PEOPLE IN PROPERTY Kiran Patel

Kiran Patel and his partner Joanne Heriot have had an incredibly busy few years turning £30K of savings into £300k cash in the bank using the flip strategy. Alongside this they have invested in HMOs to provide a baseline monthly income. In this month's people in property article we explore how using a combination of strategies can help you to achieve truly phenomenal results and explore what mind-set, networks and systems you need in order to achieve these things. We also explore how to upscale your property investing successfully by working with business partners and JV investors.

YPN: So Kiran, let's find out a little bit more about you. Where are you based?

Kiran: We are currently based in Sheffield but have only been here for around a year. Previous to this we spent 10 years in London working in finance. We spent a lot of that time looking at ways to escape the rat race.

YPN: When we hear people say they are looking for a way out particularly when living in London, it is easy to see how difficult this might be when working in something like finance as we imagine that it is pretty well paid and you get caught in a bit of a trap. The cost of living is expensive and most people have a certain lifestyle they want to lead so you trade your time doing something you don't want to do for money. Is this what happened to you?

Kiran: Absolutely, Joanne and I met when we were doing our Chartered Accountancy training contract. During the recession in 2009 I was made redundant whilst Joanne kept her job. It was a harsh wakeup call of how uncertain employment can be and it made me take a look at what I was doing. I wasn't enjoying my job and so I took a year out working for PETA through the Vodafone World of Difference scheme. I didn't really know much about property at this stage and Joanne and I dreamt about opening a vegan café to follow something we had a passion for. However the figures never stacked and we realised that it still wouldn't free up time for us.

After about a year I went back into the world of finance and started saving for the next project although we weren't sure at this stage what this was. We saved hard and cut back on everything we could and by early 2012 we had saved up around £30,000.

We had always liked architecture and we used to take long walks around the London suburbs admiring period buildings. We became interested in property values and it fascinated us that similar properties would sell or be worth such different prices. We became very good at identifying potential in properties that could be refurbished for a profit by adding an extension for example or restoring period features. So we decided to invest our £30,000 in property.

JOANNE & KIRAN

YPN: In property we can often become quite blasé about large sums of money but actually saving up that amount of money is really hard work isn't it and sometimes £30,000 doesn't go very far does it?

Kiran: Yes, we all know what London prices are like and at the time were renting in central London but we soon realised that East London was the only way to go as it was slightly cheaper than other parts of London. So we looked around for properties with value-uplift potential and eventually found a probate property that wasn't selling. We started to show interest and manged to gazump another bidder and secured it for £300,000. There were properties selling nearby for £500,000 that didn't have the unique selling points of this house. It was a lovely detached property, with Victorian features and character and a wonderful large garden on a quiet street in Zone 3 East London. However, it hadn't been touched since the 1960's, the walls were crumbling and the kitchen consisted of only a sink! Other people, including other investors just weren't interested, I think they thought it was a money pit. And in hindsight, we were a bit crazy, we didn't really think about funding the refurbishment, we just wanted to secure the property as we knew its true value.

We took out £20k of personal loans, store credit and credit cards but these only went so far. When all our finance was used up we were still left with 2 walls knocked down, all the plaster hacked off, only 1st fix plumbing and electrics, and the walls still not re-boarded. It looked even worse than when we started. So we took a break from the refurb and decided to live in it for a bit just as

> *"We took out £20k of personal loans, store credit and credit cards but these only went so far"*

it was, whilst making cheap but effective cosmetic improvements. In 2013 we learned more about Debt consolidation and because we had made improvements and all the structural issues had been resolved, we were able to access additional borrowing of £40k. We then finished the works at the end of 2013.

Joanne is extremely creative and dressed the property well to create a lovely homely feeling. The estate agents valued it at £500,000 and against their wishes we put it on the market at £550,000 and it sold for £550K within 2 weeks. We made £150k profit and that could have been £200k with our current experience.

YPN: So you lived in the house when you did this project?

Kiran: Yes, it was a case of getting up in the morning and brushing each other down before work as we were covered in dust! It suited us at the time but it is not something we would do now, however at the time it was fun and we had done thorough due diligence so we were confident with what we were doing.

Case study 1

LEYTONSTONE, ZONE 3 EAST LONDON

3 BED VICTORIAN DETACHED HOUSE

FLIP

- Purchase price: **300K**
- Project costs: **£100K**
- Sales price: **£550K**
- Profit: **£150K**

Exterior Front - Before

Bedroom - During

Kitchen - After

Bedroom Before

Exterior Front - After

Exterior Back - After

YPN: So this was a successful venture?

Kiran: Despite having large costs like early redemption fees and estate agent costs, which we know to avoid now, we still turned our £30,000 savings into £180,000. We purchased at £300K, project costs were £100K, the sales price was £550K meaning the profit was a phenomenal £150K, with which we were really happy.

YPN: Wow, this was a real labour of love, did you ever have any doubts?

Kiran: Yes, we did have moments when we thought 'what have we done?' But we were both really positive and wanted to make property work for us. As accountants we are also quite risk-averse so we had about 20 spreadsheets for everything (!) and we really did do a lot of due diligence. The profit is in the buying, if you buy well projects can be very lucrative.

YPN: So, when you had this success, what was the next step for you? Did it make you think 'wow, this could be the start of something big?'

Kiran: We bought this in 2012 and finished in 2013 so although it was a very successful project it took a long time. We decided that this buy-refurbish-sell model was a good one for us, so we decided to rinse and repeat but work to a much quicker time scale in 2014.

I quit my job in order to focus on the next project and handed my notice in on the day we exchanged contracts. We had a larger budget so searched more broadly within the M25 and found a 4 bed detached, Edwardian house in Purley, zone 6 Greater London. It was ugly, tired and out-of-date but it had large rooms, a large plot and views over scenic farmers' fields. The Vendors were siblings who were selling their childhood home and this gave us leverage with negotiating the price as they would be splitting the proceeds amongst the four of them. We did our homework and although it had been marketed for a year at £500k, smaller houses were selling in the area for £650K+. So we placed an offer and the sale was agreed for £485K. We then agreed £463k following a down-valuation by the lender's surveyor. This was very cheap for the potential we saw.

YPN: So at the point the lender's surveyor has down-valued it and you have seen that no one else is interested, did you doubt or question yourselves?

Kiran: Yes, we did but we took a lot of confidence from the first one. And this is why we kept looking at other houses. People were buying in this area and houses weren't staying on the market long. We checked out the

> *"This was the last project that we lived in, as we were getting a bit tired of living in a building site!"*

Case study 2 PURLEY, SURREY

4 BED EDWARDIAN DETACHED HOUSE

FLIP

- Purchase price: 463K
- Sales price: £700K
- Project costs: £117K
- Profit: £120K

Kitchen Before

Exterior Rear - Before

Kitchen - Mid Works

Exterior Front - Mid Works

Exterior Front - After

Exterior Rear - After

Open Plan Kitchen - After

local schools, which were fantastic and it was only a short distance to the train station for central London commuters. Apart from the house being ugly, we really couldn't see why it wasn't selling as to us the potential was obvious. On the outside there was a horrible 1960's extension, the windows were cracked and rotten, and the decor hadn't been touched since the 1970's. The bathroom didn't even have a shower just a yellow bathtub. It was liveable, but just not desirable.

This was the last project that we lived in, as we were getting a bit tired of living in a building site! However we could see that we could make a six-figure profit again putting us in a strong position for our next step. We made some key savings on this project, such as using Sarah Beany's Tepilo estate agency. This allowed us to do our own viewings, which was key as we firmly believe that we were in the best position to sell our own house. We also invested in a good professional photographer, which was key to the marketing of the property. The house sold on the very first open day we had. The project costs were £117K, and we achieved a sales price of £700K, giving a healthy £120,000 profit. The project took longer than we'd hoped at 10 months, but this was out of our control. Due to being in a long chain, it took 4 months from "Offer accepted" to Completion of sale.

YPN: So where did your investing go from here?

Kiran: We started to think about leaving London. We had become tired of London living after 10 years and personally wanted to move up north closer to friends, family and the great outdoors. We also wanted to get a **PASSIVE** income alongside more irregular **MASSIVE** income from property! So we started self-educating and attending networking events.

We tried Paul Ribbons Property Trading course, which was great for direct to vendor strategy, but did not quite suit our circumstances.

We decided that a dual strategy of flips and HMOs would work well for us with the hope that with enough wealth from these strategies, we wouldn't be so reliant on Jo's job and she would have the choice of working in property with me. So we decided to move to Sheffield – the Outdoors Capital! Yorkshire seemed like a great place for holding property as prices are cheap and yields are high. Sheffield is the 4th largest city and in years to come would benefit from government investment in the Northern Powerhouse. It was also close to friends and family and so provided the perfect balance of everything.

YPN: So in terms of property education who did you gravitate towards.

Kiran: After we moved to Sheffield, I spent the first three months getting frustrated and feeling a little bit lost. Up until this point, we had been focused on doing flips and working with period properties, which was a hobby for us and something we really enjoyed. But we didn't love HMO's in the same way and were off-put by the idea of managing them. We were trying to learn a different property market and new strategies and I felt I had lost my focus. I then attended Progressive Property's MSOPI in May and signed up to their 12 month VIP programme and also the commercial conversion course.

Things have really started to take off now and our mind-set has advanced. We now focus using a 70:20:10 principle (flips: HMOs: larger development) and have clear action points and are held to account. As much as possible we try to outsource our HMO work to use other people's knowledge and expertise. Being surrounded by like-minded people reinforces your belief to achieve your goals.

I now always think of mind-set, network, knowledge and focus on leveraging our power team and I am firmly in the mind-set that ***"Your network is your net worth"***.

Case Study 3

WALKLEY, SHEFFIELD

FLIP

THROUGH RHP PROPERTY - FUNDED BY JV

3 BED VICTORIAN END-TERRACED

- Purchase price: **115K**
- Project costs: **£25K**
- Forecasted Sales price: **£165K**
- Profit: **£25K**


Exterior Front - During


Bedroom


Exterior - Front


Bathroom

Case Study 4

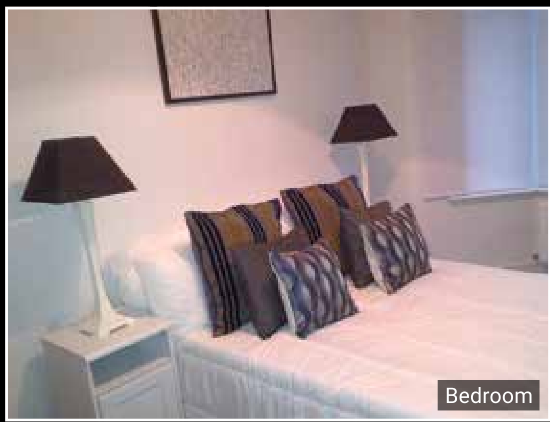
5 BED BOUTIQUE HMO, DONCASTER

HMO

THROUGH STEEL PROPERTY

- Purchase Price agreed: **£80,000**
- HMO Conversion: **£45,000**
- HMO Setup Costs: **£125,000**
- HMO RICS Valuation: **£175,000**
- Commercial mortgage: **£122,500**
- Money left in: **£2,500**
- Weekly rent: **£95 pppw**
- Net monthly cashflow: **£700 pcm**
- Return on Investment: **336%**

Kitchen



Bedroom

Ensuite

YPN: So how does the HMO strategy work for you if you outsource it?

Kiran: Well we have been led by a few guys who have been really successful. I did my research and started to realise that for HMO's to work you need to rent out a minimum of 5 beds and in Sheffield this wasn't going to work with house layouts, and also there was the obstacle of the Article 4 Direction. So I started to get interested in Doncaster, which has a great deal of regeneration and investment in the pipeline, with the building of HS2 trains and some other major projects. There is a huge demand for temporary room lets as a result of this. Also house prices are a lot cheaper than in Sheffield. So I started meeting up with various HMO agents, one of which I found on LinkedIn. They had been doing it for a few years and were at a similar point in their property journey, which provided us with comfort knowing that securing our business was significant and important to them. We also established a good relationship with a commercial lender who was keen on our profile.

> *"I did my research and started to realise that for HMO's to work you need to rent out a minimum of 5 beds and in Sheffield this wasn't going to work with house layouts"*

We decided to maintain a small level of involvement by sourcing the properties. The first one purchased was a 3 bed terraced house which our agent then converted to a 5 bed HMO with 5 ensuite bathrooms and provides the management of it. So it is highly leveraged and outsourced strategy with only property sourcing and dealing with lenders kept in-house. Our first HMO is fully tenanted and is run as a boutique HMO for blue collar workers. We have now picked up keys to our 2nd HMO on the same street! Our commercial lender funds part of both the purchase and conversion costs and agrees the commercial mortgage up front, which de-risks the strategy. The key part to this strategy is that we can recycle all the funds in each deal.

Our plan is to build a HMO portfolio in this way under our Steel Property brand, whilst the market allows.

YPN: So you obviously moved from London to a different area. Do you have any tips for getting to know an area and what sort of prices you can hope to achieve there in terms of both selling and renting?

Kiran: It's a combination of many things including using the internet, getting to know agents and walking the streets. I am big on networking and using social media which is a great tool.

You also need to keep an open mind. When we were looking for our 'Forever Home' sourcing with up-lift was engrained in us! We walked Sheffield's characterful conservation areas, never really imagining we could afford to buy there as properties were too expensive for us. However, we came across a homemade For Sale sign! I have to be honest it was the worst sign I had ever seen but it was advertising a beautiful 5 bed stone, detached, Victorian villa. It really was our dream home on a fairy tale street and we just presumed it would be too expensive.

Comparables were selling at up to £600k but 2 doors down had structural problems and sold for just £325K a month before at auction. Hence our vendor only asked for £385K! The house needed work but not much and it is very rare that a vendor undervalues their own house.

We agreed the sale at £378k using a Direct to Vendor strategy! A nearby Semi-detached just sold for £550K and we have already borrowed against our equity to fund property ventures.

YPN: So since moving to Sheffield you are working with others on the HMO side of your investing, are you still working independently with the flips?

Kiran: With our Flips in Sheffield we have teamed up with Carl Rosewarne who is another Sheffield developer we met through Progressive Property and we have formed RHP Property. Carl's background is in the building trade and he also has experience in flips including converting a 2 bed bungalow to a 5 bed executive home.

We have complementary skillsets: Carl manages costs and has a good relationships with local trades and estate agents. For example he gets the keys from certain estate agents to view houses first before anyone else. We have our Accountancy background and are key to Appraising projects and deal structuring with investors and joint venture partners. We also have a good power team of solicitors, brokers and lenders who we leverage greatly.

“JV partners seem to really like flips as there is a definite exit strategy and they make really good quick profits”

We both have a good eye for value-add potential and are very much in agreement when we find a good deal.

We are nearing the end of our 1st flip project which had a purchase price of £115k and project costs of £25k, which will make a profit of £25k from a £165k min sales price.

We have developed a good relationship with a commercial lender who can provide a short-term facility on flips going forward. RHP has now collected the keys to our second project with a 3rd property now under offer. Both projects have similar financials to project 1. We have up-scaled to purchase 1 property per month l asting 6 months each. So instead of going for capital-intensive flips with large projects we are aiming for volume on smaller margins but with a similar return on investment. It's a de-risking approach which means prevents us from having all eggs in one basket.

The key is a good relationships with estate agents and we will continue with multi-strategy sourcing such as Direct2Vendor marketing and bidding at auctions. You never know where the next deal will come from.

YPN: So how are all these projects funded? And how do you ensure you don't run out of money?

Kiran: Like I mentioned, we have developed a great relationship with a commercial bank, who don't charge us any exit fees and value our background. Both Carl and ourselves initially invested funds for this arrangement but we are now working with joint ventures in various different structures.

JV partners seem to really like flips as there is a definite exit strategy and they make really good quick profits. Its also a strategy which is easy to understand.

YPN: So where are you in terms of your HMO portfolio?

Kiran: The strategy we have gone for is 5 bed HMO's and we kit them out well and make them Boutique HMOs for blue collar workers – the main demographic in Doncaster. Each room has an ensuite bathroom and there is a nice kitchen and living area. We are now looking for our third HMO and we are lucky that there is no Article 4 Direction in Doncaster yet. We have started to setup HMOs for armchair investors as a turn-key service and have had a lot of interest from those in the South East.

YPN: So what's your future plans?

Kiran: We now have an excellent power team along with keen joint venture partners, so the key thing for us is securing our first bigger development deal, which is in the pipeline as we speak. We have been given good advice and action points from David Rumford, a VIP Mentor at Progressive Property, on progressing to the next level now that our HMO and flips strategies are systemized. We aim to combine development and cash-flow strategies, such as "commercial to residential conversions" with HMOs and serviced accommodation. We are also keen on new build executive homes, although the main obstacle here is finding suitable building plots.

The key is maintaining a balance of regular monthly cashflow with lump sums from our develop-to-sell strategy. We will continue to focus on the 70:20:10 model taught to us by Progressive Property as we have found that focussing in this way yields great results.

Joanne has also launched "Nether Edge Interiors", an Amazon business selling various accessories for vintage furniture, which fits well with our passion for period homes. The Amazon opportunity was also introduced to us through Progressive Property and we are starting to see growth in sales following an expected slow start.

YPN: How have you found life out of London and the rat race?

Kiran: Life is good. We still work really hard but I enjoy this so much more. It's been great to be surrounded by like-minded people.

Being my own boss is great and I like the fact that the sky is the limit. We have great passion and ambition for our property ventures which I never had working in finance. Sheffield has been great to us and we are at home here in a way we never experienced in London.

YPN: If people are listening to this audio and would like to get in touch, what is the best way to do this?

Kiran: We are always keen to work with new individuals interested in property investment. If you have any questions regarding our property ventures or about your own property journey, please get in touch. My email is Kiran@steel-property.com

YPN: Well Kiran, what a journey and the exciting thing is it sounds like this is just the beginning of your fantastic property journey. Thank you for sharing, it's been very much appreciated.

NOW LISTEN TO THE AUDIO OF KIRAN'S STORY IN FULL

http://bit.ly/1JFdQ4X