

THE ONES THAT GOT AWAY



By **Arsh Ellahi**

Last month I wrote about vision and creativity. I also shared an example of how I looked at an opportunity and monetised it when others had dismissed it.

By way of contrast, this month I thought I would write about how sometimes I too miss out on opportunities through lack of my own vision. I openly admit I don't always get things right and the resulting lost opportunity sometimes costs me money.

20 years in, I still am fascinated by property. Whenever I look at a building, I think that someone somewhere had the vision to create it, and then executed their plan.

A great example of this is the city of Dubai. Within a very short space of time, Dubai has been turned from a deserted desert into a world-renowned attraction – and all this was the vision of Sheikh Mohammed.

When looking at something like this, I question:

- **Where the idea came from (the best ideas in the world have come from resolving a problem / issue)?**
- **Why there?**
- **Why that specific product?**
- **How they got the resources there to make it happen?**

Now, I appreciate that this is on a whole new level and scale because along with building a city, the project required a whole new government infrastructure, which in itself is mind-boggling. Not many would have had the vision to conceive of this, let alone the drive to see it through.

Bringing it back to a more local level of property investment and development and lack of vision, I will share an example of a



property that I still drive past every day and kick myself for not grasping the opportunity with both hands ...

Months went by. I stayed in contact with the agent to see if the owner had any change of heart. Four months later, I called the agent again. He informed me that the site was no longer available. I asked whether it had been sold and to whom and what they were going to do with it.

The agent explained that the owner had been approached by Sainsbury's, who wanted to lease the site off him at £90,000 per annum and would take the site 'as is', to build a Sainsbury's Local. The agent also said that they had been in talks for almost a year but Sainsbury's had been non-committal, hence why they started speaking to me.

I was absolutely flabbergasted ... and also disappointed with myself. I had been so wrapped up in trying to appraise the site as a residential development that I completely missed the commercial angle. Why didn't I think of that?

What really bothered me was that I had been in this position before. I had purchased a former car showroom and gained planning permission for 24 houses. Then, we were approached by Lidl Supermarket, who offered more for the site on an unconditional basis. We accepted an offer clearing a cool £1 million from that site – but this was circa 2006 and prior to the crash.

Going back to the site in question, all I could say to the owner was ... well played. That was a phenomenal deal! I hadn't thought Sainsbury's would be interested in it, that it would have been too small for their requirements. How wrong could I have been!

It was a massive learning curve. A site I could have purchased for £315k has since produced £900k over the ten-year period, with Sainsbury's responsible for:

- **Demolition of the existing building**
- **Constructing a purpose-built unit**
- **Ten-year FRI (Full, Repairing & Insuring) lease with no break clause**

The site would have paid for itself immediately, because I could have refinanced it on the strength of this covenant alone ... meaning the site would be worth circa £700k-£900k without lifting a finger. My money would have been out for a maximum of six months.

To rub salt into the wound, I have to drive past this site every day on my way into the office. In addition, my wife uses this Sainsbury's for the daily shopping –

meaning that we are putting money into their tills to pay the rent for this site!

I took away a lot from this experience. It taught me to look at every possible angle on a deal, including:

- **Residential development**
 - Single dwellings
 - Development of flats
 - Development of HMOs
- **Commercial Development**
 - Build as units
 - Mixed use – commercial and residential
 - Check if any of the blue chip companies are looking for sites to expand into, eg Costa, Starbucks, Tesco Express, Sainsbury's Local and so on

Not everything has to be a house or residential. I suppose that is just my comfort zone and the arena I am most familiar with.

I am glad to report there haven't been many incidents like this. I like to think I'm pretty switched on when appraising opportunities. I like to think I can turn an ugly duckling into a golden goose, and have done so many times. In reality, this is all part of the sourcing process. Without the ability to source and appraise properties, no projects would ever come off.

QUARTER HOUSE PUBLIC HOUSE, WOLVERHAMPTON



This is a property in a prominent location of Wolverhampton, which was running as a successful pub up until circa 2003. The brewery sold it off and as a result, the pub rapidly deteriorated in condition. (I believe this was done deliberately as it sits on quite generous plot and had residential development written all over it.)

The pub eventually shut down and was boarded up for many years. Several developers put in applications for planning permission for apartments, which were refused. The site then went up and down for sale for a few years, where the owner was quoting ridiculous figures that were unsustainable. Eventually, in 2008 I was approached by the commercial agent advertising the site, who informed me that they were now looking to entertain offers as a result of a developer gaining planning permission for three, three-storey, four-bedroom townhouses.

After evaluating the site, I calculated that the houses were worth circa £250k each at best, giving a GDV of £750k. That made the £335k they wanted to achieve seem quite rich. I also had to take into consideration factors such as:

- **Demolition of the existing building**
- **Potential contamination issues as the pub had a large cellar and underground machinery**
- **No scope to develop the site further as it already had several failed applications lodged against it.**

I went back with an offer that I felt was acceptable if I were to undertake the project. At £250k, there would still be a margin in the site purely because my own build team could develop it at a keen cost, allowing for a profit margin of 20% after all accountable costs.

There was some to-ing and fro-ing between the owner, the agent and myself, but eventually I walked away from it as the owner refused to move any lower than £315k. That seemed a tad too risky for me, especially since we still had not seen the full effects of the property market crash.

At this point, my thought process was ... there is no way someone is going to offer £335k for the site with the limited planning and development potential. Let them sweat it out a bit more.



CONTACT

I am opening the doors (almost like Willy Wonka) for the next intake for my Elite Property Tribe, a 12-month mentoring programme where I personally work with 80 people from all walks of life and property experience and turn them into deal trading machines. The 'Tribe' is focused around becoming creative, and you can learn how you too can become a property magnet.

People in the previous group included police officers, surgeons, letting agents, students and electricians as well as existing property investors and professionals. Many exceeded expectations and have gone on to great success. Several have left full-time jobs to become full-time property professionals. One member even went on to achieve £100,000 within her first year.

Tribe members participate in weekly webinars that cover a variety of strategies, and in quarterly live events to hold them accountable, to share successes and to hear keynote speakers to further their education. In short, it's a community like no other. We communicate with members daily to ensure they stay on track and find deals.

The next Elite Property Tribe programme is open. If you thrive on challenge and want to be pushed to your limits, please visit www.arshellahi.com/elite-secrets/ for further information.

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Arsh Ellahi is the author of "Boom, Bust and Back Again: A Property Investor's Survival Guide"

