

# ULTIMATE

REAL ESTATE SUCCESS  
COACHING PROGRAM

SESSION ELEVEN

## Strata & Construction & The Compound Effect

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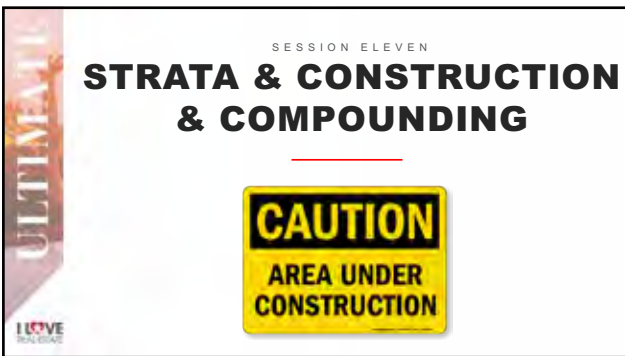
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**ULTIMATE II**

**Strata Titling**

- Can be a short time frame  
Chunk Deal
- Manufactured Growth
- Can be positive or neutral cash flow as well as potential to manufacture growth
- Can be partially liquidated on completion or refinanced



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**ULTIMATE II**

**Big difference strata titling old vs new!**

**New** – designed and built to meet the current standards, building code and planning legislation

**Old** – important to go in with your eyes wide open. What needs to be replaced, upgraded or altered to meet the current standards and what will it cost to do so?



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**ULTIMATE II**

**Strata Titling - Old**

- Target high yield blocks of units
- Select properties with easy fire rating and utility separations
- Do the numbers upfront in a flat market
- Get written quotes where possible
- Not all blocks are able to be converted



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**ULTIMATE II**

### Select a Suitable Property

- Duplex, Triplex, Fourplex etc.
- Industrial building with divisible ability
- Office Blocks
- Hotels
- Car Parks
- Storage Sheds



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**ULTIMATE II**

### Select a Suitable Property

**What constitutes suitable?**

- Fire rated separation
- Saleable
- One title, multiple dwellings
- Separate services
- Parking
- Traffic access



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**ULTIMATE II**

### Fire Rating Strata



	30/30/30
	60/60/60 - Usual
	90/90/90
	120/120/120

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**ULTIMATE II**

## Saleability

- Do market analysis on the need for your finished product
- Invest in a voluminous market
- If building for sale review sales data prior submitting plans to council
- If buying existing building check post renovated units with agents for comparables



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**ULTIMATE II**

## Strata Titling Team

- Town Planner
- Land Surveyor
- Mortgage Strategist
- Solicitor / Body Corporate Specialist
- Selling Agent
- Building Certifier / Surveyor



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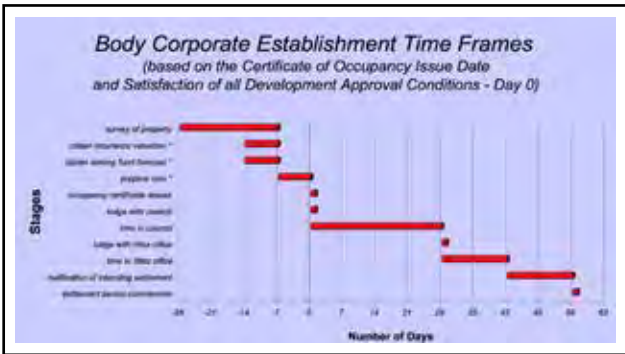
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**ULTIMATE II**

### Not All Units Work

**SET OF FIVE UNITS:  
5 x 2 bedroom units**

Two storey set of 5 units all 2 & 3 Bedroom houses sell from \$ 150,000 in the area – why would you buy a unit when you could buy a house for the similar value

Two storey set of 5 units all 2 bedroom units are tenanted. The perfect investment. Units are Strata titled and owner selling at \$150,000 - units 1-4, Unit 5 selling for \$160,000.



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**ULTIMATE II**

### Not all Properties should be Strata'ed

Commercial 592sqm main street central property with large residential parking with a two Modern front with current food licence and an agency of The Rock Building Society with the only ATM in Town.

You could probably sell the shop separately but no-one will buy a unit above a shop separately in a regional area – it will rent but not sell. Metro area yes – but not regional!



**\$295,000  
Rent \$32,000  
Good Cash Flow**

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**ULTIMATE II**

### Strata Titling an old block of Units

- 4 x 2 bedroom units
- Red brick, single story building
- 400m from beach
- Opposite shops, close to schools and railway station

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**Example: Reverse Feasibility**

Purchase price	688,000
Stamp duty	27,000
Legals	5,000
Surveyor fees	10,000
Council fees	1,000
Titling fees	1,230
Renovation	40,000
Landscaping	10,000
Strata requirements	10,000
Holding costs	6,200
(50,000 interest + 1200 rates – 45000 rent)	
Sell Costs	<u>20,000</u>
Total Costs	<b>\$818,430</b>
Sale price	<b>\$1,000,000</b>
<b>NET PROFIT:</b>	<b>\$181,570</b>

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**Block of 4 units - Strata Titling**

Building works required to Strata for this deal:

- Separate water meters
- Fix driveway
- Install body corporate letter box
- Fire rating was all good



Purchase (incl purchase costs)	~\$485K
Strata Costs	~\$12K
Renovation (incl req'd strata work)	~\$60K
Holding Costs	~\$24K
Valuation per unit	~\$190K
Total Gross Valuation	~\$760K
<b>Total Gross Profit</b>	<b>~\$179K</b>




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**Block of 3 units - Strata Titling**

**The Property:**

- 3 x 2-bedroom units
- Double brick construction with fire separation in place
- Under market rental at \$180 per week per unit

**The Numbers:**

- Purchase price: \$400,000
- Purchase costs: \$15,000
- DA, surveys, body corp, LPI costs: \$12,000
- Water meter separation cost: \$5,000
- End value: \$570,000 (\$190,000 per unit)
- Selling costs: \$20,000 (if all 3 units sold)
- Total cost: \$452,000
- Profit: \$118,000
- Return on Cost: 26%




**Note: there's no holding cost because the units are positive cashflow.**




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**D.A & B.A**



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**What is a DA & BA?**

**Development approval:**

- Council planning permit for a proposed development
- Concept plans showing site plan, floor plans and elevation drawings
- Not ready to build

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**What is a DA & BA?**

**Building approval:**

- Building surveyor/certifier consent (building permit or construction certificate)
- Detailed architectural drawings, soil report, energy reports, structural engineering
- Ready to start building

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**ULTIMATE II**

**Development Approvals**

- Great way to use your talents and knowledge, but maybe not your money to make a profit!!!!
- Can be on sold at DA approval stage or complete the project and sell or hold for cash flow
- If on selling at DA stage – you need to know the costs for the completed project so you can work out what your DA approved sale price will be as your purchaser will still want to be making around 20% for completing the deal

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**ULTIMATE II**

**Design Stage**

- Appoint architect/building designer/draftsman, project manager, surveyor, engineer, landscaper, etc.
- Concept Plans
- Pre-Lodgement meeting with town planner, your private town planner, project manager
- Final Design Plans



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**ULTIMATE II**

**Application Stage**

- Lodge Application with Town Planner
- Approval Application
- Council Initial Response 60 days (RFI)
- Liaise and Negotiate
- Public notification
- Notice of Decision
- D.A. (Permit)



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**ULTIMATE II**

**DA & BA Approval Process**

**Factors to consider:**

- Current zoning
- Current and future town plan
- Market forces
- Current prices for equivalent resale
- Demand for high density housing
- Land size and percentage useable
- Efficiency of design



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**ULTIMATE II**

**Sell with D.A Student deal**

- Purchased \$330,000 + purchase costs for Reno
- Plan to build two on back
- Projected profit - \$80,000
- Council proposed new structure plan to high density.
- Sold to a developer w/ plans and permits for **\$570,000**
- **Profit \$240,000**



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**ULTIMATE II**

**Re-Zoning Approval Process**

- Potential for profit is high
- Need your Due Diligence Done
- Knowing your area makes Due Diligence easier
- Downside costs can be minimal
- Can be a long and hard process!!



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**ULTIMATE II**

**Re-Zoning Deal**

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- 1600m2 corner block in a built up residential area
- Zoned industrial
- Piggy backing on Council re-structure plan
- New zone to become medium density residential
- Timing is everything!!!



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**ULTIMATE II**

**DA's and creative strategies**

- Financing the deal with little money
- Option the deal
- JV the deal
- JV with Vendor
- Vendor Finance
- Long Conditional Settlements



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**ULTIMATE II**

**Construction**



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**ULTIMATE II**

## Construction – What is it?

**Building works that are completed under a “Building Contract”**

- Structural reno
- Extension
- Granny flat
- House
- Units / Townhouses etc.



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**ULTIMATE II**

## Team Requirements



- Ensure that professionals are members of Professional Associations where relevant e.g. Building Assoc., Institute of Engineers / Quantity Surveyors etc., Building Design Assoc.
- Ensure professionals are completely familiar with local and state regulations
- Ensure all contractors & professionals have the necessary insurances and certification and request copies to ensure they are current over the duration of your project
- Ensure that they are in touch with the latest laws, innovations and developments within the industry

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**ULTIMATE II**

## Team Requirements

- Ask what sub-consultants and contractors they use & confirm how much time they will be on the job
- Ensure the individuals on your team understand your time constraints
- Check on the progress of individuals to keep them on target
- Do not pay invoices until you have thoroughly checked the work
- Pay invoices as soon as possible
- ENSURE YOU GET ALONG WELL!



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**ULTIMATE II**

### What do you need to supply to your builder for a quote?

- Specifications list
- Working drawings (detailed design)
- Structural engineering
- Civil engineering
- Landscape plans
- Planning permit
- Endorsed plans (stamped by Council)
- Soil report
- Energy rating report
- BAL report (if necessary)



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**ULTIMATE II**

### Contract types:

- Construction contract method
- Payment Lump sum by negotiation
- Cost + %
- Construction Management
- Turn Key or Progressive
- Design and Construct



**Beginners should ALWAYS use Turn Key**

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**ULTIMATE II**

### Design & Construct Service

- **Pro's** –
  - Single point of contact – more streamlined process
  - Reduced risk – single point of responsibility
  - Lump sum price
- **Con's** –
  - Less flexible e.g. committed to 1 builder from start
  - Less control on timeframes e.g. don't have direct access to each professional
  - Less control on price e.g. can't negotiate fee for each professional individually
- *Recommended for single dwellings by inexperienced investors & long distance construction*



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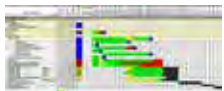
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**ULTIMATE II**

**Provide timelines**

- If you have never been in a trade and you project manage you are at a distinct advantage!
- Use **Ultimate Real Estate Feaso** for timelines
- Give it to the tradies so they know when they need to be there
- Time over runs costs money – stick to a time management calendar



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**ULTIMATE II**

**Examples:**



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**ULTIMATE II**

**The Last 10% of a renovation**

- Takes 50% of the time and 40% of the cost!
- You will be frustrated but stick with it.
- The results are satisfying!



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**ULTIMATE II**

**How do you complete reference checks on a builder?**

- Go and view past projects and speak to previous clients
- Visit current projects under construction
- Talk to Subcontractor, tradies, regulatory bodies, suppliers, insurance underwriter
- Contact RE agents that have sold the builders previous work
- Ask to see public liability insurance, workers compensation and professional indemnity insurance (terminology varies from state to state)
- Run company & ASIC searches & set up alerts

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**ULTIMATE II**

**Other considerations:**

- Building timeframes
- Inclement weather days and public holidays
- Liquidated damages for time over runs
- Read building contract
- Pacific Law to review building contract



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**ULTIMATE II**

**How can I manage the relationship with my builder?**

- Have regular and structured meetings
- Go and visit on site
- Do constant costings/quotes
- Review budgets regularly
- Engage an external consultant to inspect for quality control if you're not confident
- Complete a proper handover at practical completion with a professional and check handover certificates and warranties



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**PPR Construction**

ULTIMATE II

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**PPR 1**




- New Estate, Project Builder
- Land \$ 120K
- Build \$ 250K
- Sold \$ 570K
- **PROFIT \$200k**

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**PPR Construction**

ULTIMATE II

PLATINUM ACCELERATOR

**PPR 2**




- Design, Custom Build
- Land \$380K
- Build \$620K
- Sold \$1.3M
- **PROFIT \$300k**

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**3 Townhouse Development**

ULTIMATE II

- Fast Tracked DA & Strata Titing
- Purchased \$530k
- Development Costs \$1.005M
- Sales \$1.785M
- **Profit \$250k**





PLATINUM ACCELERATOR

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**16 x 1brm Apartments**

- Opposite Hospital
- Purchased 2 Houses – 1 Under Option
- DA, Construction, Strata Titled
- NRAS Approval
- Sold Off-Plan
- Sold 15 Kept 1

**PROFIT \$600k**






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**The very best strategy is a Stacked Strategy!**

**For Example:**  
 Reno / Subdivision /  
 Construction / Dual Occ  
**Or**  
 Unit Block Reno / Strata /  
 Construct / High Yield  
**Or**  
 Commercial / Under rental /  
 Reno / Add more





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**3 Areas – 3 Strategies**

	Area X	Area Y	Area Z
Property A	Strategy 1	Strategy 1	Strategy 1
Property B	Strategy 2	Strategy 2	Strategy 2
Property C	Strategy 3	Strategy 3	Strategy 3
Property D	Strategy 1,2	Strategy 1,2	Strategy 1,2
Property E	Strategy 1,3	Strategy 1,3	Strategy 1,3
Property F	Strategy 2,3	Strategy 2,3	Strategy 2,3
Property G	Strategy 1,2,3	Strategy 1,2,3	Strategy 1,2,3
	= 7	= 7	= 7
<b>21 Different Choices</b>			




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**SET AND FORGETS**

Buy	\$300k
Subdivide	\$50k
Total	\$350k
Sell	<del>\$280k</del>
Cost of Block	\$70k
Build	\$350K
<b>TOTAL</b>	<b>\$420K</b>

80% on \$600k  
Redraw \$480k

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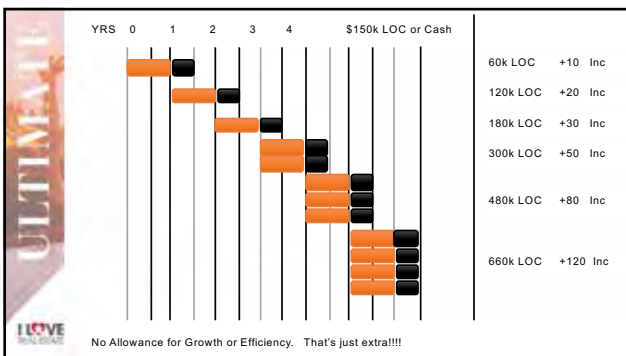
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