**PEP 60 Edited\_Transcription**

[Daniel Hill] (0:05 - 2:05)

Welcome to the Official Property Entrepreneurial Podcast with myself, Daniel Hill. On this strip back podcast, we're going to be going behind the scenes with special guests to provide insight and inspiration on all things business, life, and the actual realities of high performance in practice. Success and failure are both very predictable.

We hope you enjoy. 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 program 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.

He knows this stuff inside out. 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] (2:10 - 4:17)

So, welcome to the Property Entrepreneur Deals, Deals, Deals podcast with me, your host, Mark Barrett, where we're going to go behind the scenes of some of the UK's most creative, award-winning, and profitable property deals. We're going to look at the three levels of the wealth pyramid, cash flow, profit, and assets. We're going to go into the personal insight of the guest.

I'm also interested in the wealth dynamic profile and how that affects the investing. We're going to look at a particular property deal that they have done, looking at the strategy, how they source the property, how they stack the numbers, how they structure the deal, how they executed the deal, and how they exited, and also then asking for their top three tips or lessons on that particular deal. So, if you wanted to subscribe to the official Property Entrepreneur podcast, which every Tuesday, there's a new podcast, and on the first of the month, we've got the new Deals, Deals, Deals podcast.

So, the third guest is a very good friend of mine who I've known for five years, Mr. William Turiff. Billy has been on the Property Entrepreneur board for five years. We've done deals together.

When I had the HMO agency, he was a client of mine, and he is affectionately known on the board as Billy Buffett. He's our financial guru and go-to guy. So, welcome, Billy.

Thanks for having me, Mark. Nice to be here. Very good, very good.

So, for those people that don't know you, because obviously, I know you are very experienced in property. You've been a developer. You built a very good portfolio in the Northwest.

You also do mentoring for the Mastermind program. So, could you just give us a bit of an oversight to yourself, where you're based, and what have you done in property?

[William “Billy” Turiff] (4:17 - 6:23)

Sure. Yeah, kind of, I suppose, two careers, really, to date. I spent quite a while in the corporate world as a management consultant and traveled quite considerably with that.

So, I did spells in the Middle East, Ireland, and the U.S. as well. When I was in Ireland in 2002, I bought my first property. So, I guess this year, that means I've been in property for 20 years, which is a little bit scary.

But I think I kind of probably, early 2000s to mid-2000s, I really fancied a change in the corporate world. I'd been building up a portfolio along the side of that. And then, 2015, I kind of really got serious, got kind of educated, did the Mastermind program.

I basically gave myself 12 months to be able to replace my income that I was in Dubai at the time. So, I'd have a business that could come back to the UK and be self-employed, choose my own hours, own team, et cetera. And that's really when my kind of second business life started.

So, I've been full-time since 2016, and we have 50 properties, mainly in the northwest of England. Quite a diverse portfolio, a lot of HMOs, the smallest being three-bed, biggest being 19-bed. We've got a couple of different commercial entities that we've got as well, some flats, single let.

We've also got a development business where we do grade one and grade two buildings. As you said, I do kind of some mentoring and coaching. And we've now got a small bridging business, Kensington Finance.

So, as you can see, I kind of like to do different things, but all in property. You know, property is at the core of it. But whilst I also like to do different things, I also don't like to grow them anything too big.

So, we're quite, you know, we've got a couple of staff, lots of contractors, quite a mean, lean machine managing it all.

[Mark Barrett] (6:24 - 6:45)

Very good, very good. And so, a couple of points there. So, it's quite interesting you said about HMOs, and you've got a three-bed and a 19-bed.

So, your 19-bed, how is that set up? Is that set up as like different clusters, or is that just one with communal facilities? A talented one.

[William “Billy” Turiff] (6:45 - 7:40)

Actually, in the process of selling that one just now, I hope the buyer is not listening, but don't think he is. We're selling it to a fund. Okay.

But it's three cluster flats, basically. So, the pub that was converted. Big HMOs are good in terms of cash flow.

Part of the challenge, particularly ours is a student one, so it becomes a little bit of a party house. Also, just big buildings take significant maintenance. You know, I've actually had my way of getting even six or seven-bedroom HMOs.

I'd much rather have three, fours. You've just got an extra exit with them as well. I mean, on the student side, because it works on the student side, it's not so easy with professionals.

If you've got one room empty, it doesn't mean that falls over. But on the student side, I think smaller HMOs are better and easier to maintain.

[Mark Barrett] (7:41 - 7:57)

I think those that we've kind of done have been, you know, up to six, seven. I think as you go to larger ones, I think you need to have the bigger communal space or different clusters. Like somebody said, we've done like, you know, large ones.

It's always interesting as to how they've done it.

[William “Billy” Turiff] (7:57 - 8:12)

Well, that 19-bedroom one as well, I mean, it's very cool, but it's kind of the worst thing for students as well. It's got a basement as well. There's a green room, so it's definitely a bit of a party place to be.

Right.

[Mark Barrett] (8:13 - 8:36)

Go back onto it. So you're also a steel profile, aren't you? So you are our sole steel profile within the Property Entrepreneur Board.

For those who maybe are a steel profile themselves, or maybe they have one on the team, how would you say that impacts on your investing?

[William “Billy” Turiff] (8:38 - 10:56)

Well, I think this is the first thing. If you look at the steel profile, it's kind of made up of three sub-levels. You're a mechanic, you're a lord, and you're an accumulator.

Lord actually comes from landlord. So I actually think it's a really good profile to be in. You want to work in property.

For me, it works well because property is a slow game to start with. So you've got to understand the numbers. But if more people are dying, more blaze might want to see results straight away.

You'll find you're probably prepared to understand that you invest, and it'll take some time to get the full returns from it. But also, a lot of people will go into a deal and just think it will be a deal without actually doing the numbers. Whereas I've got different levels of assets, for example, I call grade A and grade C.

When I say grade A and grade C, that's like the end finish, the end users. But it doesn't mean that the grade C doesn't give me a higher return. I'll actually look at the asset, and we'll talk about this a bit with this deal, about how I can sweat an asset and how I can position an asset for the best people.

And I've seen it both ways, where in particularly what I call grade C areas, people are putting grade A combination there. It's fine for them in the first year, but over time, they'll find they'll actually get run down. And then similarly, in grade A areas, where people try and put grade C accommodation, they won't get people to stay in it.

So I am very driven by the numbers. We've got pride, huge pride in terms of what we do. All of our stuff is done to a very good level, and it's all compliant.

I also get quite a thrill from transforming it. But I'm not like other people. I don't think you've had Stuart on, for example.

Someone, say like a Stuart Scott, is like a very much like a product person. So you'll get some people to be very product. It must look the same.

It must be the same vision, style sort of thing. I'm much more, one thing can be very high end. One could be medium end.

One could be low end.

[Mark Barrett] (10:56 - 10:59)

To fit the market and what the strategy is, yeah.

[William “Billy” Turiff] (10:59 - 12:06)

And I also think, just for the, it steals a bit of stick. The other thing, owning property long term, you need that kind of a bit of a steel energy to get it up and running. And you probably need a bit of your kind of whatever dynamo and blaze with that as well around the creativity.

But once it's actually up and running, property gets pretty boring. For anyone who's had to go through and develop maintenance plans, utility review plans, mortgage review plans. It is just a review process.

But that's where we also see people fall away. Because again, it's very easy to get property up and running. It's very well, so that's unfair.

But get property up and running and put people in it. But then actually going and visiting the property once a year, doing the maintenance plan, refinancing. I see a lot of crumbs, gets a lot less than the table.

And also even in some people's cases, they just, by not doing proper maintenance long term, they're actually devaluing their business as well. Or their assets as well. So yeah, all power to the steels.

[Mark Barrett] (12:07 - 12:16)

Very good. And I think you're one of the most sociable steel people I've come across. Holding your own kind of like networking events, which is always good to see.

[William “Billy” Turiff] (12:17 - 12:58)

A lot of people don't believe I'm a steel. But I mean, I am. And I've been quite well balanced across all of them, which can be good or bad.

You know, it's good because I can put a bit of dynamo energy when needed and a bit of blaze energy. But I'm also not then, you know, like I'm not the person on my emails will be, well, my PA manages my emails. But I'm not necessarily, when it comes, I need other people to kind of be steels with me.

So I'm quite good at understanding how we can sweat an asset, understanding how we get the best return. But then I'll actually want, you know, kind of to have architects, to have project managers, to have accountants, to make sure that the detail underneath it gets carried out.

[Mark Barrett] (12:58 - 13:39)

Yeah, very good. So let's move on to the deal that we're going to look at with you, which is on Anchor Street in Southport, a property that I went to have a look in the early stages as my sister lives there. And this is a commercial multilat, which is quite unusual.

It is an inter-seat chamber, as it's called now, no less. Yeah. So we're going to look at your deal on Anchor Street in Southport, which is a commercial multilat, which is quite unusual.

Do you want to just run through how you sourced that deal and what was the strategy with that? Anchor Street Chambers it is now, no less.

[William “Billy” Turiff] (13:40 - 15:02)

Okay. So it's quite interesting. The strategy with the property has changed.

So I bought this in the December auction of not 21, 20. And I bought it for the sole purpose of converting it into micro flats at the time. Yeah.

Micro flats is kind of quite a neat strategy that you could do under permitted development where minimum room sizes don't come into account. So you could have studios at whatever, 20 meters and one bedroom flats at 25, 27 meters. It's a nice step up from people from an HMO to a flat.

And because, you know, like a lot of commercial buildings, you know, in the olden days, this would have been a house then went to commercial later on. So the reasonable layout that we could cut it by six. I knew I could definitely get the top two floors under permitted development.

The bottom one was a bit of a gray area. However, what I wanted to do was buy it in the December auction, knowing that I could then put it under the PD. I was hoping that the actual council would miss it under the 56 day rule, because Christmas and the end, they actually came back and approved it.

[Mark Barrett] (15:03 - 15:42)

Just on that point. So anybody that's listening, this is a strategy that's no longer available. So the permitted development from office to residential now has the national minimum standards, which for a one bed is now 37 square meters.

So unfortunately, doing the kind of like the small studios of 15, 20, 25 square meters, no longer available, but it was then. And you have 56 days. The council has got 56 days to be able to respond.

And if they don't, then you actually have that permitted development. So you put it in.

[William “Billy” Turiff] (15:42 - 18:04)

And I still keep the rights for three years now. I've got planning, so I've got the rights for it. But what happened?

So did it get approved within the 56 days? It actually got approved early. Yeah.

But I just thought because of I don't get it in. So we actually saw that we exchanged in the December auction. We put planning in before we owned it.

So I remember Grant is my architect. We exchanged on the 18th. I told him I needed to get a permitted development planning in before Christmas, and he swore at me.

But then also you do that for two reasons. One, it also saves you time in terms of what you're doing. But also, I did think there was this bit of a grey area about the ground floor, whether it came under because it was a spa.

It wasn't an office before. What you find with a lot of these, and it's just a tip for people as well, was some commercial units change use, but nobody actually updates it. So it was actually an office before that.

So the council still had it as an office. In fairness, I think they would have been happy for us to do it as apartments anyways. But the other thing that was interesting is from an auction, December auctions are typically good, particularly when you're in the room.

Because in December, normally people are out celebrating. Last couple of years hasn't been the same. So you're probably not that as many good deals, but still the December auction.

And also, it was an unsold lot at auction. So that's another strategy I'll do is I'll focus on lots that aren't sold. Because automatically, then the seller is motivated.

They've got the auction. They haven't got their price. It was guided at 120.

I think I offered 105 to start with. They then said, no, they're only going to do it for 120. I'd watched the auction.

I was aware no one else was there. I didn't want them to put it there. And they'd had it on the open market at 150 before.

So I gave them 110 and just said that was my best and final. I was aware that their existing tenant, because of the pandemic, they were a spa. They couldn't open at the time.

Their lease had run out. So they'd moved out. So they were being hit with business rates, being hit with an empty building.

I mean, they actually paid 160 for it in 2007, 2008. So they ended up taking a bit of a haircut on it.

[Mark Barrett] (18:04 - 18:28)

Yeah. And did you actually go to the auction or was it an online auction? It was an online auction.

It wasn't. OK. So then you follow.

So a tip for anybody that's looking to use that strategy, which would be to find the properties in auction, follow those up if they're unsold, and then look to ask for the vendor situation and possibly put in offers.

[William “Billy” Turiff] (18:29 - 19:25)

It was also an auction. Another tip I'd give for that as well, for auctions, it was Pew Auctions. And they're actually, I mean, they're a subsidiary of a big Manchester auction, Edward Miller.

But the Pew Auction is like they work with estate agents. So when an estate agent's struggling to sell something, like a joint venture with them. But what also is good for a buyer for a Pew Auction is it kind of covers funny areas.

So it's not like, you know, so it'll be like the whole of the Northwest, a bit of the North, the odd London property as well. And what you get is a lot of the auction buffs will go to like, so you'd go to the, what I call the real auction traders. They'll go to Edward Miller in Manchester.

They'll go to Sutton Kirsch in Liverpool. They'll just go to the main auction houses. Whereas the ones that have kind of got a bit of a blended supply of it, you don't get those ones that turn up every month.

So you don't necessarily have that many people bidding on them either.

[Mark Barrett] (19:25 - 19:55)

Yeah. I think the other thing with this one is the commercial agent that had been dealing with it, somebody that we've just bought something off as well. And I think they're also good contacts to see what stock they have and look at possibly trying to do a deal before it goes to auction as well.

So that's always a good thing. So you've sourced it in the auction. So the strategy with it was to convert it to residential.

[William “Billy” Turiff] (19:56 - 20:45)

Yeah. The main strategy was to convert it to residential and also look to what the thought could be done with commercial there. I kind of felt that the challenge, you know, it's on three floors.

They'd left quite a big spot to do that, you know, and the previous owner, they'd utilized two floors and they'd actually sublet the top floor. So kind of, I kind of thought in the back of the head, well, if something happens with planning and I don't get it, I'll do it as commercial, but I wouldn't do it as one whole unit. I would end the multi-let strategy basically, whereby keep downstairs as retail facing, but then utilize the other rooms either as wellness rooms or offices.

[Mark Barrett] (20:46 - 20:46)

Okay.

[William “Billy” Turiff] (20:47 - 20:47)

Yeah. Good.

[Mark Barrett] (20:47 - 20:49)

What kind of size is this building? Yeah.

[William “Billy” Turiff] (20:50 - 20:58)

So each floor is about 50 meters. So it's about 100 meters in total. Yeah.

[Speaker 5] (20:58 - 20:59)

Okay.

[Mark Barrett] (20:59 - 21:08)

So it's a good size. Yeah. So you have sourced it.

Then just tell me about the numbers, how you start that deal. What do you actually do?

[William “Billy” Turiff] (21:08 - 21:38)

Yeah. So I got it for 110. I then basically had 180 in for my build cost at that point.

Yeah. Which was then going to give me six apartments at the end of it. That's cheap.

Yeah. And each of them would have rented, we'd have done them to good finish. Southport doesn't have the highest rents, but we'd have got between 400 to 500 for each one of them.

[Mark Barrett] (21:38 - 21:42)

So that was a plan, but then you also have kind of like backup plans, which...

[William “Billy” Turiff] (21:43 - 23:08)

Yeah. To be honest, I didn't think I needed a backup plan because this was also... Yeah.

I was doing a couple of... So we'd been hit by COVID at the time. So we had actually the HMO agency, we were developing that into apartments at the time.

So it had been slowed down and there'd been some problems getting some supplies plastered and that and the guys on, but everything was kind of what I call the normal, but the build prices hadn't jumped at all by the time. I'd bought it and also property prices hadn't jumped either. You know, we weren't out of the lockdown.

So I was 95% in my view, well, it'll be residential and that's what we've got the back off year set up to manage. When we then ended up going out to tender, one that took us a lot longer, didn't take us longer to prepare the tender pack, but it took us a lot longer to get the builders around that we wanted to. I mean, it was a new area for me.

Most of my developments are in Liverpool and Manchester. This is Southport, so it's a little bit out of both of them. But we then got build costs in from 180,000, which was kind of where my cap was up to 360,000, which completely blew me away.

And then when I was looking at the...

[Mark Barrett] (23:09 - 23:22)

Sorry, just on that Billy, I thought you had said you was all in for 180. That was the build costs of 180. So it was 30,000 an apartment was the build, plus you had say 20,000 for the purchase price.

[William “Billy” Turiff] (23:22 - 23:27)

Correct, yeah. I've been all in at 290,000 basically. Yeah, yeah, got you.

[Mark Barrett] (23:28 - 23:42)

Okay, yeah. And the other point you just said was you actually bought our old office, the HMO agency, didn't you? And you converted that into flats.

And that's possibly when just as COVID was hitting and you could then kind of like see some of the impact that was happening.

[William “Billy” Turiff] (23:42 - 24:45)

Yeah, so we'd been delayed because we had a tenant, as you know, in there and then he had to stay. So we just delayed starting the project. But my point was the projects then were just, everything was taking longer, but we didn't have the premium on materials and labour.

We then got in April 2021, basically, which is kind of when the tender documents came in. And the quotes we were getting for this, as I said, ranged from 180,000 right up to 360,000. And the person who'd quoted 180,000, I'd never used their team before.

I thought it was maybe a bit of a jump for them. Their submission, they kind of submitted twice as well. So whilst it could have stacked, I just didn't have the confidence in that team.

And what I didn't want to do was start a project and go halfway through. So that's when we really had to go down plan B and come up with a kind of the multi-layered strategy.

[Mark Barrett] (24:46 - 25:24)

Yeah, I think if anybody's kind of like listening as far as doing projects and going out to tender on getting bill quotes, if you get a big kind of like difference in the prices, admittedly, it's worth drilling down and finding out why that could be. If there's anything that's missed, sometimes you'll see kind of like a particular item that's very expensive in one particular area that you could then kind of like say is, you know, can I use a different contractor and the experience as well. So you're right, you know, do you want to take a risk with somebody if theirs is particularly cheap and sometimes you get what you pay for with contractors?

[William “Billy” Turiff] (25:24 - 25:49)

Yeah, I know a lot of the time you get what you pay for. I mean, we have been more flexible now. I mean, we're actually using a couple of teams from Wales to travel who were getting more kind of competitive and tester builders or Liverpool builders.

But yeah, I mean, the market's getting better, but it's still, that's probably the hardest, but at the moment it's getting good trains, good train, sorry, not trains, but good prices.

[Mark Barrett] (25:50 - 25:57)

Yeah, so you got your quotes in and it come out far higher. So then you was looking at, you know, what your other options were. So what did you, how did that work out?

[William “Billy” Turiff] (25:58 - 29:21)

Well, and then it also came, so we're kind of then in April sort of thing, I guess, I suppose, as people were changing, you know, it's the kind of thoughts, I had lots of choices with the building, you know, so it was, you could rent it out floor by floor, you know. But what I felt was that, you know, it's against each floor is 50 meters, it's still quite big. You know, in a 50 meter area, you know, you're going to talk about having 10 to 20 people easily, I would have thought.

And I just thought that that's kind of the people probably who aren't moving at the moment. But what I did think was, there's kind of a lot of people like me, who might want an office that's 20 meters square. Yeah.

Basically, with a couple of people in it. And then there's also a lot of people still like stuff that Amazon can't do. So, you know, haircuts.

And that's my point to be here. But, you know, haircuts, I'm doing eBay trading, Amazon trading, there's quite a lot of people doing that. We've got a lot of interest from those sort of people, but almost just small businesses.

There's a lot of people who have always done small businesses. But a lot of people think they've taken time from COVID and said, yeah, they want to follow their passion, rather than maybe a corporate job. And then I also did the numbers and worked out, you know, it's been good.

Worked out that if I did it per room, I could get far higher rent overall, than what I could do if I did it per floor. But I did go down the process of thinking through it. I basically took the strategy that I've done in residential when we've done HMOs and we've got houses up into smaller rooms.

We've done that to this building and it is really designed well for it. You know, the good thing with it being commercial, for example, you consider it compared to a normal house, you know, we have a very small kitchen area, but like a normal house, that would be one of the rooms. But here the people, they need their tea, coffee, where they put their plates and their cup.

So it's quite small. And then obviously your bathrooms is just your toilet, you know, you don't have a shower, you don't have a bath. So when you think of that 50 meters, and each floor, basically like the front of the building has like two, you go in one door and then you've got two rooms.

So it's like people who want two rooms. And then as you go further back into the building, you've got two single rooms basically. So it's kind of four, we rent it as three offices.

So each of the top floors got like three rental units, second floor has got three rental units. And then the ground floor, we actually split as well, because again, we actually had a tenant and they actually moved out. And my kind of view was there was so much demand for the smaller units, whereas the kind of ground floor, and it wasn't that you can get longer leases, you can get three year, five year leases, but you might be empty for a bit longer.

So kind of view was, what we'll do is we'll take a smaller retail area and then allow the back office again to be an office or wellness rooms. And I think to each of the rooms would really go from anything from about 10 meters to 20 meters on the top two floors. And then downstairs that the front of the shop so that would be 16 meters and the backs about 35 meters and then yard and everything like that as well.

[Mark Barrett] (29:21 - 29:37)

Yeah, I think one of the other things point out and everybody's listening, is looking for different types of property investments. One of the good things with commercial investments is the stamp duty savings. So up to 150,000, no stamp duty.

[William “Billy” Turiff] (29:37 - 29:51)

No stamp duty. The other thing, we've obviously bought this within Goddard and Hamilton Estates, which is our buy to hold company. But if you're doing commercial, it's also if you wanted it in your own name, section 24 doesn't apply.

[Speaker 5] (29:52 - 29:52)

Yeah.

[William “Billy” Turiff] (29:52 - 30:15)

You'd also do this in your own name and get the full interest right off from tax purposes, which can be beneficial. And also if you are, and this was too cheap really to do, although I want to check it. We couldn't do capital.

I haven't done capital allowances on it because I just don't think there'll be enough in it. But again, if it's in your own name, you get capital allowances that can give you some significant discounts too. Yeah.

[Mark Barrett] (30:15 - 30:19)

Just quickly, just tell somebody what capital allowances are.

[William “Billy” Turiff] (30:20 - 30:48)

So capital allowances are an opportunity, really kind of a tax break for people investing in properties. And it's basically, if you were to hold a house or a building upside down, and it's everything that hadn't fallen out basically, is you're allowed to set off an allowance for that. So you imagine in a hotel, for example, you've got a big AC system in place.

[Speaker 5] (30:48 - 30:48)

Yeah.

[William “Billy” Turiff] (30:48 - 31:49)

You've got lifts in place. You've got a big kitchen in place. That comes up with an allowance.

Sorry, and it changes. I think it's still a million this year, but it was like a couple of hundred before that. But basically a surveyor will come out and say, you've got this amount of capital allowances you can use.

And if you're given say 200,000 of capital allowances, that means you could earn 200,000 in a company tax free without having to pay corporation tax. It's really set up to help people invest and to be refunded based on those allowances. But it also applies to your individual name.

I mean, I actually knew a person who had a very high PAYE job in the city. And he used to buy commercial deals each year on like a three, 4% yield. You get the commercial, the capital allowance that would then offset his income tax against it.

[Mark Barrett] (31:49 - 31:56)

Yeah. Okay. That's good.

So you mentioned that you bought this property in your company name.

[William “Billy” Turiff] (31:56 - 32:21)

And your capital allowances can only be claimed on commercial buildings. Yeah. I mean, you've got a 50 bedroom HMO.

There's an argument for it, but it's the key thing is it's more commercial entities and it's not by percentages of the building either, but you could go 10 to 25% of the value of the building. Wouldn't be uncommon. So it can be significant.

[Mark Barrett] (32:22 - 32:29)

Okay. Brilliant. So you bought it in the company name and then how did you actually structure that deal and fund that deal?

[William “Billy” Turiff] (32:30 - 33:35)

Yeah. So I actually did what's called a loan back for my pension scheme, which is a SAS pension scheme. And the pension scheme is for people with small businesses basically, but it is good in that you can borrow 50% of your pension and use it if you give them an asset that's unencumbered.

So basically pension acted as the bank. I wanted 80,000 from the pension we used. The remainder was retained profits in the business for it.

But the good thing as well with the pension scheme is you can set the interest rate whatever you believe to be commercially viable. And the reality is you commercially viable at the moment is either half a percent above base or 20%, which is what some people may borrow. I did it at a low rate.

I wanted to wait till we've got the tenants in, et cetera. So we bought it at 0.75%. So it's cheap funding.

[Mark Barrett] (33:35 - 33:42)

You could be using your SAS and that was based on a commercial property that you can get.

[William “Billy” Turiff] (33:42 - 34:10)

You could do it a residential as well. As long as you give the SAS the first charge on the property, as long as it's an unencumbered property and SAS is first charge. And it's very easy when you're buying auction, you know, again, we've got 30 days to set up.

Don't, you know, views for interest before, it takes too long, too much hassle. Yeah. Very cheap.

And I'll just also on the fees, you know, in my legal costs to do over about 600 pounds. So it's very cheap. And yeah, yeah.

Compared to bridging.

[Mark Barrett] (34:10 - 34:19)

Okay, very good. So as far as executing your deal, so did you have to do much work to do it as a multi-lap?

[William “Billy” Turiff] (34:20 - 37:05)

Yes. Again, that's what I was kind of holding. There's a couple of things.

There's like holding my cards to a test in terms of would this work, would it wouldn't work first time I was going into it. Also commercial rents in Southport and say are pretty good value. So what we weren't trying to do was turn it into WeWorks or anything like that.

It was also again, I think of the asset, you know, it had been a spa before. So it was particularly downstairs was quite well done out sort of thing. And also a couple of things to learn as well.

What we basically did was we kind of went in, we got the painters in, and we kind of, some of their doors needed a bit of work. Some of their ceilings had some of those old white panels that go any of them, what we replaced. It's really, we spruced it up basically.

It's more of a light refurb than a full hit. Exactly, light refurb. And also thinking that, you know, the tenant profiles we're going for, it's going to be rents between 150 to 500.

I don't, you know, I'm not a multi-length operator, like a WeWork, Regis. I also didn't, could have done that, but then you need a whole team and everything for it. Well, the kind of the proposition we've put to people is we've got the probably the most competitive multi-length in Southport.

We'll provide you good service in terms of your free teas and coffees. You've got 24 hour service. You actually got access to our back office staff.

We want admin accounts done. There's a charge for that, but we can give you this services. But at the same time, you know, we do cleaners go into, but we kind of ask them, you know, that you kind of maintain your place.

You clean up after yourselves and you just kind of work as a community. And then we can keep the rates very competitive. And again, I've been, and I'm not knocking it, but I've been in a Regis, I've been in a WeWork.

And while some of the stuff is nice, a point when you're actually working for 80% of the time or 90%, you don't have the services. So it was really, you know, to do it to that level. And also what we've also found out, I wouldn't like to say this is well-planned, but depending on what the people do, they actually want to do their room up themselves.

So there are three people who have changed that, you know, and we painted it. So I want to feature them all, you know, some of the wellness rooms. Of course you can do it.

You can do it. And because we've got quite a mixed use of people in there, there's not, you know, we just continue to do that. You know, we continue to refresh stuff as we do, but we'd keep it vanilla and then just let them start.

Yeah.

[Mark Barrett] (37:05 - 37:08)

So what would you say the biggest challenges of the project were?

[William “Billy” Turiff] (37:11 - 37:20)

Well, do you mean in terms of overall or do you mean from getting it to the multi-layer bit? Or both?

[Mark Barrett] (37:21 - 37:22)

Yeah, maybe both really.

[William “Billy” Turiff] (37:23 - 38:10)

But certainly, I mean, the biggest challenge is it's a completely different end product to what we started with. I think I'm a little bit frustrated by that because I ended up losing a couple of months and it's kind of like, well, it's, you know, we paid for planning and we paid for building quotes. But, you know, I'm also glad that we recognised some people would have just said, oh, continue on with it.

I'm glad that we said, no, let's do something different. And again, we've had to be quite creative in working out how we'll rent them. You know, so it's kind of, and also just like, it's not an area we were hugely experienced in.

So what we've kind of found out is, you know, we work with a commercial agent in terms of advertising online. We deal with the queries. Stuff like getting signage outside the building is really important.

[Speaker 5] (38:11 - 38:11)

Yeah.

[William “Billy” Turiff] (38:11 - 38:58)

We've got like a website page for it. We've got a Facebook page. We've done some adverts.

We've done Facebook marketplace adverts as well. So trying to find out, you know, if you're renting a room and spare room, or right move, you know what you're doing, you know, where it goes. You know, you don't put a three bedroom terrace house in a spare room, you know.

It goes in right move. You've only got two or three channels. Here there's kind of lots of different channels.

So it took us some time to kind of get up to speed with that. The legal's behind it as well. You know, understanding, you know, we use license agreements.

They're actually really easy to execute. But you know, you pay a solicitor to put them in place.

[Mark Barrett] (38:58 - 39:12)

And then that's important as well to make sure you get the right agreements. So sometimes you might have just to pay the once and then use that license agreement. But I think it is important to get the right contract.

[William “Billy” Turiff] (39:12 - 41:00)

And again, I don't know. I think we don't quote me. And if we paid 500, 600 plus that, you know, we could use that for five years.

And also, and it is really important because, you know, again, that was some of the challenges we had. So you'd have a couple of people that would phone you up and kind of say, oh, bills are all included. And just have a normal conversation.

And then you kind of then try and find out what their business was. And they were mining for Bitcoin and stuff like that. So it's kind of like, right.

Back to the solicitor and kind of saying, right, bills are included to fair usage. You know, and again, there's only one thing for the whole building. We're not going to meet each of the rooms, but it's kind of saying you need to put in some wording.

Yeah, yeah, protect yourself, yeah. And then, you know, similarly, you know, little stuff like what you do in commercial more than residential. You may see, and you do it for a couple of reasons.

You may give someone a month's free rent to get up and running. And then, but for example, we then found like one tenant, we did that with things and it disappeared after a month when they'd used the place for a month. And it's kind of like, well, what you want to do is then have your lease to say you've got a free rent period.

But if you then leave during that free rent period, that rent's repayable, et cetera. So finding out some of those things. But to be honest, it's far easier being a commercial landlord than it is being a residential landlord.

Yeah, I found that. The tenant leases are far more amicable. And also, you know, if a commercial tenant can't pay, they can pay, you know, their business is gone.

So it's not like, you know, I've had people sitting in houses before not paying and going on holiday and putting pictures on Facebook. You're not going to get that with these guys.

[Mark Barrett] (41:00 - 41:05)

It's also easier to get the property back, isn't it, when it's a commercial tenant?

[William “Billy” Turiff] (41:05 - 41:46)

I mean, ultimately, if someone's one day late with the license agreement we've got, we can just go and take it back. And it's just far easier to deal with. And yeah, it's just, it's commercial to commercial.

And there's no emotion with it as well. You know what I mean? We've had a couple of people that, you know, we didn't get rooms after other people had got them and they were a bit arsey about it.

But it's not again, a lot of the time, especially now, renting rooms, you've almost got like people say, I've got to have a room, please help me. And you've only got a room, like you wish you had room for them, but you don't, you just don't get that so much. And similarly, some people come and it doesn't work for them, you know, and they're kind of fine with that as well.

[Mark Barrett] (41:47 - 42:02)

Okay, let's go through the numbers. So how many tenants did you have? We just got run through the purchase costs, any kind of refurb costs, and then how you exited the deal as well.

Have you refinanced it? Yeah, I refinanced it. Cost about a hundred.

[William “Billy” Turiff] (42:03 - 45:27)

Sorry, 110. And then the refurb is 15 because it was from an auction house with fees on it. So fees were roughly about five, so probably all in about 130,000.

When we're all let out fully, we're at 1915. Bills off of that, we just got water, electricity, broadband and cleaning. And that's about just shy of 500, so about 460 to 480.

Should also say it's very easy for the cleaners. They just do the communal areas and the bathrooms. But typically we make a profit at the moment because it's still actually financed by a pension of 1,400.

Annually, we're just over 17,000. So I think we've got an ROI in my numbers of roughly about 14%. On cash invested, that's taken because the pension fund is ultimately my cash as far as I'm concerned, even though it's a different entity.

And we self-manage it. So you could not recover a percent off if you were using an agent. But the model we want to roll out in other places, so it's important for me to actually understand how it works from A to Z.

And one of the challenges some people will have with schemes like this though, is because they're relatively new in banks, they're still kind of getting back to stuff as post-COVID, is they're not huge fans of them yet, I would argue. So people like Shawbrooke will end on it, Together Money, I think Hampshire Trust do now as well, but they're at the higher end, seven, seven and a half percent. What is interesting, I feel like Shawbrooke, one of the first people into the HMO market, so Shawbrooke to me have always been a bank that have been quite aggressive where some of the waves are, and they'll happily come in early and then they'll accept a bit like an HMO, with all our stuff with Shawbrooke, we're now moving over to Precise, Paragon, because we're kind of saving about 2%.

So I do think rates will get cheaper in the long term, but we'll see with it. At the moment, I haven't refinanced, but if I want to refinance, you're kind of talking to the brokers, I get a valuation of 150, which certainly isn't pushing it, we've done some work to, it was empty when it was bought, it's now fully tenanted. If we were to do that, we would get cash back out of 112, so we'd leave 18,000 in the deal, with the company money.

Profit would then be reduced to nine and a half thousand, because we'd have our- Yeah, your finance costs. Yeah, and just to be clear, but that's doing finance costs at 7%, so it's pretty top. I mean, I have also, I should be careful what I say, but you ever talk to some SaaS people, say I'll give them a first charge on it, long term, you want two, five years, you can have a 6% return, you're getting every month, your money's not coming in, money coming out.

But based on that, your ROI is 50%, so you've got your cash back out in two years, and you've got a free building, basically then with cash left a year.

[Mark Barrett] (45:28 - 46:06)

Fantastic, yeah, I love that. Just a couple of things looking at that, you're all in on that deal at 130, you could never do that with a HMO, so your entry cost is quite low. What you're actually getting on gross rent is not a lot different than maybe what a five bed HMO, you know, maybe a B standard or something like that.

You've got similar kind of deductions as far as like running costs. So in some ways, it is very similar to HMO, but the entry costs are a lot, you know, it's a lot cheaper. So it is a good thing.

[William “Billy” Turiff] (46:06 - 46:19)

And I've still got to test some of the running costs, but I don't believe that you'll have the same challenges that people may leave their heating on a bit of whatever, but they're not gonna be like in an HMOs and leave their windows open with their heating on.

[Mark Barrett] (46:19 - 46:26)

Or have all the Christmas lights on like one of your HMOs. That wasn't actually mine, by the way.

[Speaker 4] (46:27 - 46:34)

I just took a picture of it. It was next to one of mine, but it wasn't actually mine, but I just thought I'd share that as a bit of a wind up.

[Mark Barrett] (46:34 - 46:48)

And I think one of the other things is we've mentioned before is the stamp duty savings as well. So I think stamp duty savings, entry kind of like costs. So I think it is a good option for, you know, some people to have a look at that strategy.

[William “Billy” Turiff] (46:49 - 47:27)

Yeah, absolutely. It's great when you see the small companies going in there and you see them getting clients and growing, etc. And that's the bit we need to get better at.

You know, we've got a Facebook page, like a lot of people, we kind of set it up, but we haven't really done enough to kind of create the community and kind of help to promote it. But again, don't get me wrong, I've got no issue, I'll happily rent Costa Coffee if they pay decent money. I'd much rather see someone, oh God, I've come here, I've grown my business.

And even for them then to move on, you know, to be like coaching and mentoring, it's actually seeing the transformation the businesses are going through is just quite a nice thing to see as well.

[Mark Barrett] (47:28 - 47:37)

That's good. We just let a couple of retail units and we're quite surprised with the amount of kind of interest that's, you know, people looking for units.

[Speaker 4] (47:37 - 47:39)

So I know I saw one of them, I was interested.

[Mark Barrett] (47:39 - 47:53)

So, yeah, that's good. I appreciate your time, Billy. So just to end off, have you got like three top tips that you'd like to give people that may be looking at investing?

[William “Billy” Turiff] (47:53 - 48:50)

Yeah, certainly. I mean, three, have a plan B, that was kind of key to us there. Think of how you can sweat the assets.

As I say, you know, kind of we did it, think of what's the optimal mix of rooms, even to the point that we cut the shop downstairs. Into two. And then I would say, you know, have a target niche.

Whilst we've got some different trades, different business owners in there, what we have, where their niche is, it's kind of all a lifestyle. And people just starting out quite, quite small businesses. So think of, you know, what you're actually offering them.

And, you know, and again, it might not be that niche. It could be a niche of pure wellness people. It could be a niche of, you know, like we work, you know, kind of a fun place to be, et cetera.

But again, to have the niche. So yeah, I think that's the three parts I'd go with. Excellent.

[Mark Barrett] (48:50 - 49:08)

And then just lastly on the wealth pyramid. So that basically has got cash flow. There is some element of profit within that because of the extra value that you've created.

And then it's also a long-term asset for the portfolio.

[William “Billy” Turiff] (49:08 - 49:20)

Yeah, I'd say that's the beauty of buying property and keeping it long-term. It ticks all three boxes of the wealth pyramid. There's very few other businesses that'll do that for you.

Yeah.

[Mark Barrett] (49:20 - 49:52)

Okay. Excellent. Thanks for your time, Billy.

So get in touch if you've got any questions or any particular deals that you'd like to see, you can contact me at info at property-entrepreneur.co.uk. And if you subscribe, you can be able to get the Property Entrepreneur podcast every Tuesday and then listen to the next Deals, Deals, Deals podcast on the 1st of each month. So thank you, Billy, for your time. Great to catch up.

See you soon. All right. Thank you.

[Daniel Hill] (49:58 - 50:22)

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