

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

APRIL 2020 | 5. LEGAL RIGHTS & OBLIGATIONS,
6. NATURAL GROWTH



SESSION FIVE

**How To Protect
Yourself And Your Deals
With Smart Legal Tactics
And Strategies**

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REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP
14TH – 23RD APRIL 2020

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LEGAL
YOUR RIGHTS AND OBLIGATIONS

PACIFIC LAW

Calvin Kong B.Comm/ LLB
Director of Pacific Law
Solicitor of the Supreme Court of Qld

The information provided is of a general nature only. This is not intended to be a substitute for legal advice. You should take legal and accounting advice specific to your situation before undertaking any structuring, asset protection or succession planning measures.

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How do you get the most out of your Professionals?

- 2 Way Street
- Service or Product?
- Selection
- Scope of work
- Costs
- Trust relationship

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When should you contact a Legal Professional?

What is the difference between a Solicitor doing the conveyancing on the purchase of a property and a Conveyancing Agency?



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What is the Legal Process for Buying a Property?

- What are the pre-contract legal requirements?
- Does your Solicitor need to see the Contract prior to signing a Residential Contract?
- Proper execution of contract and electronic signatures



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Is there anything different for Commercial Contracts?

- GST
- Leases
- Tenant Options to purchase
- Tenant ownership of fittings
- Town Planning & Zoning
- Contamination / Asbestos



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What Clauses need to be in a purchase contract?

- Building and Pest
- Finance
- Due Diligence
- Site Inspection/Survey



NSW has a different contracting process

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ICE CREAM IS COLD



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Examples of Insufficient Clauses

SPECIAL CONDITIONS

Contract is subject to a 30 day due diligence clause from Contract Date.

Vendor is entitled to a 30 day cooling off period.

SPECIAL CONDITIONS

The following conditions form part of the contract:

1. Finance & Due Diligence
2. Finance & Due Diligence and Tenancy
3. Finance & Due Diligence


3. Finance & Due Diligence and Tenancy

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State Differences - Contracts

- How do Cooling Off Periods work?
- How much do you lose?
- Can the cooling off periods be extended by agreement?



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Contracts cont.

- Settlement time frames (working days)
- Access requirements during contract phase
- Settlement occupancy
- And or Nominee Clauses
- Deferred settlements and subject to council approvals
- Sunset clauses



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What searches are necessary?

- Title
- Approvals and Structures
- Boundaries
- Main Roads / Railways
- Bankruptcy
- Others??



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Rights and responsibilities at settlement

- Pre Purchase Inspections
- What if bank delays settlement?
- What else can happen?




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Pre Settlement Inspections

- Before contract
- Pre Settlement Inspection



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Pre Settlement Inspections




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Other Contract Considerations

- What is the difference between Joint Tenants and Tenants in Common?
- What happens in the case of divorce, death and bankruptcy?
- When to insure the property



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Options

DEFINITION
The buyer has a *right, but not the obligation* to buy a something from the seller at a certain time in the future for a certain price

TYPES

- Call Options
- Put and Call Options



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Options

WHY USE AN OPTION?

- Delaying a purchase to a new financial year
- You don't know or have your buying entity ready yet.
- You want to secure the site, but don't want to pay for or own it yet.
- On sell to a third party (Be Careful with Stamp Duty).
- You want to add value/develop the site and on sell




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Options

COMMON CLAUSES

- Preconditions -DA, DD, Access, Builder Terms
- Call Option Fee
- Security Deposit
- Call Option Expiry Date vs Put Option Expiry Date
- Common obligations - who maintains and insures the premises during the option term
- The contract is annexed to the back of the option




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Options

COMMON CLAUSES

- Nominee Clause
- Marketing of lots
- Uplift in price when on selling
- Security - Caveat

What happens when you exercise your option - The process








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Options

THINGS TO BE CAREFUL OF

- What conditions you require: subject to DD, DA, Access
- Timelines – the option period
- Getting paid – the margin
- GST
- Getting the right to market the lots
- Caveat as security

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SESSION SIX

**The Key Indicators To
Alert You To Future Growth
Before It Happens!**

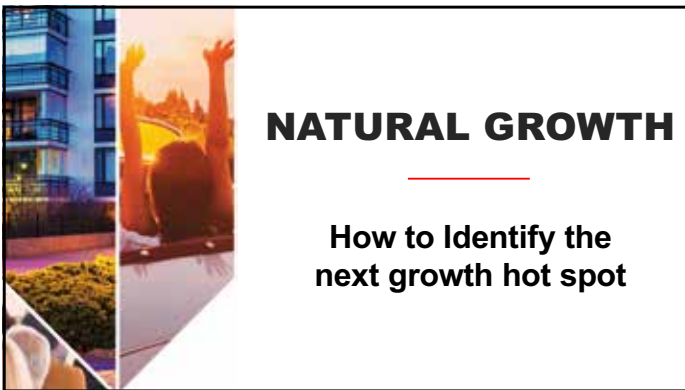


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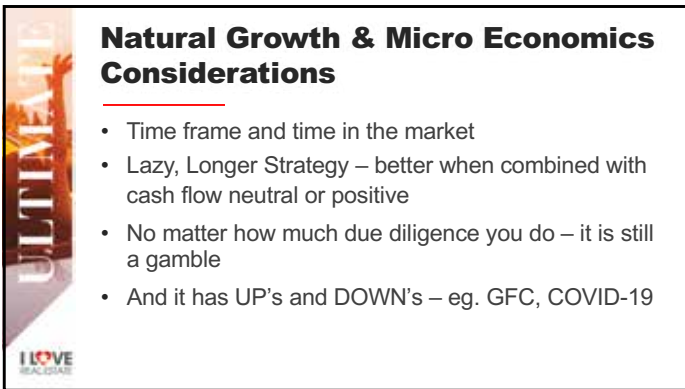
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NATURAL GROWTH

How to Identify the next growth hot spot

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Natural Growth & Micro Economics Considerations

- Time frame and time in the market
- Lazy, Longer Strategy – better when combined with cash flow neutral or positive
- No matter how much due diligence you do – it is still a gamble
- And it has UP's and DOWN's – eg. GFC, COVID-19

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Growth Drivers

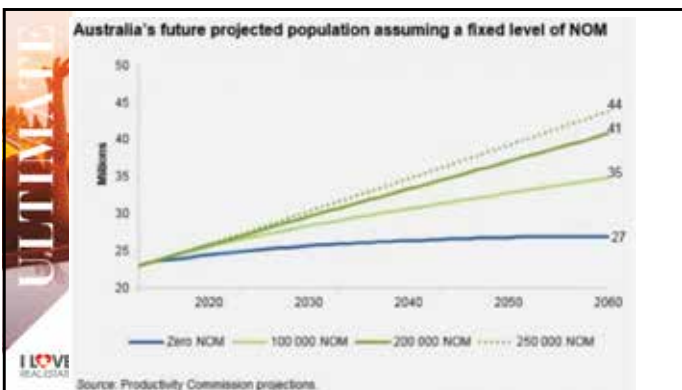
- **Banking Monetary Policy**
- With the availability of finance all natural growth in the market stalls
- **Increasing Population**
- Interstate, Inter-suburban and Immigration
- **Consumer Confidence**
- Overall Economic Wellbeing
- **Government Policy**
- Council attitudes, first home owner grants, State Government incentives, property taxes
- **Infrastructure Spending**
- Government and Industry

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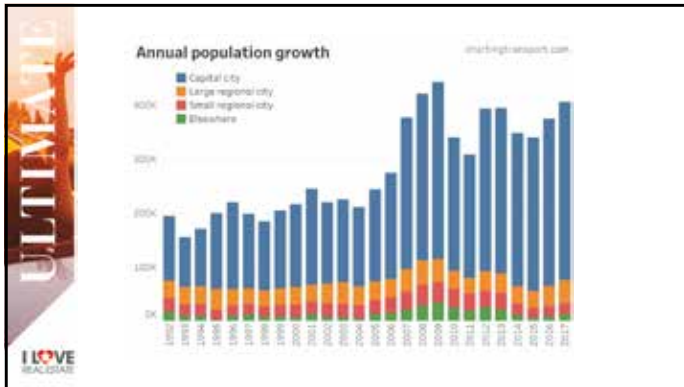
Increasing Population

- Population Movements
- Where are they coming from?
- How long do they stay?
- What style of housing do they want?
- Source data – mostly ABS – check age of data
- Check the timing of these events!

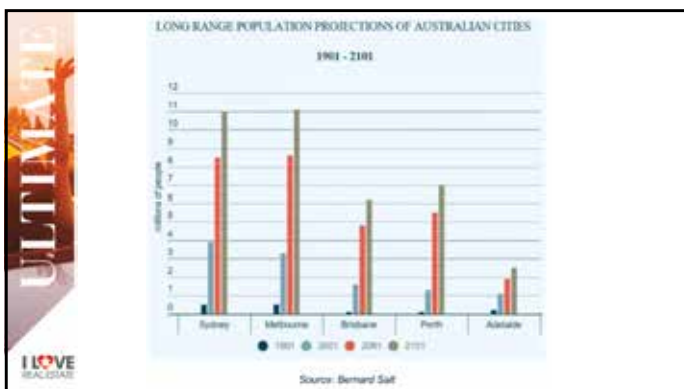
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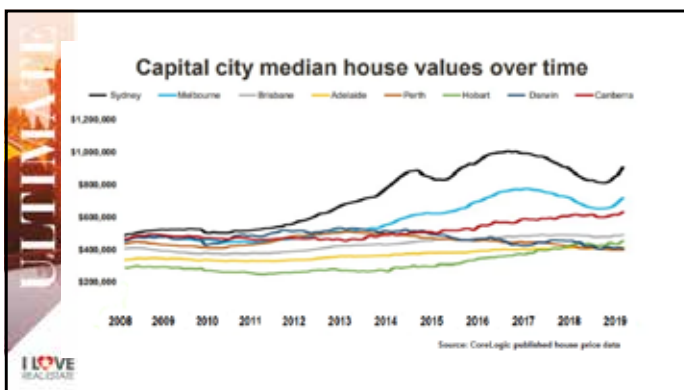
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Government Policy

- Local Government – council attitude to growth and development
- State Government incentive and council over-rides
- Federal housing Policy such as
 - first home owners grant
 - migration policy
 - specialist policy eg. NDIS
 - defense policy
 - general economic climate
- COVID Stimulus

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Infrastructure Spending

Government Spending

- Education
- Medical
- Infrastructure
- Departmental
- Military

Check the timing of these events!



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Infrastructure Spending

Industry Spending

- Mining
- Manufacturing
- Tourism
- Infrastructure (longevity)
- JOBS, JOBS, JOBS

Check the timing of these events!



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State Infrastructure Searches

Department of planning websites have:

- Reports on major projects and planned infrastructure
- Urban & regional planning
- Growth Strategies
- Population forecasting
- Land Planning
- Fact sheets, plans & satellite images



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State Infrastructure Searches

New South Wales
 Department of Infrastructure, Planning and Natural Resources
www.dipnr.nsw.gov.au

Northern Territory
 Department for Planning & Infrastructure
www.dpi.nt.gov.au

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State Infrastructure Searches

Queensland
 Department of Infrastructure & Planning
www.dip.qld.gov.au

Western Australia
 Department for Planning & Infrastructure
www.dpi.wa.gov.au

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State Infrastructure Searches

Victoria
 Department of Planning & Community Development
www.localgovernment.vic.gov.au

South Australia
 Department for Transport, Energy and Infrastructure
www.infrastructure.sa.gov.au

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State Infrastructure Searches

Tasmania
 Department of Energy, Infrastructure & Resources
www.dier.tas.gov.au


Or
 Type "Infrastructure & Planning" and the name of the State that you would like to search into Google or another website search engine

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Natural Growth Indicators

Quick analysis

- Sales volume increases
- Days on the market
- Clearance rates
- Variance between replacement and old
- Movement in median house prices




You are looking for upward trends!

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When doing a hold or partial hold strategy – chasing natural growth is GOOD!

What is BETTER is doing manufactured growth in a natural growth area!




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SO,

- IF your price point suits the areas you have identified from targeting the growth drivers – You now need to become an expert in these key areas.



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Know your Town Plan Zones



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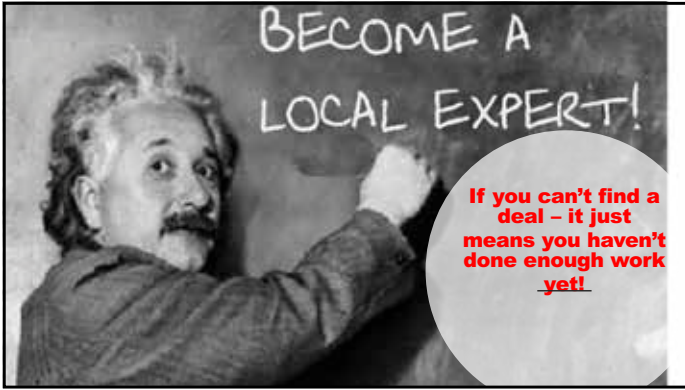
Some questions to consider

- Is there urban renewal going on?
- Are the demographics of the area changing?
- Are lot sizes changing?
- What frontages do you need?
- Are there any restrictions?
- What are the zonings for low medium and high densities?
- Is there precedent in the area for your strategy?
- Who are the sellers?
- Who are the buyers?
- What is selling?

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**Are Lot sizes changing – Look for precedent in the target area?
- How old are the smaller lot changes?**

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The COVID Impact

- Australia has announced three fiscal stimulus so far
- Totalling around \$200bn or 10% of GDP
- This is nearly double that of the GFC stimulus.
- BUT - Stimulus is necessary
- Other countries have also announced massive stimulus with the US just signing off on one package worth \$US2 trillion and now talking of another.
- The policy response is now of a magnitude that it's starting to tip the risk scales against some sort of long depression/recession.

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The COVID Impact


- The hit to the economy from the shutdowns could be 10 to 15% of GDP.
- Australia entered this crisis in good debt shape compared to other countries
- Net public debt as a share of GDP is a quarter of what it is in the US.
- Australia has far greater scope to do fiscal stimulus than other countries.

Country	% of GDP, 2019
Australia	~20
US	~90
Eurozone	~70
Japan	~160

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The COVID Impact


- The cost of borrowing for the Federal Government is very low at just 0.25% for three years and 0.75% for ten years.
- Budget blowout may risk a downgrade in Australia's AAA sovereign debt rating, but Australia's public finances will still look better than others. – Still better than a deep depression
- Australia will be left with higher net public debt – could even be as high as 45-50% of GDP.
- The price of minimising loss of life




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The COVID Impact


- Roughly 25% of the economy is being severely impacted and this covers discretionary retailing, tourism, accommodation, cafes, clubs, bars and restaurants, property and various personal services.
- But there is also likely to be a flow on to construction and parts of manufacturing as uncertainty leads to less housing construction for example.
- Around 20% of the economy – communications, healthcare and public administration – will really get a boost.



Approx.
25%




Approx.
20%



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The COVID Impact

- The impossible formula to calculate the COVID impact.
- Assuming 25% of the economy contracts by 50%
- Assuming other sectors offsetting each other – ie increases in activity in some sectors offset the decreases in the remaining sectors
- Then that will drive a 12.5% detraction in economic activity
- This will hit mainly in the June quarter
- This will be the biggest hit to the economy seen since the Great Depression.
- If we have a second round effect such as businesses and households default on their loans - the impact could be much greater and longer



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Index results as at March 31, 2020

	Change in dwelling values				Median value
	Month	Quarter	Annual	Total return	
Sydney	1.1%	3.9%	13.0%	16.7%	\$882,849
Melbourne	0.4%	2.9%	12.0%	15.7%	\$695,299
Brisbane	0.6%	1.6%	3.1%	7.5%	\$506,553
Adelaide	0.3%	0.6%	0.9%	5.4%	\$437,296
Perth	0.5%	0.9%	-3.1%	-1.0%	\$445,614
Hobart	-0.2%	1.4%	4.2%	9.7%	\$483,032
Darwin	2.0%	0.6%	-5.4%	2.6%	\$392,348
Canberra	0.6%	1.7%	4.7%	9.5%	\$626,932
Combined capitals	0.7%	2.8%	8.9%	12.7%	\$643,540
Combined regional	0.6%	2.0%	2.4%	7.3%	\$392,802
National	0.7%	2.7%	7.5%	11.6%	\$554,229

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The COVID Impact

- COVID is DIFFERENT from GFC and the GREAT DEPRESSION
- Government fiscal intervention is massive – GLOBALLY
- Property markets are in **hibernation** - this will halt a freefall of property values as there won't be any forced sales.
 - support for homeowners and property investors with loan holidays or loan deferrals of up to 6 months.
- This will delay distressed sales
- Sales volume will drop dramatically – but not necessary house prices
- Property transactions and prices will once again reflect the fundamentals of the Australian economy and not the fear of COVID - 19

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The COVID Impact

- Demand is still greater than supply in the major capital cities with the exception of Darwin.
- The suppressed transaction activity will lead to a build-up of **latent demand**, compounded by the **suppressed supply** chain caused by COVID
- The issue is timing – and that is a medical question not an economic question.




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So what should we be doing?

You have 3 choices

1. Act in FEAR, ANXIETY and PANIC
2. Hibernate and do nothing – Netflix holiday
3. Position yourself for the future



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How do you position yourself for the future

- We have a strategic window
- Get market ready
- Get educated – review content – learn GVA backwards – do reverse feaso's everyday – become the local expert
- Secure deal with longer term maturity dates – eg Subdivisions
- Secure deals that are passive now but have longer term manufactured upside – eg. Strata deals
- Secure manufactured growth deals on long extended contracts – 6 – 12 month settlement time frames – use staggered funds releases if necessary

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How do you position yourself for the future

- Do seller JV's with 6 – 12 month end dates – eg. Subdivisions – strata's – DA uplifts
- Secure relationship with quality organisations to provide properties for at need sectors of the economy – eg. NDIS providers, at risk accommodation, lower socio - economic housing providers – rooming accom etc.
- Reach out to the professionals to maximise your situation in every field.
- Maintain focus, energy levels, mindset
- Stay active / healthy
- Stay connected to ILOVE

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