

THE GUYS WHO NEVER GIVE UP!

FROM LANDLORDS TO MULTIPLE PROPERTY BUSINESSES



NAME: Chris and Nigel Fitzakerley
LOCATION: North East England
BUSINESS: NGU brand – Portfolio landlord, lettings agency, online estate agency. Gateshead Property Online – a specialist local estate agency, launching 2015
PORTFOLIO SIZE: 157 properties
PORTFOLIO VALUE: £16.7M (2008 value)

We last spoke to brothers Chris and Nigel Fitzakerley way back in 2008-09. Then, the credit crunch was in full swing, everything was doom and gloom and both their business and YPN were still fledglings. A lot has happened since then...

In the intervening years, Chris and Nigel have gone from establishing a portfolio to developing a recognised brand in the investment and lettings industry: **NGU**. We were eager to find out how they did it.

NGU TODAY

NGU Homebuyers: portfolio of owned properties.

NGU Home Lettings: lettings agency managing over 600 properties. With annual growth of 15% year on year, the business has gone from strength to strength; they have been voted number one estate and lettings agency in their area.

NGU Home Sales Online: estate agency with 120 property listings.

What does NGU stand for?

Never Give Up! "When we started the company, a lot of people thought it couldn't be done, and we went from absolutely nothing, to 150+ properties, to where we are now."

THE TIMELINE

Chris: I had always wanted to get into property, having seen my dad move up the ladder by developing our family home and taking advantage of house price increases over the years.

2005-2007: STARTING OUT

I started saving £250 pm towards a deposit for a buy-to-let (BTL) property. It felt like a million pounds and meant living like a hermit for two years to achieve my goal of being a landlord. After two years, £250 pm turned into a deposit of £6,000. This was intended as my first deposit but timing and luck meant I was able to buy two flats in Gateshead at the same time.

In 2006 my employer ran a national competition for salesman of the year, with a Mazda MX5 as the prize. I was determined to win so that I could propel myself forward in property, and spent

almost every waking hour making sure I had the best sales figures in the company. I did win, and enjoyed the car... for just one day before selling it to a local garage on day two! That gave me the finance I needed to enter the property market; that's when I bought the two flats:

- FLAT 1: £52,000, required minor refurbishment;**
- FLAT 2: £50,000, needed complete overhaul.**

My family chipped in to help; without my dad's support things could have turned out very differently. Both flats were refurbished within two weeks and tenanted the following week.

LATE 2006: IT'S GOT TO BE EASIER THAN THIS?

Nigel and I started our property journey together, buying a very run-down flat in Gateshead for £50,000 (see Case Study #2). Again with our father's help, we refurbished it then refinanced to get some money out – the typical re-mortgage strategy.

While proud of what we had achieved, we felt there must be an easier way to make money in property than by spending all our spare time developing. From a chance conversation with a solicitor, we stumbled across the Mortgage Express next day re-mortgage. That was a light bulb moment – a real game changer.

EARLY 2007: FAST WORK

We each borrowed £25,000 from the bank, and put adverts out wherever we could think of to 'Sell Your House'. We didn't get a single enquiry for weeks but then things happened fast. In 2007 we bought three in March, fifteen in June and thirty in October.

By September 2008 we had bought over 155 properties in nineteen months.

2008: THE CRASH

The housing market crashed and credit dried up. We had £200,000 tied up in the portfolio and couldn't refinance; something had to change.

We are not stupid, but back then I think we were a bit thick! Cash flow is the key to any business, but we were cash flowing on debt, believing that income from the mortgage was our income. We reviewed our situation and focussed on three things in our portfolio:

- Vacant properties
- Rent arrears
- Maximising rent

VACANT PROPERTIES

There is a big difference between the right condition for **selling** and the right condition for **living**. We began to systemise everything so our properties would be suitable for tenants to live in, and produced the **793 Point Condition Report**. The aim was to incur only one call-out charge for trades, covering beforehand all the small things that tenants pick up on when they move in.

RENT ARREARS

In one month in 2007, we wrote off arrears of £14,000.

For the whole of 2013, we wrote off £53.

In 2007 we had:

- No deposits
- No guarantors
- A horrible sinking feeling when a tenant gave notice – so we would put in the wrong type of tenant to avoid the 'void' feeling.

By 2013, we:

- Understood our market and the different rental criteria needed for different areas
- Credit checked all tenants
- Carried out home visits on all housing benefit (HB) tenants
- Appointed guarantors
- Had set a 3.5x income rule
- Analysed past tenancies
- Obtained written references from previous landlords
- Checked all new tenants on social media.

MAXIMISING RENT

We became experts in both professional and local housing allowance (LHA) tenants. We learned how to maximise LHA rates by fully understanding the system, get rent paid directly, and developed a process to make sure the tenancies went smoothly. We also now do annual tenant assessments to check whether any change in circumstances will entitle them to increased benefits and rent.

ALSO IN 2008: SOURCING

We began sourcing for other investors. Offering this service was a no-brainer because we already had the purchase, lettings and

management system set up for ourselves. Our key principle was "we all make money", and I am proud that our first landlord has recently retired early through our collaboration.

2009: ESTATE AGENCY

We switched focus from sourcing to setting up an Estate Agency because we were no longer able to offer the right type of properties to our investors.



CASE STUDY #1

SOUTH SHIELDS HMO CONVERSION

Upper flat being converted into a 4-bedroom high end professional HMO, due to be ready March 2015.

| | |
|--|-----------------|
| Purchase price: | £80,000 |
| Year of purchase: | 2008 |
| Estimated current value (residential, not HMO): | £100,000 |
| Interest only mortgage payment pm: | £180 |
| Previous rent: | £450 |
| New pw room rates: | |
| • Premium double, en-suite (2nd floor) | £110 |
| • Double, en-suite (2nd floor) | £90 |
| • Premium double, en-suite | £110 |
| • Double room with sink | £80 |
| Total pm: | £1,690 |



OUR NEW LETTINGS TEAM

We aimed to buy 25% below market value (BMV) but the nature of the leads had changed.

Initially, they had come in from all parts of the North East; now they were mainly enquiries from small mining villages in parts of Durham, which can be difficult to rent out.

We set up NGU Home Sales Online to cover the whole of the North East, with the USP of providing advertising excellence to get the best price in the shortest time.

This was also when we really established the lettings business.

WORKING TOGETHER

Although working in the same business, Chris and Nigel live in different locations.

Nigel: I live in Stroud and work remotely, making sure that things run smoothly behind the scenes. A couple of people work for me here on the admin side, while Chris and the remainder of the team – about twenty people – are based in the North East.

If I were based in the North East I would be closer to what's going on, but I don't think it's detrimental. I go up once a month and am able to maintain my life down South. Plenty of larger corporations outsource operations to different countries now, so it's not unusual and works fine.

THE WORK/LIFE BALANCE

With so many aspects to the business, we wondered how easy it is to strike a balance, particularly given the geographic distance.

Nigel: Having time outside work is very important. I didn't come into this to work every hour God sends, but becoming self-employed and making decisions that have a direct consequence on the amount of money you earn keeps you interested. I enjoy what I do and even though I probably work longer hours than my friends, it doesn't feel like work.

Chris: Like Nigel, I'm passionate about what I do. Perhaps I work crazy hours sometimes – I can be in the office at 5 am and finish at 7 pm – but take time off whenever I want to.

As the business has grown, we have occasionally ended up doing jobs that we shouldn't. We make a conscious effort now to play to our skills rather than spend hours doing things we shouldn't – a common trap for business owners.

THE LEARNING CURVE

Many of us resonate with the idea of doing the most cost-effective refurbishment and repairs – after all we want to get the best possible return on our money. A few years in, the brothers have a slightly different perspective.

Chris: Through the pain of letting our own portfolio for many years, we have discovered what works and what doesn't. Certain patterns have led us to change our behavior. You might save money in the beginning but pay much more eventually.

Nigel: By providing a property in good condition, you get a better tenant who treats it well. Tenants are people for whom we provide a decent place to live – they are consumers who expect a certain level of quality. This is a people business; it's not all about making money. Landlords have relationships with tenants and better service makes for a better relationship. No-one teaches this – we are taught about numbers and strategies, but not about providing housing. You'll make more money if you provide good quality homes.

Chris: It's like an industry secret – you can read and teach yourself about developing a property for the rental market, but that doesn't tell you what will happen a few years down the line.

IN HINDSIGHT

People can learn a great deal from looking back not only at what they did right, but also at what they did wrong. Would either of the brothers have done anything different?

Nigel: The period when we started buying was one of the most manic stages we have ever experienced. I wonder now how we managed to do it.

Many people focused on capital growth before 2008. That was the goal: house prices would double every ten years, you could cash out ten years later and Bob's your uncle, you wouldn't have to work again. Since then there has been a massive change within the property industry, and also in the property education industry. Some very valid ideas have come out of that, like Rent to Buy and Rent to Rent.

You can get stuck buying cheap, refurbishing and refinancing and one of the big things I have learned is to listen to what others have to say, to the ideas that are out there.

Chris: When we speak to other landlords now, the talk is all about revenue whereas it used to be about price increases. It is the biggest shift I have seen.

2015 AND BEYOND

Lettings

Over the coming year, Chris and Nigel plan to introduce more technology to NGU Home Lettings to make the business more efficient. They are also changing the company structure to introduce regional portfolio managers for continuity of contact between landlord, tenant and property. Regional managers will be supported by specialist teams for maintenance, rental issues, evictions and development.

Sales

They plan to expand NGU Home Sales Online and will be launching a new estate agency brand Gateshead Property Online, which will specialise in property within a ten mile radius of the Gateshead head office. This business will bridge the gap between online agencies who charge an upfront fee, and high street agents.

Chris: NGU Home Sales Online covers the whole of the North East, but we feel that there is a gap between the internet model and traditional estate agents. Gateshead Property Online will meet that demand with focused local knowledge and traditional services at a fraction of the cost – without the bloated staff costs and high street overheads.

Nigel: NGU Home Sales Online uses RightMove gadgets that traditional agents either upsell or don't bother with, perhaps because they are used to earning a fee. People are moving towards online agencies' lower cost model, but those agencies tend to be remote and the seller has to do the work.

Gateshead Property Online will cater for those who still want an agent to do the valuation, show buyers around and help with negotiating, but who consider the average 2%+ fee to be expensive, particularly for larger properties. We will charge a set fee of £997 + VAT.

Chris: The lettings agency opens at 8.30 am and goes on till 7 pm so that we are available when others are not and we will apply this principle to the estate agency.

There are two reasons why we started an estate agency in the first place:

1. High demand from landlords about an exit strategy;
2. It dovetails very well with the lettings agency.

By way of example, lots of tenants have asked about buying the property they are renting so this year we plan to launch rent-to-buy for tenants; that will also give landlords an alternative exit strategy while sustaining rental income. In addition, we will introduce protected lease options for landlords who want to sell but have little or no equity, or reluctant landlords.

CASE STUDY #2

HYDE PARK STREET

Where it all began: the first flat that we bought together in 2006.

| | |
|--------------------------|----------------|
| Purchase price: | £50,000 |
| Refurbishment: | £10,000 |
| 2007 revaluation: | £85,000 |
| Re-mortgage: | £72,000 |
| Money out: | £12,000 |
| Rent: | £447 |



Nigel: Customer service in this industry can be poor. I want to provide excellent service so pay close attention to what people want; these types of services are not available from standard lettings and estate agents.

Chris: After a certain level of growth you can become comfortable and stuck in your ways – you need to keep embracing new strategies.

Portfolio Management

Chris and Nigel have adapted their strategy for changing market conditions more than once. Over the last few years they have been able to take advantage of low interest rates; perhaps the next challenge will be to weather the storm as they begin to rise?

Nigel: One of the reasons people get involved in property is because debts stay static, whereas asset prices and rental income increase with inflation. Rising rates will have an effect over the next two or three years so we have spent time improving the quality of our properties to get better tenants and higher rents.

Chris: On the subject of increasing yields, we are doing our first conversion to a House in Multiple Occupation (HMO) (See Case Study #1). This is another potential growth area that we can scale up if it goes well.

CONTACT DETAILS

For more information about Chris and Nigel's companies and their services, contact them on:

Office: 0191 491 0344

Mobile: 0789 655 0994 (Chris)

Email: christopherfitzakerley@nguhomelettings.com

Web: www.nguhomesalesonline.co.uk
www.nguhomelettings.com

LISTEN TO THE FULL INTERVIEW WITH CHRIS & NIGEL HERE

<http://bit.ly/YPNChrisNigel>



RENTAL TIPS FROM CHRIS AND NIGEL

BUYING TO LET

- **Location is crucial** – the cheapest property doesn't mean the biggest yield.
- **2- and 3-bedroom semi-detached and terraced properties** are the most desirable.
- Tenants want **living rooms** and **kitchen/diners**.
- **Outside space** is key.
- Look for potential **big unseen costs** beyond the kitchen and bathroom: roof, brickwork, flooring, rising damp, electrics, boilers, windows.

PREPARING RENTAL PROPERTY

Make sure vacant properties are **suitable for living** rather than dressed to sell. Refurbish to a standard that will last for four-six years, rather than just one or two. For example:

- **Cream carpets are a waste of money** – great in a show home but won't work in a rented property.
- **Hard tread matting in entrances** – encourages tenants to wipe their feet when they come in.
- **Laminate flooring** in high traffic areas such as living and dining rooms – more expensive but lasts longer than carpet.
- **Bigger than standard door bars** when laying carpets – prevents carpets fraying within a couple of years.
- **Solid wood internal doors** – more expensive but last much longer. Council properties have solid wood doors, so there must be a reason!

IN KITCHENS AND BATHROOMS

- In our rental market, tenants do not expect hobs and cookers – **removing integrated units reduces liabilities in future years**.
- **Fit fire resistant UPVC ceilings** – prevents having to deal with condensation marks after tenants move out.
- **Tiled skirtings** instead of skirting boards – no more worries about touching up gloss work in wet areas.
- **Floor tiles instead of vinyl** – vinyl rips easily when tenants move appliances.
- **Tile bath panels** – more expensive but gives a better finish and prevents cracked, dirty plastic bath panels within a couple of years.
- **UPVC in window reveals** – this area attracts condensation and tile grout will discolour.
- **Longer brackets than the standard** supplied when fitting a new bath – prevents movement and having to reseal the join.
- **External light switch** instead of a pull cord in the bathroom – a cord gets grubby and may need to be re-attached.
- **Bathroom extractor fans** to come on when you turn on a light – don't leave the responsibility with the tenant.



Laminate flooring in living rooms, wooden interior door, and feature wallpaper to decorate



The standard to which we refurbish kitchens and bathrooms in our properties to last for four-six years



UPVC ceiling, tiled skirting and tiled instead of vinyl flooring



Tiled bath panels