

How to do due diligence on a property



ROB MCPHUN

HOW TO DO DUE DILIGENCE ON A PROPERTY

Desktop Research

Here is a list of suggestions, links, and ways to conduct background checks and due diligence on properties you may be looking at in respect of your property investments.

This is not a recommendation for any particular website(s) and is provided purely as a reference guide to help you with your research. New websites and apps are being added all the time, so conduct appropriate searches to find them.

Y

ou should always conduct your own due diligence as comprehensively as possible, which includes seeking the advice of professionals such as RICS valuers, Commercial Agents, Quantity Surveyors, Project Managers etc.

General Area Research around a Property:

Data Observatory for the area e.g.

www.hull.gov.uk/communities-and-living/about-hull/data-and-statistics-hull

Housing Strategic Assessment for the area e.g

www.intel-hub.eastriding.gov.uk/strategic-assessments

www.google.com/maps

www.google.co.uk/intl/en_uk/earth

www.streetcheck.co.uk

www.checkmystreet.co.uk

www.checkmypostcode.uk

www.streetlist.co.uk

www.mapstreetview.com

Market Value

Comparables of properties sold in the area:

www.nethouseprices.com

www.rightmove.co.uk/house-prices

www.zoopla.co.uk/house-prices

www.mouseprice.com

www.onthemarket.com/sold-prices

www.propertypriceadvice.co.uk/house-prices

www.home.co.uk/guides/house_prices_by_town.htm

www.hometrack.com/uk

www.propertydata.co.uk

(less practical than Hometrack, more affordable, nice market trends for sale and rent)



Great Tip

If you invest in one specific area and you use a local Finance Broker, ask them. They will be getting valuation reports across their desks every day on behalf of clients commissioned by lenders. The broker may have a fair idea of a property value based on the knowledge they have built up over the years.

Valuations for a Remortgage:

Extra trackers working on Rightmove through Google Chrome:






HomeBuyer-beta:

[chrome.google.com/webstore/
detail/home-buyer-beta/
kdmfpdcfbfbfgidmchkdakmoihliofnme](https://chrome.google.com/webstore/detail/home-buyer-beta/kdmfpdcfbfbfgidmchkdakmoihliofnme)

Property Tracker add on for Chrome:

[chrome.google.com/webstore/
detail/property-tracker/
abgkpdjomdmemefdefalbeogkmlmand](https://chrome.google.com/webstore/detail/property-tracker/abgkpdjomdmemefdefalbeogkmlmand)

Call estate agents in the area and have your questions ready:

-  Do you know the history of the property?
-  Have you sold any similar in the area recently?
-  What are your thoughts on the property?
-  Has any work been carried out on the property to increase its value?
-  Does any work need doing to the property?

What the owner paid and when:

www.zoopla.co.uk/house-prices

www.nethouseprices.com

www.nationwide.co.uk/about/house-price-index/house-price-calculator

Contact a RICS valuer and pay for a Desktop Valuation (consider only when you want to buy / acquire and the outlay will be worth it, or there is a large investment involved).

Consider the key features, such as size, location, type of land (arable, brownfield, garden), and planning permission (what is the permission for, and is it still valid?)

Land

What is the value with / without planning permission?

Consider the key features, such as size, location, type of land (arable, brownfield, garden), and planning permission (what is the permission for, and is it still valid?)

Determine the possible price to pay by working backwards from the Gross Development Value (GDV). Max purchase price = GDV minus 20%-25% profit investor minus the sourcing fee (when applicable) and minus the build and finance costs.

propertydata.co.uk/build-cost-calculator

www.homebuilding.co.uk/the-ultimate-build-cost-guide



Great Tip

With land, consider signing a Purchase Lease Option agreement (PLO) with enough time to get planning permission and then sell at the higher value.



Great Tip

A way of sourcing is to go on to the local Council Planning Portal and look at applications that have had their planning submission either declined or withdrawn and follow them up.

Valuing Commercial

- ▼ Rental income, profitability (EBITDA) for hotels
- ▼ Yield / multiplier that depends on location and type of business
- ▼ Check with the local Commercial Agent, Commercial Surveyor (RICS) (often at commercial agents) and Commercial Broker to use the appropriate yield



Great Tip

Call letting agents posing as a tenant and state your budget. See what comes up. If they say they have rooms / houses / flats at £100 per week, tell them you can only afford £80 and see what they come back with. If they have rentals available at that lower price, that is your benchmark / competition.

Rental Value & Demand:








Check Rightmove, Zoopla, Hometrack, Propertydata, and:

[spareroom.co.uk/flatshare-house-share/uk](https://www.spareroom.co.uk/flatshare-house-share/uk)

www.gumtree.com/property-to-rent/uk/room

www.belvoir.co.uk/properties/lettings










Always consider the possibility of adding value:

-  Planning gain on land
-  Structural repair / removal of knotweed
-  Renovate, refurbish or extend
-  New build
-  Subdivide / convert into apartments
-  Title split existing accommodation from freehold to leasehold
-  Extend the existing lease
-  Apply for change of use for the property (into a House of Multiple Occupancy - HMO, Serviced Accommodation, different type of tenants e.g. professional instead of students, or convert from commercial to residential use)







Deal Analysis:

Create spreadsheets for different types of properties to enable you to work out accuracy / validity on key comparable figures, and assess several exit strategies.

Things to consider are:

-  Monthly cashflow
-  The Return On Investment (ROI) including ALL costs (legals, insurance, interest payments to investors etc.)
-  Refurbishment costs (including contingency for overspend)
-  Planning costs
-  Legal fees
-  Stamp duty
-  Survey costs (environmental, ecological, flood, contamination, traffic etc)
-  License costs – house in multiple occupancy
-  Splitting / installing utilities

Additional due diligence to consider for HMOs:

-  Do Article 4 Restrictions apply in that area?
-  What building regulations will I need?
-  What planning permission will I need?
-  Will I need a HMO License?
-  Are there covenants on the building restricting its change of use?
-  What local area considerations are there that might be raised in a planning application such as parking, bike space, bin storage, noise, nuisance?

Want to know more?



Visit my website
perfectingconversations.com



Call me on 07916 158680
for one to one coaching



Email me at
rob@perfectingconversations.com

