

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

WORKBOOK - BRISBANE MARCH 2021



SESSION EIGHT

**How To Create
Manufactured Growth And
What Type Of Commercial
Strategies Work Best
In This Market!**



EXAMPLE: Land Developer Rebate



If you don't ask
you don't get!

Prime Seaside Blocks From \$369000 with \$50000 **cash back** at settlement Peppermint Grove Beach. ***** \$50000 **CASH**

REBATE AT SETTLEMENT ON ALLOCATED BLOCKS





EXAMPLE: Builder Cash Backs

Neighborhoods Built by Your Neighbors.

Buy a new home, get \$2,000 to \$10,000 CASH for use at closing.

REBATE ONLY

Working Together
at Step 11 Cash Backing

HOUSE + LAND
\$15,000 CASH BACK!





Vendor pays the Stamp Duty



It's not illegal - Don't be afraid to ask!





Buying Off the Plan

Direct

Only works in a rising market

Be careful of affordability and changing circumstances with long contract

Be careful using deposit bonds and time lapse considerations

Consider buying price protection insurance





Off the Plan Caution

"37 lose apartments in Sydney as developer invokes sunset clawback"



Off the plan price:

- 1 bedroom - \$370K
- 2 Bedroom - \$500K

Today's value:

- 1 bedroom - \$650K
- 2 Bedroom - \$900K

If the developer decides to resell on the market today, they will make another \$6M in profit!!





Rates Default Properties

Direct

- When rates are not paid to the council – they have the legal right to sell the property to recoup monies owed
- Rates defaulters are advertised in the local papers, usually 3 months out from auction day (NSW advertised in the State Govt gazette – subscription bases)
- Put alerts on Media Monitors for
 - rates default
 - bailiff auction
 - Sheriffs auction



- Usually very run down
- Usually debt free





Rates default auction deal

Chunk & cash flow deal

Acquisition costs: \$57,000

Improvements: \$10K - \$15K

Rent: \$175 / wk





Sources of low end growth deals

- Usual sources – Agents, Newspapers, Online
- Mortgagee in Possession
- Older areas (Demographics)
- Tired Businesses (Commercial)
- Owner sales
- Public trustees

Direct





Mortgagee in possession



- By law, the lender must make a genuine effort to sell the property for the maximum possible amount.
- They have to advertise the sale, get independent valuations and decide whether to sell privately or at auction.
- The proceeds of the sale will be used to absorb any legal, administrative and holding costs incurred by the mortgagee in maintaining the property.





Commercial Can be Direct or Indirect

Direct

Indirect





Why Commercial?

PRO

- Higher cash flow
- Less management
- Less tenant turnover
- Less maintenance
- Built in return and growth rates in lease
- Longer term leases

CON

- Longer to sell
- Need more money to finance
- Longer to tenant
- Subject to economic downturns
- Subject to commercial movements





So what do you look for in a Commercial Property

- Yield
- Strength of tenant
- Strength of area
- Compare to surrounding CAP rate (under market yield)
- Room for growth and expansion
- Time is on your side for due diligence
- Flexibility of negotiation is on your side
- Opportunity to Increase Yield &/or Decrease Risk





Quirky Deals - First time Unit Buyers

- Buy one unit with large sinking fund
- Get onto the Body Corporate Committee
- Seek investor proxy votes





Quirky Deals – Services Exchange



Dentist Investor



Low Doc Landscape Gardener





Quirky Deals – Seller JV Deals

- The number ONE untapped strategy in Australia today!
- Not every deal has seller JV potential
- Using Talents instead of money
 - Landscaping / Handyman
 - Subdivisions
 - Strata
 - Renovation
 - Even building





What Characteristic to look for a Seller JV Deal

- A seller with a limitations
 - eg: - money
 - knowledge
 - time
- A seller with flexibility in outcomes (Age can be an advantage)
- A business person as the seller
 - SHOW ME THE MONEY PERSON
- A seller with a badly presented product





Student JV with Owner deal

Knock down and rebuilt two single story homes and split profit 50/50

- Sales of New Dwellings \$1,620,000
- Sales Costs \$40,500
- **Total Costs \$1,343,552**
- **Net Profit (before GST) \$276,448**
- **Profit to student \$138,224**





Forest Road Deal

- Sales of New Dwellings \$1,620,000
- Sales Costs \$40,500
- Purchase price \$730,000
- Strategy Costs – Subdivision \$52,000
- Strategy Costs – Construction \$550,000
- Holding costs \$23,000
- **Total Costs \$1,343,552**
- **Net Profit (before GST) \$276,448**
- **Profit to Croxford Property (50% of deal) \$138,224**
- **Profit on Costs 20%**





No Money?

Australia's 9.6 million residential properties are worth 6.7 trillion dollars at the end of the June quarter 2017.

Total Mortgage Values in Australia are \$1.6 trillion dollars.

Source: Core logic / ABS





Dep. Finance / Sub/ Reno / Build





The Numbers

Purchase Price	\$260,000
Purchase Costs	\$16,208
Strategy Costs	\$22,250
Renovation	\$23,000
Construction Costs	\$440,000
Total Costs	\$761,458

Total Sales	\$920,000
<i>Less Sales costs</i>	<i>(\$27,600)</i>
Approx Net Profit	\$130,942
Profit on Costs	17.2%


