**TBP 262 DDD 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 long-standing 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 via 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] (0:49 - 1:12)

Hi, it's Mark and I'd like to give a very warm welcome to Jay. Welcome back, Jay. How are you doing?

Yeah, very well, Mark. How are you? Very good.

Thank you. So yeah, we've known each other. Yeah, maybe eight to nine years.

It's been good to obviously have seen you and what you've been up to, but for anybody that doesn't know you, could you just give us a bit of an introduction, please, Jay?

[Jay Chauhan] (1:13 - 1:33)

Yeah, sure. Absolutely. So my name's Jay Chauhan, I am based in Reading, which is just outside of London, where I live with wife and daughter.

And yeah, like I said, obviously, we've known each other for a while, which means I've been involved in property for well over 10 years now. Been in the industry for a fair while.

[Mark Barrett] (1:34 - 1:37)

Yeah. And so how long you been on Property Entrepreneur then?

[Jay Chauhan] (1:38 - 1:48)

So I started working with Dan from approximately, I think it's 2015, and I've just been part of Property Entrepreneur ever since. So yeah, coming up to 10 years.

[Mark Barrett] (1:49 - 1:58)

Wow, a long time. Just give us a bit of background then as to your business, well, your various businesses that you're involved in.

[Jay Chauhan] (1:58 - 3:23)

Yeah. So when I ended up going full time in property, I just started building a portfolio close to me of buy to lets and HMOs, which turned into some small scale development, as I call it. So I started doing buy to sell type projects that were stand side houses and sort of went into the higher end market.

So what was called like a luxury flip between some of the most desirable areas that I knew being from that area that just worked well from an end user point of view that the right product would just fly out the door. And that just really just gradually built up from there. So then ended up doing a commercial to resi developments, anywhere from sort of four units up to the 12 units.

And then alongside that post COVID, in mainly trading sites, so adding value through planning and then trading sites, so one of which that we'll come on to today. And then for cash flow, if you like, at the bottom of the wealth hierarchy, it's back to back leasing. Again, that's something that's been born out of COVID and I've been doing that ever since.

And we obviously spoke about it before on here where we did an episode on it.

[Mark Barrett] (3:24 - 3:52)

Yeah. I think it was that episode 133. So if anybody has not listened to that, then that is well worth a listen.

So the back to back leasing, I know you've built that up to a great size. You've got a good team working on that. And that's with your portfolio, that's the cash flow play that you have.

And then you're doing kind of like developments and flips as far as for the profit, is that the case?

[Jay Chauhan] (3:53 - 4:12)

Yeah. So a combination of some of the developments that we've done, obviously held that. So I guess we'll be an asset player if you like, but the ones that we haven't, whether that is ones that we traded before building or built and then ended up selling, they are the profit place, which should take a little bit longer, especially if you're building them out.

[Mark Barrett] (4:12 - 4:27)

Yeah, but it's great to get that, you know, large chunk of money that you don't need for your cash flow. And that's building up kind of like wealth and assets. Yeah, exactly.

And your wealth dynamic profile, can you just go through that with us?

[Jay Chauhan] (4:28 - 4:36)

Yeah, sure. So I am a creative mechanic, so predominantly creator with mechanics secondary, so fully dynamo energy.

[Mark Barrett] (4:37 - 4:47)

Yeah. Which is very similar to Dan then. That's why you probably get on so well there.

Probably. Yeah. Yeah.

And what would you say the main things you get from Property Entrepreneur?

[Jay Chauhan] (4:49 - 5:17)

And probably the community, you know, obviously me and we've known each other, like I said, for a good while and kept in touch ever since, you know, from pretty much the first day we met each other. So I'd say more so it's the community of people that it brings in and we tend to have a similar attitude and want to generally help other people and see everyone succeed, which sometimes it can be in circles that don't represent that and I don't think Property Entrepreneur is that, it definitely gives you that value.

[Mark Barrett] (5:18 - 5:32)

Yeah, yeah. Yeah. Amazing group of people.

And yeah, I think that's certainly one of the main things. As far as the deal we're going to discuss, do you want to give us a bit of background as to how this came about?

[Jay Chauhan] (5:32 - 7:32)

Yeah, sure. So just to give you a little bit back, come back a little bit in terms of, you know, the source inside of things. So and how this one came about, it actually started, again, sort of following COVID, started training VAs over in the Philippines to do some site findings, so using PropTech, which is what we've done.

It's an activity that I enjoy doing, but it is quite time intensive. So again, with a partner, we decided to train some VAs to help them understand what it is we look for, you know, where the opportunities are. And since then, we've just kept a few in-house that have been really hammering home, you know, the lead finding, and then also putting that together with the marketing that goes on with that, which is, you know, the site letters that go out, which is a numbers game in terms of it being consistent.

So this is actually exactly how this site came along. So a letter would have gone out to what was a commercial building in one of our target areas, and the landowner or site owner, shall I say, responded. So this was an owner-occupier, so it was a solicitor, so it was a solicitor's office that was there, mixed use, a couple of retail units at the front, and then he was occupying the rear commercial and then the uppers for his office.

And he got in touch from our letters, just, as they say, intrigued as to why we sent him a letter, and he said it was good timing, which I think for those who have either done it or are looking to do site finding with, you know, in the off-market way, it's all about timing. Are you saying PropTech, which softwares do you use? So we use Nimbus, and we also have an account at Searchland, one or two that we use.

[Mark Barrett] (7:33 - 7:38)

Yeah, okay. And whereabouts was this property?

[Jay Chauhan] (7:38 - 8:38)

This was in West London, in West Drayton area, and yeah, it was one that we opened dialogue up with the site owner who was actually relocating or looking to relocate to another office that he already owned. Okay. He just didn't need two offices, so yeah, it worked well for him to have a look at doing a deal.

He'd also just had it valued, because it was actually owned in a pension, but I think one of the remits of that is you have to get regular updated valuations done, so he just had a valuation done as well, which was useful, because it gives us a benchmark for what is deemed to be its current existing use value, which is always important when you're looking at resident development, especially if you're looking to repurpose, the aim of the game is to maximize the value of the land, but ultimately you have to be what is deemed the existing use value, so it's good that we have that as well.

[Mark Barrett] (8:39 - 8:43)

It's a really nice looking building as well. Can you just describe what it looks like?

[Jay Chauhan] (8:44 - 9:36)

Yeah, so I think the best way for me to describe it is what I actually, my first hesitancy around it was that it was listed, because if you look at the building, it looks like it's got some real character to it, like that church sort of vibe feel with very high vaulted ceilings and nice windows externally, so initially I actually thought, well, it's going to be a nice little, very nice sort of brick-based building, and yeah, real nice space inside as well, very deceptive once you're in there, how big and how deep it actually went, which is not as easy to see from a high street view. Yeah, do you know how big it is? It's circa 5,000 square foot, I think it's just over 5,000 square foot.

[Mark Barrett] (9:37 - 10:01)

So it's a great size then, isn't it? Yeah, yeah. Which is probably like the equivalent of something like four terraced houses or something like that.

Something like, exactly, yeah. Yeah, yeah, it's a good size and a great looking building as well. So you get the, you're in conversation with the solicitors, the owner, what was the value that they'd had on it for the pension?

[Jay Chauhan] (10:01 - 10:37)

So I believe it was around the 900k mark, so not far off what we actually ended up buying it for, so it was there or thereabouts, but I think what we were comfortable with is offering him literally, that was our pitch, if you like, our negotiations that we can offer you what it's worth, and we can sort of move fairly quickly, and I think he was comfortable with the fact that given it was off market, there was no sort of fees associated with it, and like I said, he was a solicitor, so I'm sure the legal costs were minimal for him as well.

[Daniel Hill] (10:40 - 11:38)

Just jumping in quickly with a opportunity for you. So in Property Entrepreneur, we use a scorecard called the Life by Design Scorecard, and it shows you exactly where you are excelling in life and where you have the opportunity to improve. We created this two years ago, and it uses every single life mapping matrix and psychometric testing that is out there to rate your life and show you where you currently excel and where you have the opportunity to improve.

If you want to do yours now, go to the show notes and visit www.lifebydesignscorecard.co.uk. Now, there's a link in the show notes, you can click it, and in less than five minutes, it's completely free. You'll get a full bespoke report, and it will show you exactly where you're excelling in certain parts of your life and which specific areas you need to pay more attention to. It's completely free.

We've never shared it before outside of Property Entrepreneur. Go into the show notes now, click the link. It's www.lifebydesignscorecard.co.uk. Back to the podcast.

[Mark Barrett] (11:41 - 11:47)

How did you structure this? How did you structure the purchase of the property, first of all?

[Jay Chauhan] (11:47 - 12:03)

Yeah. So at the time when I was going through, it was a time when MA, class MA, was just about in play. So not everyone was onto it, but this was a site that we knew straight away, or at the time, anyway, thought it lends itself well to MA.

[Mark Barrett] (12:04 - 12:08)

So what we wanted to do- Just describe what that is for those that don't know that.

[Jay Chauhan] (12:09 - 12:48)

Yeah. So it's our approval for conversion of a commercial building, needs to have class e-use to residential. So what we wanted to do was put an application in line with similar development rights, which is we have a 56-day window rather than all planning out to get an approval.

That's what we wanted to do with this building to repurpose it to resi and just keep the existing two commercial units at the front of the ground floor. So what we agreed was an exchange with delay completion.

[Speaker 4] (12:49 - 12:49)

Okay.

[Jay Chauhan] (12:49 - 13:02)

And the reason we did that was, again, we wanted to give us time to put the application in before actually fully completing. So we felt that would add a bit of value there, which would then act as some equity, if you like, with lenders.

[Mark Barrett] (13:04 - 13:06)

How long was the delay for?

[Jay Chauhan] (13:07 - 14:36)

So delay was for three months. Not long there. Not long, but because we had everything in place ready to go, and obviously a peded decision is normally 56 days or needs to be within that time frame we're comfortable with it.

So that's what we agreed. And the application that we put in was for six resi units on the park ground, rear of the building, and then all the others. So whilst the application was in, we then found out that the council had put in an article four restriction, which basically restricted class AMA conversions.

And what it actually did is when you looked on the plan on the actual map, it actually split down the middle of the building. So you couldn't, it wasn't even, you know, talk about a gray area. It literally, you know, we were just like, it's not even clear cut, you know, kind of in hindsight, even if it was covered the whole building straight away, we'd be like, all right, we can't do this.

We have to go for full planning. So we just took the decision that given that it was a London LPA and a London borough that not always the most amenable, we decided to haul the app and just went straight into the full planning, which is what we did. And yeah, in the end it worked out, worked out well from a planning perspective.

And that's what we did from that side of things.

[Mark Barrett] (14:37 - 14:39)

What were they? Were they one bed flats?

[Jay Chauhan] (14:40 - 14:44)

So a mixture, so a mixture of ones and two bed as well. Okay.

[Mark Barrett] (14:44 - 14:54)

Yeah. So then the plan then was to, um, look at developing those and then what would you have done kind of like rent those or sell those?

[Jay Chauhan] (14:54 - 15:26)

Yeah. So, so plan plan was to put in for full planning to develop out, so build it out and then sell. So we always engaged, um, local agents quite early, you know, strong, strong, uh, sales demand and rental demand in that area.

Yeah. And especially because at that time it was sort of towards the end of, um, the first time biotype, uh, assistance that was in the market. So it just really helped that end user to, to, you know, look at units in that area.

It was just going really well.

[Mark Barrett] (15:26 - 15:30)

So did you complete on it before planning was approved?

[Jay Chauhan] (15:31 - 16:06)

Yes, we did. Yeah. So we completed on the actual, um, purchase of the building and we did try and get an extension, but the, uh, the owner was not having it.

And so, yeah, so we had to, uh, had to complete, we had the lender in place anyway from the lender who's comfortable with it. They had the, um, you know, that valuation really helped because it just gives lenders culpability that what the existing buildings were. So that was, um, all in play.

And then, you know, as we thought initially, we're just going ahead with looking to get the planning approved and then go to build out.

[Mark Barrett] (16:07 - 16:13)

Yeah. And was that using bridging or was that like a term product or what kind of a product did you have?

[Jay Chauhan] (16:14 - 16:18)

Yeah. So it was a, with a lender that did a bridge that would have moved on to develop foreign arms.

[Mark Barrett] (16:19 - 16:30)

Okay. And you ended up with a, working with a joint venture partner on this one. Can you tell us a bit about that, how that came about and how you work in that?

[Jay Chauhan] (16:31 - 16:52)

Yeah. So we brought a JV partner came on board just to come as an equity provider. So with the difference, a shortfall between the, what the lender was providing and what was, we needed to make up to purchase the site.

Um, we have an equity, one equity provider who came in and put that in, um, to get involved with the project essentially.

[Mark Barrett] (16:53 - 16:57)

And did they also cover the, um, the cost of the planning?

[Jay Chauhan] (16:58 - 17:07)

Yeah. So we had the costs already associated with the plan ready to go because we had all our paperwork and stuff ready. So it was, you know, it was cost that we actually absorbed.

[Mark Barrett] (17:08 - 17:21)

Okay. Yeah. And how do you work with JV partners?

Is it, is it, or do you work in like different ways? Is it like a, um, return, um, interest rate or do you kind of like split profits? So.

[Jay Chauhan] (17:22 - 17:34)

Yeah, it really depends on, you know, I personally like to understand the individual putting obviously, um, the funds and everything aside is like, you know, what is it that we're generally looking to achieve?

[Speaker 4] (17:34 - 17:34)

Yeah.

[Jay Chauhan] (17:34 - 17:56)

Um, I'll be honest, most of JV, JV partners I've worked with has been typically on a sort of fixed loan type basis where they're just trying to understand the projects and, you know, find out a bit more about how it works and before then maybe exploring something that is on a, you know, an actual split with, uh, with equity.

[Mark Barrett] (17:58 - 18:07)

Okay. Yeah. So you've got your JV partner, you've got your funding in place and, uh, you're waiting then for the planning.

So what, what happens next?

[Jay Chauhan] (18:08 - 19:25)

Yeah. So this is where it sort of takes a little bit of a twist. So whilst, um, for those that don't know, as part of planning app, given that it's a commercial building, we had to show the viability of the employment side of things.

So what we did is we marketed the rear of the, uh, ground floor where the solicitors were just to show that, you know, there wasn't any interest in another tenant coming in that we could actually, you know, demonstrate that it was unreliable for commercial use. Whilst we were doing that, the agent that we had used at the time was actually approached by a party who thought that it was actually for the freehold of the building. So dialogue opened up with those guys and it came to light that they were really keen, uh, to actually acquire the whole building.

Now, you know, at first we thought it was someone who was maybe looking to acquire it subject to planning, you know, waiting for our planning to come in, but the agent came back and said, no, they want to buy unconditionally. And it is, you know, to occupy themselves. It was for community use.

So that's where, um, see things, uh, turn for us and we'll see how to make a decision about what to do and what way to go.

[Mark Barrett] (19:26 - 19:43)

Yeah, that's interesting. You just never know, I suppose, with, uh, when you come to like market properties in any way as to the kind of inquiries you can get. So I suppose a good, um, good decision to, to have.

So what was your thoughts on, on the different ways you could go with that then?

[Jay Chauhan] (19:43 - 20:39)

Yeah, so we wanted to have a look and see, you know, we were confident firstly, that the planning would come in. So it wasn't the case of, you know, let's cut our losses because we're not sure, you know, we just, just felt that having dialogue, you know, we have good planning, seem to have an open dialogue constantly with the council and, you know, they were happy with the plans in principle. So it wasn't a case of looking to, you know, maybe minimize any risks from that side.

What we did feel is that, you know, to sort of come out now, rather than take a project through another 12, potentially 18 months with, you know, navigating sales, we decided at that point that that would probably be the best place that we'd want to, you know, trade it on. Um, and I think, you know, obviously I'll come on to it later when I share one of my tips, but I think that's the beauty and the key of just, you know, having options, if you like, the way, the way you can, uh, exit a site.

[Mark Barrett] (20:40 - 20:44)

Yeah. So how did you come about, um, with the sale price?

[Jay Chauhan] (20:45 - 21:30)

So it was a bit back and forth negotiation. So we didn't end up at that price, um, to begin with, we actually tried saying that we wanted a higher amount, they wanted a lower amount. And, um, you know, we sort of stood our grounds and said, it's not, it's not going to be worth our while to look at anything less than, you know, what you're, what you're stating, because, you know, we know what it's worth as soon as we get planning.

Um, so it's just down to negotiation where I know, I know we're trying to get a little bit higher than what we ended up on, but given their, um, position, which was, um, you know, they don't need any finance. I think it was an Islamic community that ended up, uh, purchasing it. So they don't really, they don't get involved with interest such finance.

So their position was quite strong.

[Mark Barrett] (21:31 - 21:33)

Yeah. Excellent. So do you want to just run through the numbers then?

[Jay Chauhan] (21:33 - 21:49)

Yeah. So the purchase price agreed on that site was, uh, 925,000. Um, we had some holding costs, um, planning and soft costs, some of which were actually met by the rental income that we're getting from the commercial units.

[Speaker 4] (21:49 - 21:50)

Yeah.

[Jay Chauhan] (21:50 - 22:07)

Um, so circa 60 K there are end sell price. What we actually sold it for was 1.2 million. Um, and that was a split between the JV partner after taking account for all the holding costs.

[Mark Barrett] (22:08 - 22:14)

So just over 200,000 profit over what kind of time period?

[Jay Chauhan] (22:14 - 22:28)

Well, and then we sold that in July this year, um, completed on it. Uh, completing it towards the end of August as over 12 months from the time we actually exchanged the contracts with, uh, yeah.

[Mark Barrett] (22:29 - 22:35)

Yeah. So nice chunk of profit there. Uh, yeah.

In less than a year.

[Jay Chauhan] (22:36 - 22:50)

Yeah. And it's the risk minimizing on the risk as well. You know, I'm sure it would have done well on the, uh, on the sales market.

But that's obviously something we couldn't control how long sales would take, et cetera. And what price point that would be at.

[Mark Barrett] (22:51 - 23:01)

Yeah. Yeah. Congratulations.

That's a fantastic deal. As far as the top tips, what would you say? Anybody that's looking at similar.

Kind of like groups.

[Jay Chauhan] (23:01 - 23:18)

Yeah. So one of the briefing touch on before is that, you know, I call it doing the post-mortem before the death. So really ensuring that you've got multiple exits for a project lined up, you know, even as far as going, as I'm looking at multiple seller types, even multiple tenant types, because you just don't know.

[Speaker 4] (23:19 - 23:19)

Yeah.

[Jay Chauhan] (23:19 - 24:05)

If plan a, whatever, if it fails to materialize, have you got a B and C in place? So I'll say it's tip one, um, and then tip two, flexibility to be able to pivot. You know, you need to have, you need to have this and be able to be flexible.

Can't be too rigid when it comes to making and acting on quick decisions. Um, and then the final one is probably for anyone who's in development or even just, you know, sourcing, sourcing sites. It's just a follow-up on your leads.

You know, fortune is, is in the follow-up and, um, you know, what might not been a deal today doesn't mean it isn't a deal for tomorrow in the future. So I'll say follow-up is, is a, is a great way to, to get some deal flow back in, in the pipeline.

[Mark Barrett] (24:06 - 24:10)

Very good. So contact details, if anybody wants to contact you.

[Jay Chauhan] (24:11 - 24:25)

Yeah. So give these all to you for the show notes, but I'm on LinkedIn. It's Jay Chahan.

The website is Berkshirecorporate.co.uk and my email Jay at Berkshirecorporate.co.uk. Great.

[Mark Barrett] (24:26 - 24:31)

And we'll put those in the show notes. Is there any particular types of people you're looking to speak to?

[Jay Chauhan] (24:32 - 24:54)

Yeah. Any private investors who might be looking to find out more about exploring, you know, sort of partnership programs that we do and working with them. Feel free to get in touch.

As well as any developers who might want to find out a bit more about, you know, sourcing sites, uh, site finding via VAs, you know, I'm happy to have a chat about how we might be able to help with that.

[Mark Barrett] (24:55 - 25:01)

Congratulations again. And, uh, good to catch up with you and look forward to seeing you soon. Yeah.

Likewise, Mark. Thanks a lot. Take care.

[Jay Chauhan] (25:01 - 25:01)

Thanks Jay.

[Daniel Hill] (25:04 - 25:48)

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.