

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

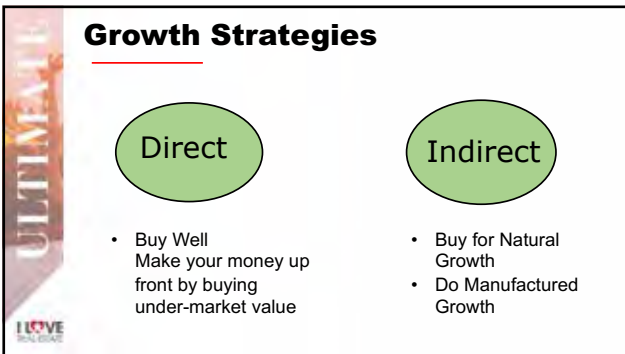
SESSION NINE

Manufactured Growth Strategies









Strategies to Buy Well

Direct

- Discount Buying
 - Look for weaknesses in the market

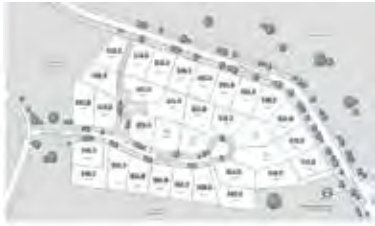
Use KEY WORD searches such as:

- Divorce
- Deceased Estate
- Mortgagee
- Transferred / Over committed
- Must sell
- Urgent
- Older demographics



End of a development

Direct



First sales of a development

Direct

- Seller wants to set a bench mark
- Seller wants to get homes built in the new estate fast
- Establish comparable sales value for valuer
- Negotiate non-cash extras



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



EXAMPLE: Vendor pays the Stamp Duty



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

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Scatter Technique

Direct

- Offer 70 – 80% of list price of properties below the median house price
- You are looking for a vendor who doesn't want their property not a particular property.
- If you buy it cheaply enough – it will make money
- Typically out of 20 offers you might get 3 nibbles and 1 purchase


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Buying Off the Plan

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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



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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!!


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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



...the inside



...the reno job



Renovation Costs
\$12,000
Revaluation Costs
\$600

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The Breakdown

New Valuation
\$115,000

Rental Return
\$165 per wk

Tax Free Cash out
\$ 36,000




Positive Cash flow
\$ 2 per wk



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ANOTHER Example: Leanne's Rates Default Unit

Purchase Price \$42,000

Reno \$ 5,000

Revalue \$81,000

Time Frame 6 wks

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Rates default auction deal

Chunk & cash flow deal

Acquisition costs:
\$57,000

Improvements:
\$10K - \$15K

Rent:
\$175 / wk




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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





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Mortgagee in possession

Passed in at Auction

Reno shops with the addition of a three bedroom residence

plus construction of a new four bedroom home on vacant land at the rear

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The Numbers

Purchase Price	\$465,000
Purchase Costs (Stamp duty etc.)	\$32,216
Strategy Costs	\$28,812
Renovation	\$98,988
Construction Costs	\$427,300
Total Costs	\$1,052,316
Total End Value	\$1,440,000
<i>Less Sales costs (four bdrm)</i>	<i>(\$18,400)</i>
Approx Net Profit	\$369,284
Return on Costs	35%
Cash flow on Shops (hold)	\$28,000 p.a



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Public Trustee Websites

NSW - <https://www.tag.nsw.gov.au/properties-for-sale.html>
 QLD - <http://www.pt.qld.gov.au/real-estate/>
 VIC - <https://www.statetrustees.com.au/property-for-sale/property-details>
 WA - <http://australia.trovit.com/property/public-trustee-wa>
 TAS - <http://australia.trovit.com/property/public-trustee-tas>
 SA - <http://www.publictrusteepropertyguide.com.au/book.html>
 ACT - www.publictrustee.act.gov.au
 NT - <https://www.nt.gov.au/justice/pubtrust>

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Public Trustee Auction

- Code Assessable Renovation
- Purchase: \$228,000
- Reno cost \$35,000
- ReSold: \$369,000
- Profit: \$50,000
- 3 month renovation



\$228,000 x 1.5 = \$342,000

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Commercial Can be Direct or Indirect

Direct Indirect

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Commercial under Market Rental

Direct **Indirect**

- When you increase the income on a commercial property it immediately reflects in value
- Know your commercial rental yields REALLY well – befriend a GOOD commercial agent
- Watch for incorrectly reported rents and rental area (per sq metre)
- Look for long term owners
- Look for badly written leases with inadequate market rental clauses

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Why Commercial?

PRO	CON
<ul style="list-style-type: none"> • Higher cash flow • Less management • Less tenant turnover • Less maintenance • Built in return and growth rates in lease • Longer term leases 	<ul style="list-style-type: none"> • Longer to sell • Need more money to finance • Longer to tenant • Subject to economic downturns • Subject to commercial movements

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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

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Understanding the numbers is the biggest part of Commercial Property

- **Gross Income** : Total Income
- **Net Income (Net Operating Income NOI)** : Gross Income – Costs = NOI
- **Return**: The result that you get on your investment over the term of the investment eg. Buy 100 k sell 200k 3 years later : Return would be 100%
- **Internal Rate of return (IRR)**: Annualised return on Investment eg. In example above IRR = 26% $100K \times (1.26 \times 1.26 \times 1.26) = \text{approx } 200K$
- **Yield** : Return on Investment per year : $NOI \div \text{Property Cost} \times 100 = \text{Yield (ROI)}$
- **Capitalisation Rate – CAP Rate** : Generally refers to the average yield of commercial property in an area of a given type of property

Commercial Strategies - Buy and Hold

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\$28,000 Passive for non super deal
\$48,000 Passive for a super deal




Great Super Fund deal – Purchased for \$720,000

Example: Small Commercial deal


Wants: \$185,000

Net Income: \$16,556 p.a.
Yield: 8.95%



The premises is currently leased to a long standing medical tenant within the centre on a 5 + 5 year Lease. Lease commenced December 2012
Situated in the Cremorne Town Centre


Commercial Strategies - Buy under market rental – stressed sales (sell or hold)



Vastly under rented and under developed
\$ 820,000

* Position perfect in the "Heart" of North Rockhampton ** Four Tenancies plus large Residence. 810m² Land Area, 590m² under roof. Two Street Access.
* Quality premises in this vicinity rent for anything from \$180 per m² to \$280 per m² per annum. YOU DO THE SUMS !

Wollongong Central NSW



For Sale \$1,890,000

Now selling prime investment high yield 8.3% return \$150,000 pa rental

Features a mixture of cooperate national tenants with electronic security swipe card access building . Modern interior and offices this 2 level building is strategically situated in the CBD ample parking on and off street.

Potential rent \$177,000 pa gross at 9.8 % return yield.

- Value = Income/ cap rate
- Where; Income = 177k, Cap rate = 8.3%
- Therefore value = 177000/0.083 = \$2,132,530
- Purchase Price = \$1,890,000 plus purchase costs
- Revalue = \$2,132,530
- Profit = \$2,132,530 - \$1,890,000 = \$202,530 less purchase costs
- 70% of 2,132,530 = \$1,735,301
- So not quite all your money back but turnaround time could be as little as 3-4 months

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Commercial Strategies
- Strata or lease in smaller pieces



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Commercial Strategies
- Add more occupancies (land or buildings) – hold or sell



QLD \$3,500,000

Currently being leased at \$286,000 pa with potential to be \$350,000 pa with the back paddock leased.

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Multi Tenanted Industrial - Brisbane

- 5 Tenancies
- Multiple Buildings
- Basic Reno
- Re-negotiated Month By Month Leases
- Re-tenanted 3 Units
- Strata Title Potential

***Purchased \$780k**
***> \$35k Positive Cashflow**



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Industrial Strata Title - Melbourne

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- Purchase \$800k
- Reno & Strata \$50k
- End Val \$1,480,000
- Val Increase \$680k in 17mths

- 5 Industrial Units on 1 Title
- Reno, Signage, Rented Hardstand Area, Survey Confirmed Increased Lease Area
- Re-negotiated Leases (under market rent, month by month leases)
- Strata Titled into 5 Lots & Revalued



Commercial Strategies

- Develop at 10 to 12% CAP and sell or revalue at 8 to 9% CAP

Commercial	Low	Medium	High
4.4 level open plan office, including AC & fit-out including fit-out	\$1,890	\$2,750	\$3,580
4.4 level open plan office, including AC & fit-out, excluding fit-out	\$3,050	\$3,280	\$3,720
2.7 level open plan, including AC & fit-out, excluding fit-out	\$2,860	\$3,770	\$3,560
Industrial	Low	Medium	High
High level Warehouse, standard unit, concrete floor, metal roof	\$820	\$1,540	\$1,730
High level Warehouse, standard unit, concrete floor, metal roof, metal roof	\$1,040	\$1,210	\$1,760


Retail	Low	Medium	High
Suburban shopping mall unit including AC	\$2,260	\$2,420	\$2,750
Submarket including AC, excluding fit-out	\$1,470	\$1,580	\$1,620
Hotels/Motels	Low	Medium	High
Single level boutique motel, including AC, guest facilities	\$2,000	\$3,800	\$4,750
Single level townhouse, including AC, excluding base item fit-out	\$2,580	\$2,380	\$3,620

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Primary Manufactured Indirect Growth

Indirect

- Renovations
- Subdivisions
- Strata Titling
- Developments




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Quirky Deals - First time Unit Buyers


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




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Quirky Deals – Services Exchange



Dentist Investor



Low Doc Landscape Gardener

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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



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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



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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

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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%

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Sometimes the seller can't see why something is not selling!

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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

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Dep. Finance / Sub/ Reno / Build

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

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Staged Development


- Step 1:** Negotiate the deal
- Step 2:** Design
- Step 3:** Subdivision + Renovation
- Step 4:** Sell existing house or Re-Fi
- Step 5:** Construction at rear
- Step 6:** Sell or hold at completion

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Quirky Deals – Trade Exchanges

**Barter Card
Empire Trade
Ibis**




- Percentages vary and charges vary
- Some have ability to borrow dollars
- Some have ability to borrow on the black market

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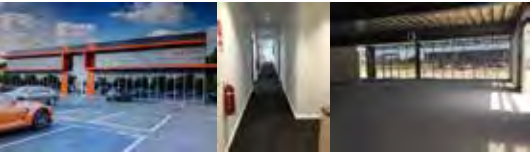

Trade Dollar Example – Kawana Island, QLD
\$490,000 / 20% trade



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**Bartercard / Commercial Office
Space /Sub-Letting**

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The Numbers

Purchase Price	\$450,000
Purchase Costs (Stamp duty etc.)	
Bartercard Costs (6.5%)	
Office Fit-Out (\$15k on Rent)	
Total Costs	\$465,500
Full Value	
(Bartercard)	(\$350,000)
(Bartercard)	(\$121,500)
(Cash)	(\$42,000)

Valued at \$600,000 & \$95k profit! & Neutral Cash flow!!

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Crowdfunding for Property

What is Crowdfunding?

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Quirky Deals – Moving old Houses or Factory Builds

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**House Relocation –
Sunshine Coast**

- House Relocation
- Subdivision
- Reno
- **\$125k Profit**



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