AUGUST 2020 – ISSUE 3 – PRICE £6.99

# Blue Bricks

MAGAZINE

THE PROPERTY INVESTOR MAGAZINE

## PEOPLE IN PROPERTY:

**WE MEET ELLIE MCKAY: INVESTOR, DEVELOPER & PUBLIC SPEAKER**

**CASE STUDY OF THE MONTH:**
ANDY ELLARD CREATES A HIGH-SPEC HMO FROM SCRATCH

**DESIGN, QUALITY & FUNCTION**
WITH JULIAN MAURICE

**THE BANK JOB:**
COMMERCIAL CONVERSION TO CO-LIVING DEVELOPMENT, PART 1

**PRIVATE FINANCE:**
WORKING WITH PRIVATE LENDERS & INVESTORS

BLUE BRICKS MAGAZINE

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ISSUE 3 | AUGUST 2020







## Monthly Features









## Monthly Case Study


# HELLO

## EDITOR

As we move into our third issue, each month I wonder (and panic slightly!) whether we can bring you sufficient great features from interesting and inspiring people – but somehow we always manage to pull it off. This month, in addition to our brilliant regular contributors, we have three fantastic guests to introduce to you.

Our People in Property feature this month is about **Ellie Mckay**, a property investor and public speaker. When I first spoke to Ellie I was struck by how open, honest and genuine she is. Not many people are willing to show the world their true selves, through both the good times and the not so good. This is what inspired me about Ellie – she's not just someone I want to follow because of her success in property, but because she has faced adversity and depression and has still achieved so much alongside husband, Mark. She is relatable. I hope you enjoy reading her insightful story as much as I did.

I regularly hear varied opinions and ideas when it comes to how far we should all go in terms of the standard and quality of our rental properties. One opinion I was very interested in hearing was that of **Julian Maurice** from Icon Living. Julian has many years of experience both in design and as a landlord; he shares his words of wisdom with us about the benefits of investing in quality and I for one will definitely be following suit when it comes to designing my own projects.

In addition, **Andy Ellard** has kindly shared with us his experiences on his most recent back-to-brick renovation into a high-spec HMO, inspired by Julian's teachings as his mentor. He explains the full process to us including the key areas he considers in terms of design, and also shares his advice and tips for others.

A stand-out feature from our regular columnists is from our architectural designer, **Anthony Boyce** – I'm so pleased we were able to double his usual number of pages to showcase his wonderful drawings. We will be following his project "The Bank Job" as it comes to fruition. Hopefully this will be the only bank job he carries out in the next few months, but we all know how tight the budget can get when doing a big refurb so we'll try not to judge...

Best wishes

**Caroline**

# MEET THE COLUMNISTS

## Kevin Wright Investments

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

## Anthony Boyce Design

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

## Joanne Saint Marketing

Jo is a dedicated marketing professional with 20 years' experience, both CIM and ILM qualified and owner of a marketing company that helps devise strategy for firms large and small. Jo is also a property investor, developing a portfolio and supporting other investors to do the same with her skills and contacts.
**Corporate marketer, yet not boring.**

## 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.**

## Caroline Monks Editor

With a background in sales and consultancy, Caroline is great at managing relationships and able to get the best out of everyone she works with. She started out in property in 2019, securing her first BTL property which is currently being converted to a HMO.
**Able to talk for England.**

## 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.**

## Tony Pomphrett Finance

Tony is an experienced mortgage broker with a history of working in the financial services industry. Tony is skilled in business development, residential and commercial mortgages, bridging and development financing for any sized project. Graduated from Barking Technical College. **Superman of the mortgage brokerage world.**

## Nathan Winch Business

Nathan is an investor and entrepreneur of over 12 years. He's started, grown and sold businesses in the medical space. He is now a property investor, focusing on commercial assets. He owns a property portfolio that spans the UK, and has investments in over 11 small businesses.
**Loves nice holidays, but never actually goes on any.**

# FOR THE LOVE OF BOOKS

A regular question asked in the property groups on social media is: what books do people recommend? Books can teach you new things, change your perception and can even have a dramatic impact on your life. We have compiled a list of books on property, personal development and business that have been recommended by other people in the industry that should keep you going for a while. Tick them off when you've read them!

- ☐ **Property Magic** - Simon Zutshi
- ☐ **Hustle Your Way To Property Success** - Paul Ribbons
- ☐ **Get Into Property** - David Siegler
- ☐ **No Money Down Property Investing** - Kevin Mcdonnell
- ☐ **Never Split The Difference** - Chris Voss
- ☐ **The Complete Guide To Property Investing** - Rob Dix
- ☐ **How To Be A Landlord** - Rob Dix
- ☐ **Property Sourcing Compliance** - Tina Walsh
- ☐ **Your Property Jumpstart** - Paul McFadden
- ☐ **Bricks, Mortar And Other People's Money** - Liam Ryan & Paul Taylor
- ☐ **Start Now. Get Perfect Later** - Rob Moore
- ☐ **Property Investing Secrets** - Rob Moore & Mark Homer
- ☐ **Multiple Streams Of Property Income** - Rob Moore
- ☐ **Money** - Rob Moore
- ☐ **Life Leverage** - Rob Moore
- ☐ **Low Cost High Life** - Mark Homer
- ☐ **SSAS Pensions** - Mark Stokes
- ☐ **Eat That Frog!** - Brian Tracy
- ☐ **The Values Factor** - Dr John Demartini
- ☐ **The Book You Wish Your Parents Had Read** - Philippa Perry
- ☐ **The Science Of Getting Rich** - Wallace D Wattles
- ☐ **Millionaire Success Habits** - Dean Graziosi
- ☐ **Think And Grow Rich** - Napolean Hill
- ☐ **The Compound Effect** - Darren Hardy
- ☐ **The Richest Man In Babylon** - George S Clason
- ☐ **The Midas Method** - Stuart Goldsmith
- ☐ **Rich Dad Poor Dad** - Robert Kiyosaki
- ☐ **Retire Young Retire Rich** - Robert Kiyosaki
- ☐ **Rich Dad's Cashflow Quadrant** - Robert Kiyosaki
- ☐ **The 12 Week Year** - Brian P Moran
- ☐ **Hustle Harder, Hustle Smarter** - Curtis Jackson
- ☐ **Can't Hurt Me: Master Your Mind And Defy The Odds** - David Goggins
- ☐ **Awaken The Giant Within** - Tony Robbins
- ☐ **The 5 Second Rule** - Mel Robbins
- ☐ **Unshakable: Your Guide To Financial Freedom** - Tony Robbins
- ☐ **The 5 Second Rule** - Mel Robbins
- ☐ **Confidence** - Katie Piper
- ☐ **The Ultimate Book Of Mind Maps** - Tony Buzan
- ☐ **Maxout Your Life** - Ed Mylett
- ☐ **Atomic Habits** - James Clear
- ☐ **Get Off Your Ass** - Brad Burton
- ☐ **The Miracle Morning Series** - Hal Elrod
- ☐ **The 10X Rule** - Grant Cardone
- ☐ **High Performance Habits** - Brendan Burchard
- ☐ **Chimp Paradox** - Prof Steve Peters
- ☐ **Total Recall: My Unbelievably True Life Story** - Arnold Schwarzenegger
- ☐ **Shoe Dog: A Memoir By The Creator Of Nike** - Phil Knight
- ☐ **Slight Edge:** Secret To A Successful Life - Jeff Olsen
- ☐ **Secrets Of The Millionaire Mind** - T. Harv Eker
- ☐ **Law Of Attraction: The Secret Behind 'The Secret'** - Michael Losier
- ☐ **She Means Business** - Carrie Green
- ☐ **Principles: Life And work** - Ray Dalio
- ☐ **Winning** - Jack Welch
- ☐ **The Black Swan** - Nassim Nicholas Taleb
- ☐ **What I Learned Losing A Million Dollars** - Jim Paul & Brendan Moynihan
- ☐ **The Millionaire Fastlane** - MJ De Marco
- ☐ **Unscripted** - MJ De Marco
- ☐ **How To Get Rich** - Felix Dennis
- ☐ **How To Be F*cking Awesome** - Dan Meredith
- ☐ **How To Win Friends And Influence People** - Dale Carnegie
- ☐ **Battle Ready** - Ollie Ollerton
- ☐ **The 4-hour Work Week** - Timothy Ferriss
- ☐ **The Ultimate Jim Rohn Library** - Jim Rohn & Nightingale Conant
- ☐ **The One Thing** - Gary Keller & Jay Papasan
- ☐ **The 7 Habits Of Highly Effective People** - Stephen R Covey

# TOOLBOX TALK

# Site Organisation – Principal Contractor

**When you enter the planning stage of your construction project, you will have either appointed a principal contractor or have decided to tackle this role yourself. Either way, you will need to make sure that your projects are organised to run effectively, efficiently and compliantly. Below I've listed the main areas you need to address to ensure your construction site is safe and healthy.**

## Administration

The law on a construction project requires that you protect those at work on the site and those that could be affected by its activities (ie: the general public). There are quite a few legal requirements in terms of administration that must be either available on site or have been submitted before construction commences. You might have read about some of these documents and duties in the article I wrote for Issue One (CDM 2015 – The Commercial Client), which is still available to read online. These documents include: F10 Notification, risk assessments, Construction Phase Plan, examination reports, inspection reports, arrangements for carrying out the works and a system to report injuries and dangerous occurrences. Documenting the project's arrangements will help you communicate your plans.

## Site induction

You will need to make sure that you provide appropriate guidance to all personnel, sub-contractors and visitors to your project on what the site rules and arrangements are in a site induction. Typically, a site induction will include discussing PPE requirements, smoking areas, restricted areas, hot works arrangements, pedestrian routes, fire prevention, emergency arrangements, permit-to-work systems and the use of mobile phones and radios. A site induction is not limited to these topics and you may have additional criteria you wish to discuss. The induction should be provided prior to an individual carrying out any works on the project. A good induction makes the site safety arrangements clear from the start and provides the inductee the opportunity to ask questions about the project.

## Welfare

Everyone on your project will need access to toilets, washing and changing facilities, somewhere to sit and eat food and have a drink and rest. These facilities will need to be available from day one of the project and should be maintained until the job is finished. Welfare must be in place before any construction begins.

## Traffic management

When establishing your site, you need to ensure that vehicles and pedestrians can manoeuvre around the area safely. Appropriate consideration and planning needs to be given to traffic management and should include: segregation of people and vehicles, minimising vehicle movements, appropriate signage and instructions, and visibility when manoeuvring. Consider driver aids such as mirrors, banksman, high-visibility clothing and lighting. The need for vehicles to reverse should be avoided wherever possible and can potentially be tackled by implementing a one-way system across the site.

## Material storage

Giving consideration to where your materials will be stored is an important part of project planning. Material storage should be discussed and agreed in advance of the project start. Consider designated storage areas for plant and materials. Do not allow storage to encroach on pedestrian or vehicle routes. Ensure that any materials are stored in accordance with the manufacturer's instructions. Avoid wherever possible storing materials at height such as on top of cabins. If this cannot be avoided ensure that guard rails are in place to prevent falls from people accessing these areas to retrieve materials. Remember to plan your deliveries to keep material stocks low on site. When a delivery is due, ensure that the storage area is clear for the items to be delivered. Good material management can reduce waste, lower costs and help keep the site tidy.


## Waste management

This one is a biggie and should be high up on the agenda with a clear plan in place from the get-go. The law states you must keep every part of your construction site in good order and all places of work clean. Staying on top of waste management on a construction site can be a full-time job and it can easily get out of hand if you don't manage it effectively.

You will need to ensure that you dispose of the waste properly. Be clear before the work starts: what types of waste you will be producing? How will you be getting the waste out of the building or site? Where will you be putting the skip? How often will the skip need exchanging? Do you need a waste chute? Do you need wheeled bins? Who will be removing the waste? Ensure that everyone knows it is high priority to manage the waste.

Getting organised saves time and money, and provides a healthy, safe start to your project.

For further advice feel free to contact me.
lisa@bluebricksmagazine.com

# LETTINGS UPDATE

## by Ben Quaintrell

LETTING AGENT OF OVER 15 YEARS

Concern at a possible second wave of Covid-19 is having a positive effect on the lettings market, with Chestertons, one of London's largest players – amongst others – reporting increased activity.

It seems many are spurred on to ensure they are safely ensconced in their new rental properties before any fresh lockdown measures are imposed in the event of a spike in local infection rates.

However, such fears seem unfounded following the country's first local lockdown in Leicester with the government indicating that agents were not required to stop viewings or temporarily close branches in affected areas.

In publishing the regulations covering the lockdown imposed on specific areas of the city, the government declared property agents could continue to operate as long as they followed existing measures and best practice on viewings, moves and maintenance issues, which essentially allows anyone wishing to move home to do so.

If these same local lockdown measures are adopted to tackle any further areas of high infection rates around the country, it suggests the government is minded to encourage rather than stifle the property market by avoiding the use of any additional restraints.

According to Chestertons, the number of new tenants it registered in June rose by 43%, compared with the previous month. Meanwhile a report by haart, the UK's largest independent estate agent, said the number of prospective tenants registering to rent a property increased by 23% nationally in the year to June – while at the same time the supply of rental properties fell by 19%. This gulf was more keenly felt in the capital where supply plummeted 37% in the year to June, causing rents to rise by 7%.

This reflects my own experience in the Northeast of England, where in recent months enquiries to My Property Box have far exceeded the number of available rental properties. In fact, a revival of the rental market in terms of a strong demand seems to be generally reflected across the UK, which offers opportunities for buy-to-let investors.

There may be several reasons behind this, first and foremost the sudden freeing up of pent-up demand created by the loosening of lockdown restrictions from 13 May.

There will be plenty of bumps along the road that will affect the market – the most serious being the long-term effect on the economy and whether this country experiences a V- or U-shaped recovery.

There's no doubt that Covid-19 has caused significant disruption and it remains too early to predict the long-term impact. But, so far, so good.

On the other hand, this may not be the case with house sales as uncertainty surrounding the course of the pandemic and the economic recovery is causing people to put significant purchases on hold. It is too early to say whether the chancellor's temporary stamp duty holiday will stimulate the market.

According to the latest figures released in June by the Office for National Statistics, private rental prices paid by tenants across the UK rose by 1.5% in the 12 months to May 2020, unchanged since April.

Private rental prices in Wales grew by 1.2% during the same period, up from 1% in the 12 months to April 2020. Rental growth in Scotland increased by 0.6%, down 0.7% in the 12 months to April 2020. North of the border, rental growth has remained weaker than that of the rest of the UK since August 2016.

However, given the lack of affordable homes, the future of the rental market remains strong, as for many it remains the only viable option – with 8.5 million people in England renting privately.

One thing is for certain, the state of the housing market is a clear indicator of this country's economic fortunes, being inextricably linked to consumer confidence and this remains the key factor in the months ahead.

Anyone interested in letting or investing in property within the Northeast and North Yorkshire region can call Ben Quaintrell on 0333 358 3676, or email ben@mypropertybox.co.uk. You can also visit mypropertybox.co.uk for further information.

# THE BANK JOB - PART 1

## COMMERCIAL CONVERSION FROM DISUSED BANK TO CO-LIVING DEVELOPMENT

ANTHONY BOYCE


This month I thought I'd discuss a project that myself and fellow The Property Thing partner in crime, Paul Million, are undertaking with two joint venture (JV) partners who approached us with the deal – dynamic deal-sourcing duo, Nicola Chapman and Debbie Archer. We became acquainted with the pair through both our own and other local networking events.

We are only in the early stages of the process really, but I'm hoping to document as much of the development as I can in order to share ideas and inspiration for others who may be considering this type of strategy too, ie: commercial to residential conversions.

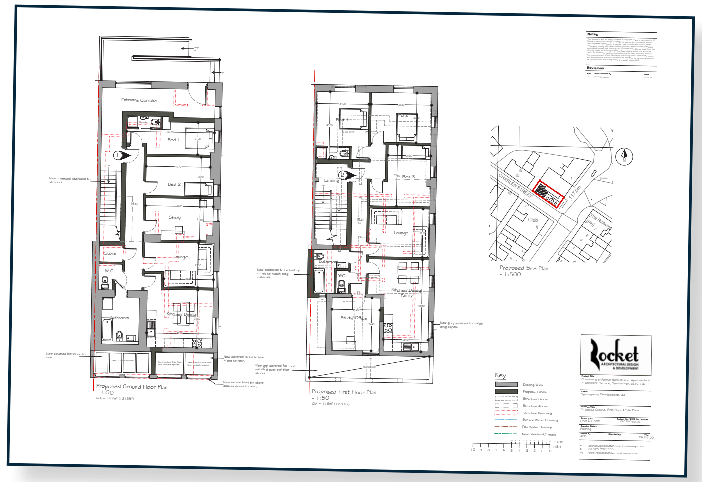
The property is a former bank building just outside the main high street in a northern town, not far from a large new white-and-grey distribution box being built by Amazon. Our strategy will be seeking approval to convert it into co-living/HMO (house in multiple occupation) accommodation, but we intend to play the system along the way.

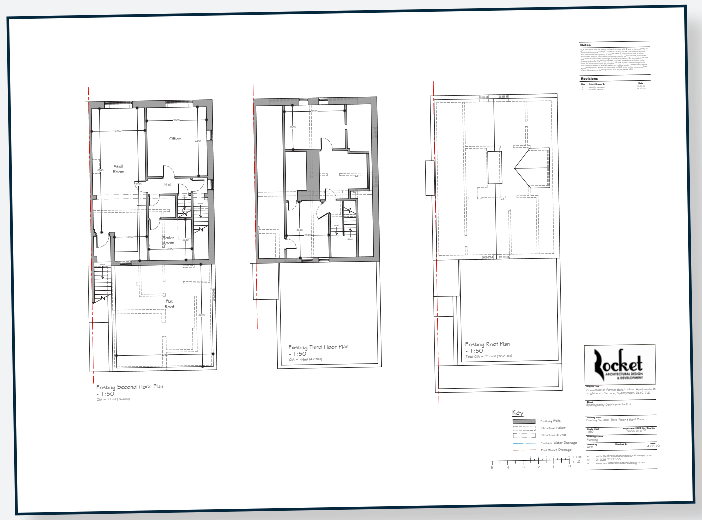
In my first article for Issue One of the magazine I discussed how you can combine different types of planning or permitted development (PD) applications to cheekily sidestep some of the bureaucracy or potential issues with the local residents. I decided to follow my own advice on this project and will be seeking to gain planning permission first to convert the building into separate flats (one flat per floor) – from A2 (financial) to C3 (dwelling house) use class. The plan is then to use PD to change the end use to allow us to use these individual flats as separate co-living units, or cluster flats – C3 to C4 use class (HMOs, up to six people).

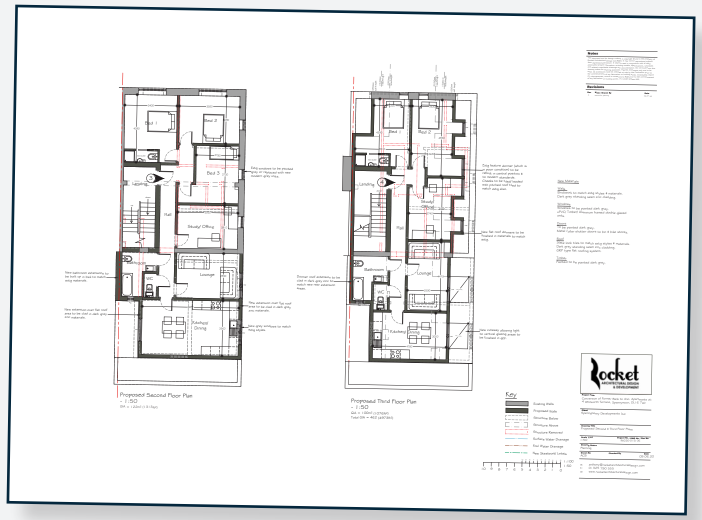
So why are we doing it this way? Well, firstly, it could prove more difficult to obtain planning for an 18-bed/-person HMO with all shared facilities. This would be classed as a sui generis application, so we wouldn't be able to use PD rights to change uses – we'd be tied to the building's use as a massive HMO. Secondly, it's always great to have a plan B. If, for whatever reason, our desired strategy didn't work out, we could easily convert the property back into four separate flats and rent them out, or title split them and sell them off individually. Lastly, have you ever approached a new neighbour in the street and said, "Hi there! I've just bought that there house/building next door to you and we're planning to create a massive HMO"? Well, it's a great way to learn new swears!

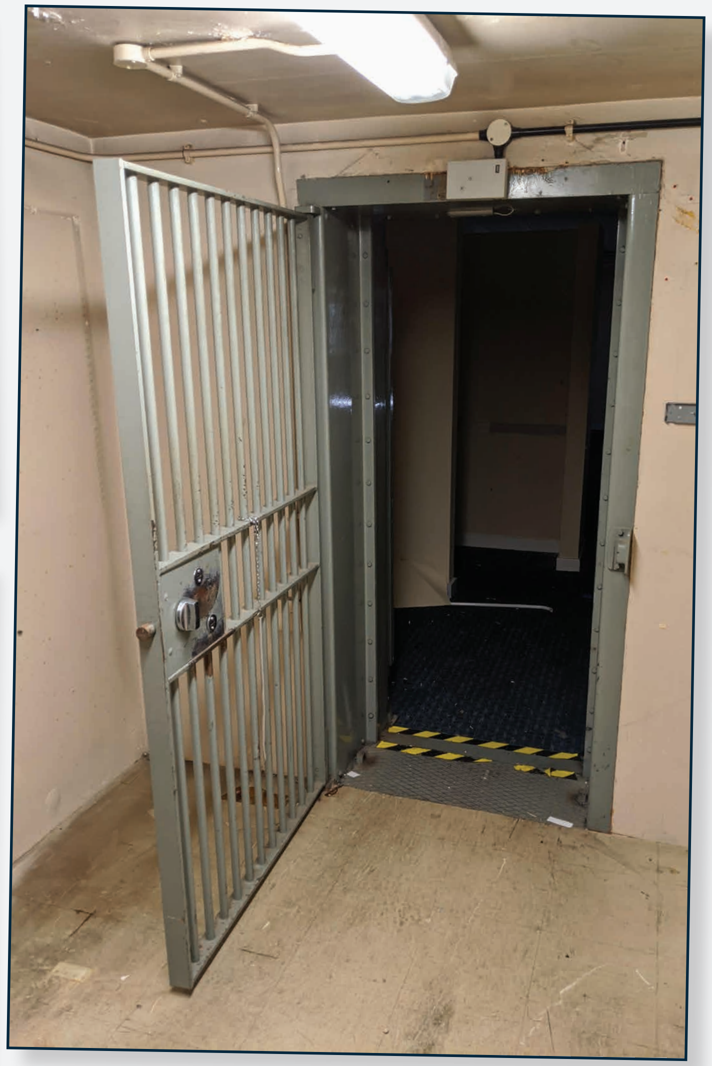
Unfortunately, HMOs often have a bad reputation, no matter how well you tell people you'll be kitting them out, or that it won't be a drug addicts' rehabilitation centre. It's much easier to sell the idea of just four flats to said neighbour who will interpret this as less noise and disruption to them. This avoids prickly conversations, objections and needless planning conditions being thrown at the project. It's not unusual for a planner's wishes to totally contradict the Housing Act or guidelines set out by their own council's HMO officers, so the less they know up front the better!

What we have done, though, is design the floorplans in a way that no amendments will be required to the layouts to change from C3 to C4 use when we get to the construction phase. In theory, we should use the flats as C3 use before utilising the PD rights to change to HMO use, but it's highly unlikely we'll face any problems from the planning department in doing this – unless they read this article and take offence!









## What are the other benefits in carrying out the planning works in this way?

If we went straight to providing the 18-bed HMO, we would likely need to provide bike spaces for each bedroom, meaning quite a lot of space taken up by these internal lockable racks. I recently worked on a 28-bed sui generis HMO application and that was what the planners asked for – 28 lockable, internal bike spaces. The room was massive! Although we're going to provide some bike stores (it's highly unlikely everyone will have one), using the C3 planning route we'll probably only have to provide two to three per dwelling.

By separating the HMOs on to individual floors, we're able to create smaller communities within the co-living development. You can imagine that, within one single 18-room unit, many people simply wouldn't know if someone lived in the building or was just visiting. How would you ever know which bottle of milk was yours, or who'd "borrowed" the last drop? If we're limiting the tenants to just four to six people per floor, there's more chance of everyone getting along in that unit and them forming friendships.

So, the makeup of our little co-living world will be a four-person unit on the ground floor, five-person units on the first and second floors, with another four-person unit to the top floor. For now we've disguised them as two- or three-bed apartments with a separate bedroom-sized study/home office.

## What else should you look out for when trying to find buildings suitable for this strategy?

Other than the obvious ones that you'd look for in any building you were planning to purchase – structural problems, damp, services, etc – consider the number of windows or the possibility of adding them easily to externally facing walls; this is a really big advantage. When carving up the building for its new use, it's much easier to fit in more rooms if there are already lots of openings to use in the outside walls. Habitable rooms need access to outside light and fresh air, whereas communal circulation spaces, like the stairwell, don't. One downside to this building, in my opinion, was that the existing entry door would be better suited to the other side of the front elevation. That would mean we didn't have to snake the communal entrance corridor across the front ground-floor windows, and the ground-floor apartment could have been slightly larger, but you have to work with what you've got.

One thing I love about our building is the space. We have nice high ceilings, which are great for providing the party-separating structures needed and hiding the new services between the apartments, but also – as the last use was office-type space – there isn't too much in the way of internal load-bearing walls for us to worry about. I viewed the building as just four walls and a roof: a completely blank canvas. We'll just need to check the steelwork we uncover when we're stripping out to make sure that it's beefy enough for the building's new use and the additional loading.





## What challenges will we face?

I didn't realise that the locals had so much money to save in the bank – there are safes and vaults everywhere. The costs of removing both the vaults may prove too much and prevent us from achieving the "all money out" goal when we refinance the property after the construction is finished, so we're looking to repurpose the vaults into rooms and keep them in the building. The main vault on the ground floor has steel plates covered in dense reinforced concrete enclosing the room, and the door must weigh a few tons, so this room will become a bathroom, meaning we don't have to try and cut through the walls. The document vault on the first floor is of a slightly lesser spec than the main vault, so we believe we'll be able to punch a hole through the walls of this one to provide a window and create what will be one of the most secure HMO rooms in England!

Running new services for a conversion within an existing building can sometimes be an issue, but as this one is mostly open plan to start with, we're able to stack similar types of rooms above each other. This allows us to box in pipework in similar positions on each floor, eliminating complicated drainage runs which could prove a maintenance nightmare in the future. Stacking similar room types above/below each other also wins brownie points with the council during the planning stages, as it reduces the likelihood of noise complaints between the separate units.

I expect there to be a few questions raised during the planning process (which will be submitted before this issue goes to print), but nothing we and our lovely planning consultant believe will scupper our plans. Parking, or the lack of, will no doubt raise an eyebrow or draw a complaint or two from the locals, but a parking survey, the addition of the bike stores and the building's central location will hopefully appease any concerns here.

The property is located next to a takeaway so I think we'll have to provide a report to the environmental health officer on how we're going to deal with potential smells coming from their extract ducts. I've already made sure that any windows to habitable rooms are positioned well away from that location, so again, this should be a simple box-ticking exercise for us.

Asbestos… a dreaded word in construction, but we actually got quite excited when we spotted the signs in the boiler room saying that asbestos was present, although it will no doubt be hidden elsewhere throughout the building too. Did you know that, when carrying out this type of development/conversion, you can claim 150% of the cost of asbestos removal as a capital allowance? There are other areas where you can claim these allowances as well, but I won't go too deeply into this, as it's a very specialist area, but there is some lovely tax-free income for us all to take when we finally get into the position of welcoming paying tenants to the property!

Anyway, I look forward to updating you on our journey on this project, and other types of conversions I'm currently undertaking. Please feel free to get in touch should you have any questions about this, or your own conversion projects, via anthony@rocketarchitecturaldesign.com.

# THE MARKET PULSE

Stay ahead with us

Keeping a finger on the pulse of the property market.

# LENDING UPDATE

I took an enquiry for a bridging loan last week from a property investor who was disappointed when I told him he still had to pay stamp duty on his purchase. For the benefit of anyone else who has just returned from a prolonged stay on a desert island, the stamp duty holiday will be in place until 31 March 2021. However, for property investors buying additional residential properties over £40K the tax is still due, but with the threshold raised to £500k so there are savings to be made. Speak to your tax adviser for full details.

Bridging lenders are reporting substantial increases in activity since the lockdown was lifted and with some of the larger lenders either not yet back in the market or limiting their loan to values, others have been more than happy to pick up the slack.

Some bridgers are back to lending 75%, but most seem to be capping at 70% for residential loans. There is still a fair amount of caution on the types of deals some will take on, although most of the enquiries we see are for light refurbs and we're not having any trouble placing these.

If you have the cash to put down a decent deposit and the lender can use an automated valuation model (AVM) or desktop valuation, you should be able to secure a good deal for yourself and get the funds you need quickly.

**Tony Pomphrett**
Finance Broker

For those wishing to use bridging for the first time to refurb a property and who need cash for the works, they will have read or heard the phrase, "borrow against the GDV" (gross development value) and wrongly believe they can borrow up to 75% for the purchase and 100% of the works cost and that the lender will advance all the money on day one. Well, sorry to disappoint you guys, that is not going to happen unless you have extra suitable security for the lender to take on an additional charge on. The lender may grant a facility to cover the works, but this will be drawn in arrears. If I am not making this clear, ask your broker to explain.

When considering your exit strategy, be that to sell or possibly refinance on to a buy-to-let mortgage, you may be able to get out within six months if you use the right lender. If you are looking for a full uplift in value to pull out your cash, make sure you understand how the lender may treat this before you start your journey.

Happy hunting.


Ben Quaintrell of My Property Box (left) and Nathan Winch of Winch & Co (right)

# PRIVATE EQUITY EXPANDS LETTING AGENCY GROWTH PLANS

## NORTHEAST LETTING AGENCY MY PROPERTY BOX TEAMS UP WITH PRIVATE EQUITY TO FUND AMBITIOUS GROWTH PLANS

Specialist letting agent My Property Box has teamed up with a private equity firm as it seeks to expand its operations into West Yorkshire.

The Darlington-headquartered company, which lets homes throughout the Northeast and North Yorkshire, is currently looking to gain a foothold in the Leeds area.

It is working with investment company Winch & Co, which will fund its expansion through the acquisition of other letting agencies in key target areas.

In a separate move, My Property Box is also in negotiations over the acquisition of a letting agent in North Yorkshire to extend its reach within the county.

Managing director Ben Quaintrell said: "Since founding the business in 2012, My Property Box has expanded rapidly from its original Tees Valley heartland.

"Last year we acquired two letting agents in Thornaby and Darlington and, as a result, we currently manage more than 1,000 homes valued at a total of £50 million.

"We are an innovative company with an ambitious growth strategy and that includes establishing a presence in Leeds, which has a vibrant rental market and is one of the best areas in the UK for property investment.

"I'm seeking to acquire a lettings business in Leeds with the help and support of Winch & Co, which has extensive local expertise as well as acquisition experience."

In addition to managing properties and sourcing new landlords, My Property Box operates a property lettings function, focused mainly in the Northeast.

Nathan Winch, partner at Leeds-based Winch & Co, said: "We are pleased to be working with Ben and My Property Box in this exciting venture.

"We focus on professional service businesses, particularly property, so this project couldn't have come at a better time."

Winch & Co has been involved in several private equity deals and investments across a variety of sectors. Its focus is on professional services, including finance, legal and accounting businesses, with a preference for those deriving recurring income from repeatable or ongoing trading activities.

Ben added: "I'm looking forward to implementing our growth plan with the assistance of Winch & Co. We can see the synergies and that will allow us to achieve our goal within a reasonable timeframe."

mypropertybox.co.uk
winchandco.com

# BRIDGING MYTHS BLOWN OUT OF THE WATER!

PROPERTY TIPS & TRICKS
with Kevin Wright

Bridging finance is one of those subjects where the majority of people – even property people – take a sharp intake of breath and shake their heads. It's seen as expensive and "risky", akin to the kind of deal you might get into with one of those high-interest loan companies like Wonga – remember them?

It's not. You just need a little understanding. Here are some of the myths that need blowing out of the water:

### 1. A bridger will foreclose and take your property

With a reputable bridging lender (and I only deal with these) repossession is their last resort, not their first. They'll work with any borrower who communicates openly with them. If you think you're going to run over term, most decent bridgers will work with you to find a solution to repay your loan. Of course it will cost you more, but at least you won't lose your investment altogether (although you will probably take a hit on your profit).

Getting into difficulties with the repayment of your bridging loan is usually the result of your due diligence not having been as robust as it should have been. Realistically you need to have built in some wriggle room: make sure you have contingency plans for situations that may arise, like the plumber not turning up on time and holding the whole refurb up, or a buyer who takes much longer to complete than anticipated. If you've taken a longer term to allow for these contingencies and don't need it in the end, then you won't be penalised for making an earlier repayment.

### 2. You don't know how it works

If you asked the average person on the street to define bridging finance they would probably say, "If I can't sell my house, but I've found my dream home and don't want to lose it, I could get a bridging loan to bridge the gap between buying my new house and selling my current one." Twenty or 30 years ago that was true, people used bridging as a chain breaker. But when you're using bridging to finance your main residence it doesn't show any profit – it's 100% cost to get you from one residence to another. No wonder people think it's expensive.

As an investor you would never use bridging finance in this way – there should always be a profit to offset it against. If you're using bridging to make a profit, it's less scary and, in reality, you wouldn't do a deal unless all the costs were offset by profit. I usually advise that the profit margin is at least 200% of the cost of bridging as a minimum – usually the profits that can be made far outweigh the cost of a bridging loan.

### 3. Fear of the unknown

It's natural to be afraid of something if you don't know how it works. Sometimes people say that "fear" is an acronym for: "False Expectations Appearing Real". But I think that there's a better acronym: "Feeling Excited Anticipating Rewards". What factor allows you to align yourself with one definition over the other? Knowledge.

I don't recommend leaping into the bridging finance arena without some knowledge. I would suggest a good broker who is experienced and can find you the right finance for your current investment project – and make sure they know their way around the bridging market and don't just specialise in mortgage brokering.

**Kevin Wright**
Investor, Finance Broker, Speaker
**Positive Property Finance**

Even experienced property investors work with a broker and learn what works best for them with a safe pair of hands to guide them. With a bit of knowledge and some solid advice, bridging finance can go from being your biggest fear to becoming your greatest asset. It gives you freedom and mobility and, once you know how and when to use it effectively, it's no longer a liability.

If you would like to contact Kevin for further advice on this subject please email kevin@bluebricksmagazine.com.

# GETTING STUCK WITH SOCIAL MEDIA?

I get it. You're sick of being told that you need to be all over social media. It's hard work, you don't feel like you have anything to say and you don't know which platform is best for you.

## Getting started

I could fill this entire magazine with statistics about how many people are using social media, how many hours a day are spent scrolling and how many billions of pounds are spent on ads. In short, it's a hell of a lot so, yes – you do need to have a presence because that's where your audience is.

Instead of feeling under pressure to be seen, be out there, go viral or try to be something you're not – just spend some time thinking and planning. Like everything else in life, you need to know your objective, understand some of the tactics and have your toolkit in order to get you going. There's no point just sitting on the sidelines watching everyone else doing it.

## Objectives

Maybe you're looking to attract investors, become known in your field as the go-to person, set yourself apart as a specialist in a certain subject or perhaps you're simply trying to build credibility. You do need to have an online presence should agents, vendors, joint venture (JV) partners or investors do their due diligence and check you out. Knowing what you want to achieve will help you decide both what to post and give you the motivation to do it.

## Tactics

Let's look first at some things to avoid.

✖ Trying to beat the algorithm. You can't, don't bother. This is a complete waste of energy – like trying to catch water with your hands. It changes all the time and, at the end of the day, every platform wants the same thing: to show good-quality content that users engage with. Put your effort into creating that.

✖ Being on every platform. Unless you want posting to social media to be your full-time job, you'd be far better spending time perfecting one or two platforms. The truth is your audience is probably on all of them and you'll get better results if you're active on a couple, with content to suit those platforms, rather than splodging the same thing onto Facebook, Instagram, LinkedIn, Pinterest, Twitter and TikTok.

✖ Posting live 100% of the time, without a plan. It makes me tired just thinking about this. Having to make your brain work to produce new content. Every. Single. Day.

Above all, aim for consistency, quality and convenience. It's so much more important to be consistent than to be on every platform or to always post live (as in at that moment, rather than scheduled in advance). To achieve this, you need a content plan and a scheduling tool. There isn't enough space here to cover everything, so I'll focus entirely on content in the next issue, ie: how to plan it, how to come up with ideas for it, how to format it and what sources of inspiration to use.

However you choose to create your content, I would recommend using a scheduling tool and planning in advance where and when to use it. There are plenty of free schedulers specific for social media and some excellent ones that are around £15 per month. You store all of your posts, along with any images, links or videos and simply diarise when you'd like them to be published. Check out Buffer, Hootsuite and SmarterQueue – there are many more, but these are my recommendations.

Pre-planning your content and adding it to a scheduler is the majority of your social media work done, but you should still do the odd post "live". If you're doing something that you think is worth sharing or a brilliant thought comes to mind,

JOANNE SAINT

you can just hop on and post. This will add more flavour to your pre-scheduled content.

The final key task is to engage with your audience. You should log on regularly to check if you have any likes, comments or shares and reply to these. Just thanking someone for commenting can make all the difference to your engagement and reach.

As for the algorithm – it's like going fishing. The platform will dangle your content in front of a few people; if they demonstrate that they liked it or found it valuable by liking or commenting, the content will be made visible to more people. You can help this along by interacting with your audience.

I really could go on forever as there is so much to cover and I know it's a pain point for so many people. If you'd like any further help, please reach out to me on Facebook. We could cover some specific social media topics in our Blue Bricks Facebook Group if you'd find this helpful.

# ELLIE MCKAY

## People in Property

**ELLIE MCKAY IS A PROPERTY INVESTOR, DEVELOPER, BUSINESS WOMAN AND PUBLIC SPEAKER. SHE KNOWS ALL ABOUT THE PITFALLS OF PROPERTY FROM PERSONAL EXPERIENCE, AND IT'S ONLY THROUGH DEVELOPING A STRONG MINDSET THAT SHE HAS BEEN ABLE TO GET WHERE SHE IS TODAY, WITH HER HUSBAND MARK ALONGSIDE HER. AFTER A ROCKY START (WHICH WOULD PROBABLY HAVE PUT MOST PEOPLE OFF FOREVER), THE COUPLE DUSTED THEMSELVES OFF AND STARTED AFRESH – AND THEIR ACHIEVEMENTS OVER THE LAST TWO YEARS ARE IMPRESSIVE, RAPIDLY BUILDING A SUBSTANTIAL PORTFOLIO. SHE PUTS THEIR SUCCESS DOWN TO DEVELOPING THE RIGHT MENTALITY AND CREATING AN HONEST AND AUTHENTIC PERSONAL BRAND.**

Ellie shared her story with us at Blue Bricks Magazine and offered some great insights into how to attract investors to grow your own business.

### How it all began...

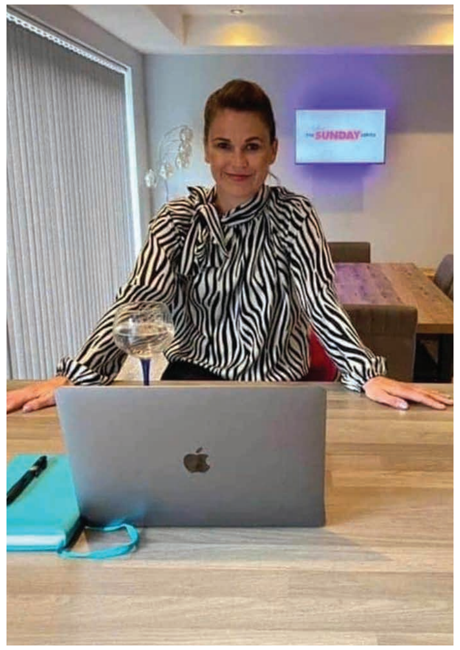
Our introduction to property was a baptism of fire – it would have put most sane people off for life. We were in our early twenties, full of passion and entrepreneurial spirit, and deep down we knew that we were worth more than our current roles at that time (Mark was an electrician and I was an advice and guidance coordinator). If I'm being honest, property seemed like a great way to get rich quick so we allowed ourselves to be sold a dream on a new-build development in Sheffield city centre. We bought off-plan back in 2006 on the premise that we would be buying significantly below market value and would be able to do a same-day refinance on completion, which was common practice at the time. Unfortunately for us, the development was severely impacted by floods and was delayed by over two years. By the time it was finished, in 2010, we were smack bang in the middle of a recession and the property that we had bought for £125k was now only worth £60k. With our backs against the wall, we had to beg, borrow and steal to be able to fulfil our contractual obligations, which somehow, we did. We still have that property and it's still not worth a fraction of what we paid for it, but the lessons learned have been invaluable.


### Seeking out training and mentorship

After that bad experience we withdrew from property completely. Mark went on to build a successful electrical business and I was more than happy to retreat to the security that a 9 to 5 offered having become very risk averse.

It wasn't until years later that the thought of property entered our heads. We knew someone who had been on a training course and he spoke so passionately about it – it really struck a chord with us. People always ask when is the best time to get started and my answer will always be NOW. I was at a time of my life when I was really struggling with postnatal depression, we had narrowly escaped bankruptcy with our other business and I had little to no self-confidence. We had three children under the age of five, the youngest of which was only five months old. Not hard to see why everyone thought we were mad when we announced we were setting up a new business venture!

I started watching some free online content and felt like I was being shown another world. Property training can get a bad reputation and I'm sure there are some unscrupulous providers out there, but all I can say is that my own experience has been nothing short of life changing. In 2018, both Mark and I went on a four-day intensive course and had our minds blown. The training programme was called Property Protege with Paul McFadden; one of the main reasons we gravitated towards them was because of the emphasis placed on building a long-term sustainable business. Starting a business is about so much more than finding the deals and the money. Of course those things are essential but, without the right mentality, you're building foundations on sand.



We left the training knowing what was possible, but then the real work started. We got off to a flying start and purchased two properties within a few days of leaving the course and we haven't looked back. In our first year we packaged or flipped 25 properties, so it was intense to say the least! Fast forward 2½ years and we still work really closely with Paul and the team – they continue to play a huge part in our success and I now regularly speak at their property events. We're also looking to collaborate on some really exciting projects in the near future.

### Working as a partnership

Mark and I spoke for years about working together, but we had no idea what that would look like or what form it would take. We always knew that with completely opposing skillsets, if we collaborated, we could be a formidable force. Of course, nothing is ever that easy!

I hate when people talk about "The Journey" – it sounds so cheesy, but it's the only way to describe what you go through when you set up a business. It's a complete rollercoaster, especially when you work with your other half – I can totally see why most people don't stick at it. In the early days we found it really difficult working together and it took a lot of perseverance to make it work without killing each other. It was only through trial and error that we started to hone things and began to understand each other's strengths and weaknesses while we carved out our respective job roles.

Now it's great, we genuinely love what we do and it's so much more harmonious, probably because we have separate offices and only come together for meetings or to do something specific. But, of course, it's never plain sailing and we're all facing a completely different set of challenges with Covid-19 – for me, that's not least being a full-time mum to our three children. I often remind myself of the Jim Rohn quote, "Don't wish it was easier, wish you were better" – hence my passion for personal development and constant improvement in all areas of my life. It's all very much a work in progress, but I'm committed and, while I know we've done a great job in laying the foundations, I also know we've barely started!

### Building a portfolio

Up until this year we only had two properties in our own portfolio. Previously we had been focusing on portfolio building for our clients and deal packaging for both HMOs (houses in multiple occupation), BTLs (buy-to-lets) and "flipping" properties on behalf of investors. It was only when we worked backwards on how we wanted our life to look that we realised we needed the predictable cashflow and security that a portfolio provides. Year to date, our portfolio is now up to 14 properties worth around £2m, including three HMO conversions, one of which is a ten-bed, plus a commercial building currently being converted to residential apartments, several vanilla BTLs and two commercial units. We're also currently working on "flipping" a further five properties, all of which are being funded using investor finance. We've been fairly aggressive to say we were put on ice for three months during lockdown!


### Systemising the business

It became apparent to us very early on how important it is to systemise the business. With the sheer volume of work that we had on, it wasn't long before we were completely overwhelmed. We needed to find a more efficient way of working and to start automating things. Having a fully systemised business means that whatever happens, you're never relying on one person. It's the only way to truly create passive income and allow you the freedom to grow the vision. We're still evolving, but we now have a team and are able to outsource more and more, which has been instrumental in our success.

We've put multiple project managers in place allowing Mark to step back and give only high-level input, safe in the knowledge that the day-to-day running of the job is all taken care of to an excellent standard. Slowly but surely, Mark is getting to work on the business as opposed to in it, which means he now has the capacity to really drive things forward.

The goal is to always remove ourselves from the minutiae, but that's not something to be rushed as you need to fully understand every aspect of your business before you outsource it. It's a constant battle with yourself as we are all wired to believe that nobody can do things as well as we can, but thinking like that keeps you playing small – there is no other way to expand your business than to trust in others!

### Public speaking and networking

I have a love-hate relationship with public speaking – it still fills me with dread and, despite having now spoken in front of hundreds of people, it still doesn't come naturally for me. This is one of the many reasons that I am constantly championing mindset. I'm a huge believer that growth doesn't come from comfort – you have to be willing to put yourself in uncomfortable situations if you want to become a better version of yourself. When you face your fears head on and overcome them, there is no better feeling – it's the ultimate adrenaline rush.

Surrounding yourself with the right people and building authentic relationships without expectation has been hands down the number one thing to which I can attribute our success. I enjoy meeting great people, bouncing off their energy, learning and growing, and generally having fun with it. My life is pretty intense so having fun is important and it's something I'm getting better at – there's no point taking everything too seriously if you don't have to.

### Raising investor finance

Last year we raised over £4m in investor finance through LinkedIn where I have over 30,000 followers. This was done without being pitchy or salesy or asking people for money. I have also attracted investment from speaking at property events (even though I generally talk about mindset), through our website, Facebook and by word of mouth. A large part of my role is based around raising finance, which goes hand-in-hand with networking and building a personal brand. We predominantly use investor finance rather than our own funds purely because you always end up restricting yourself when you rely solely on your own capital, regardless of how much you start with. However, we are certainly not adverse to having skin in the game.

With regards to using our own funds, Mark and I have always gone all in. So, 18 months ago when our house sale collapsed, we made the decision to move into a rental property and invest all the equity we'd built up over the last 15 years into our property business. We didn't even raise an eyebrow – we have always had complete faith in our abilities and we've been uber professional from day one. Taking that calculated risk allowed us to accelerate our success significantly. We are masters of leveraging, but only because we have invested heavily in our education to ensure we make sensible decisions and have a really strict criteria for all of our investments.

We are seeing a lot of trepidation from investors at the moment. Most of us realise there may well be a crash in the market so the general consensus is to wait and buy at bottom price. Although we have not adopted that strategy, we are being very cautious on our purchases and basing our due diligence on worst-case scenarios. Our overriding priority during these challenging times is to stay liquid. As always, we will be preparing for the worst and hoping for the best.

## Advice for those seeking investors for private lending

My advice when it comes to finding investors would be to network with the right people and to be consistent in your approach. When I was chatting with Trish Pegg on The Sunday Series a few weeks ago, she made a brilliant point. We've all heard the saying: "It's not what you know, it's who you know", well if you want to take it one step further, it would be: "It's who knows you". The more visible you are and the more authentic you are, the more you will organically attract the right people into your life. Social media is an absolute must in order to do this.

People follow people over companies, just look at Richard Branson over Virgin or Elon Musk over Tesla. Of course you can do it and be successful without putting yourself out there, but in my opinion, it will take you a lot longer. I'd advise finding a way that feels authentic to you and take it at your own pace. But there's no getting round the fact that social media, YouTube and podcasts etc are the way to go.

## Overcoming adversity and the importance of the right mentality

As I said, in my opinion the most important thing to help you become a successful property investor is mindset. As someone who has battled with depression for longer than I care to remember, I know firsthand just how critical it is. It's not exclusive to property, it applies to anything you want to achieve in life. Although it's not something that I monetise, my true passion is to inspire and help others to go out there and live their best lives.

People thought we were crazy when we started the business, but we refused to be judged by other people's limitations. By challenging conventional wisdom and stepping outside our comfort zone, we are starting to show our children a life without limitations.

## Future plans and aspirations

My main aspiration is to keep striving to become the best possible version of myself. I will never put limits on what we can achieve – the realms of what is possible are always changing as I evolve my mindset. The business can only grow at the extent that we do so personal development will always be paramount.

As we are likely to go into a recession, there will be a huge opportunity to significantly expand our personal portfolio, but I'd also like to look at ways that we can work with some of the hardest to reach in society and reduce homelessness among ex-offenders. I feel a social obligation to make a positive impact in this area having worked in prisons for nine years and seen how ineffective the system is.

One of my more outlandish goals is to build a hotel in space, so when people say "the sky is the limit", I'm taking it to a whole new level!

# PRIVATE FINANCE

## HOW DO PRIVATE LENDERS THINK?

Property is a great asset class. The problem is, it can be very capital intensive. Yes, you'll borrow the vast majority of the capital you'll need to finance the purchase (if done correctly), but what about the associated costs: cost of borrowing, legal fees, and, more importantly, refurbishment costs?

On the forums and Facebook groups you'll hear terms like "fixed return", "investor funds", or – my biggest pet peeve – "OPM (other people's money)".

If you've found an individual or company that is willing to lend you the capital to execute your project, well done. This is a feat in itself and should be commended. I'm going to assume you've found a private lender, or as you might call them, an "investor". The problem with most property investors is that they think us private lenders offer money to anyone for any project on a "fixed return", but it is seldom that simple – especially if you are new to the receipt of private finance.

Being a private lender myself, I'm hoping to help you understand how we think and behave.

Small businesses and property investors borrowed **£113,498** from our company in 2019. We also invested **£201,362** into joint ventures (JVs) in this same period. Now, I can't speak for all private lenders as we can differ quite a lot, but most of what I discuss will be typical across the board. I also have to stress that what I look for in a debt investment is very different to what I look for in an equity investment, so let's just talk lending for now.

### PEOPLE

First and foremost, do I like this person? If I don't like them, I won't lend to them, especially if they're not credible. Do they have a business card? Does their website work? What previous projects have they managed? A common misconception here is that I will automatically lend if you have been on a training course for two days. Incorrect. We don't just lend money "on a fixed return basis" because you understand what 'ROI' (return on investment) means...

I think I speak for the majority of my colleagues when I say we look for credibility. Don't get me wrong – I'm not saying you always need bags of experience for us to lend, but how much we are willing to lend (risk) will absolutely be influenced by your demonstrable experience. But it isn't necessarily a barrier. I look for a critical thinker, someone who understands the project and, more importantly, who can deliver. Whilst I know some colleagues who are adamant on a credit check, I'm not.

### PROFIT

Counter intuitively, I'm thinking about my borrower's profit more than my own. Is there enough margin in their project? Can it sustain losses? To what extent can it be stress-tested? If you aren't successful, then I won't be. We don't do heavy due diligence, but we will check the deal.

### PERCENTAGES

This is where lenders differ enormously. In our business, we charge an interest rate of 12.5% per annum, payable monthly. One of my colleagues charges 8% per annum, payable quarterly, and I know another who charges 3% per annum, payable in full on redemption. How long the project will take is important, as this will determine how much I earn from your loan. How long is a piece of string? If you become very good at what you do, in some cases you can dictate to lenders what the rate and term will be, or cherry pick those who are prepared to lend at your desired rate.

### PRESERVATION

Finally, we have to think about risk. Once that money leaves our account, we may never get it back. Managing risk is the biggest part of what lenders do. Depending on the amount we lend, I tend to get the following securities:

#### Fixed and floating charge over the company

This is the same as a mortgage charge on the limited company. If this company is an SPV (special purpose vehicle, due for wind up on completion) then a charge is crucial.

#### First/second charge on the property

If we are lending large sums of money, we will look to take a charge on the property itself. If the capital we deployed isn't used to purchase the property, we will take a second charge.

#### Cross-collateralisation

If you don't have equity in the project on which we can take a charge, we may ask if you have equity in another property that you can offer as security.

#### Personal guarantee (PG)

Whilst I don't typically look for PGs, some private lenders will. This means they can chase you personally in the event of default.

Hopefully, this nutshell article has shed some light on how a private lender operates. Each case will be different. In terms of JVs, this is a completely different area. There is a huge set of Financial Conduct Authority (FCA) rules governing how you find and present yourself to private investors.

Nathan Winch – Private Investor





## WORKING WITH PRIVATE INVESTORS

So we've talked about private lenders. What about private investors? To many, this is the Holy Grail. By leveraging the resources of others, you can realise greater profits. There are some caveats, though.

Joint ventures (JVs) generally refer to businesses. However, you property investors kind of hijacked this term and applied it to property. I suppose it makes sense given that most JVs use SPVs (special purpose vehicles), which are sort of businesses! But let's delve into the mechanics of a JV partnership, along with some of the "dos and don'ts" that accompany it.

### THE RULES

Much of what private investors look for is very similar to what private lenders look for but, in the case of investors, they will be much more stringent on their rules and generally go further than just doing some light due diligence. That's because, as an investor (in equity, not debt), they become much less what we in the industry call "senior" – they move to a more "junior" capital position. This means that if the project fails, they will be the last people to get their money back, if they get anything back at all.

Another important aspect of finding JV partners is a little-known directive called PS13/3. This is a set of regulations set out by the FCA that govern who, how and when you can ask people for investment capital. Fall foul of this and you'll find yourself on the wrong side of them. Essentially, the FCA used to state that you may only advertise investment opportunities to "sophisticated investors" who can either prove that they earn at least £100,000 per year, or have net assets, excluding property and pensions, of more than £250,000.

However, these rules have been relaxed to help small businesses looking for investment. Investors can now "self-certify" their status which moves the liability away from you, as long as the investors meet at least one of the criteria set out below:

- They have made at least one investment in an unlisted security in the previous two years;
- They have been a member of a business angels network for at least six months;
- They have worked in a professional capacity in the provision of finance to SMEs in the last two years, or in the provision of private equity;
- They are, or have been within the last two years, a director of a company with a turnover of at least £1m.

This self-certification must be in writing. Once an investor has done this, the protections for them with regard to the promotion of securities by someone authorised under the Financial Services Act are removed. The relevant "risk warnings" must still be included in Promotions (your proposals).

So these guys that ask for investors on LinkedIn or Facebook have no control over the audience that sees their "Promotion" which means that the vast majority of people who read their post are non-sophisticated investors. This means that the person who posted is now in breach of Article 23 of the Promotion of Collective Investment Schemes Order, in Article 50 of the Financial Promotions Order. Unless you can guarantee your audience is made up of sophisticated investors, then you are going against the FCA's rules.

### WHAT WE LOOK FOR

Now we've covered the rules, what about the investor themselves? Well, as I previously mentioned, investors look for many of the same things that lenders do, except that they will go the extra mile.

Generally, investors will want to see experience. I know I do. Have you ever bought an investment property before? If so, what were the particulars of the project? How many of these projects have you carried out? And how many were successful? What can you demonstrate to me that will give me confidence that my money won't just disappear into a black hole of inexperience? Do you have a project CV you can show me? If not, unless you can charm the proverbial pants off me, you'll need to partner up with someone who has all this experience, or I won't touch it with a bargepole, proverbial or otherwise.

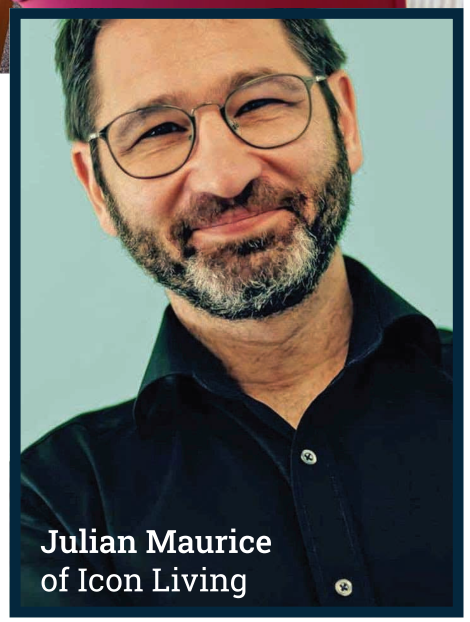
Investing is much more dangerous than lending, as it generally comes without many of the risk management provisions. Lenders get a fixed return, whereas the return for investors is linked to the profit (success) of a project and is therefore speculative. So in effect, unless we take equity for free and then loan the money to the business (utilising all the collateralisation tools) then we have pretty much no protection – we are relying entirely on your ability to make the project work. On the positive side, it does mean we can get involved and help steer the project, but in most cases investors are busy professionals that won't want to do this, otherwise they would just do it themselves.

To conclude, my advice would be to put together a project CV showcasing everything you've done to date (including mistakes and failures). If you are new to property, partner up with someone that has experience and craft yourself a credible and professional team to impress your investor.

If you had £1,000,000 to invest, would you put it into an individual/a team who had completed and closed on 20 successful property deals, or someone who has never bought a property before?

Hopefully we have somewhat demystified the world of private finance today.
To find out more about us, visit winchandco.com.

# REAPING THE REWARDS FOR INVESTING IN QUALITY



Julian Maurice
of Icon Living

Back in the 1990s, before I grew up, I had kids, bought a semi, hosted small-talk dinner parties, I lived in HMOs (house in multiple occupation). Each shared house I lived in holds great memories: the friendships, the freedom, partners, breakups and the fun. Little did I know that at the age of 51 I would find myself living in a shared house again. I won't go into gory details, but I've moved into one of the HMOs that I designed. While my first night was scary, I have rediscovered the value and convenience of shared HMO accommodation and its significance in the buy-to-let market, especially for single folk like me. I have to say that in my experience, most HMOs fall way short of offering what's needed – sure they may have good-looking coloured feature walls and some nice dressing items, but what really makes a HMO a good place to live is rarely on offer.

Firstly, I would like to share with you why I prioritise good design when developing a property. From early in my career I understood the value of under promising and over delivering. I rarely have to look for new clients and when renting rooms, I usually do one viewing and I get a great long-term tenant. I've only lost one tenant during lockdown (the room I've moved into) and all the rest of my tenants have continued to pay their rents on time.

What's interesting about moving into one of my own HMOs is gaining first-hand experience of what works and what needs improvement.

So, what type of HMOs do I own? My strategy is very different to most: I'm not a fan of large/commercial HMOs because I believe that a smaller house (three or four bedrooms) makes for better living for the tenants and I find that the properties are easier to manage, especially where the people sharing don't initially know one another. I don't need to deal with licensing as my area has no Article 4 restrictions. I can also take advantage of standard buy-to-let mortgage rates even with room-only tenancies. Smaller properties mean less wear and tear too, and over the years my houses have only required minimal upkeep.



"Shelving so I can personalise my room..genius!"

"Heating system designed for landlords..so smart!"

> "The design is not just what it looks like and feels like. The design is how it works."
> **Steve Jobs**

I find a three-bedroom property can return £650pcm profit and my four beds bring in almost £1,000pcm profit when the lending is balanced right. I like to leave plenty of equity in a deal. Four small houses are easy to manage on my own and I have discovered I can sustainably expect £30k net income. Add that to my income from other ventures (I'm not one for keeping all my eggs in one basket!) and I can easily buy my freedom with a very small portfolio.

Keeping things small and simple means I can run all my businesses from my laptop. I'm now finding I have more time for travel, I have complete flexibility and am getting more and more stress-free time. Indeed, I'm writing this from the back of beyond in Italy!

My HMOs are visually striking, but this is not their true strength. In fact, the key to good design lies in what you can't see – solving the unglamorous, but essential everyday stuff, ie: ensuring there's lots of storage, sufficient plugs and charging points, a decent mattress, a desk to work at and successful shared spaces. Iconic product designers at the top of their game insist that it's how something works that's really important:

It is my belief that a comfortable bed and plenty of storage are the two biggest priorities when it comes to creating a HMO room and, after moving two car loads of stuff into a small bedroom, I am so glad my room has somewhere to fit everything in, with space for my books, CDs, photos and ornaments. A bed: again, it's so simple, a bed has but one function – to give a comfortable night's sleep. Objective achieved: my bed is really comfy as I made sure I put in a really good mattress with a comfortable topper.

Had I moved into someone else's HMO I would likely be battling with insufficient storage, a cheap springy mattress and insufficient plugs, meaning a poor night's sleep, a lack of space to put my stuff, nowhere to plug in my TV or laptop conveniently, and nowhere to put my personal things that turn a space into a home.

The next thing I focused on was creating successful shared spaces. Again, comfort and functionality are key when it comes to designing shared

> "If you understand the function of an object, the rest of the design becomes obvious."
> **Ferdinand Porsche**

"My reading light also provides ambience!"

"Conveniently located sockets..that's clever!"

living spaces. How many landlords actually try out their sofas for comfort? How many fit shelves? Or HDMI points for an entertainment system? My living room has space to eat, relax and play. I included a PlayStation and in all my houses and I provide Netflix, Now TV Movies and Entertainment and Disney+ accounts. I only need to buy one account for each and share them across my portfolio. Having all that entertainment at hand has made lockdown so much more bearable. Anyone seen The Mandalorian? It's awesome!

There are plenty of other hidden elements of a design that make a shared house liveable and it's not expensive marble worktops, blue LED lights and jacuzzi baths. It's the small inexpensive details that so many property developers and landlords miss: the robe hooks on the back of doors, the pendant light next to the bed, the well-located USB sockets (trust me, they are really useful) the ample storage in the kitchen that takes a full week's shopping, the soft carpets, the large tray in the shower, the fact I can take a bath and have great Wi-Fi... the everyday stuff that makes living in the house so much easier and more enjoyable.

Even at the very earliest stage of the buying process I took the time to plan the entire interior layout, so that on completion all the furniture was perfectly located to maximise space and functionality.

So, what about the colours and the cushions? Minor details to be honest, but I don't use colour on bedroom walls, I wouldn't fancy living with a large yellow wall; I only paint colourful walls in communal areas.

And finally, there's the people I'm sharing with: polite, kind and friendly. As someone finding themselves living alone again, it's so nice to have company. As a landlord I make a point of handpicking my tenants. My properties attract people who want something a bit different, the ones who recycle the rubbish and take the bins out, the ones who will do the gardening and clean the patio, the ones who love and respect where they live.

In conclusion, I really don't have anything bad to report. My small room with a shared bathroom is an unexpectedly good place to live, even after having had the run of my own house. My housemates are lovely and I am really enjoying the experience once again; it's great to have a landlord who is prepared to invest in quality.

If anyone reading this has any doubt as to the value of investing in quality, just Google: "How to make profits in a competitive market". You will see that investing in quality, good customer service and finding a point of difference from the competition come up time after time in reports and studies carried out the world over. It's a mystery to me why these principles aren't generally carried over into the buy-to-let industry, but it does give me a great advantage over the competition. Oh, and it's why my clients and I are appearing in this magazine this month, too... It's not rocket science, it's just about good practice if you want your business to survive in a tough market. It not only ensures customer satisfaction, it simplifies maintenance, gives product longevity and brings improved, sustainable, resilient and long-term profitability. Don't take my word for it, listen to the real experts – those who, time after time, create iconic and long-lasting products. It really works.

"Good design is probably 98% common sense. Above all, an object must function well and efficiently – and getting that part right requires a good deal of time and attention."

**Sir Terence Conran**

Julian Maurice runs an interior design course for landlords and developers with a global reach and has an excellent track record. Julian also offers interior design consultancy services and his work is often featured in industry magazines. His influence can often be seen posted on various social media platforms – he is a true influencer. For further details on his products and services or to get in contact with Julian, visit his website iconliving.co.uk.

# THE APPEAL OF THE "NEW DEAL"

## WILL THE NEWLY RELAXED PLANNING RULES ON COMMERCIAL TO RESIDENTIAL CONVERSIONS ENCOURAGE YOU TO VENTURE INTO THIS AREA OF INVESTMENT?

Hayley Gilbert,
Commercial Solicitor

On 30 June 2020, Boris Johnson announced that his government will implement, "the most radical reforms" to the planning system since World War II. One of the proposed reforms, due to come into effect in September 2020, is that property developers will be able to change a wider range of commercial buildings to residential use without the need for a planning application. Vacant retail units and shops that are not reopening owing to the recent pandemic are prime examples.

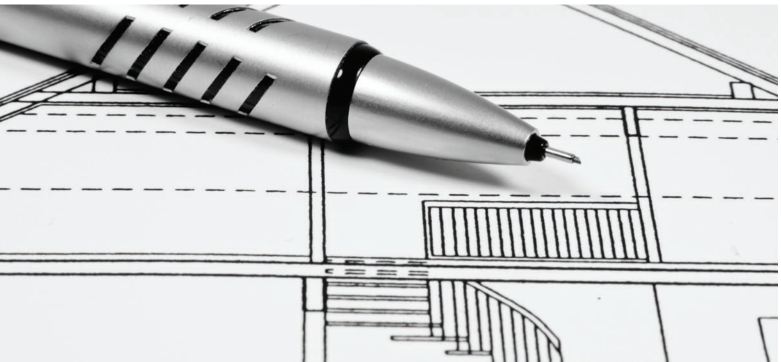
If, in the past, you have avoided a commercial to residential conversion because of the time and cost of ploughing through the planning process and its red tape, perhaps now is the time to revisit and see if it is now worth your while making that transition into commercial property investment.

You may also be put off by the unfamiliarity of the commercial conveyancing process as opposed to residential conveyancing, but my aim here is to assist and hopefully shed some light on this.

If you are considering the conversion of a **vacant** commercial property into residential units, some of the common – more complex – issues that crop up when dealing with purchasing commercial property are not relevant. These include issues associated with business tenancies, rights over common areas and purchasing the business that comes with the property. Without these concerns, conveyancing costs can be minimised.

Broadly speaking, the main commercial conveyancing procedure remains the same as residential, with the initial checks and investigations being carried out by your commercial property solicitor prior to exchanging contracts, and the transfer taking effect on the completion date.

As with residential purchases, part of the investigation will include carrying out searches against the property, but one of the differences is that commercial search fees are usually higher than residential and will in most cases include an additional, more in-depth investigation into environmental matters. However, the increase in fees is usually because you are buying a larger property or area.



Another key difference is that the seller will need to provide replies to commercial property standard enquiries (CPSEs), a more complex set of enquiries than those used in residential. The CPSEs are very detailed and include a huge amount of information owing to the increased complexity in commercial matters. This can result in delays, and often a commercial property transaction will take longer to conclude than a residential matter. But again, this is because you are usually buying a larger property – one that will hopefully give you a greater return on your investment.

The process is also slightly different if you are obtaining commercial lending to fund the purchase. Commercial lenders usually instruct their own solicitors to carry out lenders' due diligence (whereas the same solicitor typically acts for both buyer and lender in a residential matter). This may mean that the process is longer, but again this is normally because the property is larger, has a greater degree of complexity and ultimately that the amount being borrowed is greater.

If you're now thinking that you were right all along and investing in commercial property is more complex, expensive and time consuming than simply buying residential from the outset, then also consider that – as well as the proposed planning reforms to make it easier to convert to residential:

- stamp duty land tax (SDLT) is not payable on commercial property (or mixed-use property) under £150,000, compared with the residential threshold of £125,000 and you won't be hit with the 3% surcharge when purchasing a commercial or mixed-use property;
- retail and leisure properties have recently fallen in price and there are many vacant retail and leisure properties on the market and a number of owners looking for quick sales. This – together with a shortage of town centre residential properties – means that there are many opportunities currently available;
- commercial loans usually boast a lower loan-to-value rate in comparison to residential.

So, if you have found some appeal in Boris's "new deal" after all, a decision to buy commercial property now could be a lucrative investment for you.

A word of warning: please always seek legal advice when considering purchasing any commercial property. If you need any further help, don't hesitate to give me a call: 0333 358 3603 or email me at: **hayley.gilbert@bwlconsulting.co.uk**.

CASE STUDY OF THE MONTH

# CREATING A HIGH-SPEC HMO FROM SCRATCH

Andy Ellard
of Mindful Property Ltd

Andy Ellard, 42, of Mindful Property Ltd, lives and invests in Birmingham and the surrounding area. Although he's been working in property since 2006, he says that it wasn't until 2017 that he discovered property network groups and started to attend regular meetings. From there, he enrolled on property training courses to expand his knowledge and changed his mindset from that of an amateur to a professional.

Between 2006 and 2017 he bought five properties, two of which he refurbished and sold on, the other three he converted into student HMOs (houses in multiple occupation) and held in his portfolio. Since July 2018 he has bought three properties with joint venture (JV) partners and completed four HMO conversions. His property strategy is to convert properties into very high-spec HMOs to generate cash flow. All of the properties converted so far have been taken back to brick and then reconfigured.

We asked Andy to share his most recent venture with our readers.

## The purchase

I found the property deal below through an inexperienced deal sourcer. It's in north Birmingham, a short journey to the city centre. It was originally a four-bedroom, three-storey mid-terraced house, in terrible condition, but it had a lot of ground-floor space so I knew it could be converted into a luxury HMO.

The plan for the property was to turn it into a spacious, six-bedroom HMO, each with an en-suite shower room. I initially viewed the property with the vendor and the sourcer, but the property was also for sale with three estate agents. The asking price was 220k and the sourcer had agreed to a purchase price of 216k. However, for this deal to work, I needed to buy the property as close to 170k as possible.

After the first meeting I negotiated with the vendor directly. He wasn't the easiest of people to handle, both during the negotiations and the sales process and it took 4½ months of negotiating – following up via phone calls, texts and face-to-face meetings – to finally agree to a purchase price of 173k, so a massive 47k off the original asking price.


The funding for this project was provided by my JV partners at Blacks Property Solutions: Guillaume Black, Florian Moulin and Jana Ciganova. We all met on Saj Hussain's Inner Circle mentoring programme. They have been fantastic partners and we plan to do more projects together. Guillaume worked very hard at raising the funds, Florian completely systemised the project and Jana organised all of the back-end detail and paperwork, making for a very smooth project. It's been a perfect partnership. We'd become friends over the many months before starting this particular project, so we already knew we shared the same values and goals, which I would consider essential. Most importantly of all, we get on really well and have developed trust.

## Design

The design concept for the HMO is modern and functional, creating a nice flow to the property. We designed the whole project ourselves. From an aesthetic point of view, we all love the bright colours and dark contrasts, from the paint colours to the wall art and furnishings. We wanted the property to stand out from the competition and provide a wow factor when people walk in.

For added luxury we gave the tenants built-in desks, wardrobes and shelves, again to differentiate from the local competition. The design was very specific and followed a similar theme to my two previous projects. I have acquired my design skills from my mentor, interior designer, Julian Maurice. My JV partners have also completed Julian's interior design programme. He has been a massive help and influence on all of my projects.

My goal from the beginning of my journey has always been to see the customer's point of view – a consideration that Julian inspired in me. I want to create amazing spaces for my clients to live in – not just any old room in a house; we want them to call our property their home. For my HMOs, I have always targeted working professionals – we find these tenants via a mix of online advertising and local tenant finders.

## The refurbishment

The scale of the refurbishment was quite extensive because we intended to strip the property back to brick and start again, so we planned the process in advance of the work starting. The layout and floor plan of the property were decided well before we appointed a builder. The refurb took five months to complete from start to finish.

We designed the layout – including the position of the electrical points, switches and lights – and then we looked at the colour plan layout. Working this way meant we knew where everything was going to be before we got started, which is key to a successful project. Thanks to Florian's skills, the floor plans and layout came together quite quickly and easily. But, as anyone who has refurbished a property will tell you, these plans will always need to be tweaked and adapted as you progress through the build as something always comes up when you're stripping back to brick. We had to be prepared to make quick decisions daily and we did encounter a few unforeseen

problems that we were able to address straightaway. For example, we found lead piping had been used throughout the whole building which resulted in low pressure so we had to replace these with new copper pipes and get Severn Trent Water to replace the pipes leading to the main on the road.

We also found that most of the floors weren't level meaning that cupboard doors wouldn't open properly so we had to reset the joists and install new flooring. Indeed, some of the joists themselves were rotten and had to be replaced. In the existing bathroom and the ground-floor extension we found problems with some of the brickwork so made the decision to rebuild parts of those rooms altogether using concrete blocks. Finally, across much of the ground floor we found the concrete floors to be in poor condition so brand new concrete floors were laid. In each instance we reacted quickly to keep the refurb on track.

## An overview of our refurb process

Here are the key areas we undertook to complete the refurbishment:

**INTERIOR**

- Strip property back to the brick
- Rebuild some brickwork and install steel beams
- Readjust the joists as many of them weren't level
- Lay new floors throughout
- Complete rewire including: a fire panel with call points, interlinked smoke alarms, emergency lighting and fire doors
- Fit new boiler system and tank, sufficient enough to provide hot water to six showers
- Install suspended ceilings, for ease of electrical and pipe runs, and to make them level
- Partition walls, creating en-suite bathrooms and built-in wardrobes
- Install insulation, new boards and plaster throughout
- Install lighting fixtures and fittings
- Install new doors and woodwork throughout
- Fit brand-new kitchen including: two hobs, two ovens and a dishwasher
- Paint to our specific colour scheme

**EXTERIOR**

- Four new roofs
- Replace guttering and fascias
- Completely render the rear of the property, with insulation installed on the outside
- Landscape the garden and erect new fences, front and back


## The cost of the project

- Purchase price: £173,000
- Total cost of refurbishment and extra costs: £140,000 (including furniture, furnishings and preparing the property to let)
- The end value of the property is estimated at £420,000 based on comparables of my previous projects
- The property is expected to generate a cash flow of £1,600 profit PCM
- Return on investment (ROI) based on this valuation will be around 40%

## Lessons and advice

On every project you learn something new and, although this was a very smooth project, we still learnt lessons along the way:

- Always plan as much as possible in advance – you cannot over prepare. Even though we planned extensively on this project, the next time we will be even more prepared.

- Get four or five quotes for the works based on your schedule of works and plan. But it's not just the price you should consider. Our builder was fantastic on this project and it's the first time I have worked with him – he came recommended by a friend. It was his attitude, attention to detail, high-quality finish, work ethic and personality that helped us decide to use him. Always ask for them to show you their previous work and speak to previous clients. Get recommendations from people you know well.

- Be as specific as possible in your schedule of works. Have a very detailed specification list of everything you want in the design and build. The more information the builder has beforehand, the easier the process will be for everyone.

- Always confirm everything in writing with your builder so it is clear. If you make a decision verbally this can be open to interpretation.

- Make sure you are realistic about your budget. You will nearly always go over budget so have a good contingency built in to your costs.

- Be prepared to make quick decisions and solve problems on the spot as situations will evolve during the build.

I hope my experiences will prove useful to others and you can take some hints and tips from this. Good luck with your own projects – I'd love to connect with you, so please feel free to contact me via Facebook or Messenger: facebook.com/andy.ellard.