

July 2020
Commercial
 Mastermind
 Event
 Melbourne

Narelle Cosstick
 VIC, SA & Tas State Coach

PLATINUM ACCELERATOR

Zoom Instructions -

- If you drop out of Zoom, log-in again via original link
- If you can't connect via Zoom then watch Livestream via new State Facebook Group
- Master Room:
 - Student to mute audio & turn-off video
 - Raise your Hand if you want to share with the whole group, wait for coach to ask you to unmute yourself & turn on your video
 - Use Chat box to ask Questions
 - Limit chat box to Questions only ☺
- Chat Room:
 - Unmute yourself & turn on your video so you can talk & be seen within your chat room group
 - If your internet is struggling, turn off your video but leave on your audio
 - DO NOT click "Leave Meeting"!!!!!!!!

PLATINUM ACCELERATOR

Resources Required -

- Workbook Print-out
- Monthly Goals Sheet – Last Month & This Month

PLATINUM ACCELERATOR

Event Outline -

- 6:00 – 6:30 Networking
- 6:30 - Start
- 6:30 – 6:45 Introductions
- 6:45 – 8:00 Accountability
- 8:00 – 8:30 Networking Break
- 8:30 – 10:00 Commercial



Workshop / Interactive Format

- Zoom Chat Rooms
- Involve everyone in the conversation
- Be supportive



WELCOME NEW PLATINUMS



- | | |
|--|--|
| • Daryl Roe | • Donna and Felicia Bragg |
| • Sokim Lay | • Marlene West |
| • Wendy Buckmaster-Gardner and Shawn Gardner | • Raine Ng |
| • Tim Leong | • Elizabeth Corsar |
| • Rodney Iverach | • Kerry Boulton and Francee Holdsworth |
| • Vicky Gardner | • Luke Svarc |
| • Paula and Dean McKenzie | |
| • Bruna Raco | |



Housekeeping

Housekeeping

- o **2020 National Conference Dates:**
 - ❖ 1st & 2nd August – Sunshine Coast – Rescheduled to 3rd & 4th October (2nd Oct Graduate Only Day) -** LIVE EVENT **
 - ❖ Dymphna's Farm – Sunshine Coast
 - ❖ Note: If travel restrictions are in place, event will be Virtual
 - ❖ 5th & 6th December – Sydney
- o **2020 Monthly Dates (Thursdays):**
 - ❖ 6th Aug; 10th Sept; 8th Oct; 5th Nov; 10th Dec

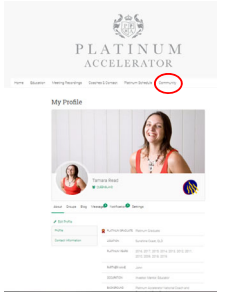
Housekeeping

- o **2020 Millionaire Within:**
 - ❖ 17-19th July – Virtual Event
 - ❖ Check Ultimate Website for Details
- o **2020 Ultimate Bootcamp Dates:**
 - ❖ 17th – 23rd September Virtual Event
 - ❖ Check Ultimate Website for Details
- o **2020 Quantum Events:**
 - ❖ Retire in Style (SMSF) starting Monday 13th July
 - ❖ OPM – Other People's Money starting Monday 3rd August
 - ❖ Check Ultimate Website For Full List

Housekeeping

Community Profile Platform:

- ❖ Complete your profile ASAP – any issues with filling out your profile, email your coach!!



I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

RP Data Subscription

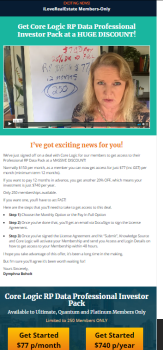
<https://iloverealestate.tv/corelogic/>

Core Logic RP Data Professional Investor Pack
Available to Ultimate, Quantum and Platinum Members Only
Limited to 250 Members ONLY

Get Started \$77 p/month **Get Started \$740 p/year**

* A minimum 12 month commitment is required to secure these prices


- Pro Version = Full Functionality
- National Coverage
- Export to Excel (CSV File)



I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

Housekeeping

- **Meetup Groups**
 - ❖ Melbourne Platinum Student Meetups
 - ❖ Still occurring - via zoom
- ❖ ILRE Melbourne Monthly Meetups
- ❖ - via zoom for now. Hosted by Felicity Walker



I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

GRADUATING PLATINUMS



- Julio Ducatti
- Crissy and Mark Fraser
- Cecilia Aurelia and Bun Thepabutra
- Sameer Badgoti





PLATINUM
ACCELERATOR

Hormones & Success

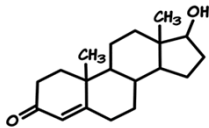


Your Hormone levels affect
your Success

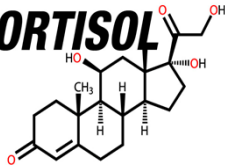


Which Hormones have the greatest effect?

TESTOSTERONE



CORTISOL



- Recent research coming out of Harvard University, The University of Oregon, The University of Texas and many other places is revealing that **powerful and effective leaders** not only **share similar mindsets**, but also **similar hormone levels**.
- More specifically, powerful leaders tend to have **higher levels of testosterone** and **lower levels of cortisol**.
- Higher** levels of **testosterone** (in both men and women) lead to increased **feelings of confidence**.
- Lower** levels of **cortisol** lead to **decreased anxiety** and an improved ability to **deal with stress**.



- What is particularly important about testosterone and cortisol is that your levels of each **hormone can change rapidly** depending on the **social, physical, and environmental cues** that surround you.
- What does this have to do with **feeling more confident and ultimately successful**?



The physical cues that impact these two hormones the most = **Body Language**

- o If you understand how to **improve your body language**, then you can **increase your testosterone**, decrease your cortisol, and "magically" **feel more confident, risk tolerant, less anxious, less fearful and more inclined to take action**
- o This leads to having more success and having more wealth!!



- o **Amy Cuddy** is a researcher at Harvard University who studies **body language** and the impact it has on your **hormones**.



- o Cuddy and her team have classified different body positions as "**high power**" or "**low power**" poses. In general, the high power poses are **open and relaxed** while the low power poses are **closed and guarded**.



"High Power" body language (top row)
vs.
"Low Power" body language (bottom row)
(images courtesy of Amy Cuddy, Harvard University)

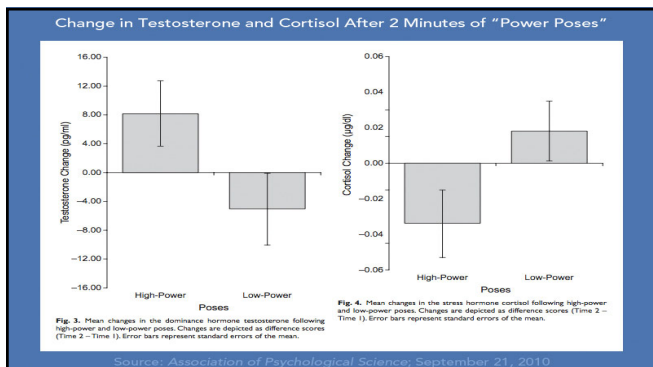


- o Cuddy and her research team studied the impact of high power and low power poses by **conducting a research study on 42 students**. Here's how the study went down...
- o 1) a **saliva sample** was taken from each subject and their testosterone and cortisol levels were measured.
- o 2) the subject was asked to **sit in** either a high power pose or a low power pose for **two minutes**.
- o 3) a **second sample of saliva** was taken from each subject and their **testosterone and cortisol levels** were measured again.



- o When the researchers looked at the results, they were stunned by the impact that body language had on the hormones within the body.
- o High power poses **increased testosterone by 20%** and **decreased cortisol levels by 25%**.





SO.....
How can you use this information to increase your success and wealth?

Stand Like This for 2 Minutes Per Day



I LOVE REAL ESTATE

PLATINUM ACCELERATOR



I LOVE REAL ESTATE

PLATINUM ACCELERATOR

Making This Work in Real Life

- If you're aware of it, **body language is easy to adjust** throughout your day
- Here's a pattern that Dymphna has been playing with recently...
- Each morning, wake up and stand in a **high power pose for two minutes**. While doing that, close your eyes, **breathe in deeply** for a count of 3, hold for 1, and then breathe out fully for a count of 5. In this way, you are combining breathing exercises, meditation, and power poses for a relaxing and confidence-boosting start to the day.
- Plus, it **only takes 120 seconds**. It's kind of hard to say you don't have time for it.

I LOVE REAL ESTATE


PLATINUM ACCELERATOR

LET'S GIVE IT A GO !!!!

I LOVE REAL ESTATE  **PLATINUM ACCELERATOR**

You now have another tool in your toolbox

- A few minutes before your next presentation, interview, meeting or negotiation — take a moment to adjust your posture and stand in a powerful position. Put your hands on your hips, keep your chin up, and your chest out. Doing this for just two minutes will raise your testosterone and increase your confidence, while also decreasing your cortisol and improving your ability to handle stress.
- Your behaviors and emotions are firmly tied.
- The most powerful leaders don't merely think a certain way, they *carry themselves* a certain way. **You should do the same!!**

I LOVE REAL ESTATE  **PLATINUM ACCELERATOR**


PLATINUM ACCELERATOR

Accountability Monthly Goals



I LOVE REAL ESTATE  **PLATINUM ACCELERATOR**

Buddy Process – Chat Room



- Zoom Chat Room - Auto pair-up
- Exchange Mobile No.
- Schedule to "TALK" weekly
- Graduating students OK to partner for a month



Group Share

Share Your Successes and Challenges



- Mute audio & turn off your video
- Raise hand to share with group



This Months Plan

Share Your Key Goals For Month



- Unmute & turn on your video in chat room
- Do Not "Leave Meeting"



Group Share

Share Your Key Goals For Month

Monthly Goals

- Mute audio & turn off your video
- Raise hand to share with group

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**



Tea / Coffee Break

- Workbook Print-out

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

PLATINUM ACCELERATOR



Commercial

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

39 POWER ROAD AUCTION
 Bayswater 3163 Wednesday 12th August at 12 noon on site

Investment Opportunity

• Agent Brochure

appleby REAL ESTATE 8727 9555
 www.appleby.com.au

I LOVE REAL ESTATE PLATINUM ACCELERATOR

39 Power Road, Bayswater 3163

AUCTION
 Wednesday 12th August at 12 noon onsite

Flexible investment opportunity
 1 title - 5 tenancies
 Solid returns
 Land area 1946m²
 Building area 950m²

Nick Draffin 0407 058 223
 Philip Leeson 0417 309 514
 Mortgage @ 4.94%

appleby REAL ESTATE 8727 9555
 www.appleby.com.au

Advised Details:
 SECURE, SOLID INVESTMENT OPPORTUNITY

AUCTION:
 Solid Investment Opportunity
 5 Separate tenants 1 title
 Long standing tenants
 Good rental return


Land Area: 1946m²
 Building Area: 950m²
 Current net rental of \$56,451 (Auction Terms:)

I LOVE REAL ESTATE PLATINUM ACCELERATOR


The Deal

I LOVE REAL ESTATE PLATINUM ACCELERATOR

Unit 1




Unit 1 Graffiti




Unit 1 Internals

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

Unit 2




Unit 2 Internal




Unit 2 Toxic Chemicals

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**


Unit 3 & 4




Unit 3 & 4 Car park Area



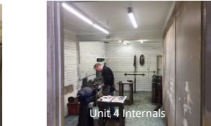
Unit 3 Internals



Unit 4 Internals



Unit 4 Internals



Unit 4 Internals

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

Unit 5

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

Deal Analysis Outline

- Location Review
- Tenant Review
- Identify Potential Deal Strategies
- Calculate Potential Purchase Price – Capitalisation & Comparison Methods
- Determine Potential to Increase Rent & Impact on Value
- Determine Potential of Strata Title & Impact on Value
- Revalue Potential to Release Equity

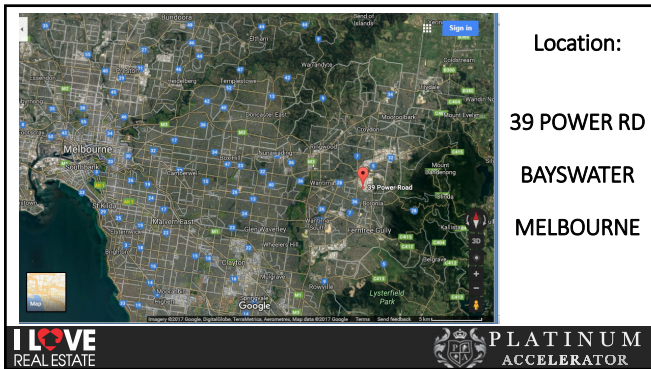
I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

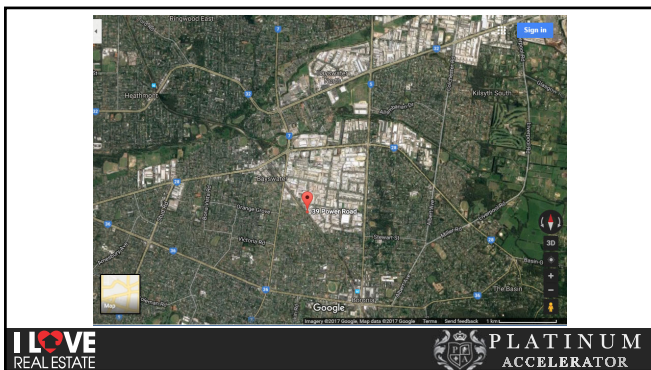
Activity – Location Review

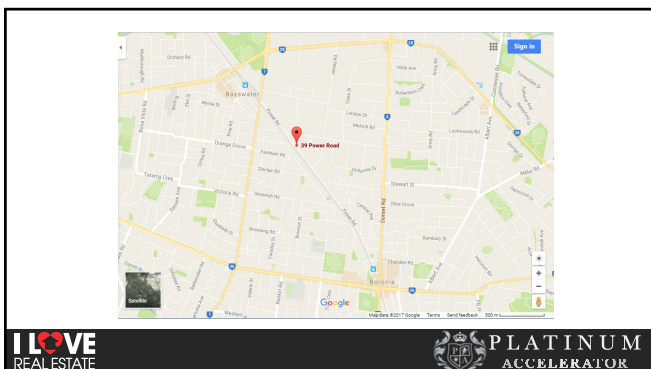
- In Breakout Group – review the location & summarise the characteristics

Location Characteristics

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**










Break out!

- Group of 4
- 4 minutes - Introduce yourselves to each other
- Graduates facilitate the group to assist completion of the activities & ensure everyone included in process
- 4 minutes – Review location

1a. Activity – Location Review

- In Breakout Group – review the location & summarise the characteristics


Location Characteristics

I LOVE REAL ESTATE 

1a. Activity – Location Review

- In Breakout Group – review the location & summarise the characteristics

Location Characteristics
Melbourne CBD – 28km
800m to Bayswater commercial centre
Land locked industrial estate
Well established & fully developed industrial estate
Easy access to Eastlink Freeway – CBD & suburb access
Main road exposure = Exposure
Across road = railway line & residential
Train stations x2 near by
On edge of industrial estate

I LOVE REAL ESTATE 

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast
Melbourne CBD – 28km	
800m to Bayswater commercial centre	
Land locked industrial estate	
Well established & fully developed industrial estate	
Easy access to Eastlink Freeway – CBD & suburb access	
Main road exposure = Exposure	
Across road = railway line & residential	
Train stations x2 near by	
On edge of industrial estate	

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast
Melbourne CBD – 28km	✓ Smaller population D
800m to Bayswater commercial centre	
Land locked industrial estate	
Well established & fully developed industrial estate	
Easy access to Eastlink Freeway – CBD & suburb access	
Main road exposure = Exposure	
Across road = railway line & residential	
Train stations x2 near by	
On edge of industrial estate	

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast
Melbourne CBD – 28km	✓ Smaller population D
800m to Bayswater commercial centre	✓ Isolated from business district D
Land locked industrial estate	
Well established & fully developed industrial estate	
Easy access to Eastlink Freeway – CBD & suburb access	
Main road exposure = Exposure	
Across road = railway line & residential	
Train stations x2 near by	
On edge of industrial estate	

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate		
Easy access to Eastlink Freeway – CBD & suburb access		
Main road exposure = Exposure		
Across road = railway line & residential		
Train stations x2 near by		
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate	✓ New estate = vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access		
Main road exposure = Exposure		
Across road = railway line & residential		
Train stations x2 near by		
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate	✓ New estate = lots vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access	✓ Long distance to highway/motorway	D
Main road exposure = Exposure		
Across road = railway line & residential		
Train stations x2 near by		
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate	✓ New estate = lots vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access	✓ Long distance to highway/motorway	D
Main road exposure = Exposure	✓ Poor exposure	D
Across road = railway line & residential		
Train stations x2 near by		
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate	✓ New estate = lots vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access	✓ Distance to highway/motorway	D
Main road exposure = Exposure	✓ Poor exposure	D
Across road = railway line & residential	✓ Isolated location	D
Train stations x2 near by		
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

1b. Activity – Location Review

Group Discussion – Contrast the location characteristics

D = Demand Affected
S = Supply Affected

Location Characteristics	Contrast	
Melbourne CBD – 28km	✓ Smaller population	D
800m to Bayswater commercial centre	✓ Isolated from business district	D
Land locked industrial estate	✓ Near vacant land = future expansion	S
Well established & fully developed industrial estate	✓ New estate = lots vacant land/new buildings	S
Easy access to Eastlink Freeway – CBD & suburb access	✓ Distance to highway/motorway	D
Main road exposure = Exposure	✓ Poor exposure	D
Across road = railway line & residential	✓ Isolated location	D
Train stations x2 near by	✓ Difficult to access	D
On edge of industrial estate		

I LOVE REAL ESTATE PLATINUM ACCELERATOR

2. Activity – Tenant Review

- In Breakout Group – review the tenancies

Tenant Review



Break out!

- Group of 4
- 3 minutes – Review tenancies

2. Activity – Tenant Review

- In Breakout Group – review the tenancies

Tenant Review



2. Activity – Tenant Review

- In Breakout Group – review the tenancies

Tenant Review
All long standing tenants
Month by month leases not great for income security = poor WALE
Month by month leases good when wanting flexibility to upgrade tenant / tenant terms
Month by month leases good when selling to potential owner occupier (vacant possession)
Chemical usages may be hazardous & check if approved usages
Rents not reviewed recently?

WALE =

Weighted Average Lease Expiry (weighted average lease term remaining to expire across a multi tenanted property). WALE of 1 year = higher risk of vacancy in short term e.g. the avg lease term = 1 year. Weighted by rental income or square meters. Valuers will calculate



3. Activity – Potential Deal Strategies

- Review photos & list potential deal strategies – cash flow & value add

Potential Strategies



3. Activity – Potential Deal Strategies

- Review photos & list potential deal strategies – cash flow & market value

Potential Strategies
Increase rent to market value
Convert to term leases & improved terms
Renovate
Strata title into 5 lots
Rent additional hardstand areas
Identify additional lettable space (Lease area vs survey area)
Billboard on roof to advertise to adjacent commuter train-line – retain air rights
Install solar on roof & sell power to tenants



4. Activity – Determine Potential Purchase Price

- o Auction = no list price!
- o 2 Methods to determine market value:
 - ❖ Primary = Capitalisation Method
 - ❖ Secondary = Comparison Method



Capitalisation Method - Determine Potential Price

- o C) A) B)
 Market Value = Net Annual Income / Area Capitalisation (Cap) Rate
 - ❖ A) Determine Net Annual Income (From IM)
 - ❖ B) Determine Area Cap Rate (Research Comparables & Opinions)
 - ❖ C) Calculate Market Value



4A. Activity – Calculate Net Annual Income


- o Net Annual Income = Gross Annual Rent (Excl. GST) – Annual Outgoings (Excl. Interest)
- o Calculate from IM

❖ Answer:

NET RENTALS - 28 POWER ROAD					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
GROSS RENT	\$12,737.36	\$12,385.85	\$15,147.92	\$12,831.99	\$16,501.71
LESS OUTGOINGS	\$2,213.14	\$2,225.64	\$2,092.40	\$2,537.87	\$2,059.28
NET RENTAL	\$10,524.22	\$10,160.21	\$13,055.52	\$10,294.12	\$14,442.43

OUTGOINGS - 75 PETERBILT ROAD SAPOWALU					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
WATER RATES	\$419.10	\$419.10	\$368.13	\$468.55	\$621.71
SEWER RATES	\$1,197.00	\$1,197.00	\$1,091.00	\$1,301.00	\$1,624.00
INSURANCE	\$317.23	\$317.23	\$430.47	\$374.57	\$470.57
PROPERTY TAXES & LIAB	\$500.00	\$500.00	\$500.00	\$500.00	\$500.00
TOTAL OUTGOINGS	\$2,433.33	\$2,433.33	\$2,489.60	\$2,644.12	\$3,816.28





- 3 minutes – Calc Net Annual Income

4A. Activity – Calculate Net Annual Income



- Net Annual Income = Gross Annual Rent (Excl. GST) – Annual Outgoings (Excl. Interest)
- Calculate from IM

NET RENTALS - 28 POWER ROAD					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
GROSS RENT	\$12,725.00	\$12,985.00	\$11,875.00	\$12,875.00	\$10,000.00
LESS OUTGOINGS	\$4,411.55	\$2,424.82	\$2,092.20	\$2,837.87	\$3,006.28
NET RENTALS	\$10,524.23	\$10,560.18	\$9,782.80	\$10,037.13	\$6,993.72

❖ **Answer:**
 $\$69,265.00 - \$13,003.01 =$
 $\$56,261.99$



❖ Pick the Agent's Error!! = \$189.68

❖ Must Double Check EVERYTHING

4B. Activity – Determine Area Cap Rate


- **Cap Rate = Subjective figure for an area & property class**
- List ways to determine the cap rate:
 - ❖ Commercial agents' opinions
 - ❖ Valuers' opinions
 - ❖ Calculate from comparable sales data – average of yield %

Comparable Sales Data:


UNIT 17 / 200 Canterbury Road, BAYSWATER VIC 3153	
Sale Date	September 2014 Assumed Net Rent = \$16,575 pa
Sale Price	\$255,000
Area (sqm)	Building
	187


A circa 1980's warehouse with 4.5m clearance and good quality purpose built fully glazed office.



2/6 Clare St, Bayswater VIC 3153	
Sale Date	July 2014
Sale Price	\$475,000
Area (sqm)	Building
	588

A circa 1980 semi-detached brick warehouse with roller shutter door and basic office being situated at the rear of a multi-unit development. The Clare Street continues as Corporate Boulevard located to the east of Dorset Road. The premises sold with a 3+3+3 year lease commenced May 2012 with a current rent of \$34,183 pa. equating to \$58/sq.m.




I LOVE REAL ESTATE 

Comparable Sales Data:


12/24 Longstaff Rd, Bayswater VIC 3153	
Sale Date	August 2014
Sale Price	\$1,080,000 Assumed Net Rent = \$70,200 pa
Area (sqm)	Building
	840


A circa 2000's warehouse/office located at the rear of a strata industrial development. The warehouse comprises approximately 820 sqm and the office 120 sqm. The property also features a separate warehouse supervisors office, male and female amenities and electric roller shutter door.



UNIT 4 / 19 Scoresby Road, BAYSWATER VIC 3153	
Sale Date	July 2014
Sale Price	\$400,000
Area (sqm)	Building
	433
Rate (\$/sqm)	Building
	\$945

A circa 1970 attached brick low clearance warehouse situated at the rear of a multi-unit development. Sold with a month to month tenancy in place. The property is leased for an annual rental of \$2,464 (\$52/sqm).




I LOVE REAL ESTATE 

4B. Activity- Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd				
2/6 Clare St				
12/24 Longstaff Rd				
4/19 Scoresby Rd				

I LOVE REAL ESTATE 

Break out!

• 3 minutes – Calc Area Cap Rate

4B. Activity– Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd				
2/6 Clare St				
12/24 Longstaff Rd				
4/19 Scoresby Rd				

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

4B. Activity– Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd	\$16,575	\$255,000		
2/6 Clare St	\$34,183	\$475,000		
12/24 Longstaff Rd	\$70,200	\$1,080,000		
4/19 Scoresby Rd	\$22,464	\$409,000		

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

4B. Activity- Calculate Area Cap Rate from Comparables

- Cap Rate is the range of yields for comparable properties in area
- Activity - Calculate yield from comparables data
- **Yield (%) = (Net Annual Income / Market Value) x 100**

Address	Net Annual Income	Sold Price	Calculation	% Yield
17/200 Canterbury Rd	\$16,575	\$255,000	$(\$16,575 / 255,000) \times 100$	6.5%
2/6 Clare St	\$34,183	\$475,000	$(34,183 / 475,000) \times 100$	7.2%
12/24 Longstaff Rd	\$70,200	\$1,080,000	$(70,200 / \$1,080,000) \times 100$	6.5%
4/19 Scoresby Rd	\$22,464	\$409,000	$(22,464 / \$409,000) \times 100$	5.5%

- **Summary range: 5.5% - 7.2%**
- **Assume: 7% Cap rate**
- Commercial Agents: 6% - 8%



4C. Activity - Calculate Potential Purchase Price

- Market Value = Net Annual Income / Area Capitalisation (Cap) Rate

- _____



4C. Activity - Calculate Potential Purchase Price

- Market Value = Net Annual Income / Area Capitalisation (Cap) Rate

- $\$56,261.99 / 0.07 = \$803,742$ **Round to \$800k!!**



5. Comparison Method - Determine Potential Price

- Market Value = Square metre rate x rentable area

5a. Activity – Determine Square Meter Rate (Comparables)

Address	Square Metre Area	Sold Price	Calculation (Sold Price / Square Metre)	Sqm Rate
17/200 Canterbury Rd				
2/6 Clare St				
12/24 Longstaff Rd				
4/19 Scoresby Rd				

- Range in Sqm Rate: _____



Break out!

• 3 minutes – Calc Square meter rate

5. Comparison Method - Determine Potential Price

- Market Value = Square meter rate x rentable area

5a. Activity – Determine Square Metre Rate (Comparables)

Address	Square Metre Area	Sold Price	Calculation (Sold Price/Square Metre Area)	Sqm Rate \$/m ²
17/200 Canterbury Rd	187	\$255,000	\$255,000/187	\$1,364
2/6 Clare St	588	\$475,000	\$475,000/588	\$808
12/24 Longstaff Rd	940	\$1,080,000	\$1,080,000/940	\$1,149
4/19 Scoresby Rd	433	\$409,000	\$409,000/433	\$945

- Range: \$808 - \$1,364/m²
- Agents: \$1200 - \$1300/m²
- Valuer: \$845/m² (due to age)



5. Comparison Method - Determine Potential Price

- Adopt \$845/m² rate
- Market Value = Square metre rate x rentable area
- _____



5. Comparison Method - Determine Potential Price

- Adopt \$845/m² rate
- Market Value = Square metre rate x rentable area
- $\$845/m^2 \times 952m^2 = \$804,440$
- Therefore \$803k Capitalisation method vs \$804k Comparison
- Negotiated prior to auction & contracted at **\$800k!!!**
- Bank val came in at contract price \$800k (surprise surprise) based on the above 2 val methods



6. Activity – Determine if Rent is at Market Value?




- Calculate from IM – Deal Rental Rate
- Rental Rate = Net Annual Rental (Excl GST) / Net Lettable Floor Area


NET RENTALS - 39 POWER ROAD					
	FACTORY 1	FACTORY 2	FACTORY 3	FACTORY 4	FACTORY 5
GROSS RENT	\$12,757.56	\$12,385.85	\$15,187.92	\$12,831.96	\$16,101.71
LESS OUTGOINGS	\$2,233.33	\$2,233.33	\$2,992.20	\$2,537.87	\$3,006.28
NET RENTAL	\$10,524.23	\$10,152.52	\$12,195.72	\$10,294.09	\$13,095.43
LEASE TERM	MONTHLY	MONTHLY	MONTHLY	MONTHLY	MONTHLY
FACTORY SIZE	158m ²	180m ²	214m ²	180m ²	234m ²
OCCUPATION COMMENCED	Dec-06	Dec-02	Mar-04	Aug-01	Nov-97
USE	FABRICATION	PLATING	FABRICATION	POLISHING	STORAGE MACHINERY

Answer: $\$56,452/952m^2 = \$59.30/m^2$ based on IM (\$59.01/m² based on \$)



Comparable Rentals:

<p>UNIT 1 / 10 London Drive, Date Set - Term August 2015 - Net Rental (\$/pa) \$21,980 Floor Area (sqm) 278</p>	<p>A clear-spanning semi-detached concrete block warehouse with basic amenities and 1st floor offices.</p>	
<p>UNIT 5 / 100 Canterbury Road, Date Set - Term July 2015 - Net Rental (\$/pa) \$22,000 Floor Area (sqm) 321</p>	<p>A circa 1960's attached brick office/warehouse with roller shutter door access and 3 phase power. The property includes a storage mezzanine and basic amenities.</p>	
<p>UNIT 2 / 5 Edelmaier Street, Date Set - Term June 2015 - Net Rental (\$/pa) \$15,600 Floor Area (sqm) 186</p>	<p>A circa 1970's low clearance attached warehouse with small office component, amenities, mezzanine and roller shutter door.</p>	


I LOVE REAL ESTATE  **PLATINUM ACCELERATOR**

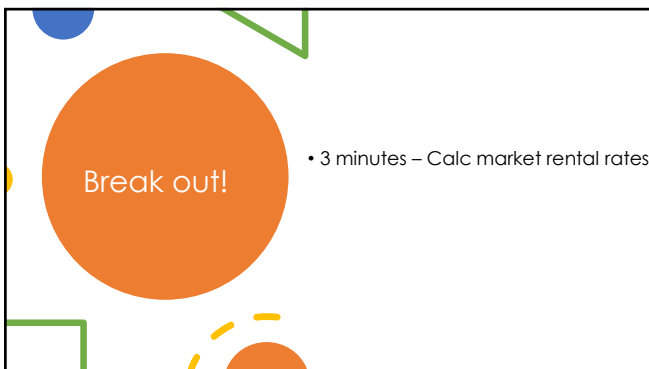
6. Activity – Calculate Market Rental Rates (Comparables)

- Rental Rate = Net Annual Rent (Excl GST) / Net Lettable Floor Area

Address	Net Annual Rent	Floor Area	Calculation (Net annual Rent/Net Lettable Area)	Rental Rate
U1/10 London Drv				
U5/100 Canterbury Rd				
U2/5 Edelmaier St				

- Range in Market Rental Rates: _____
- Deal Rental Rate = _____
- Is Deal Under Market Rent? _____

I LOVE REAL ESTATE  **PLATINUM ACCELERATOR**



Break out! • 3 minutes – Calc market rental rates

6. Activity – Calculate Market Rental Rates (Comparables)

- Rental Rate = Net Annual Rent (Excl GST) / Net Lettable Floor Area

Address	Net Annual Rent	Floor Area	Rental Rate
U1/10 London Drv	\$15,580	278	\$78
U5/100	\$22,000	321	\$69
U2/5 Ede	\$15,600	186	\$84

460 units leased on Realcommercial.com.au in Bayswater Jan 2014-Aug2015 = Demand!!!!

- Regional Market Rental Rates: \$69 - \$84/m²
- Deal Rental Rate = \$59/m²
- Is Deal Under Market Rent? **YES!!!!**

4 Agents Feedback: \$70-\$85/m²

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

7. Strategy 1 – Tidy Up & Increase Rent to Market Rent

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

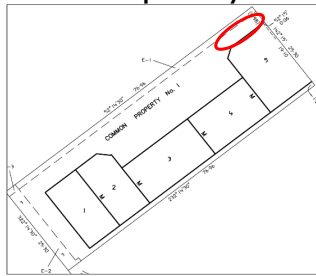
7. Activity – Calculate New Net Annual Income

- Targeting upper market rental rate = \$85/m²
- Net Annual Income = Rentable area x Rental Rate
- Answer: 952m² x \$85/m² = \$80,920/yr
- Increase in income? \$56,262 vs \$80,920 = Increase of \$24,658/yr

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

8. Strategy 2 – Rent Hardstand Area Separately

- 45m² hardstand area next to Unit 5 was being used by the tenant but not paid for
- Reclaim the hardstand area, fence off for exclusive use and rent to an existing tenant or new tenancy @ \$50/m²
- Additional Income?
45m² x \$50/m² = \$2,250/yr

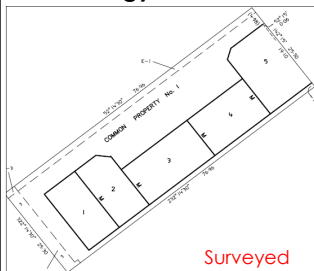


9. Activity – Effect of Increased Income on Value

- Assuming Cap Rate = 6.25% (As per Val after Reno)
- Market Value = Net Annual Income / Area Capitalisation (Cap) Rate
- Answer: $(\$80,920 + \$2,250) / 0.0625 = \$1,330,720$
- **Potential** Increase in Value : $\$1,330,720 - \$800,000 = \$530,720$!!!!!



10. Strategy 3 – Strata Title into 5 Units (5 Lots)



10a. New Lettable Areas From Strata Survey Plan

Unit	m ²
Unit 1	
Unit 2	
Unit 3	
Unit 4	
Unit 5	
Total	

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

10a. New Lettable Areas From Strata Survey Plan

Unit	m ²
Unit 1	170
Unit 2	164
Unit 3	230
Unit 4	195
Unit 5	243
Total	1002

Sold as 952m² = Extra 50m²!!!!

I LOVE REAL ESTATE **PLATINUM ACCELERATOR**

10b. Activity - Potential Value Add From Strata Tiffling

- 4 local agents feedback: Queue of potential owner occupiers to buy individual factories if property was strata titled and sold separately (vs sold "in-one-line")
- Also demand from SMSF investors for lower cost investments
- Comparison Square Metre Rates + Agents feedback + Valuer confirmation = \$1299 - \$1493/m²
- Valuer Adopted Post Reno: \$1477m² (vs \$845/m² on purchase!!)
- Market Value = Square meter rate x rentable area
- Answer: $\$1477/m^2 \times 1002m^2 = \$1,479,954$ = \$680k increase in value in 17mths!!!

I LOVE REAL ESTATE Val rounded to **\$1,480,000** **PLATINUM ACCELERATOR**

11. Activity – Will Revaluation & Refinance Recoup Owner Funds in the Deal?

Item		Item	
Purchase Price = Bank Val		Bank Revaluation	
Bank Loan @ 80%		New Bank Loan@65%	
Owner Funds (20%)		Existing Bank Loan	
Purchase Costs	\$55,498	Equity Release	
Strategy Costs	\$50,374	Owner Funds to Payback	
Total Owner Funds Contributed		Additional Funds Released	



Break out!

- 3 minutes – Calc if all of Owner Funds released on refinance

11. Activity – Will Revaluation & Refinance Recoup Owner Funds in the Deal?

Item		Item	
Purchase Price = Bank Val		Bank Revaluation	
Bank Loan @ 80%		New Bank Loan@65%	
Owner Funds (20%)		Existing Bank Loan	
Purchase Costs	\$55,498	Equity Release	
Strategy Costs	\$50,374	Owner Funds to Payback	
Total Owner Funds Contributed		Additional Funds Released	



11. Activity – Will Revaluation & Refinance Recoup Owner Funds in the Deal?

Item		Item	
Purchase Price = Bank Val (A)	\$800,000	Bank Revaluation (G)	\$1,480,000
Bank Loan @ 80% (B=A x0.8)	\$640,000	New Bank Loan@65% (H=Gx0.65)	\$962,000
Owner Funds (20%) (C=Ax0.2)	\$160,000	Existing Bank Loan (B)	\$640,000
Purchase Costs (D)	\$55,498	Equity Release (I=H-B)	\$322,000
Strategy Costs (E)	\$50,374	Owner Funds to Payback (F)	\$265,872
Total Owner Funds Contributed (F=C+D+E)	\$265,872	Additional Funds Released (I-F)	\$56,128



QUESTIONS?