

DEVA JEGANATHAN

Deva Jeganathan, an award winning property entrepreneur and the founder of The Property Direct & his JV partner Priya Putta, a successful property investor, landlord and sourcer, knew each other through family and friendship circles before deciding to join forces. Through pooling their resources and skill sets they have been able to do more deals and make more money in a much shorter space of time than when they were on their own. We met with them to find out the ins and outs of their partnership.

What were you doing in property before you decided to collaborate?

D: I started building up my own portfolio back in 2007. We mainly specialise in licenced and unlicensed HMOs. We also do single lets and have more recently started looking at developments. Before entering the property world, I was a Senior Manager for a corporate company. I have a Bachelor's Degree in Engineering from India and came to the UK in 2003 to pursue a Master's in Business Administration and Marketing in London. With my childhood passion for property and my burning desire to succeed, I bought my first property soon after, using credit cards to finance the deposit of a mortgage. After quickly renting the first property for a profit, I bought another one and my journey grew from there.

P: Before I came to the UK I worked in my family's business - one of the leading exporters of fabric in India. It was there I developed my dedication to the task at hand and the desire to work hard to achieve my goals. I moved to the UK with my husband and two kids, and was a homemaker until my kids reached a certain age and then I started looking at different business ventures to apply my business acumen and passion. Through Deva I learnt about property education and decided to equip myself with some needed property knowledge and it has been a breakthrough. Eventually, Deva and I



Deva's JV Partner, Priya Putta

became joint venture partners, working well together and fulfilling each other's business needs.

When did you decide to work together and why?

D: After a while property can become very lonely, especially when you do it by yourself. It became clear to me that it would be great to leverage the knowledge and experience of others, so I became open to the idea of working with someone else. Also, after a while you tend to run out of money, which is what happened to me! I wanted to join with like-minded people who wanted to achieve the same goal as me, helping each other out and working together. That's how this joint venture started.

"Working with JV partners quadrupled my investment journey"

P: I have known Deva's wife, Divya, for a very long time. We were all family friends. Deva and I got talking about property and it became clear that our mindsets were aligned, and that's how it got started.



We were both investing in our own projects and we decided to do a project together.

D: At the time we were doing two other projects individually. I got handed a deal but only had money for the deposit. I didn't have the money for the refurb. The property was in the area where Priya lived, so suddenly I had a light bulb moment. We had a chat and decided to do it together.

In sync

D: From our first conversations it was clear we had a similar mindset and Priya wanted to learn more from my experience. And we were friends, which made us feel more comfortable about it. In property you can have good times as well as challenging times, so it is important for me to make sure my JV partner has the same vision as me and can work through the hard times. I didn't want someone who will go into panicking mode. Being on the same wavelength is very important.

Skills to bring to the table

D: As Priya lives in the area where the property was and was already investing there, she had a lot of contacts with the local council and local vendors.

I lived nearly forty minutes away so didn't have any of these contacts. Priya also had specific local knowledge that I could leverage and our partnership really benefitted from this.

P: Deva has got very good negotiation, people and closing skills, which I'm still learning. He is also very good at crunching numbers and structuring deals. I'm very good at doing the project management. So our skillsets work very well together.

Do you have specific roles?

P: Yes, we defined the individual roles early on. Before we started the project we agreed what each of us were going to bring to the table in terms of money, and we also agreed what each of us would contribute and manage.

D: My role is to find a deal and negotiate it. I also talk to the finance companies to arrange the finance in the most cost effective way. I structure the purchase and plan the different exit plans for the property. I do the initial specification of the property as part of my number crunching, deciding if there will be an ensuite room, or a reconfiguring of rooms etc.

P: I do the Project Management, liaising with the builders and contractors. On Beaver Road I worked closely with the builders but Deva had a lot of input as well because they were his builders so he had a good relationship with them and could advise how certain things should be done. I liaised with the council to make sure we were doing the works in accordance with HMO regulations, and I was also responsible for searching for tenants and effectively being the letting agent. After the first year we got a letting agent involved to let and manage the properties. This frees up my time to focus on my other responsibilities. I'm in charge of furnishing and dressing each property. Our rooms are getting better rates than others because we make sure they are great quality and that the tenants who move in will be happy. I also keep control of the accounts for each property.

How do you structure your partnership?

D: For every deal that we do, we have a different joint venture agreement.

After our first deal we decided to set up a Special Purpose Vehicle (SPV), which is similar to a Limited Company. On Case Study 2 we bought the property through the SPV, the company owns the mortgage and as Directors, Priya and I are liable for the payment of the mortgage and so forth.

With the SPV we are both Directors of the company and we have regular meetings to make decisions and get Board of Directors sign off on everything.

P: We usually have a 50:50 agreement, because I put in the money for the refurb and Deva puts down the deposit, or vice versa, so it is a straight 50:50. But with one project we did a 70:30. This one was structured slightly differently because Priya put in more money than me. So it was fair to agree a different split.

CASE STUDY ONE



Beaver Road, Ashford

The Property

A two-bed (two-up-two-down) property, with an extension at the back.

Works completed

We converted it into a 4-bed multilet by moving the upstairs bathroom downstairs, to just behind the kitchen. We had 3 bedrooms upstairs and we made the lounge into another bedroom. The dining room became the living area for the tenants.

We had to go through building control and Priya worked very closely with the local council's HMO Officer.

We didn't need a licence for this one because it's a 4-bed and it's only over two floors, rather than three.

Tenants

Deva used to run the marketing funnel and Priya did the viewings for potential tenants. We rented this one out ourselves, advertising on spareroom.com. And we got a group of four student dancers.

The Numbers

| | |
|---|----------|
| Asking Price: | £155,000 |
| Purchase Price (after all costs): | £133,000 |
| Refurb Cost: | £18,000 |
| Total costs including all refurb, acquisition, and sales costs: | £20,739 |
| Monthly rental per room: | £425 |
| Monthly rental whole house: | £1,700 |
| Monthly cashflow: | £660 |

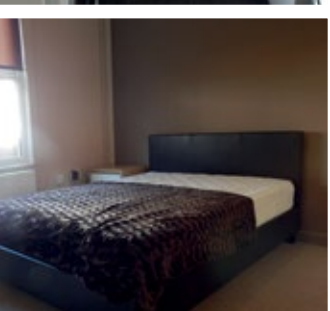
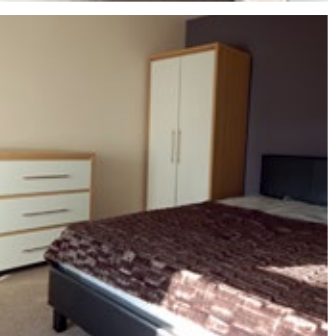
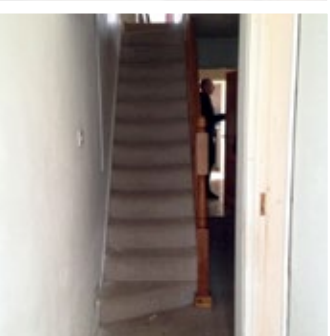
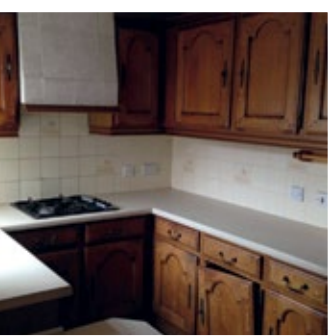
Remortgage

After adding value to the property we waited nearly a year and then we remortgaged. We bought it for £133,000 and we remortgaged it for £205,000. We pulled most of our initial investment out, to reinvest. But the positive cashflow went down to £325 per month.

Timescales

The property was purchased in July 2015 and was remortgaged in June 2016

CASE STUDY TWO



Upper Deunark Road, Ashford

The Property

A three-bed terraced house Priya found from a local landlord. He was asking a very high price but Deva was able to negotiate it.

Works completed

We converted it into a 5-bed and we had to do everything you can think of. There were 2 receptions downstairs and 2 bathrooms. So we reconfigured the whole property. There was one small bathroom at the back. We turned that into a single bedroom. We kept the 3 bedrooms upstairs and made the separate toilet and bathroom into a bigger bathroom. And one of the rooms became bigger as well. Downstairs there was another big bathroom at the back, which we turned into another big bedroom. So we made 2 bedrooms downstairs and 3 bedrooms upstairs. The rooms are really big. We also put in a new kitchen, damp proofing, rewiring and added a new firewall in the loft.

Tenants

As we wanted to grow faster we had to leverage the tenant finding methods and management, so we found a local agent to manage all our properties. Our tenant type are semi-professionals who are working in Ashford town centre.

The Numbers

| | |
|---|------------------------|
| Asking Price: | £165,000 |
| Purchase Price (after all costs): | £140,000 |
| Refurb Cost: | £35,000 |
| Total costs including all refurb, acquisition, and sales costs: | £38,150 |
| Monthly rental per room: | £475 and one at £525 |
| Monthly gross rental whole house: | £2,325 |
| Monthly net cashflow: | £865 |
| Remortgaged: | remortgage at £205,000 |
| Monthly net cashflow after remortgage: | £534 |

Timescales

The property was purchased in February 2016 and we have just re-mortgaged this property.

Did you have your agreement formally drawn up?

P: Yes, we had our JV partnership drawn up formally because we really wanted to make sure everything is legal and above board. With the solicitor we wrote our JV partnership to include our exit strategies and how the cash flow is going to be shared and all those things.

D: Included in the exit plan was a clause stating what happens if one of us wants to sell the project when the other one wants to hold it. We agreed this all up front before drawing up the Heads of Terms. And then we went to a solicitor and said *"Hey, this is the head of terms, please could you draw up a joint venture agreement."*

It's a very safe and straightforward process. I think most solicitors have done this before so they knew exactly what we wanted. They added more clauses that were necessary to make it more secure for both of us.

What security do you offer each other?

D: We both hold the mortgage, 50% each. So we are both on the deeds. Our agreement lays out the amounts of money put in as deposits and refurbs, as well as what happens if either party wants to terminate the agreement. There is also information in there about if the market goes down and what happens if we have a negative cash flow. All this kind of stuff was discussed with the solicitor and is in the written agreement.

P: We have a separate bank account for each property, which we both have access to. So each of us knows what's coming in and going out. We try to make it as straightforward as possible.

Can you tell us about any key learnings you had?

D: As always there are some learning curves on every project and with every new partnership. One important learning for us was the importance of getting the refurb specifications right at the beginning of the project. We learned that on the first one.

Usually Priya works with her own builders and has a clear spreadsheet with the spec on it that enables her to be super-efficient. She does it in a better way than I do. We didn't have that on the Beaver Road project and Priya had some problems dealing with the builder, so that's something that we learned on that project because I sometimes turn a blind eye on a couple of things, whereas Priya is straight on it.



What does the future hold for you both?

D: We've done a lot of HMOs together and we're looking into developments at the moment. One of our current projects is generating a house into six one-bed flats. And we're looking to do more developments in the future. We are also working on an Innovative Property Educational Programme, which will be launched later this year.

We both work together as well as working on our own and with other partners. There's nothing stopping us working with somebody else. When a deal comes in Priya is my preferred partner, but sometimes that isn't always the right thing for us, as we may be busy on other projects, so we need to be open to working with others.

What is your advice for finding the right JV partner?

P: For me the most important thing is getting to know the person really well. I'm very cautious so I need to know I'm doing the right thing. I like to make sure everything is on paper, so the JV document is the key thing. Just knowing each other or being friends isn't enough. Having everything on paper ensures that everyone knows their role. That's the key thing for me. If something goes wrong you can always refer to the legal agreement and say this is what we have agreed.

D: For me, mindset is key - 90% of my focus would be on the mindset. We need to be on the same page, so if something goes wrong we both should be able to accept that and then start to make plan B or sort out the problem. As with any business, property can have upturns and downturns as well. So when everything is hunky dory then you're laughing but when something

goes wrong that's when your real personality comes out. When someone wants to work with me this is what I ask them and their answer will always determine their character. When I speak to a potential joint venture partner I'm interested to know if something goes wrong how they would react. That's something I really want to know.

Knowing your partners values is important. I want to find their red hot button that I shouldn't touch. For example if someone's top value is 'trust' that is something that you should not breach at any point. If another says 'security' then you know whatever happens in the partnership you have a responsibility to secure their share. That way you don't build big expectations, and the problems come only when the expectations don't coincide with the reality.

What are your tips for managing a JV relationship?

D: A joint venture is like a marriage and needs to be managed like one. I want my partner to share my vision and be ready and willing to make it happen. For that reason most of my joint venture partners are already my good friends.

P: It's important to have good communication between you. Being open and always speaking about everything is important for me. If there are any problems always speak to your partner and sort it out straight away. And if you know they are trustworthy and reliable then there won't be any problems.

D: It's like with any relationship. You need to keep nurturing the relationship, and getting to know more and more about each other.

After a while of working together you get to know things about each other's personalities and you learn from each other. You know their personality, you know what to do and what not to do. And working together becomes much smoother.

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