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Blue Bricks

MAGAZINE

THE PROPERTY INVESTOR MAGAZINE

POWER OF NETWORKING

BLUE BRICKS TURNS 1!

ISSUE10BBM

BLUE BRICKS MAGAZINE

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HELLO

CAROLINE MONKS
EDITOR

Welcome to our one-year anniversary issue! I can't quite believe that I'm writing that!

Thank you to all of you who have supported us since the start. For those of you who have found us during the last year, we're so glad you did.

The idea to start *Blue Bricks* came from Nathan Winch during the first lockdown. The work we were doing together had come to a halt owing to the pandemic and, like many people, we were wondering where to go from there. Nathan had some rare time at home and – once he had got through his personal to-do list and tidied up the garden – he began getting twitchy! And, like most entrepreneurial minds, the cogs were ticking away with ideas.

From my side, I was looking forward to a long-overdue break, with time to get the decorating done and tidy up the Tupperware cupboard, when Nathan called me and said: "Fancy starting a property magazine?" My response *should* have been: "Great idea, let me clean the cupboards and finish painting this door and we'll start next week." But hindsight is a wonderful thing and we're now one year in, that door is still half painted and the Tupperware cupboard is still in disarray, but we *have* printed a whole year's worth of magazines!

Whilst it's certainly been a massive learning curve, I've met some great people in the property world (virtually speaking, of course), without whom we wouldn't have been able to produce all those fantastic articles.

Since last autumn we have also started building a community through our monthly online meetups. If you haven't yet attended, please come along (free access is included as part of your membership). Alongside gaining knowledge from the wide variety of speakers, it's a great way to meet fellow property people and build relationships. I've watched people connecting at these meetups and start working together off the back of it.

So this led me to put together a piece on networking and building relationships for the main feature in this issue; I really think the property industry is a super space for this. We asked members of the *Blue Bricks* community to share their experiences and how networking has helped them to grow their businesses; go to page 18 to read more.

Amongst our regular features, we explore further the topic of permitted development with part two of our interview with Ranjan Bhattacharya on commercial conversions (page 26). Plus, there's a very topical article on the new Use Class with Chris Pipe on page 24.

Our case study this month comes courtesy of Sarah Flynn from KAF Properties who explains some of the licensing laws involved in the running of a HMO and why she thinks it's worth the admin. To further your understanding of this strategy be sure to read the seven key considerations of HMO mortgages by Alice Williams on page 14.

To celebrate our one-year anniversary, we're running a prize draw! We hope this will bring more members to *Blue Bricks* and help to grow our community – your help with this is much appreciated. Thanks for taking part; full details below.

As we progress away from Covid restrictions, I wish you well in property and your personal lives as we head towards summer!

If you aren't already in our Facebook group please come and join us:
f **Blue Bricks Magazine Group**

Best wishes,

Caroline
x

HAPPY 1ST BIRTHDAY BLUE BRICKS!

JOIN US FOR OUR MONTHLY MEETUP ON 18 MAY TO CELEBRATE OUR FIRST YEAR!

FREE TICKETS FOR ALL MEMBERS HERE:

bluebricksmagazine.com/meetups

TO ENTER OUR PRIZE DRAW, POST A SELFIE WITH A COPY OF THE MAY/JUNE ISSUE ON ANY SOCIAL MEDIA PLATFORM, TAG @BLUEBRICKSMAGAZINE AND ADD #BLUEBRICKS1STBIRTHDAY

MEET THE COLUMNISTS

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)

Sarah McDermott Serviced Accomodation

Sarah McDermott is a property investor and co-owner of luxury holiday-let business, Maison Parfaite. Alongside this she runs a property-sourcing business and project-management service. Sarah also guides less-experienced investors via private mentorship.
Likes singing "Follow the yellow brick road" in the voice of a munchkin

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

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

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

Alice Williams Finance

Alice specialises in sourcing finance for property developers and investors. After starting in corporate banking, Alice joined Pilot Fish in 2017 and swiftly took the helm of the property finance team after demonstrating her skill and tenacity on the successful completion of multiple complex funding projects.
Uses marketing as an excuse to wear multiple fancy dress costumes

Jill Stevenson Public relations

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

Nathan Winch Business

Nathan is an entrepreneur and private equity investor of over 12 years. He's started, grown and sold companies in the medical sector. With a passion for property, he owns a portfolio across the UK, but is now an FCA registered private lender and investor, with investments in over 14 businesses.
Loves nice holidays, but never actually goes on any

BUSINESS INTERRUPTION INSURANCE RULING: THE EFFECT ON LANDLORDS AND TENANTS

The Covid-19 outbreak continues to affect landlords and tenants alike, and sometimes not in the most obvious ways.

Conflicting cases

In a recent business interruption test case, The Financial Conduct Authority vs Arch Insurance (UK) Ltd & Others [2021] UKSC 1, clarity was sought on the meaning and effect of certain non-damage business interruption policy wording. Although the focus in this case was on business interruption insurance held by small and medium businesses, loss of rent policies often contain similar language.

In its ruling, the Supreme Court confirmed that Covid-19 was to be included within the definition of notifiable diseases within the claimant's insurance policy and therefore the policy holder could claim for business interruption owing to the pandemic. The Court ruled in favour of the policy holder.

This was good news for landlords who, under a commercial lease, will usually be the insurance policy holder and therefore could potentially make a claim for loss of rent in these circumstances.

However, this potential lifeline for landlords to try and recoup some of their loss of rent under their insurance policies appears to have been limited by a more recent judgment handed down by the Court in Rockliffe Hall Limited vs Travelers Insurance Company Limited [2021].

Rockliffe's business has been ravaged by the pandemic and it therefore brought a claim against its business interruption insurer. The insurer rejected Rockliffe's claim on the basis that the clause in the policy on which Rockliffe was basing the claim referred to a closed list of 34 diseases, which did not include Covid-19.

In this instance, the Court ruled in favour of the insurer on the grounds that the policy did not specifically refer to Covid-19. They stated that, although plague was listed, it referred to a specific disease and could not be considered a general term for all infectious diseases.

Check your policies

In light of this, landlords of commercial property (and commercial tenants alike who may have their own business interruption insurance) would be well advised to carefully review the wording of their insurance policies and seek clarification as to whether the policy covers loss of rent resulting from the pandemic.

Of course, unless the policy is very new, there'll be no specific reference to Covid-19. Instead, make sure that there is reference to a more generic term like "notifiable diseases" or maybe "infectious diseases" which may give you a better chance of winning a claim as in the Arch Insurance case above. Check also if there is a limited or closed list – such as in the Rockliffe case. Closed lists may be deemed too specific to include Covid-19 so it's unlikely a case would be successful. In these instances, perhaps knowing this will at least save you the expense and hassle of finding this out in court and enable you to be more selective about your policy choice in the future.

The decisions made in each of the cases above highlight how important it is for landlords to think very carefully about their insurance policies for commercial properties, not only in respect of damage and/or destruction loss of rent provisions, but also in respect of the non-damage loss of rent provisions.

The impact of reduced rents

Another potential stumbling block facing landlords is that, to mitigate their losses, many have agreed reduced rents with their tenants during the pandemic. Even though landlords will insist that they had little choice but to reduce rents, particularly because they couldn't begin forfeiture proceedings or rely on other remedies generally available to them when dealing with non-paying tenants, it's likely that many insurers will try and resist any claim for losses suffered as a result of voluntary rent reduction agreements. It remains to be seen whether insurers will be successful in using this argument, but it is certainly an argument that landlords should be prepared for when looking to make a claim.

Although there is some light at the end of the tunnel and it appears that Covid's impact on landlords, property owners and the population as a whole is diminishing, in some areas the impact is likely to be long-lasting with obstacles to overcome for the foreseeable.

Hayley Gilbert,
Commercial Property Solicitor

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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. Hayley specialises in commercial property matters including traditional sales, purchases and leases of commercial property alongside business sales and acquisitions. She works with developers, assisting with finding the creative solutions they require in connection with their commercial and residential developments. Hayley also advises on and drafts the contracts needed to document the joint-venture arrangements agreed between the respective parties.

TOOLBOX TALK

CHOOSING A SYSTEM TO TRACK YOUR PROJECTS – KEY CONSIDERATIONS

This is a question that comes up time and time again and every property developer and construction company will inevitably have a different answer, and maybe even make use of several different packages to perform the multitude of tasks their business needs in order to function efficiently. There are countless options out there: Asana, Trello, Procore, Copper, Scoro, Podio, ActiveCollab, Deltek WorkBook, ClickUp, G:Drive, OneDrive – just to name a few. So, how do you select which one to use? Which one will perform best for your business? Which one will keep the information you need organised?

Before jumping straight in and signing up to the package your best mate is using because you like the look of that fancy report the system can generate in a click of a button, here are some key considerations to help you decide which way to go.

A system is only as good as the information you feed it

A fancy software package will be limited to just that unless you feed it data. In reality, you can buy any system and – as good as its capabilities may be – it will be completely worthless unless you're prepared to spend the time inputting essential data.

It's also important to spend some time thinking about *what* data you actually want and need to record to improve efficiency for your business. How do you want to see that information presented back? What would work best for you and your team? Perhaps you just want to track costs or project milestones, or maybe you're looking to include all of your construction data, standard documents, procedures, policies and guidance. Have you thought about whether it needs to function as CRM (customer relationship management) as well?

In brief, how long you need to spend on the system will be determined by what you want to get back out.

Who will need access?

Think about who will need access to which areas of the system in order to fulfil their function within the business. Also consider who needs to be inputting specific data so that you can generate your pretty Gantt charts. Does the system you're considering allow you to restrict access to sensitive information? Have you thought about staff training? Is the system user-friendly? All too often we only think about these things *after* we've purchased the latest software/drive.

Just think about it: if the majority of the time your team have their boots on the ground, can they input the information on a smartphone or do they have access to a laptop on site? A good system is an efficient system: if your team are spending a full day on the tools and then having to go home and spend another two hours after close of play inputting data to make your system work, then you can rest assured it ain't going to happen for long! This is the wrong system for your business. Talk to your team and find out what will work for them (if you don't already know).

Communication is critical – the whole point of having a system of this sort in place is to ease the communication flow, not create further barriers to workflow. Get your team involved in the process to find out what they need, how they need to be able to access the system to update it and you will find greater commitment and support across the board.

Do you have procedures to follow?

We tend to keep the details of how we want a task performed in our own heads, but if we're expecting members of the team to complete the task on our behalf, then it's essential that the information is shared. Document your processes and incorporate them into your system. And remember to embed those all-important legislative requirements into your procedures, too. If you already

Lisa Tinker
Health & Safety Consultant

have company procedures, it would be a good idea to check the system can follow through those crucial checkpoints.

What other apps or packages do you use?

This is an important question. Can the apps/packages already in use within your business talk to your new software? Or are you going to have to duplicate data? If so, how easy will that be to do? Do you need your project package to link to your accounts package? Or are you looking for a one-stop shop that does everything? This question will help you narrow down a few of the options for your business's system.

There isn't a one-size-fits-all approach to creating and developing a system. Every business is unique and, as such, you will need to spend time on perfecting the right system for you. Whichever way you go with getting systemised and organised in your business's activities, you will need to be committed to the process. Remember that this is an investment and, as such, it needs to be nurtured and continuously developed to achieve the best results. A system working well with team commitment will improve efficiency, save you money, measure your results, create consistency and enable your business to grow without chaos. That has to be worth giving due care and consideration to.

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CONSIDERATIONS FOR A BUILDING SITE: GETTING YOUR CONSTRUCTION PHASE PLAN IN ORDER

A BUILDER'S PERSPECTIVE ON ASSESSING THE SAFE RUNNING OF A BUILDING SITE

I have just been to price up a refurbishment project in North Yorkshire and the client, unusually, provided us with a pretty detailed specification. He's been following my YouTube channel for some time and, in his words, "knows how to tackle this thing now", which was fantastic for me to hear from a client without any prompting! No messing about – he gave me an enquiry along with everything I would need to be able to give him a price for the works.

So, I arranged a site visit to run through some finer points with him, to confirm that the detail in his specification is deliverable and to allow me to start with my initial assessments on site. This initial site visit is absolutely critical for me to get a handle on a number of things and – even with a strong starting point as in this case – it's still essential.

There is a myth in the industry (both property and construction) that you only need to consider safety on the "bigger jobs" and this couldn't be further from the truth. Safety is paramount on EVERY job and, being married to the safety police (AKA Lisa Tinker, my wife, health and safety compliance specialist), I have to be on the ball or its nuts in the vice for me at the weekly team meeting.

So, I drive up for a visit and it's snowing, it's a Sunday and we're still in lockdown. Construction work at the time was permitted so the visit went ahead. I deliberately went on a Sunday because I wanted to get a feel for how busy the area around the site would be with parked cars – a snowy Sunday during a national lockdown will give you a really good sense of that.

This is really important. I needed to consider:

- **Deliveries:** how easy is it for my delivery wagons to access the street? Are there any weight or width restrictions? Can the delivery vehicle pull up outside the property without causing an issue?
- **Emergency vehicle access:** can an emergency vehicle pass the property or – god forbid – access the property in the event of an on-site incident?
- **Parking:** can my trades and labour get close enough to the property to offload their tools and materials? Can they park nearby? This is particularly important if you are erecting scaffolding at the property.
- **Skips:** will the skip fit on site? Will it need to be left on the street? If the latter, will a licence be granted? How much is a licence likely to be? How can I prevent fly-tipping or escape waste from my skip?

Paul Tinker
Construction specialist

When I visit the site that first time, I'm also thinking about:

- **Proximity to a hospital:** again, god forbid, but in the event of emergency medical assistance being required, how far is the nearest hospital?
- **Scaffolding:** are there neighbours to inform (mid-terraces can be challenging), or do I need to be considering party-wall agreements and getting these in place before works begin? Can I access the rear of the site without going through the house?
- **Asbestos:** was the property built before 2000? If so, do we need to run a Refurbishment & Demolition (R&D) survey? This is a legal requirement and mustn't be skipped as it ensures that asbestos-containing materials (ACMs) can be safely identified and dealt with either via management or removal.

And this is just some of the factors I (as the builder and project manager) need to consider before I even submit a price, let alone work out its viability. More often than not though, these issues are overlooked by our clients/ property investors, but they will need to be considered by whoever is acting as the project manager in order to run the project safely and effectively.

Once we've collated all this data with other information such as appointment documents, risk assessments, method statements, site rules, induction procedures and so on, it will be presented to your safety representative or project manager running the job so that that they can compile the all-important (and legally required) CPP (Construction Phase Plan). Again, often overlooked by property investors as overkill on small jobs, this is a legal requirement – it doesn't matter the size, value, number of workers on site or the duration of the projection, the CPP is essential.

My feeling is that, if you consider the points above, then you have a great starting point for this document but, if you're at all unsure about what's required, then my advice would be to outsource it. I'm more than qualified to do this and have years of experience in doing it – it's just not something I enjoy and I know that I have contacts who can complete this process for me to a much higher standard.

For more detail on compliance questions and running your projects compliantly, consider our training programmes which include both group and one-to-one sessions.

info@constructiontraining academy.com

CASE STUDY

KNOWING THE LAW AS A HMO LANDLORD

SARAH FLYNN TELLS US HOW SHE BECAME A HMO LANDLORD AND OFFERS VALUABLE ADVICE TO HELP YOU STAY ON THE RIGHT SIDE OF LICENSING LAWS. SHE SHARES HER LATEST PROJECT AS WELL AS DESIGN TIPS AND EXPLAINS WHY SHE THINKS IT'S WORTH NAVIGATING THE COMPLEX WEB OF HMO ADMIN

Let's be honest, it's off-putting to hear the words "HMO licence". Many investors simply don't want the hassle or aggravation that comes with larger HMOs (five beds and over), and I completely understand that.

Five years ago, when I embarked on my journey into property, I was met with all these buzz words and strategies and I came to love the idea of HMOs and the high revenues they can bring. But I'll admit that I was a little nervous at the thought of getting something wrong and maybe landing myself in Her Majesty's HMO – none of us want to end up there!

However, I learnt that it doesn't need to be scary and I want to encourage everyone to overcome that fear of the law and give larger HMOs a go! It can seem like a minefield, but if you are willing to spend a little bit of time learning and understanding the requirements, it can make for a very lucrative investment.

How I ended up in HMOs

Well, I never planned to own a HMO portfolio – in fact, I didn't even intend to be in property at all. But we all know how these things happen: you start at point A, expecting to end up at point B, and you actually end up at point Z!

I was quite happily, and successfully, working for global giants Lloyds Banking Group in 2015. I had a permanent full-time position as a project manager, helping to slowly unravel the PPI scandal. My career was going exceptionally well and I spent the best part of ten years in the banking industry, working my way up the corporate ladder and securing a number of promotions.

However, in August 2015 everything changed. I found myself sitting in the hospital next to my 19-year-old brother, who had just been given the horrific news that he had blood cancer. After a seven-month battle, unfortunately, my brother passed away in March 2016. Understandably, this horrendous event completely reshaped my mind. I began to question everything – and suddenly my once-exciting career in the financial sector seemed completely dull and insignificant. I tried to go back to work on several occasions for the 12 months that followed, but it was simply too much. I came to the conclusion that I needed to do something different, something with more purpose and something that helped me remember and honour my brother every day.

There had always been a thread of property running through my life: my brother worked as an electrician during his short life, while my grandad flipped properties alongside his day job to earn extra cash. But the turning point was probably helping my parents with a distressed property they bought as an investment just before my brother became ill. They had been thinking about the prospect of retirement and decided to flip a house to raise some extra cash – they re-mortgaged their own unencumbered home to raise the money to purchase the flip. In the months that followed my brother's passing, we all pulled together to transform this dilapidated house; the result of which was a £32,000 profit. I was amazed – this was almost a year's salary for me at the time. It was the final push I needed, so I quit my job and decided I was going to get into property, and that's how KAF Properties was born!

The first 18 months were all about flips – not through choice, but because it was the only strategy that my parents and I knew, and we did it really well. So well in fact that, in a highly uneducated fashion, completely ignorant to any other investment strategies or what the market was doing, we successfully completed seven flips in 18 months. And whilst this was a very good start, I had simply not understood the need for a consistent cash flow. Of course, every house sale meant a cash injection, but there would be huge gaps in between where we were waiting for money – it simply wasn't working.

In 2019 I did what many people reading this article may have also done – I invested heavily in my education and joined one of the UK's property-training academies to learn about property. This was exactly what I had been missing.

Less is more in property

My general philosophy for property is that less is more. As investors, we're regularly asked how many properties we own – I think this question is very ill informed. Apart from finding it a tad intrusive, it doesn't actually answer the real question, ie: how much money we're making. The reason I mention this is because, when I learnt about the world of HMOs, I quickly understood that I would rather own fewer properties housing more tenants. To me this is a win-win: I'm able to provide accommodation to help house more people whilst also assuming less risk by owning fewer properties overall *and* generating the same – if not more – income. Coming to realise this was a pivotal moment for our business model and we started to focus on HMOs.

Sarah Flynn
from KAF Properties

Staying compliant with HMO licensing laws

I think it's probably key to point out here that one of the main factors to be aware of in the world of HMO licensing is that there's the government law, and then there's your own local council's adaptation of the government law – this nuance can be the first big hurdle that potential investors find off-putting. To give you an example, the government states that a single room in a HMO has to be a minimum of $6.5m^2$ – well, if you apply that rule in Leeds then you would be running an illegal HMO because Leeds City Council's rules are that a single room has to be a minimum of $7.5m^2$. Leeds City Council also requires you to have a living room, whereas Wakefield Council don't (providing you comply with certain other rules). You can see how it can get a bit messy!

My advice is always to establish a good working relationship with the local council in your HMO investment area so you can find out what their specific rules are – these are the rules you'll have to comply with in order to get your licence granted.

Our latest HMO project

I thought it would be good to share our most recent HMO project and what we had to do to be compliant with the law and be granted our HMO licence for the property. A real-life example often helps illustrate things.

Our most recent deal was a five-bed semi-detached house in a suburban area of Leeds, which we have transformed into a six-bed HMO complete with four en-suites and one shared bathroom. Obviously because the HMO is over five bedrooms it automatically requires a HMO licence.

The first part of this process is actually applying for the licence, which is done via your local council. In the case of Leeds City Council, this is a long application form which needs to be printed off their website, filled out and posted back to them for their review and approval. Of course, this isn't free! The cost of a HMO licence can vary depending on how many people you are putting in the HMO. The general rule is that you pay a certain proportion of the licence fee upon application, and then the remainder once the licence has been granted. In our case, this was £400 on application and then a further £425 upon the granting of the licence – a total of £825.

Alongside the application, you're required to submit a plan that details exactly how the HMO is going to be laid out, including information like the location of anything fire related, such as smoke alarms, fire detectors, fire doors and exits, fire meeting points and fire blankets. Being well versed in this process, we knew what was expected so made sure all of this detail was included in our plans. The plans then get reviewed by a HMO Officer, who will make a decision as to whether they need to come and inspect the property before granting the licence, based on the strength of these plans. In this case, no-one paid us a visit.

However, what may surprise some of you is that fire regulations are also apparently subjective. There is no hard-and-fast rule – a lot of the time it's left to the judgment of the individual based on their interpretation of the fire-safety rules and their opinion of the possible risks. What this means is that no two properties in our portfolio have exactly the same fire-safety measures in place, despite many of them being in close proximity to one another. However, on a more general basis, there is usually a list of "must haves" which you will need to comply with in order to meet minimum fire regulations.

Here is a list of what we included in our most recent project to comply with those standards:

- 30-minute fire doors on all bedrooms and door to the kitchen
- A fire blanket in the kitchen
- A fire-action card hung up in the kitchen displaying what to do in the event of a fire and who to call
- Intumescent strips on all fire doors
- Thumb-turn locks on the inside of all external doors
- Mains Interlinked fire-alarm system
- Door closers on all fire doors
- Gas Safety Certificate
- Electrical Safety Certificate

Fire regulations in a licensed HMO always add up and eat into your budget so it's something you need to consider in your costings, particularly when it's not uncommon for a HMO Officer to come and inspect the property and decide almost on a whim that you need extra work to be compliant. I'd say this is definitely something to keep in mind.

As an example, fire doors could be around £100 a door dependent upon the specification, and then there's fire door casing frames which could set you back approximately £35–£50 a frame. This can mount up: in a seven- or eight-bed HMO, you could spend nearly £1,000 on doors alone.

With all of our larger HMOs, we get in an independent building control company and a fire authority to sign off the works as a safety precaution to protect ourselves. They will be engaged throughout the project and you should expect three site visits: at the start, in the middle and once again when you have completed the works. They will need to approve everything before the HMO licence is granted. This was no different for this particular project – because we were creating additional rooms/adding en suites and so on, it's very important to ensure that the relevant bodies carry out the right checks so that you are covered if something goes wrong.

In this property the fire authority debated for over three months whether the open-plan kitchen/diner/living area was safe or whether it would have to be bricked up with a dividing wall and fire door to separate the kitchen off entirely. They decided not in the end, but you can see how that's probably not something you consider yourself. Never leave yourself exposed to any possibility of becoming liable as the implications can be extremely serious. Ironically, our first tenant in this property was a fire woman!

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Room sizes and fire regulations aside, there are other, less talked about considerations that you'll need to be aware of, too. Some of these include each tenant having to have a certain amount of worktop space in the kitchen – sometimes even having their own designated cupboards and fridge space. In other cases you'll be required to double up on appliances, such as having two washing machines or even two sinks depending on how many people are going to be living at the HMO. *Always* check with your local council on what their rules are before starting a large HMO project.

Why did we choose to buy this particular property?

You'll be able to see from the photographs that the property was in a good condition when we bought it. I always believe in starting with the end goal in mind, and our overarching business goal for this year is to increase cash flow. As such, this particular project wasn't bought with the intention of gaining immediate capital uplift from the refurbishment, nor did we plan to refinance at the end to pull any money out.

It all depends what you want from a deal but, in our case, and with our current business model, we are happy leaving money in the deal providing it creates a large monthly cash flow. As a general rule, we make sure that each deal provides us with a minimum net monthly cash flow of £1,000. The fact that the property was in a good state of repair was actually quite appealing from my perspective as overall it meant fewer refurb costs, a quicker turnaround time and thus tenants moving in more quickly.

Another huge factor for us was location. The property is situated in a very affluent area of Leeds, which is another part of our current strategy. Our target market for tenants is white-collar professionals and therefore we buy in areas where the demand meets our ideal demographic. We selected this route a few years ago because we realised that we would be able to charge higher-than-average rents per room to increase cash flow more quickly.

Layout was another selling point. Whenever I look at a potential property for a HMO conversion, the very first thing I look at is the floorplan. My primary interest for any property that could be a HMO is how easily configurable the current layout is. This property lent itself very well to being converted with little effort: it was already a five-bed and, having checked the existing room sizes, they all met the HMO regulations. Additionally, the property has two reception rooms, which is something that immediately ticks boxes from my perspective, meaning that one of the rooms could be converted into a sixth bedroom whilst we can still retain the second as living/dining space.

Interior design

The refurbishment work took two months and totalled just over £35,000. Whilst this might seem like a lot of money for a few stud walls and some additional bathrooms, standard and high-quality finish are absolutely key to our business model to achieve the higher-priced room rents and attract the right type of tenant. With this in mind we spent a good chunk of the overall conversion work on high-quality materials such as lavish tiles, expensive bathroom suites, luxury carpets, décor, furniture and small finishing touches. Over the years I have found that this type of detail can make an enormous difference to both the rent yield you're able to achieve and to keeping your properties full. It sounds daft, but fountainhead taps, designer bedding and a variety of unusual cacti can go a long way!

In terms of the colour scheme, we always try to get a perfect blend of timeless versus trendy. What I mean by that is that we usually go for an overall grey and white theme for the walls and the main furniture, because grey and white never really go out of fashion so you're not paying for a full overhaul of your property every season! In contrast we ensure the soft furnishings/ornaments/finishing touches added fit whatever is currently on trend. So our theme for this property is grey and white with navy soft furnishings. We will simply review this on an annual basis and replace the navy with something else if that colour falls out of favour.

The results

Here is a breakdown of the financials and the results for the project:

Purchase Price: £280,000

Deposit: £70,000
Stamp Duty/professional fees, etc: £10,000
Refurb costs: £38,000
Total investment = £118,000

Rental income
4 rooms @ £550pcm
2 rooms @ £500pcm
Gross monthly income = £3,200

Gross yield = £13.7%

75% BTL HMO mortgage: £670pcm
Lettings management fee: £430pcm
All bills/cleaning: £420pcm
Total monthly expense = £1520

Net monthly income/profit = £1,680

Net yield = 7.2%

ROI = 17.1%

As you can see from the figures, the results really do speak for themselves: a high cash flowing, high yielding property. The property has purposefully been finished to an excellent standard, is fully compliant with HMO regulations and, crucially, was fully tenanted within two weeks as we always buy for demand! So is it worth all the heartache and responsibility? In my opinion, and thinking back to my philosophy on property – yes.

kafproperties.co.uk

THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market

UK PROPERTY MARKET CONTINUES TO FLOURISH

JILL STEVENSON

There seems no let-up in the exodus from city to country/coastal spots as Rightmove reveals its most popular property location in March was the holiday destination of Newquay in Cornwall.

More than 82% of homes in the picturesque town, advertised on Rightmove since the beginning of the year, have sold – more than any other location in the UK. The town, with a population of 22,000, has a harbour as well as many coastal walks and beaches.

Next most popular was the small market town of Newton-le-Willows in St Helens, Merseyside, where 81.8% of properties advertised have sold. Also with a population of just 22,000, the town boasts plenty of independent shops, as well as excellent commuter links.

Newton-le-Willows was closely followed by Plymstock in Devon where 81.2% of homes have changed owners since 1 January, 2021. Another commuter suburb located just outside Plymouth, Plymstock has a similar population to the other two towns at 24,103 residents.

What this report demonstrates is that, since lockdown, the desire to move to less densely populated areas with more garden room and a bigger property overall is still uppermost in many buyers' minds. That is especially true when you consider that only one in five properties sold since the start of the year have been in a city centre, according to Rightmove's records.

The company's director of property data, Tim Bannister, said: "Areas around the North and Southwest are the stand-out sellers' markets right now, and places in Cornwall and Devon are continuing the trend of a desire to move to the seaside and countryside.

"Suburbs are also faring well as some people move further out from the centre of cities."

Demand far outstripping supply – worst for a decade

Meanwhile, demand is continuing to outstrip supply. A report from upmarket estate agents Hamptons showed there were 14% fewer homes on the market from January to March 2021, but 17% more buyers compared with the same period last year. As a result, it has become the best seller's market in a decade. In Scotland, for instance, there are 24 buyers for every property coming on to the market there.

In London, however, it's the opposite. There is 17% more property available in the capital compared with 2020 and only one in six prospective buyers per property. Since last May, many Inner London homeowners have been harking for a home in the suburbs. This has resulted in many sellers adding what estate agents describe as a "park premium": for instance, popular boroughs with plenty of green spaces, such as Wimbledon and Richmond, have seen house prices jump 12% and 6% respectively since the start of the year.

House prices increase £15,000 in a year

Naturally, demand has pushed prices up to the extent that, in March, the average property in the UK cost a record £254,606. That's according to figures released by the Halifax, which states the increase is £15,000 year-on-year. In fact, from January to March this year, prices increased 0.3% from the last quarter (October to December).

Regionally, the Northwest is faring best for property price increases. Figures from the HM Land Registry House Price Index recently showed property there had risen by 12% over the last quarter. That compares to 8.9% in the Northeast, Yorkshire and the Humber.

Property selling more quickly in the North and Midlands

In terms of how quickly it is taking property to shift, property portal Zoopla's statistics show Wigan takes the title for a mere 26 days to sell a house or apartment (from listing to "sold subject to contract"). This is also in line with the desire to move to bigger properties, with the most popular house a three-bedroom detached valued between £100,00 and £150,000.

The next fastest-selling areas were Salford, Redditch near Birmingham, Knowsley in Lancashire, Sheffield, and Medway in the Kent – each with just 27 days to sell a property. This compares with Liverpool at 30 days, Manchester at 31 days and Bristol at 33 days.

Estate agents Savills says the Northwest, together with Yorkshire and the Humber, will be where most of the property price growth will be over the next five years. Figures of 6% growth for 2022 aren't unreasonable, they say. Their predictions rise to a total growth of 28.8% for the Northwest and 28.8% for Yorkshire and the Humber by 2025.

What this could mean, analysts believe, is a diminishing of price differentials between the north and south by the end of this decade. This is with the exception of London, of course, where prices are expected to pick up again well before 2030.

WINDSORPATANIA ARCHITECTS HELPS RESURRECT LUXURY OPTOMETRISTS FOLLOWING DEVASTATING FIRE

The expert team at architectural specialist WindsorPatania has helped complete a major rebuild of Mill Road's Taank Optometrists in Cambridge, with the shop unveiling its brand-new look in February this year following a fire that destroyed the property and other businesses in the Mill Road Conservation Area in July 2019. Work on the property has been completed in record time thanks to in-depth architectural plans and an innovative space-saving solution drawn up by WindsorPatania.

WindsorPatania, which works on bespoke residential, retail and mixed-use design projects across the UK, created a design that allows the client private outdoor space and airy interiors, whilst adhering to strict fire regulations.

The original building comprises the optometrist shop on the ground, first and second floor of the building, and a separate flat to the rear of the first floor. The building has been a part of the client's family history for more than 100 years, and so the team was keen to ensure this historical and emotional attachment was respected in the rebuild.

The WindsorPatania team stepped in before the building regulation phase, spotting immediately there was no fire safety strategy in place, leading to a complete redesign of the available space. Each room of the flat – including bedroom, kitchen and living room, plus the two-storey optometrists – needed clear fire escapes. At the same time, the client was very keen to keep as much open space as possible, so the WindsorPatania team needed to work to the millimetre to ensure every inch of the property was used effectively.

The team, led by Architectural Director Giovanni Patania and Senior Architectural Assistant Roberta Sanna, created a brand-new concept, which included the removal of a metal staircase outside and incorporated a hallway and ramp, which were fit for escape purposes. All specifications of the project are high end, offering modern, eco-friendly and luxurious spaces for both tenant and retailer.

The front-facing exterior has been restored to retain as many of the original period features as possible, in keeping with the neighbouring buildings along Mill Road. At the back of the building, the team were able to be more creative, retaining the building's original features whilst also adding a modern element to the design.

WindsorPatania team members worked around the clock to finish the architectural phase in record time, with all approvals and designs submitted just four months after being granted the project. The short turnaround and attention to detail meant that tendering with local building firms began early summer of 2020, with building work commencing at the end of September.

The Taank Optometrists team was keen to reopen as soon as possible, given the potential impact on customer experience and sales, and the shop opened its doors again on 8 February.

William Mayes, Director at Layrd Design, acted as project manager and interior designer on the project. "We were extremely happy with the outcome of the redesign," he said. "The client offers a high-end service and needed the interiors and the overall building design to reflect this. We wanted the end result to showcase a luxurious but approachable and comfortable setting.

"We achieved that through bespoke details like the addition of a coffee bar with high stools, where clients can enjoy a drink whilst waiting for an appointment or whilst their new frames are being fitted. We also included a new frame adjustment area, complete with workshop."

Roberta Sanna, Senior Architectural Assistant and lead designer on the project, said: "It was a very intense few months, challenging but extremely satisfying. There were a lot of size constraints to take into consideration with the building, which is over 100 years old.

"We ran through many different scenarios to pass fire regulations such as incorporating sprinklers or outside fire escapes into the plans, but eventually came up with the ramp/hallways combination which is a rather elegant, tailored solution."

WindsorPatania co-founder Ryan Windsor added: "After fighting to the centimetre to get the construction acceptable by building and fire regulation standards, and meeting all of the client's needs, we are delighted to see the final result."

Find out more at
windsorpatania.com
info@windsorpatania.com

HMO MORTGAGES: 7 KEY CONSIDERATIONS

There's no doubt that HMOs (houses in multiple occupation) can be an attractive option for investors seeking higher yields, especially for those with sufficient organisation and experience to cope with the more complex admin associated with this type of project. If you want to continue to invest, then raising finance successfully against your properties is crucial and allows you to make multiple investments rather than having to pour all your cash into one property to buy it outright. But, if you're planning to let rooms out separately, as is the HMO way, you will require a HMO mortgage and for a successful application, there are seven key areas to keep in mind:

1. Be aware of the differences between HMO mortgages and standard BTL mortgages

First-time HMO investors need to be aware that both investors and lenders tend to consider HMOs as a step up in complexity from buy-to-lets (BTLs) and this is reflected in the significantly reduced number of lenders willing to lend to a first-time landlord seeking a HMO mortgage on their first property.

If this is your chosen route regardless then you're likely to find your options are very limited and may end up paying for this increased flexibility in criteria through the interest rate. Of course, this may be offset by the increased yield of the property, but certainly provides food for thought. The vast majority of HMO mortgage providers will require you to have at least 12 months' BTL landlord experience and some may even require previous HMO landlord experience if you're looking to invest in larger HMOs.

For smaller HMOs (fewer than six beds), the mortgage rates are pretty comparable to those on a BTL mortgage: rates for 75% loan to value on a small HMO start from 2.89%, which is only 0.1% higher than a BTL mortgage counterpart. However, for a HMO of six-plus beds, you'll need to work with the more commercial lenders and anticipate an increased interest rate to reflect this. On the plus side, it will mean that you may be able to benefit from borrowing against the investment (yield-based) value of the property, as opposed to the bricks and mortar value.

2. Get your documentation in order

Whilst not all HMOs require a licence or to pass through planning – for those that do, make absolutely sure you have this in place *before* you apply for finance. Without the required approval in place, you may experience significant delays during the application process. Remember that, ultimately, lenders won't lend without proof of due diligence because they'll be concerned that issues may arise down the track relating to planning and licensing.

The same would apply with regard to building regulation sign off where applicable, something you should be aware of when planning to apply a buy, refurbish, refinance strategy.

3. Be proactive!

As with other types of lending, HMO mortgages can complete in as little as eight weeks but, if you're not proactive or you're slow to respond to enquiries or information requests, they can take as long as five months. Of course, every case is unique and there are always hurdles to overcome, but you can give yourself the best possible chance of a quick turnaround by providing all information upfront.

During busy periods, mortgage providers will implement set turnaround times (that is, the time in which they will review a response to their enquiry) – sometimes as many as ten working days for the lender to reply. This means that sending all information over at the start of the application, in one tranche, will allow all information to be reviewed initially, rather than having to "reset the clock" every time the underwriter needs to request additional information. This is where working with a broker can be invaluable – they will anticipate the lender's needs and help you to avoid any to-ing and fro-ing.

4. What's your priority?

Something else to consider before you apply for finance is: are you looking to achieve the highest loan to value, the lowest interest rate, or simply wanting to borrow against the investment value of your HMO? The investment value of a property (also known commonly as the commercial value) is the perceived value of a property from an investor's point of view. An investment value is usually calculated based on the yield of the property in question when compared with the local average.

If you're seeking to minimise the interest rate, you'll need BTL landlord experience of at least 12 months, be willing to borrow against the bricks and mortar valuation, and only fix the rate for a two-year period. This will enable you to benefit from rates as low as 2.89%pa but, of course, this approach will not be suitable for everyone.

If you're looking to borrow against the investment value of your large HMO, the minimum rate you should expect will be 3.3%pa at 75% loan to value. However, this will increase depending on the complexity of the deal such as limited experience or small loan value.

If you're seeking to maximise your borrowing, you may be able to borrow up to 80% loan to value, but note that this will come at an increased interest rate in the region of 3.99%pa. Therefore, you need to consider whether this incremental 5% is worthwhile over the term of the loan in the context of the 1.1% jump in rate.

5. Get your deposit in order!

In line with other mortgages, the lender will want to see your proof of deposit and know how this deposit has been obtained. The maximum loan to value you can borrow is 80% with a reduced number of lenders willing to go this high: the industry standard is 75%. Be sure you have a deposit of 20–25%, as well as working capital to cover the application costs such as valuation, legal fees and lender fees.

Lenders will want you to demonstrate clearly how you have accumulated the deposit; if it's through savings, expect to be asked for bank statements to demonstrate the accumulation. If it's from inheritance, you may be asked to provide evidence of this, and if it's from trading profits in another business, be prepared to provide accounts.

A Bounce Back Loan is not a suitable source of deposit.

6. Be transparent!

Whether you're discussing the deal with a broker or going direct to the lender, be completely transparent from the off – as you should with any form of borrowing. Mortgage providers are far stricter in their criteria with regard to missed payments, CCJs and general past credit issues. If you're not 100% sure what's on your credit file, it's prudent to check prior to applying for finance. There are many websites offering this service, but the best one I have found is Check My File **checkmyfile.com** because they pull their data from four different credit agencies.

Credit issues – however far back they go – can usually be worked out, providing you are transparent.

Alice Williams
Commercial Finance Broker

Michelle Goodson
HMO Mortgage Specialist

7. Your team...

As with all finance, a strong professional team can make or break the application process. A broker that understands the HMO mortgage process is imperative, as they are not only able to pre-empt the information a lender will require, but they can advise on the current turnaround times for each lender (particularly pertinent if you want a faster application process), as well as ensuring you are placed on a product fit for your requirements.

Solicitors are also pivotal when applying for a HMO mortgage, and it is key that you instruct a firm with at least two SRA (Solicitors Regulation Authority) approved managers because lenders usually want to see one providing the advice to the client and a second to sign it off. Some lenders even require a third to act impartially during a review of the case should it be required. Dual representation is sometimes offered whereby the same legal firm acts for both you and the lender. This can sometimes – but not always! – save time and money. Also keep in mind that some lenders have an appointed panel list and, if they do, you need to ensure that your solicitor is on this list.

For more help on HMO mortgages get in touch with Alice or Michelle:
property@pilotfishfinance.co.uk

Alice also provides a free course to learn more about property finance:
bluebricksmagazine.com/resources

LETTINGS UPDATE

by Ben Quaintrell LETTING AGENT OF OVER 15 YEARS

LETTINGS MARKET STRENGTHENS AS PANDEMIC HIGHLIGHTS IMPORTANCE OF A HOME

Rising demand combined with a continuing shortage of properties is ensuring both lettings and sales in most areas of the country continue an upward trajectory.

Here at My Property Box, we are seeing a huge increase in interest in rental properties as soon as they are listed. I estimate the number of serious enquires has risen two- or three-fold compared with the final quarter of last year.

Pre-Covid, homes of a good standard didn't hang around too long, and a property listed on a Monday would normally be let by the Friday. To illustrate the heightened demand, one three-bedroom semi was let within 24 hours and attracted 50 enquiries. A few months ago, that same property might have only attracted 20 expressions of interest. We have not experienced this volume of enquiries since last summer across our portfolio in the Northeast and North Yorkshire.

The low availability of property to let means investors can attract higher rents, which is tempting more first-time landlords into the buy-to-let sector. I estimate that rents have risen by between 5% and 10% over the past 12 months.

According to Hamptons market report for spring 2021, there are signs that the supply of rental homes may be improving as landlords have been able to more easily resume buying properties they were interested in at the turn of the year. This is further spurred on by the fact they are eager to take advantage of the Stamp Duty holiday, of course.

According to its report, the strongest average rental growth over the 12 months to February 2021 was in the Southeast (10.6%), the Southwest (9.2%) and the North (6.8%).

There is also an emerging trend, particularly in London, where owners are selling their homes and opting for short-term rentals to become chain free – placing them in poll position when it comes to a future property purchase.

I expect both the lettings and sales market will continue to strengthen over the coming months, buoyed by growing consumer confidence as the economy begins to reopen.

People want a property that works for them

One of the positives to emerge from the pandemic has been a refocusing of minds on what matters in life, prompting people to think about where and how they live and to seek a property that works for them, whether that is in terms of layout or that all-important outdoor space.

Others, with the ability to work remotely, are leaving the cities in favour of a more rural setting – seeking to improve their lifestyle. All these factors further serve to stimulate the property market and I believe are part of an encouraging longer-term trend.

Debt Respite Scheme delivers protection from creditors

A further change brought about by the pandemic is the Debt Respite Scheme, or "breathing space", which provides tenants with problem debts access to legal protection from creditors. I suspect many landlords don't yet appreciate the potential impact this might have.

The standard breathing space, which can be accessed once every 12 months, prevents creditor action for up to 60 days, whilst a mental health crisis breathing space is available to those receiving mental health crisis treatment and offers indefinite protection from creditors until 30 days after their treatment ends.

It's important to stress that a standard breathing space is not a payment holiday, and a tenant is still expected to pay rent during this period, although this does not include payments for previous arrears.

A landlord or letting agent can apply interest, fees and penalties to the debt from the date the breathing space ends but cannot backdate such charges, unless ordered by a court. My own

advice is to update your records to see which tenants have fallen behind with their rent.

In terms of a new tenancy, it's worth pursuing more comprehensive screening and to consider asking for a guarantor. At My Property Box, we use an independent third party to ensure we source responsible tenants.

Maintain good tenant relationships

A landlord is advised to maintain good relationships and develop strong lines of communication with their tenants to provide an early warning of any difficulties ahead. This can allow a landlord to come up with a mutually beneficial arrangement, such as organising a payment plan. It's also worth considering joining a rent guarantee scheme for added peace of mind.

Eviction ban expires

Other changes landlords need to be aware of include the expiry of the current eviction ban on 31 May, although in practice no eviction can take place until 15 June at the earliest as a bailiff must give 14 days' notice to the tenant or occupier; however, in practice this is likely to be longer due to potential backlogs in bailiff workload. Also from 31 May, the requirement for landlords to issue six-month notice to tenants prior to eviction is also due to end.

A GUIDE TO SUCCESSFUL PROPERTY LETTINGS

USING TECH TO IMPROVE THE RUNNING OF YOUR PROPERTY PORTFOLIO

The future is digital

The days of landlords foraging through box files stuffed with piles of paper are long gone, as is advertising in the "to let" section of the local newspaper. Now, most landlords – including those managing just one or two properties – have embraced the efficiency and order of the digital world, even if that's as simple as just using an Excel spreadsheet.

Several technologies have risen to prominence over the past 12 months or so as property professionals have had to quickly find the means to conduct business in a Covid-secure way. Usefully, most of this software is free with costed upgrades available, or you will find there are free trials to get you up and running by which time you'll know whether any future outlay is justified. Often the cost is minimal compared with the benefits.

I'd like to highlight the software that My Property Box has found most useful in terms of both marketing and organisation.

My Property Box had invested heavily in a digital-led approach prior to the first lockdown and was already using video to carry out virtual viewings. Today, video walk-throughs are an essential part of letting a property, alongside photography and a floorplan – and it's something that's here to stay.

Tech saves time

The digital approach may be helping keep people safe during the pandemic, but it's also making the whole lettings procedure more efficient and user-friendly, saving both landlords and tenants valuable time.

We've found that using video has helped weed out the merely curious meaning you can focus on those with a serious interest. Viewing numbers may fall, but properties are being let at a much faster rate as a result, which is better for landlords – an empty property represents lost income.

It can also be a useful tool for private landlords to save time because they can let a property without the need for a physical viewing (even a socially distant one!).

Boosting marketing opportunities with tech

In terms of marketing My Property Box uses a range of tools, one of the most important being Matterport which provides an amazing 3D virtual tour that really showcases a home. We have also invested in a video stabiliser, which makes video smoother and more professional. These days any private landlord can take quality footage on a smartphone and this app takes that footage to a new level.

When it comes to promoting your property, lettings and estate agents have access to platforms such as Rightmove and OnTheMarket, but we have also gained traction by using SpareRoom (which is great for HMOs) and Gumtree. Private landlords should also use social media, in particular local lettings-based Facebook groups. Using these platforms effectively provides a broader reach for marketing and saves time in finding tenants.

To enhance posts, I recommend social media graphic design tool Canva, whilst the social media management platform Hootsuite allows you to control and schedule multiple social media posts.

Software for organisation

When it comes to customer relationship management (CRM), in an ideal world one system would do everything, but the reality is that different systems are required for different functions.

My Property Box's go-to software is Jupix. This creates our tenancy documentation, produces reminders for renewals and expiring safety certificates as well as storing a host of other data.

For the smaller landlord/investor, Google Sheets, Google Docs and Trello are excellent for keeping track of to-do lists. They also encourage cross-team collaborative working, allowing team members to work off the same document. We use them to plan inventory and check-out reports and to determine whether any work on the property is required. They also keep track of the ever-changing world of legal certificates.

Tech that landlords and tenants love

Digital signing means an end to printouts, signing and scanning. We use Signable which provides a record that can't be lost or misplaced.

Online communications tool PropertyFile connects landlords with tenants, replacing manual processes with online ones. For example, a landlord can keep track of viewings, manage accounts, download statements and access tenancy documentation.

Professional inventory software TouchRight keeps you up to date with regulations and means tasks like meter readings aren't overlooked. All information is stored online and it integrates with Signable.

For professional landlords we recommend the messaging app Slack, which is designed for teams and workplaces and can be used across multiple devices.

My Property Box has produced a podcast on the subject as part of its "Confessions of a Letting Agent" series, which you can access here: **bluebricksmagazine.com/confessions**.

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

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POWER OF NETWORKING

HOW BUILDING RELATIONSHIPS HELPS US TO GROW AND MANAGE OUR PROPERTY BUSINESS

Within the property industry networking is largely viewed as beneficial and necessary. In light of the pandemic, it has changed significantly over the last year, with many events moving online. Whilst this has meant that we've lost the joy of meeting people face-to-face, there have been benefits, too. Investors have been able to connect with people from further afield – never has there been an easier time to broaden your reach through the plethora of online meetups, including our own monthly event.

We invited members of the *Blue Bricks* community to write about how networking has benefited their businesses. Here, six of our members share their experiences, insights and tips.

Sumi Choudhury

Project manager, structural engineer and investor, Skei Projects

Sumi loves anything construction! She lives with her husband and two children and has lived in the UK, Channel Islands, Ireland and Dubai over the years. Her passion in construction has not only helped her carve a successful international professional career in structural engineering and project management, but has also seen her develop properties for herself and others, both in the north and south of England. But she doesn't plan to stop there! So far she has successfully managed the renovations and conversions of lofts, HMOs, residential new builds, residential reconfigurations and commercial to residential as well as commercial fit-outs.

The importance of building friendships

For me, the governing rules for both friendship and networking are one and the same. Good friendships are the basis for a strong network; each party needs to deliver (ie: be reliable), offer mutual respect, integrity and personal characteristics and skills that complement the other person. I find these areas are integral to the power of my own network. Of course, being a talker helps too! It's clear to me that the strongest connections in my network are those where the individuals have become personal friends over the years.

From friends to business partners

In hindsight it's easy to understand why a university friend became my business partner; we were both already professionals in the construction industry. My friend was a programme manager and I a structural engineer, both progressing our careers with further construction and project management courses at UCL. I remember a friendly smile kicked off our friendship. Lunches, last-minute assignments and nights out consolidated this link. After receiving our RICS-accredited Masters certificates, we both went about our busy lives in different parts of the world, keeping in touch every few years. Incidentally, one of these messaging stints coincided with my trip to London, where my now business partner is based. We enjoyed catching up after almost ten years. The idea of starting our own RICS-accredited project management consultancy was formed and the rest is history. We are also pursuing commercial property development opportunities as joint-venture partners.

Connecting employers

I learnt my trade as a structural engineer at a consultancy in Guernsey. My then manager was the best role model and mentor I could have asked for. Fast forward seven years, I was in Dubai managing projects for a UK contractor who had operations in Qatar. This organisation had been struggling with the structural engineering aspects of their design and build projects. I emailed my previous employers in the Channel Islands to discuss their assistance in solving and streamlining these issues. I subsequently flew to Guernsey, met with my previous employers and explored some options resulting in the agreement to work together as strategic partners. Win-win!

The power of social media

Previously, I interacted on social media only with people I already knew. Recently, both my UK-based project management arm as well as my property investments have progressed to a point where they both lend themselves to scaling. Coincidentally I came across *Blue Bricks* online and knew I wanted to join the community. I met Caroline Monks and Liz Baitson, along with some fellow northerners on the online Blue Bricks March meetup, during which they invited me to join The High Net Network Facebook group. I can honestly

say I would never have connected with as many people who share the same interests in property, construction and charity as I do, especially given the present restrictions. In the last few weeks I have spoken to, corresponded with and joined video calls on matters which have added mutual value. I have agreed to mentor someone who wants to start in the property game, I've been asked for a recommended plumber in London as well as agreeing to advise on charitable causes. It's fair to say the impact of interacting on various online platforms has grown all our networks exponentially.

I'm grateful on many fronts, not least to have found myself belonging to an industry I'm passionate about. I consider myself fortunate to count amongst my friends those within numerous trades to individuals leading high-profile projects.

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Sumi Choudhury

GOOD FRIENDSHIPS ARE THE BASIS FOR A STRONG NETWORK

Tony Houlihan

Property Developer, Friday Club Developments

Tony has spent the majority of his career in procurement roles, buying goods and services for large companies, later specialising in facilities management and property services. He has two young children, Harry and Joe, and when they rocked up on the scene, he decided to spend a bit more time in the Northwest so he could see them grow up. A BTL landlord since 2013, Tony had "dabbled" in property for a while, but in 2018 decided to have a proper crack at it, and went into partnership with his friend Sean, who ran a successful architecture practice, to form Friday Club Developments.

As a natural people person, I love socialising and being around people – I have also spent my working career creating and managing strong business relationships, doing deals, resolving issues and building and working with some fantastic teams. So, you might expect that I would be a natural networker – wrong, I bloody hated it!

When I went to my first few property networking events I would generally stand on the edge of the room; I felt like I didn't have enough knowledge or experience to join in. What I found out very quickly is that the property community in general is a very supportive space. It's a people business – and there is such a great sense of collaboration.

For me networking is a long game, building relationships that may one day create mutual benefit. One of my most hated phrases in property is "your network is your net worth", because it's not about the cash – I think that if the relationships built are good, opportunities will follow. We have gained so many great contacts from recommendations within our networks – we share our best contacts, but only with people we know ourselves and will be a good fit.

Property education and mastermind groups

When I started my property investment education, I spent a few days away in Glasgow on an introductory course with 30+ people similar to me – some experienced, some newbies – but over the course of those few days I made some fantastic connections. I then went on to join a mastermind group which I was lucky to share with some awesome property people.

This group had a huge range of experiences and contacts, and when we were together on a regular basis, we would share stories, experiences and people would collaborate on deals. I quickly established a very good support network from this group.

I've also been able to help others with their questions/challenges, which for me makes it worthwhile and it feels only right that I pass my knowledge and experience on.

I did my first joint venture in property with someone from this group, where we invested the capital on a flip remotely in Scotland, which was a great success. We are just about to launch our second project together on the SA market in the stunning Scottish town of Kelso.

Mix it up

I have made some of my best contacts at events out of Manchester, so I try and mix up the locations of the networking meetings I attend. Recently when events have been mainly online, I have managed to get to some very exotic locations, and even far-flung places such as Leeds at 7 in the morning without the drama of the M62!

I think this is really beneficial, as people in other places might come across deals and contacts in your area and they can't or won't be able to deliver them on their own, so you never know what opportunities you might come across.

I tend to attend events across a range of formats – there's no point going to the same presentation in six different places. I attend some morning and some evening events – some are quite formal with expert speakers, others just people chatting property over beers.

My favourite kind of meeting by far is a small mastermind-style group where everyone gets to share a property problem or the projects they are working on. I love these meetings as you get a real insight into the other people around the table and how they operate, which for me is how you make deeper connections and is far more meaningful than just swapping business cards.

Social media

I use LinkedIn primarily but also have a few favourite property-based Facebook and WhatsApp groups. We've achieved so much from social media – most of our investment partners, countless development opportunities and even two of our team members.

But these haven't come from "invest with me" posts – they've come from project updates, property news shares and real-life property and business stories. That's what proper networking for me is about – sharing value and building relationships.

Looking forward to seeing you all at some property networking events soon!

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FOR ME NETWORKING IS A LONG GAME, BUILDING RELATIONSHIPS THAT MAY ONE DAY CREATE MUTUAL BENEFIT

Samantha Demuth

Sustainable Property Developer, Fox Miller Properties

Samantha doesn't come from a long line of property developers, but she certainly intends to be the first in her family and do her bit to ensure future generations are forward-thinking. With a keen interest in architecture, interiors, health, nature and wellbeing, Samantha felt it made total sense for her to combine her interests to create an experience through her properties rather than aiming simply to build yet another four walls. Having grown up on an estate, Samantha feels that bringing a community element to the shared spaces in her designs is very important.

It was my second maternity leave – within 12 months of the first – which became the catalyst for my desire to leap into the mad world of property. This was just over two years ago and within that time I have mainly been networking – great for me because I love to chat, but I don't think I'd really appreciated the power of the chat until this point! I remember going to so many events and feeling out of my depth; I'd read all the property books, listened to the podcasts, but getting in front of people when I had zero practical experience (except for my own house flip) was daunting – and imposter syndrome was a permanent fixture on my shoulder back then.

I had been pursuing the idea of doing rent-to-rent for cash flow, but something didn't sit right with me, so I had a go at buy-to-let up north as I heard it's cheap as chips – again I was only doing this to earn my stripes. But neither of these strategies fitted well with my primary interest.
I preferred the idea of developments: creating urban villages with a sense of community, built to last, multi-use for an evolving modern life, fit for multiple generations. I wanted to create an experience and look at it from a holistic view – with sustainable energy-efficient buildings (I would love to stamp out fuel poverty), cost effective but also healthy to live in as well as being inspiring for the occupants. At the time, this was a ten-year vision – but who said that it had to be? I therefore made the choice to sharpen my focus and actions on this outcome!

It wasn't until during the first lockdown that I started to see the benefit of networking. I made the decision that this was going to be a career for life and that I needed to be true to that bold statement, so every night and most weekends I attended online networking events, which were in abundance at that time. Frankly, it was a lot easier to see more people this way. It was during this same period that I decided I needed to bring my property focus back to what resonated with me the most.

I MADE IT MY MISSION TO SURROUND MYSELF WITH THE RIGHT PEOPLE IN THAT ARENA – TO HUNT DOWN MY TRIBE!

I started networking with this goal in mind. Having never worked on a development like this before, I made it my mission to surround myself with the right people in that arena – to hunt down my tribe! This is the power of networking.

I reached out to anyone I could: from amazing architects who sought to design similar concepts (I found them through the Home of 2030 project) and successful developers all over the country, to people working in renewables and the eco space as well as people at the council. I remember attending a council meeting about development in the area and I stayed on after to ask questions to the planning and regeneration teams – they seemed very impressed with what I wanted to achieve and gave me their direct email addresses for when I wanted to pursue something!

YOUR VIBE ATTRACTS YOUR TRIBE

Now I am in the early stages of forming my own team to create this exact vision and intend to find some land over the summer. This is all from believing in what I want to deliver and from networking – all the time! I make a point of telling people I am that developer and I make sure I convey that passion.

I truly believe that I would never have been in this position if it wasn't for the people I have met in the last two years on the zillion Zoom calls I have attended. So big up to all those people! Obviously, key is going to be working with people who have a solid background in developments, and I am going to learn from them as we go. The hard work starts now.

There are two sayings I love: "Your vibe attracts your tribe" and "I beat to my own drum" – dare to be different and dare to stay true to yourself!

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James Doran

Property Investor and Sourcer, Tyneside Property Investments

James is a Newcastle-based property investor and sourcer who recently left his full-time job working in the offshore industry to pursue a career in property. Having been involved in property for the past 14 years, initially as an accidental landlord, James had had enough of offshore life and decided to use property as the vehicle to get him off the oil rigs and home for good.

He is a dad to three young girls; he loves to travel and is a keen fitness enthusiast who is always looking to push his fitness to that next level.

My networking experiences

Prior to setting up my property business in 2018 I had never attended a networking event in my life – the concept was completely alien to me. But with property training I began to realise it was going to be a big part of what I was looking to achieve moving forward.

My first ever networking event was the Great North pin meeting in Durham and I think it took me 20 minutes to actually walk into the event, that's how far out of my comfort zone I was. But once inside I realised it wasn't so bad and the people I met that day were all good people with plenty of knowledge and support to offer.

However, I found that property networking wasn't for me at that point and I soon turned away from those types of events because I found my customers weren't necessarily property investors. They were the sort who wanted to get involved in property but either didn't know where to start or didn't have enough time to get properly involved. So, rather than targeting property networking events, I started attending business networking events that had absolutely nothing to do with property. I joined the North East Chamber of Commerce and attended almost every event in their calendar.

Learning how to network

As I said, networking was completely alien to me and being a quiet lad my whole life it was a massive comfort zone stretch going to these events and talking to as many people as I possibly could. But I kept pushing myself and it became easier and easier until it became second nature and just another part of the job.

NETWORKING ISN'T ABOUT THE QUICK WIN: PROPERTY IS A PEOPLE BUSINESS, AND NETWORKING IS A LONG GAME THAT WE ALL HAVE TO BE PREPARED TO PLAY

It wasn't just great connections I made with the Chamber of Commerce – I found I learnt so much, too. For example, I learned how to communicate with people more effectively, I learned how to listen and take an interest in the other person, and I learned how to explain my business in a way that educates people on the benefits of property investing.

The switch to online networking

Obviously 2020 saw an end to in-person networking events for a while when Covid-19 showed up, but I have to say I think we all adapted quite well by taking things online via Zoom calls and social media. And, personally, I've loved online networking! It's seriously broadened the opportunities for networking beyond those in your local area. Now, we can bring people together not just in the UK but globally. An d you can attend sitting in your joggers if you want!

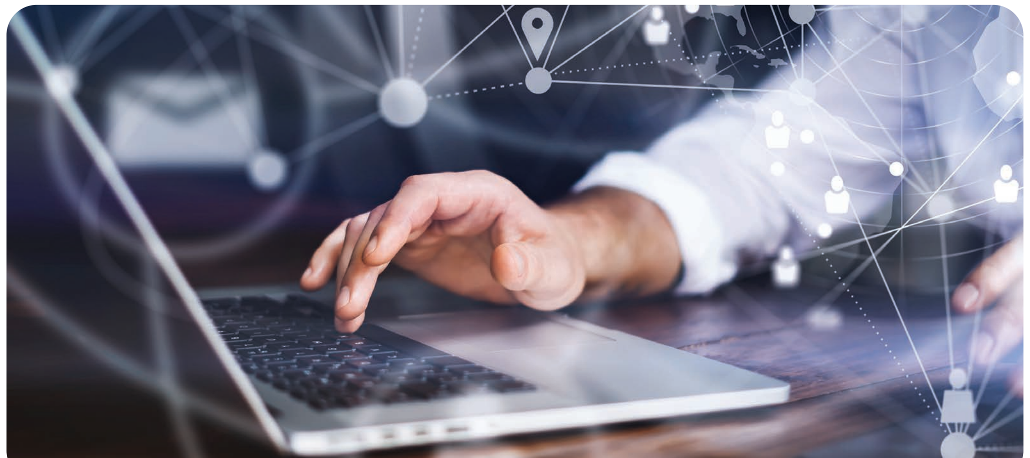
The networking group that stands out most for me throughout 2020 is Liz Baitson's Brain Dump. I strongly believe that group came along at just the right point for everyone involved. It was a tough time for a lot of people and the support there was awesome. There have been some great relationships formed off the back of that group and I foresee big things on the horizon for the other networking groups that were born following Brain Dump, namely the High Net Network and Mastermind.

My insights from networking

It's all about the relationships. I used to go in with the sole aim of securing clients and generating business, and it took me a while to realise it's just not the way forward. The clients and the business show up if *you* show up. And by that I mean be your authentic self and demonstrate that you deliver value wherever possible. Networking isn't about the quick win: property is a people business, and networking is a long game that we all have to be prepared to play.

Introductions are a big part of it and something that should be done without expectation in most cases. For example, I had an introduction made by *Blue Bricks* Editor Caroline, which led to a deal being done with another property sourcer. And to show my appreciation I sent her an Amazon voucher and a cool book, which went down very well. And for me, that's what it's all about: spreading good will and standing out from the rest.

After a bumpy start, I've found that networking has become one of my favourite aspects of property and business. I have met so many great people over the past three years and I'm looking forward to growing my network as well as my business going forward.



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Bushra Mohammed

Property Solicitor, Investor and Developer
Jabeen Investments Ltd

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

Networking is about building and sustaining relationships. I am involved in two property-related businesses: I run my own investment company and I'm a property consultant solicitor for a law firm. I've found networking to have a huge impact on the building of both these businesses over the last two years.

A wide range of networking events

I'm pretty sure I've been to every kind of in-person networking event: from the female-only to the 6am breakfasts, lunches and finally evening events. It's fantastic meeting hundreds – if not thousands – of people whilst clocking up the mileage and the train fares! The key for effective networking is you have to really enjoy meeting new people – otherwise it's extremely uncomfortable and very tiring. Other events such as charity dinners and local interest groups are also a great way to expand your network reach.

Since the first lockdown, I found myself attending more and more Zoom webinars and meetings on every topic you can imagine just to engage and learn. And, yes, it gave me Zoom fatigue! Whilst I found them very useful, I've learnt to be more selective recently.

For me, at in-person events, I think it's difficult to have a good conversation with more than half a dozen people in an evening – that's enough that you can exchange cards and can at least follow up with a phone call and/or a coffee meeting. I've heard other people say that they attend these things purely to collect cards and then make dozens, if not hundreds, of phone calls afterwards. I prefer my method as it feels more natural – especially if you've had a chance to connect with someone for the first time in person, something we all clearly took for granted before the pandemic!

Social media

I also use Instagram and LinkedIn to connect with others and have a huge reverence for the social media scene. I appreciate that, depending on how and what you post, it can be time-consuming, but I don't believe I would have met or spoken to so many people had it not been for the time I invested in social media. It is also another way of keeping in touch with your contacts when you can't meet in person. For me, social media has led to many wonderful new friends, podcast interviews, being a panelist for the latest app called Clubhouse (an audio-based app for live discussions in groups known as virtual rooms), new knowledge, and potential investors. It will be very interesting to see how the use of Clubhouse evolves after lockdown.

Networking basically secured me my current role as a consultant solicitor and I rely on networking to bring in my clients, so am very fortunate that I had a good base to start with before I renewed my practising certificate with the Law Society. This has opened other doors and I've been invited to do several webinars on legal topics. I enjoy sharing my legal knowledge and, if it leads to a client or two, it's win-win for me!

Networking tips

- Have a 20-second pitch about yourself ready. People will need to know what you do, how you can help others and what you are looking for.
- At some point networking will be tiring and you may well feel overwhelmed with the colossal amount of information and number of conversations you have on the go. It's ok to take a break!
- It's important to maintain relationships with existing contacts whilst also reaching out to new people. Find a sensible balance.
- Don't feel pressured into buying a batch of 500 business cards just because everyone else has them – you may not use them as most people connect on social media nowadays. I'm still undecided whether to order another batch as sustainability is important to me so I'm looking at other options.
- Try to set a budget per month for networking: it's very easy to get carried away attending events each week and the costs add up.
- At each phase of your property business, there will be a different need to network. Be sure why you're attending each event and how it will help you.

And remember: it's not about who you know, but who knows you!

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AT EACH PHASE OF YOUR PROPERTY BUSINESS, THERE WILL BE A DIFFERENT NEED TO NETWORK. BE SURE WHY YOU'RE ATTENDING EACH EVENT AND HOW IT WILL HELP YOU

Joanne Sainsbury

Property Investor, Silkwood Property (West Midlands) Ltd

Joanne is new to property second time round; she began with single lets in 1999, and did very little else until 2019 when she re-educated herself with property knowledge and strategies. She now specialises in finding properties for a good price to renovate and repurpose as HMOs and single lets, or to complete as development projects.

In March 2020 I'd never heard of Zoom, Microsoft Teams or the like and yet – look at us now, a year later and it's our main way to network, make friends and forge business relationships. However, although Zoom meetings may cost less, take less time and have the advantage that you can wear baggy joggers – are we not social, tactile creatures? Will anything really beat meeting a person in Real Life?

Traditional networking

My first ever property investors network (pin) meeting in Birmingham in April 2019 was traditional and possibly the most powerful meeting I have ever been to. I met the infamous Simon Zutshi, Andy Gwynn, the LinkedIn expert, and Maria Shultz, a solicitor.

After meeting Simon and his team and reading his book, *Property Magic*, I decided to educate myself in property and I have almost finished Simon's year-long Property Mastermind course.

I totally resonated with Maria, who was a conveyancing solicitor, but it wasn't until some 18 months later that I could make use of her services. We kept in touch on LinkedIn and – now with virtual networking – she is part of my core team.

The relationships forged via networking at face-to-face meetings still surprise me. Just before lockdown I also met Carlo Franchi who had completed a beautiful six-bed HMO in an Article 4 area. Not easy to do! By continuing to network virtually, I realised our skillsets complemented each other and now Carlo is on the Silkwood Property team as an architectural design and HMO compliance specialist.

My hot tip: regardless of whether you're at either a face-to-face meeting or on Zoom, if you get the opportunity to give a 30-second pitch (I call it speed dating!) about you and your business – do it! I did my 20-second pitch at one event and a gentleman who was attending his first pin meeting came over to chat to me. We talked property non-stop and, as an ex bank manager, I asked him if he would work with me to put together an investor's pack to help me get the figures right, etc. Now we have become good friends and he regularly invests in our projects.

Online networking

I do think that online networking has taken things to a whole new level, in

terms of reaching out and broadening the breadth of our networks. Through networking online, I am able to have a Zoom coffee and share property knowledge with people across the world. Recently I had a meeting with contacts found in Hong Kong, India and Belgium! That just wouldn't have been possible before. Another useful tip – I keep a little black book with important information about each individual I chat to so that I can refer back to it the next time we meet. I've found it a great way to build relationships.

I will confess that I used to hate social media – who's interested in what you had for dinner last night or what your dog's been up to? Not me. But now I'm a convert and I totally embrace it. I use Facebook, LinkedIn, Instagram, Google My Business and even Clubhouse! It's key to remember that the same relationship-building skills apply as any other networking avenue. We applied these skills and found a reputable builder through Facebook and have developed a good working relationship with him. We have also developed our use of LinkedIn (with the help of Andy Gwynn who I met at my first pin meeting) and formed some valuable connections. This is a great network tool, but to get your post seen by a lot of people you need his help and others. And just like more traditional networking, the type of content you put out there will make a difference.

To continue building my online networking presence, I have set up a "Business post-party group" for LinkedIn which is "helping businesses get to the next level". Through this type of networking, I've managed to get my name and company brand out there and I've had the opportunity to feature in magazines and do podcasts and interviews. I would say that wherever you can, seize the opportunity: I grabbed the chance to be in this magazine.

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WHETHER YOU'RE AT EITHER A FACE-TO-FACE MEETING OR ON ZOOM AND YOU GET THE OPPORTUNITY TO GIVE A 30-SECOND PITCH (I CALL IT SPEED DATING!) ABOUT YOU AND YOUR BUSINESS – DO IT!

To enhance your networking opportunities, be sure to attend the *Blue Bricks* online monthly meetup where you can talk to fellow community members and hear the latest market updates and presentations from various property-related speakers.

Access to this monthly event is included in your membership and is held on every third Tuesday of the month. Look out for emails and social media posts inviting you to register each time or visit the website:
bluebricksmagazine.com/meetup

Join our Facebook group at:
Blue Bricks Magazine Group

THE NEW USE CLASS

Last year the government announced changes to the Use Class Order 1987 which identifies what classification a use falls within. Whilst it's been changed many times over the years, the recent changes have been subject to much debate in town planning circles, as Chris Pipe, Director of Planning House, explains.

What does Use Class E Cover?

The new Use Class E was introduced on 1 September 2020 and covers the former use classes of A1 (shops), A2 (financial and professional) and A3 (restaurants and cafés), as well as parts of D1 (non-residential institutions) and D2 (assembly and leisure) and puts them all into one new use class – Class E.

This means that, if you have a use falling within one of the above categories, you do not need planning permission to change between any use now grouped within Class E (unless there is a planning condition attached to any approval of a property restricting its change of use).

What's the catch?

Not all buildings will fall under Class E, even if they were previously A1, A2, A3, D1 and D2. For example, in order to protect education and community assets, new use classes have been formed: F1 and F2. F1 takes in half of the old D1 Use Class, and includes educational establishments, places of worship, libraries and museums. And the F2 class groups together meeting halls, swimming pools and playing fields.

Fundamentally Use Class F2 also includes what would be considered shops servicing the essential needs of local communities, recognising the importance of small, local shops to their communities. This is defined as a shop mostly for the sale of a range of essential dry goods and food to visiting members of the public where there is no commercial class retail unit within 1,000m and the shop area is no larger than 280m^2.

Also be aware that where a property is in two use classes, then it will generally be classed as sui generis, ie: unique.

Why has Class E been introduced?

We all know that the planning system is cumbersome and tangled with red tape so, on the face of it, from a political perspective the government is trying to remove bureaucracy and let the market conditions dictate (to a degree) what a building can be used for.

Town-planning policies have failed to keep up with the pace of change and have forgotten what planning is about, namely people and places. The high street and smaller local precincts have been struggling for a long time, shopping and banking habits have changed significantly and, in many places, the high street is dead or dying. Ultimately, the government is trying to make it easier for these spaces to evolve – from corner shops and smaller precincts to the high street, there will be more flexibility throughout thanks to the new Class E.

What are the consequences of Class E?

As mentioned, 2020 changes brought a large range of business types into the same category, making switching much easier. Changing between uses within the same Use Class (except sui generis) is not classified as development, and as such does not require planning permission.

The new regulations mean that councils have much less power through the planning system to control certain types of businesses on the high street and elsewhere. This has implications in terms of strategic planning as councils are unable to accurately plan the redevelopment of an area by ensuring a mix of uses, which means that local plan policies must be able to flex to adapt to changes – watch this space.

Remember too that councils can control use classes through Article 4 directions, but once – for example – Class A1 (shops) and Class A3 (restaurants and cafés) fall under Class E, there is no longer any change of use and thus Article 4 becomes redundant. Article 4 directives can only be applied to control development – now these different property types are all grouped under the same class, there's technically no development. It's a little planning quirk!

Why do I need to know about this change?

If you own a property that was formerly A1, A2, A3 as well as parts of D1 and D2, they are all now grouped under Class E (with some exceptions as mentioned), meaning that if you choose to rent or sell the property, you'll potentially have a much bigger market and end user.

In theory, these changes should breathe life into the high street – remember a thriving market could increase your end value.

What other changes have there been?

Pubs and bars (previously A4), takeaways (A5), cinemas and live music venues (D2) are now classified as sui generis classification (in other words, they don't belong with anything else). Whilst changing between uses in the same Use Class doesn't require planning permission, sui generis uses do, as they are individual uses within their own class (not a grouping of uses).

Some businesses haven't changed categories. Nail bars, beauty salons and betting shops all remain as sui generis, which means that change of use planning permission will still be needed to move any of these businesses into new premises not already occupied by the same type of shop.

Also unaffected are B2 (general industrial) and B8 (storage and distribution), along with housing (C). However, there are more announcements due from the government in terms of additional permitted development rights.

Are there any time sensitive issues?

The revised use class order includes transitional provision, which retains the effect of the permitted development rights based on the classes that were in place prior to these regulations coming into force. A building or use will continue to be subject to any permitted development rights that it was entitled to on or before 31 August 2020. These transitional provisions will remain in place until 31 July 2021 when new, revised permitted development rights will be introduced.

The new PD rights (Class MA) include a permitted change from Class E to Class C3 (single household residential use) subject to the property meeting various criteria and a prior approval process. There are three significant constraints:

1) There's a size limit of 1,500m^2 of floor space changing use;

2) This floor space must have been used for either commercial, business, or in service for the two years prior to the application;

3) This floor space must have been vacant for three months prior to the application.

It's worth noting that any conversions under Class MA must be for residential use only and cannot be converted to a HMO, for example. The government has made any existing Article 4 directions that restrict office to residential permitted development rights (Class O) applicable to Class MA permitted development. Existing Article 4 directions in restricting Class O rights will automatically be extended to 1 August 2022 unless cancelled.

Remember too that permitted development only applies to change of use. Any operation development required to facilitate that change of use (for example access/fire escapes, etc) will still require planning permission.

Permitted development rights for use classes

Over the years, the government has tried to add flexibility by creating various permitted development rights to use classes. These allow you to change from one use to another without planning permission, although be aware that councils can suspend these using Article 4 directions (where applicable) or planning conditions.

Chris Pipe
Planning Director

And remember...

If you're proposing to change a property into something which isn't within the same Use Class or doesn't benefit from a permitted change of use, it doesn't mean you can't – it just means you need to apply for planning permission and go through the usual channels.

Planning House have kindly provided a free, easy-to-read, no-jargon eBook covering permitted development and use classes, for extra assistance on this topic. Find it here:
bluebricksmagazine.com/resources

The Planning House website also contains various eBooks, practical guides and other information to assist developers and investors in understanding the basics of town planning.

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Chris has a wealth of experience in the town-planning industry. Previous roles include Head of Planning for a council and working as UK Planning & Land Director for a large PLC. She is currently working as a non-salaried Planning Inspector for the Planning Inspectorate and she is also the owner of Planning House – an independent town-planning consultancy. Her varied experience means she has a unique perspective on the planning system – the label 'gamekeeper turned poacher' has never been more appropriate.

COMMERCIAL CONVERSIONS WITH RANJAN BHATTACHARYA

IN INTERVIEW WITH ANTHONY BOYCE PART TWO

In February, architectural designer, investor and *Blue Bricks* columnist Anthony Boyce met Ranjan Bhattacharya to talk all things commercial conversion in our third podcast. Since 2005, Ranjan has worked as a commercial conversion specialist whilst also overseeing the Baker Street Property meet and featuring on Sky's *Property Elevator* as an angel investor.

Here we pick up where we left off in the last issue and delve deeper into the ways Class E may benefit developers moving forward. If you need to catch up on part one, follow the link at the end of the article to find both a digital version and the full podcast interview.

Interview continued...

AB: In one of your videos I watched, you touched upon converting the upper floors above a shop into two separate flats because under current regulations or permitted development you can do that. I think you called it "blending the yields" in order to maximise the income by then turning two flats into separate HMOs. Are there any pitfalls to look out for, or is it as simple as securing C3 (single dwelling), before then looking at the option to change it to C4 (HMO) from there?

RB: That is permitted at the moment, but it's very likely that after 31 July 2021 the option to convert these properties into HMOs later will be removed. But I'm not always sure that this is the best route anyway. Regulations relating to HMOs increase all the time and you've got local authority licensing on top of that. Take the example that you mentioned where you've got a retail premises and you want to convert the uppers into two flats under Class G. You could also add one or more flats at the rear of the ground floor under what they call Class M. So let's assume that's four one-bedroom flats, each with separate council tax – they are four completely separate dwellings with the benefit of a building in multiple occupation. In other words, multiple rental units under one roof which is basically what a HMO is. However, because they are all self-contained individual planning units, you don't have any of the licensing hassles or HMO compliance issues to deal with. I think this is something a lot of people are currently missing, but you can get the same yields without a lot of the hassle.

AB: Obviously in the last year or so there has been a lot of change as a result of the pandemic with business premises closing and a shift to home working. Where do you see the opportunity with commercial premises in the coming years?

RB: I think a lot of these changes were coming anyway, but the pandemic certainly accelerated things. I don't think it's all bad for retail sectors although obviously it's harder for the big indoor shopping centres. Look at Debenhams and the average size of their stores. Now they've gone, how do you repurpose those huge spaces with windows only at the front? I can't see it being easy to convert them into residential, but I can see them repurposed in the more affluent areas into other leisure facilities. Look at Westfield in London – they've started adding indoor golf to these spaces. The bigger challenge will come in the less-prosperous areas where it will be harder to find something that works for the local market.

As to the high street – again, I think it depends on the affluence of local footfall. I imagine that we'll see a lot of space above and behind shops and in surrounding offices converted to residential use. But the shops themselves? We're actually seeing high street footfall increase, but we're also seeing that people want different things from that space than they did ten years ago. They no longer want to pick up groceries – that's all done online. What they want is services, experiences and eating out. More and more of the high street space will be repurposed to this end.

So the good news is that Class E makes it much easier to change the usage of these spaces without going back to the planning authorities. I can see this being very powerful. And it might sound strange, but during the pandemic within my own network, I've seen shops becoming restaurants. These recessionary times tend to benefit established business operators with existing outlets in their chains. Those operators that have gone into Covid with a very strong business model, good product and well-run operation can use these difficult times as an opportunity to grow. Look back to the recession in 2009 – businesses like Costa and Greggs were able to massively expand their network and grow by a store a week. I expect something similar post Covid-19 – there are a number of very strong businesses who would love to get into the more affluent footfall areas with a service sector offering.

With regard to retail – I'm seeing some terrific opportunities. Another example is betting shops – the government has introduced some changes to the laws there too which has made some 60% of betting shops unviable. Think of these premises – smallish shops, couple of floors above. They are ripe for repurposing under PD!

What I've noticed is a lot of the original owners of these buildings bought them simply as a rock-solid buy-to-let investment. They never had any intention of developing them – they were happy with their betting shop (or perhaps bank) tenants and watched the income roll in. Now that income is looking less stable and their instinct is to sell, and that's where the investor-developer can come in and play a part without competition from the big developers – these properties are too small to interest them. I mean, even if you look at the average bank building on your high street, that's not something that Barratt Homes is going to sweep down and mess around repurposing, is it?

But none of this is new – repurposing commercial buildings has gone on forever. There used to be loads of commercial buildings on canal sides, but then along came rail travel and people repurposed them. And then, you know, the whole of Camden Market used to be stables for 10,000 horses until along came the motor car and then that got repurposed. And then in the early '80s, of course, manufacturing moved abroad and a load of factories, docklands, etc – they were all repurposed into residential units.

But who led the charge with that repurposing? It was the large developers. Why? Because we're talking 10,000–20,000ft^2 buildings. No small-time developer could even consider it. Bring it back round to the

betting shop example and you'll see that this is the first time, really, we're looking at wholesale repurposing of commercial buildings that will appeal to smaller developers rather than the bigger outfits. It really is an exciting time.

AB: Absolutely. But I think there's two schools of thought here. With the pandemic, I guess everyone on forums and that kind of thing is expecting property prices or commercial property prices to fall. But do you think that Class E changes things? Is it going to help stabilise the market or do you see a short-term dip in commercial values coming?

RB: It's hard to value vacant commercial buildings. This is a key difference between residential and commercial because, if I have an empty flat, it has a value: a buy-to-let lender will lend on an empty flat because it's bricks and mortar. All they need to do is look at similar flats in the area. What do they sell for? What do they rent for? And value your empty one accordingly. With commercial property, the only thing they use to value the property is the rent roll, the strength of the tenant that's occupying it and the length of their lease. This is what determines the value of the property.

Long-term commercial mortgage lenders don't want to lend on properties that don't have a stable tenant with a stable cash flow because that's what they use to value it. So that creates a massive problem in valuing commercial properties, putting downward pressure on those commercial assets. This means that while PD creates an opportunity to make profit, it doesn't actually guarantee you financial backing: commercial lenders don't want the possibility of cash flow, but rather the concrete evidence. In other words, you've converted it, you're generating cash flow, it's fully let.

This creates a situation where a lot of commercial property, if valued on its current cash flow, is technically valued quite low, even if it has the potential to be more profitable. So what you tend to find is that these buildings can be picked up for a lower price and, depending on supply, demand and how obvious the PD is, the price goes up. If the PD angle is obvious to everyone, there's more competition and that pushes the price up. By way of example – look at office to residential conversions. Everyone knows about this strategy and these days a lot of vendors will apply for prior approval and then sell the property with the prior approval in place for the conversion into flats. And when people do that, you tend to find the price that they want for it is a little bit higher than if it was just a vacant commercial building.

AB: Brilliant. So I'm sold, Ranjan! I want to go out and find myself one of these buildings. Where would you advise I look? What areas of town bring the best value? What platforms should I be using – Rightmove, auctions?

RB: I would stick with connectivity and some level of affluence, which is best measured by the average price of property in the area. There's some areas where, if a flat costs you £40 or £50 grand and it's going to cost you the same again to convert it, you'll never see a return. However, there is talk about some government grant scheme to help with this. But, for now though, I tend to work by this rule of thumb – if the average UK house price is £250K then you want to be looking for an area where the average

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house price is at 80+% of that, ie: £200K+. You should turn a profit in an area like that.

As to where to look – they're everywhere (auctions, agents – you name it), but it's really about *what* to look for. The key with the commercial strategy is to educate yourself with the knowledge of what makes a good deal. Think about it – residential property isn't that complicated. Most of the people that turn up on shows like *Homes Under the Hammer* end up making some money because we all live in a house or a flat so have some basic experience. Anybody could tell you how to add value to something like a three-bed terrace: new bathroom, kitchen, lick of paint, possibly a conservatory, maybe even a loft conversion. It's nothing new. But with commercial, it's less obvious, from what other commercial uses the property can be put to, to considerations about whether it's worth making the envelope of the building bigger under PD to get more rent roll. There are also considerations like whether or not you split it in some way – none of this is obvious.

I tend to say that the best commercial properties often look ugly. Once on the *Property Elevator* show a guy came on to pitch for funding for a bank building he'd bought – he'd basically just fallen in love with it because it was a beautiful building. And it was! But that comes with a price tag: it was Grade-II listed and in a conservation area. Moreover, just maintaining the detailing on a building like that (the stonework, the little turrets) – it doesn't make sense if you're simply converting it to a block of flats. You can't justify the work.

With commercial property, I think there's a different set of considerations. And the value is really in the buyer's spreadsheet, ie: do your numbers stack up – is there true value in the deal? Do your research and understand the market before you get into commercial property properly.

On my group-coaching calls, one of the processes we go through is Deal Analysis Clinics – an essential process. People tell me time and time again that they look at a commercial auction catalogue and feel totally lost – you have to get your skills to a level where you can go through a commercial catalogue confidently to assess each deal quickly, understanding and recognising the possible angles and being able to compare several deals to figure out which is the best one.

AB: So when you're carrying out the "sniff" test on a deal, how do you go about analysing how much a conversion would be into flats? Do you try to attribute a cost per square foot or do you cost per unit? And what is it you look for and attribute the refurb cost to?

RB: I don't think you can really come up with a rule of thumb – there are a bunch of factors you've got to take into account. If you're planning a new build, you tend to find that the cost to get out the ground to DPC (damp-proof course) level is the variable element. And then once you're at DPC level, the cost to build the thing is the same wherever so you can figure out a cost per square foot, etc.

However, with conversions it depends firstly on the state of repair of the building: how much needs fixing before you're even at a suitable start point? This is sort of like getting to DPC level with a new build – there are unknowns. For example, you might find you need a new roof or that there are mouldy joists. Perhaps the flooring turns out to be rotten, the brickwork might be damp, you might need to repoint or re-do the windows. There could be any number of repair costs before you even get started and they will all be particular to the property in question.

Furthermore, when you're converting a building from one purpose to another you also have to contend with the fact that it was built for a specific purpose and there may well be structural changes required to get it where you need it to be. Perhaps walls and load-bearing walls need to be moved to fit with the newly intended purpose. How many walls will you need to move? What beams do you have to put in? What structures are needed and how much are they going to cost? These things can be unique to an individual property.

You often find that the newer the building, the less work there is to do. For example, it will already have cavity walls so you don't need to worry about adding insulation. And there will be fewer load-bearing walls, so it's easier to reconfigure the layout. And don't forget that with older buildings you might have to contend with asbestos...

If you want to convert office to residential, look for buildings built in the 1980s' and beyond because these tend to be brick built, have plenty of windows and they look easy to convert. I avoid stuff from the 1970s' because they can be expensive projects. Buildings built in the late '60s and '70s had single glazing and non-brick panels that require cladding and insulation to convert to residential, which means there's a lot of work needed to the envelope of the building before you can even start on the conversion. And then you may have asbestos partitions in there and all that sort of stuff. But if you've got a 1980s' brick-built building, you can pretty much just strip it out and get cracking.

That's not to say you should always avoid older buildings – they can make sense in a higher-value area. If my flats sell for £400,000 each then it's worth spending £80,000 to remove asbestos. However, in an area where the flats will sell for £60,000, it's important I find a building with no repair costs, no load-bearing walls to contend with and no changes required to the external envelope – otherwise it's uneconomic.

As I said, there's no rule of thumb – the proper approach is to learn that conversion costs are a sliding scale and to find out where on that sliding scale your property project fits. That's it. If you look for a rule of thumb, you end up doing one of two things – you either overestimate or underestimate the costs. In the first instance, you don't take the deal forward – perhaps you estimate that the works will come in at £300K, walk away and then someone else completes it for £150K because they ran a proper analysis of the costs and saw a good deal. In the second instance, you come a real cropper when the builder's quote comes in much higher than you anticipated and eats into your margin.

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AB: You touched on asbestos – have you ever employed a capital allowances surveyor to recoup some of the money spent on these issues found in your properties? I know there are things like 150% reclaims on land remediation costs (on brownfield sites like old petrol stations) as well as similar amounts for removing asbestos. Have you ever claimed these on your projects?

RB: Yes if, for example, you're buying an office building then it will have a fixed infrastructure. So perhaps a lift, air conditioning, fire alarms etc. With anything that's fixed infrastructure, ie: embedded within the fabric of the building, you can claim capital allowances– so that's the icing on the cake. Normally we would pick up a building and then get a capital allowances surveyor to come in and take a look around.

I've seen some great deals whereby the previous owner of the building has invested in the property and made capital improvements but not claimed the allowances so they can then be passed on to the new buyer. Another thing people don't often seem to know is that charities can't claim capital allowances. So, if you're buying a building from a charity and they have put in capital spend, then it's no skin off their nose to transfer their capital allowances to you on purchase because they haven't claimed them.

AB: Nice tip! OK so we've converted the building – how do you assess the sale price of the residential side? We've mentioned the commercial value goes on the strength of the lease and the quality of the tenant you've put in, but how would you go about assessing the GDV (gross development value) of the scheme?

RB: It's all down to comparables. When you've converted to residential, the best you can hope for is the equivalent of any comparable residential property in a neighbouring side street. But that's not usually the case. Where you've converted your office building to residential and it looks like it's always been residential then there'll be no difference in the price between your apartments and those in neighbouring properties. However, if it's still above commercial or behind commercial or it simply looks as though it's a former commercial building, then you'll not get the same price as you would from an equivalent flat in a dedicated residential building, and you'll have to apply a discount. So, for example, if you've got a flat above a busy shop on a busy high street, then you'd be looking at a good 20% off an equivalent flat in a neighbouring residential side street. This is what I was saying about office buildings built in the 1980s – a lot of these looked like flats so convert one of those in an area where it's surrounded by residential and it will look the part – you're quids in.

AB: That's good to know, thank you. So we've found it, we've worked out our GDV, we've got our build price. How would you go about securing one of these deals? Are there any creative ways you can go about this? How would you go about funding it or finding a lender? I guess can these deals go on to produce the Holy Grail of property investment with an all-money-out or a no-money-down kind of strategy when you come to the end of these developments?

RB: The Holy Grail: definitely, yes. To be honest, I think it's the only way. And it's pretty straightforward because you're working with commercial real estate which is often a third of the price of residential. That means you've got that equity to draw on when you've done the conversion in order to pull your money out and pretty much have no money tied up in the deal. As to creative financing, this is something that I cover extensively on my training programmes – what all the techniques boil down to is delaying the transaction. You find the deal and you secure it with the vendor and then you commit to buying it, but you don't complete the purchase and you use the time between committing on the purchase and actually buying it to get your prior approval official. So you put in your prior approval application for flats or whatever, and you get that piece of paper that gives you the go ahead meaning that you have increased the value of the property through planning gain. And at that stage you can complete the purchase and get a valuer from, say, a bridging company to value the property at its enhanced value, not necessarily the purchase price.

Creative financing is really about making use of a whole bunch of tools and techniques to slow down the transaction: find the property, commit the vendor at a particular price, get the prior approval and therefore get the value uplifted, complete the purchase using a bridging lender to fund the purchase of the property at its uplifted value, complete the purchase, do the works, get it cash-flow positive and then refinance at the higher value to a long-term lender and keep it. Some people might choose to sell at that point. Of course, people look for joint ventures too or perhaps private investors. There's no shortage of private investors right now looking to escape the virtually zero interest rates from banks, but overall I'd say the main way is creative financing.

AB: That's brilliant; thank you. I think we've walked through everything from PD (or prior approval) all the way through to finding, developing and revaluing/refinancing the deal. Thank you so much for your time – I think we've all learned a good deal from this.

Find part one of this interview here:
bluebricksmagazine.com/commercial-conversions-with-ranjan-bhattacharya-part-one

You can catch the full podcast here:
bluebricksmagazine.com/podcast

Keep in touch with Ranjan's insightful tips on commercial conversions through his weekly videos including case studies and commercial conversion projects. These can be found on his YouTube channel 'Succeed in Property'. Ranjan also offers free training on commercial conversions; go to
succeedinproperty.com/free-training

LENDING UPDATE

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

Alice Williams - Commercial Finance Broker

After a turbulent year of lockdowns and uncertainty, the lending market has started to stabilise. Following the excitement surrounding the buy-to-let rate drops in the last update, and the new bridging finance offering, changes to rates and criteria have not materially changed from those previously outlined. What *is* vacillating, however, is the level of optimism amongst both clients, lenders and professional advisors alike. Whilst it's hard to measure the impact this has on the state of the market, it is certainly the subject of many a conversation!

Bridging finance

Bridging finance lenders continue to compete on their standard bridging offering, ensuring interest rates remain relatively low; the majority of whom are consistently offering rates sub-1% per month at 75% loan to value.

Whilst deal volume is high amongst the majority of lenders, they continue to meet the typical four-week timescales where required, the only exception being the challenger bank level where completions have been slipping into the five- to six-week range. A challenger bank is a bank considered to be one "tier" up from those on the high street and, whilst they do tend to offer more flexibility, they still favour more straightforward deals compared with specialist lenders. Once again, the timescales to complete rely heavily on the efficiency of the professionals involved. To mitigate any delays associated with the professionals, namely the valuer and solicitors, it is paramount you ensure all parties are instructed as soon as possible and that all fees are paid when requested.

It's widely known that solicitors are currently battling with the time it is taking for searches to be returned, but there are two ways you can mitigate this risk. Firstly, ensure you instruct your solicitor as early in the process as possible; this will allow them to begin the process immediately. Secondly, if you are facing significant pressure to meet tight timescales, there are lenders in the market that can accept indemnity insurance in absence of searches. Not all lenders are willing to indemnify the searches so, if you feel from conversations with your solicitor that you may need a lender willing to accept indemnity insurance, ensure this is declared to your broker upfront who can source an appropriate lender for you.

Refurbishment bridging finance remains widely available, and similarly to standard bridging finance, there is a plethora of borrowing options. The loan to values remain consistent in the region of 70–75% of the purchase price, plus 100% of the cost of works, and interest rates around 0.7% per month. These products continue to be available to all investors regardless of experience, albeit that – in absence of experience – it's vital you appoint an experienced contractor.

Development finance

When seeking funding for your development project, there is a wide range of lenders to choose from depending on the size of deal, location and experience level. Providing the project meets the necessary profit levels (typically a minimum of 20% of GDV pre-finance), and there is nothing too "quirky", it's highly likely you will have a number of lenders to choose from, each with their own merits.

The constant theme in discussions relating to development funding is risk mitigation. With some level of uncertainty remaining in the general market, lenders are keen to understand how developers are building contingencies into their figures. There are a multitude of ways developers mitigate risks in their development. Appointing experienced advisors in each area – from planning consultants to engineers, through to project managers and contractors – is key and will enable investors and developers with no previous development experience to obtain funding for their scheme.

The next tip is to be cautious in your figures; when assessing a deal, ensure it stacks without the need to use optimistic figures. Whilst lenders will always appoint independent advisors, namely a valuer and a quantity surveyor (QS), to provide their professional opinion on your project, the initial indicative terms they provide are based on the information you supply. This therefore means that the indicative terms on which you decide to proceed to valuation and QS are only as good as the information the lender is given. If you ensure you work to conservative figures, it mitigates the risk of a valuation being returned lower than expected, or the QS advising they believe build costs will be higher. This is the most common reason for cases being declined during the professional due diligence stage. Lenders are now regularly asking for clients to explain how they arrived at the figures initially provided, so be prepared to justify your numbers.

Additionally, ensure you build contingencies into your build costs. Lenders are generally looking for a minimum of 10% contingency on the build, and will want to see this demonstrated in your build cost breakdown.

Investment mortgages

Commercial investment mortgage providers are increasingly cautious when assessing loans where the premises are used for leisure, retail or office space. The resulting impact is increased rates and reduced loan to values from those lenders still willing to consider these sectors. The pivotal factor will be the strength of the tenancy agreements you have in situ.

As discussed in the last update, the BTL lending market remains as competitive as ever, with a number of options for limited company borrowing under 3% per annum. There continues to be high demand for these products, meaning that lender turnaround times have increased with a number of lenders. Precise, for example, are currently working to a seven-day turnaround time (meaning it takes seven working days to review information from submission). It is therefore prudent to allow for these timescales and refrain from using mortgages to fund time critical acquisitions.

The property lending market remains buoyant across all sectors, but there is still a certain level of cautiousness, meaning it is paramount you are confident in your figures, and take as many steps as possible to mitigate risk.

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

THE "QUEEN OF SA" SHOWS YOU THE WAY

SARAH MCDERMOTT'S GUIDE TO RUNNING A SERVICED ACCOMMODATION BUSINESS

PART 3: BRANDING AND MANAGEMENT

Sarah McDermott is co-owner of luxury holiday-let business, Maison Parfaite. Across this regular series, she shares her invaluable knowledge and experience on running a successful serviced accommodation (SA) business. She explains what led her to choose high-end holiday lets over other sectors of the market and how you can make it work for you, too. Whether your SA model is the same as Sarah's or not, you will find her no-nonsense approach and advice are transferable across other sectors of this property strategy.

To catch up with the series so far, head to the *Blue Bricks* website to read Sarah's background in SA and to learn about two critical areas in any SA business: strategy and location. In this issue, Sarah delves into branding and management with tips and advice on the best approach to maximise your chances of success.

Hello Blue Brickers!

As we approach the end of lockdown, the team at Maison Parfaite can hardly contain themselves. The excitement of getting ready to open the doors of our holiday lets has put a true spring in all of our hearts. And, with the bookings flooding in, there really couldn't be a better time to start your SA journey, so off we go with two more essential steps to your start up: branding and management.

Branding

I can't stress enough the importance of branding. Just think about the origins of the word – it's an old Norse term, initially used to refer to the branding of your livestock. And what does it mean? Well, it's to declare to the world that this fine cow belongs to you, of course! And, similarly, your branding needs to tell everybody that your business belongs to *you*.

It needs to be specific to your interests, to align with your values, to incorporate your passions and to evoke that same feeling in others that you get when you visualise your future business. Don't try to copy anybody else's branding – you certainly don't want to end up in a cow-off over it! Remember that the reason another company's branding is successful is because it's perfect for them, but that doesn't mean it's perfect for everybody. Keep focused on what keeps you unique and take the time to discover your brand because – when you do, and you do it right – you'll feel amazing. Like you've just discovered your life's true purpose!

And don't forget there's the permanence of branding to consider. How many of you have a tattoo that you've changed your mind about the next day? Not so easy to get rid of is it? Branding of any kind isn't easy to change – it sticks with you for life. So, no pressure, but this shit is important, and you need to put some effort in to get it right.

Now, I'm not here to tell you your brand – only you know that – but I can help you to tease it out using a few simple tactics. Start by sitting in a quiet place with a marker pen and a drawing pad in front of you. Close your eyes, be still and observe your breathing for a few minutes until your head starts to clear and you feel light of mind, then open your eyes...

WRITE DOWN..

1. YOUR THREE CORE VALUES;
2. WORDS, PLACES, NAMES ETC THAT HAVE PERSONAL SIGNIFICANCE TO YOU;
3. WORDS THAT RESONATE WITH YOU AND MAKE YOU FEEL GOOD;
4. AT LEAST THREE POSITIVE THINGS THAT PEOPLE OFTEN SAY ABOUT YOU;
5. WORDS THAT DESCRIBE THE FEELING THAT YOU GET WHEN YOU VISUALISE YOUR FUTURE BUSINESS.

Now you have some great material, it's time to get the scissors out. Cut the words out and then have some fun jiggling them around. See what goes with what. And laugh at what doesn't! If more words spontaneously pop into your head during this part of the exercise, then add them in too – always trust your intuition, the more the merrier!

Of course, you can play with language as we did to find our name, Maison Parfaite, which is French for Perfect House. Sounds very bog standard in boring old *anglais*, but whack a French twist on it and suddenly it's the epitome of chic! This sat well with us as we wanted a French name from the start – we have a wonderful farmhouse with land in France, a true slice of heaven. Our daughters even have French names (Genevieve and Laurienne), so it made absolute sense that our business would have a French name too. My advice, if you're going to experiment with languages, try to keep it personal to you.

This fun-filled task doesn't only help you to discover your brand name, but it also highlights the meaning behind it – all of your values, your reasons why and your vision will be laid out in front of you. The brand name should be the obvious part but, of course, the brand isn't just the name – your brand will also require a theme.

What do I mean by theme? Well, every brand needs a logo. Will it be an image? What image personifies those words that you have there? And a colour or two, what are your favourite colours? And how about the font? Is it minimalist chic? Or flouncy and opulent like ours? Think about what you want to evoke. Your brand must be you, it must be clear, and it must create a feeling in another human that makes them want to discover more.

Go for it, then get in touch to show me what you've come up with!

Management

While the cogs keep ticking over on branding, we're going to step straight into management. You need to know how and who is going to manage your SA business for you. Your approach here is determined by your strategy. If your strategy is to leave your current job and run a single SA unit by yourself, then that's fine – it's not the most profitable way to go about things, but if that's your purpose, I'm not going to argue with you.

However, if you want to grow your business and you intend to own multiple units, then you must outsource this part of the operation. Isn't it a bit early, I hear you say? We've not even bought a property yet! No, it's not too early.

Finding a good management company who aligns with your branding is essential to the process. On our first UK holiday-let purchase, Aysgarth Nook in the Yorkshire Dales, we were lucky enough to find a great management company on the day that we first spotted the property and throughout the refurb they were there to assist. They gave us advice on what to install and what not to install to be compliant and to meet guest satisfaction. They had a high-end country cottage appeal, which suited us down to the ground.

We went live in January 2019 and by March 2019 we were fully booked on all weekends and school holidays for the rest of the year! We put this down to collaborating with the perfect management company. Pick one that matches your words, in your area that you have chosen to invest, and then have them assist you right from the get-go. Their advice will be priceless, and moreover they will save you money on costly mistakes and misjudgements. They know the area well, and they have a database of existing clients just waiting to book a property like yours. You'll pay anywhere between 10% and 20% for a good management company but, as I say, it's better to have 80% of something than 100% of nothing!

When you have several properties you can replace the management company with an employed property manager, as we did once we got to three high-yielding SAs. But for now, and especially for your first one, just find your perfect management company, one who sits nicely as an extension of your brand. Let them take the reins and organise your housekeepers and welcome packs and so on whilst you get on with more pressing (and rather more exciting) issues such as décor and furnishings. But that's for the next issue.

Sarah Xxx

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INVESTMENT DIVERSIFICATION

SHOULD I BE INVESTING IN MORE THAN JUST PROPERTY?

There's no denying that property is a sound investment that's, well, as safe as houses! That's not to say there isn't risk in property investment, like anything, the very nature of investing is taking and managing risk for a return on your capital – and property is no different.

However, there are many alternative asset classes when it comes to investing. Property is just one small part of the variety on offer. Now, I understand you are reading a property investment magazine, so I get it, you're sold on real estate and its potential to generate various streams of income. But have you ever considered what else is available? Do you ever talk to anyone about anything other than property? I know I do. In fact, property is only a tiny fraction of my own investment portfolio – and in this article I want to explain why, as well as illustrate the reasoning behind it.

Diversifying within property

In my own portfolio, by way of example, I really only have one investment strategy – private equity. I've discussed this in previous articles but for those of you new to *Blue Bricks Magazine*, private equity usually describes investment directly in privately owned companies, a little bit like *Dragon's Den*, if that show were a little more realistic! It just so happens that many of my investments are in property or property-related companies. This is where my involvement in the property industry starts. At Winch & Co, amongst our property-related investments is a construction company, a bridging lender, a property investment company (landlord), an estate agency and a property management company. Having a background in business, I guess my mind works differently to the average property investor, but acquiring these businesses has allowed me to control my supply chain and build a strong pipeline of projects at source.

Whilst this is a bit of a deviation from property investment itself, it is one way of diversifying your investment portfolio. These businesses produce cash flow, but often also spin out lumps of cash at regular intervals, which can be reinvested or squirreled away into "bricks-and-mortar"-style investments and help you control the margins and timescale of builds and refurbishments much more strictly, whilst also cash flowing from other people's projects and property portfolios.

And an area many property investors ignore, mainly because they are looking for it for themselves, is fixed return on capital. If you find yourself with spare capital that's perhaps not enough for you to use in your own deals, why not get a fixed return on it through someone else?

Diversifying outside of property

So, property is great, and there's scope to broaden your investment portfolio without straying away from property in general. But what about asset classes completely outside this? Below I'll talk through some of the simpler examples.

Debt

One area might be debt. Debt is a useful asset class because, in my opinion, it is the purest form of cash flow – using money to make money. Loan notes, fixed returns and bonds are a great way to utilise your money to generate hard and fast returns. Whilst these may not always get you larger returns than property investment, they are certainly a lot less hassle and very passive. No rotten floor joists for you! As I said, generating a fixed return is just as good as property when you factor in the avoidance of the "hassle factor".

Stocks and shares

Not one of my favourites, but we do hold a stocks and shares portfolio that for us is a slow burn. It doesn't generate a huge cash flow, but we have, over the years, generated a significant capital gain – but the downside is there's no underlying tangible asset; the shares themselves can go down in value just as easily as they can go up. With added reward generally comes added risk.

Commodities

Another totally boring one, but we also invest in commodities – things like gold, silver and oil. These tend to be stores of value that, whilst they don't always increase sharply, can be a good place to park cash because of their resilience to the more volatile asset classes.

Nathan Winch
– Private Investor

Private equity

Finally, one I've discussed already, private equity. This is the largest investment area of our portfolio, investing in businesses across a variety of fields, as well as buying and selling companies for profit. *Blue Bricks Magazine* is a fantastic example of a business we're invested in that both produces cash flow and has intrinsic value (and of course has to be my favourite).

These are just a few avenues you can explore as a means to grow your business. Things start to get really exciting when businesses fund each other – you can use this as a springboard to grow your portfolio and become your own lender. That's where the real magic happens.

Next time, I'll chat about my property business and how I've built a vertically integrated platform for managing my projects from end-to-end.

winchandco.com

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.