**PEP 114 Edited\_Transcription**

[Speaker 2] (0:06 - 1:44)

Welcome to the official property entrepreneur podcast. It is the first of the month ladies and gents, which means it's time to lift the bonnet on some of the UK's most creative, lucrative and award-winning deals on our deals, deals, deals podcast with my good friend, Mr. Mark Barrett. Mark is an award-winning entrepreneur.

He has a wealth of experience in property investing. He's done 25 years as a landlord, 10 years as a broker, and he's been sourcing property deals for other people for over a decade. Mark joined us on the property entrepreneur board in 2016 and has been a board member ever since, which is our highest level programme where I work directly with our property entrepreneur board members.

He's done over 50 option deals as well as delayed completions, planning gains, commercial developments and over 40 HMO conversions. As well as property, Mark was also the founder of the HMO agency. He now runs the property brokerage, which broker property deals for landlords and investors.

So he knows this stuff inside out. And during these podcasts, what he's going to do is share everything he can with his experience, his expertise, his wisdom and insight to give you all the information and inspiration you need to apply this in your own business. Each month on the first of the month, Mark's going to be interviewing some of the UK's market leading and award-winning investors and developers to show various deals, structures and strategies to enable you to apply this in practice.

It's the first of the month. It's time for deals, deals, deals. So over to you, Mark.

[Mark Barrett] (1:48 - 1:55)

Hi, it's Mark and really excited to be welcoming my next guest, Mo. How are you doing, Mo?

[Murat Haykir] (1:55 - 1:57)

Hello, Mark. Yeah, very good. Thank you.

[Mark Barrett] (1:58 - 2:06)

So Mo is on the property entrepreneur board for the second time. So you took a year out with your new baby?

[Murat Haykir] (2:06 - 2:11)

Yeah, I had a year off last year. We had our son and then yeah, back to where I'm going to go this year.

[Mark Barrett] (2:12 - 2:17)

Excellent, excellent. So if anybody that doesn't know you, would you like to give a brief introduction?

[Murat Haykir] (2:18 - 3:01)

Yes. So I'm Mo. I am now 36, having just had my birthday a couple of days ago and full-time in property since 2016.

We've got a couple of businesses. We've got Moorview Property, which looks at sourcing, refurbishment and management of HMOs down in Plymouth, in Devon in South West. And then we've got a development company, which is KHP Group.

And we specialise in converting heritage and listed buildings, mostly into apartments to sell. And again, that's down in Devon, between Plymouth, Torquay and Exeter, our main projects have been and are at the moment. So yeah, that's the two sort of main areas of focus.

[Mark Barrett] (3:02 - 3:03)

You're actually based in London, aren't you?

[Murat Haykir] (3:03 - 5:24)

Yeah, I live in North London. So the story is myself and James, one of my business partners, met in halls actually at Plymouth University. So down there, we got put into the same halls and became friends then.

And then he's sort of really into construction, he's got a construction background and went and did that after uni. And I was sort of doing business economics and accounting and we sort of came together and were like, we can do this property lark. So we did like an industrial placement year between the second and third years of uni.

So we both had an income and managed somehow to get a mortgage for a property, bought an HMO, although we didn't know that's what it was called at the time, in 2010, in Plymouth and did some work on it over the summer and then lived in it in our final year. And yeah, that's how it all started. Lived in our final year, rented a couple of rooms out to friends, which sort of covered the mortgage and the bills.

And then we kept that property for a couple of years while we went off and did our graduate sort of placement years and graduate training programmes and stuff. James worked in construction and I worked for Lloyds Bank and then bought a couple more properties. And then by 2015, James quit his job and then 2016, I quit mine to jump in full time.

But that's why we started down there and then through the PIN network, we met our business partners in KHP. So James and I are in Moorview and then we joined forces with our business partners for KHP who have got sort of, one of them's been an architect for 30 years, one of them's a building surveyor, one of them's got a sort of interior design background. And so we sort of joined forces with them to create KHP and that's why it's all based down there.

But yeah, they all live either in Plymouth or in Torbay and I'm up in London. But a lot of my role is around investor relations and I've had a lot of investment meetings in London and it's just a good place to be if I need to travel sort of north or travel anywhere to meet anyone or yeah, it's just good being based in London. So it's worked quite well for my role.

[Mark Barrett] (5:24 - 5:31)

That's good. It's interesting then how you met your business partners then, PIN meeting, so it is good to get out and network with people.

[Murat Haykir] (5:31 - 7:25)

Absolutely. So one of our business partners, Phil, he was the host of the PIN in Exeter. Okay.

And we sort of basically, as soon as we started doing property seriously, we were PIN helpers. And I think that's a really good, probably good top tip when you get started is you just get out and I mean, you don't get paid anything anyway, it's just sort of voluntary. But the point is, you get exposure, you get to speak to everyone there, you start, you get there before everyone else, you leave after everyone else.

You get to speak to everyone, find out who's got deals, who's got money, who's got experience, and it gives you sort of a platform and credibility. So, and in fact, I don't know if they still do it, but it used to be that the PIN helpers got the first sort of first session to like, you know, when you'll stand up and say what you're there for, it used to be like they let the PIN helpers do it first and then they went to everyone else. So you're always like the first person to stand up and speak about what you were doing and what you wanted and what you could offer other people.

So yeah, it's definitely a good network to meet people in. Yeah. And actually another thing on that, when we first started working together, Phil actually offered to do some architecture work because he's an architect.

He offered to do some drawing work and planning stuff for us. And then we were like, okay, yeah, amazing. Thank you.

How much can we pay you? And he, I still got the email actually, he emailed back saying, I don't worry, like we'll just do this on the basis of like building a relationship and, you know, something for the future. He didn't charge us anything for that.

And then that one, you know, bit of work that was probably, I don't know, a few grand's worth of work has now sort of escalated into a, you know, a fairly sizable development business. And we've done, we've done quite a few projects together. So yeah, that, I suppose that's another thing to sort of think about in terms of like building relationships and networking.

[Mark Barrett] (7:25 - 7:26)

Painting forward. Yeah.

[Murat Haykir] (7:26 - 7:26)

Yeah.

[Mark Barrett] (7:27 - 7:42)

Yeah. That's good. How did the first conversation get going then, as far as working together?

How did that, because I think people might be listening, maybe on their own, it probably can be lonely and it's kind of like how to work with other people. So how did that actually come together?

[Murat Haykir] (7:43 - 9:31)

Yeah. So, well, we needed, so, so we, Phil, Phil had a skill. We, I mean, we were in a relationship, like we knew each other.

So that was, I suppose, the key thing is sort of like, no, like trust that kind of kind of model. We already knew each other because we were both in the pin network and we'd met a few times and all that kind of stuff. And then you just get talking around, like, oh, we're doing this project and, you know, we need some, some support with some drawing work and advice and stuff.

And then that, then he, then he then said, okay, well, you know, I can, I can help you out with that stuff. And then, yeah, so it was just talking really, and just, just finding out, I suppose the key thing is what do you need and what can you offer other people? I think that's the, that's the key thing.

And I think that one of the things that works with KHP is that we all need something because we don't have all the skills we need to be able to run a development business individually. But we also offer something different that from what the other people have. So for example, Phil's expertise is architecture.

I do sort of investor relations and sales and marketing. James is a construction manager. So he does a lot of the sort of project management and project delivery and ops and stuff.

And then Kyle is, he's a building surveyor, but he's, he's basically the finance director, does all the finance bits. And then Xi was sort of more involved with, with interior design and stuff like that. So I suppose what's the phrase, the sum of the parts of more than the individual, I don't know what the phrase is, but you know, like we all come together.

And I think the key thing when you're starting out is what can you offer other people? Like this is, when you're starting out, there's loads of things you need, like you need experience, you need money, you might have time. What can you offer other people that can, that can help fill, fill their gaps.

And I think that's why we started working together originally.

[Mark Barrett] (9:31 - 9:36)

That's good. And then as far as a property entrepreneur, was it about 2018 that you joined?

[Murat Haykir] (9:36 - 10:28)

Yeah. So Phil actually was, I think he did it a year or two years prior to that. And it was quite funny because he, he was used to come to our board meetings and tell the story about, you know, about the race car analogy.

Like you can't like, you know, you can't drive the Formula One car all year at like full speed and stuff like that. And we was used to take the mick out of him. And it used to be a bit of a running joke of like how, how long into the board meeting until Phil mentioned something about, you know, the business being like a race car and you have to rest it at certain times of the year.

So that became a bit of a running joke. And then when we started myself, James and Carl actually then started doing property entrepreneur, we were like, ah, so this is what he was talking about. Like we, um, yeah, we felt a bit bad that we've taken the mick out of him for all that time, but it made perfect sense when we, when we got started.

Um, so yeah, about 20, I think it was 2018, 2019, we started all three of us started going on.

[Mark Barrett] (10:29 - 10:34)

Yeah. And then you joined the board a couple of years ago.

[Murat Haykir] (10:34 - 10:53)

Yeah. So boarding joined the board in 2020, um, which was great. I loved it.

Um, and then had a great year, um, and then just decided to just take a year out and just go back to doing the advanced program last year. Um, well, when we had our, our son, um, yeah. And then just restarted a couple of months ago.

[Mark Barrett] (10:54 - 10:57)

So those into wealth dynamics, what's your profile?

[Murat Haykir] (10:57 - 12:58)

So I'm a dynamo. I'm a creator. Um, I'm more like create a star.

So like, I'm like top sort of top right a bit more, but I'm quite rounded. So I've got sort of, yeah, my profile is quite, is fairly rounded with a little bit of sort of the biggest is, is towards creator, create a star. Um, so, and then James is similar to me, but he's slight preference is more like create a mechanic.

So like top left, um, and then two of the other directors in KHB are creators. So Phil and Phil and Zy are both creators, which makes sense because Phil's an architect and Zy, you know, you know, has got an interior design background and skills. So that sort of makes sense.

So we've then got Kyle who's our resident Lord who, um, helps try to balance this out. But, um, yeah. And then, and then pretty much a lot of the team that we've recruited and that we've got now, um, fill in other gaps in, in the business.

So we've got, um, you know, we've got a tempo who's, um, one of our, uh, who's our development manager. So he, he sort of from an ops point of view, just keeps everything on track and, uh, runs, runs the projects day to day. So, and I think that's the key thing you either, you know, you either have in terms of skills and I suppose profile as well in wealth dynamics, you either need to have a mix of that in your, in your board and your directors or, or within the team or both.

So, so you've sort of got a bit, you've got different skill sets. Um, but it's definitely been a challenge for us. And I think, you know, having four creators is, um, versus one, um, Lord is, uh, is, is always a bit of a challenge, which is probably why we've done, you know, in the past we've done service accommodation and we've done, and we've done HMOs, which we still do, uh, development and, uh, and stuff like that.

So we've, we've honed in a bit more over the last few years and stopped doing stuff like service accommodation and things like that.

[Mark Barrett] (12:58 - 13:03)

But yeah. So the main strategy there for KHP, what is that then?

[Murat Haykir] (13:03 - 14:04)

Yeah. So it's, um, it's converting heritage and listed buildings into apartments for sale, basically. Um, we've done a couple of projects where we've done big HMOs.

So we've done a 30 bed HMO and we've done a 32 bed HMO projects that we've, that we've now that we've sort of refinanced and held onto, um, just to build the HMO portfolio, but predominantly it's selling, it's selling the units because when you get through the development and you've got the units at the end of it, you know, you have to put them on for a premium price because you know, projects generally overrun and cost you more than they think they're going to cost you.

And you've got investors on board. So we've looked at it before in terms of, well, just refinancing those and holding onto them, but actually the yield on, on, on the flats aren't, aren't always fantastic depending on where it is. Cause we generally try and do projects in sort of high value areas to make the, make the value stack at the end.

Um, and, and that generally suppresses the yield and you don't get, uh, you don't get as much yield there. So, um, so yeah, we, we, we, we usually sell all the units after development.

[Mark Barrett] (14:05 - 14:07)

And how do you typically associate these projects?

[Murat Haykir] (14:08 - 17:12)

So, um, we've, we've done everything basically we've done. Um, so going through the CQC register to see where there's like, cause some of the projects that we've done at care homes that have closed down cause they've had bad CQC ratings, um, going through offset reports and trying to find where we can potentially like write to schools, write letters to care homes that are closing. And, and actually the one we're going to talk about, we actually wrote them a letter.

Um, I can't remember where it came through, but it came through one of the, um, sort of direct letter channels that we were using. Um, it could have been CQC actually, cause I think they had a bad CQC rating and actually nothing came of that. But then a little while later, we then actually got the lead through Savills and it was a relationship an existing relationship we had with Savills to be completely honest for the size of the units that for the size of the stuff that we, that we buy.

Um, and the sort of heritage listed building element of it, those things, most of them have just come through agents. Um, yeah, it's a, it's a, it's a trickier one to do direct to vendor. Usually these size of the size of these buildings, they, they, they have a board or they've gone into administration and then you've got like various administrators or liquidators you've got to deal with, or it's probate and you've got to deal with an estate.

Like they're not, they're not like your typical, you might write a letter to someone with a house and they're like most motivated seller and then they just want to sell it. This stuff is a bit more sort of sophisticated in terms of how the decision making is or how the decisions are made. So we didn't actually have, we didn't actually have loads of success with, uh, with, with letters.

Um, we, we had a couple of leads through, but usually it fell over when you got to the point of the, who's the main decision maker. And, um, you might have one or two of the people on board, but other people are actually the other thing with direct to direct to vendor letters is again, to stuff like this, they typically have to like prove best value. And so it's not just one person making the decision as to like, I'm happy to sell it at this clinic, the money it's like they, they're then like, Oh, well I need to get a Ricks valuation and I need to put it to three local agents to give me a valuation.

And it needs to be on the market for 90 days before I can sell it to you. You know, those kinds of stipulations. So it's a bit, it's a bit trickier to do direct to vendor.

I'm sure, I'm sure it does happen, but for us it was just build good relationships with the agents, the agent, we bought this off. Um, we actually then bought our next deal off, which is a private school, a closed down private school in Exeter that, that had gone into administration sort of, um, just the beginning of COVID and had some bad, um, offset reports prior to that. And, um, yeah, again, it was just through the same agent and, um, just those relationships really just proving that you're credible, proving that you're credible.

We'd done this deal. Uh, the agent knew who we were, knew we were good for the money, knew we had investors, uh, et cetera, and you weren't going to mess them around. So that's the, that's the key thing really.

[Mark Barrett] (17:12 - 17:15)

Yeah. And when you're stacking deals, how'd you go about that?

[Murat Haykir] (17:16 - 19:04)

Generally the process is I'll do the sort of first pass, um, go out and have a look at it. And if, if it's, if it's worthwhile going to have a look at, um, do sort of back of a fact packet calculations around like how big, how big is it? How, you know, what kind of, how many units could we get in there?

Those kinds of things, working a little bit with Phil in terms of we've sent him the, send him the plans and he sort of does a block plan of like, you know, shades and area ends, like that's a two bed flat. That's another two bed flat. You can do an extension here, those kinds of things.

Very, very high level, um, quick and dirty as some people call it. Um, and then if it passes that, well then it will then go on to a detailed appraisal, which is what Kyle does, which is, um, yeah, you know, very detailed spreadsheet with all of our previous costings of how much things have cost us and, um, loads of formulas in, and then, you know, the risks, risks and, uh, uh, risks logs. So like what, what the risks in the project and things we need to close out before we sort of exchange on it.

Um, yeah. And I, and I think the, I think that process works really well. I think if you have the detailed stuff upfront, you, you either end up saying no to a lot of things early on because you haven't had the sort of creativity and optimism at the beginning of like, come on, we can do something here that's not working.

What about this? Those kinds of things. You either do that or, or, and, or you end up spending a lot of time analyzing stuff that wouldn't have even got through like a quick and dirty sort of back of a fact packet, uh, calculation.

So you have to do that sort of high level first. And then any of the past that you can do a detailed and spend, because once you're into a detailed appraisal, it's probably like half a day of work, you know, all the, all the back and forth trying to get the numbers in there, having meetings on it, half a day to a day of work. So you can't just do that on every day at all the time.

[Mark Barrett] (19:05 - 19:17)

Um, so, okay. Yeah. That's all.

And then how do you then structure deals? So you mentioned you've got, um, investors. Yeah.

Uh, so what'd you do per deal? Is it setting up an SPV and then how's that actually work?

[Murat Haykir] (19:18 - 20:55)

Yeah. Yeah. So we'll have an SPV.

Uh, the SPV will be 50% owned by, uh, like we've got two holding companies. We've got a trading holding company and a holding holding company, if that makes sense. So all of our HMOs we hold on to are in the holding side because the tax treatment is different for the two.

Um, on the trading side, we've got a holding company for tradings, uh, sorry, a holding company for trading that will own 50% of the shares of the SPV. And the other 50% of the shares will be owned by the investors that invest. And essentially the investors put in the equity for the project.

Um, and we'll then as a loan, they'll then get the loan back and there'll be a 50, 50 profit share at the end. Um, in the, over the last few years, we've introduced a preferential, um, like preferential interest rates. So essentially when you get the profit at the end of the project, the first slice that comes out is a sort of an amount of interest that's calculated on the loan.

Um, and what that does is that protects investors from projects that take longer and, you know, go on for longer because as the longer the project goes on, the more that interest amount accrues. Um, and then actually the smaller the pie is when you then come to see the 50, 50. So it's a really good, it's a really good, you know, it's been very popular with our investors and that mechanism.

And also it's a good incentive for us to try and get the projects completed as quickly as possible, because then, you know, the pie is the pie is bigger in terms of the 50, 50. So that slice comes out first and then we then split the split the rest 50, 50 so that the investors know that as long as there is a profit on the project, they're going to get at least the interest rate on their, on their loan. So it's sort of de-risks de-risks a lot for them.

[Mark Barrett] (20:55 - 21:02)

Yeah. So if there's money left in the deal, this is the interest rate lowered to like more of a commercial rate. How does that actually work?

[Murat Haykir] (21:02 - 21:36)

Well, this is why we sell everything that we've got investors in on, because it's just a lot cleaner. So we haven't got any that, we haven't got any projects that were going to be development projects that we sell at the end that we've then flipped into holding. We've sold everything that we've got.

Otherwise, yeah, you're right. It would be, you'd have to lower the interest rate down to something more commercial, but no, we've always just sold everything that we've done under this structure. Yeah.

Otherwise it's too, yeah, it's too, too confusing. The investors are investing for, you know, the returns, the risk and returns of the development project. So, you know, they're expecting the money out at the end.

[Mark Barrett] (21:36 - 21:39)

And typically what interest rates would you invest?

[Murat Haykir] (21:39 - 22:19)

We've done, some of them have been seven and a half, some of them have been 10, sort of deal dependent, like what the risks of the deal is there? Is it like a surefire planning, you know, like slam dunk on the planning? Is there a bit more risk in the planning?

So we've done that as well. Yeah, exactly. Well, no, that actually isn't, no, all of the investors get the same, like regardless of how much they've put in, in terms of the interest rate, it's more about the deal specifics and whether the deal is, you know, if the deal is slightly more risky in terms of it's 50, 50 on the planning or the planning might be for 10 units or it might be for 15 or whatever, then the preferential rate can be a bit higher, but yeah.

[Speaker 2] (22:22 - 22:56)

Just jumping in quickly with two things. So the first is if you're enjoying these podcasts and you haven't already ordered a copy of my brand new first ever released book, Karma Credits, please go to Amazon now and order yourself a copy of Karma Credits by Daniel Hill, and it'll explain to you the universal law of wealth, health and happiness. And the second, if you want a free report that you can read straight away, go to www.boomorbust.co.uk to understand the five things that I'm doing as we head into this next phase of recession. Back to the podcast.

[Mark Barrett] (22:59 - 23:02)

So do you want to introduce the deal we're going to discuss?

[Murat Haykir] (23:02 - 24:36)

Yes. Yeah. So the one we're going to go through is in Nittal Quay.

So this one was a former, it's called Whatcom Hall. So when we bought it, it was called Whatcom Hall on the market through Savills. We actually entered into a seal bids tender process by the time we actually got to to buying it.

So there were other people interested, and we actually then had to submit the seal bid on it. It was formerly a secure NHS facility for young people with mental health issues. But it had just been over the years, the standard of care just got worse and worse, and the CQC report reflected that.

So then it went into administration, and then it was being and then we just dealt with via Savills. We then dealt with the sort of dealt with the administrator. I mean, it's an amazing property.

It's got sea views on it. It's got huge grounds. There's like loads of trees and big fields and stuff on it.

So it was an amazing, amazing building. In the end, we got it at 800,000. So it was a big, big main building and then an annex.

And then there was a link building between the main building and the annex. It was like a later edition annex. So then our plan was to then just knock the link building down and then have two separate units.

So then we could put flats in the main building and then houses in the annex.

[Mark Barrett] (24:37 - 24:51)

I think for those interested in numbers, you sent over some details. So the main house, 762 square meters, and then the annex, 324. So just over 1,000 square meters and 11-acre site.

Yeah, it was a big, really nice. Yeah.

[Murat Haykir] (24:51 - 25:00)

Yeah. Big site. Yeah.

Really nice. Really nice. Big site.

So, yeah, it was, it's a lovely, lovely building.

[Mark Barrett] (25:00 - 25:12)

So, yeah. So the plan was to convert it into apartments. So you kind of like worked out how many you were going to get.

Were they a mix of twos and ones or were they all?

[Murat Haykir] (25:12 - 26:45)

So we got one, two and three beds. Yeah. There's one three bed in there.

Two, mostly twos. And then I think one, one or two, one beds. Yeah.

So again, working with Phil, who's one of the directors of KHP and is also an architect, got his own practice. So yeah, we sort of worked out what the plan could be. And so we've got four units accessed off the main entrance.

So we've got like, usually the developments are done around like stair cores. So like, how many can you have coming off each stair? So the main entrance and the main stairs, you've got two units there.

And then you've got one, two, yeah, four there. And then you've got three off the second stair core. And then you've got one that's actually got its own entrance.

So yeah, sorry, I confused myself there. So, so you've got, so four, four through the main entrance, you've got three units through a second entrance, which is sort of like around the back. And then you've got one that's actually got its own private, private entrance.

So it's really good. One, two, three, three of them have got private gardens with sea views. You've then got one that's got private garden that's just around the back without sea views.

And then that's the sort of the ground floor. And then the first floor, you've got sea views out of a couple of the units at the front. Yeah.

And then in the annex, we then put four, four houses in there. So they're three beds, three bed houses. And now we did some, did some extension works on the annex.

And yeah, just created four units there.

[Mark Barrett] (26:46 - 26:53)

And how did you actually fund all this then? So did you have like different stages of funding? How did that?

[Murat Haykir] (26:53 - 27:46)

Yeah. So we, so we started with LendInvest. So we were, so before we, I don't know if it's the case now, but previously we use crowd property basically for everything normally.

At the time we did this crowd property, didn't do a product, didn't do a no planning product. So if you didn't have planning, basically they couldn't fund the deal. So they weren't, they weren't doing that bridging.

I'm not sure if that's changed now. We've always done our like development. Once we've got planning, we've always done our development sort of loans with them.

So we use LendInvest. And then we used our investor funds to obviously buy it as well. That was the bridge to get the planning.

And then once you've got the planning, you can then go on to the crowd property. So you refinance the land and then also get the development tranche, tranches through crowd property as well.

[Mark Barrett] (27:46 - 27:51)

So anybody looking at some of the deals, loans and values on the initial kind of like without planning?

[Murat Haykir] (27:51 - 28:36)

I think from the, I think initially it's like 60 to 65% loan to value. Obviously you haven't got planning, there's a bit more risk in it. And you're looking at, you know, nine to 10% per annum.

So like 0.8 ish percent per month for bridging and then various fees depending on sort of who you go with and how it's set up. And then crowd property fees are similar, but you can usually borrow up to 70% of the land value and then up to a hundred percent of the build cost. There are some exclusions, which, you know, you speak some specifically about, but where possible they'll fund as much of the works as possible.

[Mark Barrett] (28:36 - 28:42)

Okay. Yeah. So this particular project, how long did that take?

[Murat Haykir] (28:42 - 30:08)

So the actual build, I've got the dates here actually. So we exchanged in, in the end, we exchanged in June, 2020 and completed in August. And we'd actually managed to get the planning in between sort of in the run up to we, sorry, we submitted the planning in July.

So we exchanged in June, we submitted the planning in July, and then we completed it in August because that just gets sort of ahead of the, ahead of the whole process. Went to committee for the planning approval in November. And then we started on, sorry, we've got the plan.

Yeah, we've got planning in November, started on site in May, 2021. And it ended up being July and August because there were two separate phases for the practical completion, 2022. So in the end, the actual construction work took just over a year for the main building and about made in July, August.

Yeah. Almost a year and a half for the, for the, for the final phase. And the main cause was, it was supposed to be like nine, 10 months programme, but it just, it was just dragged out because of COVID staff shortages and other sort of staff shortages.

A little bit of materials availability, but not as much as the staff side. That was the real, that seemed to be the hardest thing to get hold of.

[Mark Barrett] (30:09 - 30:13)

What would you say was the main challenges then of the, I think you alluded to a couple of them.

[Murat Haykir] (30:13 - 31:52)

Yeah. So, so the two main ones for this, we've got, we had some challenges with the next part of the deal, but the main challenges for this were the labour shortages, predominantly due to COVID. I think other reasons as well, probably sort of a bit of Brexit and a bit of, yeah, mostly due to COVID though.

And then also sewage in terms of sewage treatment. And there was an existing sewage treatment facility there, but it wasn't suitable for what we were doing. Cause it was for the previous use of the building.

So at one point we were looking at potentially having to put a pumping station in to get out to the main sewer. And that would have been like best part of 200K basically to do that. And that just wouldn't have been viable for the project.

So there's a, there's a whole load of sequential tests that you can do. You work with the environment agency and actually we had some fairly lengthy delays in terms of the environment agency discussions as well. But you have to get a licence and approval from them to actually use a sewage treatment plant and put one in rather than having to go to a pumping station.

So anyway, we, there's sequential tests you can do, viability that you can prove just basically to say, look, the deal wouldn't work at 200K for a, for a pumping station. So in the end, we ended up with putting in a sewage treatment plant there, like a small sewage treatment unit, which was a good, a good outcome. And then you're looking at like, I think it was like 30, 40K rather than 200K.

Huge. Yeah. And yeah, that was it for those.

I mean, there was, there was loads of other things, but like there is with all development, but those were probably the biggest, the biggest ones.

[Mark Barrett] (31:52 - 31:55)

You also mentioned about the reports that you had to do.

[Murat Haykir] (31:55 - 32:51)

Yeah, well, that was for the, that was for the land. So for the second phase, so for the, we didn't, so when we were getting planning for the second phase, which we're going to talk about, there were certain ecology survey windows that we had to work within. And because we didn't get all of the reports we needed within the initial window, when we came to the second part of the planning, which was submitted in December, they wouldn't validate the planning until all of the surveys were done.

And actually the next survey wasn't a window wasn't until June. So it was three of the seven bat activity surveys, door mouse survey and breeding birds. So those were the three things that they needed doing within a certain window.

And unfortunately we'd missed it on some of them. So if we'd done it again, we would have, I think that's one of the main things you need to get programmed in at the right time. Yeah.

[Mark Barrett] (32:51 - 32:59)

Yeah. So check what reports that you're likely to need and then look at those when you're coming up to negotiating completions.

[Murat Haykir] (32:59 - 33:41)

Yeah, absolutely. Yeah. Okay.

So we lost, basically we lost, well, it was December to July. So we lost seven months on the second phase just because they wouldn't validate the planning without the reports, even though the sort of the ecology consultant was like, you know, we can write letters and we can say that there's nothing, you know, we've got a lot of the information already and we're not expecting to find anything else. But yeah, they, they wouldn't, they wouldn't validate.

And it wasn't like they would validate the planning and give you a decision, but like subject to X, Y, Z, they just wouldn't validate the planning at all. So if they don't validate the planning, then the timer doesn't start in terms of their, um, the amount of time they have to respond in. So, okay.

[Mark Barrett] (33:41 - 33:48)

So the, you were talking about, you've developed the main house, you develop the annex and then you've got 12 apartments. Yeah.

[Murat Haykir] (33:49 - 33:52)

And then, well, we've got, yeah, so we've got eight apartments and four houses.

[Mark Barrett] (33:52 - 33:58)

Yeah. Oh yeah. Sorry.

Yeah. And then there's also then a additional bonus to this.

[Murat Haykir] (33:58 - 38:04)

Yeah, there is. So, um, when, as we were going through this sort of this project and it wasn't something that we thought of initially when we bought it, although we didn't know there was like potential to do this, um, that we, we saw there was a lot of land, uh, as you mentioned, there's a few acres of land with the, with the property. So we were like, right, that is there something that we can do on that.

We knew that it was fairly, um, well at the time, fairly low probability that we get any planning, uh, on it. Um, so we sort of excluded it from all of our numbers. We were like, we said to the investors that this is a maybe, but don't get, don't get your hopes up.

Like the deal had to stack just purely based on its own sort of its own numbers for the conversion of the buildings that were there. So, um, initially we estimated the GDV would be between 3.7 and 4.9 and the profit would be, you know, anywhere between zero, if, if it all went wrong up to sort of one and a half million. Um, so, but that was without any of this new sort of this, this, uh, planning for the, for the land nearby.

Um, in the end, the GDV was 4.65. So it was within the range and the net profit was six about six 70. So again, it was like both of them were within the range, but obviously the profit had come down a little bit because of the, um, just the time delays and getting, uh, getting everything done. You've got time, um, which obviously costs money when you've got a development finance facility that's sort of, um, 10% a year or whatever it all adds up.

Um, but then we had this extra sort of extra element with the land. So we, what we did is before we drew down the development loan with crowd property, and actually before we refinanced it at all, we actually split the title and split the land off into a separate SPV. The reason we did that is because if you, because, because the development lender would take a charge over the, all of the land and everything associated with it, if we'd split, if we hadn't split the land off, but then we'd got planning and wanted to sell it, all of the sale proceeds would have gone straight back to crowd property to repay the loan, which actually the loan wasn't for the land.

It was for the conversion of the main buildings. So, um, that was a, that's a top tip if you're doing that, that actually having on a separate title and owned in a separate SPV meant that even though we haven't, um, well, we have actually now paid crowd property back to refinance the building while we're selling the final units, but none of that money, uh, if we sell the land, none of it will go back to the, to the lender. Um, so that's a, that's a really important point as well.

Um, so yeah, and then, so we put in planning, we went through various iterations of planning and we, we ended up with nine, uh, nine detached houses, um, put went in for planning on, well, we first submitted it actually Christmas Eve, 2021, the council wouldn't validate it because of the ecology surveys, as I've said, but the window didn't open again until June. So we've got those done in June. Um, and the planning was validated in July of this year.

And then in October this year, um, we got approval for nine houses and the main reason, um, the report was sort of like, you know, this is an area where the policy States, we shouldn't allow houses to be built and et cetera, et cetera. But the main driver was because they've got an insufficient, um, uh, whether there's a lack of five-year housing supply. So all sort of local authorities have to be able to evidence their five-year housing supply.

Um, and I think they've got tour bays like two to two and a half years. So they, they're just falling short of like how many houses they need to build or, um, have converted or created or whatever. So, um, that was the main driver for getting it getting improved because they know that if you, if they refuse the application, then we will, we go to appeal.

The inspector will look at the five-year housing supply as part of their decision-making, um, whether they overturn it. So that, that, that was sort of, that was sort of, uh, that was good for us. So what can park, uh, hopefully we'll get to sort of a 900 K net profit on it.

Um, we should, we should be amazing if we can, yeah, if we can set it.

[Mark Barrett] (38:04 - 38:05)

So excellent.

[Murat Haykir] (38:06 - 38:26)

Yeah. So that will bring that will sort of bring the combined profit for both deals above where the sort of original estimates were even above the sort of top end estimate from, from the original. Um, but obviously we've had a bit of, we had a bit of a impact on the, on the timing of the first, the first part of the project.

So that's sort of making up for a bit of that as well.

[Mark Barrett] (38:27 - 38:30)

So the total profit is likely to be, what would you think?

[Murat Haykir] (38:30 - 38:36)

Well, I mean, hopefully north of 1.5, 1.6, um, all in all in. Yeah.

[Mark Barrett] (38:37 - 38:38)

Excellent. Yeah. Congratulations.

[Murat Haykir] (38:39 - 38:59)

Yeah. Thank you. No, it's good.

It's a, it's a, it's a fantastic project. We're very, very happy with it. Um, obviously the, the, the profit then goes to, you know, 50, 50 share with him while the investors get there, get their accrued interest, then it's 50, 50 and stuff like that.

So, um, it, it, um, but yeah, it's, it's great. We're very, very happy with it. So.

[Mark Barrett] (38:59 - 39:03)

Great. Yeah. So as far as, uh, top three tips, what would you say?

[Murat Haykir] (39:03 - 40:52)

Yeah. So I would say, um, definitely by the D by deals based on, so stuff like this, where you've got some land on the side, I think just make sure the deal stacks on the sort of thing that you're more confident on in terms of like, right, get, getting planning on a, on a converted because, because the planning for the conversion was not a, not a dead set, but it was quite likely that this was a, um, you know, a former, um, commercial building that had gone into administration, not fit for purpose anymore. Um, antisocial behavior has gone on there, all of these other things, like the likelihood of getting something like that into, uh, into residential from planet from planning point of view is quite high. So we were quite certain on that.

We knew we'd get something, maybe we'd get seven units, maybe we'd get nine, maybe we'd get four houses, maybe get two houses, but within a, within a range, we knew we'd get the planning. And then, um, but then the bonus on top is the land was, was, was amazing, but we wouldn't have bought it if we were relying on the land to make the deal stack. So that's the first thing, uh, as I've talked about the ecology surveys was a massive one.

So just make sure you understand when the ecology windows are which surveys you might need, um, leverage experts. So, you know, the success of this has been down to, you know, partly down to specifically planning consultants, um, environmental consultants, um, architects, all those kinds of things. So that's, that's been a big part of it.

So definitely leverage those people. Um, and then I think finally, just under promise over deliver, uh, something we will always try and do, but we didn't have any of this extra land in any of our sort of financial appraisal appraisals. So when we got the planning through, it was like an actual uplift.

It wasn't like we had already banked it. It was like, actually that's amazing. So, yeah.

[Mark Barrett] (40:53 - 41:06)

Fantastic. Uh, anybody who's looking to contact you, yeah. Um, what is the best, um, well, what kind of, um, uh, interest would you say for people to contact you and how would you.

[Murat Haykir] (41:06 - 42:12)

Yeah. So, so I think there's two routes. So if, uh, if anyone wants to know more about the project or wants to know about investing with KHP, give me an email on, uh, more at, at KHP group.co.uk. So it's M U R A T at K H P group, one word.co.uk. Um, also check out the property vlog on YouTube. So it's the property and then vlog V L O G. So on there, I've got a load of videos of past projects that we've done and current projects, um, sort of before, during and after, uh, loads of bits on there. So, uh, check that on YouTube.

And if you want to know more about investing in HMOs in Plymouth or talk about HMOs or anything like that, um, drop me an email on more at, at more view property.com. So M U R A T at more view property, which is M O O R V I E W property again, or one word.com. And that's it.

Or like check me out on Instagram, more at Jeffrey Haycare or, or LinkedIn or wherever you you'll find me, hopefully.

[Mark Barrett] (42:13 - 42:16)

Okay. And the videos you do, the vlogs absolutely amazing.

[Murat Haykir] (42:17 - 42:37)

Yeah. You got some funny ones on there as well. Like when we went, um, a couple of years ago, we went golfing, uh, with the board at the Belfry.

There's some quite funny, funny shots of that. So I tried to, I tried to keep it light on there. Obviously it's quite, it's serious, important stuff, the, uh, uh, development side, but let's try and have a bit of fun with it as well.

[Mark Barrett] (42:37 - 42:40)

Great. Thanks, Mark. Thanks for your time.

[Murat Haykir] (42:40 - 42:40)

Yeah.

[Mark Barrett] (42:41 - 42:44)

Great to go through that deal. Congratulations to you and the team.

[Speaker 2] (42:44 - 43:48)

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I will see you on the next episode.