

ULTIMATE REAL ESTATE SUCCESS **LIVE & VIRTUAL** **BOOTCAMP**

WORKBOOK - BRISBANE MARCH 2021



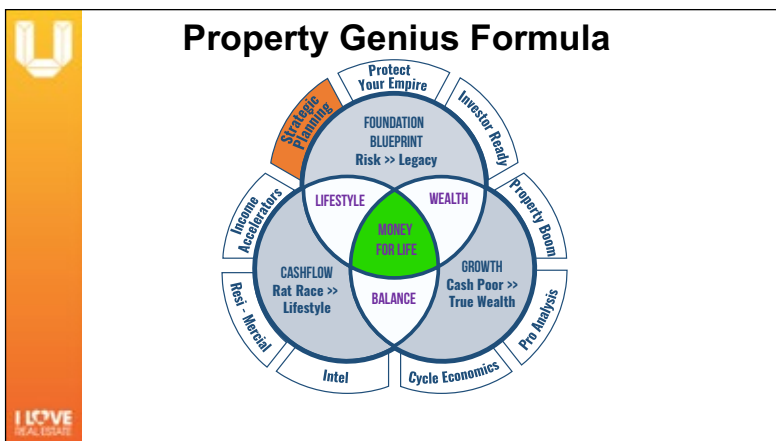
SESSION FIFTEEN

Your Step By Step Guide To Finding A Killer Deal!

ULTIMATE
REAL ESTATE SUCCESS
LIVE & VIRTUAL
BOOTCAMP

FINDING A DEAL

I LOVE REAL ESTATE | Knowledge Source



Most Common Questions

- What **strategy**?
- What **location**?
- **How** to do it?

Different Personal Circumstances = Different Answers



- **No Silver Bullet** – Well executed systematic repeatable process



- First few deals = **Apprenticeship** (e.g. 2 units vs 20)
- **Last part of process** = Looking for actual deals
- Laser focus & clarity - **maximises outcome**
- Create **confidence** in yourself!





Match Strategy & Location To Your Personal Circumstances:

- Define Your **Personal Circumstances**
- Consider **Locations**
- Consider **Strategies**

Example Student: **Sarah**





1. Define Personal Circumstances

- **Your Goal?**
 - Income or chunk deal?
 - <\$200k Available equity = chunk
 - Chunk to pay down home loan**



- **Your timeframe?**
 - Be realistic – 12mth not 6mth unit dev.
 - # Deals in 1 year?
 - 12 mths**





- **Your Available Equity?**
 - Effects price point, strategy, sell/hold
 - **Your Borrowing Capacity & Serviceability?**
 - Effects leverage
- Good Equity (>\$200k); Good Serviceability**

Just because you can go large / high price point doesn't mean you should early on!



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- **Your Time Availability?**
 - Be realistic
 - Takes longer than you think
 - Big effect on strategy & location
 - ❖ **Less Time** = closer to home, more hands off strategy & employ people e.g. tradies, consultants, Project Manager
 - ❖ **More Time** = Further away, more hands on



Limited time – demanding job

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- **How Far You Prepared to Travel?**
 - Be realistic
 - Young kids / sole parent / limited support / demanding job
 - How far do you NEED to travel? e.g. 1hr vs 3hrs

Max 2 hrs drive



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• **Sell or Hold?**

- If Sell – Location VERY important

a) **Population** – effects demand, volume of sales, timeframe to sell

- Metro >100,000 **lower risk** vs
- Regional <5,000 **higher risk** (less demand, fewer sales, slower sales)

b) Average **Days on Market** (DOM) e.g. 20 days vs 200 days





- If Hold - **Location characteristics important**

a) Low vacancy rate - <3%

b) Good **job prospects** to attract people or

c) **Low priced** rents – affordable for lower income earners

d) Affordable rent on **social security** payments = recession proof property

Sell





• **Your Experience / Skill Set?**

a) **Experience:**

- Bought property before?
- Owned investment property (rental)?
- Done an active deal before?

b) **Skill Set** (Background):

- Construction / Realestate / Property e.g. planner, accountant, engineer / finance?



Reno & extensions to own home





• **Your Competency?**

- Align strategy with level competency
- Optimism / enthusiasm great - **risk management essential**
- Little deal = little profit & little risk but **HUGE learnings** & experience
- Building block – start small build up
- **Danger to yourself & others!!**



Start small & build up





• **Your Risk Tolerance?**

a) **Risk Profile:**

- **Money management** to date (e.g. regular savings plan vs high earner & high credit card debt / minimal assets/savings)
- **Years to Retirement** / Dependent kids / Job security
- Tolerance to **uncertainty** (1 job 20 yrs vs self employed)





b) **Risk Appetite:**

- Future - Goals & aspirations
- History – Good / bad experiences

Good \$ management, long employed career, no dependents, working towards retirement = Low Risk Tolerance





Sarah Summary – Personal Circumstances

- **Chunk deal & sell** to pay off home loan
- **12 month** deal OK
- Good equity & serviceability = **\$250k AWE**
- **Limited time** / demanding job
- 2hr Max travel time - **start 1hr**
- Limited experience = **start small** & build up
- Low **risk tolerance**





2. Understand Location Characteristics

- **Location Characteristics – 3 Key Areas**
 - a) **Mining & resource** areas
 - b) **Regional** areas < 100,000 population
 - c) **Metro** areas > 100,000





- a) **Mining & Resource Areas** – generally volatile due to type of industry, workforce fluctuates, hence varied:

- **Demand** for properties
- **Rental** rates
- **Market** value
- **Banks** lending appetite
- **Investor** buying
- **Development** activity
- **Rapid changes** in these parameters



Volatility = higher risk





b) Medium Risk Strategies - Characteristics:

- Purchase price point = Higher (>\$500k)
- Market volume = Medium if selling (20,000-50,000 population)
- Skill level = Higher
- Time = Higher





b) Medium Risk Strategies - Examples:

- 1) All low risk strategies – purchased at medium price point
- 2) Rooming accommodation strategies – Student accom, Class 1b,
- 3) Executive rental – medium price point
- 4) House relocation





- 5) Duplex / triplex construction
- 6) Subdivision into 3 or 4 lots – residential finance
- 7) Multi unit development & construction – 3-4 units (resi finance)
- 8) Strata 4-8 unit complex (commercial finance) + build extra





- 9) **Existing commercial** - long term lease in place + value add potential
- 10) **Vendor finance** / lease option
- 11) **JV** on low – medium risk strategies
- 12) **International property** purchase for cashflow hold - USA





c) High Risk Strategies – Characteristics –

One or a combo of:

- **Higher price point** at purchase (>\$500k)
- **Higher risk market** e.g. low volume (<20,000 population) or mining/resource areas
- **Higher skill** level & experience required
- **Higher time** input required





c) High Risk Strategies – Examples –

- 1) **All low – med risk** strategies but purchased at higher price point, or higher risk area (e.g. low volume, mining/resource)
- 2) **Option** deals (selling short)
- 3) **Business realestate** e.g. caravan park, storage sheds, motel
- 4) **Vacant commercial** or commercial involving DA &/or build





- 5) **Lease & sub-lease** e.g. rent room by room
- 6) **Larger multi unit developments** & construction >4 units (commercial finance)
- 7) **Larger subdivisions** >4 lots – commercial finance
- 8) **DA and sell** with approval in place





- 9) **JV** on higher risk strategy
- 10) **Syndicate deals** – multiple parties doing higher risk strategies
- 11) Deals done with **private money lending**
- 12) Purchase of **management rights**





4. Equity - Impact on Strategy

a) No / Low Equity Strategies:

- 1) Implement **savings plan**
- 2) **Vendor finance** deal
- 3) Seller JV (**Joint Venture**) deal
- 4) **Builder** terms





- 5) **Lease & sub-lease** strategies e.g. sublease at higher rate
- 6) **Option deal & flip** (sell short)
- 7) **Joint venture** deal
- 8) **Income split** from leasing out a vacant commercial property
- 9) **Services exchange** e.g. Bartercard





b) \$0 - \$100k Equity Strategies:

- 1) Low price point **“Cheapy”**, **reno** to flip or hold & reval. Incl rent by room on existing dwellings
- 2) **Reno & 1 into 2 lot subdivision** in regional areas with low council subdivision costs e.g. Victoria
- 3) **“Cheapy”**, **1 into 2 lot subdivision**, demolish house, sell one or both vacant lots





- 4) **“Cheapy”**, **existing duplex** or multi unit complex, strata title
- 5) Low price point **land purchase**, relocate house onto it – single shift
- 6) **Staged strategy** & reval. during process if necessary e.g. reno / subdivision





c) \$100k - \$200k Equity Strategies:

- 1) **All strategies above** in better areas e.g. larger population, closer to infrastructure, higher price point
- 2) **Staging strategy** & reval. during process still important
- 3) **Purchase & construction** of granny flat, single dwelling, or dual occupancy





- 4) **Strata titling** deal up to 3 units – residential finance
- 5) **Subdivision** 1 lot into 3 or 4 lots max.
- 6) **House relocation** based on double shift
- 7) Small regional **commercial deal**





d) \$200,000 - \$300,000 Equity Strategies – Sarah's Cash Allocation

- 1) **All strategies from \$0-\$200,000** but in better areas e.g. larger population, closer to infrastructure, higher price point



- 2) **Multi unit construction up to 4 units** depending on site purchase price, quality & size of units e.g. in metro, higher quality, larger townhouses = 2 – 3 units?





9. Map Your Travel Distance

- Map 100k radius from Melbourne (1hr travel) (www.freemaptools.com/radius-around-point.htm)
- Identify locations of 100k population (e.g. selling)





9. Map Your Travel Distance

- a) Greater Melbourne Metropolitan – 31 municipalities
 - b) Geelong 225k pop (1hr) – 1 municipality
 - c) Ballarat 100k pop (1hr 20min) – 1 municipality
- If targeting smaller pop - shortlist 5 towns / suburbs





10. Select One General Location Based on Characteristics

- **Decide between** Greater Melbourne, Geelong & Ballarat based on:
 - **Population growth** (gives exit flexibility – sell, rent, reval)
 - Unemployment, **Job growth & wages growth**
 - **Property cycle** – recovery, upturn, downturn, stagnation
 - **Infrastructure spending** (project duration, \$ spend, job profile #/short /long term, current stage etc.)