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Blue Bricks

MAGAZINE

MARK STOKES
ON THE GAME-CHANGING FUNDING OF SSAS PENSIONS

STRATEGY TALK
THE ROLE OF A PROPERTY SOURCER

CONSTRUCTION
WHAT TO LOOK OUT FOR IN A HMO CONVERSION

THE CHURCH CONVERSION
PLANNING FOR SUCCESS

CASE STUDY OF THE MONTH
ROUNTON VILLA: THE SEASIDE SAGA

ISSUE5BBM

THE PROPERTY INVESTOR MAGAZINE

BLUE BRICKS MAGAZINE

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HELLO

CAROLINE MONKS
EDITOR

Welcome to our fifth issue, I hope this note finds you well.

We're living in unusual times, as you well know, and I like to think our magazine is providing some valuable insights into navigating this difficult period through our Lettings Update (page 28) and Market Pulse (page 12) while simultaneously offering some welcome distraction – where else can you read about Boycey and his bat surveys?! Jokes aside, he gives us some great advice this month on the pre-planning aspects of projects and how to work with the council.

Mark Stokes has provided a wealth of knowledge for our main feature on the subject of SSAS pensions and how you can use them within your property developments in ways that you may not have thought possible. Mark is a credible author with several books under his belt, including one on this very subject and as such is able to go into real depth. You may need a couple of brews and at least two KitKats for this one!

I've got to know Sarah McDermott much more lately through her involvement in BBM and I know just how much of herself she throws into her renovation projects. In her honest account of Maison Parfaite's most recent renovation, she has really opened up to share with us how the difficulties they experienced on this job landed her in hospital with a stress-related illness. It's refreshingly rare to get such honesty in the property world so I'd like to thank Sarah for telling it how it is. In the end, they've created yet another stunning property as you will see on page 24.

This month we're also pleased to have Anthony Halliburton contributing on the subject of insurance as he talks us through the common mistakes made by landlords. His advice will help you avoid these pitfalls; see page 23.

I was delighted to attend Property Magic Live 2020 with Simon Zutshi last month and have shared my thoughts and experience on a fantastic three days in a review on page 30. Hopefully next year it will be a live event and I may see some of you there!

As always, we love to hear from you! Come and say hi and share your thoughts at hi@bluebricksmagazine.com.

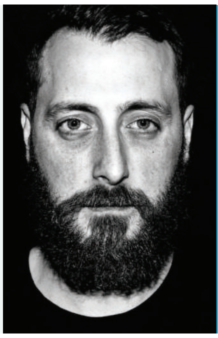
Best wishes,

Caroline

MEET THE COLUMNISTS

Kevin Wright Finance

With over 35 years of experience in the property industry, particularly in finance, Kevin is a finance veteran. He owns Invisible Investors, a property education company that trains and enlightens investors on how to use creative finance to buy multiple properties, faster, but with much less cash.
Loves the colour yellow



Anthony Boyce Design

Anthony is an experienced Architectural Technologist with a passion for property. Investor involved in BTL, HMO and serviced accommodation units, predominantly in the Northeast of England. Co-founder of The Property Thing monthly property networking event and owner of Rocket Architectural Design. Looks sinister, but as jolly as Father Christmas

Joanne Saint Marketing

Jo is a dedicated marketing professional with 20 years' experience, both CIM and ILM qualified and owner of a marketing company that helps devise strategy for firms large and small. Jo is also a property investor, developing a portfolio and supporting other investors to do the same with her skills and contacts.
Saint by name, cheeky little devil by nature

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

Paul Tinker Construction

Paul is a property entrepreneur delivering construction services to property investors. Specialist in refurbishments and conversions. He owns a safety consultancy run by a dedicated, fully qualified team. He also owns a deal-sourcing business and a construction development company.
Likes dressing up as a clown and scaring Lisa

Ben Quaintrell Lettings

Ben has been a letting agent for 15 years, eight of which he has run his own business, My Property Box, a forward-thinking, tech-embracing letting agency. He's an active property investor specialising in single-lets, commercial and serviced accommodation.
Has more grey hairs because of his wife and kids than from his lettings business

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

Hayley Gilbert Legal

Hayley is a commercial solicitor and director within the Legal Services team at BWL Consulting Ltd, based in Darlington. She has over ten years of post-qualified experience and has worked in both high street and city firms across the Northeast.
Secretly wants to be Dolly Parton (although not a secret now)

Anthony Halliburton Insurance

Anthony is an Associate Director with Sentio Insurance Brokers. He has worked within the insurance industry for over 16 years for both national and local firms. Specialising in the property sector he can advise on all aspects of property insurance including development projects.
Was crowned Carnival Prince in 1983 at the age of two

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

WEBSITES...

MAXIMISING YOUR MARKETING–PART 1

Does your business need a website? In most cases this is a simple yes. The only time I'd say don't bother is if you've spent years growing your reputation, audience and credibility, simply as a by-product of being awesome at what you do. If you have no shortage of leads, opportunities and contacts and can already satisfy all of your business goals with your existing network, then a website probably won't add much value. But, if this isn't the case, then yes, you need a website.

A place to go

Whatever marketing activity you're doing to get your message in front of your audience – be that posting on social media, hosting a podcast, distributing flyers etc – you need a place to send people if they show interest.

If you think for a second that someone will spot your brand or message, fully understand who you are and what you offer, then take the time and effort to go searching for more information or a way to get in touch – you may well be deluded.

Marketing is a repetition game and once they've been exposed to you a few times and one of those is the right time for them to look a little closer, you need to make it very easy for them. As such, your website should be at the centre of your marketing net, with all activity pointing to it.

Purpose and function

When you start to think about creating or updating your website – forget design. Think function and purpose first, followed by great design. If it looks like the dog's danglies but has no functionality, it's a waste of time.

Remember, this is where you're sending people who have taken a peek at what you do, so it makes sense that your website's job is to take them further down the path towards actually getting in touch. These are some of the functions a website could perform for you:

Out of hours/self-serve

Most people don't want to work 24/7, but if a potential client decides they want to know more at 2am on a Sunday morning, your website could go some way to satisfying.

This could be in the form of brochure downloads, FAQs or a cleverly automated chatbot that takes their information and answers some simple questions.

This could also rule out time wasters by narrowing down visitors to those that are actually in a position to work with you.

Credibility

Some of your audiences should and will do some due diligence on you before they decide if they want to contact you. Your website is a great place to really summarise your values, your proposition and your experience. Make sure it is up to date with case studies and testimonials that are relevant to the key audience you want to engage with.

It should also be in sync with the rest of your content, so the look and feel, the way you write and the key messages should all flow through from your marketing to your website.

Conversion/sales

Most people will come to your website as a result of seeing your marketing elsewhere, or possibly from a Google search if your SEO (search-engine optimisation) is any good. The point is you don't need to start at the beginning; you need to keep them moving forwards.

View every page on your website as the homepage. A website is not one-way in. Visitors can land on any page and when they do, they will want a very specific question to be answered.

You need to work out, for every page, what that question is and then answer it. For example, if you want direct-to-vendor leads, then you need to send those visitors to the page that answers the questions of that audience:

- Do they just want to stiff me on price?
- Can I trust/like them?
- Does it matter that I'm in arrears or the property is a sh*t hole?
- Can they help me with my problem?

If you're looking for investors to give you cash, you're answering a different set of questions:

- Is my money safe?
- Are they experienced?
- What will my return be?
- Why should I choose them?
- What are the guarantees?

Every single page should have a call to action, a single next step that you want that audience to take. That could be anything from booking an appointment, to giving you a call or downloading more information.

Marketing Tips & Tricks

JOANNE SAINT

Expecting your visitors to find your generic 'Contact Us' page and fill in a blank form to get in touch isn't going to cut it. Worse still, don't just put your email address up there and think that anyone is going to actually bother copy and pasting it. They won't.

Lubricate it

Whenever you want someone to do something on your website, ask yourself if there is any friction. Is there anything at all that gets in the way of this visitor taking the required action?

Like the examples above, if you want someone to book an appointment, just have a nice big button that says 'Book an appointment' – something that takes them straight to a calendar where they can easily select a time and date. Then confirm they've booked an appointment and set up an automated email or text sequence that reminds them the day before.

Even your language needs to be lubricated. Don't confuse them, don't use jargon, don't give them too many options and don't ask them to over commit too early.

Then what?

In the next issue we'll cover design and build, along with simplifying some of the terms and jargon used to terrify you into thinking you need to spend a fortune on agencies. Do you know your SEO from your CRO? Until then, get in touch if you need more help!

sinfullygoodmarketing.com
jo@sinfullygoodmarketing.com

TOOLBOX TALK

THE ROLE OF PRINCIPAL DESIGNER

When discussing upcoming projects with property developers and investors, one of the first questions I ask is who have they appointed as principal designer (PD)? And common responses include "what's that?" or "I don't need one, it's only a little project."

For the commercial client, without a principal designer, they are falling short of legal compliance and miss out on a project "bestie" – someone who will guide them through the pre-construction phase and beyond. But you also need to understand the PD role if you're going to make the right appointment.

When do you need to appoint a principal designer?

Under the Construction (Design & Management) Regulations 2015, a principal designer must be appointed on any project involving more than one contractor. So, if your principal contractor is using sub-contractors, then you will need to appoint a principal designer. If you fail to appoint a PD, then you're effectively appointing yourself and you must discharge the duties of this role.

Ideally you should make this appointment as early as possible during the conception phase of your project, but – as a minimum – they need to be in place prior to construction works starting on site. Make sure the principal designer is appointed formally in writing – it's no good agreeing the role on a gentleman's handshake.

Remember: just because you want someone to carry out the role of PD for you that does not mean that they have to do it. The individual or company may reject the appointment on the basis they do not have the organisational capability to undertake the role. Ensure that you get confirmation back in writing that they have accepted the role you have appointed them to do.

Who should you appoint as principal designer?

A PD can be an individual or an organisation – it's a role usually undertaken by an architect or architecture practice. Whoever you choose to appoint, they will need to have sufficient skills, knowledge and experience to undertake the role.

The level of skill required should be proportionate to the complexity and size of the project. Your PD will need to have the technical knowledge of the construction industry that is relevant to your particular development, the experience to design out risks and the ability to understand, manage and co-ordinate both the pre-construction phase and any design work carried out after construction has commenced.

Do your research using either a pre-qualification questionnaire assessment service or by carrying out the assessment yourself (ie: self assessing). If you do this you could ask for examples of continued professional development and information about any professional institutions they are a member of.

What does the principal designer do?

PDs have an important role in influencing how risks to health and safety are managed throughout the project.

Design decisions that are made during the pre-construction phase effect how the project is delivered. There is a lot of preparation work involved in designing appropriate health-and-safety measures. As the old saying goes: "if you fail to prepare, then prepare to fail." A good PD will be doing this preparatory work on your behalf; they will:

- Plan, manage, monitor and co-ordinate the health and safety prior to construction. They will take account of relevant information such as any existing Health and Safety File that may affect design work.
- Advise the client on how to bring together pre-construction information (PCI).
- Work with any other designers collaborating on the project to eliminate foreseeable health-and-safety risks to anyone that could be affected by the work.
- Align the pre-construction phase ensuring that everyone communicates, co-operates and co-ordinates their work.
- Liaise with the principal contractor (PC). The PD will be keeping the PC informed of any risks that need to be controlled during the construction phase. This in turn will aid the PC to include this information in their Construction Phase Plan.
- Prepare the Health and Safety File to be handed over at the end of the project. This file is a record for the client or the end user of the building or structure focusing on – yes, you guessed it – health and safety. This document ensures that any subsequent maintenance, repair or construction carried out by those responsible for the building/structure is properly informed.

That word "co-ordinate" keeps popping up and that's because it is so important that everyone is on the same page and has the same information to bring your project to life safely. A PD is a master of organised, digestible information and is anal about ensuring that everyone has that information. Whilst they are busy co-ordinating the pre-construction phase, you have the valuable headspace you need to work on something else – like finding your next development...

So if you are about to start a property development then getting a PD in place to support you is an absolute must unless you yourself have the necessary skills, knowledge and experience to deliver those duties.

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

VENDOR FINANCE

NATHAN WINCH – BUSINESS

The magic bullet to substantially increase your deal leverage

I often find that vendor finance is at once under-utilised and the Holy Grail. It's crazy how many times complicated or protracted financial tools are used where a simple vendor finance mechanism would be the obvious choice. I guess people avoid it because they think it's a tough negotiation or that the vendor will flat out reject it.

I use vendor finance – or at least an element of it – all the time when buying properties, businesses... anything really! It's almost like your way of enforcing warranties should something go wrong or just differently to how you anticipated it. The trouble is, in the property world it's pretty much "what you see is what you get" – but this isn't always the case.

Purchase lease options

Anyone who's familiar with me in the property arena will know me for my work using property options and purchase lease options. This is where you agree an option (not a deferred completion) to purchase a property at any time within a specified timeframe. Then, with a lease option, you agree to lease the property during this time, so that you can make use of it whilst you wait to purchase it. If carried out correctly – and legally – this can give you all the benefits of ownership without strictly owning the property. For example, you can benefit from rental profits as well as any appreciation of the value of the property because you will buy it for the pre-agreed amount, even if the property is worth more when you come to exercise your right to purchase.

I've made a lot of money using these methods, but you must be careful. Whilst this is a financial tool touted as a way to get into property with little money and experience by many of the gurus out there,

Nathan Winch
– Private Investor

it's actually an advanced purchase mechanism that requires some degree of property knowledge, skill and business acumen to get right; yes, you're benefiting from the perks of ownership, but you need to bear in mind that you'll also have all the responsibilities of ownership...

Private mortgages

This is another method that I've had success with in the past. Whilst similar in nature to purchase lease options, private finance – or more commonly referred to as private mortgages (one form of vendor finance) – is where the seller becomes your "mortgage company", allowing you to pay off the purchase price over time. This works particularly well when buying from corporate entities – even better when the transaction is for a commercial property.

It can also be a great way to push struggling deals over the line if the finance you've arranged falls short, or if there are legal or planning issues you need resolved that can't be sorted pre-completion. Saying, "let's put this last £150,000 of the purchase price into a vendor finance arrangement where I pay you X amount per month over three years, that way we can complete..." can be a very powerful thing. Maybe even say to the seller: "imagine the monthly payments as a kind of deferred income – take a break from work and go on holiday for six months..."

Another great way to use this method is to get better rates on finance, as refinance tends to be easier and somewhat cheaper than arranging purchase finance. So, for example, why not put the property in the buyer's name with zero payment, but agree to a vendor finance arrangement with the seller and make interest-only payments to them, with them having a charge over the property, until you can refinance. This then pays the seller off in full. Of course, in this situation it would require the property to be unencumbered (have no mortgage), but your creativity here is the only limitation.

How to find these deals

Direct-to-vendor is usually the key. When I was more active in property before becoming a lender, I would spend anywhere between £1,000 and £2,000 per month on advertising directly to individuals who were looking to sell their property, but hadn't yet approached estate agents. You can do this in a variety of ways: Facebook, Google, industry media, even bandit boards... again – how far does your creativity stretch?

Vendor finance is such a handy thing to have in your toolbox. I wouldn't rely on it solely to execute deals, but it can certainly hammer out troublesome properties or give you the leverage you never thought you could have.

Disclaimer
The author is not an accountant or finance professional. You should always discuss your personal circumstances with an accredited finance professional

winchandco.com

THE CHURCH CONVERSION – PART 1

HOW MUCH PAIN DO YOU LIKE WITH YOUR PROJECTS?

ANTHONY BOYCE

Anthony Boyce
Architectural Technologist

This month I thought I would discuss another project I'm currently working on, and – what with me being a glutton for punishment – I haven't made things easy for myself. I hope the process so far will help you when you're looking at potential projects for yourselves and will dispel some of the fear around working on quirky older buildings. Much like my piece in the last issue – if you find a project other people are scared to take a punt on, you're reducing the competition and you're more likely to nab a bargain…

To give a brief overview of what the project is, and what we've done so far, we (myself and joint venture partner, Simon Folkes) have purchased a former church for £57.5k after some long and drawn-out negotiating (the Covid fear factor certainly helped with this one!), and we plan to convert the internal space into five apartments.

Sounds simple enough, right? Well, it's a Grade-II listed building *and* it's within a conservation area. The purchase amount was paid in full by an investor, plus we arranged to borrow some seed money (cash for planning fees, consultants, etc) so all in we have borrowed £65k up until now. We were hoping to get it all sent through planning just using the investor funds, but unfortunately the number of consultants we require is quickly eating into that seed fund amount…

We did sneakily fire the proposed scheme into the council for pre-application advice whilst the purchase was being finalised, just so we had an understanding of what the council were going to be funny about and to get a feel for where we would need to spend our time fighting our corner.

These were our main issues and they're also what you should look out for yourselves when analysing potential deals and when completing similar projects:

A bat survey (or a bat-risk assessment initially): ecologist comment

This is a very common requirement when working on conversion projects (where you're applying to change from one building use to another), so you should always budget for one, or at least don't be surprised when the council request one part way through a planning application. The initial assessment should come in at between £500 and £1,000, depending on the size of the site.

One important thing to consider is the time of year you're submitting your planning application. If you're outside of the normal survey season for the assessment survey work (typically between April/May and late August), your application/scheme might be sat twiddling its thumbs until you're allowed to carry out the survey work during the correct season.

This happened with a scheme I worked when I was employed a few years ago. Our own (paid-for) ecologist stated that the droppings found in the barns of the property in question could be signs of a maternity roost. We submitted our ecologist's document with our application and the council's ecologist wouldn't let us proceed with the planning application until the following year, when we could inspect the barns again more thoroughly, during the next survey season. Of course, the ecologist wanted more money to carry out this extra work, which, after a six-month delay, found absolutely bot all in the barns, meaning the delay was unnecessary.

Now, imagine if you'd just bought this, or your project using expensive financing, like bridging, and were hit with that delay! You're not going to be able to claim the interest back from the ecology consultant you employ either.

A Heritage Statement for the building: conservation consultant

This is a document that assesses the architectural and historical importance of the building, and decides whether the place is historically important to the area. As our church is listed, we need to identify what harm we are doing to the building by carrying out the conversion, what can be avoided, what we are improving by developing the scheme, and what positive contributions we are making to preserve the building.

While on site with the council conservation officer he told us that the building had been put on the "buildings at risk register" meaning that, if someone wasn't going to find a use for it, there was a real danger that it might fall into disrepair and never be saved. Oddly, sometimes it feels as though that is what the conservationists want. It can feel like banging your head against a brick wall, as you want to spend money on a building, albeit whilst modifying and changing the use, but they'd rather it fell down than be used as you're proposing!

Another important document to add to this is a "Schedule of Condition". This will highlight all the issues and things currently wrong with your building, and let you sell your vision of how your scheme is going to repair them, and return the building to its former glory (or at least give you a chance to argue the trade-off between fixing the place and letting you get away with a few cheeky modifications here and there).

Amenity/outlook/overlooking: planning issue

The tight, narrow streets of Barnard Castle don't allow for the usual separation distances required by the planning department when building a new site, so we have to think about how we propose to protect the privacy of the existing residents opposite the site along the street, as well as that of the church's future occupants (jealous property owners opposite our development peering in to see how awesome our interior finish is!).

Is the building right for development? Will it make a nice place to live, or is it going to be a dark, depressing hovel that will affect the future occupant's wellbeing?!

Environmental Health: planning issue

Is the building's previous use, or are any previous or remaining activities around the site, going to have a negative impact on the future occupants of your building? This could be relevant if the area has heavy commercial or industrial uses. Think also: smells from takeaway ducting or extracts, noise from factories, proximity to railways or major roads… Do you need to put tin foil around your head because there's a planned 5G antennae on your roof?!

Parking: planning issue

Always a biggie on every planning application, or if it isn't an issue for the council because property is in a sustainable location (near bus, train or other transport routes/close to the town centre etc), you can bet that the local residents will highlight a lack of parking in their comments to your application – likely via an objection. For our development, basically, we have no parking! We are in a very sustainable location though, being set just off the main High Street in town, with plenty of council-run car parks within the immediate area, so I will ensure this is highlighted in the planning consultant's accompanying documents supporting our scheme.

The existing balcony area, with poles which must be retained

Another shot of the underside of the balcony showing the non-original paneling to the front

A side room on the first floor

What's behind the mess? More mess

After we had the initial responses from the council with our pre-application advice, erm, application, we then arranged a site meeting with the council's conservation officer and planning officer (both of whom worked on this pre-app). We went in mob-handed with our own planning consultant, heritage consultant, Simon and myself, too. This tactic I would recommend for your own projects, if you're carrying out this kind of thing, as I feel it impresses the council and you come across as a professional developer. It also means that everyone can discuss the scheme, layout and the potential issues in their own language, rather than me just pushing my luck with changes or ideas that would wind the other parties up!

In our case, the result was a very, very good meeting. Although we will have to make amendments to the original set of plans we produced, the council were on board with the idea of the conversion, the number of units, and even saw that what we were proposing to carry out is sympathetic to the building, safeguarding it for the future.

We're even allowed to pretty much strip out the whole inside of the building, as it's been knocked about so much already there isn't really much worth saving! What we do need to save and work into the newest proposals, however, is the posts which are holding up the former balcony. Not the end of the world, as I've even decided to save the balcony and have it as an Instagrammable feature when photographing the ground-floor flats for marketing purposes.

Some other things for you to consider or watch out for when carrying out this type of work: make sure you employ consultants who are prepared to fight your corner and support your scheme. One heritage consultant we approached said that there was no way he could write something that would support what we were proposing – he'd charge us £1,750 for a heritage statement that said we were harming the building. No thanks, mate! Our second consultant clearly saw things differently and couldn't see the issue. Imagine if you'd only asked one consultant and then pulled out of the project because they'd convinced you it was a non-starter...

More non-original additions

Second, never trust what the vendor says without written proof, or even trust any drawing work that they may have had produced before your purchase. When we were going through the drawn-out purchasing process, the vendor told us on multiple occasions that he had approached the council regarding the conversion and that it was pretty much like "pushing at an open door" – they'd accept anything. Although we seem to have got to where we wanted to be, the council certainly didn't just roll over and let us do what we wanted.

The vendor had also had some plans produced by another local designer, but they'd only been able to produce one-bed units, rather than a mix of one- and two-bed apartments. This made us think that the vendor hadn't been able to make the scheme stack and that's why they were selling. It turned out that the plans were inaccurate – the drawing showed the building to be much smaller than it was. Their loss was our gain, I guess – always take a laser measuring device with you!

This property started life at the £90k mark, with us finally securing it at £57.5k – quite a saving! Like my last article, finding problems to solve saved

Exploratory work

us a packet, sprinkled with a little bit of vision about how the property could turn out. We're going to be using this property as serviced accommodation/holiday lets so having knowledge of other strategies – beyond simply developing the flats for the standard rental market – meant we've given ourselves more options to make the project viable. Another project I'll keep you updated on as we progress through the various stages!

Feel free to reach out if you need help in this area – happy to have a chat.

rocketarchitecturaldesign.com
anthony@rocketarchitecturaldesign.com

THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

COULD THERE FINALLY BE DECENT NEWS IN THE MORTGAGE MARKET?

JILL STEVENSON

Contrary to the doom-mongers – and there are plenty of them! – the end of the furlough scheme on 31 October may not spell disaster for the UK property market, after all. And that's not just because the government has come up with something to replace it – albeit a less generous scheme.

A new report issued in mid-September by trade body, The Intermediary Mortgage Lenders Association (IMLA), reveals UK finance lenders are more optimistic about householders' finances than at the start of the pandemic.

That's because they expect far fewer current mortgage borrowers to go into arrears following the end of furlough. Between 0.5% to 5% are expected to be hit, while a further 1.5% of house owners who have deferred payments are expected to be able to afford just interest-only payments. That's far fewer than had previously been predicted by many industry experts.

In fact, Kate Davies, IMLA Executive Director, said she believes the mortgage market has remained "strong and resilient in the face of Covid-19." She added: "Figures suggest that most borrowers will return from payment deferrals with little or no difficulty."

Lenders playing a "chicken-and-egg" game

However, she warned that the withdrawal of high loan-to-value (LTV) deals – where buyers can borrow as much as 95% of a property's value – was a potentially disastrous move for the future health of the property market. Right now, such a scenario is difficult to imagine while the market is so buoyant. The Stamp Duty holiday, the keenness of pent-up buyers and numerous city dwellers looking to move to greener and more spacious areas has all led to what is, to all intents and purposes, a buying and selling bonanza.

There is no denying though, that first-time buyers have been left watching from the side lines. The withdrawal of the high LTV mortgages is their territory, after all. Most young people, even couples, simply can't afford to put down a 20% deposit – which can often be as much as £20,000 to £30,000.

Davies said she understood lenders' concerns over the end of the Coronavirus Job Retention Scheme, even though it is now about to be replaced with a six-month job retention scheme. But the lack of low-deposit lending had, she said, led to a risky "chicken-and-egg" situation.

A return to normal rates "sooner rather than later"

Instead, Davies urged members to "normalise their lending criteria" sooner, rather than later. Certainly, once the unemployment figures become clear and their resultant effect on house prices revealed, then would be the time to bring back the higher LTV mortgage schemes, she insisted.

"Lenders are well aware of the challenges facing consumers across the country, including first-time buyers, and they are eager to return to high loan-to-value mortgages as soon as it is prudent to do so," she said.

Some of Britain's biggest mortgage lenders, such as Lloyds Bank (including Halifax), Santander, NatWest, Barclays, HSBC and TSB all recently withdrew loans asking for a 10% deposit or less.

Far fewer furloughed workers than anticipated

The IMLA comments came in response to the Bank of England's Monetary Policy Report in mid-September, which showed there were fewer furloughed workers than had previously been expected. The most up-to-date figures are for two million furloughed workers in the third quarter of this year and one million in October. At the start of June, a total of 9.4 million workers were registered as being on furlough, causing many economists to worry about a tough ongoing recession.

Sunak urged to continue Stamp Duty holiday

Yet another potentially dampening effect on the property market is the end of the Stamp Duty holiday in March 2021. The IMLA said lenders were worried that this would cause a slowdown in buying and a corresponding fall in house prices.

As a result, they are suggesting to the Chancellor that he might consider extending the current rules where buyers don't pay any Stamp Duty on homes worth up to £500,000 in England (and £250,000 in Scotland and Wales). Another alternative would be to gradually phase out the scheme, rather than axe it completely.

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WHAT EFFECT WILL NO-DEAL BREXIT HAVE ON AN ALREADY UNPREDICTABLE PROPERTY MARKET?

JILL STEVENSON

Our official exit from the EU is a mere three months away. At this present moment, if the UK *does* leave on that date, it looks increasingly like it will be a no-deal Brexit. So, how will that play out on what is already an unpredictable – and even precarious – UK property market?

The date of our imminent departure isn't great, of course. It is just two months after the Coronavirus Job Retention Scheme (or "furloughing") ends, after all. Despite the implementation of a less generous replacement scheme, there are still expected to be large-scale redundancies. The Mortgage Holiday Scheme is also due to finish, leaving some house owners with no safety net at all.

Then there is the matter of how the pound is faring against foreign currency. Sterling has already fallen against both the dollar and the euro following Boris Johnson's announcement that he was considering backtracking on his agreement surrounding customs at the Northern Ireland border. And for which he intends introducing his own legislation should both parties (ie: the UK and EU) fail to reach an agreement by 15 October.

The result of Johnson's turn-around was a fall in the value of sterling by a cent against the dollar and a drop of 0.7% on the euro. A no-deal Brexit would no doubt lead to a further fall in the value of sterling.

Meanwhile, think tank the Centre for Economic and Business Research have already predicted a 13.8% drop in the value of residential property for next year.

Second steppers set to benefit

However, unexpectedly there may just be some 'up' sides to a no-deal Brexit as far as the property market is concerned. How so? Well, those second steppers looking to move on to bigger properties could find themselves moving without too much of a strain on their finances. That's because a no-deal Brexit would certainly result in low interest rates for the foreseeable future. Bank of England rates are currently at a record low of 0.1% and there would be no likelihood of rates rising for quite some time.

Conversely, for first-time buyers, the market remains bleak. High LTV (loan-to-value) mortgages are unlikely to make a comeback any time soon and job uncertainty means lenders will remain stringent with their borrowing guidelines. Those with smaller incomes – and smaller deposits – will therefore find good mortgage deals increasingly difficult to come by. As a result, renting will continue to be the norm for this section of society.

Lenders will seek high-equity borrowers

The biggest beneficiaries will be those current house owners with large sums of equity looking to re-mortgage. Or, at least, those who can afford to put down large deposits. Analysts predict this is where the "bun fight" between the mortgage companies will be. The undoubted upshot is an even greater divide between the "haves" and "have nots".

A lifeline for London property?

At a time when many Londoners are leaving the capital to head for greener shires, foreign buyers may just step in to boost the market there. A fall in sterling will, of course, prove attractive to property investors from overseas (and who will be more interested in the top of the market, wealthier properties).

But buy-to-let foreign investors or those keen on a capital holiday home will have to be quick. A 2% surcharge on Stamp Duty is about to be introduced for foreign buyers in April 2021. And, in the light of coronavirus quarantine restrictions on visitors travelling from abroad, their best bet is to purchase remotely via video link, with a London agent facilitating their purchase on site.

PROPERTY TIPS & TRICKS
with Kevin Wright

GETTING AROUND THE "SIX-MONTH RULE"

Some lenders choose to apply a six-month ownership restriction before allowing any refinancing on the property and, while it's not a method of purchase restriction, it can cause investors some concern. Basically, the six-month rule may come into play if you want to refinance to reflect an uplift in value – and some lenders won't accept an application until you have owned it for six months, end of.

But, firstly, it's not universal: it depends on whether your lender chooses to apply it, and not all do.

It's worth noting that it doesn't matter how you financed the original purchase – cash, bridging, joint venture, or whatever. Nor does it matter whether you bought the property via an agent, auction, or direct from the vendor – this is an ownership restriction.

Can you get around it? Yes, surprisingly easily – use a lender that doesn't impose a restriction, it's not rocket science!

The lenders that impose it are what I term "vanilla BTL (buy-to-let) lenders", but there are plenty of other lenders – commercial, specialist, even some BTL lenders (but only at purchase price paid) – that accept applications to refinance within six months of purchase.

Be aware though that if you want to have your cake and eat it – ie: you want the cheapest rates and to be able to refinance within six months – that ain't going to happen! A quick refinance means you're going to pay rates that are a bit higher.

Now, what about refinancing at its "true market value"? If you bought in an open auction room, it could be considered that you paid the true market value – otherwise someone would have bid higher than you. If you want to refinance at a value higher (and this extends beyond just auction properties), then you need to build a compelling case as to why the property is worth more than you paid for it.

Just buying below market value (BMV) is not going to cut it. No mortgage valuer is going to recognise buying BMV (in isolation) as a reason to value above the purchase price paid. Property values in the area may not have risen within the six months since you purchased, so they'll see no justification in valuing above the purchase price paid, unless you show them compelling evidence of added value.

What they will recognise is work carried out to improve the property, thus actively appreciating the value in a short time period. However, you'll need to ensure you have the right – detailed – information to convince their surveyor of the increase in value.

But there is a considerable downside to buying a property with a BTL mortgage, refurbing and then looking to refinance. You'll be deceiving the original mortgage lender into giving you a mortgage they would not knowingly grant. If you were transparent with the lender about your intention to redeem the mortgage within a matter of months, you would be declined because mortgage lenders don't allow short-term mortgages. So concealing your true intention to get a mortgage you wouldn't otherwise have obtained is fraudulent behaviour. Cash or bridging finance is the correct way to finance this type of project initially.

Kevin Wright
Investor, Finance Broker, Speaker
Positive Property Finance

The most efficient and effective ways to overcome the six-month rule are:

1. Buy at the right price to give yourself the best chance of making a profit
2. Use bridging finance to fund the purchase (cash also works too, obviously)
3. Add value in some way, refurb, convert, title split, etc
4. Apply to refinance with a lender that does not invoke a six-month ownership restriction

Everything is possible when you know the right methods!

youtube.com/kevinwrightproperty
kevinwright@thinkpositively.co.uk

CONSIDERATIONS FOR A HMO CONVERSION: PART 1

Many property investors have approached us to carry out HMO (house in multiple occupation) conversion works on their behalf. It usually starts with something along the lines of: "Can you turn this into a HMO for me? What would a ballpark figure be for that?"

From my experience – and it's a bit of a generalisation, but... – these types of investors think they can just give the floor plan a quick rework to maximise the number of rooms and hey presto! I've seen some pretty creative designs to date...

These dashed-off plans *can* work – if you're lucky – but there are many, many considerations you can look at to help you assess the feasibility of the project before you call in the builder to come and take a look. To builders and tradesmen, time is money. If they're not putting plaster on a wall or there's no trowel in their hand, then they're not earning. Calling them in too early, despite popular messages on some property courses I have seen, will not help you. Particularly if the project is a non-starter.

Over the coming months I would like to share some of the most common issues that can arise in a HMO conversion as well as some of the key considerations that need to be addressed before you make a decision to pick up the phone to your builder or tradesmen. And from a builder's perspective, the very first question I would ask you, assuming all of your "property strategy" boxes are ticked (ie: demand, area, Article 4 etc), is: "Are you going en-suite or a communal bathroom?" This is a *critical* decision in the build and needs to be made before you even call your builder for a discussion.

If you're going for a communal bathroom, your build costs will clearly be reduced but your rental income or rentability may suffer. On the other hand, a communal bathroom gives you an alternate exit plan and a better sales strategy should you need to off-load the property for sale. So consider that – if you do decide to add en-suites all over the place to maximise on rentability – how difficult will it be to turn the building back into a standard residential property? Get these things thought through and a decision locked down before you do anything else. You may consider asking the builder how much it will cost to revert the property back to a single dwelling.

Let's get to the builder talk. If you're installing en-suites, the very first thing you must establish is the location of the soil and vent pipe (SVP) and where this enters the main sewer – we can do this by looking for the "big, fat, black pipe" as I once heard it called during one of my trainings. This is a 4" or 100mm pipe that usually climbs up the building and you will see the toilet connecting into it. First consideration is the material: if you have a cast-iron SVP then you will need to replace this with a plastic one if you're introducing or adapting the existing connection to it. These SVPs when installed many moons ago were often joined using asbestos containing rope in the joints and should be removed and disposed of correctly.

On a row of terraces the drainage run will typically be at the rear of the property climbing up to the first floor (unless of course you have a downstairs bathroom). Now, with a mid-terrace in particular it will be difficult to get the foul waste from the front of the property to the rear as you have no external walls to run the pipework around – it's possible, but it can prove challenging. Some things you can do when this is the case:

- Drop ceilings and create a void to run the foul pipework from the front of the property to the rear. If you decide to do this, you need to make sure that you have the head height to do so and that there is room above the door frame and window heads (this can prove tricky if you have a bay window to the front of the property).
- Run the pipework along the internal walls and box in, but ensure that this does not reduce your minimum room size in doing so.


Paul Tinker

- Which way do the joists run? Do they allow for getting foul pipes in the existing void?
- Last resort is macerators but I would not recommend installing these – they can be maintenance nightmares in a HMO or in any rental for that matter.
- Can we put all of the intended en-suites toward the rear of the property reducing the distance that waste needs to run?

Once we have assessed how we are going to get the wastes to the rear, we then need to look at getting all of that waste down to the foul sewer below ground. In most cases you will need to install new and additional soil and vent pipes, which means digging up gardens, patios, driveways etc depending on where the drainage run goes. As you've probably gathered, another 4" soil pipe needs to be installed to accommodate the extra volume in waste. Consider the following, particularly on mid-terraced properties:

- Have I got room to do it? Sometimes the window layout doesn't allow you to run an additional pipe up the rear of the building.
- Can I get access equipment to the rear of the property to do the work? If it's scaffolding – can I get it round the back of the house?
- When the drains are being worked on – make sure all your guys on site know about this before they use the loo – I've fallen victim to this personally and ended up with poo on the back of my neck!
- Remember lastly that all drainage work is subject to local building control approval and you will need to submit an application for the work and have it signed off.

If you want more info on this or any other related processes, get in touch.

constructiontrainingacademy.com
info@constructiontrainingacademy.com

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PROPERTY AND SSAS PENSIONS

Mark Stokes is a successful time-served property investor, developer and business mentor with significant experience within the commercial sector. As a SSAS trustee, co-founder of SSAS Alliance and EquaAcademy and author of the best-seller *SSAS Pensions,* he has a wealth of experience and knowledge to impart on the subject that he is so passionate about. We are delighted that he has shared some of this knowledge with our readers to further their understanding.

For the first 25 years of my adult life, a pension was something that happened on my monthly payslip – it was a distant mirage usually eclipsed by living life to the full each day. There was nothing remotely interesting, relevant or engaging about it – quite simply, it was an annual statement that landed on the doormat with the hope that next year would be better... possibly!

At the age of 50 I have now been a trustee of my own SSAS for almost five years and have truly taken control of my personal economy. A SSAS is a Small Self-Administered Scheme and is a highly tax-efficient occupational pension scheme held in a trust structure where YOU make your investment decisions.

My pension is now visible, vibrant, relevant and flourishing. It owns – or has enabled – 26 properties and sits with a healthy cash reserve awaiting its next purchase. It sits alongside other multi-generational and powerful assets in my wealth economy and has doubled – yes doubled – in the last four years! Not a bad return on investment considering the economy, political uncertainty and global landscape we have been experiencing.

Above all, the most satisfying thing has been how we achieved this together working closely with our children, showing them how their legacy is being created and how they can help grow it – real-life lessons in action!

Such became my passion for the extraordinary power of SSAS and the idea of taking control over your entire economy that I decided to share this frequently untapped and silent force with others. I scratched a 35-year itch to become an author and wrote the best-selling book *SSAS Pensions: Creating Extraordinary Levels of Compounding Wealth*. We also have a dynamic Facebook group, SSAS Alliance, with thousands of highly motivated, inspirational business owners, entrepreneurs and trustees who thrive on the energy, passion and results of collaboration, control and accountability.

What are the benefits of a SSAS?

First things first: a SSAS is not for everyone and being equipped with the education, qualified advice and carrying out robust due diligence is essential in forming your master plan and executing it. Think about whether you're passionate about the following:

- Growing your personal wealth?
- Learning, connecting and collaborating?
- Controlling your pension and investments?
- Leaving a powerful legacy for future generations?
- Understanding the power, freedom and choice of a SSAS?

If you are, then this could quite possibly be one of the most empowering subjects you will read about. Ultimately, operating a SSAS should be of VERY significant interest to anyone running a business, owing to the highly efficient and valuable benefits; these include:

- Reduced Corporation Tax
- Can receive carried forward pension contribution allowances of up to £120k per director
- Can receive a large pension contribution up to £500k and receive Corporation Tax relief in the current tax year
- Company and personal contributions are deductible against tax
- Can lend to the sponsoring employer via a Loan Back therefore acting as a bank-lending facility
- Can buy your business premises
- Can borrow money to purchase commercial property
- Can receive rent tax free on commercial property
- Purchasing commercial property to be leased back to your business (or third party)
- No Capital Gains Tax due on disposal of investments
- Can hold all existing pension funds in one place under personal control
- Can reduce pension administration fees
- Can allow more flexible HMRC-approved investments than alternatives
- Can increase a pension fund through tax-free and compound growth
- A tax-free lump sum on death before retirement
- Investing in your company by buying an equity stake
- A tax-free lump sum from age 55 on retirement
- Transferring assets from you, or your family, personally ("in-specie" transfers)
- Provides business owners with control and efficiency
- No Income Tax on allowable investments.

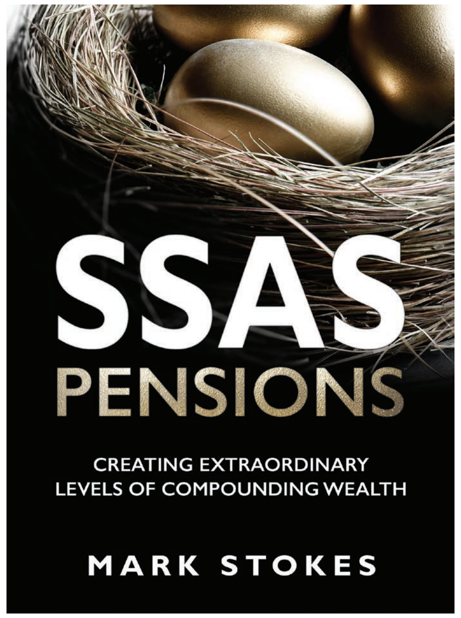
Imagine the compounding effect of just one or two of these impressive benefits over five to ten years – it can amount to many hundreds of thousands in additional legacy value. Furthermore, investment options are wide reaching for SSAS trustees and can include many asset classes; however, some that are popular in property sectors include:

Zurich House – a multi-million-pound investment made possible by SSAS

- Investing in commercial property
- Loaning funds to unconnected third parties
- Loan Backs (where you become the bank and can loan your SSAS to your company) to your sponsoring company
- Investing through crowd-funding platforms
- Leveraging your SSAS through commercial borrowing up to 50% of SSAS fund value.

There are valuable business benefits available to those with the tenacity to seek out and understand how a SSAS structure can support their business, personal aspirations and goals. It is one of the most potent forces that a business has at its disposal and the number of SSASs being established is rising sharply (currently estimated at only around 23,000).

One of our SSAS property investments in 2019 enabled us to drive significant appreciation through change of use, restructuring of commercial leases, refurbishment and conversion. This investment drove a larger fund value increase in our SSAS than had been created by my 25 years of pension contributions AND returns – how game changing is that?! As George S Patton said "If everyone is thinking alike, then somebody isn't thinking." I love this quote, it defines challenge, drive, accountability and continuous improvement – essential virtues for the relentless pursuit of one's personal goals.



Case study: how it's worked for me

Upon retiring from 25 years of corporate life in 2015 aged 45, my passion was to take control of my entire personal economy and finding an accountable pension structure to enable my property and business-investment strategy was top of the list.

For nearly three decades I had run huge global infrastructure businesses and led high-performance teams, before co-founding EquaGroup including EquaAcademy, which currently has 13 current developments ranging from £5m to £20m GDV (gross development value) and a unique business mentoring company. We have used our own SSAS funds to invest in commercial property in the £300k–650k range as well as collaborating with other SSAS trustees who have invested in our larger, multi-million pound developments including Zurich House, Crawley and Ironbridge Houses, West London. We have seen first hand the huge compounding benefits that can be achieved when a SSAS is used properly.

In mid-2018, my fellow trustee, Nigel Greene, identified a wonderful commercial property in Colchester, Essex which consisted of five commercial properties under a single title. The property was located in the old part of Colchester, the oldest city in England, and was set just off a highly desirable cobbled high street, popular with boutique retail shops and service industries such as estate agents and cafés, all with considerable footfall.

The properties consist as follows:

1. Commercial lease for a café with several years remaining on the lease
2. Tattoo parlour with three months remaining on its lease (Nigel and I resisted the urge to have matching tattoos to celebrate!)
3. Vacant shop
4. Vacant dance studio/shop
5. Clothing repair business with two years remaining on the lease.

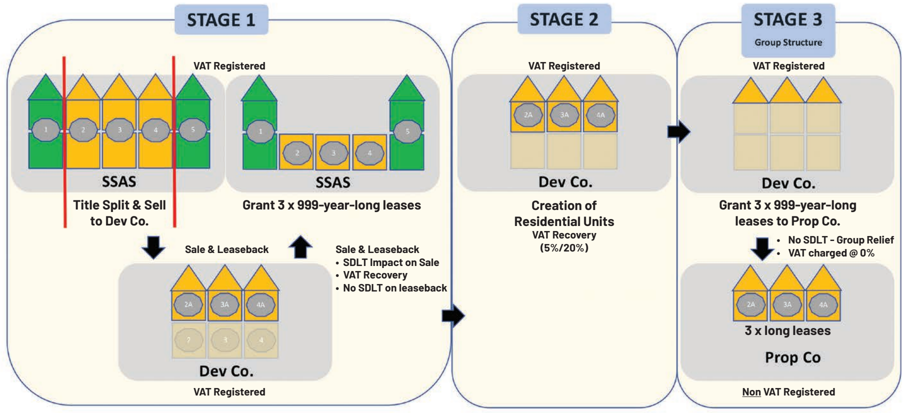
The property was in a position where, with our specialist knowledge of commercial property, we could see the potential to drive significant value and appreciation into this asset.

I am not a fan of soundbites and over-simplification and recognise the strength of detail and diligence. I want you to understand the structure of this deal for us through these two diagrams that show how we have secured and developed multiple phases of additional value that will serve our families for decades to come. It really is that powerful!

The following identifies the key steps in the process that complement the diagrams to give you a really deep dive into how knowledge, experience and action can come together to achieve great things:

1. Our accepted offer of £620,000 was fully conditional on securing planning permission.
2. We identified that the three vacant units could have their "uppers" at first-floor level converted to residential units.
3. Full planning permission was required owing to the stunning location being in a conservation area, hence permitted development rights did not apply.
4. We duly applied for full planning permission, which was granted.
5. We then completed on the purchase of the property in the SSAS in cash on this particular occasion.
6. We then title split units two, three and four and sold them into our development company for development into three residential apartments as well as retaining the three commercial properties below.
7. We then sold the 999-year virtual freehold interests of the commercial units back to the SSAS in a quasi-sale and leaseback.
8. We then developed the residential units into three beautifully appointed one- and two-bedroom apartments. Note that these are now importantly outside of our SSAS, in our development company.
9. The development company collects the ground rent for the three commercial units with a 999-year lease each year.
10. As a development company, it is VAT registered and can therefore reclaim the VAT paid on professional fees (20%) and on the main contractors build costs (5%).
11. Once completed, the residential units were then sold into a property company where they will be held long term. This is a non-VAT registered entity as we do not want to charge VAT to our tenants on AST (assured short-hold tenancy) rents.
12. The property company raised BTL (buy-to-let) finance on the purchase of the three residential units.

SSAS Case Study – 3-Stage Transaction (after initial purchase)

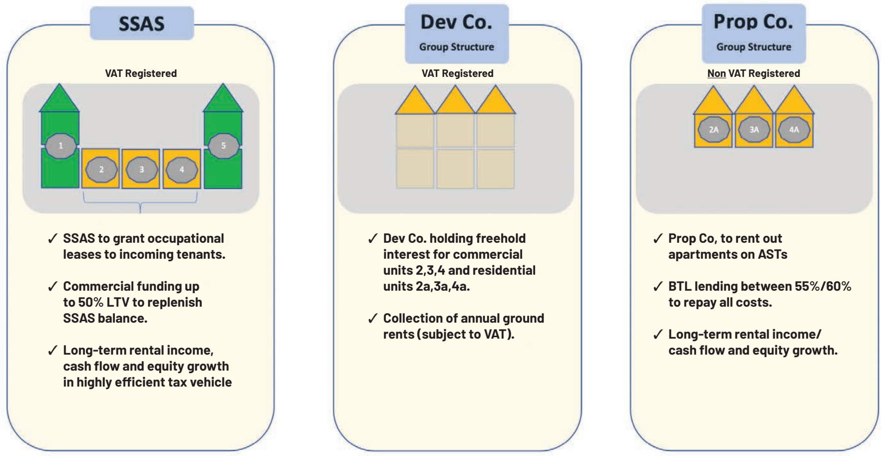


Vertically title split the rear of the site (units 2,3,4) from the front (units 1,5) and sell/transfer into a VAT-registered development company (Dev Co.) with an instantaneous leaseback of the low parts back into the SSAS pension, retaining the upper parts in the Dev Co.

Develop upper parts in Dev Co, to create 2 x 1-bed, and 1 x 2-bed apartments.

Completed apartments to be granted 999-year-long leases and transferred into non VAT-registered group property company (Prop Co.)

SSAS Case Study – Final Structure and Funding



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13. Commercial units one and five remain in the SSAS and have ten-to-15-year FRI (full repairing and insuring) leases.
14. Units two, three and four have ten-to-15-year FRI leases.
15. Units one to five were then refinanced on the strength of the improved leases.
16. The refinance replenished the funds of the SSAS and enabled yet further investment opportunity.
17. All freehold and leasehold commercial units as well as the residential units are held in their respective legal entities in perpetuity.

As Warren Buffet said, **"Our favourite holding period is forever."**

Incidentally, I met Warren Buffet and had lunch with him in 1992 in Omaha, Nebraska... but that story will have to wait for another day I am afraid!

This single-investment cluster will provide our trustees and families with:

1. Five commercial units within our SSAS with ever-increasingly secured leases for long-term cashflow for decades to come.
2. Three residential apartments, which will be held in our property company for strong monthly cashflow and long-term capital appreciation in this desirable area.
3. Three freeholds held in our development company.

This asset cluster is a unique case study of establishing multiple layers of resilient and compounding wealth and how a SSAS can be the catalyst for that value creation.

The first layer of compounding sits in the SSAS that has benefitted from driven appreciation through planning permission, sale of the units two, three and four and renegotiating the leases on more favourable terms, as and when they come up for renewal. The second layer of compounding sits outside the SSAS but has been directly enabled by the SSAS. This represents three residential units and three commercial unit freeholds.

So imagine if you could transform your pension in to a SSAS and create multiple deals giving these five levels of compounding wealth creation:

Portal Precint

Ironbridge House

- SSAS cashflow
- SSAS asset capital growth
- Property company cashflow
- Property company asset capital growth
- Development company freeholds and their potential.

An amazing deal, I think you will agree, for ten to 12 months of hard effort and a heap of tenacity!

I hope this has ignited your passion to become fully equipped and prepared to seize control of your personal economy and to deliver the enormous potential benefits of your own SSAS for many years, perhaps even decades, to come as part of your multi-generational legacy.

Want to know more? I wrote *SSAS Pensions: Creating Extraordinary Levels of Compounding Wealth* to enable others to understand the choices available to them. Check it out on Amazon, Audible and Kindle along with my other book, *Commercial to Residential Conversions*. Also join us at **ssasalliance.org** for more details.

As a parting gift, why not join our EquaAcademy **equaacademy.co.uk** and access our free EquaPortal data vault of hundreds of business, property-development and SSAS resources designed to help support you as you explore the fascinating and amazing potential of SSAS + Property + Business.

Feel free to contact me personally via **mark.stokes@equassas.co.uk.**

PROPERTY SOURCING

The role of a property sourcer and what to consider when thinking about hiring one

Hayley Gilbert,
Commercial Solicitor

With more and more individuals and companies setting up as property sourcers or property finders in the UK, you may be asking yourself whether you're missing a trick by not using one. But what exactly does a property sourcer do, how should they go about it, and do you actually need one?

What do they do?

A property sourcer does just that – they source properties. This is usually on behalf of an investor rather than the end occupier. The scope of the property sourcer's work varies greatly from sourcer to sourcer and it's important that you think carefully about what you want to get out of it to make sure you pick the right sourcer for you.

Some sourcers simply source a wide range of properties with no specific criteria to follow, resulting in a "shopping list" of properties that they consider as potential investment opportunities to offer to any would-be investors.

At the other end of the scale, some sourcers will have a full information-gathering session with a specific investor to ascertain the type of properties sought, the return on investment required, information on the local area and whether the area is attractive to potential tenants, thereby compiling a specific criteria to fulfil. The sourcer will then source only those properties that match the criteria and which are specifically tailored to the particular investor.

Which route you take here will depend on what you're looking for and – of course – how much you are prepared to spend on sourcing fees. Sourcers charge for their services in a number of ways and it's important to ensure you fully understand the terms before signing any sourcing agreement. The sourcing agreements that we are instructed to draft usually contain one or sometimes a mixture of the following charging methods:

- **A fixed fee per source:** the sourcer charges a fixed fee per property found (often on the basis of finding a number of properties that may or may not fulfil a set criteria);
- **A fixed sourcing fee:** the sourcer agrees to source properties based on the investor's criteria (often up to a maximum number) for consideration for a fixed fee;
- **Commission based:** the investor agrees to pay commission to the sourcer if the investor goes on to enter into an applicable contract in respect of a prospective property. An applicable contract is usually defined as a contract for the sale or rental of a prospective property (either a residential or commercial rental agreement depending on the property criteria). The commission payable is usually calculated as a percentage of the total purchase price or percentage of the total annual rent.

How do they do it?

Perhaps it would be better to ask how *should* they do it and to consider what due diligence you should be carrying out when you're looking to engage a sourcer.

An individual or company offering property sourcing services should at least be registered with a property ombudsman (such as The Property Ombudsman – TPO), have the appropriate professional indemnity insurance in place and ought to also be registered with the Information Commissioners Office for data protection purposes.

In addition to the above legal/regulatory standards, a good property sourcer ought to know their search location inside and out and have a solid handle on the state of the property market within that area so that they can pass that information on to you quickly and efficiently.

An effective property sourcer should also have (and be able to demonstrate) that they have a solid and strong network of property professionals, investors and other property sourcers, so that they can legitimately bring the best properties to the table before they are marketed to the general public. They should be able to present opportunities to you that you may not otherwise have been in a position to discover yourself.

Should you use one?

In its simplest form, property sourcing is not a difficult concept, and it's arguable that everyone potentially has the ability and – to some extent – access to the information available to source prospective investment properties. However, it often comes down to whether you have the time or the knowledge to do so.

Good property sourcers spend all of their time looking for profitable investment properties and opportunities, have an in-depth knowledge of the search location and its market, and will either have the opportunities already available to them or are able to get in touch quickly with one of their contacts to find the opportunity for you.

The consensus amongst property professionals appears to be if you have sufficient knowledge of the property market in the target area or sufficient time to research the market and search for properties yourself, then that's what you should do. However, if you are time poor or lack experience or knowledge of the market, then a property sourcer may be beneficial.

That said, always do your research to find the right property sourcer for you. Ask for testimonials or evidence to reinforce their claims and always read fully and understand the terms of their sourcing agreement. If they don't have one or it doesn't make sense, ask yourself why (and then send them my way for drafting services).

bwlconsulting.co.uk
hayley.gilbert@bwlconsulting.co.uk

INSURANCE FOR LANDLORDS – WHAT YOU NEED TO KNOW

Insurance broker Anthony Halliburton answers the questions regularly asked by landlords

The world of insurance can be a minefield for both new and experienced investors and it is vitally important that the cover you arrange for your investment is on the correct basis.

We caught up with Anthony Halliburton from Sentio Insurance and got him to answer the questions that most landlords ask on a regular basis. Hopefully, this will help you to avoid any mistakes and make sure you are adequately insured.

What figure do I use for the building sum insured?

This is possibly the most commonly asked question when dealing with property insurance. The short answer is that you need specialist advice from a surveyor. Fewer than one in ten properties in the UK are insured correctly, which is a huge concern.

Buildings insurance works on the basis of the rebuild value and not the market value. If the figure provided to insurers is too low, insurers are within their rights to reduce the amount of your claim or – even worse – reject the claim in its entirety leaving you with a damaged property and no pay out to repair the damage.

To avoid under insurance you will need to get a professional property valuation. We recommend that this is done every five years or sooner if the property has undergone a renovation or is refurbished. The Association of British Insurers has an online calculator to get an indication of your property's value (**abi.bcis.co.uk**). Alternatively, we have negotiated preferential rates with Rebuild Cost Assessment who are able to carry out a desktop survey on your behalf.

What is the difference between "loss of rent" insurance and "rent guarantee"?

Although the two products provide cover for your rental income, they pay out in two different circumstances.

Loss of rent insurance is very cost effective and can be added to your landlord's insurance policy as an extension for periods of 12, 24, 36 or 48 months. In the event of a large claim such as a fire or flood, the property may become uninhabitable leaving the landlord with no rental income – if the landlord requires this money to pay the mortgage, it is a serious cash-flow issue. With loss of rent insurance, the landlord will benefit from a rental income until the property is repaired and new tenants are found.

Rent guarantee is purchased as a standalone product which usually includes legal expenses. This type of insurance aims to pay a landlord the monthly rent (usually up to £2,500 per month) in the event that your tenant(s) have defaulted on their rent and you need to start legal proceedings to evict them. There are a number of requirements that you will need to adhere to for a successful claim, such as tenant reference checks. We advise to check these conditions before taking out this policy.

What are the benefits of grouping my properties together within the same policy?

The most attractive benefit of grouping your properties is a reduced premium. As insurers are spreading the risk over several properties, we often find that they are willing to offer a discount for each property. Also, if you have a large portfolio with a number of less-desirable properties – perhaps owing to the type of tenant or the location – insurers will more likely take on the less-desirable properties if the bulk of the portfolio is standard.

Do I need to tell my broker if the property becomes unoccupied or there is a change of tenant type?

The short answer is yes. A change in occupancy or tenancy will be a condition of the insurance contract and may invalidate your policy if you fail to advise your broker or insurer of these changes. With regards to unoccupancy, many insurers will allow a short period of unoccupancy on full cover if your property is vacant between tenants – particularly important if you have student lets. The length of unoccupancy allowed on full cover ranges from 30 to 90 days, so it's important to check your policy. There will also be several conditions you will need to be aware of such as draining water tanks or sealing letter boxes.

The reason insurers implement these conditions is to reduce the likelihood of a claim occurring. For instance, draining water tanks will help reduce the chance of a burst water pipe damaging your property. If, for any reason, you need to extend the length of unoccupancy beyond the period allowed in your policy, insurers may restrict your cover to Fire, Lightening, Explosion, Earthquake and Aircraft (FLEEA).

Anthony Halliburton
of Sentio Insurance

A change in tenant type can be a trickier scenario as some insurers prefer properties to be occupied by a certain type of tenant, such as working professionals or students. If you are considering changing your tenant type mid-term, liaise with your broker or insurer as early as you can as your current insurer may not wish to provide cover for the new occupant.

Do I need to tell my broker that I am renovating my property?

Absolutely. Whether you have just purchased the property or are having work carried out in between tenants, it is important that this information is provided to the broker or insurer as there are certain conditions that you will need to be aware of. For instance, most property insurance policies will exclude any damage caused by the contractor as this will be covered by their public liability insurance, so it's important to check that your contractor carries suitable insurance when you appoint them.

Sentio Insurance Brokers have a wealth of knowledge within property insurance and are always on hand to help landlords with their property insurance needs.

sentioinsurance.co.uk
anthonyh@sentioinsurance.co.uk

THE SEASIDE SAGA

The rough and stormy times of renovating property

Sarah & Sean McDermott
of Maison Parfaite

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Sarah McDermott, property investor and co-owner of Maison Parfaite alongside husband Sean, tells us of the trials and tribulations they faced during the conversion of a dated B&B into two holiday homes in Robin Hood's Bay with a view to adding them to their portfolio of luxury holiday-lets across Yorkshire.

In this honest account, she shares the many difficulties they encountered along the way and demonstrates that even the toughest among us have our breaking point. With grit and determination, they faced each challenge head on despite the impact on their health and wellbeing and they now have two stunning properties – Villa Neptune and Captains Residence – to show for it.

Falling in love

It was late 2019 and we knew that there was still something missing from our Maison Parfaite Yorkshire holiday homes portfolio – it was a coastal retreat!

Not massive fans of the tack and jaded glamour of traditional British seaside resorts, we went hunting in the more remote areas and fell in love with a beautiful run-down Victorian villa in the unspoilt resort of Robin Hood's Bay. Sean had finished the Coast to Coast cycle ride there two years earlier and it had been lodged in our heads ever since.

The house occupied a large corner plot with sweeping views across the bay. It had been owned by Captain Steeting who named the property Rounton House after his ship, *The Rounton* so there was a bit of history there, too.

We completed on 10 January 2020 super excited and full of big ideas and romantic notions. We were going to have such fun with this one!

Upsetting the locals

The first thing we did was join the local Facebook group to enlist local tradespeople.

Our plans here were swiftly scuppered when we were removed by a group admin who was "offended that we were converting the old B&B into a holiday home rather than a family home"! It's worth keeping in mind that the property is on a street made up primarily of B&Bs and holiday homes, with barely a family home on it. It had also been on the market for over a year so, if a family had wanted to buy it, they could have done so. In reality it's far too big for most people to want it as a single residence.

We also had problems with a neighbouring couple who demanded to see our plans for the extension before we'd even had them drawn up. While they are known in the community for being difficult, it has felt that they have plagued us with nitpicking complaints throughout this process which, on a less-stressful job, I may have found comical, but has just added to the pressure across what was quick to become a difficult time.

The first major job we did was to remove a row of trees the roots of which were breaking up the drains, including an old culvert (basically a tunnel carrying a stream or open drain under a road) that serviced the top of the village. I hated having to take them out, but if we hadn't have done so we'd have risked flooding not only our own house, but the whole street. So following the guidelines of the drainage surveyor, out they came. This, of course, angered the angry ones even though the masses cheered and whooped as they came down because – not only did it take away the flood risk – but it also gave them back their long-lost sea views. So it was a bittersweet moment. The more hostile locals (and there really weren't many – they were just very vocal) took to Facebook posting statements like "the newbies who have just waltzed in and started felling trees" – unbelievable!

And since luck was clearly not on our side for this one – during the felling, a rotten branch snapped off and landed on the garage roof of the aforementioned couple causing them yet more trauma. No damage was done, but it of course meant more awkward conversations.

A rude interruption

So, we'd stripped out, found all the hidden nasties, fixed the immediate issues such as missing roof tiles, first fixed electrics, started the plastering and also opened up two bedrooms on the first floor with new steels to create one large living/dining/kitchen space for The Captains Residence. The planning application was in for the

extension and the existing extension at the back was pulled down as it was structurally unsound. Things were moving along at pace and we were ahead of schedule, and then it happened: Covid-19.

We were, at the time, running six other projects, four for other investors and two for ourselves that we owned with joint venture (JV) partners. Robin Hood's Bay was the only one that was just ours, and we couldn't let our investors and JV partners down so this one had to be sacrificed to keep the others running. Suddenly we had a reduced workforce and very limited access to materials. As a result, the site closure at Robin Hood's Bay lasted for 2½ months as we fought tooth and nail to keep everything else on track through this incredibly challenging time.

Mounting pressures

In early June, work resumed on site and we had six weeks to get finished before the first clients were booked in. It seemed an impossible task – the build of the 35m² extension hadn't even started. Moreover, the second guest pre-booked to arrive was a terminally ill man and his family and this was to be his last family holiday, so there was no way that we could cancel – it simply must be ready on time.

The pressure was really on now, my sanity was hanging by a thread and we took the decision to move ourselves, our children and the dog, into the building site to help push the job on. There was no accommodation available nearby – the last rooms had been taken by our trades teams, so we had to "glamp" in a dusty room with a bed but no curtains. And so began the 4:20am mornings.

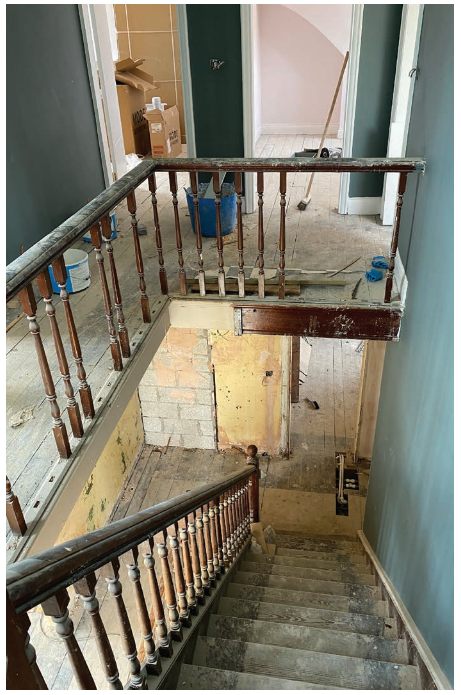
Troublesome trades and infuriating suppliers

Working from 5am until 8 or 9pm every day for a month takes its toll emotionally. Every day we'd be cleaning at 5am after virtually no sleep, and preparing areas for the trades teams. On arrival, they would regularly take issue with the fact that there were too many people on site, or something hadn't been done as it needed to be done, or materials they needed hadn't arrived...
It was relentless!

There have been too many let downs on this job to go through them all, but there were many heart-breaking moments, that left me beside myself with worry and sobbing helplessly as it felt like the world was collapsing in around me. One such moment was the windows. We ordered the windows and they were set to go in, but two days before install I got a call to say that the supplier was delivering them but couldn't fit them. And they just left £10,000 worth of beautiful, exceptionally large sash windows in the front garden with nobody to fit them. What's more, no other window-fitting company could fit them either.

I spent three days on the phone begging people to help us and nobody could. In the end I had to drag my father over from France and he and Sean managed to fit two windows. I had to pull the builders off the extension and they also managed to fit a few. The window company did agree (after some more begging!) to come and fit the bay, which was the biggest and most difficult. Eventually, two weeks late, we got them all in, bar one which is still hiding in the garage!

Massive let down number two was the lantern roof for the extension. It was supposed to go in two weeks before the first guests' arrival on 10 August. It didn't arrive. It *still* hasn't arrived – they told us it's another victim of Covid-19 and would be going in on the 4 September. I'm writing this on 4 September and I can already feel my blood beginning to boil again as it hasn't gone in today and they're now saying the 10th...



Anyway, this meant we needed a temporary roof fitting and a local window firm sold us some corrugated plastic that they use on conservatory roofs. They said this would suffice, so it went in, not looking very glamorous, but at least – we thought – it would keep the rain out. On the morning of the arrival of the terminally ill man, the roof gave way under immense rainfall and, with an almighty crash, the bowed Perspex caved in, releasing several hundred litres of rainwater and completely soaking the huge sofa underneath it. It flooded the extension, the kitchen and even soaked through into the hallway carpet. Absolutely devastating, and needless to say the family were not happy on arrival.

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On top of these major incidents the renderers didn't turn up – four days before our first guests were due and we ended up having to beg another firm to do it, which they did one day before the guests arrived! Plumbers failed us several times – not turning up, then turning up and doing half a job, shoddy workmanship, leaving raw sewage running out of the side of the downpipe, bath plugs that don't hold water, washing machines that weren't plumbed in, radiators not connected... it goes on. All of these things Sean had to sort with the builders. The plumbers even came to site drunk one day and had to be sent home!

Endings

Just days after the flood I finally lost it; I completely went to pieces. I couldn't stop shaking and I couldn't think, it felt like my brain and body were shutting down on me. I needed to take a step back.

Christine and our team at Maison Parfaite took the helm and sent Sean and I off the job for a week or so. I have never felt like this before. I've always been perfectly capable Sarah, but not this time – it was all too much – this was the straw that broke the camel's back. I ended up in hospital for three days with a stress-related illness. I've survived it and I'm on the mend, but we've learnt some very valuable lessons. We're not invincible, and we're not capable of being repeatedly punched in the gut without dealing with the inner emotional backlash.

So we've taken some time out for mindfulness, and to be kind to ourselves before commencing the next big project, to enjoy this blessed life that we have created. After all, success without fulfilment is the biggest failure of all.

For the beautiful renovation of Rounton Villa, the end is very clearly in sight. It's been the biggest challenge of our property careers so far, but it will also be the most rewarding. By some miracle we managed to turnover £14k on it in August alone, and with bookings flying in it's going to be our biggest success story to date. But for now, we're just glad to have each other and our health.

You can see more about Sarah's Rounton Villa by visiting the website:

maison-parfaite.com

LETTINGS UPDATE

by Ben Quaintrell LETTING AGENT OF OVER 15 YEARS

WHAT LANDLORDS NEED TO KNOW TO KEEP ON THE RIGHT SIDE OF THE LAW

These days landlords are required to meet a constantly changing raft of often disparate legal obligations. It leaves first-time and "accidental" landlords in a complete spin once they realise there's more to renting out a home than ensuring the presence of a smoke alarm and gas safety certificate!

In my experience, it's one of the main reasons that more and more private landlords are turning to letting agents up and down the country – simply because letting agents possess the necessary expertise to negotiate this increasing volume of bureaucracy.

Extension of bans on evictions

One of the latest and most far-reaching changes is the government's extension of its package of support for tenants during the coronavirus pandemic, namely that – until 31 March next year – buy-to-let landlords must provide a minimum six-months' notice before seeking repossession through the courts.

The legislation covers all eviction circumstances, except in serious cases such as domestic abuse (two- to four-weeks' notice), anti-social behaviour (four-weeks' notice), six months' accumulated rent arrears (four-weeks' notice), false statement (two- to four-weeks' notice) and breach of immigration rules (three-months' notice).

The main takeaway is that, in the vast majority of eviction situations, landlords have been saddled with a minimum six-month notice period.

So, while renters welcome the move, those landlords faced with serial non-payers are alarmed at being left to bear the cost without any government support – and many can ill-afford to do so.

There are already predictions that once the legislation is lifted, there will be a mass of eviction cases clogging up the courts, causing further inevitable delays.

Introduction of Electrical Installation Condition Reports

There are, of course, some legal responsibilities that make sense. Since 1 July, landlords must have electrical installations in rental properties with tenancies granted since 1 June inspected and tested by a competent and qualified electrician.

The comprehensive Electrical Installation Condition Reports (EICR) will apply to all tenancies from 1 April next year. Used to assess whether the electrical installation is in a satisfactory condition, it lists anything affecting safety or requiring improvement.

I suspect that, although an added cost, most responsible landlords see the sense in such a regulation in not only preventing loss of life and injury, but in protecting their investment. According to charity Electrical Safety First, half of all the UK's accidental domestic fires are caused by electricity, resulting in around 20,000 fires per year causing more than £100m damage.

Landlords have 28 days to provide tenants with a copy of the EICR and, if unsatisfactory, must carry out remedial or further investigative work within the same time frame, or shorter if urgent. The good news is that in the event of an unsatisfactory report, landlords aren't required to commission a further EICR – they are only required every five years.

It is important to ensure the inspection and testing is performed by someone "qualified and competent" with, I would add, adequate indemnity insurance. The quickest way to check is via **electricalcompetentperson.co.uk**.

Consultations on selective licensing

Another compulsory (although controversial) scheme is that of selective licensing, which gives local authorities the power to regulate landlords with the aim of raising property standards in areas of low housing demand.

It can apply to the whole or parts of a council area and licences vary from £55 to more than £1,000 per property. Mandatory conditions include safe electric appliances and furniture, valid gas safety certificate, working smoke alarms and a statement of occupation. Discretionary conditions may include a requirement on behalf of the landlord to take reasonable steps to prevent anti-social behaviour.

Of course, the danger is that selective licensing is seen as an earner for cash-strapped councils. One unintended consequence may be that private landlords withdraw from selective licensing areas, reducing rather than improving investment in rented homes.

There are now more than 100 pieces of legislation and regulation governing the private rented sector, much introduced piecemeal over the past 30 years.

I would urge the government to conduct a review to create a rational, joined-up and more effective approach to legislation that guards against the worst excesses of the market while protecting the rights of both tenants and landlords.

To discuss letting or investing in property within the Northeast and North Yorkshire region contact Ben Quaintrell:

0333 358 3676
mypropertybox.co.uk
ben@mypropertybox.co.uk

EVENT REVIEW

BY CAROLINE MONKS

Simon with Hanif Khan

Event title: Property Magic Live 2020

Trainer: Simon Zutshi and guest speakers

Duration: Three days live on Zoom followed by 60 days of post-event support and training via online webinars and a private Facebook group

Topics covered: Maximum achievement model, importance of specialist knowledge, mindset ABC, importance of support, property market update and what this means for investors, how to minimise risks, ethics of investing, how to prepare for the opportunity, making the most of networking, understanding return on investment (ROI), five ways to maximise ROI, understanding return on equity (ROE) and making the most of it, understanding capital gains tax, introduction to creative finance, different ways to finance deals, private loans versus a joint venture, networking and raising finance, thinking big and scaling up, introduction to finding great deals in your area, deal sourcing, lowering the cost of your borrowing, building relationships with sellers, vendor finance explained

Materials provided: Delegate pack sent in advance including a workbook, coaster, pen and KitKat; PDF downloads provided

Next Event: 10th–12th September 2021
propertymagiclive.co.uk

Follow-on course: Property Mastermind Accelerator
propertymastermindaccelerator.co.uk

12th–14th November 2020 – Virtual Workshop
2021 dates TBC – please check website for details

Simon with Neil Chaudhuri

Review

Myself and approximately 500 people registered for Property Magic Live 2020, which was delivered via Zoom over three days by Simon Zutshi and a significant number of guest speakers.

At the very start, Simon expressed the intentions for the event, which aims to provide fresh information every year reflecting what's happening in the UK property market at the time and for the next 12 months.

Over the duration of the three days he intended to provide knowledge of the investing strategies that work in the current market; to help prepare for the market crash and make the most of the golden opportunities ahead; to raise our personal beliefs and remove self-limiting ones; and to inspire and motivate us into taking massive action with a new level of confidence. Alongside content related to current events, he promised to include plenty of "golden nuggets"!

EVENT REVIEW
BY CAROLINE MONKS

It was quite evident that the event had been designed to cater for both new investors and those with experience and established property portfolios. Simon thoroughly covered a lot of the basics in a clear and concise manner, going into more depth of information than I expected. The printed workbook provided really helped when making notes and made each topic easy to follow and understand.

Coaching

Simon came across to me as very genuine in his desire to help other people achieve through property. He is softly spoken, humble and explains things very clearly and honestly – in the manner of somebody who has done this many times before.

Simon did a live coaching session with one of the participants named Colleen. With her consent, he demonstrated the opportunities to release equity and maximise her funding to further grow her portfolio, increase her cashflow and realise her goal of leaving her full-time job in the near future. I found this one of the most valuable moments of the whole three days because it put a lot of the theory into a real-life situation and brought home to us what could be achieved with the right knowledge and implementation.

Guest speakers

Throughout the event I gained significant value from the many speakers that Simon introduced to us. Each shared his or her knowledge, advice and example case studies. There were too many to mention them all and each one shared so many great insights, but – for me, at least – the stand-outs were: Ranjan Bhattacharya on commercial property opportunities; Dr Benjamin Hardy on breaking free from self-limiting beliefs; Stuart Scott on the co-living revolution: Neil Chaudhuri on high-end student accommodation; and Hanif Khan on finding developments.

There was a further opportunity given over the coming weeks to hear more from these speakers through individual webinars where each speaker would deliver more information. At the end of each webinar there were opportunities to take up further training. But, even if you weren't in a position to do more training, I felt there was still a lot of value to be had from the webinars alone.

Networking opportunities

In each of the comfort breaks we were divided into break-out rooms and given the opportunity to network with the other attendees and make connections that could assist us in our progress after the event. Quite often, the group would include one of the students of the Mastermind programme who were great at leading the group and offering guidance. It's obviously not quite the same as face-to-face networking, but was a good alternative.
In some respects, it was actually easier to "meet" more people as we were facing each other on screen rather than having to awkwardly approach people in real life who were in mid conversation!

In summary

I've been wracking my brains trying to think of something negative to say in the interests of delivering a balanced review, but there really isn't anything I can criticise!

There was a technical difficulty with sound at the beginning of the first day, but the team behind the scenes were very quick to rectify this and it ran smoothly from there. I suppose there were some topics covered that myself and other more experienced investors were already aware of, but this is unavoidable when catering for a wide variety of experience levels and I think this is the reason Simon ensured that he covered both the necessary foundations whilst going into enough depth to give value to all.

I certainly gained a deeper knowledge of those subjects and Simon and the guest speakers made sure that there were plenty of the "golden nuggets" he'd promised from the start. I think my absolute favourite quote from the event was delivered by Ranjan Bhattacharya: "property deals are like a haircut – if you have a bad one, just wait eight weeks and it will grow out. In the long term, all property deals will come good like a bad haircut". Priceless.

Because the content is different every year, I will certainly be putting it in my diary for 2021. For me, it definitely delivered on Simon's intentions – it gave me a deeper insight into the current market during these strange times and helped me to understand what we can expect to see in the next year or beyond. I also got a well-needed dose of inspiration and motivation to take away and put into action!

Simon with Ranjan Bhattacharya

Simon with Jacquie Edwards