6 TOP TIPS ON

HOW TO BECOME A PROPERTY DEVELOPER

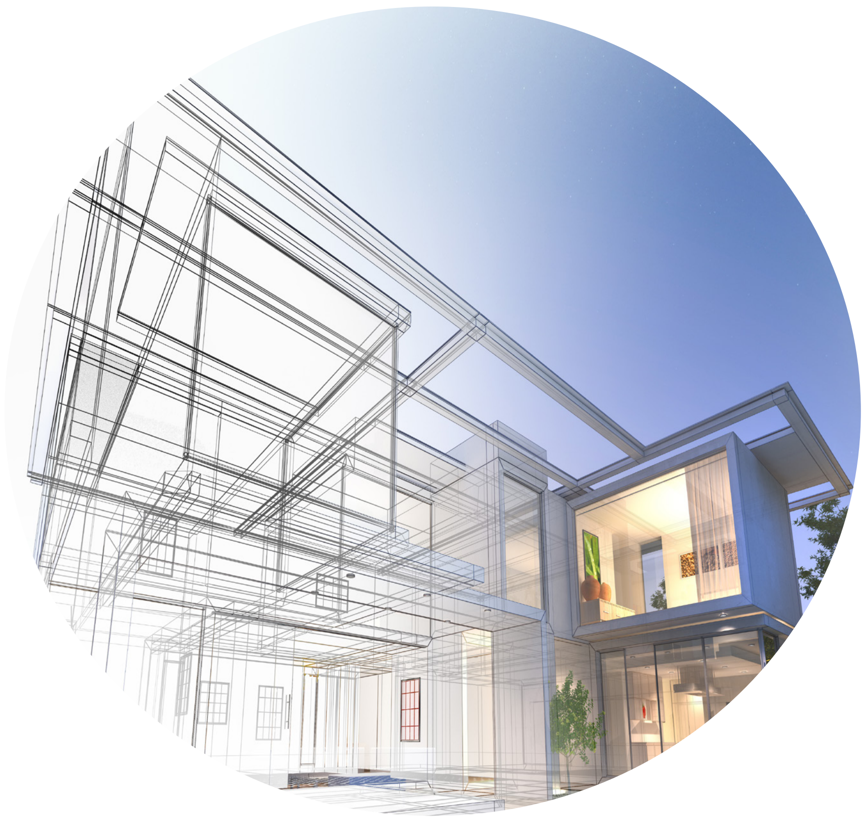
RWinvest

EST. 2004

6 TOP TIPS ON
HOW TO BECOME A PROPERTY DEVELOPER

Have you ever dreamed of being a property developer? Perhaps you've invested in properties in the past, and after gaining experience in the field, you want to get more involved in the development side. Alternatively, you could have worked as a property consultant and now feel ready to take your next step in the real estate world. Whatever your reason for wanting to become a **property developer**, you've certainly picked a fantastic field to get into. Like any new career change or business venture, however, you need to be prepared first.

In this in-depth **guide to property development**, we'll cover the most important things you need to know. From information on what property development is and what a property developer does, to tips on creating a business plan and advice on the UK housing market, you'll find it all in this guide. Keep reading to learn 8 top tips on h**ow to become a property developer in the UK.**



TIP 1.
UNDERSTANDING PROPERTY DEVELOPMENT

If you don't already understand what property development is, it's essential that you learn before considering **how to become a property developer.** So **what is property development?** And **is property development worth it?**

Property development is the process of developing a building for either residential or commercial use. **Property development in the UK** can involve either the creation of a completely new building, the renovation of an old property into a new and updated one, or the conversion of one property type into another. An example of the latter would be a property redevelopment project which takes a building once used as a hotel and converts it into residential apartments.

Property development is happening all over the UK on a daily basis. As demand for property grows, so does the need to supply high-quality accommodation. If you take a walk through a major UK city like Manchester, you'll notice construction work happening in many areas due to an increasing population. Many property developers take pride in being able to offer people a new and exciting place to live at the same time as generating large returns.

WHAT IS A PROPERTY DEVELOPER?

Property development doesn't have to mean an established company that are buying properties to refurbish or constructing new developments. A **property developer** can also be an individual who is just getting started with **property development in the UK.** While some people are more interested in **starting a property development business** of their own, some would prefer to work individually.

IS PROPERTY DEVELOPMENT THE SAME AS PROPERTY INVESTMENT?

Property development and property investment are the two most popular real estate ventures in the UK. While very similar, there are some differences. Those involved with property investment, particularly off-plan investment, will purchase a property which is already modern and finished to a high standard. They will then usually let the property out to tenants and generate rental income. While many individual property developers will choose to let their development out once it's complete, they'll need to have orchestrated and funded the refurbishment of the property before it goes on the market.

Both avenues can be highly profitable and successful. Whether you choose a property investment or property development venture depends on your knowledge of the property market, and whether you have the time, money, and commitment to carry out a development project.

TIP 2.
CREATING A BUSINESS PLAN

When many people are asked the question of **what is property development,** they may be inclined to straight away picture an established property development company. To be a property developer, however, doesn't mean running a huge company with a portfolio of multiple developments. Property development can also be a smaller scale project involving the purchase and refurbishment of a house or apartment which is then rented out or sold on for profit.

Establishing your **property development business plan** is essential if you want to make sure you're getting the most out of your new venture. Without creating a business plan for property development, you could ultimately end up losing profit and find yourself back at square one. To start, let's take a look at the different strategies available for those looking to become a property developer.

BUY TO LET

One of the most popular strategies when it comes to property is buy to let. Buy to let is classed as a property investment strategy, but can also work in relation to property development. For instance, a property development project could involve renovating a property for the purpose of letting it out to tenants once completed.

The main benefit of buy to let as a property development strategy is its ability to generate regular and potentially high returns. Say, for instance, you purchased a house that was in need of a major renovation. It's likely that the property will have been priced a lot lower than the usual market value due to the refurbishment needed. Once the property development process was complete, you could then rent the finished property out for a higher price than you would have been able to before any renovations. This is because modern, up to date properties tend to have a higher rental value and generate a lot of demand from tenants.

The only downside to using this strategy as a **residential property development business plan** is the fact that you won't make your full returns straight away. With buy to let, you need to be patient and willing to wait a while until you see a significant return on your investment. If you want a large sum of income right away, then this may not be the **property development business plan** for you.

BUY TO SELL

Buy to sell is a popular **business plan for property development.** With this strategy, you will purchase a property that's in need of renovation, redevelop it until it meets a high standard, and then sell it. The aim is that after redeveloping the property, you will be able to sell it for a larger amount than the initial purchase price.

Buy to sell is such a popular **property development business plan** because of the strategy's ability to quickly generate large amounts of income. Unlike buy to let where you tend to hold on to the property for a long period of time in order to make rental returns, buy to sell enables you to sell the property as soon as it's ready. However, this isn't something you should immediately rush into, as you need to make sure the market is performing well. If you were to sell a property development project at the wrong time, you may lose out on returns you would otherwise have benefitted from at a later date.

The biggest mistake people can make when opting for the buy to sell route is not being prepared. This type of property development project may look easy, but it requires a lot of hard work and market knowledge. To maximise your overall return, you should look for ways to safely and effectively renovate the property while keeping costs down and do thorough market research on the UK property market.

DEVELOPING A NEW BUILDING

Another route you can take when establishing your property development business plan in the UK is to focus on the development of a completely new building. This strategy is what property development companies tend to opt for, and involves the planning and construction of an entirely new residential or commercial property. When being led by an individual rather than an established property development company, this is usually referred to as a self-build project.

Working on a self-build project is many people's ideal **business plan for property development.** This is because unlike renovating an existing property, developing an entirely new building allows total freedom. Developers can build the property to their own planned specifications in an area of their choosing. Like any property development project, however, this requires a lot of hard work, dedication and knowledge.

Some of the risks involved with this type of strategy are that you could end up under or over budget if you haven't done the right preparation before the project begins. You also risk delays in the construction of the development if the timing isn't right or unexpected issues occur. Before getting started with a self-build r**esidential property development business plan**, you need to research what's involved and be as prepared as possible.

WHAT IS THE BEST PROPERTY DEVELOPMENT BUSINESS PLAN IN THE UK?

The best **property development business plan** for you depends on your personal goals, time scale, and budget. Self-build development projects, for example, are typically more expensive than buy to let or buy to sell renovation projects. Whereas if you want to get into property development to make large returns quickly, buy to sell renovation projects could be your best option. Many argue, however, that buy to let is the best all-round property venture. This is because, with buy to let, you're able to make rental returns on a regular basis on top of making a profit from the property itself when you choose to sell it. All in all, whatever strategy you choose to pursue for your **property development** venture, they all require the same level of industry and market knowledge.

HOW TO WRITE A BUSINESS PLAN FOR PROPERTY DEVELOPMENT

Writing a business plan is a great way to begin your property development journey. Doing this will not only give you a clear starting point for your project, but also help you explore and understand certain elements that you may have been unsure of.

A property development business plan should include things like the price range of the project, details of funding, and, if applicable, the company structure. Include details of the specific business strategy you're aiming for, along with providing an exit strategy with details on what comes next. Be sure to also provide market research findings, a SWOT analysis, sales and marketing plans, and details of your financial projections.

Once you've created a business plan for your property development journey, it's time to get started with becoming a property developer. Every first-time property developer has to start somewhere, and as with any major business venture, the best place to start is with research.

Your way of starting property development will depend on the strategy you're taking, along with whether you're going to work individually or you're interested in starting a property development business. Here are some tip tips on the research you should carry out when beginning your property developer journey.

TIP 3.
RESEARCHING FINANCE OPTIONS

When getting started with property development, not everyone has the appropriate funds available to get their project up and running. This is why the majority of property developers will need some help with financing their project. Luckily, there are options available for those wondering **how to fund property development** without having the cash available. From using a **mortgage for property development** to taking out a specialist loan, here are some finance options to consider.

BUY TO LET MORTGAGES

If you're focusing on buy to let for your r**esidential property development business plan**, then a buy to let mortgage can be a great way to fund your project. Buy to let mortgages work in a similar way to regular residential mortgages, but require a larger deposit and come with higher fees and interest rates. You can learn more about buy to let mortgages with our **buy to let mortgage calculator** and guide.

BUY TO SELL MORTGAGES

Buy to sell mortgages can make a good option for those starting property development with a buy to sell strategy in mind. Unlike standard mortgages which have long contract terms, these mortgages allow users to sell the property shortly after purchase but do come with high-interest rates, higher fees, and a larger deposit.

PROPERTY DEVELOPMENT FINANCE LOAN

If you're thinking of **starting a property development business** rather than working on a personal property development project, then a property development finance loan could be for you. These loans are typically offered to more established property development businesses. If you're a first-time property developer, you may struggle with securing this type of loan, but there's no harm enquiring.

BRIDGING LOAN

If you don't want to use a **mortgage for property development,** bridging loans work in a similar way to a buy to sell mortgage. With this type of loan, you can use the money to purchase a property, refurbish it, and sell it. The money you make through the property sale will then hopefully cover the cost of the loan and its interest. To be accepted for a bridging loan, you need to already own a property or some land. You also need to have a clear exit plan to show how you expect the loan to be paid off once the property development is complete.

PERSONAL LOAN

If you don't think the above options will work for you, a personal loan could be your best bet. Keep in mind, however, that it may only be possible to use a personal loan to fund a property with a much lower price than average. This may mean exploring areas with the most affordable properties or purchasing properties which need a lot more work before they're ready to go back on the market.

CAN A MORTGAGE INCLUDE REONVATION COSTS IN THE UK?

Most mortgages only cover the cost of the property itself, and not the cost of any renovations. If you need to know **how to finance property development** without having any cash available for the refurbishment of the property, you should look into using a renovation mortgage.

TIP 4.
RESEARCHING THE HOUSING MARKET

Any property related venture requires in-depth knowledge of the housing market. Without this knowledge, you risk purchasing the wrong property that won't bring you the returns needed to succeed.
Capital growth potential and rental market trends are two of the main things you should know about in relation to the UK housing market before **starting property development.** Whether your **property development business plan** points towards buy to let development projects or buy to sell, capital growth is always relevant to every property venture.

Without doing the appropriate housing market research, making money in property can be difficult. Say, for instance, you purchase a property in an area you're unfamiliar with. The property may have been cheap, and the development work may have been completed effectively and to budget. However, once the project is complete you could find that when it comes to selling the property or finding tenants, you struggle. By the time you've managed to sell the development, you could see that the value of the property is not what you'd hoped, and in line with local capital growth, you've made little to no return on your investment.

If all of that sounds like a nightmare scenario for the **first time property developer,** here are the ways you should carry out market research as part of your **property development business plan in the UK.**

LOOK AT PAST AND FUTURE CAPITAL GROWTH

The number one rule for **property development for beginners** is that it's so crucial to research and understand capital growth. Capital growth is when a property or property market grows in value over time, causing house prices to rise. The main aim of property development, whether you're focusing on buy to sell or buy to let, is to make a considerable profit from your investment. Without capital growth, this can be tricky or impossible.

Before starting property development, part of your market research should include looking at both past and future capital growth statistics. You can find this information through reports by companies like JLL and Savills. Savills has recently published a helpful **residential market forecast** with growth predictions up to 2024. Zoopla also provides lots of helpful information in their house price index. Here, you can search for any UK city and find statistics on average growth over a range of periods.

LOOK AT THE JOB MARKET

If an area has a strong job market, it's likely that the property market will be healthy too. Areas with better job opportunities and less unemployment will be naturally more likely to attract higher populations of people, which is essential in order to either sell or rent out your property development.

To find this information during your research, look at things like the unemployment rate, business confidence, job vacancies and bankruptcies. You should also look at the number of businesses registered in the area.

LOOK AT THE RENTAL MARKET

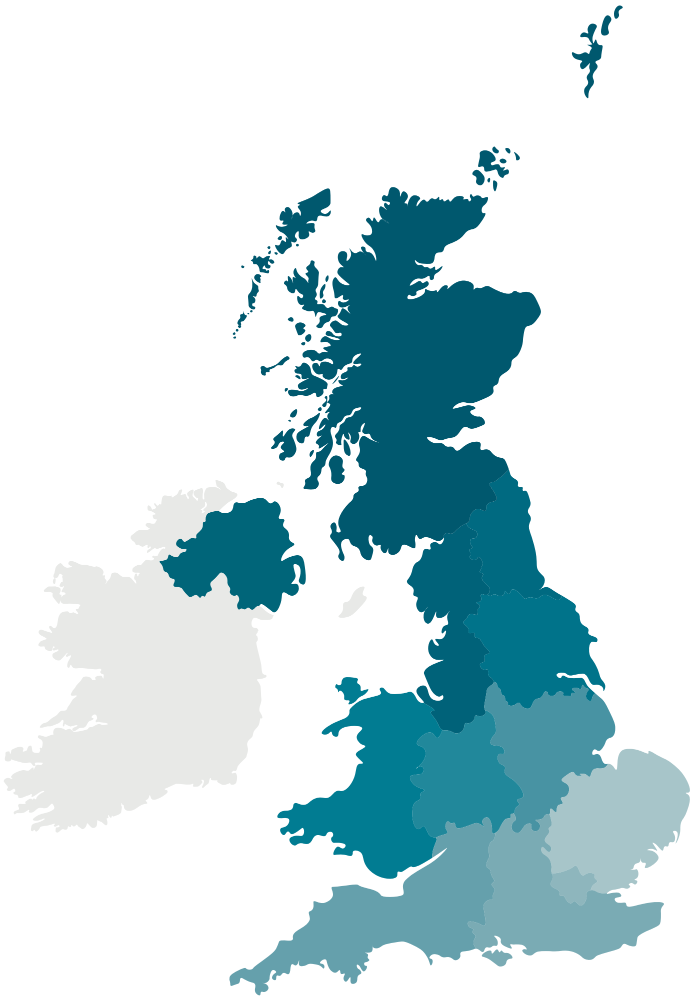
For those that are learning **how to be a property developer** for buy to let projects, the rental market is another area to include in your research. The rental market is a significant indicator of the possible rental returns that can be expected from letting your development out to tenants, as well as levels of tenant demand.

Rental market research can be carried out by using Zoopla's area guide for details on current asking rents in a specific area. You should also look for information on rental yields by using Totally Money's rental yield map, with details on the best and worst postcodes in the UK.

TIP 5.
EXPLORING THE BEST LOCATIONS

Now that you know how to carry out market research, you should put it to good use by analysing different locations. Location is key to every property development project. Knowing and understanding the most promising areas for rental yields, capital growth, demand and affordability can mean the difference between a huge return on investment and a low one. By purchasing a property in an area with currently low purchase prices and a high potential for growth, it's possible that by the time you come to sell your development, house prices will have soared and left you with an attractive sum of money.

Here is a breakdown of three of the **best property investment areas in the UK** that all **residential property developers** should consider.



LIVERPOOL

Liverpool is a city that's definitely not short of new property developments. New and exciting developments are launching all around the city, including the highly anticipated Parliament Square which is set to breathe new life into the city's trendy Baltic Triangle neighbourhood.

The reason that Liverpool is such a big focus for UK property development is because of the high levels of demand. Large numbers of young professionals, families, and students are heading to Liverpool year after year and looking for quality accommodation to either rent or buy.

For **first-time property developers** wondering how to buy property in the UK with a lower budget, Liverpool is your answer. This Northern city is considered one of the most affordable in the country, with Zoopla currently estimating the average house price at around £178,448. If you're carrying out a buy to let or buy to sell redevelopment project, however, you're likely to find properties that are priced even lower than this. For example, current listings show a 3 bedroom terraced house in Liverpool's Bootle area in need of renovation which is priced for less than £50,000.

If you're focusing on either buy to let or buy to sell property opportunities for your property development venture, then Liverpool is an unmissable option for both. Liverpool is one of the best places to make money from property due to the city's high capital growth rates. According to Zoopla house price statistics, property prices in Liverpool have grown by a value of 23.99% over the last five years. Predictions also reveal that the North West region is in for some strong future growth, with house prices expected to increase by 24% by 2024.

When it comes to a buy to let development project, those wondering **how to get into property development** and make the highest returns will need to focus on rental yields. Rental yields in Liverpool are some of the highest in the country, with an average yield of 5.05% and six of the top 25 buy to let postcodes in Totally Money's rental yield map being based in Liverpool. If you're thinking of **starting property development** with the intention of high yields and significant capital growth returns, Liverpool is not to be missed.

LIVERPOOL

AVERAGE PREDICTED GROWTH (NORTH WEST)
24%

AVERAGE PROPERTY PRICE:
£178,668

AVERAGE RENTAL YIELD:
5.05%

MANCHESTER

If you want to **make money from property** development projects, Manchester is a city that should definitely be on your radar. Located next to Liverpool in the North West region, Manchester offers tonnes of potential for anyone looking to **buy and sell houses** for profit or pursue a buy to let property development opportunity.

Much like Liverpool, Manchester is a crucial area for regeneration right now in the UK. There are development projects happening all across the city, with the main focus being on key areas like Salford and the city centre. Manchester has reportedly been attracting some of the highest levels of London leavers over recent years, with both young professionals and families choosing to take advantage of what the city has to offer. This has, of course, led to a need for more properties, which is why Manchester is a great city for a **first time property developer** to explore.

Whether your main focus is **how to become a property developer** for buy to let or buy to sell purposes, both routes will bring you a lot of success in Manchester. Manchester boasts average yields of 5.55%, while property price growth is some of the highest in the country. Over a twelve month period, property prices in the city grew by 5.14%, while over five years there has been a growth of 28.57%.

While property prices are a little higher in Manchester than those in Liverpool, they're still very affordable compared to London's average prices which stand at around £982,960 according to Zoopla data. Those with a lower budget that are keen to find out **how to be a property developer** shouldn't struggle to find affordable Manchester properties in need of redevelopment. Current Zoopla listings bring up a two-bedroom terraced house in need of renovation based in the M8 postcode for just £65,000.

MANCHESTER

AVERAGE PREDICTED GROWTH (NORTH WEST)
24%

AVERAGE PROPERTY PRICE:
£232,118

AVERAGE RENTAL YIELD:
5.55%

LEEDS

Leeds is another city which is becoming more and more popular for both property investors and **property developers.** Leeds has a number of huge developments in store for the coming years, with a mixture of residential and commercial projects set to breathe new life into this thriving UK city.

With an average property price of £263,408, Leeds is less affordable than both Liverpool and Manchester. That doesn't mean, however, that those who want to know **how to become a property developer** without spending above their budget won't find some great opportunities. Many areas of Leeds are highly affordable, including Armley, Hunslet and Beeston which boast an average property price of £137,200.

Those who purchase a **property development** project in Leeds should see some significant market growth. Next to the North West, Yorkshire and the Humber is set to see regional growth of 21.6% by 2024. This is well above the UK's overall average of 15.3% during the same period. Those who are considering **starting a property development business** of their own will also find that Leeds is a great business city. Recent companies that have launched in the area include Channel 4, which moved from London to Leeds in 2019.

While rental yields aren't as strong as those in Liverpool and Manchester, certain Leeds postcodes do still generate some impressive averages. In the LS6 postcode, for instance, rental yields reach as high as 7.4%. This is why, if you're a **first time property developer** that's exploring opportunities in Leeds, Liverpool, Manchester, or any UK city, it's always important to look at the most promising postcode areas.

LEEDS

AVERAGE PREDICTED GROWTH
(YORKSHIRE & THE HUMBER)
21.6%

AVERAGE PROPERTY PRICE:
£263,408

AVERAGE RENTAL YIELD:
4.29%

TIP 6.
CALCULATE YOUR RETURN ON INVESTMENT

Once you've researched the property market, chosen a possible finance option, and created a **business plan for property development,** you need to think about your potential return on investment. With traditional buy to let property investment, it's easier to work out rental returns. Often, these will be offered to you by the company you're investing with. With property development, you need to take into account things like refurbishment costs and any other fees and bills you'll need to pay. Here are some tips on how to calculate your potential buy to let or buy to sell return on investment.

BUY TO LET ROI - RENTAL YIELDS

Rental yields are vital to any property venture. Without calculating your expected rental yield, you'll have no idea of the amount of rental income you can expect to make. Calculating a rental yield is simple. First, you take your expected rental returns and multiply these by 12. You then divide this figure by your property purchase price and then multiply by 100 to generate a percentage.

The problem with property development projects and calculating expected rental yields is that you also need to consider the money you'll spend on refurbishment costs. You also won't have a clear idea of the rental value of your property until the redevelopment or development is complete.

To calculate the most accurate rental yield for your property development project, you should make a list of all your expected costs, including your property price budget. Then, to get a better idea of how much your rental costs may be, you should research the current rental market value in the area you're interested in. You can also look online for properties similar to your project and check their rental costs. Once you've done this, you should calculate your full property costs with your estimated rental costs to generate a predicted yield.

BUY TO SELL ROI - RENTAL YIELDS

If you're focusing on **how to make money in property development** with a buy to sell strategy, you'll want to work out your expected return on investment before you get started. In a similar way to working out rental yields for a property development project, calculating a buy to sell return on investment can be tricky.

Buy to sell returns are calculated by taking the sale price away from the purchase price. If you bought a property for £120,000, for example, and then sold it for £190,000, you will have made a profit of £70,000. Of course, this doesn't take into account any additional costs that come with **property development in the UK.**

To find an estimate of your ROI on a buy to sell property development, you need to think about how much your renovations will cost, which includes buying materials and hiring construction workers. You also need to factor in any mortgage costs or loans you take out, along with survey fees, solicitor fees, and taxes. Once you have this figure, find out how much similar properties sell for in the area you're investing in, and calculate how much these may be worth by the time your project will have completed. Finally, take your predicted sale price away from your updated purchase price (with additional costs included) to reveal your estimated return.

6 TIPS TO KEEP IN MIND

Now that you've reached the end of our **guide to property development,** here's a recap of six of the most important things to keep in mind when **starting property development.**

Make sure you understand property development and everything involved.

Do you know what a property developer does and why it can be effective? Before even thinking about how to become a property developer, you need to read up on the basics.

Read about different property development strategies and create a business plan

Are you interested in buy to sell, buy to let, or a self-build property development? Establishing your strategy and building a business plan is a crucial step when getting started.

Research possible financial aid

Will you need help with finance when **starting property development?** Explore the different ways you can help finance your project.

Carry out housing market research

If you're new to the property world, you should find out about the most important areas of the housing market to research before looking for a potential property.

Explore the best UK locations

Certain UK areas stand out above the rest when it comes to property investment and property development opportunities. Make sure you do some in-depth reading on **where to buy property in the UK.**

Calculate your potential ROI

Make sure you understand how to work out your estimated return on investment through either a buy to let or buy to sell property development project.

WANT TO BUILD YOUR
PROPERTY PORTFOLIO?

Here at RWinvest, we specialise in residential and student off-plan property investment. If you're looking to expand your property portfolio with a mixture of property development projects and buy to let investments, please feel free to contact us and we can talk you through our available opportunities in the UK. Alternatively, head to our UK property investment page to take a look at our current listings.

RWinvest

EST. 2004