**PEP 90 Edited\_Transcription**

[Speaker 1] (0:05 - 1:44)

Welcome to the official property entrepreneur podcast 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. 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 you 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 - 2:04)

Hey, so I'm here with Dan. And it's a really, really exciting podcast that we're going to cover. Dan has finally landed Mankore House Development.

So yeah, amazing. Congratulations, Dan.

[Speaker 1] (2:05 - 2:09)

Thank you, Mark. It's been a long time coming, but we got there in the end.

[Mark Barrett] (2:09 - 2:41)

Yeah, you've landed the beast. So yeah, excellent. I'm really, obviously, I've heard like bits about this, but it'd be great to like deep dive exactly what's gone on with the project.

Absolutely. All yours. Background.

So I would think most people would actually, obviously, this is Property Entrepreneur podcast will probably know about you. But for those that may be listening for the first time, can we just have some background as far as yourself and...

[Speaker 1] (2:42 - 2:58)

Yeah, absolutely. So people who listen to the Property Entrepreneur podcast will be familiar with me in the business side of things. One of the companies that we own is a development company.

And I've been doing developments. I've been on buildings my whole life. So I started on buildings when I was 15, so that was over 20 years ago now.

[Mark Barrett] (2:58 - 3:01)

Was you doing that at 15 then? What was your turn?

[Speaker 1] (3:01 - 3:05)

Hod carrying, laboring, roofing, dry lining.

[Mark Barrett] (3:07 - 3:10)

Who's that with? Is that somebody you knew? Is that a family member or?

[Speaker 1] (3:10 - 3:47)

Well, I actually went to look for a laborer's job at 15 because I had like a daily paper round, a Friday paper round, a Sunday paper round. And I thought I'm still free at the weekend. Someone must want me to like dig out sites or something.

And actually, my partner, my girlfriend at the time, her dad ran a local building company. I worked with him for about four or five years, being a general laborer, driving the trucks around, loading out sites, turning up before everyone else and loading out all the block and brick and stuff. So that was my earliest in like my earliest experience of construction.

[Mark Barrett] (3:49 - 3:52)

And then on Saturdays while you were still at school or summer holidays?

[Speaker 1] (3:53 - 4:05)

Yeah, Saturdays while I was still at school and then when I was at A-levels, I did it in the week when I didn't have lessons. And then I ran the disco company in the evenings. And yeah, it was just and I used to work like seven days a week.

So it's just any any opportunity I could get on site, I get on site.

[Mark Barrett] (4:06 - 4:21)

It's funny, actually, I had a paper round, not three. But I also won the summer kind of like leaving school. I went to stay at my nan's and she got me a job, hard carrying.

And I tell you, they're really happy, aren't they?

[Speaker 1] (4:21 - 4:46)

I've still got the shoulders, honestly, and I've got the bad back. But yeah, it's yeah, you just do what you got to do, right? And it's like out in the sun earning 100 quid a day when you're 15, 16.

It was good money. And I did that up until about I was on site till I was like 22, 23. Wow.

Alongside like starting businesses, going to uni, all that sort of stuff. So yeah, yeah.

[Mark Barrett] (4:46 - 4:51)

Doing so you're doing different, obviously, as you're getting older, was you doing like different jobs on site?

[Speaker 1] (4:52 - 5:26)

Yeah, so I did it up until I did it up until I had. I did it alongside other stuff. Yeah, it was part of the bigger picture until I started running bigger businesses.

And it was like I just had no time to be on the tools. And actually, I'd rather just build the houses myself rather than physically build them with the tools. And then I did my first development in like 2011 or first refurb in 2010, 2011, and then my first development, first block of flats in 2015.

And then, you know, over the last seven years gone from flats of like five to ten up to up to this one.

[Mark Barrett] (5:27 - 5:34)

But I suppose working, you know, on the site probably give you a really good understanding of what goes on.

[Speaker 1] (5:35 - 5:55)

Yeah. When when the trades are trying to pull the wool over your eyes and tell you, oh, you know, you got to do this. Yeah.

You say, well, no, unless you always put my gear on and come lay the floor for you. Yeah. It's like I know I know I know the crack.

So, yeah, it helps as in people can't put the pull the wool over your eyes because, you know, I've built houses myself. So I know I know how they go together.

[Mark Barrett] (5:55 - 6:01)

OK, fantastic. So just going back, you say your first first property you bought, what was that was that?

[Speaker 1] (6:01 - 6:25)

So first one I bought was an end of terrace residential house. Vendor gifted deposit. It was on for 85.

We bought it for 82. I put about five grand into it, spent 18 on it. So I bought it for 82, five grand down, about 18 grand refurb in for 100.

And then it was a five bed HMO. And we we flipped it on about 145. I think it was 150.

[Mark Barrett] (6:25 - 6:28)

That was in in Nottingham, was it?

[Speaker 1] (6:28 - 6:30)

Yeah. And then went on to load a HMO.

[Mark Barrett] (6:30 - 6:31)

What would that be worth now?

[Speaker 1] (6:31 - 6:36)

Oh, honestly, well, it's recently sold for about 300, 300 grand.

[Mark Barrett] (6:36 - 6:37)

Yeah.

[Speaker 1] (6:37 - 6:55)

So I should have in hindsight should have kept it. But the time making 40 grand on a lot of money on 100 grand house, you just thought this is bonkers. I was in my first year of property.

But the stuff I own around there now is worth like 80 grand a room, let alone 140 grand for five rooms.

[Mark Barrett] (6:55 - 6:55)

Yeah.

[Speaker 1] (6:57 - 6:58)

So it's bonkers.

[Mark Barrett] (6:58 - 7:11)

So then just going through then the properties, so you're doing HMOs and then you was doing that, obviously, for yourself and then you was doing that as a portfolio builder. And then what was the kind of step up then into developments?

[Speaker 1] (7:12 - 8:28)

So in 2005, 2013, 2013, 2014, I started looking to do buy to sell. So HMOs didn't really have their commercial valuation then. So it's like you really want to be doing flips or developments to get those chunks of profits.

The cash flow was now the HMOs wanted lumps of profit. So I started building high end apart or converting high end apartments. So in 2013, 14, I bought a house, a building called Manor House in a building called I forget what it's called now.

In rugby, and I converted it into five high end apartments and sold them. And then that building then got called Manor House. And then from there, I started Manor House developments and realized actually build to sell is a bit of a pain in the backside.

So I just do build to rent to sell now. So just de-risks the exit. And then, yeah, started with five flats build to sell, then went on to do some smaller build to rent ones like six flats, then 10, then 12, then 18, 28, 20, 14.

And then this one, if we get all the all phases done on this one, it's going to be about 88, 88 apartments.

[Mark Barrett] (8:29 - 8:42)

Yeah. So do you think by going through that process, where you're kind of like, you know, starting out at like HMOs, the transition from HMOs to flats, there was a lot of learnings that you could bring forward?

[Speaker 1] (8:42 - 9:22)

Yeah, without a doubt. I mean, this is always say this, I'm a proper entrepreneur. The one thing I recommend to everyone that I know nobody will listen to me about is slow and steady wins the race.

But slow and steady always wins the race. And if you look at some of the developers who've gone from zero to hero in our industry, there has been a lot of casualties because you've got to you've got to grow into your knowledge, not grow out of it. And to go from doing small flats, to bigger flats, to new builds, to listed.

But I think that's the way to do it. And touch wood, you know, I've not done a deal yet that I've not made really good money on, so that's the way I've approached it.

[Mark Barrett] (9:23 - 9:33)

OK, so are you still doing a portfolio builder? But so you're not doing HMOs now for clients. Do you still do some larger projects?

[Speaker 1] (9:34 - 10:14)

Not really. And this year, we've basically because there's because there's not a huge amount of deals around. We do more joint ventures now.

So where previously I'd have done a built site out for a client for like 50, 100, couple hundred thousand pound fee. Like without being blasé, it's not really in our interest now to spend two or three years building out a site for someone else to make half a million quid on. I'd rather just partner with them.

They put the cash up, we put the deal in and then do it like that. Because if there's loads of deals, then great. There's enough for us, enough for everyone else.

At the minute, there's not enough for us, let alone everyone else. So we just if we are doing anything, we're joint venturing on the schools and stuff like that.

[Mark Barrett] (10:15 - 10:28)

OK, yeah, good. So as far as what you're actually focused on, apart from all the other things that you do with the property entrepreneur, as far as development, what's your thing now?

[Speaker 1] (10:28 - 11:03)

So development, build to rent and finding sites, mainly conversion, bit of new build, specializing in the niche of airspace now and buying sites, developing them out, refinancing out. And then in most cases, leasing them to a third party. But this one, because it's a fair bit bigger, it may.

And it's in the town center. It may not be. We may not be able to find a single operator to take, you know, nearly 100 apartments.

So it might be private rented, but we'll see.

[Mark Barrett] (11:03 - 11:09)

OK, so people might be thinking, how do you find the time to do everything that you do?

[Speaker 1] (11:09 - 13:36)

Well, this is I think this is a whole this is like a strategic piece, a limiting beliefs piece, a mindset pieces. I sent somebody yesterday who is one man band, started new business or had their own business for a few years. And I've got to that point now where all the fun, sexy, exciting stuff's gone and they're just running it themselves.

And I'm saying, have you not got a personal assistant? Have you not got an admin team? Have you not got a bookkeeper?

And they're like, no, that's basically that's mine. I want control of it because, you know, they won't do it as well as me. And I was like, you can do that.

But you're going to get to a point where it's just complete. It's just punishment. And you won't do it as good as you did because you're sick of it.

And it's not good for you. And it's not good for the business. And as a property development is the same.

Somebody asked me recently, which is my most lucrative business? And I had to think about it. And I was like, it's probably development, not just because the deals are like six and seven figure profits, but also because for me, it takes the least amount of time is the highest risk.

So I'm not saying it's easy. You do really need to know what you're doing. And I do.

You know, I've been doing this. I've been in construction for 20 years. But to me, it's a paper exercise.

On the last three sites, we bought the fireworks factory. I forget what the one was before that. And this one, I bought it.

You know, it's a couple of million pounds worth of acquisitions. Wycliffe, now was that? Oh, yeah, Wycliffe.

Yeah, Wycliffe. That wasn't actually I did actually. Well, I say I saw Wycliffe.

I saw it on Rightmove on the Sunday. I ran up there Monday morning. I bought it Monday lunchtime.

So like it's wasn't necessarily the point I was making, but I didn't really spend a huge amount of time stacking that up. But the development for me is very much a paper exercise. It's like it's all about allocation of capital, risk allocation and then having the right team of professionals.

I wouldn't do these deals unless I had the best of the best. And we do genuinely have the best planning consultants, the best structural engineers, the best professional team, main contractors, QSs, monitoring surveyors, funding partners. So for me, it's a paper exercise.

And I pay those people tens, if not hundreds of thousands of pounds. But to me, it means it's a it's a paper exercise. I'm not on site choosing doors.

[Mark Barrett] (13:37 - 13:43)

We've also got quite like a lead team as well, haven't you? Is it like yourself and Jen?

[Speaker 1] (13:44 - 14:04)

That's the other thing. Well, I think it's probably one of the most lucrative. You know, if you if you can make seven figure annual profits and both from just having one employee, there's very few businesses, even six figure returns.

You know, there's very few businesses you can make six figure or seven figure returns with just one employee. But development is definitely one of those if you build it right.

[Mark Barrett] (14:05 - 14:12)

So if somebody was looking to find somebody like Jen, how would you kind of like go about that again?

[Speaker 1] (14:14 - 15:06)

And probably I mean, Jen is a bit of a unique profile. So she is. She's basically a professional project manager, so she's used to develop, developing, delivering sites, developing refurbs, working with sites, but she's also a very much a people person.

So she's got like the blaze management skills so she can actually get the team to do things effectively. But then also she understands the importance of the detail side of things. So she's quite a unique profile.

I wouldn't say you necessarily want to go for each of those bits individually. So, for example, you wouldn't necessarily want to go for a pure project manager because when they've got to deal with third parties, there's so many opportunities for friction. They've got to understand when to put the foot down and when to take the foot off.

[Daniel Hill] (15:06 - 15:06)

Yeah.

[Speaker 1] (15:06 - 15:55)

And I would go for somebody who's got experience in doing what you want to do, but maybe just a smaller level. So before Jen joined us, she was doing managing the refurb, started to finish on independent individual salons. And then obviously, as she as she started with us, started on HMOs, then small blocks of flats.

And now she's running like, you know, seven and eight figure development. So it's probably taking someone with the well-rounded skills and then developing them up. And would probably be the way to go about it.

I even don't think it's something you can throw money at. I don't think you can say, well, I'm going to pay someone 200 grand to do this because it's. Yes, it's a very specialist type of work and relationship you need to have.

There's things Jen does and there's things I do. And there's not really a huge gray area.

[Mark Barrett] (15:56 - 16:00)

Yeah. OK, so what's your key key parts then, would you say?

[Speaker 1] (16:00 - 17:00)

So deal sourcing without a doubt. And it's not like I spend all day, every day deal sourcing. I literally you and I did a podcast when we kicked off deals, deals, deals.

The first one, if people want to go back and listen to it called The Lazy Deal Sourcer. And I literally am the laziest. On a Sunday afternoon, I'll flick through right moves most weeks and I'll eventually find a site.

Now, I'm not looking to do 20 or 30 or 40 deals a year anymore. I'm just looking for one or two. And I know how to I know all the angles.

Most of the stuff I buy is open market. People just other people don't see what I see because I understand it all. So that's one of my one things I do.

The next is strategy. So is that right? Well, you know, this this building is thirty four thousand square foot, but we're going to try and develop the whole thing under permitted development.

Planning consultant couldn't come up with that. The architect couldn't come up with that. The solicitor didn't come up with that.

No, everybody else missed it apart from me. So, you know, that's my responsibility.

[Daniel Hill] (17:01 - 17:01)

Yeah.

[Speaker 1] (17:01 - 17:12)

And then problem solving issues on site, cost overruns, allocation of capital, anything like that is mine. And then the running of the company is is Jim and the site.

[Mark Barrett] (17:12 - 17:21)

OK, so just take us then to this particular project. How did you actually find the property?

[Speaker 1] (17:22 - 18:47)

So laying on the sofa on a Sunday afternoon, literally, and this site actually was previously sold. It was on right move, previously sold, went off market and then didn't sell. But then they also decided not to sell.

They'd obviously been messed around or they'd had a change of circumstance, decided not to sell. So it wasn't online, but it wasn't on right move, but it was on one of the other platforms that we use. And I saw it and it had like a photo that didn't really do it justice.

It looked like a garage. It looked like a block of garages for sale for offers in excess of a million pounds. And on face value, it didn't look.

Of interest. But then when you go into the brochure, it said it was 30 or 34,000 square foot. I said to Jen, I said, this might be a bit of a pun.

But if that is 34,000 square foot and we can get it for a million pounds, it's whatever that is, 30, I think it's 32 or 34 pound a square foot. It could work. And then Jim went down there like the Monday, Tuesday took a picture of it and was like, this has got our name written all over it.

And. Then we got in touch with the agent and the agent was like, no, they're not selling it. They're not interested anymore.

They've been messed around. They're just going to keep it. And then Jen worked her magic like she normally did.

Got them to consider an offer. And it did take a long time. Like these deals, you know, the bigger the problems, the bigger the profit.

They can take a while.

[Daniel Hill] (18:48 - 18:48)

Yeah.

[Speaker 1] (18:48 - 18:54)

But a year and two weeks later, we completed on it and we bought it for 960 grand.

[Mark Barrett] (18:55 - 19:02)

Right. Amazing. So you're saying it was on another portal.

What which portal did you actually see on that?

[Speaker 1] (19:02 - 19:09)

So it was on right move, but then taken off. And I never actually saw it on right move. So I don't know how I missed that.

I saw I found it on the Estates Gazette.

[Mark Barrett] (19:09 - 19:09)

Right. OK.

[Speaker 1] (19:09 - 19:13)

It was recommended to me by Susie Carter from Commercial Property Academy.

[Mark Barrett] (19:14 - 19:31)

Yeah. OK. So you start on that.

Jim went to have a look. You're also very clear on your numbers as far as what you pay cost per square foot. So you're in Nottingham.

You want to give people like, I mean, an idea of.

[Speaker 1] (19:32 - 20:36)

Yeah. So not on and we'll pay in like B and C grade areas. We'll pay up to 90 pound a square foot or we used to pay up to 90 pound a square foot when we could do high density developments under minimum space standards.

I don't know what the maximum we could go up to now, but it would probably be like near the top end of that range, maybe like 70, 80 pound a square foot. But this we paid. I'm not sure how many square foot is.

Jen said it's 34,000. I thought it was 30,000. Let's say it's 30,000 square foot just being conservative.

Or I bought it thinking it was 30,000 square foot, 30,000 square, 960 grand divided by 30,000 square foot was 32 pound a square foot. Like I bought it before I'd even seen it. And I'd never been in it until after we'd moved in.

I was just like 32 pound a square foot. I can afford to run it as commercial and still make good money. And so it's just no brainer.

Wycliffe Mill was 34 pound a square foot. This was this was between 28 and 32 pound a square foot. Well, depending on how you calculate the square footage.

[Mark Barrett] (20:37 - 20:40)

So what is it at the moment then? What's what's the usage of it?

[Speaker 1] (20:40 - 21:09)

It's it's all office and industrial. OK, it's like retail manufacturing. I don't I've I'm actually meeting the tenants today for the first time.

Well, I've literally been here the first time since we bought it. Jen, they want to obviously say hello and meet me. But there's like a retail shop, storage, all sorts of stuff in there.

I mean, it's big. It's it's it wraps around McDonald's and Tesco Express. It's a big building.

Tesco, not Tesco Express, Tesco Extra.

[Mark Barrett] (21:10 - 21:14)

Yeah. What's the occupancy like on it at the moment?

[Speaker 1] (21:14 - 22:03)

Well, it was probably it was quite high. It was about 75% as as they found out we were buying and that we wanted to develop, et cetera. They started to move out, which has actually worked quite well because the front block is going to be vacant very shortly.

And in order to use M.A., we need it to be vacant for three months before we put our PD in and we were expecting to have to have tenants in for a year before we started our planning process. But actually, because they've left to their own accord, it's worked quite well. It does mean it does mean it's not going to be cash flowing in the interim, but it's still washing its face from the other.

It's probably about 50% occupied. OK, which, you know, more than washes its face. So that that works for us.

Plus, I've got our head offices in here. So that's obviously a cost saving.

[Mark Barrett] (22:03 - 22:19)

Yeah. So when you were kind of like, so you found it kind of online looking at, obviously, you know, you're kind of like what you can pay cost per square foot. How would you then stack in the deal?

What did you think you was going to do with it?

[Speaker 1] (22:20 - 23:59)

Well, because we've done loads of them, because we've built loads of these apartments, I know that per square foot. It's there or thereabouts going to work for a residential scheme. And what I then did was I basically just bought it on that premise that I can't lose.

And to be fair, in the current market, this site empty is worth more than I paid for it, I suspect. So even if I was just to put a set of drawings together and flip it, it would it would be a good investment. Plus, obviously, we've come out of a period where I've been encouraging high liquidity, whereas now I'm saying inflation is going up.

You want low liquidity. So to be able to park a million pounds worth of capital into a building like this is just a no brainer. And then the optimum scheme would be one and two bed apartments.

I've actually I actually own a block of flats the other side of the road here. And it's done me really well. It'd be a block of one and two bed apartments.

We're building out in phases so we can actually see what the demand is and the price points for the units. There'll be a mixture of one and two bed apartments. And then I basically build it, refinance it, rent it out.

One beds will be about. I think about 90 to 110 grand, and then the two beds will be. About 120 to 150,000 for the one and two beds, and then for rent, I think we've budgeted the one beds at 550 and then the two beds at 725.

But the flats I've just got across the road have just let 550 and they're like nowhere near what this is going to be. So it's pretty encouraging. But obviously the market's hot at the minute.

So are you there now, then? Hmm.

[Mark Barrett] (24:00 - 24:01)

You're the building now, are you?

[Speaker 1] (24:01 - 24:12)

I'm literally here. I should have said that I'm literally in the building. Right.

I'll unblur my background so you can see it. It's like 60s. Old school office block.

Yeah.

[Mark Barrett] (24:12 - 24:12)

Yeah.

[Speaker 1] (24:13 - 24:26)

Used to be a fashion manufacturer and fashion by big East East Midlands fashion manufacturing and brand company. Been here all their lives and decided to retire now. So fair play to them.

[Mark Barrett] (24:27 - 24:28)

All right. OK, excellent.

[Speaker 1] (24:30 - 25:21)

Just jumping in quickly to let you know that the brand new boom or bust report is now out at www.boomorbust.co.uk and what I've done in there is I've listed out the top five things that I'm doing now as recession is coming to make sure that 2022, 23 is the making of our businesses, not the breaking and how you can do exactly the same. Also, if you've not yet secured your place at the last three day blueprint event, the grand finale on the 24th to the 26th of August at the Belfry Golf and Spa Resort, you can secure your place on the same page www.boomorbust.co.uk or go in the show notes now and get access to the VIP podcast group where you can get VIP access and discounts to come to the last ever event of 2022. Back to the podcast.

[Mark Barrett] (25:24 - 25:31)

So you kind of you stack your number. You said it is taking you like a year. What was some of the issues on that then?

[Speaker 1] (25:32 - 26:06)

So because it's one of the things we're buying, it's a really, really good thing to do to buy tenancy buildings. I've bought a few like business centers and things like that. And it's good because it de-risks your short term.

You know, you can buy it and it's going to wash its face while you get planning. Perfect. The consideration, though, is most old school, at least blocks don't have the proper agreements in place.

The agreements have gone into breach. You've got to sit in tenants. The right of tenure has been exercised or been established.

All these sort of legal bits and pieces. It was it was basically a lot of that tidying all of that stuff up.

[Daniel Hill] (26:06 - 26:07)

Yeah.

[Speaker 1] (26:07 - 27:03)

But then there's also restrictions on this building, which come. This is part of a really big industrial site or it was really big industrial site. It was owned by the railways.

So there's all sorts of as it's been carved up over the years and a bit's been sold to McDonald's, a bit's been sold to Tesco's petrol station. The rest been sold to Tesco extra. And the rest is here.

There's like I mean, these are written in the 60s, like rights of access, restrictions from development, all sorts of things that make the solicitors run for the hills. But when you actually again, this is where I have to come into it and figure out what's the solution. If you left it up to a solicitor or an architect or planning consultant or accountant, a deal would never get done.

So when everyone's saying, you know, the deal is not going to work. I have to get in there. I have to get in there and, you know, find a way to make it work and then tell them how to make it work.

And, you know, touch wood, that was what we did.

[Mark Barrett] (27:04 - 27:17)

OK, so with MA, you using class MA, does a certain size you can go up to? So how much you want to just let people know about that?

[Speaker 1] (27:17 - 28:41)

Yes, it's fifteen hundred square meters or fifteen hundred square meters, which is about what that rose up to fifteen, sixteen thousand square foot. And I think it might be all the way around. But yeah, you go up to fifteen hundred square meters, which is basically half.

I mean, again, it's there's a bit of luck in this stuff, but it's essentially half of this building. So what we'll do is the process I'm doing also put in a B prior notification permit development in for airspace. So two floors on the front, one floor on the side.

And that airspace will be and I'm basically putting the application in now for two floors on the front block. So it's a big L shaped building front block, two stories on top will be a B prior notification, hopefully for like I don't know how many units, 30 units. Once that's granted, I'll then put MAPD in for the downstairs.

And then once that's granted, I'll build out the whole of the front block, which will probably be about 50 apartments. And then subject to how that looks and it works, then roll over to the back, the rear block and do the same. But only one story, one story of airspace on the rear block and then MAPD on the main block and then develop the back back part out.

[Mark Barrett] (28:42 - 28:49)

OK, so with MAPD you need do you need parking on that?

[Speaker 1] (28:51 - 29:03)

So it's traffic is a consideration, but because it's permitted development. Well, because it's permitted development, it's more flexible. So it's not necessarily a criteria.

[Daniel Hill] (29:03 - 29:03)

Yeah.

[Speaker 1] (29:04 - 29:52)

However. But yeah, it's not necessarily a criteria. What were if it were to be a criteria?

This location specifically is preferable because the government, the local council in the local, this is the most important thing about mastering your market is I've read the local plan a million times and every bit a supporting document. And it's quite clear that the local council here don't want cars in the town center. So basically they've deep pedestrianized or they've pedestrianized the high street, which basically means cars can't go through the high street anymore.

And this is if you look out of that window is the high street. OK, so basically they're sort of saying they don't want cars. And also the town center is struggling.

So they've got objectives to increase footfall to the town center.

[Daniel Hill] (29:53 - 29:53)

Yeah.

[Speaker 1] (29:54 - 30:08)

And like, you know, if you put together a logical argument, what's one way to get more people into the shops in the town center? But 120 to 200 tenants in there. In a block of apartments.

So, yeah, they go. OK.

[Mark Barrett] (30:09 - 30:21)

So if somebody you say was looking at that size, obviously you've got double but like 1500 square meters as a ballpark. How would you kind of like calculate how many apartments you can get from that?

[Speaker 1] (30:22 - 30:35)

So this is like a I don't know. So this. I don't know the best way to appraise it, but there's various parts.

Then you basically just got to make the best decision. So you've basically got GDV per square foot.

[Daniel Hill] (30:35 - 30:35)

Yeah.

[Speaker 1] (30:35 - 30:46)

And you'll probably find that a single let a one bed has a higher GDV per square foot than a two bed. It's just tends to be the case.

[Daniel Hill] (30:46 - 30:46)

Yeah.

[Speaker 1] (30:47 - 30:50)

So if you're going to sell it, there's an argument that you want more one beds and two beds.

[Daniel Hill] (30:50 - 30:51)

Yes.

[Speaker 1] (30:51 - 32:41)

If you want to rent it, there's also an argument that the yield on a one bed is arguably better because the rental rent compared to the build cost is higher. So the rent, the rent yield overspend is potentially higher on a one bed. So all of that would say, well, I'm going to put loads of one beds in.

But then you flip to the other end of the spectrum and it's like, right, well, how many one beds could this location actually take? Yeah. Also, funders can be a bit funny if you've got too many one beds.

Planners can be a bit funny if you've got too many one beds and you don't want to flood the market. So it's like finding that sweet spot. If you really wanted to squeeze the returns on paper, you probably go for one bed.

So for fifteen hundred square meters, you'd be looking at three hundred seventy pound a unit, fifteen hundred square meters. At 37, you get you get probably 41 beds in 30 square foot. So I.

In in so in 15. Hundred square, 1500 square meters, it was 37 square meters, yeah, 41 beds, which sounds quite appealing. But then you got the other issues with the market demand, things like that.

So I've gone for a mixed scheme of sort of you got on paper what's going to get the best return in practice, what you know, what's going to guarantee is full all the time and then find a sweet spot. And also, if you ever had to sell them, if there were one beds, you know, it would either take forever or you'd have to sell them to investors or you'd have to sell it as a block. OK, whereas if you've got two beds and one bed, you could do a mixture of investors, residential buyers, investors, first time buyers, etc.

[Mark Barrett] (32:42 - 32:50)

And then what's your exit with this? Are you looking to keep this long term? Do you see yourself selling this now?

[Speaker 1] (32:50 - 33:01)

This would be a financial fortress. This would be like two financial fortresses in one. So I'll literally my plan would be to keep it forever.

OK.

[Mark Barrett] (33:02 - 33:02)

Yeah.

[Speaker 1] (33:02 - 33:03)

Or at least indefinitely.

[Mark Barrett] (33:04 - 33:11)

Yeah. So you're going to go starting through the planning process. How long do you think that might take?

[Speaker 1] (33:11 - 33:37)

So the structural drawings that you in the next week, which is basically so I can start looking at construction methods, you know, are we going to do block, timber frame, SIPs, cold rolled steel, how are we going to do the airspace? So structural designs end of this month, then the architects will have like two to four weeks to draw out the floor plan for the first phase.

[Daniel Hill] (33:37 - 33:37)

Yeah.

[Speaker 1] (33:38 - 34:20)

We then get the CGI's drawn up as well just to try and make it look appealing. So, you know, at least when the planners are looking at it, it's something they want rather than get the heckles up. And then I don't know.

I've actually got a meeting with Jen today, so I'll find out today scheduling where we are. OK. And then, yeah, we'll go from there.

But end to end, worst case scenario would be like a three. If everything goes through, if all parts of this, if all four parts of the all four phases go through, it will be between two and a half and three years to build. I think it'd be a little bit less because the tenants have moved out.

So that saved me like six to 12 months. But I was expecting it to be two and a half, three years end to end. And that flies by.

It's taken me a year to buy it.

[Mark Barrett] (34:21 - 34:34)

Yeah, yeah, yeah. Yeah. And then exit.

So as far as funding, how are you looking to fund the deal from the refurb and then as you exit the refurb? Are you looking to fund that then to think?

[Speaker 1] (34:35 - 35:11)

So initially I was going to buy it cash, like a combination of my own cash and investors cash. Then coming out of the pandemic, made a decision that actually I'm going to use all investors cash to do developments. And then all my own capitals go into schools, financial fortress.

If I'm buying it and holding it, that's where my own capital goes. Single let's. If I'm creating equity and profit, then using investors capital.

So I bought it all cash. Granted, there is some of my cash still in there. But yeah, like I'll swap out for investors capital as soon as I can.

[Daniel Hill] (35:11 - 35:12)

Yeah.

[Speaker 1] (35:12 - 35:41)

As soon as I get around to it. And then I will probably leave that capital in there. And but also put a first charge on it for development funding and the development funding.

I'll get the front block planning sorted. Airspace, MA, and then I'll split the title and then I'll have I'll put a charge on the first block and with development finance, build it out and then refinance out with someone like Shawbrooke.

[Daniel Hill] (35:41 - 35:41)

OK.

[Speaker 1] (35:42 - 35:54)

And then release, release all the capital, all the payback, development, finance, release the investment capital, move that onto another, you know, the next development and then do the same on the second block. OK.

[Mark Barrett] (35:54 - 36:17)

So just going through the through the numbers then. So you bought it for 960 and then you got like various fees. So have you kind of got like approximation of what you think the refurb might cost?

As far as refurb, do you have like a ballpark figure of like a one bed, two bed on like previous?

[Speaker 1] (36:18 - 36:27)

So what I've done is I sort of words it backwards. I mean, the same. Another reason to have it is good for it to be rented is the construction market in the minutes like real topic.

It's real hot.

[Daniel Hill] (36:27 - 36:28)

Yeah.

[Speaker 1] (36:28 - 36:32)

So actually holding it for six to 12 months to let the market sort itself out, but it's probably a good thing.

[Daniel Hill] (36:32 - 36:33)

Yeah.

[Speaker 1] (36:34 - 38:23)

So what is it based on previous? Well, I've got comparables based on previous size. But to be honest, and again.

I don't want people to think development's easy and that I'm too blase about it, but. I don't buy many deals, but the deals I do are absolute no brainers. So with this one, I've worked it back and I'm like, worst case, it's going to be worth between 10 and worst case scenario, 10.

If we get all four phases, worst case scenario, 10 million could be up towards that between 13 and 14 million. So let's say we're absolute worst case, 10, 10 and a half million. In order for it to be an absolute no brainer of a deal, I need to be getting a 30% margin on that, which is three million.

So I've got seven million to get around that. It's cost me, including fees and stamp and everything. Just over a million, one point.

1,000,007,000 plus maybe like another couple of 20 grand or so bits and pieces. So it's cost me less than a million quid. I've basically got 6,000 pounds to get around it.

Sorry, 6 million pounds to get around that. And let's say if we get all four phases, it will be. 30 times.

Well, the first block is 30,000 square foot. If it's 30,000 square foot and it's four floors, we're adding another three, so that's another 75% times 75% plus 30. So let's say it's going to be 52,000 square foot when it's finished.

So we've got, let's say, 55,000 broad stroke. I've got 7 million to get around that divided by. Would I say 55,000?

[Daniel Hill] (38:23 - 38:24)

Mm hmm.

[Speaker 1] (38:25 - 39:03)

So that's 127 pound a square foot to get around that. Now, more than half of that is conversion. The rest is new build.

I could probably do new build like 110 to 150. I could probably do conversion in a really good market of like 70 to 90. So it's like that's what I'm still working on the minute.

Am I going to get around it and that cost? And we'll have to, you know, we'll have to say. And then I just go around.

Then it's just a case of working out from there. But looking at that broad stroke, I'm like, I don't think I'm going to have any issue getting around it. OK.

[Mark Barrett] (39:03 - 39:24)

Yeah, yeah. So obviously, it's going to be fantastic, a fantastic deal. So, you know, if you're looking at, say, a GDV of 10 million and then looking to with your purchase and refurb costs and your other asylum costs, probably up to about seven.

[Speaker 1] (39:26 - 39:41)

So, yeah, it's backwards. The margin should I mean, absolute, absolute worst case scenario. You'd want to be walking out there of a 25% margin.

But I do think I think it probably a 30% margin on between 10 and 12 million pounds GDV.

[Mark Barrett] (39:42 - 39:45)

So when you come to the refinance, you should have all your money out.

[Speaker 1] (39:46 - 41:05)

Yeah. And again, whilst I don't want to give people the wrong impression, like I know how to do this stuff, I've been doing like I've been constructing my whole life, I've built hundreds of apartments, how HMOs, houses and. And I know what I'm doing, and this is the approach I'll always take, it's very hard to know exactly what the cost is going to be.

So I'm throwing numbers around here, but the reason for that is that I only buy deals. I can't like I'm really unlikely to lose on. And I think I'm paid £32 a square foot.

I couldn't build this building. I paid 960 grand for it. The rebuild cost on it is three million pounds.

So to build it would cost three million pounds. I bought it for 960 grand. It's like don't think that you can go buy in 10 million pound of elements.

You don't even know how much your bill cost going to be. I'm just saying I don't know exactly what I'm going to do with that. I just know that whatever I do will be lucrative.

Even if it means drawing a pair of floor plans and flipping it for two million quid. So, yeah. So, yeah, that's and then refinance it.

And yeah, ideal scenario, we get all the capital back and then hold it and it will cash flow, you know, two, three hundred grand a year, probably 250, 260 grand a year.

[Mark Barrett] (41:06 - 41:38)

OK, excellent. So. Yes, it's an amazing deal for people that are kind of like looking at this.

Would you kind of suggest they would look at like, you know, people getting excited on such a big deal? What's the best way to go about this? Is it kind of like going through the through the steps or could you actually put together if you wanted to skip some of those put together like a really experienced team?

But what would you suggest?

[Speaker 1] (41:39 - 43:06)

My biggest suggestion would be start small. Let's give you an indication. The deals that I felt most nervous on in my life were the first ones.

Yeah, because because I didn't know what I was doing. Yeah. So if you're going to be that nervous and that I'm sure you want to be doing it.

The first few deals I did was like one or four for 80, two or four for 80 grand. HMOs I was buying for 100 grand and then spending 30 grand on. I already knew what I was doing and wasn't nervous doing those basically deals you can't lose on.

Don't bet your shirt. You can't go and buy deals like this. But I'm not like hand on heart.

I'm not nervous about this deal in the slightest because I've been doing it for my whole life and I've de-risked it to the fact that even if I have to carry on renting it out as a business, there's there's so many levels of de-risking in this. I can't lose. Plus, it's my own cash or it's backed by my own cash.

I've got investors capital in there. I'm not on a bridge. I'm not I'm not taking any ridiculous risks.

I wouldn't go into a deal. I would recommend anyone goes into a deal of this size unless it doesn't make them nervous. And the only reason it shouldn't make you nervous is if you know what you're doing and you've de-risked it.

And that's that's that's it. And yeah, my confidence is in the strategic approach we're taking, not in my experience. It's like.

Yeah, I've de-risked it everywhere I can, really. So I would recommend start small and just work your way up.

[Mark Barrett] (43:07 - 43:17)

OK, excellent. So just leaves on to three top tips. So for people that are looking to maybe, you know, working developments, what would you say?

Three times.

[Speaker 1] (43:18 - 46:03)

So. The first would be don't do deals that don't make money. But it's so easy to get deal heat, itchy feet, sit there thinking I'm going to deals on.

We've not had a deal on for maybe six to nine months while we've been buying this. But between finishing the fireworks factory and buying this apart from a couple of, you know, single X and stuff like that, we've not had any deals on. And it would be so easy to go for a deal.

I've just pulled out of another deal on the survey. But don't do deals that don't make money, because in exchange for a small bit of satisfaction of getting a deal done, you're going to have years worth of pain. Yeah, you're not making any money.

You better have to do one really, really lucrative deal. That makes you more than what you hope. And there's always surprises in development.

You just want to hope that the surprises are good ones. So, yeah, would be don't do deals that don't make money. I see loads of people doing deals, and I think I would not have bought that deal.

But that doesn't make any any sense to me. Don't do deals that don't make money. Only do deals that make loads of money.

That would be my feedback. Even if it means you only do one every two years and start small, we've talked about that. Slow and steady wins the race.

Just start small and just set yourself a rule that every deal gets a little bit bigger or a little bit more lucrative. And you try something new, a little bit of new build, a little bit of listed, a little bit of PD, a little bit of airspace, a little bit of high development, of high density development. Start small.

And then the third would be don't bet the house. But nothing's worth betting the house. Don't lose your shirt.

This is a deal that would, you know, this is a deal that could make anyone for life, like it could make more than some people to do a deal like this and it made more money than they've ever made. And I get really excited about it. But you've got to appreciate that a deal like this or even just a deal like Wycliffe Mill, a deal that's half a million quid.

You can make more than you've ever made, but you can also lose everything you've ever had. And it's like whilst I'm being blase about the numbers and stuff is don't get seduced by the highlight reel of Facebook. Development's hard work.

I always say to the board members, if you if you want an easy deal, go and get a happy meal, because development is hard work. The bigger the problems, the bigger the profit. But you've got to roll with the punches and it's never easy.

Never, never easy. But if you know what you're doing, it can be really lucrative. But most people don't and they do lose their shirt.

So don't don't fall into that trap. You want to make sure the snakes and ladders and you want to make sure when you when you hit a snake, it only takes you back a couple of steps. It doesn't take you all the way back to the beginning.

And yeah, de-risk it every step of the way. So when it does go wrong, it doesn't cost you a house.

[Mark Barrett] (46:03 - 46:21)

OK, excellent. Cool. So, yeah, great.

Great to go through that deal with you. And I'm looking forward to obviously seeing you as you progress that. And thanks again for coming back on the podcast.

[Speaker 1] (46:22 - 46:27)

My pleasure. Thank you very much, Mark. And yeah, look forward to seeing you on the Provence for now soon.

[Mark Barrett] (46:27 - 46:28)

Yeah. Thanks, Dan.

[Speaker 1] (46:28 - 47:33)

Take care, my good man. I will see you on the next episode.