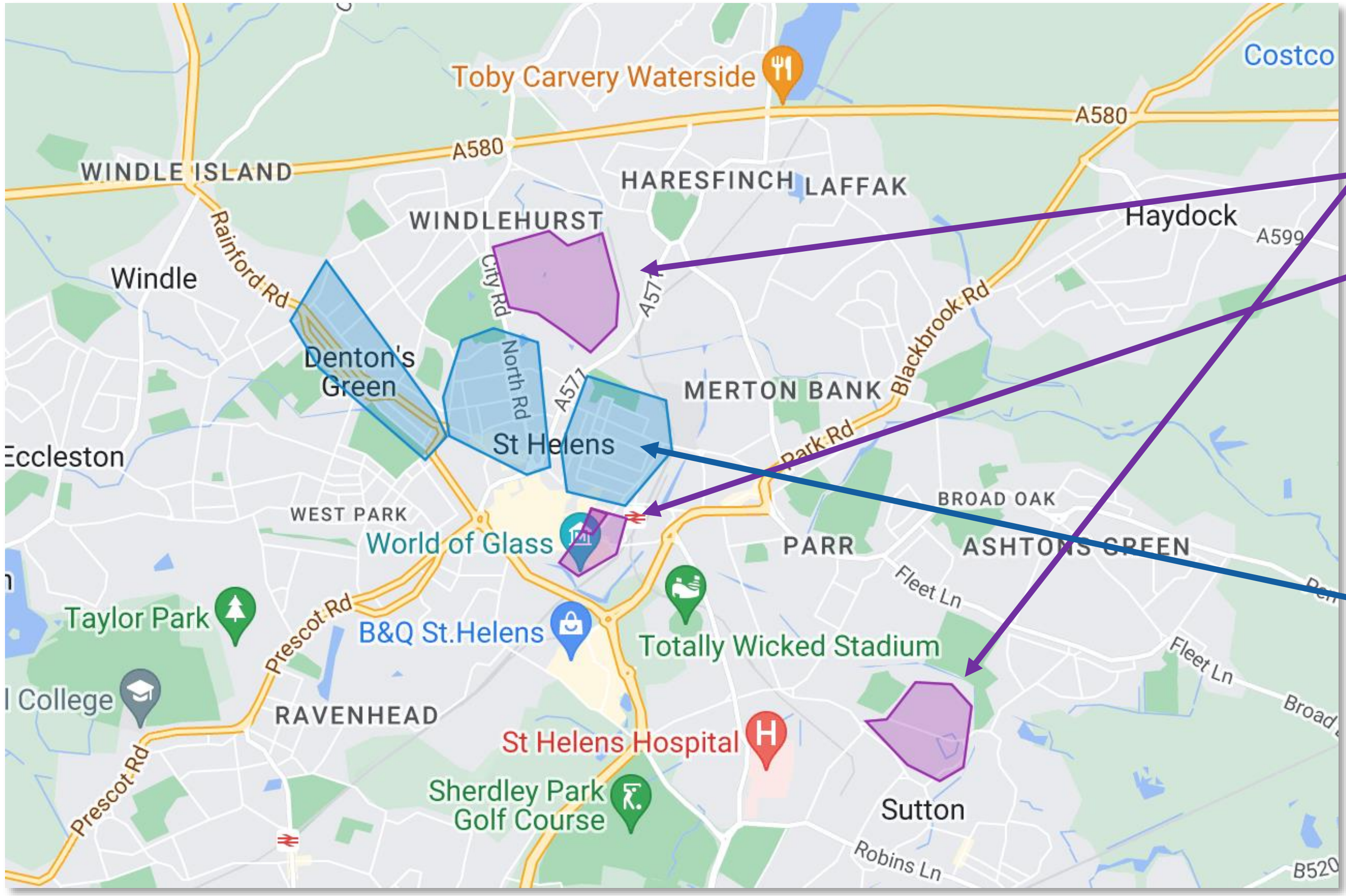
These are relatively less complex investment/projects. There's fewer regulations to navigate and demand for a rental property is strong in almost all areas of the UK. Finding the right deal in the right area is key to getting the best cashflow and capital growth potential, whilst tying up the least amount of capital in the deal.

07507671782 | www.JPK-Property.co.uk | Priten@JPK-Property.co.uk

Current Area of Focus



St Helens is perfectly located between two Northern powerhouses. Amongst the 4,500 businesses that have chosen St Helens are multinational names such as NGF, Pilkington, Tata Steel, Sainsbury's Distribution, Vimto and Co-op Distribution, as well as numerous SME's, sole traders and entrepreneurs, all contributing to a booming business community and economy.



Developments

- New homes are being built which is a strong indicator of current under supply.
- There is a '**once-in-a-lifetime regeneration project**' which will transform the Town Centre to a modern and more functional space. This will improve employment and bring businesses to the area, and in turn, a stronger tenant demographic. Budget is c£350 million.

Current Target Areas

- Having carried out extensive research into the local area and type of properties, I've highlighted these areas as prime areas for HMOs.
- The more affluent area which is likely to see better capital growth is to the West (toward Eccleston).

Location Overview

- ✓ St Helens is perfectly located between two Northern powerhouses
- ✓ With the development plans above, there is likely to be healthy capital growth over the years to come.
- ✓ The council are anticipating high population growth into the area, and unlike most councils, they are welcoming investors who will improve living standards and availability.

ST HELENS
BOROUGH COUNCIL

Current Area of Focus

THE ENGLISH CITIES FUND

ST HELENS BOROUGH COUNCIL

The Past

The Future

St Helens has partnered with the English Cities Fund to reignite the Town Centre. This comes in a 2-stage regeneration detailed in the tables below.

The development will enhance community spaces and introduce a new pedestrian focussed Market Hall. It will encompass a modern design with sustainable features.

https://sthelenstowncentre.co.uk

Phase 1	Phase 2
67 new apartments/town houses	268 homes apartments/town houses
7,000 square foot retail space	36,000 square foot retail space
50,000 square foot commercial space	185,000 square foot commercial space
150 room hotel	


HOTEL
St HELENS
INTERCHANGE