**TBP 207 Edited\_Transcription**

[Daniel Hill] (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 Barrett] (0:51 - 2:47)

Hi, I'd like to give a warm welcome to our latest guest, Mr. Ian Bower. Hey, Ian. How are you doing?

Yeah, very good. Mark, yourself? Yeah, very good.

So looking forward to going through this podcast, you've got some fantastic deals to discuss. We had our board meeting yesterday, but the property entrepreneurs are at the belfry now, hence the backdrop. So for anybody that doesn't know you, Ian, could you give us an introduction?

So as Mark said, my name's Ian Bower, originally from Lincoln, but I live in Southampton now with my wife, Annetta, who've been together for 17 years and we've got a little boy who's 15 months old and then we're going to have a little girl in April. Very exciting. Yeah, very.

Yeah. Congratulations. Thank you very much.

So you joined Property Entrepreneur, was it four years ago? Yeah, I've been in the community for four years now, so I did a year on the program and this is my third year with the board. Yeah.

So what would you say would be the biggest kind of, well, what would you say your experience has been on the board? Oh, very good. I think the biggest thing for me really is just having a professional peer group.

So I've not had one in my professional working life and it can get, I guess, lonely sometimes. And having people that are going through similar challenges, similar problems, and also we go away on retreats and things like that. So it's just a nice professional peer group stroke social group and it's just a really good community to share the journey with.

And you've got your own running club now as a result of that. Yeah, I've got a little running club. So I am a keen runner.

So yeah, I run four or five times a week. So I've managed to coach quite a lot of the board into doing marathons. We run pretty much every time we're here now and we're quite a fit and healthy bunch, aren't we?

Yeah. In fairness.

[Ian Bower] (2:47 - 2:47)

Yeah.

[Mark Barrett] (2:48 - 3:06)

Where did you go last year? Was it New York? New York.

Yeah. New York Marathon. New York Marathon.

Yeah. And then this year, what's the plans this year? So the team are going to Chicago, but having a little baby, it's going to be a little bit of a struggle for me this year.

So I might just need to cheer off from the sidelines. Yeah.

[Ian Bower] (3:06 - 3:06)

Okay.

[Mark Barrett] (3:06 - 6:06)

Exciting times. What's your PB? Two hours 44.

Amazing. Yeah. So I think a lot of the guys you've been helping with coaching plans and you've been pushing them on.

So it's been great to see. Yeah, it's great fun. Yeah, it's great fun.

I think the other element to the property entrepreneur is the relationships that you build and also kind of working together because we've worked together and there's quite a few that you have been working with as well, isn't there? Yeah, definitely. I think one of the big things about being around entrepreneurs or decent level entrepreneurs is that there's lots of opportunities and you're always looking for good people and good partners.

So you and I have done deals together and Susie on the board brought some boiler opportunities to us. So Susie, Garrett and myself have a few businesses there and then there's people within the community like Chris and Billy that work with Garrett and myself. So obviously my relationship with Garrett and that partnership there.

So it's just a lot of things that have flourished from the community, which has been brilliant. Very good. And we also talk about wealth dynamics.

What's your profile? I am a star. So that is smack bang in the middle of creator place.

Yeah. What would you say the biggest learnings you've had from realizing that and how you operate? It just gave me a really good understanding of why I operate, how I do.

And it's also given me a really good understanding of what my strengths are and also where my flow is and also things that maybe I have to force myself to do and why that wouldn't be in my flow. Yeah. I think the other great benefit as well is understanding other profiles, though.

You're a tempo. Yeah. Garrett, my business partner, is a tempo.

My wife Annette is a tempo. I'm quite surrounded by tempos. But there's a lot of value to every profile, but it just helps me understand the best way to communicate with different profiles as well.

There's a lot of value in that. Yeah. So prior to property then, so just gives you a bit of a background to what you was doing.

So I had a business in rail that I started around 15, 16 years ago. So that was a multimillion pound business that I ran for 15 years with my wife, Annette, predominantly working with clients like London Underground, bus and train builders, and train operating companies like Southwest Railways, et cetera, over the UK. So I did that for about 15 years.

We sold it a few years back now. And in the background, I used to play with property, so buy some property on the sideline. But my expertise was, say, building and growing business and not necessarily property.

And then as I sold my business, I got obviously more into property.

[Ian Bower] (6:06 - 6:06)

Yeah.

[Mark Barrett] (6:06 - 12:49)

Okay. So now you're actually working with Garrett, who's on the board. How did that come about?

So Garrett and I became close friends quite quickly, just through the community and having quite a few things in common. You look very similar. Garrett looks like a slightly older version of me.

Well, I look a slightly younger version of him, whichever way around. So Garrett was just coming to the end of a partnership that he was working with. And when I sold my business, I thought I wanted to just chill out and not do much.

But I realized very quickly that I got bored, and I've just got this hunger in me to create and do things. And Garrett and I, fortunately enough, our paths crossed at the right time. But as well as that, I kind of sit in this area of the Wealth Dynamics profile, top right, and Garrett's on the bottom of the profiles.

So that just means that our skills that we have just work really well together. We're almost a perfect match for a partnership. Very good.

Yeah. Yeah, I think it's been great to see you guys coming together, obviously on the friendship level, but then kind of like working together. Yeah, it's been great.

So just then going on to on the property side, what is it you're actually focusing on? So Garrett's been in the property industry for 25, 30 years now. And what Garrett's niche or expertise is, is Garrett finds great deals in really, really rundown derelict properties that are either lots of problems, might be title problems, maybe it's just been derelict for a long time, but in prime area, predominantly in Dublin.

That's where Garrett's from, although we do do property in the UK as well. And then we would just buy them either with cash or investment money or on a bridge. We'll then do a refurbishment and then we'll refi and predominantly take the majority of our money out.

So we're looking for at least a 25% uplift in value from doing the refurb, but it's generally a little bit more than that. Okay. And then what's the other metrics when you're looking at deals?

So you've got 25% uplift and then what about return on cash? So return on cash is minimum 30%. Our average for last year is 44%.

That's on the basis that we get our valuations and rentals that we've put in, but everything we've done so far, the valuations and rentals have come out right. So yeah, that's the really strong figures though, it's fantastic. One of the benefits that we have is Garrett's been in the market for a long period of time, so he just understands it really well.

And in addition to that, we've got, so it's basically from start to finish. So we've got a building company in-house that does our bills and then we've got a letting agency that Garrett has. So essentially when we're putting all our numbers in, we're always a little bit pessimistic and we've got a good idea of what the market's doing because obviously it's something that Garrett does day to day as well.

I think the other good thing, because he has been so long in the market, he's got some really good connections as far as from the agents getting off-market deals as well. 100%. All our deals predominantly come through just time in market.

So it could be, Garrett's got a great eye for looking at deals. So some of our deals we'll just find online. Some of the agents in Dublin or even in the UK actually would just contact him because we know what our perfect deal looks like.

The bigger the problem, the bigger the profit basically. And we get a lot of deals coming to us, but equally Garrett will find quite a few deals. So we've got some that we found online and then we've got quite a lot that Garrett's, it's come to Garrett off-market as well.

Yeah. How many deals did you do last year? So last year we purchased 14 properties.

And what abouts were they? So we've got 10 in Dublin and we've got four in the UK. One in Southampton, three in London.

Okay. Yeah. That's a good mix.

So you're saying about you kind of either buy cash or with investors or with bridging. When you use bridging, what kind of interest rates would you say? Because of the volume we're doing now, our rates have come down.

So we're 1% a month and one company has 2% in, 0% out. Another one we're using is 0% in 1% a month, but we've got high legals on that. Okay.

And then we found another one that's doing 75% loan to value and not cost. So obviously if we get in deals below market value, we can leverage more money for our deals there. All right.

That's good. And how do you work with investors then? So there's two things that we generally do.

We'll have a fixed return on capital. So that depends. Return depends on the amount of capital, length of time, et cetera.

Yeah. Is there kind of like a range that that might be? Yeah.

Around 6% to 10% generally. Okay. And then we would have an equity partner.

So equity partners, we kind of fell into this really. It was just, we had friends in the community that are good at running business. Chris Moss is a good example of this.

Chris reached out to us and he was running a successful business, but didn't have the appetite or desire to build his own portfolio. So Chris is- One of our investors. He's one of our partners.

Probably subscribed is his business, isn't it? Yeah. Yeah.

That's right. That's right. So Chris came to us.

So essentially the investor would put the money into the deal. So that'll be, if we're getting 30% or sorry, if we're getting 75% loan to cost, the investor would put the 25% in. We get between 75% and 100% of the refurb costs and then the investor would fill in the gap.

And then we would then do the deal, obviously. And then at the end, the investor would get money out that we get out from the refi. And then they would get a third of the equity created, which is generally a minimum of 100K.

And then they would get a third of the income. So which we say minimum, it's kind of like 750 euros, but it's more around the thousand euro mark. Okay.

And the reason why we do a minimum of 30% return on capital employed when we're looking at the deals. So if we do use an investor, if any money is left in, the return on capital deployed for them is more than 10%. Double figures.

Yeah. Okay. Yeah.

That makes sense.

[Daniel Hill] (12:51 - 13:51)

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[Mark Barrett] (13:54 - 15:35)

And then how do you structure the deal so that when you're kind of like working with an equity, do you have like an SPV just for that deal or do you put it in their name, your name? How does that work? Yeah.

So we create a separate SPV. So Garrett and I, we have our own company called Building Futures. And then if we have an equity partner, they would essentially own a third of the business and then Building Futures will own two thirds.

Okay. And then all the property that we buy collectively is done in that SPV. But we have, we're looking for long, well, Garrett and I are looking long term.

So if we do have any equity partners, generally it's our friends or people that we know. And then in addition to that, it's minimum, a certain amount of deals and minimum five years. So it's just a long term, a long term plan.

Yeah. Okay. That makes sense.

So let's go through one of the deals then. Cool. So we've got a deal that we brought in central Dublin.

So the deal is on Dorset Street and we paid around 812,000 euros for that deal. Where did it come from? Was it on the market?

Yeah, this was an open market deal. So we, an agent came to Garrett actually, but it was on market. I think it was up for around what we paid for it.

It was just a great deal. So we didn't mind paying the market value on this one. So it was eight self-contained studios and then a commercial unit at the bottom.

But as I mentioned before, it's not been used for a while. It's derelict. Yeah.

And we needed to do a lot of work. So the refurb on this one alone was in the region of three, just shy of 350K. Okay.

[Ian Bower] (15:36 - 15:36)

Yeah.

[Mark Barrett] (15:37 - 19:37)

Yeah. And then what have you done with it? So you kept it as eight studios and you kept the commercial as one unit or have you subdivided that?

No, the commercial is still one unit at the bottom of the property and then there's two floors of four units. So we've got eight units, eight studios, and then we've got the commercial unit on the bottom. Was there any particular learnings from that actual deal for that, you know, actually the refurb or anything in particular?

Yeah. I think whenever you do deals, things don't always go to plan. So this one took a little bit longer to start than we would have.

We would have wanted just from a few compliance bits that we needed to get over the line. The refurb came in slightly higher. It's just because we did some upgrades on the property that we didn't anticipate at the start.

But sometimes you find things. Yeah, that's right. But that's normal anyway.

So with property, things always cost, well, potentially cost more and take longer and that's just how it goes and it's just overcoming that kind of situation. And I think it's really prudent when you've been in the game, in business generally, it's always best to be pessimistic and just assume that things are going to go wrong. The revaluations, when we did the initial, what we think it will be worth at the end, we included a little part for the commercial unit because sometimes when you get mortgages, they don't, they give you a percentage of the commercial unit or they're quite funny.

So we went very pessimistic and would always go bottom range for rentals as well or what the bottom of the market's doing. So if you're very pessimistic when you get problems, it's not big problems if that makes sense. Then hopefully when you're doing the revaluation and then you're doing your rentals, everything's going to be, the surprises that you're going to get are going to be nicer prizes than that.

Good. And not bad ones. Yeah.

So what have you done with that? Has it been rented out? What kind of like tenants?

Yeah. So this was a deal that we did with Billy Turiff. So Billy's an ex board member and still part of the community.

So we brought this deal about a year ago now. So we brought it on bridging finance. Obviously Billy put in the missing equity piece and the building is completely finished now.

It's been revalued at 2.24 million. So that was really, really strong valuation. So it's kind of what we would have hoped for if we got the commercial as well, which we did.

So pessimistically, we looked at high 1.8, 1.9 million, but with the commercial, we was hoping for kind of 2.1 to 2.3. So we kind of landed where we would have hoped, but the deal would have still stacked up at 1.8, 1.9. Yeah. So just run through the cost again, the purchase price, the refurb, and then the end value. And then what was the equity gain?

So including all the bridging finance and all the costs, we're all in around about 1.3 million. And the revalue is done at 2.24. So we're just shy of a million euros equity growth in this. So this is one of our best deals that we've done this year.

So I'm obviously going to share the better ones with you. Yeah. Yeah.

Okay. Fantastic. And what about on the cash flow side, Dan?

So cash flow, cash flow is 6,500 euros per month, but that's on an interest in capital repayment mortgage. The strange thing in Ireland, there's a bank called Bank of Ireland and their interest rates are sub 3%. So we can actually get better return on capital and interest mortgages, monthly payments than we can for say, interest only.

There's pros and cons to that. So the loan to value is 65%, which is the maximum. On this one, we're going to go about 58, 60% loan to value, but we'll still get all our money out.

[Ian Bower] (19:37 - 19:37)

Yeah.

[Mark Barrett] (19:37 - 23:07)

But we want to just go lower risk. So rather than going 70, 75% loan to value, we want to bring that down. So inevitably the market will crash at some period in the future.

So the least amount of leverage we have, the least it's going to affect us. And also we get solid cash flow from that as well. So it's just longevity really.

So with that deal, you've got just short of a million and you've got 6,500. And is that split three ways then between the three partners? Yeah, correct.

But as we're building long-term, we're all in a position where we don't want to take the money out. So we leave it in the business and let it roll up. And then we deploy the capital into the next property and then essentially just keep going like that.

Yeah. That makes sense. So we normally ask about the three top tips.

What would you say those would be for anybody listening? I'd definitely say you need to get your strategy nailed. I think the one key thing for us is we are a hundred percent honed in on our strategy.

We're a hundred percent honed in on who we work with and we're a hundred percent honed in on what we need to achieve to do that. So that's really, really important. So that'll be my first tip.

Second one would always be the team around you. So if you're going to do, I mean, we're building a decent scale. We're kind of in the sweet spot for us whereby we're not absolutely flat out, but we're comfortably busy and we can only do what we're doing by having a great building team, really good systems and processes around that, which are always improving.

We're not perfect, but we're always getting better on that. And also just having the right partners around us. So you're right, you're right.

If we're working with investors, it's the right people. The people that we bring in to work with our team are always a fit. So we don't compromise.

We'll prefer to work a little bit harder ourselves and just wait for the right people to land. So team's really, really important. And I think the final one would be deal stacking.

So when you're at the start of your journey from my own experience, whether it was in my business or when I did property at the start, I'd always look at the most optimistic rosy version of what deals could look like and almost force them to work. And now we just don't do that. We kiss a lot of frogs.

So there's a lot of deals that we don't do. But we're very selective on the deals that we do do. So the deals that we do now have to stack up.

And I've got this spreadsheet that's got so many variables in it. And we put all the variables in it and we always look at kind of the worst case scenario. And if the deal works on the worst case scenario, then we do the deal.

So that's really important. Just making sure that all the deals that you do are the right deals. Congratulations Ian on that deal and obviously the other deals that you've shared with me.

So well done to you and Garrett and the team. So if anybody wants to reach out to you, what's the best contact details, which we'll also put in the show notes. Yes.

So email address is Ian at building-futures.co.uk. Facebook is Ian Bower and Instagram is Bowerski. So that's B-O-W-E-R-S-K-I-I. And always open to meet like minded people.

Great. All right. Thanks Ian.

[Daniel Hill] (23:07 - 23:53)

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