

Interview Transcription

Interviewer: The property business can be a minefield for the inexperienced or misinformed. Now let's here from someone who's been through the ups and downs of property investment, Damian Qualter of Buy Property for Less. He's built a portfolio of over 30 properties across the UK and Europe worth over £5.5 million with equity in excess of £1.3 million all in less than two years. Buy Property for Less has worked with a majority of UK syndicates sourcing discounted properties for sale on. As they have become progressively established in the UK property investment field, a large proportion of clients have asked them to form their own members-only consortium. This allows them to offer their best off-plan property discount deals to a small but select group of investors. In the last two-and-a-half years alone, they sourced properties worth over £70 million and saved investors over £10 million. Let's meet Damian.

Damian: I was brought up near Blackpool. I went to school until I was 18. Another one, been to the university to study textiles in Manchester. Since then, I've lived and worked in Manchester. The last 15 years, I was involved in the textile trade in Manchester. I'm not sure everyone's aware that the textile market in the UK is certainly dwindling due to increased foreign competition.

Interviewer: So, was it a deliberate kind of move to look at getting into property? You know, how did that turnaround happen then?

Damian: It was basically looking for various alternatives in 2000. I finished studying for an MBA at Manchester Business School, which sort of had given me a lot of green lights to try something new.

Interviewer: Yeah.

Damian: And I've researched various business opportunities, businesses, to see really what was available out there and property kept being the one which I kept on returning to.

Interviewer: Right. So, in terms of like your instincts then, do you feel that because you had already been in business in the textile business, that helped you to come to this decision?

Damian: No, not really.

Interviewer: Right.

Damian: Obviously, working in any business gives you a business background.

Interviewer: Yeah.

Damian: Property is really a relatively simple business. You know, buy the right property at the right place for the right price.

Interviewer: So simple, but it's not easy. When and how did you go about getting your first property then?

Damian: My background in getting into property was in 2000. I attended two very, very expensive property seminars out there. And after sort of going home on this Sunday afternoon feeling very elated, waking up on the Monday morning, thinking, Oh my God, how much money have I spent now and what am I going to do next--

Interviewer: Yeah.

Damian: --it left me feeling very nervous, very alone, isolated. I'm basically, property sort of fell out of my mind for two or three months.
I kept on thinking and researching, seeing what was going on in the property market. And eventually I decided to scrape myself up from the floor and do something about it.

Interviewer: Yeah.

Damian: And the textile industry, which I was involved with at the time, is a very, very seasonal business—basically, from January to July, there's not a lot happening because of the knitwear trade.

Interviewer: Oh, _____. Yeah.

Damian: I had a lot of free time on my hands, so from about February in 2000, I went around local developers in the Manchester area, knocking on doors, asking if a property deal was to be done.

Interviewer: All right. So it wasn't as if you were just going, like looking in estate agents and going down that kind of route. You were going down this route.

Damian: No. The route I went through—I looked at various _____ property investments. There's obviously the refurb route.

Interviewer: Yeah.

Damian: There's the new build. There's auctions. And if anybody knows me out there, knows I'm mostly hopeless at doing anything practical. So I chose the route of least resistance, which is the new build.

Interviewer: So what you did, is you say—you just literally went around talking to people, seeing what was out there, what kind of deal were available then?

Damian: That's right. Literally for six months knocking on doors, getting a lot of rejections. It literally took me, virtually to the day, six months to get my first property deal.

Interviewer: Right. Was that because you were an individual rather than a company approaching these people?

Damian: Yeah. It was obvious I didn't have a track record in the industry. The market obviously in 2000 was pretty strong anyway, so a lot of developers didn't have to do discount. So, you know, going in there, the man off the street making deals. But what I did learn was to watch the market very, very carefully, which does take a lot of patience, and basically from going to a developer, see what was going on, see what's available, keep notes on what had been sold, then two or three weeks later, call the developer again and see if the deal will be done.

Interviewer: You know, common sense may have said hang on a bit, as you say, until the market changes.

Damian: Well, yeah, you know, and then I've made, you know, a lot of mistakes in the property industry over the years. And one of the things that I've learned, probably the commonest mistake a lot of clients, you know, I deal with come to us with is we get very emotionally involved with property.

Interviewer: Yeah.

Damian: You can't do that if you're going to be successful in property investing. You've got to look at it objectively, it's got to be in a good location, there's got to be a right rental demand in the area. More so than anything, the numbers have got to stack up.

Interviewer: so, you've got your first property then, what kind of property was it and how much did you invest in the end?

Damian: Well, what I did was buy—I went to the developer and said I was going to buy two properties and eventually ground him down to giving me a ten percent discount off those properties, which equated to probably about £15,000 per property. And they were just short, probably two or three months before completion. Once the offer was accepted, things were going through very nicely. It got bitten by the bug, which, you know, a lot of my clients do get bitten – bitten by the bug once you do it.

I put in an offer on another two properties in a different development in Manchester. This time, you know, I felt a lot more experienced. I got a 14 percent discount. And then bought another two properties, which were again in a different development and got 15 percent discount. And though I'd done very well for--

Interviewer: --So your confidence was building then as you went along?

Damian: Correct. That's right.

Interviewer: Just that, this idea of then of what you call off-plan—again, we've now established that this is not the refurb kind of route that you're taking here—

Damian: Yeah.

Interviewer: I'd imagine you have to do a lot of research and get quite a bit of expert advice. Do you, in that sense?

Damian: Yeah. When I started it, there was no expert advice available. I went around—I understood how to calculate the rental returns, what money I could borrow from the banks, but you know, if the people started in this industry, it's very, very hard to do that for themselves. And it's the confidence more than anything to do the deals. You know, I get offered so many property deals a week – probably somewhere around the region of ten deals a week, of which I would say 95 percent, even 98 percent, go in the bin.

Interviewer: Really?

Damian: Because either the figures are over-inflated or the rentals just don't work. You know, people perceive the fact that they're getting a discount, it's a good opportunity.

Interviewer: Yeah, yeah, when, in fact, it's inflated and then it appears they got a discount—

Damian: Correct.

Interviewer: --but it's not true. Yeah, yeah. So, on that first one, how much money did you invest then to start with?

Damian: I invest about £25,000 over the two properties. All in all, I would've started off—I remortgaged my own house. I took about £70-80,000 of equity out.

Interviewer: Right.

Damian: And used that as working capital. Another tip for people who are getting started in this business, they must treat it like a business. You've got to capitalize it correctly. You've got to put some money in there. It's not a get-rich-quick scheme. It's, you know, it's a mid-to-long-term strategy to build wealth.

Interviewer: Yeah. I think if people have that kind of attitude of get-rich-quick, they're going to get poor quick, aren't they, very quickly.

Damian: Yeah. You know, we get a lot of people approaching us saying, "Can we flip properties for you?" Flipping property, if people have not heard of that term, is basically selling the properties prior to completion.

Interviewer: Right, right.

Damian: Now, you know, two, three, four years ago, a lot of people were doing that. And a lot of people made a lot of money doing that, but in today's climate, obviously, property prices aren't increasing as they did then, and usually you're going to be selling onto another investor who is going to want a deal or another discount.

Interviewer: Yeah, yeah.

Damian: You know, my advice to people who do want to resell the properties is basically, hang onto the property probably for six to twelve months after completion and if, you have to sell the properties, sell it then because you'll sell it then to another occupier rather than another investor.

Interviewer: Okay. We're moving a bit further forward to the present now. With this experience that you've gained, just give us an outline then of your current investment strategy and why you do what you do.

Damian: Yeah. Basically, as we mentioned before, my whole property portfolio is hinged about new build properties. The other thing we tend to specialise in is basically city centered properties, although I have got a small number of properties in smaller towns. I've always been more successful in properties in major cities. Being based in Manchester, the majority of my portfolio is in Manchester city center. I've probably got about 20 properties in Manchester, which is a mix of one and two-bed apartments, probably a 50-50 mix. And it does very well. You know, the worst void I've had in the last three years is about ten days.

Interviewer: Oh, right?

Damian: But when I started off, I didn't have the experience to go to the right letting agents. I probably in my short years of investing property tried half of the letting agents in Manchester. And voids were four, five, six weeks when I first got started. But now I've got in with two or three very, very good letting agents, which you only learn by trial and error. And literally, we've got occasions where the properties have been re-let the same day as the old tenant's moving out.

Interviewer: Looking at the way you're doing the investment then, would I be right in saying that you've got like kind of two lines running, where you've got some properties where you're going to make a lot out of the rentals and then other properties where you're not making as much in the rentals but you'll realize that investment when you sell? Is that right?

Damian: Yeah, yeah. That's very true. There's—just to give you a couple of examples. In my portfolio, I've got a couple of bungalows in an area of Lancashire called Colne which is, basically, they're let out to semi-retired people. You get a very, very good yield on the properties, i.e., the rent is very high compared to the capital value of the property. But the capital values haven't increased a lot over the last two or three

years. But in comparison, I've got two properties in London, in Stratford, the area where they're building the new Olympic Village, which I've got to put in every month—probably about £150 per property—to supplement the mortgages. But, you know, in the last 18 months, those properties have each gone up by £75,000. There's balance and I can live with that.

Interviewer: Tell us then a bit about how you go about financing these properties then.

Damian: Yeah. When I got started, I, again by trial and error—try one or two brokers—but over the years, I've got a fantastic mortgage broker in Manchester who does all my finance. Basically, I put money into a property off plan. I use a mix of bridging finance, which is something I've started using recently on a couple of recent purchases. What a lot of new investors don't understand is that if you put money into the property and it's a correct discount, if they say put 15 percent in when they complete on the property, in six months time, they've got the ability then to refinance the property, or remortgage the property, and take a lot of that equity back out again to start the process all over again. That, in essence, is how people build a portfolio.

Interviewer: So, I mean, I suppose one of the mistakes that people make is thinking that they have to put all their own money into these kinds of—

Damian: --Yeah, exactly. One of the main attractions of this property investment, we're allowed leverage for someone starting with £70-80,000, which is what I did when I started in property, there were not many businesses which could allow me leverage that small amount to build up a portfolio which in less than three years grew to about £5.5 million.

Interviewer: Oh, right, right. So, would I be right in thinking then that the more properties you have, the more equity—therefore, it's easier to get finance as you go along or is that right?

Damian: Yeah, in the UK it's relatively easy to get finance. Ten years ago, the buy-to-let market was in its infancy. Any loans you use to get were at commercial rates. Obviously, a lot of the rates are equivalent to residential borrowing, so you can borrow up to, in some cases, 85% and as one or two lenders come in the market, will allow you to borrow 90 percent of the value of the property. So, in essence, you've got to put 10 percent in of your own money and then you've got the ability, say six, twelve months down the line, to refinance that property because you've got a discount and then release your capital back to you.

Interviewer: Now, the way you've said then that you're approaching this business is in a business-like way, in the way we talked about it so far. So, I would imagine that you being a businessman, you've got some kind of exit plan sorted out, have you?

Damian: Yeah. My exit plan is really to hang onto the properties for probably 15-20 years, at which time there is Taper Relief, which does kick in, and probably to involve putting things in sort of complex investments instruments such as trusts, but you know, it will allow me to sell maybe four or five of my properties. And you know, if property prices go up at five percent, which I think is a pretty conservative rate, it should allow me to pay off the debts of my whole portfolio and still have a very stable rental income for my retirement.

Interviewer: I can just think of lots of questions coming up like, you know, the problem of capital gains. Do you set up a limited company or a sole trade or that kind of thing? I mean, they're the kind of things that you've now sort of discovered in your own mind and perhaps could pass onto other people.

Damian: In terms of putting things into limited companies, it's one of the most often questions we get. People have a notion that that is the correct thing to do. It can be correct depending on people's circumstances and

certainly when I started off investing in property, I set a limited company up because I thought it was the right thing to do. I've still got the companies out there doing nothing at the moment, but, in essence, if you borrow in a limited company, there are far fewer lenders available to lend you money than there are if you buy through an individual name.

Interviewer: Oh, right. That's interesting.

Damian: It tends to be that the rates are slightly higher because they're considered as a commercial venture, and when you come to refinance the properties because there's probably only seven or eight lenders in the market who deal with limited companies compared to probably 200 or 300 lenders who will deal with an individual, you're very limited if you want to refinance.

Interviewer: What are you currently up to then? I imagine you've always got something on the boil, have you?

Damian: We've got some really, really exciting things we're working on at the moment. I've spent a lot of time recently in Prague setting up a new business over there. Prague has been an area we've been doing a lot of research, probably for about two or three years now, and we've had a lot of success in selling properties there. We have brought in-house some of the partners we've used in the past, but we've now seen the potential and want to do that business for ourselves and give the clients the service they want.

Interviewer: Oh, right.

Damian: Prague, just to give people a very brief "potted" history, as to why it's such an attractive investment area. Borrowing in Prague is very, very cheap. You can borrow less than four percent, which is even cheaper than in the UK. You can borrow up to 85 percent, which is the same as the UK market. Capital gains after five years is exempt in Prague, which is a major attraction. There's a very, very strong rental demand in Prague. There's a shortage of new houses in Prague. And generally, the economy is very stable. Property prices are growing between eight and ten percent a year at the moment. And, I think it's 2011-2012 when it enters the Euro, property prices are predicted to increase by 25 to 35 percent overnight. This is similar, if anyone looks back a few years ago to what happened in Dublin and Paris when they entered the Euro, you know, literally overnight, property prices rocketed.

Interviewer: But I think we must put that caveat in that obviously any investment can go up as well as down.

Damian: Oh, yeah. Yeah, you know, there's always a risk--

Interviewer: We must make that clear to people I think.

Damian: That's right.

Interviewer: Now, that's interesting because when you said about there's going to be a shortage of property, so again, perhaps it's me just being a bit dumb here, but just tell the people listening, so we're not talking about buying a nice holiday property where you go and spend a bit of time and then you rent it out. You're talking about actually renting it out to the people who live there.

Damian: Yeah.

Interviewer: Right.

Damian: And in Prague, because it's an ex-communist state, the houses which—well, housing which people have at the moment, they're called Panaleks, which are pre-fab concrete houses which were built—have a

life span of 15 years. Some of these properties now are 40 years old and literally disintegrating around people's knees. The western culture now is becoming into the local's, sort of, aspirations, if you'd like, and I've seen new properties being built close by to where they're living--

Interviewer: Oh, right.

Damian: --and literally, the Panaleks are being demolished now. The next ten to twelve years, this is part of the agreement when they entered the European Community, that they would provide adequate and improved housing for people who live in Prague.

Interviewer: So that, again, it just shows how important it is to do the homework on this, isn't it?

Damian: Definitely. You know, we always look at areas where the economic driver are going to make what we perceive to be a good investment. If there's a shortage of something, the prices of it usually go up.

Interviewer: So, give me an example then of how you can help other investors. What kind of things could you do for them?

Damian: Well, basically, I set up buyproperty4less.com 3 years ago and it was really a business by default. Anyone who really knows me, I'm quite a shy, retiring guy who just wanted to get on with building a property portfolio for himself, but a number of friends, family, work colleagues said, you know, "Hey, can you get a property for me?" And initially from that, I supplied a lot of properties to other property clubs. After seeing the way some of them operated, really, I thought well, I could do a better job of this myself.

Interviewer: Right.

Damian: And literally, we set up buyproperty4less.com which has been very successful. We have over 15,000 investors. We've got, you know, investors from all walks and aspirations in life who just want someone who they can trust who has done it before to tell them, find them deals which are going to make them money.

Interviewer: So then—I know we just talked about Prague and that, but can you just give us a few examples of what you've got people involved in?

Damian: Yeah. In Manchester recently, we had a development in the Spinning Fields area of Manchester. For people who don't know exactly what's going on in Manchester, I'll just give you a brief--

Interviewer: Yeah, sure.

Damian: Manchester's got a major influx of senior positions being created in the city center Royal Bank of Scotland's English headquarters as being relocated there. The BBC is relocating a large department in Salford. Bank of New York have opened offices. Several other, large Blue Chip employers have opened headquarters in the Manchester area. In the Spinning Fields area, which is predicted to be the Canary Wharf of the north, if you like, we have a development right in the heart of Spinning Fields in an area where 25,000 senior jobs were being created. This was the only residential development in the area. And we picked out—out of 400 apartments in the development, there were only really the one-bed apartments which would work to buy-to-let criteria. And we've got a lot of clients who are based in London, abroad, and we invited people to Manchester. If they're serious, we show them around Manchester. We show them what's going on, so they can see for themselves it's not an arm-up-your-back type operation.

Interviewer: Yes.

Damian: We've got a lot of people who work in the city from managers, you know, down to people who've just got a bit of equity in the house who want to make their money work better. We showed them around the city and they did see the investment potential of it and, you know, providing the investment's being correctly researched and all the figures stack up, you know, we've got a very, very high success of building people's portfolios.

Interviewer: So, for example, this building that you're talking about, what you would be able to do is secure a number of units and because of that, you get that discount which a person on their own couldn't do.

Damian: Yeah. In Spinning Fields development, we secured a 16 percent discount off the developer which, again, no one else who walked in off the street would've got anywhere that sort of discount. So, you know, our buying power is even greater, the most successful we get. We've got increased buying power, so it's very important that we've got clients who we service well, who are happy with us because in the end, it's almost like a mutual society - Their success becomes our success.

Interviewer: I know you said you get a lot of stuff through the post and people offering you stuff, but the positive side about that is that because of this people will get the first bite of the cherry as well.

Damian: That's right. You know, we've tended to be very, very specialized really in the northwest of England, which, we've got a very good reputation with developers and agents in the area who because we've performed. There are a lot of investment property clubs who spun up over the last two or three years who think this is an easy market. They just want to earn their commissions off of the clients. They don't want to have any aftercare with them. And we take them through the whole process of checking that they're okay for finance, checking that they understand finance, taking them through the legal process, then taking them through when they come to completion and the lettings process. We've got people who will manage the properties for them, who will furnish the properties. If people want to sell the properties, which, as we mentioned earlier, is not what we recommend, but we can help people sell the properties. So we've built up contacts over the last five years, any like any successful business, it's a contacts game, we have been successful in making it a seamless process for our clients.

Interviewer: Okay, Damian, so here I am with my cheque book now, you know, interested in this. So, just give us an idea of what kind of money we're talking about to get started in this.

Damian: Well, to get started, you know, everyone's circumstances are different. What we do with individuals is we sit them down. Everyone's got different aspirations. Everyone's got different amounts of starting capital. Everyone's got a different exit strategy and end game. Some people want to be more aggressive than others. But to give a couple of examples, say in Off-Plan property with two years to go until it's completed, we would probably require an initial investment of somewhere in the region of £10-12,000. That would be the only payment you would make until completion. So, in essence, you would secure say a £150,000 property. You're actually buying it for say £125,000. What is sort of very exciting about this is the leverage on the—the profits are based on the £150,000. So, if property prices go up by five percent, it's five percent of the £150,000. So, five percent of £150,000 is £7,500. Now, if you've invested £10-12,000 in there and the property price over two years ago went up five percent per year, at the end of the two years, your property's increased by a minimum of £15,000, plus your £25,000 discount you got on day one. So, your return on the investment is around 350% . I certainly don't know of any, unless there are some hair brained schemes, which can offer those sort of returns on your capital.

Interviewer: Definitely. So the main thing is—I mean, your approach to people is just to talk to you and say this is how much I've got available, what can I do, sort of thing?

Damian: Yeah. It's very much, you know, we're not a get-rich-quick scheme. If you want to be really successful in

property, you do need some money, not something people can do off the back of credit cards. If you're going to be successful, you've got to have a contingency fund. If there is a void, you've got to treat it like any business which, you know, you've got to have it properly financed.

Interviewer: Okay. So, we talked about, for example, Prague and Manchester, these different places. I'm just wondering, is it hard for people to manage investments then if they don't live near the investment, if they don't live locally?

Damian: No, no, not at all. When I got started in property, I've got two properties in London, which I've owned now for probably over two years, I've actually never seen the properties. I don't want to sound flippant, but I'm not really bothered about seeing the properties providing the income comes in. Providing you've got a good agent in the area, it's not a problem at all. We've got, you know, I'd say 70 percent of our clientele is southern based. We're based in Manchester. We've got people as far as Hong Kong, France, Spain, the states—a lot of people in Dubai. They're working for overseas ex-pat companies. You know, but no, it's not a problem providing, you know, the right contacts are in the area.

Interviewer: You mentioned about using different agents. What services does your company provide then?

Damian: One of the things where we've been very, very successful with the letting agents, which, you know—probably one of the second or third-most asked questions is what about voids. You know, how do I get around the fact of getting voids. You know I don't want a property empty for, two or three months when I'm paying the mortgage. What we've got is probably a unique offering in the industry in that we've got a master letting agent who basically deals with seven or eight letting agents in the Manchester area, and this girl, who's fantastic—she's got such a good rapport with our clients—will deal with agents. So, for example, one agent may have two or three properties on the books which aren't moving, so the master agent wouldn't give them the properties. They'd move them to another agent. They're not dealing with any one agent. Sometimes, there were some letting agents—you know, they've got a shortage of staff or they're not proactive and they'll just move them around to the agents which get rid of those particular apartments quickly.

Interviewer: So what you're saying is it's not as if you've got to be on the phone all the time pushing the investor, because I can know what their dealing with and what's got to be done.

Damian: No, not at all. The Spinning Fields development, the left bank development we mentioned earlier, will come into completion—we've had about 15 completions over the last two weeks, and I was just in a conversation with the letting agent before and ten of them have been let. The average letting time has been a week. The only time where, you know, there have been voids is when clients haven't instructed the furniture company, which, you know, we give them all the details but if clients don't pay for the furniture to be installed, people can't let the property. So, it's very, very important. We've got—the letting agent will literally, the day of completion, collect keys from the developer on the client's behalf. We will drop them off with the furnishing company. The whole process is taken care of because we know what it's like. You know, we've been there where we've completed properties. You know, we didn't know what to do in terms of letting and we've made it as painless as possible for our clients.

Interviewer: Now, I've got to ask you this question though, Damian, because you've mentioned about there are other companies out there. So, why is Buy Property for Less different to all the other investment companies out there?

Damian: One, we're actually investors ourselves. We've been successful. We are specializing in an area. We know it very well. We've got very, very strong contacts in the area. We're ethical. We also tell clients how it is rather than how they'd like it to be.

Interviewer: Yeah, yeah.

Damian: We're painting the good picture as well as the bad picture. The first rental usually on any development is lower than what it would normally be because there's competition in the market. We'd rather say to clients, well, on your first letting of the property, if the market rents £700, you're far better to take £650 and get the property let quickly, and then in six months time, you can review the situation. You've got a tenant paying the rent, then at the time, you can either put the rental up or get a new tenant in.

Interviewer: I mean, in talking to you now, and having met you before, the one word I would say is that you're approachable. Really. I mean, that's—

Damian: That's what we'd like to be.

Interviewer: --really important.

Damian: We're passionate about property. I can't think of any other business which can give you the returns that property does.

Interviewer: But done properly.

Damian: Done properly. You know, I can talk all day about property. It's been very good to me. I've done very well out of it. And got probably 60-70 clients who have bought four or five properties over the last 12 months who have done very well.

Interviewer: Right.

Damian: We work with clients closely to help them really achieve their goals.

Interviewer: So, well, talking about contact then, how can we get in touch with you, Damian?

Damian: Well, if people want to get in touch with us, they can go via our website which is www.buyproperty4less.com or you know our telephone number is 08450-637-638 or our email is sales@buyproperty4less.com.

Interviewer: Okay, Damian. Well, thanks for taking time out of your busy schedule to give us an insight into your company and your future projects. It looks very exciting and—

Damian: My pleasure.

Interviewer: --I look forward to you helping some more people make even more money in the future.

Damian: Thanks a lot. It was a pleasure to speaking to you.

Interviewer: Thank you.

