

Additional Case Studies

Chapter 13

Entrepreneurship and Property Investment

Written and researched by Dr Haider Ali

In 1986, the Wilsons moved to a six-bedroom house in village near Maidstone. They realized it made economic sense to keep their first house and let it out, using the rent to pay the mortgage. They made an assessment of the value of investing in property based on the idea that over the past century, prices had doubled every seven years and various pointers convinced them this was set to continue indefinitely. They believed that the UK was short of housing and that UK planning laws meant that this situation would persist. An important element to their investment strategy was described as, ‘constantly re-mortgaging and using equity from rising property values to put down a deposit on yet another house’. This approach was helped by changes in the availability of mortgages in 1996, when interest-only mortgages became available. At a time when interest rates were low, this meant that monthly mortgage payments could be very low indeed, thus helping the business cash flow.

They were very specific about the type of property that they would invest in, it had to be a house – although a small two-bedroom one, where the yields were best (rental income as a proportion of the purchase price of the property). In addition, in their opinion, property developer’s only ever want to build three and four bedroom ‘executive’ homes, leaving a permanent shortage of small homes with gardens. Their property strategy had been to buy up the smaller one to two bedroom properties and let these to professional singles or couples. They focused on the geographic area of the county of Kent, specifically Ashford. This would also help their business, because at the time they bought prices were relatively low in that town, even though the arrival of the Eurostar service between Waterloo and Paris was widely expected.

By late 2009 Fergus and Judith Wilson, according to one measure of Britain’s wealthiest people, ranked 793rd, with a portfolio of 700 houses. Their combined value was £70 million, and in that year they decided to start selling their portfolio, which numbered

about 900 houses at its peak, but had fallen by £180 million in the downturn at the beginning of 2008. The selling began in 2008 when they calculated that they could sell properties for £180,000, which had initially cost £110,000. Also helping the move to selling was the reduction in capital gains tax from 40% to 18%, interest rates were also rising for them, since deals fixed at low interest rates were beginning to expire. When they were selling in 2009 the Wilsons believed that it would take as little as three to four days as property is in such short supply relative to demand. Some newspapers reported at the time that the couple were up to £350,000 in arrears on their monthly mortgage payments. At the time the Wilsons' excuse for their banks' loss of patience was that they paid their mortgages by cheque (which is unusual) and the cheques had been delayed in the post...an excuse so used by businesspeople that it has become apocryphal.

It was said that in Ashford town centre, every estate agent knew the Wilsons. 'They own great big chunks of the new-build estates around here, particularly Park Farm', said one. 'They have single-handedly pushed up prices in the new developments, buying them off-plan and renting the lot out. It's tough for first-time buyers. As soon as a suitable property for a first-time buyer comes on to the market you get three or four buy-to-let investors putting in offers. You'd like to be able to sell it to a young couple but you just can't.'

Sources

<http://ferguswilson.crazybillionaire.org/ferguswilson.php>

http://www.timesonline.co.uk/tol/money/property_and_mortgages/article6819301.ece

<http://www.guardian.co.uk/money/2006/dec/16/business.houseprices>