

ULTIMATE

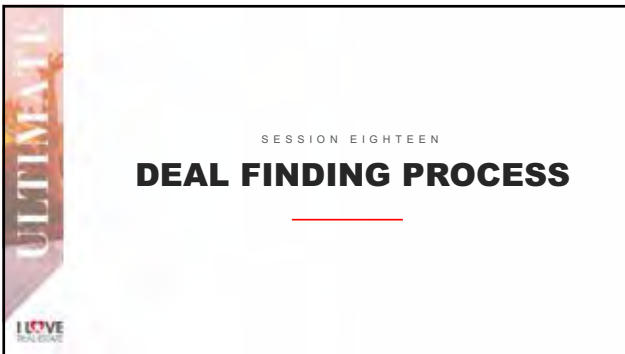
REAL ESTATE SUCCESS
COACHING PROGRAM

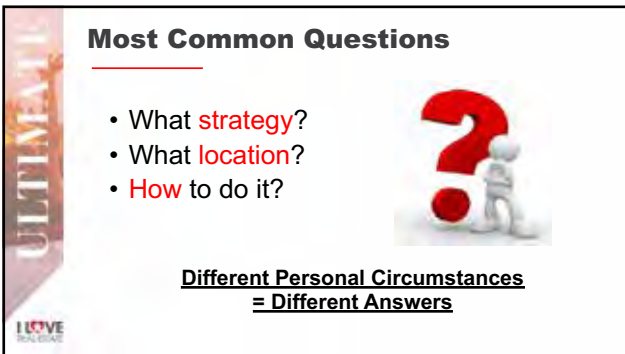
SESSION EIGHTEEN

Finding a Deal










ULTIMATE II

- **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!


I LOVE THE DEAL

ULTIMATE II

Match Strategy & Location To Your Personal Circumstances:

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

Example Student: [Sarah](#)




I LOVE THE DEAL

ULTIMATE II

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




I LOVE THE DEAL

ULTIMATE II

- **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!




I LOVE THE GOLF

ULTIMATE II

- **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




I LOVE THE GOLF

ULTIMATE II

- **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



I LOVE THE GOLF

ULTIMATE


• 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



I LOVE THE GAME

ULTIMATE

- 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



I LOVE THE GAME

ULTIMATE

• 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



I LOVE THE GAME

ULTIMATE II

• 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




I LOVE THE GAME

ULTIMATE II

• 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)



I LOVE THE GAME

ULTIMATE II

b) Risk Appetite:

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

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




I LOVE THE GAME

ULTIMATE II

**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**




I LOVE REAL ESTATE

ULTIMATE II

2. Understand Location Characteristics

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



I LOVE REAL ESTATE

ULTIMATE II

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

I LOVE REAL ESTATE

ULTIMATE II

b) Regional Areas – More consistent than mining / resource areas, founded in long standing industries e.g. agriculture, manufacturing:

- **Market value** more stable & lower entry
- **Moderate rental** rates
- **Higher yields**
- **Slower capital growth**
- **Moderate investor** demand
- **Population and job** growth major impact
- **Fairly forgiving** when comes to mistakes = good entry point for learning



I LOVE THE GAME

ULTIMATE II

c) Metro Areas – Larger population, greater job diversity, greater economic diversity:

- Property price movement
- more **cyclical** & driven by broader economic parameters
- Property prices - **higher**
- **Capital growth** potential
- Rental yields **lower**
- Banks more **comfortable** with security in metro
- More owner occupiers & investors hence **selling can be easier**
- Typically requires **more equity** to enter market



I LOVE THE GAME

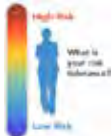

ULTIMATE II

3. Understand Strategy Characteristics

Ultimate Selection of Strategy = Combo of:

1) **Risk tolerance:** 2) **Available equity:**

- Low risk	- No money
- Medium risk	- \$0 - \$100,000
- High risk	- \$100,000 - \$200,000
	- \$200,000 - \$300,000
	- \$500,000 +

I LOVE THE GAME

ULTIMATE II

a) **Low Risk Strategies** - Characteristics:

- **Purchase price point** = Low (<\$300k)
– medium (\$300-\$500k)
- **Market volume** = high if selling
(Metro >100,000 population)
- **Skill level** = low
- **Time input** = lower




I LOVE THE GAME

ULTIMATE II

a) **Low Risk Strategies - Examples:**





- 1) **Cheapie hold, reval** – low price point, +cashflow
- 2) **Reno, hold, reval** – low/medium price point, +cashflow
- 3) **Reno, sell** - low/medium price point, high vol market, good price variance = essential (Grid variance analysis)

I LOVE THE GAME

ULTIMATE II

4) **1 into 2 lot subdivision / title lift, reno existing, sell 1 or both** – low / med price point, high vol market, option to build single or dual occ on vacant land e.g. granny flat




5) **Strata 2-4 unit complex, hold & reval or sell** some in med / high vol market – Low / med price point, area with demand for unit living

I LOVE THE GAME

ULTIMATE II

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

MEDIUM RISK

Low High




ULTIMATE II

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





ULTIMATE II

- 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

ULTIMATE II

I LOVE THE GAME

- 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



ULTIMATE II

I LOVE THE GAME

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



ULTIMATE II

I LOVE THE GAME


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 realstate** e.g. caravan park, storage sheds, motel
- 4) **Vacant commercial** or commercial involving DA &/or build



ULTIMATE II


- 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



I LOVE THE DEAL

ULTIMATE II

- 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**




I LOVE THE DEAL

ULTIMATE II

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



I LOVE THE DEAL

ULTIMATE II


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



I LOVE THE GAME


ULTIMATE II

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




I LOVE THE GAME

ULTIMATE II

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




I LOVE THE GAME

ULTIMATE

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



I LOVE THE GAME

ULTIMATE

- 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



I LOVE THE GAME

ULTIMATE

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?



I LOVE THE GAME

ULTIMATE II

3) Existing commercial with value add potential
 4) Strata-titling resi or commercial up to 10 units




5) Larger subdivision up to 10 lots depending on location, council, ground works costs
 6) Commercial & business realestate < \$1M e.g. motel, back-packers, storage sheds etc.

I LOVE THE GAME

ULTIMATE II

e) \$500k + Equity Strategies:

1) All strategies from \$0-\$300,000 but in better locations, higher price point & bigger multiples e.g. more units, more lots, larger commercial e.g. shopping centres, relocatable home parks, aged care facilities.



I LOVE THE GAME

ULTIMATE II

5. Match Strategy & Location To Your Personal Circumstances

Sarah Summary

- 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

Strategy & Location:

- Low risk tolerance strategy hence low/med entry price point (<\$500k).
- Sell hence metro 100,000 pop, Within 1-2 hr Melbourne

I LOVE THE GAME

6. Implement 3 + 3 Rule

- Select 3 strategies (A,B,C) in 3 target locations (1,2,3)
= 21 combos – **Become strategy & area specialist**


A1	B1	C1	A+B1	A+C1	B+C1	A+B+C1
A2	B2	C2	A+B2	A+C2	B+C2	A+B+C2
A3	B3	C3	A+B3	A+C3	B+C3	A+B+C3

7. Select 3 Strategies

Sarah Summary


- See **Low Risk Tolerance** Strategy List
- 3 Strategies =

- 1) Reno
- 2) Subdivide 1 into 2
- 3) Construct single /dual occ




8. Determine Max Purchase Price

- After Lunch!
- See Boot Camp Action Plan (pg 10 & 11)
- Based on Available Working Equity (AWE)



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


- Greater Melbourne Metropolitan – 31 municipalities
- Geelong 225k pop (1hr) – 1 municipality
- 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.)



ULTIMATE II

- **Economic** outlook
- **Supply** (# Listings & price trend)
- **Demand** (DOM trend)
- Rental **vacancy rate**
- **Councils attitude** to development
- **Development approvals** & activity = competition



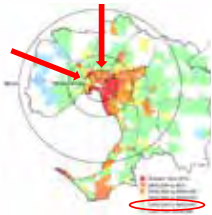
• **Sarah - Target Greater Melbourne – closer, high pop, affordable areas <\$500k**

I LOVE THE BAY

ULTIMATE II

11. Research Heat Maps

- Sold / list price data
- www.realestate.com.au/invest
- From the CBD – moving outwards - **ID areas at your entry price point** – Remember ripple effect




I LOVE THE BAY

ULTIMATE II

12. Research Infrastructure & Select Target Location

- Research:
 - **Transport** e.g. rail
 - **Infrastructure** = job hubs e.g. airport, hospitals, education
 - **Planned** infrastructure
- **Select 5 suburbs** meet your purchase price point



I LOVE THE BAY

13. Prioritize Suburbs – Area Expert

- **Select top 3 target suburbs** – become area expert – know what market wants
- Renovation Strategy = **Grid Variance Analysis**
- Council Approval Strategy (DA) = **Town planner meeting**
- Find deals!
- **REMEMBER – No Perfect Deal!**








ULTIMATE
REAL ESTATE SUCCESS
3-DAY BOOTCAMP
