

COMMERCIAL CONVERSION

WITH JACQUI McGUIRE

Interview & words: Julie Whitmore

With a husband in the military, Jacqui McGuire was used to moving around. After years abroad, they returned to the UK and bought a cottage to renovate with plans to use it as their bolt hole. Life soon got in the way, so they rented out the cottage as a successful holiday let, spurring them on to explore property investing in more detail. Four years ago, after completing some education, Jacqui became a full-time investor.

In this article, she discusses the challenges she faced with one of her latest commercial to residential conversions.

After completing a number of smaller renovations in Northumberland and North Tyneside, I felt I was ready for a bigger challenge. We were drawn to North Shields because it was an area undergoing huge regeneration in what had been a beautiful historic square, which had suffered over time due to a lack of investment. We had previously viewed a property near to the square, but it wasn't suitable. A commercial property was available to let nearby, and we wondered if the owner would consider selling instead of letting.

This was at the beginning of 2021. People weren't renting office space at that time, so we thought it would be great for us if the owner would agree to sell. We approached the agent, and to our surprise and delight, the vendor said yes!

We were confident we'd get planning permission to turn it into residential because the local council had converted empty office space into flats and townhouses along the same terrace.



Planning approval with a Grade II listing ...

Once the sale was agreed we worked with an architect to look at the best configuration of the property to give us our best return. Was it going to be better as a single family dwelling or could we make apartments out of it? And what complications were there going to be as it was a Grade II listed building? This was applicable to both the internal and external of the building.

Along with an architect, we decided that the best way forward was going to be a ground floor flat with basement space and a two-storey maisonette above.

“We were successful in achieving planning permission, which took twelve weeks, with approval included for a single storey extension. This would generate another bedroom for the ground floor flat and a roof terrace for the maisonette.”

Having been previously used as offices, some features had been ripped out and sadly there wasn't an original fireplace left in the building. There were, however, a lot of original doors, cornices and skirting boards which we and the planners were keen to keep.



There were many conditions as part of the planning approval because of the listed status. The council wanted to approve elements like the type of brick and colour for the extension, and stone repairs that needed to be carried out. They also wanted a full description and method statements on how we were going to separate the two apartments, as well as what materials were going to be used.

The listed status had a massive impact on the project costs. When we started the project, I hadn't appreciated the amount of professional advice, reports and surveys we would need to have. We had already considered things like fire separation between the two floors, but had overlooked things like noise attenuation as a result of its listed status. We had to have reports produced for the noise tests, and specialist engineers drew up plans for the mechanical ventilation and heat recovery systems.

I didn't think that we needed to do this when converting a listed property, but it was classed as a new build as it had previously been a commercial building. This really took us by surprise!

Despite the costs for all the additional reports impacting the bottom line, we were confident with the product, the location and price point. We knew that we would be able to cover this in the end because of the GDV.

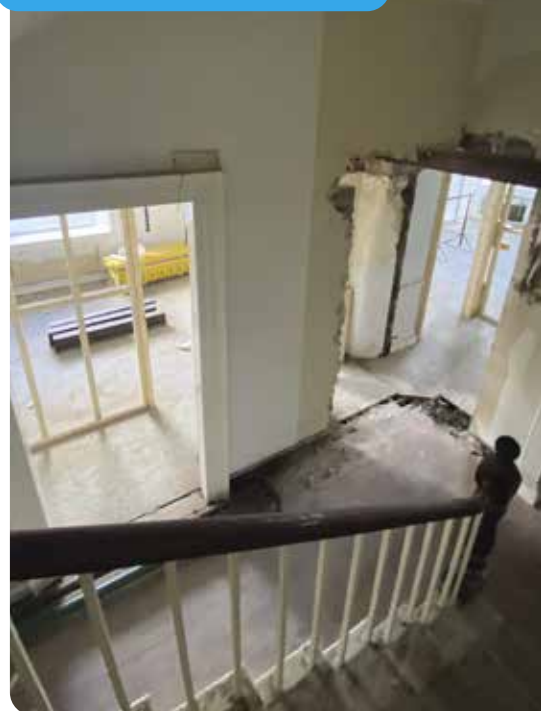
Interior works

We had to create a corridor to separate the ground floor flat because we wanted to leave the staircase intact. Although this reduced the size of the rooms, they were already quite large with high ceilings giving the feeling of space. We needed to block off a door, but the council was insistent that we retain it as it had an original frame. After negotiating with building control, we installed fire protection and insulation to maintain the frame and architrave. We made a feature of it and had a mirror made to fit the frame which looks great!

“The two-bedroom ground floor flat has stunning views overlooking the square from the living room. The second bedroom and bathroom are located in the new build extension, and there's a long galley style kitchen-diner that opens out into a little private courtyard.”

Originally, I think the basement would have comprised the kitchen and storage, as it was really cool down there. We initially considered the possibility of turning it into a living space, but the numbers didn't stack up in terms of installing a pump and tanking etc. It had remained dry throughout

NEW GROUND FLOOR OPENING



the bad weather, so we asked the council if we could use it as storage space, even though it wasn't part of the original planning application.

The council wanted to know how we were going to protect the stone walls and install insulation. We had to put in stud work off the stone walls, which was then lined, insulated and boarded. After heating was installed, it became a really great usable space. If we lived there, we would probably use it as a media room or office. We thought this would be a great rental property suitable for a young professional or a retired couple because it was all on one level.



EXISTING FLOOR PLAN



Case Study

Northumberland Square

North Shields, North Tyneside



EXISTING ELEVATION

Type of property	Grade 2 listed end terrace
Purchase price	£205,000
Open market value	£240,000
Funding method	Cash - private financial partners
Amount of funding	£310,000
Borrowing rate	6-8%
Monthly mortgage payment	£1,559
Personal money in	£230,000
Total money in	£540,000

Cost of works

Duration of project	13 months
Planning costs	£10,000 including architect fees
Planning duration	12 weeks to approval
Total costs	£335,000

Because it was listed, we had no choice but to keep the original Georgian single-glazed windows. Secondary glazing was a big expense because we not only wanted it to be the best in terms of insulation, but we wanted to make sure that it looked good aesthetically. We spent more to ensure that you couldn't see the secondary glazing and that all the Georgian bars lined up. We worked with a specialist historic window company in the area to ensure that all the sashes worked and could be opened.

Internally, the contractors needed to have clarity over what could and couldn't be done, eg, saving the cornices. It was critical to make sure that nothing that needed to be left intact was accidentally removed.

It's an end-terraced building, with beautiful curved bay windows at the front. We turned that into the living areas for both the flat and maisonette. The latter is over two and a half floors with three bedrooms and two bathrooms.

The external front door leads to a communal area, which is home to a very ornate entrance. This lent

itself beautifully to be the front door for the maisonette. The original staircase is stunning and the first flight of stairs leads to an offshoot which is part of the original building. On this floor there's a bedroom, a bathroom and access to the roof terrace. From there a half landing takes you up to the second bedroom, large living space and then a further flight of stairs up to the attic containing the third bedroom and second bathroom.

“Being full time in property, I was very much hands-on with the project. I was on site everyday. We engaged a building company to build the extension and the contractor managed this, the rest was managed by myself.”



A SURPRISE - ROTTEN FLOOR



Finalising the details

For projects like this it's important that you use specialist companies who have experience and specialise in historic property. I felt we were quite lucky in identifying the right people because there were a number of historic properties that were having work done in the area. We also spoke to a fellow investor who'd worked with another company that restored sash windows in an historic property, so we were able to get some recommendations and review examples of the work that had been completed.

At the start of the project, we decided that because of the price point we were aiming to achieve, we needed a high-end finish. We knew our target buyer would want high quality kitchen and bathrooms – we were selling a lifestyle and a stunning home that made the most of all the original features whilst providing modern convenience. We expected our target buyer to be a professional couple, and thought that it was likely that this wasn't going to be someone's first home. Sure enough that's exactly what

happened as we sold to a couple moving to the area who had a home to sell.

We split the title for the maisonette and flat, and installing some of the service elements like separate meters took much longer than we had expected. Even now there is still some ongoing issues with a utility company who have somehow ended up mixing up the meters between the two properties. Had we had done this as a single-family dwelling it would have been much simpler, but we wouldn't have achieved the same GDV and profit.

When the property was still basically a building site, we produced CGIs and created 3D plans so that the potential buyers would be able to see the layout of the rooms, and where things like the kitchen cabinets and the beds would be. As I've previously done a few projects, I have an idea of what looks good within a space and what I feel the end clients would be looking for, I did the interior design elements myself.

Valuation & Income

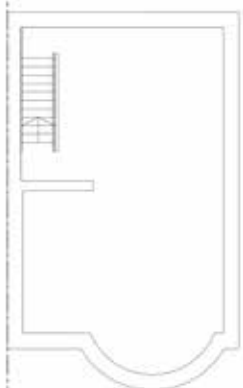
Post-works valuation	GDV £625,000
IF SOLD ...	
Sale price	First floor £375,000
IF RETAINED ...	
Re-mortgage amount	Refinance on ground floor flat retained on the company based on valuation of £250,000
Rate	4.9%
Money back out	£550,000 (sale of flat B + refinance of flat A)
Money left in	£0
Monthly income	£2,768 Based on an average rate of £130 per night and conservative occupancy rate of 70%
Bills included?	Yes - £208
Monthly mortgage payment	£714
Monthly costs	£375
Net monthly cash flow	£1,471
% Return on money left in	No money left in - pulled out £10,000 plus free flat!



CGI images were done during construction and helped us to secure an early sale on the maisonette.



PROPOSED FLOOR PLAN



Basement Floor Plan (Downstairing)



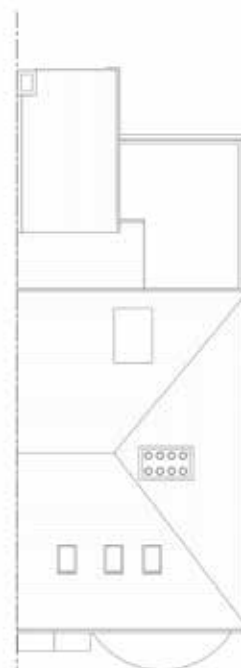
Ground Floor Plan (Downstairing)



First Floor Plan (Downstairing)



Second Floor Plan (Downstairing)



Roof Plan (Downstairing)

FEATURE

COVER FEATURE

DEVELOPMENT

INVESTING & LANDLORDS

SPECIALIST COMMENT



Working with the council

During the refurbishment I thought there would be more of a joined-up approach from the local authority and our architect, however there were times when it felt like it had ground to a halt which I found quite challenging. I was surprised because the council had already done similar with their own properties nearby, so I just assumed it would be pretty seamless!

Our architect managed the communications with all the parties involved and this was invaluable and critical in the project's progress. He would relay any conversations he had so that we could make informed decisions. He had worked on listed buildings before and plenty of experience in dealing directly with planners and speaking their language.

At the start of the project the council and conservation officer came round to explain what they thought needed to be done and took notes and photographs, but they never came again. Updates were all done by

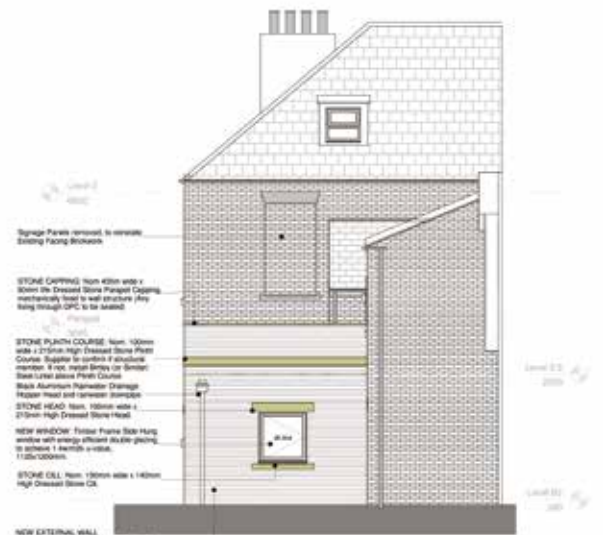
email and photos. I think that may have had something to do with availability of manpower and workloads. Some time could have probably been saved by doing a quick visit instead of the time it took communicating via email, but I guess everyone feels like that about their own project.

We knew that at the end of the project we would need some kind of guarantee/quality assurance for our buyers. Our building didn't comply with a new-build warranty, so we looked into getting a practical completion statement. Our architect played a big part in obtaining that, checking and verifying what had been done throughout the development process to produce a certificate that we could provide to any interested party.

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1 3010 - Proposed Front Elevation (Northumberland Sq.)
1:50



3 3010 - Proposed Rear Elevation
1:50

PROPOSED ELEVATION



2 3010 - Proposed Gable Elevation (Norfolk Street)
1:50





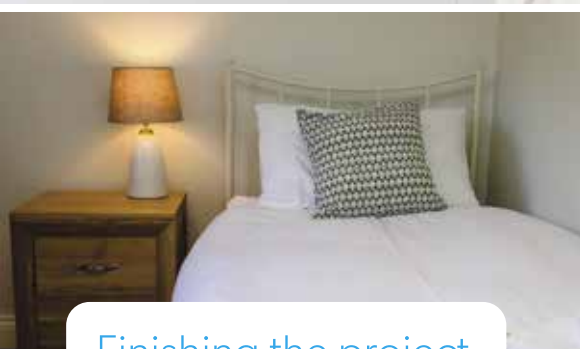
What's next

We've had an offer accepted on a property to flip in Northumberland – a bungalow that we hope will get planning permission to extend up by a floor. It will be a fairly large development, as it is a detached three-four bed house. It's situated on a beautiful spot and there are large five-bed detached new-build executive houses opposite, so we're hopeful we will get the planning for that.

Lessons learned

The key lesson on this project was not to underestimate the number of professional services and reports required, the costs involved and to remain open to opportunities. Had we taken it for granted that the property was advertised To Let and not For Sale, we would have missed this great opportunity.

Oh, and that basement space is now a media room complete with arcade space invaders game. Our guests are going to love it.



Finishing the project

The purchase was funded through private partners and two investors, one of whom a significant contributor who had first charge on the property. We also used our own money and a couple of additional funding partners for the refurbishment. When we sold the maisonette, we were able to pay off all the borrowed finance, leaving in only the money we had put in for the works. We finished the project in June this year with the refurbishment having taken twelve months.

The buyers moved into the maisonette in August, and we had decided that because we had paid back all the finance, we would refinance, pull out our own money, and retain the ground floor flat. This made it a no money left in deal. We are letting out the flat on a short-term basis as serviced accommodation. I'm going to set this up myself and then look to hand it over to an agent as we have our next projects about to start. There is on-street permit

We are expecting to achieve between £140-150 per night in peak season, but this is untested at the moment.

parking in the area, but we were able to secure off-street parking as well.

We are expecting to achieve between £140-150 per night in peak season, but this is untested at the moment. I'm aiming to attract business and commercial clients and people coming into the area to work maybe for a couple of weeks at a time.

There's a lot of investment going on in North Tyneside, and relatively few places to stay. If people want to come to the area for work or meetings, they end up staying in the centre of Newcastle which brings its own challenges.

We are a short walk to a working fish quay which has a real buzz with lots of bars and restaurants and is becoming a destination night out. We're also close to some amazing beaches and National Trust properties. It's a really beautiful area that's getting busier.

There are some great opportunities in this area and a lot of people have moved to the area for a better work/life balance.



Get in touch

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Property investing can be lucrative, but does come with risk - especially when investing in somebody else's project. **Check out our due diligence article on page 4.**