LOOKING BACK ON 2018:

MULTIPLE PROPERTIES, TWO BUSINESSES, A PODCAST AND A BOOK

Words **Angharad Owen**

Murat 'Mo' Haykir, 31, co-founder and director of two property businesses, Moorview Property and KHP Group, has had an exceptional year of growth and expansion. Along with huge progress in his property businesses, he also co-hosts the Your Success Podcast with Angelos Sanders, and together they have just released a best-selling book of the same name.

As we hurtle towards the end of 2018, we wanted to find out more about what Mo has achieved and how, but alas … no journey comes without speedbumps.

Mo currently lives in north London with his fiancé, and splits his time between there and Plymouth, where the two businesses are based.

If his business is based down in Plymouth, then why continue to commute back and forth to London? Because it means he can attend a lot of investor meetings in the capital. There, he has met many investors, some of whom are international, who have gone on to invest in his company's projects, on both a fixed interest and equity basis.

"I really like the contrast between the slightly slower pace of life [in Plymouth], with the amazing scenery and access to the beaches and moors. But then going back and having meetings in restaurants in the hustle and bustle in London."

WHY PLYMOUTH?

There are two major universities in Plymouth, with a student population of around 30,000. The number of students attending the University of Plymouth has declined by around 35% over five years. However, Plymouth Marjon University and the Plymouth College of Art have both grown considerably due to a lot of investment. So there is a small net decline in student numbers, but at the end of the day, it is a university city which has seen some strong shifts in the student market. Many purpose-built student blocks have been constructed around the city and as a result, the student-specific HMO market has shrunk somewhat, as well as what is considered the golden circle of student houses.

Mo believes that in general the standards of student HMOs need to increase. He's noticed that today's students are a bit more discerning about the product they want. Although the student area has shrunk, Mo has many high-quality properties in the area and has no problem filling them. One of the student houses has even been booked two years in advance.

However, because of the changes in the student market, many landlords in the area have been switching to the professional HMO market. The problem is, many don't realise that it needs more than a lick of paint and second-hand furniture to make it appeal to the young professionals.

Article 4 has been in effect in Plymouth since 2012, and as a result HMOs within that area are slowly going up in price. Plymouth City Council are not permitting new HMOs unless in exceptional circumstances. This means there is now a finite pool of HMOs. A lot of people are selling up due to uncertainty about tenant demand, yet well designed, maintained and managed properties are holding their value, or even going up in price.

STRATEGY

A natural question that arises from these changes in recent years is whether the HMO market has reached saturation point in Plymouth. However, this change in circumstances around HMOs is where Moorview Property has spotted the opportunity and stepped in. They take tired HMOs and flip them into smart houses filled with desirable spaces for young professionals to live in. In Mo's experience, there is plenty of demand for rooms of a high standard and the business has flourished.

The cost to refurbish the houses they buy can range anywhere between £60,000 and £100,000. And although Plymouth doesn't appear to have a particularly affluent

Mo (right) with business partner, James Yorke

market, Mo's tenants vary from blue collar workers, to people on graduate schemes for companies like Pepsi and Coke. One of their tenants is a mechanical engineering consultant who lives in Spain and flies back and forth for a few days per week. For him, renting a room in an HMO works out cheaper than relying on serviced accommodation.

At first glance, Moorview's rooms might appear to be on the higher side in terms of rent, but Mo doesn't consider that they are competing with other rooms in the city. Rather, he believes their main competition to be one-bedroom flats.

In Plymouth, a one-bedroom flat can rent for up to £550, with council tax, bills and other costs on top. The flats are usually unfurnished, so tenants will need to factor in the cost of purchasing furniture. But when Mo steps in and offers tenants a room for more or less the same price with an en-suite and all utilities included … it's a no-brainer in most cases. The only compromise is that the tenant will share a kitchen with other housemates.

Oftentimes, people will pay a premium to have as much as possible on demand and have everything set up ready. Nowadays, people have busy lives and tend to not want the hassle of setting up bills and internet themselves for the sake of saving a few pounds.

The typical reason that a tenant eventually moves out of their rooms is because they have decided to move into a one- or two-bed flat with either a friend or significant other. In many cases, tenants will stay for between 12 and 36 months.

Turning to the investment aspect, Moorview offer investors a turnkey service where they source and manage an HMO for a fee. They are in control of the process of purchasing an HMO from start to finish. Fees start at £3,000 for sourcing, which is lower than many other sourcers who charge 2% of the purchase price. In Plymouth, the average purchase price for a five or six bedroom HMO tends to be between £180,000 and £220,000.

Most of their investors are London-based, as mentioned above, and these people are unlikely to want to deal with admin.

Moorview then manage the purchase and essential administration. They co-ordinate the broker, solicitor and lender, as well as gather all evidence in terms of HMO usage. The time that can be lost in the conveyancing process, however, is massive. *"Time is money, so we want to get through that as quickly as possible,"* Mo expresses.

> After exchange, they project manage the refurbishment if it is necessary, at a rate of 15% of the total works, on a completely open-book basis. This is paid in two segments, with one payment at the beginning of the works, and the other at the end. It goes without saying that this too, is hands free for the investor.

They go out to tender for works, so all investors have an upfront agreement on what the cost of works will be. If any unexpected and costly issues arise, there are client approval forms in place.

They encourage their investors to not consider capital appreciation when calculating their deals. It's very difficult to predict whether growth will continue at the same rate as it is currently. If anything, any capital gain is a bonus – it doesn't pay the bills.

Each house varies as the layout will be slightly different, but broadly speaking, when complete, gross rent is usually around £600 for one room, £525 per room for three rooms, then a further two at £500 and £450. In total, it can easily tally up to over £3,100. After costs and mortgage, net profit is usually between £750 and £1,500, but the return on investment will vary depending on how much equity an investor wants to leave in the deal.

STANDING OUT

Over the past year, Mo has been very active on social media. He's found that because he's very open and honest about what he does, he and Moorview are gaining a following and people are potentially gaining inspiration from his designs. As other HMO operators up their game though, he's finding that they must constantly be innovative to stay ahead of the curve.

Many investors buy furniture packs for their properties and HMOs. *"They're amazing, but you have to look at different packages and mix things up. Because when everyone starts doing it, tenants are seeing the exact same things,"* Mo advises. *"There's no differentiation."*

To make sure they continue to stand out, they are currently working with an interior designer. Their main goal is to add more feature pieces into their rooms. The furniture will be fairly standard, but the spaces will be accentuated with key accessories such as feature lights or mirrors.

ROLES AND RESPONSIBILITIES

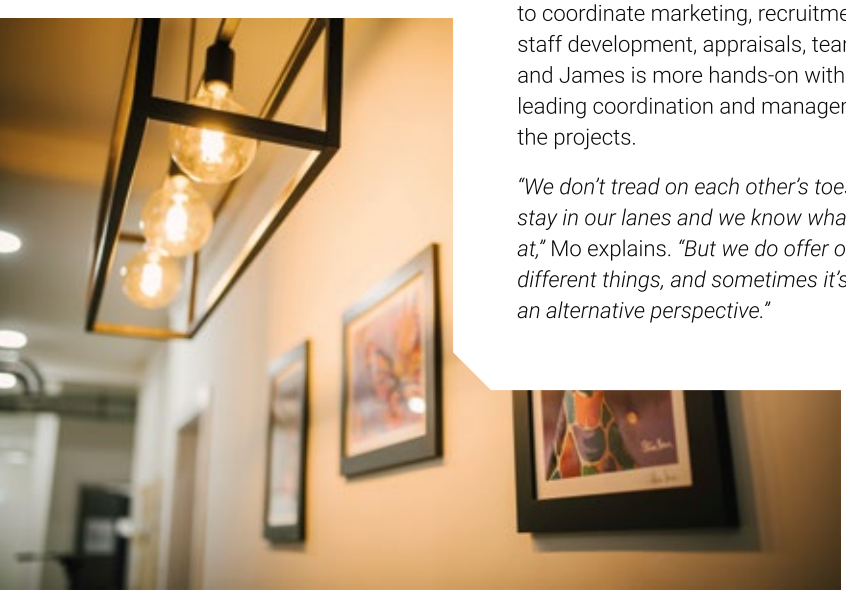
Moorview is run by Mo and his business partner James Yorke. James has a construction background, whereas Mo previously worked in banking and project management. Mo's main role in the business is to coordinate marketing, recruitment, finance, staff development, appraisals, team meetings, and James is more hands-on with the builds, leading coordination and management of the projects.

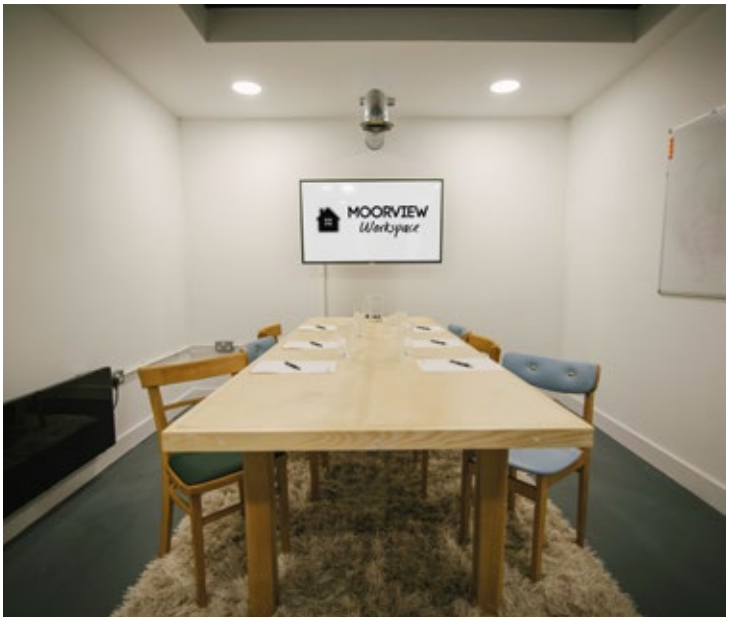
"We don't tread on each other's toes, because we stay in our lanes and we know what we're good at," Mo explains. *"But we do offer opinions on different things, and sometimes it's good to get an alternative perspective."*

They also have a finance manager and a part-time finance director.

Moorview has three main areas of business. Their core is HMO lettings and management, Moorview Lets. Their other branches of business include Southwest Property Sourcing, which feeds the HMO management business, and Moorview Property Developments, which manages all the refurbs.

They have recently expanded into other areas of business, including serviced accommodation, and have recently opened a co-working hot-desk area within their new office building to maximise the commercial revenue on spare space that would otherwise be unused.





MOORVIEW WORKSPACE

12 STONEHOUSE STREET, PLYMOUTH

Type of property	Office
Purchase price	Unit purchased by JV partner with his pension - £180,000. Lease agreed at £16,000 pa for ten years, but with a 20% rent reduction for five years (Moorview to pay for some landlord works as part of this agreement)
Open market value	£180,000
Amount of funding	£40,000
Borrowing rate(s)	10% pa
Total money in	**£80,000**
Personal money in	**£40,000**

COST OF WORKS

Duration of project	Four months
Total costs	**£80,000**

VALUATION & INCOME

Monthly income	Total income £6,450 split across six office units and eight hot desk memberships
Bills	£2,220
Monthly mortgage payment	Cost of JV finance £333 + lease payment £1,067 = £1,400
Monthly costs	£3,620
Net monthly cash flow	**£2,830**
% Return on money left in	**85%**

ACHIEVEMENTS IN 2018

Looking back to the beginning of 2018, what where Mo's goals for the year?

Move the business out of serviced office space … and into their own office, which they have achieved by converting an old building into their own space.

Source and deliver two HMO refurbishments per month … which they are now achieving. They are also well on the way to managing 300 rooms by the end of 2019 – a large increase from 80 at the beginning of the year.

Streamline the serviced accommodation units. They've taken on a few new units but have also let a few go. As you may imagine, serviced accommodation is a competitive market on the South West coast of England. Although they're gaining a lot of business from direct bookings from contractors, they also want to remain firmly in the tourism market, and the new properties are in prime holiday locations.

Expand the Moorview team. They have recruited an additional five full-time members of staff. *"To be honest, we have a really good team,"* Mo told us proudly. Our new recruits are a mixture of graduates and non-graduates with relevant experience. All staff are taught to have a lot of ownership over their responsibilities, with ownership being one of the five Moorview company values. Mo and James want to empower their staff to make their own decisions and report back on key metrics.

SPEEDBUMPS

When interviewing someone for an article of this nature, people often have an extraordinary ability to make the process of growth and expansion sound like an easy ride. Although not particularly true for Moorview, they have implemented something they call black box thinking, based on the book of the same name by Matthew Syed. It encourages everyone to learn from mistakes so they can improve in the future.

It's important that when the focus is on one part of the business, that the ball doesn't drop in another. As a company, there are many plates spinning in the air at any one time.

The biggest speedbump they've encountered is that of financial management, reporting, processes and control. In only eighteen months, Moorview has gone from being a business comprising two people working out of a living room, with a few part-time freelancers, to being a large management, sourcing and development business.

They have recruited two full-time finance assistants, a full-time finance manager and a part-time finance director, and an undergraduate to help with the financial systems. *"You can't underestimate how important it is to have your numbers on time so that you know where you are and to feed those reports to clients,"* Mo explains.

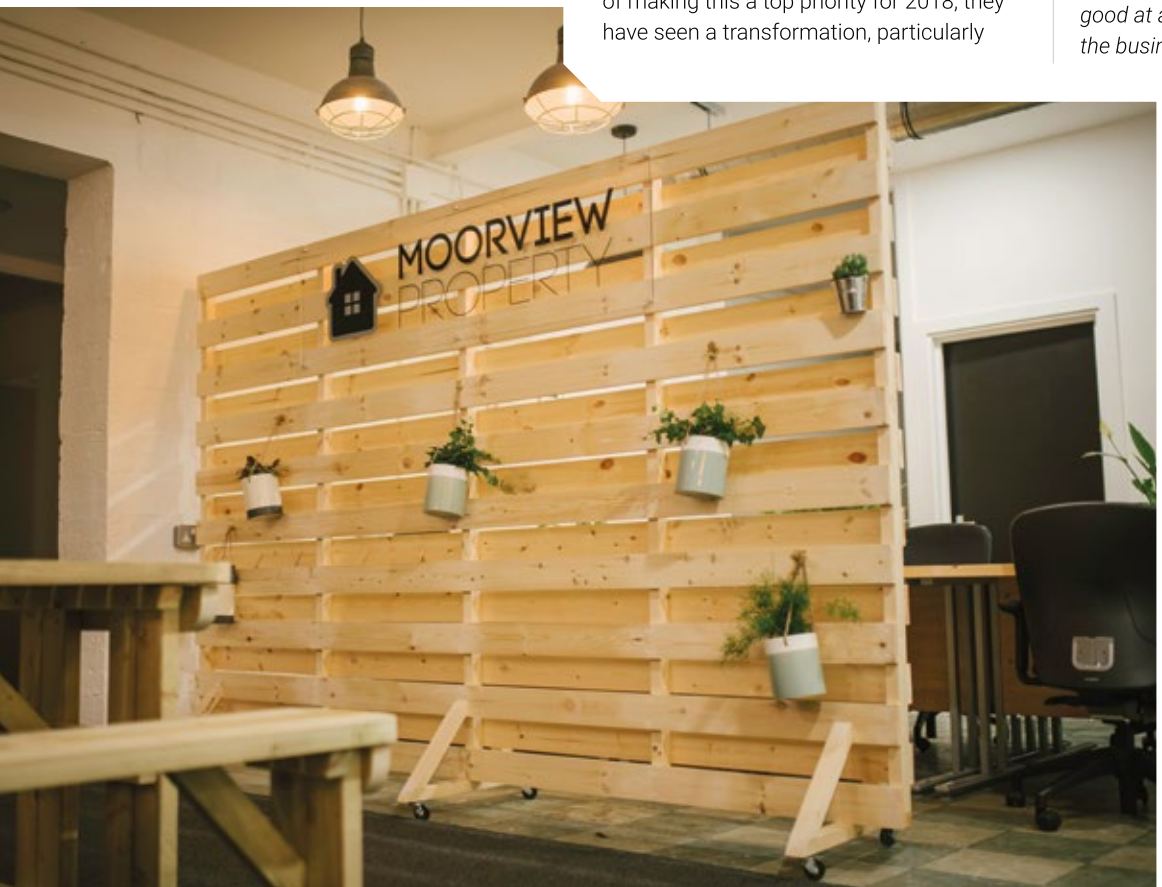
One of Mo's roles is to manage and balance investment monies and income across the branches of the business. As a result of making this a top priority for 2018, they have seen a transformation, particularly since bringing in a finance director. Mo says: "*The transparency, the visibility, the profitability, everything, is just much better now.*"

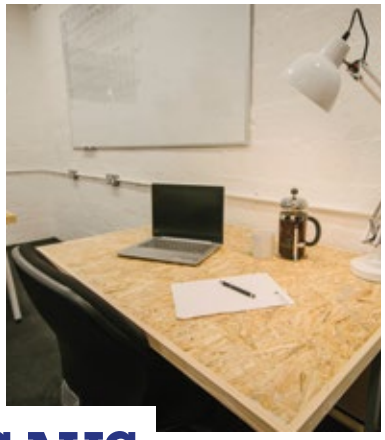
As everyone knows, nothing is clearer than with the benefit of hindsight. When asked what, if anything, he would have done differently, Mo revealed that his main regret was not recruiting into the financial function earlier. With a career in corporate finance and qualifications in business, economics and accounting, he had taken this responsibility upon himself, but bringing resources in to cover this has been a big advantage for the business. It has freed Mo up to do more income-generating work in other areas.

It can be difficult to make the decision to invest in hiring into the finance part of the business, because it is a pure cost and does not generate any income. But it only takes a couple of instances where income has been missed and this has had an impact on the finances, that it becomes clear that there's a business case for hiring a financial manager.

Having the right, up-to-date data to hand in meetings has proved invaluable in getting a better insight to the business, enabling them to create the necessary decisions.

Hiring a financial manager has had another surprising positive effect, in that it has brought Mo a sense of self-awareness on how he likes to spend his working hours. *"The financial stuff wasn't my passion. Obviously that's why it wasn't being prioritised and being done as well,"* he admits. *"The bookkeeping wasn't being kept up to date because it's not what I'm good at and it's not where I add value in the business."*





THE FUTURE

The KHP Group is another business that Mo and James are directors of, alongside three other business partners. Back in the July 2017 edition of YPN, KHP was featured with their Kingsleigh House development project. Collectively, the team of directors have many years' experience in finance, construction, interior design, architecture and building surveying. They create the perfect team to specialise in large developments and conversions.

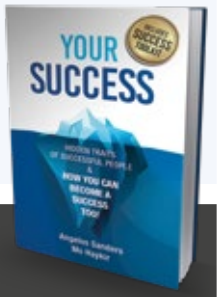
A little over a year ago, they expanded the business to hire a full-time sourcer, project manager and finance assistant.

At the time of writing, the KHP Group have four projects ready to go live in the later months of 2018. This will bring the total GDV of onsite projects to £8m, consisting of a mixture of properties they plan to sell and hold to rent. The projects will range between nine and 24 months to complete and 2019 will be dedicated to execution and delivery of the builds.

At the time of writing, one of the KHP Group's projects, a chapel conversion into a 30-room HMO, is live on Crowd Property. They successfully raised £300,000 in 18 minutes. The rooms will be spread across six flats in the city centre of Plymouth.

Mo also plans to continue to grow Moorview. He would like to retain 50% of their HMO deals between the two businesses.

Beyond property, there is another book in the pipeline, and pen will be put to paper in the Autumn of 2019.



YPN SAYS

As keen property investors, we can often be guilty of assuming that progress means taking lots of action, but that's not necessarily true. The investors featured in these pages have achieved a lot this year, but progress is sometimes about stepping back and taking stock, as Jonathan plans to do next year. Or genning up on a new strategy. Or even adjusting to new developments or regulations for an existing strategy.

Now is the time to decide what progress will mean for you in 2019. Will you be buying a particular number of properties, setting out to achieve a certain amount of net income, aiming to get a percentage return on your money, or educating yourself further?

Remember to make your 2019 targets SMART – specific, measurable, achievable, relevant and time-based. In addition, being accountable to someone else is a good motivator. It's harder to wriggle out of your commitment if you've got to explain to another party why you're not doing what you said you would.

One thing is for sure, putting the effort in now to set out your stall for the next year will reap rewards. You will have a focus and that in itself puts you ahead of the game. Good luck and let us know what you're planning for 2019!

GET IN TOUCH

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