**TBP 275 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 - 1:00)

I'd like to give a very warm welcome to my guest, Grant Hutchby, who is half of KG Shots today. How are you doing, Grant?

[Grant Hutchby] (1:00 - 1:01)

Yeah, I'm good. How are you?

[Mark Barrett] (1:02 - 1:18)

Very good indeed, yeah. So I'm looking forward to this. So we're going to cover your experiences and adventures in Shots Day.

So accommodation. So for anybody that doesn't know you, could you just give us a bit of background?

[Grant Hutchby] (1:18 - 3:23)

Yeah, so stop me if I waffle on. So we started in property in 2017. We were in corporate jobs, both myself and Kay at the time.

Been looking for a while to get out of the corporate world because I was at a stage in my career where I was either going to be, you know, running companies for other people or I start up my own company and go towards my own dreams. So before... What were you both doing?

So yeah, so before I quit my job in 2019, so it took me sort of about two years from learning property to quitting my job. But I was the regional manager for the largest gadget insurance company in the world. So their names are Shurian.

And I was responsible for the performance of 700 staff and 95 different stores. So I worked my way up through the ranks in the mobile phone industry. So we did gadget insurance and we underwrote the insurance for basically 3 Mobile, Tesco Mobile and Virgin.

And Kay was in a very similar industry to me. She was a store manager in a mobile phone shop. And yeah, she was a senior manager.

So she did like cluster management and things like that. But, you know, we both wanted something better for ourselves. So I just started learning lots about property.

I dragged Kay along to all the courses and things that I went to. And when we were at one of these courses, we were learning all the different strategies. And I said, Kay, look, you're the operator.

You're the one that's going to run this thing because that's what you're good at. What one do you want to do? And she picked serviced accommodation because it had the most transferable skills.

So we were in sort of service based industry before. And we just noticed there was a lot of different things that we could transfer over to it. And we liked the fact that, you know, we could build up our asset base through property.

[Mark Barrett] (3:23 - 3:24)

That sounds good.

[Grant Hutchby] (3:24 - 3:41)

Yeah. And where are you based? So we are we live in Swansea.

Most of our portfolios in South Wales, we do have a few things in the UK or in England. But yeah, the majority of our, you know, 140 strong portfolios in South Wales.

[Mark Barrett] (3:42 - 3:47)

OK, very good. And how did you get involved then in Property Entrepreneur?

[Grant Hutchby] (3:48 - 5:27)

So, Kay and I have always been massive fans of educating ourselves. You know, through even through our corporate career, you know, we did a lot of extracurricular education. And we saw the value of having coaches and mentors.

So when we started in property, the first thing that we sought out was someone that could help us do what we wanted to do. So we found someone that had some experience in serviced accommodation. We did their sort of initial course, then went on to their mastermind.

And basically, we we sort of got to the top of that mastermind where, you know, you don't want to be the most intelligent person in the room. And it just ended up that we were one of the most experienced people in the room and were helping more people than people were helping us. So we spent I spent like a good year trying to find another community.

Yeah. And discovered Property Entrepreneur through a business partner of ours, Graham Lindley, who is already on Advanced. And we did the three day course, really liked the concepts, really liked how you guys approach things.

But more importantly, really like the people and the community. So when I found out that there was the board and the masterminds and things like that, where they had the close knit groups, I was like, that's what we want. We wanted to be part of a close knit group.

And we did the first year on the track because everyone has to. And I think every other session I was asking Adam, how can I get on the board? How can I get on the board?

I think I was bugging him by the end. And he told me when applications opened up, told us what to do. And we applied and we were in the board now for our second year.

[Mark Barrett] (5:28 - 5:47)

Fantastic. Yeah. So you both joined, which is which is great as well.

Yeah. Yeah. So very good.

And then you kind of mentioned it before, but as far as like you got like obviously different profiles, you just want to mention about your Wealth Dynamics profiles and how working together kind of like helps business.

[Grant Hutchby] (5:47 - 7:24)

Yeah. So I'd just like to say, you know, how grateful and lucky I am to have someone that not only has similar values to me, but opposite skill sets and opposite Wealth Dynamic profiles. So I'm I'm a blaze, but that's my that's my go to.

I'm a blaze. I'm a star. You know, give me something.

I'll promote it. All that sort of thing. But I do have extroverts.

Yeah. Extrovert person, loudest person in the room, all that sort of stuff, you know. But yeah.

So I'm that type of person. I is very much Lord Mechanic Steel. I have zero steel in me.

So I have actually got a blend of all the other profiles, Dynamo, Blaze and Tempo. Obviously, my primary one is Blaze, but I have zero steel and K is predominantly steel, but also has a blend of some other profiles as well. But when you look at the Wealth Dynamic profile, we're exact opposites.

And that's why it works really well. So, you know, you just want to make sure that you've got someone next to you, that you've either hired or you're in business with that has opposite profiles. I think if your partner in life, your wife or your partner in life, they they've got the same profile as you.

You sort of want to be doing different things, because I think that, you know, K and I come to lock ahead sometimes. And I can't imagine how much in the lock ahead we'd be if we had the same personality type and how how much stuff wouldn't get done.

[Mark Barrett] (7:25 - 7:42)

Yeah, yeah. I think Dan kind of like saying about when you're first getting going in business, you want it kind of like a three legged stool where if you're driving the business, you want somebody on the operational side actually doing it. And then somebody on the detail business kind of like the steel profile and making sure the admins don't.

[Grant Hutchby] (7:42 - 7:49)

Yes, that visionary integrator type role. You know, I'm the visionary, K's the integrator. Yeah.

[Mark Barrett] (7:50 - 7:55)

Yeah. Good. Just tell us about your business, Dan, what you actually focus on doing.

[Grant Hutchby] (7:55 - 8:49)

So we we obviously our core expertise is short term rentals, short stay accommodation, service accommodation, whatever you whatever you want to call it, Airbnb. So that's our expertise. However, we have a group it's called KG Inspired Property.

And underneath that group is KG Short Stay, which is sort of our biggest trading company that we have. And then we have loads of sort of SPVs and investment vehicles and asset companies underneath KG Short Stay. So we have a number of companies that K and I own 100 percent, like our company that owns all of our properties that we own 100 percent.

All of our assets are in that company, which is under KG Inspired Property. But we also have a number of SPVs that we own 50 50 operating companies with other joint venture partners, essentially. Yeah.

[Mark Barrett] (8:49 - 9:02)

Yeah. OK, let's go through then a typical kind of like property that you that you do then. So you're saying predominantly, is it like South Wales?

Is it you kind of like your focus?

[Grant Hutchby] (9:02 - 11:54)

Yeah. So our our main portfolios in South Wales, we started in Swansea and it's sort of expanded out a bit from Swansea. We sort of go Swansea and surrounding areas.

But anywhere in South Wales, we've we've sort of got experience in. You know, we've had experience in Cardiff, Newport, you know, Bridgend, all the sort of South Wales areas. But most of our portfolio is Swansea and surrounding areas, essentially.

And yeah, I guess we market towards our target market. People staying in the properties is people working and studying in the area, mainly because it's, you know, a consistent target market. It doesn't have while it's got peaks and troughs, doesn't have quite as many as probably the leisure market.

So we fill most of our space with those types of people. And then in between weekends, school holidays, we obviously do have leisure customers. And we've learned how to adjust our services and how we offer things to those people when when we get them in.

But like, you know, I would say our sweet spot, if you take away like the blocks of properties and the mini hotels that we that we manage, our sweet spot for individual properties would be like a large three bedroom house that you can either add or convert a reception room downstairs into that fourth bedroom. Because what that gives you is it gives you like a three bedroom house price, whether you're renting it or buying it, but then gives you the revenue that you would get from a four bedroom short term rental. And that's where the sort of sweet spot is.

So, like, as an example, different four bedroom properties will perform at different levels. But our middle of the range four bedroom property is probably going to get you about £100 a night, £115 a night, something like that. You're going to make about two and a half grand in bookings.

Then you've got cleaning, maintenance, things like that, which is going to be about £500 a month. And then obviously, if you decide to do management, if you get a company in like us to manage it, we charge about 14% plus VAT of the gross revenue to manage a four bedroom property. But our percentage varies on the different size and different types of properties that we bring in.

Because to us, the labor that it costs to manage a booking is the same on a two bedroom property as it is on a six bedroom property. So that's why we have variances in our fees. So if anyone's ever interested in management with us, that's sort of how our fees work.

[Mark Barrett] (11:55 - 12:03)

So just going back to that then, so you're saying like a three bed to a two that you can use as a four. Is that typically like a terraced house or is it a semi-detached?

[Grant Hutchby] (12:04 - 12:35)

Do you know what? It can be anything. But actually, what we've got a lot of is we have got a lot of terraced houses that have been converted from three bedroom houses into four bedroom houses that don't have very good garden space at the back.

So it wouldn't really suit a family because they want garden space. We've got a lot of city center properties that don't have hardly any garden space or very minimal garden space. But we've converted into short stay accommodation properties.

[Mark Barrett] (12:36 - 12:41)

They have like a lounge, dining room, kitchen that you say, for example, use the lounge as a bedroom.

[Grant Hutchby] (12:41 - 13:44)

Yeah. So for our target market, what they care about more is obviously that it's clean. They like to have TVs in every room because the thing about contractors is you can imagine they're at work all day.

They want to come home and they want to chill out. They want to go to bed. Right.

So a lot of them, you know, while you get some of them that will hang out together and things like that, and they probably will do a bit of that. You get a number of them that just want to go home and sit in their room and chill out and watch TV. So we have some sort of brand standards, which is like TV in every bedroom.

Yeah. Make sure the beds are comfortable and big enough for all the contractors. So they don't like sofa beds.

So, you know, we try and where we can put beds in. They're not so bothered about living space. So that's why we convert the reception room downstairs, which would normally be the dining room.

And we convert that into dining room or living room. And we convert that into the fourth bedroom, because if we've got a big open kitchen or we've got, you know, another reception room downstairs, we can use that as the living space.

[Mark Barrett] (13:44 - 13:50)

Yeah. Yeah. And then bed wise, would you put like a three quarter bed, double bed, single bed?

[Grant Hutchby] (13:51 - 14:48)

So again, we've got brand standards for this. So if the room's big enough, we don't ever have any more than two beds in a room. Right.

So if the room's big enough, we have a double bed and a single bed or a king size bed and a single bed if it is big enough. Right. Then it will go down to two single beds.

So if the room is not big enough to have a double and a single, it'll have two singles. And then it will go down to either just a king or just a double in the room. And if it's not big enough for a king or a double, we put a single in it.

So it just depends on how big the room is and what it can fit in. We don't do wardrobes because people staying for, you know, that it's not their home. Right.

They're coming with a suitcase, aren't they? So, you know, we don't put wardrobes in. We just put we either have a rack, which is like a freestanding rack, or we screw like bars to the walls if the walls are on plywood, you know, plasterboard.

[Mark Barrett] (14:48 - 14:56)

Yeah. OK. So what kind of average occupancy rates would you say is it kind of like, you know, as a percentage?

[Grant Hutchby] (14:57 - 15:44)

I've always said when you're analyzing a deal, you do it on 70, 75 percent. Right. If it's in a highly populated area.

Right. And there's hospitals, universities, sports teams, arenas, all that sort of stuff that bring people to an area for work and for leisure. Right.

So you're looking at highly populated towns and cities. Yeah. Then 70, 75 percent occupancy is a very contingent occupancy to go for.

We average. Over 75 percent. So I don't think we've ever had we've ever had a year below 78.

So we average over the five years or whatever it is. How long has it been now? Seven years, seven, seven years.

This is our eighth year. We've averaged 80 percent occupancy.

[Mark Barrett] (15:44 - 15:49)

OK. Yeah. So when somebody is working out the figures, if it works at 70 percent, it's then going to work.

[Grant Hutchby] (15:49 - 16:04)

Oh, yeah. Yeah. Because you're probably guaranteed in a highly populated area if you do the revenue management.

Right. That's that's something that people do get wrong. You should you should get 70 percent occupancy.

Bare minimum.

[Mark Barrett] (16:05 - 16:19)

Can we just have a drill down on the cost involved then? So kind of like cleaning linen utilities. What would you say would be the kind of like on that average site property that you discussed?

What would you say for that?

[Grant Hutchby] (16:20 - 17:41)

So things like cleaning linen storage. Essential items and stuff like that. Obviously, you have to do your own numbers and cost things up.

But like on that typical property, like I said, it's about 500 pounds a month for all those costs. But it depends on how many bookings you get. The other thing that we do and we focus on is we focus on average length of stay.

So our average length of stay is it averages about seven nights. So if you imagine if your average length of stay is four nights, you're going to have almost double the cost. What we have, you know, those costs are going to go from 500 to probably 900.

You know, if you've got a much lower average length of stay. So managing that minimum night stay is really important. That's going to help you cost.

But like typically for that type of property, one change over, you're probably looking at about 100 to 120 quid. You know, for linen cleaning, essential items to be replaced each time. But as you can imagine, the more of those 120 quids you have, the more expensive and higher the costs are going to be.

So we average about four bookings per month. Yeah. You know, so which is like, you know, seven nights.

So that's why the costs are about, you know, 500 quid.

[Mark Barrett] (17:41 - 17:46)

What about utilities then, like the gas, electric, water, council tax?

[Grant Hutchby] (17:46 - 18:43)

I always. So I used to budget about 250 before utilities went through the roof a couple of years ago. Now I budget for 350 for sort of a decent size four bedroom property.

And that includes gas, electric, water, broadband, you know, and that's sort of typically what you'd expect. You need to manage things right. So like we use boost thermostats in our properties over the winter.

And, you know, we use it in all of ours. We've offered it to all of our clients. Most of our clients have taken it up.

But basically, you know, people boost the heating as opposed to leaving it on constantly, which is definitely the way to go. I think they do them in HMOs as well. So that that sort of type of thing is good to have.

But, yeah, you want to manage the costs effectively. But I'd say 350 quid, the gas, electric, water, broadband. And depending on where you are, you know, you might be able to go into business rates and not have to worry about council tax.

[Mark Barrett] (18:44 - 18:45)

OK, how does that work?

[Grant Hutchby] (18:45 - 20:47)

So I'm obviously very experienced in South Wales. In Wales, you can have two properties on small business rates relief. And it's basically any property that's under a certain rateable value.

Yeah. Yeah. OK.

You know, in England, they'll they'll value it in a very similar way. But you're only allowed one property. So unless you're very clever with how you've separated out your.

Yeah. Yeah. SPVs and separated out your companies and how you tell the VOA what entity it's under.

So like as an example, we a number of properties that we own, we rent to one of our operating companies. If that operating company fills up, then we can say that the business rates be under the owner as opposed to being under the operator. You know, we just just have to divert the responsibility of the business rates or the council tax to that company.

So you can be quite clever with it if you want to. But, yeah, you just got to understand how it works, essentially. And it's not that much different in England.

It's just the amount of properties that you're allowed. And I think there's a slight difference in the rateable value that small business rates fall under. But individual units, you're not going to unless you've got a eight bedroom house, it's always going to be under the rateable value.

Yeah. What you've got to be careful of is when you've got multiunit blocks, because multiunit blocks, they lump all into the same business rate valuation. So if you've got a block that's got five different units, the good thing is, is it can all go under one.

And if it falls under the rateable value, it'll all be under small business rates relief. Right. But if it goes over, then you might end up paying even if they are split out on land registry.

They don't go by land registry. They go by how you access the property. So if you're if you're accessing a door within the property and you don't have to go back onto the public street to access it, then they consider it all as one.

[Daniel Hill] (20:50 - 21:50)

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Please press pause now. Do it before you forget and just show your support. We would really, really appreciate it.

Back to the podcast.

[Mark Barrett] (21:52 - 22:03)

What about like booking fees? Like kind of like Airbnb booking dot com, et cetera. Is there like an average or is that charged to the people that's doing the booking?

How does that work?

[Grant Hutchby] (22:03 - 23:26)

So the way it works from a management perspective is obviously you've got the gross booking value, which is what the customer pays. Yeah. And then you've got the booking that gets paid to the client.

So the booking value will have the commission taken off of it from Airbnb and booking dot com. And then it gets paid to the client account, essentially the way that we manage it. And then all their costs come out of that.

So the OTA fees technically is a cost of the client. But one thing that we focus on massively and I found out recently that we've actually got quite industry leading figures because we're currently working with someone that does some of our revenue management that has worked for multiple different companies. And he said he's never seen direct bookings as high as what we've got, unless you're purely a direct booking company.

So like you operate purely off direct bookings. So he's worked for a company once, I think a cottage cottage company that didn't operate on Airbnb and booking dot com at all. They just worked off their website and and referrals.

So that's the only company that he's ever seen having higher direct bookings than what we've got. And it's because we know how much commission Airbnb booking dot com charge and how much money is left on the table that we focus on building relationships for people and getting them to come direct.

[Mark Barrett] (23:26 - 23:36)

Yeah. So like you say, you say 100 pounds a night average. What would the net price be after paying for the.

[Grant Hutchby] (23:37 - 24:34)

If you're budgeting. So if you're doing a deal analysis. Yeah.

And you think I've looked on Airbnb and booking dot com and I've worked out that I can get 120 quid a night for the property as an average over a 12 month period. You know, you got to look at different periods of the year, but I would budget for 17 percent because that would that would be quite contingent because you're likely to get some direct bookings, which will reduce down the commission. And the average commission is probably about 17 percent between all of the online travel agents.

The Airbnb is higher if you're not that registered because they're 18 percent plus that. You'll end up paying 22 percent through via through Airbnb. But booking dot com a 15 percent.

So, you know, if if you're if if you put in an average of 17, you budget for that. You're probably likely to be slightly under if you can get some direct bookings and some repeat bookings off of people.

[Mark Barrett] (24:34 - 24:48)

OK, if somebody is looking to get into this as a strategy and they're looking at a property, how would you suggest they do some kind of like research? Is there any kind of websites or how would you how would you advise?

[Grant Hutchby] (24:49 - 25:43)

What I've always advised and this is to I've helped out a number of property sources with this as well. Yeah. Is to collaborate with management companies in the area.

So look up a short term rental management company because this is what I always get people to think about is if you look on Airbnb and booking dot com. Right. And you see what properties are advertised that you're that's the same as going on to right move and seeing what a property for us to sell.

Right. Is advertised that now everyone knows that when you're analyzing what you can get for a property in terms of like once the refurb has been done. Right.

You always look at sold prices, don't you? Yeah. Yeah.

There's no way of getting sold prices for Airbnb and booking dot com unless you speak to a management company because they can tell you the prices that they're actually achieving.

[Mark Barrett] (25:44 - 25:45)

Yeah. Yeah.

[Grant Hutchby] (25:45 - 26:05)

You know, because otherwise you're just looking at the advertised price. The advertised price is not the sold price. So, you know, I get lots of property sources going on to Airbnb and booking dot com and checking what the advertised price is and saying that you can get 120, 130, 140 pound a night when actually to get the sale in, they've had to do lots of last minute discounting.

[Mark Barrett] (26:05 - 26:06)

Yeah, yeah, yeah.

[Grant Hutchby] (26:06 - 26:16)

Right. And then they sell it at 20, 30 percent less than what they advertised it for originally. So you looking at what a property is advertised in August next year is not what it's going to be sold at.

[Mark Barrett] (26:17 - 26:26)

So let's say you was offered a deal in an area you've never worked in, let's say it was Leeds. Yeah. What would you do?

Would you phone up a management company and ask them?

[Grant Hutchby] (26:26 - 27:37)

Because I'm a management company, I know roughly the percentage that you're going to get less than Airbnb and booking dot com. So what I actually do is because we work, we only go into areas that have a similar like demographic to what we used to. So we wouldn't go into a holiday destination.

We would go into a highly populated area that has lots of reasons for people to visit the area. So hospitals, universities, arenas, sports stadiums, things like that, you know, population over 80,000, you know, so it ticks a lot of boxes. So that would be a similar demographic to Swansea, to that city.

Right. So what we would do is we would look at Airbnb and booking dot com, see what the difference is in advertised price. Right.

So if it's a if it's 30 percent difference, say it's 30 percent better in terms of the general advertised price. We then go on to our figures and our data that we've got and do a maybe a 15, 20 percent markup on what our properties are getting. So we take a contingency.

So if it's 30 percent extra that they're advertising it for, we'd probably go in between and do 15 or 20 percent on our figures.

[Speaker 4] (27:38 - 27:38)

Yeah.

[Grant Hutchby] (27:38 - 27:47)

Yeah. But if you haven't if you haven't got experience in that space, then you would need to tap up a managing agent, you know, to see what they're achieving.

[Mark Barrett] (27:48 - 27:56)

Yeah. And then if you was if you was doing that, so you phone up somebody in Leeds, what would you say you was looking to invest in here? What's the average?

[Grant Hutchby] (27:57 - 28:36)

There's a couple of ways of you going about it. You know, you could say, look, I've got a I'm looking at four bedroom properties. I'm looking at these.

What can I typically expect? You know, is it possible to set up a call? You know, you could even say I'm considering using management, but the numbers still need to stack, you know.

And even if you are considering, you know, if you're not considering management, I would say, you know, you might consider management anyways, because then it gives them a reason to talk to you. But I'll be honest, if someone called me up or messaged me about it, I'd have a 15 minute conversation. That's why, you know, I'm willing to share my calendar link with you guys to put in the blurb.

Yeah. Because, you know, I do a 15 minute discovery call with anyone.

[Mark Barrett] (28:37 - 28:38)

OK. All right.

[Grant Hutchby] (28:38 - 28:40)

As long as my as long as there's space in my calendar.

[Mark Barrett] (28:40 - 28:45)

Yeah. OK. So let's move on to the deal we're going to discuss.

[Grant Hutchby] (28:46 - 28:46)

Yeah.

[Mark Barrett] (28:46 - 28:48)

So can you give us a bit of background to that?

[Grant Hutchby] (28:49 - 32:23)

So the deal that we discussed basically in our previous mastermind, two lovely couple, been friends with them for four years, and they said that they needed to use their money in their SAS before a certain time period. Like they had a time period to use it. Otherwise they were going to get charged loads of tax.

Didn't know exactly how it all worked, but they needed to use it in their SAS. So we they we said, would you like to go 50 50 on it if we found you something? We actually offered them, you know, just to charge them fees and do the management side of it.

But they said, no, we'd prefer to do a joint venture. So I went out and started looking for buildings that they could use in their SAS and it needed to be commercial property. So I was actually specifically looking for a C1 building or a building that could easily be converted to C1.

And then just explain what a C1 is. Oh, hotels or guest houses. Sorry.

So, yeah. So C1 hotel guest houses, C3 would be a standard residential and C4 is HMO. Yeah.

So we were looking for something that could be C1 or was already C1. So I was looking around, trying to find different opportunities. And also they had a budget in mind.

I think they they they didn't want to spend any more than five, six hundred thousand or something along those lines. So I was trying to find somewhere. And then I spotted just spotted an opportunity, something I've been on the market for a while.

So potentially, you know, get a get a deal under asking price if it's been on the market for a while and saw an opportunity in the building. That was basically a pub with a few rooms and and it had owners accommodation on the side. So when I looked at it and looked into it a bit more detail, I found out that the entire building was on C1.

It wasn't split use or anything like that, which actually worked perfectly for their SAS. And the way that I did the numbers was I looked at, you know, did a viewing, looked at the floor plan, saw what was possible. And we were able to actually convert the owner's accommodation into a three bedroom cottage.

We could then tart up the rooms a little bit to make them look a bit better. But also the benefit of having those rooms there is while we were converting the cottage and and doing stuff with the downstairs, which was a pub. Right.

So the downstairs was like a pub restaurant. We could actually get the six rooms trading, which meant that we could purchase the property. And then while it didn't make hardly any money, it certainly covered some costs, which was great, which, you know, allowed us to trade the six rooms straight away.

While we then focused on converting the cottage, the owner's accommodation to a nice three bedroom cottage, adding then six more studio flats to the building. Then we added five downstairs and one upstairs, which used to be like the staff room. So we basically added all of this extra accommodation.

It's now just pretty much gone live, which is essentially, you know, we got that through for them, presented the deal. The numbers worked and we essentially went 50 50 by setting up a company and then purchasing the property. Yeah.

OK, so let's go through the headline numbers then.

[Mark Barrett] (32:23 - 32:24)

So the purchase price.

[Grant Hutchby] (32:25 - 35:49)

So purchase price was it was advertised for four hundred and twenty thousand, got it eventually for three hundred and seventy thousand. Also, the previous owner signed over the rights for us to be able to claim capital allowances on it as well. So we found out they didn't claim capital allowances.

So as part of the negotiation, we actually went in at three fifty. Yeah. Then what happened was they said, oh, no, we want three seventy.

And so we go three seventy. But we noticed that we didn't claim capital allowances. So if you sign over the capital allowances to us so that they can't claim it, we'll do it for three seventy.

So actually, we ended up almost pretty much getting it for the price that we wanted to buy, including the capital allowances in it. Yeah. Purchase price was three seventy.

It's about twenty K then. It's probably going to be a lot more than that. Right.

But yeah, it was at least twenty K. We had to take a judgment call on it. Do you think it's going to be at least twenty K?

I mean, I'm claiming back six thousand on a four bedroom house. So I would have thought on this with the amount of refurb that we're putting into it is going to be a lot more than that. So, yeah.

So they purchased they obviously loaned the money to the company from their SAS to purchase the property. And then, yeah, the purchased it outright. We have about one hundred eighty thousand in costs.

So that sort of split the bulk of it is refurb. Right. It's about one hundred sixty thousand and then twenty thousand in sort of other costs that went into it.

Legals and surveyors and architects and all that sort of stuff. While it was all C1, we didn't have to get planning permission. We actually had to get a certificate of lawfulness.

I think that's what it was called. And that allowed us to because we were significantly adding a lot more accommodation. So basically we had to in the eyes of the planners, we had to make it like it was a hotel.

So they needed to have a common area and vending machines and seating and a laundry room, essentially. So we had to add those in which which actually we were going to have instead of six more studios, we were going to have five studios and a two bedroom apartment. We then had to cut into the two bedroom apartment for the for the common area, essentially.

So we had one hundred eighty thousand of costs. The GDV is going to be about seven hundred grand when we're done with it. Hasn't been revalued yet.

I do believe that the seven hundred is conservative. I think it's going to be valued higher than that. Looking at similar buildings, we've got we've got an 11 unit building that has been valued at seven hundred and twenty thousand.

It's a little bit more central, but this building is bigger. So I personally think it's going to be about 750, but seven hundred probably conservatively. Which area is this?

So it's Ponte Dowie, which is about. 20 minutes from Swansea City Centre. OK, so it's not a million miles away from Swansea City Centre, but it's not I wouldn't say it's, you know, a Swansea City Centre property, but it comes up on Swansea searches, essentially.

[Mark Barrett] (35:50 - 35:55)

OK, so on this deal, then we've created approximately one hundred and fifty K of equity.

[Grant Hutchby] (35:56 - 39:29)

Yeah. Created one hundred and fifty K of equity and bottom line, which I'll explain. Do you want me to explain how the sort of revenue and stuff works now?

So bottom line, we're going to end up with about 70 grand, you know, net net net profit each year on average. But we've got one hundred and ninety thousand of revenue coming in and that's pure purely bookings and things like that. So between one hundred and ninety two hundred grand.

And then we've got about one hundred thousand in operating costs. I think I put on the deal sheet. Ninety nine thousand.

That's all the cleaning linen management utilities. You know, all the different operating costs that could go into into running the property to leave us with like a, I guess, a subtotal profit of ninety one thousand. Now, we were going to operate under the Tor operator margin scheme, which is Tom's.

Now, this was the first property we were going to do under Tom's because we've sort of avoided it through clever structuring over the last few years. But we're going to do this under Tom's. And there's been a sort of a case recently that has suggested that it might not work under Tom's.

Now, it's quite a gray area because Tom's is essentially where you've taken a property from the owner. The owner's rented it to you and then you've re-rented it to someone else. So it's very much to be under Tom's is very much in the contract.

But there's no sort of litigation that says you have to have this, this, this, this, this, this and this. And then you're under Tom's. There's nothing like that.

It's just case law. And it's been like that since the beginning, which has always made me nervous about doing it. So I'm not in the unfortunate position like some people are where they've got hundreds of thousands of backdated VAT because technically you have to pay VAT on the revenue, which if you're backdated VAT, then outweighs your profit, then you become insolvent.

So I've never done it for that reason because I didn't want to take the risk. So I've always structured things right. So we were going to do it with this property, but we've actually decided not to.

We've decided to go under the flat rate VAT scheme. The flat rate VAT is just basically as long as you're under, I think it's 250,000 or 230,000 revenue, which we are. You can go on flat rate, which for this type of business is 10.5%. You get 9.5 in the first year, but then it's 10.5 moving forward, which would mean that we have about £20,000 worth of VAT to pay each year. But the good thing about going on flat rate VAT is all of the refurb costs that are 20% VAT because we're not doing a change of use. So we don't get 5% VAT or 0% VAT for new builds. You have to pay full VAT.

It means that all the refurb costs and any costs that we've had prior to registering for VAT, so furniture and things like that that we put in, all that stuff we can claim back the VAT on. So it's like we're going to get some benefit now. Maybe it would have been better in the long term to go under TOMS, but we're going to get some immediate benefit now.

And we still end up with over £70,000 worth of profit, which split between us is £35,000 each. And I don't know about you, but if you haven't put any of your own money in and you can get £35,000 a year for the next five years or whatever, it's quids in, isn't it?

[Mark Barrett] (39:29 - 39:46)

I was just looking on the latest Office of National Statistics, the average weekly earnings, and it's £7.05 per week, which is £36,660. So it's pretty much like the average wage on the deal that you've done with none of your own money.

[Grant Hutchby] (39:47 - 40:22)

Yeah, exactly that. We've put a bit of our time into it and our expertise, and we've used our management company. So we've got assets and things that we can leverage there.

So from my perspective, I haven't actually put in much of my time either, because a lot of the time aspect of it has been paid for by the management company. So building up something that you've got there that you can utilise to help people with deals and help people succeed and create win-win situations actually works really well for everyone.

[Mark Barrett] (40:23 - 40:44)

Yeah, that's right. So I think anybody who's listening and looking to get into property or maybe change strategies, if you master one of the strategies like you've done with short-term accommodation, you build up your cash flow from that, you can then use that expertise for either profit plays or to build assets, etc., which you're doing with your joint ventures.

[Grant Hutchby] (40:45 - 41:56)

Yeah, absolutely. Like a property entrepreneur says, inch wide, mile deep. Get really good at something before moving on to something else.

I'm seven years down the line, and it's only now that I'm looking at stepping away from cagey short stay in terms of some of the operating. I've always done the sales and client onboarding and the marketing for cagey short stay, but now what we're doing is we're working a plan this year for me to step away. And I've done a lot of stepping away so far, but me to step away from cagey short stay and pay to totally take over every department.

So she just has sales, marketing, operations and finance reporting into her. And I'm going to step away and sort of change my brand a little bit on social media to be more health and property entrepreneurship, because now that I've done seven years of that expertise and working in property and business, I've then got different things now that I'm probably could say that I'm more of an expert in that will allow me to help more people.

[Mark Barrett] (41:56 - 41:59)

So you're going to change your main focus 70 percent.

[Grant Hutchby] (41:59 - 42:00)

Yeah.

[Mark Barrett] (42:00 - 42:01)

Going forward. Yeah. Yeah.

Yeah.

[Grant Hutchby] (42:02 - 42:28)

Exactly. So anyone that wants to chat about that or anything about how we can help in the short term rental space or even just being a property entrepreneur and the trials and tribulations that you have with it, because it can be a lonely game. You know, especially if you don't have someone like I've got beside you helping you along the way.

You know, I want to try and help people succeed in whatever it is they're doing.

[Mark Barrett] (42:29 - 42:33)

That's good. Exciting. Yeah.

So let's just go through top three tips there.

[Grant Hutchby] (42:34 - 45:56)

So my top three tips. So I think I've actually said said a couple of them. So I'm going to give an industry one.

So if you're analyzing a deal for short term rentals, this is sort of a double barrel tip. Make sure you consider all the costs that come with it. And I'm happy to help anyone with that.

But also you speak to a local management company or someone that manages in the area that can give you some insight as to how much your property will make. Because if you get the cost wrong. And you get the income wrong, you're going to be your numbers going to be in a totally different place.

Right. So if you get the cost wrong, but you get the the income right, then you'll be in a better place. And you'll also be in a better place to get the cost right.

But the income slightly wrong. But if you can get both right, then you're going to be in a really good place to know if the deal is going to work. So, you know, go through all the costs and make sure that you know the income by speaking to a management company.

So that would be my industry one. My sort of property one is, again, mentioned it before. Have someone next to you that has the opposite skill sets.

So someone that is the same level. Right. Or maybe just the one level down from you that has opposite skill set to you.

You don't want to you don't want to do stuff you don't enjoy. Right. But you also want to be to have a well-rounded approach when it comes to business.

So if you've if you're good at sales and talking to people like me, you need someone the opposite that's good at detail and that will get and make sure that you don't lose money. Now, if you're into the detail and don't like talking to people, then you're going to need someone that likes talking to people and create deals. And once the company to grow, not that you don't want it to grow, but it's focused on its growth.

So, yeah, absolutely. Having someone that's that's opposite to you. And the last tip that I've got, and it's a really interesting one and something that I've been exploring recently because I've been trying to figure out how I can help people better.

But it's it's all down to the way that you plan. Now, the tip is basically, obviously, you need to plan how you're going to do something, but plan things from start to finish with the end in mind. But also.

Make it a working plan, and I think people forget about that is people sometimes people don't plan because they think our plans always change. So I'm not going to plan that. That's that's that's a big trap to fall into, because if you don't plan, you plan to fail.

Right. So plan it out. Plan everything out from start to finish.

What's your end goal and how are you going to get there? Yeah. But then also work the plan.

Be happy with changing the plan along the way. Right. Plans change.

Absolutely. But that doesn't mean that you don't plan. So there's two things.

Don't plan it out and be rigid on the plan, but also don't not plan because you think the plans always change. So, you know, it's really important that you get a nice balance of the two where you've planned everything out, but you're also not afraid to change the plan along the way either.

[Mark Barrett] (45:57 - 46:01)

Yeah. OK, fantastic. And then contact details, please.

[Grant Hutchby] (46:01 - 47:10)

So contact details. Happy for people to contact me via WhatsApp. My number is 0 7 8 6 6 3 6 5 0 4 0.

You can also book a link or a call with me. So I gave you my discovery link. So you put that in there in the comments or the blurb or whatever.

And you can click on that link and you get 15 minutes of my calendar. It's a discovery call for short term rentals, but I'm more than welcome to talk to people about property and investment. Any opportunities out there?

You know, if you're investing in property and you want to know how to use your money better, then I've helped a lot of people with that. So, you know, book a call that I'll get you 15 minutes into my calendar because sometimes people message me and go, when are you free? And I just send them my link.

So if you just want to speak to me, then just click on the link. And that's direct link into my calendar or email me. My EA monitors my emails.

So if an email comes through, she'll always tell me about it. And that's grant at KG inspired property dot com, which, again, you know, you guys can put into the into the blurb of the podcast.

[Mark Barrett] (47:10 - 47:14)

Yeah, well, I really enjoyed that. And congratulations, Grant.

[Daniel Hill] (47:14 - 48:02)

Thank you very much, mate. Speak to you soon. I hope you enjoyed this blueprint podcast episode.

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