

Newsletter November 2021

November has been steady but busy for EMJA. James has been working on 2 projects that are in acquisition. He was in charge of making floor plans and ensuring that everything is in place before starting the refurbishments. Meanwhile, Emily and Lilian worked together to find more properties fit to purchase. Emily attended many viewings post-research to assess the physical condition of the properties and determined suitable offer. Most of them, unfortunately, were rejected.

Project Progress

- In Acquisition: 2
- In Progress: 1
- On the Market: 0
- In sales conveyancing: 1
- Sold in the last month: 0

Acquisition Progress

The Belfry Project acquisition, which will be used as an HMO or Serviced Accommodation unit, continues to delay. However, since this is a bridge loan, the delay has given James the opportunity to get structural calculations, plan and gather quotes so that he can have the team ready to go as soon as the property is on the books. Completion is anticipated to take place over the next seven working days.



The Bedminster Down Road project, which will be a flip, is reportedly very close to completion. This project will see some structural changes to the front exterior wall and supporting lintels before undergoing an extensive refurbishment. The two perks of this property are its location in proximity to North Street as well as its far-reaching views to Ashton Court and The Clifton Suspension Bridge.



Ongoing Projects

Lydney Rd is at its final phase of sales conveyancing. Legal matters are ongoing in the background. Although, as in any property transaction, there is always a reason for a holdup. This time it is a rather peculiar enquiry from the buyer's solicitor.



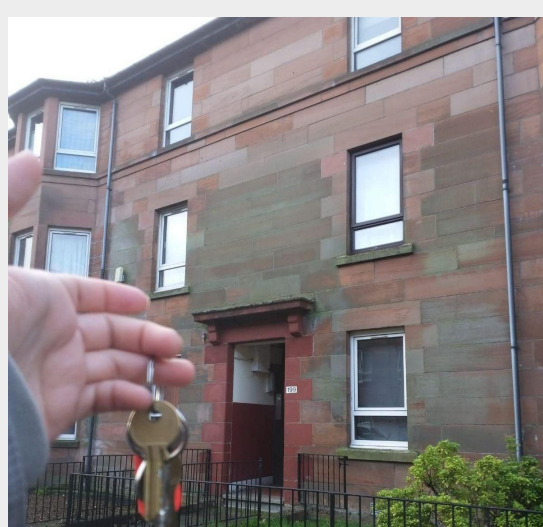
Background. A restriction charge was put in place to secure our investment, as it was an assisted sale. The buyer's solicitor requested that our solicitor provide the undertaking to assist on any requisition with The Land Registry post-completion with title registration for their client. An undertaking for title registration is not within our solicitor's control, so we will not be one. The matter was discussed, and no parties were able to stand down.

In the interest of continuing the sale, and though it is a private matter, we offered to discuss why the charge was put in place, in the hope that the buyer's solicitor will understand why it is not viable for us to provide an undertaking. Fingers crossed this will be a pre-Christmas completion.

Completion in Scotland

Earl St – The purchase of Earl Street has finally completed! Emily took a trip up to Glasgow in order to collect keys and meet agents and contractors. This was a real treat because it is the first time she was able to get on a plane since COVID!

Quotations. Emily has booked in four contractors to visit the property to obtain a quote for the project. She had a rough refurbishment plan and gave them all the same brief in the interest of fairness. She had arranged them all on the same day, one after another with gaps in between giving her just enough time to take notes. Ideas were discussed with practical input from the builders. While in the house, accurate measurements were also taken for the kitchen design the next day! This combined with a day trip Edinburgh made for a fulfilling three day adventure.



Meetings. As the trip was only 3 days, Emily arranged a heap of meetings with local estate agents, lettings agents, property friends and also kitchen designers! Though research was done prior to purchase, getting agents' opinions on works for a house refurbishment is important to ensure the work scheduled is not completely out of the norm in the area. Emily went on to design the ideal kitchen for the property, making sure that it is within the budget of the whole project. Emily expects to receive all quotes back on the first week of December and will decide which contractors to work with. The refurbishment work will start straight after Christmas and is expected to be completed mid-February!

Systems and Departments

There were changes made to what we call the "Battle Rhythm" - the systematic way in which EMJA operates. One aspect of this is checking rejected offers on properties. We check these properties once a month in case a deal has fallen through. With typically one out of three sales falling out of bed it is common for properties to appear back on the market and sometimes at a reduced price. These are now checked on a weekly basis instead of a monthly basis.

Changes have also been made to how properties are sourced with EMJA. Before, we scraped for properties at the beginning of every month. However, we noticed properties being listed in the following weeks that we tended to miss. Instead of scraping once a month, we now scrape twice a month to minimise missed opportunities.

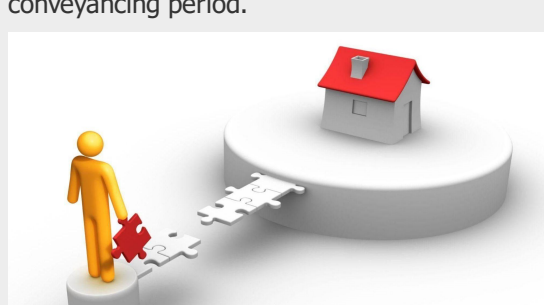


Since implementing this change, we found almost 30 potential properties in November compared to less than 20 in the previous month. This could also be down to improving market supply or easing demand.

Bridging vs Angel Investors

Although we have used them before, the last two months have given more valuable insight into the advantages and disadvantages of Bridge Loans when compared against Angel Investors.

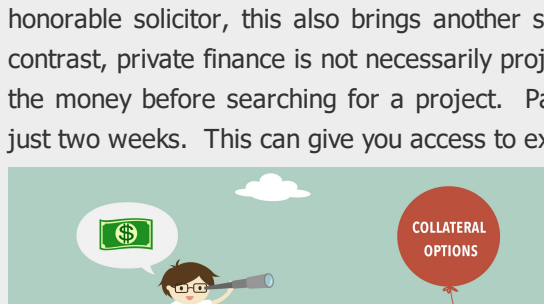
Loan Periods. The period of the intended loan is specific to the project. This means that you drawdown the loan and so pay interest on the loan when you buy the project. This means you do not need to hold and pay interest on the money while going through the conveyancing process, something that can typically take 14-18 weeks in today's demanding environment. In comparison to a bridge lender, you need to have private investor finance in your bank when you make the offer. This means you are paying interest on the full sum of cash throughout the conveyancing period.



Cost. It is undeniable that bridge loans are expensive. While they can deliver competitive rates of interest, their fees tend to be about 2% of the overall loan sum. Such fees can kill a deal. While investor payments can be of a similar rate of interest at times, there are limited entry and exit fees. A Bridge lender will also expect you to pay additional fees such as the valuation inspection fees and asset management fees if you are using development finance; they seem to find only the most expensive professionals for these tasks!



Conveyancing time. While some bridge loans can be arranged and drawn down in as quickly as two weeks, they are not all like this. A lender ensures this risk is kept to a minimum. This means that not only will they bring a third solicitor to the process, but that solicitor will be painfully thorough in their searches and queries. This means your solicitor must answer them and they both need to be on form if they are to make the process a speedy one. For the less honorable solicitor, this also brings another solicitor for them to blame any delays on too. In contrast, private finance is not necessarily project specific. You can therefore wait until you have the money before searching for a project. Paying with cash means you really can complete in just two weeks. This can give you access to exclusive projects where quick sales are essential.



Risk. Large private investors will only typically take security up to the amount they are lending. A bridge lender meanwhile wants everything. Not only will they take the first charge on the asset in question, but they also want Deeds of Subordination from any other project specific investors as well as personal guarantees from the directors.

As a result of their extensive due diligence, they are said to provide you with an umbrella, but then take it away as soon as it rains.

Have a burning question about what we are saying this month? Don't wait!

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