

*You Don't Have To Be Rich To Start Investing In Commercial  
Real Estate And Earning 7-10% Positive Cashflow Yields*

# COMMERCIAL PROPERTY SECRETS

DAY 1 BOOTCAMP WORKBOOK | AUGUST 2022



# COMMERCIAL PROPERTY SECRETS



## DAY 1: SATURDAY 13TH AUGUST 2022 (AEST Times)

8:30am – 9:00am	<b>Registration</b>
9:00am – 9:15am	<b>Welcome</b>
9:15am – 10:45am	<b>Get In The Right Space</b>
10:45am – 11:00am	Break
11:00am – 12:30pm	<b>Know How To Work With Risk</b>
12:30pm – 1:30pm	Lunch
1:30pm – 3:00pm	<b>Asset Classes That Work For You</b>
3:00 – 3:15pm	Break
3:15pm – 5:00pm	<b>How To Make Your Money</b>

## DAY 2: SUNDAY 14TH AUGUST 2022 (AEST Times)

9:00am – 9:30am	<b>Welcome and Intros</b>
9:30am – 11:15am	<b>Negotiation</b>
11:15am – 11:30am	Break
11:30am – 12:30	<b>Professionals Masterclass: Finance Made Simple</b>
12:30pm – 1:00pm	<b>Professionals Masterclass: Commercial To Retire On</b>
1:00pm – 2:00pm	Lunch
2:00pm – 3:00pm	<b>Professionals Masterclass: Legal Aspects of Commercial Property</b>
3:00pm – 4:00pm	<b>Creating Opportunities</b>
4:00pm – 4:15pm	Break
4:15pm – 5:00pm	<b>Your Next Deal</b>

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## 1. Welcome & Get In The Right Space



## 1. Get in the right space

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### Mindset

- Business v Mum and Dad Mindset
- Simple KISS Principle
- Understand Fundamentals / Basics
- Know what you need, Don't Compare to Others



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### Business v Mum and Dad Mindset

**You need to think in a 3-dimensional way:**

- Think about your investment and opportunity
- Think about the tenants and their growth
- Think about the region and its needs



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## Simple KISS principle

### Simplicity is key:

- Assess the project round 1 – basic numbers and info first
- Strip back irrelevant information
- Ask questions to understand the vendor and the project
- Assess the current value
- Understand the potential




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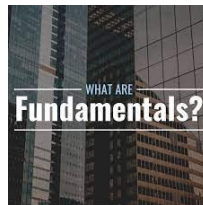
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## Understand Fundamentals / Basics

### The fundamentals never change:

- Decrease risk – Increase Value
- Increase income – increase value
- Yield % = Your net income / your purchase price
- Cap Rate = Data backed expected yield per area and asset class
- Value = Your net income / Cap Rate




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## Know what you need Don't Compare to Others

### Do what works for you:

- Know your scope – risk, return, asset class
- Know your why – what does this mean to you
- Know what suits your situation now – risk, finance, ability
- Never compare to others – you need to run your own race




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## 2. Know How To Work With Risk



## 2. Know how to work with risk

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### Risk & Risk Tolerance

- **What IS Risk in Commercial Property:**
  - Location
  - Use & Uplift
  - Vacancy
  - Condition
  - Risk v Opportunity (where do you sit)



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### Risk Tolerance – *This is how you feel*

- **How do you see risk?**
  - Real or Perceived?
  - How can you mitigate risk?
  - What do you need to see / hear / feel to be ok with risk?



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## What IS Risk in Commercial Property?

### Location – from a risk perspective of a valuer:

- Metro – Low risk due to volume of people and need for business / services
- Regional – Medium risk – depending on population and growth status
- Rural – High risk due to low volume of people




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## What IS Risk in Commercial Property?

### Use - Uplift Potential

- Economic impact on current use
- Is Use specialised – storage!
- Is the fit out for use expensive
- Does the use have longevity
- How much uplift potential is there
  - Uplift to create more income streams




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## What IS Risk in Commercial Property?

### Vacancy

- How much vacancy is too risky?
- Demand in the area – for what / who?
- Time to get new tenants?




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## What IS Risk in Commercial Property?

### Condition

- Condition of the asset
- When improving the condition what adds value?
- What does your budget allow for?
- Who owns what – fixtures and fittings?




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## What IS Risk in Commercial Property?

### Risk v Opportunity (where do you sit)

- All of what we have covered also has an opportunity to consider
  - Location can't be moved, leverage and negotiate
  - Vacancy is the biggest and easiest uplift in value and increase in income
  - Use can be changed (maybe) – understand your zone and demand
  - Condition can be improved cheaply – also an opportunity to sort out who owns what




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## Breakout Rooms - 10 minutes

### Deal to assess – IM in Workbook

- What risks do you see?
- How would you mitigate the risks?
- What opportunities do you see?
- Where do you see the deal as Rated on the risk scale?




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## Assessment of Risk on Carries Deal

- Bought with 60% vacancy
- Surrounded by residential
- Most leases on a month x month
- Old building and looked unloved
- A lot of discrepancy in figures
- Bonds not in order
- Outstanding repairs on one shop




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## Marble Bar Commercial Deal (High Risk)

- Marble Bar Traveller's Rest Roadhouse
- The business consists of a freehold 7585m2 title, 24 accommodation units, a renovated 2-bedroom, 1-bathroom managers residence.
- ACCOMMODATION - there are 19 renovated ensuites.
- ROADHOUSE - Fully equipped commercial kitchen, an office, serving area and a restaurant area. There's two 26,000L underground diesel tank and one 23,000L unleaded tank, both tested sound in 2017.




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## West Wyalong (Med Risk)

- West Wyalong NSW 2671
- Shop & Retail
- 2,337 m<sup>2</sup>
- For Sale \$850,000
- Located approx 1.7km east of the West Wyalong Post Office, is this 6,778 sqm property.
- Currently being used as a wool warehousing and testing facility




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## 3. Asset Classes That Work For You



**3. Asset Classes that work for you**

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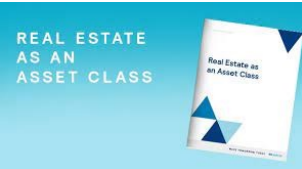
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**Asset Class**

- **Commercial**
- **Industrial**
- **Business R/E**



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**Commercial – as an Asset class**

- **Commercial**
  - Bulky Showroom
  - Retail (Large V Small)
  - Offices (individual space)
  - Hospitality - Venue not business



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## Industrial – as an Asset class

- **Industrial**

- Manufacturing
- Light industrial factories
- Warehouse
- Storage, factories



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## Business Real Estate

- **Business R/E** (Leasehold v Freehold)
- Specialist Area
- Covers off on the lease and business aspect that operates from your asset
- Understand somethings can come with both at times
  - Storage, accommodation, pubs
  - Can you separate them and sell the business



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## Cap Rates for each Asset Class

- **Live examples Dans uplift, use his deal to show examples of cap rate uplift and value increase.**
- Make sure Yield and cap rate are explained perfectly



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## Valuing Commercial Deals

- How secure is the income stream from the property over time?
- Higher income and yields,
- Coupled with lower risk,
- Equals a strong investment,
- And thus, it has higher value.




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## What Factors can Influence Cap Rate

- Location
- Supply vs Demand
- Demand from tenants
- Demand from buyers
- Asset Class
- Strength of Tenant
- Strength of lease
- Age and state of building
- Economic movements
- Industry longevity
- Approved usages
- Vacancy




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## How we Determine Cap Rate

- Recent Sales of comparable tenanted properties
- The average of recent yields of comparable properties
- Speaking to active and effective agents in the area
- Usually described as a range e.g. 6% -7%
- The Commercial Valuer is ultimately who determines the Cap Rate.




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## 4. How To Make Your Money



## 4. How to make your money

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### Income V Chunk

- **Income – serviceability for lending**
  - Multiple income streams – lease unlet areas
  - Location
  - Convert to higher use
  - Fill vacancy
  - Uplift for lease
    - Signage
    - Hard stand
    - Construct extra area – Increase NLA
    - Reconfigure internal – Multiple Tenancy



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### Commercial Income Deals – What they look like



**Medical Centre – Port Lincoln SA**  
\$550,000\*  
**Rent \$71,000 pa**  
High Yield Investment  
Tenant pays all outgoings

Long term established tenancy  
Generous corner site, situated on the fringe of Port Lincoln CBD  
Convenient on site car parking for 40 vehicles  
\*Purchased March 2019

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