**TBP 164 Edited\_Transcription**

[Attendee 1] (0:06 - 0:46)

Welcome to this month's Deals, Deals, Deals podcast hosted by my very good friend, Mr. Mark Barrett. Mark Barrett is a longstanding property entrepreneur board member, has successfully started, systemized, scaled and sold his property management company. Mark now spends his time building hands-free portfolios for high net worth individuals for his company, The Property Brokerage, and through these monthly Deals, Deals, Deals episodes, you're going to hear some of the UK's most lucrative, most strategic, award-winning and market-leading deals to inspire you and educate you in how you can do exactly the same.

Over to Mark.

[Mark Barret] (0:50 - 0:57)

Hi, it's Mark Barrett and very excited to be announcing my latest guest. Tej, how are you doing?

[Tej Gill] (0:58 - 1:00)

I'm very well, Mark, looking forward to it.

[Mark Barret] (1:00 - 1:12)

Yeah, it's been good to obviously just had a bit of a chat then. I have obviously had a few conversations with you before. For those that don't know you, could you just give us a bit of background to yourself?

[Tej Gill] (1:13 - 2:07)

Yeah, sure. No problem. So, my name is Tej Gill.

I'm a family man, married, 14 years, three kids, seven, 10 and a little three-year-old and based in Kent, near the offices near Dartford and live near Tunbridge. And by day, I run this place, an accountancy practice with my wife. It was set up by my father-in-law around 30 years ago or so.

And we've got a range of clients, some of them joined us in the last couple of months. Just this morning, I actually had a meeting with one of the first clients who joined around 30 years ago. And it's great to see people develop over that time.

The guys that came in this morning are talking about a potential exit of their business in the next few years at nine figures. So they've done very well. So maybe the people that joined a couple of months ago will be there in 30 years time as well.

Hopefully, anyway, it'd be good to go on the journey with them as well.

[Mark Barret] (2:08 - 2:11)

That sounds amazing about that client. What types of clients do you work with?

[Tej Gill] (2:12 - 4:42)

So we've got clients ranging from that to sole traders and carpenters and plumbers and things. But we've actually got quite a few that have built their businesses over the years and are now at a stage where they want to realize what they've done and exit. So we've actually got a client tomorrow at 9.30 in the morning to talk about selling his business. And the route he wants to take is something called an Employee Ownership Trust, an EOT, which is the only type of sale where you can dispose of your business and pay no capital gains tax because you sell your business to a trust that is set up for the benefit of your employees. So essentially, you're selling your business to the people that help you build your business, your staff, your team. And if you do that, you can get the entire cash balance paid out in one go over time, depends on what the business can support, but you pay no capital gains tax on the sale of your business.

So you can take your time building it, build it with a team around you, have a team that can run it, and then you exit, you have no leak of any kind of capital gains tax coming out of it. So that one, we've done the first stage of it for this client that's in tomorrow. His business was valued at just over 38 million, so there's two partners in it.

And yes, they can sell the business for 38 million and pay no capital gains tax. We actually did one last year for a client that sold his business for 30 million. Same sort of thing.

He's not taking it in one go. He's taking it out over time during the transition while the new team take over fully from what he was doing. But again, he's getting that with no tax leakage, no capital gains, nothing on there.

The guy that's in tomorrow as well, as well as having this trading business they're selling, they have a property business, which wouldn't qualify for the same relief because it's not a trading business. But that's again with another partner. They want to split that and go their own way.

And if you just do a split, you have capital gains tax issues, you have stamp duty issues. But again, there's a way to do that without any tax leak. So these two partners in this business, they're going to potentially ride off in their own direction with between 19 and 20 million pounds of cash, no tax leak, and a 3 million pound portfolio each, again with no tax leak.

So there's some really interesting things out there. And these are what you would just consider regular small businesses, right? That have grown and matured and turned into something pretty impressive.

So it's quite good to see.

[Attendee 2] (4:43 - 4:48)

Yeah. I can see you obviously enjoy doing those kind of structures and deals.

[Tej Gill] (4:48 - 5:12)

Yeah. Yeah. To be honest, when I worked in London before, and all I...

So I've qualified as an accountant and tax advisor, but my job was always more the commercial side. So I always did... I started out restructuring actually, and that was 2008.

So the crash and a lot of what we were doing were packing up businesses for sale to people. We did the Thresher's Wine Shop, let's see how many people remember what Thresher's Wine Shops were.

[Attendee 3] (5:13 - 5:13)

Yeah.

[Tej Gill] (5:14 - 5:35)

And after that, I moved into industry and ended up heading up the corporate development M&A team, Merchants and Acquisitions team there, in an oil company. So I've kind of always done that kind of thing. And I joke that I never actually did a real day's honest accounting work until I started here in 2018.

And even then, I only did it for a couple of years, and now I don't do it again anymore. So yeah.

[Mark Barret] (5:36 - 5:41)

Excellent. Excellent. So what is your role within the business then?

[Tej Gill] (5:42 - 6:45)

So I kind of run the advisory side of the business. So we split into two parts. We have a compliance function, which does all the accounts and VAT returns and tax returns and all that sort of stuff.

And I sit on the advice side, the tax planning side, because we have a bit of a focus on property and property-related clients. So all of our clients are either solely in property as developers or investors, or they have a trading business, which alongside them, they take the profits from that to invest in property. And that's the best type of situation being, because there's so much value you can add around those two parts and help with sort of structuring, taking cash out from one to the other.

And that's the part that I do. So actually, the meeting today with them was to talk about when they come to sell this business for $100 million, how can they do that in an efficient manner, going through what they want to do. They want to keep some, they want to spend some, they want to give some on to their kids, things like that.

So that's the part that I look after, and more on the sales and relationship side. And the team out there do the real work of actually delivering.

[Mark Barret] (6:45 - 6:55)

Yeah, very good. So we've also been talking about your wealth dynamic profile and your reality in that. Do you want to just say as to?

[Tej Gill] (6:56 - 8:10)

Yeah, yeah. So I've never done wealth dynamics before. And to be honest, when I did it, because I went on the blueprint just last year, actually, in July, I had a notice come up on my phone saying, remember this from 12 months ago.

And I did it, I did the wealth dynamics before that. And I just did it thinking, oh, this is just like horoscopes, you know, it's just, it's not real. But actually, since I've done it, and actually looked at it more over the last year, spoken to a couple of people on Property Entrepreneur who know a bit more about it, I just started to realize it's very true.

So my profile was a blaze. And specifically, I was a star when I first did this. And I did it again this year, and I moved to supporter, so just like one notch along.

But what did actually happen, my dynamo and tempo tendency stayed exactly the same percentages. But the 8% steel that I did have, has shifted over completely to blaze. So now I'm 0% blaze and something like 48%, sorry, 0% steel.

Lacking the detail right there, 48% on the blaze side. And so, yeah, when you say to people that you're an accountant and a blaze, they don't really put the two together. But that's probably why I do the sales and let the team do the real work.

[Mark Barret] (8:10 - 8:17)

Yeah, you enjoy meeting clients and doing the consultancy side and then leave the detail to them.

[Tej Gill] (8:17 - 8:25)

Exactly. Yeah, that's it. Once you've got the idea, someone else has to actually do it.

And yeah, talking to clients, talking to people like you, Mark, on things like this.

[Mark Barret] (8:26 - 8:33)

Yeah. Okay, very good. So you joined Property Entrepreneur 12 months ago.

Yes. And that was just to go and update Blueprint. How did you find the Blueprint?

[Tej Gill] (8:34 - 9:13)

The Blueprint was really good. So I actually got it through a charity auction. So I won an auction to go on to the Blueprint.

And to be honest, it was great. It got you thinking about things in a very different way. And actually, one of the best parts of it was actually getting you to really look at how much you have already achieved.

Because I think sometimes people don't actually stop to do that. And actually, most people very often don't stop to do that. And only when you do that, do you realize how far you've come that actually gives you that motivation to carry on.

Because you realize what you can do, you know what you're capable of, and then you carry on. So signing up to the 12-month thing, the program was a no-brainer, as the Americans would say.

[Mark Barret] (9:14 - 9:16)

Yeah. And did you say your wife is going on it?

[Tej Gill] (9:17 - 9:38)

Yeah. Yeah. So she's going on in a couple of weeks.

So she's making a full week of it. And she's going up to Birmingham. But yeah, she's going.

So yeah, she's looking forward to it. I think she already met some of the people. I think it's a slightly different format this year with Teams and things like that.

So she's already met a couple of people. And they've got a WhatsApp group going. So I think she's looking forward to it.

[Mark Barret] (9:38 - 9:44)

Ah, brilliant. So as far as property investing, how long have you been doing that for then?

[Tej Gill] (9:46 - 10:35)

So I've kind of actually been around property since I was a teenager. So I'm going to show how old I am here, because when we first got a PC, the reason I've been around it since I was a teenager was because my dad's always sort of invested in commercial property. And he's always said, even when I started working, you should invest, you should invest.

And as usual, you don't listen to your dad, right, until it's too late and you realize I should listen to him before. So life lesson, always listen to your dad. But when we got a PC, he's like, right, okay, you can start writing up leases and you can start writing letters to tenants.

So kind of always been involved in property since then. So I kind of knew what dilapidations were and what an FRI lease was when I was a teenager. But in terms of actually getting into doing the investing and things like that myself, really started around 2016, but really picked up pace from about 2020 onwards.

[Mark Barret] (10:36 - 10:41)

You're saying you also invest with your sister? Yes.

[Tej Gill] (10:41 - 11:43)

Yeah. Yeah. So actually the blueprint I did with my sister.

So we were both there at the same time. And yeah, so we invest together. We both have...

So this is a full-time thing. She's a qualified doctor, GP, so she has a pretty full-on day job as well. So we do the investing as a team on the side.

And that's quite an interesting way to go and quite an interesting experience because we kind of have fallen into our roles that actually align with our wealth dynamics. So one of the deals we did, for example, I found the deal, spoke to the agents, secured it and all that. And then when it came to actually getting into doing the planning and doing the detail and delivering the project, that's when my sister, Jas, that's when she sort of came into her own.

She's a dynamo steel type of profile. So she was very, very adept at getting in there and thinking about things, but also actually suggesting solutions, but then getting them over the line as well.

[Mark Barret] (11:44 - 11:59)

Yeah. So it's a great team then. Obviously, you're the front man, can deal with agents and look at the deals.

And then if it is dynamo steel, probably like mechanic type things, she's very good at kind of like working things out, how things come together.

[Tej Gill] (12:00 - 12:19)

Exactly. Yeah. And seeing what needs to be done and when it needs to be done and making sure it gets done.

And, you know, naturally with what I do anyway, the structuring side of the deal is something that falls in with me as well. So dealing with the lawyers and that sort of stuff and moving property within the group after we've done the development and what the development is going on.

[Mark Barret] (12:20 - 12:22)

Yeah. So yeah, great team there.

[Tej Gill] (12:22 - 12:23)

It's worked so far.

[Mark Barret] (12:24 - 12:44)

Yeah. Very good. So we're actually going to go through a particular deal that you've done.

So if you just want to talk about that as to what the type of deal was and then, so it was a commercial deal, but how did you find it and what was actually looking for at that time? Yeah.

[Tej Gill] (12:45 - 14:59)

Yeah. So this, we actually, so where I said we started doing it, you know, we've picked up the pace from 2020. This was actually the area that we sort of targeted as being the strategy we were going for.

So it was commercial to residential conversion, which I think is kind of the flavor of what everyone's after at the moment as well, because the opportunities are there for it. This particular deal was already on the market and had been on the market for some time, but obviously 2020 COVID had happened and people were reluctant to enter the market and there was obviously some liquidity issues and even just access issues because you couldn't even go to see many places either when the market was fully shut down. So this actually had been on the market for some time and it was a fully commercial three and a half thousand square foot unit that was let to a national shoe retailer, Shoezone.

And at the time that it was on the market, it was on for the rent that the landlord was getting was only a pound. So Shoezone must have, would have served notice to say they're leaving when COVID happened. Landlord obviously didn't want to take the risk of having an empty property with rates, so just accepted the nominal rent.

And so I think that was something that actually put quite a lot of people off because after we executed the deal and bought it, and I was talking to a few other people about it, there were people admitting they'd gone to see this and it was on their radar and they'd been stacking it, but they just couldn't get over a few of the risks around it. So they didn't go for it. But yeah, we took the plunge, got in there.

It's in Surrey near Guildford and it's a three and a half thousand square foot building, which in itself is a really great size to work because it gives you a lot of options. There were a lot of windows around three sides of the building. The other side, so it was a corner plot on the end of a terrace.

So three sides had windows and where there weren't windows, you knew you could put skylights in to get light down into those areas. So there were a few little nuances, tricks that you could figure out that would allow you to maximize the space that you had there.

[Mark Barret] (15:00 - 15:00)

Yeah.

[Tej Gill] (15:01 - 15:13)

So which site was you looking at at the time, do you recall? It was on, I think it was Estates Gazette, probably. I think it was on that, yeah.

[Mark Barret] (15:13 - 15:13)

Okay.

[Tej Gill] (15:14 - 15:27)

It was obviously on with a local agent that had put it on there. Yeah, I believe it was that one. And do you recall how much it was on for at the time?

It was on for like 375 and we got it for just slightly under that.

[Mark Barret] (15:28 - 15:41)

Yeah. And then, so it was a nominal rent at the time, but you was also then doing it when you was looking at the numbers. Do you want to just go through that as for the per square foot kind of?

[Tej Gill] (15:42 - 15:46)

Yeah. So we got it 370, three and a half thousand square feet, just over.

[Mark Barret] (15:47 - 16:07)

So the pound per square foot that you would get, you move on to anybody that kind of like is stuck into square meters. That's like 325 square meters, isn't it? Just so that people can, and then just as a comparison, like a three bed terraced house is a decent size.

It's just over a hundred. So it's kind of like three terraced houses.

[Tej Gill] (16:08 - 16:08)

Yeah.

[Mark Barret] (16:09 - 16:11)

Which is quite a decent size, isn't it?

[Tej Gill] (16:11 - 16:21)

Yeah. Give us some context. Yeah, that's right.

Yeah. I'm stuck in the old imperial system. So yeah.

Should I go in meters? Because I'm going to have to get the calculator out. No, no, no.

[Mark Barret] (16:22 - 16:25)

I mean, just stick it in meters. I would just want to get it out.

[Tej Gill] (16:25 - 18:31)

So yeah, we worked out about 105 pounds a square foot or so. And various different software that you get, you can see what the local average residential price is. And it was over 360 pounds a square foot.

So even just on a fundamental basis, you're buying it and less than a third of its converted potential value. So we did stack it, we looked at different scenarios, three flats, four flats, no commercial, everything else, adding an extra floor even. But just on a fundamental basis, if you can buy something at a hundred pounds per square foot and the finished price is three and a half times that, it's definitely worth putting in an offer and then seeing where you go.

I get that the point about only being a one pound rent though would be an issue for people in terms of if they needed to raise finance to buy it because you've got zero percent return while you're waiting for the permission to come in. And that was actually another thing on it as well, probably going into the techie details. So as a blaze, I might need to lie down after this.

Under permitted developments, which is what we would be going for normally, the property has to be empty for three months before you can apply. But this was, there were two things. One, it was in a conservation area.

So permitted development rights still apply anyway, but it was near a waterway. So there was some special designation to the area because of wildlife and birds and wildlife can cause a lot of issues as I'm sure you probably had to make crossings for lizards over places and things like that. So because of those birds or whatever the wildlife was, permitted developments didn't apply.

So you actually had to go down the risk of full planning permission for it. So those three things combined, the one pound rent, if you needed finance, you weren't going to get it. Plus there wasn't actually theoretical certainty with the lack of PD.

So there were probably a few blockers there which put people off.

[Mark Barret] (18:33 - 18:39)

Yeah. But you did some research anyway and you did get hold of the council. Is that the case?

[Tej Gill] (18:39 - 19:37)

Yes. Yes. So this was actually where we managed to get a little bit of an edge.

And sometimes, you know, it may have been luck because as we were saying before, some councils react differently to other councils if you call them. Some people within the same council will react differently to how somebody else in the council will react if you call them. So maybe it was luck, but you make your own luck, I suppose.

The person we ended up on the phone with was quite open. And when we talked through the plans of what we wanted to do, she was quite willing to back it. And she said, you know, if you put this in, we will accept it.

There is a lot of development going on in the area, a few blocks going up. Less than 100 metres away, there's a student block with restaurants going in underneath, which again may put some people off because that's competition. But in reality, an extra four flats, you're not going to be flooding the market.

So I think it was... And that's going to be longer term. You know, it's still not finished yet.

So if we get yours done and get to the market first, you already know that there's going to be future demand anyway.

[Mark Barret] (19:38 - 19:48)

Yeah. What level was the person that you managed to get hold of within the planning? Because sometimes, depending on the council, you can't get hold of people.

And so I've like resorted to like LinkedIn at times.

[Tej Gill] (19:50 - 20:11)

Yeah, that's it. It must have been like on the lunch break when no one's left here and I'm the only one I have to answer the phone. It must have been something like that because it was actually somebody fairly senior within the council actually managed to get hold of.

So that's why them saying yes, we would be okay with it was actually a pretty positive signal as opposed to just anyone in the council saying it.

[Attendee 3] (20:12 - 20:12)

Yeah.

[Attendee 1] (20:14 - 21:26)

Jumping in quickly with two very exciting opportunities for you. The first is after the success of last year's VIP WhatsApp groups through the month of July 2023, we have reopened them for a limited period. Each group is capped at 20 people, gives you the unique opportunity to network with other high-performing entrepreneurs in the UK.

You'll get VIP discounts to our summer training events. And every week you'll be invited to a private one-to-one mentoring Zoom call where I'll be supporting you personally on your businesses, investments, and wealth creation to get you up to being a seven-figure entrepreneur with six-figure income. If you want to join, message VIPACCESS to the number that's in the show notes.

The second is our annual three-day events are now live. If you've liked our free content through these podcasts, imagine how good our paid training is. If you want to learn the entire property entrepreneur blueprint from start to finish in a five-star resort with some of the UK's leading property entrepreneurs over three days, go to www.donttalktotenants.co.uk and see which of the two dates is going to be best for you. Back to the podcast.

[Mark Barret] (21:29 - 21:38)

So it just shows you it is worth going through those steps and then persistence is sometimes making sure you keep trying.

[Tej Gill] (21:38 - 21:51)

Yeah, exactly. I mean, what's the worst that could happen if you called a few times and they get fed up and they tell you to go away? They're not going to remember who you are when it comes to putting in the application anyway.

So you make your luck, you make the calls and see if it works out.

[Mark Barret] (21:51 - 22:00)

Yeah, very good. So you've done a bit of research, you put your offer in and then that's accepted. And then what was the next steps?

[Tej Gill] (22:01 - 24:44)

Yeah. So then it was... Before we bought, we had actually...

So the first offer actually we put in without even seeing it because the market wasn't open at this point. Yeah. And then after a while, then we actually got to go and see it.

And when I went to see it, I actually took a surveyor with me, which I wouldn't normally do. But because it was not a PD application, I thought I might as well get that extra layer of certainty. So we took a surveyor who did a measured survey and actually allowed us to realize that we could definitely fit four in, four residential units and still retain a decent sized commercial unit downstairs.

So after that, we were again, just that much more certain about what we would be able to achieve. And we also... It was good in terms of being able to quantify things that we needed later on for dilapidations and any other structural works that were going to be needed there as well.

So it actually allowed us to get a much better idea of what the final costs would be as well. So yeah, we went with the surveyor prior anyway. So once we did the deal, we were ready to get straight into getting the planning done.

So we'd already found an architect, local architect to do that part. Again, it just helped because he had dealt with the council before. So again, we knew somebody in the council, using a local architect makes sense rather than someone from a different location.

And then the application, there was some hiccup always occurs with clerical issues or whatever. So it took around five months to get the planning back approved. But it was just before Christmas 21 that we got that approved.

And then it was on to the next stage, which was the scoping and the actual demolition drawings and finishes and everything like that, which in itself, again, you learn another lesson from that. We had hired someone to act as a project manager for it. And that didn't work out so well.

There was a couple of months lost there where it was a lack of management, I guess, from their side. So I think I said on a call to them, you say you're doing project management, but it sounds more like you're just doing project reacting because everything was like, oh, I haven't had a response from them. I haven't had a response from them.

But that's the part of the management, right? It's to actually go and get those responses and get them, force them out so you can actually move this forward for the client. So we ended up taking them off the job and doing that interim bit ourselves, which probably added more time.

But in honesty, it felt like we moved more in those couple of months where we were doing ourselves in the couple of months where we had a professional on it. So someone says, doesn't he, don't trust the professionals. So that's probably sometimes true.

Not always, not always true though.

[Mark Barret] (24:45 - 25:04)

So when you converted it, the commercial, so it was all commercial and then you was retaining the ground floor. How did you access the flat Sam? Was it kind of like from the front, just kind of like a staircase up?

Did you have to do anything as far as bin storage? Did you have room at the back? Did you do that?

Good question.

[Tej Gill] (25:05 - 25:41)

So actually, because it's a corner, it already had a door on the side entrance on the side street to get in. And so we actually had ended up with one of the two beds on the ground floor and then a two bed and two one beds on the first floor. And there was already a staircase there, which you could use to access with his own access from the street and bin store and everything was inside that communal area.

And there was actually three entrances. There was one around the back as well, but we closed that off because that was a shared access to get to the other terrace properties down the side where the flats had already been made down there as well.

[Mark Barret] (25:41 - 25:44)

So you did your bin store internally, did you?

[Tej Gill] (25:44 - 25:55)

Bin store inside, bike store inside with its own lock and door and everything. And then you've got a staircase to go up to the three flats up there.

[Mark Barret] (25:56 - 25:58)

What was the size of commercial unit left?

[Tej Gill] (25:59 - 26:37)

So there were two actually. So we chopped it in two because it's just one, each one's below the rateable value. So you're more likely to get a tenant.

And yeah, so I mean, there was stock on the street already that was the same size as would have been as one. So we took the decision to chop it in two because, and also it worked because it was previously, it had two front doors side by side. So it was just a stud down the middle to separate them out.

And so they were left at, I think one was around 30 square meters and the other one was about 36 plus a basement.

[Attendee 3] (26:37 - 26:38)

Yeah.

[Tej Gill] (26:38 - 26:50)

So decent sizes. Each one had a toilet and kitchen facilities in it as well. So it was the right sort of size for the right kind of tenant.

[Mark Barret] (26:51 - 26:58)

Very good. And then, so then you got the planning for the four flats, what type of flats were there?

[Tej Gill] (27:00 - 28:08)

So there were two, two beds and two, one beds. The one on the ground floor, we did actually get permission to put some, make some external changes and put some windows in. But we also, because there was a bit flat roof, put a skylight in as well.

So each of the rooms have got all the light that they need to have. The windows, yeah, the windows were single glazed. They had to be changed and because it was conservation area, there was a bit of consideration around what they had to look like because they were sash windows.

So they had to be sash windows that went back in as well. So there were a few bits like that, a few hoops we did have to jump through. So there were some structural things that needed doing as well.

Some walls needed pulling in together. I'm not going to get into the technical because I don't know it. Yeah.

So there were a few issues with water ingress as well. So those kinds of things had to get sorted out. But in the end, they ended up as four flats, all now let out on a commercial lease to one company.

And now it's all tenanted, the commercial units are tenanted now as well.

[Mark Barret] (28:09 - 28:12)

What type of tenants are they in the shops then?

[Tej Gill] (28:13 - 28:15)

So one is a barber.

[Mark Barret] (28:16 - 28:17)

Okay, yeah.

[Tej Gill] (28:17 - 28:36)

And one is a mobile phone repair vape shop. Idea, yeah. On any high street now, isn't it really?

Yeah. And that's why those sizes make sense because they don't need a 2,000 square foot shop. It's far too big, far too much overhead for them to carry.

[Mark Barret] (28:37 - 28:40)

And the four flats were all on one lease, were they?

[Tej Gill] (28:40 - 28:40)

Yeah.

[Mark Barret] (28:41 - 28:41)

Yeah.

[Tej Gill] (28:41 - 28:56)

So that was a decision because it's not local to us that we thought we'd just get it on a longer term lease just for that certainty of cash flow. So not constantly repairing and everything.

[Mark Barret] (28:56 - 29:01)

What were the tenant types? Are they like service accommodation or supported housing?

[Tej Gill] (29:01 - 29:19)

So it's actually somebody who is using it to house their employees of their care home business. Oh, right. Okay.

So yeah, it's not usual support living. They provide support for people in a care home, but it's their staff that live in there.

[Mark Barret] (29:20 - 29:26)

Perfect. And where did you get them from? Was that a local agent or did you just put it on like the portals?

[Tej Gill] (29:27 - 29:51)

That was actually just done through local. So one of the things we actually did in this, as well as calling the council at the beginning, was actually just speak to one or two local developers as well. And they were actually quite open to talk about the area and everything.

And it was actually through one of them that we also got in touch with someone that was looking for that number of units to put their staff into. Perfect.

[Mark Barret] (29:53 - 29:57)

Very good. So should we go through the numbers then on the project?

[Attendee 3] (29:57 - 29:58)

Yeah.

[Mark Barret] (29:59 - 30:04)

Can I go through the purchase and then the other costs?

[Tej Gill] (30:04 - 30:51)

Yes. So yeah, purchase, as I said, was 370. Once you add up all the professional fees and local council additional charges, because it's not PD, there were other contributions you had to make and the build cost, it was give or take around £300,000 to convert and everything associated with it.

So total spend was 670. We did get valuations for the flats and they came in at 995 for the four flats. And we didn't actually get the shops valued, but on a yield basis for the rent they're getting, they're around the 250 to 300 mark on top of the 995.

[Mark Barret] (30:51 - 30:56)

Yeah. Okay. So do you want to just cover the rents then, what the rents were as well?

[Tej Gill] (30:57 - 31:10)

Yeah. So the rents on the shops are a total of 27. Yeah.

And on the four flats, it's a total of 50. Okay. Slightly lower than market, but we've got them all in one place at the same time.

[Mark Barret] (31:10 - 31:39)

And no voids. Yeah. Yeah.

Yeah. So it brings in 77,000, it costs you 670, so that's really strong. Yeah.

And then you've got a valuation of 995, and then even on a 10% yield, which is probably less than that, that would take you up to like 1.25 million, 1.65. Yeah. So that's creating just short of 600,000.

[Tej Gill] (31:40 - 32:12)

That's right. Yeah. Yeah.

That's amazing. Yeah. It was.

Yeah, it was. It was one of those things that, like I said, just the size of building you're getting for that price, you know that there's going to be a decent outcome from it. You see some now, that price is half the size of that building.

So you kind of knew that there was going to be an outcome. Obviously, we've got the benefit of the value prices increasing anyway in the meantime. But yeah, it's definitely worked out nicely.

[Mark Barret] (32:12 - 32:24)

I think he was also in a good situation where you didn't need to finance it. So the issues of whether you could get a mortgage or bridge on it, you didn't have.

[Tej Gill] (32:25 - 33:01)

Yeah. And that's the advantage of if you're able to put cash in that you don't... One, you're not rushing to get it done either.

Because like I said, with PD, with a tenant being in this, if you had to go down the route of waiting until it was vacant, you've got four months of holding on a bridge or a mortgage before you can even put an application in. Then you've got two months for the application, you're six months in. Then you've got a month and a half, two months to get your tenders back.

You're packed on your tenders back, you're eight months in. So if you're not up against the clock, you just have more flexibility.

[Mark Barret] (33:02 - 33:12)

So once we've just gone through those numbers, there is actually a potential of some icing on the cake as far as dilapidations. You want to just go through that, Tash?

[Tej Gill] (33:13 - 35:36)

Yeah. Yeah. It'll be icing on the cake when it eventually comes in.

But I don't know, for context, I suppose, ShoeZone are what people would consider like a blue-chip client, right? Well-known, high street presence and all that stuff. One thing I've found here and elsewhere, and it's probably the best point for people to be aware of if they're doing conversions or just buying commercial property is that actually these big blue-chip tenants can actually be a bigger pain in the backside than smaller ones.

During COVID, they just try to unanimously say, I'm not paying rent. And you have to push back on it. They're notorious, but if they get into trouble, things like creditor voluntary arrangements to reduce how much rent they're paying and landlords can say nothing about it as an individual.

So although they look great and you have some level of security, if you get the ones that maybe are not so good, obviously, you're Starbucks and that's fine. But the ones that maybe are a little bit kind of lower grade, they can sometimes be a bigger pain than it's worth. And with dilapidations, they definitely are.

Because what they do is they have a retained legal department or they have a legal firm or they have their own legal department that basically just knocks everything back that you send. So I mentioned that we took a surveyor with us to view the property and get it measured. Part of that was also to get a dilapidations report done so it was ready to give to them to give to the tenant before they left because the tenant's supposed to put the property right before they go.

But they argue when we sent it that actually, we don't need to put it right. You served it too early. We only put it right afterwards.

And then that's when you get into this whole backwards and forwards and solicitors and everything like that that actually can end up causing more headache than even the development caused. And so that can sometimes be an issue with these supposed blue chip clients, high street names. That's it.

If it does come back, we've had to prove what works we did, get the contractor to keep a separate sort of schedule of those costs and invoice for it separately. So there was a separate schedule of everything to be able to send now to the tenant, the former tenant. But if that does come back, there'll be about 40,000 pounds of works that were done that should have been done by the tenant before they left, but they didn't do it.

So the worst case scenario you end up in is that you have to do the work and then chase them for the money, which isn't really what's supposed to happen with an FRI lease, but the big boys think they can get away with it.

[Mark Barret] (35:37 - 35:40)

So potentially another 40,000 profit.

[Tej Gill] (35:42 - 35:44)

Yeah. Yeah. That'd be the upside.

Yes. Yeah. Glass half full.

[Mark Barret] (35:45 - 35:59)

Yeah. Excellent. And then the other thing you also mentioned was you recently went on the Financial Fortress event that Dan did.

So anybody that's not heard of that, what was that?

[Tej Gill] (36:00 - 38:17)

So that was a six-week sort of program where you went right through from, without giving too much away, where you are, where you want to end up, and how you get there in the middle, right? The journey to get there. And one of the main things that sort of covered off was that, well, for me anyway, the main benefit I got from it was crystallizing exactly what it was I wanted in the fortress at the end, because it's easy to see like this deal.

I think, wow, that's amazing. It's just to keep doing these. But where I already have a day job that takes up a lot of time, you can't have lots of these going on at the same time.

You need that sort of balanced portfolio of deals that are going to create this kind of equity jump, but also ones that are going to generate steady cash flow and ones that will grow over time in terms of just capital appreciation as well. And actually, that kind of brings it back to when we stacked this deal up, was that we knew that actually what we're doing with our investments is building up the portfolio, right? Building up the top slice of the financial fortress triangle.

And so, although the equity jump is great, one of the things that I always look at when assessing a property is something actually someone said to me a few years back, that is this price that you're potentially paying now going to look cheap in 10 years' time? Because that's what we're holding this for. It's not that we're looking to build them and flip them on or sell them in the short term for a profit.

We're looking for holding this in 10 years' time and seeing what it's worth at that point. So, although sometimes the numbers might look close, and when we stacked it, they did kind of come out close once you put contingencies and everything else in there and where the market was at the time. If you think about it just on a qualitative basis as well, what is this going to look like in 10 years' time?

Am I going to want to be holding this in 10 years' time? Is it still going to be making money in 10 years' time? And is it going to be worth more in 10 years' time?

That's also part of the equation part of thinking. That's actually where the financial fortress then, going back to that, kind of crystallized that, well, actually, they don't all need to be this. You can just buy some regular terraced houses as buy-to-lets.

They may not seem interesting, but in 10 years' time, they'll be making the same percentage cash flow as now.

[Mark Barret] (38:18 - 38:24)

Yeah. Yeah. Very good.

And could you then just go over your top three tips for us then, Tash, please?

[Tej Gill] (38:24 - 39:41)

Yeah. Okay. So, top three tips.

First one is scratch beneath the surface a little bit. So, with this deal, it would have been easy to say, oh, I don't know what we can do with this. There's birds, there's conservation area, there's sash windows.

But actually, just going that little step further, and it is always that thing they say, right? Saying there's a couple of percent difference of what the effort you put in that separates you from second place. And so, actually, doing that little bit of extra leg work helped with finding that, actually, this deal made a lot more sense than people who I found out afterwards have pulled out were thinking.

So, yeah, number one, scratch beneath the surface a little bit. Number two, don't scratch too much, right? Because if you keep on scratching, you'll still be scratching forever.

So, if you can't pick a point where you say, right, that's enough, it's actually time to jump in to execute, because otherwise, you just get stuck analysing. And sometimes you just have to say, well, that's enough, let's pull the trigger and make it work. Obviously, that depends on your own attitude to risk and how willing you are to take those risks and how big a risk you're willing to take.

But at some point, you have to stop analysing. Actually, if you're going to do it, you've got to just get on and do it. So, you know, second point is really once you're comfortable, then jump straight in and make it work.

[Attendee 3] (39:42 - 39:44)

Yeah. And then the third one?

[Tej Gill] (39:45 - 40:35)

So, third one is to, yeah, know when enough is enough. Because when we stack this, and even while we were building it out, we were going back and thinking, right, well, we could add an extra floor, the other buildings around are all at least one floor higher. And, you know, yes, we could carry on, we could play a bit of Tetris and put more on top and all that stuff.

But actually, all that would have meant is more time waiting for planning to come back, more potential issues that could arise, more capital that needs to go in. And while that capital is going in, you can't release any from what you've already got almost to completion. So, it's kind of knowing when enough is enough, we could have added more to it and increase that equity.

But actually, by choosing when to stop saying that's enough, you actually get the cash out and go on to do a fresh project where you're then building up your asset base further again.

[Mark Barret] (40:36 - 40:48)

Very good. So, yeah, thank you for going through your top three tips. Amazing deal.

So, congratulations to you and your sister on putting that into the financial fortress.

[Tej Gill] (40:48 - 40:50)

I'll pass it on to her. She did most of the work.

[Mark Barret] (40:51 - 41:00)

That's good. So, anybody that would like to contact you, go on and just go through your details, please, Tash.

[Tej Gill] (41:00 - 41:49)

Yeah. So, you can either email me, tej.co.uk, N-I-J-J-E-R, accountants. Or if you go on the website, you can book a discovery call.

I'm happy to talk about the deal or about any accountancy services or structuring services you might be looking for. Because one of the things that we didn't talk about that we talked about before was kind of how we set ourselves up as a structure for doing these kind of developments. And actually, that can be quite important in getting those extra couple of percent out of the deal.

And also, advising around sort of stab duty on the deals you're buying because there's a lot of people that are overpaying at the moment on that. So, yeah, feel free to book a call on the website. And we'll tell you when I'm free in the diary and you can put something in the matches.

[Mark Barret] (41:50 - 41:56)

Excellent. Okay. Thank you for your time.

Thanks for going through that, Tash. And look forward to seeing you soon. See you soon, Mark.

Thanks for having me.

[Attendee 1] (41:59 - 42:42)

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