

PLATINUM

June 2021

# Cash Cow

Mastermind  
Event

Brisbane

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**Dr. Tamara Read & Nicolle Beer**

*QLD State Coaches*



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REAL ESTATE

# Event Outline -

- 6:00 – 6:30 Networking
- 6:30 - Start
- 6:30 – 6:45 Housekeeping
- 6:45 – 8:00 Accountability
- 8:00 – 8:30 Networking Break
- 8:30 – 10:30 Cash Cow



# Workshop Format

- Use microphone
- Involve everyone in the conversation
- Be supportive
- Order food and drinks downstairs



# WELCOME NEW PLATINUM'S



- Pearl Chin

# Housekeeping



# Housekeeping

- 2021 Monthly Dates (Tuesday's):
  - ❖ 6<sup>th</sup> July; 3<sup>rd</sup> Aug; 7<sup>th</sup> Sept; 5<sup>th</sup> Oct; 2<sup>nd</sup> Nov, 7<sup>th</sup> Dec
- 2021 National Conference Dates:
  - ❖ 7<sup>th</sup> & 8<sup>th</sup> August – Sunshine Coast
  - ❖ 4<sup>th</sup> & 5<sup>th</sup> December – Sunshine Coast
  - ❖ KEEP Saturday night free
  - ❖ Graduate Only Day prior to each National Conference Date



# Housekeeping

- 2021 Ultimate Bootcamp Dates:

- ❖ Melbourne: 25 - 27<sup>th</sup> June
- ❖ Sydney: 29 - 31<sup>st</sup> October

- 2021 Other Ultimate Dates:

- ❖ Realestate Millionaire Within – Sunshine Coast: 5-6<sup>th</sup> June
- ❖ I Love Realestate Super Conference – Sunshine Coast:  
19 - 21<sup>st</sup> Nov

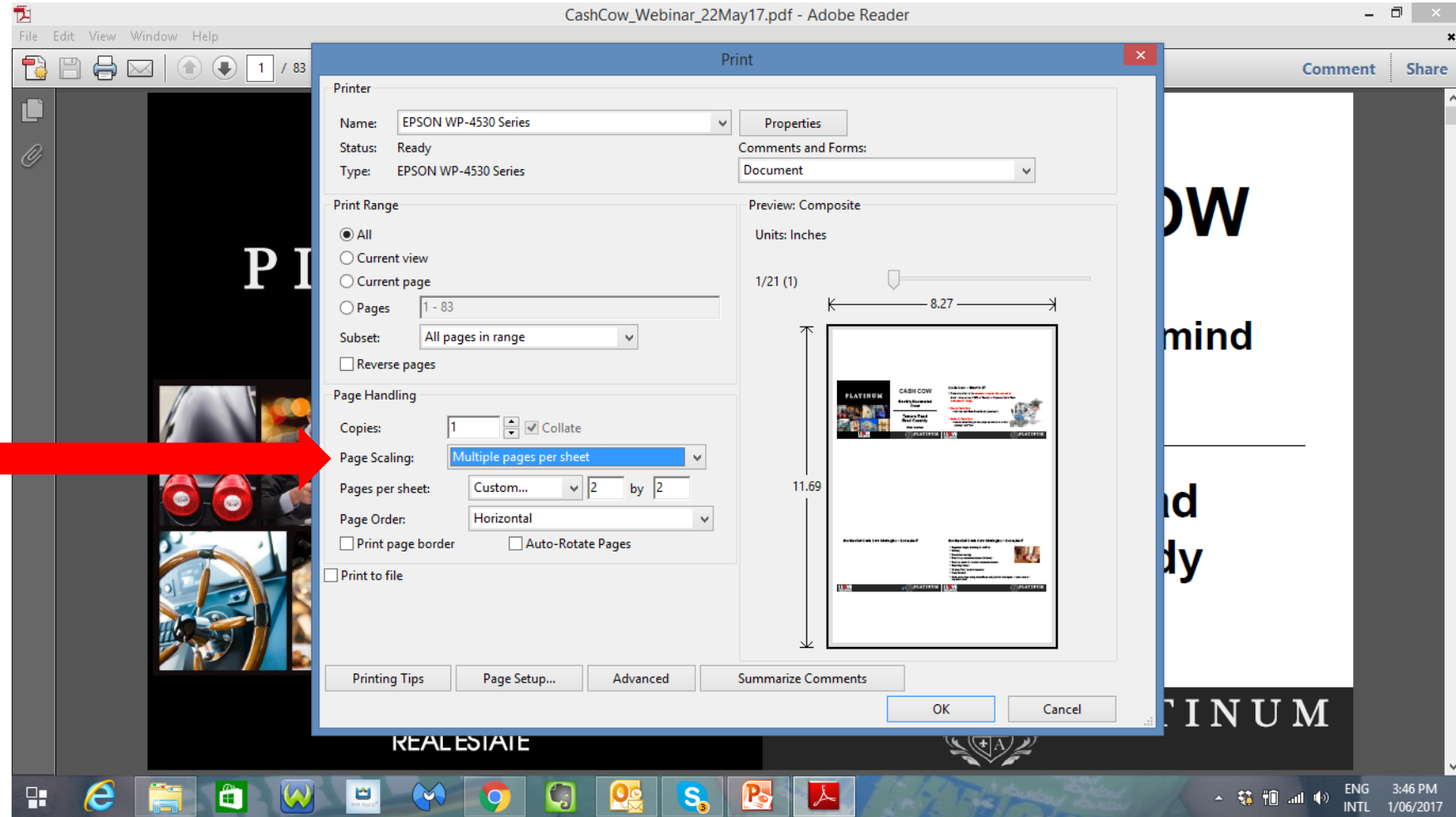


# Housekeeping

- **2021 Quantum Events:** Check Ultimate Website For Full List
  - ❖ 25% Developers Club – Virtual: 24 - 25<sup>th</sup> July
  - ❖ Commercial Secrets - Virtual: 18 – 19<sup>th</sup> September
  - ❖ Fast Profits – Virtual: 16-17<sup>th</sup> October
  - ❖ Extreme Income – Virtual 23 – 24<sup>th</sup> October

# Housekeeping

- Printing Webinar Slides – pdf
  - File, print
  - Can print multiple pages per sheet!!



# Platinum Student Meetups

- ❖ PA Website / Platinum Schedule
- ❖ Must have your Facebook account / profile open to access the links



## PA Student Meetup Groups

These Student Meetup groups are for ALL Platinum students only, both past and present. They are organised by Platinum students to facilitate networking between Platinums and staying connected with the awesome Platinum family. Typically they occur between the PA Monthly Meetings.

**NOTE: You MUST have your Facebook Account/Profile open to access these links.**

## Brisbane Student Meetup



Student Organizer – Megan Humphreys

Click on the link below to access the Platinum Accelerator Facebook Events for each Brisbane Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Brisbane Student Meetup](#)

## Sydney Student Meetup



Student Organizer – Dindy Luki

Click on the link below to access the Platinum Accelerator Facebook Events for each Sydney Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Sydney Student Meetup](#)

## Melbourne Student Meetup



Student Organizer – Aygun Coker

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Melbourne Student Meetup](#)

## Perth Student Meetup



Student Organizer – Basia Garbowski & Heath Worlton

Click on the link below to access the Platinum Accelerator Facebook Events for each Melbourne Student Meetup. All of the upcoming dates, location, times and RSVP information is in these events.

[Perth Student Meetup](#)

# Events Tab – Platinum Facebook

## Platinum Facebook:

- ❖ Events
- ❖ Monthly Meetings
- ❖ Student Meetups
- ❖ National Conferences

Platinum Accelerator  
Closed group

About  
Discussion  
Chats  
Announcements  
Members  
**Events**  
Videos  
Photos  
Files  
Group Insights  
Recommendations  
Moderate Group

Search this group

Shortcuts  
Platinum Accelerator  
Ultimate Real Estat... 20+  
Brisbane - I Love Re... 2

Events Calendar Settings + Create Event

Recurring

- QLD Monthly Meetings - Platinum Accelerator**  
Novotel Brisbane in Brisbane, Queensland, Australia  
Michael Dempsey invited you.  
Next event occurs on Apr 2 at 6:30 PM. See All  
Going Maybe Can't Go Edit Cancel
- WA Monthly Meetings - Platinum Accelerator**  
Novotel Perth Langley in Perth, Western Australia  
Michael Dempsey invited you.  
Next event occurs on Apr 3 at 8:30 PM. See All  
Going Maybe Can't Go Edit Cancel
- VIC Monthly Meetings - Platinum Accelerator**  
Rydges Hotels & Resorts in Melbourne, Victoria, Australia  
Michael Dempsey invited you.  
Next event occurs on Apr 4 at 5:30 PM. See All  
Going Maybe Can't Go Edit Cancel
- NSW Monthly Meetings - Platinum Accelerator**  
Novotel Sydney Central in Sydney, Australia  
Michael Dempsey invited you.  
Next event occurs on Apr 4 at 5:30 PM. See All  
Going Maybe Can't Go Edit Cancel
- Brisbane Student Meetups**  
Prince of Wales Hotel in Brisbane, Queensland, Australia  
Megan Humphreys invited you.  
Next event occurs on Apr 13 at 5:00 PM. See All  
Going Maybe Can't Go Edit Cancel
- Melbourne Student Meetup**  
199 William St, Melbourne VIC 3000, Australia  
Aygün Ozkan invited you.  
Next event occurs on Apr 18 at 7:00 PM. See All  
Going Maybe Can't Go Edit Cancel

# Brisbane Platinum Student Meetups

- ❖ Info & RSVP: Platinum Facebook / Events
- ❖ Brisbane location: Venue TBA
- ❖ Dates: Third Saturday each month typically 6pm
- ❖ Organizer: Karen Prescott (PM on FB)
- ❖ Text Karen on 0411 570 281 your Email or contact her on Facebook & she will send you details.
- ❖ Current & Past Platinum's!!!!



The screenshot shows a Facebook event page for 'Brisbane Student Meetups'. The event is scheduled for April 13th at 5:00 PM at the Prince of Wales Hotel, 100 Buckland Road, Brisbane, Queensland, Australia 4012. The event is hosted by Megan Humphreys. The page shows 14 people going, 3 maybe, and 52 invited. A photo of Karen Prescott, the organizer, is visible. The event is part of the Platinum Accelerator program.

Facebook Search: Tamara

Events

Events

Calendar 8

**Brisbane Student Meetups**

Birthdays

Discover

Hosting

+ Create Event

**APR 13** Brisbane Student Meetups  
Event for Platinum Accelerator - Hosted by Megan Humphreys

✓ Going ? Maybe X Can't Go Invite ...

Until Dec 14

APR 13 Sat 5:00 PM MAY 18 Sat 5:00 PM JUN 15 Sat 5:00 PM +6

Prince of Wales Hotel  
100 Buckland Road, Brisbane, Queensland, Australia 4012 Show Map

14 Going · 3 Maybe · 52 Invited See All

Megan, Jacqueline and 3 other friends are going

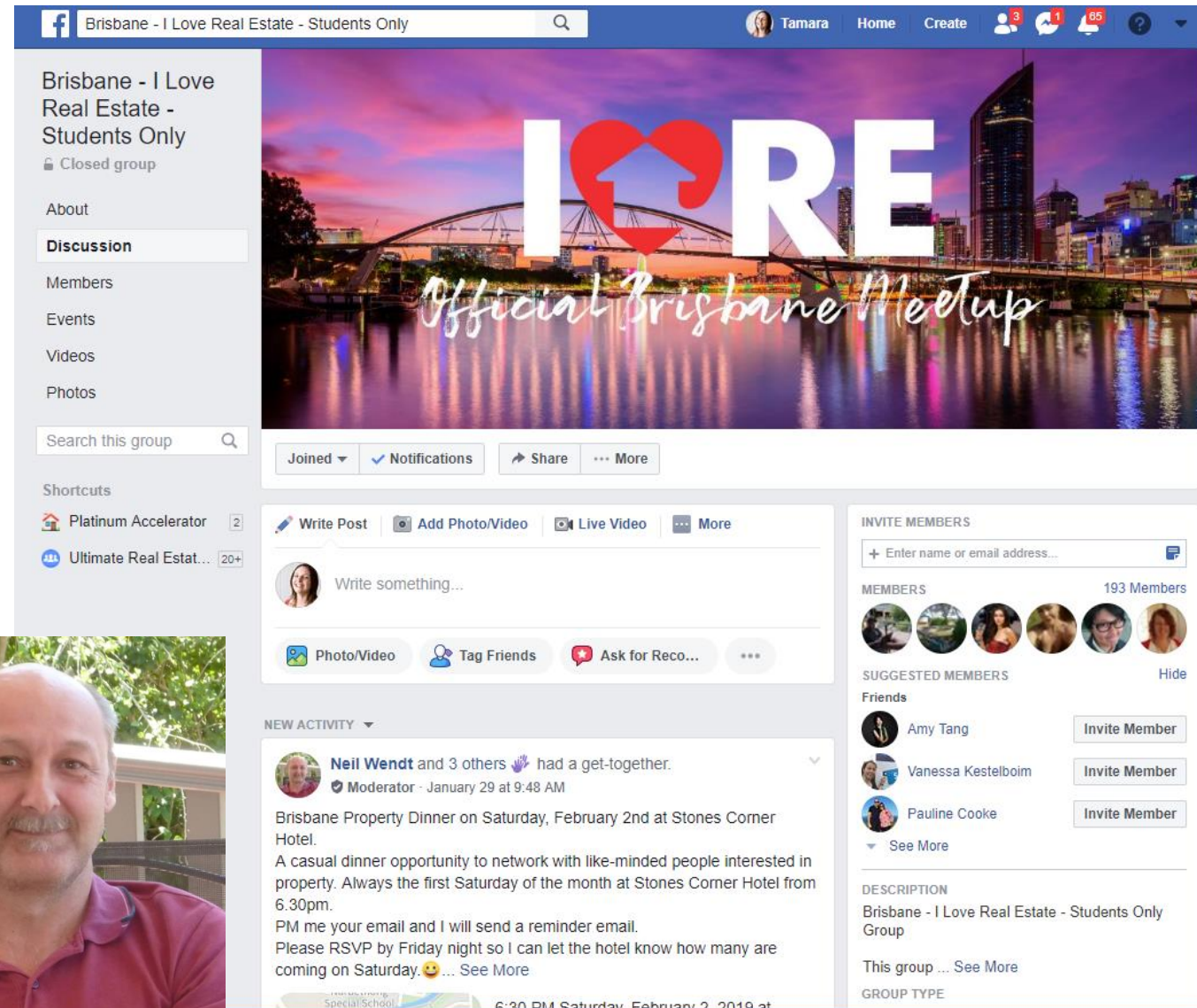
Invite

Hi all Brisbane Platinums,  
We have a Student Meetup arranged each month for both past and current Platinum students.



# ILRE Brisbane Monthly Meetups

- ❖ Info & RSVP: Ultimate Website / ILRE Community / ILRE Brisbane Meetup / Link to FB Page
- ❖ Location – Stones Corner Hotel
- ❖ Dates – First Saturday of each month, 6:30pm
- ❖ Organizer – Neil Wendt  
Mbl 0418 766 777



The screenshot shows the Facebook interface for a group named "Brisbane - I Love Real Estate - Students Only". The group is a "Closed group" with 193 members. The cover photo features the "I LOVE RE" logo with a red heart containing a house icon, set against a cityscape at night. The text "Official Brisbane Meetup" is written in a cursive font across the image. The group's navigation menu includes "About", "Discussion", "Members", "Events", "Videos", and "Photos". A search bar is present for finding group content. The "NEW ACTIVITY" section shows a post by "Neil Wendt and 3 others" about a "Brisbane Property Dinner on Saturday, February 2nd at Stones Corner Hotel". The post text reads: "A casual dinner opportunity to network with like-minded people interested in property. Always the first Saturday of the month at Stones Corner Hotel from 6.30pm. PM me your email and I will send a reminder email. Please RSVP by Friday night so I can let the hotel know how many are coming on Saturday. 😊... See More". The right sidebar includes an "INVITE MEMBERS" section with a search bar and a list of suggested members: Amy Tang, Vanessa Kestelboim, and Pauline Cooke, each with an "Invite Member" button. Below that is a "DESCRIPTION" section stating "Brisbane - I Love Real Estate - Students Only Group" and a "GROUP TYPE" section.

# GRADUATING PLATINUM'S



- Judy Glover
- Robyn Hills
- Doug Owen
- Josh Turner
- Natalie Lydom
- Tania Caldwell
- Keiko Bowles
- Rana Lyon & Dan Wilson
- Melody Suter
- Apares Chakrabarti
- Raj Kurundale
- Natalie Sarlin
- Lee Sutherland & Justine
- Rosina Catania

# PLATINUM

# Commitment

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# Tendai Monks



## Their Story

# The Tendai Monk Challenge

- **During Year 1** - monk must run 30 km per day (about 18 miles) for 100 straight days.
- **During Year 2** - monk must again run 30 km per day for 100 straight days.
- **During Year 3** - monk must once more run 30 km per day for 100 straight days.
- **During Year 4** - monk must run 30 km per day. This time for 200 straight days.
- **During Year 5** - monk must again run 30 km per day for 200 straight days. After completing the fifth year of running, the monk must go 9 consecutive days without food, water, or rest. Two monks stand beside him at all times to ensure that he does not fall asleep.
- **During Year 6** - monk must run 60 km (about 37 miles) per day for 100 straight days.
- **During Year 7** - monk must run 84 km (about 52 miles) per day for 100 straight days. (52 miles per day!) And then, he must run 30 km per day for the final 100 days.
- The sheer volume of running is incredible, of course, but there is **one final challenge** that makes The Kaihogyo unlike any other feat...

## Day 101

- During the first 100 days of running, the monk is allowed to withdraw from the Kaihogyo.
- However, from Day 101 onwards, there is **no withdrawal**. The monk must either complete the Kaihogyo ... or **take his own life**.
- Because of this, the monks carry a length of rope and a short sword at all times on their journey.
- In the last 400+ years, only **46 men** have completed the challenge. Many others can be found by their unmarked graves on the hills of Mount Hiei.

# Lessons to be Learnt from the Tendai Monks

## 1. “Complete or Kill”

- The Marathon Monks are an extreme version of the “complete or kill” mentality. But you can take the same approach to your goals, projects, and work.
- If something is important to you, complete it. If not, kill it.
- What half-finished, half-completed projects and ideas do you have in your life right now? Do you need all of those loose ends?
- Either something is important enough to you to complete, or it's time to kill it.
- Fill your life with goals that are worth finishing and eliminate the rest.

**Make a list of unfinished projects and either schedule in completion time frame or kill it**

# Lessons to be Learnt from the Tendai Monks

## 2. If you commit to nothing, you're distracted by everything.

- Most of us never face a challenge with the true possibility of death, but we can learn a lot from the monk's sense of **commitment and conviction**. They have clarified exactly what they are working toward and for seven years they organize their life around the goal of completing the Kaihogyo. Every possible distraction is rendered unimportant.
- Do you think the monks get **distracted** by TV, movies, the internet, celebrity gossip, or any of the other things that we so often waste time on?
- We all have things that we say are important to us — but do you make time for these goals above all else? Do you organize your day around **accomplishing** them?

**Write down what your biggest distractions are in your life right now**

# Lessons to be Learnt from the Tendai Monks

## 3. It doesn't matter how long your goal will take, just get started.

- On Day 101, the Tendai monks are thousands of miles and 900 days from their goal. They are setting out on a journey that is **so long and so arduous** that it's almost impossible to imagine. And yet, they still accept the full challenge. Day after day, year after year, they work.
- And seven years later, they finish.
- Don't let the length of your goals **prevent you from starting** on them.

**Never give up on a dream just because of the length of time it will take to accomplish it. The time will pass anyway.**

**—H. Jackson Brown**

# Lessons to be learnt from the Tendai Monks

## 4. Mental Toughness and Commitment

When you believe in something enough – any obstacle or hardship that arises is simply part of the journey, an opportunity to problem solve and ultimately learn

WHETHER YOU  
THINK YOU CAN,  
OR THINK YOU CAN'T,  
YOU'RE RIGHT.

# Commitment & Conviction

- Imagine the **sense of commitment** that the monk feels on Day 101.
- Imagine what it feels like to embrace the final 900 days of that challenge and accept a goal that is so important to you that you tell yourself, “**I’m going to finish this or I will die trying.**”
- If you have something that is important to you, then eliminate the unrelated and unimportant tasks, get started no matter how big the challenge, and **commit to your goal.**

**Every big challenge has a turning point. Today could be your Day 101. Today could be your Day of Commitment.**

# PLATINUM

# Accountability Monthly Goals



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# Buddy Process Follow-Up



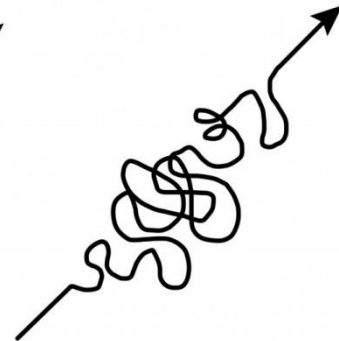
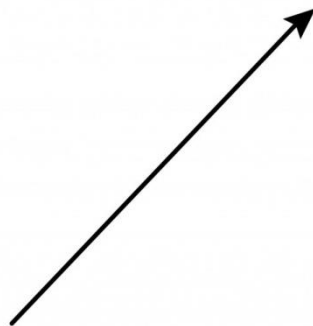
- Partner with someone you don't know
- Active Platinum Partners split up (Non-active partners stay together)
- Exchange Mobile No.
- Schedule to "TALK" weekly
- Finishing students partner together

# Last Month In Review

## Share Your Successes and Challenges

SUCCESS

SUCCESS



what people think  
it looks like

what it really  
looks like

**This Months Plan**

Share Your  
Key Goals For Month

Monthly  
✓  
goals



# Tea / Coffee Break

# PLATINUM



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# Cash Cow

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# Fundamental Characteristic of a Cash Cow?

- Income Greater than Expenses

it's all  
ABOUT the  
NUMBERS



# Activity - Cash Cow Analysis

❖ List calculations important when analysing a cash cow?

1) Cash Flow Analysis –

- a) Feasibility
- b) Value Add
- c) Sensitivity Analysis

2) Deal Analysis -

- a) Value Add Potential
- b) Funds Required

3) Refinance Analysis-

- a) 80% LVR

4) Opportunity Cost Analysis

- a) Metrics
- b) Property Analysis Spreadsheet

See PA Website - Ultimate Wednesday Webinar – April 2019



# The Deal – Indirect Cash Cow

- Purchase Price: \$285,000
- Purchase Costs: \$17,000
- Rates: \$2100 / year
- Insurance (House & Contents): \$550 / year
- Landlord Insurance: \$300 / year
- Management fees: 7.7% incl GST
- Letting fee: 1 week rent plus GST
- Maintenance: \$1000 / year
- Rental (unreno): \$290 / week
- Rental (reno'd): \$350 / week
- Rental for Granny Flat: \$310 / week
- Renovated existing end val: \$375k
- Unrenovated with granny flat end value: \$405k
- Renovated with granny flat end val: \$495K
- Renovation budget: \$26K
- Granny Flat Build (turn key) Incl. certification etc: \$120K

# The Deal




# The Deal



# The Deal

- Population of 6,252
- Approx. 689m<sup>2</sup> block (15.4m frontage)
- Residential zoning

Metrics 	HOUSE	UNIT
Median price	\$398,750	N/A
Quarterly growth	0.69%	N/A
12-month growth	9.25%	N/A
Average Annual Growth	4.70%	N/A
Weekly median advertised rent	\$380	N/A
Number of sales	91	N/A
Gross rental yield	4.96%	N/A
Days on market	48.15	N/A

Source: CoreLogic

**Qu: Is This a Positive Cash Flow Deal?**



**A: Do Cash Flow Analysis - Feasibility**



# 1a) Cash Flow Analysis - **Feasibility**

Item	Formula	\$
<b>Income – Rent @ 48 weeks</b>		
<b>Hold Costs</b>		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
<b>Total Hold Costs</b>		
<b>Annual Cash Flow</b>		

# 1a) Cash Flow Analysis - Feasibility

Item	Formula	\$
<b>Income – Rent @ 48 weeks</b>		
<b>Hold Costs</b>		
Interest - Loan		
Interest – Owners Funds		
Property Management		
Let Fee		
Insurance – Building / Contents		
Insurance - Landlord		
Rates & Water		
Maintenance & Repairs		
Body Corporate Fees / Land Tax		
<b>Total Hold Costs</b>		
<b>Annual Cash Flow</b>		

## ❖ Activity –

Add figures & calculate cash flow

### Assume:

- 80% LVR on purchase
- 4.5% Interest (bank & owner funds)

### Note:

Calculate cash flow in first year of purchase not after longer term hold. Depreciation is not being accounted for.

# 1a) Cash Flow Analysis - Feasibility

Item	Formula	\$
<b>Income – Rent @ 48 weeks</b>	\$290 x 48	13,920
<b>Hold Costs</b>		
Interest – Loan 80% Purchase	\$285k x 80% = \$228k x 4.5%	10,260
Interest – Owners Funds 20% Purchase + 100% Purchase Costs	(\$285k x 20% = \$57k) + \$17k = \$74k x 4.5%	3,330
Property Management	\$13,920 x 7.7%	1,072
Let Fee	\$290 x 1.1	319
Insurance – Building / Contents	\$550	550
Insurance - Landlord	\$300	300
Rates & Water	\$2,100	2,100
Maintenance & Repairs	\$1,000	1,000
Body Corporate Fees / Land Tax	0	0
<b>Total Hold Costs</b>	Sum	18,931
<b>Annual Cash Flow</b>	\$13,920 - \$18,931	- 5,011

**Qu: Can We Do Anything To Make It A Positive Cash Flow Deal?**



**A: Do Cash Flow Analysis – Value Add Calcs**

# 1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B)	C)	D)
<b>Income – Rent @ 48 weeks</b>	13,920			
<b>Hold Costs</b>				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
<b>Total Hold Costs</b>	18,931			
<b>Annual Cash Flow</b>	- 5,011			

❖ **Activity – Add Value-Add Strategies**

# 1b) Cash Flow Analysis - Value Add

Item	A) Do Nothing	B) Cosmetic Reno	C) Granny Flat	D) Cosmetic Reno + Granny Flat
Income – Rent @ 48 weeks	13,920			
<b>Hold Costs</b>				
Interest - Loan	10,260			
Interest – Owners Funds	3,330			
Property Management	1,072			
Let Fee	319			
Insurance – Building / Contents	550			
Insurance - Landlord	300			
Rates & Water	2,100			
Maintenance & Repairs	1,000			
Body Corporate Fees / Land Tax	0			
<b>Total Hold Costs</b>	18,931			
<b>Annual Cash Flow</b>	- 5,011			

❖ **Activity** – Calculate the cash flow for D) reno + granny flat strategy

Assume

- 80% LVR on purchase & granny flat build

- 4.5% Interest (bank & owner funds)

Item	A) Do Nothing	B) Reno	C) Granny Flat	D) Reno + Granny Flat
<b>Income – Rent @ 48 weeks</b>	13,920			$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$
<b>Hold Costs</b>				
Interest – Loan (80% Purchase + 80% Granny flat)	10,260			$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	3,330			$(\$285k + \$120k = \$405k \times 20\% = \$81k) + \$17k + \$26k = \$124k \times 4.5\% = \$5,580$
Property Management	1,072			$\$31,680 \times 7.7\% = \$2,439$
Let Fee	319			$(\$350 + \$310) \times 1.1 = \$726$
Insurance – Building / Contents	550			$\$550 \times 2 = \$1,100$
Insurance - Landlord	300			$\$300 \times 2 = \$600$
Rates & Water	2,100			$\$2,100\#$
Maintenance & Repairs	1,000			$\$1,000$
Body Corporate Fees / Land Tax	0			0
<b>Total Hold Costs</b>	18,931			$\$28,125$
<b>Annual Cash Flow</b>	- 5,011			$\$3,555$

# Qu: How Secure (Reliable) Is the Positive Cash Flow



**A: Do Cash Flow Analysis – Sensitivity Analysis**

# 1c) Cash Flow Analysis – **Sensitivity Analysis**

## ❖ **What is the purpose of Sensitivity Analysis?**

- “**What if**” analysis to determine how sensitive the positive cash flow is to changes in parameters.
- How much do things have to change to reach **break even point**?

## ❖ **What parameters should be tested?**

- Interest Rate Increase
- Rental Vacancy Increase
- Rental Rate Decline
- Maintenance Cost Increase



Item	D) Reno + Granny Flat - Formula	\$	Sensitivity
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
<b>Total Hold Costs</b>	\$28,125	\$28,125	
<b>Annual Cash Flow</b>	\$3,555	\$3,555	

❖ **Activity –**  
How much  
does rent  
have to  
reduce by  
to reach  
break  
even?

$\$3,555 / 52 =$   
 $\$68 / \text{wk}$

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880)$ $= \$31,680$	\$31,680	
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\%$ $= \$14,580$	\$14,580	
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	
Rates & Water	\$2,100	\$2,100	
Maintenance & Repairs	\$1,000	\$1,000	
Body Corporate Fees / Land Tax	0	0	
<b>Total Hold Costs</b>	\$28,125	\$28,125	
<b>Annual Cash Flow</b>	\$3,555	\$3,555	

❖ **Activity –**  
Calculate  
what  
impact 7%  
interest  
rate would  
have on  
cash flow

Item	D) Reno + Granny Flat - Formula	\$	Sensitivity: 7% interest
<b>Income – Rent @ 48 weeks</b>	$(\$350 \times 48 = \$16,800) + (\$310 \times 48 = \$14,880) = \$31,680$	\$31,680	\$31,680
<b>Hold Costs</b>			
Interest – Loan (80% Purchase + 80% Granny flat)	$\$285k + \$120k = \$405k \times 80\% = \$324k \times 4.5\% = \$14,580$	\$14,580	\$22,680 (\$324k x 7%)
Interest – Owners Funds (20% Purchase + 20% Granny flat) + 100% Purchase Costs + 100% Reno	$(\$285k + \$120k = \$405k \times 20\% = \$81k) +$ $\$17k + \$26k = \$124k \times 4.5\% = \$5,580$	\$5,580	\$8,680 (\$124k x 7%)
Property Management	$\$31,680 \times 7.7\% = \$2,439$	\$2,439	\$2,439
Let Fee	$(\$350 + \$310) \times 1.1 = \$726$	\$726	\$726
Insurance – Building / Contents	$\$550 \times 2 = \$1,100$	\$1,100	\$1,100
Insurance - Landlord	$\$300 \times 2 = \$600$	\$600	\$600
Rates & Water	\$2,100	\$2,100	\$2,100
Maintenance & Repairs	\$1,000	\$1,000	\$1,000
Body Corporate Fees / Land Tax	0	0	0
<b>Total Hold Costs</b>	\$28,125	\$28,125	\$39,325
<b>Annual Cash Flow</b>	\$3,555	\$3,555	-\$7,645

❖ **Activity -**  
What  
impact  
would 7%  
interest  
rate  
have?

\$7,645 neg.  
cash flow

# Qu: What Is The Profit Potential Of The Value Add Strategies?



**A: Do Deal Analysis – Value Add Potential Calcs**

## 2a) Deal Analysis – Value Add Potential (Roughy)

\*\* Module 6 = Detailed Feaso; Below = Roughy Feaso

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price				
Purchase Costs				
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs				
Total Costs (A)				
<b>End Value (B)</b>				
<b>Profit Potential (B-A)</b>				

❖ **Activity –**  
Calculate the profit potential of each value-add strategy

## 2a) Deal Analysis – Value Add Potential (Roughly)

\*\* Module 6 = Detailed Feaso; Below = Roughly Feaso (= Headings Only)

A) Do nothing, B) Cosmetic reno vs C) Granny flat vs D) Reno + Granny flat

Item	Option A Do Nothing	Option B Cosmetic Reno (8wks*)	Option C Add Granny Flat (12wks*)	Option D Reno + Granny Flat (12wks*)
Purchase Price	\$285,000	\$285,000	\$285,000	\$285,000
Purchase Costs	\$17,000	\$17,000	\$17,000	\$17,000
Hold Costs*	\$0	\$2,300	\$4,400	\$4,700
Strategy Costs	\$0	\$26,000	\$120,000	\$146,000
Total Costs (A)	\$302,000	\$330,300	\$426,400	\$452,700
<b>End Value (B)</b>	\$285,000	\$375,000	\$405,000	\$495,000
<b>Profit Potential (B-A)</b>	-\$17,000	\$44,700	-\$21,400	\$42,300

**Qu: How Much Do I Need To a) Borrow  
& b) Contribute From My Own Funds?**



**A: Do Deal Analysis – Funds Required Calcs**

## 2b) Deal Analysis – Funds Required

Item	OPTION B - COSMETIC RENO		
	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs (A)	\$330,300		
<b>End Value (B)</b>			
<b>Profit Potential (B-A)</b>			

- Simply add 2 extra columns
- Remember – Owner Funds = Cash \$, LOC \$, Offset Acct \$, JV Partner \$ etc.
- ❖ **Activity** – Identify who pays for what in this example?

## 2b) Deal Analysis – Funds Required

Item	OPTION B - COSMETIC RENO		
	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000		
Purchase Costs	\$17,000		
Hold Costs	\$2,300		
Strategy Costs	\$26,000		
Total Costs	\$330,300		

❖ **Activity –**  
Calculate  
the Loan  
required &  
Owner  
Funds  
required

## 2b) Deal Analysis – Funds Required

Item	OPTION B - COSMETIC RENO		
	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300
Strategy Costs	\$26,000		\$26,000
Total Costs	\$330,300	\$228,000	\$102,300

❖ **Activity –**  
 Calculate the Loan required = **\$228,000** & Owner Funds required = **\$102,300**

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000		
Purchase Costs	\$17,000		\$17,000	\$17,000		
Hold Costs	\$2,300		\$2,300	\$4,700		
Strategy Costs	\$26,000		\$26,000	\$146,000		
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700		

❖ **Activity** – Option D - Calculate the Loan required & Owner Funds required

## 2b) Deal Analysis – Funds Required

	OPTION B - COSMETIC RENO			OPTION D – RENO + GRANNY FLAT		
Item	Total Costs \$	Loan Funds 80% LVR	Owner Funds	Total Costs \$	Loan Funds 80% LVR	Owner Funds
Purchase Price	\$285,000	\$228,000	\$57,000	\$285,000	\$228,000	\$57,000
Purchase Costs	\$17,000		\$17,000	\$17,000		\$17,000
Hold Costs	\$2,300		\$2,300	\$4,700		\$4,700
Strategy Costs Reno + Granny flat	\$26,000		\$26,000	\$146,000	\$96,000 (\$120kx80%)	\$24,000 + \$26,000
Total Costs	\$330,300	\$228,000	\$102,300	\$452,700	\$324,000	\$128,700

**Qu: If I Hold & Refinance Will I Release All My Initial Funds Contributed, .....Plus Some?**



**A: Do Deal Analysis – Hold & Refinance Calcs**

# 3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	
Loan to be Paid Out on Refinance	C	
Equity Released on Refinance	$E = A - C$	
Owner Funds to Repay	D	
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	
<b>Total Owner Funds Available for Next Deal</b>	$H = E$	

- ❖ **Activity –**  
Calculate if refinancing releases all of the owner funds and any extra

# 3a) Refinance Analysis – Hold & Refinance @ 80% LVR

- ❖ Calculations at bottom of Module 6 Feaso
- ❖ From Previous Slide: End Value(B)=\$375,000; Original 80% Loan(C)=\$228,000; Owner Funds(D)= \$102,300

Item	Formula	Option B – Cosmetic Reno
New Loan on Refinance @ 80%	$A = B * 80\%$	\$300,000
Loan to be Paid Out on Refinance	C	\$228,000
Equity Released on Refinance	$E = A - C$	\$72,000
Owner Funds to Repay	D	\$102,300
Owner Funds Quarantined in Deal* *(Only relevant if F = negative (-) number)	$F = E - D$	-\$30,300
EXTRA Funds Released for Next Deal# #(Only relevant If G = positive (+) number)	$G = E - D$	\$0
<b>Total Owner Funds Available for Next Deal</b>	$H = E$	\$72,000

- ❖ **Activity –**  
Calculate if refinancing releases all of the owner funds and any extra

- ❖ **Activity**  
Who pays interest on F & H?

- ❖ **Activity -** Owner Started with \$ 102,300 & Ended with \$72,000

# Rule of Thumb

- Hold & Refinance if property is **neutral or positive cash flow** PLUS if can **release most if not all owner funds** put into deal.
- If deal quarantines too much of your \$ after refinance – have less funds available to use in next deal and can **quickly run out of \$** to move forward.
- Each deal should put you in a **better position** moving forward (cash flow / available funds) – or at least not in a worse position



# QUESTIONS?