HOW TO USE TITLE SPLIT STRATEGIES TO ADD MASSIVE EQUITY TO COMMERCIAL PROPERTY AND COMMERCIAL-TO-RESIDENTIAL CONVERSIONS

By **Rachel Knight**

Let's address the elephant in the room and talk about what nobody selling a property training course ever tells you. Have you ever walked into a networking event and felt like an outsider? Like everyone else is more successful, owns more properties, has a higher income, and seems to have it all figured out – while you feel like you simply have not done enough in your property business? Maybe you've been working at this for years, but your cash flow still isn't where you want it to be. You might even feel like an imposter, questioning whether you've done enough, achieved enough, or worked hard enough to belong in that room.

Here's the truth: you're not alone. Most of the people in that room – the ones who seem to have it all, have felt the same way at some point. They've faced the same struggles, doubts, and moments of frustration. But here's what separates those who make it from those who don't: resilience, tenacity, and a relentless drive to succeed and build a strong cash-flowing business.

It's no secret that some of the traditional methods of property investing are less attractive to property investors in 2025. Rising interest rates and stricter government regulations are making it increasingly difficult to profit from traditional single-let properties. Even if you manage to purchase a property at below-market value, financing it with a 75% mortgage can leave you struggling to make the cashflow work.

I speak with experienced landlords and developers every day, and there's one thing they all agree on – that property investing has become more challenging. Many are thinking of selling up and quitting property after years of building their portfolios, due to a massive squeeze on the profit available when running a BTL portfolio.

There is no doubt things have got tougher, but the reality is that property investing can still be highly lucrative. Long-term capital growth and replacing your income with property are still very much achievable, but only for those willing to adapt. Investors must adapt to the changing market and legislation by adopting more profitable and flexible strategies. Diversifying your investment strategy will ensure your property business continues to be profitable into the future. There are still some amazing opportunities to make money; you just need to understand what they are and how to make them work. We live in the day of the professional landlord, and you need to understand how to run your business as a property professional to thrive, and make a profit in the future.

Massive opportunities for 2025 and beyond, created by the landlord exodus

There remain huge opportunities available to property investors in 2025, many of which have been hidden in plain sight for many years. This is because we have become obsessed with finding below-market-value properties, believing that adding value through refurbishment is the only way forward. We have been educated to believe that the only strategies which create extra cashflow are co-living (HMOs) and SA. But that simply isn't true. We need to look beyond the obvious to find the opportunities to create income and equity in our portfolios.

Many of you already know how to look for off-market residential properties, but the biggest opportunity in 2025 is to buy properties from landlords who want to exit the market. Thousands are exiting, and many are afraid to put their properties up for sale. Their properties are often under-rented (below market rent) and need repairs and refurbishment. The EPC problem is staring them in the face, as EPCs need to be a C for new tenancies by 2028 and for all tenancies by 2030. With fixed-rate mortgages expiring, amongst other things, many landlords are now operating at a loss. Yet, they fear advertising their properties for sale because tenants might leave, which could worsen their cashflow.

There is a huge opportunity to buy both off-market and on-market properties from landlords. The best part? You can often buy these at market value, rather than below market value, and use title splitting and breakup strategies to add significant value. Many assume title splitting is just a legal process. However, title-splitting strategies can add value to your portfolio in many ways. For example, breaking commercial buildings into smaller rentable units can give you a higher cost per square foot when renting the units out. However, in some cases, due to commercial bank lending criteria, it is not appropriate to legally title split a commercial property, which can affect the mortgageability of the individual units.

What is title splitting?

'Title splitting is a process in which a property developer acquires a single unit of property and physically separates it into multiple units of property. In all instances the intention is to split the property using the legal process in the geographical location at a time most profitable to the developer.'

Source: titlesplit.com August 2020

A massive misconception in today's property market is that title splitting is purely a legal process. Of course, the final part of the process is indeed a legal process. However, if the right conditions aren't met beforehand, at the right time, in the right format, and in the right way, the legal title-split simply cannot happen. Additionally, if a residential property isn't legally title split and multiple units remain under a single freehold, you cannot achieve capital growth. This is a widely overlooked issue, and I've covered it in previous YPN articles. In fact, you have to title-split as early as possible in the right format to make maximum capital value and ensure the title split completes; otherwise, you will leave profit in the deal.

Here, I've outlined two amazing opportunities, where buying directly from landlords paired with the right title-splitting strategies can unlock significant capital value and cashflow.

Commercial asset management – **creative strategy #1**

One powerful strategy we teach our clients is commercial asset management. This involves breaking a unit up into smaller rentable parts and having individual FRI leases (full repairing & insuring leases). This setup shifts the responsibility for bills, refurbishments, and repairs onto the tenants, reducing overhead costs for the landlord. Here is a case study of how we used title-split strategies to add value to a commercial building we purchased in 2023 in the East Midlands. It is worth noting that you need a few years of buy-to-let experience before you can access commercial mortgages.

Case Study: **Commercial Asset Management**

7 Unit Commercial of Multiple Occupation	Aug-23	Nov-25	November 2029 (estimated)
Purchase price	£875,000		
Market valuation (RICS)	£875,000	£1,000,000	£1,130,644
Rental income	£77,340	£87,840	£100,057
Yield	8.84%	8.78%	8.78%
Bills included. (Including communal areas)	£18,000	£9,000	£4,500
Management & other costs	£15,468	£17,568	£20,011
Cashflow per annum	**£43,872**	**£61,272**	**£75,546**
Cashflow growth from purchase		39.66%	72.20%

(please note that we have projected yields staying the same in the area.)

One example of a title-split strategy in action is to add in additional utility supplies and remove bills included, apart from in any communal areas. This involved setting up an additional communal utility supply. We have reduced the utility bills for ourselves (the landlord), and enabled tenants to renew their tenancies onto full FRI leases.

Another opportunity was that as a lease renewed, rents have been increased to market rent levels. The previous landlord had left rents much the same and was now being hit hard by rising utility bills. Simple changes like adding new utility supplies, future proof the property and reduce costs to the landlord.

It is not an option to turn this building into residential at this stage, as there are multiple commercial tenants. We are quite happy with this from a cashflow perspective. However, if anything changes, we could consider residential conversion in the future. If we converted it today, here's the impact it would have:

Commercial to residential conversions, including the essential title split – **creative strategy #2**

Most landlords do not understand the capital uplift opportunity when a commercial property is title split. The scary thing is that most property educators tell you to title split when you sell. I am going to share with you now the massive capital opportunity of:

- **Acquiring a commercial property**
- **Using planning or PD rights to convert it into residential**
- **Title splitting it during ownership into separate leasehold or freehold units**
- **Gaining access to either commercial or buy-to-let units on your title-split property.**

This is an exciting strategy that investors can follow in today's market to add huge cashflow, equity and capital growth. There is a significant volume of office and commercial buildings available in the market that can be turned into residential properties, often without planning permission. Commercial-to-residential conversions can massively uplift the profit opportunity, particularly if they are subdivided correctly and then fully titled and split legally. We will use the same example commercial property from my portfolio to demonstrate how we might convert a similar property to residential units in 2025.

12 Residential Units	Commercial Valuation of Unsplit Multi Unit Freehold Block (MUFB)	Buy To Let Valuation based upon local comparable sold properties
Purchase price	£875,000	
Refurbishment & costs	£700,000	
Rental income of units per annum	£129,600	£129,600
Area yield commercial	8.78%	8.78%
Rent multiplier	11.39	£9,000
Management & other costs	£25,920	£25,920
Cashflow per annum	**£103,680**	**£103,680**
Valuation	£1,476,082	£2,030,000
Number of rentable units	12	12
Value per unit	Not available unless the block is split into individual units.	£169,166.67

The current building size is 554 square metres; with some extensions, it could potentially accommodate 12 apartments.

Of course, you can sell everything to realise the split value. However, if you're looking for cash-flowing assets and long-term growth, keeping some or all the residential units will ensure you achieve both.

So how could we add this value?

- **Acquire planning or PD permission to create 12 individual apartments.**
- **Complete the development works to create 12 units (high-end conversion).**
- **Rent to individual tenants at top-of-market rents (or keep some and sell others).**
- **Title split the property into individual leasehold apartments (legally).**
- **Finance (if required) onto individual buy-to-let mortgages at the title-split value**
- **Grow each individual apartment over the coming years in line with UK capital growth.**

Please note you cannot achieve the title-split value or indeed the capital growth if you do not complete the title split.

Contact Rachel

For further information on title splitting and to explore title-split opportunities, please contact Rachel Maria Knight:

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Specialising in training developers and landlords in the art of splitting land and apartment blocks.