



# 25% Developers Club

VIRTUAL BOOTCAMP MAY 2020  
WORKBOOK



*Industry Professionals give you  
all the tools you need for success  
in Property Development*





# 25% Developers Club

VIRTUAL BOOTCAMP MAY 2020

## Schedule

### DAY 1 - FRIDAY EVENING 22ND MAY

6:00pm - 6:15pm	Introduction
6:15pm - 6:45pm	Target Area Research
6:45pm - 8:00pm	Site Due Diligence
8:00pm - 9:00pm	Acquisition Process - David Netherton
9:00pm - 9:30pm	Q & A

### DAY 2 - SATURDAY 23RD MAY

10:00am - 11:00am	Design Considerations
11:00am - 12:30pm	Financial Feasibility
12:30pm - 1:15pm	Lunch
1:15pm - 2:00pm	Development Application
2:00pm - 2:30pm	Detailed Design & Building Approvals
2:30pm - 3:30pm	Accounting & Tax - Kamal Power
3:30pm - 4:30pm	Securing Finance - Andrew Kubenk
4:30pm - 4:45pm	Q & A

### DAY 3 - SUNDAY 24TH MAY

10:00am - 12:00am	Demolition & Construction
12:00pm - 12:45pm	Platinum Accelerator Explanation
12:45pm - 1:30pm	Lunch
1:30pm - 2:30pm	Strata Titling
2:30pm - 4:00pm	Marketing & Selling
4:00pm - 4:30pm	Q & A

### DAY 4 - MONDAY EVENING 25TH MAY

6:00pm - 6:30pm	Project Review
6:30pm - 7:30pm	Creative/Specialist Development - David Netherton
7:30pm - 8:00pm	Re-cap & Wrap up
8:00pm - 8:30pm	Q & A



# Introduction



SESSION ONE  
**Introduction**

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INTRODUCTION

## Definition

What are we covering?

- Not subdivision – covered in its own Quantum event
- Residential multi unit development for strata titling or specialist commercial

 [This symbol represents a resource for further learning](#)

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INTRODUCTION

## Why are We Doing it?

- Goals/Outcome
  - Be clear about the outcome
  - What result are we trying to achieve?
    - Chunk or Income
    - Hold or Sell
- Personal circumstances
  - Experience, AWE, Risk Profile, Time Available, Distance, etc.



 [Deal Finding Presentation – Ultimate Bootcamp Day 3](#)

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INTRODUCTION

## Differences in Approach

- Distinct differences (especially to finance)
- Determined by size and type of project:
  1. Residential finance (1-3 units)
  2. Commercial finance for residential projects (4 or more units)
  3. Commercial finance for commercial projects



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INTRODUCTION

## Throughout this Presentation

- We will be showcasing 2 Platinum student deals
  - Student Deal 1 – Duplex - Residential finance
  - Student Deal 2 – 4 x Townhouse - Commercial finance



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INTRODUCTION

## Student Deal 1 – Duplex Construction

- Sam's Deal – Her first DA & construction project
- Bought vacant land, 6mth build timeframe
- Held x 1 (PPR), Sold x 1
- Residential finance
- \$257k Profit



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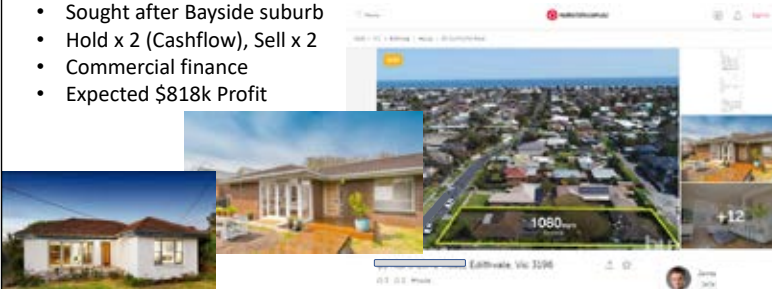
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INTRODUCTION

## Student Deal 2 – 4 Townhouse Development

- Adelmo’s deal – demolish & construction project
- Bought house on 12 mth settlement
- Sought after Bayside suburb
- Hold x 2 (Cashflow), Sell x 2
- Commercial finance
- Expected \$818k Profit



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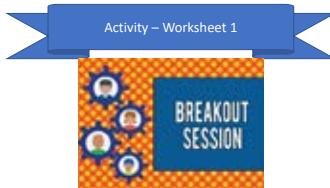
INTRODUCTION

## Throughout this Presentation

- We will be working through Deal Activities in breakout groups...

Deal Cards – 2 different deals

- Deal 1 – Residential finance
- Deal 2 – Commercial finance



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INTRODUCTION

## Deal 1 – Duplex, Retain Existing House

- Deal - Retaining existing house due to age or heritage, owner occupier, bushfire overlay, vegetation overlay, 1 car accom/unit
- Location – Local shops near by, green leafy suburb, well established suburb
- Site characteristics – Flat site, large tree in yard
- Demographics of suburb – Aging population, suits Universal Design
- Seller Circumstances – moving interstate for work



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INTRODUCTION

# Deal Details – Deal 1

Deal Card 1:

**Deal Card #1**

**For Sale:**  
Investors take note: Perfect to rent as is or further develop (DCA). Flat site with a 3 Bedroom house in great condition and lovely aspect including gardens incorporating a well established tree in backyard and view of the adjoining bushland. Be quick!  
3 Bed 2 Bath. Land area 850sqm



**Zoning Information:**  
Residential zone  
Heritage overlay  
Vegetation overlay  
Soil/Flo overlay

**Target area research:**  
Owner occupier location  
Demographic + investor  
Most established green leafy suburb

**Deal Description:**  
Purchase land with existing house to be retained  
Build as a duplex site and strata

**Project Financial Details:**

Purchase price	\$ 800,000
Costs	\$ 50,000
Total purchase costs	\$ 850,000
SA Costs	\$ 40,000



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INTRODUCTION

# Deal 2 – 6 Townhouse Development

- Deal - Demolish existing house, 2 car accom /unit required
- Location – 200m to activity centre, 2 storey vs 3
- Site Characteristics – Slope to 1 side (crossfall), Sewer main dissecting site, Aboriginal cultural overlay, main road, noise overlay
- Demographics of Suburb – Investor product
- Seller Circumstances – Deceased estate





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INTRODUCTION

# Deal Details – Deal 2

Deal Card 2:

**Deal Card #2**

**For Sale:**  
Investors take note: Ideal development site for a multi-unit site (DCA). This main road property with an existing house could be retained or demolished to create lots with a clear site. A clever design making the most of the gentle slope across the site could result in a unique and beautiful unit site. Close to the activity zone (DDB) and public transport, the possibilities are endless! Deceased estate looking to sell quickly and will consider all genuine offers. 3 Bed 2 Bath.  
Land area: 1,020sqm

**Zoning Information:**  
Residential zone  
Aboriginal cultural overlay  
Noise/Picnic overlay



**Site Specifics research:**  
See Diagram provided of site layout

**Target area research:**  
Demographic + Investor and Owner occupier  
Mobility/Flying couples/families

**Deal Description:**  
Purchase land with existing house to be demolished  
Build as a 6 townhouse site

**Project Financial Details:**

Purchase price	\$ 1,000,000
Costs	\$ 10,000



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INTRODUCTION

## Breakout Sessions - Intro



Group of 4-5, stay in same group:

- 1) Introduce Yourself
  - Name
  - Location
  - How long In ILRE / Quantum
  - Interest in Development
- 2) Group Choose Deal 1 or Deal 2  
(See Workbook)



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# Target Area Research



SESSION TWO

## Target Area Research

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TARGET AREA RESEARCH

## Location Specific Research

 Deal Finding presentation –  
Ultimate Bootcamp Day 3



- 1) Determine price point – speak with strategist
- 2) Heatmap to identify potential suburbs
- 3) Suburb research – GVA, Population, infrastructure, supply and demand, demographics, rental vacancy, days on market, transport, amenities, shopping precincts, jobs hubs, schools, uni's, hospitals, crime rate, council attitude to development etc.

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TARGET AREA RESEARCH

## Townhouse Deal

- Suburb profile = Edithvale VIC
- Demographics = Families
- Desirable location
- Good schools
- Good access to transport
- Close to the beach
- Easy commute to the city via freeways





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TARGET AREA RESEARCH

## Strategy Research

- Town planner meeting
  - a) Town planning requirements:
    - Zoning 
    - Land size 
    - Frontage 
    - Site Cover 

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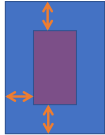

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TARGET AREA RESEARCH

## Strategy Research

- Town planner meeting
  - Town planning requirements:
    - Set-backs 
    - Overlays 
    - Slope
    - Density calculation
    - Car parking
    - Private open space
    - Landscaping etc.

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TARGET AREA RESEARCH

## Strategy Research

- Town planner meeting
  - b) Type of DA application
    - Code assessable -v- impact assessable
    - Fast track process?
    - Terminology – Material Change of Use
    - Confirm research tools e.g. pd online
  - Research previous Development Applications 

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TARGET AREA RESEARCH

# Duplex Deal Example

Town Planner Answers for Duplex:  
- Code = Dual Occupancy Code

Zoning	Low Density	Medium Density
Landsize - Min	800m2	400m2
Density	400m2/unit	200m2/unit
Frontage - Min	\	15m
Slope	<= 15%	\
Site Cover	Ground Level = 50%; 2 Storey = 40%	Same
Front Setback	Garage 6m; Dwelling 4.5m	Same
POS	50m2 (Max 2 areas)	Same
Bedrooms	3 Max	Same
Car Parking	Min 2 – 1 covered, Tandem OK	Same
Other	No adjoining dual occ	\
Assessment	Self Assessable – Building Certifier	Same



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TARGET AREA RESEARCH

# Mapping

- Develop a map of the area with significant features marked on it
- Obtain council zoning maps from the regional authorities
- Identify the location of the zones you are interested in, and highlight them on the map



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TARGET AREA RESEARCH

# Duplex Deal Example

- Zoning Map – Medium Density



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## Comparable Sales Analysis

- Begin with the end product in mind
- Research what the market wants for the product you are creating e.g. 3brm, 2 storey townhouse, investor style product

Property	Address	Bedrooms	Bathrooms	Price
1	14 BAYVIEW DR	3	2	\$450,000
2	1/120 EASTVIEW DR	3	2	\$460,000
3	1/120 EASTVIEW DR	3	2	\$470,000
4	1/120 EASTVIEW DR	3	2	\$480,000




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## Deal Finding

- Search for sites based on your criteria (personal, town planning, market needs etc.)
- Research property websites, e.g. realestate.com.au, Domain, Gumtree, Facebook Marketplace, Owner sales websites etc.
- Build relationships with key real estate agents & buyer's agents
- Talking to locals
- Letterbox drops
- Door knocking




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## Tech Tools

- GVA
- Search tools
- Planning alerts
- DBYD
- Archistar

Grid Variance Analysis				Check for updates	
Grid Reference	Property Reference	Property Substrate	Grid Type	Grid Status	Action
G1/1/1/1/1	1/1/1/1/1	Suburban	Residential	Approved	View
G1/1/1/1/2	1/1/1/1/2	Suburban	Residential	Not Approved	View

WWW – Research Tools - Greg Miller Aug 2019




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TARGET AREA RESEARCH

## Team Required

- Financial Strategist / Mortgage Broker
  - Serviceability / AWE
- Town Planner
  - Strategy Meeting
- Real Estate Agents
  - Needs Analysis, Area Research



WWW – Sourcing Your 'A' Team –  
Tamara & Nicolle August 2018



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## TARGET AREA RESEARCH Activity – Worksheet 1

1) What questions should you ask the Town Planner?



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# Site Due Diligence



SESSION THREE  
**Site Due Diligence**




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SITE DUE DILIGENCE

## Confirm Strategy Research

- Assess Site Against Town Planning Requirements →
- Confirm Impact of Site Specific / Environmental Constraints:
  - Overlays
  - Slope - stormwater management & build cost
  - Location & capacity of services
  - Existing buildings – keep / demolition /move/removal
  - Height restrictions

Zoning	Low Density	Medium Density
Lot Size - Min	800m <sup>2</sup>	400m <sup>2</sup>
Density	400m <sup>2</sup> /unit	200m <sup>2</sup> /unit
Frontage - Min	\	15m
Slope	<= 15%	\
Site Cover	Ground Level = 50%, 2 Storey = 40%	Same
Front Setback	Garage 6m, Dwelling 4.5m	Same
PCB	50m <sup>2</sup> (Max 2 areas)	Same
Bedrooms	3 Max	Same
Car Parking	Min 2 – 1 covered, Tandem OK	Same
Other	No adjoining dual occ	\
Assessment	Self Assessable – Building Certifier	Same




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SITE DUE DILIGENCE

## Confirm Location of Services

- Stormwater
- Sewer
- Water
- Power
- Gas
- Telephone
- NBN




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SITE DUE DILIGENCE  
**Duplex Deal – Advertised Land For Sale**



**EXCLUSIVE CANAL FRONT LAND WITH DIRECT OCEAN ACCESS!**

**Approximately 0.72 Ha**

A large block of land with direct facing canal access and direct access to the ocean, with potential for further possible zoning flexibility.

**Proven and Proven with House** – would need to be developed into a house (existing medium density).

**Should see the site in hand out.**

**Private Possession option**



**Private Possession option**

Potential for high level of visibility through open market. Commercial (Retail - Franchises) (200m to Brisbane City - Rail Station) might be sought after (local council signage) schools and transport just a short walk away. Only minutes to Sunshine Coast University & Post Office (Hospitals) & facilities of Shopping Precincts in Green Point. Nearby Hospitals (Brisbane City), in the immediate vicinity to Blair up from The Best Selection of Businesses (Village & City Club).

**Private Possession**

**Private Possession**

Land details:  
 Area: 0.72 Ha


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SITE DUE DILIGENCE  
**Duplex Deal – History of Site**

- DA approved Townhouse Development Site – unsuccessful

- Subdivided into 3 lots – sold as vacant house lots


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SITE DUE DILIGENCE  
**Duplex Deal - DD**

Land size = 448m<sup>2</sup>

Zoning = Medium Density = Units  
 Overlay = Biodiversity, Waterways, Wetlands  
 Overlay = Flood Hazard


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SITE DUE DILIGENCE

## Duplex Deal - DD

- Frontage?
- Road Noise?
- Road Upgrade?

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SITE DUE DILIGENCE

## Duplex Deal - Services

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SITE DUE DILIGENCE

## Duplex Deal - DD

- 1) Flood Search = Building Finished Floor Level
- 2) Road Upgrade Research

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SITE DUE DILIGENCE

## Townhouse Deal - DD

- Precedent across the road – 3 townhouse site
- Site Specifics
- Student 2 – Road frontage with rear laneway
- Available Services & locations
- Power & Gas available to both
- Telstra and NBN available and applied for early
- Potential problems:
  - Water available on road but not laneway
  - Stormwater Legal point of discharge on road but not laneway



Directly across the road!




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SITE DUE DILIGENCE

## Townhouse Deal - DD

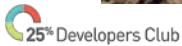
### Water Solution

No water main available to laneway so negotiated with water authority to utilise remote reading of smart meters via road



healthy water for life

Dear Customer  
NOTICE OF AGREEMENT FOR METER & METERING FACILITIES




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SITE DUE DILIGENCE

## Townhouse Deal - DD

### Stormwater Solution

Engaged with team - 3 options for the drainage

Option 1 – the kerb by pumped system at Road

Option 2 – on-site infiltration system subject to soil conditions. It was the most cost-effective option because it removed the easement from option 3 and pumped system of option 1

Option 3 – to the existing stormwater pit located within Lane having proper easement from lane to road




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## Consider Other Site-Specific Constraints

- Significant vegetation
- Soil type/rock
- Contamination
- Pollution – noise / air
- Subsidence
- Caveats
- Covenants
- Easements
- Notation on registered survey plan
- Encroachments
- Neighbor disputes
- Council show cause notices
- Road hierarchy
- Body corporate review
- Cyclone/earthquake rating
- Front of property infrastructure - above and underground etc.
- Infrastructure - Powerlines, Substation, Pubs, Schools



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## Building Specific Due Diligence

- Review Existing Building:
  - Unapproved usage (e.g. converted garage, rooming houses)
  - Illegal building works
  - Structures not built to code, renovations/extensions not to code
  - Safety switch
  - Rising damp
  - Cracks
  - Smoke alarms
  - Asbestos
  - Termite damage
  - Concrete cancer
  - Movement / Foundation issues
  - Demolition controls
  - Pool fencing



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## Determine for Each Site

- Potential number of dwellings able to be developed and number of bedrooms in each
- Site cover allowance total and per dwelling
- Number of car parks required, including visitor car parks
- Maximum height allowance and impact (e.g. single/two/multi- storey)
- Number of new dwellings including option of keeping the existing dwelling
- Private open space requirement & building set-back requirement
- Configuration options, including units, townhouses, detached
- Requirement for Universal Design/disability accessible



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SITE DUE DILIGENCE

## Initial Feasibility

- Reverse Feasibility to confirm maximum purchase price
- Rough Feasibility process –  
 [see WWW Series Rough Feasos \(Nicolle Beer – June & Oct 2019\)](#)
- Confirm research re what the market says for the product you are creating



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SITE DUE DILIGENCE

## Assessment Between Suitable Sites

- \$ Profit
- Profit Sensitivity
- Timeframe
- Cash Required
- Risk
- Effort - Your Personal Input
- Exit Strategies



[WWW Analysing A Deal \(Tamara Read – April 2019\)](#)



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ASSESSING SUITABLE SITES

## Profit Level Potential

- \$50k Profit means different thing to different people
- Don't compare yourself with others
- Remember it's an apprenticeship initially



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## Profit Sensitivity



- How sensitive is the profit to cost over runs & price reductions?
  - E.g. 3 townhouse project @ \$200k profit =  $\$200k/3 = \$66k$  profit / townhouse
  - If costs over run – e.g. \$20k / townhouse is there sufficient profit to buffer this? Yes
  - If needed to drop sale price for quick sale – is there sufficient profit to make the reduction appealing to the market?
  - E.g. if discounted price by \$66k & still it's not the cheapest product in the suburb (or seen to be a good buy) then higher risk!!!!




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## Project Timeframes

- 2 month vs 2 year deal
- 2 smaller deals vs 1 larger deal
- Short timeframe = same market conditions
- Long timeframe = market can move (up or down) = higher risk
- Be realistic




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## Cash Required

- \$50k vs \$150k cash in
- Opportunity cost (CoC & ROI)




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## Risk

Uncertainty in:

- Market – Movement, Demand, Supply
- Strategy – Council, Site, Complexity of Deal
- Cost to Complete
- End Sale Figure (\$250k vs \$1.3m)



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## Effort – Your Personal Input

- Time input
- Hands On vs Project Managing
- Expertise Required
- Steepness of Learning Curve
- Stressfulness
- Tolerance to uncertainty (sleep indicator)



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## Exit Strategies

- More Exits = Lower Risk
- Hold = Rent long term, reno, rooming accom, Airbnb, student boarders etc. etc.
- Sell = With/without reno, add bedroom bathroom, subdivide & sell vacant land or build, sell or hold for cashflow etc etc.



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## Compare Considerations & Metrics

Item	Deal X	Deal Y
Profit \$		
Profit Sensitivity		
Time Frame		
Cash Input		
Risk		
Effort – Personal Input		
Exit Strategies		
% Profit on Costs (Development Costs)		
% Cash on Cash Return (CoC)		
Other		



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## Team Required

- Real Estate Agents
- Town Planner
  - Private
  - Council
- Specialist Consultants – Arborist, Ecologist (flora/fauna), Hydraulics, Archeologist, Heritage, Traffic, Fire, Geotechnical, Civil Engineer, Acoustic, Environmental, Structural Engineer (cyclone rating), etc.
- Building & Pest Inspector
- Building Certifier
- Financial Strategist / Mortgage Broker



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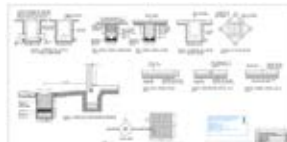
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## Townhouse Deal – Specialist Consultants

- Civil Engineers – stormwater and water access issues
- Arborist – tree removal



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**SITE DUE DILIGENCE**  
Activity – Worksheet 2

Review Deal Details:

- 1) Describe who you need to speak with, where you would obtain the information, and what questions to ask



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# Acquisition



SESSION FOUR  
**Acquisition**



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## Acquisition

Confirm Ownership Structure

- Determine the best structure/entity for the purchase

 [Asset Protection – Ultimate Bootcamp Day 1](#)



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ACQUISITION

## Joint Ventures

- Know your JV partner
- In-bed together
- JV Agreement – What if Qu's
- Ideally have JV in place before finding deal



 [WWW – Property Joint Ventures – Pacific Law July 2019](#)  
[WWW – Joint Ventures – Dymphna Boholt Aug 2019](#)



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ACQUISITION

## Negotiation

- Long Settlement
- Owner / Seller JV
- Vendor Finance
- \*Where available – capacity to use nominee clause and on-sell



[WWW – Negotiation Skills, Melissa Fisher April 2020](#)

[WWW – Seller JVs & Distressed Properties, Narelle Cosstick Dec 2018](#)

[Quantum Shift – Other People’s Money Online Training 2019](#)

Platinum Coach – Negotiation Skills – 1st April 2020




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ACQUISITION

## Option Contract

- Put, Call, Put & Call Option
- Call Option - Right but not obligation to purchase
- Capacity to use nominee clause and on-sell (sell short)
- Things to include in contract
  - Owner’s consent
  - Permission for signage
  - Early access



[WWW – Property Options – Pacific Law August 2019](#)

[Ultimate Website – Masterclass : Fundamentals](#)

[– FAQs 28 & 29](#)




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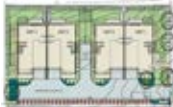
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ACQUISITION

## Purchasing a DA Approved Site

- Pros
  - Timeframe - quick to start
  - Some of the work already done
- Cons
  - Check why selling. Does the project work?
  - Someone else’s design/project




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ACQUISITION

## Prepare Contract / Documentation

- Terms
- Conditions
  - Building and pest inspection
  - Finance
  - Deposit
  - Settlement timeframe
  - Due diligence
  - Access

\*\*VIC "and/or nominee" clause



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ACQUISITION

## Prepare Contract/Documentation (cont...)

- Confirm accuracy of information
- Involve Mortgage Broker & Solicitor prior to "shopping"
- Execute the contract



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ACQUISITION

## Duplex Deal -

- 2 Selling agents – 1 wanting to sell to his friend
- Rushed to get contract on 7pm Fri night
- 30 day finance only
- Offers over \$450k – Started @ \$430k increased to \$450k



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ACQUISITION

## Townhouse Deal -

Purchased at Auction - Specified terms prior in writing

- Low deposit – 5%
- Long settlement – 10 months

Mistake =

- Verbal agreement only to early access!  
For due diligence, planning stage and tree removal activities



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## ACQUISITION Activity – Worksheet 3

Review Deal Details:

- 1) Describe 3 ways to acquire the deal on your deal card



8 min



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ACQUISITION

## During Conditional Period

- \*Not NSW
- Insurances for Building / Contents / Public Liability - Essential
- Complete necessary searches
- Carry out inspections
- Site survey if needed
- Confirm finance approval
- Obtain quotes for works
- Finalize due diligence



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## During Conditional Period (cont...)

- Extension of timeframes
  - Extension for finance 1 day prior
- Renegotiate contract e.g. Building & pest, valuation
- Rescinding contract – Discuss Solicitor
  - Change of name (Qld)
- Termination



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## Duplex Deal – Conditional Period

Soil Report:



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## Townhouse Deal – Conditional Period

- Auction! No conditions allowed



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ACQUISITION

## During Unconditional Period

- Finalise quotes for work required
- Engage consultants/contractors
- Conduct specialist assessments / reports where needed
- Lodge approval applications – Session 7
  - Owners' consent required



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ACQUISITION

## During Unconditional Timeframe (cont...)

- Select builder
  - Get to know builders in your area – per m2 rate & inclusions
  - Referrals (consultants, tradies, friends etc.)
  - Check license (Building class – lowrise / highrise)
  - Check history (License, suppliers, tradies, ASIC)
  - Review projects – old and new
  - Need to feel comfortable



WWW – Choosing Your Builder  
– Mick Tiemans Sept 2017



QBCC - Search for Licensee			
License Number:	1228868	<a href="#">License Search - Main Page</a>	
Particulars			
Business Name:	Briens Construction Pty Ltd		
License Address:	11/24-26 Bunnings Pl Driveway QLD 4038		
Trading Name:	Briens Pty Ltd		
WFO Category:	Category 2 - 90/200/201 to 90/2200/201		
License Class	License Grade	Condition*	Status
Builder - Low Rise	Builder License	NO	SUSPENDED

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ACQUISITION

## Duplex Deal – Unconditional Period

Noise Assessment Report:

- 1) Road Noise Modeling
- 2) Calculated Acoustic values
- 3) Schedule for window & door glazing



Reviewed Builders:

- 1) Referrals
- 2) Display Village



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ACQUISITION

## Townhouse Deal – Unconditional Period

- Auction! No conditions so the entire settlement period is unconditional
  - Confirmed access available from laneway
  - Changed plan from 3 units to 4 units
  - Obtained planning permit approval for 4 Units (2 Duplexes facing each street).
- Issue – owner refused early access unless they were allowed to take certain items from the house – always get your conditions in writing!



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ACQUISITION

## Settlement

- Confirm finance
- Review Settlement Statement & funds required for settlement
- Have funds to Solicitor prior
- Pre-settlement inspection
- Tenants? Vacant possession?
- Transfer services - Electricity
- Confirm insurances
- Copy of final Settlement Statement



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ACQUISITION

## Townhouse Deal – Settlement

- No issues!
- Finance confirmed and everything to the Solicitor in preparation
- Cruising in the Caribbean



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# Design Considerations



SESSION FIVE  
**Design Considerations**

25<sup>th</sup> Developers Club **I LOVE REAL ESTATE**

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DESIGN CONSIDERATIONS

### Initial Design Review

- Potential density and configuration
- New dwellings vs existing changes required
- Site coverage
- Car parking requirements (council & market research)
- Maximum height and impact on final product
- Neighboring properties - Opportunities?



25<sup>th</sup> Developers Club **I LOVE REAL ESTATE**

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DESIGN CONSIDERATIONS

### Initial Design Review (cont...)

- Requirement to consider Disability Access – National & State
- Final product based on research
  - Refer back to Area Research & Comparable Sales
  - RP Data / Price Finder

Ultimate Website – Building Design, Time & Cost Saving Tips – Platinum Coaches - ILRE Super Conference Nov 2019 – Session 6 Day 2



25<sup>th</sup> Developers Club **I LOVE REAL ESTATE**

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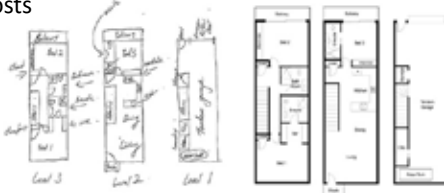
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DESIGN CONSIDERATIONS

## Concept Design

- Site survey
  - Remove trees prior to survey if possible or separate layer
- Rough sketches including layout options, driveway/access, position of buildings, location of services, site features
- Estimate of costs



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DESIGN CONSIDERATIONS

## Engage Design Professionals

- Engage town planner & building designer/drafty/architect
  - Efficient design & cost saving ideas
  - Builder review for buildability & cost effectiveness
  - QS review for costing
  - You own the plans
- Involve specialist consultants – engineer, surveyor, etc.
- Prepare concept plans/documentation required for planning application – covered in Session 7



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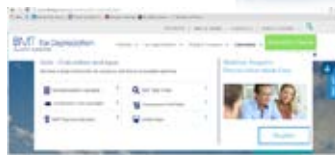
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DESIGN CONSIDERATIONS

## General Costings -

- Publications
  - Rawlinsons Construction Guide
  - Cordell Building Cost Guide
  - Archicentre
- Website Calculations
  - BMT
  - Washington Brown QS



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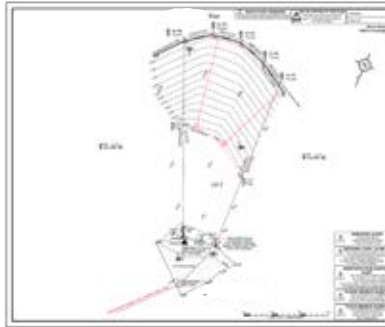
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DESIGN CONSIDERATIONS

## Duplex Deal – Concept Design

Site Survey - Confirmed:

- Building envelop
- Finished ground level
- Slope to water
- Frontage – 5.995m



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DESIGN CONSIDERATIONS

## Duplex Deal – Concept Design

- 3 brm, 2bath, 2 car tandem, 2 storey, max site cover 49.5%, max views, work slope
- Scaled Aerial Photo
- Cut & Paste Designs
- Evolution of design
- Used architect skilled in infill & max size cover on challenging site



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DESIGN CONSIDERATIONS

## Duplex Deal – Concept Design

- \$300k/unit build budget set
- Builder initially quoted off architectural design
- Builders drafty then took architectural concept and re-drafted moving forward
- Cost saving initiatives:
  - Minimise wall articulation
  - Wow factor - front facade
  - Used display home specs (no aircon, tiles/carpet)
  - Economical external materials – weatherboard & render



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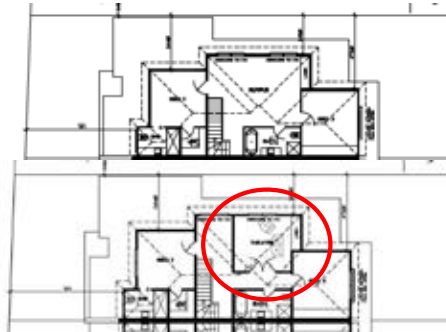
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DESIGN CONSIDERATIONS

## Townhouse Deal – Concept Design

- Design Efficiencies
- Modified original design to easily incorporate additional theatre room for very little additional cost
- Significant difference to selling price



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DESIGN CONSIDERATIONS

## Team Required

- Building designer / drafty / architect
- Town planner
- Builder
- Quantity Surveyor
- Real Estate Agent
- Suitable licence, insurances, association members etc.



 [WWW – Sourcing Your 'A' Team – Tamara & Nicolle August 2018](#)



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### DESIGN CONSIDERATIONS

#### Activity – Worksheet 4

Review Deal Details:

- 1) What are the important design considerations for final product for your deal?
- 2) Describe some ways to save costs with efficient design



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# Financial Feasibility



SESSION SIX  
**Financial Feasibility**




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FINANCIAL FEASIBILITY  
**Simple Feasibility**

- Residential Finance (simple) vs Commercial Finance (detailed)
- Major headings:
  - Revenue -
    - GRV LESS Sale costs
  - Costs -
    - Acquisition costs
    - Hold costs
    - Design costs
    - Approval costs
    - Construction costs
    - Completion costs & GST & Tax


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FINANCIAL FEASIBILITY  
**Simple Feasibility – Deal Card 1**

Items			\$
<b>Revenue</b>			
Total Sales	A		\$1,600,000
Selling & Marketing Costs	B		\$48,000
<b>Sales Proceeds</b>	A-B	C	\$1,552,000
<b>Costs</b>			
Acquisition + Costs			
Hold Costs			
Renovation Costs			
Design & Approval Costs			
Build & Titling Costs			
Completion Costs			
GST			
<b>Total Costs</b>			
<b>Profit (Loss)</b>			





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FINANCIAL FEASIBILITY

### Simple Feasibility – Deal Card 1

Items		\$	
<b>Revenue</b>			
Total Sales	A	\$1,600,000	
Selling & Marketing Costs	B	\$48,000	
<b>Sales Proceeds</b>	A-B	C	\$1,552,000
<b>Costs</b>			
Acquisition + Costs (\$600k + \$36k)	D	\$636,000	
Hold Costs	E	\$39,360	
Renovation Costs	F	\$50,000	
DA Costs	G	\$40,000	
Build & Titling Costs	H	\$620,000	
Completion Costs	I	\$10,000	
GST	J	\$21,091	
<b>Total Costs</b>	D+E+F+G+H+I+J	K	\$1,416,451
<b>Profit (Loss)</b>			




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FINANCIAL FEASIBILITY

### Simple Feasibility – Deal Card 1

Items		\$	
<b>Revenue</b>			
Total Sales	A	\$1,600,000	
Selling & Marketing Costs	B	\$48,000	
<b>Sales Proceeds</b>	A-B	C	\$1,552,000
<b>Costs</b>			
Acquisition + Costs (\$600k + \$36k)	D	\$636,000	
Hold Costs	E	\$39,360	
Renovation Costs	F	\$50,000	
DA Costs	G	\$40,000	
Build & Titling Costs	H	\$620,000	
Completion Costs	I	\$10,000	
GST	J	\$21,091	
<b>Total Costs</b>	D+E+F+G+H+I+J	K	\$1,416,451
<b>Profit (Loss)</b>	C-K		\$135,549




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FINANCIAL FEASIBILITY

### Simple Feasibility – Deal Card 2

Items		\$	
<b>Revenue</b>			
Total Sales	A	\$4,500,000	
Selling & Marketing Costs	B	\$135,000	
<b>Sale Proceeds</b>	A-B	C	\$4,365,000
<b>Costs</b>			
Acquisition + Costs			
Hold Costs			
DA Costs			
Approval Costs			
Construction Costs			
Completion Costs			
GST			
<b>Total Costs</b>			
<b>Profit (Loss)</b>			




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FINANCIAL FEASIBILITY

### Simple Feasibility – Deal Card 2

Items		\$
<b>Revenue</b>		
Total Sales	A	\$4,500,000
Selling & Marketing Costs	B	\$135,000
<b>Sale Proceeds</b>	A-B	C \$4,365,000
<b>Costs</b>		
Acquisition + Costs (\$900k + \$54k)	D	\$954,000
Hold Costs	E	\$92,160
DA Costs	F	\$70,000
Build & Titling Costs	G	\$1,950,000
Completion Costs	H	\$30,000
GST	I	\$128,637
<b>Total Costs</b>	D+E+F+G+H+I	J \$3,224,797
<b>Profit (Loss)</b>		




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FINANCIAL FEASIBILITY

### Simple Feasibility – Deal Card 2

Items		\$
<b>Revenue</b>		
Total Sales	A	\$4,500,000
Selling & Marketing Costs	B	\$135,000
<b>Sale Proceeds</b>	A-B	C \$4,365,000
<b>Costs</b>		
Acquisition + Costs (\$900k + \$54k)	D	\$954,000
Hold Costs	E	\$92,160
DA Costs	F	\$70,000
Build & Titling Costs	G	\$1,950,000
Completion Costs	H	\$30,000
GST	I	\$128,637
<b>Total Costs</b>	D+E+F+G+H+I	J \$3,224,797
<b>Profit (Loss)</b>	C-J	1,140,203




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FINANCIAL FEASIBILITY

### Detailed Feasibility

\*\* Expand on line items under each heading  
Get as much detail as possible




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## GRV – Revenue Detail

- GRV – Gross Realisable Value
  - Sales based on Comparable Sales  
LESS
    - Selling costs (Agent commission)
    - Marketing
    - Legal fees
    - Staging
  - = Sales Proceeds



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## Acquisition Costs

- Purchase Price
- Due Diligence Costs (Building & pest, soil test, consultants, building certifier etc.)
- Legal fees/Search Fees
- Stamp Duty
- Structure Set-up Fees
- Buyers Agent Commission (if applicable)



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## Hold Costs

- Council Rates incl water & sewer
- Interest
- Insurances
- Accounting Fees
- Rental Income less Management fees (if appropriate)
- Maintenance/Repairs
- Land Tax



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FINANCIAL FEASIBILITY

## Design Costs

- Land Survey
- Architect/Designer Fees
- Specialist Consultant Report Fees
- Quantity Surveyor Costing Fees



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FINANCIAL FEASIBILITY

## Approval Costs

- Council Planning Application Fees
- Building Approval Fees
- Operational Works
- Services re-location /Connection Fees
- Finance Application Fees



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FINANCIAL FEASIBILITY

## Construction Costs

- Project Management Fees
- Demolition and Disposal Fees
- Building Costs
- Landscaping Costs
- Arborist Fees – vegetation report/removal
- Developer contributions / Headworks costs / council contribution
- Upgrades to services



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FINANCIAL FEASIBILITY

## Completion Costs

- Title Survey
- Titling Fees
- Legal Fees
- Body Corporate Set-up Fees
- Council Plan Sealing
- Mortgagee Consent
- Sinking Fund
- Insurances
- Valuation
- Continuously Review and Update



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FINANCIAL FEASIBILITY

## GST & Tax

\*\* Covered in Session 10



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FINANCIAL FEASIBILITY

## Financial Performance Measures

- Profit \$
  - % Profit on Development Costs
  - % Cash on Cash Return (CoC)
  - % Return on Investment (ROI)
- If Holding you may also need to consider...
- Cashflow \$
  - % Yield
  - % Return on Equity (ROE)
  - Timeframe to Pay Down Debt
  - % Profit on Costs



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FINANCIAL FEASIBILITY

## Profit (\$)

Profit \$ = End Value – Total costs

Item	Duplex Build
Purchase Price	\$285,000
Purchase Costs	\$17,000
Hold Costs	\$5,600
Strategy Costs (Construction)	\$600,000
Selling Costs	\$35,000
<b>Total Costs (A)</b>	<b>\$942,600</b>
<b>End Value (B)</b> 2 x \$550,000	<b>\$1,100,000</b>
<b>Profit (B-A)</b>	<b>\$157,400</b>



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FINANCIAL FEASIBILITY

## % Profit on Total Cost

• % Profit on Total Development Cost =

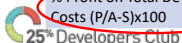
$$\text{Profit} / (\text{Total Costs} - \text{Selling Costs} - \text{GST}) \times 100$$

Item	Cosmetic Reno
Purchase Price	\$285,000
Purchase Costs	\$17,000
Hold Costs	\$5,600
Strategy Costs (Reno)	\$26,000
Selling Costs (S)	\$12,000
<b>Total Costs (A)</b>	<b>\$345,600</b>
<b>End Value (B)</b>	<b>\$385,000</b>
<b>Profit (P) = (B-A)</b>	<b>\$39,400</b>
<b>% Profit on Total Development Costs (P/A-S)x100</b>	<b>11.8%</b>

• Commercial lenders interested in total costs to develop the product to hold stage, not to sold stage.

• 20% Rule of Thumb for Commercially funded projects e.g. 4 + Multi-units

• % Profit on Total Development Cost =  $(\$39,400 / \$345,600 - \$12,000) \times 100 = 11.8\%$



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FINANCIAL FEASIBILITY

## % Cash on Cash (CoC) Return

• % Cash on Cash Return =  $(\text{Profit} / \text{Owner Funds Contributed}) \times 100$

- What is acceptable %? e.g. 37.3%
- Allows comparison between diff investment strategies with same \$ in e.g. 2.5% term deposit, 4.5% off loan
- Allows comparison between different deals with diff funds required & diff profit e.g.

Deal A =  $\$50\text{k profit} / \$150\text{k cash} = 33\%$

vs

Deal B =  $\$200\text{k profit} / \$300\text{k cash} = 67\%$



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FINANCIAL FEASIBILITY

## % Cash on Cash (CoC) Return

- % Cash on Cash Return = (Profit / Owner Funds Contributed) x 100

Item	Cosmetic Reno	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000
Hold Costs	\$5,600		\$ 5,600
Strategy Costs (Reno)	\$26,000		\$26,000
Selling Costs (S)	\$12,000		
<b>Total Costs (A)</b>	<b>\$345,600</b>		
Funds Contributed		\$228,000	\$105,600 (F)
<b>End Value (B)</b>	<b>\$385,000</b>		
<b>Profit (P) = (B-A)</b>	<b>\$39,400</b>		
<b>% Cash on Cash Return (P/F) x 100</b>	<b>37.3%</b>		

• % Cash on Cash Return  
 = (39,400 / 105,600)  
 x 100  
 = 37.3%

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FINANCIAL FEASIBILITY

## % Return on Investment

- % Return on Investment (ROI) = % Cash on Cash Return (CoC)
- Investment = Owner Funds Contributed

ROI or COC = (Profit / Owner Funds Contributed) x 100

**SAME SAME**

25<sup>th</sup> Developers Club

I LOVE REAL ESTATE

FINANCIAL FEASIBILITY

## Duplex Deal Feasibility


- GRV = \$1,460,000
- TDC = \$1,163,166 (\$1,202,960-\$21,750 sale costs - \$18,044 GST)
- Profit = \$257,039
- %Profit = 22.1% (257,039/1,163,166)x100
- %COC = 86.5% (\$257,039 profit / \$297,086 cash in)x100

Category	Item	Expense	Income
Land	Land Purchase	\$ 400,000	
	Stamp Duty	\$ 25,000	
	Purchase Legal Cost	\$ 3,000	
	Insurance Land	\$ 800	\$ 6,278
Build	Build Disposit	\$ 4,015	
	Build Loan Disposit	\$ 99,000	
	Travellers	\$ 1,400	
	Self-Insurances Utility Water	\$ 15,000	
	Water Meter Instal	\$ 1,800	
	SD Meters	\$ 800	
	Engineers	\$ 1,000	
	Emergency Ambulance	\$ 800	
	Variations	\$ 3,000	
	Water Costs	\$ 2,400	
	Landfilling	\$ 200	
	Self-Insurances W/ Covered	\$ 15,000	
Utility Water Cost	\$ 1,000	\$ 670,000	
Holding Cost Interest on Land		\$ 5,000	
	Interest on Build	\$ 4,625	
		\$ 5,000	
		\$ 5,000	
Sale	Land 1 Sale	\$ 175,000	\$ 175,000
	Sale Costs	\$ 21,750	\$ 21,750
	Land 2 Value	\$ 175,000	\$ 175,000
			\$ 175,000
<b>TOT</b>	<b>GST</b>	<b>\$ 18,044</b>	<b>\$ 18,044</b>
		<b>\$ 1,163,166</b>	<b>\$ 1,460,000</b>
	<b>Profit</b>	<b>\$ 257,039.52</b>	

25<sup>th</sup> Developers Club

FINANCIAL FEASIBILITY

## Duplex Deal – Comparable Sales



Waterfront duplex – superior 4brm, DLUG, Pool, Non-exclusive water access



Dry block duplex – superior 4brm,DLUG superior location & finishes

**TARGET \$700k**



Waterfront house – similar 3brm,older superior land & land tenure, DLUG, jetty



Dry block duplex – inferior 2brm,1bath, ground level, older

FINANCIAL FEASIBILITY

## Townhouse Deal - Feasibility

- Based on sell all 4 units on completion
- Conservative -based on \$1.2m sale price


			Cost	07-May-20	GST
Land Purchase Price	80%		\$ 1,825,000		\$ -
Stamp duty + Legal			\$ 63,133		\$ -
Title Subdivision fees	4	650	\$ 2,600		\$ -
Legal Subdivision fees	4	695	\$ 2,780		\$ 249
Legal Sale Fees	4	750	\$ 3,000		\$ 273
Council, South East Water Rates and other fees Settlement of Land			\$ 4,220		
Landlord Residential Property Insurances			\$ 205		\$ 19
South East Water service rates			\$ 5,500		
Land Tax			\$ 7,888		
Council Development Contribution	3%		\$ 46,750		
Council - Planning Permit Application fees			\$ 1,070		
Council -Removal of tree			\$ 1,893		
Total Building costs incl GST			\$ 1,808,000		\$ 164,182
Planning and Building Documents			\$ 40,513		\$ 3,683
Architect Inspection			\$ 130		\$ 11,92
Percolation Test			\$ 418		\$ 38
Abolishment of Gas			\$ 67		\$ 6
Land Superior Subdivision Fees			\$ 4,500		\$ 409
Electrical Pits			\$ 9,099		\$ 827
South East Water - Contribution Fees			\$ 4,599		
Body Corporate			\$ 752		\$ 68
Council Road opening permit			\$ 380		
Asset Protection Permit			\$ 4,552		
CSI			\$ 112,938.74		
Loan fee			\$ 23,000		
Finance holding costs	3.1%	12	\$ 90,000		\$ 909
Marketing Campaign			\$ 79,200		\$ 7,200
Agents commission	1.7%		\$ 3,081,431		\$ 275,736
Total costs			\$ 4,800,000		\$ 288,638
Sale Price - Value incl GST	0		\$ 4,800,000		\$ 288,638
Less Total costs			\$ 3,991,431		
<b>Gross Profit</b>			\$ 808,569		
<b>ROI (Project Cost)</b>			<b>21%</b>		
Total Bank Loan			\$ 3,050,000		
Total Cash Funds			\$ 752,000		
Cash on Cash return			<b>10%</b>		

25<sup>th</sup> Developers Club

I LOVE REAL ESTATE

FINANCIAL FEASIBILITY

## Exit Strategies



- Develop feaso for multiple exit strategies
  - Different number of units
  - Different bedroom/bathroom combos
  - Keep/remove existing house
  - Sell/hold combos etc.
- Sell with DA
  - Calculate Market Value of DA approved site
  - Need to build in profit for Ultimate Buyer (10-20%)!!

25<sup>th</sup> Developers Club

I LOVE REAL ESTATE



FINANCIAL FEASIBILITY

## Calculating Market Value DA Site – Deal 1

Items	Formula	Deal 1
End Value (GRV)	A	\$ 1,600,000
Sale Costs (3%)	B	\$ 48,000
Sale Proceeds	C = A - B	\$ 1,552,000
20% Profit	D = C x 20%	\$310,400
<b>Balance</b>	<b>E = C - D</b>	<b>\$1,241,600</b>
<hr/>		
Purchase + Purchase Costs + Build + Titling + Reno + Hold Costs + GST	F	\$1,376,451
DA Uplift	G = E - F	-\$134,851
DA Costs	H	\$40,000
Your Profit Potential	I = G - H	-\$174,851
Market Val DA Site	J = I + Purchase Price + H	\$465,149

Sales price = \$1,600,000  
( \$550k each duplex  
+ \$500k house)

Purchase Price = \$600,000  
Purchase Costs = \$36,000

Build & Titling Cost = \$680k inc reno  
Hold Costs = \$39,360

GST on sale = \$90,909  
(margin scheme)  
GST on costs = \$69,818  
GST liability = \$21,091

DA costs = \$40,000



FINANCIAL FEASIBILITY

## Calculating Market Value DA Site – Deal 2

Items	Formula	Deal 2
End Value (GRV)	A	\$ 4,500,000
Sale Costs (3%)	B	\$ 135,000
Sale Proceeds	C = A - B	\$ 4,365,000
20% Profit	D = C x 20%	\$873,000
<b>Balance</b>	<b>E = C - D</b>	<b>\$3,492,000</b>
<hr/>		
Purchase + Purchase Costs + Build + Titling + Hold Costs + GST	F	\$3,327,273
DA Uplift	G = E - F	\$137,727
DA Costs	H	\$70,000
Your Profit Potential	I = G - H	\$67,727
Market Val DA Site	J = I + Purchase Price + H	\$467,727

Sales price = \$750,000 each

Purchase price = \$900,000  
Purchase costs = \$54,000

Build & Titling Costs = \$1.98m  
Hold Costs = \$92,160

GST on sale = \$327,273  
(margin scheme)  
GST on costs = \$198,636  
GST liability = \$128,637

DA costs = \$70,000



FINANCIAL FEASIBILITY

## Calculating Market Value DA Site – Deal 2

Items	Formula	Deal 2
End Value (GRV)	A	\$ 4,500,000
Sale Costs (3%)	B	\$ 135,000
Sale Proceeds	C = A - B	\$ 4,365,000
20% Profit	D = C x 20%	\$873,000
<b>Balance</b>	<b>E = C - D</b>	<b>\$3,492,000</b>
<hr/>		
Purchase + Purchase Costs + Build + Titling + Hold Costs + GST	F	\$3,327,273
DA Uplift	G = E - F	\$137,727
DA Costs	H	\$70,000
Your Profit Potential	I = G - H	\$67,727
Market Val DA Site	J = I + Purchase Price + H	\$467,727

Sales price = \$750,000 each

Purchase price = \$900,000  
Purchase costs = \$54,000

Build & Titling Costs = \$1.98m  
Hold Costs = \$92,160

GST on sale = \$327,273  
(margin scheme)  
GST on costs = \$198,636  
GST liability = \$128,637

DA costs = \$70,000



FINANCIAL FEASIBILITY

## Calculating Market Value DA Site – Deal 2

Items	Formula	Deal 2
End Value (GRV)	A	\$ 4,500,000
Sale Costs (3%)	B	\$ 135,000
Sale Proceeds	C= A - B	\$ 4,365,000
20% Profit	D= C x 20%	\$873,000
<b>Balance</b>	<b>E= C - D</b>	<b>\$3,492,000</b>
Purchase + Purchase Costs + Build + Titling + Hold Costs + GST	F	\$3,154,797
DA Uplift	G= E - F	\$337,203
DA Costs	H	
Your Profit Potential	I= G - H	
Market Val DA Site	J= I + Purchase Price + H	



Sales price = \$750,000 each

Purchase price = \$900,000  
Purchase costs = \$54,000

Build & Titling Costs = \$1.98m  
Hold Costs = \$92,160

GST on sale = \$327,273 (margin scheme)  
GST on costs = \$198,636  
GST liability = \$128,637

DA costs = \$70,000

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FINANCIAL FEASIBILITY

## Calculating Market Value DA Site – Deal 2

Items	Formula	Deal 2
End Value (GRV)	A	\$ 4,500,000
Sale Costs (3%)	B	\$ 135,000
Sale Proceeds	C= A - B	\$ 4,365,000
20% Profit	D= C x 20%	\$873,000
<b>Balance</b>	<b>E= C - D</b>	<b>\$3,492,000</b>
Purchase + Purchase Costs + Build + Titling + Hold Costs + GST	F	\$3,154,797
DA Uplift	G= E - F	\$337,203
DA Costs	H	\$70,000
Your Profit Potential	I= G - H	\$267,203
Market Val DA Site	J= I + Purchase Price + H	\$1,237,203



Sales price = \$750,000 each

Purchase price = \$900,000  
Purchase costs = \$54,000

Build & Titling Costs = \$1.98m  
Hold Costs = \$92,160

GST on sale = \$327,273 (margin scheme)  
GST on costs = \$198,636  
GST liability = \$128,637

DA costs = \$70,000

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FINANCIAL FEASIBILITY

## Additional Performance Measures

- We have included explanations of additional performance measures for your review
- For additional information – [WWW Series - Analysing a Deal - Tamara Read April 2019 Feasibility Software and Training – FAQ 3](#)




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FINANCIAL FEASIBILITY

## Financial Performance Measures

If Holding you may also need to consider...

- Cashflow \$
- % Yield
- % Return on Equity (ROE)
- Timeframe to Pay Down Debt
- % Profit on Costs

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FINANCIAL FEASIBILITY

## Cashflow \$\$



- Annual Cashflow = Total Annual Rental Income – Total Annual Costs

Portfolio Analysis Spreadsheet – Ultimate Bootcamp Workbook

PROPERTY NAME	INCOME A	PROPERTY EXPENSES B	RENTAL APTS	INTEREST C	TOTAL PROFIT D	DEPT. L. MONTHS E	DEPT. F. MONTHS G	PRICE H	DOWN I	DEBT J	% ROI K
Overland Hill 2000 sq ft	\$ 35,000	\$ 2,800	0	0.00%	\$ 32,200	0	0	\$ 25,000	\$ 100,000	\$ 100,000	12%

  
 Cash Flow Calc

Positive Cashflow \$+8,230/yr

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## % Yield

- Yield (%) = (Gross Rent / Property Cost) x 100
- Basic Calculation

Item	Duplex Build	Triplex Build
Gross Rent	\$40,560 (\$390/wk x 2 x 52wks)	\$60,840 (\$390/wk x 3 x 52wks)
Total Cost (Purchase + Construction)	\$900,000	\$1,200,000
Yield %	4.51% (\$40,560/\$900,000) x 100	5.07% (\$60,840/\$1,200,000) x 100

❖ Compare against Interest rate e.g. @ 4.5% interest rate.  
Need significantly higher % yield to make cash flow positive



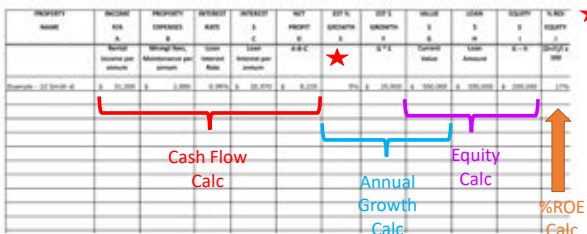
## % Return on Equity

- ROE = (Net Yearly Operating Profit/Loss + Estimated Yearly Growth) / Net Equity x 100
- Accounts for hold costs and hence net operating profit, added to estimate growth, as a function of the amount of equity you have in the deal
- More comprehensive calculation than % yield



## % Return on Equity

Portfolio Analysis Spreadsheet – Ultimate Bootcamp Workbook



★ Annual Growth (Research for Suburb – Your Investment Property Magazine, RPData, My Valuer, Price Finder)

- ROE = ((Net Yearly Operating Profit or Loss + Estimate Yearly Growth)/Net Equity) x 100
- ROE = (+8,230 + 25,000)/\$200,000 x 100 = 17%

- How hard your equity is working
- Compared to having cash in the bank at 2.5% return or off-set against loan at 4.5%



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# Development Applications



SESSION SEVEN

# Development Applications




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DEVELOPMENT APPLICATIONS

## Finalise Preliminary Design

- Finalise preliminary design documentation
  - Concept plans
  - Landscape plan
  - Soil/Geotech report
  - Engineering reports  
(Civil, Stormwater management plans, services connection, erosion & sediment control plans, driveway design etc.)
  - Specialist reports e.g. traffic, arborist, heritage etc.


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**DEVELOPMENT APPLICATION**  
Activity – Worksheet 5

Review Deal Details:

1) What specialist reports will you need for your deal?



8 min





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## Pre-Application

- Pre-lodgment meeting with Council (Town Planning & Engineering)
  - If recommended by your Town Planner
  - Assess Council's appetite for proposal
  - Obtain feedback prior to submission



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## Application Process

- Town Planner preps & lodges Townplanning Report - Addresses code requirements, includes plans, specialist reports, Standard Forms e.g. owner's consent.
- Council confirms submission properly made
  - RFI – Request for Information
  - Advertising / Public notification period (if triggered)
  - Review and amend where necessary
  - Decision Notice
  - DA issued with Conditions – if approved
- Appeal process if rejected (VIC = VCAT)



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## DA Approval



- Review and understand DA Conditions
  - YOU review & understand impact on project
  - Town Planner and Engineer review conditions
  - Ensure conditions are explicit – any ambiguity = future problem
  - Negotiate conditions if required = Negotiated Decision Notice
- DA timeframe – some States legislated e.g. QLD so closely monitor timeframes. Council's failure to respond can be deemed to be approved
- DA expiry 2-4 years



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## Operational Works Approval

- DA approval = Council Town Planners assess against Town Planning Code e.g. Dual Occupancy Code
- Operational Works = Council Engineers assess against engineering standards
- Process:
  - 1) Part of DA approval process therefore extra engineering detailed possibly required
  - 2) Completely separate process – less design in DA and more in Op Works stage



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## Operational Works Approval Cont..

- Sequential with DA or overlapping – Town Planner / engineer advice
- Approval from Utilities Authorities – water, electricity, gas, sewer, stormwater, Telstra, NBN
- \*\*Begin this process early!



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## Duplex Deal

- Dual Occupancy = Self Assessable = Building Certifier approved against Council Code as part of Building Approval
- No DA approval process through Council
- No public notification
- No separate Op Works stage - part of BA
- No upgrade of services required



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DEVELOPMENT APPLICATIONS

# Townhouse Deal – DA Approval

- Pre-application consultation favourable
- Planning permit issued with minor conditions



PLANNING PERMIT	Permit Number	PL ..... 00
	Planning Scheme	MIDGTON
	Responsible Authority	MIDGTON CITY COUNCIL

ADDRESS OF THE LAND:

2 ..... ESTERHASE

THE PERMIT ALLOWS:

Develop the land for the construction of four (4) double storey townhouses

THE FOLLOWING CONDITIONS APPLY TO THIS PERMIT:

1. Before the development starts, approved plans for the installation of the Respotrite driveway, must be submitted to and approved by the Responsible Authority, where required, the plans will be returned with any minor amendments. The plans must be drawn to scale with dimensions and floor levels must be provided. The plans must be submitted in accordance with the approval plans prepared by the Council on 17/10/2016, submitted on 18/10/2016 and modified to show:
  - a. garden area to the eastern boundary, materials and finish recommended for earth retaining structure on the plan referred to as TR1
  - variation to the noise screening treatment permitted for the upper floor level townhouses from structure including the use of external screens in comply with the screening requirements of Standard B212
  - the proposed driveway discharge of water to be located at least 3.00m from the vehicle entrance
  - the proposed vehicle crossings shall be: be not adjacent from the neighbouring parcels existing to create a continuous edge of the street / road-way
  - the vehicle car garage doors constructed as to being screened
  - provision of a minimum 2000 litre water tank located for each dwelling and connected to toilets for flushing
2. The surface material of all driveways / accessways and the setting screen requirements of standard B212 must be provided, as detailed
3. the provision of a lot level control. Residents are submitting materials suitable for all external structures and elements of the development

Site No. 104 / 105 / 106 / 107 / 108 / 109 / 110 / 111 / 112 / 113 / 114 / 115 / 116 / 117 / 118 / 119 / 120 / 121 / 122 / 123 / 124 / 125 / 126 / 127 / 128 / 129 / 130 / 131 / 132 / 133 / 134 / 135 / 136 / 137 / 138 / 139 / 140 / 141 / 142 / 143 / 144 / 145 / 146 / 147 / 148 / 149 / 150 / 151 / 152 / 153 / 154 / 155 / 156 / 157 / 158 / 159 / 160 / 161 / 162 / 163 / 164 / 165 / 166 / 167 / 168 / 169 / 170 / 171 / 172 / 173 / 174 / 175 / 176 / 177 / 178 / 179 / 180 / 181 / 182 / 183 / 184 / 185 / 186 / 187 / 188 / 189 / 190 / 191 / 192 / 193 / 194 / 195 / 196 / 197 / 198 / 199 / 200

Date Issued: 14 / 11 / 2016

Signature for the Responsible Authority

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DEVELOPMENT APPLICATION

# Team Required

- Town Planner
  - Private
  - Council
- Engineer
- Building Designer/Draftsperson/Architect




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# Detailed Design Costings



SESSION EIGHT

## Detailed Design & Costings




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DETAILED DESIGN AND COSTINGS

## Finalise Working Drawings

- Dimensioned & detailed Architectural plans
- 3D renders
- Structural engineering drawings
- Civil engineering plans
- Hydraulics plans
- Services plans
- Energy efficiency compliance report (BERS)
- Ensure plans incorporate - DA conditions & Energy efficient compliance


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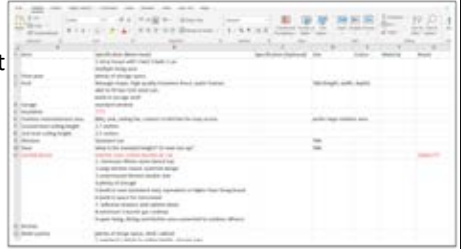


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DETAILED DESIGN AND COSTINGS

## Obtain Final Costings

- Tender process
- Full plan set
- Specifications document
  - Scope of works
  - Fixtures & finishes schedule
  - Electrical plan
  - Tiling plan
  - Painting plan
- Quantity surveyor


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MARKETING AND SELLING

## Duplex Deal – Renders

- Renders used to finalise design



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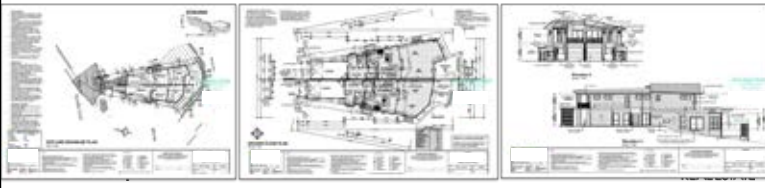
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DETAILED DESIGN AND COSTINGS

## Duplex Deal – Working Drawings

- Builder's draftsman took architectural plans & drafted Working Drawings
- Site & drainage plan, Floor plans, Elevations,



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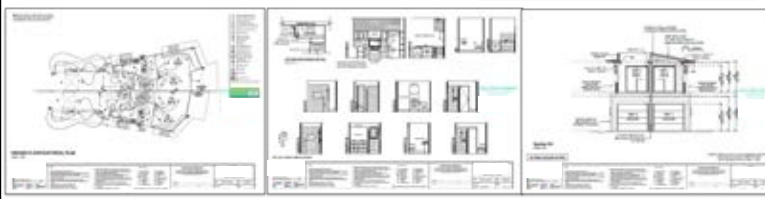
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DETAILED DESIGN AND COSTINGS

## Duplex Deal – Working Drawings Cont...

- Cross section plans, Electrical plans, Joinery plans, Acoustic plan, Slab plan



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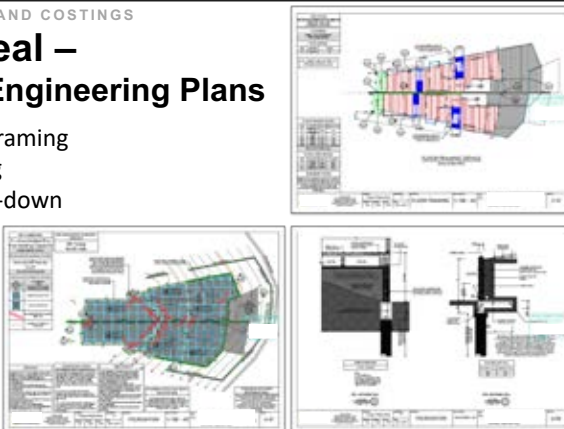

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DETAILED DESIGN AND COSTINGS

### Duplex Deal – Structural Engineering Plans

- Roof & wall framing
- Floor framing
- Bracing & tie-down
- Foundation
- Blockwork


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DETAILED DESIGN AND COSTINGS

### Duplex Deal - Specs

- Had previously compared builder's duplex build costs prior to selecting final builder
- Builder updated costings during working drawings prep
- Used Builders Standard Specifications / Inclusions




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DETAILED DESIGN AND COSTINGS

### Duplex Deal - Specs




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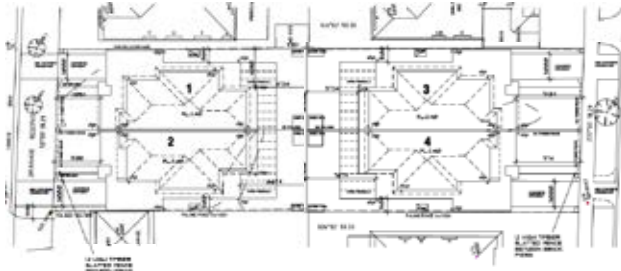
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DETAILED DESIGN AND COSTINGS

## Townhouse Deal – Site Plan



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DETAILED DESIGN AND COSTINGS

## Townhouse Deal - Specs

- High end finishes and custom joinery suitable for target market based on research



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DETAILED DESIGN AND COSTINGS

## Team Required

- Town Planner
  - Private
- Specialist Consultants incl Energy Efficiency
- Building Designer/Draftsperson/Architect
- Structural Engineer
- Builder
- Building Certifier
- Quantity Surveyor



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# Building Approvals



SESSION NINE  
**Building Approvals**




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BUILDING APPROVALS

**BA Process**

- Building Certifier / Surveyor on behalf of Council
- Insurances:
  - Contract Works Insurance – Bank noted as Interested Party; Ceases at Practical Completion
  - Home Warranty Insurance
  - Construction Industry Portable Long Service Leave
  - Builder – PI & PL
  - Building & Contents Insurance – following Practical Comp.
- Plumbing Approval
- Building Approval – 2yrs validity – stamped plans




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BUILDING APPROVALS

**Inspections**



- Footings
- Slab
- Frame
- Fire Separation
- Final
  - Compliance Certificates – provide to Building Certifier/Surveyor
  - Certificate of Occupancy – issued by Building Certifier/Surveyor




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BUILDING APPROVALS

# Duplex Deal -

**DECISION NOTICE CONDITIONS OF APPROVAL**

- Subject to conditions in Part of the approved drawings.
- Notice of completion must be given to the council for the following stages of work. It is an offence to commence building work without prior inspection stage clearance.

Inspection Stage	Not	Required	Approved	Referred/Noted
Foundation	✓			
First Floor	✓			
Second Floor	✓			
Roof Structure	✓			
External Walls	✓			
External Windows	✓			
External Doors	✓			

1. It is an offence to commence building work without prior inspection stage clearance.  
2. It is an offence to commence building work without prior inspection stage clearance.

- INSTALLATION CERTIFICATES/DOCUMENTATION REQUIRED AT COMPLETION BUILDING WORK (as applicable)**
- Roof Insulation: Design certification for roof insulation - FORM 15
  - Electrical: Smoke Alarms and energy efficient lighting - FORM 16
  - Survey Set out - FORM 16
  - Glazing: Installation of glass certifying glazing & shower screens has been installed in accordance with AQ2017 & AQ1306 - FORM 25
  - Waterproofing: Certificate on the installation of waterproofing of wet areas - FORM 16
  - Plumbing: Evidence of Final compliance certificate from Councils plumbing & drainage department or (Form 6 waterproof work)
  - Fenestration: Site plan and certificate of installation - FORM 16 (sunable notice installed in accordance with Clause 3.1.1.1)
  - Form 38's: Certificates required for any stage of work inspected by an RPEIO (Competent Person)




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BUILDING APPROVALS

# Townhouse Deal -

- Issued without problems
- Building Surveyor was particular about keeping the boundary wall height as per plans
- Checked multiple times during frame inspections



Application Number: 0000000000  
FORM 9  
Building Act 2011  
Building Regulations 2012 - Part 9 (Schedule 2)  
**Building Permit No. 614**  
23 October 2018

Applicant: [Name]  
Address: [Address]  
Phone: [Number]  
Email: [Email]  
Inspector: [Name]  
Address: [Address]

Inspection Details:  
Date: [Date]  
Time: [Time]  
Location: [Location]  
Inspector: [Name]  
Address: [Address]

Project Details:  
Number: [Number]    Title: [Title]    Area: [Area]    Subtype: [Subtype]    Priority: [Priority]  
Level: [Level]    Status: [Status]    Reason: [Reason]

Notes:  
This notice is issued under section 24B of the Building Act 2011 on the building work to be carried out under the permit.

Name	Designation	Registration Number
[Name]	[Designation]	[Registration Number]
[Name]	[Designation]	[Registration Number]




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BUILDING APPROVAL

# Team Required

- Building Surveyor/Certifier
- Structural Engineer (Inspections)
- Insurance Broker
- Builder




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# Accounting & Tax



SESSION TEN

## Accounting & Tax

**Kamal Power** B.Bus FCA  
Client Advisor, Chartered Accountant




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ACCOUNTING AND TAX



## Structure for the Deal?

- Depending on deal may vary
- Company, **Discretionary Trust**, Partnership of Trusts, Unit Trust
  - TFN, ABN, GST, Bank Account
- Need to consider Asset Protection and Tax
- Will part of the project be retained (especially if JV deal)






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ACCOUNTING AND TAX



## Consulting Trust

- **Is one required – yes if you want to quit your job!!**
- Creates serviceability
- Converts income from nonrecurring projects into recurring income
- No project related costs
- Will require TFN, ABN, possibly GST, Bank Account
- Generally lenders require 2 years of ABN & 12 months GST
- Must invoice, not distribute funds – accruals or cash
- Could pay wage – super, PAYG, workers comp


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ACCOUNTING AND TAX

**WIZDOM**  
Accountants | Finance Strategists | Advisors

## Record Keeping

- Investor or Business of Real Estate – Asset Register
- Investor/Holding
  - Year End Accounting
  - Job Costing
- Business of Real Estate/Selling
  - Feasibilities
  - Budget v Actual
  - Job Costing



**25% Developers Club**

WWW Series - Business of Real Estate, Kamal Power – Oct 2019

**I LOVE REAL ESTATE**

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ACCOUNTING AND TAX

**WIZDOM**  
Accountants | Finance Strategists | Advisors

## Record Keeping



**25% Developers Club**

**I LOVE REAL ESTATE**

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ACCOUNTING AND TAX

**WIZDOM**  
Accountants | Finance Strategists | Advisors

## Documents to Keep

- Purchase/Sale Contracts & Settlement Statements
- Details of Margin Scheme if applied
- Receipts/Invoices for Annual Income and Expenses
- Property Agent Rental Statements
- Logbooks for MV expenses (if in the business of real estate)
- Diaries to verify home office expenses, internet, phone
- Receipts must be in English and legible

**25% Developers Club**

**I LOVE REAL ESTATE**

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# Tax Payable - Holding



- Investor
  - Taxed on net income along the way
  - Capital Gains Tax (CGT) when sell
  - May be subject to 50% general discount (depends on time held and ownership entity)
  - Rate of tax depends on ownership
  - 4 small business CGT concessions may apply but very specific




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# Tax Payable - Selling

- Business of Real Estate
  - GST for most deals where turnover above \$75k p.a.
    - Can backdate 4 years
    - Need to lodge monthly or quarterly BAS
    - 10% or Margin Scheme
  - Income Tax - rate depends on structure
    - For discretionary trust – who will receive distribution, consider bucket company
  - Settlement date to settlement date




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# GST when Selling

- Property developers no longer manage GST on sales of newly constructed residential property or new subdivisions
- Purchaser remits directly to the ATO
- If margin scheme applies - 7% of contract price
- Otherwise 1/11<sup>th</sup> of contract price
- Reconciliation amount done in next periods BAS




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ACCOUNTING & TAX  
Activity – Worksheet 6

Review Deal Details:

1) Calculate the GST applicable







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ACCOUNTING AND TAX

## Duplex Deal - GST

- GST paid not claimed back along the way in Quarterly BAS
- Balance GST to pay at tax time







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ACCOUNTING AND TAX

## Townhouse Deal - GST

- GST claimed for expenses throughout the project on BAS
- GST on sales to be paid when sold
  - Total GST on Sales = \$288k
  - Total GST on Expenses = \$176k
  - GST liability for project = \$112k





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## Closing Down the Project

- Once project ends, need to consider if structure will be re-used
  - Look at risk held in structure – conversation with lawyers
- If closing:
  - Lodge final tax return
  - Make sure all ATO obligations finalised
  - Cancel ABN, GST
  - Deregister company, Vest Trust



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## Team Required

- Bookkeeper (if required)
- Accountant



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[www.wizdom.com.au](http://www.wizdom.com.au)

Email – [accounting@wizdom.com.au](mailto:accounting@wizdom.com.au)



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# Securing Finance



SESSION ELEVEN  
**Securing Finance**



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SECURING FINANCE

## Fundamentals of Finance

### Where do I start?

Development is an advanced strategy.

It isn't difficult, but it is detailed. Every type and size of deal has a different approach and you need to consider the whole project end to end. Look at it as a race with hurdles. We need to think about the whole race and not just race to the first hurdle.

A professional approach is expected. Get the basics right.



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SECURING FINANCE

## Fundamentals of Finance

### What are the Basics?

- Tax Returns up to date
- Paperwork is correct
- Numbers are right (ish)
- Fundamental understanding is sound



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## Development Life Cycle

**GET READY** – Structuring / Equity / Scope – JV?



**AQUIRE LAND** – Valuation / DA Site vs House vs Vacant



**CONSTRUCTION** – Valuation and Process



**AFTER CONSTRUCTION** – Sell or Refinance?



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## Fundamentals of Finance

**All lending is based on two factors:**

**Security** – How much will the Bank lend and what do you need to put in  
**Servicing** – How will the Bank get its money back?

In all Lending these need to be satisfied, either by you satisfying them or building a structure that will satisfy them



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## Structuring for Success

Three Structures to consider in approaching the deal and satisfying these are:

- 1/ one entity
- 2/ money partner + worker partner
- 3/ 50/50 serviceability + equity partner



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## Development Finance – The Basics

	Residential Finance	Commercial / Development
Simple Sub-division / Duplex Deal 1	Yes	Yes (but expensive)
Build of 3 Townhouses or Less	Yes	Yes (but expensive)
Build of 4 or more Townhouses Deal 2	No	Yes
Loan to Valuation Ratio	80% of End Value	65% of End Value or 70% of Total Development Cost
Cash / Redraw Needed	25% of end value with some additional funding for incidentals	At least 35% of end value and safer with 40 – 45% An excellent rule of thumb is 1/3 <sup>rd</sup> of Total Development Cost
Servicing Approach	Build and Hold. Rental included. Needs strong PAYG or SE income	Can be Pre – Sales Also stronger if additional PAYG or SE income outside of development
Loan Term	30 Years	2 Years
Interest Rates	Sub 4 % Currently	6% for Majors 9% for Non Banks 12%+ for Private Money
Establishment Costs	Less than \$1,000	From 0.5% of Loan Amount out to 2.2% for Private Money

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## Breaking Down the Cycle – Getting Ready

Complete Finance and Strategy Review Information Document

Undertake a Finance and Strategy Review with a WIZDOM Strategist

Professional Approach – [CREATE FOLDERS ONLINE](#) containing:

- Identification
- Income details
- PAYG Pay slips etc
- Up to Date Tax Returns and Financial statements
- Draft can be good rather than lodged
- Trust Deeds

Existing Facility Statements

A very good outline of the type of project that you are looking to do




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## Breaking Down the Cycle – Buying Land

- Consideration and Implementation of Structuring
- How do we need to structure the project for success at the build stage
- Get Companies and Trusts in Place
- Do we need to arrange a Pre-Approval
- Consideration of Valuation potential impact
- Purchase Contract – Rental Opinion
- TIME – the more, the better...




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## Breaking Down the Cycle – End to End

What will we need to make it look like to fund end to end?

### Residential Component:

- 25% of Purchase Price as Deposit
- What if Valuer decides to do Highest and Best Use?
- What buffer in deposit will we need to ensure we can still settle?
- Will this go perfectly? or do we need more time up our sleeve?
- Can we service the facility and situation on current incomes plus rent?



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## Breaking Down the Cycle – End to End

What will we need to make it look like to fund end to end?

### Before Construction:

- How much more money will we need to carry the property?
- What other costs go out the door before DA and Construction?
- How much time will we need to get everything together realistically?



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## Breaking Down the Cycle - Valuations

### Valuers – Why are they so important – Buying Land

- Why can't I Choose a Valuer for Residential?
- What is Highest and Best Use?
  - How much premium have you paid for development potential?
- How many valuations will we need?
- Can I get a Residential loan?
  - Is there a DA?
  - Is there a House?
  - Can we get a residential valuation?
- Why strategists have to manage the Valuation process
  - Desktop / Real Valuation



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## Breaking Down the Cycle – Construction Finance

### What is needed?

- Updated versions of the same information as Land Acquisition
- Development Budget and Cashflow
- Build Contract (at least in draft)
- Development Approval
- Building Approval (not critical at start, but will ne needed)
- Quantity Surveyor Report
- Valuation Report
- Marketing Plan
- Experience – this is becoming more necessary. May need to hire professional project management
- Cash is KING – 1/3<sup>rd</sup> Total Development Cost as a Minimum



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## Breaking Down the Cycle - Valuations

### Valuers – Why are they so important – Construction

- Choosing your valuer
- Valuation Process
  - In-one-line (valued assuming on one title)
  - Strata titled (valued on separate titles)
- Process
  - Acquisition
  - Development Finance/Construction
  - Pre-Sales/Marketing (Off the plan) Preparation is key
- Hard to get valuer to change their mind & amend report - even harder to get bank to sometimes!!



- Importance of this process UNDER ESTIMATED!!!



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## Breaking Down the Cycle

### Construction Finance End to End...

#### What will we need to make it look like to fund end to end?

- Do we need to Pre-Sell? How many need to be Pre-Sold?
- Can we capitalise Interest?
- How much equity to we need to inject?
  - In one line valuation is likely to be equivalent to GRV less around 15 - 20%
  - Bank will then lend 65% of the valuation result.
  - Total Development Cost x 70%



Which number is less? This is what Bank will lend.

You need to cover the difference between total cost and Bank lend, adjusted for existing debt and equity already injected.



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### Construction Finance – Cost and Time

	Residential Finance (<=3 Units) Deal 1	Commercial Finance (4+ Units) Deal 2
Application Fees	Lower	Higher (% based)
Approval Timeframe	Shorter	Longer
Interest Rate	Lower	Higher
Capitalise Interest	No	Yes
Hard & Soft Costs Included	No (Hard Only – Build Contract)	Yes – based on LVR
GST on Costs	Funded	Funded? through separate loan / over draft
Mortgage Broker / Bank	Standard	Specialist
Others Involved - Approval	Valuer	Valuer, QS, Bank Solicitor (Pre-sales review)
Others Involved – Construction	Valuer	Valuer, QS
Draw-down Approval	You	Valuer, QS
Release of Bank Funds	After Yours Used (Hurt \$)	After Yours Used (Hurt \$)

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### Breaking Down the Cycle – Sell or Refinance?

Settle all of your Presales  
 Sell remaining on open market  
 Refinance whatever remains back to a Residential Loan  
 Be careful of where you still own more than 25% of the end development  
 May have to keep as a form of Commercial Finance  
 Usually the end product is not something that we like to keep, but can be

[Celebrate your Success!](#)




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### COVID and the Current Environment

- Development Appetite currently across the market is not strong
- Banks will still fund Development, but we need to present a solid transaction
- Residential Development (2 or 3) is much easier to fund than 3+
- [Townhouses in the suburbs are better than Apartments in the city fringe](#)
- Appetite for new deals is poor in Regional, Perth and Darwin
- Brisbane, Adelaide, Hobart and Very Large Regional is okay
- Sydney and Melbourne is currently the strongest
- Marginal Transactions are not okay. Need to work around presenting a strong deal.




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## Team Required

- Mortgage Broker
- Valuer




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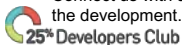
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## Specialist Finance Brokers – Why?

### How to best work with one

- Start your relationship early, prior to going into a deal. Last minute pressure causes mistakes by us both.
- JV partners need to be vetted early to avoid problems later. They need to be vetted by the lead strategist.
- Have a good idea what deal you want to do. Every deal is different and minor changes in deal lead to major changes in approach.
- Work with us, we are not saying no to be nasty, but making sure you do what is achievable.
- What is the least equity, or maximum you can do is not a sensible conversation in the current market.
- Development has lots of opinion with little result. Trust that we are doing as much as possible to achieve the best result for you.
- Connect us with all of your other professionals. Keep us in the loop at each step through the development.




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## Duplex Deal - Financing

- Wizdom Strategist
- Residential finance
- Land purchase – 80% LVR
- Construction finance = Same bank – 80% build cost
- Rolled over to term loan on completion for held unit




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## Duplex Deal - Valuation

- No pre prep – BIG MISTAKE!
- Bank valued as 6brm house not duplex because
  - 1) no pre prep doc provided
  - 2) nothing in build contract mentioned strata, also devalued build contract
- Valuation = \$950k vs \$1.4M target
- Extra \$100k cash had to be put into deal
- Provided CMA doc to valuer after the fact
- Valuer inspected at first & last drawdown
- On-completion val done after first unit sold = \$10k higher = \$735k



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## Duplex Deal - Learnings

- Maximise loan amount by:  
Including as many costs as possible in build contract  
- DA, BA, Strata costs etc.
- Pre-prepare for Valuation



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# Demolition & Construction



SESSION TWELVE

## Demolition and Construction



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DEMOLITION AND CONSTRUCTION

### Residential Build Contracts

- YOU must read & Solicitor review before signing
- Standard Contracts – HIA, Master Builders etc.
- Written in favor of Builder
- Conditions can be amended by YOU – be strong!!
- Subject to – Finance, Building Approval etc.






WWW – Building Contracts – Pacific Law Sept 2019



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DEMOLITION AND CONSTRUCTION

### Residential Build Contracts Cont...

- Minimise Provisional Sum Allowances (e.g. Fencing \$15k)
- Standard progress payment schedule
- Check Inclement Weather/Public Holiday allowances
- Amend liquidated damages allowance – be realistic
- Detail plans, specs, reports in Special Conditions
- Check build period – No. days & Lead-in

Schedule 2. Progress payments

Step	Amount	Value
Deposit	10%	\$220,000.00
Commencement	10%	\$220,000.00
Foundation	10%	\$220,000.00
Roof	10%	\$220,000.00
Internal partitions	10%	\$220,000.00
Final	50%	\$900,000.00
<b>Total</b>		<b>\$1,700,000.00</b>



WWW – Building Contracts – Pacific Law Sept 2019



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DEMOLITION AND CONSTRUCTION

## Commercial Build Contracts

- Non-standard Contract
- Retention Money e.g. 5% 12mths
- Negotiable Progress Payment schedule (Confirm with Bank first though)



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DEMOLITION AND CONSTRUCTION

## Demolition

- Demolition Approval
- Services disconnection (power, water, gas, sewer)
- Termination – e.g. sewer disconnection, capping, sealing
- Retain water & power on-site (e.g. asbestos removal)
- Tree & vegetation removal approval
- Demolition process – notify neighbors, photograph boundaries, insurance
- Asbestos removal – suggest contracted by demolition Co.
- Site preparation to handover to Builder – scrapped site
- Don't demolish too early (soil erosion, site val?)



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DEMOLITION AND CONSTRUCTION

## House Relocation

- Is it permitted?
- Consider selling instead of demolishing
  - Ultimate Recycling
  - May be able to sell rather than spending \$\$
  - Consider giving it away
  - Relocate to existing alternative property



 [WWW – House Relocation – Tamara Read May 2018](#)



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## Council Op Works Pre-start Meeting

- Meet with Builder and Council representative (Engineer)
- Confirm site works & any changes
- Go to meeting prepared
- Confirm chain of communication



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## Physical Construction Stages

 WWW – Construction – Mick Tiemens and Greg Miller July 2018

- 1) Confirm Insurances valid & in-place (Bank = Interested party)



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## Physical Construction – Hand-over

- 2) Site hand-over to Builder (Notify as per Build Contract – In writing)

- Site cleared & scrapped
- Temp power



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DEMOLITION AND CONSTRUCTION

## Physical Construction – Footing / Slab

### 3) Footings / Slab

- Under-slab services installed
- Footings installed
- Slab poured



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DEMOLITION AND CONSTRUCTION

## Physical Construction – Frame

### 4) Frame

- Wall frames installed
- Roof trusses installed
- Services rough-in (power, water, gas, phone)



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DEMOLITION AND CONSTRUCTION

## Physical Construction – Lock-up

### 5) Lock-up

- External wall cladding fixed
- Roof covering fixed
- External windows and doors installed



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DEMOLITION AND CONSTRUCTION

## Physical Construction – Fix-out

### 6) Fix-out

- Internal lining / plastering
- Architrave, skirting, internal doors
- Cabinetry installed
- Services fit-off
- Floor covering
- Wet area tiling
- Painting
- Garage doors
- Appliances in



 25<sup>th</sup> Developers Club



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DEMOLITION AND CONSTRUCTION

## Physical Construction – Finishing

### 6) Finishing

- Shower screens, mirrors, flyscreens
- Gapping
- Window coverings
- Cleaning
- Services connections finalised
- Defects



 25<sup>th</sup> Developers Club



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DEMOLITION AND CONSTRUCTION

## Completion

- Final Plumbing Inspection & Certificate
- Final Building Certifier Inspection – Certificate of Occupancy / Certificate of Classification Issued,
- Final Council Inspection – triggered by Plan Sealing **FINAL**
- Ensure builder provides “As Construct” plans
- Prior to signing Builders Practical Completion Letter
  - Major defects attended to (On-maintenance defects only left)
    - Your strongest negotiation tool = \$\$
  - Building & Contents Insurance in place
- Fire Evacuation Plans

 25<sup>th</sup> Developers Club



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## Hand-over

- Ensure You Obtain:
  - Certificates – compliance
  - Keys (unit, letter boxes, sheds)
  - Remote controls (garage door, aircon etc.)
  - Instruction manuals (appliances etc.)
  - Warranties
  - List of suppliers (e.g. appliances, fittings / fixtures)
- Arrange On-maintenance defects process – 1 week, 1 month?, tenants / owners contact builder direct?



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## Relationship Management

- Meet regularly with your Builder and team (Weekly preferably)
- Set expectations in advance
- Site access – unannounced & unaccompanied?
- Don't make assumptions – ask questions
- Take Minutes - Note actions, responsible person, timeframe & keep accountable
- Communication is KEY
- Use email only as confirmation – TALK



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## Project Management & Quality

- Be clear about expectations and timeframes
- If not qualified or confident, engage a project manager
- Check in regularly
- Agree communication process – frequency and method
- Consider engaging a building inspector to confirm compliance and quality at key stages (Progress payment claims & Practical Completion)



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## Timeframes

- Plan out project timelines with team
- Provide everyone with the plan
- Make sure everyone understands the timeframes
- Stay on top of time blow-outs – they cost \$\$
- Builder to update project timeline frequently (esp. critical path items)

Task	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Demolition	██████████				
Foundation		██████████			
Structure			██████████		
Roofing				██████████	
Interior					██████████
Exterior					██████████
Final Inspection					██████████



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## Duplex Deal - Slab



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## Duplex Deal – Frame Stage

- Residential build contract – rushed signing = variations
- 6mth build
- Defects covered over first 12mths by builder



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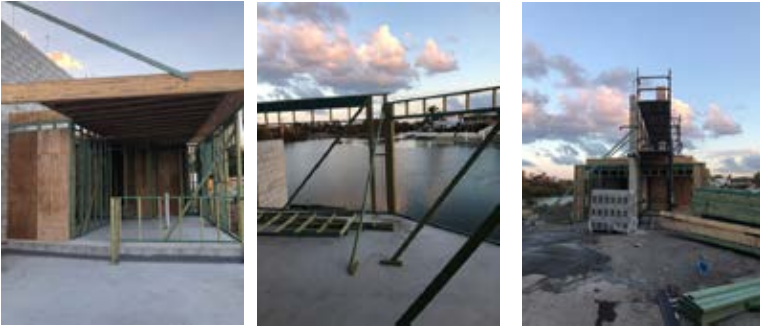
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DEMOLITION AND CONSTRUCTION

## Duplex Deal – Frame Stage



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DEMOLITION AND CONSTRUCTION

## Duplex Deal – Lock-up Stage

Weather board discussed but not included in spec = variation



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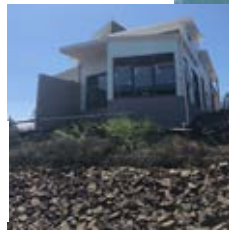
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DEMOLITION AND CONSTRUCTION

## Duplex Deal – Fix-out



Acoustic upgrade – glass on upstairs bedroom closest to road both units = Variation



Spec = double sink + drainer but no bench space so changed to single sink & drainer = Variation



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## Townhouse Deal – Lock up Stage

- Ready to move inside




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## Demolition & Construction Activity – Worksheet 7

Review Details Provided:

- 1) Review build contract clauses & discuss areas for negotiation




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## Team Required

- |                                 |                      |
|---------------------------------|----------------------|
| • House Remover                 | • Land Surveyor      |
| • Demolition Contractor         | • Quantity Surveyor  |
| • Tree Lopper                   | • Insurance Broker   |
| • Builder                       | • Council            |
| • Specialist Trades             | • Building Inspector |
| • Project Manager               | • Solicitor          |
| • Building Certifier / Surveyor |                      |
| • Mortgage Broker               |                      |
| • Valuer                        |                      |




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# Strata Titling



SESSION THIRTEEN  
**Strata Titling**



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STRATA TITLING

## Process – Land Survey



- Timing – Negotiate with builder to do hard landscaping early
  - Fences, driveways, etc.
  - Allow surveyor earliest access
  - Enquire fast tracking strata titling e.g. SealSMART Brisbane Council
- Land Survey
  - Building Format Plan
  - Exclusive Use Plan (Aim to maximise exclusive use areas e.g. courtyard, stairs, car parks etc.)
  - Common Area Plan
  - Services Location Diagram



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STRATA TITLING

## Process - Body Corporate

- Community Management Statement (CMS)
  - By-laws
  - Lot Entitlements
  - Draft Budget (See reports below)
  - Description of exclusive use / common areas
  - Establish Body Corporate
- Sinking Fund Report (QS)
- Insurance Valuation Report (QS)



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## Process – Plan Sealing

- Plans & CMS submitted to Council
- Plan Sealing = Council stamping survey plans
- Triggers final Council Inspection – Assess construction vs DA conditions (Must be EXACT match down to plants)
- Triggers payment of Council Contributions




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## Process – Mortgagee Consent

- Bank must consent to us changing their underlying security e.g. cancelling current survey land & replacing with new one
- Plan Sealed plans & Draft CMS submitted to Bank
- Use Mortgage strategist to ensure docs lodged to right place in bank
- YOU must track & manage the process to ensure timely




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## Process – Titles Dept

- Sealed plans, Draft CMS, & Mortgagee Consent lodged with Titles Department
- Solicitor, surveyor, or you can submit
- Body Corporate Registered
- Titles Registered
  - Pre-sales can now move to settlement
  - New sales can be done on standard contracts




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STRATA TITLING

## Process – First Body Corp Meeting

- Annual budget adopted
- Body Corp Manager adopted
- Developer pays into Sinking Fund
  - On sale - Repaid through adjustments at settlement




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STRATA TITLING

## Compare and Contrast

	Deal 1 - Duplex	Deal 2 – Multi-unit
Finance	Residential	Commercial
CMS	✓	✓
Body Corporate Manager	✗	✓
Sinking Fund	✗	✓
Admin Fund	✗	✓
Insurance Valuation	✗	✓
Sinking Fund Report	✗	✓




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STRATA TITLING

## Duplex Deal – Strata Titling

- Surveyor picked up during final survey driveways were too narrow & didn't comply Dual Occupancy Code!!!
- Missed at design stage by ALL (Building Certifier, Surveyor, Town Planner, Builder)
- Engineer re-designed & certified works
- Delayed strata titling hence Auction cancelled




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STRATA TITLING

## Duplex Deal – Strata Titling

- Solicitor created CMS & lodged with titles Dept



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STRATA TITLING

## Duplex Deal – Strata Titling

- Exclusive Use Plan
- Common area = driveway only
- Services Location Diagram



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STRATA TITLING

## Team Required

- Land Surveyor
- Solicitor
- Body Corporate Specialist
- Mortgage Broker (Bank Consent)
- Bank/Financier
- Quantity Surveyor
- Council
- Titles Department



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# Marketing & Selling



SESSION FOURTEEN  
**Marketing & Selling**



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MARKETING AND SELLING

### Preparation

- Visit display homes / units to get ideas for your marketing strategy
- Critically examine & photograph other projects
- Collect brochures and sales data from other properties
- Compile files including above info
- Talk to project sales agents and ask for customer's criticisms



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MARKETING AND SELLING

### Pricing

- Assess price resistance levels
- Review recent market values (sold & currently on market)
- Decide on price range for each property you selling based on your research
- Discuss project with shortlisted real estate agents & obtain their feedback on sale price & marketing strategy



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## Marketing Considerations

- Branding and Logo
- Artist Impressions / Renders (Photo realistic)
- Site Plan / Floor Plans
- Marketing material / Brochures / Website / FaceBook
- Pricing – Comparable sales confirmation
- Depreciation Schedule
- Rental Appraisal
- Valuation



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## Local Real Estate Agents

- Research real estate agents with experience selling your type of product in your area
- GVA – Agencies Tab (No. Listed vs Sold, Avg \$)



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## Local Real Estate Agents Cont....

- Prepare questions to ask
- Interview shortlisted agents, confirm what they see are the benefits of property, have them submit marketing proposal
- Call previous clients - confirm quality of agent/s
- Confirm agent's capability to sell off-the-plan (if relevant)
- Engage preferred agent on short exclusive period (45 days), extend if required, monitor performance

 [WWW – Selecting a Gun Realestate Agent](#)  
Nicolle Beer Nov 2018



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## MARKETING & SELLING Activity – Worksheet 8

Review the Agent Summary  
Details Provided:

- 1) Which 3 agents would you consider & why?
- 2) What is their average sale price?



8 min



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MARKETING AND SELLING

### Pre-Sales / Off the Plan Contract

- Product sold prior to or during construction (post DA)
- De-risk project
- Unconditional but finance approval out of date (e.g. only valid 3mths)
- Risk = valuation @ settlement
- Solicitor prepare Pre-sales Contract & Disclosure Document (Plans, Specs, Draft CMS etc.)
- Ensure special clauses included in contract e.g. sunset clause, subject to titles etc.

DISCLOSURE STATEMENT	
CONTENTS	
PART 1	Five Star Rating
PART 2	Staff Building/Project Plan
PART 3	Staff Floor Plans / Design Plans / Layout Plans
PART 4	Architectural Schedule of Materials
PART 5	Proposed Asset Budget
PART 6	Lot Entitlements
PART 7	Body Corporate/Manager Administration Agreement
PART 8	Community Management Statement
PART 9	Good Neighbouring Working
PART 10	Power of Attorney Disclosure Statement
PART 11	Manager Investment Behaviour Disclosure

WWW – Marketing Off the Plan – Mick Tiemens Oct 2018



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MARKETING AND SELLING

### Marketeers

- Suits investment type product
- Owner occupier better suited to selling through agents (touch and feel / emotional buyer)
- Avoid previously listing on internet – marketeers want direct access to developer's stock not avail to public
- High selling commission e.g. 5-7.5% = \$20-\$30k on \$400k sale



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MARKETING AND SELLING

## Duplex Deal – Marketing

- Artist Impressions
- Decided not to sell off the plan – strata titling delayed



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MARKETING AND SELLING

## Townhouse Deal – Marketing

- Renders prepared
- Appealing to owner occupiers



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25<sup>th</sup> Developers Club

I LOVE REAL ESTATE

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Perfect for  
Entertaining

Bring the outdoors in

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MARKETING AND SELLING

### Selling Built Product Prior To Titles

- Standard real estate sales contract
- Special Condition – Settlement subject to Title Registration e.g. 21 days after titling



25<sup>th</sup> Developers Club

I LOVE REAL ESTATE

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# Selling After Titles Issued

- Standard real estate sales contract used
- Understand what Sales Contract means & ask questions if necessary
- Ensure sales contract filled out correctly by you & purchaser (Solicitor review)
- Ensure deposit paid & banked into agreed account
- Agent continue to actively market until unconditional




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# Staging Furniture

- Essential
- Stage on completion - all rooms & outside
- Stage hardest to sell unit first - once sold, move staging to next unit
- Agent to do inspections of staged unit only
- Leave staging in place until after valuation
- Be clear what you getting – plants, finishing touches
- Avoid virtual staging




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# Professional Photos

- Professional photographer
- Be present & review pics during – speak up
- Dusk photos
- Drone photos
- Palm frond effect
- Swimming pool (day vs night)
- You obtain pics not RE agent
- Request all pics not selection
- Photo selection – YOU! Hero shot, photo order important




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## Written Copy - Ad

- Sell the sizzle
- **You** write the copy as you know the area & property best (Area research, Demographic research, Market research, Comparable sales research etc.)
- Dot points vs sentences
- Connect to emotion



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## Duplex Deal – Dusk & Drone Pics



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## Duplex Deal – Staged & Professional Pics



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MARKETING AND SELLING

## Duplex Deal – Staged & Professional Pics




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MARKETING AND SELLING

## Duplex Deal – Staged & Professional Pics

- Staging = \$2-3k
- Ikea, Kmart, Gumtree

25<sup>th</sup> Developers Club

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MARKETING AND SELLING

## Duplex Deal – Auction Signboard & Analytics

- Auction marketed but Strata not approved so cancelled on Solicitor advice
- Marketed 1 week no price, then buyers \$750k+

25<sup>th</sup> Developers Club

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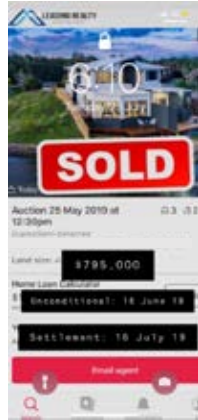
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MARKETING AND SELLING

## Duplex Deal – Visualise Target Outcome

- Phone screen saver 2mths prior!!
- Target Demographic – Near hospital, Family with older kids (stairs), low maintenance = Working Professional



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MARKETING AND SELLING

## Duplex Deal – Sold

- Contract within a couple of weeks of priced ad
- Buyer = Single doctor @ local hospital
- Offered \$715k, they countered \$750k, agreed on \$725k – Buying as First Home Owner so needed <\$750k
- Subject to Strata titling, Building & Pest, Finance
- Strata approved within week or two
- Lucky to sell when did because next 6-9mths building next door both sides, road widening works 4mths – excavators while photographing
- Kept other ½ as PPR



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MARKETING AND SELLING

## Townhouse Deal – Marketing

- Will be ready in early July
- Interviewed local agents
- Visited existing listings that have sold to see what level of finish achieved price point
- Confirmed initial market research for price of \$1.25m each
- Confirmed need to be “complete” product including landscaping, etc



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## Team Required

- Real Estate Agent
- Marketeers
- Graphic Designer / Marketing Co
- Staging Consultant
- Interior Designer
- Photographer
- Copy Writer
- Solicitor



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### MARKETING & SELLING Activity – Worksheet 9

Review Deal Details:

List key selling features to highlight in written copy add



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# Project Review



SESSION FIFTEEN  
**Project Review**



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PROJECT REVIEW

## Review Process

- On Completion
- Finalise “actuals” feasibility
- Compare actuals with budget



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PROJECT REVIEW

## Learning Process

- Document learnings
  - What worked?
  - What didn't work?
  - What would you do differently?
  - How could you improve?
- Add learnings to master checklist
- Create or Update templates



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PROJECT REVIEW

## Duplex Deal - Learnings



- Actuals \$ vs Budget = Similar
- Minimise build variations by reviewing build contract & plans more thoroughly
- Prep for valuation to avoid undervaluation & needing to inject extra cash
- Include in build contract landscaping, aircon & building approval so covered by finance
- Have townplanner review plans before building approval to avoid driveway widening situation



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PROJECT REVIEW

## Townhouse Deal – Learnings

- Get conditions agreement in writing!
- Have confidence and back yourself when you can see a good deal
- Surround yourself with a good team and trust them



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# Creative & Specialist Development



SESSION SIXTEEN

## Creative and Specialist Development



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CREATIVE AND SPECIALIST DEVELOPMENT

### Specialist Strategies

- Commercial properties
  - Industrial
  - Retail
  - Office space
  - Warehouse
  - Car Parks



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CREATIVE AND SPECIALIST DEVELOPMENT

### Childcare Centre

- Understand regulations – particularly in terms of space per child, economies of scale, government funding
- Consider approaching existing child care operators
- Multiple approaches
  - Build and run business
  - Build and lease/outsource business
  - Build and sell business
  - Sell property and business



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CREATIVE AND SPECIALIST DEVELOPMENT

## Storage Sheds

- Understanding your customer is key
- Simple & economical build process
- Consider approaching existing Storage shed operators
- Multiple approaches
  - Build and run business
  - Build and lease/outsource business
  - Build and sell business
  - Sell property and business



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CREATIVE AND SPECIALIST DEVELOPMENT

## Caravan Parks

- Understand zoning and regulations
- Consider approaching existing Caravan Park operators
- Significant infrastructure required
- Multiple approaches
  - Build and run business
  - Build and lease/outsource business
  - Build and sell business
  - Sell property and business



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CREATIVE AND SPECIALIST DEVELOPMENT

## Creative Income Strategies

- Solar power
- Signage
- Storage
- Use of "vacant space/land"
  - Hard stand
  - Caravan/boat/trailer storage



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# Conclusion



SESSION SEVENTEEN  
**Conclusion**




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CONCLUSION

**Top 3 Actions**

- Development can be very profitable but you have to take action!!!


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CONCLUSION

**Top 3 Actions**

- Development can be very profitable but you have to take action!!!
- **What** are your top 3 actions from this Seminar?


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CONCLUSION

## Top 3 Actions

- Development can be very profitable but you have to take action!!!
- **What** are your top 3 actions from this Seminar?
- **Who** do you need to connect with to progress these 3 actions?



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CONCLUSION

## Top 3 Actions

- Development can be very profitable but you have to take action!!!
- **What** are your top 3 actions from this Seminar?
- **Who** do you need to connect with to progress these 3 actions?
- **When** will you implement?
  - Action 1
  - Action 2
  - Action 3



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CONCLUSION

## Top 3 Actions

- Development can be very profitable but you have to take action!!!
- **What** are your top 3 actions from this Seminar?
- **Who** do you need to connect with to progress these 3 actions?
- **When** will you implement?
  - Action 1
  - Action 2
  - Action 3
- **Why** is it important to you to take these 3 actions?



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CONCLUSION

## Top 3 Actions

- Development can be very profitable but you have to take action!!!
- **What** are your top 3 actions from this Seminar?
- **Who** do you need to connect with to progress these 3 actions?
- **When** will you implement?
  - Action 1
  - Action 2
  - Action 3
- **Why** is it important to you to take these 3 actions?
- **How** will you hold yourself to account to take these 3 actions?
- **How** will you reward yourself once actions are done?



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CONCLUSION



**Now Repeat process Weekly  
& be amazed at your progress  
..... In anything you choose  
to do!!**



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CONCLUSION

## Questions



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