**TBP 145 Edited\_Transcription**

[Umesh Kalra] (0:05 - 0:34)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a £10 million portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint.

[Mark Barrett] (0:38 - 0:43)

Hello, I'd like to welcome my latest guest, Umesh. Umesh, how are you doing?

[Speaker 1] (0:44 - 0:46)

Hey, Mark. Yeah, really good. Thank you.

[Mark Barrett] (0:47 - 0:57)

So really excited to go through this amazing deal that you've got. For those people that don't know you, obviously your full name is Umesh Kalri. That's right.

[Speaker 1] (0:57 - 0:57)

Yeah.

[Mark Barrett] (0:57 - 1:01)

Right. Great. Just tell us a little bit about yourself, please.

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

Right. Yeah. Okay.

Where should I start? Right. So I'm the HMO portfolio builder in Leicester.

So I'm the go-to person if you want to do a HMO in Leicester, large HMOs, anything six and above. I'm based in Maidenhead in Berkshire. I mainly operate out of Leicester for my HMOs and cash flowing portfolios.

I'm 41 years of age. I've got a beautiful wife, two children, age nine and five. They keep me on my toes.

Yeah, they really do.

[Mark Barrett] (1:43 - 2:04)

We were just talking, actually. So we've both got two children, and we're talking about wealth dynamics. And our children are both kind of similar kind of profiles.

So the older one being a tempo, which is what I am, and then the younger one being the blaze is kind of like out there. And yourself?

[Speaker 1] (2:05 - 2:29)

So I'm a blaze supporter. And then my left and right wings are stars and deal makers. And I've got quite a mixed, balanced approach, because when I look at the advanced, I've got 20% steel, 16% tempo, and there's like 18%, 19% of dynamo.

So I'm quite well balanced.

[Mark Barrett] (2:30 - 2:34)

Yeah, very good. So when did you join Property Entrepreneur?

[Speaker 1] (2:35 - 3:58)

Ooh, so I joined the program in October last year, after the three-day event in August. One of my friends, I was literally just having a 30-minute catch up with him while waiting for my haircut. And he said to me, Umesh, look, you're doing your portfolio build thing.

I definitely recommend. I'm signing up to a guy called Dan Hills, he's a property entrepreneur. And I was like, yeah, yeah, whatever, another program, another course.

But when he said Blueprint, I just straight away, I was like, right, do an intro. And he did a WhatsApp introduction to Bianca. And that was it, game changer.

I signed up to the three-day event. And I think psychologically, I'd already decided I was going to go for the 12-month program, knowing that I didn't want to commit lots of time to things. I'd already said, I'm going to do it.

I think I came home and I said to Anita, I said, Anita, look, next 12 months, I'm going to be on a program. I've been supporting all of the other activities in the house. I'm going to need some support because there's going to be a day, at least a day a month, I'm going to be out of the equation.

And the three-day event just blew me away. And it was the fact that Blueprints, that Blueprints just rubber stamped it for me. And it was just a game changer.

[Mark Barrett] (4:00 - 4:04)

So you're kind of six months in, halfway around, and how's it gone for you?

[Speaker 1] (4:04 - 5:07)

So it's been really interesting, actually, because a lot of the stuff that is being taught, most of it, I know off from my corporate career. And I know a lot of the things. But the thing is, is that when you have so much going on, unless you have the right people around you, it's very difficult to implement them all.

And so the thing with me is, what resonates the most is that I'm in a room, and I'm being delivered a program by really, really trustworthy people. And that, to me, is amazing. You've got these people that have the knowledge, they've executed themselves, they've got the Blueprints, which actually work.

And you don't get bored because you've got different seasons. So the way it's all put together is just phenomenal. Just being in the room with these people and being associated is, for me, massive.

The learning there is just like, I don't know what else you could ask for.

[Mark Barrett] (5:07 - 5:13)

Yeah, amazing. So how long have you actually been your full time in property now? How long have you been full time?

[Speaker 1] (5:14 - 5:39)

So I left my corporate career. My last working official day was, I think it was the 12th of December 21. I went on a nice big holiday with the family.

I came back in, well, we came back in December as well. But I started the new year, January 2022. And I've been in full time property since.

[Mark Barrett] (5:39 - 5:49)

Amazing. Yeah. And then before that, you was IT, you went to college, sorry, you got a degree, and then you went into IT.

[Speaker 1] (5:50 - 8:54)

Yeah, that's it. So I got into the wrong crowds when I was at end of college, university. I knew I had to knuckle my head down.

So I just focused on my the last three months, like three years degree. And the last three months, I put my head down, smashed it out the park for the degree. And then I kind of cut off from any bad crowds.

I just turned a new leaf in three months. And I knew at that point, I needed to do something that was for me rather than just hang around and follow crowds. And I, you know, my first job, most of my friends were getting graduate jobs, going into career ladders, where they start off at the bottom, and then they work their way up and become, you know, team leaders, managers, and so on.

I, you know, that that was great. But I just knew that there was something else. And I took a day rate contract job instead, which was double the money at the time, but obviously a bit more creative, because you're almost self employed as a contractor, and you've got to work out your own holiday and taxes.

And, you know, it's a learning curve in itself. And I worked my way up, working in it as a day rate contractor, from what 2004, all the way up to 2022. And then, you know, in between that time, there's a lot of things I've done.

I've had a family, I got a beautiful wife, 2 children, I built a 10 million pound portfolio, I've set up a law firm, which my wife runs. So we both set up a law firm in 2015. When she became SRA regulated, and it was all up and running, I moved away, she runs that business, it's totally hers.

And she focuses her whole life on that business. And she's, you know, it's five star rated, she's doing really well with it. Then I started focusing more from 2016 odd on property, while still maintaining a full time, heavy lifting, IT contract jobs, working for some large investment banks, you know, the Santander Group, Alliance Leicester, Apple pay, we all use today, back end monitoring of that I helped and assisted with Visa Europe, Bank of America, I've done some really great big IT projects.

And then my portfolio was ready, you know, from 2016 to 22. I did the bulk of the portfolio. And I decided that, you know, cash flow now needs to go into another level.

And I need to start focusing my energy on property full time. And that was the big jump.

[Mark Barrett] (8:55 - 9:03)

Okay, so just about your portfolio, what does that consist of? Is it all HMOs? Or have you got like a mix?

[Speaker 1] (9:04 - 10:33)

So it's mixed now, it's probably just under 12,000 12 million. Now, I've got three portfolios of such, I've got what I call a cash flow portfolio, which consists of like small developments. And, you know, large HMOs, then I've got a pension portfolio, which for me consists of flats, single buy to lets, and more of the equity play type of properties.

And actually, the cash flow that we make in the pension portfolio, I use that cash flow to pay into my pension. And then I've got what I call a legacy portfolio, which consists of two SPVs. But the legacy portfolios are things like single buy to lets, I go down, you know, I buy the kind of things that Dan talks about, I don't know what phrase he uses, is it BBC, so where you can buy below the construction cost price, you know, you're buying a property for 100,000.

But you know that if it if you knocked it down and had to rebuild it today, it would cost you 140 to rebuild. Those are the kind of things up in the northeast are by in, in the legacy portfolios, because they're not really needed until you know, the real long term, my kids are quite young. So when they get to needing them, they'll have enough wealth there to support whatever dreams and aspirations they have.

[Mark Barrett] (10:33 - 10:45)

Okay, very good. So just to move on now about your actual project we're going to discuss. So that was in Derby, do you want to give us some background as to how that came about?

[Speaker 1] (10:47 - 13:43)

Derby was a really good one. So this is amazing. So we had lockdown in 2020.

And we had like a couple of different phases, didn't we, we had a March lockdown, we had a lift in July. And then we had another lockdown in December or something. Well, we flew out in December, a couple of days before they announced a lockdown.

Me, Anita and the kids, we said, Look, we've had a year off, quite a difficult, you know, time, let's, let's get away. And we went to Dubai. I've always wanted to be away for Christmas, never done it, purely because of the cost, because mindset really, you know, just didn't want to do it.

Well, I wanted to do it, but I never did it. So I said, let's do it. We went to Dubai.

And we I was walking down towards the beach. And I had text messages and whatsapps. And I thought, on my walk, I'm going to clear my log off messages, because, you know, as an entrepreneur, you're still responsible, you still got things going on, regardless of having agents and people working for you, you're still responsible for what happens.

I was just clearing my messages down. And Adam had reached out to me, Adam's my, my Leicester based property manager that looks after my HMOs. We had had a conversation like couple of months prior that I want to be looking into Derby because I've done a lot in Leicester.

I've done kind of 46 projects in total, a majority been in Leicester. So I said, for me, I want to be looking at some commercial things. And I want to be looking up Derby as well.

And he he was in Derby that day, with another client just scanning the area looking around. And he had said to me that he wouldn't mind moving his management and letting activities and expanding them into Derby as well. So I said, Okay, great.

Anyway, he messaged me, left me a voice note, videos. And he had seen he had just driven past this, this property, which was a commercial premises. It was an ex doctor surgery.

And he had sent me the video of it from the outside, a video of it from the back, but he hadn't had a viewing he had just, you know, he was just driving past. And I made contact with the agent, it was a commercial agent, did a bit of digging. Anyway, it turns out after a bit of digging that the property next door has had planning permission for six flats and 16 rooms.

And the architect is the same go to architect that I use in my power team.

[Mark Barrett] (13:43 - 13:44)

Amazing. Yeah.

[Speaker 1] (13:44 - 16:26)

So it was really simple. It was me and another Adam. So it was me pinging the other Adam saying, Hey, Adam, listen, this project, right?

Talk to me about it. And he said, Look, we went through really quickly over voice notes, to be honest. Me and him on a one to one relationship.

So if I ping him, it was it's a case of him, you know, having that dialogue back. And he said, Look, I'm very sure that we can do something with this particular property. And I did a typical back of a fag packet approach.

I looked at the building. It was a doctor surgery that had had change of use planning for six bed studio HMO. So I kind of knew, even if I go for something later, and I don't get planning, what's my fallback position?

Well, my fallback position is I can use I can do an internal refurbishment and make it six bed, I can just refurbish the inside and actually just let it as a commercial premises. And I thought, right, I've got two good fallback positions here. I can even go down a planning route.

And if I do get good planning, I don't have to build I can sell with planning, yeah, or I can actually build out. But my view was always buy it, do the work, do the add the value, and then keep the asset for the long term. Anyway, long story short, that was December, I had kind of engaged with the agent, I said, Yes, I'm interested.

I got messages back from the agent saying, look, the seller needs to just organize things. And actually, we're going to go for a different approach. We've got too much interest in the property, we're going to package it up, we're going to do all of we're going to go for an auction style approach where we create all of the searches, everything, the contracts.

And it's literally a case of sealed bids, winning person takes it. And it's sold as seen sold with that paperwork, no legals. And so I was like, Okay, well, that's great.

That's not going to help me now, because I've got, you know, I've got a firefight and organize all of this stuff. But looking at the timescales, he said, we're a couple of months away from that. So I thought, okay, great.

So I carried on the rest of my holiday. And I just, at that point, I knew there was something to look forward to, there was a deal I was going to get. And I think I've made my mind up.

I want this deal. I said, I said, it's a no brainer. And I'm going to get it.

Now, I hadn't, how much was it on for? It was awful. It was on for offers over 200.

[Mark Barrett] (16:27 - 16:29)

Yeah. And do you remember the size of the building?

[Speaker 1] (16:31 - 19:52)

I think it was 1800 square foot or something. Yeah, something like that. It was it was a building that if you just refurbish the inside, you would have six quite large letting rooms.

They were like 15, six 15 to 20 square foot letting rooms and you'd have six of them. You know, I just I just decided I was going to buy it. That was it.

And I was going to get it was going to be mine. It became a game that it was going to be mine. Right.

And then obviously, I had to when I got back, I went through the deal, and we stacked it up and then got to a got to, you know, April and I pinged the agent a few times. And there was no there was no communication. It was still you know, we're waiting, we're waiting.

And then at that point, I thought, right, I need to stand back a bit because I'm not too desperate for it as well. I couldn't make the viewing. So I let Adam who was in Leicester, I let him go and do the viewing on my behalf.

And, and actually, I bought the place without viewing it. Which Adam, the Adam, the the Adam, the Adam, the lettings manager. Yeah.

And he had told me, you know, he would be really interested in getting and moving, expanding into Derby. So for me, it was like, okay, my power team at the moment is also prepared to do something in Derby means I don't need to go out and find new members of the power team. And we so that was kind of like, March, he viewed it, we put the sealed bids offers in.

Now at this point, I was still I had a had a probably six or seven projects that were in refinancing. And those were not going to they were in build, they were not going to get refinanced until July, August, I probably wasn't going to get any of my money back out until September, October 2021. I've got to buy this place in, in, you know, April 2021.

So I'm like, right. And I, I picked up the phone, make some phone calls. And I had, I had a private lender that said that they would give me 75,000 pounds unsecured.

He said, when do you need it? And I hadn't finished. I hadn't even finished making the agreement.

And he's pinging, pinging the funds across to me. He said, you know, he said to me, his name is John, and he said to me, Umesh, I can only do 25,000 pound transactions. I've just sent you 25.

And I said, John, I haven't sent you a loan agreement yet. But that was so quick. And I knew that I could do it.

Yeah. So at that point, I had a fallback position, I could use his 75,000. And I could go and get a bridge.

But instead, there was, there's a landlord that I helped in Leicester. And his dad invests, it does a lot of private lending. So I gave him first charge, and he put 200,000 pounds down.

So I used his 200. I used the money from John of 75, put them together, and I bought the place.

[Mark Barrett] (19:52 - 19:53)

How much was it then?

[Speaker 1] (19:54 - 24:17)

So I went in, and I built up a relationship over the phone with the agent. And he kind of, you know, let loose that you're going to have to be north of 250 if you want it. So I said, Yeah, that's fine.

It works. And 255 is what I paid for it. We paid 255.

I had 275,000 pounds there. And I used the remaining on professional fees, like, you know, I had to get legals done, we had to get stamp duty, we did planning permission. So I went in there and did a full planning out for six apartments where we doubled the footprint of the building.

So we extended out to the rear, a double storey and a single storey. We added a new roof and increase the height of the ridge roof height. So we made it into three storey building.

And we doubled the footprint. And that was planning for three, two bedroom flats, and three one bedroom flats. And they're all quite large.

So like, the two bedroom flats are, you know, 78 to 80 square meters, and the one bedroom flats are kind of 50 square meter flats. So they're quite large. They're not tiny little, that's good size.

Yeah, not the minimum size front, they were quite good size apartments. So as soon as we got planning, which we got planning was really delayed, because I don't, you know, you're aware that in, as soon as COVID kind of started taking off, planning departments across across the country are 12 months behind. So we didn't get planning until September 2021.

So all this way, I funded it through the cash flow of my portfolio, I've been servicing the private lenders, debt that I used to acquire the property, there's no rental income coming in. And this is this is the good thing about having a cash flowing portfolio, because you can use the cash flow to service new debt, and you can use new debt to build or acquire new new property. That took me through to September, September, we got planning.

Now, at that stage, I, well, I've got I've got a project, which has got planning permission for six flats, the GDV is massively gone through the roof now. So I needed the funds to do the works. And the funds that I just got back from all of my refinancing, I went and bought more property, I had more projects in the pipeline that I needed to do.

So I was like, even if those funds are available, I don't want to consume them, because it will limit my options. And I'm, you know, I'm storming ahead buying, I'm, this is my phase where I was literally in a business, I was at storm phase, buying, buying, buying, converting, buying, converting, making it happen. And so I took it to a bridge lender.

And we did a development finance, funded the works and arrears. So we then another great thing we, we exited the private loan for the 200. We continued the 75 personal, you know, that loan, we continued the 200, we exited, but we didn't pay him back, we exited it from this property, and we gave him first charge and a new acquisition that we went and bought in Leicester.

So we bought this new property in Leicester, with his 200,000 funding. And that new property, we've converted, it's done and dusted, it's rented, you know, there's 150,000 odd pound increase in the GDP on that one, that's done and dusted. We're just exiting out that now.

And then with the Derby one, we've done the conversion, we've done the build, we've built it out. We've done the extensions, we've been using the bridge finance, I didn't have a view of taking the drawdowns, but I arranged the facility in case I need it. And you know what, good thing I did, because I've used it.

I've used it because I've been buying. I haven't stopped. Yeah, really, really good, really good deal, this one.

[Mark Barrett] (24:19 - 24:29)

So you've got to the end of the build now, do you want to just run through the figures? So you've got your purchase price, 255, you've got fees, 20k, do you want to just go through the build?

[Speaker 1] (24:30 - 25:11)

So on phase one, we've spent 255 to purchase 20,000 in planning and professional reports and you know, all of the work that you need to do, like structural calcs, building regs, etc. We spent 350,000 on the build. And that includes all of our fixtures, fittings, carpet, furniture.

We've had just under 70,000 pounds in finance costs. So that brings us up to 695. And we've got a verbal estimation of a GDP of 950,000, which is due in kind of two days time.

[Mark Barrett] (25:12 - 25:21)

Amazing. So that you should be with a 75% mortgage, all of your cash out, I think you need about 930 to get all your cash out.

[Speaker 1] (25:22 - 25:34)

So it's all cashed out plus just over 15,000 extra, which we're using for the planning application and all of the design and build packages for phase two.

[Mark Barrett] (25:34 - 25:39)

But the deal doesn't end there. Do you want to tell us about the actual bonus to this?

[Speaker 1] (25:40 - 26:23)

So bonus is phase two, because the rear of the site has, we've now obtained planning. So let me give you a bit of background. You've got a road and you have a parallel road.

And the parallel road is the back of the site. And you imagine going down a road and you've got a whole row of terraced houses. And then all of a sudden, where my plot starts, it stops.

There's no more houses. So we've got planning to continue that and to build with an undercroft going through to the rear for parking and to build a block of five flats. And these flats will consist of 13 individual studios.

[Mark Barrett] (26:24 - 26:34)

Amazing. So what an added bonus to the deal. So you've got the deal, you've got all your cash out.

What's the cash flow, did you say, as far as phase one?

[Speaker 1] (26:34 - 27:07)

So I don't self-manage. So I base everything on a completely hands-off approach as much as possible. So with everything managing, the managing agent, managing the rentals, the management of the property, et cetera, you're looking at 36,000 pounds cash flow after paying utilities, bills, mortgages, all the fees that come in to maintain that property in a year, there's a remaining balance of 36,000 pounds.

[Mark Barrett] (27:08 - 27:29)

So that's amazing because a lot of people can live off 3,000 pounds a month. And when I talk to clients about building a portfolio, that's one of the figures, normally the first figure that people want to get to, is 3,000 pounds a month that can quit the job and then focus on property. So for you to do that, just in one deal, that's amazing.

[Speaker 1] (27:30 - 27:38)

That is. So it's almost like you do that in one deal, and then you finish phase two, and you got yourself a bonus, and you got your incremental salary increase.

[Mark Barrett] (27:39 - 27:46)

Yes, absolutely. So phase two, let's just go through the projections on that.

[Speaker 1] (27:46 - 28:35)

So phase two, we are looking at a 450,000 pounds ground up build price, all in. And then we're looking at approximately 50,000 budget for finance costs, 12-month project. And you're looking at a cash flow return of that.

And this is as a letting individual studios off 43,000 pounds. Obviously, we're in a crest of a wave at the moment, where you could individually let the units out as serviced accommodation. And then you would smash that 43,000 to more like 60,000.

But I've based it on the 43. And anything on top is bonus again.

[Mark Barrett] (28:37 - 28:49)

Amazing. Amazing. So what a deal.

Huge congratulations. Thank you. So do you want to just give us the total figures then, just so people can get that for phase one and phase two?

[Speaker 1] (28:49 - 29:20)

So phase one, a total 695 all in cost against a GDV of 950 estimated, and 36,000 pounds cash flow. Phase two, 500 including finance total costs against a million pounds GDV. So you're actually walking away with enough funds to start another project and 43,000 pounds cash flow.

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

Amazing. So thank you for going through that, Emesh. Have you got any top tips for the people listening?

Oh, I don't know where to start.

[Speaker 1] (29:30 - 31:15)

Okay, well, let me just start with three. So loyalty and the long game. Seriously, don't do business if you're not in it for the long game.

Just forget about working with people if you're just not going to be loyal to them, and you just want to do that one-off transaction. This is like three years later, and I'm still using the same HMO managing agent, and I've invited him back to take over the units in Derby, even though I found somebody in Derby that wants my business that's cheaper. The loyalty game will take you a lot further than you think.

Power team is so important. So identify all the specialist skills that you need, and don't try and do it all yourself. And just get the right people to do the right things, and then piece it all together, because you'll be able to deliver a project with much more value.

And I'd say the next top tip I'd say is multiple plans. So I've always said, and I think Dan says it as well, which really resonates, which is when you create something, look at the multiple avenues of exits, plan A, B, C, they all got to have a fallback position. And for me in this example, the fallback position was, well, we could use it as a commercial, we could use it as a HMO, we've got the flats if we just want to individually flat layer, we've got planning gain if we have multiple exit options, because you've got options then if the market shifts, you're in a protected zone.

I think they're kind of my top three tips.

[Mark Barrett] (31:16 - 31:42)

Brilliant. So playing the long game, and playing to your strengths and having your power team to complement your skills, and then looking at different exits on your different options so you don't get stuck. Exactly that.

So fantastic. So anybody that would like to contact you, have you got any contact details in any particular types of kind of like inquiries you might be interested in or people to work with?

[Speaker 1] (31:43 - 32:23)

Yeah, so my contact details, the easiest way to get me is umesh at moneyroadproperties.co.uk. You can get me on Instagram Money Road Properties. You'll find me on LinkedIn, Umesh Kalra. And I want to work with anybody that is looking for me to help and support them build a cash flowing HMO portfolio in the Leicestershire area, or anybody that wants to get involved in potentially investing in my phase two of the project, or investing with me on other projects to make win-win solutions.

[Mark Barrett] (32:24 - 32:31)

Brilliant. So we'll put those details in the show notes. So huge congratulations again.

Thank you. Look forward to seeing you soon.

[Speaker 1] (32:31 - 32:35)

Brilliant. Thank you. It's been a pleasure and thanks for inviting me.

Thank you.

[Umesh Kalra] (32:38 - 33:17)

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