**TBP 287 Pre app planning goes wrong 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 - 0:58)

Hi, it's Mark, and I'd like to welcome our latest guest, who is Gareth Morgan. Hey, Gareth, how are you doing?

[Gareth Morgan] (0:58 - 1:02)

Hi, Mark. Yeah, really well, thanks. Thanks for having me.

Really excited to be here. Yeah.

[Mark Barrett] (1:03 - 1:20)

We've caught up a couple of times, had some, yeah, really interesting conversations. I've got a similar background to myself, mortgage-broken, kind of like helping people buy the house and then helping people with the property investing. So that's all good.

[Gareth Morgan] (1:20 - 1:28)

Yeah. I mean, look, whenever there's property and mortgages involved, it's usually quite interesting. And there's always a few stories to tell.

So yeah, it's been good to catch up.

[Mark Barrett] (1:28 - 1:40)

Yeah. And then you've then kind of gone into property investing yourself. So I think being a mortgage broker helps you understand the funding.

You see clients doing it, and then it's always good to get involved yourself, isn't it?

[Gareth Morgan] (1:41 - 2:10)

Yeah, absolutely. I mean, I've been a mortgage broker for 15 years. I started out as a residential broker, and during that time, I started doing a bit more on the buy-to-let side.

I always kind of had an interest in property myself anyway. Yeah. I couldn't understand how these people were buying so many properties, and I thought they must have a bottomless pot of cash.

And then when you kind of realize they're going through the BRR method, also using other people's money, it's just opened my eyes a little bit. And then that kind of inspired me to really get going on my own investing journey.

[Mark Barrett] (2:11 - 2:14)

Yeah. So for anybody who's not heard of BRR, just mention what that is.

[Gareth Morgan] (2:14 - 2:46)

Yeah. So buy, refurbish, refinance. I mean, you can use that with any type of endgame property strategy, but simply you want to buy a property, add value to it.

And it could be through a refurb mainly, but maybe through planning gain or extending leases or something like that. So you buy it, you refurbish or add value then, and then refinance then to try and release as much of that original capital out as possible. So it means you can just go again and gain some momentum and buy more property with the same pot of cash.

[Mark Barrett] (2:46 - 2:59)

Yeah. Very good. So the property is full of jargon.

So try and kind of like explain things as we go. If anybody doesn't know you, could you give us a bit of background to yourself?

[Gareth Morgan] (2:59 - 3:30)

Yeah. So I'm based in Neath in South Wales. Like I said, I've been a mortgage broker for the last 15 years.

I'm married, got two children who are six and 10. So they keep me very busy. They play rugby, football, netball.

I help out coaching where I can. My wife runs the netball club as well. So she's out a few nights a week.

She's working full time as well. So life's very busy. Yeah.

There's plenty of people out there that can attest to that, plus trying to run a business and do some property stuff on the side as well. Yeah. I don't get much time.

[Mark Barrett] (3:32 - 3:38)

Yeah. I know the feeling. So yeah.

And your business then. Tell us about that.

[Gareth Morgan] (3:39 - 4:54)

Yeah. So like I said, I've been a broker for about 15 years. But about two and a half years ago, I left my old company and bought Prime Financial Solutions and Mortgages.

We changed that then to trade the name of Prime Property Finance to kind of try and align with more what we do. Because of my investing background, I've kind of done most types of property strategies. And so I understand investing quite well now, been investing for 10 years.

And so helping property investors, developers, entrepreneurs get the right funds for their property deals, grow their portfolios, et cetera. So yeah, that's kind of where we find ourselves in that specialist space, really, with more complex investing strategies and deals. Okay.

And how many's in the team? So when I took over two and a half years ago, it was just the two of us, me and the lady that I bought the company off. And we've grown up to 11 staff now over the last two and a half years.

So it's been quite a busy period in growing the business. We've got seven advisors and then a couple of admin and support staff and compliance staff to support those guys, really. So yeah, it's growing nicely, but we're just getting to the right balance in the team now.

Yeah. And you've got a business partner as well.

[Mark Barrett] (4:54 - 4:56)

How did that come about?

[Gareth Morgan] (4:56 - 6:23)

Yeah. So actually, as I was growing the business, I was doing a lot of delivery and I was trying to work out how I could try and get myself out to delivery to be able to drive the business forward. And I thought, right, the next person I need now is to someone that's got the same skills within the specialist finance space, who understands the more complex deals, who can take some of that heavy load off me.

And I knew of Mark, my partner at the time, he had his own company. He's ex HSBC Commercial Banking, but he'd been running his own company for about five years doing specialist space. And I was actually away on a kind of end of year retreat a couple of years ago, yeah, more than a year ago.

And I thought, right, the next hire needs to be this person. And basically, so I wrote Mark's name. Well, someone like Mark, because he's not going to come on board.

And then a couple of weeks later, I bumped into him in a networking meeting and we started chatting and three hours later, stood on the same spot, chatting and kind of values and what we thought where we should be going and various things in the industry. And we just kind of developed that conversation over the following couple of weeks and decided that we merge the companies and move forward together, really. So, yeah, it was just good timing and I guess maybe a bit of a law of attraction thrown in there as well.

Yeah. Yeah. So I was thinking, amazing.

[Mark Barrett] (6:24 - 6:29)

Yeah. And then trading names then. Do you have two different trading names?

[Gareth Morgan] (6:29 - 7:06)

Yeah. So his company, I come from a residential background. So which is regulated, obviously, by the Financial Conduct Authority and we're directly authorized by them.

But Mark's background on the commercial side, bridging development and commercial loans is all unregulated. So he didn't have a regulated side. So we kept his company, Yumo Finance, which just now predominantly deals with business finance, business loans, asset finance and then Prime just deals with any property related activity.

[Mark Barrett] (7:07 - 7:11)

Yeah. On Property Entrepreneur, we talk about wealth dynamics. What's your profiles?

[Gareth Morgan] (7:12 - 8:11)

So mine's a blaze, but I'm probably more blaze and I forget the name of it, the one at the bottom, the yellow one. Tempo. Tempo, yeah.

So I'm probably more blaze than Tempo in that bottom corner. Yeah. Lamex.

I'm really happy getting out and speaking to people who have got no issue with networking and things like that. So business development and sales is quite easy and natural for me. Yeah.

I don't like the detail as much. And Mark's more of a steel creator. So he's quite, he's got dynamo rather and he's quite, he gets a good ideas, but he likes getting into the detail as well.

He loves a spreadsheet. So that amazes me, some of the stuff that he can pull together on that stuff. So, yeah, together, we quite have opposites on the spectrum, which means we can bounce off each other really well.

[Mark Barrett] (8:12 - 8:13)

That's good. Very good.

[Gareth Morgan] (8:13 - 8:59)

And then with Property Entrepreneur, when did you get involved? So this is my second year now. So well, halfway through the second year, I was introduced, I came across Property Entrepreneur.

I knew of Dan Hill a long time ago through the kind of PIN network and seen some of his stuff and followed him for a while. And Morgan Roberts, who's actually from Swansea, I'd saw some of his posts and we know each other. So I bumped into him.

We had a coffee and I asked him to explain a bit more, which he did. And actually, then I asked him for an introduction to Josh Keegan, who helped us with some of our forecasting and things to UFD. And then Josh dragged me along to a Blueprint event.

And yeah, the rest is history, as they say.

[Mark Barrett] (8:59 - 9:05)

Yeah. And then so you're on Advance now. What would you say is the key takeaways for you?

[Gareth Morgan] (9:06 - 9:46)

So I think in my first year, I think like a lot of people probably got a little bit overwhelmed with all the information and all the new kind of terminology and Blueprints and things that are thrown at you. But I really think this year, Sunday Sanity has been brilliant, where you plan your week in advance, really become strategic with what you're doing task wise and focusing as much of your key working hours on your key objectives for the year, really. So that's been a big one for me.

And then just trying to take some of the Blueprints that relate to our business and where we are in the business cycle and trying to use those specifically and grow those and develop those internally. So those are the biggest ones.

[Mark Barrett] (9:46 - 9:53)

Yeah. So you were saying before that teams got involved in that now, they're taking things on?

[Gareth Morgan] (9:54 - 10:31)

Yeah, I mean, they're starting, you know, when the team starts talking to you about winter hit list and various other things, or when are we doing that now? Are we waiting until a different season and various things? So they've really bought into it.

And, you know, the wealth dynamics side of things, there's lots of little things that we've tweaked, we brought in and yeah, they really seem to buy into it and really pleased with the culture now that that's developing here. So, yeah, we're in a good place. But yeah, we're also looking forward to spring.

And there's a lot of last minute tasks going on this week to try and close off as many items as we can.

[Mark Barrett] (10:31 - 10:38)

Yeah. So what do you do? Are you spending more of the time working on the business as well as doing the business development?

[Gareth Morgan] (10:39 - 11:21)

Yeah, one of my kind of focuses last year was kind of moving into the managing director role because obviously as a small business, you're trying to spin a lot of plates and I've tried to recruit people in different areas to take some pressure off me. So that was the big thing. Now, Mark's concentrating on delivery, which allows me to kind of try and focus as much on the business development side, systems, processes, networking, etc.

So that's the plan. And then eventually now the next bit would be to try and get him out of something so that we can kind of focus on growing the business together. Very good, exciting times.

It is, it is. But as ever, it's challenging and exciting. So yeah, we're used to where we've come over the last couple of years.

[Mark Barrett] (11:22 - 11:29)

Good. So just going on to the property investing side, tell us about what you're been involved in that.

[Gareth Morgan] (11:30 - 12:31)

So like I said, I've probably been investing now for coming up to 10 years, done most types of property deals. Ultimately, I got into property for passive income and always been self-employed. So never really had a pension.

I put a bit of money into a pension, but I looked at property portfolios, my pension retirement, never wanted to take any money out of it, put some stuff on repayment. But mainly we were investing for cash flow. But because we were using other people's money, we needed to make sure that we were our return on cash employed, you know, trying to get as much of our money back out as possible.

So that's where the buy, refurbish, refinance model came into it. And then, yeah, I've done a few different creative structures, done lease options. I've done rent to rent, back to back leasing, vendor finance, assisted sales.

So I've pretty much done most different strategies other than the actual ground up development, which is the only one that I haven't done yet. And I'm not too sure I'll be getting into that anytime soon.

[Mark Barrett] (12:31 - 12:35)

Yeah. So what's your main strategy, would you say, at the moment?

[Gareth Morgan] (12:36 - 13:02)

So kind of fell into long term leases a number of years ago through somebody I knew. So our main strategy at the moment is blocks of flats or semi-commercial, so a shop with flats above, let out on a long term lease to housing associations. So that's been going on for about five years now and that's worked quite well.

So, yeah, just trying to focus on that strategy going forward.

[Mark Barrett] (13:03 - 13:11)

OK, and then that leads us into some of the deals that you've done. So do you want to give us an example of like a creative strategy deal?

[Gareth Morgan] (13:12 - 14:39)

Yeah, actually it was one of the first buildings, I remember the first when I was looking back to the right move, it was one of the first properties I'd ever saved. I'd looked at it again and it was there for a while, but then eventually it was a semi-commercial shop with three flats above, but the flats were in a poor state of repair. And because I was a new investor at the time who struggled to get finance on it, I kind of had to think, right, I really want to buy this building, but how am I going to do it?

They didn't have the cash to buy it. So I managed to propose a vendor finance deal with the seller and he was up for it. The only problem was he had a mortgage on it of about 40,000.

So what I agreed with, I agreed with another investor to lend me the 40,000 to pay off his mortgage. And I entered a vendor finance deal with the seller. So he lent me the money back.

Luckily, there was a tenant in the shop already. So that was paying the interest on both the vendor finance and the private finance deal. I lent some money to do the refurb and refurb the property and then refinance to pay the investor and the seller back then once it was fully let.

Very good. And then you just retained that now, have you? Yeah.

And yeah, I've just started to actually go through a refinance on it at the moment and we've added a significant amount of value to that over the years without doing any extra work, really. So it's been a nice property.

[Mark Barrett] (14:40 - 14:46)

That's good. So the actual deal, which we're going to cover, can you give us some background to that?

[Gareth Morgan] (14:46 - 15:13)

Yeah, so like I said earlier, what I tried to do once I got into housing association let's realise this was this kind of strategy that I wanted to focus on. And in the end, we used to kind of try and buy to order effectively. So I would send my contacts some properties that I thought may be of interest and they would be the right property, but it's in the wrong location.

It's the wrong property, but the right location is too big. It's too small, et cetera.

[Mark Barrett] (15:14 - 15:16)

So what kind of properties were they looking for?

[Gareth Morgan] (15:16 - 15:21)

They wanted individual either HMOs of a certain size or individual flats.

[Speaker 4] (15:22 - 15:22)

Yeah.

[Gareth Morgan] (15:22 - 15:35)

We found one which was planned to convert into a block of six flats, a house. So a house into six flats, which they were happy with. And there was also a decent bit of land behind which we saw some opportunity to develop that at the same time.

[Mark Barrett] (15:35 - 15:39)

It must have been quite a big building then to get six flats.

[Gareth Morgan] (15:39 - 16:07)

Yeah, it is a big building. It's not massive in terms of the flat sizes. And I know there's been one of the issues that we had, which we'll probably come on to was the size of the flats.

But they were all they were acceptable in the end. But they're not if they would if you would do a new build, you wouldn't be able to get away with those size flats. Yeah.

Yeah. Because our end user was going to be a housing association. They were happy with the size of the flats, in which case we were happy with that as well.

[Speaker 4] (16:08 - 16:08)

Yeah.

[Gareth Morgan] (16:08 - 17:03)

OK, so that was on the market. And then what happened? Yeah.

So we actually agreed it right at the beginning of Covid. And then obviously Covid happened and that put a massive delay on things. But we took that opportunity of the delay to put in the pre-application with the local authority.

We did that. It was kind of positive in its response. And so we then towards the end of that year, then as we started to come out of Covid, we we went ahead with the purchase, started the work and then we put the application in straight away, plan an application in.

And lo and behold, they refused us. Wow. That was the first that was the first part of it that started to become an issue.

So they refused us. So we applied to convert the house into six flats. And then we went for a pair of semis in the garden.

They refused us on three reasons. One, that the flats were too small.

[Speaker 4] (17:03 - 17:03)

Yeah.

[Gareth Morgan] (17:04 - 18:58)

Two, that the new pair of semis was overbearing on the original structure. But we were we were OK with that because we designed it that the roof lines were the same and there was no overlap, etc. So we were a bit annoyed at that.

And then the third one was that the pair of semi wasn't in keeping with the with the local area. So that's why it was refused. So we went to appeal and the appeal overturned the fact that the flats were too small.

They were happy with the size of the flats. They overturned the overbearing nature of the neighbouring property for the new builds. But they did uphold the property not meeting the local area, which was an issue for us because we designed the actual pair of semis to a pair of semis, a relatively new build pair of semis, which was 50 metres next door, but one.

And what happened, what we found out was that the property had recently been added to the conservation area. And so whilst there's a conservation nearby, what the local authority do, they extended that, extended it, it meant that any new builds within that needed to conform to the conservation area, not to newer planning. I think those the pair of semis was built before it was brought into the conservation area.

So that was that was a headache. So overall, the refusal from the appeal. So then we we said, OK, well, let's leave the land for now, whilst we look for a redesign and we'll just go ahead with the flats.

So we reapplied for the flats only on the basis that we'd won the appeal, that they weren't too small. And the local authority decided that they declined that application as well on the basis that the flats were too small. So just going back on that, whereabouts is the property?

[Mark Barrett] (18:59 - 19:06)

It's in Swansea. And what kind of a property have you used to look outside of it? Was it detached?

Was it end terraced or?

[Gareth Morgan] (19:07 - 19:11)

Detached property at the end of a cul-de-sac, there's no properties around it whatsoever.

[Mark Barrett] (19:11 - 19:15)

Yeah. And do you know the size of the square meterage or?

[Gareth Morgan] (19:17 - 19:20)

Two hundred square meters, but that's a bit of a.

[Mark Barrett] (19:21 - 19:31)

Yeah. OK. All right.

Yeah. And then did you have to comply with like the national minimum space standards or was it kind of like more like a micro flat type?

[Gareth Morgan] (19:31 - 19:43)

Yeah, because of the housing association's involvement. They were happy that they were in social housing and that they didn't have to meet because even though it was a because it was a conversion rather than a new build.

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

Yeah.

[Gareth Morgan] (19:44 - 19:45)

I'd be with the flat sizes.

[Mark Barrett] (19:45 - 19:50)

Yeah. OK. And do you recall what kind of sizes there were?

[Gareth Morgan] (19:50 - 20:06)

Yeah, I think there were one or two. Thirty, thirty one square meters, thirty three, there was three in the low 30s and then 28, 27, I think there was one around the 20 by 26 mark.

[Mark Barrett] (20:06 - 20:17)

Yeah. OK. Yeah.

So it used to do like new buildings like 37. So they are like smaller, but they're probably a bit bigger than a studio.

[Gareth Morgan] (20:18 - 21:11)

Yeah, you know, they've all got, you know, they're all one beds, not studios at all, one beds and they've got their own little kitchenette area and bathroom. So, yeah, I mean, there's massive demand and this is the thing, which is that's the biggest demand in the government they're on about now, you know, there's a big shortage. Yeah, yeah.

The ideal properties that there's demand for. So, yeah, I expect that whilst, yes, it was nice for one person accommodation, for people that want their own space. It's ample.

Yeah, yeah. I get needing bigger space for more than one person. Yeah.

And the tenant type, is it for homeless or what? No, it's housing association, not necessarily homeless. That's more kind of move on accommodation.

So, yeah, it can be anyone who's on the housing list and in need of accommodation.

[Daniel Hill] (21:15 - 22:17)

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[Mark Barrett] (22:21 - 22:35)

So you're putting the plan in after getting kind of like pre-approval, so you think, yeah, happy days and then they turn it down. So you go to appeal and then you win the appeal and then put the application in again and they turn it down again.

[Gareth Morgan] (22:36 - 22:41)

Yeah, so that was a real blow. This is a no brainer now. Yeah, you'd think so.

[Mark Barrett] (22:42 - 22:43)

You'd think so, wouldn't you?

[Gareth Morgan] (22:44 - 23:11)

So that meant we had to go to another appeal, which and obviously this is again out of the, you know, coming out the end of Covid where nobody was in the office, working from home. So everything just took longer. I found getting hold of planning officers just after that period was just really difficult.

Yeah, from the first application to the second application and the appeal, I think it was all in all, it was about 15 months.

[Speaker 4] (23:11 - 23:12)

Wow.

[Gareth Morgan] (23:12 - 23:14)

Where effectively we're just on standstill.

[Speaker 4] (23:14 - 23:15)

Yeah.

[Gareth Morgan] (23:15 - 25:50)

And we're trying to figure out what we're going to do. So, you know, the project should have been in and out in 12 months. So yeah, as you can imagine.

And then because of the boost that we had in terms of housing and refurbs, people doing the work to their own homes during that Covid period, inflation, the cost of materials just, the cost of labour went up because of some of the quirks within the planning then caused us additional costs on the actual refurb itself. So what happened next? So, yeah, so eventually we, so like I said, so the one of the things that came out of it was we had to, because we had to have parking on site, even though there was on road parking and then there was no other properties around, we had to have car parking on site, which meant, I'm not sure if you're aware of this, but there's something called SUDS and SARB, so there's a sustainable urban drainage scheme. It's a bit tighter in Wales than it is in England at the moment, but what that means is because of all the flash floodings that's happening, waterways aren't designed for the amount of development that's going on, as obviously water hits more rooftops and it's into, it gets into the gutters quicker. So if you take a feet, saturate naturally into the ground, now that it runs into the channels quicker, more water's hitting those waterways and it's causing these sort of flash floods.

You've got to design, if you've got tarmac, it's got to be permeable and you've, it's got to have certain sub-base and it's all going to be designed and it's an application that needs to run alongside your planning application. Right. So that added 30 plus K to the, just to have that car parking area.

So yeah, that was a painful blow. The extension, as we were doing some work in the extension, realised that it was just built on top of a patio and it had no foundations, so that had to be taken down and rebuilt. So yeah, there was a few things that cropped up along the way.

Plus, you know, sprinkler systems, we knew about the sprinkler anyway, fire curtain in the ceiling because it was a void in the ceiling around in the flats. So then well, this fire separation stuff was increased in terms of building regs. Got to make sure that the fire curtains for the ceilings, that wasn't cheap.

So yeah, a few things added on to the cost of it. And obviously just the duration of the project, it dragged on for so long that, yeah, holding costs just mounted up a bit on us.

[Mark Barrett] (25:50 - 26:00)

Yeah. And then what happened then? So you did the build and then, so what did you, that was with the house.

And then what about then the land at the back?

[Gareth Morgan] (26:01 - 27:11)

So yeah, we looked at a couple of different options, but kind of during this time as well, I kind of parted ways with my business partner at the time. And so that caused some, some headaches for us. And we, we didn't really want to spend more money to try and get planning on the land whilst then working out where is it, are we going to develop it out anyway?

So we just decided to kind of look to see and sell that. So we managed to get a sale on that at about 45,000 just for the land without planning. So, so that was good.

And then that just allowed us just to focus on getting the flats finished and getting it over the line. And we ran out of money then because of the costs. So we had another property that we, a flat that we owned with no mortgage on it.

So we thought, right, we'll sell that to finish the project. We were selling to a first time buyer and that with no chain whatsoever, just us. And that took seven months because of the sort of conveyancing and everything that was going on in the market at the time.

So yeah, it was, it was an extra challenge thrown at us, but there was lots of challenges put it that way. And I'm, I'm always glad to see the back of it.

[Mark Barrett] (27:12 - 27:19)

Yeah. Yeah. Yeah.

So what happened then with the, the, the property converted into six flats?

[Gareth Morgan] (27:19 - 29:02)

Yeah. So it converted into six flats, finished the project. And then because I've worked with the housing association before on these types of deals, I kind of knew that the legals would take a while.

So, you know, I knew kind of started that process six months before the end of the project to make sure we're all going to kind of align nicely. And lo and behold, that process probably took 12 months. So that day, the product probably finished and still for six months later, it took to, to actually get it over the line.

So it was, again, it was just a bit of compounding misery there, but yeah, we got there in the end. Yeah. Yeah.

The, the, the shining light of it is that, you know, it's six flats or the financial fortress, uh, well, you know, well-constructed, um, we've got a long term lease with the housing association. So it's, you know, guaranteed rent effectively, no voids, no management, no maintenance. So for me, that's kind of the ideal from a passive income perspective and a kind of cashflow as well.

So, or, you know, it wasn't a bad deal. It's just, it's not a good deal by our circumstances and the way we would like to do them, uh, and the normal, uh, and the normal deals that we've done, um, terms of timeframes and costs and things, but you know, we watched his face pretty much in the end. Um, we had a couple of investors on the, on the deal as well.

Uh, obviously we kept in constant communication with them to make sure they were updated with what was going on and, and kind of, uh, they were fine. They work well with us. They were happy.

Obviously their interest interest was piling up. So yeah, that was all good. So yeah.

Nice to see the back of it, as I said.

[Mark Barrett] (29:03 - 29:19)

If you was to find a similar project now, and then you would then, um, what would you do differently? Do you think having gone through that, which is probably a lot of things have gone wrong that may on other stuff, not go wrong. So what would you do differently now?

[Gareth Morgan] (29:20 - 31:06)

I think the conservation and the pre-planning application, I think that was a really good, um, learning curve, because I think we probably on the basis that we'd had a confident pre-app, um, that we were happy to just plow on and get on with it, but obviously there's, it's not all encompassing. So I think we need to look deeper on that next time. And obviously the conservation area, making sure if there is conservation areas around, have that been updated at all, uh, recently, and that was that wouldn't have affected the, uh, the conversion necessarily.

Um, so that was probably the bit on that and obviously working with the, with the housing association. I know there's a, there's a big demand now for support to live in and, and, uh, various providers and working with local authorities and charities. We do, we deal with a lot of those types of mortgages, uh, at Prime Property Finance.

So we, we used to deal in with those and there's a, they seem to be on an uprise. Now people wanting to switch their properties to these leases. It's just, and then those legals, they do take time making sure, you know, got the right lender in place and they're happy with the terms of the lease.

Um, and obviously from a cost perspective, different providers will have a different spec. Um, and when I say spec, the different quality of property. So some of them will say, we need to have this kitchen.

We need to have this flooring. We need to have these doors, these houses, et cetera. So there's minimum standards and that changes dependent on provider.

Uh, some are very high standard for what they are and that there is a little bit more light touch. So, um, it's really understanding if you, if you've got an end user in mind, who that is, what, and then actually costing out that spec, uh, upfront.

[Mark Barrett] (31:06 - 31:23)

Yeah. So, um, as far as lenders are concerned, what was like the appetite for like supported living accommodation and then maybe kind of anybody that might be interested in going down that route, what's some of the key things they need to bear in mind?

[Gareth Morgan] (31:24 - 33:01)

Yeah. I think a lot of the people that we've spoken to is just kind of understanding. So, um, first of all, it's the lease.

It's all about the lease. Yeah. Some of the leases, what we see in our, we are direct to the provider, middleman.

Some have a provider and then they have the care provider that sits underneath providing the care. And so then that becomes a form of subletting or a sublease, in which case a lot of lenders don't like that arrangement. Um, so, you know, but definitely there are lenders that will do that.

Yeah. Effective is a commercial lease, in which case you're looking at a commercial lender, um, and the rates are more commercial, of course. So, uh, that comes at a cost.

Whereas what we are seeing that people are looking to switch their normal stock. So let's say for instance, a HMO, um, that they've got onto, you know, students or professionals, they'd like to switch that, um, whereas they go in from a standard HMO mortgage, they don't want to jump to a commercial mortgage interest. And so what we're trying to do is find this middle ground of the specialist finance, and we've got a number of lenders that we're working with in that space, um, that the rates are more expensive than the kind of standard rate that you get benefit.

And this is for the client to work out whether it's worth it or not. Higher interest rate to then not have to have bills, maintenance, void, balancing the cashflow compared to the headaches that go with running a running property portfolio.

[Mark Barrett] (33:02 - 33:08)

Um, and just ballpark numbers, loans of values and, um, interest rates at the moment.

[Gareth Morgan] (33:08 - 34:45)

So again, this, and this is very much dependent on, um, what the lease states and the set up also, what you'll find is it depends on the tenant type. So yeah, and user, so you've got some lenders that will accept sort of homelessness, you've got some homelessness, ex offenders, um, victims of domestic abuse, but then they won't accept the asylum seekers. Yeah.

There's quite a big market at the moment for, for people with asylum seekers, um, refugees, um, other, um, aspects. So supported living and, and, and this space is quite a specialist space, but it's quite broad as well. And so we need to get an understanding of, you know, who's the least who's because as well, who are the provider?

Cause some of these providers haven't been around long things. The lender will do is kind of do some digging on the provider to see what's their balance sheet. Like what's their history?

Like what, you know, what are the reviews like effectively? So many parts to it, but I mean, in the main, if we can get it with a specialist lender, we're looking at 75% loan to value and then, you know, you're looking at rates starting with a six rather than anything lower than that. So, um, yeah, that's kind of, it's difficult to, as you know, there's so many variables, it's just the property type, the tenant type and the lease is just one host of other criteria that you need to meet such as your experience as a landlord and your background portfolio, et cetera.

So there's a lot of moving parts.

[Mark Barrett] (34:46 - 34:56)

Yeah. Okay, good. No, I thought that's been useful.

So just going through the numbers then, the deal, can we just go through the purchase price, the refurb, um, taking into account the land?

[Gareth Morgan] (34:57 - 35:03)

Yeah, we paid 180 for it. Uh-huh. Um, the refurb was probably about 200K.

[Speaker 4] (35:03 - 35:04)

Yeah.

[Gareth Morgan] (35:04 - 35:11)

Plus some holding costs on top of that. Yeah. You racked up a little bit because of the time of the project.

[Speaker 4] (35:11 - 35:11)

Yeah.

[Gareth Morgan] (35:12 - 35:57)

Um, we ended up selling the land, um, for about, for 45,000. Yeah. And then, and then the flats were revalued at 350, um, for the six flats.

So all in above 400K, uh, GDV. So it pretty much, like you said, wiped his face. Yeah.

Which was frustrating, but obviously we've covered off some of the reasons behind that. And there's a lot of lessons there that, uh, plus the timing with the whole COVID thing. Yeah.

Yeah. Yeah. Cashflow wise.

Cashflow, just cashflows over just over a thousand pound a month. Yeah. 500 a month, so about 15K a year.

And so, you know, in terms of return on, I think it's about eight and a half percent. Uh, gross yield. Yeah.

Yeah. Which is good for that.

[Mark Barrett] (35:58 - 35:59)

Essentially that buy to let.

[Gareth Morgan] (36:00 - 36:30)

Yeah. It's buy to let, you know, um, six individual units, long lease, like you said, and that's eight and a half gross yield, but it's also eight and a half percent yield because there's no other kind of costs with it. Uh, and in terms of return on cash, I think it's about 17%, something like that, so that's less than what we would usually typically look at it in a deal, um, but it's still a really good, you know, return, isn't it?

So yeah. Yeah. So yeah, it's not all bad.

[Mark Barrett] (36:30 - 36:50)

I think that's, that's one of the things with, um, property is that there's so many kind of like variables that you kind of like, you don't know until you kind of like do a particular project. So, um, yeah, I think, but then again, if you get too risk averse, you don't do any projects. So.

[Gareth Morgan] (36:51 - 37:49)

Yeah. And it's interesting. I think, you know, I've spoken to a couple of people on this recently.

It was like, if you knew everything, if you knew when you started everything new today, would you start, you'd have to be careful, uh, from that side. But ultimately I think you have to be a certain type of character to be involved with property and especially the more complex stuff with development and leases, because there is a lot of admin that goes along with that, not just, you know, used to be able to kind of, if you bought a mid-terrace, you could just throw a build team in there and quick, turn it around and refinance it out, et cetera. You know, those kind of straightforward, but everyone's looking for those deals at the moment.

So, uh, and you can't turn those around as, as likely as you used to be able to. It is quite difficult. So if you want to kind of get into a slightly different space, a bit more specialist that comes with more, because if it was easy, everyone would be doing it.

Of course. So, um, it does come with some extra complications.

[Mark Barrett] (37:49 - 37:56)

Yeah. So that leads us into our top three tips. So could you just go through those, uh, with us, Gareth?

[Gareth Morgan] (37:56 - 40:38)

Yeah, I guess the first one is, like I said, around the due diligence, I think, um, you know, and that conservation area piece was probably quite an important one. Um, not sure how that was missed or whether it was missed or whether it changed during the timeframe, but it, the air, there was a conservation area nearby and the local authority decided to actually extend that area out in a project that's near a, um, conservation area, not even in it, then that's worth, uh, investigating a little further. And again, you know, the extension, um, we, we didn't really know that the extension was built on top of a patio and had no foundation.

So, you know, a bit of extra due diligence on that, but possibly would have avoided having to rebuild that. Yeah. And then the next one.

Oh, yeah. I think, um, the, the next one is around the costs and timeframes. Like I said earlier around, if you are dealing with, you know, specialist providers, what is their spec for instance?

So if you might go in and renovate, um, six flats, as an example, um, you'd go in and you'd put in the most basic floor in knowing that the, you know, the, for that tenant type, whereas when the provider then turns around and says, actually we want this floor in, which is the most expensive LVT you can get, then, uh, that comes at a cost, you know? So, um, there's a couple of little things, making sure, you know, what, who are the end user, what do they have their own spec, a lot of housing associations and charities, kitchen or a certain paint on the walls or use then. So if they need to do maintenance, they've got that or change the door handle or whatever.

So maybe making sure fully costing out those, that spec, timeframes, you know, um, again, you know, if you, if you're dealing with these things, making sure, you know, the mortgage process isn't the quickest, especially when there's leases involved and then dealing with solicitors of that you can't control, you know, with the housing association and things like that, then, um, those things can take more time than maybe you'd anticipate.

So just having your eyes wide open, uh, on, on the, one of the most common things that I see on, um, on a daily basis was when people present deals to us to try and finance for them is that they probably under, under egg the refurb and under egg the time that it's going to take to complete the project. So that's where we kind of try and add some value there to make sure they fully understand that they've covered everything. Yeah.

Okay. And then the next one. And then the third one is probably about resilience.

I think it's a self-belief and, and I like the saying you can't lose if you don't quit.

[Speaker 4] (40:38 - 40:38)

Yeah.

[Gareth Morgan] (40:39 - 41:45)

I think having, you know, coming to, you know, being a business owner, uh, and into property investing is there's always ups and downs. So I think it, you know, it teaches you resilience. Um, I think my stress levels, uh, pushed and pushed higher and higher.

So I don't seem to get as stressed about things. And yeah, I think that was difficult. I think you just got to keep on going.

And there was probably a couple of times during that project where we thought, oh, let's just kind of tell it as it is. Um, let's get out of here because obviously through development, you go through a bit of a J curve where actually the value of the property get goes down before it goes. Yeah.

And we were probably in that bottom of the curve and we were thinking, hang on, we've got to spend more money now to get this project finished. Um, but actually that isn't when you stand back and evaluate everything, that isn't the right thing, you know, that you need to go. Well, yeah, this is the right thing.

We've got to get ourselves out of here and just going to keep on going. And I think there was definitely a few sleepless nights. Um, tough times make tough people as well.

So I think all adds to that. And it's a good experience for just in life in general, isn't it?

[Mark Barrett] (41:45 - 42:02)

Yeah. Yeah. Yeah.

I've been in that club. So I know, um, Dan, what I'm saying is failure is not an option. So yeah, I think it's, um, always looking for, you know, different scenarios and, uh, looking for the best option to be able to get it to completion for sure.

Yeah.

[Gareth Morgan] (42:03 - 43:00)

Yeah. And I think that comes down to having good people around you as well. Like, you know, you know, a close network of trusted people who have been there and done it and are able to share their own experiences and meet things.

Um, cause sometimes you can't see the wood through the trees either. Can you? And you, you, you're very blinkered and just know that I've got similar experience of being through it and I can get offer some guidance.

I'm lucky. I've got a couple of people around me like that, as I'm sure you haven't. And within the property entrepreneur community, there's lots of people who have done different types of structures.

And I think. Ian having the ability to, uh, open up and reach out for support when you need it. Yeah.

You bury your head in the sand a little bit. Yeah. A lot to be said for just saying, well, I need to help you.

Um, reaching out because lo and behold, um, as, as we've alluded to already, that, you know, most people have done different types of property deals have come across issues and challenges.

[Mark Barrett] (43:02 - 43:35)

Yeah. Property can be a lonely business and, uh, yeah, it's good to have that support team around you or people that have been there beforehand. Yeah.

So, and I really appreciate you coming on and doing this because obviously we could have covered some other deals, which have kind of like, you know, better figures, not, not had any issues, but it's always good to get that balance. So you kind of like doing the podcast. It's not always about the, the kind of like deals that have gone, gone the best.

I think this is really good because it covers off things that you wouldn't necessarily expect.

[Gareth Morgan] (43:36 - 44:36)

Yeah. I mean, look, it's easy to just come on and think, oh, we did this deal. We did that deal and everybody, you know, that's all nice to look at, but I think sometimes in, especially in the property space, um, it's too easy to get caught up with it's get rich quick.

Um, it's easy to do and the realities of, you know, especially development to, um, with, with increasing regulation, um, and building control and all the other bits of the fire safety and things. I think people need to go into it with an open mind and really making sure that they've got the right people around them. They've got experience doing these types of projects.

Um, and I think there's more learnings in the ones in the, in the challenging. Absolutely. Yeah.

That's where people can get value from because nobody wants to hear, oh, we did this and we did that, and it was a great deal. It was easy, you know, because it is. Yeah.

I think the values in, in, in, in the difficult ones and how you, how you dealt with that and how you managed to overcome those, those challenges and obstacles.

[Mark Barrett] (44:36 - 44:48)

Yeah. I think one of the things that you said before is that communication with all the stakeholders. So you've got investors just keeping them up to date.

And so everybody's aware.

[Gareth Morgan] (44:48 - 45:19)

Yeah. I mean, it's important that people trusted us with their money and they want to know that they're getting it back. And of course, you know, some in, with all the will in the world, you know, things don't always go, go to plan.

So yeah. Hold them for us to, you know, that we kept constant communication with them, made sure that they understand, um, give them updates as to what was going on and why, and, and, um, yeah, luckily they, they've been working with us on other projects, so they knew we were, um, good for our word and things. So we just wanted to make sure that we repaid their faith and that kept in touch and paid them back.

So, yeah.

[Mark Barrett] (45:19 - 45:20)

That's good.

[Gareth Morgan] (45:20 - 45:38)

Okay. Gareth. So contact details.

So I I'm on Instagram is Gareth Morgan property, uh, on also on Facebook. Um, and then our company website is prime property dot finance and telephone numbers 0 1 6 3 9 500 8 4 1. Great.

[Mark Barrett] (45:38 - 45:43)

We'll put those on the show notes. Is there any particular types of people you'd be interested to speak to?

[Gareth Morgan] (45:44 - 46:37)

Yeah. I mean, obviously from a, from a day job perspective, we work mainly as we we've spoken about with property investors and developers looking to do new build sites or conversions or whatever, but also we just do straightforward mortgages. A lot of the stuff straightforward by to let, uh, or people just looking for, uh, to move home or first time buyers.

So anyone looking for any sort of mortgage or property finance advice, um, then please get in touch. And then in terms of from an investing perspective, um, we'll be looking at blocks of flats in South Wales. And that's my ideal kind of, um, strategy.

So anything six units or above really in the South Wales area, I'm interested to. To look at, and also, you know, we're always looking for more people to work with on a, on a finance basis, you know, to invest in our deals. So, um, if anyone's looking for, uh, to invest in any deals in South Wales and, um, be keen to chat with them as well.

[Mark Barrett] (46:37 - 46:41)

Great. All right. Cheers guys.

Good to catch up and speak to you soon.

[Daniel Hill] (46:45 - 47:29)

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