BUILD-TO-RENT

NOT ONLY FOR THE BIG BOYS!

A new take on a time-honoured strategy leads to BIG profits!

In the property investment world, there's buy-to-let, there's buy-to-sell, and there's development. What happens when you put all these together? You get Build-to-rent!

We're hearing more and more about build-to-rent (or build-to-let, whichever you prefer) though until recently it's been largely confined to the institutional developers. The British Property Federation (BPF) claims there are over 57,000 build-to-rent units already available, under construction or with planning granted within the UK. Over 50% of these are in London, and major cities like Manchester, Birmingham and Liverpool are seeing huge developments exceeding 300 units each. BPF's build-to-rent manifesto makes for interesting reading, but they are firmly focused on the mega-developers and institutional investment funds.

So what are the opportunities for people like us, investors and developers who don't operate on the institutional scale?

Build-to-rent developments don't have to have hundreds of units. The principle works just as well for smaller projects of even just two or three units on one site. Arguably, those of you following the commercial to residential conversion strategy and keeping some or all of the units to let out afterwards are edging into build-to-rent... but let's not go there and confuse ourselves just yet. For now, let's stick to new builds.

> *"The principle works just as well for smaller projects of even just two or three units on one site"*

Lloyd Girardi and **Andi Cooke** have, to an extent, cornered the market for small-mid range developments in this sector within just a couple of years of starting out. Andi's construction experience naturally led them down the development/construction route when they teamed up, and on their first build project they decided to experiment with keeping and refinancing the properties they built instead of selling them. That experiment paid off **BIG TIME** as it netted them an equity gain of £400,000 and a gross rental income of £6,000 pm. So they repeated the process again … and again.

Aman Bindal Gupta has taken a more measured approach after an accidental start with this strategy. His happy accident led to an awesome equity gain of £550,000 and a gross rental income of £3,600 pm. He too has gone on to do further developments.

As a result of experiments and accidents, these figures are jaw-dropping! Is this a strategy that more of us could – or should – consider? Given the combination of a growing demand for housing and the rather unwelcome taxation changes, it could be a very attractive alternative to standard buy-to-let.

In this feature, **Lloyd**, **Andi** and **Aman** share their experiences and some of their deals to help **YOU** decide whether building your portfolio – in the most literal sense – will be the right step for **YOU!**

"BUILDING" A PROPERTY PORTFOLIO

What to look for in a build-to-rent project

Ground-breaking property entrepreneurs Lloyd Girardi and Andi Cooke are making a name for themselves in the domain of build-to-rent. Their experience reveals they are not afraid of a challenge or two since, as well as pioneering this strategy for mid-range developments outside the institutional development sector, they have also used crowdfunding to finance several of their projects – and have multiple projects on the go at any one time.

In fact with all the stories they have to tell, they are becoming regular faces within the pages of YPN! They took part in last month's crowdfunding feature and also appeared earlier this year to give readers a twelve-month update on the rapid progress they have made in their property journey and investing since their first introduction to readers in February 2015. In brief, they have achieved a phenomenal amount in a rather short time. Before we go any further, here's a brief bio of each of these intrepid investors.

Lloyd has a sales background and worked with a lighting company until September 2014 when he left his job to go into property full-time. He refocused his skills in building relationships with customers to building relationships with estate agents and investors, and is also the "spreadsheet half" of the team.

Andi is a carpenter-turned-builder-turned-investor. He built his own house in 2012 and had run a construction business since 2007. With his experience in carpentry, he focused on high end kitchens, bathrooms and large extensions, growing the business to the point where he had several people working for him. The recession period wasn't the easiest time to set up a construction business but he survived, learned a lot of lessons, and thrived.

Lloyd is married to Andi's cousin, so when the duo joined forces in property at the beginning of 2014 they had known each other for quite a while. The first thing they did was attend Progressive Property's Multiple Streams of Property Income (MSOPI) event … then they went on to the VIP programme, after which (as the saying goes) they never looked back.

Here, they will run through the ins and outs of the build-to-rent model and how they have made it work for them. To start off, regular readers might remember this case study from last month's feature on crowdfunding. Now however, let's look at the same project from the perspective of build-to-rent.

The model

YPN: Tell us about the Victoria Street project and your build-to-rent model.

Lloyd: Our model is to build 2- and 3-bedroom houses. This particular development consists of eleven 2-bedroom houses in two different styles, with seven of one style and four of another. It's a nice mix, a good site and a great location. It's also in line with what was needed within the town.

We bought this site with planning. Our architect then checked over the plans and though we had to make a few slight amendments, we didn't have to go back to the planners with any major changes. One of the great things about this strategy is that in building multiple units, we benefit from economies of scale. As well as being able to get better discounts on materials, the reduced build cost means that we ultimately create more equity.

YPN: Lots of property people prefer to buy sites without planning so they get the uplift from gaining that permission. How do you find sites where planning is in place, but also where the vendors are realistic about the value of the land and the asking price?

Andi: We have many ways of finding sites. Turning to the planning question first though, architects and builders who have attended our course often think they have to find sites without planning to make a project worthwhile. But we can prove that our last two sites, both of which had some kind of planning in place when we bought them, have done very well.

If you look at the Victoria Street case study, we picked up that parcel of land for £200,000 with planning. It would still have been worth around £150,000-£160,000 without planning but the reality is that someone else has done all that hard work and got the gain, yet we still got it at a reasonable price. That meant we could start the build almost right away. Building the eleven houses took around twelve months, but it had probably taken six to eight months for the previous owner to go through the planning process.

Obviously, you can sometimes get good planning gains from parcels of land, but it's not always only about that. Sometimes it's about being efficient – getting on to the building, getting it done, getting out the other end and realising the profit.

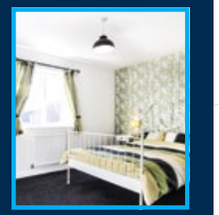
YPN: Presumably buying with planning increases the speed and certainty and removes some of the risks involved with the process, such as delays and objections that can hold the project up for a year or more or even stop it altogether?

Andi: Yes, and there are usually some kind of costs associated with it as well. You could be paying costs on the land or carrying the finance/funding costs while planning is going through. Costs that you might not even have considered can eat into that planning gain profit.

CASE STUDY

VICTORIA STREET, IRTHLINGBOROUGH

Purchase price (with planning for 11 houses)	£200,000
Full development costs (100% from crowdfunding)	£750,000
Per unit build cost:	tbc
Total spend	£1,045,000
Stage payment details	tbc
GDV (end value)	£1,684,000
Remortgage	£1,079,000
Profit	£639,000
Cash flow pcm	£8,400



If you're new to development, buying with planning can be a lot more certain. There's a lot to be said for getting one under your belt, finding something that you can start work on quickly, getting your team together and using it as a learning experience to go through the process. You can look for the more challenging or technical sites later.

Sourcing land opportunities

YPN: What are your top tips for finding sites?

Lloyd: Now that we have a bit of a reputation for what we do, we have acquired some of our sites through word of mouth and through people bringing the land opportunities to us.

When we teach people about finding land, we suggest they use Plotfinder, RightMove Commercial and all the other usual property search portals, as well as talking to commercial estate agents. It's also worth talking to residential agents, because they too sometimes have land deals come up.

Talk to as many people as you can and tell them exactly what you do. If you intend to become a developer, tell them you are looking for land. You never know what connections they have; they might know a family friend or someone who has a plot to sell.

We also keep an eye on auction listings, and it is sometimes possible to pick up land from the local council. Check your council's web site now and again as they will advertise any land they're selling on there.

Another top tip is to speak to your local architects. They are the ones who are working on planning applications, and who are speaking directly to the vendors. Build a rapport with them and explain what you do or intend to do, and they might bear you in mind for future off-market deals.

Lloyd and Andi's top tips for finding sites

- Tell as many people as possible what you do and what you are looking for.
- Make use of all the property search portals, including RightMove Commercial and Plotfinder.
- Build relationships with both commercial and residential agents.
- Keep an eye on what's coming up at auction.
- Check your local council's web site periodically to see if they are selling off any land or buildings.
- Speak to and build rapport with your local architects.

Managing the day-to-day

YPN: As these projects have a timescale of perhaps a year or more, how do you maintain a regular income to cover day-to-day bills and living expenses while working on these longer term developments?

Andi: Most people would run this kind of development alongside either a day job that brings the money in or a secondary strategy. There are several ways you can supplement yourself throughout the build, depending on your personal situation.

We have HMO's and of course, because we are building single BTL properties, these projects provide an income once they are finished and refinanced. We also run a training course and mentorship programme, which provide another income stream.

Unless you have building skills and experience, you won't be working full time on site but leveraging a builder instead. So your role could easily run alongside a part-time or full-time job, or looking after your wider portfolio.

In addition, consider what you are doing on the development in the light of what you would pay someone else to do it. For example, if you legitimately need a project-manager and you are doing that job, you can pay yourself. We had a build cost of £750,000 on the Victoria Street project, which included employing a project manager – that was factored in from the start.

YPN: How do you cope with balancing multiple projects without spreading yourselves too thin?

Andi: It's always difficult to know what you should take on because the goal moves as you grow and push yourself to do different things. You always think, "When I get this one done, I'll be in a nice position …" but then you take another one on. To grow, you naturally tend to push yourself but working with a business partner really helps.

Lloyd and I have very different skillsets. With my building background I look after the sites, not necessarily project-managing but liaising with the managers on each site from a broader perspective than just the single development. I travel quite a lot as a result because we have a few projects up in Cumbria – three pub conversions and a house conversion on the go at the moment – so I go up once a month to oversee the works and liaise with agents about letting the finished units. Lloyd does our office-based work – he's good on technology and spreadsheets and uses those skills to track costs and so on.

Our skills dovetail and working together takes the pressure off. There's always someone to discuss things with. If you hold on to a problem and keep pushing it to the bottom of your to-do list, it gets 'heavier' and becomes a much bigger problem by the end of the week than it would have been if you dealt with it first thing Monday morning. With two of us, we can talk over issues and resolve them straight away.

Before teaming up with Lloyd I had done everything on my own. That's quite stifling and you can't grow as quickly, you can only do what one individual is capable of doing. Pairing up with a business partner allows you to move quicker and you eventually become stronger too.

"It's a mindset"

YPN: Not many people in property circles are building to let and you seem to 'own that space' at the moment. Why do you think more people haven't investigated this strategy?

Lloyd: I think it's down to mindset and knowledge more than anything. If you don't know how to do something, you don't know where to start. When we first went to Progressive Property's MSOPI event in 2014, the potential of property investing blew our minds.

Our original intention was to build houses, capitalising on Andi's skills in the construction industry. Then we thought … "well, why don't we keep them?" The developer's traditional mindset is to sell what they build but we decided to try the alternative, and agreed that if we only made £30,000-£40,000 or so at the end of the deal, at least we would have tried and done it. Fortunately we came out of our first deal with almost £400,000 profit as equity left in.

With build-to-let you rapidly increase the size of your portfolio. A development takes ten or twelve months or more depending on the size of the deal, but you're immediately building eight or eleven houses within your portfolio. Whereas, if you were to buy eleven individual houses, how many sets of stamp duty and legal costs would you have? With our model, we only pay one lot of stamp duty and that's generally commercial because the site is usually commercial.

YPN: I guess there are some other benefits too. Fewer people probably compete to buy these sites, and it would also take a huge amount of effort to buy that number of single properties within the same time-frame. On top of that, the risk of running out of cash very quickly would be higher.

Lloyd: We all talk about below market value and trying to get direct-to-vendor deals on individual properties. Some people are fantastic at that and they do find the deals but there is indeed less competition when looking for land. Also you can speak directly with the vendor and negotiate with them a bit more as well.

Furthermore, in building the properties, you are actually acquiring them below market value; they are refinanced at the end at the actual market value of the property, which is higher than the build cost. In addition, new properties often have a new-build premium.

Costing the project

YPN: How do you assess the end value when you are starting with a blank canvas?

Lloyd: Because our model is for 2- and 3-bedroom houses, we can generally find comparables nearby. Our first project was for 2-bed townhouses and although there were no townhouse comparables, there were plenty of other 2-bedroom properties in the area. It was also quite local to us so we knew the market.

To assess the gross development value (GDV), I look at three comparables within the area and check both how close they are in style to what we are building, and the price. I tend to underestimate the GDV in case there is any overspend but also in case values go down during the period before our build is finished. Working out the GDV then leads me to the value of the land.

CASE STUDY

ST. JAMES, NORTHAMPTON

This development consists of eight 2-bed townhouses.

Land purchase price:	£157,000
Full development costs:	£600,000
Per unit build cost:	tbc
Total spend:	£810,000
Stage payment details	tbc
GDV (end value):	£1,180,000
Remortgage:	£890,000
Profit:	£370,000
Cash Flow pcm:	£6,500

YPN: Do you have a target margin that you aim for over and above all costs?

Andi: The traditional developer's mindset is to aim for a big chunk of money at the back end of the deal, which they believe they need in order to move on to the next project. Our model however is to borrow money from private investors to buy the land then get 100% development finance from either Funding Circle, as we spoke about last month, or from a lender. Because we haven't used our own money for the development, we don't need to realise the big chunk at the end to go on to the next one.

We typically aim for a 30% margin. That gives some leeway because if we can cover 25%, we can get a 75% loan to value mortgage product on the finished development and get the funds out to pay everybody back, while at the same time creating a batch of houses and leaving 25% equity in the deal as our profit. The rental income then comes in every month. The Victoria Street deal generates an income of £8,500, which puts £4,000 into the rental pot after paying the mortgage.

One further benefit of keeping the properties is that we don't pay capital gains tax on the profit. We can either keep it in the property, refinance as the value grows or extract it through a wider tax scheme, but we have more control.

YPN: Do you refinance the individual properties on separate titles, or against the development as a whole?

Lloyd: We get one commercial mortgage on the whole development. Because we keep the houses, there's no point in going through the process of splitting the titles. This works for the lenders on the size of our developments but as you get bigger, fewer lenders will be available so you might need to rethink the strategy.

Challenges and benefits

YPN: In your experience, what are the main challenges of the build-to-let strategy?

Andi: You need some experience to get your development financed. People with no development experience might need to bring in someone who does have that experience and set up a special purpose vehicle (SPV) company, perhaps joint-venturing with a builder or project manager just to get that first project under their belt.

Most people have some skills or assets they can bring to the deal. The type of people considering this strategy are likely to be investors already, with either single lets or HMO's, and will have relevant experience in financing or other aspects of a deal.

It's not just about building – that's only part of this strategy. You might, for example, be able to do a joint venture (JV) with a builder who does not have the mindset to be able to get the finance. That person might be really good at building a house but doesn't know how to put the rest of the package together, and you need the whole package to be able to do something like this. We cover how to fill some of these gaps on our course.

YPN: It's easy for each party to undervalue their own skills in a JV or partnership, but in reality all the roles are equally important.

Andi: If I can use Lloyd as an example, he was originally a full-time lighting salesman. He didn't have much in the way of money or property knowledge to bring into a deal but after getting educated we teamed up, started the journey together and now own nigh on 40 properties. A couple of years on and he's leveraged my knowledge on building and property that he didn't know, and I've leveraged his knowledge on salesmanship and technology. He used to work for Taylor Wimpey and so knows how to sell properties and manage the lettings at the other end of a project. It's not just about building: it's about identifying the things that you can be good at and applying those to the strategy.

YPN: 40 properties is a big number, one that people buying single properties would be hard-pressed to hit within the timeframe that you have achieved it. What does this mean in terms of income and portfolio value?

Lloyd: Once we've completed all the current construction and conversion work, the total portfolio value will be in the region of £6.5 million, with about £1.5-£2 million equity. The monthly cash flow from the developments is over £12,000 pm gross; the net figure is close to £7,000 pm.

Current monthly cash flow from the whole portfolio is almost £20,000 gross and will be close to £30,000 after completing the current projects.

YPN: Those are life-changing figures!

Lloyd: Yes. I quit my job in September 2014 and have never looked back from that moment. It's definitely life-changing. Our property projects have funded holidays and things like trips to the Monaco Grand Prix – it's a completely different lifestyle.

Contact Details

If you are interested in learning more about build-to-let and renting out new build properties without all the problems associated with Victorian terraced properties, Lloyd and Andi's training and mentoring programmes might interest you. To find out more, contact them via …

Facebook: **Property Developers Secrets group**

Website: **www.whiteboxps.com**

"This has changed our lives, and if we can help people change their lives too, we are satisfied."

Now listen to the full interview with Lloyd and Andi

http://bit.ly/29P0kNE

"I MADE OVER £500,000 – BY ACCIDENT!"

How Aman took the build-to-rent plunge … and is reaping the rewards

Where do you start with build-to-rent?

It sounds like a sophisticated strategy, but it's one that might not be as far out of reach as you first think. While Lloyd and Andi have graduated towards larger developments, you can start with much smaller projects – and **Aman Bindal Gupta** is someone who has done just that.

"It sounds like a sophisticated strategy, but it's one that might not be as far out of reach as you first think"

Aman is based near Heathrow and started his property investing journey with traditional buy-to-let (BTL) before venturing into build-to-rent by accident in 2011. From that project he saw huge potential in the strategy and has gone on to build more properties to rent out by the room, either as Houses in Multiple Occupation (HMO's) or serviced accommodation. In this article, Aman explains his background and how he got started, and talks about his build-to-rent projects in detail.

Background

Before going into property I was an IT consultant/programmer in the banking industry and worked in several countries before moving permanently to the UK in 2008. This was a normal 9-5 job and I had begun to look for investment strategies that could generate a passive income to provide an alternative to a full-time career.

I started by buying a 2-bedroom BTL flat in Feltham but sold it after a while because I realised this strategy wouldn't provide a reliable enough alternative income to enable me to leave my job.

I did make a capital gain profit on selling though.

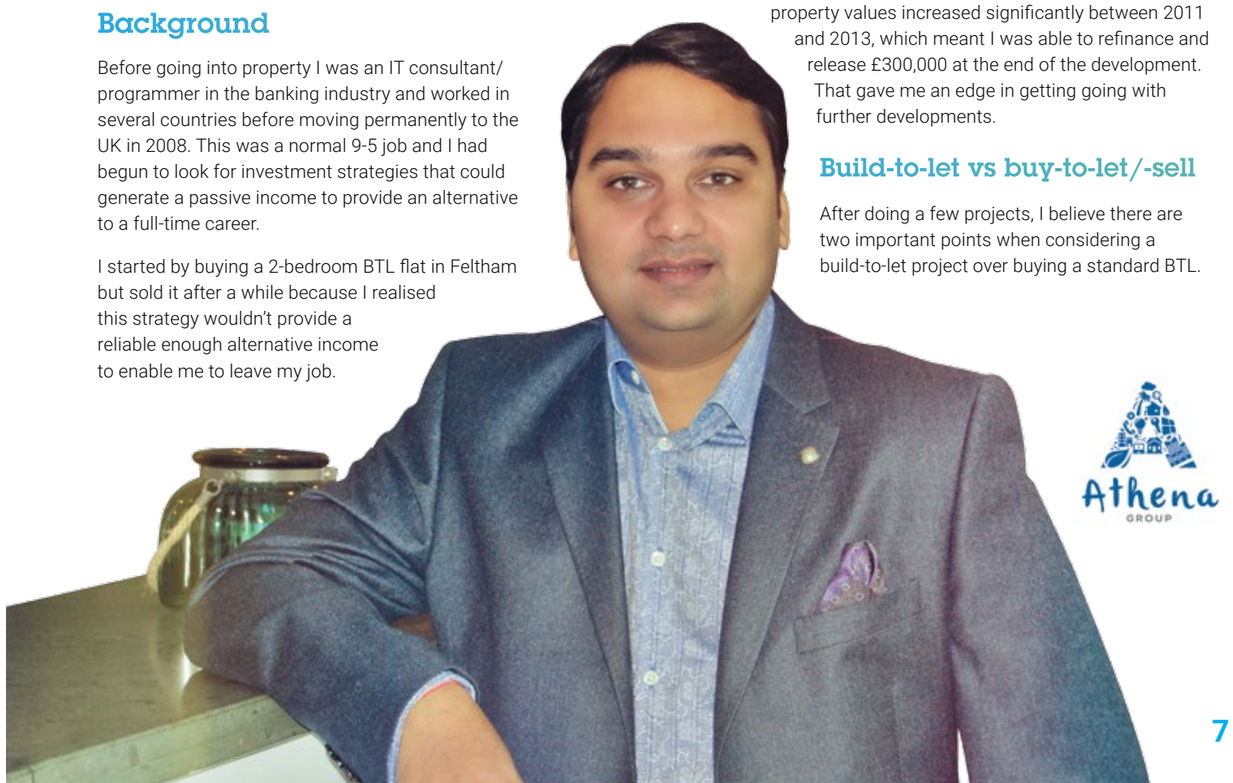
A couple of years later, in 2011, I was looking for a family home and found a 4-bedroom end-of-terrace property on a large plot. I wasn't looking for a development project but this house was in a very bad state; it also had a double garage and side extension. My wife and I saw the potential immediately – by demolishing the garage and extension, the plot could accommodate a new-build 4-bedroom detached house in addition to the existing house. We consulted an architect and this became my accidental start in development… which eventually led to build-to-rent.

After purchasing the property we moved into the existing house and started the build in April the following year after planning permission was granted.

It took a year to finish, but there was a huge bonus: property values increased significantly between 2011 and 2013, which meant I was able to refinance and release £300,000 at the end of the development. That gave me an edge in getting going with further developments.

Build-to-let vs buy-to-let/-sell

After doing a few projects, I believe there are two important points when considering a build-to-let project over buying a standard BTL.



1. **There has to be a profit in the development itself because the strategy works on the basis that you keep the property afterwards. Therefore, you must be able to refinance your money back out to invest in the next project.**
2. **Whatever you are building should be highly rentable: it must be in a good area with high rental demand. Ideally, you will be able to use the development for a high-yield strategy, such as multi-letting or serviced accommodation.**

Building to rent is different from building to sell. I keep this in mind at the construction stage and usually plan the development as a multi-let. That way it can still be used as a single let, whereas it's much more difficult to do it the other way around. It does mean some extra costs at the build stage, for example laying coax and aerial cables and wiring for smoke alarms into each room, complying with standards and so on, but that increases the construction cost by no more than 5%. The property is then equipped for multiple rental strategies; and as a multi-let the increased rental income is a payback for the additional build cost.

Most of my portfolio is within three miles of where I live. I only let rooms to professional tenants as there is plenty of demand from airport staff. Proximity to Heathrow also means there is good demand for serviced accommodation, which I started to offer a couple of months ago (see **Case Study #3**). So far that's going well – we are getting a mix, roughly, of 70% tourists, because we're close to Windsor, Legoland and so on as well as Heathrow, and 30% professional staff travelling to local companies.

A sound challenge

So far my projects have been of standard construction but the next development, a £1m house on the Thames in Wraysbury, will have to comply with special conditions for sound insulation because it's closer to the runway. We follow NHBC Guidelines, which also incorporate guidelines for additional sound insulation for areas with high noise levels. This will involve installing triple-glazing and using ceiling joists with soundbreaker bars.

> *"It can be a capital-intensive strategy but I have been able to progress by recycling funds from one development into the next"*

Sourcing and financing

People might think at first that finding plots suitable for building to rent will be difficult, particularly in the South East. I haven't found that to be the case and have sourced all my projects to date on the open market. I am careful to look for potential though rather than at what is currently sitting on a plot of land when analysing a deal.

It can be a capital-intensive strategy but I have been able to progress by recycling funds from one development into the next. Beyond that, I use bank commercial finance and have also recently started working with a small number of high net worth individuals.

As a property business grows and becomes more complex, structuring it properly both for tax reasons and for clarity when working with other people becomes very important. I was lucky in getting the right advice at the right time when I started, and set up a limited company for the first development in 2012. I'm not sure this was such a popular structure at that time, and fewer banks were prepared to grant a mortgage to a limited company, but I followed the advice to create a group structure that allows SDLT relief, as follows:

A holding company, which owns…

An investment company for the rental properties;

A construction company for the build works, which enables me to employ subcontractors and save around 20% of the build cost;

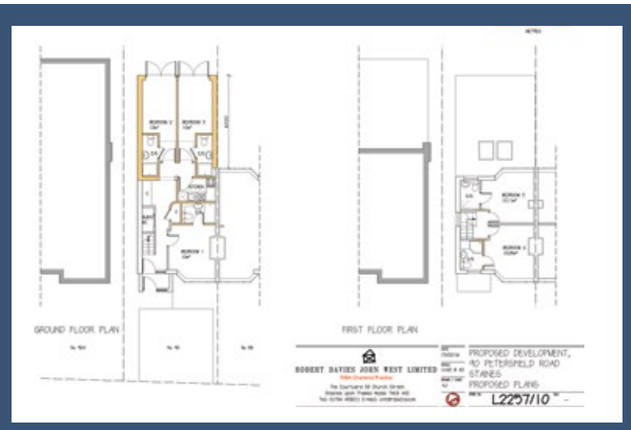
Special purpose vehicle (SPV) limited companies are used for each new acquisition.

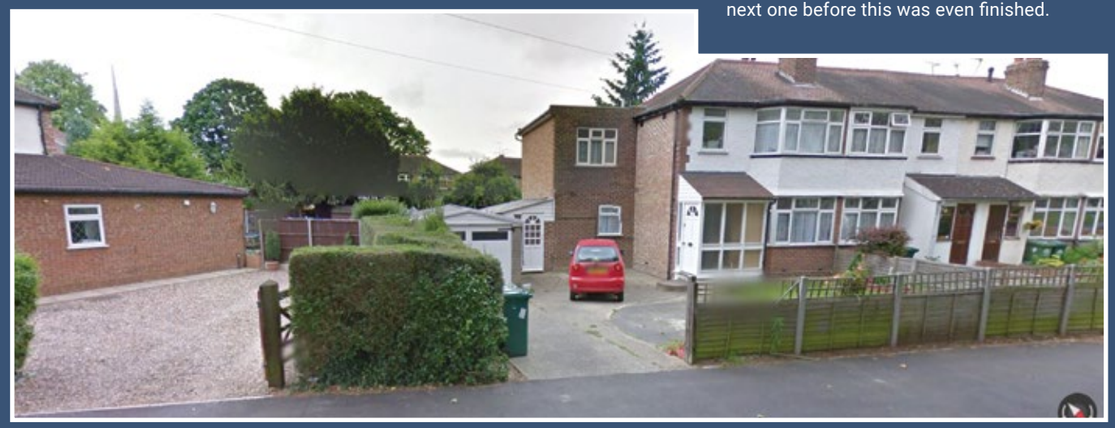
Balancing yield and capital growth

Selling developed properties to realise the cash profit can be tempting but ultimately my motivation is long term cash flow rather than short term gain.

CASE STUDY 1
New build + HMO, Staines

Purchase price (2011):	**£280,000**
Deposit:	**£70,000**
Mortgage (with Nationwide):	**£210,000**
Construction cost of 4-bed house (for use as own home):	**£170,000**
Private development finance:	**1% pm**
Valuation of new house (2013):	**£450,000**
Cost of rear extension and converting existing property to HMO:	**£40,000**
Current market value of new detached house:	**£600,000**
Current market value of original end-of-terrace house:	**£450,000**
Equity created:	**£550,000**
Money out from new house:	**£300,000**
Money out from old house:	**£130,000**
HMO gross rental income pm/pa:	**£3,600/£43,200**



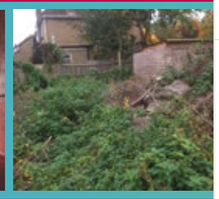


Focus on property

This was a great project to learn on – a happy accident! After finishing the build, we moved into the new house and made that our family home. I then got to work on converting the existing building into a 6-bedroom HMO. That generated a good rental income as well as adding a further £100,000 to the value of the house.

Builders were readily available at this time and I found one who could do everything I needed on this development. The project really sparked my interest, and I found the next one before this was even finished.

CASE STUDY 2 *Staines*



My most recent project, purchased in November 2014, is one that I intend to develop for the serviced accommodation market. Close to Staines and Terminal 4, it is a big bungalow that the vendor built and then occupied for sixty years, sited on a large plot of land. I made an offer the day it came on to the market – it was listed with the same agent who sold me the first project, so he had confidence that I wouldn't pull out of the purchase.

It took a year to obtain planning permission for three 2-bedroom houses in the garden. I have split the titles and we have just started phase one – building these houses; phase two will be to demolish the bungalow and build four 1-bedroom flats. Until we are ready for phase two, I have converted the existing bungalow into a 6-bedroom HMO to cover the mortgage payments. In total, when completed, this development will consist of seven serviced accommodation units.

Purchase price:	**£600,000**
Mortgage (with Halifax):	**£480,000**
Conversion of bungalow to 6-bed HMO:	**£40,000**
Gross rental pm:	**£3,600**

Phase 1:

Construction costs:	**£350,000**
Development finance (Lloyds):	**6% pa**
Construction costs:	**£350,000**

Phase 2:

Construction costs:	**£350,000**
Construction costs:	**£350,000**

CASE STUDY 3

Commercial + residential, Ashford

The second development was a commercial in Ashford high street, which already had planning in place to d emolish the existing building and replace it with a shop and two residential flats above. I used the funds extracted from the first project to purchase and fund the development.

Purchase price:	£310,000
Mortgage (with HSBC):	£240,000
Construction costs:	£270,000
Cost of development finance @ 7% pa:	£30,000
GDV (approx):	£800,000
Equity created:	£190,000
Additional funds out on refinance:	£50,000
Gross rental income pa (from three units):	£45,000
Rental income pa from shop (20-year lease to Costcutter grocery chain):	£16,500

All three units are held in my limited company. The rental figure for the flats is based on standard BTL. However I have very recently converted one into serviced accommodation, which has not yet been factored into the rental income.


OVERHEAD VIEW OF WORK BEING CARRIED OUT

> *There is an SDLT relief available to enable companies within a 'group' (under common ownership) to transfer properties between group companies SDLT-free – though there are legal costs to deal with it, it is perfectly acceptable. Generally it's better to try to have the funds transferred to the 'right' company in the first place but there may be legitimate reasons why this isn't preferable.*
>
> *Stephen Fay*

Several of my property friends are working on build-to-sell projects but I keep reminding myself that I want to spend more time with family rather than tie myself to another job... even if it is in property. With that in mind, I always veer towards multi-let and serviced accommodation strategies because the yield is so much better. However, by building the properties myself I also create some equity.

I try to strike a balance between capital growth and high yield where possible, but if I had to choose between two build-to-rent projects, say a 4-bedroom house and a semi-commercial, I would go for the latter. The capital appreciation might not be as good, but the combined rental income from the commercial and residential units would be much higher, particularly if the residential elements were rented out as multi-lets or serviced accommodation.

Present and future

In 2011 I started with £100,000 and my portfolio is now in the region of £3.6 million, leveraged at around 65% and generating £100,000 pa. I also have projects in waiting, amounting to a land value of ca £800,000 (included in the portfolio figure), which is not currently generating any income.

I haven't had any formal property education and most of what I have learned has come from making mistakes. Standard BTL is a lot more forgiving than development, but I was fortunate in my first project being literally next door to my house, which meant I could follow the process and learn from the build. Then project by project I learned as I went along. I do read a lot about investing and construction though. The one exception with regard to education has been a course on professional multi-lets: I wanted to get this right from the start rather than learn slowly as I did with construction. I've also built up a power team over the years – that wasn't in place when I started.

The biggest thing I have learned is: there is no quick way of doing this. You have to take your time because build-to-rent is complex. You need to know about construction, refinancing, and rentals – including property and tenant management – all of which are very different aspects of property investing. If you go down the multi-let route, you will also need to know all the additional rules and regulations involved with that. If you try and do it all too quickly, your risk level will be higher.

Keep your eye on property values too. I've been fortunate in seeing values go up since I started but if they went down for a couple of years you could struggle to get your money back out.

Check your projects thoroughly at each stage – you must be certain that there is a profit in the development regardless of the market, and that the BTL yield on the finished product is good. If anything is missing, don't go into the project. If the market turns negative you might get stuck and end up having to adjust your strategy to cope with a short-term problem.

After saying all that, the upsides and gains are worth it because you're building in equity as well as getting a good monthly cash flow. Thanks to this strategy I gave up my job in February and am now 100% focused on development and multi-lets. I haven't quite reached my former earnings level yet but the Wraysbury development will have a big effect when it's finished; after that I will have exceeded my previous income.

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YPN SAYS

As with most property strategies, build-to-rent has its pros and cons. There are definitely huge gains to be made in equity and cash flow, particularly if you prepare the properties for use as HMO's or serviced accommodation, but there is a lot to learn too. As all three investors have found out, as well as understanding the basic principles of construction – even if you're overseeing the team rather than hands-on – and recognising what the demand is in your local market, you will need to know about the regulations of your chosen rental strategy for the finished units, lettings, and managing tenants or serviced accommodation visitors.

You don't have to do it all yourself though. Bring in specialist help where necessary and outsource what you can. Potential returns may be significant, but the bigger the return, the greater the risk and so the more help and expertise you need. Take it one step at a time. Bear in mind that Rome wasn't built in a day – and your portfolio doesn't have to be either!