

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

WORKBOOK - BRISBANE MARCH 2021



SESSION SEVEN

**How To Create
More Positive Income
and Cashflow For
Your Portfolios**



Cash Flow Strategies

1. Direct Cash Cows – Usually only found in Regional
2. Blocks of Units – Higher yield in Regional (Upside of Strata)
3. Air BnB – Anywhere
4. Executive Leasing – Anywhere
5. Rooming / Boarding Houses – Anywhere
6. Granny flats – Anywhere except VIC
7. Dual Occupancy - Anywhere except VIC
8. Lease and Sublease - Anywhere
9. Commercial – Anywhere
10. Business Real Estate – Anywhere
11. Construction and Partial Sell Down - Anywhere





So Let's talk Regional

PRO

- Regional has a lower entry costs so less money is on the line when you are still learning
- Regional has a lower sales volume so easier to negotiate
- At the end of the deal its likely to be positive cash flow
- Can be immediately cash flow positive

CON

- Because of the lower entry cost the dollar value profit will also be lower
- Lower sales volume means it will be harder to sell
- Distance can be more difficult if doing a hands on strategy
- Not as many trades available to do work





What Strategies work in Regional Areas?

Everything

BUT

If you are looking to **Sell** the end product – It will take longer





Typical Mining Property Example

3 yrs ago

Port Hedland WA 6721 \$295,000

Street offers its new owners a neat, tidy and modernised 3x1 home, located in one of the quietest and nicest streets of Cooke Point, this home also offers tropical gardens, outdoor spa and garden shed all only SECONDS walk to the beach!
Rental \$400 /wk





Similar house today – now \$549,000



Port Hedland, WA 6721. \$549,000
Rental \$700 - \$750/wk

• 3 Br, 1 Car, 1Bath
Applic. only

Rental \$700 -

Approved





Typical Mining Property Example 3 years ago

Moranbah Qld \$129,000
3 Bedrooms
- 1 Bathroom
- Great Rental Potential
- Kitchen with ample cupboard space

Rent \$220 - \$300
Over 220
available for rent

Moranbah Qld \$199,500
3 Bedrooms master bedroom with built-ins
Polished timber floors
Separate lounge and dining room
Updated kitchen with lots of bench space
Children's cubby house in the backyard
Front porch to the front entrance of the house





Similar Moranbah properties today



Rent \$480 - \$550
106 available for rent

\$365,000

34 Rensler Crescent, Moranbah

4 1 4 942 m² House





Mining town check list

The property

- How many for sale?
- Days on the market?
- How many for rent?
- How much rent?
- Break down?
eg. new/old, Bed/bath
- Trend – up or down?
- Cost to replace?

The town

- How many mines?
- How many mining Co?
- Co policy - FIFO?
- Camp policy?
- Who owns camps?
- Trend – up or down?
- Back track prices 15 years?





Metro

Higher Entry Costs
Higher Sales Volume
Generally need to do manufactured growth to make it positive cash flow
More Risk?





Dual Occupancy Housing



One property
Two rentals
Look similar to
any other house
on the street





Duplexes, Triplexes, Fourplexes etc.



Two / Three etc properties
Can be sold separately





Rooming Houses

- 1b classification under NCC
- Looks like a normal house from the outside
- Victoria has the best rules
- Other States have some restrictions but still worthwhile.
- Requires a fair degree of management
- Reasonably recession proof





It's important to know the rules!

- Need to comply with the relevant building code depending on the size of the building; Class 1b for 5 to 12 residents and up to 299sqm.
- Comply with Local Council Planning and Health & Wellbeing departments
- Register with Health & Wellbeing Dept.





A few examples of minimum requirements

- Minimum bedroom size of 7.5m²
- Minimum bedroom size of 12m² for a couple
- Refrigerator with at least 400L capacity or 80L per room
- Lockable cupboard for each resident, 100L of storage capacity.
- at least one bath or shower and one washbasin for every 10 people
- Fire evacuation plans located on the back of every habitable room door
- Maximum number of 12 residents per house
- 1 disabled bathroom per house
- 1 disabled bedroom per house





Rooming House Conversion The 4 Bedroom House

Source of the deal = real estate search

Type of deal = Class 1A conversion

Conversion = modify internal layout to increase from 4 bedrooms to 8 bedrooms without using the garage

History of deal = on the market for 184 days
Advertised at \$340k – no offers.





The Existing Floorplan


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Multiple Options...

- Minor Modifications to create 8 bedroom 2 bathroom
 - Install 4 walls and associated doors
- Minor Modifications to create 8 bedroom 3 bathroom
 - Install 4 walls and 1 ensuite to be shared between 2 rooms and 6 rooms sharing 2 bathrooms
- Minor Modifications to create 8 bedroom 4 bathroom
 - Install 4 walls and 2 ensuites to created 2 ensuited rooms
- Moderate Modifications to create 8 bedroom 5 bathroom
 - Install 4 walls and 3 ensuites – 2 ensuited rooms with 6 rooms sharing 3 bathrooms
- Major Modifications to create 8 bedroom 6 bathroom
 - Install 4 walls and 4 ensuites – 3 ensuited rooms with 5 rooms sharing 3 bathrooms


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Pros	Cons
Higher Rent Rented per room	You have to pay all the bills
Access Anytime For greater control of property	Higher turnover Depends on the type of resident
Resident not Tenant Able to evict on short notice	More intensive management Dealing with more people
+ve even if not full Due to higher rents	Compliance Building code



Boarding House

- Building classification 3
- Larger than 300m² in building size
- Individual fire separation between rooms
- They are a common place of long term or transient living for a number of unrelated people.
- Examples include a boarding house, guest house, hostel or backpackers (that are larger than the limits for a **Class 1b building**).





NSW NGBH - Micro Apartments

- SEPP allows self contained apartments that can NOT be strata titled
- Land Tax allowances
- Application for Grants of \$2,000 per room per year for each new room produced








What about building your own 'Micro Living' dwelling?





Rent room by room for cash flow

- 4 x 4 in Logan area, with Griffith University nearby.
- One room was being used as a storeroom.
- Added new furniture & appliances.
- Purchased for \$160,000, spent \$3000.
- Each room rents for \$180 and the carport \$4/wk and can **return up to \$19,000 positive** when fully tenanted.





PPR Example

- PPR was costing them \$4,000 p.a
- Moved back in with parents
- **Turned property positive cash flow of 8k p.a**





Holiday Rentals

- For the right property holiday rentals can provide a positive cash flow
- Best to combine with other strategies such as renovation to give better leverage in pricing to yield ratio
- Need good rental managers – watch out for high on site management costs and body corporate fees





Airbnb

- Emerging trend in the rental market
- Great returns on whole houses as well as spare bedrooms
- Make sure you declare your income. ATO doing shadow shopping
- Can effect your CGT exemption if Air BnB'ing your PPR





Airbnb – Reno'd Unit Gold Coast

- Purchased \$336k
- Reno (6mths) \$30k
- Reval \$480k
- Air bnb Rental:

•\$25k Net Cash Flow