ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

6. GROWTH STRATEGIES & COMMERCIAL

I LOVE REAL ESTATE

Knowledge Source

SESSION SIX

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

SESSION SIX

GROWTH STRATEGIES AND COMMERCIAL

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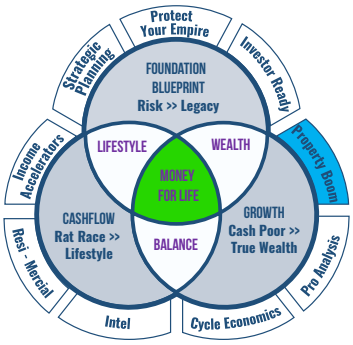

Growth Strategies

Direct

- Buy Well
  Make your money up front by buying under-market value

Indirect

- Buy for Natural Growth
- Do Manufactured Growth

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

End of a development

Direct

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

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

EXAMPLE: Builder Cash Backs

Vendor pays the Stamp Duty

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

Buying Off the Plan

Direct

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

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!!

Rates Default Properties

Direct

- 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 Monetors for
  - rates default
  - bailiff auction
  - Sheriffs auction

- Usually very run down
- Usually debt free

The Breakdown

New Valuation
$115,000

Rental Return
$165 per wk

Tax Free Cash out
$ 36,000

Positive Cash flow
$ 2 per wk

ANOTHER Example: Leanne's Rates Default Unit

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

Rates default auction deal

Chunk &
cash flow deal

Acquisition costs:
$57,000

Improvements:
$10K - $15K

Rent:
$175 / wk

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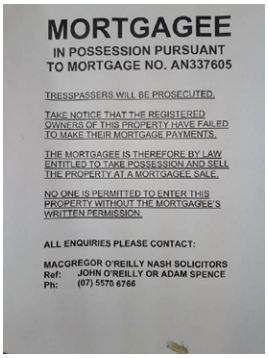
Sources of low end growth deals

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

Direct

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.

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 there ads.

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

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

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

Commercial Can be Direct or Indirect

Direct

Indirect

Why Commercial?

PRO

- Higher cash flow
- Less management
- Less tenant turnover
- Less maintenance
- Built in return and growth rates in lease
- Longer term leases

CON

- Longer to sell
- Need more money to finance
- Longer to tenant
- Subject to economic downturns
- Subject to commercial movements

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

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

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**

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Commercial Strategies - Strata or lease in smaller pieces

Industrial Strata Title - Melbourne

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- 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

Commercial – Sometimes you just buy for yield and hold

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

Great Super Fund deal – Purchased for $720,000

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

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	$1,890	$2,150	$2,590
4-8 level open plan offices, including A/C & lifts, excluding fit out	$2,050	$2,240	$2,720
8 levels and over, including A/C & lifts, excluding fit out	$2,960	$3,170	$3,350
Industrial	**Low**	**Medium**	**High**
High Bay Warehouse, standard config, concrete floor, metal clad	$920	$1,040	$1,130
High Bay Warehouse, standard config, concrete floor, pre-cast concrete wall clad	$1,140	$1,210	$1,360

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	$1,590	$1,820
Hotels-Motels	**Low**	**Medium**	**High**
Single level boutique motel, including A/C, guest facilities	$3,000	$3,500	$4,750
Single level tavern/hotel, including A/C, excluding loose item fit out	$2,550	$3,100	$3,800

Primary Manufactured Indirect Growth

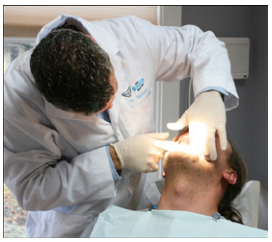
Indirect

- Renovations
- Subdivisions
- Strata Titling
- Developments

Quirky Deals - First time Unit Buyers

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

Quirky Deals – Services Exchange



Dentist Investor

Low Doc Landscape Gardener

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

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

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**

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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%**

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

Dep. Finance / Sub/ Reno / Build

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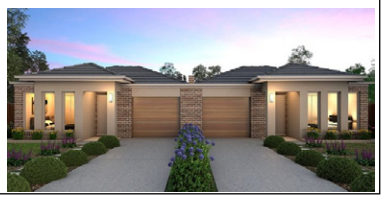
The Numbers

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**
Less Sales costs	($27,600)
Approx Net Profit	**$130,942**
Profit on Costs	17.2%



Quirky Deals – Trade Exchanges

Barter Card
Empire Trade
Ibis

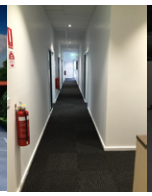
BARTER CARD 1300 BARTER (1300 227 837)

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

Trade Dollar Example – Kawana Island, QLD

$490,000 / 20% trade

Bartercard / Commercial Office Space /Sub-Letting



bartercard

The Numbers

Purchase Price	$450,0[illegible]
Purchase Costs (Stamp duty etc.)	
Bartercard Costs (6.5%)	
Office Fit-Out ($15k on Bar[illegible]	
Total Costs	[illegible],000
Fu[illegible]	
(Ba[illegible]	($350,000)
(Bar[illegible]	($121,500)
(Cas[illegible]	($42,000)

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

Quirky Deals – Moving old Houses or Factory Builds

House Relocation – Sunshine Coast

- House Relocation
- Subdivision
- Reno
- **$125k Profit**

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Growth Strategies - Summary

What growth strategies suit your portfolio, personality, capacity and timeframe?

Put a priority numbering system beside each strategy.

What is your timeline for implementation?

Manufactured Growth Strategies

Action Required:

Who do I need to contact?

Time Frame: