**TBP 269 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 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 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] (0:51 - 1:18)

Hi, I'd like to welcome everybody to 2025. So happy new year. I can't believe, but it's we've just completed three years of the Deals, Deals, Deals podcast.

And I've absolutely loved being the host of it. And I couldn't think of anybody better to welcome for this special podcast to be Dan Hill. Hey, Dan.

How are you, Mark? Very, very good. Thank you.

[Daniel Hill] (1:19 - 1:21)

Congratulations. I genuinely can't believe it's three years.

[Mark Barrett] (1:22 - 1:22)

No.

[Daniel Hill] (1:22 - 1:31)

For a little idea that I can't remember how we came about it, but to be three years in and still getting such amazing guests, new deals, big numbers.

[Mark Barrett] (1:31 - 1:31)

Yeah.

[Daniel Hill] (1:32 - 1:46)

And I think credit and congratulations to yourself. You spearheaded the whole thing. You've run the show.

I listen to them regularly and it's always fantastic. Listen, great strategies, great deals. And to keep it fresh after three years, like just congratulations and well done.

[Mark Barrett] (1:46 - 2:03)

Yeah, I've really enjoyed it. I mean, I love doing it and I love hearing about the Deals. And I've just been looking back the last 12 months of podcasts and it features over seven million pounds profit and over a million pounds of cash flow in those deals.

So it's amazing.

[Daniel Hill] (2:03 - 3:04)

One of the biggest things I get out of it, which people are listening to this, I would just encourage them to keep listening to tune into it, is how a lot of people think that there aren't deals around. People say, you know, where are these deals? They don't exist.

Before you arrived, Josh and I were chatting. He was like, yeah, but where do you find these deals? Like they're these like mystical creatures.

When you can be in a community like Property Entrepreneur and there'd be people in there that I've just seen turn up for two or three years and I've never really understood what they do. And then they jump on the Deals, Deals, Deals podcast and they're just doing these amazing big deals, which are absolutely game changing. And they just, you know, they're just there.

And I think for people listening to it, the more times you can listen to those sort of case studies, different investors, different types of deals, different strategies, the more confidence you can build that it's not just me or you that's been doing this for decades and out there doing deals. They really are there for everyone when you know what you're looking for. And I think that will give people like Josh who was just in a confidence that he can do the same.

[Mark Barrett] (3:04 - 3:18)

Absolutely. Yeah, I think like looking back at like the super event that that we had on, I mean, you were just presented on some of those deals and, you know, they're just on the market and you just spotted some absolute cracking opportunities.

[Daniel Hill] (3:19 - 4:25)

There's always deals around. I think I suppose at the minute the deal is still everything. I think if you can get the deal, you'll always find money.

Whereas it hasn't really been the last time I remember that it was the other way around would have been like twenty eleven, twelve, thirteen, where you could buy anything you wanted. Naturally, there was deals everywhere. But the reason was nobody really wanted to invest.

The market was slow since the market picked up and came back around like twenty eighteen, twenty nineteen. The deal's been everything. But once you know what you're looking for and if you really hone your craft, same as anything, I believe there's deals everywhere.

And, you know, the more you develop that ability to identify them, I see them all the time and I'm obsessed by it. I just can't be pretty similar to you. I see something.

I'm like, that's a deal. And I can tell other people to buy it. The last that the super event where I said, here's a deal, right, guys here on the screen is a deal.

This is without a doubt a deal. Somebody go and buy it. And bear in mind, there's the best people, the best part, 200 people in there to a week and a half later.

And it was still on the market. I was like, right, I'll show if nobody's going to buy it, I'll buy it myself. And I did end up buying it myself.

[Mark Barrett] (4:25 - 4:28)

So, yeah. So the headline fees on that was fantastic as well.

[Daniel Hill] (4:28 - 4:52)

Yeah, I mean, they're crazy. I won't share it because we've not completed yet. But it's yeah, I mean, absolutely bonkers.

Like, yeah, yeah, absolutely crazy. We'll do it on another podcast, but it'll be seven figure equity, well over £10,000 a month cash flow, no money down, no money left in nearly 90% bridging on the way in just a grade property.

[Mark Barrett] (4:53 - 4:53)

Yeah, yeah.

[Daniel Hill] (4:53 - 5:17)

Absolutely, absolutely banger. The textbook of a deal. If you wanted to, if there was boxes you were looking to tick and there was a list of them, this would probably tick all of them.

And it's that next needle in a haystack deal where every time I do a deal, I'm like, wow, I'll never see another one of them again. Like Mankle House, the last time you were here we were talking about Mankle House. And I was like, I'll never see one of them again.

But in my head, I know I will do, but you have to wait six, 12 months till they come.

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

Yeah.

[Daniel Hill] (5:18 - 5:22)

When it came, I just moved. I was like, bang, bought it within 48 hours.

[Mark Barrett] (5:23 - 5:26)

So the deal of a lifetime comes around once a year.

[Daniel Hill] (5:26 - 5:30)

Yeah, it's just a deal of the year. Let's just call it a deal of the year now.

[Mark Barrett] (5:30 - 5:30)

Yeah.

[Daniel Hill] (5:30 - 5:31)

So yeah, definitely.

[Mark Barrett] (5:31 - 5:59)

Amazing. So as we obviously start in 2025, we've had like the stamp duty increases from three to 5%. What do you think as we're looking forward, the best for people that are listening now, the best strategies?

So if we start off with, you know, the wealth hierarchy, looking at the cash flow, so people that are interested in cash flow. Should we just go through what your recommendations are?

[Daniel Hill] (5:59 - 9:26)

For strategies? Yeah. So as far as the budget and changing stamp duties and things like that, my general sentiment, bear in mind, I wasn't around in December.

So we're recording this a little bit before that for those who are listening. So if anything has come in that supersedes this, that will obviously change it. But from the budget, I genuinely think if you're in business and property, it was a well, I think we'll do well out of it.

I don't think it will be without its, not even really challenges, but changes. So you see things and you have to change it. So for example, you said about stamp, there's this, that surcharge now gone up to 5% and it is quite onerous, especially when you get into bigger properties.

And either my sentiment to you before we started the pod was either you just suck it up. And it's like, the reality is the higher these barriers to entry get, which is, you know, you could end up paying 30, 40, 50 grand on stamp duty to acquire a site. If you're planning on owning that building for 40, 50 years or a lifetime, it doesn't really matter, but it will impact you if you're looking to do flips or if your margins are too tight.

So it's really looking at it and being strategic and just either sucking it up or working around it. And the way to work around it would be there's a certain asset classes that it doesn't, that don't qualify, that are exempt, basically. Well, they're not necessarily exempt.

They just don't fall in that category, like commercial or these blocks that we're buying, you know, when you're buying 40, 50 apartments or even 10 apartments, I think it's if it's over six, you get what used to be multiple dwellings relief is now non-residential, residential exempt, things like that. So ways to work around that. If you're doing flips, it could kill the deal because just the acquisition and ownership is going to cost you tens of thousands.

But that's where we can start to do more creative strategies and like assisted sales, back to back, things like that. Maybe EDCs, maybe not. But moving into the year ahead with cash flow, and when we think, when we talk about cash flow, profit and asset, the objective of cash flow is to get basically maximum return from ideally the smallest investment in either time or money.

And whilst there's some asset classes that are coming back around, without a doubt, I would say for the year ahead, my favourite deal for 2025 is back to back leasing. Back to back leasing, I released a podcast on the Blueprint podcast recently explaining that you're getting very well experienced in it and maybe you can offer your insight. But essentially it's leasing a building off one person so you don't have to buy it, leasing it to somebody else and then putting those contracts back to back.

The logic being that you can have the benefit of HMO income or a service accommodation income, the benefit of a normal rent to rent structure where you don't have to buy the building, you can lease it, but you can have your cake and eat it because you don't have individual tenants, you don't have to pay the utility bills, you don't pay maintenance. You basically everything you're liable from the landlord, you then back to back that onto your oncoming tenant, whoever that is. Normally it's a charity or a public sector area.

That would be my number one strategy because it's, I don't know what your view or feedback would be, but I would say it's like it's as close to printing money and easy money, printing money and free money and easy money as you get, in my opinion and experience.

[Mark Barrett] (9:27 - 10:16)

It's an amazing strategy and it's obviously something I've learnt within Property Entrepreneur. I've had the pleasure of doing podcasts on people that have been implementing it and fully agree it's, and with looking to do cash flow, it's not without its challenges, but it's extremely profitable. And I think kind of like going through the pain of learning and finding out who the providers are, yeah, the actual returns, comparing it to say like running the HMO agency where it was like managing like, you know, working professionals, the profits are unbelievably higher for a lot less of the work.

So, yeah, it's amazing.

[Daniel Hill] (10:16 - 11:34)

I think even just comparing it to an operating trading business, when we're looking at trading companies that have got employees and things like that to make the same money in a trading business. Well, the thing about leasing is it's front loaded, you know, you have to do all that work up front to get it going. But when it's running, it really is as close to free money as you're going to get.

And when you compare it to the headache of running a trading business with departments and people, I just think it's there is an argument to say unless you are really passionate about doing something else, if all you want to do is pay the salary, put food in the fridge, why would you do anything else? A lot of people will be thinking about this as maybe HMOs, but you can do it on single let's, which is unbelievable. You know, you could take a single let, we've seen case studies, I think probably even on the podcast.

I think Jay shared one, his episode where on a single let he was making 20k something like that. Yeah, it was crazy. It was well over, I think it was, yeah, it might have even been more.

And he was making it on a single let property that he then leased on to a large family benefit family, I think it was, which was crazy. And I've just got one in front of me now, which was picking up. So John Woodman, who is one of our board members on Property Entrepreneur, he did he did this back to back leasing strategy last year and he put an option on it.

[Mark Barrett] (11:35 - 11:42)

Yeah, we covered that on the first of November podcast, which is I mean, the figures. Wow. Do you want to just give us a summary of that?

[Daniel Hill] (11:42 - 11:55)

Yeah, I mean, assuming the one figures I've got the same ones you had for a building that he doesn't own, he leased it, leased half off to the council, half off to a private operator. And he's making nine thousand five hundred thirty one pound profit a month.

[Mark Barrett] (11:56 - 11:56)

Yeah.

[Daniel Hill] (11:56 - 12:30)

If you were listening to it, go back and listen to two episodes ago from November Deals, Deals, Deals. He's making one hundred and fourteen grand a year. Plus, if he does, if he does exercise the option that he's got, he reckons he can make another one to one and a half million pound profit.

Yeah, you just think, why would you if you want cash flow, why would you go and buy a house? Nowadays, 10 years ago, you and I both did it five years ago. We both did it, maybe.

Why would you now go and buy a house, convert it into a HMI and then rent the rooms out? I just don't I just don't know why you would.

[Mark Barrett] (12:31 - 12:31)

Yeah.

[Daniel Hill] (12:31 - 12:34)

Back to back leasing, I would say absolutely banger.

[Mark Barrett] (12:34 - 12:41)

And then the others that you've got for cash flow, I would say anything you can put on a long term lease.

[Daniel Hill] (12:41 - 19:40)

So single let's now, although it's going to change. So basically the law of logic always corrects itself. So previously you had a gross yield, six percent on single let's, but finance at one percent or two percent.

So it cash flow and it made good sense. But we've been in this equilibrium point recently where yields have been gross yields have been six percent net finance costs or gross finance costs have been five and a half percent. And actually a single let property just doesn't work.

So that will correct itself over the next couple of years as rates come down and rents continue to increase. It's just the law of logic. But for people who are sitting on single portfolios who maybe don't want to exit for whatever reason and putting those on a lease.

So anything on a long term lease, I find specifically with single let's, it doubles your profit. So property that might make 200 or 500 pound a month because of the high finance costs will actually go to make 400 or 1000 pound a month because you're reducing all those operating costs. You don't have voids letting agents compliance.

And then the second is it's just easy money. You just think if you have to have a tenant that changes every year, a couple of years, wear and tear, maintenance, agent fees, evictions, bad payers is far more lucrative and it's easy money. And so it's like my new obsession, which I'm banging on about property entrepreneur at the minute is where is the easy money?

What are you what do you look at? That's easy money. And I had a plot of land secured on an option recently to build 80 houses on 85 houses.

And I was getting really excited about it, building affordable homes, thought it'd be fantastic in line with the government strategy, thought was the next next really great opportunity. And I went home and said, was like, do you really want to go back to work? And I was like, what do you mean?

She's like, do you know how much work building 80 houses is going to be planning back surveys, finance council, you know, go into the committee meetings, you know, all this sort of stuff. And I just walked past. I said, you know what?

It's completely right. It might be a big sign, but it's not easy money. Whereas the deal I shared with you earlier, to me, it's just a paper exercise and it's great buildings.

It's sexy. It's exciting, but it's not keeping me up at night and I'm not betting the house. So long term leases, I'd say definitely.

This is one that I think's really and I've said this a few times and people are sort of not back in their seat that they're not seeing the same thing, they're surprised. I actually think what you're going to see over the next 24 months is a resurgence and actually new level of demand for student housing. So in a lot of cities, the general consensus has been.

PBS is completely oversupplied, there's empty beds, university rates since the pandemic is starting to drop. There's definitely in my from what I'm seeing, there's definitely been a macro shift that students, especially domestic students, UK based students tend to want. They seem to be there seems to be a post-COVID trend.

They want smaller groups rather than bigger ones, which actually there's loads of reasons why you might want to share with three or four mates rather than seven or ten. And that probably isn't just COVID related, but a macro level that actually the universities are now having record applications. We'll see what happens through the change in government.

But there was a stance recently that they wanted to go from 50 percent, which was the previous conservative target, to 70 percent. And also there's just huge demand from internationals who want to come to the UK and get some of the best education in the world. And what I'm seeing from on the ground in the cities that I'm around in and also the reports that I'm reading, I think I genuinely think there could be an increased demand in student sector and accommodation over the next couple of years.

And bear in mind, I'm completely anti. I've said since 2012, I remember a good friend of mine that, you know, from Liverpool came down to the Nottingham PIN meeting and he said, yes, student accommodation, next big thing, PBSA. And I drove him around Nottingham city centre.

I said, tell you what, all of these sites are going up. It's going to be oversupplied. It's going to collapse.

And that was over 10 years ago and it still hasn't collapsed. So it's just becoming further and further away from the unis. And whilst I definitely don't think buying individual studios is a good investment, I think if you understand how to develop student HMOs in the right areas, using things like PD and Article 4 areas, and ideally buying a three or four bed and turning it into a seven bed, you can genuinely make a couple hundred grand per deal or even doing small PBSA schemes.

I've looked at a couple of schemes, 20 to 60 units. If you know how to play that game, I think there's a lot of money to make. Probably one more for cashflow is, and this is one that's overlooked by a lot of people, especially if you're feeling uncertain or nervous about changing government, changing tax, increasing stamp duty, or even you just want to make more money, but you don't really, maybe you've got to a point where everything's working quite nice, you're feeling comfortable, you're making good money.

For cashflow, I would say doubling down. And what I mean by that is this year or last year, rather, 2024, we ran a strategy called Beat the Budget. And what I did was we incentivized one of our team, who's the most senior in the portfolio management side of things, and basically gave her full control over the budget, we gave her last year's budget.

So this is what the blocks and buildings and private school and stuff ran on last year. Her target is every month to beat the budget. So she's looking at every place where she can do section 13 rent increases, insurance policies.

Most people listening to this, if they're familiar with it, a good outcome nowadays with annual insurance policies, whether it's your car or your house or your portfolio, the general sentiment tends to be if you can get the same rate this year as you got last year, that seems to be a success. In most cases, if you're not aggressive with it, it actually goes up. And there is a sentiment that that's just the way the world works now.

But she went into all of the policies and really looked at where we're double covered for staff or where there's elements that could be renegotiated. And she saved thousands of thousands of pounds on little things like that in the portfolio. And the net effect over a good size portfolio is significant amounts of money.

It's thousands or tens of thousands of pounds a month. And to double down on what you've already got means you do less work yourself. You make more money.

And actually, it's the sort of things you should probably do for good practice anyway. But we don't. It's easy to get sloppy when we're focused on top line.

So be the last cash flow one off the top of my head probably would be just looking at what you've got and actually sharpening your pencil and just block a few of the holes up in the bucket.

[Mark Barrett] (19:41 - 19:42)

Very good. OK.

[Daniel Hill] (19:42 - 19:45)

Any other any other cash flow ones that you can think of?

[Mark Barrett] (19:45 - 19:53)

Clients that we're dealing with, people looking to sell and buy. I would say HMO is still still popular.

[Daniel Hill] (19:53 - 20:08)

Do you think that whilst they're still popular, would you as a cash flow strategy? Obviously, a lot of this comes down to definition as a cash flow strategy, where the aim of the game really is if your primary objective is cash flow, it's just to pay the bills and put food in the fridge.

[Mark Barrett] (20:08 - 20:08)

Yeah.

[Daniel Hill] (20:08 - 20:10)

And would you still recommend it as a strategy?

[Mark Barrett] (20:11 - 20:15)

I think for like working tenants, the rents are still increasing.

[Daniel Hill] (20:15 - 20:15)

Really?

[Mark Barrett] (20:15 - 20:18)

Yeah. And still good occupancy levels.

[Daniel Hill] (20:18 - 20:27)

Well, I mean, occupancy seems crazy. Do you remember back in the day when you would try and strive for like 95% occupancy? Now it's if you've got a void, you're probably on holiday or being sloppy.

[Mark Barrett] (20:27 - 20:39)

I think for those run well, I think occupancy levels are high, certainly like in, say, Salford, Manchester rents. Yeah. In the 700s now, something to the eights.

[Daniel Hill] (20:39 - 20:39)

That's crazy.

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

Yeah.

[Daniel Hill] (20:40 - 20:42)

It used to be like 550 to 650, isn't it?

[Mark Barrett] (20:42 - 20:43)

Yeah. Yeah.

[Daniel Hill] (20:43 - 22:11)

Yeah. That's bonkers. Yeah.

And I suppose horses for courses because you can get that. I don't know if it's my recommended strategy now. I don't know what it would take for me to get involved with it because I just maybe I'm just focused on the assets lab now.

But I could see the logic in when people say I've got a lot like Jay we talked about. Jay's got a HMO portfolio in Redden, great location, great properties, built them all himself, never empty. You know, why not?

But then also I think I think why not? I also think I'm yet to see and I've said this multiple times and still yet to see it. I'm sort of actively encouraging people to present it to me.

I'm yet to see anybody show me a HMO portfolio. Josh Keegan was the most recent example of this. Where he developed a really great portfolio in Manchester, look good kitchenettes, interior design.

And he was like, yeah, but these aren't lease HMOs, you know, these are professional HMOs. I've developed them like that. They're on suite and stuff.

And so we just go to the market and see what you think. And I'm yet to see anybody present the figures, realistic figures of a professional HMO that's run as a professional HMO for, say, a 12 month period against exactly the same building that would be run on a lease and it not be more profitable and less headache on a lease. Now, I'm not trying to talk people out of it.

If you enjoy it, fantastic. You know, that's part of it. I can see the logic and the appeal, but I just think you can have your cake and eat it with that stuff.

[Mark Barrett] (22:13 - 22:25)

Yeah, I think it's just those people that just prefer to have, you know, the tenanted stock, the young professionals or students. So I think it is there. I think that people are still buying within that sector.

[Daniel Hill] (22:26 - 23:23)

Yeah, it seems to be big. I mean, Derby's announced Article 4 and I've been saying that's going to be oversupplied for years. And it has now just had that Article 4 spike that we see all the time.

You know, they say it's coming in 12 months because it's already oversupplied. Now people are piling in. But it seems to be very resilient.

Like it just keeps going and going and going. So it's also I had my fingers burned with it. You know, I built my big portfolio during the boom times of like 2011, 2012, up to about 2015, 16, when I thought the world was like it was just a never ending gravy train.

And then when the market turned and it got oversupplied and the rooms are empty and the utility bills going up and you're doing loads of work for small margins, I think that probably tainted my view. But it also motivated me to find something better. And I think what I do now suits my personal preference and position much better.

[Mark Barrett] (23:23 - 23:30)

Certainly been interesting looking at you kind of like going through the levels. Yeah, it's been great to see.

[Daniel Hill] (23:31 - 24:53)

Yeah. And it's been and again, we talked about before you came in and I was chatting to Josh about it earlier. You have to you got to go through the gears.

And when when, you know, when people look at deals that I want to share with you early, they make over a million pounds. But I've got to put four million quid in or three million quid in to make a million. But you can only do those deals once you've earned your stripes.

You go through the gears. And I shared with you a story earlier that somebody that I work with said, you know, they were quite surprised if it was surprised or disappointed or shocked or. But they said they're basically sentiments.

I can't believe it's taken me over 10 years to make my first million. And then I made my second within 10 months. And I was just like, well, that's sort of how the world works, because you could easily think, well, I've wasted 10 years to make that first million.

I should have been doing this all along. But when I was at the beginning, like some people listening to this podcast will have not done their first deal yet. The idea of getting idea of spending three or four million pound on or buying a bank or house, me spend a million quid cash without even seeing it.

That's suicide. You know, so you have to go through the gears. But it's been a great journey.

And it's I suppose my back's against the wall because I've got to constantly stand on stage and say, right, this is this is the best strategy to do. And the good thing is it forces me to do it, because then if it's right and it's accurate and it's that good, why don't I do it myself? Like I just have done with that deal because nobody else would buy it.

[Mark Barrett] (24:53 - 24:56)

Yeah. So let's go into the profit play there.

[Daniel Hill] (24:56 - 35:35)

Cool. So profit, I would say the thing to acknowledge with this is especially for those who've not heard the sort of cash flow profit asset recently. Profit is the lumps of cash.

So you don't have to have tenants and bills and stuff like that. Profit is it might take six months or 12 months or 18 months to to do. But when it does, it's genuinely like big chunks of cash in the bank that you don't need to pay your salary with.

So flips development, stuff like that in the current market where there's volatility with rates, inflation, excuse me, the budget change in government with all this volatility. I would say that a real good consideration with this is how, again, it's all about easy money and having your cake and eating it. How can you make 20 or 50 or 200 grand in a deal without actually being the deal sort of thing?

And I would say the the big one there is brokering deals. So you've done this for longer than I've even known you. How can you sit in that deal where you see an opportunity and you pull it in and then you either package it up or you present it or whatever you do, you facilitate a transaction.

And in the middle, you earn a big fee. We used to have a deal sourcing company. We did over 100 deals for HMO.

We would make a minimum 15k for development, minimum 40k. And you compound that up over a few deals in a few years. It's significant sums of money.

But we only had one part time employee. We never paid any of the overheads. And it was just really lucrative cash money in the bank.

And brokering deals like that works really well. And I think that will always work, especially in the current environment. And then also with what you're going to see a spike of.

So I've also done quite a lot over the last few years of brokering business deals for people. And I think what you're going to see in 2025 is you are going to see people now, people who are already thinking about it. And it's easy to think, oh, yeah, but nobody's going to rush to sell their company just to save five or 10 or 20 percent on the business asset disposal relief.

But there will be a significant amount of people. And I already know one because they're asking me before the budget who was thinking about selling and what this increase in business assets, a tapered, really tapered increase will do is it will make more people want to sell. And if you understand who those people are or you know where to find them in certain industries that would be more active than others, you can make between I normally charge between seven and a half and 15 percent of a deal.

And I won't normally work on a deal unless it's sort of multiple seven figures. It's very realistic to be making 100, 150, 200 thousand pounds per deal, just brokering a deal. And when you compare that to like doing a development and a flip where you've got to put half a million quid in, then you've got a 200, 300 grand refurb that takes six months.

Then you've got to try and sell it at the back end. Again, you compare the two and you just think I just think that's where the easy money is. You've got no input, no capital input, no exposure.

Yes, you got to put a bit of time in. But yeah, I would say that's brokering deals like that is is a good profit play. I think consultancy is another one.

So if you're a expert in your market for something to do with the deals you do, so yours might be leases, you know, more than most of the people I know now about leases because you've just thrown yourself in it for six months. Someone like me could come to you and say, look, Mark, I've just bought this block of 70 apartments. What's the best way to carve it up for apartments?

You can say, well, I'll work with you. I'll help you procure the leases, but my fee will be the first month for that. For me, I'm like, well, that's one month out of a five year lease.

For you, it would be tens of thousands of pounds a fee for just sharing what you already know. I think those profit plays can work really well. We alluded in cash flow about the change in stamp duty, and I think there really is a consideration there that if you're going to do flips, which is a normal traditional profit strategy, that entry and exit cost, it has no value add to the property.

It's just facilitating a transaction. There'll be a better way to do that in 2025. And I think the way to do that will probably be assisted sales, options, any sort of back to back agreements during ventures, management agreements, any way that you can get control of that property, do a value add and then flip it without actually, and in most cases, it would be, let's say you were doing a small one that you'd make 50 grand on 100 grand.

If the stamp duty with all the extra charges on the way in was going to be 15, 20, plus you're going to sell it to maybe an investor on the way out as a buy select property, all of a sudden everyone's starting to chip each other and the margin gets tight, whereas you could probably add 30, 50 percent to the margin by being creative. I think that'll be another key thing. With the government planning reform for whatever way it comes in, I got really excited about this.

So I've always had in my head that I always knew I'd be a developer, but I always preferred conversion. Although new build people tend to say that conversions are less, people who build new builds say it's less risky than conversions because as soon as you're out of the ground, you can control your budget. I'm in conversions and I always think conversions is a lot lower risk and a lot lower headache because the building's there.

I know what I'm going to do with it and there's a few surprises, there always is, but as long as you budget for it and they can argue all day long about that. Once the reform was announced, I thought this is perfect. I want to go into high density again because I know how to make that model work.

I can't do it with residential anymore because of national space standards, but I could achieve the same model by doing high density, new build, affordable housing and I thought the government was going to be behind it. I can just do these big schemes of two and three bed houses, create these great estates, which would be lovely. I found a plot of land and I had a scheme drawn up for about 60 or 80 houses and I was going to add a care home or a block of flats in there as well.

I got really excited about it, but as I got into it and really started to research it and speak to other big developers I know who do new build, I was thinking this is actually, I think it's probably one of the worst strategies I've ever looked at, not the best because you've got, normally the land owner's expectations are quite unrealistic, so you've got to do all that work for the planning and they're going to get quite a lot, if not all of the benefit alongside it.

Then when I take it on, I've got to basically agree to buy the land, then I've got to go into the build and I've got the whole risk of the build and that probably wouldn't start for one or two years, which means costs are going to go up, market's going to move, GDP might come down, budget will go up, bat surveys and all this other stuff, all the new net, I forget what they call it, the new net environmental gain, I forget what they call it. But basically I looked at it and thought, do you know what, I don't think this is actually the strategy to do at all.

The people I was chatting to, even if I could do the forward funding model that I was looking at, they were saying we're aiming, if everything goes to plan, to make between 12% and 14% profit. I'm just thinking that is, when I'm looking at my developments that make 20%, 30%, some of them even put a million quid in and get a million quid profit out, I think that is really, really lean for a lot of stress, a lot of headache. And when I looked at it, I was like, do you know what the conclusion I've come to is, and I'm happy to be challenged on it, but every developer I've run it by at the minute is in agreement that the value is actually in the planning.

It's not in the land, because the land's worthless as a football pitch or whatever, as a garden. As a developer, you've got every single risk going, and you're the last one that's going to make any money, and a lot of them don't make money. And then the build is, again, well, the build is the development bit, I suppose, but the money is actually in the planning.

So it's getting that land, getting the planning on, then flipping it. If you were in CLOT, I thought that's where the money is, but then I also thought it's where the headache is. Do I want to spend all day every day arguing my councils, chopping down trees, chasing bats around fields, doing newt surveys?

I just thought, I don't really want to do that. But if you did, and you're really good at it, and you're a developer, I would say a better build to sell, if you're doing build to sell at the minute, and you're looking for a lower stress strategy, I would say it would be planning gain, finding the land, putting the planning on, and then just flipping it and going for the easy money. Just jumping in quickly with a opportunity for you.

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Go into the show notes now, click the link. It's www.lifebydesignscorecard.co.uk. Back to the podcast. And then probably final one would be problem properties, and these have always worked well.

One of my mantras in deals is the bigger the problem, the bigger the profit. And it's really like looking for those properties or businesses or whatever, and it's got the biggest problem. It's got structure issues.

It's got Japanese knotweed. It's got a title or a probate problem. The bigger the problem, the bigger the profit.

And I think if you're going to do flips, which I think you should do with creative strategies as well, as in to get rid of that stamp bet, I would really be going for the really cheap. You're basically paying to take on a problem or you're being paid to take on a problem. And whether that's buying unconditionally or it's got structure issues, I would say that.

That's probably my last thought of where to get those big chunks of cash. Yeah, big chunks of cash, really.

[Mark Barrett] (35:36 - 35:48)

I know a friend of mine who like dishes for profit play. So he kind of like combines what you've said as far as the leases, but then he'll then sell to a fund.

[Daniel Hill] (35:49 - 35:49)

Yeah.

[Mark Barrett] (35:49 - 35:59)

So that is very lucrative. And that's kind of like a niche that he's working on. So that's another thing.

But obviously, you've got to go through the levels to get to that position.

[Daniel Hill] (36:00 - 36:32)

Yeah, definitely. And in most of those cases, there's a fallback. So there's a model at the minute with social housing where developers are actually taking it sort of cradle to grave.

And they're finding the sites, they're building them, and then they're putting the lease on it. And they're either then selling them to the end market, like investors who are getting guaranteed 10 year income, but they're paying like a 30, 40% premium on the GDV, or they're doing the forward funding where you've got the guaranteed lease. And if you double down on that stuff all day long, there's definitely a model to be done there.

[Mark Barrett] (36:33 - 36:35)

Very good. So let's move on to assets.

[Daniel Hill] (36:36 - 55:51)

So assets is probably my favorite. That's where I spend most of my time. And I would say, as I alluded earlier, the single let leases.

So single let property, I think through 2025, there is going to be stock come to the market for various reasons, and potentially a reduction in demand for new landlords coming in. Because I don't think interest rate is going to tank anytime soon. So if higher interest rates and an increased stamp duty, I do think there could be a reduction in demand, which means there's deals to be done.

You might be competing with first time buyers more than the traditional buy to let market. But if you buy them and put them on leases, I think fantastic deals. We're looking at a new strategy in Nottingham where we're buying properties at about 180k.

I haven't got these figures dialed in at the minute, but this is a potential strategy that we're going to do for asset level, which is they're really nice properties in good areas. So they're not sort of 50, 70, 80 grand. Houses in the northeast rented, they're not that sort of stuff.

They're bigger houses. They're not special supported housing, but they're nice three bed houses, semi-detached. But they're then going on leases to large families with certain requirements.

And I'm yet to establish exactly what that is. But the headline numbers is 180 grand for between a 15,000 and 18,000 pound a year lease, like basically an FRO lease over five years. And you think that's 10% yield.

In reality this year, you're going to be able to get a buy to let mortgage for five, sub five. If you can get sub five, this sort of arbitrage you can get where if I bought it cash, it would be say 10% return because it is on a lease and it would be, if it's 10% gross, it probably be nine and a half net after a bit of admin to keep an eye on the lease. But if you can actually gear it at 75%, at say 5% and the other 25% you've put your cash in, gets the benefit of all of that 75% where you're only paying half to the lender, the net return you actually get from the arbitrage of the rate over your capital is significant.

You genuinely can start getting into 12, 14, 20% ROI. And when you think we used to try and get that with our HMOs and have all the headaches, those models I think can be really, really good. So single lets on a lease.

This one is very advanced and this is not going to apply to many people, but in 2025, I think there's a little window. It probably won't be here at the end of the year for doing office blocks. And with office blocks, again, it's this arbitrage where when you've got a moving market, there's always a lag.

And if you can see the lag and you can beat the curve, it can work really well. So the office blocks at the minute, post-COVID have just gone down and down in value, same as shopping centers. The balance sheet values are getting wiped off, demand's dropping off, confidence is low, finance is high.

Nobody's running out and being bullish. And in some cities because of that, or as well as that, you've also got a high demand of, a high percentage of the office block demand has been from developers. So many city centers, they've turned into student accommodation, they've turned into apartments.

So actually you've got this fundamental reduction in supply where the existing apartment blocks that have been there have been developed. You've then got a reduction in confidence, which means over the last four years, people aren't rushing out and building new grade A city center office blocks. And then the stuff that is on the market is actually static or even stale and it's starting to reduce in value.

And it doesn't apply to all markets, but I've seen a number of opportunities where the asset values come down significantly. So actually now what you used to get are a 6% or 8% yield on, you can now get 9%, 10%, 12% yield on an office block because the price is already coming down and it's got an existing rent. Also, because there's low confidence, rather than wait for them to drop the price, some of them, not all of them, but those who are motivated to sell for whatever reason, retirement, refinance, they are willing to take another haircut.

So you can actually at a gross level, get that to say 10 or 12%. And then again, that same arbitrage of gearing where you could get, say a gross yield at 12, net yield at 11 or 10, probably closest to like 11 net. And then if you put that arbitrage over a 5% or 6% finance package, because either you've got a strong lease or the market is coming back, or you use a private joint venture partner, who's only really looking for 6% or 7% or 8%, or 6% or 7%.

Actually, there's this little window of opportunity where you can do some really great deals. And there's two sides that I've looked at. One was an asset management opportunity, which was one tenant.

And I was looking at multiletter net, like I did with Mankil House. So with Mankil House, they were aiming for an income of about 90,000. I think when we bought it, it was projected at sort of a 90,000 pound income on a million pound purchase, which was probably about right for pre-COVID.

But then once we got into it and realized, because I was going to develop it into Resi, I realized because of the market change, because of slicing and dicing it and putting into 21 units, rather than three or four big ones. Again, it's just playing the market. And we ended up with 18 and a half thousand pound, I don't know, 185,000 pound a year in on that building.

It only cost me 960 grand. There's just this real, as the market moves, you just see when it starts to turn. And I think in the short term, there's a fantastic opportunity to buy some really great stock and get a solid low risk, low return cashflow on it at the asset level.

But also in the medium term, the city center one is city center. Like city center is always going to be city center. You buy it depressed, you ride the market, the world just does what it does.

The other one was in a real unique spot where actually, so this is actually in Nottingham, I don't mind, I'm not going to buy it, I don't think, so I can share it. It's Nottingham office block down by where the Broadmarsh was. And the Broadmarsh area has been on its knees for five years, 10 years.

And actually four or five years ago, Intu were going to develop it. So they closed all the shops down, knocked it down, and then they went bankrupt. So actually it's just, for the last four years, a half built shopping center.

Everything else is just a building site. All the other shops now have gradually just died because nobody goes there. It's a black spot.

But actually when you read the government, the local council's plan, it's one of the prime development areas. So they've rebuilt all the car park around there. They're redoing all, they've rebuilt the college.

Over the next three to five years, that area is going to become, if they deliver what they say they are, and it is already being built, it will be a prime hotspot. So actually you've got a tenant in there with eight years on, who's kicking out, even after finance would be kicking out like 20 grand a month I think, 30 grand a month. And it's in a prime location.

So in the short term, you've got cashflow, asset management. In the medium term, you've got a more desirable area so you can increase the rents. And in the long term, you've got a prime piece of real estate that if you did ever want to develop it into Resi or something like that, you'd be laughing.

And also it had a 80 car park, 80 car car park, that was leased out for 70 grand a year to the operator. Nobody in the city center has a 70 car car park that's not like NCP or someone like that. So yeah, there's definitely deals to be done.

And I'm just obsessed by deals. I just look at everything. I just literally lay on my sofa and flick through the ride move and commercial and estates, gazettes and just analyze everything.

And because I read a lot of stuff, I just sort of see where these opportunities are. So that's a great one. I think that's a great one.

This one is a pretty speculative buy. So the next one is, and you'll see this in most town centers, maybe with the exception of Manchester, because my perception of prime Manchester is actually still pretty good. I think Manchester and Leeds seem to still be really quite fresh, polished, nice city centers.

Everywhere else is just a shithole. It's like, I shouldn't have said that. Everywhere else is just a dive.

There are places I go, Bedford, where I grew up. Sheffield is the nearest city center to where I live. Nottingham city center is on its knees.

You know, Debenhams closed down four years ago and it's just covered in pigeons. It's a grade two listed building. It's just covered.

It's just homeless people all over the place. These places, combination of post COVID, under investment, just becoming mature and stale, retail dropping off. It's just starting to really die.

But again, the reality is, once the economy starts picking up and confidence comes back, people are either saving money or spending money. Let's see what the Labour government do. I suspect minimum wage will go up.

People will feel more wealthy. GDP will start to go up. Public sector investment, whether that's infrastructure, rail.

I don't know if there's any that have been announced in Manchester yet. All of that stuff will get it going again, and I'm sure it will come back. I've been saying this about six months.

Nobody else has. They've been saying the high street's dead. Shopping centres will just become experience centres.

But actually now, if you see some of the front runners coming in, so for example, Mike Ashley is being very bullish. He's trying to buy everything he can, buy shopping centres, big brands. He's trying to get on the board of Boohoo at the minute for whatever reason.

There is definitely, when those markets go down, it's great because you want to buy low and then obviously ideally sell high. And I just think there's a turn in that market. That said, you don't want to buy a building that's not going to lease for the net and hold it for three years.

So what I think can work really well at the minute is because you've got various types of PD, and I'd have to check what they are. I think it's like AAPD, ABPD. I forget what the other one is, but basically we've got retail downstairs and then storage upstairs.

There's loads of units, especially I'm familiar with like Nottingham, Sheffield, the markets I look in. There's loads of them that just derelict, because no tenant would really take the bottom. You can probably stick a barber's or a vape shop in there.

But really, if you can buy it today cheap, develop the upstairs to get a bit of a balance sheet played to make the equity look better, that will always be prime real estate. And in city centers, service accommodation, specifically in the, again, the places I look at is booming. It's always busy, always full.

You can make a grand, two grand amount of a simple apartment, have that as your cashflow, and then just own this prime real estate that in five years, 10 years, you know is going to get better rather than get worse. So that would be another one. The ones I alluded to earlier, apartment blocks, I've always really developed apartment blocks.

Most of my portfolio now is apartment blocks. I think I've got over a hundred apartments and all of them are in blocks apart from one. And the one I bought in a block has the highest rent of any other apartment pretty much in the portfolio.

But it's also the least lucrative. And the reason for that is when you own a leasehold property, you've got ground rent, service charge, it's just a nightmare. So that was a lesson learned.

I probably wouldn't do that again. Whereas when you buy a block, you are the freeholder. You have no ground rent, no service rent.

And also there's very few people who own blocks that are happy to lease them. And I just build blocks or buy blocks and then put them on leases. And the demand from what I've found is really strong.

And if you know how to play the game with the operators to make it work as a win-win, it can be very lucrative. And I think at the minute, you've got landlords who are either tired and sick and wanna sit and wanna leave the market. Or in many cases, you've got developers who couldn't sell and are trying to refinance and it doesn't work.

Or you've got existing landlords with existing stock that are going to refinance. And they've had the building for five years or seven years, whatever their finance was. And in that time, rates have gone from 3.5%, 4% to 6%, 7%, 8%, depending who you are and what the block is. And it just doesn't work. They're looking at it and saying, well, if I refinance now, I'm actually gonna lose money every month because they don't understand there's an alternative. And the alternative is you buy the blocks cheap and some of them you can buy really cheap.

I offered on one the other day, they wanted 1.95, I offered on 1.6 and they're down to 1.8 already. And that was only maybe six weeks ago. That was through another property entrepreneur.

The demand for people buying them is quite low. So if there's any motivation for whatever reason to get out, you can buy them real cheap. But then as soon as, like I was saying about the single let strategy, if you put on a lease, you can not only get sort of a really strong rent and a lot of these blocks are under-rented anyway, because they haven't done rent increases in three years and rent's gone up huge.

Not only can you get a really strong rent on the open market rate across the block, but it definitely removes probably 30 to 50% of the costs, management and stuff like that. And then you can also, in the same way that people at like cashflow level would do it for HMOs, you can do the same for blocks of apartments. So when I refinance mine out with say, probably not Lloyds, because the rental value is quite low, but with say Shawbrooke, who are looking, they understand that hybrid market where it's not full commercial, like a shopping center, but it's not a house or a block of residential flats.

It's a building with a lease on it. You can gear that up and you can genuinely make hundreds of thousands of pounds or millions of pounds just from playing that game. And the most recent deal we did will make between one and one and a half million in equity and 10 to 15,000 pound a month cashflow.

So not net cashflow after everything. So that can be really lucrative. And I don't know, I just love blocks of flats.

I just think, I don't really like HMOs anymore because I think they're too noisy. Having one big building that I'm developing to lease out to Tesco Express makes me nervous, but having a block of apartments in great areas, I don't know, I just really, really like it as a strategy. And then probably just a few to finish.

And then any questions you've got? So specialist support is housing, people love HMOs, people are now getting into social housing, specialist supported housing, SSH, people are calling it or people call it, seems to be the term. It's basically like taking leasing and big HMO developments to the next level.

It's not for me, like my ship on that front sailed. It's just, it's quite capital intensive and I think there's risks associated with that. But the people that I know who are doubling down on it and doing well are doing incredibly well, really, really well.

So I think that is a huge one that can work really well. Another one is, and this is where you can have your cake and eat it on the, when I alluded to why I would do HMOs for cashflow, you wanna do them for cashflow, but for me, I'm really just interested in the balance sheet. If I were to do both, I would be buying prime properties in article four areas and the strategy we call A4C4PD, which is article four areas, buying C4 properties where you can use permitted development to develop them.

And I remember listening to somebody on the Deals, Deals, Deals podcast, who'd done a few of those that you interviewed. It was Tom. Was it Tom?

Tom in the lead, yeah. Yeah, that's right. And he was making one to 200,000 pound per deal using that strategy buying a three or four bed and converting it into a seven.

And you can really play the game on that. I think that's a fantastic strategy. Couple that with either leasing and or, or maybe not and or, but couple that with leasing or student accommodation.

And I think if you're looking to build a million pound equity in your portfolio, that could be a great way to do it. Dream houses. I think it's the last chance saloon now, unless, yeah, I think it's probably the last chance saloon now to go out.

People who wanna buy big houses where you have got high stamp duty, it is expensive acquisition. You don't wanna be doing it. You wanna do it like every few decades, not every few days.

The top of the market has been stagnant for a while. Pre-budget, it was stagnant. And we'll have to see what happens over the coming months.

But if you, there's only really an opportunity once every cycle or think about the cycle, like a Ferris wheel, it goes sort of all the way up and then comes all the way down. Over the last six to 12 months, we've been in from sort of, when it's on its way down, like five to seven, you're in that bottom window where you can really get good prices because it's not moving much, especially if you find the right seller. We did a podcast previously on my side, I bought my house, the hall.

And I think we're in that, but I feel like it's gonna come back around now. I feel like optimism will come back. I think spring is gonna be a huge spring ping market.

I think the spring will uncoil. Everyone has been looking out the windows, seeing what the neighbors are doing. They're gonna start selling up.

Rates are gonna come down. And I think from April to July next year, it's gonna be a real hot market. So anyone who wants to buy, I would say January, February, March, beginning of the year, winter, get out there and get some deals done on, or if you're looking for your dream house, now's the time to buy it.

The next time will probably be the next recession or pandemic or whatever shock we have next. Asset level, value investing. So this is what I call the Warren Buffett way, is buying anything that you can buy cheaper than you can build it.

So like BBC below build cost, anything you can buy below build cost and use permitted development on is crazy money. So a few people that I work with, do deals with, a few fellow board members that you know, the deals that they're doing, where you genuinely are making 300, 500 million pound equity per deal, and you're kicking out tens of thousands of pounds cashflow. In most cases, they're not new build.

They're not small HMOs. They're big commercial blocks that are being converted. They're big problem properties with fire damage that are being bought cheap.

They're prime property locations. Anything in that below build cost space, I would say is great. Like these apartment blocks that I've just bought, like Mankil House, Waterloo Crescent, Wycliffe Mill.

When you stand there and just think, wow, I could be the owner of that site for 200 grand, 500 grand, a million pounds. And you just scratch your head and can't see a problem with it. I would say that is, that's where I've made the majority of my money is buying stuff crazy cheap, understanding how to play the game and create the equity, and then having a really strong cashflow exit.

And that really, whatever strategy you do is the best way to make money at the asset level. And going into 2025, I think that's where the deals will be.

[Mark Barrett] (55:52 - 56:13)

Very good. So we've covered now the three levels, cashflow, the profit, and the assets. One of those things you did mention was about the sale of businesses.

Anybody that might be interested in that space, what kind of sectors do you work in on that? As far as- For you to sell that business, yeah, to broker deals.

[Daniel Hill] (56:14 - 58:01)

So I would say, so the minute I'm actively trying to do less work, so I'm not actually looking for any brokering work, but I tend to, I've sold all sorts of businesses, mainly property. So if somebody had a property business, I've consulted on a lot of the larger transactions that have happened in that sort of space in our community area. And that continues to work well.

We've got the first one due to complete in the next sort of two months since the government said they were going to increase business asset disposal relief because there was a rush on it. For people who are interested in selling, you definitely want a broker. I'm definitely not pitching for the work because at the minute, I'm just trying to protect my time rather than make more money.

But you want somebody like me that understands how to play the game because there's the brokering bit, which a broker can do. But it really, like cutting a deal is an art form. You look at the best deals you've done, most people couldn't do what you've done because it's your expertise.

You understand looking after the two parties. It doesn't matter if you're representing the investor or the seller. You're normally sitting there with both hats on trying to figure out how to get a deal done.

Brokers aren't that wise or experienced. They're more, how do I get a deal done? How do I get a sale across the line?

And normally that conflicts with either what the seller wants or what the buyer needs, and it creates a problem. So I'd say, yeah, get a really good, solid broker or dealmaker involved with you and pay them well. But I don't take a penny until the deal's sold and it's done.

But most people will ask for 5% to 10%. And I would say 5% to 10% of getting a deal done is a no brainer. 100% of not getting a deal done is 100% of nothing.

[Mark Barrett] (58:02 - 58:07)

Okay, very good. So, yeah, here's to 2025 and let's hope it's a good one.

[Daniel Hill] (58:07 - 58:10)

Excellent. Anything you're focusing on? Anything you're going to get excited about this year?

[Mark Barrett] (58:11 - 58:18)

Very excited about the back-to-back leasing. So, yeah, big push on that. So, yeah, let's see where we go.

[Daniel Hill] (58:18 - 58:30)

Yeah, I'll see what happens over the next few months. But I think my main bet will be hedged on apartment blocks and a single X. So we'll see where I go on.

Thank you for having me.

[Mark Barrett] (58:30 - 58:31)

All right, cheers Dan.

[Daniel Hill] (58:31 - 59:18)

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