

10 key considerations for successful property development

Education

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Many landlords and property investors are painted a rosy image of property development through TV programmes and social media. Over the past few years, the number of people renovating properties for personal use – or to let or sell on – has increased. There are numerous reports of skyrocketing valuations post development and this has seemingly attracted many – both new and seasoned investors. However, is property development as easy as the media is portraying?

Despite the property market having faced a turbulent year, with months of stagnation, there is a healthy turnover in the buying and selling of properties. However, because profit margins are now slimmer, it can be more difficult to make money. Before, the economy did the majority of the hard

work, whereas today successful development is primarily a result of important decisions being made.

There can be financial reward from investing in property. However, understanding the pitfalls and acting accordingly can make the difference between profit or loss. Below, we highlight some of the key considerations to be aware of when considering purchasing a property for development.

Cost estimation

Before buying a development property, whether you're new to the game or experienced, you will need to analyse your finances and tally them against the potential property. You should...

- Assess how much the property is worth
- Research how much similar properties in the area are selling for
- Acquire quotes from tradesmen regarding development costs
- Professional fees
- Finance costs

What is the value of the property after development?

It is important to determine what the property will be worth after development works have been completed. There are various methods that you can use to understand and estimate the potential value of a property once the development has completed but you should always seek independent valuation advice. It is essential to work out gross development value and also consider how you're going to exit the loan, are you going to sell the property once complete or via refinancing as these will also impact the value of your property.

Does the property have planning permission?

If the calculations you have estimated prove fruitful, another hurdle could be planning permission. Some properties on the market are sold with planning permission and, if this suits your plans, even better. However, your vision could grind to a halt if you can't get planning permission from the local

authority. Buying a property that has already been granted permission is a great way to avoid any issues down the line or put in some calls to ensure that planning permission wouldn't be an issue.

Evaluate the local market

It can be tempting to go *Grand Designs* and create a standout property that would fetch a high asking price. However, if the majority of properties selling in the area are 3-bed family homes, what is the point? Reacting to the market can be an extremely wise move and talking to local estate agents will help you distinguish the type of homes that are in high demand in the area. You can then go forward and base your development plans around this spec.

Stick to your budget

You will notice your profit margin shrink if you fail to stick to your budget when developing a property. Setting out a realistic budget at the start, that includes a contingency of at least 10%, will help you from eating into any potential profit. Anything you leave as contingency, if it's not used could be seen as a nice little bonus at the end of the project. It is all too easy to spend frivolously as a developer, particularly when you want to be proud of the final product. Avoid throwing money down the drain by sticking to your budget, you will thank yourself at the end.

Work with trusted tradesmen

If you're an experienced property developer, chances are you have a hub of tradesmen that you trust after working on previous projects together. Use these resources again with your next project.

If you're new to the game, seek recommendations from friends and family for builders, electricians, and landscapers. Don't forget, the internet allows you to scope out potential tradesmen easily, with sites like [Checkatrade](#) allowing you to see legitimate reviews and testimonials, as well as photographs of previous work. Don't rely on a random workforce just because they are local or cheap.

How can I add real value to the property?

Liaise with an estate agent and find out what features are attracting buyers in the local area. Is it off-road parking? Do buyers want office space? Is open plan living the must have? Whilst the majority of renovations will add value to the property, buyers are more willing to offer the asking price if their tick list of must-haves is checked off.

Get everything in writing

Keep your documents and paperwork in perfect order to prevent any headaches. Furthermore, when working with anybody on the development project make sure to have everything in writing before proceeding as this helps avoid any misunderstanding or confusion from either party.

Keeping a detailed record of your accounts is important too – setting up a spreadsheet with multiple tabs can help keep things organised for you. You can keep a close eye on your cash flow and ensure you are not overspending.

Development design - keep it neutral!

It can be tempting to develop a dream property with all the latest gadgets and gizmos built in. However, if you design a home that suits your taste you could be limiting the number of interested parties and this can elongate the selling process. Realistically, who needs a state-of-the-art sauna or built-in tropical fish tank? Luxuries don't add value to your home and can turn a lot of buyers off. You want your property to appeal to as many people as possible for a quick sale that fetches the price you want. Buyers will be looking for the bread and butter of a well-built property. Spend money on high quality fittings and invest in long-lasting flooring and an attractive (but easy to maintain) garden. Don't forget, you will still be paying for the property once development has finished, until the point it is sold.

Set a realistic schedule

Setting a realistic timeframe for completion has a knock-on effect to your budget and will allow the project to run seamlessly. Being optimistic with timings can see you having to spend more money on contractors when the project goes over your estimations which will inevitably eat into your potential

profit. Remember to give yourself some leeway with scheduling to account for any issues that crop up during the development.

Is property development for me?

Putting all these considerations together will allow you to determine whether a specific property development is worth pursuing or not.

Whether you're a new developer or have bought and sold numerous properties, the team at TAB can help with short- or medium-term [property development finance](#). We can help you get the funds you need for your construction, conversion, or refurbishment project.

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