

Weekly Blog -17/06/2020

BRRR Strategy:

Buy

Look for the ugly, derelict houses which no one wants. When searching for a potential BRRR you are looking for a property that you can add value to, houses in poor condition also scare off competition and allow for a better deal. How to buy? After you have found a great property and negotiated a below market offer, you need to find the best way to purchase the property. A traditional buy-to-let mortgage does not work for this strategy as you will want to refinance the property in a relatively short period of time. Therefore, you need to buy the property cash, and unless you have sufficient funds to finance the whole project you will need to explore more creative options such as bridging finance or joint venture partners.

Refurb

Having a good network of tradesmen and project management skills are crucial here. The purpose of the refurb is to push up the value of the property in a cost effective and time efficient way. This is undoubtedly the part which can make or break a deal.

Refinance

The exciting bit, after working hard on the refurb you now must get the property valued and a mortgage agreed. If all has gone to plan, the deal should allow you to pull out all your initial investment and pay off all bridging costs.

Rent

If you decide to keep the property, you now have a great condition house which you can rent out and receive positive monthly cashflow. You can then move onto your next BRRR project with the money you pulled out. Over time you will build a large portfolio of cash flowing properties.

Pros:	Cons:
Reuse money	Takes time and need a good team to run smoothly
Get great deals as a cash buyer	Many costs with bridging finance
Build property portfolio	Need upfront capital and management skills

Thank you for reading this week's blog and I hope you have found value in the content. If you have any questions or would like to have a chat to find out how we can help you in your property journey, then please send an email to info@dixonsourcing.co.uk.