

Getting to know a potential investment area – without leaving your desk

1. Pick an area

You can't assess every single area in the UK! Pick a candidate where...

- You've talked to someone else who invests there
- It's near where you live
- Easily accessible by train
- You have family
- You see a particularly strong investment case

1. Research the rough geography

2. Perform a Google search for “areas in [town]”, e.g. “Areas in Hull”

As well as Wikipedia articles you'll find links to:

- Message boards
- Articles by local estate and letting agents
- Stories in the local paper

All of these can be useful when it comes to getting a picture of where's popular and where isn't. Taken in isolation, any opinion you read might be wrong! But by reading a selection, you can see what patterns emerge.

3. Find on a map the areas that are being discussed

If you're reading about particular postcodes, enter the first part of the postcode (e.g. HU4) into <http://maps.google.com> and you'll see the outline of the entire postcode area.

If a particular street is being talked about, of course you can search for that within Google Maps too.

If an area is being discussed and you can't find it on the map, Google "[area] postcode", e.g. "The Avenues Hull Postcode". You'll normally find a search result that gives you a postcode for something in that area. For example, in my search I found a Hull City Council page which gives the postcode for "The Avenues Adult Education Centre", so I can now look up that postcode on the map.

4. Establish property price norms in an area of potential interest

First there's the "rough and ready" technique for doing this...

- Go to [home.co.uk](https://www.home.co.uk)
- Select "Prices and rents"
- Enter the postcode and select "House prices"
- Look at the report "Selling prices since 1995"

You'll then see a variety of reports (broken down by property type, number of bedrooms etc) showing prices now and over time.

You can repeat the search but looking at "market rents" to get an idea of what rents are being achieved.

This can be useful to get a general overview, but it *only considers the first part of the postcode*. So if you're in an area where the postcode areas are very large, this will only give you very general data.

To dive deeper, you'll want to use Rightmove to assess current prices manually:

- In Google Maps, click on any point on a street that's within your area of interest. This should display the postcode, but for some reason you sometimes have to click in a few slightly different points before you find one that does show the postcode
- Enter this postcode into Rightmove, and search for properties for sale within $\frac{1}{4}$ mile of that postcode. If you don't get many results, broaden out to $\frac{1}{2}$ mile. When I search like this I filter down to 2 and 3 bedroom houses because that's what I usually look for, but you can choose different criteria if you want to
- Go straight into "Map view" in the search results
- Hover over the various pins on the map to start building up a picture of how much properties cost. You'll be able to build up a *general* idea of how much properties cost in that area, e.g. £100-130k for a 3-bedroom house

You'll start to get a feel for "micro location" – you might find that there's one street where prices are £20,000 more expensive than the next street over. You might also find a clear boundary where a "good" area ends and a "bad" area starts, which you never would have known just based on a postcode or a general statement in an article or message board.

5. Establish rental norms for the same area

- Repeat the same search in Rightmove, but looking for properties to rent
- Go into map view and again, hover over the various pins to build up a rough idea of what a typical rental price is and how it varies by micro-location

You will also be able to build up an idea of how much rental supply there is. You can't necessarily tell anything by it at the moment: if there's nothing available to rent you could interpret that as a good thing (no competition!) or a bad thing because you could infer that nobody wants to rent there! We'll look into this later, but for now it's just worth noting.

6. Calculate the yield

- Take the average monthly rent, and multiply by 12 to get the annual rent
- Divide this by the average purchase price
- This gives you the gross yield

This is a very rough number, of course: we're only working off asking prices (not sold prices) and we might have got our figures wrong because we haven't looked in any detail. But it still tells you the rough parameters for investing.

7. Dive into street view

Look in street view within Google Maps to get more of a feel for the area.

If it's all tree-lined streets and 3 expensive cars on each driveway, it's unlikely to be an investment areas!

If it's all betting shops and no cars in sight, it could be a less desirable area – in which case you need to decide if that's something you're up for.

You can tell a lot about an area by the cars that are parked nearby! Obviously in town centres this doesn't apply so much, but instead there will be more shops you can look at to get a feel for how upscale it is (chicken shops or health food shops?)

8. Assess rental demand

- In either Rightmove or Zoopla, repeat your search from earlier for properties to rent within $\frac{1}{4}$ mile or $\frac{1}{2}$ mile
- To start with, tick the box to include "Let agreed" and note the total number of results that come up
- Next, untick the box to exclude "Let agreed" and note the total number of results that come up

What does this tell us?

- If very few properties are available to rent (even once you include “let agreed”, it might just not be a popular rental area – perhaps owner-occupation is the norm here. There are potential benefits to being the only option (no competition!), but it’s a riskier business than going where there’s an established rental market
- If the number is much higher with “let agreed” included than without, it suggests that properties are moving in the area – which is a good sign! It’s only a rough measure and there’s no rule of thumb about what a “good” number is, but seeing lots of “let agreed” properties can give you a confidence boost that there is demand for this type of property

This gives us a rough idea, but you can get a better idea by calling a local letting agent – choose one who seem to be letting at least a few of the properties that have come up in your search results.

Call them as a tenant (someone who is moving to the area for work) and describe the type of property you’re looking for. Ask questions like:

- What kind of rent will I need to pay for this type of property?
- Do they tend to go quickly?

9. See how credit-worthy tenants are likely to be

Enter the postcode into <http://www.checkmyarea.com> and you'll see a lot of data associated with that area.

It don't find it as helpful as the government statistics because it's not as granular and makes a lot of assumptions, but the **Financial Risk** measure is a useful data point.

This tells you what proportion of credit accounts in an area are "bad", which you can use as an indicator of how likely your potential tenants are to be financially stretched (and possibly fail credit checks).

Again, on its own this number is hard to interpret, but it gets very interesting when you start comparing two or more different areas. It's amazing how often the credit profiles of two areas just a mile down the road from each other will be completely different.

10. Check the local crime statistics

Visit crime-statistics.co.uk and enter the postcode of your chosen area. You'll be able to see detailed recent crime statistics.

Of course, all areas have crime and it can be hard to interpret one area in isolation. But this becomes very useful when you compare two areas – which the site allows you to do directly.

This is very useful, because you can pick up big differences in crime levels between seemingly similar areas which you wouldn't have been able to infer from any other figures.

11. Use sales history to assess price potential

On Rightmove.co.uk...

- Select "House Prices" in the top menu, then "Find sold house prices"
- Enter the postcode and select "list view"
- Change search to "within ¼ mile"

Take a look down the results to see what, on average, has happened to prices over the last 10 years. There will always be a lot of variation, but hopefully there will be enough results for you to spot an overall pattern. If not, open up the search to "within ½ mile".

If prices have been relatively flat for the last 10 years, you can assume that they're going to stay that way.

If they've steadily increased, you can assume that they will continue (over the long-term) to do so.

12. Hit the streets!

As you can see, there's an amazing amount you can find out about an area from following this "desktop research" process alone. After just half an hour of going through this process with a new area, I'm always amazed by how much I've managed to find out – and often the assumptions it allows me to make are borne out when I continue my research.

But you can still make errors, and there are some things you'll never manage to find out without speaking to people who know the area well. So it's important to recognise the shortcomings of researching from a distance – at some point you need to call local estate and letting agents, speak to other investors, and visit yourself to really develop the in-depth knowledge you need before investing.