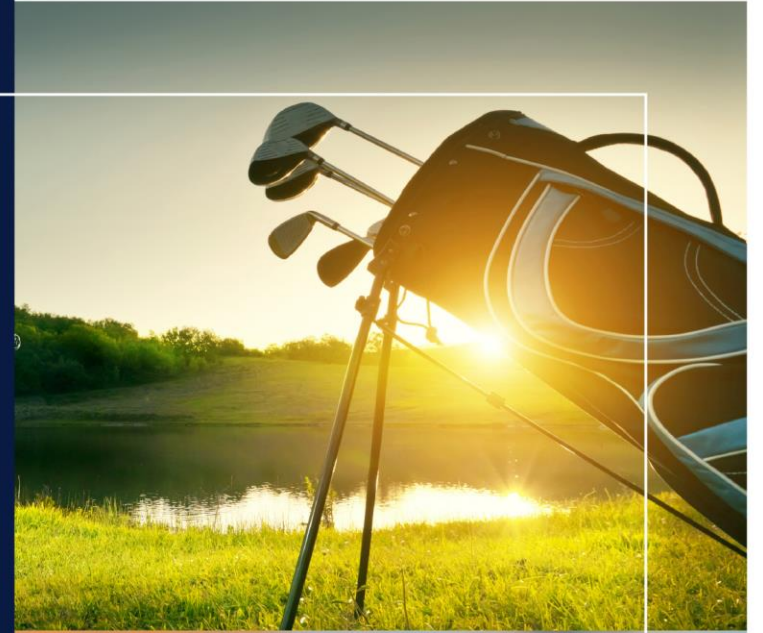


COMMERCIAL PROPERTY SECRETS

Living the instant cash flow dream lifestyle

I  LOVE
REAL ESTATE



Day 3 – Resources:
Due Diligence and Compliance

Part 1: Due Diligence Checklist

Finding the Gold (and the Dirt) in IM's - Tips and Tricks

- Net Income vs Gross Income
- Ex-GST vs Incl. GST
- Outgoings Recovered
- Owner is the tenant – check rate per sqm
- WALE, Length of tenancy and Due to Expire leases
- Vacancies, in the building vs. in the area
- Zoning and Planning overlays
- Land Area vs Floor Area and Space Utilisation



Due Diligence Period

- Shift mindset to “Where are the hidden problems?”
 - What’s going to lose you money (or not make you as much as you expect)?
 - What’s going to be a problem for your insurer?
 - What’s going to be a problem for your lender?
 - What’s going to be a problem for future tenants or purchasing investors?
- Risk → Mitigation -> VALUE Increase
- Verify, Verify, Verify - Documents as evidence.
- Pull the Trigger!

Four Pillars of Due Diligence

- 1) Physical Property and Location
- 2) Tenancy Matters including Leases
- 3) Financials: Feasibility and Exit Strategies
- 4) Compliance: Council Approvals, Title



1) The Property and Location

- Freehold or Leasehold
- Site specific constraints e.g. overland flow / easements for access and other
- Access
- Zoning and approved usages
- Environmental Issues: Contamination / Hazardous material storage
- Multi-tenant buildings – electricity and water meters? (Hairdresser vs Newsagent)
- Tenant Mix and ‘flavour’ of the building



1) The Property and Location

- Building Construction and Condition – Approved? Additions?
- Asbestos Report
- Compliance – Universal access and W&HS
- Service and maintenance contracts e.g. Fire safety
- Building and Pest Inspection
- Asbestos register
- OH&S
- Maintenance schedules : Tenant or Landlord Responsible?



1) The Property and Location

Body Corp / Community Title Scheme

- Levy Information
- Body Corporate Records Search
- Search of Body Corporate Orders
- Copies of Service and maintenance contracts e.g. Fire safety
- General levels of maintenance and repair of common areas
- Body Corporate Managers



1) The Property and Location

The Location

- What's next door?
- Where is the competition?
- Access
- Exposure
- Demand vs. Supply – Tenants and Buyers

Talk to:

- Tenants – building issues/ improvements they'd ideally like to see
- Maintenance people – any issues
- Business owners next-door e.g. Coffee shop managers or hairdressers



2) Tenancy Matters and Leases

- Retail or Commercial?
- Gross Lease vs Net Lease
- Always have a solicitor review!
- Who is on the lease?
- Security deposit, Bonds and Rental Guarantees
- Guarantors
- Rent Reviews and dates



2) Tenancy Matters and Leases

- Tenant's business in growth industry?
- Competition to Tenant's business
- Outgrowing the premises?
- Insurance in place
- Permits and Licenses in place
- OHS breaches in the past



3) Financials and Feasibility

- Property Financials (P&L Statement)
 - Income sources – rent and other forms of income
 - Income – verify consistent income
 - Expenses – verify expenses, anything missing (Maintenance contracts, etc)
 - Expenses – what is recoverable and what isn't?
- Rent Roll/ Tenant Ledger – verify income and timely collection
- Current Bond/ Guarantees – do they reflect current rent
- Valuations



3) Financials and Feasibilities: Typical Outgoings

Statutory Charges

- Council Rates; Water & Sewage
- Land Tax

Other Expenses

- Insurance
- Property Management
- Fire Detection and Emergency Lighting
- Common Area Cleaning and Janitorial
- Common Area Lighting & Electricity
- Common Area Heating Ventilation and Air-Conditioning
- Lift & Escalator Maintenance
- Pest Control
- Building Security
- Gardening and Landscaping



3) Financials and Feasibilities: Exit Strategies and Cashflow Analysis

- Cashflow at Asking Price
- Cashflow after applying the Cap Rate (True Value)
- Cashflow after optimising the opportunities
- Value after optimising the opportunities
- Sensitivity Analysis
- Outline exit strategies and resultant Cashflow and Value



4) Compliance

- Title, Encumbrances, Easements, Covenants and Restrictions
- Council Permits and Building Approvals; Approved Usage List
- Fire Safety Certificates
- Overlays - Flood and Fire
- Council Zoning (rezoning?)
- Heritage Listing
- Environmental Assessment & Hazardous materials
- Building Energy Efficiency Certificate
- Operational Health and Safety – Building / Site
- Insurances – you AND the tenant.



Additional Due Diligence by Type

Retail	Retail Lease Legislation
Office	Building Energy Efficiency Certificate (BEEC)
Industrial	Engineering Report
Specialist (Petrol Station, Car Wash and Auto Repair)	Environmental Assessment

Due Diligence Checklist

- Title Searches and Related Matters
- Council / Town Planning
- Survey
- Occupational/Workplace Health & Safety
- Drainage Sewerage Services
- Tenancy Matters
- Fixtures and Inclusions
- Building Construction
- Building Maintenance



Due Diligence Checklist (Cont)

- Building and Pest Inspection
- Service Contracts
- Recent Building Works
- Asbestos
- Insurance
- Licenses or Permits
- Body Corporate /Strata
- Environmental Issues



Part 2: Retail Leases

Retail Leases around the Country

	NSW	QLD	VIC	SA	WA	ACT	TAS	NT
Disclosure Statement	7 days before lease entered into	7 days before possession	7 days before lease entered into	before lease entered into	7 days before lease entered into	14 days before lease entered into	7 days before lease entered into or possession or paying rent	7 days before lease entered into
Min Term	5 years unless solicitor certificate	None	5 years unless Small Business Commissioner certificate	5 years unless solicitor certificate	5 years	5 years unless solicitor certificate	5 years unless solicitor certificate	5 years unless solicitor or accountant certificate
Security Bonds	To be deposited with Director-General	Any	Must be interest-bearing account, pay interest to tenant	Max 4 weeks rent	Any	Max 3 months. Must be interest-bearing account, pay interest to tenant	Max 3 months. Must be interest-bearing account, pay interest to tenant	Must be interest-bearing account, pay interest to tenant or capitalise

Retail Leases around the Country

	NSW	QLD	VIC	SA	WA	ACT	TAS	NT
Rent Reviews	Market Reviews not more than 1 per year. Must allow reduction	Not more than 1 per year (except 1 st year). Must allow reduction	Defined type of reviews. Must allow reduction	Defined type of reviews. Must allow reduction	Not more than 1 per year (except 1 st year)	No restriction	Not more than 1 per year (none in 1 st year)	Must allow reduction
Land Tax	Single Holding Basis	Cannot recover	Cannot recover	Cannot recover	Single Holding Basis	All	All	NA
Assignment	Released if assignor provides assignee a Disclosure Statement	Released if Disclosure Statements are provided	Released if assignor provides landlord and assignee a Disclosure Statement	Procedures in s45A to limit liability	LIABLE, except for future provisions	Released if assignor provides assignee a Disclosure Statement	LIABLE, except if terms (other than rent) of lease changed	Released if assignor provides landlord and assignee a Disclosure Statement

Part 3: Compliance Considerations

Land Title

RP/Samba-QLDTitle

CURRENT TITLE SEARCH LIST OF NATURAL RESOURCES AND MINES, QUEENSLAND

Request No: 15686236
Search 26161 27/11/2014 14:07

Title Reference: 1605217
Date Created: 26/11/1992

Freehold Titles 14674193

REGISTERED OWNER

Interests

Dealing No: 706819842 06/04/2005

RISCELON PTY LTD A.C.N. 049 418 382

OVERSEAS PTY LTD A.C.N. 011 969 318

TRUSTEE

BRAND INSTRUMENT 706216942

AS TENANTS IN COMMON

1/2

1/2

ESTATE AND LAND

Estate In Fee Simple

LOT 18 REGISTERED PLAN 110138

COURCY DE STABLES

LOCAL GOVERNMENT: BRISBANE CITY

PART OF RESPONSIBLY

SALENTS, ENCUMBRANCES AND INTERESTS

1. Rights and interests reserved to the Crown by

Item 1 of Const. No. 390/1/03 (POB 11)

2. EASEMENT NO. 20200224 (PARRISQCI) 26/11/1988

ERODING THE LAND

TO LOT 3 ON RP147892

OVER EASEMENT A ON RP119182

3. EASEMENT NO. 722701126 28/09/1998 AT 33%05

Beneficial Use Land OVIC

EASEMENT A ON RP111023

4. MORTGAGE NO. 732213028 08/03/1998 AT 34126

EASEMENT A 722701125

5. MORTGAGE NO. 705109644 08/06/2002 AT 25126

BANK OF MORTGAGE AUSTRALIA LTD A.C.N. 051 494 454

6. MORTGAGE NO. 710002055 28/10/2008 AT 38406

MORTGAGE 705109644

NATIONAL AUSTRALIA BANK LIMITED A.C.N. 004 044 907

7. LEASE NO. 706189942 05/10/2004 AT 14176

SPICE MOBILE PTY LIMITED A.C.N. 054 365 696

OF LEASE A ON RP149044

CURRENT TITLE SEARCH

Request No: 15686236

Search 26161 27/11/2014 14:07

LIST OF NATURAL RESOURCES AND MINES, QUEENSLAND

Title Reference: 1605217

Date Created: 26/11/1992

Page 1/2

SALENTS, ENCUMBRANCES AND INTERESTS

8. LEASE NO. 706189946 05/10/2004 AT 14127

SPICE MOBILE PTY LIMITED A.C.N. 054 365 696

OF LEASE A ON RP149044

9. MORTGAGE NO. 710002053 28/10/2008 AT 38106

NATIONAL AUSTRALIA BANK LIMITED A.C.N. 12 004 044 907

10. STATUTORY CHARGE NO. 715907016 22/07/2014 AT 11020

The Commissioner of State Revenue under 202' 60 of the Land

Tax Act 2010

RP/Samba-QLDTitle

RESTRICTIVE MATTERS - NIL
UNREGISTERED DEALINGS - NIL

CERTIFICATE OF TITLE ISSUED - N/A

Caveats have occurred - Refer to Historical Search

Caution - changes do not necessarily appear in order of priority

** End of Current Title Search **

COPYRIGHT THE STATE OF QUEENSLAND DEPT OF NATURAL RESOURCES AND MINES 120141
Prepared By: E-APPLICATIONS RP DATA

Lease

Suitable for small office buildings, factories and shop premises which are not the subject of the *Rental Leases Act 1994* where the term of the lease (including the period of any option) does not exceed three years.

This Lease is made in duplicate on _____ / _____ / _____ in the State of New South Wales,
at _____

PARTIES

Between	_____ (Name, address and ABN)	Landlord
whose agent is	_____ (Name, business address and ABN)	Agent
and	_____ (Name, business address and ABN)	Tenant
	_____ (Name, business address and ABN)	Guarantor

GST REGISTRATION

The Landlord is registered for GST. Yes No

The Tenant is registered for GST. Yes No

PREMISES

The Landlord leases the premises known as _____ (The Premises) including all fixtures listed in the inventory which is signed by all parties and attached as part of this lease.

PERMITTED USE

The Premises shall be used only as _____

RENT Except as otherwise provided the rent shall be \$ _____ (Incl GST) per _____ / _____ / _____ commencing on _____ / _____ / _____ and payable in advance by the Tenant on the _____ / _____ / _____ day of every _____ / _____ / _____ to the Landlord/Agent at the above address or at any other reasonable place as the Landlord/Agent notifies in writing.

TERM

The term of the lease shall be _____ / _____ / _____ commencing on _____ / _____ / _____ and ending on _____ / _____ / _____

OPTION

Subject to Clause 22 of this lease the Landlord/Agent offers a renewal of this lease for a further term of _____ / _____ / _____ years.

HOLDING OVER

Unless either party gives the other written notice of termination in accordance with Clause 30a, the lease shall continue as a periodic lease from month to month at the same rent or at a rent to which both parties agree.

OUTGOINGS (tick applicable box)

The Tenant's percentage of outgoings to be paid in accordance with Clause 17a is _____ / _____ / _____ %

OR

The Tenant's percentage of any increase in outgoings to be paid in accordance with Clause 17b is _____ / _____ / _____ %

BASE YEARS

Municipal Rates: _____ / _____ / _____

Water and Sewerage Rates: _____ / _____ / _____

Land Tax: _____ / _____ / _____

INSURANCE

The amount of cover for public liability referred to in Clause 15e is \$ _____

CONDITIONS

The parties agree to the conditions set out above and on the following pages and also to those conditions implied by Sections 66 and 65 of the Conveyancing Act 1919, which are not expressly negated or modified by this lease.

NOTE It is advisable for the Tenant to insure the Tenant's own property _____

Building Energy Efficiency Certificate (BEEC)

- Commercial Building Disclosure (CBD) Program through the Building Energy Efficiency Disclosure Act 2010
- Vendors and lessors must acquire a Building Energy Efficiency Certificate (BEEC) before putting up for sale or lease
- Any advertising material for the sale or lease must include the building's National Australian Built Environment Rating System NABERS Energy star rating.
- Currently, a BEEC is required when:
 - at least 75% of the net lettable area is used for office space;
 - the building's net lettable area is greater than 1,000 square metres (since 1 July 2017; before that it was 2,000 sqm)

Building Energy Efficiency Certificate (BEEC)

- How to get one:
 1. Check if Building already has a BEEC through online register
<http://cbd.gov.au/registers/find-a-rated-building>
 2. If not, engage and accredited assessor
 3. Provide required information, assessor conducts assessment
 4. Assessor submits BEEC
- Cost: Between \$4,000 and \$13,000 depending on property size and complexity

<http://cbd.gov.au/>

Environmental Assessment

- Particularly for Petrol Stations, Car Wash and Auto Repair shops
- Petrol Stations – the landlord may own (and be responsible for) the tanks. Generally the tenant owns the bowsers
- Not a legislative requirement on purchase, but usually required by the lender.
- If changing use of property (redevelopment), then will need to get a Contamination Report.

Environmental Assessment

- How to get?
 1. Contact your state's Department of Environmental Protection to find out if there is any lingering environmental litigation. (Depending on the structure of the sale, the new owner could be liable).
 2. Check if there is an existing Environmental Survey of the property already
 3. If not, engage and accredited assessor
<http://scpaustralia.com.au/directory/>
 4. Provide required information, assessor conducts assessment
 5. Assessor provides Environmental Assessment Report
- Cost: Site specific, so get a couple of quotes.



NATIONAL DIALOGUE ON UNIVERSAL HOUSING DESIGN

STRATEGIC PLAN

July 2010

The members of the National Dialogue are:

- Australian Human Rights Commission
- Australian Institute of Architects
- Australian Local Government Association
- Australian Network for Universal Housing Design
- COTA Australia
- Grocon
- Housing Industry Association
- Lend Lease
- Master Builders Australia
- National People with Disabilities and Carers Council
- Office of the Disability Council of NSW
- Property Council of Australia
- Real Estate Institute of Australia
- Stockland



Universal Housing Design July 2010

- By 2020, all new housing will include a number of basic design features that will make them safer and easier to move around in,” said Commissioner Innes. “This includes features such as **step less entries and wider doorways.**”

Graeme Innes

Disability Discrimination Commissioner