**TBP 156 Edited\_Transcription**

[Daniel Hill] (0:05 - 26:50)

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. I hate HMOs. There seems to be this emerging perception that I hate HMOs.

Just for the record, at the peak, I was managing over 1,000 HMO units for my own portfolio and our clients. So I've had HMOs, I understand the benefits of them. However, there are reasons why you do not want to do them.

In this podcast, I'm going to take you through the blueprint that I used to build a seven figure net wealth with a six figure income in less than 18 months, and how you can do the same. HMOs will not make you wealthy. They can make you rich, they can pay your salaries, but they're noisy, they're risky.

There's all sorts of reasons why you would not want to do them. As you move through the gears and up to the more advanced levels of investing, there's other strategies which are better suited to wealth creation than going out and doing loads of HMOs. In this blueprint, I'm going to talk to you about the new age property entrepreneur.

I'm going to talk to you about how you can build a portfolio that is not noisy, that is highly lucrative, that has a minimum of seven figures of net equity and six figures income in less than 18 months. I'm going to kick this off with a story to illustrate why I did it, to try and get your mindset right. And then I'm just going to take you through the steps that I did, what you need, and then for those of you that are interested, I'm actually going to do a Zoom call to follow this up and take you through the deals one by one so you can understand how you can do the same.

So stay tuned to the end and I'll give you a link for that. So the reason I say that HMOs won't make you wealthy is because HMOs are a cash flow strategy. And you've heard me talk about this before.

The money comes in every month. If you need three grand a month, five grand a month, do three, four, five HMOs, get that money coming in, that cash flow. Really great for that.

I did it. You're doing it. Many of you.

Really, really great way to do it. But once you've done that and you're an experienced investor, you've got your cash flow covered and you don't have to worry about putting food in the fridge, then we want to move to more balance sheet equity, low risk, low return strategies than we do noisy, chaotic HMOs, service accommodation, letting agency strategies. And this is what we're talking about here.

This really is only for experienced investors. If you're not an experienced investor, this one probably isn't for you. In order to make the most of this, you do need to have a minimum of 12 months experience, active involvement or investment in property.

And I would say ideally looking to have finished the cash flow layer of your portfolio, which would be HMOs, service accommodation, subscription based services, letting agencies, noisy businesses that pay your salary within the next sort of six to 12 months to make the most of this blueprint. So the seven figure blueprint, this is going to give you seven figure net wealth, six figure income, and you can do this in less than 18 months if you're an experienced and savvy investor. I'll tell you a story.

So where did this come from? Well, I was chatting to a good friend of mine and business partner, Simon Zucci, who many of you will know, Simon teaches people how to invest in property. When they then become experienced property investors, we show them how to become highly leveraged, highly lucrative, high net worth property entrepreneurs.

And in 2018, Simon and I were having a conversation. He said, oh, what do you want to achieve over the next couple of years? And I said, I want to get to a point where I don't ever have to work again.

And Simon turned around to me, looked a bit surprised and said, that's quite strange hearing you say that because I thought that you were already there. And I thought that's interesting. I went away and thought about it and I thought maybe his perception of like what I'd built was different or maybe he thought I was a lot further advanced than I was.

And the conclusion I came to was that there's a difference between financial freedom and financial independence. And when I said to Simon, I want to build a portfolio, I want to get to a position where I never have to work again. I think what his perception of the question was that I don't have to go and get a job again, but I can have a business that pays my salary.

I can be completely financially free financially and never have to get a job again because I've built a business that's paying me my money. In my head, that was only ever a halfway house. There's having a job, then there's having financial freedom where you don't have to work for somebody else.

You've got the freedom to make your own finances in your own business. And then what you do once you're in that, running a noisy cash flow business, HMO portfolio, trading company, letting agency, whatever, you then take the final leap, move into a position where you've built a portfolio, you've made your money, you then build a portfolio of assets, which are low risk, low return, boring portfolio assets that sit in the background, replace your noisy cash flow money, and then you have full financial independence. Because one day the HMO legislation will change or the industry you're in will go bust or the business that you run will have challenges or you'll get ill. Your child, your family will get ill and you won't want to run that noisy cash flow business.

What we want to do is have genuine financial independence where we've got a financial fortress in the background of boring assets. So we genuinely never have to work again, like genuinely never ever have to work again, build a business again because we've got boring assets in the background that cover our salary. So what I did was I put together, after I spoke to Simon and realised that was what I was aiming for, I put together a plan called the Financial Fortress, which is now something we teach on Property Entrepreneur.

And what it was, was a 17 year plan. So I wrote it at 33 and it was a 17, sorry, I wrote it at 32. It was a 17 year plan to take me to 50.

And the aim of the game was by then I would have accumulated a million pounds worth of equity that generates £100,000 worth of income in a new, brand new, very, very low risk portfolio of commercial, single let, sort of single digit, low risk, low return single units, not HMOs, letting agencies, things like that. So that was my plan to build a HMO portfolio that generated an 8% year, sorry, a single let portfolio. So the money I was making on my other businesses, release enough to move over and buy single lets, also to do joint ventures, private investor finance, to do developments, build to rent and lease those out for five years and create this brand new portfolio over 17 years, a couple of units a year or, you know, developments, small developments over a few years.

And in 17 years, I would have achieved a million pound equity, six figure income. So when I wanted to sell the HMOs, sell the big noisy businesses, I could and it wouldn't, it wouldn't matter. That was in 2008, end of 2018, beginning of 2019.

2019, I then was, I was doing developments anyway. I was doing build to sell developments. I was doing high end professional build to rent developments.

And the pandemic came and then I realized that actually, so I had these sites and I thought, right, what's going to happen in the market is more likely, my opinion was it's more likely there'll be high activity at the low and the middle of the market rather than the top. And if you remember pre-pandemic, it was like lowest unemployment in 40 years, highest salaries in a decade. Everyone had loads of money, rooms, high end apartments were flying out.

That was what we were doing. High end, all inclusive, fully furnished studio rooms, so blocks of apartments, high density rather than HMOs or lower end of the market. And I had two sites that were up that I just bought that I was going to do the same with.

And because I decided to shift from the top of the market to the bottom, this made it perfect stock for the financial fortress, low risk, low return, potentially lease out to a third party operator. And then that's what I did. So the pandemic came in 2020 and I shifted gears from the top of the market to the bottom.

And I thought, whilst this period could be months, could be years that we're in lockdown, the market's volatile, nobody knows what recession is going to look like. I'll focus on the bottom end of the market and I'll focus all my stock towards finishing my financial fortress. And I did.

And within 17 months, it was a 17 year plan. And actually in 17 months, less than the 18 months I've just shared with you, I managed to build a brand new portfolio from scratch, which had its own seven figure equity in it and which delivered six, a six figure annual income from it, from low risk, low return, boring assets. So this is what we want to do for you and what within this, you know, what are we actually looking for?

Well, we're looking for these boring assets to go to work, do your day job, run your HMO portfolio, but get to a point as soon as you can where you're not spending all the money you're making, you're using it to build up a financial fortress portfolio in the background. And this might be things like hostels on five year leases to charity, commercial properties leased out to commercial companies, single let properties where the tenants stay for years rather than months, blocks of apartments that you then lease out to service accommodation operators, blocks of an office block you convert into apartments, then lease onto a housing association, low risk, low return, boring, no tenants, no utility costs or no churning tenants, no utility costs, no multiple occupancy, no noise. You know, we want to make it really straightforward.

So how do you do this yourself? If I did that in 17 months, how do you go and do it? Well, the first thing you're going to be asking is probably how do you fund it?

Because some of you will be of good means and have lots of cash around you. Some of you just won't. So how do you then achieve this?

Well, when we think about how do we fund it, the first, there's three ways that we fund it. Drawing ventures, other people's money and your own funds. So level one, where you don't have your own money and perhaps have limited expertise, you may want to do this as a joint venture, joint venture with somebody who's already doing it, joint venture with somebody who's got some experience, joint venture with somebody where you're giving them maybe a bigger share of the cake and a bigger reward on the basis that it's your first one.

The risk might be higher. You're both going into it 50-50. First of all, do joint ventures.

Somebody else's cash. You bring the deal in most cases and you split the return, none of your own money. Once you've got a bit more experience and a bit more track record, you probably won't need to give 50% away.

Actually, you could borrow other people's money, borrow the money at 6, 8, 10, 15%, whatever you have to. But then the benefit is you're going to pay for that money. But then at the end, you own the site yourself.

You don't have to give away 50% of the next 50 years of what you make over the next 50 years in exchange for borrowing the money for 12 months or so, six to 12 months, depending on what deals you're doing. And then the third, level three, is you will get to a point where you're making money. You've got businesses, they're kicking out 20, 50, 100 grand a month or a year.

You've got that money coming out and then you compound it. You move it from your holding company. If you don't listen to the Financial Fortress, The Basics podcast episode, go and have a listen to that.

You move it from your own account, your own money up into your holding company, and then you lend it back down to an SPV, a development company, an investment company, your own companies, where you're buying single lets, private schools, commercial, doing developments, etc., with your own money. Just jumping in quickly with three very exciting opportunities for you. So the first is after the success of last year's private VIP WhatsApp groups, through the months of June and July 2023, we have reopened these for a limited period.

Each group is capped at a maximum of 20 people and it gives you the opportunity to network with other high-performing entrepreneurs around the UK. You'll get VIP discounts to some of our online and physical trainings over the summer. And every Wednesday at midday, all private VIP WhatsApp group members will actually be invited to attend a private mentoring call with me personally, where I'll share unique bonus training, blueprints, resources on how you can become a seven-figure entrepreneur with a six-figure income.

But also, I can support you direct on there with some private one-to-one Q&A mentoring sessions. If you want to make the most of this and join one of the VIP WhatsApp groups, please message VIPACCESS to the mobile number that is in your show notes now. Second, we're going to do a one-off online training called Deals, Deals, Deals.

So we had lots of attention over the deals that we've been doing, and to share the strategy and structure that you need to create your own seven-figure equity and six-figure income, I'm going to do a one-off online training on Friday the 30th of June from 9.30 in the morning until midday. But this one is going to be for experienced investors only. So you do need to have a minimum of one year's experience in property.

And on the Deals, Deals, Deals online training, I'm going to take you through the blueprint that we use start to finish. Click the link in the show notes, Friday the 30th of June, 9.30am till midday. Click in the show notes now.

And then finally, we have our annual three-day blueprint. So the web page is now live. And if you've enjoyed listening to our podcast over the recent months or years, and you've enjoyed what you get for free, just imagine how good our paid training is.

If you want to learn the entire property entrepreneur blueprint that I created to build all of my businesses and portfolios start to finish in a five-star resort with some of the UK's leading property entrepreneurs, visit www.donttalktotenants.co.uk. The link is also in the show notes to see which one of the two dates we're putting on this year is going to be best for you. Right, back to the podcast. So if that's how you fund it, you're not going to use any money initially.

You're going to achieve all of this in 18 months, seven figure net wealth, six figure income, using this as an experienced investor, doing this stuff in less than less than two years. What do you actually do? Well, there's five steps.

So the first is you need to know your number. Most entrepreneurs are just running around doing deals for the sake of it, making more money, more cash flow, wasting your time. You need to know your number.

At your point now, in order to have financial independence, how much money do you need coming in on an annual basis to survive and live your current lifestyle? Might be 50 grand, might be 100 grand, might be a quarter of a million. That's your cash flow number.

Then how much equity do you have or do you need to build? How much equity do you need in your portfolio to deliver that number? What we do there is how much equity have you already got?

I've got a million pounds. I need to turn it into 100k. Easy.

You just got to go out there and buy stuff, park your own funds like we talked about, or you've got next to nothing and you need to make 100k, in which case you're going to have to create a million pounds at 10% to generate 100k. So you need to know your number, like what's the cash flow requirement? What's the equity amount you need to create or you need to allocate?

And then the percentage in the middle is the relationship between the two. So if you need to make 50k a year and you've got a million pound equity already, a million pound cash already, you're only going to have to get a 5% return, which is piece of cake. You can do it in your sleep.

Whereas if you want 100k and perhaps you're going to create a million, you would have to get 10%. So there's a whole slider on what gear are you going to put on, how high risk are you going to put on that? If it's 5% it'll be next to no risk.

If it's 15% it's going to be quite high risk. What's the cash flow? What's the equity?

What's the relationship between the two? But also appreciating speed is how fast are you going to do this? Because if you want 10 or 12 or 15%, it's really going to lower the amount of deals you're going to be able to do.

So it'd probably take longer. Whereas if you went for maybe 5, 6, 7% it would be faster. And of course, if you're doing development, build to rent to sell, sorry, buy to build to rent and then refinance.

Actually, you could get a higher return because you're creating the equity, leveraging up and then releasing the capital at the end. So step one is to know your number. Step two is to define, oh sorry, step one is the number, how much you need to make.

What's the equity? Step two is define your return, which is that percentage. What's the percentage risk that you need to take to get these deals that you're going to have in this portfolio?

And then the speed, the lower it is, the quicker you're about to do it. The third is to then define your deals. So have a real think about, you know, what sort of deals do you want to do?

And this might be based on the return you've got to achieve. It might be based on your current experience. You know, if you're already really experienced in doing HMOs, then why not do HMOs but put them on a lease rather than giving them to a letting agency?

Or if you know the commercial market inside out, probably don't go start buying single lets or doing build to rent developments. Go and buy a load of commercial and find a way to do an asset management play, an equity play, a development add, you know, development value add, find a way to create that value to leverage up, refinance out and create that equity, get that yield. The third is to define your deal.

You know, what sort of deals are right for you? And this is all the stuff we'll talk about in the Zoom call. I'm going to actually take you through the portfolio that I built and the different strategies that you can use through these five steps.

And I'll give you the spreadsheet as well. The five steps for you to actually enable you to do this yourself. The third is define your deals.

The fourth is then what we call rules and returns. So you don't want to go inch wide, mile deep. So you don't want to go inch deep, mile wide.

You want to go inch wide, mile deep and only do one strategy for this whole thing. So if you're going to do one single let, one single let flat, one service accommodation, one block of flats, one commercial unit lease to Starbucks, you're never going to get the critical mass of knowledge, experience, leverage, traction in the market to compete with everybody else. So you want to go inch wide, mile deep and choose one strategy, one or two maximum, ideally one strategy, and then set up a load of rules and returns.

So the rules are, I will do single let properties that are two storey, so I can get on the roof, not three storey, semi-detached, not detached or terrace because they're the best yield. But for every semi-detached, for every row of terraces, you only have two semis, three beds because they're most appealing to, they're more appealing than two beds, they're better yielding than four beds in residential areas with curb appeal. So if I'm going to sell them, they'll sell in a recession, they're easy liquidated, they're 8% which meet those criteria, they're not 12%, but they're non-standard construction, flat roofed in the middle of a industrial estate in Teesside.

You know, it's like, you need to have these rules. And then the returns, you know, what are the returns? Minimum 8%, minimum £250 a unit, minimum maximum gear in 75% loans value, etc, etc, etc.

The rules and the returns, and that gives you the deals that you're going to do. And then all you have to do is execute, go out there and pull the trigger, follow the blueprint, follow these five steps, follow the calculators that we'll give you. And then what you do is you just do those deals back to back to back.

So if you already got the cash, you might buy a single let, or if you need to, or you might buy a portfolio of single lets, or you might, if you've not got cash, you might do a joint venture where you buy a block of apartments, they put the cash in, you put the deal in, and then over a period of months, you use section 13 notices to increase the rents, you refurb them, you title split, you refinance, get all your cash back out, up the gear and get that yield up to a net or get the yield up, but get the net return up to sort of 8%, 10%, 15%, very realistic. Or perhaps you're going to do joint ventures, borrow money or do development. So you're going to buy an office block, MAPD, 1500 square metres, I'll show you some deals that we do, develop it into apartments, lease it out for five years, very specific type of apartments, leases, yields, development strategies, PDs you want to use, but get that built out, you know, buy it on PD, so you're pretty much guaranteed to be able to build it, buy it, buy it cash, buy it auction, you know, get it, take you ideally weeks rather than months, but if it takes a couple of months to get it completed, exchange early on the confidence that you're going to get your PD through, get your PD prepared, put your PD in, ideally get your PD granted, I forget what, how long most of the applications are, but it's weeks rather than months, get that booked in, get your PD sorted, build it out, refinance it, put it on a five year lease, refinance it, ideally a geared up, high density, high yield per square foot commercial valuation or anything you can to create that equity. And then just rinse and repeat it enough times until you've got enough equity created.

So within 17 months between doing joint ventures, borrowing other people's money and doing my own deals, my own cash, I created a million pounds worth of equity that delivered a 10% average return on investment, which is a hundred K and that now just sits there in the background. That was one of my first ones. I've done a second one, a third one, a fourth one, a fifth one, and you genuinely can do exactly the same.

So in summary, I don't necessarily hate HMOs, you know, I'm saying they're great to give you financial freedom to replace your salary, buy back your time, but they're not the best strategy for wealth creation. You want to be getting to that seven figure net wealth, six figure income as quick as possible. And if you want to know the start to finish, I've not completely decided on if we're going to run this or not, but if you're available for a half day event, I've got the 23rd of June free between 9am and 11.30am, if you go in the show notes now, there's a link to register your interest and we first come first serve if we do run it, click on that, put your name and your email address in, you'll be the first one to get the invite to the event. It's going to be called Deals, Deals, Deals, Experienced Investors Only, Deals, Deals, Deals, how to build, genuinely build a seven figure net worth with a six figure income in less than 18 months.

I did mine in 17 months using this blueprint. I'll give you the deals, I'll give you the calculators, I'll give you the strategy, the structure and the blueprints. You can go and do exactly the same.

So if that's of interest to you, if you are an experienced investor with a minimum of one year experience, go in the show notes now, click the link and you can just register your interest, name and email address. We'll send you a link once we've got it sorted and it'll be 23rd of June, 9am to 7.30am, 11.30am, how to build a seven figure net worth, six figure income using the blueprint I've just shared there in less than 18 months. So do that now.

Have a think about this in practice, start to really move through the gears. Remember, anyone can get rich in property. Very few people actually get wealthy, but you can be rich for a week or you can be rich for a decade, rich for a few days, or you can be wealthy for decades.

And we really want to get you as a new age property entrepreneur, so high net wealth, six figure income. And this is a blueprint you need to follow it. So click the link now, register your interest and I will see you on that half day event, Deals, Deals, Deals on 23rd of June, 9am to 11.30am, click the link, register your interest now and I will see you on that training. 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.