

# A WORD OF WARNING

## WHY DO SOME PROPERTY GURUS CRASH AND BURN, AND WHAT DOES IT TELL US?

By David Lawrenson

**T**here are some words and phrases that experienced property investors and teachers like me don't like to hear too much of. There are the obvious ones, such as 'Get Rich Quick in Property', 'Get Rich with No Money Down', 'Financial Freedom in a Year', and 'Mindset'.

'Mindset' – and 'having the right mindset' – are not so bad but can be problematic when not used fairly. What I dislike most is when gurus talk about 'mindset' as the qualifier. For example, "Well, you are probably not going ahead with this (brilliant) property scheme (opportunity), because you just don't have the right mindset."

I hate it because this puts the blame on the (rightly) cautious investor. Everyone is right to be cautious. Some of us are, of course, more cautious than others – and that is fine. But put in this way, it kind of implies the investor has a mental block of some sort, that they are not good enough for the property game, not smart enough, not adventurous enough.

Many years ago, investing in overseas buy-to-let was all the rage. There were books on it and many stands and seminars at the big property shows too. It seems to be less of an item today. Perhaps we can blame Brexit for that.

I used to write for one company (who I will not name), who sourced and promoted property (at that time, always flats in new high-rise blocks in central and eastern Europe). Generally, I would fill out their content pages by writing about UK private landlord and lettings matters. I wrote many pieces for them, and they paid reasonably well. They were good people who, I think, had their hearts in the right place and appeared to genuinely think they were promoting good investments in places like Poland, Czechia, Slovakia, Romania, and other countries.

Because my wife is Czech – and we go there quite a bit – I was mildly curious to

see if it could work for us too. So, I read their prospectus for one of their Czech investments, but what I could not see was any answers to questions that cover the nitty gritty – important stuff like, "What do you do if the tenant does not pay the rent?" "Is there rent control in Czechia?" "Are there any special taxes one must pay as a landlord?"

Any landlord will tell you these are obviously rather important matters.

But when I asked about these things, I was shocked that they said they did not know. In fact, they asked me if I would like to go out there and find out more and write a more detailed piece on this for them. And they supplied a list of contacts in Prague to assist with this.

As I was going to Prague anyway with my family, I thought, "Yes, why not?" So, I negotiated a higher fee for the piece, which involved more research than usual, and off I went one day, leaving my wife shopping with her cousin in the great Czech capital.

They liked what I submitted very much. So much so that I later found they were using my report at the Property Investor Show in London, as well as online.

But a few years later, they went bust, and after a little while, the trading name was bought out by another property company – who seemed to focus on finding opportunities in the UK. Some generally respected gurus are now involved with them.

I don't know how the properties they were promoting abroad fared. To be fair, I didn't read that any investor got caught with their pants down, having paid for a property that did not materialise because the company had gone bust, so perhaps they did OK. To be fair to them, I don't recall them using the word 'mindset' or promising quick riches with no money down, like so many property gurus from those heady days pre the Great

Financial Crash did. Many of these gurus also went out of business, some leaving lots of disgruntled investors in their wake.

As well as their prospectus, I know this firm had an open forum for people who were serious about investing with them so they could answer questions potential investors raised, but I was still surprised they did not know the answers to these basic questions already.

But what amazed me from this experience was that folks were willing to buy flats in a foreign domain (which is inherently so much riskier than at home and harder to control) without understanding anything of the landlord-tenant law and legal aspects of letting in that country.

I suppose the investors were going to just trust the assigned letting agent to do this sort of stuff.

But then another question is, why was there not already something in the prospectus on these important issues?

I did not buy with them and have never bought overseas. For me the risk is just too high, and the hassle factor and lack of control make it a "no-no".

I would also advise steering clear of folks using words like "get rich quick in property" too.

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