**TBP 152 Edited\_Transcription**

[Daniel Hill] (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 pound 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 - 0:46)

Hi, I'd like to welcome our latest guest, who's a fellow board member, Sam Watson. Hey Sam, how are you doing?

[Tsen Wharton] (0:46 - 0:51)

Hey, Mark, doing great. Thank you. And thank you so much for inviting me on.

Pleasure to be here.

[Mark Barrett] (0:52 - 1:02)

Yeah. So you've recently joined the board and it's been great to get to know you. So for the people that maybe have not come across you before, do you want to give us a bit of background?

[Tsen Wharton] (1:03 - 2:51)

Sure. I'm happy to. I come from a background of having been in media sales and then into recruitment and headhunting and in that early part of my career, I'd come across this little known book called Rich Dad, Poor Dad.

Many people have had the same light bulb moment and that really struck a chord when I was aged 24 and it got me thinking that there's another way about this life. It took a couple of years to marinate, but I did start investing in property then in 2006, just very slowly, savings into single let. And I carried on doing that whilst working full time to compress the story down.

After eight years, I built up a single NHMO portfolio to be not financially abundant, but certainly financially independent and I could leave the world of employment. I was never someone who absolutely loved what they did. I was always kind of envious of people who loved the job they did.

I wanted to find a way out and live on my terms and it took a bit of time, but I did it. And from that point, I was then free and a property entrepreneur from about 2014. And from that point, I started to look to move into expanding the portfolio and other strategies.

I kind of hit the ceiling and came across service accommodation in 2016, 2015, 2016. And from there, I met with a business partner and started to get into service accommodation and have grown a nice sized business since then and have been able to move into expanding our portfolio into other types of assets. So yeah, we'll go into more of the SA stuff shortly, I guess.

[Mark Barrett] (2:52 - 3:24)

So yeah, thanks for sharing all that. I see quite a lot of information. If we can just go back onto some of that.

And I think like starting out, I think it's great, a great way to do it. So you're in your job and you're starting to imbibe that. I think it's a great way to get going in investing.

And then from there, obviously, you go into HMOs. And then you've then covered about your business partner. Do you want to just, I think it's always interesting.

People do like to work with other people. How did you get together with Chris, who's also a property entrepreneur?

[Tsen Wharton] (3:25 - 5:54)

Well, it is a bit of a funny story. Chris and I like to joke, because we've become very good friends as well, that Chris and I met in my bedroom and it was my wife that introduced us. So it sounds bizarre, but it's very, very true.

And here's the reason why, before anyone gets any crazy ideas. We live in quite an old farmhouse type building in East Lothian. We're just east of Edinburgh in Scotland.

And when we moved into the property, I don't think much work had been done on that end of the building in a long time. It was incredibly cold. So we needed this whole overhaul and refurb.

And my wife had been great in finding through mum's Facebook groups, recommendations for builders and trades, whilst I was busying away working on the business. And one of the contractors that came along to quote was Chris. And so she'd started a meeting briefing on what needs to be done in the bedroom, because that was the cold room when I walked in.

So that's when I first met him, was in my bedroom, shook his hand. And of all the contractors that we'd met, he was very different. He was very professional.

He was taking notes, very attentive. And of the three quotes, I forget if his was middle or most expensive or not, but he certainly wasn't the least expensive, but we chose him for the way he presented himself and the confidence he gave us. And it was during that build project that he did renovating three rooms in our house.

I was working on my new business from my home office. Chris and I would speak every day. So all those in the moment decisions that contractors need to progress the project, he was able to just come and knock on my door.

And he just started to notice books on my bookshelf in the property and personal development space. We get chatting. We basically found we shared a lot of similar values, ambitions.

We both love surfing, snowboarding, travel, this kind of stuff. And so we developed a relationship. And a year later, I'd asked him to come for a coffee to start discussing, should we look at doing a property project together?

And when I got in there for a coffee a year later, he said, funny enough, I was thinking about the same thing. And so then we started talking and looking into what to do, where to start. And that's how it began.

[Mark Barrett] (5:54 - 6:15)

Yeah. Excellent. So it just shows, though, sometimes, you know, builders can make great business partners as well.

Definitely. Yeah. So just we talk about wealth dynamics on Property Entrepreneur.

Do you want to just go through what your profile is and like how you work with Chris and what Chris's profile is?

[Tsen Wharton] (6:15 - 6:25)

Yeah, absolutely. So my profile is a Tempo trader. So right down at the kind of middle bottom yellow side.

[Mark Barrett] (6:25 - 6:27)

Hello, Tempo. Good to hear.

[Tsen Wharton] (6:27 - 7:26)

Hello, Tempo. Yeah, Tempo's rock. And Chris is the complete opposite to me.

He's up at the top end of the dynamic profile as a Dynamo. And it really is true insofar as his the way his mind works with being more creative, visionary, design led. Obviously, his whole career has been as a skilled carpenter, joiner, builder, main contractor.

It's all about the vision and the design led. And I'm no good at that. I cannot see things.

I've literally just had someone a quick shout out to Sarah Lloyd, who's done a great job of just putting together internal CGI's of my house extension because I just could not see it. I needed to have this out for me. That's just my profile.

So Chris and I are opposite and complementary.

[Mark Barrett] (7:27 - 7:32)

Good, good. Okay. And how have you found Property Entrepreneur?

[Tsen Wharton] (7:33 - 8:33)

Oh, game changing. Um, I think, uh, perhaps like for many, it's perhaps the tribe that you are, you've been looking for, for a long time, that when you find that you just know you belong and you're in the right place. I mean, I have known Dan for going back to 2014.

Having first found him in the pages of YPN. Yes, likewise. Yeah, I did some HMO deals with him back then.

And so ever since the first day, struck a chord and really liked the guy. And we carried on communicating. We shared, uh, obviously this passion and interest in property and in entrepreneurship.

And so just kind of being on the periphery for a while and reading about YPN, listening to podcasts, I just felt very drawn to the community, Dan's values. And yeah, it's just been awesome being, being part of this.

[Mark Barrett] (8:34 - 8:43)

It is a great community. Sure. Yeah.

So, um, just tell us then about your, what you have to now at the moment, as far as property investing.

[Tsen Wharton] (8:43 - 10:51)

Yeah. So we have between Chris and myself, a number of property businesses. And I guess we can distribute our allocation of time roughly in the 70, 20, 10.

So where we are now is that our main cashflow business, our service combination business, whilst it used to be in the 70% allocation in years gone by, we've been able to transition that down to more like 10%, with having a fantastic team in place. But that really has changed the game for us in providing that cashflow that everyone needs to live off and fund other projects getting going. So that's our main trading business run by a great team.

And I oversee that in two, three hours a week. Then we have a mastermind business. So Chris and I have been mentoring in a small mastermind environment for the last five and a half years.

So something we absolutely love doing. And so we have a small in-person mastermind that takes a bit of time each month. And then I guess our main allocation of time right now is in growing out our asset base.

So this is a long-term stuff that we refer to as our financial fortress that I'd obviously started this many years ago, back in 2006. But now together, Chris and I are really ramping this up, looking to identify multi-unit blocks to acquire, whether we're converting from commercial or buying tired or adding some development onto an existing building. That's where our main focus is property investing wise.

And it doesn't mean we're not adding to our SA portfolio. We still do it on a smaller basis, like one by one with great properties that can be fortress properties long-term in a local area. But the biggest focus is adding large blocks to be on long leases to organizations that might sit in the public sector or private sector.

[Mark Barrett] (10:52 - 11:02)

But I think the leases are a great model and obviously good profit and also less kind of time intensive as well.

[Attendee 2] (11:02 - 11:02)

Yeah.

[Mark Barrett] (11:03 - 11:15)

Yeah. That's what we're actually gonna go through now and discuss. So we're gonna go through your SA business.

Do you wanna just give us like an overview when you started and how you got going?

[Tsen Wharton] (11:15 - 14:47)

Absolutely. Because I've got no airs and graces about holding back in the gritty details mark of the fact that our first outing was a total failure. But I think it's important and valuable to share that.

Absolutely. It can help cut the learning curve in half for other people. Yeah.

So we're going back to 2016 when we were starting to hear about the service combination concept and we were so hungry to jump in and get going with it. And we thought that being close to Edinburgh, this is the best place in the world to do it. We just can't go wrong.

It's the capital city of Scotland. It's got, what is it? The second largest financial services center in the UK.

It's got year-round tourism, tons of employers. It's just the panacea, surely. And so we dived in looking to get into it rent to rent because we didn't have big capital to throw at it in those days.

And it felt like that in itself, we should probably come on to the sourcing a bit later, but getting the rent to rent felt very painful and long-winded to get there in the first instance when we're trying to figure it all out and how to communicate with agents. And it felt like we would be having to speak to 10 or more agents to get one that would be open-minded to work with us. And have a landlord open-minded to our property.

So we played that numbers game and viewed a lot of properties and ended up securing our first one in the center of Edinburgh, which we thought was great near the castle, a one-bed property. And this was the July of 2016. And then that first summer, August, we just blew out the water.

We got the thing set up ready for the festival and boom, that one bedroom property made, it was approaching two grand in profit. I think we thought, hey, this is easy. This is great.

And so we quickly added and cranked on and added by the time we got to the autumn, we'd added three more. It's one, four properties, fairly prime locations in Edinburgh, high rent roll going out. And it started to go downhill.

With a rent-to-rent business, you've got a lot of outgoings. And what we found was that very quickly, we're in a position, we're paying everybody, the letting agent, the landlords rent, cleaners, Airbnb, booking.com, a local agent to do the check-ins, et cetera, paying everybody except ourselves. And in fact, market got so bad that we were subsidizing the business with my buy-to-let and HMO portfolio income and Chris's income from his contracting business as a builder.

And we went into that first Christmas fairly down. And yeah, a tail between the legs and pretty depressed, upset about it. It was a massive, massive learning curve the first six months.

But it's not all bad news. That served to be an incredibly valuable learning ground. And we didn't let it stop us completely.

Yes, it hurt our egos. It hurt our pockets a little bit. But we had the wherewithal to look at where did we go wrong?

And what could we do going forward? Let me know if I should just launch straight into what we did next or did you wanna ask any questions?

[Mark Barrett] (14:47 - 14:55)

No, no, no. So yeah, you've got going, you've got the four one beds within the center. Is that right?

[Tsen Wharton] (14:55 - 14:59)

Yeah, a mixture of one bed and two, but there's one, two bed and three one beds here.

[Mark Barrett] (15:00 - 15:03)

Yeah, okay. And then what was your realization since then?

[Tsen Wharton] (15:04 - 22:54)

Yeah, the realization was that this beast we created is very cash hungry. There's all of the utilities, there's the rent and these amounts go out of your bank account at the beginning or the middle of every month. But you're not collecting your income off the bookings until maybe later in the month, middle of the month.

And so you need to have this stockpile of cash ready to go out. You also need to have confidence that you're gonna be able to carry the burden of the monthly outgoings. And the realization was that a busy summer that can fill you with bookings can give you this false sense of security that you've got all this cash.

But the true picture of how does each month reconcile itself when you do the month end, it can be a very different picture. You could get an October and November where your costs are 1400 pounds and your revenues 700 pounds. And you get that slap around the face of, wow, didn't first see this coming, but now everyone else can and think, okay, what can I do to mitigate that, prevent that being the case?

So there was some big realizations. We're going in really with a strategy of hope and guesswork and that's not a strategy. So we were kind of lining ourselves up for that.

Yeah. So what happened next then? So going into the new year of 2017, I had this absolute kind of a resolve to myself that I would never, ever put myself in that position again.

I guess to summarize the year previous, the realization was, what we did is we started with the property first. There's an assault saying from the movie, feel the dreams where they say, if you build it, they will come. And that was the approach we took to our rent to rent SA business.

If we pop up this building, they're going to come. And over the years, we've seen many, many times in mentoring people that sometimes in some locations for some people, they do come, but sometimes they don't. And so we were very constant.

We thought instead what we will do is start with the demand, start with the end user, find that rich vein of traffic and then let that guide us and give us the search brief of what area, what type of property and do it that way around. And so taking that approach, it changed our world completely. We went from a standing start in a new location to having a profit making business on day one after just 45 days.

And I've marked this in, I've written about it in the book I wrote about this because it was that rapid. So what we did was went looking for- Can you say what the book is? The name of the book?

Yeah, the book is called Predictable Property Profits. And that outlines this whole journey I'm summarizing in a few minutes and our investment philosophy behind it, which has kind of four steps to it to help remove the guesswork and put more certainty into your property deals. And so this is what we figured out.

We went looking for contractor demand specifically. So we're hearing that contractors building large infrastructure projects were taking short stay accommodation for multiple weeks and months, meaning that you have seven nights a week occupancy over these bookings and one clean a week, rather than in the city with our tourism side, we'd get one and two and three nights stays and three cleans a week and lots of breaks in between and it just wasn't profitable. And so we actually went looking for this audience.

And one of the big things that I figured out early on was that I wanted to build relationships with one, two, three people or organizations that could give me access to multiple potential bookings. That was a key, I guess, bit of initiative and insight I took early on, thinking about how can I build relationships that would give me access with the one to many principle. So I went looking for specialist agents who book accommodation for contractors.

That was the brief. That was the mission. That was what my VA helped me with.

And this is January 6th, setting out lots of outreach and then get started to get a few back and build a relationship with one specific agent. I don't think their business still exists, but there are plenty out there. One particular agent who had won the business for a major energy from waste plant that happened to be quite near where I live.

They came to me with this first demand of I need six guys accommodated for about five and a half months. What have you got? Can you help me?

And I was like, oh my God, this works. I've got an opportunity. There was a real fire under the proverbial rear to go and find a property because I've got some business here.

And I didn't have a property to offer up because I was promising myself I'm not going to go after, I'm not going to go set a property up unless I have the demand. So I then had to go out and find something pretty quick. And I thought in the timeframe of a few weeks, there was no way I was going to come with a rent to rent knowing how hard it was to find one in the city.

So I thought what I'll do is I'll book someone else's property who's already set up as a holiday operator. And so I was contacting people on Airbnb. I was calling around little mom and pop websites who have farmhouses that are left as holiday lodges, this kind of thing.

I was going around the houses literally and all of them were telling me, Mark, that they can't accommodate five and a half months. They've got lots of little three night, four night stays across the calendar. So that in itself was the realization to me.

I thought there was an opportunity there. No one's catering to this market. And by getting all of these rejections, they introduced me to one farmer who had a property for open market standard rent just coming on a four bedroom cottage, very old rustic cottage.

Got introduced to him, went to go meet him. I took pictures of the property and I pitched that over email to my new found friend and client. Say, look, if I get this furnished, will you take this off me for the five and a half months that you need?

Yeah, absolutely. And what we want is 20 pounds per man per night. Did the numbers.

That makes sense. I can do that. 20 pounds per man per night, 120 a night.

I can charge 3,600 a month. I can rent this place for 800 a month. So I went and signed the lease with a farmer, put the furniture in and the very next day, this is Valentine's week now, bearing in mind I started in 6th of June, sorry, 6th of Jan to find this demand.

That Valentine's week, we welcomed in six guys from Poland who are specialist engineers, put in a nice crate of chilled beer, a whole fridge full of their first week's shop, pretty much. And we were off to the races, Mark. From day one, we collected the money.

We're sitting 1,800 pounds profit from day one after all costs. And that was the beginning of our new business. And it was a demand led SA business.

And that's what we still run today. We developed the relationships with that energy from waste plant and built out an entire rent-to-rent portfolio, serving contractors from different countries like our first guests. And it really launched us into that space.

And that was the beginnings of it.

[Mark Barrett] (22:57 - 23:09)

Yeah. So if anybody's looking to do a similar thing, what kind of companies would you contact then? Were these kind of like recruitment companies?

What kind of companies were there?

[Tsen Wharton] (23:09 - 24:20)

Actually, I was specifically looking for booking agents, so accommodation specialists. And there are plenty. And there's been so many.

I even considered entering the space myself as a cashflow business, but decided I didn't need more noise in my life. But there are many, many, many. There'll be well-known established ones that are out there like Silver Door and Situ.

And then there'll be some that are slightly less known. There'll be company workers. There'll be CAP worldwide.

And tons and tons of independents who have come out of the property education space and figured out that the key to all this is finding the demand first. And when you own that demand wholesale, you can serve some of it yourself or you can sell that profit essentially to someone else to go and do the operations and run the accommodation. So it's a really lucrative business.

And I just developed a few relationships in that space and looked to serve what they needed and just learned and refined and got really good at serving that end user profile. Excellent. Excellent.

[Mark Barrett] (24:21 - 24:28)

So fast forward now, what does the business look like now? What kind of team do you have in place?

[Tsen Wharton] (24:29 - 28:42)

Yes. So the business has evolved quite a bit. We saw the writing on the wall for these large contracts we were serving.

They were typically two to three years and we were partly into the first big one that we'd found. So we knew it was going to roll off in those numbers after a couple of years. We had to start looking for which secondary audience could we serve thinking that we want to have more predictability and sustainability, longevity, et cetera.

And so actually started developing a relationship with a local council, knowing that there is a need for emergency accommodation. So up and down the UK, we'll spend literally millions on private sector accommodation. So stock that council don't own, they'll need to access hotels, guest houses, self-catered accommodation to accommodate people who register as homeless and apply as homeless, which can encapsulate many, many different profiles of people who require short-term accommodation.

And I guess what I liked about that space is that it's not seasonal and it's more like our contractor space that it's going to be seven nights a week. Now the people might change fairly frequently or stay for a few months, but our main client is the council and our end users are members of our local community. And they are on a similar kind of contract to our contractors.

It's a by the night booking agreement. So they're not tenants. And so 2018, 19, we started to explore this market.

It took a while to break into it, but got the relationship going with a number of our portfolio. So we switched some from contractor to this. And then the big shift was COVID lockdown when a lot of our contractors that Easter left site and went home.

I know they could carry on working in England on site, but the Scottish sites got closed down. We went back to the council and asked if we could help solve some of their problems, having lots of people to accommodate. And they did.

They took over a lot of our portfolio and we did pretty well through the COVID period. And then post that, the weighting of our portfolio shifted more like getting close to 78, 80% in the emergency accommodation space. And what are we 25 to 30 odd space percent in the contractor market with a little bit of holiday let's.

So we have this well-oiled machine now that is run by two property managers who divide the responsibilities of all the operations. So Chris and I used to do everything. We set up all the properties.

We did all the check-ins, used to do all that stuff ourselves. And now we have a super efficient team made up of two property manager or an ops manager, property manager. We have a part-time finance admin assistant and we have a virtual assistant and our executive assistant.

So we're a small, well-formed team that now requires two max three hours of my time for the weekly check-in meetings and a little bit of oversight for this brilliant business that's now taken over. And actually, I should say that having listened to Dan's podcast in the transition of 2021 to 2022, I've made the decision to not go hell for leather and expand our SA business because I realized that I don't need to make an already noisy business more noisy. We've got our cash flow sorted out.

We need to be allocating our time to building up our asset base more. And that's when I really started to change the way the business was being run, putting the right people in place, training them effectively. Wealth dynamics has played a big part in that.

And yeah, it's in a really nice place.

[Daniel Hill] (28:44 - 29:26)

Jumping in quickly with a very exciting announcement. We have just confirmed the two dates for this year's annual three-day blueprint events. We've been running these for over a decade.

There's only two dates announced. And if you're interested, go to www.donttalktotenants.co.uk to see if you can make the dates. And also you can download our free PDF report, which details the only five problems you need to overcome to become a new age property entrepreneur with a seven-figure net wealth and a six-figure income.

And you can also join the waiting list to order one of the brand new 2023 Property Entrepreneur Prospectuses. Back to the podcast.

[Mark Barrett] (29:29 - 30:34)

I think that's it. I think what you're saying about the wealth hierarchy, where you've got your cash flow business, which you've now got a team in. It's like you're in a great position where you're like two to three hours a week.

You then have got your profit play, which could be like your coaching business. And then the assets are building up your portfolio. And it seems to be that you've transitioned your time, the 70-20-10 on cash flow through to assets now, so that 70% is now assets.

So I think that that's like a great model for anybody that's looking to get into property. It's like nearly in the cash flow. And then with that starting to spend some of the funds on the profit plays, the chunks of money.

And then they develop in the long-term assets. So the actual team then, you've got like two property managers in place. They cover everything themselves, do they?

And then what does your VA do? What happens within the team?

[Tsen Wharton] (30:35 - 33:48)

So we started out having one property manager who was full-time and found that one person running the operations and property management was just too much. So we're not a big portfolio. We were 28 properties.

We're soon to be 29. It's not huge, but an SA business has quite a lot of moving parts to it. And so we then moved to a model to have two part-time property managers with slightly different focused areas.

And where we are at with that is one property manager had started off with three and a half days. And another one was about three days. And they can then both cover each other on holiday and weekends.

We've expanded the days to be a full week for our operations manager because she started to help out in project management of some of our refurbs as well. So she's taken on additional responsibilities. She's on a growth development path.

Absolutely just brilliant. So between them, they're running operations, all the guest client communications, business development, the actual property compliance checks, me to reads, everything that comes with holding a property, whether it's owned or leased to make the business run smoothly. One of them interestingly came into our business from having been an independent freelance cleaner.

And so she started off being independent freelance cleaner, moved into property manager and is now phasing out her part-time cleaning. And we're actually creating opportunity to recruit a local cleaning team who can take on our business and have a business in a box because we've got regular clean same time each week because they'll be cheaper than existing commercial cleaners with VAT attached. So that's what the people on the ground are doing.

And even the ops manager is helping me find property as well. I invest in individual properties into our family portfolio as well. Something that's a vehicle to help with like school fees, for example.

And she's got her eyes and ears on the ground helping find opportunities to invest locally in one property at a time. Our virtual assistant had been doing all manner of data input, spreadsheet management, helping with month end, doing some web research. Since we have implemented our finance team with Xero, something that fellow board member, Josh Keegan helped me with, which is game changing.

Her requirement with month end has become far, far less. So we do have an opportunity to use more of her time on perhaps a different part of the business. But she's traditionally been doing every little bit of spreadsheet data entry from our channel management system to reconcile all the intricate costs from booking.com and Airbnb and what's that and what's not that. She would do all of that.

[Mark Barrett] (33:48 - 34:03)

Very good. You mentioned about using Wealth Dynamics to recruit, which is something we did in the letting agency. I think it's great.

So the actual profiles then, what type of profiles were you looking for?

[Tsen Wharton] (34:05 - 35:28)

Pretty strong proportion in steel and tempo. Before we had tuned into this as part of recruitment, we did it retrospectively. So even during last summer, we'd had one of our property managers who has, we both agreed, this isn't the right fit.

I've never seen a profile like it. This chap was like 60 something percent blaze and virtually zero steel. It made total sense.

He was making so many errors and mistakes when we have a very easy to follow ops manual. And so knowing what's required with attention to detail in being a property and operations manager in our business, high steel proportions were required. And so that's what we have in place.

Tempo as well. We have one of our team members who has more blaze, which is great because she's great with guest facing stuff, is not afraid of a bit of conflict and a bit of conflict resolution, et cetera, pick up the phone. So it works really well.

We pretty much got all areas of the profile grid covered between our team members, including Chris and I.

[Mark Barrett] (35:28 - 35:58)

Excellent. So I think anybody that's looking to recruit, they can use like the free genius you profile. I think having that as part of the recruiting process is quite a good thing to do.

And if you then want to invest like, you know, the hundred dollars just to get an in-depth one. Can we just go through then the actual numbers then of the what the numbers look like in the business so that people can kind of like have a look. So you've mentioned you've got 28 properties.

What kind of properties are they? And then what, like the numbers, if you could.

[Tsen Wharton] (35:59 - 38:52)

So all of our properties are two bed to three bed. Typically, we have got one large one, which is a five bedroom guest house we acquired. But all of our portfolios started out as rent to rent.

That was the validation and proof of the models. Everything I described early on with the contractor business, that was all rent to rent. The first one was a four bedroom cottage, semi-rural.

And then we went from there into other two and three bed properties. That were typically your suburban kind of towns. They're not the center of the city.

We're out in the regions. Very close to motorway because contractors were our audience. And they wouldn't be a typical type of what people would assume to be SA property because we weren't targeting the holidaymakers with the high end taste.

We knew we were going for contractors and then we pivoted into emergency accommodation. So we need to be clean, safe, functional, homely. But we don't need high end.

So the majority of properties are rent to rent. There's a handful that we manage for local investors. We don't manage for other people anymore.

So we have, I should say, our own management company. And then we've got several entities that either own or lease properties. So our own properties are owned, leased.

And then we manage a handful. We turn over consistently about, well, I've done the average for this year already. We're 81K on average per month in booking revenue each month.

So last year we were just a touch under a million in revenue. And this year we are on track to surpass that, which will be exciting doing that for the first time. And yeah, we are, thank you.

And we're a really nice profitable business. Our emergency accommodation stuff is 100% occupancy. And our private sector, so call it contractor, occasional holiday let stuff, that sits on average across each year at around 70% mark occupancy.

So we have just a well-formed, quite small, effective business. We don't need to go, and this is going back to that point I made earlier, 2021, 22, that realization of, ah, we don't need to make this 50, 60, 100 properties. All we're going to do is create more noise.

We'll need more team members to manage this. We'll have more customer service issues. We'll have more rents outgoing.

And so we, I guess, got that commercial balance, got the size, right. And we'll gradually start shifting or replacing more of the rents, rents with owned assets, because they very quickly pay you back what you put into them.

[Mark Barrett] (38:52 - 39:04)

Yeah. Okay. So for somebody who's looking to do something similar, you've got 28 properties, you know, approaching, you know, a million pounds, what kind of like profit would you say that that might generate?

[Tsen Wharton] (39:04 - 40:11)

Yeah. So if we take percentage wise and you look at your profit margin, what we look to base our business model on is with our council business, the properties, depending on the cost, they solve them. They're in the 35 to 40% profit margin after management that is.

So our company takes management first, and then you've got the profit and the entity that owns the property or rents the property. And then the stuff that's in the contractor and holiday space, there's a bigger range there that might sit more in the slightly lower, could be down in the teens, maybe 15, but right up to 40% profit margin as well after management. But we just know which one's more consistent.

So that's what you can expect getting into this. And the beauty is, you know, if it is on the rent to rent side, yes, your outgoing is going to be more than a mortgage, but you don't have to come with any capital to do this. That's right.

Having a 40% profit margin after a management cost for something you don't own is pretty phenomenal.

[Mark Barrett] (40:12 - 40:25)

Yeah, absolutely. Can we just go through like numbers of a particular property and then like people can get a feel as to, you know, where you find the property, the kind of rent that you pay on it, and then how much that kind of brings in.

[Tsen Wharton] (40:25 - 42:19)

So to mention a couple, it's right back from the beginning, that very first one, four bedroom cottage, semi-rural, 800 pounds in rent. We're still on that rent five years later. Granted, it's fairly tired.

We put several thousand pounds into tidying up that property. Yeah, as well, we probably need to do some more of that. And when we have that on a contractor booking for several months, then we're up to the realms of like three, six, 3,800.

So taking out the costs, you're in those realms of 1,800 pounds, 2,000 pounds a month in profit. And then on the quieter months, you might be down more like 700 quid or so. A two bedroom property in our, I guess, main holding stock would be all the rent, 800 pounds a month.

And then we're then letting that out at full occupancy to our council guests in around the 2,900, 3,000 a month. So you're then taking off all the utilities, council tax. We're happy paying council tax knowing that's part of what's paying the bill for the guests who are staying there.

So it's only our own stuff. The stuff we own would flip into business rates. The stuff that we've got on rent to rent would typically maintain with council tax.

So those ones then they're in the realms of 1,300 pounds profit after the rent, utilities, the management fee to our own company, et cetera, et cetera. Now we have the beauty of being able to flex our management fee up or down between 10 and 20% to suit where the revenue needs to go most. It's great.

But that gives an idea of some top line numbers.

[Mark Barrett] (42:19 - 42:35)

Yeah. I think they're like really strong figures because like when we look at kind of like HMOs, typically it's like 1,000 pounds a month profit of the cost. So if yours are like north of that, then that's a great position to be in.

[Tsen Wharton] (42:35 - 43:02)

You know, I think even if people are finding rent to rent where they've got demand that consistently is booking out property and those rents are delivering high hundreds. I know people band around the magic figure of 1,000 pounds for each SA unit. But if you're finding stuff that's 758, 900 pounds consistently, that's fantastic.

That's business. It's all about that consistency of demand.

[Mark Barrett] (43:03 - 43:14)

Yeah. Yeah. I know we're going to cover like top three tips, but just before we do that, what about like any tips to actually connect with agents, to actually get these properties?

[Tsen Wharton] (43:15 - 45:25)

Yeah, really important question because this is where when I was recounting the first experience, trying to communicate with and win over agents for properties in Edinburgh, it felt like a massive numbers game. And my ratio of success of conversations to a property coming off was in excess of 10 to one. It was a lot of phone calls, a lot of viewings, and it can be quite disheartening.

And you take a bit of a pounding with that. But it's partly a necessary experience to go through to learn where are some of the hesitancies and objections coming up with agents. I realized they were thinking I wanted to take their business away from them and they thought they would lose management.

Just crazy little thing like that. And so I learned to refine the way I was communicating to be sure that I was leading with value first. So very quickly addressing their fears and worries and making sure that this is not problematic.

It's not detracting, if anything. All I'm bringing to them is opportunity and a better way of doing business. So just a quick couple of points here on our times running on.

The two key things I realized around the fact that we as a renter and operator, as a good renter and operator, we can be a letting agent's best client. You think, well, why is that? Well, one, we're not the married couple who just wants to come and rent one property and then we're done.

We can't rent anymore. If you build a relationship with me, I can rent 10 properties off you and you don't have to bust your gut marketing them. You prove our relationship with me and I can rent tons of very quickly, save you time, save you cost.

That's one massive benefit that we found in a letting agent who realized and saw the opportunity in our growing business. So that's a big thing. They have the same revenue from their management with less work, less hassle.

[Mark Barrett] (45:26 - 45:27)

Yeah, yeah, that's a good mindset.

[Tsen Wharton] (45:28 - 47:03)

Yeah, the other key switch is helping them to sell this to their landlords because again, we are the best tenant to many, many landlords. If those landlords have experienced in any way a bad tenant ever in their life, like if we were to do a poll across 100 landlords, probably 80 something percent would have had some difficult, challenging experience with a tenant. And just one simple example, Mark, have you ever as a landlord had your tenant professionally clean the flat they rent?

No. No, they probably rarely give it a good once over, clean themselves each month. And so suddenly to go from that to having a company who by default from the nature of the business are required to professionally clean that property every single week and probably do things to make it look nicer and more appealing, it just changes the game completely.

Not only that, we're taking care of little niggly bits of maintenance, stuff that's 50 quid and below, door hinges loose, the cupboards loose. We just get and fix it because we need functionality day to day. If it's the boiler or the roof, yeah, it's fabric of the building, the landlord's got to deal with it.

But we make life plain sailing for a landlord and it means when they do their projections on a spreadsheet and look at how much profit they want to make after paying the mortgage, they are far more likely to make that max profit on their vital act with us as their tenant than if it were a couple of family and individual.

[Mark Barrett] (47:03 - 47:12)

Does that make sense? Absolutely, yeah. Can we go into your top three tips?

Obviously, he just shared some of them, but yeah.

[Tsen Wharton] (47:13 - 49:26)

Yeah, absolutely. I would say number one, biggest thing is to continue to invest in yourselves or start if you haven't to invest in yourself. What I mean by that is the books you read, the courses that you go on, the seminars you attend, the mentorships, the masterminds.

Some of these investments will be just time or there'll be small pounds, but when you can go and spend 10, 20 quid for 10 years of someone's life compressed into a book or even be getting access to people at some kind of five figure sum that will help you generate six figures. Far and away, the greatest return on investment my entire adult life has been in my personal development and this property entrepreneurship journey, far more than any one single property. So that's thing one is investing in yourself and putting it into action.

Number two is developing an investment philosophy that guides what you do and gives you your north star. And for us, the one I would recommend for anyone to make things clearer and easier and less stressful and more certain, more predictable, should we say, is to be demand led. So identify your end user audience first and get some kind of commitment in advance and serve that demand by solving their problem because doing that, you can create a very profitable business very quickly.

And then the final one would be leveling up your associations. It's about getting around a tribe, a small group of people, a mastermind, if you will, where expectations and standards are raised. There are the level that bring out the best in you and you can put yourself in an environment where you will raise your standards and expectations.

You'll be held accountable. You will accelerate your learning by seeing deficiencies in what you don't have in place that others do. And you'll have a lot more fun on the journey.

That's why I love masterminds. So that's three key things. Hopefully that's a benefit to people.

[Mark Barrett] (49:27 - 49:45)

Okay, excellent. Yeah, I know, you know, probably an entrepreneur. I know the value of what I've had from the board for the last seven years, but as a group, yeah, I certainly, certainly heartily agree with that.

So anybody would like to contact you, Sen, have you got contact details?

[Tsen Wharton] (49:45 - 49:59)

Sure. I'm on Facebook, posting long form blogs and the odd video regularly. So it's just my name, Sen Wharton, when you're on Facebook.

Happy to share my email address.

[Mark Barrett] (49:59 - 50:00)

TSEN.

[Tsen Wharton] (50:00 - 50:24)

TSEN, yeah. I'm sen, T-S-E-N, at devineerplus.co.uk. So D-E-V-E-N-I-R plus P-L-U-S.co.uk. That's our mentoring mastermind business, the name of the company. And yeah, they're probably the best two ways to reach out, make contact and see what I'm posting about.

[Mark Barrett] (50:24 - 50:32)

Excellent. So we'll put those details in the show notes. Is there any particular types of people that you'd be looking to connect with?

[Tsen Wharton] (50:33 - 51:44)

Oh, sure. Yeah. Thanks for asking.

I would say, I guess, two different categories of people. One would be property investors with experience behind them. So at least a handful of deals behind them who are actually looking to step change their results and level up their associations by being part of a high performance mastermind group.

We periodically open up applications for joining our execution powerhouse mastermind. So yeah, we'd love to even be able to, who might be interested in hearing how to apply for that on the different intakes that are throughout the year. And then otherwise, those people who are more, I guess, passive in their productivity who want to get cash out working for them and know that it's allocated to an investment.

So those who might want to lend on a fixed return against property assets that they know are reverse engineered from demand. Yeah, we work with just a small number of joint venture investors, but I'm open to speak to a few a year. Thanks for that, Mark.

Excellent.

[Mark Barrett] (51:44 - 51:53)

So some great value you've shared there and great to hear the journey you've been on. So thanks very much indeed, Sam. And look forward to seeing you soon.

[Attendee 1] (51:54 - 51:58)

Absolute pleasure. Thanks so much. It's been an honor, Mark, to be on the podcast with you.

We'll see you soon.

[Daniel Hill] (52:01 - 52:40)

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