

TITLE SPLITTING

The process of disaggregating Freehold properties into Leaseholds

Jon Puleston-Jones

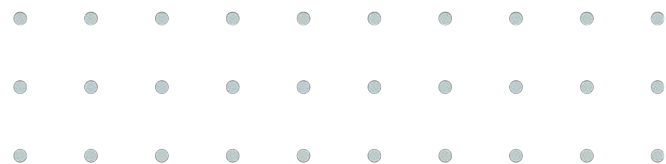


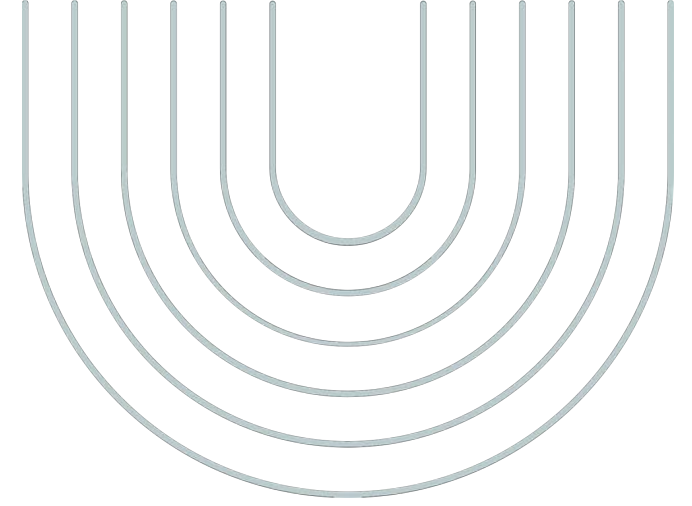
INTRODUCTION

- I previously worked in finance, but now a full-time property investor
- Focused on Chester and North Wales
- I started with BtLs then HMOs, then moved on to blocks of flats, serviced accommodation, mixed commercial
- I actively use angel investment to support my projects



My happy place



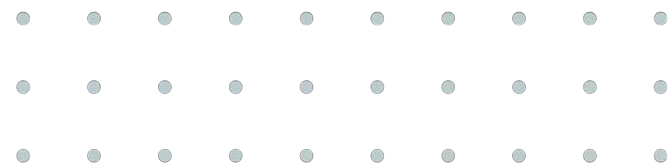


01. OPPORTUNITIES
How to you identify them

02. WHERE IS THE VALUE ADD
How to stack a deal

03. PROCESS
What is involved, who's in your team

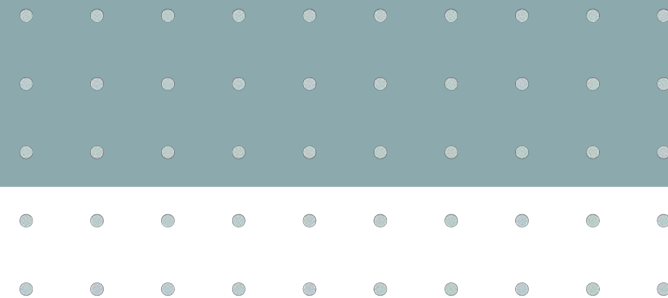
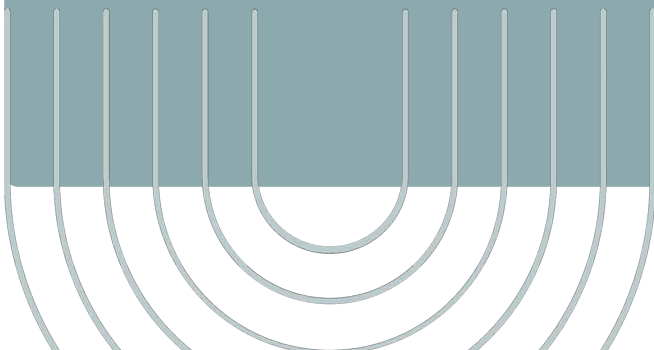
04. CHALLENGES
What to avoid



WHAT IS TITLE SPLITTING?

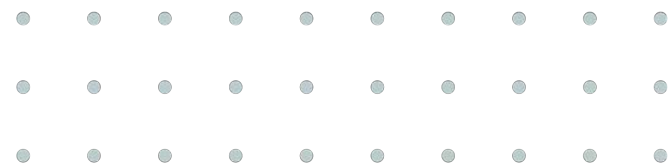
The sum of the parts are greater than the whole

- Take a FREEHOLD property then split into component parts
- Could be flats, a house on a large plot, commercial/residential blocks
- Split the freehold into individual leases
- Add additional value – planning, refurb, build
- Exit – sell or remortgage/rent each lease



WHERE CAN YOU FIND THE OPPORTUNITIES?

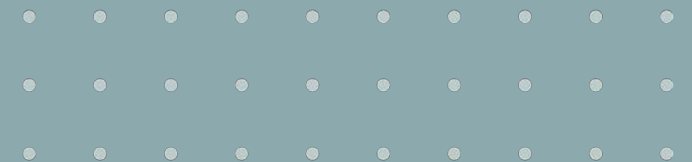
1. Estate Agents, look out for miss-advertised listings on Rightmove
2. Commercial Agents, especially for mixed use
3. Auctions
4. Searchland/Nimbus, good for homes with big gardens





Example

Taken from Rightmove this week



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Caroline Road, Llandudno, Conwy, LL30

Block of Apartments 6 3

** A six-bedroom, three storey, semi-detached property situated in the heart of Llandudno, which is currently split into three self-contained, two bedroom flats, being sold with tenants in situ this is an ideal investment opportunity ** The property is ideally located on the flat level...

Added on 25/09/2023 by Beresford Adams, Llandudno

£360,000

PREMIUM LISTING

Beresford Adams 01492 551462 Local call rate

Save

Comaparables

1/17

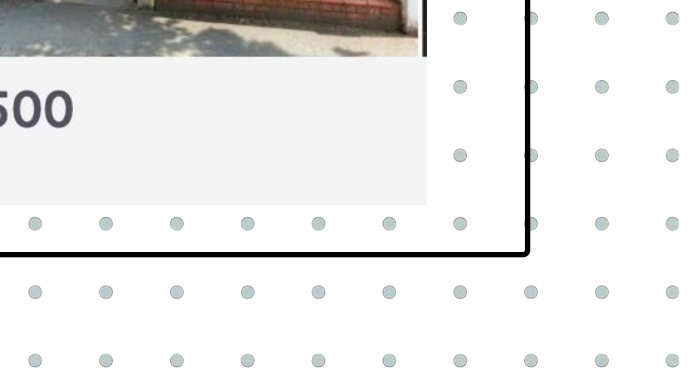
£185,000

1/15

£165,000

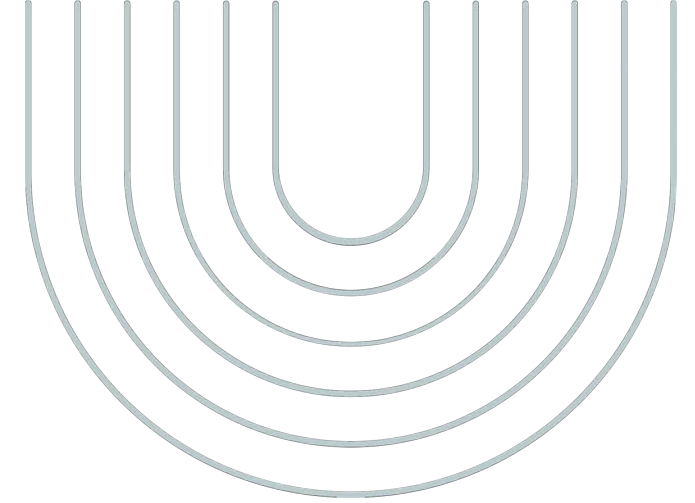
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£159,500



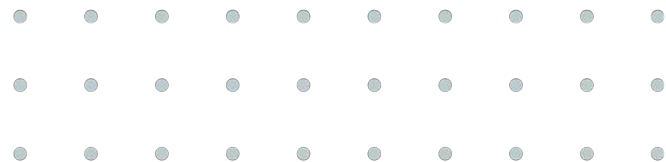
DOES THIS DEAL STACK?

Purchase price	£355k
Legals and Land Tax (MDR)	£16k
Total Cost	£371k
Legals to create leases	£6k
All in for	<u>£377k</u>



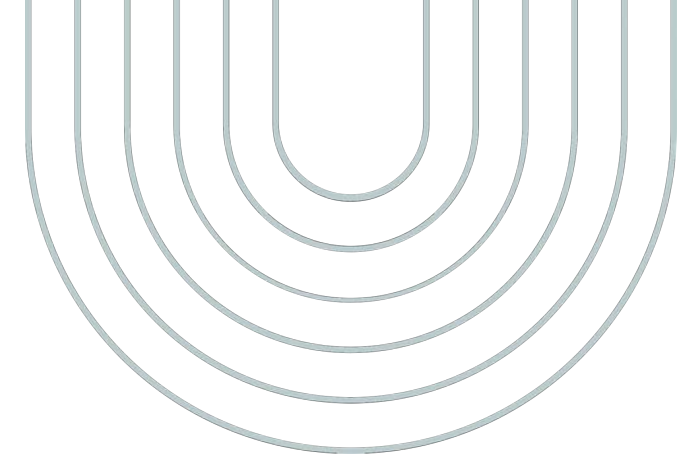
Sell the 3 flats

Valuation £165k per flat
Legal & Agent Fees 3 * £2.5k = £7.5k
Gross Profit = £110k



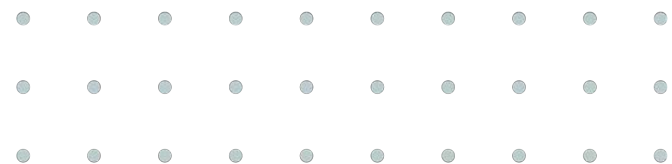
Refinance and Rent

3 mortgages * £165k * 75% = £371k
Mortgage @ 5% (Jan 2024?) = £1,546 pcm
Rent 2 * £750, £850 (garden) = £2,350 pcm
Cash left in = £6k
Gross Profit = £804 pcm



WHO DO YOU NEED IN YOUR TEAM?

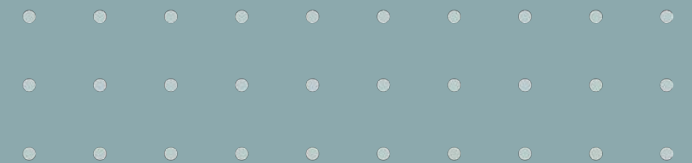
- 01. SOLICITOR**
Needs to be familiar with lease creation and on the lender's panel
- 02. MORTGAGE BROKER**
Be aware Lenders don't like to finance 4+ leases in one block
- 03. ACCOUNTANT**
Group structure is needed
- 04. ARCHITECT**
Land registry compliant drawings for the leases



**THE KEY IS TO BE ORGANISED
AND FOLLOW THE PROCESS**



Case Study





SEMI DETACHED HOUSE TO 3 FLATS

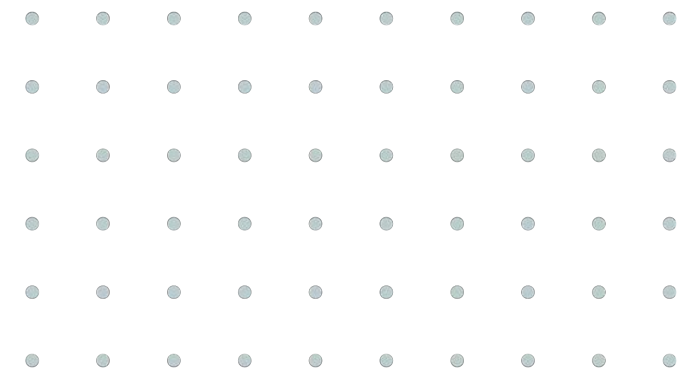
- ▶ How did I find it?
 - **The property is a large semi-detached house, previously converted into flats**
 - **Advertised on Rightmove as a single house**
- ▶ Negotiation?

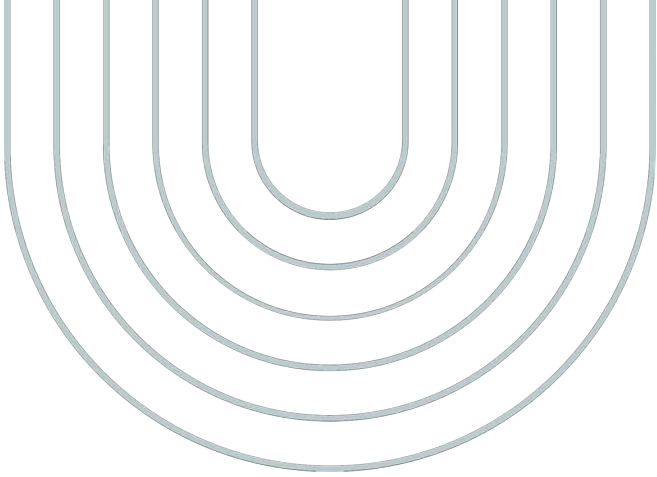
Advertised at £220,000, offer accepted at £197,500, the vendor was moving into supported living so wanted a quick sale
- ▶ Development options

To reinstate the three flats, then rent or sell each unit
- ▶ Risk

No known planning permission for the original conversion
- ▶ How you financed the deal?

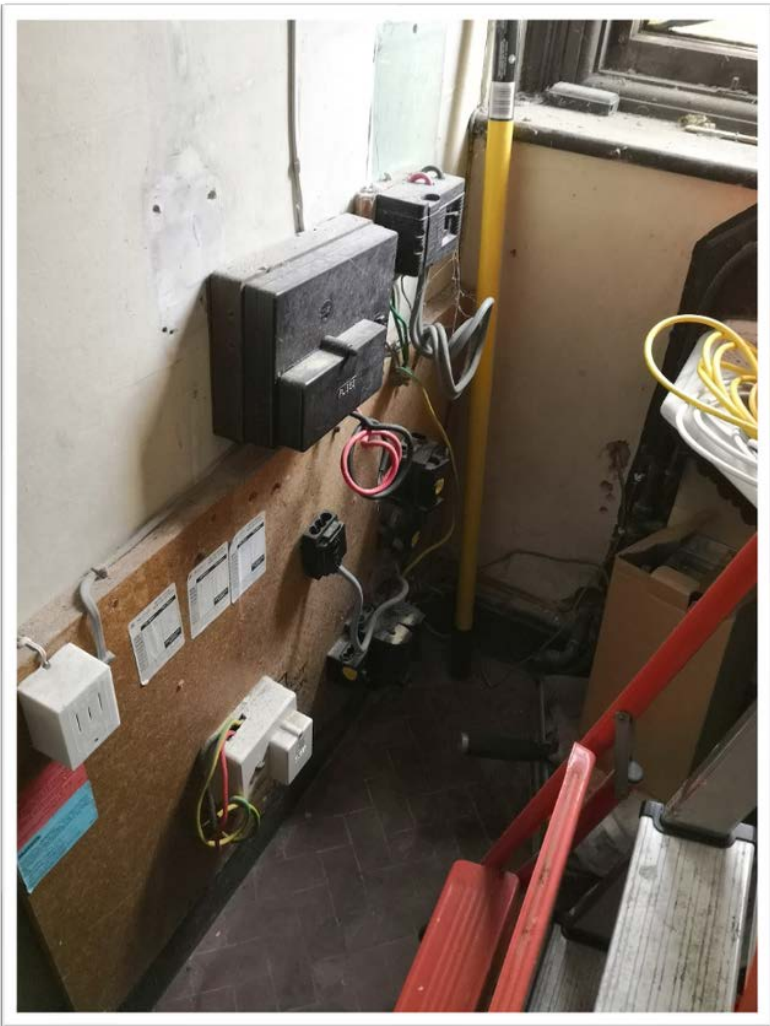
Angel finance and some of my own cash for purchase and refurb

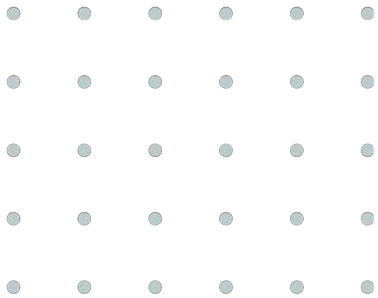


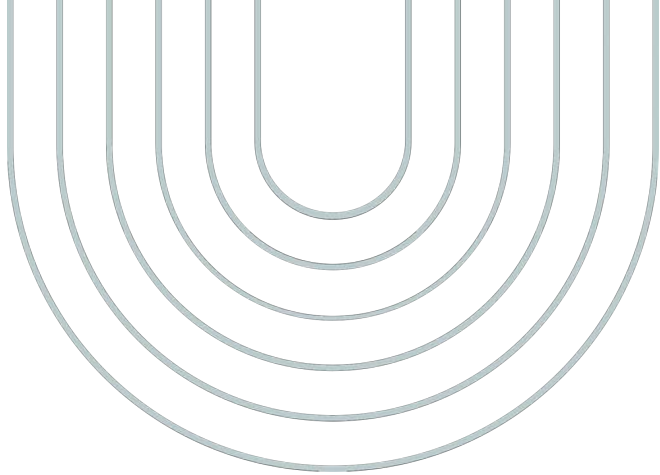


CHALLENGES

- Lack of planning
- Weak link in the build team
- Splitting utilities
- Issue with drains so contingency fund used





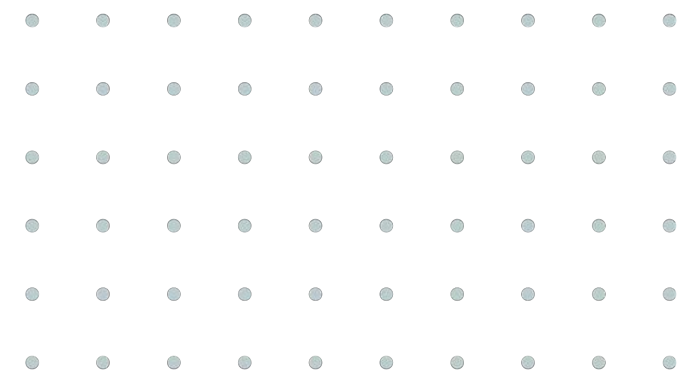


THE FIGURES

Purchase Price	£ 198,000
Planning	£ 0
Legals	£ 16,000 (includes Title Split & Remortgage Costs)
Build	£ 107,000
Cost of Finance	£ 17,000
Total	£ 338,000
GDV	£ 485,000 (3 flats £185k, £170k, £130k)
Profit/Equity	£ 147,000
Re-finance at 75% LTV	£364,000
Money left in	£ 0
Monthly Cashflow	£ 2,310

ADDING VALUE

- Splitting the Titles
- Refurbishing each flat
- Proving original planning permission





FRESH SPACE

Living

Jon Puleston-Jones



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