

ULTIMATE

REAL ESTATE SUCCESS
COACHING PROGRAM

VIRTUAL BOOTCAMP

8. STRATA & CONSTRUCTION AND THE
COMPOUND EFFECT



SESSION EIGHT

Strata & Construction & The Compound Effect

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STRATA & CONSTRUCTION AND THE COMPOUND EFFECT



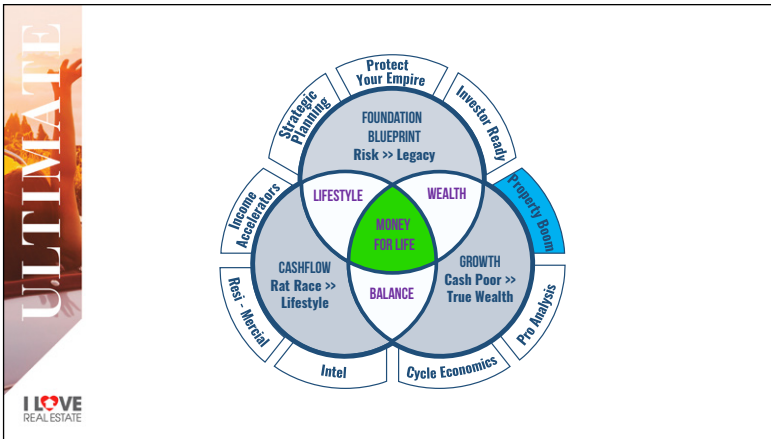
TAMARA READ

Property Investor
Platinum Accelerator National Coach & Mentor



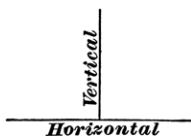
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Property Investor
Platinum Accelerator State Coach & Mentor



Strata Titling – Subdivision except with Buildings. Most of the time!

Vertical separation



Horizontal separation



Target Old - Select a Suitable Property

- Duplex, Triplex, Fourplex etc.
- Industrial building with divisible ability
- Office Blocks
- Hotels / Motels
- Car Parks
- Storage Sheds

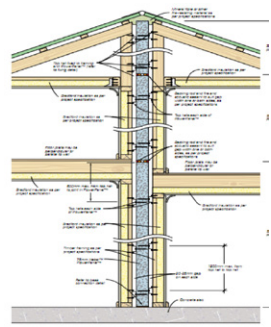


What Constitutes Suitable?

- One title, multiple dwellings
- Fire rated separation
- Separate services
- Parking
- Traffic access
- Saleable



Fire Rating Strata



30/30/30

60/60/60 - Usual

90/90/90

120/120/120



Saleability

- Do market analysis on the need for your finished product
- Invest in a voluminous market
- If building for sale review sales data prior submitting plans to council
- If buying existing building check post renovated units with agents for comparables



Not All Units Work

SET OF FIVE UNITS: 5 x 2 bedroom units

Two storey set of 5 units all 2 bedroom units. Units are strata titled and owner selling at \$150,000 - units 1-4, Unit 5 selling for \$160,000.

2 & 3 Bedroom houses sell from \$ 150,000 in the area – why would you buy a unit when you could buy a house for the similar value



Not all Properties should be Strata'ed

Commercial 592sqm main street central property with large residence of 2 bedrooms parking area with a two Modern v front with current food licence and an agency of The Rock Building Society with the only ATM in Town.

You could probably sell the shop separately but no-one will buy a unit above a shop separately in a regional area – it will rent but not sell. Metro area yes – but not regional!



\$295,000
Rent \$32,000
Good Cash Flow





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CONSTRUCTION & DEVELOPMENT






D.A & B.A






What is a DA?

- DA = Development Approval
- Council planning permit for proposed development – subdivision, multi-unit, industrial etc
- Assessed against Council Town Planning Codes
- Based on concept plans of proposed development
- Not ready (or approved) to build!



DA Opportunities

- Use your talents and knowledge, but maybe not your money to make a profit!!!!
- Can be on sold at DA approval stage or complete the project and sell or hold for cash flow
- If on selling at DA stage – Need to know costs for completed project to determine your DA approved sale price. ** Purchaser still wants to make approx. 20% for completing deal

DA – Factors to Consider

- Current zoning
- Land size, frontage
- Site cover (% useable land)
- Current and future town plan
- Demand for end product e.g. high density housing
- Comparable sales - Current prices for equivalent end product
- Efficiency of design



Design Stage

- Town Planner is KEY!
- Appoint building designer/draftsman/architect, surveyor, engineer, landscape architect, specialist consultants?
- Concept Plans
- Pre-Lodgement meeting with Council + your private town planner
- Final Design Plans



Application Stage

- Town Planner will prepare & lodge application with Council
- Council confirms application properly made
- Council Initial Response 60 days (RFI)
- Liaise and Negotiate
- Public notification
- Decision Notice
- D.A. (Permit + Conditions)



Sell with D.A Student Deal

- Purchased \$330,000 + purchase costs for Reno
- Plan to build two on back
- Projected profit - \$80,000
- Council proposed new structure plan to high density
- Sold to a developer with plans & permits for \$570,000
- **Profit \$240,000**



DA's and Creative Strategies

- Financing the deal with little money
- Option the deal
- JV the deal
- JV with Vendor
- Vendor Finance
- Long Conditional Settlements



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Construction




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Construction – What is it?

Building works that are completed under a “Building Contract”

- Structural reno
- Extension
- House
- Granny flat
- Units / Townhouses etc.



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Team Requirements



- Members of Professional Associations e.g. Building Assoc., Institute of Engineers / Quantity Surveyors, Building Design Assoc.
- Insurances & certification for trade / profession - Provide copies to ensure current over project duration
- Familiar with Local & State regulations
- Up to date with latest laws, innovations & developments in industry

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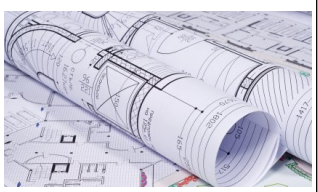
Team Requirements

- Ask what sub-consultants and contractors they use & confirm how much time they will be on the job
- Ensure team understands your time constraints
- Check on progress of individuals to keep them on target
- Check work thoroughly BEFORE paying invoices
- Pay invoices as soon as possible
- ENSURE YOU GET ALONG WELL!



What Do You Need to Supply to Your Builder for a Quote?

- Specifications list
- Working drawings (detailed design)
- Structural engineering
- Civil engineering
- Soil report
- Landscape plan
- Energy rating report
- Specialist reports e.g. BAL report (if necessary)
- Planning permit - DA Approval - if exists
- Building Approval & Plumbing Approval – if already got



Contract Types

- Construction contract method
- Payment Lump sum by negotiation
- Cost + %
- Construction Management
- Turn-Key or Progressive
- Design and Construct



Beginners should ALWAYS use Turn-Key

Design & Construct Service

- **Pro's –**
 - Single point of contact – more streamlined process
 - Reduced risk – single point of responsibility
 - Lump sum price
 - **Con's –**
 - Less flexible e.g. committed to 1 builder from start
 - Less control on timeframes e.g. don't have direct access to each professional
 - Less control on price e.g. can't negotiate fee for each professional individually
- Consider for single dwellings by inexperienced investors & long distance construction



How Do You Complete Reference Checks on a Builder?

- View past projects & speak to previous clients
- Visit current projects under construction
- Talk to Subcontractor, tradies, suppliers, regulatory bodies, insurance underwriter
- Contact RE agents that have sold the builders previous work
- Search State Building License Authority for Builders records / history
- Do Company & ASIC searches
- Get copies Insurances (Public Liability & Professional Indemnity), Workers Compensation (terminology varies State to State)



Other Considerations – Builder Selection:

- Building timeframe
- Inclement weather days and public holidays
- Liquidated damages for time over runs
- Read Building Contract
- Pacific Law to review building contract