



QUANTUM
SHIFT

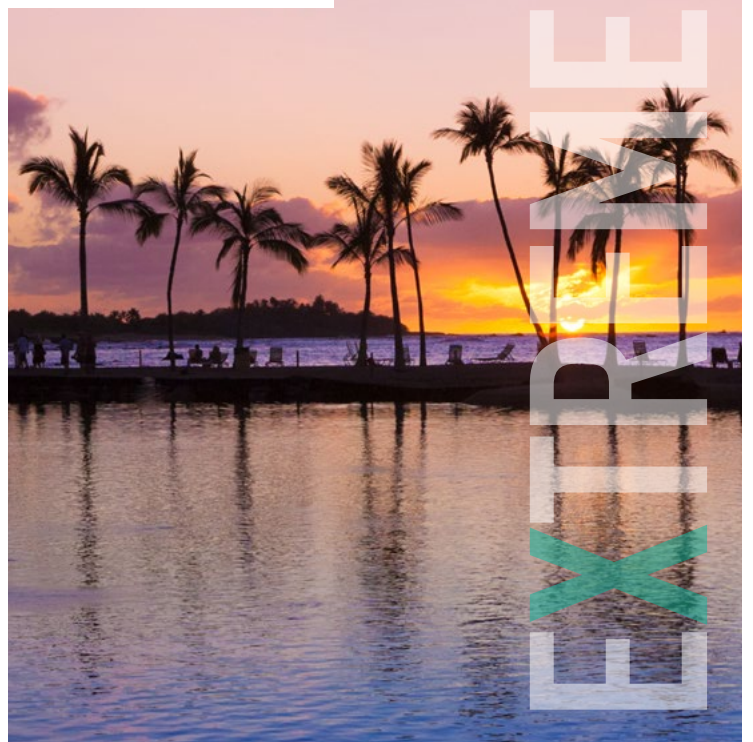
REAL ESTATE COACHING
& MENTORING PROGRAM



EXTREME INCOME

*Tactics and strategies to maximise your
cash flow now – so you can have the
ultimate lifestyle from passive income.*

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EXTREME INCOME

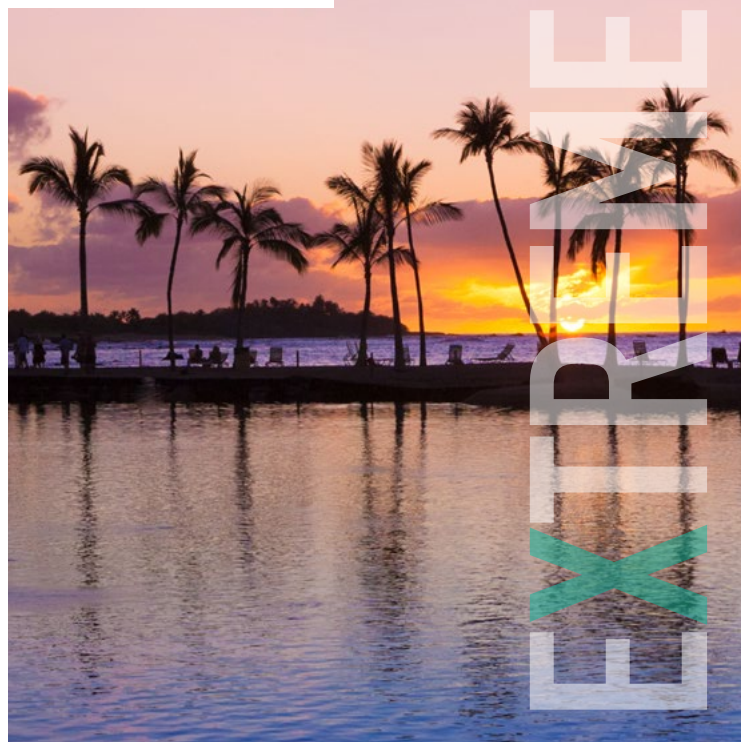
Extreme Income - Schedule Day One		
	8:30 – 9:00	Registration
DB	9:00 - 10:30	1. First Question - Slow or Fast?
	10:30 – 10:50	Morning Tea
AK & DB	10:50 – 11:50	2. Preparing for being a full time Investor
TR & GM	11.50 – 1.00	3. Regional, Mining & Negotiations
	1:00 – 1:45	Lunch
NB	1:45 – 2:45	4. Commercial DD
NB & MF	2:45 – 4:30	5. Commercial Cash Cows
	4:30 – 4:45	Afternoon Tea
TR & NC	4:45 – 6:15	6. Learning how to present a deal

Extreme Income- Schedule Day Two		
MB	8:00 – 9:45	7. Rooming, Boarding Houses
KD	9.45 – 11:15	8. Niche Income
	11:15 - 11:45	Morning Tea
KP	11:45 – 12:30	9. Tax on Rooming Houses
NC & NB	12:30 – 1:30	10. Multiple Strategies
	1:30 – 2:30	Lunch
DB,GM, MF	2:30 – 4:00	11. Business Real Estate
DB AK	4:00 – 4:30	12. Finance Debrief
DB	4:30 – 5:00	13. Having the head space to be, have and do what you want to be, have and do



1
**HOW DO YOU
WANT TO DO IT?
FAST OR SLOW?**

**EXPERIENCE
EXTREME
EINCOME**






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This weekend is all about Income Replacement

How do you go from JOB to full time investor?

- Treat it like a business!
Set goals and a plan of attack!

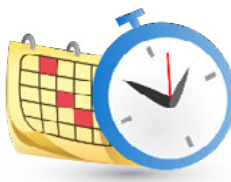


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Setting Time Boundaries

- If you don't have enough time for anything and you are feeling frustrated

Do a Time Tracker!



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Setting Time Boundaries

- Allocate designated time to building this business
- Always have an outcome directive determined before commencing work
- Allocate specific time for time intensive tasks eg. emails, returning operational phone calls
- Prioritising reduces Procrastination
- I love lists

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Stephen Covey's Time Management Matrix

	Urgent	Not Urgent
Important	<p>I</p> <ul style="list-style-type: none"> • Crisis • Pressing problems • Deadline-driven projects, meetings, preparations 	<p>II</p> <ul style="list-style-type: none"> • Preparation • Prevention • Values clarification • Planning • Relationship building • True re-creation • Empowerment
Not Important	<p>III</p> <ul style="list-style-type: none"> • Interruptions, phone calls • e mail, needless reports • Junk mail • Meetings without agendas • Non- scheduled visitors • Many popular activities 	<p>IV</p> <ul style="list-style-type: none"> • Trivia, busywork, jokes • Some phone calls • Time wasters, facebook • "Escape" activities • Irrelevant mail • Excessive TV

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MINOR TIME WASTERS

- Interruptions we face during the day
- The internet/e-mail
- The telephone/Interruptions
- Being a slave on the telephone
- Unexpected/Unwanted visitors
- Needless reports/Junk mail
- Meetings without agenda



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MAJOR TIME WASTERS

- Procrastination
- Afraid to Delegate
- Lack of planning/Hurrying/Underestimating Time
- Not Wanting to Say "NO"
- Low Self-Esteem
- Problems With Objectives / Priorities
- Unrealistic demands on self & others
- Crises



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AVOIDING PROCRASTINATION

- Break your project down into **small, specific steps**.
- Schedule these **mini-blocks of project time** on your daily to-do list.
- **Do not strive for perfection of work**, instead focus on *completing* project steps.
- **Schedule small rewards**, or alternative activities for each block of time worked.



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WHAT CAN STOP YOU?

- Negative Thoughts
- Negative People
- Low Self-Esteem
- Fear of Failure
- Fear of Rejection / Criticism

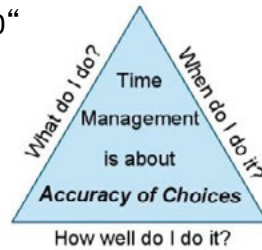


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ACTION PLAN

- Analyse your use of TIME - "80/20"
- Do not "REACT" to Urgency
- Deal with One Paper only Once
- Have a visual aid to quantify accomplishments



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ACTION PLAN

- Allocate time according to Priorities (Quiet Hour, Session I,II,III,IV)
- "TO DO LIST" (Top 3 Priorities today)
- Have a Follow through
- Learn to say two letter word - "NO"
- Visualization and Auto-Suggestion
- Delegate low Priority Item



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A Word about ENERGY

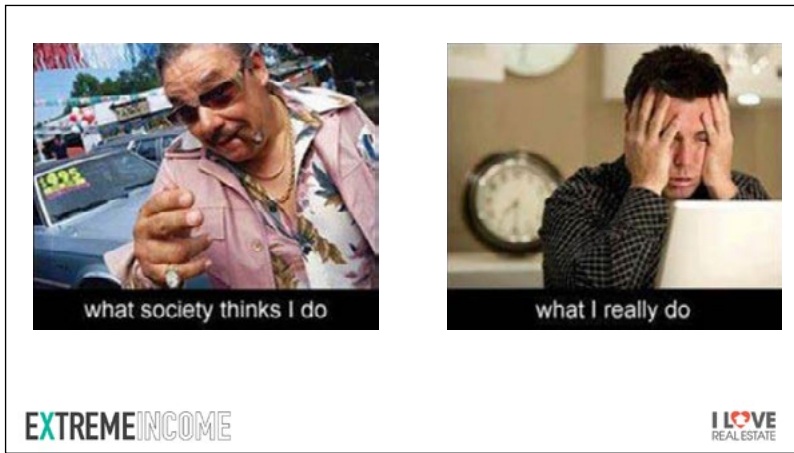
- The most overlooked aspect of time management is your energy level.
- Evaluate your energy at different times of the day eg. Morning person v night person
- Losing sleep is the worst form of sabotage
- Work on aligning your energy levels with the task at hand
- Segment intend



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Going Pro

The first thing you need to decide is do you want to go Fast or Slow?



One is not Better than the other
– it's just a matter of what you want?

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**How do you want to do it?
Fast or Slow?**




The steady as she goes method

1. Concentrate on building a passive income through cash flow positive properties while still working in the JOB

AND...






Continue to create chunks of cash to be able to continue to buy cash cows



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Ways to Quit your Job – If you Choose to

1. Build up Passive on the side while you are still working

 \$8,000 Passive	 \$15,000 Passive	 \$13,500 Passive	}	\$94,500 Passive	
 \$24,000 Passive	 \$34,000 Passive				

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Dymphna's Story

How did I go from;

Stressed, working 40 – 60 hrs a wk,
juggling sole parenting and establishing own
accounting business

To totally replacing accounting income with
passive real estate income and growing
portfolio to \$3.5 million in 18 mths?



My Story



Income \$4,260



Income \$3,840



Income \$1,920



Income \$27,400



Income \$9,800



Income \$6,320

\$53,540



Ways to Quit your Job – If you Choose to

2. Do Active Manufactured Growth as a JOB



Knock down rebuild
Duplex \$150,000
While still working



Finance into next
deal



Set up a
weekly wage
draw down



Back yourself to
make another
\$150,000 in the next
year to live on

Problem – Financing your 3rd Deal

OR Get another JOB



Chunk it till you make it?

- Use chunk deals to set up wages for the next year
- That gives you 40 hours a week, 52 weeks a year to earn your next years wages
- Eg. Your salary now is \$100k / wk
 - You do a deal That makes you \$100k while you are still at work.
 - You quit work
 - You then go full time to make your next \$100K



Does anyone see a problem here?

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**You run out of
Serviceability to
go again!**

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**But!
We have a
solution!**

Consultancy Trusts

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Types of Deals that may suit Slow and Steady

Regional Cheapies



\$6,300 Cash Flow

Purchase Price	\$90,000
Purchase Costs	\$3,437
Reno Costs	\$40,000
Revalued	\$200,000
Profit	\$66,563

- Easy to accumulate Cash Flow
- Usually immediately Passive Income
- Easy to combine a manufactured Growth Strategy as well
 - Reno
 - Subdivision
 - Strata|
 - Adding more

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Types of Deals that may suit Slow and Steady

Blocks of units - Regional / Metro / Commercial



\$22,000 Cash Flow

Purchase	\$1,000,000
Reno & Strata Cost	\$150,000
Valuation (4 units)	\$1,400,000
Uplift	\$250,000

- Usually immediately Passive Income
- Easy to combine a manufactured Growth Strategy as well
 - Reno
 - Strata|
 - Adding more
- Easy to partially sell if needed

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Types of Deals that may suit Slow and Steady

Long term Commercial



Purchase	\$1,150,000
3 + 3 + 3 year lease	
Total Rent	\$ 107,000
Cash Flow	\$ 58,000

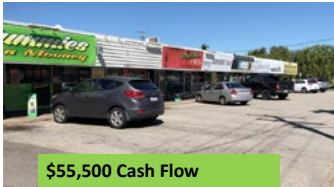
- Usually higher yield
- Can have stacker Manufactured Growth Strategies eg.
 - Reno
 - Strata|
 - Adding more
- Generally longer term tenants
- Easier to finance if low servcability

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Types of Deals that may suit Slow and Steady

Commercial Strata and partial sell down



\$55,500 Cash Flow

Purchase	\$900,000
Strata & Other Costs	\$266,000
Revalue	\$ 1,400,000
EXTREME Uplift	\$ 274,000

- Usually higher yield
- Can have stacker Manufactured Growth Strategies eg.
 - Reno
 - Strata
 - Adding more
- Generally longer term tenants
- Easier to finance if low servicability

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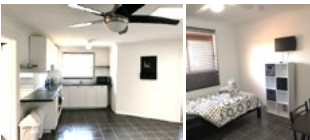
Uplift

\$ 274,000

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Types of Deals that may suit Slow and Steady

Rooming house builds or conversions



Purchase	\$280,000
Conversion Costs	\$ 45,000
Revalue	\$ 375,000

Cash Flow \$ 23,000

- Can be harder to finance but not impossible
- Can appeal to a variety of tenants
- Becoming more common place
- Landlord pays the out goings
- Higher Management
- Higher yield

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Types of Deals that may suit Slow and Steady

Unit construction and partial sell down



Purchase	\$470,000
Construction 6 Units	\$ 2,000,000
Sell of 5	\$ 2,345,000

Cash Flow \$ 22,000

- Need deeper pockets the more you do
- Larger Multi-Unit Construction needs some experience
- Great Cookie cutter strategy
- Remaining Units have low or no loan – therefore good cash flow
- Great strategy for high growth areas

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Types of Deals that may suit Slow and Steady

Adding granny flats to turn to neutral / positive



Construction \$129,000
 Rental income \$500 p.w
 Cash flow \$18,670 p.a.
 ROI 14.5%



Construction \$127,000
 Rental income \$300 p.w
 Cash flow \$12,000 p.a.
 ROI 9.4%



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Types of Deals that may suit Slow and Steady

New Construction – Dual Living



- Super easy strategy
- Not time consuming
- Easy to Finance
- Make sure you are within council requirements

Deal Details

Land Cost	50,000
Construction Cost	410,000
Manufactured Equity	140,000
Rent	630wk
Cashflow	10,000

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Types of Deals that may suit Slow and Steady

NDIS – Retro-fit Conversion or New Construction



ndis
 REGISTERED PROVIDER

- Generally new construction is better
- Difficult to finance
- Generally around a 10% return on costs net



EX

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Types of Deals that may suit Slow and Steady

Mining properties



Duplex in WA

Deal Details

Purchase	575,000
Rental	1,000/wk
Reno Opportunity	
Cash flow	19,000

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Types of Deals that may suit Fast Track

Lease and Sub-lease as room by room

Lease and Sub-lease as executive

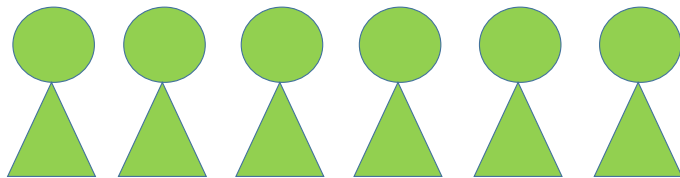


Rented in Sydney with Sub-lease potential
 Re-Rented on room by room basis
POSITIVE CASHFLOW:
Approx \$520pw
\$27,040 per year!

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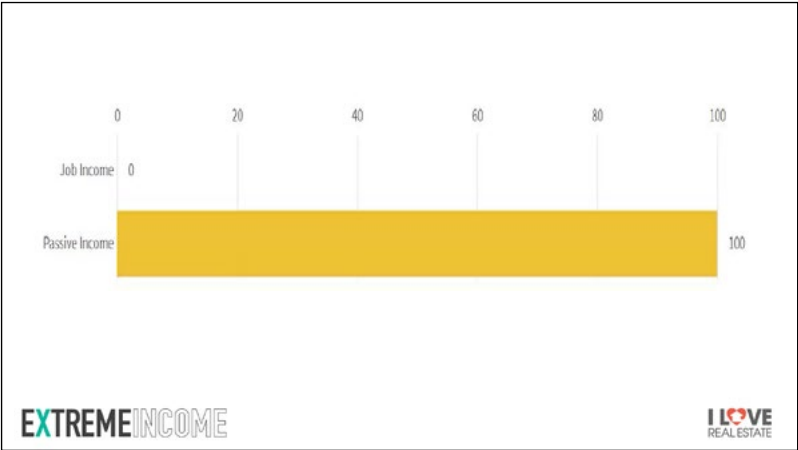
Your Structure will look something like this



8k Passive	12k Passive	30k Passive	25k Passive	30k Passive	25k Passive
Regional Cheapie Reno Refi	Regional Cheapie Reno Refi	Subdiv Reno/Build /Rooming Refi	Reno /Rooming conversion Refi	Commercial Uplift Refi	Unit Reno / Air BnB Refi

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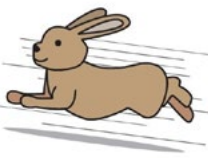


Well what about the Fast Track Method?

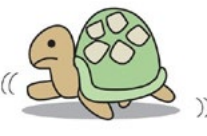
- Do the Above strategies – BUT - Do them really fast
- May need to do JV Chunks to speed up the process
- Go Hard or Go Home

So..... Which one are you?

Fast or Steady



fast



slow

Blank lined writing area consisting of 26 horizontal lines.



2
**PREPARING
TO BE A FULL
TIME PROPERTY
INVESTOR**



**Preparing to
be a full time
Property Investor**

2 Ways to have enough income to quit your job

1. Have equivalent passive income to equal current employment

ISSUES

 - while you are still working and building up passive income, you effectively had double serviceability
 - when you quit your serviceability halves

SOLUTION

 - Have enough AWE to do cash deals
 - Do Lease Doc lending
 - Do Business Real Estate Deals

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Solutions

- Have enough AWE to do cash deals

\$600 k Value

Get 90%LVR while still working

\$540 k Loan

\$440 k AWE

\$100 k Remaining Loan

Cash Deal for sale

Investment Property

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Solution

- Do Lease Doc lending
 - Lending where the income from the property is sufficient to support the loan. Your income immaterial
 - Usually only for Commercial Properties with strong Yield
 - Similar to SMSF lending

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Solution

- Do Business Real Estate Deals
 - Similar from a lending perspective to Lease Doc Lending as it is the income from the Business/Property that is used for serviceability to support the loan
 - More on this style of Investing later

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2 Ways to have enough income to quit your job

2. Do chunks deals so that you have enough to pay yourself a wage for 1 or 2 years and back yourself that you can earn the equivalent of your current wage in that time doing more chunk deals

ISSUES

- Can't get finance once your quit your job

SOLUTION

- Have your next deal purchased and financed BEFORE you quit your job
- Plan B – go back to work temporarily or permanently

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Solution

- Have your next deal purchased and financed BEFORE you quit your job



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Solution

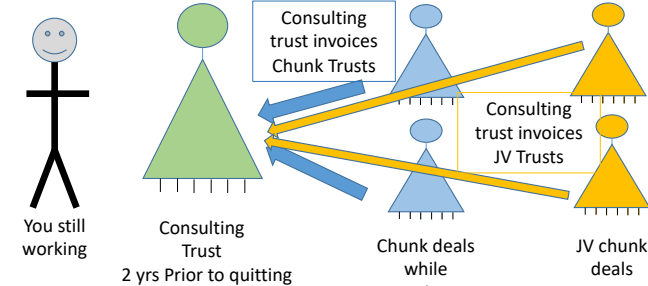
- Plan B – go back to work temporarily or permanently
 - Permanently because you haven't been able to make enough to support yourself for the following 12 months or
 - Temporarily so that you can get the required serviceability for the loan on your next deal and then quit once financing is secured (BIT NAUGHTY)

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Possible Financing Solution

- Set up a consulting trust 2 years prior to quitting your job

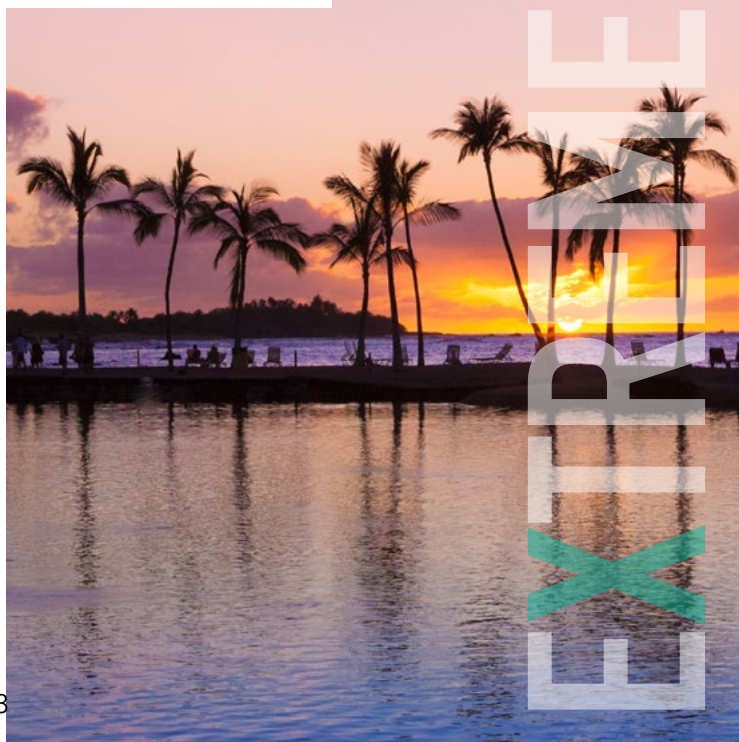
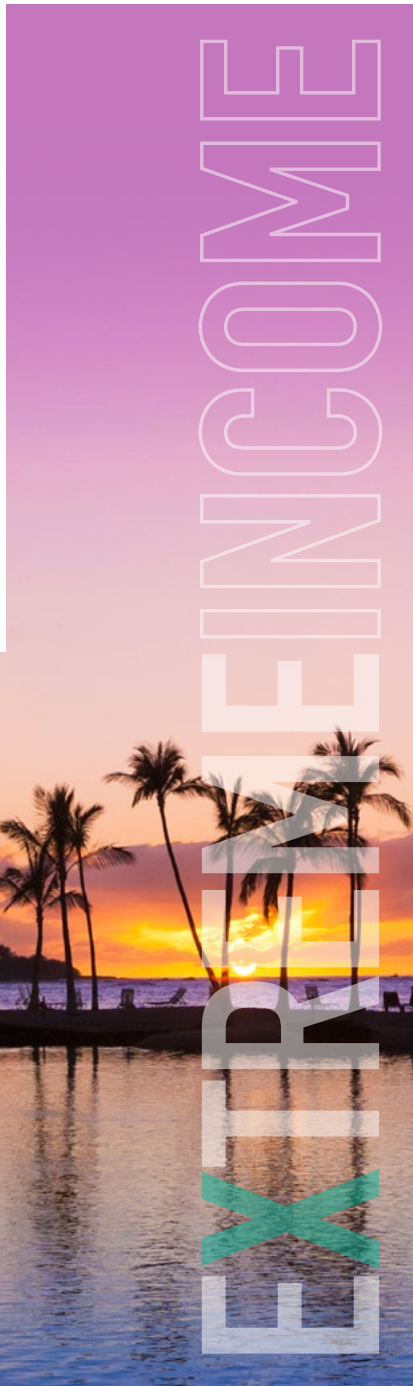


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3
**REGIONAL,
MINING AND
NEGOTIATIONS**





Regional and Mining Properties

Regional

- Lower Entry Costs
- Lower Sales Volume
- Can be lower dollar profit but usually not lower percentage profit

Cheapies

Unit Blocks

Commercial

Vendor Finance

Low Cost Living

Partial sell downs

Room by Room

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Regional Cheapies

- Great opportunity for immediate positive income
- Low Cost – Low risk
- Learn and earn your experience
- Councils are generally easier
- More forgiving
- Quite often yields can be under market rental and overall yield is magnified the more units there are eg Blocks of units
- Blocks of Units offer opportunity to partially sell down for profit and debt reduction
- Furnishing an advantage in some areas

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Cooktown \$277,000 **3 * 2 Br Units**
 Only 3 units walking distance to town. Long-term tenants with regular rental payments coming in at \$570 per week. Recently had two of the bathrooms re-tiled and a fresh coat of paint has now gone onto the outside. This gives a 10.7% return on out-lay - better than bank rates.
\$7,500 Cash flow

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Wee Waa NSW \$225,000
 Block of 4 units 2X 3 Bedrooms and 2X 1bedroom units Each 2 units have a shared laundry Long Term Tenants Current rental income is \$485 per week or 11.2% on the asking price. Rentals could be adjusted by a total of \$50 per week across the unit block. This would increase the Gross return to 12.3% on the asking price. Rental Demand in the town is very high with nil vacancy.

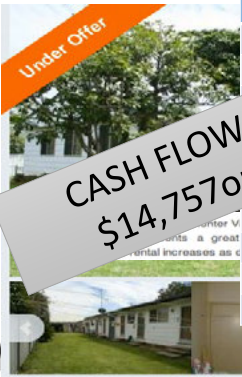
\$6,800 Cash flow

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Scone – 2 X 3 Bed Flats & 3 X 2 Bed Flats

COSTS	
Purchase	\$615,000
Purchase	\$23,025
	\$60,000
	<u>\$698,025</u>
EST @6.5%	\$45,371
Agent Commission at 8%	\$5,616
Rates, Insurance, etc	\$4,456
Total	<u>\$55,443</u>
RENT \$1,350 per week	<u>\$70,200</u>



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Cowra – 4 X 2 Bed units

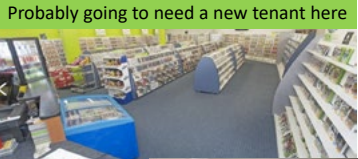
CASH FLOW POSITIVE
\$5,020 or \$96.50/ week

COSTS	
Purchase	\$257,000
Stamp Duty	\$8,995
Legal Fees	\$5,000
Total	\$270,995
Interest @6.5%	\$17,614
Agent Commission at 8%	\$2,330
Rates, Insurance, etc	\$4,156
Total	\$24,100
RENT \$140 x 4 per week	\$29,120



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Probably going to need a new tenant here



Eagleby
Sold Range: \$490,000 - \$570,000
 Net return \$69,000* p.a.
 3 tenants on one title
 Plus Commonwealth Bank ATM

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\$35,200 Cash flow

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BLAYNEY \$200,000
 Freehold Title Main street location Property continuously occupied as a legal practice since 1917 3+3+3 lease to long-term tenant Tenant pays Council Rates & Charges + Insurance Net Rental Income \$18,800 p.a. (approx.) Land Area 178m²

Be careful of seller rent back!



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\$5,800 Cash flow

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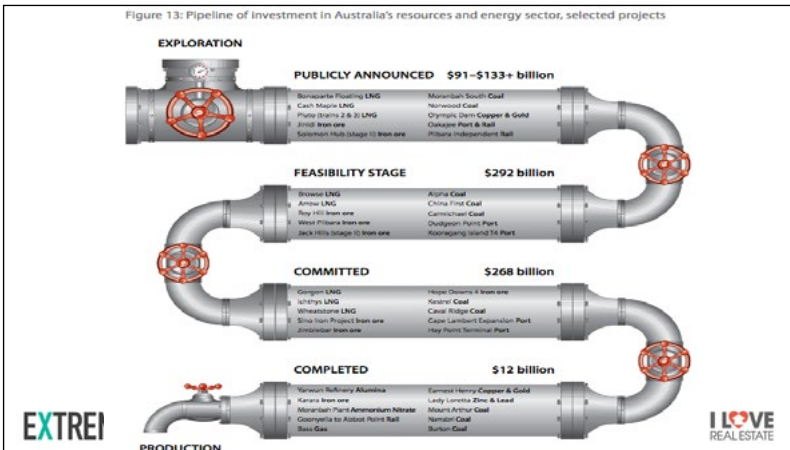
Mining

- Higher yields
- Can be more volatile in returns – exploration vs construction vs operation
- Do due diligence on mining company and its strength and longevity
- More Risk?
- Remember if you are anxious be carefully about investing in these high risk areas

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Figure 13: Pipeline of investment in Australia's resources and energy sector, selected projects

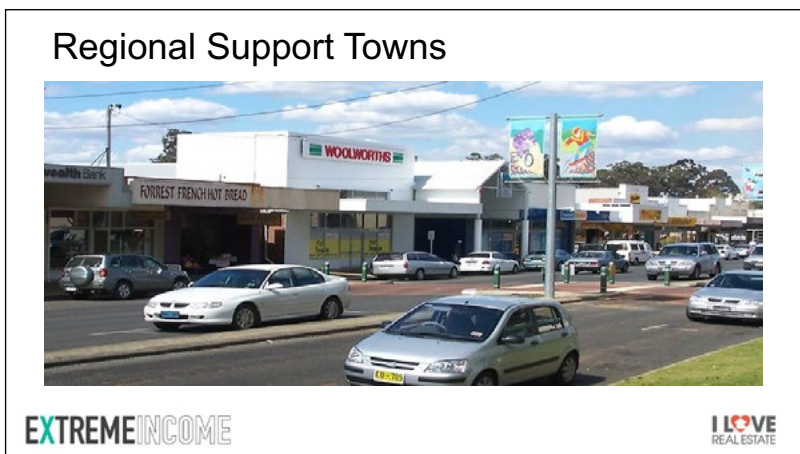


Ore Bodies

- Iron Ore
- Coal – Brown and Coking Coal
- Coal Steam Gas and Liquefied Natural Gas (LNG)
- Oil
- Gold, Silver, Copper, Zinc, Nickel
- Bauxite
- Industrial minerals – Phosphate, Magnesite, Zeolite, Mineral Sands etc.
- Trace Minerals

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Subscribe

- Subscription to as many interested sites keeps you up to date.
- Create a separate email
- Then subscribe to:
- Share traders
- Money Traders
- Mining industry
- Employment Industry
- Engineering Industry
- Whatever!!!



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- The Volatility of the Market
- Sold in 2005 \$163,000. 2007 \$320,000. 2008 \$550K. 2016 \$140,000
- Today 2020 \$400,000
- And that's mining for you

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Typical Mining Property Example 2 yrs ago Port Hedland WA 6721 \$295,000

Street offers its new owners a neat, tidy and modernised 3x1 home, located in one of the quietest and nicest streets of Cooke Point, this home also offers tropical gardens, outdoor spa and garden shed all only SECONDS walk to the beach! Rental \$400 /wk

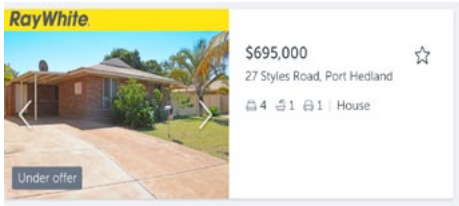


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Similar house today

RayWhite



\$695,000
27 Styles Road, Port Hedland
4 1 1 | House
Under offer

And there is a lot of -
Under Offer
Under Offer
Under Offer

Days on market are coming down

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Typical Mining Property Example 2 years ago

Moranbah Qld \$129,000
3 Bedrooms
- 1 Bathroom
- Great Rental Potential
- Kitchen with ample cupboard space

Rent \$220 - \$300
Over 220 available for rent

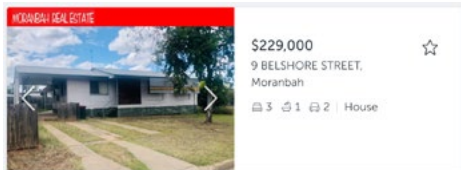
Moranbah Qld \$199,500
3 Bedrooms master bedroom with built-ins
Polished timber floors
Separate lounge and dining room
Updated kitchen with lots of bench space
Children's cubby house in the backyard
Front porch to the front entrance of the house




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Similar Moranbah properties today

MORANBAH REAL ESTATE



\$229,000
9 BELSHORE STREET,
Moranbah
3 1 2 | House



\$230,000
5 Turner Court, Moranbah
4 1 1 | House

Rent \$350 - \$450
Only 83 available for rent

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Mining town check list

The property

- How many for sale?
- Days on the market?
- How many for rent?
- How much rent?
- Break down?
eg. new/old, Bed/bath
- Trend – up or down?
- Cost to replace?

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The town

- How many mines?
- How many mining Co?
- Co policy - FIFO?
- Camp policy?
- Who owns camps?
- Trend – up or down?
- Back track prices 15 years?

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Mining not as bad as they say – need to pick the cycle



Street Smart Negotiation



Good negotiation and communication skills are essential for good property dealings

- Buying a Property
- Selling a Property
- Contracting Trades, Professional, Agents etc
- JV Partners
- Seller JV's
- Options
- Even Auctions!



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Works on your Strengths

- Create your own style
- But adapt to the situation



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Dealing in Regional areas is different from Metro

- Regional & Mining areas are more relaxed
- Be prepared to spend time talking with everyone
- Say hello to everyone, and “NEVER judge a book by its cover”
- Speak to the Locals
- Police Station, corner store, Petrol station, hardware, etc.
- The publican knows everything!



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Careful of the Subliminal Messages

- Don't drive your BMW, Audi, and Mercedes
- It may lead to inflated pricing on quotes and sales
- Just drive in a standard everyday car



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Dealing in Regional areas is different from Metro

Don't be a WANKER

- Sports Jackets, shiny cufflinks, suit & tie, and designer clothes probably won't get you any further than just presenting yourself neat & casually.
- On the flip side we'll spot you a mile away if you try to wear clothes that you **think** are "country".



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Weekends and Nights may NOT work

- Country agents are not always on call 24/7.
- They may make themselves available with notice.



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Wealth of Knowledge

- Regional agents can often be older
- They have been in that location the majority of their lives
- Can be more helpful than you know when it comes to finding out the internal workings of a particular town
- Agents are normally honest and telling you the real story
- In many cases they will know the history of the particular property you are looking to purchase.



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Do NOT Assume

- Don't assume
- Looks can be deceiving
- Material things are not always relevant
- Although they can often be "doing well" for themselves it may not be apparent.



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Trade & Materials

- When dealing with Trades referrals are very important.
- In many cases one trade will know the others
- So get one tradesman and then ask the question for o trades
- Do NOT upset one of them or they will all be upset
- Materials can sometimes be hard to access
- Don't always assume the trade is lazy or ignoring your
- Delivery times, distances and availability of products o limited.
- Buying in town can be expensive so seek alternatives



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Allocate more time

- Be prepared to allow things to take a little longer than the city.
- Distances to travel can be greater for agents into other towns away from their office
- They will quite often group things like inspections or visits to sites together to save travel times back and forwards.
- Don't be afraid to ask agents and trades opinions
- You may not like it or use it but it will at least give them some in put and ownership on the job.



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Trade in Country Currency

- A slab/carton/box of beer can be invaluable.
- Many much more expensive jobs have been done for a slab
- Be State specific with type of beer
- Especially if it's cold and you can help them drink it



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Council Documentation

- Properties often change hands less in regional areas
- Be prepared to wait for titles, plans etc to be found.
- They are archived and often not in electronic format.



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Negotiation Strategies

- Everything is negotiable
 - Due Diligence Period
 - Settlement Period
 - Deposit Amount
 - Rental Guarantees
 - Who pays costs
 - Price
- More money in Terms than Price
- Never accept an offer. Always counter.



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Negotiation Tips and Tricks

- The Longer the negotiations go for the more someone is willing to compromise.
- Always give reasons when you counter
 - “Ok, I’ll come up to X because of Y”
 - “Ok, I’ll come up to X if you agree to Y”



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Negotiation – The power is in the Terms!

- Extended Settlement
- Early Access
- Inclusions in the sale
- Be specific
- Management or Lease agreements with an Option to purchase
- Don’t get too cute!



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Horizontal lines for writing or drawing.

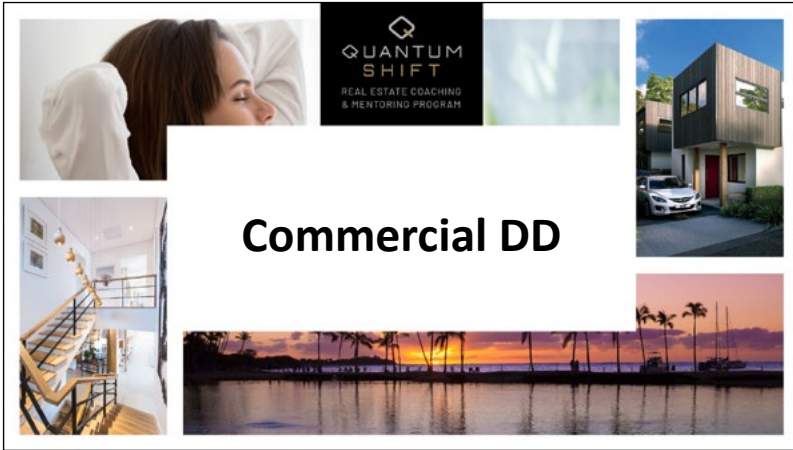
QUANTUM
SHIFT

REAL ESTATE COACHING
& MENTORING PROGRAM



4
COMMERCIAL
DUE DILIGENCE






Commercial Investing – Where to start?

Ultimate Students:
Commercial webinars on MOW

Quantum Shift Students:
Commercial Secrets Virtual Bootcamp


Platinum Accelerator Students:
Personal Mentorship and National Conference presentations



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Why is DD so important?

- Asset being held for Cashflow for presumably a long time
- Cashflow properties sometimes have no upside to mitigate risk
- We can negotiate a lot of potential risk out of the investment at purchase
- Identifying, measuring risk via Due diligence is a way of building in value at purchase by negotiating the price down



Offer and Contracts

- **Always** make a written offer
- Deposit
- Due Diligence – 60 or 90 days
- Finance – 60 days
- If purchasing in SMSF, explain the process to both agent and vendor if necessary – no quick settlements with Commercial deals in SMSF
- New Lease – contract subject to satisfactory negotiation and signing of lease
- **Legal advice on lease documents essential**



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Lease

- Binding legal document – Have it read carefully by an expert!
- Have your solicitor explain anything you don't understand
- Term of Lease
- Options to renew
- Annual increases – CPI or Fixed rate
- Reviews to market – Timing NB
- Gross or Net
- Bank guarantee and / or Directors guarantee



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Things to look at in a lease: Original Lease Document

- Is the lease a copy or the original? ... Why does it make a difference?
- As part of your due diligence process, ensure that you see the **original lease document**.
- You are legally bound to the terms in the original lease, and the copy may have been altered and photocopied.
- This may have been done fraudulently or by mistake.



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Signatures

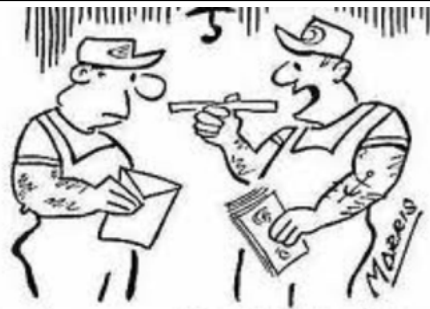
- Each page of the lease should have at least **two signatures**...the landlord's and the tenant's.
- This is to ensure that no extra pages have been added.

Rent

- The rent due should be stated as to whether it is **net or gross**.
- A **Net Lease** : Tenant pays rent + outgoings + GST
- A **Gross Lease**: Tenant pays rent. Landlord pays for outgoings + GST

E • The difference is important! Why?

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"I've got more money from my tenants this month...
They've paid me the outgoings and kept the rent!"

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Chattels

TOPIC 11 - COMMERCIAL LEASES

- It should be stated in the lease **who owns the chattels**.
- Often the chattels are not listed or not listed properly, and over time, the landlord and the tenant may forget who owns what.
- Important for calculating depreciation, maintenance costs, and fair purchase price.
- Not uncommon to buy property with 25% of its value tied up in fittings and chattels.



© Merrily Harpur

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Rent Review

TOPIC 11 - COMMERCIAL LEASES

- The rent reviews are generally at or ahead of lease renewal, or at the 3 year mark if leases are long term.
- Opportunity to increase the property yield and the property value.
- If you have bought a property at below market rental, this is your opportunity to increase the rent and get the added value.
- Consider the timing of the rent review, especially if it coincides with the lease expiry or renewal



Your commercial property manager working hard from home during Covid to gather comparables for your tenant's rent review!

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Options to Renew

TOPIC 11 - COMMERCIAL LEASES

- An option to renew gives the tenant the right, but not the obligation to renew their lease and remain in the property until the end of the renewed term if they want to.
- These options are not advantageous to the landlord, and in fact can be detrimental. Despite what some advisors may tell you, they are NOT part of the original lease term.
- Example: Original lease term is 5 years, with 3 options to renew of 5 years each = 5 X 5 X 5 X 5 X 5.
- The three additional options add up to 15 years, plus the original 5 year term = 20 years?
- NO! It is a 5 year lease = 5 X 5 X 5 X 5

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Options to Renew

- Banks will only value the first lease term.
- A series of renewal options, is pretty but not guaranteed.
- Consider if you are offered good money for the property by an owner/ occupier?
- A rule of thumb when negotiating a lease with options to renew, is if the tenant agrees to a 5 year term, be prepared to give a 5 year option but no more.
- Better to renegotiate the lease entirely, if the tenant wants to remain at the end of the lease term. More exit strategies and negotiating power to the Landlord



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Outgoings

TOPIC 11 – COMMERCIAL LEASES

- Outgoings are the expenses associated with the property, and form part of every commercial lease.
- **You must qualify:**
 - What are the outgoings?
 - Who pays for them?
 - What percentage is payable by the tenant and the landlord?
- The outgoings are usually **apportioned** in accordance with floor space



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Reinstatement / Make Good Clause

- This means that the tenant, on vacating, must return the building to original condition considering, the normal wear and tear on the building.
- This is a **useful clause for the landlord** but not the tenant.
- Also called **Make Good**; or, **Remediation Clause**



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Ratchet Clause

TOPIC 11 – COMMERCIAL LEASES

- Full ratchet clauses went out of favour over recent years as businesses and companies were locked into paying higher rentals when the market rental dropped.
- In this situation, tenants can become unhappy, and may decide to leave the premises. You, as the landlord are much better off with a lower rental figure and a happy tenant, so consequently a soft ratchet clause is a good option.
- A soft ratchet clause ensures that the rent will never go below the starting point. The rent can increase and decrease over the term of the lease, but even if the market rental decreases significantly, there is still a bottom figure. Of course banks like ratchet clauses because they know you are guaranteed at least the starting figure.

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Insurance

- Normally, the insurance on the building will be covered by the landlord but can be written into the lease agreement that the tenant is responsible for paying this.
- This could be dangerous, if the tenant is not conscientious, and lets the insurance fall behind, as your building is then not covered if there is an incident.



Subleasing

- The consent of the landlord may or may not be required for any assignment of the lease or subletting of a commercial property.
- This will need to be written into the lease agreement.
- Where the lessee is a corporation, there are provisions to protect the landlord against any change in the initial corporate structure.





Checklist for commercial leases

- Check if there are any conditions that may affect the lease commencement date or availability for possession of leased premises on or before specific date?
- Check if there are any conditions or obstructions to effectiveness of the lease e.g. obtaining zoning variance for tenant's intended business use, or other licenses required for operation of the tenant's business.
- Check deadline dates for rent reviews and what steps, if any, each party must take to indicate satisfaction of condition (e.g., written notice to other party).
- Familiarise yourself with the conditions for automatic lease cancellation; cancellation by written notice; and effects of failure to meet conditions



Checklist for commercial leases

- Check the terms of the lease... fixed period (and if so, the length of the term) or month by month, and the rights of the tenant to renew.
- Check if the occurrence of any event (other than tenant's default) will give either party the right to terminate the lease before its natural expiration, e.g. The Landlord's sale of leased premises or the tenant's loss of legal right to operate its particular business?
- Check when rent is due and the amount payable.
- Check what percentage of outgoings such as utilities, each tenant is required to pay.
- Check how rent is calculated in multi-tenanted properties e.g. per square metre



Checklist for commercial leases

- Check if basic or minimum rent can increase over the term of the lease, either by fixed dollar amounts at scheduled intervals, or increases tied to CPI.
- Check if the rent is net or gross.
- Check who is responsible for other outgoings such as rates and insurance.
- Is the tenant is required to put down a security deposit, and if so, how much.
- Check if the tenant's use of premises will be limited to specific business.
- Check if the tenant has the right to change its use of premises during the term of lease, either with or without the landlord's approval.



Checklist for commercial leases

- Check if there are any **specific restrictions on tenant's use**, such as prohibitions against nuisance, waste, unlawful purposes, storage of hazardous products etc.
- Check the **Body Corporates** in large buildings for rules and regulations with which tenants and landlords must comply.
- Check if there is a **non-competitive clause** given to the tenant, meaning that no other tenants in the same business may tenant the same building.
- Check if the **tenant is permitted to make alterations or improvements** to the leased space without the landlord's permission.
- Check **who is responsible for maintenance and repair of the premises**, especially on vacation of the property.

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TOPIC 11 – COMMERCIAL LEASES

Checklist for commercial leases

- Check **who is required to pay the cost of insurance** and if there are any special requirements for insurance.
- Check which party is **obliged to repair or rebuild** in the event of whole or partial destruction.
- Check if either party has the **right to terminate the lease** in the event of total or partial destruction.
- Check what happens **if part or all the premises is condemned**, and if the lease is terminated or only partially terminated. Will the rent be reduced pro rata or on some other basis?
- Check if the tenant has the **option to purchase or right of first refusal** to purchase.

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TOPIC 11 – COMMERCIAL LEASES

Activity

- If you have access to a lease agreement for a commercial premises, go through the above checklist and determine if the lease has covered all contingencies or if it has covered others not in the checklist above.
- If you don't have access to a lease contract, download one from the internet and do the same activity.
- The easiest way to get one, is to ring up about a commercial property and say you are interested in purchasing it and have a copy of the lease agreement sent to you.
- Expect, in some cases, to sign a confidentiality agreement.

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Finance

- Specialist commercial finance broker
- **Valuation** – completely different to residential valuations and not based on bricks and mortar
 - Direct Comparison and Capitalisation methods
 - Risk Assessment
 - Leasing and Sales Evidence
- **Insurance** – Business including plate glass and signage, legal liability, Back in Business, Machinery Breakdown
 - Landlord has insurance
 - Tenant has insurance
 - If Tenant is underinsured or in breach of insurance obligations, then Landlord's insurance is null and void.

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Post Settlement

- Make sure you have additional funds for **first month's repayments, rates**
- **GST** – quarterly Business Activity Statement
- Yearly budget for **outgoings** if paid by owner
- **Reconciliation** of budget at end of 12 months – adjustment of rent
- **Management agreement** with Commercial Property Manager
- **Land Tax**
- **Minutes particularly for SMSF – document purchase, property management agreement, finance, update investment strategy etc**

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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 Access Compliant Drivers

- By 2050 26% will be aged 60+
- One in five Australians has a disability
- Conservatively one in 10 households has a person with disability that requires some level of assistance with daily activities
- 60% probability that a new house will be occupied by at least one person with disability over its lifetime. This increases to 91 per cent when you account for visits by friends and relatives who have a disability.
- Ability is not static and changes throughout a person's lifetime – this includes sporting or temporary injuries
- A national survey conducted with older homeowners has found 78 per cent support Universal Housing Design principles in their own home and over 60 per cent support the widespread incorporation of Universal Housing Design principles in Australian housing.

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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

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Justifiable?

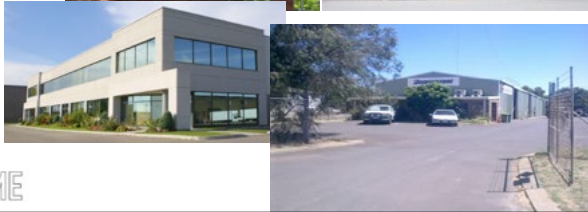
Unjustifiable?

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Different Classes of Buildings

- Residential
 - Single dwelling
 - Multi dwelling
- Commercial
- Industrial



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CLASSES OF BUILDING		
Class 1	Class 1a	A single dwelling being a detached house, or one or more attached dwellings, each being a building, separated by a <i>fire-resisting</i> wall, including a row house, terrace house, town house or villa unit.
	Class 1b	A boarding house, guest house, hostel or the like with a total area of all floors not exceeding 300m ² , and where not more than 12 reside, and is not located above or below another dwelling or another Class of building other than a private garage.
Class 2	A building containing 2 or more sole-occupancy units each being a separate dwelling.	
Class 3	A residential building, other than a Class 1 or 2 building, which is a common place of long term or transient living for a number of unrelated persons. <i>Example: boarding-house, hostel, backpackers accomodation or residential part of a hotel, motel, school or detention centre.</i>	
Class 4	A dwelling in a building that is Class 5, 6, 7, 8 or 9 if it is the only dwelling in the building.	
Class 5	An office building used for professional or commercial purposes, excluding buildings of Class 6, 7, 8 or 9.	
Class 6	A shop or other building for the sale of goods by retail or the supply of services direct to the public. <i>Example: café, restaurant, kiosk, hairdressers, showroom or service station.</i>	
Class 7	Class 7a	A building which is a carpark.
	Class 7b	A building which is for storage or display of goods or produce for sale by wholesale.
Class 8	A laboratory, or a building in which a handicraft or process for the production, assembling, altering, repairing, packing, finishing, or cleaning of goods or produce is carried on for trade, sale or gain.	

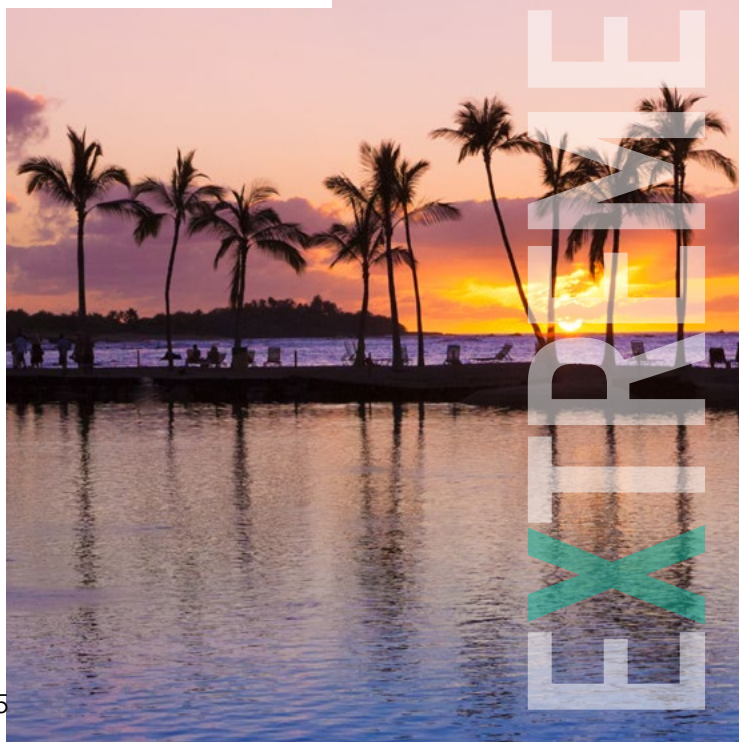
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Class 8	A laboratory, or a building in which a handicraft or process for the production, assembling, altering, repairing, packing, finishing, or cleaning of goods or produce is carried on for trade, sale or gain.	
Class 9	A building of a public nature -	
	Class 9a	A health care building, including those parts of the building set aside as a laboratory.
	Class 9b	An assembly building, including a trade workshop, laboratory or the like, in a primary or secondary school, but excluding any other parts of the building that are of another class.
Class 10	Class 9c	
	An aged care building.	
	A non habitable building or structure -	
	Class 10a	A private garage, carport, shed or the like.
	Class 10b	A structure being a fence, mast, antenna, retaining or free standing wall, swimming pool or the like.

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5 COMMERCIAL CASH COWS



Commercial Cash Cows

Believe you can and you're halfway there.

Theodore Roosevelt

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So what do you look for in a Commercial Property

- Yield
- Strength of tenant
- Strength of area
- Compare to surrounding CAP rate (under market yield)
- Room for growth and expansion
- Time is on your side for due diligence
- Flexibility of negotiation is on your side

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2 Styles of Commercial Investing

1. Invest for Long Term Yield

- This has been the traditional style of investing by passive investors over the years
- Suits SMSF style investors
- Good indexation in the leases means consistency of rent that exceeds inflation
- With a long term tenant it's hassle free
- Usually tightly held, until some dies or divorces

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Parma & Pot - Pub

Great Cash Flow with Uplift opportunity

- Reno and utilise accommodation
- Add Bottle shop



Purchase price	\$900k			Mgmt 2%	Adjusted Rent Yield	Interest	Profit p/a	
Stamp duty	\$48k	pa Inc		3%		5.50%		
Legals & cost to buy	\$4k							
Total buy cost	\$952k							
Rental income	\$81k							
Yield	8.50%							
		2019	\$85,933	\$1,719	\$84,214	8.84%	\$33k	\$51,214
		2020	\$88,511	\$1,770	\$86,741	9.11%	\$33k	\$53,741
		2021	\$91,166	\$1,823	\$89,343	9.38%	\$33k	\$56,343
		2022	\$93,901	\$1,878	\$92,023	9.66%	\$33k	\$59,023

- New Val 1.2m rent 85,932 = 7.12% cap rate (is this comparable)
- Lease reassessment - 5 years then 3 x 5 years options
- 3% rental increases annually
- Tenant pays all outgoing
- Upstairs and yard excluded from lease, separate agreement for them to use until redevelopment (they maintain it)
- **Opportunity to renovate the upstairs and beer garden**
- Cost 700k - Lease increase 80k
- Total lease will be 165,932
- Total costs will be 1,652,420
- Yield 10.04%
- Cap rate 7.12 = \$2,330,505 value increase 678k



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Buy and Hold



If 100% Lend
\$28,000
Positive

If 30%
Deposit
\$48,000

State Government Tenant purchased
at 11.3% yield + 4% indexing

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2 Styles of Commercial Investing

2. Invest with a view to manufacture growth and income

- This is more for the active investor
- Less common than you would think, few investors actually target this style of deal
- Great for elevating value & income
- More of a Non-SMSF deal
- Suits Stratas, Subdivisions, Renovations, Construction of additional space, under-utilised properties, vacant properties etc.

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Buy Vacant / Reno for Cash flow / Revalue

Refurbishment of two commercial offices NSW.



Leases in area range between \$200 and \$492 per sq metre.
The median price in this area within 500 metres of the hospital is \$340 per square metre.

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Reno for Cash flow and Revalue Refurbishment of two commercial offices NSW.

Purchase Costs	
Purchase Price	\$550,000
GST	\$55,000
Stamp Duty	\$21,000
Legals / Misc	\$20,000
Capital Costs	
Purchase	\$646,000
Refurbishment	\$140,000
6 Months Holding @ 8%	\$31,000
Total Purchase Cost	\$817,000

Reno for Cash flow and Revalue Refurbishment of two commercial offices NSW.

Purchase Costs		Refurbishment Costs	
Purchase Price	\$550,000	Flooring	\$25,000
GST	\$55,000	Suspended Ceiling	\$30,000
Stamp Duty	\$21,000	Internals	\$40,000
Legals / Misc	\$20,000	Cabling / Electrics	\$25,000
		Other	\$20,000
			\$140,000
Capital Costs		Income / Expenses	
Purchase	\$646,000	Lease @ \$300 m2	\$145,000
Refurbishment	\$140,000	Interest (P & I)	-\$65,000
6 Months Holding @ 8%	\$31,000		
Total Purchase Cost	\$817,000	Net Cashflow PA	\$80,000



- Cash flow \$80,000
- Funds required to complete
(30% of \$550,000 + purchase costs = \$96,000)
+ reno and holding costs \$ 430,000
- Estimated value on completion
(\$145k / 9% CAP rate) \$170,000
- Profit on Project \$1.6 m
- Cash back on revalue \$783,000
- (1.6M x 70% LVR) – 817K \$303,000

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Look for the deal opportunity
- Possible Strata into smaller units



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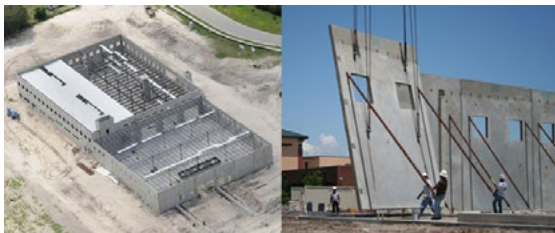
Commercial Construction Types

- **Tilt Slab**
 - Cast on site and erected
 - Must be qualified rigger
 - Need Engineering Drawings
 - Costs range from \$130 - \$160 /2m depending on the thickness
- **Pre-Cast**
 - Poured in Factory and Trucked to site
 - Costs similar
- **Form Cast**
 - Permanent formwork erected and concrete poured in the middle

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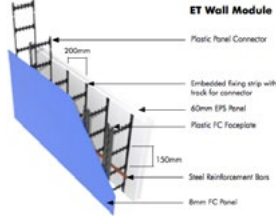
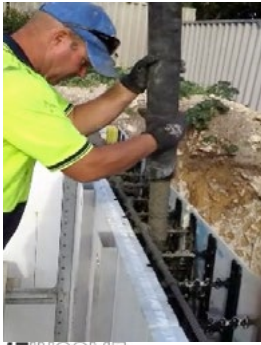
Tilt Slab Construction



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Finished Form work



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- If you can design in modular blocks – you can build in factory and move to site
 - this reduces time – as soon as Council approval is gained – factory construction can start
 - less affected by whether
 - lends its self to Chinese imports either completely or in part
 - keep wet areas in modular blocks

Think Modular

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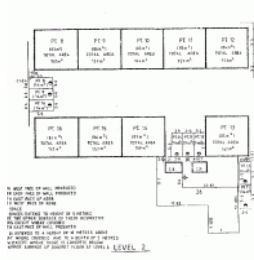
The finished product doesn't have to look modular



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Commercial doesn't have to be expensive!



\$69,000 Mt Kuring-Gai NSW

Undeveloped Strata Lot 26 - Industrial - ready for use as described below Transportable...

Cheap storage /office future development very

Cheap to hold returning \$7,000 per year 180 2M

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Using Businesses to Increase Property Values

- **Idea One**
Purchase vacant or partially vacant Commercial Real Estate with a view to establishing a business in the building – Sell the business with commercial lease in place
- **Idea Two**
Purchase a run down business with real estate attached – Improve the business – Keep and refinance and/or sell Business with commercial lease in place
- **Idea Three**
Buy run down or establish new businesses and build an industry specific empire

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Businesses that Suit the Real Estate Play

- Anything you have expertise in
- Caravan Parks / Over 50's Parks / Relocatable Home Parks
- Hotel / Motels
- Back Packers / Hostels / Guest Houses
- Pubs
- Brothels



Australian Model



US Model

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Heathcote Guest house conversion

- Reno, turn 7 rooms 4 bathroom guest house, into a 13 room, 10 bathrooms motel with a bar, 250m2 outdoor deck area and now a restaurant and Cellar door. - Build business and sell off, keeping the building, strata off sections, realign boundary, vacant block....maybe more accom, maybe



Started reno July 2017 – Opened October 2017. Added restaurant June 2018, cellar door Sept 2018. Currently Approx. \$287,000 eq gain



LOOKING TO SELL BUSINESS AND MAINTAIN AN 100K PER YEAR LEASE TO START

EXTREMEINCOME

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The Project

- **Starting Point**
 - We bought a run down guest house and laundromat on two blocks as a going concern running at a loss
 - Class 3 building, commercial 1
- **Expectations – Our Brief**
 - Realign the boundary – end up with vacant block 802m2
 - Renovate and add more rooms
 - Expand the laundromat
 - Increase business to be profitable
 - Add bar, restaurant and function room
 - Add storage containers / units to the vacant block – or deluxe caravans
 - Keep building, build businesses, sell some?

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Numbers

Stage 1		Stage 2	
Purchase Inc all purchase costs	\$ 483,385.00	Construction & Fit-out	\$ 397,417.00
Construction & Fit-out	\$ 526,529.00	Separate Specialised Contractor	\$ 48,365.00
Separate Specialised Contractor	\$ 93,148.00	PC Sums Other Building Works	\$ 48,365.00
Works By Owner - External	\$ 41,385.00	Kitchen Equipment Contractors	\$ 238,611.00
Works by owner - Internal	\$ 33,095.00	TOTAL STAGE 2	\$ 732,758.00
TOTAL STAGE 1	\$ 1,177,542.00	Total Stage 1 & 2	\$ 1,910,300.00

Income Options:

- Lease \$150,000.00 pa to separate party
- Operate business & grow to est. profit \$300,000 pa*
- Partial Lease partial business operation

Value:

- With business 2 year figures \$3.1M
- Without Business at all \$2.4m
- With unestablished business \$2.7m

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Considerations

- We are utilising some things that were with the purchase, so we don't have to buy everything
- Engaged a local as a manager, they have plenty of contacts.
- Local trades, involved in the project not just doing it.
- Marketing underway - new website and social media platforms
- Added security cameras and opened laundromat 24/7
- Offering venue to local events – movie nights, business functions, local wine tours, working in with local brew

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What's next

- Test the market – accommodation, Bar, Meals, Tours
- Stage two works, Restaurant set up, planning application for Laundromat extension and mezzanine with workers rooms
- Vacant block – more accommodation, storage units
- Need to be careful not to over capitalise
- Choices – plan b – workers accommodation, with meals.
- Choices – Sell off the business.
- Choices – Sell all of it

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Actual Student Deal – Purchased for \$675,000

		2017	2018	2019	2020
Annual Income (floor space)					
Shop 1 and 2	156sqm 30.4% CBA	35,095	35,095	35,095	42,114
Shop 3	56sqm 10.9% Vacant	0	10,080	10,080	11,290
Shop 4	46 sqm 11% Agape Family Dentist Pty Ltd	13,559	13,559	13,559	14,888
Shop 5	65sqm 12.6% Flame Tree Coffee Lounge	14,300	14,300	14,300	17,550
Shop 6	190sqm 37% Vacant	0	0	27,000	30,240
Sub Total		62,954	73,034	100,034	116,082
Profit		17,647	28,403	58,535	103,276
	Net ROI	18.68	16.46	24.87	15.32
	Yield	9.33	10.82	14.82	17.20

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\$440k Commercial Cash Cow for SMSF



- Asking Price = \$499k
- Asking Yield = 7.5%
- Purchase Price = \$440k
- \$59k saving!!
- Industrial Unit
- **Net Cashflow \$22,790 pa**
- Resulting Yield of 8.6%
- Pay-off Loan in 7 Years

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Industrial Unit for more Cash Flow \$1.15 M

- Industrial Steel Shed
- Owner wanting to sell and Lease back
- Well established and long-standing Business.
- 3+3+3 yr lease
- Gross Rent \$107k + Out goings
- Cash Flow \$58k



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4 Shops, Two residences on two titles right next door to ALDI!! Asking Price \$1,600,000 total of 1500m2 combined



INVEST & DEVELOP IN MAIN RD

Land/Development

22 Main Road, Moribuk, Vic 3793

Floor Area: 190 m²

Land Area: 190.00 m² (approx)

Property Description

- 1 Land Area: 1.16602 (approved)
- 1 Building Area: 190m² (approved)
- 1 Shop Frontage
- 1 Zoned Commercial 1 and Low Density Residential
- 1 Subdivide or Develop (STCA)

Sold

Contact Agent

SOLD: Fri 17-Jul-19

Additional Details

Tenure Type

Vacant Possession



Row of Suburban Shops - Reno shops with the addition three bedroom residence plus construction of a new four bedroom home on vacant land



Opposite Woolworths

Next Door to ALDI

Proposed 4 Bedroom Dwelling on rear block



The Numbers

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

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Main Road

Project Value: \$7,096,000
Anticipated profit: \$1,200,000
 Resi-mercial (currently in design)
Description: Knockdown and rebuild 4 retail shops, 9 apartments and 4 townhouses



Artist impression

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Write down your preferred Commercial strategy and discuss on tables

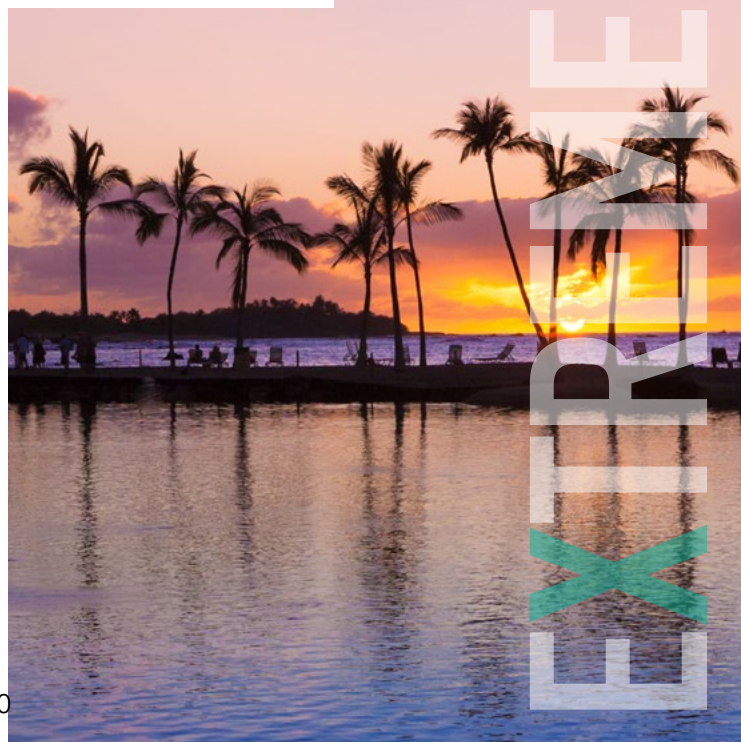


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6
**LEARNING HOW
TO PRESENT
A DEAL**

**EXPERIENCE
EXTRAORDINARY
EINCOME**



Deals are made or lost on how they are presented

- JV Deals
- Seller JV Deals
- Vendor Finance and Deposit Finance Deals
- Straight Negotiation Deals
- Tradie quotes
- Professional Services
- Everything!

EXTREMEINCOME

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Example of a Deal Summary & Feasibility



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EXECUTIVE SUMMARY

The subject site is an existing 3 bedroom, 1 bath house located in Adlamtown Heights, a high income suburb in the Newcastle area. The house is currently held under the NSW Conveyancing and Trusts Act as a trust as a direct result of the passing on property under the will of the late [redacted].

The house is located over an existing mine and has had previous mine subsidence issues. Identification of the mine and its location along the site and adjacent roads to the house were undertaken by the Mine Subsidence Board (MSB) in the early part of 2015. Previous additional subsidence of the house was identified during the initial site inspection and further communication was undertaken with the MSB to confirm whether this was an issue of mine subsidence. The MSB further requested the sale and it was determined that the additional settlement was minor and not directly related to the prior mine subsidence issues. The identification of the current mine would be the responsibility of the existing owner, or the new buyer. In the scenario, the owner has indicated this would need to be settled by the new buyer and no further work would be done on the house prior to settlement. The additional work has been considered in this feasibility and in the anticipated offer price of the house.

The strategy to be implemented is to complete a void to high-end internal renovation to a new kitchen, bathroom, flooring, painting, electrical and external renovation (new front porch and patio, extension on back patio to include 2 x 6m deck, and landscaping in the front and back yards) and then on-sell.

A summary of the feasibility is below:

Adlamtown Heights NSW 2299	
Purchase Price	\$1,000,000
Stamp Duty	\$10,000
Conveyancing	\$1,000
Total Outgoings	-\$101,000
Devoid Sale	\$800,000
Less Total Costs	-\$101,000
Net Sales	\$699,000
Less Total Outgoings	-\$101,000
Anticipated Profit	\$598,000

Access to the house will be available during the settlement phase to allow access to contractors and carpenters to ensure that the renovation can begin immediately upon settlement. The anticipated profit is based on a sale price of \$800,000 (20% discount).

THE PROPERTY Adlamtown Heights NSW

PROPERTY DETAILS Adlamtown Heights NSW

Existing Land Use	Single family residential
Planning Zoning	R2, Low Density Residential
Proposed Zoning	Residential
Lot: DP	Adlamtown
Lot: DP	Adlamtown City Council
Lot Size	610sqm
Slope of Lot	Gently sloping block, 2% front to back.
Aspect/Soil/Beds	Close to water table. Soil is Class 2. ASB. Consent to work required when the likely level of the works will lower the AFD by 300mm. This is not likely for this site.
Heritage	None
Mine Subsidence	Mine subsidence corrective issues have been placed into a consented plan and the house built with subsidence in mind. The MSB has been consulted and the Mine Subsidence Board has approved a necessary investigation. Results are pending, but expected remediation is to be completed by the MSB.
Boundary	Zone 3
Floor Space Ratio	0.8
Height	8.5m
Code	Residential LSP 2012

EXTRI

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PROPOSED DEVELOPMENT

Administrative Heights NSW

Project Strategy	Residential and Retail
Project Type	Residential Development
Zoning	R2
Planning Approvals	Council and Minor Subdivision Issued. If any additions are granted then 2/20th.
Project Details	2 for the 2/20th subdivision for one subdivision are being proposed as a condition of subdivision. 2/20th project analysis is based on the 1/20th subdivision if getting the property back on the market.
Financing / Money	No financing required. Cash available to purchase and complete subdivision.
Exit Strategy	Residential and retail.

ACCESS AND UTILITIES

Access to Site
Access for the development can be provided by two ramps, Adelaide Street (Ramp) and High Street (one side of rd).

Water
Available as a side through Hunter Water

Sewer
Available as a side through Hunter Water

Stormwater
Available

Electricity
Available

Telephone
Available

Gas
Not available (unless term supply added)

PLANNING APPROVAL AND OTHER CONSIDERATIONS

Development
No approvals are required, unless prior extension exceeds 2/20th.

Acquisition / Additional
No approvals required, unless structural elements are added to the project.

Minor Subdivision
Not required, unless prior extension exceeds 2/20th.

Building Certification
Required

Hunter Water
No approvals required.

Approval
No approvals required.

PURCHASE AND SALES ANALYSIS

EXISTING SALES

Year	Suburb Sales for 2 Bed/2 Bath
Low	\$475,000
Median	\$500,000
High	\$525,000
Variable Cost to Sell	25.0%
Variable MA to Sell	25.0%

COMPARABLE SALES

Address	Bed	Bath	Car	Year
21 Andrew Street, Administrative Heights, NSW 2289	3	2	2	2020
1 Lumbly Close, Administrative Heights, NSW 2289	3	1	1	2020
16 City Street, Administrative Heights, NSW 2289	3	1	1	2020
11 Mitchell Avenue, Administrative Heights, NSW 2289	3	1	1	2020
71 Carter Street, Administrative Heights, NSW 2289	3	1	2	2020
21 Carter Street, Administrative Heights, NSW 2289	3	1	1	2020
24 Preston Avenue, Administrative Heights, NSW 2289	3	1	1	2020
45 Lamington Avenue, Administrative Heights, NSW 2289	3	2	2	2020
23 City Street, Administrative Heights, NSW 2289	3	2	2	2020
12 Lamington Avenue, Administrative Heights, NSW 2289	3	2	2	2020
10 Lamington Avenue, Administrative Heights, NSW 2289	3	2	2	2020
24 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
44 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
11 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
17 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
12 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
13 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
14 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
15 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
16 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
17 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
18 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
19 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
20 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
21 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
22 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
23 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
24 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
25 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
26 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
27 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
28 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
29 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
30 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
31 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
32 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
33 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
34 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
35 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
36 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
37 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
38 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
39 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
40 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
41 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
42 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
43 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
44 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
45 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
46 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
47 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
48 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
49 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020
50 Norman Avenue, Administrative Heights, NSW 2289	3	2	1	2020

PURCHASE PRICE
Based on comparable sales, the net price and current condition of the property, our target purchase price is \$500,000 with a maximum price of \$450,000. This target allows for corrective remediation of some settlement issues in the centre of the house.

EXPECTED REVENUE
Based on the grid analysis and further discussions with multiple real estate agents, a mid-to-high range transaction would generate a net price between \$500,000 to \$550,000.

MARKET DEMOGRAPHICS

Information obtained through research and correspondence with local real estate agents indicates that the current market is strong in Administrative Heights, and the rate of not selling property is increasing in response.

1039 **623**

Administrative Heights NSW 2289

Source: Real Estate Institute of NSW

FINANCIAL FEASIBILITY ASSESSMENT

Financial Summary Report

Administrative Heights NSW 2289

Pre-Purchase Costs	\$4,200
Purchase Costs	\$475,000
Administration Costs	\$11,000
Contingencies	\$1,400
Total Outgoings	\$491,600
Gross Sales	\$500,000
Less Selling Costs	\$14,000
Net Sales	\$486,000
Less Total Outgoings	\$491,600
Anticipated Profit/Loss	\$94,400

Financial Detail Report

Administrative Heights NSW 2289

Pre-Purchase Costs	\$4,200
Pre and Building Inspections	\$750
Legal for Purchase	\$3,450
Sub-Total	\$8,400
Purchase Costs	\$475,000
Estimated Purchase Price	\$475,000
Stamp Duty - Free Trade House	\$12,750
Other (5% of Sale Price - Stamp Duty - Pre-Purchase Costs)	\$23,850
Sub-Total	\$511,000
Administration Costs	\$11,000
Contingencies	\$1,400
Total Outgoings	\$523,800
Gross Sales	\$500,000
Less Selling Costs	\$14,000
Agents commission on sales @ 2%	\$10,000
Conveyancing and Settlement Fees	\$2,000
Sub-Total	\$474,000
Net Sales	\$486,000
Less Total Outgoings	\$491,600
Anticipated Profit/Loss	\$94,400

JOINT VENTURES

- Communication and transparency are vital!
- Clearly define strategy
- Is the JV right for you? – check credentials
- Number of parties involved – less is best
- Define expectations & contributions – what is the role of each party? (\$\$ / Serviceability / Working Party)
- Multiple Exit strategies – confirm JV tolerance for each



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JOINT VENTURES

- Legal agreements
- Simplify communications
- Confirm the involvement of all decision makers
- Email threads sent to ALL involved parties
- Create a Facebook page or joint Cloud
- Develop a JV Deal Proposal



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EXECUTIVE SUMMARY

This should include the specific details of the proposed JV project including:

- Involvement of JV partners
- Status of the deal
- High level financial requirements
- Estimated timeframes
- Anticipated results – profit split \$ / %

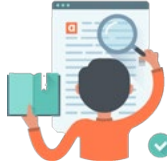
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PROPERTY INFORMATION

This section should include all of the important details about the site and proposed project including:

- Address
- Size (m2)
- Council
- Infrastructure
 - Schools
 - Shops
 - Transport
 - Travel time to closest city/town
- Developments
- Zoning
 - Proposed zoning changes
- Strategy
 - Proposed strategy (renovation, subdivision, combination, etc.)
 - Off/on market – time on market



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• Similar Local

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DUE DILIGENCE DETAILS

- Council information and mapping
- Town planner feedback
- Surveyor feedback
- Dial Before You Dig considerations



PROPERTY DETAILS

Existing Land Use
Existing Zoning
Proposed Zoning
LOT / DP
Titling
Local Government
Area
Lot Size
Acid Sulphate Soils
Heritage
Bushfire
Height Limitations
Town Planning Code

PROPOSED STRATEGY

Project Strategy
Planning Approvals Required
Project Duration
Financing Requirements
- Cash
- Serviceability
Exit Strategies

ACCESS AND UTILITIES

Access to Site
Connections:
- Water
- Sewer
- Stormwater
- Power
- Telephone / NBN
- Gas

PLANNING APPROVALS REQUIRED AND OTHER CONSIDERATIONS

- Development Application Approval – Assessment and Constraints

DEAL ANALYSIS

Tools:

- RP Data
- Price Finder
- GVA software
- realestate.com.au
- domain.com.au
- Real Estate Investar
- Local Real Estate Agents

Comparable Sales Analysis

	Address	Size	Sale Date	Price	Bed, Bath, C
Comparable House Sales					

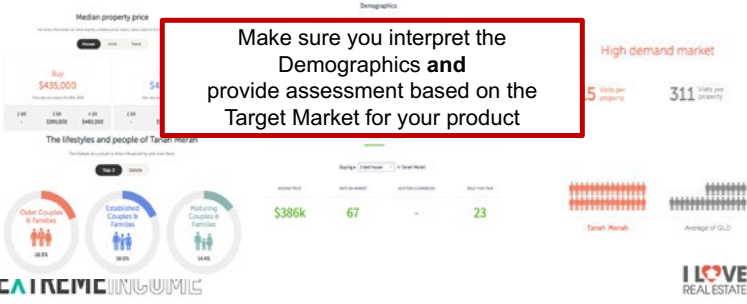
We live and die by the quality of our Comparable Sales Analysis!!!

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MARKET DEMOGRAPHICS

- realestate.com.au
- domain.com.au



FINANCIAL FEASIBILITY ASSESSMENT

- The truth is in the numbers
- If they don't stack, there is no deal!

Detailed Feasibility



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PROJECT TIMELINE AND CASH FLOW

Clearly outline:

- Tasks / Milestones
- Project time frames
- Money out
- Money in

See Fast Profits 2 year plan session for example strategy timeline and costs



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S.W.O.T. ANALYSIS



STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• State the positives that make the deal desirable – profit, timeframe, location	<ul style="list-style-type: none">• List any hurdles that may have to be overcome in the deal that may hold you and the deal back
OPPORTUNITIES	THREATS
<ul style="list-style-type: none">• Outline possible outcomes available in the deal	<ul style="list-style-type: none">• Acknowledge any constraints that could affect the deal outcomes

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TEAM SUMMARY



Professional / Trades person	Work Allocation
Surveyor	
Town Planner	
Engineer	
Interior Designer	
Architect	
Builder	
Electrician	
Painter	
ETC...	

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SITE PHOTOS



Photographs, images & diagrams relevant to the deal

- Tools:**
- realestate.com.au
 - domain.com.au
 - Real Estate Investor
 - RP Data
 - Price Finder
 - Google Maps
 - State infrastructure mapping
 - Floorplans



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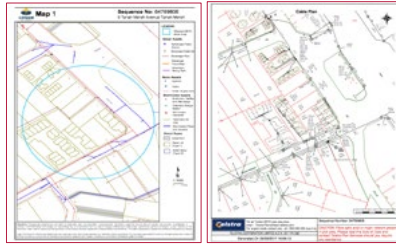
DIAL BEFORE YOU DIG RESULTS



- www.1100.com.au
- Create an account
- Lodge a job
- Compile relevant detail



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Final Considerations...



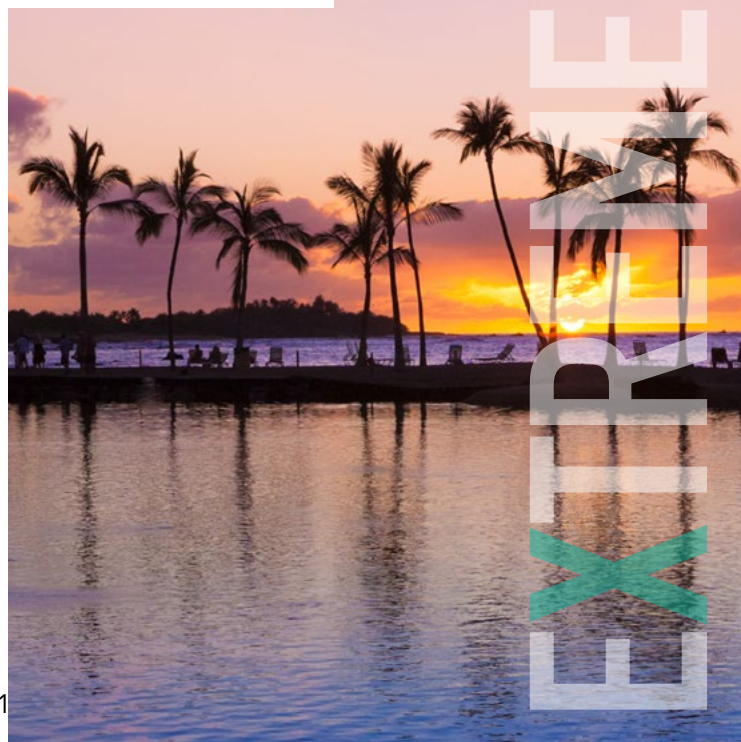
- Make sure your presentation is professional
- Review for spelling errors / mistakes
- Ensure completeness and accuracy of information presented
- Double check your numbers
- Triple check your numbers
- Ensure your contact details are clear and prominent
- Be clear about timeframes for confirmation of interest
- Did we mention to check your numbers???

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7
**ROOMING &
BOARDING
HOUSES**



QUANTUM SHIFT
REAL ESTATE COACHING & MENTORING PROGRAM

Rooming & Boarding Houses

The slide features a collage of images: a woman's profile, a modern house with a car, an interior view of a multi-story building with a staircase, and a sunset over a body of water with palm trees.

Mark Baker

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SUPER CASHFLOW

RENT-BY-ROOM REVOLUTION

Knowledge Source | I LOVE REAL ESTATE

The slide features an image of a man in a suit pulling open his shirt to reveal a blue and red superhero logo with a dollar sign inside. The background shows a city skyline at sunset.

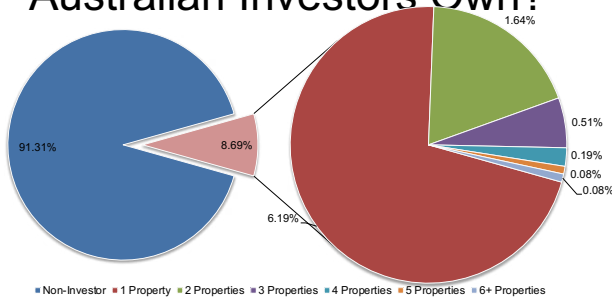
The Block 2019



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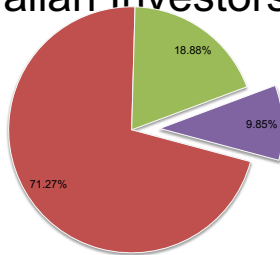
How Many Properties Do Australian Investors Own?



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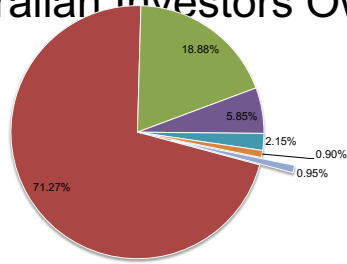
How Many Properties Do Australian Investors Own?



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How Many Properties Do Australian Investors Own?



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Rooming Accommodation

- Legally renting a house room by room
- Not Airbnb/Short Term Rental
- Rooming/Boarding/Lodging/HMO/SRO



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DEMAND - IN THE NEWS

JUNE 19 2019 - 11:00AM

Funding can't keep pace with demand as 'blocked up' housing market leaves people without a home

'National obscenity': Australia's story of housing boom and homelessness

JUNE 9 2019 - 8:00PM

OPINION: Government working to address housing and homelessness

To save on rent, they don't just share a roof, but a bedroom

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Issues in the market – what is not legal?

- Fire Safety
- Overcrowding
- NCC



SBS NEWS

'Shocking conditions' in Sydney boarding home

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brisbane times

NATIONAL QUEENSLAND

Crackdown on overcrowded share houses in Brisbane

THE AUSTRALIAN AGE

NATIONAL VICTORIA

Slumlords' grip on Victorian rooming houses unweakened, days from crackdown



THE CONVERSATION

Arts - Culture - Business - Economy - Crime - Education - Environment - Energy - Health - Medicine

Tracking the rise of room sharing and overcrowding, and what it means for housing in Australia

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THE AUSTRALIAN AGE

CRIME NATIONAL VICTORIA FLORIDA

'Extreme lengths to avoid detection': Illegal rooming house operators becoming more sophisticated

THE CONVERSATION

Arts - Culture - Business - Economy - Crime - Education - Environment - Energy - Health - Medicine

Overcrowded, illegal housing on the rise in Sydney due to poor affordability, report finds

Tracking the rise of room sharing and overcrowding, and what it means for housing in Australia

KATE BURKE JOURNALIST | APR 28, 2019

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Rooming Houses

- National Construction Code (NCC)
- Planning Rules
- Tenancy laws
- Registration
- Licensing
- Operation

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National Construction Code

- Available free online www.abcb.gov.au
- For use as a rooming/boarding house, building must be;
 - Class 1b: maximum 300sqm and maximum 12 occupants
 - Class 3: more than 300sqm or 12 occupants

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Fire Safety



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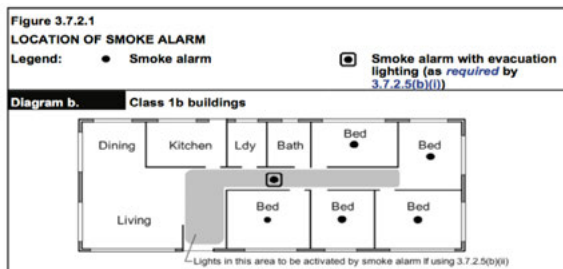
Class 1b

- Fire safety
 - Smoke detectors must be installed in every bedroom and associated hallway. They must be hard wired and interconnected.
 - Evacuation lighting must be activated by the smoke alarms and must provide a lit path of travel to an exit

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Class 1b – Smoke Detectors & Evacuation Lighting



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Class 1b

- Access for People with a Disability
 - Introduced into the NCC for class 1b buildings in May 2011
 - Access all Areas report (2009) was focused on holiday accommodation
 - Disability (Access to Premises – Buildings) Standards 2010
 - Rooming houses caught up as a result

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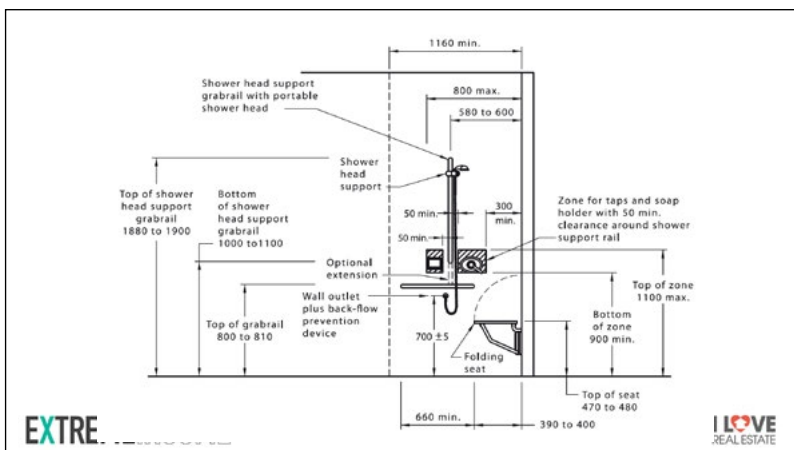
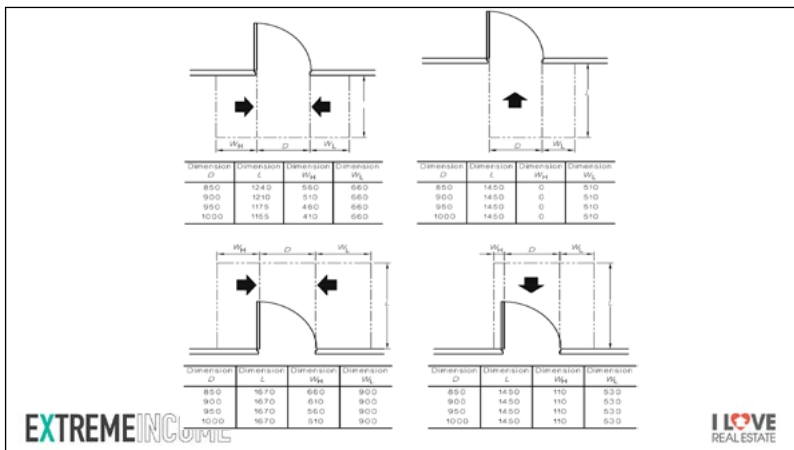
Disability (Access to Premises – Buildings) Standards 2010

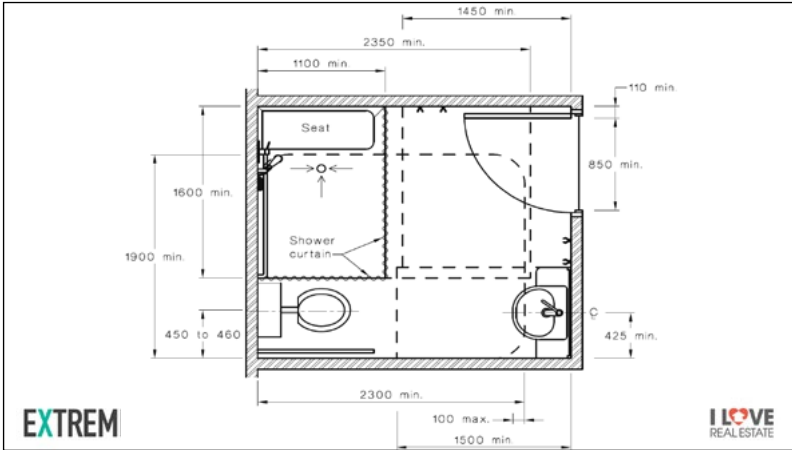
specified Class 1b building means:

- (a) a new building with 1 or more bedrooms used for rental accommodation; or
- (b) an existing building with 4 or more bedrooms used for rental accommodation; or
- (c) a building that comprises 4 or more single dwellings that are:
 - (i) on the same allotment; and
 - (ii) used for short-term holiday accommodation.

EXTREMEINCOME

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EXTREM

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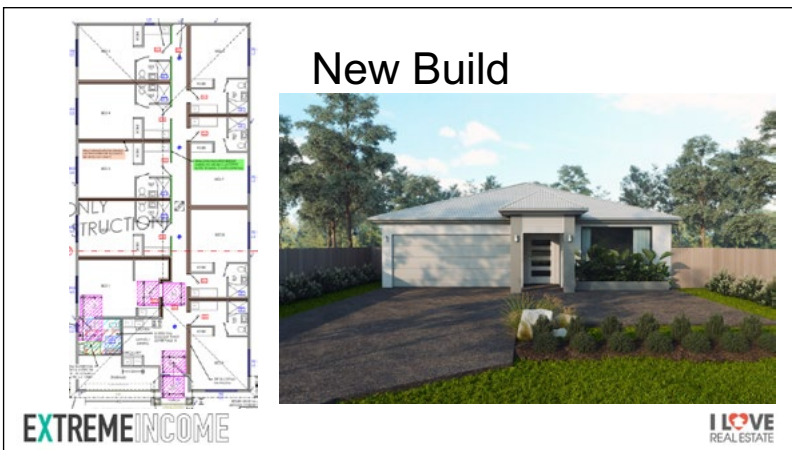
Design

- Use an experienced building designer/architect
- Use an experienced building surveyor/certifier



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New Build

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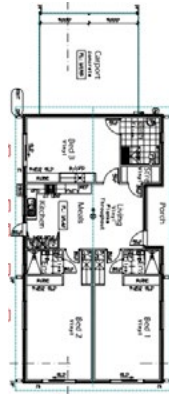
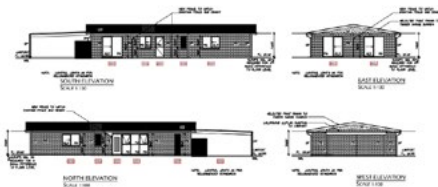
New Build



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New Build



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Conversion



EXTREMEINCOME

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Buy existing

Massive Land, Central Frankston Location And Huge Cash Flow!

Buy It Now \$665K

Frankston, Victoria - For Sale - House - 8 bedrooms - 2 bathrooms

Their retirement or satellite, this fully council approved remaining house has the potential...

15 Sep, 2020 in Domain Sale

[View on map](#)

Rare Opportunity! Modern 8 Bedroom Home In The Mewo Catchment

Request Details

Inspection by Private Appointment

Burwood, Victoria - For Sale - House - 8 Bedrooms - 2 Bathrooms

Investment options or share housing opportunities (current remaining house blocks in place...

15 Sep, 2020 in Domain Sale

[View on map](#)

Prime Location With Lots Potential

Request Details

Private Sale contact agent to inspect

Bundoora, Victoria - For Sale - House - 6 Bedrooms - 1 bathroom

Rental return council approved remaining house, approx. \$150 per week per room...

1 week + 1 day ago in Domain Sale

[View on map](#)

Two Townhouses With Great Investment Return

Contact Agent

Clayton, Victoria - For Sale - House - 9 bedrooms - 8 bathrooms

Walking distance of Monash University Clayton, three two registered remaining house...

15 Sep, 2020 in Domain Sale

[View on map](#)

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Buy existing

5 Bedroom Brick Veneer Huge 1,620 Sqm Lot

\$310,000 - \$330,000

Mordialloc, Victoria - For Sale - House - 5 bedrooms - 2 bathrooms

Currently managed as a registered remaining residence it is providing an exceptional return, with the ability to act now in excess of \$40,000 per annum. Centrally located...

3 Sep, 2020 in Domain Sale

[View on map](#)

High Yield Rooming House

\$1,700,000

Mulden East, Victoria - For Sale - House - 8 bedrooms - 2 bathrooms

An unmissable investment opportunity, this registered remaining house sits on the doorstep of Monash Health and presents the savvy purchaser with a rare high...

20 Jun, 2020 in Domain Sale

[View on map](#)

Great Return & Locale Plus 6 New Ensuite On 640sqm

Contact Agent

Mildura, Victoria - For Sale - House - 8 bedrooms - 6 bathrooms

A quality built solid brick property in an outstanding location, this council registered remaining house is located in the heart of old park, 1 minute walking distance...

20 Jul, 2020 in Domain Sale

[View on map](#)

High Yield Investment On Large Block Of 883m2 Approx

Request Details

Expressions of Interest

Burwood, Victoria - For Sale - House - 7 bedrooms - 2 bathrooms

Registered as a remaining house equipped with 7 bedrooms, 2 bathrooms and carpet flooring...

26 May 2020 in Domain Sale

[View on map](#)

EXTREMEINCOME **I LOVE REAL ESTATE**

Buy existing

Unparalleled Return!

Contact Agent

Doreway, Victoria - For Sale - House - 8 bedrooms - 8 bathrooms

Private inspections available contact agent to book in a time, brand new remaining house in best commercial location including a bus stop at the door. 8 bedrooms...

4 Mar, 2020 in Domain Sale

[View on map](#)

2 Blackheath Mews Warrn Ponds Vic 3216

\$615,000

Victoria - For Sale - House - 6 Bedrooms - 2 Bathrooms

Remaining approx 4000 sqm registered to remaining house with low risk return via daily operations... to ensure best use of the 2000 sqm 6 bedroom house with double carport...

2 Oct 2020 in Trust

11 Kathleen Court, Bundoora Vic 3083

Request Details

Bundoora, Victoria - For Sale - House - 773 sqm - 8 bedrooms - 1 bathroom

Rental return council approved remaining house, approx. 100 per week per room. Ample...

1 week ago in social - Barry Peart - Greenborough

[View on map](#)

4 Sherman Court, Bundoora Vic 3083

Request Details

Bundoora, Victoria - For Sale - House - 7 bedrooms - 2 bathrooms

To live a remaining house or student accommodation, which is perfect for investors to take advantage...

26 Sep 2020 in social - Ray White Bundoora

[View on map](#)

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Planning (1st step)

- QLD
 - Brisbane – 5 Occupants
 - Gold Coast - 4 Occupants
- NSW
 - New Generation Boarding House
 - Manor House
- Victoria
 - 9 bedrooms
 - 12 occupants
 - 300sqm

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Planning

- Tasmania
 - Communal Residence
- South Australia
 - Multiple dwelling (more than 5 occupants)
- Western Australia
 - Lodging house (more than 6 occupants)

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When are you Operating a Rooming/Boarding/Lodging House?

- QLD (Rooming) – 4 or more residents
- NSW (Boarding) – 5 or more residents
- VIC (Rooming) – 4 or more residents
- WA (Lodging) – More than 6 residents
 - On site manager
- NT (Boarding) - 3 or more residents
- SA (Rooming) – 3 or more residents
- TAS (Boarding) – 2 or more residents

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FORM 11
 Regulation 10
 Building Act 1993
 Building Regulations 2018

BUILDING NOTICE

This building notice is served under section 108 of the Building Act 1993

TO:
 The owner
 [REDACTED]

Use of building in contravention of the Building Act 1993
 The use of the building contravenes the Building Act 1993 in that the building is being occupied in contravention of the current occupancy permit or permits issued under Division 1 of Part 5 of the Building Act - i.e. the building is occupied and used by 3 unrelated persons as if the building is a Class 1b, when an Occupancy Permit for this usage has not been obtained.

SOURCE CLASSIFICATION
 Under section 108 of the Building Act 1993, you are required to show cause within 30 days of the date of service of this notice - why use, or occupation of the building should not be prohibited.
 Specified period for making representations:
 30 days

INSPECTION DETAILS
 The date and time of an inspection of the building carried out by myself as the relevant building surveyor was:
 Date of inspection: 17 March 2019
 Time of inspection: 2:30pm
 Duration: 45 mins
 ASSISTING WITH THIS NOTICE WAS ASSISTED:
 In accordance with section 105 of the Building Act 1993, one of the reasons that the following

NOTES
 1. Representations by owner and consultation of/with
 Under section 108 of the Act an owner may make representations to the relevant building surveyor about the matter contained in this building notice. Any representations can be made in writing to the relevant building surveyor before the end of the notice period. The relevant building surveyor may conduct a building notice under section 105 of the Act to make conditions. Representations in or after the notice period may be made under section 108.

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Page 1 of 3
 20-210-040 Building Notice 10.03.19
 Page 2 of 3

Example - South Australia

Area	M ²	Area	M ²
Living	82.58	Living	72.96
Porch	5.32	Porch	3.01
Total Approx	87.91	Verandah	11.05
		Total Approx	87.02

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Example - South Australia

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Registration - QLD

- Register a Residential Service
 - Criminal History Check
 - Building Compliance Notice issued by council that the building meets MP5.7 (Residential Services Building Standard)
 - Fire Safety Management plan
 - MP2.1 (Fire Safety in Budget Accommodation Buildings) for 6 or more residents
- Penalties up to \$130,550

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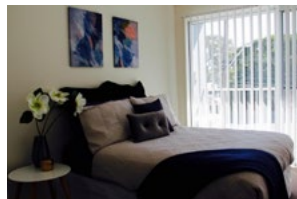
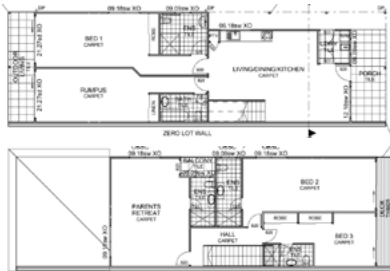
Registration QLD

- Exemptions
 - Operator lives on the premises and no more than 3 rooms are available for rent
 - Student Accommodation
 - You will need to prove this
 - Must still comply with MP5.7 & MP2.1
- Penalties up to \$130,550

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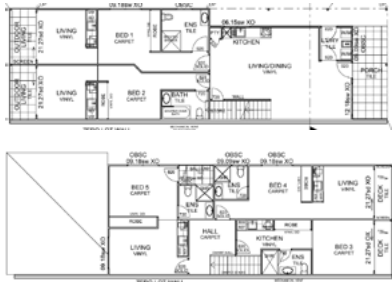
Qld Deal Example



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Qld Deal Ex



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Qld Conversion Example



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Registration NSW

- General Boarding House
 - 5 or more residents
- Assisted Boarding House
 - 2 or more residents with special needs
 - May also require licensing

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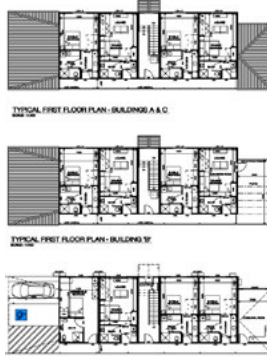
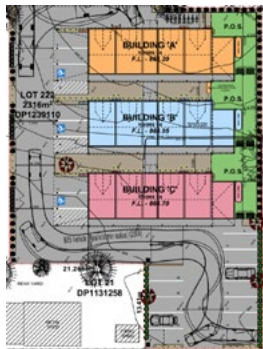
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Example - NSW



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Registration VIC

- Rooming house
 - 4 or more residents
- Register with local council (PHWA)
 - Class 1b Occupancy Permit
 - Floorplan
 - Minimum Standards

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Minimum Standards (VIC)

- Room sizes: 7.5sqm single, 12sqm double
- Locks can be opened from inside without a key
- Windows that can be opened and closed without a key and have a covering that provided privacy
- Adequate supply of hot water
- Adequate toilet and bathing facilities

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Licensing (Only in VIC)

- Was rejected in NSW in 2012 (except for assisted boarding houses) because of the likely negative impact on supply
- Introduced in Victoria on 26 April 2017
- Big penalties; **over \$39,600 fine or 2 years jail for an individual, Over \$198,000 fine for a company**

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Design Master Class

- Return per square meter
 - Make the rented space comfortable
 - Minimise shared space



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Design Master Class

- Energy usage

- Energy efficient appliances



- Separate metering

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Operation

- Residential Tenancies Act
- House Rules
- Minimum Standards
 - Gas & Electrical Safety
 - Fire Safety
- Tenant/Resident selection
 - Target market
- Security
- Managing Costs

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Aircon Off
Call 1300 552 897



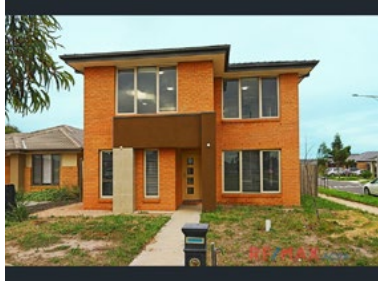
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\$2385/week
Valued at \$1.35M

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\$450/week
Value ~\$900k

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8

**NICHE INCOME:
A TIDAL
WAVE OF
OPPORTUNITY**

EXPERIENCE INCOME







DISCLAIMER

- All the information, techniques, skills and concepts contained within this presentation are of the nature of general comment only and are not in any way recommended as individual advice.
- The intent is to offer a variety of information to provide a wider range of choices now and in the future, recognizing that we all have widely diverse circumstances and viewpoints.
- Should any reader choose to make use of the information contained herein, this is their decision, and the contributors (and their companies), authors and publishers do not assume any responsibilities whatsoever under any condition or circumstances.

• The contents of the email is opinion and not advice. The reader should seek their own professional advice on the subject being discussed.


A Tidal Wave Of Opportunity




Smarter Small House 1



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Smarter Small House 1



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Smarter Small House 1



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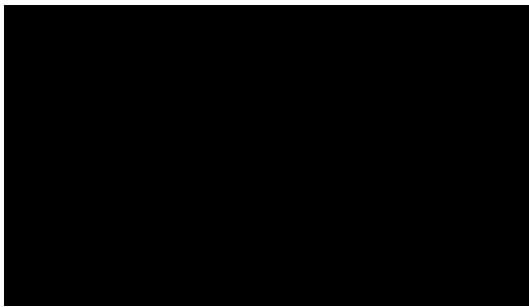
Smarter Small House 1



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Smarter Small House 2



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3 on 350sqm



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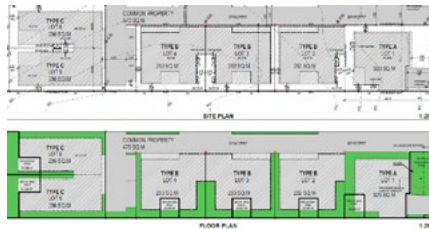
6 on 680qm



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Petrie 1 Into 6



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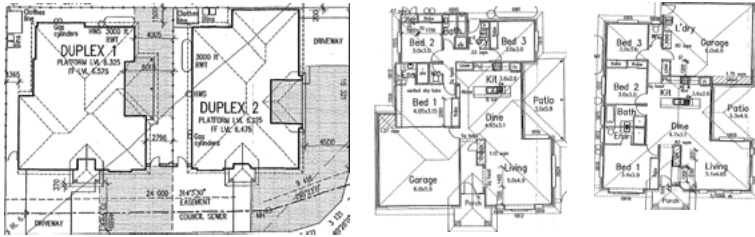
Spoonbill Duplex



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Spoonbill Duplex



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The tidal wave of opportunity to make \$50K-\$80K per annum positive cashflow PER PROPERTY starting from as little as \$80K deposit.
A new era of social impact investing is here.

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Case Studies & Testimonials

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Better Homes and Gardens



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We have done over 1,000 properties however here is a snapshot of just some of them.

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Rooming Houses

Hendra

Bald Hills



Estimate only at \$83,200 pa

\$79,560 pa

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Rooming Houses

Annerley



Estimated only at \$83,200

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Morningside



\$83,200 pa and \$83,460 pa

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Rooming Houses

Wynnum



\$1600 per week Head lease low level
NDIS \$83,200 pa

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Acacia Ridge



Renovation \$ 74,360 pa

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Rooming Houses

Sunnybank



\$78,000 pa

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Tennyson



Estimated only at \$72,500 pa

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Rooming Houses

Norman Park



Estimated at \$83,200 pa

Salisbury



\$73,840 pa





**Nigel Archer
Newcastle**

**Next Generation
Boarding Houses**

New Generation Boarding Houses,
Providing Safe, Secure and Long
term Communities for Uni Students, Doctors,
Nurses, First Responders and Ministers
of Religion.



Next Generation Boarding Houses

Sandgate Rd Shortland





Sandgate Rd Shortland NSW 2307
34 Studio's
Gross Rental Income 2019/2020
\$291,027.54
or
\$164 per week average per week







Sandgate Rd Shortland NSW 2307





Goodwin St Jesmond NSW 2299



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Goodwin St Jesmond NSW 2299
33 Studio's
Gross Rental Income 2019/2020 Not Finished
Building yet,
Expected to be \$225 per Studio Per Week
or
\$386,100 Gross rent



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Beaumont St Hamilton NSW 2303



Beaumont St Hamilton NSW 2303
16 Studio's
Gross Rental Income 2019/2020
DA Approved,
have not started to build yet,
Expected to be \$460,000 Gross rent
if short term rental

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Burnham Close Thornton NSW 2322



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Burnham Close Thornton NSW 2322
 41 Studio's in Council for 12 months,
 no determination yet
 Gross Rental Income 2019/2020
 Not DA Approved yet,
 Expected to be \$469,400 Gross rent
 \$220 Per Studio Per Week

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Telarah / Thornton / Thornton Share home



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Share Homes, photo's \$170 per week per room,

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Share Home



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Share Homes, photo's \$170 per week per room,

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I have been a tenant at Affordable Homes on Lawson Avenue, Beresfield for the last 12 months.

I am delighted to be able to recommend this accommodation. I am a 57 year old female, and it is often difficult for women in my age group to find appropriate accommodation. I am an Anglican Priest, and work at both St Paul's across the road from the units, and St Michael's, Thornton.

One major benefit is safety. I am able to park directly outside the door to my building. Both the exterior and interior of the premises are well lit at night. Staff are resident, should any safety problem occur, but this has never happened.

The presence of on site managers also means that assistance is immediately available should any maintenance issue arise. This is much more efficient than the normal procedure of contacting real estate agents in business hours, who then have to negotiate with owners over repairs.

The units are centrally located, close to shops, GPs, chemist, and post office.

The price is reasonable, and the presence of Wi-Fi cuts costs to tenants.


The units are modern, clean, and pleasant, comprising ensuite bathroom, kitchenette, built in wardrobes, and reverse cycle air conditioning.

I have received several offers of other housing over the last year, but choose to remain in the units for the above reasons.



Yours faithfully,

The Rev'd Sharon Dypson
MMin, BA (Hons) BTh Dip Ed Dip Ang Orders ThA TSSF
Associate Priest
Anglican Parish of Beresfield/Thornton

Name: Sharon
Age: 57
Occupation: Associate Priest



Testimonials

After being with my partner for almost 20 years we separated this year. When I got with her, I moved into her family home, which meant when we broke up I left with no interest in the home. I moved in with my son and his family for a while but needed my own space. Moving into Affordable Luxury on Lawson has allowed me to have my own studio that is affordable and safe without the stress of overextending my budget as I am on the pension.


I have settled in really well to the property and made good friends with the other tenants. I found the place to be very clean and managed well by the office staff and on-site manager.

I have all the facilities and amenities I need in a very short distance. My room has its own kitchen and bathroom. There is a washer and dryer in my block that I get tokens for which is included in my rent. I was supplied a fridge and microwave too which was great coming here with no appliances. I am close to the shops, transport, doctors but most importantly the bowling club.

I am a keen player of lawn bowls and am at the club every chance I get to play. Living so close means on a beautiful day I can walk there and back which helps with my exercise and keeping me mobile.

I have a private courtyard that I can sit in and enjoy the sun or I can go sit in the communal lounge and have a chat with the others or watch TV. I am so grateful to have a place that I can call my own and not have to worry about maintenance or being broken in to or any of those extra stresses you have when you live on your own at my age.

Name: Allan
Age: 74
Occupation: Retired Coal Miner



Hello this is Cindy.

I like to live at Affordable Luxury on Lawson because I have lived at share houses before and I have no privacy and have to share the kitchen and bathroom with messy people.




Here I have my own private studio apartment with my own kitchen and bathroom.

The landlord, office ladies and on-site manager are very kind and welcoming. It is very safe with the on-site manager and cameras and security doors.

All the tenants are great and we get along.

It really a nice place to stay.

Name: Cindy
Age: 27
Occupation: Chicken Factory Worker

I went through a marriage break up and fell behind in home loan repayments. Nigel gave me a way out that kept my credit report and history in good check. Nigel rented to me in a share home for 3 years before I moved into my forever home a New Generation Boarding Home at Affordable Luxury on Lawson. The rent is very affordable and I have never missed a payment.

I have a private courtyard and enjoy socialising in the common room. There are security cameras all around the place, which makes me feel safe. I am also fortunate enough to have a car park right outside my building and it is always on CCTV camera. Being a single woman safety is very important to me.


The property is well maintained and cleaned by the on-site manager and handyman. The staff are a great team that are friendly and work hard.

It is a quiet place with strict rules that work well for everyone. It means I can get a good sleep during the day if I have come off night shift.

All the tenants get to know each other and we have our own little community. It's a great support network. Some of us have been through some rough patches and it's great to know that the tenants and staff are always willing to help.

I will only be moving out if Nigel builds a better New Generation Boarding House, that I can move into. One of my sons even moved into Affordable Luxury on Lawson for two years until his work moved to Newcastle so he moved to Newcastle to be closer to work.

Name: Robyn
Age: 65
Occupation: Quality Controller



I was a tenant at Affordable Luxury on Lawson for 12 months.

As a nurse, I was coming and going at all hours of the day and night. Knowing that there were Security Cameras all around the premises recording 24/7 and that all the entry doors are self-closing and locking made me feel safe.

The noise curfew and restrictions was great, because it meant I could get a solid sleep during the day after night shift.

Having an on-site manager was really handy and convenient because if there was ever an issue maintenance wise, I could call him and he would attend straight away.

All the staff were super friendly and helpful. Nothing was ever too hard for them.




I always had my own privacy and could stay in my studio or head to the communal areas and chat with other tenants.

The studios rooms and premises were very clean and tidy. The on-site manager was always doing something around the place to keep it presentable and in good condition. It was close to shops, doctors, schools, bank and public transport. Very central.

I think my favourite part about the place was the affordability. It meant I could have a roof over my head that was of a high standard and still enjoy a comfortable lifestyle while studying and working.

I would not hesitate to tell anyone to rent this place as I would go back there in a heartbeat if I ever needed to.

Name: Ranju
Occupation: Nurse

Zillmere done for you Deal Rooming House (1)



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Series of horizontal lines for notes.

GEEBUNG
Site address available upon request

ROOMING HOUSE AND LAND PACKAGE
\$876,304

Fixed price contract sold as a RHL package under a two-part contract.
Land price - \$440,000
Build price - \$436,304

- 5 bedrooms per home each with an suite and bathroom
- Commercial full kitchen, living and laundry
- \$1,000 weekly rent per house
- \$10,000 rent per year
- 4 beds per house
- Close to public transport
- Approved zoning for rooming house property
- Managers
- Low maintenance costs
- Good location for tenants

ALTIMUDE HOMES PTY LTD
Shop 1/24 Wood Street, Manchester QLD 4105
08 9461 4315
www.altitudehomes.com.au

ALTITUDE HOMES

5 BEDROOM HOUSE DESIGN 272.59m²

GROUND FLOOR PLAN

FIRST FLOOR PLAN

Page 2 of 3

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Clayfield
Site address available upon request

ROOMING HOUSE AND LAND PACKAGE
\$960,867

Fixed price contract sold as a RHL package under a two-part contract.
Land price - \$525,000
Build price - \$435,867

- 5 bedrooms per home each with an suite and bathroom
- Commercial full kitchen, living and laundry
- \$1,200 weekly rent per house
- \$10,000 rent per year
- 4 beds per house
- Close to public transport
- Approved zoning for rooming house property
- Managers
- Low maintenance costs
- Good location for tenants

ALTITUDE HOMES PTY LTD
Shop 1/24 Wood Street, Manchester QLD 4105
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www.altitudehomes.com.au

ALTITUDE HOMES

5 BEDROOM HOUSE DESIGN 272.59m²

GROUND FLOOR PLAN

FIRST FLOOR PLAN

Page 2 of 3

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LOT 29, Alkina Estate, Narangba

1 4 2

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AREA	SCHEDULE	AREA
LOCATION		21.26 m ²
GARAGE		21.26 m ²
GRAND FLOOR		176.34 m ²
FIRST		15.58 m ²
POORCH		4.28 m ²
		238.82 m ²



PACKAGE

For enquiries Ph 0428 788 351

ben.burns@preferredhomes.com.au

QUALITY INCLUSIONS
Quality appliances included
20mm Esca Stone benchtops
Full floor coverings, including vinyl throughout
Landscaping, driveway & fencing included

LAND: \$270,000

HOME: \$343,980

PACKAGE: \$613,980

Land size - 278m²
Fully accessible UWA construction
Ducted air-conditioning
Smart wiring package
Feature facade as shown



STAMP/DPA/BIDDING DESIGN, PLAN AND FACADES ARE IMPRESSIONS ONLY AND ARE NOT DRAWING TO SCALE. DIMENSIONS, ROOM SIZES AND AREA MAY VARY. SMALL PRINT: IN SUBJECT TO SITE VISIT AND SITE SURVEY CARRIED OUT BY BUILDER.

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Lot 117 The Banks, Logan Reserve

1 4 3

EXTREMEINCOME

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NDIS PACKAGE
 Land \$215,000
 House \$343,980
 Package \$558,980

For enquiries PH 0428 788 351
 ben.burns@premierhomes.com.au

QUALITY INCLUSIONS
 Quality appliances included
 20mm Eco Stone benchtops
 Full floor coverings, including vinyl throughout
 Landscaping, driveway & fencing included

AREA SCHEDULE	AREA
LOT/REAR	31.24 m ²
GROUND FLOOR	175.26 m ²
POOL	12.24 m ²
POOR	4.28 m ²
	223.02 m ²

Land size - 397m²
 Fully accessible UK construction
 Ducted air conditioning
 Smart wiring package
 Feature facade as shown

SITEPLAN BUILDING DESIGN PLANS AND PACKAGES ARE IMPRESSIONS ONLY AND ARE NOT DRAWN TO SCALE. DIMENSIONS, ROOM SIZES AND AREAS MAY VARY. FINAL PACKAGES SUBJECT TO SOLIDITY AND SITE SURVEY CARRIED OUT BY SURVEYOR.

The 3 Areas we Specialize in:

No. 1 - We Help families build beautiful homes by listening to their needs and delivering their vision without complication

No. 2 - We Breathe New Life Into Old Homes



Sherwood

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Salisbury

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No.3 - We Help Landlords by **Doubling** their Rental Income

Problems With Typical Rental Properties:

- Low Rental Returns
- Negative Gearing
- Low Return on Equity
- Risk – Downturn in the Market
- Single Lease
- All Eggs In One Basket
- Location, Location, Location
- Family, Transport, Noise, Areas



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Solution

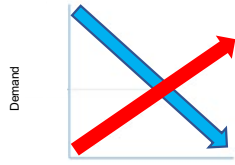
Commercial Returns on Residential properties

Positives of a 1a to 1b Conversion:

- Risk Resilience – if there's a downturn in the market – more tenants



Recession



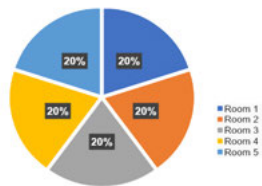
Economy

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Solution Con't

Multiple leases in 1 property – 1 tenant moves out, only 20% income lost



Rooming Accommodation

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Upper Coomera GCCC

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The Details - Upper Coomera

This was a Standard Residential Rental Property
i.e. 4 bed, 2 bath, 2 car garage, 1a classification.

After the Rooming Conversion Renovation it is now:

- 3 bed, 3 bath, 2 car garage
- Certified 1b classification Rooming Accommodation
- 5 Days site works!

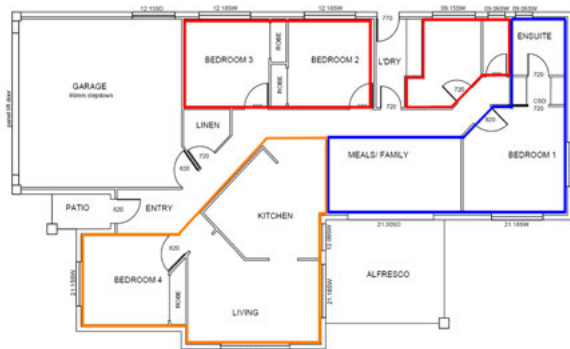
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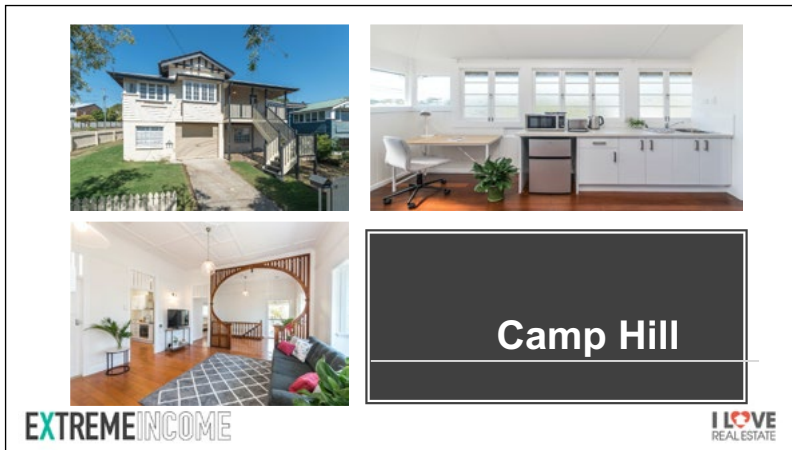
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The Details – Camp Hill

This was a *1a Standard Residential Property* with 4 bed, 2 bath, double garage

- Residential Rental Accommodation
- Rental Return of approx. 3% prior to Rooming Renovation

After the Rooming Conversion Renovation it is now:

- Classified 1b Rooming Accommodation
- 4 bed, 4 bath, single garage

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The Numbers – Camp Hill

Property Value	\$950,000
Existing Rental	\$540 per week
Cost for 1a – 1b Conversion	\$198,000
Duration	3 Months
Mini Boarding Return	\$1,350 per week
COCR	$\$1,350 \times 48 = \text{Income } \$64,800 / \text{Cost } \$1,148,000 = 5\%$
COCR Reno	$\$810 \times 48 = \text{Income } \$38,880 / \text{Cost } \$198,000 = 20\%$

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The Numbers - Heathwood

Property Value	\$445,000
Existing Rental	\$445 per week
Cost for 1a – 1b Conversion	\$60,000
Duration	4 Weeks
Mini Boarding Return	\$1,140 per week
COCR	$\$1,140 \times 48 = \text{Income } \$54,720 / \text{Cost } \$505,000 = 11\%$
COCR Reno	$\$695 \times 48 = \text{Income } \$33,360 / \text{Cost } \$60,000 = 56\%$

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Rooming Accommodation Legislation

- National Construction Code 2019 Vol. 1
- Building Act of 1975
- Qld Development Code (QDC) MP5.7
- Minimum Fire Safety Standard MP5.1
- QFES Standards & Guidelines for Budget Accommodation

Minimum requirements to meet AOS.2	Gross Floor Area		
	<300 m ²	301-500 m ²	>500 m ²
An early warning system	✓	✓	✓
Emergency lighting	✓	✓	✓
Safe and secure paths of travel to exits	✓	✓	✓
Emergency escape exits	✓	✓	✓
Protected exit paths		✓	✓
Exit signage		✓	✓
Portable fire extinguishers		✓	✓
Fire hose reels			✓
Fire-fighting water supply			✓
Smoke hazard management			✓
Sprinkler systems			✓

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Essential Process

- Knowledge of the area i.e. will it work? **KNOW YOUR NUMBERS**
- Test advertisements. FB Marketplace, Gumtree, Flatmates
- Builder that knows what they're doing
- Important to use the Builder's Team!
- Designer/Draftsperson
- Engineer, if required
- Certifier
- Trades

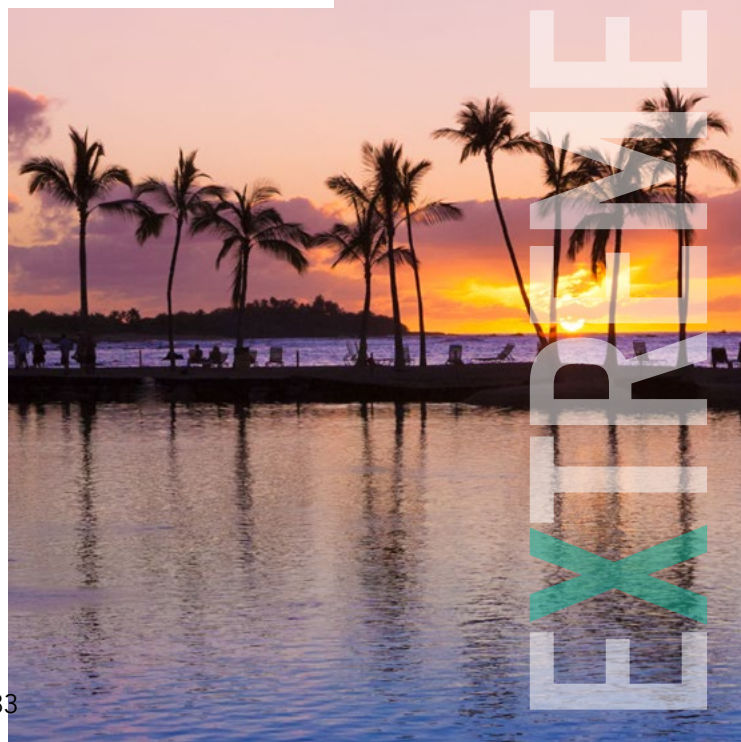
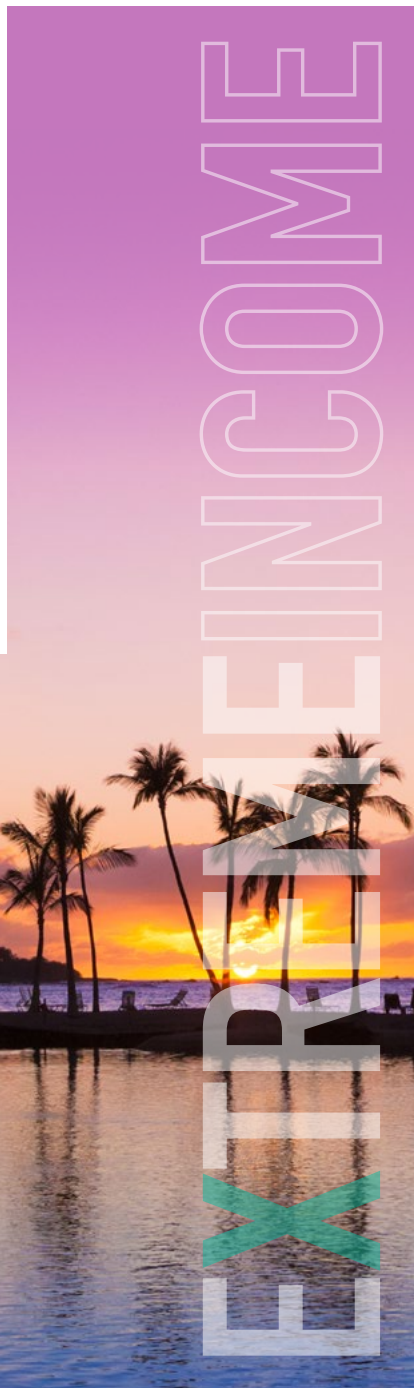


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9
**TAX AND
ACCOUNTING
ON ROOMING
HOUSES**



QUANTUM SHIFT
REAL ESTATE COACHING & MENTORING PROGRAM

Tax and Accounting Stuff!!

ACCOUNTANTS | FINANCE STRATEGISTS | ADVISORS
KNOWLEDGE • EXPERIENCE • INTEGRITY
wizdom.com.au

Accounting & Taxation

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

Our team are specialists in Business/Property tax
We can help with:

- ✓ Accounting software setup & support
- ✓ Tax Returns & Financials
- ✓ Tax Advice – Income, CGT and GST
- ✓ Business advice
- ✓ BAS preparation
- ✓ Analyse property feasibilitys

Indicators of Boarding/Rooming House

- Commercial intent – operated on a commercial basis or in a business-like manner
- Multiple occupancy – capacity must be there to provide accommodation to multiple, unrelated guests or residents at once in separate rooms
- Offered to the public – premises must be offered to the public or a segment of the public
- Accommodation is main purpose

Indicators of Boarding/Rooming House (Cont.)



- Central Management – to accept reservations, allocate rooms, receive payments and perform or arrange services
- Management offers accommodation in its own right – entity operating the premises supplies accommodation rather than as an agent
- Provision of Services – management provides guest and residents with some services and facilities or arranges for third parties to do them
- Guest status – occupants are traveller’s who have their PPR elsewhere



Indicators not a Boarding/Rooming House



- Agree on periodic term (such as a residential lease)
- Operator and occupant document condition of premises
- Operator can impose a cleaning fee
- Occupant can alter the premises – hanging things on wall



Indicators not a Boarding/Rooming House (Cont.)



- May keep pets
- Occupant separately arranges connection and payment of own utilities
- Occupant responsible for cleaning and minor maintenance
- Premises are unfurnished



GST Long Term

- Long-Term leasing - where leased continuously for > 28 days
- Premises are predominantly for long term accommodation if, at least 70% of your guests stay for 28 or more continuous days

Concessionary Treatment – Long Term

Can choose how GST applies on income and expenses:

1. Treat all as long-term so no GST. Must apply for at least 12 months
2. Long-Term Concessionary Treatment (not predominantly long term) – charge full GST for first 27 days (same as short-term) then GST on half of the normal price (GST inclusive) from day 28 onwards
3. Predominantly Long-Term Concessionary Treatment – GST is half of the normal price (GST inclusive) from the beginning of the occupant’s stay

Concessionary Treatment – Long Term

Following point 2 through:

- Say room is \$220 a night (incl GST)
- After day 27
 - 50% of \$220 = \$110
 - GST on \$110 is \$11
 - Amount to charge would be \$200 + \$11 = \$211



Concessionary Treatment



- GST concessional treatment applies to items you provide as part of the cost of long-term accommodation. E.g. electricity, gas, heating, cleaning
- If you then charge a fee for incidentals (e.g. meals, laundry), you cannot apply GST concessional treatment to these items – 10% applies

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Case Study – John & Kate



- Purchase block of land in a trust for \$250,000
- Purchased under the margin scheme
- Build rooming/boarding house (7 rooms) for \$300,000
- Rent out each room under 6-month leases – estimated rent is \$220 per week per room (approx. \$80k p.a.)
- After 7 years sell property with leases in place
- John earns \$185,000 pa, Kate is a housewife

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Costs –

- Land \$250,000
- Stamp Duty \$7,000
- Settlement Agent Fees \$1,500
- Build \$300,000



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Key Points to Consider



- Is the property a boarding/rooming house?
- Tax considerations - Income tax, CGT, GST
- Margin scheme or going concern
- Where will the profit be taxed



Does GST Apply



- Is it considered Commercial Residential Premises?
- Estimated rental income \$80k p.a. so John & Kate will be liable for GST
- Amount of GST varies – concessionary treatment may apply as long term leases



Capital Gain



Predominantly Long Term	Amount	GST	Net
Land	\$250,000	\$0 - MS	\$250,000
Stamp Duty	\$ 7,000	\$0	\$ 7,000
Settlement Fees	\$ 1,500	\$136	\$ 1,364
Build	\$300,000	\$27,273	\$272,727
Total Capital Cost			\$531,091
Sell	\$850,000	Going Concern	\$850,000
Gross Capital Gain on Sale			\$318,909
Net after 50% CGT Discount			\$159,455



Tax Rates for Individuals



Taxable Income	Tax Rate
\$0 – \$18,200	Nil
\$18,201 – \$45,000	19%
\$45,001 - \$120,000	32.5%
\$120,001 – \$180,000	37%
\$180,001 +	45%

* Does not include Medicare Levy (2%) or Medicare Levy Surcharge (1 – 1.5%)



Income Tax Implications on Sale



- Taxable Capital Gain of \$159,455 needs to be taxed
- John earns \$185,000 in wages – 45% ++
 - Kate – distribute \$45,000, 19% tax
 - Remainder to bucket company, 30% tax



Tax Payable



	Kate	Bucket Company	Total
Taxable Income	\$45,000	\$114,455	\$159,455
Tax on Taxable Income (without Medicare, offsets etc)	\$5,092	\$34,336	\$ 39,428

If took Kate up to \$120k with balance to bucket company overall tax would be **\$41,303**. If wanted to access funds for personal use or 1st year bucket company may consider this option

If distribution all went to John, or the property had been held only in John's name then the tax on the profit would have been **\$71,755** (without Medicare, offsets etc)



Head Lease/Sub Lease Arrangements



Head Lease:

- Falls under commercial residential property
- Generally normal GST rules apply
- Entity type that has the head lease does not change the GST outcome

Head Lease/Sub Lease Arrangements Cont.

Sub Lease

- Under GSTR 2012/6 paragraph 8 – a supply of accommodation in commercial residential premises provided to an individual by the entity that owns or controls the commercial residential premises is a taxable supply (GST applies)
- However, we can then look at the long-term accommodation rules for concessional commercial residential premises and deal with GST accordingly

Summary

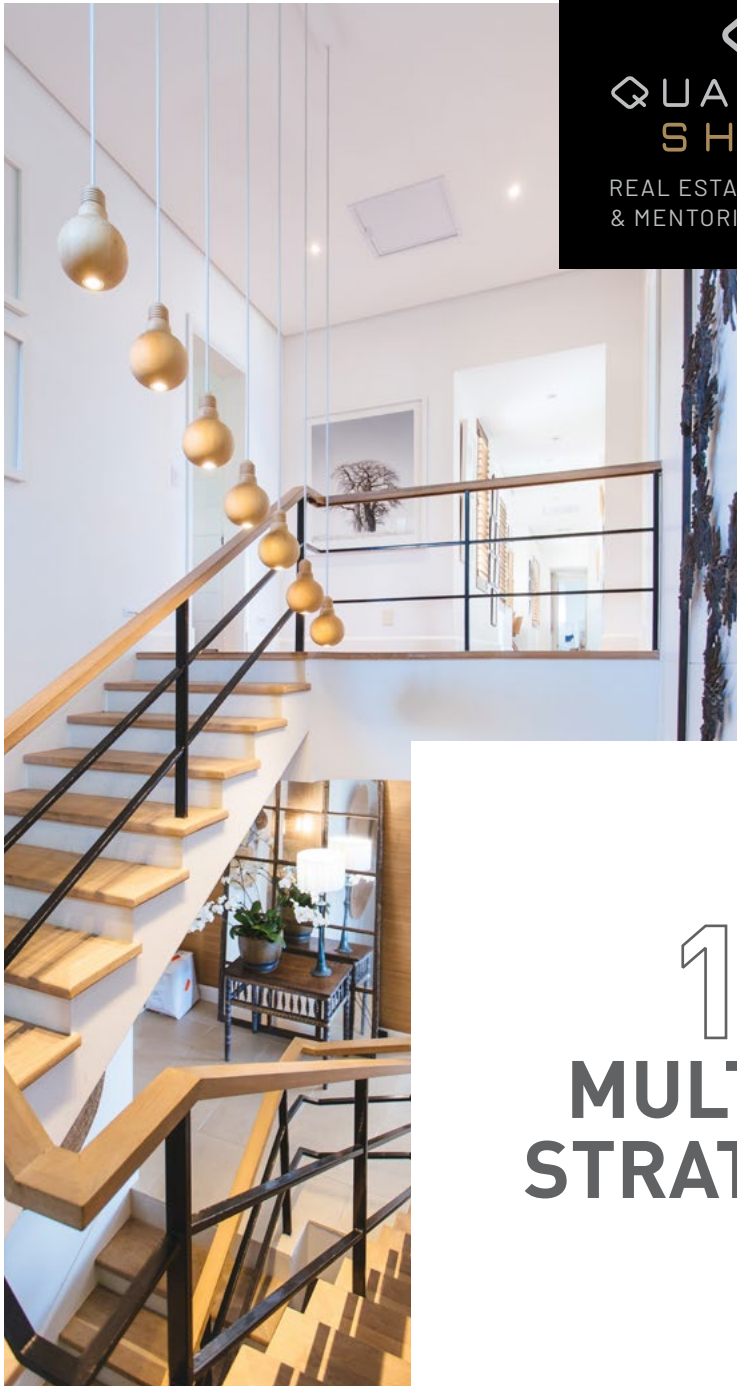
I just need the main ideas



1. Is it commercial residential
2. Short term or long term
3. GST

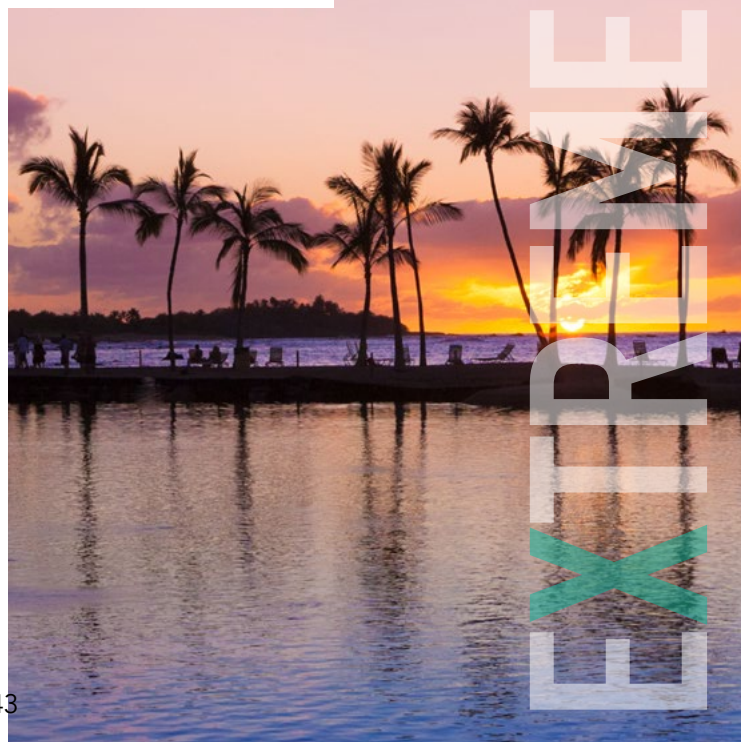
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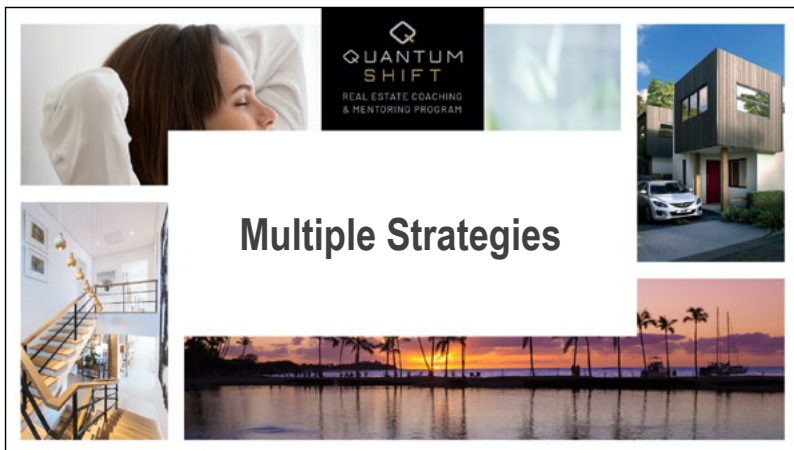
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& MENTORING PROGRAM



10
MULTIPLE
STRATEGIES

EXPERIENCE
EXTREME
EINCOME





Multiple Strategies

Short Stay Accommodation

1. Executive Leasing
2. Holiday Letting
3. Air BnB
4. Room by Room rental (below the Rooming House Requirements)

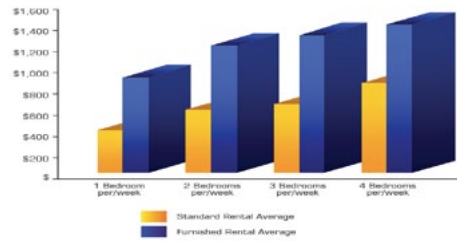
1. Executive Leasing

- Check with Executive Leasing agencies first to determine demand and areas of most need
- Usually only require small cosmetic renovations
- Furnishing essential – ask exec leasing companies if they prefer to furnish or if they have a preferred supplier
- Easy clean business
- Great growth potential as well as positive cash flow.
- Sydney and Mel best markets at the moment

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“One of the most common misconceptions for furnished rental is that your property will sit vacant for a long period of time. The properties we manage are generally occupied for more than 90% of the year.” Executive agent

Rental comparison chart: standard rental or furnished rental

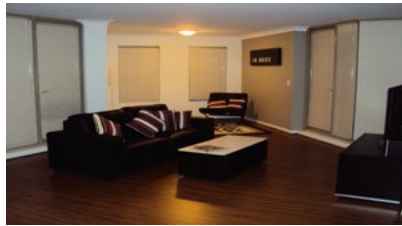


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WOOLLOOMOOLOO

- 1 bedroom unit with car space
- Cosmetic renovation
- Fully furnished the apartment
- Total cost \$16k
- Executive rental
- Increased rent from \$450 to \$900
- Cash flow \$17,000



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WOOLLOOMOOLOO BEFORE EXECUTIVE RENTAL



COSTS	
Purchase	\$240,000
Purchase	\$10,000
	\$250,000
	\$18,750
Commission at 8%	\$1,872
Rates, Strata, Insurance, etc	\$1,500
Total	\$22,122
RENT \$450 per week	\$23,400

CASH FLOW POSITIVE \$1,278 PA

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WOOLLOOMOOLOO AFTER EXECUTIVE RENTAL



**CASH FLOW POSITIVE
\$17,530 PA or \$337 p/w**

COSTS	
Purchase	\$240,000
Pure	\$10,000
	\$250,000
	\$18,750
Agent Commission at 15%	\$7,020
Rates, Strata, Insurance, Foxtel, Electrical, etc	\$3,500
Total	\$29,270
RENT \$900 per week	\$46,800

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COOGEE

- 1 BEDROOM UNIT BY THE BEACH
- RENOVATION (\$6000)
- INCREASE IN RENT FROM \$340 TO \$450 PER WEEK
- 82% ROI PER ANNUM



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Establishing Regional Need

- Look for small underserved towns
- Limited or no overnight accommodation
- Need for Government services
- Usually little for sale
- Door knock – Visit the Pub!



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Serviced Needs

- \$65K + Reno + Furnishing.
- Redraw \$80k
- Renovated to be used as a passive investment
- Appliance package
- Passive income

**\$47,000 Passive @ 50% Occupancy
Equity Redraw \$80K**



Target an appropriate town



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2. Holiday Rentals

- For the right property holiday rentals can provide a positive cash flow
- Best to combine with other strategies such as renovation to give better leverage in pricing to yield ratio
- Need good rental managers – watch out for high on site management costs and body corporate fees



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Holiday letting Case Study-

- Appraisal from local agents before : \$425K
- Net Cashflow before: **Approx -\$3,000pa**
- **Holiday letting: 49% Occupancy**
- Decided to pilot AirBNB with consent
- After 6 months AirBNB: **Occupancy 85%**
- **Cashflow after all costs: \$12,000 p.a. annualised**
- Sale Price at the end of Project (6 months): \$535K



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PLATINUM ACCELERATOR

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Before: Banksia Avenue After: Serenity Close



**\$110K Uplift in Value in 6 months +
\$12K positive Cashflow p.a.**

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3. Airbnb



- Emerging trend in the rental market
- Great returns on whole houses as well as spare bedrooms
- Make sure you declare your income. ATO doing shadow shopping
- Can effect your CGT exemption if Air BnB'ing your PPR



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Air BnB – Reno'd Unit Gold Coast

Az & Em

- Purchased \$336k
- Reno (6mths) \$30k
- Reval \$480k
- Air bnb Rental: \$49k 10ths

•\$29k Net Cash Flow



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PLATINUM ACCELERATOR

Air bnb Business

Jenny

- 4 brm furnished unit in Mooloolaba had trouble renting. Jenny offered to list on Air bnb and manage for 25% commission.
- Rent in the Hand Before Airbnb \$22,500/yr
- Turnover From Air BnB \$59,842/yr (Less 25% Commission, Cleaning, Linen)
- Rent in the Hand from Airbnb \$40,000/yr (less electricity & internet)

Owner > \$15k/yr better offer + 3-4wk per year holiday home



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Jenny = \$15k/yr Commission!!

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Air bnb – PPR : Brisbane

Megan & Kevin



- Downstairs Studio Reno \$54 k
- Target Air bnb Income to cover PPR Mortgage \$1,440/mth
- Air bnb Rental @ 85% occupancy achieving \$2200/mth

•Smashed their Target from the Very First Month!!!!



Website

- Air BNB
- Bookings.com
- Stayz.com
- Gumtree
- Share Room Accommodation
- <http://www.youtube.com/watch?v=axqh6SJ0O0c>



Design and Usage

- Design Housing that is flexible and adaptable
- Separate areas for residents, boarders or lodgers is important.
- Own bathroom and lounge area is a positive



What are the Legalities?

- Put simply there is no one rule
- Some councils will insist you apply for a Bed and Breakfast
- Others will ask that you not accommodate for more than 14 days
- Other councils will request a breakfast menu!
- Neighbour's are usually the PROBLEM!!

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Testing the market

- Putting an add on Gumtree is a good start. Research the same way
- Find some photos of what you will offer and put an add in to promote the room
- Explain what is part of the room and what they will be sharing
- Remember that you will be paying the costs so it may not be worth the hassle

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4. Renting Room by Room but not as a Rooming House

- QLD – 3 or less
- NSW – 4 or less
- VIC – 3 or less
- SA – 2 or less
- WA – 6 or less
- NT – 2 or less
- The building would still need to be compliant for the use (eg. class 1b) NCC and building regs



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Sublease – Rent Room by Room

Start up \$6,100
Hold Cost \$43,860
Annual Income \$57,720



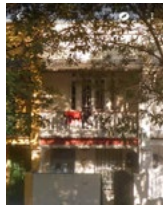
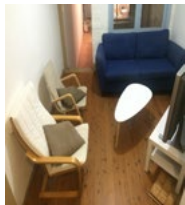
Total Net \$13,860



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Sublease – Rent Room by Room

Start up \$5,770
Hold Cost \$42,720
Annual Income \$54,600



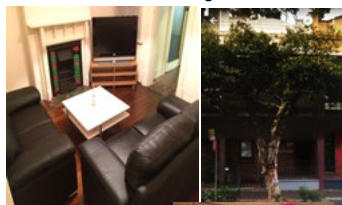
Total Net \$11,880



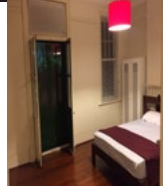
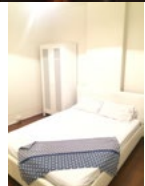
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Sublease – Rent Room by Room

Start Up \$7,350
Hold Cost \$58,440
Annual Income \$83,200



Total Net \$24,760



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Dual Occupancy

1. Granny Flats
2. Single Dwelling / Dual Living
3. Duplexes +
4. Blocks of Units



1. Granny Flat (Secondary Dwelling / Ancillary Dwelling / Auxiliary Dwelling) Dual Occupancy

- Easy Income strategy BUT not good for Refinance

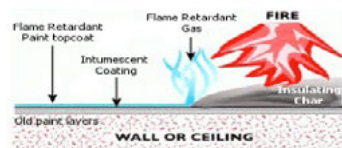


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General Rules with Dual Occupancy Granny Flats

- Fire Rating is Essential to Local Standard
- Smoke Detectors will need to be linked
- Create separate entrances and yards for each occupancy
- Ensure separate electrical and possibly water



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NSW – Great Granny flat Rules

- Maximum of 1 Granny Flat is permissible per lot
- Maximum floor area permissible for a Granny Flat is 60 m²
- Must have a 24 m² courtyard space for the Granny Flat, with an area of at least 4m wide
- Conditions may apply if building in a bushfire, flood affected or conservation heritage area
- For Battle-axe blocks, an access handle of at least 3m wide is required
- Off-street car parking for the Granny Flat is not essential

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NSW – Site Coverage and Set-Backs

NSW

Summary of Minimum Complying Development Requirements for Granny Flats - State Environmental Planning Policy (Affordable Rental Housing)

Lot Size	Min. Frontage	Site Coverage	Total Floor Area (including existing house)	Building Height	Front Setback (non classified road)	Side Setback	Rear Setback	Landscaped Area
450-600m ²	12m	50%	330m ²	8.5m	4.5m	0.9m	3m	20%
600-900m ²	12m	50%	380m ²	8.5m	4.5m	0.9m	3m	25%
900-1500m ²	15m	40%	430m ²	8.5m	6.5m	1.5m	5m	35%
>1500m ²	18m	30%	430m ²	8.5m 2009)	10m	2.5m	10m	45%

WA Granny Flats

So to build a Granny Flat in Perth or WA, the rules and regulations are as follows:

- Maximum Gross Floor Area of 60 square metres
- Can be built in any residential zone, but can only have one primary dwelling, and one secondary dwelling on the block
- The block can not be sub-divided
- The maximum floor area of the Granny Flat plus the home cannot exceed the maximum allowable ratio of that local council environment plan

What is also important to understand is that the 60 square metre maximum Gross floor area doesn't include any verandah or patio areas, which are generally capped at an additional 12 square metres.

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Northern Territory - Granny Flats

- The floor area doesn't exceed 50 square metres (urban) or 80 square metres (rural).
- The independent unit is secondary from the primary dwelling.
- One additional off-street car park space per bedroom for the independent unit.
- Private open space of 45 square metres for the independent unit and 50 square metres for the single dwelling.
- Standard building setbacks and height requirements as for single dwellings



WA Granny Flats

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What is also important to understand is that the 60 square metre maximum Gross floor area doesn't include any verandah or patio areas, which are generally capped at an additional 12 square metres.



Tasmania – Granny Flats

- Maximum size is to be no more than 30% of the total area of the principle dwelling and they can be rented to anyone.
- There is no state wide policy on what you can and can't do so the **rules** will vary from council to council
- Building laws apply to the construction and use of dwellings of any size, including
- A new structure (such as a granny flat, sleep-out etc.) detached from the rest of a dwelling, but collectively forming part of it. The new part must be associated with other parts of a residence, such as the kitchen and sanitary facilities.



ACT – Granny Flats

- Block size must be 500m² or larger
- Granny flat floor space must be between 40m² and 90m²
- The size of the house *plus* the flat must comply with the total plot ratio allowable for the block
- Property must be zoned 'residential'
- One granny flat per property
- Granny flat must have clear, unobstructed pedestrian access
- Must comply with **Adaptable Housing Standards**, in the event that a disabled person should (at any time) need to live in the flat. This doesn't mean **incorporating disabled access** right away, but being "adaptable" so that the design is easily changed in the future.

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Qld Granny Flat are different for each Council

- **Logan City Council** has a **size** limit on **Granny Flats** – it's a maximum of 70m², 2 bedroom of living space, not including car accommodation or outside under roofline entertainment space such as a deck. If your property is over 1,000m² you may be eligible to build up to 100m² **Granny Flat**.
- **Ipswich City Council** has set a maximum **size** limit on **granny flats** – it's a maximum of 50sqm of living space with one bedroom, not including car accommodation or outside under roofline entertainment space such as a deck. There are of course, other building approval criteria.
- **Sunshine Coast**. Must be located on a site with a minimum area of 600m². Secondary dwellings can have a max Gross Floor Area of 90m² in a rural zone or rural residential zone. Secondary dwellings can have a max Gross Floor Area of 60m² in all other zones.
- **Gold Coast** - Planning application is not required - being self-assessable. To be self-assessable*, a secondary dwelling must:
 - not exceed 80m²
 - use the existing driveway
 - be built with the same materials as the primary house

Qld Granny Flat are different for each Council

- **Brisbane City** - City Plan refers to an extension to an existing dwelling house in a residential zone for a granny flat as a 'secondary dwelling'.
- It can be a maximum of 80 square metres in size.
- A granny flat for a member of your household does not need Council approval.
- Lot must be over 450 square metres, or for a rear lot over 600 square metres, excluding the access way.
- You will need to lodge a development application if:
 - the granny flat is bigger than 80 square metres in size
 - it is more than 20 metres from the main house.
 - if you are renting it to someone who does not form part of your household.

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VIC & SA – Granny Flats

- Granny Flats South Australia can not exceed 60 M2 or 70 per cent of the total floor area of the existing dwelling.
- Requirements prior to building a Granny Flat
- The minimum lot size of the block is 600sqm
- The maximum size is 60 Sqm Or No More Than 70% Gross Coverage When Combined With The Main Dwelling.
- **If leased, it must be to a relative of the primary dwelling owner.**
- The Granny Flat must be attached to the main dwelling.



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VIC – Granny Flats

- Granny Flats generally only permitted if “granny” (dependent relative) is living in it – must be disengaged if they move out
- BUT...Changes are being piloted at the moment with potential for new regulations to be introduced in 2021



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Positively geared investment

Who says you can't have a positively geared investment in Sydney metro area?

Suburbs	Weekly Rent	Monthly Rent	Granny flat 60m2 @ \$98k - ROI
Concord	\$450	\$1,800	24%
Rydalmere	\$420	\$1,680	22%
Burwood	\$450	\$1,800	24%
Sylvania	\$510	\$2,040	27%
St Marys	\$330	\$1,320	18%
Blacktown	\$350	\$1,400	19%
Beacon Hill	\$410	\$1,640	22%
Auburn	\$400	\$1,600	21%
Pendle Hill	\$400	\$1,600	21%
Bankstown	\$380	\$1,520	20%
Campbelltown	\$320	\$1,280	17%
Liverpool	\$340	\$1,360	18%
Fivedock	\$490	\$1,960	26%
Ryde	\$480	\$1,920	25%
St Ives	\$510	\$2,040	27%
Dee Why	\$480	\$1,920	25%
Parramatta	\$420	\$1,680	22%
Average Returns	\$420	\$1,680	22%

Positive Returns of over 20%
Earn an Extra \$1680 per month
Average Returns in Sydney



2. Dual Occupancy

- Under one roof - dual living
- Think Dual key regardless of what you are building
- Dual key cannot have 2 separate tenants but can have one group renting
- Single entry, one laundry and two areas
- Meets the market with grand parents, teenagers, older sibling couples, single couples helping to pay mortgage.
- ADAPTABLE AND AFFORDABLE!!!!!!!

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Land : \$235,000
 Build: \$300,000
 Total Cost: \$535,000

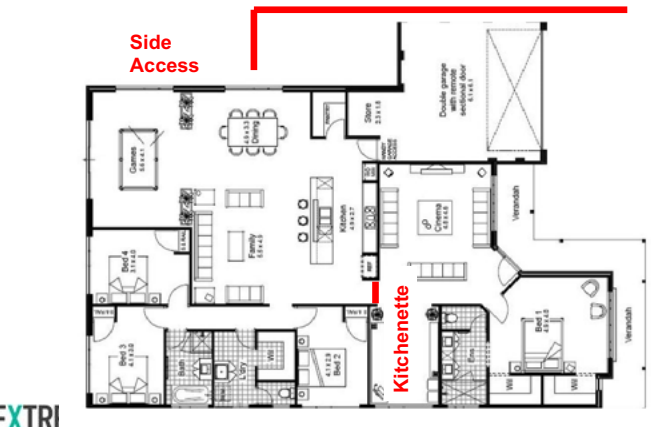
End Value: \$530,000

Cashflow per annum: \$10,000 Net.

FLOOR PLAN LAND AREA: 450m2

PLATINUM ACCELERATOR

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Side Access

Kitchenette

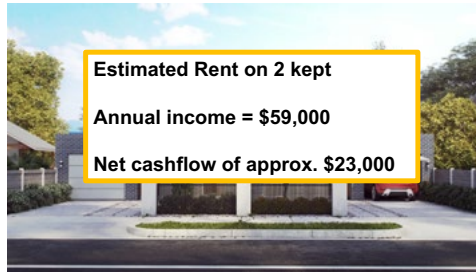
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2 x Duplex Build – Sell 2 Keep 2

Purchase	\$ 1,625,000
Costs	\$ 93,000
Construction	\$ 2,037,000
Interest	\$ 113,000
Total Costs	\$ 3,868,000
Sales x 2	\$ 2,400,000
Selling Costs	\$ 89,000
Cash	\$ 2,311,000

Pay down mortgage to \$787k



EXTREMEINCOME

PLATINUM
ACCELERATOR

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4. Blocks of Units

- Great for multiple strategies – Reno / Strata / Extend
- Relatively quick
- Usually positive cash flow from day one – particularly in regional areas
- Easy to stage reno strategy and still get rent
- Works just as easily in the commercial space
- Low risk starter– DB started here.

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Regional Cheapie

- 2 X 1 Bedroom Units and 1 X 3 Bedroom Unit
- Renovated them all
- Settlement subject to title and access prior
- No money so got inventive – IKEA
- 3 Bedroom was done last

Buy	\$95k
Costs	\$ 5K
Reno	\$20k
TOTAL	\$120k
Cash flow	Over \$16,000

New Valuation \$280,000

Equity Increase \$160,000

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ACCELERATOR

Regional



- Purchased \$430,000
- 2 x Block of Flats
- 2 separate buildings
- Meets all ILRE criteria
- Rental:
2beds = \$180/wk x 5,
3bed = \$200/wk



Subdivision costs \$21K

Reval:- Block of 4 = \$380K
Reval:- Block of 2 = \$220K

Increase equity \$150K
Positive cashflow \$20K / yr



EXTREMEINCOME

Rent to Buy / Lease Options / Vendor Finance

1. Deposit Finance
2. Rent to Buy / Lease Option
3. Sandwich Lease



What is Vendor Finance?

- The buyer normally pays a small deposit to the seller and makes repayments to the seller over time.
- These repayments may or may not include interest
- The purchase price or the repayments are typically higher compared to a standard loan.
- These are done with either an option of paying the instalments until it is paid off in full or you will make the repayments until you're in a position to qualify for a mainstream mortgage in which case you'll pay off the balance in a lump-sum payment.
- The term is typically 2-5 years

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Why would a Buyer Vendor Finance?

- **Lack of genuine savings:** If you're unable to complete a large deposit, such as 20% of the purchase price
- **Poor credit file:** If you have a poor credit rating
- **Self-employed:** Accountants writes income down which is not good for bank finance or don't have 2 years of trading and GST registration
- **Casual Worker:** Banks typically don't like casuals for financing
- **Too Many Kids:** They are expensive for financing
- **Too Old:** It gets hard to borrow money the older you get
- **Pension Income:** Can affect bank financing

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3 Methods of Vendor Finance

1. Terms Finance / Instalment Finance:

- This structure occurs where the purchase price is repaid by instalments and the title remains with the vendor until the final instalment is paid or the loan is refinanced with a bank.
- The duration of the contract may be 25-30 years, but a purchaser normally pays it out as soon as they can refinance, which normally occurs within 2-5 years.
- Not good in QLD as title must transfer in QLD when 1/3 or more is paid off.
- Problem with CGT as transaction occurs upon signing contract but **no** money has been received at that point.

3 Methods of Vendor Finance

2) Deposit finance:

A mortgage-backed finance structure is when the vendor loan is used as deposit finance, where the deposit is funded by the vendor with an external party and title transfers to the buyer right away.

- The vendor funds the difference between the price and the external finance and takes security for payment through a second mortgage or caveat over the property

3 Methods of Vendor Finance

- **Lease option finance:** In this scenario, the property is leased to the purchaser while payments are made under an option towards the deposit on the purchase of the property.
- This is the most common across the States

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NOTE –
SA not good for lease options
WA – Ok but need to be very cautious

Need to have a Financial License in the other States



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Licensing Requirements

Credit Providers License

- Lease Options
 - Licensing may be Required (State Specific)
- Instalment Sales and Deposit Finance
 - Need License when “In the Business” of providing regular Vendor Finance

Real Estate Agents License

- License required or Real Estate Agent needs to be involved if you are selling a property you don't own.

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Cautionary Tales

Licensing considerations



Be careful how you represent yourself and the deal!

Considerations when leveraging off traditional finance

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Why would a Seller Vendor Finance?

- Developer selling first and last stock in a development to create benchmark.
- Vendor wants premium price in a slow market
- Rural properties
- Vendor in distressed situation forced to sell in a slow market
- Specialised business real estate with limited buyers
- Vendor wants premium price and buyer wants time to improve the property before settling in any market.
- Turn a Negatively geared property into a positively cash-flowed one!

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Next inspection Saturday, 10:00am

Share Save

Photos 7 Floorplan Video Virtual Tour

120/2 Smallwood AVE, Homebush NSW 2140
100 PerCent Finance Available

1 Bed 1 Bath 1 Parking

Typical Example of developer selling off first and last stock in a development

Negotiation 101

The key thing you need to know
when talking with a Seller / Agent

What does the seller want out of the deal?

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Negotiation 101



- Spend more time listening than talking
 - Allow the other party to tell you what they want
 - Keep asking questions until they tell you what they need
 - Meet their minimum requirements – what they **need**
 - and then if possible some of what they want

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Work out the Deal



- Do your homework to understand what is possible
 - Strategy
 - Price points
- Employ your best negotiation techniques
 - Craft a deal that solves their problem

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Heads of Agreement

Date: _____

Owner: _____

Investor: _____

Property: _____

Price: \$ _____

Initial Payment: \$ _____


Owner Finance Payment: \$ _____

Terms: X..... X.....

Always do a Heads of Agreement or Memorandum of Understanding


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Michael and Sara's Example - WA

Before:	
Value:	\$625,000
Debt:	\$625,000
Rental Income:	\$24,960 (\$480 p/w)
Mortgage:	\$41,937
Outgoings:	\$ 3,190
Total Cost:	\$45,127 p.a.
Cash Flow:	<u>\$20,167 LOSS</u>

EXTREMEINCOME **I LOVE REAL ESTATE**

Michael and Sara's Example - WA

Lease Option	
Sale Price:	\$650,000
Option Fee:	\$20,000
Lease Option Income:	\$50,388 (\$969 p/w)
Mortgage Payments:	\$41,937
Outgoings:	\$ 3,190
Total Cost:	\$45,127 p.a.
Cash Flow:	<u>\$5,261 PROFIT</u>

EXTREMEINCOME **I LOVE REAL ESTATE**

Sandwich Lease



Meet Tom. Tom has recently lost his job. He purchased a brand new, off-the-plan, 4-bed-2-bath DUG through marketeers in a new estate three years ago. He's behind in his mortgage and only has \$20k equity in his \$400k home.

Meet Jane. Jane hears Tom is in trouble and offers him \$5k to take over his mortgage and bring it up to date, in exchange for Tom releasing all control over the property via an option

E agreement





Tom agrees to the proposal as he wouldn't get anymore money in hand after commissions if he sold the property on the open market.



Jane now has control over Tom's property without having to pay stamp duty or get finance and takes over Tom's \$380k Mortgage.

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Meet Barry. Barry has just started his own business and whilst he's making good income, banks will not finance him without a 2-year track record

Barry agrees to buy Jane's property for \$450k using a 2-year lease option agreement. He also pays Jane \$10k upfront deposit for the property.



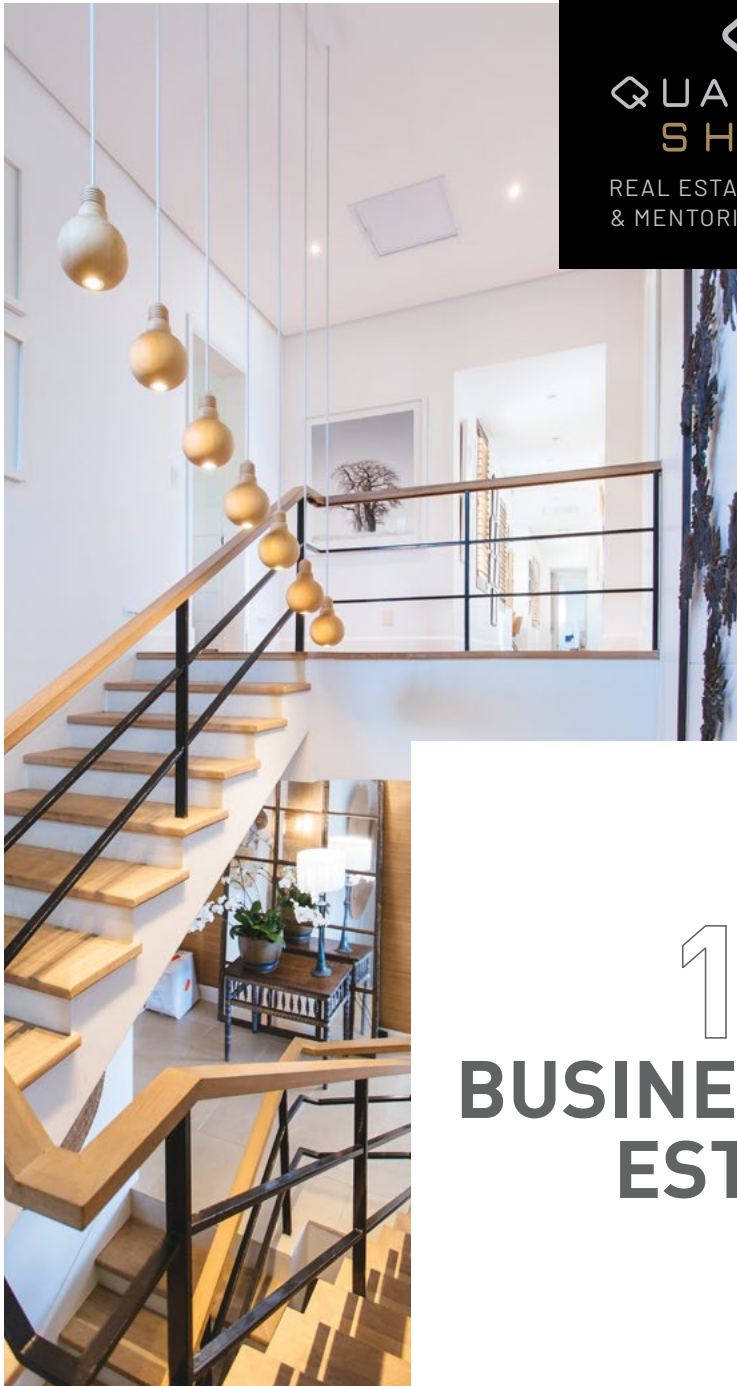
And agrees to pay rent equivalent to \$400/mth more than Tom's Original Mortgage repayment

EXTREMEINCOME

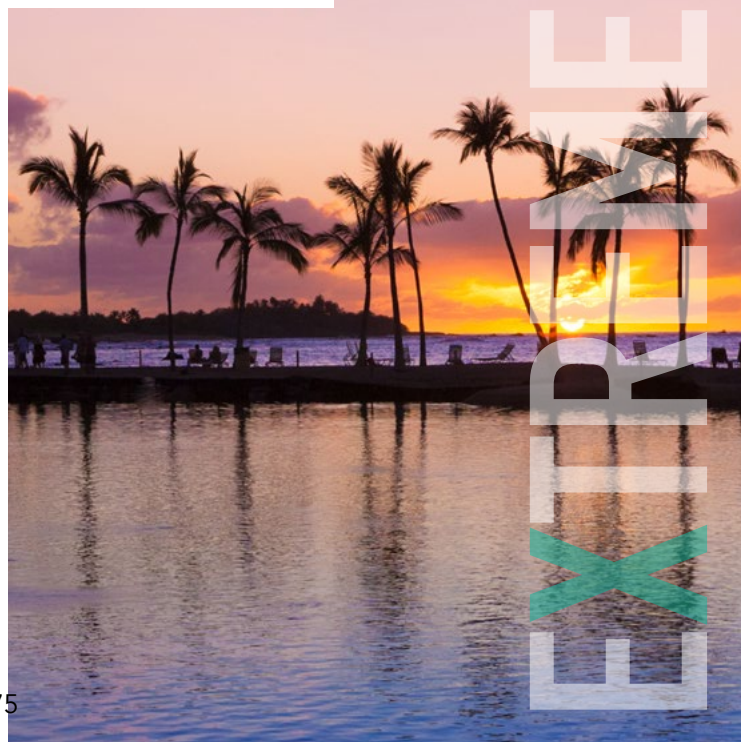
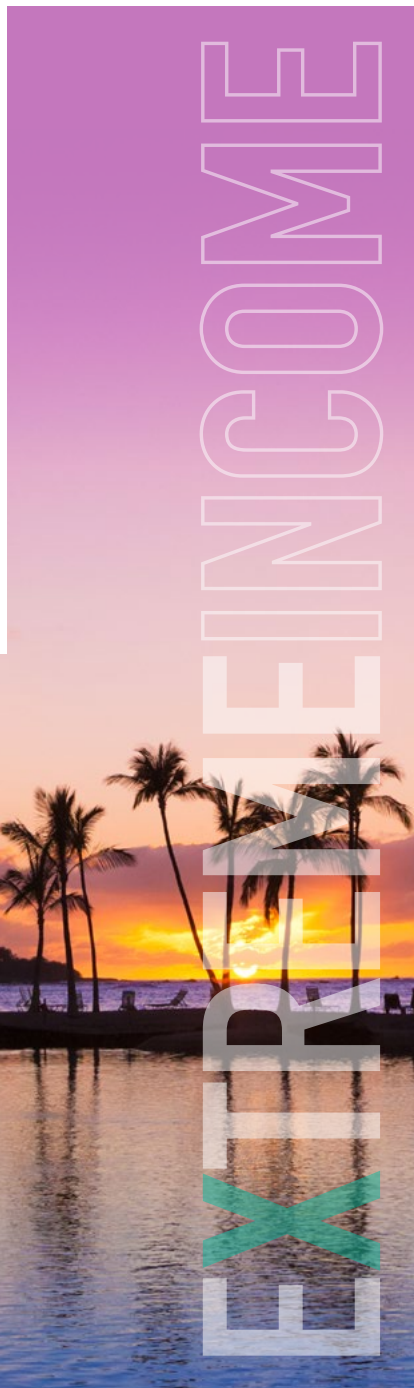
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**QUANTUM
SHIFT**

REAL ESTATE COACHING
& MENTORING PROGRAM



**11
BUSINESS REAL
ESTATE**





Business Real Estate can be a way to quit job immediately

Serviceability is based in the income from what you are buying – not your job



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Examples of Business Real Estate

1. Management Rights
2. Rent Roles
3. Caravan Parks
4. Relocatable Home Parks
5. Retirement Villages
6. Back Packers
7. Motels / Hotels
8. Storage Sheds
9. Child Care Centres
10. Car Parking
11. Air rights – Signage and Solar

- All Active Management Strategies and can be run under management
- But if manager doesn't work out you have to run the show

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INDOOROPILLY RENTALS INVESTMENT SUBSIDY 4

LOCATION OVERVIEW

INDOOROPILLY

Investment in a Leasehold Property and certain elements of the Building (B) The Subsidy Plan. Includes an income support agreement with the relevant state government. Includes a leasehold agreement for the right to use the building. Includes a leasehold agreement for the right to use the building. Includes a leasehold agreement for the right to use the building.

YEAR BUILT
2017

BUILDING TYPE
Apartments

CONFIGURATION
Two level of units

NO. OF UNITS
100, 50% of units are in the letting pool

TERM OF AGREEMENT
10 years

PETS PERMITTED
No pets permitted

OFFICE HOURS
9am - 5pm

EXTRA FACILITIES
Swimming pool, Gymnasium

INDOOROPILLY RENTALS INVESTMENT SUBSIDY 5

PARTICULARS

YEAR BUILT
2017

BUILDING TYPE
Apartments

CONFIGURATION
Two level of units

NO. OF UNITS
100, 50% of units are in the letting pool

TERM OF AGREEMENT
10 years

PETS PERMITTED
No pets permitted

OFFICE HOURS
9am - 5pm

EXTRA FACILITIES
Swimming pool, Gymnasium

INDOOROPILLY RENTALS INVESTMENT SUBSIDY 6

PARTICULARS

YEAR BUILT
2017

BUILDING TYPE
Apartments

CONFIGURATION
Two level of units

NO. OF UNITS
100, 50% of units are in the letting pool

TERM OF AGREEMENT
10 years

PETS PERMITTED
No pets permitted

OFFICE HOURS
9am - 5pm

EXTRA FACILITIES
Swimming pool, Gymnasium

EXTREMEINCOME **I LOVE REAL ESTATE**

INDOOROPILLY RENTALS INVESTMENT SUBSIDY 7

IMAGE GALLERY

INDOOROPILLY RENTALS INVESTMENT SUBSIDY 8

Complex	Total Units	Letting Pool	Outside Agent	Agreement Years	Body Corp Company	Body Corp Remuneration
Indro 279	26	14	8	13	Hartleys BC	\$ 34,404.00
Euro	31	8	11	16	AM Strata	\$ 36,480.00
Boston	43	20	10	17	Capitol BC	\$ 57,116.00
Central	12	5	3	16	AM Strata	\$ 17,065.00
	112	47	32			\$ 145,065.00

NET PROFIT
\$274,891 (Includes body corporate remuneration)

SALE PRICE
\$1,485,000

* Plus 8 outside letting appointments

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2. Rent Roles

- Usually sell for a 2.5 to 3.8 times ratio depending on location, quality and proximity of rentals
eg. If the Return is \$100,000 then the Price would be \$250,000 to \$380,000.
- Really the only valuable asset a real estate office has – sales agents are not saleable and office fit outs have minimal value
- Similar to Management Rights an aggressive marketing campaign not only creates additional income but also build a solid capital asset

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2. Rent Roles

- Example
 - Gaining an additional rental property returning \$500/wk
 - Assuming a management fee of 8% = \$2080 additional income per year without adding on letting fees and admin charges
 - This means the value of the business goes up by \$7,280 based on a 3.5 times ratio
- That means you only need to add around 15 new rental properties per year to grow your business by \$100k /yr

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3. Caravan Parks

- 3 Styles of Caravan Parks
 - Tourist Parks relying on holidayers and grey nomads
 - Parks that mostly cater for permanents
 - Large brand Resort Parks like the Big 4
- All have specific advantages and location specific
- Typically sell for 8 – 18% depending on location
- Park culture is very important
- Can be the best in affordable living
- Many owned by large conglomerates
- Area specific due diligence needed

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 <p>FREEHOLD MOTEL</p>	 <p>Tourism Brokers "Working Together"</p>	 <p>Tourism Brokers "Working Together"</p>
<p>Property and Sale Information for Kalang River Motel Urunga NSW Presented by Warren Sweetman 0498 965 005</p>  	<p style="text-align: center;">Kalang River Motel - Offering</p> <p style="text-align: center;">Kalang River Motel</p> <p>The Kalang River Motel is located in the small town of Urunga, in only 20 minutes from of Coffs Harbour and approximately 2.5 hours north of Sydney. It is a well used, old river front site in close vicinity of the local beach.</p> <p>With its eight well appointed rooms, a heated swimming pool, garden and seating area, this is a great first rental for all guests in the region.</p> <p>The motel offers attached that offers for breakfast and light meals, making this an ideal base for long gaming, fishing, boat-making, bird-watching, birding and golfing.</p> <p>www.kalangrivermotel.com.au</p> <p style="text-align: center;">For Sale as a Private Treaty Sale by Tourism Brokers Pty Ltd.</p>	<p style="text-align: center;">Kalang River Motel - Freehold</p> <p>Kalang River Motel is a self-run 3 star property that offers a total of 8 rooms comprising a mix of twin and queen rooms.</p> <p>Location: The 21 and reception is centrally located on the main city property in a shared area with the site. It is a well used, old river front site in close vicinity of the local beach.</p> <p>Staffing: The property is owner operated with support from rental staff members.</p> <p>Cafe: The Bridge Cafe caters for up to 20 people and is very popular with the locals and general public. It offers breakfast, convenience and light meals with an outside dining area surrounding the general garden for those sunny days.</p> <p>It is supported by its own kitchen with single access and kitchen bench.</p> <p>Cafe kitchen: The kitchen is a shared facility used by the owners for self prepared meals and also supports the main cafe. It is equipped with commercial appliances, including an oven and dishwasher and a sink.</p> <p>Laundry: Accommodates. The Motel has an on-site laundry facility that is equipped with one commercial front loader washing machine and one commercial dryer.</p> <p>Facilities: All of the items in listed and described commercially office with the exception of the two beds.</p> <p>Parking facilities: The gravel car park provides eight parking spaces which also have work additional parking for visitors and call patches.</p>
<p>EXTREMEINCOME</p>		
<p>I LOVE REAL ESTATE</p>		

4. Relocatable Home Parks

- Similar to Caravan Parks except target market is permanents
- Can be age specific Eg. Over 55 villages
- Specific legislation around selling off the buildings and keeping the underlying land which the house owner pays rent on
- Parks typically sell for around 6 -8% Cap Rate
- Sort after in prime coastal location
- Slightly higher risk than caravan parks and retirement villages



5. Retirement Villages

- Business can be sold separately from the buildings
- Very sort after by large consortiums
- Villages typically sell for around 4 -6% Cap Rate
- Really tightly held
- Long process to get approvals through council



6. Back Packers / Guest Houses

- Need to be very young personality or have a manager who is
- Good money in the on sell of tours and experiences and alcohol if licensed
- Reasonably tightly held
- Need to be in good location for tourists



Heathcote Guest house conversion

- Reno, turn 7 rooms 4 bathroom guest house, into a 13 room, 10 bathrooms motel with a bar, 250m2 outdoor deck area and now a restaurant and Cellar door. - Build business and sell off, keeping the building, strata off sections, realign boundary, vacant block....maybe more accomm, maybe storage



Started reno July 2017
 – Opened October 2017. Added restaurant June 2018, cellar door Sept 2018.
 Currently Approx \$287,000 equity gain



LOOKING TO SELL BUSINESS AND MAINTAIN A 100K /yr LEASE



7. Motels / Hotels

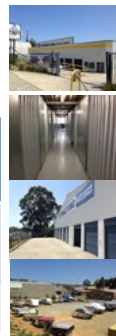
- Run very similar to caravan parks
- Old ones can be converted to low cost living and rooming houses
- Cap Rates are similar to Caravan Parks
- Flavour seems to have gone out of the market
- Many old motel site are being redeveloped into apartments due to prime locations



8. Storage Sheds

Easy entry level business
 History of Self Storage – US & Australia

Country	Population	Estimate # of Facilities	Estimate of rentable square feet	Square feet/person
USA	317,000,000	52,500	2,500,000,000	7.89
Australia	23,130,000	1,100	39,826,468	1.72



Types of Storage

Single storey ranch style development



Two storey with hoist

Multiple storey with lifts

Combination

Mobile



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Types of Storage

Single storey - ranch style



Summary

- First type of storage in the 70's
- Construction is cost effective
- Easiest to design
- Typically found now in areas where land is cheap
- Not efficient use of metropolitan land
- Suits regional locations
- Designs allow for drive up usage

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Types of Storage

2 level with hoist



Summary

- 2 levels
- 2nd level is accessed via a hoist
- Goods are loaded via a loading dock
- Can be in a converted building
- Can be a new build
- More efficient use of land
- Less user friendly, but tolerated by customers in dense locations
- Construction cost significantly higher than single story

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Types of Storage

3 level with hoist/lift



Summary

- Usually for areas where land is scarce or expensive
- Access via a loading dock
- Customers use passenger/goods lifts to get to upper levels
- Construction costs again higher
- More suited for densely populated areas
- More popular construction type of late

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Types of Storage

Multiple levels with lift



Summary

- Usually for inner metropolitan areas
- Conversion of commercial or office buildings
- Most parts of Asia are predominantly this type of self storage
- Cost of construction is very expensive but proportionally less land is required.

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Types of Storage

Portable storage



Summary

- Very convenient
- Limited usage
- Not likely to replace traditional storage
- Serves a segment of the marketplace
- Very service/business oriented
- Higher operating costs

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Types of Storage

Container Storage



Summary

- Very cheap
- Low entry costs
- Temporary
- Usually managed by a Real Estate agency
- Has a niche
- Usually used on vacant land
- Lacks sophistication and therefore commands lower price per square meter

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Types of Storage

Open Storage



Summary

- Very low yielding
- Good way to get revenue from vacant land
- Good use of land in a staged development
- Usually boats, caravans, cars, and shipping containers etc ~

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Potential Returns

Potential Yields Comparison

*Many factors involved in yield analysis so looking generally at averages in metro areas



Comparison

Residential	- 3-5% p.a*
Retail	- 5-6% p.a*
Commercial	- 6-7% p.a*
Industrial	- 7-8% p.a*
Self Storage	- 8-9% p.a*

* major variations between asset class locations and submarkets ~



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How To Buy? - Pricing

Value Guide for buying Self Storage Assets in Australia

Location	Units	Purchase Price
Regional Small Sites	50 - 150	\$800k - \$1.5m
Large Regional	150 - 250	\$1.5m - \$2.5m
Outer Suburban	250 - 400	\$3.0m - \$8.0m
Inner Suburban	400 - 1000	\$6.0m - \$15.0m+



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AAA Storage Units

Short Term or Long Term - 24/7 access



5 Neilson Court, Warragul Ph: 0956 223 800

Safe & secure storage to suit your needs. Full security with 24/7 access. From paperwork to items and everything in between, we have the large or small storage units at affordable prices.



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Costs Itemised:	Land cost inc stamp duty	\$100m2	\$170,718
	Excavation and rock	\$9,828	\$ 8,934
	Concrete slabs (712 m2)	\$53 m2	\$ 37,736
	Concrete pavement (905m2)	\$58 m2	\$ 52,490
	Buildings (712 m2)	\$215m2	\$153,737
	Fencing – chain mesh	\$72lm	\$ 10,407
	Fence – Steel picket	\$150lm	\$ 2,727
	Gate and motor	\$2,272	\$ 2,272
	Planning, legals, consulting	\$8,219	\$ 8,219
	Drainage and sewer pit	\$38,276	\$ 38,276
	Retaining walls	\$74 lm	\$ 10,795
	Electrical and security	\$15,216	\$ 15,216
	Landscaping	\$1,280	\$ 1,280
	Signage	\$5,814	\$ 5,814
	Total		\$518,621

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- Planning stage – submitted full application to council for construction of storage units and subdivision
- Have planning permit in 60 days
- Quotes from numerous companies.....apples v oranges
- Quotes accepted and timeframes locked in
- Engineering for slabs, and retaining wall underway
- Building surveyor ready to roll.

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INITIAL PLANNING STAGE	
Surveyor	\$4,400.00
Town Planner	
Engineering plans	\$4,500.00
DA / MCU application	\$2,508.00
Building plans	\$2,800.00
Energy Assessment	\$0.00
Landscape Plans	\$165.00
Site Analysis / soil analysis	\$990.00
SUB TOTAL	\$ 15,363.00

CONDITIONS OF APPROVAL	
Excavation	\$7,700.00
Retaining wall	\$11,000.00
Driveway concrete and fill and pumps	\$76,264.00
Stormwater retention / detention	\$17,600.00
Sewer	\$6,600.00
Power	\$15,175.00
General Hardware & equip	\$1,200.00
Crossovers and road access inc conc	\$10,780.00
Rubbish removal	\$550.00
Telephone connections for gate	\$1,760.00
Fencing	\$27,766.00
Fire Extinguishers	\$1,650.00
Security Cameras	\$9,191.00
SUB TOTAL	\$ 187,236.00

Costs	
FINAL STAGES	
Bank fees inc valuation	\$0.00
Registration Land Titles	\$3,500.00
Council contributions (\$94, headworks)	\$150.00
	\$9,434.00
SUB TOTAL	\$ 13,084.00

TOTAL COSTS	\$ 215,683.00
--------------------	----------------------

More costs	
Cost on land inc dutys	\$ 221,128.00
Legals on purchase / conveyancing	\$1,500.00
Trust set up	\$1,960.00
Costs associated to transfer land to trust structure	\$13,929.00
TOTAL ACQUISITION COSTS	
Costs of groundwork (from INPUT sheet)	\$215,683.00
Contingency	\$10,784.15
	\$ 464,984.15

CONSTRUCTION COSTS	
Landscaping	\$4,800.00
New Build (per sq mtr)	\$223,143.00
Size of house - sq mts	1
	\$227,943.00

Holding costs	
Rates and Insurance	\$5,000.00
Interest on interest on cost & round work	\$464,984.15
Interest on Construction	\$11,333.99
	\$5,556.11
	\$21,890.10
GST rebate	-\$40,349.00
	-\$40,349.00
Total cost of project	\$674,468.25

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More numbers

Council Rates	\$4,250.00
Water rates	\$660.00
marketing	\$6,000.00
Interest	\$39,550.65
Land tax	\$405.00
Power	\$1,392.00
Maintenance	\$960.00
Management @ 6%	\$6,064.56
	\$59,282.21

Note: interest charged on full costs

Unit size	# of units	Rate pm	revenue pm when full	Annual revenue
4.5 x 3	21	\$135.00	\$2,835.00	\$34,020.00
3 x 3	14	\$112.00	\$1,568.00	\$18,816.00
6 x 3	14	\$180.00	\$2,520.00	\$30,240.00
9 x 3	6	\$250.00	\$1,500.00	\$18,000.00
				\$101,076.00

\$41,794 positive cash flow

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Price differences

- AAA
 - 712 m2 building
 - 1783 m2 land
- Storage 2
 - 905 m2 building
 - 2033 m2 land
- Concrete per m2 \$65 pavement (inc 7m2)
- Concrete per m2 \$60 Slabs (inc 7 m2)
- Storage shed and construction per m2 \$224 (inc 9 m2)



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Values

- Storage 2– currently ready for construction
- Cost to build including land \$674,478
- Annual return (at capacity) \$101,076
- Yield as percentage 14.9%
- Cap rate in area (industrial limited use) 12%
- New value based on area cap rate \$842,300



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Other units



Issue:
No lighting
Messy when wet

Issue:
Access not good
To hard to get into with trailer



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Other Units



No 24/7 access – not convenient

Issue: visually not great, doesn't look secure



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9. Child Care Centres

- Business valuable separate from Building
- Safe, Government backed industry
- Very tightly held
- Even DA approved sites sell well
- Sell for around 4 - 6% Cap Rate
- Chase developers of new suburbs for suitably zoned land – usually sold to mates

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Design & Construction of Childcare Centre

- 96 place Hi Tech Childcare Centre
- Negotiated & signed 15 year lease plus 3 x 10 year options prior to starting
- Construction cost \$1.1M + Land
- Current Valuation - \$3.16M
- Lease \$190k (3.5% p.a. increases which is approx. \$100K increase in valuation per year)



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PLATINUM

10. Car Parking

- If you can get them in the right spot they are a money machine
- Can be worth looking at re-zoning old buildings for demolish to build car parks new transport hubs and places of high demand



Mortgagee Sale - 3 Car Spaces
Pymont, NSW
Wants: \$30,000

Net Income: \$9,998 p.a.
Yield: 33.33%

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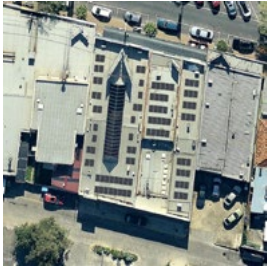
11. Air Rights - Signage and Solar

- The ability to build up can be valuable
- The ability to stop someone can also be valuable`
- Signage in desirable locations rent for as much or more than apartments
- Solar is becoming a hot ticket item on commercial buildings to sell back to the tenants – can also be written into the leases that they have to buy from you

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Solar returns on Commercial Property



No Money
Down
\$5,000 pa Cash
Flow

Increase Eq. by
\$50,000 for
having the
Solar

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Before



After

Using Businesses to Increase Property Values

- **Idea One**
Purchase vacant or partially vacant Commercial Real Estate with a view to establishing a business in the building – Sell the business with commercial lease in place
- **Idea Two**
Purchase a run down business with real estate attached – Improve the business – Keep and refinance and/or sell Business with commercial lease in place
- **Idea Three**
Buy run down or establish new businesses and build an industry specific empire

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Businesses that Suit the Real Estate Play

- Anything you have expertise in
- Caravan Parks / Over 50's Parks / Relocatable Home Parks
- Hotel / Motels
- Back Packers / Hostels / Guest Houses
- Pubs
- Brothels



Australian Model



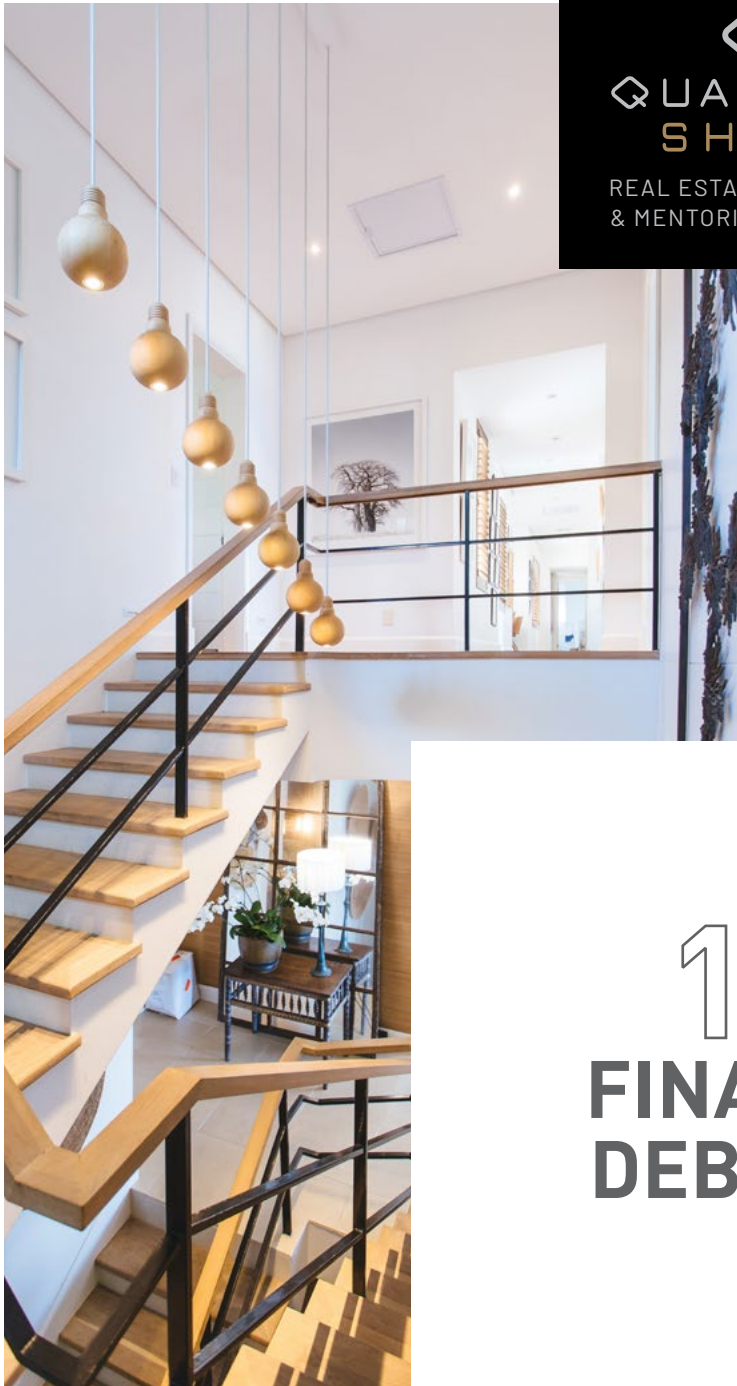
US Model

EXTREMEINCOME

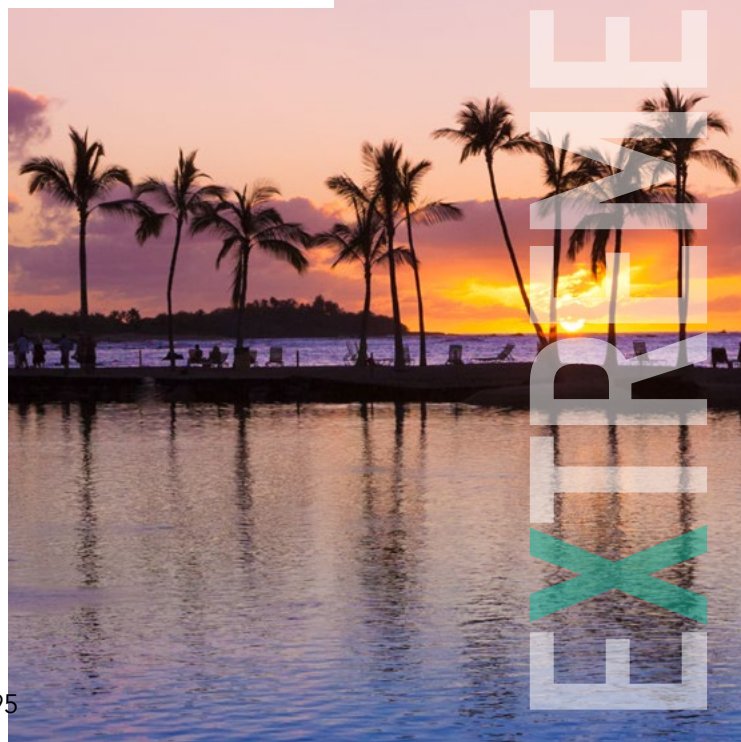
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QUANTUM
SHIFT

REAL ESTATE COACHING
& MENTORING PROGRAM



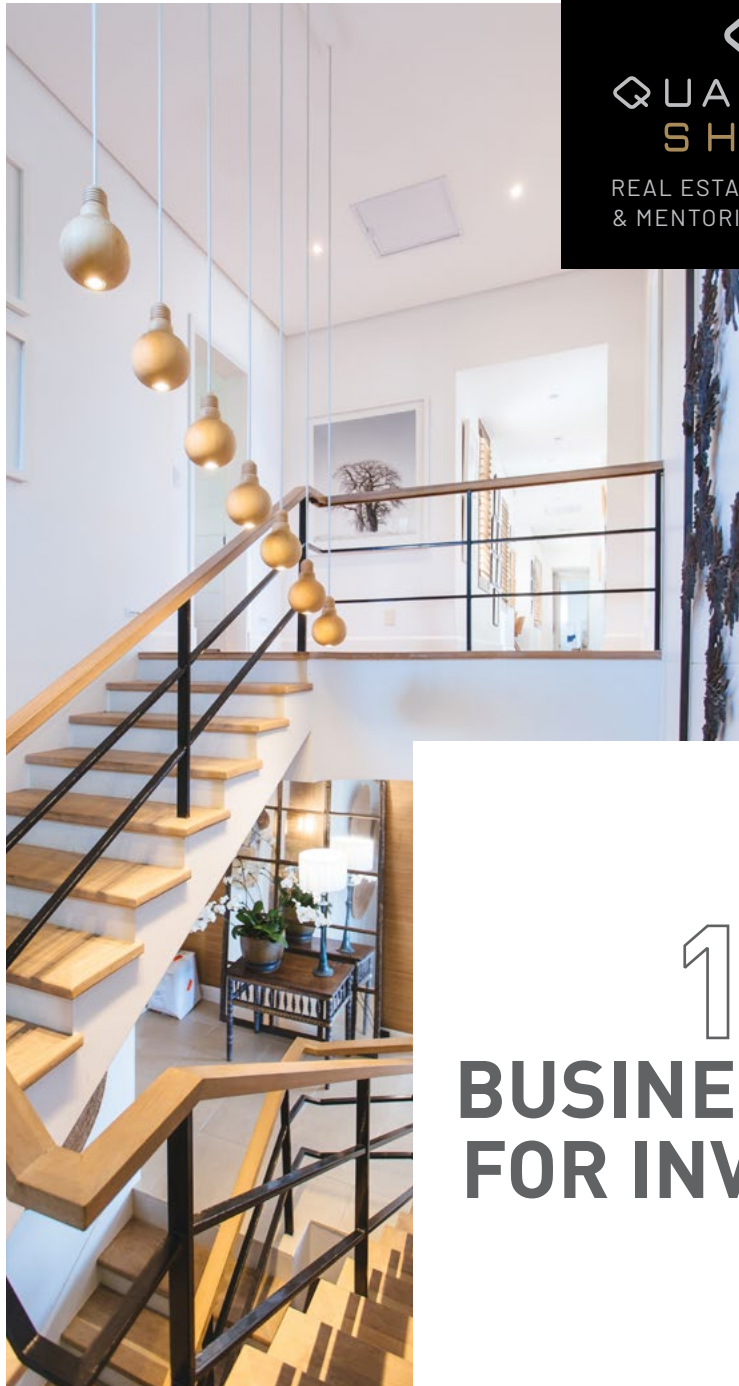
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FINANCE
DEBRIEF



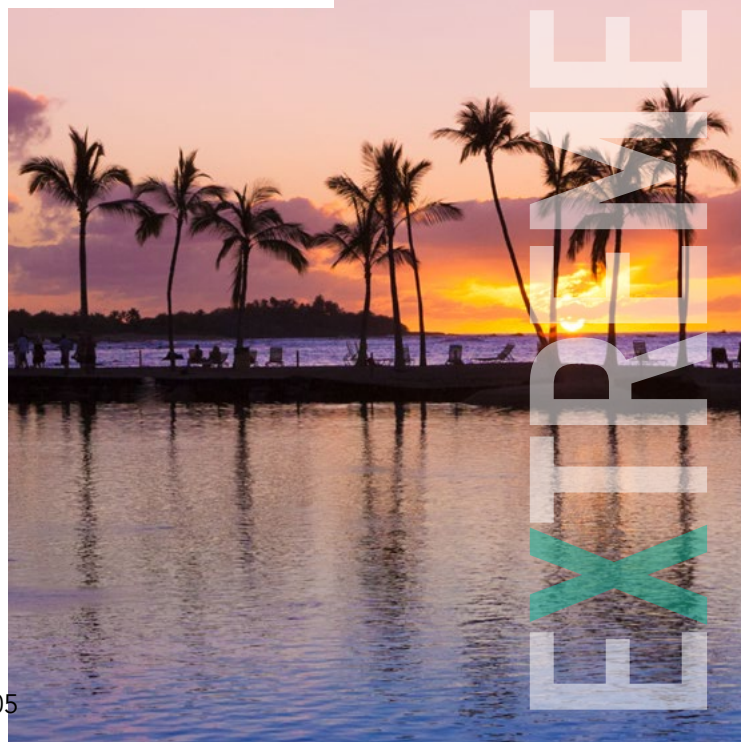


13
**DO YOU HAVE
THE HEAD
SPACE FOR
REPLACING
YOUR INCOME?**





14 BUSINESS PLAN FOR INVESTORS



Business Plan for Investors

A business plan is quite an extensive document containing descriptions pertinent to whatever deal you are putting together, along with several financial spreadsheets. The body of the business plan contains a series of descriptions which will answer any questions your potential backers or the financiers will want to know. I have divided these into several sections.

The real value of doing a business plan lies in the process rather than the finished product. What you will learn in the processes of research, and thinking about what your property deal entails, will be beneficial to the ultimate outcome of the project. The act of planning helps you to think things through thoroughly, study and research when you are not sure of the facts, and look at your ideas critically.

If you know your business thoroughly, are familiar with the process of writing a business plan, are able to make financial projections, and have done the necessary research, you may be able to create a plan in one day. Understand that a quick plan is a stripped-down version of a business plan. It won't convince either you or your prospective backers that your deal is sound. It is appropriate only if your business idea is very simple or someone has already committed to backing your venture, and all you are doing is clarifying pertinent points.

A full business plan takes time now, but can help you to not only gain the financial backing you require, but also help you to avoid costly, perhaps disastrous mistakes later. You can work through the sections in any order you like, except for the Executive Summary which should be done last.

Some questions will not apply, depending on whether you are writing a business plan to give to potential Joint Venture partners, or if you are writing a business plan to give to a financial institution for funding. Skip any questions that do not apply to your type of business or deal.

When you have written your first draft, you will have a collection of small essays on the various topics in the business plan. You can edit, expand, and revise later to get a more perfect statement. Most people discover about halfway through writing their plan that they want to change either their assumptions or some of the plan they've already written. My best advice is this: Complete the plan all the way through on your original set of assumptions. That way you can see the financial impact of your ideas, and it will be much easier to make the right changes in the second draft. If you start revising individual parts of the plan before you have the complete picture, you'll waste a lot of energy. If you're like me, you'll rewrite and edit your plan several times.

The following business plan is a generic model suitable for buying a business, (manufacturing, retail, service, etc.) setting up a new business, attracting a JV partner, and also as a finance proposal for the banks. It will just need to be modified

to suit your particular circumstances. Emphasize certain areas that are pertinent to your needs.

I have included tips for fine tuning your plan to make an effective presentation to other investors or bankers. Remember, the appearance and the quality of your plan will be looked at just as thoroughly as your business ideas.

It typically takes several weeks to complete a good plan. Most of that time is spent in research and re-thinking your ideas and assumptions, and this is the process that helps you later in the implementation of your plan.

Do the job properly.....you won't be wasting time, and you won't regret it. Finally, be sure to keep detailed notes on your information sources and the assumptions underlying your financial data. These should be included in the appendices.

Business Plan

Name: Your Full Name
 Your Business Name

Address: Address Line 1
 Address Line 2

Town
Post Code

Telephone:
Fax:
Email:

Table of Contents

1. Executive Summary
2. The Deal
3. Company Structure
4. Market Analysis & Marketing Plan
5. Operational Plan
6. Key Personnel
7. Financial Statements
8. Appendices

Executive summary

Write this section ***last!***

I suggest you make it no more than 2 pages.

Include everything that you would cover in a 5-minute interview, and just like in an interview, make it enthusiastic, concise and professional. You do not need to go into a lot of detail. Remember, this is a summary. The detail comes later.

Many companies have a brief mission statement, and here is the place to include one for a business deal. This is usually in thirty words or less, explaining your reason for doing the venture and your guiding principles.

Yours and/or your company's goals are stated next - where you want your business to be or how the deal will come about. Objectives are progress markers along the way towards the goal achievement. (e.g. A goal might be to have a financially healthy, successful property deal. Objectives might be annual profit margins of \$XX with target markers met during the procedure.)

Your business philosophy is what is important to you in business, and includes how you intend to reach your own personal goals.

Describe your industry as it is now, and how you foresee changes in the future - short term and long term. Describe how you believe your business will be poised to take advantage of these changes, and make your business venture succeed. Look at what you believe are your competitive strengths.

Here is where you will describe your background experience, skills, and strengths that you personally will bring to this new venture.

Identify what type of business structure you have chosen - Sole Proprietor, Partnership, Corporation, and back this up with your reasons.

Explain the fundamentals of your proposal. Cover details such as –

- What the business deal is,
- What your finished product will be,
- Who your end customers will be,
- Who the stake holders are,
- What you believe the future holds for your business venture.
- WIIFM – Whats in it for me – or in this case 'Them' the financier or JV partner

If applying for a loan, particularly through an alternate or private lender, or if you are seeking a joint venture partner, state clearly how much you want, precisely how you are going to use it, and how repayments and profit distributions are to be made.

The Deal

In this section, you will describe in full detail, the deal from start to finish, and every foreseeable thing in between.

You will need to give a full description of what you are proposing to do, keeping in mind the purpose of your plan. If the purpose of your plan is to raise finance, then keep in mind who will be looking at and scrutinizing your business plan. Will it be a financier, or will it be a joint venture partner, or will it be a silent partner backer?

If your business plan is being written to raise finance from a financial institution, then keep in mind that bankers want assurance of orderly repayment. If you intend using this plan to present to lenders, include:

- Amount of loan

- How the funds will be used

- Requested repayment terms (number of years to repay). You will probably not have much negotiating room on interest rate, but may be able to negotiate a longer repayment term, which will help cash flow.

- Collateral offered, and list of all existing mortgages against collateral

If your plan will be presented to investors, remember that they have a different perspective. They are looking for dramatic growth, and they expect to share in the rewards, so you need to include:

- Funds needed short term

- Funds needed in 2 to 5 years

- How you will use funds, and what this will accomplish for growth.

- Estimated return on investment

- Exit strategy for investors (buyback, sale)

- Percent of ownership you will give up to investors

- Milestones or conditions you will accept

- Financial reporting to be provided

- Involvement of investors on the Board or in management

Company Structure

In this section, you need to show the financial structure in which you intend to purchase, and run the deal.

A drawing or flow chart showing how your business is structured and all parties involved. It will include the Company, Trusts etc which will be used in the purchase and ongoing investment in the deal.

Market Analysis & Marketing Plan

This is where you cover who your competitors are, who your clients are, who your suppliers are, and the state of the market. If you are looking for a joint venture partner, they will want to know that you know your market well, and have done sufficient research to know that there is a profit to be made in the venture. This is the same if you are looking for finance from a financial institution. They don't throw money down the drain and they won't lend you the money unless you have done extensive market research and number crunching.

How do I do market research I hear you say. Well, there is primary research and there is secondary research.

Primary research is what you do yourself. You gather the data required, e.g. you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or conduct interviews to learn about consumer needs and preferences.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, real estate publications, and demographic profiles. This type of information is available in public libraries, industry associations, chambers of commerce, vendors who sell to your industry, and government agencies. There are numerous online sources also.

In your marketing plan, be as specific as possible. Give statistics and numbers and sources. The marketing plan will be the basis, later on, of your sales projection or profit margin projection.

Here, you will also do a SWOT analysis. You will look at your Strengths, Weaknesses, Opportunities and Threats. You will play up your Strengths and Opportunities, and play down your Weaknesses and Threats. Don't omit these latter two altogether, but don't dwell on them either.

Under this heading, you also need to include facts about your industry or target market or area for the deal. Look at the size of the market, what percentage share you expect to have, and current demand for your proposal in the target area.

Look at trends in the market - growth trends, consumer trends, product trends, and look at growth potential and opportunities.

Include any barriers that you foresee, and your plans to overcome these. It is better to acknowledge these in your business plan, as you can then have strategies in place to overcome them.

If preparing the business plan for a business rather than a real estate deal, give a full description of your products and services, pricing and uniqueness. Look at these from the business point of view as well as the consumer's point of view, and describe their features and benefits.

Do a competitor analysis. What factors will give you competitive advantages or disadvantages? Describe any unique property features, level of quality and demand in the targeted area.

Expand on the pricing, fees or leasing structures of your products and/or services and how these compare with other similar deals in the area.

Identify your targeted customers, their characteristics, and their geographic locations; i.e., demographics.

If you are writing a plan for a business, the description will be completely different for different business types, depending on whether you plan to sell to other businesses or directly to consumers. If you are writing a business plan as a financial or joint venture real estate proposal, your customers are the tenants who will inhabit your property.

Identify each consumer group, and construct what is called a demographic profile, with regard to age, gender, location, income level, social class, occupation, and education.

Now you should have given a clear picture of where your proposed business fits in the big picture.

In one paragraph, define your niche, your unique corner of the market, and your marketing strategy that is consistent with your niche.

Depending on what your business plan is being written for, it is now time to outline a marketing and promotional plan.

This is your advertising campaign - what media, why, and how often? Your reasons for your choices or mix of choices should be outlined here.

Have you identified low cost methods to get the most out of your promotional budget? What image do you want to project? How do you want customers to see you?

You may need to produce a Promotional Budget including start up and ongoing projected prices. You will also need to set a pricing strategy for product. Compare competitor's prices and set your own pricing structure with reasons for your selection, after what your competitor analysis has revealed.

Remember to keep notes on your research and your assumptions as you build this marketing forecast, which should be based upon your historical data, marketing strategies, market research and industry data, and all subsequent spreadsheets in the plan. This is critical if you are going to present it to funding sources.

Operational Plan

In your operational plan, you should describe the following and their impact on your particular deal.

- Licensing and bonding requirements
- Permits
- Health, workplace or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage

If your deal is a business, then the number of employees, the type of labour (skilled, unskilled, professional), where and how will you find the right employees, the quality of existing staff, the pay structure, training methods and requirements, should all be addressed.

Describe who does what, what procedures are in place, job descriptions of employees, communication procedures etc.

Summarize the daily operation of the business, its location, equipment, people, processes, and surrounding environment.

Key Personnel

Personal Background

You are the main party involved in this deal. You are the one looking for financial backing or a partner with cash input.

Investors and lenders want to be certain that you have the experience, education, and desire to make your business a success. Your resume of past experience or the experience of your consultants shows your backers that you can achieve your objectives. This isn't a traditional resume that lists past jobs and the years or months you held each. More correctly, you'll develop a statement of everything you have accomplished that has a direct impact on your business objectives.

Although you may not have owned a business before, or you may not have done this type of deal before, you may have accomplished some demanding tasks that are similar to the tasks you'll undertake when you begin the deal. When it comes right down to it, few people will part with their money unless they also have a positive feeling about you as a person, so your task is to get them to trust and like you as a businessperson

Your personal financial statement will list your personal assets, liabilities, income, and expenses. It tells your backers a lot about your ability to handle money. Don't be discouraged if your financial condition is weak. Your backers want to know about you, the good and the bad, and they understand that you need money.

You need to briefly describe and estimate the current value of everything you own, even if you owe money against it. If you're not sure how much a particular property is worth, make an estimate now and verify it later. Give the market value—the price for which you believe you could sell the particular piece of property today.

Other Key Personnel and Consultants

Also In this section, you will describe the management and organization of the deal. All the key players and their roles will be looked at.

Attorney

Accountant

Insurance agent

Banker

Consultant(s)

All the consultants, tradespeople, and professionals will be mentioned along with their credentials, backgrounds and experience in this particular type of deal.

Include position descriptions for the key personnel. If you are seeking loans or investors, then also include resumes of owners and key employees.

Mentors and key advisors in addition to the above will also be mentioned.

Financial Statements

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to do a cash flow analysis. This is where you will describe the financial nitty gritty of the deal, and do a tri-way analysis of the deal - the balance sheet, the projected profit and loss, and the cash flow analysis. You will also include a summary of your funds application based on these figures.

Use a income and expenditure forecast spreadsheet to prepare a month-by-month projection..

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash flow projection, a projected balance sheet, and a breakeven calculation. Together they constitute a reasonable estimate of your financial future. More importantly, however, the *process* of thinking through the financial plan will improve your insight into the inner financial workings of the deal.

Many business owners think of the twelve month profit and loss projection as the centrepiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your income projections may come from sales of your end product or rental income once the project is complete.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate income & expenses.

Keep careful notes on your research and assumptions, so you can explain them later if necessary, and also so you can go back to your sources when it is time to revise your plan later on.

If the profit projection is the heart of your business plan, then cash flow is the blood. Businesses fail because at some point they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of the cash flow worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterwards as well. It will enable you to foresee shortages in time to do something about them; perhaps to cut expenses, or perhaps to negotiate a loan.

There is no great trick to preparing it: the cash flow projection is just a forward look at your cheque account.

For each item, determine when you actually expect to receive cash, or when you will actually have to write a cheque for expenses.

You should track essential operating data, which is not necessarily part of cash flow but allows you to track items which have a heavy impact upon cash flow, such as sales and inventory purchases.

You should also track cash outlays prior to startup. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more capital. This plan will also predict just when and how much you will need to borrow.

Include irregular expenses such as quarterly tax payments, rates and insurance, maintenance and repairs, which should be budgeted for.

Loan payments, equipment purchases, and owner's draws usually do not show on profit and loss statements, but definitely do take cash out. Be sure to include them.

And of course, depreciation does not appear in the cash flow at all because you never write a cheque for it.

A balance sheet is one of the fundamental financial reports which any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (Assets), and what its debts are (Liabilities). When liabilities are subtracted from assets, the remainder is Owners' Equity.

OPTIONAL: Some people want to add a projected balance sheet showing the estimated financial position of the company at the end of the first year. This is especially useful when selling your proposal to investors. When financing through the commercial departments of most major banks you will need to show the balance sheet as well as the Profit and Loss and Cash flow analysis.

Appendices

Include all the details & the studies used in the preparation of your Business Plan;

for example:

Brochures & advertising materials

Industry studies

Blueprints & plans

Maps & photos of location

Magazine or other articles

Detailed lists of equipment owned or to be purchased

Copies of leases & contracts

Any other materials needed to support the assumptions in this plan

Market research studies

Newspaper clippings

List of assets available as collateral for a loan



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Knowledge Source

