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LATTO PROPERTY INVESTMENTS LTD

Property Investor Monthly

Property Market Overview - A Balanced Portfolio

With the uncertainty of the current market, just how do you cover yourself if interest rates go up, or if property rentals drop, or if your tenant leaves ?

A Balanced Property Portfolio can often help in these types of situations. What do I mean by a balanced portfolio ? Well, instead of paying the mortgage through a variable rate of interest, now may be the time to fix the rate so that in the future you can be sure that the properties that have a fixed interest rate still continue to cost the same amount each month. This can bring some stability to your portfolio should interest rates increase dramatically. Whilst I believe that interest rates will not go up significantly, I'm afraid I can not tell what will happen in the future - "Who knows" is often the answer. But at least if it does then some of my portfolio can help pay for the parts that are

still on variable rates.

For example, I have recently completed on a property that costs me £300 per month in mortgage fees, and yet brings in £600 per month in rental income. I have placed this property on a fixed interest rate as I am getting a high positive cash flow each month. If interest rates did increase then at least this will help cover some of the mortgages that have increased. For the record, I fixed this for a 5 year period, which of course means that there are high redemption penalties, so I will not be able to re-mortgage for the next 5 years without incurring charges, which may hinder the growth of my portfolio. However, if you consider what I call "Risk / Reward" ratio, I am at least protecting some of my assets against future uncertainty. Of course, I still need to keep this property rented out. A rise in unemployment may harm as well, but

this property is 2 x 1 bed flats at £300 each per month. If unemployment does hit, at least I can then rent to people on benefits as the rental price is right and the mortgage is fixed.

Am I bolting down the hatches as we approach the storm ?

It could be seen as that, or it could be seen as shrewd business sense. Why risk my portfolio when, with a little bit of careful decision making I can ensure my continued growth in the property market. I am still buying property (signed up for another house only this week and complete two properties next week), and I intend to continue to do so, at the right price, in the right areas with all the right conditions.

How else can you reduce your risk in the property market ?

Have a look at Rent Guarantee Plus on the back page ...

Late News ...

Lunch - Myself and a few other Property Investors are meeting for Lunch at Bibi's next week in Leeds. If you would like to attend then please email me - me@latto.co.uk - all are welcome.

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Bank of England Statistics

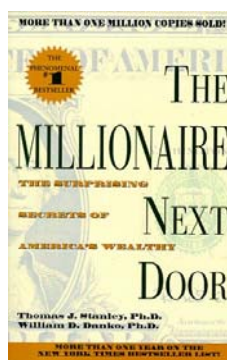
- Total lending to individuals grew by £8.7 billion or **1.1%** in August
- Consumer credit grew by £2.0 billion or **1.3%** in August
- Secured lending outstanding grew by some £6.7 billion or **1.1%** in August, seasonally adjusted

Book Review - "The Millionaire Next Door"

Fantastic Book ! Worth a read - I read this on the train going to the Property Investor Show, and completed the book on the train on the way back. Found it difficult to put down.

Written by 2 non-millionaires who examined what a Millionaire really looks like. Forget the Rolex watch, the flash sports car and expensive suits - the Millionaire Door actually wears \$40 shoes and has never paid more than \$25,000 for a car.

The book, written by Stanley and Danko, discusses the difference between being wealthy and earning a high income, and shows that someone



"Many people who live in expensive homes and drive luxury cars do not actually have much wealth. Then we discovered something odder: Many people who have a great deal of wealth do not even live in upscale neighbourhoods"

earning a high income is sometimes caught in a trap of expensive "toys", clothes, a large house and a flash car, etc. All of this is in order to keep up with their colleagues, next door neighbours etc. It shows how they are in debt up to the hilt via credit cards and via mortgage debt and how they live beyond their means. The Millionaires however are more frugal with their money, they live below their means and when they get a pay rise, they invest the additional amount rather than spend more on a nicer car.

"Wealth is not the same as income. If you make good income each year and spend it all, you are not getting wealthier. You are just living high. Wealth is what you accumulate, not what you spend"

"Affluent people typically follow a lifestyle conducive to accumulating money, In the course of [our] investigations, we discovered seven common denominators among those who successfully build wealth."

1. **They live well below their means**
2. **They allocate their time, energy, and money efficiently, in ways conducive to building wealth**
3. **They Believe that financial independence is more important than displaying high social status**

4. **Their parents did not provide economic outpatient care**
5. **Adult children are self sufficient**
6. **They are proficient in targeting market opportunities**
7. **They chose the right occupation**

Stanley and Danko first heard the expression (right) from a Texan. He owned a very successful business but drove a ten

year old car and wore jeans and a buckskin shirt (*classy - Dan*). He lived in a modest house in a lower class area. The Texan told them "[My] business does not look pretty. I don't play the part ... don't act it ... when my British partners first met me, they thought I was one of the truck drivers. They looked all over my office, looked at everyone but me. I don't own big hats, but I have a lot of cattle"

"Big Hat, No Cattle"

Recommended : I would highly recommend this book, you will read cover to cover in a short space of time and by the middle of the book, will help you realise how easily we waste money on things that (we think) make us look good, or have a high social status, but in fact slow or distract us from completing our goals.

Bank of England - Base Rates

Three members of the Bank of England's interest rate setting committee voted for a cut in rates at their last meeting. Minutes from the Monetary Policy Committee (MPC) show that members voted by six to three to keep rates on hold at 4%. The three advocating a cut thought the rate should be reduced to 3.75%. Some members argued that a cut would affect house prices, household borrowing, and consumption, which were already rising strongly. The minutes said a rate cut would risk "creating an unsustainable increase in debt which might subsequently unwind sharply".

Comment : Whilst a cut will effectively increase further borrowing, a rise in interest rates could put many people to the brink of financial collapse as they have already re-mortgaged up to their maximum and increased their credit card debt. A rise in unemployment could be disastrous, but this looks likely with seemingly more and more IT, Telecommunications and Financial jobs being lost. Now could also be the time to protect your investments in case the market turns and interest rates rise. I still believe that there are still many profits to be made, but choose your investments wisely, and protect your investments with insurance.

Advertise your Rental Property on the Internet Free of Charge at www.habitathomes.co.uk

Habitathomes.co.uk is a web site created to allow landlords to advertise their vacant rental properties on the Internet. There are of course other web sites available, but most of these charge a fee for the advertising of the rental properties. Habitat Homes is currently doing this free of charge.

As well as having a strong focus on being a key resource to Landlords. HabitatHomes also wants to ensure tenants revisit the site every time they move, thus making HabitatHomes a pool of tenants available all the year round.

Its aims are :

- To improve communication between property managers and tenants, by retaining a relationship with the tenants as they move from one property to the next.
- To be informative to tenants and help them find a new property, settle in and to make them aware of the pitfalls.
- To have cross initiatives such as, personal/commercial mortgages property investment sales, contractors in the local area, retail on household appliances.

Features of the site include

- Free membership
- Free to advertise property
- Instant coverage to hundreds of registered tenants
- Get your own search box facility for your website.
- User friendly interface
- 24-hour email support
- Free access to tenancy agreements
- Useful links such as contractors in your area
- Property details instantly updated

HabitatHomes.co.uk

What the tenant sees

- Ability to search for property with additional links to see a map of the area and to www.upmystreet.co.uk
- A handy checklist for property comparisons
- Advice on moving into and out of property
- Free registration
- They can specify their own search criteria
- They can be emailed or text to their mobile the latest property lettings on the market.
- Useful links about the area.
- Maps of the area.
- Tips on settling in.

Mario Roberts, Managing director of HabitatHomes comments "I'm not only a property investor but I have also been a tenant and have experienced both sides of the coin. I know from my experiences that moving to a new city takes a lot of time gathering the information on the different areas in order to find the right home. When a tenant registers on our site they get as much information on a property including maps shops and local amenities in the area." View the site at www.habitathomes.co.uk



How I do my Research ...

Rather than walking the street of Leeds, I do a lot of my research over the internet. For example, to look for houses for sale I use www.rightmove.co.uk. Using this site I can also do a search for rental properties within the same postcode, this allows me to get an idea as to what properties rent for. You can also use www.fish4.co.uk who offer the same type of service. I also use www.hometrack.co.uk to find out if the number of buyers or the number of properties on the market have increased or decreased. Using Hometrack to do comparisons with two cities is also useful and gives you an overall perspective on the property scene. Finally, I use www.fool.co.uk and take part in their property discussion boards.

Internet Quick Links

www.rightmove.co.uk
www.fish4.co.uk
www.upmystreet.co.uk
www.hometrack.co.uk
www.fool.co.uk
www.habitathomes.co.uk
www.latto.co.uk

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"Buy it, Rent it, Sell it "
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We're on the web !!
www.latto.co.uk

Rent Guarantee Plus

What would happen if your tenant decided to leave and you couldn't find a replacement? What would happen to your cash flow over the next six to twelve months?

Well, you can purchase insurance that would cover such an event, the cost is less than 3% of the total rental income each year and covers:

- Loss of rent paid for up to twelve months
- Excess of one month's rent
- Up to £25,000 paid for Rent Guarantee & Legal Expenses
- Free Helplines:
 - Eurolaw Legal & Tax Advice Services
 - Domestic Assistance Service
- STUDENTS & DSS tenants acceptable subject to terms

Example:

Rent - £350 pcm, cost is £9.56 pcm

Rent - £550 pcm, cost £15.02 pcm

Rent - £950 pcm, cost £25.94 pcm

Telephone 0870 7458552 for a quote or email rent@latto.co.uk

Property Investment Seminar

- Learn 6 Reasons to invest in Property
- Discover the 7 Characteristics of Millionaires
- How to find good Buy to Let deals How to buy and sell property for a profit Proven
- Methods of Calculating Deals
- Learn how to calculate yields and your return on investment
- Learn how to compare investing in property, with any other type of investment.
- How to get a mortgage regardless of your Credit History
- How to make the Offer
- What to look for when viewing a property
- Identify the right strategy for you and your family
- How to add value with refurbishment
- Discover a "balanced" investing method to ensure success in the long term whatever the market conditions

The cost of this one-day event is just £99 and is jam packed with information that will enable you to start investing in property immediately.

Date: **Sunday 27th October** - starts at 10.30am - approximate finish time - 4.30pm

Location: The Parkside Inn, Pontefract (Opposite the Race Course). Junction 32 on the M62 (Just outside of Leeds)

Telephone 07958 406802 to reserve your place

Disclaimer

Feedback is always welcome, about what you like, what you don't like and what you disagree with. The terms and calculations I use in the Newsletter are used by myself and are presented to show a way in which I sort the good investments from the bad. I am not qualified in giving investment advice, nor do I wish to be. I would always recommend seeking professional financial advice before using any of the techniques described within this newsletter. I am not a "Property Guru" and occasionally make mistakes too in my investment decisions, as and when this happens I will document these too. I describe only techniques that I am using currently or have used in the past. If you are receiving this newsletter, it is because you have asked to be added to the email list. To be removed send an email to remove@latto.co.uk