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No Trust? No Money!



Private investors, husband and wife team, **Antoine Dufresne** and **Caryn Yuen**, comment

Investing in property can be rewarding but it can also be a daunting experience. When investing in other people's projects, we have to rely on the people behind the projects to do well by us. This is the downside of being hands-off. We are vulnerable throughout the investment journey, especially when things do not go exactly as originally planned which is not at all unusual.

We started investing in property ourselves to build an alternative income stream. Caryn is a qualified barrister and solicitor. She worked in regulatory compliance for financial institutions for 10 years. Today, she does consultancy work for property businesses. Antoine worked in investment banking in Paris, New York City, and London for 11 years. Last year, he decided to leave banking to focus on property investing.

The investment journey for us begins well before deciding to invest in a particular project. Connections and introductions are made. We meet new people; people who are essentially strangers to us. We then embark on our due diligence journey. We want to know as much as possible about them. We need the information to decide whether we are comfortable enough to consider investing with them.

This is when investor packs come into play

Investor packs are generally the first thing that property developers send out to their prospective investors. They are the main source of information for investors. When we say developer, we mean anyone who is trying to raise money for a property project, big or small. Not just those who build large scale multi-unit blocks from the ground up.

Having spoken with more than 50 developers, we realised that they generally do not have a good understanding of how to put investor packs together. Not the right content, not the right format.

We have seen a large number of poor-quality investor packs and for us, they



simply raised more questions than provided answers. We have turned down investment opportunities solely because the investor pack did not meet our expectations. They made the developer look amateurish and would require too much effort by us to get the information needed to do our due diligence. As such, in some cases, it was simply not worth it.

A poor-quality investor pack does not necessarily mean that the project is unattractive, but it will make any project look unattractive

Many people make decisions based on first impressions alone. In a competitive market where many developers are seeking funding, first impressions are very important. You could have a very attractive investment opportunity to offer but fail to secure investment because your investor pack has not made a good first impression.

One of the fundamental principles of business is that people work with those whom they know, like, and trust. Property is no different. Investors want to partner with developers whom they know, like and trust.

Everybody has heard about horror stories in the property world involving investors

and unscrupulous developers. Projects stalling with investors having little chance of recovering their investments and in some extreme cases, developers moving abroad with their investors' money!

There is a great deal of suspicion in the sector and the onus is on you to prove that you are a good egg

This is where communication makes a difference. Communication is the basis of all relationships. This is especially true of the relationship between investors and developers.

It is not just about what you say, but it is also about how you say it

A high-quality investor pack will help you build the foundations of this relationship. It will help your investors get to know you and it will set the stage for them to like and trust you as well.

An investor pack, however good it may be, will not usually be enough to gain an investor's trust and secure an investment in a project. Some investors will want to take it slow and build the relationship over time. Others will want to meet with you face-to-face or visit the site before committing.



Every investor is different. However, it is important that you get your investor pack right so that you do not risk losing prospective investors before they make it through the door.

Get the content right

Think about all the information investors will want to know in order to do their due diligence on you. The aim should be to exceed investors' expectations so that you set a high standard for your business and instantly establish trust.

Think about your target audience. Most investors are cash-rich, time-poor. They are busy professionals who do not have time to waste. You have to make it easy for them to do their due diligence on you and your projects.

Get the format right

A quality investor pack consists of four separate documents:

1. the company executive summary,
2. the company profile,
3. the case studies, and
4. the investment offering.

Build your investor base

The company executive summary, the company profile and the case studies are going to help you build your investor base. The larger your investor base, the more likely you will be able to obtain funding when that project you have been looking for materialises.

The best time to look for money is when you do not need it

You do not want to wait until you have a project and you are desperate for funding to start looking for investors as they do not like to be rushed into parting with their hard-earned money, no matter how attractive a deal may be.

The company executive summary is you and your company in a nutshell. It is what you would tell a prospective investor in a 5-minute conversation upon meeting them. Its purpose is to convince investors that it is worth their time getting to know you.

This is your chance to make a good first impression. When a prospective investor looks at your company executive summary they are already forming their opinion of you. It will determine whether a potential investor will want to progress the discussion.

At this stage of the journey, investors want enough high-level information so that they can decide whether this relationship may have a future. There may be fundamental

differences between what you are looking for as a developer and what the investor is looking for. If that is the case, it is important to identify these differences right at the beginning so that nobody wastes their time.

Once mutual interest has been established you can send investors the company profile and the case studies.

The company profile reveals both you and your company in detail. Its purpose is to convince your reader that you are investable. Think about all the due diligence requirements of your most thorough investors and aim to exceed their expectations.

The case studies are your track record in detail. Knowing that you have completed similar projects will give investors comfort in your ability. Make them comprehensive and factual. Make it easy for investors to verify the information you provide.

Most case studies only talk about how well everything turned out. Savvy investors appreciate that not everything goes as planned during a property project. That is to be expected. What we want to know is what you did about it when that happened and how you handled the crisis.

“ You need to be aware of the Financial Conduct Authority’s rules on financial promotion. ”

Investment offering

You have built your investor base and you have a project to fund; it is time to send your investment offering. Before you do that, you need to be aware of the Financial Conduct Authority's rules on financial promotion. Investors do not want to get involved in anything illegal and have to suffer the consequences. Make sure you get suitable advice on this important topic.

The purpose of the investment offering is to raise money for your project. It should demonstrate that your project is capable of returning your investors' money, along with their interest or their share of the profit. This is what matters most to investors.

You have already carried out your due diligence on the project. You have decided that the project is worth investing your time and money. You now need to communicate this to your prospective investors by

showing them your analysis.

There are four main sections in the investment offering:

1. the executive summary,
2. the area summary,
3. the project summary, and
4. the financial summary.

The executive summary is your project and what you are looking for in a nutshell. Its purpose is to convince investors that it is worth their time reviewing the rest of the investment offering. Be clear about what you are looking for. Make it easy for investors to decide whether this could be an investment for them.

The UK has not just one but many property markets. The area summary is where you show that you understand your specific market's requirements.

The project summary is your analysis of the deal. Walk your reader through your analysis starting by describing the property in its current state, identifying its potential and explaining your strategy. This is where you explain the investment opportunity in detail, as well as the funding structure. A risk analysis is essential to make sure your investors understand what they are getting involved in.

The financial summary has to be as detailed as possible. Stress test all the variable parameters and show that, at the very least, you can return your investor's money in a worst-case scenario.

Conclusion

We often think about how to make a good first impression in person but neglect the first impression that an investor pack will make. If there is no clear point or contradictory sentences, you may have just lost another investor. Even the smallest typo in your investor pack can ruin your first impression with some, as it shows a lack of attention to detail.

Put your best foot forward by creating a quality investor pack.

Our top tips for your investor pack:

1. Get the content right first before thinking about the design. You can then choose the design that will allow you to incorporate all your content. It is much harder to try and incorporate content into a pre-chosen design.
2. Find the right balance between words and images. Some people prefer words while some others prefer images. Appeal to a larger audience by sensibly incorporating both.