



# COMMERCIAL PROPERTY SECRETS

Living the instant cash flow dream lifestyle

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# The Art, Science And Tricks On How To Negotiate A Killer Commercial Cashflow Deal

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TIME	DAY TWO – SATURDAY
9:30am – 10:00am	Tech Check/Networking
10:00am – 11:30am	The Art, Science And Tricks On How To Negotiate A Killer Commercial Cashflow Deal - <i>Melissa Fisher</i>
11:00am – 1:00pm	A Professionals Guide On How To Assess A Viable Commercial Deal Fast – <i>Nicolle Beer</i>
1:00pm – 1:45pm	Lunch
1:45pm – 3:00pm	Professionals Masterclass: How To Get The Money And Finance Your Next Deal - <i>Andrew Kubenk</i>
3:00pm – 4:15pm	Professionals Masterclass: What You Need To Know And Look Out For In Your Legal And Leases Documentations - <i>Calvin Kong</i>
4:15pm – 4:30pm	Q & A

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“There is no passion to be found playing small - in settling for a life that is less than the one you are capable of living.”  
— Nelson Mandela

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### What is negotiation?



- *A conversation with commitment*
- *Suitable resolution verses unnecessary compromises*

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### Negotiations – where to start?

- **Start at the end!!**
  - What do you want to achieve
- **Consider this from an overall outcome**
  - What do you really want
  - Effect on your life now and in the future
  - Financial gain now and in the future
  - How are you contributing

What is my heart's deepest desire



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# MOUNTAIN VIEWS

–38.145°  
145.846°

- Community path – *outside of our development*
  - Served council, local school kids, local walking groups
  - Kept pedestrians off the road, kept kids safe

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- Does the project / deal align with your values and goals?
- How do you feel about what you are creating?
- The truth in this is shown in the ability to sell your concept with conviction / passion (burning desire)
- Who is your customer? (who are you selling the concept to)

Do you believe  
in your strategy  
/ deal?

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Who are you negotiating with?



- **Understand who you are negotiating with**
  - Vendor, investors, agents, banks, tenants, valuers
- **What do they want / need**
  - Why are they selling / buying
  - What does the outcome mean to them

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Step 2

- Pitch your concept
- Make phone calls, set up meetings
  - Negotiation is best face to face
  - If you can't meet in person video call
- Ask questions




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## Break out Room

10 minutes – everyone to contribute

Concept = JV  
you are the working party

- Pitch your Value
- Use passion

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Let's relate this to a real deal

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### Deal – Regional Caravan Park

**Trying to achieve what?** – Income, opportunity, cash flow.

**Really wanted:** Income with no bank funding, Flexibility

**Effects: Now:** Instant income / some onsite work

**Future:** Income / Purchase land / development opportunity / full management, no onsite work

**Contribution:** Affordable, stable and secure place for people to live.

Ability for residents to work onsite

Clean and safe environment for tourists or workers

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What stops a good negotiation?



**We Do!**

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**Be yourself:** *You will project what you believe*

**Ask for what you need:** *If you don't ask you will never get*

**Offer more value:** *not everything is about the money*

**Be adaptable:** *Be open to options and other opportunities*

Be relatable and authentic

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When you are starting with limited or no funds, you need to rely on your skills to negotiate well and your preparation

Time – you can complete a deal without paying for it until settlement

Work – can be paid at end of project

Follow through – negotiations have not been fulfilled until the project is completed and all terms are met.

Negotiation has no limits

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### Know when to say “No Thank You”

- The greatest art of negotiating is being able to say “No Thank You”
- Ask for feed back
- Let go and observe



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“A good head and good heart are always a formidable combination. But when you add to that a literate tongue or pen, then you have something very special.”

— Nelson Mandela

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# A Professionals Guide On How To Assess A Viable Commercial Deal Fast

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## Understanding the Numbers in Commercial Investing

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Activities in  
Breakout  
Room:

- 1) The target return that you would like to achieve as specified by your buyer's brief is 8.5%... What would a possible offer price be, based on a yield of 8.5%?  
 $Price = \$79,709 / 0.085 = \$937,752$
- 2) Calculate the new asking price based on the asking yield in the ad, if you find that the true Net Income is \$74,000, and not the \$79,709 advertised.  
 $Price = 74,000 / 0.08 = \$925,000$
- 3) Calculate the yield from example if Owner is prepared to accept \$800,000 after negotiating.  
 $Yield = 79,709 / 800,000 = 9.96\%$

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Key  
Commercial  
Numbers -  
Yield

**Yield = Net Income / Purchase Price x 100**

From given example: Net Inc = \$79,709 p.a.

**Purchase Price = Net Income / Yield x 100**

If 8% Yield:

**Asking Price = \$79,709 ÷ 8% = \$996,362**

How do we know whether a deal is a good deal?

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Valuing Commercial Deals:

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




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**“Price is what you pay. Value is what you get.”**  
- Warren Buffet

$$\text{Price} = \frac{\text{Net Inc.}}{\text{Yield}}$$

$$\text{Yield} = \frac{\text{Net Inc.}}{\text{Price}}$$

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If  $\text{Value} = \frac{\text{Income}}{\text{Risk}}$

and,  $\text{Risk} = \text{Cap Rate}$

then:  $\text{Value} = \frac{\text{Income}}{\text{Cap Rate}}$




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**“Price is what you pay. Value is what you get.”**  
- Warren Buffet

$$\text{Price} = \frac{\text{Net Inc.}}{\text{Yield}}$$

$$\text{Value} = \frac{\text{Net Inc.}}{\text{Cap. Rate}}$$

$$\text{Yield} = \frac{\text{Net Inc.}}{\text{Price}}$$

$$\text{Cap. rate} = \frac{\text{Net. Inc}}{\text{Value}}$$

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### What are the factors influencing Cap Rate?

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



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### How we determine the Cap Rate?

- Recent Comparable Sales
- Speaking to active and effective agents in the area
- The average of recent yields achieved for similar properties
- Usually described as a range e.g. 6% -7%



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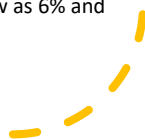
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Activities in  
Breakout  
Room:

**1) Calculate the approximate Cap Rate in an area for 100sqm retail premises if:**

- Agent A says recent yields between 6.25% and 7.5%
- Agent B says recent yields in the range of 7% and 8%
- Agent C says recent yields as low as 6% and as high as 7.75%



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**Activities in Breakout Room:**

**1) Calculate the Cap Rate in an area for 100sqm retail premises if:**

- Agent A says recent yields between 6.00% and 7.5% = **6.75%**
- Agent B says recent yields in the range of 7% and 8% = **7.5%**
- Agent C says recent yields as low as 6.25% and as high as 7.75% = **7%**

**Cap Rate = Average Yield = 7.08%**

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**Other Key Commercial Numbers**

- Net Income**
  - Rental income less outgoings
- Outgoings**
  - Statutory Expenses passed on to the tenant
- Market Rental Rates**
  - Average \$ per sqm being achieved for leases in the area
- Sale / Direct Comparison Rates**
  - Average \$ per sqm being paid for vacant property based on recent comparable sales

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