

# BE PREPARED AND THINK BIG

## A LESSON IN REFURBISHING AND MANAGING HMO'S – FROM DUBAI!

**Eight years is a long time in property: markets change, tenants move, lenders appear and disappear... and house prices can plummet or skyrocket. Despite such challenges to his UK portfolio, Billy Turriff has managed to not only survive but thrive since becoming an expat investor: he moved to Dubai in 2007 to help set up an HR and Management Consultancy branch for an international firm.**

His property journey started in Ireland in 2002. He gradually built up a portfolio of single lets before switching to student lets in 2011 to maximise yield. In a recent conversation, he told us about some of the challenges of buying and managing HMO's in the UK while working abroad, and how his investment strategies have developed over the years.

### LIFE AS AN EXPAT

**YPN:** How does living and working in Dubai compare with the UK?

**BT:** Dubai is a popular tourist destination and has become quite mainstream. However, the Middle East is still developing; significant investment in infrastructure projects, such as aviation and road/rail networks, is ongoing and local governments are focusing on key areas such as health and education.

Expats see two sides: the one that appeals to tourists on holiday – restaurants, water parks and so on; but also the employment



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opportunities that offer more choice than in the UK. I like working on large transformation projects, travelling across the region to Abu Dhabi, Bahrain, Saudi Arabia, Kuwait and Qatar, which are at an earlier stage of development than Dubai. In the UK I would probably be doing more niche work on smaller consulting assignments.

### INVESTING IN UK PROPERTY

**YPN:** What do you find attractive about the UK property market?

**BT:** I've always had a keen interest in property. I started by buying a 1-bedroom apartment in Ireland in 2002 then followed the traditional investor route, making a few mistakes as I went along. I bought far and wide – in Ireland and Bulgaria as well as Cheshire and Liverpool in England – ending up with a mix of single lets and a holiday home in Bulgaria. After the credit crunch, I quickly realised that capital appreciation (what I had been buying for) was not always guaranteed.

I decided to focus on cash flow instead, so explored HMO yields in Liverpool, where I had family ties. The student market initially appealed because of the high occupancy rates, and I have since found this a good tenant demographic – getting access to the house every summer helps keep maintenance at a reasonable level; also, parents act as guarantors, which reduces the risk of the rent not being paid.

In 2011, I bought two houses just before the start of the academic year. One house was ready to let but the other, a repossession, needed some non-structural refurbishment – electrical work, décor, new bathroom and so on.

Over the last four years, I have bought between one and three houses per year, ranging from three to seven bedrooms, either on my own or with a JV partner in Liverpool. This year I have stepped up activity; I am currently refurbishing four houses and acquiring a fifth with my JV partner.

Liverpool has an interesting student market. Most students used to live outside the centre, but as the inner city has been regenerated and they want a shorter trip to the university, many have moved nearer the centre and into areas such as Toxteth and Kensington. These are the areas where I mainly invest.

New-build apartments are creating more competition in the centre but a newly refurbished hospital and the new Bio Campus are due to open on the fringes of Kensington in 2017, which should increase demand for HMO housing. If the student market declined, I could move into professional and/or short term lets. I have some experience of short lets in both Liverpool and Dubai, using websites such as Airbnb. This works well when I finish a refurbishment before term starts, because I can capitalise on the investment immediately.

I use a rent-to-rent strategy for short term lets in Dubai. In the UK, although I predominantly buy for the student market, I keep a Plan B in mind.

**YPN:** Many landlords with properties in marginal areas or poor quality accommodation have been affected by changes in the UK student market, and lacked a secondary market.

**BT:** Student landlords affected by changes in Liverpool seem to fall into two groups: those further out of the centre who did not anticipate the student shift; and those with properties of a poorer standard. I want to keep ahead of the curve so at the same time as developing and refurbishing the new acquisitions, I plan to update existing stock to offer boutique-hotel-style accommodation for students, possibly adding additional rooms. Student housing is different to when I was in university!

**YPN:** Looking at the case studies, you have been able to buy very well in recent years.

**BT:** A couple of months ago, I bought a house in Kensington at auction for £40,000 (see Case Study #1). There aren't too many of those deals but finding a finished 4-bedroom house for £80,000-£90,000 is not uncommon. I target a spend of £20,000 per room including refurbishment, but might go up to £25,000 per room for houses slightly closer to the university where rooms will let for an extra £10 pw.

**Ant:** How do you find and view deals?

**BT:** I spend a lot of time on RightMove in the evenings checking what has come on to the market. Over the years I have come to know the area well and know which streets are good and which still have a bad reputation; also, from experience, I can see whether a loft conversion will be possible, or converting a bathroom to a bedroom and so on.

For viewings, I have a team on the ground that includes estate and lettings agents, builders and my JV partner. Letting agents also bring deals from tired landlords or people who want to sell off-market, and estate agents sometimes let me know if they have a house coming on to the market that meets my requirements.

If I am in the UK, I will view but if not, I send one of my builders or my JV partner to look it over, price any work and tell me what the situation is. In joint transactions, my JV partner puts more time into sourcing and managing the refurbishment, while I put in more initial finance. Liverpool still has a lot of housing stock to be developed so I don't feel pressured to do a deal – something else will always come up within the next week or two.

After an offer has been accepted, I instruct a structural surveyor to carry out an inspection and advise me of any structural issues before commencing with the legals.

### FUNDS AND FINANCE

**YPN:** How has your funding strategy changed over the years?

**BT:** There are two elements to the business now: (i) the rental portfolio, and (ii) short term bridging loans. I lend to people I know in the UK to help them achieve a quick turnaround on buying, refurbishing and getting their own funds out.

I get interest rates in the region of 1.25%-1.5% pm, which keeps my cash pot topped up.



### OTHER EXAMPLES OF BILLY'S HMO PROJECTS



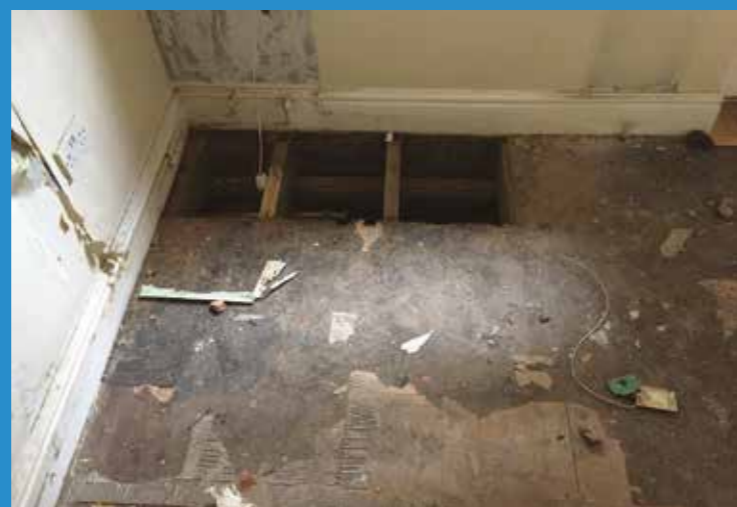
## CASE STUDY 1: 2- TO 4-BED CONVERSION

This house had been used as a cannabis farm and was in a terrible state. All the copper piping had been stolen, and roof repairs had been left unattended resulting in several leaks. It required a full refurbishment, which (as at early May) should be finished within four weeks.

Purchase price at auction:	<b>£40,000</b>
Refurbishment budget (including contingency):	<b>£25,000</b>
Legals:	<b>£1,000</b>
Total money in:	<b>£66,000</b>
Total revenue – rent @ £75 pw for 48 weeks:	<b>£14,400</b>

### LESS EXPENSES

Management fees:	<b>£1,152</b>
Insurance:	<b>£120</b>
Utilities:	<b>£1,700</b>
Maintenance:	<b>£1,000</b>
Licensing and certificates:	<b>£75</b>
Net revenue:	<b>£10,353</b>
ROI without mortgage:	<b>15.93%</b>
Mortgage (70% on £65,000)	<b>£45,500</b>
Money left in:	<b>£19,500</b>
Mortgage pa (@ 5%):	<b>£2,275</b>
Net revenue:	<b>£8,078</b>
ROI with mortgage:	<b>41%</b>



## OTHER EXAMPLES OF BILLY'S HMO PROJECTS

I have also done some buy-to-sell projects to generate additional cash.

Refinancing depends on the bank or lender I'm working with, and how much they want me to keep in the deal. Most of my properties are on repayment mortgages, which will continue as long as I get a decent return. I might take advantage of a rise in the market in three to five years to refinance and release extra cash but so far I have been lucky in having enough funds from work, property and bridging to keep the pot going for investments.

### YPN: How did you move into bridging?

**BT:** I don't like having cash sitting in the bank earning little or no interest, so started lending about five years ago after doing some research.

I have strict guidelines and usually ask for a first charge on the property. The return is good and I find the due diligence to understand the deal, price of works and comparables fairly straightforward. As loans are short term, cash is returned quite quickly, but it helps the borrower as someone like me is probably cheaper and quicker than mainstream bridgers. I enjoy helping others on their property journey and typically learn from their developments as well so bridging provides a win/win for both parties.

### YPN: Is financing for longer term investments a challenge for expats?

**BT:** It is definitely more difficult than it is for UK residents. Very few firms specialise in expat mortgages. I have built a good relationship with a commercial lender, who funds 80% of my projects – the rates are not as good as for residential BTLs but commercial lenders will consider HMO's.

I have also accessed personal loans from Dubai to help fund UK purchases. Usually, I buy for cash to get a better price, then refinance after finishing the work; that requires a bigger amount to start, but I find it easier to approach the bank to finance a finished 'end product'. Typically, I leave anything from 5% to 30% in the deal, and target a minimum ROI of 25%.

### YPN: Do you find that there is an appetite for UK property investments among Middle East expats?

**BT:** I think so. It is partly because of yield but also because they want to own a bit of Great Britain. Deals offered at the property shows here though would not really be attractive to serious investors in the UK. There is nothing wrong with them but they may have lower yields, be completely hands-off or better for those who do not need a mortgage. People here tend to buy with cash. This overseas market might be an avenue for UK investors selling off a large number of single units, particularly if they can guarantee a rental yield.

## WHAT NEXT?

### YPN: What's next for you?

**BT:** My portfolio produces good cash flow and gives me flexibility, but I have been in this game since 2002 and would like to get to the next level much quicker. After being 'anti-training' for a long time, I decided to invest in myself and started the Mastermind course in April this year. I want to improve my mindset and think bigger, ideally doubling my portfolio in the next 12-24 months and getting involved in bigger deals. The 3- and 4-bedroom houses work well but sourcing and managing bigger properties does not take much more effort. I want to tap into the network in the UK, and turn this into a business that runs alongside my day job. Attending the Mastermind programme means flying back from Dubai once a month. I already have an arrangement to spread my holidays across the year as my son is in the UK, so will fit visits around training dates.

I enjoy property and wish there were more networking events over here. It can be lonely so I hope the Mastermind environment will provide more opportunities for JV's and to meet like-minded people.

## GETTING THE WORK/LIFE BALANCE RIGHT

### YPN: How do you manage to divide your time between property, family and a responsible and busy day job?

**BT:** It is a challenge. Over the last 12 months I wanted to reduce my portfolio costs so self-managed the properties using my maintenance team. However, after attending a pre-Mastermind weekend a few weeks ago I realised that you cannot do everything; it is not worth it for what you save. Now, I have handed back all the student houses to letting agents and plan to

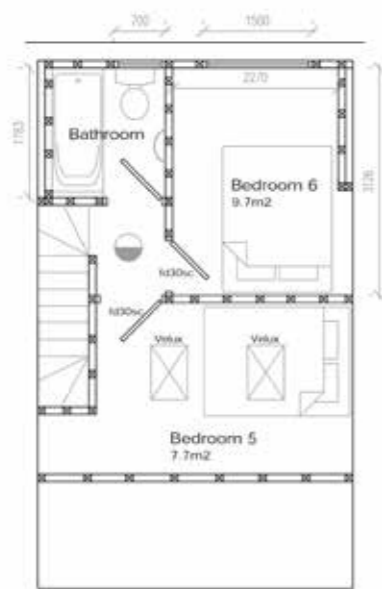
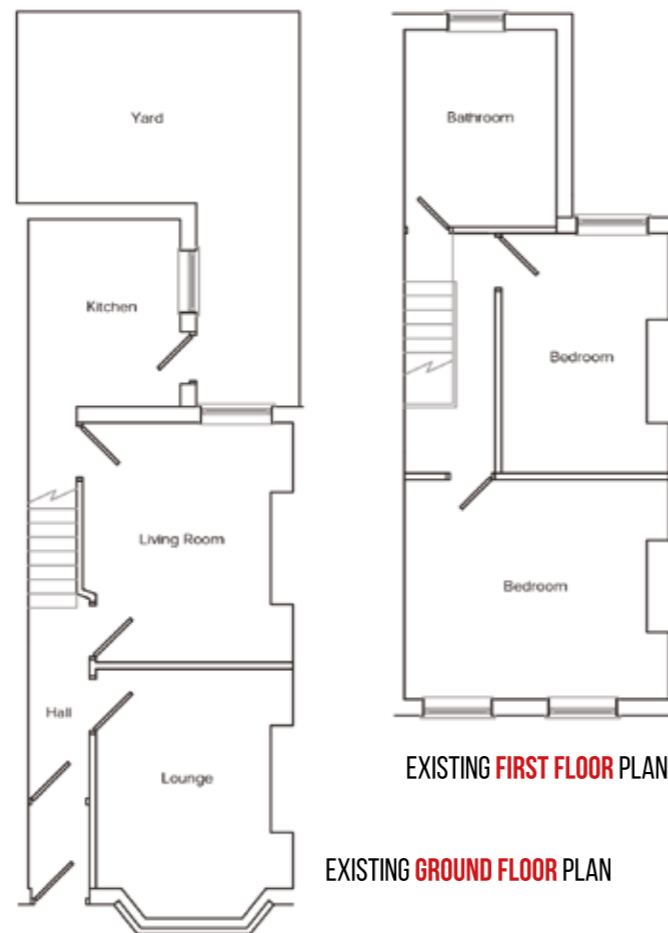
## CASE STUDY 2: 2- TO 6-BED CONVERSION

### Conversion and full refurbishment project.

Purchase price:	£52,000
Legals:	£700
Phase 1 development:	£45,000
Phase 2 development:	£20,000
Total cost (6 bedrooms at just under £20,000):	£118,000
Total revenue – rent @ £75 pw for 48 weeks:	£21,600

### LESS EXPENSES

Management fees:	£1,728
Insurance:	£150
Utilities:	£2,200
Maintenance:	£1,000
Licensing and certificates:	£100
Net revenue:	£16,442
ROI without mortgage:	13.93%
Mortgage (70% on £118,000)	£82,600
Money left in:	£35,300
Mortgage pa (@ 5%):	£4,120
Net revenue:	£12,303
ROI with mortgage:	35%



focus more on higher value aspects of the business to manage that work/life balance better. I find it quite relaxing to meet estate agents and view houses when in the UK though – it's not like work. Over the next year I will definitely focus on driving the business rather than getting involved with the nuts and bolts.

#### YPN: How did you self-manage from so far away?

**BT:** I had become a middle-man between agent and maintenance team, so switched to using the agent only to find tenants. If tenants moved in while I was in the UK, I would do the handover and inventory; they then had my contact details and if any issues came up, I would just fire them over to my maintenance guy. I still manage the few remaining single let properties myself and don't see any need to change that in the near future. On the financial side, I just check each tenant has paid every month.

For the student houses, however, with everyone paying individually, getting one cheque from the letting agent every month is much easier. Going back to the question of work/life balance, I'd rather be on the beach and enjoying my time here than working out who has paid what and when.

#### YPN: What you have achieved demonstrates that if people really want to do something, they will make it happen. Making excuses probably means they don't want to do it badly enough.

**BT:** When you buy the first property, you realise how easy it is. You can overcome difficult situations like a bad tenant or co-ordinating a maintenance job and see the return, whether in terms of yield or capital appreciation. Not many other assets generate financial return with such little work.

You definitely need to be educated though, and know your area. I certainly wouldn't encourage anyone to rush in and buy, but you can build your knowledge through forums, magazines and books and get up to speed quite quickly. Then just go and do it.

Ultimately we all do this for different reasons. I have a son and want to be able to leave him a legacy so that he will have a better life than I did – I think most parents want that. I like my job and it pays well, but it doesn't give me everything I want. Property provides flexibility and is a relatively simple business once you get your head around it: you buy an asset at a reasonable price, work out what you can rent it out for, and what your variance has to be, then pocket the difference.

#### YPN: Having a model is so important – without that people don't have a format for analysing a deal and can get bewildered.

**BT:** Absolutely. The area where you buy is also important – you get to know the type of houses, in which ones you might be able to create extra rooms and so on. Understanding how to do that is the challenge. After that, finding the property should be relatively easy – and even if you don't have the time, you can get a sourcer to do it.

As long as the numbers work out, you will be better off doing that than leaving money in the bank on a low interest rate.

### ADVICE TO OTHER EXPAT INVESTORS

#### YPN: What would you say to other expats thinking of investing in UK property?

**BT:** Ultimately, we are in the same boat as UK-based investors.

The rules are essentially the same.

- Identify an area and become an expert in it. I know the layout of houses on several streets in Liverpool, where loft conversions might work and where they will not.
- Get daily updates from RightMove; be aware of what is happening with prices in your area.
- Finance can be challenging but not too difficult if you get a commercial line established.
- Learn the basics then think big. I should have moved up to 6- and 7-bedroom houses earlier than I did.
- Don't be scared to pay for education; investing in a course will give you the basics you need to start on the journey and knowledge of the different strategies available to you.
- Consider cash flow, but also protect your capital and have a cash pot for emergencies.
- See if you can borrow locally and leverage those funds to help your journey.

### CONTACT DETAILS

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### YPN SAYS

Rehman, Bernhard and Billy are proof that it IS possible to build and manage a portfolio from a great distance. You will, however, need to make frequent trips to your investment area – so price that in to your calculations – and having someone 'on the ground' that you can rely on is essential.

Common themes run through this feature. All three investors are highly organised, systemise as much as possible, outsource the 'small stuff', yet keep close attention to the portfolio as a business. They focus on the big picture and are never afraid to ask for help or to improve their knowledge.

Investing at a distance means having to keep your eye on the ball; perhaps overseas investors are even more efficient than those who live within a stone's throw of their properties. Dealing with a problem down the road is easy – but if you are a day away, then you have to have ALL the facts and contacts at your fingertips.

We wish Rehman, Bernhard and Billy well for future UK investments!

