SEPTEMBER/OCTOBER 2021 – ISSUE 12 – PRICE £6.99

THE PROPERTY INVESTOR MAGAZINE

Blue Bricks

MAGAZINE

THE POWER OF SELF-BELIEF

THE OLD BAKERY: RESTORING A GRADE II-LISTED BUILDING

HOW TO NEGOTIATE YOUR WAY TO RESULTS

HOW TO RAISE FINANCE FOR PORTFOLIO LANDLORDS

TOP MARKETING STRATEGIES FOR STUDENT PROPERTIES

BLUE BRICKS MAGAZINE

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ISSUE 12 | SEPTEMBER/OCTOBER 2021

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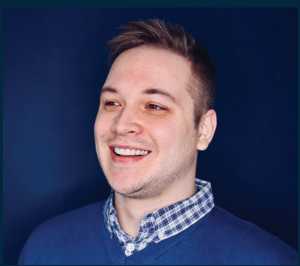


Case **Study**

HELLO

CAROLINE MONKS
EDITOR

With the autumn months fast approaching, I hope you've all enjoyed a little more freedom across the summer and have managed to get in some 'in-person' property networking events. How great is it to see people face-to-face again! At *Blue Bricks* we will continue to host our networking events online as our community is spread across the globe, but it seems to me that we can look forward to a future of both in-person and online meetings to benefit from the best of both worlds and connect with people near and far.

The highlights of this issue include our main feature on page 18 from high-performance mindset coach Grant Robe. Self-belief is essential for reaching our goals so I invited Grant to give us some guidance in this area. Mindset is such a hot topic of conversation among property and business professionals alike and is considered one of the key factors integral to building success, so I hope that this feature sparks the beginnings of further holistic topics to assist your self-development as a business owner. Let me know what you think!

Neil Chaudhuri's article on advertising your properties successfully for the student market strikes a personal chord with me as, from September, both of my children will be fleeing the nest to go to university! I certainly wish Neil's student accommodation was available in their areas, I would be putting down a deposit! If this is your chosen strategy, or one that appeals to you, then make sure to read Neil's great tips on page 6 for the best chance of success in this market.

I have been eagerly waiting for Cathy Waddington to bring us the second part of her project case study on "The Old Bakery", after we began following her story – as our very first case study – back in the very first issue of *BBM* in May 2020. It gives me great delight to see how far Cathy has come with this development, especially as it was her very first venture, and she has had a big challenge to overcome! The end result is absolutely gorgeous as well as very successful. I also loved listening to Cathy telling us more about the project at our online monthly meetup in August. Go to page 24 for the full story and glorious pictures.

Finally, I am doing a cheeky experiment to see how many of you actually read my monthly welcome notes! If you have got this far then thank you for reading and please email me with the subject "I read your editor's note" and I will enter you into a special prize draw with a chance to win membership free till the end of the year!

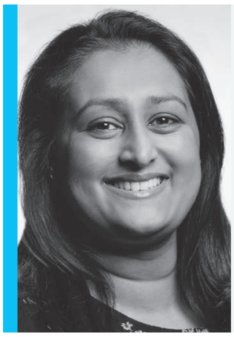
If you haven't already joined our Facebook group we would love to see you there! **Blue Bricks Magazine Group**

Best wishes,

Caroline
x

I am always happy to hear from you with feedback, drop me an email: **caroline@bluebricksmagazine.com**

MEET THE COLUMNISTS



Bushra Mohammed Legal

Bushra is a practising property solicitor who offers no-nonsense auction legal packs to time-poor clients or those lacking the necessary insight to make informed decisions. Alongside this, she runs her own property development business in the Southeast and has operated as a landlord for the last 13 years.

Loves painting with watercolours and hopes to find time to improve

Sarah McDermott Serviced Accomodation

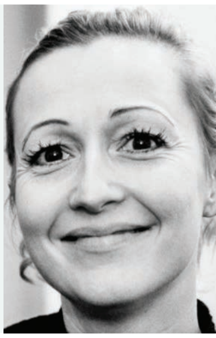
Sarah McDermott is a property investor and co-owner of luxury holiday-let business, Maison Parfaite. Alongside this she runs a property-sourcing business and project-management service. Sarah also guides less-experienced investors via private mentorship.

Likes singing "Follow the yellow brick road" in the voice of a munchkin

Neil Chaudhuri Investments

Neil trained with Simon Zutshi on the Mastermind programme and finished as one of the top performers, becoming a finalist in the HMO Investor of The Year category. Neil and his wife, Simona, co-own Vogue Abode specialising in luxury student accommodation. He also enjoys coaching other property investors.

Got bored of beating Tiger Woods so turned his hand to property



Lisa Tinker Compliance

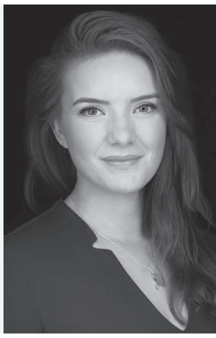
Lisa is an experienced founder with a demonstrated history of working in the professional training industry. Strong business development professional graduated from NCRQ Level 6. Track record in property development and management, particularly in the field of construction.

Prefers kisses from her dog to those from her husband

Kim Opszala Investments

Kim Opszala is a multiple award-winning corporate solicitor turned property investor. She is the co-owner of KoMo Properties and has a portfolio of single lets and high-quality HMOs for both students and professionals. Kim is also co-host of the Birmingham pin meeting.

Kim has been learning Polish for over 12 years and can still barely hold a conversation



Alice Williams Finance

Alice specialises in sourcing finance for property developers and investors. After starting in corporate banking, Alice joined Pilot Fish in 2017 and swiftly took the helm of the property finance team after demonstrating her skill and tenacity on the successful completion of multiple complex funding projects.

Uses marketing as an excuse to wear multiple fancy dress costumes

Jill Stevenson Public relations

Jill is an experienced public relations consultant with a demonstrated history of working in the PR and communications industry. Skilled in editing, journalism, media relations and crisis and corporate communications. Media and communication professional with a certificate in Marketing (CIM).

Loves doing interior design for dolls' houses

Nathan Winch Business

Nathan is an entrepreneur and private equity investor of over 12 years. He's started, grown and sold companies in the medical sector. With a passion for property, he owns a portfolio across the UK, but is now an FCA registered private lender and investor, with investments in over 14 businesses.

Loves nice holidays, but never actually goes on any

TOOLBOX TALK

GOOD HOUSEKEEPING

Good housekeeping is the first principle of safety when it comes to a construction/refurbishment site that's underway, but it is often one of the last items to be addressed.

Good housekeeping when it comes to construction refers to the practice of keeping your project/site in a clean and tidy order with the primary objectives of eliminating accident and fire hazards, conserving space, time, materials, effort and achieving and maintaining safe working conditions. This may all sound like common sense, but – as common sense isn't all that common – it's important to ensure a few key areas are given adequate consideration when planning your project to help ensure your housekeeping is on point. They are:

Waste

Argh! That pain of waste, generated from demolition, materials, and packaging. Anyone who has ever had a kitchen delivered to their refurbishment will know there is so much packaging and protective wrap from even the smallest number of kitchen units and appliances that you could keep an entire primary school of kids in den supplies for a year. All this waste needs to go somewhere so that it's not left scattered around your site. Ensure that you have a designated waste area for all this, such as a skip.

Waste will constantly be generated on the project by different trades undertaking their various activities so adopting a clean-as-you-go policy (clean up the mess as you make it) will help keep your site stay in tip-top condition throughout the day and create a much safer, organised environment in which to work.

Material storage

There is an art to material storage, and it involves more thought than just "stuffing it in there until later". Materials need to be stacked safely and securely, consideration needs to be given to how heavy the materials are and how high they can be safely stacked for handling later – not only to prevent them collapsing on your site team like a fatal game of building supplies Jenga, but also so that the materials themselves don't get damaged. Be sure, too, that you don't store materials near any source of ignition.

Keep access and egress routes clear

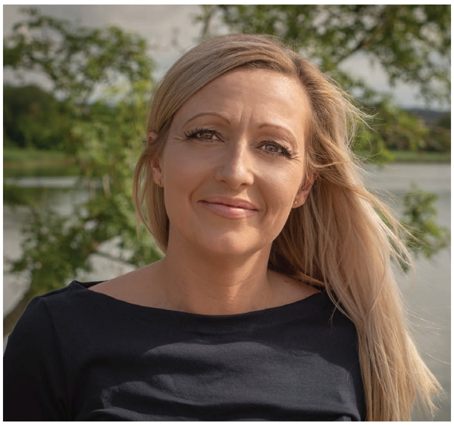
Your access and egress routes provide your means of entry/exit to your place of work within the site, but they're also the routes you may need to take in an emergency so these areas must be kept clear. With this in mind, materials, tools, tool bags, hop ups, etc must not be left cluttering up the corridors where they may potentially trip a person up or impede someone's escape from the building.

Tidy up your tools

Tools should be put away when they are not being used – if it's out of use, it should be out of sight. It's all too easy to leave tools out in case you need them in a bit but, if you aren't using them, then put them away. The benefits to this are that nobody will trip over them or hurt themselves on abandoned tools and also no-one is going to "accidentally" acquire another person's tool into their collection.

Remove damaged and defective tools and materials

This always reminds me of a drawer I used to have years ago in my sideboard. Most of us have one of these drawers, stuffed full of things we tell ourselves might be useful down the track – dead batteries, half a broken ruler, a calculator that works intermittently and some menus from takeaways that have now either closed down or been taken over by new management. Essentially these items are useless and unhelpful; their only purpose is to clutter up space.

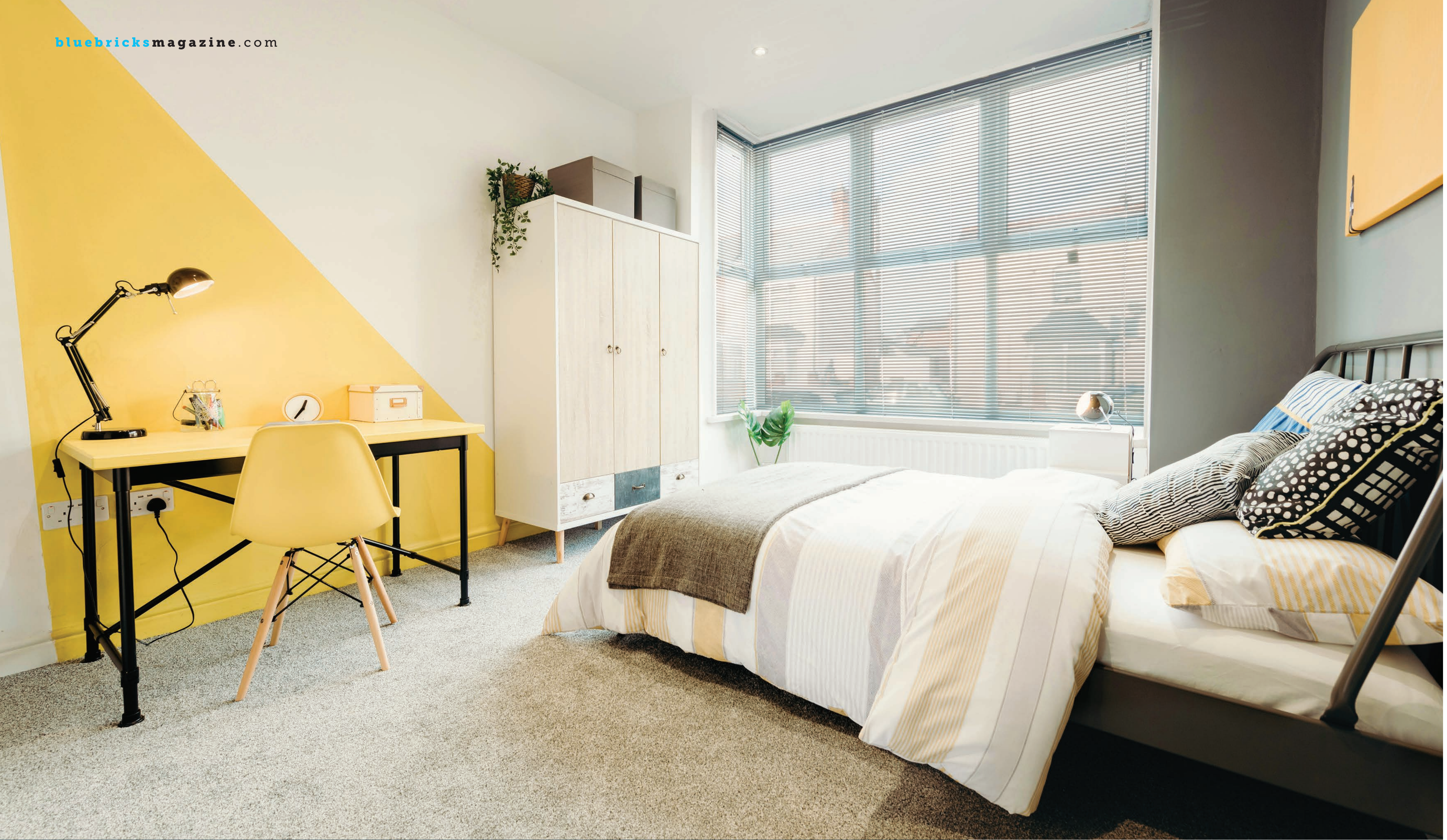


Lisa Tinker
Health & Safety Consultant

Sites left unchecked can quickly become useless sideboard drawer storage units for the broken and defective items we acquire. If a tool is broken, either repair it or bin it. If materials are defective, return them to the supplier or dispose of them in the skip, and – most importantly – let's not transfer another site's crap of useless stock on to a new site "just in case it comes in handy". Remember items like these do not serve a purpose and create hazards for your project. As painful as this advice may be to your inner hoarder – chuck out the damaged and defective items.

Not only does good housekeeping improve the overall safety on site but it can improve productivity and even save you some wonga. When you have an organised and tidy site, your workers will know where everything is so will spend less time looking for lost tools and materials, meaning they can actually focus on the task in hand. Sounds good, right?

ptlsheq.co.uk
lisa.tinker@ptlsheq.co.uk



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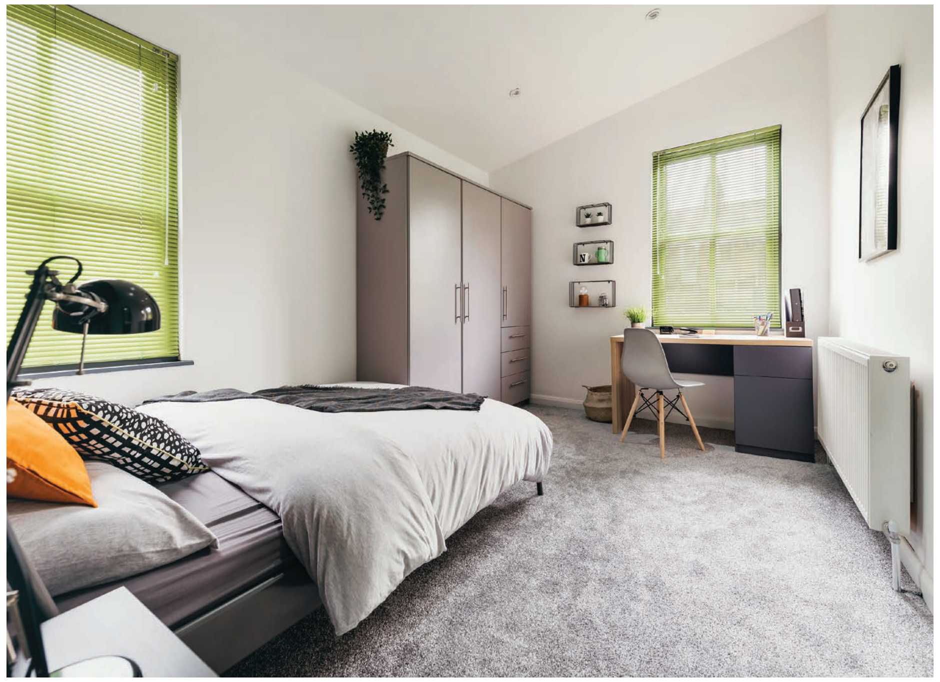
IT'S THAT TIME OF THE YEAR AGAIN WHERE FIRST-YEAR STUDENTS ARE FLYING THE NEST AND HEADING OFF TO UNIVERSITY. WITH THAT IN MIND, IT WILL SOON BE TIME TO START ADVERTISING YOUR STUDENT HOUSES FOR THE FOLLOWING ACADEMIC YEAR WHEN THE FLEDGLINGS JOIN THE OLDER STUDENTS IN THE SEARCH FOR ACCOMMODATION WITH THEIR NEWLY FOUND FRIENDS.

STUDENT ACCOMMODATION SPECIALIST, NEIL CHAUDHURI OF VOGUE ABODE PROPERTIES, EXPLAINS HOW HE SECURES TOP DOLLAR FOR HIS STUDENT HOUSES THROUGH THE STRATEGIC USE OF MARKETING.

TOP MARKETING STRATEGIES TO GET STUDENTS QUEUING UP FOR YOUR PROPERTY

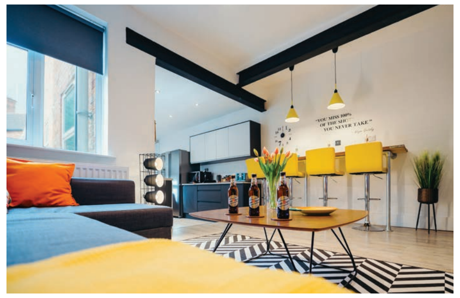
NEIL CHAUDHURI OF VOGUE ABODE PROPERTIES

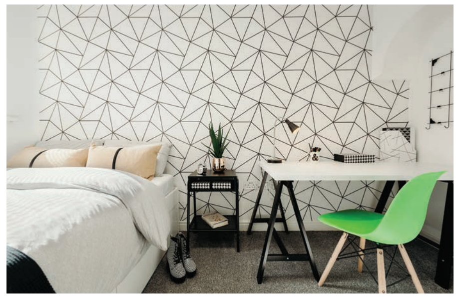


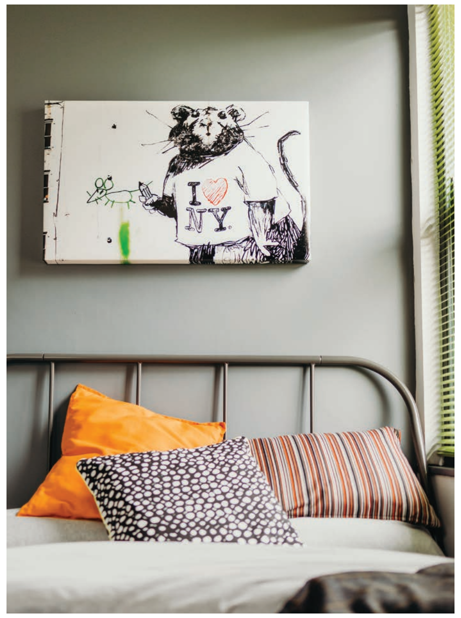
The student market is a competitive one, with some landlords finding it increasingly difficult to secure groups of students for their properties. But imagine if there were students queuing up to live in your houses *and* willing to pay premium rents for the privilege. Well, this is possible if you can present and position your properties strategically. In this article, I have identified nine key steps to guarantee students will be lining up to do business with you.

1. Don't miss the window

From my experience, the optimum time to advertise your student houses for the following academic year is in October and November of the current academic year. For example, if you're looking to advertise your property for the 2022/23 academic year, then







you want to get your adverts live by November 2021. By this time, friendship groups will have been formed and the keenest and most organised groups will be looking to secure the best properties.

Missing this window doesn't mean that you won't be able to secure groups, it just means that you might miss out on the most organised groups (who tend to make for great tenants).

2. Stage your property

It's imperative to nail your marketing photos. The days of having images of bare rooms with unmade beds are over if you're looking to attract the best groups and achieve the highest possible yields. Believe it or not, most landlords and agents are still not doing this properly and continue to advertise properties using photos of undressed mattresses (well, apart from the stains...).

Staging rooms can be hard, but do it once and it can have a huge impact on the quality of your images and your ability to demonstrate to potential tenants what the rooms will look and feel like when they live there – hence it can be time well spent for the return it brings. Fill your car with everything from bedding to items to place on shelves and invest in some wall art – these things can genuinely make all the difference.

Consider the colour scheme: bright colours will make your properties stand out from the crowd when students are scrolling through countless listings at a similar price point. If you don't have any bright feature walls in your houses, fear not – look for bright pillow cases or throws.

3. Invest in professional photography

We all think we can save a few bob here by trying to do the job on our smartphones, but seriously – don't cut corners. Professional photos are worth their weight in gold for presenting your properties in their best light (quite literally). Professional photographers have camera lenses that can encapsulate all the features of your rooms without distorting them. You can tell when landlords or agents do a DIY job on the images with their wide angle lenses, because the fish-eye effect distorts the images so much.

On the whole, landscape-orientated photos tend to work better than portrait-orientated ones on the various advertising platforms – we'll come on to those later.

4. Sell a desirable lifestyle

Your biggest competitors at the top end of the student market are the large purpose-built student accommodation (PBSA) providers who tend to cater to individuals or small groups who are put together by the provider. Your student houses are likely catering to larger groups of four or more people who are friends. This gives you a wonderful opportunity to demonstrate the advantages of friends living together in their own home. From great communal areas to large kitchens – this is a chance to showcase the lifestyle students could enjoy if they chose to live in your property.

5. Keep ads punchy

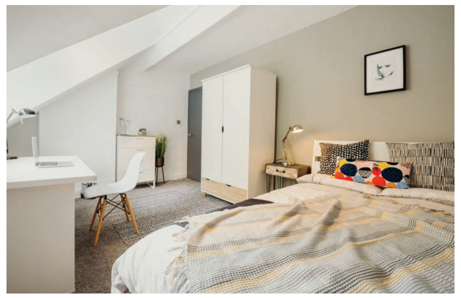
It's tempting to want to list out as much as you possibly can in your online adverts, but we've found that it's much better to be concise and to entice groups by focusing your description on the main features of the property. Students don't want to read *War and Peace* when they're looking for a house!

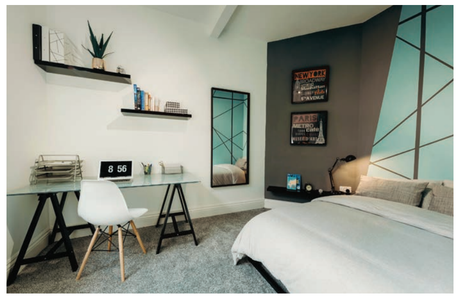
Think about how you present the information: make sure your paragraphs are short and punchy and ensure that you leave a space between each one to keep the text accessible and reader friendly.

Crucially, ensure you include a call to action to book a viewing – something like: "Our properties go fast, so don't miss out. Call us today."

6. Invest in featured ads

Featured ads allow you to pay a little extra for a prime spot within the listings. This is worth every penny to ensure that your property appears near the top of your chosen platform. In doing so, you can display more photos of your property on the main page compared with the standard listings and, not only does your property appear at the top, it's also highlighted in a unique colour ensuring it stands out.





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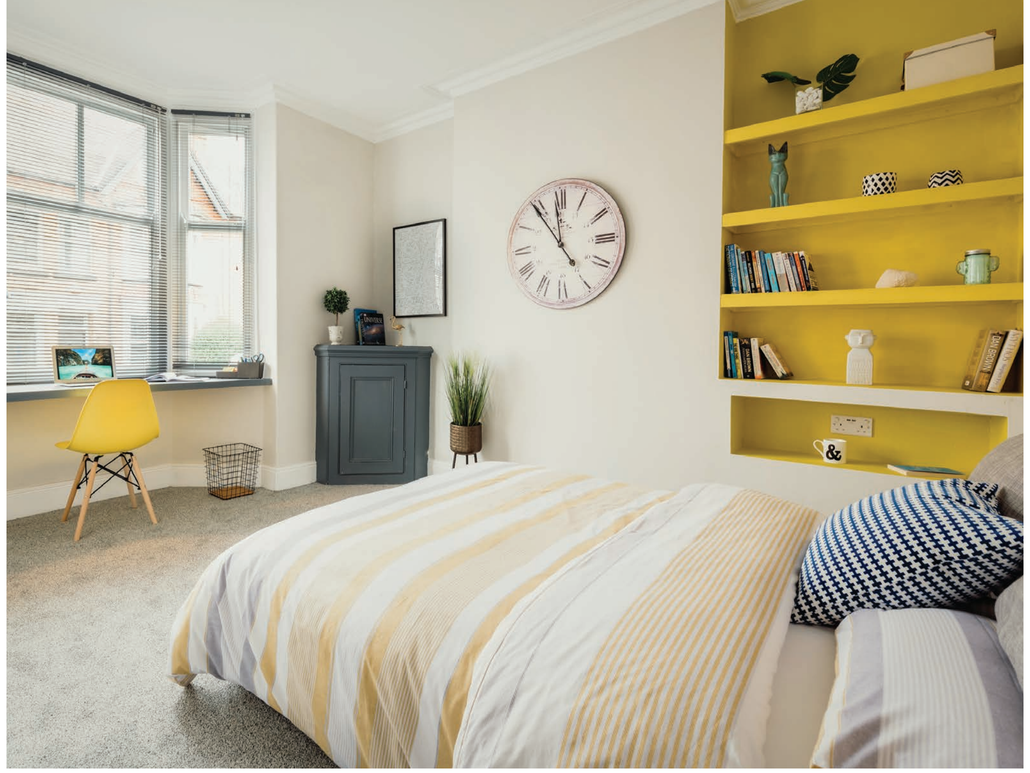
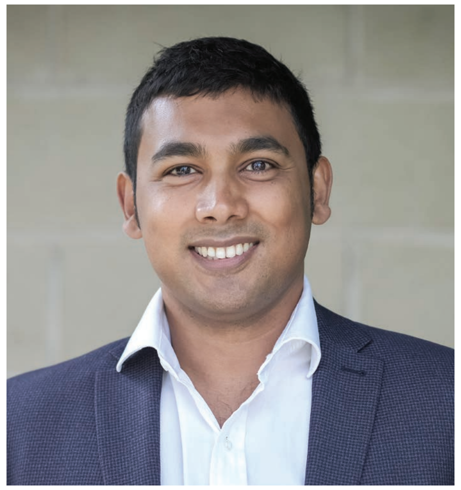




Neil Chaudhuri
of Vogue Abode Properties

If you're renting the whole house to one group, then we recommend Rightmove for student HMOs because it has its very own section exclusively for students and is the go-to platform for this market. It's not my recommendation to rent individual rooms within the student market (as you would, say, for a professional HMO), but if you choose that route, then SpareRoom is a good platform.

7. Arrange block viewings to maximise success

Instead of arranging viewings in dribs and drabs spread out days or weeks apart, it's better to arrange block viewings at your property where groups come to view it one after the other. There are several advantages to this:

- You can send in cleaners the day before the viewing to make the house sparkle.
- Your current tenants won't be too inconvenienced. Certainly much less than if you were doing viewings one at a time over the course of several weeks.
- Whoever is carrying out the viewings (usually letting agents in our case) can block out one afternoon to come and do the viewings in one hit rather than multiple trips back and forth to the property.
- When one group finishes their viewing, they will see another group waiting and this creates competition to secure the property.

This will reduce procrastination as groups will know they need to move quickly if they want to secure the property.

8. Maintain regular contact with potential groups

As a matter of good customer service, this should be a given. Prior to the viewing, regular contact with groups who have enquired will allow you to start to build a relationship with them. In our case, once a group enquires about one of our houses, we not only get our agents to book them in a viewing, but we will send them some additional information about the property including more images of each room than appear on the online adverts, a video tour and a digital brochure. We will also sometimes send over floor plans so that they can get a good sense of what to expect during the viewing.

9. Have an online presence

Students (and their parents) will often want to see who their landlords are going to be so it's important to have at least some online presence. This could be a landing page on a website, or it could be on social media. Either way, it's great to have a mix of professional and personal posts/content on there so your groups can get to know you a little bit better. We actually have a student who manages our social media for us and we regularly get requests for accommodation through our website and social media, which has allowed us to build up waiting lists for our accommodation as a result.

On the whole, most student landlords and agents aren't doing any of these things, so even by doing just one or two, you'll be in a very strong position to maximise the profits from your student houses. But for the best results, try and combine all of the tips above.

To see for yourself some of the ways Neil and his team at Vogue Abode Properties market their student houses, check out their website and follow their socials.

Our regular columnist Neil Chaudhuri is the co-owner of Vogue Abode Properties, which specialises in creating luxury student accommodation in Leicester. After retiring from professional sport in 2018, Neil has gone on to become a top performer on the prestigious Property Mastermind Programme with Simon Zutshi and has also been a finalist at the Property Investors Awards over the past two years for the stunning HMOs that he creates along with his wife Simona.

Neil Chaudhuri
vogueabode.co.uk
neil@vogueabode.co.uk
vogueabodeproperties

FREEHOLD VS LEASEHOLD

Before you choose the best investment for you, it's important to understand the two main methods of ownership: freehold and leasehold. Both types are relevant whether you're considering residential or commercial investments.

Why buy freehold?

Freehold is a property with no restrictions – the ideal scenario as the property is all yours: you own the building, the land and the air rights above the building. These are the advantages of buying freehold:

- You won't need to deal with the freeholder (landlord/owner) – that will be you!
- You own the property therefore there is no worry about the lease ever running out;
- No risk of declining value because of the lease term running out, or having to pay for an expensive renewal of the lease;
- No need to pay ground rent or service charge. That said, in very few cases where the property is part of a larger estate you may have to pay a service charge;
- No leaseholder restrictions in place such as whether you can have pets or how you decorate the property (unless, of course, the building is listed in which case written consent is needed from the relevant authorities);
- You are not relying on anyone to maintain the property other than yourself.

The disadvantages of freehold properties

There are very few disadvantages to owning a freehold property apart from the fact that the initial outlay is more expensive because you're purchasing the land and the property. You are also responsible for maintaining the interior and exterior of the property, including the roof, exterior walls and fences. For some people this may be too much of a responsibility and a cost burden, should anything need to be fixed or replaced.

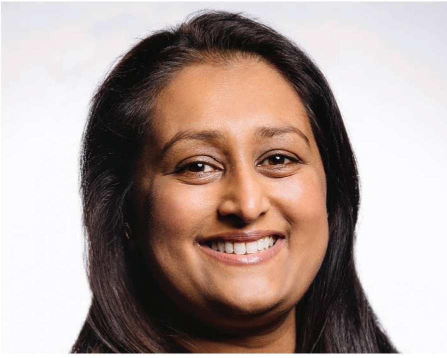
Why buy leasehold property?

If you buy a leasehold property, you are given a lease by the freeholder to own the property for anything up to 999 years. Once the lease runs out, the property reverts back to the freeholder although the lease length may be extended by agreement with the freeholder for a specified cost. So it stands to reason that the longer the lease, the higher the property value. What this means is that the property is never really yours – you will be paying a ground rent, service charge and consents. Leasehold is common with flats and apartments, although there are leasehold houses for sale, too. These are the key advantages:

- Often leasehold property tends to be less expensive than freehold;
- You still have the opportunity to buy the property from the freeholder, usually as a "share of the freehold";
- If the lease states that the freeholder must maintain the exterior of the property, it means the leaseholder will have less responsibility;
- Leasehold properties in large developments sometimes include benefits such as concierge, swimming pools and gyms.

The disadvantages of leasehold properties

- If you acquire a short lease (for example less than 80 years), many lenders will not lend to you;
- You will have to sign up to a costly maintenance/service charge. In addition, you may be asked to pay additional one-off costs for substantial work such as a new roof or internal refurbishment within the communal areas;
- You will have to pay the freeholder/landlord ground rent. Do read your lease carefully before signing it and be aware of ground rents that increase sharply or even double every ten years;
- There may be restrictions on how you can use your property, eg: you can't have pets, or you can't sublet;
- You will need to obtain permission from the freeholder to do any major works to the property;
- If you fail to pay service charges or sinking fund contributions on time then the freeholder can seek enforcement. This may include applying for your mortgage lender to meet the cost, which may be a breach of your mortgage-lending conditions and may have further financial consequences to you.



Bushra Mohammed
Property Solicitor

Reforms to legislation

In January this year, the government announced plans to reform legislation for leasehold aimed at monitoring the onerous escalating ground rents. The impact on landlords and freehold portfolio investors is likely to be negative. There is a possibility that they could lose out on income as a result of new methods of valuation/calculation of premiums and that an extension of the lease will in practice only happen once per property.

An alternative type of ownership

Commonhold, which is a new type of freehold ownership, allows owners to own the freehold of individual properties in a building, instead of having it on lease. The freehold of the building or estate is owned and managed by a company – known as a commonhold association –consisting of the flat/individual property owners.

It's important to make sure you fully understand what purchasing a freehold or leasehold property entails, from potential charges and fees to your rights and responsibilities. The more knowledge you have, the easier it will be to spot any potential problems. Having owned both freehold and leasehold properties, I certainly know what I prefer!

lynwoodsolicitors.co.uk
bushra@lynwoodsolicitors.co.uk
bushra_propertyinterest

THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

Average rents increase by 6.6%

The latest report by the HomeLet Rental Index shows the average rent increased by 2.2% between June and July, with the figure now sitting at £1,029 pcm. That's a record high and the second month in a row where the sum has exceeded £1,000 per month. It's also a jump of 6.6% in a year. Zoopla's Rental Market Report also shows it's taking 16 days per property to rent out.

The biggest annual increases were in the southwest with annual growth of 12.9%. Next was Wales with a 11.8% rise, while the East Midlands was third with 10.8% rental growth. Rents in London had a 2.1% annual increase, bringing the average rent in the capital to a monthly £1,645.

The increase is down to demand far outstripping supply. The build-to-rent sector – offering upmarket amenities and concierge services – is now beginning to fill some of that need, but there remain large gaps in supply.

Buy-to-let landlords "growing in confidence"

The sector may have been hit by a raft of tough legislation in recent years, but the BTL market is still strong. And it's going from strength to strength if a recent report by the National Residential Landlord Association's quarterly Landlord Confidence Index is anything to go by.

This is backed up by a report commissioned by The Deposit Protection Service which found that 34% of existing UK landlords had – or were about to – increase their property portfolio. All said they were encouraged by recent price growth.

House sales fall by 62%

As predicted, following the end of the most generous Stamp Duty Holiday offering from the government at the end of June, house sales fell in July – and the slump was pretty big. Only 82,110 properties swapped owners in July, compared with 213,370 the previous month.

The figure, produced by HM Revenue and Customs in late August, shows a dip of 62% between June and July. The number of properties was still 1.8% higher than in July last year but, at the time, buyers, sellers and estate agents were still struggling with the lockdown demands of the pandemic.

Property analysts are predicting a rise in sales again in September – just in time for the end of the government's current Stamp Duty tax-free saving on the first £250,000 of a property in England and Northern Ireland.

House prices begin to drop

Not only has the reduced Stamp Duty tax relief impacted on the *number* of sales, but it has also led to a drop in prices. In mid-August we saw house prices fall for the first time this year following the surge brought about by the pandemic. Rightmove's latest house price index revealed the average property was valued at £1,000 less in August when compared with July, a drop of 0.3%, whilst Nationwide's research demonstrated a 0.5% drop over the same period.

The biggest property value falls were, not surprisingly, in four-bedroom homes (the type of property that benefitted the most from the more general £500,000 Stamp Duty Tax break).

Despite fluctuations in house prices, historical data shows that prices will ultimately increase over time. Indeed, records by the Office for National Statistics show the value of the average house in the UK has grown by more than 20% over the past five years (from June 2016 to March 2021). Some analysts believe that by 2060 house prices will be double what they are today, meaning the average house will cost a pretty astonishing £422,723.

Current buying trends set to continue

But the market is expected to continue to tick over post-October and beyond, even without a Stamp Duty Holiday, as the impact of the pandemic forced many individuals to rethink their lifestyles. As Sarah Coles, property analyst at Hargreaves Lansdown, put it: "[The Stamp Duty Holiday] didn't create demand from nowhere. There was already a crowd of people ready to buy because of changes in how we wanted to live, and pent-up demand from the closure of the market during the first lockdown. The tax break just opened a window ... through which this crowd of people tried to squeeze."

Meanwhile – and perhaps not surprisingly given current buying trends – a Zoopla analysis showed that of 15 locations where demand for property was falling, ten of these were in London. Looking at the period 5 April to 25 July, the analysis discovered that in the capital's SW and E postcodes, demand fell by 26.5% compared with the previous four months.

Demand for property in areas such as Shoreditch and the City is poor, with many people continuing to work from home for the foreseeable future. In other areas of London there are problems with cladding – lenders aren't willing to give mortgages unless buyers present an EWS1 external wall safety certificate.

But there is good news for luxury inner London homes in the likes of Mayfair and Knightsbridge, thanks to the return of international buyers looking for a second home in the capital.

Houses 8m^2 smaller today than 40 years ago

An interesting report by ElectricalDirect in August showed how, despite soaring house prices over recent decades, the actual size (floor space) in property has shrunk. Where in 1980 you could count on having around 75m^2 for instance, by last year you were looking at your average property measuring 67m^2.

And while we're getting less floor space for our money, the average cost of UK property has increased by a staggering 171% since 1980: back then you could expect to pay £18,377 for your own home, today it's more likely to be around £247,898.

However, there are some parts of the country where house sizes have increased. In Cambridge, buyers have 10% more space to move around in compared with previous years in the city, but the downside is that they'll pay for it. House prices there have increased by 57% since 2011. You'll get more value for money in the seaside resort of Blackpool where house size has increased by 3% and prices are only expected to rise to an average of £138,680 by 2025.

A shift in commercial property preferences post-pandemic

Commercial property investors and landlords are repositioning their portfolios by selling up retail and office space and opting for student campuses and warehousing instead. That's because, in 2010, retail outlets and offices made up 70% of commercial property sales. Today it's only around 35%, according to Real Capital Analytics.

Global investment firm Blackstone is just one of many companies who have gone down this route in recent months, having seen how the pandemic has altered the commercial and residential property outlook. In commercial property terms, it's all about students – both in relation to accommodation and research and development facilities (ie: high-tech life sciences campuses). Warehouses are also faring well with the increase in logistics companies.

The "golden triangle": Oxford, Cambridge and London

Earlier this year a 40% stake in Magdalen College's Oxford Science Park was offered at £100 million – more than five times what the college paid just five years previous. The "sweet spot", according to investors in the "golden triangle" between Oxford, Cambridge and London. Around £2.4bn was invested in life sciences property there last year and there's still room for growth, say analysts. Most big investors want to get in from the off though, saying the big money is in building new campuses and labs.

Warehouse shares up 16% post-pandemic

An increase in online shopping – particularly during the pandemic – has led to a huge demand for warehouse space by distribution companies. The shares of warehouse developer Segro went up 16% recently. Office supplier British Land and Land Securities have lost around 30% of their share price since the pandemic, whilst shares for shopping centre supremo Hammerson are down by 75%.

HOW TO NEGOTIATE YOUR WAY TO RESULTS

Negotiation is a key skill for any property investor – whether it's negotiating a purchase price with a seller, interest rates with a private investor or terms for a creative deal with an estate agent. As a multi award-winning lawyer of almost ten years, I have a lot of experience in negotiating and, since starting a property investment business, have used these negotiation skills to secure below market value (BMV) properties and creatively structure deals to grow my portfolio quickly.

Using the RESULT method

First, I wanted to pass across some essential reading matter for any investor: a book called *Never Split the Difference* by Chris Voss. The author is an ex-FBI hostage negotiator and, whilst negotiating deals with estate agents or direct to vendor isn't a hostage situation (hopefully!), the book has some fantastic tips.

Since 2018 all of our deals at KoMo Properties have been secured direct to vendor, which has become a very popular sourcing method since the unexpected property boom brought about by the pandemic. One of my favourite tools in the book for negotiating is what the author refers to as "RESULT"– a method I have adapted for teaching my own mentees. Here's how I obtain BMV direct-to-vendor deals, and secure properties with creative deal structuring, using the RESULT method:

Rapport
Property is all about relationships and building a strong rapport with the agent, vendor or other party is key. I do this in a number of ways: staying in close contact, keeping detailed notes of our conversations, calling them by their first name and focusing on what they're saying rather than allowing my attention to drift. I also look for common interests, which helps to keep the conversation going. For example, talk about similar hobbies as a way of finding common ground.

Empathise
Demonstrating empathy builds on the rapport element of RESULT. In a negotiation you should always look at – and be aware of – the other party's perspective. When I'm at a stalemate in a negotiation, I try to give them examples of how I have experienced this and say that we can find a way to resolve

Kim Opszala
of KoMo Properties

this together. Showing genuine interest and offering to help will help build your relationship with the other party.

Situation
Always read the *actual* situation based on the facts you know. Don't make assumptions! The key to a successful negotiation is to find out what their problem is and then to look for a solution that works for both parties. It's important that the resolution is a win-win for both sides. Motivated sellers are more likely to agree to creative terms of sale as long as you are able to explain your offer in simple, clear terms.

Understanding
Demonstrate that you understand their position and also make sure that they understand what is being offered, especially where you are proposing creative solutions. Remember, whether you are negotiating with an agent or a seller, their main concern is finding a reliable buyer at a good price.

Learning
Even the best negotiators make mistakes so learn how to move on and continue – take positive steps until you reach your goals.

Time
Make sure you plan your viewings/meetings so that there is plenty of time to build rapport and have a good chat with the other party. The key is to find the *real* reason for the sale. It's better to have one long successful viewing than to go through 15 short viewings without results.

Other top tips for negotiation

- **Be prepared** – always prepare before going into a negotiation. Be ready for possible surprises. Preparation ensures you don't get carried away in the situation and allows you to design an ambitious but legitimate goal. Role play how the negotiation could go. Try to anticipate what their objections/questions might be and have responses ready. Have an offer pack/proof of funds ready.

- **Listen** – we've all heard it before, but there is a reason we have two ears and one mouth... Listen more than talk! Again, don't make assumptions. Focus on the person and what they are saying, rather than thinking about what to say next (preparation helps with this). Also listen out for what they're *not* saying – if they're not being completely open, ask questions to work out the problem. Let them talk while you listen and analyse.

- **Deliver** – it's a no-brainer but do what you say you're going to do. My most recent deals have been secured because a deal fell through owing to an agent or buyer not delivering on what they promised. So I live by:

  1. Being on time
  2. Doing what I say I am going to do
  3. Over delivering

- **Follow up** – most deals are in the follow up as opposed to during the initial conversation negotiation. This is another reason why having a good rapport is key.

Finally, remember that negotiation isn't supposed to be an argument – the goal is to uncover as much information as possible and reach an agreement that works for you both! If you're interested in finding out more about what we do or how I can help, please get in touch.

komoproperties.com
info@komoproperties.com
komoproperties
komoproperties

HOW TO RAISE FINANCE FOR PORTFOLIO LANDLORDS

We have seen an influx in the number of enquiries relating to raising funds against existing portfolios. Primarily, we are seeing individuals wanting to release equity in a market where they feel their property values have increased, and therefore have seen an increase in the amount of equity within these properties. Being able to release this equity provides a pot of cash which can potentially be used as deposits to grow your portfolio further, and is therefore an attractive option to those looking for growth.

When looking to raise funds against your portfolio, the automatic assumption is that the best approach is via an application to one lender, but this is not always the best route. Furthermore, think carefully about whether refinancing at this moment in time is the most cost-effective option for you.

Looking to release funds from your portfolio, but where should you start?

When looking to release equity from your existing portfolio, there are a number of important factors that you need to bear in mind. Firstly and crucially, think about the existing lending you have in situ: what interest rates are you paying, and at what leverage? If you have previously secured competitive rates and/or leverage, it may be more beneficial to remain on your existing product. This is where it's helpful to discuss your current circumstances with a broker as they will be able to weigh up your current product(s) vs what is available to you in the market upon refinance. In addition, if you are currently on a fixed-rate product, a refinance may attract early repayment charges which again could make a refinance disadvantageous at that moment in time.

As a general rule of thumb, you are able to release up to 75% of the portfolio value via a single mortgage, or up to 80% of the property value when looking to raise finance against each property individually. If more than three properties are owned, lenders will assess the affordability of any finance against the portfolio as a whole, regardless of whether or not they are raising finance against the whole portfolio.

Portfolio mortgages are available, but are they right for you?

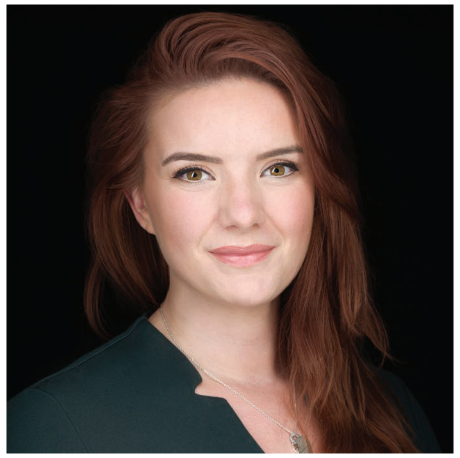
A portfolio mortgage usually refers to a single mortgage which scoops together multiple properties, allowing you to undertake a single application to raise finance against multiple properties. These can be beneficial for individuals wanting a simple and straightforward application process. There is also the potential to benefit from reduced costs during the due diligence process by going through a single application – some valuers may reduce their fee when valuing multiple properties. Note, however, that this is usually reliant on all properties being located in a similar area. If the properties are in geographically diverse areas, any reduction in cost is likely to be minimal. Similarly, there can be some cost reduction realised during the legal process, as the due diligence the solicitors will have to undertake on you as an individual can be applied to all properties, thus saving some time. Of course, there is still intensive legal due diligence that will have to be undertaken on each of the properties, so again, the cost saving may not be as large as you might expect.

When lending on a portfolio product, lenders tend to require all properties to be of an identical nature, ie: all properties must be within the same use class, and tenanted in a similar way (such as all properties being vanilla BTLs). If you have a diverse portfolio consisting of more than one property type, lenders may not be able to lump these properties into one application and multiple, single applications may be more suitable. This also applies to the ownership structure of the properties: lenders will usually want a consistent owner across all properties when lending on a portfolio product.

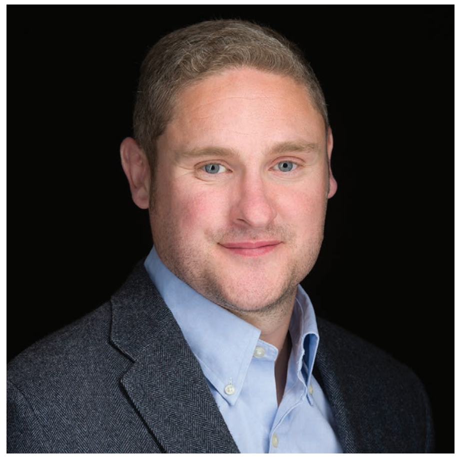
If a portfolio product is not right for your circumstances, this does not mean that finance is not possible. You will simply have to look at undertaking a number of applications so that appropriate solutions can be found for each property within your portfolio. Again, this is where a broker is invaluable as they will be able to explain which products and lenders are the most appropriate option for each property. Small nuances such as BTLs surrounded by commercial properties, or flats within a large block, may push the properties out of set criteria for certain lenders, so working with someone who understands the lender market is key.

A full refinance isn't an option at the moment, is there anything else I can do?

There are a handful of circumstances whereby a full refinance isn't the best option, such as large early repayment charges that would be due were you to repay the existing mortgage, or the product you are currently on being more competitive than anything else currently available on the market. Furthermore, it might be that you don't have a long-term use for the funds, and would rather release funds on a short-term basis to assist with a single flip project or development.



Alice Williams
Commercial Finance Broker



John Shevlane
Mortgage Specialist

In these circumstances, it may be best to look at releasing the equity for a shorter term via a second charge. The two most common second-charge routes are either bridging finance or a revolving credit facility.

Second-charge bridging finance can be done through a number of lenders in the bridging finance market. They are willing to lend up to a maximum of 75% LTV of the portfolio value – this means to calculate the useable equity within your portfolio, you need to do the following:

> Useable equity =
> (portfolio value x 75%)
> – existing mortgage(s)

Bridging lenders will then be able to release this usable equity on a short-term product – usually up to around 15 months. As with all bridging finance products, however, there is an incremental increase in the cost of the debt when compared with the mortgage, so it's crucial you consider this cost when weighing up the benefits of releasing equity in this way. If you're looking to release equity for a specific project such as a development, it may be possible for the development finance provider to take a second charge against the properties within your portfolio in order to simplify the process by using a single lender.

Aside from second-charge bridging, there are revolving credit facilities available in the market. These essentially act as overdrafts secured against your portfolio on a second-charge basis, and can be drawn down and repaid as and when the funds are required. The cost of these facilities depend on the nature of the portfolio and vary significantly lender by lender. The majority of lenders in this space do charge non-utilisation fees on these products (ie: you will still pay a nominal interest amount on the funds even when they are not drawn). There will then be full interest payable on any funds that are drawn for the duration over which they are being utilised.

When discussing your circumstances with either your broker or directly with the lender, you must disclose everything upfront. If you have poor credit, CCJs, even a past bankruptcy – declare it. It might be that these potential issues can be overcome and an appropriate solution for you may be found. Rest assured that credit issues or problems with the property will be discovered through the due diligence process, so be transparent so the best solution can be reached without delays or abortive costs.

To learn more about finance visit our free online course at
bluebricksmagazine.com/resources
under the tab: Property Finance Course by Pilotfish.

Alternatively, drop John Shevlane an email:
property@pilotfishfinance.co.uk

THE POWER OF SELF-BELIEF

YOU HAVE TO BELIEVE IT BEFORE YOU'LL SEE IT

Mindset and self-development are frequent topics for discussion across social media, Zoom calls and within networking groups and it's commonly recognised that the right mindset is integral to making your business a success while simultaneously finding ways to cope with the well-known stresses and strains of the industry. After all, your business all starts with you so, to give you a helping hand, we brought in mindset coach Grant Robe to talk you through the basics.

The power of perception

"You cannot change what you see, but you can change the way you see it"
Wayne Dyer

We are emotional beings. What we feel influences so much in our lives, but sometimes, no matter where we are in life or our property business right now, our emotions can catch us off guard and impact us in ways we didn't anticipate. Everything we see, feel and hear is internalised and this in turn creates the world around us as we experience it. How we experience the world is therefore all a perception, and each of us creates our own.

The powerful thing about our perception is that it can change at any given moment in reaction to what's happening around us. This means that how you see yourself, how you feel about yourself and what you believe to be possible for yourself can all change in an instant. Self-help and spiritual author Wayne Dyer refers to this as: "You cannot change what you see, but you can change the way you see it". It's our emotions, and the control we have over them, which determines whether or not these changes to our perception are a positive or negative experience.

Let's look at the last 18 months – they have been nothing short of an emotional rollercoaster, I'm sure you'll agree. "Do this. Think about that. Now do this. Wait stop, go back... start this again. Ok now move on. No wait, go back again..." I think this is a pretty accurate description of the road map many of us followed, don't you? And then came the milestone referred to as "freedom day"– whilst that may have brought some perceived freedoms in a physical sense, did it actually bring freedom to our minds? I don't know about you, but I still see a lot of fear-based actions and behaviours – and rightly so given the circumstances.

Freedom is a state of mind

The word "freedom" evokes thoughts of a new lease of life and an ability to do things we perhaps were unable to do before owing to restriction, blockage or sabotage. Ironically though, if we didn't feel free in our thinking before (not acting, *thinking*) we'll be hard pushed to notice any new "freedoms" appearing in the way we perceive what's going on around us going forward. In turn, we won't see freedom in the way we carry out our actions. It's an illusion our mind plays on us, triggered by hearing that particular word. Nothing much will have changed in that 24-hour period in our heads, yet we convince ourselves everything has changed. The same applies to how we view ourselves and what we believe about the things we tell ourselves, meaning that until our belief in ourselves shifts, little to nothing will have changed in our behaviours and actions. Until now.

> **YOU CANNOT CHANGE WHAT YOU SEE, BUT YOU CAN CHANGE THE WAY YOU SEE IT**
>
> **WAYNE DYER**

What does this mean in real terms? It means that, despite being figuratively "free", our next level of belief, action and ultimately results (whatever they may be), may still be a long way off. In order for things to advance around us, we first have to advance the way we see and think about ourselves, so we can influence our actions positively. Our actions and behaviours result in everything we have achieved in our lives to date. Consciously or subconsciously, we have created everything around us.

Perhaps for some of you, recognising this allows you to feel pride, happiness and confidence. For others, you may be feeling like you've got more to give, more to do and feel a little disappointed with your reality.

Recognising the power of your emotions

I remember my first HMO property deal, as part of a joint venture, back in 2017. We created a seven-bed, all en-suite, co-living HMO in the centre of Nottingham. Having never done anything like it before, we experienced the full gamut of emotions throughout the process as we came to the realisation that the reality of property was far from how we had perceived it. From difficulties with the council granting the HMO licence, to the mortgage company down-valuing the refinance by £40,000 – we found ourselves questioning why we'd started in the first place.

I could have given in at this point, when our emotions were negatively heightened and let that emotional state dictate my next actions. Instead I decided to acknowledge that I wasn't where I wanted to be and believed that, if I changed my actions, the outcome could be influenced to get me where I wanted to be. So what was the result you may ask? After overcoming all challenges, we sold the property to an investor, as a fully operational investment, for more than it had been previously valued. Safe to say that we hit a state of euphoria and our confidence reached a new level!

Our belief in what is possible for us often faces opposition from what our emotions are telling us to do at any given moment. So what you tend to find is that the more you act out of emotion, the less you will believe in what you are working towards and the less likely you are to believe you can actually get where you want to be. Logically you will find things chaotic and "hard".

So whether you've just started out, or you're considering your next move, understand that your emotions will play a huge part in your results over the next six months. My advice at this stage is to acknowledge what your emotions are causing you to feel and ask yourself: "If I act based on this emotion, does it bring me closer to the outcome I desire?" If the answer is no, understand that it's ok to act against the emotion you feel and have the confidence in making that decision. It will serve you long term, I promise!

The power of routine

One thing you can do is create healthy routines to support the actions you want to take more frequently. Identify what it is that you *don't* want to do and link that to your current actions. Understand that point fully: the things you do not like right now are linked to your current behaviours. So for things to change, you have to change your behaviour. And this directly influences belief in what you can achieve.

You can then devise a new part to your routine to influence a healthier and more positive way of taking action. For example, if you eat unhealthy snacks, and your fitness isn't where you want it to be, then consider adjusting your evening

Grant Robe - Executive Mindset Coach

routine to include time to prepare healthy snacks for the following day. Or perhaps you're looking to improve your emotional intelligence, so in the morning before you start a workout, you could carve out ten minutes to write down your thoughts so that you can start to get a feel for how you're talking to yourself. To some extent, most people will overlook the power and impact of a routine and this will be the single-most impactful reason their progress is slow in certain areas of life. I'm not talking about 15-minute incremental slots – far from it. Get consistent in doing positive things daily – that's where you start. From making sure you drink three litres of water a day, to working on your cardio and journaling your thoughts so you can learn from yesterday – each task starts to compound over time and you can even stack many of them back to back so they create less disruption to your day.

Removing certain habits from your life (such as checking your emails the moment you wake up or scrolling through social media late at night etc) will allow you to begin to support a positive outlook and give you clearer focus regarding your next moves. It will start to bring new levels of clarity to your thought pathways and allow you to connect with the power you hold within. And once you start making these changes, you find they snowball: your next step is right in front of your eyes and, by shaking up your routine one step at a time, you can continue to build on and support these positive changes you have taken. You'll be surprised at how confident you become in a short space of time. Look at it like this: after 30 days of drinking three litres of water a day, exercising to some degree daily, being conscious of the fuel you put into your body *and* keeping a record of your thoughts during this time – look back and realise that you have a significant amount of information at your disposal. This information will help you raise your self-awareness, which in turn will allow you to get a better sense of who you are and how best to manage substantial changes, consistently, in your life. If you can master these simple tasks, you can do anything – it's all down to your frame of mind when you set out.

And it's important to remember that we don't just magically become more confident through our achievements. Indeed, it's quite the opposite: our confidence builds by going through the action steps to achieve our desired outcome in the first place, whatever those steps might be for each individual. Confidence comes through the process, not the result. Too many times I see property investors, parents and business owners waiting to be more motivated so that they can start making progress. This is backwards thinking. Instead, support yourself through daily self-talk, demonstrate internal self-love and empathy towards how you feel and start to notice how you build a momentum and drive in your ability to take continual steps and action.

Here's a simple way to kick start this process. First, when you do something new, listen to what your internal dialogue says to you. Is it supportive? Or is it talking down to you? If the latter, change it – it's your mind after all. Focus on the things you are learning from your actions and praise yourself for making the change to be better. Next up, love yourself for what you're doing. When we change behaviours and habits, a vital part of the process is rewarding ourselves for the actions we take, a sort of verbalisation of what went well or a little fist pump – even a pat on the back to say you've got this! Embrace the fact that you're doing a great thing by making changes and subconsciously reaffirm them to last. If you don't love yourself for what you're doing, then why are you doing it? And finally, accept that today is just one day in a much bigger process. Not every day can be your absolute best – you're a human being. Show yourself some compassion and empathy and understand that it's consistency over the long term that builds true confidence in your ability. Be patient with your progress, and learn each day – there's no need to apply unnecessary pressure. Enjoy your process.

Find your winner's mentality

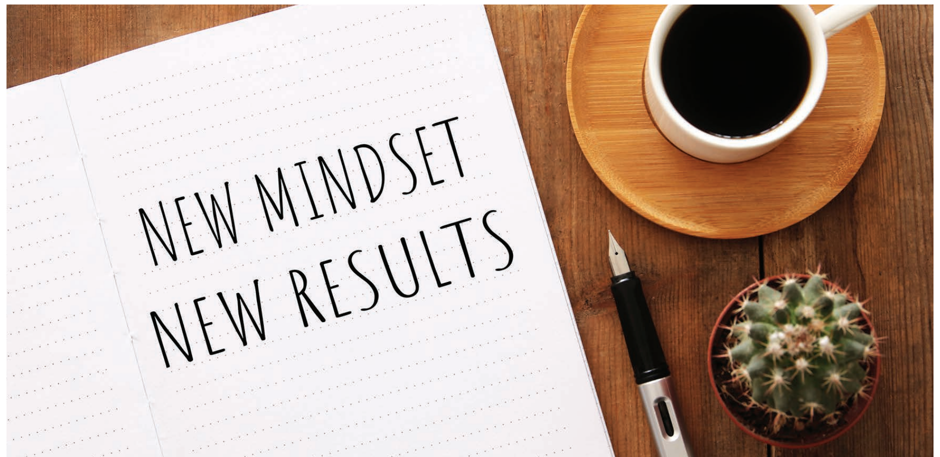
The next skill to master is to learn to look more objectively at other people and not to be so quick to compare yourself to their results. Focusing too much on others can be an unnecessary distraction from your new-found process and lead you to paint a less positive picture of your own achievements.

Internal and external comparisons influence what we believe and will trigger either positive or negative emotions depending on who we are and what we want to achieve. Our beliefs around who we are and what we can achieve come from our past experiences so, in order to challenge and change these beliefs, we first need to understand what may be influencing them, especially if they are negatively impacting our progress. More often than not, when we do not believe in ourselves (consciously or subconsciously), it can lead us to seek external validation of our actions. And from here it's a slippery slope.

Let me explain. When we compare ourselves to someone or something else (portfolio size, perceived success etc) it will always bring on feelings of inadequacy or a downward comparative effect on our personal view of what we have achieved to date. This will bring on a whole host of negative comparisons, thoughts and expectations which in turn lower our belief around what is actually possible for us. What started out as a simple thought can be amplified into an out-of-control monologue of self-doubt, negative self-talk and a whole host of language patterns we don't have time for today.

Think about it: when we look at social media, magazines or reflect on events we've attended, we're bombarded with other people's results. We see the all-money-out deals, we see the portfolio purchases, we see the rent-to-rent empires and we see the tribes and communities built around them. Because of this, subconsciously, we associate feelings of success with these material outcomes. But material results don't mean we are more confident in what we do; going through the process does. Here is the biggest limiting belief that 90% of people have: "People only want to see the results, they don't care about the process." Have you ever stopped to consider that the process that you've gone through recently is exactly what hundreds, if not thousands of people, are dying to see and learn from?

Look at it this way: consider the actions you had to undertake during the various lockdowns to keep your head above water, your livelihood intact and your business growing (not just surviving!). Think about all the ways you adapted, pivoted, coped with the sleepless nights – then stop and recognise that the skill and resilience you have demonstrated here is sought after by others and is the very reason you're still here today. This should be the biggest confidence boost you have ever experienced!



You don't build confidence by being right all the time and having an easy ride in your property pursuits. As American entrepreneur, author and motivational speaker Jim Rohn famously said: "Don't wish it was easier, wish you were better." And remember that being better starts with believing something different is possible for you. It's time to start being OK with getting it wrong, learning from what you do, and not repeatedly doing things that don't help you progress.

Whether you have one or 1,000 properties, you will never outperform your belief system. Fact. Therefore what you believe to be true for you right now will continue to yield the results you are already getting. If you want to reach that next phase, level or achievement in your personal life, property portfolio or business growth… change your belief system.

But how, I hear you ask?

What I want you to understand is when you compare yourself to others, you are giving away your positive power. You are allowing someone else to influence what happens next for you. I'm sure you've heard the phrase "The best time to buy property was ten years ago… the second best time is now"? Well, I really like this statement for two reasons. One, it's telling you to get on and do what you said you were going to do (action breeds belief). But also, it's showing you that it's never too late to keep building on what you have already.

So, rather than focusing now on what everyone else is doing, you get to double down on what *you* want, and don't stop any time soon. The impact is an internal and upward trajectory comparison: the best kind

OUR DEEPEST FEAR IS NOT THAT WE ARE INADEQUATE. OUR DEEPEST FEAR IS THAT WE ARE POWERFUL BEYOND MEASURE

MARIANNE WILLIAMSON, AUTHOR, POLITICAL LEADER AND SPIRITUAL ACTIVIST

of comparison. This means you are comparing what you did yesterday to what you are doing today and making the small but necessary changes to your behaviour and actions so that you progress today.

Rather than negatively comparing your results to those of other people, you recognise their results as confirmation that it's possible for you to do that too and that you need to craft your own path to get you there – first in your mind, and then in your actions. The next six months will be your best yet – if you believe and act so. One of my clients has had their best year in business over the last 15 months, and they've been in business for nearly a decade. Why? Because when we started the process and worked on their belief system, they were able to see it was possible. It became about the daily process rather than the fear of "what if?" and with that mentality you can only improve. We call this a winner's mentality: an inability to quit on yourself.

Take a look over the last two years and highlight some impacts of your limiting self-belief. It can be the simple things. We all experience them. The days you talked yourself out of following up the message, or calling that potential investor or attending that online networking event – we've all done it. In our personal lives it might be not going for that walk or gym session or making a bad choice around food and health. The things that you don't do because you don't believe in yourself are just as (if not) more impactful than the things you do execute on.

Remember, just because one area of your life is excelling – whether that's business, health or relationships – doesn't mean you don't lack belief in others. I have worked with individuals who are financially very successful, but lack an intimate relationship with their partner owing to low self confidence in that arena. Understanding you and knowing what you believe to be true for you is vital in long-term progress.

Fear of success

"Our deepest fear is not that we are inadequate. Our deepest fear is that we are powerful beyond measure."
Marianne Williamson, author, political leader and spiritual activist

What if, after changing your perspective on what's going on in your life right now, you come to realise that you aren't holding back because you're fearful of not achieving something, but instead you're fearful of what you can really achieve? Your limiting belief is actually not knowing what to do when you've reached your potential, therefore you refrain from taking that next step.

One of the most profound things you can do to build resilience and make your confidence bullet proof is to face your fears. And face them regularly. Understand that your mind will make things out to be far worse than your reality – the mind is so powerful, it will paralyse you before you've had the opportunity to get where you want to be.

If you take nothing else from being here and reading this today, learn this one thing and make it your mantra: do the hard things first. When you come up against something hard – something you fear, something that makes you uncomfortable just thinking about tackling it – that's the thing to deal with first. Be it the exercise you don't want to do, the call you don't want to make, the healthy food choice you're talking yourself out of, that bigger deal you've considered but put off… Do the hard thing first. Face your fear, and watch your self-belief shine. Aristotle famously said that "We are what we repeatedly do. Excellence, then, is not an act but a habit." Another prompt for a healthy routine to support your positivity.

Remember, that you'll never have all the answers, and you'll never know all the knowledge. That is a fact. But there's also never a better time. You can't change the past and you have no control over the future, but what you can do is control the present moment. So believe it's the right time for you. Believe it's possible for you. And understand that you have the answers within yourself.

Importantly, don't let your emotions be the dictators of results that are below your true potential. Lean into your internal resistance now, and excel in your current or next venture. You were born with the highest level of confidence and self-belief, you have it within you so now let it support you into the next phase of your life, property journey, and success.

I believe in you.

You can get in touch with Grant here:
grantrobe.co.uk
grant@grantrobe.co.uk

Grant is one of the many speakers within the Prosperity Power Group, founded by Liz Baitson and Kal Kandola. This organisation is described as a "private community, devoted to positive, personal and powerful mindset wisdom that is geared towards supporting members in their entrepreneurial life and beyond".

It forms part of the Prosperity Group Global which also includes the Prosperity Property Group. Find out more about them here:
Prosperity Property Group
kal@prosperitygroupglobal.com

Grant Robe is a multi-award-winning mindset coach, working specifically with both entrepreneurs and parents to give them the skills they need to reach their next level of success. Grant draws on his previous career - spanning over a decade - as an elite athlete and coach in the high performance space to help unblock his clients' potential by improving confidence, focus and discipline. Alongside his work at the Prosperity Power Group as mindset coach, Grant runs his own coaching company – Grant Robe Coaching, which includes his signature group programme: The Optimal Breakthrough System. He is also a host for Surrey's High Net Connect Event. Grant has a wealth of experience in bringing together individuals to accelerate their network growth and loves nothing more than spending time with family, eating exquisite food and training to push his boundaries.

STRUCTURING A PROPERTY BUSINESS FOR TAX

Jerome Lane, Director of TaxAntics Limited

It's an age-old tax debate as to whether personal or corporate ownership is the right way to invest in buy-to-let residential property, even before hybrid (partnership/LLP) or trust structures enter the fray. In many ways "structuring for tax" is a dangerous phrase simply because there are so many other factors that can influence a decision. These can include income requirements, exit strategies, lifetime goals and family considerations. To coin an old phrase: "Don't let the tax tail wag the dog." What does that even mean anyway?

What every business owner should understand is that both circumstances and tax rules will inevitably change so it is far better to get set up first, get to grips with your business and then look to adapt as you go. After all, we learn to walk before we learn to run! There are always methods of restructuring if necessary, although some routes are more riddled with traps and pitfalls than others. The only bad decision is not making any decision at all, or making one without a full understanding of the potential outcomes.

Landlords have seen many changes to the tax rules that apply to them in recent years. Established landlords may well recall wear and tear allowance and the introduction of the "replacement of domestic items" relief which offers traditional buy-to-let landlords a form of capital allowances.

By far the most controversial and punitive change is the mortgage interest relief restriction introduced under s24 of the Finance (No.2) Act 2015 which specifically applies to individual landlords with buy-to-let property portfolios. The rules do not apply to furnished holiday lets and most serviced accommodation.

Interest relief restriction

Since 6 April 2017, all finance costs and related expenses have been gradually restricted on an increasing scale for all individual landlords letting residential property. From 6 April 2020, no finance costs have been allowed as a gross deduction. Instead, an income tax reducer is given as the lower of:

- 20% of the prescribed finance costs;
- the property business profits; or
- total income (except income derived from investments) that exceeds the available personal allowance.

Basic rate tax payers are generally unaffected, although the inability to deduct interest does increase taxable income. This puts some landlords into the higher rate tax bracket even though there has been little fundamental change to their actual income. Becoming a higher rate taxpayer has other implications, such as for those with young families and who claim child benefit.

The restriction of mortgage relief can actually push effective tax rates on property income to well over 50% or even 60% for landlords who are heavily geared and are higher rate taxpayers. It would therefore be prudent for all landlords to understand their exposure and take steps where possible to maximise efficiency to ensure maximum profitability of their property business.

Tax planning opportunities

Whilst the new rules effect all residential landlords with finance arrangements, larger unincorporated property businesses and those reinvesting profits into further acquisitions are among those likely to feel even more pain. Property tax planning can have significant Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT) implications.

Husband and wife/civil partnerships or family businesses can review their profit-sharing agreements and ratios, although this could carry tax and legal complications. HMRC generally require married (including civil partnership) couples to share joint property income equally. To change this, a declaration of trust or similar deed declaring differing beneficial ownership as well as a "Form 17" would be required by HMRC. This is not a flexible solution and could have adverse consequences in the future, say in the event of a separation or divorce.

For more flexible solutions such as partnership arrangements, HMRC have wide-reaching anti-avoidance provisions that would require careful consideration. Carefully drafted supporting documentation and commercial rationale for decisions made are helpful in these situations.

Incorporation

An existing property business can be transferred to a limited company on a tax-neutral basis in certain circumstances. The mortgage interest relief restriction has already led to many successful incorporations of property businesses. Besides the main tax issues described below, practical issues include the potential need to rearrange finance arrangements (often at a higher ongoing cost), formally convey properties between entities and revise legal documents including tenancy agreements. The whole process can be costly as well as very time consuming. That said, it can also lead to opportunities for tax-efficient restructuring of the portfolio as well as potential estate planning.

Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT) relief

Where a business is transferred to a company in exchange for shares, incorporation relief can apply for CGT purposes. There have been many tax cases that challenge the presence of a business where property had been transferred to a company and incorporation relief applied in order to rollover the latent gain into the share value. The most prominent case that ruled in the taxpayer's favour is Elizabeth Moyne Ramsay v HMRC [2013] UKUT 0226 (TCC). This case has served as a benchmark in considering whether a business exists for incorporation of a property business.

It is also possible to seek a pre-transaction clearance from HMRC Stamp Office in instances where it's considered that SDLT does not apply. This generally applies where the business being transferred is carried on in partnership, although it is not always clear cut as to when a partnership exists.

It is important that landlords have a basic understanding of taxation and the treatment of their property business during its lifecycle. There is no hard-and-fast precedent in terms of which structure works best for tax purposes and what's good for one is not always good for all. It is important to analyse your own situation carefully rather than follow sweeping statements or advice that is not tailored to your own situation.

Any landlord considering the incorporation of their property business should take full tax advice on the suitability of such arrangements in their particular circumstances. It's possible to seek HMRC clearances to give certainty that they will not challenge transactions carried out as described to them.

Resources

For further information please visit the Blue Bricks website 'Resources' area under the section labelled 'TaxAntics':
bluebricksmagazine.com/resources

For any tax-related queries please contact Jerome Lane:
01276 600990
07943 005902
taxantics.co.uk
jerome@taxantics.co.uk

THE OLD BAKERY PART TWO

CASE STUDY

In the inaugural issue of *BBM* all the way back in May 2020, we followed the early stages of Cathy Waddington's story as she embarked on her first-ever refurbishment project. The Old Bakery had stood empty, neglected and unloved for almost 30 years and Cathy dreamed of turning it into a beautiful, cosy cottage. As a Grade II-listed building with damp and structural issues, it would have been a mammoth challenge for even an experienced developer, but for a first timer to take this on was a brave, bold and some might say crazy move! But Cathy has *definitely* got what it takes to survive the challenges, and we think she has done an amazing job, see what you think!

You can re-read part one of this article on the *Blue Bricks* website, where Cathy takes us through how she found the property, planned the new layout, acquired planning permission and started to enlist builders. Here we pick up with Cathy where we left off.

In May 2020 I outlined my plans for The Old Bakery House in the village of Mersham, Kent. Purchased post auction for £100k in August 2019, I was just putting the job out to tender as I wrote that first article. Of course, by then we were in the middle of the first lockdown, but – as we hadn't yet started on site with any construction work – we were able to proceed with the initial phases of finding contractors and funding.

Financing the works

It very quickly became apparent that my initial estimate of £150k to complete all the works had been wildly optimistic. We had three builders tender for the job and the costs came in at £220k, £170k and £140k – that was just for the building element and didn't include any of the FFE costs (furniture, fixtures and equipment) for which I had allocated an additional £20k.

I decided to go with the middle price of £170k because the builder worked regularly with Tim, my conservation architect, and I had seen a couple of projects he'd recently completed. The standard of work was high and he understood listed buildings and the quality of finish I was looking for. I accepted the tender in writing, took a deep breath and applied for a bridging loan.

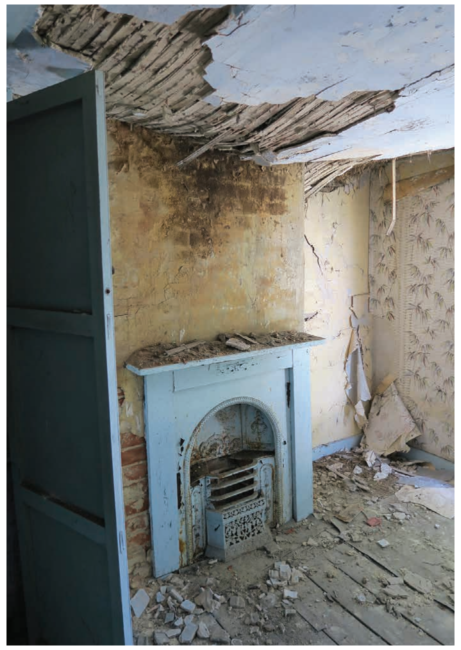
Tony Pomphrett at WP Finance walked me through the entire process. The lenders weren't keen: I was a first-time developer and the property was "challenging" to say the least. I filled out endless forms and produced numerous proofs of income. Finally, two lenders were prepared to offer terms based on the fact that I had £100k of my own cash in the property. The application process took much longer than I thought it would – the builders had started the first week of September 2020, but by the end of November the loan had still not been approved. Fortunately, I could draw dividends from my interior design company to keep the builders on site whilst everything was finalised, but it was a bit hairy for a few months.

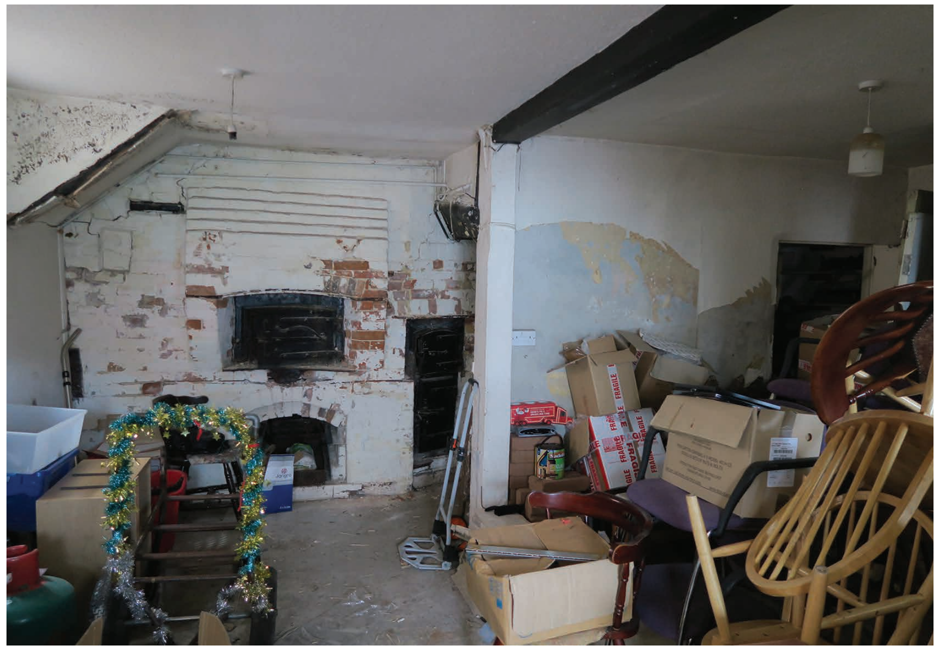
Challenges on site and managing the spiralling costs

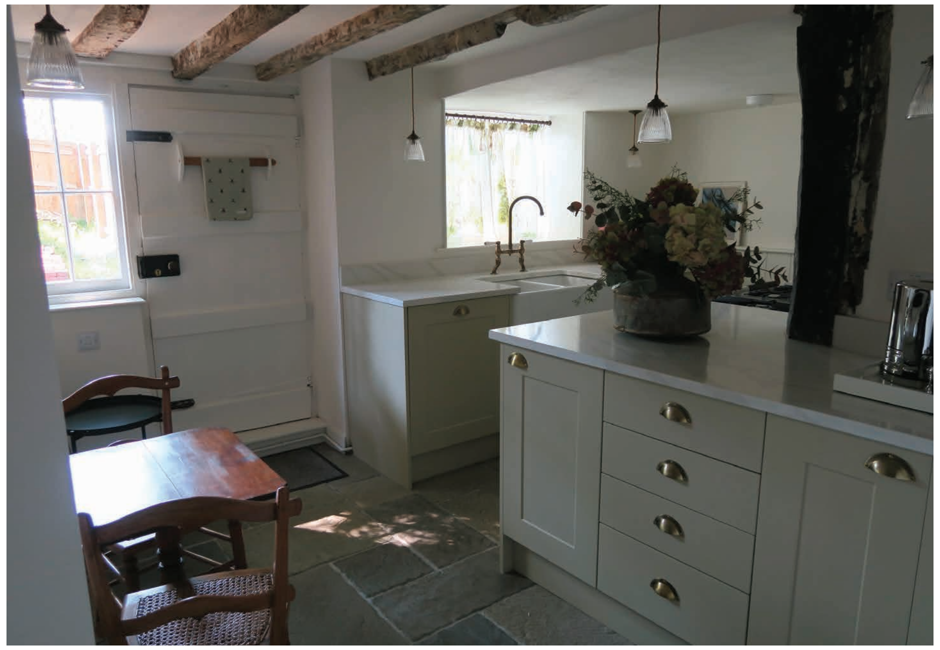
After the property had been stripped out (it took a full three days just to clear the piles of rubbish that had accumulated over the years!), the fun really started. We had a regular site meeting at the end of each month and I visited at least twice a week to keep an eye on progress. As expected, there were lots of problems, with insect infestation and damp being two of the more major issues. We discovered that the entire first floor was being supported by an old railway sleeper, presumably installed by a thrifty builder in the mid 1800s. Unfortunately Building Control wasn't impressed and I had to employ a structural engineer to oversee the installation of a new RSJ (rolled steel joist) to support the weight of the top floor adequately.

Cathy Waddington
Property Developer

IT VERY QUICKLY BECAME APPARENT THAT MY INITIAL ESTIMATE OF £150K TO COMPLETE ALL THE WORKS HAD BEEN WILDLY OPTIMISTIC







Everything cost more than estimated, and I mean *everything*. And never by just a few hundred pounds – usually by a few thousand! I had set up an Excel spreadsheet and this was invaluable for keeping track of my finances. There were many additional costs that I just hadn't anticipated. For example, I needed to employ a party wall surveyor to oversee the work being done in the roof space that adjoined the pub next door. Not only did I have to pay my costs, but I also had to pay for the brewery surveyor when they disputed our application. The damp proofing works came in at a whopping £6k, which I hadn't budgeted for. The secondary glazing was also £6k (I had budgeted for half that amount!). To be fair I knew that I had chosen a particularly difficult and complex building so perhaps it was to be expected! There were no services in place as it had never been lived in – plus, it had been empty for almost 30 years so the insects and damp had really taken hold.

The staged payments from the bridging lender were not as big as I had hoped and with the builders invoicing £15–20k every three weeks, it didn't take long to chew through each drawdown. I had to book five valuation surveys in all (£370 each) to keep the funds flowing and the process wasn't helped by the fact that I had three different surveyors over the course of the build, so little continuity. I made a point of being there each time they visited to answer any questions and to keep things running smoothly. I had a copy of my spreadsheet on my iPad so I could show them exactly where we were in the build programme and how much more money there was to be spent. The lenders were great and the money typically hit my account the day after they received the valuation report.

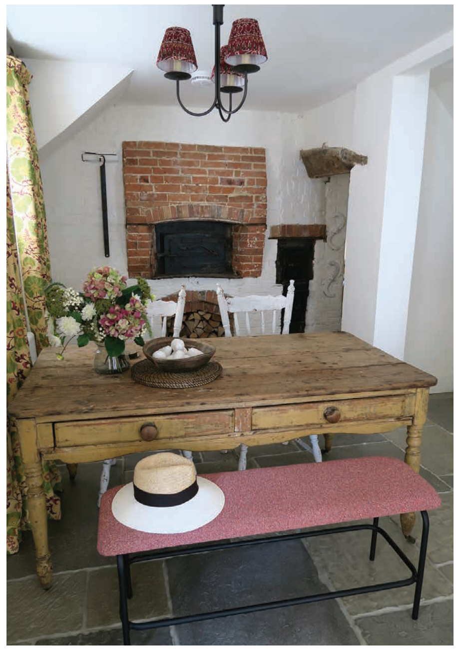
Going bat-sh*t crazy

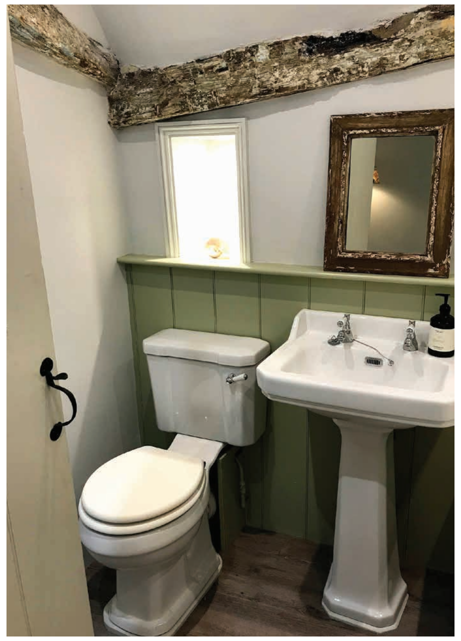
In the first week of October the builders found a bat. Just the one. It was alive, although coated with the woodworm treatment that had been sprayed the day before. Everything stopped whilst we consulted a bat expert. I was dreading them telling us we had a colony in the roof. Bats are a protected species and it's against the law to disturb them. The experts surveyed the roof space and decided it was a random bat and not part of a roost. This was great news. The bat that the builders found was washed off and released at dusk to live another day. At least he won't get woodworm.

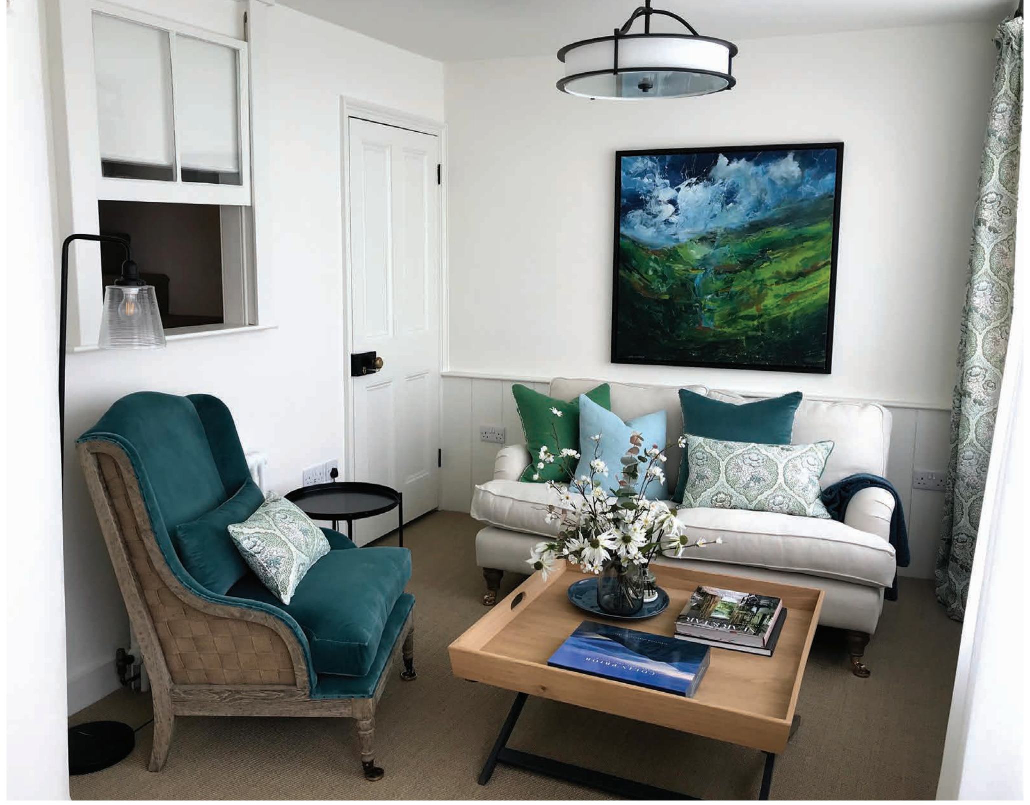
And so the build moved on and progressed steadily until the lockdown in January 2021. The builders worked through, although the number of people in the property at any one time was limited to two, and this slowed things down considerably. They also started to run into supply problems with materials like cement. There came a point in mid-February this year when I wondered if they would ever be finished. Easter came and went and progress was still painfully slow. Add to this a three-week delay when the roofers contracted Covid. And another long delay with the supply of the radiators. And then there was the phone line: I booked the installation of the new line with BT thinking this would be quite straightforward. It actually took BT and Openreach more than 22 weeks to connect it, and just 1 hour to physically connect the line on the day they finally showed up!

Bringing The Old Bakery back to life

In May this year I started to turn my attention to the internal decoration. As all the internal walls are rendered with lime plaster I needed to use breathable paint. I chose White Clay from Earthborn's Claypaint range for







AS AN INTERIOR DESIGNER WITH MY OWN SOFT FURNISHINGS COMPANY, THE CURTAINS WERE NEVER GOING TO BE READY-MADES

the walls and ceilings. In the en suite, I chose Farrow & Ball Dix Blue for the wood panelling and in the kitchen, the Chelford units from Howdens were painted in F&B Ball Green Eggshell. For the exterior woodwork, I plumped for F&B Hague Blue for the doors and fascia above the shopfront. A local sign writer did an excellent job painting "The Old Bakery House" across the front. This cost just £375 but has made the biggest impact of all on-the-kerb appeal of the property.

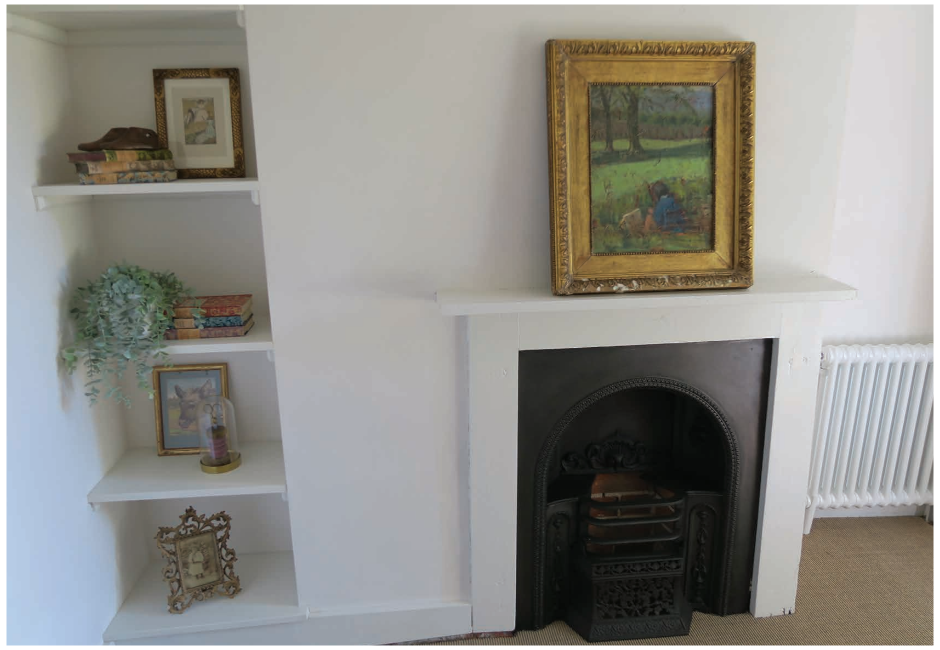
The brick wall that housed the bread ovens proved problematic. The builders were confident they could strip it back to red brick with standard peel-away strippers. Unfortunately, they got through several tubs and a lot of man hours before realising that this wasn't going to happen. I made the decision to get in a professional firm to sandblast the paint off the wall. I took one look at the massive black hoses, industrial fan and generator and nearly called the whole thing off. It did, as I suspected, make an unholy mess everywhere. In the usual run of things, a job like this should be done way before the interior decoration is even started – never mind finished, but I could visualise the end result and pressed on, keen to achieve my dream interior.

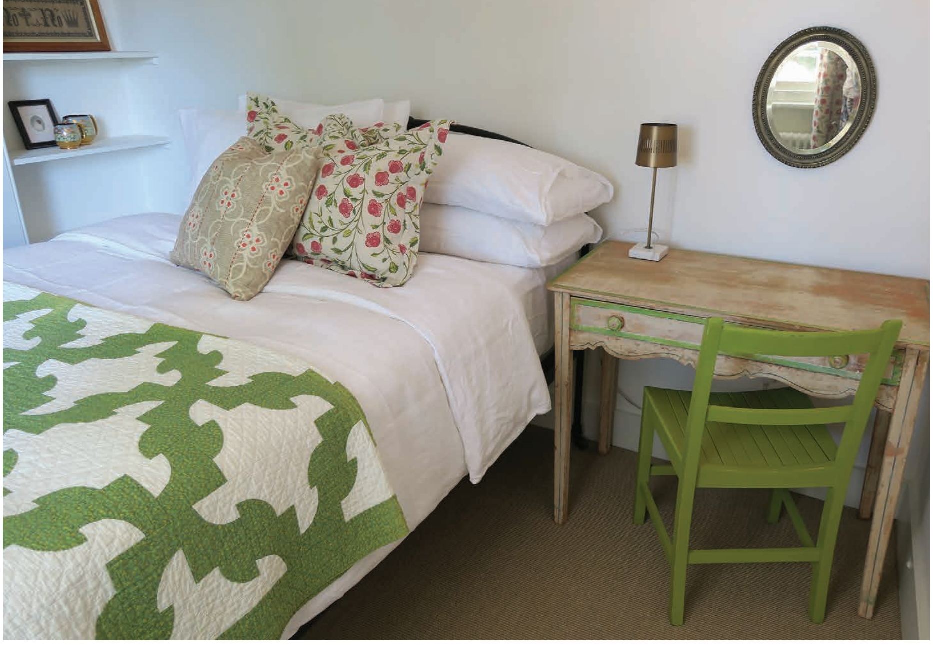
It's all about the finishing touches

As an interior designer with my own soft furnishings company, the curtains were never going to be ready-mades. I wanted the Bakery to retain the charm and character of a listed building but at the same time have a modern twist that would appeal to younger buyers. I really went to town on the soft furnishings because I knew they would be offset by the plain, neutral walls and ceilings and I'm thrilled with the way it's turned out. It had always been my intention to furnish the Bakery and I have spent the last two years picking up pieces on eBay and Vinterior.

Accessories have been sourced from antiques markets and bric-a-brac shops. Nothing has cost a fortune but I was careful to space-plan the rooms so that everything fits perfectly. If the future purchaser wishes to buy any of the furniture then I'm happy to discuss prices. If not, it will all go into storage ready for the next property. A few pieces of artwork are from my own home and those will stay with me.

I understand that furnishing and accessorising the Bakery is all money off my bottom line, but I am appealing to the top of the market and feel it's money well spent. A couple of the downstairs rooms are tricky shapes to furnish and I didn't want prospective purchasers to question how the space could be used. For the flooring I opted for reproduction flagstones in the kitchen and dining room, and a Crucial Trading sisal matting throughout the remainder. Both the bathrooms have a Karndean limed oak-effect flooring which is both practical and hardwearing. The light fittings throughout are from Jim Lawrence and suit the period of the building perfectly. I learned a long time ago that getting the lighting right is key to the success of any interior.





The final valuation

It's taken just shy of two years from purchase to completion. Covid has contributed significantly to the delay, although it has also meant that The Old Bakery House will be hitting a rising market at a time when there is very little available, particularly period village properties.

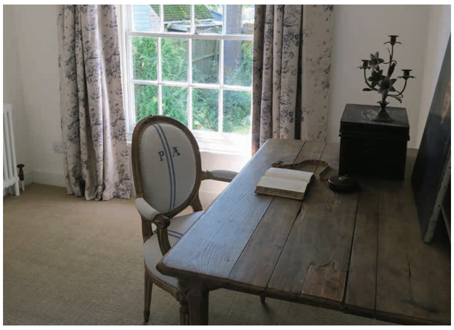
I invited three estate agents to view the property: two local businesses and one national. All three agents were impressed with the standard of specification, interior design, and attention to detail, which was very gratifying after the immense effort I've put in. Strutt & Parker – the national agent – shared my view that the property will most likely appeal to a professional working in London and looking for a weekend bolthole, or who works from home two or three days a week and wants an easy commute.

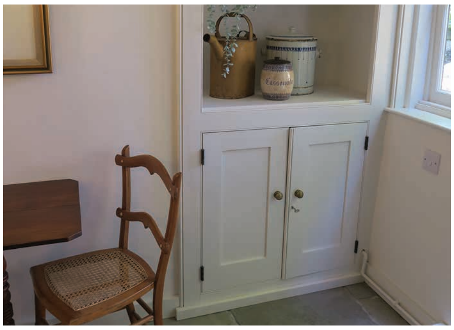
Strutt & Parker's was the highest valuation at £550k. I had been hoping for a valuation somewhere around the £480k mark which would have given me a profit of around £70k. You might think that I should have been aiming higher after two years' hard graft, but at one stage – with costs escalating wildly, I would have been happy just to break even! Anyway, if we manage to sell at £550k, I'll make a profit of just over £130k – more than double my initial estimate! Now that the marketing material is prepared, we have just put the property on the market.

Lessons learnt

So, what have I learnt? Firstly, don't let your plumber choose the proportions of your radiators (disaster – think tall, narrow radiators under short, wide windows). This was quickly rectified when he saw my horrified expression. When you have calculated your contingency budget, double it. Get all your financial ducks in a row *before* applying for finance. Check for bats on day one, just in case. Don't assume that trades will automatically centre things in recesses. A good conservation architect is worth his or her weight in gold. Allow at least six months for communications to be connected where none existed before. If it's not in writing it won't happen. Spend money where it counts: I installed quartz worktops which swallowed a big chunk of money, but every single person who walks into the kitchen comments on them. A good builders clean is hard work, but no-one will do it as well as you. Spend a few nights sleeping in your property and check that everything works. It's not until you lay in the bath that you realise the painters missed the underside of the wood capping, or that the shower screen is too narrow and the bathroom floor gets soaked (rookie error).

Would I do it again? Absolutely! In a heartbeat. A Grade II-listed building is always going to be a challenge, but it's never going to be boring. I put my heart over my head and did everything I shouldn't: I bought a property at auction that I hadn't viewed properly. It was a listed commercial building, in a conservation area and next door to a pub. But what a beauty she's turned out to be! I hope you agree.





To watch Cathy's full presentation of this project, please visit the members' area on the Blue Bricks website and go to the recording of the August online meetup.

You can follow Cathy on Instagram:
MaidofMersham

Project figures

Ceiling price for property	£550000.00

Costs

Purchase Price	£106000.00
Contribution to sellers fees	£640.00
Auctioneer admin fees	£800.00
Cost of finance	£20000.00
Loan plus interest from family	£41800.00
Land registry fees	£190.00
Buildings insurance	£1287.14
Architect's fees	£17223.39
Building costs	£181038.00
FFE	£22000.00
Planning fees	£405.83
Building control	£800.00
Principle designers	£600.00
Asbestos survey	£230.00
Party wall surveyor	£2340.00
Damp & infestation treatment	£2295.00
Damp proofing works	£6044.20
Garden fencing/ landscaping/demolition	£3499.77
Secondary glazing	£6092.83
Bridgers valuation fees	£1600.00
Conveyancing	£1080.00
Cost of selling property including legals	£8750.00

Profit

(if sold for £550,000)	£125283.84

LENDING UPDATE

A look at the current situation in the world of property finance

Alice Williams - Commercial Finance Broker

Holiday lets

As holiday lets continue to be popular in the property-investing space, lender appetite remains strong. Mortgages are currently available on holiday lets owned in limited companies, and leverage is up to 75% of the property value, with rates starting from 3.44% per annum. It is also worth noting that holiday let products are available for first-time investors, although the interest rates will be higher. Lenders will also do their due diligence on the location, and will be led by perceived demand in the area for this type of property.

Equity finance for experienced developers

A new lender offering equity finance has released a product available to experienced developers, willing to top up standard senior debt to 100% of total cost (total cost being purchase price and associated acquisition costs, as well as build costs). The number of senior debt providers willing to accept no personal contribution from the developer is more limited, so if you are looking to top up your senior borrowing with an equity provider like the above, you will need to consider this when choosing a senior debt provider. There is no personal guarantee requirement for the equity product, but they'll require second charge on the development site. This level of lender flexibility does come at a cost, and they will require a share of the profit which varies on a scheme-by-scheme basis. The key point to remember for this product is that it is only available to experienced developers.

Development finance remains aggressive

Standard development finance remains aggressive, with a plethora of lenders to choose from. Loan-to-gross development values are at a maximum of 75%; however, this is dependent on the profit levels within the scheme, the location of the development, lender due diligence, and the experience of the client seeking finance. There are currently lenders available to support the majority of schemes, even those that are quirkier in nature (think obscure locations developers with limited to no experience). First-time developers should expect rates from around 7%PA, with more experienced developers looking to maximise leverage able to achieve rates from c5.5%PA.

New "green products"

Lenders continue to be increasingly keen to support "green homes" – those properties that are more eco-friendly and energy efficient. This has led to the introduction of a range of "green products". The most competitive of which for limited company-owned buy-to-lets is the Foundation Home Loans offering, which is tiered depending on the EPC of the property. A property with an EPC rating of "A" starts at 1.99%PA, "B" is 2.29%PA, and "C" is 2.49%PA. FHL are also able to support refinances prior to six months of ownership, so real benefit has been felt by those applying a BRR strategy in which the EPC of the property has been significantly improved.

Bridging still competitive

As always, bridging finance is rife with lenders and remains competitive. Aspen Bridging have recently introduced their lowest ever bridging finance rate of 0.39% per month – note, though, that this is on a stepped product, ie: the interest rate starts off low, but increases during the loan term. The Aspen product in particular sits at 0.39%PCM for the initial six months and increases to 1.24%PCM after the six-month mark. Whether or not you can benefit from the reduced rate depends therefore on the borrower's ability to repay the bridge within the initial six-month period. Be realistic in your timeframes when weighing up the cheapest product for your specific scheme. There are a couple of other lenders offering incredibly similar products, with Hope Capital offering initial rates of 0.39%PCM for the first three months, and increased rates of 1.19% for the following three (on a six-month loan term).

Commercial investment mortgages

We anticipate the introduction of a new commercial investment mortgage product specifically aimed at first-time investors. This will allow individuals with no previous investment experience to obtain a mortgage against a commercial premises, a market predominantly filled by Together Mortgages currently. We are yet to receive full details regarding this product, but it's believed it will be cheaper than that offered by Together, and will help investors looking to go down the commercial investment route get started.

Development loans increasingly available

Development loans intended to support smaller developments (based on loan size) are becoming increasingly available within the development finance space. This increase in supply means that lenders in this space are becoming more flexible in their criteria and are lowering their interest rates. Loans in this space start from around £150k, and rates (outside the high street tier) start at c8-9%PA. This allows developers to undertake smaller-scale developments more easily, as expensive loans previously proved to be somewhat of a blocker.

As always, the market remains fluid, and lender sentiment continues to be positive.

pilotfishfinance.co.uk
property@pilotfishfinance.co.uk

Written on 16/08/2021
This information may change at any time during the printing process. Please consult a broker in all investment decisions.

WHY KEEPING MANAGEMENT ACCOUNTS IN YOUR BUSINESS IS SO IMPORTANT AND HOW TO GET IT RIGHT!

Nathan Winch – Private Investor

WHAT ARE MANAGEMENT ACCOUNTS?

Management accounts are a type of financial report providing insight on the financial performance of your business. They're called management accounts because business owners and management teams typically use them for strategic decision-making. Each set of management accounts will be unique to that business and financial period, showing items such as income, expenditure, profit, cash flow and forecasts for the future.

WHY ARE THEY SO IMPORTANT?

If you don't know the financial health or trajectory of your business, how can you possibly anticipate upcoming problems or diagnose solutions for them? How do you plan for future growth? How do you tackle cash-flow issues or loan requirements to facilitate that growth? How do you know, sometimes months in advance, whether you'll need more staff to fulfil contracts? Or when you'll need to extend your overdraft to meet commitments? You don't. Regular management accounts are the absolute key.

Management accounts for small businesses typically include a profit-and-loss account, balance sheet, cash-flow statement and a short report. You can put the accounts together yourself or, more realistically, an accountant can do it for you. If you're using a cloud accounting package like Xero, it's easy to supply the necessary information to your accountant so they can produce the management accounts on your behalf. It's best to have your accountant produce these then sit down with you and discuss them, along with your management team if you are of that size. That way, everyone is on the same page and can plan more effectively.

To grow your business, you need to be able to monitor your financial situation and measure your performance consistently. That means more than just the occasional peep at your bank balance. A healthy bank balance doesn't necessarily indicate a healthy company. Your cash balance is nothing but a snapshot in time, failing to consider upcoming outgoings, trading conditions or your debtor book (people who owe you money).

Management accounts lift the lid on this information and, when you are able to identify trends quickly, you will also have better information for planning growth, diversification or expansion.

Producing regular, accurate management accounts allows you to:

- Make informed decisions about your business
- Quantify and measure the performance of your sales and teams
- Understand and therefore control the cash flow of your business
- Plan [for potential] cash-flow issues such as tax payments
- Put together dividend payment schedules
- Reduce superfluous costs in the business
- Identify potential fraud inside your business
- Help lower your tax liabilities and identify savings

EXAMPLE MANAGEMENT ACCOUNTS FOR AN ICE-CREAM VAN

PROFIT & LOSS	
Sales	£56,000
Cost of sales	
Ice cream purchased	£21,000
Wages	£16,500
Gross profit	**£18,500**
Administrative costs	
Accountant	£650
Advertising	£500
Stationery	£100
Fuel	£1,000
Vehicle repairs	£350
Total administrative costs	**£2,600**
Operating profit	**£15,900**
Profit after taxation	**£12,879**

BALANCE SHEET	
Fixed assets	
Ice-cream van	£20,000
Ice-cream equipment	£7,500
Stock	£1,837
Current assets	
Cash in bank account	£893.57
Total/Gross assets	**£30,230.57**
Current liabilities	
Bank loan	£6,500
HMRC tax liability	£3,021
Net assets	**£20,709.57**
Capital & reserves	
Current year earnings Share capital	£12,879 £100
Total capital & reserves	**£20,709.57**

SPEAK TO YOUR ACCOUNTANT NOW

Knowledge is power – it can even help you predict the future. But without information you are blind and how can you hit your target when you're running completely blind?

winchandco.com

THE "QUEEN OF SA" SHOWS YOU THE WAY

SARAH MCDERMOTT'S GUIDE TO RUNNING A SERVICED ACCOMMODATION BUSINESS

PART 5: BUSINESS PLANS AND ATTRACTING INVESTORS

Sarah McDermott is co-owner of luxury holiday-let business, Maison Parfaite. Across this regular series, she shares her invaluable knowledge and experience on running a successful serviced accommodation (SA) business. Sarah chooses to operate at the high-end sector of the holiday-let market and explains how you can make it work for you, too.

To catch up with the series so far, head to the Blue Bricks website to read Sarah's background in SA and to recap the key areas she has identified for a successful SA business: from strategy and location to branding and management, as well as décor and furnishings.

In this issue, Sarah explains how vital it is to have a strong long-term vision for your business and to form a solid business plan to help secure investors.

Hello Blue Brickers!

Those who fail to prepare, prepare to fail!

Never ever has a saying been so true. The importance of business planning can often be overlooked during the excitable gung-ho stage of setting up your first SA business. But once you've nailed your branding, your strategy and your chosen location, you need a super-tight and snazzy-looking business plan if you're going to attract investors to make it happen.

Plan for success

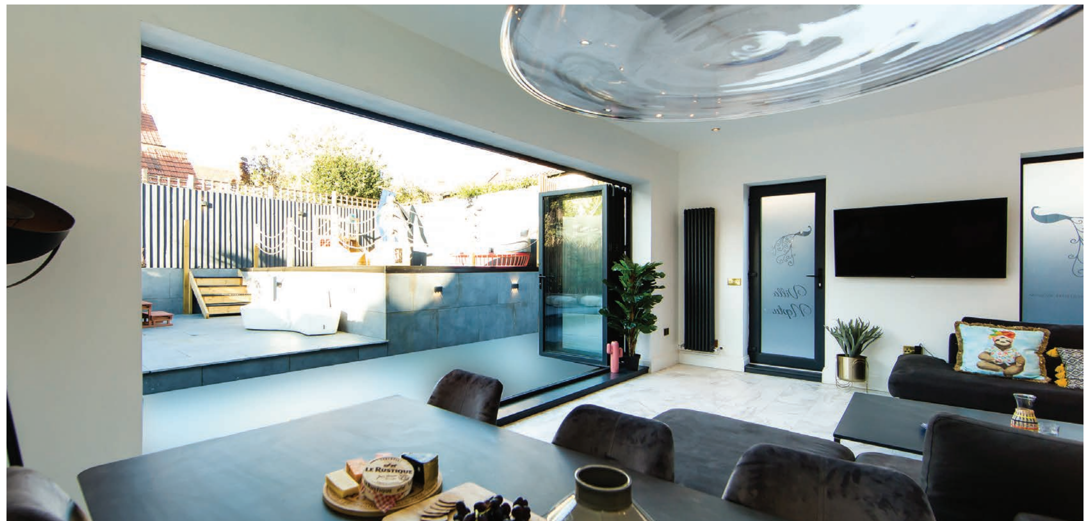
Remember that your vision creates the end result. And a good business plan strengthens your vision, puts everything into place and literally paves the way for success. There will be many times throughout the set-up of your business and the renovation of your first SA property when you feel like it's all going to pot – when you feel like you're flailing around like a fish trapped in a shallow rock pool. And that's when you open up that business plan and you reconnect with your vision; you re-inspire yourself, you step out of the rock pool (yes, with your fish legs – don't be so bloody literal) and you move on.

But there are other reasons why you need a "tighter than Sean McDermott's wallet" business plan – to attract finance lenders and investors. If you want to attract private investors, or a good bridging finance lender – ie: the non-shark variety (sticking with our sea creatures theme!) – they will want to see a well-thought-out plan. If they're going to put their trust and money in you, then they will want to know that you're a safe bet. They want to know where you plan to be in ten to 20 years' time. If you look flaky and a bit blasé about the whole thing, you won't secure a bridging loan as a first-time developer, and you'll not have a chance of building a strong panel of investors to fund your future projects. So it's not just ideal to have a good plan – it's a necessity.

Putting together a business plan

One of the first things that I do with my mentees (once we have the branding, strategy and vision nailed) is to help them put together a bad-ass business plan that will impress their investors and the finance companies, and will also cement their vision and inspire them to keep going in the right direction.

A mistake often made by those without a firm plan is to be swayed by every shiny penny that comes along (and there's no shortage of those in the property game!) so they flit between strategies like a helpless jellyfish caught in the tide – their vision fades, they doubt their ideas, and they basically lose themselves in the confusion of it all.



I'm just going to add a bit of a disclaimer here: it's ok to change your strategy *if* your original strategy is a great big pile of seaweed! If you're flogging a dead [sea] horse with strategy number one and getting nowhere, then take some advice from somebody in the know, and make sure that your change is a carefully planned and well thought-out move into a different territory. You will stand in good stead with the money people if you can clearly explain the move – and all the better if you don't open with, "Well, I was talking to Steve down the pub and he said that his sister's daughter was trying this new…"

The dos and don'ts of writing a business plan

Do…

- Start with a mission statement and your company overview
- Include three key objectives
- Showcase your track record
- Include financial projections for at least the next ten years
- Make sure it is well designed (and interesting) with your company logo, some inspirational and relevant images, etc

Don't…

- Say that your end goal is to buy a Lamborghini
- Waffle on too much about the past and about unrelated business activities
- Include your credit score, your ID and your inside leg measurement – desperado is not a good look!
- Forget to have it proofread at least twice by two highly literate friends before sharing with a financial institution/investor
- Stick it in a drawer never to be read or shared ever again!

Attract investors to scale up

So, back to investors, and having to impress them with your strategic planning – why do you need investors? It should be quite obvious really, but still some people choose to self-fund their own projects. They do eventually manage to build themselves a nice portfolio, but it's painfully slow and incredibly hard work!

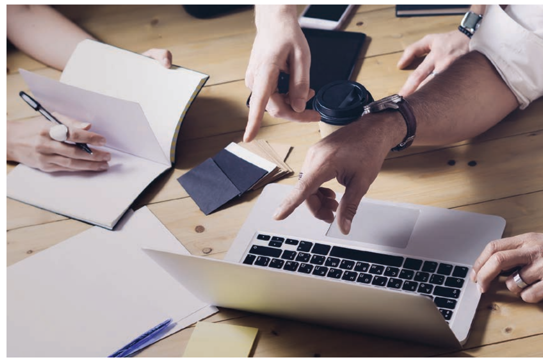
We have used private investors to fund all of our projects. Since our first SA purchase in September 2018, we have built a portfolio worth over £10 million, and a turnover of £100k per month. That's right, we've done that in under three years! We wouldn't have had a cat in hell's chance of doing that on our own. In fact, we'd probably still be renovating the first property!

So how did we come across our investors? Initially it was through networking and social media. And I must say that we've never approached an investor for investment, they've always approached us first. The most important thing here is just to let people know what you're doing. Get yourself on social media – forget trying to stay under the radar and keeping your SA world domination plans up your sleeve. Let people know what you're doing – from your old school mate, your gran's chiropodist to your sister's boyfriend – these people could all be potential investors, they might just have forgotten to mention that they're sitting on a wad of cash currently gathering dust in the bank.

The dos and don'ts of attracting investors

Do…

- Say yes to networking events, particularly in the property world, but also business networking groups in general are great places to meet potential new investors as well as other useful contacts
- Wow them with your shiny new biz plan; you'll be able to follow up with your new connections and impress them with your super-organised vision for success



- Showcase your wins and next ventures on social media
- Meet them face-to-face for a coffee and a chat
- Be yourself, you're lovely as you are!

Don't…

- Bang on about buying that Lamborghini
- Put them on a pedestal and treat them like a god
- Whinge and wine on social media too much. Once a year you're allowed a complaint; the other 51 weeks you need to post positive, happy and successful content!
- Say yes to all investors – ensure that they are aligned with your values
- Give them too much – too much money as a return, or too much security (a first charge for a £10k loan is overkill)

So there you have it, we started off a little fishy, but ended up with a real pot of treasure. So my friends, go forth, sail the open sea, create your master plan, and take over the world…

Sarah Xxx

maison-parfaite.com
info@maisonparfaite.com
SA mastery with Sarah McDermott

DO YOU GET THE MOST FROM YOUR LENDER?

PRENEUR CAPITAL

Do you get the most from your lender? And are you the best borrower you could be? Do you make yourself "attractive" to lenders?

Many investors and developers don't think about the lending side of their deals. They typically adopt a "smash-and-grab" approach, seeing the money side as a necessary evil and put little to no thought into the process or how it works in detail. But, if they did give it a little thought, then they would most likely get better rates, improved terms and build stronger relationships with the lender.

Brokers

Brokers are a facilitator in the world of finance. They take the guesswork out of working lenders and help organise borrowers in such a way that makes it easier for a lender to deal with them. Often, they work hard to make you an attractive client for a lender; after all, they are incentivised to do so – more often than not working in your best interests to get the very best deal.

Know your lender

Do you know your lender? Have you spoken directly to them before? We're guessing the answer to that question is probably no. Why not? Sometimes investors might be borrowing hundreds of thousands – if not millions – of pounds from these people and yet they barely know them or really speak to them. Don't you find that odd? We find it a little unnerving. Communication is everything in the world of finance. If you don't speak with your lender, then to them, all you are is a spreadsheet and a risk tolerance parameter. How can you build a strong, long-term borrowing relationship on those foundations?

That's why we think lending should be different. It's not just about numbers and spreadsheets – we think it should be about people and deal merits. That's why we created **Preneur Capital**, a bridging and development finance lender with a difference. We not only lend, but we broker a lot of the deals we do with our clients from scratch. One contact, one relationship – all directly with your lender. Sounds better, right? We think so.

We do things differently

At Preneur Capital we help you be a better borrower, which in turn helps us be a better lender with better rates, more creative funding structures and faster turnarounds. After all, you want to be in and out of your deals and take your profit with as little hassle as possible. So, whilst we can't help you with your rotten joists, we can at least make financing your deals a doddle! At Preneur Capital, we get to know our clients personally, and each deal intimately. It's how it should be done.

Our business was born out of a frustration working with property investors and entrepreneurs who required more flexible and personalised finance than was being offered elsewhere. As a result, we formed Preneur Capital to meet this market demand. Being closer to the deals and people meant we could offer exactly what they wanted and work with them, rather than try to force them into already assigned product boxes. Finance is the very first step in any property deal, so we should all pay attention and focus more on what matters.

Funding

We are a business built by entrepreneurs, *for* entrepreneurs. Our approach to lending doesn't rely on spreadsheets or blueprints. We craft our services based on risk – on an individual, tailor-made basis.

As a business owner and investor, arranging finance can be tough, owing to the restrictive criteria set by most lenders. This, coupled with the hoops that some commercial lenders make you jump through, can make financing time-critical deals and good opportunities very difficult.

We are a lender, not a broker, and we are entrepreneurs just like you. We know your pains, stresses and strains when it comes to finance and we are here to change that for the better. At Preneur Capital, we want to facilitate your growth, not hold you back.

We look forward to contributing to *Blue Bricks* Magazine and welcome anyone to get in touch for advice, help or funding for their property investment and development deals.

Finance shouldn't be complicated. It should be about people.

0845 055 9145
preneurcapital.co.uk
credit@preneurcapital.co.uk