

PLATINUM

Multi-unit Development

National Conference



I LOVE
REAL ESTATE

I LOVE
REAL ESTATE

6) DEVELOPMENT FUNDING

1) Bank Funding Criteria

- Min 20% Profit on Total Development Cost

2) Funding (Bank Loan) Amount

- Which ever is the lesser \$:
 - A) 80% Total Development Cost
 - or
 - B) 65% Net Realisation Value

3) What Bank Funding Can Be Used For



1) Bank Funding Criteria - Profitability

Cost Items (Excl GST)	Cost	
Land	\$605,000	
Stamp Duty	\$26,000	
Acquisition Costs	\$10,000	
Total Land Costs	\$641,000	
Professional Fees	\$95,000	
Preliminaries (Demolition etc)	\$59,000	
Construction	\$1,380,000	
Contingency	\$70,000	
Council Contributions	\$125,000	
Authority Fees / Charges	\$20,000	
Marketing Fees	\$16,000	
Legal Fees	\$16,000	
Interest	\$182,000	
Total Development Costs (Excl GST)	\$2,604,000	F

	\$	
End Value x Number (\$230k x 16 units)	\$3,680,000	
Gross Realisation Value (GRV)	\$3,680,000	A
Less GST on Sales	\$335,000	B
Net Realisable Value (NRV)	\$3,345,000	A-B = C
Less Selling Costs	\$112,000	D
Net Realisation	\$3,233,000	C-D = E
Profit	\$629,000	E-F = G
Profit on Total Development Costs (%)	\$629,000k/ \$2,604,000 = 24.2%	G/F

Profitability Target >20% TDC

Current Deal = 24.2%



2) Funding / Bank Loan Amount

Cost Items (Excl GST)	Cost	
Land	\$605,000	
Stamp Duty	\$26,000	
Acquisition Costs	\$10,000	
Total Land Costs	\$641,000	
Professional Fees	\$95,000	
Preliminaries (Demolition etc)	\$59,000	
Construction	\$1,380,000	
Contingency	\$70,000	
Council Contributions	\$125,000	
Authority Fees / Charges	\$20,000	
Marketing Fees	\$16,000	
Legal Fees	\$16,000	
Interest	\$182,000	
Total Development Costs (Excl GST)	\$2,604,000	F

	\$	
End Value x Number (\$230k x 16 units)	\$3,680,000	
Gross Realisation Value (GRV)	\$3,680,000	
Less GST on Sales	\$335,000	
Net Realisable Value (NRV)	\$3,345,000	C
Less Selling Costs	\$112,000	
Net Realisation	\$3,233,000	E
Profit	\$629,000	G
Profit on Total Development Costs (%)	\$629,000k/\$2,604,000 = 24.2%	

Bank Loan Amount – Which ever is the lesser:

80% Total Development Costs (Excl GST & Sales) = $F \times 0.8 = \$2,604,000 \times 0.8 = \$2,083,200$

65% Net Realisable Value (NVR) = $C \times 0.65 = \$3,345,000 \times 0.65 = \$2,174,250$

Lesser = \$2,083,200 = Loan Amount

3) What Bank Funding Can Be Used For - \$2,083,200

Cost Items (Excl GST)	Cost	Equity	Debt / Loan
Land	\$605,000	\$381,000	\$224,000
Stamp Duty	\$26,000	\$26,000	
Acquisition Costs	\$10,000	\$10,000	
Total Land Costs	\$641,000		
Professional Fees	\$95,000	\$45,000	\$50,000
Preliminaries (Demolition etc)	\$59,000	\$59,000	
Construction	\$1,380,000		\$1,380,000
Contingency	\$70,000		\$70,000
Council Contributions	\$125,000		\$125,000
Authority Fees / Charges	\$20,000		\$20,000
Marketing Fees	\$16,000		\$16,000
Legal Fees	\$16,000		\$16,000
Interest	\$182,000		\$182,000
Total Development Costs (Excl GST)	\$2,604,000	\$521,000	\$2,083,000

Bank Funding Order –

- Aim for All Costs Post DA
- May get some professional fees reimbursed to you out of bank funding
- You need to put your equity in up front e.g. purchase deposit, purchase costs, professional fees, demolition (preliminary).

6) DEVELOPMENT FUNDING ACTIVITY

1) Bank Funding Criteria

- Min 20% Profit on Total Development Cost

2) Funding (Bank Loan) Amount

- Which ever is the lesser \$:
 - A) 80% Total Development Cost
 - or
 - B) 65% Net Realisation Value



1) Bank Funding Criteria - Profitability

Cost Items (Excl GST)	Cost
Land	\$530,000
Stamp Duty	\$18,000
Acquisition Costs	\$15,000
Total Land Costs	\$563,000
Professional Fees	\$67,000
Preliminaries (Demolition etc)	\$19,000
Construction	\$695,000
Contingency	\$20,000
Council Contributions	\$54,000
Authority Fees / Charges	\$14,000
Marketing Fees	\$0
Legal Fees	\$0
Hold & Interest	\$33,000
Total Development Costs (Excl GST)	\$ 1,465,000 F

	\$	
End Value x Number (\$600k x 3 units)	\$1,800,000	
Gross Realisation Value (GRV)	\$	A
Less GST on Sales	\$164,000	B
Net Realisable Value (NRV)	\$	A-B = C
Less Selling Costs	\$44,500	D
Net Realisation	\$	C-D = E
Profit	\$	E-F = G
Profit on Total Development Costs (%)	\$____/\$____ = _____%	G/F

Profitability Target >20% TDC

Current Deal = ____%

1) Bank Funding Criteria – Profitability - ANSWERS

Cost Items (Excl GST)	Cost
Land	\$530,000
Stamp Duty	\$18,000
Acquisition Costs	\$15,000
Total Land Costs	\$563,000
Professional Fees	\$67,000
Preliminaries (Demolition etc)	\$19,000
Construction	\$695,000
Contingency	\$20,000
Council Contributions	\$54,000
Authority Fees / Charges	\$14,000
Marketing Fees	\$0
Legal Fees	\$0
Hold & Interest	\$33,000
Total Development Costs (Excl GST)	\$ 1,465,000 F

	\$	
End Value x Number (\$600k x 3 units)	\$1,800,000	
Gross Realisation Value (GRV)	\$1,800,000	A
Less GST on Sales	\$39,000	B
Net Realisable Value (NRV)	\$1,761,000	A-B = C
Less Selling Costs	\$44,000	D
Net Realisation	\$1,717,000	C-D = E
Profit	\$252,000	E-F = G
Profit on Total Development Costs (%)	\$252,000/\$1,465,000 = 17.2%	G/F

Profitability Target >20% TDC

Current Deal = 17.2%

2) Bank Funding Loan Amount

Cost Items (Excl GST)	Cost
Land	\$530,000
Stamp Duty	\$18,000
Acquisition Costs	\$15,000
Total Land Costs	\$563,000
Professional Fees	\$67,000
Preliminaries (Demolition etc)	\$19,000
Construction	\$695,000
Contingency	\$20,000
Council Contributions	\$54,000
Authority Fees / Charges	\$14,000
Marketing Fees	\$0
Legal Fees	\$0
Hold & Interest	\$33,000
Total Development Costs (Excl GST)	\$ 1,465,000 F

	\$	
End Value x Number (\$600k x 3 units)	\$1,800,000	
Gross Realisation Value (GRV)	\$	A
Less GST on Sales	\$39,000	B
Net Realisable Value (NRV)	\$	A-B = C
Less Selling Costs	\$44,000	D
Net Realisation	\$	C-D = E
Profit	\$	E-F = G
Profit on Total Development Costs (%)	_____ %	G/F

Bank Loan Amount – Which ever is the lesser:

80% Total Development Costs (Excl GST & Sales) = F x 0.8 = \$ _____ X 0.8

= \$ _____

65% Net Realisable Value (NVR) = C x 0.65 = \$ _____ X 0.65 = \$ _____

Lesser = \$ _____ = Loan Amount