**TBP 153 Edited\_Transcription**

[Daniel Hill] (0:05 - 21:44)

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. How I made 500,000 pounds from a 50K refund. Most busy property investors are just running around doing deals, talking to tenants, managing trades and aren't taking the time to look up, step outside the box and find the real deals.

When you understand what you're looking for as a new age property entrepreneur, you're looking for the niche, the crest of a wave, the needle in the haystack that genuinely will make you 20, 30, 40 or even 50% return on investment. Now this isn't easy, it's not straightforward, it definitely isn't what 95% of property investors are doing, but as a new age, high value, high net worth property entrepreneur, this is for you. Tune into this podcast episode, and I'm going to show you how I made a 500,000 pound profit on only a 50K refurb.

So in this episode, what I'm going to do is I'm going to take you through the steps that we use to do highly valuable, highly profitable niche development deals that the masses just haven't even heard of. If you've not already listened to the podcast episode, Property Secret Strategies, go back and listen to that after this, and in there I share the top three strategies for this year to enable you to observe the matters, move away from being a busy property investor who's doing HMOs and service accommodations and rent to rent, and how you can become the top 5% of high net worth property entrepreneurs who genuinely are building a seven figure net wealth that consistently delivers a six figure income and success and failure within that you'll realize are both very, very predictable. So most people are running around, chasing the masses, doing the new hot topic, the new crypto strategy, AI strategy, service accommodation, HMO strategy, whatever.

Now, there's a time and a place for all of that. Don't get me wrong. We all start at being a property investor.

Start at the beginning, do the deals, make the money, and as soon as cash flow is covered, we want to move forward. The danger, however, is most people don't do that. Most property investors start doing deals, then they think bigger is better, more deals is better, and they end up, the excitement of building a portfolio and building a business is replaced by the monotony of running the business and end up spending all day talking to tenants, talking to trades, paying invoices, and that's just not what we're signing up for.

When we're looking at how to make 500K on a 50K refurb, the reality is you're not going to be able to do that. You've probably not heard of many people that do that. If I told you that in the middle of the pandemic, I did a development which cost me a million, it's probably worth 1.8, or it is definitely worth, because we rejected two offers at 1.8, it's worth 1.8 to 1.9 million. How do you make a 900,000 pound equity gain on only a million pound spend? The way you do this is you observe the masses and do the opposite. You don't operate in the 95% of the busy market.

We're just looking at niche strategies, Crestable Wave, Needle in a Haystack, top 5% property entrepreneurs in the UK. So here's a strategy of how I made 500,000 pounds on a 50K refurb from the back of a boat in the middle of lockdown. So I bought a site in 2020, which was off market from an agent because we've got an established reputation, we buy cash, we don't mess around.

That's what new age property entrepreneurs do. We bought it without planning, without any conditions and without a full survey because we needed to get, they wanted a quick sale, they needed to get it done. And we were happy to take the risk on the planning.

We then submitted a planning application for 15 high end apartments, which would then be positioned to the professional market right at the top between sort of 800 and 1,100 pounds per unit. And that was the plan. That was the intention.

Then, as you're aware, in March, the pandemic hit, Covid hit, industry lockdown, game was over. What was going to happen? We're going to go into recession.

We're going to have X, Y, Z, the world's going to end, you know, what's actually going to happen? Well, we looked at it and thought, right, this is an opportunity, not a threat. How do we capitalise?

We've got a 440,000 pounds, six and a half thousand square foot building that we've just bought. It's empty. It's not making any money.

We've got planning in for professional apartments that may or may not ever get let or sold. What do we do? Well, this is where you want to think differently.

So if you're running around being busy, you never have the time to think. So after this studio session, I'll be getting in the car. I'm in the car for two and a half hours on the way up to Leeds to look at a 20 million pound commercial portfolio.

And I am working on a development site. No email, no WhatsApp, no distractions, no phone calls. My head down, making big strategic decisions, which are high value.

And the net result is always going to be tens or hundreds of thousands, if not millions of pounds, because I've got the space to think. I've got the team to run the businesses. And this gives me the opportunity to work on it rather than in it.

And in this time, I'm sitting there and thinking, right, what do we need to do strategically to make the most of this site? So I looked at the market, I looked at the local lessons market, I looked at my expectation economically as to what was going to happen in the local market. And I made a couple of decisions.

The first was, depending on what happens at the back end of this pandemic, which end of the market do I think is going to be more active? Is it going to be the top of the market, which is the 12, I forget if it's 12 or 15 high end apartments that we've got planning in for? Or is it going to be the bottom of the market, which is people on benefits, LHA, blue collar workers, mass market rentals?

And the first decision I made was I'm going to hedge my bets. I had two sites on at the time, multi-million pound sites and builds. And the first decision I made was I think the market is going to be busier at the bottom end than it is at the top.

Now, that's a huge strategic shift because for 10 years, I've been operating at the top of the market strategically because I had the time to sit there, think, the experience to understand economics, to appraise what my best get is, what I thought was going to happen. And then the expertise to understand that there's different strategies I could use here, despite the fact I've bought these sites with certain plans in mind and even spent money on planning fees, we need to appraise it. So what I did was decided, right, these two sites, one was the block of 12 or 15 that was in for planning and the other was a block of 20, was going to be 20 high end either student or professional units.

And I decided the bottom end of the market is going to be far more active than the top. What does that look like for me? So I looked at this site, which we bought for 440k, it was six and a half thousand square foot, two detached building, been carved into two four story semi-detached properties at one point.

And it was laid out as I think 16 or 18 bedsits. By definition, it was a HMO because it had shared shower and toilet facilities. By building regs, it was bedsits because they had their own bedroom, they had their own kitchen, they had their own lounge area.

They're a big sort of studio apartment bedsits. And really the use at the bottom end of the market would have been, it was previously a, it was previously operated by a housing association. So I looked at it and thought, right, well, what can I do here to make it capitalise?

What's going on the local market? And what I realised on the local market was there was, the government had released a scheme called off the streets, something like that, which basically meant every council in the UK had been given a budget to get homeless people off the streets for fear that they were going to spread the coronavirus. And what you would have seen, maybe you recall it in your town or city, is that councils around the UK put homeless people into bedsits, into B&Bs, filled up whole hotels with homeless people because they had to get them off the street.

Now, I'm sitting there and I've got a six and a half thousand square foot empty building. The councillor filling up the Britannia, or have filled up the Britannia hotel with homeless people. And I thought, right, well, what would make more logic here is rather than paying 50 pound, 80 pound, 100 pound a night for the homeless people to be in the Britannia hotel, I can accommodate probably couples in the majority of these bedsits.

There's current planning for C, I forget which use it is, hostel. And I thought what I can do here is I can use it as an opportunity. It's in a article for, a strict article for Nottingham city centre location.

It's also in the middle of a conservation area. So there's obviously additional restrictions there. But because of the market, because of the reason and because of the logic that the council need accommodation for homeless people, if I could get them to give me planning permission to convert it into a 28 person HMO across 18 bedsits, then I could lease it to them or I could rent the units out to them to use for homeless people, which would be significantly cheaper than Britannia hotel.

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. So the logic here was it would be unreasonable. So bearing in mind since 2011 that there is no C4 or Sue Generous HMO estate has been granted in a residential area, moving a C3 property into C4 Sue Generous, as far as I'm aware, in the town center and definitely not in the Arboretum since Article 4 came in.

My logic was it would be unreasonable for the council to turn around and say to me, we're not giving you a HMO license for that building when they're paying taxpayers money, £50 a night, £100 a night, filling up hundreds of rooms in hotels around the city. So I rang up Jen, who runs our portfolio building company, manages all of my developments and said, can you try and get the head of planning on the phone and let them know we've got a site that we're happy to lease them for five years or happy to lease the council for five years to accommodate homeless people if they give us, but we will need planning permission for HMO. So on a Friday afternoon at the time, you know, again, as a new age, high net worth property entrepreneur working on the business rather than owning 20 plus businesses, operating none and working from the back of my narrowboat that I went to live on during the pandemic between working on a narrowboat and being overseas for some of it, on the back of the narrowboat in the sun on a Friday afternoon, I had a call with the head of planning and said, this building here has got the size, the regulations, the compliance, the capacity to accommodate 28 people across 18 bedsits in a HMO format.

You've got all these people in hotels on that basis, would it be a reasonable consideration for me to submit planning permission for a 28 bed HMO? You grant me that and then I'll lease it back to the council for five years if they want it to do what they need to do. Is it in theory?

Absolutely. You know, it makes logical sense. We need it under most circumstances.

That wouldn't, you know, wouldn't be something we would look at, but based on the pandemic, based on lockdown, based on the issue with the homeless people, we're happy to do it. We're happy to consider it. So two weeks later, I submitted a full planning application for 28 bed HMO across 18 bedsits in this single detached building.

And about six weeks later, full planning came through, which enabled me to move from C3 hostel use, or not C3, that's residential, but a C-class residential hostel use up over to a sugenerous 28 bed sugenerous HMO. Now, the real benefit there is that what a hostel or a residential house might hold as bricks and mortar value, adding the commercial HMO value, which enables you to increase the occupancy from, say, 18 to 28, enables you to increase the revenue by obviously then getting more rents. And also because it's a scarce asset in an Article 4 area, it enables you to achieve a commercial valuation.

Now, in Nottingham, in this specific area, each of those units is valued between 50 and 100,000 pounds. There's 18 of those units. That building is now worth in excess of a million pounds.

We rejected an offer at 1.08 million. I don't know what it's worth exactly. I haven't tried to put it back on the market post pandemic.

I don't have a mortgage on it. I haven't refinanced it, but I bought it for 440,000 pounds. I spent 60,000 pounds on legal fees, solicitor fees, and putting in new smoke alarms, new fire compartmental elements, compliance stuff, some regulations, meet the fire regulations and a furniture.

I furnished it for, initially it was going to be the council, but then they decided not to go for it after all that. And we leased it to a housing association. Now I've got a building that is worth well in excess.

Like I say, we rejected two offers, one at 0.5 and one at 0.08 million. So it's worth well over a million pounds. It cost me less than 500,000 pounds to get it through planning.

But using that change of use, but understanding the market, being highly strategic, taking the time to look above the desk and make some good decisions, do some good deals and play the game, I was able to get the planning, reposition the property, move from a C class to a generous class, significantly increase the revenue. That's now leased out at, don't quote me on the exact figures. I think it's 98,000 pounds a year on a full index.

Yeah, about 98,000 pounds a year, which is well into double digit yields on a 500 grand building, which obviously then qualifies the commercial valuation further. You've got the commercial valuation, you've got a C4 valuation, you've got the HMO classification, all of these reasons why it's worth in excess of a million pounds. But it cost me 500, moved into that space from being strategic, taking action, using the speed of implementation and understanding how to play the game.

Now, if that was a one off and it was a lucky hit and it smashed out of the park, I probably wouldn't be sharing with you. But that is what we do on every single site. The next one, which I told you about in the pandemic, bought it for 250, build cost about 700, including finance, probably one, 1.1 million. That's now worth well in excess of 1.8 million. Between 1.9 and 2 million, if you were to achieve a sales valuation of a net 6% yield, which in the current market, maybe a year ago, maybe it'll come back later this year, is very, very 6% or 7% yield. Very, very realistic on 118,000 pound, five year FRI index linked lease.

But it cost me 1.8 million because I bought it in the middle of a pandemic. I used high density PD, B1 to C3 development scheme because I've got no parking. And it was only seven and a half thousand square foot, but I managed to get 20 apartments in there.

I built it out in the middle of the pandemic when the trades wanted to keep busy. Materials granted weren't that easy, but we kept people busy. We kept the building going.

And rather than develop for high-end students or high-end professionals, again, I moved it to the bottom end of the market. And that one got leased out to a charity, I think it was, or a housing association. The first one's a homeless association, homeless housing.

The second one was a housing association. Again, it's all about being strategic. It's all about looking at the markets, about observing the masses and doing the opposite.

If you want to be a busy property investor running around, making 10%, 15%, 20% return on investment, worrying about tenants and mortgage rates and voids and refurb costs and actually being able to buy deals, absolutely. Fill your boots. That's going to be your world.

If you want to move out of that 95% of busy property investors who work on the business rather than in it and become this genuine high net worth, highly valuable, highly leveraged new age property entrepreneur, you need to be looking for these opportunities. Look at how you can make half a million pounds on a 50K refurb. Look how you can make a million pound planning gain on a land option.

Look how you can utilize things like the new planning permissions that came in, new PD planning permissions that came in last year. Look at how you can use new construction techniques. Look at how you can play the game with double digit yields on certain profiles of commercial property.

How do you look at the market, spot those opportunities, observe the masses, and then genuinely do the opposite? If this is the sort of stuff you're into and you're enjoying it, go and listen to a recent podcast called The Margins You're Missing. That is the first step to move towards becoming a new age property entrepreneur.

The primary focus, if you're in property, if your primary focus in property is not to achieve a seven figure net wealth and a six figure income, I genuinely think you're completely missing the point. Go through the gears, go through the levels, become a property investor, learn your craft, and as soon as you can, step up into the top 5% who work on the business rather than in it, use the property entrepreneur blueprint to generate wealth, and to have this consistent financial independence from doing high value deals, living off the steam, and having fun whilst they're doing it. Hope you've enjoyed this podcast episode.

If you're not already subscribed, click subscribe, share this podcast, follow us on any of the social media platforms. If you enjoyed this podcast, please join us next Tuesday for the next episode. Until then, I wish you the very best of luck, success and failure are both very predictable, and I will see you on the next episode.

Thank you for joining us for another episode of the Blueprint Podcast. These are released every Tuesday, and I do not want you to miss these blueprints. It's my life's work boiled down into simple, easy to use, and free blueprints that you can get every Tuesday.

Do not miss another episode, so click subscribe, click like, share these blueprints, and I look forward to seeing you on the next episode. If you're interested in any of our events and trainings, we run them once a year through the spring and the summer, go to www.property-entrepreneur.co.uk and join us at one of our three-day blueprint events at the Belfie Golf and Spa Resort. I'll see you on the next episode.