

A PROPERTY SAFETY NET!

By Mark Doyle

In a departure from Mark's usual focus on structural issues, in line with this month's theme of taking time out, he shares his experience of when life has intervened and forced him to step back for a while. Life has a tendency to throw curve balls and property can provide a very good cash flow safety net.

We've been involved in property investing since 1991. Our focus for many years was initially our careers and a variety of businesses, some of which we even made a little money in. However, year after year we accidentally did well in property. There was no grand design or plan, we simply took advantage of whatever property came along that we thought we could make work for us.

Our first few years were spent doing flips, then we built a BRR portfolio of BTL properties and latterly we've moved onto commercial conversions, blocks of flats and larger projects. We never realised how important in future these decisions would be.

Safety Net: "a safeguard against possible hardship or adversity"



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CASE STUDY 1

JUST OFF CABLE STREET,
LONDON, E1

Our first ever property investment. A 35sqm one-bedroom third floor flat. We refurbished the entire flat but pulled out the bathroom, put in an external window to create the second bedroom and made a 'jack & jill' en-suite in the main bedroom.

Photo 1:
Floorplan
One-bed flat

THE NUMBERS

Purchase price
£22,000
Refurbishment
£10,000
Sold price
£58,000



TOTAL APPROX. FLOOR AREA 35.2 SQ M (379 SQ FT)
Measurements taken from the floor to the ceiling of the room plus the area of the room. Measurements of doors, windows, rooms and any other items are approximate and no responsibility is taken for any error, omission or inaccuracy. This plan is for guidance purposes only and should be used as a guide to the prospective purchaser. The services, systems and appliances shown have not been tested and no guarantee is given for their condition or efficiency. See the plan.
Made with SketchUp 2018

MARK'S 5 TIPS FOR BUILDING A PROPERTY BUSINESS, WITH PAIN AND HEALTH CHALLENGES!

- know your own pain really well, and what works for you
- be honest with yourself, find out what is bad for you and don't do it
- get off prescription-based painkillers (they're addictive), look at other forms of treatment and pain management
- always stay busy and active
- never take excuses from yourself

A GREAT EDUCATION, A GREAT JOB, BUT NO SECURITY ...!

Thanks to our parents, both of us had a great education: Claire at Leeds University and through living in Hamburg, Mark at Liverpool University and Imperial College, London. For a while, we were based in London with demanding careers. Mark had a diverse background working on the oil rigs in Africa, the Middle East and the North Sea. He served in the Royal Engineers and then as a consulting engineer on major projects in the UK from the residential development of 250 contaminated British Gas sites to designing Crossrail, and even expert witness work in Parliament for the Jubilee Line. Claire became a marketing specialist with a UK manufacturing company with links to Germany, then was responsible for a major part of BT's retail marketing programme in central London. But alongside all this, we also set up several businesses, always wanting to do something more for ourselves.

However, Mark had been hurt playing in a charity rugby match and ended up in traction at St Stephen's Hospital in Fulham. Several years later, a head-on car crash in Staffordshire left him in the Radcliffe Infirmary in Oxford with spinal compression damage from C2 to T1. A C5/C6 cervical fusion operation followed, which at the time involved breaking Mark's hip and taking a piece of bone out to insert into his spine to fuse the joints. During these early years, he was in a lot of pain, on medication and couldn't go to work. Although he was a Chartered Engineer and senior in the practice, his firm found a clause in the contract which allowed them to walk away from any responsibility, so we were on our own. But we had a few assets, some minor business income and as we kept on doing property (see **Case Study #1**), we made some money.

IS MOTIVATION A PULL OR PUSH THING FOR YOU? DO YOU KNOW WHY YOU “DO PROPERTY”?

Early on, our motivation in buying property was about making some extra income and the fun or challenge in finding how to add value to a house or building. After Mark’s injury, we were pushed by our circumstances and we **had** to find a way of being quickly self-supporting and not reliant on a job income, and property was one of those solutions for us. We’re not saying that property isn’t hard work - it requires a lot of work, drive, enthusiasm and passion but that’s the same for anything that you want to succeed at in life.

Does anyone know the answer; does gravity pull or push? Are you pushed by your circumstances or pulled by your dreams?

finance’ and we thought they were bonkers. We saw lots of ‘get rich quick’ wacky ideas like ‘Inside Track’, or risky 100%+ lending. Perhaps we were naive but we’d like to think that in our experience in property, “if something looks too good to be true ... it is!”

Ultimately property has a ‘limited’ defined value. So “if something seems too good to be true then it usually is”!

We had to be careful with our investment pot, but once we had around ten BTLs we managed to get by. We started to learn about other investment models and the more we were on the lookout for information, we started to hear about a few other people in the UK starting to run professional trainings in London (ie Dr Ro), the Midlands (ie Simon Zutshi) and somewhere out east (ie Mark Homer & Rob Moore). We made the effort to attend various meetings and events.

THE EARLY 1990S & 2007-2009 RECESSIONS

There are certain things that stand out property wise from the recessions that we’ve been through, and these include:

- demand for BTL units increased as the number of people renting increased
- voids decreased as fewer tenants changed properties
- demand from benefit tenants increased
- lots of good value property-buying opportunities
- tradesmen available and keen to work
- higher cost properties in the south typically dropped in value by around 30% (but bounced back)
- lower cost areas (Midlands, North, Wales, Scotland and Northern Ireland) typically dropped in value by 10%-15% (but bounced back)
- cash flow increased

CASE STUDY 3 CHESHIRE

We bought this former greengrocer’s shop (Class A1) at auction. After structural works, including the re-creation of the ground floor bay window with new stone lintels/cills and the addition of services, we converted this into two flats, a four-bed and a two-bed.



Front view of greengrocer’s shop



Rotten steel supports



Completed bay window

THE NUMBERS AS A BTL

Purchase price (auction)	£115,000
Refurbishment	£35,000
Legals	£700
Rent pcm	£1,025
Mortgage payment pcm	£258
Re-mortgage	£138,000
GDV	£280,000

CASE STUDY 2 LANCASHIRE

An end-terraced double-fronted hairdresser’s shop with an office above. This property was in very poor condition and was the only shop (in a residential area) on the wrong side of a road. Planning permission was obtained and the property was converted to a large downstairs one-bed flat, an upstairs two-bed flat and an advertising hoarding on the gable wall.



‘Alter ego’ hairdresser’s shop conversion



Downstairs kitchen



Downstairs lounge

THE NUMBERS

Purchase price (cash)	£47,000
Refurbishment	£30,000
Legals	£1,000
Rent pcm	£950
Mortgage payment pcm	£414
Re-mortgage	£100,000
GDV	£165,000

KNOW YOUR STRENGTHS

We have always tried to focus on our strengths in buying property so, whether we buy at auction, on the high street or go direct-to-vendor, we usually buy ‘problem’ properties to which we can add value. These properties always needed work so we thought we might as well work on a couple of units at the same time. We aimed for higher cash-flowing multi-unit properties to retain (see **Case Studies #2** and **#3**).

Every house or building project brings its own set of challenges, whether they’re planning issues, damp or structural defects. With Mark’s background as a chartered engineer, we were able to turn his experience into a plus for us so that we could buy buildings that some investors may not consider.

NURSING HOME FEES

In 2007 a close family member was sectioned by a psychologist and placed in an EMI unit in a nursing home. The monthly fees were invoiced at £860/week but this rapidly increased to over £1,000/ week. Four years later when the member of our family sadly died, we had spent over £200,000 of our savings and investments. Life is very good at teaching lessons on how not to be complacent and take things for granted, but without our property business we would not have been able to provide the care we really wanted to.

CASE STUDY 4 GREATER MANCHESTER

At one stage we owned a hotel and restaurant (883m²/9,500ft²), with x120 covers, ten en-suite rooms and as many as 52 staff on the books. As the building was an old church, we were keen to work with the authorities to sympathetically develop the building. Planning permission was sought and granted for conversion to 17 flats, with mezzanine floors.

THE NUMBERS

Purchase price (£385m²/£36/ft²)	£340,000
Fees ca	£30,000
Conversion (£753m²/£71/ft²)	£665,000
Total cost	£1,035,000
GDV (ca £1,530m²/£142ft²)	£1,350,000



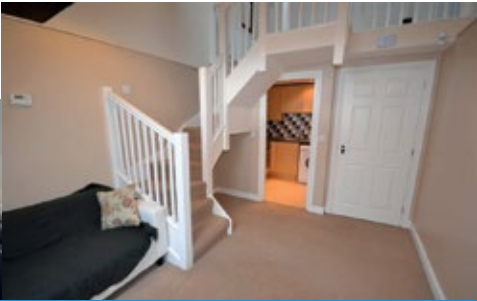
Front view of hotel and restaurant



Original interior



Completed flat



Our focus has changed over time. We’ve bought, refurbished, kept or sold properties through two periods of recession and have adapted our strategies to fit the market economy. We now have a mixed portfolio of single let houses and flats and HMOs, and we work on larger projects with the primary aim to refinance and retain within our portfolio. However, we also develop to sell on (see **Case Study #4**) and consider ourselves to be ‘property generalists’.

PROPERTY IS AN ASSET

Developing our property portfolio over the last 27 years has been fun, challenging, rewarding, frustrating, annoying and uplifting in equal measures. It has made us be creative, solution-oriented and given us an “out of the box” way of thinking. It has given us moments of laughter and tears, but most of all it has given us the opportunity to work together and to be independent of a job income, from a time when even though Mark loved his job, he was not physically able to work. He still has health issues and pain from his spinal condition; however, through property he has been able to work around that.

CONTACT

Mark is happy to mentor or chat with anyone that may need some assistance and can be contacted at: **mark@cheshlancs.co.uk** or via **www.cheshlancs.co.uk**

Mark and his wife Claire have well over 20 years’ experience in BTLs, HMOs, developments and conversions. Today, Claire runs their business while Mark’s chartered engineering background allows them to work on properties in poor condition.

