**TBP 177 Edited\_Transcription**

[Daniel Hill] (0:05 - 24:00)

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. Without a doubt, the number one strategy that I see people getting wrong in the way they approach building their business is property development. When you're a property developer, this is a profit or an asset strategy.

It is not a cashflow business. People get into property development, spend lots of money on running the team, have overheads they can't afford, and then developments that make no money. In this Blueprint Podcast, I'm going to take you through the property development business blueprint in less than 10 minutes and show you how you can make over a million pound a year from only one employee.

When we go into property development, it is without a doubt the opportunity for you to make more money than you've ever made, but it is also the biggest risk you're going to take, and you can also lose everything you've ever had. What we want to do is look at how can you genuinely make six and seven figure profits per annum from having only one employee in your team, minimal overheads, maximum margins, and I'm going to explain it in less than 10 minutes. So here goes.

Remember, this is not a cashflow business. It is a profit or an asset business, profit being built to sell or asset being built to hold. It is not a cashflow strategy.

You do not want to have five, 10, 20,000 pounds a month worth of overheads for your business, your team, your offices. You want to have low fixed costs, maximum variable costs, and remember, it's a project and profit focused business. It is not a trade-in or cashflow business.

So when we're looking at how do we do this, so we're going to look at sourcing, we're going to look at stacking, securing, structuring, site management, and then the system that we use and have done for over a decade to deliver these sites in practice. So the first is sourcing. So how do you go about sourcing your deals?

Well, if it's smaller deals, then we would do that in-house. So the head of Portfolio Builder, Jen, who runs our company, she would actually do that in-house or she would work with sourcers who are third party, smaller deals. When we're talking about seven and eight figure deals, they're very much sourced by me.

Now, I've tried to outsource it, I've tried to delegate it, but the reality that I've seen in practice from both myself and other developers that I know that are genuinely going out there and making multiple seven figures a year is the value is in the developer's margin. The value is in that expertise of identifying the right site, drafting the right scheme, being able to see angles that other people can't see, knowing the planning rights, the rules, or the permitted development considerations better than anybody else does, including your architect, planning consultant, and local council. So sourcing for the big sites, I actually still do myself, but equally, I'm not spending £10,000 a month doing direct to vendor letters, I'm not spending hours a day trawling through Rightmove, I genuinely am flicking through the commercial side of Rightmove, flicking through Estates Gazette, flicking through other commercial agent websites on a Sunday afternoon, this is genuinely what I do, Sunday afternoon or whenever I'm sitting there flicking through looking for a deal, and I'm looking for angles, I'm looking for needle in a haystack, I'm looking for deals that nobody else has seen the margin on.

And I'm looking at it and thinking, even if this thing falls down and I sell the bricks, it's still going to make money, even if plan A, B, and C don't work, I've still got D, E, and F. But all of this has come out after 20 years of being in construction, being in investment, being in property development. It's like really having that tacit experience to be able to look at stuff and just see things that others would miss.

And if I look at my deals, I always think, wow, that's the best deal I've ever done, or I'll be surprised to see if I ever do another one of those, but that's been the case for every deal for the last 10 years. So it's like, none of them are the same, they're all different, they've all got different reasons why they're going to be really lucrative, but it's only really me that understands that. So rather than try and tell you to delegate or use deal sources, if you genuinely want to spend a million quid and make a million quid profit, you know, talking about 20, 30, 40, 50% return on investment, in my experience, at least, you need to do a degree of the sourcing yourself.

Stacking. So to stack it, I've just literally got one appraisal template, and what I'm looking at is all about, I use square foot rather than square meterage, I do conversions rather than new build, and my appraisal template is specifically for build to lease. All I'm looking at is the price per square foot, how much I'm going to pay for it, per square foot, what's the build cost going to be per square foot, what's the GDV cost going to be per square foot, and I'm really just working it out on square footage.

Now, this isn't the most sophisticated way. You can spend hours or days pulling together all sorts of plans, drawings, block schemes. Honestly, you need to know what you're doing and have things like that.

You don't want to be reckless or silly, but I would normally buy it. I would just work on 85% of the gross and give that as the net, assuming the building looks fit for development, as in it's fit for purpose, it's not falling down, and the floor plan is one that's easy to work with. So I have a single aspect and have a corridor run around the back or double aspect, and you just feel confident, windows all the way around, and you just look at it and you just think this has the opportunity to be well optimized and developed as opposed to something like a cinema or a nightclub where you'd really have to get into sort of atrium developments and new window applications.

I tend to go for the low hanging fruit and I stack it pretty much on square footage. You know, I know most markets that we invest in. I know what other sites have cost us, and I can work out basically on that, whether it's going to be a site that we explore or not.

If you've not already completed our Deals, Deals, Deals training, you can go to www.build2lease.co.uk. So build, B-U-I-L-D-2-T-O, lease, L-E-A-S-E, build to lease, and that's the blueprint, the training. It's a half day workshop. It's recorded.

You can watch it at your own time, and it includes all of the blueprints, training, templates, resources, and it also includes the appraisal template that I've personally used to complete on over £10 million worth of developments. That's all in there. I think it's cost you 500 quid, but you'll make 500 grand plus in the next 12 months if you actually execute on it.

So if you've not already got that, pay for that and download it, and you'll get the appraisal spreadsheet that I use. You'll see it's very straightforward. It's also very sophisticated.

Once I've stacked that up and see if it works, secure in it, I would then hand that over to our Head of Portfolio Builder who runs the company, and she would negotiate on my behalf. It gives us a good opportunity to pay a good cop, bad cop, and when we're securing sites, I tend to, nine and a half times out of 10, buy cash and unconditional because we're looking to buy at the best price, but we're also looking to de-risk as much as we can. So we use permit development rather than full planning in most cases, not in all, but in most cases.

And if you haven't listened to the New PD Rights podcast episode, go and check that out for the New PD Rights that are coming out subject to consultation, they're in consultation now and coming out at the end of August, subject to being passed, they'll be absolute game changers for you. And I think they're about that episode, it's called PD Rights, New PD Rights, and I recorded it maybe three episodes ago. So Jen would then secure it for us, Head of Portfolio Builder would secure it for me, normally cash and unconditional.

When we're structuring the deal, I always buy in the limited company, which is held under the group structure. So it depends what profile the site is, if it's a private school, if it's commercial, if it's built to rent, if it's an investment property, it would go into the group structure in a limited company with a position and shareholding based on how we'd approach that. And as far as structuring the acquisition, we don't tend to use finance.

So over the last 10 years for developments, we've only used finance once, and other times it's always been cash, I just find it quicker, easier, I prefer to work with individuals rather than institutions. Sometimes it can be more expensive, and you've got to take a view on that. Sometimes it can actually be cheaper, and it depends obviously how many investors and high net worth individuals you've got on your books at the minute, but we would tend to use cash, and either our cash or investors' cash.

Ideally for developments, we use other people's cash. So when we're creating equity, I try and use other people's capital, whereas when I'm trying to get a return, I'm using my own. So if I'm basically parking the funds in like a private school or a commercial building or a single layer or a block of flats, I'll use my own cash because I don't want it to be sitting on a ticking time bomb, whereas when I'm in and out, and I might put a million pound in, create half a million pounds worth of equity, and refinance and get out, I'd normally use other people's money there.

So the deal finances itself and finances them, and we create basically equity and return from nothing, from other people's capital. So that's how we structure the deal, actually acquiring it. Site management.

Now there's two routes that most people go. One is using a project manager and then subbing out all the work to other contracts. The other is a main contractor or principal contractor route.

We all day long go for the principal contractor, the main contractor route. I've used both. I've worked in both for the last 20 years.

And there's definitely pros and cons. It depends on your expertise, your position in the business. It depends on the site and how big it is, how tight the margins are, how complex the construction is, how you structure it.

I would say for our normal one to 10 million pound build, we would go for a main contractor and the structure would be like this. It would be a head of portfolio builder or senior site coordinator, whoever is employed by you, that one person. They would then manage, the way we do it is a QS.

So we have a quantity surveyor underneath them who reports to the head of the business, head of the development company, and manages everything below. The QS would then put the contract out to tender, so main contractors, ideally a main contractor that we already know, like, and trust, and ideally sort of an independent, so not a big corporate for the sites we use at least, because we want to keep them nice and lean, and we don't want to be paying for head offices and admin and management teams. We want to be paying for ideally trades and project management, but underneath a main contractor.

So the QS would then go to the main contractor and put it out to tender, get the tender agreed, and then what would happen as it's run is we would have a monitoring surveyor to oversee the bank drawdowns. So head of the business, development company, then the QS, QS manages the main contractor, and then the monitoring surveyor would represent the bank and draw down the funds against what I'll talk to you about in a minute with the systems, basically the site being on time and being on budget. Jumping in quickly with a no brainer, potential 100 times return on investment opportunity for you.

If you're an experienced investor and you're looking to go from property refurbs and conversions into smaller, medium-sized developments to create seven-figure equity and six-figure incomes, the recording of our Deals, Deals, Deals half-day training workshop is now available to purchase online. For the comfort of your own home and in your own time, you can learn the unique and proven blueprint that I've personally used to create multiple seven-figures in equity and six-figure incomes using the unique build to lease development strategy. It's the full training, all resources, the deal appraisal spreadsheet that I've personally used to complete on over 10 million pounds worth of deals is all available and included in the pack.

Turn 500 pounds into 500,000 in less than 12 months now by purchasing your training program online at www.buildtolease.co.uk. Back to the podcast. And then finally, the system. So the system that we would use is basically on the way in, we would use what's called a project plan, which is basically, here's the next 12 months listed out, and here's how we expect it to play out.

Three months in conveyancing, three months in prior notification, six weeks for tender process. And we would just do it on a spreadsheet. That would be our project plan.

Like roughly, this is how moving tenants out, 90-day void, prior notification, drafting a survey, drafting a drawing, preparation and submission of application, construction phase. And we would just work on a very, very headline from the off. This is what we think is going to happen.

When we get the QS go to tender, the main thing we're working the whole project round is a JCT contract with the main contractor. And the main contractor is basically one point of risk, rather than a project manager, who would then sub the work out, the project manager is your responsibility. And then so all the trades.

The reason I prefer a main contractor is we've basically got one throat to choke. You've got one point of risk, you've got one person to be responsible for. If the painters don't come in on Monday because they're hungover, or the plasterers get delayed on another job, or somebody just a delivery disappears with a main contractor, you know, that's their problem.

And obviously, they're pricing the PM role to the job. A lot of people think main contractor is more expensive than a PM and subbing out. In some cases, it absolutely will be more expensive.

In our experience, when you actually take into consideration the risk, the headache, the delays, the pain in the backside, the contract, the JCT contract, which is where we would use what's called a fixed price plus. So it's fixed price. That's what they're going to do to build for plus any variations that we want, or any unsurprised things that come up on site, you know, you take the floor up and there's no foundations or something that was not fair to be pinned on them because it couldn't be seen or considered in the appraisal.

But if they've misquoted their joinery, their paint and their M&E work, whatever, that's their liability, it's fixed price. So the whole thing is around the JCT contracts, you've got the project plan, which is just internal documents, show us roughly what's going to happen. You could do it on a whiteboard, you could do it on a calendar, we use it on a Gantt chart.

A JCT contract then, which would be fixed price plus, which would then be with the main contractor and it would include scheduling, delays, drawdowns, penalties, fixed price elements, variations. And that really is the risk management element that would be drafted by the QS. It's not something you can download online, it comes out like a Bible, it probably costs 10 to 30,000 pounds to have drafted.

But when you spend in a million to five, 10 million on a build, it's an absolute no brainer. And then what we would run once the contract signed, and we're in with a main contractor, the final thing is we would use what's called a cost loaded program. So cost loaded program is the same as a Gantt chart, but it's a lot more sophisticated.

So it would show exactly all the different phases of the development. So the demo, the strip out, first fix, second fix, painting, decorating, roofing, etc. It's a very, very extensive document created by the QS.

It details exactly what needs to be done when it needs to be done. And that's the programming element, the Gantt chart, the program of the delivery. And it's against that that your main contractor would be held accountable and liable and penalized if they don't adhere to the terms of JCT.

And then finally, the cost loaded element of that, the reason it's called a cost loaded program, is a program would be, you know, this is it goes to cinema, or a show, here's the program, it's going to be this act, then this break, then this, etc. It's the program of the build. The fact that it's cost loaded, is it shows where the costs are.

So you might have some front loading, where you've got to buy stuff in, ideally, then you would use a mechanism to secure your interest, like a vesting certificate or something like that. And you would pay the main contractor, if it was a half million quid job, you wouldn't be surprised to be paying 10%, maybe up to 10% upfront to start the job, you know, scaffolding, security, storage, facilities, some capital uplay or buying demos, not normally that expensive, it's more like skips. But if they were starting a new build element and had to get a brickwork in, or they were taking the roof off, it's not unheard of to front loader if they don't have working capital.

If you're going for the sort of independence, it's quite likely they're not going to have that that level of working capital, which plays into your favor on the basis that it's a reflection of the sort of businesses you're using, but also increases your risk. So if you're not paying everything in arrears, you know, that is your risk element. And then what we would normally do is have a working exposure through the scheme.

So on the cost loaded program, we would say let's say it's a million pound build, I might say, I'm happy for my running exposure after the uplift to be a maximum of 50,000 pounds. What that means is, at any time, I'm not exposed by more than 50,000 pounds, because everything that's cost loaded on the program is drawn down in arrears, and the monitoring surveyor would control that with the bank. So there's a floating working capital of 50k that you've put in on a million pound build, that's 5%.

But the cost loaded program would say, right, at the end of week four, these are the words that should have been completed. If they are completed, the drawdown is now 100,000 pounds. And then what would happen is the monitoring surveyor and RQS would go out, look at it and say, yeah, all of that's been done.

All that's been completed on time on budget, 100 grand now to be drawn down. They draw it down, pay it to the main contractor and you're paying for work that's been completed only. Or they might say that, yeah, this has all been completed.

However, none of the boilers have gone in, but I have seen the boilers on site. So you might say 80% has been completed, that's 80 grand. There's 10 grand worth of boilers on site, we've seen them, we've got a vesting certificate to say that's secure, but they haven't been installed.

So 10 grand for materials on site will pay, or some people might not pay if it's not already screwed to the wall. But if you've got a vesting certificate that will protect you. And then the 10,000 pound installation would be moved on to the next drawdown, which might be in, you don't want to do them too frequently because you have to pay for them, but it might be every four weeks or six weeks or 12 weeks, depending on how big the builders, we would normally do it probably every four to six weeks to keep things moving with a smaller main contractor who might not have that working capital. So hopefully that makes sense. And hopefully that was less than 10 minutes.

But that is the property development business builder blueprint. In 10 minutes, that's how we source our deals, structure them, how we stack them, how we secure them, how we schedule them out on site and the strategy system and scheme that we use to have one employed team member, we don't have any sites, we don't have any overheads, seven and eight figure developments, all contracted out to a main contractor rather than a project manager. And then using that project plan, cost loaded program and JCT contract makes it explicitly clear what needs to be done, who's going to do it, where the liabilities are.

And our sentiment around these businesses really is don't start until it's finished. If you get a trade start before the contract's done, the scope of works, the schedule, it's a complete false economy. All of the work from my side is done before the site build starts.

After that, as long as the pre commencement before the site starts, as long as that's done properly, that's where for me the risk management takes place. Once you get into the build, it's then just a case of the QS and the project manager, the QS and the main contractor project managing the site effectively to deliver it on time and on budget with as few issues, variations or unseen as possible. Hope you got value from that.

And I hope you enjoyed this property development business blueprint. If you know somebody who's a property developer or going from six figure refurbs into seven figure, small and medium sized developments, share this with them. And like I said, if you're not already completed our half day online, completely recorded training, you can watch it whenever you want.

It's 500 pounds. It can make you over 500,000 in the next 12 months. Just go to www.build2lease.co.uk and you can get all of the blueprints, all of the structure, all of the training, the deals that I actually do. You'll see behind the scenes how I bought them, how I built them, how much I made on them and the explicit strategy and structure that I've used that you can then copy and all of the resources are in there as well as the appraisal I've used to complete on over 10 million pounds worth of deals. Download it, put your figures in. I'll train you on the training about how to do it and best of luck going and getting your first six and seven figure developments.

And remember, this is not a cash flow business, low overheads, low fixed price, high variable, high margins, and I think you'll do really well. Success and failure, both very predictable and I'll see you on the next episode. I hope you enjoyed this blueprint podcast episode.

If you're not already subscribed, sharing these, this is my lifetime's work and every Tuesday, I'm giving you one blueprint away for free. These things are unique, they're proven, they've enabled me to build over a 10 million pound portfolio in a few short years and over the last 20 years, start, systemize, scale and sell over 40 different companies. If you like them, share them, subscribe, make sure you don't miss a single episode and tune in every Tuesday for a brand new episode and then follow me daily on Instagram for free content, post twice a day, completely free of charge.

Success and failure are both very predictable. I'll see you on the next episode.