

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

APRIL 2020 | 7. INCOME STRATEGIES,
8. MANUFACTURED GROWTH STRATEGIES



SESSION SEVEN

How To Create More Positive Income And Cashflow For Your Portfolios

ULTIMATE
REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP
14TH – 23RD APRIL 2020

I LOVE REAL ESTATE Knowledge Source

1

ULTIMATE
REAL ESTATE SUCCESS
COACHING PROGRAM

INCOME STRATEGIES

2

Cash Flow Strategies

First Questions you need to ask yourself is;
Are you prepared to invest in:

- a Regional area?
- a Mining town?
- only Metro areas?
- a commercial property?
- a multi –residential property?
- a property you don't own, but get rent from?

And what is your tolerance to RISK?

I LOVE REAL ESTATE


3



Cash Flow Strategies

1. Direct Cash Cows – Usually only found in Regional
2. Blocks of Units – Higher yield in Regional (Upside of Strata)
3. Air BnB – Anywhere
4. Executive Leasing – Anywhere
5. Rooming / Boarding Houses – Anywhere
6. Granny flats – Anywhere except VIC
7. Dual Occupancy - Anywhere except VIC
8. Lease and Sublease - Anywhere
9. Commercial – Anywhere
10. Business Real Estate – Anywhere
11. Construction and Partial Sell Down - Anywhere


4



So Let's talk Regional

<p>PRO</p> <ul style="list-style-type: none"> • Regional has a lower entry costs so less money is on the line when you are still learning • Regional has a lower sales volume so easier to negotiate • At the end of the deal its likely to be positive cash flow • Can be immediately cash flow positive 	<p>CON</p> <ul style="list-style-type: none"> • Because of the lower entry cost the dollar value profit will also be lower • Lower sales volume means it will be harder to sell • Distance can be more difficult if doing a hands on strategy • Not as many trades available to do work
--	--

5



What Strategies work in Regional Areas?

Everything

BUT

If you are looking to **Sell** the end product – It will take longer

6

Direct Cash Cow



Regional Reno's can be a great starter deal

- 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
Cashflow	Over \$16,000
New Valuation	\$280,000
Equity Increase	\$160,000

7

Direct Cash Cow

Another Great little starter

- Purchase Price: \$152,000
- Purchase Date: 29/09/2015
- Strategy: Renovation (when existing tenants vacate) and Possible Rent-to-buy Scheme
- End Value: Est. \$240,000
- Rent: \$280/week
- **Cash flow: Over \$4,000/year**




PLATINUM ACCELERATOR

8

Direct Cash Cow

How low do you want to go? \$50,000

- 536 m2 level land.
- opportunity knocks.
- minutes to school.
- investment entry.
- hard work = \$\$\$\$ profit.
- handyman special.
- neighbour to CBD.



\$5,380 Cash Flow




Rent \$260/w
Reno \$30K

Revalue est \$120,000

Student also bought next door for \$80,000 more cash flow and more uplift potential

9

Regional Block of Units – immediate cash flow of \$20k

- 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

I LOVE REAL ESTATE

10

Mining

- Higher yields
- Can be more volatile in returns – construction vs operation
- Do due diligence on mining company and its strength and longevity
- More Risk?



I LOVE REAL ESTATE

11

Direct Cash Cow Regional Unit

\$17,000/yr passive




PLATINUM ACCELERATOR

I LOVE REAL ESTATE

12

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




13

Similar house today – now \$450k



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


Days on market are coming down

\$450,000
 9 Woodman, Port Hedland
 3 1 2 6741 m² House

14


Typical Mining Property Example 2 years ago

<p>Moranbah Qld \$129,000</p> <ul style="list-style-type: none"> 3 Bedrooms - 1 Bathroom - Great Rental Potential - Kitchen with ample cupboard space <p>Rent \$220 - \$300 Over 220 available for rent</p>	<p>Moranbah Qld \$199,500</p> <ul style="list-style-type: none"> 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
--	---



15


Similar Moranbah properties today



\$195,000
16 Mackenzie Drive,
Moranbah
3 - 1 - 2 | 805 m²
House

Rent \$330 - \$450
Only 71 available
for rent

Professionals



\$200,000
42 Forrest Drive, Moranbah
3 - 1 - 3 | 809 m²
House

16


Mining town check list

<p>The property</p> <ul style="list-style-type: none"> • 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? 	<p>The town</p> <ul style="list-style-type: none"> • How many mines? • How many mining Co? • Co policy - FIFO? • Camp policy? • Who owns camps? • Trend – up or down? • Back track prices 15 years?
--	---

17

Metro

Higher Entry Costs
Higher Sales Volume
Generally need to do manufactured growth to make it positive cash flow
More Risk?



18

**Develop & sell down for cash flow
1 into 3 Sunshine Coast**

- Purchased \$390,000
- Development & Sales Costs \$821,000
- Sold 2 - Total sales \$1,045,000
- Retained 1 @ \$530k Val, Debt = \$180k
- Rent \$450/wk

• \$10,000 Positive










19

Manufactured Income (Metro)

**Partial Sell Down Strategy –
Develop 4 townhouses – Sell 2, Keep 2**

- Purchase (incl purchase costs) ~\$620K
- Development & Sales Costs ~\$1.35M
- Sold 2 - Total sales ~\$1.287M
- Retained 2 @ \$1.325M Val, Debt = ~\$680K
- Rent est \$680 / week each

~\$30K Passive Income / Year - rented on a room by room basis

20

Develop & sell down for cash flow 1 into 6 Brisbane

- Bought \$470,000
(Below MV)
- Development Cost \$2 million
- Sold 5
- Total sales \$2,345,000
- Retained 1, No debt.

• \$22,000 positive – normal rental





21

ULTIMATE

Creating Dual Occupancy Property

Dual occupancy is the trend for the future!
 Can never be sold separately (Unlike strata)
MUST BE LEGAL! (Otherwise no insurance)
 Granny Flat wherever and whenever possible!
 Eliminate all wasted space
 Apply basic design concepts



Granny Flats



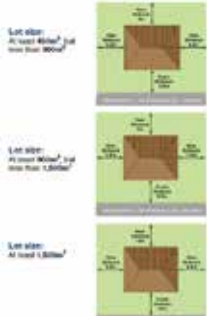
I LOVE REAL ESTATE

22

ULTIMATE

Granny Flats- Secondary Dwelling

- Granny Flats in NSW and Qld do not need to be occupied by NANNA
- In NSW minimum 450 square metres block size and maximum 60 square metres floor plan
- Need to keep to Floor Space Ratio (FSR) of Local Council
- 10 Day approval through Private Certifier



I LOVE REAL ESTATE


23

ULTIMATE

Granny Flats Australia

- Other states still needs approval from local authority
- Some WA mining towns have recently changed planning schemes to accept Granny Flats
- Other states allow Granny flats but only allow rental to a related party (family member)

Dual occupancy made simple



I LOVE REAL ESTATE

24

Granny Flats NSW - Secondary Dwelling

Option: Detached
 A secondary dwelling can be built as a separate structure and detached from the principal dwelling.

The diagram consists of two parts. The left part, labeled 'existing', shows a grey outline of a principal dwelling. The right part, labeled 'proposed', shows the same principal dwelling but with a smaller, separate structure labeled 'Secondary Dwelling' attached to its rear side.

25

Manufactured Income (Auxiliary Dwelling)

2 bed, 1 bath – approx 60m²

Total Strategy Costs:- \$97,500
 Additional Rental:- \$210 / week
Gross Yield on Aux Dwelling = 11.2%
 Added approx \$4K / year passive income to the deal

The top photograph shows a side view of a white, single-story building with a flat roof and large windows. The bottom photograph shows a front view of the same building, highlighting its clean, modern design.

PLATINUM ACCELERATOR

26

Regional (Granny Flat)

Built 60 sqm 2-bedroom granny flat at the back yard with separate electricity, water, access, carport, yard, driveway, letterbox, etc.

Purchase price: \$153,000
 Purchase costs: \$7,000
 Borrowing costs capitalised: \$4,000
 Granny flat design and approval costs: \$11,000
 Granny flat construction costs: \$116,000
 Total Cost \$291,000. **ROI 10.27%**

	With Granny Flat
Gross Rent Primary Dwelling	\$275 p.w.
Gross Rent Granny Flat	\$300 p.w.
Gross Rental Yield	11%
Net Cashflow	\$12,000 p.a.



The top right image is a detailed floor plan of the granny flat, showing a living area, kitchen, two bedrooms, and a bathroom. The bottom right image is a photograph of the finished granny flat, a small white building with a red roof, situated in a yard.

PLATINUM ACCELERATOR

27

Metro (Granny Flat)

Granny flat design and CDC approval: \$4,000
 Granny flat construction: \$125,000
 Total cost: \$129,000
 Rental income: \$500 p.w. (unfurnished)
 Cash flow: \$18,670 p.a. **ROI. 20.15%**

PLATINUM ACCELERATOR

28

COSTS- Granny Flat		COSTS- 5 bed Existing	Negative
Purchase	\$450,000		\$450,000
Purchase Costs	\$19,750		\$19,750
Stamp Duty, legals etc			
Renovation			
Total Costs			\$494,720
Interest @ 8%		Interest @7.0%	\$4,630
Agent Comm 8%		Agent Comm 8%	\$704
Rates, Insurance, etc	\$4,000		\$4,000
Total	\$42,374		\$41,334
RENT \$900 per week	\$46,800		\$33,800

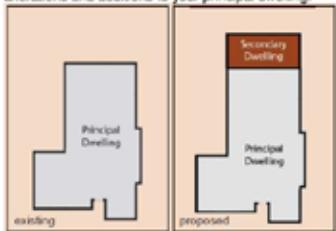
CASH FLOW POSITIVE
 \$4,426 PA +
 Depreciation.
 Change of \$11,960

CASH FLOW NEGATIVE
 -\$7,534 PA

29

Granny Flats NSW - Secondary Extension

Option: Attached
 A secondary dwelling can be built as an extension, alterations and additions to your principal dwelling.



30

Granny Flats NSW - Built within Existing Dwelling

Option: Conversion
The AHSEPP allows you to convert part of the principal dwelling, structure or garage into a secondary dwelling.

31

General Rules with Dual Occupancy Granny Flats

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

32

Around the Country

The "Granny Flats" are known as:

- Secondary Dwellings
- Ancillary Dwellings
- Auxiliary Dwellings

And


- They are stuck with the stigma of "Granny Flat"

33

Western Australia

- WA State Government changed legislation as part of the last election promise
- They allow 60m2 or the maximum allowable for the local council
- Can be rented to a second tenant on the same block

<https://www.commerce.wa.gov.au/consumer-protection/renting-granny-flat-ancillary-dwelling>



34

Northern Territory

- State Government allows now 50m2 to be rented to a second party
- Or maximum allowable by council

Territorians can now build a granny flat without as many restrictions






35

Queensland – depends on Council

- Sunshine Coast – Secondary Dwelling – 60m²
- Logan – Ancillary – 70m²
- Ipswich- Auxiliary – 50m²
- Brisbane City – 80m²
- Moreton Bay – 45m²
- Gold Coast – 50m²
- All depending on zoning
- Build Dev have a good fact sheet website on south East Qld Councils




36

VICTORIA

FORGET IT!



37

Dual Occupancy Housing

One property
Two rentals
Look similar to any other house on the street







38

Duplexes, Triplexes, Fourplexes etc.

Two / Three etc properties
Can be sold separately






39

Rooming Houses


- 1b classification under NCC
- Looks like a normal house from the outside
- Victoria has the best rules
- Other States have some restrictions but still worthwhile.
- Requires a fair degree of management
- Reasonably recession proof



40

It's important to know the rules!

- Need to comply with the relevant building code depending on the size of the building; Class 1b for 5 to 12 residents and up to 299sqm.
- Comply with Local Council Planning and Health & Wellbeing departments
- Register with Health & Wellbeing Dept.



41

A few examples of minimum requirements

- Minimum bedroom size of 7.5m²
- Minimum bedroom size of 12m² for a couple
- Refrigerator with at least 400L capacity or 80L per room
- Lockable cupboard for each resident, 100L of storage capacity.
- at least one bath or shower and one washbasin for every 10 people
- Fire evacuation plans located on the back of every habitable room door
- Maximum number of 12 residents per house
- 1 disabled bathroom per house
- 1 disabled bedroom per house

42

Example: Retrofitting an existing class 1a house into class 1b



PLATINUM ACCELERATOR

43

Purchase price	\$367,000
Comparable sales	\$425,000
Cash Flow \$28,863	
Rent (7 rooms)	\$1300/week
Rental return	13% to 18%

44

Example: Built Class 1b from scratch + subdivision + renovation to existing front house




PLATINUM ACCELERATOR

**Net Equity Profit = \$247,000
+ Cash flow = \$22k p.a
17% Annual Capital Growth**

45

Pros	Cons
Higher Rent Rented per room	You have to pay all the bills
Access Anytime For greater control of property	Higher turnover Depends on the type of resident
Resident not Tenant Able to evict on short notice	More intensive management Dealing with more people
+ve even if not full Due to higher rents	Compliance Building code

46



What's the difference between a rooming house and a boarding house?

- Building classification 3
- Larger than 300m² in building size
- Individual fire separation between rooms
- They are a common place of long term or transient living for a number of unrelated people.
- Examples include a boarding house, guest house, hostel or backpackers (that are larger than the limits for a **Class 1b building**).

47



NSW NGBH - Micro Apartments

- SEPP allows self contained apartments that can NOT be strata titled
- Land Tax allowances
- Application for Grants of \$2,000 per room per year for each new room produced




48

ULTIMATE

What about building your own 'Micro Living' dwelling?



I LOVE REAL ESTATE

49

ULTIMATE

Rent room by room for cash flow

- 4 x 4 in Logan area, with Griffith University nearby.
- One room was being used as a storeroom.
- Added new furniture & appliances.
- Purchased for \$160,000, spent \$3000.
- Each room rents for \$180 and the carport \$4/wk and can **return up to \$19,000 positive** when fully tenanted.



I LOVE REAL ESTATE

50

ULTIMATE

PPR Example

- PPR was costing them \$4,000 p.a
- Moved back in with parents
- **Turned property positive cash flow of 8k p.a**




I LOVE REAL ESTATE

51

Worked a charm so why not do it again?

- Ex-boyfriend owned a similar property down the road.
- Lease and sub lease
- **Positive cash flow of 12k p.a**




ULTIMATE
I LOVE REAL ESTATE

52

And again?

- Lease and sub lease
- **Positive cash flow of 10k p.a**



ULTIMATE
I LOVE REAL ESTATE

53

What about getting a return from a property without having to buy it?

Lease and Sublease

Start up	\$5,770
Hold Cost	\$42,720
Annual Income	\$54,600
Total Net	\$11,880

Warning – Check Council allowable unrelated party maximums before having to be reclassified as a rooming house
- Owner must be complicate in the process




ULTIMATE
I LOVE REAL ESTATE

54

Executive Leasing

- Works well Metro areas with high business rental demand - eg. Close to CBD, Close to short term employment hubs such as FOX Studios.
- Can also work in regional areas where there is little alternate accommodation and Government department still need to visit these more remote areas



Regional WA Example
 Duplex Bought for \$60,000
 Renovated – Revalued = \$240,000
 Furnished and executive rented



Cash flow \$24,000

55

Executive Leasing **Non Executive Leasing**






1 Free Office Space, Sydney
 1 Office Type Available
 • \$142 per night - 28 nights to 1 month min
 • \$420 per night - 1 to 6 months min
 • \$100 per night - 6 months min

\$895 per week
 267 Castlereagh Street, Sydney, NSW 2000

56

Executive Leasing **Non Executive Leasing**


Leased \$1,200 per week
 6/339-343 Victoria Place, Drummoyne, NSW 2047

\$720 application received
 15/50 St Georges Crescent, Drummoyne, NSW 2047

57

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



58

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




59

Airbnb – Reno'd Unit Gold Coast

Az & Em

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

•\$29k Net Cash Flow

60

Airbnb Business

Jenny

- 4 brm furnished up had trouble renting on Air bnb and...
- Rent from Airbnb \$22,500/yr
- Turnover \$59,842/yr (Less 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

*** Increased Cashflow from Air BnB**

Jenny = \$15k/yr Commission!!





61

Airbnb – 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!!!!**





62



Direct Cash Cows

Multies Residential

- Regional / Mining
- Metro

Commercial


- Regional / Mining
- Metro

63

Direct Cashflow – Block of Units

Block of 6 units
 Purchased: \$432,500
 Unit 1 – 4 - \$180 / week
 Unit 5 - \$200 / week
 Unit 6 - \$180 / week
 Gross yield:- 13.2%




Net cashflow (passive income):- Approx \$17K / year

PLATINUM ACCELERATOR

64

Look for multiple income streams

Blocks of Units	Residential
Granny flats	Residential
Rooming or Boarding house	Residential
Strips of Shops	Commercial
Warehouse Estate	Commercial
Car Parks	Commercial
Storage sheds	Commercial
Office Complexes	Commercial
Small Shopping Centres	Commercial
Business Real-Estate	Commercial
(Caravan Parks, Motels, Back Packers)	



65

Commercial for Cash Flow

- Commercial generally have a higher yield than residential
- Tenants generally pay all the outgoing – ie. lower hold costs
- Commercial purchases are generally positive cash flow from the initial purchase
- Commercial generally has built in Rental Increases in the leases
- Commercial cash flow typically works on a percentage point split calculation. Eg.
 - Purchase price \$500,000
 - Interest rate 5%
 - Yield on property 8%
- Cash flow 8% - 5% = 3%
- 3% x \$500,000 = \$15,000/y Positive cash flow

66

Year	Rent	Return
1	\$105,000	9.1%
2	\$109,200	9.5%
3	\$113,568	9.8%
4	\$118,110	10.2%
5	\$122,835	10.6%
6	\$127,748	11.1%
7	\$132,858	11.5%
8	\$138,172	12.0%
9	\$143,699	12.4%
10	\$149,447	13.0%
11	\$155,425	13.5%
12	\$161,642	14.0%
13	\$168,108	14.6%
14	\$174,832	15.2%

	Buy Price	Return
Year 1	\$1,150,000	9.1%

Estimate Cash Flow Y1 = \$47,150
Estimated Cash Flow Y14 = \$117,300

Buy Price \$1,150,000




67

Storage Sheds

Buy it direct – build it - add it on to existing

Existing block of Land owned
 65 units –
 Rent at 90% occupancy \$79,153
 Expenses & operations (\$38,910)


Total Cash flow \$40,243
Currently \$57,000 Cash Flow

68

Resi-mercial deals

- Mixture of residential and commercial
- Usually older and may need renovation
- Leases can be in over-run and under market



69

**Business Real Estate
Hostels / Backpackers / Motels**



Donnybrook WA 6239
\$450,000 INCL GST
House 10 2

- 10 bedroom Backpackers Lodge/Separate Single Caretakers Unit/Plus Single caretakers flatlet. - Big grassed areas line three sides of property providing ample room for people to congregate/entertain or parking facilities. - Decking to rear and big undercover cement patio overlooking single room caretakers cottage together with a fully equipped.

- Must be Prepared to step in and run it yourself is anything goes wrong
- Not for everyone

I LOVE REAL ESTATE

70


Holiday Cabin for sale

Perfect Over 50's Retirement Park Home
Forrestfield WA 6058
\$98,000
2 bedrooms 1 bath 1 car

You don't want one in someone else's park

- Too hard to finance
- Too hard to sell

Owning the whole Park – Great Idea



I LOVE REAL ESTATE

71

Defence Housing

- Passive investment
- Low skill level
- Un-preferred strategy
- You can do better

Investing



Why buy a DHA investment property?

- Guaranteed rent
- Long-term lease
- 20-year fixed lease
- Fully furnished

Buy a DHA investment property

Investment property to DHA

Buy and sell with ease

DHA Defence Housing Australia

I LOVE REAL ESTATE

72

SESSION EIGHT

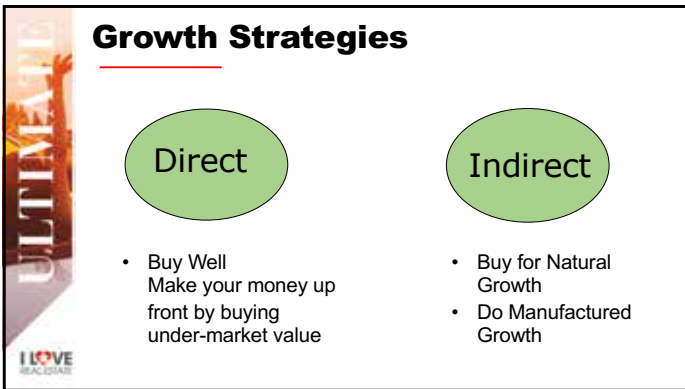
**How To Create
Manufactured Growth And
What Type Of Commercial
Strategies Work Best
In This Market**



1



2



3

Strategies to Buy Well

Direct

- Discount Buying
 - Look for weaknesses in the market

Use KEY WORD searches such as:

- Divorce
- Deceased Estate
- Mortgagee
- Transferred / Over committed
- Must sell
- Urgent
- Older demographics



4

End of a development

Direct



5

First sales of a development

Direct

- Seller wants to set a bench mark
- Seller wants to get homes built in the new estate fast
- Establish comparable sales value for valuer
- Negotiate non-cash extras



6

EXAMPLE: Land Developer Rebate



If you don't ask
you don't get!

Prime Seaside Blocks From \$369000 with \$50000 **cash back** at settlement Peppermint Grove Beach. ***** \$50000 **CASH**

REBATE AT SETTLEMENT ON ALLOCATED BLOCKS

I LOVE REAL ESTATE

7

EXAMPLE: Builder Cash Backs



Neighborhoods Built by Your Neighbors.

Buy a new home, get \$2,000 to \$10,000 CASH for use at closing.

HOUSE + LAND
\$15,000 CASH BACK!

Working Together

I LOVE REAL ESTATE

8

Vendor pays the Stamp Duty



It's not illegal - Don't be afraid to ask!

I LOVE REAL ESTATE

9

Buying Off the Plan

Only works in a rising market

Be careful of affordability and changing circumstances with long contract

Be careful using deposit bonds and time lapse considerations

Consider buying price protection insurance

Direct




I LOVE REAL ESTATE

10

Off the Plan Caution

"37 lose apartments in Sydney as developer invokes sunset clawback"



Off the plan price:

- 1 bedroom - \$370K
- 2 Bedroom -\$500K

Today's value:

- 1 bedroom - \$650K
- 2 Bedroom -\$900K

If the developer decides to resell on the market today, they will make another \$6M in profit!!


I LOVE REAL ESTATE

11

Rates Default Properties

- When rates are not paid to the council – they have the legal right to sell the property to recoup monies owed
- Rates defaulters are advertised in the local papers, usually 3 months out from auction day (NSW advertised in the State Govt gazette – subscription bases)
- Put alerts on Media Monitors for
 - rates default
 - bailiff auction
 - Sheriffs auction

Direct



- Usually very run down
- Usually debt free

I LOVE REAL ESTATE

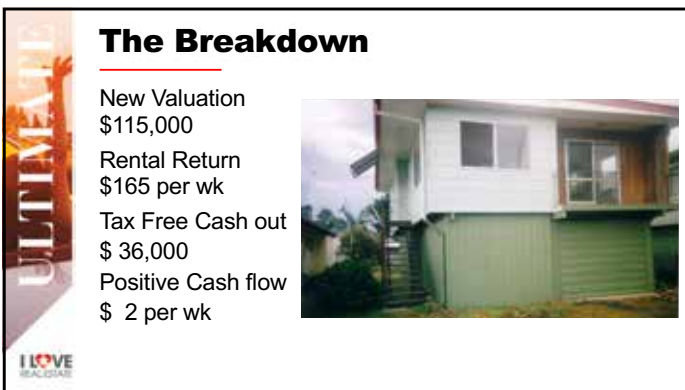
12



13




14



15

ANOTHER Example: Leanne's Rates Default Unit


Purchase Price \$42,000
 Reno \$ 5,000
 Revalue \$81,000
 Time Frame 6 wks

I LOVE REAL ESTATE

16

Rates default auction deal

Chunk & cash flow deal

Acquisition costs: \$57,000
 Improvements: \$10K - \$15K
 Rent: \$175 / wk



I LOVE REAL ESTATE
PLATINUM ACCELERATOR

17

Sources of low end growth deals


- Usual sources – Agents, Newspapers, Online
- Mortgagee in Possession
- Older areas (Demographics)
- Tired Businesses (Commercial)
- Owner sales
- Public trustees

Direct




I LOVE REAL ESTATE

18




Mortgagee in possession



- By law, the lender must make a genuine effort to sell the property for the maximum possible amount.
- They have to advertise the sale, get independent valuations and decide whether to sell privately or at auction.
- The proceeds of the sale will be used to absorb any legal, administrative and holding costs incurred by the mortgagee in maintaining the property.

19




How do you find Mortgagee Sales

Lenders don't usually advertise mortgagee-in-possession sales directly.

However, real estate agents will generally advertise the words 'mortgagee-in-possession' in their ads.

- There are several websites where you can search for free specific words in ads including:
 - [Trovit](#)
 - [ForcedSale.com.au](#)
 - [Mitula](#)

20



Public Trustee Websites

NSW - <https://www.tag.nsw.gov.au/properties-for-sale.html>

QLD - <https://www.pt.qld.gov.au/real-estate/real-estate-services/>

VIC - <https://www.statetrustees.com.au/property-for-sale/property-details>

WA - <http://australia.trovit.com/property/public-trustee-wa>

TAS - <http://australia.trovit.com/property/public-trustee-tas>

SA - <http://www.publictrusteepropertyguide.com.au/book.html>

ACT - www.publictrustee.act.gov.au

NT - <https://www.nt.gov.au/justice/pubtrust>

21

Public Trustee Auction

- Code Assessable Renovation
- Purchase: \$228,000
- Reno cost \$35,000
- ReSold: \$369,000
- Profit: \$50,000
- 3 month renovation



\$228,000 x 1.5 = \$342,000

22

Commercial Can be Direct or Indirect

Direct Indirect

23


Why Commercial?

PRO	CON
• Higher cash flow	• Longer to sell
• Less management	• Need more money to finance
• Less tenant turnover	• Longer to tenant
• Less maintenance	• Subject to economic downturns
• Built in return and growth rates in lease	• Subject to commercial movements
• Longer term leases	

24

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
- Opportunity to Increase Yield &/or Decrease Risk



25

Commercial under Market Rental

Direct Indirect

- When you increase the income on a commercial property it immediately reflects in value
- Know your commercial rental yields REALLY well – befriend a GOOD commercial agent
- Watch for incorrectly reported rents and rental area (per sq metre)
- Look for long term owners
- Look for badly written leases with inadequate market rental clauses

26

Multi Tenanted Industrial - Brisbane

- 5 Tenancies
- Multiple Buildings
- Basic Reno
- Re-negotiated Month By Month Leases
- Re-tenanted 3 Units
- Strata Title Potential

* Purchased \$780k
 * > \$35k Positive Cashflow



PLATINUM ACCELERATOR

27

Commercial Strategies
- Strata or lease in smaller pieces

I LOVE REAL ESTATE

28

Industrial Strata Title - Melbourne

PLATINUM ACCELERATOR

- Purchase \$800k
- Reno & Strata \$50k
- End Val \$1,480,000
- Val Increase \$680k in 17mths

- 5 Industrial Units on 1 Title
- Reno, Signage, Rented Hardstand Area, Survey Confirmed Increased Lease Area
- Re-negotiated Leases (under market rent, month by month leases)
- Strata Titled into 5 Lots & Revalued

I LOVE REAL ESTATE

29

Commercial – Sometimes you just buy for yield and hold

PLATINUM ACCELERATOR

\$28,000 Passive for non super deal
 \$48,000 Passive for a super deal

Great Super Fund deal – Purchased for \$720,000

I LOVE REAL ESTATE

30

Commercial doesn't have to be expensive

Wants: \$185,000

Net Income: \$16,556 p.a.
Yield: 8.95%



The premises is currently leased to a long standing medical tenant within the centre on a 5 + 5 year Lease. Lease commenced December 2012
Situated in the Cremorne Town Centre

31

Commercial Construction
- Develop at 10 to 12% CAP and sell or revalue at 8 to 9% CAP

Commercial	Low	Medium	High
1-4 level open plan offices, including A/C & lifts, excluding fit out	\$1,800	\$2,100	\$2,500
4-8 level open plan offices, including A/C & lifts, excluding fit out	\$2,000	\$2,240	\$2,720
8 levels and over, including A/C & lifts, excluding fit out	\$2,800	\$3,170	\$3,350
Industrial	Low	Medium	High
High Bay Warehouse, standard config, concrete floor, metal steel	\$620	\$1,040	\$1,130
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall steel	\$1,140	\$1,210	\$1,380

32

Retail	Low	Medium	High
Suburban shopping mall area including A/C	\$2,280	\$2,400	\$2,750
Supermarket, including A/C, excluding fit out	\$1,470	\$1,500	\$1,820
Hotels-Motels	Low	Medium	High
Single level boutique motel, including A/C, guest facilities	\$3,000	\$3,500	\$4,750
Single level townmotel, including A/C, excluding local item fit out	\$2,550	\$3,100	\$2,800

33

Primary Manufactured Indirect Growth

Indirect

- Renovations
- Subdivisions
- Strata Titling
- Developments

I LOVE REAL ESTATE

34

Quirky Deals - First time Unit Buyers

- Buy one unit with large sinking fund
- Get onto the Body Corporate Committee
- Seek investor proxy votes

I LOVE REAL ESTATE

35

Quirky Deals - Services Exchange

Dentist Investor

Low Doc Landscape Gardener

I LOVE REAL ESTATE

36

Quirky Deals – Seller JV Deals

- The number ONE untapped strategy in Australia today!
- Not every deal has seller JV potential
- Using Talents instead of money
 - Landscaping / Handyman
 - Subdivisions
 - Strata
 - Renovation
 - Even building




ULTIMATE
I LOVE REAL ESTATE

37

What Characteristic to look for a Seller JV Deal

- A seller with a limitations
 - eg: - money
 - knowledge
 - time
- A seller with flexibility in outcomes (Age can be an advantage)
- A business person as the seller
 - SHOW ME THE MONEY PERSON
- A seller with a badly presented product





ULTIMATE
I LOVE REAL ESTATE

38

Student JV with Owner deal
Knock down and rebuilt two single story homes and split profit 50/50

• Sales of New Dwellings	\$1,620,000
• Sales Costs	\$40,500
• Total Costs	\$1,343,552
• Net Profit (before GST)	\$276,448
• Profit to student	\$138,224

PLATINUM ACCELERATOR
I LOVE REAL ESTATE

39

Forest Road Deal

- Sales of New Dwellings \$1,620,000
- Sales Costs \$40,500
- Purchase price \$730,000
- Strategy Costs – Subdivision \$52,000
- Strategy Costs – Construction \$550,000
- Holding costs \$23,000
- **Total Costs \$1,343,552**
- **Net Profit (before GST) \$276,448**
- **Profit to Croxford Property (50% of deal) \$138,224**
- **Profit on Costs 20%**

40

No Money?

Australia's 9.6 million residential properties are worth 6.7 trillion dollars at the end of the June quarter 2017.

Total Mortgage Values in Australia are \$1.6 trillion dollars.

Source: Core logic / ABS



41

Dep. Finance / Sub/ Reno / Build

PLATINUM ACCELERATOR



42

The Numbers

Purchase Price	\$260,000
Purchase Costs	\$16,208
Strategy Costs	\$22,250
Renovation	\$23,000
Construction Costs	\$440,000
Total Costs	\$761,458


Total Sales	\$920,000
<i>Less Sales costs</i>	<i>(\$27,600)</i>
Approx Net Profit	\$130,942
Profit on Costs	17.2%



43

Quirky Deals – Trade Exchanges

Barter Card
Empire Trade
Ibis



- Percentages vary and charges vary
- Some have ability to borrow dollars
- Some have ability to borrow on the black market


44

Trade Dollar Example – Kawana Island, QLD
\$490,000 / 20% trade



45

Bartercard / Commercial Office Space /Sub-Letting



I LOVE REAL ESTATE

bartercard

46

The Numbers


Purchase Price	\$450,000
Purchase Costs (Stamp duty etc.)	
Bartercard Costs (6.5%)	
Office Fit-Out (\$15k on Bartercard)	
Total Costs	\$450,000
Full Value	\$600,000
(Bartercard)	(\$350,000)
(Bartercard)	(\$121,500)
(Cash)	(\$42,000)

Valued at \$600,000 & \$95k profit! & Neutral Cash flow!!

I LOVE REAL ESTATE

47

Quirky Deals – Moving old Houses or Factory Builds



I LOVE REAL ESTATE

48
