

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

APRIL 2020 | 13. FINDING A DEAL, 14. HOW TO
FIGURE OUT THE NEXT DEAL FOR YOU



SESSION THIRTEEN

The A To Z Blueprint On Finding Your Next Deal




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FINDING A DEAL





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Most Common Questions


- What **size**?
- What **location**?
- **How** to do it?




Different Personal Circumstances
= Different Answers




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- **No Silver Bullet** – Well executed systematic repeatable process



- First few deals = **Apprenticeship** (e.g. 2 units vs 20)
- **Last part of process** = Looking for actual deals
- Laser focus & clarity - **maximises outcome**
- Create **confidence** in yourself!





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Match Strategy & Location To Your Personal Circumstances:

- a) Define Your **Personal Circumstances**
- b) Consider **Locations**
- c) Consider **Strategies**



Example Student: [Sarah](#)

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1. Define Personal Circumstances



- **Your Goal?**
 - Income or chunk deal?
 - <\$200k Available equity = chunk
Chunk to pay down home loan
- **Your timeframe?**
 - Be realistic – 12mth not 6mth unit dev.
 - # Deals in 1 year?
12 mths

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- **Your Available Equity?**
 - Effects price point, strategy, sell/hold
- **Your Borrowing Capacity & Serviceability?**
 - Effects leverage
Good Equity (>\$200k); Good Serviceability

Just because you can go large / high price point doesn't mean you should early on!

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• Your Time Availability?

- Be realistic
- Takes longer than you think
- Big effect on strategy & location

❖ **Less Time** = closer to home, more hands off strategy & employ people e.g. tradies, consultants, Project Manager

❖ **More Time** = Further away, more hands on

Limited time – demanding job



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• How Far You Prepared to Travel?

- Be realistic
- Young kids / sole parent / limited support / demanding job
- How far do you NEED to travel? e.g. 1hr vs 3hrs

Max 2 hrs drive

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• Sell or Hold?

- If Sell – Location VERY important

a) **Population** – effects demand, volume of sales, timeframe to sell

- Metro >100,000 **lower risk** vs
- Regional <5,000 **higher risk** (less demand, fewer sales, slower sales)

b) Average **Days on Market (DOM)** e.g. 20 days vs 200 days

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- If Hold - **Location characteristics important**
 - a) Low vacancy rate - <3%
 - b) Good **job prospects** to attract people or
 - c) **Low priced** rents – affordable for lower income earners
 - d) Affordable rent on **social security** payments = recession proof property

Sell




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- **Your Experience / Skill Set?**
 - a) **Experience:**
 - Bought property before?
 - Owned investment property (rental)?
 - Done an active deal before?
 - b) **Skill Set** (Background):
 - Construction / Realestate / Property e.g. planner, accountant, engineer / finance?



Reno & extensions to own home

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- **Your Competency?**
 - Align strategy with level competency
 - Optimism / enthusiasm great - **risk management essential**
 - Little deal = little profit & little risk but **HUGE learnings** & experience
 - Building block – start small build up
 - **Danger to yourself & others!!**



Start small & build up

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• Your Risk Tolerance?

a) **Risk Profile:**

- **Money management** to date (e.g. regular savings plan vs high earner & high credit card debt / minimal assets/savings)
- **Years to Retirement** / Dependent kids / Job security
- Tolerance to **uncertainty** (1 job 20 yrs vs self employed)



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b) Risk Appetite:

- Future - Goals & aspirations
- History – Good / bad experiences

Good \$ management, long employed career, no dependents, working towards retirement = Low Risk Tolerance




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Sarah Summary – Personal Circumstances

- **Chunk deal & sell** to pay off home loan
- **12 month** deal OK
- Good equity & serviceability = **\$250k AWE**
- **Limited time** / demanding job
- 2hr Max travel time - **start 1hr**
- Limited experience = **start small** & build up
- Low **risk tolerance**



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2. Understand Location Characteristics

- **Location Characteristics – 3 Key Areas**

- Mining & resource** areas
- Regional** areas < 100,000 population
- Metro** areas > 100,000




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a) Mining & Resource Areas – generally volatile due to type of industry, workforce fluctuates, hence varied:

- Demand for properties
- Rental rates
- Market value
- Banks lending appetite
- Investor buying
- Development activity
- Rapid changes in these parameters



Volatility = higher risk

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b) Regional Areas – More consistent than mining / resource areas, founded in long standing industries e.g. agriculture, manufacturing:

- Market value more stable & lower entry
- Moderate rental rates
- Higher yields
- Slower capital growth
- Moderate investor demand
- Population and job growth major impact
- Fairly forgiving when comes to mistakes = good entry point for learning



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c) Metro Areas – Larger population, greater job diversity, greater economic diversity:

- Property price movement
 - more **cyclical** & driven by broader economic parameters
- Property prices - **higher**
- **Capital growth** potential
- Rental yields **lower**
- Banks more **comfortable** with security in metro
- More owner occupiers & investors hence **selling can be easier**
- Typically requires **more equity** to enter market



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3. Understand Strategy Characteristics

Ultimate Selection of Strategy = Combo of:

1) **Risk tolerance:** 2) **Available equity:**

- Low risk	- No money
- Medium risk	- \$0 - \$100,000
- High risk	- \$100,000 - \$200,000
	- \$200,000 - \$300,000
	- \$500,000 +



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a) **Low Risk Strategies** - Characteristics:

- **Purchase price point** = Low (<\$300k)
 - medium (\$300-\$500k)
- **Market volume** = high if selling (Metro >100,000 population)
- **Skill level** = low
- **Time input** = lower

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a) Low Risk Strategies - Examples:



- 1) **Cheapie hold, reval** – low price point, +cashflow
- 2) **Reno, hold, reval** – low/medium price point, +cashflow
- 3) **Reno, sell** - low/medium price point, high vol market, good price variance = essential (Grid variance analysis)

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- 4) **1 into 2 lot subdivision / title lift, reno existing, sell 1 or both** – low / med price point, high vol market, option to build single or dual occ on vacant land e.g. granny flat



- 5) **Strata 2-4 unit complex, hold & reval or sell some** in med / high vol market – Low / med price point, area with demand for unit living

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b) Medium Risk Strategies - Characteristics:

- **Purchase price point** = Higher (>\$500k)
- **Market volume** = Medium if selling (20,000-50,000 population)
- **Skill level** = Higher
- **Time** = Higher



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b) Medium Risk Strategies - Examples:

- 1) All low risk strategies – purchased at medium price point
- 2) Rooming accommodation strategies – Student accom, Class 1b,
- 3) Executive rental – medium price point
- 4) House relocation




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- 5) Duplex / triplex construction
- 6) Subdivision into 3 or 4 lots – residential finance
- 7) Multi unit development & construction – 3-4 units (resi finance)
- 8) Strata 4-8 unit complex (commercial finance) + build extra



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- 9) Existing commercial - long term lease in place + value add potential
- 10) Vendor finance / lease option
- 11) JV on low – medium risk strategies
- 12) International property purchase for cashflow hold - USA




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c) High Risk Strategies – Characteristics –
 One or a combo of:

- Higher price point at purchase (>\$500k)
- Higher risk market e.g. low volume (<20,000 population) or mining/resource areas
- Higher skill level & experience required
- Higher time input required




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c) High Risk Strategies – Examples –

- 1) All low – med risk strategies but purchased at higher price point, or higher risk area (e.g. low volume, mining/resource)
- 2) Option deals (selling short)
- 3) Business realestate e.g. caravan park, storage sheds, motel
- 4) Vacant commercial or commercial involving DA &/or build



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- 5) Lease & sub-lease e.g. rent room by room
- 6) Larger multi unit developments & construction >4 units (commercial finance)
- 7) Larger subdivisions >4 lots – commercial finance
- 8) DA and sell with approval in place



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- 9) **JV** on higher risk strategy
- 10) **Syndicate deals** – multiple parties doing higher risk strategies
- 11) Deals done with **private money lending**
- 12) Purchase of **management rights**



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4. Equity - Impact on Strategy

a) No / Low Equity Strategies:

- 1) Implement **savings plan**
- 2) **Vendor finance** deal
- 3) Seller JV (**Joint Venture**) deal
- 4) **Builder** terms




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- 5) **Lease & sub-lease** strategies e.g. sublease at higher rate
- 6) **Option** deal & flip (sell short)
- 7) **Joint venture** deal
- 8) **Income split** from leasing out a vacant commercial property
- 9) **Services exchange** e.g. Bartercard





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b) \$0 - \$100k Equity Strategies:

- 1) Low price point **“Cheapy”**, **reno** to flip or hold & reval. Incl rent by room on existing dwellings
- 2) **Reno & 1 into 2 lot subdivision** in regional areas with low council subdivision costs e.g. Victoria
- 3) **“Cheapy”**, **1 into 2 lot subdivision**, demolish house, sell one or both vacant lots






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4) “Cheapy”, **existing duplex** or multi unit complex, strata title

5) Low price point **land purchase**, relocate house onto it – single shift



6) **Staged strategy** & reval. during process if necessary e.g. reno / subdivision

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c) \$100k - \$200k Equity Strategies:

- 1) **All strategies above** in better areas e.g. larger population, closer to infrastructure, higher price point
- 2) **Staging strategy** & reval. during process still important
- 3) **Purchase & construction** of granny flat, single dwelling, or dual occupancy

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4) **Strata titling** deal up to 3 units – residential finance
 5) **Subdivision** 1 lot into 3 or 4 lots max.
 6) **House relocation** based on double shift
 7) Small regional **commercial deal**




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d) \$200,000 - \$300,000 Equity Strategies – Sarah's Cash Allocation

1) **All strategies from \$0-\$200,000** but in better areas e.g. larger population, closer to infrastructure, higher price point





2) **Multi unit construction up to 4 units** depending on site purchase price, quality & size of units e.g. in metro, higher quality, larger townhouses = 2 – 3 units?

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3) **Existing commercial** with value add potential
 4) **Strata-titling** resi or commercial up to 10 units


5) **Larger subdivision up to 10 lots** depending on location, council, ground works costs
 6) **Commercial & business real estate < \$1M** e.g. motel, back-packers, storage sheds etc.

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e) \$500k + Equity Strategies:

1) All strategies from \$0-\$300,000 but in better locations, higher price point & bigger multiples e.g. more units, more lots, larger commercial e.g. shopping centres, relocatable home parks, aged care facilities.



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5. Match Strategy & Location To Your Personal Circumstances

Sarah Summary

- Chunk deal & sell to pay off home loan
- 12 month deal OK
- Good equity & serviceability = \$250k AWE
- Limited time / demanding job
- 2hr Max travel time - start 1hr
- Limited experience = start small & build up
- Low risk tolerance

Strategy & Location:
 Low risk tolerance strategy hence low/med entry price point (<\$500k),
 Sell hence metro 100,000 pop,
 Within 1-2 hr Melbourne

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6. Implement 3 + 3 Rule

- Select 3 strategies (A,B,C) in 3 target locations (1,2,3) = 21 combos – Become strategy & area specialist

A1	B1	C1	A+B1	A+C1	B+C1	A+B+C1
A2	B2	C2	A+B2	A+C2	B+C2	A+B+C2
A3	B3	C3	A+B3	A+C3	B+C3	A+B+C3

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7. Select 3 Strategies


Sarah Summary

- See **Low Risk Tolerance Strategy List**
- **3 Strategies =**

- 1) Reno
- 2) Subdivide 1 into 2
- 3) Construct single /dual occ

a) **Low Risk Strategies - Examples:**

4) 1 into 2 lot subdivision / title lift, reno existing, sell 1 or both - low / med price point, high vol market, option to build single or dual occ on vacant land e.g. grannyflat




5) Strata 2-4 unit complex, hold & reval or sell some in med / high vol market - Low / med price point, area with demand for unit living

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8. Determine Max Purchase Price

- Next Session
- Based on Available Working Equity (AWE)




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9. Map Your Travel Distance

- Map 100k radius from Melbourne (1hr travel) (www.freemaptools.com/radius-around-point.htm)
- Identify locations of 100k population (e.g. selling)



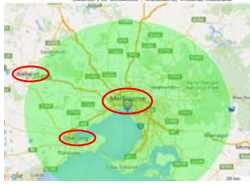
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9. Map Your Travel Distance

- a) Greater Melbourne Metropolitan – 31 municipalities
- b) Geelong 225k pop (1hr) – 1 municipality
- c) Ballarat 100k pop (1hr 20min) – 1 municipality

If targeting smaller pop - shortlist 5 towns / suburbs




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10. Select One General Location Based on Characteristics

- **Decide between** Greater Melbourne, Geelong & Ballarat based on:
 - **Population growth** (gives exit flexibility – sell, rent, reval)
 - Unemployment, **Job** growth & **wages** growth
 - **Property** cycle – recovery, upturn, downturn, stagnation
 - **Infrastructure spending** (project duration, \$ spend, job profile #/short /long term, current stage etc.)



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- **Economic** outlook
- **Supply** (# Listings & price trend)
- **Demand** (DOM trend)
- Rental **vacancy rate**
- **Councils attitude** to development
- **Development approvals** & activity = competition



- **Sarah - Target Greater Melbourne – closer, high pop, affordable areas <\$500k**

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11. Research Heat Maps

- Sold / list price data
- www.realestate.com.au/invest
- From the CBD – moving outwards - **ID areas at your entry price point** – Remember ripple effect

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12. Research Infrastructure & Select Target Location

- Research:
 - **Transport** e.g. rail
 - **Infrastructure** = job hubs e.g. airport, hospitals, education
 - **Planned** infrastructure
- **Select 5 suburbs** meet your purchase price point

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13. Prioritize Suburbs – Area Expert

- **Select top 3 target suburbs** – become area expert – know what market wants
- Renovation Strategy = **Grid Variance Analysis**
- Council Approval Strategy (DA) = **Town planner meeting**
- Find deals!
- **REMEMBER – No Perfect Deal!**

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SESSION FOURTEEN

**How To Figure Out Your
Next Deal Based On Your
Specific Circumstances**

Personal Financial Statement – Assets

Cash & Cash Equivalents

Institution Name	Account Type and #	Current Balance
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
Total Checking & Savings Accounts		\$ _____
Total Cash & Cash Equivalents		\$ _____

Shares & Managed Funds

No. of Shares/Bonds	Name of Stock/Bond	Current Market Value
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
Total Value of Marketable Securities		\$ _____

Real Estate

Description	Current Market Value	
1. _____	_____	
2. _____	_____	
3. _____	_____	
4. _____	_____	
5. _____	_____	
Total Value of Real Estate		\$ _____

Other Assets (Include interests in Partnerships and Private-Held Stock, Cars, Jet Skis etc.)

Description	Current Value	
1. _____	_____	
2. _____	_____	
3. _____	_____	
4. _____	_____	
5. _____	_____	
Total Other Assets		\$ _____

TOTAL ASSETS \$ _____

Personal Financial Statement – Liabilities & Net Worth

Credit Cards

Name of Creditor	Amount Owed
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
Total Credit Cards and Revolving Credit Accounts \$ _____	

Other Loans (Car, Boat loans etc.)

Bank (or other lender)	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
Total Unsecured Loans		\$ _____

Loans Secured By Real Estate

Bank (or other lender)	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
Total Real Estate Loans		\$ _____

Other Liabilities

Name of Creditor	Terms	Amount Owed
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
Total Other Liabilities		\$ _____

TOTAL LIABILITIES \$ _____

TOTAL ASSETS \$ _____

NETT WORTH \$ _____

Personal Financial Statement – Annual Income

Gross Salary & Wages

Source	Annual Amount
1. _____	
2. _____	
3. _____	
Total Gross Salary and Wages \$ _____	

Rental Property Income

Source	Annual Amount
1. _____	
2. _____	
3. _____	
4. _____	
5. _____	
Total Rental Property Income \$ _____	

Dividends & Interest

Source	Annual Amount
1. _____	
2. _____	
3. _____	
Total Real Estate Loans \$ _____	

Income from Business or Profession

Description	Annual Amount
1. _____	
2. _____	
Total Income From Business Or Profession \$ _____	

Other Income

Description	Annual Amount
1. _____	
2. _____	
3. _____	
4. _____	
Total Other Income \$ _____	

TOTAL ANNUAL INCOME \$ _____

Personal Collateral Calculator – Based on Ability to Borrow

Example: \$450,000 Property with a mortgage of \$275,000

1. Property Value X **80%** = Maximum Loan
1. **\$450,000 X (0.80) = \$360,000**
2. Maximum Loan – Mortgage = Available Equity
2. **\$360,000 – \$275,000 = \$ 85,000**

Property Value; **\$450,000**
Max% Loan: **\$360,000**
Mortgage: **\$275,000**
Available Equity: **\$ 85,000**

What is my Taxable Income? \$ _____

What is my likely Loan Value Ratio (LVR) _____ %

(If you are unsure ask your WiZDOM Strategist)

Property 1

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Property 2

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Property 3

1. Property Value X _____% = Maximum Loan
1. _____ X _____ = \$ _____
2. Maximum Loan – Mortgage = Avail. Equity
2. _____ – _____ = \$ _____

Property Value: \$ _____
Max% Loan: \$ _____
Mortgage: \$ _____
Available Equity: \$ _____

Personal Collateral Calculator – Based on Ability to Borrow

Property 4

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Property 5

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Property 6

1. Property Value X ____% = Maximum Loan
 1. _____ X ____ = \$ _____
 2. Maximum Loan – Mortgage = Avail. Equity
 2. _____ – _____ = \$ _____

Property Value: \$ _____
 Max% Loan: \$ _____
 Mortgage: \$ _____
 Available Equity: \$ _____

Total Available Equity on all properties

\$ _____

Plus

+

Total Available “Cash and Cash Equivalents” (from pg 1)

\$ _____

Less

-

Personal Safety Buffer

(How much do you need to be comfortable)

\$ _____

Equals

=

Total Available Working Equity (AWE) (Enter on pg 11)

\$ _____

Now

INCOME
High

EQUITY
High

Low

Low



5 Years

INCOME
High

EQUITY
High

Low

Low



What is the maximum Purchase Price?

What is my intended strategy for my next property?

What can you afford?

Strategies:

Renovation	\$ _____
Strata	\$ _____
Subdivision	\$ _____
Council Applications	\$ _____
Reports (engineering, hydraulic etc.)	\$ _____
Removal House	\$ _____
Development Contributions* (major construction via construction loan)	\$ _____
Sub Total	\$ _____
10% overrun	\$ _____
Total	\$ _____

* Major construction would be dealt with via a construction loan however you may still need to contribute some funds depending on equity and end value.

STEP 1

$$\begin{array}{rclcl} \text{AWE} & - & \text{Strategy Costs} & = & \text{NAWE} \\ \$ \underline{\hspace{2cm}} & - & \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \\ \text{(from pg 6)} & & & & \end{array}$$

STEP 2

$$\begin{array}{rclcl} \text{NAWE} & \div & (0.06^* + \text{reverse LVR}) & = & \text{Purchase Price} \\ \$ \underline{\hspace{2cm}} & \div & \$ \underline{\hspace{2cm}} & = & \$ \underline{\hspace{2cm}} \end{array}$$

Note:

- AWE = Available Working Equity
- NAWE = Nett Available Working Equity
- Reverse LVR is the difference between the % LVR the Finance Company will give lend you and 100%.

Examples:

LVR	Reverse LVR	As a decimal
90%	10%	0.10
80%	20%	0.20
70%	30%	0.30
60%	40%	0.40

*0.06 = 6% - This is the percentage of the purchase price that should be allowed for when purchasing a property to cover costs. These costs include stamp duty, legals, building and pest inspections, mortgage application costs etc.

Example:

Step 1

$$\$100,000 - \$30,000 \text{ (reno)} = \$70,000$$

Step 2

$$70,000 \div (0.06 + 0.20) = \$269,230$$

Now to Quantify Income Restrictions

1. What's your taxable income now? \$ _____

2. What is expected rental income from new purchase(s)? \$ _____
(N.B. annual rent, not passive)

3. How much is the bank likely to shadow this income? _____ %
(What is percentage of rental income the bank will accept?)

e.g. Adjusted income from new purchase(s) – \$ _____

$(\$30,000 \times 80\%) = \$24,000$

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4. Total Income for Serviceability \$ _____

Plug this number into any one of the major banks borrowing capacity calculators on the internet and determine my serviceability limit based on this income.

How much could I borrow based on this income? \$ _____

What is my Equity Capacity Limit? \$ _____

What is my Income Capacity Limit? \$ _____

Which one is the lesser? \$ _____

Notes:

Which one is my weakness?

What type of deal do I need to do to strengthen this weakness?
