NOVEMBER/DECEMBER 2021 – ISSUE 13 – PRICE £6.99

Blue Bricks

MAGAZINE

THE PROPERTY INVESTOR MAGAZINE

KAL KANDOLA & STEVE HANHAM:
PLANNING AN ACCESSIBLE & ECO-FRIENDLY NEW-BUILD DEVELOPMENT

SUPPORTED LIVING GATEWAY ONE YEAR ON

WITH LISA BROWN

EXITING DEVELOPMENT FINANCE

SA SERIES: PROJECT MANAGING A REFURBISHMENT

SIX STEPS TO CREATING THE ULTIMATE VALUER PACK

BLUE BRICKS MAGAZINE

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HELLO

CAROLINE MONKS
EDITOR

I can't believe we have reached the last issue of *BBM* for the year and Christmas is just around the corner!

What a year it's been for us all – there's been ups and downs for most people, but hopefully you can look back and reflect on the progress you've made. It's been great to hear about the successes people have had through the case studies we have featured and the posts people have shared with us on the **Blue Bricks Magazine Group** on Facebook (if you're not in the group, please join!).

For our main cover feature I am delighted to welcome back Lisa Brown from the Supported Living Gateway. We had the honour of covering the launch of The Gateway back in September 2020 and I have kept in touch with Lisa ever since. It's been wonderful to see the progress they have made as a team working alongside the investors and care providers involved with their fantastic organisation. Lisa reflects on the first year of The Gateway and their future plans on page 18 – they really are doing some valuable and much-needed work.

I have particularly enjoyed working on the case study feature for this issue as it involves a project that is of personal interest to me. Like many investors, I am keen to pursue projects that have eco-friendly, sustainable and accessible aspects. So I was excited to hear more about Kal Kandola and Steve Hanham's new-build development. The project is currently in its planning stages and we'll be following its progress through the development process in future issues of *BBM*; you can catch part one on page 24.

We welcome two new contributors to this issue: firstly, Richard Coulthard from Ison Harrison Solicitors who joins our team of legal writers and brings sound advice regarding the agreement options those looking to start a joint venture should consider. I think many people tend to jump straight into partnerships without setting things up properly – take a look on page 10 and give some thought as to what might work for you.

Secondly, we welcome Dave Forde. A project manager with vast experience in his field, Dave shares the benefits of another kind of agreement – this time between developer and builder. On page 30, he explains why this is important for both parties and how having these professional contracts in place can protect everybody's interests.

From myself and the small but awesome team at *BBM*, I thank you all for your valued support this year. We wouldn't be able to put this magazine together without your fantastic contributions and without having people like you to read it.

Thanks to everyone who has joined our online meetups across the year – it's been amazing to see such a great community forming in those meetings. There are two more to come in November and December so we hope to see you all there! (See the back page for details.)

We wish you all a happy Christmas and a healthy, prosperous and fantastic New Year!

Best wishes,

Caroline
x

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

MEET THE COLUMNISTS

Richard Coulthard Legal

Richard joined Ison Harrison Solicitors as a Partner and Head of Corporate in February 2019 having been a Director at two previous law firms. Richard has previously advised many large national companies but his passion is for helping local SMEs to achieve success through strong legal support and compliance.

Hides his pens to stop Nathan from stealing them whenever he visits his office

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

Dave Forde Construction

Dave has been working in construction and engineering for over 37 years across a multitude of sectors, including completing numerous property refurbishments and new-build developments. On a bigger scale, he has spent over 20 years working onmajor infrastructure projects, including the Olympics, Crossrail and HS2.

Is a true Londerner living in Essex, don't get it the wrong way round

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

FREQUENTLY ASKED QUESTIONS OF A HEALTH & SAFETY CONSULTANT

Lisa Tinker - Health & Safety Consultant

The day in the life of a health and safety consultant is varied and often far reaching: one day you can be preparing construction phase plans and risk registers and the next could see you on the top lift of a scaffold inspecting a site and monitoring activities. Regardless of the size of the project – be it a large inner-city development to a backstreet two-up, two-down refurbishment – there will inevitably be a whole host of phone calls from clients, principal contractors, sub-contractors, principal designers and designers asking a variety of questions and requesting support with their own operational activities.

I've put together my top frequently asked questions from start-up developers to help you get your property developments going compliantly and to debunk a few common misconceptions along the way.

It's just a small project with a quick turnaround, does CDM apply?

The Construction (Design and Management) Regulations 2015 apply to *all* construction, demolition and maintenance works regardless of the size of the project or the duration it will last. The CDM Regulations 2015 will *definitely* apply to your project, so it's essential you familiarise yourself with your role and responsibilities within it. And yes, that's right, this applies to those of you running minor property refurbs as a side hustle from your day job – it all counts.

Can I get people to sign something to say they have to safeguard their own safety so I can't be sued?

This question comes up more than you would think. But know this: safety is a culture as opposed to something you can sign away liability for. As an employer, you have a duty to ensure safety, so if an accident takes place, then you've not ensured the safety of your people on site.

Whilst I fully support documenting your safety training, toolbox talks and issuing PPE to employees to name a few key areas, you should also ask yourself: what more can I do to ensure that my site is a safe place to work? If you pour your time and energy into appropriately planning and managing the works, the likelihood of an accident or incident occurring and a potential insurance claim being brought against you will be reduced.

So, in short, no – you can't get people to sign something that absolves you from liability.

Do I need to get a portaloo? There is a supermarket over the road!

Welfare arrangements for your project are a must and, what's more, there's more to it than simply supplying a toilet. Your team need an appropriate place to rest, prepare and eat meals, wash their hands and forearms, use a toilet, and change their clothing – and that's just a few of the arrangements you need in place.

These arrangements must be in place from the start and through to the completion of your project. There are many ways you can reduce the costs of bringing in welfare for the project, such as preserving the current facilities on site for use and strategically planning the areas that can be utilised as rest areas. For example, don't rip out the current toilets and hand-washing facilities if they can be preserved for use temporarily. Try to programme their replacement into the project for a convenient point when you have alternative facilities such as a welfare cabin that might be used for a shorter duration of time and therefore provide a more cost-effective approach whilst still meeting legal requirements.

Do I need an F10 for the project?

A F10 will need to be submitted to the HSE (Health & Safety Executive) by either online form or post if the project will take longer than 30 working days *and* involve more than 20 workers working at the same time at any point on the project *or* if the project will exceed 500 person days.

Knowing the timeline on your project, the number of contractors and how many people each contractor will be sending to the project are all crucial pieces of information you will need in order to determine whether or not the F10 needs to be submitted.

Can I be a commercial client, principal contractor and principal designer?

Whilst it's entirely possible to be in all three roles on a project, you need to ask yourself if you have sufficient skills, knowledge and experience to fully undertake the roles and responsibilities of each appointment. If the answer is yes, then do you have the time to give each role adequate attention to detail? I often see commercial clients doubling up their role, but rarely do they opt for the hat trick. If you don't have the necessary skills and experience, then the role is best placed with someone who does so that they can fully support you.

What will happen if the HSE turns up to inspect?

The HSE may inspect for a variety of reasons, and this could be a visit without warning, perhaps owing to an accident or incident occurring at the site, or following a complaint. During their visit the HSE inspector will be concerned with how you keep your workers – and anyone else who may be affected by your work – safe and healthy. They may ask you about your workers and what they do, possible health issues arising from the work you're doing, ask to see records and site documentation, they may take photographs and, finally, they may ask you about your experience and knowledge of health and safety.

The inspector may need to take action and stop works if they find that you're breaking the law or if they need to stop a dangerous activity from continuing. After the visit the inspector may offer advice, give you a notice such as a contravention, improvement or prohibition or potentially prosecute you for breaching health and safety laws. If you are given a notice, you will be charged a fee known as an FFI (a fee for intervention), the costs of which will vary depending on the time spent on the visit and associated time spent working on your case.

When preparing for a new project give yourself time to plan and prepare for what lies ahead. This includes engaging with people who know how to get the project moving in the right direction. There is no such thing as a stupid question, so if you're not sure how to get started – ask.

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SIX STEPS TO CREATING THE ULTIMATE VALUER PACK

NEIL CHAUDHURI SHOWS YOU HOW TO MAXIMISE THE VALUATION OF YOUR REFURBISHED PROPERTY WITH THE HELP OF A FIRST-CLASS VALUER PACK

SO YOU'VE JUST SPENT A SMALL FORTUNE REFURBISHING YOUR LATEST PROJECT AND YOU'VE FINALLY GOT TO THE FINISH LINE. TIME TO RELAX, RIGHT? WELL, DON'T GET TOO COMFORTABLE JUST YET: YOU STILL NEED TO NAIL THAT ALL IMPORTANT VALUATION! FORTUNATELY THERE ARE SEVERAL THINGS WITHIN YOUR CONTROL THAT YOU CAN DO TO GIVE YOURSELF THE BEST CHANCE TO ACHIEVE THE UPLIFT YOU'RE AIMING FOR. NEIL CHAUDHURI, OWNER OF VOGUE ABODE PROPERTIES – A LUXURY STUDENT HMO PROVIDER – AND VALUATION PACK SPECIALIST, WALKS US THROUGH THE PROCESS HE USES TO NAIL HIS VALUATIONS.

What is a valuer pack?

As property investors, we're often trying to achieve significant post-refurbishment uplifts in valuations, sometimes only a few months after purchasing a property. The idea is that we add value to our properties and when the lender's valuers come to review our projects, they value them significantly higher than our total spend (ie: purchase price plus finance and acquisition costs plus refurb and holding costs).

But it's important to see things from the valuer's perspective. Naturally, the valuer will be cautious and reluctant to give us such a significant uplift in value especially if not much time has passed from when we bought the property to the date of the valuation. Remember the valuer's duty is to report to the lender and advise them what the property would likely sell for on the open market in the event that the property were to be repossessed by the lender. They are not looking at best-case scenarios, but rather basing their valuations on how they find the property, the current market conditions and – most importantly – the historical sold data for the specific area.

So, if you want to attain those substantial uplifts, I would strongly advise that you don't leave it to chance. The best way to do that is through your valuer pack which will document all the improvements you've made to the property – thus demonstrating the increase in value.

Over the years I've been able to achieve some huge uplifts in valuations on our projects and I put this down to the quality of my valuer packs. It's a skill I teach to many other investors, across a full gamut of property types – residential family homes, HMOs, apartment blocks or large purpose-built student accommodation (PBSA). Whatever the property type, the basic format and structure of the pack remains the same in most of these instances. Let's break it down into six basic components:

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Neil Chaudhuri
of Vogue Abode Properties

1. Prove that the property is in an area of strong rental demand

It's really important to be able to demonstrate and reassure the valuer that there is a significant rental demand for your property. To do this, it's best to assume that your valuer isn't local to the area which is often the case for more specialist valuations such as apartment blocks or yield-based commercial valuations on HMOs. You need to demonstrate why your target tenant type will be attracted to your property and location.

For families, it might be that it's a safe area with a low crime rate, or it might be in a great school catchment area where families are competing to secure properties. If you're renting flats to young professionals, it might be popular because it's near to a central business district (CBD) or close to good transport links for commuting. For HMOs, it might be that your property is within proximity of major employers such as large teaching hospitals and universities. Whatever the specifics are, demonstrate why the property will always benefit from strong rental demand.

2. Describe the uplift

This is where you can summarise the main improvements that you have made to the property. This is especially important if you have made first-fix improvements which are hidden from plain sight. These can include things like upgrading the central heating system, rewiring a property, upgrading the plumbing or even getting your property compliant from a building regulations perspective. You should also point out all of the high-ticket items carried out that are most likely to add value, including features like new kitchens and bathrooms. Later in the valuer pack, you will have the opportunity to evidence all of these areas with photos, but for now simply describe the key uplifts. The goal is for the perceived value of these improvements to be more than the actual cost to you.

3. Include before and after floor plans

You may have reconfigured the house to improve the layout or increase the number of bedrooms. Or you may have opened up some walls to create

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open-plan living. Either way, it's best to showcase this with some before and after floorplans, so that even at a glance the valuer is able to see that the layout has been significantly improved and can also see that you have gone to a considerable expense to achieve this.

Before and after floorplans are especially important if you have increased the habitable floor space to the property in the way of an extension, loft conversion and so on. The value per square metre of a property will vary from area to area, but let's use a property that's worth £3,000/m^2 as an example. If you have added 15m^2 of habitable space to that property, you will likely have added £45,000 in value to it. So it's really important to showcase this increase in the footprint of the property in order to benefit from it in the valuation.

4. Detail the schedule of works

A schedule of works (SOW) is a document that lists *every* item of works that has been carried out to the property – not just those high-ticket items we covered in point 2, but a comprehensive demonstration of just how much work you have carried out and how many moving parts there are during a refurbishment. I like to structure my SOW on a room-by-room basis and work my way through the house. I go into granular detail, right down to the types of door hinges that were used in the refit.

5. Document the refurbishment with photos

This is where you can create a huge visual impact that demonstrably shows the improvements you've made to the property. As soon as you get keys for a new project, take your smartphone and get snapping. Make sure you get plenty of photos of each room from different perspectives to illustrate clearly how the property looked "before". But, it doesn't stop there! Keep taking photos during the project to document different stages of the process. Once it's done, hire a professional photographer to take "after" photos for maximum impact – they will know how to capture the property to present it in its best light. Encourage your photographer to take as many photos in landscape view as possible because these will make the rooms look bigger.

By showcasing the different stages of the project and your shiny new images, you can help the valuer see just how much work and improvement has been made to the property.

6. Provide comparable data

The first sections of the valuer pack help to justify the uplift, but you still need to be able to *prove* the uplift and this is best done in the way of comparable data.

I generally like to present this in a table format. The most important comparable is properties recently sold nearby. Include the address, the sold price, date, number of rooms, floor space and tenure. Sold data can be found on websites such as Rightmove and Net House Prices. Also important is rental comparable data – such as property types and the rents achieved. For HMO comparable

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data and commercial valuations, it's slightly more complicated and there are many more fields that I would include, such as net adjusted yields which is calculated as (gross rent minus expenses)/yield, operational costs and more.

The key really is that you are realistic with your perceived end value and that it's closely aligned to your comparable data. You can certainly succeed in raising the price ceiling for the road in terms of an uplift in valuation, but the comparable data will have an impact on just how far you can raise it by. So it's good to have a grasp of the comparable data at the start of the project in order to budget and plan the works accordingly.

And finally... be prepared

I would encourage you to email the valuer pack to the valuer prior to the valuation so that they are aware of the vast number of improvements and amount of work carried out in advance of their visit to the property. On the day of the valuation, I'd advise making sure you're there to answer any questions. This is also a good opportunity to provide all of the compliance certificates you have to the valuer, including the Electrical Inspection Condition Report (EICR), gas safety, fire, emergency lighting, building regulations certificates, old and new Energy Performance Certificates (EPCs), HMO licence, etc. It's also wise to take copies of your tenancy agreements too, if the property is already tenanted, because this proves the rents you are achieving.

I know valuations can be nerve-racking for many investors but, if you have prepared well and compiled a comprehensive valuer pack, then you have given yourself the best possible opportunity to achieve your desired outcome.

I teach valuer packs so if you do want to learn more and delve deeper into the process, feel free to get in touch.

Neil has kindly provided a short video explanation to accompany this article which can be found at
bluebricksmagazine.com/resources

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THE GROWING TREND OF JOINT VENTURES IN PROPERTY

RICHARD COULTHARD, PARTNER AND HEAD OF CORPORATE AND COMMERCIAL SERVICES AT ISON HARRISON SOLICITORS, LOOKS AT THE POPULARITY OF COLLABORATION IN PROPERTY DEVELOPMENT AND REVIEWS THE VARIOUS AGREEMENT OPTIONS THAT SHOULD BE CONSIDERED IF YOU'RE EXPLORING THIS APPROACH FOR YOUR OWN PROJECTS.

At Ison Harrison Solicitors, a significant proportion of our work is giving property-related advice, particularly for property developers and investors. In our experience, we have seen a significant increase in collaborative working between developers, investors and professionals engaged within the property sector over the last four to five years. This collaborative working is beneficial as all parties can share the risk and rewards of a project, but it's vital that parties prepare a clear contract setting out each party's obligations. Whilst not the focus of this article, there may be tax matters to consider and for which separate advice may be required.

There are a number of different structures available to enable parties to work together successfully. The correct structure will depend on the individual circumstances, available resources and the aims of each party. Here are six key options which will enable those looking to start a joint venture to make an informed decision as to which arrangement would be most suitable for them.

1. Joint venture arrangements and collaboration agreements

A **joint venture arrangement** usually involves various companies working together to work on one specific project. Joint venture arrangements are typically useful when the scale of the project goes beyond the resources and commitments of one individual company and therefore the project requires multiple parties to work in collaboration with one another.

All parties to a joint venture arrangement usually agree to share responsibilities, costs and other obligations relating to the project. This can be beneficial for parties who perhaps do not have the finances to carry out the project alone.

In some circumstances, a joint venture arrangement will result in the parties creating a new company to deliver or prepare the project, but that's not strictly necessary.

Meanwhile, a **collaboration agreement** is an agreement between two or more parties to work towards a specific aim or purpose, but without the need to set up a new company as a vehicle to pursue that common aim. Instead, the parties rely on the contractual provisions in the collaboration agreement to bind them to act in a certain manner.

2. Land promotion agreements

This agreement is best used when a property professional such as a surveyor, estate agent or architect (known in these cases as a "promoter") wishes to apply for planning permission for a development on a landowner's property with a view to marketing the property for sale (in whole or in part) on the open market once planning permission has been obtained.

If planning permission is obtained then the promoter's costs will usually be reimbursed from the sale of the property and/or the promoter will receive a proportion of the net sale proceeds (as agreed between the parties). However, if planning permission is not obtained then the promoter runs the risk of not having their costs reimbursed.

3. Land collaboration agreements

This agreement is beneficial to those who are adjoining landowners and wish to apply jointly for planning permission for a small-scale development on their joint land.

Once planning permission has been granted, the adjoining landowners will market the whole of the land to a developer. The landowners will typically agree to share the planning, marketing and sale costs and proceeds generated from the project in their agreed proportions.

4. Option agreements

There are two forms of option agreements that an investor or developer may want to consider.

Usually an option agreement is used to buy land or property subject to certain conditions, usually a party obtaining planning permission. Under an option agreement the landowner agrees to allow the prospective buyer an option to purchase or develop the land within a certain period of time, often referred to as the "option period". The option period allows the developer to make relevant enquiries regarding the development of the site without being compelled to purchase the land, although they can purchase or develop the land within the option period – a timescale agreed between all parties upfront. In return, the landowner's land will often increase in value without the landowner having to apply for planning permission themselves or having to pay the associated costs for planning permission/developing the land.

In some circumstances, however, a different approach to an option agreement may be taken whereby it may be more beneficial to take out an agreement on the shares in any limited company that owns the land or property. This is only possible if the land is held in a company. The main advantage of this is that the investor or developer will have a significant Stamp Duty saving as Stamp Duty on shares is charged at 0.5%, which is significantly lower than SDLT (Stamp Duty Land Tax).

5. SPV and shareholders' agreement

In more straightforward projects, it may be that the parties agree to set up a new limited company – an "SPV" (special purpose vehicle) – to purchase the property or land and develop this within the limited company, with each party benefiting from the project by way of their shareholding.

Careful consideration needs to be given, however, with regard to the obligations of each party, as obligations between shareholders are limited unless the shareholders enter into a shareholders' agreement.

The shareholders' agreement will set out the rights and obligations of each party including on matters such as sale. For more complex arrangements where the parties are obliged to provide specific services, such as construction, this would be structured as a joint venture agreement rather than simply a shareholders' agreement.

6. Loan agreements and legal charges

Often individuals and/or companies wish to loan their money to invest in particular developments in return for a specific return. Wherever a party is loaning money in respect of a project in which they have no legal ownership, it is important to look at what security – if any – should be taken, for instance a legal charge on the land and/or property as well as the basis on which the lender will earn interest or other financial return on the loan.

There are numerous ways in which individuals and companies involved in property can work in a collaborative manner for their mutual benefit and reward. The key to successful joint ventures is having a clear understanding from the outset as to what steps and obligations will fall on each party and ensuring that correct contractual provisions are in place to protect all parties in the event of a dispute.

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THE MARKET PULSE

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Keeping a finger on the pulse of the property market

A ROUND UP OF THE LATEST PROPERTY MARKET UPDATES

Rental prices soar in rural locations

Rental prices have risen by 11% between the start of the pandemic and October 2021, a new rental index report by Rightmove has found. This brings the average cost of a rental in the UK to £1,041 per calendar month – compared to £940 in February 2020. In rural areas, which have become increasingly sought-after in light of the pandemic by tenants seeking additional space, the cost has risen by £123. Conversely, in urban areas rents have risen by an additional £25 per month.

Urban rentals set to increase next year

Analysts believe that with more people returning to work – at least in a hybrid fashion – that urban rental demand will start to see an increase. But they say this isn't going to happen overnight and, in fact, there may not be any major changes until next year.

A new report by Savills says they're already noticed an upturn in city-centre living, with Manchester and Birmingham, in particular, witnessing an increase in those commuting not far behind pre-pandemic levels. London, however, remains slow to change, with just 66% of travel returning (compared to figures in the high 80s and 90s for the other two cities).

A spokesman said, "The office isn't going to go away – residents will still value additional space, but it is likely that they will also desire to be within reasonable commuting distance of city centres for the days they choose to work there."

House prices up 8% over year in the "race for space"

September saw house prices registering the strongest monthly rise for 14 years, pushing the average cost of a home to a record high and reversing a three-month decline in annual growth. Across the year as a whole, the Office for National Statistics says values have risen by 8%.

Halifax, one of the country's biggest mortgage lenders, said in September the average cost of a home rose by 1.7%, or £4,425, to £267,587. The previous peak was £263,162 recorded in August. Prices are up by more than £18,000 since last September and close to £28,000 higher than last June when the housing market reopened after the first Covid lockdown.

Russell Galley, the managing director of Halifax, feels a number of factors are affecting house prices. "The 'race for

space' as people changed their preferences and lifestyle choices undoubtedly had a major impact," said Galley. "Looking at price changes over the past year, prices for flats are up just 6.1%, compared with 8.9% for semi-detached properties and 8.8% for detached homes."

Regional variations continue

Wales continues to experience the strongest house price inflation of any UK nation or region, climbing 11.5% in September to an average of £194,286. Scotland remains ahead of the national average at 8.3%, with an average house price of £188,525, while the market in Northern Ireland rose 9.3% to £166,299. The southwest remains the hotspot in England, reporting 9.7% growth in September to an average of £276,226, as the trend towards more rural living in a more flexible and remote working environment continues.

Greater London remains the nation's growth laggard with house prices rising just 1%, albeit with the highest average price in the UK at £510,515. "The strength of price rises in Scotland and Wales is understandable given changing buyer priorities," said John Eastgate, the managing director of property finance at Shawbrook Bank. "However, the lure of big cities, notably London, will inevitably return, and they may represent good value right now for both homeowners and investors."

Meanwhile, homeowners in the capital are still finding that it's taking longer to sell their properties than in other parts of the country with sellers waiting almost three months (58 days) to find a buyer compared with an average of 33 days in the southwest of England. In London homes are taking ten days longer to sell than the same period last year. However, director of estate agents Benham and Reeves, Marc von Grundherr, said that whilst London had so far been fairly "muted", a return to the workplace and foreign buyers coming back will provide the capital with a boost. "Don't be surprised to see London regain the property price growth top spot before the year is out."

House prices to remain high as demand outstrips supply

A drop in the number of homes being put up for sale looks set to keep driving up prices, according to the latest Royal Institution of Chartered Surveyors (RICS) survey. The UK property market appears to be strong on the surface but Tom Bill, head of UK residential research at Knight Frank, believes that "There is an underlying weakness that needs to be resolved."

He continued: "The imbalance between supply and demand is unsustainable and in many cases arises because prospective sellers are unable to find anywhere to buy themselves, creating a vicious circle of low supply. In some cases, they cannot even find properties to rent as a short-term option.

"There were 13 new buyers for every property listed in the UK in September. Over the last five years, the only time demand has exceeded supply to a greater extent was in January 2020, the first month of the short-lived Boris bounce.

"The imbalance is keeping upwards pressure on prices but, like many other parts of the economy, needs to resolve itself over the next six months to ensure greater stability in the UK housing market in 2022."

Age of first-time buyers increases

Not surprisingly, this ever-increasing rise in property prices will be matched with a corresponding rise in the age of first-time buyers, says the study. At the moment the average age across the UK is 33 and in London it's 35. In ten years, the study predicts the average age will be 34 and 37 respectively. Compare those figures to 2006, when the average age in the UK for first-time buyers was 30 and 32 in the capital.

"House prices continue to cause affordability headaches for the majority of hopeful first-time buyers," said Nigel Purves, the chief executive of Wayhome. "Millions will be priced out of desired areas and forced into renting for far longer than they initially planned."

THE STAYCATION BOOM

The hottest property investment strategy for 2022

From a commercial perspective, Covid-19 has had devastating effects on many industries in the UK, such as hospitality and travel, which have been severely impacted by the various restrictions. However, there have also been some industries that have massively profited from the pandemic.

Aside from the obvious uplift in PPE and pharmaceutical company revenues, tech companies offering remote working software such as Zoom and online retailers such as Amazon have enjoyed big profits.

Meanwhile, the property industry has been on a strange journey that not even the top experts could have predicted. The initial anticipation for a house price crash never materialised, with the introduction of Stamp Duty holidays contributing to an 8% year-on-year house price increase. Some buyers were able to save up to £15,000 in Stamp Duty, ensuring that the property market has stayed strong throughout the pandemic.

How property investment has been affected by Covid-19

The pandemic has resulted in a variety of outcomes for different types of property investors. The tenant eviction ban resulted in many buy-to-let landlords losing rental income, whilst growing house prices have also made it more difficult to make profits from buying property to let it out. On the flipside, the Stamp Duty holiday gave buyers a big window of opportunity to add new properties to their portfolios whilst avoiding paying the usual tax.

Holiday lets have become very lucrative investments

With foreign travel restrictions and health concerns over going abroad, the majority of British holidaymakers have been taking breaks in the UK, rather than missing out on their holidays altogether. Areas such as the Lake District and Cornwall have seen a huge uplift in bookings and searches for accommodation throughout 2021, with some holiday rental companies experiencing more than a 40% increase in summer 2021 bookings.

Domestic holiday experts are predicting that this demand for UK staycations is set to last, at least for the next four to five years, which opens up lucrative investment opportunities in holiday property rentals. As well as taking more bookings, many holiday accommodation owners and companies have increased their prices to maximise the opportunity they now have on their hands.

Choosing the best holiday accommodation for letting

For people who are interested in cashing in on the UK staycation trend, there are plenty of lucrative opportunities. Which one is best for you will depend on a number of factors including how much capital you have, how soon you want to see the returns and how long you want to be tied to the investment. Another important consideration is how much effort there will be on your part, as some investments allow you to invest and take a back seat, whilst others will require a lot more time and input.

Companies such as Advantage Investment offer high return on holiday let investments. Luxury lodge resorts are particularly profitable, requiring minimal effort and offering a clear exit plan after five years with 50% guaranteed ROI. You can find out more about their luxury lodge investments on their website

advantageinvestment.co.uk/property/landal-barnsoul

THE BENEFITS OF GOING ELECTRIC

WHY CHANGING TO ELECTRIC VEHICLES IS GOOD FOR BUSINESS AND THE ENVIRONMENT

I get it, you're a busy person. Far too busy to be standing next to a charging station for an hour before you can hit the road again. That's exactly how I felt until I bought my first electric car but, as this is a property investment magazine and not an episode of *Top Gear*, I won't bore you with the particulars. Instead, I want to tell you the benefits that going electric can have for you and your business.

The benefits for your business

Firstly, it can have a positive impact on your **tax** bill. Who doesn't love/need that? If you buy a petrol or diesel vehicle through your business, you can only offset part of the cost against your corporation tax bill; however, you'll also pay more tax generally as a benefit-in-kind (BiK) tax compared to an all electric vehicle. *And* this deduction is applied gradually over an extended period of time. However, when you buy an electric car, you can claim the full deduction in the same year that you bought it. As you can imagine, this can take a significant amount off your tax bill for something you need to purchase and use. Plus, if the car is for business use only, you can even claim back some of your VAT, which is another huge saving, especially if you're leasing over time. Furthermore, electric cars are exempt from paying road tax. Every little helps, right? But as always, contact your accountant to see what's best!

Secondly, you can make huge savings on **transport costs**. One of the stigmas around electric cars is that they are more expensive to buy when compared to their petrol or diesel equivalents. What a lot of sources *don't* mention, however, is just how much cheaper they are to run. The average petrol or diesel car costs around ten to 14 pence per mile (and that was before fuel prices started to rise). Conversely, depending on how you charge an electric vehicle, it will usually cost you around one to three pence per mile to run – that's a huge saving in fuel prices alone. Furthermore, many electric car manufacturers price their vehicles so that the overall cost is lower. And charging at home overnight means you always wake up to a full tank of "fuel". Even charging at motorway services can take as little as 15 minutes, enough time for a loo break and a cup of tea.

Nathan Winch – Private equity investor

This is without even mentioning the minimal number of **repairs** and services that electric cars require. Or how much cheaper they are to repair if something *does* go wrong. If you're thinking about how much money you could save in running costs alone, think about how much you could save if you were to make them mandatory company cars for your employees? And because they're great to drive, they make a nice little treat for any employee – besides, who doesn't want a brand new car?!

The benefits for the environment

The final point means the most to me. Electric cars are just better for the environment, with zero emissions and a significantly lower carbon footprint. Basically, CO_2 emissions are bad; they lead to an increase in greenhouse gases that damage the ozone layer. You might be too busy to think about this, but your grandchildren and great-grandchildren won't thank you for the ignorance. We need to take action against the energy and climate crisis and every step towards this helps.

We can go way beyond transport. There are lots of ways you can make your business and activity better for the environment and almost all of those ways are also more cost effective than the alternatives, so you won't find yourself out of pocket for doing your bit for the planet – I can cover these aspects in future articles. There is also the possibility of obtaining various grant funding, local authority and government support towards purchasing of electric vehicles.

I'm very passionate about the climate and work to make all our businesses as sustainable as possible as well as carbon negative. Follow my journey through the climate projects I'm working on to find out how you can get involved and help make your business better and more profitable by subscribing to my YouTube channel. Get in touch with me to learn more about how you can get involved.

youtube.com/nathanjwinch
winchandco.com

EXITING DEVELOPMENT FINANCE

FROM THE BEST APPROACH, TO THE TYPES OF FINANCE ON THE MARKET, ALICE WILLIAMS HAS THE ANSWERS

The events of the last 18 months have seen a large increase in the number of developers looking to explore their options for exiting development finance. Perhaps the build programme has overrun leading to a necessary refinance part-way through the development, or perhaps in some cases the developer requires some additional time to execute their long-term exit plans. And, in addition to these scenarios, there are also those developers who planned from the outset to undertake a full refinance on to a long-term investment mortgage product as part of a build-to-rent strategy.

The best approach to exit finance

Work out how much needs to be repaid

Arguably the most obvious consideration is the redemption figure on your development loan. To get an accurate figure, you should request a redemption statement from the current lender. As the interest on a development loan is not serviced, this means that it is payable as a lump sum at the end of the loan term rather than monthly. As such the redemption amount will increase the longer you hold the loan, irrespective of whether you request any further drawdowns. To ensure you get an accurate figure, remember to request a redemption amount for a date in the future. This will assist your broker in determining an accurate finance solution to ensure the existing loan can be repaid in full.

Give yourself enough time

Irrespective of your exit, if finance is involved, always ensure you allow enough time to explore all options available to you, as well as enough time to implement the suitable solution. Particularly where an investment mortgage is required, it could take up to four months to go from initial enquiry to completion of the loan. Some applications can – and will – complete faster than this. However, as timeframes are very much lender-dependant, as much time as possible should be allowed to ensure the widest choice of options possible.

That said, whilst four months would be an ideal length of time, it's not always an option. For this reason, there are multiple different exit finance products available on the market, the fastest of which can go from application to completion of the loan in around two weeks – namely a development exit bridge. Development exit bridges are treated in a very similar way to standard bridging finance and will be explored in more depth later in this article.

Be transparent about the existing state of the development

It's highly unlikely that there will be no exit finance available to you, but for a seamless transition between finance packages, be fully transparent regarding the current state of the development (ie: have you reached practical completion, do you have full building regs sign off, do you have tenants lined up... and so on). This is because every lender is different when it comes to risk and what projects they are willing to support, which means that this will naturally have an impact on the products available to you.

Types of exit finance

Part-completed development refinance

There has been an influx of developers looking to refinance developments part-way through. Currently, this is primarily due to Covid-related delays to build programmes, or difficulties with the existing lender on the site. There are a handful of lenders that are willing to support part-completed developments; however, do bear in mind that this is a niche area – with fewer lenders operating in the market. Part-completed development finance relies heavily on the due diligence that has been done on the site prior to seeking funding. Lenders will want to see any documentation from the QS overseeing the project, as well as any previous drawdown reports if you have an existing lender in situ, as well as any other professional due diligence that has been undertaken to date. Providing they are able to get comfortable with the quality of the build thus far, you'll be able to borrow up to c65% loan to GDV (gross development value), and rates will not be too dissimilar to standard development finance.

Another common example of refinancing partway through a development is where the existing lender is at a lower leverage, and developers are looking to increase their leverage to either assist with the cashflow on that project, or to redistribute their equity into a new development plot that has become available. This is most commonplace when refinancing high street development finance providers who tend to lend at the lowest leverage in the market.

Development exit bridging

Development exit bridging is essentially a specialist bridging product, specifically aimed at funding completed developments. There is an abundance of lenders in this market, but their criteria regarding what constitutes a completed development does vary. The most stringent lenders will require practical completion to have been reached and will want to see full warranties and building regulations sign-off. Other lenders will be more flexible on this point, and will be willing and able to lend before practical completion, although they will want to see that the majority of work has been completed, likely with only minor cosmetic works and groundworks outstanding. Development exit bridging leverages up to around 75% of the current value of the site (so 75% of GDV where the site is completed), and rates sit between 0.4–0.9% per month depending on leverage sought.

It is possible to arrange bridging finance for projects that are wind and water tight, yet have slightly more substantial works remaining than minor cosmetics. This would likely be a refurbishment bridge, and would allow you to raise finance to fund the outstanding works, as well as a day one release to repay the existing development finance provider. Depending on the leverage of the existing development finance, you may also be able to release some further equity from the scheme.

Investment mortgages

Given the popularity of the build-to-rent strategy, there are a number of options available to individuals wishing to mortgage their properties at the end of the development. As always, the best mortgage option will depend on the specific circumstances, but there are a few factors that need to be considered. Firstly, there is currently reduced lender appetite in the market to fund new builds (although there are still numerous lenders willing to do so) and some of the lenders that do consider new builds will cap their leverage to 70% of the property value. However, at the time of writing, there are still a couple of options at 75%. Remember that the mortgage lenders will want to see the relevant warranties in situ, and some lenders may be picky on the warranty provider you have in place.

If you are looking to build to rent, it is beneficial to consider the exit options at the start of the development to ensure you structure the development in a way that will be acceptable for the end mortgage providers. For example, some mortgage providers don't like transfers between limited companies, ie: perhaps from the developer's development company to their investment company where they would aim to hold the property long term. And, conversely, others may take issue if you *don't* move the property from one business to another – it's definitely worth looking into what works for lenders before deciding on your approach.

Similarly, your plans for the property itself can have an impact. One strategy that proves unpopular with mortgage providers currently is housing vulnerable tenants – you will find fewer providers willing to lend if this is the model you're going for so, again, it pays to be prepared.

The biggest factor to be considered when refinancing your development on to an investment mortgage is timing: a mortgage application takes around three months from application to completion, so for prudency it is always worth beginning the initial discussions around four to five months in advance to ensure there is enough time for the refinance to go through.

Alice Williams
Commercial Finance Broker

There's a diverse range of finance options available for developers looking to refinance, regardless of the stage the development is at. Working with a broker will enable you to navigate the various points to consider and ensure you find a finance solution that best fits your situation.

If you'd like to learn more about development finance, please do visit my free course at **bluebricksmagazine.com/resources** under the tab: Property Finance Course by Pilotfish.

Alternatively, drop me an email and we can arrange a call.

pilotfishacademy.co.uk
property@pilotfish.co.uk

SUPPORTED LIVING GATEWAY – ONE YEAR ON

FOLLOWING THE LAUNCH OF THE GATEWAY, CO-FOUNDER LISA BROWN REFLECTS ON HER FIRST YEAR DEVELOPING AN ORGANISATION DESTINED TO MAKE A BIG DIFFERENCE

Back in September 2020, *BBM* featured the launch of the Supported Living Gateway when the team of five (Lisa Brown, Leah Bowen, Russ Crabtree, Rich Liddle and Mark Bowen) began their passionate venture.

The goal was to assist property investors and care providers in uniting to provide homes for people in need of support across all areas of the care sector. Lisa told *BBM*, "We have ambitious plans to revolutionise the way property investors and supported-living providers connect to create more homes for those who need them"

Lisa's experience working as a NHS nurse for 20 years, coupled with her passion for property, and a chance encounter with a young man with complex needs, gave her the impetus she needed to provide this individual with a safe home *and* to form a service that would guide other property professionals in their desire to make a difference. And so, in March 2020, Lisa created a Facebook group, having found the lack of information out there for investors deeply frustrating. "I wanted to find others who were taking this route, share experiences and learn together." You can catch up with this article on the *BBM* website or treat yourself to a printed copy (whilst stocks last!).

Just over one year on from the launch, we caught up with Lisa to find out how the first year had gone. From the challenges faced and progress made, to the inspiring accounts of tenants and investors who have benefited from The Gateway, as well as the organisation's plans for the future, here's what Lisa had to say.

BBM: So, tell me, Lisa – how has the first year of The Gateway been for you?

A year after our launch feels like a good time to reflect on where we are, doesn't it? I don't want to sound like a cliché, but all the usual stock phrases come to mind: rollercoaster, steep learning curve, you don't know what you don't know... Let's face it, most of us go into property because we want to rebalance our lives and stop exchanging time for money. But anyone who has set up a business from scratch will know just how much work is involved and, wow, it has been a year!

I have met so many fabulous people along the way, from amazing property investors who are looking to make a difference, to supported-living providers doing creative and wonderful work to care for the people they support. By setting up The Gateway, we wanted to offer providers the option of connecting with small – and medium-sized property investors and developers who were in the business of providing quality properties. This gives them more options than signing very long leases with big funds on restrictive terms that often only really benefit the funds and not the tenants.

By working with small and medium property investors and developers, supported-living providers can build direct relationships with people who know the area and are interested in making a difference. They can work together on future properties and grow their property business, negotiating lease terms that work for everybody, ultimately meaning that long-term homes are being created for the supported-living tenants.

The upshot is, one year on and I'm thrilled to say so many more property people are talking and thinking about supported living now and that's great.

BBM: How important do you feel it is to have the right team?

Working as a team of five equal directors and shareholders has been fantastic – there's always someone to bounce ideas off and keep you motivated. We have such a diverse skill mix, and as we evolve we are working out who fits best where and how to work together most effectively.

I feel immense gratitude for my brilliant business partners. Whilst I've always been hard working and will just get on and do things, there

What is supported living: a brief overview from Lisa Brown

Supported living is a term used to describe a living arrangement for someone who has long-term support needs. What is key is that their tenancy and care are often kept separate – this is what differentiates supported living from a residential care home.

Several different parties need to be involved in a supported-living property: a registered provider of housing or charity will take a long-term lease on a property and then they in turn let the property to the tenant. Alongside this, there will need to be an agreement with a care provider who will provide the care or support for the tenant. The local authority needs to be involved as they will commission the service and be involved in paying the housing benefit. There are many different ways this can be set up, depending on the tenant groups being supported.

As a property investor, this means you have a long-term tenant and your property is taken on a lease typically anything from two to ten years. You don't need to worry about any void periods within the tenancy as these will be covered within the lease. Damages are also usually covered and often the provider will arrange repairs for you. You end up with an almost "hands-free" investment with a better return, whilst creating a safe and secure home for a vulnerable person who really needs one – the ultimate win-win investment.

To read the full article, including FAQ on supported living, visit the Blue Bricks website: bluebricksmagazine.com/the-supported-living-gateway

THE SUPPORTED LIVING GATEWAY TEAM

Lisa Brown

Rich Liddle

Russ Crabtree

Leah Bowen

Mark Bowen

IF EVERY PROPERTY INVESTOR IN THE COUNTRY LET JUST ONE PROPERTY TO SUPPORTED-LIVING PROVIDERS, WE COULD SOLVE THE SHORTAGE AND CREATE ENOUGH HOMES FOR THOSE IN SOCIETY WHO NEED THEM THE MOST

are some tasks I'll always put off, like a complicated spreadsheet or reading through a legal document. Fortunately, Mark absolutely loves this stuff while Leah is a total whizz at keeping our daily operations moving, supporting the staff and creating solid processes that propel the business forward. Russ is a fount of knowledge and experience and knows just how to make our sites and developments work. Anyone who's watched our conferences will know that Rich is also the ultimate front man, and knows just how to communicate his wealth of property knowledge.

We're still running the business on Zoom because we live in different corners of the country, and although we have spent a lot of time together virtually, we've hardly spent any time together in person. It's exciting to be able to grow the team working with us now and take on staff who share our goals and passion for the sector.

BBM: What made you develop the training programmes for The Gateway?

Well we certainly didn't set out to be a training company – the world of property training has a pretty murky reputation! But we soon realised that we needed to help other investors understand supported living, and explain how to maximise the benefits whilst creating homes in a compliant way. As such we have created an interactive online course with 12 sessions over eight weeks geared towards teaching investors in detail both the benefits and challenges of supporting-living property investment. And we're really proud of how this has gone, we've loved getting to know the investors and it's absolutely wonderful seeing these people go on to use the learning from the course to make a difference – just read the account from Bex and Anthony for one example. This is reinforced at our monthly masterminds where our brilliant members show us how they're using this knowledge to make a genuine impact.

We've since taken this further into the supply chain and we're now developing training for the providers too because we realised that many providers don't understand property or how to work with investors.

Alongside all this, I've created hours of free podcast and YouTube content to educate everyone, supported members of my free Facebook group, written countless social media posts, and written a good number of magazine and website articles. As a team, we've spoken at countless property events and training courses around the country. We have run two completely free property conferences with over 500 property investors signed up to both. Time and again we're told we're giving away too much for free by big names in the property business, but if we're going to solve this housing problem then we need to get as many investors on board as possible so that we begin to make a substantial difference.

BBM: What have been the greatest challenges for you since going public with The Gateway?

Inevitably by raising my head above the parapet and talking publicly about what we do, I have also found people who don't appreciate what we're trying to achieve, and I'll admit that I find it hard not to take it personally. It's hard not to, we've grown this business from scratch – it's like my baby! But, that said, I try to take a step back and use all feedback to refine our service – after all, we want to be the best we can be.

I get a lot of Facebook messages asking for a "quick call" to "run something by me" to the extent that I could spend the entire day on the phone giving out free advice to investors. I think that the sector we're in comes with a certain expectation that I should be helping out for nothing, but I feel there's a fine balance to be reached between being able to offer free advice and support whilst also making an income. We're exploring this currently within the business and are developing a consultancy and coaching product to try and help people in a more structured way.

Conversely, I also spend a lot of time on the phone talking to people affected by the need for supported-living properties – from parents who want to get their children into supported-living schemes, to those with family members stuck in poor-quality accommodation. These people are often struggling to navigate thorny tenancy arrangements so they can break contracts and find their loved ones better places to live. I love the fact that I am able to help these people with the combined knowledge I have acquired through my nursing and property careers.

And there's no doubt that the current property market has made things even more challenging for providers. It's still difficult to get lending on properties leased to supported providers and this is a constant source of frustration. My feeling is it comes down to a lack of understanding by the underwriters – it could even be claimed to be discriminatory. But I think that we're gradually starting to see a change here with new lenders coming into the space. One of my key goals when setting up The Gateway was to bring people together to demonstrate the need for supported-living properties – the bigger our voice, the more lenders will start to realise there is a need for relevant products.

BBM: Lisa, how do you keep yourself motivated amidst the challenges you have encountered?

I feel really privileged to be developing a business that matters. When I get tired and bogged down by it all, when all the battles feel too big, I pick up the phone to our providers. These calls always help me reset and find a new determination to succeed. Hearing stories about people in need of their own homes, in unsafe situations or poor quality property, or perhaps in long-term hospitals far away from friends and family – it reminds me that the work we're doing really matters and gives me the energy I need to dig deep and keep going.

Of course, these problems aren't easy to solve and, let's face it, if I'd have put nearly as much effort into a more traditional property portfolio I'd probably be lying on a beach somewhere now, sipping cocktails! But that's not really me.

BBM: There's more to The Gateway than training and advice though – tell us about your own supported-living accommodation.

We decided that, as a team, it made sense to pool our resources and experience to develop supported-living property together. We currently have two commercial conversion projects underway and plans to grow this area of The Gateway next year. The first is an old shop in Macclesfield that we're converting into four one-bed flats and an office for people with learning disabilities. And the second, Northbank House, is on a much bigger scale: we've just got planning permission to convert the top two floors of a large building in North Devon into 16 one-bed flats. This will create homes for 14 local people with learning disabilities and provide a staff base on each floor.

The old shop in Macclesfield - to become four one-bed flats for people with learning disabilities

In our experience, we've found that private investors think about impact as well as getting a good return on their investment and so love supported living. We have been privileged to find funding for each of our developments to date and to be working with some superb investors who share our vision to create more homes for people who really need them.

BBM: Tell us about some of your favourite success stories so far.

The whole team gets excited when we know we've made a difference. There are a few standouts across the last year from investors, providers and tenants that really motivated us and made us realise that all this hard work was worth the effort. The first was a property investor who had to go and work abroad at short notice and placed his two properties on The Gateway. Both properties were taken by the same provider who has created wonderful homes for people who had been homeless. Meanwhile, the landlord is resting easy knowing he has a long lease and none of the usual landlord hassles to contend with whilst he's out of the country.

Another favourite was the young man with complex learning disabilities who was being evicted by his current landlord and urgently needed a new home. He was at risk of being admitted to a long-term hospital setting, but the support provider was able to find a property through The Gateway that was ready to move into in time. He's told us how proud he is of his new home and that he has always dreamed of living somewhere like this. What's more, the owners of the property now have more reliable payments every month for the next five years, without having to deal with any voids, low-level maintenance or gas boiler servicing.

And, finally, there's the supported-living provider who, after working for other care companies, decided to set up her own company to deliver care and support in a way she felt was better. She had been unable to find a property to lease so her business had stalled. Finding a property through The Gateway meant she was able to realise her dream of supporting teenagers leaving the care system, helping them to learn the skills to go on to live independently. Having this property has meant the local authority are referring more young people to her and she's now looking to take on her next property, which means that even more young people are supported during that difficult transition from the care system to living and working in the community. And, again, the property owner can relax knowing they have rent paid every month, and the provider is taking over managing their property on their behalf.

Northbank House, Devon - to become 16 one-bed flats for people with learning disabilities

BBM: So Lisa, what's next?

Well, one exciting development is our new "buy-to-order" product, currently in its beta development stage. When we set up The Gateway, property investors could upload properties they owned or controlled to the portal for providers to view. We're now getting providers to give a detailed property requirement, including the amount they are willing to pay and the lease length they're looking for. Our property investors can then put forward potential properties to buy for our providers to lease. Some of our providers specify the exact property they would like to lease so it can be a very easy way for property investors to build a supported-living property portfolio.

I am proud of the difference we are making, being told by some of the funds who have traditionally had a stranglehold on the space that we are "really disrupting the market".

My vision was to make more property investors aware of supported living and I wanted to change their perception of this sector from something you would consider as a last resort, to seeing a supported-living lease as one of the best ways to hold property for the long term. If every property investor in the country let just one property to supported-living providers, we could solve the shortage of property for providers and create enough homes for those in society who need them the most.

We are only just beginning and we have big plans, I'd love you to be part of it.

Get in touch with Lisa and The Gateway:
supportedlivinggateway.com
hello@supportedliving gateway.com
Supported living - property investing with a difference

WE ARE ONLY JUST BEGINNING AND WE HAVE BIG PLANS, I'D LOVE YOU TO BE PART OF IT

FROM HMO TO SUPPORTED LIVING: MAKING THE LEAP

We took a pretty classic route into property, flipping our own properties, but then decided to get properly educated by going on property training courses back in 2017. We spent thousands learning different property strategies and started with buy-to-let, which eventually led us down the HMO route. We bought a three-bed terraced house in Doncaster in April 2019 for £72,000, and spent £50,000 converting it into a five-bed all en-suite HMO. We found a reputable building team in Doncaster – they were able to make clever use of the space within the property and use the basement to arrange all the drainage and waste, allowing every bedroom to include an en suite.

We soon filled the property with a corporate let as planned, but then the rules changed with our mortgage lender and they were no longer happy with this arrangement and insisted we get individual tenants, which we did. However, when Covid struck, we found it was harder to retain people and the voids meant we were running the property at a loss. We quickly realised that the headline high rental figures that should be achieved via HMO often don't result in high net income because tenant turnover can be high, especially in these circumstances and this particular area. Plus, on top of that, there are always outlays for damages and maintenance as well as rising utility costs – all of which can eat into the profits.

So, we decided to consider a different approach. Bex had worked previously in the care sector as both a support worker and a foot health practitioner and both of us have family members affected by autism and learning disability – it was really this that sparked our interest in using the HMO in a different way.

Despite her connections, Bex found her calls to local providers led nowhere and that's when she stumbled upon The Gateway on social media. "I signed up to do the eight-week Supported Living Strategy course and went on to list our HMO on The Gateway," she says. This sparked interest amongst several providers, which meant that we could select the one whose work we felt most resonated with us and who we felt would make the best partner.

Ant & Bex Wells
A B Wells Projects

From our end it's been great. Supported-living providers, will often lease a HMO and then cover the utility bills, the maintenance and wear and tear. So even though the rental income itself might be lower, property investors can receive higher net income or the same net income with a lot less hassle. For us, this has meant a five-year lease and a more consistent rental income each month, no bills and no responsibility for maintenance. We've managed to achieve a hands-free, cash-flowing asset.

Meanwhile, our provider – who works to support people with learning disabilities and autism – has been able to supply a home to three people with support needs. The plan is to use one of the downstairs bedrooms as a staff office/sleep space and the other will become a communal area.

We've had superb feedback from the provider too regarding the high-quality finish to the property and we've since been asked to develop more properties for them – we're absolutely delighted and can't wait to create more homes together.

Keep in touch:
hello@abwellsprojects.com
AB Wells Projects

COMPARING FIGURES: HMO VS SUPPORTED LIVING

Original costs of purchase and development

Purchase price	£72,000
Refurbishment, bridging costs and legal fees	£50,000
Total costs	**£122,000**
Gross development value	£160,000
Refinance on to mortgage product	£120,000
Money left in	**£2,000**

Potential profit when operating as a HMO – based on full occupancy

Rental income	£2,166pcm
Mortgage repayment	£495pcm
Bills, insurance, maintenance and management	£918pcm
Total costs	**£1,413pcm**
Net profit	**£753pcm**

Actual income in 2020: Minus £168pm (due to voids/maintenance costs)

Owing to the difficulties we had keeping tenants in 2020, plus maintenance issues and unpaid rents, we didn't see any of the potential profit for running the property as a HMO and actually made a loss of £2,016 across the year.

However, looking ahead to the five-year lease with the care provider, our income is more secure and the figures feel pretty set.

Potential profit when operating as supported-living accommodation

New valuation when refinanced	£180,000
New mortgage	£135,000
Rental income from lease with care provider	£1,365pcm
Mortgage/investor loan repayment @ 6%	£675pcm
Insurance	£100pcm
Total costs	**£775pcm**
Net profit	**£590pcm**

Also, the uplift in value when refinancing on to the supported-living mortgage has allowed us to release approximately £10k from the equity in the property that we will be able to reinvest into our next project. This uplift is down to the rise in market value since the last mortgage was taken out, but has also been massively helped by having the lease in place with the care provider.

PLANNING WITH PASSION & PURPOSE

PART ONE

ECO-FRIENDLY & ACCESSIBLE: PLANNING A NEW-BUILD DEVELOPMENT THAT SERVES THE LOCAL COMMUNITY WHILST HELPING TO PROTECT THE PLANET

Steve Hanham

Steve took his first steps as an investor back in 2006 after he came into some inheritance. He followed a pretty classic route and bought off-plan before setting up Imp Property Limited in 2017 and completing on a three-bed cottage refurbishment. He first met Kal Kondola in February 2018 and, through her mentorship and joint-venture partnership, has propelled his business to the next level.

Kal Kandola

Kal's career in property and finance spans 30 years – from working as an estate agent, to managing over 400 HMOs across Nottingham and Derby. Kal uses her vast experience to mentor clients, enabling them to grow their own portfolios whilst also running a networking event in Leicester. Along with husband Pete, Kal also heads up Out The Box Consulting and works with developers and landowners to masterplan plots that maximise the potential of the site and meet the needs of the local area.

At *BBM*, there's nothing we love more than hearing about sustainable, eco-friendly developments and, if these same developments are also designed to be accessible to all, well then we simply *have* to hear more!

Kal Kandola and Steve Hanham are in the early stages of an exciting new development which ticks all of these boxes *and* demonstrates the power of forming strong relationships to achieve common goals. This is their story so far...

Making connections and building relationships

Steve and Kal first met at one of Kal's networking events in Leicester in early 2018. Steve went on to enrol in Kal's two-day Funding Essentials Masterclass in the autumn of the same year which made him realise that, if he wanted to scale his business and get into new-build developments, he was going to need a mentor. Luckily for Steve, Kal was launching a 12-month mentoring programme with her business partner Rohit Santa, and Steve didn't hesitate to sign up.

When Kal asked during one of these sessions if anyone had a site they would like her to analyse, Steve ventured to mention a plot he knew was on the market not far from him in Lincoln.

Desk-top site analysis

Kal and her team did a desktop analysis of the site and found it had consented planning for a mixed-use development of four ground-floor commercial units and 14 residential dwellings (ten apartments and four townhouses at the rear). However, alarm bells rang when they realised it had been on the market for some time. Further analysis into the site revealed that the residual land value being asked for the site was based on the approved permission which was making the site unviable – research showed that there was no demand for commercial units in this location.

Kal says, "You see it a lot – an inexperienced landowner wanting to secure planning on a site so that they can get a higher price at sale." Because the site was in Flood Zone 3, the landowner's architect had taken the easy option and planned for ground-floor commercial units and garages for the remaining units without considering either the demands of the local area or what other options might make the site more viable. Kal adds, "The option to raise the finished floor levels and to create a ramp with disabled access was overlooked. The orientation of the dwellings to the rear of the site and potential options were not explored in detail." But Kal and Steve decided to push on and explore it further, investigating ways the site could be used if the ground floor was raised by one metre, therefore mitigating the flood risk.

The former pub before it was demolished

Steve visiting the overgrown disused site

The overgrown disused site

They then considered carefully the ways this would allow them to use the plot to better effect and to greater impact on the neighbouring properties. Importantly, with these improvements – and by creating residential dwellings – they would significantly raise the GDV (gross development value) and therefore make the scheme viable.

Site visit

A site visit was arranged during which time Kal talked Steve through their process of due diligence and site appraisal. Kal's husband Pete explained their findings to the vendors, making clear that the site was not commercially viable under the current consented planning and put forward an offer subject to a satisfactory planning result following a redesign. Alas, their offer was rejected for unknown reasons (probably just the gut instinct of the vendor) in favour of an offer from another purchaser.

Over the course of the next 18 months or so, the site came back to market three times and each time the agent would ask the partnership if they were still interested. And, each time, the team would resubmit their offer only for it to be rejected in favour of another interested party. It was deeply frustrating. Kal and Steve later found out that one of the potential purchasers was a charity so perhaps the vendor had felt inspired to support a good cause. However, that particular sale fell through in December 2020 owing to reduced fundraising in light of the pandemic, and it was at this point that the agent again called to ask if the partnership was still interested. The site still appealed, but the team were obviously more hesitant than they had been previously.

In the end, they decided to put in an offer that was lower than their original one and subject to satisfactory planning with an option agreement in place. Steve and Kal proposed paying £50K less than their original offer, but it was rejected. They countered with an offer £10K under their original on a 12-month option agreement and the vendor accepted. It had been a real slog to get to this point, but perseverance and transparency paid off.

Architectural planning

Kal works closely with architect Adrian Bellingham from Covest and so didn't hesitate to hire him for the project. His brief was to redesign the site to meet the needs of the local area, ie: into a residential scheme comprised entirely of apartments. Following a feasibility exercise, the team concluded that a new design layout would be required to maximise the full potential of the site and to create a more appealing-looking development with amenity space and sufficient parking to fulfil the new brief.

Tackling a site with planning consent

We asked Kal what her top tips would be when looking to buy a site with planning consent:

"We always advise taking a pragmatic approach. Review the alternative options available to enhance the scheme and the costs involved in delivering a consented site. Architects sometimes work on a transactional basis: if you ask them to design a site with so many houses, that is exactly what they'll do; it's not their job to look at the costs involved in the delivery of a profitable scheme, but to gain planning consent.

"We've seen sites with planning consent where the scheme doesn't actually fit on the site because the architect didn't have the exact measurements. And we've seen sites for sale that cannot be built because the access is flawed – I could go on with a whole raft of scare stories. The key is to work with people that actually ensure the consented design is maximising on the potential of the site and is genuinely deliverable."

Adrian's design allows for 27 two-bed apartments within two three-storey buildings. Over 30% of the units (nine apartments) are on the ground floor and have been designed to M4(3) category specifications to allow for fully wheelchair-accessible units each with their own dedicated parking space. The other 18 units have access to a further 11 parking spaces on a first-come-first-served basis, referred to as a 0.6 ratio, and there's also amenity space which can either be for specific apartments or used to create a gated, communal recreational space – this will be decided following pre-application feedback from the planners.

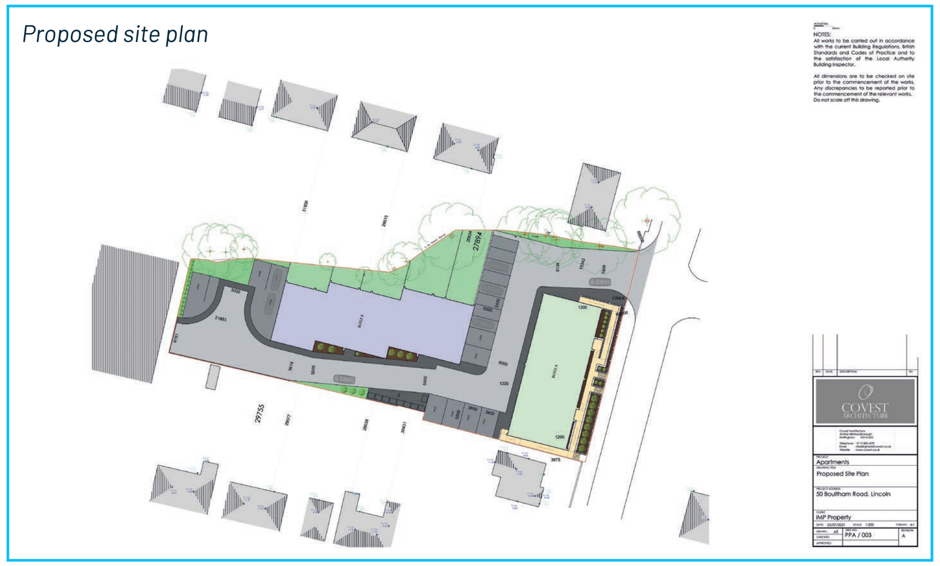
Adrian says, "The proposed scheme will breathe new life into a derelict site providing much-needed housing for the local community. Kal and Steve are proposing an increased percentage of wheelchair-accessible eco-units than is typically provided on new developments with the aim of providing desirable, accessible, modern open-plan living spaces maximising light and outlook whilst also being sympathetic to the local residential surroundings."

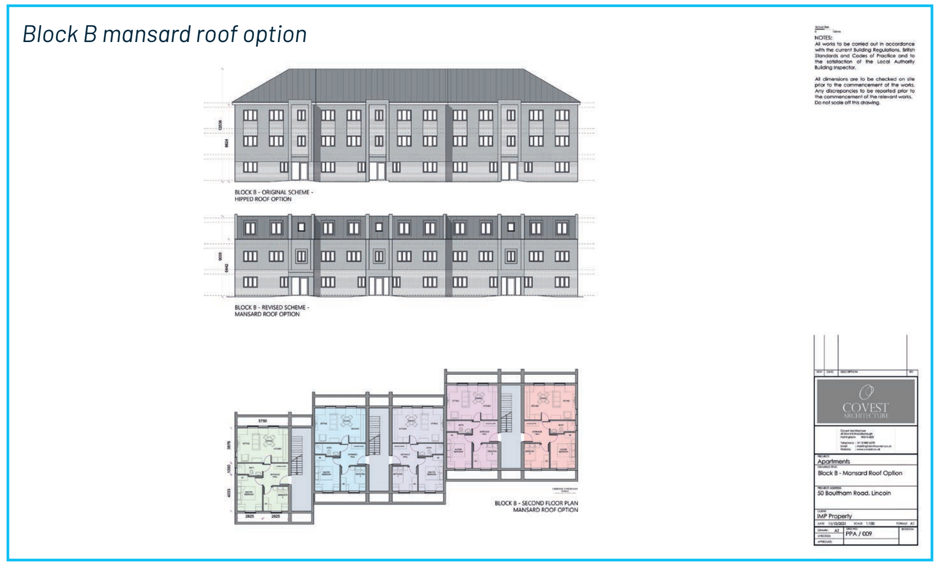
Kal feels strongly that the revised application delivers units that are more attractive to the developer (in this instance herself and joint-venture partner Steve) while also offering something more appealing to the intended market. So the landowner has managed to achieve the desired land value and a sale by finally accepting a redesign of the site. And to this end, everyone wins – the effort Kal and Steve had to put in to address the poor design choices on the consented scheme has allowed them to establish a good relationship with the landowner and has led to positive conversations regarding a couple of additional sites in the area.

Eco-friendly construction methods

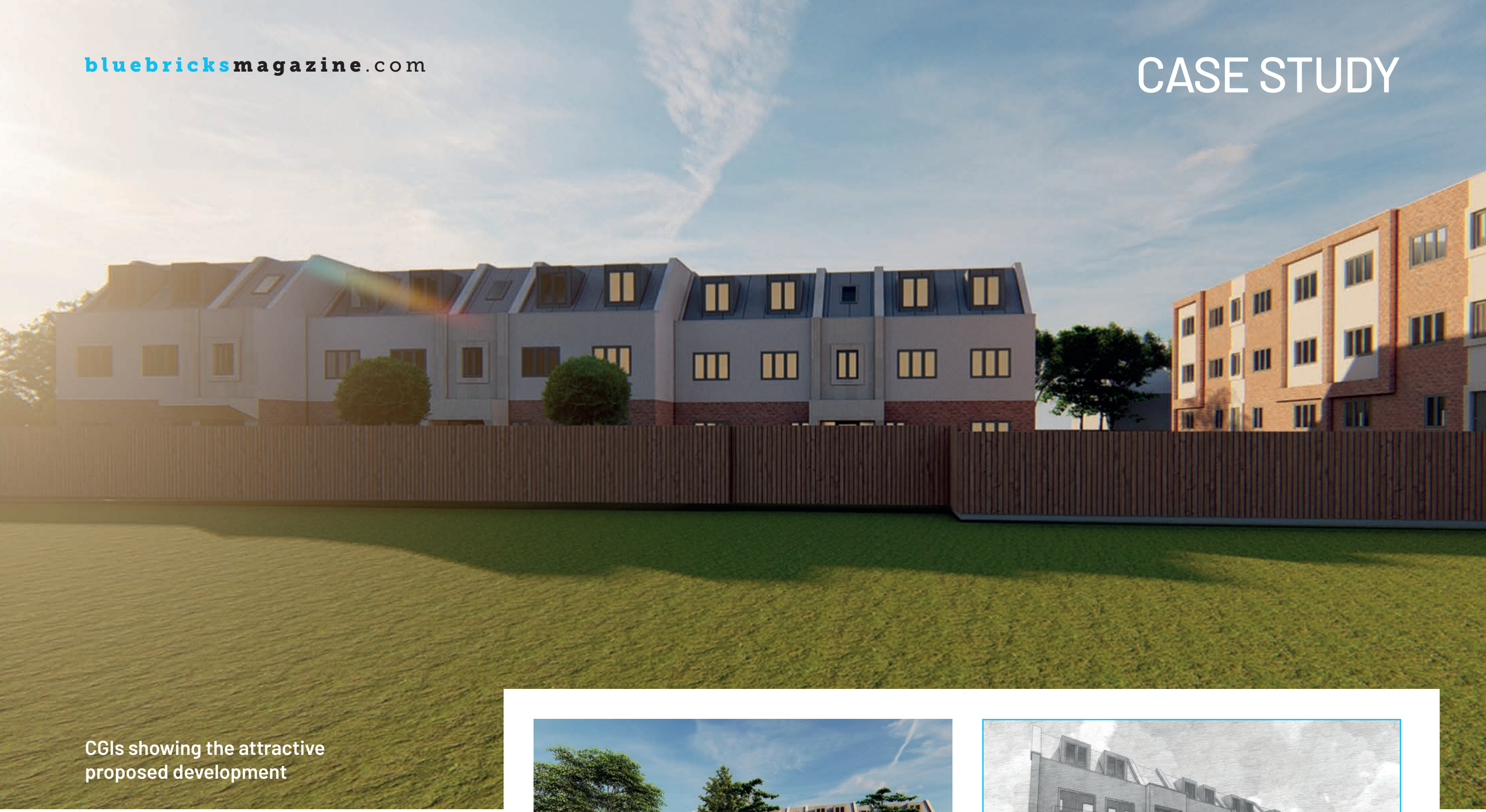
Kal's team has brought vast experience and connections to the table with regard to construction. Says Kal, "We are passionate about low-carbon homes and plan for our properties to outperform the Future Homes Standard 2025 and

Kal and Steve going over the exciting plans with architect Adrian





Some of the plans for the proposed scheme



CGIs showing the attractive proposed development

the proposed changes to Park L of the Building Regs, which aims to reduce carbon dioxide emissions of new homes in line with the UK's 2050 target of net zero emissions."

The construction method Kal proposed is going to be thermally efficient SIPs (structural insulated panels) with air-source heating to produce a 100% eco-home scheme with low running costs for its residents. Kal adds, "With our build system, we are ahead of the curve and future-proofing everything we do."

And she's not wrong. SIPs are prefabricated, high-performance, lightweight building panels that are used to form the walls and roof of residential and commercial buildings – and they form the core of Kal's build system. Kal says, "Buildings of the future need to be more efficient: we need to think differently about how we keep warm (and cool) in our living and working environment. Our fabric first approach uses advanced building materials to create a highly efficient thermal envelope, retaining heat inside buildings. Designs that use less energy are key to reducing fuel bills, increasing energy security and building a low-carbon world. All of our buildings will be highly insulated, with exceptional levels of airtightness, allowing performance up to Passivhaus standard."

So passionate is Kal about creating eco-homes that she has partnered with a SIP manufacturer. Clever!

A joint venture success story in the making

Says Steve, "I never envisaged the first new-build project I would get involved with would be to anything like this scale and – without my friendship with Kal – none of this would have been possible. It really does go to show the power of networking relationships within the world of property." Kal believes that it is of the utmost importance to find people you like, know and trust, and as such joint ventures remain at the heart of their business model. She says, "Working with Steve on the project in Lincoln is a great partnership and an opportunity for us to stand by our word that we will JV with mentees who put their trust in us."

Kal feels team is everything and surrounds herself with proactive experts like Adrian Bellingham who will help her to achieve the desired result from her projects. Indeed, these experts also join her on her training and mentoring programmes. Her partnership with Steve is part of an Earn and Learn programme and she will be running a series of free webinars to allow interested parties to follow the progress of the site and learn more about her eco homes policies – details below.

You can follow the progress of this JV venture in future issues of *Blue Bricks*. We look forward to seeing how this eco-friendly, inclusive project develops alongside Steve and Kal's partnership.

Get in touch with Kal Kandola & Steve Hanham via Facebook, LinkedIn or the following contact details:

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CONTRACTS WITH BUILDERS

THE TYPES OF CONTRACTS AVAILABLE AND THE BENEFITS OF USING THEM

As a project manager the first thing I try to do with any project is to de-risk it as much as possible. One of the best ways I can do that is by having the correct contracts in place. I know it seems strange, but it's amazing the number of people who undertake projects without contracts in place.

A contract does not just remove risk from the construction phase of a project, it also protects me, my company, clients and – crucially – my investors in many other ways. So, I am going to explain some of the contract options available as well as who you should have them with *and* the benefits of making the effort to put them in place.

Why do you need contracts?

Firstly, it's important to understand what you are getting involved with. It doesn't matter if you're doing simple refurbishments or whole new-build developments. It could be extending a house, converting a house to a HMO, splitting a house into two flats, or commercial to residential conversions.

Recognise this: if this is not your family home, then you are doing it for commercial gain.

You have now become part of the construction industry and that industry is notorious for contractual disputes. There is a long and woeful history of projects grinding to a halt or not getting finished at all. And, if you're new to this, remember that you're entering a world full of people who have been doing this all their lives. It's a world full of highly skilled and experienced people, many of whom have studied their area of expertise at college or university and may speak a language that you may find hard to understand. They will be bombarding you with technical details you have never heard of and requirements that you didn't know existed. And many of them will also be extremely sharp businesspeople. They will be looking to protect their interests at every opportunity.

And, since you may well be committing several hundred thousand pounds into your project, it would be extremely naive to enter into something like this without a contract. A handshake and a promise are not enough to protect your investment.

What kind of contracts are there?

There are a wide range of contracts available, but I'm going to focus on the most commonly used and their benefits. This will include the Joint Contract Tribunal (JCT), which is the most frequently used; however, depending on your circumstances, the Royal Institute of British Architects (RIBA) and Federation of Master Builders (FMB) may be more suitable.

It's important to understand which types of contracts are used in the construction industry. These are known as Standard Forms of Contract (SFoC). These are different from bespoke contracts that a builder may present or which have been drawn up by a client's solicitor who does not specialise in construction disputes and arbitration.

SFoC are accompanied by notes and instructions for use, and these give construction professionals clear guidance in unambiguous language. Owing to their widespread use and the long historical record of construction-related disputes, a large body of case law has been built up using them. This means that, in the event of a dispute ending up in court, solicitors from both sides and the judge involved will be familiar with them.

They are also written in an impartial nature with the purpose being to protect both sides. Bespoke contracts by their nature will be written with a view to protecting one side more than the other, so caution must be taken when either party wants to insert a bespoke clause into an SFoC as this has the potential to invalidate that clause or even the entire contract.

JCT contracts

As mentioned, these are the most widely used contracts. They can be used on

Dave Forde
Project Manager

either a lump sum or cost-reimbursement basis and the JCT have a full suite of contracts available to suit different projects available in both paper and digital format. In paper format one party would print out hard copies and both parties would sign it and each keep a copy. In a digital format, however, the contract can be sent back and forth to each party with amendments made until both parties are happy with it, at which point it is digitally signed.

When carrying out a commercial project, most people will use a minor works or intermediate contract with contractors design. These are different to the JCT homeowners' contract. It's important to remember that JCT contracts are written with the assumption that the client will be using a contract administrator to oversee the contract; see below for more on that!

RIBA contracts

Most builders and tradespeople will not be familiar with RIBA contracts. However, it's quite likely that, if you are appointing a RIBA architect, they will want to use this type of contract and they may well advise using one of these with the builder. There is absolutely nothing wrong with

IT'S ADVISABLE TO HAVE CONTRACTS WITH ALL PARTIES YOU ARE DOING BUSINESS WITH

this approach and personally I think the wording is more accessible than that in the JCT contracts, especially for anyone who isn't a construction professional.

FMB contracts

Again, these are not widely known about but are absolutely fine to use and very easy to understand. The FMB has many contractors who are registered with them so it should be no surprise that they will suggest using one of these contracts over other options.

The benefits and considerations of using SFoC agreements

Apart from the explanatory notes that accompany them, they all share certain similarities. Crucially all of them provide details of a dispute resolution mechanism. This may involve calling in independent adjudicators or mediators who may come from the organisations writing the contracts themselves, or they may be other professionals. If required, they can provide a mediation service to help resolve a dispute that you may not have been able to sort out between yourselves, and reopen the lines of communication.

A word of caution about using SFoC agreements, though. I meet a lot of people who think that because they have a JCT contract in place then they are 100% protected, but it's not as simple as that. You *have* to know how it works and there are many elements that go into it, such as notice to terminate, variation orders, liquidated damages, retention clauses, pay less notices and fluctuation clauses – and that's just for starters. In addition, there are timescales attached and specific ways in which this information must be transmitted.

As I said at the start, you're going into a business arrangement with very experienced people and some of them know these contracts like the back of their own hands. If you make a procedural error or don't deliver something within the correct timeframe then you may find yourself seriously out of pocket and there will be nothing you can do about it.

Who do you need to have a contract with?

It's advisable to have contracts with all parties you are doing business with. So, if you're using professionals like architects, consultants, quantity surveyors and so on – you should appoint them all via a contract.

The same goes for anyone who will be carrying out work on the project. If you have a main contractor, you will only need to sign one with them because they will have their own contracts for anyone they are subcontracting. However, if you decide you are going to use individual tradesmen, each one will need a separate contract, which can get a bit confusing and will involve a lot of administration. If a particular tradesman is only doing a small package of work, then you may feel it's not worth signing a contract with them.

What is a contract administrator?

A contract administrator (CA) is responsible for ensuring both parties comply with their obligations as per the contract. They are a third party paid for by the client (in this case yourself), but who must act objectively. Think of your CA as a bit like a referee at a football match – if there's a dispute, the CA will decide who is at fault with regards to the conditions of the contract. Indeed, while there are some people who think a contract is a stick to beat the builder with, it is in fact there to protect the builder every bit as much as the client.

In many cases when an architect is engaged by a client, they will also act as the CA. Alternatively, it may be an independent professional such as a consultant or QS. In my experience, it's not always appropriate to appoint your project manager into this role as they have a natural bias towards you as their client.

Some people try to save the cost of a CA by taking on this role themselves – effectively acting as client *and* CA. You must be *very* careful if you decide to do this: the CA is obliged to treat the builder with fairness and objectivity and this could be a problem if you have a financial dispute that ends up in court. You could find it very hard to demonstrate that you treated the builder fairly without being influenced by your position as client.

Besides, there are many advantages to using a CA. First of all you will be using someone with extensive construction experience who is also very familiar with contracts. They can stop you making contractual mistakes to your own detriment.

But perhaps the biggest advantage is that it takes the personal element out of it. When relationships deteriorate with builders it's usually because of a series of small events which build up over time to mean the relationship has broken down beyond repair. Before you know it, the builder has walked off and you both end up in court. If you let the CA deal with any disputes – especially the financial ones – you can continue to enjoy good relations with your workforce.

I do understand that some people are reluctant to discuss the issue of a contract with builders. You get someone over to cost the job, they offer valuable advice, seem professional, the quote feels right and – importantly – you like them. It can feel awkward to then start talking about contracts and retention clauses – you don't want them to think you don't trust them.

But you are operating a business. And no business operates without contracts with their suppliers and workforce. A lot of small builders may not be used to people saying they want to use contracts and, if that's the case, you may not be able to do business with them. But a contract is something that's going to give you protection: all the supporting documents such as drawings, specification documents, schedule of works and project programme are going to be referred to in the contract.

You can phone any construction professional (architects or consultants for example) and ask to book a professional consultation with them. You can ask them to explain contracts to you and advise which one they think is most suitable for your project. Alternatively the JCT provides online training on how to use their contracts and, for the cost of a few hundred pounds, it may just end up saving you many thousands.

Keep in touch:
evbiprojects.com
info@evbiprojects.com

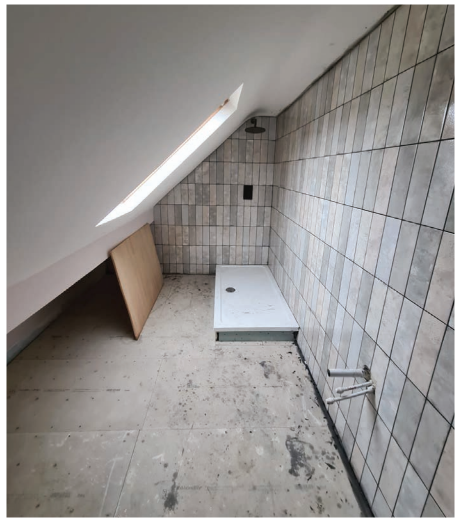
Useful resources to help with this topic:
jctltd.co.uk
architecture.com
fmb.org.uk

Dave Forde has been working in construction and engineering for over 37 years both in the UK and the Middle East across a multitude of sectors. Small-scale projects include completing numerous property refurbishments and new-build developments whilst, on a bigger scale, he has spent over 20 years working on major infrastructure projects, including the Olympics, Crossrail and HS2. He's currently working as a project manager on a rail project.

He is a member of the Institution of Engineering and Technology, The Association for Project Management and the Chartered Institute of Building and he is currently studying to attain Chartered Construction Manager status.

THE "QUEEN OF SA" SHOWS YOU THE WAY

SARAH MCDERMOTT'S GUIDE TO RUNNING A SERVICED ACCOMMODATION BUSINESS



PART 6: PROJECT MANAGING A REFURBISHMENT

Sarah McDermott is co-owner of luxury holiday-let firm, 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, branding and management, to décor and furnishings, business plans and the dos and don'ts of attracting investors.

In this issue, Sarah gives advice on how to efficiently manage a refurbishment to deliver a successful project.

Hello Blue Brickers!

Howdy doody SA warriors! We've come so far! We've been through the minefield of the initial set up, as well as branding, structuring and nailing your vision. Hopefully by now you've bagged yourselves a fabulous property in the perfect location. You've written a bad-ass business plan, and picked up a couple of investors who are thoroughly committed to your cause! So the next important piece of our wonderful jigsaw should begin several weeks before you get your hands on the keys. This is, of course, a momentously significant and celebratory moment so use the opportunity to splash yourselves all over social media with your massive cheesy grin, a set of keys and a bottle of champagne in your hands. In so doing you will showcase not only your fabulous new property, but also reiterate your position as "professional SA property investor" to any potential investors who may be scrolling!

Once you've responded to the huge incoming flow of well wishes, and answered a zillion questions about what you're going to do with this beautiful beast, you can then get down to business and start putting into action everything you've been planning prior to getting through the front door. And just like that, it's all very real!

Get plans in place early

I would strongly suggest that a good six weeks before completion day, you start scheduling your work force in and setting up trade accounts with suppliers. I'd advise never paying your trades on a day rate – suddenly the days get shorter, the jobs get longer and your purse gets poorer! Make sure everyone quotes in advance and is therefore working to an agreed price.

At Maison Parfaite we don't use main contractors because they tend to come in at great expense, which wipes the majority of profit out of most deals. Of course, that's not true in every case, it totally depends on the potential value uplift of each property – there may be times where there is so much money in the project that you can pay the contractor at their quoted price and get your money and the investors' out at the refinance stage. But that's not our model so, as we use individual trades and we project manage ourselves, we need things to run like a very tight ship.

Try also to think in advance about new technologies and sustainable development options for the property. For example, consider alternative heating systems like ground source heat pumps and infrared heated panels (the latter be custom printed and incorporated into your décor!). You could also take a look at carbon-neutral paints – there are so many on the market now and they're both kinder to the planet *and* less toxic to your guests. What's not to love?!

Central to good planning is an in-depth spreadsheet, dated along the top and detailing exactly who will be on site, carrying out what task, and when. You'll also need another spreadsheet for all your costings – again try to get these quoted in advance of starting the project if you can. We actually run our costing estimates when assessing a property deal, but if you've not yet got any experience of renovating a property, don't try to estimate these costs. Instead ensure that you get the appropriate trades through the door before completion to quote accurately.

Another absolute must is to ensure that either you or your architect has drawn out every item in every room in fine detail, and has also marked exactly where everything is going on the floor plans. Even if you're not changing the internal layout of the property, you're likely to be putting in extra electrics, moving existing light fittings and sockets, or you might be rejigging the bathroom layouts, etc, which means you're going to need detailed site plans. Also make sure that you have your designs and colour schemes locked in early so you waste no time once you have access to the property.

Once on site, you'll need to make sure that everybody knows the drill and is informed about where everything is going. And, critically, you'll need to check that everything you're going to order (such as bathroom fixtures and fittings, beds, wardrobes, sofas, sofa beds and so on) will fit whilst also leaving the 50cm walkway between each fixture/piece of furniture.

For the site management itself you'll need to be hands-on to a certain degree, but I would highly recommend employing a site manager. This role doesn't require vast previous experience on a construction site, but you do need an individual with plenty of time so that they can be on site most days. They need oodles of common sense, a calm and level head, the eyes of a hawk and the ability to keep that all-important spreadsheet up to date. This person will be your eyes and ears and will act as your quality control officer.

What I will stress is that you shouldn't get sucked into manual labour yourself – if you're fannying around under a kitchen sink then you're sure as hell not focusing on the bigger picture!

Get compliant

However, there are certain aspects of running a site that shouldn't be left to either you or to your site manager – ie: aspects of the refurbishment that require some professional input, such as site set-up and the HSE (Health and Safety Executive's) notification. Any significant refurb is going to require that you send in a notification to the HSE, and this could mean that you will get an inspection. Your site must be compliant and up to scratch with health and safety standards. For example, you must always ensure that you have on-site facilities such as a toilet and washbasin, as well as a welfare area for your trades team to be able to sit and make themselves a hot drink and some hot food. A small but clean room with a little table, a microwave and a kettle is fine for this purpose. And if it's not practical for you to leave a bathroom in during the refurb, then a portaloo or two can be hired from Jewson at very minimal cost.

I would recommend hiring a professional project manager to set up the above and get your site compliant. That person can also hold the initial inductions with everybody, and create you a health and safety file which can be used on this and other sites. They will ensure that you have any relevant signage in place, and that all of your trades have submitted a method and risk statement as well as copies of their public and/or professional liability insurances. They will ensure that all trades are decked out in the appropriate PPE and that spares are provided on site. Once this lot is taken care of, you can either keep your project manager or save yourselves some money, release them from their role and manage the project yourself, with the assistance of your site manager. We run so many projects now that we have a project manager on staff, which is a lot more cost effective, and may be something you want to look at in the future.

So the crux of my advice is prepare, prepare, prepare! Plan *everything* as far in advance as you can prior to completing on the property to give yourself the best chance of everything going smoothly. That said, it will never all be plain sailing. There will be times when *everything* is going wrong, when people don't turn up or do something wrong, when materials are late, when money doesn't come in on time, etc etc. And on those days, you'll feel like having a massive hissy fit. Don't give in, take a deep breath, grit your teeth and keep going!

Sarah Xxx

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SA mastery with Sarah McDermott

LENDING UPDATE

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

Alice Williams - Commercial Finance Broker

With another couple of months having passed, the offering in the property finance space appears to have remained somewhat stagnant in comparison to past lending updates. That's not to say no slight changes have taken place, but that the changes are far less frequent and consist more of minor shifts in rate rather than the more dramatic halting and reinstating of funding we have seen previously amongst lenders.

Bridging finance

Bridging finance continues to be readily available and options remain for the majority of circumstances, with anything from low-leverage vanilla purchases (with rates starting from c0.4% per month), to funding for individuals with poor credit, and incredibly complex property purchases (with rates sitting closer to c1% per month).

The maximum leverage available in the market is 75% of open-market value, meaning 100% of purchase price is achievable. But be aware that the lenders willing to fund 100% of purchase price are few and far between, and you will pay for this flexibility in criteria via increased interest rates. The industry standard is currently 75% of purchase, and the typical cost of finance will be 2% arrangement fee, 0.6–0.8% per month, and no exit fee.

Development finance

The development finance options remain plentiful and, as outlined in the last lending update, there continue to be lenders willing to consider smaller developments at more competitive rates. This is proving very appetising to the newer developers in the market seeking to start their development journey by building a couple of houses.

Development finance providers are being more cautious with the exit strategies of the developers, and we have on a number of occasions had to demonstrate multiple exits (think plan A, B *and* C!) to ensure the lenders are comfortable the developer will be able to repay them. This has not yet proved to be a blocker, but it does add a small amount of time to the application, and should be something you consider when appraising a development (ie: ensure multiple exit strategies work with the development in question).

The hybrid buy-to-let

The product with the greatest number of new entrants into the market over the last couple of months is the hybrid buy-to-let. This is a product typically offered by bridging finance providers to service investors who require a buy-to-let product, but do not currently qualify for a more traditional buy-to-let mortgage. There are a plethora of reasons why developers may not qualify for the mortgage product, but the most common is a lack of experience in the space (for example, where the property is a newly established serviced accommodation unit and therefore has no trading history).

These products typically fund up to 75% of the property value, and rates are between 4–6% per annum on average. Whilst these products are more expensive than their traditional mortgage counterparts, they do serve a very specific purpose and should only be used where a mortgage would not currently be the right option for you. One benefit of these products is the increased flexibility when compared to a standard mortgage. For example, where a mortgage would require between 120–145% debt service cover (that is, where the rental income covers 120–145% of the mortgage repayments depending on the provider and the circumstances), some of the hybrid lenders will only require 100%.

Whilst the rates are rather high in comparison to a standard mortgage, and therefore the monthly payments will be higher, there is some flexibility. Most lenders offering a hybrid product will allow you to defer a portion (usually 1%) of the interest until the end of the loan, assisting you with reducing the monthly payments. Others, such as Octopus, offer a period at the start of the loan where you're not required to service the debt at all. This proves beneficial in instances where light refurbishment works are required prior to tenanting the property because you can avoid servicing the debt whilst the property isn't income-generating.

Investment mortgages

In the investment mortgage space, we have seen further interest rate reductions bringing five-year fixed products closer to the 3% mark. Precise, for example, have reduced their five-year fixed-rate product for buy-to-lets down from 3.39% to 3.04% per annum. This is a reduction that has been mirrored by a couple of other lenders in the market.

The finance market continues to support the majority of investors regardless of their circumstances, and lenders remain keen to lend. As always, ensure you are prudent in your due diligence on anything you are looking to raise finance for, and give yourself as much time as possible to complete on a loan application.

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This information may change at any time during the printing process. Please consult a broker in all investment decisions.